

New Zealand Franchising Outlook

2025

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Table of contents

Research summary	3
About the research	4
Franchising Sentiment Levels	5-16
Challenges & Opportunities	17-22
Mega Trends Impacting Franchising	23-25
Conclusion	26-27
Research Contact	28

Research Summary

The *New Zealand Franchising Sentiment Survey – January 2025*, conducted by Franchise Consultants, provides a comprehensive outlook on the state of franchising in New Zealand, drawing insights from 42 franchisors and 15 service providers.

The report highlights both the challenges and opportunities that franchisors anticipate in the year ahead, amidst an evolving economic landscape.

Key Findings:

- **Improved business confidence.** Franchisor confidence in general business conditions surged from a net 26% in 2024 to 62% in 2025, reflecting cautious optimism despite ongoing economic pressures.
- **Challenges to development.** The most pressing challenges for franchisors included finding suitable franchisees, managing economic and inflationary pressures, securing finance, and addressing rising operating costs.

Regulatory challenges and labour shortages also remain significant concerns.

- **Opportunities for development.** Franchisors saw promising opportunities in franchisee recruitment, economic recovery, operational efficiencies, AI-driven innovations, and multi-unit expansion. Lower interest rates and increased consumer demand are expected to further stimulate growth.
- **Sector sentiment:** Sentiment varied across sectors, with FMCG, construction, and automotive showing positivity, while retail and hospitality continue to face cost pressures. Health, fitness, and professional services express cautious optimism, buoyed by expected economic recovery.
- **Emerging trends.** Digital transformation (87%), economic pressures (73%), and workforce challenges (60%) were identified as the most impactful long-term trends shaping the franchising landscape over the next 5-10 years.

Outlook for 2025

While the franchising sector navigates through economic uncertainties, the outlook remains positive with expectations of growth driven by strategic adaptation, technological advancements, and sector-specific opportunities.

The resilience and innovation demonstrated by New Zealand franchisors position the sector well for sustainable development in the years ahead.

About the Research

The research authors are Franchise Consultants, with the research led by Dr Callum Floyd.

This franchising outlook and sentiment survey represents the views and expectations of New Zealand franchising by franchise network and supplier leaders.

Franchising is a substantial and growing domain of business making up an important part of the New Zealand economy.

The recent Franchising New Zealand 2024 survey, conducted by Massey University, indicates New Zealand has 546 individual franchise systems comprising nearly 30,000 franchisee-owned units. Franchise systems employ some 114,300 people and total franchise system turnover is estimated to be around \$47.2 billion.

The survey here represents confidence in key measures critical to the success of franchising in this country.

This survey reports franchisor attitudes toward general business conditions, as well as key franchising growth determinants – including access to capital, suitable potential franchisees, staff and locations. It also addresses franchising health attributes and outcomes like franchisee sales, operating costs and profitability, and, franchise system growth prospects.

The data and analysis presented represents the views of **42 franchisors** and **15 service providers** collected between 14th and 31st January 2025.

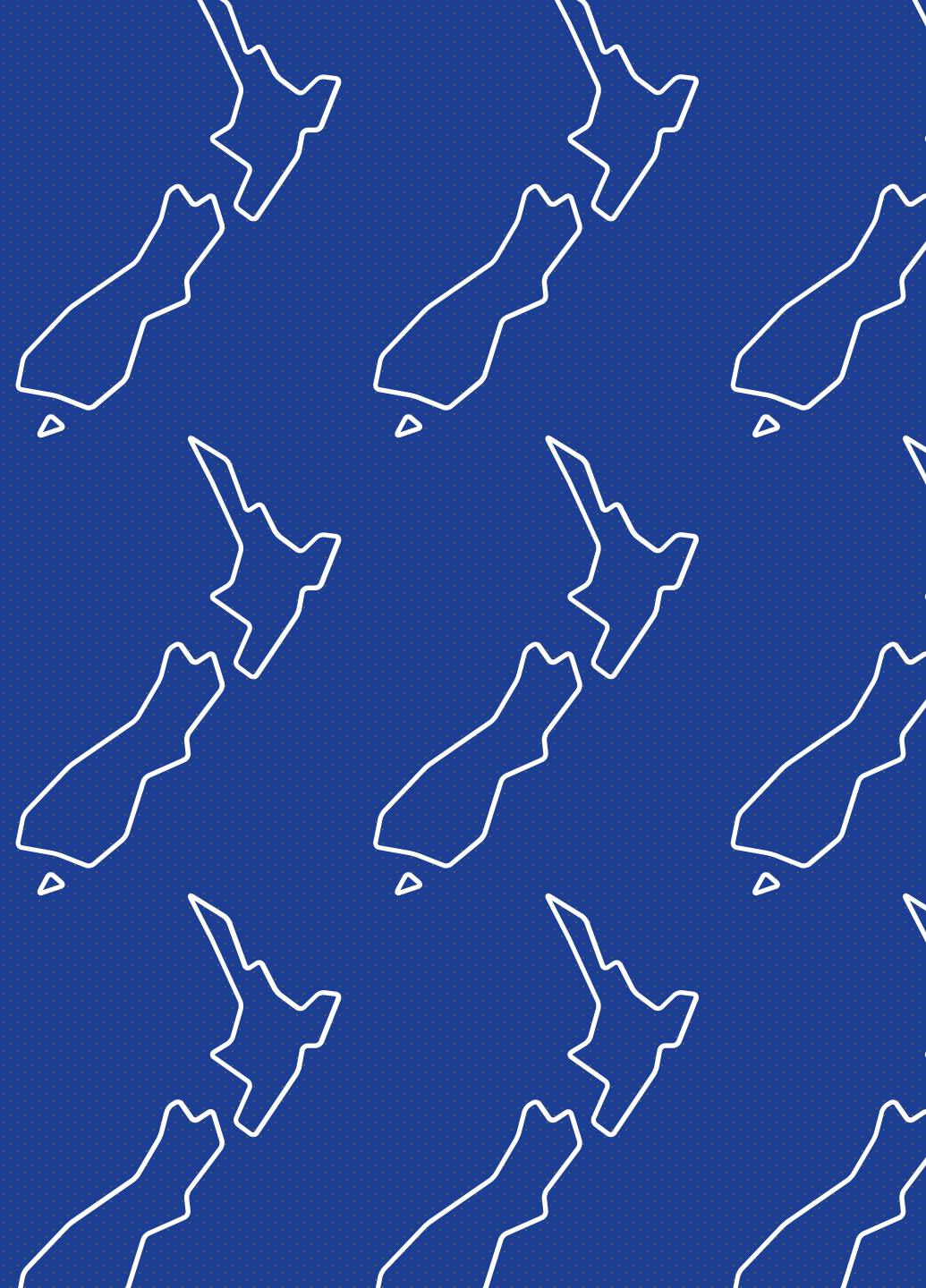
Respondents were asked whether they expected conditions to be 'better,' 'same' or 'worse.' 'Net' confidence is the difference between those reporting 'better' and 'worse.'

The authors supported Womens Refuge and The Salvation Army with contributions of \$10 survey response – divided by respondent choice.

