



**WHAT MATTERS MOST
BEFORE, DURING, & AFTER THE SALE**

7th Annual
**FRANCHISE & LEADERSHIP
DEVELOPMENT & CONFERENCE**
2005

A background image showing two hands shaking, symbolizing agreement or partnership. The hands are rendered in a dark, semi-transparent style against a blue gradient background.

Trends in Franchising

Darrell Johnson, FRANdata

7th Annual
**FRANCHISE & LEADERSHIP
DEVELOPMENT & CONFERENCE**
2005

General Economic Trends

- GDP projected to grow at 3.5%
- Personal Income for 2005: 6.5% annualized
- Consumer Spending for 2005: 3.3% annualized

Key Concerns:

- Consumer Leverage: 24%
- Interest Rate – flat yield curve
- The affects of Hurricanes Katrina and Rita

Hurricane Katrina & Franchising

- 790 different systems have units in MS, LA, AL
- 19,062 units (15,892 franchised, 3,170 company-operated)
- 30 different industries, 177 different subsectors affected
- Mobile-Pensacola, New Orleans, Baton Rouge, Jackson most heavily affected areas

Franchising - Some Facts

Overall:

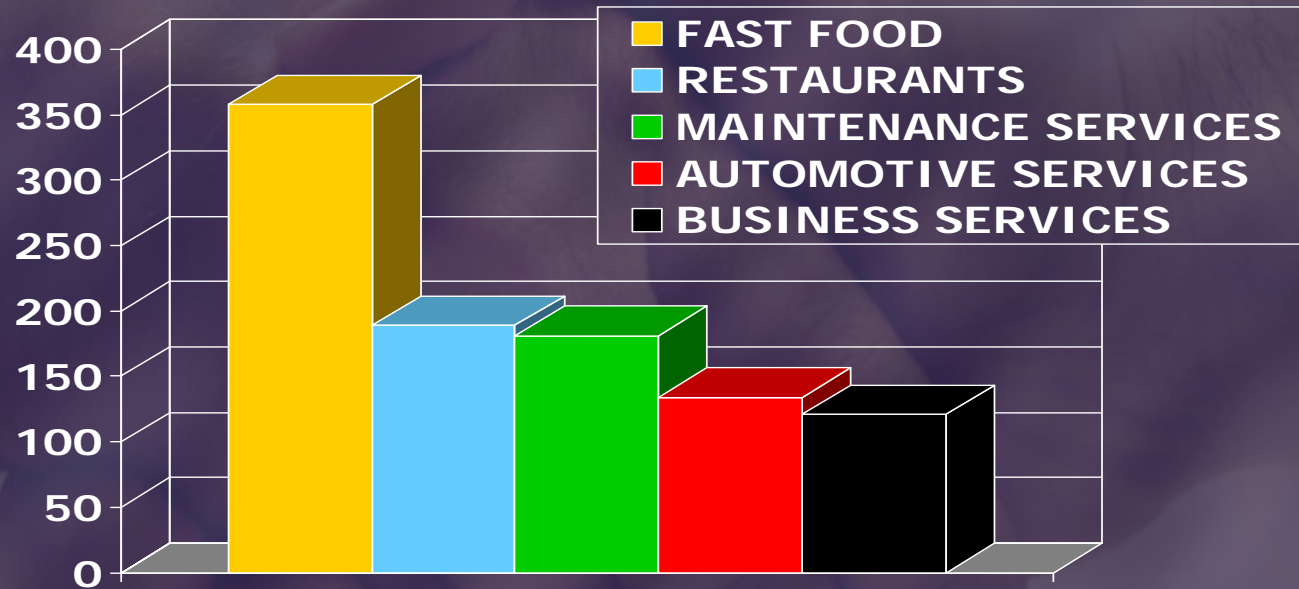
- Nearly 1/3 of all retail transactions
- More than \$1 trillion in annual sales
- 2,165 active franchise systems
- 525,159 total units
- More than 300 new franchise concepts to-date in 2005

In Attendance Today:

- More than 100 different systems
- 22 different industries
- 35,000+ total units
- 6 new concepts - franchising for < 2 years

Largest Industries by Number of Franchise Systems

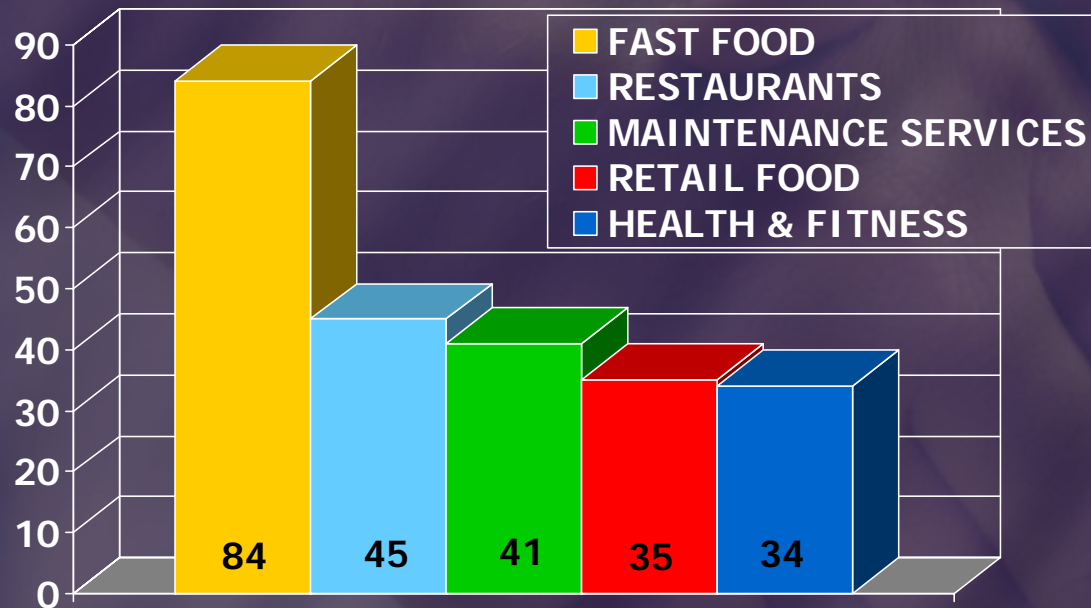
Overall:



