

Youth Entrepreneurship: Ways to Cut Start-up Costs

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Thousands of young entrepreneurs initiate start-ups with high ambition but unfortunately many of them even fail to survive. Failure in controlling primary costs awfully affects the start-ups. Some young entrepreneurs cannot control both regular and unexpected costs because of lack of experience and proper planning. Operating a business in a cost-effective way is very crucial for making entrepreneurial success.

In general, profit or loss means the difference between costs and revenues. One can easily increase the profit margin or decrease the loss by reducing the costs. Cutting costs can be a very effective way to achieve sustainability and ensure further growing. Unfortunately, many of the young entrepreneurs cannot control irrelevant early costs. Moreover, they are not even able to identify the issues for which the costs may continue increasing alarmingly. For this, it is important to identify the nature of each cost otherwise some unnecessary costs may continue to damage the business gradually.

All these situations seem like a puzzle to the young entrepreneurs which make their entrepreneurial journey harder. It is also similarly important to understand that cutting costs means not to stop spending money in necessary activities especially those that are helpful to generate revenue. Everyone needs to analyse any situation properly and then concentrate on making a balanced expenditure. One should keep in mind that saving cost can create an

opportunity to provide a better offer to the customers which can ultimately help to increase the revenue. A start-up can reduce its costs in many ways and some of them have been discussed below:

Usually before starting a business, every entrepreneur dreams to have a stunning office. This is true that for managing the operations smoothly, there is a need to have an office. Not only this, to get a licence or manage other legal issues, the business must have an official address. Every entrepreneur can manage an office for the start-up but they should spend as less as they can to manage this. A young entrepreneur should not initially spend money for luxury office items which may bring satisfaction for a shorter period of time but may create fund crisis later. To control costs, the young entrepreneur can concentrate on managing an office space comparatively in the lower expensive areas, may go for a home based or shared office space, spend minimum amount for decoration, use refurbished furniture, ensure maximum utilisation of the space etc. At present, the number of business incubators is increasing in Dhaka who provides office spaces along with other very useful services at a very subsidised cost. The young entrepreneurs can avail these opportunities until achieving the capability to manage an individual office outside.

Managing sufficient fund for the start-ups is one of the major headaches for every entrepreneur. Till now in Bangladesh, managing fund for a start-up is a very challenging task and in some cases very costly too. There are different sources from where the entrepreneurs can collect fund like personal saving, friends, families, relatives, lenders, banks, NGOs, government departments, angel or capital investors etc. The entrepreneurs source initial funding from their own savings or borrow from families, friends and relatives. Later they try to manage further funding from the external sources like lenders, banks, NGOs, government departments and investors etc. Comparatively it is easier and less costly to manage fund from the personal sources than the external ones as personal sources do not require any paper work or in major cases, borrowing from them is cost-free. Whereas, the entrepreneurs need to manage different types of required paper to get the fund from the external sources and definitely it incurs costs and in some cases, it costs much more which affects the business awfully.

This is true that always it is not possible to manage cost free fund but the young entrepreneurs also should never receive funds from expensive sources which may bring the start-up into crisis situation. The entrepreneurs should always keep in mind that a costly loan and its repayment can be a burden in the long run. In some worst cases, it is seen that the young entrepreneurs repay the loan and its expenses through selling their businesses. So, it will be wise not to receive funds at an early stage from an expensive source rather continue managing business operations limitedly until funds are managed through bootstrapping or less expensive sources.

Human resources of any start-up contribute significantly to make success. If the employees can make an effective planning, set strategies accordingly and successfully implement all these, it ensures achieving the goals of any organisation. Dedicated and efficient human resources are the blessings for the start-ups whereas they may be burden too if the businesses fail to generate enough revenue to pay their salaries. If any start-up needs to pay its employees from other sources that were allocated for other purposes, it creates big problems to run the business later. For this it is always wise to manage the operations with less human resources as they can. Initially the entrepreneurs can utilise the available and skilful resources from their families. The

start-ups also can plan to recruit people as part time or commission based or task based. This kind of hiring will reduce cost as well as extra payment. Moreover they can hire people who can work staying at home for some kinds of works which can be done from anywhere as these people will expect less payment. As the human resources incur regular costs for any businesses, the entrepreneurs must have a proper planning for the highest level of utilising their human resources at minimum costs.

A successful marketing strategy helps the businesses to grow fast. For a start-up, initially the main challenge is to make aware its potential customers about their products or services. Then the next challenge is to convince the customers to avail through ensuring the quality of the products or services. For this, primarily it is not wise for any start-up to spend large amount for TVC or big budgets advertisements as there is less possibility that it will bring expected revenue in returns. So it is always more effective to start the marketing activities of a start-up through different and less expensive ways like word-to-mouth, make referrals, organise campaigns, distribute leaflets etc.

On the other hand, now marketing has become much easier and less expensive by using different social media and internet platforms like Facebook, Twitter, Instagram, Pinterest, E-mail, LinkedIn etc. These also help to find potential customers very easily for every type of businesses. It is very easy to manage a Facebook page for the business from where people will get to know about the offerings and other related information. Besides this, based on the business, YouTube channels may be launched as the entrepreneurs can share lot of information through this. Truly, a perfect marketing strategy ensures the success for any business and on the other hand a failed marketing strategy can destroy a business too. For this, a start-up should be very careful in selecting marketing strategies considering the expenses, possibility of return and especially the message which will be conveyed to the customers.

Altogether different types of activities from various departments ensure to run a business smoothly and successfully. Many of the young entrepreneurs become little confused from where and how to start, and what will be the sequence of activities to perform. Later when they start operations, they face various problems to spend as per the budget. Moreover, there are many unexpected things to be done that were not even planned for which a good amount is being spent. For this, the young entrepreneurs should operate the business very carefully so that any unnecessary cost does not incur. They also should concentrate to save as much money as they can from each operation as at the end of a particular period, every penny can really matter for a start-up.

To minimise operating costs, the entrepreneurs can concentrate few areas like strictly manage utility uses, control hospitality and communication costs, minimise transport or delivery costs, strict in current decorations, spend less for furniture and electrical and computer equipments, spend less for stationeries, spend minimum on web development and need not to use original software if not required badly etc. Besides these, every entrepreneur should focus on reducing trading or production costs but definitely not compromising with the quality. Some can consider these activities as unnecessary to control as it saves very less separately but one should not forget that altogether the sum is bigger which matters for a start-up. Eventually, these activities will ensure to make a cost-effective start-up and help to survive and grow.

In the end, it is conceivable that there is no scope to be apathetic about controlling costs of a start-up. Reducing costs means not only saving money but also making the business stronger

towards achieving sustainability. One should keep in mind that by saving even a smaller amount from each type of operation, the entrepreneur is ultimately being able to save a substantial amount altogether on a particular period of time. So, reducing cost is always an advantage for any start-up.

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