

Nobody Asked Me, But... No. 11
Do Hotel Franchisees Need
Independent Franchise Associations?

By: Stanley Turkel, MHS, ISHC

In the volatile world of franchisor/franchisee relations, reconciliation often seems hopeless because the franchisor usually has the upper hand. Even the modest proposals embodied in the AAHOA Twelve Points of Fair Franchising are seen as revolutionary and harsh.

At the center of the dialogue between franchisors and franchisees are the sometimes invisible franchise advisory councils (FAC's). These organizations are created and subsidized by franchisors with the idea of fostering and controlling communication and franchisee participation.

As the name indicates, FAC's are usually purely advisory and their bylaws determine issues the franchisor will address. The franchisor usually shapes meeting agendas and appoints the franchisee members who served on the FAC.

Franchisors, of course, claim that the FAC's are a progressive force in promoting good relations and cooperation with franchisees, some of whom are likely to define them as little more than window dressing. FAC's can be an inexpensive mediation tool to solve conflicts in the entire system, because they enable the franchisee, who has hands-on experience, to be able to filter information back to the franchisor. According to some industry observers, those tools can get tarnished pretty quickly, especially if the creation of an advisory council is nothing more than an extension of the franchisor's power in a polite "Rubber Stamping" process.

It has come to my attention that over the past ten years significant improvements in franchise systems were due to one major factor: the formation of independent franchisee associations. In 1992 in all U.S. industries, there were fewer than 30 independent associations; by 2005 about 300 such groups had formed. In the past, franchisors turned their backs on these associations, claiming their own “franchise advisory councils” were sufficient outlets for complaints.

But, as acquisitions, mergers and actions proliferated and affected Burger King, KFC, 7-Eleven, Subway, Dunkin Donuts, Quiznos and UPS Stores, corporate attitudes have hardened. Intransigent franchisor conduct has often led to the formation of independent associations.

In hotel franchising there is only one operating independent franchisee association. The Econo Lodges of America Franchisee Association (ELFA) is a 28 year-old independent franchisee association (the oldest in the U.S.) ELFA represents the interests of all Econo Lodge franchisees and is funded strictly through member’s dues. It is in no way legally or structurally connected to Choice Hotels. If Choice proposes any changes in Econo Lodge brand standards, it presents them to the ELFA Board for input before submitting them to the licensees. In negotiations, the ELFA board often succeeds in improving amenity changes, marketing proposals or other Choice programs.

Franchisees who are concerned about the relative power of their franchise advisory councils should ask the following questions:

1. Is the FAC funded by the franchisor or by franchisee dues?
2. Is membership mandatory? (If a chain requires franchisees to be members of its franchise organization but doesn’t charge membership fees, then it’s likely the organization exists merely as a mouthpiece for the franchisor).
3. Who elects FAC members and by what procedure?
4. Does the FAC have a meaningful voice when it comes to having franchisee concerns and viewpoints considered before important decisions are made?
5. Does the FAC have a separate office away from the franchisee company headquarters?

6. Can the FAC communicate directly to franchisees or must communication be filtered through the corporate office?

7. Are there open FAC meetings at the chain's annual convention?

8. When amenity changes, physical improvements and service upgrades are proposed by the franchisor, do FAC members get to vote 'yes' or 'no'?

ELFA should serve as a beacon of light for hotel franchise advisory councils who need to reinvent themselves as independent associations so that they can negotiate as equals with their franchise companies.

For specific information regarding the creation of an independent franchise association go to www.franchisee.org

Stanley Turkel operates his hotel consulting office as a sole practitioner specializing in franchising issues, asset management and litigation support services. Turkel's clients are hotel owners and franchisees, investors and lending institutions. Turkel serves on the Board of Advisors and lectures at the NYU Tisch Center for Hospitality, Tourism and Sports Management. He is a member of the prestigious International Society of Hospitality Consultants. His provocative articles on various hotel subjects have been published in the Cornell Quarterly, Lodging Hospitality, Hotel Interactive, Hotel & Motel Management, Lodging, FIU Hospitality Review, AAHOA Lodging Business, Bottomline, New York Times, Wall Street Journal, Travel & Leisure, etc. If you need help with a franchising problem such as encroachment/impact, termination/liquidated damages or litigation support, don't hesitate to call 917-628-8549 or email stanturkel@aol.com.