Franchise Business Economic Outlook for 2020

- Franchise industry growth is expected to continue riding the momentum of the U.S. market boom in 2020, despite an uncertain economy.
- The number of franchised businesses in the U.S. is expected to grow by 1.5% this year, to a total of 785,316 establishments.
- Franchise industry expected to add 232,000 jobs in 2020, growing total employees to 8.67 million.
- Franchise businesses' economic output is expected to grow faster than the economy as a whole.
- Overall GDP contribution by the franchise industry is expected to grow by 4.6%, to $494.96 billion.
- The industries with the most expected growth are projected as: personal services, quick-service restaurants (QSR) and full-service restaurants.
- The states that will see the most franchise establishments and employment growth in 2020 ranked in order are: Texas, Colorado, Arkansas, Florida, Idaho, Tennessee, Georgia, North Carolina, South Carolina, and Nevada.

Executive Summary

The franchise industry is responsible for creating tens of thousands of opportunities for small business ownership and millions of jobs for employees across America. Its locally-owned franchises are America's hidden small businesses, with 773,600 small franchise establishments across the country. In 2019 alone, these establishments supported nearly 8.4 million direct jobs, $787.5 billion of economic output for the U.S. economy and represented 3 percent of the total Gross Domestic Product (GDP).

Locally owned franchises are America's hidden small businesses, with 773,600 franchise establishments across the country.

In order to assess the strength of these industries, the International Franchise Association (IFA) engaged with FRANdata to prepare an Economic Outlook Report. The report includes an overview of the franchising industry's growth trend from 2016 to 2019 and forecasts the industry's performance for 2020, and also includes a state outlook for all 50 states and Washington D.C.

The franchising industry continues to pride itself on its positive impacts on communities across America and looks to further identify opportunities for continued growth each year.

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The U.S. economy grew at a moderate 2.1% in the third quarter of 2019[1]. Our analysis shows that, in 2020, increasing consumer spending, rising disposable income and a strong labor market will enable the franchise industry to experience another year of strong momentum in 2020 and continue its significant impact on the U.S. economy.

In 2020, the number of franchise establishments is expected to increase by 1.5% to 785,316. Franchise employment is forecast to increase by 2.8% to 8.67 million, adding a total of 232 thousand jobs. Franchise output in nominal dollars is projected to improve by 4.1% to $819.57 billion in 2020.

Franchise Business Economic Outlook: 2016-2020					
	2016	**2017**	**2018**	**2019 (Est.)**	**2020 (Proj.)**
Establishments	735,847	748,752	760,476	773,603	785,316
Percentage Change		1.8%	1.6%	1.7%	1.5%
Employment	7,756,202	7,975,179	8,207,599	8,434,090	8,666,141
Percentage Change		2.8%	2.9%	2.8%	2.8%
Output ($billion)	$682.75	$720.44	$760.31	$787.51	$819.57
Percentage Change		5.5%	5.5%	3.6%	4.1%
GDP ($billion)	$406.41	$427.48	$452.14	$473.41	$494.96
Percentage Change		5.2%	5.8%	4.7%	4.6%

The GDP contribution of the franchise industry is predicted to grow by 4.6% in 2020, faster than the U.S. nominal GDP growth rate of 4.1% for 2020 forecasted by the IMF, while the industry's GDP contribution to the total U.S. nominal GDP will remain steady in 2020 at 3%, generating a total of $494.96 billion.

Franchise Economic Outlook

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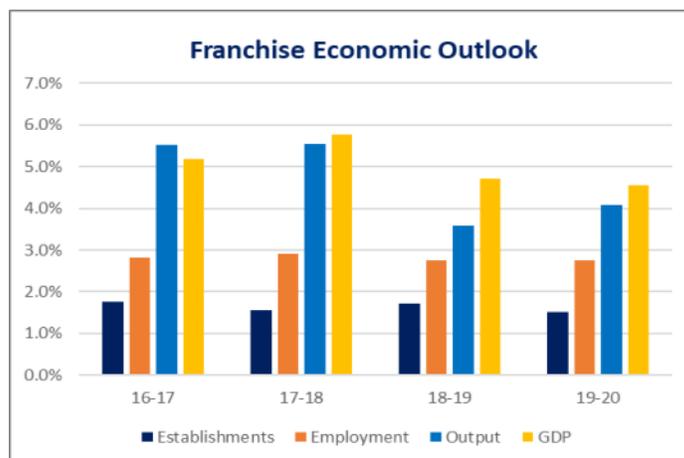
We forecast that most franchise businesses will sustain robust growth in 2020, especially in the personal services, quick service restaurants and full-service restaurants segments, despite tapering growth in the overall U.S. economy.

Personal Services Sector

This sector experienced a surge in recent years, ranked as No. 1 for both franchise establishments and employment growth, and No. 3 for franchise output growth in 2020. The sector's expansion is closely correlated with growth in consumer spending and disposable income, and is mainly driven by brands offering health care and fitness, childcare, and beauty-related services. Brands such as Orangetheory Fitness, Anytime Fitness, Planet Fitness, European Wax Center, The Joint Chiropractic, and Great Clips are found within this sector.

Food Sectors

Food-related franchises are expected to continue to outpace the overall economy in 2020, particularly in the Quick Service Restaurants sector. We forecast this sector will product the most economic output of any of the sectors, while the Table/Full-Service Restaurants sector will rank second among all eight business lines for all franchise establishment, job creation, and output growth. Both sectors are likely to see sales increases from off-premise opportunities, adoption of technology, and healthier menu options reacting to evolving consumer preferences, all of which contributes to their expected growth this year.

Franchised businesses propel our economy not only at the national level, but also at the state level. Our research shows that a business-friendly environment is important for states to support and attract franchising activities, which further bolster employment, output, and GDP growth.

The top ten states for projected franchise establishments and employment growth are, in order: **Texas, Colorado, Arkansas, Florida, Idaho, Tennessee, Georgia, North Carolina, South Carolina, and Nevada.**

Growing populations and pro-business environments mean that **Texas, Colorado, Florida, and North Carolina** are projected to experience growth in franchise establishments, employment, and output.

State-level economic policies will lead to faster franchise establishment and job growth rates for **Tennessee, South Carolina, and Georgia.**

Nevada's favorable business tax climate, **Arkansas**' growing lodging industry, and **Idaho**'s booming technology sector and a low cost of living all result in those states' inclusion in the top ten.

Overall, states in the South and West will continue to expedite the upward trajectory of franchise business development.

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