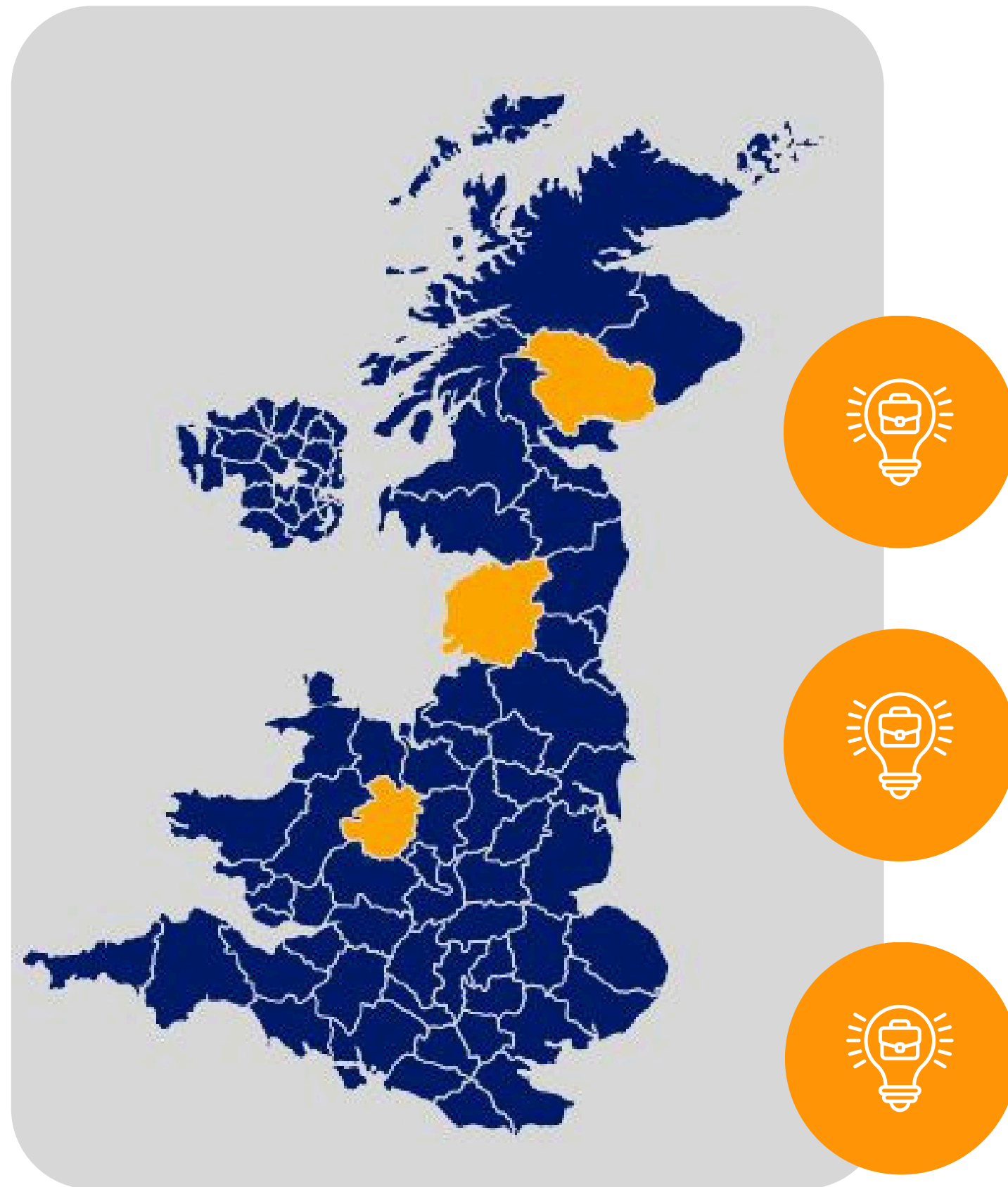


Yes Consulting

Scaling Success: Franchising in Short-Term Rentals?



Sounds like a great idea to grow a brand?



Performance not people managed

Easy growth, as other, non salaried and committed people do the local hard work

Extra geo-reach from the core business

So many destinations to sell and increased capital from franchisees to grow

The sky is the limit

More franchises, greater brand strength, more value, more amortisation, more marketing money....

GROWTH

What is a Franchise?

