

# The Lodging Franchise Relational Model:

A model of Trust, Commitment and Resource Exchange

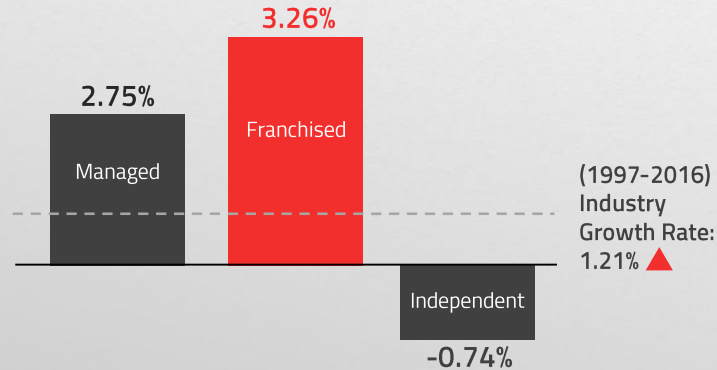
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Presented by Leonard A. Jackson,  
Ph.D.

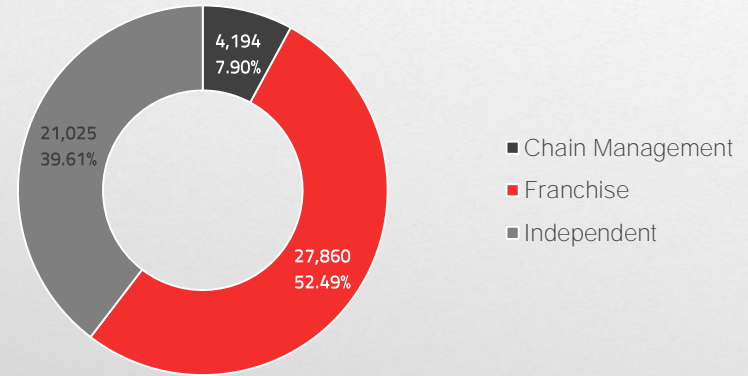
08/29/2017  
J Mack Robinson College of Business  
Institute of Entrepreneurship and Innovation  
Georgia State University

# Franchising the dominant business operating model

Franchising has emerged as a dominant component of lodging firms' business operating model  
Property ownership and property management • business model driven largely by franchising



A Breakdown of Properties  
by Operation Type - US





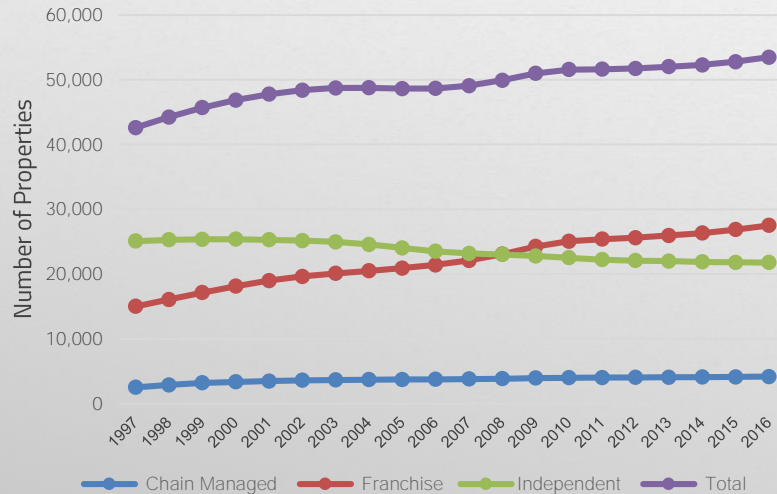
# Lodging Industry is Growing-driven by franchising

