MULTI-UNIT FRANCHISING: EVERYTHING YOU NEED TO KNOW

Entrepreneurs are increasingly opting for multi-unit and multi-brand business ownership, after finding success with their initial franchise operation. To find out more about this growing trend, we spoke with accomplished franchisees and expert insiders to bring you this comprehensive multi-unit franchising guidebook

REPORT BY KIERAN MCLOONE

POWERED BY MULTI-UNIT MONTH

Embark on the essential multi-unit franchise journey

A cover-all guide for franchisors and entrepreneurs alike, shining a spotlight on this rising form of business ownership

Multi-unit franchising is big. Bigger now, in fact, than it has ever been; franchisees and venture capitalists are increasingly seeing the benefits that come with opening many locations under a unifying brand, as opposed to starting up just one singular unit.

Why is this? For starters, having several locations allows multi-unit operators to manage cash flow more effectively. If one site is seeing a boom in popularity, for instance, then the excess revenue can be allocated to support other sites within the portfolio that may be underperforming.

Additionally, a multi-unit presence presents franchisees with more leverage than if they were a smaller operator within a franchisor's network. Naturally, all franchisees are required to receive support, but a large multi-unit operator carries more sway, and may be able to have increased input in future operational decisions. This can turn the multi-unit franchisee from an owner-operator into more of a managerial presence, and really cements the idea of working *on your business*, as opposed to in it.

