

DIFFERENCES IN CONTRACT DESIGN BETWEEN SUCCESSFUL AND LESS SUCCESSFUL FRANCHISES

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Abstract

The aim of this paper is to identify the differences in contract design between successful and less successful franchise chains. Comparing contracts from both groups of companies, we observe, first, that contracts in successful franchise chains are more complete than in the other group and, second, that there are statistically significant design differences between these groups regarding franchisees' obligations, which are more fully covered in the contracts of more successful chains. These findings can be explained both because successful chains are more sensitive to franchisees' opportunistic behavior and because they have learned how to manage and solve any potential conflicts.

Keywords: Franchising; Success; Completeness; Contract Design.