

Introduction to the Hospitality Industry

Assignment 2

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Question 1: The Pros and Cons of Franchising in the Hospitality Industry

Franchising is now one of the most popular ways for hotel and restaurant chains to grow in the hospitality industry. The franchisor's biggest benefit right away is that they can grow quickly without having to pay for all of the new properties. Instead of spending money to build and run each store, the brand grows by charging franchise fees and royalties. This gives the brand a steady stream of income while spreading out the risk of running the business (Hoy & Stanworth, 2003). This model has helped companies, like McDonalds and Marriott grow around the world. It makes it easier for McDonalds and Marriott to enter markets that're really hard to get into. McDonalds and Marriott can now do business in places that would be very tough for them to get into otherwise.

However, franchising is not without its challenges for the franchisor. Quality control becomes considerably harder when you are relying on independent owners to uphold brand standards across dozens or hundreds of locations. A single poorly run franchise can damage the reputation of the entire brand. There is also the ongoing tension of maintaining consistent service delivery when franchisees naturally priorities their own profitability (Combs et al., 2004).

For the franchisee, the deal is a way to enter the market with a proven idea and less risk. People who are new to the business and may not have a lot of experience can really benefit from the support that comes with an established brand, such as training, supply chains, and marketing. That being said, franchisees give up some freedom in exchange for this safety. They have to follow rules on how to run their business. They also have to pay fees every month even if they are not making money. This can make it hard for them to come up with ideas or change things to suit what local people want. The fee they pay to start a franchise can

be very high. This is especially true for businesses, like hotels that need a lot of money to start.

References

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- Dant, R. P. (2008) 'A futuristic research agenda for the field of franchising', *Journal of Small Business Management*, 46(1), pp. 91–100.
- Hoy, F. & Stanworth, J. (2003) *Franchising: An International Perspective*. London: Routledge.

Question 2: Hotel chains that use franchising to grow around the world

Without franchising, hotel chains like Hilton, IHG, and Accor would not be able to operate on such a large scale around the world. The model lets chains quickly set up shop in new markets, often with local partners who know the rules and customs better than a head office that is far away.

Brand Recognition

The brand name of a hotel franchise may be its most valuable asset. When traveling, people often choose hotels based on how well they know them and how much they trust them. A recognizable brand signals a known level of service, safety, and amenities, which removes uncertainty from the booking decision. This is why franchisors invest heavily in global marketing: every new franchise property reinforces the brand's visibility and credibility in a new location (Dev, 2012).

Scale economies

As a franchise network gets bigger, the franchisor can get better deals from suppliers, tech companies, and distribution channels. Some of these savings can then be passed on to franchisees. Centralized reservation systems, shared marketing budgets, and bulk purchasing all become more efficient at scale. This gives franchised properties a competitive cost advantage that independent hotels generally cannot replicate (Holverson & Revaz, 2006).

Standardization

Standardization is the mechanism that ties brand recognition to actual guest experience. Franchise agreements typically specify everything from room layout and linen quality to complaint-handling procedures. This consistency is what allows guests to walk into a Hampton Inn in Bangkok and have a broadly similar experience to one in Birmingham.

While some argue this homogenizes hospitality and suppresses local character, it also builds the reliability that drives repeat bookings and loyalty programme participation (Dev, 2012). Standardization, therefore, is not merely a constraint on franchisees – it is a core part of what they are buying into.

References

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