Franchising is a system of marketing goods and/or services and/or technology, which is based upon **a close and ongoing collaboration between legally and financially separate and independent undertakings**, the Franchisor and its individual Franchisees, whereby the Franchisor grants its individual Franchisee the right, and imposes the obligation, **to conduct a business in accordance with the Franchisor's concept.**

The right entitles and compels the individual Franchisee, **in exchange for a direct or indirect financial consideration**, to use the **Franchisor's trade name, and/or trade mark** and /or service mark, knowhow, business and technical methods, procedural system, and other industrial and /or intellectual property rights, supported by continuing provision of commercial and technical assistance, within the framework and for the term of a **written franchise agreement**, concluded between parties for this purpose.

UK

The industry is self-regulated through the British Franchise Association (BFA).

Although not legally binding, BFA's Code of Ethics is generally respected and has been considered by English courts. International brands often choose the UK, particularly England, as a stepping stone for expansion due to the lenient regulations and the reputation of English law.

<https://www.thebfa.org/>

EU

The European Code of Ethics for Franchising is the franchising industry's self-regulatory code, designed for all stakeholders in the franchise industry in Europe, both franchisors and franchisees, looking for guidance on best practice in franchising relations. It dates back to 1972. The Code which is not legally binding is promoted and defended by each of the national associations and within each association their franchise-company members commit to abide by the Code on becoming members of their national franchise association.




<https://franchising.eu/franchise-guide/26/the-european-code-of-ethics-for-franchising/>

USA

Franchising in the US is regulated both federally and at the state level. The Federal Trade Commission regulates franchising at the federal level using the Disclosure Requirements and Prohibitions Concerning Franchising ('FTC Franchise Rule'). The FTC Franchise Rule applies in all 50 states and US territories and protectorates and requires franchisors to make disclosures to prospective franchisees (**FDD**) before the prospective franchisee can either sign a binding agreement or pay any money to the franchisor

<https://www.ftc.gov/legal-library/browse/rules/franchise-rule>

Large Hospitality Brands & Franchises (Perspective)

		Brand	Market Cap
1		Airbnb	\$93.04bn
2		Marriott (F) (inc "Homes & Villas")	\$61.27bn (5,500 Franchised Hotels)
3		Hilton (F)	\$40.3bn (7,300 Properties & No. 1 Franchise)
		Big Hospitality Franchise Examples	Units, Investment, Royalties
1		Raddison Blu (F)	Franchise units: 124, Initial investment: £16,000,000-£94,000,000, Ongoing Royalty Fee: 5% 
2		Travelodge (F)	Franchise units: 450 Initial investment: £142,000-£6,400,000 Ongoing Royalty Fee: 4.5% 
3		Days Inn (F)	Franchise units: 1728 Initial investment: £225,000-£6,400,000 Royalty Fees: 5.5% 

