INTERNATIONAL FRANCHISE ASSOCIATION 2021

ECONOMIC OUTLOOK

FOR FRANCHISING

PREPARED BY

FRANdata
Franchise Business Intelligence

IFA
INTERNATIONAL FRANCHISE ASSOCIATION

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INTRODUCTION

IN 2021, FRANCHISING IS PROJECTED TO OPEN MORE THAN 26,000 LOCATIONS, ADD NEARLY 800,000 NEW JOBS, AND CONTRIBUTE $477 BILLION TO THE US GDP.

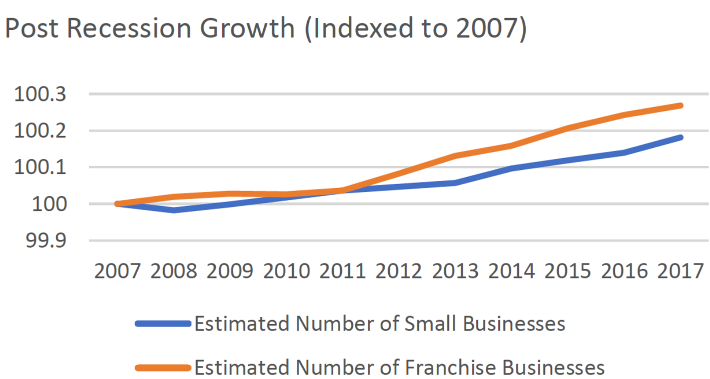
Assuming control of the COVID-19 pandemic is forthcoming this year, FRANdata predicts that by year-end, franchising will have recovered to nearly 2019 levels in most metrics: business growth, employment, economic outlook, and contribution to the GDP. FRANdata projects that more than 26,000 new franchised business will open in 2021, recovering most of the losses felt in the previous year. Franchises will employ some 8.3 million people, adding nearly 800,000 new jobs. Much of this employment will be in the retail, food, and services industries and will be for lower-skilled workers, a group that has been disproportionately hurt by the economic downturn.

Industry expansion and economic output should approach pre-pandemic levels by the end of the year, though changes in operations and consumer demand will have an impact on the industry. It is expected that new business openings will shift away from larger employers, such as hotels and sit-down restaurants, and toward emerging industries, such as commercial and residential services and Quick-Service Restaurants (QSRs).

INTRODUCTION

Franchise Business Economic Outlook: 2017-2021					
	2017	**2018**	**2019**	**2020 (Est.)**	**2021 (Proj.)**
Establishments	748,752	760,476	773,603	753,770	780,188
Percentage change		1.6%	1.7%	-2.6%	3.5%
Employment	7,975,179	8,207,599	8,434,090	7,491,456	8,252,929
Percentage change		2.9%	2.8%	-11.2%	10.2%
Output ($ billions)	$720.4	$760.3	$787.5	$670.0	$780.0
Percentage change		5.5%	3.6%	-14.9%	16.4%
GDP ($ billions)	$427.5	$452.1	$473.4	$446.3	$477.4
Percentage change		5.8%	4.7%	-5.7%	7.0%

Source: FRANdata



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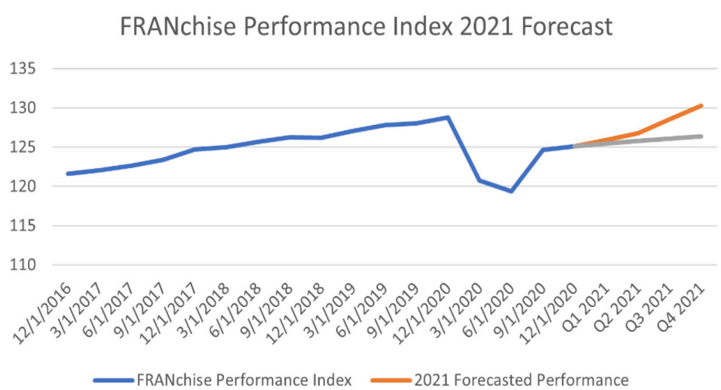


In past recoveries, franchising has expanded faster than overall GDP. The franchise model's unique structure allows for faster hiring, rapid business openings, and more stable performance than independent businesses.

The US economy shrank by 3.5%, the worst year since World War II. The economic uptick that occurred in late summer has been all but wiped out by the explosion in COVID cases in the winter.[1] In a mid-year analysis, FRANdata predicted widespread business closures if the government failed to provide relief as it did.

With the vaccine rollout and the potential for new federal relief, 2021 is positioned for healthy growth and robust economic recovery, but the actions taken in the first few months of the year will determine the recovery's strength and reach. Once the economy reopens and consumer spending recovers, pent-up demand and personal savings will propel rapid growth, with franchising well poised to not only benefit, but lead.

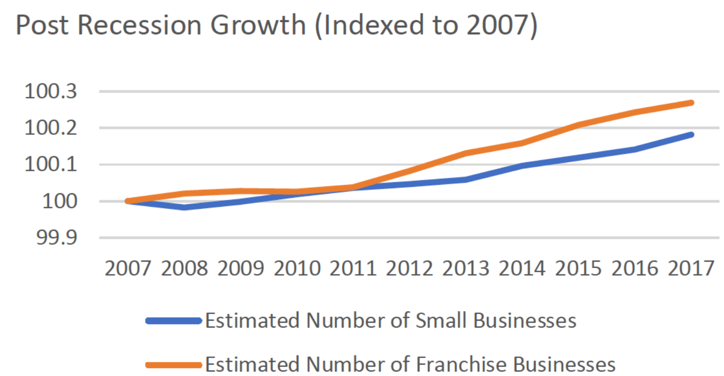
During the economic recovery, the franchise business model again will be among the leading business and job generators. This has been true following the past four recession cycles, according to FRANdata.

The fundamental design of the franchise business model allows for more rapid growth, employment, and reaction to the changing economic realities, compared to that of independent businesses.

FRANCHISING'S CONTRIBUTION TO THE ECONOMIC RECOVERY IN 2021

IN 2020, FRANCHISING LOST APPROX. 20,000 FRANCHISED ESTABLISHMENTS, BUT STILL MANAGED TO SUPPORT 7.5 MILLION WORKERS.

FRANCHISED BUSINESSES CONTRIBUTED $670 BILLION OF ECONOMIC OUTPUT INTO THE US ECONOMY, REPRESENTING 3% OF THE TOTAL NOMINAL GDP.



Source: FRANDdata

In 2020, reflecting broader trends across the U.S. economy, franchising lost approximately 20,000 business locations, ending the year with an estimated total of 753,770 franchised establishments. The year also saw the loss of over 900,000 franchise jobs, though 7.5 million remained. Overall, franchised businesses contributed $670 billion of economic output to the US economy and still represented 3% of the total nominal Gross Domestic Product (GDP). While the recovery likely slowed in the fourth quarter due to the resurgence of COVID-19, a broad deployment of vaccines and expected government stimulus package should result in continued recovery in 2021.

FRANdata estimated in its September 2020 Six-Month COVID-19 Impact Analysis report that 36,000 franchised businesses would not have survived without additional government assistance. That assistance came with the passage of the second COVID relief bill in December, including another round of PPP loans and additional stimulus checks, which left more franchises positioned to continue operating and recovering into 2021.

With franchising's proven resilience, 2021 is anticipated to yield steady growth for the business model. As in previous recoveries, franchised brands are expected to see significant sales growth, new unit development, and job creation. FRANdata forecasts a net gain of 26,000 franchised small businesses in 2021, bringing the total number of franchises in the US to 780,188. That is 6,585 units higher than the 2019 pre-COVID level.

Franchising's economic contribution is forecast to grow by 7% in 2021. Much like the broader GDP trend, the franchising market experienced a contraction in 2020, with system size declining by an estimated 2.6%. The market is projected to recover in 2021, with total franchise establishments growing at a rate of 3.5%.

FRANCHISING'S CONTRIBUTION TO THE ECONOMIC RECOVERY IN 2021

Franchise Business *Economic Outlook* 2017-2021					
	2017	2018	2019	2020 (Est.)	2021 (Proj.)
Establishments	748,752	760,476	773,603	753,770	780,188
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Percentage change		5.8%	4.7%	-5.7%	7.0%

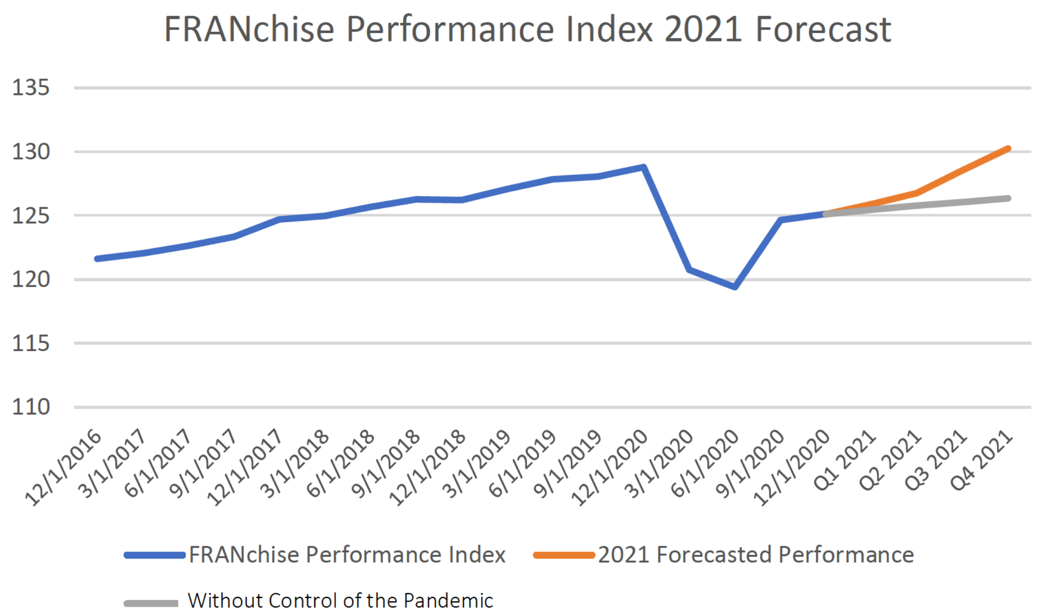
Source: FRANdata

THE MARKET IS EXPECTED TO HAVE A FULL RECOVERY IN 2021, WITH TOTAL FRANCHISE ESTABLISHMENTS GROWING AT A PROJECTED RATE OF **3.5%.**

FRANDATA FORECASTS FRANCHISING TO EXPERIENCE A NET GAIN OF **26,000** BUSINESSES WITH A TOTAL OF

780,188 FRANCHISE ESTABLISHMENTS IN 2021, **6,585** UNITS HIGHER THAN 2019 PRE-COVID LEVELS.

