

**Hotel Franchise and Hotel Management, One stop Service: Qualifying your property to the Right branding and Management**



Africa's hotel market, driven by consumer spending, is going through a critical period of expansion. There exist three common business models in the hotel market, including Individual Brand Hotels, franchised hotels and commissioned hotels. In the early stage of the development of the hotel industry, generally Individual Brand Hotels and commissioned hotels constitute the majority, but with the gradual maturity of the market, some large hotel

groups gradually open the franchise model. For investors, this can be regarded as a better choice.

Comparison between Individually branded Hotels and Franchised hotels is analyzed below

### Types of Hotel Business Model

Business Model			
	Individual Hotel	Hotel Franchising	Hotel Management
<b>Concept</b>	The hotel is run under the owner's name and the owner is responsible for the daily operation	Hotel brand company franchises its brand and related intellectual property rights to franchisee and charge franchise fee	Hotel management company runs the hotel with its own brand and team and charge entrusted fee
<b>Indulgement</b>	The owner is responsible for the personnel, financial and procurement management	Franchisee (hotel owner) needs to set up its own team or hire a third party management team to run the hotel. Franchisee (hotel owner) controls the personnel, financial and materials management	Hotel management company controls the personnel, financial and materials management

#### Individually Branded Hotel

As the name suggests, individually branded hotel is run by the owner itself. The owner is responsible for the daily operation of the hotel, and also taking charge of the hotel's personnel, financial and materials management. This is the business model that most hotels in Africa adopt today.

#### Brand Hotel Franchising

Hotel Brand Company will franchise its brand, corresponding intellectual property rights of the brand and all the standard procedures during the construction and operation period to the hotel. Hotel owner needs to set up its own team or hire a third party management team to run the hotel.

That is to say, the hotel brand company takes the stress of daily operation, playing a role of supervision. Supervision of the hotel management (franchisee) is to ensure that the hotel is operating in accordance with the standards of the hotel brand company (franchiser) in all aspects. The hotel owner has the decision-making rights of the personnel, financial and materials management.

Investors who are interested in the hotel business but are anxious about the risks of opening a hotel can choose to join the franchising industry. The services provided by franchise hotel groups will be slightly different. For example, Ivy hotel chain will dispatch the franchise manager to assist the owner to run the hotel, increase sales revenue and put forward feasible suggestions during the preparation and operation period, thus greatly reducing the risk of investment failure. At the same time, Ivy hotel brand does not directly interfere in the operation of the hotel. The owner still has the decision-making right in terms of the hotel's personnel, financial and materials management.

**Hotel management**

The owner shall construct the hotel in accordance with the standards of the hotel management company and entrust the hotel to the hotel management company for operation and management. Hotel management companies not only run hotels under their own brands, but are also responsible for all operations and management. Under such model, not only basic fees are charged, but also a series of management fees. Besides, the hotel management company will share the profits via royalty fees.

Under the entrusted management model, the personnel, financial and materials management is completely controlled by the hotel management company and the hotel owners only have the right to monitor.

**Personnel, Financial and Materials Management in Different Models**

**The Personnel Management**

<b>Personnel Management</b>			
	<b>Individual Hotel</b>	<b>Hotel franchising</b>	<b>Hotel management</b>

<b>Conditions</b>	The hotel owner is responsible for the personnel management	Franchisee (hotel owner) is the decision maker of the personnel management, franchiser (hotel brand company) dispatches the trained franchise manager to hotel. After joining the hotel, he will build the team and report to the owner	Hotel management company is responsible for the personnel management
<b>Features</b>	Owner is for decision making, lack of experience, staff redundant	Franchiser (hotel brand company) only gives advice and don't make decision. Franchise manager helps the owner build the team and do training and management	Hotel owner can only monitor the personnel management

Note: The franchise hotel is the taking the standard of IVY Hotel (the other franchised hotel often don't provide franchise manager and the owner shall be responsible for the personnel management)

Individually Branded Hotels usually recruit and train the staff by themselves. Due to the lack of relevant personnel management experience, the hotel staff turnover is high. During the hotel operation, personnel adjustment and improvement should be carried out continuously.

Under the franchise model, the hotel owners need to hire professional managers, and the hotel brand company shall consult give but do not make a decision. The hotel owners need to recruit their own team and carry out training with the brand standard.

Under the hotel management model, the general manager of the hotel is directly allocated by the hotel management company. The owner of the hotel does not participate in the management of the hotel, and has entrusted the general manager to manage the hotel. But the general manager reports to the hotel management company.

Franchise and entrustment management have their own advantages and disadvantages. They can only give consultation, won't interfere with the establishment of personnel system. Or they directly set up the system. Ivy hotels implement a different franchise model. They send the franchise manager to the hotel and the franchise manager must be trained by the

group to be qualified for the position. After joining the hotel, the franchise manager has the administrative management power of the hotel. He/she will build and train a team according to the unified standards of Ivy hotel, make marketing management plans and optimize the room/staff ratio so as to reduce the labor costs. The franchise manager reports directly to the hotel owner and accepts the quality inspection and supervision of Ivy hotel headquarters.

