Economic and Social Research Council

ERC Enterprise Research Centre

State of the Art Review

UK Franchising: A review of the Evidence

Neha Prashar
ERC and Aston Business School

Mark Hart
ERC and Warwick Business School

SOTA Review No 71

Background

Franchising, in the UK, has become a widely adopted business model, allowing entrepreneurs to operate under established brands while benefiting from proven business systems and ongoing support. Definitions of what constitutes franchising differ (Blair & Lafontaine., 2005; Combs, Michael & Castrogiovanni., 2004; Lafontaine.,1992), but all have the same overarching principle. It is a system, built on contractual agreements, where one firm, the franchisor, grants or sells contractual rights to another firm, the franchisee, that allow them to use its trademarks, resources and general business systems in return for fees and royalties.

It is estimated that franchising employs roughly 770,000 people in the UK, with average turnover per franchise around £386k-£400k (British Franchise Association, 2024). But with recent high-profile franchise disputes[1] drawing attention to the limitations of the UK's self-regulated franchising system, this review examines what is working well within the UK model, where key risks and weaknesses remain, and explore the effectiveness and ineffectiveness of regulatory approaches adopted in other countries. The latter of which is of great importance as the potential for the UK to adopt formal legislation has been the subject of debate in Parliament (Bowley & Drakes., 2025)

This review is set out in three parts. The first part will look at franchising data from the 2025 Global Entrepreneurship Monitor (GEM) both globally and demographically on the UK. The second part will look into the literature available on the UK franchising industry and challenges faced by franchisors and franchisees. The third part will offer insights from other franchising models in different countries. The focus will be on the US, one of the largest and mature franchise markets in the world; France, one of Europe's largest franchise markets; and Australia, regarded as one of the most regulated franchise systems in the world. The review concludes by considering the policy implications arising from the evidence.

GEM 2025 – a closer look at the data

In the GEM 2025 Annual Population Survey (APS), franchising featured as a special topic, where questions were asked to establish the number of actively involved early-stage and established stage businesses who are franchisors or franchisees. On an international level, the UK and Germany, have similarly high rates of franchisors and franchisees involved in either total early-stage entrepreneurship (TEA) or is an established business (EB)[2], as shown in Figure 1. Both countries have very similar franchising regulatory structure, whereby neither country has a franchise-specific

[1] Vodafone case (https://www.theguardian.com/business/2024/dec/10/vodafone-store-managers-debts-franchise-operators-legal-claim)

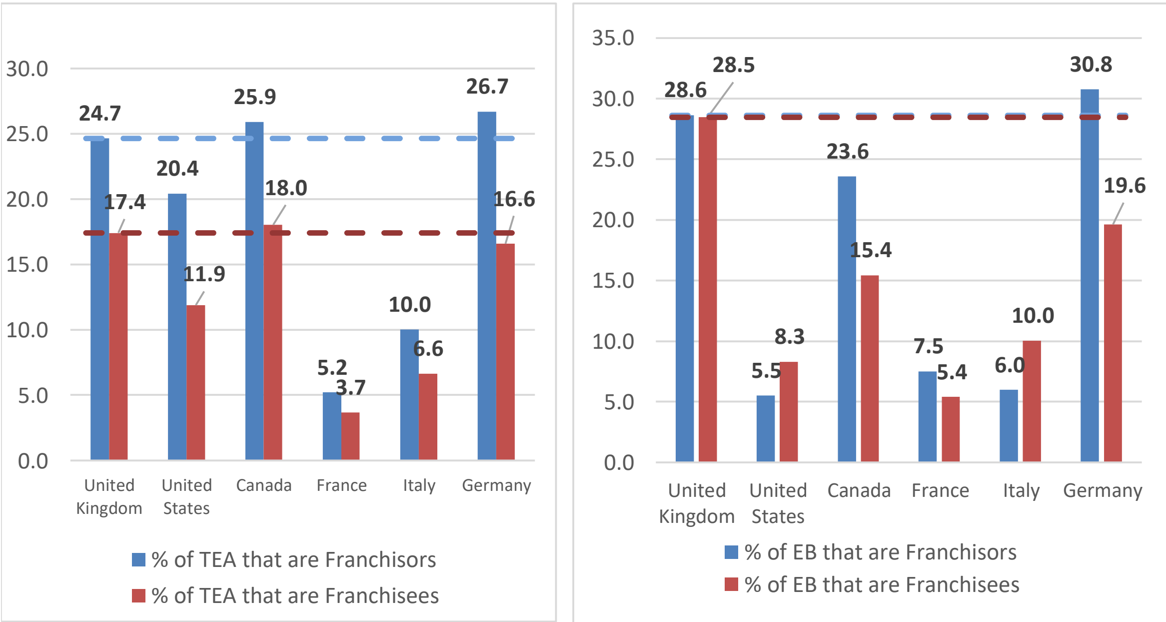
[2] TEA are all businesses that are between 3-42 months old, while EB are businesses older than 42 months.

