



Start up Finance

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Today's Session

Why are we interested in finance?

Getting Started

Raising finance

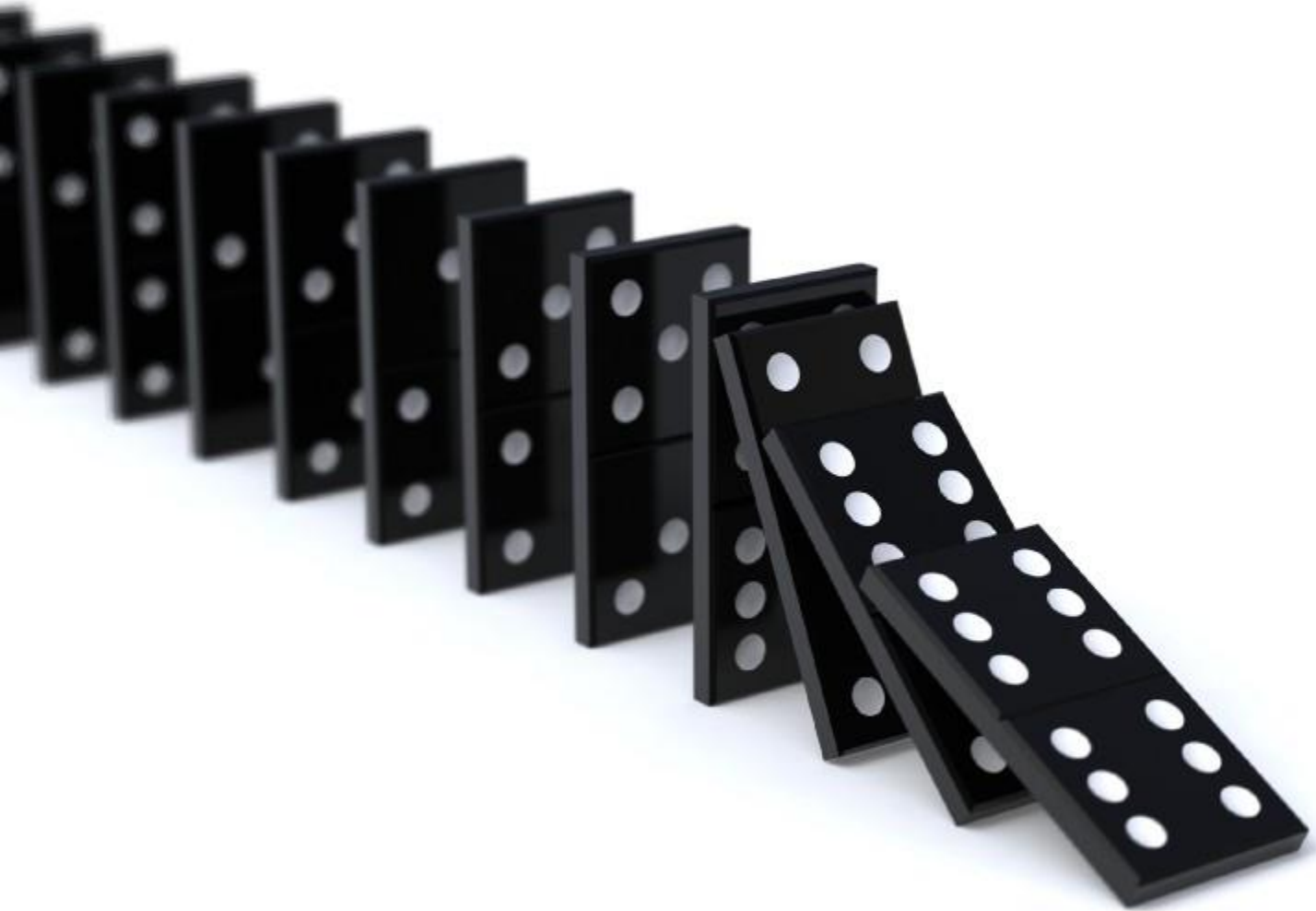
Forecasting finances

Common pitfalls

Why is
finance so
important?