### Financial Management

Financial Management			
	Individual Hotel	Hotel Franchising	Hotel Management
<b>Conditions</b>	The hotel owner is responsible for the revenue and expenditure, thus profit and loss	Franchisee (owner) has the right to formulate and dispose the financial budget. If the owner has any questions, Ivy hotel can give some guidance	The annual plan of each year is formulated by the team assigned by the management company and submitted to the management company for review. The plan is finally approved and paid by the owner.
<b>Features</b>	lack of professional teams and market data, often make improper financial budget	The dispatched franchise manager of franchiser (hotel brand company) shall formulate the annual plan and report to the owner	Hotel owner has the approval right of the annual financial budget and disposal
Note: The franchise hotel is the taking the standard of IVY Hotel (the other franchised hotel often don't provide franchise manager and the owner shall be responsible for the personnel management)			

The individual hotel owners are responsible for their own financial affairs. But due to the lack of a detailed feasibility research professional it is difficult for Individual Brand Hotels to make a professional annual financial budget, thus resulting in the misuse of funds.

Under the franchise model, most of the hotel owners are mainly responsible for submitting the financial statement of the hotel sales revenue to the hotel brand company and paying the current franchise fee according to the contract. Ivy hotel also reserves the financial

management power of the hotel to the owner completely, and the annual financial budget is also decided by the owner according to the market situation. Inquiries of the hotel owners are consulted by the IVY Hotel group for further analysis. In terms of the financial control, Ivy's franchise manager allocated in the hotel has certain power over daily projects, but reports to the owner. Ivy hotel does not interfere in the daily financial management control of the hotel.

Under the entrusted management model, the annual plan of each year is formulated by the team assigned by the management company to the hotel and submitted to the management company for review. The project forecast proposal is finally approved and paid by the owner. The same is for financial management; the management team assigned to the hotel by the management company is also entrusted to control the daily expenses of the hotel according to the budget. Generally, the owner has the right to approve the annual financial budget, but if there is a big difference between his opinion and the management company, the two parties will enter into a long-term negotiation period to seek a solution and reach a consensus. Hotels with no budget will be put into a crisis of closure, but this rarely happens. Under such circumstances, the owner can only quickly decide to pay or terminate the entrusted management and pay the corresponding compensation.

**Materials Procurement Management**

<b>Materials Procurement</b>			
	<b>Individual Hotel</b>	<b>Hotel Franchising</b>	<b>Hotel Management</b>
<b>Conditions</b>	The hotel owner is responsible for the revenue and expenditure, thus profit and loss	Ivy's franchise managers allocated to the hotel will make procurement plans on a regular basis and report to the hotel owner. Some materials shall be selected from the list of suppliers made by the brand company. When and how much to purchase shall be decided by the owner.	The management company decides the material procurement and equipment maintenance required during the hotel's planning and operation, and the required expenses shall be paid from the annual budget.

<b>Features</b>	Lack of detailed feasibility research , often make improper financial budget	Brand hotel has the supplier list of all the materials and the owner shall decide whether or how much to purchase	All materials are selected from the supplier list of the management company, and the hotel owner has no power to review and make decisions on hotel materials procurement.
<p>Note: The franchise hotel is the taking the standard of IVY Hotel (the other franchised hotel often don't provide franchise manager and they shall provide the suppliers list and the owner shall be responsible for the materials procurement)</p>			

The owners of the Individually Branded Hotels are responsible for the procurement of materials, but because they do not have the qualification to purchase in large quantities, their procurement costs are high and it is difficult for them to reach long-term cooperation with well-known brands.

Franchise hotel brands will provide hotel owners with a partial list of materials procurement and require hotels to choose only from their list of suppliers. Ivy hotel has prepared the list of suppliers of all the materials. With the advantage of bulk procurement, the quality and price of materials are highly competitive. Ivy's franchise managers allocated to the hotel will make procurement plans on a regular basis or at the request of the owner. Some materials related to brand standards shall be selected from the list of suppliers made by the brand company, and then the owner will review and make decisions. In practice, this model is more flexible, and owners can decide when and how much to purchase according to the actual operation and financial situation.

Under the entrusted management model, the management company decides the material procurement and equipment maintenance required during the hotel's planning and operation, and the required expenses shall be paid from the annual budget. All materials are selected from the supplier list of the management company.

As we can see from the personnel, financial and materials management described above, Individually Branded Hotels lack some advantages and there are some problems in the

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general franchising model and hotel management model. Ivy hotel (<http://bit.ly/2Vo9hY5>) carries out optimization on the basis of the original franchise model, adding the hotel franchise manager, so that the owners do not need to worry about management and have the decision-making right of the hotel's operation.

Ivy hotel group consist of three brands : Ivy; OAK; Rizti, introduced to franchise business in Africa——OAK hotel for light standard; IVY for limited service; RIZTI for full-service

### 1 .IVY Hotel:





2. RIZTI Hotel



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### 3. OAK hotel



According to the analysis above Joining a high-quality brand chain hotel is the trend of the times. Ivy hotel, relying on its parent company of Sunmei Group which has more than ten years of chain hotel experience in Asia, will supply the advantages of franchising and will soon open the African market and change the landscape of the hotel industry.

For more information please visit <http://bit.ly/2Vo9hY5>