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FRANCHISING IN NEBRASKA

Almost any town or city in Nebraska and the nation, rapid growth in franchising is the most visible business development of modern times. That there seems to be no limit to the ingenuity of franchisors may be confirmed by examination of the classified section of a telephone directory. Franchising indeed fits the cliché of supplying everything from the cradle to the grave because it encompasses almost every imaginable kind of business from babysitting services to mausoleum enterprises. Allegedly if franchises do not now range from "a to z" they will soon when an innovative franchisor completes plans for a nationwide system of "kiddie" zoos. At the moment franchising covers the alphabetical gamut at least from art galleries to wait-staff services.

What Is Franchising?

Franchising is a marketing technique that originated in the United States at the turn of the century when the first automobile manufacturers and petroleum dealers began licensing car dealers and gasoline service stations to retail their products in new areas. It is estimated that even today about 57 percent of the nation's 600,000 franchise businesses are in the automobile-related field, principally gas stations. Nationwide advertising and publicity provided supportive services to the early automobile dealers, and before long the franchising idea was adopted in other retail fields - primarily drug, variety, and auto parts accessory stores.¹ Now more than one thousand companies market products and services through franchised outlets.

Today's definition of franchising may be simplistically defined as an agreement or contract whereby a supplier who has developed a successful product or service (the franchisor) sells to a retailer (the franchisee, or franchise holder, as he is often called) the right to conduct a specific business under the franchisor's name. This marketing system thus seeks to combine the incentive of personal ownership with the expertise of big business. In effect the franchisor sells cost and quality controls, production techniques of production and distribution, and advertising and promotional aids to capitalize on an established brand-name product or service. The franchisee contributes capital, ability, labor, and personal involvement in the success of the business.

A Billion Dollar Business in the State

Only a few months ago the Bureau of Business Research undertook a survey of the numbers and kinds of franchise businesses located in the principal towns and cities of the state. It became apparent almost immediately that any compilation of such business statistics would be out-of-date from week to week and that any enumeration

meration by category of franchise outlets would be inaccurate before an article could be prepared and published. It became apparent also that whereas the proliferation of franchisees in Nebraska is so rapid that it cannot possibly escape attention, there is also an increase in the number of Nebraska companies that are becoming franchisors. This growth has not been generally recognized, but it too is highly significant in the economic development of the state. Concomitant with increases in the number of franchisors and franchise holders, new business organizations have developed to serve the fast-growing industry. There are in Nebraska representatives of all the larger international franchise organizations, franchise brokers, and investment companies with specialists in franchise stocks.

Franchise business is big business in Nebraska and in the nation. Nationally annual sales through franchised outlets are estimated to amount to over \$90 billion or somewhat more than 10 percent of the Gross National Product. Although it is difficult to determine the amount of franchise-related sales in Nebraska, indications are that an estimate of a billion dollar business can be justified.

Published figures from the 1967 Census of Business make it possible to identify the two largest categories of franchises - automotive dealers and gasoline service stations, which together accounted for 19 percent of the total number of retail establishments in Nebraska and for almost 26 percent, or about \$654 million, of total retail sales. It is known also that a considerable proportion of the \$127 million receipts of the state's eating places and the \$82 million sales of drug stores must be attributed to franchise business. Annual sales of merchandising machine operators, almost all franchised, amounted to another \$9 million.

Franchising undoubtedly accounted also for much of the total business done by other categories of retail trade such as building materials, hardware, and farm equipment; general merchandise stores; apparel and accessory stores; furniture, home furnishings, and equipment stores; and food stores.

To a considerable extent the business done by Nebraska service establishments also must be attributed to franchised outlets, although it is impossible to estimate the amount or proportion. Coin-operated laundry and dry cleaning establishments are known to be largely franchised and, according to the 1967 Census of Business, had sales of \$3.75 million. Undoubtedly a high proportion of the \$40 million receipts of hotels, motels, and similar facilities were from franchised establishments, and there can be no question that franchising plays a significant role in other categories of service enterprises such as conventional laundry and dry cleaning concerns, business services, automotive repair shops, other repair services, and motion picture and other

¹ You Ready for Franchising?, Small Marketers Aids, No. 1, Small Business Administration, Washington, D. C.

on enterprises.