EFF's MEMBER FRANCHISE ASSOCIATIONS



Aspray

Property services, insurance & management
Established



EweMove

Property services, insurance & management
Established



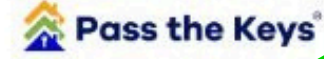
Nicholas Humphreys Estate Agents

Property services, insurance & management
Established



Newton Fallowell

Property services, insurance & management
Established



Pass The Keys

Property services, insurance & management
Emerging



Platinum Property Partners

Property services, insurance & management
Established



No Letting Go Inventory Management

Property services, insurance & management
Established



Belvoir

Property services, insurance & management
Established

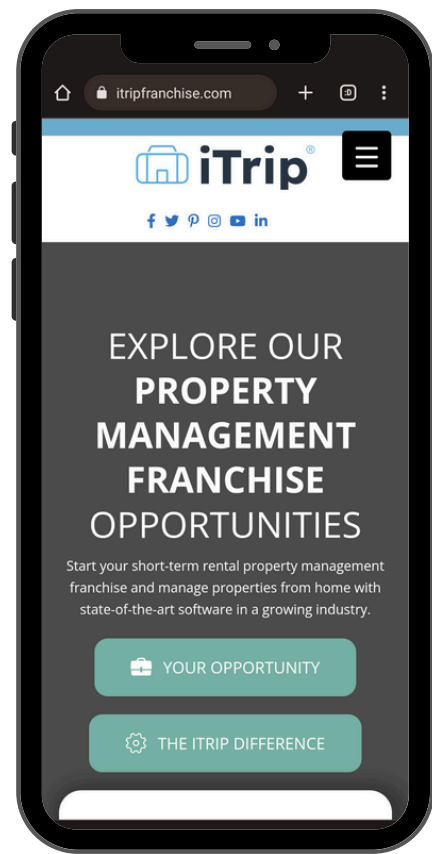


Northwood GB Ltd

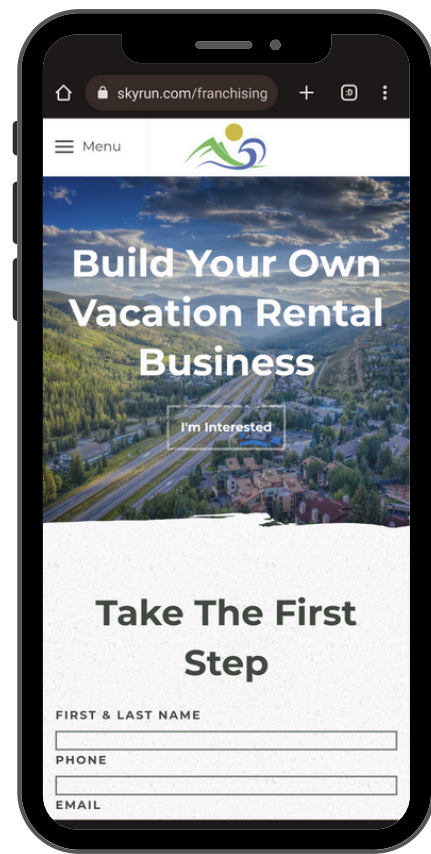
Property services, insurance & management
Established



