

Complaint

120 F.T.C.

IN THE MATTER OF

## BLENHEIM EXPOSITIONS, INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF  
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3633. Complaint, Dec. 22, 1995--Decision, Dec. 22, 1995*

This consent order prohibits, among other things, a Florida-based company, that produces franchise trade shows and expositions, from misrepresenting the sales, income or profits, or the success rate of franchise owners, unless it possesses and relies upon competent and reliable scientific evidence to support the claims. In addition, the respondent is prohibited from misrepresenting the validity, results, contents, conclusions, or interpretations of any survey, test, poll or study.

*Appearances*

For the Commission: *Thomas Cohn, Eileen Harrington and Joan Bernstein.*

For the respondent: *Elaine Johnston, White & Case, New York, N.Y.*

## COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, as amended, 15 U.S.C. 41 *et seq.* ("FTC Act"), and by virtue of the authority vested in it by said Act, the Federal Trade Commission ("FTC" or "Commission"), having reason to believe that Blenheim Expositions, Inc., a corporation, ("respondent"), has violated certain provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges as follows:

PARAGRAPH 1. Respondent Blenheim Expositions, Inc. is a Florida corporation with its office and principal place of business at 1133 Louisiana Avenue, Suite 210, Winter Park, Florida.

PAR. 2. At all times relevant to this complaint, respondent has maintained a substantial course of business, including the acts and practices set forth herein, in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act, 15 U.S.C. 44.

PAR. 3. Respondent has advertised, promoted, marketed, or conducted franchise shows throughout the United States to promote the sale of franchises and business opportunities to consumers.

PAR. 4. Respondent has disseminated or has caused to be disseminated advertisements for franchise shows, including but not necessarily limited to the advertisements attached as Exhibits A, B and C. These advertisements contain the following statements:

A. "If you buy a franchise business, your chances of success are 94%! That's a fact, according to a recent Gallup Poll, which found that 94% of the 994 franchise owners polled considered their businesses successful." (Exhibit A, ad #1)

B. "The poll also found that the average pre-tax income among franchise owners is \$124,290!" (Exhibit A, ad #1)

C. "[A]ccording to a recent Gallup Poll, 94% of franchise owners are successful, averaging \$124,290 in pre-tax profits . . . !" (Exhibit A, ad #2)

D. "According to a recent Gallup Poll, 94% of franchise owners are successful, averaging \$124,290 in pre-tax income . . . !" (Exhibit A, ad #3)

E. "A recent Gallup Poll revealed that 94% of franchise owners are successful, that average pre-tax income is \$124,290 . . . !" (Exhibit A, ad #4)

F. "If You Go Into Business For Yourself, Your Chances of Success are 94% or 35%! WHICH WILL YOU CHOOSE? If you buy a Franchise Business, your chances of success are 94%! THAT'S A FACT, according to a recent Gallup poll. Conversely, it's estimated that only 35% of independent business start-ups survive 5 years." (Exhibit A, ad #5)

G. "The 1991 Gallup Poll revealed an average pre-tax income among Franchises of \$124,290 . . . ." (Exhibit A, ad #5)

H. "A recent Gallup Poll showed that 94 percent of franchise owners are successful, with an average pre-tax profit of \$124,290!" (Exhibit A, ad #6)

I. "A recent independent survey showed that franchise owners enjoy an incredible 94 percent success rate and an average income of more than 124 thousand dollars." (Exhibit B; television advertisement)

J. "A recent poll of 994 franchise owners showed a 94% success rate and an average pre-tax income of over a hundred and twenty four thousand dollars." (Exhibit C; radio advertisement)

A copy of the Gallup Poll referred to above is attached hereto and incorporated herein as Exhibit D.

PAR. 5. Through the use of the statements contained in the advertisements for franchise shows referred to in paragraph four, including but not necessarily limited to the advertisements attached as Exhibits A, B and C, respondent has represented, directly or by implication, that:

- A. Franchise owners earn an average income and/or average pre-tax income of more than \$124,000;
- B. Franchise owners earn an average pre-tax income and/or average pre-tax profit of \$124,290;
- C. A prospective franchise owner's chances of success are 94%;
- D. Franchise owners enjoy a 94% success rate;
- E. Representations A through D were proved by a Gallup Poll of franchise owners conducted in 1991.

PAR. 6. Through the use of the statements contained in the advertisements referred to in paragraph four, including but not necessarily limited to the advertisements attached as Exhibits A-C, respondent has represented, directly or by implication, that at the time it made representations A through D in paragraph five, respondent possessed and relied upon a reasonable basis that substantiated such representations.

PAR. 7. In truth and in fact, at the time it made representations A through D in paragraph five, respondent did not possess and rely upon a reasonable basis that substantiated such representations. Therefore, the representation set forth in paragraph six was, and is, false and misleading.

PAR. 8. In truth and in fact, the Gallup Poll of franchise owners conducted in 1991 does not prove representations A through D in paragraph five, for reasons including but not limited to the following:

- A. The poll participants were asked to report their annual gross income before taxes, and were not asked to deduct business expenses;
- B. The poll participants were drawn exclusively from a list of current franchise owners, and no former franchise owners were polled; and
- C. The poll included a disproportionate number of owners of multiple franchise locations.

Therefore, representation E in paragraph five was, and is, false and misleading.

