

The Profile of Franchising

Volume III: A Statistical Abstract of
1998 UFOC Data

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4.1 Franchise Population by Initial Franchise Fee

Description

Pie Chart: Chart 4.1 depicts the Franchise Population broken down by the amount of initial franchise fee. Each slice of the pie chart represents one of the six possible initial franchise fee ranges, listed in the legend at the bottom of the opposite page.

Bar Graph: The bar graph breaks down the initial franchise fee in relation to each system's industry category. Each bar represents the number of franchise systems within each category in each of the initial franchise fee ranges.

Methodology

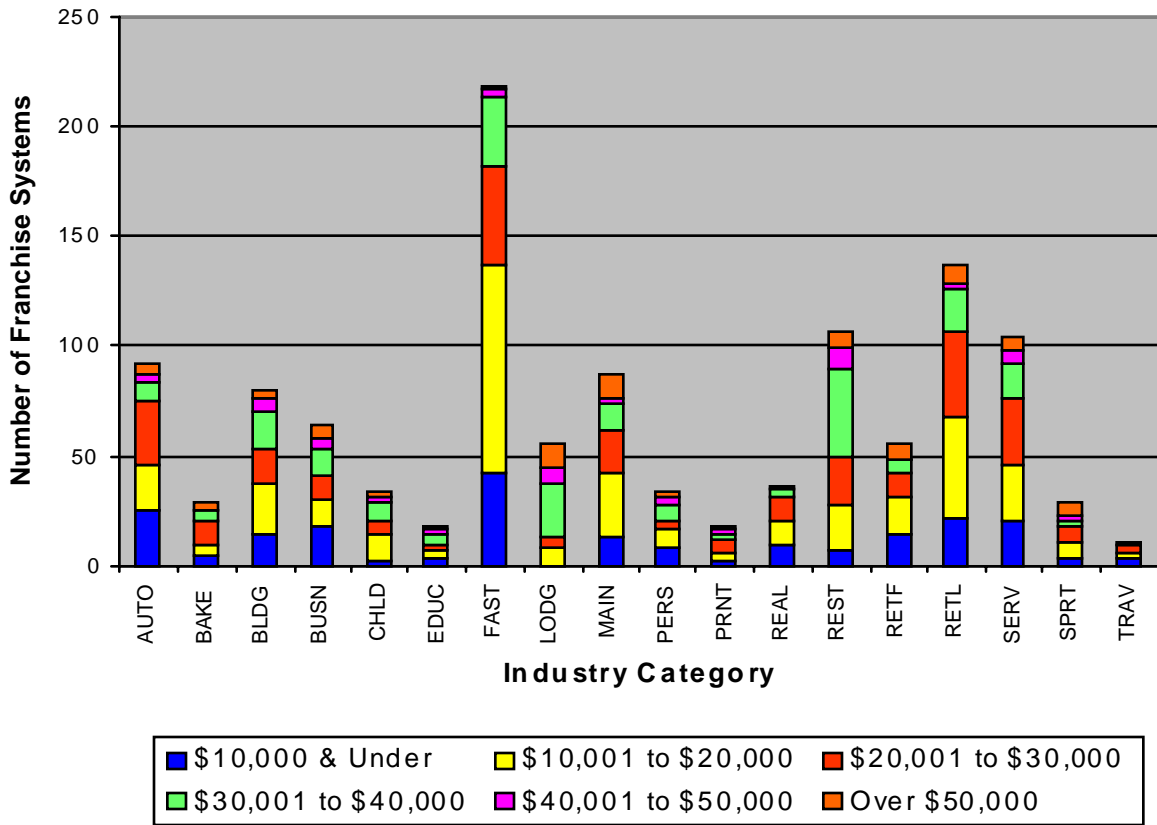
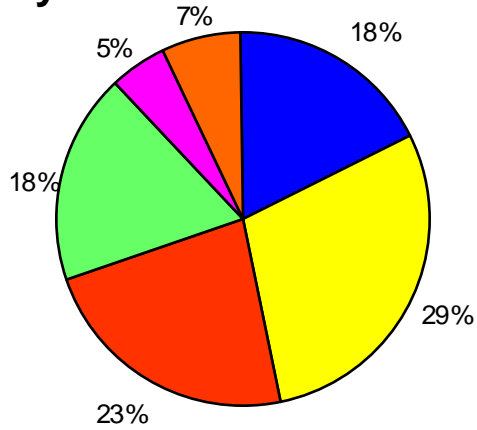
The data for this chart was collected from Item 5 of the UFOC. The initial franchise fee was defined as the initial fee charged for the acquisition of one standard franchise unit. If a system had an initial franchise fee ranging between two figures (e.g. \$30,000-\$45,000), the low and high figures were added together, and divided by two. The resulting mean was used to represent the initial franchise fee. While FRANDATA's internal database tracks information pertaining to possible reductions for multiple store openings, discounts for relevant industry experience, etc., only the standard fee for the first franchise opened was used to compute the initial franchise fee. Once established, each initial franchise fee was entered into one of the six fee ranges.

