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**FRANCHISES PROVIDE BIG BOOST TO NATION'S ECONOMY**  
*Study Measures Jobs, Payroll, Overall Output*

WASHINGTON, D.C., March 9, 2004 – Franchised businesses generate jobs for more than 18 million Americans and account for 9.5 percent of the private-sector economic output, a study released today by International Franchise Association Educational Foundation reported.

Conducted by PricewaterhouseCoopers, “The Economic Impact of Franchised Businesses” found that more than 760,000 franchised businesses generate a total economic output of more than \$1.53 trillion, or nearly 10 percent of the U.S. private-sector economy.

Franchises, which include such businesses as quick-service restaurants and real-estate agencies, auto repair shops and hotels, directly employ 9,797,000 people, about the same number as the U.S. durable-goods manufacturing sector. Franchising employment is almost as large as that of the information and construction sectors combined. Combining both direct and indirect job activity, franchising generates one out of every seven jobs in the private sector.

“While the number of businesses that use franchising as a method of distributing their products and services has steadily increased since the 1950s, there has been very little broad-scale economic research about this phenomenon,” said Dick Rennick, foundation chairman and CEO of American Leak Detection, Inc.

The study measured the direct and indirect impact of franchised businesses, focusing on the number of jobs, payroll and output they generate. Total economic impact, the effect of what occurs both in and because of franchised businesses, results in more than 18 million jobs or nearly 14 percent of the nation's private-sector employment. The businesses provided \$506 billion, or more than 11 percent of the U.S. private-sector payroll, and stimulated an overall economic output of \$1.53 trillion, nearly 10 percent of the private-sector economy.

The study describes the impact on the U.S. economy for two types of franchises: business-format and product-distribution. Business-format franchises operate in more than 75 industries such as restaurants, hotels, auto services, convenience stores and tax-preparation services. Examples of product-distribution franchises are gas stations, auto and truck dealers, and beverage bottlers and distributors.

Business-format franchises accounted for 622,272 establishments, 7,787,454 jobs and \$162.9 billion payroll resulting in \$460 billion of economic output. Business-format franchising employed about as many people in 2001 as the financial services industry.

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## **Page Two: Franchises Provide Big Boost to Nation's Economy**

Product distribution franchising operated in 145,211 establishments providing 2,009,663 jobs and \$66.2 billion in payroll producing \$164.6 billion of economic output.

Including economic activity that exists because of business-format franchises, 14,161,252 jobs were created, \$369.4 billion in payroll was distributed and \$1.15 trillion of output was produced. Product-distribution franchising created 3,960,343 jobs, \$137.2 billion in payroll and \$374.2 billion of economic output.

Both types of franchised businesses provided more jobs in 2001 than all employers operating in the financial services, construction or information industries.

The study also found that franchised businesses play a significant role in every state and the District of Columbia. They account for at least 10 percent of the private-sector economic output of 20 states. The value of output produced because of franchised businesses was greatest in California (\$187 billion), Texas (\$121 billion), Florida (\$105 billion), Illinois (\$79 billion), and New York (\$72 billion).

Jobs created because of franchised businesses were at least 10 percent of the private-sector workforce in all but four states and the District of Columbia. The number of jobs created because of franchised businesses was greatest in five states: California (1,914,065), Texas (1,387,826), Florida (1,256,489), Illinois (853,517), and Ohio (782,061).

Considered relative to the size of a state's economy, franchising had the greatest impact on jobs in Nevada, accounting for 20 percent of its private-sector workforce. Franchising was also a major job provider in Arizona, Florida, Mississippi, New Mexico, Oklahoma and Tennessee.

The study was conducted in 2003 drawing on a number of databases that reflect economic activity that occurred in 2001. Because there is no single source of data about franchised businesses in the United States that could provide all of the statistics needed for the study, PricewaterhouseCoopers used three databases that contain different types of economic information: "County Business Patterns" and "Nonemployer Statistics," produced by the Bureau of the Census, and "IMPLAN," by the Minnesota IMPLAN Group. These databases were melded with two other sources, Dun & Bradstreet's "MarketPlace," and a survey of franchisors conducted by the foundation.

The International Franchise Association, founded 44 years ago, is the world's oldest and largest organization that represents the business-format franchising sector. Its 30,000-plus members include parent-company corporations, franchisees who own and operate the establishments, and suppliers who provide the goods and services required. The educational foundation, established in 1983, conducts research and educational programs to increase the awareness and understanding of franchising's role in the free enterprise system. It is a 501 (c)(3) non-profit organization and donations are tax deductible to the extent allowed by law.

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**Editor's note:** Portions of the report are posted on the IFA Web site at [www.franchise.org](http://www.franchise.org). A CD-ROM that contains the full report, including National, State and Congressional District Views, is available free to news media representatives. Others can obtain it for \$10, prepaid, postage and handling, by writing to IFA Publications, P.O. Box 1020, Sewickley, Pa. 15143 or by calling 800-543-1038.

309F

**Page 3: Franchises Provide Big Boost to Nation's Economy**

**Chart 1: The direct impact of franchise businesses**

(what occurs *in* franchise businesses)

- The *number of establishments* operated by franchised businesses in the U.S. in 2001 [767,483].
- The *number of jobs* in franchised businesses [9,797,117].
- The *payroll* provided by franchised businesses [\$229.1 billion].
- The *economic output* of franchised businesses [\$624.6 billion].

**Chart 2: The total impact of franchise businesses**

(what occurs *because of* franchise businesses) --

- The *number of jobs* created because of franchised businesses [18,121,595, 13.7% of the private sector employment in the U.S.].
- The *payroll* provided because of franchised businesses [\$506.6 billion, 11.1% of private sector payroll in the U.S.].
- The *total economic output* because of franchised businesses [\$1.53 trillion, 9.5% of the private sector economy in the U.S.].

**Chart 3: Employment by Economic Sector in 2001**

Information	3,629,000
Construction	6,826,000
Financial activities	7,807,000
<b>Franchised businesses</b>	<b>9,797,000</b>
Durable goods manufacturing	10,335,000

*Source: U.S. Department of Labor, for data other than franchised businesses.*