

EXISTING BUSINESS V STARTUP

Should you acquire an existing business or start one of your own? The relative benefits of each alternative will differ for each type of business. Here are some of the issues to consider:

EXISTING BUSINESS

Pro's - Lower Risk

- Key assets in place - customers, momentum, knowledge
- Immediate cash flow - no establishment phase
- Customers with established buying habits - goodwill already exists in the hearts & minds of its customers
- Easier to finance due to lower risk
- Proven demand, track record
- Established relationships
- Employees & equipment in place
- Established location
- Established name & reputation - accumulated benefit of previous marketing & performance
- Established systems & procedures

Con's - Higher Up-front Cost

- Extra capital for vendor's goodwill
- Risk of dishonest vendors
- Dependence on vendor
- Staff changes may be required
- May have a poor reputation to overcome

STARTUP

Pro's

- New opportunity - identifying a need or niche not currently being filled
- No goodwill to pay for
- Freedom to mould the business
- Greater personal satisfaction

Con's - Higher risk

- Finance more difficult to obtain
- May have higher overall cost - many people underestimate how much capital they need to start-up & continue until the cash flows in
- Higher marketing cost to build brand awareness & change customers' buying habits
- Demand not proven
- Lack of cashflow during establishment
- Requires research - time & money
- Extensive planning & building required to establish all things needed in the business.