REVISTA CONTABILIDADE, GESTÃO E GOVERNANÇA
E-ISSN 1984-3925 JOURNAL OF ACCOUNTING, MANAGEMENT AND GOVERNANCE

OPEN ACCESS
Responsible Editor: Jorge Katsumi Niyama
Jomar Miranda Rodrigues
Associate Editor: Pedro Miguel Alves Ribeiro Correia
Evaluation Process: Double Blind Review by SEER/OJS

Pricing Practices and Relationship Performance in Franchising: Study in the Food Service Sector

ABSTRACT

Objective: The study aims to identify pricing practices in Brazilian franchises and their interaction with the franchisor-franchisee relationship performance, represented by conflicts, perception of interorganizational fairness, and the franchisees' long-term orientation.

Method: Data were collected through interviews with franchisees of Brazilian franchises and subjected to content analysis.

Originality/Relevance: This study contributes by investigating fairness in franchises located in Brazil, highlighting that, in this context, other aspects have a greater effect on relationship performance compared to studies in other countries. Franchisors should pay attention to the asymmetry of risks and rewards and create collaborative environments for franchise development.

Results: Direct pricing prevails, serving to standardize prices and avoid internal competition. An asymmetry of risks and rewards is revealed, conflicts occur due to operational issues, and the long-term orientation is driven by financial performance and franchisees' aspirations. Although the implication of pricing on relationship performance is not confirmed, cooperative pricing emerges as an option in smaller franchises.

Theoretical/Methodological contributions: This study expands knowledge on interorganizational fairness, highlights pricing practices in Brazilian franchises, and analyzes their interaction with relationship performance in terms of conflicts, fairness, and the franchisees' long-term orientation.

Keywords: Franchise, Pricing practices, Interorganizational fairness, Conflicts, Long-term orientation

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Received: March 12, 2024
Revised: October 29, 2024
Accepted: December 05, 2024
Published: December 30, 2024

How to Cite (APA)

Euzébio, L. D. C., Koch, A. M., & Gasparetto, V. (2024). Pricing Practices and Relationship Performance in Franchising: Study in the Food Service Sector. *Revista Contabilidade, Gestão e Governança*, *27* (2), 221-251. http://dx.doi.org/10.51341/cgg.v27i2.3233

1 INTRODUCTION

Franchises represent contractual relationships between two organizations in which the franchisor provides know-how, operational support, and the right to use its brand (Alon et al., 2020). This business model plays a significant role in the economy, fostering job creation, sector modernization, and entrepreneurship, particularly in developing markets (Elango, 2019; Naatu & Alon, 2019) such as Brazil. Entrepreneurs are often drawn to franchises as they offer opportunities, career alternatives, and reliable sources of income (Associação Brasileira de Franchising, 2023).

The franchise sector in Brazil has experienced remarkable growth. In the first quarter of 2024, revenue increased by 19.1% compared to the same period in 2023, with notable performance in the food marketing and distribution (43.9%) and food service (26.6%) segments (Associação Brasileira de Franchising, 2024).

A central characteristic of the franchise system is the uniformity of products, services, and prices (Meiseberg & Perrigot, 2020). Many franchisors set product prices unilaterally (Buchan, 2013; Shaikh et al., 2018) through direct pricing, which involves explicit agreements or impositions. However, the literature identifies two other pricing strategies: indirect pricing, which involves implicit price recommendations, and cooperative pricing, where franchisees participate in price-setting decisions (Meiseberg & Perrigot, 2020).

In Brazil, Law 12529/11 (Brasil, 2011) guarantees free competition, while the Franchising Law (Brasil, 2019) does not regulate price uniformity within the franchise system. As a result, direct pricing is permitted without restrictions, unlike in the European Union (EU), where its use is limited (e.g., Basset & Perrigot, 2015; Blair & Lafontaine, 2005). In the EU, indirect pricing is often adopted to ensure price uniformity in franchises (Meiseberg & Perrigot, 2020).

Direct pricing can help reduce conflicts and enhance brand equity, leveraging the franchisor's superior market knowledge. However, this approach often overlooks price sensitivity in specific locations (Meiseberg & Perrigot, 2020), leading to disagreements among franchisees (Lafontaine, 1999). Similarly, indirect pricing, which involves covert price imposition via labels or information systems, is sometimes perceived as unfair, generating conflicts, and harming long-term relational trust (Kumar et al., 1995; Meiseberg & Perrigot, 2020). Another option, cooperative pricing – where franchisors and franchisees collaboratively set prices – can foster stronger relationship performance (Meiseberg & Perrigot, 2020).

Studies suggest that pricing practices significantly affect franchisee performance and satisfaction (Meiseberg & Perrigot, 2020; Perrigot et al., 2020). However, research on this subject in Brazil is incipient. Given the country's regional diversity and vast territory, findings may differ from those in other contexts with distinct legislation frameworks.

