

NZ Fuel Cost Impact on Franchise Systems

Insights from 41 New Zealand franchisors on how rising fuel costs are flowing through franchise systems

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Research Overview

This research has been undertaken by Franchise Consultants, led by Dr Callum Floyd.

The results reflect 41 franchisor responses, spanning a range of industries and system types, from across New Zealand, providing a current view of how rising fuel costs are impacting franchise systems.

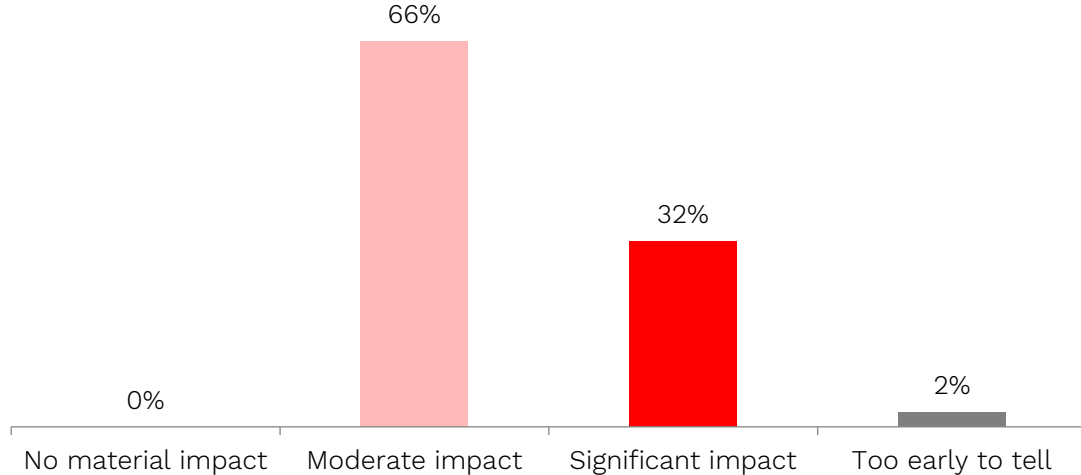
Key topics addressed include:

1. The impact of rising fuel costs on franchise systems
2. Where the greatest impacts are currently being felt
3. How franchisees are being affected
4. What actions franchisors are taking in response
5. Current outlook for the duration of these impacts
6. What franchisors are seeing in their systems or industries that may not yet be widely understood

These results provide a timely view of how rising fuel costs are flowing through franchise systems and the responses emerging across the sector.

Franchising represents a significant part of the New Zealand economy, with hundreds of systems and tens of thousands of owner-operated businesses. **As a result, these cost pressures have implications across a broad range of sectors and communities.**

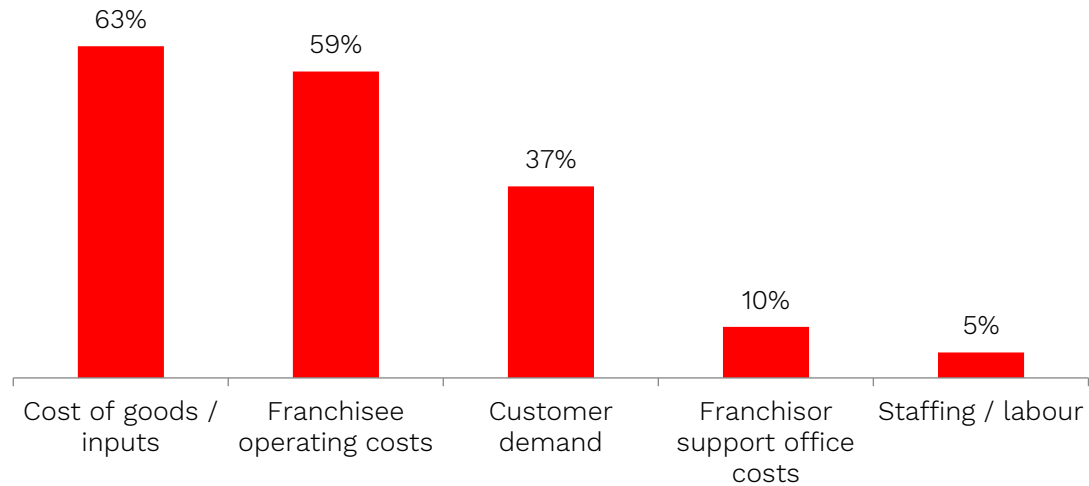
The impact of rising fuel costs on your franchise system to date?