g to the Census of Business, retail sales in Nebraska for two and a half billion and receipts of selected ser- vices were almost \$323 million, a combined total of 1.1 billion. Although the proportion of such business at- tributable to franchised operations varies from state to state, a reasonable percentage has been agreed upon by researchers. Their figure to use in making estimates of the ratio of franchise sales to total sales, it is considered that a billion dol- lars for Nebraska is not overstating the extent of fran- chising. Thus it appears that franchise operations may account for more than a third of the retail trade and service busi- ness in the state.

into account in the billion dollar estimate are the in- come from new franchises and the payment of franchise fees that contribute to the big business aspects of Nebraska. Not readily estimated either is the amount of busi- ness done by Nebraska franchisors in the sale of franchises, nor the work done by franchise brokers, sales centers, and local representatives of the various international franchise companies. No attempt has been made to evaluate the considerable contribution of the Nebraska economy of franchise employment, pur- chase of products, equipment, and supplies by franchised out- lets and other franchise-related derivatives.

Franchisors in the State

Franchisors are located not only in the metropolitan areas but in a number of outstate cities. Some of them have been in the business for many years; others have only recently opened such outlets. Whether long-established or newcomers, Nebraska-based franchisors are accounting for an increasing share of the nationwide proliferation of franchises. A good example is "Here's Johnny's," affiliated with C. A. Swanson of Omaha, which first began franchising only last year, and has already sold over 300 franchises. Many other Omaha-based franchises might be cited as examples, including (to name only a few) companies as: Security Electronic Equipment, which manufactures protective devices; Magic Rain, Inc., which designs and manufactures automatic lawn sprinkler and fertilizer systems and franchises in states as widely scattered as Kentucky, Washington; Saxe-Freeman Company, which began franchising dry cleaning plants about three years ago (after many years in the equipment business) and now has franchises in eight states; Bronco's, which was started in 1966, and has ham- burgers in five states. Former Congressman Clair Cal- lahan, who heads Allied Industries International, has announced the sale of a number of franchises by Sportsland Un- derwear Division of the firm, and other outstate franchisors are participating also in the franchise boom.

Experiences of Nebraska Franchisors

Because of space limitations it would be impossible to describe the operations of all Nebraska franchisors, even if such a list could be compiled with a satisfactory degree of accuracy. It is thought appropriate, therefore, to examine the his- tory and experience of but two of the state's franchisors -- one located outstate and has been in the business for many years, one which is located in Lincoln and first became ac- tive in the franchise field as recently as 1968.

KARMELKORN CORPORATION

Karmelkorn Corporation of Norfolk has been successfully operating shops since 1929 and now has 200 outlets in 35 states,

including Alaska and Hawaii. Although the firm originated in Casper, Wyoming, it was moved to Norfolk in 1964 shortly after E. W. (Wes) Fleming, president, became identified with the corporation. Mr. Fleming reports that the Nebraska location is geo- graphically advantageous because the franchised shops are about equally distributed on each coast, with others located in the in- tervening states. A pilot store is operated in Norfolk, and many types of equipment, packaging materials, and signs and promo- tional materials are distributed from the Norfolk plant. Pop- corn is bought by each shop locally on the open market, but the corporation recommends that purchases be made from Nebraska processors who handle a superior hybrid popcorn grown espe- cially for the requirements of Karmelkorn.

Ultimately branch warehousing may develop, since the com- pany hopes to open 200 new shops a year for the next five years. These high goals were set because Mr. Fleming foresees that in the 1970s will bring a great change in franchising, with the "ma- ma and papa" operations (such as Karmelkorn) taking on new im- portance. To implement these goals the firm has recently begun a national advertising program, is advertising in the Wall Street Journal and Modern Franchising, and was represented at the na- tional franchise show in New York City earlier this month.

As Mr. Fleming envisions the future of franchising, those out- lets which require a modest investment - in contrast to those that require an initial investment in six figures - have high po- tentials. He feels that returning or retired servicemen, retired farm couples, members of minority groups, and factory workers who desire independence, for example, constitute a vast fran- chise market. Such newcomers to the retail field benefit, he be- lieves, from the experience and guidance of reputable franchis- ors. In Mr. Fleming's opinion the present growth in franchising is due largely to the fact that ambitious people who are under- capitalized can find through franchise business the opportunity to open retail establishments for the sale of commodities or con- sumer-oriented services. He cites also the Federal government's currently tight money program as another factor favoring ex- pansion of franchising.

