

## FYI AAA HOTEL DIAMOND RATING DEFINITIONS

AAA Diamond ratings for hotels represent a combination of the overall quality, range of facilities, and level of services offered by the property. The descriptive ratings are assigned exclusively to properties that meet and uphold AAA's rigorous Approval standards.

A **Five Diamond hotel** provides ultimate luxury, sophistication and comfort with extraordinary physical

attributes, meticulous personalized service, extensive amenities and impeccable standards of excellence.

A **Four Diamond hotel** is refined and stylish, providing upscale physical attributes, extensive amenities and a high degree of hospitality, service and attention to detail.

A **Three Diamond hotel** is distinguished and multifaceted, providing

enhanced physical attributes, amenities and guest comforts.

A **Two Diamond hotel** provides affordable, modestly enhanced facilities, decor and amenities.

A **One Diamond hotel** is budget-oriented, offering basic comfort and hospitality.

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urban or downtown location would help in identifying which hotels could be considered to be a part of this very special and rapidly growing lodging segment.<sup>23</sup>

## Franchising

Franchise agreements provide owners/operators (franchisees) with the use of a recognized brand name, access to central reservation systems, training programs, documented operating procedures, standardized computer software, quantity purchasing discounts, and technical assistance from the parent company (franchiser) in return for **royalties** and fees. Examples of franchise operating fees and requirements are shown in Table 7.6. In return for the benefits received from the franchiser and in addition to the required franchise fees, franchisees must give up some of their operational flexibility and follow standardized operating procedures (SOP) and purchasing requirements as outlined in the franchise contract.

Although franchising has been favorably received in the United States, it has not been a great success in Europe and it has been even less common in Asia for North

**Table 7.6** Franchise Requirements and Operating Fees

Company	Minimum # of Rooms	Annual Franchise Fee	Marketing/Reservations Fee	Application Fee
Days Inns Worldwide	40	5.5% of revenues	3.8% marketing/reservations	Conversion: greater of \$35,000 or \$350 per room plus \$1,000 application fee; New built: greater of \$36,500 or \$365 per room plus \$1,000 application fee
Hilton		5% of revenues	4% marketing/reservations	\$85,000 minimum
Holiday Inn Express	100	5% of revenues	2.5% of revenues	\$500 per room, \$50,000 minimum
Motel 6	40	4% of revenues	3.5% of revenues	\$25,000
Preferred Hotels & Resorts	100	\$300 per room per year, \$25,000 minimum	\$20,000 per year	\$100 per room, \$20,000 minimum

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