The Prevalence and Performance Impact of Synergies in Dual Distribution

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ABSTRACT

The intriguing issue of “dual distribution” in franchising (the “plural form”, i.e. the coexistence of franchised and company-owned outlets in a chain) has received consistent attention from organizational and franchising scholars. Based on Bradach’s (1995, 1997, 1998) early work, the broad consensus is that using the plural form helps chains cope with the four “franchising imperatives” – system growth, chain uniformity, local responsiveness, and systemwide adaptation. Hence, the “right” mix of franchised and company-owned units is critical for chain performance. Yet, despite the obvious importance of chain composition, empirical research on synergies in the plural form is largely absent, and insights on performance implications of dual distribution are equally scarce. Consequently, based on extensive data from 122 chains, this paper provides what is ostensibly the first in-depth examination of the prevalence and performance effects of synergies that franchisors actually achieve by using the plural form. The study concludes with managerial implications for governance design in franchised chains.

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