

Does your business really need funding?

“Allow scarcity to drive innovation, creativity and efficiencies”. - Carl Wazen

Take these steps before taking on debt.

DO YOU NEED SHORT TERM FUNDING?

Needed to continue operations.
Often in the form of a loan. Repaid in 6 months - 1 year.

SCENARIO

#1

I NEED MORE INVENTORY



CHECKS & BALANCES

- Seasonal changes impact stock levels. Be careful with your stock predictions.
- What gross margins will you need to make in order to cover the interest accrued?

TAKE ACTION

- Ask your suppliers what other payment terms they offer.
- Can you increase your cashflow by shortening your payment cycle with your customers?
Choose card payments over EFT.
- Use inventory management software to get more control of the situation.
Xero or Vend

SCENARIO

#2

I NEED TO LAUNCH A MARKETING CAMPAIGN



CHECKS & BALANCES

- What sort of Return on Investment (ROI) can you expect?
- How well will the campaign have to perform for you to be able to repay the amount borrowed?

TAKE ACTION

- Investigate alternatives to expensive campaigns like referral programs or email marketing. Be creative.
- Test your campaign ideas before you fund it. Speak to your customers.

SCENARIO

#3

I NEED TO HIRE MORE STAFF



CHECKS & BALANCES

- Do you need permanent or contract/seasonal staff?
- How long will it take for the income generated by the new staff to start covering their salaries?

TAKE ACTION

- Ensure your business is as streamlined as possible. Do you have tasks that could be automated? Do you have existing staff who may be interested in taking on more responsibility? Is opening on Sunday's worth the cost?
- If you hire new staff invest enough time in training them upfront to ensure they quickly become a valuable asset to the business.

DO YOU NEED LONG TERM FUNDING?

Needed for taking a business to the next level.
Often in the form of equity.

SCENARIO

#1

I WANT TO EXPAND INTO NEW MARKETS



CHECKS & BALANCES

- Get solid understanding of the costs involved e.g. Facebook ads costs a lot more in some overseas countries when compared to SA. Other costs that can vary drastically include rental for offices, accommodation or warehousing.
- How much 'runway' will the funding give you? How much time will you have to start turning a profit in the new market?

TAKE ACTION

- Consider selling your products on consignment in a retail space in the other market. Alternatively if you're in the food industry consider a sharing a space will a complementary brand.

This has two benefits:

1. You get your name out into the new market without a large upfront advertising cost.
2. You can possibly save any extra profit to fund your later expansion.

SCENARIO

#2

I WANT TO LAUNCH A NEW PRODUCT



CHECKS & BALANCES

- How much revenue do you predict the new product or service will bring in?
- What is the timeline from funding to launch?
- Is the new item something you can market to your existing base or will you need to invest in acquiring a new/different customer base?

TAKE ACTION

- Run surveys to test different pricing points and get insight into what customers are willing to pay.
- Investigate ways to cut down cost of production without compromising quality.

SCENARIO

#3

I WANT A NEW LONG TERM ASSET



CHECKS & BALANCES

- Is investing in something new better than fixing or improving the existing system?
- How much does the asset depreciate in value over time? e.g a new car depreciates fast whereas a new property may increase in value.
- Evaluate whether the strategic benefits, (e.g long-term efficiencies and increased control), will outweigh the mid-term cash-flow risks.

TAKE ACTION

- Shop around and look at second hand options or properties in different locations.
- Look at purchase quotes as well as rental agreements and compare which would suit your business best.
- Once the asset is purchased, invest enough time in upskilling staff who will be using it.