AMERICAN JOURNALS
Open Access, Peer Reviewed Journals
American Journal of Business Management, Economics and Banking
ISSN (E): 2832-8078 Volume 49, June- 2026

GLOBAL AND REGIONAL DEVELOPMENT TRENDS OF FRANCHISE NETWORKS

Sharipova Umidakhon Adkhamovna
Head of the Department of International Finance and Investment,
Candidate of Economic Sciences, Associate Professor,
University of World Economy and Diplomacy,
umida-s@mail.ru

A B S T R A C T

Franchising has emerged over recent decades as one of the most effective and rapidly expanding forms of entrepreneurial organization in the global economy. This article examines the historical evolution and current regional dynamics of franchise network development, applying a decade-based cyclical analysis to trace the sector's transformation from its initial U.S.-centered export phase in the 1970s-1980s through post-socialist market entry in the 1990s, Asian market liberalization in the early 2000s, digital-platform integration from the 2010s, and the post-pandemic shift toward contactless and hybrid business models. Comparative analysis of leading franchise markets (the United States, China, Japan, Germany, and South Korea) is presented alongside an examination of investment-size market segmentation, the global distribution of master-franchise versus single-unit contractual structures, and the distinct developmental trajectories observed in the Middle East and North Africa (MENA), Latin America, and Africa. Particular attention is given to the emerging franchise market of Uzbekistan, where low- and medium-investment segments currently predominate and where international brands operate predominantly through master-franchise or area-development agreements consistent with broader regional patterns observed across Central Asia. The findings indicate that a favorable regulatory environment, characterized by simplified registration procedures and tax incentives for foreign investment, constitutes a decisive factor in accelerating franchise market development, a conclusion of direct practical relevance for franchise policy in Uzbekistan.

K E Y W O R D S

Franchising; franchise networks; global market trends; master-franchise; Uzbekistan; Central Asia.

Introduction

In recent decades, franchise systems have become established as one of the most effective and promising forms of organizing entrepreneurial activity in the global economy. The deepening of global economic integration processes, the expansion of international trade volumes, and the rapid development of the services sector have significantly influenced the popularization of franchise models. In particular, under modern market conditions, the need for companies to expand their business with minimal risk has further intensified the pace of franchise system development.

The economic significance of franchising lies in the fact that it enables large companies to rapidly expand their business model geographically, while providing small and medium-sized enterprises with the opportunity to operate on the basis of a ready-made business concept. As a result, the franchise system, on the one hand, ensures the effectiveness of corporate governance, while on the other hand, it serves the development of local entrepreneurship.

According to data from the International Franchise Association, the franchise sector constitutes one of the essential structural components of developed economies. In the United States in particular, franchise business occupies one of the leading positions in the services and retail sectors of the economy, generating millions of jobs and forming a substantial share of the country's gross domestic product. In European countries as well, franchising is actively employed as an effective instrument for developing small and medium-sized business.

2. Literature Review

The academic literature on franchising has developed around two principal theoretical frameworks: agency theory and resource scarcity theory. Combs, Michael, and Castrogiovanni (2004) systematically contrasted these two frameworks against three core constructs, franchise initiation, subsequent propensity to franchise, and franchise performance, establishing them as the dominant lenses through which franchise expansion decisions are analyzed in the management literature. Resource scarcity theory holds that firms adopt franchising primarily to leverage scarce capital and managerial resources when expanding into new, often geographically or culturally distant, markets, whereas agency theory emphasizes the incentive-alignment benefits of franchising, since franchisees, as residual claimants of local unit profits, are motivated to monitor and manage local operations more diligently than salaried managers would.

