

# The Profile of Franchising

Volume III: A Statistical Abstract of  
1998 UFOC Data

Prepared By:

FRANDATA Corporation  
Washington, DC

In conjunction with:

IFA Educational  
Foundation, Inc.  
Washington, DC



Release Date: February 2000

IFA Educational Foundation, Inc.  
1350 New York Ave., NW, Suite 900  
Washington, DC 20005,  
(202) 628-0812

**All Rights Reserved.**

**This publication may not be reproduced,  
stored in any information retrieval systems,  
or transmitted in whole or in part, in any  
form or by electronic or mechanical  
means, photocopying, recording, or  
otherwise, without written permission of the  
publishers.**

## 6.1 Franchise Population by Availability of Renewal Option

### Description

*Pie Chart:* Chart 6.1 displays the Franchise Population according to whether or not the franchisor offers a renewal opportunity after the initial term of the franchise. The slices of the pie chart represent how many franchisors either grant (91%) or do not grant (9%) a renewal option.

*Bar Graph:* The bar graph breaks down the availability of renewal options by industry category.

### Methodology

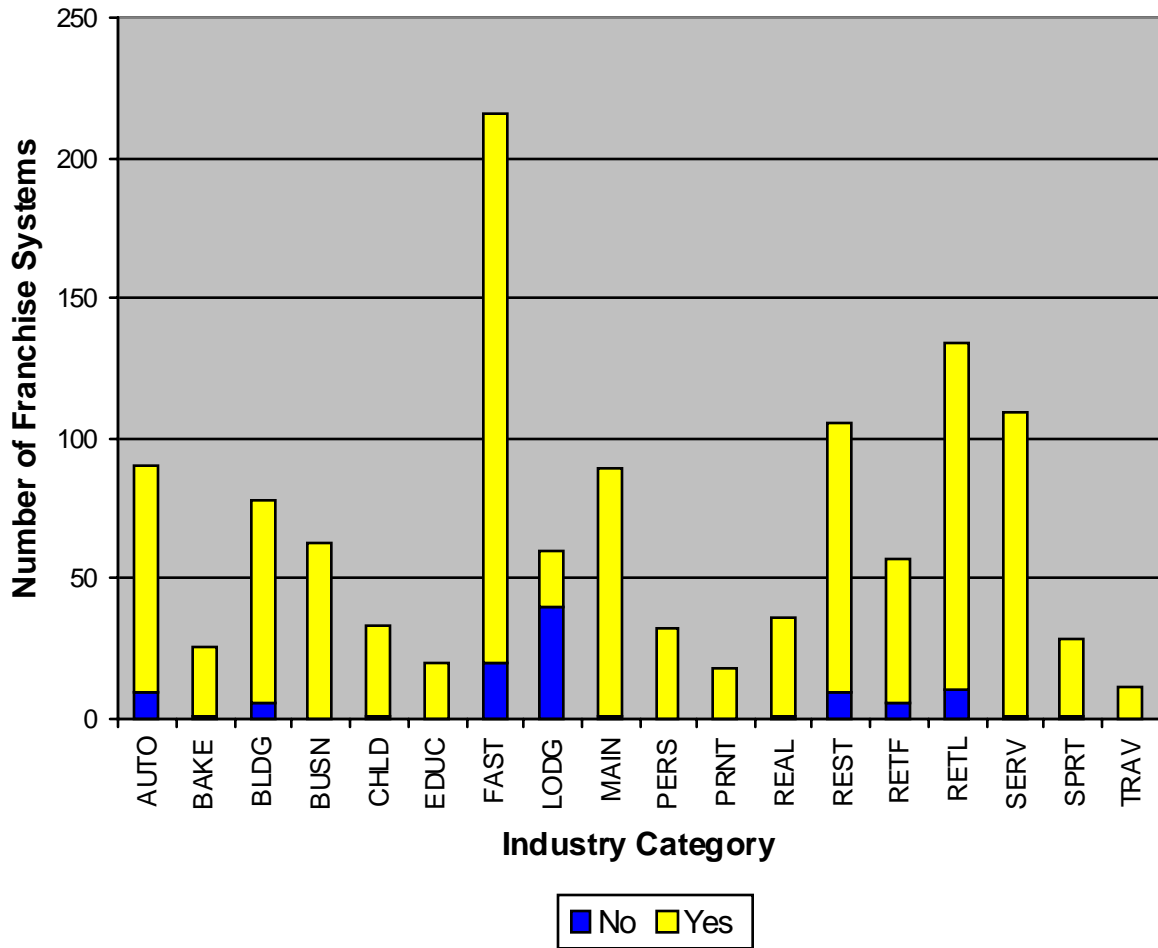
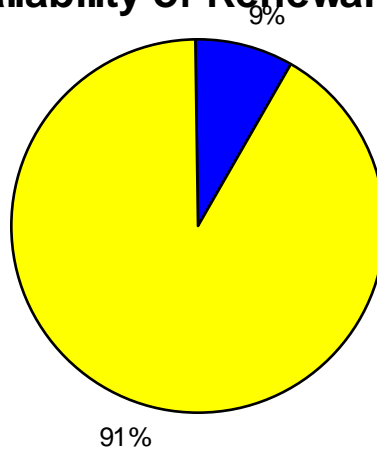
The data for this chart was collected from Item 17b of the UFOC. If there was an opportunity to renew after the initial term of the franchise, FRANDATA's database tracks both the number of terms and the length of time associated with those terms. Perpetual initial terms were not counted as having a renewal option.

