Lodging Franchise Fee Structure Review

FRANdata
Franchise Business Intelligence

Introduction

Pricing within a franchise system is often far more complex than the three headline fees most commonly associated with franchising: the initial franchise fee, royalty fee, and advertising contribution. While these fees are frequently used as the starting point for evaluating franchise costs, they capture only a portion of the broader economic relationship between franchisors and franchisees.

Franchise fee structures reflect a continuous balancing of competing objectives. Franchisors rely on fees to fund brand development, reservation infrastructure, technology platforms, loyalty programs, training, quality assurance, revenue management, and other centralized support services. At the same time, franchisees evaluate fee obligations through the lens of unit level economics, return on investment, and competitive alternatives. As a result, franchise pricing serves not only as a revenue mechanism for the franchisor, but also as a strategic tool that influences franchisee profitability, system competitiveness, and long-term brand growth.

Comparing fee structures across lodging brands is particularly challenging because fees vary considerably in both design and application. Certain fees are assessed on a per room basis, while others are calculated as a percentage of revenue, linked to reservation activity, incurred only when specific services are utilized, or triggered by compliance related events. Furthermore, some franchisors bundle multiple services within broader system fees, whereas others separately itemize those same services. These differences often obscure the true cost of participation within a franchise system and limit the usefulness of comparing only a small number of headline fees.

To better understand how lodging franchisors structure and price the franchise relationship, FRANdata conducted a comprehensive analysis of fee structures across the extended stay hotel segment. The study included approximately 1,700 fee items identified across the research set, consisting of roughly 300 startup related fees and 1,400 ongoing fees. Each fee was evaluated and classified according to its pricing methodology, frequency, fee type, and underlying functional purpose. Functional categories included operational, marketing, technology, development, and franchise related services, providing a framework for examining both how fees are assessed and the business functions they support.

Where appropriate, FRANdata standardized fee calculations to improve comparability across brands. For example, room-based franchise fees were converted using standardized assumptions to create a common analytical basis, allowing fee structures that would otherwise be difficult to compare to be evaluated more consistently.

The purpose of this study was twofold. First, it establishes a standardized framework for comparing fee structures that are often presented and organized differently across lodging franchise systems. Second, it provides insight into how lodging franchisors allocate costs across startup activities, ongoing operations, technology, marketing, reservation infrastructure, and other support functions, offering a more comprehensive view of how franchise relationships are priced within the lodging industry.

Scope of Fee Review

Across the reviewed hotel brands, FRANdata identified approximately 70 distinct fee categories spanning both startup and ongoing franchise obligations. While certain charges, such as franchise fees, royalties, and marketing contributions, are common across most lodging brands, many others vary significantly in naming convention, structure, and application.

To facilitate consistent comparisons, FRANdata categorized each fee according to its underlying economic purpose rather than relying solely on the terminology used by individual brands. This methodology enabled fees with different labels but similar functions to be grouped into standardized categories, including loyalty programs, property improvement plans (PIPs), site inspections, quality assurance enforcement, owner association dues, reservation and distribution systems, third party booking channels, revenue management services, sales support services, property management systems, and centralized reservation platforms, etc.

The analysis revealed substantial variation in both the number and composition of fees across brands. Some systems maintain relatively streamlined fee structures, while others rely on a broader range of charges associated with technology platforms, centralized services, compliance requirements, and brand specific support programs. These differences highlight the importance of evaluating franchise pricing through a structured framework that captures the full range of franchisee obligations rather than focusing solely on a limited set of headline fees.

Initial Fee Categorization

Within the initial fee category for hotel brands, required fees represented the majority of fee items at 70.8%, followed by elective fees at 17.4%. Penalty fees and variable service fees accounted for smaller shares at 9.5% and 2.3%, respectively. In terms of pricing structure, initial fees were most commonly assessed as fixed amount charges, followed by range-based and formula-based fee structures.