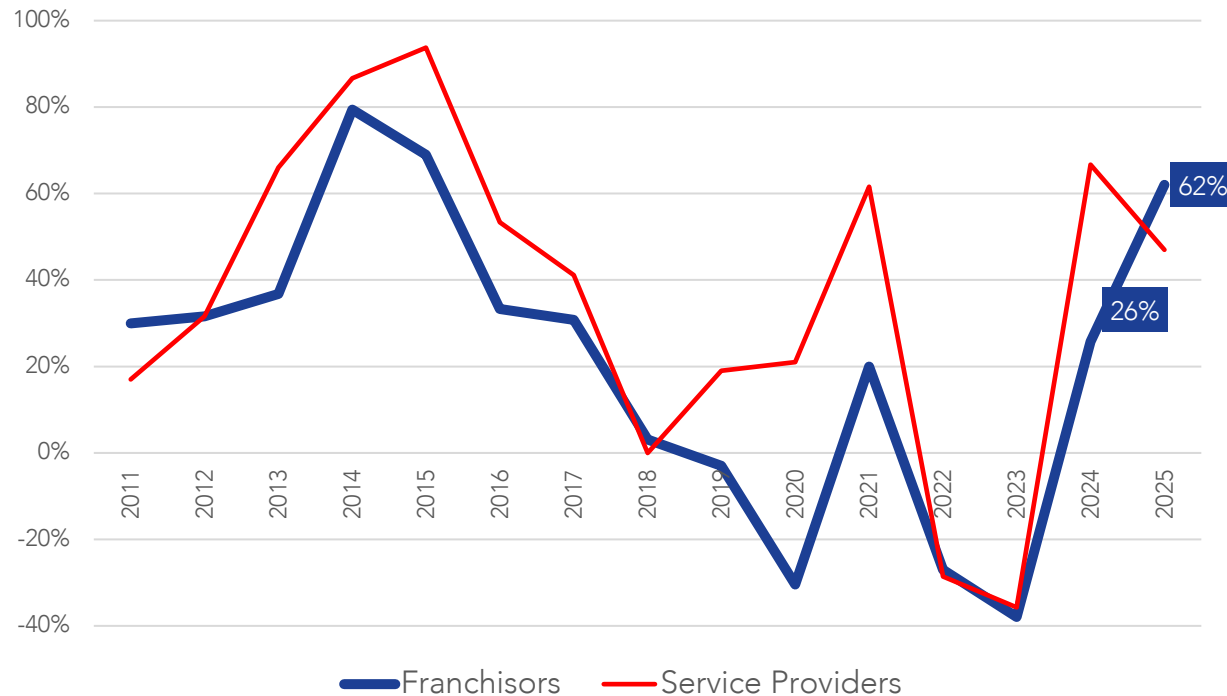


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Franchising Sentiment Levels



General Business Conditions

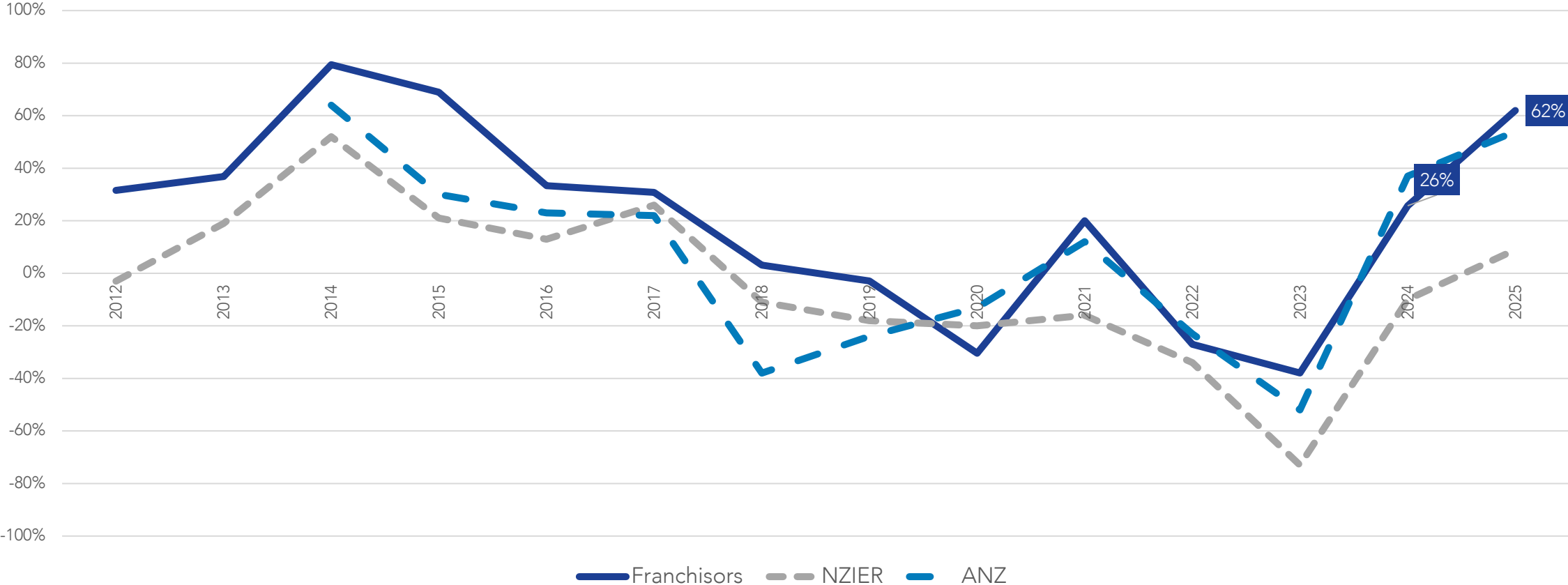


Franchisor outlook for general business conditions showed good improvement from a net 26% in January 2024 to a net positive 62% today.

Service Provider sentiment remained similarly high at a net positive 47%, though down from 67% in 2024.

