Leisure Law Insider - Vol. 6 (May 2025)

Revolt of the Franchisees: Hotel Owners Band Together to Rewrite the Rules

May 19, 2025
By Ricky K. Patel

***Key Take:** Independent hotel franchisees are increasingly uniting through associations to demand transparency, fairer contracts, and greater influence in brand decisions, reshaping the traditional franchisor-franchisee power dynamic.*

In the high-stakes world of hotel franchising, where brand giants like Hilton, Marriott, and IHG have long called the shots, a quiet rebellion is brewing. Franchisees — those independent hotel owners who pay hefty fees for the privilege of flying a corporate flag — are no longer content to sit silently on the sidelines. Across the country, they're forming independent associations, arming themselves with collective bargaining power, and demanding a seat at the table. This isn't just a story of discontent — it's an underdog tale of hoteliers challenging one-sided mandates, securing transparency, and, in some cases, winning big. For the hospitality industry, it's a seismic shift in the franchisor-franchisee power dynamic, one that offers lessons in negotiation, resilience, and the fragile glue that holds a brand together.

The Spark of Rebellion

The seeds of this revolt were planted years ago, watered by frustration over opaque fees, lopsided contract terms, and marketing funds that seem to vanish into a franchisor black hole. Take the Asian American Hotel Owners Association (AAHOA), a powerhouse representing over 20,000 hoteliers — many of whom are franchisees.[1]In recent years, AAHOA has amplified its advocacy, pushing its "Twelve Points of Fair Franchising" to demand equitable treatment.[2]These points aren't radical — they call for basics like fair termination rights and transparency in marketing fund use — but to many franchisors, they're a gauntlet thrown down.

Consider the numbers: in the U.S., 70% of hotels are branded, and franchise agreements often lock owners into 10- to 20-year commitments with fees averaging 10–12% of room revenue annually (think royalties, marketing contributions, and loyalty program costs).[3]Yet, franchisees in smaller markets frequently complain that their marketing contributions — sometimes millions across a system — rarely trickle back to their territories. Instead, funds prop up splashy national campaigns or, worse, subsidize corporate-owned properties. One franchisee, speaking anonymously, put it bluntly: "I'm paying for ads in Times Square while my property in rural Georgia gathers dust."[4]

The Power of the Collective

Enter the independent franchisee association — a grassroots response to this imbalance. The Econo Lodges of America Franchisee Association (ELFA), now 28 years old, offers a glimpse of what's possible. Fully funded by member dues and predominantly free of franchisor influence, ELFA negotiates directly with Choice Hotels, its parent brand.[5]When Choice proposes amenity upgrades or marketing shifts, ELFA's board weighs in first, often softening the blow for its members. ELFA has an impressive track record of turning franchisor proposals into wins for franchisees, from tweaking brand standards to securing better terms.

This model is spreading. In 2023, franchisees of a major mid-tier hotel chain banded together to challenge a sudden hike in technology fees — costs not disclosed in their original Franchise Disclosure Documents (FDDs). Armed with legal counsel and a unified voice, they forced a rollback, saving members an estimated $1.2 million collectively. [6]The Federal Trade Commission (FTC) took note, issuing staff guidance in July 2024 warning franchisors against "undisclosed fees" and signaling a crackdown on deceptive practices.[7]For franchisees, it was validation: collective action works.

Transparency on Trial

At the heart of this revolt is a cry for transparency — especially around marketing funds. Franchise agreements often grant franchisors "sole discretion" over these dollars, a phrase that rankles hotel owners. A 2015 industry report from *Hospitality Net* underscored the issue: some franchisors disclose in their FDDs that marketing funds may disproportionately benefit corporate hotels or even finance new franchise sales rather than local advertising.[8]La Quinta's 2007 UFOC (Uniform Franchise Offering Circular), for example, candidly stated, "We cannot assure you that your Facility will benefit directly or pro rata from the placement of advertising."[9]For franchisees footing the bill, that's a bitter pill.

Independent associations are pushing back. In a landmark case, a group of Marriott franchisees sued in 2022, alleging mismanagement of their marketing fund contributions. They demanded an audit —

something rarely granted under standard agreements — and won a settlement that included greater disclosure of fund allocations.[10]It's a precedent that's rippling through the industry, emboldening others to ask: Where's my money going?

The Franchisor's Dilemma

Franchisors aren't oblivious to the uprising. Some, like Hilton, have doubled down on Franchise Advisory Councils (FACs) — committees meant to bridge the gap. But critics argue these bodies, often hand-picked and funded by franchisors, are little more than PR stunts. Red Roof's 2007 UFOC admitted its FAC "has no authority to impose changes or establish policies."[11]When franchisees smell a rubber stamp, trust erodes further.

Yet, the savvier brands are adapting. IHG, facing pressure from its franchisee base, rolled out a pilot program in 2024 allowing regional franchisee groups to co-manage marketing budgets.[12]Early results show a 15% uptick in owner satisfaction scores — a sign that dialogue, not dictate, might be the future. Still, franchisors walk a tightrope: cede too much control, and brand consistency falters; hold too firm, and the revolt grows.

Lessons From the Frontlines

What's unfolding is more than a power grab — it's a redefinition of the franchise relationship. For hotel owners, the rise of independent associations offers a playbook: unite, negotiate, and leverage legal tools like the FTC's Franchise Rule to level the field.[13]For franchisors, it's a wake-up call to rethink transparency and collaboration before litigation becomes the norm.

The stakes are high. Franchising drives 72% of U.S. hotel rooms (up from 66% in 2012, per McKinsey), and as economic uncertainty looms — think post-

COVID recovery or rising interest rates — both sides need each other more than ever.[14]The revolt of the franchisees isn't about tearing down the system; it's about rebuilding it stronger. As one AAHOA member told me, "We're not here to burn the house down. We just want a say in how it's run."

For an industry built on hospitality, that might be the most compelling invitation of all.

References

[1] Asian American Hotel Owners Association. (2025). "About AAHOA." https://www.aahoa.com/about

[2] AAHOA. (2023). "Twelve Points of Fair Franchising." https://www.aahoa.com/advocacy

[3] American Hotel & Lodging Association. (2024). "2024 State of the Industry Report."

[4] Hotel Executive. (2023, June 15). "Franchisee Frustrations: The Hidden Costs of Branding."

[5] Econo Lodges of America Franchisee Association. (2025). "Our Mission." https://www.elfaonline.org

[6] Franchise Times. (2023, October). "Wyndham Franchisees Push Back on Tech Fees."

[7] Federal Trade Commission. (2024, July). "Staff Guidance on Franchise Fee Disclosures."

[8] Hospitality Net. (2015, March 10). "The Marketing Fund Mystery in Hotel Franchising."

[9] La Quinta Inns, Inc. (2007). "Uniform Franchise Offering Circular."

[10] Hotel Business. (2022, December 12). "Marriott Franchisees Win Marketing Fund Settlement."

[11] Red Roof Inns, Inc. (2007). "Uniform Franchise Offering Circular."

[12] IHG. (2024, September). "Franchisee Partnership Program: Early Results." Press Release.

[13] Federal Trade Commission. (2023). "The Franchise Rule." https://www.ftc.gov/franchise-rule

[14] McKinsey & Company. (2023). "U.S. Hotel Industry Trends: Franchising's Growing Share."