

International Franchising Roundtable - Key Themes and Takeaways

Post event summary | May 2026

Executive summary

Our recent breakfast roundtable brought together international franchise specialists across the **US, Europe, China, Southeast Asia and the GCC** to explore how regulatory frameworks, market dynamics and commercial expectations are evolving.

The overarching message was clear:

International franchising remains a high-growth strategy – but success increasingly depends on understanding how legal frameworks shape the relationship over its full lifecycle, not just at entry.

Across all markets, we are seeing a shift from “contract-first” to “conduct-first” franchising, with greater scrutiny on:

- Pre-contract behaviour
- Ongoing relationship management
- Termination and enforcement practices

This summary draws together the key themes emerging from the discussions, and highlights practical questions for boards and leadership teams.

Global themes emerging across all markets

1. Regulation is increasing - but not converging

- More jurisdictions are introducing franchise-specific regulation or disclosure regimes
- However, fragmentation remains - each market retains its own approach to:
 - Disclosure
 - Registration/filing
 - Relationship controls

Board takeaway:

There is no “global franchise model” - expansion requires market-by-market structuring rather than template rollout. Where there is franchise regulation, it is often “one size fits all” - so the rules apply uniformly regardless of investment level or franchisee experience, whether you are franchising toddler ballet classes or an international coffee brand.

2. The real risk sits in the lifecycle - not just market entry

While entry compliance remains critical, the discussions emphasised that legal exposure increasingly arises during the relationship, particularly around:

- Exercise of discretion (pricing, approvals, change programmes)
- System changes and cost allocation
- Enforcement consistency across the network

This mirrors broader trends towards good faith, fairness and relational contracting, particularly in civil law markets.

Board question:

“Would our decisions withstand scrutiny through a fairness or good-faith lens?”

Key themes and takeaways — continued

3. Misalignment between legal model and commercial reality

A recurring theme was misclassification risk:

- Franchise vs licence vs distribution
- Franchise vs commercial agency (notably in the GCC)

This can trigger:

- Mandatory protections for local partners
- Compensation rights on termination
- Restrictions on exit or exclusivity

Board takeaway:

Legal characteristics is driven by substance, not label - structures must be tested against local law.

4. Tax, FX and payment mechanics are deal-critical

Across China, Southeast Asia and the GCC, attendees highlighted:

- Withholding tax exposure
- Foreign exchange controls
- Barriers to royalty repatriation

In some markets, failure to structure payments correctly can make revenue extraction difficult or impossible.

Board question:

“Can funds flow out of the jurisdiction reliably under our current structure?”

5. Brand control vs overreach - a growing fault line

A key tension discussed across regions:

How far can franchisors go in controlling the system without assuming unintended legal risk?

This is particularly relevant in:

- Employment and ESG positioning
- Operational mandates
- System-wide change programmes

Board question:

“Are we drifting from a “helpful franchisor” to a “controlling operator?”



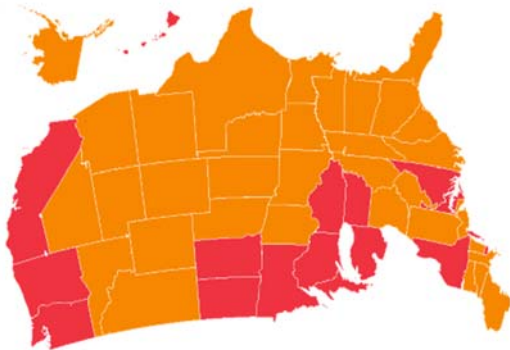
Market insights - what stood out

United States - scale with complexity

- Highly mature market, but **multi-layered regulation** (federal disclosure (14-day FDD) + state registration and relationship laws)
- Annual updates and renewal deadlines can create bottlenecks
- Relationship laws in certain states (currently 21) directly affect termination, renewal, transfers/buy backs
- Force majeure and joint employer liability are under increased scrutiny

Board takeaway:

The US is operationally attractive, but requires front-loaded compliance and careful state-by-state planning.



