

E-BOOK

HOW MUCH DOES IT COST TO BUILD A START-UP?

INTRODUCTION

Wondering how much start-up costs? Having a fair idea of the cost helps you lay down a realistic start-up budget which in return is key to success. Taking risks is a part of the start-up culture, but it always pays to take calculated risks. Use tips in this e-book to take care of the predictable, and unpredictable.



TABLE OF CONTENTS

| | |
|-------------------------------------|----|
| What Is A Start-Up? | 03 |
| Types Of Business Start-Up Costs | 04 |
| The Cost Of Getting A Business Plan | 05 |
| Research And Investigatory Costs | 06 |
| Pre-Launch Costs | 07 |
| Incorporation Fees | 08 |
| Technological Expenses | 09 |
| Conclusion | 10 |

WHAT IS A START-UP?

As [roughly defined by Investopedia](#), a start-up is a company started by a group of entrepreneurs, or even by a single individual, to promote a unique product or service that is not currently available in the market, but has a great potential in terms of demand and utility.



Something like, there is a problem. A solution is needed. Either no solution exists, or the solutions that exist are not satisfactory. Someone comes up with a solution that fills all the gaps. It creates a significant business opportunity.

The start-up funding in the US began to pick up in 2014. Just in the field of artificial intelligence start-ups there was a total funding of US\$ 1.7 billion in 2013, which rose to US\$ 15 billion by 2017 ([source](#)).

The initial funding either comes from the founders themselves or their friends and families. Around 77% start-ups rely on personal savings and personal resources for their initial funds ([source](#)).

As the idea blossoms into something tangible it begins to attract seed investors or angel investors. But before that, some capital is needed in the beginning. In this e-book, we are going to explore approximately how much it costs to build a start-up of some reckoning.

TYPES OF BUSINESS START-UP COSTS

To get a fair idea of how much it is going to cost to build your own start-up, you need to have a knowledge of the different types of costs your business may incur in order to remain operational.

Broadly, there are two types of costs:

- Fixed Business Costs
- Variable Business Costs



What Are Fixed Business Costs?

As the name suggests, these costs don't change as your business scales up and down, at least for the foreseeable future. They may change over a long period of time, but on a month-to-month basis, they don't.

Some of the fixed costs may include building rent, magazine and newspaper subscriptions, payment of loans, depreciation, employee salaries, insurance, web hosting and marketing (in case you have allocated a fixed marketing budget). You may also have business-specific fixed costs particular to your business

What Are Variable Business Costs?

Some Of The Fixed Costs May Include Building Rent, Magazine And Newspaper Subscriptions, Payment Of Loans, Depreciation, Employee Salaries, Insurance, Web Hosting And Marketing (In Case You Have Allocated A Fixed Marketing Budget). You May Also Have Business-Specific Fixed Costs Particular To Your Business

THE COST OF GETTING A BUSINESS PLAN

According to a Harvard business School study, start-ups with a business plan a 16% more likely to succeed. Entrepreneurs with a business plan and 19% more likely to get business funding.

This may be a one-time cost but how much you end up spending on getting a business plan for yourself depends on your consultant or advisor.



Why Is Getting a Business Plan Important?

Your business plan is your roadmap. You don't start your journey without knowing where you want to reach and what route you are going to follow and what pitfalls to avoid. Pitfalls can be very costly.

A business plan is prepared by someone who has "been there done that", to put it simply. Depending on experience, he or she may have already made numerous business plans and consequently, has helped multiple entrepreneurs and start-up companies attain success.

Along the way, he or she may have also learned what problems a typical business encounters on its way to success.

Taking care of the pitfalls is one of the worthiest reasons of paying for a solid business plan.

But along with identifying pitfalls, a business plan also helps you recognize opportunities that can inject energy and resources into your start-up.

Since a business plan consultant knows what to avoid and what to leverage, it can save you a huge amount of money, and possibly, your business.

Again, our sole purpose of mentioning the importance of a business plan is to give you an idea that you may need to include the cost of hiring a business consultant to your overall start-up cost.