## Franchising benefits both franchisor and franchisee

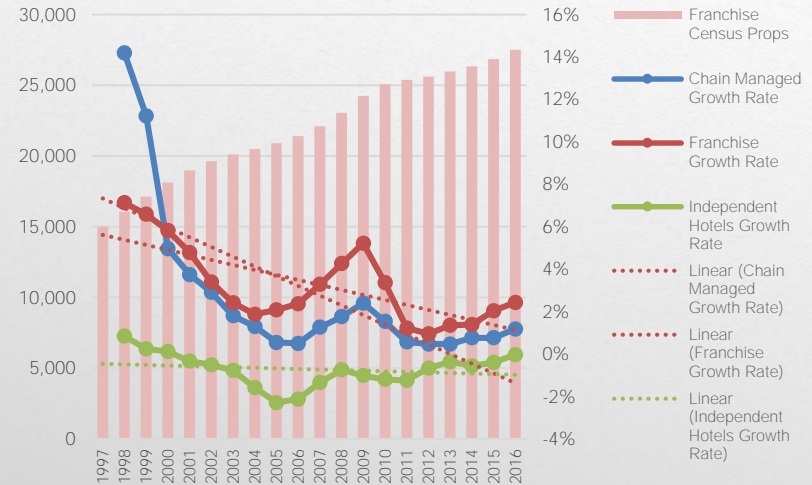
Franchising, a business strategy, has been used widely by hospitality firms as a major vehicle for corporate expansion.

The value-driven benefits of the franchise relationship became the most widely used business format and ownership structure.

### Annual Number of Properties by Operation Type



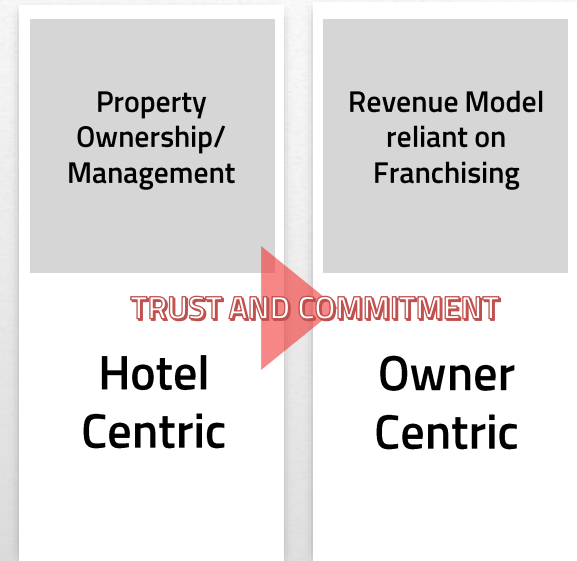
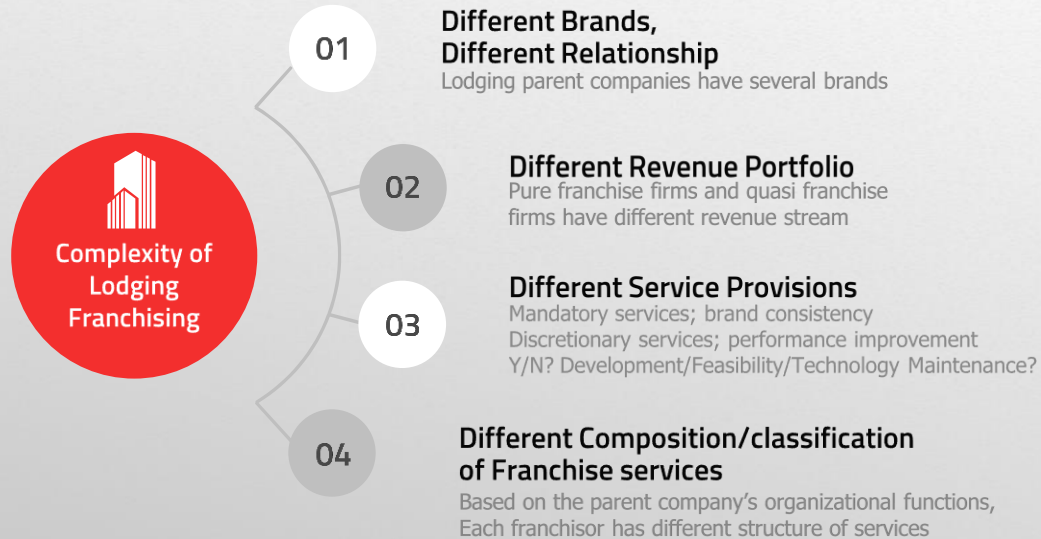
### Annual Number of Franchise Properties & Growth Rates by Operation Type