Lack of cash: #1 reason for business failure



Every
decision has
financial
implications

Need it to operate your
business



Need for Finance

Equipment People Premises Raw Materials
Marketing Intellectual Property
Protection
Product
Development

And much more....



**Measurement of performance &
success**



You need it to live...



You can't hide from it

The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

Key Partners



Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

MOTIVATIONS FOR PARTNERSHIPS
Optimization and economy
Reduction of risk and uncertainty
Acquisition of particular resources and activities

Key Activities



What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

CATEGORIES
Production
Problem Solving
Platform/Network

Value Propositions



What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What bundles of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?

CHARACTERISTICS
Newness
Performance
Customization
"Getting the Job Done"
Design
Brand/Status
Price
Cost Reduction
Risk Reduction
Accessibility
Convenience/Usability

Customer Relationships



What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?

EXAMPLES
Personal assistance
Dedicated Personal Assistance
Self-Service
Automated Services
Communities
Co-creation

Customer Segments



For whom are we creating value?
Who are our most important customers?

Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platform

Key Resources



What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

TYPES OF RESOURCES
Physical
Intellectual (brand patents, copyrights, data)
Human
Financial

Channels



Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

CHANNEL PHASES
1. Awareness
How do we raise awareness about our company's products and services?
2. Evaluation
How do we help customers evaluate our organization's Value Proposition?
3. Purchase
How do we allow customers to purchase specific products and services?
4. Delivery
How do we deliver a Value Proposition to customers?
5. After sales
How do we provide post-purchase customer support?

Cost Structure



What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

IS YOUR BUSINESS MORE
Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing)
Value Driven (focused on value creation, premium value proposition)

SAMPLE CHARACTERISTICS
Fixed Costs (salaries, rents, utilities)
Variable costs
Economies of scale
Economies of scope

Revenue Streams



For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

TYPES	FIXED PRICING	DYNAMIC PRICING
Asset sale	List Price	Negotiation (bargaining)
Usage fee	Product feature dependent	Yield Management
Subscription Fees	Customer segment dependent	Real-time-Market
Lending/Renting/Leasing	Volume dependent	
Licensing		
Brokerage fees		
Advertising		

BUSINESS PROCESSES:



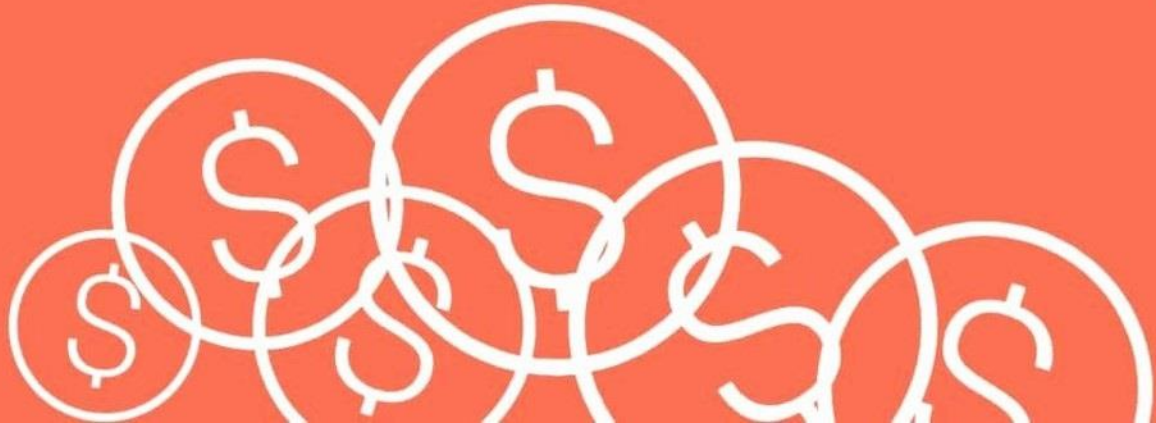
BUSINESS
MODEL

Money to get started



Remember your...





