



DODANA
VRIJEDNOST

za računovodstvene usluge
i poslovno savjetovanje

*How much money
do you need when*

starting a business?

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Many people underestimate start-up costs and they start a business without financial coverage. This can mean a lengthy climb up to the point where a profit appears. It very often results with the job never makes a profit.

What you have to do is to prepare the assessment of capital costs that you will initially encounter with. They can include land, buildings, plant, machinery, general equipment, office supplies, furniture and stamps. Make this conservative (rather overdo than make incomplete). At the end of assessment, add 20% for unforeseen expenses plus cost overruns. You will be surprised (maybe horrified) by how quickly unanticipated expenses increase.

You or your accountant should prepare a cash flow projection for the first 12 months of trading. You will need to evaluate sales based on an assessment of the demand for your product, and you will enter the costs according to the information given to you by your potential supplier.

This cash flow projection will tell you how much working capital will be needed with the capital required for the purchase of business assets.

Working capital is used to cover operating costs, such as rent and insurance premiums paid in advance, electricity, telephone, internet, advertising and promotion, salaries of employees who will assist you in the beginning, accounting and consulting costs etc. Many of these costs will occur before you open the door of your business. It should be enough money in the piggy bank to cover the costs before you begin generating income.

Your cash flow projections will tell you how much money will be in the bank at the end of each month. It can be used to determine how much working capital you will need in the beginning, not to go into debt in the account at the end of any month. If you find that you need more money, do not continue despite the hope that you will succeed. Explore how you can get to more resources, or restructure your business in order to operate with fewer resources.

The lack of sufficient capital is one of the major reasons why small businesses fail. The preparation of the capital budget and cash flow projections are tested methods that ensure that this does not happen to you.

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Managerial priorities when you start your job



1. Realize first sale as soon as possible

Your first priority when starting a business is to get a running start on the market as soon as possible. How to accomplish this:

- Ensure that you have compelling characteristic differences
- Build and promote your credibility
- work for free or for a lower price than normal in exchange for certain promotional services
- turn on the feedback of your customers throughout the marketing
- look actively for recommendations

2. Operate more in creating value

Creating a better value for our customers can be the key to increasing sales. This can be especially important if you find it difficult to compete only in price.

Think carefully; what more do customers want when they buy your product or service? What are their unexpressed concerns or frustration? When you discover pain points, you can look for solutions. For example:

- offer better guarantees or warranties than your competitors
- provide more value for money stacking extra offers such as free installation or help desk services
- solve common frustration or customers' anxiety

3. Create a reliable income

Create the resistance of your business so that you build recurring cash flow. Reliable income reduce the effects of seasonality and can help you survive the crisis.

To build a stable cash flow, consider involving clients in contracts or maintenance programs. Take into account the deferred payment, supplies, service and support for loyalty program. Other sources may include the sale of spare parts or accessories, upgrades and expansion of the offer.

Set a target revenue from the beginning (say, 40%) as a steady income on which you can rely in good and bad times.

4. Develop Options

Customers love choice. You can only offer a few options or price for your product or service. Can you expand on what you offer that gives the client more choices? For example, Dell is singled out from the competition by individualizing standard computer packages. The company has encouraged customers to adjust their computers online choosing their precise requirements and peripherals such as printers and monitors from the online option.

How can you repackage your products and services in a simple understandable way to build new or multiple sources of income? You can go a step further and give the name of the package as well as its own logo and brand.

5. Expand your customer base

At the beginning many companies develop their business around several key customers. If this image fits your situation, it is understandable that you will focus on keeping those few clients satisfied, but it also makes your job vulnerable. The loss of one or two buyers can destroy your business.

One hundred smaller clients are better than 5 large. Diversity is what gives your business resilience to survive the loss of several clients.

6. Develop the repeated sale

Customer retention will be crucial in the crisis period, or if the competition gets too severe. Develop reasons to make your clients return and buy again from you. Good value and great service are two keys to customer retention and repeated sales, but still looking for more ways to keep the client. For example:

- contract signing
- developing programs of worth
- providing unexpected benefits
- providing access to special privileges

Pay attention to measuring customer retention rate so you can set goals for improvement.

7. Align the peaks and hollows

Revenue falls can ruin your cash flow and make it difficult to pay your bills. They are also the main cause of stalled cash flow.

