

## To start a Business with little or no Money

### UPPGIFT

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Bank loans and venture capital aren't the only ways to get a new business up and running. Countless entrepreneurs have started successful businesses without borrowing a dime. Known as bootstrapping or starting a business without outside capital, small business owners who've gone this route have had to rely on their resourcefulness, drive and creativity instead of cash to build successful enterprises.

"Being undercapitalized was a great thing for Barefoot," says Michael Houlihan, co-founder of Barefoot Cellars and co-author of the upcoming book *The Barefoot Spirit: How Hardship, Hustle, and Heart Built a Bestselling Wine*. "It forced us to think creatively and to be resourceful every step of the way."

According to Houlihan, instead of having the luxury of throwing cash at every problem that surfaced, Barefoot Cellars had to create processes and procedures that stood up on their own merits. As a result the company learned in the early days how to operate lean and to survive on a shoestring budget. For Heather Whaling, founder and CEO of Geben Communication -- which she started in December of 2009 and was completely self-funded -- one of the key takeaways from bootstrapping her PR firm was incorporating a pay as you go mentality that is still in effect three years later (even though the business has grown more than 150% and she has six months of operating expenses in the bank).

"If we want to do something we make sure we have the funds available to do it," says Whaling. While getting a loan or raising capital may seem the easier way to bankroll your new business, here are some tried and tested ways to grow a start-up with little cash.

### **No. 1: Start in the garage**

Bill Gates isn't the only one who can be successful starting a business in his garage. According to experts, a great way to save money is to run your business in a location that won't require you to pay extra rent -- whether it's your garage, bedroom, basement or attic. "Barefoot's first office was a laundry

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room,” says Houlihan. “It wasn’t glamorous. But it held our files and a desk and most importantly, it allowed us to get the job done without spending any extra money.”

### **No. 2: Get paid upfront**

Whether you are manufacturing a product or providing a service, the sooner you can get paid the quicker you can grow your business, which is why experts say it’s a good idea to try and get paid, even partially, up front. Whaling, who typically gets paid on a retainer basis, has clients make a down payment when they sign on. Not only does it mean money is coming in from the get-go, but it bolsters her relationship with her clients. “The new client feels they have skin in the game if they paid,” says Whaling.

If you’re selling a product, Houlihan says a win-win strategy is to offer retailers a discount if they pay cash for the product or buy a large quantity. By doing that you can be ahead of your bills and the retailer wins because it is saving money.

### **No. 3: Barter for what you need**

Bartering hasn’t gone the way of the dinosaurs, in fact it is alive and thriving and is a great way to get the goods and services you need without spending a dime. “Find other start-ups that have what you need and need what you have,” says Houlihan. “A good place to start might be any suppliers that are also start-ups. They are cash-strapped like you and probably need to spend money they don’t have.” You can also use a barter company that specializes in handling business trades.

### **No. 4: Commit to keeping costs low**

In order to build a business with little cash you need to first commit to keeping costs as low as possible. Once you make a conscious decision to do that, it’s easier to implement strategies to make that work. For Whaling it meant working out of her home for the first couple of years, outsourcing functions and using freelancers.

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Barefoot Cellars also embraced outsourcing as a way to save money in the early days. According to Houlihan, he and his co-founder outsourced wine production, bottling and the logo that went on the bottles. “If we’d had to pay for all of that space, equipment, and manpower up-front, we would never have gotten Barefoot off the ground,” he says.

### **No. 5: Get free advertising through non-profits**

Let’s face it, you are going to have to advertise or market in order to build awareness and thus sales. But for many start-ups the funds simply aren’t there. To get around the costs of advertising, Houlihan says to partner with non-profits that you care about. Sure you’ll be giving your product or service away for free, but you’ll also reach potential customers that share the same beliefs and concerns that you do.

Houlihan says the best approach is to reach out to small, local non-profits and charities. “We sought out organizations that believed in causes close to our own hearts,” says Houlihan. “We gained access to huge numbers of potential customers and gave them a ‘social reason’ to buy Barefoot wine.”

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