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# Don't Be Caught Off-Guard: 5 Costs Startups Often Overlook

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At what point should great cash flow management become top of mind for a startup? Day one. With all the excitement of starting a small business, many of the startup and development costs can creep up on you, causing cash flow issues before you earn your first dollar.

That's something Julie Ann Wood, founder of [E-Seedling](#), a firm that specializes in cultivating entrepreneurs, sees all the time. "A new business owner needs to be aware of these initial costs," she says.

Here are five of the top small business costs that catch new entrepreneurs off-guard:

## Online Costs

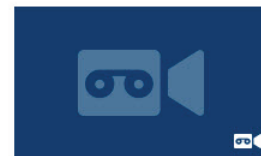
Online businesses can often be launched less expensively than brick-and-mortar operations. However, Wood says that causes some entrepreneurs to underestimate many costs, such as designing a compelling website. "When you're an online business, your website communicates a lot about whether you can be trusted," she says.

Like many entrepreneurs, Wood considers herself a DIY-er, but she soon realized that taking the time to learn design skills didn't make sense from a cash flow management standpoint.

"You need to consider your billing rate or how much you make per hour," she says. For specialized skills like web design, it makes more sense to get a professional on the job. A better product will attract more business, and the business owner's time is freed up for other tasks.

For both web-only and brick-and-mortar businesses, other online startup costs to consider include producing compelling content, setting up e-commerce and handling cybersecurity. Like professional design, these services are worth working into your cash flow plan to set up your small business for success.

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## Marketing Costs

Tatsuya Nakagawa, co-founder of sustainable industrial coatings company [Castagra](#), says many small business startups underestimate the cost of marketing.

"It's always good to assume it will cost twice as much and take three times as long," he says. "Many small entrepreneurs fall in love with their business idea and wrongly assume that people will immediately 'get it' and love it too. The reality is that even if you have a great idea, it takes a lot of repetition for people to understand and care."

Many small businesses assume marketing will be free through social media. However, Wood found she needed to spend \$500 a month in Facebook ads to reach the right audience.

## Product Development Costs

Rob Biederman is co-founder of [HourlyNerd](#), a Boston company that connects businesses with top freelance MBA students and alumni. He underestimated the challenge—and cost—of putting together an experienced product and design team to build, iterate and continuously upgrade software.

"It's been very expensive for us, but absolutely worth every dollar, especially on the design side," he says. No matter how excited a small business owner is about the first iteration of their product, making it better is an ongoing project—and an ongoing expense.

## Legal Costs

Desmond Lim, founder and CEO of [QuikForce](#), a Boston startup that uses algorithms to connect its customers with an ideal moving company, evaluated his company's expenses and found legal fees were one of his top unexpected costs.

"It is very important to seek the right legal help, when starting up, to set the right company structure, and to put proper agreements in place," he says.

Lim wanted to avoid the expensive legal issues that on-demand companies similar to his, like Uber or Lyft, are going through. "It is important to get the structure right from the start," he says.

## Talent Costs

Another unexpected cost for Lim was hiring good talent.

"I believe that getting good people onto the team is critical for the success of the firm," he says. However, that meant spending lot of time and money working with hiring agencies and universities.

All five of these unexpected costs put short-term pressure on cash flow management, but are crucial for long-term success. Is there a way to anticipate such costs and factor them in your planning? Wood suggests seeking out others in your industry for advice early on. "They've been in the trenches and will know about stuff you'd never think to even ask about," she says.

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Joe Mullich has written about business, health, travel and many other topics for more than 500 publications, winning over 40 journalism awards.