



Australian Franchise Sector “Pulse Check” Survey June, 2024

Comissioned by



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Australian Franchise Sector “Pulse Check” Survey June, 2024

Source Material

All information in this report was compiled from an electronic survey completed by FRANdata Australia.

“Australian Franchise Sector Pulse Check – 30th June, 2024”.

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Australian Franchise Sector Pulse Check – June, 2024.

EXECUTIVE SUMMARY

FRANdata, has undertaken this “Pulse Check” survey for the Franchise Council of Australia (FCA) to provide insights on the status and experiences of the Australian franchise sector during the June 2024 quarter.

The June 2024 Australian Franchise Sector “Pulse Check” survey received 52 responses covering 114 Australian franchise brands, capturing 17,139 businesses (16,533 franchised units and 606 company operated units) and employing 70,837 Australians.

Unit Revenues and Financial Performance

Revenue increases exceeding 10% in the June 2024 quarter compared to the corresponding June 2023 quarter were **reported by 15%** of respondents.

Revenue reductions of more than 10% to average franchisee revenues for the June 2024 quarter compared to the corresponding 2023 quarter was reported by **14%** of respondents.

71% of respondents **indicated revenue changes of 1-10%** (increases 58% and decreases 13%) compared to the previous June quarter.

Respondents from Lodging, Retail Stores and Retail Food reported the weakest performance with comparatively stronger experiences occurring in the Quick Service Restaurant, Fitness and Health Related categories.

The June Pulse Check Survey recorded **61% of respondents expecting less than 5% of their network to have made a trading loss during the June quarter**. 12% of respondents expected losses in 6-10% of their network, 8% in 11-25% of their network and 6% in greater than 26% of their network with Retail Food, Lodging and Pet Services figuring more prominently in the higher loss-making areas.

The percentage of respondents providing financial assistance to more than 5% of their network was 14%.

Overall Sentiment on Business Conditions for the Next Three and Six Months

Forward sentiment in relation to revenue expectations was mixed for the **September 2024 quarter** with **52% of respondents expecting a strengthening of revenue over the next 90 days, 10% expecting a decline and 38% of respondents expecting revenues to stay about the same**.

The percentage of respondents feeling **optimistic about business conditions in the next six months** was **50%** with 25% of respondents feeling pessimistic and 25% feeling indifferent.

New Openings and Closed Units

A total of **534 new units were opened** across the brands of respondents in the June Quarter. These were predominantly in the categories of Home Service, Quick Service Restaurant and Fitness Categories. For the corresponding period **355 franchised units were permanently closed** by respondents, predominantly in the home service, maintenance and retail store categories noting some categories reported both a high number of openings and closures.

Respondents **anticipated the opening of 1,374 new franchised units in the next twelve months** across their respective networks for which **68% would require access to finance**.

Key Concerns and Challenges

The greatest concerns or challenges for Australian Franchise Systems in the June 2024 quarter were:

1. Concerns around **Rising Interest Rates and Inflationary Pressures** ranked the highest at **74.4%** (46.5% high and 27.9% very high),
2. **Availability of suitable employees for franchisees** remains high at **53.5 %** (39.5% high and 14% very high),
3. **Franchisee recruitment** challenges were identified by **41%** of respondents (29.5% high and 11.4% very high),
4. Concerns around **Access to Finance** remain at **37%** (27.9% high and 9.3% very high), and
5. **The Financial Performance of Franchisees** at **36%** (25% high and 11% very high) rounded out the top 5 challenges in the June quarter.

State and Territory Comparisons

QLD was reported by **33%** of respondents as the **strongest performing state or territory for franchises (financially)** over the past 12 months. It was followed by NSW (24%), WA (22%) and VIC (14%).

Respondents indicated that in the next twelve months they were **most likely to expand business in NSW (32%) and QLD (32%)** followed by VIC (25%) and WA (7%).

Data Security and Criminal Conduct

In relation to data security and the risk of criminal conduct, **69%** of respondents indicated they were **somewhat or very concerned**, **29%** of respondents indicated they were only slightly concerned, and **2%** of respondents indicated they were not at all concerned.

Australian Franchise Sector Pulse Check – June, 2024.

Australian Franchise Sector Pulse Check – 30th June, 2024.

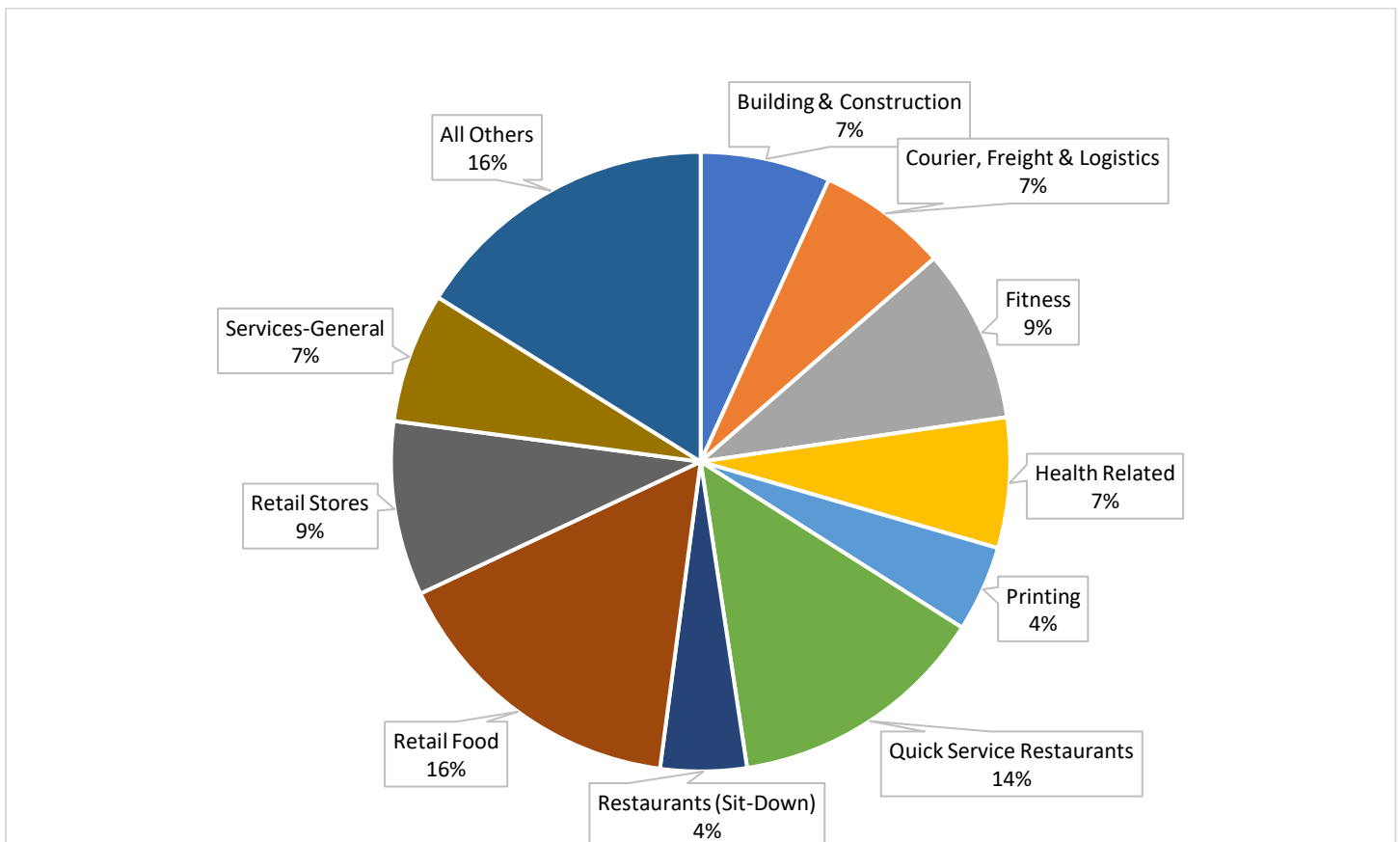
FRANdata, has undertaken this “Pulse Check” survey for the **Franchise Council of Australia (FCA)** to provide insights on the status and experiences of the Australian franchise sector during the June 2024 quarter.