Selected Findings

- 1) 88% of the franchisors in the Franchise Population charge an initial franchise fee of \$40,000 or less.
- 2) 34% of the Lodging Industry (LODG) have an initial franchise fee greater than \$40,000, with 21% over \$50,000.
- 3) The Travel Industry (TRAV) has the highest percentage (36%) of systems with an initial franchise fee of \$10,000 or less.

Note 1: Seventeen systems were excluded from this chart because they did not disclose their initial fee as a dollar amount.

4.1 Franchise Population by Initial Franchise Fee



4.1 Franchise Population by Initial Franchise Fee

	\$10,000 & Under	\$10,001 to \$20,000	\$20,001 to \$30,000	\$30,001 to \$40,000	\$40,001 to \$50,000	Over \$50,000	Total
AUTO	25	21	29	8	4	5	92
BAKE	5	5	11	5	0	3	29
BLDG	14	23	16	17	6	4	80
BUSN	19	11	11	12	5	6	64
CHLD	2	13	6	8	3	1	33
EDUC	4	3	2	5	2	3	19
FAST	43	94	45	31	4	1	218
LODG	0	8	5	24	7	12	56
MAIN	13	29	19	13	2	12	88
PERS	8	8	4	8	3	2	33
PRNT	2	4	6	3	2	1	18
REAL	10	11	11	3	0	1	36
REST	7	20	23	39	10	7	106
RETF	14	18	10	6	1	7	56
RETL	22	46	39	19	3	8	137
SERV	21	25	31	15	6	6	104
SPRT	3	8	7	3	2	6	29
TRAV	4	2	3	2	0	0	11
Total	216	349	278	221	60	85	1209

	\$10,000 & Under	\$10,001 to \$20,000	\$20,001 to \$30,000	\$30,001 to \$40,000	\$40,001 to \$50,000	Over \$50,000	Total
AUTO	27%	23%	32%	9%	4%	5%	100%
BAKE	17%	17%	38%	17%	0%	10%	100%
BLDG	18%	29%	20%	21%	8%	5%	100%
BUSN	30%	17%	17%	19%	8%	9%	100%
CHLD	6%	39%	18%	24%	9%	3%	100%
EDUC	21%	16%	11%	26%	11%	16%	100%
FAST	20%	43%	21%	14%	2%	0%	100%
LODG	0%	14%	9%	43%	13%	21%	100%
MAIN	15%	33%	22%	15%	2%	14%	100%
PERS	24%	24%	12%	24%	9%	6%	100%
PRNT	11%	22%	33%	17%	11%	6%	100%
REAL	28%	31%	31%	8%	0%	3%	100%
REST	7%	19%	22%	37%	9%	7%	100%
RETF	25%	32%	18%	11%	2%	13%	100%
RETL	16%	34%	28%	14%	2%	6%	100%
SERV	20%	24%	30%	14%	6%	6%	100%
SPRT	10%	28%	24%	10%	7%	21%	100%
TRAV	36%	18%	27%	18%	0%	0%	100%
Total	18%	29%	23%	18%	5%	7%	100%

4.1
Franchise Population
by Initial Franchise Fee

1997

	\$10,000 & Under	\$10,001 to \$20,000	\$20,001 to \$30,000	\$30,001 to \$40,000	\$40,001 to \$50,000	Over \$50,000	Total
AUTO	28	23	37	3	2	8	101
BAKE	4	11	14	5	0	1	35
BLDG	16	27	13	10	3	2	71
BUSN	15	14	9	15	3	1	57
CHLD	5	11	11	2	1	0	30
EDUC	5	1	7	2	1	2	18
FAST	36	99	61	13	4	1	214
LODG	1	6	12	19	4	8	50
MAIN	13	31	9	12	2	7	74
PERS	11	11	5	6	1	1	35
PRNT	1	5	8	1	1	0	16
REAL	13	14	6	0	0	2	35
REST	6	20	28	21	11	4	90
RETF	15	18	19	2	0	4	58
RETL	32	42	42	11	5	1	133
SERV	21	44	28	7	2	7	109
SPRT	5	12	6	5	4	3	35
TRAV	4	1	6	1	1	1	14
Total	231	390	321	135	45	53	1175

	\$10,000 & Under	\$10,001 to \$20,000	\$20,001 to \$30,000	\$30,001 to \$40,000	\$40,001 to \$50,000	Over \$50,000	Total
AUTO	28%	23%	37%	3%	2%	8%	100%
BAKE	11%	31%	40%	14%	0%	3%	100%
BLDG	23%	38%	18%	14%	4%	3%	100%
BUSN	26%	25%	16%	26%	5%	2%	100%
CHLD	17%	37%	37%	7%	3%	0%	100%
EDUC	28%	6%	39%	11%	6%	11%	100%
FAST	17%	46%	29%	6%	2%	0%	100%
LODG	2%	12%	24%	38%	8%	16%	100%
MAIN	18%	42%	12%	16%	3%	9%	100%
PERS	31%	31%	14%	17%	3%	3%	100%
PRNT	6%	31%	50%	6%	6%	0%	100%
REAL	37%	40%	17%	0%	0%	6%	100%
REST	7%	22%	31%	23%	12%	4%	100%
RETF	26%	31%	33%	3%	0%	7%	100%
RETL	24%	32%	32%	8%	4%	1%	100%
SERV	19%	40%	26%	6%	2%	6%	100%
SPRT	14%	34%	17%	14%	11%	9%	100%
TRAV	29%	7%	43%	7%	7%	7%	100%
Total	20%	33%	27%	11%	4%	5%	100%

