

2025 ANNUAL FRANCHISOR SURVEY

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FRANCHISE
ASSOCIATION

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About the International Franchise Association

Celebrating over 60 years of excellence, education, and advocacy, the International Franchise Association (IFA) is the world's oldest and largest organization representing franchising worldwide. IFA works through its government relations and public policy, media relations, and educational programs to protect, enhance and promote franchising and the approximately 830,876 franchise establishments that support nearly 8.9 million direct jobs, \$896.9 billion of economic output for the U.S. economy, and almost 3.0 percent of the Gross Domestic Product (GDP). IFA members include franchise companies in over 300 different business format categories, individual franchisees, and companies that support the industry in marketing, law, technology, and business development.



About FRANdata

FRANdata helps businesses to grow smartly in franchising by offering independent, comprehensive market insight focusing on the franchise ecosystem. FRANdata research combines rigorous analysis with industry expertise and astute forecasting. FRANdata focus on delivering unparalleled insights and high-level strategic advice to a global franchise client base.

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- Industry expertise since 1971
- ~740,000 business clients in the U.S. and Europe
- Pays 1 in 12 U.S. private sector employees
- A top HR outsourcer – serving 2.2M worksite employees through our HR outsourcing solutions

Executive Summary (1/3)

Labor pressures are easing in 2025 but still remain the top concern for franchisors

37%

70%

48%

48%

#1 Business challenge

37% of franchisor executives identify the availability, quality, and cost of labor as their top business challenge.

Unfilled job openings

70% of respondents report that their franchisees have unfulfilled job vacancies, falling from 80% in 2024.

Qualified applicants

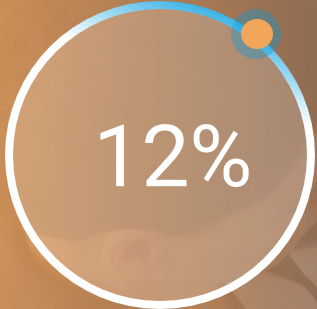
Availability of qualified candidates remains the most significant challenge in filling job openings, with 48% of respondents citing this issue.

Franchisee employment

48% of franchisor executives expect franchisee total employment to increase in the year ahead, and 40% expect it to stay the same.

Executive Summary (2/3)

Investment is focused on technology to offset rising costs



12%



Inflation concerns

Inflation concerns, the third most significant business challenge, rise to 12% in 2025, up from 9% the previous year. However, this figure remains below the 2023 level, where 20% of respondents identified inflation as a concern.

Addressing labor challenges

In 2025, 66% of respondents plan to adjust wages, while 64% intend to increase efficiency as strategies to address labor challenges.

Impacts to new unit growth

56% of brands report experiencing constrained growth due to labor challenges compared to 81% in 2023.

Investment focus

Wage inflation surpassing businesses' price-raising capacity has led to margin compression, prompting increased investments in technology, marketing, and training.

Executive Summary (3/3)

Unit economics significantly influence the franchisor-franchisee relationship

54%

64%

85%

42%

Growth objectives

54% of respondents plan to use internal franchise sales team to achieve franchise growth in 2025.

Expedited state registrations

64% of respondents believe expedited state registration options would support their franchise growth objectives.

Franchisee relationships

85% of franchisor executives report having a positive or very positive relationship between their company and its franchisees.

Unit economics

42% of franchisor executives report unit economics to be the single most important factor impacting franchisor-franchisee relationships.

2025 Annual Franchisor Survey

Over the past five years, businesses have navigated a series of unprecedented challenges, from pandemic-induced disruptions in 2020 to record inflation and historically low unemployment in 2022. Hiring and retention remained critical concerns, while 2023 brought the most sustained interest rate increases since 2000. In 2024, organizations continued to adapt to a shifting economic environment characterized by moderating inflation, evolving labor market conditions, and the ongoing impact of elevated interest rates on investment and growth strategies.

The report highlights the ongoing labor challenges encountered by franchise businesses, where quality and cost is a concern. Franchisors have increased budget allocations for technology, innovation, and marketing as well as training and development, to optimize efficiency and offset rising costs. 2024 witnessed continued advancements in generative AI, most commonly used to enhance demand forecasting, dynamic pricing strategies, predictive inventory management, AI-powered recruitment processes, and highly personalized marketing initiatives. Additionally, franchised businesses continue to cite weakening consumer demand as an increasing challenge in today's environment.

The survey reflects a diverse respondent pool, encompassing 230 brands from 24 different industries with franchise units ranging from less than 10 to over 9,500. Executives from private family-owned systems to platform companies and publicly listed firms contribute to the varied perspectives presented in this report.



ABOUT THE SURVEY

The 2025 Franchisor Survey

This study represents the International Franchise Association's fourth annual longitudinal study on challenges facing franchise companies and their franchisees, conducted by FRANdata.

The survey was conducted between January 8, 2025 – January 17, 2025, with respondents invited to participate to provide a better understanding of how the following impact their business and their franchisees:

- The labor climate
- Franchise relationships
- Changes to the joint employer standard
- Tax policy
- Private equity and related professional investors

The data compares these challenges facing franchised businesses surveyed during the same period from 2022-2024.

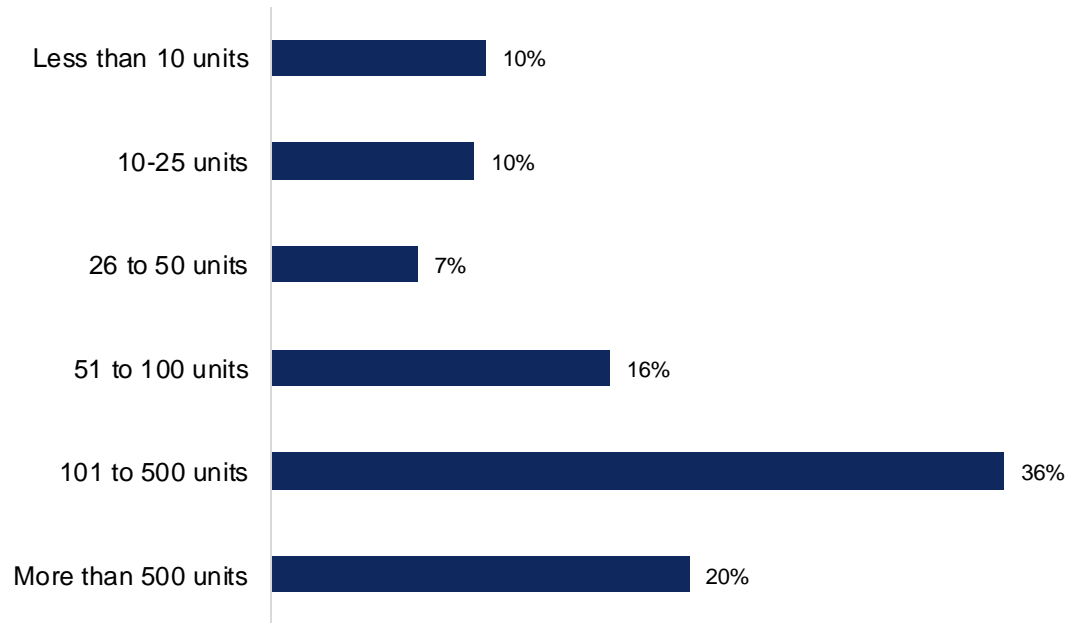
171 senior executives representing franchisors and franchise portfolio companies that own 229 brands responded to the survey. Together, the brands represent over 96,000 units and encompass nearly 20% of all domestic franchised businesses.

Profile of Respondents

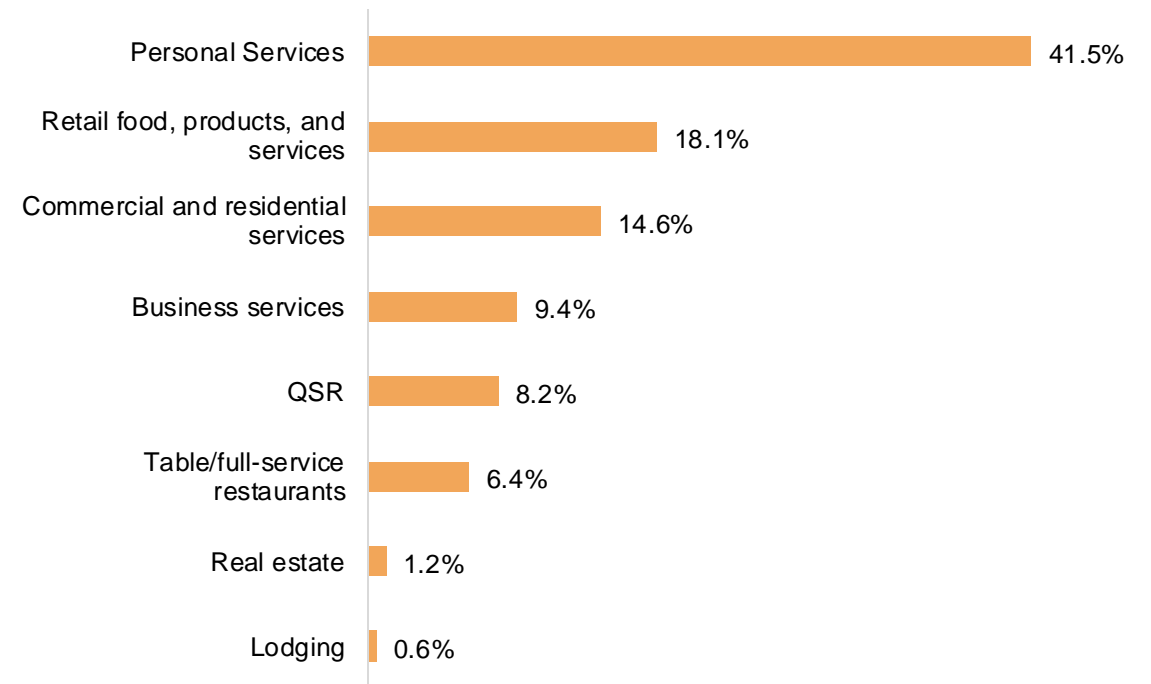
The survey represents 171 responses from executives representing 229 brands and over 96,000 units. Of these brands, 72% are mid- to large-sized companies with more than 50 franchised units.

The two most represented industries are Personal services (41.5%) and Retail food, products, and services (18.1%).