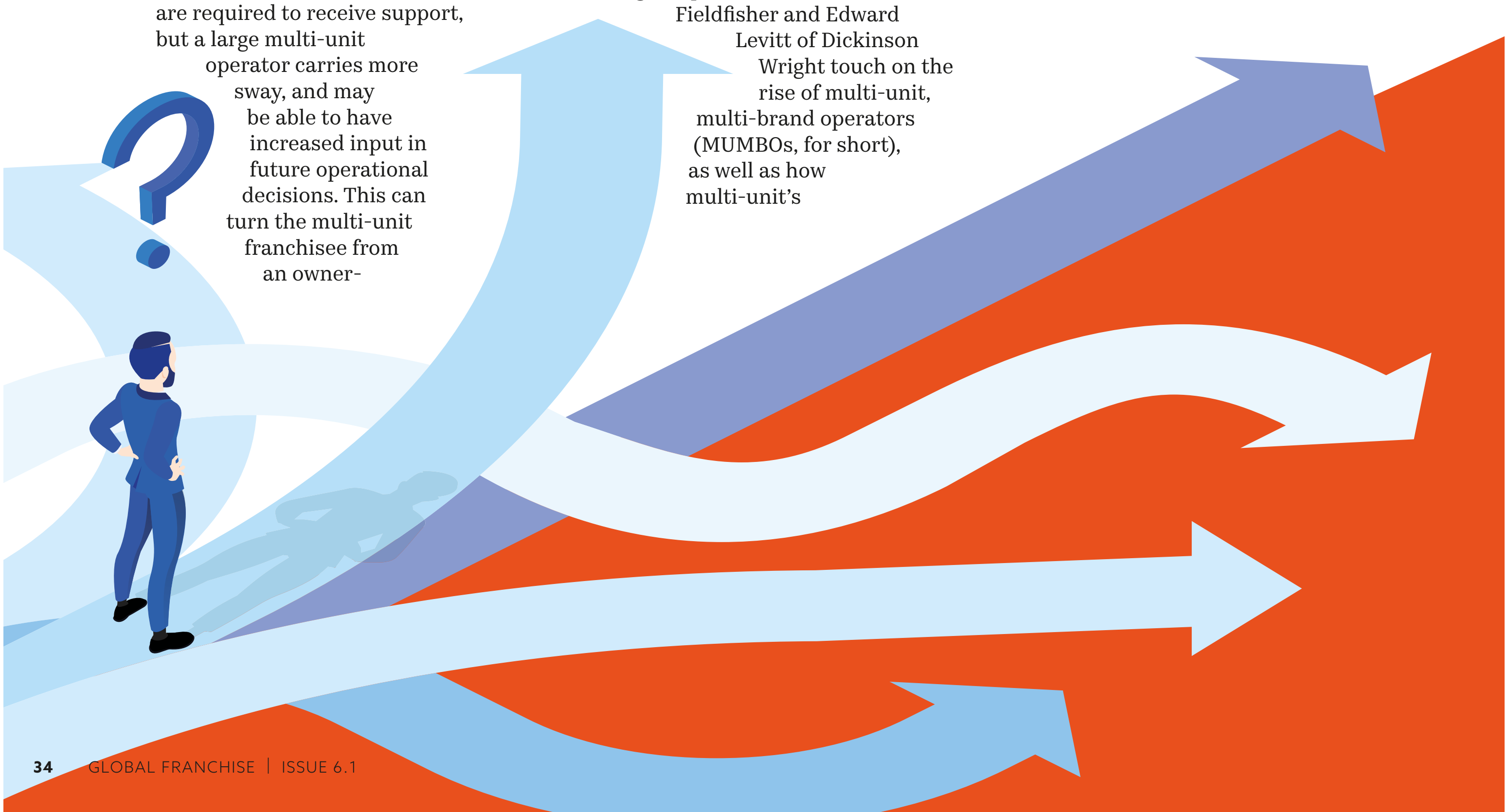
Comprehensive coverage

As part of this multi-unit franchising report, we touch on everything that franchisors and franchisees alike would need to know about the benefits and challenges that come with multi-unit and multi-brand ownership.

On p.36, you can find a selection of recent multi-unit franchising deals from around the globe, which highlight just how popular this form of franchising has become. From a doggy daycare boom to multi-brand donut developments, franchisors big and small are reaping the benefits that multi-unit brings.

Elsewhere in this special report, legal experts Gordon Drakes of Fieldfisher and Edward Levitt of Dickinson Wright touch on the rise of multi-unit, multi-brand operators (MUMBOs, for short), as well as how multi-unit's popularity could spell the death of the traditional master franchising model. Previously known as the defacto method for international growth, master franchising has long been considered a mainstay – to find out more about its possible decline, check out p.44.

This May also marks the beginning of the Multi-Unit Month takeover of the *Global Franchise Podcast*, and to celebrate, we've launched weekly episodes which specifically focus on all aspects of this exciting ownership model. To read a selection of highlights taken from our interviews for this series, read the comprehensive franchising guide on p.38, and to dive into everything Multi-Unit Month, check out **globalfranchisemagazine.com/multi-unit-month**.



MUST-KNOW STATISTICS ABOUT *MULTI-UNIT FRANCHISING*

(Source: FRANdata)

In 2019, multi-unit franchise operators controlled

54% of all franchise units in the U.S

Around 9%

OF MULTI-UNIT FRANCHISEES OWN

more than one brand

QSR

has the highest concentration of multi-unit franchisees, with

81% of operators

in this space owning multiple units

4%

of U.S. franchisees own

OVER 500 LOCATIONS

FRANCHISEES WITH BETWEEN TWO AND NINE LOCATIONS MAKE UP ALMOST ONE-THIRD OF THE U.S. TOTAL

SHOWCASING THE SUCCESSES BEHIND MULTI-UNIT FRANCHISING

A round-up of the biggest recent multi-unit and multi-brand deals, highlighting just how popular this form of business ownership has become

The figures supporting the case for multi-unit franchising are numerous, but sometimes it's easier to comprehend just how successful something is by examining some recent case studies.

To highlight the prevalence of this form of business ownership, here are a handful of multi-unit deals and agreements that have been made by numerous leading franchise brands as of late – for a comprehensive look at all the latest stories, make sure to visit **globalfranchisemagazine.com/news**

DOGTOPIA: *DOGGY DAYCARE IN TEXAS*

Prominent North American petcare franchisor Dogtopia recently announced not one, not two, but three multi-unit franchising agreements that would add a total of 15 new Dogtopia centers to the brand's portfolio in San Antonio, Houston, and Corpus Christi, Texas.

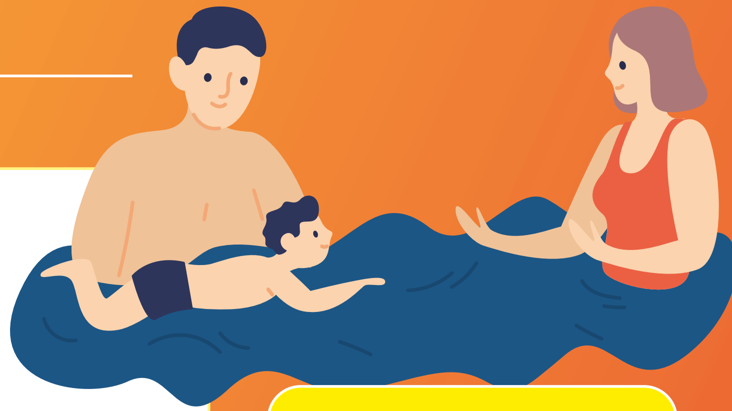
Signed with three distinct, experienced franchisees, these new locations showcase how reliable brands promote increased multi-unit ownership. Amber Woods, for example – who will open four sites in Houston – is a multi-brand franchisee and currently the largest Soccer Shots owner in the brand's network.

