

PODER MAGAZINE

“Top 26 Franchises for Hispanics” Article

By Rob Bond



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Being your own boss can come with both a sense of dread and opportunity in the current economic climate

The last few years have been dreadful for both franchisors and franchisees: reduced sales and plugged credit lines have put a damper on the industry as a whole. Yet if you survived the recession unscathed and believe the worst is behind us, there are a number of appetizing prospects still out there.

PODER's annual list of the Top Franchises for Hispanic entrepreneurs comes at a time of great distress and uncertainty, but also of potential promise for future franchisees. As in the past, we selected companies that operate profitable businesses while also demonstrating an exceptional level of Latino participation and support for the Hispanic community. We developed the list based in part on a rigorous analysis of several factors, including historical performance, brand identification, franchisee satisfaction, training, ongoing support and financial stability.

Equally important determinants, however, were the percentage and number of Hispanics who either own their own franchise or manage company-owned units; the overall minority representation within the system; and the percentage and number of Hispanics who make up top management (defined as an annual salary in excess of \$60,000).

Unfortunately, there is no magic bullet for selecting what might be the best franchise for a prospective franchisee, since factors such as a brand's market penetration in a given region or demographics in a certain market can ultimately tilt the scale in different directions. This list also does not include companies that did not respond to our survey.

You will note that there are several commonalities in the list. For instance, there are 15 franchises in the service sector, including eight in the janitorial or maid service industry. Contrary to what one might assume, there are only seven food companies on the list. All but three of the companies listed are members of the [International Franchise Association](#), and just five have been franchising for less than 13 years, a strong testament to their long-term success.

It is also important to highlight that eight of the companies have a total investment of less than \$60,000 (less than the industry average), and more than half the companies listed have franchise fees of less than \$30,000, with many dipping below \$20,000.

Newcomers to the list include El Pollo Loco, Fiesta Auto Insurance, Pizza Patrón, Pronto Insurance, Stratus Building Solutions and VR Business Brokers.

[Do Your Research]

While the list below is a great start, it is only that. Your final selection should be a reflection of your strengths and weaknesses, your life experiences and your financial resources. It is absolutely imperative that you do a thorough inventory of your capabilities before proceeding. If you lack the necessary liquidity, the managerial experience needed to properly run a business, or don't have the chemical make-up to be your own boss, then franchising might not be an investment you should make.

Keep in mind that the penalties for failure in a franchise are both severe and long-term. You may be personally liable for outstanding bank loans, equipment loans or a long-term lease.

The investment process should take three to six months and should not be hurried because of outside pressure from either family members or, more especially, from franchisors who want to sign you up before you are ready. Keep in mind that there are over 3,000 North American franchise systems, many of which offer similar products and services, but which might differ in terms of the franchise fee, ongoing royalty payments and long-term support.

The two most important aspects of your due diligence are: 1) contacting enough existing and former franchisees to ensure that you feel comfortable with the level of support and commitment you will receive from the franchisor, and 2) doing a realistic and detailed cash flow statement so that you have a good sense of whether your franchise will generate the funds needed to justify the investment.

[Comparing Finances]

Fewer than 35 percent of franchisors provide historical sales, expenses and profits of existing franchisees (or company-owned stores). Because there are no industry-wide statistics on average earnings, prospective franchisees should take the time, possibly with the help of experienced attorneys or consultants, to come up with a realistic financial road map of the future. Make sure to take into account the period during which the business will undoubtedly sustain a negative cash flow in order to have adequate working capital to weather the storm.

The companies listed in PODER's Top 26 require a total investment between \$1,000 and \$14.6 million. The earnings, or salary, franchisees can expect to make vary widely depending on the business model they choose. It is almost impossible to compare a multi-million dollar investment for a hotel against the minimal start-up costs of running a maid service franchise. For most investors, the real payoff comes after they sell the business in 10 or 15 years at a multiple of earnings.

In terms of your timing with regard to buying a franchise, now might be a great time to start the investigative process. Most in the industry would agree that the past two years have been devastating for the franchising community. From the franchisee's perspective, both the bank and SBA loans necessary to start a business have been impossible to secure, and the overall sales picture has been very negative.

From the franchisor's point of view, their fortunes were severely undermined over the past two years as well. A franchisor's financial success is determined by franchise royalties and franchise fees, which are collected from franchisees when they sign up (generally \$15,000-\$30,000). No new franchises, no fees collected. Franchisee royalties are the percentage of sales (from 3 to 6 percent) paid by the franchisee to the franchisor for being part of their "system." With the economy in the doldrums, the average franchisee's sales were down 15 percent on average, which translates to a 15 percent reduction in funds flowing to the franchisor.

Because of the compounding effect of reduced cash flows, many franchisors have been forced to lay off key personnel. The good news is that many also reduced their franchise fees to attract new candidates.

Notwithstanding the above stumbling blocks of the past two years, the economy in general and the franchising industry

in particular are gradually improving. To the extent that you take your time doing your research and due diligence, you should be in good shape to receive the funding you need.