BRANDS BY SYSTEM SIZE



INDUSTRY DISTRIBUTION OF RESPONDENTS

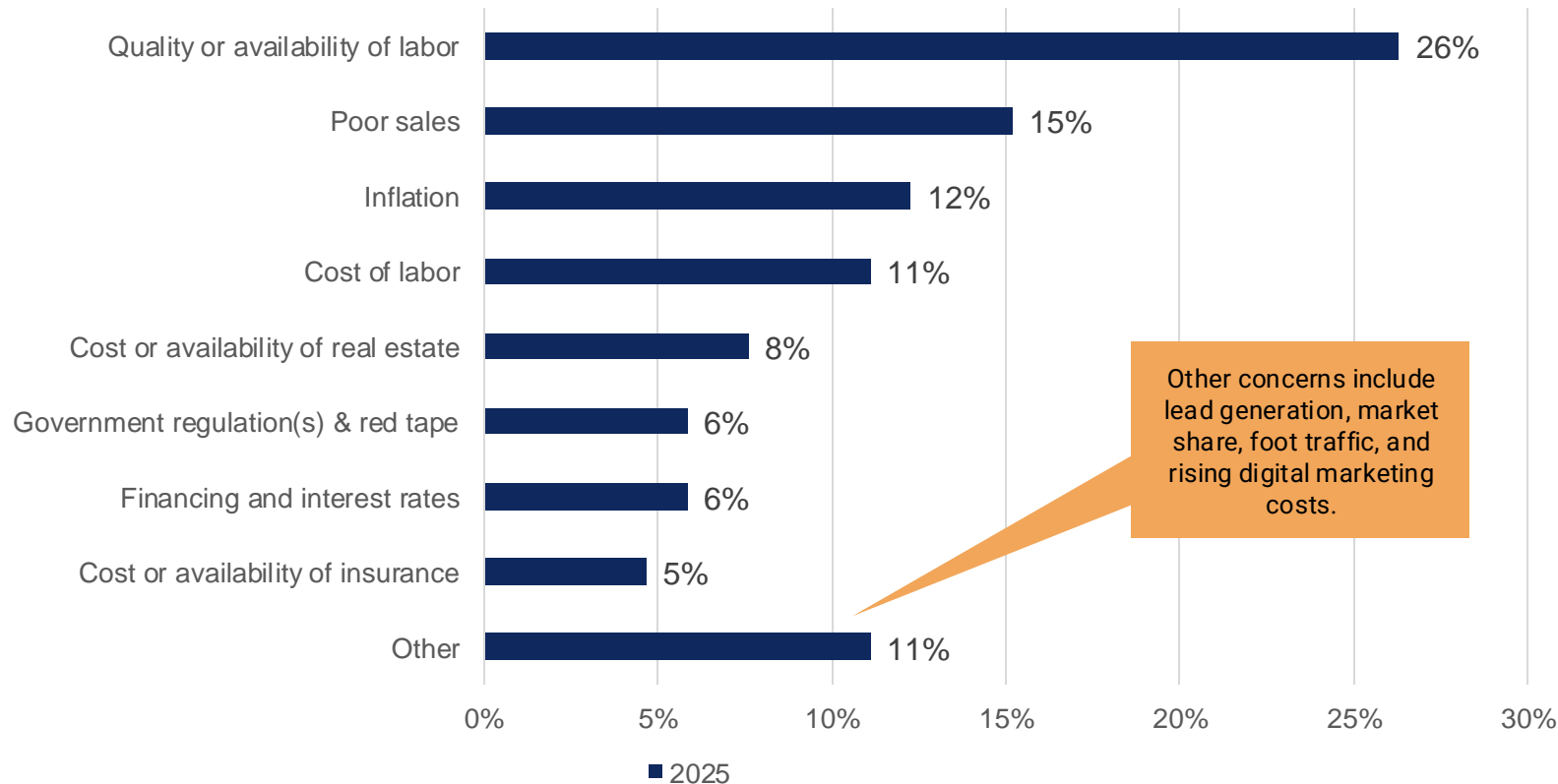


Labor Market

Single biggest issue in 2025

Labor issue continues to be the most important problem for franchisors moving into 2025.

Q: What is the single most important problem facing your franchisees today?



Labor, poor sales, and inflation are top of mind for franchisors.

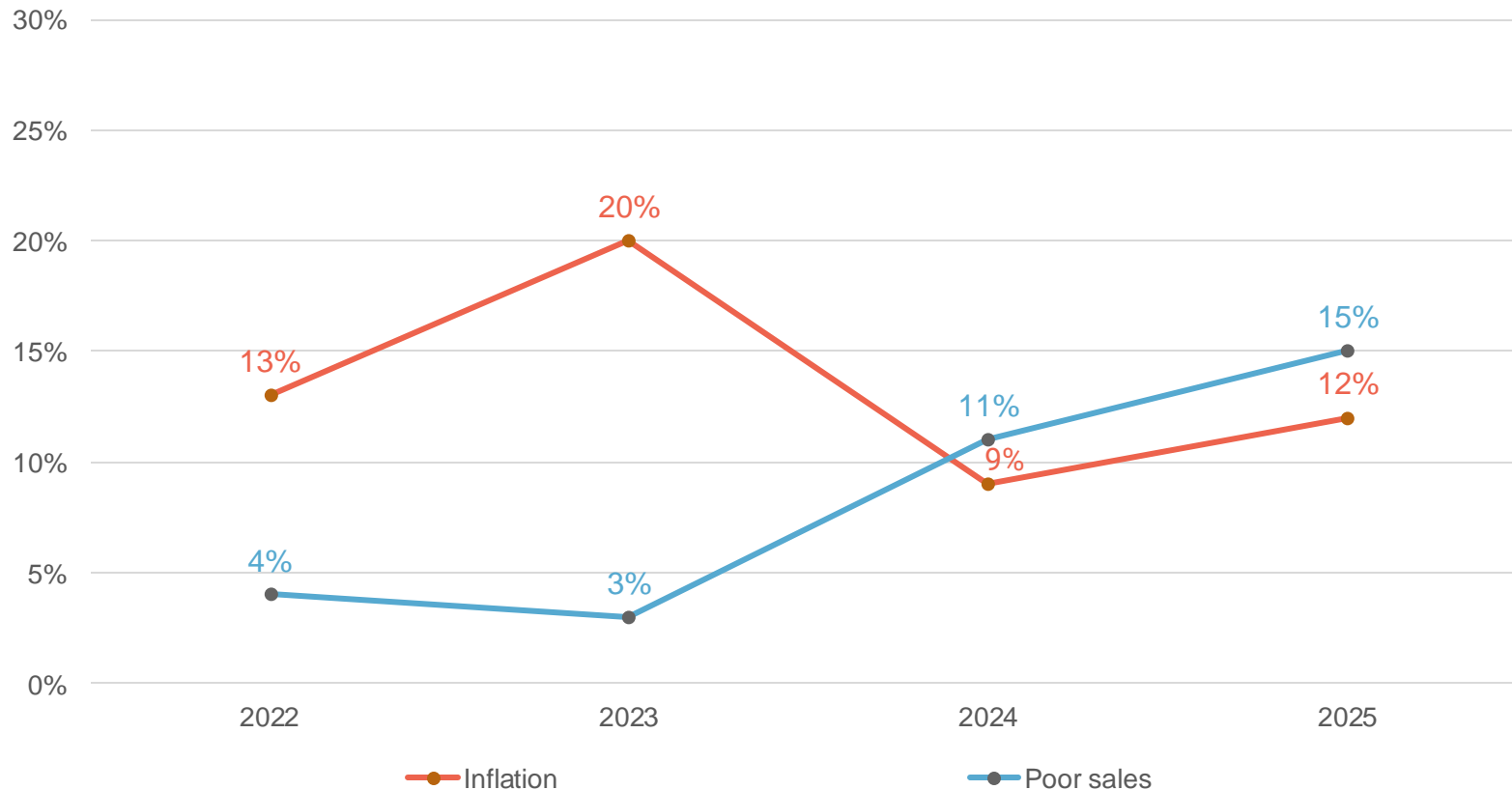
26% of respondents see the quality or availability of labor as the biggest issue in 2025 while 11% still view the cost of labor as the most significant challenge.

15% state poor sales are a concern, especially among personal services (42%) and QSR (23%) brands.

12% indicate inflation is their biggest concern in 2025. Brands from the child-related (19%) industry report being the most impacted by rising costs.

While inflation concerns have eased, poor sales are a rapidly growing concern for franchise executives

Q: What is the single most important problem facing your franchisees today?



15%

of franchise executives cite poor sales as their most important problem in 2025, as compared to 3% in 2023.

4X

This figure has nearly quadrupled since 2022, overtaking inflation as the second most important problem facing franchisees today.

12%

of franchise executives are concerned about inflation in 2025, falling from 20% reported in 2023.