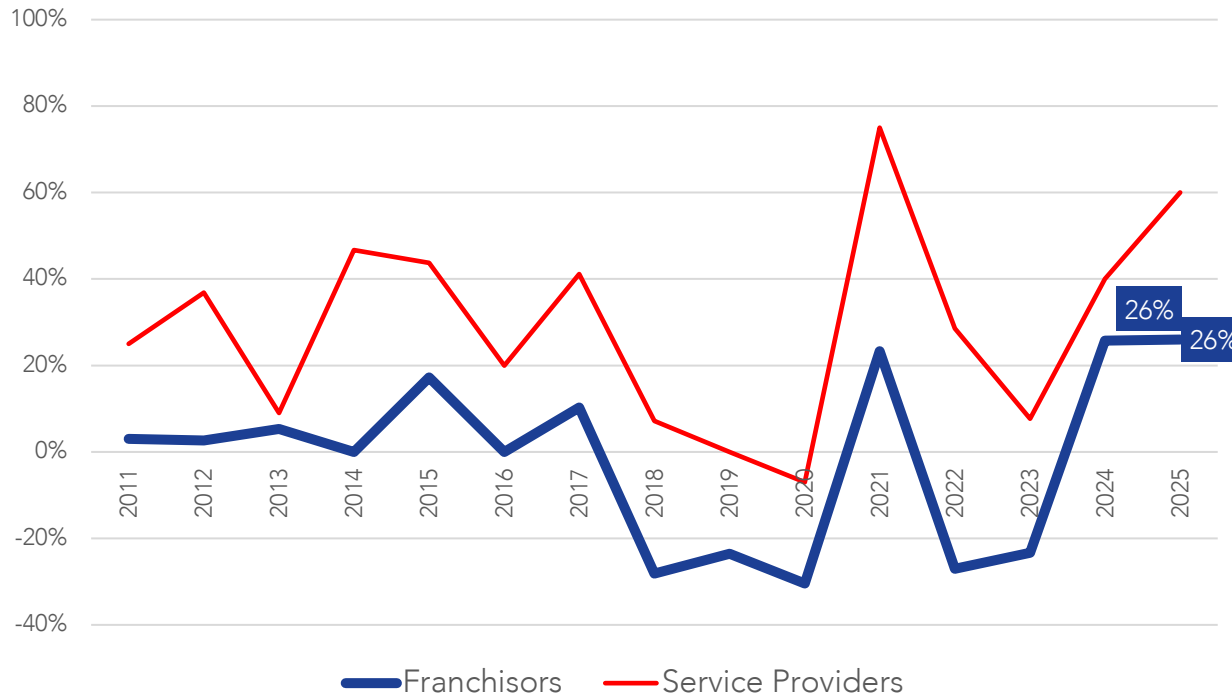
Compared to NZIER & ANZ Surveys

General Business Conditions



Ease of Finding Franchisees

Access to Suitable Franchisees

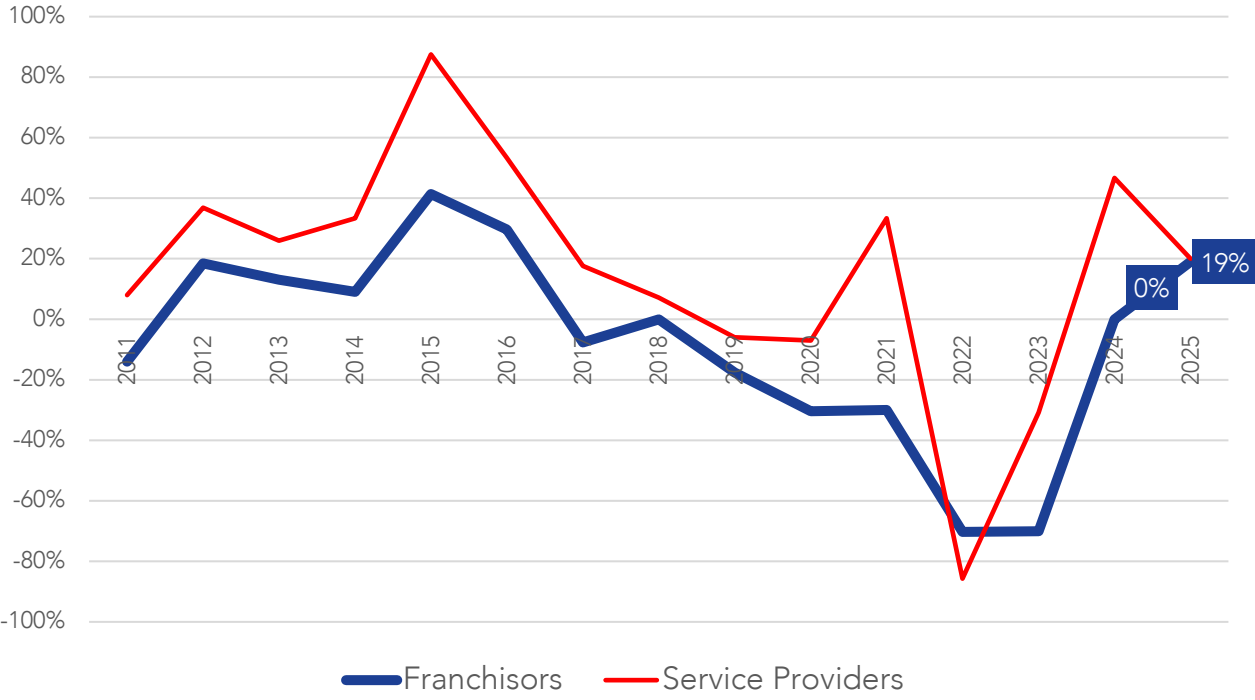


Franchisor outlook for access to suitable franchisees levelled at a net positive 26%.

Meanwhile Service Provider sentiment grew from a positive 40% (2024) to a much higher 60%.

Obtaining Finance for Franchisees

Access to Financing



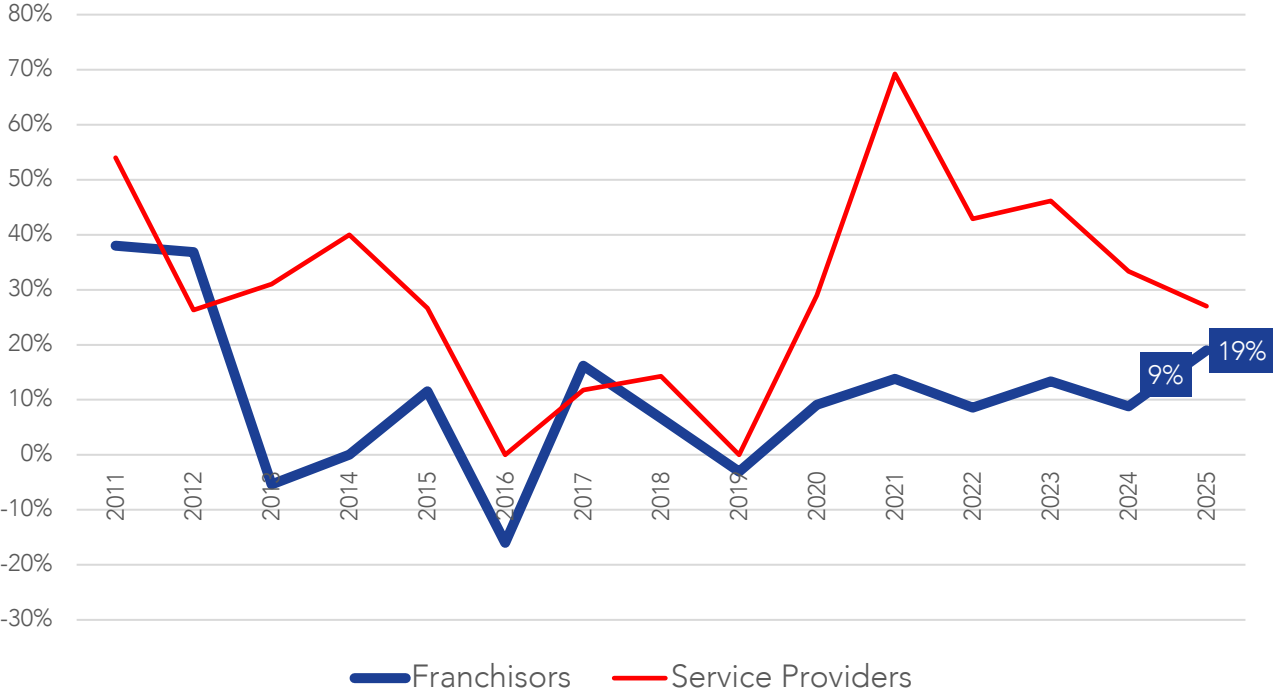
Franchisor outlook for access to financing showed some improvement from a net 0% (2024) to a positive net 19%.

While improved, this remains an area of considerable challenge and concern.

Service Provider sentiment reduced from a more positive 47% in 2024 to a similar net 20% level in January 2025.