PAR. 9. The acts and practices of respondent as alleged in this complaint constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

Complaint

EXHIBIT A

Empire Drive, Florence, Ky. 41042; 1-800-842-3636. Ask for ISBN No. 0538073217.

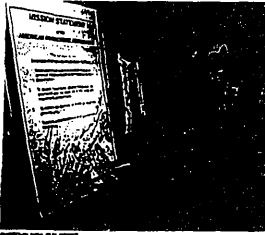
A book aimed at emerging and existing franchisors is *The Franchising Handbook* (AMACOM), edited by Andrew J.

Services For Veterans

VetFran is a nonprofit group that puts military personnel and veterans in touch with franchisors. Contact Charlie Wood, P.O. Box 3146, Waco, Texas 76707; (817) 753-4555.

Growth Assistance (MEGA) Center and presented by WIF

Spec



Founder Susan Kerion of the new American Franchise Association.

Seminars For Women And Minorities Women in Franchising (WIF) conducts several seminars aimed at introducing women and minorities to franchising. Scheduled seminars are:

April 24: Washington, D.C. This all-day franchise-orientation seminar, presented by WIF and sponsored by the U.S. Minority Business Development Agency, is aimed at minority-group members. It is free and will be held at the Washington, D.C., Convention Center. All participants will receive tickets to the international Franchise Expo (see the list at right). Call 1-800-222-4943.

May 15: Chicago. The Illinois Franchise Task Force sponsors a workshop presented by WIF at the O'Hare Holiday Inn; \$45 per person. For more information, call 1-800-222-4943.

May 1: Chicago. This is a three-hour introductory seminar on franchising sponsored by the Minority Enterprise

Sherman. Priced at \$75, this resource book is a collaborative effort by leading franchise authorities on a wide range of topics. To order, contact AMACOM, 135 West 50th St., New York, N.Y. 10020.

- June 26-27: Philadelphia
- July 31-Aug. 1: Dallas
- Aug. 14-15: San Francisco
- Sept. 11-12: Chicago
- Oct. 30-31: Atlanta

For more information, contact Blenheim International Franchise Expos, Inc., 1133 Louisiana Ave., Suite 210, Winter Park, Fla. 32789; (407) 647-8521.

A

# It's Not A Question of LUCK!

Starting a **SUCCESSFUL** Business of Your Own Isn't Just A Question of LUCK!

If you buy a franchise business, your chances of success are 94%! That's a fact, according to a recent Gallup Poll, which found that 94% of the 994 franchise owners polled considered their businesses successful. The poll also found that the average pre-tax income among franchise owners is \$124,390! There are almost 3,000 opportunities to choose from in over 60 different industries, and you don't need any prior experience! Start-up costs begin at well below \$10,000, and some can even be run from home!

Think of it as buying the job of your choice, AND being the boss!

So if you'd like to receive free, no-obligation information about franchising, franchise opportunities, and the world's largest franchise expo, call:

## 1-800-IFE-INFO

41 = 1

EXHIBIT A

# Could This Be You? <sup>AC = 2</sup>



"I never thought about franchising when I came across FLOOR COVERINGS INTERNATIONAL as a trade show. But one thing led to another and I invested \$13,500 in an FCI franchise. Business is fantastic and the corporate backup is absolutely outstanding. I only wish I'd done it sooner!"  
- Bill Wellings  
Franchisee,  
FLOOR COVERINGS INTERNATIONAL

"Being a single parent, I was excited about making money while helping children at the same time. Now I own my own business with a good income and the opportunity to be home for my children. My investment of time and money has been very profitable - right now I'm preparing to buy my second PRE-FTI franchise with a portion of the profits from my first!"  
- Donna Hendricks  
Franchisee, PRE-FTI

"My orthodontic practice doesn't allow me the time for hands-on involvement with another business. I wanted a quality investment opportunity that wasn't excessively risky, with better returns than 'no-risk' options. Investing in DENNY'S Restaurant franchises has given me the best of both worlds. I couldn't have made a better decision."  
- Dr. Edwin Crenshaw  
Franchisee,  
DENNY'S RESTAURANTS

"John and I shared a consuming desire to own our own business and nurture it into a highly successful operation. TUTOR TIME had developed a unique concept into a complete system, using transferable skills thoroughly taught to their franchisees. Our decision to own a TUTOR TIME franchise was a choice made with confidence."  
- Lori Lary  
Franchisee,  
TUTOR TIME

"I exercised my IBM early retirement option and my wife insisted that I go to the Franchise Expo. I never intended to buy a franchise. I didn't want to go to the Expo and I didn't want to be in the printing business. Now I'm in business for myself with a FRANKLIN'S PRINTING franchise. It was the best move I could have made!"  
- Joe Brewer  
Franchisee,  
FRANKLIN'S PRINTING

Whatever your reasons for wanting a successful business of your own, take a close look at the franchise option.

- Almost 3,000 separate franchise opportunities to choose from -
- Only a handful require any previous experience -
- 70 different industry sectors -
- Start-up costs from under \$10,000 to \$1 million plus -

Many independent business start-ups fail because of obstacles that could have been avoided. With a franchise, you'll be trained in avoiding those obstacles and in getting maximum potential from your business. AND you'll get ongoing support for as long as you run the business. You'll be in business FOR yourself, but not BY yourself.

And now - according to a recent Gallup Poll, 94% of franchise owners are successful, averaging \$124,290 in pre-tax profits, and 75% would choose the exact same business again!

