



Lessons Learned in Franchising in 2018

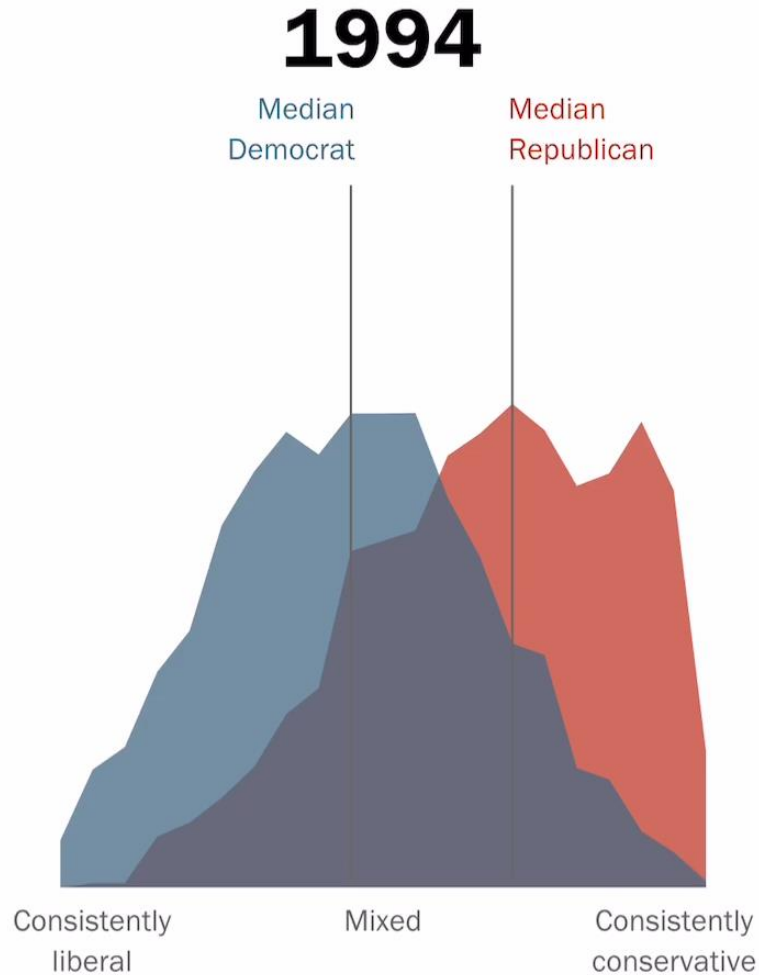
Robert Cresanti, CFE
President & CEO



International Franchise Association

- Founded in 1960, IFA is the world's oldest and largest organization representing franchising worldwide
- IFA's Mission: to protect, enhance and promote franchising
- IFA members include franchise companies in over 300 different business sectors, individual franchisees, and suppliers that provide products and services to the industry

How did we
get to
where we
are today?



What we learned: major wins are possible

- Passed **H.R. 3441, Save Local Business Act**, in the House. 8 Democrats voted in favor, record number in four years
- DOL rescinded its joint employer guidance in June 2017
- **Over 50 in-district events and meetings have been held with Members of Congress** and their local business communities to discuss joint employer
- Met FranPAC fundraising target of **\$1.2 million** for the cycle
- Broadened giving to **70/30** Republican to Democratic split
- Saved franchised businesses an estimated **\$8 billion in federal tax savings** each year as part of TCJA
- Administration rules on **AHPs** and **Association 401(k)s**
- **NLRB & DOL rulemaking on joint employer**
- IFA will soon announce significant economic research as part of the regulatory process
- Introduced **H.R. 4473, Veteran Entrepreneurs Act of 2017**, in the House, and **S. 2950** companion bill in the Senate
- Introduced **H.R. 6695, Trademark Licensing Protection Act**, in the House
- Increased number of states with proactive joint employer legislation to **19**. Fended off discriminatory minimum wage increase in **Saint Paul**, currently holding the line in **NYC**
- Multiple events with IFA leaders and members with the **President, Congressional leadership**, and cabinet officials including **Sec. Acosta, Sec. Mnuchin, SBA Administrator McMahon**, and many more
- **FASB** issued guidance on financial accounting standards which saved more **104,000 franchises from bankruptcy**, and **1.1 million jobs**, in the next three years





But there are significant challenges ahead

- A **Democratic House** and a **Republican Senate** will likely lead to greater **gridlock** for all non-essential legislation
- While there may be areas of bipartisan compromise on infrastructure, education, and workforce development, many of the bills passed by this Congress will reauthorize important programs or extend the nation's creditworthiness
- To further muddy the legislative waters, the shadow campaign for the **2020 elections** is well underway
 - More than a dozen Democrats are rumored or announced to be running for their party's nomination
- At the state level, we can expect similar legislative issues as we expect at the federal level, namely **the opposition to non-solicitation clauses, wage issues, and potential franchise relationship legislation**



- The Democratic House will aggressively use its oversight and subpoena powers over federal agencies – including those who have been focusing on franchise issues like joint employment – to slow down the Trump Administration’s agenda

The 116th Congress .

