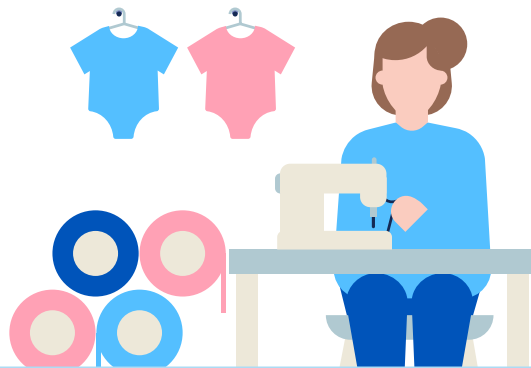


Start Up Loans

# Guide to business resilience





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# Financial planning and resilience

**Staying on top of your finances can help build business resilience. From keeping tabs on cash flow to dealing with late payments, discover practical steps for getting to grips with business finances and giving your startup a financial health check.**



## Financial forecasting

Predicting your future financial performance is an invaluable activity for any business.

By calculating the costs your business will incur and how much income it will earn, you can make better business decisions, limit risks, and increase opportunities.

**Costs** are expenses such as staff wages, rent, and marketing costs.

**Income** is money earned from sales such as services, goods, and interest on investments.

It can be a good idea to create a spreadsheet detailing costs and income and use this to predict what these will look like each month over, say, 12 months.

This can help you spot where costs may be higher than income. Creating different forecasts lets you see how much income is needed to cover future costs and make a profit.

## Cash flow

Your start-up needs enough money to cover overheads such as staff wages and pay bills when they are due.

Known as 'cash flow', this money is the lifeblood of any business.

Maintaining a good cash flow means keeping an eye on the money coming into and going out of your business.

### Ideas to improve your cash flow include:

- 1. Invoice promptly** – the quicker you invoice customers, the faster you can get paid.
- 2. Invoice correctly** – make sure details are correct to avoid payment delays.
- 3. Keep it simple** – give customers easy ways to pay invoices, such as bank transfers or online credit card payments.
- 4. Consider factoring services** – factoring firms will pay your invoices as soon as you issue them for a fee, then collect the owed amount from the customer.
- 5. Ringfence cash** – set aside cash for unexpected costs, such as energy price hikes.

## Expenses

### Starting a business can be a challenge.

Unchecked, some costs – while small – can drain your bank account and soon add up. Reviewing expenditure and looking for cheaper alternatives can be a good idea.

### Ideas for cost-saving:

- 1. Regularly review expenses** – consider jotting down all your outgoings and asking yourself if they are needed.
- 2. Focus on subscriptions** – many business services such as software and marketing tools are sold on subscription for a monthly fee. Cancelling services you rarely use can save you money.
- 3. Cheaper alternatives** – Look for free or more affordable business service alternatives, such as online business accounting tools, marketing platforms, and even on-demand HR help, such as virtual assistants.

### Late payments

Late payments from customers can be challenging for a startup, especially when you might not have large cash reserve and you have bills to pay. Late payments can harm the available money your business has at hand to meet its costs.

Pre-Covid [research by PayPal and Xero](#) found that 37% of small business owners have considered closing their business due to late payments, with smaller businesses owed an average of £23,360 in overdue invoices.

## If your start-up is faced with late payments, there are several dos and don'ts you might want to consider:

- ✓ **DO** regularly review invoices and identify any overdue amounts.
- ✓ **DO** explore using automatic invoice reminders in accounting software to send regular reminders for late payments to customers.
- ✓ **DO** ensure that invoices have all the information the customer requires (such as PO number), are accurate and sent to the correct customer contact.  
[Read our guide to how to create customer invoices.](#)
- ✓ **DO** chase up invoices and keep in regular contact with the customer's payment/finance department or controller to keep up-to-date as to where a payment is and when you can expect it.
- ✗ **DON'T** threaten or contact customers when you're angry or emotional as it rarely helps customer relationships or speeds up payment.
- ✗ **DON'T** sit on unpaid invoices or ignore late paying customers. Unpaid amounts can soon add up.
- ✗ **DON'T** start working with a customer without a clear repayment plan for the work you are about to undertake agreed. Consider asking for part of the payment upfront.
- ✗ **DON'T** ignore warning signs that could indicate financial problems with a customer, such as being unable to easily contact customers or experiencing



evasive behaviour when discussing payments. Check their payment history with the data held by BEIS, check to see if they're signed up to the Prompt Payment Code, check payments history with credit reference agencies.