START UP COSTS

Bootstrapping



Where can you get money from?



A close-up photograph of a person's hand dropping a coin into a clear glass jar. The jar is filled with many coins, and the background is a blurred indoor setting with a window. The word "Savings" is overlaid in a white box on the right side of the image.

Savings

Friends and Family



Grants





START

UP LOANS

Loans | Mentoring | Support

A low-angle, upward-looking photograph of several modern skyscrapers with glass and metal facades. The buildings are arranged in a way that they appear to converge towards the top of the frame, creating a sense of height and scale. The sky is a clear, pale blue. In the center of the image, there is a white rectangular box containing the text "Investment Finance" in a bold, dark red font.

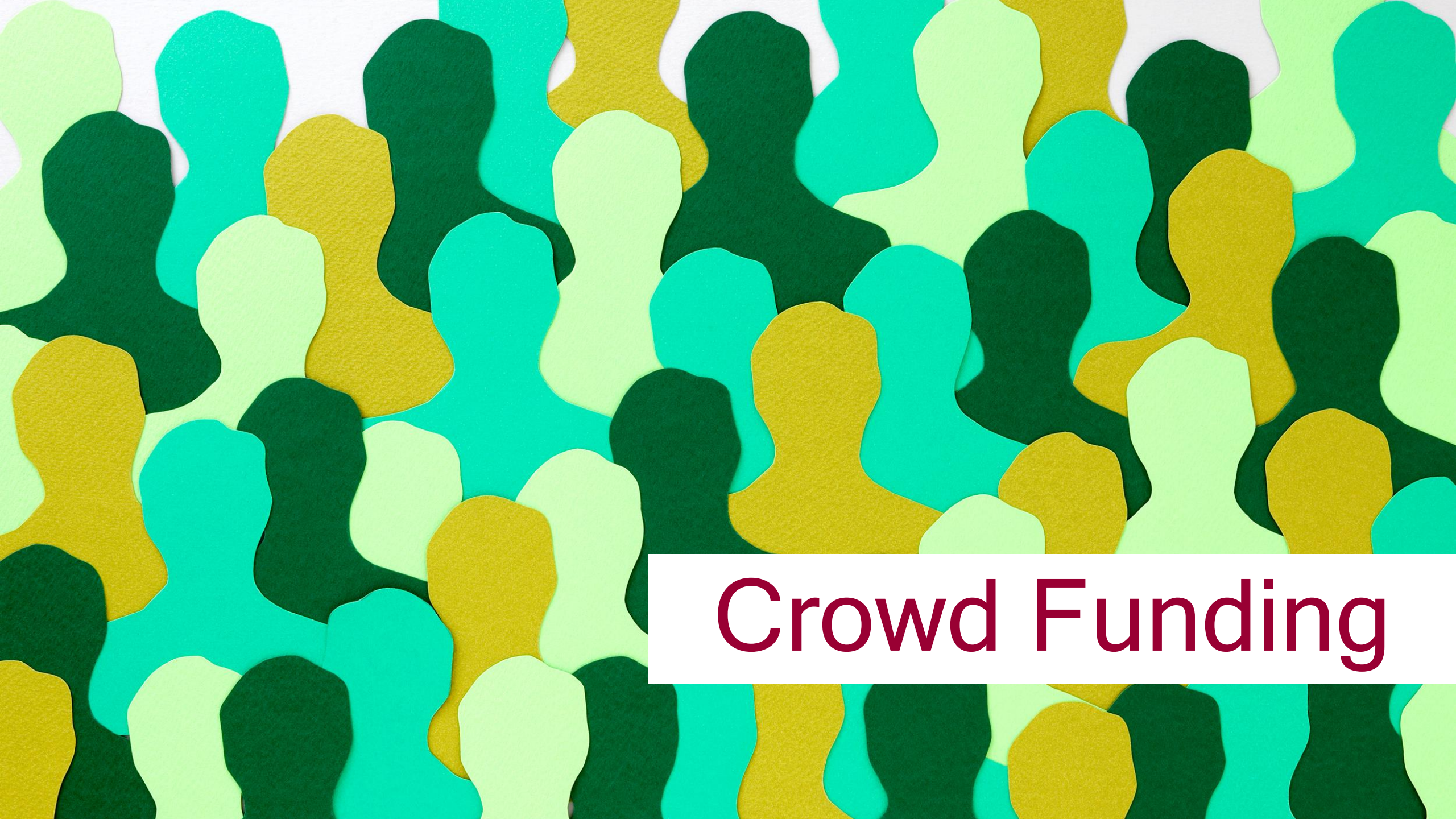
Investment Finance

Investment Finance

- Venture Capitalists Vs Angel Investors
- Unique solution to big market opportunity
- Intellectual property
- Clear revenue model
