



# 2022 FRANCHISEE INFLATION SURVEY

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# Executive Summary



Like most businesses, the franchise ecosystem has experienced a negative impact of inflation lately. **Approximately 90% of franchisees witnessed a moderate to substantial inflation impact** in their business. Some industries such as lodging, QSR\*, and child-related are feeling a greater impact than other industries. Being in a franchise system has helped franchisees by sharing best practices with other franchisees, customer marketing, and resolving supply chain disruptions. Some brands have helped their franchisees in employee recruitment.

\*QSR: Quick Service Restaurant

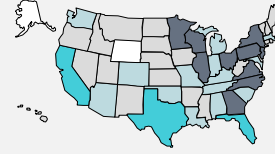
## Respondent's Profile



1,000+  
owning ~5k  
units

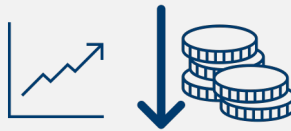


27% from  
Maintenance  
Services



26% from  
Texas, Florida,  
& California

## Dealing with Inflation



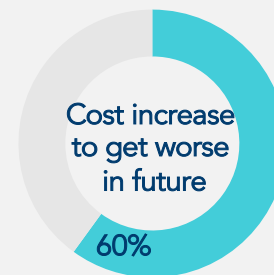
Franchisees are **increasing prices** as a result of cost increase and experiencing **lowered business earnings**



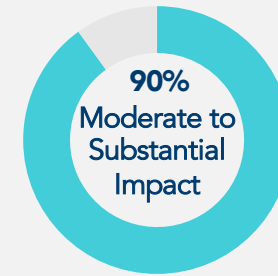
9 out of 10 business units raised their prices to combat cost increase

## Current Challenge & Future Expectation

59% of franchisees feel labor challenges have substantial constraint in their growth. 92% of franchisees who own more than 10 units are impacted by labor challenges.

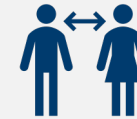


## Impact of Inflation



Rising fuel prices, increase in labor cost and inventory cost are major sources of impact

## Franchise System Support



47% of franchisees experienced support from their franchise system



Sharing of best practices with fellow franchisees is the most valued part of being in franchise system

# Respondent Profile

More than 1,000 respondents from varied industries and states



1,004 respondents cumulatively owning more than 4,984 franchise businesses.



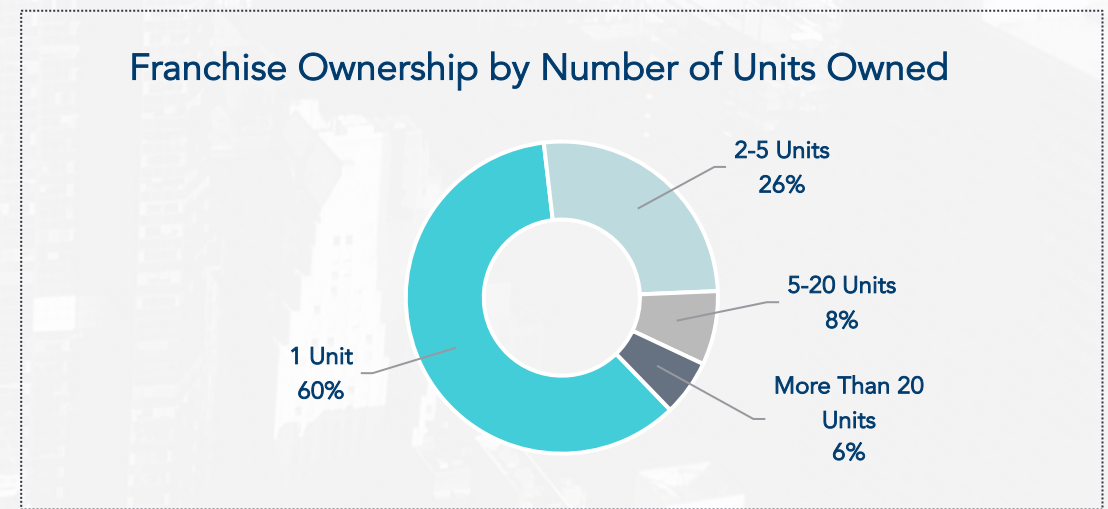
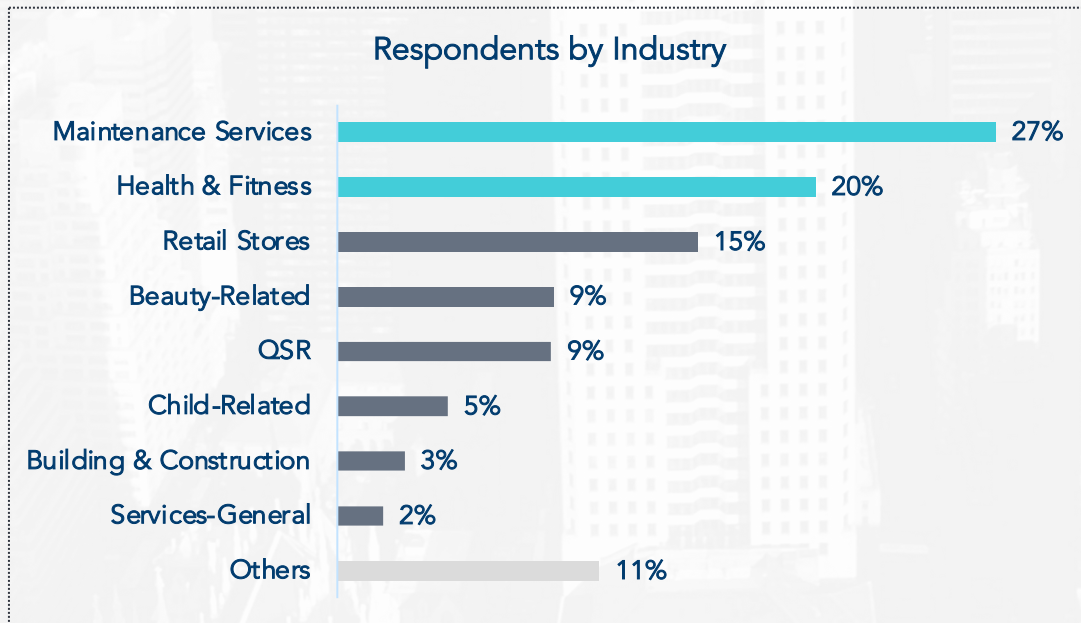
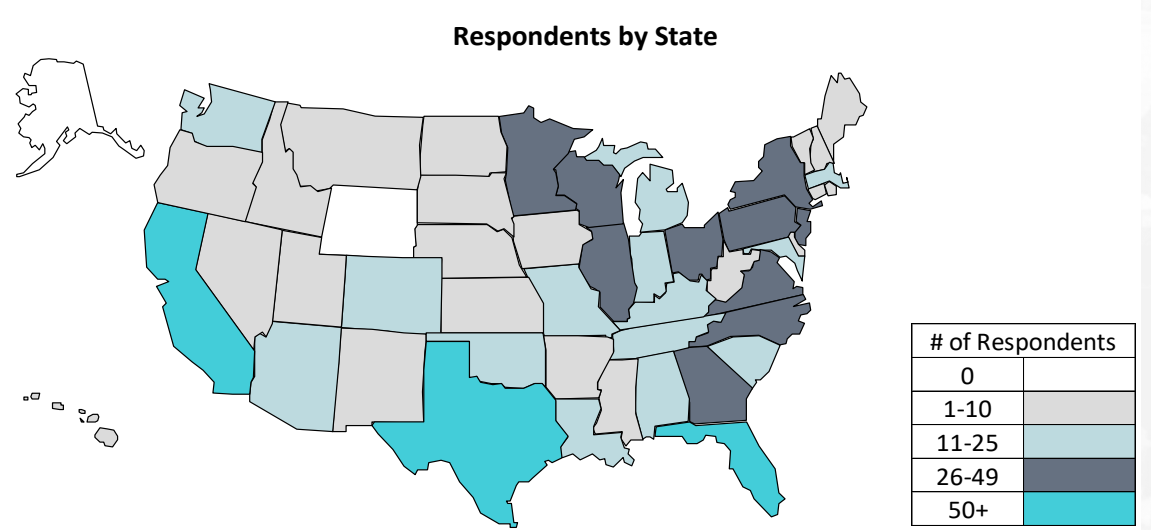
26% of respondents are from Texas, Florida, and California.



