

An aerial, high-angle view of a dense city skyline, likely New York City, with numerous skyscrapers. A semi-transparent Venn diagram with two overlapping circles, one light blue and one light red, is centered over the city. The text "2023 ANNUAL FRANCHISEE SURVEY" is overlaid in large, white, bold, sans-serif font.

2023 ANNUAL FRANCHISEE SURVEY

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Moderator:



Mike Layman
*Sr. Vice President of Government
Relations*
IFA

Speakers:



Chris Mangum
President
Gallagher Franchise Solutions



Paul Santomauro
Director of Lending and Risk Products
FRANdata

METHODOLOGY

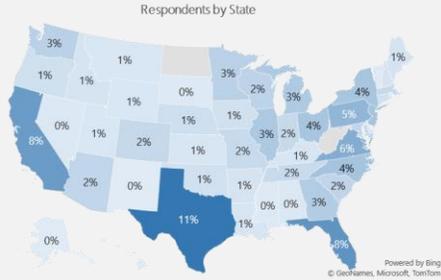
2023 Respondent's Profile



~1,300 owning
~7k units



22% from
Maintenance
Services



27% from Texas,
Florida, & California

55% Single Unit, 45% Multi-Unit
22 industries
136 Brands

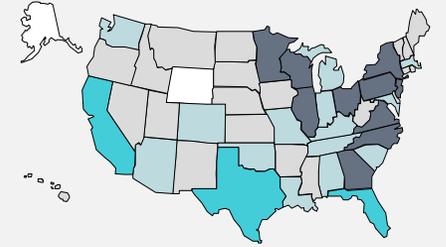
2022 Respondent's Profile



1,000+ owning
~5k units



27% from
Maintenance
Services

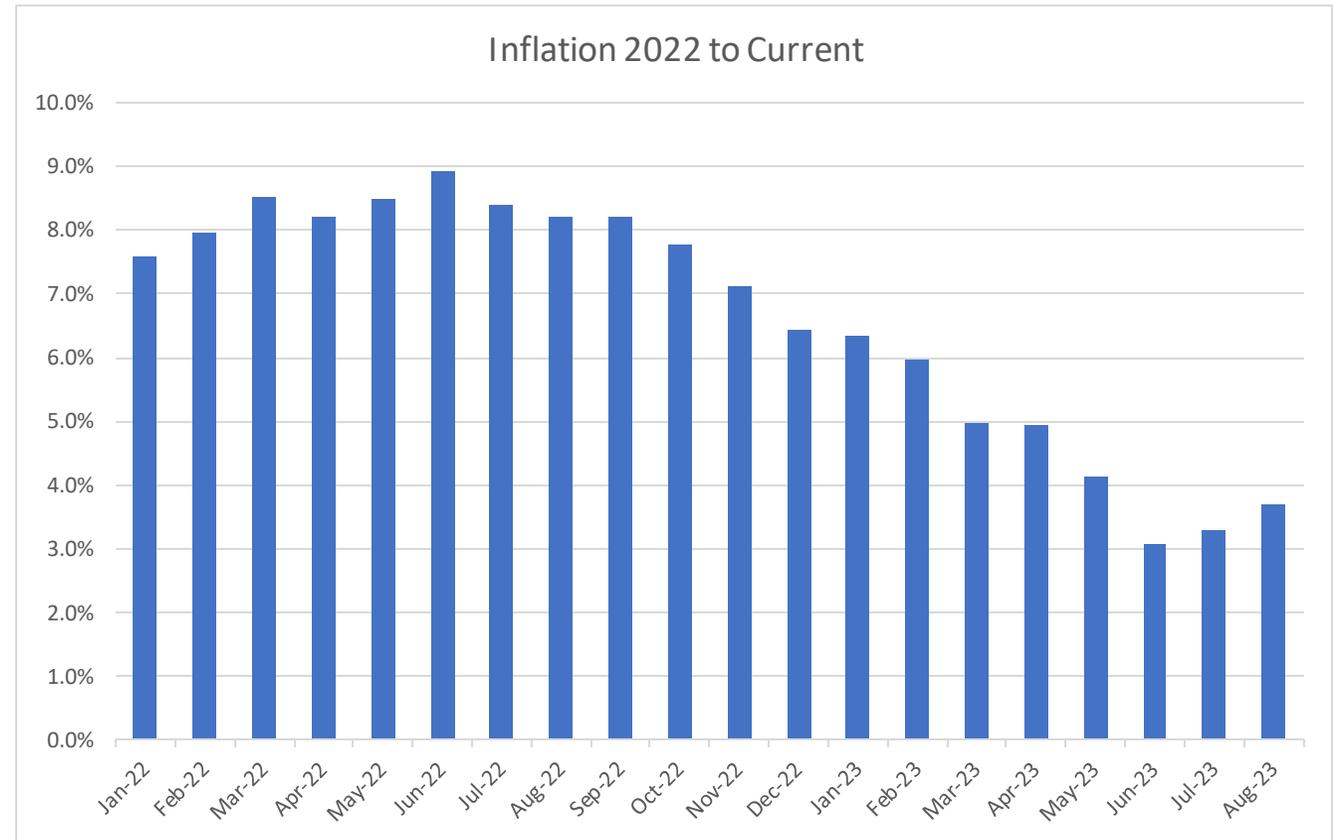


26% from Texas,
Florida, & California

60% Single Unit, 40% Multi-Unit
24 industries
112 Brands

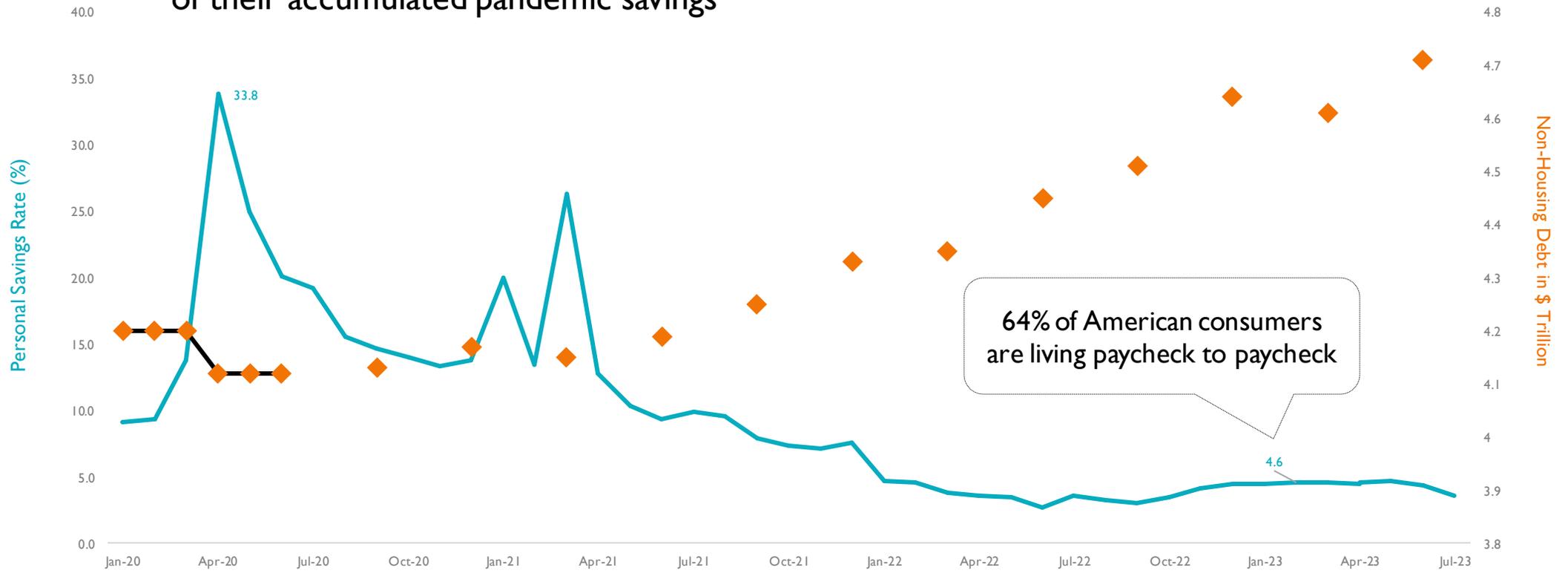
DESPITE A DECLINE IN INFLATION IMPACT IS STILL BEING FELT

Prices went up dramatically last year and we have a “new normal” which is dramatically higher than its ever been



