

Franchise Growth & Marketing Conference

**FGMC26**

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# Current Economic Landscape & the Impact on Franchisee Profitability

FRANdata Proprietary

# What's going on with the economy?



## Inflation Fatigue

2026 Expected Inflation: 2.4% - 2.7%

Consumers are evaluating purchases more critically, asking, "Is it worth it right now?"



## The Shrinking Middle Consumer

Middle-income consumers are under the most pressure.

Not affluent enough to ignore inflation but earn too much to qualify for assistance, creating the E-shaped economy.



## Consumer Debt and Payment Pressure

U.S. household debt increased to an all-time high of \$18.8 trillion in Q1 2026.



## Consumer Anxiety and Uncertainty

Consumer sentiment falls to record low in May 2026.



## Deliberate Spending

Consumer spending remains relatively resilient despite, however households are increasingly hunting for deals, delaying purchases, comparing prices, and prioritizing necessities.



## AI is Reshaping Everything

AI investment is a major economic growth driver right now, especially in technology and enterprise infrastructure. At the same time, consumers are demanding authenticity from brands.

# Headline numbers suggest weakening economy



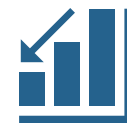
2026 GDP Growth Rate forecasted: **2.4-2.6%**



Unemployment Rate: **4.3%**  
Youth Unemployment: **10%**



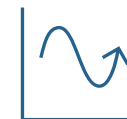
Purchasing Manager's Index: **51.4**



Inflation Adjusted Wage Growth: **Stagnant to slightly negative**



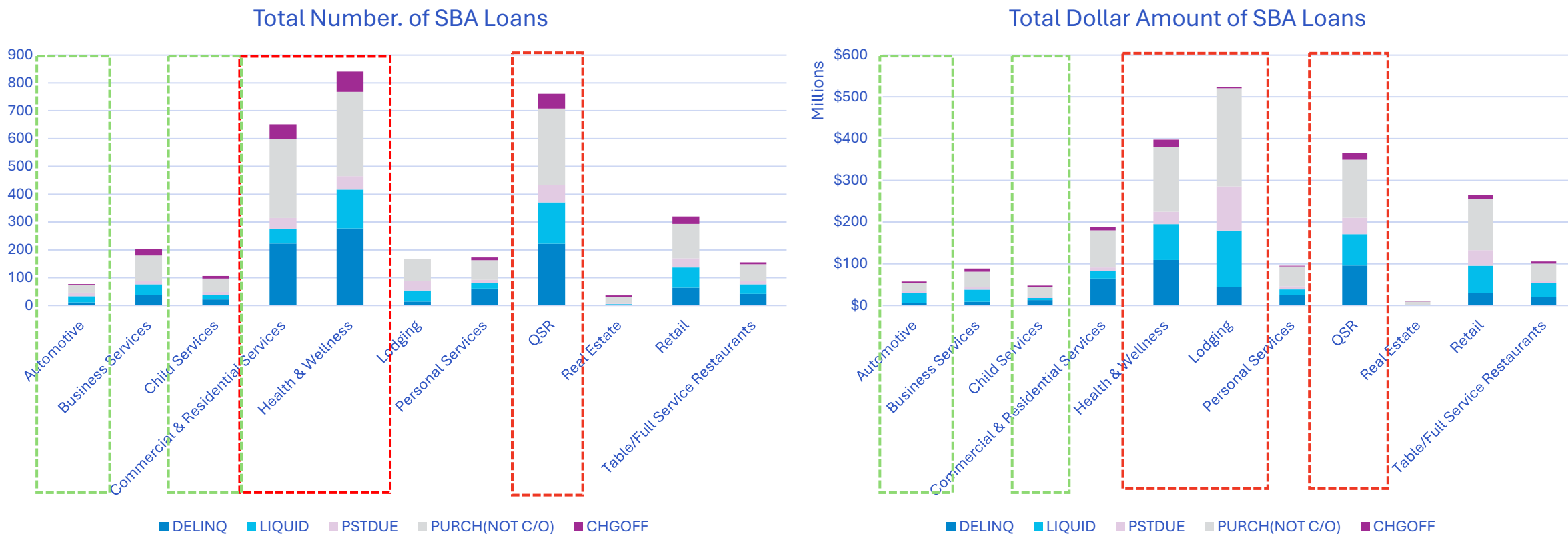
2026 S&P 500 Expected Return: **5-10%**



**Schizo** Consumer Sentiment

# Clusters of Performance & Non-Performance

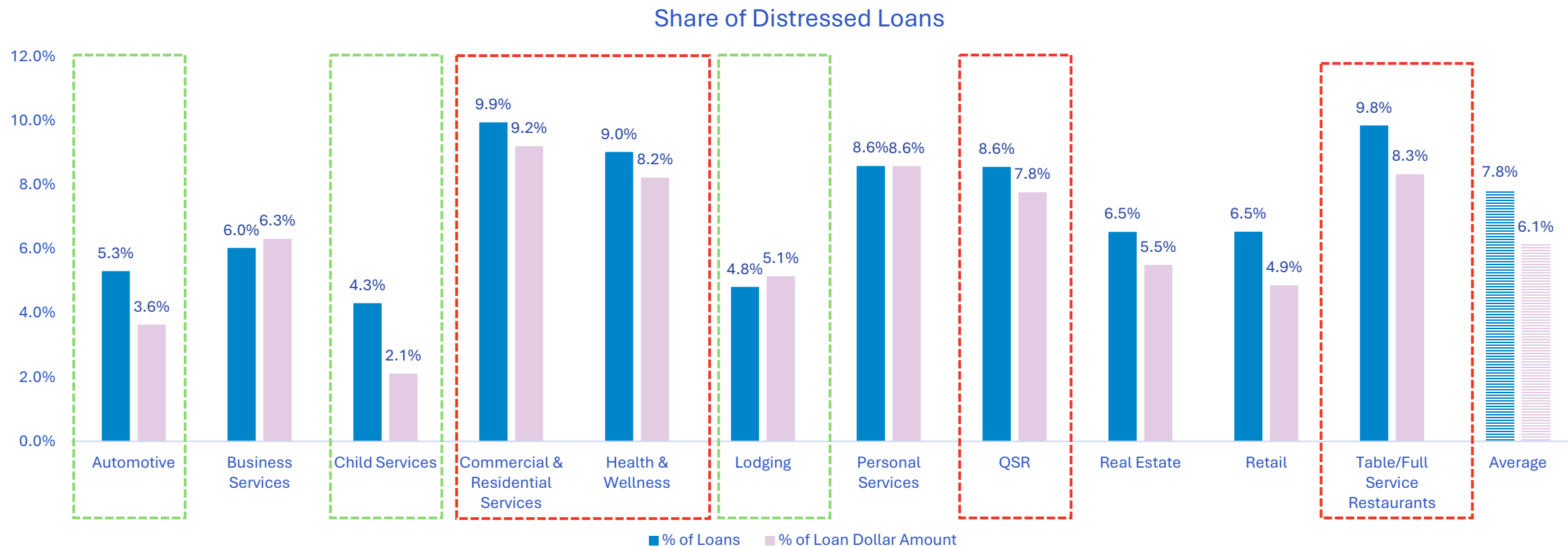
## Overview of Distressed SBA Loans (All Franchise Systems)



