

6 Steps To Starting A Business On A Shoestring

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When starting out in business, what are the best ways to keep costs low?

Starting a business today is arguably easier than it's ever been. Cloud technologies mean that start-up and operational costs are lower, and you can readily outsource (or 'crowdsource') everything from your website to your market research.

Yet there are still plenty of ways to trip up. Failing to connect with customers, having the wrong business plan or an insufficient initial investment are all dangers.

So what's the difference between a successful start-up business and one that fails? Often it's this: keeping costs low.

Maintaining a low cost base is important for two reasons. Firstly, the less you're spending, the longer you'll last. Secondly, the lower your overall costs, the more profitable you can become down the track.

When starting a business, here are a few ideas for keeping your expenses down:

Start online

For new most businesses, the first and most critical task is a website.

Having a website allows you to pursue customers as soon as you can, giving you a better idea of the amount of interest in your product. If you don't get a solid initial response, it might be time for a rethink.

When it comes to the site itself, build in as much automation as possible – everything from purchasing to product support. This is as much about your business model as anything else. You only need to look at Amazon, eBay or Apple to know that 'people heavy' businesses are a thing of the past. The future is in automated processes that provide faster services while costing less.

Use low-cost tools

The great thing about starting a business is that you inherit a blank slate. To keep costs down, use free or low-cost services such as Google email (with your own domain) rather than Microsoft Exchange, and PayPal instead of a custom-developed payment gateway.

The number of online services delivering business functionality is also expanding every day. From Customer Relationship Management (CRM) software to marketing systems, what only a few years ago might have cost thousands you can now obtain for less than \$100 a month.

Outsource

Keeping cost low while providing good customer service can be challenging. A good solution is to consider outsourcing your customer support activities and after-sales services.

There are also a plethora of freelancing sites that enable you to outsource market research and other activities that you might not otherwise have the time or resources to do.

Be wary of staff and a lease

The two costs that will sink your business fastest are staff and rent.

Most small businesses underestimate how much people cost. Remember that in addition to wages you'll pay superannuation as well as operational costs like a computer, desk and phone line.

When it comes to a work space, rather than leasing one you don't quite need yet, investigate serviced and virtual offices as a more flexible option. The best offer receptionist and on-demand support staff services that will bolster your customer service while giving you the appearance of a larger business. They can also offer networking opportunities (at Servcorp, for example, we've hosted Google, Microsoft, Dell and Oracle).

Don't waste money on lawyers

I see a lot of businesses who invest a good deal of money getting legal documents drawn up to protect their intellectual property, before their business has even proved it can make a sale.

Don't spend too much on lawyers when you're starting out. You're much better off concentrating on testing whether your business model works and building demand for your services first.

Have enough capital

When starting a business, you need to survive long enough to get customers. This means staying afloat long enough for your marketing to be effective.

While there's no hard and fast rule, it's my view that to successfully start a business you need at least \$50,000.

If you don't have that, don't start. Even if you're an online business operating from a garage, you'll quickly burn through your capital on marketing and expenses. If your pockets aren't deep enough you won't be around long enough to turn a profit, and there's no greater expense than a dollar spent that you're not going to be able to earn back.

Summing up

The businesses of the future will be low-cost, high-automation endeavours, and starting one is an exciting challenge. Be careful about the costs you incur however, especially in the early stages.

With cloud technologies, outsourcing and flexible office solutions, the good news is that business owners have more ways to keep expenses down today than ever before. To give yourself the best chance of success, be sure to embrace them.

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