

2002 Franchised Business Ownership: By Minority and Gender Groups



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2002 Franchised Business Ownership: By Minority and Gender Groups



*A Report for the IFA Educational Foundation
By the National Economic Consulting Practice of
PricewaterhouseCoopers*

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PREFACE

One of the questions that I often get when traveling around the country is “*What is a good franchise opportunity?*” For those of us who work for the International Franchise Association, it’s the kind of question that we like to get. Because the answer is a good one – “*there are many to choose from.*” When it comes to franchise opportunities for women and minorities, the answer is also a good one – “*there are many to choose from.*”

Another question that we often get is what is the percentage of women and minorities that own franchise businesses. Until recently, we did not have any Census-based statistics that allowed us to give a good answer to that question. Now as a result of the *2002 Survey of Business Owners* conducted by the Census Bureau, we can answer that question. The IFA Educational Foundation has published this comprehensive report that looks at women and minority ownership in franchise businesses as it compares to other non-franchise businesses. We are very pleased to make the report — “*2002 Franchised Business Ownership By Minority and Gender Groups*” — available to IFA members, policymakers, the media, and the business community. The report presents the Census data in two ways — first, the proportion of franchised businesses that are owned by each minority and gender group; and second, the proportion of all businesses owned by each minority and gender group that are franchised.

While the data gives us an important benchmark of women and minority ownership of franchise businesses as of 2002, the numbers do not tell the whole story, as the saying goes. In recent years many IFA member companies have greatly increased their marketing efforts to recruit women and minorities to their franchise systems. IFA’s Minorities in Franchising Committee and the IFA Diversity Institute have developed programs to assist members with expanded outreach efforts.

More than 220 IFA member companies participate in the MinorityFran program, which is working to increase the number of minority franchisees, employees and suppliers. Since April, the IFA’s Diversity Institute has conducted more than a dozen seminars on “Franchise Opportunities For Women, Minorities and Veterans”, in major U.S. cities. The Diversity Institute is working with other major national organizations, such as the National Urban League, the Association of Small Business Development Centers (ASBDC), and the Minority Business Development Agency (MBDA) to provide education, resources, and technical assistance to women and minorities.

We believe that when the numbers are in from the 2007 Economic Census, that the percentage of women and minority ownership will reflect these increased efforts.

The Foundation is committed to working with IFA members and with partner organizations to expand opportunities for minorities and women in the world of franchising. We believe that the franchise model – which is based on helping people to go into business for themselves but not by themselves – is particularly well suited to address the challenges of diversity. Creating economic opportunity through ownership of a franchise business not only provides economic empowerment for the individual business owner – it provides economic empowerment for the whole franchise system. In short, diversity and inclusion is a business growth strategy for the franchising industry.

This research project was begun under the leadership of Foundation Chairman Mike Roman, CFE. On behalf of the Foundation Board of Trustees, I want to give special thanks to ExxonMobil for sponsoring this research report and for their great support of the IFA Diversity Institute.

I would also like to give special thanks to the PricewaterhouseCoopers team for the excellent work that they have done in acquiring and analyzing additional Census data for the preparation of this report.

John Reynolds
President
IFA Educational Foundation

Foreword



On behalf of the Minority Business Development Agency, I would like to congratulate the many minority entrepreneurs who are operating franchised businesses across America.

Minority business enterprises continue to grow in number, and many minority entrepreneurs have embraced franchised businesses as a competitive strategy. These firms are contributing to the nation's growing economy and well being.

According to data from the U.S. Census Bureau, in 2002 there were about 4 million minority firms which generated about \$661.1 billion in gross receipts and employed nearly 4.7 million paid workers.

Of the firms operating in 2002, minority entrepreneurs chose to operate franchised businesses in greater rates compared to non-minority entrepreneurs. About 2.7 percent of minority-owned firms were franchised businesses compared to only 1.8 percent of all non-minority owned firms operating in 2002, according to MBDA's analysis of Census statistics.

This report entitled, *Franchised Business Ownership: Minority and Gender Groups*, prepared for the International Franchise Association provides useful insight into the participation rates of minority ownership in franchised firms.

Franchised businesses offer entrepreneurs name recognition, management and technical training, and other support services. These benefits are contributing to the success of many minority entrepreneurs.

In fact, franchised businesses are more prevalent among firms with higher gross receipts. In 2002, larger minority-owned firms with annual gross receipts of \$500,000 or more had a greater rate of franchised businesses as a percentage of these firms, compared to small minority-owned firms with annual gross receipts under \$500,000.

Minority franchised businesses can also be found in a wide variety of industries, from accommodation and food services to management of companies and enterprises, and retail trade.

Certainly franchises represent a good business model for many entrepreneurs. These firms are creating jobs and wealth in inner cities, suburbs and rural communities across America.

Ronald N. Langston

National Director

Minority Business Development Agency

Minorities, Women Have Big Stake in Franchised Businesses

IFA Educational Foundation issues comprehensive report on minority, gender-based franchise ownership.

By John Reynolds

In 2002, the latest year for which U.S. Census data is available, nearly 20 percent of all franchised businesses were owned by minorities. Twenty-five percent were owned by females, and another 17 percent were equally male-female owned.

These are among the major findings in the first comprehensive report published by the International Franchise Association Educational Foundation. The report, prepared by PricewaterhouseCoopers LLP, is based on data from the U.S. Census Bureau's *2002 Survey of Business Owners*.

The report, entitled "2002 Franchised Business Ownership By Minority and Gender Groups," presents statistics in two ways: First, the proportion of franchised businesses that are owned by each minority and gender group; second, the proportion of all businesses owned by each minority and gender group that are franchised.

The report also views at the percentage of franchised businesses owned by minorities and women in the Food Service and Drinking Places business category (NAICS sector 722), which has a high concentration of franchises.

Purpose of Report

"The rapid growth of the Hispanic, African-American and Asian segments of the population continues to create many opportunities for American businesses," said Matthew Shay, president of the International Franchise Association. "This report gives us the first comprehensive look at the composition of the franchising industry by minority and gender groups. Franchised businesses, which account for nearly 10 percent of the private-sector economy, can play a major role in providing greater opportunities for business ownership for minorities and women to enter the economic mainstream."

More than 220 IFA member-companies participate in the association's MinorityFran program, which is working to increase the number of minority franchisees, employees and suppliers. Since April, IFA's Diversity Institute has conducted more than a dozen seminars on "Franchise Opportunities For Women, Minorities and Veterans" in major U.S. cities. The Diversity Institute is working with other major national organizations, such as the National Urban League, the Association of Small Business Development Centers, and the Minority Business Development Agency to provide education, resources, and technical assistance to women and minorities.

Major findings of the report

Minority Ownership Rates

In 2002, 19.3 percent of franchises were owned by minorities, compared to 13.2 percent of non-franchised businesses that were owned by minorities.

Minority Ownership of Franchised Businesses Compared to Non-Franchised Businesses

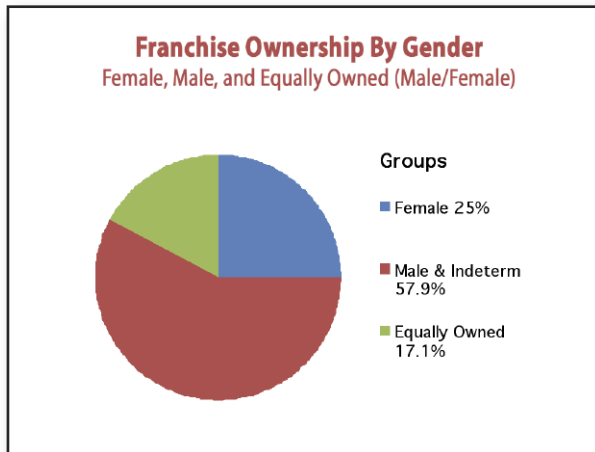
Each group—Asians, Hispanics, African-Americans, American Indian and Pacific Islanders—had a higher percentage of ownership of franchises than non-franchised businesses. Asians owned 8.9 percent of all franchises, compared to 4.2 percent of non-franchised businesses. Hispanics owned 5.8 percent of all franchises, compared to 5.1 percent of non-franchised businesses. Blacks, or African-Americans, owned 4.4 percent of all franchised businesses compared to 3.5 percent of all non-franchised businesses.

