

**Linkages Between Pricing Practices in Franchise Chains and Franchisor-,
Franchisee- and System-Level-Outcomes**

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Abstract

Previous literature highlights the professionalization of resale price management as a major challenge firms face in the quest for achieving competitive advantage and long-term profitability. However, recent evidence suggests that around two-thirds of companies are frequently unable to set the “right” prices, with severe negative impacts on business outcomes. The challenge inherent in pricing management becomes even more complex in hybrid organizations like franchising, as much of the *raison d’être* of franchising is built upon maintaining chain uniformity. However, franchisees and franchisors may have very different views on what the optimal prices are at a given unit. Therefore, to further our understanding of pricing management in franchise chains, we aim to offer a novel conceptual framework for approaching the question of how pricing decisions are taken and implemented in chains and what business consequences result. By integrating franchisee-, franchisor-, and system-level perspectives, we study linkages between franchisor’s pricing practices, franchisees’ attitudes towards these practices, means of relational governance that help balance both parties’ interests, and franchisor-, franchisee- and system-level outcomes. Based on survey data from 406 franchisees in the largest European franchise market, France, the model provides direction on how to foster, promote, and fine-tune a cooperative climate in the chain in the context of pricing strategies.

Keywords: Pricing, resale price management, market performance, relational governance, cooperation