Finding Suitable Sites

Availability of Suitable Locations

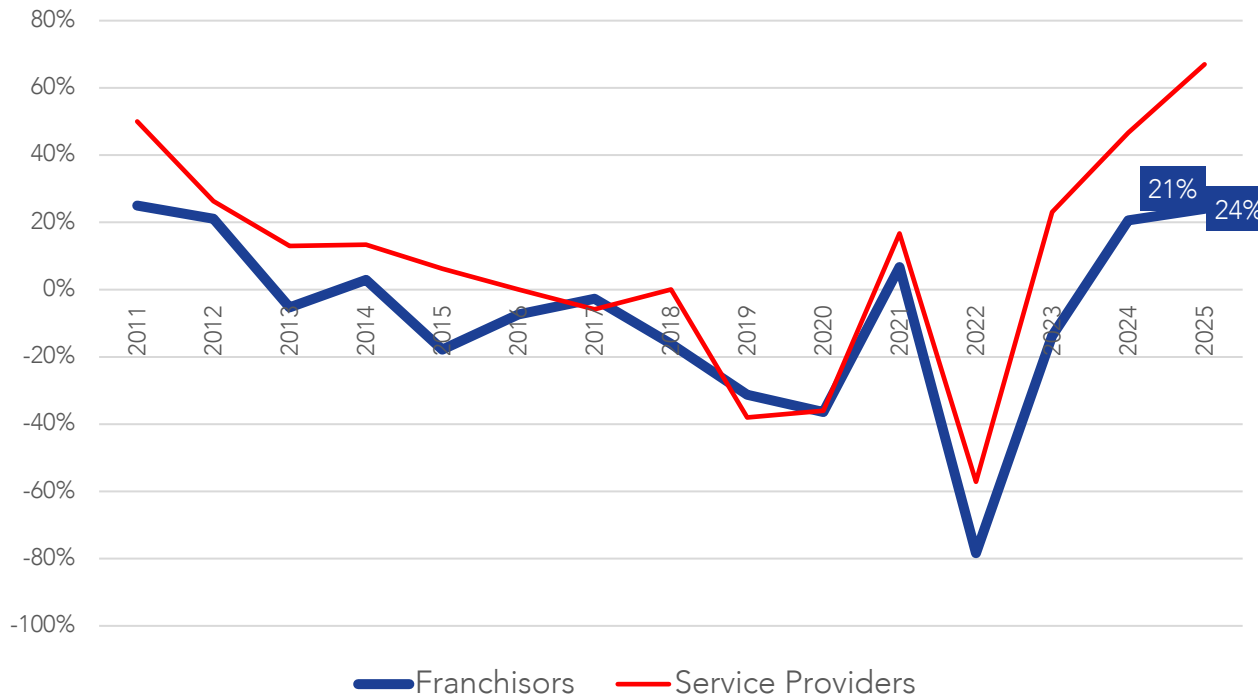


Franchisor outlook for access to suitable locations improved marginally from a net 9% to 19%.

While still positive overall, Service Providers sentiment toward the same reduced to a similar level - moving from 33% (2024) to 27% (2025).

Finding Staff

Access to Suitable Staff



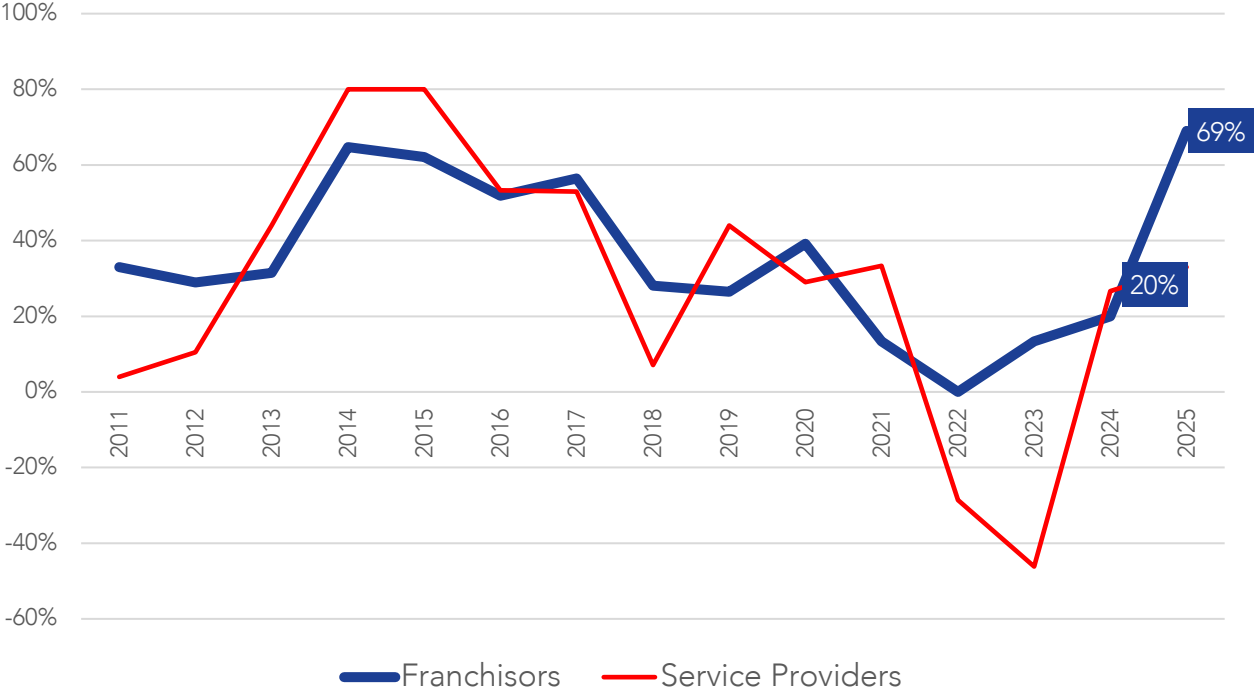
Franchisor outlook for access to suitable staff marginally improved from a net 21% to 24%.

Meanwhile, Service Providers sentiment for the same grew from a higher 47% (2024) to 67% (2025).

Franchisee Topline Sales



Franchisee Sales Levels



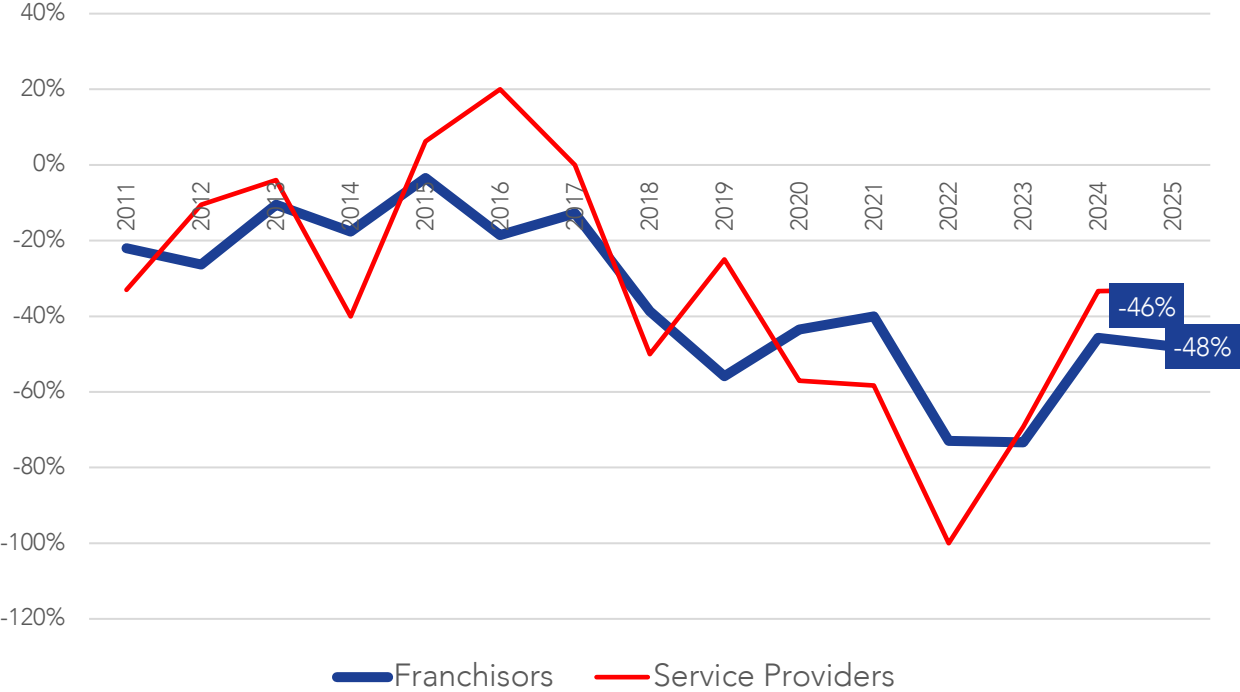
Franchisor outlook for franchisee sales levels improved from a net negative 20% to a considerably more positive 69%.

