

The Profile of Franchising

Volume III: A Statistical Abstract of
1998 UFOC Data

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7.1

Franchise Population by Royalty Fee Structure

Description

Pie Chart: Chart 7.1 displays the methodology used by the Franchise Population in structuring their royalty fee. Each slice of the pie chart represents the percentage of the Franchise Population falling into one of the royalty fee structures, listed in the legend at the bottom of the opposite page.

Bar Graph: The bar graph breaks down the royalty fee structure of the Franchise Population, in relation to each system's industry category. Each bar represents the number of franchise systems within each industry category, in one of six fee structure categories.

Methodology

The data for this chart was collected from Item 6 of the UFOC. If the franchisor presented their royalty fee as a range (e.g. 2%-4% of sales), the low and high figures were added together, and divided by two. The resulting mean score was used for the computation of this chart. FRANDATA's internal database tracks royalty fee structures with 13 different categories. Because many of these categories comprised a statistically insignificant percentage of the Franchise Population, they were compressed into the following six categories:

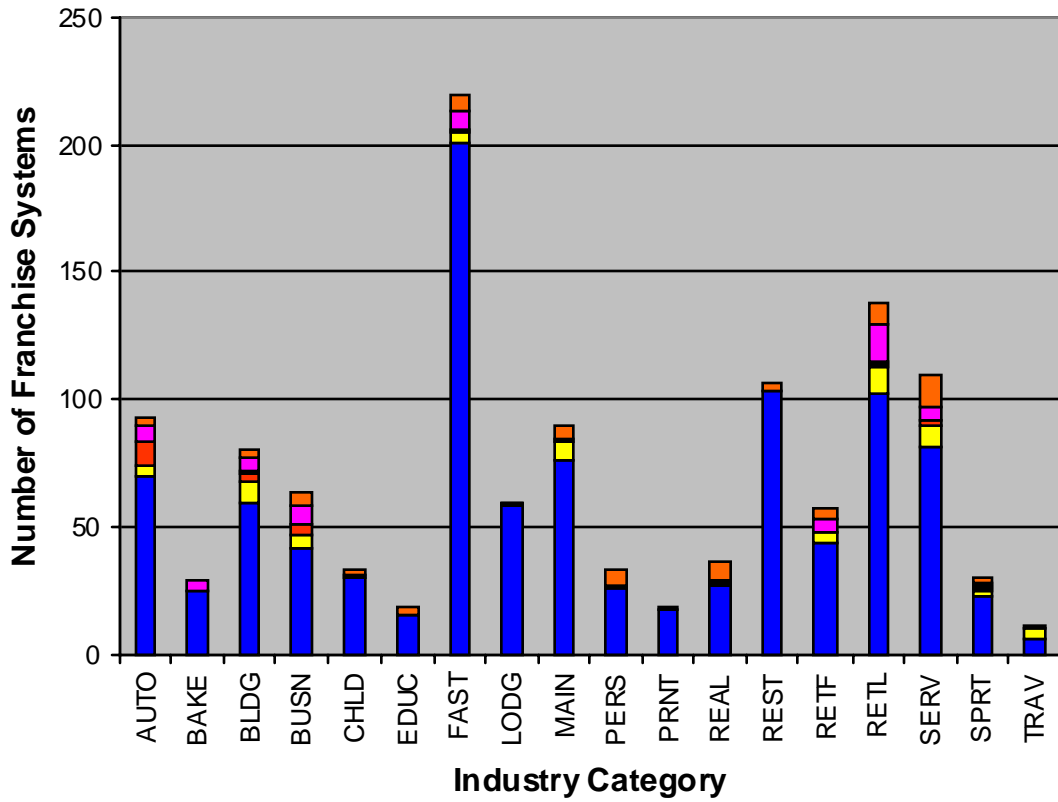
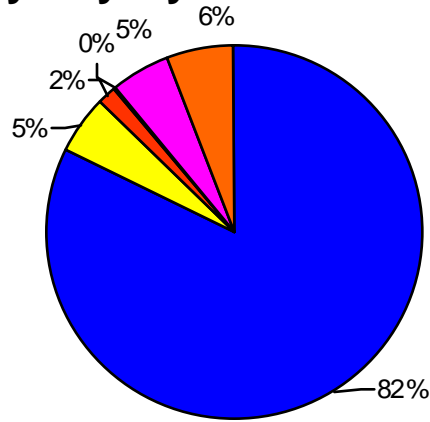
1. *Percent:* Royalty fee based on a percentage of sales, revenue, margin or other; includes both flat percentages and ranges of percentages (e.g., 4% of sales per month, or 2% -6% of revenue per month). It must be noted that some franchisors place a minimum and/or maximum real dollar constraint on these percentages (e.g., 4% of gross sales *not to exceed* \$5,000 per month, or 4% of gross sales *with a minimum of* \$2,500 per month). For purposes of this study, such fee structures were grouped into this category.
2. *Flat Rate:* Royalty fee based on a flat dollar amount (e.g., \$400 per month).
3. *Inventory Related:* Royalty fee is related to franchisee purchases of inventory from the franchisor (e.g., franchisee must buy \$145,000 of retail inventory from the franchisor per year).
4. *Transaction Related:* Royalty fee based on a per transaction charge (e.g., per car rented).
5. *Other:* A fee structure not matching one of the methods listed above.
6. *No Royalty Fee:* Franchisor does not charge a royalty fee.

Selected Findings

- 1) The Lodging Industry (LODG) has the highest percentage (98%) of systems that charge a royalty fee based on a percentage, followed closely by the Restaurant Industry (REST) at 97%.
- 2) 82% of the Franchise Population charge a royalty fee based on a percentage of sales or margin.

Note 1: One system was excluded from this chart due to omitted variables. (See Chapter IV, C. for details).

7.1 Franchise Population by Royalty Fee Structure



7.1 Franchise Population by Royalty Fee Structure

	Percent	Flat	Transaction Related	Inventory Related	No Royalty Fee	Other	Total
AUTO	70	4	9	0	7	3	93
BAKE	24	0	0	0	5	0	29
BLDG	60	8	3	1	5	3	80
BUSN	42	5	4	0	7	6	64
CHLD	30	0	0	0	1	2	33
EDUC	15	1	0	0	0	3	19
FAST	201	4	1	0	7	6	219
LODG	58	0	1	0	0	1	60
MAIN	76	7	0	0	2	5	90
PERS	26	0	0	0	1	6	33
PRNT	17	1	0	0	0	0	18
REAL	27	1	0	0	1	7	36
REST	104	0	0	0		2	106
RETF	43	5	0	0	5	4	57
RETL	102	11	1	1	15	8	138
SERV	82	8	2	0	5	12	109
SPRT	23	2	1	1	1	2	30
TRAV	6	4	0	0	0	1	11
Total	1006	61	22	3	62	71	1225

	Percent	Flat	Transaction Related	Inventory Related	No Royalty	Other	Total
AUTO	75%	4%	10%	0%	8%	3%	100%
BAKE	83%	0%	0%	0%	17%	0%	100%
BLDG	75%	10%	4%	1%	6%	4%	100%
BUSN	66%	8%	6%	0%	11%	9%	100%
CHLD	91%	0%	0%	0%	3%	6%	100%
EDUC	79%	5%	0%	0%	0%	16%	100%
FAST	92%	2%	0%	0%	3%	3%	100%
LODG	97%	0%	2%	0%	0%	2%	100%
MAIN	84%	8%	0%	0%	2%	6%	100%
PERS	79%	0%	0%	0%	3%	18%	100%
PRNT	94%	6%	0%	0%	0%	0%	100%
REAL	75%	3%	0%	0%	3%	19%	100%
REST	98%	0%	0%	0%	0%	2%	100%
RETF	75%	9%	0%	0%	9%	7%	100%
RETL	74%	8%	1%	1%	11%	6%	100%
SERV	75%	7%	2%	0%	5%	11%	100%
SPRT	77%	7%	3%	3%	3%	7%	100%
TRAV	55%	36%	0%	0%	0%	9%	100%
Total	82%	5%	2%	0%	5%	6%	100%

7.1 Franchise Population by Royalty Fee Structure

1997

	Percent	Flat	Transaction Related	Inventory Related	No Royalty Fee	Other	Total
AUTO	79	9	4	1	7	1	101
BAKE	31	0	0	2	2	0	35
BLDG	52	7	2	2	3	4	70
BUSN	37	8	0	3	5	4	57
CHLD	27	2	0	0	0	1	30
EDUC	13	1	1	1	0	2	18
FAST	197	4	1	0	7	3	212
LODG	51	0	0	0	0	0	51
MAIN	64	6	0	0	1	3	74
PERS	30	0	0	2	0	3	35
PRNT	16	0	0	0	0	0	16
REAL	29	1	1	1	1	1	34
REST	90	0	0	0	0	0	90
RETF	47	3	1	0	4	2	57
RETL	99	10	1	9	10	5	134
SERV	89	7	3	1	1	9	110
SPRT	26	4	0	1	0	4	35
TRAV	4	7	0	1	1	1	14
Total	981	69	14	24	42	43	1173