### Selected Findings

- 1) 91% of the franchisors in the Franchise Population offer the opportunity to renew after the initial term.
- 2) 100% of the Business-related (BUSN), Education (EDUC), Personnel (PERS), Printing (PRNT), and Travel (TRAV) industries offer the opportunities to renew after the initial term.
- 3) At 33%, the Lodging Industry (LODG) has the lowest percentage of systems offering the opportunity to renew after the initial term.

**Note 1: There were 23 systems with a perpetual initial term. The highest percentage of perpetual initial term (22% of those with perpetual initial term) occurred in Retail Industry (RETL).**

### 6.1 Franchise Population by Availability of Renewal Option



## 6.1 Franchise Population by Availability of Renewal Option

	No	Yes	Total
AUTO	9	81	90
BAKE	1	24	25
BLDG	6	72	78
BUSN	0	62	62
CHLD	1	32	33
EDUC	0	19	19
FAST	19	197	216
LODG	40	20	60
MAIN	1	88	89
PERS	0	32	32
PRNT	0	18	18
REAL	1	35	36
REST	9	97	106
RETF	6	51	57
RETL	10	124	134
SERV	1	108	109
SPRT	1	27	28
TRAV	0	11	11
Total	105	1098	1203

	No	Yes	Total
AUTO	10%	90%	100%
BAKE	4%	96%	100%
BLDG	8%	92%	100%
BUSN	0%	100%	100%
CHLD	3%	97%	100%
EDUC	0%	100%	100%
FAST	9%	91%	100%
LODG	67%	33%	100%
MAIN	1%	99%	100%
PERS	0%	100%	100%
PRNT	0%	100%	100%
REAL	3%	97%	100%
REST	8%	92%	100%
RETF	11%	89%	100%
RETL	7%	93%	100%
SERV	1%	99%	100%
SPRT	4%	96%	100%
TRAV	0%	100%	100%
Total	9%	91%	100%

## 6.1 Franchise Population by Availability of Renewal Option

	No	Yes	Total
AUTO	3	98	101
BAKE	0	35	35
BLDG	3	68	71
BUSN	2	55	57
CHLD	0	30	30
EDUC	0	18	18
FAST	17	197	214
LODG	35	16	51
MAIN	0	74	74
PERS	0	35	35
PRNT	1	15	16
REAL	0	35	35
REST	11	79	90
RETF	8	50	58
RETL	3	131	134
SERV	0	110	110
SPRT	0	35	35
TRAV	0	14	14
Total	83	1095	1178