The June 2024 Australian Franchise Sector “Pulse Check” survey received 52 responses covering 114 Australian franchise brands, capturing 17,139 businesses (16,533 franchised units and 606 company operated units) and employing 70,837 Australians. Respondents had the option of completing the survey on an anonymous basis and mandatory responses were not required for many questions. The survey is attached in Appendix - A.

Where relevant, Disclosure Documents received and registered with the Australian Franchise Registry™ were also cross checked to verify the authenticity of survey responses. Franchisors are required under the Franchising Code of Conduct to produce and deliver Disclosure Documents to prospective franchisees. These documents must be accurate by law.

Response by industry.

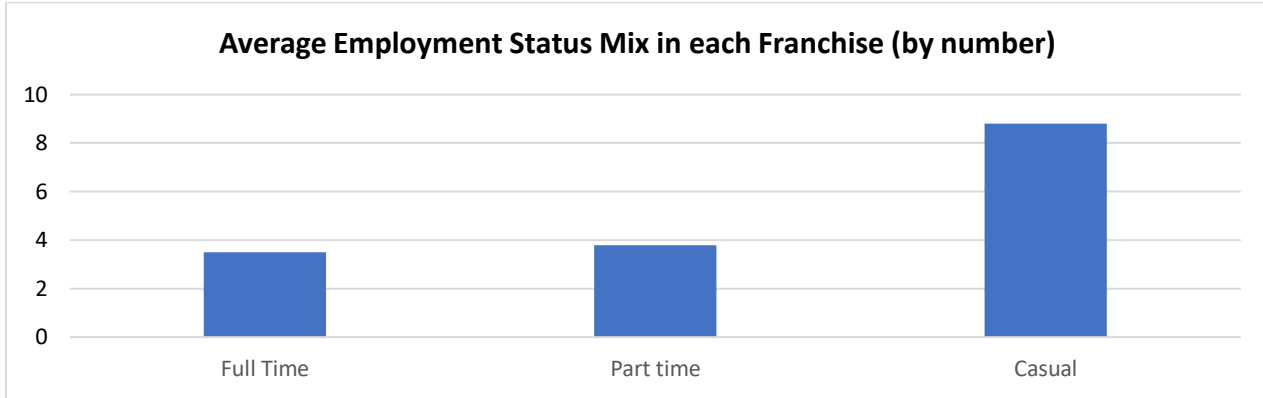
The survey was undertaken by a broad industry cross-section across the sector with the highest percentage of respondents attributable to Retail-Food (16%), QSR (14%), Retail Stores (9%), Fitness (9%), Building & Construction (7%), Health Related (7%) and Services-General (7%). The “All Others” category (16%) is represented by two or less respondents outside of the categories in the diagram below.



