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# FRANCHISED BUSINESS OWNERSHIP:

By Minority and Gender Groups



**Franchising**  
Building local businesses,  
one opportunity at a time.





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Building local businesses,  
one opportunity at a time.



# FRANCHISED BUSINESS OWNERSHIP:

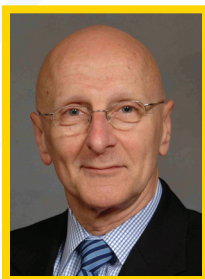
By Minority and Gender Groups

A Report for the IFA Educational Foundation by the  
National Economics and Statistics Practice of  
PricewaterhouseCoopers LLP

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**In** 2007, the IFA Educational Foundation published the first report on the prevalence of minority and female ownership in franchised businesses. The report, prepared by PwC for the Foundation, was based on 2002

Census data, and was the first comprehensive look at franchise ownership rates among minority and gender groups. One of the chief reasons for conducting the study was to establish a baseline against which future progress could be measured.

The Foundation's new report, *Franchised Business Ownership, 2007: Minority and Gender Groups*, provides detailed information about minority and female ownership, including the percent of franchised businesses owned by minorities and women, comparisons of ownership rates between franchised and non-franchised businesses, and comparisons with results for 2002. The report answers two key questions – What percent of franchised businesses are owned by a minority group member, by females, and equally-owned (male/female)? What percent of minority-owned, female-owned, and equally-owned businesses are franchised? In addition, the report provides information about minority and female ownership rates in the food services and drinking places industry, which includes a large concentration of franchised businesses. The report also provides information about ownership rates by size of business. The new report, prepared by PwC for the Foundation, is based on the U.S. Census Bureau's 2007 Survey of Business Owners ("SBO").

One of the major goals in IFA's strategic plan is to increase the participation of minorities and women in all facets of the franchising industry. While the report shows that progress has been made in some areas, much more work needs to be done to reap the full potential of expanding opportunities for women and minorities. The rapid pace of demographic change and population growth combine to create some unique opportunities for franchise businesses. More than half of the population growth in the past decade came from Hispanics. The Hispanic population grew by 43 percent during this time period, from 35.3 million in 2000 to 50.5 million in 2010. The Asian population also

grew by 43 percent, from 10.2 million to 14.7 million. Franchising can tap this expanding talent pool of future business owners and employees.

The new report shows that the minority ownership rate for franchised businesses increased by 1.2 percentage points from 19.3 percent in 2002 to 20.5 percent in 2007, an increase of 6.2 percent. In 2007, 20.5% of franchised businesses were owned by minorities, compared to 14.2% of non-franchised businesses. Female ownership among franchised businesses declined from 25% in 2002 to 20.5% in 2007, a decrease of 18%. However, during this same time period, the share of franchise businesses that were equally male/female owned increased from 17.1% in 2002 to 24.4% in 2007, or an increase of 42.7%.

The Foundation, through the IFA Diversity Institute, is committed to working with IFA members and with partner organizations to expand opportunities for women and minorities in the world of franchising. Franchising not only provides economic empowerment for the individual business owner – it leverages their contributions for the whole franchise system. New franchise owners, from diverse backgrounds, cultures, gender, race, and ethnicity, bring new energy and ideas to the world of franchising. In the words of Ron Harrison, CFE, IFA past chairman and founding chairman of the IFA Diversity Institute, "embracing diversity is a business growth strategy".

This research project, which began in 2005 under the leadership of then Foundation Chairman Mike Roman, CFE, has continued with the generous support of the ExxonMobil Corporation. On behalf of the Foundation Board of Trustees, I want to give special thanks to ExxonMobil for sponsoring the report and for their great support of the IFA Diversity Institute.

I would also like to give thanks to the PwC research team for their excellent work analyzing the Census data and preparing this report.

John Reynolds, CFE  
President  
IFA Educational Foundation

U.S. DEPARTMENT OF COMMERCE



Minority-owned businesses continue to shine as the engines of job growth in the United States economy. These businesses provide nearly six million jobs, and annually generate \$1 trillion in economic output. Supporting this output is the Minority Business Development Agency (MBDA), a bureau in the U.S. Department of Commerce. MBDA is the only federal agency tasked to promote the growth and global competitiveness of minority-owned firms. MBDA assists minority-owned firms in gaining access to capital, contracts and new domestic and international markets.

One important sector of the minority business community is the franchise sector. The following report, commissioned by the International Franchise Association, offers a beneficial analysis and a unique insight into the trends of minority-owned franchised businesses. Since 2007, the last year the report on *Franchised Business Ownership* was published, more minority entrepreneurs have utilized the substantial benefits of franchising as a vehicle to expand their wealth base. According to data from the Census Bureau, minority ownership of franchised businesses increased by 1.2 percentage points, and joint ownership (male/female) increased by 7.3 percentage points. Minority entrepreneurs also own franchise businesses at a higher percentage than non-franchised businesses—a difference of 6.3 percentage points between minorities who owned franchised businesses and minorities who owned non-franchised businesses.

Today, we operate in a global economy and whether you own a franchise business or not, you have to think in terms of partnering arrangements, acquisitions and the global expansion of your services if you want to grow. We encourage you to read this report and take advantage of its findings. We also encourage you to consider a franchise business as a vehicle to achieve financial independence. There are thousands of excellent franchise business structures in the marketplace, but it's important that you find one that best leverages your skills, interests, vision and financial capacity so that you can grow your business and create new jobs—our nation depends on you.

I also encourage you to join the growing number of minority-owned firms that are taking advantage of the premium business consulting services offered through MBDA's nationwide network of nearly 50 MBDA Business Centers and offices. Visit our website at [www.mbda.gov/main/offices](http://www.mbda.gov/main/offices) and find an MBDA Business Center near you. Our business centers are designed to help you grow your business so take advantage of the services that they offer. Let the MBDA team assist you in taking your business to the next level through capital and contracting opportunities, and access to new markets.

On behalf of the Minority Business Development Agency, I extend a special thanks to the International Franchise Association for their continued effort to increase the number of franchises owned and operated by minority entrepreneurs and expand economic opportunity for all Americans.

A handwritten signature in black ink, appearing to read "David A. Hinson". The signature is fluid and cursive, written over a light gray background.

David A. Hinson  
National Director

# New Report Shows Change in Franchise Business Ownership Among Women and Minorities



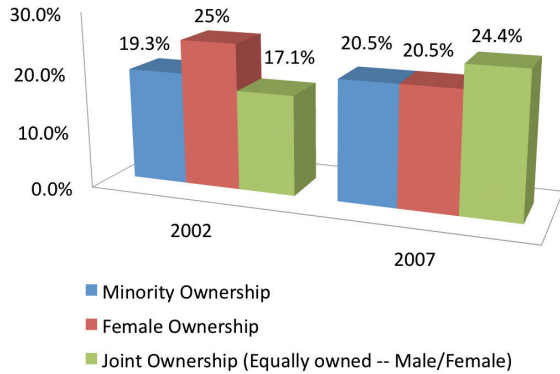
## The

Foundation's new report, *Franchised Business Ownership, 2007: Minority and Gender Groups*, provides detailed information about minority and female ownership, including the percent of franchised businesses owned

by minorities and women, comparisons of ownership rates between franchised and non-franchised businesses, and comparisons with results for 2002. The report answers two key questions – What percent of franchised businesses are owned by a minority group member, by females, and equally-owned (male/female)? What percent of minority-owned, female-owned, and equally-owned businesses are franchised? In addition, the report provides information about minority and female ownership rates in the food services and drinking places industry, which includes a large concentration of franchised businesses. The report also provides information about ownership rates by size of business. The new report, prepared by PwC for the Foundation, is based on the U.S. Census Bureau's 2007 Survey of Business Owners ("SBO").

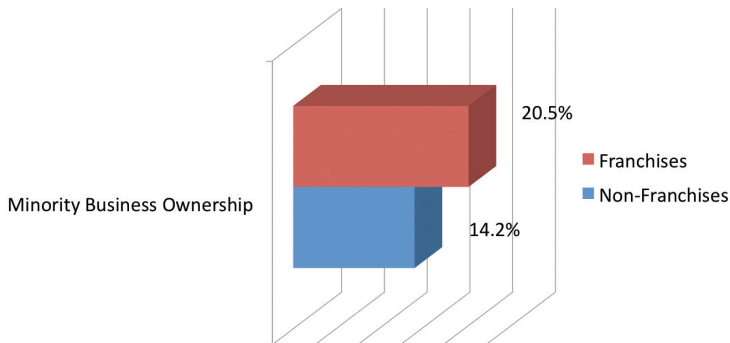


## Franchise Ownership Rates 2002 and 2007



Source—Franchised Business Ownership, 2007: Minority and Gender Groups, prepared for IFA Educational Foundation by PwC.

## Minority Business Ownership, 2007: Franchises and Non-Franchises



Source—Franchised Business Ownership, 2007: Minority and Gender Groups, prepared for IFA Educational Foundation by PwC.