- Build traction
- Build a great team
- Be coachable
- Allow them to become a non-exec director?

Tread Carefully!

- You will likely be giving up some equity in the business
- Are you in a strong negotiating position?
- Do you need the cash?
- Be prepared for outside influence
- Do you get on well with the investor?
- You may have competing priorities
- What expertise can the investor add?



Crowd Funding

Crowd Funding

- Asking a large amount of people for a small amount of money
- Can be made:
 - As a donation
 - For reward (pre-sales)
 - As a debt (with interest)
 - For equity
- Range of platforms, e.g.; Kickstarter and Indiegogo

Example of Kickstarter Project



<https://www.kickstarter.com/projects/1802812953/tck-movement-the-analogue-smart-watch?ref=discovery>



Revenue from Sales to Customers



It's not just
start up
costs...

(sorry!)



Keep Going
Keep Growing

Keep Cash in your Business

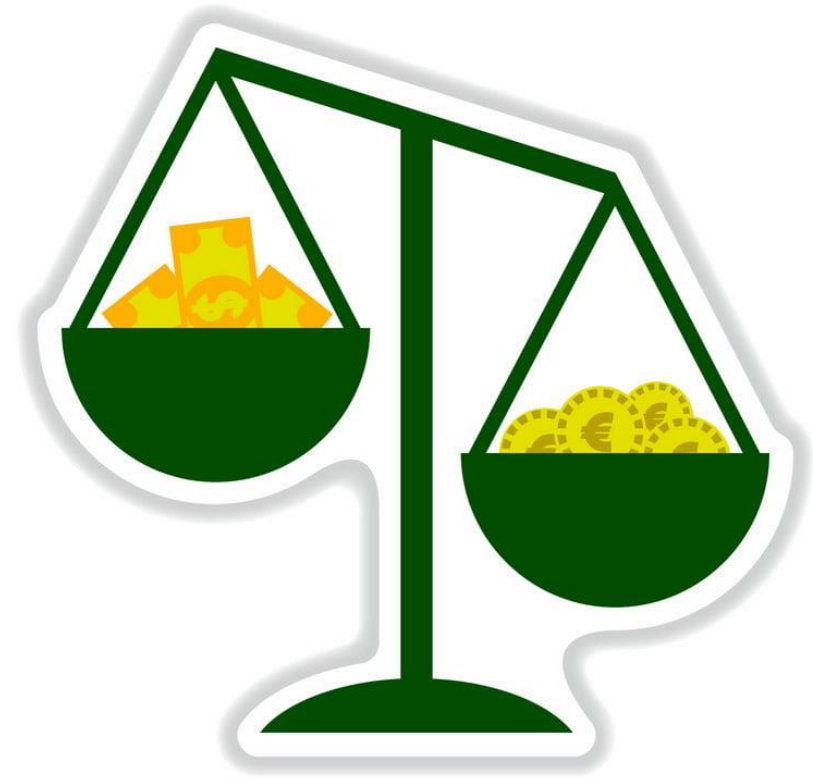




Does your business model stack up?

