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**Costs of Running  
Your Own Business**

# Plan To Succeed Online

## ***Take The Guess Work Out of Starting & Building a Successful Business Online!***

*"Money was never a big motivation for me, except as a way to keep score. The real excitement is playing the game."*  
Donald Trump

### ***Costs of Running Your Business***

#### ***What to Budget for Ongoing Operating Costs***

What will it cost you to operate your new business - to keep it afloat for the first three months? The first six months? Here's what you need to consider when you're figuring out how much it will cost you to keep your new business afloat...

- monthly hosting & ecommerce fees
- advertising, promotion & publicity costs
- business expansion purchases (i.e. software to automate your business)
- payroll/personnel expenses (if you find you need to hire additional help)
- affiliate program set-up costs and commission deductions
- loan payments
- insurance payments
- legal/accounting fees (including those relating to taxes, if needed)
- miscellaneous expenses (i.e. re-stocking office supplies, equipment repairs)

Of course, the more you plan on doing yourself, the less your operating budget need be!

***TIP:*** I suggest that you hold off on trying to fill out this template until you have a better idea of what your actual expenses will be. Just print it out and fill it in as you go along. Don't forget that at the same time that your new business is incurring costs, you and your family will have living expenses to cover.

***Projected Business Operating Costs***

<b>Operating Expenses</b>	<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Month 4</b>	<b>Month 5</b>	<b>Month 6</b>
Office Supplies						
Web Hosting						
Merchant Account						
E-commerce Solution						
Bulk Email Software or Service						
Business Expansion Software						
Inventory Purchase						
Inventory Storage						
Product Fulfillment and/or Distribution						
Advertising & Promotion**						

Publicity						
Affiliate Program Set-up						
Insurance						
Accounting						
Loan Payments						
Personnel - Payroll						
Miscellaneous						
<b>TOTAL</b>						

*\*\*When you have completed the promotion section, you can use your Planning Your Advertising Budget Template to get the information you need to fill this in.*

**TIP:** Another template that you're going to want to take a look at, one that you'll be including in your Business Plan, is your Profit & Loss Projection Template. This will help you to get a handle on your fixed and variable expenses as well as the amount of net profit your stand to make on projected sales.

### **Profit & Loss Projection Template**

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total Expenses
<b>Sales</b>													
(-) Cost of Sales													
(=) Gross Profit													
<b>Controllable Expenses</b>													
Operating supplies													
Gross wages													
Materials & Equipment													
Office Supplies													
Licensing Fees													
Legal expenses													
Accounting assistance													
Advertising													
Affiliate Commissions													
<b>Total controllable expenses</b>													
<b>FIXED EXPENSES</b>													
Website design													
Web Hosting fees													
Merchant Account													
E-commerce Storefront													
Affiliate Program Set-up/Tracking													
Ad Tracking/Stat Analysis System													
Business Automation Software													
<b>Total Fixed Expenses</b>													
<b>TOTAL EXPENSES</b>													
<b>NET PROFIT</b>													

## Managing Your Cash Flow

A healthy cash flow is an essential part of any successful business. Some business people claim that a healthy cash flow is even more important than your business's ability to deliver its goods or services!

This may be placing a bit too much importance on your cash flow, but consider this: if you fail to satisfy a customer and lose that customer's business, you can always work harder to please the next customer. But if you fail to have enough cash to pay your expenses, you're out of business! So, proper management of your cash flow is way up there in the factors determining whether your business succeeds or fails.

### How It Works

Understanding cash flow is the first step in effectively managing it. There's more to it than just a fancy term for the movement of money into, and out of, your business checking account. Analyzing your cash flow will help you spot some of the problem areas in the cash flow cycle of your business.

Of all the financial planning you do and records you keep, your cash flow projection record is probably one of the most important. I know it sounds a bit complicated, but if you use the simple template I've devised below, keeping track of your money is not all that difficult - especially if you have already have a handle on your [Business startup](#) and [business operating costs](#).

Before you begin entering filling out your own [cash flow projection chart](#), take a look at the examples below so you can understand what it is all about. Let's say that I have \$3000 to invest in my new business - this is my "cash on hand" and I have entered it into the table below.

Now, it is unlikely that I will earn any money the first month. My energies will all be spent on getting my website set up and my e-commerce system in place. I have estimated the cash paid out - my business start-up expenses at \$1000. You may think this is low, but I actually paid less than half of this to start up my business.

In actuality you can expect to pay anywhere from \$30 - \$100 a month for good full service website hosting (many packages come with e-commerce storefront software included), so unless you are going to go hog wild with web design, automation and/or advertising, my estimations for cash paid out are all probably a little on the high side.

At any rate, as you can see from the chart below, my business is doing well enough by Month 5 that I do go hog wild and pay for an expensive advertising campaign (adding \$1000 to my "cash paid out" expenses). I am gambling that I will earn the money back in increased revenue and, as you can see from this example, my gamble pays off. My sales increase by \$500 (or 100% over the previous month's increase) with the result that I am right back to where I started with my Total Cash Available.