DOWNWARD TREND IN CONSUMER SPENDING

Historic low personal savings rate indicate that consumers used more of their accumulated pandemic savings



64% of American consumers are living paycheck to paycheck

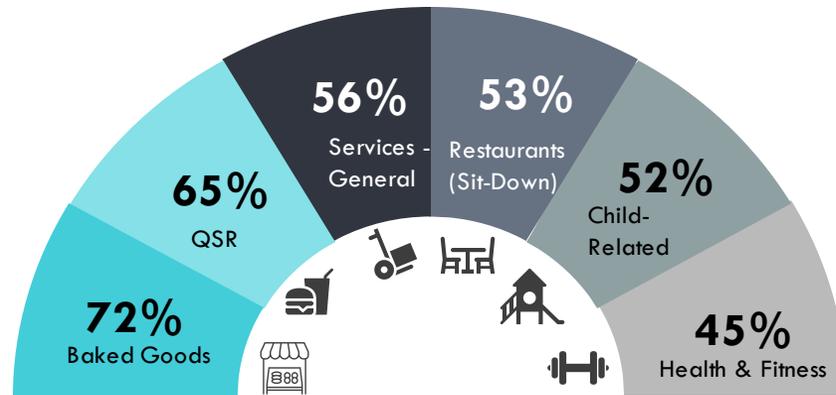
← Households amassed **\$2.7** trillion in extra savings by end of 2021

← Household have spent **35%** of extra savings that helped them cruise through high inflation →

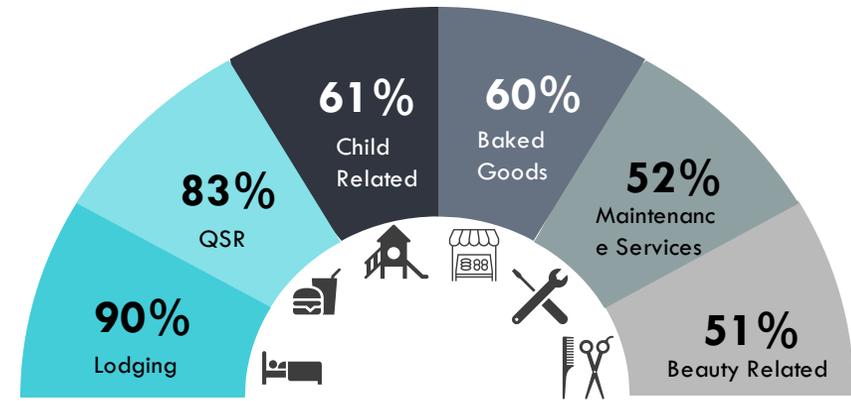
Top Impacted Industries

86% of the franchisees are experiencing a moderate to substantial impact of inflation with the Food industry feeling the most impact