	Percent	Flat	Transaction Related	Inventory Related	No Royalty	Other	Total
AUTO	78%	9%	4%	1%	7%	1%	100%
BAKE	89%	0%	0%	6%	6%	0%	100%
BLDG	74%	10%	3%	3%	4%	6%	100%
BUSN	65%	14%	0%	5%	9%	7%	100%
CHLD	90%	7%	0%	0%	0%	3%	100%
EDUC	72%	6%	6%	6%	0%	11%	100%
FAST	93%	2%	0%	0%	3%	1%	100%
LODG	100%	0%	0%	0%	0%	0%	100%
MAIN	86%	8%	0%	0%	1%	4%	100%
PERS	86%	0%	0%	6%	0%	9%	100%
PRNT	100%	0%	0%	0%	0%	0%	100%
REAL	85%	3%	3%	3%	3%	3%	100%
REST	100%	0%	0%	0%	0%	0%	100%
RETF	82%	5%	2%	0%	7%	4%	100%
RETL	74%	7%	1%	7%	7%	4%	100%
SERV	81%	6%	3%	1%	1%	8%	100%
SPRT	74%	11%	0%	3%	0%	11%	100%
TRAV	29%	50%	0%	7%	7%	7%	100%
Total	84%	6%	1%	2%	4%	4%	100%

7.1 Franchise Population by Royalty Fee Structure

Description

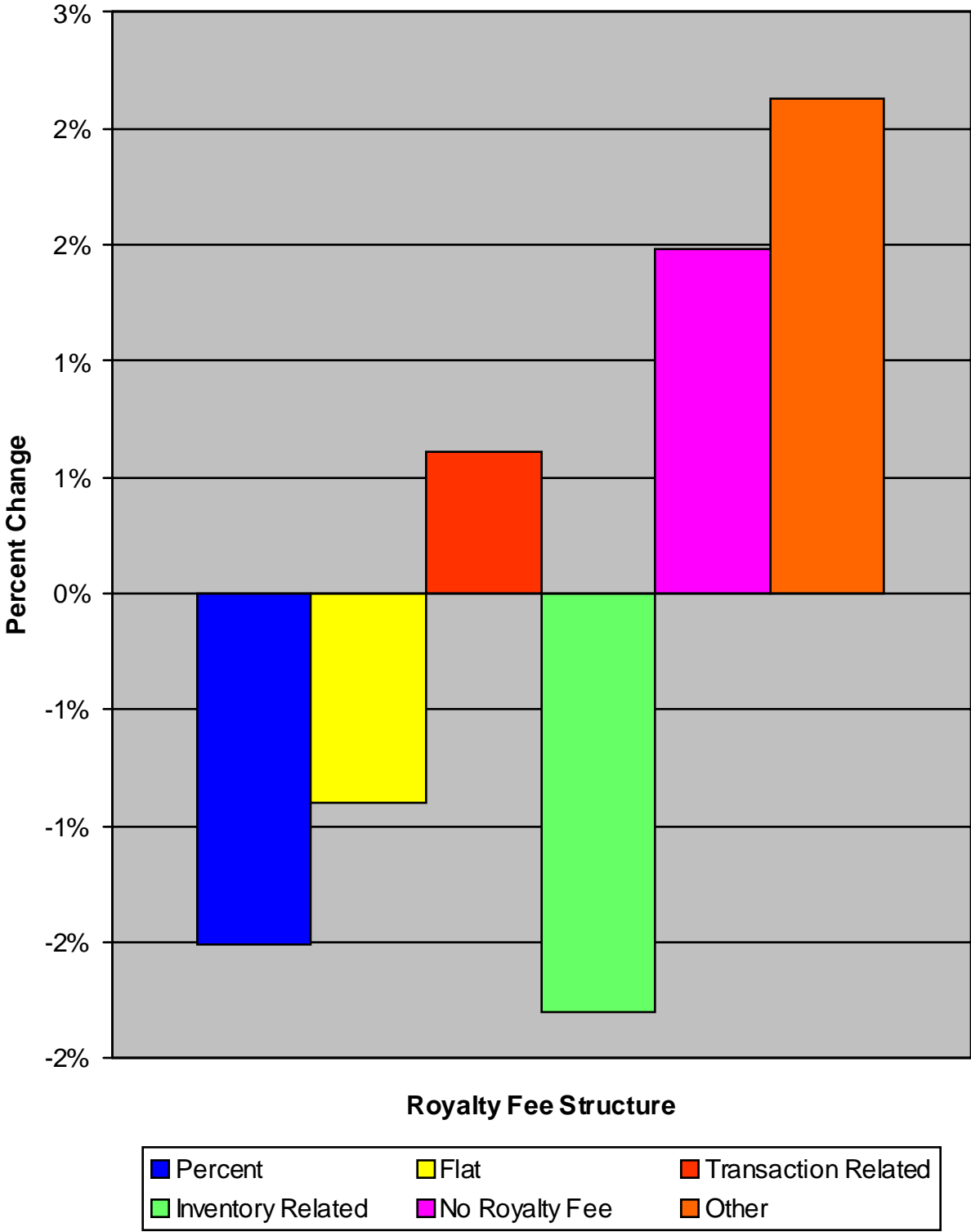
Bar graph: The bar graph on the opposite page depicts the percentage change in franchise population from 1997 to 1998 by industry category. The chart found below contains the source data from which the graph was created.

Positive percentages represent an increase in the number of systems that charge a royalty fee based upon the stated fee structures in 1998. Conversely, negative percentages represent a decrease in the number of systems that charge a royalty fee based upon the stated fee structures in 1998. Data is presented by the 18 Industry Categories and by the total Franchise Population (delineated in the "Total" category).

	Percent	Flat	Transaction Related	Inventory Related	No Royalty Fee	Other	Total
AUTO	-3%	-5%	6%	-1%	1%	2%	0%
BAKE	-6%	0%	0%	-6%	12%	0%	0%
BLDG	1%	0%	1%	-2%	2%	-2%	0%
BUSN	1%	-6%	6%	-5%	2%	2%	0%
CHLD	1%	-7%	0%	0%	3%	3%	0%
EDUC	7%	0%	-6%	-6%	0%	5%	0%
FAST	-1%	0%	0%	0%	0%	1%	0%
LODG	-3%	0%	2%	0%	0%	2%	0%
MAIN	-2%	0%	0%	0%	1%	2%	0%
PERS	-7%	0%	0%	-6%	3%	10%	0%
PRNT	-6%	6%	0%	0%	0%	0%	0%
REAL	-10%	0%	-3%	-3%	0%	17%	0%
REST	-2%	0%	0%	0%	0%	2%	0%
RETL	0%	1%	0%	-6%	3%	2%	0%
SERV	-6%	1%	-1%	-1%	4%	3%	0%
SPRT	2%	-5%	3%	0%	3%	-5%	0%
TRAV	26%	-14%	0%	-7%	-7%	2%	0%
Total	-2%	-1%	1%	-2%	1%	2%	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.

7.1
Franchise Population by Royalty Fee Structure



7.2 Breakdown of Royalty Percentage Basis

Description

Pie Chart: Chart 7.2 displays how franchisors assess royalty fees when the royalty fee structure is reflected as a percentage. Each slice of the pie chart represents the percentage of franchisors that structure their royalty fee by one of the three percentage based categories, listed in the legend at the bottom of the opposite page.

Bar Graph: The bar graph breaks down the royalty fee structure of the Franchise Population when the fee structure is reflected as a percentage, in relation to each system's industry category. Each bar represents the number of franchise systems within each industry category, in one of three fee percentage categories.

Methodology

The data for this chart was collected from Item 6 of the UFOC. If the franchisor presented their royalty fee as a range (e.g., 2-4% of sales), the low and high figures were added together, and divided by two. The resulting mean score was used for the computation of this chart.

This chart is not reflective of the entire Franchise Population, as only those systems charging a royalty fee based on a percentage were queried to create this chart. By referencing chart 7.1, we can see that 84% (or 981) of the systems comprising the Franchise Population assess a percentage-based royalty fee.