If you're facing late payments from a larger business, the Small Business Commissioner may be able to help.

It provides advice for businesses with fewer than 50 employees on getting paid from larger SMEs with more than 50 employees, and can make recommendations to settle disputes.

If all else fails, you may need to seek professional legal advice if a customer does not pay. The government has a helpful guide to the options you have [if your business is owed money](#).

### **Go further with Start Up Loans**

- 1.** Download our free [cash flow forecast template](#).
- 2.** Download our free [personal survival budget template](#).
- 3.** Learn more about [working capital and how much your business needs](#).



# Funding options and guidance

**Growing your business can require careful planning. Taking on unmanageable debt can lead to repayment problems, yet start-ups can find it difficult to grow or challenging to scale up without some form of external funding.**

Business borrowing takes many forms – and can be used for many reasons. Funds may be used to cover unexpected overheads, such as rising energy costs, and different types of funding are available for this.

## Debt financing

This is one of the more typical types of funding used by businesses and can be used for a variety of activities, such as covering cash flow shortfalls or investing in growth such as buying new equipment.

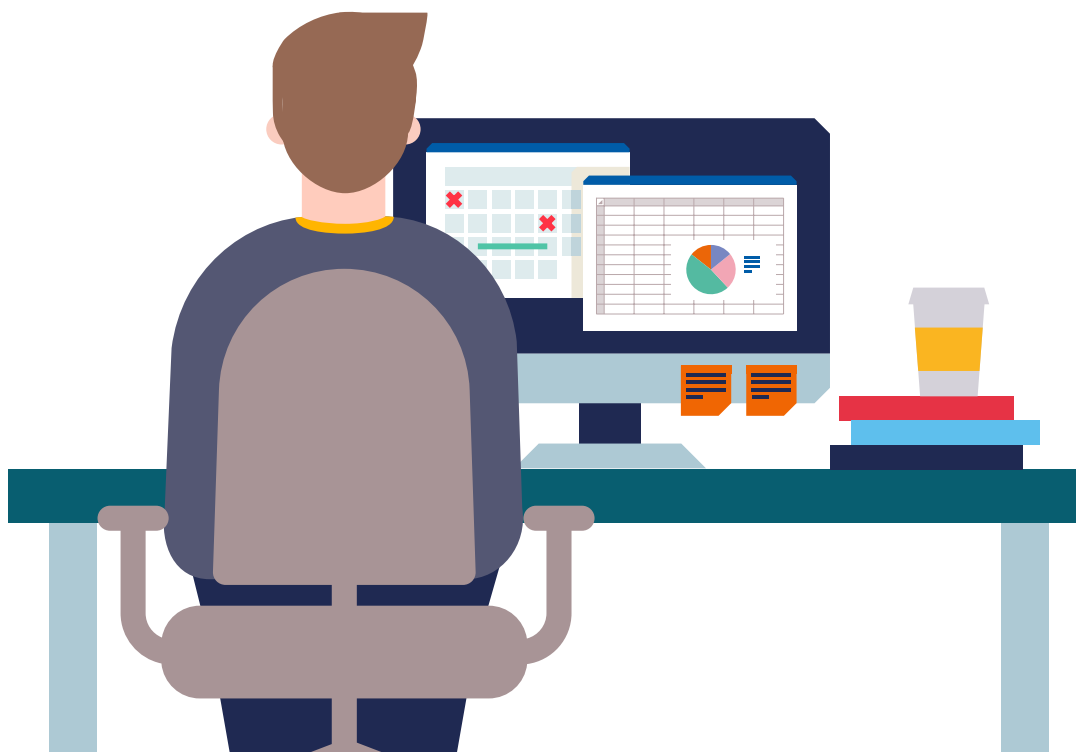
More commonly known as a business loan, debt financing sees your business borrow a lump sum of money (known as ‘capital’) and then make regular repayments, usually with interest.

Loans can be secured or unsecured. Business assets such as property or equipment are used as security for a secured loan and may be seized and sold if you default on payments.

An unsecured loan, such as a [Start Up Loan](#), is not secured against business assets.

Business loans are available from various sources – from high street banks to specialised financial organisations dedicated to business funding.

