

Low-Cost Franchises Rise in Popularity

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1-800-GOT-JUNK? was one of the companies named by Franchise Business Review as a top low-cost franchise.

Say the word “franchise,” and what comes to mind for most people are those high-volume, high-overhead fast-food chains such as McDonald’s , Dunkin’ Donuts and KFC that require a six- or seven-figure investment to get in the game.

But that’s not where the franchise action is these days, [a new report says](#) . It’s the low-cost franchise opportunities — those with an average investment of \$150,000 or less — that are among the most popular and sought-after.

Without the overhead of real estate, pricey retail locations or large product inventories, this niche group of franchise businesses has only grown in popularity through the economic downturn, and they are positioned for strong growth as the economy continues to recover, according to a survey of more than 11,000 franchisees conducted by Franchise Business Review, a franchise market research firm.

The variety of business models in the low-cost space includes health-care providers, fitness and recreational businesses, travel planners and even mosquito control. What they have in common is that they don’t require a big office or retail space or a lot of other resources that require large amounts of capital, Franchise Business Review said.

For this reason, most of the businesses in the low-cost space are service-type businesses rather than retail businesses. Many of the business concepts in this niche also benefitted from the economic downturn, including resale and consignment franchise concepts.

The franchises in the study had an average initial investment of less than \$100,000. But some opportunities can be started for less than \$5,000, and franchisors on some of the higher investment opportunities also now offer low-cost options.

In the past few years, franchisors at all levels have [taken steps to reduce the financial burden of running a franchise](#), Franchise Business Review said. Some franchisors have reduced their initial franchise fee, and many have taken strides to reduce the cost of opening the business by eliminating the need for office space and branded car wraps, for example.

"While the investment might be smaller, the low-cost segment is big in terms of the impact it has made on franchising," said Michelle Rowan, president of Franchise Business Review. "In the past year, we've seen an increase in the number of businesses in the sector, the number of investors looking to buy, and the overall satisfaction of franchisees. With the right franchise brand, a low-cost business can be a great investment — even for investors with plenty of capital — because of the relatively low risk that comes along with owning one of these businesses."