4.1 Franchise Population by Initial Franchise Fee

Description

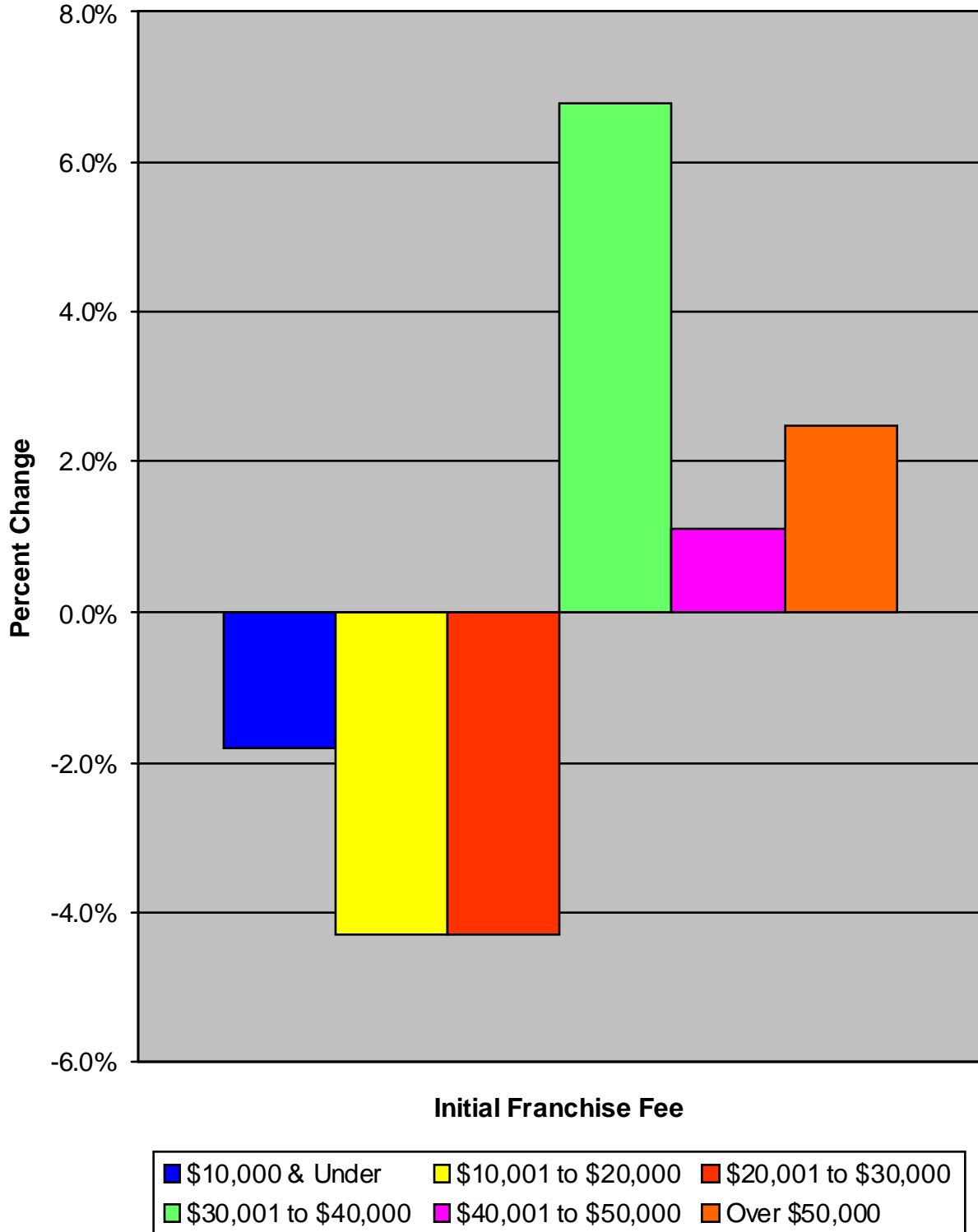
Bar graph: The bar graph on the opposite page depicts the percentage change in the franchise population from 1997 to 1998 by industry category. The chart found below contains the source data from which the graph was created.

Positive percentages represent an increase in the number of systems falling into one of the initial franchise fee ranges in 1998. Conversely, negative percentages represent a decrease in the number of systems falling into an initial franchise fee range in 1998. Data is presented by the 18 Industry Categories and by the total Franchise Population (delineated in the "Total" category).

