

# FRANCHISING ECONOMIC OUTLOOK



Research by:

 **FRANdata**  
Franchise Business Intelligence

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## ABOUT THE INTERNATIONAL FRANCHISE ASSOCIATION

Celebrating over 60 years of excellence, education, and advocacy, the International Franchise Association (IFA) is the world's oldest and largest organization representing franchising worldwide. IFA works through its government relations and public policy, media relations, and educational programs to protect, enhance and promote franchising and the approximately 830,876 franchise establishments that support nearly 8.8 million direct jobs, \$896.9 billion of economic output for the U.S. economy, and almost 3% of the Gross Domestic Product (GDP). IFA members include franchise companies in over 300 different business format categories, individual franchisees, and companies that support the industry in marketing, law, technology, and business development.



## ABOUT FRANDATA

FRANdata offers independent, comprehensive market insight focusing on the franchise ecosystem. Our research combines rigorous analysis with industry expertise and astute forecasting. By leveraging the largest database of franchise information in the industry, FRANdata focuses on delivering unparalleled insights and high-level strategic advice to a global franchise client base.

### Authors

**Alka Sinha:** Alka Sinha is Franchise Research Manager at FRANdata. She specializes in strategic and financial consulting and has led several projects including market entry advisory, mergers and acquisitions support, operational best practices, and market due diligence. Sinha has an MBA, a bachelor's degree in computer science and engineering.

**Khadija Cochinwala:** Khadija Cochinwala is a Research Analyst at FRANdata. During her tenure, she has helped consult stakeholders in varied capacities in the franchising sector make informed, data-driven decisions through in-depth research studies and analysis. Khadija holds a degree in mass communications and journalism.

**Jin Wang:** Jin Wang is a Senior Credit Analyst at FRANdata, where she focuses on credit risk assessment and strategic financial analysis for clients in the franchising industry. Her work includes preparing and reviewing credit risk reports, conducting benchmarking and market analyses, and supporting advisory projects for lenders, investors, and private equity firms. Jin holds an MBA, a Master of Public and International Affairs with a concentration in International Political Economy, and Bachelor's Degrees in Finance and Economics.

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# METHODOLOGY

The forecasts and projections presented in this report are developed by FRANdata using a comprehensive framework that integrates both quantitative and qualitative information relevant to the U.S. franchising sector. FRANdata's proprietary forecasting model leverages extensive internal databases tracking approximately **9,000 franchise brands** across the United States, supplemented by external data sources including macroeconomic indicators and industry-specific research.

Quantitative inputs include publicly available franchise brand information, franchise disclosure documents (FDDs), historical unit growth trends, and statistical relationships between franchise expansion and key macroeconomic variables such as interest rates, GDP growth, inflation, consumer disposable income, household wealth, and small business sentiment.

In addition to quantitative analysis, the model incorporates qualitative insights gathered from industry participants, including franchisors, franchisees, lenders, and subject-matter experts. These perspectives help contextualize observed performance, validate assumptions, and interpret emerging trends within the franchising ecosystem.

The 2025 estimates reflect performance based on observed and currently available data. Projections for franchise establishments, employment, and economic output in 2026 are derived by extrapolating 2025 estimates while incorporating anticipated macroeconomic and industry-specific developments. Unless otherwise noted, all charts, data analysis, and research presented in this report are produced by FRANdata.



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## Artificial Intelligence (AI):

Artificial intelligence (AI) is technology that enables computers and machines to perform tasks typically requiring human intelligence, such as learning, reasoning, problem-solving, and decision-making. It simulates human-like capabilities by processing data, recognizing patterns, and adapting from experience without explicit programming.

## Business Format Franchise:

This type of franchise includes not only a product, service, and trademark, but also the complete method to conduct the business itself, such as the marketing plan and operations manuals.

## Business Lines:

- **Automotive:** Includes auto electrical and batteries; auto appearance services; auto parts; auto purchase consulting; car washes; gas stations; auto repair services; oil change services; motorcycle-related services; tire stores; and truck rentals.
- **Business Services:** Includes accounting and tax services; advertising and promotion services; business brokers; information, communication and research services; employee and personnel services; financial services; insurance products; business consulting; computer products and services; mailing, packaging and shipping; training services, mortgage banking services; office equipment and printing; legal services; security services, software services; and business-focused publications.
- **Child Services:** Includes all establishments that offer child-related services, including childcare/babysitting/day care centers; pre-schools and education centers; children's fitness, sports, and recreation centers; and stores that offer child-related goods and services.
- **Commercial and Residential Services:** Includes maintenance services, home decor, design and remodel services, and building and construction services.
- **Full-service Restaurants:** Includes establishments offering table service with three (3) categories of establishments: fine dining, casual dining, and midscale.
- **Health and Wellness:** Includes athletic-related products; beauty-related services; boat rentals/repairs; campgrounds and recreational facilities; cosmetic aids and services; diet and weight control centers; fitness centers; golf-related products and services; hair care services; general health care equipment and services; home health care services; medical/dental products and services; optical products and services; sporting goods and services; and tanning centers.
- **Lodging:** Includes a wide range of accommodation types, including hotels, studios, bed and breakfasts, resorts, hostels, motels, and other facilities that provide a place to stay overnight.

# KEY TERMS CONT.

- **Personal Services:** Includes dry cleaning and laundry services; party-related goods and services; maid services; moving and storage services; dance and modeling schools; education and vocational training related services; pet-related goods and services; photography and video-related services; and travel agencies.
- **Quick Service Restaurants (QSRs):** Includes limited-service restaurants that serve fast food, frozen desserts, baked goods at lower price points and typically provide fast service, a limited menu, and limited table service.
- **Real Estate:** Includes brokerage services, property inspection services, and residential and non-residential property managers.
- **Retail Food, Products, and Services:** Includes food and beverage stores; convenience stores; food-service contractors; caterers; retail bakeries; beer, wine, and liquor stores; electronics and appliance stores; books and music stores; candy/snack stores; clothing, jewelry and accessories stores; discount stores; drugstores and pharmacies; consumer-goods rentals; florist, gifts/card and craft stores; grocery stores; hardware products and tools stores; office supplies and stationery stores; health food and supplement stores; kitchen products stores; monogram stores; multimedia and entertainment stores; specialty/gourmet retail food stores; tailoring/alteration service stores; used merchandise stores; and tobacco product stores.

## Capex:

Capex (Capital Expenditure) refers to money a business spends to buy, upgrade, or maintain long-term assets that will be used over multiple years.

## Consumer Disposable Income:

The amount that U.S. residents have left to spend or save after paying taxes.

## Disclosure Statement:

Also known as the Franchise Disclosure Document (FDD), the disclosure document provides public information about the franchisor and franchise system for prospective franchisees as they consider purchasing decisions.

## Franchise Brand:

The brand under which franchisees operate their business.

## Franchise Output:

The total value of sales of goods and services.

## Franchisee:

A person who purchases the right to operate a business model under the franchisor's brand name and system.

## Franchise Establishments:

Businesses owned and operated by franchisees.

## Franchising:

Franchising is the right of individuals to apply a company's business model for a specific time frame by using its trademark(s). Trademarks include business names, symbols (logos), and slogans used to identify businesses and the goods and services they provide.

## Franchisor:

The company that owns the trademarks and proprietary system for operating businesses and gives individuals the right, under limited agreement and for consideration, to run businesses using those trademarks and following those operational guidelines.

# KEY TERMS CONT.

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## Gross Domestic Product (GDP):

GDP is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period

## Historic Unit Success Rate™ (HUSR/HSR):

The historical success rate in franchising assesses a system's overall health over a determined period of years by tracking the survival of units that began as franchises, regardless of whether they stayed franchised. It adjusts for non-operational factors beyond franchisees' control and includes closed units likely to have resulted in the lender being repaid, providing a standardized measure of unit-level performance and lending risk.

## Industry:

An industry is a group of companies that are related based on their primary business activities.

## Interest Rates:

Interest rates refer to the cost of borrowing money or the return on lending, expressed as a percentage of the loan or credit amount, which directly influences financing conditions, capital access, and debt service burdens for franchisors and franchisees across business lines in the industry.

## Inflation:

Inflation is an increase in the general prices of goods and services.

## Mergers & Acquisitions (M&A):

The consolidation of companies or assets through financial transactions, where either two firms combine to form a new entity (Merger), or one company buys and absorbs another (Acquisition).

## Multi-Unit Franchisee:

A franchisee who agrees to open two or more locations, generally in a defined market over an agreed-upon period of time.

## Multi-Unit, Multi-Brand Operators/ Franchisees (MUMBOs):

A franchisee/operator who owns and operates franchised businesses in two (2) or more franchise systems (usually non-competing).

## Multi-Unit, Multi-Sector Operators (MUMS):

A franchisee/operator who owns and operates franchised businesses in two (2) or more industries or sectors.

## Private Equity (PE):

Private equity (PE) is an investment approach where firms raise funds from wealthy individuals, pension funds, and institutions to buy, improve, and later sell private companies (not publicly traded) for profit. These firms often take controlling stakes, streamline operations, and aim for high returns over several years before exiting via sales or public listings.

## Tech Stack:

A tech stack is the set of technologies, tools, and software used together to build, run, and operate a digital product or system.

**In 2026, IFA and FRANdata project:**

- ◆ Franchise output to rise by **1.6%** and exceed **\$920 billion** dollars.
- ◆ Franchise establishments to grow at **1.5%** to about **845,000** units.
- ◆ Franchise employment to increase by **1.8%** to nearly **8.9 million** jobs.
- ◆ Franchise GDP is estimated to grow by **1.8%** to **\$558.4 billion**.

2025 was a mixed year for U.S. franchising, marked by macroeconomic uncertainty and uneven demand conditions with pockets of growth opportunities and cyclical tailwinds. Franchise businesses adopted a more disciplined execution strategy, prioritizing unit-level operational efficiency, brand development, and positioning, alongside increased investment in marketing and

technology. This strategic shift was accompanied by a broader recognition that uncertainty is a structural characteristic of the operating environment, rather than a temporary disruption. **As a result, 2025 emerged as a year of resilience and recalibration**, with franchisors refining their business models, tightening cost structures amid pressured top-line growth, and selectively pursuing scalable, high-return growth opportunities.

Franchise businesses enter 2026 positioned to navigate a slowing economic environment with greater resilience than many other sectors. While persistent macroeconomic pressures, including inflation, uneven consumer demand, and a moderating labor market, continue to weigh on operating conditions, the franchise model has demonstrated an ability to adapt and endure.

Franchise businesses are expected to further accelerate AI investment to drive productivity gains and operational efficiency. Large franchise systems are increasingly building in-house AI capabilities, while mid-sized and emerging brands are relying more heavily on third-party solutions. Nearly all third-party software providers are adding AI capabilities, enabling brands to leverage AI through their tech stack.

Franchise Business Economic Outlook: 2022-2026					
	2022	2023	2024	2025(Est.)	2026 (Proj.)
Establishments	788,683	808,911	821,837	832,521	845,009
Percentage Change	1.8%	2.6%	1.6%	1.3%	1.5%
Employment	8,421,798	8,596,340	8,735,908	8,788,313	8,944,955
Percentage Change	2.8%	2.1%	1.6%	0.6%	1.8%
Output (\$ Million)	\$839,850	\$877,442	\$897,126	\$907,297	\$921,382
Percentage Change	6.6%	4.5%	2.2%	1.1%	1.6%
GDP (\$ Billions)	\$499.2	\$531.8	\$543.7	\$549.9	\$558.4
Percentage Change	5.3%	6.5%	2.2%	1.1%	1.6%

## EXECUTIVE SUMMARY CONT.

Private equity activity picked up in the second half of 2025 and is expected to accelerate in 2026 as financing costs ease, valuation gaps narrow, and risk appetite improves. Franchising continues to attract capital given its predictable cash flows, recurring royalty income, and diversified unit-level risk, while extended holding periods are driving a rise in exits leading to increased PE transactions. Looking ahead, platform-led consolidation is expected to continue, driven by the pursuit of revenue diversification and operating efficiencies. At the franchisee level, consolidation is set to accelerate, as larger, well-capitalized operators acquire additional locations to build scale, expand market presence, and enhance overall system performance.

Against persistent operating pressures, unit-level consolidation and transfers are gaining momentum. Strong, well-capitalized operators are using this environment to selectively acquire underperforming units, strengthening their portfolios while weaker operators exit. At the brand level, brand repositioning, product innovation, and format and floor plan optimization are likely to accelerate as franchisors respond to shifting consumer preferences and increasing competition.



# EXECUTIVE SUMMARY CONT.

## Industry-Specific Forecasts

- ◆ Child services and commercial and residential services are forecast to post the strongest gains at a year-over-year rate of **3.2%**, backed by resilient and need based consumer demand.
- ◆ Retail foods, products and services are projected to see growth at **2.3%**, supported by resilience from the value-oriented, non-discretionary retail segments .
- ◆ Health and wellness franchises, led by home health care, are projected to perform well with growth rate of **2.1%** due to aging demographics and sustained consumer focus on well-being.
- ◆ Full-service restaurants are expected to grow at **2.0%**, supported by high-income consumers who are increasingly prioritizing experiential dining and social interaction.
- ◆ Personal services (led by pet care) and lodging (driven by the luxury segment and event/wellness-based tourism) will grow at a moderate rate of **1.8%**, while business services (led by IT services and digital advertising) will increase by **1.6%**.
- ◆ Automotive (**0.5%**), QSR (**0.5%**) and real estate (**0.4%**) are expected to increase at conservative rates with constrained consumer spending.