Meiseberg and Perrigot (2020) emphasize the need for further research into the processes influencing franchisee compliance with pricing practices and the management of franchisor-franchisee relationships. Bouazzaoui et al. (2020) call for studies investigating how behavioral factors, such as perceptions of interorganizational fairness, affect relationship performance. Fairness perceptions, for instance, promote knowledge exchange and strengthen relational investments (Liu et al., 2012). Boulay et al. (2023) highlight that the franchisor-franchisee relationship is the most critical factor influencing a franchise's economic and financial success, yet it remains underexplored. Existing literature often uses aspects such as conflict (Frazer & Winzar, 2005; Perrigot et al., 2020), fairness perceptions (Shaikh, 2016), and franchisees' long-term orientation (Shockley & Turner, 2016) to assess relationship performance.

Given the gaps highlighted and assuming that relationship performance can be (de)motivated by the pricing practice adopted in the relationship, this study aims to identify pricing practices in Brazilian franchises and analyze their effects on franchisor-franchisee relationship performance. Specifically, it explores how direct, indirect, and cooperative pricing practices are implemented in Brazilian franchises and how they interact with conflicts, perceptions of interorganizational fairness, and franchisees' long-term orientation—key dimensions of relationship performance.

This study contributes to the literature by shedding light on pricing practices in Brazilian franchises and their impact on relationship dynamics. While prior studies suggest that direct pricing is often associated with conflicts and a short-term relationship perspective (e.g., Perrigot et al., 2020), other findings indicate that franchisees may receive it positively (e.g., Meiseberg & Perrigot, 2020). Unilateral pricing decisions, such as those in direct and indirect pricing, may create perceptions of unfairness among franchisees. However, they can also eliminate internal competition, fostering a sense of fairness (Perrigot et al., 2019). By examining fairness perceptions in Brazilian franchises, this study responds to calls for research in cultural contexts different from prior investigations, such as those conducted in the Netherlands (Croonen, 2010), South Korea (Jang & Park, 2019; Kang & Jindal, 2015; Lee & Lee, 2021), India (Shaikh, 2016; Shaikh et al., 2017), and France (Perrigot et al., 2019).

According to Shockley and Turner (2016), relationship fairness between franchisors and franchisees yields significant benefits, particularly in fostering innovation and promoting long-term collaboration. From a practical perspective, this study advances the discussion of pricing practices in Brazilian franchises and their implications for conflicts, interorganizational fairness, and long-term relationship orientation. These dynamics reflect the tensions between the interests of franchisees as independent business owners and franchisors' inclination toward interdependent relationships that foster long-term, collaborative environments conducive to innovation (Frazer & Winzar, 2005; Madueño & García, 2015; Perrigot et al., 2016).

Furthermore, the study highlights market practices in Brazil, offering opportunities for comparative analysis across franchises in different contexts.

2 THEORETICAL FRAMEWORK

2.1 Pricing Practices in Franchises

In a study conducted in France, Meiseberg and Perrigot (2020) examine pricing practices that can be adopted in franchise systems. Direct pricing refers to the explicit recommendation of prices through catalogs and systems. Indirect pricing involves suggesting prices to franchise establishments by pre-setting them on labels, systems, and advertising. This practice makes it difficult for franchisees to modify prices, unlike cooperative pricing, which entails joint negotiation between the franchisor and franchisee to determine prices (Meiseberg & Perrigot, 2020).

Unlike countries such as the United States, France, and Australia, which impose restrictions on price-setting in franchises (Blair & Lafontaine, 2005), in Brazil, the franchisor's determination of fixed prices is not prohibited if it is stipulated in the contract (Brasília, 2019). In the European Union, price fixing or imposing minimum prices on franchisees is prohibited under Commission Regulation 2022/720 (Basset & Perrigot, 2015). Similarly, in Australia, suppliers' imposition of minimum prices is considered anti-competitive. In the United States, the prohibition of minimum and maximum prices was removed from antitrust law following the State Oil Co. vs. Khan case in 1997. However, such cases are still subject to analysis under the "rule of reason" (Blair & Lafontaine, 2005). Additionally, individual states may have their own antitrust laws that classify the imposition of minimum and maximum prices as illegal (Cornell Law School, 2022). In these countries, indirect pricing is commonly used to enforce price uniformity without violating legal provisions (Meiseberg & Perrigot, 2020).

Price standardization is widely employed in franchise systems, either directly or indirectly. There are arguments supporting the adoption of these practices, such as the fact that consumers may feel unfairly treated or dissatisfied when they encounter price variations for identical products across franchise locations. This dissatisfaction can influence their purchasing decisions (Cohen et al., 2022; Li & Jain, 2016; Maia et al., 2019; Santos et al., 2020). However, implementing standardized prices can challenge franchisors when it comes to determining prices applicable to all locations (Lafontaine, 1999), especially in countries with large geographic areas like Brazil, where consumer purchasing behaviors may vary across regions (Johns & Pine, 2002). In such cases, cooperative pricing practices can be advantageous for both parties. Franchisees can share their knowledge about local market conditions with the franchisor, enabling more regionally tailored pricing strategies (Meiseberg, 2013). Cooperation in interorganizational relationships fosters commitment and long-term orientation among exchange partners (Voss et al., 2019).

