



The Owner's Guide to Hotel Brand Selection & Franchise Negotiation

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High-level course overview

Steve's Avatars

Steve Rushmore

Course Structure

Course Take Home Value

Rushmore's Observations

How to Select a Hotel Brand and Negotiate the Franchise Flow Chart

Table of Contents- Detailed Outline of the Course Content

1 Hotel Brand (Franchise) Search Process

1A Introduction

Terminology: Hotel Brand vs. Hotel Franchise

First-tier vs. Second-tier Management Companies

Hotel Brand Selection and Franchise Structuring (10-step outline)

1B Step-by-step Guide to Selecting a Hotel Brand and Negotiating the Franchise

Define the strategic brief

Asset facts

Positioning

Ownership goals

Operating model

Do the market work (brand "fit" lives here)

Create a long-list, then short-list (4–6 brands max)

Solicit FDDs/term sheets & PIP walk

Map the fee stack (know every dollar and what it's charged on)

Model the economics vs. "independent" (and vs. other brands)

Pressure-test the demand story

Evaluate qualitative strength

Negotiate the business terms

Choose the operator

Run diligence & reference checks

Final investment case & internal approvals

Paper the deal right

Pre-opening & conversion plan

2 Define Ownership Goals and Strategic Objectives

Investment Horizon

Return Objectives

Risk Tolerance

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Archetypes → Brand Families: What Tends to Fit Best
 Positioning Conflicts (Common Owner Mistakes)
 Amenity Design Must Match the Target Mix
 Marketing Strategy: The Brand Isn't the Strategy
 Create a "Positioning Statement" for Each Brand Option
 What are the best choice for [target traveler types/segments]
 Demand-Mix / Brand Fit Scorecard (Decision Tool)
 How This Changes the Brand Decision

3D Brand Standards, Prototype & Design Approval

Why "brand fit" can fail even when the market fit is perfect
 A brand is a design-and-operating system
 Where Prototype Risk Shows Up
 Prototype Constraints: "Keys Per Acre" and Yield
 Guestroom Standards: Size, Mix, and Revenue
 Back-of-House (BOH): The Hidden Space-Eater
 Lobby Concepts & Public Space Requirements
 F&B Requirements: Profit Center or Margin Drain?
 Parking Ratios & Access
 New Build vs Conversion vs Adaptive Reuse
 Design Approval Process: Who Controls What?
 Design Approval Timeline
 PIP Governance: Who Decides Scope?
 What's Appealable vs Non-Negotiable
 Discretionary" Items: How to Negotiate Them
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 How Often Standards Change
 Protecting the Owner: Contract Language to Seek
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4 Identify Suitable Brand Segments

4A Build Your Brand Shortlist Flags and Structures- Identify Suitable Brands

Identify Suitable Brands
 Matching the brand's profile to the hotel's and market's characteristics
 Types of Hotel Brands
 Traditional (Hard) Brands
 Examples
 Why owners choose them
 Typical Fee Structure
 Soft Brands
 Examples
 Why Owners Choose them
 Typical Fee Structure
 Key Tradeoffs for Owners
 Strategic Owner Perspective



	Hotel Collections / Affiliation Groups								
	Examples								
	Typical Fee Structure								
	Why owners choose them								
	Independent Hotels								
	Typical Cost								
	Other considerations in selecting a hotel brand								
	Consider Market Saturation and Brand Protection								
	Evaluate Long-Term Relevance								
4B	The Process of Identifying Suitable Hotel Brands								
	Why Brand Selection Fails								
	A Disciplined, Repeatable Brand Selection Process								
	Brand Determination vs. Brand Selection								
	Brand Determination and Selection Process								
4C	Qualitative Scoring Framework for Selecting a Hotel Brand								
	Brand-by-Brand Qualitative Analysis								
	A brand is a long-term partner with enforcement power								
	System Delivery & Brand Strength								
	Owner Relations: How They Operate as a Franchisor								
	PIP Flexibility & Capital Behavior								
	Standards Flexibility & ‘Living With the Brand’								
	Total Burden (Fees + Programs + Hidden Costs)								
	Exit Value & Transfer Reality								
	How to Use the Scorecard Step-by-step method								
	What counts as evidence								
	Hilton Garden Inn Qualitative Analysis								
	Courtyard by Marriott Qualitative Analysis								
	Hyatt Place Qualitative Analysis								
	Holiday Inn Qualitative Analysis								
	Independent Qualitative Analysis								
	Brand Comparison Heat Map								
	Brand-by-Brand Qualitative Analysis								
	Category 1 — System Delivery & Brand Strength								
	Category 2 — Owner Relations-Franchisor Behavior								
	Category 3 — PIP Flexibility & Capital Behavior								
	Category 4 — Standards Flexibility- Living With the Brand								
	Category 5 — Total Burden (Fees + Programs + Hidden Costs)								
	Category 6 — Exit Value & Transfer Reality								
	Brand Comparison								
	How to Decide When Scores Are Close								
	The Outcome of This Framework								
4D	Franchise vs. Brand-Managed vs. Independent								