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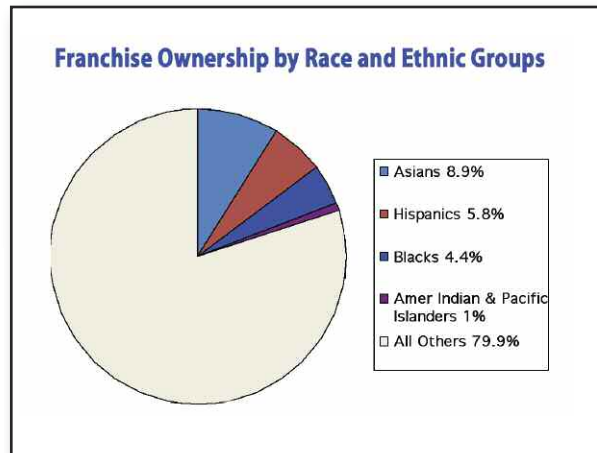
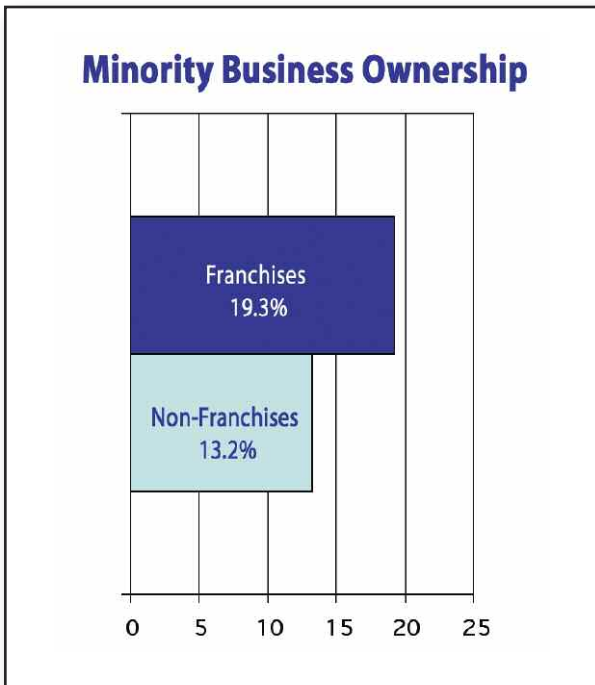
Gender Ownership Rates

Females owned 25 percent of all franchised businesses, compared to 27.9 percent of non-franchised businesses. The percentage of businesses that were equally male-female owned was significantly higher in franchised businesses than non-franchised businesses—17.1 percent compared to 12.1 percent.



Franchised Business Operation Rates

The report also focuses on the percentage of minority-owned businesses that are franchised. By race, 3.9 percent of all Asian-owned businesses were operated as franchises in 2002; 2.3 percent of all Black-owned businesses were operated as franchises; and 2.1 percent of all Hispanic-owned businesses were operated as franchises. For comparison, in 2002, 1.8 percent of all White-owned businesses were operated as franchises.



Minority Ownership Rates in Food Service and Drinking Places

One of the largest segments of the franchising industry is made up of food-service businesses. This industry sector, NAICS 722, includes full-service restaurants, limited-service eating places, special-food services, such as food-service contractors, caterers and mobile-food services, and drinking places such as bars, taverns and nightclubs. A large concentration of franchised businesses is found in the limited or quick-service restaurants sub-sector.

In 2002, 20.2 percent of franchised businesses in the Food Service and Drinking Places sector were owned by minorities, compared to 24.6 percent of non-franchised businesses in this sector that were owned by minorities.

In the limited-service restaurant sub-sector, which has one of the highest concentrations of franchises among all industries, 20.2 percent of all franchised quick-service restaurants were owned by minorities, compared to 31.2 percent of all non-franchised quick-service restaurants that were owned by minorities.

In special-food services, such as contractors, caterers, and mobile food services, 34.7 percent of all special food-service franchises were owned by minorities compared to 21 percent of all non-franchised food service businesses owned by minorities.

Among the differences in ownership by race and franchise status for the sub-sectors of the food and drinking places industry, in the limited-service restaurants sub-sector, 2.5 percent of Black-owned restaurants were franchised compared to 1.9 percent of Black-owned restaurants that were non-franchised. In the special-food services sub-sector, 18.4 percent of Asian-owned businesses were franchised, compared to 5.4 percent that were non-franchised. In the drinking places sub-sector, 4 percent of Asian-owned businesses were franchised, compared to 2.5 percent that were non-franchised.

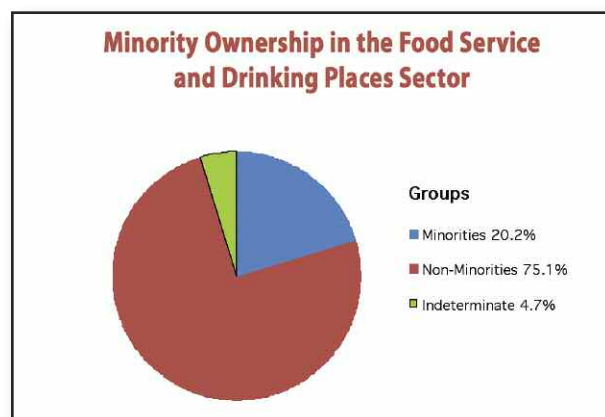
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Gender Ownership Rates in Food Service and Drinking Places

In the Food Service and Drinking Places sector, the percentage of female-owned business was lower among franchises than non-franchises: 13.2 percent of franchised businesses were female-owned, compared to 25.8 percent of non-franchised businesses that were female-owned.

By sub-sector, female ownership of franchised businesses ranged from a low of 4.1 percent in the drinking places sub-sector to a high of 21.3 percent in the special food services sub-sector.



Methodology of Report

The IFA Educational Foundation engaged PricewaterhouseCoopers LLP to prepare the report using data from the U.S. Census Bureau. In September 2006 the U.S. Census Bureau released the final report from the “2002 Survey of Business Owner.” The report, “Characteristics of Businesses: 2002,” combines information on the owners of more than 16 million businesses that responded to the survey with economic data from the “2002 Economic Census.” Included are businesses that filed 2002 tax forms as sole proprietorships, partnerships, or corporations with receipts greater than \$1,000. The survey also collected data about the owners’ gender, race and ethnicity.

In 2002, for the first time, the “Survey of Business Owners” asked all respondents to indicate whether or not their business was operated as a franchise. A definition of a “franchise” was not provided on the questionnaire, so a respondent used his or her own understanding of “franchises” to answer the question.

Because race and ethnicity are separately reported in the publicly available SBO data, and because owners were allowed to choose more than one racial group, overall comparisons on “minority” ownership are difficult to make using publicly available data.

PricewaterhouseCoopers obtained special “minority-owned” business tabulations of the SBO data from the Census Bureau, which was combined with the publicly available data, to make up the basis for this report.

The complete report, with charts and tables, is available by visiting the IFA Web site at www.franchise.org under “Research.” ■

- (1) *American Indian and Pacific Islanders includes Alaskan Natives and Native Hawaiians. There may be double-counting in some groups as survey respondents could select more than one racial or ethnic identity.*
- (2) *For purposes of this report the gender groups are male-owned, female-owned, and equally male/female-owned. Ethnicity refers to Hispanic or Latino origin. Racial groups are Black or African-American, American Indian or Alaska Native; Asian; Native Hawaiian or Other Pacific Islander.*

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**Franchised Business Ownership:
Minority and Gender Groups**

Prepared for

**The International Franchise Association
Educational Foundation**

August 1, 2007

Franchised Business Ownership: Minority and Gender Groups

	<u>Page</u>
EXECUTIVE SUMMARY	i
I. INTRODUCTION	1
<i>Business Ownership</i>	2
<i>Data Comparability with Earlier Research</i>	2
II. MINORITY AND GENDER OWNERSHIP WITHIN FRANCHISED AND NONFRANCHISED BUSINESSES	4
III. FRANCHISED BUSINESSES AMONG MINORITY AND GENDER GROUPS	7
IV. FOOD SERVICES AND DRINKING PLACES	9
<i>Minority and Gender Ownership Within Franchised and Nonfranchised Businesses</i> ..	9
<i>Franchised Businesses among Minority and Gender Groups</i>	12
APPENDIX. SIZE OF BUSINESS COMPARISONS	15

List of Tables

	<u>Page</u>
Table 1 – Minority Ownership Franchised and Nonfranchised Businesses.....	4
Table 2 – Ownership by Minority Group Franchised and Nonfranchised Businesses	5
Table 3 – Ownership by Gender Franchised and Nonfranchised Businesses	6
Table 4 – Percentage of Franchised Businesses within Minority and Gender Groups	8
Table 5 – Minority Ownership in Food Services: Franchised and Nonfranchised Businesses	10
Table 6 – Ownership by Minority Groups in Food Services: Franchised and Nonfranchised Businesses	11
Table 7 – Ownership by Gender in Food Services: Franchised and Nonfranchised Businesses	12
Table 8 – Percentage of Franchised Businesses within Minority and Gender Groups Food Services and Drinking Places Industry.....	13
Table 9 – Percentage of Franchised Businesses within Minority and Gender Groups Food Services and Drinking Places Subsectors.....	14
Table 10 – Racial, Ethnic, and Gender Ownership by Receipt Size Businesses with Paid Employees	16
Table 11 – Racial, Ethnic, and Gender Ownership by Employment Size.....	20
Table 12 – Percentage of Franchised Businesses by Receipt Size Businesses with Paid Employees	21
Table 13 – Percentage of Franchised Businesses by Receipt Size Nonwhite-Owned Businesses with Paid Employees	23
Table 14 – Percentage of Franchised Businesses by Employment Size Minority or Female-Owned Businesses	24
Table 15 – Percentage of Franchised Businesses by Employment Size Nonwhite Owned Businesses	26

List of Figures

	<u>Page</u>
Figure 1 – Nonwhite Ownership Percentage by Receipt Size Businesses with Paid Employees	17
Figure 2 – Hispanic Ownership Percentage by Receipt Size Businesses with Paid Employees	18
Figure 3 – Female Ownership Percentage by Receipt Size Businesses with Paid Employees	19
Figure 4 – Percentage of Franchised Businesses by Receipt Size Businesses with Paid Employees	22
Figure 5 – Percentage of Franchised Businesses by Employment Size Businesses with Paid Employees	25

Franchised Business Ownership: Minority and Gender Groups

EXECUTIVE SUMMARY

PricewaterhouseCoopers was engaged by the International Franchise Association Educational Foundation to review data from the U.S. Census Bureau's 2002 Survey of Business Owners (SBO) in order to help determine the prevalence of minority and female ownership in franchised businesses in 2002. Statistics of interest include the percent of franchised businesses owned by minorities and women, comparisons of minority and female ownership rates between franchised and nonfranchised business, and comparisons within business lines where franchise ownership is most prevalent.