- 1. Bank loan** – business loans from banks can be simple and quick to obtain. Check your credit score before applying and ensure you meet lending criteria. Research interest and repayment terms and check the affordability of repayments.
- 2. Short-term loan** – some lenders offer short-term loans, often with higher interest rates than a high-street bank loan. These should only be considered if you are confident of making the repayments. Late repayments can result in very high-interest payments.
- 3. Cash flow loan** – designed specifically to ensure you can cover a cash flow shortfall, with loans typically ranging from £1,000 to £100,000 released within a day and repaid over one to three years. These loans may require a personal guarantee from a director, who would become personally liable for the loan if the business defaulted on payments.
- 4. Cash flow financing** – a type of loan linked to a business's expected cash flow, with the loan and interest repaid from future income. This financing includes merchant cash advances and revolving credit facilities and is often used by seasonal businesses.



## Interest and repayments

Ensure you understand the amount of interest you'll pay when taking out a business loan.

Financial providers should clearly list how much interest you'll pay over the lifetime of the loan period.

To calculate the interest that must be paid in addition to the capital, you can use the financial formula  $I = p \cdot r \cdot t$ .

**p** = the amount borrowed, such as £10,000.

**r** = the interest rate, such as 6.99%, which in decimals is 0.0699

**t** = the amount of time of the loan, such as five years.  
In this example,  $I = 10000 \cdot 0.0699 \cdot 5$ .

So, the interest payable would be £3,495. The total cost of the loan would be £13,495.

## Grants and support

Numerous grants and support schemes are available for businesses that need to raise finance. Many are operated by local authorities and are designed for local companies. Charities and government bodies also offer grants to reduce energy use by, say, installing insulation. Find the latest range of grants and financial support on the [government's website](#).

**(TIP)** Always get independent financial advice when considering borrowing money to help choose the right type of investment for your business needs.

## Overdrafts

One option to consider when faced with unexpected business costs or insufficient cash flow is to make use of an overdraft facility. Business bank current accounts may include a pre-arranged overdraft facility where you can go overdrawn to a set amount.

Overdrafts are a short-term funding option and best used for emergencies only. Banks typically charge a fee for their use, and an overdraft may incur high interest rates on the amount you are overdrawn. Additionally, banks can withdraw an overdraft facility at any time, leaving you with debts that you may not be able to repay.

### Here are some dos and don'ts to consider when using an overdraft:

- ✓ **DO** calculate the real cost of using an overdraft, including interest, fees, and repayment terms.

- ✓ **DO** make payments to clear the overdraft as soon as possible.
- ✓ **DO** talk to your bank if you are struggling with cash flow as an alternative loan may be a better option.
- ✗ **DON'T** use an overdraft as a long-term debt facility, as it may prove costly.
- ✗ **DON'T** ignore overdraft facilities. As an emergency measure, overdrafts can be helpful to ensure you are able to pay your bills.
- ✗ **DON'T** forget to review your current account and overdraft facility regularly. Consider shopping around for a different business current account with better overdraft terms if you regularly go overdrawn.

## Go further with Start Up Loans

1. Learn more about [how to reduce costs and increase profits](#)
2. Read our guide on how to get a [business loan with bad credit](#).
3. Learn more about [small business equity financing](#).

# Focusing on customers

## How to attract customers

Being in tune with what customers are looking for can help your start-up on the road to success.

Customer needs can change over time. They may become more price sensitive and look for goods and services that offer value for money, while others may become more interested in the personal relationship a small business such as a local coffee shop can have with its regular customers.

## Ideas for attracting customers:

- 1. Understand your customers** – find out what they need and decide how your business can provide this.
- 2. Effective marketing** – market your business where your customers are, such as in local newspapers or social media.
- 3. New customer discounts** – offer incentives to new customers, such as a discount on their first few purchases.
- 4. Price matching** – reassure customers that they are not spending more than they need by matching the prices of local competitors.

- 5. Flash sales** – offer limited-time discounts to convey a sense of urgency to encourage customers to bag a bargain.
- 6. Referrals** – offer customer discounts for referring others to your business.
- 7. Use testimonials** – ask customers for reviews and consider using review websites to show your business is trustworthy and reliable.

### How to keep customers

Existing customers can be a boon for any business. According to The Loyalty Effect, increasing customer loyalty by just 5% can lead to a 30% to 90% increase in customer lifetime profitability.

Loyal customers can require less marketing spend and can help your cash flow through regular purchases.

