

HOW FRANCHISE SMALL BUSINESSES ARE SUPPORTING THE U.S. ECONOMY

For decades, the franchise model has created opportunity for Americans and served as a backbone of the economy. The more than 780,000 U.S. franchise establishments support over 8.8 million direct jobs, \$890 billion of economic output for the economy and 3 percent of the Gross Domestic Product (GDP). Employment in franchise businesses is expected to grow in retail businesses, restaurants, hotels, automotive, business services, personal services, real estate and commercial and residential services. Below are just a few of the many ways the existing regulatory framework has enabled franchising to provide significant opportunity for countless Americans and support economic growth in communities throughout our nation.

FRANCHISES ARE A HUGE DRIVER OF GDP GROWTH

- IHS Economics, an economic forecasting firm, expects the Gross Domestic Product (GDP) of the franchise sector in nominal dollars to grow by 5.2 percent to \$521 billion in 2015, while the GDP forecast of the United States has been revised downward in 2015 and now shows growth of only 3.4 percent for the overall economy.

FRANCHISES ARE CREATING JOBS FASTER THAN NON-FRANCHISE BUSINESSES

- Employing more than 8.8 million workers, America's 780,000 franchises make significant contributions to the U.S. economy every year, growing faster than the U.S. economy for five consecutive years.
- Job growth for franchise businesses continues to outpace growth in businesses economy-wide, as it has for the past four years. Franchise businesses will add 247,000 new direct jobs this year; that is on top of the 235,000 jobs that were added in 2014.

FRANCHISE GROWTH IS PREVALENT ACROSS ALL BUSINESS SECTORS

- Since 2000, more than 1,200 brands – from small to medium enterprises -- started franchising, which demonstrates the attractiveness of the franchise model for entrepreneurs seeking to grow their businesses. The highest concentration of new concepts are in Health & Fitness; Clothing & Accessories; Education; Frozen Desserts; Sports & Recreation and Beauty.

GOVERNMENT REGULATIONS PROVIDE EXISTING & PROSPECTIVE FRANCHISEES WITH PROTECTIONS

- For nearly forty years, the [FTC's Franchise Rule](#) has been successful in protecting prospective franchisees against abuses that may occur in pre-contractual disclosure. Extensive pre-sale disclosure mandated by the FTC in the 1970s and reexamined in 2007 ensure franchisees have ample time to review a franchisor's financial statements and leadership, as well as over twenty other areas of disclosure information, before entering into a contractual agreement to purchase a franchise.

- Fifteen states maintain additional requirements regarding franchise disclosure beyond the FTC Rule. Additionally, 23 states maintain protections for franchisees and franchisors over the relationship between each party.

FRANCHISEES ARE HIGHLY SATISFIED WITH THEIR INVESTMENT

- A recent independent [survey of franchisees by Franchise Business Review](#) found that nearly 80 percent would recommend their franchise brand to others, and nearly 75 percent would “do it all over again” knowing what they know today about the business model. Furthermore, more than 80 percent of franchisees said they would rate their franchisor highly, enjoy being part of their franchise network, and believe their franchisor acts with honesty and integrity.

RENEWAL RATE OF FRANCHISE AGREEMENTS IS AT AN ALL-TIME HIGH

- Franchisees are highly satisfied with their franchise business and they have a high level of trust in their franchisors. They know they have remedies in places through their mutually-agreed upon contract, through the courts, and through many state laws if issues arise between the two parties.