

# Sector continues strong growth

Continued strong growth in the franchising sector over the past two years is the key finding of the *Franchising Australia 2008* survey. A picture of the franchising industry from 2006–08, the report provides an important overview of the sector including growth, turnover, employment, confidence, trends, expansion and number of disputes.

"It's really important for the sector to gather consistent, reliable data," says Professor Lorette Frazer of Griffith University, which was commissioned to undertake the survey on behalf of the Franchise Council of Australia (FCA). "A lot of countries don't have that kind of information."

The report, which gives a broad overview of the sector, was based on data collected at the beginning of 2008, so does not reflect the changed financial climate of the latter part of this year. "The next survey will be conducted in 2010, so our report might tell a different story then," Professor Frazer says.

Although the survey data was collected in the first half of the year, the survey report notes that franchisors were already becoming more conservative in their outlook for the economic landscape.

Although the majority were



**You can download a copy of the survey or its executive summary by visiting [www.franchise.org.au](http://www.franchise.org.au) and clicking on the Franchising Survey 08 icon**

a franchising sector that has faced close government scrutiny."

FCA executive director Steve Wright adds: "Another pleasing feature of the survey is that the statistics show a decline in disputation – a result, we believe of greater awareness of the obligations for all participants in the sector – franchisors, franchisees and advisers."

The *Franchising Australia 2008* survey is not the only study of the sector to have been completed this year. Specialist franchise consulting firm DC Strategy has just completed a two-year study of every franchise system in Australia and its report suggests that about 200 of these account for the majority of growth and franchisee resales in the industry. As reported on [www.smartcompany.com.au](http://www.smartcompany.com.au), company representative Adrian McFedries predicts that an economic downturn will highlight the inherent problems in poor performers. "This [economic] cycle

will sort out the companies that make good decisions."

A recent report by the Franchise Relationships Institute (FRI) focused on consumer sales performance and optimism in the franchise sector and found that despite the economic downturn the industry is generally optimistic.

The report's author, FRI managing director Greg Nathan, writes: "Franchisors rate themselves as very optimistic about the future, with an average optimism rating of 3.9 out of 5; while they rated their franchisees as just moderately optimistic, with an average optimism rating of 3.1."

Nathan's interviews with senior managers from 50 franchise networks concluded that "franchise networks that are up in sales are focusing more on going back to basics while those experiencing downward sales are focusing more on improving systems and new product development".

Professor Frazer says that the results of the *Franchising Australia 2008* survey gives the sector important signals.

"Our research throws up a lot of interesting questions, but it doesn't necessarily give you the answers," he says. "It's a great starting place for further research."

## KEY FINDINGS

An impressive continued 14.6% growth rate in franchise systems from 2006 to mid-2008

Business format franchised units represent about 3.7% of all small businesses in Australia

Growth rate of franchise units is 15.4%, up again from the 14.6% reported from 2004 to 2006

Total sales turnover for the franchising sector was estimated at \$130 billion

Total number of people employed in business format franchise systems is estimated to be 413,500

Disputes in the franchise sector have declined, with franchisees in dispute estimated at only 2% – these disputes tend to be in larger, older and more complex systems

There is evidence of stability in the sector, with 93% of franchising units remaining under the same ownership