The primary purpose of this report is to provide answers to two related questions: First, "What percent of franchised businesses are owned by a minority group member?" Second, "What percent of minority-owned businesses are franchised?"

The data in this report provide answers to these two questions by presenting information on (1) the percent of franchised businesses that are owned by each minority and gender group; and (2) the percent of businesses owned by each minority and gender group that are franchised.

In addition to an overview across all business sectors, the report examines minority and female ownership rates for the food services and drinking places industry sector (NAICS 722), which accounts for a significant number of franchises. An appendix to the report presents ownership information based on the size of a business.

Minority and Gender Ownership Rates

"What percent of franchised businesses are owned by a minority group member?"

In 2002, there was a higher minority ownership rate among franchised businesses than in nonfranchised businesses -- 19.3 percent of franchises were owned by minorities, compared to 13.2 percent of nonfranchised businesses (see Table 1).

Asians, Hispanics, African-Americans, and Pacific Islanders had a higher rate of ownership of franchises than non-franchised businesses, while American Indians had an equal rate of ownership of franchised and nonfranchised businesses. Asians owned 8.9 percent of all franchises, compared to 4.2 percent of non-franchised businesses. Hispanics owned 5.8 percent of all franchises, compared to 5.1 percent of non-franchised businesses. Blacks, or African-Americans, owned 4.4 percent of all franchised businesses compared to 3.5 percent of all non-franchised businesses (see Table 2).

By gender, 25.0 percent of franchised businesses were female-owned compared to 27.9 percent of nonfranchised businesses in 2002. Franchised businesses were much more likely to be equally male/female-owned than non-franchised businesses -- 17.1 percent compared to 12.1 percent (see Table 3).

Franchised Business Operation Rates

“What percent of minority-owned businesses are franchised?”

Overall, in 2002 a greater percent of minority-owned businesses were operated as franchises (2.7 percent) than nonminority-owned businesses (1.8 percent). By race, 3.9 percent of all Asian-owned businesses were operated as franchises in 2002; 2.3 percent of all Black-owned businesses were operated as franchises; and 2.1 percent of all Hispanic-owned businesses were operated as franchises (see Table 4).

Food Services and Drinking Places

Because the food services and drinking places industry (NAICS sector 722) accounts for a significant number of franchised businesses, the analysis relating to minority and female ownership and franchised business operation rates was also carried out for this sector.

Minority and Gender Ownership Rates in Food Services and Drinking Places

“What percent of franchised businesses in this sector are owned by a minority group member?”

Within the food services and drinking places industry, 20.2 percent of franchised businesses were owned by minorities in 2002. By subsector, the percent of franchised businesses owned by minorities ranged from 5.5 percent in drinking places (NAICS sector 7224) to 34.7 percent in special food services (NAICS sector 7223), which includes catering and food service contractors (see Table 5).

By gender, females owned 13.2 percent of franchised businesses in the food services and drinking places industry compared to 25.8 percent of nonfranchised businesses in this industry 2002. By sub-sector female ownership of franchised businesses ranged from 4.1 percent in drinking places sub-sector to 21.3 percent in the special food services sub-sector (see Table 7).

Franchised Business Operation Rates in Food Services and Drinking Places

“What percent of minority-owned businesses in this sector are franchised?”

In 2002 within the food services and drinking places industry, 9.8 percent of minority-owned businesses were franchised, compared to a franchising rate of 12.4 percent for nonminority group owners (see Table 8). Within the limited-service restaurant subsector, which had the highest percentage of businesses operated as franchises in 2002, 19.1 percent of minority-owned businesses were operated as a franchise compared to a franchising rate of 30.4 percent for businesses owned by a nonminority group member (see Table 9).

I. INTRODUCTION

In September 2006 the U.S. Census Bureau released the final report from the 2002 Survey of Business Owners (SBO). The report, *Characteristics of Businesses: 2002*, combines information on the owners of the more than 16 million businesses that responded to the survey with economic data from the 2002 Economic Census to provide a snapshot of the characteristics of U.S. businesses by type of owner and kind of business. Included are businesses that filed 2002 tax forms as sole proprietorships, partnerships, or corporations that had business receipts greater than \$1,000. In addition to information about the business, responding firms were asked to provide information on the characteristics of up to three individuals with the largest ownership shares, including the owners' gender, race, and ethnicity.

In 2002, for the first time, the Survey of Business Owners asked respondents to indicate whether or not their business was operated as a franchise. A definition of a "franchise" was not provided on the questionnaire, so a respondent used his/her own understanding of franchises to answer the question. *Characteristics of Businesses: 2002* provides information on the prevalence of franchising by kind of business (all responding firms, firms with paid employees, and firms without paid employees) and by the owners' gender, race, and ethnicity. As with all other SBO data in the report, the franchise information is also categorized by industry and business size and is reported as a percentage of all businesses in a particular category.

Because race and ethnicity are separately reported in the publicly available SBO data, and because owners are allowed to choose more than one racial group, overall comparisons on "minority" ownership in franchised and nonfranchised businesses are difficult to make using the publicly available data due to double counting.¹ For this reason, PricewaterhouseCoopers obtained special "minority-owned" business tabulations of the SBO data from the Census Bureau. Combined with the publicly available SBO data, these tabulations make up the basis for this report.

Section II of this report provides summary data from the 2002 SBO on the prevalence of minority and gender ownership among franchised businesses, and provides comparisons of ownership rates for these groups between franchised and nonfranchised businesses. The tabulations presented in this section shed light on the question -- "What percent of franchised businesses are owned by a minority group member?"

Section III examines businesses classified by minority and gender ownership and considers the prevalence of franchised businesses among these ownership groups. The tabulations presented in this section shed light on the question -- "What percent of minority-owned businesses are franchised?" This perspective is similar to the one that Ronald Langston,

¹ Double counting of minority ownership in the public data can occur, for example, when a business owner is reported as both Hispanic and Black.

National Director of the Minority Business Development Agency, discussed in his presentation at the IFA's 47th Annual Convention.²

Section IV examines minority and female ownership and franchised business operation rates for the food services and drinking places industry (NAICS Sector 722), which accounts for a significant number of franchised businesses.

An appendix to the report presents ownership information based on the size of a business.

Business Ownership

As stated in the SBO methodology report, business ownership is defined as having 51 percent or more of the stock or equity in the business and is categorized by:

- Gender: male; female; or equally male/female-owned
- Ethnicity: Hispanic or Latino Origin; or Not Hispanic or Latino Origin
- Race: White; Black or African American; American Indian or Alaska Native; Asian; or Native Hawaiian or Other Pacific Islander

Businesses could be tabulated in more than one racial group. This can result because:

- a. the sole owner reported more than one race;
- b. the majority owner reported more than one race;
- c. a majority combination of owners reported more than one race.

As discussed above, special tabulations were requested in order to overcome the potential double counting that can occur. For these tabulations a "minority-owned" business is one that is at least 51 percent owned by individuals who are either (1) from a racial group other than White or (2) are of Hispanic ethnicity. Conversely, a "nonminority-owned" business is a business that is at least 51 percent owned by individuals who are White and are not of Hispanic ethnicity.

Data Comparability with Earlier Research

To our knowledge, the 2002 Survey of Business Owners is the first large-scale government survey that collects data on franchising in all industries. Previous versions of the Economic Census collected data on franchising in particular industry sectors, such as food services, but did not collect data for all industries or try to link the data to ownership and other business characteristics.

² See the February 25, 2007 presentation by Ronald N. Langston, National Director, Minority Business Development Agency (MBDA).

In 2004, the National Economic Consulting Practice of PricewaterhouseCoopers LLP completed the *Economic Impact of Franchised Businesses* on behalf of the International Franchise Association Educational Foundation. This earlier study combined data from a number of government and private sources to derive estimates of the direct and indirect contributions of franchising to the U.S. economy at the national, state, and congressional district levels for the year 2001. The report provided estimates of the number of franchised establishments as well as the employment, payroll, and output in franchises and because of franchises.

While the SBO data were collected and tabulated at the business-level, the data in the Economic Census and the *Economic Impact of Franchised Businesses* were reported at the establishment-level. As a result, the franchise ratios reported in this study differ considerably from the earlier research and are not comparable. To understand the difference, consider Firm A. Suppose that Firm A is a multi-unit franchisee that operates 10 fast food franchises. In the SBO data, Firm A is counted as a single franchised business, but it is counted as 10 franchised establishments in the *Economic Impact of Franchised Businesses*. If there are 9 other firms in the industry with only one establishment each, none of which are franchised, the franchise ratio would be 10 percent in the SBO but would be 52.6 percent in the *Economic Impact of Franchised Businesses*.