Following are some highlights of the report –

- Minority ownership of franchise businesses increased by 1.2 percentage points, from 19.3% in 2002 to 20.5% in 2007, an increase of 6.2 percent.
- In 2007, there was a higher minority ownership rate among franchised businesses than non-franchised businesses – 20.5% of franchises were owned by minorities, compared to 14.2% of non-franchised businesses.
- Female ownership of franchise businesses declined by 4.5 percentage points from 25.0% in 2002 to 20.5% in 2007 (a decrease of 18 percent) while joint ownership (male/female) increased by 7.3 percentage points from 17.1% to 24.4% (an increase of 42.7 percent).
- Overall, a greater percent of minority-owned businesses were operated as franchises in 2007 (3.0%) than in 2002 (2.7%).
- In the food services and drinking places category, 21.5% of franchise businesses were owned by minorities in 2007 compared to 20.2% in 2002.
- In the food services and drinking places category, 12.5% of franchise businesses were owned by females in 2007 compared to 13.2% in 2002. Joint ownership (male/female) of franchise businesses was 25.7% compared to 20.3% in 2002.
- The ownership rate was greater among non-whites in franchised businesses (14.9%) than non-franchised businesses (7.9%), regardless of the size of business, based on annual receipts and number of employees. When comparing franchises to nonfranchises, there was little difference in ownership rates among Hispanics and females based on size of business.

The report shows the ownership rates for franchised business compared to non-franchised businesses for each minority and ethnic group. Asians owned 10.4% of all franchises compared to 4.9% of non-franchises. Blacks owned 4.9% of all franchises compared to 3.6% of non-franchised businesses. Hispanics owned 5.2% of franchised businesses compared to 5.4% of non-franchised businesses.



By gender, 20.5% of franchised businesses were female-owned, compared to 25.7% of non-franchised businesses. However, 24.4% of franchised businesses were jointly-owned (male/female) compared to 18.2% of non-franchised businesses.

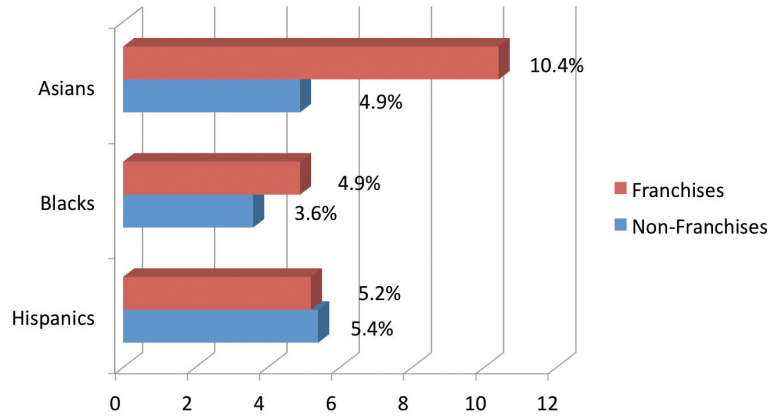
Overall, in 2007, a greater percent of minority-owned businesses were operated as franchises (3.0%) than nonminority owned businesses (1.9%). By group, 5.1% of all Pacific Islander-owned businesses, 4.5% of all Asian-owned businesses, 2.9% of all Black-owned businesses, 2.0 percent of all Hispanic-owned businesses, and 1.7% of all female-owned businesses were operated as franchises in 2007.

The report provides a special look at the food services and drinking places industry due to the large concentration of franchise businesses in this sector. Within this sector, 21.5% of franchised businesses were owned by minorities in 2007. By sub-sectors, in special food services (such as catering and contracting), 36.9% of franchises were owned by minorities. In the quick services restaurant sector, 21.2% of franchises were owned by minorities. In the full service restaurant sector, 19.0% of franchises were owned by minorities.

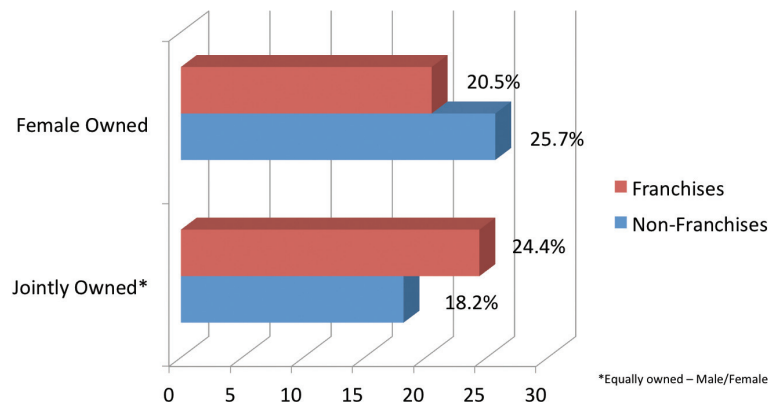
In the food services and drinking places industry, 12.5% of franchise businesses were female-owned and 25.7% were jointly owned (male/female). Within the sub-sectors, special food services (such as catering and contracting), 24.6% were female-owned and 22.3% were jointly owned (male/female). In the quick services restaurant sector 12.3% were female-owned and 27.1% were jointly-owned (male/female). In the full services restaurant sector 10.6% were female-owned and 21.0% were jointly-owned (male/female).

Methodology -- PwC was engaged by the Foundation to review data from the U.S. Census Bureau's 2007 Survey of Business Owners in order to help determine the prevalence of minority and female ownership in franchised businesses in 2007. Ownership rates were calculated using publicly released data and special tabulations obtained from the Census Bureau and were defined to be the number of firms that were at least 51 percent owned by individuals in a particular racial, ethnic, or gender group divided by the total number of respondent firms that operated as a franchise in 2007.

## Ownership By Race & Ethnic Groups, 2007



## Female-Owned and Jointly-Owned, 2007





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# *Franchised Business Ownership, 2007: Minority and Gender Groups*

*Franchised Business  
Ownership, 2007:  
Minority and Gender  
Groups*

*November 7, 2011*

Prepared for

The International Franchise  
Association Educational  
Foundation



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## ***Franchised Business Ownership, 2007: Minority and Gender Groups***

### ***EXECUTIVE SUMMARY***

PwC was engaged by the International Franchise Association Educational Foundation (IFA-EF) to review data from the U.S. Census Bureau's 2007 *Survey of Business Owners* ("SBO") to determine the prevalence of minority and female ownership in franchised businesses in 2007. 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 businesses, and comparisons within business lines where franchises are most prevalent. This report summarizes our findings and makes comparisons with results for 2002.<sup>1</sup>

The primary purpose of this report is to answer 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?"

This report answers 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. This sector accounted for 17.3 percent of all franchised businesses in 2007. 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?"  
"What percent of franchised businesses are owned by women?"*

In 2007, there was a higher minority ownership rate among franchised businesses than in nonfranchised businesses, 20.5 percent of franchises were owned by minorities, compared to 14.2 percent of nonfranchised businesses (see **Table 1**).

Asians, Blacks, Pacific Islanders, and "other" minorities had a higher rate of ownership of franchises than nonfranchised businesses in 2007, while Hispanics and American Indians had slightly higher ownership rates among nonfranchised businesses. Asians owned 10.4 percent of all franchises, compared to 4.9 percent of nonfranchised businesses. Blacks owned 4.9 percent of all franchised businesses compared to 3.6 percent of nonfranchised businesses. In contrast, 5.2 percent of franchised businesses were owned by Hispanics, compared to 5.4 percent of nonfranchised businesses (see **Table 2**).

By gender, 20.5 percent of franchised businesses were female-owned compared to 25.7 percent of nonfranchised businesses in 2007. Franchised businesses were much more likely to be

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<sup>1</sup> 2002 results were reported in PwC, *Franchised Business Ownership: Minority and Gender Groups*, September 5, 2007.

equally male/female-owned than nonfranchised businesses – 24.4 percent compared to 18.2 percent (see **Table 3**).

Overall, the minority ownership rate for franchised businesses increased by 1.2 percentage points from 19.3 percent in 2002 to 20.5 percent in 2007, an increase in the ownership rate of 6.2 percent (see **Table 4**). Over the same period, the minority ownership rate among nonfranchised businesses increased by one percentage point from 13.2 percent in 2002 to 14.2 percent in 2007, an increase in the ownership rate of 7.6 percent.

Among franchised businesses, Asians and Blacks experienced the largest increase in ownership shares among minority groups – 1.6 percentage points and 0.5 percentage points, respectively. Hispanics experienced the greatest decline in ownership share among franchises – 0.6 percentage points (or 10.3 percent), from 5.8 percent in 2002 to 5.2 percent in 2007.

Female ownership among franchises declined by 4.5 percentage points from 25.0 percent in 2002 to 20.5 percent in 2007, a decrease of 18.0 percent. However, over this same period, the share of businesses that were equally male/female-owned increased by 7.3 percentage points from 17.1 percent to 24.4 percent, an increase of 42.7 percent.

### **Franchised Business Operation Rates**

*"What percent of minority-owned and female-owned businesses are franchised?"*

Overall, in 2007 a greater percent of minority-owned businesses were operated as franchises (3.0 percent) than nonminority-owned businesses (1.9 percent). By race, 5.1 percent of all Pacific Islander-owned businesses, 4.5 percent of all Asian-owned businesses, and 2.9 percent of all Black-owned businesses were operated as franchises. In 2007, 2.0 percent of all Hispanic-owned businesses and 1.7 percent of female-owned businesses operated as franchises (see **Table 5**).