"It's clear that experienced multi-unit franchisees are now taking the pet industry more seriously since COVID-19," said Alex Samios, VP of franchise development for Dogtopia, "and they want a brand that has the experienced leadership, support, and systems that they are accustomed to."

CAPRIOTTI'S SANDWICH SHOP: *DUAL DEVELOPMENT*

In the three months since legacy franchisor Capriotti's Sandwich Shop acquired chicken wing brand Wing Zone, both brands have signed many single- and multi-unit development deals that are set to bring more than 30 Capriotti's and 30 Wing Zone locations to the States.

The cause? A belief in the franchisor's systems, says David Bloom, the chief development officer for both brands. "Our expansion is validation of the strength of our business model and our partners are excited about the phase of growth for both brands. Our continued success is what makes us the industry leader and will continue to separate us from others out there."



GOLDFISH SWIM SCHOOL: *LESSONS IN THREE LEADING STATES*

Learn-to-swim concept Goldfish Swim School signed a 19-unit franchising agreement with experienced multi-unit operators Rockridge Growth Partners in March 2021 to bring new locations to Florida, Texas, and Virginia.

Multi-unit agreements similar to this have been the backbone of Goldfish's growth strategy in recent times, with the brand signing further deals in Arizona, New York, and Texas. It's not just franchisors that multi-unit is benefitting, however; franchisee groups are recognizing the opportunities it brings, also.

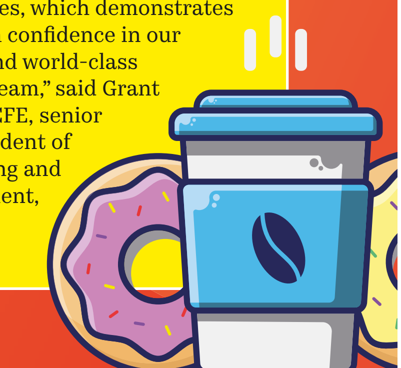
"As a multi-unit, multi-brand operator, the pandemic shined a light on the tremendous value in having a diversified portfolio to allow for balance and stability," said the leading principal of Rockridge Growth Partners. "With prime real-estate availability and attractive lease options, we are eager to get these locations open as quickly as possible."

DUNKIN': *THE BENEFITS OF MULTI-BRAND*

When several brands exist under one franchisor, it allows franchisees to take advantage of cross-promotion, increased recognition, and – in the best circumstances – multi-brand ownership.

This has been the driver behind recent deals coming out of Inspire Brands, which owns the likes of Arby's, Buffalo Wild Wings, and SONIC Drive-In. In fact, the parent company recently announced multiple development agreements that would see 26 new Dunkin' restaurants open throughout Texas. Furthermore, eight of them would be multi-brand sites that also offer Baskin-Robbins' menu of ice cream.

"Dunkin' and Baskin-Robbins' growth would not be possible without the introduction of new franchisees to the system, coupled with dedicated existing franchisees, which demonstrates their high confidence in our brands and world-class support team," said Grant Benson, CFE, senior vice president of franchising and development, Inspire Brands.

