

# The future of franchising

## Article

Franchises are a great way for retailers to expand their brand while collecting a steady stream of income. As inflation eats into profits and supply chain issues stamp out growth opportunities, some retailers might find potential operators asking if now's the right time to franchise.

Here's an outlook on how franchises will fare in the coming months:

- The International Franchise Association (IFA) predicts there will be **165,955 [retail food, products, and services franchise locations](#)** in the US this year, a **2.1%** increase year over year. This makes up about **20%** of total US franchise locations.
- Retail food, products, and services **[franchises will generate](#) \$130.3 billion** this year, **2.5%** more than last year, per the IFA. Total franchise output will reach over **\$826 billion**. Franchises (in all

categories) drive **1.8 times higher sales than non-franchise** establishments and provide **2.3 times** as many jobs.

- **Franchise Group**, owner of six franchise companies (including **The Vitamin Shoppe** and **Pet Supplies Plus**), **lowered its full-year guidance** in August, citing inflation leading to lower profitability in its home furnishings businesses. The company saw growth in its pet, health and wellness, and education services. President and CEO Brian Kahn said that as the cost of construction materials and labor improve, franchisees will have an easier time opening stores.
- **7-Eleven** is the only retailer to make **Entrepreneur's 2022 top 10 franchises** in the US and Canada. The convenience retailer was named the **fastest growing franchise worldwide** but didn't make the top 10 list for the US and Canada. The first retailer to show up, at No. 13, is Ace Hardware.
- It can be risky to **grow too big too fast**, warned Joshua Kovacs, co-founder and CEO of Oakscale Franchise Development. "If you've added 100 franchisees in two years, but you only have the development of the support capability to support 20 of them, you're going to have a lot of very unhappy franchisees who are probably not going to hit their business goals, and that can lead to structural issues with the franchisor."
- Franchises can be a double-edged sword, our analyst Suzy Davidkhanian said. "It helps scale your business more quickly without having to worry about additional cost to do business but reaping the benefits of an additional revenue stream. But on the other hand, since it is not obvious which stores are corporate vs franchisees, it becomes harder to own your brand experience and ensure the customer experience is the same regardless of who ultimately owns the outlet."

**Why we care:** The more franchises retailers open, the higher chance there is in making a profit. To continue to sign new franchisors, retailers need to prove the up-front costs are worth the risk, especially in today's economy.

*This was originally featured in in the Retail By the Numbers newsletter. For more retail insights, statistics, and trends, [subscribe here](#).*