2.2 Relationship Performance

Pricing practices can shape franchisee perceptions, influencing the performance of their relationship with the franchisor (Meiseberg & Perrigot, 2020). In this study, relationship performance is based on the concept of marketing partnership relationships defined by Brown and Dev (1997). This concept characterizes the partnership as a union of two parties (franchisor and franchisee) working together to achieve mutual objectives, guided by a commitment to preserving the relationship and resolving conflicts harmoniously. Key factors such as conflict (Frazer & Winzar, 2005; Perrigot et al., 2020), perceptions of interorganizational fairness (Lee & Lee, 2021; Shaikh, 2016), and the franchisees' long-term orientation (Shockley & Turner, 2016) are commonly used in franchise studies to evaluate relationship performance. From this perspective, relationship performance is associated with (i) low conflict, (ii) perceptions of interorganizational fairness, and (iii) franchisees' long-term orientation.

Conflicts refer to disagreements between parties in decision-making processes. In franchising, which is inherently an interorganizational relationship, the franchisor's ability to manage conflicts with franchisees is critical for sustaining the relationship (Frazer & Winzar, 2005). While the relationship is established through a contract, studies reveal a frequent mismatch in expectations: franchisees often seek independence, whereas franchisors view the partnership as interdependent (Frazer & Winzar, 2005; Madueño & García, 2015; Perrigot et al., 2016).

Perception of interorganizational fairness refers to the franchisees' assessment of their relationship with the franchisor across four dimensions: (i) distributive fairness, which assesses the balance between risks, rewards, and effort; (ii) procedural fairness, which considers the fairness of policies and decision-making processes, including opportunities for franchisees to voice their opinions and influence decisions; (iii) interpersonal fairness, based on the behavior of individuals involved; and (iv) informational fairness, derived from the quality and transparency of information shared (Shaikh, 2016). Research indicates that perceptions of fairness often carry more weight than the tangible value of exchanges in interorganizational relationships (Kumar et al., 1995). In franchises with power asymmetry, the perception of fairness is particularly critical for maintaining the relationship (Shaikh, 2016).

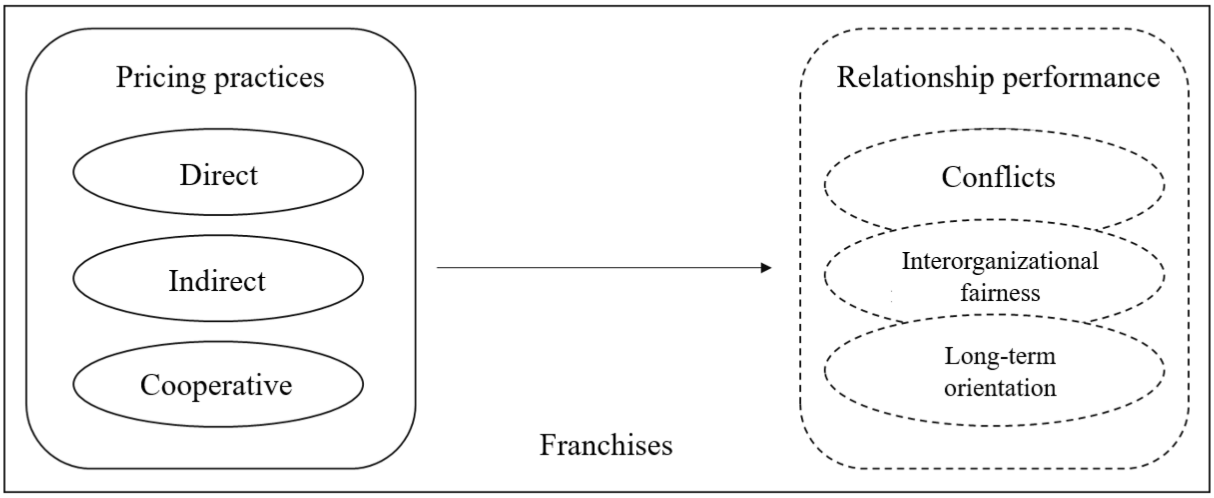
Long-term orientation is defined as the mutual intent of parties to sustain their relationship over time. According to Ganesan (1994), this orientation encourages actions that benefit both parties, fostering cooperation and reducing opportunistic behavior (Bordonaba-Juste & Polo-Redondo, 2008), leading to competitive advantages (Voss et al., 2019). Information sharing also contributes to long-term orientation in interorganizational relationships (Voss et al., 2019). From this perspective, cooperative pricing – which relies on information sharing between franchisee and franchisor – can promote relationship continuity. Conversely, by discouraging joint decision-making and information exchange, direct and indirect pricing practices can lead to conflicts and, in extreme cases, result in the termination of the relationship.

3 METHODOLOGICAL PROCEDURES

Figure 1 introduces the theoretical model, which seeks to understand the pricing practices employed in Brazilian franchises and their impact on relationship performance regarding the conflicts, perception of interorganizational fairness, and the franchisees' long-term orientation.

Figure 1

Theoretical model



This study employed an interpretative qualitative approach, emphasizing the participants' perspectives (Bryman, 2012). The research involved seven franchisees from four Brazilian chains whose identities are protected.

The four franchises studied (referred to as A, B, C, and D) operate in the food sector and vary in size: franchise A has approximately 3,000 franchisees, franchise B has about 600 franchisees, and franchises C and D have around 70 franchisees each. The interviewees, designated as I-A1, I-A2, I-A3, I-B1, I-B2, I-C, and I-D, were selected based on the following criteria: (i) ownership of franchised establishments; (ii) communication with the franchisor's representatives; (iii) familiarity with the contractual conditions; and (iv) accessibility.