### Franchise Output by Business Line (\$ Billion)

Business Line	2022	2023	2024	2025 (Est.)	2026 (Proj.)
Automotive	38.6	40.5	41.0	41.1	41.3
Percentage Change	10.0%	5.0%	1.1%	0.3%	0.5%
Business Services	72.9	75.8	77.5	78.6	79.9
Percentage Change	4.5%	4.0%	2.3%	1.4%	1.6%
Child Services	19.9	20.9	21.4	22.0	22.7
Percentage Change	13.5%	5.5%	2.4%	2.4%	3.2%
Commercial & Residential Services	125.6	131.9	136.8	138.8	143.3
Percentage Change	7.6%	5.0%	3.7%	1.5%	3.2%
Full-Service Restaurants	43.4	45.2	45.9	46.7	47.6
Percentage Change	5.0%	4.0%	1.5%	1.8%	2.0%
Health & Wellness	56.9	61.6	63.7	65.0	66.4
Percentage Change	12.5%	8.3%	3.5%	2.0%	2.1%
Lodging	87.1	90.5	92.9	95.0	96.7
Percentage Change	5.2%	3.9%	2.7%	2.2%	1.8%
Personal Services	19.1	20.1	20.7	21.0	21.4
Percentage Change	11.7%	5.0%	3.0%	1.5%	1.8%
QSR	300.4	310.4	316.2	317.1	318.6
Percentage Change	5.9%	3.3%	1.9%	0.3%	0.4%
Real Estate	12.7	12.8	11.7	11.7	11.8
Percentage Change	1.0%	0.7%	-8.2%	0.2%	0.4%
Retail	63.3	67.9	69.3	70.3	71.9
Percentage Change	4.5%	7.2%	2.1%	1.4%	2.3%
<b>Grand Total</b>	<b>839.8</b>	<b>877.4</b>	<b>897.1</b>	<b>907.3</b>	<b>921.4</b>
Percentage Change	6.6%	4.5%	2.2%	1.1%	1.6%

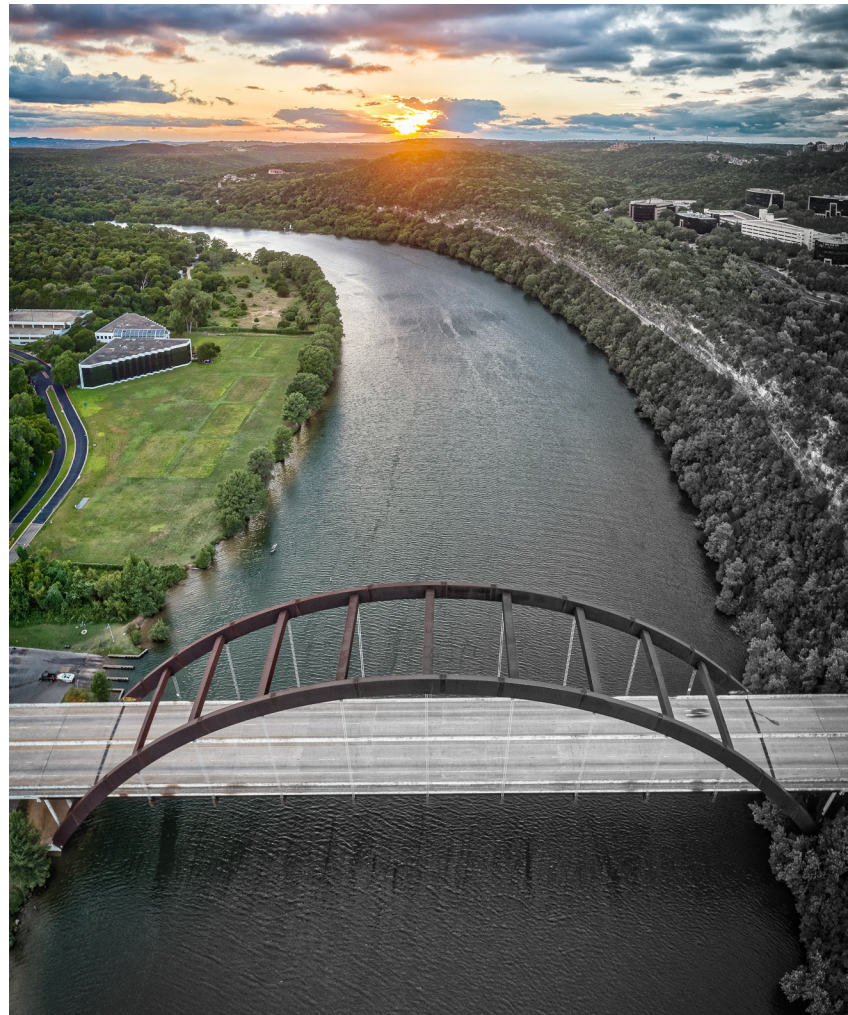
# EXECUTIVE SUMMARY CONT.

## Regional Trends

IFA and FRANdata forecast the Southeast and Southwest regions to maintain their positions as the foremost regions for franchised business expansion in the United States. The top five states with the highest franchise growth are all located in these regions. Business-friendly policies, lower cost of living, and population growth and relocation are primary factors driving the development.

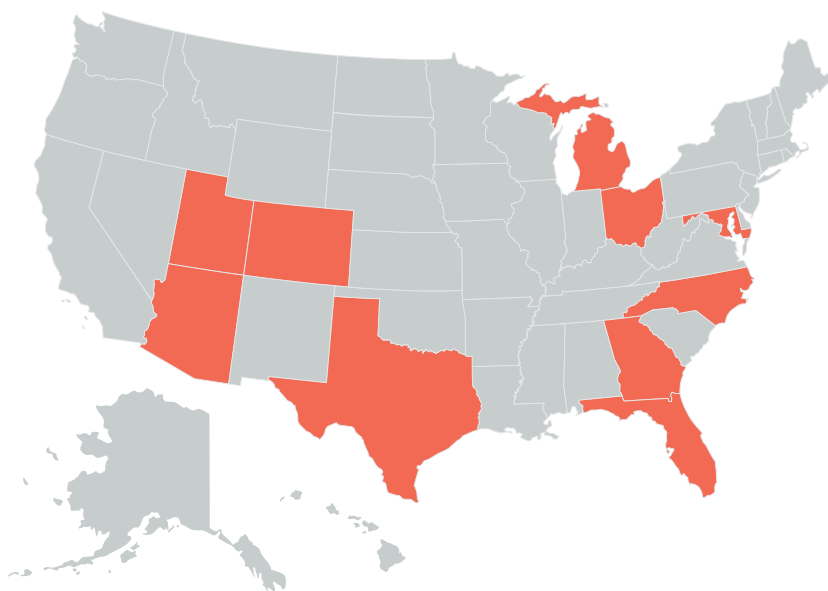
- ◆ The Southeast region accounts for the largest share (**nearly 30.0%**) of all U.S. franchised businesses, which is expected to grow by **1.7%** and generate highest region-wise output of **\$274.9 billion** in 2026. The region employs the highest share of the franchise workforce in the country, forecasted to increase by **2.0%**, employing **2.7 million** employees.
- ◆ The Southwest region is projected to experience highest year-over-year growth across franchised establishments (**2.5%**), employment (**2.8%**), and franchise output (**2.5%**) in 2026.
- ◆ The Northeast, Midwest, and West will continue to witness modest growth. Establishment increase will be at **1.2%** in the West and at 1.1% in the Midwest and Northeast. Employment and output will grow at **1.4%** and **1.2%**, respectively, across all three (**3**) regions.
- ◆ The top 10 fastest-growing states for franchising in 2026, based on total franchise units and highest establishment growth rate, are: Texas, Florida, Georgia, Arizona, North Carolina, Colorado, Michigan, Utah, Ohio, and Maryland.
- ◆ Michigan, Ohio, and Utah have emerged as new entrants among the top 10 states due to their comparative affordability, white space expansion potential, and meaningful opportunities for market leadership.

Region	Growth in Franchise Establishments	Growth in Franchise Employment	Growth in Franchise Output
Midwest	1.1%	1.4%	1.2%
Northeast	1.1%	1.4%	1.2%
Southeast	1.7%	2.0%	1.7%
Southwest	2.5%	2.8%	2.5%
West	1.2%	1.4%	1.2%
<b>Grand Total</b>	<b>1.5%</b>	<b>1.8%</b>	<b>1.6%</b>



# EXECUTIVE SUMMARY CONT.

## The Top 10 States for Franchise Growth In 2026



1. Texas
2. Florida
3. Georgia
4. Arizona
5. North Carolina
6. Colorado
7. Michigan
8. Utah
9. Ohio
10. Maryland

### Top 10 States by Growth Rate

	Franchise Establishments (in thousands)				Franchise Employment (in thousands)				Franchise Output (in billion \$)			
	2024	2025 (Est.)	2026 (Proj.)	Growth Rate (25-26)	2024	2025 (Est.)	2026 (Proj.)	Growth Rate (25-26)	2024	2025 (Est.)	2026 (Proj.)	Growth Rate (25-26)
<b>TX</b>	81.9	83.9	86.0	2.6%	870.9	885.2	910.7	2.6%	89.4	91.4	93.8	2.6%
<b>FL</b>	62.8	64.3	65.8	2.4%	667.9	678.5	696.8	2.4%	68.6	70.1	71.8	2.4%
<b>GA</b>	32.1	32.7	33.4	2.2%	340.7	345.5	354.1	2.2%	35.0	35.7	36.5	2.2%
<b>AZ</b>	18.9	19.4	19.9	2.6%	201.3	204.3	210.2	2.6%	20.7	21.1	21.7	2.6%
<b>NC</b>	30.3	30.8	31.5	2.1%	321.9	325.4	333.2	2.1%	33.1	33.6	34.3	2.1%
<b>CO</b>	18.4	18.8	19.2	2.2%	195.8	198.3	203.2	2.2%	20.1	20.5	20.9	2.2%
<b>MI</b>	24.2	24.6	25.0	1.5%	257.7	259.5	264.2	1.5%	26.5	26.8	27.2	1.5%
<b>UT</b>	9.7	9.9	10.2	2.7%	103.1	104.8	108.0	2.7%	10.6	10.8	11.1	2.7%
<b>OH</b>	29.7	30.0	30.4	1.2%	315.6	316.6	321.3	1.2%	32.4	32.7	33.1	1.2%
<b>MD</b>	15.7	16.0	16.3	1.7%	167.4	169.1	172.4	1.7%	17.2	17.5	17.8	1.7%

## 2026: A Year of Continued Resilience

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*In 2025, franchise businesses navigated a mixed and uncertain business environment. Inflation and labor pressures eased; however, a softening of consumer demand and a tight credit environment limited growth opportunities. The tone heading into 2026 is expected to improve. Easing policy headwinds, moderating inflation, and expected Federal Reserve interest rate cuts are set to support a stabilizing outlook for growth in 2026. However, consumer demand remains a key risk, particularly as margin pressure continues to constrain pricing power across industries.*

*In 2025, franchise businesses witnessed modest relief on the cost side as inflation eased to **2.7%** from **2.9%** in 2024, and a cooling labor market stabilized wage growth, partially alleviating persistent margin pressures at the unit level. The Federal Reserve's cumulative 75 basis point (bps) rate cuts provided incremental support to financing costs and supported franchise development activity.*

*Despite easing cost pressures, economic headwinds outweighed tailwinds in 2025, constraining franchise unit profitability and growth. According to Charles Schwab research, trade tariffs lifted retail prices by nearly five percentage points above the pre-tariff trend, limiting consumer purchasing power and franchise operator's pricing flexibility. The slowdown in consumer spending growth to **3.7%** in 2025 from **5.7%** in 2024 translated into softer same-store sales and heightened top-line pressure. At the same time, rising demand for capital led to tighter credit standards despite lower policy rates, widening the access-to-capital gap for franchisees.*

*Against this backdrop, franchise businesses continued to demonstrate greater resilience relative to independent small businesses, benefiting from brand recognition, centralized marketing, purchasing scale, and franchisor support in areas such as technology adoption and cost management. Scale driven procurement helped franchise businesses lower their input costs, enabling greater pricing flexibility and improving consumer affordability. These scale advantages remain the primary driver of franchise resilience and a key enabler of growth.*

*As a result, franchise output is estimated to have grown by **1.1%** in 2025, surpassing **\$900 billion**. Growth was primarily driven by an expansion in franchise units, expected to have increased by **1.3%** to more than **830,000 units**, while employment is expected to have risen by **0.6%** to over **8.7 million jobs**.*

*Looking ahead to 2026, with the policy backdrop largely stabilized and inflation expected to remain around 3%, alongside anticipated cumulative Federal Reserve rate cuts of 50 bps in the second half of the year, **franchise output is projected to grow by 1.6%, exceeding \$920 billion. Franchise establishments are forecast to expand by 1.5% to approximately 845,000 units, while employment is expected to approach 8.9 million, representing a growth rate of 1.8%.***

- ◆ **Consumer demand remains a key challenge:**  
Consumer demand is expected to remain subdued in the first half of 2026 as unemployment peaks near an anticipated **4.5%**, with momentum improving in the second half, driven by tax cuts and the effects of monetary easing due to expected interest rate cuts.
- ◆ **Lower interest rates with tight credit lending:**  
**Further 50 bps rate cuts** are expected to reduce the cost of capital and support franchise development; however, rising capital requirements for new unit growth, remodeling, and technology investment are likely to sustain tight credit standards.
- ◆ **Capex acceleration:**  
Technology investment, particularly AI-driven initiatives, is expected to account for an increasing share of franchise capex, reshaping productivity, labor demand, and customer engagement.
- ◆ **Competitive intensity drives higher marketing spending:**  
Slowing demand and expanding unit bases are expected to intensify competition, driving higher marketing spending at both national and local levels.
- ◆ **Franchise establishments will remain a key employment driver:**  
Franchise systems are expected to sustain broad-based employment growth across demographic segments, reinforcing their role as a primary entry point for young and lower-skilled workers. With youth unemployment at **10.4%** in 2025, franchise establishments play an increasingly important role in creating labor demand and supporting overall labor market resilience. According to ADP Research, employment among early-career workers has declined substantially in occupations most exposed to AI. While the broader economy is already exhibiting these effects, the specific implications for franchise employment remain unclear.
- ◆ **Rising investment in training and development:**  
Franchise operators are likely to increase spending on training and workforce development, reflecting both competitive labor dynamics and growing operational complexity.