CASH FLOW







It can help us to create a profit and loss
account

And more...

Identify potential shortfalls in cash balances in advance

Make sure you can afford to pay suppliers and employees

Spot problems with customer payments

External stakeholders may require a regular forecast

Cash Flow Forecast

From: Oct-14 To: Sep-15

Business Name: L&D Property Maintenance

	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Total Yr1
Income													
Cash from sales	2838	2838	1419	2838	3784	3784	3784	3784	3784	3784	2838	3784	39259
Capital introduced	0	0	0	0	0	0	0	0	0	0	0	0	0
Total income	2838	2838	1419	2838	3784	3784	3784	3784	3784	3784	2838	3784	39259
Expenditure													
Stock purchased	142	142	71	142	189	189	189	189	189	189	142	189	1963
Drawings including NIC	2000	2000	1400	2000	2000	2000	2000	2000	2000	2000	2000	2000	23400
Advertising	50	50	50	50	50	50	50	50	50	50	50	50	600
Motor	120	120	60	120	160	160	160	160	160	160	120	160	1660
Telephone / Internet	30	30	30	30	30	30	30	30	30	30	30	30	360
Stationery	150	0	0	50	0	0	0	50	0	0	50	0	300
Repairs	0	0	100	0	0	0	100	0	0	0	100	0	300
Insurances	55	55	55	55	55	55	55	55	55	55	55	55	660
Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Professional Fees	0	0	0	0	0	0	0	0	0	0	0	300	300
Bank charges	10	10	10	10	10	10	10	10	10	10	10	10	120
Capital expenditure	0	200	0	0	0	0	0	0	200	0	0	0	400
Loan Repayments	32	32	32	32	32	32	32	32	32	32	32	32	387
Total expenditure	2589	2639	1808	2489	2526	2526	2626	2576	2726	2526	2589	2826	30450
Surplus (Deficit) for month	249	199	-389	349	1258	1258	1158	1208	1058	1258	249	958	8809
Opening balance	0	249	448	58	407	1665	2922	4080	5287	6345	7602	7851	0
Overdraft interest paid	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing balance	249	448	58	407	1665	2922	4080	5287	6345	7602	7851	8809	8809

Putting it
together



Sales



Calculating Sales

How much money will you have coming into the business each month?

Assumptions

- How many customers (per month)
- How many units per customer

Units sold per month X price per unit = sales income per month

Factors affecting sales projections

Growth rate

Seasonal variations

Sales cycle

Product/service life cycle

Calculating costs

Much easier than sales

Do your research

Consider what is a fixed cost and what is variable

Factor in some contingency plans

Payment terms

Payment terms can have a major impact on cash flow

Try to retain as much cash as possible by purchasing on credit and receiving payment up front

Often you can't determine this and need to negotiate with suppliers and customers



Cash
is
King!

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Opening balance	0	-2589	-2390	-1361	-2431	-2119	-862	296	1503	2561	3818	5013	0
Overdraft interest paid	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing balance	-2589	-2390	-1361	-2431	-2119	-862	296	1503	2561	3818	5013	5025	5025

Time to
use your
Brain!





December's Closing Balance
should be:

£6,500

Communicating your assumptions

Numbers will not make sense without explanation

In business plan you need to justify your figures and show working out

Sales figures based on logic/history (e.g. conversion rates)

Costs based on research



Avoiding Common Pitfalls

What are common pitfalls?

Not grounding the figures based on the plans for your business

Approaching the figures as 'guesswork'

Not understanding your figures or being unprepared for them to be challenged

Not factoring in initial growth period, seasonality etc.

What are common pitfalls?

Not showing how growth affects figures throughout your business (consider all of your costs)

Being too positive/negative (sensitivity analysis?)

Not understanding what your investor is seeking

Not factoring in when you will be paid

What have we covered?

Why are we interested in finance?

Getting Started

Raising finance

Forecasting finances

Common pitfalls