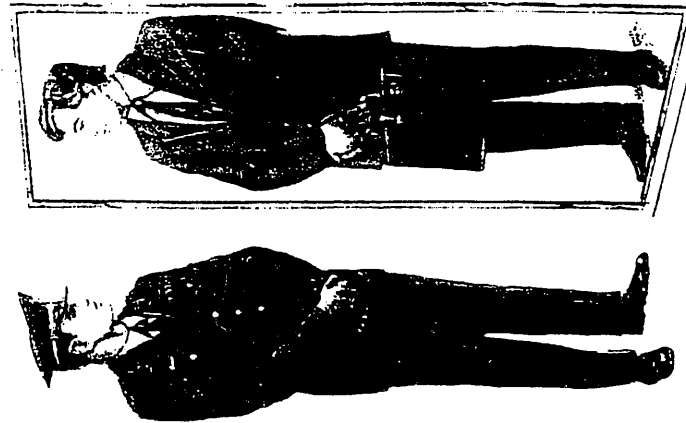
If you would like to receive a free, no-obligation brochure about franchising and the world's largest franchise expo, featuring over 300 exhibitors and a complete program of free seminars call toll-free (U.S. & Canada Only):

SPONSORED BY

**1-800-447-4400**

P.O. Box 17010 - Washington, D.C. 20031 • (202) 462-1111 • FAX (202) 462-8800 • Washington, D.C. Convention Center

EXHIBIT A



**We're Looking For  
A Few Good Candidates**

**Discipline - Leadership - Attitude**

The parallels between franchise companies and the military are striking - which is why most veterans are ideal for starting a **SUCCESSFUL** business of their own through franchising.

But don't take our word for it, here are the facts: According to a recent Gallup Poll, 94% of franchise owners are successful, averaging \$124,290 in pre-tax income, and 75% said they'd choose the exact same business again! What's more, there's now financial assistance exclusively for veterans through a new program co-sponsored by the Small Business Administration that makes it possible to start up a franchise with no money down!

With almost 3,000 opportunities to choose from in over 60 different industries, the best career advice may be... **GO INTO BUSINESS FOR YOURSELF, BUT NOT BY YOURSELF.**

To receive a free, no-obligation brochure about franchising and the world's largest franchise expo, featuring over 300 leading franchise chains, call **TOLL-FREE** now:

**1-800-IFE-INFO**  
*You're In Demand!*

**INTERNATIONAL Franchise**

and the proper management  
AD # 3  
"S Unicer Association trees."

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EXHIBIT A



**Look at what we'll be telling  
MILLIONS OF PEOPLE  
between now and the  
end of April...**

**THAT:** A recent survey revealed that 74% of franchise owners are successful that average pre-tax income is \$124,290; and that 75% of franchise owners would choose the exact same franchise again!

**THAT:** There are almost 3000 franchise opportunities to choose from in almost 70 separate industries!

**THAT:** Start-up costs range from under \$10,000 to over \$1 million and only a handful require any previous experience!

**THAT:** There will be more franchise opportunities at the IFA INTERNATIONAL FRANCHISE EXPO in Washington D.C. on April 23-25, 1993 than have ever before been gathered in one place!

**THAT:** Free information about the Expo is available by calling the International Franchise Expo 800 number hotline!

The IFA International Franchise Expo advertising and promotion campaign will impact MILLIONS of people in all 50 states and over 100 countries.



**THE SERIOUS BUYERS WILL BE THERE...  
WILL YOU?**

For a brochure, and up-to-the-minute details on remaining booth space, call:  
**407/647-8521** ASK FOR: John Jackel, Steven Locking, Richard Brunsmann or Tom Portessy



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Complaint

EXHIBIT A

At Kings Island, there are more than 100 coasters, including the fastest, longest, baddest roller coaster in all coasterland, the Beast. A suspended roller coaster, Top Gun (based on the hit movie) debuts in April. Not for the faint-of-heart, the roller coaster will feature cars hanging under the track rather than riding on top. Her favorite is the monorail ride through Wild Animal Habitat, where lions, tigers, and elephants play and roam freely. More than 54 million visitors have experienced chills and thrill at this park since it opened in 1972.

**M**ORE THRILLS ARE FOUND AT CONEY ISLAND, which features a 200-by-400-foot pool, the world's cleanest, and brightest recirculating swimming facility - plus miniature golf, picnic grounds, and children's rides. Kids love Zoom Flume water slide and the ZIPP roller coaster.

Any discussion of Cincinnati is incomplete without a word on food. After all, it is known as the "Eating Capital of the Midwest." At a restaurant town, "it's the only stop worth making between New York and San Francisco," says food guru Craig Claiborne. There's something to suit every whim and every wallet - from the five-star Maisonette to five-star chili. Nearly 150 restaurants specialize in the hot stuff, although Gold Star Chili and Skyline are the two big outliers. At Skyline alone, more than 66,000 pounds of beef and 40,000 pounds of mild cheddar cheese a week are used. (And hear the secret mix consists of chocolate and cinnamon.)

Bob Hope's favorite ribs are served at Montgomery Inn's Boathouse on the riverfront and there's also Johnny Bench's Hall of Fame steaks at the Precinct (an old police station). Whatever you do, don't leave without sampling Graeter's ice cream (macaroon, conut, double chocolate dip), which is shipped all over the country.

Savoring Cincinnati... it can become a habit.

