

Franchising Outpaces Other Sectors of Economy in Growth, Jobs

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New Study Shows 18% Expansion from 2001 to 2005

WASHINGTON, March 12 /PRNewswire-USNewswire/ -- The franchising sector of the economy expanded by over 18 percent from 2001 to 2005, adding more than 140,000 new businesses and 1.2 million new jobs to the nations economy, according to a new economic impact study released today. Direct economic output of franchises grew by more than 40 percent to \$880 billion in 2005.

Franchising now provides more jobs than many other sectors of the economy, including the durable goods manufacturing and financial activities sectors, said Matthew Shay, president and CEO of the International Franchise Association. It is clear that franchising is a critical engine of economic growth in the United States, powering local communities across the country.

The study, prepared by PricewaterhouseCoopers (PwC) on behalf of the International Franchise Association Educational Foundation, shows that from 2001 to 2005 franchise businesses have outpaced the economy as a whole in terms of the rate of growth of jobs, payroll and output. In fact, the rate of growth in employment was three times higher for franchise businesses than for the economy as a whole.

In sheer numbers, the jobs and payrolls of franchised businesses were greatest in California, Texas, Florida and Illinois in 2005, noted Shay. Franchising had the greatest impact on jobs and payroll in Nevada, New Mexico, Arizona and Mississippi and it accounted for the largest share of state output in Nevada, Arizona and Florida.

Payrolls among franchised businesses also grew at a faster pace than other businesses. Between 2001 and 2005, franchise payrolls expanded nearly 22 percent to \$279 billion.

The impact of franchised businesses goes beyond direct employment and payroll contributions, the study found. Franchised businesses purchase products and services from non-franchised businesses and their owners and workers contribute to the growth of non-franchised businesses.

As a result of these spillover effects, the total impact of franchising was to provide 21 million jobs and \$660.9 billion of payroll in 2005, said Shay. Output produced because of franchised businesses grew to more than \$2.3 trillion in 2005.

Franchised businesses operate in every state, the District of Columbia and in every Congressional District in the country. Franchising is a method of distributing products and services that involves a franchisor who lends their trademark and business system to a franchisee who, in return, pays a royalty for the right to use that trademark and system in their business.

There are more than 900,000 franchised businesses in the country operating in many lines of business, including automotive, commercial and residential services, quick-service and full-service restaurants, retail food, lodging, real estate, retail products and services, business services and personal services.

Editors: The complete 600-page report including charts and breakouts by business sector, state and Congressional District can be found on a new Web site, www.buildingopportunities.com and can be accessed through IFAs Web site, www.franchise.org. A jpg of Matthew Shay, Pres. and CEO of the IFA is available upon request.

About The International Franchise Association

The International Franchise Association, the worlds oldest and largest organization representing franchising, is the preeminent voice and acknowledged leader for the industry worldwide. Approaching a half-century of service with a growing membership of more than 1,300 franchise systems, 10,000-plus franchisees and more than 500 firms that supply goods and services to the industry, IFA protects, enhances and promotes franchising by advancing the values of integrity, respect, trust, commitment to excellence, honesty and diversity. For more information, visit the IFA website at www.franchise.org.

About the IFA Educational Foundation

The IFA Educational Foundation serves as the research and educational arm of the International Franchise Association. The Foundation is a 501 (c) (3) non-profit organization and donations are tax deductible. The Foundation conducts research to expand the knowledge and awareness of franchising's role in the economy; provides continuing education and professional development programs through the Institute of Certified Franchise Executives (ICFE); and works to increase opportunities for women and minorities in franchising through the IFA Diversity Institute.

SOURCE International Franchise Association

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