2023 TOP INDUSTRIES EXPERIENCING SUBSTANTIAL IMPACT OF INFLATION



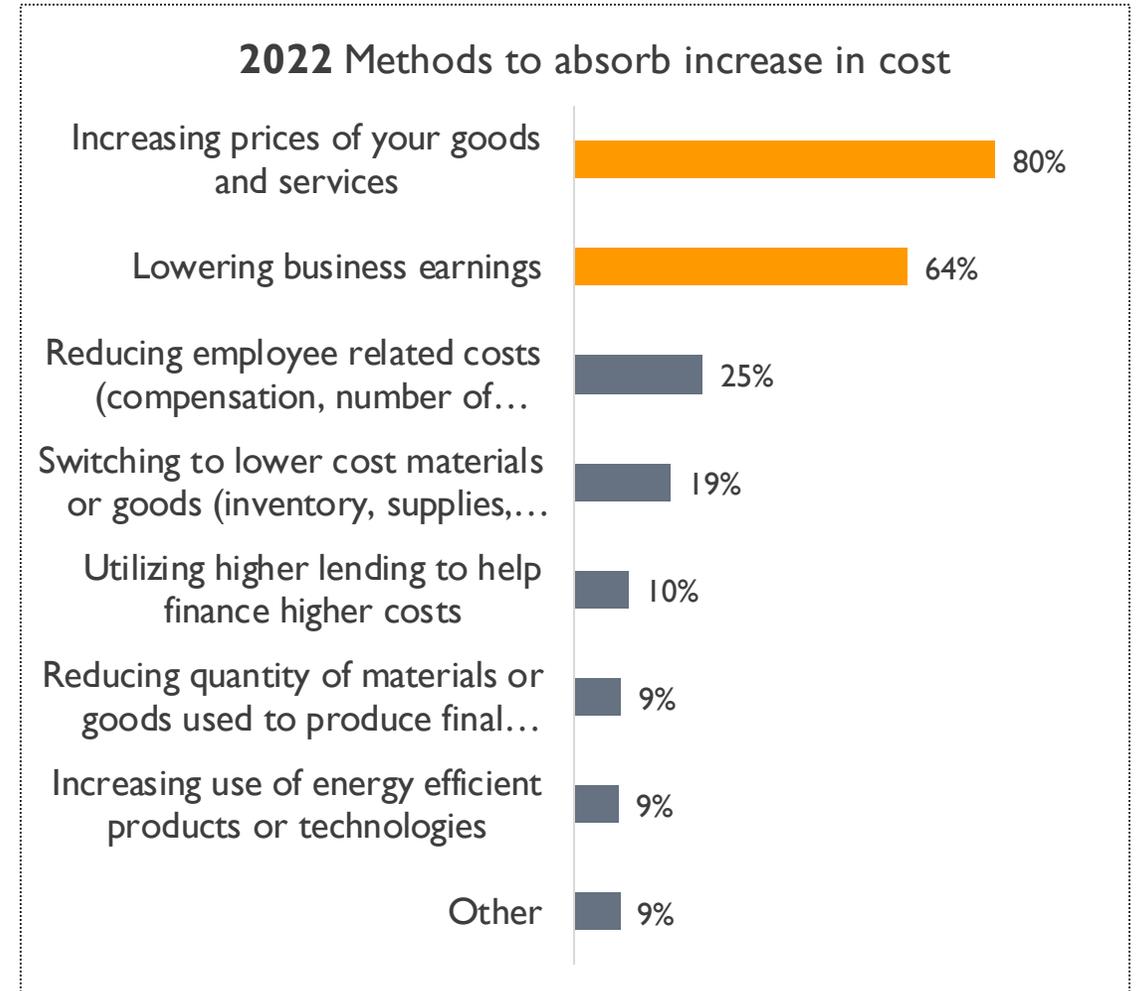
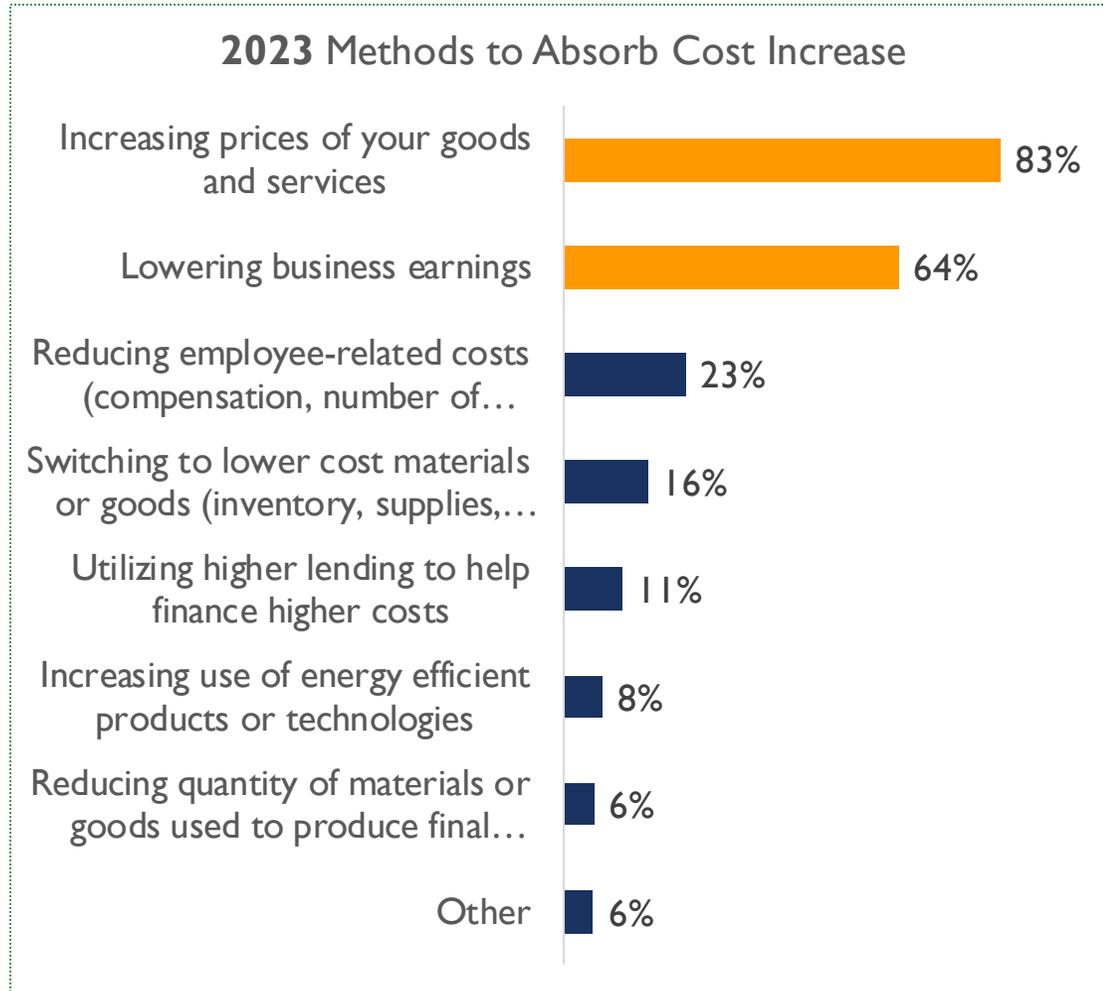
2022 TOP INDUSTRIES EXPERIENCING SUBSTANTIAL IMPACT OF INFLATION