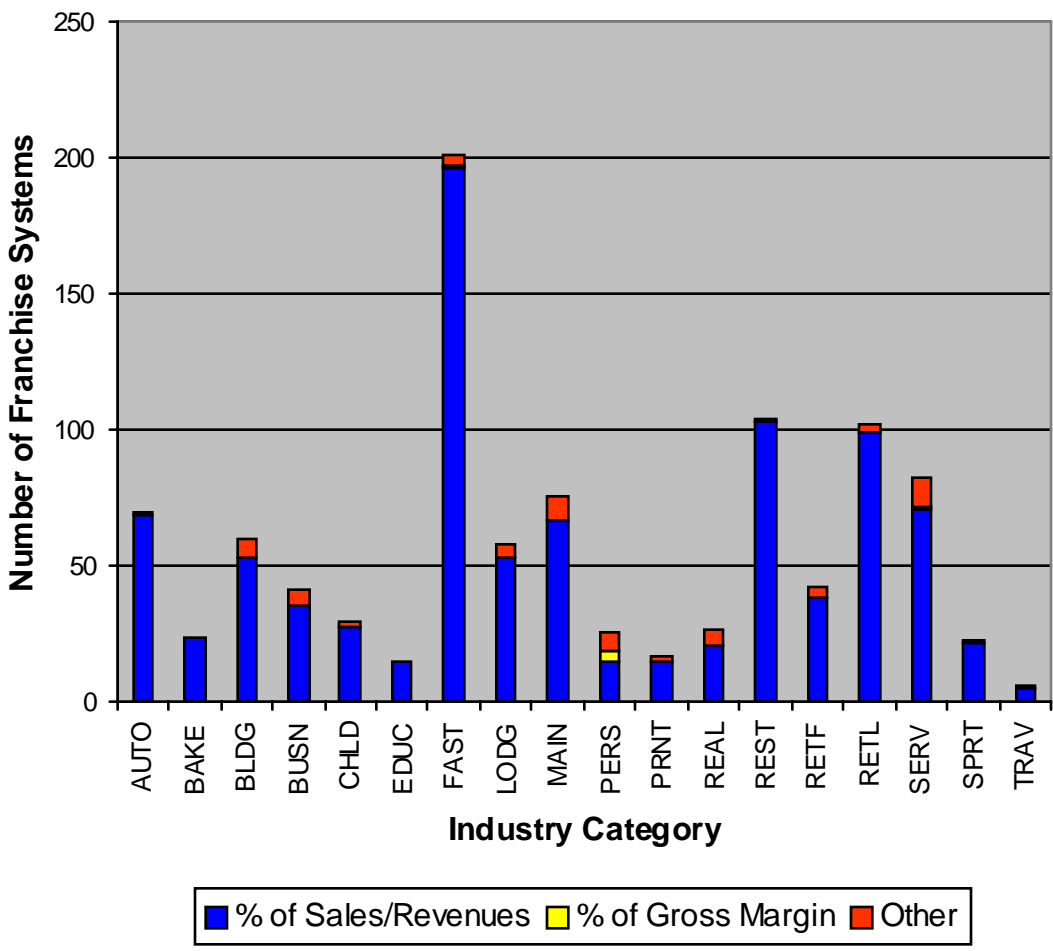
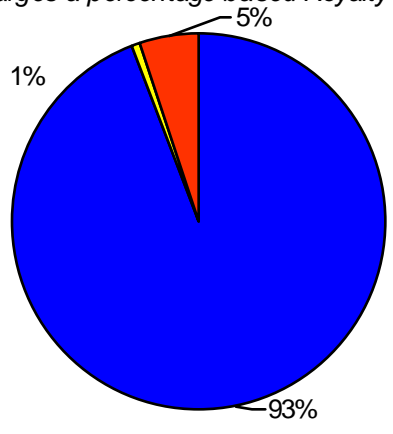
Selected Findings

- 1) Of the 1006 franchisors that charge a royalty fee based on a percentage, 932 (or 93%) use a percentage of sales/revenue to structure their royalty fee.
- 2) Of the 1006 franchisors that charge a royalty fee based on a percentage, 6 (or 1%) use a percentage of gross margin to structure their royalty fee.
- 3) Of the 1006 franchisors that charge a royalty fee based on a percentage, 52 (or 5%) use some other method of percentage-based fees to structure their royalty fee.

Note 1: Only the 1006 systems which charge a royalty fee based on a percentage are included in this chart.

7.2 Breakdown of Royalty Percentage Basis

(includes only portion of population which charges a percentage based Royalty Fee)



7.2 Breakdown of Royalty Percentage Basis

	% of Sales/Revenues	% of Gross Margin	Other	Total
AUTO	69	0	1	70
BAKE	24	0	0	24
BLDG	54	0	6	60
BUSN	35	0	7	42
CHLD	28	0	2	30
EDUC	15	0	0	15
FAST	196	1	4	201
LODG	54	0	4	58
MAIN	67	0	9	76
PERS	15	4	7	26
PRNT	15	0	2	17
REAL	21	0	6	27
REST	103	0	1	104
RETF	39	0	4	43
RETL	99	0	3	102
SERV	71	1	10	82
SPRT	22	0	1	23
TRAV	5	0	1	6
Total	932	6	52	1006

	% of Sales/Revenues	% of Gross Margin	Other	Total
AUTO	99%	0%	1%	100%
BAKE	100%	0%	0%	100%
BLDG	90%	0%	10%	100%
BUSN	83%	0%	17%	100%
CHLD	93%	0%	7%	100%
EDUC	100%	0%	0%	100%
FAST	98%	0%	2%	100%
LODG	93%	0%	7%	100%
MAIN	88%	0%	12%	100%
PERS	58%	15%	27%	100%
PRNT	88%	0%	12%	100%
REAL	78%	0%	22%	100%
REST	99%	0%	1%	100%
RETF	91%	0%	9%	100%
RETL	97%	0%	3%	100%
SERV	87%	1%	12%	100%
SPRT	96%	0%	4%	100%
TRAV	83%	0%	17%	100%
Total	93%	1%	5%	100%

7.2 Breakdown of Royalty Percentage Basis

	% of Sales/Revenues	% of Gross Margin	Other	Total
AUTO	77	2	0	79
BAKE	30	1	0	31
BLDG	49	0	3	52
BUSN	34	0	3	37
CHLD	26	1	0	27
EDUC	11	0	2	13
FAST	177	18	2	197
LODG	48	1	2	51
MAIN	61	1	2	64
PERS	21	5	4	30
PRNT	16	0	0	16
REAL	28	0	1	29
REST	87	3	0	90
RETF	44	3	0	47
RETL	97	1	1	99
SERV	82	3	4	89
SPRT	25	0	1	26
TRAV	4	0	0	4
Total	917	39	25	981

	% of Sales/Revenues	% of Gross Margin	Other	Total
AUTO	97%	3%	0%	100%
BAKE	97%	3%	0%	100%
BLDG	94%	0%	6%	100%
BUSN	92%	0%	8%	100%
CHLD	96%	4%	0%	100%
EDUC	85%	0%	15%	100%
FAST	90%	9%	1%	100%
LODG	94%	2%	4%	100%
MAIN	95%	2%	3%	100%
PERS	70%	17%	13%	100%
PRNT	100%	0%	0%	100%
REAL	97%	0%	3%	100%
REST	97%	3%	0%	100%
RETF	94%	6%	0%	100%
RETL	98%	1%	1%	100%
SERV	92%	3%	4%	100%
SPRT	96%	0%	4%	100%
TRAV	100%	0%	0%	100%
Total	93%	4%	3%	100%

7.2 Breakdown of Royalty Percentage Basis

Description

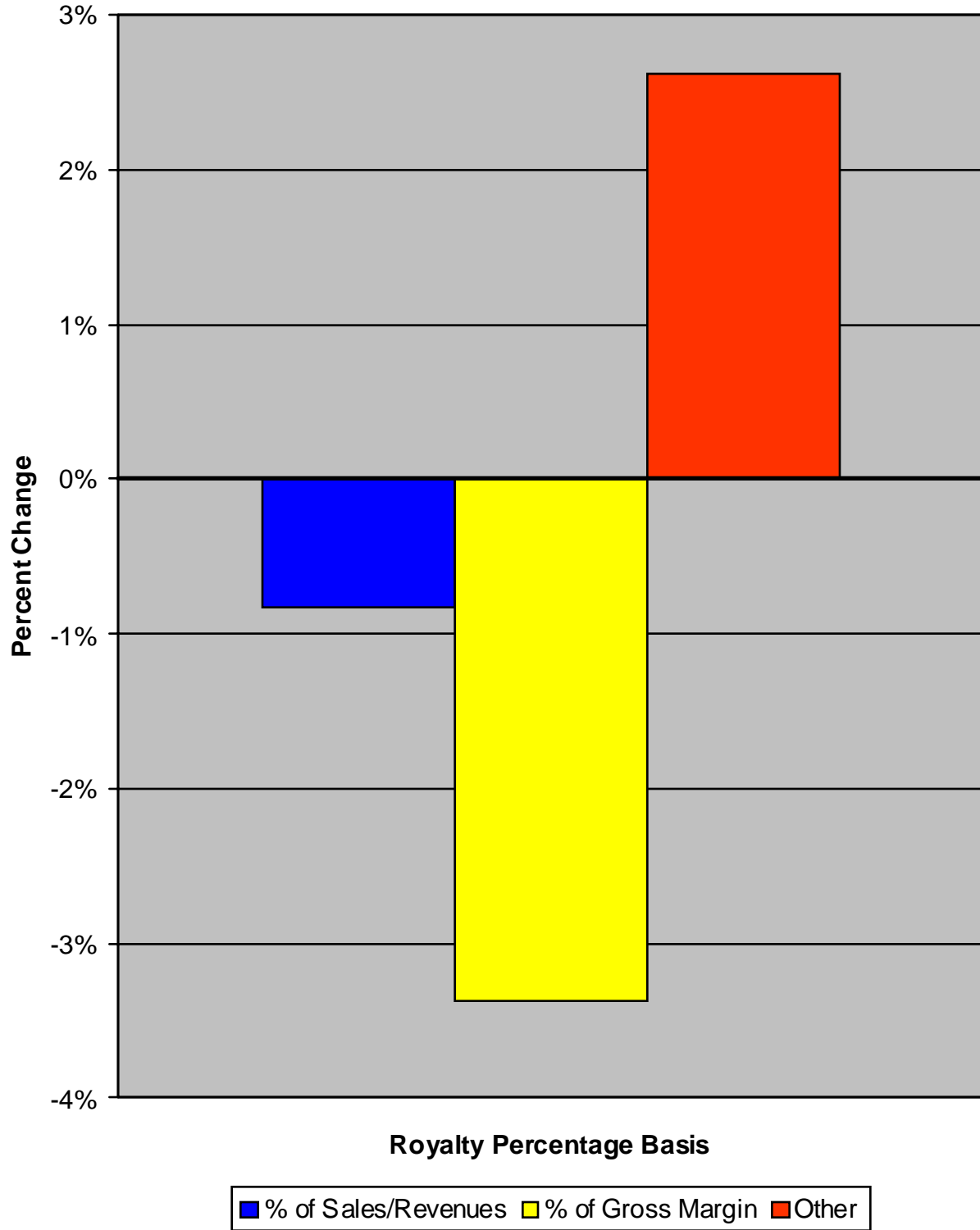
Bar graph: The bar graph on the opposite page depicts the percentage change in franchise population from 1997 to 1998 by industry category. The chart found below contains the source data from which the graph was created.