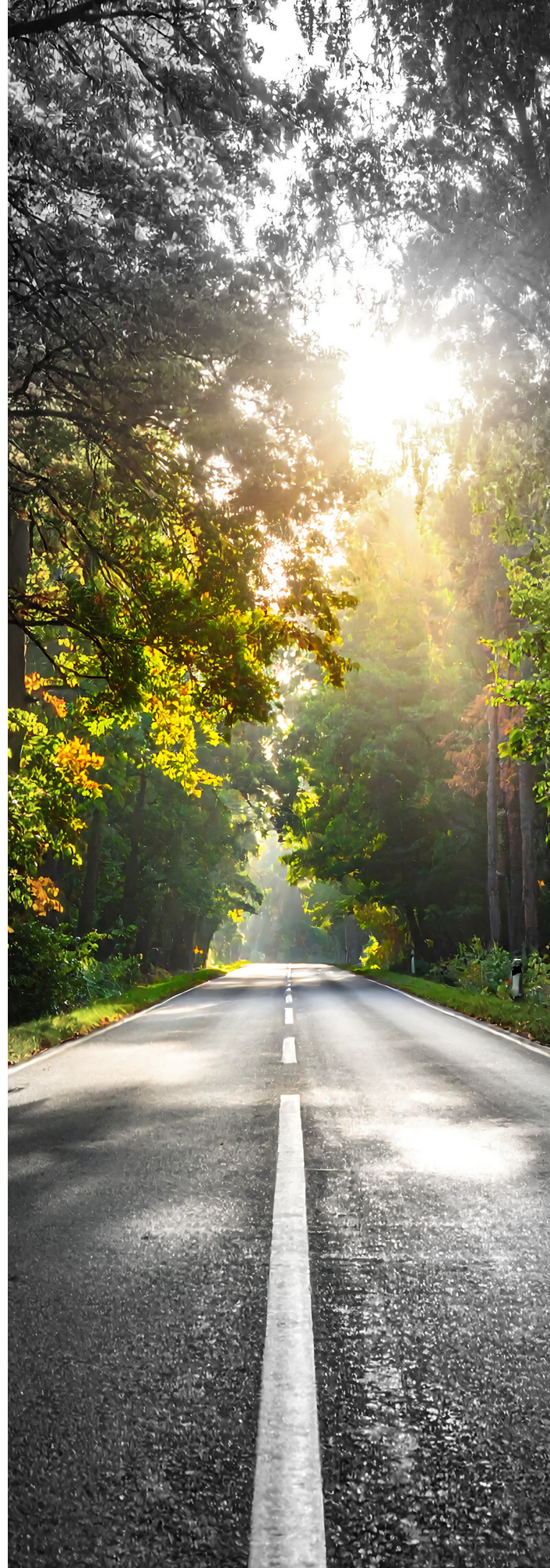
Business sentiment is expected to improve from 2025 – with franchised businesses showing stronger resilience to navigate economic uncertainty than other business models. The franchise model has shown its ability to adapt and endure through macroeconomic pressures, such as inflation, uneven consumer demand, and a moderating labor market.

Steady investment activity and rising private equity interest will continue to support franchise growth and resilience. Consolidation is likely to accelerate with increased M&A activity anticipated at both the platform and franchisee levels. The franchisee base is also expected to continue evolving, as multi-unit and multi-brand operators expand their footprint, drive operational sophistication, and raise performance benchmarks across franchise systems.

Technology is becoming a critical competitive lever. In 2026, franchisors are accelerating adoption of AI and digital tools to enhance productivity and improve unit economics. Larger systems are building internal capabilities, while smaller brands are increasingly relying on AI-enabled third-party platforms to remain competitive.

Although operating pressures persist, franchisors are responding with faster brand repositioning, format optimization, and targeted innovation. Franchising continues to serve as a vital driver of entrepreneurship and employment, providing pathways for new business owners and stable job creation.

**Overall, the outlook for 2026 points to measured growth and strategic transformation as franchise businesses adapt to a more complex and demanding operating landscape.**



## AI Investments:

In 2025, AI adoption in franchise systems evolved from experimental use cases to a strategic capability embedded in core franchisor and franchisee operations. Large franchise networks increasingly integrated AI into content strategy, data infrastructure, and organizational design, with dedicated AI leadership roles becoming as essential as traditional marketing and operations functions. This shift reflects a broader transition toward data-driven system management, with AI positioned to influence unit-level performance, system-wide growth, and capital allocation decisions.

Starting in 2026, leading franchise systems are expected to move beyond traditional AI tools toward agentic AI systems that continuously interpret data, make decisions, and coordinate workflows across the franchise network. For franchisors, this represents a fundamental change in operating models, enabling proactive system management rather than reactive interventions. Instead of responding to performance issues after they occur, franchisors will be able to anticipate performance gaps, optimize support allocation, and adjust strategy in real time, strengthening unit economics and improving overall system resilience.

This transformation is already taking shape at the operational level. Across franchising, AI is being deployed to enhance several core business functions. In franchise development, AI-powered lead qualification tools are helping score prospective franchisees, automate follow-ups, and shorten sales cycles by

prioritizing viable candidates. On the supply chain side, AI-based inventory management systems are enabling automatic adjustments to ordering and replenishment based on local demand patterns, reducing waste, and minimizing stockouts. Within day-to-day operations, franchises are using AI-driven platforms to optimize labor scheduling by forecasting demand, improving staffing levels, and controlling overtime costs while maintaining service standards.

Beyond these functional applications, AI adoption is also accelerating in industry-specific use cases. In the home services sector, AI-enabled phone systems and virtual assistants are increasingly able to answer calls, provide instant price quotes, and respond to basic inquiries without requiring on-site visits or manual research, significantly improving responsiveness and efficiency. In food service and hospitality, AI and robotics are being introduced to support guest interaction, service delivery, and compliance monitoring, helping improve speed and consistency while reducing labor-intensity.

Looking ahead, more advanced agentic AI systems will further support system-wide optimization of marketing allocation, labor scheduling, and inventory management by blending analytics with autonomous action. Real-time insights will reduce variability in unit-level performance and improve coordination across locations, regions, and corporate functions. Over time, these capabilities will become increasingly self-optimizing, enabling franchise systems to continuously enhance unit economics, operational consistency, and capital efficiency.

# KEY TRENDS IN FRANCHISING CONT.

## Franchise AI Capabilities as of 2025



- ◆ AI-led cost savings will improve unit-level operational efficiency, driving margin expansion.
- ◆ **AI spending will accelerate in 2026:**  
Building on the lodging sector's ~250% increase in AI investment in 2025, technology budgets across franchising are expected to increase. Large brands and platform companies are anticipated to increasingly build in-house AI capabilities, leveraging their scale of data and capital.
- ◆ **Return on investment (ROI) will drive adoption among mid-sized and smaller brands:**  
Emerging and mid-sized franchisors will invest more selectively, prioritizing use cases with clear ROI such as labor savings, faster franchise sales cycles, and improved resource utilization. Unlike large franchise brands, mid-sized and smaller systems are expected to rely on third-party software providers that are increasingly embedding AI capabilities into their platforms, enabling these brands to access AI through their existing technology stacks without building in-house solutions.
- ◆ **AI leadership will become institutionalized:**  
Franchisors are likely to formalize AI at the C-suite level, reflecting its transition from a support function to a strategic growth engine.
- ◆ **Training costs will rise:**  
As AI becomes embedded in daily operations, franchisors will face higher training costs to upskill and reskill franchisees and employees and redesign workflows.

# KEY TRENDS IN FRANCHISING CONT.

## Private Equity (PE) and Mergers & Acquisitions (M&A):

Private equity activity increased in the second half of 2025, and transaction volumes are expected to rise further in 2026 as financing costs decline and risk appetite improves. Several factors are expected to support private equity momentum, including a narrowing valuation gap between buyers and sellers, which has reduced a key barrier to deal activity. Elevated macroeconomic uncertainty has also driven private equity investors toward franchising given its predictable cash flows, recurring royalty income, and diversified unit-level risk profile. In addition to a rise in PE transactions, a rise in exits is expected due to extended private equity holding periods. The need to return capital to investors is reinfusing liquidity into the market and creating additional transaction opportunities.

Recent platform-level investments have required longer periods to fully integrate acquisitions and unlock significant enterprise value. This has been more pronounced where platform companies acquired smaller brands or corporate brands with intent to franchise, a growing trend driven by a shortage of scaled businesses for acquisition. The resulting increase in average investment holding periods underscores the role private equity and platform groups play in building scaled franchise businesses. Beyond brand level investments, private equity participation at the franchisee level is being fueled by business owner age, unit economics, brand power, and franchise strategy.

Looking ahead to 2026, platform companies are expected to continue creating value through acquisitions of complementary brands, diversifying revenue streams, and mitigating portfolio risk. These platforms will continue to leverage shared services and expertise in franchising to the benefit of all brands, giving them a unique advantage.

Brands with strong technology, operations, and supply chain infrastructure, supported by leadership teams capable of scaling the business, will attract private equity interest. High-quality emerging brands with proven unit economics and replicable models are expected to attract capital, particularly where significant expansion opportunities exist.



# KEY TRENDS IN FRANCHISING CONT.

## New Concepts:

**New concept launches are increasingly driven by experienced leadership from private equity, established brand platforms, and international players.** The leading industries represented among new concepts are QSR, health and wellness, commercial and residential services, and retail food, products and services. High interest reflects attractive long-term fundamentals, including a growing market and a maturation of the franchise business model which includes a robust eco-system to create and support new franchise brands. Rapidly evolving industry dynamics are further lowering entry friction, creating opportunities for new brands and concepts to emerge and scale.

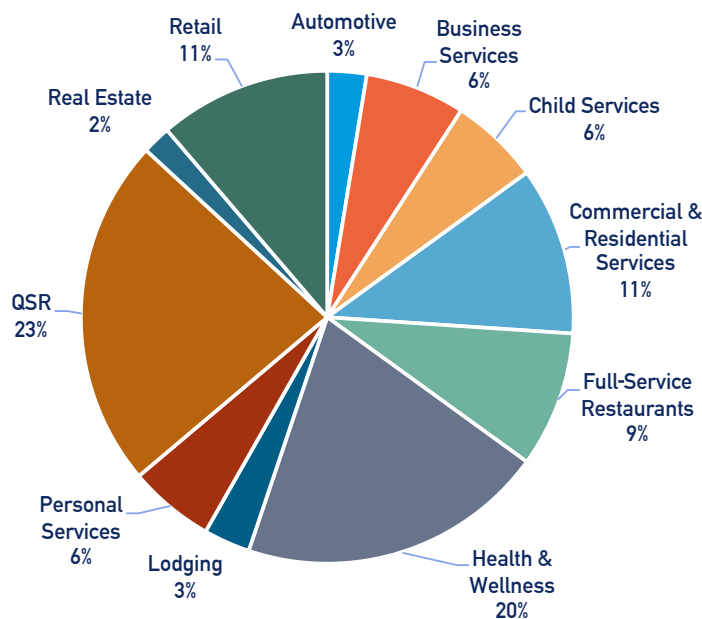
More concepts in the QSR and retail food segments are leaning towards non-alcoholic, beverage-based offerings appealing to price-conscious consumers with active lifestyles. With rising younger consumers reporting higher stress levels, there is a surge in newer sport and recreation concepts in the health and wellness segment offering indoor simulators for golf, padel, and pickleball. Additionally, the commercial and residential industry attracts more new concepts due to low investments

(on account of being mobile or home-based), AI-proof nature of services, and recession-resistant business models.

The number of international brands launched in 2025 exceeded the total number of international launches in the 2024 fiscal year by **25.0%**, highlighting the **growing interest of international franchise brands in the U.S. markets.** Canada, the United Kingdom, South Korea, China, and Japan were the top five countries with new concepts. Most of the global brands are in the food industry, with **26.7%** operating each in the QSR and full-service restaurant industry and 18.3% offering retail foods (coffee/tea/snacks).