	Choosing the Right Operating Model: Why It Matters			
	Overview of the Three Operating Models			
	Franchise			
	Brand-Managed (First-Tier)			
	Independent (No Brand Affiliation)			
	When NOT to Franchise a Hotel			
	Red Flags Indicating Franchising May Hurt Performance			
	Economic Decision Rule: Franchise vs. Independent			
	When a Brand-Managed (First-Tier) Contract Adds More Value			
	Cost Structure: Brand-Managed vs. Franchise			
	Decision Matrix: Franchise vs. Brand-Managed vs. Independent			
	Strategic Decision Guide			
	Final Recommendation Framework			
	Economic Analysis			
4E	Soft Brand vs Hard Brand			
	Definitions (Practical, Owner-Friendly)			
	Hard Brand			
	Soft Brand / Collection			
	What Lenders Typically Like About Hard Brands			
	What Lenders/Buyers Tend to Discount in Soft Brands			
	The Soft Brand Underwriting Question			
	Performance Evidence That Persuades for Soft Brands			
	The “Comparable Set Problem” (and How to Solve It)			
	Where Soft Brands Win (Typical Owner Use Cases)			
	Where Hard Brands Usually Win			
	Negotiations Unique to Soft Brands (Owner Leverage Points)			
	Soft Brand QA: The “Subjectivity” Risk			
	Standards Updates vs “Uniqueness” (The Owner Protection)			
	Lender/Broker Messaging: How to Frame a Soft Brand Deal			
	Decision Scorecard: Soft Brand vs Hard Brand			
	Owner Takeaways			
4F	Brand Descriptions for Selecting the Best Brand			
4F1	How to Use Brand Descriptions			
4F2	Brand Descriptions for ACCOR Group			
4F3	Brand Descriptions for BWH Hotels			
4F4	Brand Descriptions for Choice Hotels			
4F5	Brand Descriptions for Hilton Hotels & Resorts			
4F6	Brand Descriptions for Hyatt Hotels and Resorts			
4F7	Brand Descriptions for InterContinental Hotels and Resorts			
4F8	Brand Descriptions for Marriott Hotels & Resorts			
4F9	Brand Descriptions for Wyndham Hotels & Resorts			
5	Request and Review Franchise Disclosure Documents (FDDs)			



5A Franchise Disclosure Document (FDD)- Part 1

For hotel owners, the FDD reveals

The true cost of joining a brand system

The legal obligations and potential risks

The historic performance and credibility of the franchisor

The balance of power between franchisor and franchisee

14-Day Rule (Mandatory Waiting Period)

Every FDD must contain these 23 items

Full Transparency on Fees and Financial Obligations

State Franchise Laws (Registration States)

Understanding Brand Performance (Item 19)

Clarity on Mandatory Property Improvement Plans (PIPs)