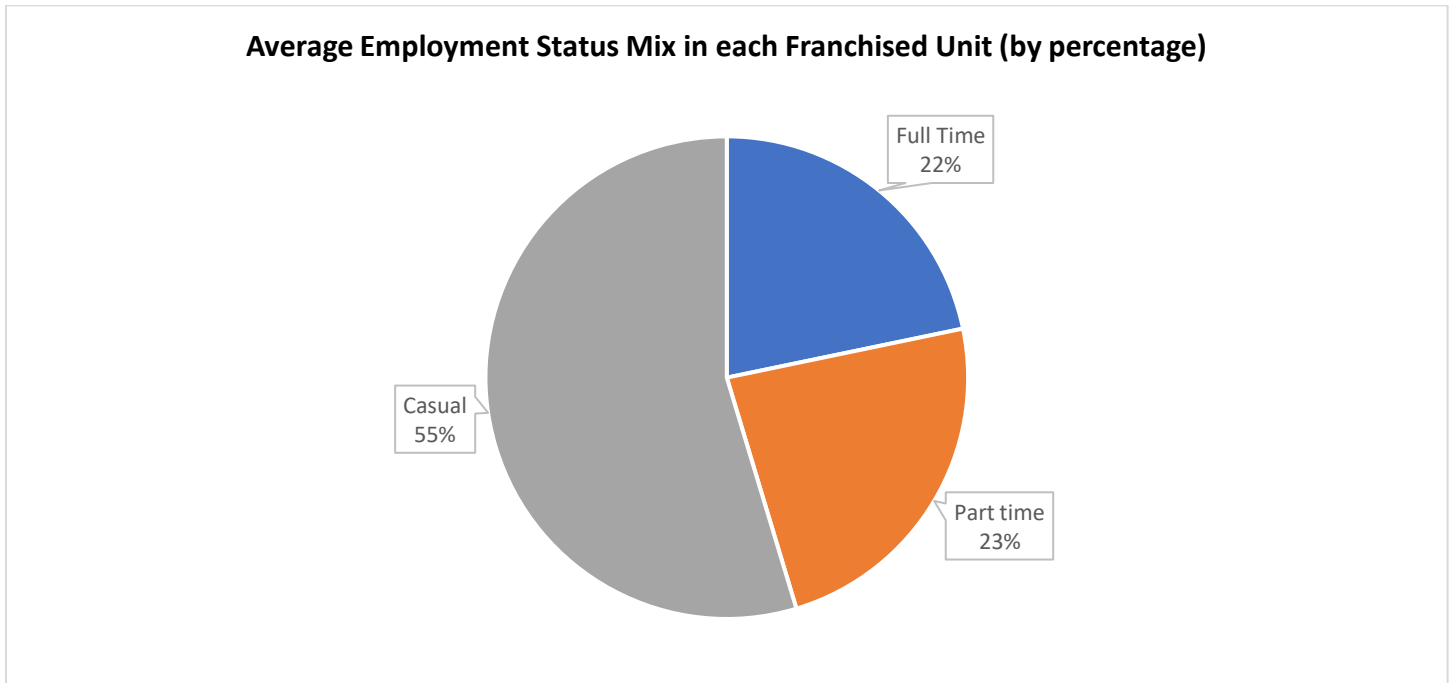
SURVEY FINDINGS

Staffing and Support Office

Q. On average how many staff are employed in each franchise unit?

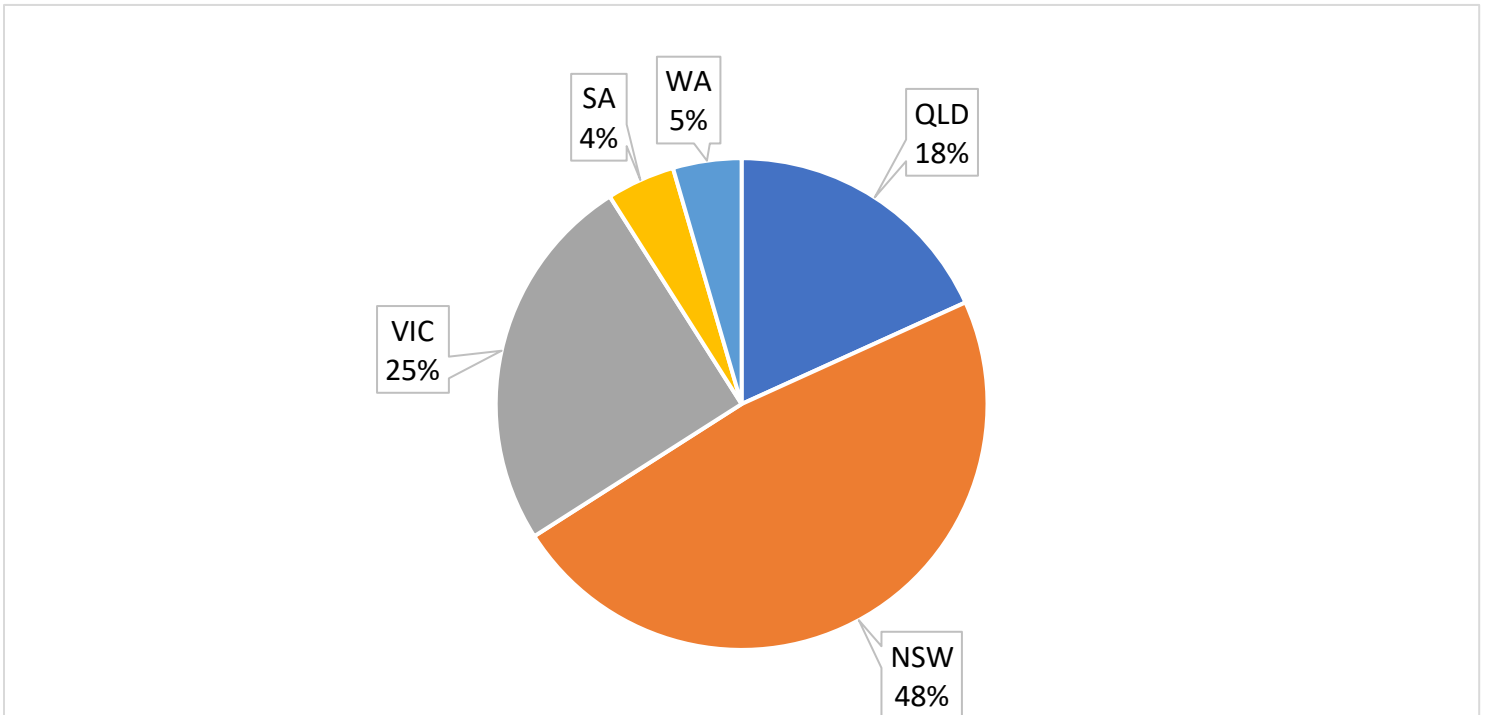


- Respondents indicated each franchise unit employed an average of 3.5 employees on a full time basis
- Respondents indicated each franchise unit employed an average of 3.8 employees on a part time basis
- Respondents indicated each franchise unit employed an average of 8.8 employees on a casual basis



- On average **22% of employees** across responding franchise networks were employed on a **full-time basis**.
- On average **23% of employees** across responding franchise networks were employed on a **part-time basis**.
- On average **55% of employees** across responding franchise networks were employed on a **casual basis**.

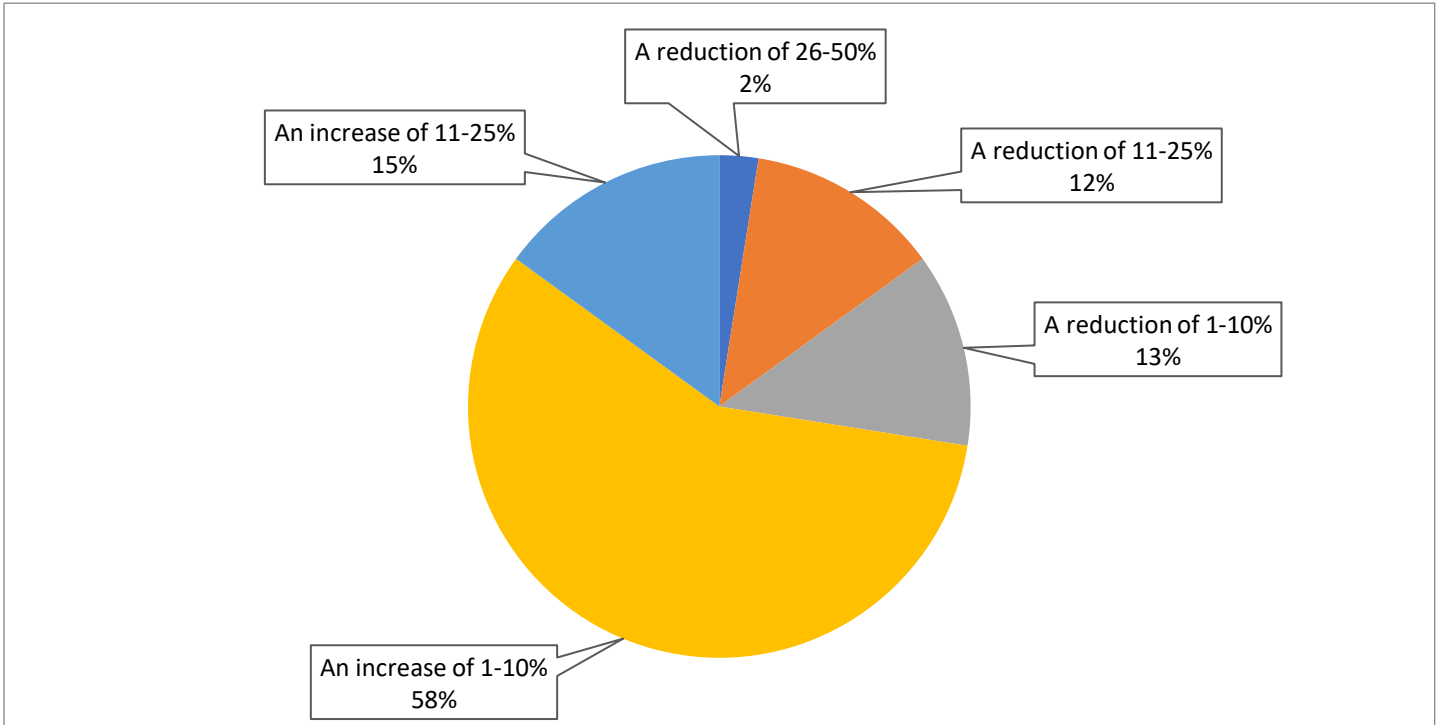
Q. In which state is your franchise system (support office) based?



