# THE BIG FRANCHISE MYTH: You Need to Spend More if You Want to Get More

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*When you are thinking of joining a franchised organization, you can gain a significant advantage if you can avoid the myths and deal only with facts. By recognizing what truly differentiates the facts from the fallacies, you can help yourself make a better and more productive decision.*

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When it comes to franchising, there are lots of myths floating around out there, and some can be misleading or even destructive! In my experience, one myth stands out above all the rest as having the ability to be the most misleading, and can sometimes even rob people of their dream of business ownership.

Myths often have their roots planted in something that would otherwise make sense. That's a big part of what makes them so believable. The myth I'm alluding to certainly has such roots. It deals with the correlation between how much a franchise ***costs*** with how much ***income*** the franchise can produce. I call it: "The More Money I Invest In a Business, the More Money I Will Make Myth."

Many people incorrectly believe that the more they spend to buy a franchise, the better that franchise is going to perform. It's easy to see why people might think this way, since in most areas of our lives, there is an understandable correlation between how much something costs, and how much benefit we derive from that purchase. In most of our minds, the more we spend, the more we expect to get. After all, why would anyone spend more money for something, unless they expected to get more for their money?

Ask yourself a simple question. If you were to see two houses in the same neighborhood, and one was selling for $100,000 and the other was selling for $200,000, wouldn't you expect the $200,000 house to be much nicer than the $100,000 home?

This same bit of logic makes sense in almost every area of our life. Nicer cars cost more than cars that aren't as nice. Better sounding stereos cost more than those that don't produce sound of equal quality. Even the seats at a theater or sports arena are priced by the quality of the view that one gets. We all know it's true. When we pay more, we expect we will get more.

Be that as it may, when it comes to acquiring and opening a new franchised location it's just simply ***not*** automatically true.

Am I saying that in franchising it's possible to spend less ***and*** get a business that has the potential to earn income which will rival, or even exceed, that of a franchise costing a lot more? The answer is absolutely **YES**!

Can you believe it? It's counter-intuitive to believe that it's possible for one to ***spend less, yet get more***. Despite this fact, when it comes to acquiring a new franchise, it is unassailably true.

If you're waiting for me to now offer you some swampland for sale, or a great deal on the Brooklyn Bridge, you'll be disappointed. This is not a scam, or a joke. It's the simple truth, and you will realize it if you spend a minute and ponder why it makes sense.

Think about it: Do all good businesses cost the same amount to establish? Does a restaurant that is located in a retail shopping area cost the same amount to open as a consulting business that can be located in an office building, or even in a house? Of course not.

A relatively modest restaurant can easily cost $300,000-500,000 to launch. There are extensive tenant improvements needed, as well as lots of equipment, furnishings, and inventory. In fact, many restaurants can cost $750,000- $1,000,000 or more to open.

However, despite the $1,000,000 or more needed to open some restaurants, there is absolutely no guarantee that once that its doors are open for business, that anyone will choose to eat there. And if they do, they may never come back! The only thing that can be said as a certainty is that it will cost the owner $1,000,000 to find out!

In contrast, let's think about consultants. Have you ever met a consultant who owns his/her own company, makes a lot of money, and has a great business? Many of us have.

Now ask yourself this: How much did it cost that consultant to start their business? Usually, not very much.

A restaurant's customers come to the restaurant to eat. With a consultant, it's usually the other way around. Consultants go to their client's place of business so the consultant will not need to spend a lot of money to build the "physical plant" that a restaurant would require.

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As such, consulting businesses do not need as much in the way of tenant improvements, capital equipment, furnishings or inventory as a restaurant does in order to operate successfully.

In fact, since most of your work takes place by visiting the client's location, the consultant might not need a location at all.

Yet, despite this low cost of acquisition, the consulting business might be just as profitable, or even more profitable than the far more expensive restaurant.

Consulting businesses are not an isolated example of this sort of opportunity. Think about any business where ***someone comes to you to provide a product or service***, rather than a business where ***you go to their location to receive a product or service***. When there is a physical location that you go to, the business owner has had to pay to furnish and fixture it, cover the rent, property insurance and taxes, and so on. When the provider comes to your residence or place of business, all that's needed to successfully provide the product or perform the service is any required equipment, and a way to travel to your home or office.

Starting to get the picture? Here's more. Two businesses that cost the same to start, furnish and "build out", may not, once opened, have equal ability to make money. The simplest way to prove this to you is to look at a business that operates multiple locations. As a frame of reference, think of any fast food chain that you are familiar with.

While each location may be virtually identical, and therefore had equal start up costs, each location will not be equally busy, nor will they all make the same amount of profit. Some locations will simply outperform others!

You knew that…didn't you? Haven't we all seen identical businesses that have locations that are always busy and always seem to have long lines, and others that seem never to be crowded? Some outlets fail altogether, but that doesn't mean that it cost less to start them. Both the great outlet and the weak one might have had identical start up costs. Sometimes, the weak one might actually have cost more than its more successful counterpart.

If it's true about different locations for the same business, it's also true for different businesses in the same basic location. How many times have you visited a shopping center that has two businesses that look like they cost about the same amount to get started, but where one is doing a very brisk business, and the other is not? We probably all have.

Now that I've hopefully got you convinced, you're probably saying to yourself that since it isn't automatically true that the more you spend the more you will get, you should probably buy the least expensive business you can find. After all, if what I'm saying is true, and it is, doesn't that mean that everyone should buy a less expensive business, since it might do just as well or better as a more expensive alternative? **Absolutely not!**

Sometimes the more expensive business does do better than the less expensive one, and would be a much better fit for you. The point is that **the correlation between investment size and investment quality is not automatic**. Different businesses require their owners to have different skills to successfully operate them, and some more expensive businesses ARE better than others that are less expensive.

Let's go back to my earlier example of the restaurant and the consulting business. Just as it doesn't mean that the more expensive restaurant will automatically be better than the less expensive consulting business, neither does it mean that the consulting business will be good and the restaurant bad.

Confused? That's okay. Let's sort it out. The point that I have been trying to make is that size of investment will not, by itself, define the quality of the business that you acquire.

Consider this fact: A good business may have either a high cost of acquisition, or a low cost of acquisition, or anything in between. There will simply be no automatic correlation between the size of your investment, and the quality of your opportunity.

Additionally, we already know that different people like, and are good at, different things. It doesn't matter whether it's which movie to see, which candidate to vote for, which team to root for, or which job a person will most enjoy and best succeed with. **People are different**, and these differences will have a lot to do with the type of business that is best suited to a particular buyer. The right business to buy is the one that matches up best with that buyer's skill sets, values, and goals, irrespective of that business' cost of acquisition.

So what's the bottom line for you? You should not automatically spend a lot, assuming that the more you spend the more you will get. Neither, however, should you buy the least expensive business you can find, assuming that all businesses are the same. You should spend as much or as little as it takes to get the **RIGHT** business for you.

That business not only has to have the proven ability to produce the kind of income and lifestyle that you want, but also should be one where the successful owners have the same basic skills, abilities, etc. that you have. If you can find that type of business for less money, rather that more, GREAT! Buy it! If, however, the business that fits you best costs more, then spend the money if you can. **Success is the goal**. Just be careful not to be short-circuited in your search by those pesky myths!