In Attendance Today: Fast Food (15), Maintenance Services (7), Retail (7), Restaurant (6), Service Industry (5)

Fastest Growing Industries (New Concepts)

Overall:

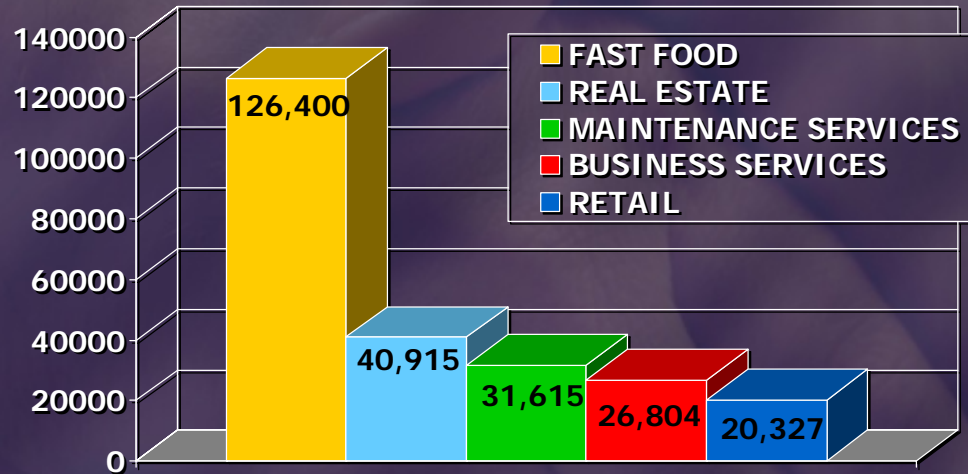


In Attendance Today:

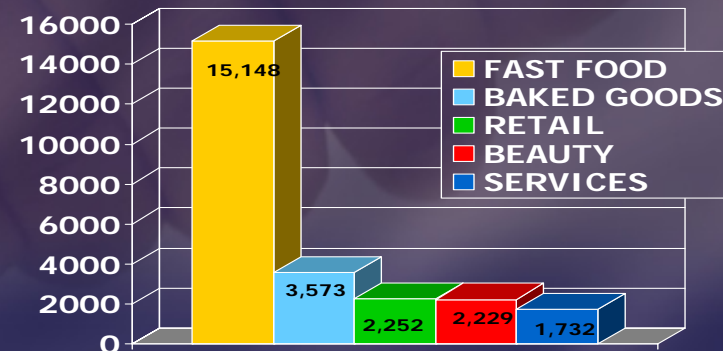
- 6 systems <2 years
- 10 systems 2-5 years
- 9 systems 6-10 years

Largest Industries by Number of Franchised Units

Overall:



In Attendance Today:



Franchisor Financials

Overall:

	<u>REVENUE</u>	<u>NET INCOME</u>
RETAIL FOOD	\$ 325,595,423.30	\$ 1,677,955.20
RETAIL	\$ 300,659,354.43	\$ 2,027,581.38
DECORATING	\$ 132,597,875.62	\$ 1,882,893.15
RESTAURANTS	\$ 126,758,071.47	\$ 1,609,419.40
PERSONNEL	\$ 104,324,890.50	\$ 260,263.08

In Attendance Today:

	<u>REVENUE</u>	<u>NET INCOME</u>
FAST FOOD	\$ 76,460,483.37	\$ 1,244,519.58
MAINTENANCE	\$ 14,863,407.29	\$ 291,363.41
RETAIL	\$ 300,659,354.43	\$ 2,027,581.38
RESTAURANTS	\$ 126,758,071.47	\$ 1,609,419.40
SERVICE	\$ 10,259,337.34	\$ 210,346.81

Developments to Watch

- Interest Rates
 - Rising Short-Term Rates will Dampen Economic Expansion and Curtail Spending
 - Inflation May Alter Spending Behavior
- Sub-Sector Concept Specialization
 - New Concepts are Narrowly Targeting Customer Needs/Wants
 - Your Customer Base is at Risk

Developments to Watch

- Refined Services Supporting Franchising Model
 - More Information Available to Aid Decision-Making, such as Issue Specific Research and Targeted Magazines
 - Specific Products Support Concept Life Cycle Phases, such as Personality Profiling and Site Selection for Growing Systems
- Franchise Expansion Model Sophistication
 - Multi-Unit/Multi-Brand/Area Development/Area Reps
 - Use of Tools Such as Internet and User Defined Contact Lists

A close-up photograph of two hands shaking, symbolizing agreement or partnership. The hands are positioned centrally, with fingers interlaced. The background is a soft, out-of-focus light color, possibly a wall or a backdrop.

FRANdata

www.frandata.com

800.485.9570

7th Annual
**FRANCHISE & LEADERSHIP
DEVELOPMENT & CONFERENCE**
2005