

Business sentiment plummets as restrictions bite

6 August 2021

Growing concern about the continuing impact of government lockdowns is undermining business optimism of recovery in the next six months, according to the latest Australian Franchise Business “Pulse Check” survey.

The June Quarter 2021 survey included responses from 148 Australian franchise brands covering 23,177 business outlets employing 141,072 Australians.

Pessimism about business conditions in the next six months jumped to 22% in the June quarter from 6% in the March quarter and 10% in the December quarter. Only 48% of respondents were optimistic (down from 85% in the March quarter) with 30% of respondents neutral about the outlook.

Forward sentiment in relation to revenue expectations weakened significantly with 45% of respondents expecting a revenue fall (up significantly from 13% in the March quarter and 11% in the December quarter).

The greatest concerns or challenges reported in the June 2021 quarter were the risk of further government lockdowns (84%), availability of suitable employees (55%), wellness of franchisees and support staff (50%) and supply chain issues due to border closures (44%).

However, 54% of networks reported they had revenue increases exceeding 10% in the June quarter (up from 45% and 33% in the previous two quarters) reflecting the relative solid trading performance of many franchises up to the end of June.

Stronger trading was reported across the health, sport, recreation, and fitness industries. Respondents from printing and retail food indicated comparatively weaker performance with lockdowns and border closures remaining as significant issues.

A total of 419 new units were opened across the brands of 64 respondents, predominantly in the categories of home maintenance, retail food and service industries. A total of 187 franchised units were permanently closed by 27 respondents, predominantly in the retail food, services, fitness and automotive categories.

“After four successive quarters, the latest lockdowns and renewed uncertainty have shown a strong negative shift in business sentiment”, said Franchise Council of Australia CEO Mary Aldred.

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“Businesses that are part of a franchise network appear to be outperforming many other parts of the small-medium business sector but they are still dealing with many challenges and are nowhere near their level of revenue pre-COVID”.

“The survey shows that franchise businesses are clearly very concerned about not just lockdowns but also the wellness of their support staff and the challenges facing their franchisees”, said Ms Aldred.

Other key findings:

- The majority (60%) of franchise systems were planning to or were already actively encouraging staff to get vaccinated.
- The majority of respondents (43%) were unlikely or had already decided they would not be providing incentives to their staff or network for vaccination, a further 40% were undecided.
- In relation to providing incentives to customers, 73% indicated they were unlikely to or would not and only 3% planned to place restrictions on customers who were not vaccinated.
- Queensland remained the strongest performing state for franchises over the past 12 months at 34% of respondents (although lower than the previous quarter - 41%). This was followed by NSW (22%), WA (21%) and VIC was again poorest performer (10%).
- Respondents indicated that in the next twelve months they were most likely to expand business in NSW (42%). followed by QLD (23%), VIC (22%) and WA at (10%).

Editor's notes:

- *The “Pulse Check” survey is undertaken for the Franchise Council of Australia by FRANData to provide insights on the status and experiences of the Australian franchise sector during each quarter.*
- *FRANdata 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 covering 30% of the Australian franchise sector.*
- *The report of findings from the June Quarter 2021 Australian Franchise Sector “Pulse Check” survey is attached. For further information, please contact Darryn McAuliffe on 0412 789027 or dmcauliffe@frandata.com.au.*
- *For further information from the FCA contact Sean Dignum on 0418 586 587*