II. MINORITY AND GENDER OWNERSHIP WITHIN FRANCHISED AND NONFRANCHISED BUSINESSES

As described in the Introduction, this section is designed to answer the question -- “What percent of franchised businesses are owned by a minority group member?”

Table 1 presents the percent of franchised businesses owned by minority and nonminority group members. In 2002, 19.3 percent of all franchised businesses were owned by minority group members.

Table 1 also shows minority ownership percentages for nonfranchised businesses, which allows comparisons of the ownership percentages between franchised and nonfranchised businesses. There is a noticeable difference in minority ownership rates between franchised and nonfranchised businesses. In 2002, 19.3 percent of all franchises were minority-owned, while 13.2 percent of nonfranchised businesses were minority-owned. Minority ownership was higher in franchises than nonfranchises for companies with and without paid employees.

**Table 1 – Minority Ownership
Franchised and Nonfranchised Businesses**

Business Group	Minority-Owned	Not Minority-Owned
All Responding Firms:		
Franchised	19.3%	79.2%
Nonfranchised	13.2%	84.3%
Firms with Paid Employees:		
Franchised	14.6%	79.3%
Nonfranchised	10.0%	82.1%
Firms without Paid Employees:		
Franchised	22.0%	78.2%
Nonfranchised	14.2%	85.0%

Note: Minority-owned and Not Minority-owned percentages do not add to 100 percent within a franchised or nonfranchised group because businesses whose owners' characteristics are indeterminate are not shown. Data for franchised businesses without paid employees sum to more than 100 percent due to rounding.

Source: PwC calculations based on special tabulations of data from the 2002 Survey of Business Owners obtained from the U.S. Census Bureau.

Table 2 presents the percent of franchised businesses owned by members of various minority groups. The franchised business ownership rates for Nonwhite racial groups in 2002 ranged from two-tenths of one percent for Native Hawaiians and Other Pacific Islander up to 8.9 percent for Asians. With respect to ethnicity, 5.8 percent of all franchised businesses were owned by Hispanics or Latinos.

Among minority groups, Asians have the most notable difference in the ownership percentages between franchised and nonfranchised businesses -- Asians owned 8.9 percent of franchised businesses compared to 4.2 percent of nonfranchised businesses in 2002.

**Table 2 – Ownership by Minority Group
Franchised and Nonfranchised Businesses**

Business Group	Hispanic-Owned	Asian-Owned	Black-Owned	American Indian-Owned¹	Pacific Islander-Owned²
All Responding Firms:					
Franchised	5.8%	8.9%	4.4%	0.8%	0.2%
Nonfranchised	5.1%	4.2%	3.5%	0.8%	0.1%
Firms with Paid Employees:					
Franchised	2.8%	10.0%	1.8%	0.4%	0.1%
Nonfranchised	3.3%	4.9%	1.4%	0.4%	0.1%
Firms without Paid Employees:					
Franchised	7.9%	7.3%	6.5%	1.0%	0.3%
Nonfranchised	5.6%	4.0%	4.1%	0.9%	0.1%

¹Includes Alaskan Natives; ²Includes Native Hawaiians.

Note: Details do not add to Minority-owned totals in Table 1 due to double counting.

Source: PwC calculations based on special tabulations of data from the 2002 Survey of Business Owners obtained from the U.S. Census Bureau.

Table 3 is similar to the previous tables, but it provides information on ownership by gender in franchised and nonfranchised businesses. In 2002, 25.0 percent of franchised businesses were female-owned compared to 27.9 percent of nonfranchised businesses. Franchised businesses were much more likely to be equally male/female-owned than non-franchised businesses (17.1 percent compared to 12.1 percent).

**Table 3 – Ownership by Gender
Franchised and Nonfranchised Businesses**

Business Group	Male-Owned	Female-Owned	Equally Male- /Female-Owned
All Responding Firms:			
Franchised	57.2%	25.0%	17.1%
Nonfranchised	57.4%	27.9%	12.1%
Firms with Paid Employees:			
Franchised	61.3%	14.8%	18.5%
Nonfranchised	63.3%	16.2%	12.6%
Firms without Paid Employees:			
Franchised	51.4%	31.8%	15.2%
Nonfranchised	55.5%	31.7%	12.0%

Note: Gender group percentages do not add to 100 percent within a franchised or nonfranchised group because businesses whose owners' characteristics are indeterminate are not shown.

Source: PwC calculations based on special tabulations of data from the 2002 Survey of Business Owners obtained from the U.S. Census Bureau.

III. FRANCHISED BUSINESSES AMONG MINORITY AND GENDER GROUPS

The focus of Section II is to examine the percent of franchised businesses that are owned by minority and gender group. This section alternatively asks the question “What percent of minority-owned businesses are franchised?” **Table 4** presents the percent of businesses owned by each minority and gender group that are franchised.³

In 2002, 2.7 percent of all minority-owned businesses were franchised, compared to 1.8 percent of businesses that were not minority-owned. A similar pattern is observed for businesses with paid employees and for businesses without paid employees.

By race, franchising was most prevalent among Asian-owned businesses: 3.9 percent of all Asian-owned businesses were operated as franchises in 2002, compared to 3.0 percent of Hawaiian- and Other Pacific Islander-owned businesses, 2.3 percent of Black- or African American-owned businesses, and 1.8 percent of White-owned businesses. In terms of ethnicity, there is little difference in the prevalence of franchising among Hispanic-owned and Nonhispanic-owned businesses (about 2 percent of businesses were operated as a franchise in each ethnic group).

There is also little difference in the rate of franchising between female-owned firms and male-owned firms, although a slightly higher percent of male-owned firms operated as franchises in 2002 (1.9 percent of male-owned businesses versus 1.7 percent of female-owned businesses operated as franchises). However, franchising was more prevalent in firms that were equally male/female-owned (2.7 percent of these businesses operated as franchises).

³ This perspective is similar to the one that Ronald Langston, National Director of the Minority Business Development Agency, discussed in his presentation at the IFA’s 47th Annual Convention.

Table 4 – Percentage of Franchised Businesses within Minority and Gender Groups

Business Group	All Firms	Firms with Paid Employees	Firms without Paid Employees
All Responding Firms:	1.9%	3.7%	1.4%
Minority Status:			
Minority-Owned	2.7%	5.3%	2.1%
Not Minority-Owned	1.8%	3.6%	1.3%
Race:			
White-Owned	1.8%	3.5%	1.3%
Asian-Owned	3.9%	7.2%	2.5%
Black-Owned	2.3%	4.4%	2.1%
American Indian-Owned ¹	1.9%	3.7%	1.6%
Pacific Islander-Owned ²	3.0%	3.1%	3.0%
Ethnicity:			
Hispanic-Owned	2.1%	3.1%	1.9%
Non-Hispanic-Owned	1.9%	3.8%	1.3%
Gender:			
Male-Owned	1.9%	3.6%	1.3%
Female-Owned	1.7%	3.4%	1.4%
Equally Male-/Female-Owned	2.7%	5.4%	1.8%
Firms with Owners whose Characteristics are Indeterminate	1.9%	2.3%	0.9%

¹Includes Alaskan Natives; ²Includes Native Hawaiians.

Note: Numbers do not add to 100 percent due to rounding.

Source: PwC calculations based on special tabulations of data from the 2002 Survey of Business Owners obtained from the U.S. Census Bureau.

IV. FOOD SERVICES AND DRINKING PLACES

The previous sections of this report provided information on minority ownership in franchised and nonfranchised businesses as well as the prevalence of franchising for minority and gender groups for the economy as a whole. This section, repeats the analysis for a particular industry sector--food services and drinking places, which accounts for a significant number of franchised businesses.⁴

Minority and Gender Ownership Within Franchised and Nonfranchised Businesses

This section is designed to answer the question “What percent of franchised businesses in the food services industry are owned by a minority group member?” **Table 5** presents the percent of franchised businesses in the food services and drinking places industry owned by minorities. In 2002, 20.2 percent of franchised businesses in this sector were owned by minorities. By comparison, minorities owned 24.6 percent of nonfranchised businesses in this industry.

The minority ownership rates for franchised businesses in the industry subsectors range from 5.5 percent in drinking places to 34.7 percent in special food services. In the limited-service restaurants subsector, which has one of the highest concentrations of franchises among all industries, the minority ownership rate for franchised businesses is 20.2 percent, compared to 31.2 percent for nonfranchised businesses.

Minority ownership rates are higher among nonfranchised businesses for all subsectors except special food services, which includes catering and food service contractors. In this subsector, 34.7 percent of franchised businesses were owned by minorities while 21 percent of nonfranchised businesses were owned by minorities in 2002.

⁴ Sector 722 in the 2002 North American Industry Classification System (NAICS). Food Services and Drinking Places is composed of the following industries: (1) full-service restaurants, (2) limited-service eating places, (3) special food services, such as food service contractors, caterers, and mobile food services, and (4) drinking places, such as bars, taverns, nightclubs, and other places primarily engaged in preparing and serving alcoholic beverages for immediate consumption.