Lilla F. Brady is managing editor of Cincinnati Magazine. **A**

**If You Go Into  
Business For Yourself  
Your Chances of Success  
are 94% or 35%!**

**WHICH WILL YOU CHOOSE?**

If you buy a Franchise Business,  
your chances of success are 94%!

THAT'S A FACT according to a recent Gallup Poll.  
Conversely, it's estimated that only 35% of  
independent business start-ups survive five years.

If you're serious about starting your  
own successful business, take a close look  
at what owning a Franchise Business can offer you.  
There are almost 3000 separate opportunities  
to choose from, in 70 different industries.

Start-up costs begin as low as \$10,000,  
and only a handful require prior experience!

The 1991 Gallup Poll revealed an average  
pre-tax income among franchisees of \$124,290,  
and that 75% of Franchise owners would  
choose the exact same franchise again!

So if you would like to receive a complimentary  
no-obligation brochure about Franchise opportunities  
and the World's Largest Franchise-Expo,

CALL TOLL FREE

**1-800-IFE-INFO**

Knowledge is Power.

AD #5



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## EXHIBIT A

ADVERTISEMENT

Enclosure C

AD#

6

SUCCESS READER SERVICE

SUCCESS SELECTS SUCCESS SELECTS

**LANIER**

15. The company with the strongest product guarantee in the industry has now set new standards of excellence with its award-winning copiers. Buvers Laboratory Inc., an independent office products testing firm, has lauded Lanier's comprehensive product line with its "Most Outstanding Copier Line of the Year" award. Lanier has a copier to fit your exact needs. With more than 1,600 locations in 80 countries, Lanier's dedicated service network is

ready to service your business. Call 1-800-852-2679 or circle no. 15.



16. **LifeTrends** – For more information on the half-day diet and/or the LifeTrends opportunity, call 1-800-688-5732 or circle no. 16.

17. **American Leak Detection** – Unique franchise opportunity in electronic leak detection and repair of concealed water and gas leaks. Protected territories still available. Financing available OAC. Circle no. 17.

18. **The Mentor Group Inc.** – Award-winning consultants that specialize in mentoring individuals as well as small corporations. Get the edge! Please call us at 404-936-8060 or circle no. 18.

19. **Styles-on-Video** – Become part of a growing network of independent Styles-on-Video computer imaging consultants/business owners. Proven success, unlimited marketing potential. Circle no. 19.

20. **Computer Associates Textor** – CA – Textor is the friendliest, easiest

word processor you will ever meet. For a limited time, it's just \$99 and *Grammatik* is free! Call 1-800-225-5224 today for a free demo disk or circle no. 20.

SUCCESS SELECTS SUCCESS SELECTS

**21. Blenheim**

The IFA International Franchise

Expo ("IFE") is the

world's largest franchise event, featuring hundreds of franchise opportunities. A recent Gallup Poll showed that 94 percent of franchise owners are successful, with an average pre-tax profit of \$124,290! The IFE is a three-day event (Friday to Sunday) April 23 to 25 at the Washington, D.C., Convention Center. Call 1-800-IFE-INFO (407-647-8521 outside U.S. and Canada). Circle no. 21.



FREE CBSI 486 SX Computer

## FREE 486 Computer Color Monitor Printer

You can earn \$2,000 to \$10,000 per month from your kitchen table providing needed services for your community. Computer Business Services needs individuals to run a computer from their home. You do not need to own or know how to run a computer. If you purchase our software, we will give you a FREE 486 computer, VGA color monitor, 80 meg hard drive and a printer. If you already have a computer, we will give you a discount. The industrial revolution is over but the service revolution is just starting. Rather than setting up offices all over the U.S., we are showing individuals and couples how to provide our services and letting everyone involved in this service revolution reap the benefits. Our way of training our new service providers and their success rate is the talk of the computer industry. Call or write for a free 3 hour cassette tape and color literature and find out how easy it can be for you to earn money in your spare time and help your community.

Call toll-free: 1-800-343-8014, ext. 48  
(in Indiana: 317-758-4415) Fax to: (317) 758-5827 Or Write:

COMPUTER BUSINESS SERVICES, INC., CBSI PLAZA, STE. 48, SHERIDAN, INDIANA 46069

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EXHIBIT B

I.F.A. FRANCHISE EXPO SPOT

Taped from CNN Headline News, 3-31-93, 8 o'clock Hour

Audio

Announcer: How would you like to own your own successful business and earn over 124 thousand dollars a year.

Well a recent independent survey showed that franchise owners enjoy an incredible 94 percent success rate and an average income of more than 124 thousand dollars.

There are thousands of franchises to choose from. With start-up costs from less than 10 thousand dollars. And you don't need any previous experience.

If you're serious about running your own business, call this toll free number now to receive a free brochure on franchise opportunities and the world's largest franchise expo.

Video

Super: OWN YOUR OWN BUSINESS? EARN \$124,000+ A YEAR!