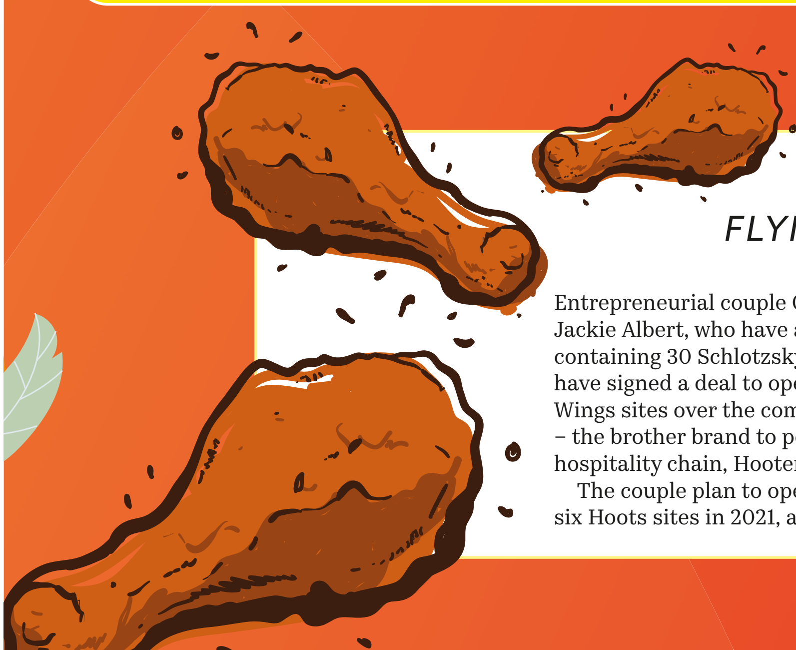


BROOKLYN DUMPLING SHOP: *GENERATING A BUZZ*

Before brand-new concept Brooklyn Dumpling Shop even opens its doors in spring 2021, it has already signed up several multi-unit owners who will develop the zero-human-interaction QSR chain throughout Connecticut and New Jersey.

The first deal signed for Connecticut comprises five Brooklyn Dumpling Shop sites, with the first opening in New Haven. The second, which will bring eight restaurants to New Jersey, has been signed by experienced multi-unit franchisee Nick Desai.

As with almost every multi-unit success story, these flagship franchisees joined up with Brooklyn Dumpling Shop because the base concept was strong, and it was easy to see why owning several locations could be superior to just operating one: "Getting into the brand early is a very wise decision. In the next two or three years, I expect we will see a lot of automat restaurants, so it's great to jump on board with the innovative concept now," said the brand's first multi-unit franchisee, who currently remains anonymous.



HOOTS WINGS: *FLYING HIGH IN THE STATE*

Entrepreneurial couple Cary and Jackie Albert, who have a portfolio containing 30 Schlotzsky's restaurants, have signed a deal to open 60 Hoots Wings sites over the coming years – the brother brand to popular U.S. hospitality chain, Hooters.

The couple plan to open at least six Hoots sites in 2021, and then pick that number up by opening eight to 10 new sites every year afterward.

"Hoots Wings is an attractive franchise option to Cary and I because we get to be on the ground floor of an emerging concept on the fast-track for growth, while benefiting from all the perks of having a national brand backing us," said Jackie Albert.

MULTI-UNIT MASTERY

An insider's guide to the ins and outs of multi-unit and multi-brand franchising, with valuable insight brought to you by the experts

Multi-unit franchising can be a very exciting, lucrative business model for the right kind of investor, but in order to maximize your chances of success, you need to be aware of the challenges, benefits, and nuances involved.

To bring you a comprehensive guide to everything multi-unit, we spoke with a host of multi-unit operators, franchisors, and consultants about everything you need to know. The following are excerpts from these conversations, but to check out the complete package, head over to **globalfranchisemagazine.com/podcast**, where Multi-Unit Month episodes of the *Global Franchise Podcast* are released every Friday throughout May.

THE MAKINGS OF A MULTI-UNIT EXPERT

Therese Thilgen, co-founder and CEO, Franchise Update Media

GF: What kind of entrepreneur makes for a good multi-unit franchisee?

TT: There are several things. First off, financial capability is critical. Ensuring that the financing itself really supports the short and long-term goals of the business – especially important for those early start-up phases.

I would say that the character of the individual looking to become a multi-unit franchisee is also important; this individual has to have a lot of ambition and drive. They also need to have a love for people, because people are everything. The people are how this multi-unit franchisee is going to grow his or her organization.

GF: Do they need to have a deep background in franchising?

TT: We see lots of individuals come into franchising without any franchising experience. However, those that jump in right off the bat, knowing that they want to move toward a multi-unit growth strategy, can be trained by their franchisor.

To become a multi-unit franchisee, in essence, there needs to be a level of sophistication about business. To really be successful, they need to understand that there is always risk involved. This isn't a slam dunk; there's a lot of energy required, as well as people management and site selection.

"I think that if I were ever to get back into franchise ownership, I would never do it without knowing that there'd be an opportunity for expansion"

Farrah Rose, head of international development, The Franchising Centre

GF: How can franchisors assess whether they're ready for multi-unit growth?

FR: There are a lot of good multi-unit franchisees out in the marketplace, but it's very important for a franchisor to look at whether they themselves are in a position to support a demanding, professional multi-unit franchisee in another market. Do they have a clear profile of who they're looking for? Does the franchisee have enough business nous and know-how? Will they work alongside the brand?

The onus is on the franchisor to ensure they're very clear not only about the market characteristics, but also the profile of the franchisee who's going to represent their brand at a very large scale.

GF: On an international scale, where does multi-unit franchising not always work?

FR: Multi-unit franchising would work in most countries, apart from emerging markets where local franchisees aren't familiar with the essence of franchising, and the relationships involved.

