

# The Economics of Franchising

*Roger D. Blair, Francine Lafontaine*  
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**Roger D. Blair, Francine Lafontaine : The Economics of Franchising** before purchasing it in order to gage whether or not it would be worth my time, and all praised The Economics of Franchising:

9 of 9 people found the following review helpful. Valuable Tool for Franchisor Business PlanningBy Stephen C. LongThe U.S. Government quit collecting data on franchising in 1986. The franchise industry has, for the most part, done a poor job of collecting good data. Blair and Lafontaine collect the data, such as it is, which has been reliably

produced on franchising since 1986 and reveal four prevalent myths in franchising. Data are available for all franchisors and are also segmented among industries. This book will be helpful for the person in a new franchisor operation responsible for creating the economic model, i.e., the initial franchise fee, royalty fees and advertising fees. The book won't be much help without a background of college-level introductory macro- and microeconomics. A basic knowledge of calculus will enable you to follow the analyses but isn't critical to understanding the conclusions. The book also critically analyzes the economic issues which impact franchisor-franchisee tensions. 1 of 1 people found the following review helpful. The Only Real Academic Treatment of Franchising By Shane After digging around a lot, I've found that this is the only good academic treatment of the economics of franchising. It is very well written and is of adequate complexity to interest economists while also being simple enough for anybody to understand. It is both a positive and a normative study. The authors have some of the most comprehensive data available about what franchises do, as well as interesting conversation about what they should do. I have the utmost respect for the authors, and I recommend this book to anybody who has an interest in the topic.

This 2005 book describes in much detail both how and why franchising works. It also analyses the economic tensions that contribute to conflict in the franchisor-franchisee relationship. The treatment includes a great deal of empirical evidence on franchising, its importance in various segments of the economy, the terms of franchise contracts and what we know about how all these have evolved over time, especially in the US market. A good many myths are dispelled in the process. The economic analysis of the franchisor-franchisee relationship begins with the observation that for franchisors, franchising is a contractual alternative to vertical integration. Subsequently, the tensions that arise between a franchisor and its franchisees, who in fact are owners of independent businesses, are examined in turn. In particular the authors discuss issues related to product quality control, tying arrangements, pricing, location and territories, advertising, and termination and renewals.

"In *The Economics of Franchising*, Blair and Lafontaine have provided an exceptionally comprehensive and cogent treatment of franchise law and economics. They have made complex economic analysis accessible and at the same time have revealed the hidden complexity behind some of the naive misconceptions associated with franchising. But what I liked best was their ability to treat each topic with a blend of managerially relevant discussion and formal analysis. It is a book that will appeal to anyone with a business, legal or research interest in franchising." - Patrick Kaufmann, Boston University  
"A book on franchising by the experts in this field is a welcome addition. It will be extremely valuable for both teachers and researchers." - Jeffrey M. Perloff, University of California, Berkeley  
"Blair and Lafontaine have produced the definitive work on franchising arrangements, a detailed theoretical and empirical analysis that provides fundamental insight not only into the economic relationship between a franchiser and its franchisees but into vertical contractual relationships more generally. The rigorous documentation of how particular terms in the franchise contract solve inherent economic tensions in the relationship is an extremely valuable contribution to our knowledge of how franchising contracts, as well as business arrangements more generally, work." - Benjamin Klein, UCLA  
"This superb book will become the standard reference for understanding the economics of franchising. Extending their previous research, these outstanding scholars assemble new data sets to establish basic facts and explode several pervasive myths about franchising. How fast is the already significant amount of franchising growing? Are franchisees more likely to succeed than independent businesses? What are the typical terms of a franchisee's contract and why? The authors answer these and other fascinating questions with a keen economic intuition and with precision. The book is a must reading for students of industrial organization and contracting." - Dennis W. Carlton, University of Chicago  
About the Author  
Roger D. Blair is Huber Hurst Professor in the Department of Economics at the University of Florida where he has served on the faculty since 1970. He teaches courses in antitrust economics, law and economics, and the economics of sports. Professor Blair has published 165 articles and chapters in books, primarily in economics journals and law reviews. He has served as an antitrust consultant to the US Department of Justice, the Federal Trade Commission, the Attorneys General of California, Arizona, Missouri, Oregon, Washington and Florida, and numerous corporations. The books he has coauthored include *Antitrust Economics*, *Law and Economics of Vertical Integration and Control*, *Monopsony: Antitrust Law and Economics*, and forthcoming from Cambridge University Press *Intellectual Property: Economics and Legal Dimensions of Rights and Remedies* with Thomas F. Cotter.  
Francine Lafontaine is Professor of Business Economics and Public Policy and Professor of Economics at the University of Michigan Business School where she has taught since 1991. Professor Lafontaine mostly teaches applied microeconomics to MBAs, along with elective courses on firm strategy and antitrust and on the economics of franchising. She has published numerous scholarly articles on franchising in top journals in her field, including the *Journal of Political Economy*, the *RAND Journal of Economics*, the *Journal of Law and Economics*, the *Journal of Law, Economics and Organization* and the *Journal of Industrial Economics*, as well as in marketing and entrepreneurship journals. Professor Lafontaine is widely recognized as a world expert on the subject of franchising and as such has acted as consultant and expert witness for various companies.