KING'S FOOD HOST USA

Although King's Food Host USA had its origin in Lincoln in 1955 and issued its first franchise in 1961, the company's formal fran- chise program did not begin until 1968. Only recently Mr. L. P. Price, president of the firm, announced plans to open new King's restaurants during 1970 and to expand the company's franchise operation in the United States and Canada. A one-to-one ratio of company and franchise-operated units is now planned to give a better balance to the marketing program.

The firm was first established as King's Drive In when Mr. Price, who had previous experience in the food business, joined with Mr. James King to open a drive-in restaurant that now is known as the Bethany King's Food Host USA. When Mr. King left the organization in 1960, Mr. Price became president and sole owner. The patented trade name by which the enterprise is known today was established in 1964 when a group of smaller corpora- tions was consolidated into the company.

The principal reason most companies go into franchising is to extend their capital, and this was one of the factors that motivated King's Food Host USA, according to Mr. V. A. Anderson, fran- chise supervisor, who points out that the initial franchise fee creates capital to be used in the continued expansion of com- pany-owned units. The Lincoln-based firm felt also the need for

expanded markets in order to be more competitive; it was believed that through franchising the enterprise could more quickly become dominant in the market.

Mr. Anderson suggests that if a company is thinking of becoming a franchisor, it should take its ultimate objectives into careful consideration. He points out that it is generally believed that if there is immediate need for increased capital funds, franchising may be the answer, whereas for long-term returns a firm can probably achieve more from company-owned units. It is his opinion also that if a business enterprise is interested in establishing a product or service name in a widespread competitive market, franchising is a viable method.

Mr. Anderson has some words of advice for the prospective franchisee as well as the franchisor. He believes that questions should be asked about the franchisor's motives: is he in business only to get the franchise fee, or is he prepared to offer bona fide services to the franchise holder for years to come? Mr. Anderson is convinced also that the prospective entrepreneur should make sure that he has sufficient capital to operate a specific franchise business, because undercapitalization can be as disastrous in franchised outlets as in other kinds of retailing.

Services to Prospective Franchisees

Various governmental agencies supply information and supportive services to prospective franchise holders, but the Small Business Administration has been most conspicuous in enabling individuals to become entrepreneurs through franchising. The SBA also has been specifically charged with a significant potential in the franchise field - encouraging members of minority groups to become businessmen - and the Nebraska office participates actively in this effort.

The SBA office consistently provides updated information on franchising through special bulletins and reports and numerous publications in such varied SBA Series as: Small Business Management Aids, Management Research Summaries, Counseling Notes, and Opportunity Bulletins. The last named gives complete data on specific franchise offerings that appear to be appropriate for small business ownership under "Project Own." A number of Nebraska franchise holders have recommended the SBA report Franchise Opportunities: A Checklist for Prospective Investors, which they have found to be a concise but exceptionally useful information piece.

Other important publications on franchising have been prepared by the Business and Defense Services Administration of the U. S. Department of Commerce, including Franchise Company Data for Equal Opportunity in Business which gives complete data on a long list of franchisors classified under 34 categories of businesses and services. The book provides facts about government and nongovernment assistance programs for prospective franchisees, lists all important sources of franchising information (private as well as governmental), and includes a checklist for evaluating a franchise, together with the code of ethics of the International Franchise Association.

Books, magazines, and other publications devoted exclusively to franchising have proliferated with the business. Research studies have been done by university bureaus of business and economic research, and one institution - Boston College - has set up the nation's first academic center for the study of franchise distribution. Articles on franchising appear with increasing frequency in newspapers, local publications, and national magazines, of both business and general readership.

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Franchise businessmen have been finding professional leadership in educational seminars that are conducted throughout the country by such prestigious groups as the International Franchise Association (in cooperation with the Harvard Business School) and the Practicing Law Institute. Such seminars appear to be making a significant contribution toward upgrading the status of franchise business.

Evidence of growth in franchising may be found also in the burgeoning number of business enterprises which act as franchise brokers and sales centers, investment firms which have franchise research departments and specialists, and other companies that are franchise-oriented.

