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Minorities in Franchising

By: Eddy Goldberg |  16,293 Reads



The economic power of minorities in franchising has been rising steadily in the past several decades. The reasons are not complicated: the number of Blacks, Hispanics, Asians, and Native Americans has grown steadily as a percentage of the United States population, making these groups a "new majority," a trend that will continue in the coming decades.

What this means for business in general, and franchising in particular, is that more customers, more employees, and more business owners will come from these groups. The "old majority" has been playing catch-up to the changing national demographics, hiring specialists with titles such as chief diversity officer or diversity/inclusion manager to help them understand and keep up with the population shifts.

According to the [U.S. Census Bureau](#), the number of minority-owned firms in the U.S. rose from 5.8 million in 2007 to 8 million in 2012. This includes a 46.3 percent increase in the number of Hispanic-owned firms over the period, from 2.3 million to 3.3 million, and a 34.5 percent rise in the number of black or African American-owned firms, from 1.9 million to 2.6 million. The number of Asian-owned firms climbed

from 1.5 million to 1.9 million, an increase of 23.8 percent. For context, total U.S. firms increased 2.0 percent during the same period, from 27.1 million in 2007 to 27.6 million in 2012.

Additionally, the 9.9 million women-owned firms in 2012 were up more than 2 million from 5 years earlier when there were 7.8 million women-owned businesses, a 26.8 percent increase. As a comparison, male-owned firms increased 6.8 percent from 13.9 million to 14.8 million during the same period.

What this means to franchising is that minorities have arrived, are here to stay, and are on the road to increasing dominance as franchisees, consumers, and employees.

Many franchisors have initiated programs to recruit minorities, and it's not out of being "PC" or for altruistic reasons, unless you consider providing business ownership opportunities, job creation, and bringing new businesses to underserved communities altruism: it's good business and they know it. Discounts on franchise fees and royalties, and payment plans to make entree easier for minorities, are not unusual at many franchise companies. And it's no secret that customers like to shop where people are more like them. The same holds true for employees choosing where to work.

Within franchising, the International Franchise Association (IFA) has pioneered several initiatives and programs of its own to ease the path for minorities to become involved in franchising. In 2006, the IFA launched its MinorityFran program, with the goal "to not only increase the numbers of minority franchisees, but to send a message to all communities that franchising is a smart and affordable way to realize the American Dream of small-business ownership." In 2013, the program was renamed [DiversityFran](#).

An IFA study to identify the obstacles faced both by franchisors seeking to recruit minorities and by minorities seeking to become franchisees identified three "gaps": an informational gap, a relational gap, and a capital gap. To help close these gaps, the IFA's Diversity Institute launched a program to hold one-day meetings in cities across the U.S., working with national and local groups such as the National Urban League, the Association of Small Business Development Centers, the Minority Business Development Agency, the U.S. Hispanic Chamber of Commerce, the National Black MBA Association, the Minority Business Development Agency, and local chambers and other business development groups.

In fact, many groups, businesses, and organizations, both governmental and private, exist to help, including the [U.S. Small Business Administration \(SBA\)](#), which has a cornucopia of resources, programs, and services available to minority-owned businesses. Another resource is the [Minority Business Development Agency](#), a federal agency created specifically to foster the establishment and growth of minority-owned businesses in the U.S.

[States](#) and many larger cities also have their own programs focused on helping minority-owned businesses. Find them on the SBA site (use the SBA link above).

Some other minority-focused informational resources include:

[DiversityInc](#)

A wide-ranging resource for all things minority business; publishes an annual “Top 50 Companies for Diversity” ranking.

[Hispanic Business Magazine](#) Among its many resources for small-business owners is its more than 300 DiversityComm partners and events.

[Black Enterprise](#)

Features many articles devoted to franchising, among its many other small-business resources.

[MWBE.com](#)

Provides services to educate, mentor, and help leverage owners of minority-owned and women-owned businesses. Of particular interest is a focus on how to become certified as a minority-owned business.
