

Top Five Friendliest Franchises for Minorities

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Michael Smart in his New Haven, Connecticut The Athlete's Foot franchise, part of NexCen, one of the five friendliest franchises for minorities

OAKLAND, Calif. - The National Minority Franchising Initiative (NMF) has identified the five best franchises for minorities. The franchise chains named are as diverse as Choice Hotels and NexCen Brands, a conglomerate of various franchise brands from cookies to athletic wear.

Top Five for 2008 (alphabetical)

- ▶ Choice Hotels
- ▶ Coverall (Commercial cleaning services)
- ▶ Express Employment Professionals (Staffing services)
- ▶ NexCen Brands (Athlete's Foot, MaggieMoo's, Marble Slab Creamery, PretzelMaker)
- ▶ ServiceMaster Brands (From lawn care to furniture care: Furniture Medic, Merry Maids, etc.)

This list of five is selected from hundreds of franchisors. Each year the NMF produces a list of the 50 top franchises for minorities. This is based on an analysis of such factors as brand identification, size of the chain, franchisee satisfaction, the percentage of existing franchisees that are minority owned, as well as the number of minorities in the franchisor's top levels of management.

Rob Bond, co-founder of the NMF and president of World Franchising Network, states, "These franchisors have an exemplary record among the many companies that are aggressively trying to recruit minorities. All five of the companies have been selected in each of the past three years for our annual survey." He continues, "Each has a real record of not only trying to recruit minorities, but also in supporting them once they are part of the system."

The five franchisors above stand way out in their efforts. Chris Dull, president of NexCen Franchise Management, told Blue MauMau why recruiting minorities as franchise owner-operators was so important to the firm. "As we move forward as a company and enjoy growth both domestically and internationally, an ongoing priority is to accurately identify new growth markets," said Dull. "Minority franchisees represent a significant portion of our franchise family and we're excited to be able to consistently and effectively engage highly qualified entrepreneurs who will contribute to our overall shared success."

List dominated by franchise conglomerates

The list is dominated by franchising conglomerates, a franchise holding company that contains various franchising brands. NexCen franchises concepts as varied as The Athlete's Foot to MaggieMoo's ice cream. Others are more focused. ServiceMaster offers a range of brands from housekeeping to home disaster, while Choice Hotels focuses on affordability in its hotel brands, from its Comfort Inn to Sleep Inn brands.

But franchising firms with diverse brands have their issues.

Rebel Cole, associate professor of Finance at



Hector Dominguez at his Marble Slab franchise in North Las Vegas, NexCen Brands

DePaul University and a consultant of central banking systems around the world, views the value proposition as particularly poor for franchise holding companies with brands in unrelated industries. Cole states, "The finance literature on conglomerates is pretty clear: they destroy rather than create value. I would look for someone to take apart these new conglomerates during the next few years, especially now that the credit markets have tightened."

Holding company NexCen Brands, Inc., which include Marble Slab Creamery, TAF, Great American Cookie and others, teetered on the brink of insolvency last year. But by selling some brands, such as clothing retailer Bill Blass and Waverly, and by cutting expenses, it has honed itself into a healthier, more focused company this year that has so far been able to pay back creditors.

Franchise attorney Keith Kanouse of Kanouse & Walker, P.A. highlights another concern that franchisees have with conglomerates. "A lot of these companies are buying into conglomerates because of back office support, or other ways in which they have economies [of scale]," he explains. "What if your system is second cousin in that the other brands get priority?"

Stanley Turkel, a New York-based hotel consultant specializing in franchising and asset management services, agrees. He gives the example of Choice. "Choice Hotels seem to emphasize Comfort Inns and Comfort Suites more than Quality in their marketing efforts and franchise support," says Turkel. "I don't know why they emphasize those brands, although I recognize that from Choice's viewpoint there may be good business reasons in using scarce corporate resources to raise those brands over the others."

Despite blemishes, these are friendly systems to minorities

"The recruitment of minorities is simply great business," states Bond. "There are huge segments of the economy that are not currently served by franchising. Many of these are in ethnic neighborhoods that could directly and significantly benefit from the introduction of franchised businesses. The logical way to establish those franchises is to attract minority entrepreneurs who have a full understanding of the relevant communities. The companies that fully understand this logic are the ones that have been most successful in implementing a plan to attract minorities."

Choice Hotels is one of the chains that actively focuses on the recruitment of minorities. It recently created the Choice Hotels African American Owners Alliance and the Choice Hotels Hispanic Owners Alliance. These are organizations led by franchisees that are designed to provide additional support to them, serving as a forum to share knowledge and best practices, and a platform for recruiting new minority business owners into the Choice system.

Brian Parker, vice president of emerging markets and new business development for Choice Hotels, commenting on the occasion of an earlier compilation of some 50 top minority recruiters listed in USA Today, said, "Diversity and inclusion is vital to our organization's success and long-term growth, therefore we are fully committed to the recruitment, development and retention of our minority franchisees."

NexCen offers a variety of incentives for potential franchisees across its various franchised brands. Dull elaborates, "Our minority incentive program grants a one-time 15 percent discount off the development fee for development of two or more locations." The franchisor reaches out to potential minority groups through trade shows and the Internet. "We're planning on launching a Spanish-language version of the site before the end of the year, which should attract an even more diverse group of potential franchisees," says Dull.