Top 3 industries are Maintenance Services, Health & Fitness, and Retail Stores.



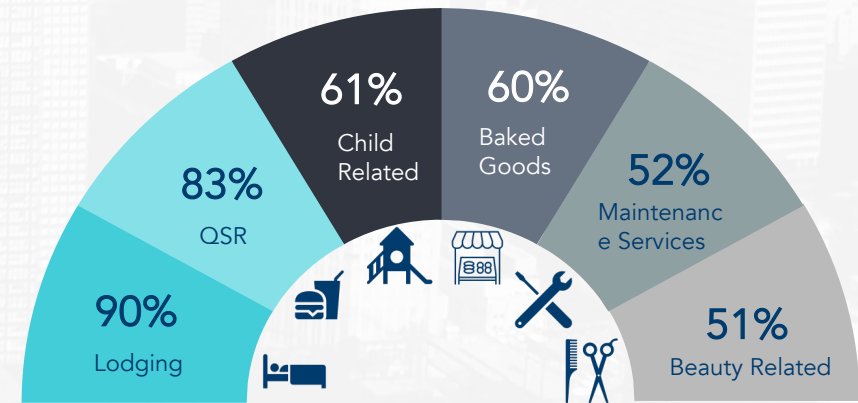
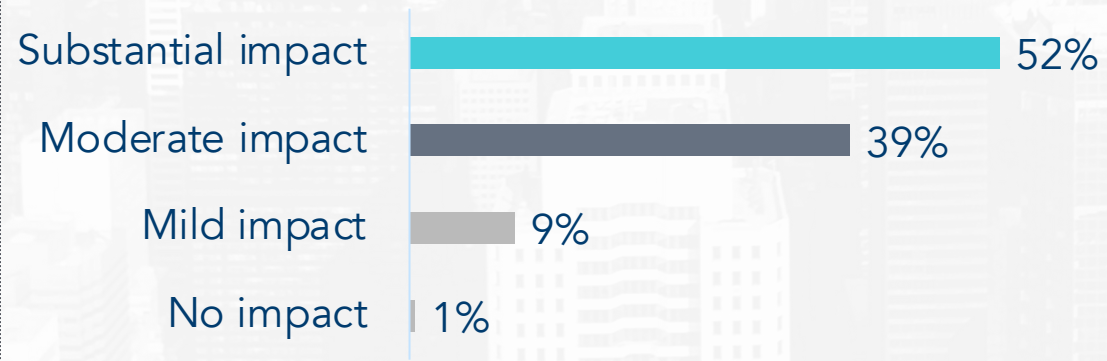
60% are single-unit franchise owners while 40% of respondents are multi-unit franchisees.



# Impact of Inflation

90% of franchisees are experiencing a moderate to substantial inflation impact

## Impact of Inflation on Franchise Business



"We have experienced a **25% increase** in cost of goods from inflation that has reduced net bottom line by almost **50%**. Inflation has added significantly to the investment to open new stores. That means the ROI for new stores is way down."

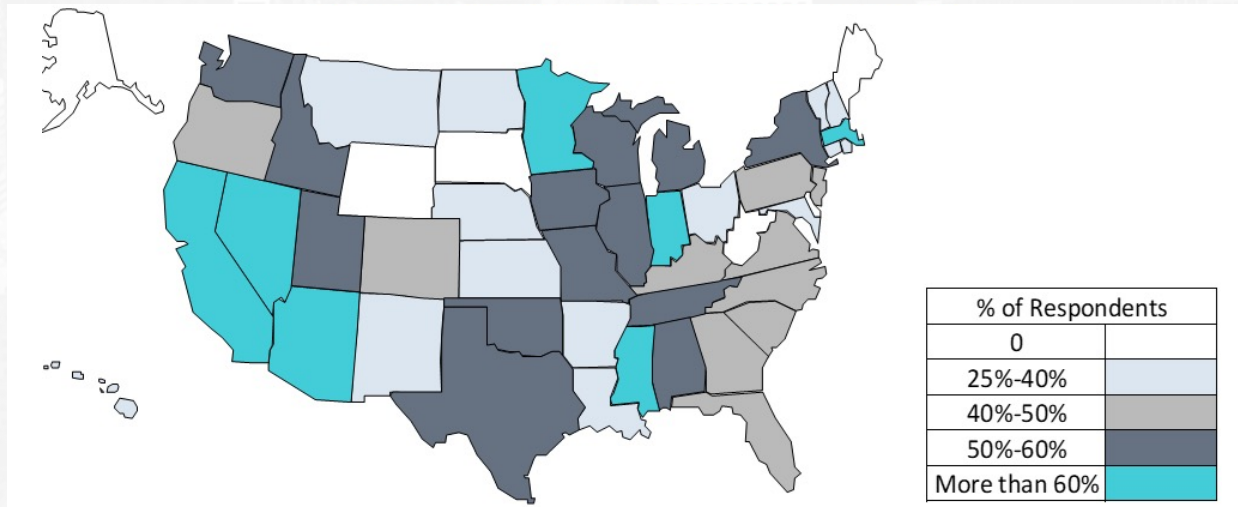
 Franchise Owner

Industries where more than **50%** respondents feel a substantial impact of inflation on their business

