

Trends in Multi-Unit Franchising

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Trends in Multi-Unit Franchising - USA

- 400,000 business format franchisees
- 20%* are multi-unit owners (MUO)
- MUO control over 55% of units and this is growing 1% a year
- Ave number of units per MUO is 5
- Bigger operators are getting bigger
 - 23% of units owned by <1% of MUOs
 - 366 MUOs have over 50 units each

* Source: Frandata 2014

Trends in Multi-Unit Franchising - AUS

- 50,000 business format franchisees
- 25% are multi-unit owners (MUO)
- MUO control 50% of units and this is growing at 1% a yr
- Average number of units per MUO is 3
- 50% of franchisees in room want to expand so they can:
 - Take advantage of existing infrastructure and economies of scale
 - Get the satisfaction of helping others on their team grow
 - Improve their financial position
- 50% of franchisees in room do not want to expand because of:
 - Concerns over diminishing profitability
 - Lack of systems and challenges with staff
 - Lack of confidence in franchisor or economy
 - Not confident in own ability to run bigger operations

Challenges in Multi-Unit Franchising - AUS

Biggest Franchisee Challenges

- Motivation and performance management of staff
- Recruiting and retaining good staff and managers
- Managing financial and economic factors
- Time management

Biggest Franchisor Challenges

- Providing relevant systems and structures for franchisees
- Providing relevant training and ongoing support for franchisees

Multi-Unit Owner Satisfaction



Why Franchisors Like Multi-Unit Growth

1. Provides an efficient way to expand using existing people
2. Less training and ramp up needed
3. You are dealing with people you know
4. Can be used as a reward and career path for good operators
5. Attracts higher calibre franchisees

Franchisor Concerns Re: Multi-Unit Growth

1. Large MUOs misusing power
2. Collateral damage from a collapse of larger MUOs
3. Unviability of business model will be exposed by savvy MUOs
4. Poor MUO store management will lead to sales decreases
5. Succession risk if large operators leave
6. Failure due to unsuitability of MUOs for expansion
7. Being able to provide suitable training and support