Positive percentages represent an increase in the number of systems that charge a royalty fee based upon the percentage structures (e.g., % of sales, % of gross margin) in 1998. Conversely, negative percentages represent a decrease in the number of systems that charge a royalty fee based upon the percentage structures in 1998. Data is presented by the 18 Industry Categories and by the total Franchise Population (delineated in the "Total" category).

	% of Sales/Revenues	% of Gross Margin	Other	Total
AUTO	1%	-3%	1%	0%
BAKE	3%	-3%	0%	0%
BLDG	-4%	0%	4%	0%
BUSN	-9%	0%	9%	0%
CHLD	-3%	-4%	7%	0%
EDUC	15%	0%	-15%	0%
FAST	8%	-9%	1%	0%
LODG	-1%	-2%	3%	0%
MAIN	-7%	-2%	9%	0%
PERS	-12%	-1%	14%	0%
PRNT	-12%	0%	12%	0%
REAL	-19%	0%	19%	0%
REST	2%	-3%	1%	0%
RETF	-3%	-6%	9%	0%
RETL	-1%	-1%	2%	0%
SERV	-6%	-2%	8%	0%
SPRT	-1%	0%	1%	0%
TRAV	-17%	0%	17%	0%
Total	-1%	-3%	3%	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.

**7.2
Breakdown of Royalty Percentage Basis**



7.3 Breakdown of Royalty Fee

Description

Pie Chart: Chart 7.3 displays the percentage fee franchisors assess for royalties when the royalty fee structure is reflected as a percentage of sales/revenue. Each slice of the pie chart represents the percentage of franchisors that charge a percentage fee falling into one of the ten fee ranges, listed in the legend at the bottom of the opposite page.

Bar Graph: The bar graph breaks down the percentage fee franchisors assess for royalties when the royalty fee structure is reflected as a percentage of sales/revenue for the Franchise Population, in relation to each system's industry category. Each bar represents the number of franchise systems within each industry category, in one of ten percentage ranges.

Methodology

The data for this chart was collected from Item 6 of the UFOC. If the franchisor presented their royalty fee as a range (e.g., 2%-4% of sales), the low and high figures were added together, and divided by two. The resulting mean score was used for the computation of this chart.

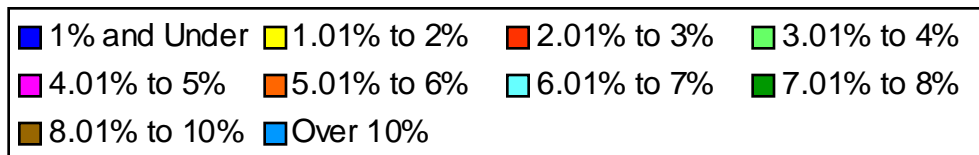
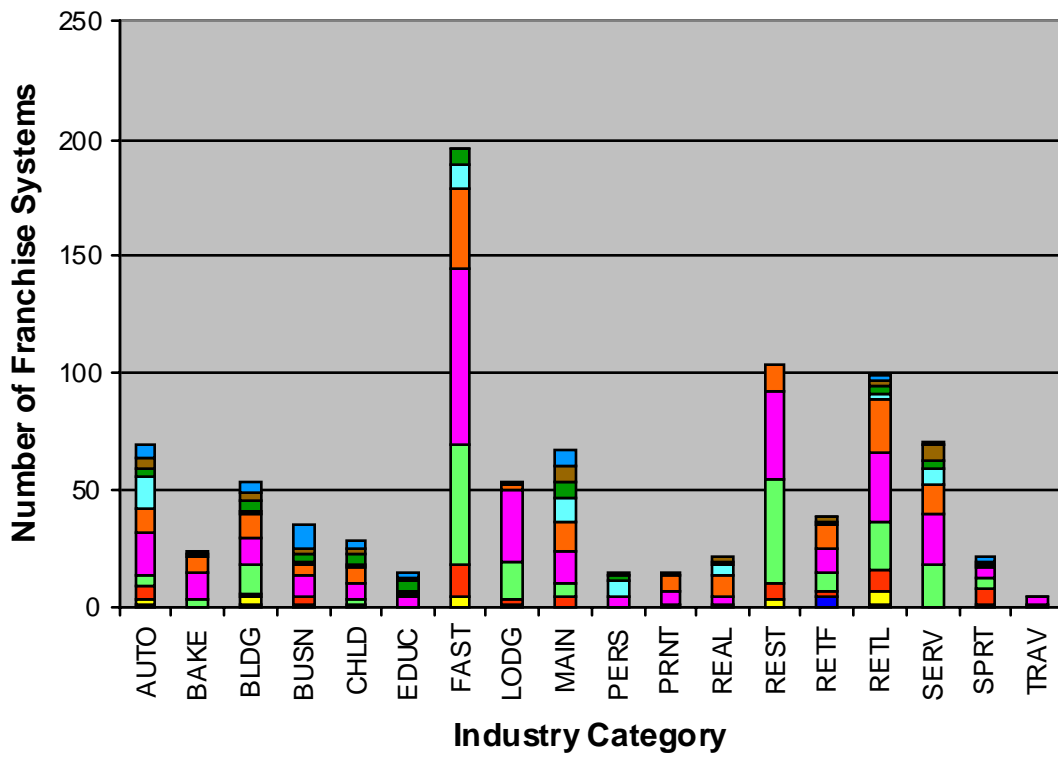
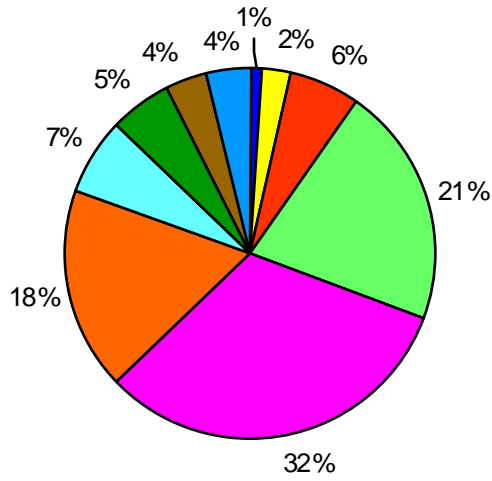
This chart is not reflective of the entire Franchise Population, as only those systems charging a royalty fee based on a percentage of sales/revenue were queried to create this chart. By referencing chart 7.2, we can see that 932 of the systems comprising the Franchise Population (76% of the total) are represented in this chart.

Selected Findings

- 1) Of the 932 franchisors that charge a royalty fee based on a percentage of sales/revenue, 661 (or 71%) charge a fee ranging from 3.01%-6%.
- 2) The most common (32%) royalty fee assessed based on a percentage of sales/revenue was 4.01% -5%.
- 3) The least common (1%) royalty fee assessed based on a percentage of sales/revenue was 1% and Under, followed by 1.01-2% (at 2%).

Note 1: This chart was compiled from the 932 systems whose royalty fees were assessed based on a percentage of sales/revenue.