# Lodging Industry Franchising

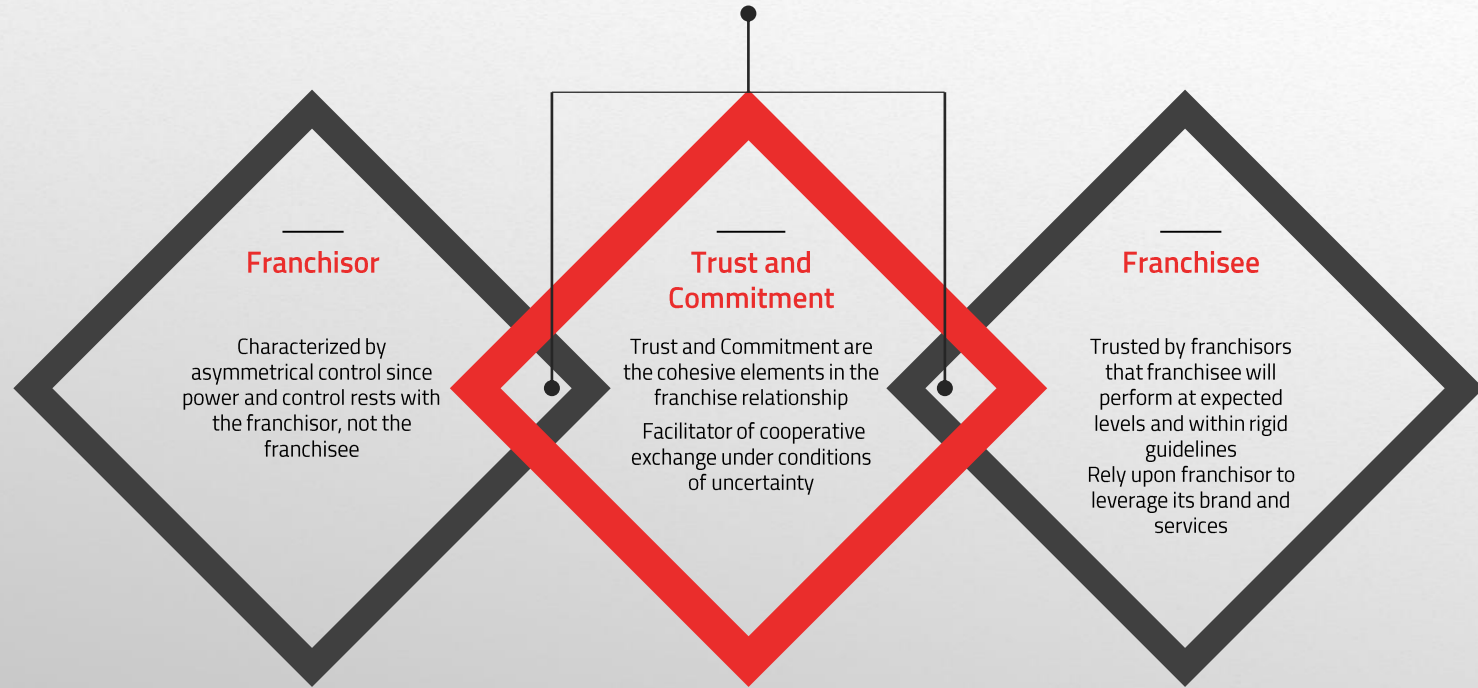
A complex and evolving relationship

The opaque nature of the lodging franchise relationship is complicated by several factors



# TRUST AND COMMITMENT

The shifting of services away from the property level and centralizing them requires a high level of trust between the franchisor and franchisee



# Methodology

Two-step approach: content analysis & semi-structured interview



## Content Analysis

Constant Comparative Method  
Franchise Disclosure Documents (FDD)

To identify and capture the themes and components of the franchise relationship. Single words and emerging concepts to a theme were coded



## Semi-structured Interview

Purposeful Sampling:  
selection of informants based on the contribution they are expected to make to the study

To verify the applicability, appropriateness and categorization of the components that emerged from the content analysis



# Methodology

Two-step approach: content analysis & semi-structured interview



## Content Analysis

Constant Comparative Method  
Franchise Disclosure Documents (FDD)

Specific emphasis was placed on examination of the following areas;

*ITEM 1:* The franchisor and any parents, predecessors, and affiliates;

*ITEM 5:* Initial Fees;

*ITEM 6:* Other fees;

*ITEM 9:* Franchisee's obligations;

*ITEM 11:* Franchisor's assistance, advertising, computer systems and training.

FDDs from nine (9) leading US domiciled or quasi domiciled lodging parent companies (75 brands) based on the number of properties.