	No	Yes	Total
AUTO	3%	97%	100%
BAKE	0%	100%	100%
BLDG	4%	96%	100%
BUSN	4%	96%	100%
CHLD	0%	100%	100%
EDUC	0%	100%	100%
FAST	8%	92%	100%
LODG	69%	31%	100%
MAIN	0%	100%	100%
PERS	0%	100%	100%
PRNT	6%	94%	100%
REAL	0%	100%	100%
REST	12%	88%	100%
RETF	14%	86%	100%
RETL	2%	98%	100%
SERV	0%	100%	100%
SPRT	0%	100%	100%
TRAV	0%	100%	100%
Total	7%	93%	100%

## 6.1 Franchise Population by Availability of Renewal Option

### Description

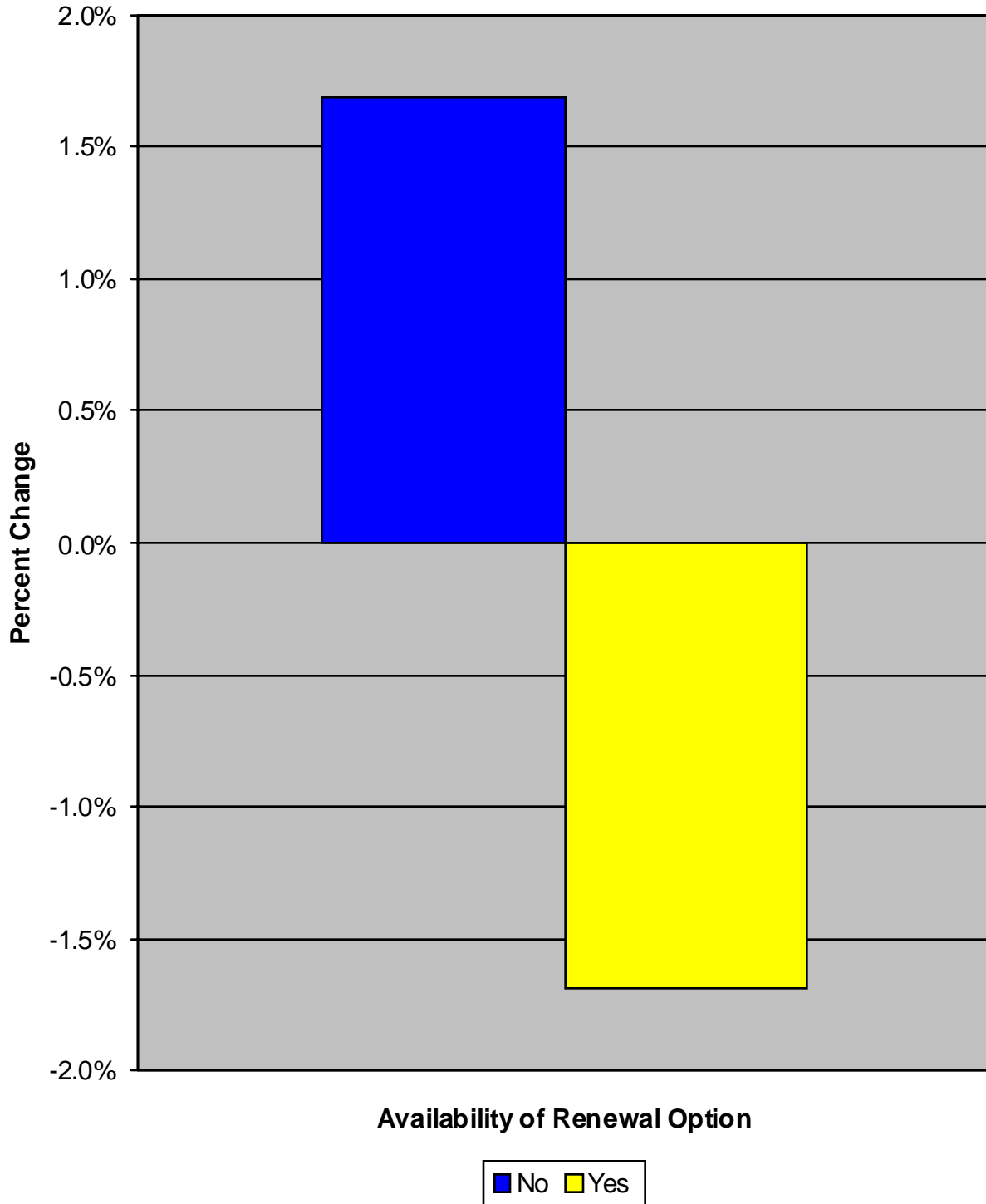
*Bar graph:* The bar graph on the opposite page depicts the percentage change in franchise population from 1997 to 1998 by industry category. The chart found below contains the source data from which the graph was created.

