

20 July 2011

Best Franchises for Hispanics

Poder's annual survey of Hispanic diversity in the franchise business sector

By Rob Bond and Natalie Blackmur



The fifth annual Top 25 Franchises for Hispanics survey continues to underscore the great inroads and progress the Hispanic community is making in franchising. This impressive growth is reflected not only in the number of Hispanic franchisees (and managers of Franchisor-owned units) but in the actual ownership and development of entirely new franchise systems. The Hispanic business community has proven to be exceptionally entrepreneurial and committed to making a success of their lives. In this edition we also highlight six companies that were developed from the ground up by Hispanic entrepreneurs (see following article on page 70). All are thriving and growing in an economy still struggling to recover from the deepest recession in 80 years.

As a prospective Hispanic franchisee, and all other things being equal, there are two key factors to strongly consider. First is the number of Hispanic franchisees there are within a given franchise system. Second is the number of Hispanics there are in senior management. If either or both of these factors is high, you can feel very comfortable taking a serious look at becoming a franchisee of that system.

The methodology for selecting the Top 25 Franchises was based on a detailed survey sent to each of the 3,500 plus franchisors headquartered in the U.S. and Canada. Among other things, the survey asked for the number of Hispanic franchisees or managers of Franchisor-owned units. These numbers were converted into the percentage of total operating units owned or managed by Hispanic franchisees/managers. Similarly, we looked at the percentage of the franchisor's management team (those making more than \$60,000 per year) that were Hispanic.

Ultimately, we compared these percentages from the various responses we received. Out of this list, the top 25 companies were selected. It is interesting to note that Hispanic franchisees make up a majority of franchisees in several large companies. For example, virtually all of the 45 franchises of Estrella Insurance are Hispanic. Among large franchise companies, more than 61 percent of Jan-Pro's franchisees are Hispanic and 43 percent for Vanguard Cleaning Systems. Even for industry giant McDonald's, Hispanics make up over 25 percent of their total of 12,464 domestic franchisees. Among the mid-sized franchises (less than 200 units), there are several companies where the vast majority of franchisees are Hispanic: Pronto Insurance (94 percent of 113), Taco Maker (88 percent of 130), Pizza Patron (57 percent of 97) and Fiesta Insurance (42 percent of 97).

Hispanic-Owned Franchise

Systems - Guts and Determination

To say that it takes guts and determination to become a franchisee may be somewhat of an understatement. Given the inherent difficulties for a minority to do so takes an additional sense of effort and commitment. But for a minority, especially first generation Hispanics born outside the U.S., starting a new franchise system requires an additional dose of entrepreneurship. In addition to the language obstacles, there are also the hurdles of having the right mix of business experience, obtaining funding, and, ultimately attracting customers and clients to their business over the long-term. In researching Hispanic-owned franchises, we were able to identify six successful companies that show a great deal of promise:

1. Uni K Wax Centers were born out of Noemi Grupenmager's own experiences in Brazil. When she came to the U.S., she saw a need for fast, painless and inexpensive hair removal systems. To that end, she formulated a proprietary wax system that is fast, painless and inexpensive. There are currently 24 operating units in the system. It is interesting to note that Grupenmager has received many offers to purchase or distribute the proprietary waxes. Convinced, however, that the waxes are only part of the experience and the desired end result, she has instead decided to pass up the quick dollars and focus solely on franchising the total package. www.ukwfranchising.com.

2. Pizza Patron\ One of the most successful, as well as one of the largest Hispanic-owned franchises is Pizza Patron. It currently has 92 franchised units and eight company-owned units and is growing rapidly outside of its Southwestern base and beyond the initial focus on take-out only stores. Their primary objectives, according to President Guillermo Estrada, are two-fold: first to provide value to their customers in terms of great pizza at a reasonable cost and, second, to provide confidence and support to their franchisees in order to convince them that they can both succeed and

grow. To offer better, faster service, Pizza Patron has worked with an oven manufacturer to provide a turn-around time of 3-and-a-half minutes versus the standard wait time of 5 minutes. This is critical to their new drive-through concept and a great advantage over other pizza franchises. www.pizzapatron.com