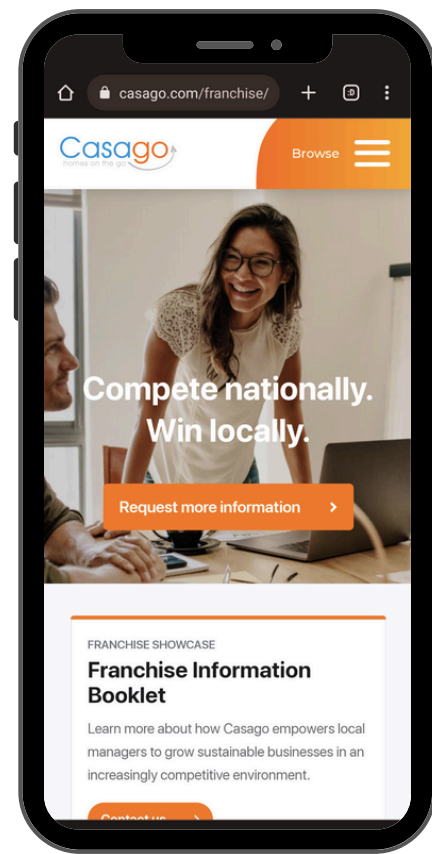
GOVERNANCE



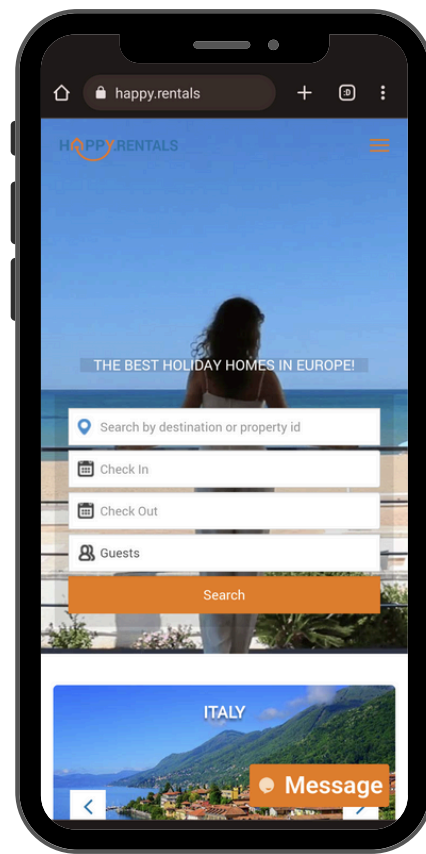
Franchise
100+ ~ 4,300 Props



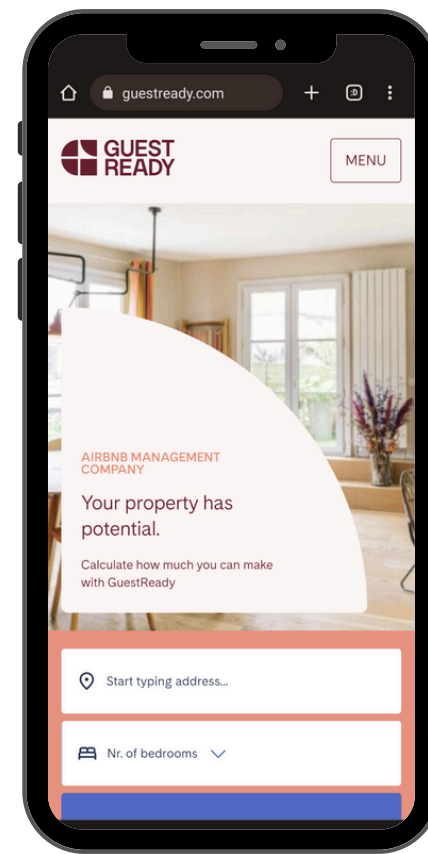
Franchise
34 ~ 1,200 Props



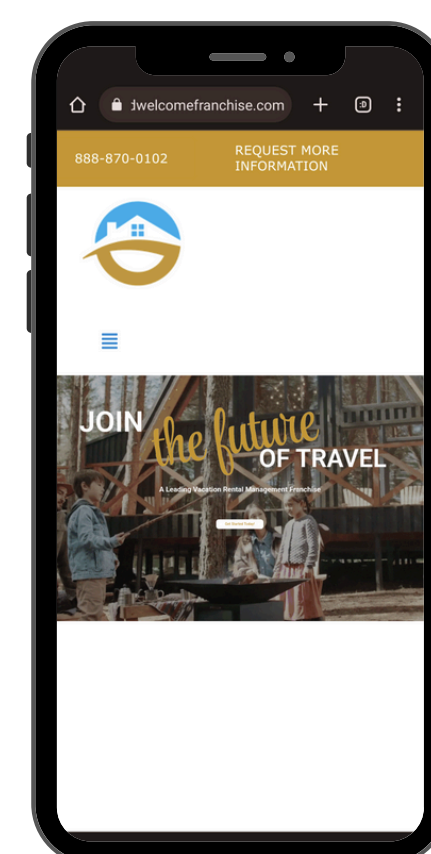
Franchise
3,000 Props



Partner
3,150 Props



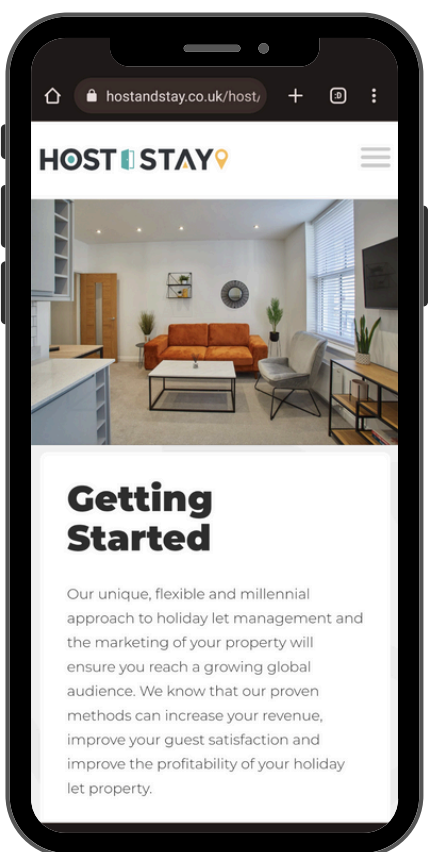
Partner/Saas/List
3,000 Props



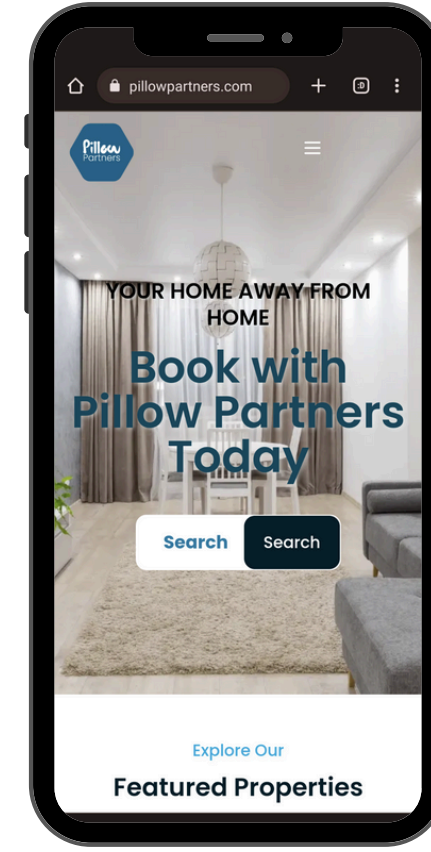
Franchise
1,500 Props



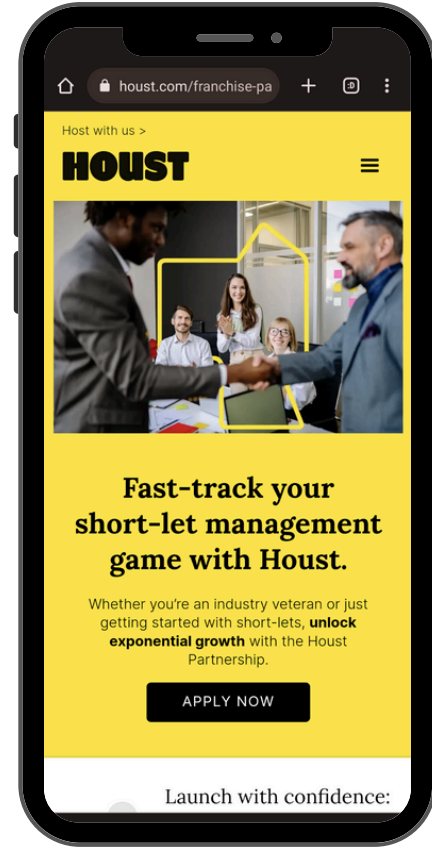
Franchise
4,200 Props



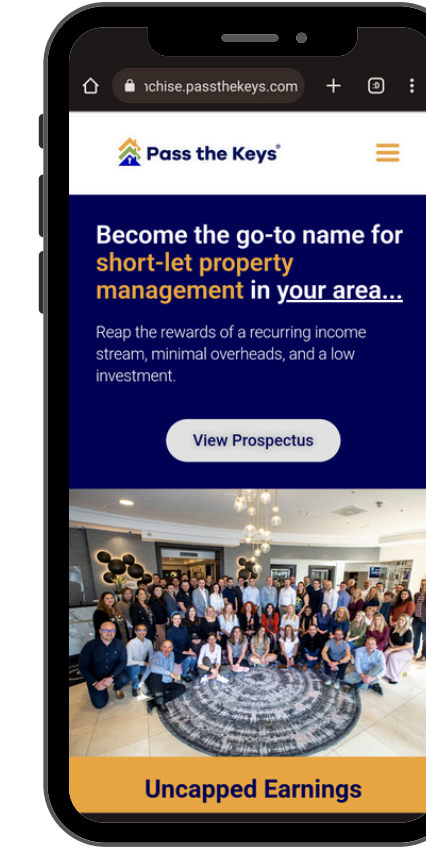
Partner
800 Props



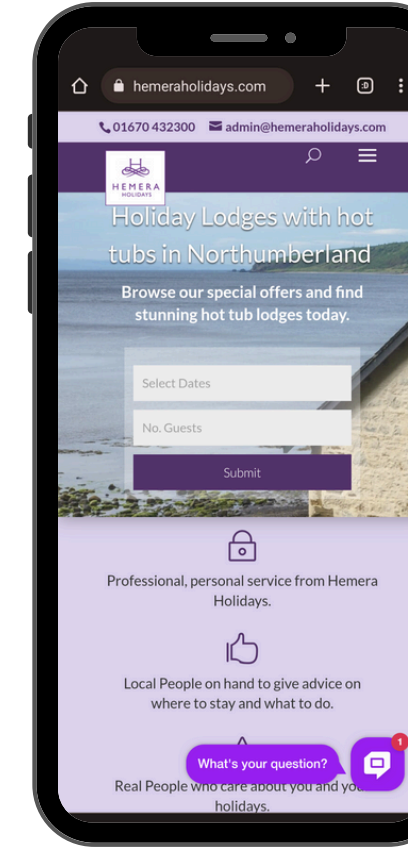
Franchise
20 ~ 1,000 Props



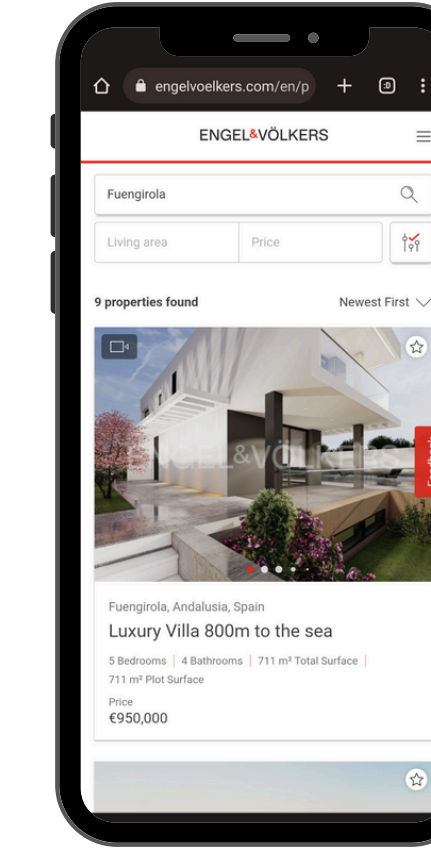
Franchise
20 ~ 6,000+ Props



Franchise
50+ ~ 1,400 Props



Franchise
44 Props



Real Estate
+ Rentals





Our Average Partner Earnings

We would expect to see a partner have over 20 managed properties in their first year. Within 3 years, many of our partners manage almost 50 properties, and generate an income of almost £150,000!



Average No of Properties Managed*

Year	Average No of Properties
Year 1	21
Year 2	38
Year 3	49



This calculates as £3,000 per property in year 3