The share of minority-owned businesses that operated as a franchise increased by 0.3 percentage points from 2.7 percent in 2002 to 3.0 percent in 2007, an increase of 11.1 percent. By race, Pacific-Islander-owned businesses experienced the largest growth in franchised ownership over this period, from 3.0 percent to 5.1 percent (see **Table 6**).

### **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?"*

*"What percent of franchised businesses in this sector are owned by women?"*

Within the food services and drinking places industry, 21.5 percent of franchised businesses were owned by minorities in 2007, compared to 20.2 percent in 2002. By subsector, the percent of franchised businesses owned by minorities ranged from 19.0 percent in full-service restaurants (NAICS sector 7221) to 36.9 percent in special food services (NAICS sector 7223), which includes catering and food service contractors (see **Table 7**). In limited-service

restaurants (NAICS sector 7222) 21.2 percent of franchised businesses were owned by members of a minority group in 2007.

By gender, females owned 12.5 percent of franchised businesses in the food services and drinking places industry compared to 23.8 percent of nonfranchised businesses in this industry in 2007. By comparison, 13.2 percent of franchised businesses and 25.8 percent of nonfranchised businesses were owned by females in 2002.

By subsector female ownership of franchised businesses ranged from 10.6 percent in full-service restaurants to 24.6 percent in special food services (see **Table 9**) in 2007. In the limited-service restaurants subsector, 12.3 percent of franchised businesses were owned by females and 27.1 percent were equally male/female-owned.

### **Franchise Business Operation Rates in Food Services and Drinking Places**

*"What percent of minority-owned and female-owned businesses in this sector are franchised?"*

In 2007, within the food services and drinking places industry, 12.3 percent of minority-owned businesses were franchised, compared to a franchising rate of 15.2 percent for nonminority group owners (see **Table 11**). Within the limited-service restaurant subsector, which had the highest percentage of businesses operated as a franchise in 2007, 24.0 percent of minority-owned businesses were operated as a franchise compared to a franchising rate of 36.1 percent for businesses owned by a nonminority group member (see **Table 12**).

Overall, the share of minority-owned businesses that were operated as franchises increased by 2.5 percentage points from 9.8 percent in 2002 to 12.3 percent in 2007, an increase of 25.5 percent (see **Table 13**).



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# ***Franchised Business Ownership, 2007: Minority and Gender Groups***

## ***I. INTRODUCTION***

The *Survey of Business Owners* ("SBO"), conducted every five years by the U.S. Census Bureau, provides comprehensive data on the economic and demographic characteristics of more than 27 million U.S. businesses and their owners. Included are all businesses that filed 2007 tax forms as sole proprietorships, partnerships, or corporations and had annual 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 four individuals with the largest ownership shares, including the owners' gender, race, and ethnicity.

Beginning with the 2002 SBO, the survey questionnaire 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. The 2007 SBO 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. The SBO data are also categorized by industry and by business size.

Section II of this report provides summary data from the 2007 SBO on the prevalence of minority and gender ownership among franchised businesses, and compares 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?" Minority and gender ownership rates in 2002 and 2007 are compared.

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?" The prevalence of franchised businesses by minority status, race, ethnicity, and gender in 2002 and 2007 are compared.

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. This sector accounted for 17.3 percent of all franchised businesses in 2007.

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

### ***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.

To overcome the potential double counting that can occur, SBO defines a "minority-owned" business as 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 less than 50 percent owned by individuals who are White and are not of Hispanic ethnicity. For the first time in 2007, SBO separately reported "equally minority-/nonminority-owned" businesses, those for which 50 percent of the equity or stock in the business was owned by members of a racial group other than White or are of Hispanic ethnicity. For comparability with previous results, "equally minority-/nonminority-owned" businesses and "nonminority-owned" businesses are combined in the tabulations reported below.<sup>2</sup>

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<sup>2</sup> Similarly, "equally Hispanic-/non-Hispanic-owned" firms are combined with "non-Hispanic-owned."

## II. Minority and Gender Ownership within Franchised and Non-Franchised 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 and provides a comparison of the ownership percentages between franchised and nonfranchised businesses. In 2007, 20.5 percent of all franchises were minority-owned, while 14.2 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, 2007**

Business Group	Minority-Owned	Not Minority Owned	Firms with Owners Whose Characteristics are Indeterminate
All Responding Firms:			
Franchised	20.5%	73.3%	6.2%
Nonfranchised	14.2%	80.6%	5.2%
Firms with Paid Employees:			
Franchised	17.0%	73.4%	9.6%
Nonfranchised	11.3%	76.5%	12.2%
Firms without Paid Employees:			
Franchised	24.7%	73.3%	2.0%
Nonfranchised	15.4%	82.3%	2.4%

Source: PwC calculations based on data from the 2007 Survey of Business Owners.

Note: Rows may not sum to 100 percent due to rounding.

**Table 2** presents the percent of franchised businesses owned by members of various minority groups. The franchised business ownership rates for non-White racial groups in 2007 ranged from three-tenths of one percent for Native Hawaiians and Other Pacific Islanders up to 10.4 percent for Asians. With respect to ethnicity, 5.2 percent of all franchised businesses were owned by Hispanics or Latinos.

Among minority groups, Asians have the largest difference in the ownership percentages between franchised and nonfranchised businesses – Asians owned 10.4 percent of franchised businesses compared to 4.9 percent of nonfranchised businesses in 2007.

**Table 2. – Ownership by Minority Group  
Franchised and Nonfranchised Businesses, 2007**

<b>Business Group</b>	<b>Hispanic -Owned</b>	<b>Asian- Owned</b>	<b>Black- Owned</b>	<b>American Indian- Owned<sup>(1)</sup></b>	<b>Pacific Islander- Owned<sup>(2)</sup></b>	<b>Other Minority- Owned</b>
All Responding Firms:						
Franchised	5.2%	10.4%	4.9%	0.5%	0.3%	0.5%
Nonfranchised	5.4%	4.9%	3.6%	0.6%	0.1%	0.3%
Firms with Paid Employees:						
Franchised	3.2%	11.5%	2.0%	0.3%	0.1%	0.5%
Nonfranchised	3.9%	5.7%	1.5%	0.4%	0.1%	0.2%
Firms without Paid Employees:						
Franchised	7.6%	9.1%	8.5%	0.8%	0.5%	0.5%
Nonfranchised	6.1%	4.5%	4.5%	0.7%	0.1%	0.3%

Source: PwC calculations based on data from the 2007 Survey of Business Owners.

Note: Numbers do not add to Minority-owned totals in Table 1 because a business can be counted in more than one racial group.

<sup>(1)</sup> Includes Alaskan Natives; <sup>(2)</sup> Includes Native Hawaiians.

**Table 3** is similar to the Table 1, but it provides information on ownership by gender in franchised and nonfranchised businesses. In 2007, 20.5 percent of franchised businesses were female-owned compared to 25.7 percent of nonfranchised businesses. Franchised businesses were much more likely to be equally male/female-owned than nonfranchised businesses (24.4 percent compared to 18.2 percent).

**Table 3. – Ownership by Gender  
Franchised and Nonfranchised Businesses, 2007**

<b>Business Group</b>	<b>Male-Owned</b>	<b>Female-Owned</b>	<b>Equally Male / Female-Owned</b>
All Responding Firms:			
Franchised	48.9%	20.5%	24.4%
Nonfranchised	51.0%	25.7%	18.2%
Firms with Paid Employees:			
Franchised	50.3%	15.1%	24.9%
Nonfranchised	54.7%	15.2%	17.9%
Firms without Paid Employees:			
Franchised	47.2%	27.1%	23.8%
Nonfranchised	49.5%	29.8%	18.3%

Source: PwC calculations based on data from the 2007 Survey of Business Owners.

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.

**Table 4** compares ownership percentages for franchised businesses in 2002 and 2007. Overall, the minority ownership rate for franchised businesses increased by 1.2 percentage points from 19.3 percent in 2002 to 20.5 percent in 2007, an increase of 6.2 percent. By race, Asians experienced the largest increase in ownership share among franchises – from 8.9 percent in 2002 to 10.4 percent in 2007, an increase of 1.5 percentage points or 16.9 percent. The share of franchised businesses owned by Hispanics declined by 0.6 percentage points from 5.8 percent in 2002 to 5.2 percent in 2007, a decrease of 10.3 percent. The share of non-Hispanic owned franchises also declined over the period, from 91.9 percent to 88.6 percent. The finding that both shares decreased is the result of an increase in the share of businesses whose owners' characteristics cannot be determined between 2002 and 2007.

**Table 4. – Minority, Ethnic, and Gender Ownership in Franchised Businesses, All Responding Firms, 2002 and 2007**

<b>Business Group</b>	<b>2002</b>	<b>2007</b>	<b>Change</b>
<b>Minority Status:</b>			
Minority-Owned	19.3%	20.5%	1.2%
Not Minority-Owned	79.2%	73.3%	-5.8%
<b>Race:</b>			
Asian-Owned	8.9%	10.4%	1.5%
Black-Owned	4.4%	4.9%	0.5%
American Indian-Owned <sup>(1)</sup>	0.8%	0.5%	-0.3%
Pacific Islander-Owned <sup>(2)</sup>	0.2%	0.3%	0.1%
Other Minority-Owned	n.a.	0.5%	n.a.
<b>Ethnicity:</b>			
Hispanic-Owned	5.8%	5.2%	-0.6%
Not Hispanic-Owned	91.9%	88.6%	-3.3%
<b>Gender:</b>			
Male-Owned	57.2%	48.9%	-8.3%
Female-Owned	25.0%	20.5%	-4.5%
Equally Male-/Female-Owned	17.1%	24.4%	7.3%
Firms with Owners whose Characteristics are Indeterminate	2.9%	6.2%	3.3%
<b>Memo:</b>			
50% or More Female-Owned	42.1%	44.9%	2.8%

Source: PwC calculations based on data from the 2002 and 2007 Survey of Business Owners.

