

## **FRANCHISING FEE STRUCTURE FOR MIDSCALE LODGING ENTERPRISES WITH F&B**

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### **ABSTRACT**

The mid-scale (w/ F&B) segment of the U.S. lodging industry has eight brands. The number of rooms available in each chosen brand is used as weights to aggregate construction fees, initial fees, royalty percentages and marketing fee percentages payable by the franchisees.

In all, the number of rooms available in the year 2003 for seven brands amounted to 607,356 spread over 6669 properties. The eighth brand "Holiday Inn" had 1544 properties. The original information source did not indicate the total number of rooms for this brand, even though this information was furnished for subsequent years. The number of properties under this category- the mid-scale (w/ F&B)- in the year 2007 was only 7,897, including Holiday Inn with 1395 properties. The actual room count in 2007 was 839,793, including Holiday Inn with 260,470 rooms. During this five-year period (2003-07) the composite value of the Initial fees went up from \$38,106 to \$45,031, while the royalty percentage registered an increase from 4.043% to 4.611%. On the other hand the composite value for the marketing fees decreased from 3.0986% to 2.817% over the same period. Since Best Western International uses a different system for the calculation of Royalty and Marketing Fees, they were excluded from the composite analysis.

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