3.1 Data Collection

Data were collected through semi-structured interviews and public documents available on franchise websites and in articles from national journals. The interviews explored franchisees' perceptions of pricing practices, conflicts, interorganizational fairness, and long-term orientation. Public documents were used to characterize the franchises in terms of size based on the number of franchisees, time of operation, initial investment, and monthly fees paid by franchisees.

The contact with franchisees to participate in the study was initiated through social media, contact information on their institutional websites, and Google My Business tool. The semi-structured interviews were guided by a script with open-ended questions based on the studies of Chiou et al. (2004), Ganesan (1994), Grace et al. (2020), Meiseberg and Perrigot (2020), Perrigot et al. (2020), and Shaikh (2016). The interviews, conducted via the Microsoft® Teams videoconferencing platform in June and July 2022, were recorded with the interviewees' prior consent. The interviews amounted to 266 minutes of audio, averaging 38 minutes per interview, and were transcribed into 91 pages of text. Table 1 presents the profiles of the interviewees and their relationships with their respective franchises.

Most interviewees were male (71.43%) and aged between 29 and 60. The duration of franchise ownership is relatively short (one year or less) in four cases, with only one long-term case (15 years). This finding reflects a common market trend, where many franchised units close within a short period, and only a few achieve long-term sustainability. All participants hold undergraduate degrees, three of which are in management-related fields (accounting and administration).

Table 1

Interviewee characteristics

Franchise	Interviewee	Academic background	Gender	Age	Number of stores	Length of franchise ownership
A	I-A1	Architecture	Male	44	1	1 year
	I-A2	Accounting	Male	33	2	3 years 8 months
	I-A3	Law	Male	60	6	15 years
B	I-B1	Law	Male	30	5	2 years
	I-B2	Forestry Engineering	Male	33	1	7 months
C	I-C	Accounting and Administration	Female	29	1	6 months
D	I-D	Administration	Female	30	1	8 months

3.2 Data Treatment

Table 2 presents the data categorization, coding, and supporting literature used in the analysis. Content coding facilitates the identification of categories during the interpretation of the collected data.

Table 2

Categorization and coding

Categories of analysis	Codes	References
Pricing practices	. Pricing adopted . Advantages and disadvantages . Preferred practice	Meiseberg & Perrigot (2020)
Conflicts	. Occurrence . Conflicting aspects	Meiseberg & Perrigot (2020); Perrigot et al. (2020)
Distributive fairness	. Distribution of results . Asymmetry in efforts . Asymmetry of risks	Shaikh (2016)
Procedural fairness	. Integrity . Problem-solving . Influence on decisions	Shaikh (2016); Grace et al. (2020)
Interpersonal fairness	. Individuals behavior	Shaikh (2016)
Informational fairness	. Openness of information . Sharing of information . Information asymmetry	Shaikh (2016)
Long-term orientation	. Expectation of continuity . Expectation of expansion	Ganesan (1994); Chiou et al. (2004)

Content analysis was facilitated by the Atlas.ti software and followed the steps of Bardin (2011): (i) pre-analysis, with organization and reading of the material; (ii) exploration of the material, with categorization and coding of the data by the recording unit and context; and (iii) processing of the results, with description, interpretation, and inference about the contents included in the collected material.

4 RESULTS

4.1 Characteristics of the Researched Franchises

The franchises analyzed operate in the food industry. According to data from the 2022/2023 edition of the *Guia de Franquias* (Franchise Guide) (Pequenas Empresas & Grandes Negócios, 2022), franchise A's parent company began operations approximately 30 years ago, became a franchise in the mid-2000s and now has around 3,000 franchisees. Franchise B's parent company was founded in the 1980s, transitioned to franchising in the 2010s, and, by 2021, had more than 600 franchisees. The parent companies of franchises C and D have been in the market for less than 10 years, became franchises approximately five years ago, and each currently has around 70 franchisees.

The initial capital investment by franchisees averages BRL 250,000.00, with a standard deviation of BRL 85,000.00. The average amount paid for the right to use the brand and system formatting is BRL 50,000.00, with a standard deviation of BRL 10,000.00. Additionally, the franchises charge royalties and advertising fees. Franchise A imposes a percentage fee on purchases and a fixed monthly advertising fee. Franchises B, C, and D charge approximately 5% of revenue as royalties and 2% as advertising fees. The Franchise Guide also provides data on the average return period, which is estimated at 26 months (Pequenas Empresas & Grandes Negócios, 2022).

4.2 Pricing Practices

Franchise A adopts direct pricing practices, where prices are stipulated by the franchisor in a contract. There is also a variation in the price list across different regions of Brazil (I-A2). According to I-A3, indirect pricing is applied to "[...] some prices related to the service, such as coffee and desserts we produce in the store. [...] There is a list, and we choose with the franchisor's consent."

Franchise B uses cooperative pricing. The franchisor assists by establishing a minimum and maximum price range and offering recommendations based on the franchisee's costs and desired profit margin. I-B1 explains: "The franchisor has a cost spreadsheet. [...] You fill it out with the specific data of the unit, and [...] it gives you a suggestion: 'For you to have 20% profit, you need to sell such and such product at this value.'" Additionally, "you can [...] set the price you want to charge, and the spreadsheet calculates the profit percentage you are making." I-B2 notes that there is also an exchange of knowledge about pricing with other franchisees: "We talk to other franchisees [...] to learn how to price or run promotions."