The Future of Franchising

Whether the boom in franchising will continue in the 1970s or whether the growth will slow to a steady but not phenomenal rate of expansion is a subject on which there is no general agreement within the industry or among academic researchers. There may indeed be some justification for ambivalence with respect to the future of this method of marketing products and services. The International Franchise Association predicts continued rapid growth to the extent that franchising eventually will become the dominant form of retailing. Others point out that franchising has been so successful that some of the leading operators have made so much money that they no longer need franchising as a means of inexpensive expansion. (A case in point is Howard Johnson's, which announced recently that in the future most, if not all, of its new motels and restaurants will be company-owned because such units are more profitable.)

In a dynamic economy where change is the constant companion of growth, individuals inevitably feel pressures to maintain personal initiative and innovation by going into business for themselves. Through franchising many who could not otherwise have done so have been able to become entrepreneurs. This incentive may continue to be an effective stimulus to franchise growth, for it is estimated that in 1969 some 500,000 Americans undertook self-employment, principally through franchising, whereas ten years before only three-fourths as many did so.

There is evidence, however, particularly in the food-franchise field which is unmistakably crowded, that in some localities franchisors are tending either to force independent businessmen out of business or into the franchise network. A trend to consolidation is expected, therefore, with marginal firms merging with larger competitors. Whatever depressant this might be to franchise growth could be offset by what research studies indicate will be an assured increase in consumer-service areas of franchising. The service forecast

(Continued on page 6)

Business Summary

Nebraska's business activity indexes recorded mixed developments in October. The Dollar Volume index was up by more than 7 percent over October, 1968; the Physical Volume index dropped 1.6 percent over the same period. Of the individual indicators, Bank Debits recorded the greatest gain, 14 percent, with Life Insurance Sales up 11 percent. October's Cash Farm Marketings were off over last year by 8 percent. A 26 percent decline in Construction Activity accounted for most of the drop in the Physical Volume. For the U.S. as a whole, both Dollar Volume

and Physical Volume were markedly above October, 1968, levels. Employment in November remained favorable.

November Retail Sales were reported as 3 percent above November last year. Dairies and Other Food Stores led the Soft Goods categories with a gain of about 15 percent over last year. Building Materials showed a 12 percent rise to lead the Hard Goods categories' gains over 1968.

Of 21 cities reporting, 5 showed declines in general business activity. The remaining 16 recorded increases for the period November, 1968, to November, 1969. Kearney and Sidney led with gains of 26 and 15 percent respectively.

All figures on this page are adjusted for seasonal changes, which means that the month-to-month ratios are relative to the normal or expected changes. Figures in Table I (except the first line) are adjusted where appropriate for price changes. Gasoline sales for Nebraska are for road use only; for the United States they are production in the previous month. E. L. HAUSWALD

I. NEBRASKA and the UNITED STATES

OCT Business Indicators	Percent of 1948 Average		Percent of Same Month a Year Ago		Percent of Preceding Month	
	Nebraska	U.S.	Nebraska	U.S.	Nebraska	U.S.
	Dollar Volume of Business	337.6	411.3	107.2	109.3	99.2
Physical Volume of Business	214.6	243.1	98.4	104.5	102.2	101.3
Bank debits (checks, etc.)	249.0	423.8	113.7	109.6	90.8	98.4
Construction activity	212.9	171.2	73.8	96.8	96.8	99.0
Retail sales	159.2	184.7	106.6	98.7	99.9	100.8
Life insurance sales	433.8	503.5	110.6	103.4	109.8	107.4
Cash farm marketings	199.3	150.7	92.0	102.8	94.1	104.7
Electricity produced	421.2	522.0	100.0	108.8	107.1	101.4
Newspaper advertising	169.2	157.0	102.9	103.4	101.3	103.0
Manufacturing employment	175.3	131.6	104.3	101.9	98.9	99.8
Other employment	148.9	173.8	103.4	103.4	101.4	100.4
Gasoline sales	197.9	241.1	105.9	107.0	79.2	104.3

II. PHYSICAL VOLUME OF BUSINESS Percentage of 1948 Average

Month	Nebraska	U.S.
	1968-69	1968-69
October	209.8	232.6
November	201.4	231.1
December	203.6	232.9
January	216.1	232.7
February	231.1	239.6
March	223.9	238.1
April	224.8	240.0
May	219.6	240.7
June	225.0	243.3
July	219.1	243.7
August	218.2	240.1
September	218.0	239.9
October	214.6	243.1

III. RETAIL SALES for Selected Cities. Total, Hard Goods, and Soft Goods Stores. Hard Goods include automobile, building material, furniture, hardware, equipment. Soft Goods include food, gasoline, department, clothing, and miscellaneous stores.