Note: Ownership percentages with minority, ethnic, and gender groups do not add to 100 percent.

<sup>(1)</sup> Includes Alaskan Natives; <sup>(2)</sup> Includes Native Hawaiians.

The share of franchises that were female-owned declined by 4.5 percentage points from 25.0 percent in 2002 to 20.5 percent in 2007, a decrease of 18.0 percent. However, over the same period, the share of franchised businesses that were equally male-/female-owned increased by 7.3 percentage points from 17.1 percent to 24.4 percent, an increase of 42.7 percent. Overall, the percent of franchises that were at least 50 percent female-owned increased from 42.1 percent in 2002 to 44.9 percent in 2007.

There was a 3.3 percentage point increase in the share of franchises whose owners' characteristics were indeterminate between 2002 and 2007.

### III. Franchised Businesses Among Minority and Gender Groups

The previous section examined 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?"

In 2007, 3.0 percent of all minority-owned businesses were franchised, compared to 1.9 percent of businesses that were not minority-owned (see **Table 5**).

**Table 5. – Percentage of Businesses in Franchised Form by Type of Owner, 2007**

<b>Business Group</b>	<b>All Firms</b>	<b>Firms with Paid Employees</b>	<b>Firms without Paid Employees</b>
All Responding Firms:	2.1%	4.0%	1.3%
Minority Status:			
Minority-Owned	3.0%	6.0%	2.2%
Not Minority-Owned	1.9%	3.9%	1.2%
Race:			
White-Owned	1.9%	3.8%	1.2%
Asian-Owned	4.5%	7.9%	2.7%
Black-Owned	2.9%	5.3%	2.5%
American Indian-Owned <sup>(1)</sup>	1.8%	3.7%	1.4%
Pacific Islander-Owned <sup>(2)</sup>	5.1%	5.4%	5.0%
Other Minority-Owned	3.7%	8.5%	2.3%
Ethnicity:			
Hispanic-Owned	2.0%	3.4%	1.7%
Not Hispanic-Owned	2.1%	4.2%	1.3%
Gender:			
Male-Owned	2.0%	3.7%	1.3%
Female-Owned	1.7%	4.0%	1.2%
Equally Male-/Female-Owned	2.8%	5.6%	1.7%
Firms with Owners whose Characteristics are Indeterminate	2.5%	3.2%	1.1%
Memo:			
50% or More Female-Owned	2.2%	5.1%	1.4%

Source: PwC calculations based on data from the 2007 Survey of Business Owners.

<sup>(1)</sup> Includes Alaskan Natives; <sup>(2)</sup> Includes Native Hawaiians.



By race, franchising was most prevalent among Hawaiian- and Pacific Islander-owned businesses: 5.1 percent of all Hawaiian- and Pacific Islander-owned businesses were operated as franchises in 2007, compared to 4.5 percent of Asian-owned businesses, 2.9 percent of Black-owned businesses, and 1.9 percent of White-owned businesses. In terms of ethnicity, there is little difference in the prevalence of franchising among Hispanic-owned and Non-Hispanic-owned businesses (about 2.0 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 2007 (2.0 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 (2.8 percent of these businesses operated as franchises in 2007).

Results are also separately reported for businesses with paid employees and for businesses without paid employees.

**Table 6** compares franchise ratios within minority, ethnic, and gender groups in 2002 and 2007. Overall, the share of minority-owned firms that operated as a franchise increased by 0.3 percentage points from 2.7 percent in 2002 to 3.0 percent in 2007, an increase of 12.6 percent. By race, Hawaiian- and Pacific Islander-owned firms experienced the greatest increase in the percent operated as a franchise, from 3.0 percent in 2002 to 5.1 percent in 2007. The franchise ratio for both Asian-owned and Black-owned firms increased by 0.6 percentage points over this period. By gender group, there was little change in the franchise ratio between 2002 and 2007.

**Table 6. — Percentage of Franchised Businesses within Minority, Ethnic, and Gender Groups, All Firms, 2002 and 2007**

<b>Business Group</b>	<b>2002</b>	<b>2007</b>	<b>Change</b>
All Responding Firms:	1.9%	2.1%	0.2%
Minority Status:			
Minority-Owned	2.7%	3.0%	0.3%
Not Minority-Owned	1.8%	1.9%	0.1%
Race:			
White-Owned	1.8%	1.9%	0.1%
Asian-Owned	3.9%	4.5%	0.6%
Black-Owned	2.3%	2.9%	0.6%
American Indian-Owned <sup>(1)</sup>	1.9%	1.8%	-0.1%
Pacific Islander-Owned <sup>(2)</sup>	3.0%	5.1%	2.1%
Other Minority-Owned	n.a.	3.7%	n.a.
Ethnicity:			
Hispanic-Owned	2.1%	2.0%	-0.1%
Not Hispanic-Owned	1.9%	2.1%	0.2%
Gender:			
Male-Owned	1.9%	2.0%	0.1%
Female-Owned	1.7%	1.7%	0.0%
Equally Male-/Female-Owned	2.7%	2.8%	0.1%
Firms with Owners whose Characteristics are Indeterminate	1.9%	2.5%	0.6%
Memo:			
50% or More Female-Owned	2.0%	2.2%	0.2%

Source: PwC calculations based on data from the 2002 and 2007 Survey of Business Owners.

<sup>(1)</sup> Includes Alaskan Natives; <sup>(2)</sup> Includes Native Hawaiians.

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## ***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 focuses on a particular industry sector – food services and drinking places, which accounts for a significant number of franchised businesses.<sup>3</sup> This sector accounted for 17.3 percent of all franchised businesses in 2007.

### ***Minority and Gender Ownership within Franchised and Nonfranchised Businesses***

To answer the question "What percent of franchised businesses in the food services and drinking places industry are owned by a minority group member?", **Table 7** presents the percent of franchised businesses in the food services and drinking places industry owned by minorities. In 2007, 21.5 percent of franchised businesses in this sector were owned by minorities. By comparison, minorities owned 26.5 percent of the nonfranchised businesses in this industry.

The minority ownership rates for franchised businesses in the industry subsectors ranged from 19.0 percent in full-service restaurants to 36.9 percent in special food services in 2007. In the limited-service restaurants subsector, which has one of the highest concentrations of franchises among all businesses, the minority ownership rate for franchised businesses was 21.2 percent, compared to 32.8 percent for nonfranchised businesses.

In 2007, the minority ownership rate was higher among franchised businesses in the special food services (which includes catering and food service contractors, as well as mobile food services) and drinking places subsectors than that in the nonfranchised businesses of the subsectors. The minority ownership rate was lower among franchised businesses in the full-service and limited-service restaurant sectors than that in the nonfranchised businesses of the subsectors.

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<sup>3</sup> Industry code 722 in the 2002 North American Industry Classification System (NAICS). It includes (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 7. – Minority Ownership in Food Services:  
Franchised and Nonfranchised Businesses, 2007**

<b>Business Group</b>	<b>Minority-Owned</b>	<b>Not Minority-Owned</b>	<b>Firms with Owners Whose Characteristics are Indeterminate</b>
Food Service and Drinking Places:			
Franchised	21.5%	68.7%	9.8%
Nonfranchised	26.5%	66.5%	6.9%
<i>Subsectors:</i>			
Full-Service Restaurants:			
Franchised	19.0%	69.2%	11.8%
Nonfranchised	29.7%	62.0%	8.3%
Limited-Service Restaurants:			
Franchised	21.2%	69.3%	9.5%
Nonfranchised	32.8%	59.8%	7.4%
Special Food Services:			
Franchised	36.9%	61.1%	2.0%
Nonfranchised	22.1%	75.4%	2.5%
Drinking Places:			
Franchised	24.8%	36.1%	39.2%
Nonfranchised	9.9%	81.1%	9.0%

Source: PwC calculations based on special tabulations of data from the 2007 Survey of Business Owners.

Note: Rows may not add to 100 percent due to rounding.

**Table 8** presents the percent of franchised businesses in the food services and drinking places industry owned by members of various minority groups. For the industry as a whole, the percentage of nonfranchised businesses owned by members of each minority group, with the exception of the "other minority" group, was higher than the percentage of franchised businesses owned by members of a minority group. Within the subsectors, however, some exceptions occur. For example, among full-service restaurants Blacks owned a greater share of franchised businesses than nonfranchised businesses. Similarly, Blacks and Asians owned a greater share of franchised drinking places than nonfranchised drinking places.

Overall, in the food services and drinking places industry, 15.6 percent of franchised businesses were owned by Asians, 3.5 percent were owned by Hispanics, and 2.0 percent were owned by Blacks.