Positive percentages under "yes" represent an increase in the number of systems offering a renewal option in 1998. Conversely, negative percentages under "yes" represent a decrease in the number of systems offering a renewal option 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	7.0%	-7.0%	0.0%
BAKE	4.0%	-4.0%	0.0%
BLDG	3.5%	-3.5%	0.0%
BUSN	-3.5%	3.5%	0.0%
CHLD	3.0%	-3.0%	0.0%
EDUC	0.0%	0.0%	0.0%
FAST	0.9%	-0.9%	0.0%
LODG	-2.0%	2.0%	0.0%
MAIN	1.1%	-1.1%	0.0%
PERS	0.0%	0.0%	0.0%
PRNT	-6.3%	6.3%	0.0%
REAL	2.8%	-2.8%	0.0%
REST	-3.7%	3.7%	0.0%
RETF	-3.3%	3.3%	0.0%
RETL	5.2%	-5.2%	0.0%
SERV	0.9%	-0.9%	0.0%
SPRT	3.6%	-3.6%	0.0%
TRAV	0.0%	0.0%	0.0%
Total	1.7%	-1.7%	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.

### 6.1 Franchise Population by Availability of Renewal Option



## 6.2 Average Length of Original and Renewal Terms

### Description

*Bar Graph:* Graph 6.2 compares the average length of the original and renewal franchise terms by industry category. One bar represents the average original term of all systems within each industry category (defined in years), and the other bar represents the average term of one renewal period for all systems within each industry category.

