



**WHY 2021
WILL BE
THE BEST YEAR
FOR
FRANCHISING &
FRANCHISE SALES
IN RECENT HISTORY**

The post COVID-19 shutdown period will mark a dramatic resurgence in franchising activity



Prepared by
iFranchise Group, Inc.

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A Dramatic Rise in Franchise Sales is Predicted After Pandemic Shutdowns

A surge in franchise sales is a virtual certainty in the months to come. And when it happens, the vital role that franchising plays in the economy will become more evident than ever before.

As the marketplace comes out on the other side of the COVID-19 curve, and with the continued loosening of earlier shutdowns, all indications point to a resurgence in franchise sales in the months following when the first shutdowns went into effect across the U.S.

Businesses looking to launch or continue their franchise programs need to use their time wisely, to prepare expansion strategies, make operational adjustments, and shore up marketing tools and messages in anticipation of the resurgence.

With a franchise lead-to-sale timeframe that can often extend to 12 or even 20 weeks, franchisors should be preparing their organizations **NOW**, and ramping up their lead generation efforts to prepare for what's to come.

What are the causes behind this dramatic shift in the world of franchising?

On the following pages, we'll take a look at the factors impacting this expected increase in franchise sales as we move toward late 2020 and into 2021: **a combination of PEOPLE, CAPITAL and OTHER FACTORS & RESOURCES.**



**MARK SIEBERT,
CEO
iFRANCHISE GROUP:**

“There is an urgent need for companies to be prepared for the coming boom in franchise sales, both for those looking to develop new franchise programs or those seeking to improve their existing franchise offerings. This is due to the anticipated increase in interest from those looking to buy their own franchises. We are anticipating a significant rise in franchise sales activities beginning in early fall of 2020 and lasting through the end of 2021.”

FRANCHISE OWNERSHIP MAY BE A NATURAL FIT FOR MANY DISPLACED PROFESSIONALS

One of the reasons franchise sales have traditionally fared well during a down economy is that unemployment or underemployment often spurs people to take the leap into becoming their own boss.

Also, as in past recessions, when businesses restart, there may not be an immediate return to the same number of employment opportunities, especially at the high end of the market.

Many of the people whose jobs have been affected, reduced, or eliminated will have the necessary skills for franchise success: business experience, technology skills, leadership style and a willingness to follow systems.

If people are not able to return to their previous positions, or are hesitant to return to the corporate world, they are naturally going to be looking for viable alternatives to provide for their families and futures.

The first factor impacting increased franchise sales? PEOPLE.

Franchisors are going to see an incredible influx of new prospective franchise buyers entering the marketing place in the months to come.

Historically, when certain market factors are in place, franchise sales accelerate.

The unemployment rate spiked at a staggering 14%+ during the second quarter of 2020, with some sources citing that figure even higher. This was after a record low unemployment rate of 3.5% before the pandemic hit.

Yet even as businesses continue to reopen and the economy recovers from the early devastation in 2020, the unemployment rate is still expected to remain high, predicted to be at around 9.5% by the end of 2021, representing about 6 million fewer people in the labor force. And for many, the jobs that will be open at the high end of the marketplace may pay well below the standard of living that they have become accustomed to – forcing them to choose between altering their lifestyle or going into business for themselves.

For those who have not lost their jobs yet, many are underemployed or wondering if they will be the next to be furloughed or terminated. This means there are likely to be millions of unemployed or underemployed individuals looking to control their own destinies. Many of these people will also have access to a severance package, a nest egg, or easier access to capital through government-funded programs (*more on that later*).

Plus, with many other displaced workers, those looking to own their own businesses are apt to find that staffing a franchise business may be easier than ever. There will be an increased availability of hourly and other lower-cost labor for franchise locations as people look for work – answering the employment shortage that many small businesses felt pre-COVID.