NOV City	No. of Reports	Percent of Same Month a Year Ago			Percent of Preceding Month		NOV City	No. of Reports	Percent of Same Month a Year Ago			Percent of Preceding Month
		Total	Hard Goods	Soft Goods	Total	Total						
		THE STATE	700	103.1	104.5	101.5			96.9	Fremont	24	99.5
Omaha	50	105.7	108.7	103.3	99.2	Fairbury	24	104.6	111.8	96.5	108.0	
Lincoln	64	92.3	83.2	99.7	92.4	Norfolk	26	86.4	85.7	87.0	100.8	
Grand Island	28	101.5	102.7	100.4	100.7	Scottsbluff	36	100.7	106.6	95.7	103.2	
Hastings	26	129.2	158.9	103.8	109.6	Columbus	23	105.9	107.9	102.3	104.9	
North Platte	18	130.2	149.5	103.2	103.8	McCook	18	100.8	101.1	100.3	102.4	
						York	25	94.3	87.4	98.6	92.1	

IV. RETAIL SALES, Other Cities and Rural Counties

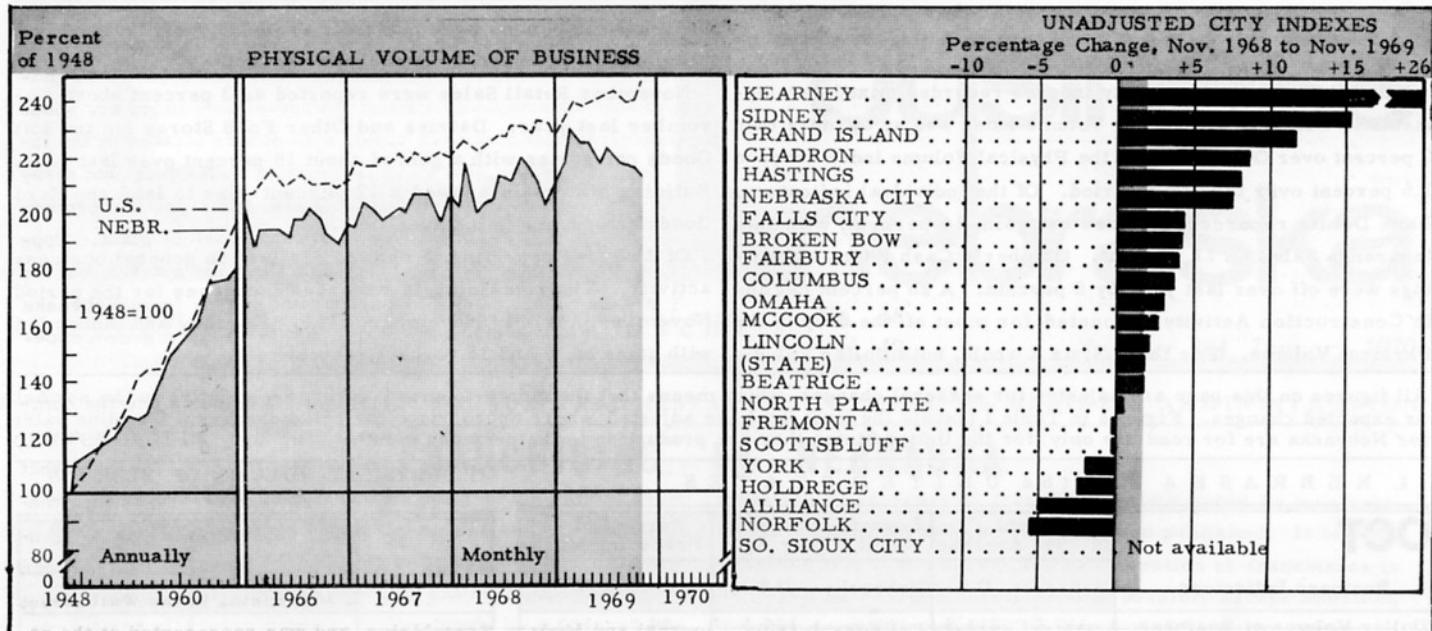
NOV Locality	No. of Reports	Percent of Same Month A Year Ago	Percent of Preceding Month
Kearney	15	99.9	98.5
Alliance	27	89.4	94.7
Nebraska City	20	100.4	93.2
Broken Bow	14	114.9	101.5
Falls City	17	95.0	97.2
Holdrege	16	101.3	93.9
Chadron	20	113.7	93.7
Beatrice	17	110.6	83.2
Sidney	22	99.9	93.3
So. Sioux City	7	106.4	88.4
Antelope	8	95.8	69.1
Cass	19	102.3	93.4
Cuming	10	111.6	85.3
Sand Hills**	22	93.3	96.3
Dodge***	10	108.6	89.7
Franklin	9	93.5	107.5
Holt	14	115.8	102.3
Saunders	11	110.1	93.5
Thayer	9	102.4	92.8
Misc. Counties	51	111.6	96.6

