

Media Release: Survey shows business optimism about 2021

28 October 2020

A national survey of franchise businesses has shown 64% of respondents indicated they were optimistic about business conditions in the next six months following improved trading during the September quarter, compared with the previous three months.

Representatives of 109 Australian franchise systems covering 15,649 franchised units and 2,012 company operated units contributed to the “Pulse Check” survey, undertaken by FRANdata* for the Franchise Council of Australia.

Positive trading experiences in the September quarter continued to be most apparent across the QSR, maintenance, health and pet care related franchise systems. Cafes, restaurants (sit-down), fitness clubs, lodging and child related services proved less resilient.

Restrictions in Victoria continue to heavily impact the trading performance of many franchised businesses in the state.

95 franchised units were permanently closed across 34 franchise systems, predominantly in the retail food (café) category in the September 2020 quarter.

At the same time 174 new units were opened across 45 brands, predominantly in retailing, pet care and home maintenance services.

Trading conditions remain tough but franchising is showing resilience and tenacity as franchisees continue to benefit from strong and sustained support from franchisors, including 21.5% providing financial support to 100 per cent of their network

The survey responses show franchisors actions to assist their franchisees focused on:

- advice around navigating new regulations and restrictions,
- assistance with accessing government support programs
- supporting franchisees with landlord negotiations
- providing royalty reduction and deferral programs, and
- actions that monitor and support the well-being of franchisees.

The greatest concerns in the September 2020 quarter were the “wellness” of franchisees & support staff (48%), franchisee financial performance (44%), landlord issues (41%), franchisee engagement and satisfaction (36%) and recruitment (34%).

The FCA will use the information gathered to support ongoing submissions and representation to government for Australian franchising.

ENDS

The Franchise Council of Australia is the peak body for the \$184 billion franchise business segment, which includes 1,344 networks, with 90,000+ individual franchised outlets, employing 598,500 Australians across the nation.

www.franchise.org.au

Quotes which can be attributed to Mary Aldred, CEO of the FCA ...

Franchise businesses have demonstrated incredible resilience throughout the pandemic, and while it is pleasing to see increased optimism as trading conditions improve, the recovery will be a long haul and the survival of thousands of franchisees will depend on sustained support.

The Franchise Council of Australia continues to advocate on behalf of businesses facing financial distress, including those dealing with ongoing trading restrictions across Victoria, and nationally on commercial leasing issues.

Quotes which can be attributed to Darryn McAuliffe, CEO of FranData ...

Those franchise brands which enjoyed the greatest resilience in 2020 are ramping up their new store opening programs.

Whilst new unit openings are positive, they are generally in non-food type franchises. The greatest number of permanent closures are among food related businesses which unfortunately are likely to deliver a high number of job losses.

There is a risk of increased closures across franchise networks if franchisors pull back or cannot sustain their current high levels of support for franchisees.

Editor's note: FRANdata (established in the US in 1989) commenced Australian operations in 2013 to help local franchising address key strategic challenges by providing one source for objective information and analysis. FRANdata now provides Brand Ratings, Finance Access Reports and Benchmarking services on participating Australian franchise systems. FRANdata also operates The Australian Franchise Registry™ which holds information on more than 200 brands or 30% of the Australian franchise sector.

The Report of Findings from the September Quarter 2020 Australian Franchise Sector "Pulse Check" survey is attached. For further information, please contact Darryn McAuliffe on 0412 789027 or dmcauliffe@frandata.com.au.

The Franchise Council of Australia is the peak body for the \$184 billion franchise business segment, which includes 1,344 networks, with 90,000+ individual franchised outlets, employing 598,500 Australians across the nation.

www.franchise.org.au