Detailed Explanation of Brand Standards and Operational Control

Disclosure of Litigation and Disputes with Franchisees

Transparency on Encroachment and Territory Protection

Understanding Termination, Renewal, and Exit Options

Required Reporting, Inspections, and Brand Compliance

5A-1 Sample Franchise Disclosure Documents

5B Franchise Disclosure Document (FDD)- Part 2

Evaluation of Support Services and Brand Resources

A Legal Basis for Negotiation

Legal and Contractual Review

Comparing FDDs Across Brands

Engage with Existing Franchisees

6 Analyze the Economics

6A Understanding PIP Realities

Why PIPs Matter- Impacts

Typical PIP Cost Ranges by Brand Tier

Where PIP Dollars Actually Go. Typical Cost Drivers

How Brands Inflate PIP Scope- Common Tactics

Why PIP Costs Can Vary Widely

Hidden PIP-Related Costs

Strategies to Reduce PIP Costs

Advanced PIP Negotiation Strategies

When to Walk Away From a PIP

6B Economic Analysis For Brand Selection

Purpose of Economic Analysis

Core Components of a Hotel Brand Economic Analysis

Estimate Revenue Potential

Occupancy and ADR Forecast

Brand Contribution Analysis



		Loyalty program contribution					
		Reservation system contribution					
		Rate premium					
		Occupancy uplift					
		Calculate Operating Expenses					
		Franchise and Marketing Fees					
		Operating Cost Structure					
		Evaluate Capital Requirements (PIP and FF&E)					
		Consider Exit and Long-Term Value Impact					
6C		Apply the Analysis to Real Brands					
		Hilton Garden Inn					
		Courtyard by Marriott					
		Hyatt Place					
		Holiday Inn					
		Independent					
		Rooms Revenue after Occupancy & ADR Lift					
		Total Franchise Fee Percentage					
		Annualized PIP					
		Net Operating Contribution After Fees + PIP					
		Final Ranking by Net Operating Contribution					
		Strategic Interpretation of the Findings					
6D		Operating Model & Staffing Feasibility					
		How Brand Choice Determines Labor, Service Delivery, and NOI					
		The Core Concept: Brand Tier = Operating Model					
		Brand Tier Comparison (Labor Intensity by Tier)					
		Staffing Categories Owners Must Model					
		Brand-Mandated Roles: The “Non-Optional” People Costs					
		Breakfast Standards Can Drive Staffing					
		Evening Social / Lobby Activation					
		Bar/F&B Expectations: Profit Center or Permanent Expense?					
		Housekeeping: Standards, Service Frequency, and Labor Reality					
		Guest Scores, QA, and Default Risk					
		Staffing Model “Feasibility Test					
		Market Labor Reality: Can You Staff This Brand Here?					
		Staffing-to-NOI Sensitivity					
		Operational Complexity Scorecard					
		Negotiation Leverage: Use Operational Reality as Your Argument					
		Owner-Friendly Contract Concepts					
6E		Hidden Costs Not Obvious in the FDD					
		Loyalty Redemption Charges					
		Loyalty Program Reality					



	Mandatory Program Charges								
	Technology Upgrades								
	Technology Mandates & Upgrade Cycles								
	Brand Initiatives								
	Mandatory Purchasing Programs (Hidden Mark-Ups)								
	Inspection Penalties								
	How Hidden Costs Affect NOI								
	Full Fee + Hidden Cost Comparison								
	Strategic Implications: When Fees Matter Most								
	Questions Owners Should Ask the Brand								
6F	Reservation Contribution & Channel Economics								
	Define the Channels								
	Build the "Truth Table" (One Table, One Decision)								
	Rows								
	Brand.com								
	GDS								
	OTA								
	Voice/Direct								
	Group								
	Contract								
	Columns								
	Room Nights (RN) %								
	ADR								
	Gross Room Revenue								
	Acquisition Cost %								
	Acquisition Cost \$								
	Net Room Revenue								
	Variable Cost adjustments (optional)								
	Contribution Margin (Net)								
6G	Reservation Contribution & Channel Economics (Continued)								
	Redemption "Leakage" (How It Hits Effective ADR)								
	Displacement: The Promo That Replaces Better Business								
	Measure Displacement With One Simple Test								
	Worksheet: Inputs Owners Need From the Brand								
	Worksheet: Inputs Owners Need From The Hotel/Market								
	Negotiation Levers Tied to Channel Economics								
	Wrap-Up: The Owner's Rule								
	Never choose a brand on "occupancy lift" alone								
7	Evaluate Brand Strength and Support								
7A	Purpose of Evaluating Brand Strength								
	Key Dimensions of Brand Strength								