With a base that largely supports organized labor, House Democrats will want to forge ahead with so-called “pro-worker” legislation, such as the Workplace Democracy Act or other bills that also codify expanded joint employer standards, promote a \$15 per hour minimum wage, address non-solicitation clauses, or mandate card check.

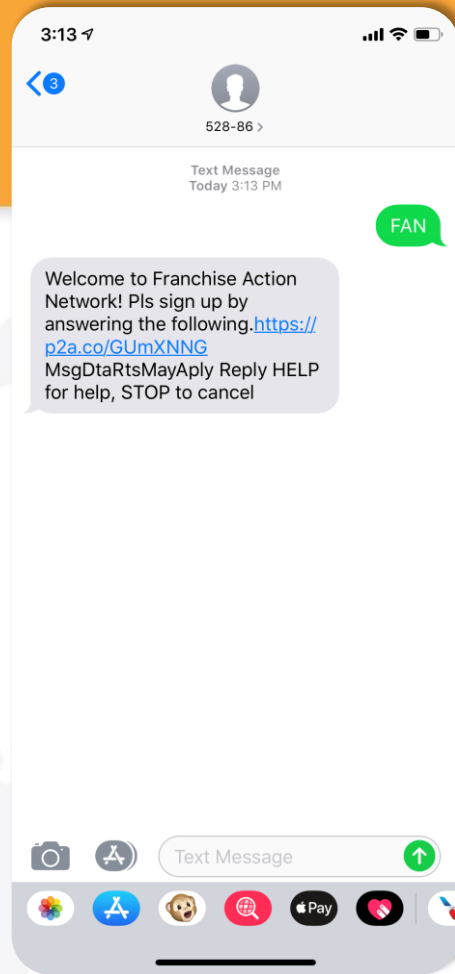


Key takeaway: build a “Gatehouse Defense”

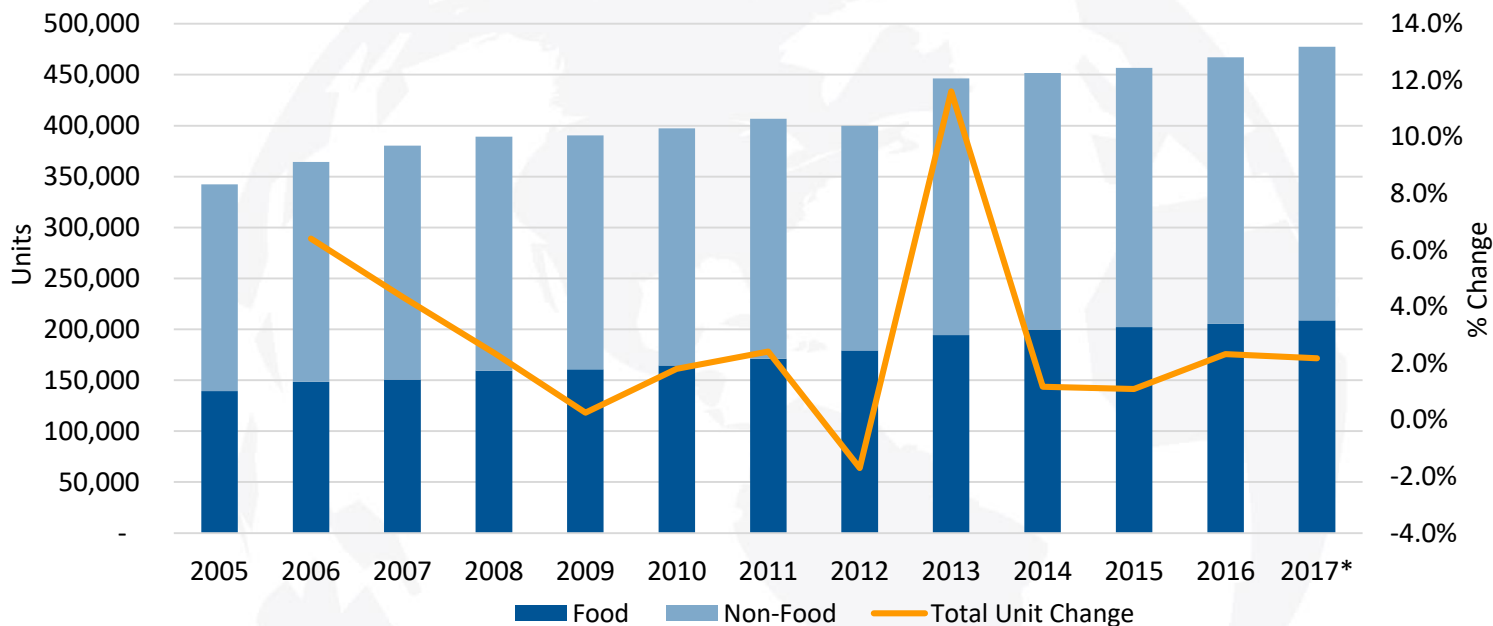
- IFA has worked to strengthen and increase our relationships with lawmakers on both sides of the aisle
 - **Increased bipartisan support** for our priorities
 - Blue Dogs, New Dems, and Diversity caucuses all key to defensive posture
- IFA has strengthened our relationship with incoming senators **Josh Hawley** in Missouri, **Mike Braun** of Indiana, **Rick Scott** of Florida, and **Martha McSally** of Arizona
- Senate map in 2020 favors Democrats
 - GOP defending demographically changing states like GA, NC, CO where Trump’s approval is lower than 2016
- Continue to work closely with the administration on regulatory changes that benefit franchise businesses
- We anticipate continued positive regulatory news from the administration, particularly related to the joint employer standard