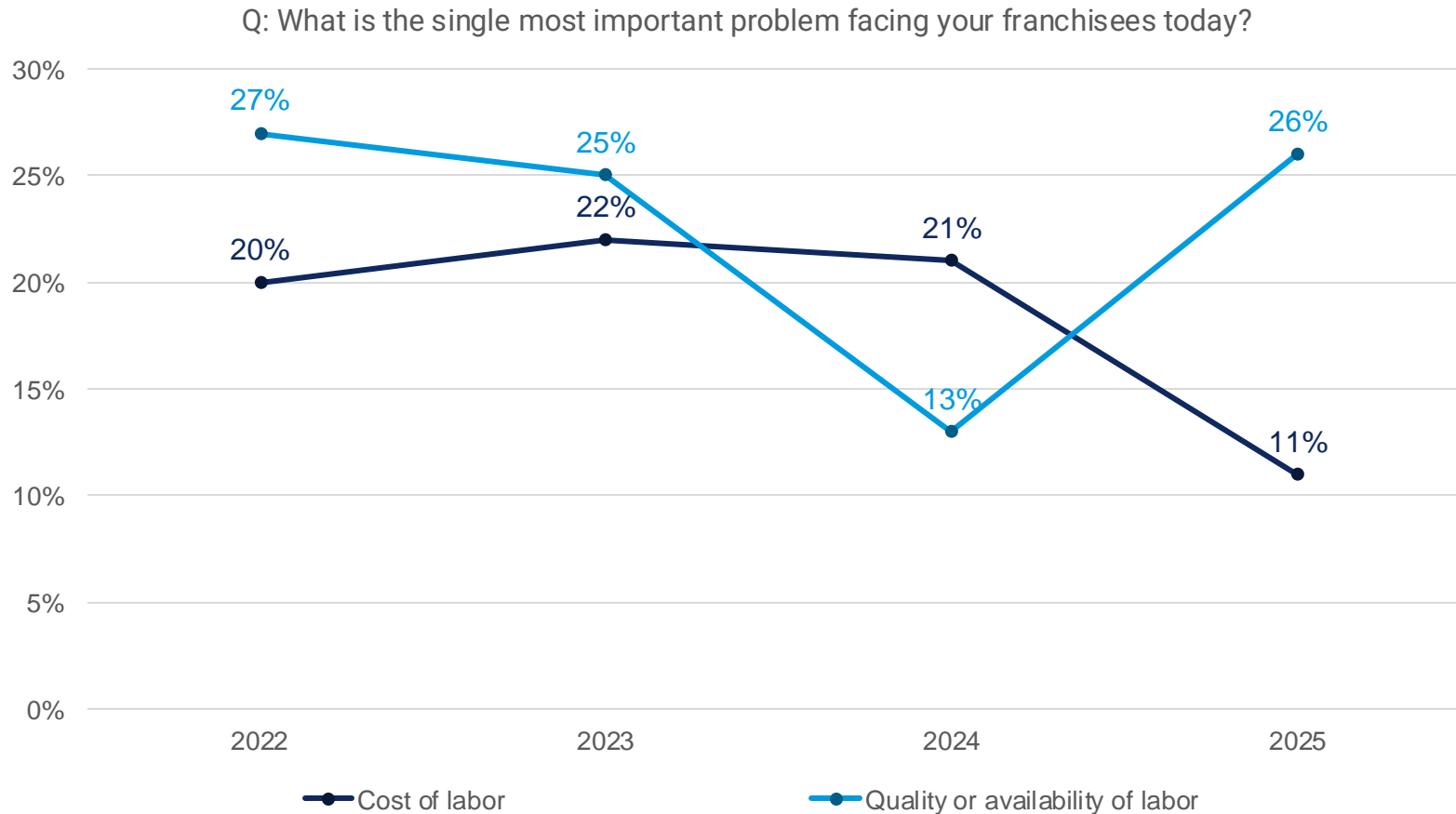
“

Customers are struggling to keep budgets due to inflation and rising costs and looking to push prices down. Franchisees are struggling with rising supply and labor costs. Ultimately their profitability and growth is what gets squeezed.

-- CEO of Commercial & Residential services brand

”

Concerns over quality or availability of labor double in 2025



2X

as many franchise brands report concern regarding the quality or availability of labor in 2025 (26%) compared to 2024 (13%).

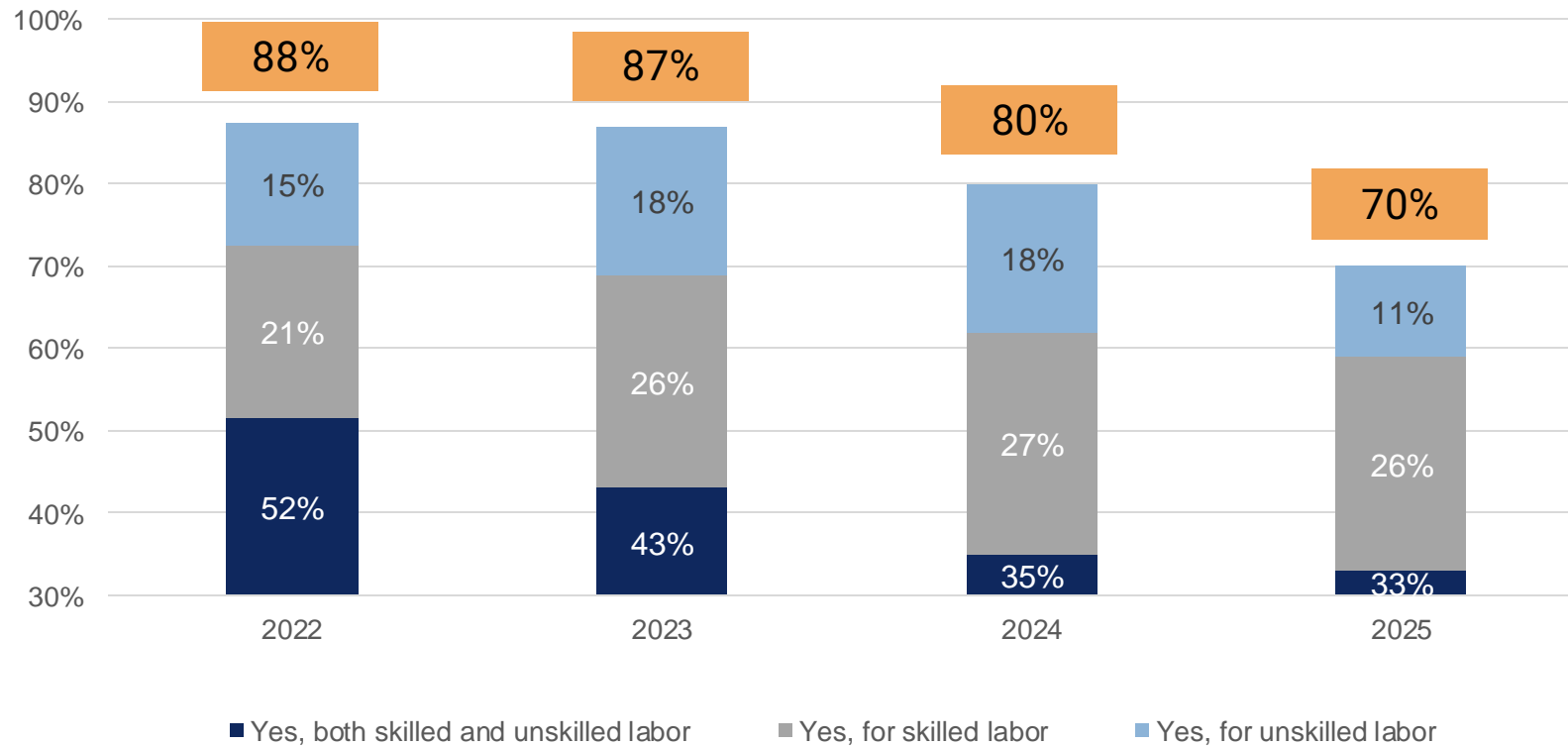
- Building and construction, health and fitness, and sit-down restaurants report to be the most impacted by labor concerns.

By comparison, franchise brands concerned about the cost of labor has fallen by 10% since 2024 (24%), indicating a shifting focus from labor costs to supply.

Difficulties with filling job openings are improving

The number of respondents who report difficulty filling job openings has decreased by 18% since 2022.

Q: Do your franchisees have job openings that they are not able to fill right now?



70%

70% of franchisors report their franchisees have difficulty filling openings for skilled labor, unskilled labor, or both.

18%

This figure has decreased by 10% in the last year alone, and 18% since 2022, when 88% of franchisors reported having difficulty fillings these openings.

“

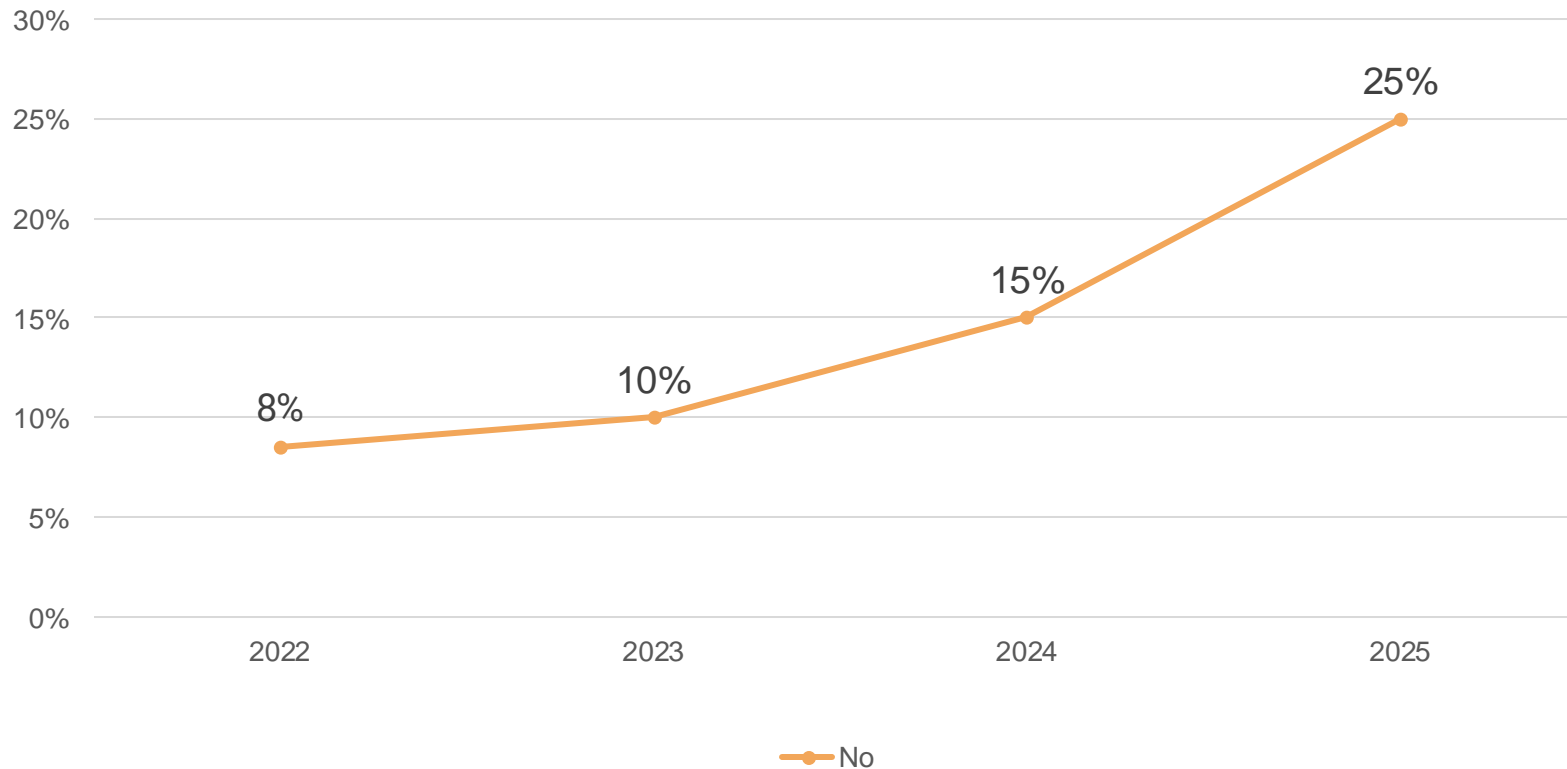
We are somewhat specific because of the need to hire highly skilled, professional[s] in each location, but staffing at all levels is a challenge, especially where all franchisees are competing with big box stores for other... roles.

-- Head of Legal of Health & Fitness franchise brand

”

Nearly three times more franchise executives report they can fill all jobs

Q: Do your franchisees have job openings that they are not able to fill right now?



25%

of franchise executives indicate they are able to fill all job openings.

3X

This figure has nearly tripled since 2022 (8%) and indicates hiring pressures may further ease in 2025.