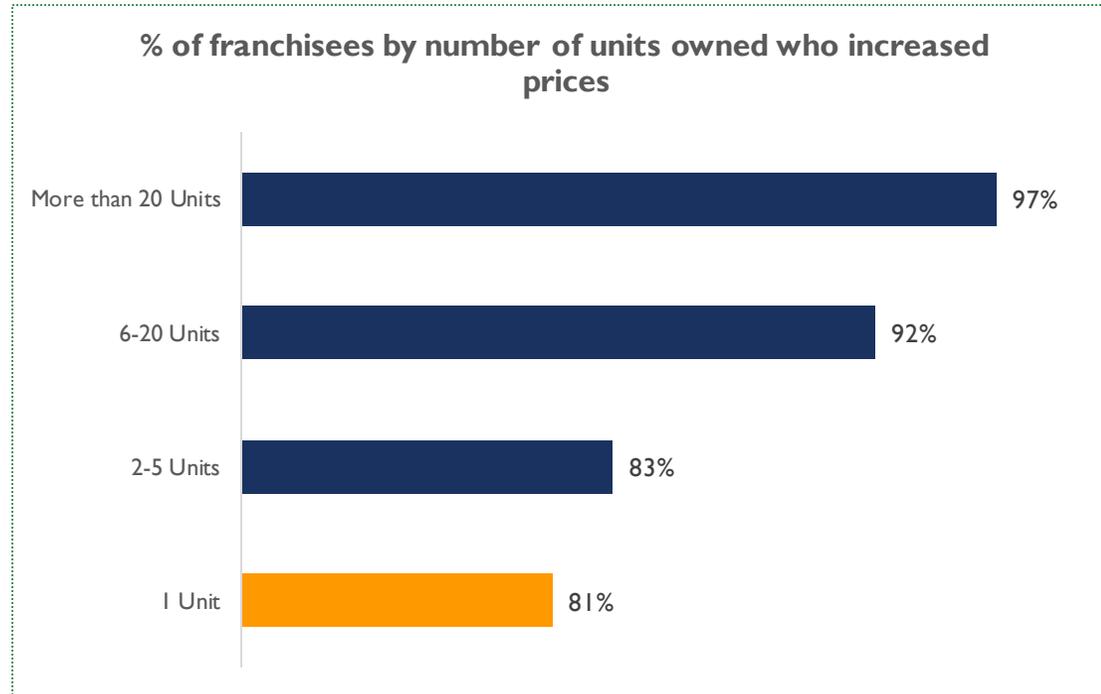
All industries that are labor intensive have experienced higher impact of inflation

