



About the Report

Oxford Economics performed a first-of-its-kind assessment of the value of the franchise business model to workers, entrepreneurs, and local communities. The study centers on a survey of more than 4,000 independent franchise owners to paint a detailed picture of franchising in America. A review of the academic literature and an analysis of commercially available wage and non-wage compensation data round out the report.

The Value of Franchising underscores that franchise businesses:

- Are diverse in industry and ownership and committed to their local communities
- Provide better pay and benefits than non-franchised businesses
- Offer entrepreneurial opportunities that would not otherwise be available, especially to women, people of color, and veterans

Based on these comprehensive findings, it is clear that as the U.S. seeks to recover economically from a devastating pandemic, franchises must be part of the solution.

5 KEY TAKEAWAYS

1. Franchises are more diverse than most people recognize

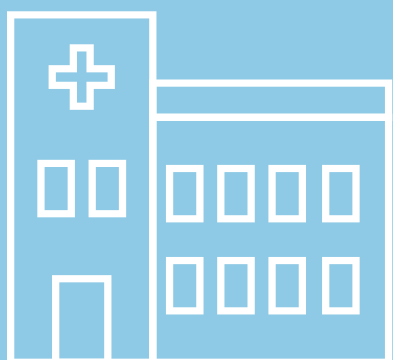
Many people associate franchising with national fast food chains but in reality the sector is far more diverse:

- Only one-quarter of franchises are quick service restaurants. The other three-quarters of franchise operations span industries ranging from child care and home improvement to fitness services and hair salons.
- Iconic, national brands comprise only 16% of the market, while **local brands make up 50% of independent franchises.**
- **A plurality of franchising enterprises (48%) are small**, with 25 locations or fewer.

2. Franchises offer better pay, more opportunity

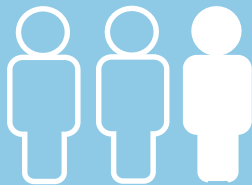
Franchise firms, the study finds, pay higher wages and are more likely to offer benefits than their non-franchise counterparts. **Franchise workers are also promoted to manager at higher rates.** Notable in light of COVID-19 are the higher proportions of franchise team members who enjoy health insurance and paid sick leave.

- Franchise firms pay **2.2 – 3.4% higher wages** than similar non-franchises.
- **More than 65% of franchise workers are offered health insurance**, a greater proportion than among small establishments in general.
- **More than three-quarters of franchise workers (76%) are offered vacation, holiday, and sick leave.**



More than 65% of franchise workers are offered health insurance.

5 KEY TAKEAWAYS



Nearly one-third of survey respondents (32%) said they would not own a business without franchising.

3. Franchising is an entrepreneurial engine for growth and jobs

The franchise business model helps aspiring entrepreneurs go into business for themselves. A nation without franchising would be poorer for it.

- **Nearly one-third of survey respondents (32%) said they would not own a business without franchising.** Women and first-time owners are even more likely to state that the franchise opportunity was critical to their ability to launch a small business.
- Extrapolate the percentage of enterprises that would not exist without franchising and the **U.S. would lose 60,000 businesses, 223,000 establishments, and 1.8 million jobs.**

Black-owned franchises earn 2.2 times more than Black-owned independent businesses on average.



4. Franchising expands opportunities for women and people of color

Franchisees of color and female owners are represented at a disproportionately high rate. Franchises deliver substantial assistance to business owners, including access to capital, training, managerial assistance, and supply chain savings, which can help overcome barriers to business ownership, including discrimination.

- **Around 26% of franchises are owned by people of color,** compared with 17% of independent businesses generally.
- **Black-owned franchises earn 2.2 times more than Black-owned independent businesses on average.**

The report concludes that **supporting the franchise business model could be a helpful tool to encourage higher rates of entrepreneurship among women, non-white, and other underrepresented groups—without cost to taxpayers.**

5. Franchises are good neighbors

The franchise business model encourages local employment and wealth-sharing within communities. Operating an independent franchise means claiming a coveted spot as a local small business owner and the impact of local ties is evident:

- **Most franchisees recruit and train local residents** rather than bring in workers from other parts of the country.
- Franchise supply chains are structured to support the local economy, with **over one-third of franchises (36%) purchasing at least 25% of required goods locally.**
- Some **65% of franchisees give to local charities.**
- The year before the pandemic struck, franchisees **donated an estimated \$1.5 billion to charity, raised over \$900 million, and sponsored 18 million hours of volunteer activity.**