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Survey of Franchisees Underscores the Need for Fair Franchising

ATLANTA, Ga., May 16 – A recent poll of franchisees – owners of hotels, restaurants, retail stores, and other small businesses – revealed highly concerning data about the status of current franchise relationships and the need for increased fairness across all industries.

The Asian American Hotel Owners Association (AAHOA), which represents the vast majority of all U.S. hotel owners, the American Association of Franchisees and Dealers (AAFD), and the Coalition of Franchisee Associations (CFA), conducted the survey after a recent [webinar](#) with Federal Trade Commission (FTC) Chair Lina Khan. As part of its mission to promote competition and [protect and educate consumers](#), the FTC is [soliciting comments](#) through June 8 about issues that affect franchisees and their workers.

The survey, which was conducted of [webinar](#) participants by AAHOA and the other franchisee advocacy groups, underscored the overwhelming support among hoteliers, restaurateurs, and other franchise owners for principles of fairness in franchising. Hoteliers backed the principles of [AAHOA's 12 Points of Fair Franchising](#) to reflect business changes and the long-term, mutually beneficial relationship between industry franchisors and franchisees.

[According to the survey](#), **only 5% of the franchisee respondents** are satisfied that their current franchise agreements provide fair terms representing a balanced relationship between themselves and their franchisor. The survey further revealed that **72.6% of franchisee respondents** would “possibly” or “probably” terminate their current ownership of a franchised business within the next year if they could do so without penalty. **Nearly two-thirds (64.6%) of all franchisee respondents** would likely or very likely expand their business holdings with non-franchised businesses if given the opportunity to get financing without a franchise. Moreover, **75.2% of franchisee respondents** are either open to or will likely diversify their portfolio of franchised business holdings in the future.

“Franchising is in dire straits unless changes are made,” **said AAHOA President & CEO Laura Lee Blake.** “Franchising is still a powerful tool for economic mobility for America’s small-business owners, including AAHOA Members. But franchising only works when both franchisors and franchisees are committed to its success, which requires transparency, fairness, and sustainable business practices. As this survey shows, there is much room for improvement when it comes to relationships that allow our small-business owners to thrive.”

“Hotel owners and other franchisees are among the most creative, entrepreneurial, and hard-working people in the United States and are truly the backbone of local economies,” **said AAHOA Chairman Bharat Patel.** “Fair franchising isn’t just about recognizing their dignity or contributions to the communities in which they do business. It’s also creating a climate in which the next generation of entrepreneurs can purchase or start a business knowing that the rules aren’t stacked against them and where they have a fair chance of succeeding.”

AAHOA leaders have emphasized the need for [four core pillars](#) for hotel industry franchisees:

1. Fully disclosing the tens of millions of dollars in vendor rebates derived from hotelier franchisee purchases, and returning them to the franchisees for the betterment of the system,
2. Fairly compensating franchisees for all loyalty program discounted sales and free reward nights,
3. Limiting mandated vendors for non-trademarked products to encourage fair pricing and competition, and
4. Avoiding unilaterally imposed and arbitrary franchise fees without proper disclosure and approval.

Survey commentators noted support for these pillars, as well as dissatisfaction with the current state of affairs.

“Franchisors are more interested in protecting their shareholders than they are in protecting and taking care of their franchisees who are their bread and butter,” **one survey respondent wrote.** “Franchisors continue to come up with revenue streams at the expense of their franchisees that make their bottom line look great, which, in turn, makes their stockholders happy.”



Said another: “When one starts or buys any business, the goal is to be able to grow it and either sell at a profit or possibly leave it to a relative to manage. The current franchise system, with huge transfer fees and ridiculous requirements for approval of potential buyers, has made franchises less of a business opportunity and more of a nightmare. With the incredible interest in Private Equity Groups becoming Franchisors, the individual franchisee doesn’t stand a chance of a fair relationship.”

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About AAHOA

AAHOA is the largest hotel owners association in the world, with Member-owned properties representing a significant part of the U.S. economy. AAHOA's 20,000 members own 60% of the hotels in the United States and are responsible for 1.7% of the nation's GDP. More than one million employees work at AAHOA member-owned hotels, earning \$47 billion annually, and member-owned hotels support 4.2 million U.S. jobs across all sectors of the hospitality industry. AAHOA's mission is to advance and protect the business interests of hotel owners through advocacy, industry leadership, professional development, member benefits, and community engagement.