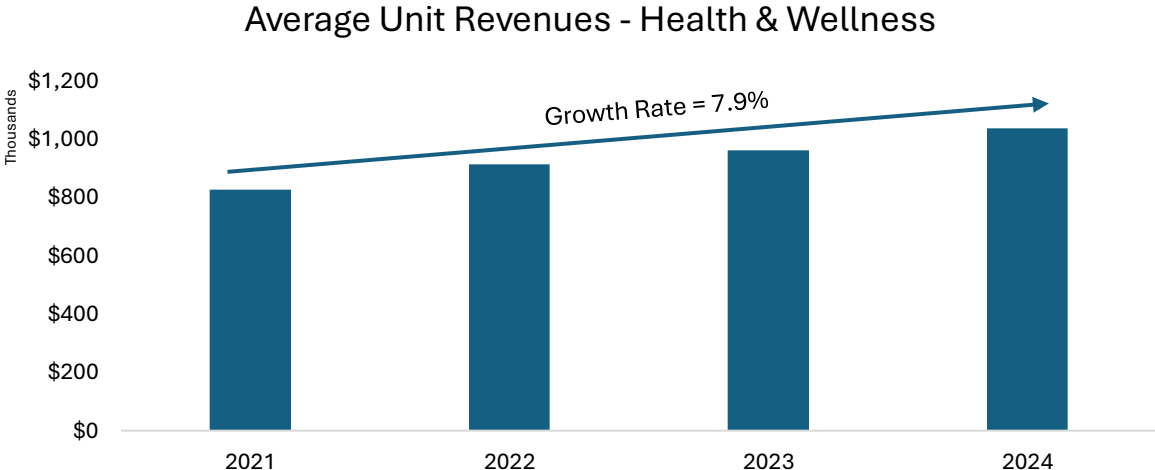


Industry Spotlight: Health and Wellness

-Khadija Cochinwala

Against the backdrop of a pressured economy, the health and wellness industry, which is the third largest in terms of franchise establishments, is expected to increase at a measured year-over-year growth rate of 2.1% to exceed 99,000 units. Driven by rising medical costs and subsequent consumer prioritization of preventive health care, the industry continues to be one of the fastest growing segments in franchising with output reaching \$66.4 billion, according to the 2026 IFA Economic Outlook Report. Despite a decline in discretionary spending, **consumer demand remains resilient with greater focus on result-oriented health outcomes and value-based services over indulgent and aesthetic wellness.** Brands in the sector are also moving towards adopting smaller format spaces with lower fixed costs and multiple revenue levers over large, capex-heavy facilities.



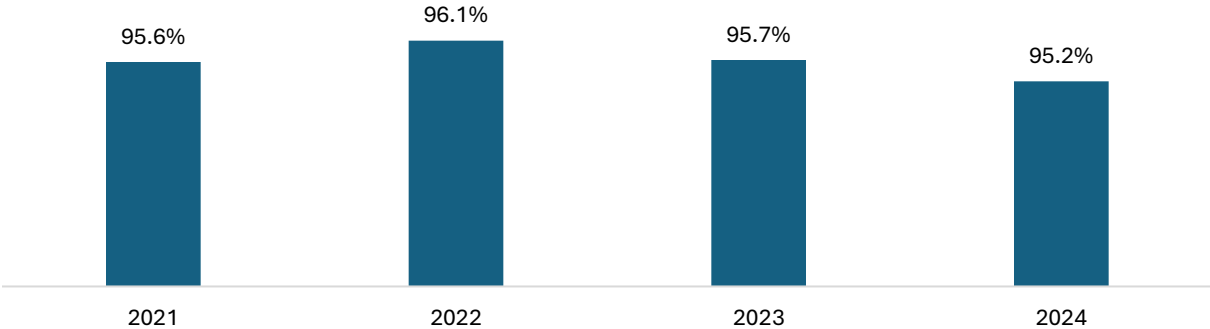
Source: FRANdata

Based on FRANdata research, average unit revenues in the industry surpassed \$1.0 million in 2024, reflecting significant post-pandemic revenue growth of 7.9%, as more Millennials and Gen Zers, that together contribute over 41% of the annual wellness spend, moved away from traditional social environments (e.g., bars) to seek healthier and more meaningful ways to de-stress and connect at fitness and wellness studios. In 2026, consumer preferences are expected to increasingly bifurcate between price-sensitive members and higher-spend clients. Younger budget-conscious Gen Zers will continue to favor HVLP (high value, low price) gyms with discounted memberships and increasingly popular Pilate classes along with emerging e-sport and recreation concepts offering indoor simulators for padel, golf and pickleball. Dual-income millennials, in contrast, remain willing to pay premium prices for recovery-focused wellness concepts with a clear niche positioning targeting specific conditions (e.g., pre/post-natal, pain management, metabolic health) over generic ‘spa’ or