**HOTEL
VALUATION
SOFTWARE**



		Brand Awareness and Global Reach					
		Loyalty Program Power					
		System Delivery and Distribution Strength					
		Central Reservation System (CRS) contribution					
		OTA dependency (lower is better)					
		Corporate account contribution					
		Group and meeting demand					
		Technology and Innovation					
		Marketing and Brand Positioning					
		Owner Relations and Support Structure					
		Guest Satisfaction and Brand Reputation					
		Franchisee Satisfaction and Retention					
		Comparative Brand Strength Index					
7B		Pipeline & Brand Saturation Analysis					
		Why it matters					
		Understanding STR Pipeline Data					
		Market Saturation: What Owners Must Identify					
		How Brands Approve Markets & Determine Spacing					
		Area of Protection (AOP) & Brand Spacing					
		Sister-Brand Encroachment Defined					
		How Sister-Brand Encroachment Impacts RevPAR					
		How Brands Justify Market Approval					
		Tools for Evaluating 5-Year Competitive Risk					
		How to Build a 5-Year Risk Assessment					
		Red Flags in Pipeline Analysis					
7C		Understanding the New Traveler Types					
		From Demographics to Psychographics					
		10 Traveler Types					
		Cultural Enthusiast					
		Adventurer/Explorer					
		Luxury Traveler					
		Wellness Traveler					
		Eco-Conscious/Green Traveler					
		Social Media Sharer					
		Digital Nomad					
		Budget Traveler/Backpacker					
		Family Traveler					
		Solo Traveler ("Me-Mooner")					
		Traveler Characteristics					
		Motivation					
		Seeks					
		Trend					

	Key insight								
	Traveler Types Are Fluid								
	What This Means for Hospitality Brands								
7D	Future Trends in Branding & Franchising- Part 1								
	The Rise of Lifestyle & Soft Brands								
	Why Owners Are Moving Toward Soft Brands								
	The Commodity Risk in Midscale & Select-Service								
	Convergence of Brand Segments								
	Increasing Technology Fees & Digital Ecosystem Control								
	The Expanding Hotel Tech Stack								
7E	Future Trends in Branding & Franchising- Part 2								
	ESG & Sustainability Requirements								
	What Brands Require								
	ESG's Impact on Owners								
	Costs								
	Benefits								
	AI-Driven Revenue Management								
	AI-Enhanced Guest Experience								
	Risks of Rapid AI Adoption								
	Emerging Brand Models								
	What the Next 10 Years Likely Look Like								
	Implications for Owners								
8	Data Rights & the Guest Relationship								
8A	Why Data Rights Matter (Owner Perspective)								
	The Big Idea: Who Owns the Guest?								
	Define "Data" (Owners Must Separate the Buckets)								
	Loyalty program data								
	Reservation system data								
	Property/CRM data								
	On-property operational data								
	Reputation data								
	What Owners Typically Can Retain								
	What Brands Typically Restrict								
	Marketing & Remarketing Rights During the Term								
	Remarketing Restrictions After Term								
	The Consent Problem (What Makes Data Usable)								
	Exit Value Impact (Why Buyers Ask About Data)								
	De-Flagging: What Actually Happens								
	Transition Assistance at De-Flagging								
	Guest Communications During Transition								
	Reputation Management at Transition								

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	Property Improvement Plan (PIP) and Capital Timing				
	Fee Concessions and Ramp-Up Periods				
	Term and Renewal				
	Transfer and Sale Rights				
	Termination Rights				
	Early termination right				
	Liquidated damages cap				
	Brand Conversion or Change of Affiliation				
	Performance Guarantees and Support				
	Negotiation Leverage Points				
	Common Owner Mistakes				
	Documenting the Deal				
	Role of Professional Advisors				
	10A Rushmore Checklist: Franchise Clauses Owners Should Prioritize				
	10B Franchise Agreement- Clause-by-Clause				
	Why a Clause-by-Clause Review Matters				
	Clause-by-Clause Summary: What Owners Must Focus On				
	Franchise Fees: Royalty + All Required System Fees				
	Royalty (the anchor fee)				
	The real cost = royalty + “system fee stack”				
	Methodology risks				
	Owner Considerations				
	Owner Negotiation Points				
	Area of Protection (AOP)				
	Owner risks				
	Owner Considerations				
	Owner Negotiation Points				
	Transfer Rights				
	What transfers include				
	Owner risks				
	Owner Considerations				
	Owner Negotiation Points				
	Renewal Terms				
	Owner risks				
	Owner Considerations				
	Owner Negotiation Points				
	Termination & Default				
	Default Triggers in Franchise Agreement				
	Owner risks				
	Owner Considerations				
	Owner Negotiation Points				
	Termination & Default				
	Owner Considerations				

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11 Interview Existing Franchisees

Purpose of Franchisee Interviews

Validate brand claims

Benchmark performance

Understand the true level of support

Identify hidden costs, conflicts, or challenges

Gauge satisfaction and relationship quality among owners

How to Identify the Right Franchisees to Speak With?