Source: FRANdata Research

# Clusters of Performance & Non-Performance

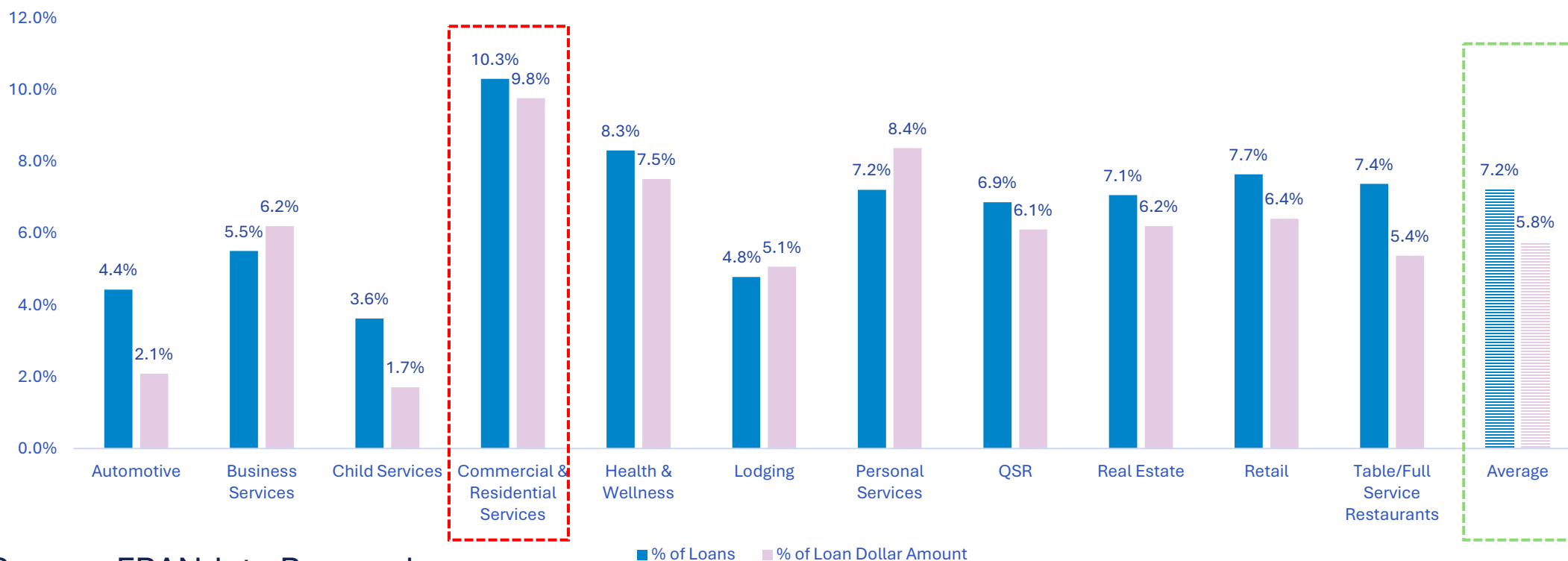
## Share of Distress



Source: FRANdata Research

# Clusters of Performance & Non-Performance (Mature Franchise Systems)

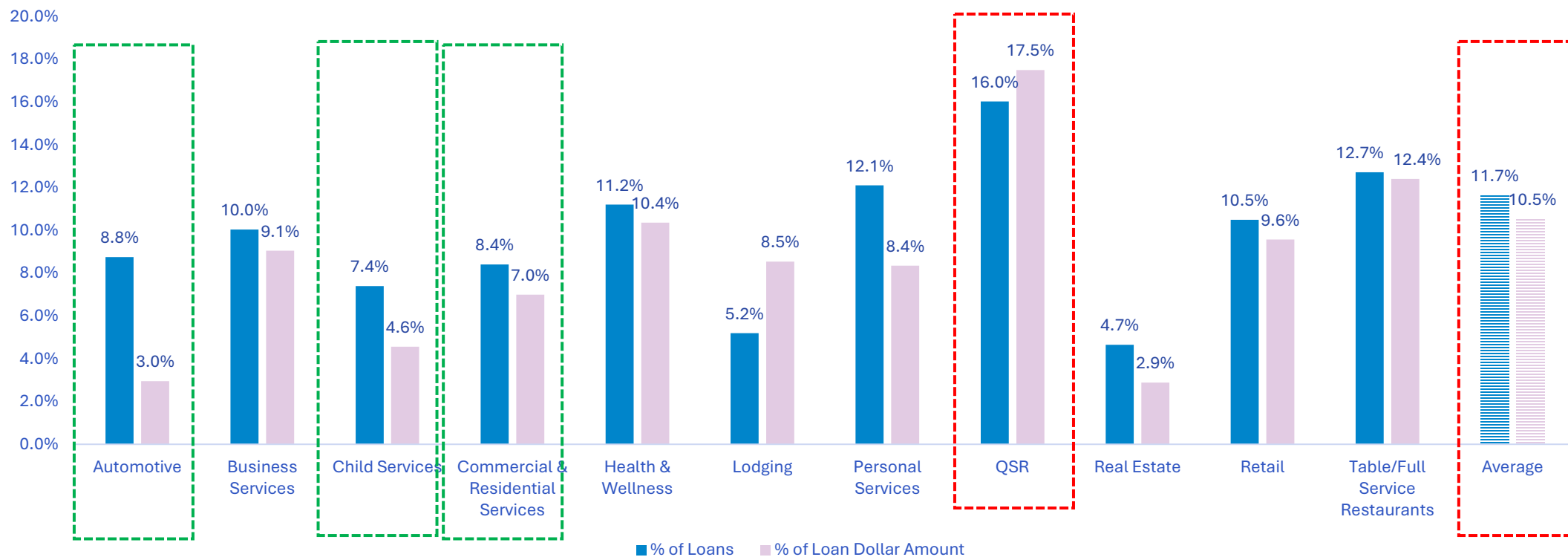
Share of Distressed Loans



Source: FRANdata Research