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PODER's Top 26 Franchises for Hispanics:

[7-Eleven](#)

Total Units: 37,039
Total Investment: Varies by store
Franchise Fee: Varies by Store
Franchise Royalty: Gross Profit Split
Employees Needed: 13
Projected New Units Next 12 Months: 400
Who They Are: This pioneer of the convenience store industry has become a household name through its omnipresence.

[BONUS Building Care](#)

Total Units: 2,615
Total Investment: \$9,000-\$41,900
Franchise Fee: \$7,500
Franchise Royalty: 10 percent
Employees Needed: Varies by store
Projected New Units Next 12 Months: 100
Who They Are: Commercial cleaning franchisor that offers customers, training, insurance, financing, clerical and procedural assistance as well as expansion opportunities.

[Choice Hotels International](#)

Total Units: 6,032
Total Investment: \$2.3 million-\$14.6million
Franchise Fee: \$10,000-\$60,000
Franchise Royalty: 4.25-5.65 percent
Employees Needed: Varies by store
Projected New Units Next 12 Months:
No data available
Who They Are: Choice Hotels is a leading hotel franchisor with 65 years experience developing brands such as Comfort Inn, Comfort Suites, Clarion, Extended Stay Hotel and Econo Lodge.

[Church's Chicken](#)

Total Franchised Units: 1,412
Total Investment: \$154,300-\$833,100
Franchise Fee: \$25,000
Franchise Royalty: 5 percent
Employees Needed: 21
Projected New Units Next 12 Months: 120
Who They Are: Founded in San Antonio, Church's Chicken is a recognized brand and one of the largest quick-service chicken restaurants in the world. As of April 2010, the franchisor had more than 1,650 locations in 23 countries with sales exceeding \$1 billion.

[Coverall Health-Based Cleaning System](#)

Total Units: 9,469
Total Investment: \$10,612-\$37,585
Franchise Fee: \$10,000-\$32,000
Franchise Royalty: 5 percent
Employees Needed: 3-5
Projected New Units Next 12 Months: 1,257
Who They Are: A commercial cleaning franchise offering comprehensive training, equipment, billing and collection, and an initial customer base for a \$2,000 down payment.

[Denny's](#)

Total Units: 1323
Total Investment: \$1.2-\$2.4 million
Franchise Fee: \$40,000
Franchise Royalty: 4 percent
Employees Needed: 75
Projected New Units Next 12 Months: 37
Who They Are: Denny's has been a leader in family dining for more than 50 years. Globally it serves 26 million customers a month in 1,500 restaurants worldwide.

[El Pollo Loco](#)

Total Units: 241
Total Investment: \$502,00-\$1.1million
Franchise Fee: \$40,000
Franchise Royalty: 4 percent
Employees Needed: 25
Projected New Units Next 12 Months: 5
Who They Are: One of the largest quick-service restaurant chains specializing in flame-grilled chicken. Markets its menu as a healthy alternative to traditional fast food.

[Express Employment Professionals](#)

Total Units: 592
Total Investment: \$153,750-\$242,500
Franchise Fee: \$35,000
Franchise Royalty: 8-9 percent
Employees Needed: 3
Projected New Units Next 12 Months: 50

Who They Are: Express franchises offer a range of business-to-business staffing and human resource services. For established business owners, Express provides opportunities to grow your business through advanced service offerings.

Famous Famiglia

Total Units: 106

Total Investment: \$250,000-\$700,000

Franchise Fee: \$35,000

Franchise Royalty: 6 percent

Employees Needed: 12

Projected New Units Next 12 Months: 32

Who They Are: An award-winning pizza brand, operating worldwide, in high volume markets such as leading airports, shopping plazas, universities, casinos and military bases.

Fantastic Sams

Total Units: 1,278

Total Investment: \$115,000 – \$228,600

Franchise Fee: \$25,000 – \$35,000

Franchise Royalty: Varies by store

Employees Needed: 8

Projected New Units Next 12 Months: 50

Who They Are: This full-service hair care franchise offers new store owners management training, educational programs and advertising benefits. No previous experience required.

Fast-Fix Jewelry

and Watch Repairs

Total Units: 153

Total Investment: \$142,750-\$307,750

Franchise Fee: \$40,000

Franchise Royalty: 5 percent

Employees Needed: 5

Projected New Units Next 12 Months: 15

Who They Are: A jewelry and watch repair chain operating in major malls in the United States and Canada. Offers training and regional marketing meetings.

Fastsigns

Total Units: 531

Total Investment: \$145,600

Franchise Fee: \$27,500

Franchise Royalty: 8 percent

Employees Needed: 2-3

Projected New Units Next 12 Months: 22

Who They Are: FASTSIGNS creates custom signs, graphics and banners, and has a store network in six countries.

Average per store gross sales in 2008 were \$612,000.

Fiesta Auto Insurance and Tax Service

Total Units: 57

Total Investment: \$35,000-\$55,000

Franchise Fee: \$10,000

Franchise Royalty: 10-25 percent

Employees Needed: 2

Projected New Units Next 12 Months: 60

Who They Are: This insurance and tax preparation business attracts a diversified clientele with 50 types of insurance programs, as well as travel, money transfer, motor vehicle registrations and real estate services.