“

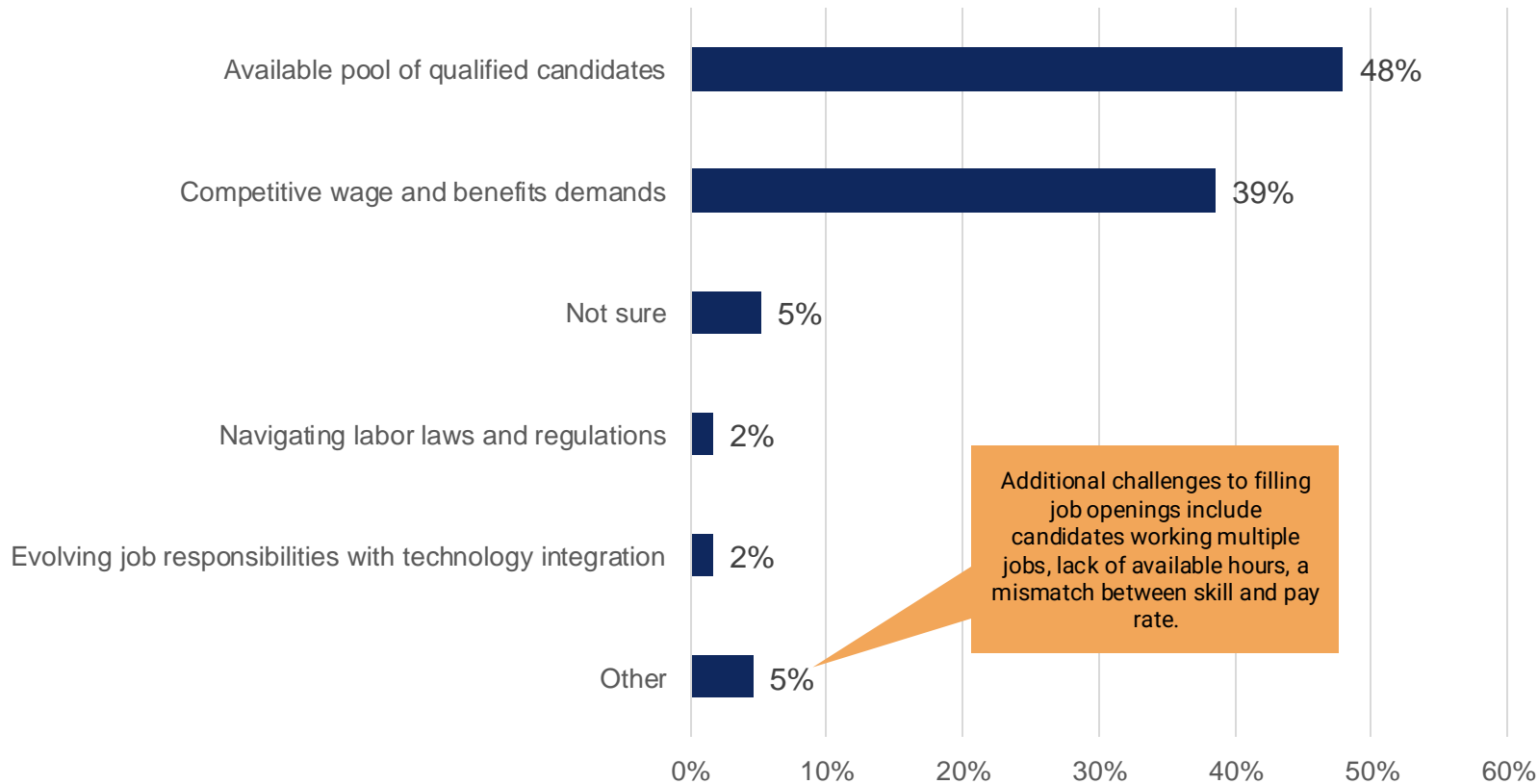
We have seen over the past couple of years young people are now opting to go into vocational training rather than college. This will help fill some of the gaps we are facing but will take time.

-- CEO of Automotive franchise brand

”

The availability of qualified candidates is seen as the most significant challenge

Q: What do your franchisees identify as the most significant challenge to filling job openings?



48%

While hiring has become easier, 48% of respondents cite the available pool of qualified candidates as the most significant challenge to filling job openings.



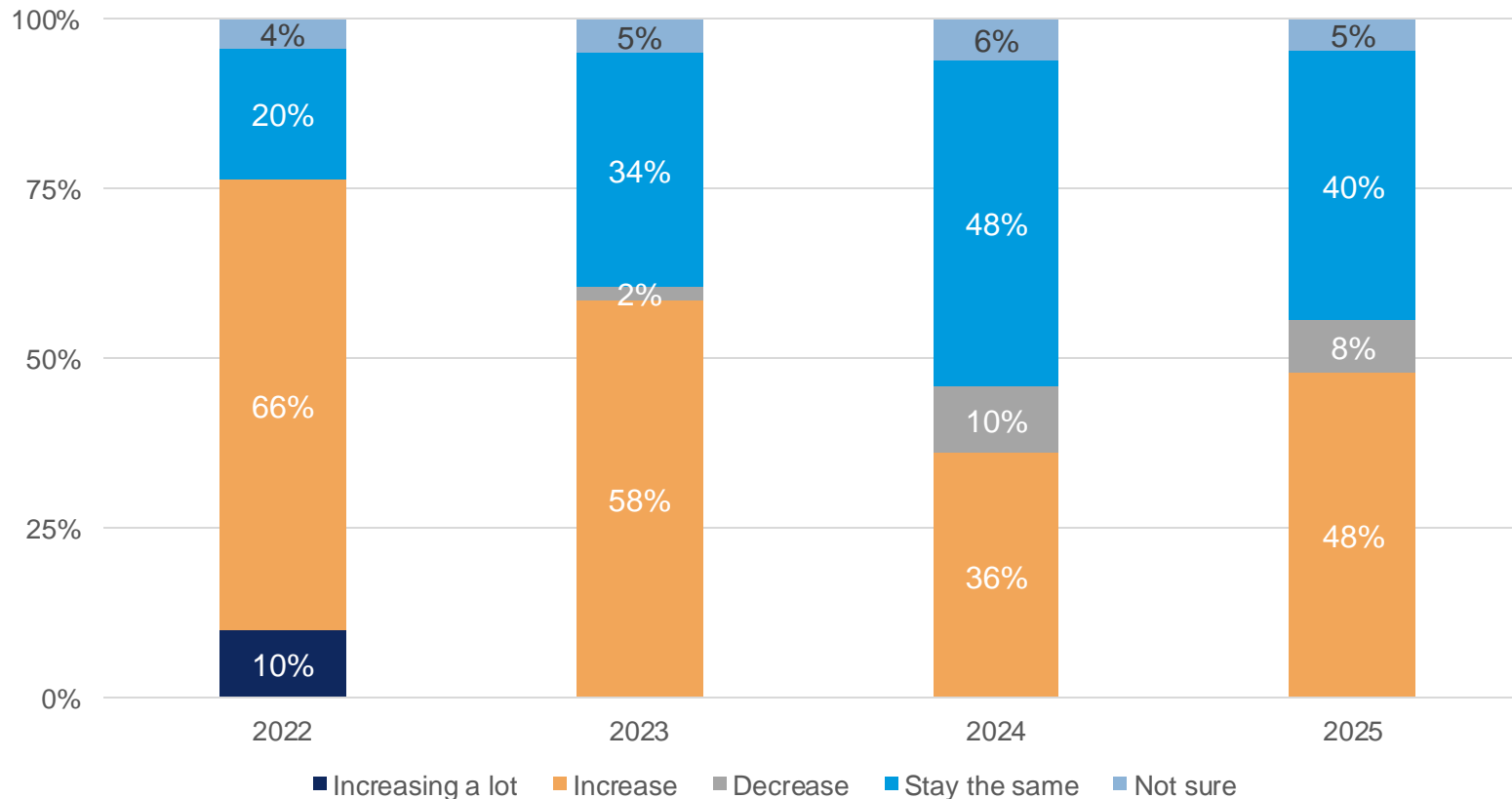
Health & Fitness brands are especially impacted by the available pool of qualified candidates, with 55% of respondents reporting this to be the most significant challenge.



39% of franchisors report that competitive wage and benefits demands are the second most significant challenge.

48% of respondents expect franchisee total employment to increase in 2025

Q: In the year ahead, how do you expect average franchisee total employment to change?*



Overall, 48% of franchisor executives are expecting franchisee total employment to increase in the year ahead, and 40% expect it to stay the same.

56% of respondents who anticipate franchisee employment to increase are changing wages to address labor challenges and 53% are focused on increasing operational efficiency; 34% intend to change benefits.

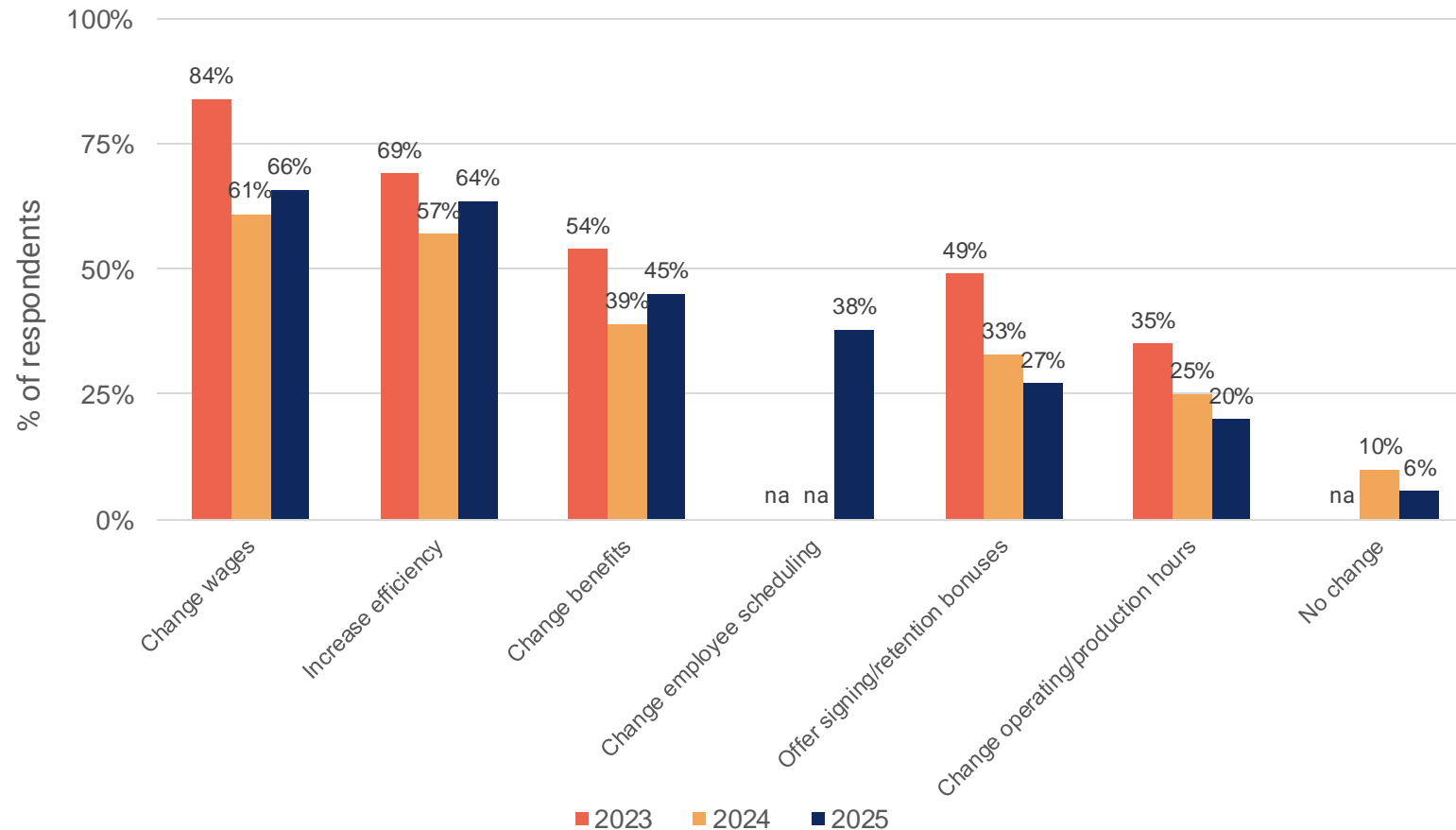
For respondents who anticipate a decrease in total franchisee employment:

- 46% are focused on increasing operational efficiency to reduce their labor requirements.
- 46% are in the food industry, declining from 64% in 2024.

In the 2022 Franchisor Survey, respondents could select "Increasing a lot," which has been removed in later surveys.

Franchisee approaches to labor challenges

Q: In the year ahead, in what ways do you expect your franchisees to address their labor challenges? Please select all that apply.



Responses show franchisees will adopt multiple approaches and strategies to counter labor challenges, focusing on wages (66%) and increasing efficiency (64%).

50%

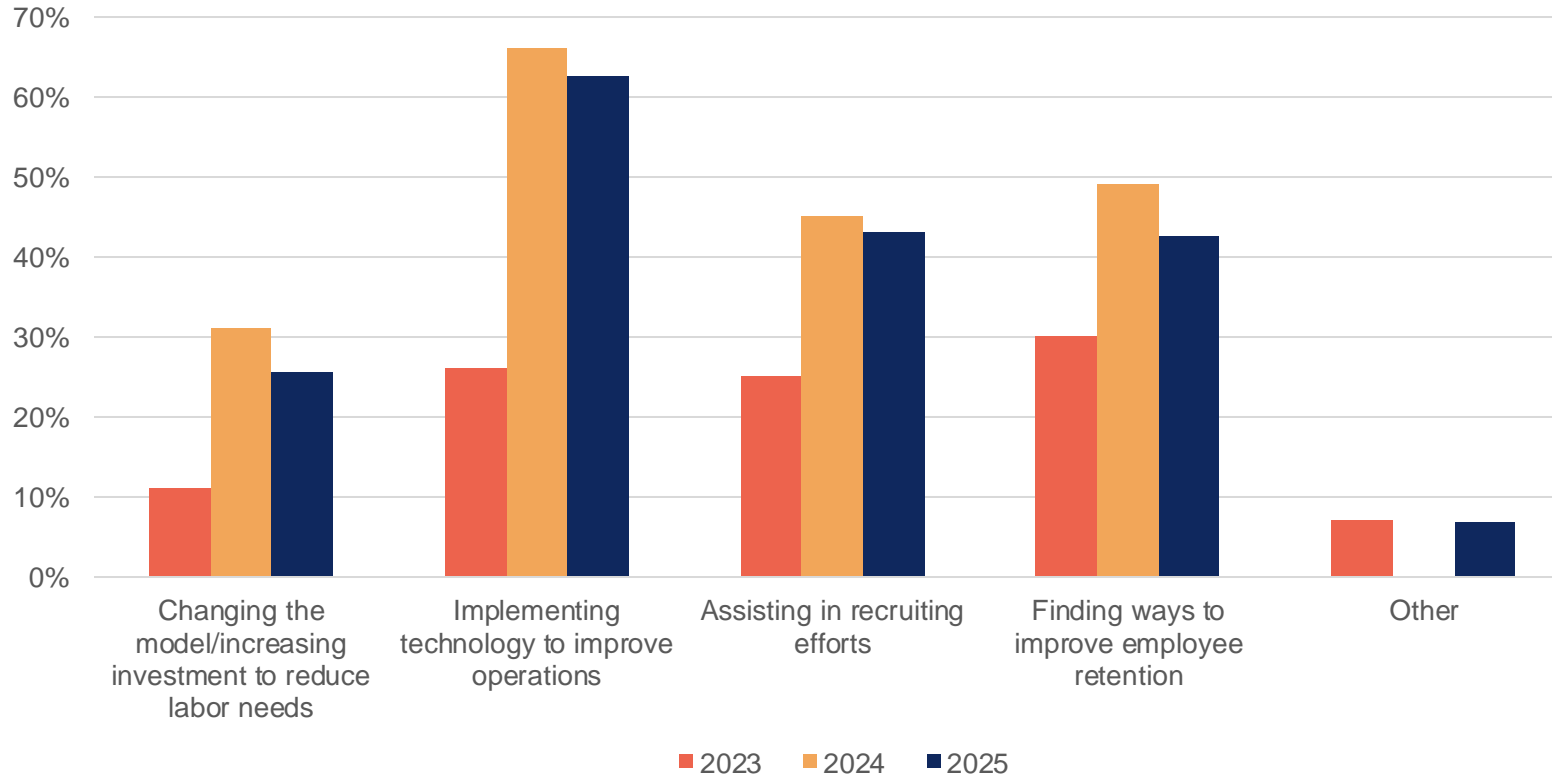
of respondents who expect to change wages are Personal Services brands.

38%

This year, 38% of franchise executives expect franchisees to change employee scheduling through a number of avenues, including offering flexible hours and incorporating technology to reduce labor requirements.

Technology continues to be the top way franchisors will look to address labor challenges

Q: Which of the following are you undertaking in order to address your franchisees' labor challenges? Please select all that apply and please give some specific examples when possible.



Franchisors are increasingly implementing AI and technology in order to increase revenues and cut costs, often with a focus on streamlining procedures and emphasizing customer service.

63%

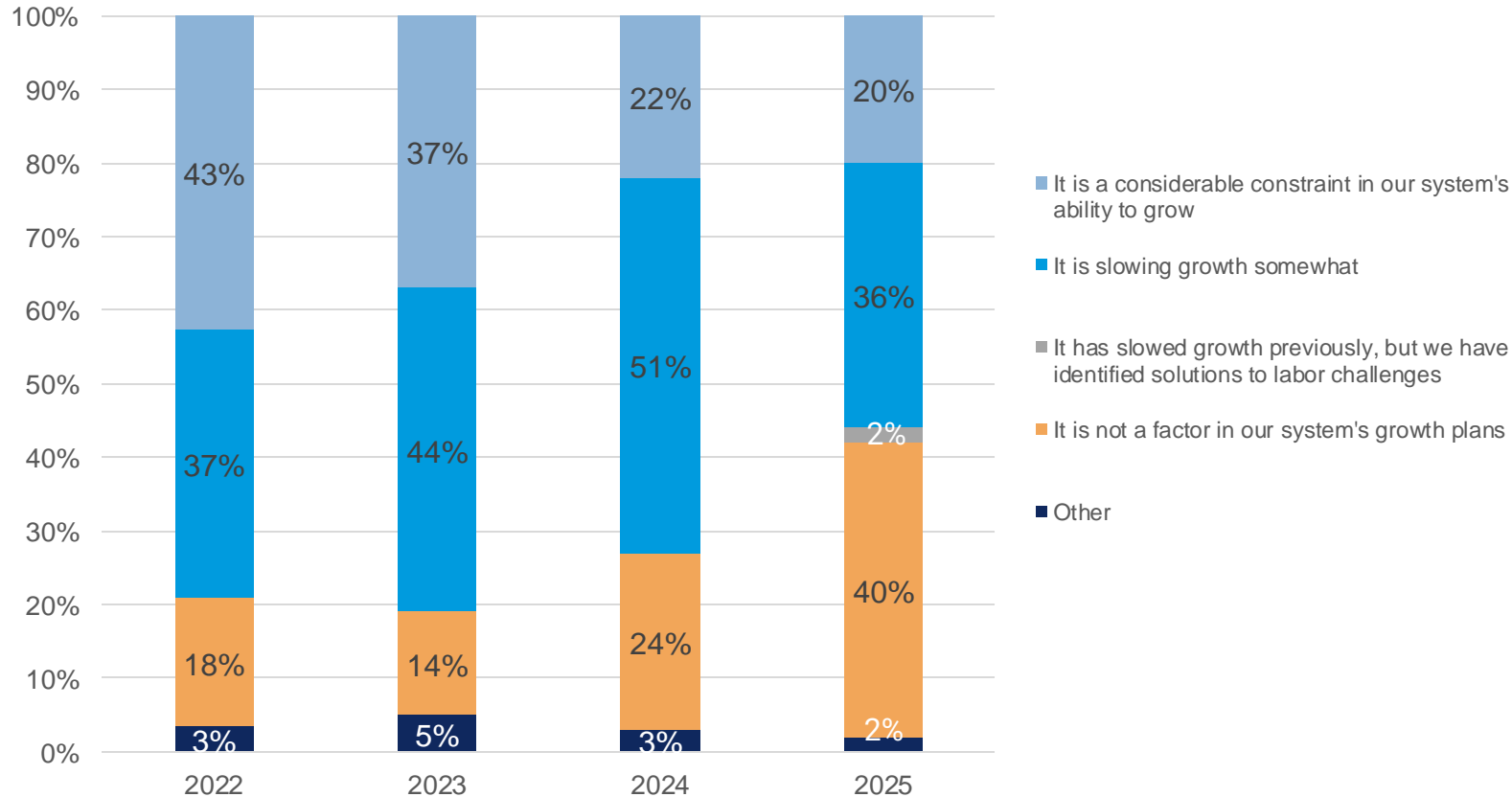
Similar to 2024, 63% of franchise executives plan to leverage technology to grow revenues and cut costs in 2025.