In franchise C, I-C reported the use of direct pricing: "It's direct; there's no option for me to choose." Franchise D adopts direct pricing for online ordering applications and indirect pricing in physical stores. According to I-D: "They set a price, mainly in the application, but at the counter, on the menu here in the store, we can change it. It is a bit difficult, but we can change it."

The interviewees shared their perspectives on the advantages and disadvantages of the pricing practices adopted by their franchises, which are summarized in Table 3.

Table 3

Advantages and disadvantages of pricing practices in the franchises

Pricing practice	**Franchise that uses the practice**	**Advantages**	**Disadvantages**
Direct	A, C, and D	Prices have already been tested, and studies for each location are unnecessary. Avoids internal competition.	The practice does not consider local expenses.
Indirect	D	Possibility of changing prices.	Difficulty in changing prices. It may lead to internal competition.
Cooperative	B	The practice considers the purchasing power in specific regions, the establishment's costs, and the desired profit margin.	It may lead to internal competition.

Three interviewees prefer cooperative pricing practices (I-B1; I-B2; I-D). According to I-B1, “[...] each store has its own reality. We are in a very large country. So, setting a standard price for the whole of Brazil is not the best approach.” Similarly, I-D preferred cooperative pricing, even though their franchise applies the same prices nationwide: “Because (the franchise) has stores in several regions of the country, I think prices should vary according to the region.”

Other interviewees highlighted direct pricing as the most appropriate approach. They emphasized its role in preventing internal competition (I-A1; I-A2), its suitability for large franchises (I-A2; I-A3), and its relevance given their limited knowledge about pricing (I-C). I-A1 noted that direct pricing avoids internal competition and reduces the risk of profit margin erosion: “[...] direct pricing is interesting because there are many of us. [...] I could price assuming a 40% gain, [but] it could harm others by selling with a 30% (profit margin).”

The findings indicate that direct pricing is the most widely used practice, with only one of the interviewed franchises not employing it. While four interviewees agreed that direct pricing is the most suitable approach, three others favored cooperative pricing, arguing that it allows for price adjustments based on the location and operating expenses of the establishment.

4.3 Conflicts

In franchise A, I-A2 highlights his involvement in the council of franchisees, which serves as the main mediator for conflict resolution. He notes that disagreements are inherent to the business and often involve constructive discussions. For example, he recalls a situation where the franchisor “did not want to readjust the price of product X [...] under any circumstances. I, along with other franchisees, stressed the point [...] about the difference in value. It had been almost four years without an adjustment.” With persistent effort, the franchisor eventually agreed to the adjustment.

I-A1 identifies other sources of conflict, such as product arrangement in the store and logistics. He explains, “Many times, they send products that are too expensive, which end up being in the way (in the store). So, it is much easier for them to fall [...] and get damaged.” He also describes ongoing issues, stating, “We are in a cold season, operating without a high-demand product [...] Products are delivered at the last minute and with a short shelf life [...] only 45 days remaining.”

Interviewees from franchise B cite disagreements over the pricing of additional items, which significantly increases the final product price, as well as dissatisfaction with the menu and the lack of new seasonal offerings. According to I-B1, there was previously a single price for a set number of add-ons, but now, each add-on has a specific price, often leading to higher costs. I-B2 mentions, “To improve the winter menu, sometimes [...] we have really cool campaigns, but we always want something new all the time.”

In franchise C, I-C points out conflicts related to the lack of autonomy to manage her own social media, the choice of store location, the size of initial supply orders, and menu changes. She explains, “Their (the franchisor’s) focus is on the brand, not on my region, and this is something that bothers me.” She also expresses frustration with seasonal menu changes, which result in the unavailability of some products, potentially leaving customers dissatisfied. Additionally, she describes a conflict involving the initial stock order for her store: “They send you a spreadsheet with order suggestions that they think are ideal for starting operations. Their ‘ideal’ order lasted four months [...] It was an order for over BRL 20,000.” She argues that acquiring stock for a shorter period would have been more reasonable and reduced financial commitments: “Having substantial cash flow at the beginning is difficult because the franchisee needs to manage their initial expenses carefully.”

In franchise D, I-D mainly highlights conflicts related to indirect pricing practices, such as difficulties in adjusting product prices and the frequent need to remove items from the menu.

Overall, it is observed that conflicts between franchisors and franchisees primarily arise from operational issues, with pricing rarely being a significant point of contention.

4.4 Perception of Interorganizational Fairness

The perception of interorganizational fairness reflects the franchisees' assessment regarding results distribution, procedures, information exchange, and interpersonal relationships with the franchisor (Shaikh, 2016). In franchise A, I-A3 perceives equity in result distribution but acknowledges pricing limitations: "You can't set a higher price to make more money [...] but there are other ways to increase profits: increasing sales and the number of stores." He notes changes in profit distribution, which he considers unfair. Similarly, I-A1 highlights that substantial sales volume is necessary for financial returns due to low profitability per product and points out inequities in franchisees' unilateral assumption of risks.