These are important successes and strategies,
but **we can't do it without you!**

Text “**FAN**” to **52886** to
join the **Franchise Action**
Network and protect
franchising across the
country!



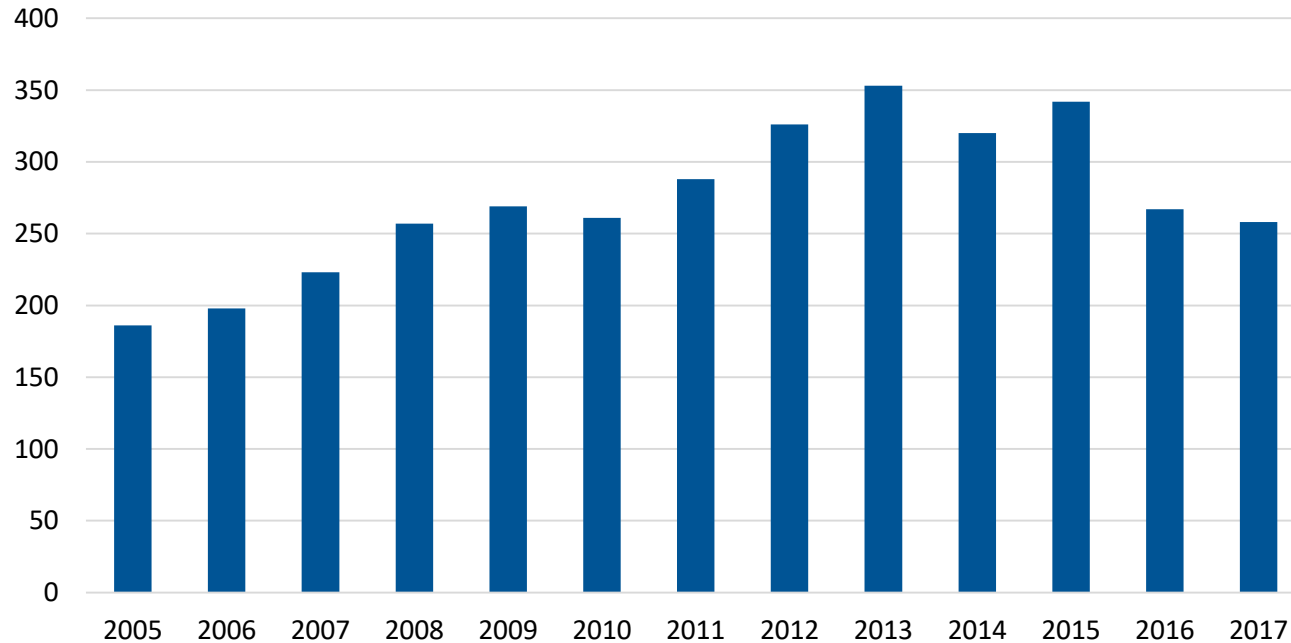
Market Metrics: Unit Growth



* Including estimates due to a lag in data availability.