- **48%** of respondents reported their franchise system was based in **NSW**.
- **25%** of respondents reported their franchise system was based in **VIC**.
- **18%** of respondents reported their franchise system was based in **QLD**.
- **5%** of respondents reported their franchise system was based in **WA**.
- **4%** of respondents reported their franchise system was based in **SA**.

Financial Performance and Sentiment

Q. How does this average weekly revenue (April-June 2024) compare to the corresponding quarter last year (April-June 2023)?



- 73% of respondents reported an increase in their June 2024 quarter revenue compared to the June 2023 quarter.
 - 58% reported an increase of 1-10%
 - 15% reported an increase of 10% or more
- 27% of respondents reported a reduction in their June 2024 franchisee revenue compared to the 2023 June quarter.
 - 13% of respondents reported a reduction between 1 - 10%
 - 12% of respondents reported a reduction between 11 - 25%
 - 2% of respondents reported a reduction between 26 – 50%

Stronger performing industries

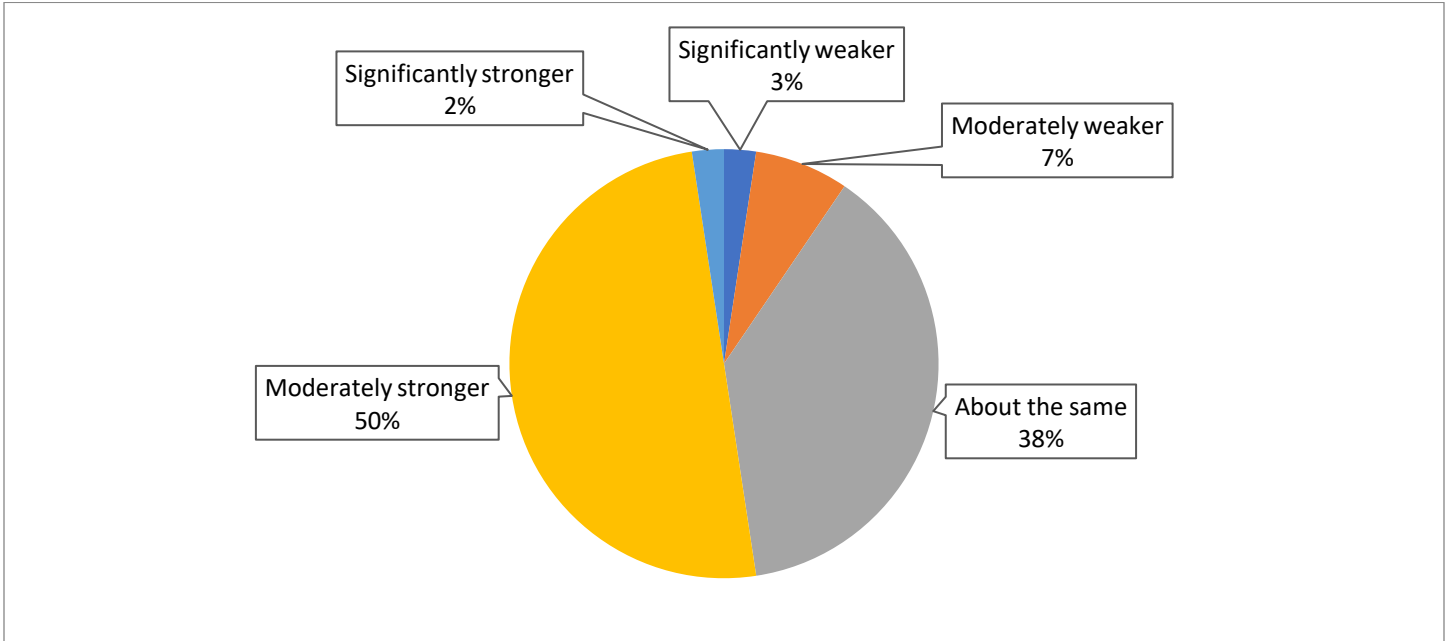
- Health Related
- Quick Service Restaurants
- Fitness

Weaker performing industries

- Lodging
- Retail Food
- Retail Stores

Q. What is your expectation of unit revenues for the next quarter (July to Sep 2024) compared to the quarter just completed (April to June 2024)?

Unit Revenue Expectations – July to September 2024



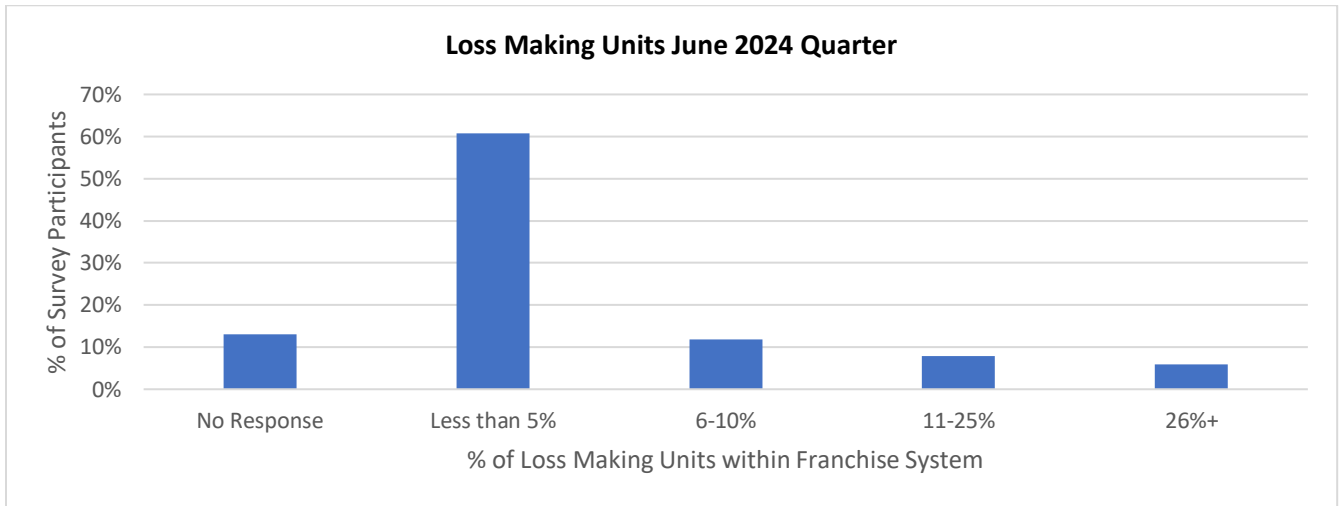
- Forward revenue expectations for the March quarter were weaker with:
 - 52% of respondents anticipating moderately or significantly stronger revenue
 - 10% expected moderately weaker or significantly weaker revenue, and
 - 38% of respondents expected revenue to stay “about the same”.