FRANCHISING'S CONTRIBUTION TO THE ECONOMIC RECOVERY IN 2021



Source: FRANdata

CONGRESS' LIMITED ACTION COULD REDUCE THE FPI RECOVERY BY MORE THAN 3%, WHICH TRANSLATES TO MORE THAN **20,000** UNITS THAT DO NOT OPEN AND **800,000** JOBS NOT CREATED.

FRANCHISE PERFORMANCE INDEX

For franchises to achieve their explosive potential in 2021, three preconditions must be in place. First, vaccine rollout must continue and accelerate. Reaching the goal of 100 million vaccines by the spring of 2021 would be an important step toward that goal. Second, schools must re-open as soon as possible to prevent further economic stagnation. Third, steps need to be taken to support small businesses and keep the economy growing.

With significant government assistance, FRANdata predicts that nearly all of the economic damage created by the COVID-19 pandemic could be erased, and the US economy could achieve levels of growth not seen in decades. A large, aggressive stimulus program would boost consumer confidence, which would, in turn, drive spending.

Currently, American consumers have the highest level of personal savings since the mid-1970s. Once spent, that money has the potential to drive GDP growth of over 6% per quarter in the second half of 2021. But, if no action is taken to hasten vaccine rollout and open schools, the recovery could be diminished from a V-shaped to a flat recovery. This would slow growth by more than 3%, which translates to more than 20,000 fewer franchise units open and 800,000 fewer franchise jobs created. With robust government action, the US economy could enter 2022 in a stronger position than it was at the end of 2019, before COVID, when unemployment was at an all-time low.

FRANCHISING'S CONTRIBUTION TO THE ECONOMIC RECOVERY IN 2021

RECOVERY THROUGH ESTABLISHMENT GROWTH

FRANdata estimates that franchise establishments declined by 2.6% in 2020, down to 753,770 franchises in the US because of the pandemic. **In response to the crisis, franchise business owners have continuously made adjustments and shared best practices across the franchise community. This collaborative process has led to improvement in existing businesses and the creation of thousands of new franchises.**

As the pandemic recedes, the improvements made in 2020 will remain and yield even greater benefits. Therefore, we forecast the total number of franchise establishments to experience a full recovery by the end of 2021, expanding at an accelerated rate of 3.5% to 780,188 nationwide.

The lodging, full-service restaurant and personal services sectors suffered most of the business closures in 2020. However, significant growth (8.8%) in the commercial & residential services sector has partially offset the decline, along with growth in the real estate, retail, and business services sectors, through increased rates of 1.6%, 1.2%, and 0.8%,respectively.

In 2021, all of the eight business lines we studied are expected to sustain growth. The commercial and residential services sector is predicted to continue to lead the recovery, expanding at a rate of 3.4%, followed by the restaurant sectors. Restaurants are likely to recuperate at a faster pace, as long as a widespread vaccination effort paves the way to higher consumer spending.

Franchise Establishments *by Industry*

	2017	2018	2019	2020 (Est.)	2021 (Proj.)
Business Services	108,813	108,011	106,936	107,789	110,241
Percentage change		-0.7%	-1.0%	0.8%	2.3%
Commercial & Residential Services	66,041	66,495	67,226	73,116	75,627
Percentage change		0.7%	1.1%	8.8%	3.4%
Lodging	28,374	29,116	29,706	27,136	27,931
Percentage change		2.6%	2.0%	-8.7%	2.9%
Personal Services	109,898	114,058	118,825	110,050	113,907
Percentage change		3.8%	4.2%	-7.4%	3.5%
Quick Service Restaurants	192,992	194,395	196,794	183,543	191,146
Percentage change		0.7%	1.2%	-6.7%	4.1%
Real Estate	63,098	64,170	65,307	66,332	68,657
Percentage change		1.7%	1.8%	1.6%	3.5%
Retail Food, Products & Services	146,622	151,390	155,649	157,538	162,669
Percentage change		3.3%	2.8%	1.2%	3.3%
Table/Full Service Restaurants	32,914	32,843	33,160	28,266	30,010
Percentage change		-0.2%	1.0%	-14.8%	6.2%
Total	**748,752**	**760,476**	**773,603**	**753,770**	**780,188**
Percentage change		**1.6%**	**1.7%**	**-2.6%**	**3.5%**

Source: FRANdata

FRANCHISING'S CONTRIBUTION TO THE ECONOMIC RECOVERY IN 2021

Franchise *Employment by Industry*					
	2017	2018	2019	2020 (Est.)	2021 (Proj.)
Business Services	651,659	653,999	650,489	588,475	670,591
Percentage change		0.4%	-0.5%	-9.5%	14.0%
Commercial & Residential Services	247,415	250,318	252,803	253,682	301,706
Percentage change		1.2%	1.0%	0.3%	18.9%
Lodging	627,354	648,806	662,382	446,299	557,705
Percentage change		3.4%	2.1%	-32.6%	25.0%
Personal Services	490,915	519,369	547,094	475,580	524,450
Percentage change		5.8%	5.3%	-13.1%	10.3%
Quick Service Restaurants	3,659,560	3,770,426	3,880,612	3,544,759	3,786,002
Percentage change		3.0%	2.9%	-8.7%	6.8%
Real Estate	251,046	256,328	262,130	245,437	285,820
Percentage change		2.1%	2.3%	-6.4%	16.5%
Retail Food, Products & Services	977,712	1,020,002	1,061,686	1,014,127	1,115,571
Percentage change		4.3%	4.1%	-4.5%	10.0%
Table/Full Service Restaurants	1,069,518	1,088,352	1,116,894	923,097	1,011,082
Percentage change		1.8%	2.6%	-17.4%	9.5%
Total	**7,975,179**	**8,207,599**	**8,434,090**	**7,491,456**	**8,252,929**
Percentage change		2.9%	2.8%	-11.2%	10.2%

Source: FRANdata

FRANDATA ANTICIPATES THAT FRANCHISE EMPLOYMENT WILL ADD APPROXIMATELY 800,000 JOBS TO THE US JOB MARKET, THROUGH THE HIRING OF 8.3 MILLION WORKERS BY THE END OF 2021.

RECOVERY THROUGH JOB CREATION

In 2020, franchise employment declined by 11.2% to 7.5 million, representing a loss of approximately 940,000 jobs. Job losses were mostly seen in lodging, restaurants, and personal services sectors.

The uplift in franchise employment is projected to be driven by the commercial & residential services and real estate sectors, which have already outperformed other sectors in 2020. Restaurants and lodging will follow as people begin to take more business and leisure trips again. The personal services sector will drive job creation as consumers look to spend more on personal care. Childcare will also recover as parents return to office jobs.

The COVID-19 crisis has exacerbated inequalities across society. Most of the furloughed or laid-off employees were low-skilled and low-wage workers in fixed-location jobs. **Since hotel and leisure sectors tend to employ lower-paid and lower-skilled workers, franchise rehiring in these sectors will also help minimize economic inequality.**

FRANCHISING'S CONTRIBUTION TO THE ECONOMIC RECOVERY IN 2021

RECOVERY THROUGH OUTPUT CREATION

In 2021, as the pandemic recedes and the job market surges, franchises are expected to return to normal sales and output levels. Total franchise output in 2021 is projected to grow by 16.4% and contribute a total of $780 billion to the US economy.

This will be a dramatic improvement over 2020, when franchise output declined by 14.9% nationwide. Lodging and restaurants suffered the most revenue losses. Based on a study conducted by the National Restaurant Association Research Group in November of 2020, 87% of full-service restaurants (independent, chain, and franchise) reported an average drop of 36% in sales revenue. According to year-end 2020 data from STR, the US hotel industry reported all-time lows in occupancy and revenue per available room (RevPAR). On the other hand, some franchise businesses saw improvements in 2020. The commercial & residential services sector logged a record high estimated sales growth rate of 7.7%, driven by the escalating home construction/renovation activities and increasing new home sales. The retail food, products, & services sector also helped uplift overall franchise output. Based on a study conducted by the Food Industry Association, most food retailers (61%) said the local and national economies in 2020 positively impacted their businesses.

Franchise *Economic Output by Industry* ($Billion)

	2017	2018	2019	2020 (Est.)	2021 (Proj.)
Business Services	$98.2	$103.1	$106.0	$93.1	$105.8
Percentage change		5.0%	2.8%	-12.2%	13.7%
Commercial & Residential Services	$43.9	$45.5	$45.8	$49.3	$53.3
Percentage change		3.6%	0.7%	7.7%	8.0%
Lodging	$71.7	$75.7	$78.0	$40.9	$66.0
Percentage change		5.6%	3.0%	-47.5%	61.2%
Personal Services	$35.6	$37.9	$39.3	$26.0	$35.8
Percentage change		6.3%	3.8%	-34.0%	37.7%
Quick Service Restaurants	$240.5	$256.6	$267.9	$241.0	$265.0
Percentage change		6.7%	4.4%	-10.1%	10.0%
Real Estate	$50.9	$53.4	$55.3	$48.4	$60.8
Percentage change		4.8%	3.7%	-12.5%	25.7%
Retail Food, Products & Services	$111.1	$115.1	$118.3	$121.1	$127.1
Percentage change		3.7%	2.8%	2.3%	5.0%
Table/Full Service Restaurants	$68.5	$73.0	$76.5	$50.3	$66.3
Percentage change		6.6%	4.8%	-34.3%	31.9%
Total	**$720.4**	**$760.3**	**$787.5**	**$670.0**	**$780.0**
Percentage change		5.5%	3.6%	-14.9%	16.4%

Source: FRANdata

FRANCHISING'S CONTRIBUTION TO THE ECONOMIC RECOVERY IN 2021

INDUSTRY GROWTH OVERVIEW

The pandemic has created winners and losers because of evolving consumer preferences, current economic conditions, and government regulations. Some sectors have benefited from the changes, especially in the Business Services, Commercial & Residential Services, Real Estate, and Retail Food, Products, & Services sectors. Still, some sectors suffered devastating losses, including Lodging, Personal Services, Table/Full-Service Restaurants, and Quick Service Restaurants sectors. **As we enter 2021, franchising recovery in many sectors is still facing major uncertainties, and the recovery of franchising activity is expected to be sector-specific.**