7.3 Breakdown of Royalty Fee



7.3 Breakdown of Royalty Fee

	1% and Under	1.01% to 2%	2.01% to 3%	3.01% to 4%	4.01% to 5%	5.01% to 6%	6.01% to 7%	7.01% to 8%	8.01% to 10%	Over 10%	Total
AUTO	2	1	6	5	18	10	14	4	4	5	69
BAKE	0	0	0	3	12	7	1	1	0	0	24
BLDG	1	3	2	13	11	10	1	5	3	5	54
BUSN	0	1	3	1	9	5	1	3	3	9	35
CHLD	0	1	1	1	7	7	1	5	3	2	28
EDUC	0	0	0	0	4	2	1	5	1	2	15
FAST	0	5	13	51	76	34	10	6	1	0	196
LODG	1	1	1	17	30	3	1	0	0	0	54
MAIN	0	0	4	6	14	13	10	7	7	6	67
PERS	0	0	0	0	5	0	6	3	0	1	15
PRNT	0	0	1	1	5	7	1	0	0	0	15
REAL	0	0	0	2	2	10	4	2	1	0	21
REST	0	3	7	45	37	11	0	0	0	0	103
RETF	4	0	3	8	10	11	1	0	1	1	39
RETL	2	5	9	21	29	23	2	4	2	2	99
SERV	0	0	0	18	22	12	7	4	7	1	71
SPRT	0	2	6	5	4	2	1	0	0	2	22
TRAV	1	1	0	0	2	0	0	0	1	0	5
Total	11	23	56	197	297	167	62	49	34	36	932

	1% and Under	1.01% to 2%	2.01% to 3%	3.01% to 4%	4.01% to 5%	5.01% to 6%	6.01% to 7%	7.01% to 8%	8.01% to 10%	Over 10%	Total
AUTO	3%	1%	9%	7%	26%	14%	20%	6%	6%	7%	100%
BAKE	0%	0%	0%	13%	50%	29%	4%	4%	0%	0%	100%
BLDG	2%	6%	4%	24%	20%	19%	2%	9%	6%	9%	100%
BUSN	0%	3%	9%	3%	26%	14%	3%	9%	9%	26%	100%
CHLD	0%	4%	4%	4%	25%	25%	4%	18%	11%	7%	100%
EDUC	0%	0%	0%	0%	27%	13%	7%	33%	7%	13%	100%
FAST	0%	3%	7%	26%	39%	17%	5%	3%	1%	0%	100%
LODG	2%	2%	2%	31%	56%	6%	2%	0%	0%	0%	100%
MAIN	0%	0%	6%	9%	21%	19%	15%	10%	10%	9%	100%
PERS	0%	0%	0%	0%	33%	0%	40%	20%	0%	7%	100%
PRNT	0%	0%	7%	7%	33%	47%	7%	0%	0%	0%	100%
REAL	0%	0%	0%	10%	10%	48%	19%	10%	5%	0%	100%
REST	0%	3%	7%	44%	36%	11%	0%	0%	0%	0%	100%
RETF	10%	0%	8%	21%	26%	28%	3%	0%	3%	3%	100%
RETL	2%	5%	9%	21%	29%	23%	2%	4%	2%	2%	100%
SERV	0%	0%	0%	25%	31%	17%	10%	6%	10%	1%	100%
SPRT	0%	9%	27%	23%	18%	9%	5%	0%	0%	9%	100%
TRAV	20%	20%	0%	0%	40%	0%	0%	0%	20%	0%	100%
Total	1%	2%	6%	21%	32%	18%	7%	5%	4%	4%	100%

7.3 Breakdown of Royalty Fee

1997

	1% and Under	1.01% to 2%	2.01% to 3%	3.01% to 4%	4.01% to 5%	5.01% to 6%	6.01% to 7%	7.01% to 8%	8.01% to 10%	Over 10%	Total
AUTO	1	2	6	8	20	15	16	3	4	2	77
BAKE	0	0	0	9	11	6	2	2	0	0	30
BLDG	1	2	5	7	10	10	1	6	3	4	49
BUSN	0	2	2	3	4	5	1	5	4	8	34
CHLD	0	1	0	4	4	8	2	4	3	0	26
EDUC	0	0	0	0	2	2	3	2	2	0	11
FAST	1	6	9	42	74	30	8	5	2	0	177
LODG	1	2	0	19	22	3	1	0	0	0	48
MAIN	1	1	4	6	14	11	8	6	6	4	61
PERS	0	1	0	1	4	1	4	3	3	4	21
PRNT	0	0	0	3	4	7	1	0	1	0	16
REAL	2	0	3	3	6	8	4	0	2	0	28
REST	0	3	9	42	24	8	1	0	0	0	87
RETF	3	1	2	10	16	8	2	0	1	1	44
RETL	1	4	9	21	29	22	8	1	1	1	97
SERV	1	0	2	14	25	14	6	7	7	6	82
SPRT	0	4	4	5	6	3	0	1	0	2	25
TRAV	1	1	0	0	1	1	0	0	0	0	4
Total	13	30	55	197	276	162	68	45	39	32	917

	1% and Under	1.01% to 2%	2.01% to 3%	3.01% to 4%	4.01% to 5%	5.01% to 6%	6.01% to 7%	7.01% to 8%	8.01% to 10%	Over 10%	Total
AUTO	1%	3%	8%	10%	26%	19%	21%	4%	5%	3%	100%
BAKE	0%	0%	0%	30%	37%	20%	7%	7%	0%	0%	100%
BLDG	2%	4%	10%	14%	20%	20%	2%	12%	6%	8%	100%
BUSN	0%	6%	6%	9%	12%	15%	3%	15%	12%	24%	100%
CHLD	0%	4%	0%	15%	15%	31%	8%	15%	12%	0%	100%
EDUC	0%	0%	0%	0%	18%	18%	27%	18%	18%	0%	100%
FAST	1%	3%	5%	24%	42%	17%	5%	3%	1%	0%	100%
LODG	2%	4%	0%	40%	46%	6%	2%	0%	0%	0%	100%
MAIN	2%	2%	7%	10%	23%	18%	13%	10%	10%	7%	100%
PERS	0%	5%	0%	5%	19%	5%	19%	14%	14%	19%	100%
PRNT	0%	0%	0%	19%	25%	44%	6%	0%	6%	0%	100%
REAL	7%	0%	11%	11%	21%	29%	14%	0%	7%	0%	100%
REST	0%	3%	10%	48%	28%	9%	1%	0%	0%	0%	100%
RETF	7%	2%	5%	23%	36%	18%	5%	0%	2%	2%	100%
RETL	1%	4%	9%	22%	30%	23%	8%	1%	1%	1%	100%
SERV	1%	0%	2%	17%	30%	17%	7%	9%	9%	7%	100%
SPRT	0%	16%	16%	20%	24%	12%	0%	4%	0%	8%	100%
TRAV	25%	25%	0%	0%	25%	25%	0%	0%	0%	0%	100%
Total	1%	3%	6%	21%	30%	18%	7%	5%	4%	3%	100%