**Table 8. – Ownership by Minority Groups in Food Services:  
Franchised and Nonfranchised Businesses, 2007**

Business Group	Hispanic -Owned	Asian- Owned	Black- Owned	American Indian- Owned <sup>(1)</sup>	Pacific Islander- Owned <sup>(2)</sup>	Other Minority- Owned
Food Service and Drinking Places:						
Franchised	3.5%	15.6%	2.0%	0.4%	w	0.8%
Nonfranchised	7.9%	15.7%	3.1%	0.5%	w	0.4%
<i>Subsectors:</i>						
Full-Service Restaurants:						
Franchised	4.6%	12.2%	2.2%	0.3%	w	0.1%
Nonfranchised	9.8%	19.0%	1.4%	0.4%	w	0.4%
Limited-Service Restaurants:						
Franchised	3.1%	15.8%	1.8%	0.4%	w	0.9%
Nonfranchised	7.1%	23.9%	2.0%	0.5%	w	0.3%
Special Food Services:						
Franchised	w	28.9%	2.7%	w	w	w
Nonfranchised	w	w	7.8%	w	w	w
Drinking Places:						
Franchised	12.4%	5.6%	7.0%	0.0%	w	w
Nonfranchised	4.6%	2.2%	3.1%	w	w	w

Source: PwC calculations based on special tabulations of data from the 2007 Survey of Business Owners.  
Note: Numbers do not add to Minority-owned totals in Table 1 because a business can be counted in more than one racial group. "w" indicates data withheld by the Census Bureau to avoid disclosing private information.

<sup>(1)</sup> Includes Alaskan Natives; <sup>(2)</sup> Includes Native Hawaiians.

**Table 9** provides information on ownership by gender in franchised and nonfranchised food services and drinking places. As with other business sectors (see Table 3), female ownership of franchised businesses was lower than that of nonfranchised businesses in the food services and drinking places sector. However, a great percentage of the franchised food services and drinking places were equally male/female-owned than that of nonfranchised businesses in the sector.

Overall, in 2007, 12.5 percent of franchised businesses in the food service and drinking places sector were owned by females. Another 25.7 percent of the franchised businesses in the sector were equally male/female-owned.

**Table 9. – Ownership by Gender in Food Services:  
Franchised and Nonfranchised Businesses, 2007**

<b>Business Group</b>	<b>Male-Owned</b>	<b>Female-Owned</b>	<b>Equally Male / Female-Owned</b>
Food Service and Drinking Places:			
Franchised	51.9%	12.5%	25.7%
Nonfranchised	44.5%	23.8%	24.8%
<i>Subsectors:</i>			
Full-Service Restaurants:			
Franchised	56.6%	10.6%	21.0%
Nonfranchised	46.9%	20.0%	24.8%
Limited-Service Restaurants:			
Franchised	51.1%	12.3%	27.1%
Nonfranchised	44.1%	20.7%	27.9%
Special Food Services:			
Franchised	51.1%	24.6%	22.3%
Nonfranchised	37.3%	36.4%	23.7%
Drinking Places:			
Franchised	43.7%	14.1%	3.1%
Nonfranchised	49.5%	22.1%	19.4%

Source: PwC calculations based on special tabulations of data from the 2007 Survey of Business Owners.

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.

As shown in **Table 10**, the share of franchised food services and drinking places owned by members of a minority group increased by 1.3 percentage points from 20.2 percent in 2002 to 21.5 percent in 2007, an increase of 6.4 percent. By racial group, the largest increase in ownership share was among Asian-owned businesses. The share of franchised businesses in the food services industry that were owned by Asians increased by 2.1 percentage points from 13.5 percent in 2002 to 15.6 percent in 2007, an increase of 15.6 percent. The share of franchised food services businesses that were female-owned fell from 13.2 percent in 2002 to 12.5 percent in 2007, a decline of 0.7 percentage points or 5.3 percent. The share of franchised food services businesses that were equally male-/female-owned increased from 20.3 percent in 2002 to 25.7 percent in 2007, an increase of 5.4 percentage points or 26.6 percent.

**Table 10. – Minority, Ethnic, and Female Ownership in Food Services: Franchised and Nonfranchised Businesses, 2002 and 2007**

<b>Business Group</b>	<b>2002</b>	<b>2007</b>	<b>Change</b>
All Minority-Owned:			
Franchised	20.2%	21.5%	1.3%
Nonfranchised	24.6%	26.5%	1.9%
Hispanic-Owned:			
Franchised	3.8%	3.5%	-0.3%
Nonfranchised	7.2%	7.9%	0.7%
Asian-Owned:			
Franchised	13.5%	15.6%	2.1%
Nonfranchised	14.3%	15.7%	1.3%
Black-Owned:			
Franchised	2.5%	2.0%	-0.5%
Nonfranchised	3.1%	3.1%	-0.1%
Other Minority-Owned <sup>1</sup> :			
Franchised	0.6%	w	n.a.
Nonfranchised	0.5%	w	n.a.
Female-Owned:			
Franchised	13.2%	12.5%	-0.7%
Nonfranchised	25.8%	23.8%	-2.1%
Equally Male-/Female-Owned:			
Franchised	20.3%	25.7%	5.4%
Nonfranchised	19.8%	24.8%	5.0%

Source: PwC calculations based on special tabulations of data from the 2002 and 2007 Survey of Business Owners.

Note: "n.a." indicates data not available or cannot be calculated. "w" indicates data withheld by the Census Bureau to avoid disclosing private information.

<sup>(1)</sup> Includes Alaskan Natives; <sup>(2)</sup> Includes Native Hawaiians.

### ***Franchised Businesses among Minority and Gender Groups***

To answer the question "What percent of minority-owned businesses in the food services and drinking places industry are franchised?", **Table 11** presents the percent of franchised businesses within various minority and gender groups for the food services and drinking places industry for all responding firms. In 2007, 12.3 percent of all minority-owned businesses in the industry were franchised, compared to 15.2 percent of businesses in the industry that were not minority-owned. By gender, 8.4 percent of female-owned businesses in this sector were franchised, compared to 16.8 percent of male-owned businesses and 15.2 percent of equally



male/female-owned businesses. In 2007, 7.1 percent of Hispanic-owned businesses were operated as a franchise.

**Table 11. — Percentage of Businesses in Franchised Form by Type of Owner: Food Services and Drinking Places Industry, 2007**

<b>Business Group</b>	<b>Food Services and Drinking Places</b>
All Responding Firms:	14.8%
Minority Status:	
Minority-Owned	12.3%
Not Minority-Owned	15.2%
Race:	
White-Owned	14.3%
Asian-Owned	14.7%
Black-Owned	10.1%
American Indian-Owned <sup>(1)</sup>	11.2%
Pacific Islander-Owned <sup>(2)</sup>	w
Other Minority-Owned	27.1%
Ethnicity:	
Hispanic-Owned	7.1%
Not Hispanic-Owned	15.0%
Gender:	
Male-Owned	16.8%
Female-Owned	8.4%
Equally Male-/Female-Owned	15.2%
Firms with Owners whose Characteristics are Indeterminate	19.7%

Source: PwC calculations based on special tabulations of data from the 2007 Survey of Business Owners.

Note: "w" indicates data withheld by the Census Bureau to avoid disclosing private information.

<sup>(1)</sup> Includes Alaskan Natives; <sup>(2)</sup> Includes Native Hawaiians.

**Table 12** provides additional detail by subsector for the food services and drinking places industry. Among the subsectors, the limited-service restaurant subsector has the highest percentage of franchised businesses. In this subsector, 24.0 percent of minority-owned businesses are franchised, compared to 36.1 percent of nonminority-owned businesses in 2007. 17.9 percent of Hispanic-owned limited-service restaurants were franchised. By gender, 22.5 percent of female-owned businesses in this subsector were franchised, compared to 36.2 percent of male-owned businesses and 32.2 percent of equally male/female-owned businesses.

**Table 12. – Percentage of Businesses in Franchised Form by Type of Owner: Food Services and Drinking Places Subsectors, 2007**

<b>Business Group</b>	<b>Full-Service Restaurants</b>	<b>Limited-Service Restaurants</b>	<b>Special Food Services</b>	<b>Drinking Places</b>
All Responding Firms:	6.8%	32.8%	3.2%	0.9%
Minority Status:				
Minority-Owned	4.4%	24.0%	5.3%	2.2%
Not Minority-Owned	7.5%	36.1%	2.6%	0.4%
Race:				
White-Owned	7.0%	34.4%	2.6%	0.5%
Asian-Owned	4.5%	24.4%	w	2.2%
Black-Owned	10.4%	30.7%	1.1%	2.0%
American Indian-Owned <sup>(1)</sup>	5.5%	26.8%	w	w
Pacific Islander-Owned <sup>(2)</sup>	w	w	w	w
Other Minority-Owned	1.4%	62.3%	w	w
Ethnicity:				
Hispanic-Owned	3.3%	17.9%	w	2.3%
Not Hispanic-Owned	6.9%	33.3%	w	0.5%
Gender:				
Male-Owned	8.1%	36.2%	4.4%	0.8%
Female-Owned	3.7%	22.5%	2.2%	0.6%
Equally Male-/Female-Owned	5.8%	32.2%	3.1%	0.1%
Firms with Owners whose Characteristics are Indeterminate	9.4%	38.7%	2.6%	3.7%

Source: PwC calculations based on special tabulations of data from the 2007 Survey of Business Owners.

