

Franchise fees and royalties: empirical results of Japan

(Preliminary Version)

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Abstract

This paper examines the factors for determining whether or not to use royalty fees in franchise contracts. Our probit analysis on the Japanese data empirically supports the agency theoretic explanation 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 structures in franchise contracts.

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

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