

# 2012 FRANCHISE BUSINESS ECONOMIC OUTLOOK



**FRANCHISE BUSINESSES SHOW SIGNS OF RECOVERY IN 2012 AFTER YEARS OF RESTRAINED GROWTH** JANUARY 2012  
 FRANCHISE BUSINESS JOBS PROJECTED TO GROW 2.1 PERCENT, AN INCREASE OF 168,000 JOBS

## HIGHLIGHTS OF THE REPORT

Over the past three years, franchise business growth has been restrained due to underlying factors that have been a drag on the economy as a whole. Since a high proportion of franchise businesses serve consumer markets, the weak rebound in consumer spending following the recession has hampered the growth of the franchise sector. Tighter credit standards have limited the formation of new franchise small businesses and the expansion of existing businesses. *As these conditions improve, the IHS Global Insight report forecasts an acceleration in the number of franchise businesses in 2012 and continued modest growth in employment and economic output.*

- **Establishments** – The number of franchise establishments will increase by 1.9% in 2012 from an estimated 735,571 to 749,499 – an increase of 13,928 establishments.
- **Employment** – The number of direct jobs rebounded in 2011 to post a gain of 1.9%. In 2012, franchise business employment will increase by 2.1%, from 7,934,000 jobs to 8,102,000 jobs – an increase of 168,000 jobs.
- **Economic Output** – The output of franchise businesses increased 5.3% in nominal dollar terms in 2011. Output will grow by 5.0% in 2012 – from \$745 billion to \$782 billion – an increase of \$37 billion.
- **GDP Contributions** – Franchise businesses account for 3.0% of U.S. gross domestic product (GDP). Growth of GDP originating in the franchise sector will increase 4.8% in 2012, from \$439 billion to \$460 billion, for an increase of \$21 billion.



## 1 FRANCHISE BUSINESS ECONOMIC OUTLOOK, 2007-2012

Source: IHS Global Insight

	ESTIMATES					FORECAST
	2007	2008	2009	2010	2011	2012
Establishments <i>Percent change</i>	770,835	774,016 0.4%	746,646 -3.5%	740,335 -0.8%	735,571 -0.6%	749,499 1.9%
Direct Employment <i>Percent change</i>	7,994,000	8,028,000 0.4	7,800,000 -2.8%	7,786,000 -0.2%	7,934,000 1.9%	8,102,000 2.1%
Output <i>Percent change</i>	\$675 B	\$703 B 4.2%	\$683 B -2.8%	\$708 B 3.6%	\$745 B 5.3%	\$782 B 5.0%
GDP <i>Percent change</i>	\$403 B	\$410 B 1.8%	\$405 B -1.2%	\$418 B 3.3%	\$439 B 4.9%	\$460 B 4.8%

## FRANCHISE BUSINESS SECTORS

**Output** – The outlook for growth differs significantly among franchise business segments. Personal Services franchises is expected to be a growth leader in 2012, with 6.2% in output growth, followed by Retail Products and Services at 6.1%. Real Estate will also show growth of 5.8%. However, the industry is starting from a low base and will not reach its 2007 output levels.

**Establishments** – The number of establishments in each business segment is estimated to increase in 2012, from a low of 0.1% (Retail Products & Services), to a high of 3.1% (Lodging).

**Employment** – All segments will experience job growth in 2012, with Business Services franchises growth the highest at 3.6%. The two groups that account for 50% of all jobs in the franchising industry – Quick Service Restaurants and Table/Full Service Restaurants – will also experience job growth of 2% and 1.8% respectively.

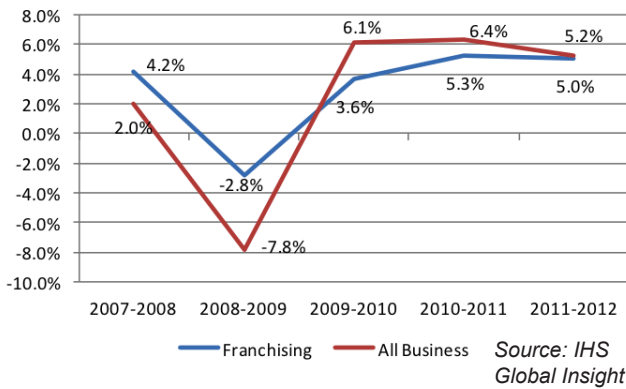
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## 2 FRANCHISE BUSINESS ECONOMIC OUTLOOK BY BUSINESS LINES: 2012