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
<b>Cash On Hand</b>	3000	2000	1750	1750	2000	1500
<b>Cash Receipts</b>	0	250	500	750	1000	1500
<b>Total Cash Available</b>	3000	2250	2250	2500	3000	3000
<b>Cash Paid Out</b>	1000	500	500	500	1500	500
<b>Cash Position</b>	2000	1750	1750	2000	1500	2500

Now, take a look at what would have happened if I kept everything the same, except for my business startup capital. Rather than starting with \$3000 to spend, I start with half that \$1500 "cash on hand."

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
<b>Cash On Hand</b>	1500	500	250	250	500	0
<b>Cash Receipts</b>	0	250	500	750	1000	1500
<b>Total Cash Available</b>	1500	750	750	1000	1500	1500
<b>Cash Paid Out</b>	1000	500	500	500	1500	500
<b>Cash Position</b>	500	250	250	500	0	500

As you can see, at the end of month 5, I wind up dangerously near a negative cash flow. If my advertising gamble hadn't paid off, allowing me to start re-grouping my assets, I would be in the seriously in the red.

Now, taking a look at this table, you might ask why on earth would I invest every cent of the \$1500 cash that I had available on a risky and expensive advertising campaign in Month 5. Odds are, if I was keeping good track of my cash flow and had the facts and figures right in front of me, I wouldn't have done it. I would have waited until my business was on a more solid footing.

But what if I wasn't keeping track of my cash flow? What if I was only keeping track of my income? I mean, I might be feeling pretty confident. My sales were increasing steadily each month - heck, I had just cleared \$1000! If I didn't have the "big picture," I might well decide to splurge and go for it. Or maybe I'd take the \$1000 and rather than investing it back into my business, take a break and take the wife and kids down to Disneyworld.

Boy, would that be a mistake. Of course, I wouldn't know until I got back from the land of sunshine and my checks started to bounce that my thriving business was now hundreds of dollars in the hole.

### ***Cash Planning***

Okay, now it's your turn. Since your business isn't actually up and running, you're going to have to do a bit of research and "guess-timating."

To begin with, simply enter the total amount of money you have saved or set aside to start your business (your "Cash In Hand") under Month 1. (This should be a real figure. Don't put down \$10,000 unless you actually have \$10,000 to invest in your business!)

## Cash Flow Projection

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
<b>Cash On Hand</b> (Should at least cover your Business Start-up Expenses)						
<b>Cash Receipts</b> (Sales or Income from other sources)						
<b>Total Cash Available</b>						
<b>Cash Paid Out</b> (Your Business Operation Cost totals for each month)						
<b>Cash Position</b>						

Next, you are going to have to estimate your sales volume. This will depend on the size of your niche market, the number and capability of your competitors, and your own ability to compete for the consumer's dollar. Several business and statistical sites/publications that may be useful in making sales volume estimates are:

- [Iconoclast](#)
- [eMarketer.com](#)
- [Forrester Research](#)
- [Ecommerce Information Center](#)
- [The Center for Research in Electronic Commerce](#)
- [Electronic Commerce Page](#)
- [Know This Virtual Library](#)
- [NUA Internet Surveys](#)
- [WebTrends](#)
- [American Demographics](#)
- [CyberAtlas](#)

In reaching your final estimate of monthly sales or "cash receipts" do not be overly-enthusiastic. Remember, a new business generally grows slowly at the start. If you overestimate sales you are likely to invest too much in equipment, inventory or advertising, and commit yourself to heavier operating expenses than your actual sales volume will justify. Since you are just starting out you might have no sales for the first few months. At any rate you can expect your first few months to be very slow.

Next, estimate how much cash will be paid out. This is easier to do. You can simply use the guidelines and figures from your [Business Operating Costs](#). Again, it's best to estimate a little high so that you'll always have some leeway. And don't forget to pay yourself. You may need money to live on if you have to quit your job. If your spouse is working and can support the family for a while, you may not have to withdraw money from the business. The longer you can go without taking money out, the quicker you will build up a strong cash position.

Now that you have estimated your cash receipts and expenses, write down the amount of cash you will put into the business to start. This goes on line 1 in the example below. Next, add lines 1 and 2 for the first month to get line 3. Then add up all of the expenses to get line 5. Subtract line 5 from line 3 to get line 6. This cash at the end of month 1 then goes to line 1 for the beginning of the next month, and so on.

Doing the math is simple.

**Cash In Hand** (Money Invested) + **Cash Receipts** (Total Sales) = **Your Total Cash Available**

**Total Cash Available** - **Cash Paid Out** (Business Operation Costs) = **Your Cash Position**

Forecasting your cash flow will, without a doubt, make your new business more successful. Accelerating your cash inflows and delaying your cash outflows are key factors for improving and managing your business's finances. By keeping track of your cash flow or cash position as you go along in your business, you will be better able to spot problems before they arise - and correct them before they do much harm.

Recommended Resource: [Cash Club](#) = Cash Flow

The life blood of any business is Cash Flow. Without Cash Flow you're out of business. If your business has a strong Cash Flow you can grow and expand naturally, without the stress of where the next money is going to come from for bills, or worrying how you're going to take care of your family. This is what the [Cash Club](#) is all about. [Cash Club](#) is designed to give you a steady Cash Flow. If you haven't figured it out yet, or you just haven't really had the time to really take a look at it, I encourage you to take a hard look, and I think you will see that the Cash Club is the answer to what you need! ( We should really be calling it: [The Cash Flow Club](#) )

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