V. RETAIL SALES, by Subgroups, for the State and Major Divisions

NOV Type of Store	Percent of Same Month a Year Ago			
	Nebraska	Omaha and Lincoln	Other Cities	Rural Counties
ALL STORES****	103.1	99.3	100.9	109.0
Selected Services	104.8	97.4	111.4	105.7
Food stores	103.4	103.7	100.5	106.1
Groceries and meats	99.6	101.5	95.5	101.7
Eating and drinking pl.	107.2	107.1	105.4	109.0
Dairies and other foods	115.4	106.4	115.6	124.1
Equipment	108.8	96.0	104.5	126.0
Building material	112.4	106.3	115.8	115.1
Hardware dealers	101.4	107.3	96.3	100.5
Farm equipment	108.3	66.1	107.4	151.4
Home equipment	96.0	94.9	95.8	97.4
Automotive stores	99.1	92.6	100.2	104.4
Automotive dealers	99.0	90.4	102.3	104.3
Service stations	99.3	101.8	91.6	104.4
Miscellaneous stores	99.8	98.9	100.7	99.9
General merchandise	101.4	104.4	99.2	100.6
Variety stores	86.4	81.5	87.4	90.3
Apparel stores	102.2	96.5	100.8	109.4
Luxury goods stores	94.7	104.5	103.7	76.0
Drug stores	98.7	101.6	97.4	97.1
Other stores	110.0	96.3	118.8	114.9

**Haskell, Grant, Dawes, Cheyenne, and Sheridan Counties

****Not including Selected Services



Figures on this page are not adjusted for seasonal changes nor for price changes. Building activity includes the effects of past as well as present building permits, on the theory that not all building is completed in the month the permit is issued. E. L. H.

VI. CITY BUSINESS INDICATORS

NOV

Percent of Same Month a Year Ago

City	City Index	Bank Debits	Building Activity	Retail Sales	Electricity Consumed	Gas Consumed	Water Pumped	Postal Receipts	Newspaper Advertising
The State	101.9	104.8	88.4	103.1	108.0	97.7	107.6	101.2	98.6
Beatrice	101.7	114.2	40.9	110.6	98.9	95.0	121.2	102.2	72.6
Omaha	103.0	110.9	66.8	105.7	107.3	91.8	99.0	102.6	104.8
Lincoln	102.2	107.8	126.3	92.3	106.9	96.8	107.9	97.2	93.9
Grand Island	111.7	100.4	69.4	101.5	110.6	122.9	123.6	131.3	-
Hastings	108.1	98.9	143.0	129.2	NA	NA	108.1	84.6	96.3
Fremont	99.8	99.8	76.3	99.5	100.0	NA	100.1	100.6	NA
North Platte	100.4	106.8	77.3	130.2	112.7	104.1	89.2	100.0	90.5
Kearney	126.0	110.4	155.9	99.9	145.9	121.7	102.5	168.5	NA
Scottsbluff	99.8	68.1	66.5	100.7	99.6	108.2	113.6	98.2	100.5
Norfolk	94.5	96.8	50.4	86.4	114.2	98.2	87.5	118.0	95.6
Columbus	103.6	99.7	160.5	105.9	111.5	103.4	92.8	87.9	105.6
McCook	102.7	107.0	250.4	100.8	109.2	100.4	NA	94.9	93.4
Sidney	115.3	112.3	160.7	99.9	119.7	89.7	148.3	114.0	NA
Alliance	95.0	86.7	99.6	89.4	107.1	127.8	103.0	65.4	88.2
Nebraska City	107.3	96.8	123.5	100.4	108.5	112.9	129.2	73.3	NA
So. Sioux City	NA	NA	NA	106.4	NA	NA	NA	NA	NA
York	98.0	104.2	64.1	94.3	104.5	94.4	94.0	144.5	99.2
Falls City	104.2	101.7	829.1	95.0	112.8	105.7	121.4	96.4	94.9
Fairbury	103.9	78.9	118.5	104.6	100.7	NA	106.5	141.1	95.3
Holdrege	97.5	86.3	192.1	101.3	118.0	91.9	80.6	88.7	108.1
Chadron	108.7	106.9	44.1	113.7	105.5	114.5	127.4	83.9	NA
Broken Bow	104.0	79.9	254.0	114.9	103.0	98.3	100.0	96.5	133.3

