



## Economic Woes Weigh On Franchising Index

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**EDITORS AND REPORTERS: Senior research fellow Hachemi Aliouche is available to discuss the latest Franchise 50 Index<sup>™</sup> analysis. He can be reached at 603-918-6049 or [hachemi.aliouche@unh.edu](mailto:hachemi.aliouche@unh.edu). The latest Rosenberg Center Franchise 50 Index<sup>™</sup> analysis is available at <http://www.unh.edu/news/docs/Fran50Q407.pdf>.**

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DURHAM, N.H. - Fears of a recession and economic woes pushed the Rosenberg Center Franchise 50 Index<sup>™</sup> down in the fourth quarter of 2007, with the index of the top 50 U.S. public franchisors falling 5.5 percent amid a broad market decline.

"Many of the components of the index are in business sectors (restaurants, lodging, etc.) that are highly correlated with the economy, and the economic woes have negatively impacted them. Forty-three of the 50 component firms experienced a loss of value this quarter," according to Hachemi Aliouche, senior research fellow with the William Rosenberg Center of International Franchising at the University of New Hampshire Whittemore School of Business and Economics.

The 50 franchisors in the Rosenberg Center Franchise 50 Index<sup>™</sup> represent more than 98 percent of the market capitalization of all U.S. public companies engaged in business format franchising. The index was down .5 percent over the year, compared to +3.6 percent for the S&P 500. Since its inception in 2000, the index is up 81.5 percent, compared to 5.3 percent for the S&P 500.

Ruby Tuesday (RT), the developer, operator and franchisor of casual dining restaurants, was hardest hit this quarter, losing 45 percent of its market value. Not only did it produce lower than expected financial results during its most recent fiscal quarter, it also warned that it was expecting a loss next quarter as a result of falling same-store sales and increased costs due to store remodeling.

"Ruby Tuesday is facing a tough business environment where a large number of similar concept restaurants are fiercely competing in a difficult economic environment. Many of its customers are shifting to cheaper fast food restaurants. Its same-store sales fell 10.8 percent at company-owned restaurants this year compared to a 0.2 percent drop last year," according to Aliouche.

Bucking the trend, Jackson Hewitt Tax Service (JTX), the provider of computerized preparation of tax returns and other financial services, gained 13 percent in market value this quarter.

"JTX's stock price recovered from the large drop it suffered in early 2007 after it was disclosed that one of its franchisees was being investigated by the IRS and the Justice Department for

filing fraudulent tax returns. JTX settled with the IRS and terminated the employment of its CEO and chairman of the board of directors," Aliouche said.

For more information on the William Rosenberg International Center of Franchising or the Franchise 50 Index™, please visit the center's Web site at <http://franchising.unh.edu>.

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