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Drivers of Economic Sustainability of Restaurant Franchising Chains: The Role of Franchising Experience, Public Firm Status, And Marketing Support

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ABSTRACT

Franchising is a dominant business model in the restaurant industry, with over 318,000 franchised restaurant outlets in the United States alone (International Franchise Association, 2024). Prior research indicates that chains with a higher proportion of franchised units tend to perform better financially (Madanoglu et al., 2011). However, limited studies address the key drivers of chain-level financial sustainability. This study examines the impact of franchising experience, public firm status, and marketing support on the financial performance and economic sustainability of restaurant franchise chains.

Economic sustainability in franchising refers to long-term financial viability achieved through responsible resource allocation, strategic growth, and resilience against market fluctuations (Elkington, 1998; Bansal & DesJardine, 2014). This study integrates Agency Theory and the Resource-Based View (RBV) to explore how these factors contribute to sustainable financial performance. Analyzing a dataset of 73 U.S. restaurant franchising chains (2016–2019), we find that franchising experience positively impacts financial performance, public firm status negatively affects profitability, and marketing investments enhance financial resilience. These findings provide actionable insights for franchisors, investors, and policymakers seeking to optimize long-term profitability and sustainability.

Keywords: Franchising, economic sustainability, financial performance, restaurant chains marketing support