**Table 5 – Minority Ownership in Food Services:
Franchised and Nonfranchised Businesses**

Business Group	Minority-Owned	Not Minority-Owned
Food Service and Drinking Places:		
Franchised	20.2%	75.1%
Nonfranchised	24.6%	71.7%
<i>Subsectors:</i>		
Full-Service Restaurants:		
Franchised	17.7%	76.2%
Nonfranchised	26.8%	68.5%
Limited-Service Restaurants:		
Franchised	20.2%	75.3%
Nonfranchised	31.2%	64.7%
Special Food Services:		
Franchised	34.7%	67.2%
Nonfranchised	21.0%	78.0%
Drinking Places:		
Franchised	5.5%	56.0%
Nonfranchised	11.1%	84.7%

Note: Does not add to 100 percent because businesses whose owners' characteristics are indeterminate are not shown.

Source: PwC calculations based on special tabulations of data from the 2002 Survey of Business Owners obtained from the U.S. Census Bureau.

Table 6 presents the percent of franchised businesses in the food services and drinking places industry owned by members of various minority groups. For the industry in aggregate, a higher percent of nonfranchised businesses were owned by Hispanics, Asians, and Blacks than of franchised businesses. Within subsectors, however, some exceptions occur. For example, for special food services and drinking places the Asian ownership rate for franchised businesses was notably higher than for nonfranchised businesses.

**Table 6 – Ownership by Minority Groups in Food Services:
Franchised and Nonfranchised Businesses**

Business Group	Hispanic-Owned	Asian-Owned	Black-Owned	American Indian-Owned¹	Pacific Islander-Owned²
Food Service and Drinking Places:					
Franchised	3.8%	13.5%	2.5%	0.6%	0.1%
Nonfranchised	7.2%	14.3%	3.1%	0.4%	0.1%
<i>Subsectors:</i>					
Full-Service Restaurants:					
Franchised	5.7%	10.1%	1.5%	0.5%	0.1%
Nonfranchised	7.9%	17.7%	1.4%	0.4%	0.1%
Limited-Service Restaurants:					
Franchised	3.2%	14.1%	2.5%	0.6%	0.0%
Nonfranchised	7.0%	22.3%	1.9%	0.4%	0.1%
Special Food Services:					
Franchised	8.4%	18.4%	7.7%	0.2%	0.6%
Nonfranchised	7.9%	5.4%	7.6%	0.7%	0.2%
Drinking Places:					
Franchised	0.0%	4.0%	2.5%	0.0%	0.0%
Nonfranchised	4.8%	2.5%	3.6%	0.2%	0.0%

¹Includes Alaskan Natives; ²Includes Native Hawaiians.

Note: Details do not add to Minority-owned totals in Table 11 due to double counting.

Source: PwC calculations based on special tabulations of data from the 2002 Survey of Business Owners obtained from the U.S. Census Bureau.

Table 7 provides information on ownership by gender in franchised and nonfranchised food services and drinking places. As with other business sectors (see Table 3), females owned a smaller percentage of franchised businesses than nonfranchised businesses.

**Table 7 – Ownership by Gender in Food Services:
Franchised and Nonfranchised Businesses**

Business Group	Male-Owned	Female-Owned	Equally Male/Female-Owned
Food Service and Drinking Places:			
Franchised	61.4%	13.2%	20.3%
Nonfranchised	50.6%	25.8%	19.8%
<i>Subsectors:</i>			
Full-Service Restaurants:			
Franchised	65.8%	10.6%	17.6%
Nonfranchised	52.3%	21.4%	21.6%
Limited-Service Restaurants:			
Franchised	60.9%	13.4%	21.3%
Nonfranchised	51.8%	23.5%	20.6%
Special Food Services:			
Franchised	63.4%	21.3%	15.5%
Nonfranchised	44.0%	37.7%	17.2%
Drinking Places:			
Franchised	53.0%	4.1%	11.5%
Nonfranchised	53.9%	24.6%	17.3%

Note: Does not add to 100 percent because businesses whose owners' characteristics are indeterminate are not shown.

Source: PwC calculations based on special tabulations of data from the 2002 Survey of Business Owners obtained from the U.S. Census Bureau.

Franchised Businesses among Minority and Gender Groups

This section is designed to answer the question “What percent of minority-owned businesses in the food services and drinking places industry are franchised?” **Table 8** presents the percent of franchised businesses within various minority and gender groups for the food service industries for all responding firms. In 2002, 9.8 percent of all minority-owned businesses in the food services and drinking places sector were franchised, compared to 12.4 percent of businesses that were not minority-owned. By gender, 6.4 percent of female-owned businesses in this sector were franchised, compared to 14.0 percent of male-owned businesses and 12.2 percent of equally male/female-owned businesses.

**Table 8 – Percentage of Franchised Businesses within Minority and Gender Groups
Food Services and Drinking Places Industry**

Business Group	Food Services and Drinking Places
All Responding Firms:	11.8%
Minority Status:	
Minority-Owned	9.8%
Not Minority-Owned	12.4%
Race:	
White-Owned	11.8%
Asian-Owned	11.2%
Black-Owned	9.5%
American Indian-Owned ¹	15.1%
Pacific Islander-Owned ²	8.3%
Ethnicity:	
Hispanic-Owned	6.4%
Non-Hispanic-Owned	12.1%
Gender:	
Male-Owned	14.0%
Female-Owned	6.4%
Equally Male-/Female-Owned	12.2%
Firms with Owners whose Characteristics are Indeterminate	13.3%

¹Includes Alaskan Natives; ²Includes Native Hawaiians.

Note: Numbers do not add to 100 percent due to rounding.

Source: PwC calculations based on special tabulations of data from the 2002 Survey of Business Owners obtained from the U.S. Census Bureau.

Table 9 provides additional detail by subsector for the food services industry. Among the subsectors, the limited-service restaurant subsector has the highest percentage of franchised businesses. In this subsector, 19.1 percent of minority-owned businesses are franchised, compared to 30.4 percent of nonminority-owned businesses. By gender, 17.7 percent of female-owned businesses in this subsector were franchised, compared to 30.2 percent of male-owned businesses and 28.0 percent of equally male/female-owned businesses.

**Table 9 – Percentage of Franchised Businesses within Minority and Gender Groups
Food Services and Drinking Places Subsectors**

Business Group	Full-Service Restaurants	Limited-Service Restaurants	Special Food Services	Drinking Places
All Responding Firms:	6.1%	27.0%	2.3%	0.6%
Minority Status:				
Minority-Owned	4.1%	19.1%	3.7%	0.3%
Not Minority-Owned	6.8%	30.4%	2.0%	0.4%
Race:				
White-Owned	6.6%	29.0%	2.0%	0.4%
Asian-Owned	3.6%	18.9%	7.5%	1.0%
Black-Owned	6.2%	32.4%	2.3%	0.4%
American Indian-Owned ¹	8.4%	34.3%	0.8%	0.0%
Pacific Islander-Owned ²	8.3%	13.4%	6.7%	0.0%
Ethnicity:				
Hispanic-Owned	4.3%	14.1%	2.4%	0.0%
Non-Hispanic-Owned	6.2%	27.9%	2.3%	0.4%
Gender:				
Male-Owned	7.6%	30.2%	3.3%	0.6%
Female-Owned	3.1%	17.7%	1.3%	0.1%
Equally Male-/Female-Owned	5.1%	28.0%	2.1%	0.4%
Firms with Owners whose Characteristics are Indeterminate	7.3%	25.6%	0.9%	3.8%

¹Includes Alaskan Natives; ²Includes Native Hawaiians.

Note: Numbers do not add to 100 percent due to rounding.

Source: PwC calculations based on special tabulations of data from the 2002 Survey of Business Owners obtained from the U.S. Census Bureau.

APPENDIX: SIZE OF BUSINESS COMPARISONS

This appendix provides detail on racial, ethnic, and gender group ownership rates and franchised business operation rates by the size of business. Business size is measured in two ways: (1) by the annual receipts size reported, and (2) by the number of employees.

The special tabulations received from the Census Bureau do not include breakdowns by receipt or employment size categories. As such it was not possible to report “minority-owned” businesses by business size that are free from the double counting problem described in the Introduction. Instead this appendix presents results for specific racial, ethnic and gender groups.

A. RACE, ETHNICITY, AND GENDER OWNERSHIP WITHIN FRANCHISED AND NONFRANCHISED BUSINESSES BY SIZE OF BUSINESS

Table 10 provides comparisons of racial, ethnic, and gender ownership rates for franchised and nonfranchised businesses by receipt size. This table answers questions such as “What percent of franchised businesses of a given receipt size are owned by a minority group member?”

To simplify the amount of information presented, the table does not show all possible racial, ethnic, and gender groups. Instead, the table reports the percent of Nonwhite-owned firms, Hispanic-owned firms and female-owned firms in each receipt size class for franchised and nonfranchised firms.⁵

As shown in Table 10, the percentage of Nonwhite-owned businesses was greater in franchised than in nonfranchised businesses across all receipt size classes in 2002. To some extent, the higher Nonwhite ownership percentages of franchised businesses are driven by the higher ownership rates of franchises by Asians identified in Table 1. There is no apparent trend in the differences between franchised and nonfranchised businesses for Hispanic or female owners across receipt size.

