Why have one brand when you can have two, three, four?

Diversification in business is an age-old concept. Traditionally, many franchise businesses have concentrated solely on one brand, however it's clear that there is a growing groundswell of change, driven by increased consolidation in franchise networks, as many brands focus on the development of multi-unit "management franchisees", rather than single territory/unit "owner operator franchisees".

Over the past four years, franchise businesses have navigated through unchartered waters, not least the pandemic and then inflationary cost pressures, recruitment challenges and increased interest rates. This has enabled experienced franchise businesses across different sectors to develop new levels of resilience as well as the ability to operate in complex and ambiguous environments.

These newly honed skills and experiences have prompted many to reflect on their ambitions and capabilities and to consider how they can make the best use of these new skills to grow their business. For many, investing in a new brand enables them to do this.

There has been an increase in the number of traditional corporate businesses developing a franchise model – and when your favourite sandwich brand, coffee brand or convenience store announces a new franchise model, the opportunity to become a pioneer franchisee is very tempting, especially if you already feel culturally aligned to the brand.

That said, investing in a new brand for many is a giant step into the unknown, but there are pros and cons to be considered before making the leap.

The pros

Risk diversification – in a challenging macro environment, it's helpful to spread the risk across several brands and often in slightly different sectors – think coffee and pizza!

Limited geographical growth opportunities – many traditional franchise brands are already at scale. If it's geographical growth that's desired, then this can often only be achieved by additional brands.

Franchisee consolidation – diversification reduces the risk to your business if your existing franchisor decides to reduce or consolidate their existing network.

Leverage operational capabilities – franchisees have highly transferable knowledge and skills and often outperform franchisor operated units/territories.

Employee growth – in recent years, talent retention has been challenging. Adding additional brands can provide new, exciting opportunities for employees and provide additional scale and complexity to current roles.

The cons

Key to success is selecting the right brand – alongside new and developing home-grown brands, the UK attracts many global brands, and it can be difficult to select the right opportunities.

Investing in a new or existing brand – many global brands are not recruiting, so choice is often limited to home-grown brands or new global brands to the UK. Home-grown brands will have a smaller existing footprint and reduced brand awareness whilst new global brands may have increased brand awareness but may seek larger development agreements.

Time and resources – a new brand will need time and attention during the recruitment phase and then into the early stages of development. If a brand is new to franchising, then you must be willing to accept some of the test and learn challenges that that will present.

Available capital – it can be easy to underestimate the capital required to develop a new brand, so carefully planning will be critical to ensure that the resources to grow and succeed are available.

Closing thoughts

Taking the steps towards becoming a multi-brand franchisee may take time, but this is an increasingly popular growth route and the benefits of a multi-brand approach and a diversified portfolio have been more evident in recent years.

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