

Turnkey Business Opportunities Versus Franchises

A traditional franchise is a business in which authorization has been given to an entrepreneur to sell and/or distribute an established company's goods or services in a particular area. The term "franchise" is also used to refer to a business or group of businesses that operate under such conditions.

With a traditional franchise, the franchisee - that's the individual business owner - pays the franchisor - the corporation - a franchise fee for the right to use the franchisor's name and business model. Start-up materials and ongoing support are often provided by the franchisor, but there are still many aspects of operating the business that are the responsibility of the franchisee.

A turnkey business, however, is one in which everything an entrepreneur requires to open a franchised unit is provided. The term "turnkey" comes from the idea that - using one of these packages - all one would have to do to open for business is "turn the key."

Recently, the realm of Internet business has seen a boom in the number of turnkey websites. This is the same thing as a brick-and-mortar turnkey business with the exception that the business owner is being provided with a fully functional website versus a fully stocked store, for example.

Is Everything Really Included in a Turnkey Package?

In the truest sense of the word, yes. The franchisor would provide and do everything, including selecting and leasing your location and hiring your staff. In reality, however, you won't find very many franchisors who will actually hire your employees.

But the franchisor offering a turnkey package will take care of most of what needs to be done in order to open your business. This can be a great advantage if you are new to franchising because it will save you hours upon hours of work and research.

Turnkey packages can also be an exercise in swindling, however, and you should do some research to find out what you're getting into.

So, How Do I Choose the Right Turnkey Package?

The best way to research this is by asking existing franchisees. The main thing you'll want to inquire about is whether the existing franchisees feel they got a good deal with the turnkey package. In other words, the franchisor shouldn't be putting a high markup on the package components. Their income should be coming from royalty and franchise fees-not start-up costs for new franchisees.

If you don't feel you can acquire adequate information from business owners who are already involved in your selected franchise, ask the franchisor if they are willing to provide you with a complete cost breakdown. You'll also want to ask whether the labor involved in providing the package is a separate line item or factored into the cost of each component. If it is factored in, what is the markup percentage?

Take comfort, however, in the fact that the information you really want - whether or not you're being ripped off - is fairly easy to come by. If a franchisor's turnkey package has an exorbitant markup, the existing franchisees are going to be aware that they were had. And they will probably be more than willing to tell you about it.

What Are the Advantages of a Turnkey Business?

Because of the all-inclusive nature of the turnkey package, it is a fantastic opportunity for those budding entrepreneurs who may not have the knowledge base of a veteran franchisee. And, even if you are very business savvy, a turnkey package saves you the time and effort involved in starting a company from the ground up, i.e.: developing a successful business plan, choosing and leasing a location, purchasing inventory, hiring employees, etc.

Although the initial investment for a turnkey business may be a little more than a traditional franchise, the rewards for that investment are substantial. You're buying into a brand - perhaps one with which consumers are already familiar. There are certain restaurant chains, for example, that you know are not going to go under. People will always want burgers and ice cream. This substantially lowers the risk to you, the franchisee, by allowing you to utilize a proven business model.

A turnkey business will also save on the time it takes to open your doors over a traditional franchise because most of the start-up issues will be addressed for you.

Final Thoughts

As with any business venture, a turnkey business opportunity does represent a certain amount of risk - even if that risk is smaller than other types of businesses, so do your research. Ask the questions that were discussed in this article. Find out if the other franchisees in the company are happy with the way things have turned out for them. Once you're confident that you've selected a franchise that will be a good match to your own business style and lifestyle, all you have to do is turn the key.

About the Author

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