

# United States Senate

WASHINGTON, DC 20510

December 6, 2022

The Honorable Lina Khan  
Chair  
Federal Trade Commission  
600 Pennsylvania Avenue, NW  
Washington, DC 20580

Dear Chairwoman Khan,

We are writing in support of the Commission's Franchise Rule, which is currently under decennial review. We believe that the FTC Franchise Rule has helped empower current and prospective franchise owners by requiring clear and consistent disclosure of information at the outset of all franchise relationships, and thus it has fostered an economic landscape that has led to 792,014 establishments currently using the franchise business format in the U.S. We must ensure that entrepreneurs have easy access to all the information they need — presented in a readily understandable way — to make an informed decision when purchasing a franchise. For these reasons, we believe the Franchise Rule should be reviewed and renewed.

As you know, since 1978 the Franchise Rule has been the primary federal regulation governing the franchise sector. The Rule affords prospective franchise owners information they need to weigh the risks and benefits of a business investment by requiring franchisors to provide all potential franchisees with a disclosure document containing 23 specific items of information about the offered franchise and the overall franchise system. The FTC Franchise Rule was updated more than a decade ago following a consensus-based process that delivered clear guidelines for franchisors to follow and transparent information for prospective franchise owners before making an investment.

The Franchise Rule has successfully created a path to entrepreneurship for business owners of all backgrounds and enabled these owners to create wealth in communities across the nation. Franchise businesses are owned in greater percentage (30.8 percent) by People of Color than nonfranchise businesses (18.8 percent). On average, sales in franchised businesses exceed non-franchised businesses across all demographic cuts, including gender and race. For example, Black-owned franchise firms generate 2.2 times as much in sales compared to Black-owned non-franchise businesses, on average. Underscoring the distinctive opportunity provided only by franchising, 32% of franchise owners reported they would not own a business if they were not franchisees. This proportion is even greater among both female owners and owners for whom a franchise was their first business (39%). When applied to the total number of franchise firms, this would be equivalent to a loss of nearly 223,000 establishments that employ some 1.8 million workers if franchising was not an option.


Importantly, the current Rule has governed franchise small business creation during the economic recovery following the onset of the COVID-19 pandemic. According to the 2022 Franchising Economic Outlook, following business shutdowns in 2020, total franchise establishments increased by 2.8% to 774,965 in 2021, a net gain of 21,195 compared to 2020. Last year, franchises yielded \$788 billion in overall economic output and employed more than 8 million people. Today as the franchising community emerges from the pandemic, franchisee satisfaction has never been higher. In fact, 88% of franchisees reportedly enjoy operating their business and 86% enjoy being part of their franchise organizations.


For these reasons, we strongly affirm a continuing need for the Franchise Rule that supports small businesses operating in our states.


Sincerely,

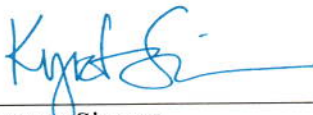
  
Jerry Moran  
United States Senator


  
Gary C. Peters  
United States Senator

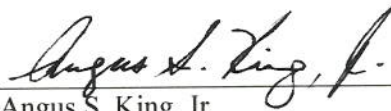
  
Roger Marshall, M.D.  
United States Senator


  
John Hickenlooper  
United States Senator


  
Mike Braun  
United States Senator

  
Kyrsten Sinema  
United States Senator

  
James M. Inhofe  
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United States Senator

  
Susan M. Collins  
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Chris Coons  
United States Senator

  
Marco Rubio  
United States Senator

  
Tom Cotton  
United States Senator

  
Roger Wicker  
United States Senator

  
John Boozman  
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