7.3 Breakdown of Royalty Fee

Description

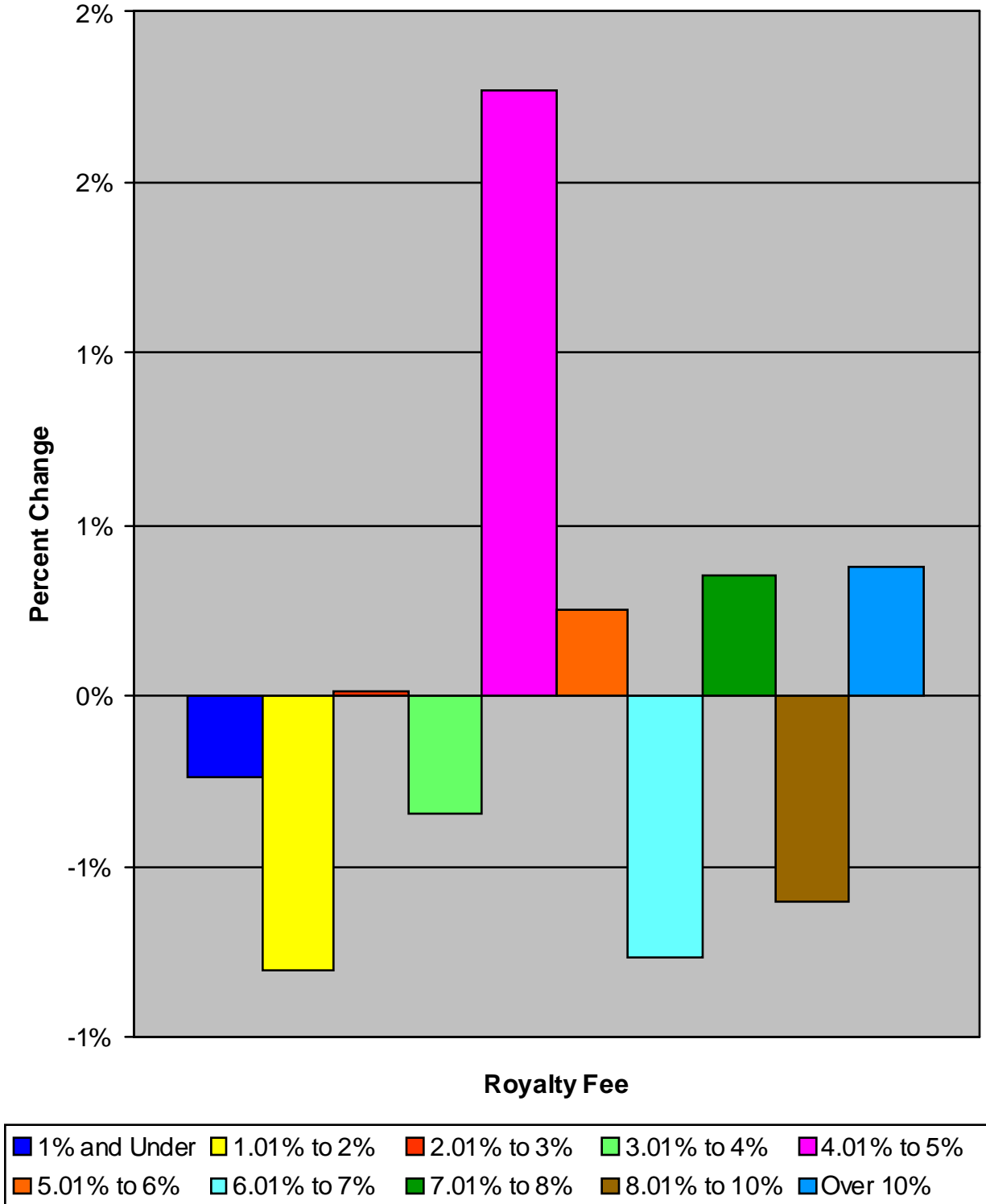
Bar graph: The bar graph on the opposite page depicts the percentage change in franchise population from 1997 to 1998 by industry category. The chart found below contains the source data from which the graph was created.

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

	1% and Under	1.01% to 2%	2.01% to 3%	3.01% to 4%	4.01% to 5%	5.01% to 6%	6.01% to 7%	7.01% to 8%	8.01% to 10%	Over 10%	Total
AUTO	2%	-1%	1%	-3%	0%	-5%	0%	2%	1%	5%	0%
BAKE	0%	0%	0%	-18%	13%	9%	-3%	-3%	0%	0%	0%
BLDG	0%	1%	-7%	10%	0%	-2%	0%	-3%	-1%	1%	0%
BUSN	0%	-3%	3%	-6%	14%	0%	0%	-6%	-3%	2%	0%
CHLD	0%	0%	4%	-12%	10%	-6%	-4%	2%	-1%	7%	0%
EDUC	0%	0%	0%	0%	8%	-5%	-21%	15%	-12%	13%	0%
FAST	-1%	-1%	2%	2%	-3%	0%	1%	0%	-1%	0%	0%
LODG	0%	-2%	2%	-8%	10%	-1%	0%	0%	0%	0%	0%
MAIN	-2%	-2%	-1%	-1%	-2%	1%	2%	1%	1%	2%	0%
PERS	0%	-5%	0%	-5%	14%	-5%	21%	6%	-14%	-12%	0%
PRNT	0%	0%	7%	-12%	8%	3%	0%	0%	-6%	0%	0%
REAL	-7%	0%	-11%	-1%	-12%	19%	5%	10%	-2%	0%	0%
REST	0%	-1%	-4%	-5%	8%	1%	-1%	0%	0%	0%	0%
RETF	3%	-2%	3%	-2%	-11%	10%	-2%	0%	0%	0%	0%
RETL	1%	1%	0%	0%	-1%	1%	-6%	3%	1%	1%	0%
SERV	-1%	0%	-2%	8%	0%	0%	3%	-3%	1%	-6%	0%
SPRT	0%	-7%	11%	3%	-6%	-3%	5%	-4%	0%	1%	0%
TRAV	-5%	-5%	0%	0%	15%	-25%	0%	0%	20%	0%	0%
Total	0%	-1%	0%	0%	2%	0%	-1%	0%	-1%	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.

7.3 Breakdown of Royalty Fee



7.4 Franchise Population by Royalty Payment Schedule

Description

Pie Chart: Chart 7.4 displays the Franchise Population by the time frame within which the franchisor requires royalty payments to be made. Each slice of the pie chart represents the percentage of the Franchise Population according to when they are required to pay royalty fees.

Bar Graph: The bar graph breaks down the royalty fee structure by industry category. Each bar depicts the total number of franchise systems within each category, by how they fall into one of the three payment schedules, listed in the legend at the bottom of the opposite page.

Methodology

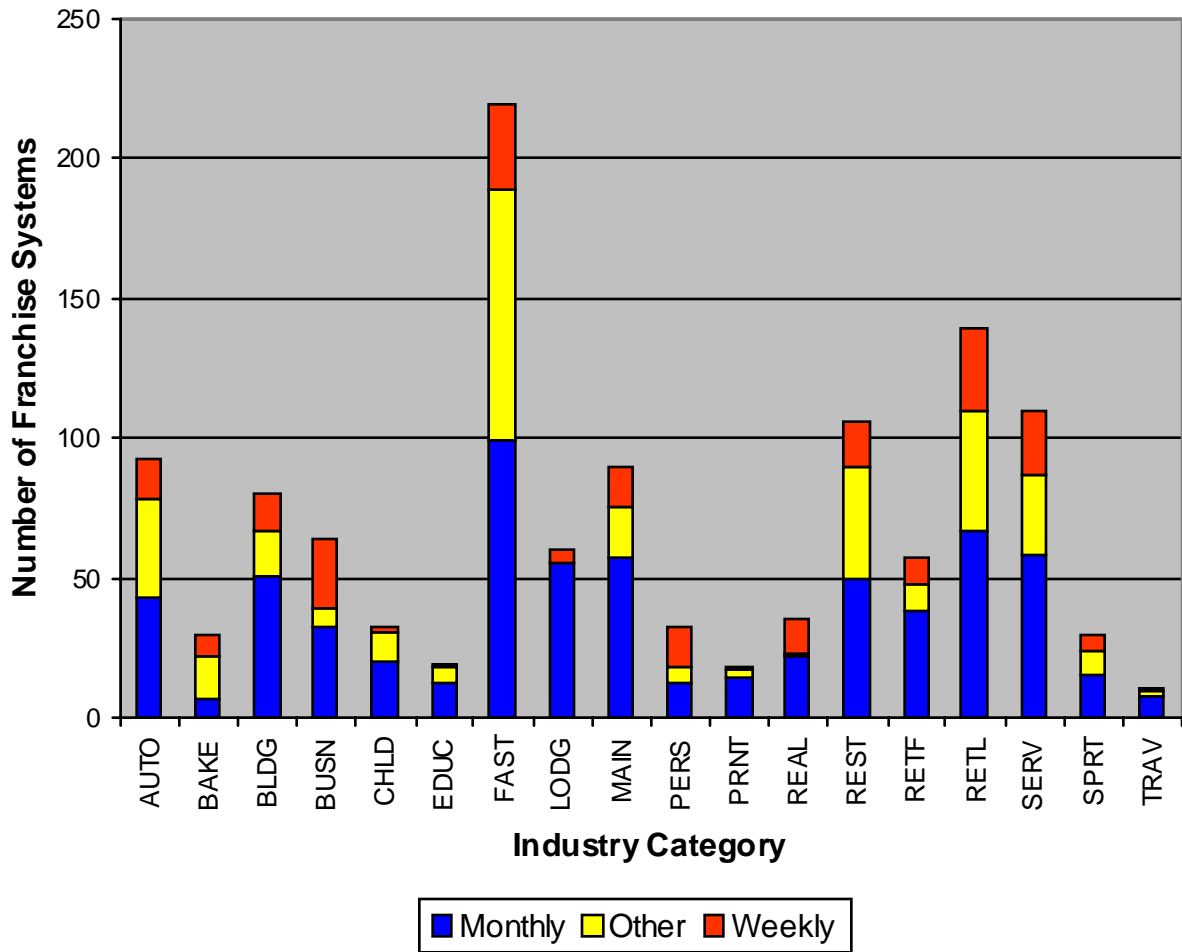
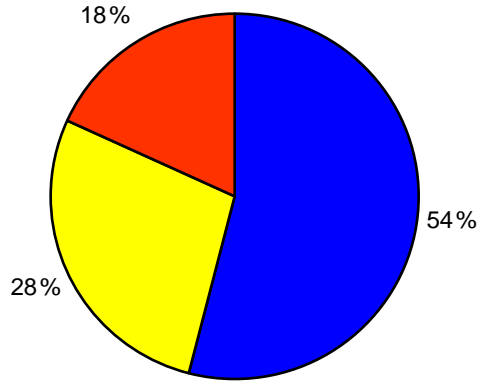
The data for this chart was compiled from Item 6 of the UFOC. FRANDATA's internal database tracks royalty payment schedules by seven different categories. For purposes of this study, these seven categories were combined into the following three as follows:

- (1) **Weekly**
- (2) **Monthly**
- (3) **Other** (e.g. daily, bi-weekly, quarterly, annually, other)

Selected Findings

- 1) 54% of the franchisors in the Franchise Population require franchisees to pay royalty fees monthly.
- 2) 92% of the Lodging Industry (LODG) require royalty payments to be made on a monthly basis.
- 3) The 3 industries with the highest percentage of systems which require weekly, as opposed to monthly, payments were Personnel (45%), Business (39%) and Real Estate (36%).