NOV

Percent of Preceding Month (Unadjusted)

City	City Index	Bank Debits	Building Activity	Retail Sales	Electricity Consumed	Gas Consumed	Water Pumped	Postal Receipts	Newspaper Advertising
The State	93.7	84.2	93.1	94.1	97.9	134.5	86.2	95.1	92.6
Beatrice	91.3	82.2	99.2	81.6	102.2	166.4	77.8	151.3	67.6
Omaha	94.4	84.3	100.3	95.5	96.5	115.4	85.1	83.0	107.1
Lincoln	88.4	86.7	95.9	89.1	93.0	141.0	83.4	83.1	84.9
Grand Island	96.3	79.1	92.4	97.1	96.3	200.9	95.4	123.1	-
Hastings	92.7	99.9	68.3	105.4	NA	NA	81.8	95.7	93.4
Fremont	91.5	81.1	103.5	85.9	95.5	NA	79.1	120.2	NA
North Platte	94.4	84.1	97.5	101.1	94.4	211.7	81.9	105.8	84.6
Kearney	90.6	67.2	70.7	95.2	89.4	198.5	87.1	131.4	NA
Scottsbluff	95.4	NA	91.6	99.5	125.1	168.2	66.2	95.1	82.7
Norfolk	NA	NA	NA	97.2	121.6	120.5	NA	NA	91.1
Columbus	96.6	79.5	95.7	101.5	98.2	151.2	74.0	94.8	97.8
McCook	97.5	81.6	145.1	98.9	94.5	137.3	NA	97.0	96.5
Sidney	98.3	87.8	116.4	90.8	134.0	141.7	86.1	84.3	NA
Alliance	97.8	104.4	94.9	92.5	109.4	312.1	78.5	68.9	99.5
Nebraska City	100.2	80.6	82.8	90.1	101.8	159.2	125.4	108.8	NA
So. Sioux City	NA	NA	NA	87.3	NA	NA	NA	NA	NA
York	103.1	83.2	124.8	88.9	107.7	124.7	80.8	163.5	91.1
Falls City	98.2	101.9	97.0	94.3	98.6	150.1	90.2	96.4	100.8
Fairbury	98.0	78.9	103.7	103.8	97.2	NA	81.6	146.9	93.2
Holdrege	91.7	82.9	124.3	91.8	105.9	174.9	69.3	79.8	86.1
Chadron	93.0	104.6	76.4	90.8	102.7	186.8	85.6	65.4	NA
Broken Bow	90.0	80.2	67.3	98.7	96.1	131.9	86.7	84.8	92.2

(Continued from page 3) is based on a profile of the consumer of tomorrow as an individual who will be: under 30 years of age, in the over \$10,000 income group (with rising discretionary spending power), throughout his lifetime the beneficiary of full employment and the liberal fringe benefits it helps to provide, and so educationally and culturally advantaged that there will be a marked change in the kind and quality of products and services he will demand. Franchise business presumably will be affected by this pressure of consumers for a seemingly endless product and service differentiation.