A bibliometric review of the international franchising literature covering publications from 1970 to 2018 (Alon et al., cited in the Multinational Business Review systematic review) identified several major research clusters, including studies examining the internal firm-level and external host-country environmental factors that shape the choice of international franchising as a market entry mode, such as monitoring costs, accumulated international experience, brand strength, and host-country environmental uncertainty. Welsh, Alon, and Falbe (2006) extended this literature specifically to retail franchising in emerging markets, a body of work directly relevant to the analysis of Uzbekistan's developing franchise sector presented in this article, while Merrilees (2014) organized the accumulated franchise literature into three distinct chronological phases, providing a broader theoretical periodization that complements the decade-based historical-cyclical analysis of global franchise market development undertaken here. Combs, Ketchen, Shook, and Short (2011) further synthesized findings on franchising antecedents, consequences, and moderating factors, concluding that while a substantial body of research examines what drives firms toward franchising, comparatively fewer studies examine its downstream consequences for firm performance and capital structure, a gap that continues to motivate empirical franchise research, including the econometric analysis of franchise network sustainability determinants presented in the companion study to this article.

3. Methods

This article applies a comparative and historical-analytical approach to synthesize publicly available industry data from the International Franchise Association, Statista's Global Franchise Report, and official company disclosures, together with the results of an original decade-based periodization of global franchise market evolution developed as part of a broader dissertation research project on franchise network sustainability. Regional case comparisons (MENA, Latin America, Africa, and Central Asia) draw on documented national policy frameworks and market entry patterns of international franchise brands.

4. Results

4.1 Historical-cyclical stages of franchise market development

To better understand the developmental dynamics of the global franchise market, it is useful to conduct a cyclical analysis across decade-long periods. The 1970s-1980s represented the stage of active export of franchise systems beyond the United States, during which major American brands first entered the Canadian and Western European markets. The 1990s marked the period during which post-socialist countries, including those of Eastern Europe and the Central Asian region, first became acquainted with franchise systems in the course of their transition to market economies. The early 2000s were characterized by the accession of populous countries such as China and India to the World Trade Organization and the opening of their domestic markets to international investment, which led to a sharp intensification of franchise activity in the Asian region. From the 2010s onward, the popularization of digital platforms and mobile payment systems ensured the transition of the franchise market to a qualitatively new digital stage. In the most recent period, particularly following the global health crisis after 2020, franchise networks have demonstrated an active shift toward contactless service delivery, delivery services, and hybrid (online-offline) business models.

4.2 Development of the franchise market in the Middle East and North Africa

One region deserving particular attention in the analysis of the global franchise market is the Middle East and North Africa (MENA), as the socioeconomic characteristics of this region bear partial resemblance to those of Uzbekistan, including a young and rapidly growing population, intensive urbanization processes, and stable growth in consumer expenditure. The United Arab Emirates, and Dubai in particular, has formed as the most attractive location for franchise activity in the region, where the high density of shopping centers and the flow of international tourists have enabled franchise brands to establish operations at a rapid pace. Saudi Arabia, meanwhile, has in recent years actively encouraged the attraction of foreign franchise brands as part of its economic diversification strategy under the “Vision 2030” program, representing a clear example of the direct influence of state policy on franchise market development. The experience of this region demonstrates that a favorable regulatory environment created by the state, including simplified registration procedures and tax incentives for foreign investment, constitutes one of the decisive factors in the rapid development of the franchise market, a conclusion that carries direct practical relevance for Uzbekistan as well.

4.3 Market segmentation by investment volume

Another important criterion in analyzing the global franchise market is segmentation by the volume of initial investment required, as this indicator determines the pool of potential franchisees and the market entry threshold. The low-investment segment (typically in the range of USD 10,000 to 50,000) primarily encompasses small-format service franchises, including cleaning services, small educational centers, and mobile application-based services, and represents the most accessible entry point for small entrepreneurs. The medium-investment segment (USD 50,000 to 300,000) constitutes the typical range for the majority of fast-food and retail franchises and forms the largest share of the global market. The high-investment segment (above USD 300,000) encompasses large hotel chains, automobile dealership centers, and large entertainment complexes, a segment in which typically only large institutional investors or area-development franchise operators participate. At the current stage of development of the Uzbek franchise market, the low- and medium-investment segments are observed to predominate, a situation directly linked to the current volume of local entrepreneurial capital.