Here's how much you could be earning:

Based off 20% commission rate and Houst OccuMax algorithm for 12 months ADR £127 after platform fee:



* The projection model above is based on current forecasted market data, with no actual trading data. It's designed for users to input their own assumptions. Neither Houst, any associated group company, advisor, consultant or employee make any representations or warranties in terms of the actual performance of franchisee territories and these figures should not be relied upon in terms of guaranteeing the performance of our partner.

This calculates as £7,584 per property in year 3

MAKING MONEY



All the questions

USA FDD information pack

- Business experience: →
- Litigation:
- Bankruptcy:
- Initial fees: →
- Other fees:
- Estimated initial investment: →
- Restrictions on sources of products and services:
- Franchisee's obligations:
- Financing:
- **Territory:** →
- Trademarks:
- Restrictions on what the franchisee may sell:
- **Renewal**, termination, transfer, and dispute resolution: . →
- Public figures:
- Financial performance representations: →
- Outlets and franchisee information: Financial statements: →
- Contracts:
- Receipts/Additional Info:

The Interesting ones

There is no one fits all

Very variable in size and experience

UK and EU: EU5,000 to EU25,000

USA: \$20,000 to 100,000+

Rev share and other fees.

→ **Offices, staff, materials etc (USA)**

Governed by property estimates and income.


Plus negotiable terms on existing businesses and terms to adopt other franchise properties.

Performance metrics/budgets, brand representation etc and fees!

3 Years of financial statements!

Disclosure on current franchisees, volumes and averages: 20 to 100+

THE DETAILS

Type of Fee	Amount	Type of Fee	Amount 
Initial Franchise Fee	\$15,000 & \$5,000 Renewal	Insurance Fee	\$1,500/pm
Initial Program Fee	\$55,000	Initial Training	\$2,000
Software License Fee	\$1,500, then \$500/pm	Ongoing Training	\$300/pp
Start up Kit	\$1,500	email monthly	\$1,000/pm
Printed Materials	\$2,500	Digital marketing	\$1,000/pm
Local Ads/Digital/email	\$6,000 initial	Lead Referral	\$500
Professional Fees	\$1,500	Royalties/Commission/Fees	4-6%

Plus other fees for managed underperformance. Adopting other services, conferences, onboarding other Franchise properties etc.

