



## **The Pros and Cons of a Ready-Made Business**

*By Mike Levine, advisor at the Small Business Development Center at New Mexico State University*

Buying a franchise or becoming a multilevel marketing salesperson allows an entrepreneur to start a business without starting from scratch. Both provide opportunities to run a business using methods developed and used by a parent organization.

More than 35 percent of all businesses in the United States are franchises, including McDonald's, Subway, Ace Hardware, various motel chains and auto dealerships.

Multilevel marketing companies such as Amway, Avon, Mary Kay and Shaklee Corp. use independent salespeople working on commission to get their products to consumers.

### **Not for everyone**

The most obvious advantage of owning a franchise or being an independent product or service representative is that both setups offer instant name recognition and credibility and products that are familiar to consumers.

A person who opens a franchise — a franchisee — benefits from national or regional advertising and marketing done by the parent company. He or she is trained by the franchisor and given a manual that outlines company standards and operations. Multilevel marketing salespeople get similar resources and support materials.

While being part of a larger, successful organization increases a fledgling business owner's or salesperson's chances for success, franchises and multilevel marketing setups aren't for everyone. In both structures, the independent business person sells only products that originate with the parent company. Franchise operators pay the parent company fees or royalties to use the company name, just as multilevel marketers have to pay for the product inventory they sell.

If the parent company fails or cuts distribution — as happened in the past few years with Blockbusters, Chrysler and General Motors dealerships and several fast-food chains — the franchise operator or product distributor suffers loss of product and brand identity.

## What to know

It's easier to decline a franchise or multilevel marketing opportunity than to withdraw from a contract if the buyer becomes unhappy with the supplier. So an aspiring entrepreneur should weigh the potential earnings from such a venture against the money that could be made investing in any other business enterprise or even a CD, savings account, stocks or bonds. Before signing on, he or she should be clear about the franchisor's royalty requirements, training opportunities, the exclusivity of the franchise or multilevel marketing opportunity, the failure rate and his or her ability or willingness to do the work necessary to make the opportunity succeed.

The New Mexico Small Business Development Centers offer seminars on franchises and multilevel marketing at 20 statewide locations. The seminars are open to people considering acquiring a franchise or opening a multilevel marketing business and people running established franchises or distribution businesses. The next workshop is 2 to 4 p.m. Oct. 22 at Doña Ana Community College Workforce Center 2345 E. Nevada Ave., Room 101J, in Las Cruces. Go to [www.nmsbdc.org](http://www.nmsbdc.org) for more information.

*Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC) and its partners to assist individuals and businesses in obtaining skills and funding-resources for their business or idea. To learn more, go to [www.FinanceNewMexico.org](http://www.FinanceNewMexico.org).*

