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More franchisors are realizing that attracting a diverse group of franchisees can help them tap into large, lucrative markets.

Trends in diversity A smooth path to entrepreneurship

By Becky Bergman

In 1998, chief executive Tom Wood learned a potential business investor wanted to meet in person to discuss franchise opportunities with his Georgia-based company, Floor Coverings International (FCI).

Wood doesn't typically shy from such get-togethers, but he believed a meeting with Jorge Valdés, who served a 10-year prison sentence for his role as the head of all U.S. operations for an international drug cartel, was a waste of time.

Living in a basement with only \$500, Valdés didn't come across as a likely candidate for selling high-end hardwood, ceramic and carpet flooring to upscale homeowners.

But for a company hell-bent on recruiting minorities as one way of expanding its franchise operations, Wood felt compelled to meet with Valdés. The attention FCI gives women and minorities is part of the company's overall goal to diversify, says Wood.

The shift to recruit more women and minorities has fueled a handful of groups to launch initiatives that aim to make franchise ownership more appealing to these groups, who have traditionally avoided entrepreneurship.

Halfway through his meeting, the real Valdés—husband, father and devout born-again Christian who founded Coming Clean Ministries and earned a Ph.D., started to emerge, says Wood.

And Wood says he recognized that by selling a franchise to Valdés, who immigrated to Miami from Cuba when he was 10, the flooring company could reach a segment of the population—the nation's 100 million-plus minorities—largely overlooked in the past by many U.S. industries.

Valdés is the kind of entrepreneur franchisors dream of recruiting: smart, educated, sales-savvy and connected to a diverse customer base whose buying power represents a whopping \$1.8 trillion.

The International Franchise Association (IFA) launched MinorityFran last year to help its 1,100 members address how it recruits minorities. So far, 115 companies have signed on.

"There is incredible value and opportunities for anyone who has embraced the multi-cultural diversity in our business," says 2008 incoming IFA Chairman and Denver-based PostNet founder Steve Greenbaum.

"The 2000 U.S. Census Bureau documented the growth in minority populations and served as a wake-up call about marketing directly to minority consumers," says Jeff Humphreys, director of the Selig Center for Economic Growth at the University of Georgia's Terry College of Business.

The Hispanic population makes up the largest minority group in the nation, reaching to 44.2 million.

The Asian population grew almost as fast as the Latino population, reaching 14.9 million, while the black population jumped to 40 million, according to the U.S. Census Bureau.

Even more staggering are the numbers pointing to minority spending power, which continues to shoot up, according to Humphreys.

The Latino population accounts for \$800 billion in spending power, a figure expected to soar to over \$1.2 trillion by 2010.

"The economic clout of Hispanics has risen from \$212 billion in 1990," says Humphreys.

"I expect it to be almost \$1.2 trillion five years from now. That's more than 450 percent growth from 1990 to 2011," says Humphreys. "Non-Hispanic buying power is growing closer to a rate of 176 percent over the same period."

And Humphreys says the Asian and black populations account for \$397 billion and \$761 billion in spending power, respectively, a figure that will flourish to \$622 billion and \$1.1 trillion by 2010.

But in a study it conducted last year, the IFA



"I don't think there are a lot of role models that show successful minorities in business," says Franchisee Robert Myer. "A minority who lands a good corporate position is not going to risk that to start a company."

found that a lack of capital, insufficient knowledge about business opportunities and few role models were key factors related to how minority ownership shapes the franchise industry.

“From a minority perspective, I don’t think there are a lot of role models that show successful minorities in business,” says Robert Myer, an Express Personnel Services franchisee in Baton Rouge, La.

“A minority who lands a good corporate position is not going to risk that to start a company.”

That’s why the IFA launched MinorityFran last year. The one-stop shop gives prospective minority entrepreneurs the chance to explore different franchise companies currently seeking investors, according Greenbaum.

As part of its initiative, the IFA has forged strong relationships with different organizations through its Diversity Institute including the National Urban League, Association of Small Business Development Centers, U.S. Pan Asian American Chamber of Commerce and the Minority Business Development Agency.

“If our customer base tends to mirror the sales force that operate FCI franchises and we don’t make an effort to recruit women and minorities, we’ll miss the boat entirely,” says Wood.

About 40 percent of the 80 FCI franchises are women- and minority-owned, according to Wood. The company, which started as a shop-at-home flooring business reported revenues of \$23 million in 2005.

Since FCI made special arrangements to help Valdés launch his business in Cumming, Ga., the franchisee has exceeded even his own expectations. The first year, Valdés reached \$350,000 in sales, then \$500,000 and later \$750,000.

Last year, Valdés reached the \$1 million sales mark and set a goal to reach \$5 million over the next three years.

Myer, an African-American, is part of a growing number of minorities fleeing corporate jobs in favor of starting new businesses for themselves as franchise owners, according to experts.

Part of the lure of franchising is the opportunity to control all facets of a small business that comes with brand-name recognition and tried-and-tested marketing programs, says Steve Rosen, chief executive for Franchise Network – or FranNet, for short – a consultancy that works with would-be business owners to help them decide on what to do.

For Myer, the potential benefits offered by the company played a significant role in his decision to dump \$150,000 in startup costs and one-time franchise fee.

Myer, who says the \$69.5 billion staffing industry appealed to him almost from the get-go, opened his first Express Personnel Services office in his hometown, followed by a second location in nearby Gulfport, Miss., a year later.

Myer has opened four offices and shot up as one of the staffing company’s top 10 franchisees in the country. Now the exec is on an ambitious mission to open two more sites by 2009.

“I’ve always considered myself an entrepreneur at heart and I’ve always wanted a chance to start and run my own business,” says Myer. [FT](#)

BY THE NUMBERS

\$1.8 trillion: Total buying power of U.S. minority groups.

44.2 million: U.S. Hispanic population.

\$212 billion: Hispanic buying power in 1990.

\$800 billion: Hispanic buying power today.

\$1.2 trillion: Estimated Hispanic buying power by 2010.

Source: U.S. Census/University of Georgia Terry College of Business