

Crowdfunding Theory of Franchising: An Exploration

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Abstract

We explore how the emergence of crowdfunding as a funding source potentially alters the franchising landscape and creates new opportunities in franchising research. Crowdfunding—where a large number of individuals make relatively small contributions to organizations via the Internet—has emerged as a widely accessible resource alternative that enables entrepreneurs to quickly attract resources, market knowledge, and managerial talent. Growing anecdotal and empirical evidence suggests crowdfunding may fundamentally change how entrepreneurs fund and manage firms, including franchises. We combine insights from franchising theories and crowdfunding research to illustrate how crowdfunding may become a competing resource alternative to franchising while simultaneously becoming a partner with franchising enabling faster resource acquisition. We discuss how the emergence of crowdfunding contributes to research in franchising.