Service Provider sentiment grew strongly from 27% (2024) to 33% (2025).

Franchisee Operating Costs



Franchisee Operating Costs

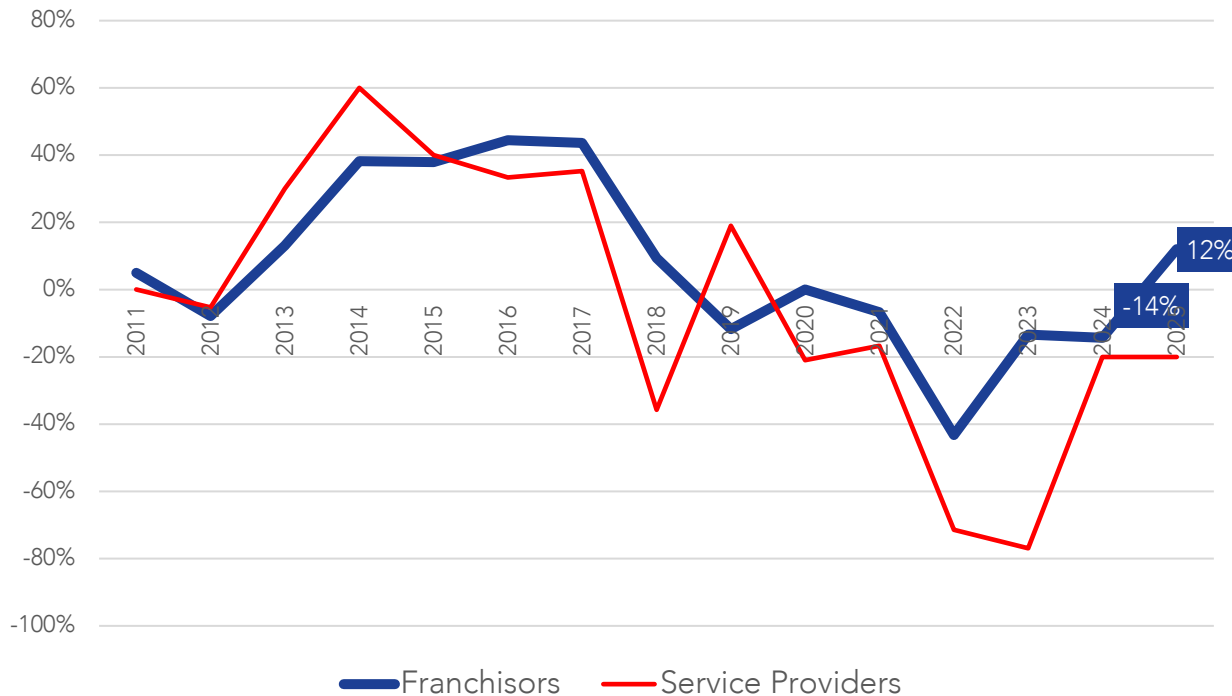


Franchisor outlook for franchisee operating costs continues to present a considerable area of concern, moving from -46% (2024) to -48%.

Service Provider sentiment was similarly negative at -33% in 2024 and 2025.

Franchisee Profits

Franchisee Profitability Levels

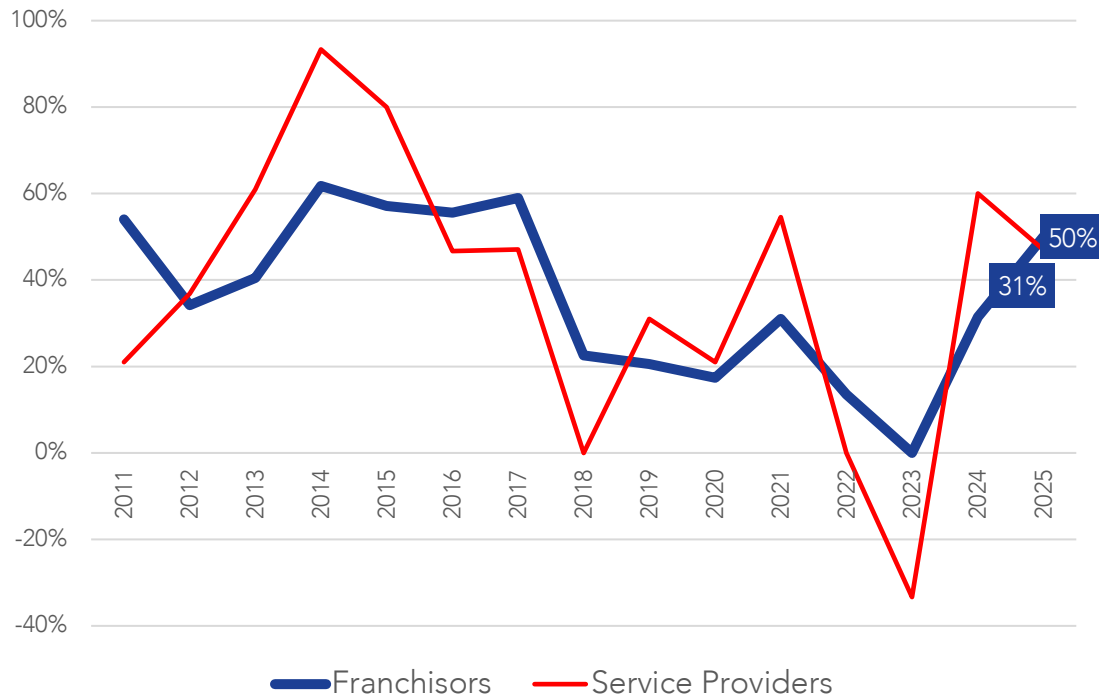


Franchisor outlook for franchisee profitability levels turned positive moving from -14% in 2024 to a positive net 12%.

Meanwhile, Service Provider sentiment sustained at a more negative -20% (2024 and 2025).

Franchisor Growth

Franchisor Growth Prospects



Franchisor growth sentiment improved again.

Franchisor outlook for growth improved from 31% (2024) to 50% (2025).

Meanwhile Service Providers, while remaining positive overall, reduced from a very high positive 60% in 2024 to 47% - inline with franchisor views.

Sector Sentiment

2025 brings mixed sentiment across sectors. There is cautious optimism in some industries, while others remain under significant pressure due to rising costs, economic conditions, and regulatory challenges. Many sectors are hopeful for improvement in mid to late 2025, However, cost pressures and lending challenges remain top concerns.

Examples

FMCG: Positive outlook as inflationary and supply chain challenges ease.

Retail: Facing significant pressure due to cost of living, rising costs, and regulatory challenges, with hopes for improvement in late 2025.

F&B / Hospitality: Struggling due to cost increases, rent hikes, and banks' reluctance to lend, but some optimism for mid-2025.

Construction and Home Building: Positive trends with increased house starts, affordability improvements, and optimism due to lower interest rates.

Automotive Repairs: Expecting better consumer spending in 2025.

Health and Fitness: Positive outlook for the year ahead.

Tourist Accommodation: Strong business during peak periods but struggling during off-peak times due to reduced discretionary spending.