- More optimistic industries**
- Maintenance Services
 - Quick Service Restaurants
 - Fitness

- Less optimistic industries**
- Pet – Related
 - Retail Stores
 - Business Related

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Q. How many franchisees (number) do you expect will record a trading loss for the last quarter (Apr - June 2024)?

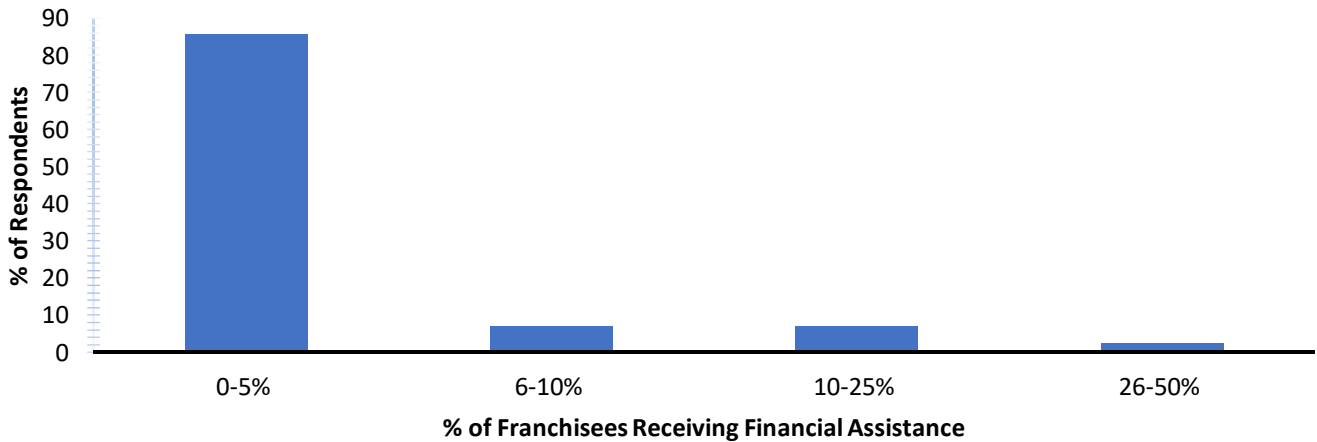


In the June quarter Pulse Check Survey 13% of the survey participants did not answer this “non-compulsory” question. Based on overall survey participation the survey showed:

- 61% of participants estimated less than 5% of their network to have been loss making during the quarter
- 12% of respondents estimated that 6 -10% of their units would record a trading loss in the June quarter
- 8% of respondents estimated that 11-25% of their units would record a trading loss in the June quarter
- 6% of respondents estimated losses would occur across 26% or more of their network.
- Retail Food, Lodging and Pet Services figure in the higher loss-making categories.

Q. What percentage of franchised units have received your direct or indirect financial support this quarter (April - June 2024)?

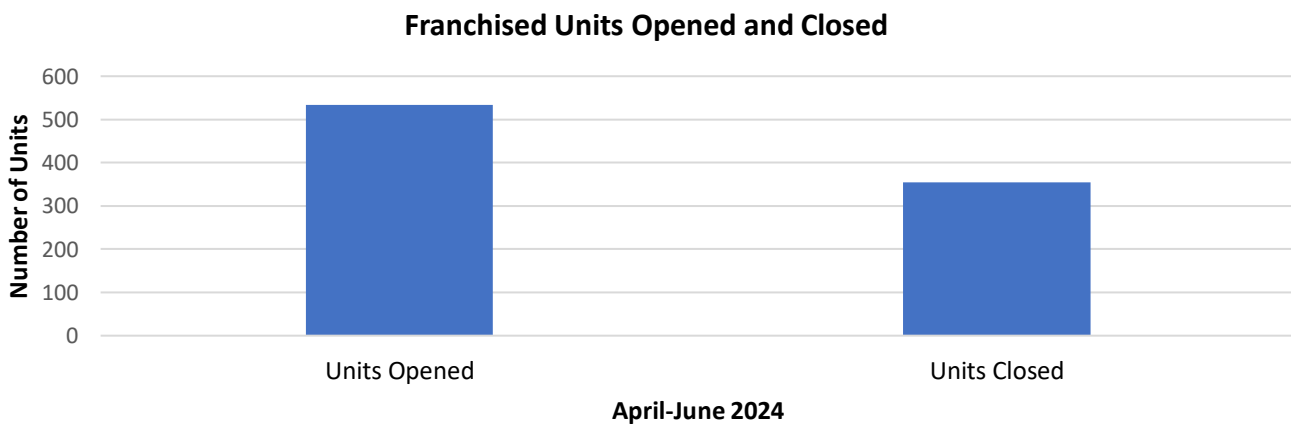
Provision of Financial Assistance to Franchisees



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- 85.7% of respondents reported providing direct or indirect financial support to less than 5% of their units.
- 7.1% of respondents reported providing direct financial support to 6-10% of their units.
- 7.1% of respondents reported providing direct financial support to 10-25% of their units.
- 2.4% of respondents reported providing direct financial support to 26-50% of their units.