Franchise *Economic Outlook By Industry*: 2021 Forecast

	Establishments					Employment					Output ($Billions)				
	2019	2020 (Est.)	2021 (Proj.)	19-20	20-21	2019	2020 (Est.)	2021 (Proj.)	19-20	20-21	2019	2020 (Est.)	2021 (Proj.)	19-20	20-21
Commercial & Residential Services	67,226	73,116	75,627	8.8%	3.4%	252,803	253,682	301,706	0.3%	18.9%	$45.8	$49.3	$53.3	7.7%	8.0%
Real Estate	65,307	66,332	68,657	1.6%	3.5%	262,130	245,437	285,820	-6.4%	16.5%	$55.3	$48.4	$60.8	-12.5%	25.7%
Retail Food, Products & Services	155,649	157,538	162,669	1.2%	3.3%	1,061,686	1,014,127	1,115,571	-4.5%	10.0%	$118.3	$121.1	$127.1	2.3%	5.0%
Business Services	106,936	107,789	110,241	0.8%	2.3%	650,489	588,475	670,591	-9.5%	14.0%	$106.0	$93.1	$105.8	-12.2%	13.7%
Lodging	29,706	27,136	27,931	-8.7%	2.9%	662,382	446,299	557,705	-32.6%	25.0%	$78.0	$40.9	$66.0	-47.5%	61.2%
Personal Services	118,825	110,050	113,907	-7.4%	3.5%	547,094	475,580	524,450	-13.1%	10.3%	$39.3	$26.0	$35.8	-34.0%	37.7%
Quick Service Restaurants	196,794	183,543	191,146	-6.7%	4.1%	3,880,612	3,544,759	3,786,002	-8.7%	6.8%	$267.9	$241.0	$265.0	-10.1%	10.0%
Table/Full Service Restaurants	33,160	28,266	30,010	-14.8%	6.2%	1,116,894	923,097	1,011,082	-17.4%	9.5%	$76.5	$50.3	$66.3	-34.3%	31.9%
Total	**773,603**	**753,770**	**780,188**	**-2.6%**	**3.5%**	**8,434,090**	**7,491,456**	**8,252,929**	**-11.2%**	**10.2%**	**$787.5**	**$670.0**	**$780.0**	**-14.9%**	**16.4%**

GROWTH SECTORS

Commercial & Residential Services

The Commercial & residential services sector has experienced the most growth since the start of the pandemic and is expected to continue to expand in 2021, driving economic recovery primarily through soaring residential construction activities.

A Consumer Specialists survey of more than 600 homeowners conducted in June 2020 revealed that 57% of homeowners had undergone a home improvement project between March and May. On average, those homeowners spent $1,750 making home improvements and cited available time as the primary reason.[2] The National Association of Home Builders' (NABH) Remodeling Market Index's (RMI) reading of 79 for the fourth quarter of 2020 also indicates strong consumer demand for home improvement, resulting in continued investment in the housing market with surges in refinancing opportunities.

FRANdata saw increasing need among homeowners for home cleaning, sanitation, and disinfecting services amidst the pandemic, which have all bolstered franchises in the commercial & residential sector. For example, Chem-Dry, a carpet and upholstery cleaning franchise, has signed agreements to expand its footprint with 64 new franchises across the nation as of October 2020.[3] Two Maids & A Mop, a residential cleaning franchise achieved a 5.6% increase in system-wide sales in 2020.[4].

Overall, franchise establishments in the commercial & residential services sector are expected to grow at a rate of 3.4% in 2021, to approximately 76,000 units. **An estimated 48,000 jobs will be added to the sector in 2021, leading to a total of 301,706 franchise workers sector wide.** Franchise output is anticipated to grow by 8% in 2021, to $53.3 billion.

Real Estate

The real estate sector has also experienced growth during the pandemic. Because of low interest rates and people spending most of their time at home, the housing sector has become a highlight of 2020's economy. The NAHB/ Wells Fargo Housing Marketing Index (HMI) measure of builder confidence has reached successive all-time highs since August of 2020, and housing's share of GDP has gained ground. The single-family housing construction is now also at its highest level since the Spring of 2007 and is expected to grow steadily over the next two years.[5] The rise of the housing market has strengthened consumer demand for housing inspection services, real estate brokers and property management services, and the like, which has facilitated real estate franchise expansion.

The franchise real estate sector is projected to undergo continued growth in 2021 and retain more than 68,600 establishments. **Employment in this sector is forecast to grow by 16.5% to nearly 286,000 workers, an increase of more than 40,000 new jobs.** The output is expected to increase by 25.7% in 2021 to $60.8 billion.

FRANCHISE ESTABLISHMENTS IN THE RETAIL FOOD, PRODUCTS & SERVICES SECTOR ARE ANTICIPATED TO INCREASE BY 3.3% IN 2021 TO 162,669, FASTER THAN 2020'S ESTIMATED GROWTH OF 1.2%.

Retail Food, Products & Services

The Retail Food, Products, & Service sector continued to grow at an estimated rate of 1.2% (in terms of number of establishments) in 2020, helping it maintain its position as the second largest sector in franchising. Franchise establishments in the retail food, products & services sector are anticipated to increase by 3.3% in 2021 to 162,669, nearly tripling 2020's estimated growth rate. Franchise employment in the sector is also projected to increase at a rate of 10% by adding more than 101,000 jobs.

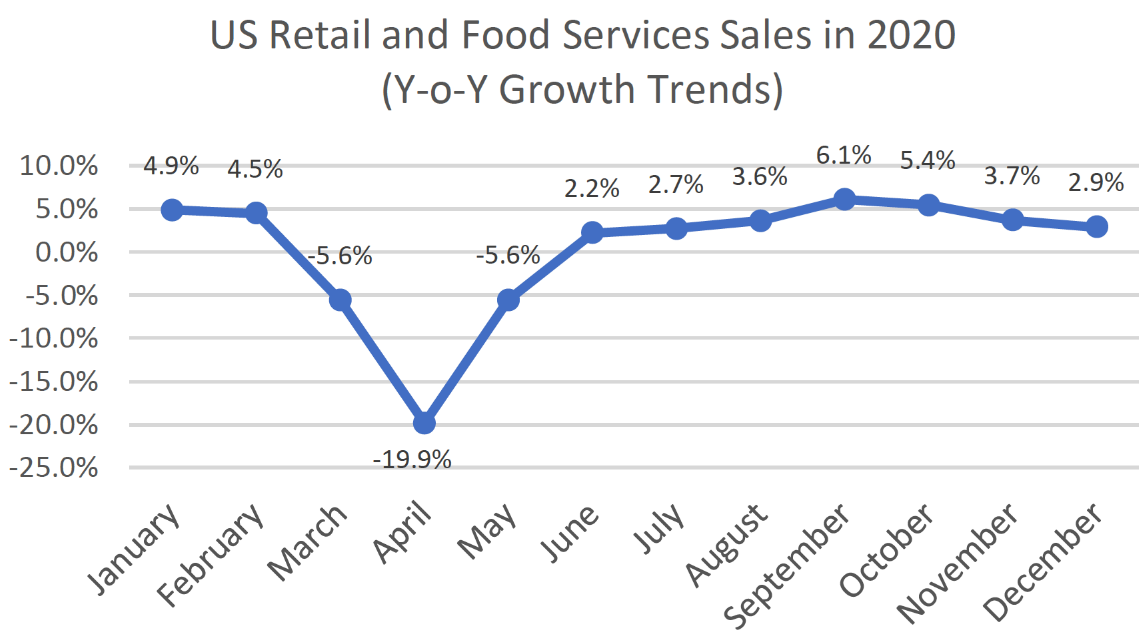
This growth is driven by a shift from spending in restaurants to spending in grocery stores. This trend began even before the pandemic as consumer nutrition concerns evolved.

Retail has also improved in the automotive sector and health and personal care stores. Home improvement, furnishing, and mass merchants also benefited from consumer behavior changes and being categorized as essential services.[6] Also aiding retail's recovery was a surge in US online retail sales increased by more than 36% during the pandemic, accounting for 18.4% of total retail sales, jumping from 13.8% in 2019. Since June, aggregated retail and food services sales have also seen a V-shaped recovery, growing year-over-year each month. Retail sales were up 2.9% over 2019 levels by December of 2020.

The pace of economic recovery is expected to pick up after the winter months and mid-year 2021. With the vaccine rollouts and additional stimulus checks, many households are anticipated to begin spending on travel and vacations in the summer.

FRANCHISING'S CONTRIBUTION TO THE ECONOMIC RECOVERY IN 2021

The retail market will continue to rebound in 2021 along with elevated consumer spending. As people are more likely to go out for in-store shopping, the percentage of online retail sales is projected to fall to 16.3% in 2021, and steadily increase thereafter, hitting 18.3% again in 2023 and 19.9% by 2025.[7] A report from Colliers International forecasts retail sales to grow by 3.2% in 2021, led by grocery sales, followed by the home, electronic, and beauty retail segments. In response to changing consumer behavior, brick and mortar retail businesses are expected to progressively adopt digital solutions to reinforce eCommerce retail sales, implement cashier-less checkout, contactless payment, and invest in in-store technology upgrades.



Business Services

Because of the pandemic, 42% of the US labor force now works from home full-time, based on Stanford University data. However, the move to remote work has created challenges for employers operating in the sector, which has in turn driven growth for franchises in technology, cybersecurity, and data privacy. For instance, TeamLogicIT, a franchise network of managed IT service providers, experienced 16% networkwide sales growth over 2019.[8]

While businesses were trying to adapt to the changes and reshape corporate strategies, we saw an increase in companies seeking solutions on marketing, public relations, legal and HR matters, which could all benefit franchises in the business services sector. **FASTSIGNS and The UPS Store are two examples of franchises that experienced accelerated growth during the pandemic.**

Even though some companies held back spending on business services to avoid discretionary costs, the sector is still expected to experience steady growth in 2021. Economic conditions are likely to increase focus on digital transformation.

Franchise business service establishments increased by 0.8% in 2020 and are forecast to continue growing by 2.3% in 2021 to 110,241 locations. Employment in the franchise business services sector declined by 9.5% in 2020 because companies were operating without full employment and below capacity. **Franchise employment in business services is projected to improve by 14.0% in 2021, with a total of up to 670,600 employees. The output is expected to increase by 13.7% in 2021 to $105.8 billion, after declining by 12.2% in 2020.**

FRANCHISING'S CONTRIBUTION TO THE ECONOMIC RECOVERY IN 2021

RECOVERING SECTORS

Lodging

In 2021, franchised hotel establishments are predicted to increase by 2.9% to approximately 28,000. **Franchise employment in the sector is expected to add up to 111,500 jobs, supporting more than 557,700 workers.** The output is anticipated to increase by 61.2% to $66 billion, but still below 2019's pre-pandemic level.

