



## Shoestring startup

### Starting a business on little or no money

- Beg, borrow (but avoid stealing)
- Get free stuff (skips, freecycle, ... )
- Work from home
- Get other people to help you for nothing
- Swap and barter with other businesses and startups
- Tap family and friends
- Use free resources (social media, TAS Basics, university facilities)
- Get free advice (Business Link, Creative Leicestershire, Princes Trust)
- Get a job (and save up)

### Work out before you start whether your business is likely to be viable

You have nothing to invest, so a viable business proposition is even more essential than for a well-funded startup. The most critical pre-start up task is working out the viability of your proposed business. If it clearly isn't viable, **don't start up**. Think of something else, or imagine how to do it another way which has a chance of success. You may have to compromise.

### Startup costs

How much money do you need to launch your business? Keep your start-up costs to a minimum. Spending more will place greater pressure on you to generate more money more quickly.

Make sure there's a legitimate business reason for everything you buy.

Be creative and be prepared to compromise.

Premises are the biggest expense for many businesses, so many new ventures are started from home.

Instead of buying goods and services, consider whether you can trade with other businesses.

Borrow, or you might be able to lease or buy second-hand. If you must buy, search for value-for-money suppliers and negotiate hard. You can ask for credit – but don't be surprised if you don't get it. You may well have to pay upfront or on delivery.

The less you spend, the less you'll have to turnover to breakeven, plus, the more likely you'll be able to afford any unexpected costs. Also, it's a good discipline to get into right from the beginning. It pays to establish good habits and stick to them.

## **Running costs**

You must take into account all your start-up and operating costs for at least 12 months ahead.

Relatively small expenses can mount up, while neglecting to include some in your costs will mean you're storing up surprises for later.

Start-up costs could include equipment and installation, a vehicle, road tax and insurance, premises, fixtures and fittings, initial stock or materials, launch marketing and advertising items, legal and professional fees, possibly a licence etc.

Premises-related costs can provide a shock for less-experienced business people. First you have to find them, possibly refit and redecorate them, maybe make them safe, secure or legally compliant.

If you decide to rent, a landlord will expect a deposit and rent upfront. You might also have to pay a service charge.

All of these elements need to be included in your cost calculations.

## **Overheads**

Calculate your total overheads (also called 'fixed costs') on a monthly basis spanning your first year of trading. As well as rent or commercial mortgage repayments, overheads include rates, insurance, utility and communication bills, professional fees, etc. You might also have to pay connection fees for some overheads.

Employing people is costly. As well as wages, tax and National Insurance contributions, you might have to pay to advertise jobs, possibly for training, too. You must build in your own wages to your costs, and be sure you'll be able to earn enough – or else find another way to cover your living expenses.

Once you have worked out your start-up and operating costs, compare them against your sales forecasts. If your costs exceed expected revenue, you need to find ways to sell more, reduce costs or else find a viable business idea. If you can't afford to fund the launch of your business, you at least know how much funding you require.

It can take time for a new business to begin making regular sales, let alone turn a healthy profit. You need to bear this in mind when estimating how much finance you need to keep your business afloat for that all-important first year.

## **10 golden rules of home business**

1. Base the business on something you enjoy – when your hobby/passion/skill becomes your full-time job, it never really feels like work. But be realistic about viability.
2. Have a plan – prepare a basic business plan to set out your vision, describe your market and explain how you propose to reach out and sell to that market. Include sound financials and review the plan every six months or so.

3. Dedicate space – if you are working from home, create space in your house that is your workspace. When in that space, family and friends should know you're in business mode, plus, you can walk away at the end of the working day. If you can, invest in a good desk and chair, because you'll be spending quite a bit of time at and in them.
4. Create a professional front – be sure customers are met with a professional welcome. This applies to the way you answer calls, to your website, business stationery and the places in which you choose to meet clients.
5. Make the most of social media – the home-business community has warmly embraced tools such as Facebook, Twitter and LinkedIn. They are free to use and act as business development channel and a virtual water cooler for the moments when you miss the banter of an out-of-home office.
6. Become an expert – set yourself up as an expert in your field by blogging/ tweeting about the subject, writing a report, publishing a book or hosting an event. Being an expert gives credibility and with that, comes customers.
7. Never stop learning – part of becoming an expert is continually picking up intelligence from those around you. Keep an eye on what others in your industry are doing, read about successful entrepreneurs and tune in to trendspotters so you can prepare for new market opportunities.
8. Get out of the house – attend networking events, work from the local café, sign up to a personal development course. It's good to get out of the home office, but be sure you can still be contacted and respond via your mobile/laptop/webmail, etc.
9. Do what you do best and outsource the rest – to grow the business, focus on the core product of the company and subcontract non-core tasks (eg admin, accounting, PR, fulfillment, etc) to others.
10. Follow the golden triangle – to keep the business in balance, spend roughly a third of your time on each of three key things: customer care, business development and admin. That way, you'll have a smooth-running business with happy customers and new income streams on the way.

### **Some sources of advice**

A few useful websites (there are lots more)

<http://www.startupdonut.co.uk/>

<http://www.enterprisenation.com/content/Home.aspx>

[http://www.tassoftware.co.uk/site/tas\\_accounts\\_software/basics](http://www.tassoftware.co.uk/site/tas_accounts_software/basics)

[www.creativeleicestershire.org.uk](http://www.creativeleicestershire.org.uk)