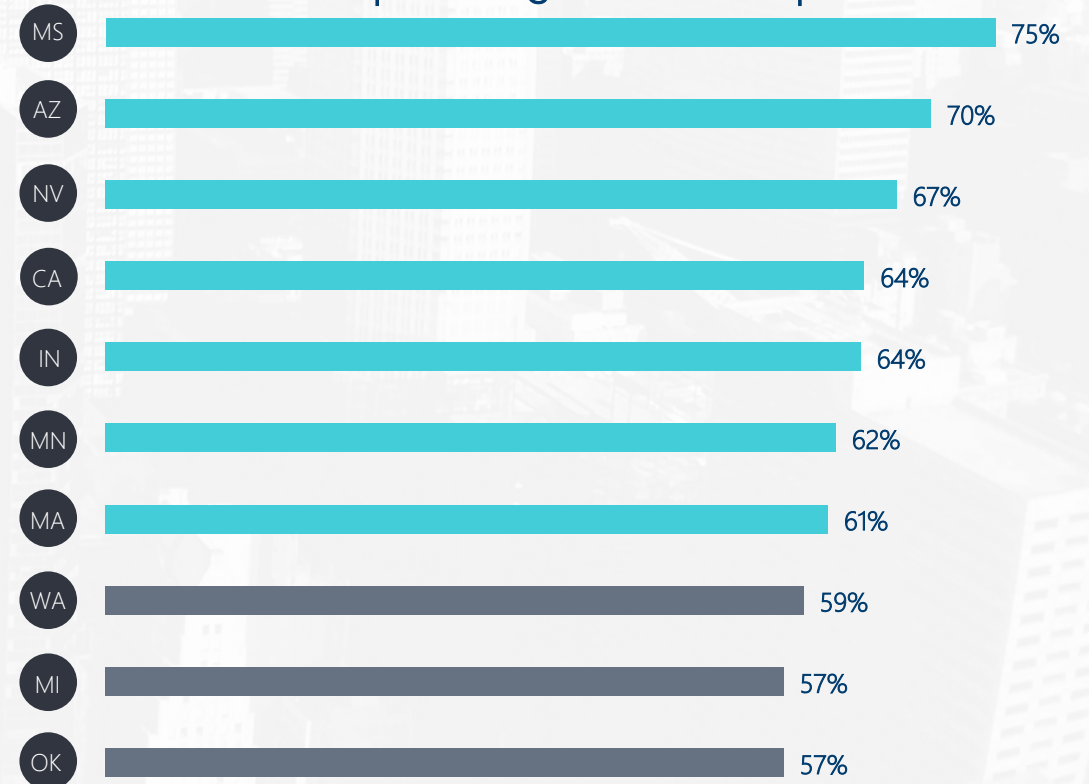
# Substantial Impact of Inflation

There are 20 states where more than 50% of respondents feel a substantial impact

% of Respondents who feel a substantial impact of inflation on their business

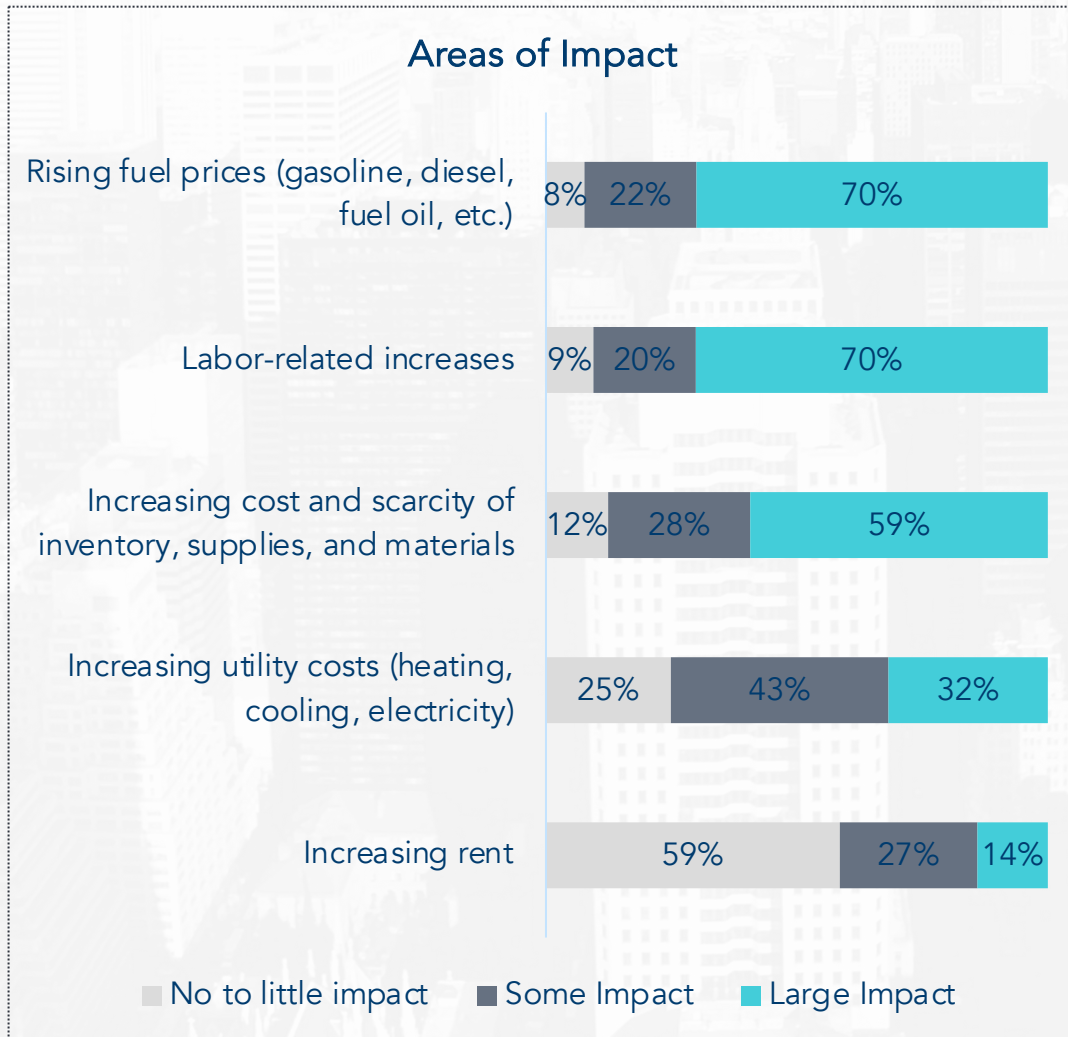


Top 10 states where % of Respondents are Experiencing Substantial Impact



# Impact of Inflation Across Supply Chain and Labor Costs

Fuel prices, labor, and cost of goods/services are top business areas impacted by inflation



"Fuel costs and labor costs [are] far exceeding any reasonable expectation."

 Maintenance Services Franchise Owner

"All of our costs are rising; however, the inability to get products or the fact that we must source new suppliers is very time-consuming and expensive."

 Child-related Franchise Owner

"I run my business from my house so there's no increase in rent or little increase in utilities. Everything else has nearly doubled, fuel, supplies and labor."

 Maintenance Services Franchise Owner

"Our loan rates are significantly impacted on property we own. Our transportation/travel cost are up more than 50%. Most every cost we have in the business is up significantly."