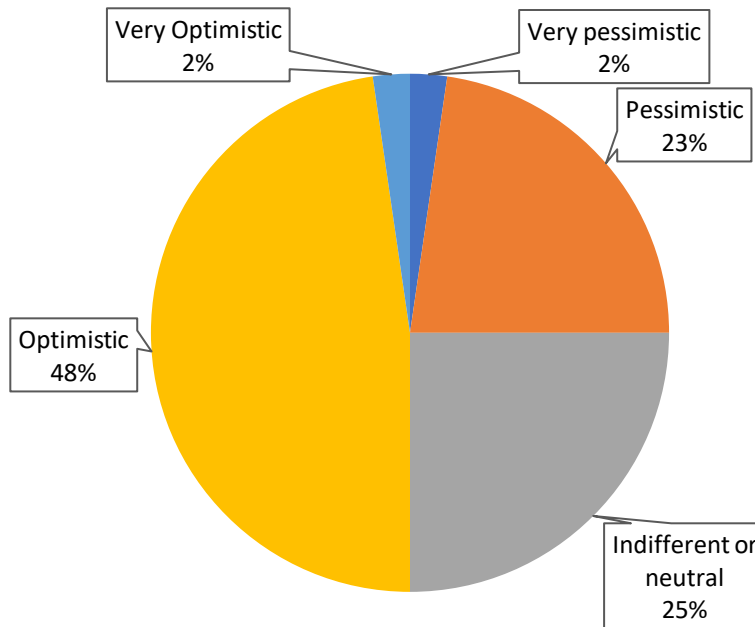
Q. How many new units did your franchise system open and close in the June 2024 Quarter



- Survey participants opened a total of **534** franchise units in the June quarter.
- Survey respondents permanently closed a total of **355** franchise units in the June quarter.
- Openings were highest in the Home Service, Quick Service Restaurant and Fitness Categories.
- Permanent closures were most apparent in the home service, maintenance and retail store categories.
- Some franchise systems with large unit numbers and multi-brand respondents recorded a high number of both openings and closures.

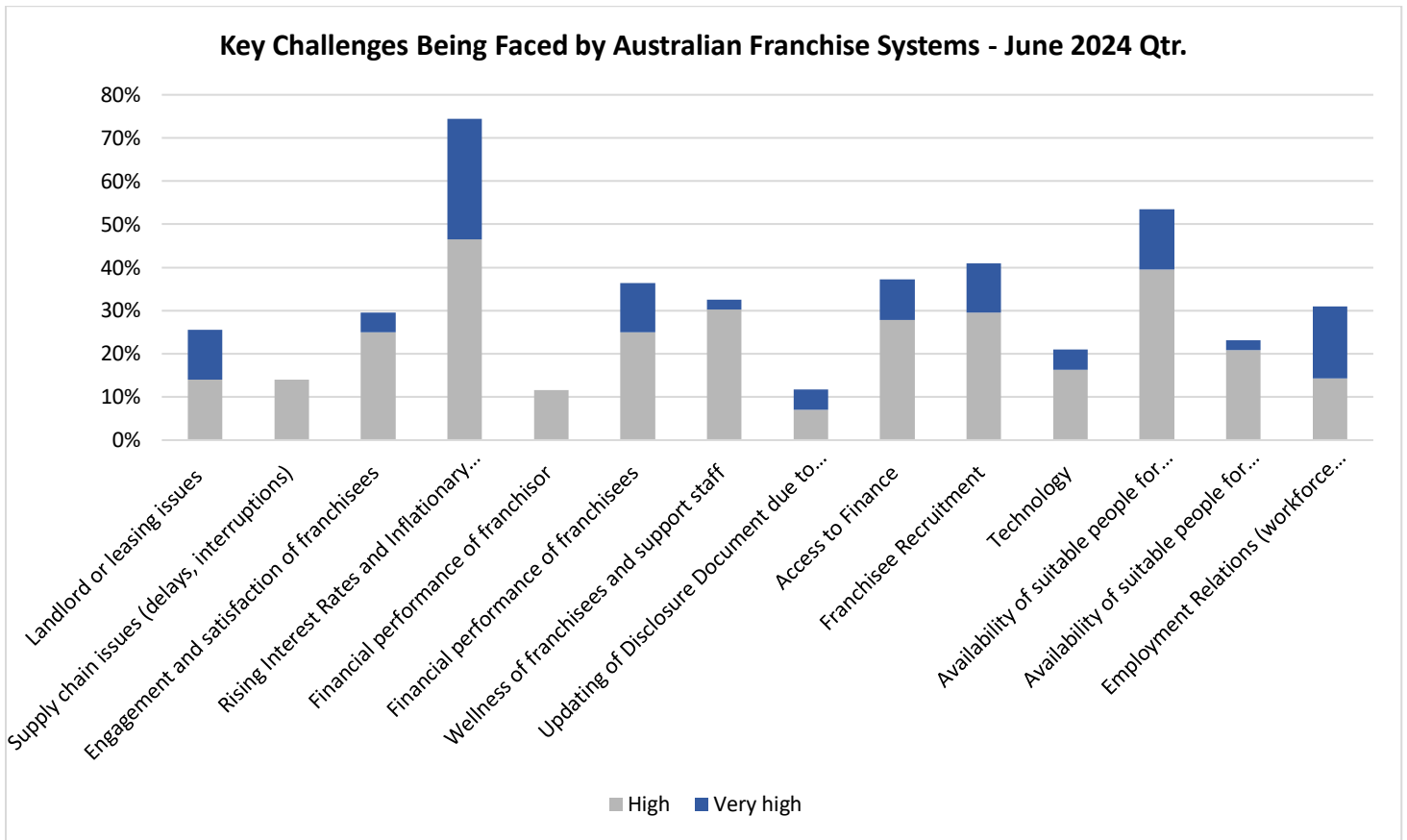
Q. Overall how are you feeling about business conditions for the next six months?

Forward Business Condition Sentiment – July 2024 to December 2024



- The percentage of respondents feeling optimistic was **50%**
 - 48% reported feeling optimistic and
 - 2% felt very optimistic.
- The percentage of respondents feeling pessimistic or very pessimistic about business conditions in the next six months was **25%**.
 - 23% pessimistic and
 - 2% very pessimistic.
- **25%** of respondents felt indifferent or neutral about business conditions for the next six months (unchanged from the previous quarter).

