

\$71.7B and Growing: What's Fueling the Surge in Child-Related Franchising

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Few industries achieve the rare balance of purpose, passion, consistent consumer demand, and economic resilience quite like the child-related services industry. Within franchising, the child-related industry spans three primary categories:

- early childcare and educational programs, which account for 66% of all child-related franchise brands;
- youth fitness and recreation, representing 22%;
- and a diverse mix of other child-focused services ranging from babysitting to retail.

The industry is witnessing a powerful combination of rising demand, demographic shifts, and increasing parental investment in child development. The childcare market alone is valued at an impressive \$71.7 billion this year, having grown at a steady annual rate of 2.6%¹ over the past five years. This sustained growth is fueled by several key societal and economic trends reshaping family life and workforce participation.

What's Driving Demand:

- **Increased focus on early childhood development:** Parents are placing greater emphasis on early education, recognizing the first five years as foundational for cognitive and socio-emotional development, fueling demand for structured, skill-focused programs.
- **Return to in-person workplaces:** The return to in-person work is accelerating demand for dependable, high-quality childcare solutions.
- **Rising Female Workforce Participation:** More women are joining and remaining in the workforce, further driving the need for accessible childcare and educational services.
- **Evolving Family Structures and Higher Incomes:** The rise of dual-income and single-parent households, along with increasing disposable incomes, is reshaping family needs and expectations for child-related services.

While demand in the childcare segment has grown significantly, supply is gradually catching up. One of the key hurdles for new entrants is the upfront investment, particularly in securing the right real estate. With commercial rents rising in many urban and suburban areas, prime locations can be costly. However, leading franchisors are actively supporting franchisees by forming strategic partnerships with real estate firms to help franchisees secure ideal sites at more favorable rates. Many also offer comprehensive site selection support, lease negotiation guidance, and access to pre-approved property lists, making it easier and more cost-effective for new operators to enter the market with confidence. Several brands in the child-related industry, particularly in the Child Care Centers sector, have demonstrated some of the highest historical unit success rates in franchising. This reflects

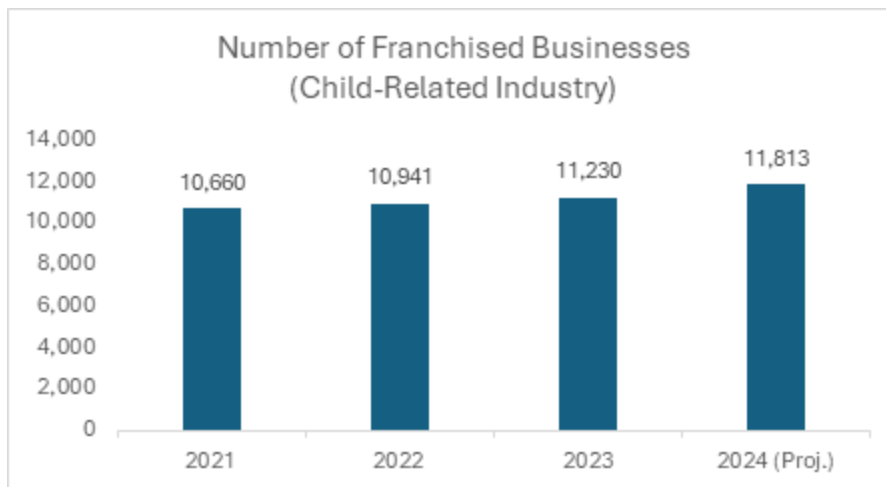
both the strong and sustained consumer demand and the robust franchise systems established by their franchisors.

Beyond Childcare:

While childcare remains the cornerstone, the child-related franchise industry is rapidly diversifying into enrichment, education, and recreation. Parents are increasingly investing in extracurricular programs, from STEM-based tutoring to creative arts and sports, as part of a broader focus on holistic child development.

Educational and tutoring brands offering coding, robotics, and science-focused curricula are seeing strong growth as parents seek to prepare children for a tech-driven future. Similarly, the youth fitness and sports category, spanning swim schools, soccer academies, and even esports leagues, has also seen extensive growth. Some brands have successfully partnered with schools and community centers, minimizing infrastructure costs while maximizing local reach.

As families become more health-conscious and developmental goals become more personalized, the youth recreational services, which include fitness, sports, and enrichment activities, represent a \$1.47 trillion industry in the U.S., and is expected to grow by 53% over the next decade². This projected boom is supported by a generation of parents eager to provide well-rounded opportunities for their children and backed by strong consumer spending power.

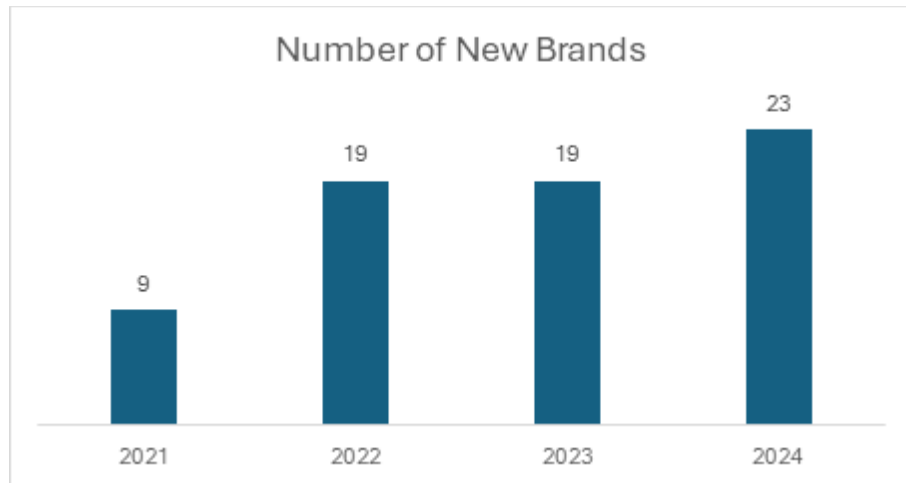


In franchising, fueled by continued consumer engagement and favorable market trends, the number of franchise establishments in the child-related industry is estimated to growth at a CAGR of 3.5%, rising from 10,660 in 2021 to more than 11,810 in 2024.