legislation and registration to their private franchise associations is voluntary ((Bowler & Traynor., (2025); Hero., 2025).

Compared to France, where there is specific legislation for franchising (Peskine & Casanova, 2025), the percentage of TEA and EB in a franchisor or franchisee business is below 8%. This suggests that franchising may be more prominent as an entrepreneurial route in the two less franchise-specific regulatory environments.

For the US, it's clear that early-stage franchising is also a popular choice for franchisors at 20.4% but less so for franchisees at only 11.9%. Interestingly, these drop significantly when looking at established businesses, where only 5.5% are franchisors and slightly more at 8.3% are franchisees.

Figure 1: % of Early-Stage Entrepreneurs (left) and Established Businesses (right) that are Franchisors & Franchisees (Source: GEM Global Annual Population Survey (APS), 2025).



The findings indicate that franchising plays a particularly important role in facilitating business entry, especially for franchisors, in the US. However, its lower prevalence among established businesses suggests that franchising may be most attractive during the start-up phase.

A closer look at the UK[3], GEM 2025 data shows that 26% of females and 23.6% of males in early-stages of a business are franchisors, while 17.1% of females and 17.7% of males are franchisees. For established businesses, 28.2% of females and 28.9% of males are franchisors while 33.1% of females are franchisees, compared with 25.4% of males, suggesting females are more likely to keep a franchise running. This is supported by the British Franchise Journal (British Franchise Association, 2024) report, which found that women are making up more of the franchisee population compared with previous years.

[3] Further analysis using GEM APS 2025 will be available in the forthcoming annual GEM UK report.

Similar results were found using the GEM 2025 data for ethnic minority groups and those with degree level or above.[4]

Although the British Franchise Journal (British Franchise Association, 2024) shows that the number of new franchisees under 30 has fallen from 27% in 2018 to 7% in 2024, a different picture emerges in the GEM UK 2025 survey. Focusing on early-stage entrepreneurs, 34.2% of 18-24 year olds are a franchisee and 20.7% are franchisors. This highlights the relative importance of franchising among young early-stage entrepreneurs, while the British Franchise Journal (British Franchise Association, 2024) in a survey of their members highlight the ageing profile of the franchisee population and the limited representation of under-30s among new franchise recruits. The GEM data is a more robust overview of franchising in the UK as it is based on a representative sample of the adult population.

The analysis suggests that franchising may appeal to young entrepreneurs, but access to franchising may be constrained by financial, experiential and recruitment barriers within the established franchise sector. This is further corroborated by the British Franchise Journal (British Franchise Association, 2024), which also found that getting into franchising has become more expensive. Average start-up costs having increased to £85,000 in 2024 from £56,000 in 2018 and 71% of franchisors in 2024 stated that they rejected potential franchisee candidates because they lacked sufficient capital.

Current Evidence and Challenges

The UK perspective

In the UK, franchising has no direct legal regulation and is subject to self-regulation through voluntary membership with the British Franchise Association (BFA) (Pratt (2012). Although it is voluntary, there are examples of court cases where the UK High Court recognises the value of using the BFA’s code of ethics in assessing the behaviour of franchisors during the court proceedings (Pratt, 2012). Due, in part, to the non-existence of enforceable legal regulation, the UK remains a very attractive market for international franchisors looking to expand (Pratt, 2012).