RESEARCH AND INVESTIGATORY COSTS

It is very important to know in advance whether there is a sufficient size of market demand for your product or service. For this, you may have to hire a research agency. An agency will do the necessary fieldwork or online research so that you don't end up wasting money and effort on a product or a service for a market that is already saturated.



Whether you do research on your own or through an agency, there will be numerous costs involved. You may have to send out surveys. You may have to travel or you may have to incur the travel cost of your research team. You may also have to send out self-addressed envelopes in case you want people to post their responses back to you.

Some research agencies already have the data and you have to purchase it for better insights into your market and the nature of user behavior. Sometimes these reports are very costly.

PRE-LAUNCH COSTS

Although there are legends aplenty about Entrepreneurs starting their businesses from their balconies or their basements (or their attics), realistically, you may need office space, especially when there are more than one person working in your start-up.



If you have more people, then obviously you will need furniture. You may need computers and laptops. You will also need office supplies. You will need to pay utility bills like electricity and water. You will be paying for office space if you have rented it. There will be the cost of fittings and other modifications to make your business operational (for example, setting up cubicles, air conditioning, wiring, telephone connections, and broadband).

When you hire employees there are multiple associated costs like benefits and allowances. Even if you outsource most of your requirements you will be paying for other agencies and freelancers. You will need to take all these accounts into consideration as pre-launch start-up costs.

INCORPORATION FEES

Incorporating your start-up protects your copyrights and patents, gives your business a legal entity, allows you to maintain business finances separately, and above all, if there are some provisions and benefits that are provided by the government to start-ups, you can leverage them. Also, being a separate entity, the losses incurred by your business, if any, do not spill over to your personal finances if your account books are properly taken care of. Incorporating also gives you easy access to capital.



The incorporation formalities are normally carried out by an accountant (or a team of accountants) or a financial consultant adept at the legal side of doing business. There are many attorneys who provide consultation for incorporating businesses and you will have to pay them their fee. There are many legal forms to be filled and submitted. Many documents will be drafted and this costs money. There is also an incorporation fee and how much fee you pay depends on the Department.

You will need to buy insurance for your business assets and also for your employees. License and permit fees will be required by different departments. Applicable taxes will need to be paid depending on your jurisdiction and the nature of your business.

TECHNOLOGICAL EXPENSES

No start-up can operate these days without a website and a marketing budget. If a major portion of your start-up business is going to depend on your website, then you will need to put in lots of effort and investment into your website. For example, if people will be buying from your website you will need a shopping cart, an inventory management system and a payment gateway.



The cost of your website depends on the number of features and the nature of your website. Aside from credit card, debit card, and net banking, you may also want to allow your customers to purchase using digital wallets, which may cost more money. Whether you go with a pre-built theme or you decide to get your web design built from scratch, you will need to pay a web design and development company for a dynamic website. The more features you have, the more you will have to pay. The cost of your website will also depend on the web development agency you decide to hire for your start-up business.

Many start-up businesses also prefer to allow their customers to do business with them through mobile apps. Getting a mobile app built for mobile operating systems like Android and iOS is going to cost you further.

Then comes the marketing cost. In the beginning, whether you have competition or not, you will need to market your start-up to increase your visibility. Unless people know about you, they're not going to be able to do business with you. You may decide to use PPC marketing on search engines like Google or social media platforms like Facebook, Twitter or LinkedIn. You may also want to use email marketing. If you want to get traffic from search engines, you will need to invest in good SEO. The marketing cost depends on the number of channels you want to use and the intensity of your marketing campaign.

CONCLUSION

The various start-up costs listed in this e-book may differ in intensity and proportions from business to business. But this gives you a general idea so that you are prepared and are not caught off-guard. Associated costs are a reality. The more you are prepared, the more you will be ready when you come across these start-up costs.



dc*i*

GET A QUICK CONSULTATION

www.dotcominfoway.com

ask@dotcominfoway.com