Source: FRANdata

The industry has demonstrated strong post-pandemic momentum, with a notable influx of new operators. The number of new brand launches grew from 9 in 2021 to 19 in both 2022 and 2023, rising further to 23 in 2024. This upward trend highlights strong demand for child-related services and a rapidly expanding addressable market for scalable, franchise-driven concepts.

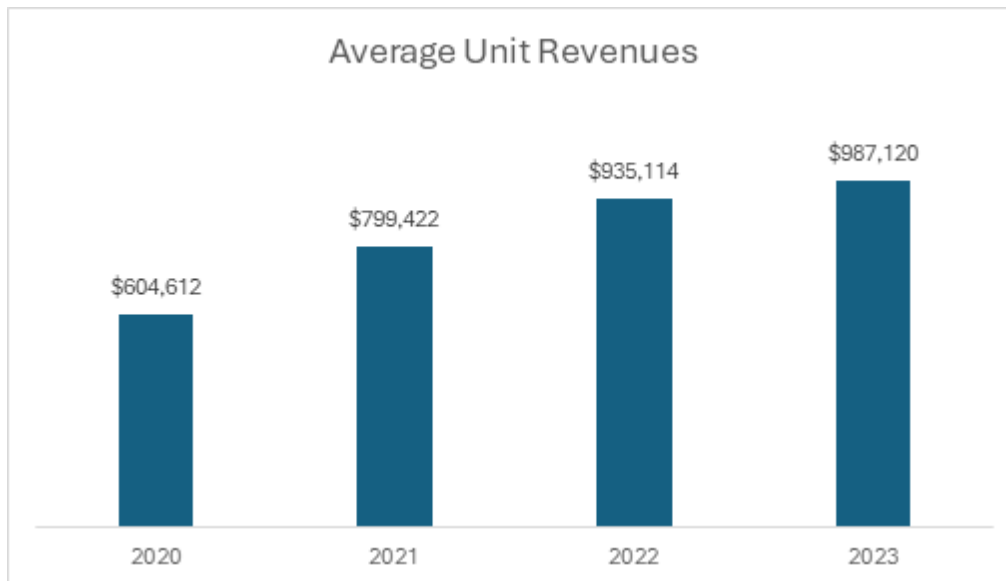
Fitness and amusement centers have seen the strongest unit growth in the past three years, fueled by rising demand for experiential, activity-based offerings for children. High-growth brands such as M14Hoops (600% unit growth in 2023 and 86% in 2024), Kidokinetics (236% in 2023), Ultimate Ninjas (200% in 2023), and Big Blue Swim School (114% in 2023, after 600% in 2022) are driving category momentum. Other high-growth concepts include Nutty Scientists (400% in 2023), Sit Still Kids Salon (183% in 2023, 200% in 2022), Club SciKidz (129% in 2023), and Little Kitchen Academy (200% in 2023).



Source: FRANdata

Analysis of average unit revenues highlights the sector’s resilience, with a 32% rebound in 2021, just a year post-pandemic, followed by 17% growth in 2022. By 2023, the sector settled into a more stable growth rate of 5.6%.

Source: FRANdata



Opportunities for Franchised Players:

The child-related services sector is experiencing accelerated consolidation as platform companies and private equity firms respond to sustained, resilient demand. Strategic acquisitions are bringing together complementary brands under unified portfolios to drive operational efficiency and scalable growth. For example, in January 2025, Unleashed Brands, backed by private equity, acquired Water Wings Swim School, expanding into swim instruction and further strengthening its portfolio in tutoring, STEM, and recreational enrichment.

The sector's appeal lies in its economic durability, with parents consistently prioritizing investments in their children's development. At the same time, it is advancing through the integration of technology including interactive learning platforms, digital progress tracking, and parent communication tools, enhancing operational efficiency and parental trust. Flexible and hybrid service models are also addressing the needs of families with nontraditional schedules. As demand for high-quality care and education continues to grow, brand recognition and consistency have become key differentiators. There is also growing demand for franchises that prioritize safety, health, inclusion, and sustainability, reflecting parents' heightened concerns for their children's well-being and the environment.

However, increased competition, especially in a still-fragmented market, requires franchise operators to continually invest in curriculum upgrades and program innovations to appeal to both parents and children who are increasingly influential in the decision-making process. Additionally, regulatory and licensing requirements add another layer of complexity. Established franchised systems are particularly well-positioned, benefiting from strong community trust and proven operational frameworks that support efficient scaling and regulatory compliance.

Looking ahead, the sector's combination of economic resilience, innovation, and mission-driven impact positions it for sustained growth. Entrepreneurs and investors who can adapt to evolving market needs, embrace technology, and deliver consistently high-quality experiences are poised to thrive. Ongoing consolidation and the emergence of innovative models are transforming the franchised child-services sector into an attractive investment landscape offering strong returns alongside long-term impact on child development and family well-being.