

Future World: Franchising 2018: Position Yourself Now For The Shifts Already Under Way By: Dean Zuccarello

Welcome to 2018. The future of franchising is upon us. What does the landscape look like? We don't have a crystal ball, but we can make some educated guesses based on what is happening around us today, and what is likely to transpire in the coming years.

Franchising in 2018

Based on our observations and projections, here's what we think franchising will look like in 2018:

- The refranchising effort under way by many mature franchise concepts will continue to the point that all units of these systems are owned and operated by franchisees. Also, all new store development is done by franchisees. This makes sense because franchisees are notoriously more efficient operators than are franchisors. It also allows franchisors to more effectively manage their balance sheets.
- Franchise ownership may gradually become increasingly concentrated in the hands of a few mega-operators, but this process will take many years. The consolidation will allow these operators to realize increasing economies of scale in terms of operations and infrastructure. Mega-operators will be backed by mega-capital to provide the resources needed to obtain mega-scale.
- Eventually, some of the mega-operators may team up and buy the brand from the franchisor in an effort to better control their own destiny.
- On the other side of the coin, many concepts, typically newer or less mature brands, will likely favor a more even balance between company units and franchised units. Explosive growth potential for these concepts will be attractive to franchisees and investors.
- Ample capital will continue to be available to fund franchisee growth. The debt spigot is flowing fairly freely, and there is a lot of interest from equity players, especially for sizable and scalable operations.