Europe - the rise of “regulated trust”

- Patchwork of regimes, increasingly focused on:
 - Pre-contract disclosure (prescriptive v general duty, local market studies, negotiation standstills, cooling off)
 - Good faith in performance (termination, renewal, system-wide change)
 - Restrictions on termination (non-competes, buy back and agency classification risk)
- Civil law concepts can override contractual discretion

Roundtable themes:

- Growing concern around sales teams triggering disclosure obligations too early
- Increased use of NDAs and HoTs to manage pre-contract exposure

Board takeaway:

European franchising is shifting towards behavioural regulation, not just documentation.



China - high opportunity, high execution risk

Roundtable themes:

- Strong consumer appetite for international brands - but local adaptation is critical
- Significant tax and foreign exchange considerations
- Risk of IP leakage when working with local partners
- Increasingly pragmatic enforcement environment, particularly in commercial centres

Board takeaway:

Success often depends on:

- Starting with a single-city focus
- Maintaining local oversight presence
- Structuring agreements with performance-based expansion



Market insights - what stood out — continued

Southeast Asia - regulatory diversity and practical barriers

- Wide variation in complexity across jurisdictions
- Common challenges include:
 - Registration requirements (blocking in some markets)
 - Payment/remittance restrictions
 - Enforcement uncertainty in certain jurisdictions

Roundtable themes:

- Practical issue of non-payment of fees - guarantees often required
- Cultural differences affecting how agreements are documented and operated

Board takeaway:

The region offers high growth potential, but requires careful country selection and structuring discipline.



GCC - commercial strength with legal overlay risks

- Sophisticated, well-capitalised franchisees
- Strong commercial dynamics driven by:
 - Concentrated ownership structures
 - Real estate control
- Key risks include:
 - Commercial agency recharacterization
 - Withholding tax exposure
 - Repatriation requirements

Roundtable themes:

- Increased focus on force majeure and financial support mechanisms due to recent political turmoil
- Continued reliance on arbitration as a dispute tool

Board takeaway:

Partner selection and commercial leverage are as important as legal drafting.



Cross-cutting risk themes from roundtable discussions

1. Pre-contract risk is often underestimated

- When an “offer” is made remains a key trigger point for compliance
- Deposits, LOIs and early-stage communications can create unintended compliance obligations
- Only disclose what is necessary - develop a standard franchise disclosure document which can be dialled up depending on the market requirements

2. Consistency across the network is critical

- Uneven treatment of franchisees:
 - Weakens enforceability
 - Increases dispute risk
 - Creates reputational exposure
- Document control is key - develop negotiation playbooks, and template adaptations for different categories of partner

3. Arbitration is standard - but not a silver bullet

- Widely used across GCC and China
- However, enforceability varies
- Local courts and process still matter, particularly regarding IP and step-in

4. IP is both an asset and a vulnerability

- Registration is often a pre-condition to market entry (beware of “first to file” markets)
- Consider translation and transliteration carefully
- Loss of control over know-how remains a core franchisor concern (particularly when localising manufacturing)

Board-legal “watchlist” questions

Drawing on both the roundtable discussions and wider trends, the following questions emerged as particularly relevant for international franchised networks:

Growth, control and network maturity

- Are we incentivising growth without increasing imbalance or dependency?
- Do our development obligations remain appropriate for mature markets?

Enforcement, discretion and good faith

- Where do we rely on discretionary powers - and how are they documented?
- Are similar situations treated consistently across jurisdictions and partner categories?

People, brand and accountability

- How far do we influence employment or ESG practices across the network?
- Do we have a clear strategy on customer data and loyalty?
- Could we justify our approach publicly or to regulators?

Dispute strategy and reputational risk

- Is litigation still a viable strategy - or does it create wider platform risk?
- Can disputes be resolved earlier without undermining standards?
- Do we achieve the right balance between arbitration and enforcement through local courts?
- Stress-test enforcement strategy: consistency and proportionality matter
- Stay agile: regulatory change is incremental but continuous

Practical takeaways for leadership teams

- Front-load compliance: invest early in disclosure, tax and structuring advice
- Localise intelligently: adapt the offering, not just the contract
- Prioritise partner selection: especially in relationship-driven markets
- Document decisions: particularly where discretion is exercised

Closing reflection

The roundtable reinforced a consistent theme:

International franchising rewards preparation, discipline and adaptability – not just brand strength.

The most successful franchisors are those who:

- Understand where they exercise influence
- Are deliberate in how they manage relationships
- And build systems that are legally robust, commercially realistic and culturally adaptable

Your key contacts



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