

You Decide –

Sibling Rivalry

It isn't the first time—and it probably won't be the last. You're right in the middle of a squabble between your brother Nick and your sister Jessica.

For the past 5 years, the three of you have been running the Concord Valley Inn, a North Carolina mountain hotel and resort started by your parents some 30 years ago. Since its beginnings, you've had an agreement with the same well-established franchise, one that specializes in medium-priced hotels. Until your parents retired, the 200-room inn catered to tourists who come to ski in the winter and hike during the summer months. But since your parents turned the reins over to the younger generation, you and your siblings have been trying to expand your target market by attracting more meeting and group business. During the past three years, you've renovated the restaurant, added recreational facilities, and built a modest conference center. Results from your attempts to attract new clientele to the Inn so far have been encouraging, but you all admit it's still too soon to tell if the experiment is a success.

Now it's time to decide whether or not to renew the existing franchise agreement. And that's where the difference of opinion comes in. Jessica strongly believes the Inn should go independent. Nick is just as certain that staying with a franchise is the best course. You are the swing voter. Before you cast your vote, you listen carefully to both sides.

Go independent, insists Jessica:

- **The Internet has changed the ballgame. No longer do hotel owners need the central reservations systems that used to be a key benefit of participating in a franchise. More and more, people looking for rooms search the Internet by location and then book their reservations online. The franchise isn't offering anything that a well-designed Concord Valley Inn website couldn't do just as well.**
- **Brand name recognition doesn't mean what it used to. Since the 1980s, the hotel industry has introduced many new brands, each one designed to appeal to a specific group of customers. There are so many brands at this point; customers have trouble keeping track of them all. The result? It's location that matters most to customers today, not brand loyalty.**
- **If we go independent, we'll be able to compete more effectively. That's mainly because we'll have greater flexibility when it comes to the rates we charge, where we advertise, and what those ads say. We'll be able to mold our pricing strategy and promotional efforts so they fit who we are and where we want to go, rather than having to make our hotel fit in with what the franchise says we should be.**

Franchising is still the way to go, says Nick:

- **A centralized reservation system, national advertising campaigns, and training programs: it's those kinds of support services that make signing a franchise agreement worth every penny of the fee. When we're part of a franchise, we don't have to reinvent the wheel. It leaves the three of us free to concentrate on all the many day-to-day details involved with keeping the Inn running.**
- **Online reservations may well be increasing, but at the moment, our old, out-of-date Web page isn't up to the task of processing online reservations.**

- **Brand recognition is still important, especially for the type of group and meeting business we're trying to attract. Planners organizing business meetings and conferences tend to want to work with chains because they're known quantities.**

You Decide

- **Which factor or factors are the most important ones for you to consider as you make the decision: to go independent or to keep on franchising?**
- **How would you cast your vote if you were in this situation, and why?**
- **What do you think are the next steps the hotel management should take to make the business more competitive if they choose the franchise option? What steps should they consider if they decide to go independent?**