

# Dunkin' Donuts in Hot Water Over Franchisee Discrimination Claims

by Joel N. Kreizman on August 30, 2012

Dunkin' Donuts is in hot water after several former franchise owners have alleged that it discriminates against minorities. The New Jersey lawsuit contends that the popular coffee chain gives preferential treatment to white owners when it comes to store locations and other business operations.

Dunkin' Brands runs approximately 6,990 franchises throughout the country, with a strong concentration in the Northeast. While African-Americans own roughly 50 franchises, the majority of them are located in "economically less advantageous areas," according to the lawsuit. It also states that Dunkin' doesn't have any African-American franchisees in Connecticut, New Jersey, and Rhode Island.

"Entrepreneurial discrimination is today's version of 'separate but equal' as economic empowerment is the pathway to equality," the lawsuit contends. It alleges violations of federal civil rights law and the state Law Against Discrimination, according to the New Jersey Law Journal.

Priti Shetty of Montville, a woman of Indian descent, alleges that the company made it difficult for minority owners to expand to additional locations, which limited their profitability. The complaint alleges that Shetty's proposal to open an additional store was denied because it lacked a drive-thru window, but the same location was later approved for a white male franchisee.

Amy and Reggie Pretto of Montclair, who are black, allege that they were misled about the sales potential of certain locations located in urban areas of Baltimore and Washington, D.C. According to the complaint, the franchisees wanted to open a location in New York City, but were "steered" into less desirable locations after Dunkin' Donuts made "false representations regarding the unavailability" of better locations.

These cases highlight the often-contentious relationship between franchisors and franchisees. While discrimination claims are common for large chains, franchise disputes most often revolve around the terms and conditions of the franchise agreement, including royalties, competition, site improvements, and other obligations.