 Pet Related Product/Services Franchise Owner

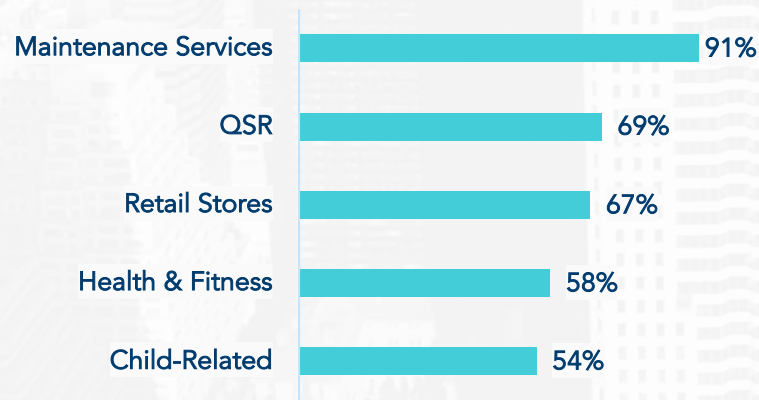
# Impact of Inflation Across Supply Chain and Labor Costs

Impact severity varies across industry, with **rising fuel prices and labor costs having the largest effect** on franchisees

## FUEL

92% of franchisees said rising fuel prices had some to large impact on their business.

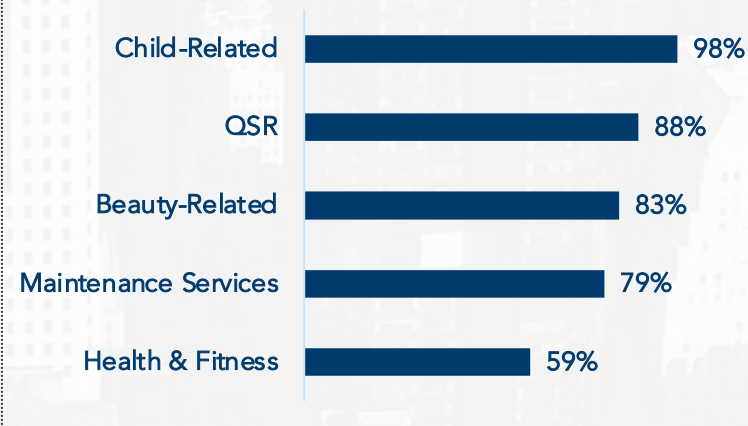
Top 5 industries with some or large impact on fuel cost



## LABOR

91% of franchisees said increasing labor cost had some to large impact on their business.

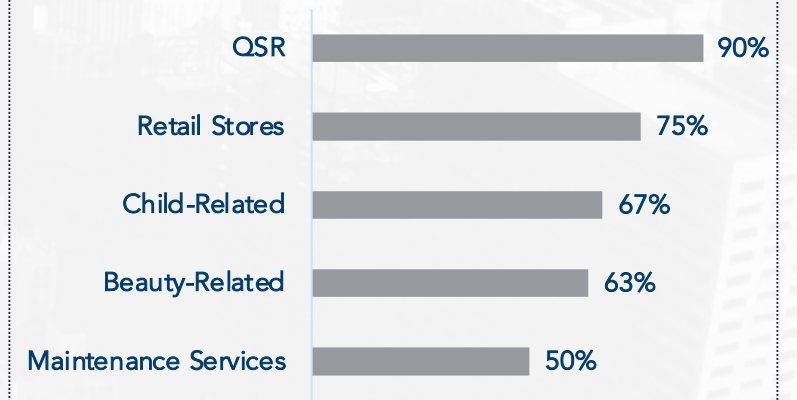
Top 5 industries with some or large impact on labor cost



## INVENTORY

88% of franchisees said an increase in cost of inventory had some to large impact on their business.

Top 5 industries with some or large impact on inventory cost

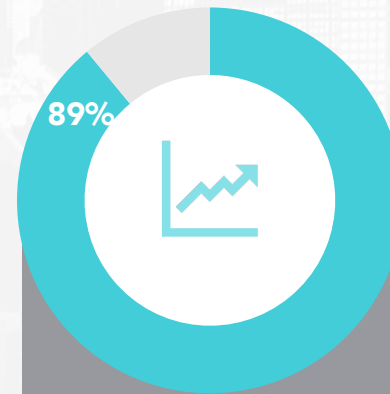
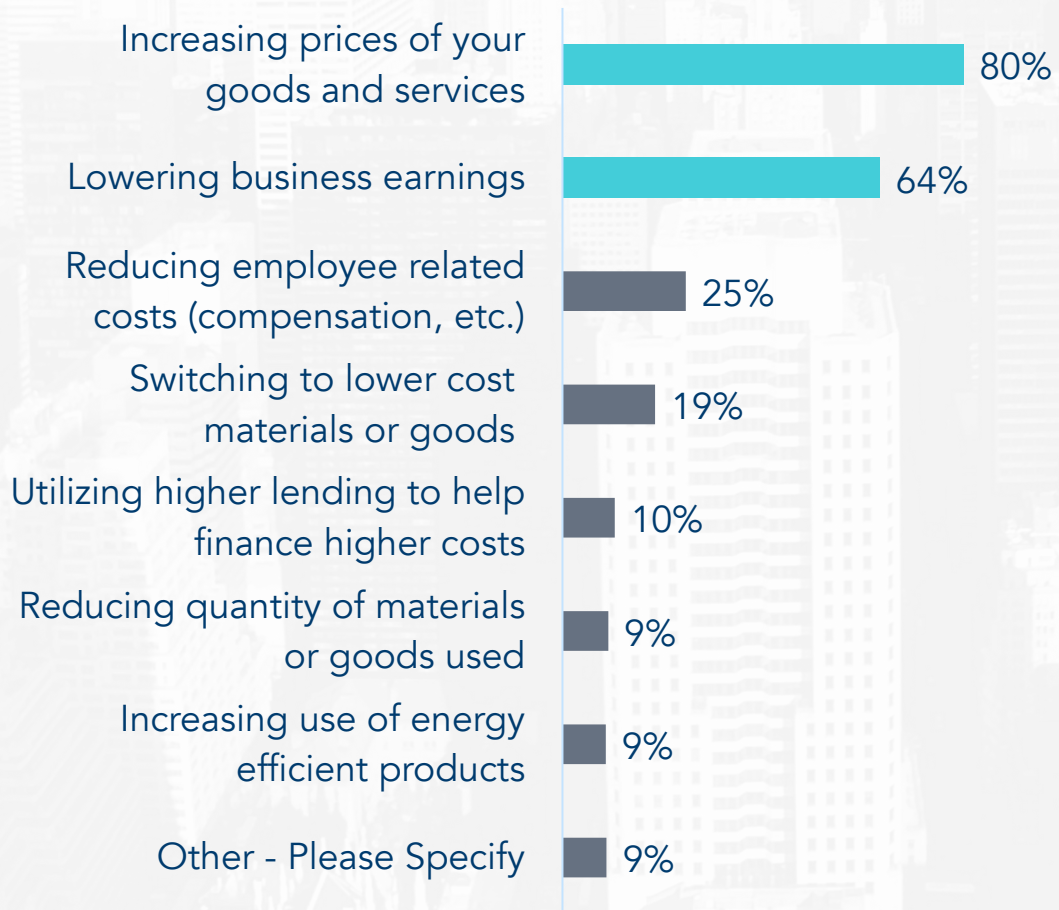