The recent British Franchising Journal (2024) report highlights the key strengths in the UK franchising system, which allows for independence of business ownership under the security of brand reputation, proven business systems, training and ongoing support. This has resulted in high profitability, with 89% of franchise units profitable, high satisfaction rates, where 82% of franchisees are satisfied and overall significant contribution to the UK economy, where the franchise industry contributed £19.1 billion in turnover. The overall growth story is clear, however, there are several limitations highlighted in the report. Franchisors primarily face challenges related to franchisee recruitment,

[4] The British Franchise Journal (BFA) and Global Entrepreneurship Monitor (GEM) measure different aspects of franchising. The BFA conducts a survey of franchisors and franchisees and is industry-specific, whereas GEM is a population-based survey that measures the prevalence of franchising within entrepreneurial activity. As a result, differences between the two datasets reflect methodological variation, different measurements and can be treated as complementary.

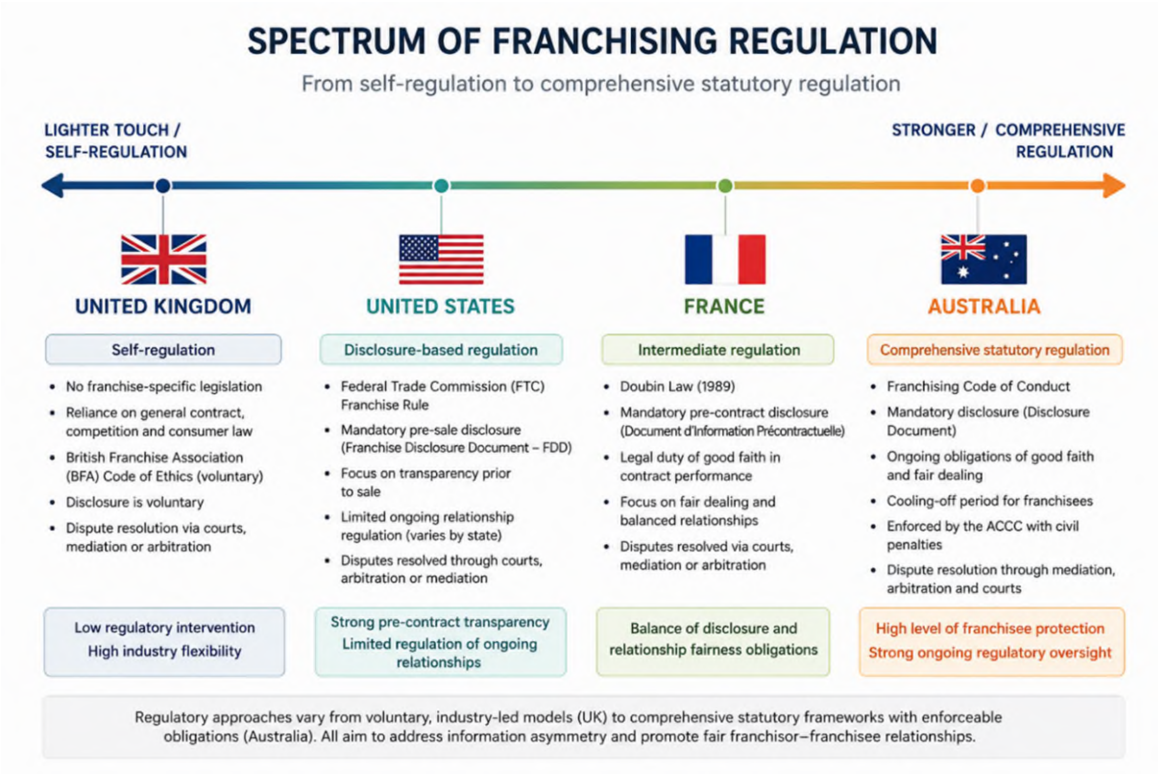
particularly younger candidates, and capital sufficient candidates; international expansion due to regulation complexity, and economic uncertainty. Franchisees, meanwhile, face challenges associated with financing up-front costs and ongoing fees and capital stock; rising operating costs, staff recruitment due to lack of suitable labour availability, and balancing entrepreneurial ambitions with the constraints of operating within a franchise system.

There is a notable lack of recent empirical research examining the UK franchising system. Much of the recent literature focuses on broader franchising concepts, such as governance, autonomy (Dada., 2018; Newbery et al., 2025) on a variety of countries, rather than evaluating the UK's self-regulatory model directly. Consequently, assessments of UK franchising often rely on industry reports like the British Franchise Journal (British Franchise Association., 2024) and comparative legal analyses.