⁵ To calculate the percent of Nonwhite-owned businesses, the White-owned and the indeterminate-group-owned percentages were subtracted from 100 percent. This may understate the percentage of Nonwhite-owned firms because a business could be counted within the White group and any of the other racial groups.

**Table 10 – Racial, Ethnic, and Gender Ownership by Receipt Size
Businesses with Paid Employees**

Business Group by Receipt Size	Nonwhite-Owned	Hispanic or Latino-Owned	Female-Owned
Less than \$5,000			
Franchised	13.1%	S	26.6%
Nonfranchised	7.4%	3.4%	24.7%
\$5,000 to \$9,999			
Franchised	14.1%	S	20.5%
Nonfranchised	8.7%	4.2%	24.9%
\$10,000 to \$24,999			
Franchised	14.3%	7.3%	29.7%
Nonfranchised	8.1%	4.0%	25.7%
\$25,000 to \$49,999			
Franchised	19.2%	3.1%	23.3%
Nonfranchised	8.1%	4.4%	26.0%
\$50,000 to \$99,999			
Franchised	14.5%	3.4%	23.3%
Nonfranchised	8.0%	4.1%	23.3%
\$100,000 to \$249,999			
Franchised	16.3%	3.8%	22.1%
Nonfranchised	8.1%	3.6%	18.5%
\$250,000 to \$499,999			
Franchised	16.7%	2.7%	16.3%
Nonfranchised	7.5%	3.4%	14.8%
\$500,000 to \$999,999			
Franchised	12.2%	2.4%	12.7%
Nonfranchised	6.5%	3.1%	12.5%
\$1,000,000 or more			
Franchised	9.2%	2.1%	7.9%
Nonfranchised	4.5%	2.2%	9.1%
All Firms			
Franchised	14.9%	2.8%	14.8%
Nonfranchised	7.0%	3.3%	16.2%

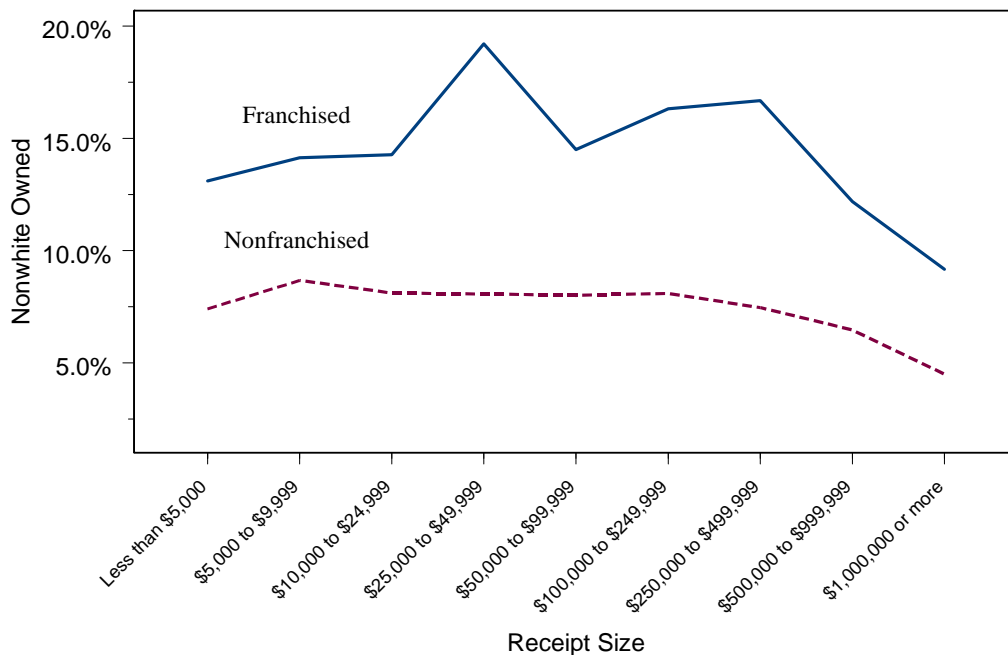
Notes: Counts of Nonwhite-owned businesses derived by subtracting White-owned businesses and firms whose owners' characteristics are indeterminate from all firms.

S = Estimates are suppressed when publication standards are not met, such as, the firm count is less than 3 or the relative standard error of the sales and receipts is 50 percent or more.

Source: U.S. Census Bureau, *Characteristics of Businesses: 2002*, SBO2-00CS-CB, September 2006 and PwC calculations.

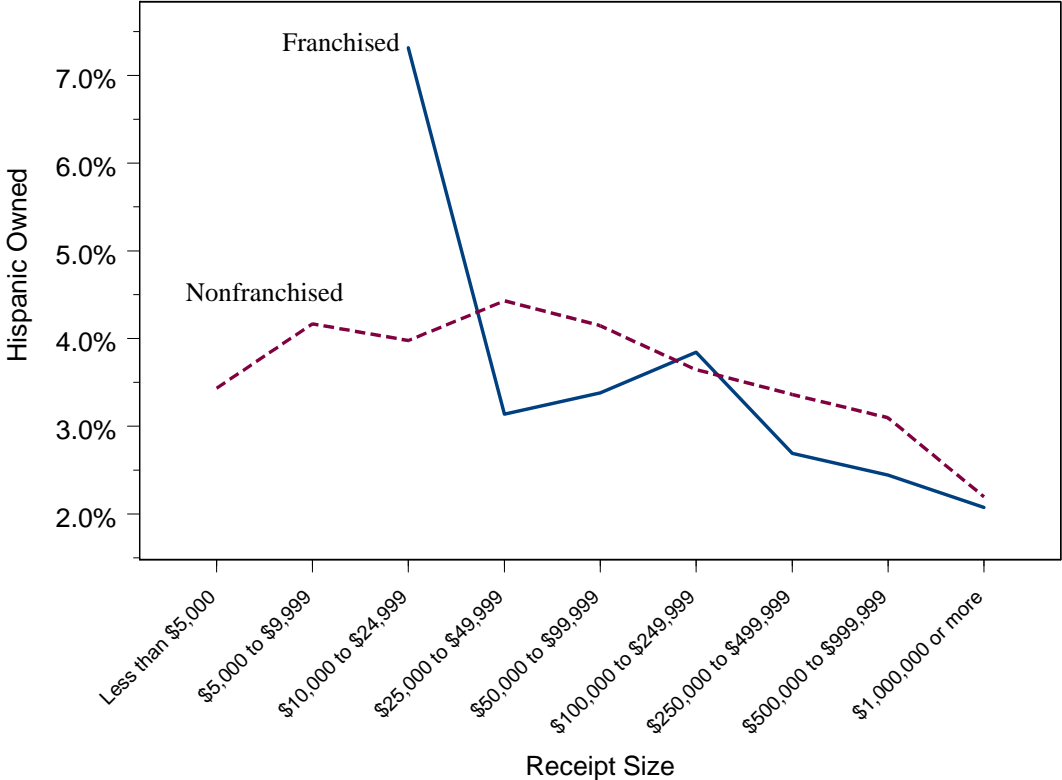
Graphical representations of the data in Table 10 are provided in **Figure 1**, **Figure 2**, and **Figure 3** for Nonwhite owners, Hispanic owners, and female owners, respectively. As shown in Figure 1, Nonwhite ownership declines for both franchised and nonfranchised businesses as the receipt size of the business exceeds \$500,000. As shown in Figure 2 and Figure 3, there is a more pronounced downward trend in Hispanic ownership and female ownership beginning at about \$50,000 in receipts for both franchised and nonfranchised businesses.

