Opening a New McDonald's Franchise Will Be More Expensive in 2024

McDonald's is increasing the royalty fee for new franchisees to buy and operate a restaurant, the company announced on Friday. It's the first such increase for the brand in nearly 30 years.

Starting on January 1, the fees will rise from 4% to 5% in U.S. and Canada. However, the increase will not apply to existing franchisees running current operations, those purchasing franchised locations from other operators, rebuilt existing locations, or restaurants transferred within family members.

The higher rate will only apply to new franchisees, buyers of company-owned restaurants, relocated establishments, and other scenarios involving the franchisor.

"While we created the industry we now lead, we must continue to redefine what success looks like and position ourselves for long-term success to ensure the value of our brand remains as strong as ever," Joe Erlinger, McDonald's U.S. president, told franchisees in a message viewed by CNBC.

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McDonald's also added that the uptick in fees probably won't affect a majority of its current market, given that the 5% fee is standard in other countries, and the 4% fee was only used in North America.

“Because the royalty rate is currently at 5% in all owned markets, except for the U.S. and Canada, this royalty rate increase will not apply to a majority of the existing restaurant portfolio,” McDonald’s wrote in the announcement.

Franchise royalty fees are a percentage of monthly earnings that a franchisee pays to a franchisor. According to the International Franchise Professionals Group, the average royalty fee for a franchise typically ranges from 4% to 12% or more, depending on the type of franchise.

For food franchises, since they are high-volume businesses, franchisees typically pay lower royalty rates, making the 5% fairly standard for the industry.

As of 2021, there are over 13,400 McDonald’s locations in the U.S., 95% of which are operated by franchisees, according to Global Data.

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