Yellow Fee Types are those encountered in UK/EU Research

THE FEES

Why be a Franchisor?		Why be a Franchisee?
Expansion	✓	Dedicated Territory
Big Investment in technology and marketing, with knowledge and experience on all aspects of the business.	✓	Little or no knowledge of the industry and very light on technology & marketing.
Staff and continual HR creep can be a headache for a small to modest size company. Replace this with training and documentation for franchisees. Create a community.	✓	Franchisees can be independent on their income splits, use of net funds and control their own operation (under brand guidelines). Be part of a community
Franchise setup income and continuous commissions, royalties, marketing fees, brand license etc.	✓	Paying to be part of a growing community, where size brings increased opportunity with owners and guests and increased income.

WHY

<h2>Why not to be a Franchisor?</h2>		<h2>Why not to be a Franchisee?</h2>
<p>Software. Using third party software removes price controls and bespoke development (Core PMS) restricting growth and may have price challenges. Scale Requires Software Dev.</p>		<p>Software controls distribution, pricing, booking, payments and can be adopted easily and privately. Hundreds of suppliers and OTAs bring business.</p>
<p>Requires training materials and staff (with different skill sets) to train and sell new franchises and ensure sufficient support to make Franchises work effectively.</p>		<p>This isn't rocket science, start small, talk to people, get online and be independent. Then plan growth.</p>
<p>Lack of standardisation of franchisee approaches and lack of property standardisation and service. Damage limitation.</p>		<p>Franchisees are reliant on the Franchisor for overall brand and reputation. One bad egg etc.</p>
<p>It may well be more profitable and controllable to hire a sales person for that territory or use a partner approach with existing businesses. Break even point?</p>		<p>Why split the income when you can go it alone and build your own local brand that has 100% ownership and better Exit opportunities?</p>
<p>Legalese, contracts and lawyers</p>		<p>Upfront commitment and license renewal based on performance.</p>
<p>Legislation, registration and licensing uncertainty</p>		<p>Legislation, registration and licensing uncertainty</p>

So you want to be in the STR business. Alternatives?

Surprise!

Short-Let Property Management for Owners and Hosts
Flexible and hassle-free to optimise your rental income. Get a quote now.
Let with us **Find your stay**

OR

AIRBNB MANAGEMENT COMPANY
Your property has potential.
Calculate how much you can make with GuestReady

OR

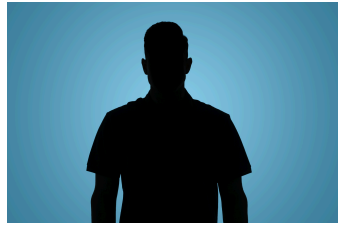


“A franchising company”

“A partner company”

“Co-Hosting”

