



BUSINESS **STARTUP** BLUEPRINT

START-UP
VS. BUYING A BUSINESS
VS. FRANCHISE

STEP 1 PLANNING
COMPARISON CHART



	Start-up	Buying a business	Franchising
Typical costs to start (note: these vary widely depending on the industry and location for all 3 approaches)	Business can potentially be started with \$0 or close to it; <u>the average small business owner spends \$40,000 in first full year</u>	<u>Average sale price of \$150,000-\$200,000</u>	<u>Most fall in the range of \$4,000-\$750,000, with an average upfront cash requirement of \$90,000</u>
Failure rate	<u>18% within first year</u> <u>50% after 5 years</u> <u>65% after 10 years</u>	<u>30% after 5 years</u>	<u>8% after 2 years</u> <u>15% after 5 years</u>
Market research required	Significant - you need to validate your idea yourself	Moderate - you need to verify that the business can succeed under your new ownership	Low - the franchise corporation will usually conduct this research for you
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Business systems	Need to be created and implemented from scratch	Comes with pre-existing systems, though they may need improvements	Usually established by the franchise, you just need to implement and follow them
Brand identity	Created by the founder from scratch	Comes with the business but you can choose to re-brand if desired	Determined by the franchise corporation

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Audience and customers	Completely on the founder to identify and attract the target audience	Has an existing customer base that you can build on	Franchisee needs to build an audience in their market, but backed by the marketing of the franchise corporation
Creative control	High - founder builds the company from the ground up	Moderate - You can modify the existing systems, branding, and other details as needed	Brand identity
Profit and revenue	All profits stay in the business and the founder can decide how to distribute them	All profits stay in the business once the initial purchase is paid off and the founder can decide how to distribute them	Percentage of the revenue goes to the franchise corporation
Employees	Hiring and training are the full responsibility of the founder	Often comes with existing team that you can change or add to as needed	Franchisee usually hires their own team, but with guidance from the franchise corporation
Leadership structure and development	Determined by the founder, who needs to identify and train their own in-company leaders and is responsible for their own leadership development	May have an existing leadership team, though the new owner takes over full responsibility for future development	Franchise corporation often provides leadership training and outlines the typical leadership structure within a franchise

COMPARISON CHART: STAR-UP VS. BUYING A BUSINESS VS. FRANCHISE

	Start-up	Buying a business	Franchising
Support, mentorship, and coaching	Founder needs to build their own support network	New owner needs to build their own support network	Franchise corporation often provides a support network
Equipment	Must be purchased by the founder	Often comes with existing equipment and supplier relationships, though you may need to update, repair, or replace it	Provided by or purchased through the franchise corporation
Supplies and materials	Up to the founder to identify and choose the right suppliers or vendors	Often comes with existing supplier relationships, though you can change suppliers as needed	Provided by or purchased through the franchise corporation
Exit planning	Founder decides if and when to sell or close the business	New owner decides if and when to sell or close the business	Franchisee signs an agreement for a specific length of ownership that sets specific conditions for selling the location to another