The ups and downs can be the result of seasonality, but can also be caused by wrongly timed marketing. Marketing is usually a run-time; it does not always work immediately. Think of it as planting a seed - the results are not immediately visible.

Therefore, it is important to advertise constantly - even when you are very busy. Waiting for the period of silence to advertise again can increase quiet period and extend your cash flow problems even further.

Be proactive. Many jobs (other than sellers) can suffer weaker period around Christmas and major holidays. If you know that your business will go through a “silent” period, start planning ways that revenue coming in the lull. For example, the job of servicing agricultural equipment offered to service machines from seasonal farm in winter at special prices, so that the equipment is in top condition for the spring. The software company is still going through a recession during the summer months and holidays. It changed this situation looking for longer-term projects to keep staff employed through the “weaker” periods.

What can you change in your approach or offer clients to flatten downs in your year?



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ways to avoid
common
mistakes in business

1. Build a strong advisory team

Starting a business can be a lonely process and thinking that you can do it all by yourself is the way to additional stress and pressure. Study successful entrepreneurs and you will see that they are surrounded with a strong group of advisors.

A typical core team will include an accountant, a lawyer, a banker and a mentor, an experienced businessman who you admire. Then you can add professionals who can provide quality advice in specific areas where you may be lacking professional skills, such as finance, manufacturing, marketing or technology.

2. Select the appropriate business structure - counseling

Will you start as a sole proprietor, limited liability Company, partnership or something else? Seek advice as each structure includes knowledge of the legal, regulatory and tax issues.

Think outside this year. What structure carries the most credibility with clients? What is the best structure if you want to expand your business or to take partners? What structure will best suit the future investors? Think also about succession - one day you will want to sell or pass on the job to your family, staff or external customer.

3. Get rid of all the regulatory requirements

You do not want to be disturbed by regulatory issues once you are in business.

Make a list of everything that needs to be solved now, from health and safety issues to the permits and approvals required from national, regional or local authorities. If you begin to work from home, do you need a license? Will your job involve dangerous activities, noise, toxic chemicals? If so, what permits do you need and what health and safety measures do you need to take.

Which taxes do you have to pay and when? What is a good system for solving it so you would not miss a payment or get a ticket?

Make a list and systematically go through it with the help of your advisors.





4. Get organized

If you sell on credit, you need a fast, efficient and consistent process of loan management. As a new company, you need the money you are owed as soon as possible so you could pay bills and reduce interest costs. You should not ever allow things to get out of hand. Otherwise, some clients will treat you as a source of cheap finance. The things you should watch out for:

- check the credit status of all new clients, even if you're impatient in dealing with them
- make sure your customers understand the terms of your business and sign their consent
- set the credit limit and the system for issuing commands that will exceed the agreed credit limit
- issue bills quickly and send reports on time
- Inform clients that have not paid their bills on time. For the purpose of efficiency, visit, call, or send them an e-mail. Customers who are late in paying must know that you follow their debts.

5. Develop good loan management

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6. Develop high-quality accounting system

You need timely information for making the right business decisions. Let your accountant help you set up easy operational accounting system.

A good accounting system should allow you:

- to automatically download and group details of bank statements, to save time and eliminate manual data entry errors
- to generate current profits reports, losses, budgets and other financial reports
- to browse quick control summary of business performance
- to issue bills to clients, have access to payments and are able to mark the unpaid claims
- to be informed about your position of a cash flow in order to update your budget

If you choose the online option, you and your accountant get the added benefit of access to information from any computer.

7. Build good relationships with co-workers

Together with clients, lenders, investors and vendors are also important actors in your business. It is important to build good relations with all of them. As well as the improvement of business experience, good relationships will pay off in difficult times.

By paying suppliers on time, you will develop a relationship that you can use later to obtain favorable payment terms if times get tough. Showing that you have good money management skills and that you can predict the flow of money delays well in advance, you will build the confidence of your lenders and investors.

If necessary, dedicate yourself to learning what you do not know, such as the basics of financial management.



How to start a business on a budget



Therefore, you have a great business idea and you are convinced that your job will make good money, but you do not have a lot of capital to get your business rise. Juggling with existing financial obligations such as a mortgage or a bank loan can push your business plan. A growing number of business people use creative thinking and wise planning to launch a business with the smallest budgets.