	\$10,000 & Under	\$10,001 to \$20,000	\$20,001 to \$30,000	\$30,001 to \$40,000	\$40,001 to \$50,000	Over \$50,000	Total
AUTO	-0.5%	0.1%	-5.1%	5.7%	2.4%	-2.5%	0.0%
BAKE	5.8%	-14.2%	-2.1%	3.0%	0.0%	7.5%	0.0%
BLDG	-5.0%	-9.3%	1.7%	7.2%	3.3%	2.2%	0.0%
BUSN	3.4%	-7.4%	1.4%	-7.6%	2.5%	7.6%	0.0%
CHLD	-10.6%	2.7%	-18.5%	17.6%	5.8%	3.0%	0.0%
EDUC	-6.7%	10.2%	-28.4%	15.2%	5.0%	4.7%	0.0%
FAST	2.9%	-3.1%	-7.9%	8.1%	0.0%	0.0%	0.0%
LODG	-2.0%	2.3%	-15.1%	4.9%	4.5%	5.4%	0.0%
MAIN	-2.8%	-8.9%	9.4%	-1.4%	-0.4%	4.2%	0.0%
PERS	-7.2%	-7.2%	-2.2%	7.1%	6.2%	3.2%	0.0%
PRNT	4.9%	-9.0%	-16.7%	10.4%	4.9%	5.6%	0.0%
REAL	-9.4%	-9.4%	13.4%	8.3%	0.0%	-2.9%	0.0%
REST	-0.1%	-3.4%	-9.4%	13.5%	-2.8%	2.2%	0.0%
RETF	-0.9%	1.1%	-14.9%	7.3%	1.8%	5.6%	0.0%
RETL	-8.0%	2.0%	-3.1%	5.6%	-1.6%	5.1%	0.0%
SERV	0.9%	-16.3%	4.1%	8.0%	3.9%	-0.7%	0.0%
SPRT	-3.9%	-6.7%	7.0%	-3.9%	-4.5%	12.1%	0.0%
TRAV	7.8%	11.0%	-15.6%	11.0%	-7.1%	-7.1%	0.0%
Total	-1.8%	-4.3%	-4.3%	6.8%	1.1%	2.5%	0.0%

In reviewing this data, it is important to understand that the Franchise Population from which the data was drawn in Volume III of the **Profile** is not identical to the Franchise Population which was used to collect data for Volume II of the **Profile** (see Chapter V and Appendix B). In fact, only 75% of the systems in Volume III of **Profile** were also in Volume II of the **Profile**. Therefore, large fluctuations in variances may be directly attributable to a change in population within a particular industry group, rather than to any real change in that industry. Please use caution when drawing conclusions from these results.

**4.1
Franchise Population by Initial Franchise Fee**



4.2 Average Initial Franchise Fee

Description

Bar Graph: Bar graph 4.2 breaks down the average initial franchise fee in relation to industry category. Each bar represents the average initial franchise fee for all systems in that particular industry category.

Methodology

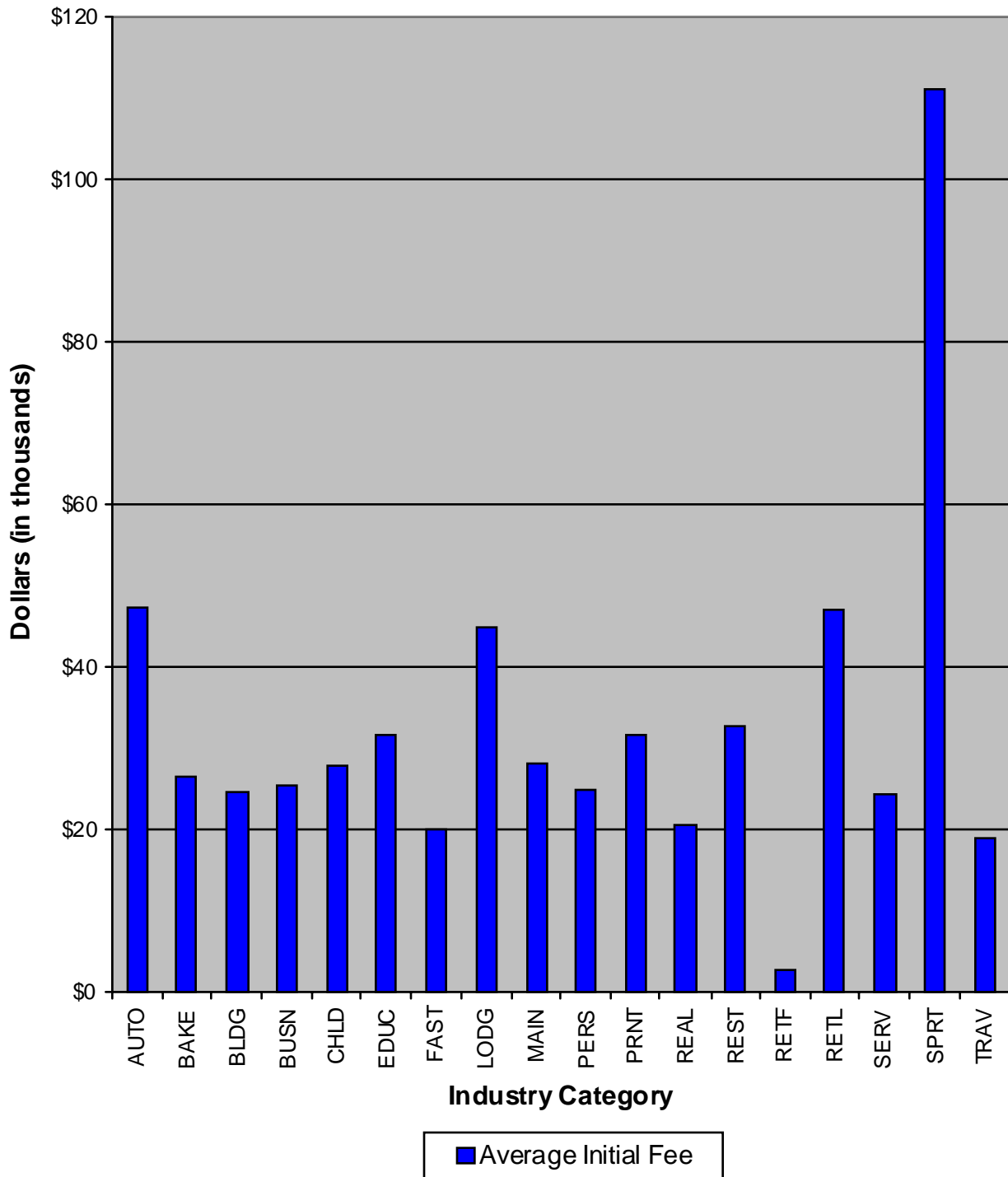
The data for this chart was collected from Item 5 of the UFOC. The initial franchise fee for the purchase of a single standard franchise was used to define “initial franchise fee” for this study. While FRANDATA’s internal database tracks information pertaining to reduction for multiple store openings, discounts for relevant industry experience, etc., only the standard fee for the first franchise opened was used to compute the initial franchise fee.

