

Title:

Bootstrapping a Retail Business

Word Count:

625

Summary:

Information about how to fund a startup business until it can fund itself.

Keywords:

business, startup, home based, small

Article Body:

Starting a business is always easier when you have some funding, and far too many business advisors will tell you to wait until you have a substantial amount of capital before launching. But what if you just can't raise the money? Then it's time to ignore the advice of those advisors and jump into the fray. Obviously, if there's no funding, and you want to bankroll your new retail business out of your own poorly-funded back pocket, you will have to seriously re-evaluate your concept. Notice, we're saying "re-evaluate," not "abandon." In fact, it's still possible to start a retail business without having to shell out big money for retail space, inventory and advertising. It's not an easy thing to get funding for a retail shop, especially one that is brand new. Expansion capital is a little easier to come by, if you already have a shop that is making money, but if you've got your eyes on running a brand new boutique, those funding dollars will be scarce. About the only way you'll be able to convince a finance company or bank to give you money to start a new retail shop is if you are willing to put up the equity in your home as collateral against the loan.

And yes, if you have equity, you should expect to have to do this. But—what about the rest of us poor folks who don't have any assets, no savings to speak of, and can't get a signature loan? Are we doomed to a life of wage slavery? No. We just have to start out small, so small that our new business wouldn't even show up in the radar of what most people call a small business. What we're talking about here is a "micro business"—one that can be started with very little or no up-front capital.

Traditional business wisdom calls for a business plan that details your spending for the first year, and where that money will come from. Your original goal may have been to open up a small shop in the mall—but rents in most malls even for a small shop often go for thousands of dollars a month. A "bootstrap" retail

business is one that is starting with either no, or very little funding, so that space in the mall is out of the question.

Obviously, your first concern is inventory, and without funding, you won't be able to carry very much of it. Consider what you envision selling, and reduce those items to include only those that have the highest margin and the quickest potential turnaround. Starting off specializing in a dozen or so items that sell briskly will prime the pump so you can add more inventory later.

As for retail space, even though the mall is out, take a look at other areas that may offer cheaper rent, even if the space is a lot smaller than what you had in mind. There may be an existing business that would be complementary to yours, with some space to spare—there's a possibility there of making a deal. And barring that, start out without any permanent retail space at all. Many successful retail shops started out selling exclusively at local festivals, farmers' markets, flea markets and specialty shows, where you rent space by the day or week. While you're selling at these venues, collect a customer mailing list so you can send your best customers a card when you are able to finally move into a permanent retail space.

Most importantly—don't assume that you can't go into business just because you don't have a lot of money.