# Methods to Absorb Cost Increases

Single-unit franchisees less likely to raise their prices

## Methods to absorb increase in cost

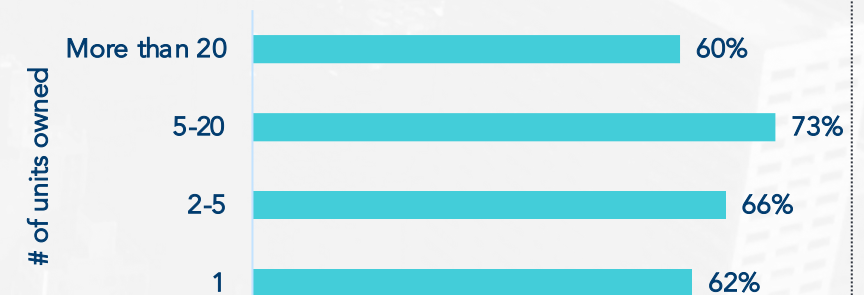


80% of respondents representing 89% of units raised their prices of goods and services to absorb cost increase.

## % of franchisees by number of units owned who increased prices



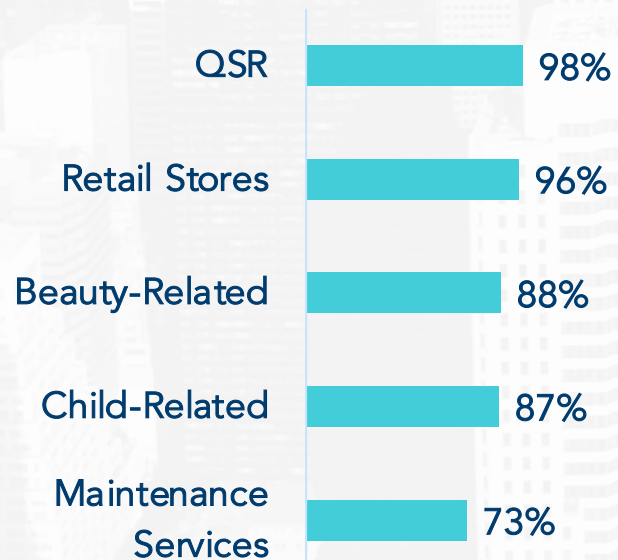
## % of franchisees by number of units owned witnessed lower earnings



# Methods to Absorb Cost Increases

QSR, Retail Stores, & Beauty-Related are top three industries to raise prices

## Top 5 industries that raised prices of good and services



"For the most part, we've had to increase pay/salaries, charge higher prices and adjust 2 and 3 times during the year."

Health & Fitness Franchise Owner

"By the time we increase prices, [costs] have increased."

Maintenance Service Franchise Owner

"[We are] not raising prices at the same rate as inflation to prevent losing customers thus decreasing revenue."

QSR Franchise Owner

# Methods to Absorb Cost Increases

Franchisees in Child-Related, Beauty, & QSR brands reported lower earnings

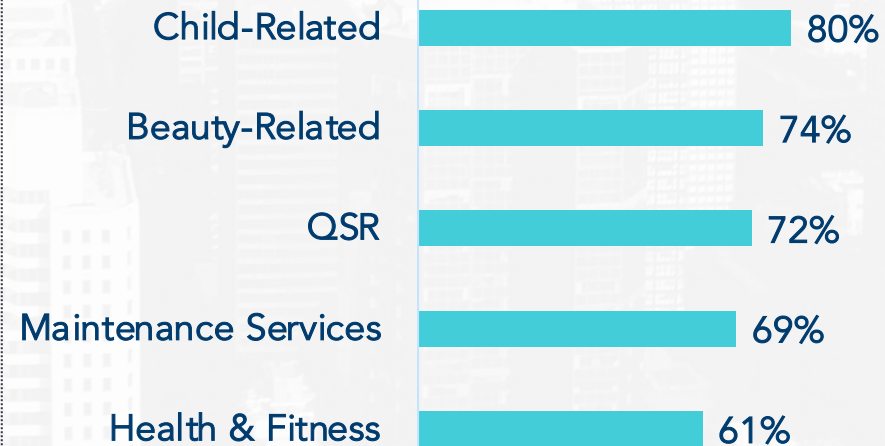
"Added extra day of service to cover fixed costs since profits are down"

 Maintenance service Franchise Owner

"Asking for deferment on SBA and other business loans"

 Health & Fitness Franchise Owner

## Top 5 industries that reported lowered earnings



"Attaining operating efficiencies in every business line item"

 Health & Fitness Franchise Owner

"I ended up scaling business back to control costs. We will do less but get back in the black."

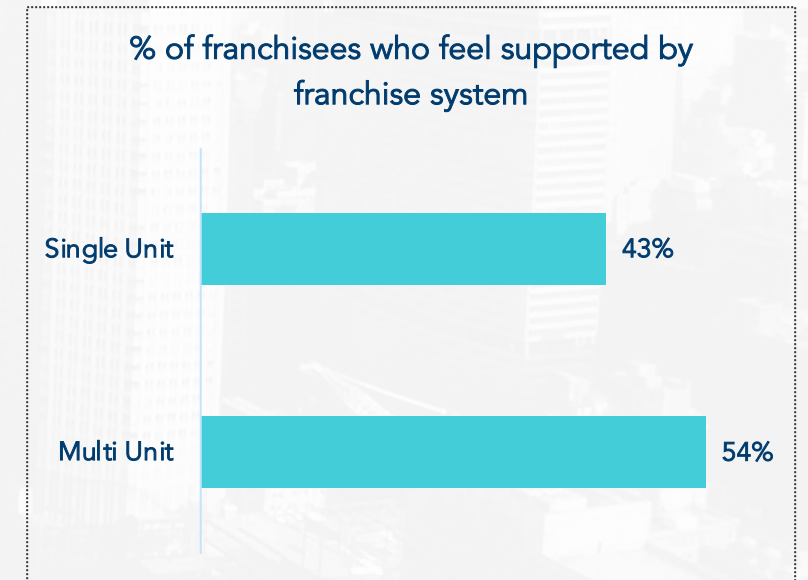
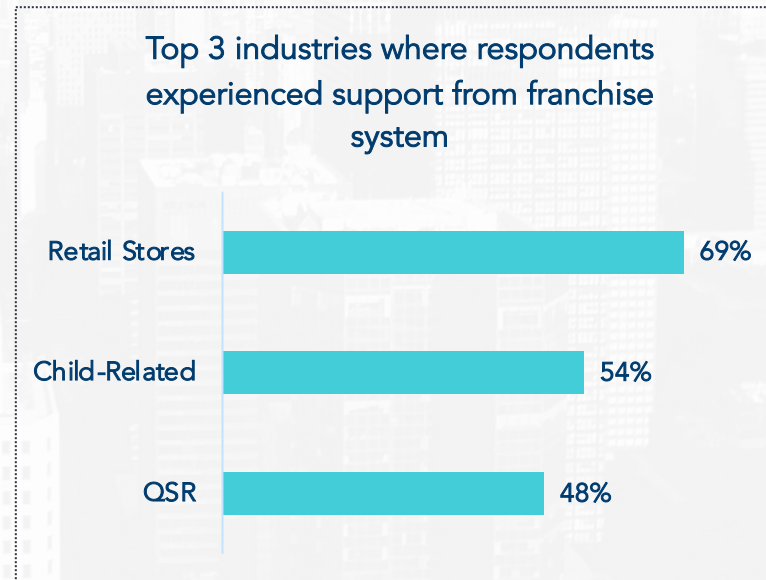
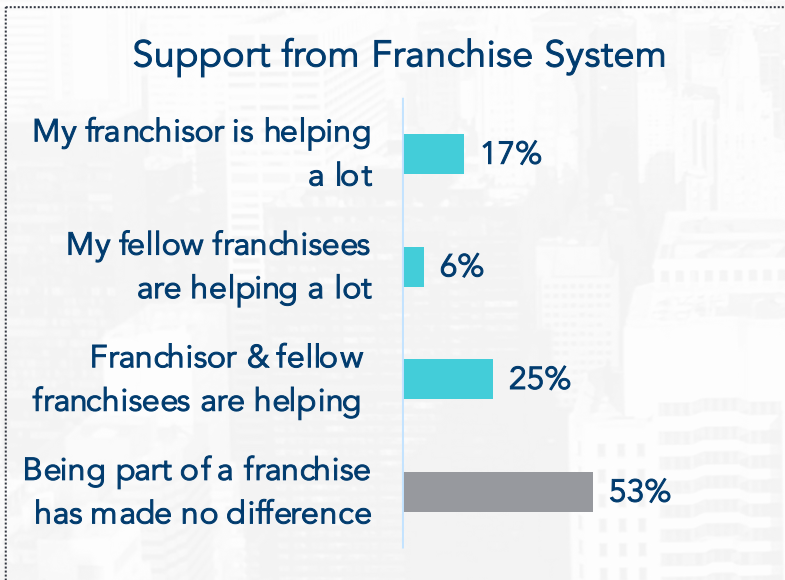
 Maintenance Services Franchise Owner