'traditional gym' offerings. To capture this segment, recovery studios are repositioning from 'luxury' experiences towards result-oriented, evidence-backed centers offering personalized care. **The health and wellness industry is increasingly diversifying with the emergence of differentiated and specialized concepts.** Consumers are seeking expertise, and franchises offering focused services with measurable health outcomes, such as athletic performance, spiritual wellness, women's health, body composition tracking, and weight loss, are expected to command improved customer retention and pricing power. Innovative hybrid medspa-fitness models, that integrate workouts with IV drips, saunas, and hormone optimization under one roof, are anticipated to be a promising format in 2026 as they tap both discretionary wellness and quasi-medical spend. Additionally, as 10,000 Americans turn 65 every day, older and wealthier baby boomers continue to spend on home healthcare franchises (which generate strong unit economics and high retention rates with average client relationships lasting 2-3 years) along with franchises in the beauty segment offering anti-aging treatments.

With increasing awareness around mental well-being and stress-management at workplaces, franchises are leveraging holistic health coaching with corporate wellness programs (on-site recovery, screenings, meditation and spiritual well-being) to strengthen B2B incomes along with diversifying revenue streams across retail products, packages, and higher-margin add-on services to buffer against slowdown in household spending. **Meanwhile, some of the franchises in the industry work on membership models generating predictable recurring revenues that attract potential franchisees while simultaneously underscoring the industry's high historical success rates above 95.0%.** The industry ranks as the second most attractive investment opportunity in franchising with over 20% of the new concepts launched in 2025. With tier-one urban markets seeing saturation, franchises are moving towards suburban and secondary markets with solid median incomes and lower competition.

Historical Unit Success Rates - Health & Wellness



Source: FRANdata

AI adoption is reshaping franchise operations across industries, and health and wellness brands are also integrating smart technology into their business functions. Franchisors are increasingly using AI and digital tools to manage customer data, analyze member behavior, and deliver more personalized experiences and targeted promotions. Beauty salons are using Augmented Reality (AR) and virtual try-on tools to enhance the customer journey, while massage studios are automating staff scheduling to address labor challenges. With more Gen-Z and Gen-Alpha consumers, grooming brands are leaning into social media, influencers, and other digital channels, and fitness concepts are blending in-person services with virtual coaching. Across segments, AI-powered workouts, wearables, and app-based platforms are helping drive higher retention, foot traffic, and new member sign-ups.

With declining financing costs in 2026 coupled with the diversification of the industry segments, the health and wellness sector will likely continue to attract investor attention at both the franchisor and franchisee levels. Multi-brand wellness holding companies are selectively focusing on franchises with strong unit economics as well as retiring franchisees with high visit frequency to add to their portfolios. Franchisors are also increasingly recruiting larger, well capitalized, private-equity owned franchisees to run multi-unit operations. In 2025, notable franchisor-related acquisitions included SYNERGY HomeCare, which was purchased by LLC from NexPhase Capital and CycleBar and Rumble which were acquired from Xponential Fitness by Extraordinary Brands.

In summary, the franchised health and wellness sector is positioned for steady, resilient growth in 2026 as consumers shift from aesthetic to preventive, value-driven, and result-oriented wellness. The industry is responding through technology-enabled, multi-revenue hybrid models, specialized formats with measurable outcomes, and lower-priced, high-visit, membership-driven smaller-format concepts that appeal to both budget-conscious and premium-spending consumer segments.

About Khadija Cochinwala

Khadija Cochinwala is a Research Analyst at FRANData. She is part of a team of analysts who measure, track, and analyze franchisor performance. She graduated with a degree in Communications and enjoys gardening and visiting exotic destinations around the world whenever she isn't researching data.