Preparing for the Interviews

Key Questions to Ask Franchisees

Brand Performance and System Delivery

Fees and Cost Transparency

Property Improvement Plan (PIP) Experience

Brand Support and Responsiveness

Marketing and Loyalty Effectiveness

Technology and Operations

Quality Assurance and Audits

Relationship and Communication

What to Look for in the Responses?

How to Interpret Mixed Feedback

Confirming Findings with Data

12 Obtain Brand Approval and Submit Application

Approval to Signature Process, Timeline, and Leverage

Purpose of the Brand Approval Process

Brand Application Submission

Financial Qualification Review

Site Evaluation and Market Alignment

Concept and Design Review

Management and Operational Plan Review

Brand Committee Review

Letter of Intent (LOI) or Conditional Approval

Final Franchise Agreement Issuance

Typical Approval Timeline

Common Reasons for Delayed or Denied Approval

How to Strengthen Your Application

13 Finalize and Execute Franchise Agreement

13A Finalize and Execute the Franchise Agreement

Purpose of the Finalization Phase

Pre-Signing Due Diligence Checklist

Legal Review

Financial Review

Design and Construction Readiness

	Coordination with Lenders and Investors								
	Execution of the Franchise Agreement								
	Transition into the Pre-Opening Phase								
	Insurance, Permits, and Compliance								
	Establishing the Franchise Relationship								
	Preparing for Post-Opening Evaluation								
	Managing Future Obligations								
	Common Owner Mistakes at Finalization								
13B	Where Each Negotiated Point Must Live								
14	Overview of the Entire Franchise Selection Process								
14A	Step-by-step Guide to Selecting a Hotel Franchise								
	Define the strategic brief (before you talk to brands)								
	Do the market work (brand “fit” lives here)								
	Create a long-list, then short-list (4–6 brands max)								
	Solicit FDDs/term sheets & PIP								
	Map the fee stack								
	Model the economics vs. “independent” (and vs. other brands)								
	Pressure-test the demand story								
	Evaluate qualitative strength (support and flexibility)								
	Negotiate the business terms								
	Choose the operator (if franchise + third-party)								
	Run diligence & reference checks								
	Final investment case & internal approvals								
	Paper the deal right								
	Pre-opening & conversion plan								
	What “good” looks like (owner checklist)								
14B	A Checklist of What Needs to be Done to Perform a Hotel Brand Selection & Franchise Negotiation								
14C	Hotel Brand Selection & Franchise Workbook								
14D	Student Handout - Integrated Process for Brand Choice and Franchise Agreement Negotiation								
15	Brand Governance & Dispute Escalation Mechanics								
	How Owners Win QA, Standards, and Performance Test Disputes								
	What Typically Triggers Disputes								
	Brand Governance: Who Actually Makes Decisions?								
	The Practical Escalation Path (The Ladder)								
	The Owner’s Escalation Algorithm (How to Escalate Correctly)								
	QA Disputes: What You Can Appeal (Typical Categories)								
	QA Appeals: Best Practices That Actually Work								
	What Documentation Wins QA Disputes								
	Cure Plans: What Brands Want to See								
	The “Committee” Reality: How to Win Exceptions								
	A Simple “Dispute Playbook” Owners Can Follow								



Appendix

Key Money- Franchisor's Investment in the Property

Definition

Purpose

How is it calculated?

International Differences in Franchising

U.S. vs International Franchising

Regions With U.S.-Style Disclosure Laws

Countries With Minimal or No Disclosure Requirements

How Franchising Works Outside the U.S.

EU Franchising Framework

Asia-Pacific (APAC) Franchising Framework

Middle East & Africa Franchising Framework

Global Brands That Do NOT Use U.S.-Style FDDs

Key Structural Differences in International Deals

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Key Opportunities in International Franchising

Questions Owners Should Ask When Entering a Foreign Market