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# Methodology

Two-step approach: content analysis & semi-structured interview



## Semi-structured Interview

**Purposeful Sampling:**  
selection of informants based on the contribution  
they are expected to make to the study



Face to Face  
Interview



Phone  
Interview

### semi-standardized discussion format

- Allows for the documentation of rich data since it enabled the interviewer to ask interviewees predetermined questions on the research topic in a systematic and consistent order
- Allow the interviewer freedom to digress and probe beyond the prepared questions





# Findings

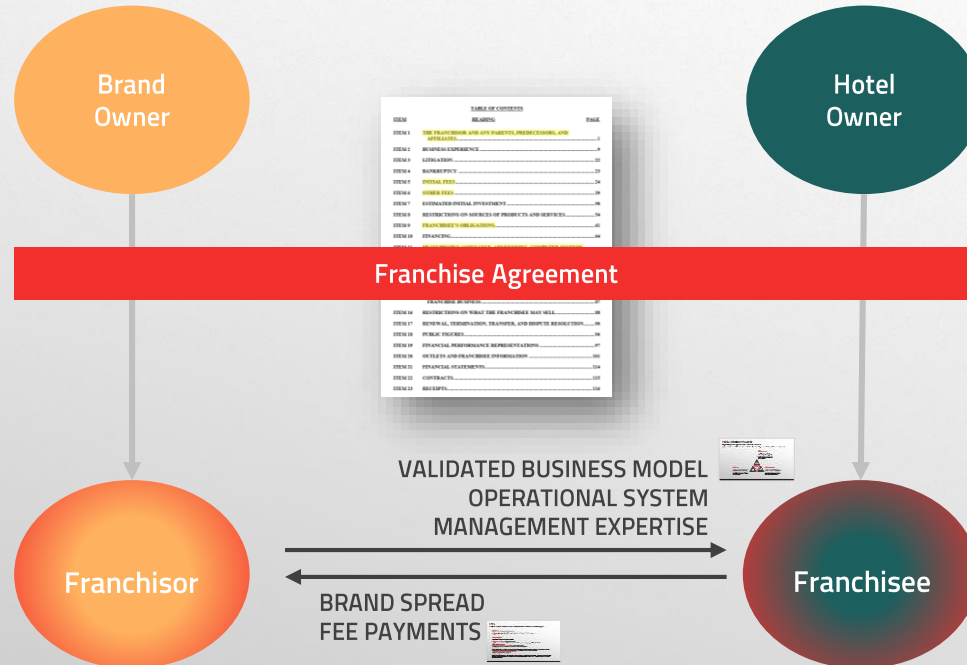
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## Lodging Franchise Relational Model

