

Chapter 7 Making your Choice

The choice may be easy, particularly if you have a Great Idea you want to exploit or are highly skilled in a particular area that you want to turn into a business.

Once you know what you want to do and why you want to do it, and provided those are consistent, then your choice is straight forward.

But regardless of whether you want to turn an idea or skill into a business or want to create an Expert, Creative or Information business, you are likely to need some training and coaching to enable you to get started and get your business ‘off the ground’.

But what if you don’t?

How to select a ‘Business in a Box’

There are three main types of business that you can ‘purchase’:

- Franchised Businesses
- Licensed Businesses
- Marketing Network Businesses

1. Buying a Franchise

You could buy a Franchise, the prime examples being Subway and MacDonal’d’s, be fully trained in how to

operate it, and then set about running your business under the Franchise brand - *not* your own brand.

The catch is that franchise owners are normally required to pay a commission or royalty to the franchisor on *every* sale that you make - even though *you've* found the customers and *you've* done the work.

But you don't necessarily have to buy products or raw materials from the franchisor. You may be able to source your own but within strict quality control limits.

Franchises can cost from a few thousand to around half a million GBP. It's a well-known rule of thumb that franchisees will not see a clear return on investment until around five years into operating the business.

There are thousands of businesses that operate as franchises from the giants, to much smaller operations like local directories, dry cleaners and book-keeping.

Essentially you buy a ready-made business system which you operate, and your main function is to bring in clients or customers and as you'll be thoroughly trained to do everything in exactly the same way as all the other people who've bought into that franchise you don't need to be particularly skilled to do this.

Generally speaking the more money you pay up front to purchase the franchise, the longer it's going to take to earn that money back but on the other hand most banks are usually receptive to the idea of loaning you money to

buy a respectable franchise operation - they know it works.

Franchises are tried and tested and have a significantly lower failure rate than other businesses.

Because of the continual commissions that have to be paid to the Franchisor and the fact that most franchise operators are restricted to a limited geographical territory, many people have become disillusioned with franchises as they aren't really in control of their own destiny. Buying a franchise is a **medium to high risk** way of starting a business.

2. Buying a 'License'

In this type of business you are 'licensed' by a provider of products or services to sell their offering as part of your business or even the foundation of it.

You **buy a License** to operate an existing business system or resell an existing product or service.

Normally you would pay a one-off fee for the license which can cost from hundreds to around £75,000 (or more) depending on the organisation and the product or service being licensed but which would usually include training in how to use and market the product or service.

Another example might be purchasing a license to sell insurance and other financial products but the level of training and certification required in that sector could be prohibitive if you are not already qualified.

Licensing a reputable product or service usually requires a significant investment of both time and money up front and an ongoing cost for products or materials you need to purchase from the license owner that should be subsumed in the fee you charge your clients.

Unlike franchises there is far less control from the brand 'owner' over what you choose to charge your clients and usually but not always, the only fees you pay back are for tangible 'supplies' that you need to run your business.

If you have the money to invest in the first place and provided you have the marketing skills to quickly gather clients then buying a License is likely to be a **medium to low risk** way of starting a business.

It usually takes a lot less time, if you do the work, to recover your investment than it does with a Franchise.

3. Joining a Marketing Network

Commonly known as **Network Marketing** or MLM (Multi Level Marketing) and more recently '**Referral Marketing**' this is a method whereby a 'parent company' can get their products or services to market. In a highly cost effective way, especially for innovative products.

As a 'network marketer' you would operate as a 'business partner' (commonly known as a 'distributor') with the parent company - ***you are not employed*** - although sometimes they may not make that particularly clear.

All you are required to do is to *market* your ‘parent’ company’s product or service. You get paid for bringing new business to the company whose products and services you are marketing.

You don’t get involved in *any* of the business operations to produce the product or service that you would do as a Franchisee or a Licensee.

There are some companies who require you to deliver physical products to your customers but I wouldn’t really recommend one of these.

You just do the marketing and the sales.

But it’s not just about marketing and selling to consumers. An important part of this business model is that you also need to find other people to join the network and do the same as you; setting up their own independent businesses in the process.

You’ll also get paid commission for all the consumer sales that they make, as a rough guide this will be about a tenth of the amount you get paid for each new customer you bring in yourself.

In general, the cost of entry is very low or even nil in some cases and with some of these models the ‘payment plan’ (also known as the ‘compensation plan’, is adjusted in favour of allowing new starters to very quickly recover any initial investment they have made.

If you do the work, this is accepted as a **low risk** way of starting a business but beware that there are some operators who have no substance whatever and may very quickly ‘disappear’ with the money that has been raised.

This type of business is the least costly and least difficult to get into and get started and can be extremely profitable.

But you do need to know how they work and you do need to know what you are doing.

The key is that successful a Network Marketing business always requires *face to face* engagement with *people* to be at all effective.

Network Marketing is an industry that turns over more than \$200 billion a year worldwide, which is more than the movie, gaming and music industries put together!

Despite what many people think **it’s perfectly legal** and well-regulated.

Unlike franchising the parent companies rarely provide fully comprehensive ‘back-office’ services so as a network marketer you’d be responsible for your own admin, accounts, tax returns and so on. However, training and coaching in what to do and how to do it is usually provided free by the company and by other people in the network.

All network marketing companies provide much the same offer for people who want to start a business. There are **no territorial restrictions**, you can operate wherever the company can deliver its product or service.

In a legitimate Network Marketing business that has *real* customers and *real* products or services, the commission payment plan is carefully controlled so that the money the company makes from sales to end user customers is distributed to the independent business partners in direct proportion to the activities they carry out. Those who bring in more customers get paid more, those who bring in fewer get paid less.

Because of this and because of the low cost of entry, network marketing is a **low risk** or even ‘no risk’ way of getting into business.

In summary:

- If you buy a **Franchise** you are buying a well-established system which you operate and then pay a commission to the franchisor on the sales you make - and you may also have to buy products and services from them as well but the franchise owners will do the majority of the marketing.
- If you buy a **License**, you are buying a system which you operate and market within your *own* business brand (unlike a franchise). There is an initial cost and sometimes ongoing ‘product’ costs.
- If you join a **Marketing Business** you simply get paid commissions, bonuses and other rewards depending on the volume of product or service you are directly and indirectly responsible for securing for the parent company. They do the production and operations - *all* you do is the marketing.

Knowing what you want to do is one thing but whatever you choose, turning it into a viable, long lasting business that will generate you a recurring income is something else.

What you need now is a 'Plan'.

Review 'Business In A Box' by [watching this short video](#)