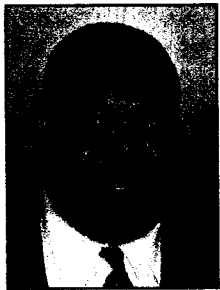


# Right Place, Right Time, Right Partners: Emerging Opportunities for Minorities and the Franchising Sector

By C. Everett Wallace, Esq.



With traditional domestic markets rapidly reaching their maturation point, many U.S. companies began to look elsewhere for the new sites they needed to sustain their company's growth. Over the past decade, a number of franchisors have rapidly expanded the presence of their companies in foreign countries. From fast food to hospitality and from automobile dealerships to telecommunication companies, franchising has led the way for expansion in this new global economy.

One of the most significant facts is that non-Hispanic whites now represent less than half the population in the nation's largest cities.

But, as the national and international economies have found themselves in a downward spiral, more and more major U.S. companies are "downsizing" or "right-sizing" to cope with the changing economic conditions. More than ever before, franchise businesses—with their highly recognized brands and sophisticated marketing and advertising programs—are attracting extremely motivated entrepreneurs. And increasingly, these former employees of the new economy are business people from the ranks of our country's minority community. For many minorities, franchising is providing the tool needed to break the "glass ceiling" found in many segments of the economy. It is proving to be a way to achieve one part of the American dream — owning one's own business.

Recently, U.S.-based franchise systems have begun to explore the underdeveloped markets that exist right here in their own backyards. And, more and more franchise companies are looking to expand their brands to those portions of the U.S. market where they might find success and growth.

As franchise systems have started to examine, more closely, the opportunities that are available in these domestic consumer centers, they are coming face-to-face with the changing "complexion" of the "new" U.S. marketplace. The changes that have occurred in the last decade are now being revealed as detailed analysis of the 2000 census information that is being made available to the public.

Many franchise businesses are discovering that the "emerging" markets opportunities they are seeking are not located in some far-off location with an exotic name, different language and unknown business practices. Instead, they are realizing that there is a new domestic market for them to "explore." This market is found in places with very familiar names—like Miami, Chicago, Los Angeles, Seattle, Atlanta and Nashville. Former President Bill Clinton said in his 1999 State of the Union Address, "Our greatest untapped markets are not overseas—they are right here at home. And we should go after them." And now it would appear, that many retailers, particularly those with franchise businesses, are starting to heed this advice.

## The Changing Demographic in U.S. Markets

A recent report by the Brookings Institution's Center on Urban and Metropolitan Policy outlines the dramatic shifts that have reshaped the complexion and racial composition of the 100 largest cities in this country over the last 10 years. One of the most significant facts is that non-Hispanic whites now represent less than half the population in the nation's

*(Continued on page 24)*

*(Continued from page 23)*

largest cities. The analysis highlighted numerous patterns that reflect the increasing diversity of this country's urban populations.

Almost half of the largest cities no longer have majority white populations. In 1990, whites represented more than 50 percent of the population in 70 of the 100 largest cities. Among those same cities in 2000, whites were a majority in only 52.

The nation's largest cities lost large numbers of white residents. Overall, the top 100 cities experienced a net reduction in non-Hispanic white population of 2.3 million people, or 8.5 percent. The five largest cities alone lost nearly one million white residents.

White population loss was widespread. Of the 100 largest cities in 1990, 71 lost at least 2 percent of their white population over the decade. In 20 cities, white population loss exceeded 20 percent. Cities experiencing the largest declines included Detroit (53 percent), Birmingham, Ala. (40 percent) and Santa Ana, Calif. (36 percent).

Another Brookings study of the 2000 census data analyzed populations shifts over the last decade in suburban communities. In the 102 most populous Metropolitan Statistical Areas, racial and ethnic diversity increased substantially in the last decade. Minorities were responsible for the bulk of suburban population gains in the majority of the areas. This change in the makeup of most of the nation's suburban communities has some significant implications for the decision-makers in the more than 1,500 domestic franchise companies. Thus, as more suburban communities join the urban areas in changing their "complexion," the need for businesses to adjust to this "new" consumers base has become a market imperative.

Franklin D. Raines, president of Fannie Mae, has observed that "fully understanding the market potential of cities, however, requires recognizing their diversity and the complex nature of the markets within them. Therein lies the potential for emerging markets." Retail development can provide a much needed shot in the arm for many communities that are struggling to maintain viability or to restore the vitality that time

and neglect has stolen. Franchise businesses provide jobs, increase a community's tax base and attract new neighbors. At the same time, the community benefits from the infusion of new business owners who can provide an important political, social and civic voice.

#### **Recent Developments**

Recently, the International Franchise Association's (IFA) Educational Foundation has received significant donations, specifically, to support greater understanding of diversity and its impact within the franchise industry. The National Minority Franchise Initiative (NMFII) and the Minorities in Franchising (MIF) Committee of the IFA are working with franchisors, franchisees, financial institutions in partnership with business, governmental and community leaders to increase the awareness of franchising opportunities to minorities and minorities communities. And recently, the IFA, the National Congress for Community Economic Development (NCCED) and the National Cooperative Bank embarked on a partnership to create a venture capital fund to aid in the development of franchises in underserved markets.

**"Fully understanding the market potential of cities, however, requires recognizing their diversity and the complex nature of the markets within them."**

Several franchise systems like The Athlete's Foot, Blimpies, AFC and Sign-A-Rama have established programs specifically designed to aid franchisees interested in developing stores in inner-city locations. The U.S. Small Business Administration has established a franchise registry to expedite the availability of funding for people interested in one of those listed small businesses. The Bush Administration is preparing to implement the bipartisan Community Renewal Tax Relief Act of 2000 (H.R. 5662) which provides for a variety of

financing tools to assist businesses that are or will be located in underserved communities. And, a group of professional athletes, with the assistance of Wallace Enterprises, has formed a new venture called Athletes Building Better Communities to develop franchise opportunities in underserved markets around the country.

There are an increasing number of programs that are designed to accelerate the development of franchise-based business in these underserved markets. In Chicago, organizations like Women Self-Employment Project (WSEP), Community Connections and The Latino Franchise Project are working with aspiring entrepreneurs to open franchise businesses in inner-city neighborhoods. In New York, a Local Initiatives Support Corp. (LISC)-supported Neighborhood Franchise Project has begun to create new business opportunities in Harlem, Brooklyn and other parts of the city. The New Jersey Economic Development Authority is holding a series of seminars on franchising opportunities. And, the North Carolina Community Development Initiative (NCCDI) and the Tennessee Strategic Targeted Areas of Redevelopment (TN-STAR) are examples of state-wide programs that are utilizing franchising as an essential tool for community redevelopment.

All of these efforts and many more are beginning to transform the landscape in our changing urban and "close-in" suburban communities. But, so much more needs to be done. According to the Urban Land Institute, "Inner-city retailing is one of the few areas where there is still unfulfilled demand, but a cookie-cutter approach will not work. Successful inner-city retail development requires partnerships between forward thinking developers and creative public officials. Partnerships of this kind can help developers and retailers to tap into a significant and under-served market." ■

---

*C. Everett Wallace is president of Wallace Enterprises International. He can be reached at 615-221-3969.*