The COVID-19 pandemic has caused drastic disruption to the hospitality industry, and 2020 is officially the worst year on record for US hotels, as the lodging industry reported all-time lows in occupancy and revenue per available room (RevPAR), according to year-end 2020 data from STR. More specifically, occupancy rates dropped by 33.3% to 44%, RevPAR dropped by 47.5% to $45.48. The industry is expected to show nearly zero profit. Based on a survey conducted by American Hotel & Lodging Association, 63% of hotels have less than half of their typical pre-crisis staff working full-time today.

However, the situation is likely to improve in 2021 as the COVID relief package passed in December of 2020 will provide hotels with additional financial support in keeping businesses open and retaining and rehiring employees. As the vaccines continue to rollout, FRANdata expects to see considerable increases in spending on travel that people deferred or are nostalgic for in the second half of 2021. Rescheduled weddings and conferences might also cause travel spending to soar, which will help rejuvenate the lodging industry's recovery in 2021. However, a full US hotel demand recovery to the pre-pandemic levels will not be expected until 2023, based on STR and Tourism Economics' forecast.

Personal Services

The personal services segment was ranked as one of the fastest-growing sectors in 2019. Unfortunately, the industry suffered a major hit in 2020 because of lower consumer spending and a high unemployment rate. Businesses, such as beauty salons, massage and spa studios, gyms, and recreational facilities were forced to close during the economic lockdown as they were not considered essential businesses. A November study by ClubIntel of 2,000 US gym members revealed that 54% of those surveyed either froze or canceled their memberships. However, the situation is likely to meliorate in 2021. The industry saw a shift to virtual workouts, with 72% now offering on-demand and Livestream group workouts, up from 25% in 2019, according to fitness research firm ClubIntel. After months of staying at home, people have learned to find the balance between physical and mental well-being, so we expect to see higher consumer demand in 2021 with a blend of digital and physical classes offered by gyms.

The child-related sector is another segment that was hit hard during the pandemic. Many parents left the labor force to take care of their kids at home. Parents who are working from home but have concerns about their kids contracting COVID-19 from public daycare institutions have also chosen homeschooling, which hampered the child education sector's recovery and growth. In 2021, as the public health situation continues to improve, more parents are likely to return to work, so the demand for the industry is expected to create a strong recovery.

FRANdata projects that franchise establishments in the personal services sector will grow by 3.5% in 2021, to a total of 113,907 locations, but still below the pre-pandemic level. Franchise employment is forecast to add approximately 49,000 jobs, increasing at a rate of 10.3% to more than 524,400 employees working in the sector. Franchised businesses in the segment are expected to contribute a total of $35.8 billion in output to the economy, improving by 37.7% compared to 2020 levels.

FRANCHISING'S CONTRIBUTION TO THE ECONOMIC RECOVERY IN 2021

The COVID-19 pandemic has required restaurants to adapt to changing consumer behavior quickly. We have seen the following trends emerge:

- The rollout of curbside pickup and contactless delivery services.
- Off-premises sales have become mainstream revenue generators, resulting in companies investing more money on technology to improve mobile apps and online ordering systems.
- To regain efficiency with limited staff and supply issues, businesses have simplified the kitchen operation and menu options while meeting changing consumer needs.
- Restaurants have adopted new marketing and messaging strategies to closely communicate with their customers, emphasizing the safety of food delivery and takeout.
- Increasing number of brands have started rolling out ghost kitchens and pickup or express formats.

QSR & Table/Full-Service Restaurants

The largest sector in franchising, restaurant industries, has faced unprecedented challenges, including dramatic declines in sales, store closures, and nationwide layoffs. However, the Quick Service Restaurant (QSR) industry is faring better than the full-service restaurant industry, as QSR has a history of behaving better in recessions due to people looking to save money from buying low-cost goods.

However, while the majority of restaurants suffered significant losses in the pandemic, franchises with heavy delivery businesses such as Pizza Hut & Domino's or heavy drive-through businesses such as McDonald's have weathered the storm better than others.

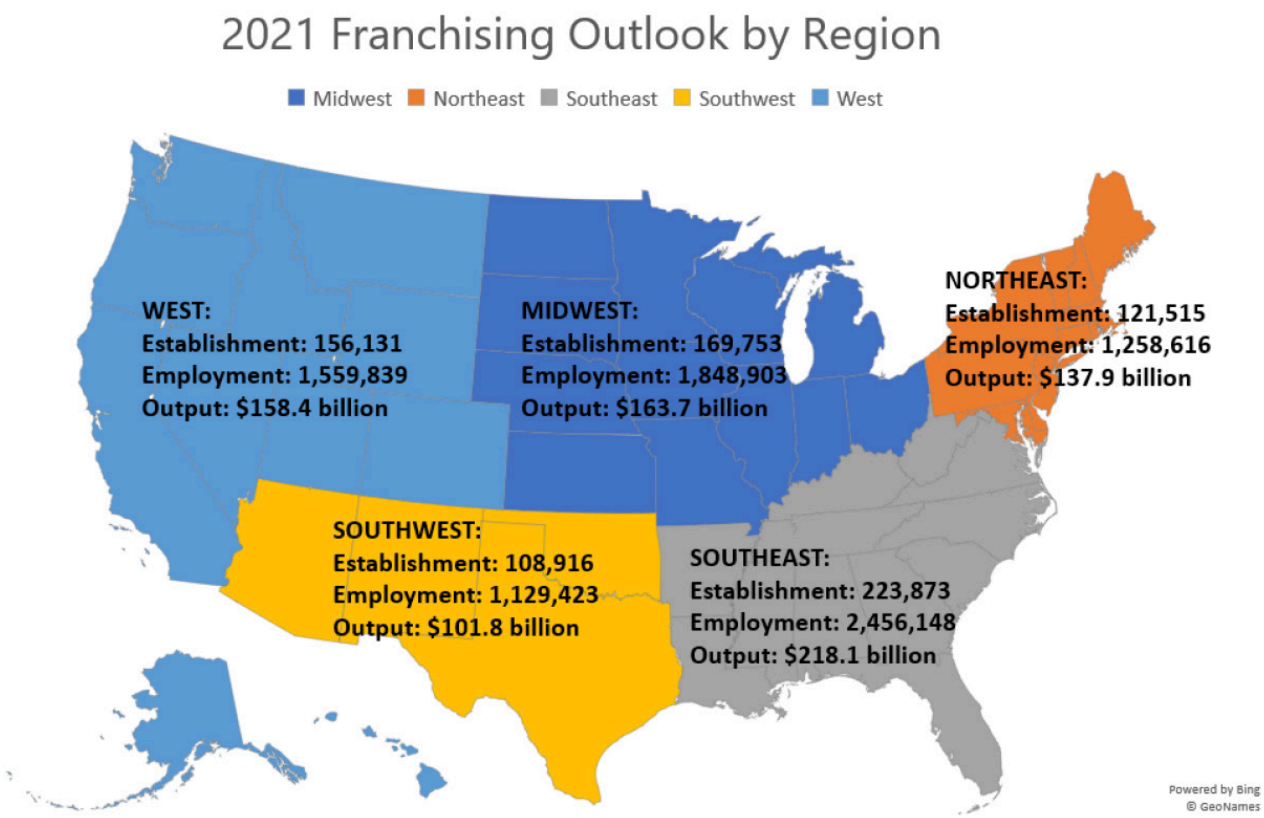
Full-service restaurants, on the other hand, were not as lucky as QSRs, because customers are wary about the virus spreading through indoor dining, and operators struggle with in-restaurant dining restrictions. Sales slightly rebounded in the summer of 2020 as outdoor seating opened up but were limited again because of the cold weather in the winter months that followed, especially in northern states. Other than the aforementioned trends in the QSR industry, many full-service restaurants started offering meal kits or groceries online to offset the revenue loss from dine-in services and adapted to the shift in spending from restaurants to groceries.

Despite the headwinds, industry experts forecast that 2021 could be a huge year for restaurant franchising. With many businesses having closed in 2020, surviving concepts have renewed growth opportunities in prime locations with reduced investments and occupancy costs and financial flexibility because of the surplus in commercial real estate and low interest rates.[9] Tropical Smoothie Cafe provides a great example for accelerated franchise system growth amidst the pandemic. It delivered its ninth consecutive year of positive same-store sales, signed 254 new franchise agreements, and is on track to reaching more than 1,000 operating restaurants in 2021.[10]

FRANdata estimates that franchise establishments in the QSR industry declined by 6.7% in 2020 but will rebound and grow at a rate of 4.1% in 2021 to a total of 191,146 businesses. QSR franchise employment in 2021 is projected to grow at 6.8% by adding more than 241,200 jobs to approximately 3.8 million employees working in the sector. 2021 will also see continuing improvement on franchise output, which is expected to expand by 10% to a total of $265 billion.

Franchise establishments in the table/full-service restaurant sector are expected to grow by 6.2% in 2021 to 30,010 locations, supporting more than 1 million workers with an additional 88,000 jobs. Franchise output is forecast to improve by 31.9% in 2021, to a total of $66.3 billion.

FRANCHISING'S CONTRIBUTION TO THE ECONOMIC RECOVERY IN 2021



COVID-19 IMPACT TO FRANCHISING ON THE STATE LEVEL

Franchising plays a vital role at both the national level and the state level. Franchise businesses support state economies through job creation, promotion of output, and GDP contribution.

Based on FRANdata's projections, the Southeast region has the largest number of franchise establishments, and is expected to hire approximately 2.5 million workers in 2021, generating $218.1 billion in output to the US economy. The Midwest is also forecast to experience extensive franchising activities in 2021, with a total of almost 170,000 franchises supporting 1.8 million jobs and contributing $163.7 billion in output.

In 2020, COVID-19 brought varying levels of disruption to franchising in different states because of variations in population density, geographical position, business components, government restrictions, and more, as each state also issued its own regulatory mandates based on the severity of COVID-19 and economic conditions, after a national emergency was declared on March 13th, 2020.

FRANdata estimates that the 10 states and territories where small businesses were impacted the most by the pandemic, in order, are New York, Hawaii, Washington, D.C., New Jersey, California, Massachusetts, Illinois, Pennsylvania, Nevada, and Connecticut.

The percentage of small businesses that suffered substantial negative effects in these states is higher than the national average, based on the Small Business Pulse Survey, conducted by the US Census Bureau. Eight of these states and territories—New Jersey, Nevada, Hawaii, New York, Connecticut, California, Washington, D.C., and Illinois—also had an unemployment rate higher than the national average as of November 2020.

