Multi-Unit Operators Are Winning: Why the Future of Franchising Belongs to Scaled Ownership

White Paper

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Executive Summary

The franchise industry is experiencing a structural shift toward scaled ownership models. While franchising has historically been associated with owner-operators building a single location, today's growth is increasingly driven by multi-unit organizations that approach franchise ownership as an enterprise-building strategy rather than a small business investment.

This shift is evident in the data. According to FranData's 2026 Economic Outlook, multi-unit franchisees represent only 19.3% of franchise owners yet control approximately 58.8% of franchised locations in the United States. Multi-unit ownership is no longer a niche segment of franchising; it has become the dominant operating model for many of the industry's fastest-growing brands.

As franchise systems mature, franchisors increasingly prioritize operators capable of developing multiple locations, building organizational infrastructure, and executing long-term growth strategies. The result is a widening competitive gap between franchisees who own locations and franchisees who build franchise companies.

This paper examines why multi-unit operators are increasingly favored by franchisors, the structural advantages created by scale, the organizational challenges that emerge during growth, and the strategic framework required to build a scalable franchise platform.

Key Findings

- Multi-unit operators now control the majority of franchised locations in the United States.
- Franchisors increasingly prefer experienced multi-unit operators over single-unit candidates.
- Scale creates competitive advantages in talent acquisition, talent retention, operational expertise, acquisitions, and market influence.

- Building an above-unit management structure is the critical milestone separating operators from enterprise builders.
- The greatest challenge in franchising is not opening the first location; it is successfully navigating the transition from operator-led growth to organization-led growth.
- Long-term value creation increasingly comes from building platforms rather than simply accumulating units.

Market Indicators

Indicator	Current Trend
Multi-unit ownership	Increasing
Franchise consolidation	Increasing
Private equity participation	Increasing
Franchise acquisitions	Increasing
Multi-brand ownership	Increasing
Development agreements	Increasing
Franchisor preference for experienced operators	Increasing

The Rise of the Multi-Unit Operator

The franchise industry's migration toward multi-unit ownership is primarily an economic outcome rather than a preference trend.

Multi-unit operators spread fixed overhead across a larger revenue base, create more attractive career opportunities for employees, develop specialized management capabilities, and generally produce more predictable outcomes for franchisors. As franchise systems mature, scale increasingly becomes a competitive advantage rather than merely a growth objective.

The economics are compelling. A franchisee operating a single location often relies heavily on personal involvement to drive performance. By contrast, larger operators can invest in recruiting, training, operations support, finance, technology, and development infrastructure that strengthens performance across the entire portfolio.

For franchisors, the benefits are equally attractive. Larger operators often develop locations faster, require less support, and provide greater certainty regarding execution. As a result, many bra es.

"The future of franchising is not unit ownership. It is enterprise ownership."

Why New Franchisees Should Enter With a Multi-Unit Strategy

Historically, many franchisees entered franchising with a single-unit mindset. They purchased one location, learned the business, and later considered expansion opportunities.

That approach increasingly places operators at a strategic disadvantage.

Many franchisors actively seek candidates capable of developing multiple locations because multi-unit operators accelerate market penetration, increase royalty revenue, improve operational consistency, and create stronger local market positions.

Entering a franchise system with a multi-unit development strategy also creates advantages beyond growth itself.

Operators frequently gain:

- Greater territory protection
- Preferred development rights
- Improved market positioning
- Stronger long-term economics
- Increased credibility with franchisor leadership

Most importantly, a multi-unit commitment forces owners to think differently from the beginning.

Single-unit operators often focus on running a location.

Multi-unit operators focus on building an organization.

That distinction influences hiring decisions, capital planning, real estate strategy, and long-term value creation.

The objective should not be purchasing a franchise.

The objective should be building a franchise company.

Competitive Advantages of Multi-Unit Ownership

People: The Most Important Competitive Advantage

The most valuable asset in franchising is not real estate, equipment, or brand recognition.

It is people.

As organizations expand across multiple locations, they develop larger leadership teams, deeper operational expertise, broader recruiting networks, and more sophisticated management capabilities.

Scale creates opportunities that simply do not exist within smaller organizations.

A manager operating within a single location often has limited advancement opportunities. In a multi-unit organization, that same employee may advance into training, recruiting, operations leadership, finance, or development roles.

This creates a powerful competitive advantage.

Instead of continuously replacing top performers, larger operators create career paths that encourage retention and institutional knowledge accumulation.

Over time, organizational capability compounds.

The result is not simply a larger workforce. It is a stronger management platform.