Methods to Absorb Cost Increase

Like last year, businesses are increasing prices of goods and services, and observing lower earnings due to inflation

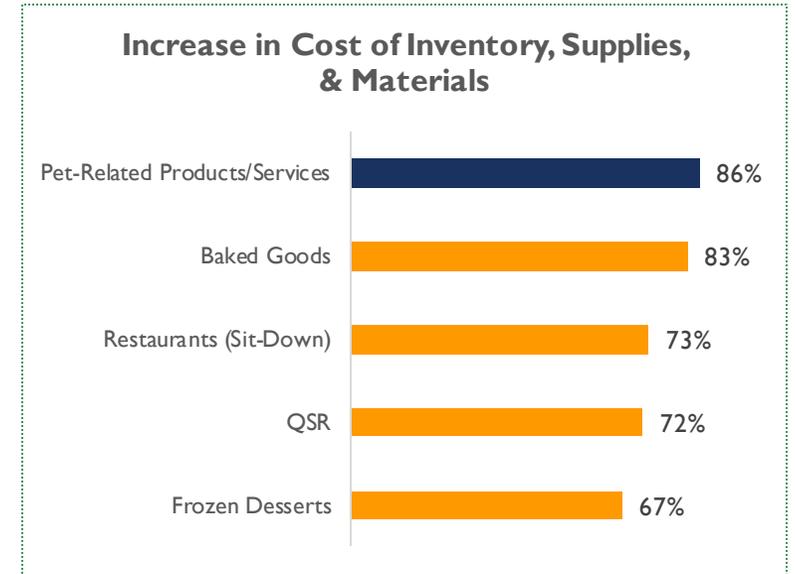
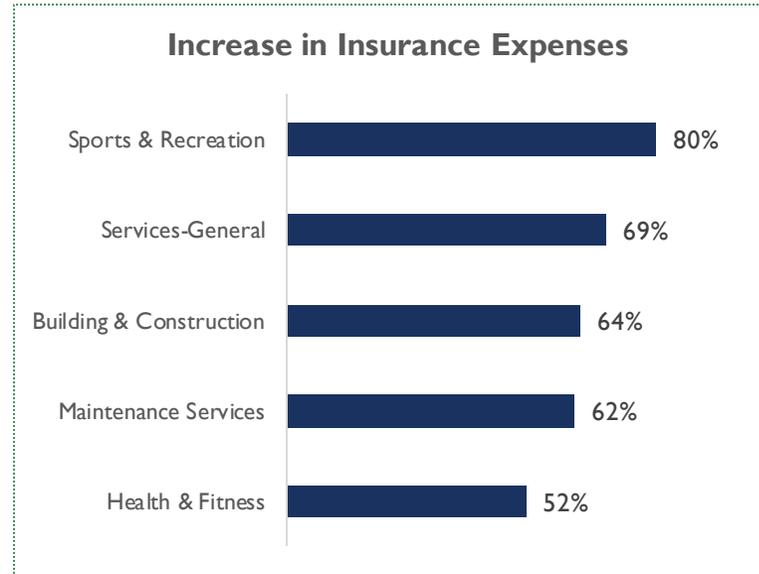
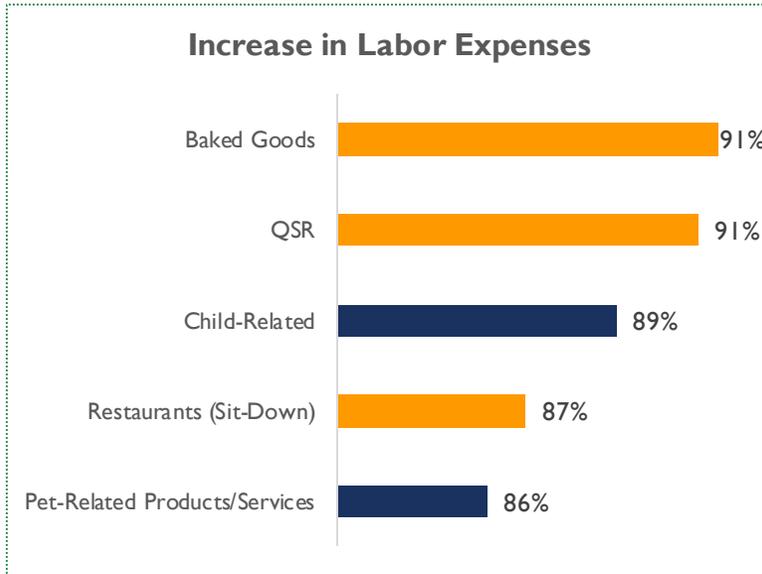


