

The Inner Cities

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Question: I live in an urban area and am interested in starting a franchise but I don't see many franchised brands, other than fast food franchises, in my neighborhood. Are franchise companies interested in opening up in the inner cities? How do I find them? Are there any advantages to opening up a franchise in an urban market?

A few years ago a major franchisor called to discuss expanding their franchise internationally. They had stores open all over the United States and were beginning to worry that they would run out of locations at home and wanted to be prepared. A few months into the assignment two things became apparent: first - their decision to go international was right, would take some time and would required them to invest heavily in developing an international expansion and support program and second, they were looking in the wrong places at home.

We invited some of the executives to take a trip with us and spent the next two days driving through Harlem, Bedford Stuyversant, Brownsville and other inner city markets in New York. By the afternoon of second day the conversation in the car become interesting. Like a mantra, in each neighborhood we visited all they could say was "Where's the competition?" They had gotten the message. The expansion jewel for major companies in the United States is not Berlin or Beijing; it's at home in the emerging markets.

Other than the quick service restaurant industry – the fast food restaurants – most branded retailers, service providers and restaurants are just now discovering the emerging markets. They're finding that people who live and work in these areas spend differently than do their traditional customers. Even where the average income in the area is lower, per capita spending on certain products or services may actually be higher than that found in their suburban stores. The benefits don't stop there.

- Retail space: Large areas of the inner cities are underdeveloped and often locations can be found at a lower cost than in the suburbs. Not only are retail locations available but so is warehouse space and many of these locations are near highways and other well-developed transportation networks.
- Labor: Available labor is all around. With a shortage of retail and service providers, many of the residents in the emerging markets travel away from home to find jobs. Local jobs are attractive to everyone.
- Outside Opportunities: Even where demand is not yet strong for their products or services in the local community, many companies are finding that they can service their mainstream markets from the inner cities. Some of these companies are in the printing, janitorial, personnel agency, maintenance, repair, delivery and any industry that travels to its customers.
- Government programs: The federal government, most states and cities have programs including tax advantages, training programs and grants to assist new businesses.

Besides all of the other advantages, the lack of branded merchants often means that the merchandise available locally is of poor quality and people have to travel outside of their neighborhoods to get what they want. Local merchants mean a place for local customers to shop locally. Having a pent up consumer demand the day you open your new location is a dream every businessperson dreams about.

Obtaining an opportunity to sell their products and services in new markets is important to franchisors. But there is an advantage to expanding in the emerging markets that may not be as apparent – franchisors already have a support network in place domestically. Their headquarters and field operations, distribution facilities, training programs and everything else they use to assist its other franchisees is already established and they can leverage it in the new markets. That mean, their investment in supporting franchisees in Harlem, New York or the Crenshaw area of Los Angeles is a lot cheaper than locating franchisees and providing them with the same services overseas.

Most franchisors today are starting to look for franchisees for the emerging markets. Many have special programs to assist franchisees in getting started and others are tailoring their support programs to these new franchisees including enhance training, increased field support and marketing messages targets specifically at their customers.

So, where can you find these franchisors? A great place to start is the Emerging Markets department of the International Franchise Association (IFA) (www.franchise.org). The IFA has invested heavily in training programs to inform franchisors about the inner city opportunities and have recently launched a Diversity Training program sponsored by the Coca Cola Company.

The IFA though is not the only source of information for you. With all of the success stories about the opportunities in the emerging markets, by both franchise and non-franchise companies most franchisors today are interested in hearing from candidates interested in the these “new” opportunities. Look at the franchisors listed in the Entrepreneur 500 and the Entrepreneur Zone that interest you and give them a call.

Most important in making your selection is to drive the neighborhoods you are interesting in and determining what demand is not being met. You’re likely to find gaps available in family dining experiences, printing and small business support, children’s clothing, tax preparation, pharmacies, opticians, or any number of the thousands of companies in over 85 other industries that are currently franchising. Discuss with the franchisor what markets they are interested in and what types of support programs they have available for you.

The opportunities are available and the timing could not be better.