4.4 Global distribution of master-franchise and single-unit contractual structures

In international franchising practice, the ratio between the two principal forms of contractual structure, single-unit franchise and master franchise, varies considerably from region to region. In developed markets, particularly North America and Western Europe, the single-unit franchise has traditionally predominated, as the legal system and contract enforcement mechanisms are well developed in these markets. In developing markets, including those of Asia and Central Asia, international franchisors more often prefer the master-franchise model, since this model reduces the risks of international expansion by granting a local partner familiar with the local market, language, and cultural characteristics the right to develop the entire country or a large region. It is observed that the majority of international brands operating in the Uzbek market function precisely on the basis of master-franchise or area-development agreements, which fully corresponds to the regional trend and is expected to remain the predominant model in the near-term outlook.

To gain a fuller picture of the global franchise market, it is also useful to briefly examine the experience of the Latin American and African regions, as these regions in many respects exhibit patterns common to developing markets such as Uzbekistan. Brazil and Mexico are the leaders of the franchise market in Latin America, where the share of locally produced franchise brands is nearly equal to that of international brands, testifying to the capacity of national entrepreneurial potential to create its own franchise models. On the African continent, particularly in South Africa and Kenya, the franchise market remains at an early stage of development, yet innovative franchise models in the mobile banking and telecommunications sectors, such as mobile money transfer agent networks, have formed a distinctive practice rarely observed in other regions. This experience demonstrates that in developing markets, franchising can serve not merely as a vehicle for importing international brands but also as a promising foundation for creating original business models adapted to local conditions, a conclusion of considerable importance for assessing the prospects of developing national franchise brands in Uzbekistan.

4.5 Comparative indicators of leading global franchise markets

Table 1. Indicators of the world's leading franchise markets

Country	Number of franchise units	Sales volume (USD billion)	Employment	Annual growth rate
United States	800,000+	850	8 million+	5.4%
China	450,000+	300	4 million+	8.1%
Japan	250,000+	220	2 million+	3.7%
Germany	150,000+	140	1.2 million	4.1%
South Korea	120,000+	110	1 million	6.2%

Source: compiled by the author based on International Franchise Association and Statista data.

The table data indicate that the United States, China, and Japan rank among the countries with the most highly developed franchise markets. The successful development of franchise systems in these countries is explained by a strong institutional environment, developed logistics infrastructure, and the widespread application of digital technologies. The U.S. experience vividly demonstrates the high economic efficiency of the franchise system: international companies such as McDonald's, KFC, Subway, and Starbucks have successfully entered global markets through the franchise model, with their principal competitive advantages lying in unified management standards, effective marketing strategy, and the active application of innovative technologies.

Table 2. Sector-wise share of the global franchise market

Sector	Level of development
Food service	High
Retail trade	High
Services	Medium-High
Educational services	Medium

Source: compiled by the author based on International Franchise Association, Statista, and global franchise market reports.

The analysis indicates that franchise systems are most developed in the food service and retail sectors, a pattern explained by the high feasibility of organizing standardized business processes in these sectors. At the same time, the development of digital technologies is also leading to the expansion of franchise models based on IT services and e-commerce. The franchise market in Central Asian countries remains a relatively newly forming direction; in Uzbekistan, the entry of foreign franchise brands in recent years has had a positive effect on the activation of domestic consumer demand and the development of the services sector, with franchise activity particularly expanding in the fast-food, educational services, and retail trade directions.

Table 3. Principal franchise directions developing in Uzbekistan

Direction	Leading brands	Level of development
Fast food	KFC, EVOS, Bellissimo	High
Retail trade	LC Waikiki, Miniso	Medium
Educational services	Cambridge Learning Center	Medium
Hospitality business	Hilton, Wyndham	Developing
IT services	Digital platforms	Low

Source: compiled by the author based on analysis of the Uzbek franchise market, official company data, and open information sources.

At the same time, certain factors continue to constrain the development of franchise systems in Uzbekistan. These include economic instability, high investment costs, a shortage of qualified personnel, and increasing ecological and technological requirements. In particular, the costs associated with digital transformation and the introduction of ecological standards constitute an additional financial burden for a considerable number of franchisee enterprises, an issue examined in greater depth in the companion analysis of digital and ecological factors in franchise development.

