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Nation Builders

**NATIONAL COLLEGE OF  
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Amafel Building, Aguinaldo Highway, Dasmariñas City, Cavite



**COMPUTER STUDIES DEPARTMENT**



# TECHNO PRENEURSHIP

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# Alternatives of Starting a New Entrepreneurial Venture





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# Advantages and Disadvantages of Buying a Business





## Advantages of Buying a Business

Buying a business is generally considered less risky than starting your own business, especially if you can buy a well-managed, profitable business for the right price. Consider these advantages:

- The difficult start-up work has already been done. The business should have plans and procedures in place.
- Buying an established business means immediate cash flow.
- The business will have a financial history, which gives you an idea of what to expect and can make it easier to secure loans and attract investors.
- You will acquire existing customers, contacts, goodwill, suppliers, staff, plant, equipment and stock.
- A market for your product or service is already established.
- Existing employees and managers will have experience they can share.



## Disadvantages of buying a business

Keep in mind that not every business on the market is a good prospect. Many owners will be selling unprofitable or under-performing businesses. While this can be a chance to buy and develop a cheap business, it can also be a risky investment. Consider these disadvantages:

- The business might need major improvements to old plant and equipment.
- You often need to invest a large amount up front, and will also have to budget for professional fees for solicitors and accountants.
- The business may be poorly located or badly managed, with low staff morale.
- External factors, such as increasing competition or a declining industry, can affect future growth.
- Under-performing businesses can require a lot of investment to make them profitable.
- The seller's personality and their established relationships may be a major factor for the success of the business.



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# Advantages and Disadvantages of Buying a Franchise







## Advantages of buying a franchise

- Franchises offer the independence of small business ownership supported by the benefits of a big business network.
- You don't necessarily need business experience to run a franchise. Franchisors usually provide the training you need to operate their business model.
- Franchises have a higher rate of success than start-up businesses.
- You may find it easier to secure finance for a franchise. It may cost less to buy a franchise than start your own business of the same type.
- Franchises often have an established reputation and image, proven management and work practices, access to national advertising and ongoing support.



## Disadvantages of buying a franchise

- Buying a franchise means entering into a formal agreement with your franchisor.
- Franchise agreements dictate how you run the business, so there may be little room for creativity.
- There are usually restrictions on where you operate, the products you sell and the suppliers you use.
- Bad performances by other franchisees may affect your franchise's reputation.
- Buying a franchise means ongoing sharing of profit with the franchisor.
- Franchisors do not have to renew an agreement at the end of the franchise term.

Franchising is seen by many as a simple way to go into business for the first time. But franchising is no guarantee of success and the same principles of good management—such as informed decision-making, hard work, time management, having enough money and serving your customers well—still apply.

Be cautious when buying into a franchise if you have to develop the market and the brand in your designated area. Make sure your investment generates healthy returns and a capital gain when you sell.





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