Super: Independent Survey 94% Success Rate! Average Income \$124,290! Poll Surveyed 994 Franchise Owners

Super Over Video: Call Now! 1-800-IFE-INFO

Video: People talking to franchisors at booths. Logo's and booths shown of: Subway, Athlete's Foot, Burger King, American Carpet Gallery, Baskin Robbin, Las Vegas Discount Golf and Tennis, Long John Silver

Super: International Franchise Expo (top left screen) IFA Logo (top right screen) APRIL 23, 24, 25, 1993 WASHINGTON, D.C. CONV. CTR. World's Largest Franchise Expo! 1-800-IFE-INFO

Open to the Public

## EXHIBIT C

## Radio ad for International Franchise Expo - 60 secs

-----  
ARE YOU READY TO RUN YOUR OWN SUCCESSFUL BUSINESS?  
WE'LL GET READY, BECAUSE THE WORLD'S LARGEST FRANCHISE  
EXPO IS JUST AROUND THE CORNER.

VISIT THE INTERNATIONAL FRANCHISE EXPO THIS FRIDAY,  
SATURDAY AND SUNDAY AT THE WASHINGTON D.C. CONVENTION  
CENTER AND FIND OUT HOW THOUSANDS HAVE BECOME  
SUCCESSFUL BUSINESS OWNERS, EVEN WITH NO PREVIOUS  
EXPERIENCE.

A RECENT POLL OF 994 FRANCHISE OWNERS SHOWED A 94% SUCCESS  
RATE AND AN AVERAGE PRE-TAX INCOME OF OVER A HUNDRED AND  
TWENTY FOUR THOUSAND DOLLARS.

MCDONALDS, BURGER KING, MINEKE MUFFLERS, DRYCLEN USA AND  
HUNDREDS MORE - THIS IS YOUR ONCE-A-YEAR OPPORTUNITY TO  
MEET THEM ALL UNDER ONE ROOF AND FIND THE BUSINESS THAT  
SUITS YOU.

IF YOU'RE SERIOUS ABOUT BEING IN BUSINESS FOR YOURSELF BUT  
NOT BY YOURSELF, CALL ONE, EIGHT HUNDRED, FOUR THREE THREE.  
FOUR SIX THREE SIX FOR DETAILS.

THE INTERNATIONAL FRANCHISE EXPO, THIS FRIDAY, SATURDAY  
AND SUNDAY AT THE WASHINGTON D.C. CONVENTION CENTER FROM  
10AM UNTIL 5PM EACH DAY. CALL ONE EIGHT HUNDRED, FOUR  
THREE THREE, FOUR SIX THREE SIX.

DON'T MISS IT - IT MAY HOLD THE KEY TO YOUR FUTURE!  
-----

BLENHEIM EXPOSITIONS, INC.

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EXHIBIT D

*The Gallup Organization, Inc.*

PRINCETON, NEW JERSEY

*Association Research Group  
300 South 68th Street  
Lincoln, Nebraska 68510  
(401) 489-8700*

INTERNATIONAL FRANCHISE ASSOCIATION

Washington, D.C.

FRANCHISE BUSINESS OWNER STUDY

January 1992

Prepared by

The Gallup Organization, Inc.  
Princeton, New Jersey

Copyright © 1992 International Franchise Association

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## EXHIBIT D

*The Gallup Organization, Inc.*

PRINCETON, NEW JERSEY

INTERNATIONAL FRANCHISE ASSOCIATION  
Washington, D.C.

## NATIONAL FRANCHISE OWNER STUDY

*Executive Summary*

January 1992

Prepared by  
The Gallup Organization, Inc.  
Princeton, New Jersey**Introduction:**

The Gallup Organization, Inc. of Princeton, New Jersey conducted market research for the International Franchise Association (IFA) of Washington, D.C. The overall purpose of this market research was to determine, among franchise owners, their attitudes and opinions with regard to their franchise-owning experience.

**Methodology:**

To accomplish the objectives of this study, Gallup interviewed, by telephone, a national sample of 994 franchise owners across the continental United States during November and December 1991.

**Stability of Results:**

At the 95% level of confidence, the maximum expected error range for a sample of 994 respondents is  $\pm 3.1\%$ . Stated more simply, if 100 different samples of 994 individuals who were franchise owners in the United States were chosen randomly from a national sample of franchise owners, 95 times out of 100 the results obtained would vary no more than  $\pm 3.1$  percentage points from the results that would be obtained if the entire franchise owner population were interviewed.

EXHIBIT D

National Franchise Owner Study

Major Findings:

1. Almost all (94%) of the respondents said that overall, they considered their franchise operation to be either very (47%) or somewhat (47%) successful.
2. More than seven-tenths of the franchise owners said that their franchise operation had either exceeded or met their expectations with regard to both their personal satisfaction in operating the franchise (76%) and their overall satisfaction (73%).
3. The respondents' high ratings of satisfaction and success of their operation did not come without hard work. More than eight-tenths of the owners said their franchise operation had met most of, or exceeded, their expectations with regard to the number of hours they had to work (they had to work more). In fact, a positive correlation existed between the respondents' overall satisfaction with the franchise and their levels of active involvement. The higher the respondents' level of active involvement on a day-to-day basis with the franchise, the higher their level of satisfaction.
4. Three-fourths (75%) of the respondents said that if given the same opportunity (knowing what they know now) they would purchase or invest in this same franchise business again. Respondents who had income of \$50,000 or more were particularly likely to make such a re-investment (81%). Although respondents with higher incomes tended to be more likely to re-invest in the same franchise (if given the same opportunity), it should be noted that the majority of all respondent groups said they would repeat the investment in the franchise again if given the chance.
5. More than six-tenths (63%) of the owners said they were more satisfied with their franchise than with previous business experiences, while 23% reported the same level of satisfaction.
6. Almost eight-tenths (79%) of the respondents rated their relationship with their franchise or company as being either excellent (39%) or good (40%). Only 6% reported "poor" working relationships.