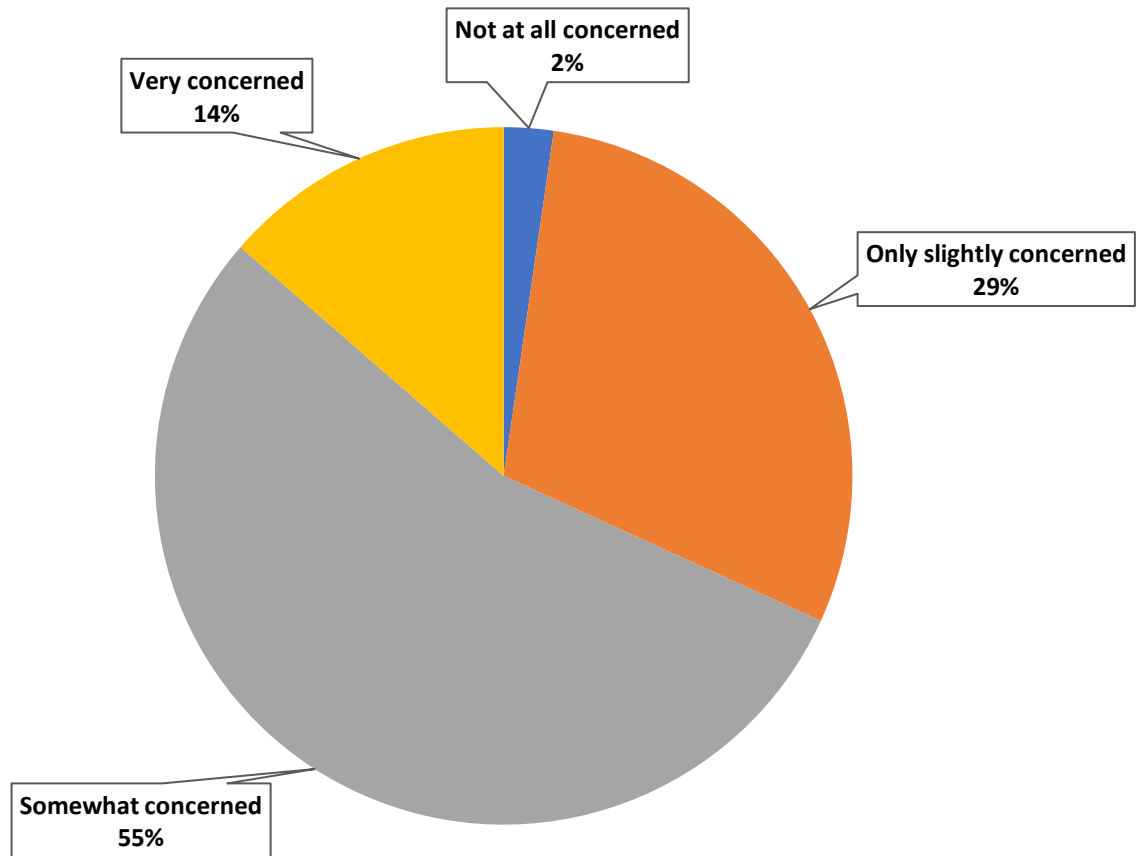
Q. How would you assess the current concerns or challenge level for your franchise system across the following areas?



The greatest concerns or challenges for Australian Franchise Systems in the June 2024 quarter were:

1. Concerns around **Rising Interest Rates and Inflationary Pressures** ranked the highest at **74.4%** (46.5% high and 27.9% very high),
2. **Availability of suitable employees for franchisees** remains high at **53.5 %** (39.5% high and 14% very high),
3. **Franchisee recruitment** challenges were identified by **41%** of respondents (29.5% high and 11.4% very high),
4. Concerns around **Access to Finance** remain at **37%** (27.9% high and 9.3% very high), and
5. **The Financial Performance of Franchisees** at **36%** (25% high and 11% very high) rounded out the top 5 challenges in the June quarter.

Q. How concerned are you with data security and the risk of criminal conduct?



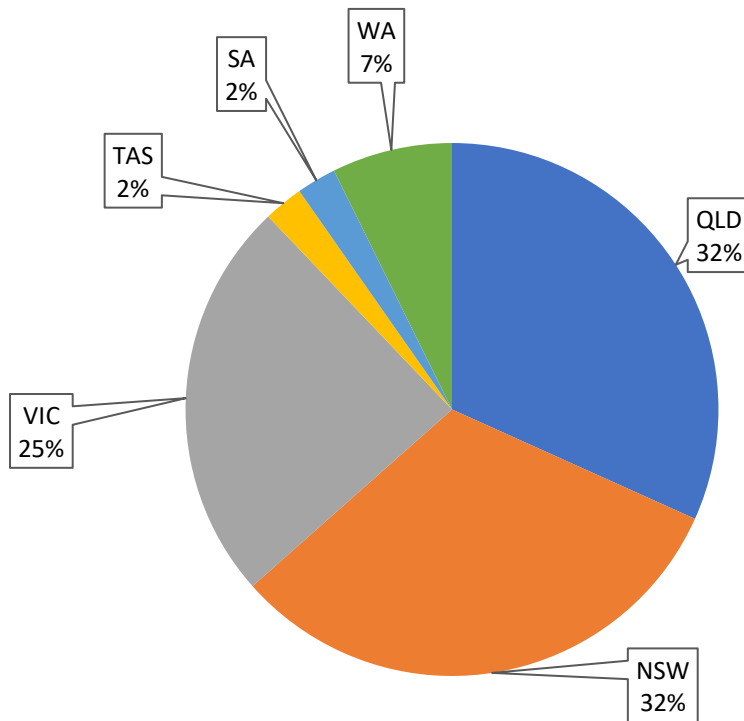
In relation to data security and the risk of criminal conduct:

- **69%** of respondents indicated they were somewhat or very concerned:
 - **55%** were somewhat concerned.
 - **14%** very concerned
- **29%** of respondents indicated they were only slightly concerned, and
- **2%** of respondents indicated they were not at all concerned.

Q. How many new units do you plan to open in the next 12 months?

Respondents anticipated the opening of 1,632 new franchised units across their respective networks in the next twelve months.

Q. Where are you most likely to expand business in the next 12 months?

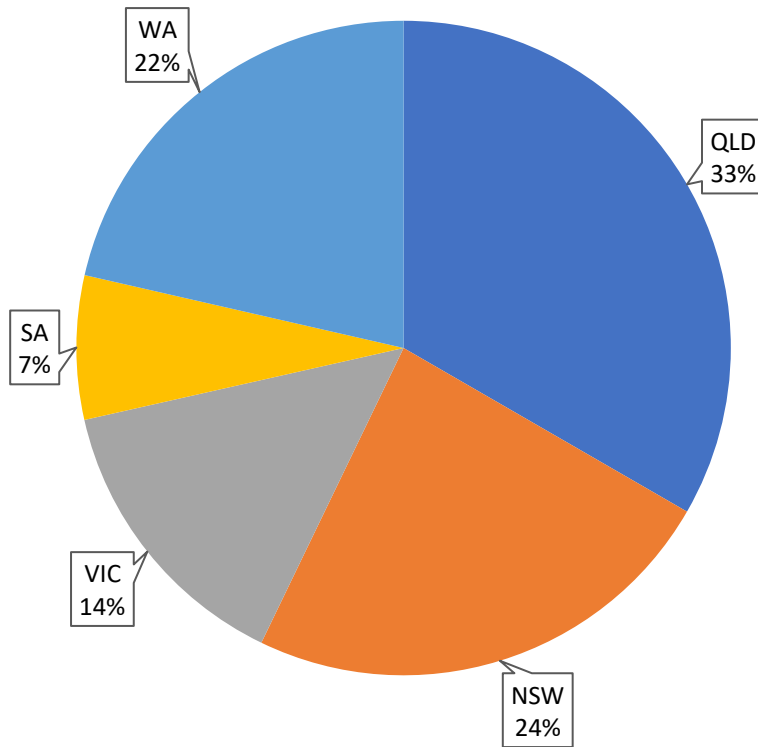


- **32%** of respondents indicated they were most likely to expand in **NSW**.
- **25%** of respondents indicated they were most likely to expand in **VIC**.
- **32%** of respondents indicated they were most likely to expand in **QLD**.
- **7%** of respondents indicated they were most likely to expand in **WA**.
- **2%** of respondents indicated they were most likely to expand in **SA**.
- **2%** of respondents indicated they were more likely to expand in **TAS**.