### Methodology

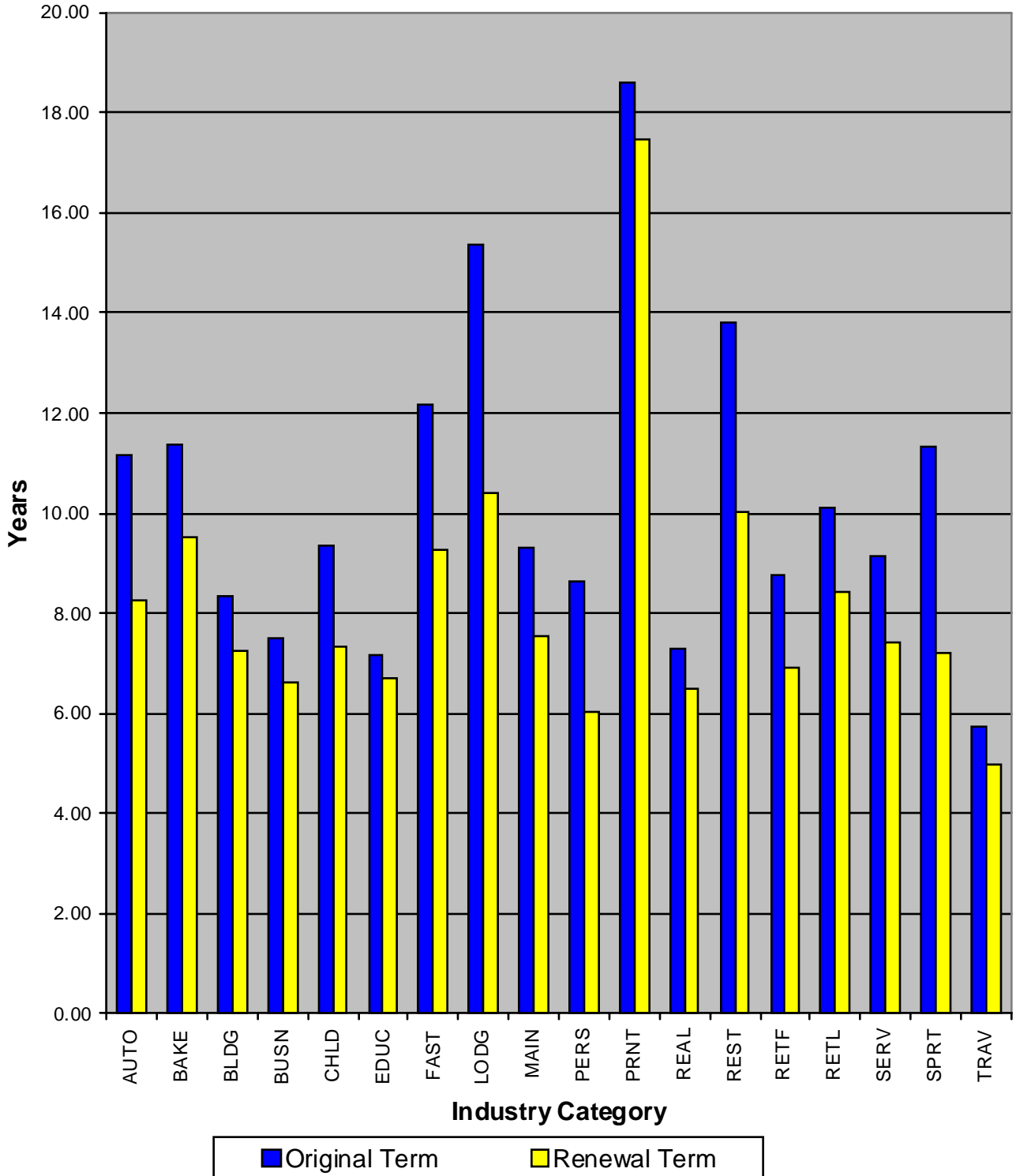
The data for this chart was collected from Items 17a and 17b of the UFOC. After each system's original term length, and the renewal period for one renewal term, were established: (1) the initial terms were added together with the rest of the companies in the same industry category and divided by the number of systems; and, (2) the renewal periods for one term were added together with the rest of the companies in the same industry category and divided by the number of systems.

### Selected Findings

- 1) The average initial term for the Franchise Population is 10.3 years.
- 2) The average renewal term for the Franchise Population is 8.2 years.
- 3) The Printing Industry (PRNT) offers both the longest average initial term (18.6 years), and the longest average renewal term (17.5 years).
- 4) The Travel Industry (TRAV) offers both the shortest average initial term (5.7 years) and the shortest renewal term (5.0 years).

