Subject: Do you have the next great business to franchise?
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Franchise industry sees a spring thaw ahead

The first edition of Private Intelligence, Crain's weekly deep dive into the challenges facing Chicago's privately held companies, explores the surprisingly strong climate for franchising right now.

H. LEE MURPHY

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*Welcome to **Private Intelligence**, Crain's new weekly feature exploring the challenges and opportunities facing Chicago's privately held companies and the people who run them.*

While most of the state worries about failing restaurants and bans on indoor dining, Baron Waller isn’t waiting. Already the owner of five local Culver’s fast-food franchises, Waller is getting ready to open a new Culver’s in Ravenswood in April, followed by another in Pullman in August. He’s got a couple more restaurants in planning beyond that.

“This period brings great opportunity,” says Waller, 59 years old and a Culvers investor for a decade. “I think my timing should be perfect.”

Baron Waller

Around all walks of the franchise industry, there is a growing consensus from experts that Waller is right. In practically every economic upheaval of the past 40 years, from the Great Recession of 2008-09 and the tech crash of 2000-01 as well as the milder downturn in 1990-91, hardship has been followed by a surge in franchise-buying. One key reason: High unemployment typical of a recession throws good middle-aged executives out on the street, often with well-financed buyout packages, ready to plunge ahead to new chapters in their lives working for themselves.

A perfect storm of economic conditions—low interest rates, high unemployment, cheap real estate, a buoyant stock market—has raised expectations that franchising is about to embark on a new era of serious expansion. **Don Boroian, the author of four books on franchising who has been the CEO of franchise consultant Francorp for nearly 50 years, had just three offices before the 2008 recession hit. That total mushroomed to 20 not long after the downturn ended. Boroian says that in recent months he’s observed a marked uptick in inquiries from investors.**

He points to the emergence of such local names as the Francorp client, Jimmy John’s sandwich chain in the past decade as proof of the importance of timing. “In the middle of a recession, companies go into survival mode. But then when conditions improve, they look to quickly add more locations,” he says. “As COVID is beaten, we’re going to see a move back to normalcy, and then a franchise feeding frenzy will start.”

Data on franchise performance in 2020 are not yet available from the industry’s main trade group, the International Franchise Association in Washington, D.C. Early in the year the IFA had cautiously predicted that U.S. franchised businesses would likely expand by 1.5 percent over the year to 785,300 establishments. Yet instead of hitting that target, the industry almost certainly shrank. But Stephen Worley, an IFA spokesman, says that “following previous recessions, franchises recovered at a faster rate than non-franchised small businesses. We are optimistic that 2021 will be a year of strong recovery.”