As franchisors look to grow, 41% of franchisors plan to expand internationally in the future (British Franchise Association, 2024) and expanding internationally provides a relatively low-risk option when managed well (Robson et al., 2015). There a number of ways franchises can do this from direct franchising (Doherty, 2007) where the franchisor grants franchises directly to individual franchisees in another country to master franchising (Robson et al.,2015), where the franchisor grants one organisation exclusive rights to recruit and support franchisees within the country, making up 58% of UK internationalising approaches, a popular choice for franchisors as they leverage local expertise in markets largely unfamiliar to the franchisor (British Franchise Association, 2024). Success in doing so involves overcoming country specific regulatory constraints but, somewhat more importantly, choosing the right international partner is more imperative than the contracts itself, as well as, considering the franchisee-franchisor relationship as a long-term partnership and not a top-heavy command and control system (Robson et al., 2015).

The importance of developing the franchisee-franchisor relationship is heavily stated in the literature, not only for the UK, but for all models of franchising across multiple countries (Davis et al., 2011; Perrigot et al., 2013; Bui., 2022). Going beyond a contractual agreement towards a developing relational governance (Bui., 2022; Perrigot et al., 2013) is fundamental to the success of franchisees and has been shown to greatly reduce conflict through open communication and building high levels of trust.

The Spectrum of Franchising Models



The UK has a very light touch approach to franchising regulation with no formal legislation in place and registration to the British Franchise Association is voluntary. There are no formal pre-disclosure agreements in place that make it mandatory for franchisors to disclosure important financial information prior to contract agreements with franchisees (Bowler & Taylor., 2025). Instead, it relies on contract, competition and consumer law to govern. This gives industries a high level of flexibility to tailor contracts to suit their industry needs, however, franchisees are not entitled to information on the franchisor and its business activity prior to contract agreement.

In comparison, the US has strong regulation around mandatory pre-contract disclosure through the “Franchise Rule” (Federal Trade Commission., 2024), which requires 23 different aspects to be covered in the Franchise Disclosure Document (FDD). Beyond this, there are several states in the US that require further disclosure information before any contract can be signed (Bird & Bird LLP, n.d.) This allows franchisees to make informed decisions on the risks and benefits of setting up the franchise. Although there is no statewide legislation after the contracts are signed, items in the FDD such as “Franchisor’s assistance, advertising, computer systems and training” provide an idea to franchisees what obligations the franchisor has towards them, and the legal and regulatory requirements post sale can vary from state to state.

As shown in Figure 1, there are low percentages of franchisees and franchisors that make up the population of established business population, which may be in part due to the problems that occur once the contracts are formally agreed. There is no comprehensive federal law governing the ongoing franchisor–franchisee relationship after a franchise agreement has been signed. Instead, while the Federal Trade Commission (FTC)

Franchise Rule regulates pre-contract disclosure, some US states have enacted additional franchise relationship laws covering issues such as termination, renewal and transfer. Anita et al. (2013) found that these state relationship laws, alongside disclosure requirements, influence how conflicts are managed and shape litigation strategies. However, they do not eliminate disputes or necessarily reduce litigation, as stronger legal protections may also empower franchisees to challenge perceived unfair treatment through legal action.

In comparison, France was the first country in Europe and the second in the world (Atwell., 2019) to implement legislation related to pre-disclosure in franchising, the Doubin Law, requiring a disclosure document prior to any contract signing, where failing to do so with the required information can lead to fines for the franchisors (UNIDROIT, 2007). The French system, similar to the US, has no franchise specific regulation post but relies on contractual law and civil law (Atwell., 2019). Following the pre-contractual disclosure stage, French franchise relationships are governed by the franchise contract agreement alongside general principles of French contract law, including the requirement that contracts be performed in good faith (Atwell., 2019), especially as franchising is a relational contract (Perrigot, Terry & Lernia., 2019).

What good faith looks like can be different for both the franchisor and franchisee. Perrigot, Terry & Lernia (2019) found that franchisors emphasised honesty, cooperation and protecting the franchise network while franchisees emphasised fairness, openness, support and equal treatment. More importantly, it was found that trust, the cornerstone of the relational contract, is dependent of perceived good faith, through strong communication. Good faith goes beyond the contract and can reduce conflicts from arising.