Establish work towards your finances

Starting your business on the smallest budget, means you have to work a lot more to make sure that your business does not collapse due to a lack of funds.

Even if finances are not on your side, you probably have something that many businesses do not have, and that is time. If you have time in your hands, you can build revenue and cash flow from your own hard work.

Keep in mind that the easiest jobs are those that do not require a lot of resources or the initial expenses. These are general service activities such as wedding planning, counseling, education and other services. You might just have to buy a new suit, and business cards to start attracting clients.

For the production or trade, it is still possible to start a successful business with limited capital, but you have to direct your money where it is most needed, and to be prepared to stick to it as much as you need not to be in debt.

If your business idea requires huge initial outlays that “devour” the majority of your budget, you will most likely understand there is no financial management that can save your business.

Minimizing and eliminating costs

Needless to say, if you have a limited budget, you will need to direct spending in the area that has the greatest impact on your business. Here are some tips to direct your money further.

- Find a free business support.** Business support or advice do not need to cost a fortune - there are many ways you can get help with and build your knowledge for free. Use the Internet to find success stories in your chosen industry and explore if there are any state business mentoring services that are available to you. You could access the network of friends and family, or industry association to get in touch with someone in your industry who can share their knowledge with you.



- **Do it yourself.** If you do not have the budget to design an expensive-looking website or you are not sure how to design promotional material, think about how you learn how to make yourself. For example, you could attend free or cheap course on how to use the software to design, or use resources from the Internet and learn it yourself. You can do almost every business task yourself depending on your free time. If you are an artist, you could take charge of the entire process from processing the orders, communicating with customers, and creating artwork and packages for delivery. You may find out the clients appreciate the fact that they can be in touch with the person who created the illustration.
- **Work from home or rent a cheap place.** If you run an online store or you do not have to meet with clients in your area, working from home can be a great option. If you need a physical office, hiring meeting rooms in the same office or sharing the rent for a property with another company is a good way to minimize costs. Shared offices often have common facilities, such as conference rooms and break rooms, which are great for meeting with clients.
- **Order only what you need.** Resist the temptation to order large amounts of inventory from suppliers in anticipation of large orders. Having less inventory means savings in storage costs and reducing the risk of theft or damage. If you are an online vendor, you may arrange the goods are delivered to you fast as you get the order, which means that you can not be “swamped” with stocks. The downside is that you may need to pay more for items, lowering your margin, and it may take longer for your customers to get their orders.
- **Minimize fixed costs.** The more fixed costs you have, the more financially tied you are. Some fixed costs, such as electricity or telephone lines cannot be avoided, but other costs such as transport and office supplies will vary each month. Think carefully before commit financially to any services that are not needed.
- **Use free software or software based on the cloud.** Instead of paying for the software packages, download the software from the Internet. There are various websites offering free software for word processing, accounting platforms and tools for budget control, whether trial or free. There are also free or inexpensive versions of many commonly used programs that are based on the cloud. Programs based on the cloud is stored on the Internet and therefore they do not require high-speed performance and physical space like programs stored on the hard drive of your computer.
- **Use social media as a marketing tool.** Creating a Facebook or Twitter profile is free and provides a platform for advertising to a wide audience around the world. To attract customers and generate sales through social media, you have to be present online often, which takes time. Facebook also includes a low-cost option of paid advertising that you can use to “lure” potential customers to your site. Social media can also be used as a free replacement for your own website until you have enough money.
- **Sell at online auction sites.** Online auction sites are a good way of presenting your product to a wide audience without having to create an expensive web site or pay for advertising. Keep in mind that most sites charge a small commission for each sale, so make sure it is included in the price calculation.

Directing profits back into your business

Maybe it took a lot of hard work and determination, but now you receive sale. It is tempting to spend money on yourself or on new equipment as a reward for your perseverance. Avoid spending on new equipment or technology, unless it will make a big difference in your business by improving productivity or operational capacity. It is generally best to put the money straight back to the development of “spine” of your business - or by buying additional stocks or increasing list of clients for service jobs.

Know when to invest

The time will come when you will have to make big decisions, for example, expanding into new markets. You may have to spend most of your savings, or to think about borrowing to take advantage of new opportunities.

For example, you can order the product that is being sold well from one supplier and find out your other vendor can sell the same product for a fraction of that price, if you buy a thousand units. Despite the significant capital outflow is required; it could provide your business expand as if it never did.

