

Choosing Between a Start-up and an Established Brand

There is a lot to consider when evaluating franchise concepts to potentially purchase. With thousands of opportunities to choose from, a buyer will generally find themselves searching within a certain industry/sector that is of interest to them and/or working on a price point that is workable. Either search typically winds up bringing a decision between 3-4 opportunities, with a few being seasoned and a few being newer to the marketplace.

When evaluating the potential between a newer brand and one that is well-established, there are many things to consider before making a final decision. Below are a few strengths of each that should be taken into account:

Why Buy A Start-up?

- 1 - Territory Size - Early in the life of a franchise concept, a franchisee can often garner a territory size that is larger than the territory sizes that will be awarded in the future.
- 2 - Potential for Multi-Unit Territory - If there is consideration and/or desire to own multiple locations within a city, there is much more potential to get the areas of interest locked in.
- 3 - Lower Fees - Sometimes the royalty fees of a start-up are lower than they will be later in the life of the franchise concept.
- 4 - More of a Name Less of a Number - In a smaller franchise operation, the new franchisee is much more integral to the overall performance and success of the company as a whole and there is sometimes more attention afforded to new franchisees.

Why Buy An Established Brand?

- 1 - Easier Lending - It is easier to find financing for a new location of an established franchise brand than for a brand without much history
- 2 - More Brand Awareness - With an established concept, there is more brand awareness in the marketplace and less need for the franchisee to be a pioneer of the brand in their area
- 3 - More Security - There is safety in numbers and there can be more security in an established brand with location density than with a relative start-up
- 4 - Proven Systems - Established brands have worked on their systems over time and have a firm lines of protocol that are proven effective.

Each "pro" for one type of system can be a "con" for the next. It is vital to your decision that you weigh the items most important to you as a business-person and then see which type of operation will give you what you are seeking. The start-ups will provide a bit more of an entrepreneurial opportunity, whereas the more established brands should be looked at more as a small business operation.

Submitted By: Franchise In-Sites Team
Author - David Gollahon, CEO May 22, 2011