“People will face a choice between getting a low paying job or owning a business. We are seeing a good deal of activity now, but there are still a lot of investors on the sidelines, for a few reasons: some people are waiting these turbulent time out to see what happens. Government programs are allowing people to stay afloat in short term, but that will eventually end. Elections also have people wondering about direction. But come November, people will want to get on with their lives.”

~ Mark Siebert

Another important factor that will influence future franchise sales? **CAPITAL.**

Franchisors will be able to talk to more candidates who have the financial ability to invest in a franchise.

As noted earlier, franchising will be most attractive and accessible to those who have a nest egg, a severance package or other financial resources they can tap into to purchase a franchise. In addition to these assets, many potential investors, leery of putting their funds into a volatile stock market, may opt to choose different vehicles for their money – **including franchises.**

Stocks and home values have been growing for a decade straight since the last recession, and while they have recently lost some value, they are still well above prior levels. And unlike during the “Great Recession,” capital is going to be much more readily available.

Plus, there are already programs in place that allow people to tap into their 401(k)s without penalty and they have been growing in popularity. In addition, people have put a lot of money into cash and cash equivalents (bonds and CDs, for example) which will help with financing.

The upcoming months should also provide greater access to lending for future franchisees. Low cost capital is available now, in conjunction with government programs to support small business growth. During an election year, it can be anticipated that this type of small businesses assistance will continue. The growing list of incentives from the [SBA](#) will help encourage small business growth, just as it did in the prior decade’s recession.



What else will drive franchise sales? **ADDITIONAL FACTORS & RESOURCES.**

Finally, franchisors will benefit from a host of other factors that are expected to contribute to the upcoming boom in franchise sales.

Real Estate. The commercial real estate market already saw vacancies before the pandemic, and the impacts of prolonged shutdowns will likely result in even more prime locations becoming available. A [report](#) by the National Association of REALTORS® Research Group noted higher vacancy rates across all commercial leasing property markets in the first quarter of 2020 than the prior quarter, and projected that “far higher vacancy rates will occur in the upcoming months.” Therefore, landlords will likely be more willing to negotiate and offer favorable deals for prime locations. Franchise owners, whether first time start-ups or existing owners, will be able to capitalize on these favorable terms for their new brick and mortar locations, and more attractive rates will also make it easier for them to secure bank financing.

Vendors. The same can be said for other vendors and suppliers to the franchise industry. Companies who offer solutions to franchisees such as technology, equipment, advertising, paper products, signage and more will be motivated to recoup sales lost during the shutdowns and ensuing recession. Smart entrepreneurs who act quickly will be able to leverage the favorable post-shutdown concessions, pricing, and terms that will no doubt be there for the taking.

Shifts in Operations & Buying Patterns. With ongoing health concerns, consumers tend to feel a higher level of confidence walking into a business that is part of a larger network, with clearly established quality control standards, staff training and product consistency. Businesses of all types are having to adjust operations to better meet consumer demand and safety expectations during these unprecedented times. The good news is that retail or restaurant businesses that have leveraged new service models like curbside pick-up or that have implemented contactless technology tools will not only be able to serve customers better, they will provide a more appealing and relevant business model for franchise buyers. On top of that, while some business models may ultimately become obsolete, certain kinds of businesses will fare well as we continue to navigate the “new normal.”



THE TIME TO ACT IS NOW.

Franchise companies, both emerging and established, need to assess their current business models to see if they will work in the new economy; it will be important to adjust and adapt before expanding. With that done, they should then focus on ramping up franchise offerings in order to be fully prepared for the coming wave of franchise buyers.

NOTE: For companies that have not yet developed their franchise programs, it typically takes at least four months to do so, starting with an analysis of whether the business is [franchisable](#), followed by the development of the key legal, operational and marketing elements of a franchise offering. Existing franchisors will need to review and update their operations manuals, training programs and marketing strategies to align with system changes. Franchisors at any stage of development and growth will need to be sure all of this is in place in anticipation of the marked increase in franchise sales activity.

**To learn more about franchising a business,
or improving an existing franchise program, contact:**



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