**Figure 1 – Nonwhite Ownership Percentage by Receipt Size
Businesses with Paid Employees**



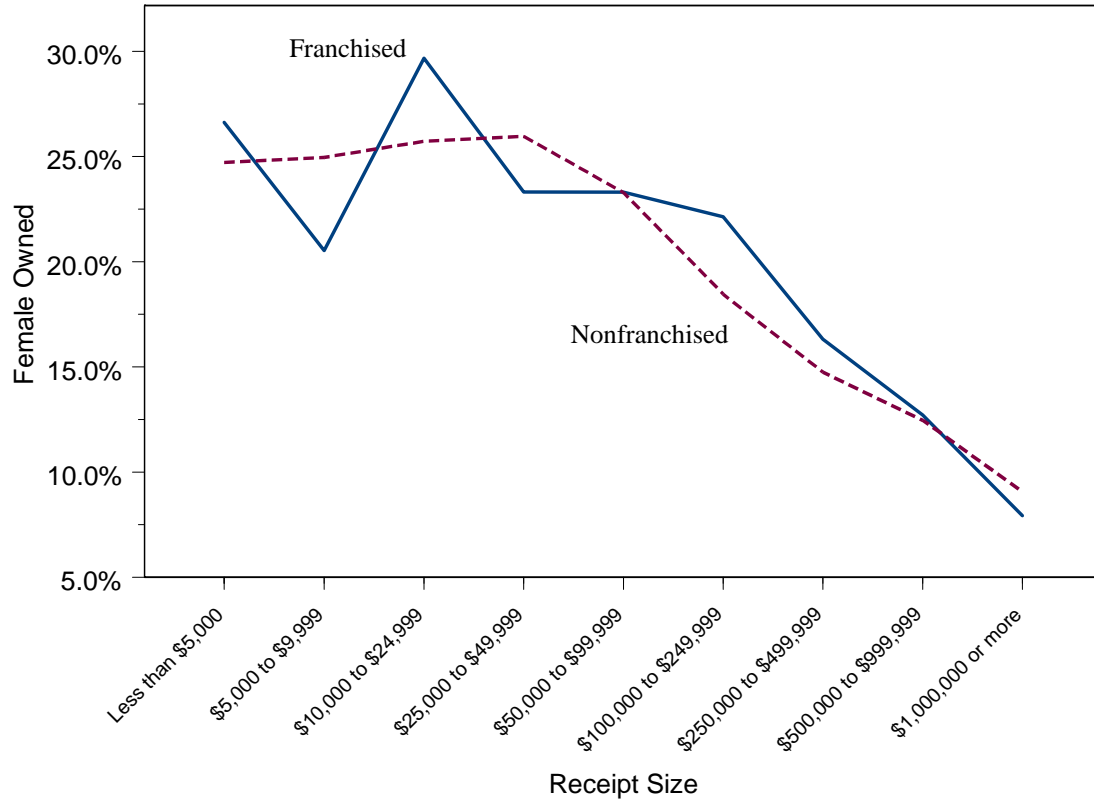
Source: U.S. Census Bureau, *Characteristics of Businesses: 2002*, SBO2-00CS-CB, September 2006 and PwC calculations.

**Figure 2 – Hispanic Ownership Percentage by Receipt Size
Businesses with Paid Employees**



Source: U.S. Census Bureau, *Characteristics of Businesses: 2002*, SBO2-00CS-CB, September 2006 and PwC calculations.

**Figure 3 – Female Ownership Percentage by Receipt Size
Businesses with Paid Employees**



Source: U.S. Census Bureau, *Characteristics of Businesses: 2002*, SBO2-00CS-CB, September 2006 and PwC calculations.

Table 11 is similar to Table 10 except that it uses employment size to compare the ownership rates of franchised and nonfranchised businesses. As was the case with receipt size classes, the percent of Nonwhite-owned businesses was greater in franchised than in nonfranchised businesses across all employment size classes in 2002. In general, the Nonwhite, Hispanic, and female ownership percentage decreases as the employment size of a business increases.

Table 11 – Racial, Ethnic, and Gender Ownership by Employment Size

Business Group by Employment Size	Nonwhite-Owned	Hispanic or Latino-Owned	Female-Owned
Firms with no employees			
Franchised	16.8%	4.6%	19.7%
Nonfranchised	8.8%	4.2%	19.8%
1 to 4			
Franchised	13.6%	3.7%	18.5%
Nonfranchised	7.6%	3.5%	17.6%
5 to 9			
Franchised	14.2%	2.5%	17.0%
Nonfranchised	6.8%	3.1%	15.0%
10 to 19			
Franchised	15.8%	2.4%	13.0%
Nonfranchised	5.4%	2.9%	13.3%
20 to 49			
Franchised	7.4%	2.0%	10.0%
Nonfranchised	4.4%	2.3%	10.9%
50 to 99			
Franchised	6.2%	1.4%	6.3%
Nonfranchised	3.5%	2.5%	9.1%
100 to 499			
Franchised	6.1%	1.6%	7.3%
Nonfranchised	2.8%	1.3%	7.2%
500 or more			
Franchised	4.3%	1.2%	6.1%
Nonfranchised	1.0%	0.7%	3.7%
All Firms			
Franchised	14.9%	2.8%	14.8%
Nonfranchised	7.0%	3.3%	16.2%

Note: Counts of Nonwhite-owned businesses derived by subtracting White-owned businesses and firms whose owners' characteristics are indeterminate from all firms.

Source: U.S. Census Bureau, *Characteristics of Businesses: 2002*, SBO2-00CS-CB, September 2006 and PwC calculations.

B. FRANCHISED BUSINESSES AMONG MINORITY AND GENDER GROUPS: BY SIZE OF BUSINESS

Table 12 shows the percent of businesses with paid employees operated as franchises within racial, ethnic, and gender groups by the receipt size classes. This table answers questions such as “What percent of Nonwhite-owned businesses of a given receipt size are franchised?” **Figure 4** is a graphical representation of these data.

In general, the percent of franchised business grows as the receipt size of the business grows. This trend is most pronounced for the Nonwhite racial group: of Nonwhite owned businesses with 2002 annual receipts under \$100,000 and with paid employees, approximately 3 to 4 percent operated as a franchise; of Nonwhite owned businesses with 2002 annual receipts of \$1 million or more and with paid employees, over 10 percent operated as a franchise.

**Table 12 – Percentage of Franchised Businesses by Receipt Size
Businesses with Paid Employees**

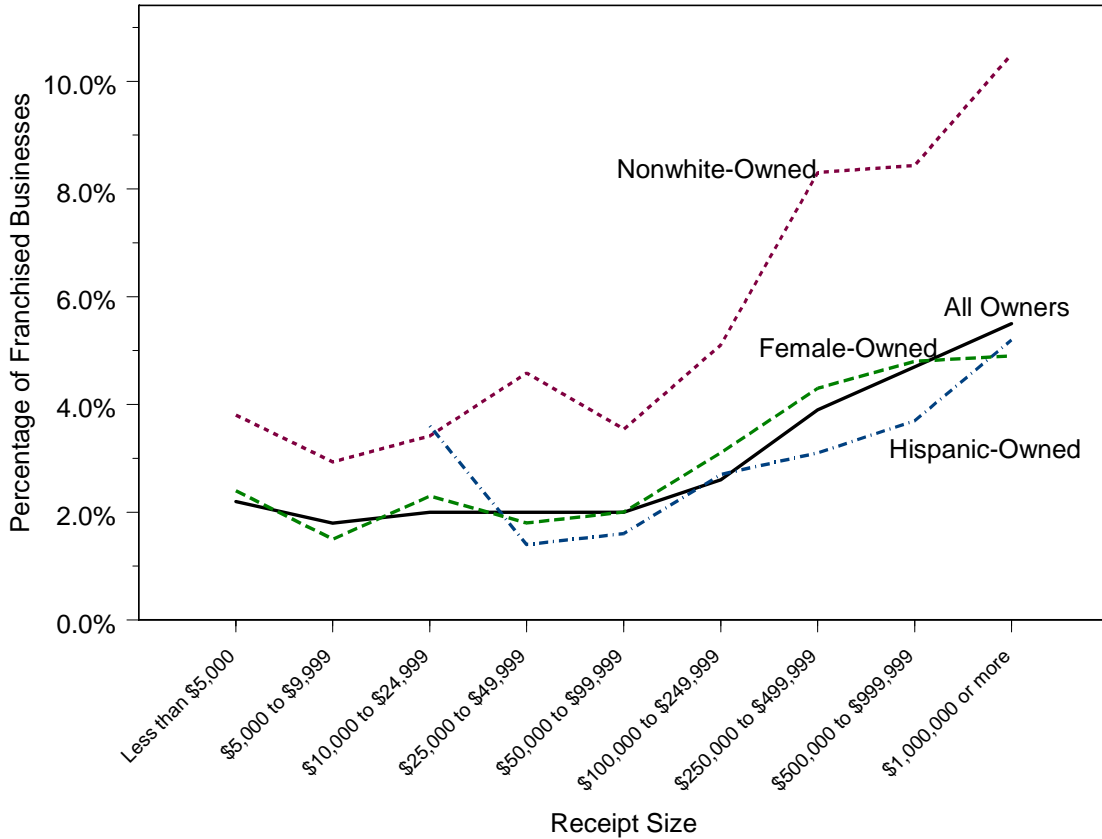
Receipt Size	Nonwhite-Owned	Hispanic or Latino-Owned	Female-Owned	All Owners
Less than \$5,000	3.8%	S	2.4%	2.2%
\$5,000 to \$9,999	2.9%	S	1.5%	1.8%
\$10,000 to \$24,999	3.4%	3.6%	2.3%	2.0%
\$25,000 to \$49,999	4.6%	1.4%	1.8%	2.0%
\$50,000 to \$99,999	3.5%	1.6%	2.0%	2.0%
\$100,000 to \$249,999	5.1%	2.7%	3.1%	2.6%
\$250,000 to \$499,999	8.3%	3.1%	4.3%	3.9%
\$500,000 to \$999,999	8.4%	3.7%	4.8%	4.7%
\$1,000,000 or more	10.5%	5.2%	4.9%	5.5%

Note: Counts of Nonwhite-owned businesses derived by subtracting White-owned businesses and firms whose owners’ characteristics are indeterminate from all firms.

S = Estimates are suppressed when publication standards are not met, such as, the firm count is less than 3 or the relative standard error of the sales and receipts is 50 percent or more.

