

Existing Business or Franchise: Which Should You Buy?

It's the American dream: owning your own business. And is it any wonder? In an ideal situation, you get to be your own boss, you get to do something you love, and the profits just keep rolling in! But dreams and reality are two different things, and it's estimated that more than 50% of new businesses fail within the first year. So how can you prevent your American dream from becoming your worst nightmare?

You simply need to take stock of your options. While building a business from the ground up might capture your entrepreneurial spirit, you might lose heart and nerve after you're entrenched in the technicalities of a start up. That's when buying a pre-existing business can seem like a simpler and safer alternative.

When it comes to buying a preexisting business, you have two main options to choose from: franchises and existing businesses. Both have pros and cons, and it will depend upon your goals and your personal style to decide which is right for you.

According to the Better Business Bureau, franchising is a method of product or service distribution or a way in which a company gets its products to the consumer. In practical terms, buying a franchise is basically buying a "branch" of a preexisting business that you then operate in accordance with a corporate contact.

Because everything is predetermined by a corporation, franchises are like buying an instruction manual on how to operate a successful business. You'll also receive corporate support, so you won't have to go it completely alone.

However, because franchises are a way in which a corporation develops growth, your potential will be limited. The corporate office will want to capitalize on your success by opening competitive franchise locations nearby, which will obviously become detrimental to your profit margin.

An existing business is exactly what it sounds like: a business that's already up and running and owned by one person (or one group of people).

Buying an existing business has many benefits. First of all, you won't have to start from scratch, which means you'll need less money to get started. After all, buying a pre-existing house that's on the market is usually less expensive than having a brand new one built. Furthermore, if you're buying a business that's already profitable, there's a good chance it will stay that way. Existing customers and an established reputation will help you to start getting a return on your investment right away.

Of course there are disadvantages to every situation, and the biggest obstacle in purchasing an existing business is usually the price. Financing can be difficult to obtain, so you'll need to have a large amount of money available up front. Also, it may be difficult to find a profitable business that's on the market for a reasonable price. Obviously, businesses that are already turning a profit are the most desirable, so the market can be very competitive. Of course, that simply means you have to know where to look and BizTrader.com is a great place to start!

No matter which option you choose, owning your own business an exciting endeavor.