A clear distinction between the French franchising system and the UK's is that UK's contract law contains "no general duty of good faith and fair dealings" (Bowler & Traynor., 2025). The British Franchise Association has incorporated good faith into their code of ethics but as it's voluntary registration, not all franchisors would have to adhere to it. Although, this is evolving since 2013 after a landmark case involving the International Trade Corporation (Bowler & Traynor., 2025; Campbell, 2014). Most recently, Brodie (2026) highlights *Ellis v John Benson Ltd* [2025] as an important development in UK franchise law, where the High Court implied a duty of good faith into a franchise agreement because of its relational nature and the franchisor's abuse of contractual power. The case suggests that English courts may increasingly use implied duties of good faith to address unfair conduct in franchise relationships, even without franchise-specific legislation.

At the other end of the franchising model spectrum is Australia, which is highly regulated. Similar to the US and France, pre-sale disclosure documentation is required. Registration to the Australian Competition and Consumer Commission Franchise Register is mandatory and record-keeping is a requirement to be compliant with the Franchise Code, which also imposes a duty of good faith on both the franchisors and franchisees (Toth., 2025). A landmark independent review of the franchising code in Australia (Schaper.,2024) found a number of weaknesses to the model, whereby franchisees continue to report unequal bargaining power and fear of raising concerns, despite the regulation there to protect them. Franchisees rated their working relationship with the franchisor, which averaged to 5.7/10 and 126 franchisees reported a serious dispute with their franchisor in the last 12 months.

On reviewing the Franchising Code, Schaper (2024) acknowledges that even with high regulation, there is still risk of power imbalances and misconduct. Interestingly, the review also notes that extensive regulation may create a moral hazard for prospective franchisees. The abundance of mandatory disclosure documents, regulatory requirements and pre-contract information may lead some prospective franchisees to perceive a franchise investment as inherently safe or government-endorsed, reducing their incentive to undertake their own due diligence. As a result of the review, there was a new Franchising Code introduced on 1st April 2025, taking on board the recommendations (Toth., 2025).

Evidence from Frazer et al (2012) on the causes of conflict between franchisors and franchisees in the Australian context found four major themes; an expectation gap, relationship satisfaction, trust in the franchise relationship and perceived conflict. Through qualitative interviews, unrealistic expectations, arising from overly optimistic marketing, incomplete information and misunderstandings by prospective franchisees, often represented the starting point for conflict. Trust, underpinned by openness, effective communication and reliable support emerged as a key determinant of relationship quality and satisfaction. These findings are consistent with broader franchising literature, which similarly identifies trust, communication and ongoing support as critical to successful franchisor–franchisee relationships (Davis et al., 2011; Perrigot et al., 2021; Bui., 2022; Robson et al., 2015). Interestingly, those interviewed by Frazer et al (2012) stated that conflict is “an inevitable part of the franchising relationship”, with more experienced franchisees often more willing to challenge their franchisor. This suggests that conflict is driven not only by contractual issues but also by relational dynamics that develop over time.

Consequently, while contractual safeguards and regulation may help to improve transparency through pre-disclosure requirements and provide mechanisms for reducing and addressing disputes, the wider evidence indicates that fostering trust, open communication and cooperative relationships remains fundamental to successful franchisor-franchisee relationships, regardless of the regulation structure.

Conclusion & Policy Implications

Conclusion

The evidence reviewed here shows franchising to be a significant and resilient route into UK entrepreneurship, contributing an estimated £19.1 billion in turnover, sustaining high franchisee satisfaction (82%) and unit profitability (89%) (British Franchise Association, 2024). The UK's light-touch, self-regulated model has kept entry costs and compliance burdens low relative to more heavily regulated markets, which helps explain its continued attractiveness to both domestic and international franchisors. But this same flexibility leaves a structural gap: without mandatory pre-contract disclosure or a statutory duty of good faith, franchisees remain exposed to information asymmetry and power imbalances that voluntary BFA membership cannot fully address — risks made visible by recent high-profile disputes and echoed in the conflict literature across the US, France and Australia.