**Initial investment requirements for new franchise concepts are trending lower,** with **67.1%** of new brands requiring less than **\$500,000** to open a new unit. There is a shift toward smaller, more flexible store formats (e.g., kiosks, pop-ups, mobile units), shared retail spaces, or co-locating with other brands to reduce rent and build-out expenses to broaden the franchisee pool and manage increasing costs.

## 2025 New Concepts by Industry



# KEY TRENDS IN FRANCHISING CONT.

## Health of Franchise System:

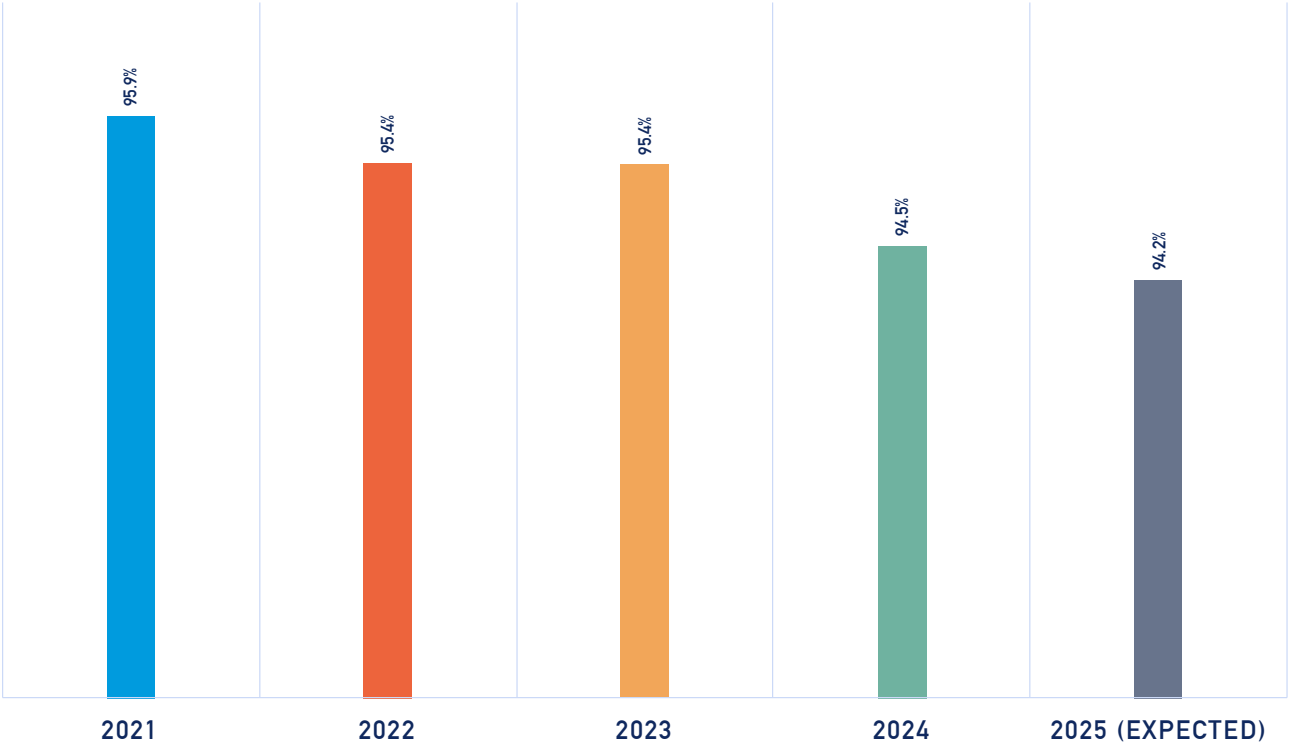
### Historical Unit Success Rate

The historical unit success rate (HSR) declined across most industries in 2024 compared to 2021, underscoring the impact of the deteriorating macro environment on unit-level performance. Automotive remained the only sector to exhibit a stable HSR rate, supported by a relatively resilient demand. The decline coincided with slowing consumer spending, elevated input and labor costs, and tighter financial conditions.

In 2025, HSR is expected to edge down further to **~94.2%**, reflecting continued pressure on discretionary demand and persistently high operating costs. However, as monetary policy eases and consumer demand stabilizes, HSR is projected to gradually recover in the second half of 2026.

Franchisors are leveraging this downturn to optimize network quality, systematically removing underperforming units while strengthening operational benchmarks. This pruning effect—similar to the pandemic-driven network clean-up observed in 2020—is also contributing to near-term declines in HSR but is expected to improve the overall quality, resilience, and long-term productivity of franchise networks.

### Annual Historical Unit Success Rates



# KEY TRENDS IN FRANCHISING CONT.

## Franchisee Profile:

FRANdata research indicates that as of 2025, **19.3%** of franchisees operate multiple units, collectively controlling **58.8%** of all franchised locations. Multi-unit ownership is more concentrated in service-based industries, due to lighter capital requirements, where **27.8%** of franchisees are multi-unit operators, compared to **19.2%** in brick-and-mortar sectors, highlighting the increasing influence of larger operators across the franchise landscape. More broadly, this trend reflects a structural shift in franchising, driven by evolving franchisee profiles and franchisor strategies designed to navigate a more uncertain and rapidly changing business environment.

- ◆ Successful single-unit franchisees are increasingly reinvesting in additional locations, transitioning into multi-unit operators, seeking scale, and leveraging operational expertise.
- ◆ Franchisors are offering incentives to existing franchisees to open additional units, as this approach reduces execution risk while accelerating network expansion at lower incremental cost and time. At the same time, franchisors continue to attract first-time owners to support geographic expansion and long-term pipeline growth.
- ◆ Amid heightened market volatility, franchisors are increasingly expanding through existing franchisees, leveraging their operational strength and financial resilience, which is accelerating the rise of multi-unit and multi-brand owners (MUMBOs).
- ◆ At the same time, franchisees are diversifying beyond their core sectors, building cross-industry portfolios such as food and health and wellness or food and real estate to reduce risk and stabilize returns, driving the rise of multi-unit multi-sector operators (MUMS).

Franchisees evolving into franchisors (or operating dually as both) represent a growing “operator-to-owner” phenomenon, fueled by well-capitalized investor-operators who leverage profits and PE backing to acquire or launch brands.

In many instances, experienced franchisees invest in emerging brands to influence system-wide strategy, behaving as strategic partners rather than simply growth partners.

## Other key trends:

### ◆ Initial investments:

In 2025, average initial investment required to open a new unit declined modestly by **2.7%**, from a range of **\$1.84 million–\$5.06 million** to **\$1.81 million–\$4.94 million**. This moderation was primarily driven by brands with lower initial investment requirements, such as real estate and commercial and residential services, where average initial investment **declined by 28.2% and 14.2%**, respectively. In contrast, higher-investment brick-and-mortar concepts recorded increases, led by child services (**+15.6%**) and personal services (**+8.4%**). Lodging recorded a modest increase of **2.2%** in initial investment, driven largely by the growing reliance on conversion-led development as rising real estate and construction costs has led to financing restraints and has made new development less economical. Looking ahead, amid sustained upward pressure from real estate costs, rising technology investment, and persistent inflation, initial investment requirements are expected to remain broadly in line with 2025 levels, with limited scope for meaningful cost compression.

# KEY TRENDS IN FRANCHISING CONT.

## ◆ **Transfers:**

Similar to the historical unit success rate, transfer rates are expected to rise in 2025 and remain elevated through the first half of 2026, before moderating in the second half of the year. Transfer activity is driven by opportunistic acquisitions by stronger, well-capitalized operators and an aging franchisee base within legacy brands. In certain service sectors, franchisors are increasingly combining territories to offset weaker demand and improve unit-level economics, contributing to higher transfer activity. Additionally, some brands are facilitating transfers from legacy franchisees as their business models evolve towards more technology-driven operating structures.

## ◆ **Store Remodeling:**

In 2026, franchisees are expected to scale back spending on store remodeling as capital continues to be redirected toward technology, marketing, and operational resilience amid ongoing pressure on unit-level profitability.

## ◆ **Brand repositioning to engage customers:**

To address slowing growth, franchise brands increasingly focused on product innovation and physical format optimization. In the hotel sector, operators upgraded amenities such as rooftop bars, spas, and restaurants to capture local demand, while redesigning guest rooms to support more flexible and differentiated use cases. Fitness and beauty brands reconfigured floor plans to prioritize high demand services, increase foot traffic, and improve space utilization. Experiential concepts, including indoor entertainment, introduced new attractions and revised formats to increase engagement and drive system wide revenue growth. In the food sector, brands continued to innovate menus in response to shifting consumer preferences, increased health awareness, and evolving dietary patterns.

## ◆ **International expansion:**

In 2025, established franchise brands expanded to international markets to drive profitable growth and strengthen their global footprint. The trend was most pronounced among QSR and lodging brands. However, brands in business services and recreational segments also accelerated international

development, often through master franchise agreements. The U.K., Canada, Australia, and select high-growth Asian markets emerged as the primary international expansion destinations, driven by favorable demographic trends, rising disposable incomes, and relatively stable regulatory environments. Looking ahead to 2026, several brands have already announced global expansion plans, indicating that established brands will continue to prioritize international markets to drive growth.

## ◆ **American Franchise Act (AFA):**

Introduced in September 2025, the American Franchise Act seeks to clarify and stabilize U.S. joint employer standards by codifying a narrow definition under which franchisors are considered joint employers only when they exercise substantial, direct, and immediate control over essential employment terms, including hiring, discipline, supervision, hours, and benefits. The legislation explicitly excludes routine franchise activities such as brand standards, training, and operating guidelines from triggering joint employer liability. If enacted, the AFA would apply prospectively and would not preempt state laws or other federal statutes. **The AFA aims to reduce regulatory uncertainty, limit franchisor exposure to labor related claims, and reinforce the traditional franchise operating model, thereby mitigating franchise growth risks through greater clarity and consistency in franchisor–franchisee relationships.**

## ◆ **2025 Tax Bills:**

In 2025, franchise businesses benefited from multiple provisions included in H.R. 1 – the “**One Big Beautiful Act**” - including Section 199A deductions, impacting approximately **73%** of franchisors and an estimated **98%** of franchisees, providing meaningful relief amid rising labor and operating costs and supporting reinvestment in locations, staffing, and growth. In addition, bonus depreciation, an accelerated depreciation incentive that allows businesses to deduct the full cost of eligible property in the year the asset is placed in service, facilitating franchisees’ capex by reducing the after-tax cost of these investments. FRANData estimates that under bonus depreciation, franchise businesses will be able to full deduct **\$27 billion** of capex in 2026.

## Franchise Establishment Growth:

In 2026, IFA and FRANdata project total franchise establishments to reach **845,000 units**, representing annual growth of **1.5%**. Amid a challenging macroeconomic environment, this represents a modest acceleration from the estimated **1.3%** growth in 2025, supported by expectations of easing macroeconomic volatility in the second half of 2026 and the inherent adaptability and resilience of the franchise business model.

Industries supported by resilient consumer demand are expected to outperform the broader market, with child services projected to grow by **4.3%** and commercial and residential services by **3.1%**. Retail franchises, which are more closely aligned with non-discretionary spending, are also expected to expand at a faster pace, with unit growth of **2.3%**. Attractive unit economics along with high success rates will remain a key driver of franchisee interest in these industries.

Franchise Establishments by Business Line					
Business Line	2022	2023	2024	2025 (Est.)	2026 (Proj.)
Automotive	27,475	27,952	27,999	28,061	28,131
Percentage Change	0.5%	1.7%	0.2%	0.2%	0.2%
Business Services	77,854	80,403	81,655	82,798	84,040
Percentage Change	2.9%	3.3%	1.6%	1.4%	1.5%
Child Services	20,011	21,300	22,471	23,415	24,422
Percentage Change	3.4%	6.4%	5.5%	4.2%	4.3%
Commercial & Residential Services	101,877	107,365	111,659	115,121	118,805
Percentage Change	1.4%	5.4%	4.0%	3.1%	3.2%
Full-Service Restaurants	25,354	26,072	26,381	26,728	27,022
Percentage Change	1.7%	2.8%	1.2%	1.3%	1.1%
Health & Wellness	90,241	92,931	95,401	97,309	99,353
Percentage Change	2.3%	3.0%	2.7%	2.0%	2.1%
Lodging	50,328	50,933	51,595	52,111	52,684
Percentage Change	1.2%	1.2%	1.3%	1.0%	1.1%
Personal Services	22,253	23,199	23,483	23,855	24,329
Percentage Change	2.7%	4.2%	1.2%	1.6%	2.0%
Quick Service Restaurants	275,130	277,607	278,717	279,553	280,811
Percentage Change	1.4%	0.9%	0.4%	0.3%	0.4%
Real Estate	28,239	28,338	28,367	28,423	28,537
Percentage Change	0.4%	0.4%	0.1%	0.2%	0.4%
Retail	69,920	72,812	74,109	75,147	76,875
Percentage Change	2.8%	4.1%	1.8%	1.4%	2.3%
<b>Grand Total</b>	<b>788,683</b>	<b>808,911</b>	<b>821,837</b>	<b>832,521</b>	<b>845,009</b>
Percentage Change	1.8%	2.6%	1.6%	1.3%	1.5%