#Brand Owner #Hotel Owner #Owner Centric #Franchise Relationship

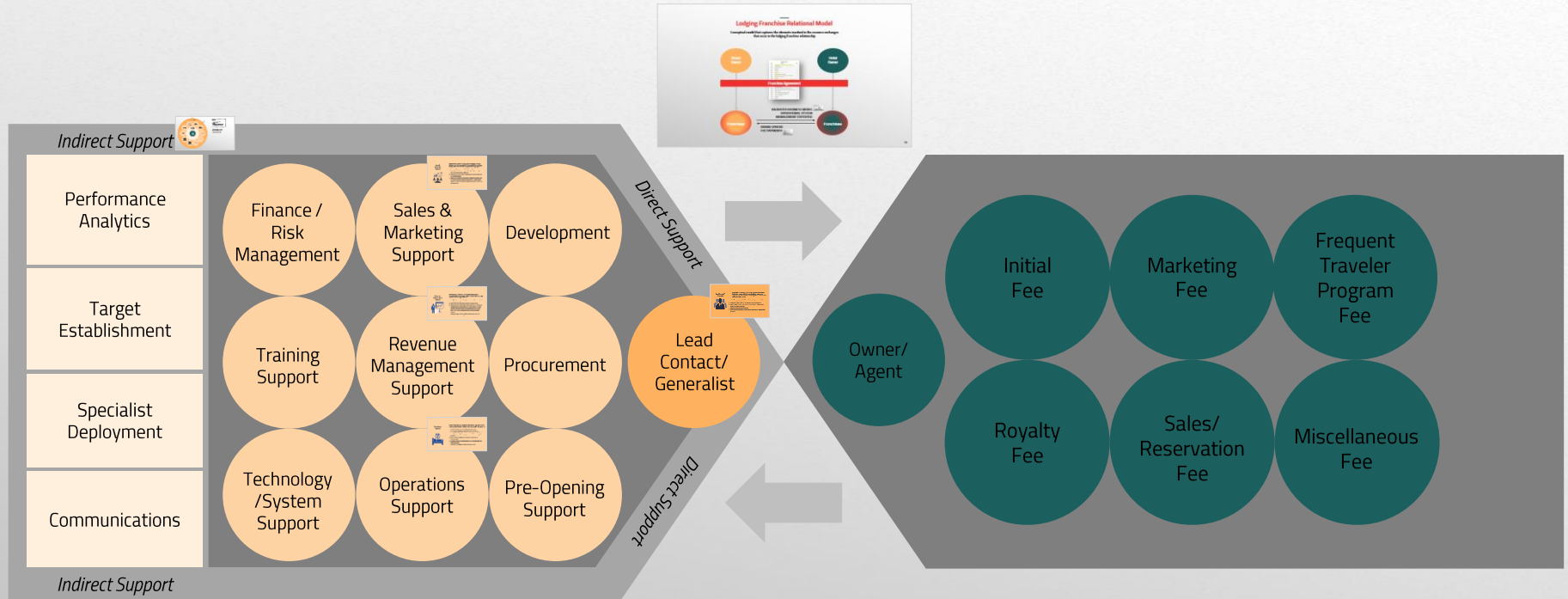
# Lodging Franchise Relational Model

Conceptual model that captures the elements involved in the resource exchanges that occur in the lodging franchise relationship



# Lodging Franchise Relational Model

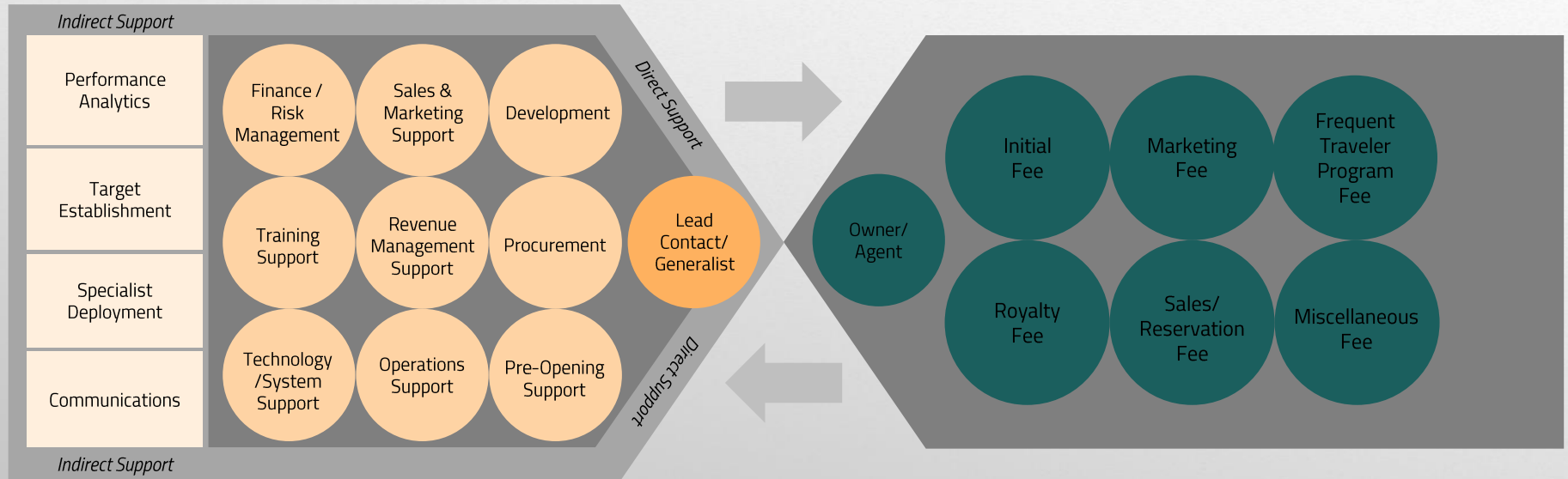
Conceptual model that captures the elements involved in the resource exchanges that occur in the lodging franchise relationship