28%

of respondents who will implement technology specifically mention they will rely on Artificial Intelligence and increased automations to address labor challenges.

Labor challenges less likely to impact new franchise unit growth in 2025

Q: To what extent would you say labor challenges currently affect your new franchise unit growth?



56% of franchise brands experienced somewhat to considerably constrained growth due to labor challenges compared to 80% of respondents in 2022.

40%

of respondents cite that labor challenges are not a factor in their system's growth plans, increasing from 24% in 2024, 14% in 2023, and 18% in 2022.

This indicates that, while quality and availability of labor are still a concern, it is less likely to constrain unit growth in 2025.



[Conditions are] far improved going into 2025 relative to [the] last three years.

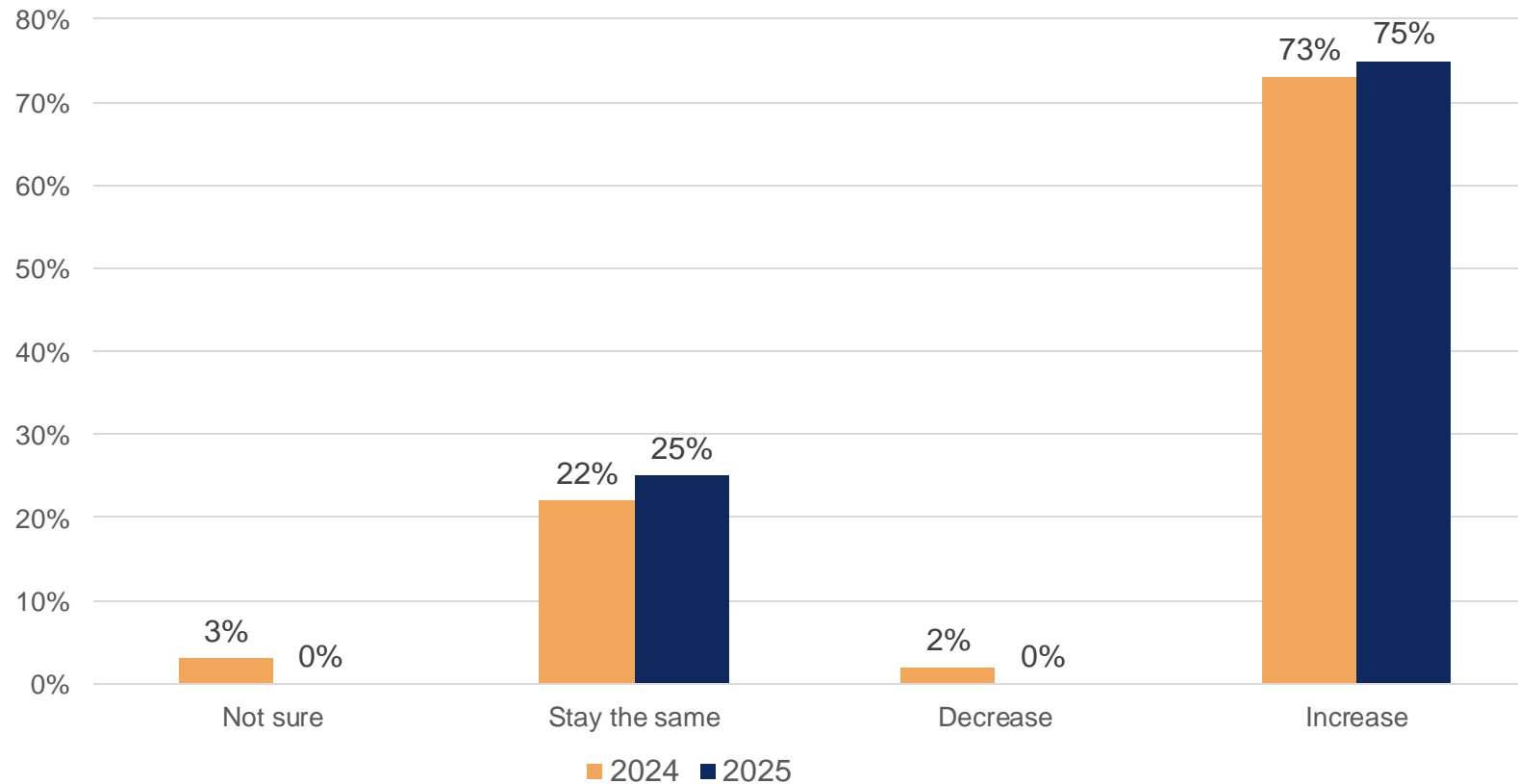


-- CEO of Restaurants (Sit-Down) franchise

Franchisor Capital Allocation

Increased investment in technology to continue in 2025

Q: In the year ahead, how do you expect your capital allocation to technology and innovation in your franchise system to change?



75%

In 2025, 75% of franchisors expect their capital allocation to technology and innovation to increase, following trends seen in 2024.

76%

76% of respondents from the health and fitness industry are planning to increase capital allocation in technology and innovation. 91% of business-related respondents will also increase capital allocation to technology and innovation.

72%

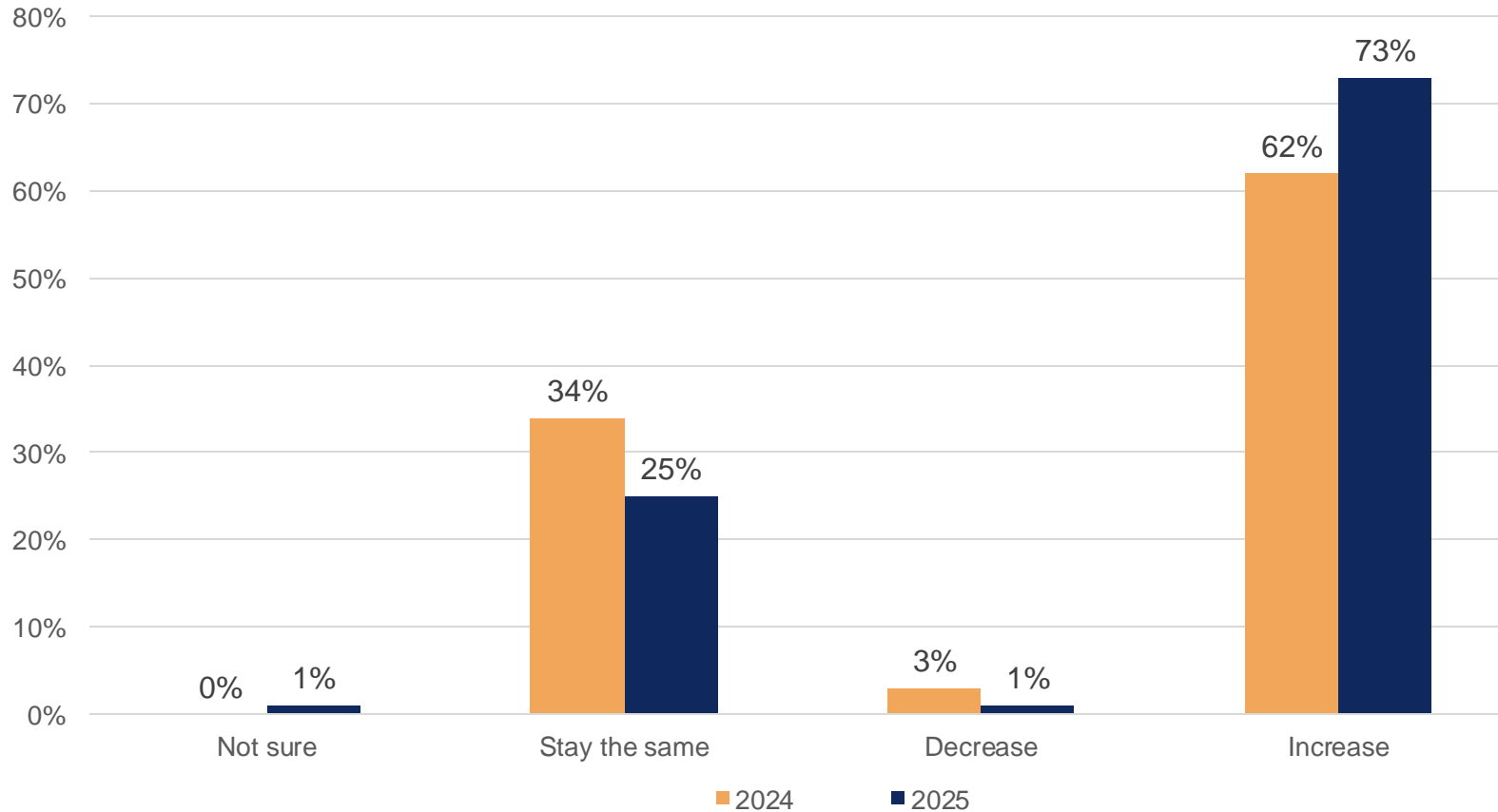
72% of respondents from sit-down restaurants are increasing capital allocation to technology and innovation in 2025 compared to 82% of respondents in 2024.

56%

56% of child-related respondents anticipate the capital allocation to technology and innovation to remain the same.

Franchise businesses are expected to increase their marketing spend

Q: In the year ahead, how do you expect your marketing spend to change?



73%

In 2025, 73% of respondents expect their marketing spend to increase compared to 62% of respondents in 2024.