Any system for which the average initial franchise fee was more than two standard deviations from its Industry Average was excluded from this variable and the Industry Average was recalculated without these outlying systems.

Selected Findings

- 1) The Sports Related Industry (SPRT) has the highest initial franchise fee with an average of \$110,806.90. The reasoning behind this abnormally high initial franchise fee lies in the fact that semi-professional sports teams are included in this category. The average initial franchise fee of the two semi-professional team is \$1,125,000.00. If these two systems were excluded from the category, the category’s average initial fee would drop to \$35,681.48. In addition, the average initial franchise fee for the entire Franchise Population would drop from \$32,332.86 to \$30,520.81.
- 2) The Travel Industry (TRAVL) has the lowest average initial franchise fee at \$18,769.82.

4.2 Average Initial Franchise Fee



1998

4.2 Average Initial Franchise Fee

	Average Initial Fee
AUTO	\$ 47,060.33
BAKE	\$ 26,412.76
BLDG	\$ 24,536.16
BUSN	\$ 25,299.39
CHLD	\$ 27,634.85
EDUC	\$ 31,635.95
FAST	\$ 20,095.30
LODG	\$ 44,625.00
MAIN	\$ 28,088.48
PERS	\$ 24,840.91
PRNT	\$ 31,508.33
REAL	\$ 20,380.56
REST	\$ 32,672.17
RETF	\$ 2,833.93
RETL	\$ 46,867.80
SERV	\$ 24,275.21
SPRT	\$110,806.90
TRAV	\$ 18,769.82
Total	\$ 32,332.86

4.2
Average Initial Franchise Fee

	Average Initial Fee
AUTO	\$22,284
BAKE	\$22,904
BLDG	\$19,637
BUSN	\$20,989
CHLD	\$20,110
EDUC	\$24,227
FAST	\$19,199
LODG	\$34,005
MAIN	\$21,988
PERS	\$18,665
PRNT	\$22,493
REAL	\$13,311
REST	\$29,067
RETF	\$19,013
RETL	\$18,912
SERV	\$24,600
SPRT	\$24,791
TRAV	\$22,492
Total	\$21,876

1997

4.2 Average Initial Franchise Fee

Description

Bar graph: The bar graph on the opposite page depicts the average change in the franchise population from 1997 to 1998 by industry category. The chart found below contains the source data from which the graph was created.

