

Media Release: New business survey shows COVID-19 impacts

20 July 2020

A national survey of franchise businesses has shown the depth of impact of COVID-19 on business revenue during the June quarter.

“Covid-19 has hit hard across the board for small businesses, and this study provides a deep dive into each industry sector and the issues they are grappling with the most. Unfair and inflexible commercial leasing issues is a theme that consistently gets raised by small businesses and franchisees as a key concern,” said FCA CEO Mary Aldred.

Representatives of 70 Australian franchise systems covering 12,373 franchised units and 1,514 company operated units contributed to the “Pulse Check” survey, undertaken by FRANdata* for the Franchise Council of Australia.

46% of survey respondents reported revenue was less than 50% compared to the June 2019 quarter, with the hardest hit businesses including cafes, restaurants, fitness clubs, accommodation and child-related services.

On the other hand, 35% of respondents recorded increases in June revenues, with takeaway food, maintenance, health, freight and baked goods related franchises reporting improved trading conditions.

A total of 86 new units opened across 32 brands in the June 2020 quarter, predominantly in the categories of retail food, baked goods and home services, while 58 units across 21 brands permanently closed, predominantly cafés.

The greatest challenges in the June 2020 quarter were landlord issues (54%), the “wellness” of franchisees & support staff (54%) and franchisee financial performance (52%).

The survey demonstrated a high level of franchisor support for franchisees, with 69% of respondents indicating they were providing direct or indirect financial support to 100% of their franchise units. 24% of respondents indicated they were providing direct or indirect financial support to less than 25% of their units.

Significantly, 68% of franchisors reported taking specific actions to monitor and support the well-being of franchisees, up from 8% at the start of the pandemic.

The Franchise Council of Australia is the peak body for the \$184 billion franchise business segment, which includes 1,344 networks, with 90,000+ individual franchised outlets, employing 598,500 Australians across the nation.

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97% of respondents indicated they were providing “assistance with accessing government support programs” and “advice around navigating new regulations and restrictions”.

Franchisors were also particularly active supporting franchisees with landlord negotiations and providing royalty reduction and deferral programs.

The FCA has worked hard to support franchisees and franchisors through Covid-19, including providing pro bono legal assistance.

The majority of respondents described JobKeeper as “extremely helpful” (54%) or “very helpful” (18%). More than 70% of respondents thought JobKeeper should be extended until at least 31 December 2020 to protect employment.

“Given the long-term impact of Covid-19, the FCA is calling for the Federal Government to extend out the National Commercial Leasing Code of Conduct, which is due to finish in September when JobKeeper concludes. The FCA has also pushed for an extension to Jobkeeper for the hardest hit industry sectors,” said Ms Aldred.

The Franchise Council of Australia was assessed as the most helpful stakeholder during the June 2022 quarter, closely followed closely by external accountants and the broader franchise lending community for franchisees.

The FCA will use the information gathered to support ongoing submissions and representation to government for Australian franchising.

ENDS

- *Editor’s note: FRANdata (established in the US in 1989) commenced Australian operations in 2013 to help local franchising address key strategic challenges by providing one source for objective information and analysis. FRANdata now provides Brand Ratings, Finance Access Reports and Benchmarking services on participating Australian franchise systems. FRANdata also operates The Australian Franchise Registry™ which holds information on more than 200 brands or 30% of the Australian franchise sector.*
- *Report of Findings from the June 2020 Australian Franchise Sector “Pulse Check” survey is attached. For further comment please contact Sean Dignum via sean.dignum@franchise.org.au or via 0418 586 587.*

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