In franchise B, I-B1 observes, "Instead of seeking to reduce costs for the franchisee, (the franchise) has increased them." For I-B2, the high initial financial investment causes significant challenges in the early months of operation. Franchisees I-C and I-D both describe their efforts as unilateral and disproportionate to the rewards. I-D states, "The franchise is new, customers don't know much (about the product), so we need to promote it a lot, and sometimes they don't help with marketing." I-C recalls a specific incident: "I had to place an order outside the route, and they (the franchisor) made the delivery. [...] I paid for the shipping, they didn't incur any costs, and they didn't apply the discount (standard reduction applied to purchases with the franchisor) because it was outside the route, not during the weekly order period. [...] I thought it was unfair because they didn't incur shipping costs."

Regarding procedural fairness, the council of franchisees is highlighted as a platform for expressing opinions and influencing decisions in certain situations. I-A3 has participated in this council, and I-A2 is a current participant. The council primarily addresses commercial issues, excluding financial matters. However, other franchisees exhibit more passive behavior.

I-B1 states that he simply follows the guidelines, while I-B2 remarks, “They decide, and we follow. [...] I don’t try to give my opinion.” These two franchisees, with seven months and two years of experience, respectively, do not feel the need to participate in decision-making at this time. Conversely, I-C, who has owned her franchise for six months, reports frustration with the lack of flexibility in operating days: “I know the reality of my region. I wasn’t going to make as much money as they planned because people go on vacation, and I was very upset about that, but I accepted it.”

Despite these concerns, franchisees trust the processes and policies governing their relationships with franchisors. They generally find that franchise representatives can resolve issues satisfactorily. I-A3 explains, “The representatives are well-prepared; all consultants undergo an internship before going into the field. They always justify changes and decisions with a well-developed plan.”

In terms of interpersonal fairness, franchisees generally describe the franchisor’s representatives as respectful. I-D notes a shift toward closer relationships: “There was a certain distance between the franchisee and the franchisor [...], but now there is a movement to get closer to the franchisees.” I-A2 adds, “There is no lack of respect under any circumstances. The most that can happen is they ‘run away on a tangent.’” This comment highlights one element of informational fairness: transparency. Franchisees report that strategic and financial information is not shared and that communication about price changes is typically given only a few days in advance. However, most of their inquiries are adequately addressed. Interviewees from franchises A and C also highlight recurring live broadcasts and meetings as positive initiatives.

4.5 Long-Term Orientation

Long-term orientation refers to the expectation of sustained continuity and potential expansion within the franchise system. I-B1 and I-B2 express intentions to open additional stores in the chain and maintain the relationship as long as the business remains profitable. Similarly, I-A3, who has owned franchise stores for 15 years, demonstrates a long-term orientation: "In addition to the financial results, I like what I do [...]. The brand is very strong. Last week, the expansion and internationalization plan was presented." Likewise, I-A1 plans to continue with the franchise and pursue expansion opportunities. In contrast, I-A2, despite achieving significant results with the franchise, has different future plans: "The relationship has to be finite. It's not a marriage that requires the complicity of both, right? Both must be interested. [...] I'm interested in making money." He discusses the future: "In 5 years, I will most likely still be with the franchise and have more operations; I'm planning the third store [...]. I estimate my useful life with the franchise to be around 12 to 14 years; I've already been with the franchise for almost 4. The idea is to move on to Plan B."

For I-C, franchising represents a learning opportunity: "The idea of franchising was to enter the business world, see how it works, what it's like, and then open our own business." In contrast, I-D expresses no expectations of continuity or expansion: "We don't have much right to give our opinion. We can't price our value within the region, and marketing doesn't work here." It is understood that the franchisees' long-term orientation is related to financial outcomes and, particularly in the cases of franchises C and D, reflects dissatisfaction with the relationship.

4.6 Discussion of Results

Although Law 13966/19 (Brasil, 2019) does not mandate price uniformity in franchises, direct pricing is a recurring practice among the Brazilian franchises investigated in this study. It was observed that the choice of a specific pricing practice was unrelated to the franchise's market tenure or size. Franchises A and B, for example, have been operating longer and have more franchised stores but employ different pricing approaches.

Except for I-D, franchisees in chains that use direct pricing generally view it favorably. Franchisees recognize that the franchisor's market experience allows for greater knowledge of the prices accepted by the target audience. As a result, they acknowledge the advantages of adopting pre-tested, fixed prices, aligning with the findings of Meiseberg and Perrigot (2020). Furthermore, the interviewees highlight that direct pricing, particularly in saturated markets, helps avoid internal competition among franchisees, as supported by Perrigot et al. (2020). Conversely, cooperative pricing may foster long-term orientation, as evidenced by franchisees in chain B, who expressed intentions of business continuity and expansion. This observation corroborates studies on interorganizational cooperation (e.g., Lafontaine, 1999; Voss et al., 2019).