Note: "w" indicates data withheld by the Census Bureau to avoid disclosing private information.

<sup>(1)</sup> Includes Alaskan Natives; <sup>(2)</sup> Includes Native Hawaiians.

**Table 13** shows the change in the percent of franchised businesses within various minority and gender groups for the food services and drinking places industry for all responding firms between 2002 and 2007. Overall, the percentage of minority-owned businesses operated as franchises in the food service industry increased by 2.5 percentage points from 9.8 percent in 2002 to 12.3 percent in 2007, an increase of 25.5 percent. The greatest increase occurred among Asian-owned businesses. The share of Asian-owned food service businesses operated as franchises increased from 11.2 percent in 2002 to 14.7 percent in 2007, an increase of 3.5 percentage points or 31.3 percent.

The share of female-owned businesses in the sector which were operated as franchises increased from 6.4 percent in 2002 to 8.4 percent in 2007, while the share of equally male/female-owned

businesses operated as franchises increased by 3.0 percentage points, from 12.2 percent to 15.2 percent.

**Table 13. – Percentage of Businesses in Franchised Form by Type of Owner:  
Food Services and Drinking Places Industry, 2002 and 2007**

<b>Business Group</b>	<b>2002</b>	<b>2007</b>	<b>Change</b>
All Responding Firms:	11.8%	14.8%	3.0%
Minority Status:			
Minority-Owned	9.8%	12.3%	2.5%
Not Minority-Owned	12.4%	15.2%	2.8%
Race:			
White-Owned	11.8%	14.3%	2.5%
Asian-Owned	11.2%	14.7%	3.5%
Black-Owned	9.5%	10.1%	0.6%
American Indian-Owned <sup>(1)</sup>	15.1%	11.2%	-3.9%
Pacific Islander-Owned <sup>(2)</sup>	8.3%	w	n.a.
Other Minority-Owned	n.a.	27.1%	n.a.
Ethnicity:			
Hispanic-Owned	6.4%	7.1%	0.7%
Not Hispanic-Owned	12.1%	15.0%	2.9%
Gender:			
Male-Owned	14.0%	16.8%	2.8%
Female-Owned	6.4%	8.4%	2.0%
Equally Male-/Female-Owned	12.2%	15.2%	3.0%
Firms with Owners whose Characteristics are Indeterminate	13.3%	19.7%	6.4%

Source: PwC calculations based on special tabulations of data from the 2002 and 2007 Survey of Business Owners.

Note: "n.a." indicates data not available or cannot be calculated. "w" indicates data withheld by the Census Bureau to avoid disclosing private information.

<sup>(1)</sup> Includes Alaskan Natives; <sup>(2)</sup> Includes Native Hawaiians.

## ***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 size of annual receipts reported, and (2) by the number of employees.

### ***A. Race, Ethnicity, and Gender Ownership within Franchised and Nonfranchised Businesses: By Size of Business Receipts***

**Table 14** 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.<sup>4</sup> The table is also limited to businesses with paid employees.

As shown in Table 14, the percentage of Nonwhite-owned businesses was greater in franchised than in nonfranchised businesses across all receipt size classes in 2007. 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 2. There is no apparent trend in the differences between franchised and nonfranchised businesses for Hispanic or female owners across receipt size.

Graphical representations of the data in Table 14 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.

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<sup>4</sup> 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.

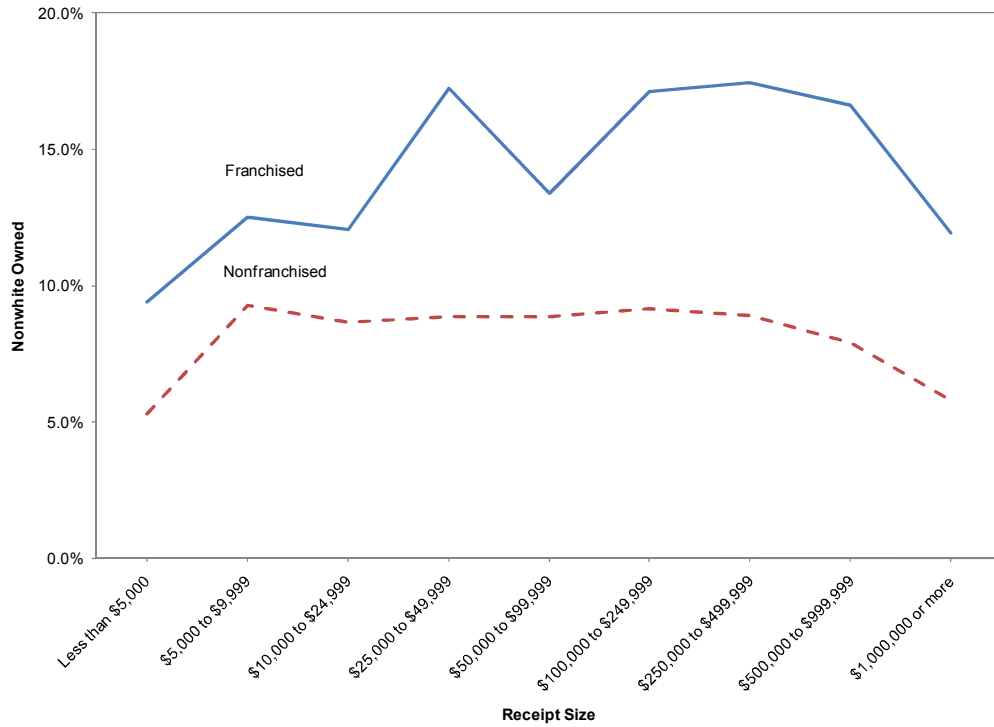
**Table 14. – Racial, Ethnic, and Gender Ownership by Receipt Size, Businesses with Paid Employees, 2007**

<b>Business Group by Receipt Size</b>	<b>Nonwhite-Owned<sup>(1)</sup></b>	<b>Hispanic or Latino-Owned</b>	<b>Female-Owned</b>
<b>Less than \$5,000</b>			
Franchised	9.4%	5.4%	19.1%
Nonfranchised	5.3%	2.1%	11.8%
<b>\$5,000 to \$9,999</b>			
Franchised	12.5%	6.9%	27.0%
Nonfranchised	9.3%	5.4%	25.5%
<b>\$10,000 to \$24,999</b>			
Franchised	12.0%	4.6%	21.2%
Nonfranchised	8.6%	5.0%	24.0%
<b>\$25,000 to \$49,999</b>			
Franchised	17.2%	4.1%	24.0%
Nonfranchised	8.9%	4.4%	23.7%
<b>\$50,000 to \$99,999</b>			
Franchised	13.4%	5.0%	24.9%
Nonfranchised	8.9%	4.6%	22.1%
<b>\$100,000 to \$249,999</b>			
Franchised	17.1%	3.9%	22.7%
Nonfranchised	9.2%	4.4%	18.2%
<b>\$250,000 to \$499,999</b>			
Franchised	17.5%	3.4%	16.9%
Nonfranchised	8.9%	4.1%	14.9%
<b>\$500,000 to \$999,999</b>			
Franchised	16.6%	3.2%	12.4%
Nonfranchised	7.9%	3.8%	12.3%
<b>\$1,000,000 or more</b>			
Franchised	11.9%	2.1%	8.9%
Nonfranchised	5.8%	2.9%	9.3%
<b>All Firms</b>			
Franchised	14.9%	3.2%	15.1%
Nonfranchised	7.9%	3.9%	15.2%

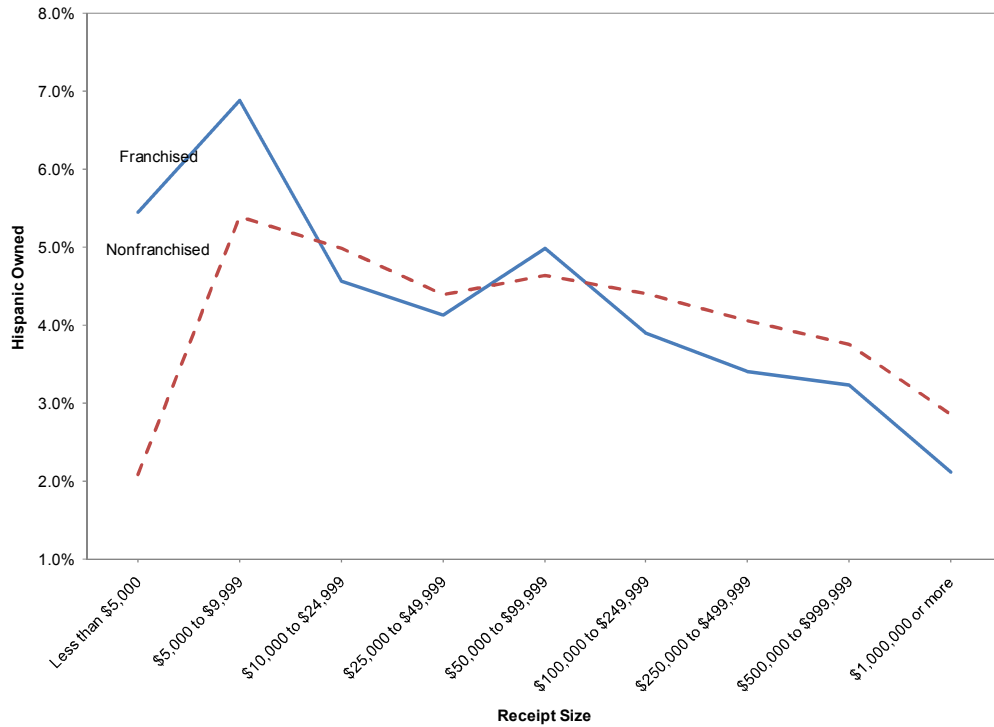
Source: PwC calculations based on data from the 2007 Survey of Business Owners.