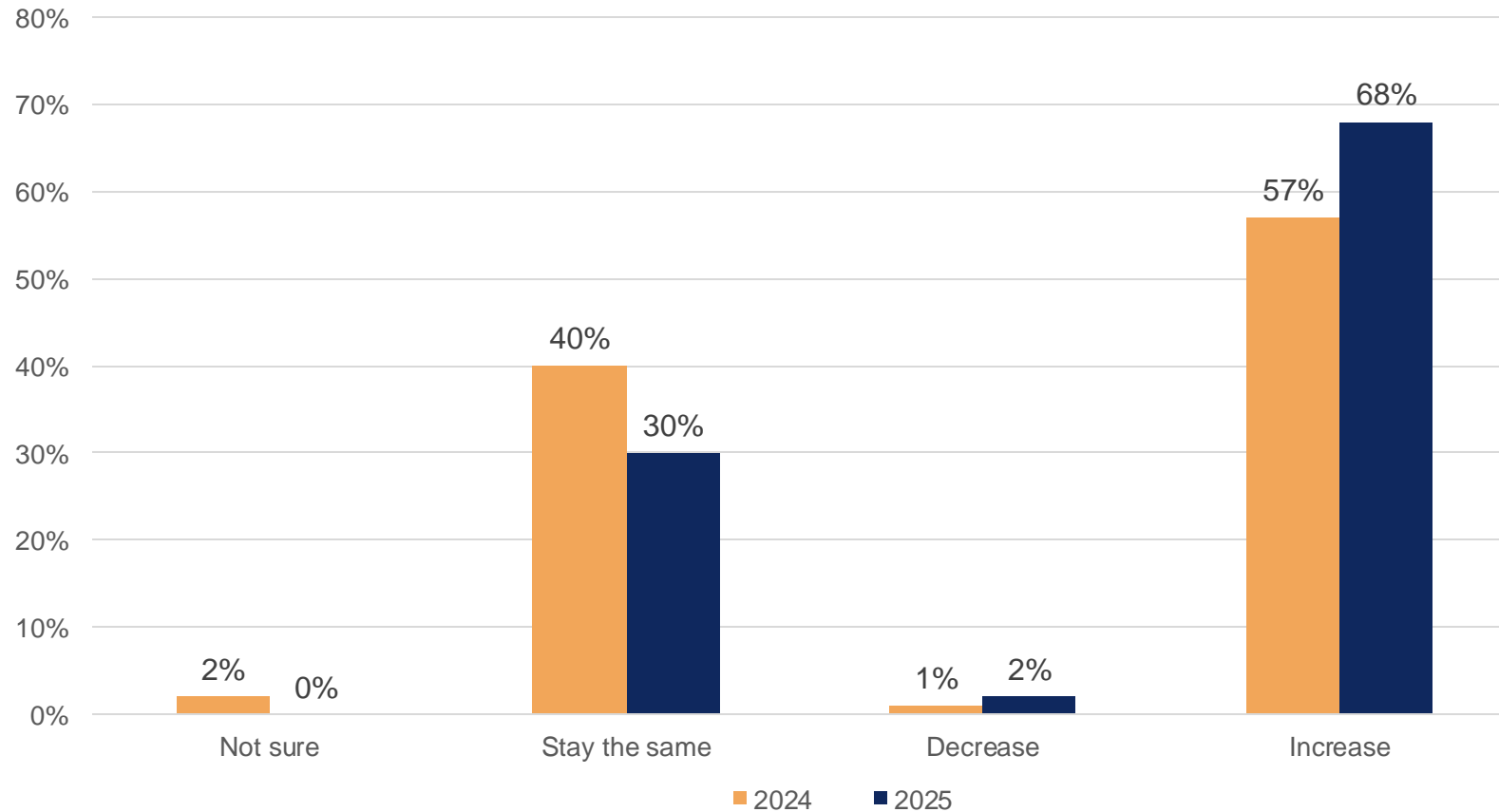
91%

91% of building and construction and business-related respondents are planning an increase in their marketing budget in 2025.

Other industries that are increasing their marketing spend include pet-related products and services (85%), health and fitness (75%), and decorating and home design (71%).

Spending on training and development is also anticipated to increase

Q: In the year ahead, how do you expect your training and development spend to change?



68%

In 2025, 68% of respondents expect their training and development spend to increase.

64%

64% of respondents from the sit-down restaurant sector are planning to increase capital allocation in training and development, a decrease from 82% of respondents in 2024.

42%

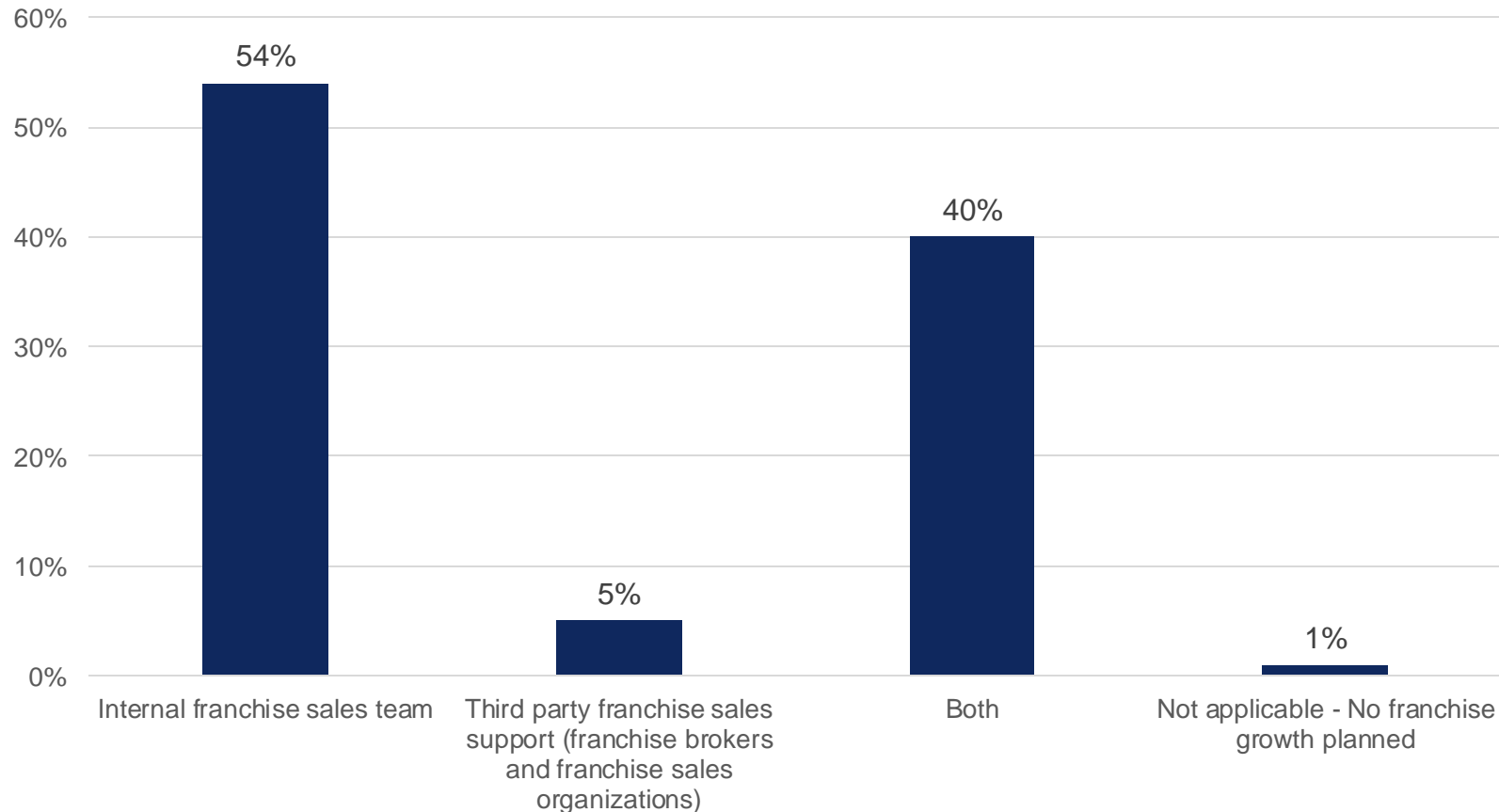
42% of respondents from maintenance services and 37% of respondents from health & fitness are increasing their capital allocation to training and development in 2025, a decline from 69% and 67% in 2024, respectively.

Franchise Relationships

The Franchise Rule remains under review by the Federal Trade Commission. As part of this review, and IFA's Responsible Franchising initiative, IFA has encouraged improved pre-sale disclosures with greater transparency of franchise terms and conditions and modernization of the disclosure document itself.

Franchisors focus on internal franchise sales team to achieve growth and development goals

Q: How will your company achieve its franchise growth and development goals?



54%

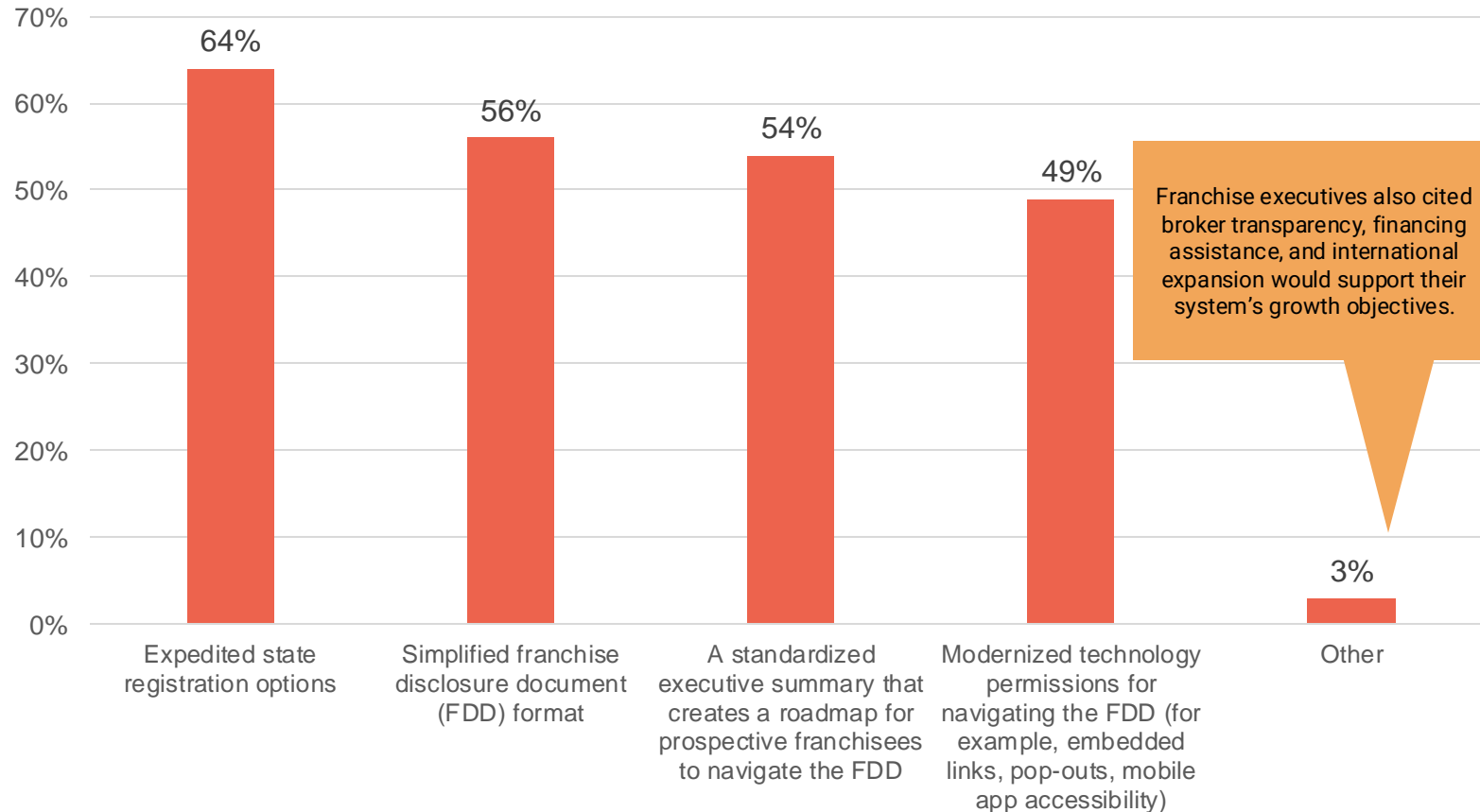
54% of respondents report they will achieve their franchise growth and development goals through internal franchise sales teams.