Material impact already evident across most systems

Results indicate that rising fuel costs are already having a material impact across most franchise systems, with virtually no respondents reporting no impact. Notably, a significant proportion of franchisors are already experiencing substantial effects, highlighting the extent to which cost pressures are flowing through systems.

Where is the greatest impact currently being felt?

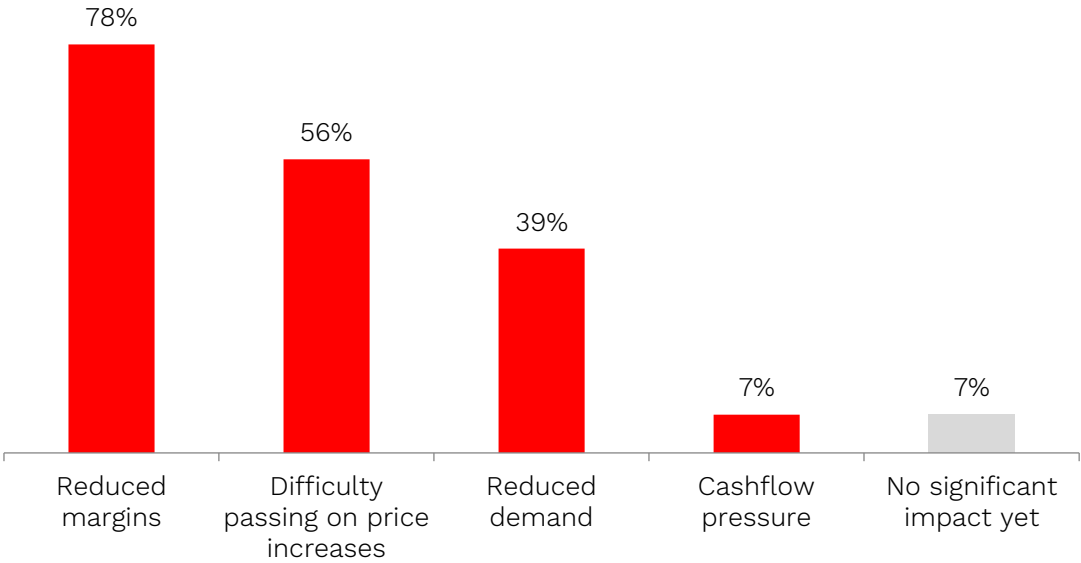


Cost pressures extending beyond fuel into supply chains

While the immediate impact is being felt at the franchisee operating level, results show clear flow-through effects into supply chain costs. Cost of goods and input pricing are now a major area of impact across systems. A smaller but notable group is also experiencing impacts on customer demand, indicating that second-order effects are already emerging.

Note: Franchisors were limited to two responses

How are franchisees in your system being affected?