<sup>(1)</sup> Counts of nonwhite-owned businesses derived by subtracting white-owned businesses from all businesses which were classifiable by race, ethnicity, and gender.

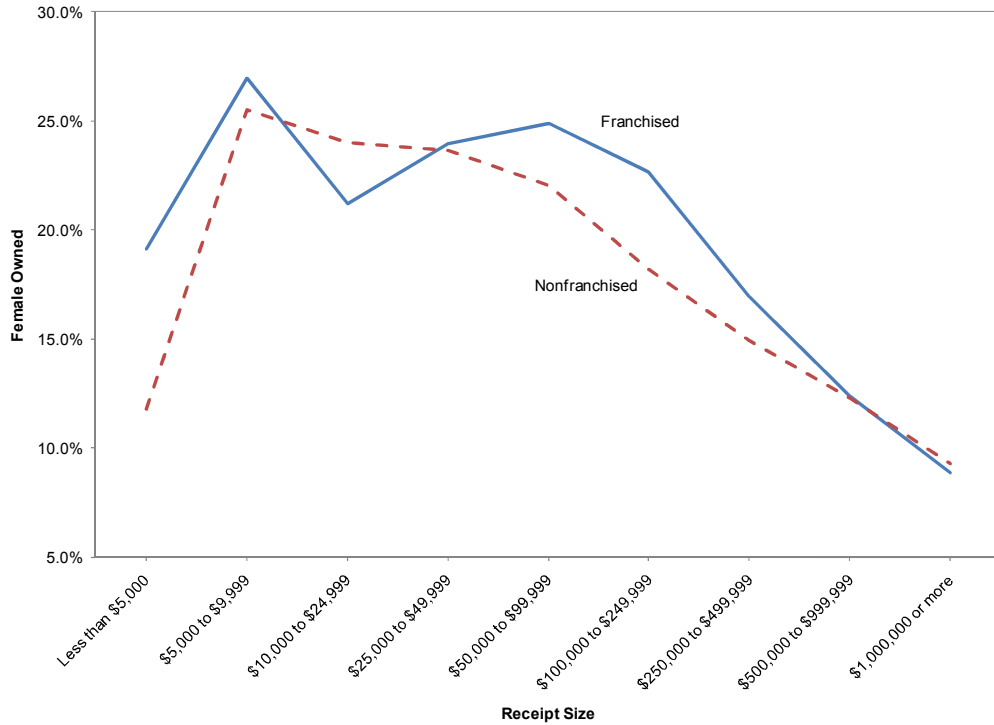
**Figure 1. — Nonwhite Ownership Percentage by Receipt Size, Businesses with Paid Employees, 2007**



**Figure 2. — Hispanic Ownership Percentage by Receipt Size, Businesses with Paid Employees, 2007**



**Figure 3. — Female Ownership Percentage by Receipt Size, Businesses with Paid Employees, 2007**



**Table 15** is similar to Table 14 except that it uses employment size to compare the ownership rates of franchised and nonfranchised businesses with paid employees. 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 2007. In general, the Nonwhite, Hispanic, and female ownership percentages decrease as the employment size of a business increases. This holds true for both franchised and nonfranchised businesses.

**Table 15. – Racial, Ethnic, and Gender Ownership by Employment Size, Businesses with Paid Employees, 2007**

<b>Business Group by Employment Size</b>	<b>Nonwhite-Owned<sup>(1)</sup></b>	<b>Hispanic or Latino-Owned</b>	<b>Female-Owned</b>
<b>Firms with no employees</b>			
Franchised	16.2%	3.6%	16.2%
Nonfranchised	9.2%	4.6%	17.7%
<b>1 to 4</b>			
Franchised	15.8%	4.8%	19.4%
Nonfranchised	8.8%	4.1%	16.8%
<b>5 to 9</b>			
Franchised	18.4%	3.2%	16.6%
Nonfranchised	7.9%	3.7%	14.2%
<b>10 to 19</b>			
Franchised	16.9%	2.4%	14.1%
Nonfranchised	6.2%	3.6%	12.8%
<b>20 to 49</b>			
Franchised	10.7%	2.0%	10.9%
Nonfranchised	5.2%	2.9%	10.7%
<b>50 to 99</b>			
Franchised	7.4%	1.7%	8.5%
Nonfranchised	4.2%	1.9%	8.5%
<b>100 to 499</b>			
Franchised	7.3%	1.8%	8.3%
Nonfranchised	2.6%	1.7%	7.1%
<b>500 or more</b>			
Franchised	5.1%	2.2%	5.3%
Nonfranchised	1.1%	0.9%	3.8%
<b>All Firms</b>			
Franchised	14.9%	3.2%	15.1%
Nonfranchised	7.9%	3.9%	15.2%

Source: PwC calculations based on data from the 2007 Survey of Business Owners.

<sup>(1)</sup> Counts of nonwhite-owned businesses derived by subtracting white-owned businesses from all businesses which were classifiable by race, ethnicity, and gender.



**B. Franchised Businesses Among Minority and Gender Groups:  
By Size of Business Receipts**

**Table 16** shows the percent of businesses with paid employees that operated as franchises within racial, ethnic, and gender groups by 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 annual receipts between \$5,000 and \$250,000 and with paid employees, 3.1 percent to 5.5 percent were operated as a franchise in 2007, while approximately 10.3 percent of Nonwhite-owned businesses with paid employees and annual receipts of \$1,000,000 or more operated as a franchise.

**Table 16. – Percentage of Businesses in Franchised Form by Receipt Size, Businesses with Paid Employees, 2007**

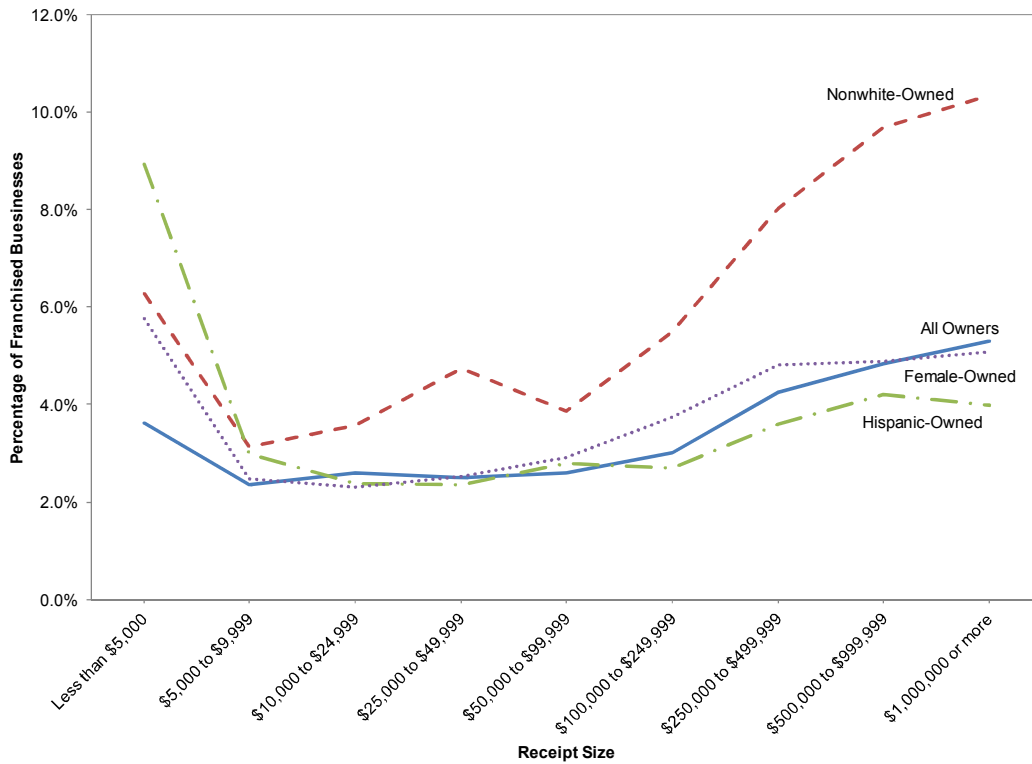
Receipt Size	Nonwhite-Owned <sup>(1)</sup>	Hispanic or Latino-Owned	Female-Owned	All Owners
Less than \$5,000	6.3%	8.9%	5.8%	3.6%
\$5,000 to \$9,999	3.1%	3.0%	2.5%	2.3%
\$10,000 to \$24,999	3.6%	2.4%	2.3%	2.6%
\$25,000 to \$49,999	4.7%	2.4%	2.5%	2.5%
\$50,000 to \$99,999	3.9%	2.8%	2.9%	2.6%
\$100,000 to \$249,999	5.5%	2.7%	3.7%	3.0%
\$250,000 to \$499,999	8.0%	3.6%	4.8%	4.3%
\$500,000 to \$999,999	9.7%	4.2%	4.9%	4.8%
\$1,000,000 or more	10.3%	4.0%	5.1%	5.3%

Source: PwC calculations based on data from the 2007 Survey of Business Owners.