According to Meiseberg and Perrigot (2020), franchisees often accept direct pricing as an effective mechanism to sustain the franchise and prevent internal conflicts, especially given the franchisor's superior expertise in pricing decisions. One explanation for this compliance may lie in the standardization requirements and contractual rules, which franchisees typically agree to. Additionally, since franchisees often rely on their franchise's success for income, they may be inclined to accept the pricing policy – even if they disagree with it – to avoid conflicts or retaliatory actions that could harm their business. This dynamic reflects the power asymmetry in franchisor-franchisee relationships, as noted by Shaikh et al. (2018), where the franchisor holds greater decision-making authority. Despite these challenges, pricing policies can offer franchisees certain advantages, such as a recognized brand, national advertising, and favorable supplier purchasing conditions, as Blair and Lafontaine (2005) highlighted. These benefits can mitigate the drawbacks of having prices determined by the franchisor.

Regarding relationship performance, perceptions of unfairness expressed by some interviewees stem from an asymmetry of risks and rewards relative to the effort invested. Franchisees from larger chains reported greater risk asymmetry. For instance, the franchisor of franchise A, given the brand's market prominence, exerts substantial power in the relationship, transferring risks to franchisees. This dynamic is illustrated by I-A2's statement: "If you are dissatisfied, there are others who want in. [...] Every month, more than 1,000 candidates apply to join franchise A." Such asymmetry is more pronounced in franchises with a well-established market presence and a large pool of potential franchisees.

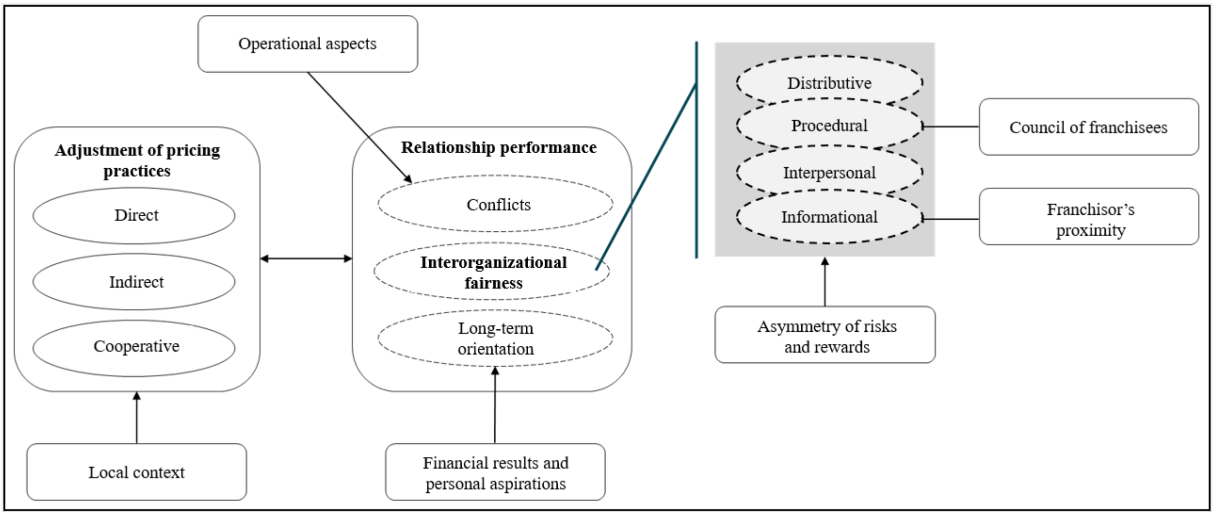
The study revealed that franchisees' financial results and intrinsic motivations are key drivers of long-term orientation. For example, I-A3, a franchisee for 15 years, enjoys their role and plans to continue. Conversely, I-A2, despite achieving notable success, intends to discontinue the relationship in favor of launching an independent business. Both belong to the same franchise and are well-established, yet their long-term plans differ. Other franchisees also exhibit long-term orientation, provided their financial results remain satisfactory. This contrasts with I-D, whose performance is below expectations due to its product being relatively unknown in the local market. Dissatisfaction with pricing in this case can be attributed to the franchise's recent establishment (approximately five years), suggesting that the chain may not yet have optimized pricing for all regions.

These findings suggest that franchisees' perceptions of local market conditions influence their judgments about the appropriateness of pricing practices. Furthermore, other factors may reinforce the relationship between pricing practices and relationship performance. For instance, operational conflicts may arise from pricing policies and relationship management, while long-term orientation appears linked to financial results and personal aspirations. Figure 2 summarizes these insights.

Further research should explore interorganizational fairness in franchising, which encompasses multiple dimensions. Based on this study, it can be inferred that the asymmetry of risks and rewards significantly impacts perceptions of fairness. Additionally, the presence of a council of franchisees enhances procedural fairness, while closer relationships with the franchisor improve interpersonal fairness. These findings open avenues for further investigation.

Figure 2

Study results



5 CONCLUSIONS

This study aimed to identify pricing practices in Brazilian franchises and examine their interaction with relationship performance between franchisors and franchisees, focusing on conflicts, perceptions of interorganizational fairness, and the franchisees' long-term orientation.

The research revealed that direct pricing is predominant in the franchises analyzed and is considered adequate by most interviewees. This is primarily due to the need for price uniformity to avoid internal competition, supporting the findings of Meiseberg and Perrigot (2020). In franchises with numerous franchisees and stores close to each other, direct pricing effectively maintains standardization and maximizes the benefits of the franchisor's market knowledge. However, some dissatisfaction was noted in cases where pricing practices did not account for regional specificities, particularly when the franchisor employed indirect pricing methods.