<b>Gender</b>	
Male	82%
Female	18%
<b>IFA Membership</b>	
Member	71%
Nonmember	29%
<b>Ownership of Franchise Operation</b>	
Sole Owners	63%
Multiple Owners	36%
<b>Years in Business</b>	
Mean	7.4 yrs.
Median	5.0 yrs.
<b>Estimated Gross Income Before Taxes</b>	
Mean	\$124,290.



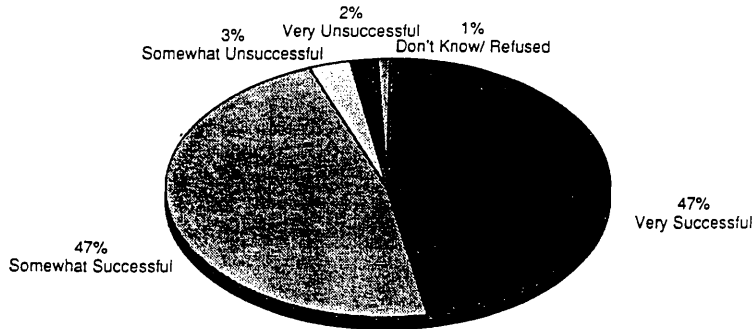
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EXHIBIT D

Overall Success

"Overall, would you consider your franchise operation to be very successful, somewhat successful, somewhat unsuccessful or very unsuccessful?"  
(n=994)



- Almost all (94%) of the respondents said that overall, they considered their franchise operation to be either very (47%) or somewhat (47%) successful. Only one in fifty (2%) said they considered their franchise operation to be very unsuccessful.
- Those respondents who tended to rate their franchise operation overall as being more successful included:
  - respondents with incomes of \$150,000 or more (67%)
  - respondents who had been in business for 11 years or more (57%)

Response	% Total
Less than \$50,000	26%
\$50,000 to less than \$100,000	23%
\$100,000 to less than \$300,000	26%
\$300,000 or more	11%
Don't Know	2%
Refused	12%

• On average, respondents reported their annual gross income, before taxes, as a franchise owner was \$124,290. Approximately one-half of the respondents (48%) reported a gross income under \$100,000, while slightly more than one-third (36%) grossed over \$100,000.

Response	% Total
\$50,000 or less	37%
\$50,001 to \$100,000	19%
\$100,001 to \$300,000	15%
\$300,001 or more	11%
Don't Know	4%
Refused	14%
Mean Cost	\$147,570

• As would be expected, respondents reported a wide variety of amounts of total investment cost that they incurred for their franchise. On average, however, respondents reported investing \$147,570.

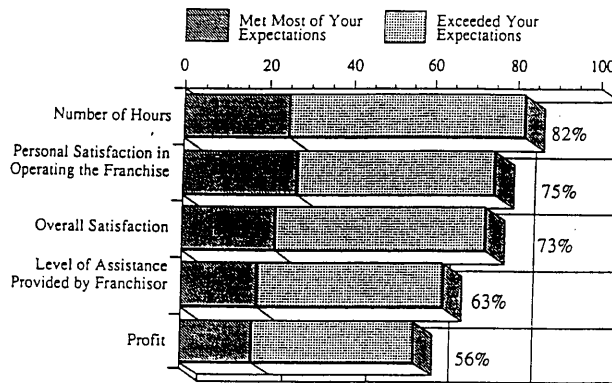


INTERNATIONAL FRANCHISE ASSOCIATION

EXHIBIT D

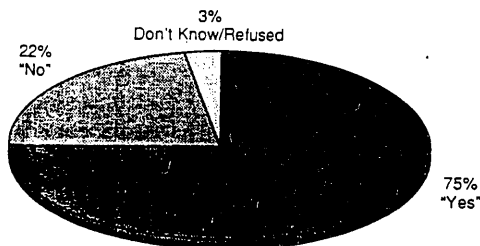
Expectations

Level of Expectations Being Met for Various Aspects of the Franchise



Given Another Chance...

"Knowing what you know now, if given the opportunity, would you purchase or invest in this same franchise business again?"  
(n=994)



- Those respondents who tended to be most likely to repeat their franchise investment included:
  - respondents with annual gross incomes of \$50,000 or more (81%)
  - respondents who own two or more franchises (79%)
  - respondents who had been in the business five years or less (77%)



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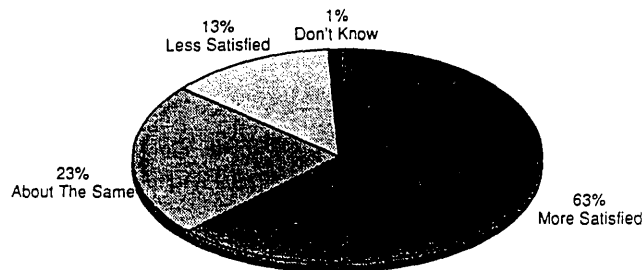