Some of those markets would potentially prefer to go down the single-unit route, to see whether the system works in the market. I think that when a franchisee is not fully aware of the mechanics of franchising, they may push the boundaries and think that they know better.

To some degree, that can cause quite a serious problem. For some of the emerging markets, franchisors would be well advised to trial with a single unit. If a franchisee meets the profile and works, they can give them the rights to open more units – they aren't putting all their eggs in one basket.

"For me, the beauty in franchising – the real opportunities – are in expansion"

HOW TO PREPARE

Scott Greenberg, business motivational speaker

GF: Should entrepreneurs plan for multi-unit growth before buying a single unit?

SG: I think that if I were ever to get back into franchise ownership, I would never do it without knowing that there'd be an opportunity for expansion. Whether that means I build out more locations and territories, or acquire them from existing franchisees, that will depend on the circumstances. But for me, the beauty in franchising – the real opportunities – are in expansion.

I didn't do that the first time; I didn't have that kind of foresight. But in advising other people: absolutely, you want to make sure that there are opportunities to become multi-unit, should you make that choice.

Anton Skarlatov, founding director, Fantastic Services

GF: How did you grow Fantastic Services to incorporate further brands/offerings?

AS: We started as a general cleaning company. Customers were happy with our services, so they'd then come to us for more things. Once we enter somebody's home, we can then advertise the rest of our brands.

We started with people asking us, but then we asked clients what else they needed. That way, we can offer services before our clients even begin thinking about them.

GF: How did you grow as a franchisor to support the network's expansion?

AS: We saw franchisors were lacking in the ability to provide all of the tools that a successful business needs. They needed a marketing company that they could rely on, so we created a marketing branch of the organization.

Then there's technology. We needed to optimize our work in an efficient way. All of our services need to be accessible through people's phones, so we built a platform that can access everything we offer.

There are over 100 services that we offer, if we separate them into small groups. If somebody comes and starts with us, they will automatically become a multi-brand owner.

Kevin Hein, co-chair franchise and licensing practice, Akerman

GF: What do entrepreneurs need to do before embarking on multi -brand ownership?

KH: If you come into the marketplace with aspirations to own multiple brands, the most important thing to do is to read the non-compete provisions in your franchise agreement and any other ancillary documents that the franchisor asks you to sign.

You need to have a really good understanding of what you can and can't do under your contract. It is awfully difficult to go back to a franchisor after the fact and say: "I know I'm not supposed to do this, but can you give me permission to do it anyway?" Most franchisors will say no.

In this day and age, franchisors are much more amenable to franchisees operating multiple brands – provided they're not direct competitors. So you can't have two burger brands in your portfolio, but you could probably have burgers and Italian and Mexican without running afoul of most system requirements.

"If you come into the marketplace with aspirations to own multiple brands, the most important thing to do is to read the non-compete provisions in your franchise agreement"

Andy Johnson, multi-brand franchise owner, Neighborly

GF: Why did you opt to develop multiple brands, rather than growing through one concept?

AJ: I get asked that a lot, especially from corporate. To be honest with you, I have four young kids, aged nine, five, three, and two. I don't want to travel – I want to stay at home and be with them.

Another reason is that Neighborly's concept is to put a fence around the customer, and I want to do the same thing. I don't like telling customers we can't do something, and we kept getting calls for drywall repairs and things that a plumbing or appliance brand couldn't provide. Now, we can do that. There's nothing really that we can't do.

GF: Have you had opportunities for cross-brand synergies?

AJ: There's a ton of calls we get where the customer assumes the kitchen sink is backed up, or the dishwasher is messed up, but really it's the other way round. Technicians become friends across our brands, and they'll call the office on behalf of the customer to take that responsibility off of them.

It's all about that service and that experience. If I come to the customer and tell them it's not our issue and they can call another company, then that's not a good experience. But if I say it's another issue and I can solve that for you, then it makes a great impression.

You've got to sell it to your technicians that you want to start other companies, not to make a whole bunch of money but to take care of the customer. That's what they buy into: they can help the customer, no matter what the issue is.

Talking MUMBO jumbo: *the legal risks and rewards of multi-unit, multi-brand franchising*

MUMBOs have been a long-established feature of mature markets, but there are some important pros and cons that franchising professionals need to consider

WORDS BY GORDON DRAKES

THE AUTHOR
Gordon Drakes is a partner at European law firm, Fieldfisher LLP. He has over 15 years of experience in advising brands on their expansion through third-party models such as franchising, licensing and joint ventures

According to the most recent BFA-NatWest survey of the franchising sector in the U.K., around a third of franchisees now run more than one franchise business, compared to just a quarter of franchisees in 2013. The trend is not just towards multi-unit franchising, but also towards multi-unit and multi-brand franchising.

