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INVESTMENT BANKING

2025 Global Franchise Summer Summit Key Takeaways

Multi-Unit franchisees have a growing hunger for non-food franchise concepts. The surge in momentum across non-food concepts is being fueled by a strong pipeline of prospective franchisees interested in pursuing personal passions beyond becoming a restaurateur. Prospective franchisees are discovering enticing concepts across 4-wall and asset light services business models. In tandem, they are also finding greater success in securing funding from a growing base of lenders who are touting established track records in food franchising to justifiably broaden their appetite for supporting franchisees outside of solely restaurant systems. With growing success across non-food franchise business models and growing interest from the lending community, expect to see more growth of multi-unit franchisees in non-food franchise systems

Mature brands lacking growth are shrinking into their existing franchisee base. In mature franchise systems, age matters. Franchisees caught in a stagnant, mature franchise system can fall into a downward valuation spiral if there's no compelling growth story, and the creeping up of average tenure has more folks looking at exit as opposed to making additional investment. Buy-in at the franchisee level can continue to dissipate as prospective franchisees look elsewhere and existing franchisees aren't sure where the helm is headed. As a franchisee within one of these systems, your exit opportunity can become limited to a small group of multi-unit franchisees who are well aware of the negotiation leverage they hold. Expect to see more consolidation into a smaller group of multi-unit franchisees within mature networks, especially those with fewer growth prospects. For those franchisees that are holding on for the ride (i.e. can afford to prolong an exit), attempt to lobby larger multi-unit franchisees into driving better engagement from the franchisor and righting the ship for growth. But realize there's risk you may be at the whim of their consolidation plans if those larger multi-unit franchisees become more interested in playing network fat cat

How can you attract more multi-unit, multi-brand operators ("MUMBO"s) into your franchise system? Higher average unit volumes beget more MUMBOs. Also, being able to speak multi-unit goes a long way. If you're a franchisor, don't think handing over an operations manual is going to cut it. Franchisors need to elevate the game and go beyond just touting following the systems, as MUMBOs are vetting for sophistication in the reverse direction as well. MUMBOs are looking for franchise systems where communication with the franchisor is as clear as the evidence of simplicity and repeatability of the concept

Multi-Unit expansion isn't always linear growth for the franchisor. Sure, you can boast your multi-unit franchisees come with greater capability and financial wherewithal, but as they continue to scale, the emphasis and importance on their ability to effectively disseminate operations through a general manager is ever increasing. Would you rather have a new owner-operator take over that open territory, or hand it off to a general manager of an existing multi-unit franchisee?

Multi-Unit operators can help keep a franchisor's systems honest. Franchisor emphasis on attracting single unit franchisees can help ensure stronger proportions of more owner-operators in a franchise system, but it can come at the disadvantage to the franchisor in uncovering systemwide trends. Multi-unit franchisees provide franchisors a greater level of insight into negative trends that may be a diagnosis of the system itself as opposed to merely casting quick blame on an unsophisticated operator. "It's not the franchisee's problem, it's the franchisor!"

Let's wrap with a quick stat. MUMBOs continue to accelerate rapidly, with several stats indicating these owner types are growing to represent over 10% of franchised unit ownership. It can be a win-win in thriving systems, as the franchisor appreciates the sophistication of the likely (hopefully) better capitalized franchisee and the MUMBO continues to double down on building a franchise empire in concepts they believe in

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