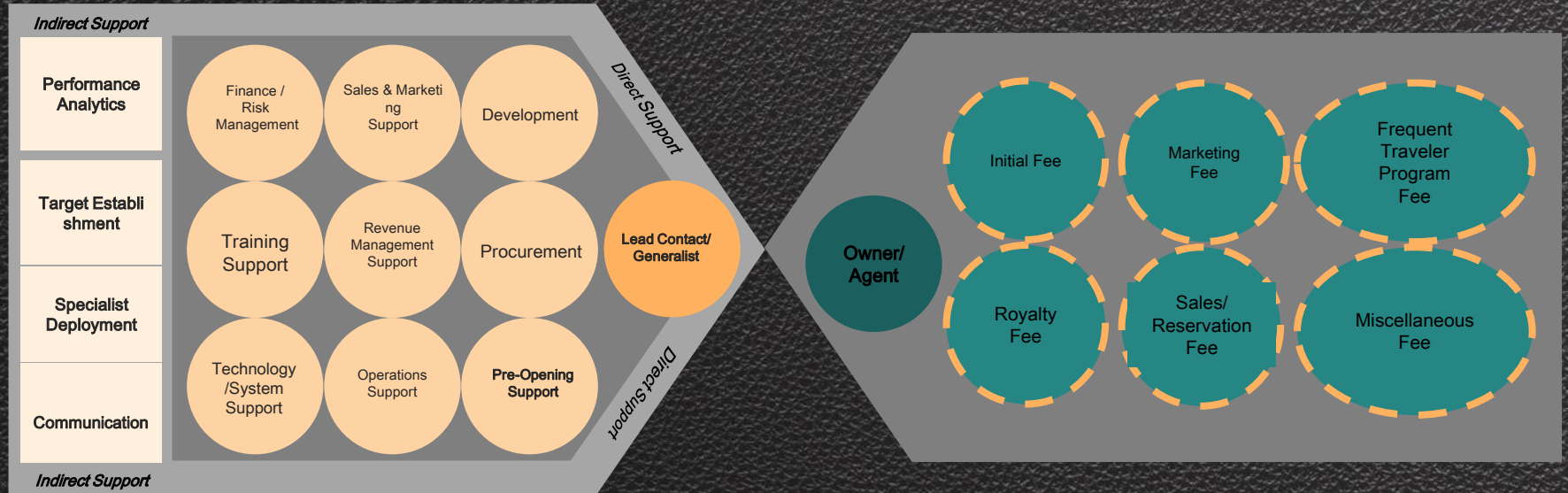
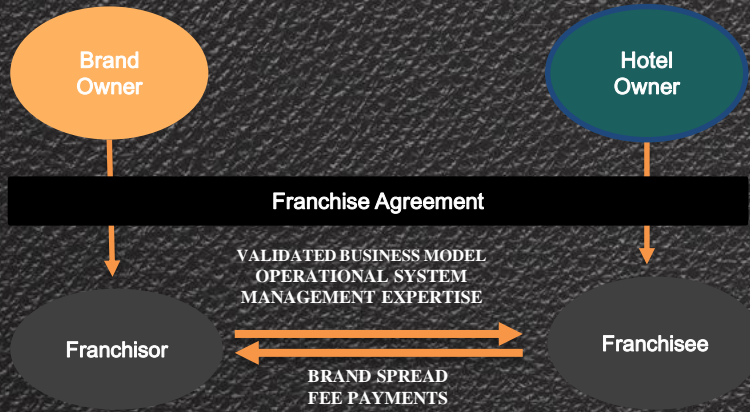




## Lodging Franchise Relational Model

To aid franchisees in achieving their economic goals and to preserve brand equity, lodging firms have developed a team of franchise service support experts and specialists in centralized locations who are charged with providing expert guidance and support services to franchisees. Franchisees can execute their daily functions effectively and reduce costs by eliminating several in-house specialist functions.





# Lodging Franchise Model

A much leaner operation

Immediate access to resources and expert services, which leads to rapid business growth



## No Capital Expenditure

No capital expenditures associated with managing the real estate aspect of the business



## Established Business Model

Immediate access to reputable trade names, expert services and systems/networks



## Reduced Risks

Reduced startup risks due to turnkey operations and lower business risks



## Efficient Entrepreneurial Process

With established value chain, proven value proposition and profit mechanism, franchise model allows entrepreneurs to bypass several steps



# Implications

- Find the “right” brand within parent companies that fits the potential franchisee’s investment goals
- Sell on benefits
  - Lodging firms have become more “franchisee centric”
- Be honest and fully explain the bi-directional relationship contingent on trust, commitment and resource exchange
- The lodging industry is growing
  - Driven by franchising



Thank you