70.8%

Required Fees

17.4%

Elective Fees

9.5%

Penalty Fees

2.3%

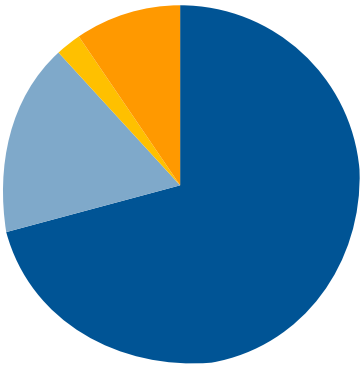
Variable Service Fees

Examples

Brand	Fee Name	Amount	Fee Type/Basis	Description
Extended Stay America Premier Suites	Development Fee	$50,000 × minimum committed Brand Hotels (minimum 2 hotels)	Required/Formula-based	The Development Fee is equal to the Initial Franchise Fee ($50,000) multiplied by the minimum number of Brand Hotels to be developed, which is at least 2 Brand Hotels.
SureStay by Best Western	Hotel Managed Security Service (“HMSS”) One-Time Installation Fee	$2,100 - $3,500	Required/Range-based	All franchisees must implement the HMSS system, which provides hotels with secure communications to data centers and security. This service will require that the franchisee pays the one-time installation costs, ranging from $2,100 to $3,500.
Hawthorn Extended Stay by Wyndham	Custom Interior Design Review Fee	up to $6,000	Elective/Range-based	The fee applies if the franchisee’s proposed or approved plans include customization of required design elements and covers the franchisor’s review of custom interior design drawings for compliance with brand standards.
LivSmart Studios by Hilton	Miscellaneous Services	As agreed.	Variable Service Fee/Variable	The fee applies to additional services or programs offered by the franchisor or its affiliates, including supplemental training, recruiting assistance, system upgrades, or programs related to changes in brand standards. Most services are optional, but some may be mandatory depending on system requirements.
WoodSpring Suites	Failure to Attend the Owner Immersion Training	$125 per month	Penalty/Fixed	Failure to attend within the prescribed time frame may result in a non-compliance penalty of $125 per month for failure to attend the Owner Immersion training.

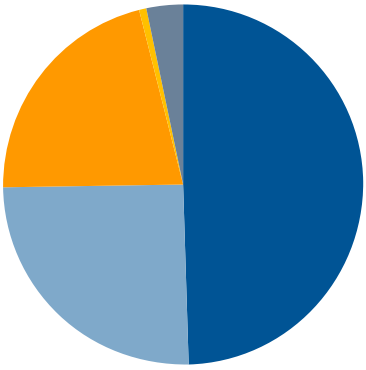
From a functional perspective, operational fees represented the largest share of initial fees at 56.4%, followed by technology-related fees at 23.3%. This suggests that initial fees are primarily tied to operational onboarding, startup support, and system or technology implementation required to support franchisee operations.

Analysis of Franchise Fee Types



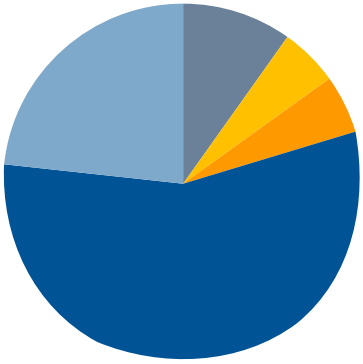
70.8% **Required Fee**
17.4% **Elective Fee**
2.3% **Variable Service Fee**
9.5% **Penalty Fee**

Analysis of Franchise Fee Pricing Structure



49.5% **Fixed**
25.2% **Range-based**
21.3% **Formula-based**
0.7% **Percentage-based**
3.3% **Variable**

Analysis of Franchise Fee Distribution by Functionality



9.8% **Development Fees**
5.2% **Franchise Fees**
5.2% **Marketing Fees**
56.4% **Operational Fees**
23.3% **Tech Fees**

Ongoing Fee Categorization

Ongoing fees exhibited greater diversity than startup fees and reflected the ongoing services, infrastructure, and operational requirements associated with participation in a lodging franchise system. Required fees represented the largest share of ongoing fee items at 41.6%, followed by penalty fees at 25.5%.

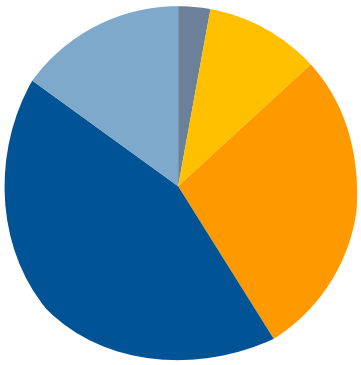
Formula based pricing was the most common fee structure, indicating that many ongoing fees are tied to variable factors such as revenue, reservation activity, room count, transaction volume, technology usage, loyalty program participation, or other service based measures.

From a functional perspective, operational fees accounted for the largest share of ongoing fees at 43.9%, followed by marketing and technology related fees. This distribution suggests that ongoing fee structures are primarily associated with supporting day to day operations, brand initiatives, technology platforms, and other system wide services provided to franchisees.

