Buying a Business – Or Starting Your Own

Starting a business can be overwhelming for first time entrepreneurs. If you have a great business idea and are ready to work hard, then you may wish to start your own business. But if you want to avoid some of the common challenges to starting a business, then buying an existing business or a successful franchise may be a better option.

Starting Your Own Business:

Benefits

- Complete freedom to design and manage the business according to your vision.
- Not bound by anyone else's rules, history or assets.
- Opportunity to bring something new to the market.
- Can be less expensive than buying a successful business.

Challenges

- Can take a while until you are profitable.
- There is no guarantee of business success and a high rate of failure for new businesses.
- More difficult to get financing because lenders or investors are taking a risk with your idea.

Buying an Existing Business or Franchise:

Benefits

- Product or service is already being produced and sold.
- Benefit from the work that has already been done on establishing a brand, developing customer relationships, developing business processes and acquiring assets.
- Can start bringing in profits more quickly.
- Easier to get financing because the business model is proven.
- Buildings, equipment, inventory and staff are operational.
- Location, market and goodwill are established.
- Cash flow is being generated.
- Relationships with suppliers and banks are established.

Challenges

- The upfront investment is often higher than if you were starting your own business.
- The previous owner and/or franchisor's business model and way of doing business may not be a perfect match with what you envision.
- Location may be poor for this type of business.
- Inventory may be loaded with dead stock.
- Hidden reasons such as lease expiring and not renewable; zoning changes; deteriorating local conditions; labour problems.
- Accounts receivable may be too high or uncollectible.
- Bad relationships with banks and suppliers.