40%

40% of respondents intend to use a two-pronged approach through their internal franchise sales teams and third-party franchise sales support.

Growth objectives

Q: Which of the following would support your company's franchise growth objectives?
Select all that apply.



64%

64% of franchise executives report that expedited state registration options would support their company's franchise growth objectives.

56%

56% of respondents report that a simplified franchise disclosure document (FDD) format would support their company's franchise growth objectives.

54%

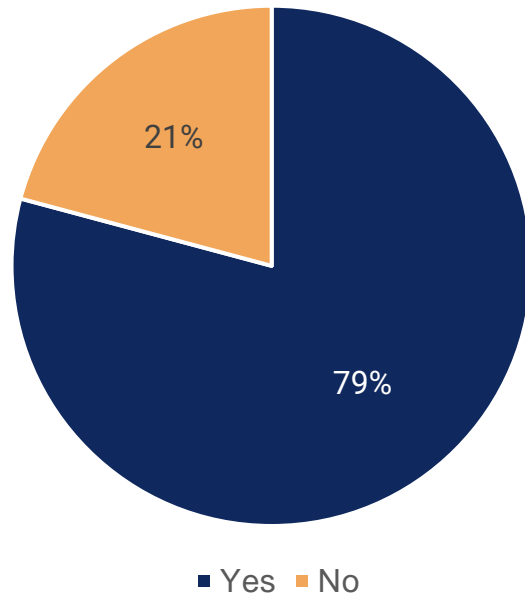
54% of respondents report that a standardized executive summary that creates a roadmap for prospective franchisees to navigate the FDD would support their company's franchise growth objectives.

49%

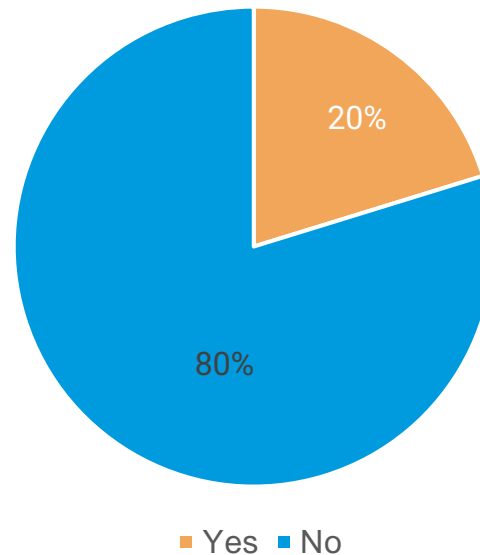
49% of respondents report that modernized technology permissions for navigating the FDD would support their company's franchise growth objectives.

Franchisee relationship

Does your company have an active franchise advisory council?



Does your company have a recognized independent franchisee association?



More franchisors have formed franchisee advisory councils than independent franchisee associations.

79%

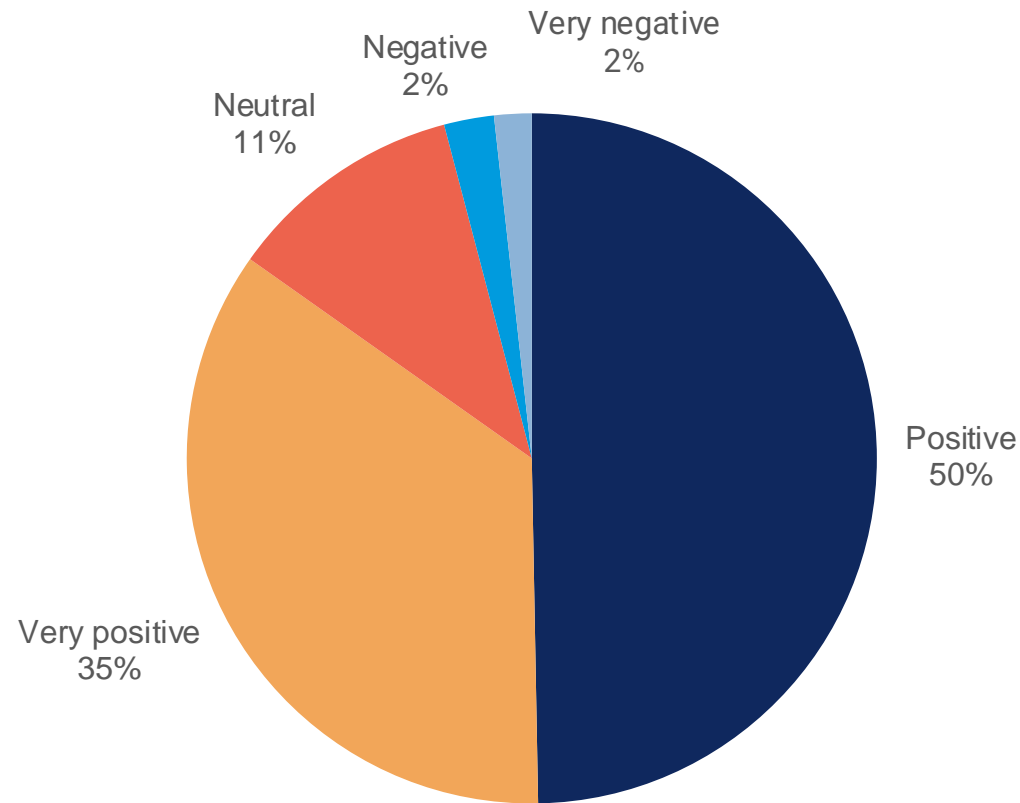
79% of respondents report having an active franchise advisory council, while 20% report having a recognized independent franchisee association.

100%

100% of reporting brands in the baked goods, home decor and lodging industries report having an active franchise advisory council.

Respondents report their franchisee relationship to be exceptionally positive

Q: How would you describe the relationship between your company and its franchisees?



85%

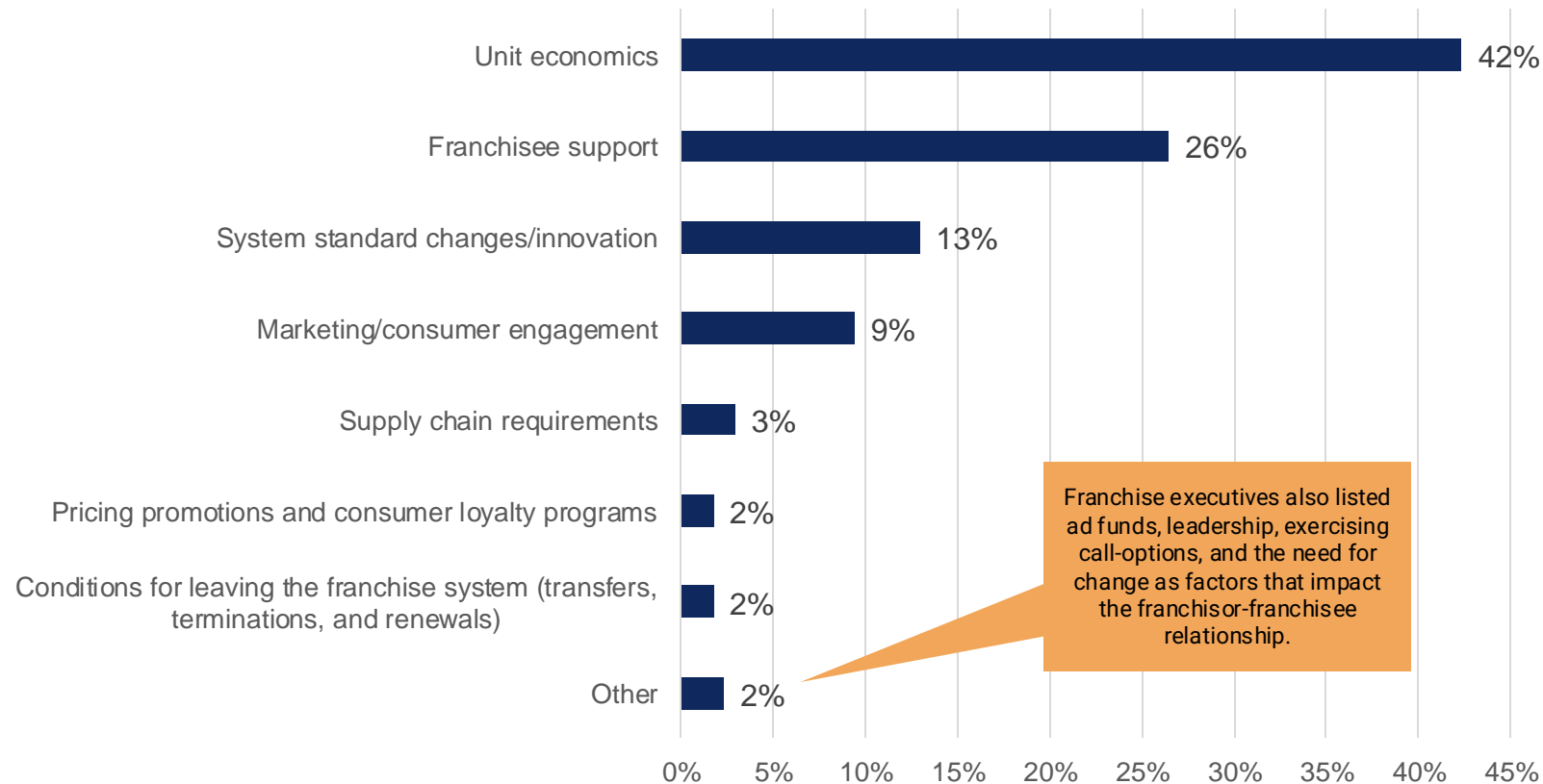
85% of franchise executive report having a positive or very positive relationship between their company and its franchisees.

78%

78% of brands that report having a positive or very positive relationship also have a franchise advisory council.

Unit economics most strongly impact respondents' franchisor-franchisee relationship

Q: List the factor that most impacts franchisor-franchisee relationships in your franchise system.



42%

42% of franchise executives report that unit economics is the most important factor when it comes to franchisor-franchisee relationships, followed by franchisee support and system standard changes/innovation.

Personal services brands report the highest percentage of the impact that unit economics have on franchisor-franchisee relationships:

- Beauty-related brands (88%)
- Pet-related brands (71%)
- Education-related brands (57%)
- Health and fitness brands (38%)

THANK YOU