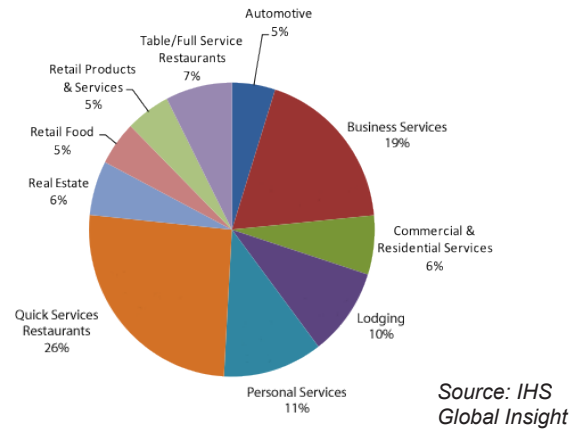
Source: IHS Global Insight

BUSINESS LINES	ESTABLISHMENTS		EMPLOYMENT		OUTPUT (\$ BILLIONS)	
	AMOUNT	Percent change over prior year	AMOUNT	Percent change over prior year	AMOUNT	Percent change over prior year
Automotive	30,376	1.4%	182,099	2.6%	38.23	3.9%
Business Services	92,349	2.6%	912,780	3.6%	145.11	5.5%
Commercial & Residential Services	60,989	1.2%	351,422	1.5%	50.99	5.7%
Lodging	25,584	3.1%	696,701	1.4%	76.00	4.8%
Personal Services	108,410	2.7%	649,207	2.2%	87.75	6.2%
Quick Service Restaurants	151,347	2.6%	3,009,865	2.0%	201.16	4.4%
Real Estate	86,631	1.9%	299,384	2.5%	47.00	5.8%
Retail Food	61,144	0.9%	485,344	2.4%	38.01	3.7%
Retail Products & Services	96,574	0.1%	486,236	1.7%	39.24	6.1%
Table/Full Service Restaurants	36,095	2.1%	1,028,955	1.8%	58.70	4.2%
<b>TOTAL</b>	<b>749,499</b>	<b>1.9%</b>	<b>8,101,993</b>	<b>2.1%</b>	<b>782</b>	<b>5.0%</b>

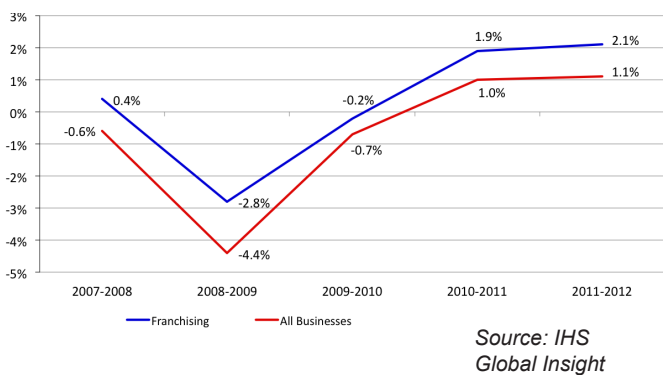
### 3 ECONOMIC OUTPUT 2007-2012: Franchise Businesses compared to ALL Businesses



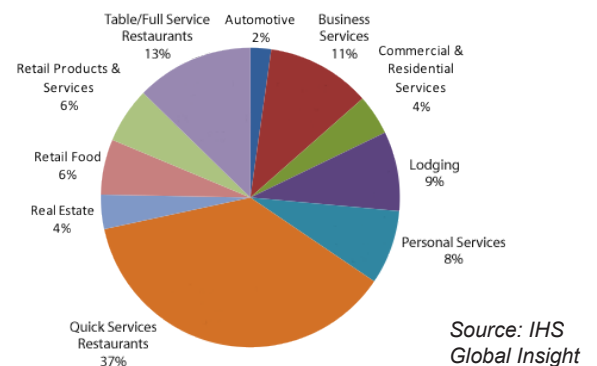
### 4 OUTPUT DISTRIBUTION BY SECTOR: 2012



### 5 EMPLOYMENT 2007-2012: Franchise Businesses compared to ALL Businesses



### 6 EMPLOYMENT DISTRIBUTION BY SECTOR: 2012



The report does not include estimates for product distribution franchises such as automotive and truck dealers, gasoline stations without convenience stores, and beverage bottling.

The 2012 Franchise Business Economic Outlook estimates key national-level measurements of business format franchises. The report was prepared by IHS Global Insight for the International Franchise Association Educational Foundation. The full report is available at [www.franchise.org/2012forecast.aspx](http://www.franchise.org/2012forecast.aspx).

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