

How Franchising Can Save the Economy



Tom Scarda
October 2009

Unemployment rates haven't received this much attention since 1974. 35 States are now reporting that only 90 percent of their residents have jobs. Regularly it's 95 to 96 percent. Unemployment is double right now. What can we do about it?

President Obama, as well as most economists, acknowledge that small businesses are the backbone of the American economy. If corporate America can not create jobs for these displaced, talented individuals, perhaps some former employees would entertain free enterprise. But how does a former suit turn on a dime and start a business? Perhaps a franchise is the answer.

Franchising contains 75 industries that a new entrepreneur could be involved in. Many of these are recession resistant, low-start up, executive models. These characteristics are what are needed in this ever-changing, constricting economy. But, how does a former finance guy, for example, fit into a repair business? Easily! Good franchise companies are searching for former corporate-types, with all of their experience, to run a franchise and be the CEO, not the technician.

A paramount benefit of small franchise operations is that they create local jobs. According to a study released by the International Franchise Association in 2007, franchised businesses generate more than 11 million jobs with an annual payroll of 278.6 billion dollars. "The franchise industry is now the largest employer in the United States, surpassing the military", says Matthew Shay, President & CEO of the IFA.

Currently financing a new business has been a challenge. However, banks and the Small Business Administration have always held that lending money to a start-up franchise operation is safer than lending to an individual small business. The good news is there is money out there. A great credit score and a solid business plan are necessary. Lately many new franchise owners have been using their retirement funds to finance their future. Scores of folks have decided to invest in themselves this time around. This is a safe, tax and penalty free method of obtaining seed money. I have ample information on how this works.

Okay, so perhaps franchising may not save the entire economy but can you imagine if just a small portion of the millions of laid off corporate refugees started a new, small franchise business that is a needed service in their community? It would amount to thousands of little engines pumping life blood into our economy. Moreover, statistically, franchises employ an average of 10 staff members per unit and provide 10 additional jobs indirectly that help start and then supply the franchise.

Today franchise units across America account for 4.4 percent, or more than \$880 billion, of the United States' economic output. The franchise industry packs a great punch and is poised to help the economy both nationally and maybe in your neighborhood too!

Franchise Consultant - Tom Scarda -
FranChoice.com/tscarda 516-216-4793