# Clusters of Performance & Non-Performance (Emerging Franchise Systems)

Share of Distressed Loans

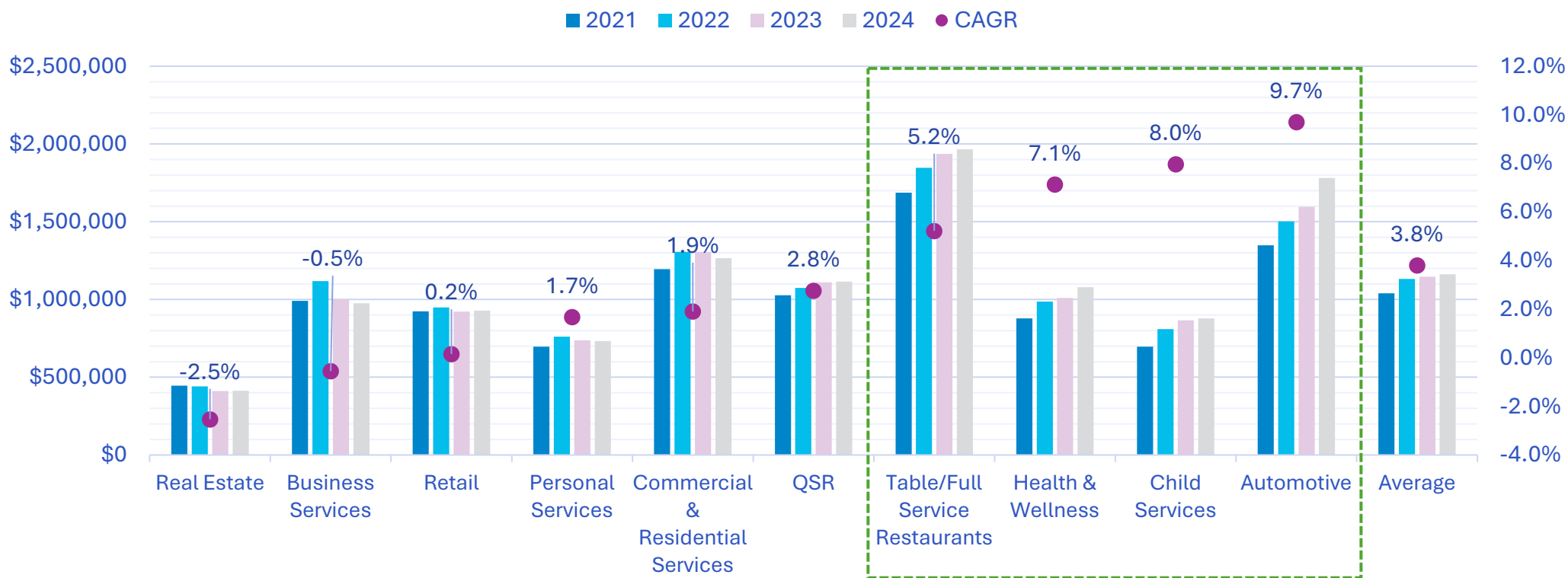


Source: FRANdata Research

# Keeping Pace With Inflation

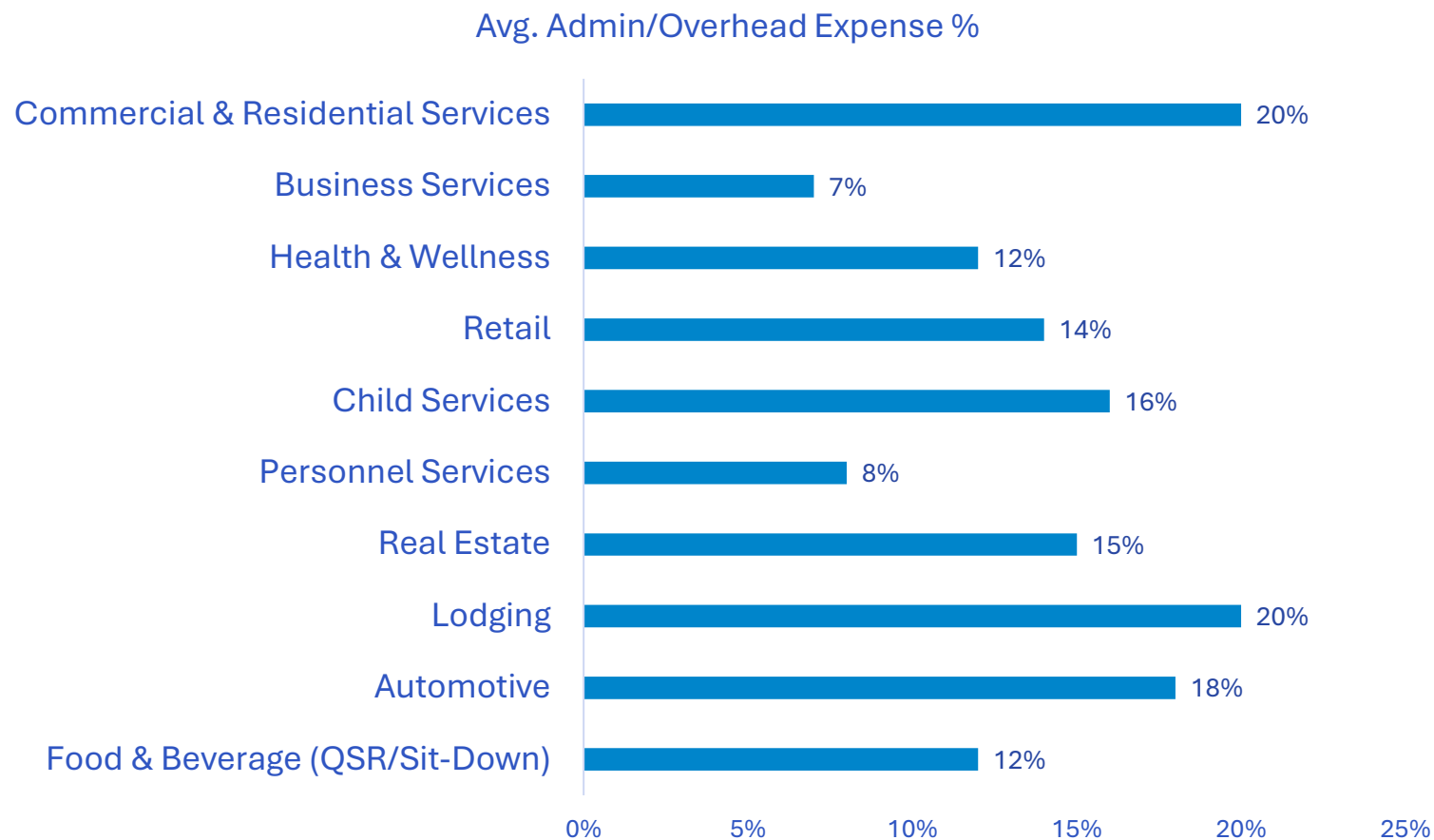
## Hurdle Rate > 4.9%

### Average Unit Revenue Growth



Source: FRANdata Research

# AD FUND Allocation on Admin Expenses



Source: FRANdata Research

# When Sales Drop, Marketers Get Blamed

*Advisory boards and leadership are increasingly pointing to marketers as the reason sales are declining—for mismanaging the marketing dollars.*

## But is marketing really the cause?

### 01 Competitive Saturation

More competitors entering your category put pressure on consumer share—before your marketing even runs.