"Reducing inventory variety in order to stock more of our highest demand items"

 Maintenance services Franchise Owner

# Support from Franchise System

47% of franchisees feel being part of franchise system has helped

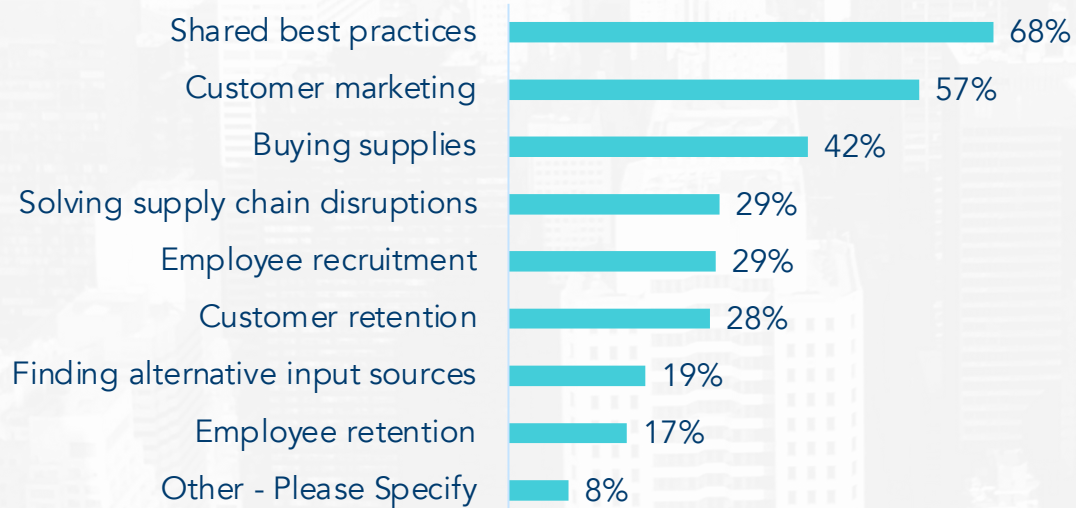


- ▶ **47% of franchisees experienced support from their franchise system** (either from franchisor, fellow franchisees, or both).
- ▶ **69% of franchisees from the Retail Stores industry felt supported from** their franchise system. **54% of the franchisees from the Child-Related industry** felt supported from their franchise system.
- ▶ **43% of single unit franchisees feel support** from their franchise system, while **54% of multi-unit franchisees feel support** from their franchise system.

# Franchise System Advantages

Shared best practices is one of the biggest advantages of the franchise system

## Best Franchise Tools to Deal with Inflation



- ▶ 68% of franchisees feel that sharing of best practices with fellow franchisees is the most important advantage of being part of franchise system.
- ▶ Other major advantages of being part of franchise system are customer marketing, buying supplies, and resolving supply chain issues.

"Using the power in numbers to negotiate pricing. Finding other vendors for assistance."

 Retail Stores  
Franchise Owner

"I love my franchise system, but honestly the support I see firsthand is from my direct team/office, some close franchisees, and local business partnerships where we share what's happening in our market."

 Health & Fitness  
Franchise Owner

"Franchise systems are more efficient reducing our overall costs."