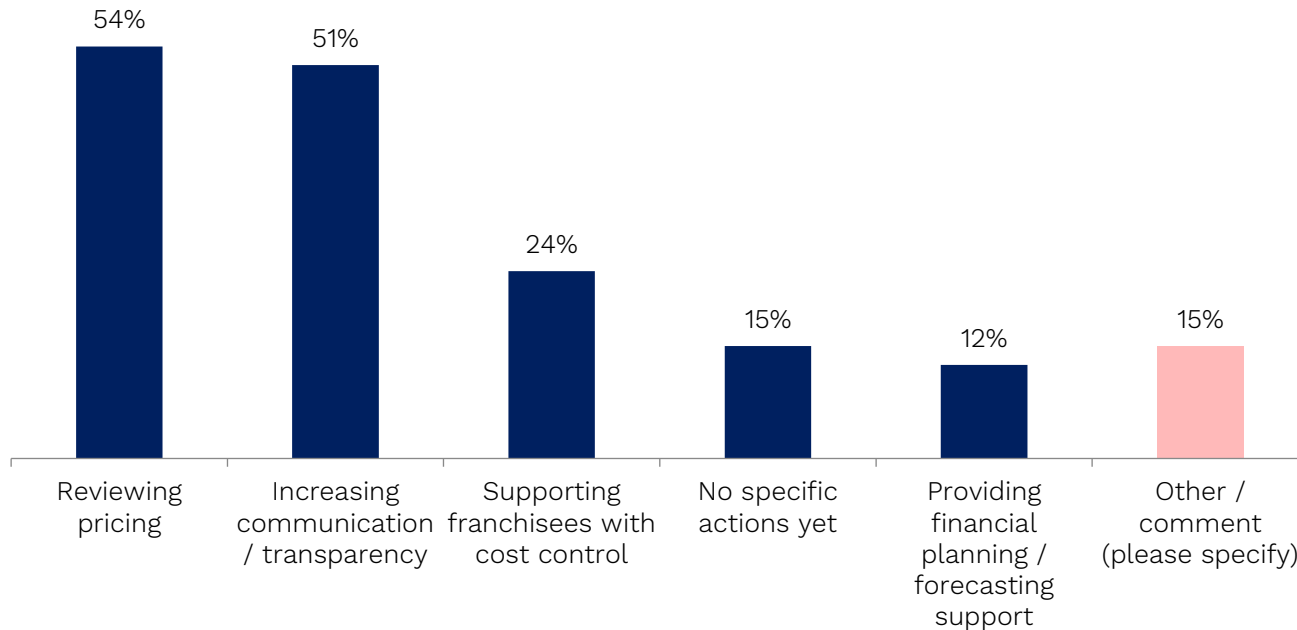


Margin compression is the dominant issue

Margin compression is the dominant issue for franchisees, driven both by rising costs and a limited ability to pass those increases through to customers. In many systems, this is now being compounded by early signs of demand softening.

Note: Franchisors were limited to two responses

What actions are you currently taking in response?



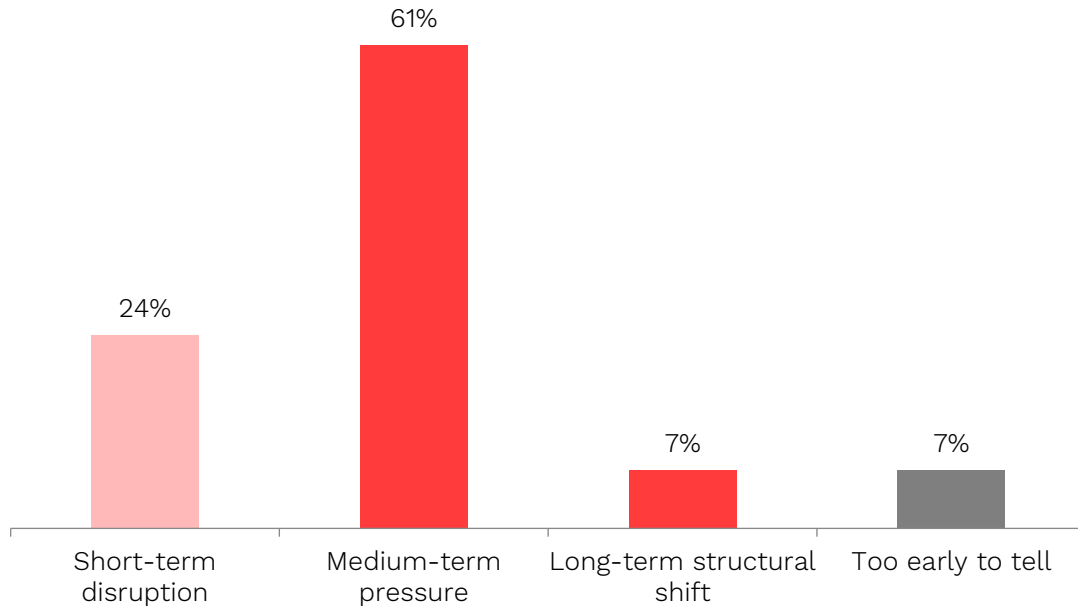
Responses centred on pricing, communication and cost recovery mechanisms