### 02 Consumer Pullback

A weakening consumer across your entire product category means everyone's sales are under stress.

### 03 Ineffective Marketing

Only after ruling out market forces can marketing execution be fairly and accurately evaluated.

# Prove the market before you defend the spend

## STEP 1

### Show Category-Wide Trends

- Pull SBA loan performance data for your entire product category—not just your brand.
- **If the whole category is declining, sales pressure is a market signal, not a marketing failure.**
- Example: commercial and residential services are seeing broad stress industry-wide.

## STEP 2

### Benchmark Competitor Franchisees

- Identify competing franchisees near your locations—especially those under stress or closing.
- **A sophisticated operator who is still failing signals a market issue, not poor marketing.**
- If nearby competitors close and your sales bounce back, the market was simply oversaturated.

## STEP 3

### Isolate the Variable

- **If your franchisee struggles alongside a failing competitor in the same market, the consumer is the issue.**
- If yours thrives while competitors fail, your marketing and operations deserve credit.
- Only when market and competitive factors are ruled out should marketing execution be examined.

# What Separates Leading Brands from the Rest

Area	High Performing Brands	Low Performing Brands
Customer Data Usage	Advanced segmentation, loyalty data, personalization, analytics-driven targeting	General digital marketing references with less evidence of sophisticated personalization
Marketing Strategy	Integrated omnichannel ecosystems	More channel-specific or campaign-focused
Brand Positioning	Strong lifestyle, emotional, or community positioning	More promotional or awareness-oriented messaging
Local + National Alignment	Strong centralized marketing with local activation	Often centralized campaigns without strong local execution detail
Customer Retention	Heavy emphasis on loyalty, repeat visits, engagement, retention	Greater focus on customer acquisition and visibility
Technology Integration	POS systems, CRM, loyalty apps, AI/search optimization, analytics	Digital presence exists but often less integrated
Measurable Performance Focus	Focus on ROI, conversion metrics, lead optimization, ticket growth	Less discussion around measurable marketing efficiency
Consumer Experience	Marketing tightly connected to customer journey and operations	Marketing often discussed separately from customer experience

Source: FRANdata Research

# Key Takeaways for Marketers

*What every marketer should implement, inspired by top franchise brand strategies*

## Lifestyle Positioning is Becoming Critical

**Leading brands market identity, lifestyle, and emotional outcomes rather than just products.**

- Wellness positioning is expanding beyond fitness
- Consumers respond to aspiration and belonging
- Emotional storytelling is replacing transactional messaging
- Lifestyle branding increases loyalty and differentiation

## Strong Brands Connect National Strategy with Local Execution

**High-performing franchise brands combine centralized strategy with local activation.**

- Corporate teams provide scalable infrastructure
- Franchisees execute locally relevant campaigns
- Strong systems create consistency without losing local authenticity
- Local execution improves conversion and community connection

## Data Driven Consumer Marketing

**Winning brands are using customer data to drive personalization, retention, and marketing ROI.**

- Loyalty platforms are becoming customer intelligence systems
- Segmentation is increasingly behavior and lifestyle based
- Marketing decisions are increasingly analytics driven rather than intuition driven
- Personalization is improving frequency, spend, and retention

## Experience and Community Marketing Are Increasingly Important

**Experience-driven marketing is becoming a major differentiator.**

- Consumers value community and participation
- Experiential marketing increases emotional attachment
- Brands are becoming lifestyle communities
- Experience-based positioning improves differentiation

## Loyalty Programs Have Become Strategic Assets

**Loyalty programs are evolving into data and retention ecosystems.**

- Loyalty is driving first-party customer data collection
- Personalized offers increase repeat visits
- Mobile apps are becoming marketing platforms
- Strong loyalty systems improve retention economics

## Digital First Does Not Mean Digital Only

**Top brands are building integrated omnichannel ecosystems, not isolated campaigns.**

- Digital channels support loyalty and retention
- National campaigns reinforce local conversion
- Social, CRM, PR, and paid media work together
- Best brands create one connected customer journey

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# THANK YOU!

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