Multi-unit, multi-brand operators (aka "MUMBOs") have been a long-established feature of more mature franchising markets, such as the United States. MUMBOs have often honed their skills by operating a single brand for a number years, developing their understanding of the franchise model, and evolving their managerial and operational infrastructure.

It is common that a MUMBO will have started as a family-run business, and by the time the second generation is ready to take over the reins, they are looking to expand the business both with their original franchise, and by diversifying and taking on additional, non-competitive franchises.

Diversification advised

Diversification is a sensible decision, particularly in these uncertain times. By operating a number of different brands, a MUMBO can protect its overall investment from the adverse effects of economic downturns or changes in consumer demand by operating franchised brands in different sectors or sub-sectors.

A number of established MUMBOs in the U.K. operate coffee shops, QSR food outlets, gyms and hotels. Operating a diverse portfolio can enable a MUMBO to build up and sustain a real estate portfolio, supply chain and maintain a multi-skilled workforce.

Of course, there is another category of MUMBO, which is exemplified by the likes of SSP, Welcome Break, and Sodexo, which are specialists in 'closed' or 'captive' retail environments such as airports, train stations, university campuses and sporting venues.

A franchisor's perspective

MUMBOs provide franchisors with access to experienced operators, familiar with the needs of operating a franchise system and possessing an established infrastructure and financial resources.

Their operational efficiencies and cost reductions due to shared facilities allow for greater profitability and more rapid expansion. Appointing MUMBOs can be particularly beneficial to foreign brands looking to establish themselves in the U.K., or domestic brands which hitherto have grown through corporate expansion but which now wish to accelerate their growth through franchising.

The inclusion of MUMBOs reduces the number of individual franchisees in the network, requiring less training/support from the franchisor, without diminishing the rate of expansion.

"MUMBOs have often honed their skills by operating a single brand for a number years, developing their understanding of the franchise model"

MUMBOs may achieve critical mass by acquiring poor-performing franchisees or corporately owned stores, which in turn should increase revenue and profitability.

Possible downsides

A MUMBO's increased influence and bargaining power can disrupt the traditional franchisor/franchisee dynamic – at least domestically.

For some brands, MUMBOs have become almost "too big to fail", so conversations over breaches need to be approached differently. Franchisors should consider placing limits on unit growth and alternative remedies to termination, such as requiring divestment or withdrawing incentives.

Also, there could be potential adverse effects if the MUMBO's other operations create controversy and/or encounter financial difficulties. Franchisors need to consider if there is a sufficiently strong contractual 'firewall' between the MUMBO's operation of the franchisor's brands and other franchised operations.

Conflicts of interest can arise between the different brands, particularly in terms of the allocation of resources between them in areas such as personnel, site selection, and capital.

Brands should consider requiring approval rights over any future brands that the MUMBO might operate, and consider imposing clear site requirements. This can ensure that the franchisor is given access to the best locations, thereby preventing the MUMBO from favouring other brands on site selection.

They should also consider requiring that the MUMBO makes an agreed amount of capital available throughout the term for investment in the brand, to avoid capital being directed towards its other brands.

In addition to the points mentioned above, other aspects which need to be recognized and reflected in the agreement include:

- A binding development schedule which is usually tied to some form of territorial exclusivity
- Incentives for growth, such as reduced fees, costs, and rebates
- Increasingly complex funding and investment arrangements can affect the typical contractual positions, which regulate personal guarantees, changes of control, transfers of interest and business sales. Some MUMBOs might even be contemplating floating on a public stock exchange (which has happened in the U.S.), and the impacts of a listing on the brand and the franchisor's own share price need to be considered
- Requirements for unit-level and group level key performance indicators
- Any obligations requiring the franchisee to devote its full time and attention to the franchisor's brand must be relaxed, recognizing that the franchisee's management will be operating additional franchise systems. Any non-compete clauses must be reviewed and, potentially, relaxed to ensure only specific competing businesses are covered
- Cross default provisions that enable a franchisor to terminate all stores if one or a number of units are not operating in compliance with the agreement

A MUMBO's perspective

On the other side of things, the rewards for MUMBOs include operating multiple brands that allow the franchisee to diversify its position and become less reliant on a single brand. There's also the opportunity for fixed costs and overheads to be spread or shared over multiple locations, increasing unit profitability.