Professional Services: Facing challenges with an aging workforce, low new entries, and technological disruptions.

Trades: Showing promising signs, but full recovery expected in 6-9 months as building consents increase.

Business Services: Facing flat sales but hopeful for recovery in six months as the economy stabilizes.

Convenience: Improved outlook with legislative changes from the new government.

Home Services: Challenging. More discerning customers. Discounting. Cheap systems buying customers with cheap offerings.

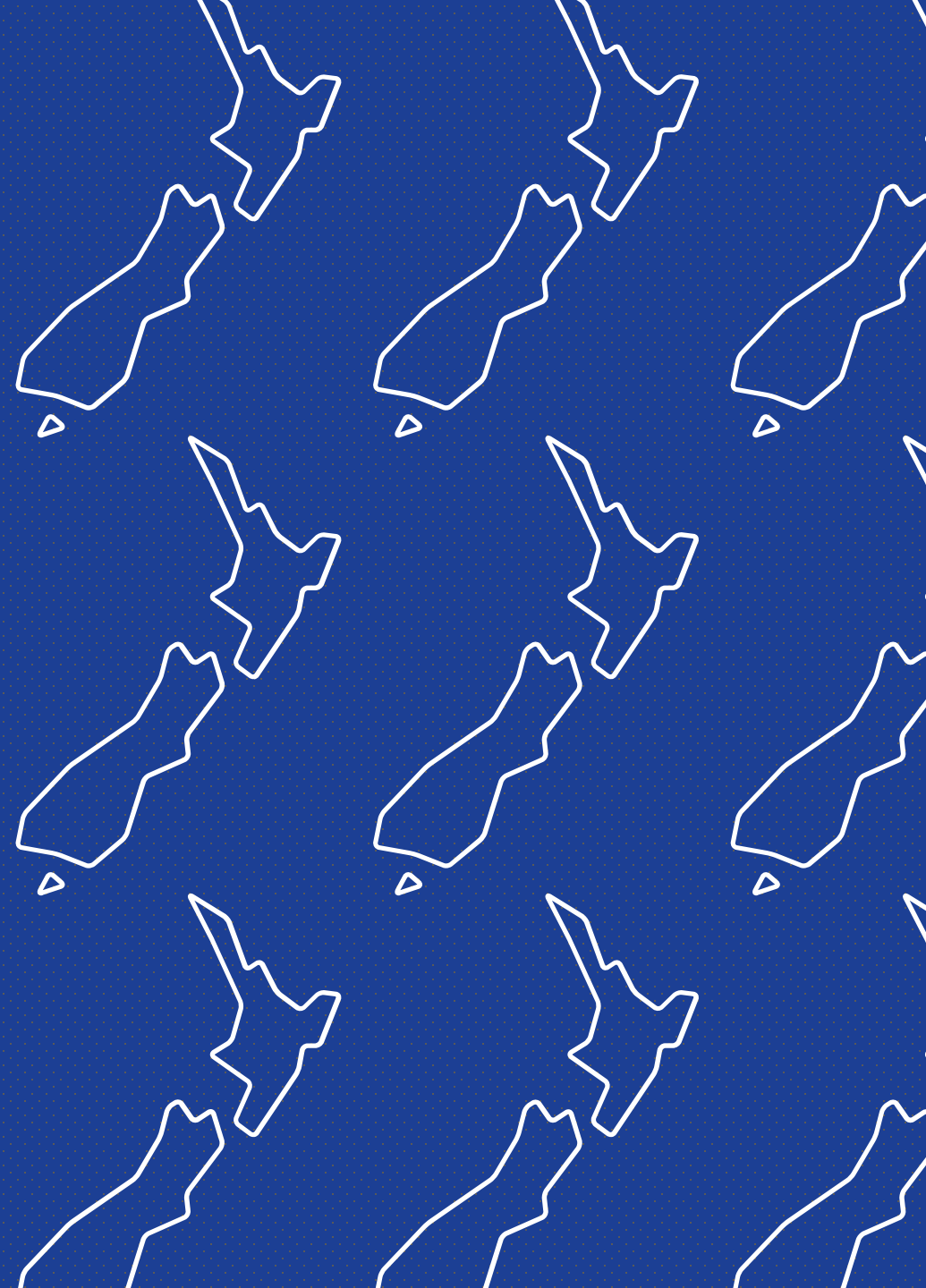
Financial Advice: Positive.

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37 franchisors responded to the question How do you think things are looking in your sector?

Challenges & Opportunities



Challenges to Development

Greatest challenges to franchising development

When asked what do you expect will provide the greatest challenge to franchising development 'this year,' the areas of greatest concern included finding franchisees, the economy, access to finance, suitable locations, consumer demand & price sensitivity.

A selection of respondent verbatim are provided below as examples.



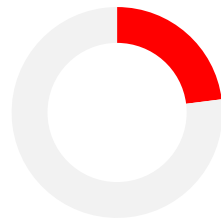
33%

Finding suitable franchisees

"We have less motivated buyers in our preferred target market

"People wanting to [only] commit to purchase existing franchisees based on last 2 years' earnings.

"The willingness and skill set required for growth."

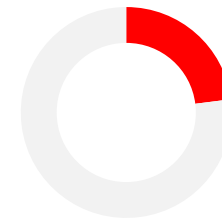


23%

Economic & Inflation Pressures

"The cost of doing business and product costs when paying in USD."

"NZ economy/recession/costs of existence."



23%

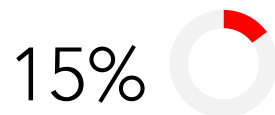
Access to Finance & Borrowing Costs

"Access to finance for new start-up franchisees."

"Cost of borrowing and government regulation."

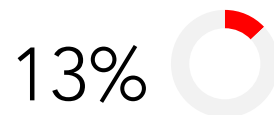
"Having no banks funding start-ups does not help either."

Other challenges to development



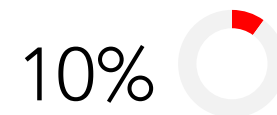
Finding suitable sites

"Finding suitable affordable locations for new franchise territories and existing franchises facing lease expirations."
"Strong rental increases"
"Affordable site locations."



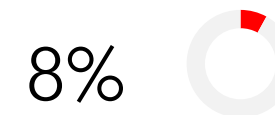
Consumer demand and price sensitivity

"Customer price sensitivity with reduced disposable income and reduced maintenance budgets for commercial clients."
"Meet the market pricing demands."



Unit business profit & survival

"Business retention/profitability."
"Ensuring that franchisees can continue to operate. Covid and then a recession are pushing many to the limit."



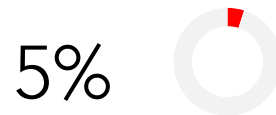
Regulations

"Regulation restricting or preventing business continuity."
"Tightening regulations."



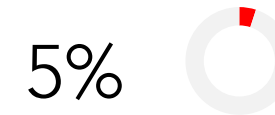
Finding staff

"Finding suitable staff. This has been the same for the last 4 years."
"Labour shortages."



Aging franchisees

"Aging franchisees with an aversion to embracing generational consumer habit changes."
"Aging franchisees."



Adaptation & change

"Our own internal evolution"
"Aggressive offshore competition with deep pockets."

Previous Year Challenges

Top Challenges by Year



	2021	2022	2023	2024	2025
#1	COVID-19	Staff	Finance	Finance	Franchisees
#2	Staff/Finance	COVID-19	Franchisees	Franchisees	Economy
#3	Costs	Franchisees	Staff	Staff	Finance

Opportunities for Development

Greatest opportunities for franchising development

Franchisors were asked what they expect will provide the greatest opportunity related to franchising development 'this year.' The areas of greatest opportunity covered, franchisee recruitment, economic recovery, operational improvements and cost reductions, AI and technology, and, consolidation and multi-unit growth. A selection of respondent verbatim are provided below as examples.