Source: U.S. Census Bureau, *Characteristics of Businesses: 2002*, SBO2-00CS-CB, September 2006 and PwC calculations.

**Figure 4 – Percentage of Franchised Businesses by Receipt Size
Businesses with Paid Employees**



Source: U.S. Census Bureau, *Characteristics of Businesses: 2002*, SBO2-00CS-CB, September 2006 and PwC calculations.

Table 13 reports the percent of businesses operated as franchises for different racial groups by receipt size classes, providing some additional detail on the Nonwhite franchised business ownership rates reported in Table 12. Similar to Table 12, this table answers questions such as “What percent of businesses owned by a specific racial group and of a given receipt size are franchised?”

Comparisons of the racial group ownership percentages in Table 13 with the consolidated Nonwhite ownership group percentages from Table 12 show that the franchise percentages for the Asian-owned group are very close to the Nonwhite-owned percentages, while the Black-owned group has generally smaller franchise percentages for receipt size classes between \$100,000 and less than \$1 million. For the receipts size class of \$1 million or more, the Black-owned group has a franchise operation percentage very close to the Nonwhite-owned group percentage. Overall, the franchise percentages for the Nonwhite-owned group are influenced by the number of Asian owners who operate franchised businesses.

**Table 13 – Percentage of Franchised Businesses by Receipt Size
Nonwhite-Owned Businesses with Paid Employees**

Receipt Size	Asian -Owned	Black-Owned	American Indian- Owned ¹	Pacific Islander- Owned ²
Less than \$5,000	<i>S</i>	1.4%	<i>S</i>	<i>S</i>
\$5,000 to \$9,999	3.4%	2.3%	<i>S</i>	<i>S</i>
\$10,000 to \$24,999	3.6%	3.8%	<i>S</i>	<i>S</i>
\$25,000 to \$49,999	4.2%	4.2%	<i>S</i>	<i>S</i>
\$50,000 to \$99,999	3.2%	2.8%	1.8%	<i>S</i>
\$100,000 to \$249,999	5.5%	3.6%	<i>S</i>	<i>S</i>
\$250,000 to \$499,999	8.5%	4.0%	4.3%	<i>S</i>
\$500,000 to \$999,999	9.8%	4.4%	<i>S</i>	<i>S</i>
\$1,000,000 or more	10.9%	10.6%	5.1%	2.8%

¹Includes Alaskan Natives; ²Includes Native Hawaiians.

S = Estimates are suppressed when publication standards are not met, such as, the firm count is less than 3 or the relative standard error of the sales and receipts is 50 percent or more.

Source: U.S. Census Bureau, *Characteristics of Businesses: 2002*, SBO2-00CS-CB, September 2006 and PwC calculations.

Table 14 shows the percent of businesses operated as franchises within racial, ethnic, and gender groups by the employment size classes. This table answers questions such as “What percent of Nonwhite-owned businesses of a given employment size are franchised?” **Figure 5** is a graphical representation of these data.

Again, there is a generally increasing trend in the percent of franchised business as the employment size increases, however this trend peaks in the “100 to 499” employee class and then drops off slightly for the “500 or more” employee class. The highest percentage of franchised businesses occurs for Nonwhite-owned business with 100 to 499 employees (15.8 percent). Hispanic-owned businesses with 100 to 499 and female-owned businesses with 100 to 499 employees have 9 percent and 8 percent, respectively, of businesses operated as a franchise.

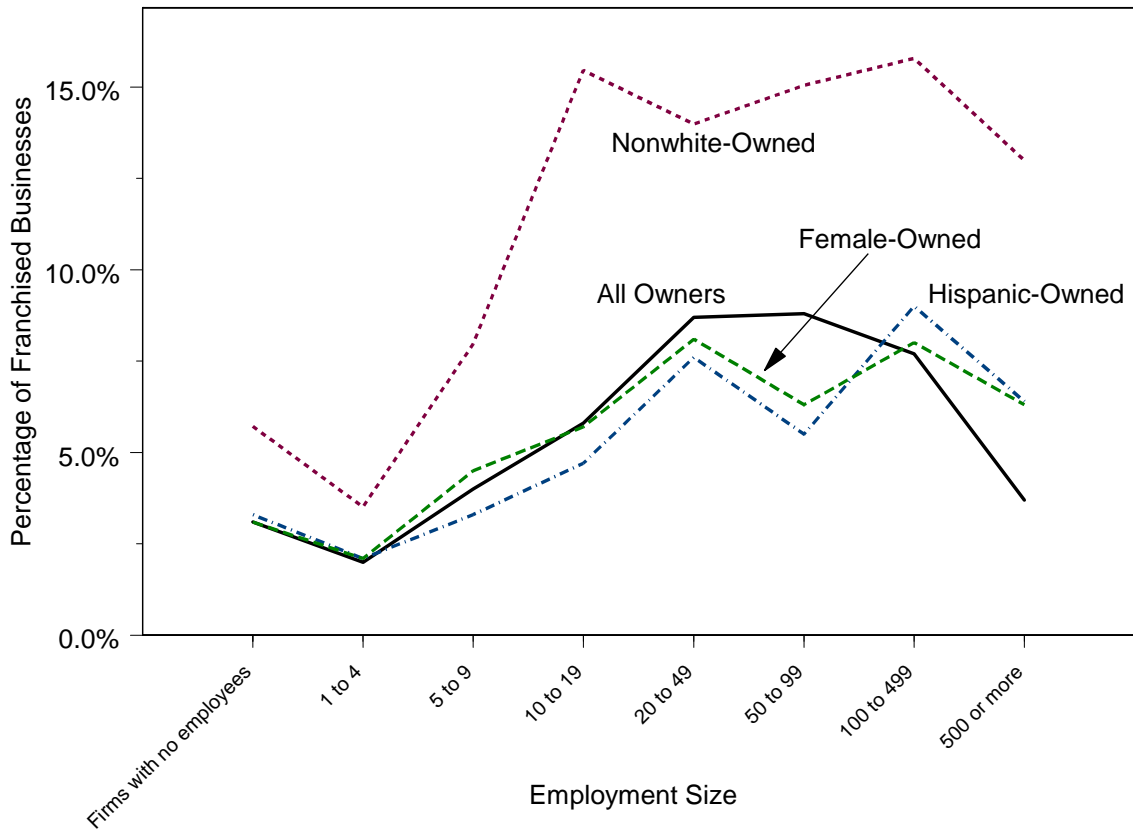
**Table 14 – Percentage of Franchised Businesses by Employment Size
Minority or Female-Owned Businesses**

Employment Size	Nonwhite-Owned	Hispanic or Latino-Owned	Female-Owned	All Owners
Firms with no employees	5.7%	3.3%	3.1%	3.1%
1 to 4	3.5%	2.1%	2.1%	2.0%
5 to 9	8.0%	3.3%	4.5%	4.0%
10 to 19	15.5%	4.7%	5.7%	5.8%
20 to 49	14.0%	7.6%	8.1%	8.7%
50 to 99	15.0%	5.5%	6.3%	8.8%
100 to 499	15.8%	9.0%	8.0%	7.7%
500 or more	13.0%	6.4%	6.3%	3.7%

Note: Counts of Nonwhite-owned businesses derived by subtracting White-owned businesses and firms whose owners' characteristics are indeterminate from all firms.

Source: U.S. Census Bureau, *Characteristics of Businesses: 2002*, SBO2-00CS-CB, September 2006 and PwC calculations.

**Figure 5 – Percentage of Franchised Businesses by Employment Size
Businesses with Paid Employees**



Source: U.S. Census Bureau, *Characteristics of Businesses: 2002*, SBO2-00CS-CB, September 2006 and PwC calculations.

Table 15 shows the percent of businesses operated as franchises within Nonwhite racial groups by employment size classes. Similar to Table 14, this table answers questions such as “What percent of Asian-owned businesses of a given employment size are franchised?”

The franchise percentages for the Asian-owned group are slightly higher than the Nonwhite percentages shown in Table 14 for all but the two highest employment size classes. For the two largest classes, the Nonwhite franchise percentages are influenced by relatively large franchise operation percentages among Black owners.

**Table 15 – Percentage of Franchised Businesses by Employment Size
Nonwhite Owned Businesses**

Employment Size	Asian -Owned	Black-Owned	American Indian- Owned¹	Pacific Islander- Owned²
Firms with no employees	7.1%	3.3%	3.6%	<i>S</i>
1 to 4	3.8%	3.3%	2.7%	1.5%
5 to 9	9.8%	3.4%	2.8%	<i>S</i>
10 to 19	17.2%	5.8%	8.9%	<i>S</i>
20 to 49	15.3%	13.6%	7.7%	<i>S</i>
50 to 99	14.4%	18.6%	7.0%	<i>S</i>
100 to 499	9.2%	20.3%	6.8%	<i>S</i>
500 or more	10.5%	23.5%	0.0%	<i>S</i>

¹Includes Alaskan Natives; ²Includes Native Hawaiians.

S = Estimates are suppressed when publication standards are not met, such as, the firm count is less than 3 or the relative standard error of the sales and receipts is 50 percent or more.

Source: U.S. Census Bureau, *Characteristics of Businesses: 2002*, SBO2-00CS-CB, September 2006 and PwC calculations.