## 6.2 Average Length of Original and Renewal Terms

1998



## 6.2 Average Length of Original and Renewal Terms

	<b>Original Term</b>	<b>Renewal Term</b>
AUTO	11.2	8.3
BAKE	11.4	9.5
BLDG	8.3	7.3
BUSN	7.5	6.6
CHLD	9.4	7.4
EDUC	7.2	6.7
FAST	12.2	9.3
LODG	15.4	10.4
MAIN	9.3	7.5
PERS	8.7	6.0
PRNT	18.6	17.5
REAL	7.3	6.5
REST	13.8	10.0
RETF	8.8	6.9
RETL	10.1	8.4
SERV	9.1	7.4
SPRT	11.3	7.2
TRAV	5.7	5.0
Total	10.3	8.2

## 6.2 Average Length of Original and Renewal Terms

	Original Term	Renewal Term
AUTO	10.4	8.3
BAKE	10.0	7.4
BLDG	7.6	6.7
BUSN	8.0	6.9
CHLD	8.5	6.9
EDUC	6.4	6.3
FAST	11.6	8.5
LODG	16.7	7.2
MAIN	8.7	7.1
PERS	8.3	5.9
PRNT	20.0	16.0
REAL	7.0	6.7
REST	14.3	9.5
RETF	8.8	5.8
RETL	8.7	7.2
SERV	8.7	6.7
SPRT	9.4	7.0
TRAV	7.2	5.1
Total	10.1	7.6

1997

## 6.2 Average Length of Original and Renewal Terms

### Description

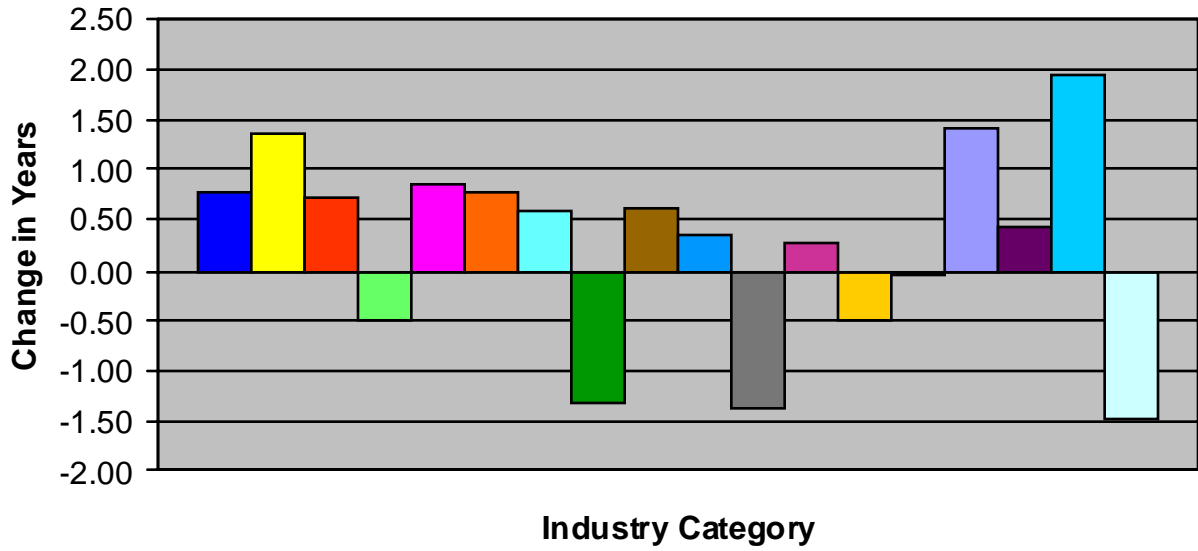
*Bar graph:* The bar graph on the opposite page depicts the increase/decrease in the average original term and renewal term in the franchise population from 1997 to 1998 by industry category. The chart found below contains the source data from which the graph was created.

Positive numbers under "original term" or "renewal term" represent an increase in the average number of years for each term in 1998. Conversely, negative numbers under "original term" or "renewal term" represent a decrease in the average number of years for each term in 1998. Data is presented by the 18 Industry Categories and by the total Franchise Population (delineated in the "Total" category).