Jani-King International

Total Units: 13,000

Total Investment: \$2,900-\$40,000

Franchise Fee: \$8,000-\$33,000

Franchise Royalty: 10 percent

Employees Needed: 0

Projected New Units Next 12 Months: 1,500

Who They Are: With franchisees in more than 19 countries, Jani-King is the world's largest commercial cleaning franchisor. Uses environmentally preferable products and special chemical dispensing systems.

Jan-Pro

Cleaning Systems

Total Units: 10,240

Total Investment: \$5,000-\$60,000

Franchise Fee: \$1,000-\$30,000

Franchise Royalty: 14 percent

Employees Needed: 0

Projected New Units Next 12 Months: 12 masters and over 2,000 units

Who They Are: Part of the fast-growing commercial cleaning industry, Jan-Pro provides guidance and support to new franchisees.

KFC

Total Units: 4,287

Total Investment: \$1.2 million - \$1.7million

Franchise Fee: \$25,000

Franchise Royalty: 4 percent

Employees Needed: 24

Projected New Units Next 12 Months: 100

Who They Are: The world's largest quick-service restaurant has huge name recognition and a chicken-dominant menu. KFC offers full-service restaurants as well as non-traditional express units for captive markets.

Liberty Tax Service

Total Units: 3,468

Total Investment: \$56,800-\$69,900

Franchise Fee: \$40,000

Franchise Royalty: Varies by store
Employees Needed: 6-8
Projected New Units Next 12 Months: 500
Who They Are: Liberty provides tax services to the 60 percent of the population that outsources its tax preparation.
Requires no prior tax experience.

[Maids Home Services](#)

Total Units: 1,054
Total Investment: \$175,000-\$225,000
Franchise Fee: \$10,000
Franchise Royalty: 3.9 - 6.9 percent
Employees Needed: 8
Projected New Units Next 12 Months: 80
Who They Are: Residential cleaning franchise provides 7 weeks of training, including 10 days in the field.

[McAlister's Deli](#)

Total Units: 288
Total Investment: \$400,000-\$1.5million
Franchise Fee: \$40,000
Franchise Royalty: 5 percent
Employees Needed: 40
Projected New Units Next 12 Months: 45
Who They Are: Fast, casual restaurant, featuring deli sandwiches, stuffed baked potatoes, salads, soups and desserts.

[Pizza Patron](#)

Total Units: 90
Total Investment: \$199,000-\$273,000
Franchise Fee: \$20,000
Franchise Royalty: 5 percent
Employees Needed: 8
Projected New Units Next 12 Months: N/A
Who They Are: Founded in 1986, Pizza Patrón is a brand developed especially for Latinos, their taste palette and their communities.

[PostNet](#)

Total Units: 765
Total Investment: \$172,000-\$198,000
Franchise Fee: \$30,000
Franchise Royalty: 5 percent
Employees Needed: 3
Projected New Units Next 12 Months: 50
Who They Are: Graphic design, digital printing and copying, computer rental and a host of finishing services.

[Pronto Insurance](#)

Total Units: 22
Total Investment: \$60,000-\$72,000
Franchise Fee: \$15,000
Franchise Royalty: 3 percent
Employees Needed: 4
Projected New Units Next 12 Months: 40
Who They Are: A full-service retail office providing low-cost insurance products and income tax services.

[ServiceMaster Clean](#)

Total Units: 4,488
Total Investment: \$16,900-\$49,000
Franchise Fee: \$16,900-\$49,000
Franchise Royalty: 4 –10 percent
Employees Needed: 5
Projected New Units Next 12 Months: 150
Who They Are: Commercial cleaning franchisor specializing in residential cleaning and disaster restoration. Provides financing for the initial franchise fee, start-up equipment and vehicles.

[Stratus Building Solutions](#)

Total Units: 4,111
Total Investment: \$1,000-\$40,000
Franchise Fee: \$1,000
Franchise Royalty: 5 percent
Employees Needed: 4
Projected New Units Next 12 Months: 2,000
Who They Are: Commercial cleaning franchise that says franchisees earn between \$500 and \$15,000 per month. An industry leader in environmentally responsible projects.

[Vanguard Cleaning Systems](#)

Total Franchised Units: 1,847
Total Investment: \$7,000-\$35,000
Franchise Fee: \$7,000-\$35,000
Franchise Royalty: 5 percent
Employees Needed: 1
Projected New Units Next 12 Months: 700
Who They Are: Since 1984 Vanguard has been an active franchisor in the commercial cleaning industry and currently seeks unit and master franchisees in the United States and Canada.

[VR Business Brokers](#)

Total Franchised Units: 135
Total Investment: \$65,000-\$150,000
Franchise Fee: \$26,500
Franchise Royalty: 6 percent
Employees Needed: 3

Projected New Units Next 12 Months: 25

Who They Are: International network of business brokers and intermediaries, specializing in the sale of small- to mid-size companies. Franchisor provides training, support and marketing materials.