Q. What percentage of new units do you expect will have a financing need?

Respondents anticipated that on average **68%** of these new units would require access to finance.

Q. In which state or territory have your franchisees performed the strongest in terms of profitability in the last twelve months?



- **33%** of respondents reported that franchisee profitability was strongest in **QLD**.
- **24%** of respondents reported that franchisee profitability was strongest in **NSW**.
- **22%** of respondents reported that franchisee profitability was strongest in **WA**.
- **14%** of respondents reported that franchisee profitability was strongest in **VIC**.
- **7%** of respondents reported that franchisee profitability was strongest in **SA**.



For more than 35 years, FRANdata has been the industry leader in the strategic analysis, forecasting and measuring of franchise performance and operations. Leveraging the largest database of franchise information in the industry, FRANdata helps any business that touches franchising by providing the objective information and analytical expertise they need to make smarter and better business decisions. FRANdata, headquartered in Arlington, Virginia in the United States, is often cited as a franchise expert in such leading media as The New York Times, The Wall Street Journal, Forbes Magazine and The Washington Post.

Powered by the FRANdata databases, the US and Australian Franchise Registries provide every franchisor the opportunity to make financing easier and better for their franchisees. Conventional and emerging lenders visit the site every month to find and learn about the franchise brands to whom they are considering lending. Besides publicly validating that a franchise is viable and thriving, the sites allow franchisors to take advantage of a range of financing tools that help lenders understand and underwrite the franchise brand.

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APPENDIX – A



FCA FRANCHISOR PULSE CHECK SURVEY

The purpose of this survey is to gather information for Franchise Council of Australia submissions to policy makers, lending institutions and other key stakeholders to maximise their support for franchise businesses in Australia.

The survey questions primarily relate to the June 2024 trading quarter and forward expectations.

Individual responses will be independently collected and securely stored by FRANdata Australia Pty Ltd.

Participants in the study will be provided with a report reflecting the aggregated data collected for each category to which they respond.

For more information or to ask a question about the survey please contact L J Loch at the FCA on t) 03 9508 0888 e) ljloch@franchise.org.au.

Franchise System Profile

Franchise system name (optional)

Contact name (optional)

email address (optional for receipt of the survey results and if you would like to be provided with further information from FRANdata and the Franchise Council of Australia)

How many units are currently operating across your franchise system? *

Franchised Units

Company Units

In which state is your franchise system (support office) based?

-- Please Select --QLDNSWVICSAWATASACTNT

What is the total average staff number for each unit (full time, part time and casual staff)?

On average how many staff are employed in each unit?

- Full Time - Write In please
- Part Time - Write in please
- Casual - Write in please

1. How would you best describe the industry your franchise system operates in? *

-- Please Select --Automotive ServicesBaked GoodsBeauty-RelatedBuilding & ConstructionBusiness - RelatedChild - RelatedClothing & AccessoriesComputer Products & ServicesCourier, Freight & LogisticsDecorating & Home DesignEducation - RelatedFitnessFrozen DessertsHealth RelatedLodgingMaintenance ServicesParty-Related Goods/ServicesPersonnel ServicesPet-Related Products/ServicesPhotographic Products /ServicesPrintingPublicationsQuick Service RestaurantsReal EstateRestaurants (Sit-Down)Retail FoodRetail StoresSecurity-RelatedServices-GeneralSports & RecreationTravelOther FoodOther Non-Food

Pulse Check Questions

2. What do you estimate the average weekly revenue (per franchised unit) to have been in the June 2024 quarter?

3. How does this average weekly revenue (April - June 2024) compare to the corresponding quarter last year (April - June 2023)?

- A reduction of 51-100%
- A reduction of 26-50%
- A reduction of 11-25%
- A reduction of 1-10%
- An increase of 1-10%
- An increase of 11-25%
- An increase of 26-50%
- An increase of 51-75%
- An increase of 76-100%

4. How many of your franchisees (number) do you expect will record a trading loss for the June 2024 quarter?

5. What is your expectation of unit revenues for the next quarter (July - September 2024) compared to the quarter just completed (April - June 2024)?

- Significantly weaker
- Moderately weaker
- About the same
- Moderately stronger
- Significantly stronger

6. In which state or territory have your franchisees performed the strongest in terms of profitability in the last twelve months?

- QLD
- NSW
- ACT
- VIC
- TAS
- SA
- NT
- WA

7. How many new units did your franchise system open in the last quarter (April - June 2024)?

8. How many units did your franchise system permanently close in the last quarter (April - June 2024)?

9. What percentage of franchised units required additional financial support from the network during the last quarter (January - March 2024)?

- 0-5%
- 6-10%
- 10-25%
- 26-50%
- 50% - 75%
- 76%- 99%
- 100%

10. How would you assess the current concerns or challenge level for your franchise system across the following areas.

Very low Low Moderate High Very high

Landlord or leasing issues

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Very
low Low Moderate High Very
high

Supply chain issues (delays, interruptions)

Engagement and satisfaction of franchisees

Rising Interest Rates and Inflationary Pressures

Financial performance of franchisor

Financial performance of franchisees

Wellness of franchisees and support staff

Updating of Disclosure Document due to code changes

Access to Finance

Franchisee Recruitment

Technology

Availability of suitable people for employment by franchisees

Availability of suitable people for employment by support office

Employment Relations (workforce management, compliance, complexity, cost)

11. Overall how are you feeling about business conditions for the next six months (July 2024 - December 2024)?

- Very pessimistic
- Pessimistic
- Indifferent or neutral
- Optimistic

- Very Optimistic

12. How concerned are you with data security and the risk of criminal conduct?

- Not at all concerned
- Only slightly concerned
- Somewhat concerned
- Very concerned

How many new units do you plan to open in the next 12 months?

Where are you most likely to expand business in the next 12 months?

- QLD
- NSW
- ACT
- VIC
- TAS
- SA
- WA
- NT

What percentage of new units do you expect will have a financing need?

0- 100 %

Are there any topics you would like included in next quarter's survey or current issues impacting franchising you would like to comment on?

0%