

Is Your Hotel Franchisor's Reservation System Producing Enough Reservations?

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As every hotel franchise owner knows, revenues are generated by putting "heads" in the "beds." Integral to this industry fact, is how effective a hotel franchisor's reservation system is in putting heads in its franchisee's beds. When a hotel franchisee purchases a franchise, he or she expects that the franchisor will play a substantial role in providing a reservation system that will produce enough reservations to maintain a steady flow of reservations to the hotel.

In many instances, however, franchisees find themselves struggling to maintain the viability of their franchises due to the lack of reservations coming into their hotel through their franchisor's reservation systems. Bottom lines are being affected across the country because hotel franchisor's reservation systems are failing to deliver a reasonable and sufficient number of reservations to franchisees' hotels. Coupled with the substantial fees franchisees are forced to pay to their franchisors each month for the use of the franchisor's reservation system, many franchisees are beginning to question whether a reservation system without reservations is worth the money. After all, a franchisee pays substantial fees each month to the franchisor for the use and benefit of the franchisor's reservation system. In exchange, the franchisee expects that his or her hotel will receive reservations – enough to sustain a profitable and viable hotel entity.

More and more, especially in the wake of the economic woes suffered by many in the hotel industry after 9/11, franchisees are raising the issue of the effectiveness of their franchisor's reservation system. Franchisees' disappointment over their franchisors' reservation systems has led to increased litigation over the issue of whether a hotel franchisor has an obligation to provide much more than simply a reservation system. In other words, a reservation system should deliver reservations – not simply claim to deliver reservations.

There are clearly advantages to affiliating oneself with a franchisor's national hotel brand – not the least of which is the name recognition that will inevitably help in bringing customers to your hotel. Yet, this does not assure you that you will receive a sufficient number of hotel reservations through your franchisor's reservation system to generate a steady stream of business. In other words, you may be forced to undertake your own costly marketing and reservation support to remain profitable.

If you are a potential hotel franchisee or an existing one, make sure you thoroughly investigate your franchisor's reservation system and determine whether your franchisor is undertaking enough efforts to maximize the number of reservations your hotel should be receiving through its reservation system. In addition, be sure to review your franchise agreement with an experienced franchise attorney to understand exactly what obligations your franchisor has to deliver reservations to your hotel through the reservation system and what you can do to adequately protect yourself against empty reservation systems. **Bradley J. Hansen, Esq., is an attorney in the Northern Virginia law firm of Hughes & Associates, P.L.L.C. Mr. Hansen's practice focuses on franchise, construction and complex civil litigation. Brad can be reached at brad@hughesnassociates.com or by calling him at 703-671-8200.**

This article is not intended to provide legal advice, but to raise issues bearing on legal matters. You should consult with an attorney regarding your legal issues, as the advice you may receive will depend upon your facts and the laws of your jurisdiction.