

Veronika Isakova
V.V. Chernobaev, research supervisor
N.M. Nechai, language supervisor
SHEI “National Mining University”, Dnipropetrovsk

What to Choose: to Establish a Business or Buy a Franchise?

When you want to start your own business, it is often difficult to decide whether you want to start a new business, or buy a franchise.

Many entrepreneurs, especially beginners, do not know what franchise is. Franchise is a form of agreement, which person or group of people (franchisee) concludes with a trading group (the franchisor) to be eligible to use the trademark brand in their commercial purposes.

If you buy a franchise, you are buying the right to sell the parent company's goods or services in a specific area. Besides paying a franchise fee, you will also have to pay royalties and perhaps additional fees to the franchisor. You will also be expected to abide by the terms of the franchise agreement, which will often lay out exactly the way you do business. You will receive support and training at all stages of work. It's good for those who are beginners in business.

However, buying a franchise can limit the way you do business. Franchisors may place restrictions on what you sell, where you operate and how you do business. They may make business decisions that have a negative effect on your franchise. You need to be careful about the type of franchise you buy, and choose a franchise on offer that match your own strengths and weaknesses.

Personally, I would choose to start a new business, because an independent business is one that you create and nurture on your own. Starting an independent business allows you the control and freedom that you won't get from a franchise operation. You can make your own decisions. You shouldn't pay any payments (royalties, franchise value, etc.) and that's why your costs will be lower. In your business, your profit is your own profit. You can start a business with a small amount of money as opposed to buying a franchise that usually requires a significant investment. Moreover only you choose with whom you work.

Evidently I'm aware of potential problems associated with starting my own business such as your brand isn't well known for anyone and requires much time and effort to make you name recognizable.

Maybe there are many other advantages and disadvantages, which are depending on type of business and franchise. Of course everyone chooses what he/she prefers.