Demographic factors will have a significant bearing on the future of franchising. Distributors, retail and wholesale, holding franchises for farm machinery, farm supplies, and related products are advised, for example, by Census Bureau data that their market continues to shrink, that the farm population is getting older, and that more young people are leaving the farm. These factors may be expected to have an impact on exclusive distributorships of farm equipment, agricultural vehicles, and the immense array of goods and services provided by franchisees to the agricultural community.²

With the growth of franchising there has been a growth not only of legitimate franchisors, but also of franchise racketeers to the extent that the Post Office Department reports that this category of fraud is now at the top of the list of 68 fraud categories perpetrated by mail. Many franchise frauds, however, are operated on more conventional bases and have succeeded in victimizing experienced as well as inexperienced businessmen.

The industry itself is trying to protect the public through such organizations as the International Franchise Association, which has 260 franchisor members that represent more than 75,000 franchised outlets. This association claims that 19 of every 20 retailers who franchise with its members survive the crucial first five years in business, compared to a survival rate of only 5 out of 20 of those who try self-employment on their own.

One difficulty is that franchising has developed so fast and has become so extensive and pervasive that efforts at regulation have not kept pace, and the Federal Trade Commission has discovered that even some of the oldest and most esteemed franchise agreements give the parent company almost total control of its franchise holders. Thus franchising has become the target for a great deal of Federal and state legislation. Increasingly there is Federal government, particularly the Federal Trade Commission and the Securities and Exchange Commission, involvement in franchise cases; state legislatures have found it necessary to enact regulatory laws; and so many franchise cases reach the courts that the industry's legal experts find it difficult to keep up with current developments. Organizations that pioneered in study of the once relatively uncomplicated legal aspects of franchising have begun exploring such problems in depth to meet the complexities of the present business world. Topics beyond the limits of this article are indicative of crucial legal implications of franchising that may tend to have a deterrent effect on franchise expansion.

It is obvious that whatever happens to the general economy in the current decade will affect the future of franchising, but there is strong evidence that franchising will continue to be a viable retail technique and that the same ingenuity that caused it to develop and expand will be applied to solution of the problems that

have inevitably accompanied this expansion.

In spite of the pitfalls that exist and regardless of whether national trend toward franchising accelerates or declines, franchising as a business way of life may be worthy of serious consideration by Nebraskans seeking self-employment, Nebraska business firms looking for a means of access to larger markets, and by regional and state economic development organizations working toward a better balanced economy in the decade of the seventies.

DOROTHY SWIFT

REVIEWS

Japan's Food Demand and 1985 Grain Import Prospects, by R. Barse, Economic Research Service, U.S. Department of Agriculture, Foreign Agricultural Economic Report No. 53, 1969, U.S. Govt. Printing Office, Washington, D.C. 20402. Price, \$1.00.

Because Japan has been in recent years Nebraska's most rapidly growing market for wheat and feed grain, there should be considerable statewide interest in this carefully researched and highly analytical report which is part of a larger research project on the demand prospects for agricultural exports to less developed countries.

"In-depth" is a description that is applied somewhat indiscriminately these days, but the term appears to fit this study in the impact of Japanese national policies on grain imports historically and projected to 1985, has been specifically analyzed. Nebraska farmers do not have to be told that Japan's need to satisfy a growing consumer demand for meat and meat products forced that nation to emphasize domestic livestock production and thus imports of feed grains. They are equally aware of this demand, in addition to the food grain demands that Japan had to meet concurrently, has resulted in a large market for agricultural exports from this state.

The prospect for the years ahead is much more uncertain. This study analyzes in some detail the interrelated and complex factors that will affect future exports to Japan. It is clear that demands of the future will depend upon such factors as the level of food consumption to be attained there, the types of trade production policies that are adopted, and the extent to which other sources will compete with our farm products for the Japanese market. It is predicted that with continued economic growth Japan's grain imports - from whatever sources - could more than double by 1985.

Financing Modern Agriculture: Banking's Problems and Challenges, Federal Reserve Bank of Kansas City, Federal Reserve Station, Kansas City, Mo., 64198. Copies available on request to the Research Department.

This special study, which was issued recently by the Research Department of the Federal Reserve Bank of Kansas City, examines the growing problems of farm finance, particularly as they relate to the country's banks, which provide more than one-fourth of agricultural credit.

Using data from the Federal Reserve System's 1966 agricultural loan survey, the study looks at credit use in agriculture, discusses the flow of funds to rural areas, investigates factors influencing local agricultural loan markets, and probes the major problems and legal lending limits. Old and new ideas for meeting the challenges of agricultural finance are reviewed.

²Continental Franchise Review, August 25, 1969.