Regarding relationship performance, the study found that conflicts in the analyzed franchises were more related to operational issues than pricing decisions. Problems such as logistics, inventory management, and product placement in stores were identified as the primary sources of friction between franchisors and franchisees. This suggests that while pricing is relevant, it is not the predominant cause of conflicts. Instead, operational aspects play a more significant role in generating dissatisfaction, emphasizing the need for better attention to daily operations management.

The interviewees did not perceive the relationship as fair in terms of the distribution of results and influence over decisions. However, they reported positive perceptions of interpersonal, informational, and procedural fairness regarding the processes for managing exchanges.

Franchisees' long-term orientation was closely linked to financial results and personal aspirations. Franchisees who achieved satisfactory financial returns declared to be interested in expanding their operations and maintaining their relationship with the franchise. In contrast, those with underperforming financial results or plans for independent entrepreneurship were less inclined to continue within the franchise system. This demonstrates that immediate financial outcomes and personal goals significantly influence the franchises' continuity and expansion.

Consequently, it is not possible to confirm the impact of pricing on relationship performance in the franchises studied, differing from findings in other contexts (e.g., Meiseberg & Perrigot, 2020; Perrigot et al., 2016; Perrigot et al., 2020). Franchisees from the same franchise exhibited different long-term orientations, and franchisees from different franchises, with varying pricing practices, consented to the occurrence of conflicts and perceptions of fairness in the relationship. Additionally, indirect pricing, often considered the most detrimental to the relationship (Meiseberg & Perrigot, 2020), is only used in franchise D, which may partly explain the results of this study.

As theoretical contributions, this study expands the understanding of interorganizational fairness, highlights pricing practices in Brazilian franchises, and analyzes their interaction with relationship performance in terms of conflicts, perceptions of fairness, and franchisees' long-term orientation. The findings suggest that direct pricing is not a significant motivator for conflicts or relationship termination, as it is legitimized by most franchisees. Based on these results, it is worth considering whether cooperative pricing could be a viable option for less saturated franchises, particularly those with geographically distant stores, where long-term orientation is driven by factors other than pricing. Future studies could address these gaps and explore whether franchisors aim to create collaborative environments, considering the asymmetry of risks observed by franchisees.

From a practical perspective, this study guides managers on pricing strategies and emphasizes the importance of relationship performance. Franchisor-franchisee relationships are based on partnership and cooperation, and better relationship performance can lead to more efficient and profitable operations. For the franchisor, it can strengthen the brand and improve franchise efficiency. A cooperative relationship with franchisees can result in consistent, high-quality operations across all locations and facilitate franchise expansion. Satisfied franchisees are more likely to stay with the franchise and recommend it to potential new franchisees.

The results of this study should be interpreted cautiously due to its limitations, such as potential biases in data collection. Although interviewees were assured of confidentiality, they may have omitted or distorted information to maintain a positive image of the franchise. Another limitation is the subjectivity inherent in data analysis, as qualitative research relies heavily on the researchers' analytical and interpretative judgments, which could be influenced by their biases and those of the interviewees. Future research could employ other data collection methods, triangulation, and quantitative analysis to further investigate the aspects analyzed in this study.

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Práticas de Precificação e Desempenho Relacional em Franquias: Estudo no Setor de Alimentos

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RESUMO

Objetivo: *O estudo tem por objetivo identificar práticas de precificação em franquias brasileiras e sua interação com o desempenho relacional franqueador-franqueado, representado pela ocorrência de conflitos, percepção de justiça interorganizacional e orientação de longo prazo dos franqueados.*
Método: *Os dados foram coletados por meio de entrevistas com franqueados de redes brasileiras e submetidos à análise de conteúdo.*
Originalidade/Relevância: *Contribui-se ao investigar justiça em franquias situadas no Brasil, evidenciando que nesse contexto outros aspectos têm maior efeito sobre o desempenho relacional do que a definição de preços, comparado a estudos em outros países. Franqueadores devem atentar à assimetria de riscos e recompensas e propiciar ambientes colaborativos para o desenvolvimento das franquias.*
Resultados: *A precificação direta prevalece, sendo uma forma de uniformizar preços e evitar concorrência interna. Constata-se assimetria de riscos e recompensas, conflitos ocorrem por questões operacionais, e a orientação de longo prazo é motivada pelo desempenho financeiro e aspirações dos franqueados. Embora não se ratifique a implicação da precificação no desempenho relacional, a precificação cooperativa é evidenciada como uma alternativa em franquias menores.*
Contribuições Teóricas/Metodológicas: *Este estudo expande o conhecimento sobre justiça interorganizacional, evidencia práticas de precificação em franquias brasileiras e analisa sua interação com desempenho relacional, em termos de conflitos, justiça e orientação de longo prazo dos franqueados.*

Palavras-Chave: *Franquia, Práticas de precificação, Justiça interorganizacional, Conflitos, Orientação de longo prazo.*

Recebido: Março 12, 2024
Revisado: Outubro 29, 2024
Aceito: Dezembro 05, 2024
Publicado: Dezembro 30, 2024

REVISTA CONTABILIDADE, GESTÃO E GOVERNANÇA
JOURNAL OF ACCOUNTING, MANAGEMENT AND GOVERNANCE