FRANCHISEES WHO ARE INCREASING PRICES TO ADAPT



Single-unit franchisees are less likely to raise prices to combat inflation

TOP THREE COST CENTERS BY INDUSTRY



- Food Industry is most impacted when it comes to labor and cost of inventory, supplies and materials
- Insurance is a main concern for non-food
- In 2022 energy/fuel related costs were the biggest concern while in 2023 it was replaced by Labor

LABOR IS FAR AND AWAY THE BIGGEST PROBLEM

Labor is a concern by a large margin followed by inflation



THE ADVANTAGES FRANCHISEES FIND IN BEING PART OF A SYSTEM

Best Franchise Tools to Deal with Inflation



Someone has always
been in your shoes
and can help.



Health & Fitness
Franchise Owner, VA

- Franchisees see connecting with fellow franchisees and sharing best practices as a key advantage to being part of a franchise system
- Both Zees and Zors see Customer Marketing/Brand recognition as the second biggest advantage, this was not a top player last year

WHAT INITIATIVES FRANCHISORS ARE TAKING

2023 Actions Franchise Brands Have Taken



- Franchisors are listening and reacting to the economic situation
- Franchisors are increasing marketing and improving consumer marketing to drive demand – this was not the big initiatives last year
- Marketing related expenses may continue to increase in the short term

KEY TAKEAWAYS

- 86% of franchisees reported feeling the effects of increasing costs on their operations, a marginal decline from the prior year.
- 3 out of the top 5 industries experiencing the greatest impact from inflation were from the food category.
- Of all concerns, labor remains the most significant problem., as fuel price pressure has abated and cost of inventory has worsened.
- A considerable 83% of franchisees made the strategic move to raise their prices to counteract the effects of inflation.
- The percentage of franchisees expressing pessimism regarding future inflation remains elevated, with **51% expecting inflation to get worse.**

QUESTIONS?

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THANK YOU