# FRANCHISE GROWTH CONT.

## Franchise Employment Growth:

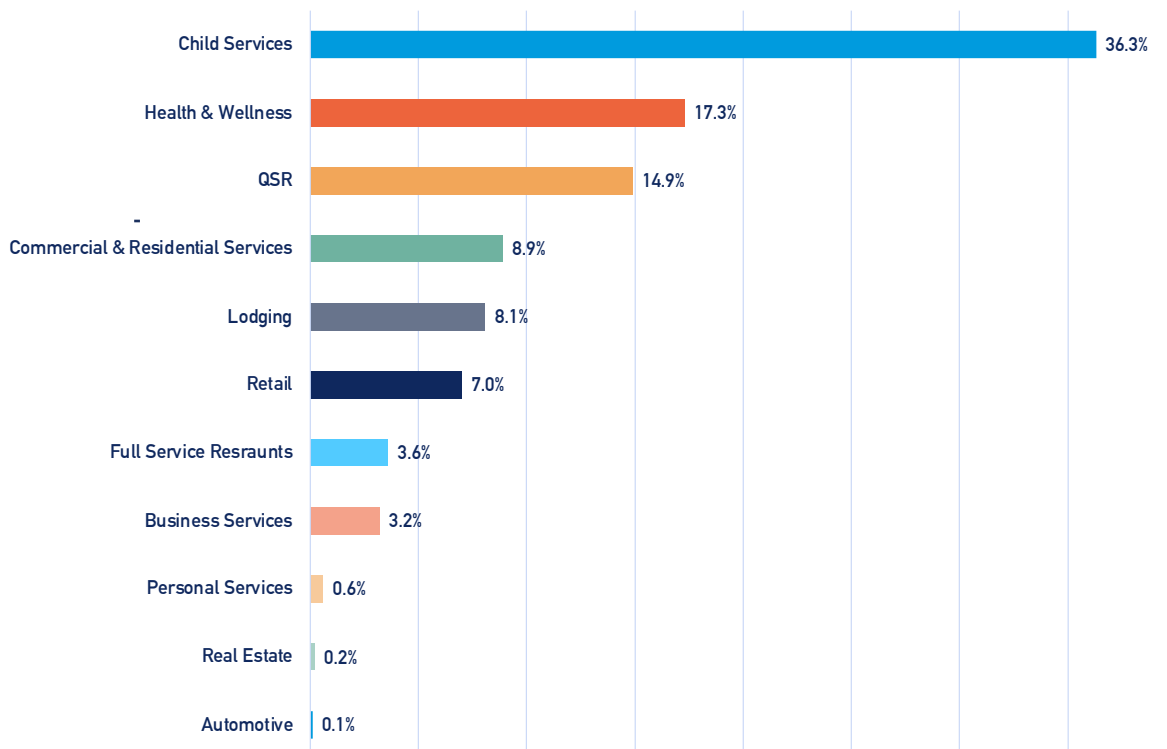
In 2026, total employment in franchise businesses is projected to grow by **1.8%**, reaching **8.9 million** employees, accelerating from the 0.6% growth recorded in 2025. The improvement reflects stabilizing operating conditions and a pickup in hiring activity compared to 2025.

In 2025, labor markets softened, easing wage pressures and improving labor availability for many franchise businesses. At the same time, the quality of labor improved, with a higher proportion of franchisors reporting greater ease in filling open positions. However, in line with the broader economy, hiring remained constrained by slower demand growth and heightened macroeconomic uncertainty.

Employment trends across franchise industries are expected to diverge, as AI adoption and technological advancements increasingly reshape workforce requirements. According to the 2025 IFA Annual Franchisor Survey, more than two-thirds of franchise brands plan to increase training and development spending to upskill employees in response to a rapidly evolving operating environment.

In 2026, franchise businesses are projected to add more than **156,000 employees**. The largest employment gains are projected in child services, reflecting the industry’s reliance on direct, in-person care, historical understaffing, and above-average growth in franchise establishments. Health & Wellness and QSR are the next two leading sectors, accounting for **17.3%** and **14.9%** share of projected job gains, respectively. This also underscores the critical role of franchising in generating meaningful employment opportunities, across demographics, particularly for the **16–24 age group**, which continues to experience the highest unemployment rates.

## Share of Projected Employment Growth by Sector



# FRANCHISE GROWTH CONT.

Employment by Business Line					
Business Line	2022	2023	2024	2025 (Est.)	2026 (Proj.)
Automotive	60,445	61,494	61,597	61,734	61,888
Percentage Change	0.5%	1.7%	0.2%	0.2%	0.2%
Business Services	428,197	450,257	408,274	331,192	336,159
Percentage Change	13.2%	5.2%	-9.3%	-18.9%	1.5%
Child Services	140,080	157,616	179,768	187,318	244,216
Percentage Change	3.4%	12.5%	14.1%	4.2%	30.4%
Commercial & Residential Services	381,671	404,173	419,894	437,460	451,458
Percentage Change	8.5%	5.9%	3.9%	4.2%	3.2%
Full-Service Restaurants	545,914	521,439	554,000	507,831	513,417
Percentage Change	1.7%	-4.5%	6.2%	-8.3%	1.1%
Health & Wellness	288,773	297,380	333,905	340,583	367,606
Percentage Change	9.1%	3.0%	12.3%	2.0%	7.9%
Lodging	1,006,551	1,120,525	1,083,497	1,146,443	1,159,054
Percentage Change	1.2%	11.3%	-3.3%	5.8%	1.1%
Personal Services	66,759	69,596	58,707	45,325	46,226
Percentage Change	2.7%	4.2%	-15.6%	-22.8%	2.0%
Quick Service Restaurants	4,952,347	4,941,397	5,016,906	5,171,733	5,195,006
Percentage Change	1.4%	-0.2%	1.5%	3.1%	0.4%
Real Estate	98,838	99,184	113,858	85,270	85,611
Percentage Change	0.4%	0.4%	14.8%	-25.1%	0.4%
Retail	452,224	473,279	505,502	473,425	484,314
Percentage Change	7.2%	4.7%	6.8%	-6.3%	2.3%
<b>Grand Total</b>	<b>8,421,798</b>	<b>8,596,340</b>	<b>8,735,908</b>	<b>8,788,313</b>	<b>8,944,955</b>
Percentage Change	2.8%	2.1%	1.6%	0.6%	1.8%

## Franchise Output Growth:

In 2026, franchise output is projected to grow by **1.6%**, surpassing **\$920 billion**, accelerating from the estimated **1.1%** growth in 2025. The weaker performance in 2025 was largely driven by subdued consumer demand amid a challenging operating environment. In contrast, growth in 2026 is expected to be supported primarily by non-discretionary consumer spending, as labor market conditions are likely to soften further in the first half of the year, constraining discretionary income.

## FRANCHISE GROWTH CONT.

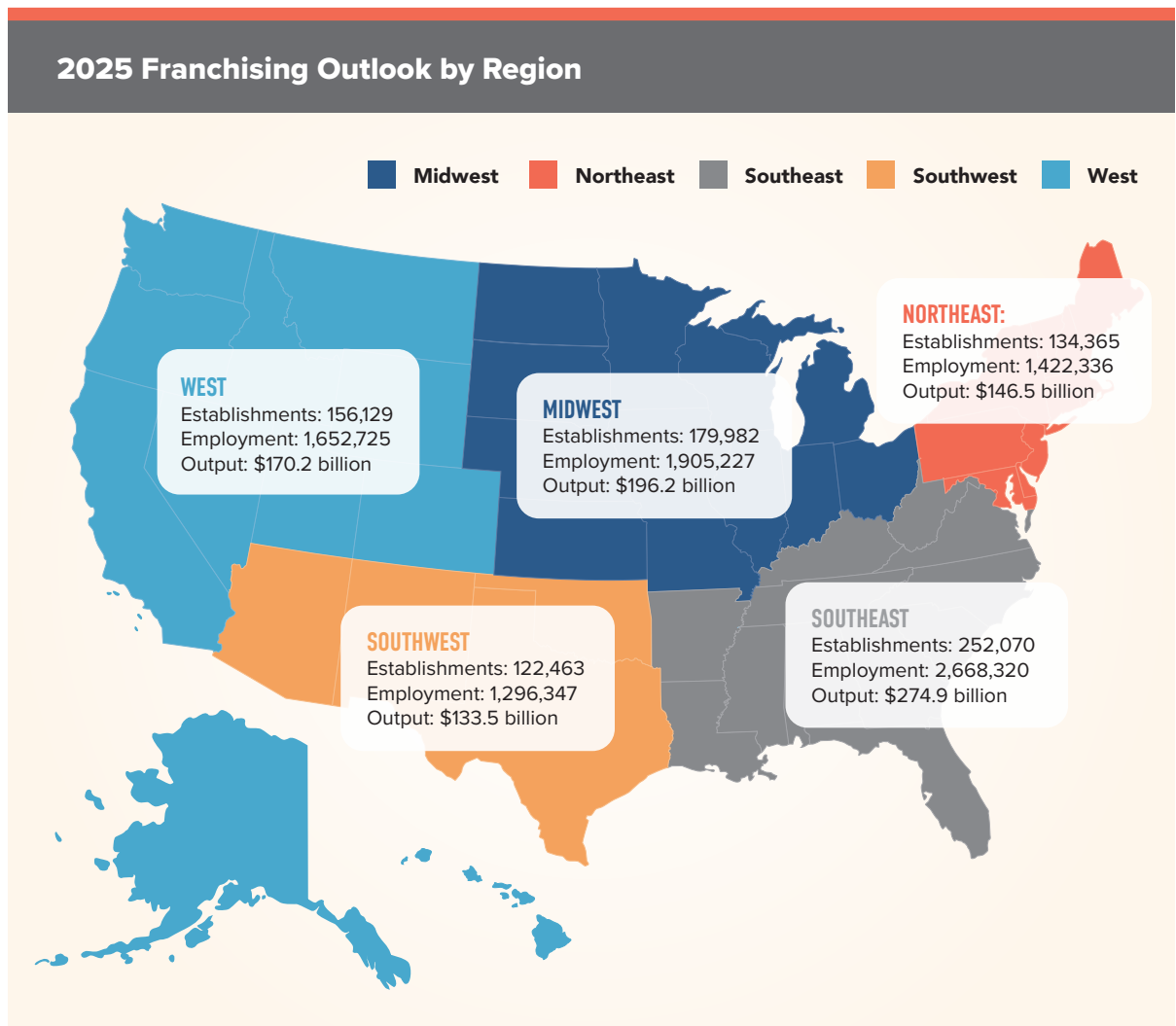
Output growth will be led by projected high-growth sectors such as child services and commercial and residential services, driven by resilient consumer demand, attractive unit economics, and projected franchise establishment growth.

Technology-led productivity gains, particularly from AI-driven automation and digital tools, are increasingly contributing to franchise output and are expected to scale further over time. However, despite an easing interest rate environment, access to capital remains constrained as lenders continue to tighten credit standards, limiting risk appetite and investment capacity across franchise systems. Overall, while franchise networks continue to demonstrate resilience amid macro headwinds, growth is likely to remain uneven, with a limited number of high-growth sectors driving incremental gains in aggregate output.

Franchise Output by Business Line (\$Billion)					
Business Line	2022	2023	2024	2025 (Est.)	2026 (Proj.)
Automotive	38.6	40.5	41.0	41.1	41.3
Percentage Change	10.0%	5.0%	1.1%	0.3%	0.5%
Business Services	72.9	75.8	77.5	78.6	79.9
Percentage Change	4.5%	4.0%	2.3%	1.4%	1.6%
Child Services	19.9	20.9	21.4	22.0	22.7
Percentage Change	13.5%	5.5%	2.4%	2.4%	3.2%
Commercial & Residential Services	125.6	131.9	136.8	138.8	143.3
Percentage Change	76%	5.0%	3.7%	1.5%	3.2%
Full-Service Restaurants	43.4	45.2	45.9	46.7	47.6
Percentage Change	5.0%	4.0%	1.5%	1.8%	2.0%
Health & Wellness	56.9	61.6	63.7	65.0	66.4
Percentage Change	12.5%	8.3%	3.5%	2.0%	2.1%
Lodging	87.1	90.5	92.9	95.0	96.7
Percentage Change	5.2%	3.9%	2.7%	2.2%	1.8%
Personal Services	19.1	20.1	20.7	21.0	21.4
Percentage Change	11.7%	5.0%	3.0%	1.5%	1.8%
QSR	300.4	310.4	316.2	317.1	318.6
Percentage Change	5.9%	3.3%	1.9%	0.3%	0.4%
Real Estate	12.7	12.8	11.7	11.7	11.8
Percentage Change	1.0%	0.7%	-8.2%	0.2%	0.4%
Retail	63.3	67.9	69.3	70.3	71.9
Percentage Change	4.5%	7.2%	2.1%	1.4%	2.3%
<b>Grand Total</b>	<b>839.8</b>	<b>877.4</b>	<b>897.1</b>	<b>907.3</b>	<b>921.4</b>
Percentage Change	6.6%	4.5%	2.2%	1.1%	1.6%

In 2026, IFA and FRANdata expect the Southeast region to maintain its position as the top region for franchise business expansion in the United States. Currently accounting for the largest share (**nearly 30.0%**) of all U.S. franchised businesses, the total number of franchised establishments in the region is expected to grow by **1.7%** and exceed **252,000 units**, generating the highest region-wise output of **\$274.9 billion** in 2026. Business-friendly tax and regulatory policies, along with lower real estate and operating costs, make it more cost-effective to open a franchise, particularly in food, personal services, and retail, compared with many high-cost coastal states in the Northeast and West. Many markets in the Southeast are comparatively less saturated, enabling franchises to capture market share and scale. Additionally, strong net in-migration and rapid population growth in the Sunbelt region not only expand the consumer base but are also the primary factors behind the region employing the highest share of the franchised workforce in the country, which is forecast to increase by **2.0%** and hire **2.7 million** individuals.