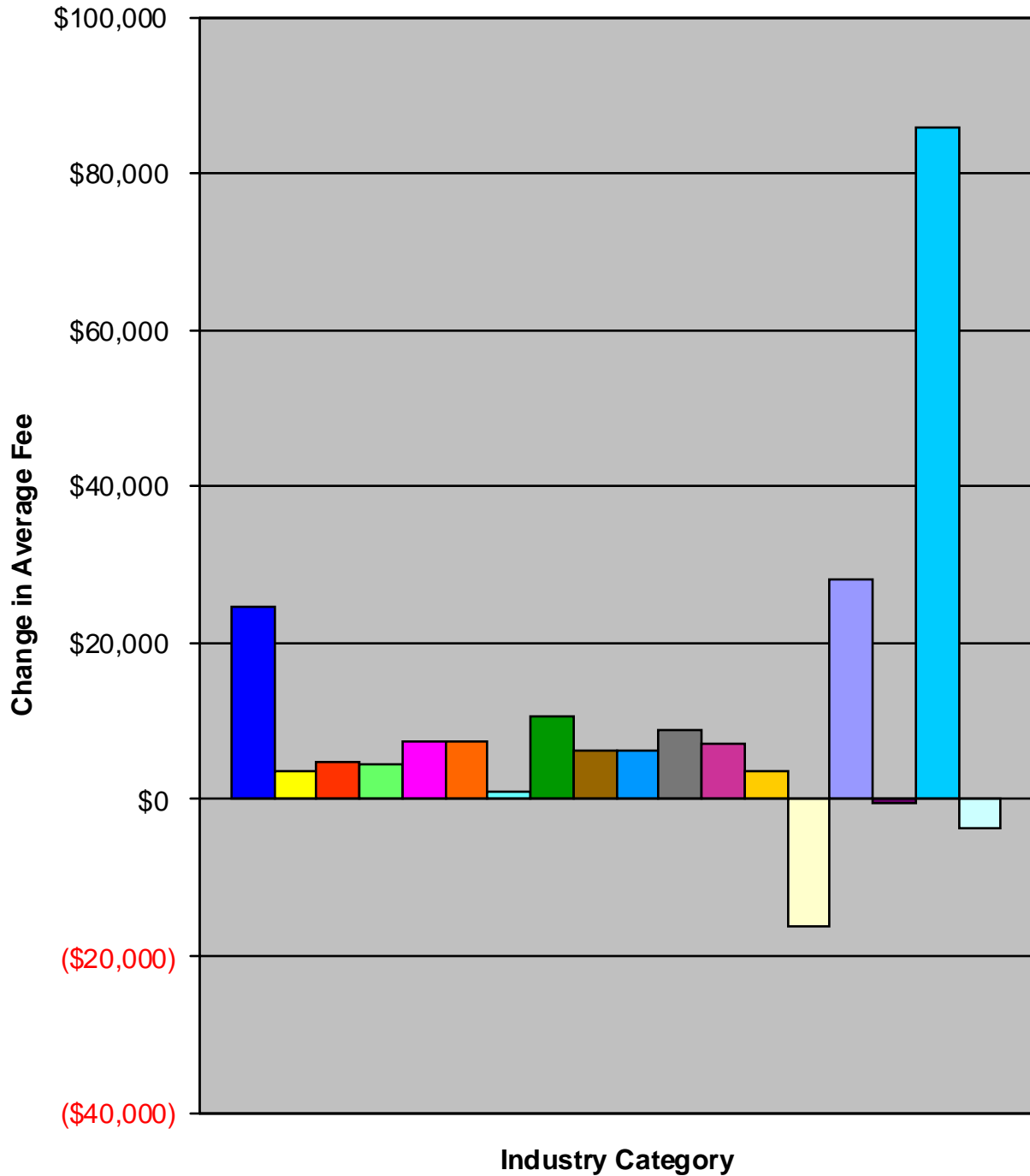
Positive dollar figures represent an increase in the initial franchise fee for the Industry Category in 1998. Conversely, negative dollar figures represent a decrease in the initial franchise fee for the Industry Category in 1998. Data is presented by the 18 Industry Categories and by the total Franchise Population (delineated in the "Total" category).

	Average Initial Fee
AUTO	\$24,776
BAKE	\$3,508
BLDG	\$4,899
BUSN	\$4,310
CHLD	\$7,525
EDUC	\$7,409
FAST	\$897
LODG	\$10,620
MAIN	\$6,100
PERS	\$6,176
PRNT	\$9,015
REAL	\$7,070
REST	\$3,605
RETF	(\$16,179)
RETL	\$27,956
SERV	(\$325)
SPRT	\$86,016
TRAV	(\$3,722)
Total	\$10,810

In reviewing this data, it is important to understand that the Franchise Population from which the data was drawn in Volume III of the **Profile** is not identical to the Franchise Population which was used to collect data for Volume II of the **Profile** (see Chapter V and Appendix B). In fact, only 75% of the systems in Volume III of **Profile** were also in Volume II of the **Profile**. Therefore, large fluctuations in variances may be directly attributable to a change in population within a particular industry group, rather than to any real change in that industry. Please use caution when drawing conclusions from these results.

4.2 Average Initial Franchise Fee

Change 97/98



■ AUTO	■ BAKE	■ BLDG	■ BUSN	■ CHLD	■ EDUC	■ FAST	■ LODG	■ MAIN
■ PERS	■ PRNT	■ REAL	■ REST	■ RETF	■ RETL	■ SERV	■ SPRT	■ TRAV

4.3

Franchise Population by Availability of Reduction in Initial Franchise Fee for Ownership of Second and Subsequent Franchises

Description

Pie Chart: Chart 4.3 portrays the Franchise Population by whether or not the franchisor offers a reduction in the initial franchise fee if a franchisee opens a second or subsequent franchise unit. The slices of the pie chart represent how many franchisors either grant (23%) or do not grant (77%) a reduced initial franchise fee for multiple ownership.

