FRANCHISING IN 2026: GROWTH OPPORTUNITIES REMAIN, BUT THE REGULATORY AND ECONOMIC LANDSCAPE IS RESHAPING THE EXPANSION MODEL

By Paul Woody, UB Greensfelder

Franchising continues to expand in 2026, but franchisee expectations and regulatory oversight are changing what is required for franchised brands to succeed.

Growth remains available, but it increasingly depends on disciplined disclosures, proven and replicable unit economics, more sophisticated operator selection, and the diligence to meet evolving compliance obligations. Legal developments around fee disclosure, franchise broker regulation, joint-employer risk, noncompetes, and governing-law requirements will likely affect how franchise systems structure and execute growth.[1]

1 Industry Growth Continues, but the Expansion Model Is Tightening

The 2026 franchise outlook remains favorable in macro terms. The International Franchise Association and FRANdata project that U.S. franchising will reach approximately 845,000 establishments with more than 12,000 new franchised businesses, generate more than $921 billion in output, and support nearly 8.9 million jobs in 2026, reflecting continued resilience despite tighter credit, uneven consumer demand, and persistent margin pressure at the unit level.[2] The strongest regional growth is expected in the Southeast and Southwest, and the fastest-growing sectors include child services and commercial and residential services. However, FRANdata also notes that growth is occurring

---

1 FTC, "FTC Takes Action to Ensure Franchisees' Complaints Are Heard, Protect Against Illegal Fees" (July 12, 2024). ftc.gov; NASAA Franchise Project Group, "Impact of Shifting Market and Economic Factors on Franchise Disclosures" (August 6, 2025). nasaa.org; Virginia HB 69 / SB 240, effective July 1, 2026. lis.virginia.gov; California DFPI, Franchise Investment Law updates. dfpi.ca.gov.

2 International Franchise Association / FRANdata, Franchising Economic Outlook 2026. franchise.org; frandata.com.

against a backdrop of constrained discretionary spending, tighter lending standards, and continuing pressure on unit margins.[3]

As a result, franchisors are increasingly expected to justify expansion not merely through white-space availability, but through demonstrable unit-level economics, operational scalability, and realistic opening assumptions. Growth capital, franchise candidates, and multi-unit operators increasingly favor brands that show operational resilience over novelty or sales momentum.[4]

2 Technology, Fees, and FDD Accuracy Are Now Front-and-Center Risk Areas

Many systems are leaning harder on technology, automation, and AI to improve processes such as ordering and inventory management. IFA has expressly identified AI investment as one of the factors supporting the model's 2026 growth outlook.[5]

However, modernization raises disclosure compliance challenges. Recent staff guidance from the FTC stated that franchisors cannot lawfully impose and collect fees that were not previously disclosed, including fees added or increased through unilateral changes to operations manuals, such as technology fees, payment processing fees, marketing expenses, and other

---

3 International Franchise Association / FRANdata, Franchising Economic Outlook 2026. franchise.org; frandata.com.

4 International Franchise Association / FRANdata, Franchising Economic Outlook 2026. franchise.org; frandata.com.

5 International Franchise Association / FRANdata, Franchising Economic Outlook 2026. franchise.org; frandata.com.

required charges.[6] We advise clients to either set a fee formula tied to the franchisor's actual costs, or cap such fees for the term of the agreement.

In addition, on August 6, 2025, NASAA's Franchise Project Group issued guidance on the impact of shifting market and economic factors on franchise disclosures, emphasizing that changing economic conditions do not excuse inaccurate, incomplete, or stale FDD disclosures — making clear that generalized "market uncertainty" disclaimers are not a substitute for updated disclosure.[7]

3 Multi-Unit Ownership and Operator Sophistication Continue to Rise

Franchising is becoming more institutional. FRANdata's 2026 ownership landscape reports that 57 percent of franchised units were operated by multi-unit owners, following growth across all major multi-unit ownership categories from 2010 to 2025.[8]

This trend informs successful franchisors' priorities. The buyer profile in many systems is shifting from the traditional owner-operator to an operator with more capital, more leverage, and greater expectations around deal structure and transparency.[9] Multi-unit and multi-brand operators typically focus on issues such as transfer rights, development schedules, default remedies, territory density, labor flexibility, and portfolio-level economics.

4 Federal Enforcement Risk Is More Than Theoretical

In March, the FTC announced a settlement with Xponential Fitness, imposing $17 million in franchisee redress, citing it as the largest amount ever returned to consumers in a franchise case. According to the FTC, the alleged violations included misrepresentations about opening timelines and failures to disclose required information regarding executives, litigation, and other material matters.[10]

Although every case relies on its facts, the Xponential matter is a notable reminder that regulators remain willing to scrutinize franchise sales practices and FDD disclosures where they believe prospective franchisees were deprived of material information.[11]

In parallel, Congress continues to consider legislation that could increase franchisor exposure if enacted. The Franchisee Freedom Act (H.R. 4614) seeks to create a private right of action for violations of the FTC Franchise Rule and would prohibit franchisors from restricting franchisees' association with one another. The bill was introduced in July 2025 but has not been enacted.[12]

5 Labor Standards Are Narrower at the Federal Level—for Now

In February, the NLRB formally withdrew the vacated 2023 joint-employer standard, leaving the narrower 2020 joint-employer rule in effect. Under that framework, joint-employer status turns on whether an entity possesses and exercises substantial direct and immediate control over essential terms and conditions of employment.[13]

Also in February, the U.S. Department of Labor published a proposed rule that would rescind the 2024 independent-contractor framework and replace it with a more streamlined analysis giving greater emphasis to control and opportunity for profit or loss. Implementation of this proposed rule is still pending.[14]

At the legislative level, the IFA-supported American Franchise Act (H.R. 5267) would codify a narrower federal joint-employer standard for franchising. It, too, remains proposed legislation.[15]

6 State Law Divergence May Be the Most Important Long-Term Growth Constraint

Virginia and California have led the charge on new state franchise sales regulations in 2026.

6 FTC, "FTC Takes Action to Ensure Franchisees' Complaints Are Heard, Protect Against Illegal Fees" (July 12, 2024). ftc.gov.
7 NASAA Franchise Project Group, "Impact of Shifting Market and Economic Factors on Franchise Disclosures" (August 6, 2025). nasaa.org.
8 FRANdata, New Multi-Unit Franchising Landscape 2026. franchise.org.
9 FRANdata, New Multi-Unit Franchising Landscape 2026. franchise.org.
10 FTC, "FTC Secures Settlement Against Xponential Fitness for Franchise Rule Violations" (March 18, 2026). ftc.gov.
11 FTC, "FTC Secures Settlement Against Xponential Fitness for Franchise Rule Violations" (March 18, 2026). ftc.gov.
12 Franchisee Freedom Act, H.R. 4614, introduced July 22, 2025. congress.gov.
13 Federal Register, "Withdrawal of 2023 Standard for Determining Joint-Employer Status" (February 27, 2026). federalregister.gov.
14 U.S. Department of Labor, proposed rule on independent-contractor status (February 27, 2026). federalregister.gov.
15 American Franchise Act, H.R. 5267, introduced September 10, 2025. congress.gov.