**Building customer loyalty can be a smart move for a smaller business, ensuring you have a steady stream of repeat business that can provide a foundation for growth. It's a good idea to plan how to attract customers, including marketing activities and tactics for keeping customers loyal.**



## Ideas for building customer loyalty:

- 1. Loyalty offers** – consider offering a free product or a discount after customers spend a certain amount or shop with you a number of times.
- 2. Surprise and delight** – build a relationship with loyal customers by including surprises with their orders, such as a handwritten thank you note or an unexpected gift.
- 3. Get feedback** – ask customers what they think about your business and where you can improve can help deter any quietly dissatisfied customers from shopping elsewhere.
- 4. Communicate often** – keep in touch with customers, such as using email newsletters or social media, to let them know what your business is doing, and provide access to offers and new products.
- 5. Brilliant support** – quickly act on customer complaints, feedback, and questions. Start-ups that listen and act can help keep customers from leaving or posting a bad review.



## How to increase customer spend

When customers spend less, your business can suffer. A decline in sales can leave you with unsold stock. There are several ways you can encourage customers to spend more with you.

## Ideas for increasing customer spending:

1. **Bulk sales** – Incentivise customers to buy in bulk by offering a discount for larger purchases.
2. **Buy now pay later** – Consider allowing customers to pay for higher-priced goods and services in instalments.
3. **Cross-sell and upsell** – Highlight related products or services that a customer may find helpful, or upsell by tempting customers with additional extras, such as spare consumables.
4. **Communication** – If you need to increase prices, perhaps due to increased shipping costs, it can be a good idea to remind customers of the value your products and services offer and the features or functions they may not realise are included.
5. **Convenience** – Look for ways to make it easier for customers to shop with you. It can be worth using technologies such as abandoned basket emails for eCommerce stores, where a customer is alerted if they don't complete their purchase and offered the chance to do so.

## Go further with Start Up Loans

1. Learn about [customer feedback](#) strategies for your business.
2. Find out about [customer retention strategies](#).
3. Read about the [secrets to effective selling](#).

# Supply chain solutions

**Working with suppliers can be a key aspect of running a successful start-up. Strong supplier relationships may help you to negotiate better shipping costs and reduce availability problems, delays, and quality issues.**

Supply chain issues, such as poor-quality materials can impact business running costs. Good suppliers can accelerate your business growth and help you meet customer demand. Building business resilience starts with finding the right suppliers, monitoring logistics, and looking for ways to streamline your supply chain costs.



## Finding suppliers

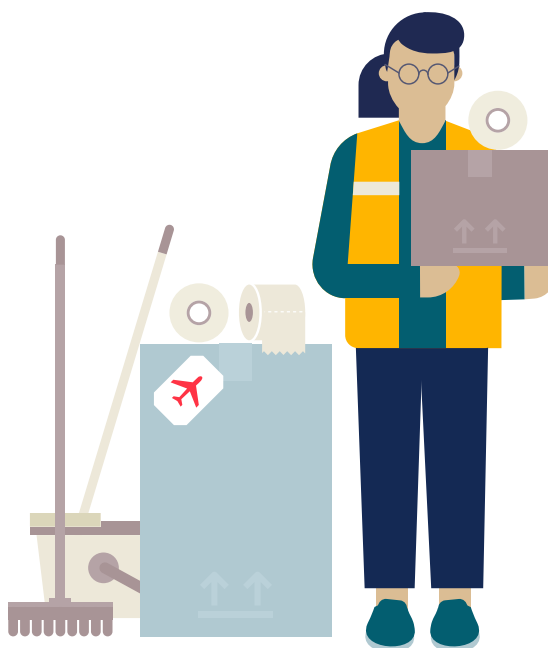
It can be a good idea to create a shortlist of suppliers. Check trade body websites, online directories, and recommendations from your network to draw up a list.

Create a clear brief detailing what you're looking for and ask suppliers to respond so you can compare them. You could consider their pricing, payment terms, and service levels.

Don't be afraid to negotiate, especially if you plan on being a long-term customer. Don't just choose the cheapest but select the supplier that offers the best overall value to your business.