Franchisor responses are centred on pricing and communication, reflecting the need to respond quickly and keep franchisees informed as cost pressures emerge across systems. With a broader response base, there is now clear evidence of more active cost recovery measures being implemented. These responses indicate that many franchise systems are moving beyond immediate reaction and into more structured approaches to managing fuel-related cost pressures.

A number of franchisors have introduced specific initiatives, including fuel surcharges, pricing adjustments, and targeted subsidies to support franchisees. Others are responding operationally through forward ordering of stock and sharing best practice approaches across their networks.

Note: Franchisors were limited to two responses

What is your current outlook?



Most franchisors expect a medium-term pressure environment

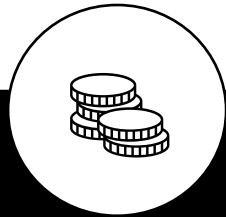
Franchisors largely expect current cost pressures to persist over the medium term, although there is still uncertainty around duration.

This reinforces the importance of planning under multiple scenarios rather than assuming a rapid return to previous conditions. For many systems, this may require a shift towards more disciplined financial planning and forecasting.

Note: Franchisors were limited to two responses

Key Themes Emerging Across Franchise Systems

Franchisors are beginning to identify a range of broader and less visible impacts across their systems. These insights provide important context to the quantitative results and highlight how pressures are flowing through different parts of the franchise ecosystem.



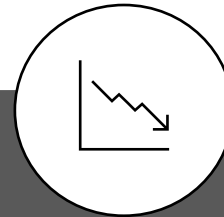
1. Cost Pressures Beyond Fuel

Fuel-related cost increases are flowing widely through supply chains, including freight surcharges, oil-linked inputs, and multiple layers of production and distribution cost.



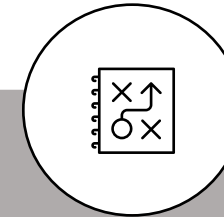
2. Margin Pressure and Pricing Constraints

Franchisees are being squeezed from both sides, with rising costs and limited ability to pass increases through without impacting demand.



3. Demand Softening and Changing Customer Behaviour

Several systems are now experiencing reduced enquiry, cancellations, and more cautious spending, particularly among “middle NZ” consumers and discretionary categories..



4. Operational Behaviour Is Shifting Across Systems

Franchisees are adjusting how they operate, including limiting travel, reassessing job selection, shifting to online engagement, and exploring cost-efficient operating models.



These responses highlight that the impact of rising fuel costs is not uniform, with effects varying significantly by sector, business model, and customer base.

What This Means for Franchise Systems

1. Clarity on franchise economics is critical

Franchise systems need a clear understanding of unit-level economics, including margins, cost structures, and breakeven points under different scenarios.

2. Margin pressure needs to be actively managed

With costs rising and pricing constrained, systems will need to carefully consider pricing strategies, cost recovery mechanisms, and efficiency improvements.

3. Planning should move beyond short-term response

Given uncertainty around duration, franchisors should plan across multiple scenarios rather than assuming a return to previous operating conditions.

4. Communication and support remain central

Open, practical support for franchisees, including benchmarking, planning, and cashflow visibility will be critical in helping systems respond effectively.

What Leading Franchise Systems Will Do Next

The next phase will require a more deliberate and coordinated response across franchise systems.

- ▶ Move from reactive pricing to structured cost recovery and margin strategies
- ▶ Build clear visibility of unit-level performance across the network
- ▶ Strengthen franchisee support with practical financial tools and guidance
- ▶ Align the system around consistent, coordinated responses to cost pressures

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