

# How to start a business on a limited budget

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## How to start a business on a limited budget

So you have a great business idea and are convinced you can make it work, but you don't have much capital to get your business off the ground. Juggling existing financial commitments such as a mortgage or bank loans could put a squeeze on your business plans. A growing number of entrepreneurs are using creative thinking and shrewd planning to get businesses off the ground with the smallest budgets.

## Making your business fit your finances

Starting your business on the tiniest of budgets means you will have to work even harder to make sure your business doesn't implode from lack of funds.

Even if you don't have finances on your side, you probably have something that many established business don't have... time. If you have time on your hands, you can build income and cash flow from your own hard work.

Bear in mind that the easiest businesses to get off the ground with limited capital are those that don't require a great deal of resources or initial outlay. These are generally service-based businesses, such as wedding planning services, counseling, teaching or other types of consulting. You may only need to purchase a new suit, some stationary and business cards to start attracting clients.

For manufacturing or product-based business, it's still possible to build a successful business with limited capital, but you need to direct every dollar where it matters and be prepared to stick with it for as long as it takes to break even.

If your business idea requires a large initial outlay that swallows the majority of your budget, you will most likely find that no amount of careful financial management could save your business from going under.

## Minimizing costs and eliminating expenses

It goes without saying that if you have a limited budget, you will need to direct your spending where it has the biggest impact on your business. Here are some tips to make your money go further.

- **Harness free business support.** Business support or advice doesn't need to cost a fortune – there are plenty of ways you can get help and build your knowledge for free. Use the Internet to research success stories in your chosen industry and find out if there are any government business mentoring services you could access. You could also approach your network of friends and family or industry association to put you in touch with someone in your industry who could share their knowledge.
- **Do it yourself.** If you don't have the design budget for an expensive-looking website or are not sure how to design advertising material, consider learning how to do it yourself. For example, you might be able to attend a free or low-cost course on how to use design software, or use Internet resources to teach yourself. Almost any business task can be completed by yourself depending on how much spare time you have. If you are an artist, you could take charge of the complete process by processing orders, interacting with customers, and creating the artwork and packaging for delivery. You might find that customers value the personal touch of being able to interact with the person who created their artwork.

- **Work from home or lease low cost.** If you are running an online store or you don't need to meet clients at your own premises, working from home can be a great option. If you need to have a physical office, leasing a room in a shared office or splitting the lease on a property with another business is a good way to minimize costs. Shared office spaces often have shared amenities such as meeting rooms and coffee break areas, which are great for meeting clients.
- **Order only what you need.** Avoid the temptation to order large quantities of stock from suppliers in the anticipation of large orders. Having less stock means you save on storage costs and reduce the risk of theft or damage. If you are an online retailer, you may be able to arrange for stock to be promptly dispatched to you as orders are placed, meaning you can't get overstocked. The downside is that you may have to pay more for items, lowering your margins, and it could take longer for customers to receive orders.
- **Minimize fixed costs.** The more fixed costs you have, the more financially tied down you are. Some fixed costs like power and telephone line rental can't be avoided but other costs such as transport costs or office supplies will vary each month. Think very carefully before financially committing to any services that may not be necessary such as expensive mobile data plans, or a private mail box.
- **Use free or cloud-based software.** Rather than paying for bundles of software, download software off the Internet instead. There are a variety of websites that offer free word processing software, accounting platforms and budgeting tools, either as a limited-time trial or completely free. There are also free or low-cost cloud-based versions of many commonly used programs. Cloud-based programs are stored on the Internet, so don't require as much processing speed or physical space as programs stored on your computer's hard drive.
- **Use social media as a marketing tool.** Creating a Facebook or Twitter account is free and provides you with a platform to market your business to a huge audience worldwide. To gain customers and generate sales through social media, you will need to have a significant online presence, which takes time. Facebook also features a low-cost paid advertising feature you could use to drive potential customers to your pages. Social media pages can also be used as a free substitute for a website until you have enough money to create your own.
- **Sell on online auction sites.** Online auction sites are a good way of getting your product to a big audience without having to create an expensive website or pay for advertising. Be aware that most sites take a small commission fee for each sale that you will need to factor into your pricing decisions.

# Directing profits back into your business

It may have taken a lot of hard work and determination, but you are now making sales. It's tempting to spend the money on yourself or some new equipment as a reward for your persistence. Avoid splashing out on new equipment or technology unless it will make a big difference to your business by improving productivity or operational capacity. It's generally best to put the money straight back into growing the backbone of your business – either by purchasing additional stock or growing your client list for service-based businesses.

## Know when to spend

Like any start-up business, there will be times when you need to make big decisions such as pursuing expansion opportunities or new markets. You might need to spend the majority (or even all) of your savings, or consider borrowing to take advantage of new opportunities.

For example, you might be stocking a product from a supplier that is selling well and find out that another supplier can sell you the same product for a fraction of the price, provided you purchase 1000 units. Even though it will require a significant outlay of capital, it could provide your business with the break you've been looking for.



**We hope this guide has been useful to you.**

If you require more detailed or more tailored advice and support, call us today at **(08) 9380 3555** and book a **FREE no obligation meeting**. We can catch up for a coffee and discuss your individual needs.

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