Unit 37 – Starting a small business

Exercise on business types

1. A franchise is a business established or operated under an authorization to sell or distribute a company’s goods or services in a particular area. McDonalds is a business that trades as a franchise.

2. Advantages of a franchise are:
   - Be your own boss
   - Gain additional assistance and training
   - Profit gained from name recognition

3. Disadvantages of a franchise are:
   - Can make wrong decisions
   - Have to pay monthly gross sales back
   - Must follow rules
   - Costs higher than expected + The cost of buying a franchise
   - Buy products from a franchiser
   - Won’t have full control of the business
   - Restrictions on how the business will run
   - Won’t be able to make specific changes to local market, whereas a new business you can
   - The franchiser might go out of business or change the way they do things
   - May give brands a bad reputations as they are not making a profit in that area
   - There’s reduced risk which means may not be able to generate large profits

4. Advantages of starting up a new business are:
   - Owner in control of all aspects of the business
   - Able to make all of the choices
   - Much less restrictive

5. Disadvantages of starting up a new business are:
   - Costly and risky
   - Long, detailed business plans should be made to earn the funds for the business
   - Too much responsibility, e.g. licences, marketing, finding product resources

6. Advantages of buying an existing business are:
   - The business is already up and running