

## Frozen Yogurt Franchises Face a Meltdown as Supply Exceeds Demand

If the high margins and recent growth of the frozen yogurt business are as appealing to you as the sweet stuff itself, you're not alone. In fact, some analysts and industry insiders are predicting that although there are still opportunities in certain markets, many areas are simply over-saturated with serve-yourself frozen yogurt concepts.

Some have even compared froyo's recent growth to a modern-day gold rush, with a surging product that has franchisees jumping in and dozens of chains competing for market dominance. Among the largest (some with more than 200 locations) are Pinkberry, Red Mango, Menchie's, Yogurtland, Orange Leaf and Cherry Berry.

According to an April 2014 article in *Bloomberg Business Week*, the frozen yogurt market is already crowded enough to create headaches for some of the biggest players. Red Mango founder, Dan Kim, admits that, "Frozen yogurt is a competitive business. There are a lot of players out there, and despite its growth, supply has outpaced demand."

Industry insider Mark Siebert, CEO of the Homewood, IL -based iFranchise Group told Entrepreneur.com, "The problem with frozen yogurt is that it's location-driven and largely undifferentiated. It has low barriers to entry and a lot of players. I'm not sure if it has totally run its course, but we're rapidly coming to the point where winners will be sorted out from losers."

Another prediction for the industry highlights changes in consumer dining trends. According to ProfitGuide.com during the past several years, the slow economy curbed consumers' spending on eating out and pushed it into the less expensive snacking category. That was a boon for niche products like frozen yogurt, however, as more people return to restaurants for lunch or supper, yogurt could take a hit because usually when one day part grows, it takes from another.

**The Takeaway:** Many markets for frozen yogurt are already highly saturated by a handful of dominant brands. Finding an area where the competition hasn't yet spread will be key for franchisees looking to gain entry.