

THE HONG KONG POLYTECHNIC UNIVERSITY DEPARTMENT OF MANAGEMENT AND MARKETING

Departmental Research Seminar



Franchisee Termination: Meaning, Performance, and Contingencies By

Prof. Sam Min
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Date : 3 Mar 2021 (WED)
Time : 10:30 am – 12:00 nn
Venue : Online via Zoom

Abstract

Terminating franchisees is a challenging decision every franchisor faces, yet its effect on franchise chain performance remains unknown. In this study, we examine the effect of franchisee termination on a chain's accounting performance, profitability. We begin with clarifying the meaning of termination in franchising. Building on the logic of agency theory, we posit that termination enables a franchisor to uphold a chain's uniformity among stores through enforcement and deterrence functions. Weighing the benefits against the costs of termination, we predict a negative contemporaneous effect of franchisee termination on chain profitability. We then contextualize the contemporaneous effect by postulating the alleviating or exacerbating influences of three conditions: new franchisee addition, chain maturity, and time horizon. We tested our predictions with multi-year, census data on franchising in South Korea. The results support our predictions. We discuss limitations and further research directions as well as implications of the study results.

Prof. Sam Min is Professor of Marketing in California State University, Long Beach. He earned his Ph.D. in Marketing from Purdue University. He was Chair of Marketing Department in California State University, Long Beach 2014-2020. He is currently a visiting Professor at Business School of Korea University. His publications appear in top academic journals such as *Journal of Marketing*, *Journal of Marketing Research*, *Journal of Management*, etc. His research interests include marketing strategies and innovation in franchising, financial services, green energy and urban air mobility.

All interested are welcome.



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