Bar Graph: The bar graph breaks down the availability of reduced initial franchise fees, if the franchisee opens a second or subsequent franchise, in relation to each system's industry category. Each bar represents the number of franchise systems within each category, according to whether or not the franchisor offers such reductions.

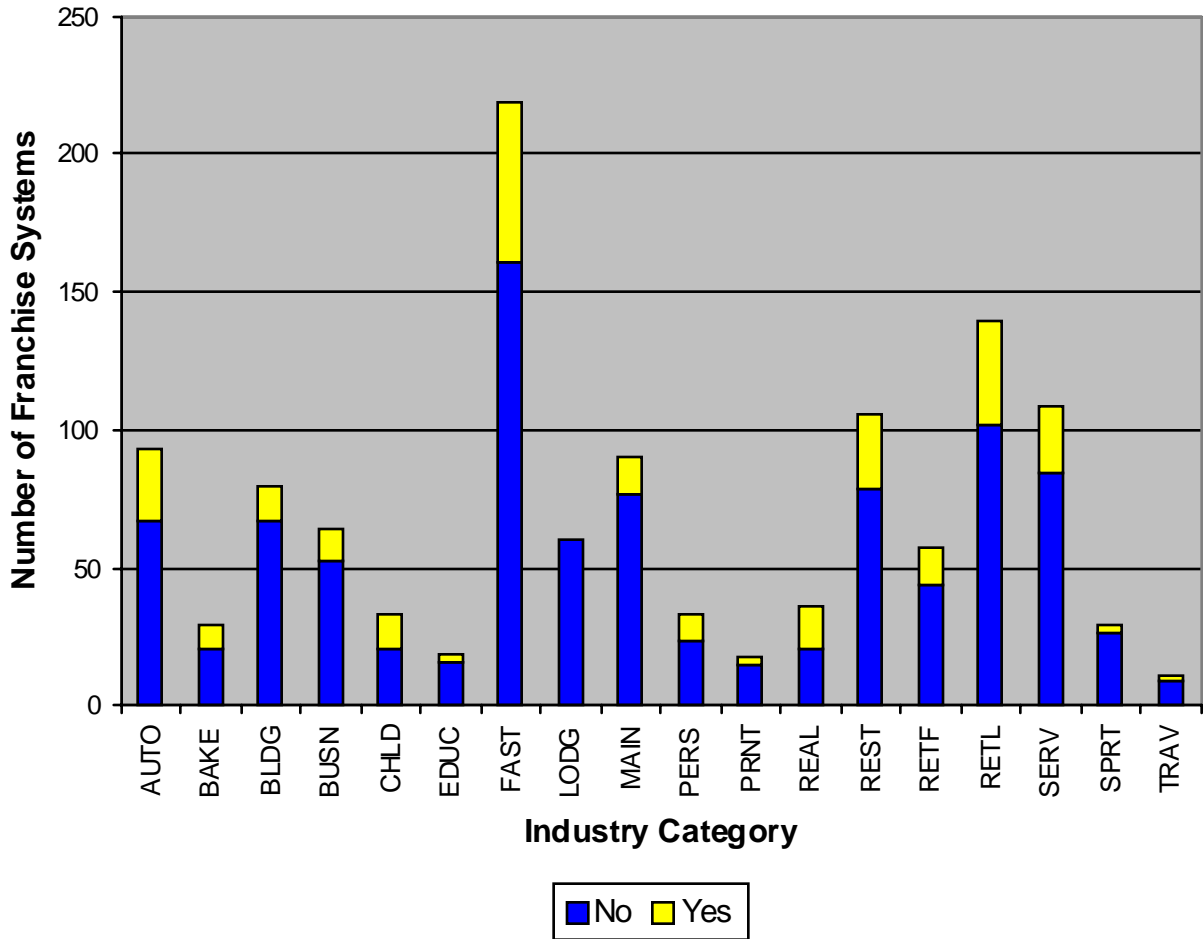
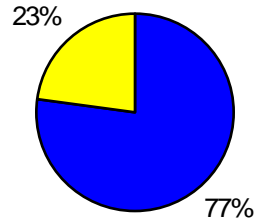
Methodology

The data for this chart was collected from Item 5 of the UFOC. A reduced fee option was noted only when a franchisor disclosed that the franchisee could receive a reduced fee for purchasing additional franchise units after their first. It must be noted that an "Area Development Program" or any "Development Program" does not qualify under this category, as this statistic is based solely on the franchisor offering a reduced initial franchise fee for the purchase of a second and subsequent franchised unit. The occurrence of development programs is examined in Chart 10.1 of this **Profile**.

