

BEER MAT MENTORING MEETING NOTES

(3) Set up costs

You have selected and research a business start-up idea. Now we need to get to grips with costs and (in due course) establish whether the business is viable. In turn, this means dissecting each part of the business process. In short, we need a cunning plan.

Some of us hate planning and prefer a seat-of-pants kind of approach. However, while you can't plough a field by turning it over in your mind, and plans themselves can be useless, the planning process is annoyingly important. So listen up.

Step by step

Lay out your business process as a series of steps. For example, if you are making biscuits, step one is buying ingredients; step two is measuring out ingredients; step three is mixing ingredients, etc. If you are offering a service it may be easier to breakdown the stages as a customer journey. For instance, if you are opening a café, step one is taking a booking; step two is welcoming the customer; step three is giving out the menu, etc.

Against each step, write down:

- The tools and equipment you need
- The people and skills you need
- How you can do this step better than your competitors.

Now use this list for estimating your set up costs, i.e. the cost of things you need to get hold of before your start.

Keep costs low

The danger is that you could end up with a costly list, so go through each cost, and write down simpler and cheaper options. Can you borrow, hire or buy second hand rather than buy new?

A formative experience for me was going to a trade show in Germany and camping, emerging in our suits each morning. We were only upstaged by a Korean delegation, who not only camped but also lined up to do exercises at the crack of dawn. Later, in one business I co-founded, the secretary was secretly told by my colleagues never to let me chose a hotel for them. To be fair, in one hotel I was the only regular guest, all the rest were homeless families. No wonder it was only £10/night.

The cunning plan

Also use your list to consider who can help you operate the business and where you can get the tools, equipment and supplies you need. Now you can begin to write a plan with the actions required to start the business, together with the cost of each action and target dates. Where will the business be? What needs to be done to prepare the building? How will you recruit and train the workforce? (etc.)

You should now know your set up cost (which, incidentally, is not the same as the start-up cost). In the next session we will attempt to make fixed and variable costs sound interesting. Don't hold your breath but it will all be worth it. No, really.

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