7.4 Franchise Population by Royalty Payment Schedule



7.4

Franchise Population by Royalty Payment Schedule

	Monthly	Other	Weekly	Total
AUTO	43	35	15	93
BAKE	7	15	7	29
BLDG	51	16	13	80
BUSN	33	6	25	64
CHLD	20	11	2	33
EDUC	13	5	1	19
FAST	99	90	30	219
LODG	55	0	5	60
MAIN	57	18	15	90
PERS	13	5	15	33
PRNT	14	3	1	18
REAL	22	1	13	36
REST	49	41	16	106
RETF	38	10	9	57
RETL	67	43	29	139
SERV	58	29	22	109
SPRT	15	9	6	30
TRAV	8	1	2	11
Total	662	338	226	1226

	Monthly	Other	Weekly	Total
AUTO	46%	38%	16%	100%
BAKE	24%	52%	24%	100%
BLDG	64%	20%	16%	100%
BUSN	52%	9%	39%	100%
CHLD	61%	33%	6%	100%
EDUC	68%	26%	5%	100%
FAST	45%	41%	14%	100%
LODG	92%	0%	8%	100%
MAIN	63%	20%	17%	100%
PERS	39%	15%	45%	100%
PRNT	78%	17%	6%	100%
REAL	61%	3%	36%	100%
REST	46%	39%	15%	100%
RETF	67%	18%	16%	100%
RETL	48%	31%	21%	100%
SERV	53%	27%	20%	100%
SPRT	50%	30%	20%	100%
TRAV	73%	9%	18%	100%
Total	54%	28%	18%	100%

7.4 Franchise Population by Royalty Payment Schedule

	Monthly	Other	Weekly	Total
AUTO	54	16	31	101
BAKE	14	8	13	35
BLDG	43	14	14	71
BUSN	27	20	10	57
CHLD	22	2	6	30
EDUC	13	3	2	18
FAST	106	29	79	214
LODG	48	3	0	51
MAIN	51	7	16	74
PERS	19	12	4	35
PRNT	13	1	2	16
REAL	26	6	3	35
REST	51	4	35	90
RETF	37	9	12	58
RETL	66	33	35	134
SERV	59	20	31	110
SPRT	17	6	12	35
TRAV	9	4	1	14
Total	675	197	306	1178

	Monthly	Other	Weekly	Total
AUTO	53%	16%	31%	100%
BAKE	40%	23%	37%	100%
BLDG	61%	20%	20%	100%
BUSN	47%	35%	18%	100%
CHLD	73%	7%	20%	100%
EDUC	72%	17%	11%	100%
FAST	50%	14%	37%	100%
LODG	94%	6%	0%	100%
MAIN	69%	9%	22%	100%
PERS	54%	34%	11%	100%
PRNT	81%	6%	13%	100%
REAL	74%	17%	9%	100%
REST	57%	4%	39%	100%
RETF	64%	16%	21%	100%
RETL	49%	25%	26%	100%
SERV	54%	18%	28%	100%
SPRT	49%	17%	34%	100%
TRAV	64%	29%	7%	100%
Total	57%	17%	26%	100%

7.4 Franchise Population by Royalty Payment Schedule

Description

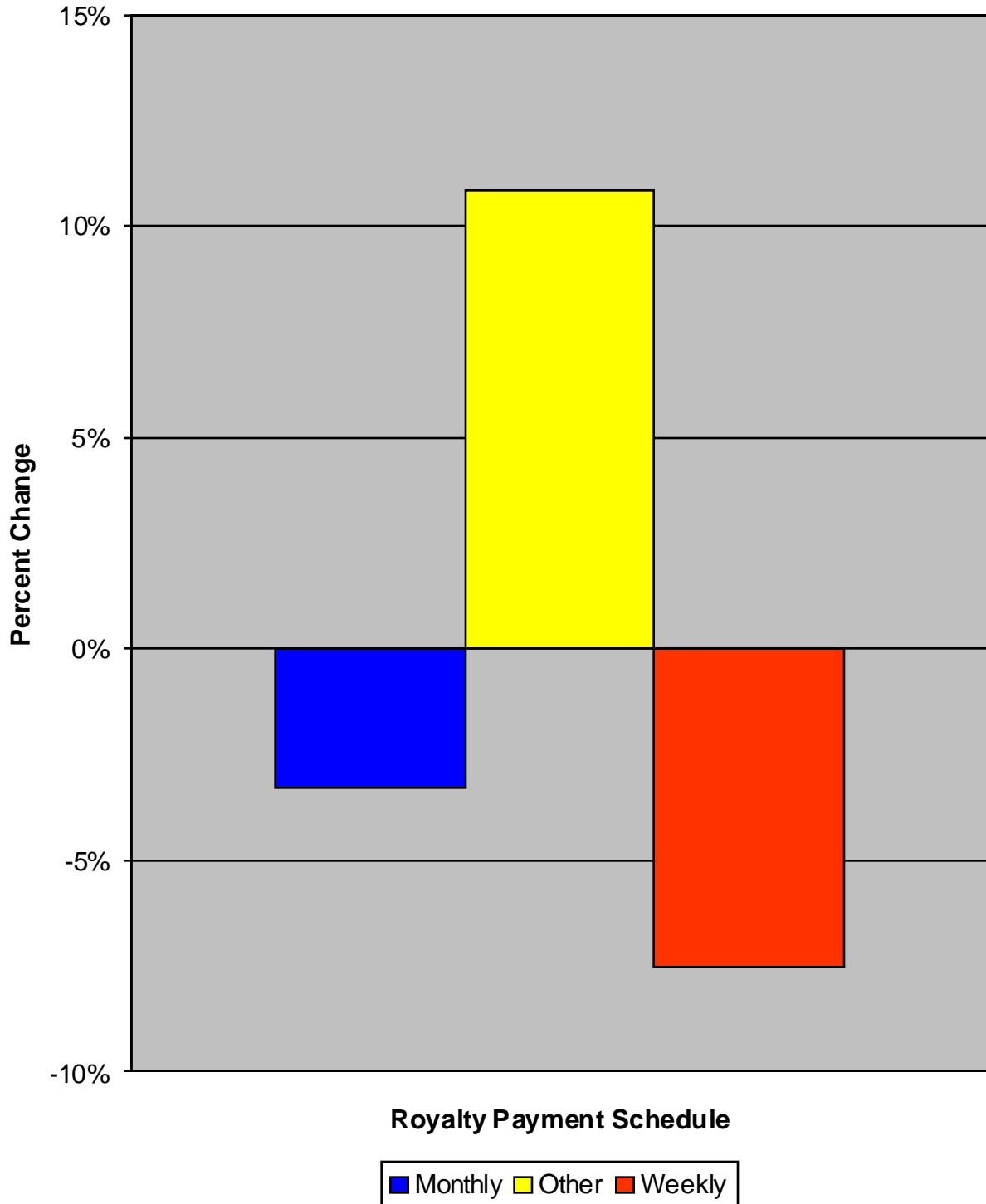
Bar graph: The bar graph on the opposite page depicts the percentage change in franchise population from 1997 to 1998 by industry category. The chart found below contains the source data from which the graph was created.

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

	Monthly	Other	Weekly	Total
AUTO	-7%	22%	-15%	0%
BAKE	-16%	29%	-13%	0%
BLDG	3%	0%	-3%	0%
BUSN	4%	-26%	22%	0%
CHLD	-13%	27%	-14%	0%
EDUC	-4%	10%	-6%	0%
FAST	-4%	28%	-23%	0%
LODG	-2%	-6%	8%	0%
MAIN	-6%	11%	-5%	0%
PERS	-15%	-19%	34%	0%
PRNT	-3%	10%	-7%	0%
REAL	-13%	-14%	28%	0%
REST	-10%	34%	-24%	0%
RETF	3%	2%	-5%	0%
RETL	-1%	6%	-5%	0%
SERV	0%	8%	-8%	0%
SPRT	1%	13%	-14%	0%
TRAV	8%	-19%	11%	0%
Total	-3%	11%	-8%	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.