Examples

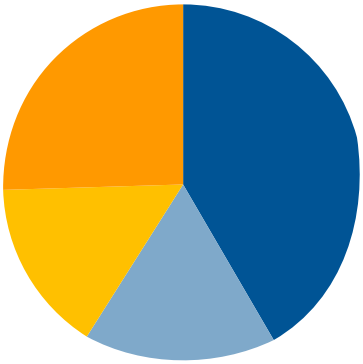
Brand	Fee Name	Amount	Fee Type/Basis	Description
Everhome Suites Extended Stay by Choice Hotels	Bundled Franchise Fee	9.0% of Gross Room Revenue	Required/Percentage-based	The Bundled Franchise Fee includes the royalty fee; the Marketing and Reservation Fee(equal to 1.0% of the preceding month's GRR); costs associated with the global distribution system (GDS), including the Leisure Affinity Promotional Program, Platform Marketing Distribution Program, and Mega Agency and Consortia Pay for Performance Program; costs associated with the enterprise paid media program; and costs associated with the loyalty program, including the Rewards Program Fee, Airline Frequent Traveler Program Fee, Programs Processing Fee, Egencia, the Choice Privileges Meeting/Group Planner Point Program, and the Elite Welcome Recognition Program.
ECHO Suites Extended Stay by Wyndham	Standard Revenue Management Services ("Standard RMS") Fee	0.75% of GRR with a minimum of $645 per month and a maximum of $1,395 per month	Elective/Range-based	Standard RMS is an optional service. Although the fee is based on a percentage of GRR, the monthly charge is limited by stated minimum and maximum amounts, so it was classified as range-based.
Best Western Hotels & Resorts	Third-Party Internet Booking Fee	$4.60 per booking	Variable Service Fee/Formula-based	Payable for reservations booked through third-party internet booking sites.
Hyatt Studios	Purchasing services	Will vary depending on items purchased, but will not exceed 110% of the franchisor or its affiliates' actual costs and expenses	Variable Service Fee/Variable	Applies only when the franchisee purchases items through the franchisor or its affiliate. The amount varies based on the items purchased.

Analysis of Franchise Fee Distribution by Functionality



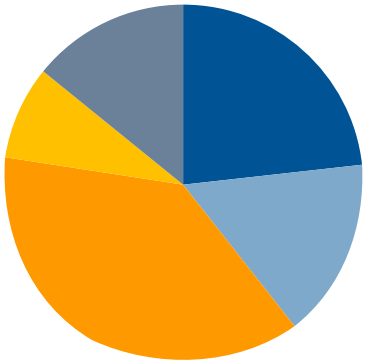
2.9% Development Fees
10.3% Franchise Fees
27.9% Marketing Fees
43.9% Operational Fees
15.0% Tech Fees

Analysis of Franchise Fee Types



41.6% Required Fee
17.4% Elective Fee
15.5% Variable Service Fee
25.5% Penalty Fee

Analysis of Franchise Fee Pricing Structure



23.2% Fixed
16.1% Range-based
38.0% Formula-based
8.4% Percentage-based
14.1% Variable

Summary

Startup fees were generally more standardized and concentrated around activities associated with entering and launching the business, including onboarding, training, pre-opening support, technology implementation, and other development related requirements. Although these fees were comparatively easier to evaluate across brands, variations remained based on hotel size, development structure, required services, and brand specific startup requirements.

In contrast, ongoing fees exhibited greater diversity in both structure and application. These fees were more likely to utilize formula based, usage driven, or event triggered pricing methodologies and reflected the continuing costs associated with operating within a lodging franchise system. The relatively high concentration of penalty related fees also suggests that ongoing fee structures play a role in supporting compliance, quality assurance, brand consistency, and operational accountability across the franchise network.

Taken together, the findings demonstrate that meaningful comparisons of lodging franchise pricing require a comprehensive review of the full fee structure rather than a narrow focus on headline rates alone. Understanding how fees are categorized, assessed, and allocated across different support functions provides a more complete view of franchisee obligations and allows for more consistent comparisons across lodging brands.

About FRANdata
FRANdata is the trusted source of franchise intelligence. For decades, we've helped the entire franchise ecosystem — franchisors, lenders, suppliers, and investors — turn the complexity of franchising into clear, reliable insight.
Through proprietary data, research, and analytics, FRANdata brings transparency to how franchise systems are structured, priced, financed, and positioned. More than 60% of all SBA franchise loans are financed by lenders who rely on FRANdata's FUND report.
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