The international comparison suggests there is no perfect model: more comprehensive regulation (Australia) improves formal protections but does not eliminate power imbalances and can create a false sense of security that discourages due diligence, while lighter-touch regimes (UK, Germany) leave protection largely to contract law and market reputation. The more consistent finding across all studied countries is that regulation alone does not prevent conflict. Instead, trust-based, relational governance between franchisor and franchisee is what ultimately reduces it. This points toward a proportionate reform agenda for the UK: rather than replicating Australia's compliance-heavy model, a targeted minimum disclosure standard combined with a statutory good faith duty could close the information gap while preserving the flexibility that makes UK franchising attractive.

Policy recommendations

1. **Introduce a minimum statutory pre-disclosure requirement**, with a UK equivalent of the US Franchise Disclosure Document or France's Doubin Law, applying to all franchisors regardless of BFA membership, to reduce information asymmetry before contracts are signed.
2. **Establish a statutory duty of good faith** covering both franchisors and franchisees, building on the direction already signalled by UK case law since 2013, rather than leaving this to voluntary codes of ethics.
3. **Improve access to entry capital**, particularly for younger and first-time franchisees, given start-up costs have risen from £56k to £85k since 2018 and 71% of franchisors cite insufficient capital as a reason for rejecting candidates (British Franchise Association., 2024) through targeted grants or loan guarantees.
4. **Support ongoing relationship management,** with a low-cost dispute resolution or mediation mechanism would reflect the cross-country finding that relational governance, not contracts alone, is what reduces conflict.

5. **Maintain and expand data collection** (GEM, BFA) to track diversity of entry, cost trends and post-entry survival, since evidence on the UK model remains thin relative to the US, France and Australia.

References

Abell, M. (2016). Legal perspective of the regulatory framework and challenges for franchising in the EU. *European Parliament, Policy Department A: Economic and Scientific Policy.*

Atwell, C. (2019). Franchising in France: An Overview. *European Business Law Review, 30*(3), 439-467. https://www.proquest.com/scholarly-journals/franchising-france-overview/docview/3345459160/se-2

Antia, K. D., Zheng, X., & Frazier, G. L. (2013). *Conflict management and outcomes in franchise relationships: The role of regulation*. *Journal of Marketing Research, 50*(5), 577–589. https://doi.org/10.1509/jmr.11.0144

Bird & Bird LLP. (n.d.). *USA*. *International Franchise Law Tracker*. Retrieved July 14, 2026, from https://www.twobirds.com/en/trending-topics/international-franchise-laws/page-components/international-franchise-law-tracker/usa

Blair, R.D. & Lafontaine, F. (2005). The Economics of Franchising. *Cambridge University Press.*

Bowler, I., & Traynor, K. (2025). *England & Wales: Franchise laws and regulations 2026*. International Comparative Legal Guides. https://iclg.com/practice-areas/franchise-laws-and-regulations/england-and-wales/

Bowley, R., & Drakes, G. (2025, September 5). *A spotlight on franchising in the UK: The recent UK Parliament debate on franchising regulation*. Fieldfisher

British Franchise Association. (2024). *The British Franchise Journal: National Franchise Survey 2024*. British Franchise Association.

Bui, T. T. H. (2022). *A literature review of franchisee performance: Directions for future research*. *Cogent Business & Management, 9*(1), 2044573. https://doi.org/10.1080/23311975.2022.2044573

Campbell, D. (2014). Good faith and the ubiquity of the 'relational' contract. *The Modern Law Review*, *77*(3), 475-492.

Combs, J.G., Michael, S.C. & Castrogiovanni, G.J. (2004). Franchising: A Review and Avenues to Greater Theoretical Diversity. *Journal of Management*, 30(6), 907–931.

Dada, O. (2018). A model of entrepreneurial autonomy in franchised outlets: A systematic review of the empirical evidence. *International Journal of Management Reviews, 20*(1), 206–226. https://doi.org/10.1111/ijmr.12123

Davies, M. A., Lassar, W., Manolis, C., Prince, M., & Winsor, R. D. (2011). A model of trust and compliance in franchise relationships. *Journal of business venturing*, *26*(3), 321-340.

Doherty, A. M. (2007). *The internationalisation of retailing: Factors influencing the choice of franchising as a market entry strategy*. *International Journal of Service Industry Management*, 18(2), 184–205.