<sup>(1)</sup> Counts of nonwhite-owned businesses derived by subtracting white-owned businesses from all businesses which were classifiable by race, ethnicity, and gender.

**Table 17** reports the percent of businesses that operates as a franchise for different racial groups by receipt size class, providing some additional detail on the Nonwhite franchised business ownership rates reported in Table 16. Similar to Table 16, this table answers questions such as "What percent of businesses owned by a specific racial group and of a given receipt size are franchised?"

**Figure 4. – Percentage of Businesses in Franchised Form by Receipt Size, Businesses with Paid Employees, 2007**



**Table 17. – Percentage of Businesses in Franchised Form by Receipt Size, Nonwhite-Owned Businesses with Paid Employees, 2007**

Receipt Size	Asian-Owned	Black-Owned	American Indian-Owned <sup>(1)</sup>	Pacific Islander-Owned <sup>(2)</sup>	Other Racial Groups
Less than \$5,000	6.5%	6.7%	12.4%	3.1%	11.5%
\$5,000 to \$9,999	3.6%	2.5%	1.0%	0.0%	0.0%
\$10,000 to \$24,999	3.6%	4.2%	0.0%	0.0%	12.4%
\$25,000 to \$49,999	4.3%	5.6%	3.5%	2.5%	1.2%
\$50,000 to \$99,999	3.8%	3.1%	1.6%	9.6%	6.1%
\$100,000 to \$249,999	5.5%	4.6%	4.1%	4.6%	8.7%
\$250,000 to \$499,999	8.5%	6.0%	3.0%	8.4%	8.4%
\$500,000 to \$999,999	10.8%	4.9%	5.9%	3.8%	7.5%
\$1,000,000 or more	11.1%	8.6%	4.2%	4.9%	12.3%

Source: PwC calculations based on data from the 2007 Survey of Business Owners.

<sup>(1)</sup> Includes Alaskan Natives; <sup>(2)</sup> Includes Native Hawaiians.

Comparisons of the racial group ownership percentages in Table 17 with the consolidated Nonwhite ownership group percentages from Table 16 show that the franchise percentages for the Asian-owned group are close to the Nonwhite-owned percentages, while the Black-owned group has generally smaller franchise percentages for receipt size classes of \$50,000 and above. For the receipts size class of \$1 million or more, the "Other" racial group has the largest franchise operation percentage. Overall, the franchise percentages for the Nonwhite-owned group appear to be influenced by the number of Asian owners who operate franchised businesses.

**Table 18** shows the percent of businesses operated as a franchise within racial, ethnic, and gender groups by 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.

In 2007, there was a generally increasing trend in the percent of franchised business as the employment size increases up to the "100 to 499" employee class and then it generally decreases for the "500 or more" employee class. The highest percentage of franchised businesses occurred for Nonwhite-owned businesses with 100 to 499 employees (20.6 percent). Female-owned businesses with 100 to 499 employees had 9.6 percent of businesses operated as a franchise. In contrast, for Hispanic-owned businesses, the highest percentage of franchised businesses occurred in firms with 500 or more employees (10.6 percent).

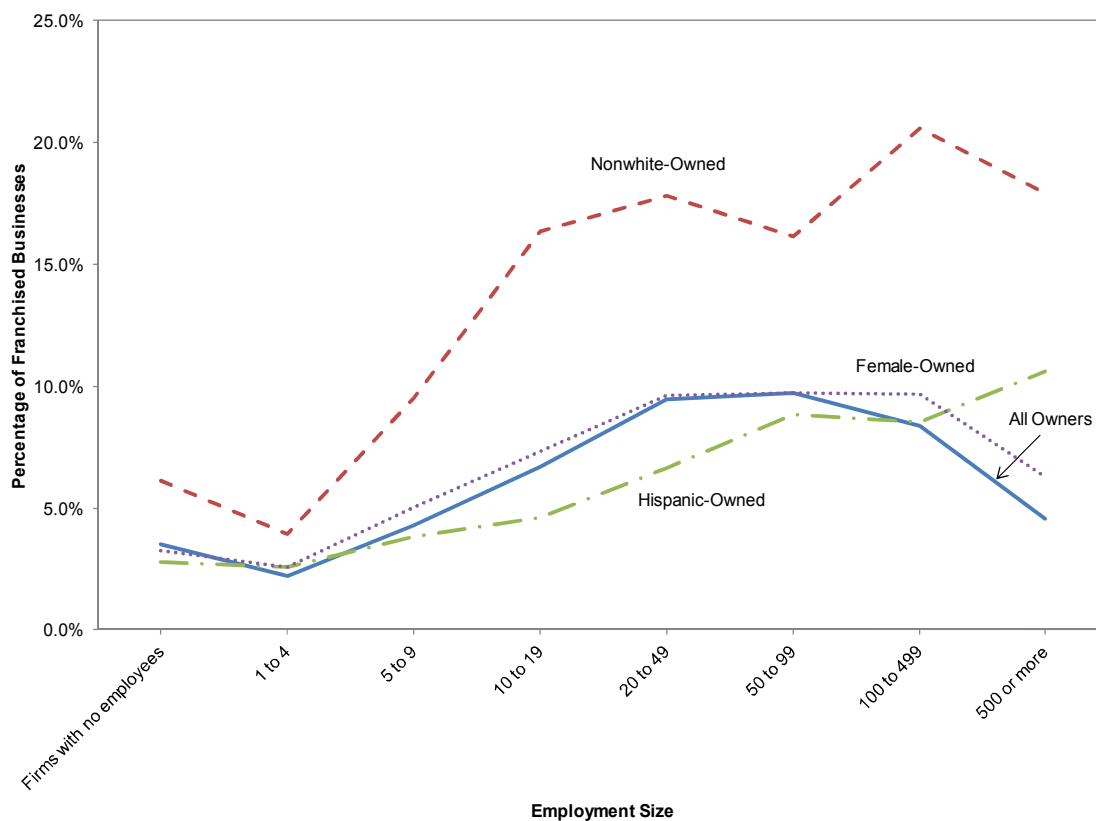
**Table 18. — Percentage of Businesses in Franchised Form by Employment Size, Businesses with Paid Employees, 2007**

Employment Size	Nonwhite-Owned <sup>(1)</sup>	Hispanic or Latino-Owned	Female-Owned	All Owners
Firms with no employees	6.1%	2.8%	3.3%	3.5%
1 to 4	3.9%	2.6%	2.6%	2.2%
5 to 9	9.5%	3.8%	5.0%	4.3%
10 to 19	16.4%	4.6%	7.3%	6.7%
20 to 49	17.8%	6.6%	9.6%	9.5%
50 to 99	16.2%	8.8%	9.7%	9.7%
100 to 499	20.6%	8.5%	9.6%	8.4%
500 or more	17.9%	10.6%	6.3%	4.6%

Source: PwC calculations based on data from the 2007 Survey of Business Owners.

<sup>(1)</sup> Counts of nonwhite-owned businesses derived by subtracting white-owned businesses from all businesses which were classifiable by race, ethnicity, and gender.

**Figure 5. – Percentage of Businesses in Franchised Form by Employment Size, Businesses with Paid Employees, 2007**



**Table 19** shows the percent of businesses operated as franchises within Nonwhite racial groups by employment size classes. Similar to Table 18, this table answers questions such as "What percent of Asian-owned businesses of a given employment size are franchised?"

In general, the franchise percentages for the Asian-owned group are slightly higher than the Nonwhite percentages shown in Table 18 for all but the highest employment size class. For the largest employment size class, the Nonwhite franchise percentages appear to be influenced by a relatively large franchise operation percentage among Black owners.

**Table 19. – Percentage of Businesses in Franchised Form by Employment Size, Nonwhite-Owned Businesses with Paid Employees, 2007**

<b>Employment Size</b>	<b>Asian-Owned</b>	<b>Black-Owned</b>	<b>American Indian-Owned<sup>(1)</sup></b>	<b>Pacific Islander-Owned<sup>(2)</sup></b>	<b>Other Racial Groups</b>
Firms with no employees	6.5%	5.1%	3.7%	0.3%	6.9%
1 to 4	3.9%	3.6%	2.4%	3.8%	4.0%
5 to 9	10.7%	5.8%	2.5%	9.4%	15.6%
10 to 19	19.0%	7.1%	8.0%	8.3%	22.1%
20 to 49	19.7%	13.1%	11.2%	4.5%	12.1%
50 to 99	17.1%	16.7%	8.9%	25.0%	38.0%
100 to 499	20.8%	19.8%	4.1%	3.8%	5.5%
500 or more	14.0%	25.4%	16.7%	0.0%	0.0%

Source: PwC calculations based on data from the 2007 Survey of Business Owners.

<sup>(1)</sup> Includes Alaskan Natives; <sup>(2)</sup> Includes Native Hawaiians.



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