FRANCHISING'S CONTRIBUTION TO THE ECONOMIC RECOVERY IN 2021

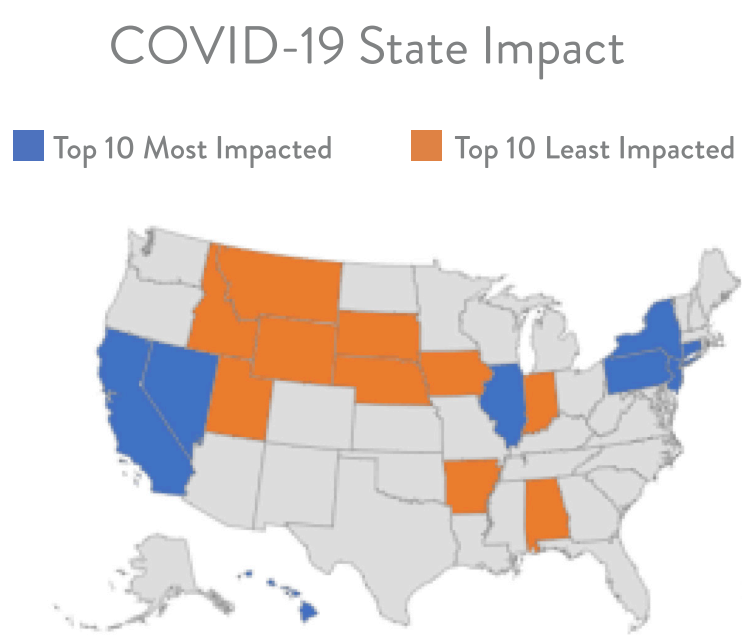
HIGHEST COVID IMPACTED STATES

California
California had one of the earliest coronavirus outbreaks and has seen consistently high rates of infection ever since, with the highest number of cases as of January 2021. The state introduced new restrictions in December 2020 on travel and stay-at-home orders to combat the surge and prevent hospitals from being overwhelmed.[11] New franchising activity in California is likely to be limited until the situation improves.

In addition to the challenges posed by the pandemic, the battles in California over the AB5 rule and the PRO Act will also impact franchises in the state. They pose substantial threats to California's franchise business model, and could potentially trigger joint employer liability issues between franchisors and franchisees. The state is currently on the way to raising its minimum wage to $15 per hour by 2023, which would further impact California's franchising growth in the coming years.

Nevada
Nevada, which ranked as one of the fastest-growing states in 2019, has been severely impacted by the pandemic due to its heavy reliance on the hospitability and leisure industry, which has collapsed as travel has been restrained. Tourism has sunk to levels not seen since 1993. Nevada will continue to see a high unemployment rate until COVID-19 restrictions are rolled back and travelers regain confidence.[12]

New York
New York state's economy fared the worst amid the pandemic, as New York City was the first metropolitan area that experienced a deadly outbreak from the coronavirus. While the economy is recovering from the economic lockdown, a net 70,000 people left the metropolitan region in 2020, resulting in roughly $34 billion in lost income, according to estimates from Unacast, a location analytics company.[13]



LOWEST COVID IMPACTED STATES

Some states have fared relatively well during the economic downturn. FRANdata has identified (in order) Idaho, Utah, South Dakota, Montana, Iowa, Nebraska, Arkansas, Alabama, Wyoming, and Indiana as the states that had the lowest economic impact from the pandemic. These states, which are mostly concentrated in the Midwest region, saw accelerated consumer spending despite the pandemic and suffered minor losses on jobs and sales, along with lower rates of business closures. As the economy continues to recuperate through the rollout of vaccines, franchising recovery will also be state-specific.

Based on the Small Business Pulse Survey conducted by the US Census Bureau, a larger percentage of businesses in these states have experienced positive impacts from the pandemic with little to no effect on the business' normal level of operations.

Franchise growth in Arizona, Florida, and Texas will be driven by increasing consumer demand and labor force participation and will benefit from the influx of masses moving to those states.

Franchises are expected to drive economic recovery on the state level just as much as they will on the national level. Franchise operators should closely monitor state policies and be well prepared to make the best possible solutions in reaction to the regulation changes for the highest potential growth opportunities.

Even though we have kept the franchise business economic outlook positive, assuming a smooth deployment of vaccines, a rebound of the labor market and consumer spending, and government assistance, the recovery is still uncertain. It heavily relies on the path of the COVID-19 pandemic. **Lean operations are important now, but brands must be prepared to take advantage of the post-COVID-19 resurgence when it comes.** Those who are ready will benefit and finally move from surviving to thriving.

FRANdata forecasts that the top 10 states that are expected to sustain the highest franchise business growth in 2021 (in order) are Ohio, Florida, Michigan, Colorado, Texas, Georgia, Arizona, Virginia, North Carolina, and Wisconsin.

This ranking was based on a weighted scale of factors such as population growth, job growth, median household income growth, unemployment, and future business environment expectations.

MACROECONOMIC ISSUES THAT WILL AFFECT FRANCHISING IN 2021

UNEMPLOYMENT RATE

Franchising is an important source of low-skilled employment that does not require a college degree, exactly the sector of the population hardest hit by the recession. Government-mandated stay-at-home orders caused devastating job losses and record-high unemployment rates. Since its peak in May, unemployment has declined to 6.7% in December of 2020. The poor December jobs report tempers these gains. Employers shed 140,000 non-farm jobs in December of 2020, mirroring the resurgence in COVID-19 cases in the winter season and a new round of government restrictions, which posed a short-term threat to the recovery. The job losses occurred mainly in leisure and hospitality as well as private education industries. Luckily, they were partially offset by hiring in professional and business services, retail trade, and construction sectors.

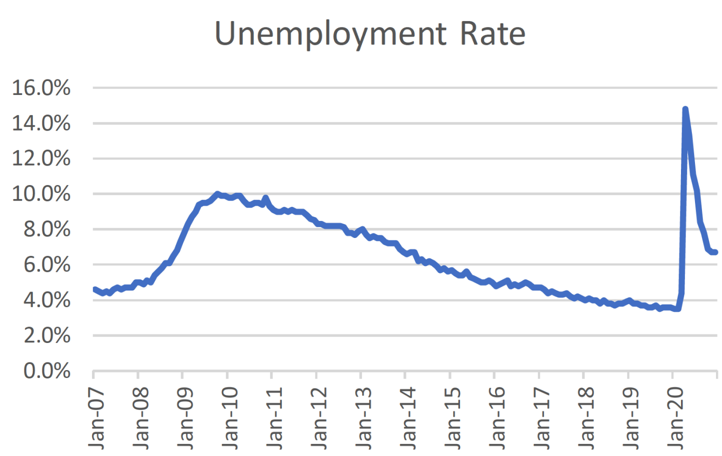
The economic recovery in 2021 will largely depend on the course of the pandemic. An employment recovery hinges on access to vaccinations and more federal stimulus.[14] More than 10 million jobs are still missing from the economy compared to pre-pandemic levels, but about half of the 18.2 million jobs lost in the second quarter of 2020 had already returned by the end of 2020. **The economy should create another 3.9 million jobs in 2021, and 3.8 million the following year, eventually restoring most lost jobs by the end of 2022.[15] Fannie Mae projects that US unemployment will decline from an estimated 8.1% in 2020 to 5.7% for 2021, with a further decline to 4.5% in 2022.**

The franchise business model has proven its resilience, leading expansion coming out of past recessions. As low-wage occupations have been impacted more by the pandemic than high-wage positions,[16] franchise employment can also help address the income inequality issue by creating jobs for low-skilled workers, especially in the restaurant hospitality industries.

Based on the ADP's National Franchise Employment Report, as of November 2020, franchise jobs have sustained six-months of consecutive growth since June, with an average of 25,200 new openings per month. At the same time, franchising provides a way for the recently unemployed to invest in themselves and open their own small business, using a proven model and access to unique expertise in the space.

AS OF NOVEMBER 2020, FRANCHISE JOBS HAVE SUSTAINED A SIX-MONTH CONSECUTIVE GAIN SINCE JUNE, WITH AN AVERAGE OF 25,200 ADDITIONS PER MONTH.

As the nation's largest job creation and training program, franchisees have helped workers secure jobs in the current economic crisis, prepared them with relevant business skills, and provided them with career progression opportunities, which generate economic stability.



MACROECONOMIC ISSUES THAT WILL AFFECT FRANCHISING IN 2021

CONSUMER SPENDING & CONFIDENCE

Consumer spending is a vital contributor to US GDP growth. After the pandemic lockdowns in March of 2020, consumer spending saw a sharp decline, along with a severe drop in consumer confidence. While the economy has partially rebounded, a full recovery will largely depend on slowing or stopping the spread of COVID-19. The ability to combat the pandemic will determine conditions in the US labor market.[17] Franchise business, with their lower average price point, make them one of the first places consumers will re-engage with the economy when they feel confident about spending. While the pandemic continuously impacts peoples' lives, consumers who still have jobs have largely recovered, which has allowed them to ramp-up spending. Real personal consumer expenditures (PCE) grew by 9.0% in the third quarter compared to the previous quarter, a strong revival after two consecutive quarters of decline, mirroring a drawing down from savings after consumers held back from spending in Q2 of 2020, with the personal saving rate peaking at 33.6% in April.[18]

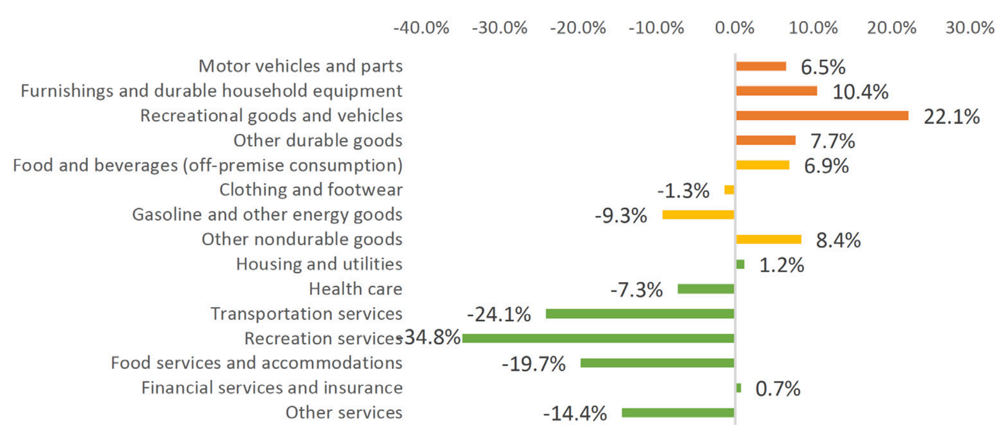
Unlike in the economic crisis of 2008, consumers have continued to spend more money on goods, especially durable goods, during this pandemic. Most people remain vigilant about the virus and are avoiding spending at places where people congregate. In some industries, spending is now higher than pre–COVID-19 levels. For instance, consumer spending on motor vehicles is 6.5% higher than the pre-pandemic level; spending on recreational goods and vehicles (appliances, electronics, and books, etc.) is 22.1% higher. On the contrary, money spent on food services and accommodation declined by 19.7% in Q3 of 2020 compared to Q4 of 2019.