Acquisitions: Becoming the First Call

One of the least discussed advantages of scale is acquisition opportunity.

When franchisees decide to exit a system, franchisors typically know which operators consistently execute at a high level.

Those operators often receive the first call.

Franchisors generally prefer transferring locations to existing operators because integration risk is lower, performance is more predictable, and infrastructure already exists to support additional locations.

Scale creates optionality.

The larger an operator becomes, the more likely growth comes from acquisition opportunities presented directly by franchisors, brokers, lenders, and exiting franchisees.

Acquisition pipelines increasingly become a competitive advantage unavailable to smaller operators.

Influence With Brand Leadership

Multi-unit operators naturally occupy a different position within franchise systems than individual unit owners.

This is not simply a function of size. It is a function of organizational relevance.

As operators expand, they frequently become larger contributors to systemwide sales, development activity, innovation initiatives, and market expansion. Their perspective evolves from unit-level execution to enterprise-level performance.

As a result, multi-unit operators often:

- Serve on franchise advisory councils
- Participate in strategic planning initiatives
- Influence operational policies
- Provide feedback on technology implementation
- Participate in new market development discussions
- Gain earlier visibility into future growth opportunities

While franchisors strive to support all franchisees equally, the reality is that larger operators frequently become strategic stakeholders within the system.

Scale does not guarantee influence.

However, influence increasingly follows operators whose decisions materially impact the future growth and performance of the brand.

Opportunity Attraction

Scale changes the nature of opportunity.

Small operators typically compete for available opportunities. Larger operators are increasingly presented with opportunities directly by franchisors, lenders, landlords, brokers, and exiting franchisees.

At a certain level of scale, growth becomes less dependent on finding opportunities and more dependent on selecting among them.

This dynamic becomes increasingly apparent as operators establish a track record of successful development and operational execution.

Experienced multi-unit operators frequently gain access to:

- New territory opportunities
- Emerging franchise brands
- Multi-brand ownership opportunities
- Acquisition opportunities
- Strategic partnerships
- Preferred financing relationships

Opportunity begins to compound.

Organizations that consistently execute become increasingly visible to the stakeholders capable of accelerating future growth.

The Dead Space in Franchise Growth

One of the most misunderstood phases of franchising occurs between approximately three and five units.

At this stage, operators often find themselves caught between two fundamentally different business models.

They are no longer managing a collection of individual restaurants.

Yet they have not reached sufficient scale to support a professional management infrastructure.

The result is what many operators experience as "dead space."

Common symptoms include:

- Increasing organizational complexity
- Manager turnover
- Reduced owner effectiveness
- Slower execution
- Margin pressure
- Strategic stagnation

The underlying challenge is not operational.

It is structural.

This stage represents a structural inflection point rather than an operational challenge.

The owner is no longer managing individual restaurants, yet the business lacks sufficient scale to support dedicated functional leadership in operations, training, finance, recruiting, and development.

As complexity increases faster than organizational capacity, decision-making becomes centralized, execution becomes inconsistent, and growth often slows.

The operators that successfully navigate this phase generally do so by accelerating growth rather than slowing it. Additional unit count and revenue create the economic foundation necessary to support above-unit management infrastructure, allowing the organization to transition from a collection of restaurants into a professionally managed enterprise.

"The greatest risk in multi-unit franchising is not growing too quickly. It is becoming trapped between operator scale and enterprise scale."

The Critical Transition: Above-Unit Management

The transition from franchise operator to franchise enterprise occurs when leadership responsibilities move beyond individual locations.

The most scalable franchise organizations ultimately invest in dedicated functional leadership capable of supporting growth across the entire platform.

Operations Leadership

- Director of Operations
- Area Managers
- Regional Managers

Training & Development

- Training Manager
- Recruiting Coordinator
- Leadership Development Programs

Finance & Administration

- Controller
- Accounting Support
- Payroll Administration
- Financial Planning & Analysis

Real Estate & Development

- Site Selection
- Lease Negotiation
- Construction Coordination
- Market Planning

These investments often create short-term pressure on profitability.

However, they also create the organizational infrastructure necessary for long-term scale.

The objective is to transfer value creation from individual effort to organizational capability.

Businesses that remain dependent on founder involvement frequently plateau.

Businesses built around leadership teams, repeatable processes, and accountability systems create enterprise value that can scale independently of the founder.

Enterprise Value Creation Through Scale

The ultimate objective of multi-unit ownership is not simply operating more restaurants.

It is creating enterprise value.

Many franchisees measure success through unit count.