The Southwest region is predicted to experience the highest year-over-year growth across franchised establishments, employment, and franchised output in 2026. Total franchised establishments and output in the region are projected to increase by **2.5%** to over **122,000 units** and **\$133.5 billion** in revenue, respectively. Employment in the region is expected to increase by **2.8%** to roughly **1.3 million jobs**.



# STATE FRANCHISE OUTLOOK

Economic growth differs widely from state to state, shaped by each state's business climate, migration patterns, infrastructure, and industry mix. Notably, among the **top 10 states** for franchise growth, **the top five are located in the Southeast and Southwest regions**, underscoring the growth forecast for these territories.

Region	Growth in Franchise Establishments	Growth in Franchise Employment	Growth in Franchise Output
Midwest	1.1%	1.4%	1.2%
Northeast	1.1%	1.4%	1.2%
Southeast	1.7%	2.0%	1.7%
Southwest	2.5%	2.8%	2.5%
West	1.2%	1.4%	1.2%
<b>Grand Total</b>	<b>1.5%</b>	<b>1.8%</b>	<b>1.6%</b>

## Top 10 States by Growth Rate

	Franchise Establishments (in thousands)				Franchise Employment (in billions \$)				Franchise Output (in billions \$)			
	2024	2025 (Est.)	2026 (Proj.)	Growth Rate (25-26)	2024	2025 (Est.)	2026 (Proj.)	Growth Rate (25-26)	2024	2025 (Est.)	2026 (Proj.)	Growth Rate (25-26)
<b>Texas</b>	81.9	83.9	86.0	2.6%	870.9	885.2	910.7	2.6%	89.4	91.4	93.8	2.6%
<b>Florida</b>	62.8	64.3	65.8	2.4%	667.9	678.5	696.8	2.4%	68.6	70.1	71.8	2.4%
<b>Georgia</b>	32.1	32.7	33.4	2.2%	340.7	345.5	354.1	2.2%	35.0	35.7	36.5	2.2%
<b>Arizona</b>	18.9	19.4	19.9	2.6%	201.3	204.3	210.2	2.6%	20.7	21.1	21.7	2.6%
<b>North Carolina</b>	30.3	30.8	31.5	2.1%	321.9	325.4	333.2	2.1%	33.1	33.6	34.3	2.1%
<b>Colorado</b>	18.4	18.8	19.2	2.2%	195.8	198.3	203.2	2.2%	20.1	20.5	20.9	2.2%
<b>Michigan</b>	24.2	24.6	25.0	1.5%	257.7	259.5	264.2	1.5%	26.5	26.8	27.2	1.5%
<b>Utah</b>	9.7	9.9	10.2	2.7%	103.1	104.8	108.0	2.7%	10.6	10.8	11.1	2.7%
<b>Ohio</b>	29.7	30.0	30.4	1.2%	315.6	316.6	321.3	1.2%	32.4	32.7	33.1	1.2%
<b>Maryland</b>	15.7	16.0	16.3	1.7%	167.4	169.1	172.4	1.7%	17.2	17.5	17.8	1.7%

## Texas

IFA forecasts Texas to be the top state for franchising in 2026. First, its population has grown steadily because of migration, which leads to increased demand for new franchised units in the personal services, retail, food, and healthcare sectors. Texas is especially appealing to franchise entrepreneurs thanks to its favorable tax climate, including the absence of personal income tax and business tax thresholds. The major metropolitan areas - Houston, Dallas-Fort Worth, Austin, and San Antonio - have a large and diversified economy, providing sectors such as energy, health, manufacturing, logistics, and services with a strong base. This, in turn, generates solid demand for franchising. Since Texas is a strong launchpad for small businesses with a noteworthy number of new business openings and net job gains, franchises can leverage the growing network of entrepreneurs. In 2026, franchised establishments in Texas are expected to grow at a rate of **2.6%** to about **86,000 units**.

# STATE FRANCHISE OUTLOOK

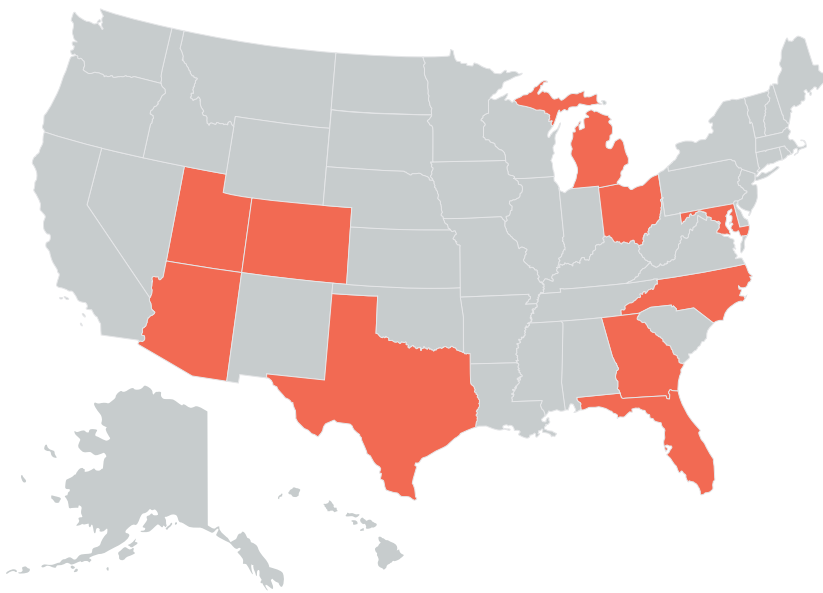
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## Florida

IFA predicts that Florida will be the second fastest-growing state for franchising in 2026. This is due to its strong population growth, steady influx of retirees and remote workers, and a growing affluent consumer base that fuels the need for premium services, retail, healthcare, and food concepts. Tourism plays a major role in the economy and continually drives demand, helping quick service restaurants, hospitality, entertainment, and retail franchises grow in major cities such as Miami, Orlando, Tampa, and Jacksonville. Florida's business-friendly environment, including no personal income tax and streamlined permitting processes, strongly encourages entrepreneurs to expand their franchise operations. The franchise sectors expected to experience significant growth in the state are home healthcare, food and beverage, health and wellness services, home and property services, childcare and education, retail, and personal services. In 2026, franchised establishments in Florida are projected to grow at **2.4%** to around **66,000 units**.

## The Top 10 States for Franchise Growth In 2026

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1. Texas
2. Florida
3. Georgia
4. Arizona
5. North Carolina
6. Colorado
7. Michigan
8. Utah
9. Ohio
10. Maryland

## Georgia

Franchise growth in Georgia is driven by Atlanta's large, diverse economy and robust population influx, with high disposable incomes supporting franchises in business services, education and training, health and wellness services, and food segments. Georgia offers a business-friendly environment, including competitive taxes, lower costs of living, and active economic development efforts that are attracting companies and residents in both the state's metropolitan and emerging suburban markets. Franchise establishments in Georgia are forecast to grow by **2.2%** to exceed **33,000 units**. The state's growing, younger, and increasingly diverse population base supports experimentation with new concepts and provides a broad labor pool for franchise operators. In 2026, franchised businesses in the state will roughly employ **354,000 people** and generate **\$36.5 billion in franchise revenue**.

# STATE FRANCHISE OUTLOOK

## Arizona

Arizona is set to be the fourth fastest-growing state for franchise expansion in 2026, primarily as a result of strong demographic inflows and a franchise-friendly regulatory environment. Arizona continues to be an attractive destination for both retirees and family households, generating a rare confluence of demand in various franchise categories. While retirees contribute to the sustained expansion of healthcare, senior services, personal care, and casual dining segments, younger families and working-age migrants increase the need for childcare, education, quick service restaurants, and home services. In 2026, franchised establishments in Arizona are projected to grow at **2.6%** to roughly **20,000 units**.

## North Carolina

North Carolina's diversified economy (finance in Charlotte, tech and life sciences in the Research Triangle, advanced manufacturing and logistics in other metros, etc.) supports a wide mix of business-to-consumer (B2C) and business-to-business (B2B) franchises. The young, well-educated workforce from major state universities also provides skilled labor for business services, education, tech, and health-related concepts. North Carolina's population is growing faster than the national average, driven by domestic migrations and corporate relocations of young professionals and families moving into metros like Raleigh-Durham, Charlotte, and Wilmington, which has contributed to an increasing customer base and pool of potential franchise owners. Suburban expansion around major metros has created ideal opportunities for family-oriented and childcare concepts, home services, and neighborhood retail/food businesses. The state's pro-business climate and tax incentives also make unit economics more attractive for multi-unit franchisees. Additionally, the uncertain job market is prompting young corporate professionals in the state to invest in franchising for security rather than for traditional entrepreneurship reasons. In 2026, franchise establishments in North Carolina are projected to grow at **2.1%** and to exceed **31,000 units**,

generating nearly **\$34.3 billion** in franchised output. Employment in franchising in the state is expected to add approximately **7,800 new jobs**.

## Michigan, Ohio and Utah

Michigan, Ohio, and Utah have emerged as new entrants among the top 10 states for franchised expansion in 2026 due to their white space expansion potential and meaningful opportunities for market leadership. While Utah's 'Silicon Slopes' tech boom offers attractive prospects in education, childcare, specialty coffee, and similar service concepts, Michigan provides a strong base for automotive-related and complementary service franchises. Ohio also presents comparatively affordable entry points for franchise investment across multiple everyday needs categories. Despite the macroeconomic slowdown in the country, local shifts within the economic and demographic variables within these states will likely maintain consumer demand across sectors such as senior services, food and beverage, home maintenance, business services, child services, and health and wellness, fueling overall franchised growth.



## Automotive

In 2026, automotive franchise establishments are projected to grow modestly by **0.3%**, with the number of locations exceeding **28,000** and total employment reaching approximately **62,000**. Franchise output is expected to remain largely stable at around **\$41.3 billion**, representing a **0.5%** increase compared to 2025.

Growth is driven by the rising average age of vehicles, currently around 13 years, sustaining steady demand in the aftermarket services segment. Rising adoption of electric and hybrid vehicles fuels demand for specialized services such as advanced diagnostics and Internet of Things (IoT)/connected technology. However, the industry remains highly fragmented, with intensifying competition from independent players constraining pricing power.

Looking ahead to 2026, amid slowing growth in consumer disposable income, franchises positioned around value, reliability, and differentiated service offerings are expected to outperform.

- Franchise businesses are increasingly enhancing product and service quality, such as higher-performance oils and extended maintenance solutions to improve customer retention and lifetime value.
- Growing penetration of electric and hybrid vehicles is accelerating demand for specialized, technology-intensive services, creating competitive advantages for franchise businesses over fragmented independent players.
- Adoption of AI-based car diagnosis systems, telematics integration, and IoT-based car monitoring is transforming the service delivery, helping mechanics identify the problems in the vehicles and monetize value-added services.
- Franchise businesses are expanding into adjacent services (e.g., insurance and bundled service packages) to diversify revenue streams and enhance customer lifetime value.
- Alternative service models, such as mobile automotive services, continue to disrupt traditional brick-and-mortar establishments, intensifying competition and lowering entry barriers to the industry.



# INDUSTRY OVERVIEW CONT.

## Business Services

In 2026, franchise establishments in the business services sector are projected to grow by **1.5%** to more than **84,000 units**, employing over **336,000 workers**. Industry output is expected to reach **\$79.9 billion**, representing a **1.6%** year-over-year increase. Growth is driven by sectors such as IT support, advertising, and promotions, which benefit from secular tailwinds as rapid technological advancement fuels rising demand for cybersecurity, cloud services, AI-driven solutions, and digital advertising.

Mailing, packaging, and shipping services, historically among the fastest-growing sectors, supported by robust consumer demand and the expansion of e-commerce, are expected to moderate in 2026 as consumer spending softens. Personnel services are also likely to experience a slowdown as the labor market weakens and firms increasingly adopt a “no-hire, no-fire” mode. Meanwhile, tax and financial services are facing growing headwinds as businesses accelerate the adoption of AI-driven



solutions, reducing reliance on traditional outsourced service providers.

In 2026, AI and rapid technological advancements are expected to continue disrupting the industry, pushing franchised players to rethink their business models while creating selective growth opportunities. To navigate the economic slowdown, franchises are increasingly adopting subscription-based pricing models, particularly in IT support, payroll, and marketing services, to enhance revenue stability and customer retention.

## Child Services

Child services are expected to experience the highest growth among all industries. In 2026, franchise establishments in the child service industry are projected to grow by **4.3%** to approximately **24,000 locations**. This growth is expected to create about **57,000 new jobs**, bringing total employment to approximately **244,000 employees**. The industry’s output is forecast to reach **\$22.7 billion**, representing a **3.2%** year-over-year increase.

