

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