46%

Franchise recruitment and expansion

- "Great territories available and more candidates looking due to changes in corporate employment."
- "Prospective franchisees looking to capitalise on lower interest rates with business loans."
- "New people looking for new opportunities in business."

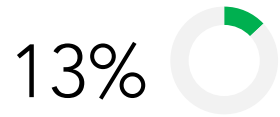


31%

Economic recovery and lower interest rates

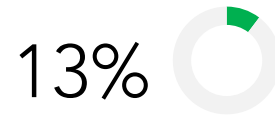
- "Reduction in interest rates and increase in existing house prices."
- "A more positive economy and general business outlook from mid 2025 hopefully sees an increase in franchise enquiries."
- "Increased customer spending as/if the economy recovers."

Further opportunities for development



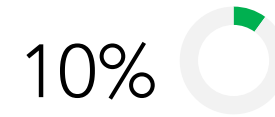
Operational improvements and cost reductions

"Need to adapt our model quickly."
"Get our overheads down and take the pressure off the cashflow."



AI & technology

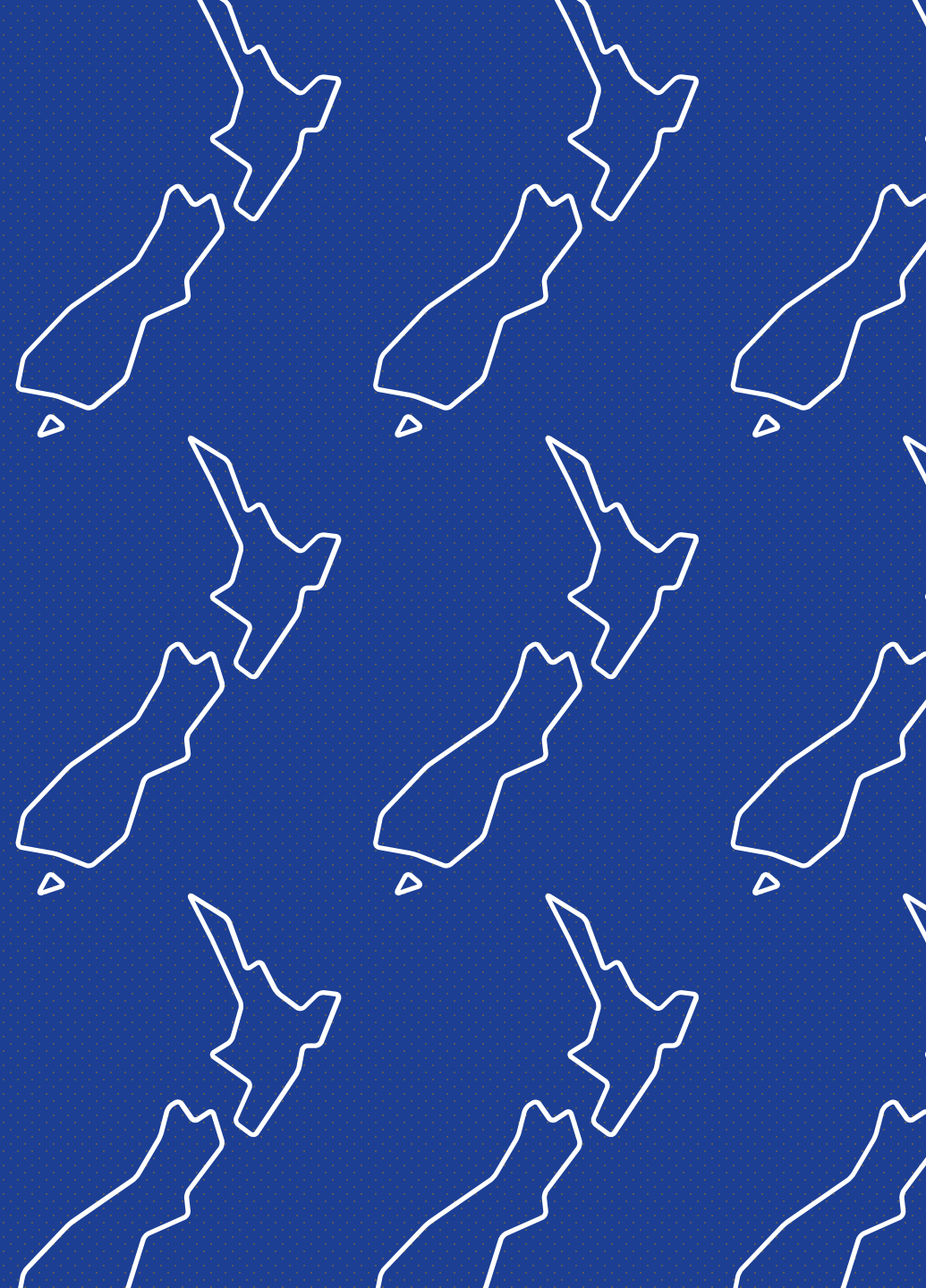
"AI to improve process and systems to help drive efficiencies to help reduce cost and increase output."
"AI will make it easier to fine tune marketing to find our target audience."
"Improved use of data and technology to help communicate to the customer, market to the customer and use the data to make the best decisions."



Consolidation and multi-unit growth

"Consolidation, multi franchises, working with good franchisees to expand."
"Independent small to medium operators in our category looking for a home under a broader organisational umbrella."
"Confidence of existing franchisees to purchase another franchise."

Mega Trends Influencing Franchising Businesses



Mega Trends Impacting Franchising

All 42 franchisors responded to the question “[l]ong term, which of these future major trends are likely to be most impactful on your business in the next 5-10 years?” Franchisors were able to select multiple trends.

Mega Trends

Economic Pressures: Like rising costs, inflation, interest rates and accessing finance

Consumer Behaviour Shifts: Like demand for sustainability, personalization, and wellness-focused offerings

Demographic Shifts: Like the rise of Generation Z as a significant consumer group

Workforce Challenges: Like labour shortages, rising wages, and evolving work models

Digital Transformation: Like AI, automation, and online ordering systems driving operational efficiency. Also data insights.

Climate Change: Like water and other resource management issues.

Marketing Evolution: Like Social Media, influencer marketing, and managing online reputations.

Regulatory Compliance: Like adapting to labour laws, data privacy, and franchise-specific legislation.

Supply Chain Resilience: Like addressing disruptions and focusing on sustainable sourcing.