## Managing suppliers

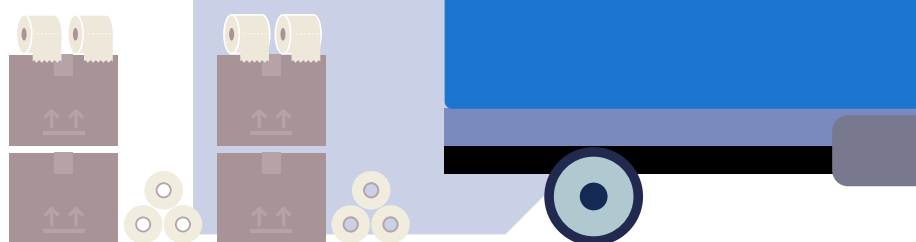
Maintaining a positive supplier partnership is important. Promptly paying bills and holding regular meetings can prevent communication issues. Consider investing in inventory management software to keep track of deliveries and stock levels. It may be worth having a few alternative suppliers to hand in case of delayed lead times or the need to order more stock if future delays look likely.



## Cost-saving ideas

Keep your supply chain working cost effectively with these tips:

- 1. Alternative packaging** – investigate packing ideas, such as sustainable and reusable packaging, which could be cheaper and better for the environment.
- 2. Payment schedules** – if you're a regular customer, consider asking for extended credit or payment schedules to help reduce cash leaving your business.
- 3. Regular reviews** – it can be sensible to return to suppliers and ask them to respond to your requirements. You might find a cheaper or more effective supplier.
- 4. Just-in-time deliveries** – minimise storage and warehousing costs by keeping orders to the bare minimum. However, be aware that this approach can mean that unforeseen delays can negatively impact your business if you don't have stock to hand for customers.



# Go further with Start Up Loans



Discover how to supercharge your supply chain.



Learn how to choose the right supplier for your business.



Find out how to create a supplier checklist.

# Energy use solutions

**Energy use can be a large part of a start-up's operating costs. It's important that your start-up looks for ways to reduce energy use, which can help save money and have a positive impact on the environment.**

Energy costs can be significant for businesses, from refrigeration and heating to office lighting and fuel costs for company vehicles. It can pay to look for ways to reduce energy bills and free up cash to invest in growth.



## Step 1 – Assess your energy use

It may be a good idea to start with an understanding of how much energy your start-up uses and where you use it. Make a list of the activities and equipment that use energy, such as office lighting or manufacturing equipment. Some equipment will include information on how much energy it consumes, or consider fitting a smart meter to measure energy use.

The Carbon Trust has an [Energy Benchmark calculator](#) to help you understand your energy use.

Your energy bill is also an excellent place to understand your situation. Make a note of how much you are



charged per unit of gas and electricity and keep a record of the cost of filling up company vehicles.

Consider jotting down ideas on where you could save money, such as finding the cheapest petrol station when filling up or lowering building heating if its higher than necessary.

Ask employees for ideas on where energy savings could be made to get them involved.

## Step 2 – Quick win savings

Encouraging staff to look for ways to reduce energy usage, such as turning off computers overnight or keeping windows closed when operating air conditioning. These small actions can help reduce bills.

### Quick win energy-saving ideas include:

- 1. Limit energy loss** – consider insulating walls and ceilings, fitting draft excluders, and keeping windows closed in colder weather.
- 2. Lower workplace temperatures** – government guidance recommends a minimum of 16°C or 13°C if employees are doing physical work while ensuring temperatures are comfortable.
- 3. Automatic sensors** – think about fitting timers to lighting and workplace equipment. This can



include lighting sensors that switch off room lighting when not in use or timers that switch equipment off during non-working hours.

- 4. Energy-saving replacements** – consider sourcing energy-efficient solutions when replacing ageing or inefficient items such as lightbulbs, monitors, refrigeration units, and other equipment.

### Step 3 – Energy suppliers

Many small businesses may benefit from the government's [Energy Bills Relief Scheme](#). The initial six-month scheme applies to energy usage from 1 October, 2022, and is designed to build business resilience in relation to energy costs and provide the certainty required to plan their business.

However, it can still be worth shopping around to see if you can get a cheaper energy deal or negotiate with your existing supplier if your contract ends.

Consider using an energy broker who can negotiate on your behalf. They may be able to secure a better deal if they have many similar customers that they can use to leverage better pricing.

Ofgem has a [helpful guide to switching energy providers as a small business](#).



## Step 4 – renewable alternatives

Generating your own renewable power through solar or wind could make financial sense.

While there's an upfront cost, the government and local councils may offer grants and loans to help reduce equipment and installation costs. Some energy companies offer small business grants, along with trade bodies and charities.