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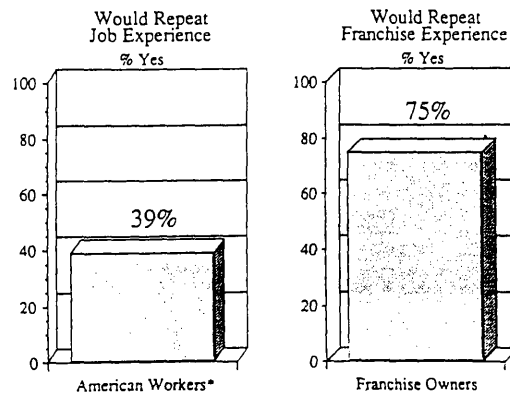
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**Comparison to Other Businesses/Jobs**  
 Level of Overall Satisfaction as an Owner of a Franchise  
 Compared to Other Businesses Owned/Operated or Jobs Held  
 (n=994)



• Relative to other businesses they have owned or operated, or other jobs they have held, a majority of respondents (63%) reported they were more satisfied with the franchise operation. Only slightly more than one-tenth (13%) of the respondents said that previous businesses they had owned or operated or jobs they had held proved to be more satisfying than their current position of owning a franchise.

**American Workers/Franchise Owners**



\* Results are based on a national Gallup poll of n=783 Americans, 18 and older, who held jobs, conducted in July, 1991, with a plus/minus 4% error range.

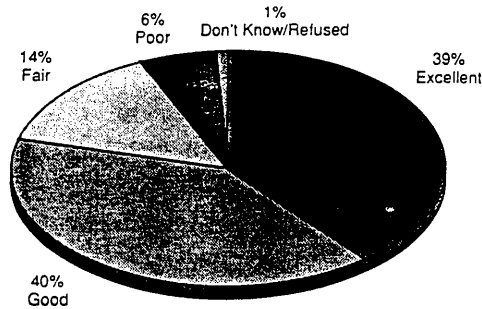


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Relationship With Franchisor

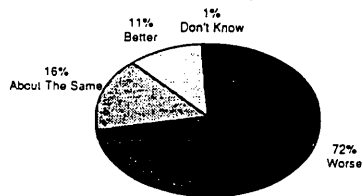
Ratings of Working Relationships with Franchisor Company  
(n=994)



Approximately four-fifths (79%) of the respondents rated their relationship with the franchisor company as being either excellent (39%) or good (40%). Only 6% of the respondents rated this relationship as poor.

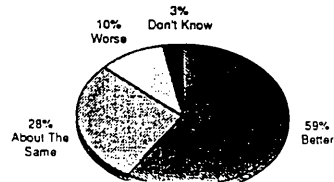
Rating of Economic Conditions

"As a business owner, compared to three years ago, do you think general economic conditions are better, about the same or worse?"  
(n=994; % Total)



Looking Ahead

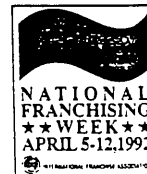
"As a business owner, in the next three years, do you think general economic conditions will be better, about the same or worse?"  
(n=994)



For More Information

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International Franchise Association  
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Washington, D.C. 20005-4709  
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Fax: 202-628-0812

The International Franchise Association, founded in 1960, is the oldest and largest association representing franchisors in the world. IFA serves as a resource center for both current and prospective franchisors and franchisees, as well as government and the media.



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## EXHIBIT D

## Complete Study

Introduction

The Gallup Organization, Inc. of Princeton, New Jersey conducted market research for the International Franchise Association (IFA) of Washington, D.C. The overall purpose of this market research was to determine franchise owners' attitudes and opinions toward the franchise experience.

Methodology

To accomplish the objectives of this study, Gallup interviewed, by telephone, a national sample of 994 franchise owners across the continental United States during November and December 1991. Gallup utilized a multiple callback methodology in which up to ten callbacks were made in the same telephone number in order to eliminate bias in favor of those franchise owners easy to reach by telephone. Gallup provided experience, professionally trained interviewers under the exclusive employment of Gallup. All interviewers involved in this project were briefed specifically as to the objectives and methodology of the study.

All field work was validated at the 10% level by supervisory callbacks. Telephone interviews were monitored internally as part of the ongoing Gallup process for evaluating interviewers. All completed questionnaires were edited and coded independently as a quality control measure.

Sampling and Weighting Methodologies

The sample of franchise locations used for this survey was based on a two-stage stratified probability design with clustering within units (franchisor systems) drawn at the first stage.

An adequate master list, or "frame" of independent franchise locations did not exist prior to the beginning of this project, at least not in a form that included the relevant business locations and was at the same time practically useful. Available sampling frames were either too inclusive (i.e., Dunn & Bradstreet's business universe of over 7 million U.S. businesses, from which it was impossible to select franchise location directly, and which therefore would have required extensive and costly telephone screening), or incomplete and unacceptably biased from the point of view of representing the universe of franchise locations.

In order to provide a sample of franchise locations that would provide both acceptable coverage of the population and reasonable cost efficiencies, The Gallup Organization hired Documents To Go, a Washington DC-based company to draw the sample for a survey of franchise locations research.

Documents To Go was instructed to draw the sample in two phases. First, Gallup requested a listing of active franchisors, to be as complete and accurate as possible. The completeness and accuracy of this listing was secured, to the degree that it is possible to do so, by the use of cross-checking of whatever sources were available. The requested listing included the names of franchisors and number of active franchise units for each (i.e., a count of the number of active franchise locations that does not include company-owned locations). Documents To Go, in response to that request, compiled a list of 1,723 U.S., franchisors and provided the number of franchise locations in the U.S., according to the sources used for compilation of the list. Gallup divided this list into five size of franchisor system

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groupings, or strata, as described in the first column of the table provided below. A random sample of franchisors was selected within each stratum; the sample sizes are provided in the second column of the table.