Courtesy of FRANData

New Brands Entering the Market

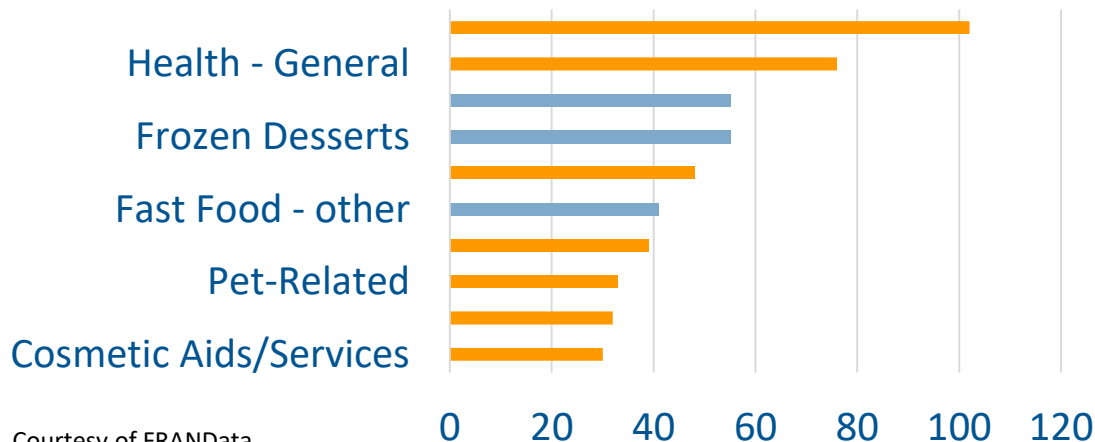


Courtesy of FRANData

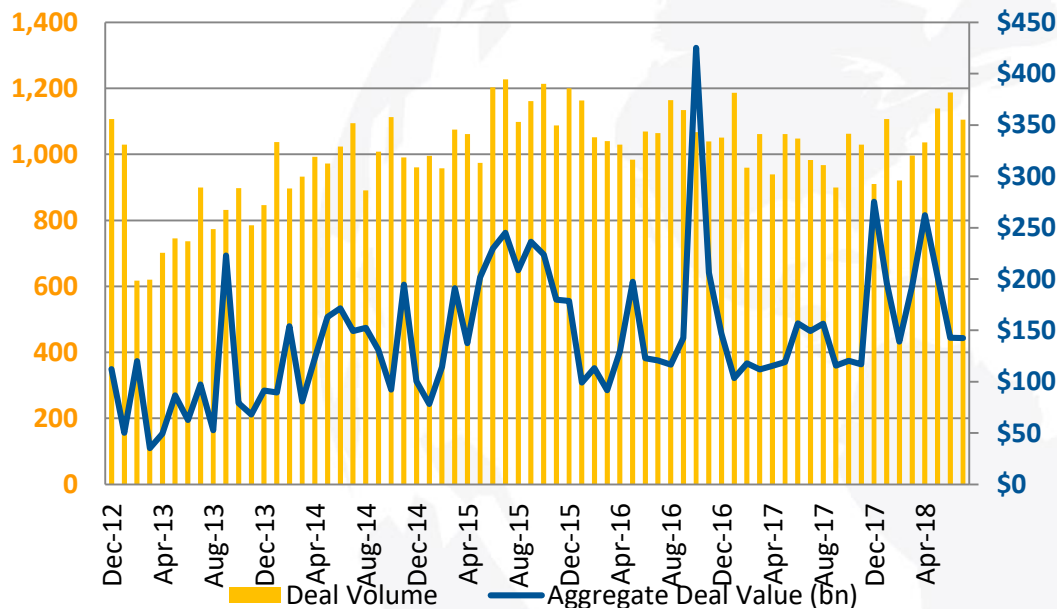
Top Sectors for New Franchise Brands

- 65% of brands entering the market are in nonfood and service sectors

Top Ten Sectors for New Franchise Brands

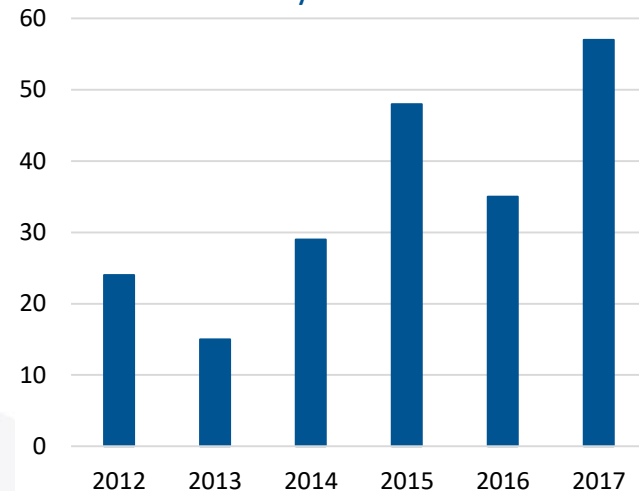


M&As in Franchising



Courtesy of FRANData

M&As by PE Firms in Franchise*



* Only include PE firms acquiring franchisors.



February 24-27, 2019 | Mandalay Bay, Las Vegas | www.franchise.org/convention

Thank You