Ofgem has [a guide to grants, loans, and how to find suppliers](#).

Generating your own renewable energy can help protect your business from sharp increases in energy costs, reinforce your green credentials, and you can even make money through the [Smart Export Guarantee scheme](#).



### Go further with Start Up Loans

Learn about how you can [cut your transport emissions](#).

Discover ways to [cut your office's carbon footprint](#).

Find [sustainability grants](#) to support your business.

# Technology solutions

**Technology designed to support small businesses and start-ups can lower costs, save money, and improve effectiveness.**



There are many low-cost ways to modernise your start-up, from cloud-based software designed for hybrid working and business collaboration to free alternatives to business phone lines and using on-demand business support services.

## **Cloud based services**

There are a multitude of online services covering a range of business activities.

Cloud-based services from companies such as Google, Apple, Dropbox, Evernote, and Microsoft typically offer access to their cloud services for a small monthly or yearly subscription.

Services can include office software such as word processing and file storage, through to services for marketing and posting to your social media accounts.

Firms such as [AppSumo](#) and [StackSocial](#) can be a treasure trove of cheap cloud-based services specially created for start-ups.

## **Communication**

Fast broadband can equal cost savings for smaller businesses.

Consider replacing the traditional business phone line with a voice-over IP (VoIP) solution, which uses wi-fi and broadband to make and receive free calls. There are many solutions, with more wellknown examples, including Skype and WhatsApp.

Video conferencing services such as Zoom, Microsoft Teams, and Google Meet are free for basic use and include screen sharing and scheduling features.

Collaboration tools mean that customers and staff can collaborate on projects, sharing files, and notes. Examples include Slack and Google Chat, which have free basic versions.

## **Business support**

Money-saving technologies aren't entirely faceless, either.

On-demand technology services allow you to find skilled freelancers, get expert advice, and get regular business support through services such as virtual assistants.

Freelance finding services can help you source everything from designers and writers to bookkeepers

and translators. Many offer reviews of the freelancer or allow freelancers to bid on your project. Examples include Fiverr, Toptal, Upwork, and 99designs.

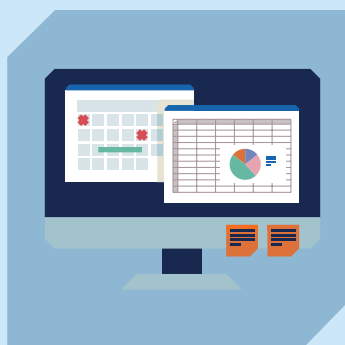
## Smart meters

With energy use a significant business cost, it may make sense to invest in energysaving technologies. Smart meters help you keep tabs on energy use, with many energy suppliers able to install a meter and provide advice on using it. Understanding what equipment uses the most energy can help you make changes to energy use and save money in the long term. Devices such as smart plugs can help save money too. These can be programmed to switch off devices when not in use or between specific times.

## Go further with Start Up Loans



Find **project management tools** for start-ups.



Discover how to **choose business accounting software**.



Learn how **inclusive products and services** can boost business.

# Recruiting and supporting staff

Finding and hiring the right staff can help your start-up grow. Bringing skills and experience into the workplace can be highly valuable – but you need to keep an eye on costs and support your employees as your business grows.

## Recruiting staff on a budget

Costs can quickly mount when hiring staff. Luckily, there are ways you may be able to reduce costs depending on how you hire, from offering joining incentives to working with recruitment agencies.

### 1. Write a clear job description and job ad

Be clear on the role, the duties involved, experience and skills needed, and the salary on offer, as this can save time and money lost in interviewing unsuitable candidates.

### 2. Ask your network

Contact your professional and personal networks to let





them know you're hiring. You may get personal recommendations for suitable candidates.

### **3. Tap into hidden talent pools**

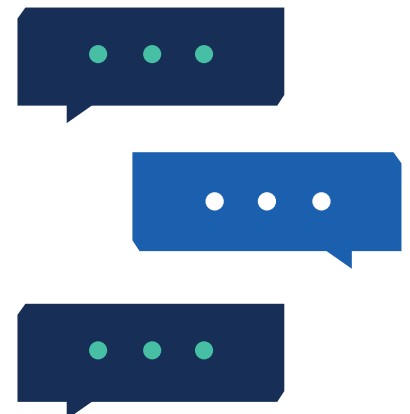
Consider diversity and inclusivity in your recruitment, and tap into talent pools such as part-time staff, older workers, people returning to work, or people who can only work remotely due to disabilities. By tailoring your job adverts or where you advertise you can draw upon a pool of employees who can bring valuable skills but may be overlooked by other companies.