The second stage of sampling was carried out by Document To Go personnel, who were instructed to draw systematic samples of franchise locations for each of the 500 franchisors selected in stage 1. The number of franchise locations selected within a franchise organization (the "cluster size") was dependent upon the size of the organization; larger samples of franchise locations were drawn from larger organizations, as shown in the table below:

TABLE 1: SAMPLE DESIGN FOR FRANCHISE SURVEY

Size of Franchisor System	Number of Franchisors Selected	Cluster Size
1-2	80	1
3-10	135	2
11-100	150	6
101-1,000	100	20
1,001+	35	50

The sample provided by Documents To Go was used to complete 994 interviews with franchises. The designs used to draw the sample of franchisees requires weighting before it can be used to represent the population of franchisees. The weighting was intended to correct two potential sources of disproportionality; at the franchisor selection stage, and at the franchise location selection stage. First, a weight was appended to each data record to correct for the fact that the probability of selection at the second stage of sampling was not equal across franchisors (i.e., 50 franchise locations were selected whether the franchisor organization contained 1,001 or 3,000 locations). A second, independent adjustment was made to correct for the fact that the probability of selection at the first stage of sampling was not equal across franchisor size strata (i.e., franchisors had the same probability of selection whether their organizations included 101 or 1,000 franchise locations). A final poststratification adjustment was used to ensure conformity between the weighted distribution of franchise locations by size stratum, and the known distribution. The analysis provided in the tabulations and the report are based on the sampling and weighting procedures described above, designed to allow projections to be made from the survey data to the population of franchise owners.

Survey Instrument Development

Items included in the questionnaire were mutually agreed upon by The Gallup Organization and IFA. IFA had responsibility for identifying question areas and information desired. Gallup had responsibility for ensuring that all items that were written were technically correct and without bias.

Stability of Results

At the 95% level of confidence, the maximum expected error range for a sample of 994 respondents is ±3.1%. Stated more simply, if 100 different samples

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of 994 individuals who were franchise owners in the United States were chosen randomly from a national sample of franchise owners, 95 times out of 100 the results obtained would vary no more than  $\pm 3.1$  percentage points from the results that would be obtained if the entire franchise owner population were interviewed.

Reports Prepared

IFA has been provided a complete set of tabular results by frequency and percentage for each of the major classifications. These tabular results should serve as reference material and be consulted before important decisions are made. This narrative report focuses on what are felt to be the most meaningful findings of this study.

## EXHIBIT D

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TABLE A  
Sample Characteristics  
(n=994)

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	<u>Percent</u>
<u>Gender</u>	
Male	82%
Female	18
<u>IFA Membership</u>	
Member	71%
Nonmember	29
<u>Ownership of Franchise Operation</u>	
Sole owner	63%
Multiple owners	36

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-- The typical franchise owner had the following characteristics:

- male (82%)
- was an IFA member (71%)
- was the sole owner of a franchise (63%)

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"In total, how many years have you been in business as a franchise owner?"

TABLE 1

Number of Years as a Franchise Owner -- in Total

<u>Number of Years</u>	<u>% Total (n=994)</u>	<u>% IFA Membership</u>	
		<u>Member (n=593)</u>	<u>Nonmember (n=401)</u>
Less than 1 year	5%	4%	9%
One	6	6	4
Two	11	10	11
Three	15	17	11
Four	11	9	14
Five	8	9	7
5 years or less (Net)	56%	56%	56%
Six	6	6	7
Seven	3	2	5
Eight	5	5	5
Nine	3	3	4
Ten	3	3	4
6-10 years (Net)	20	18	25
11-15 years (Net)	12	11	13
16-20 years (Net)	6	7	3
21 years or more	6	8	2
Mean (years)	7.4	7.8	6.5
Median (years)	5.0	5.0	5.0

- More than one-half (56%) of the respondents said they had been a franchise owner for five years or less. More than three-fourths (76%) had been in the business as a franchise owner for ten years or less.
- On average, respondents said they had been in the business as a franchise owner for slightly more than seven years (7.4). IFA members (7.8 years) tended to have been members slightly longer than their nonmember (6.5) counterparts.

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## EXHIBIT D

"In total, how many years have you been in business as a franchise owner for this particular business?"

TABLE 2  
Number of Years as a Franchise Owner -  
This Particular Business

Number of Years	%	% IFA Membership		
		Total (n=994)	Member (n=593)	Nonmember (n=401)
Less than 1 year	7%			9%
One	6		7	4
Two	12		12	12
Three	16		17	13
Four	11		10	13
Five	8		9	7
5 years or less (Net)	60%		60%	59%
Six	6		6	7
Seven	4		3	6
Eight	4		5	4
Nine	3		2	4
Ten	3		3	4
6-10 years (Net)	21		19	26
11-15 years (Net)	10		9	13
16-20 years (Net)	4		5	2
21 years or more	6		8	1
Mean (years)	6.8		7.1	5.9
Median (years)	4.0		4.0	4.0

- Six-tenths (60%) of the respondents said they had been franchise owner of a particular business they were being interviewed about for five years or less. Approximately eight-tenths (81%) had been owners of that business for ten years or less.
- On average, respondents had been owners of that particular business for approximately seven (6.8) years.