Selected Findings

- 1) Only 23% of the franchisors in the Franchise Population offer reductions in the initial franchise fee when their franchisees buy a second and subsequent franchise.
- 2) The Real Estate Industry (REAL) has the highest percentage of systems offering reduced fees for the purchase of a second and subsequent franchise (42%).
- 3) No Lodging (LODG) systems in the Franchise Population offer a reduction in the initial franchise fee for ownership of a second and subsequent franchise.

4.3 Franchise Population by Availability of Reduction in Initial Franchise Fee for Ownership of Second and Subsequent Franchises



4.3

Franchise Population by Availability of Reduction in Initial Franchise Fee for Ownership of Second and Subsequent Franchises

	No	Yes	Total
AUTO	67	26	93
BAKE	20	9	29
BLDG	67	13	80
BUSN	52	12	64
CHLD	20	13	33
EDUC	16	3	19
FAST	161	58	219
LODG	60	0	60
MAIN	77	13	90
PERS	24	9	33
PRNT	15	3	18
REAL	21	15	36
REST	78	28	106
RETF	44	13	57
RETL	102	37	139
SERV	84	25	109
SPRT	27	3	30
TRAV	9	2	11
Total	944	282	1226

	No	Yes	Total
AUTO	72%	28%	100%
BAKE	69%	31%	100%
BLDG	84%	16%	100%
BUSN	81%	19%	100%
CHLD	61%	39%	100%
EDUC	84%	16%	100%
FAST	74%	26%	100%
LODG	100%	0%	100%
MAIN	86%	14%	100%
PERS	73%	27%	100%
PRNT	83%	17%	100%
REAL	58%	42%	100%
REST	74%	26%	100%
RETF	77%	23%	100%
RETL	73%	27%	100%
SERV	77%	23%	100%
SPRT	90%	10%	100%
TRAV	82%	18%	100%
Total	77%	23%	100%

4.3

Franchise Population by Availability of Reduction in Initial Franchise Fee for Ownership of Second and Subsequent Franchises

	No	Yes	Total
AUTO	69	32	101
BAKE	23	12	35
BLDG	54	17	71
BUSN	49	8	57
CHLD	18	12	30
EDUC	14	4	18
FAST	144	70	214
LODG	45	6	51
MAIN	65	9	74
PERS	25	10	35
PRNT	10	6	16
REAL	26	9	35
REST	63	27	90
RETF	34	24	58
RETL	87	47	134
SERV	76	34	110
SPRT	29	6	35
TRAV	9	5	14
Total	840	338	1178

	No	Yes	Total
AUTO	68%	32%	100%
BAKE	66%	34%	100%
BLDG	76%	24%	100%
BUSN	86%	14%	100%
CHLD	60%	40%	100%
EDUC	78%	22%	100%
FAST	67%	33%	100%
LODG	88%	12%	100%
MAIN	88%	12%	100%
PERS	71%	29%	100%
PRNT	63%	38%	100%
REAL	74%	26%	100%
REST	70%	30%	100%
RETF	59%	41%	100%
RETL	65%	35%	100%
SERV	69%	31%	100%
SPRT	83%	17%	100%
TRAV	64%	36%	100%
Total	71%	29%	100%

4.3

Franchise Population by Availability of Reduction in Initial Franchise Fee for Ownership of Second and Subsequent Franchises

Description

Bar graph: The bar graph on the opposite page depicts the percentage change in franchise population from 1997 to 1998 by industry category. The chart found below contains the source data from which the graph was created.

Positive percentages under "yes" represent an increase in the number of systems offering a reduced fee for the purchase of a second and subsequent franchise in 1998. Conversely, negative percentages under "yes" represent a decrease in the number of systems offering a reduced fee for the purchase of a second and subsequent franchise in 1998. Data is presented by the 18 Industry Categories and by the total Franchise Population (delineated in the "Total" category).

	No	Yes	Total
AUTO	4%	-4%	0%
BAKE	3%	-3%	0%
BLDG	8%	-8%	0%
BUSN	-5%	5%	0%
CHLD	1%	-1%	0%
EDUC	6%	-6%	0%
FAST	6%	-6%	0%
LODG	12%	-12%	0%
MAIN	-2%	2%	0%
PERS	1%	-1%	0%
PRNT	21%	-21%	0%
REAL	-16%	16%	0%
REST	4%	-4%	0%
RETF	19%	-19%	0%
RETL	8%	-8%	0%
SERV	8%	-8%	0%
SPRT	7%	-7%	0%
TRAV	18%	-18%	0%
Total	6%	-6%	0%

In reviewing this data, it is important to understand that the Franchise Population from which the data was drawn in Volume III of the **Profile** is not identical to the Franchise Population which was used to collect data for Volume II of the **Profile** (see Chapter V and Appendix B). In fact, only 75% of the systems in Volume III of **Profile** were also in Volume II of the **Profile**. Therefore, large fluctuations in variances may be directly attributable to a change in population within a particular industry group, rather than to any real change in that industry. Please use caution when drawing conclusions from these results.

**4.3
Franchise Population by Availability of
Reduction in Initial Franchise Fee for Ownership
of Second and Subsequent Franchises**

