



Photos courtesy Howard Johnson Franchise Canada, Inc.



Going Places

A Quick Trip through Overnight Travel Franchising

By Glen Blake

As any Canadian can see, you don't have to go far to find a franchise. However, if you do want to go a long way, franchised hotels, motels and inns will be there to help. Franchising has been a part of the overnight travel industry for quite a few years and many of the market leaders have become famous brands in their own right. You're likely familiar with such names as Howard Johnson, Choice Hotels, Travel Lodge, Super 8 and Ramada. These franchised chains can be found in every province and most major cities in the country.

In many ways, hotel, motel and inn franchises operate like any other, with a franchisor licensing the rights to its intellectual property and systems to franchisees. However, this industry is also unique in several ways.

How to start where others stop

Overnight travel franchises are busy operations. Larger venues may deal with hundreds of guests a day, each with their own wants and needs. The franchisee must consider access for the elderly or disabled, guest safety and security, general cleanliness and maintenance—all on a 24-hour basis, every day of the year.

Given the complexity of this business, it's no surprise most traditional hotel, motel and inn franchisees have run a facility before. Typical franchisees will start their careers as independent operators, later deciding to become part of a franchise system. Franchisors often favour candidates with five to 10 years of background in the hospitality industry. Franchisees must understand this work is customer-driven, service-oriented and day-to-day.



There are many reasons why a successful operator chooses to become a franchisee. Often, an established business is affected by market shifts, economic downturns or new competition entering the area. Adopting a recognized brand name is one way of maintaining market share or speeding the growth of an existing property.

Overall, today's owners have moved past the limitations of the traditional 'mom and pop' operations and appreciate the value of providing branded services for their customers. Franchisors also spend more time educating their new

franchisees on how to run an establishment within the system model. This is very important, especially if the operator has many years of experience as an independent and needs to 'unlearn' certain habits.

The cost of conversion

Location is obviously crucial to the success of any hotel, motel or inn, and therefore valuable to the franchisor. As such, franchisors may seek out promising properties and communicate with the owners—basically, 'making the first move.'

There are many Canadian independents running properties with 65 to 120 rooms. Many more operate locations with fewer than 65 rooms. For reasons this article will describe, franchisors prefer to convert properties with 65 rooms or more.

While even independent hotels, motels and inns must meet certain standards to operate, they may not meet the standards of a given franchisor. For example, many franchisors have minimum requirements for guestrooms, furniture, fixtures and equipment (FF&E)—if an independent operator's rooms are not up to brand requirements, they'll need to be renovated before the facility becomes active in the franchise system. Cost of all conversions is the 'average cost per room.'

In addition to FF&E, this includes modifications to the lobby, installation of additional features (such as continental breakfast spaces), enhancements to the public areas, upgrades to interior and exterior signage or improvements to 'curb appeal.' The cost per room can be anywhere from \$1,000 to \$10,000, depending on the brand's profile and the condition of the existing property.

The multi-tiered travel model

Distinctions between hotels, motels and inns are not always clear-cut. Most motels are single-storey, inns, two- to three storeys and hotels any size greater than that. Hotels often feature other amenities, such as restaurants, meeting rooms, fitness facilities, lounges and sometimes, an indoor pool.

The star-rating system

The familiar 'star system' for hotels and other travel venues is provided by



Today's franchised hotels, motels and inns come in various configurations, and many offer budget-pricing, as well.

the Canadian Automobile Association (CAA) or Canada Select, an industry-driven ratings program. These star-ratings help subdivide establishments into one of three types:

1. Full-service (3.5- to 5-star).
2. Mid-market (2.5- to 3.5-star).
3. Budget/economy (2.5 stars or less).

There are franchises at all three levels. Several franchisors maintain businesses operating at different levels, quite often

under more than one brand names. For example, Howard Johnson offers its Express Inns and Plaza Hotels, while also franchising Knights Inn, a series of more budget/economy-level venues. Travelodge operates Travelodge Hotels along with their budget/economy tier called Thriftlodge. Choice Hotels also has several different brand names, including Quality Inn and a budget-brand called Econolodge.

In time, this 'tiered' approach to travel venues may disappear in favour of a more unified brand identity. One's brand image is synonymous with service level in this business—where service is good, customers are typically willing to pay a little more. The location of a hotel, motel or inn, especially its proximity to attractions and business centres, often matters more than price.

This increased focus on the brand may not be helpful for some motel owners looking to join franchise systems. Franchised chains want to maintain a consistent product and some (though not all) fear single-storey operations will weaken their brand-image. If you operate a motel, consider the cost of enclosing your exterior corridors and expanding the size of your guestroom facility. Such renovations, as part of an overall repositioning program, will strengthen your bid to join a successful franchise system.

Different customers, different needs

Franchised travel venues traditionally divide customers into two camps:

1. Corporate customers. These people need a place to stay while on business. They may be corporate guests or the



blue-collar 'road warriors,' such as travelling salespeople, who still exist in large numbers.

2. Family and leisure. This group is primarily vacationers.

As with other parts of this industry, the divide between customer types is blurry. Many busy parents now expand their business trips to include family. Meanwhile, the one- or two-week

vacation has largely given way to shorter, 'long weekend' trips taken several times per year.

Changes in overnight travel service are driven more by customer expectations than basic need. For example, just four years ago most hotel franchisees charged guests for high-speed Internet access. Today, this is usually included, because the Internet is now much too common for customers to consider it a luxury.

Much like the telephone, hotel Internet service has changed from a charged item to 'value-added.'

The road to franchise success

While running a franchised hotel, motel or inn is lots of hard work, a few simple rules make it much easier. The franchisor already has a successful business model in place, so your first task should always be meeting or exceeding its standards. As those standards develop, ensure you implement them in a timely manner.

You must also adapt to your market and be aware of changes to those relevant industries outside of your own. For example, fluctuations in the price of gas may significantly affect where and when your customers decide to travel. Having a plan of action in place to adjust to changing trends and market conditions makes for a good business model, and teaming with the right franchise system can help you achieve your best.



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