### **4. Try online recruitment services**

Job posting services such as LinkedIn and Indeed can be inexpensive. They may allow you to target specific locations, review candidates online, and set up interviews, making recruitment less time-consuming.

### **5. Negotiate with agencies**

Recruitment agencies can help find staff. The benefit is you won't need to pay a fee until you hire someone. It can be worth asking for a discount on the fee (it's typically 20% of an employee's annual wage) and ensure that you can claw back the fee if an employee they place doesn't work out within a certain period.

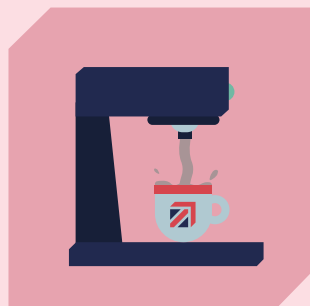




**Flexible working** - support employees with the ability to work from home and adopt flexible working hours.



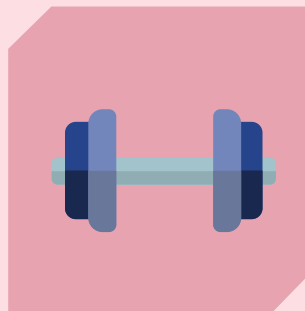
**Grants and schemes** – ensure employees are aware of benefits they can access, such as cycle-to-work schemes and claiming back for eye tests if they use visual displays.



**Employee perks** – from weekly fruit bowls and free drinks to healthy snacks and lunches, providing employee treats can make the workplace a fun environment.



**Training** – offer access to training and professional development during working hours to show that you're invested in employees' growth.



**Memberships** – contact your local gym and see if they offer corporate memberships. You can claim this as a business expense. Other ideas include spa, wellbeing, and fitness discounts.

### Go further with Start Up Loans

Find [lower-cost alternatives](#) to hiring permanent employees.

Learn how to [hire staff for your business](#).

Discover the [different ways to pay staff](#).

# Mental health and wellbeing



**Starting a business can be challenging. Uncertain trading conditions can be common with a start-up business, and worries about your new venture can take a toll on your mental and physical wellbeing.**

**Building a resilient business means ensuring your wellbeing is not ignored. Research by Mental Health UK found that four in five small business owners reported poor mental health – though 44% of owners have never sought support.**

It's important for the success of your start-up that the day-to-day operations don't impact your health.

While it can seem impossible to find time to focus on your wellbeing, taking time away from work to recharge may help you maintain the pace needed in the long term to grow your venture.

**Here are five ideas to avoid burnout and look after your wellbeing:**

- 1. Focus on sleep** – A lack of sleep can negatively impact your mood, alertness, and ability to concentrate according to the [UK's Sleep Council](#). Consider setting a bedtime routine and aim for around seven hours of sleep each night.
- 2. Invest in exercise** – Consider scheduling in a break from the desk and engage in regular exercise. This can be a brisk walk, a visit to the gym, or a swim in the local pool. According to the NHS, regular exercise can relieve stress, increase productivity, and boost energy levels.
- 3. A healthy diet** – Fast food and unhealthy snacks might seem a quick option, but you could be storing up trouble. Try aiming for a healthy, balanced diet and try to eat a healthy breakfast to get the energy

needed to take on each day and win. [The NHS's Eatwell Guide](#) has helpful, healthy eating tips.

- 4. Accept support** – It may be a good idea to contact support organisations that specialise in supporting mental and physical wellbeing. Charities and organisations such as Mental Health UK, Mind, and the Federation of Self Employed and Small Businesses offer practical advice and services to support small business owners.
- 5. Try mindfulness** – Taking a few moments each day to unwind may be helpful. You could try using mindful or meditation apps on your smartphone or laptop. Many offer essential features for free.

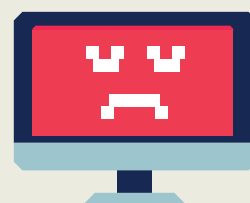
## Go further with Start Up Loans



Discover resilience tips to help your business in challenging times.



Learn how to cope with work-related stress and support staff.



Find out how to spot the signs of workplace stress.

# Contact

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