Sophisticated operators measure success through enterprise value creation.

Single-unit businesses are generally valued based on the performance of a specific location.

Multi-unit organizations increasingly derive value from:

- Management infrastructure
- Development pipelines
- Acquisition capabilities
- Leadership depth
- Market density
- Operational systems
- Brand relationships

As organizations mature, investors, lenders, franchisors, and potential acquirers begin evaluating the platform itself rather than individual units.

This distinction is significant.

Owning multiple locations creates cash flow.

Building a multi-unit platform creates enterprise value.

The difference between the two is often measured in multiples of valuation rather than percentages of profitability.

The Seven-Step Multi-Unit Growth Strategy

1. Capital Requirements

Growth requires capital.

The most successful operators secure sufficient capital before expansion begins rather than pursuing financing during development.

Undercapitalized growth frequently results in delayed openings, missed opportunities, operational strain, and organizational instability.

Capital should be viewed as a strategic resource rather than a transaction.

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2. Build an Elite Real Estate Team

Franchise growth is fundamentally a real estate strategy.

Real estate quality remains one of the strongest predictors of franchise unit performance.

Sophisticated operators treat site selection as a core strategic competency rather than a transactional activity.

Access to high-quality locations often determines long-term portfolio performance more than operational improvements after opening.

The strongest operators develop relationships with:

- Tenant representatives
- Developers
- Landlords
- Construction professionals
- Market analysts

- Local brokers

Competitive advantage often begins long before a location opens.

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3. Grow Aggressively Early

The objective of early-stage growth is not merely adding locations.

It is achieving organizational scale.

The transition from one unit to five units creates complexity.

The transition from five units to ten units often creates capability.

Operators that move efficiently through the early stages of development are more likely to reach the revenue and unit thresholds necessary to support professional management infrastructure.

Early growth creates momentum, market density, leadership opportunities, and organizational leverage.

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4. Install Above-Unit Management

As organizational complexity increases, management infrastructure must evolve accordingly.

The owner's role should shift from operational execution to organizational leadership.

This transition is frequently uncomfortable but essential.

The strongest franchise organizations become increasingly system-driven rather than founder-driven.

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5. Slow Growth and Focus on Unit-Level Profitability

Once infrastructure is established, attention should shift toward operational excellence.

This phase focuses on:

- Margin improvement
- Labor optimization
- Leadership development

- Process refinement
- Cash flow generation

The objective is to strengthen the foundation before the next growth cycle begins.

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6. Build a Platform for Expansion

With capital, leadership, systems, and operational consistency in place, the organization evolves into a platform capable of supporting accelerated growth.

Growth opportunities become easier to evaluate, integrate, and execute.

Expansion shifts from opportunistic to strategic.

The organization now possesses the capabilities necessary to pursue larger development agreements and acquisitions.

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7. Favor Acquisitions Over New Development

As organizations mature, acquisitions frequently become a more efficient growth vehicle than new development.

A practical long-term framework is:

70% Acquisitions
30% New Unit Development

Acquisitions often provide:

- Immediate revenue
- Existing customer bases
- Existing leadership teams
- Established operational history
- Faster returns on invested capital

New development remains important, particularly for strategic market development, but acquisitions frequently offer superior risk-adjusted returns.

Strategic Implications for Franchisors

The franchise industry's continued evolution toward multi-unit ownership is unlikely to reverse.

Franchisors increasingly seek operators capable of developing markets rather than simply operating locations.

Experienced multi-unit operators offer several advantages:

- Faster development schedules
- Greater access to capital
- Stronger management infrastructure
- More predictable execution
- Lower support requirements
- Greater acquisition capacity

As a result, development strategies continue shifting toward larger territory agreements, multi-unit commitments, and strategic operator relationships.

The future growth of many franchise systems will be driven less by increasing franchisee count and more by expanding the capabilities of existing operators.

Conclusion

The franchise industry is experiencing a structural shift toward scaled ownership models.

The question is no longer whether multi-unit operators will play a larger role in franchise growth; the available data suggests they already do.

The competitive advantages created by scale extend far beyond additional locations.

Scale creates organizational depth.

Scale creates acquisition opportunities.

Scale creates influence.

Scale creates enterprise value.

For entrepreneurs entering franchising today, the objective should not be owning one location.

The objective should be building a scalable franchise enterprise capable of attracting talent, acquiring assets, expanding markets, and creating enterprise value.

"The most successful franchisees of the next decade will not think like operators. They will think like capital allocators, organizational builders, and enterprise leaders."

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