3. BannaStrow's The founders were originally food-service entrepreneurs from Colombia with strong customer service experience. When CEO Mauricio Avevedo migrated to the U.S., he and his partners took a business-oriented approach to design a company from scratch that combined many of the essential ingredients for successful franchising: highly-trafficked areas, easy to operate, low front-end investment, all day products that appeal to the whole family, minimal competition and fresh ingredients with minimal waste. The business they ultimately developed provides a wide range of crepes, waffles, salads and wreps (wrapped crepes) that have been very well-received. They currently have four operating units. The current and future mix includes kiosks, airports, universities and even mobile trucks. www.bannastrows.com

4. Pronto Insurance was started by five brothers who saw a need to provide affordable, short-term (one-to-three month) auto insurance policies to the Hispanic community in Texas. They have subsequently branched out into home insurance and tax services. Although they started franchising only 18 months ago, they currently have 27 franchised locations and 100 company-owned locations. All but two of the franchisees are Hispanic. All of these locations, including the 700 independent agents that represent Pronto, are located in Texas. At present, they plan to fully develop Texas before moving outside the state. www.prontoinsurance.com

5. Bullritos is a new Tex-Mex concept that has grown to 11 Texas-based locations in just 17 months. This is remarkable in an economy that most would describe as terrible. That growth is a great commentary on the concept and the quality of the food. Russell Ybarra, President of Bullritos, grew up in a Tex-Mex restaurant family (which includes several other non-franchised brands) that eventually paved the way for his "call-it-like-you-want-it, bull-themed burrito joint." Their newest unit will be in Louisiana and others are scheduled for Georgia. Joe Aguilar, chief operating officer, noted that financing has not been a major problem, partly because of the success of other family-owned units that provided comfort to lenders. Realizing that young children frequently determine where a family goes to eat, Bullritos provides free ice cream to its guests. It is hard to imagine that the family won't be going back to Bullritos on a regular basis. www.bullritos.com

6. Kaña Cuban Coffee roasters is bucking the franchising odds (Caribou, It's A Grind, Tully's, etc.) with a gourmet Hispanic coffee brand that will focus on bringing the unique

delights of Cuban coffee to the U.S. Although they currently have no operating units, they have nevertheless started the process and have a very enticing website and range of products. While the management has been roasting coffee for generations, they focus on roasting coffee specifically to achieve flavor profiles familiar to all Hispanic cultures. Although they import beans from all over the globe, they specialize in coffees that are grown in Latin American countries. www.kanacubancoffee.com

Top 25 Hispanic Franchise Companies

1. Anytime Fitness

As an innovator of the 24-hour, co-ed fitness industry, Anytime Fitness delivers a secure, quality and affordable fitness experience to its clients in more than 1,300 health clubs worldwide.

2. Burger King

As a leader in the fast-food industry, Burger King serves their trademark burger, The Whopper, alongside a dynamic menu that offers choice and affordability to customers all over the world.

3. Church's Chicken

As one of the largest quick-service chicken concepts in the world, Church's Chicken has been serving freshly cooked original and spicy fried chicken since 1952.

4. Coverall Health-Based Cleaning System

Coverall delivers commercial cleaning services that clean not only for appearance, but more importantly, for the health of its customers in commercial facilities nationwide.

5. CruiseOne

Each year, CruiseOne Cruise Specialists work with their clients to design their dream cruise vacations that range from short getaways to around-the-world voyages.

6. Denny's

Since its 1953 founding, Denny's has been providing the quintessential family dining experience with modestly priced meals 24 hours a day, seven days a week.

7. El Pollo Loco

Famous for its flame-grilled chicken marinated in a recipe of herbs, spices and citrus juices, El Pollo Loco serves its signature dish alongside innovative menu options in 400 plus restaurants.

8. Estrella Insurance

Estrella Insurance delivers customer service and affordability to its clients by offering a range of competitively priced options for auto, boat and motorcycle insurance.

9. Fantastic Sam's

Fantastic Sam's maintains its reputation for delivering superior haircuts and beauty salon services by providing style and affordability to consumers across North America.