7.4 Franchise Population by Royalty Payment Schedule



7.5 Franchise Population by Availability of EFT for Royalty Payments

Description

Pie Chart: Chart 7.5 describes the Franchisee Population by whether or not the franchisor offers Electronic Fund Transfer (“EFT”) as a way for franchisees to make royalty payments. The slices of the pie chart represent how many franchisors either offer (10%) or do not offer (90%) an EFT program.

Bar Graph: The bar graph breaks down the availability of EFT by industry category. Each bar represents the number of systems in the industry category, by whether or not the franchisor offers an EFT program.

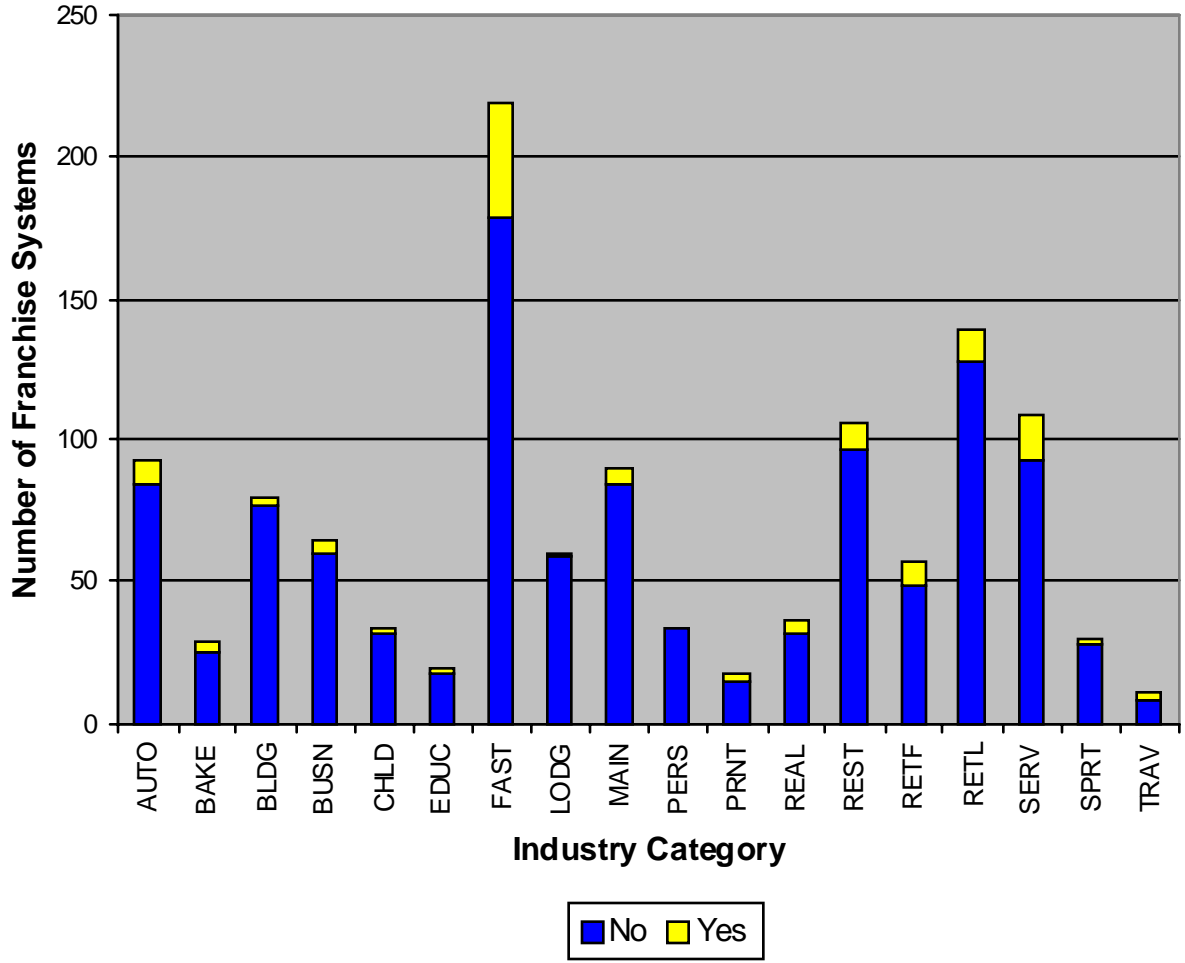
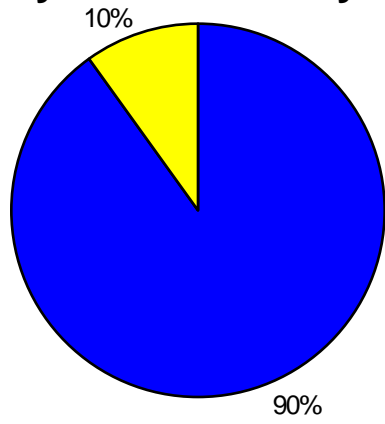
Methodology

The data for this chart was compiled from Item 6. No differentiation was made between whether a franchisor required payment by EFT, or if they simply offered payment by EFT.

Selected Findings

- 1) Only 10% of the franchisors in the Franchise Population offer EFT service.
- 2) The Personnel Industry (PERS) has no systems offering EFT. It should be noted that the franchisor in nearly all Personnel Industry systems collects revenue, and remit royalties to their franchisees.
- 3) All 4 food-related segments (Baked Goods, Fast Food, Retail Food and Restaurants) have a relatively high frequency of systems which allow for EFT, and account for 61 of the 124 (49%) systems in the Franchise Population to offer EFT.

7.5
Franchise Population
by Availability of EFT for Royalty Payment



7.5 Franchise Population by Availability of EFT for Royalty Payment

	No	Yes	Total
AUTO	85	8	93
BAKE	25	4	29
BLDG	77	3	80
BUSN	60	4	64
CHLD	32	1	33
EDUC	18	1	19
FAST	179	40	219
LODG	59	1	60
MAIN	84	6	90
PERS	33	0	33
PRNT	15	3	18
REAL	32	4	36
REST	97	9	106
RETF	49	8	57
RETL	128	11	139
SERV	93	16	109
SPRT	28	2	30
TRAV	8	3	11
Total	1102	124	1226

	No	Yes	Total
AUTO	91%	9%	100%
BAKE	86%	14%	100%
BLDG	96%	4%	100%
BUSN	94%	6%	100%
CHLD	97%	3%	100%
EDUC	95%	5%	100%
FAST	82%	18%	100%
LODG	98%	2%	100%
MAIN	93%	7%	100%
PERS	100%	0%	100%
PRNT	83%	17%	100%
REAL	89%	11%	100%
REST	92%	8%	100%
RETF	86%	14%	100%
RETL	92%	8%	100%
SERV	85%	15%	100%
SPRT	93%	7%	100%
TRAV	73%	27%	100%
Total	90%	10%	100%

7.5
Franchise Population
by Availability of EFT for Royalty Payment

1997

	No	Yes	Total
AUTO	93	8	101
BAKE	30	5	35
BLDG	66	5	71
BUSN	53	4	57
CHLD	29	1	30
EDUC	18	0	18
FAST	191	23	214
LODG	50	1	51
MAIN	68	6	74
PERS	33	2	35
PRNT	12	4	16
REAL	31	4	35
REST	82	8	90
RETF	55	3	58
RETL	125	9	134
SERV	99	11	110
SPRT	34	1	35
TRAV	14	0	14
Total	1083	95	1178

	No	Yes	Total
AUTO	92%	8%	100%
BAKE	86%	14%	100%
BLDG	93%	7%	100%
BUSN	93%	7%	100%
CHLD	97%	3%	100%
EDUC	100%	0%	100%
FAST	89%	11%	100%
LODG	98%	2%	100%
MAIN	92%	8%	100%
PERS	94%	6%	100%
PRNT	75%	25%	100%
REAL	89%	11%	100%
REST	91%	9%	100%
RETF	95%	5%	100%
RETL	93%	7%	100%
SERV	90%	10%	100%
SPRT	97%	3%	100%
TRAV	100%	0%	100%
Total	92%	8%	100%

7.5 Franchise Population by Availability of EFT for Royalty Payment

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 EFT for royalty payments in 1998. Conversely, negative percentages under "yes" represent a decrease in the number of systems offering EFT for royalty payments 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	-1%	1%	0%
BAKE	0%	0%	0%
BLDG	3%	-3%	0%
BUSN	1%	-1%	0%
CHLD	0%	0%	0%
EDUC	-5%	5%	0%
FAST	-8%	8%	0%
LODG	0%	0%	0%
MAIN	1%	-1%	0%
PERS	6%	-6%	0%
PRNT	8%	-8%	0%
REAL	0%	0%	0%
REST	0%	0%	0%
RETF	-9%	9%	0%
RETL	-1%	1%	0%
SERV	-5%	5%	0%
SPRT	-4%	4%	0%
TRAV	-27%	27%	0%
Total	-2%	2%	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.

**7.5
Franchise Population by Availability of EFT for
Royalty Payment**