Federal Trade Commission. (2024). *Disclosure requirements and prohibitions concerning franchising (16 C.F.R. Part 436).* https://www.ecfr.gov/current/title-16/chapter-I/subchapter-D/part-436

Frazer, L., Weaven, S., Giddings, J., & Grace, D. (2012). What went wrong? Franchisors and franchisees disclose the causes of conflict in franchising. *Qualitative Market Research: An International Journal*, *15*(1), 87-103.

Global Entrepreneurship Monitor UK. (2025). *Global Entrepreneurship Monitor 2025 Adult Population Survey (APS): International harmonised dataset* [Internal dataset].

Global Entrepreneurship Monitor. (2025). *Global Entrepreneurship Monitor 2025 Adult Population Survey (APS): International harmonised dataset* [Unpublished internal dataset].

Goodley, S. (2024, December 10). *Revealed: How Vodafone 'left store managers with huge debts and fines during pandemic'*. The Guardian. https://www.theguardian.com/business/2024/dec/10/vodafone-store-managers-debts-franchise-operators-legal-claim

Hero, M. (2025). *Germany: Franchise laws and regulations 2025*. International Comparative Legal Guides. https://iclg.com/practice-areas/franchise-laws-and-regulations/germany/

International Institute for the Unification of Private Law (UNIDROIT). (2007). *Country report: France*. In *Guide to International Master Franchise Arrangements* (2nd ed.). https://www.unidroit.org/english/guides/2007franchising/country/france.pdf

Lafontaine, F. (1992). Agency theory and franchising: some empirical results. *The rand journal of economics*, 263-283.

Newbery, R., McKague, K., Muñoz, P., & Kimmitt, J. (2025). Reconceptualizing franchisee performance: A configurational approach in a base-of-the-pyramid context. *British Journal of Management, 36*, 17–33.

Peskine, C., & Casanova, C. (2025). *France: Franchise laws and regulations 2026*. International Comparative Legal Guides. https://iclg.com/practice-areas/franchise-laws-and-regulations/france/

Perrigot, R., Terry, A., & Lernia, C. D. (2019). Good faith in franchising: the perceptions of franchisees, franchisors and their lawyers in the French context. International Journal of Retail & Distribution Management, 47(3), 246-261.

Perrigot, R., López-Fernández, B., & Basset, G. (2021). Conflict management capabilities in franchising. *Journal of retailing and consumer services*, *63*, 102694.

Pratt, J. (2012). Franchising in the United Kingdom. *Franchise Law Journal*, *32*(2), 95.

Robson, M., Wijbenga, F., Parker, C., & Khaireh, A. (2015). *Best in Class International Franchising*. University of Leeds.

About the authors

Dr Neha Prashar is a Lecturer in Entrepreneurship at Aston Business School and a researcher affiliated with the Enterprise Research Centre (ERC). Since 2018, she has been a core member of the UK Global Entrepreneurship Monitor (GEM) research team. Having joined Aston University in 2017, her research specialises in entrepreneurship, small and medium-sized enterprises (SMEs), business creation and dynamism, and the evaluation of economic and business policy. She has contributed to a range of policy-focused research projects for organisations including the Scottish Government, Scottish Enterprise, Growth Hubs and the Design Council.

Mark Hart is Professor of Entrepreneurship and Enterprise Policy and Academic Lead of the UK Goldman Sachs 10,000 Small Businesses programme and curriculum consultant for the French programme. He was appointed to the Expert Advisory Council for the Government's Help to Grow Management Programme and is a 2014 recipient of the Queen's Award for Enterprise Promotion. He has played a national role in promoting enterprise skills and supporting entrepreneurs as well as advising government on small business and entrepreneurship matters. He is Deputy Director of the national Enterprise Research Centre leading on business growth and productivity research to understand the dynamics of the private sector over time and the role of SMEs as well as contributing to the work on growth ambition and access to finance. He also manages the GEM UK national team for GEM Global which is the only international source of annual evidence on entrepreneurial attitudes, activity and aspiration.

Other SOTA Reviews are available on the ERC web site www.enterpriseresearch.ac.uk. The views expressed in this review represent those of the authors and are not necessarily those of the ERC or its funders.

Published by Enterprise Research Centre (ERC)

Economic and Social Research Council

Innovate UK

BRITISH BUSINESS BANK

Department for Science, Innovation & Technology