The industry has demonstrated resilient demand, driven by factors including the rise of dual-income households, increasing female workforce participation, and growing awareness of early childhood education and enrichment activities. In addition, youth fitness and sports are expected to expand significantly, with



the category projected to grow by **53.0%** by 2034, supported by parents’ increasing focus on holistic child development. While demand continues to outpace supply, expansion remains constrained by high upfront investment requirements and challenges in securing suitable real estate. This imbalance is creating an attractive opportunity for franchisors, who are increasingly strengthening site selection capabilities and development support as part of their growth strategies.

# INDUSTRY OVERVIEW CONT.

Labor-related pressures are expected to ease in 2026 as the labor market softens, while technology adoption in child services is likely to remain largely back end, with a primary focus on improving unit-level operational efficiency rather than child-facing applications. This aligns with parent preferences for technology light, play-based curricula that emphasize social and emotional learning.

## Commercial & Residential Services

In 2026, franchise establishments in commercial and residential services are projected to reach approximately **119,000**, reflecting a **3.2%** growth and marking another year of robust expansion. Industry employment is expected to rise to around **451,000 jobs**, underscoring continued capacity build-out. Industry output is projected to grow by **3.2%**, bringing total output to approximately **\$143.3 billion**.

Growth is supported by the essential nature of services such as repairs and maintenance, lawn care, and pest control. In addition, an aging housing stock, with only around **2%** of homes built after 2020, and an expected increase in homeownership supported by lower mortgage rates, are expected to further sustain demand.

The industry remains highly fragmented and competitive, with increasing pressure from independent operators and aggregator platforms alongside franchise establishments. This has accelerated consolidation and subsequent growth of platform brands. Platform brands benefit from material competitive advantages, including the ability to cross-sell and upsell services, scale across multiple service lines, and drive operational efficiencies through shared back-office infrastructure.



In 2026, franchise establishments are expected to continue accelerating AI adoption to enhance client servicing, optimize job scheduling and inventory management, and improve unit-level operational efficiency. Franchise establishments are also expected to expand AI use cases in marketing, enabling more personalized content by incorporating localized data such as weather patterns and demographics to improve customer engagement. Further, demand for sustainable and energy-efficient upgrades such as HVAC improvements, water-saving plumbing, and solar panel installation is expected to bolster overall growth in the sector in 2026.

# INDUSTRY OVERVIEW CONT.

## Full-Service Restaurants

IFA and FRANdata forecast a **1.1% growth** in franchise establishments within the full-service restaurant (FSR) industry in 2026, bringing the total to over **27,000 units** and contributing to nearly **6,000 additional jobs**. The industry output is projected to grow by 2.0% to reach approximately **\$47.6 billion** in 2026.

For the first time since the pandemic, full-service restaurants are expected to outpace quick service restaurants in output growth. Despite a broader slowdown in consumer spending, demand for FSR is being supported by high-income consumers who increasingly prioritize experiential dining and social interaction.

At the same time, value-conscious consumers are gravitating toward FSR, adjusting their behavior by trading down within menus, reducing check sizes, or limiting visits to socially driven occasions. As consumer budgets get pinched, the importance of experience continues to rise. However, against the backdrop of persistent cost pressures and inflation, unit-level margins remain a key structural challenge for franchise businesses.



In 2026, franchise operators are expected to shift their focus from top-line growth to operational efficiency as productivity becomes a key growth enabler. AI investments will increasingly target optimization levers such as demand planning, menu designing, and pricing strategy. Franchise businesses that maximize value perception while maintaining disciplined cost structures are likely to outperform peers.

## Health & Wellness

In 2026, the health and wellness industry's output is expected to grow at an above-average growth rate of **2.1%**, reaching **\$66.4 billion**, supported by steady consumer demand. Reflecting sustained franchisee confidence in the industry's resilience, total establishments are projected to exceed **99,000 units**, creating over **27,000 additional jobs** and bringing **total employment** to approximately **367,000**. Since the pandemic, rising awareness of preventive healthcare has propelled the sector to become the third-largest franchised industry, accounting for 11.8% of total franchise establishments. Looking ahead, segments such as home healthcare, as well as wellness, mental health and recovery are expected to be key growth drivers.



Consumer spending is expected to remain resilient in 2026, although at a slower rate, and tilt more towards value services over premium services.

# INDUSTRY OVERVIEW CONT.

## Looking ahead to 2026:

- Value concepts such as HVLP (High Value Low Price) fitness gyms, Pilates, holistic wellness concepts or beauty-related franchise businesses that offer quick value service at convenience are expected to outperform premium and niche concepts.
- Brand differentiation, especially for premium service concepts, will be increasingly critical as customer engagement becomes a key revenue driver. In 2025, platform companies actively repositioned portfolios and divested brands that lacked clear differentiation and struggled to sustain demand.
- Private equity interest is expected to remain strong at the franchisor and franchisee level, driven by long-term sector fundamentals.

- Franchise businesses are expected to increase marketing spend in an increasingly competitive landscape.
- Adoption of smaller-format stores and flexible layouts is expected to increase to tackle real estate constraints and enhance unit economics.

Franchise brands that successfully attract customer loyalty through membership-based models, continuous product or service innovation, and differentiated offerings are expected to deliver stronger HSR in a challenging operating environment.

## Lodging

In 2026, the lodging industry's total output is expected to slow down and grow at a rate of **1.8%**, reaching **\$96.7 billion**. IFA forecasts a **1.1% year-over-year increase** in the number of franchise establishments, bringing the total to more than **52,000 locations** employing over **1.2 million workers**.

Due to high construction costs, large hotel chains are expanding by launching collection hotels (micro-brand) in the upper-midscale segments by pulling existing independent properties into their systems.

With to the widening wealth gap among consumers, there has been a bifurcation in the performance of franchised hospitality chains. According to STR, as of August 2025, the year-to-date growth rate for the luxury hotel segment's revenue per available room (RevPAR) was **5.3%** vis-a-vis 2024, while the economy



segment's RevPAR declined at **1.8%**. This trend is expected to persist in 2026 due to high-income consumers continuing to spend on personalized and experiential luxury travel, while value consumers are expected to scale back their spending.

In 2026, event-based tourism, such as music tours, natural live spectacles like eclipses, and sporting events, along with wellness-based travel, is expected to draw younger and international travelers.

# INDUSTRY OVERVIEW CONT.

Franchise establishments are expected to increase capital allocation toward AI-driven technology innovation. In 2025, the lodging industry raised AI investments by approximately **250%** compared to 2024, driven by rising labor costs and elevated employee turnover. AI adoption is transforming traditionally labor-intensive functions, with tools increasingly deployed to manage bookings, personalize travel recommendations, and enhance guest interactions. Overall, AI use cases are concentrated on improving operational efficiency, accelerating go-to-market capabilities, and elevating customer experience.

## Personal Services

In 2026, IFA and FRANdata anticipate the number of franchise establishments in the industry to grow by **2.0%**, exceeding **24,000 locations**, while output is expected to increase by **1.8%**, totaling **\$21.4 billion**. The sector is also projected to employ more than **46,000 people**. The personal services industry is expected to remain resilient with a moderate growth trend due to its essential needs based nature of services provided in areas such as professional home cleaning and maid services, moving and storage-related services, laundry services, and pet-related services (especially 'mobile' pet services).

Dual-income younger generations are increasingly outsourcing chores, while wealthier older customers do not mind paying for tasks requiring physical strength. With consumers valuing time and expertise, the shift from the do-it-yourself (DIY) trend to the convenience-driven do-it-for-me (DIFM) culture is also expected to fuel growth for service-based businesses.



Amid consumer spending slowdown, subscription-based business models are expected to outperform, as they provide more predictable revenues and stronger customer retention, helping stabilize unit economics. As customers increasingly prioritize value, larger and more scalable brands are gaining greater pricing power and strengthening their competitive positioning. This dynamic is accelerating industry consolidation with the formation of platform companies that are often backed by private equity capital.

# INDUSTRY OVERVIEW CONT.

## Quick Service Restaurants (QSR)

In 2026, franchise establishments in QSR are projected to grow at a conservative rate of **0.5%**, reaching approximately **281,000 units** and employing **5.2 million employees**. The industry accounts for the largest share of franchised establishments and employs nearly **58.1%** of total franchising labor. In line with the unit growth rate, franchise output is forecast to grow by **0.5%**, reaching **\$318.6 million**.

The industry is facing cyclical headwinds from moderating consumer demand, while persistent and sticky inflation continues to keep input costs elevated. At the same time, consumer preferences are shifting toward experiential dining rather than purely value-driven offerings. In response, franchise operators are accelerating menu innovation and refresh cycles to sustain customer engagement, increasingly relying on brand loyalty to offset economic pressure.

Margins have come under pressure amid intensifying competition, elevated input and labor costs, and constrained ability to pass price increases on to consumers.

Looking ahead to 2026, franchise establishments are expected to:

- Accelerate AI-led technology investments to enhance unit-level operational efficiency and structurally reduce reliance on labor, particularly in front and back-of-house processes.
- Expand AI-driven, data-enabled marketing capabilities to improve customer targeting and personalization, driving traffic growth. Rising effectiveness of digital campaigns is expected to further increase the share of digital sales, supporting productivity gains and lowering marginal labor requirements.
- Adapt to elevated real estate costs by shifting toward smaller-footprint, asset-light formats, including drive-through-only units, dual-brand concepts, and cloud kitchens, enabling faster payback periods and improved capital efficiency.
- Intensify menu innovation with a growing emphasis on beverages, leveraging seasonality, premiumization, and evolving consumer preferences to sustain engagement, improve ticket size, and diversify revenue streams.



# INDUSTRY OVERVIEW CONT.

## Real Estate

In 2026, IFA and FRANdata project real estate franchise establishments to exceed **28,000 units**, with employment in the sector increasing by **0.4%** and franchise output reaching **11.8 billion dollars**.

The growth in the industry is driven by improving housing affordability due to expected lower mortgage rates, coupled with growing supply. The rental market is supported by demographic shifts, as solo living among younger adults continues to rise, creating favorable conditions for franchised property management, leasing, and maintenance operators. A fragmented market structure and strong presence of local independent real estate establishments continue to drive elevated competitive pressure.

To tackle a lower sales environment, franchisors are creating platform companies to evolve from transaction-based commissions and offer end-to-end recurring revenue services such as property inspection, maintenance, valuation, and transaction management. The ability to engage customers throughout the value chain has been the key value driver in the industry.



AI use in real estate is growing to support data analytics, leasing and investment recommendations, and price modeling. Virtual and augmented reality tours are also becoming standard for marketing listings. Residential property firms are using AI to upgrade customer service and property management through 24/7 chatbots. While AI is automating administrative tasks and entry-level jobs in the industry, it is also creating more efficiencies around roles such as property inspections for which human oversight, experience, and skill remain critical.

## Retail Food, Products, & Services

FRANdata projects total franchise retail output to grow by **2.3%** to **\$71.9 billion** in 2026, with franchise establishments exceeding **76,000 units** and employment adding more than **10,000 jobs**.

The growth is supported by resilience from the essential retail segments amid the economic slowdown in 2025. Consumers' purchasing behavior is becoming more value-oriented, providing tailwinds to resale retail concepts, while sign stores are seeing demand surge driven by businesses seeking advanced branding, promotions, and electronic displays like LEDs.



Social media is influencing purchasing decisions and creating new opportunities for agile brands. The industry is rapidly moving from experimentation to the execution phase in terms of AI adoption. Along with AI-powered chatbots for customer service, predictive analytics has already been in place for efficient inventory management. Taken together, these trends point to a retail sector that is evolving toward greater efficiency, personalization, and value orientation, supporting steady franchise growth in 2026.

