BE/ES 430: Franchising Concepts and Practice

Winter 2027

Mondays and Wednesdays, 2:30PM - 4:00PM in R2240

Draft Syllabus – to be completed

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Office Hours: Mondays 10:30-11:30 and Tuesdays, 1:30-2:30 (or by appointment)

Course Description:

The day-to-day economic activities of most U.S. consumers often involve interactions with establishments that operate under widely recognized brands in retail, food service, lodging, and many other sectors of the economy. Many of these geographically dispersed chains of establishments are franchised. In these chains, a local businessperson - the franchisee - obtains the right to own and operate the business locally under the umbrella of the brand of the franchisor. As of the last economic census data available, more than 450,000 business establishments were part of franchises in the U.S., employing nearly 10 million workers.

Franchised businesses are legally separate entities from their franchisors, and this has consequences as to how franchised businesses work, and what franchisors and franchisees can and cannot do. We will begin by exploring some basic questions such as: What is franchising and how does it work? How does a franchised chain differ from a chain of corporately owned and operated establishments? Why might a firm get involved in franchising? What does it mean to become a franchisee or start a new franchised chain?

There are several reasons why the study of franchising is valuable for students of entrepreneurship, business and economics. While the main focus of the course will be on what franchised chains are and how they operate, you will leave this class also with an increased understanding of the role of contracts and incentives in business, as well as when and how governments interfere in the design and/or functioning of business relationships that go across firm boundaries. This will include understanding types of businesses and business activities that share features of franchised chains, such as technology licensing and the contractual relationships that apply to sellers operating on digital platforms under what is often called the “agency model.”

Throughout the semester, students will work in teams to develop a business plan for a franchised business of their choosing, either as a franchisee or as a franchisor, including a final Go/no GO recommendation. In a separate project, you will also interview a franchisor or franchisee to explore a specific business issue that they face, and articulate whether and how the franchising model affects how this issue can be managed by the firm.

Specific objectives for the course include:

1. To give students a solid understanding of what franchising is and what distinguishes franchised chains from corporate-run chains in the economy.
2. To understand how to critically analyze the contents of franchise disclosure documents and contracts and related data.
3. To develop the skills needed to build a business plan for a franchised business opportunity, either as a franchisee or a franchisor, leading to a final presentation of the rationale behind your "go no-go" recommendation.
4. To learn about how contracts and incentives are used to govern different types of business activities, including in the context of digital markets
5. To understand the role of governments in the design and/or functioning of business relationships.

Course Format

The course is divided into six modules:

- **Introduction:** What is franchising and why study franchising
- **The Financial Contract:** Fee structures and why these matter
- **The Broader Contract:** The many other aspects of franchise contract and considerations
- **The Franchisor's Perspective:** Costs and benefits of franchising for franchisors
- **The Franchisee's Perspective:** Costs and benefits of franchising for franchisees
- **Contracting Beyond …:** International Franchising, Technology licensing, platforms and social enterprises

Each module begins with class sessions where you will learn general concepts and applications through assigned readings and lectures and in-class discussion. We will also use class sessions to garner details from documents and discuss findings from your outreach to local businesses to deepen your understanding of what it means to operate or develop a franchised or other contract-based business.

Course Materials

- Lafontaine and Kosová, "Advanced Introduction to Franchising" Edward Elgar Press, (2027). Indicated in the class schedule below as K&L. Because the book is not yet available in print, I will make relevant chapters and sections available on the Canvas site.
- Other materials on Canvas.

All materials generated for the course including slides, handouts, videos, review materials, and assignments, or any other materials prepared by you or the professor for this course are intended for use by current students in this class only, unless you have the permission of your instructor. A violation of this policy may be a violation of the Ross Community Values Code and may result in disciplinary action. It is also a violation of this policy to participate in the collection, distribution, online posting, or other sharing of class materials that may result in use of those materials by people who are not currently students in the course.

Course Requirements

Course grades will be determined by a mixture of assignments and a larger group project, a final exam, and class participation and professionalism.