Real Personal Consumption Expenditure (PCE) Growth Rate

However, the trend is likely to change by the second half of 2021 as rising vaccinations are anticipated to gradually return the economy to normalcy. **Consumers are expected to spend more money and time on leisure and travel, which will make franchise businesses some of the first that consumers will engage with.**

Fannie Mae forecasts PCE to rise by 5.2% in 2021 and 2.6% the year after. According to Deloitte's latest US Economic Outlook, PCE on services is expected to increase by 6.9% in 2022, far outpacing spending on durables and nondurables that year.[19]

Change in Real Consumer Spending in Q3 2020 Relative to Q4 2019



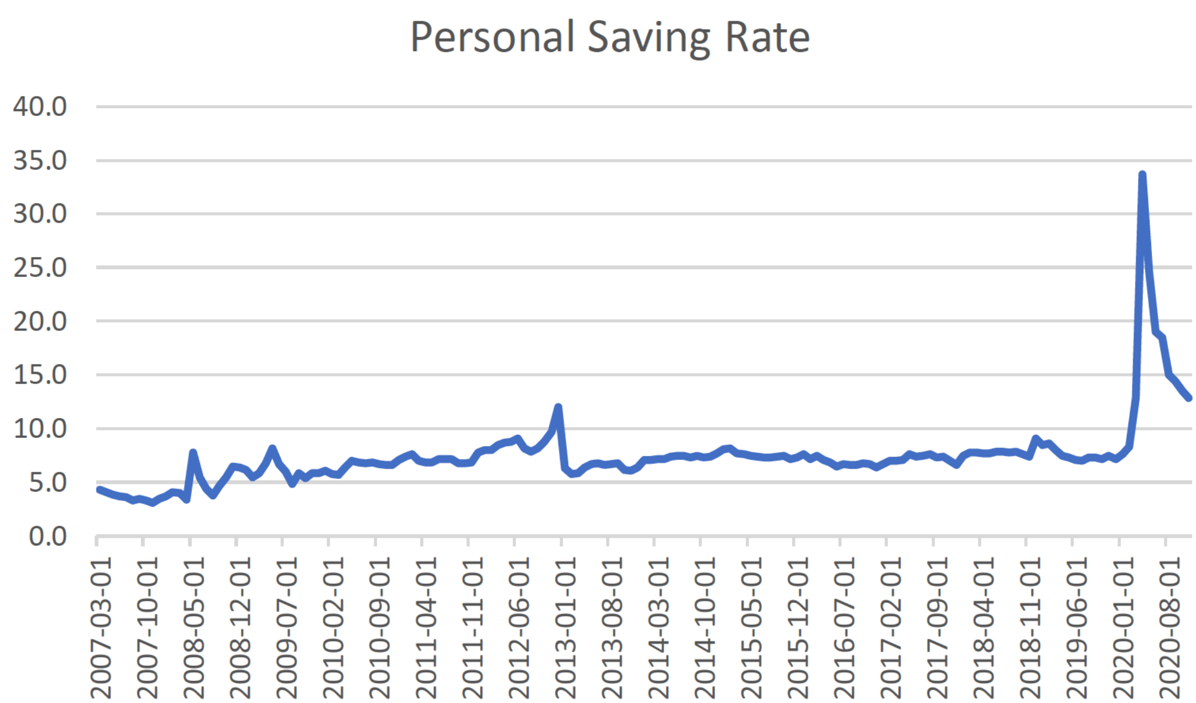
As consumer spending was compressed in 2020, it also negatively impacted franchising sectors that have a higher reliance on consumer spending, such as the personal services sector, quick service restaurants, and table/full-service restaurants sectors. However, for 2021, sectors are expected to continue experiencing a strong recovery.

RECORD BREAKING PERSONAL SAVING RATE

Despite increased consumer spending in the second half of 2020, **individuals who kept their jobs saved more money than ever.**

Even as savings are down from the peak of this summer, Americans still have more reserve capital than at any point since the '70s. These savings have the potential to be the engine that drives a strong recovery. Once the vaccine is widely distributed, schools can re-open, and people feel confident that it is safe to go out again. **Franchising, with a large concentration in retail and food, will be one of the first places where consumers will engage with the economy.** This injection of cash has the potential to supercharge the recovery. Congress must take the steps necessary to ensure that people feel secure spending their savings.

Not only do these savings represent potential spending, but they are also a source of cheap funding for banks to start lending. Interest rates remain at an all-time low, giving companies an inexpensive source of capital with which to grow.



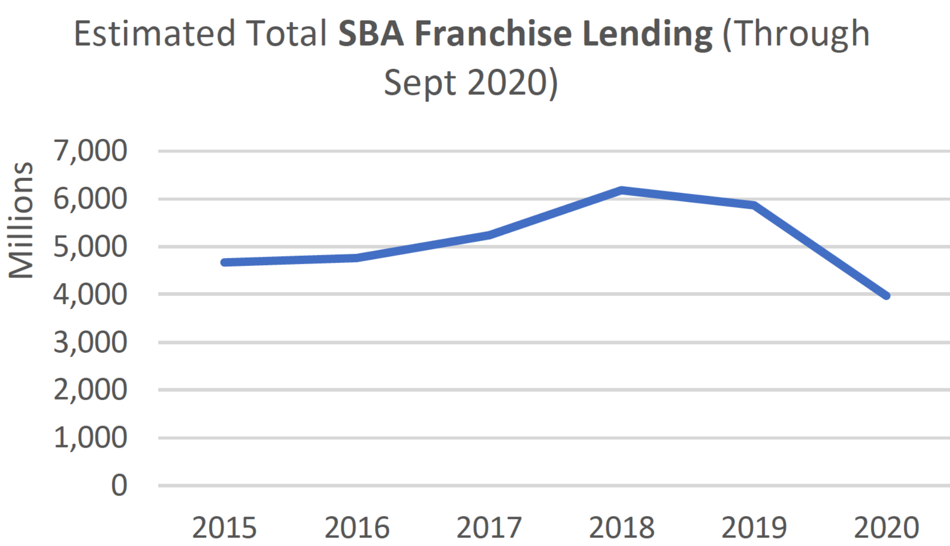
INTEREST RATES AND THE LENDING ENVIRONMENT

In response to the COVID-19 pandemic, one of the Federal Reserve's priorities was to cut interest rates. Currently, interest rates are at an all-time low and are expected to stay there for the foreseeable future.

These low interest rates have created a source of cheap funds for people and businesses. This pool of funds can be deployed to help the recently unemployed open their own small businesses, and franchising is one of the best ways for them to do so. This is where the franchising business model can lead the way toward economic recovery.

Although there was a drop in SBA franchise lending of about $580M, the forecast for small business lending for 2021 is positive. During the recession, banks adopted a "Do-it-together" mantra when working with struggling small businesses.[20] This open-minded approach allowed many companies to stay open that may have otherwise closed. It also placed banks in a stronger position to lend as the recovery picks up speed. With fewer bad loans on the books, banks can more easily extend credit. Also, as stated above, interest rates are at an all-time low, which attracts borrowers. The increase in personal savings provides banks cheap capital to lend.

Another positive sign for lending is the potential for additional PPP funds from Congress, which would allow banks to continue to support struggling borrowers and push off any decision to charge-off a loan. The new administration has also mentioned increasing the SBA guarantee from 85% to 90%, reducing the amount of default risk banks would have to carry.



Low interest rates have created a pool of affordable funding that opens the door for the recently unemployed to explore business ownership through franchising. This is where the franchise business model leads the way to economic recovery.

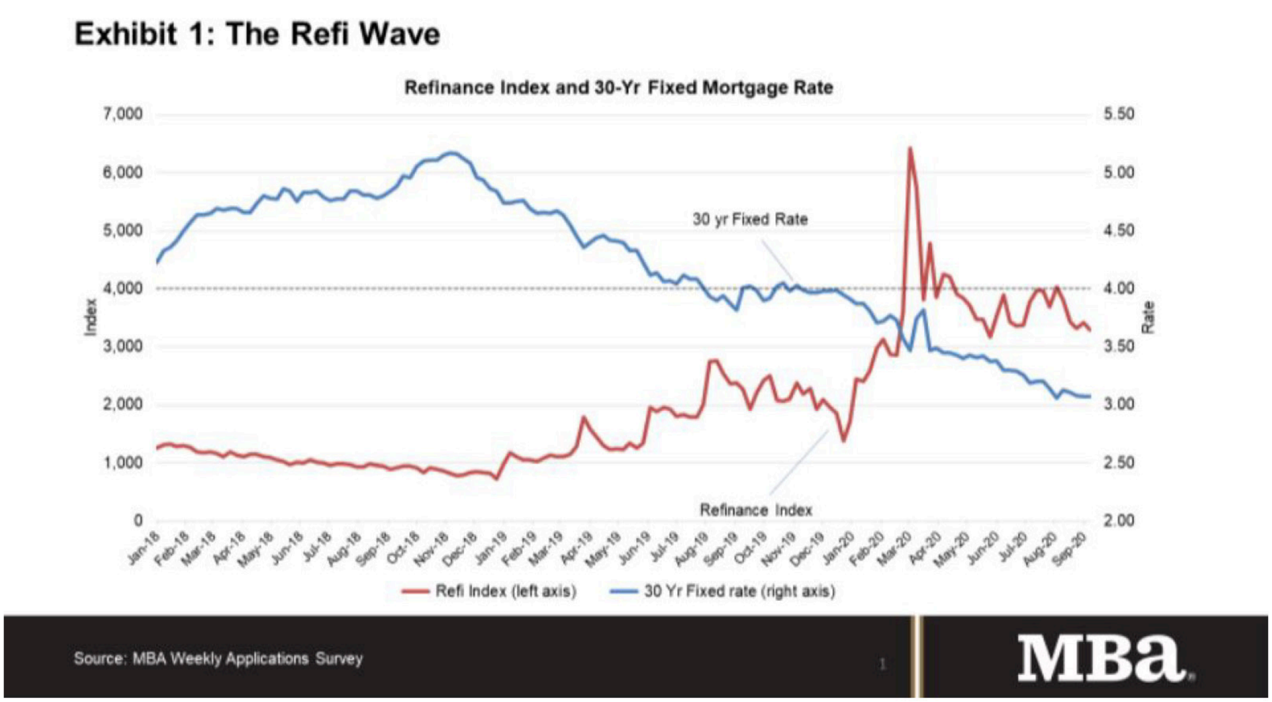
MORTGAGE REFINANCE ACTIVITY

Increased refinance activity in 2020 will also be a significant factor in the recovery. **A large spike in refinance applications and loans throughout 2020 increased refinance volume, and the resulting lower mortgage payments mean more money for consumers to spend.**

Through three quarters of 2020, American households cashed out, on average, $35 billion in home equity as compared to $23 billion over the same period in 2019.

