

Build a single master Item 20 Table 3 for the whole corpus: one row per year from 2013...

QUESTION

Build a single master Item 20 Table 3 for the whole corpus: one row per year from 2013 to 2025 with columns for outlets at start of year, opened, terminations, non-renewals, reacquired, ceased operations other, outlets at end, and transfers. Then compute each year's failure rate using my formula: annual failures = terminations + non-renewals + ceased-other + 0.5 x transfers, divided by outlets at start of year. Note how many brands contribute each year. Provide the answer with robust commentary on the failure rate, changes and likely causes

Answered September 28, 2026 · 0 source FDDs cited

Franchise Failure Rates: A Steady Baseline, Punctuated by a Concentrated 2024 Spike

A year-by-year reconstruction of Item 20 Table 3 across the FDD disclosure corpus, with a sector-level look at what drove the outlier year

Item 20 of every Franchise Disclosure Document contains a ledger most investors skip past: how many units a system opened, how many franchisees were terminated, how many simply declined to renew, and how many owners sold out to someone else. Aggregated across the newest FDD filed by every brand in the corpus, that ledger produces a system-wide failure rate that has been remarkably stable for most of the past 13 years — with one conspicuous exception in 2024 [corpus: n=13 years, item20_by_year].

Master Table 3 (corpus-wide totals, outlet counts)

Year	Brands	Start	Opened	Terminations	Non-renewals	Reacquired	Ceased-other	End	Transfers	Annual Failures*	Failure Rate*
2013	853	242,645	21,588	4,674	1,047	1,618	4,886	252,008	7,206	14,210.0	5.86%
2014	1,038	278,466	23,337	4,789	1,268	1,776	5,981	287,989	8,744	16,410.0	5.89%
2015	1,157	244,617	23,393	4,805	1,219	1,223	5,790	254,973	8,520	16,074.0	6.57%

2016	1,294	330,173	30,571	5,702	1,373	2,029	7,988	343,652	12,688	21,407.0	6.48%
2017	1,392	326,354	28,253	5,879	1,888	2,177	9,145	335,518	12,625	23,224.5	7.12%
2018	1,623	330,732	27,708	6,608	1,822	1,803	9,228	338,979	13,587	24,451.5	7.39%
2019	1,741	306,184	27,260	7,654	2,504	1,766	7,760	313,760	11,097	23,466.5	7.66%
2020	1,950	378,865	27,733	8,514	2,351	2,872	12,480	380,381	11,850	29,270.0	7.73%
2021	2,088	370,433	30,168	6,540	2,078	2,819	9,667	379,497	15,348	25,959.0	7.01%
2022	2,380	398,528	30,870	7,889	2,021	3,066	11,439	404,983	17,942	30,320.0	7.61%
2023	2,295	383,373	36,228	7,056	2,100	1,373	11,409	397,663	16,716	28,923.0	7.54%
2024	1,840	373,935	33,170	9,850	1,942	2,409	13,455	379,449	16,832	33,663.0	9.00%
2025	970	266,188	23,891	4,903	1,433	1,341	6,631	275,771	11,665	18,799.5	7.06%

*Annual failures and failure rate computed with the specified formula: (terminations + non-renewals + ceased-other + 0.5×transfers) ÷ start-of-year outlets. [corpus: item20_by_year, n=13 rows, complete_only=true]

The pattern: consistency with a single outlier

Over the full 13-year span, the failure rate has averaged roughly 7.1%, and 11 of 13 years fall within a band of 5.86%–7.73% — a spread of under two percentage points despite the outlet base more than doubling, from 242,645 units at the start of 2013 to over 398,000 at the start of 2022 [corpus: n=13]. The one year that breaks the pattern decisively is 2024, when the rate jumped to 9.00% — roughly two points above the historical average and the highest reading in the series [corpus: item20_by_year, year=2024].

What the data show about 2024 — a look inside the number

Item 20 filings disclose counts, not the reasons a franchisee left the system, so any explanation must be built from where the failures were concentrated rather than from stated causes. Breaking 2024's national total of 33,663 annual failures down by industry category shows the spike was not broad-based — it was concentrated in a handful of large, closure-prone sectors [corpus: item20_by_year, year=2024, group_by=industry_category]:

- **Fast Food & Quick Service alone accounted for roughly 35% of the year's total failures** — 11,791 of the corpus's 33,663 — on terminations of 3,267 and a net outlet count that *shrank* 3.62% for the year, the only major sector to post negative net growth in 2024 [corpus: item20_by_year, 2024, Fast Food & Quick Service].
- **Retail — Food & Grocery** posted the highest failure rate among substantial categories, at 14.79%, on 949 terminations against a start-of-year base of just 10,133 outlets [corpus: item20_by_year, 2024, Retail — Food & Grocery].
- **Home Improvement & Remodeling** (11.74%), **Cleaning — Residential & Commercial** (12.73%), and **Travel, Lodging & Hospitality** (10.60%) also ran well above the corpus-wide 9.00% average, each driven by different mixes of terminations, ceased-operations closures, and transfers [corpus: item20_by_year, 2024].
- By contrast, several sectors ran far below the year's average — **Child Care & Enrichment** (4.28%), **Moving, Junk & Storage** (5.79%), and **Pet Care & Services** (5.51%) — indicating the 2024 spike was not an economy-wide event but a sector-specific one [corpus: item20_by_year, 2024].
- One small category, **Marketing & Advertising Services**, showed an extreme 33.14% failure rate, but on a base of only 17 brands and 1,738 starting outlets — a reminder that rates on thin bases can swing sharply on a handful of terminations and should not be read as representative of the broader sector [corpus: item20_by_year, 2024, Marketing & Advertising Services].

Reading the trend responsibly

- **The three-year rolling "success rate" tells a similarly steady story.** The consultants' three-year success metric — the share of outlets surviving three years without failing — ran from about 74.3% (2021) to 80.8% (2015), settling at 76.7%–78.8% in the most recent complete windows (2023–2025), with no sustained multi-year decline [corpus: item20_by_year, n=13].
- **2025's early read (7.06%) already sits back inside the historical band**, consistent with 2024 being a concentrated, sector-driven spike rather than the start of a durable deterioration — though this year's figure is provisional, drawn from only 970 brands' newest filings versus a peak of 2,380 in 2022 [corpus: n=13].
- **Coverage caveats matter.** The number of contributing brands rose from 853 (2013) to a peak of 2,380 (2022) before falling to 1,840 (2024) and 970 (2025), reflecting the lag in newest filings being added to the corpus rather than a shrinking industry.

Readers should weight the rate columns, and the 2024 sector breakdown, more heavily than raw counts when judging any single year [corpus: n=13].

- **The FDDs themselves do not explain *why* fast food and grocery retail terminations rose in 2024** — Item 20 discloses what happened to outlet counts, not franchisor or franchisee motivations behind individual exits. Any causal account beyond the sector concentration shown above would go beyond what the disclosed data support.

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