

**INFLUENCE OF BRAND, UP-FRONT FRANCHISE FEES AND
INITIAL INVESTMENT ON ENTREPRENEURS' DECISIONS TO
OPEN A FRANCHISE OUTLET**

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Presented at the 29th Annual
International Society of Franchising Conference
Historical Building
University of Oviedo
Oviedo, SPAIN
June 18-20, 2015

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Abstract

This paper focuses on the choice of franchise by a potential franchisee opening an outlet for the first time. The aim is to analyze the relationship between two signals—brand equity and price—sent by the franchisor and the choice of franchise. Signaling theory is employed to analyze this relationship. Using panel data methodology, we conclude that brand equity, up-front franchise fees and initial investment are the signals taken into account by Spanish franchisees when starting up franchise stores between 2002 and 2008.

Key words: Signaling; Price; Brand; GMM