FRANCHISING THE WORLD OVER

Predicting global development for 2024

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The upcoming year could be excellent for international franchise development in multiple countries. While we have political and economic challenges in several countries, others have strong interest in new franchise investment. We are out of the Covid-related business investment slowdown. Going forward, the right relationships will be key to your franchise's international development in 2024.

Trends

Phenix Salon Suites' United Kingdom licensee, a multi-unit, multi-brand operator, owns and operates Snap Fitness, Starbucks, and Subway franchises. The U.S.-based Flynn Group is a franchisee of six brands and will develop Wendy's in Australia. In the Philippines, the Bistro group has licenses with TGI Fridays, Randy's Donuts, Denny's, Olive Garden, Texas Roadhouse, and other international brands. These international licensees have significant infrastructure and real estate clout to power growth, resulting in increased country royalties for franchisors.

Multi-brand franchisors, such as Inspire Brands and Propelled Brands, have strong training, support, and marketing technology resources to make the most of licenses in other countries.

In multiple countries, people are making post-pandemic moves from corporate jobs to owning their own businesses. Consumers are open to foreign franchise brands, and capital availability for new projects remains high in many countries.

However, there are challenges. Interest rates have gone from almost 0% to 18% or more in two years. Government regulation of business—especially small business—seems to be accelerating. Elections can bring uncertainty and changing policies, making it difficult to plan for growth. It's not always easy to conduct business across borders. And wars and rumors of war aren't good for bottom lines.

North America

The U.S. continues to see new franchise growth despite high interest rates and increased government interference. Mexico is seeing new franchise growth in spite of civil unrest in Guadalajara, Greater Mexico City, and the Monterrey area. Investors in Canada remain conservative but open to new investment.

Central & South America

In Central American countries, the pandemic and government policies are limiting interest in new brand investments. Brazil shows signs of investment policies that may improve the registration and startup of new franchises, but because 95% of franchises are local, it will remain a challenge for foreign franchises to establish a significant presence. Peru and Chile have major government policy problems that hinder their economies and new investments. Finally, Argentina has 100%-plus annual inflation.

European Union & United Kingdom

Spain, Italy, and the United Kingdom are seeing good interest in new franchise development. Spain has the lowest unemployment in the European Union and high interest in new franchise unit investment. However, it is difficult to find new retail and restaurant locations. Northern Italy has seen increased interest in new foreign brands. The Czech Republic, Hungary, and Poland have been impacted by war and are less likely to have local companies willing to invest.

Africa & the Middle East

Saudi Arabia is seeing immense new franchise development due to changing social rules, a new franchise law, growing consumer demand, and available capital. The United Arab Emirates is an area where foreign franchises do well, but it is becoming saturated with F&B brands. Africa is limited due to corruption, buying power, and economic and political challenges.

The Near East

India is the positive standout but remains a challenging place to actually sign and operate licenses successfully. Kazakhstan is open to foreign brands and has a growing middle class. Pakistan has seen good foreign F&B brand entry in recent years, but the economy and spending power is a challenge. Most other countries in the area have severe economic and political issues, making it difficult to operate.

Asia Pacific

There is very high interest in franchising in Australia as a result of corporate layoffs and high home equity. In Japan, old-style companies are seeking to diversify by acquiring the rights to foreign franchise brands in the F&B and fitness sectors. In China, there is a lack of investor interest. Government policies do not support private business growth. Existing foreign F&B brands will continue to see rapid unit growth, but new brand entry will be severely limited in 2024. Indonesia and the Philippines are the next most active for new franchise development with high GDP growth rates and pro-growth governments. Korea remains hampered by onerous franchise sector regulation. There is some light at the end of the tunnel for new franchise investment into Malaysia, but up-front registration with the government will limit growth. New Zealand remains a high-quality market for new franchises with high GDP and per capita income.

Wild cards

Where else might we see new interest in 2024? Panama, France, Thailand, and Morocco have potential for new franchise investment.

Bottom line

A significant number of countries will be open to new investment in 2024. With a solid strategy and the right partners, your brand could be poised for international growth. ■

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