



What's Driving Franchising's Growth?

1. Consumers

Franchising provides consumers with well-known, reliable, convenient name-brand products and services

2. Companies Wanting to Grow

Companies need to grow to maximize sales and profits and to realize economies of scale and marketing efficiencies.

Franchising provides companies with expansion capital, potential for high growth, dedicated local operators sharing the risks and costs, and better service to the customer.

3. Individuals Desiring to Own Their Own Businesses

Changing economic, demographic, and social factors are encouraging people to own their own businesses. They seek to be free from the pressures of the corporate world, and control their own destinies.

Here are some of the forces driving this desire to own a small business:

□ The Corporate Job Squeeze

Large companies aren't loyal anymore. Faced with competitive pressures, even the best of large companies that in the past never laid off workers, now are forced to do so as a result of corporate takeovers, leveraged buyouts, and increasing global competition. Employees increasingly feel "it's every man for himself!"

□ Transition from a Manufacturing to a Service Based Economy

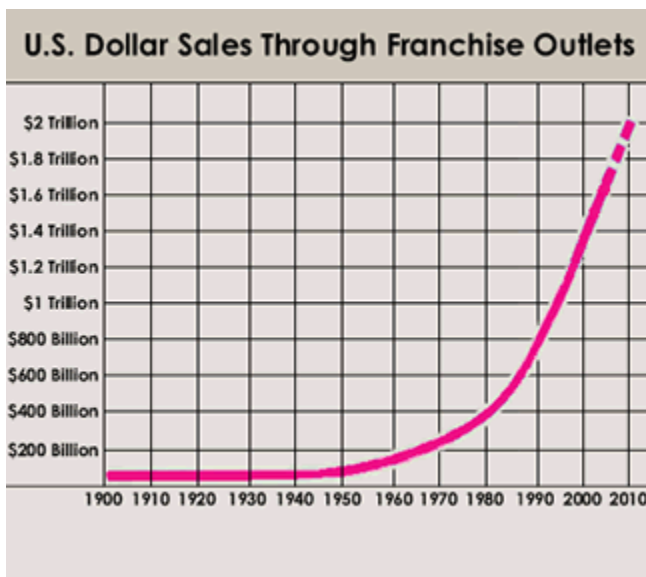
The developed countries of the world are being transformed from manufacturing to service based economies.

In the U.S. in 1900, 70% of the work force was employed in the production sector; 30% in the service sector. By 1950, the ratio was 50%/50%, and by 2000, 70% of the workers were in the service sector.

Manufacturing derives its efficiency from big mass production factories requiring a large investment to set up, thus limiting the total number of factories and eliminating the opportunity for a middle income individual to own a factory.

Service businesses realize efficiencies on a much smaller scale and therefore there can be many of them. Since a smaller investment is required to open a service business many more people can own one.

Additionally, the huge, aging baby boom generation, large numbers of women entering the workforce, the growing elderly population, changing attitudes regarding convenience and quality, emerging technologies, and mass advertising have created a tremendous demand for services and have encouraged development of a wide variety of service businesses.



□ **The Risk Takers**

Members of the current generation are more likely to take the risk to start their own businesses.

- Per capita income in real terms has increased dramatically, especially since 1950.
- By the year 2000, women comprised 50% of the work force. While this helps drive the demand for service businesses, it also provides families with two incomes and thus the financial ability to start a new business venture.
- The current generation is used to living on credit, doesn't know about "The Great Depression," and will take risks more readily than its parents.
- The civil rights movement, women's movement, high pay for athletes, entertainers, and corporate executives, combined with increased education and more individual freedoms have resulted in worldwide democracy movements and individuals seeking their "fair share." Individuals want to grab at the brass ring and fulfill their dreams.

All of the factors driving people to own their own businesses are also driving them to owning a franchise. Franchising offers these people opportunity with reduced risk. The high success rate of franchises, combined with the benefits of belonging to a network or chain, make franchising a very logical, attractive method of owning a business.