- For particularly savvy operators, there's the potential ability to move employees between different brands, and gain insights into different operating systems and carry over/internalize operational innovations. Additionally, there is more opportunity for career progression and savings in recruitment costs, as well as the ability to cross promote brands.

Taking all of this into account, the obvious risks include:

- Increased reliance on different layers of management means that a MUMBO owner cedes control and raises the risk of a rogue employee putting the business in breach. By creating a large workforce, a MUMBO may achieve the unintended effect of becoming less entrepreneurial
- An overzealous cross-default clause could mean the business is occasionally faced with the threat of termination
- Ensuring there is adequate protection before investing the capital to grow. Has the MUMBO secured exclusive rights or other territorial protections? Is there sufficient growth opportunity in the allocated territory?
- Greater personal liability – as the portfolio grows, personal exposure to banks in the form of secured lending and franchisors in the form of personal guarantees can mean that individual shareholders taken on a significant level of personal risk should the MUMBO ever find itself in financial difficulty.

Multi-unit: the death of master franchising?

Master franchising has always been seen as the defacto method of international expansion, but its days at the top could be numbered

WORDS BY EDWARD (NED) LEVITT, CFE

THE AUTHOR
Edward (Ned) Levitt is a certified franchise executive, a partner at Dickinson Wright LLP, Toronto, Canada, and provides legal services to Canadian and international clients on all aspects of Canadian franchise law

Did I get your attention? Well, master franchising, especially in international franchise expansions, is not dead, nor is it seriously ill.

However, what has been developing in recent years is a trend away from master franchising as the go-to strategy internationally. More and more, franchisors who want to expand beyond their borders are looking at other options, such as area development or other multi-unit structures as a better way to proceed. Why is this?

Historically successful

Traditionally, master franchising has been, hands down, the most popular way to expand a franchise system internationally. In its purest form, a franchisor grants to a master franchisee the exclusive right to expand the franchise system throughout an entire country.

The rights usually come with a hefty front-end payment to the franchisor and the requirement that the master franchisee shares, at least, the royalties received from unit franchisees with the franchisor and sometimes a sharing of all payments by unit franchisees to the master franchisee.

Frequently, the franchisor, instead of researching the foreign market and adapting the concept to fit it, relied on the local knowledge of the master franchisee. The master franchisee would then take on the responsibility of modifying the core business concept and how the franchise offering would be rolled out to unit franchisees.

The franchisor's primary obligations would be to train the master franchisee about operating the core business and about how to franchise the concept in the franchisor's home country.

Potential for failure

For those of us who have been active in international franchising – particularly us attorneys – we can attest to the extremely high failure rate for master franchise deals.

The root causes for these failures are many and varied, but the key ones are poor adaption of the business in the foreign market, unsatisfactory returns for the master franchisee, the inability of the franchisor to monitor and maintain standards in the foreign country, and the failure of the master

franchisee to open a sufficient number of units.

Understandably, at the top of every franchisor's wish list is to find a master franchisee that has prior franchise experience as a master franchisee or franchisor and/ or experience with the particular business being franchised.

That narrows the field dramatically and makes the search for a good master franchisee that much more challenging and time-consuming.

On the other hand, there are many more capable investors who can be trained effectively to directly operate a number of units within a specific territory.

The case for multi-unit

While the investment costs for a franchisor are greater when expanding internationally through a number of multi-unit franchisees in each country instead of through country masters, the returns are that much greater for the franchisor, who keeps all royalties and other payments from franchisees and the benefits, if any, from being a supplier to the franchisees.

The beauty of a multi-unit approach to international franchising is that, if a particular multi-unit franchisee proves themselves capable over time, they can always be rewarded with broader master franchise rights.

In this scenario, the franchisor would assign its other multi-unit franchises within the particular country to the new master. This usually results in a much more sustainable expansion of the system internationally and dramatically reduces the chances of picking the wrong master franchisee.

This strategy can be negotiated at the beginning of a multi-unit relationship, based upon specific performance

"We can attest to the extremely high failure rate for master franchise deals"

criteria and thresholds, or left to develop organically as the system expands within the target country.

From the franchisees' point of view, risk is reduced, because the franchisee can 'test drive' the concept before making a larger investment (i.e. significant front-end fees and infrastructure costs) usually required in a master franchise approach.

The foregoing is not a pitch for one approach or another to international franchise expansion. Rather, it is a brief summary of the new thinking about international expansions and the role multi-unit franchising is increasingly playing in such expansions.

Unfortunately, reliable statistics do not exist to measure the volume of master deals versus multi-unit deals and the trends towards one or the other. However, anecdotally, the trend is definitely shifting away from master franchising and towards multi-unit franchising.