- Team outreach activities (2) 20%
- Team franchise business assessment and final presentation 35%
- Class participation and professionalism (incl. reflection assignments) 15%
- Final Exam (Date TBD by registrar's office) 30%

NOTE: Grades on the team outreach and team business assessment assignments will be reduced by 20% of total available points if late but submitted within 24 hours of the due date and time (start of class), by 50% if submitted more than one but no more than 2 days late, and will not be accepted beyond that time.

(1) Team outreach activities (10 points each; see class schedule for due dates)

In teams of 3 to 5 students, you will select a local franchised business to visit, making sure you can interview the franchisee.

a. Your first outreach activity will involve gathering information from the franchisee about their daily life as a franchisee – what do they spend their time on, what do they like most about their work, what do they like least, why did they choose to open a franchised business, and so on. We will discuss your findings in class the day that your short 2-page maximum summary report is due. In this discussion, the goal will be to highlight what you have learned that informs your understanding of the franchise relationship from the franchisee's perspective, and how this informs what you would want to keep top of mind if you work for a franchisor or you may want to start a business as a franchisor.

b. Your second outreach activity, for which you may gather information during that same interview or you can choose to contact a separate business entity, including talking to someone in the top management of a franchised chain instead of a franchisee, will be to get information about a managerial problem that they face. Your report in this case will include a brief summary of the issue and whether they have found a solution, and what that solution entailed. You will then also analyze

and report out whether the nature of the franchise relationship was part of the problem and why, or if it was useful to the business in addressing the problem. We will discuss findings from these in class the day that your reports are due.

(2) Team franchise business assessment and final presentation

See separate assignment description for details.

(3) Class participation and professionalism

This is a capstone course that draws heavily on in-class activities and discussions to synthesize concepts you have learned throughout your time at Ross. As a result, much of your learning in this course will take place in the classroom. Attending all class sessions, therefore, is critical to your success. I will track attendance regularly using a sign-in sheet. On a few occasions, I will also assign a short in-class written (by hand) reflection assignment which will count toward your participation grade.

There are no "excused" absences in this class except in the unusual case of a lengthy, serious illness, etc. To account for unforeseen events, three absences over the course of the semester will not affect your participation grade. More than three absences will impact your participation score.

Use of electronics during class sessions is distracting to your colleagues and will impact your class participation points. Do not engage in activities that will distract students around you. Gaming activities or watching videos on electronic devices are not allowed during class.

Remote attendance and class recording policy: This class is taught in an in-person format. If you miss a class session, I expect that you will get notes from a classmate and, if you have questions, meet with me in office hours. Students are not permitted to attend class remotely. To allow for free discussion, I will not record classes. Students may not record or distribute any class activity without my prior, written permission.

(4) Final Exam

Date to be determined by the registrar's office.

Communications:

Updates to class schedule and to regularly scheduled office hour time slots will be made mostly via Canvas announcements (and if applicable, updates to the syllabus). So please make sure to check the course web site regularly. To ensure that you receive information about changes in a timely way, select “Notify me right away” for Announcements in your Canvas Account Notification Settings.

Please include BE/ES 430 in the subject line of your emails to me about the course so that I can identify course-related emails and respond in a timely way.

Other Course Policies:

The following policies apply to this course and are available on the BE/ES 430 Canvas site:

- ACCOMMODATIONS
- ACADEMIC INTEGRITY & COMMUNITY VALUES
- WELLNESS AND MENTAL HEALTH

Tentative Schedule – Winter 2027

Date	Topics	In-Class and Other Assignments
Jan. 13	**Module 1: Introduction** • Introduction and Course Overview • Why study franchising: franchising, e-commerce, and related business organizations • A Brief history of franchising Reading: K&L, Ch. 1 and 2	• Select a Franchise Brand for your team for in-class discussions
Jan. 18	**No Class – Martin Luther King Jr. Day**	
Jan. 20	**Module 1: Introduction** • U.S. Regulation and FDDs	• Find and explore your franchised chain's FDD
Jan. 25	**Module 2: The Financial Contract** • Common fees • Some theory… Reading: K&L, Sections 3.1 – 3.3	• Find the royalty rate, advertising fee and upfront fee in the FDD • Compare them to averages in the industry
Jan. 27	**Module 2: The Financial Contract** • Less common fees • Business Format v. Traditional Franchising	• Identify the use of other fees by your franchisor
Feb. 1	**Module 2: The Financial Contract** • Sources of conflict? • Reading: K&L, Sections 3.4 – 3.6	• Look for a news story describing a franchisor/franchisee conflict – what is the source of the issue?
Feb. 3	**Module 2: The Financial Contract** • Gathering/extracting financial information • SBA loans • Private Equity and Franchising	• Use the information in the FDD and franchisor annual report to analyze the profitability of a franchised unit
Feb. 8	**Module 3: The Broader Contract** • Franchisor Opportunism • Franchisee opportunism Reading: K&L, Sections 4.1-4.3	• Identify 3 franchisee obligations • Identify 3 franchisor obligations • Compare and contrast
Feb. 10	**Module 3: The Broader Contract** • Relational contracts Reading: K&L, Sections 4.4-4.5, 5.3	Begin developing your franchisee interview questionnaire
Feb. 15		**In class franchise business assessment team project work**
Feb. 17	**Module 3: The Broader Contract** • A different perspective Reading: Excerpts from Callaci, 2026, on Canvas	• Team discussion – what do you think?
Feb. 22	**Module 3: The Broader Contract** • More clauses • Vertical restraints in contracts Reading: K&L, Sections 5.1-5.2	• Any traditional vertical restraint in your franchisor's contract; for what purpose, whose benefit?
Feb. 24	**No Class**	**As a Team: Conduct your in-person team franchisee interview**

March 1	**Module 4: The Franchisor's Perspective**
	• When and how much to franchise?
	  o The proportion of franchises
	  o Which establishments, why?
	  o Benefits and Costs
	Reading: K&L, Ch. 6	

March 3	**Module 4: The Franchisor's Perspective**
	Multi-unit franchising – pros and cons
		• Written report for assignment 1 due by the start of class
		• Report out – what did you learn:
		  o Franchisee's perspective
		  o What makes a good franchisor/chain?

March 8 and 10	**NO CLASS – SPRING BREAK**	
March 15	**Module 4: The Franchisor's Perspective?** • Franchising v. replication	• Speaker – TBD
March 17		**In class franchise business assessment team project work**
March 22	**Module 5: The Franchisee's Perspective** • Who are the franchisees • Benefits and costs compared to independent business • Multi-unit franchising – pros and cons Reading: K&L, Sections 7.1-7.6	
March 24	**Module 5: The Franchisee's Perspective?**	• Speaker – TBD

March 29	**Module 5: The Franchisee's Perspective**
	• Management Issue Discussion
	Reading: K&L, Sections 7.7
		• Written report for assignment 2 due by the start of class
		• Report out – what is the issue?
		  o Franchisee perspective
		  o Franchisor perspective
		• Their solution? Your solution?

March 31		**In class franchise business assessment team project work**
April 5	**Module 6: Contracting Beyond … Borders** • Governance decisions • Extent of US expansion Reading: K&L, Section 8.2	Evaluate the international presence of your franchisor Where have they expanded and why? What governance mode?
April 7	**Module 6: Contracting Beyond … Social Franchising** • Reasons for • Sources of complexity Reading: K&L, Section 8.4.3	
April 12	**Module 6: Contracting Beyond …**	Speaker: TBD

April 14		**In class franchise business assessment team project work**
April 19	**Module 6: Contracting Beyond … Other Contract-Based Business Arrangements** • Licensing • Platforms and app stores • Agency relationships (sports, arts) Reading: K&L, Section 8.4.2 Amazon seller agreement materials (see Canvas)	**Team franchise business assessment report due by the start of class**
April 21	• **Go no-Go Recommendation Presentations**	• Team Go/no Go Analyses and Recommendations o Present results of your analyses o Explain your recommendation • Evaluate other team presentations
April 26	• **Go no-Go Recommendation Presentations**	• Team Go/no Go Analyses and Recommendations o Present results of your analyses o Explain your recommendation • Evaluate other team presentations
Date TBD	**FINAL EXAM**: Date, time, and location to be set by Registrar's Office	