10. Fast-Fix Jewelry & Watch Repairs

Established in 1984, Fast-Fix Jewelry is the world's largest jewelry and watch repair services franchise that delivers fast, efficient and professional jewelry repair work.

11. Fiesta Auto Insurance and Tax Service

Fiesta Auto Insurance and Tax Service provides the perfect combination to consumers who seek affordable and comprehensive tax and insurance solutions.

12. Interstate All Battery Centers

Interstate All Battery Centers offer exceptional customer service alongside a vast array of batteries that accommodate rapidly changing technological needs.

13. Jan-Pro Cleaning Systems

Jan-Pro provides a professional cleaning service at the best possible price, using the industry's latest technology and proven disinfecting and cleaning strategies for any commercial context.

14. Kiddie Academy

Kiddie Academy is an educationally focused childcare franchise that highlights the countless learning moments in a child's daily routine to reinforce fundamental developmental values.

15. Kinderdance

Kinderdance is a nationwide dance, motor development, gymnastics and fitness program that accompanies academic readiness skills, designed specifically for children ages 2 to 12.

16. Liberty Tax Service

Liberty Tax Service delivers quality computerized tax preparation with exceptional customer service that includes proofing of self-prepared returns, tax advice and audit representation.

17. Maid Brigade

Maid Brigade meets the increasing demand for cutting-edge housecleaning services with an efficient business model and as the only housecleaning company to be Green Clean Certified.

18. Maids, The

A leader in its field, The Maids offers the broadest service package and the highest-quality cleaning services to time-starved households across the nation.

19. McDonald's Corporation

As the world's largest fast-food franchise, McDonald's serves millions every day, offering a diverse menu of quick and affordable burgers, sandwiches and wraps.

20. Pizza Patron

Pizza Patron offers fast, custom-made pizzas at an unparalleled low cost due to its high-quality ingredients, simplified menu and streamlined business model.

21. Pronto Auto Insurance

With locations across Texas, Pronto Auto Insurance provides high-value insurance products, claims handling and financial services with competitive prices.

22. Sizzler USA

Sizzler began in 1958; its goal, providing a great and affordable steak dinner. Sizzler franchises continue this goal, offering classic dining at modest prices.

23. SUBWAY

SUBWAY is the undisputed leader in fast, healthy food. Using freshly baked breads, sauces and toppings, SUBWAY serves sandwiches made-to-order right in front of the customer.

24. Taco Maker, The

The Taco Maker is an international Mexican fast-food franchise, specializing in quick, friendly service and a complete menu with freshly made ingredients.

25. Vanguard Cleaning

Vanguard Cleaning Systems provides cleaning services for more than 9,000 businesses in North America. Vanguard offers janitorial services and commercial cleaning and more.

Richard Castro

From franchisee to Hispanic mentor

When Richard Castro retired as the City Manager of Del Rio, Texas, his friend Frank Mendoza, a McDonald's franchise owner, rushed to meet him at City Hall to propose getting him approved to open a McDonald's franchise in Del Rio. At first, Castro resisted but after investigating the opportunity, he began to understand the chance before him. Come October 2011, Castro, 63, will have 22 restaurants in the Del Rio area and he credits his success to his own "ganas" to be an entrepreneur and his ability to draft a formidable organizational chart. "Being able to visualize the development of my organization with myself as the president and owner to the point of having five healthy restaurants, this is how I established my credibility."

His accomplishments have led him to become a local, regional and national leader for McDonald's through his many advisory assignments. Castro has been a dedicated mentor to Hispanic children in his community, and founded RMHC/HACER, a scholarship program for Hispanic students, in 1985. The program, since its inception, has awarded more than \$20 million in scholarship grants to approximately 14,000 students. Castro emphasizes that the RMHC/HACER program also went on to serve as a model for other programs including those in the Asian, African American and in the general community.

When asked why McDonald's chose to provide scholarships to graduating seniors, Castro responds, "Education is and will always be the great equalizer. We need to come together to work with our young people to further their future education because we need to turn the current trends so that our community does not continue to live at a disadvantage."

—Sergio C. Muñoz