

**WHY THIS WILL BE  
ONE OF THE BEST YEARS  
FOR  
FRANCHISING &  
FRANCHISE SALES  
IN RECENT HISTORY**

*With unprecedented market dynamics at play, a dramatic surge in franchising activity is expected to continue*



Prepared by  
iFranchise Group LLC

**iFranchise**  
Group

FRANCHISE CONSULTANTS

# **The Dramatic Rise in Franchise Sales is Expected to Continue in current unprecedented economic times**

**A continued surge in franchise sales is a virtual certainty in the months ahead. And as that continues, the vital role that franchising plays in the economy will remain evident.**

Even with today's somewhat unusual marketplace dynamics, with low unemployment and economic growth coupled with inflationary trends, ongoing supply challenges, and more, all indications continue to point to an ongoing surge in franchise sales – one that has already been in place over the last couple of years.

**Businesses looking to launch or improve their franchise programs need to use their time wisely, to plan expansion strategies, make operational adjustments, and shore up marketing tools and messages to leverage this ongoing surge.**

With a franchise lead-to-sale timeframe that can often extend to 12 or even 20 weeks, franchisors **should already be preparing** their organizations, and ramping up their lead generation efforts to compete in today's market.

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

On the following pages, we'll take a look at what's impacting franchise sales: **a combination of PEOPLE, CAPITAL and OTHER FACTORS & RESOURCES.**



**MARK SIEBERT,  
CEO  
iFRANCHISE GROUP**

**“We continue to see significant franchise sales activity. This is due to the continued interest from those people looking to own their own businesses. With that, comes an urgent need for companies to be well prepared for the ongoing boom in franchise sales, whether they are looking to develop new franchise programs or seeking to improve their existing franchise offerings.”**

## **FRANCHISE OWNERSHIP CAN BE A NATURAL FIT FOR MANY DISPLACED PROFESSIONALS**

One of the reasons franchise sales have traditionally fared well during a fluctuating economy is that higher 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 had 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).

And if they 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, including franchising, to provide for their families and futures.

## **The first factor impacting franchise sales? PEOPLE.**

**Franchisors are still seeing an incredible influx of new prospective franchise buyers in the marketplace.**

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, after record lows before the pandemic hit. As the economy recovered from the devastation in 2020, the unemployment rate has also rebounded, with the official Bureau of Labor Statistics rate at 3.5% as of December 2022.

However, the “real” unemployment rate, factoring in the underemployed, discouraged, and those who have simply stopped looking for work, is estimated to be at 7.4%.

Especially for many at the top employment tier, the jobs that are 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.

This means there are likely 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 access to capital through government-sponsored programs (*more on that later*).

# Another important factor that influences franchise sales? **CAPITAL.**

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

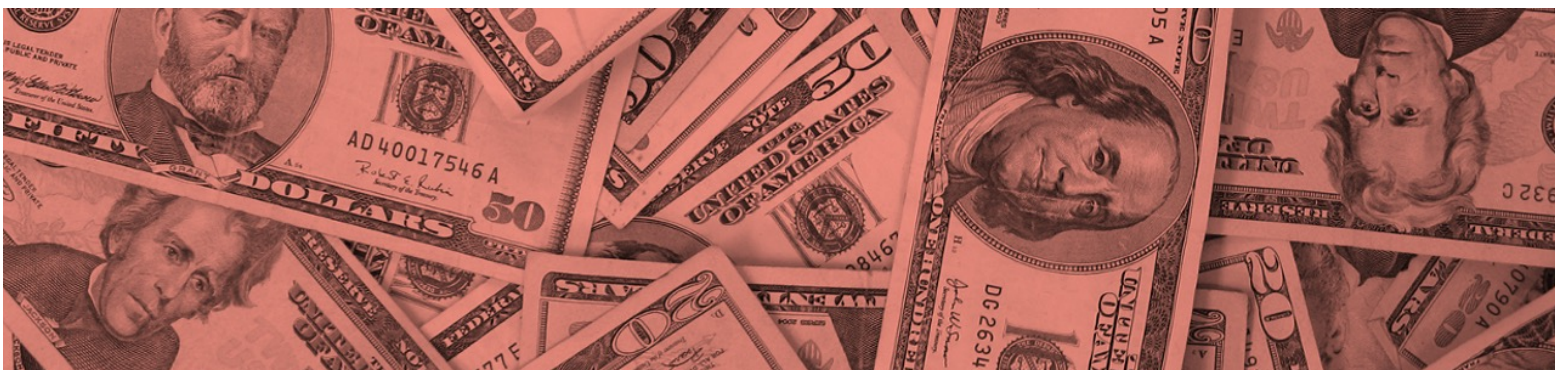
As noted earlier, franchising will be most attractive and accessible to those who have a nest egg, a severance package or other financial resources they can tap into to purchase a franchise. In addition to these assets, many potential investors, rather than putting their funds into the stock market,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

Stocks and home values had been growing for a decade straight since the last recession. And while they initially lost value when the pandemic first hit, the stock market and residential real estate market values bounced back, albeit with some recent volatility. **Home values**, in particular, continued to increase by 10.8% in 2022, after a record 19%+ the year before, meaning more equity into which homeowners can tap.

Unlike past periods, however, when the stock market was doing well, franchise prospects no longer can look at the financial markets as a safe place to park their money and get a 10% return or better. As a result, a lot of the money that was in the market is now sitting on the sidelines in cash, looking for a better and safer places to invest. In fact, at the beginning of 2023, a **record \$4.8 trillion** was held in money market accounts – money which can be, and often is, used to help people start a new business or invest in a franchise.

Different from the Great Recession of 2009-2009, capital is more readily available. There are already programs in place that allow people to tap into their 401ks without penalty and they have been growing in popularity. There are also government lending programs, including those through the SBA, that support small business growth.

So even with fluctuating interest rates and market performance, relatively low-cost lending is still available, thus providing ready access to capital for future franchisees.



# What else is driving franchise sales? **ADDITIONAL FACTORS & RESOURCES.**

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

**Commercial Real Estate.** The commercial real estate market had already seen vacancies before the pandemic, and the impacts felt through 2020 resulted in even more prime locations becoming available. Since then, demand for retail space has remained positive for seven straight quarters, according to the [National Association of Realtors](#), with retail sales growing 19% since pre-pandemic 2019. Franchise owners, whether first time start-ups or existing owners, should be able to capitalize on these favorable conditions for their brick and mortar locations.

**Vendors.** There are also dynamics to leverage with vendors and suppliers to the franchise industry. Companies who offer solutions to franchisees such as technology, equipment, advertising, paper products, and signage are still sorting through supply chain and staffing challenges, and should continue to be motivated to recoup and increase sales. Smart entrepreneurs who act intelligently will be able to leverage the favorable concessions, pricing, and terms that will no doubt remain in effect.

**Shifts in Operations & Buying Patterns.** Since the pandemic, consumers have shown they 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 have had to adjust operations to better meet consumer demand and safety expectations during 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 not only are able to serve customers better, they 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 work well in the current economy; it will be important to adjust and adapt before expanding. With that done, they should then focus on ramping up franchise offerings and marketing efforts in order to be fully prepared for the continued 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 and market changes. Franchisors at any stage of development and growth will need to be sure all of this is in place to leverage the increase in franchise sales activity.

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



FRANCHISE CONSULTANTS

[info@ifranchisegroup.com](mailto:info@ifranchisegroup.com)

(708) 957-2300

[ifranchisegroup.com](http://ifranchisegroup.com)