## APPENDIX | Franchise Establishments

STATE	2023	2024	2025 (Est.)	2026 (Proj.)	Growth Rate (23-24)	Growth Rate (24-25)	Growth Rate (25-26)
Alabama	13,428	13,718	13,924	14,147	2.2%	1.5%	1.6%
Alaska	1,189	1,214	1,232	1,253	2.1%	1.5%	1.6%
Arizona	18,354	18,941	19,358	19,861	3.2%	2.2%	2.6%
Arkansas	8,224	8,396	8,472	8,506	2.1%	0.9%	0.4%
California	75,545	76,340	76,722	77,259	1.1%	0.5%	0.7%
Colorado	17,864	18,418	18,786	19,200	3.1%	2.0%	2.2%
Connecticut	8,105	8,194	8,252	8,326	1.1%	0.7%	0.9%
Delaware	2,692	2,772	2,831	2,893	3.0%	2.1%	2.2%
District of Columbia	1,239	1,256	1,290	1,321	1.4%	2.8%	2.3%
Florida	61,541	62,833	64,278	65,821	2.1%	2.3%	2.4%
Georgia	31,413	32,055	32,729	33,449	2.0%	2.1%	2.2%
Hawaii	2,828	2,787	2,811	2,820	-1.4%	0.9%	0.3%
Idaho	4,737	4,889	4,986	5,086	3.2%	2.0%	2.0%
Illinois	29,269	29,416	29,651	29,948	0.5%	0.8%	1.0%
Indiana	17,775	17,864	17,953	18,079	0.5%	0.5%	0.7%
Iowa	8,289	8,314	8,356	8,398	0.3%	0.5%	0.5%
Kansas	8,358	8,483	8,551	8,628	1.5%	0.8%	0.9%
Kentucky	11,547	11,686	11,803	11,921	1.2%	1.0%	1.0%
Louisiana	11,830	11,925	11,979	12,064	0.8%	0.5%	0.7%
Maine	2,463	2,465	2,475	2,499	0.1%	0.4%	1.0%
Maryland	15,440	15,749	16,017	16,289	2.0%	1.7%	1.7%
Massachusetts	12,949	13,131	13,236	13,381	1.4%	0.8%	1.1%
Michigan	23,678	24,246	24,585	24,954	2.4%	1.4%	1.5%
Minnesota	14,452	14,655	14,757	14,890	1.4%	0.7%	0.9%
Mississippi	7,307	7,256	7,311	7,334	-0.7%	0.8%	0.3%
Missouri	16,071	16,220	16,302	16,448	0.9%	0.5%	0.9%
Montana	3,168	3,231	3,270	3,329	2.0%	1.2%	1.8%
Nebraska	6,323	6,439	6,585	6,683	1.8%	2.3%	1.5%
Nevada	8,454	8,691	8,865	9,078	2.8%	2.0%	2.4%
New Hampshire	3,352	3,392	3,426	3,467	1.2%	1.0%	1.2%
New Jersey	21,831	22,159	22,336	22,559	1.5%	0.8%	1.0%
New Mexico	4,960	5,030	5,080	5,156	1.4%	1.0%	1.5%
New York	31,293	31,570	31,791	32,109	0.9%	0.7%	1.0%
North Carolina	29,598	30,284	30,829	31,477	2.3%	1.8%	2.1%
North Dakota	2,402	2,457	2,454	2,494	2.3%	-0.1%	1.6%
Ohio	29,429	29,694	29,991	30,350	0.9%	1.0%	1.2%
Oklahoma	10,806	11,022	11,210	11,412	2.0%	1.7%	1.8%
Oregon	9,566	9,638	9,677	9,727	0.8%	0.4%	0.5%
Pennsylvania	28,463	28,776	29,006	29,325	1.1%	0.8%	1.1%
Rhode Island	2,273	2,303	2,340	2,373	1.3%	1.6%	1.4%
South Carolina	16,203	16,381	16,545	16,793	1.1%	1.0%	1.5%
South Dakota	2,935	3,047	3,129	3,220	3.8%	2.7%	2.9%
Tennessee	20,304	20,489	20,673	20,922	0.9%	0.9%	1.2%
Texas	80,087	81,929	83,854	86,034	2.3%	2.4%	2.6%
Utah	9,323	9,696	9,931	10,199	4.0%	2.4%	2.7%
Vermont	1,103	1,112	1,129	1,143	0.8%	1.5%	1.2%
Virginia	23,668	24,094	24,311	24,554	1.8%	0.9%	1.0%
Washington	16,005	16,029	16,093	16,206	0.1%	0.4%	0.7%
West Virginia	3,649	3,696	3,724	3,762	1.3%	0.8%	1.0%
Wisconsin	15,211	15,516	15,671	15,890	2.0%	1.0%	1.4%
Wyoming	1,919	1,942	1,957	1,975	1.2%	0.8%	0.9%
<b>Grand Total</b>	<b>808,911</b>	<b>821,838</b>	<b>832,521</b>	<b>845,009</b>	<b>1.6%</b>	<b>1.3%</b>	<b>1.5%</b>

## APPENDIX | Franchise Employment

STATE	2023	2024	2025 (Est.)	2026 (Proj.)	Growth Rate (23-24)	Growth Rate (24-25)	Growth Rate (25-26)
Alabama	142,702	145,821	146,985	149,752	2.2%	0.8%	1.9%
Alaska	12,636	12,907	13,010	13,261	2.1%	0.8%	1.9%
Arizona	195,047	201,339	204,346	210,243	3.2%	1.5%	2.9%
Arkansas	87,394	89,252	89,433	90,040	2.1%	0.2%	0.7%
California	802,826	811,474	809,895	817,833	1.1%	-0.2%	1.0%
Colorado	189,843	195,777	198,313	203,239	3.1%	1.3%	2.5%
Connecticut	86,135	87,105	87,108	88,137	1.1%	0.0%	1.2%
Delaware	28,603	29,469	29,880	30,622	3.0%	1.4%	2.5%
District of Columbia	13,166	13,350	13,623	13,982	1.4%	2.0%	2.6%
Florida	653,997	667,899	678,539	696,757	2.1%	1.6%	2.7%
Georgia	333,828	340,740	345,491	354,074	2.1%	1.4%	2.5%
Hawaii	30,050	29,623	29,678	29,850	-1.4%	0.2%	0.6%
Idaho	50,340	51,963	52,636	53,839	3.2%	1.3%	2.3%
Illinois	311,049	312,683	313,006	317,015	0.5%	0.1%	1.3%
Indiana	188,894	189,886	189,516	191,374	0.5%	-0.2%	1.0%
Iowa	88,092	88,379	88,207	88,894	0.3%	-0.2%	0.8%
Kansas	88,818	90,173	90,267	91,332	1.5%	0.1%	1.2%
Kentucky	122,712	124,216	124,591	126,187	1.2%	0.3%	1.3%
Louisiana	125,720	126,757	126,450	127,710	0.8%	-0.2%	1.0%
Maine	26,177	26,199	26,122	26,457	0.1%	-0.3%	1.3%
Maryland	164,082	167,406	169,075	172,428	2.0%	1.0%	2.0%
Massachusetts	137,614	139,575	139,720	141,650	1.4%	0.1%	1.4%
Michigan	251,624	257,728	259,530	264,155	2.4%	0.7%	1.8%
Minnesota	153,587	155,777	155,783	157,622	1.4%	0.0%	1.2%
Mississippi	77,649	77,133	77,178	77,639	-0.7%	0.1%	0.6%
Missouri	170,788	172,420	172,084	174,116	1.0%	-0.2%	1.2%
Montana	33,662	34,344	34,516	35,235	2.0%	0.5%	2.1%
Nebraska	67,193	68,446	69,508	70,747	1.9%	1.6%	1.8%
Nevada	89,846	92,385	93,582	96,094	2.8%	1.3%	2.7%
New Hampshire	35,623	36,060	36,169	36,705	1.2%	0.3%	1.5%
New Jersey	232,003	235,542	235,785	238,806	1.5%	0.1%	1.3%
New Mexico	52,711	53,463	53,624	54,580	1.4%	0.3%	1.8%
New York	332,552	335,583	335,597	339,896	0.9%	0.0%	1.3%
North Carolina	314,535	321,911	325,441	333,200	2.3%	1.1%	2.4%
North Dakota	25,529	26,115	25,904	26,395	2.3%	-0.8%	1.9%
Ohio	312,741	315,635	316,588	321,279	0.9%	0.3%	1.5%
Oklahoma	114,839	117,165	118,333	120,798	2.0%	1.0%	2.1%
Oregon	101,660	102,451	102,150	102,962	0.8%	-0.3%	0.8%
Pennsylvania	302,473	305,877	306,193	310,423	1.1%	0.1%	1.4%
Rhode Island	24,152	24,483	24,700	25,119	1.4%	0.9%	1.7%
South Carolina	172,189	174,127	174,652	177,765	1.1%	0.3%	1.8%
South Dakota	31,195	32,384	33,031	34,089	3.8%	2.0%	3.2%
Tennessee	215,769	217,793	218,235	221,468	0.9%	0.2%	1.5%
Texas	851,084	870,879	885,184	910,726	2.3%	1.6%	2.9%
Utah	99,076	103,065	104,830	107,960	4.0%	1.7%	3.0%
Vermont	11,718	11,816	11,915	12,094	0.8%	0.8%	1.5%
Virginia	251,519	256,111	256,630	259,917	1.8%	0.2%	1.3%
Washington	170,084	170,381	169,880	171,546	0.2%	-0.3%	1.0%
West Virginia	38,775	39,286	39,309	39,828	1.3%	0.1%	1.3%
Wisconsin	161,652	164,927	165,425	168,207	2.0%	0.3%	1.7%
Wyoming	20,391	20,641	20,663	20,907	1.2%	0.1%	1.2%
<b>Grand Total</b>	<b>8,596,342</b>	<b>8,735,921</b>	<b>8,788,310</b>	<b>8,944,955</b>	<b>1.6%</b>	<b>0.6%</b>	<b>1.8%</b>

## APPENDIX | Franchise Output (in billion \$)

	2022	2023	2024 (Est.)	2025 (Proj.)	Growth Rate (22-23)	Growth Rate (23-24)	Growth Rate (24-25)
STATE	2023	2024	2025 (Est.)	2026 (Proj.)	Growth Rate (23-24)	Growth Rate (24-25)	Growth Rate (25-26)
Alabama	14.6	15.0	15.2	15.4	2.8%	1.3%	1.7%
Alaska	1.3	1.3	1.3	1.4	2.8%	1.3%	1.7%
Arizona	19.9	20.7	21.1	21.7	3.9%	2.0%	2.7%
Arkansas	8.9	9.2	9.2	9.3	2.7%	0.7%	0.5%
California	81.9	83.3	83.6	84.2	1.7%	0.3%	0.8%
Colorado	19.4	20.1	20.5	20.9	3.8%	1.8%	2.3%
Connecticut	8.8	8.9	9.0	9.1	1.7%	0.5%	1.0%
Delaware	2.9	3.0	3.1	3.2	3.7%	1.9%	2.3%
District of Columbia	1.3	1.4	1.4	1.4	2.0%	2.6%	2.4%
Florida	66.8	68.6	70.1	71.8	2.7%	2.1%	2.5%
Georgia	34.1	35.0	35.7	36.5	2.7%	1.9%	2.3%
Hawaii	3.1	3.0	3.1	3.1	-0.8%	0.7%	0.4%
Idaho	5.1	5.3	5.4	5.5	3.9%	1.8%	2.1%
Illinois	31.7	32.1	32.3	32.7	1.1%	0.6%	1.1%
Indiana	19.3	19.5	19.6	19.7	1.1%	0.3%	0.8%
Iowa	9.0	9.1	9.1	9.2	0.9%	0.3%	0.6%
Kansas	9.1	9.3	9.3	9.4	2.1%	0.6%	1.0%
Kentucky	12.5	12.8	12.9	13.0	1.8%	0.8%	1.1%
Louisiana	12.8	13.0	13.1	13.2	1.4%	0.3%	0.8%
Maine	2.7	2.7	2.7	2.7	0.7%	0.2%	1.1%
Maryland	16.7	17.2	17.5	17.8	2.6%	1.5%	1.8%
Massachusetts	14.0	14.3	14.4	14.6	2.0%	0.6%	1.2%
Michigan	25.7	26.5	26.8	27.2	3.1%	1.2%	1.6%
Minnesota	15.7	16.0	16.1	16.2	2.0%	0.5%	1.0%
Mississippi	7.9	7.9	8.0	8.0	-0.1%	0.6%	0.4%
Missouri	17.4	17.7	17.8	17.9	1.6%	0.3%	1.0%
Montana	3.4	3.5	3.6	3.6	2.6%	1.0%	1.9%
Nebraska	6.9	7.0	7.2	7.3	2.5%	2.1%	1.6%
Nevada	9.2	9.5	9.7	9.9	3.5%	1.8%	2.5%
New Hampshire	3.6	3.7	3.7	3.8	1.8%	0.8%	1.3%
New Jersey	23.7	24.2	24.3	24.6	2.1%	0.6%	1.1%
New Mexico	5.4	5.5	5.5	5.6	2.0%	0.8%	1.6%
New York	33.9	34.5	34.6	35.0	1.5%	0.5%	1.1%
North Carolina	32.1	33.1	33.6	34.3	3.0%	1.6%	2.2%
North Dakota	2.6	2.7	2.7	2.7	2.9%	-0.3%	1.7%
Ohio	31.9	32.4	32.7	33.1	1.5%	0.8%	1.3%
Oklahoma	11.7	12.0	12.2	12.4	2.6%	1.5%	1.9%
Oregon	10.4	10.5	10.5	10.6	1.4%	0.2%	0.6%
Pennsylvania	30.9	31.4	31.6	32.0	1.7%	0.6%	1.2%
Rhode Island	2.5	2.5	2.6	2.6	2.0%	1.4%	1.5%
South Carolina	17.6	17.9	18.0	18.3	1.7%	0.8%	1.6%
South Dakota	3.2	3.3	3.4	3.5	4.4%	2.5%	3.0%
Tennessee	22.0	22.4	22.5	22.8	1.6%	0.7%	1.3%
Texas	86.9	89.4	91.4	93.8	2.9%	2.2%	2.7%
Utah	10.1	10.6	10.8	11.1	4.7%	2.3%	2.8%
Vermont	1.2	1.2	1.2	1.2	1.5%	1.4%	1.3%
Virginia	25.7	26.3	26.5	26.8	2.4%	0.7%	1.1%
Washington	17.4	17.5	17.5	17.7	0.8%	0.2%	0.8%
West Virginia	4.0	4.0	4.1	4.1	1.9%	0.6%	1.1%
Wisconsin	16.5	16.9	17.1	17.3	2.6%	0.8%	1.5%
Wyoming	2.1	2.1	2.1	2.2	1.8%	0.6%	1.0%
<b>Grand Total</b>	<b>877.4</b>	<b>897.1</b>	<b>907.3</b>	<b>921.4</b>	<b>2.2%</b>	<b>1.1%</b>	<b>1.6%</b>

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