These cash-outs and decreased mortgage payments translate into increased potential spending when the economy recovers.[21]

People who refinanced their mortgages in 2020 saw, on average, nearly an 80% decrease in their interest rates, excluding ARM mortgages. A $250,000 mortgage with a 30-year fixed-rate note saw a reduction in the monthly payment of almost $100 each month, or $1,100 each year.



E-COMMERCE AND COMMERCIAL REAL ESTATE

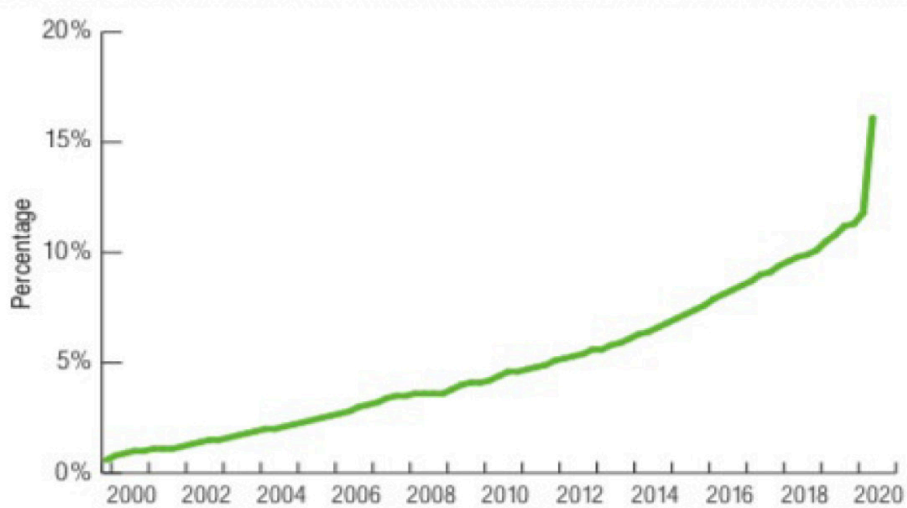
The COVID-19 pandemic has dramatically accelerated the use and acceptance of e-commerce, driving retail purchases away from brick-and-mortar locations towards online transactions. **This movement has significantly impacted demand for commercial real estate.**

It has forced everyone to rethink their business model and re-examine the necessity of physical locations. The speed at which non-retail businesses return to office space will dramatically impact the recovery of retail, QSR, and sit-down restaurants. If companies decide to forgo traditional office spaces, there will be a dramatic shift in how retail areas are organized. The cadence of the recovery will follow the speed of people's return to office locations.

If businesses continue to let employees work remotely, or switch to a 'hotel' model office, it could hurt QSR, sit-down restaurants, and retail locations as there will be less foot traffic to support their businesses.

According to a Gartner survey, 47% of employers will allow employees to work remotely full-time if they so choose. A PwC survey reports that 78% of CEOs think remote collaboration 'is here to stay'. Another survey says that nearly 96% of employees would prefer at least some level of flexibility when working from home and almost 30% said they'd trade pay for the flexibility to work remotely.[22]

Exhibit 1-13 **E-Commerce Retail Sales as a Percentage of Total Sales**



Source: U.S. Census Bureau.

The speed at which non-retail businesses return to office space will dramatically impact the recovery of retail, QSR, and sit-down restaurants.

FAILURE TO PASS COVID RELIEF IN THE FIRST QUARTER OF 2021 COULD PREVENT AS MANY AS **22,000** NEW UNITS FROM OPENING, COSTING THE ECONOMY APPROXIMATELY **230,000** JOBS.

GOVERNMENT ASSISTANCE TO AID RECOVERY

Legislative action in the first half of 2021 will determine the speed and shape of the recovery. Fast action on COVID-19 relief can jump-start the economy, whereas failure to act might derail progress. Congress must act to roll vaccines out and re-open schools.

COVID-19 RELIEF

COVID relief is an immediate priority. Treasury Secretary Janet Yellen has encouraged lawmakers to "act big[23]" on economic relief. President Biden's plan, as currently outlined, calls for $1.9 trillion in spending. This plan would provide $415 billion for vaccine rollout, $1,400 stimulus checks, small business support, rent relief, and more.[24]

This spending represents an essential piece of driving a potential recovery, even if not all of it gets passed. The vaccine rollout program's stated goal is to ensure schools can fully re-open in the next 100 days. While this is ambitious, the importance of getting schools open cannot be overstated. Without consistent and reliable schools, parents cannot return to work full time. If schools are unable to re-open this fall, it is safe to assume the recovery will stall.

It is estimated that if schools remain closed through the rest of the school year, it will cost the US economy approximately $700 billion in lost revenue and productivity.[25] Working parents represent roughly a third of the US economy. 13% of parents either lost their jobs or had their hours cut due to childcare issues. This problem impacted low-income families in particular. Long term, disruption in children's education could take an economic toll for 40 yearsand cost the economy trillions.[26]

The other parts of President Biden's plan, as outlined, represent necessary steps to restarting the economy. Currently, US households have the highest level of personal savings in modern history. However, it is unlikely that they will spend that money until they feel confident in the economy and safety.[27]

Failure to pass substantial legislation could reduce, delay, or stop the current recovery in its tracks. Based on FRANdata's estimate, failure to pass COVID-19 relief in the first quarter of 2021 could prevent as many as 22,000 new franchise businesses from opening, costing the economy approximately 230,000 jobs.

POSSIBLE LEGISLATIVE IMPACTS

THE FUTURE OF THE PPP

Nearly half of all franchisees today are one- or two-unit operators, this group includes a substantial number of minority-owners and those who operate in disadvantaged communities. These units are incredibly important to the recovery but also at the highest risk of closure. One of the most important tools Congress implemented last year was the payroll protection program (PPP). This program was one of the most successful in keeping businesses open, potentially saving millions of people from unemployment. FRANdata estimates PPP loans saved over 36,000 businesses from closing, preserving almost half-a-million jobs.

The success of PPP loans should put the program at the forefront for more funding. Many small businesses have limped to the end of 2020 and are now facing a difficult spring if consumer spending does not recover soon. Consumer spending cannot truly recover until schools re-open and a large percentage of the population is vaccinated.

According to a December survey of small business owners conducted by Alignable, a small business support network, only 43% are confident that they will survive through June of 2021. Based on this survey, Alignable estimates 48% of small businesses say their revenues are below breakeven levels needed to stay in business. The survey also reports that 44% of small business respondents have enough cash to cover three or more months of operations. If the PPP loans are allowed to expire, tens of thousands of smaller businesses could fail, which will hurt companies of all sizes.

In franchising alone, this could represent thousands of closed businesses and hundreds of thousands of lost jobs. If these issues are not addressed quickly, the gains made in the last year could be lost, causing the economy to sink back into recession.

Only 43% of small businesses are confident they will survive through June of 2021. 48% of small businesses say their revenues are below breakeven levels needed to stay in business.

JOINT EMPLOYER

While Congress could take many important steps to restart the economy, some policies could impede the recovery. On its face, a joint employer rule should not impact franchising since franchisees own their business and are not contractors. However, the way this issue has been approached in the past could jeopardize the franchise model.

Any potential legislation or rule changes that make franchisors liable for franchisee employees could be disastrous to the recovery. Part of franchising's value is its ability to scale and add workers quickly. Changes in joint employer rules could limit this value and slow hiring when America needs it most.

The final potential policy issue that could negatively impact 2021 would be changes to the minimum wage, which would likely lead to a spike in unemployment.

MINIMUM WAGE IMPACT ON FRANCHISING

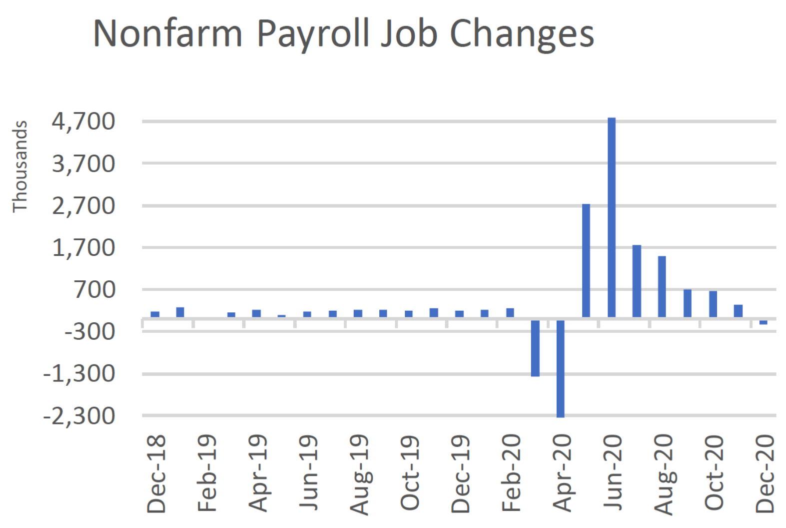
While the debate over raising the minimum wage is still ongoing, it is important to consider the regional implications of a national minimum wage increase to $15 an hour. A solution that works in urban Chicago might be disastrous in rural Alabama, for instance. In 2021, 25 states will raise their minimum wage[28] to at least $15 an hour, putting the national debate behind the curve.

Washington D.C. has already increased the minimum wage to $15 per hour as of July 1st, 2020, as has Seattle.

Franchising creates the lower-skilled jobs that are the foundation of economic recovery, but a national change to minimum wage might slow employment growth. In low margin sectors, **increased minimum wage will reduce the number of employees hired and drive employers to adopt more automation.** Instead, let states and local governmentsdetermine the best solution for their own markets.