5. Discussion

The comparative regional analysis presented above indicates that franchise market development is shaped not by a single universal trajectory but by a combination of region-specific institutional, economic, and cultural factors interacting with globally observable technological and structural trends. The MENA experience in particular underscores the pivotal role of state-created regulatory conditions, a finding directly transferable to policy discussions in Uzbekistan, where simplification of registration procedures and targeted incentives for foreign franchise investment could plausibly accelerate market development along lines observed in the Gulf states.

The predominance of master-franchise and area-development structures across Central Asia, mirroring patterns in other developing Asian markets, reflects a rational risk-mitigation response by international franchisors to unfamiliar legal, linguistic, and cultural environments; this structural preference has direct implications for how Uzbek entrepreneurs should position themselves when negotiating with prospective international franchisors, favoring capacity to develop and manage territory-wide operations over single-unit ownership models. The Latin American and African experiences further suggest that Uzbekistan's franchise development strategy need not be limited to the importation of international brands but could productively include deliberate cultivation of homegrown franchise concepts adapted to local consumer preferences and market conditions, a direction that merits explicit policy attention given the currently low share of nationally originated franchise brands in the domestic market.

Limitations of this analysis include its reliance on secondary industry data sources, which vary in reporting methodology and update frequency across countries, and the descriptive rather than causal nature of the regional comparisons presented; a more rigorous quantitative assessment of the specific factors driving franchise network expansion is presented in the companion econometric analysis based on panel data from 25 countries over the 2013-2023 period.

6. Conclusion

The global franchise market has evolved through a series of distinct historical stages, from initial U.S.-centered international expansion to the current digital and hybrid-service era, with each stage leaving a lasting imprint on regional market structures and contractual practices. Comparative analysis of leading franchise economies confirms that a strong institutional environment, developed infrastructure, and active application of digital technologies underpin the highest levels of franchise market development. For Uzbekistan, currently positioned within the low- and medium-investment segments and reliant predominantly on master-franchise arrangements, the international experience reviewed here, particularly the MENA region's demonstration of the catalytic role of favorable regulatory reform and the Latin American and African evidence of viable indigenous franchise model development, offers concrete, actionable directions for accelerating the sustainable growth of the national franchise sector.

References

1. Alon, I., 2004. A bibliometric meta-analysis of international franchising. Multinational Business Review.
2. Combs, J.G., Ketchen, D.J., Shook, C.L., Short, J.C., 2011. Antecedents and consequences of franchising: past accomplishments and future challenges. Journal of Management 37(1), 99-126.
3. 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.
4. Fibrenew International, 2025. Franchising Trends in 2025. Available at: fibrenew.com.
5. Мараимова, К. (2024). ЯНГИ ЎЗБЕКИСТОН ШАРОИТИДА САНОАТ МАҲСУЛОТИ ИШЛАБ ЧИҚАРИШНИ ДИВЕРСИФИКАЦИЯЛАШНИНГ МИЛЛИЙ ХУСУСИЯТЛАРИ. Talqin va tadqiqotlar ilmiy-uslubiy jurnali, 2(43), 17-22.
6. Sh, M. K. (2025). THE INTEGRATION TREND OF THE OIL INDUSTRY INTO RENEWABLE ENERGY SOURCES. Journal of Modern Educational Achievements, 11, 46-51.
7. Franzy, 2025. 70+ Franchising Industry Statistics for 2025. Available at: franzy.com.
8. International Franchise Association, 2024. Franchise Business Economic Outlook. Washington, DC: IFA.
9. Merrilees, B., 2014. Interpretive inconsistencies in franchise research: an integrative framework for the twenty-first century. Journal of Marketing Management 30(9-10), 875-894.
10. Statista, 2025. Global Franchise Report. Hamburg: Statista GmbH.
11. Technavio, 2026. Franchise Market Growth Analysis – Size and Forecast 2026–2030. Available at: technavio.com.
12. Welsh, D.H.B., Alon, I., Falbe, C.M., 2006. An examination of international retail franchising in emerging markets. Journal of Small Business Management 44(1), 130-149.