Avoid These 3 Financial Mistakes In Your New Startup

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In brief

As a new business owner, managing your finances will be a chief concern from the very beginning. In fact, lots of small businesses fail because they don't understand how to run the financial side of things.

As a new business owner, managing your finances will be a chief concern from the very beginning. In fact, lots of small businesses fail because they don't understand how to run the financial side of things. The typical problem is that you spend far too much money, seeing not enough gains. While there are ways to spend money to make money, it's worth taking a step back and recognizing how to avoid a financial catastrophe in your startup. Here are some mistakes to steer well clear of:

Getting involved in too many supplier partnerships

Businesses rely on different suppliers to help, well, supply your company with goods and services. It's far too common for startups to engage in lots of these partnerships, meaning you tie yourself up in a financial knot. Typically, suppliers charge you a fee for their services that you pay each month/quarter/year. The problem is that you might not use their services as often as you think.

Let's look at an obvious partnership: your business and a shipping company. You enter a deal, ensuring that your goods can be reliably shipped to customers when required. The issue is you may not see enough orders to cover the cost of this partnership. Instead, it makes more sense to only pay for shipments when they're needed.

You have sites where shipping companies or independent drivers will sign up and view the boards full of shipping requests. You can make these requests, finding drivers with reasonable quotes to send your products to customers. It's more cost-effective for a small business as you know you only pay for the services when sales have been made!

Hiring too many people

Don't fall into the trap of assuming you need loads of employees to start a business. Almost every company begins with a tiny group of employees. In fact, lots will start with just the owner by themselves. There are ways to acquire assistance without taking on full-time employees and all the expenses they bring with them.

For instance, outsourcing or freelancing are two cost-effective approaches for startups. Or, you could consider hiring some interns to work for free as work experience. Either way, hiring full-time employees is too costly for most small businesses to manage in the startup phases, depleting your finances.

Marketing in the wrong direction

It’s very easy to think that you need to spend a fortune on marketing and advertising. Truthfully, it will help your business spread the word and gain new customers. However, the problem is when you spend all this money in the wrong place. You see other businesses spending money on ads or campaigns, then aim to mimic them.

This isn’t always the right approach, particularly as their marketing efforts could be geared towards an entirely different target demographic. As an example, imagine you see a company with loads of social media and online ads. You think it’s a great idea, so you copy them! The problem is, the other company has a target market of 18-24-year-olds, while your business is aimed at people above the age of 60. Social media and online ads work for them because their demographic is most likely to see them. For you, it’s a waste of money as your target market probably won’t even see your ads!

Effectively, you need to avoid making these mistakes to keep your startup afloat. Financial errors can be costly - literally!

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