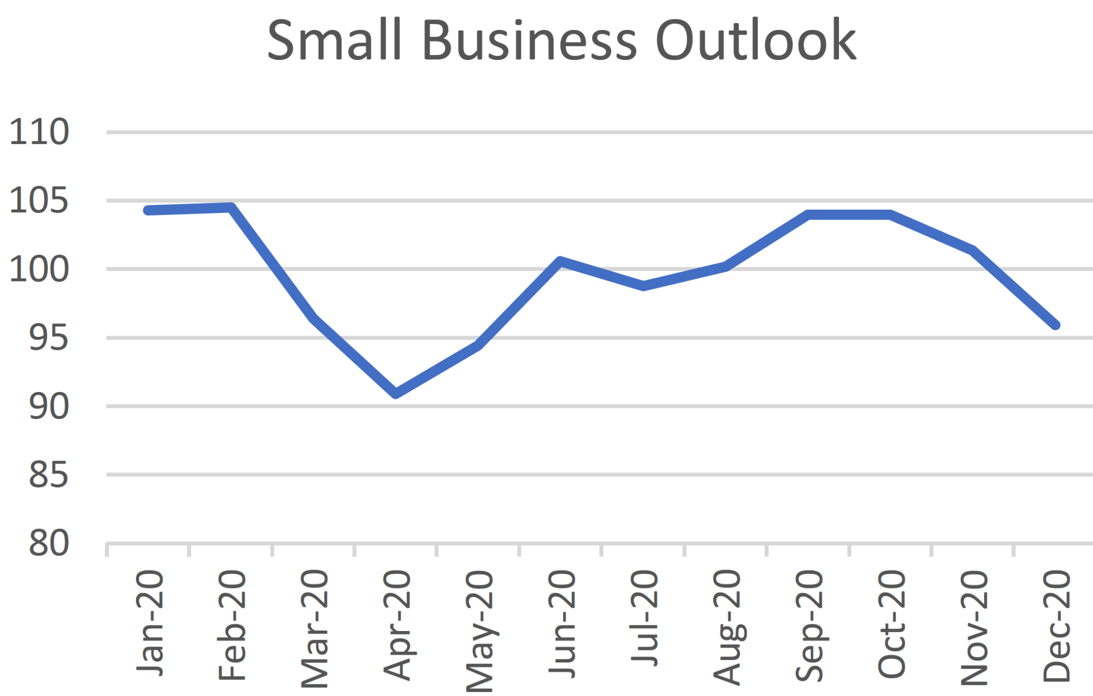
There are concerns that higher minimum wages will hurt employers, especially small business owners who are unable to increase prices to offset higher labor costs. This, in turn, would reduce or limit job growth.

Increasing the federal minimum wage will tighten already razor thin margins in the restaurant and QSR space. These sectors traditionally hire people without college educations, a portion of the labor market badly hurt by the current recession. Small businesses are also concerned that a higher minimum wage would place upward pressure on all wages in the system, while further tightening margins. The more expensive labor becomes, the less of it employers will use. Instead, they turn to increased automation to protect margins.



SMALL BUSINESS OPTIMISM

In December, NFIB's small business optimism index declined by 5.5 percentage points to 95.9.[29] This record stands below the 47-year average of 98 points and the lowest in the last 7 months. Nine of the ten components that contributed to this score saw a decline from November. 2020 was a brutal year for small business owners, including franchisees, across the board, but things are looking up. According to Capital One and Vistage surveys, small businesses see brighter future possibilities.[30] 83% of the 4,100 small- and medium-sized business owners surveyed believe that their business will do better in 2021 than 2020. 93% plan to hire in 2021, which could more than compensate for the 45% that laid-off employees in 2020.[31]



GHOST KITCHENS

While COVID has created many challenges, it has also forced innovation. One example of this phenomenon is the emergence of "Ghost Kitchens," which are kitchens with no dine-in seating. Popular with QSR concepts, these are designed to work with delivery and drive-through options only and might even have more than one restaurant operating out of the same kitchen.

DARK STORES

Another innovation is 'dark stores' — locations for traditional retail businesses to provide pickup options for customers. Instead of paying a premium to have the item delivered to their home, customers can have it delivered to a dark store, where they pick up their purchase and potentially purchases from other stores as well.

All of this upheaval in commercial real estate will drive rents down, creating opportunities. However, it will be essential to understand how demand changes if offices do not return to full capacity.

2021 STATE BY STATE FRANCHISE ECONOMIC OUTLOOK

	Franchise Establishment (in Units)	Franchise Employment	Franchise Output (in Millions)
ALABAMA	12,836	132,516	$10,766
ALASKA	1,290	10,412	$1,143
ARIZONA	18,057	192,410	$18,211
ARKANSAS	7,240	73,954	$5,954
CALIFORNIA	83,349	809,096	$82,302
COLORADO	17,251	167,936	$15,914
CONNECTICUT	7,500	88,925	$10,464
DELAWARE	2,363	25,813	$2,847
DISTRICT OF COLUMBIA	1,398	22,274	$3,378
FLORIDA	58,632	646,435	$60,433
GEORGIA	28,204	295,984	$25,598
HAWAII	3,087	51,621	$6,111
IDAHO	4,206	41,042	$3,133
ILLINOIS	29,659	337,495	$34,819
INDIANA	16,605	192,013	$15,408
IOWA	8,225	79,993	$6,832
KANSAS	8,014	79,072	$6,707
KENTUCKY	10,836	125,860	$9,593
LOUISIANA	11,381	116,733	$10,524
MAINE	2,508	24,140	$2,206
MARYLAND	13,981	157,171	$16,085
MASSACHUSETTS	12,335	116,563	$12,768
MICHIGAN	22,585	241,499	$19,569
MINNESOTA	15,076	153,057	$14,240
MISSISSIPPI	6,636	65,655	$5,394
MISSOURI	15,155	161,751	$14,277
MONTANA	2,956	24,398	$2,043
NEBRASKA	5,762	56,726	$5,151
NEVADA	8,398	101,947	$10,986
NEW HAMPSHIRE	3,253	28,710	$2,937
NEW JERSEY	19,592	198,416	$22,284
NEW MEXICO	4,889	55,570	$4,585
NEW YORK	30,087	318,722	$39,209
NORTH CAROLINA	27,899	333,662	$29,354
NORTH DAKOTA	2,417	27,323	$3,153
OHIO	28,959	343,048	$28,523
OKLAHOMA	9,941	95,918	$8,063
OREGON	9,474	86,892	$8,177
PENNSYLVANIA	26,570	272,405	$26,200
RHODE ISLAND	2,194	19,183	$2,083
SOUTH CAROLINA	14,281	152,224	$12,710
SOUTH DAKOTA	2,720	23,412	$1,995
TENNESSEE	18,524	215,024	$19,053
TEXAS	76,029	785,524	$70,970
UTAH	8,053	79,135	$6,754
VERMONT	1,132	8,568	$854
VIRGINIA	22,465	242,259	$22,725
WASHINGTON	16,301	155,245	$16,758
WEST VIRGINIA	3,541	33,567	$2,665
WISCONSIN	14,577	153,513	$13,033
WYOMING	1,766	32,114	$5,080

2021 STATE BY STATE FRANCHISE ECONOMIC OUTLOOK (IN ORDER OF EMPLOYMENT)

State	Franchise Employment
CALIFORNIA	809,096
TEXAS	785,524
FLORIDA	646,435
OHIO	343,048
ILLINOIS	337,495
NORTH CAROLINA	333,662
NEW YORK	318,722
GEORGIA	295,984
PENNSYLVANIA	272,405
VIRGINIA	242,259
MICHIGAN	241,499
TENNESSEE	215,024
NEW JERSEY	198,416
ARIZONA	192,410
INDIANA	192,013
COLORADO	167,936
MISSOURI	161,751
MARYLAND	157,171
WASHINGTON	155,245
WISCONSIN	153,513
MINNESOTA	153,057
SOUTH CAROLINA	152,224
ALABAMA	132,516
KENTUCKY	125,860
LOUISIANA	116,733
MASSACHUSETTS	116,563
NEVADA	101,947
OKLAHOMA	95,918
CONNECTICUT	88,925
OREGON	86,892
IOWA	79,993
UTAH	79,135
KANSAS	79,072
ARKANSAS	73,954
MISSISSIPPI	65,655
NEBRASKA	56,726
NEW MEXICO	55,570
HAWAII	51,621
IDAHO	41,042
WEST VIRGINIA	33,567
WYOMING	32,114
NEW HAMPSHIRE	28,710
NORTH DAKOTA	27,323
DELAWARE	25,813
MONTANA	24,398
MAINE	24,140
SOUTH DAKOTA	23,412
DISTRICT OF COLUMBIA	22,274
RHODE ISLAND	19,183
ALASKA	10,412
VERMONT	8,568

2021 STATE BY STATE FRANCHISE ECONOMIC OUTLOOK (IN ORDER OF UNITS)

State	Franchise Establishment (in Units)
CALIFORNIA	83,349
TEXAS	76,029
FLORIDA	58,632
NEW YORK	30,087
ILLINOIS	29,659
OHIO	28,959
GEORGIA	28,204
NORTH CAROLINA	27,899
PENNSYLVANIA	26,570
MICHIGAN	22,585
VIRGINIA	22,465
NEW JERSEY	19,592
TENNESSEE	18,524
ARIZONA	18,057
COLORADO	17,251
INDIANA	16,605
WASHINGTON	16,301
MISSOURI	15,155
MINNESOTA	15,076
WISCONSIN	14,577
SOUTH CAROLINA	14,281
MARYLAND	13,981
ALABAMA	12,836
MASSACHUSETTS	12,335
LOUISIANA	11,381
KENTUCKY	10,836
OKLAHOMA	9,941
OREGON	9,474
NEVADA	8,398
IOWA	8,225
UTAH	8,053
KANSAS	8,014
CONNECTICUT	7,500
ARKANSAS	7,240
MISSISSIPPI	6,636
NEBRASKA	5,762
NEW MEXICO	4,889
IDAHO	4,206
WEST VIRGINIA	3,541
NEW HAMPSHIRE	3,253
HAWAII	3,087
MONTANA	2,956
SOUTH DAKOTA	2,720
MAINE	2,508
NORTH DAKOTA	2,417
DELAWARE	2,363
RHODE ISLAND	2,194
WYOMING	1,766
DISTRICT OF COLUMBIA	1,398
ALASKA	1,290
VERMONT	1,132

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