Considering the high cost of failure with master franchising, it is certainly worth a second, sober look at multi-unit franchising in international franchise expansions.

Multi-unit ownership: the future of franchising?

The statistics all point to a continued increase in multi-unit franchise operations, but we wanted to investigate the how and why of this increasingly popular business model

Multi-unit and multi-brand franchise ownership has increased dramatically over the past decade, with more entrepreneurs opting to open several units with a brand as opposed to a singular location.

In addition, franchisors are beginning to consider multi-unit expansion over master franchising when entering particular foreign markets; especially those where a more hands-on style of management lends itself to increased chances of success. This comes in the wake of horror stories where master development has gone awry; when franchisors can choose a route that minimizes risk, they will.

"On the international front, the knee-jerk reaction was always master franchising. But it was done in a way that left an awful lot of responsibility with the master franchisee to determine what was going to be done in a foreign jurisdiction," says Edward Levitt, a partner at Michigan-based law firm Dickinson Wright.

"That had a lot of blowback when things didn't work out so well – for both the master, as well as the original franchisor. Leaving an entire country or a large region within a country in the hands of one master is risky. Things could go wrong, or your decision may not have been a good one. You're stuck solving that problem with the one country master.

"If you have a number of multi-unit franchisees, you may have ways of shifting in one or more of those multi-unit franchisees to a territory that another multi-unit franchise owner was having problems with."

A maturing franchise industry

As well as potential protection against problems caused by master mismanagement, multi-unit franchising edges out the likes of single-unit or direct franchising because of its financial incentive.

It costs a lot to onboard a franchisee. You need to ensure that they are correctly trained, and provide ongoing training months and years into their running of a location. If you can choose between five individual franchisees who need training, or one single multi-unit group that operates five sites, it becomes clear which one franchisors may want to align themselves with.

"Multi-unit has grown because of the cost of identifying, signing, training, and supporting individual franchisees, versus supporting multiple multi-unit franchisees," says Bill Edwards, CEO of international-focused consultancy Edwards Global Services. "You have to put an amount of support into every franchisee. And if a franchisee owns three, five, or 10 units, then you put your support into them. If they only own one, then you still put your support into them."

MUMBO mania

Alongside the rise of multi-unit franchising is an equal increase in the popularity of MUMBOs. That is, multi-unit, multi-brand operators that have a diverse portfolio of franchised locations.

"[MUMBOs] are becoming more prevalent; they've been in the U.S. for a while, but they are largely all in food. So a franchisee starts out with a burger brand, and then they want a chicken restaurant and then a seafood shop and so on," explains Edwards.

"What's the benefit of that? It's very simple: economies of scale. They have built an infrastructure with people, real estate, vendors. It's working for them, and they've built out 10 locations in a territory, and so they decide to pursue other brands.

"They then use that proven infrastructure to go to another brand and show that they can manage this kind of network, and then bring on another concept. By and large, brands love this. Not only is it a proven operator, but it's one that knows what the concept of franchising is."

All of the above would give the impression that multi-unit and/or multi-brand ownership is set to completely dominate the franchising world. And yet, master franchising, area developments, and even single-unit deals are still very prevalent amongst all industries under the franchising umbrella.

This is because as flexible and beneficial as multi-unit is, franchise growth is always best observed on a case-by-case basis. What works for the growth of one brand may not for another, and franchisors need to be mindful of the potential downsides that come with multi-unit expansion.

"You may be one-and-done with the master franchisee, whereas you have to keep searching for and dealing with many multi-unit owners," says Levitt. "Multi-unit territories may also be smaller, depending on your strategy. Let's say that you're dealing with England; it depends on how you may carve the territories. You may have just four multi-unit franchisees for the entire country, or you could end up having to deal with 20."

Like the good old days

It can be easy for the traditional mom-and-pop form of franchise ownership to get lost amidst the discussion between multi-unit and master franchising. After all, a family passing down a single restaurant location through the generations is one of the oldest and most revered profiles of a franchisee that veterans of the industry still hold close to their hearts.

Thankfully, there'll always be a place for this kind of franchising in the future

"Leaving an entire country or a large region within a country in the hands of one master is risky"

– even as the corporate world becomes increasingly invested in multi-unit ownership.

"There'll always be a space for mom-and-pop locations, but you might find that the multi-units will be in population centers, and single-units will be in smaller markets," says Edwards. "That means the suburbs, or very small towns that can't support more than one unit. And I hope they don't go away, because that's the core of franchising: the single-unit owner that puts their life savings into a franchise."