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Franchise Facts

## Franchising could clear way for minority-business entrepreneurship

Baltimore Business Journal - November 24, 2006 by [David L. Cahn](#)

The pursuit of the "American Dream" is becoming a reality for a growing number of people, with many individuals choosing franchising as their path to self-employment.

Franchising, when properly executed, offers franchisees the benefits of self-employment plus the security of knowing the business they will open has name recognition, is a proven concept with a tried-and-tested marketing program, and often offers significant cost savings through group buying, among other benefits.

According to a report recently issued by the International Franchise Association's (IFA) Educational Foundation, there are more than 760,000 franchised businesses in the US, accounting for more than \$1.5 trillion of economic activity, and providing jobs for more than 18 million Americans.

In 2005, more than 500 new franchised concepts were established, and 2006 is shaping up to exceed that figure. Many of these prospective owners are minorities, and this number should continue to grow.

With the sheer increase in population, as predicted by the 2002 U.S. Census, "people of color" will be the majority of the U.S. population by 2050. Statistically, therefore, more minorities will likely choose franchising as their path to self employment.

However, the IFA reports that the current participation of minorities in franchising "has not kept pace with the rapid growth of minorities in the population."

This fact is disturbing to the IFA, given that minority-owned businesses are growing at a rate seven times greater than all U.S. businesses.

In an effort to capitalize on this entrepreneurial trend, the IFA's "Minorities in Franchising" committee has recently launched a new initiative to help franchisors recruit minorities as potential franchisees and to provide a convenient gateway for minorities interested in franchising to get information. The program, started earlier this year, is called MinorityFRAN.

According to the IFA, the purpose of MinorityFRAN is to provide "one convenient point where minority prospects can explore franchise offerings of companies actively seeking to recruit minority franchisees."

With MinorityFRAN focused on creating awareness in minority communities about the opportunities that franchising can offer, IFA-member companies seeking more minority franchisees are encouraged to offer incentives to prospects, although it is not a requirement for participation in the IFA program.

For those companies offering incentives, they are either race-based (meaning open to ethnic minorities) or "place-based," meaning there are incentives for opening franchisees in certain communities, such as enterprise zones or entities known as "historically underutilized business zones."

With the IFA representing more than 1,000 franchisors and 8,000 franchisees, it is in an ideal position to be a "matchmaker" for a growing number of interested franchisee prospects who learn of the program.

As always, a prospective franchise owner should do a significant amount of homework and due diligence to make an informed decision, whether the match is made through the MinorityFRAN program or as a result of one's own individual research.

It is important to remember that franchisors often have excellent sales people to get prospects excited about pursuing their dreams through their company.

Reviewing the franchisor-provided documents with an experienced franchise attorney and CPA, who can scrutinize any reports of earnings and provide an objective evaluation of the franchise system and contract terms, can save hours of headaches and frustration down the line after the contracts have been signed.

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