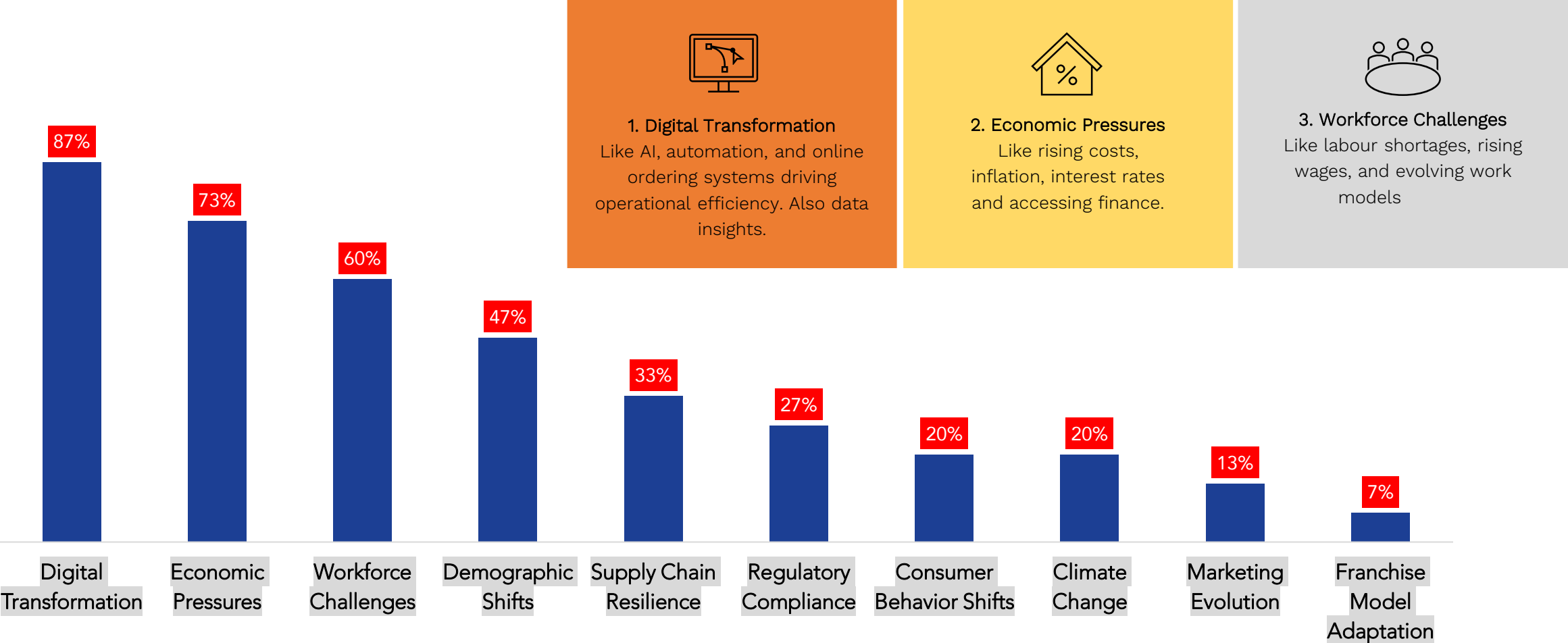
Franchise Model Adaptation: Franchising best practice adoption, and growth of innovative and hybrid franchise models.

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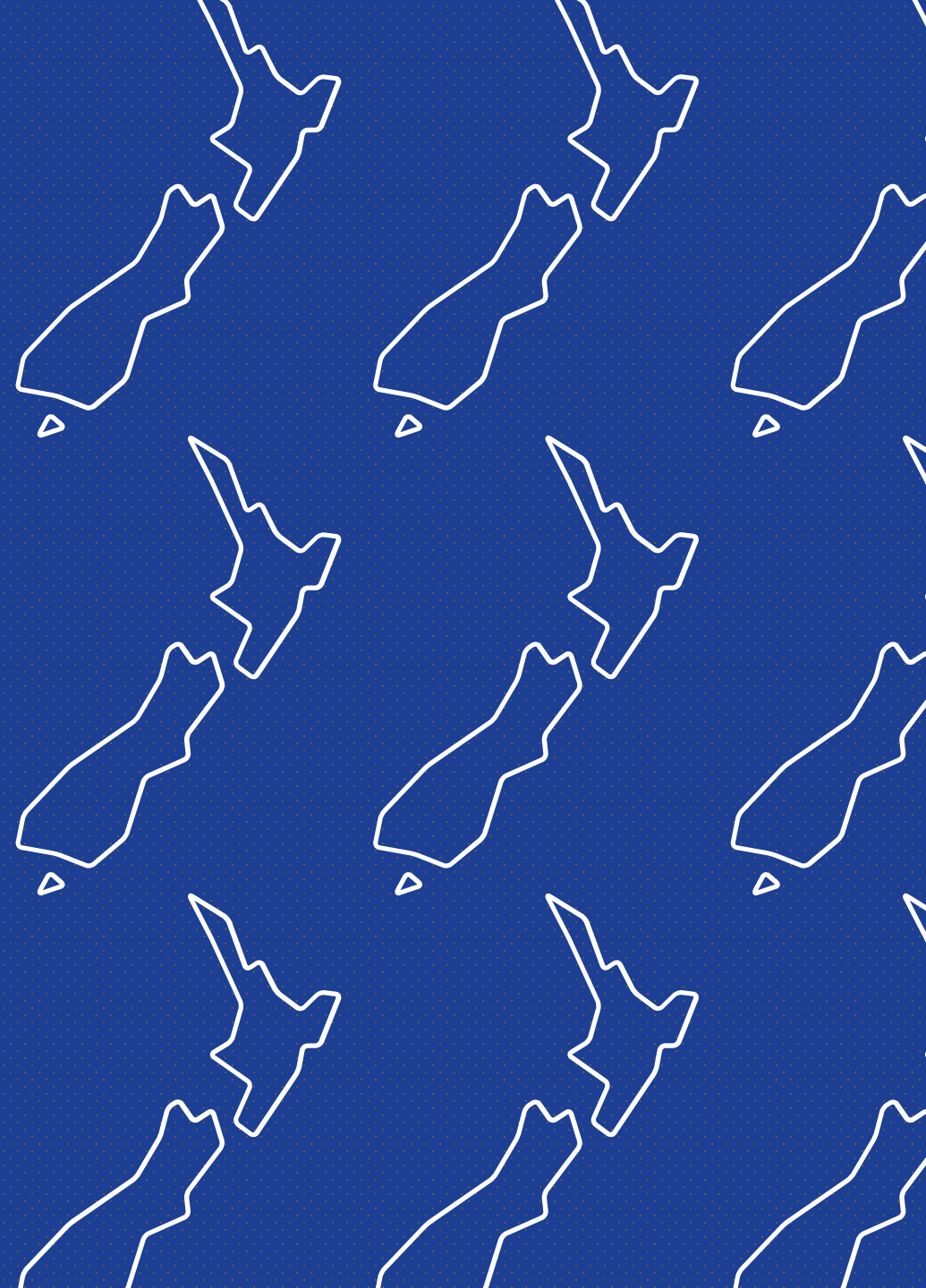
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Mega Trends Impacting Franchising

Almost all 42 franchisors (87%) saw Digital Transformation as a crucial and dominant force impacting their franchising business. Economic pressures (73%) were a close second, demonstrating how crucial many factors relating to the economic environment are to franchising businesses. Workforce challenges followed for more than half (60%) – rounding out the top three key forces.



Concluding Comments



Concluding Comments

The 2025 New Zealand Franchising Sentiment Survey highlights a cautiously optimistic outlook for the year ahead, despite persistent challenges.

Franchisors demonstrated increased confidence in general business conditions, franchisee sales, and system growth compared to 2024. However, rising operating costs, access to finance, and economic uncertainty remain significant hurdles.

Franchisors identified recruitment of suitable franchisees, economic recovery, and operational improvements as key opportunities for system development.

Notably, advancements in AI and technology are expected to enhance efficiencies, marketing, and recruitment processes, while consolidation and multi-franchise growth offer promising expansion avenues.

Mega trends such as digital transformation, economic pressures, and workforce challenges will shape the future of franchising, demanding adaptability and innovation.

As the economy stabilises and interest rates ease, franchisors are hopeful that 2025 will lay the groundwork for sustainable growth, with many anticipating more favourable conditions in 2026.

In summary, while challenges persist, the franchising sector in New Zealand is resilient, innovative, and well-positioned to seize emerging opportunities in a dynamic business environment.



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