CONTENTIOUS



Franchisor

vs

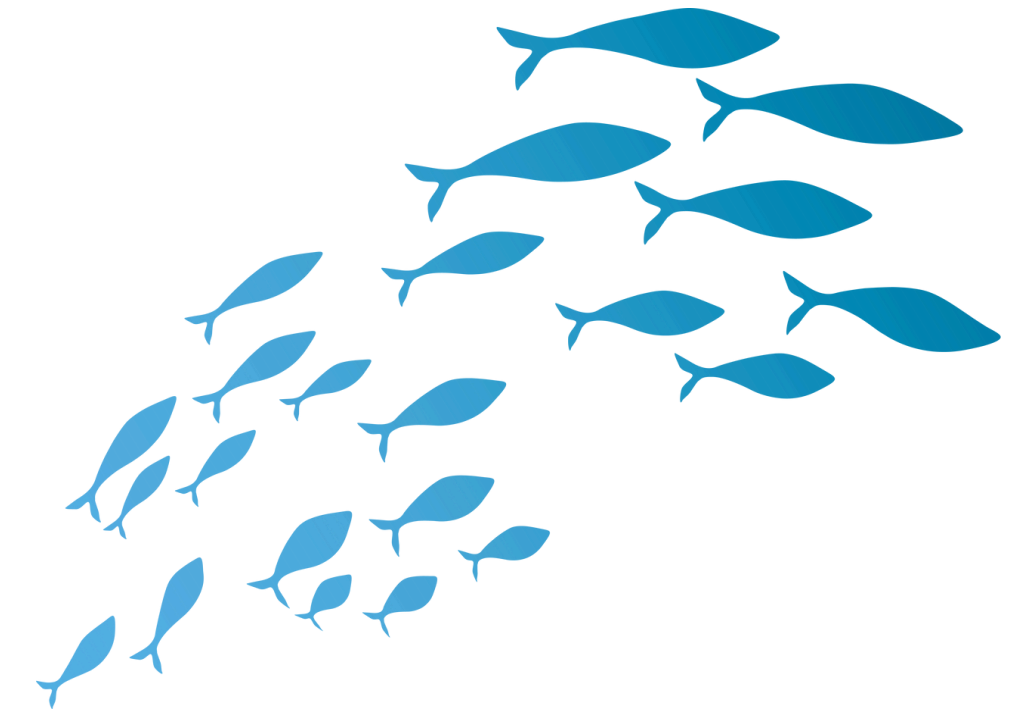
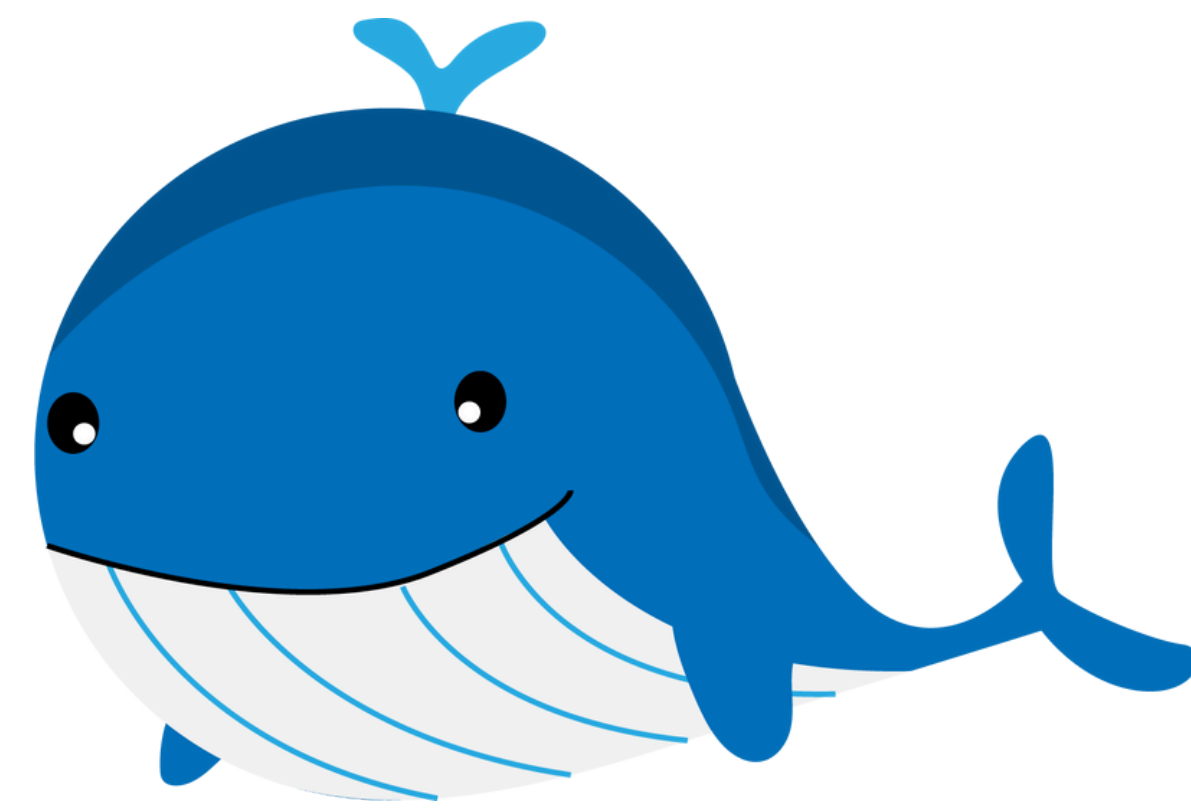


Co-Hosting



SIZE DOES COUNT

- Industry is hyper local, which can restrict expansion
- Technology requirements are increasing
- Operational costs and labour have increased substantially.
- Owner expectations and requirements have increased
- Legislation is heading our way
- OTAs and platforms are increasing penetration.
- Guests pay more
- **and everyone stays in an Airbnb.**



Organic, franchise, partner, buy or sell?

SIZE COUNTS

Yes.Consulting
Thank You



[Register to receive a full Franchise Research Document.](#)

[Please use this URL or QR Code.](#)

THE END

Yes.Consulting

<https://yes.consulting>

<https://smarthosts.org>

<https://www.linkedin.com/in/richardvaughton/>