 Pet Related  
Product/Services  
Franchise Owner

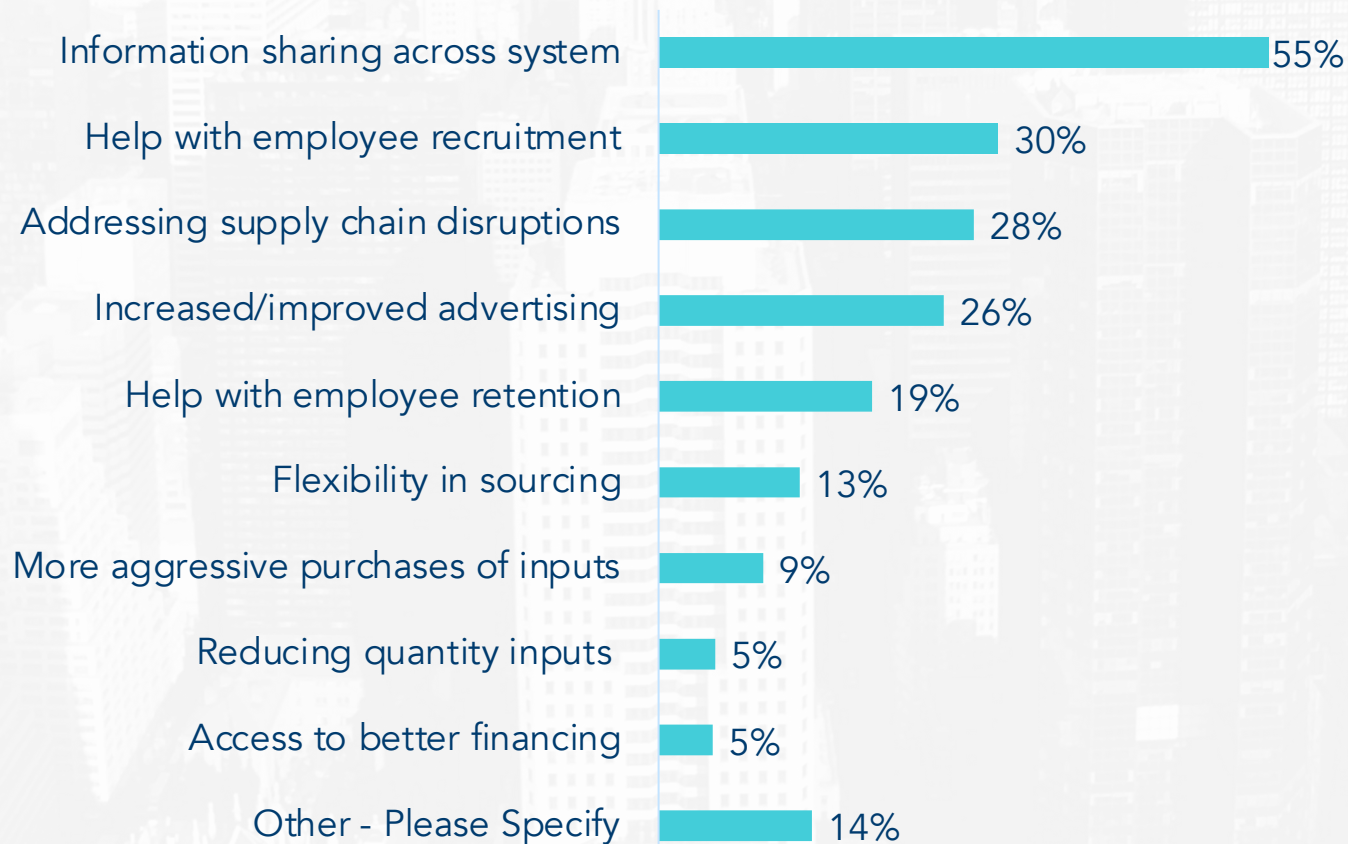
"I was able to reach out to another franchisee for material when I was unable to find any anywhere in the US."

 Building & Construction  
Franchise Owner

# How your Brand has Helped

Information sharing, employee recruitment, and addressing supply chain issues

## Actions your brand has taken



"Gave us a royalty holiday"

 Beauty-Related Franchise Owner

"Increased spend in technology to limit labor costs"

 Maintenance Service Franchise Owner

"Acting as advisors and a clearinghouse for best practice ideas"

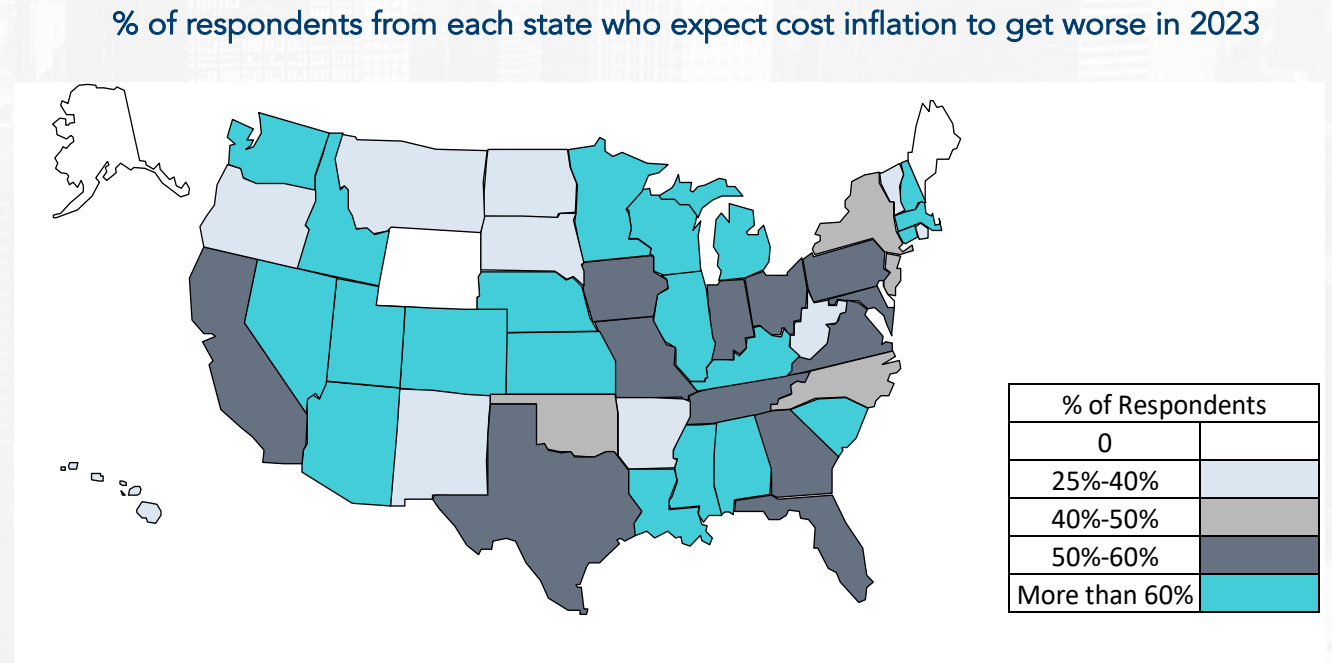
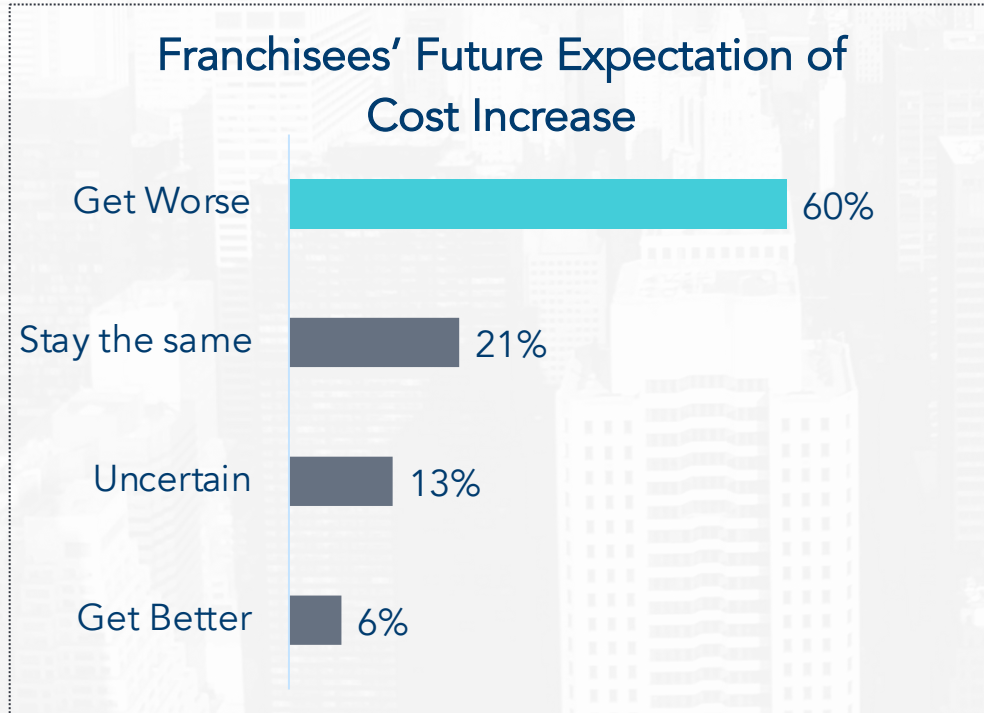
 Maintenance Service Franchise Owner

