

# Fee structure in franchise contracts: probit analysis

Masayoshi Maruyama

Graduate School of Business Administration, Kobe University

2-1 Rokkodai, Nada-ku, Kobe 657-8501, Japan

Email: [mmaru@kobe-u.ac.jp](mailto:mmaru@kobe-u.ac.jp)

TEL/FAX: 81 78 803 6940

and

Yu Yamashita

Graduate School of Business Administration, Kobe University

2-1 Rokkodai, Nada-ku, Kobe 657-8501, Japan

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## **Abstract**

This paper examines the factors for determining whether or not to use franchise fees and royalty fees in franchise contracts. Our probit analysis on the Japanese data empirically supports the agency theory in which the problem of moral-hazard on the part of the franchisor as well as the franchisee is essential to the specification of fee structure in franchise contracts.

Keywords: franchising, fee structure, empirical study, moral-hazard

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