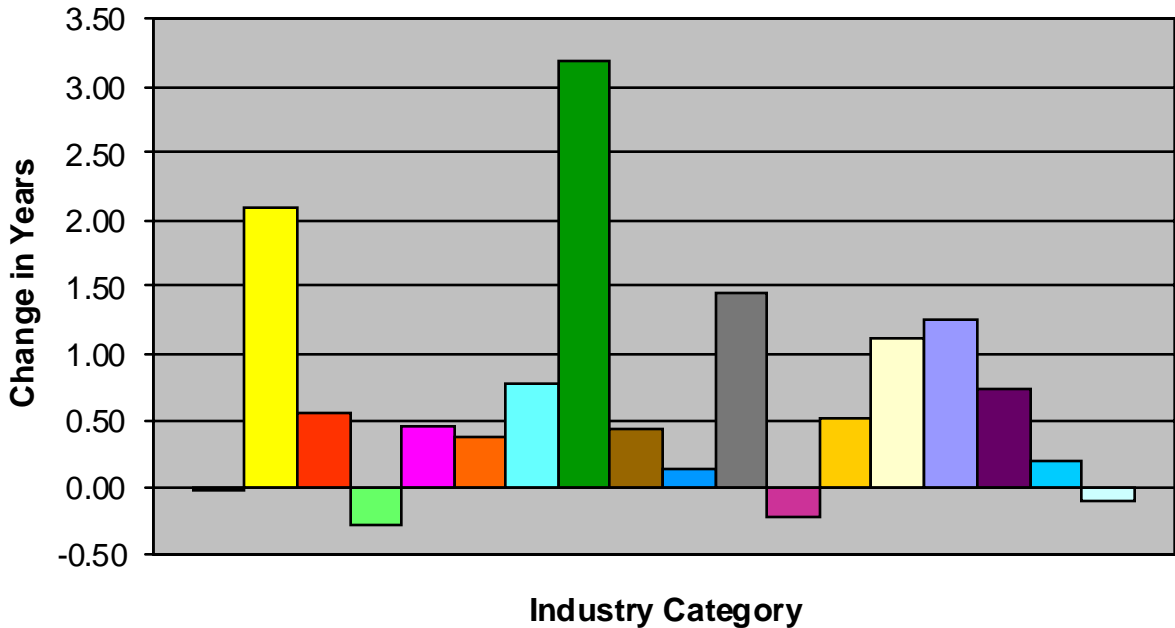
	Original Term	Renewal Term
AUTO	0.8	0.0
BAKE	1.4	2.1
BLDG	0.7	0.6
BUSN	-0.5	-0.3
CHLD	0.9	0.5
EDUC	0.8	0.4
FAST	0.6	0.8
LODG	-1.3	3.2
MAIN	0.6	0.4
PERS	0.4	0.1
PRNT	-1.4	1.5
REAL	0.3	-0.2
REST	-0.5	0.5
RETF	-0.1	1.1
RETL	1.4	1.2
SERV	0.4	0.7
SPRT	1.9	0.2
TRAV	-1.5	-0.1
Total	0.1	0.7

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.

## 6.2 Average Length of Original Term



## Average Length of Renewal Terms



<span style="color: blue;">■</span> AUTO	<span style="color: yellow;">■</span> BAKE	<span style="color: orange;">■</span> BLDG	<span style="color: lightgreen;">■</span> BUSN	<span style="color: magenta;">■</span> CHLD	<span style="color: darkorange;">■</span> EDUC
<span style="color: cyan;">■</span> FAST	<span style="color: green;">■</span> LODG	<span style="color: brown;">■</span> MAIN	<span style="color: blue;">■</span> PERS	<span style="color: gray;">■</span> PRNT	<span style="color: pink;">■</span> REAL
<span style="color: gold;">■</span> REST	<span style="color: lightyellow;">■</span> RETF	<span style="color: lightblue;">■</span> RETL	<span style="color: purple;">■</span> SERV	<span style="color: cyan;">■</span> SPRT	<span style="color: lightcyan;">■</span> TRAV