"Helping us get better access to financing"

 Retail Stores Franchise Owner

# Future Expectations

60% of franchisees expect increases in cost to get worse in near future



Respondents who expect cost inflation to get worse

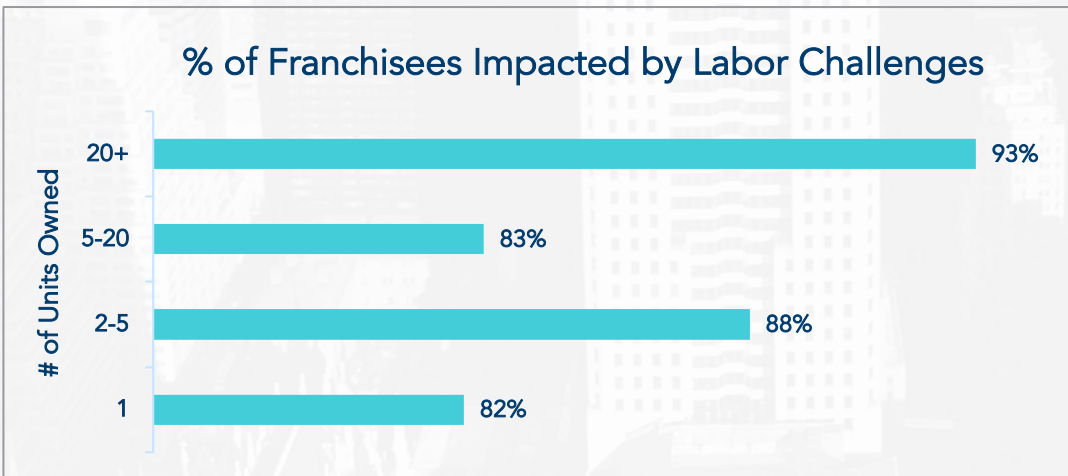
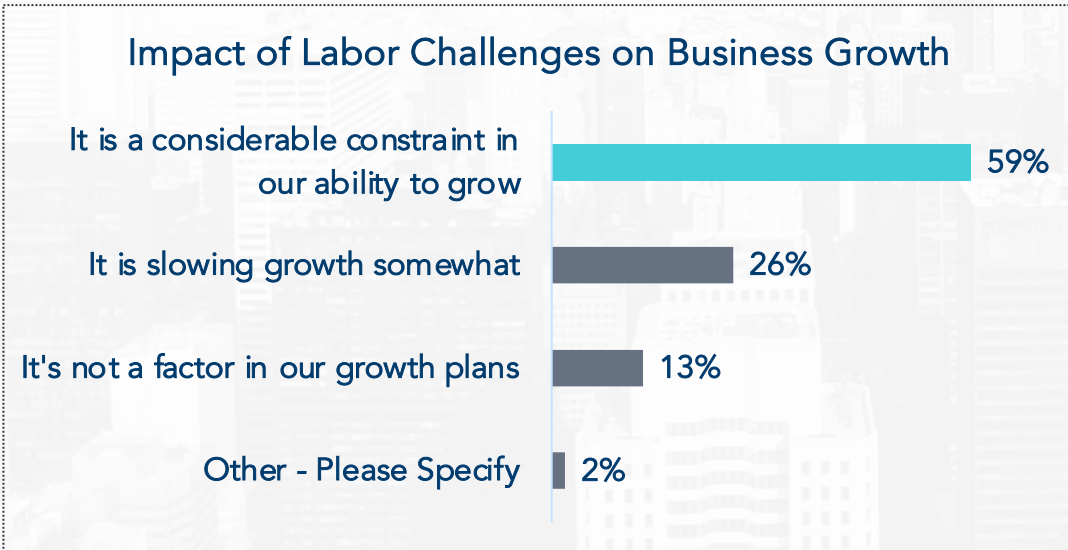
 Child Related **78%**

 QSR **67%**

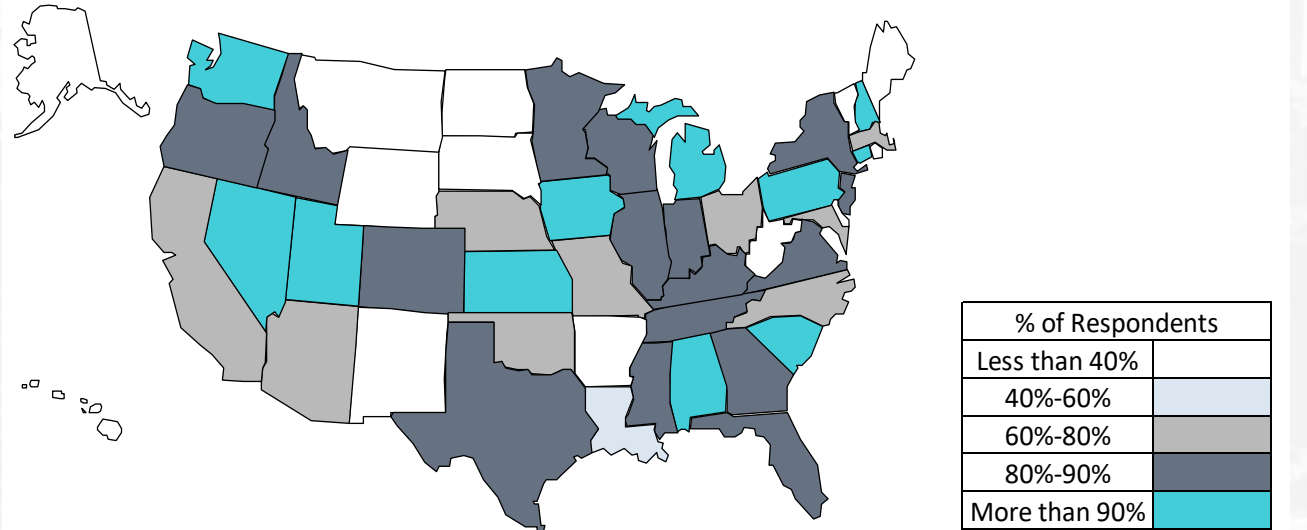
 Maintenance Services **61%**

# Impact of Labor Challenges on Growth

92% of franchisees with 11+ units say growth is constrained by labor issues



% of respondents from each state who said labor challenges had impact on their growth



“We almost went out of business due to lack of labor and employees in addition to the new normal for employee compensation. We had to dramatically raise our prices to be able to pay our employees.”







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