

Business sentiment recovers as restrictions lift

8 November 2021

There has been a significant rebound in business optimism of recovery in the next six months after a tough third quarter, according to the latest Australian Franchise Business “Pulse Check” survey.

The September Quarter 2021 survey included responses from 105 Australian franchise brands covering 17,119 individual business outlets (15,671 franchised and 1,448 company operated) and employing 113,048 Australians.

Average franchisee revenues for the quarter were more than 10% lower, compared with the corresponding 2020 quarter, according to 24% of respondents, compared with 10% in the preceding June quarter.

Only 31% of respondents reported revenue increases compared with the corresponding 2020 quarter (down from 54% and 45% in the previous two quarters) reversing the previous recovery trend in trading conditions.

Retail stores, baked goods and retail food industries reported the weakest performance with comparatively stronger or more resilient trading experiences occurring in the health, maintenance, courier, freight and logistics industries.

A total of 524 new business units were opened across the brands of 46% of respondents. These were predominantly in the categories of home maintenance, retail food and general services. 48 franchised units were permanently closed by 24% of respondents, predominantly in the building and construction and retail food industries.

QLD at 43% of respondents remained the strongest performing state for franchises over the past 12 months (up from 34% in the June quarter survey) followed by WA (27%), NSW (14%) and VIC (14%).

Respondents indicated that in the next twelve months they were most likely to expand business in NSW (41%) followed by QLD (27%), VIC (23%) and WA (8%).

Revenue expectations rebounded significantly with stronger revenue up to Christmas expected by 84% of respondents (up significantly from 32% in the June quarter).

The percentage of respondents feeling optimistic about business conditions into 2022 rebounded to 76% from the 22% recorded in the June quarter.

The greatest concerns reported in the September 2021 quarter were the risk of further government lockdowns (61%), availability of suitable employees (55%), wellness of franchisees and staff (49%), supply chain issues due to border closures (47%) and franchisee recruitment (40%).

58% of respondents were also concerned by negative or aggressive behaviour being experienced by staff requesting compliance of COVID health directives. 38% of respondents identified this poor behavior as happening “sometimes” with a further 20% reporting frequent occurrence.

“It is terrific to see an improvement in business sentiment but there are obviously still deep concerns about the risk of further lockdowns and border closures,” said Franchise Council of Australia CEO Mary Aldred.

“It’s also disturbing that business owners and managers appear to have cause to be concerned about the safety of their staff enforcing health directives,” said Ms Aldred. “Most customer facing staff are trained in sales and service, not face-to-face enforcement of restrictions and compliance.”

“Businesses which are part of a franchise network continue to outperform many other parts of the small-medium business sector and their optimism and resilience indicates they’re likely to be at the forefront of small business recovery in Australia in 2022,” said Ms Aldred.

Editor’s notes:

- *The “Pulse Check” survey is undertaken for the Franchise Council of Australia by FRANData to provide insights on the status and experiences of the Australian franchise sector during each quarter.*
- *The report of findings from the September Quarter 2021 Australian Franchise Sector “Pulse Check” survey is attached. For further information, please contact Darryn McAuliffe on 0412 789027 or dmcauliffe@frandata.com.au.*
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