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The Beginning of the End for Unfair Franchisor Practices: Choice Franchisee Celebrates Arbitration Victory

OLD BRIDGE, NJ: Hospitality industry think tank and owner advocacy organization, Reform Lodging (RL) is pleased to announce that a franchisee won a landmark \$760,008.75 binding arbitration award against Choice Hotels International stemming from a June 2020 suit in which it was alleged that Choice engaged in various unfair and deceptive acts and practices in violation of contractual and statutory duties. The lawsuit against Choice which was filed amid the COVID-19 pandemic sent shockwaves across the hospitality and franchising industries, leading to multiple suits against other franchisors and paving the way for New Jersey's unprecedented fair franchising bill.

The arbitrator's findings highlight the need for major legislative reform and demonstrate that Choice unequivocally prioritized its profits over their franchisees' financial wellbeing. "A preponderance of the evidence, in both quality and quantity, establishes that Choice made virtually no efforts to leverage its size, scale, and distribution to obtain volume discounts on nonmandated goods" according to Arbitrator Steve Petrikis. Vendor mandates have become a trending topic in the hospitality industry over the past few years due to cost creep and a complete lack of transparency from franchisors on the negotiation process. In a damning finding, it was established that Choice's Head of Procurement and their department were motivated more by the revenue that Choice itself would receive rather than by securing product pricing discounts for the franchisees. Not only were procurement employee salaries driven by Choice's revenue growth rather than savings generated for their franchisees, but it was found that there was no evidence of any actual negotiations occurring in the first place. While many hotel franchisors including Choice tout their procurement strategies and robust negotiation efforts, Arbitrator Petrikis stated, "Like many of Choice's efforts in this arena, it sounds good, but it does not save the franchisees' money."

This case's findings confirm the broader franchisee sentiment regarding the unjust practices and mistreatment faced by America's franchisee owners. With a more small-business centric Federal Trade Commission investigating franchisee issues, the findings of this Choice case, and New Jersey's Fair Franchising Bill slated to go in front of the NJ Senate, advocacy groups and hotel franchisees need to remain on the offensive as the opportunity to reform the franchise model has never been greater.

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About Reform Lodging: Reform Lodging is a nonprofit hospitality industry think tank and owner advocacy organization fueled by the youthful exuberance of millennial hoteliers, backed by the wisdom of industry luminaries. The organization was formed in April 2020 and has over 1,700 members from across the United States and overseas. Reform Lodging's website is www.reformlodging.org

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