

DEVELOP
ENTREPRENEURIAL
LEADERS

WITH
IGNITEX.

**Module 9: Financial
Management for
Profitability**
Lesson 1: Understand Startup Costs



Recap Quiz

Q. 1. How does SEO contribute to business growth?

By
improving
online
visibility
and search
rankings

By reducing
customer
acquisition
costs

By automating
customer
service

By
increasing
product
pricing

Recap Quiz

Q. 2. A go-to-market strategy outlines how a company will introduce and _____ its products or services to target customers.

promote

produce

protect

price

Recap Quiz

Q. 3. SEO aims to enhance a website's visibility in search engine results.

True

False

Recap Quiz

Q. 4. KPIs are used to automate manufacturing processes.

True

False

Reflections

Sales Strategy

A well-defined sales strategy and processes enable startups to **streamline customer acquisition**.

Effective Sales Strategy

Beyond initial transactions, an effective sales strategy includes plans for **customer retention and upselling**.

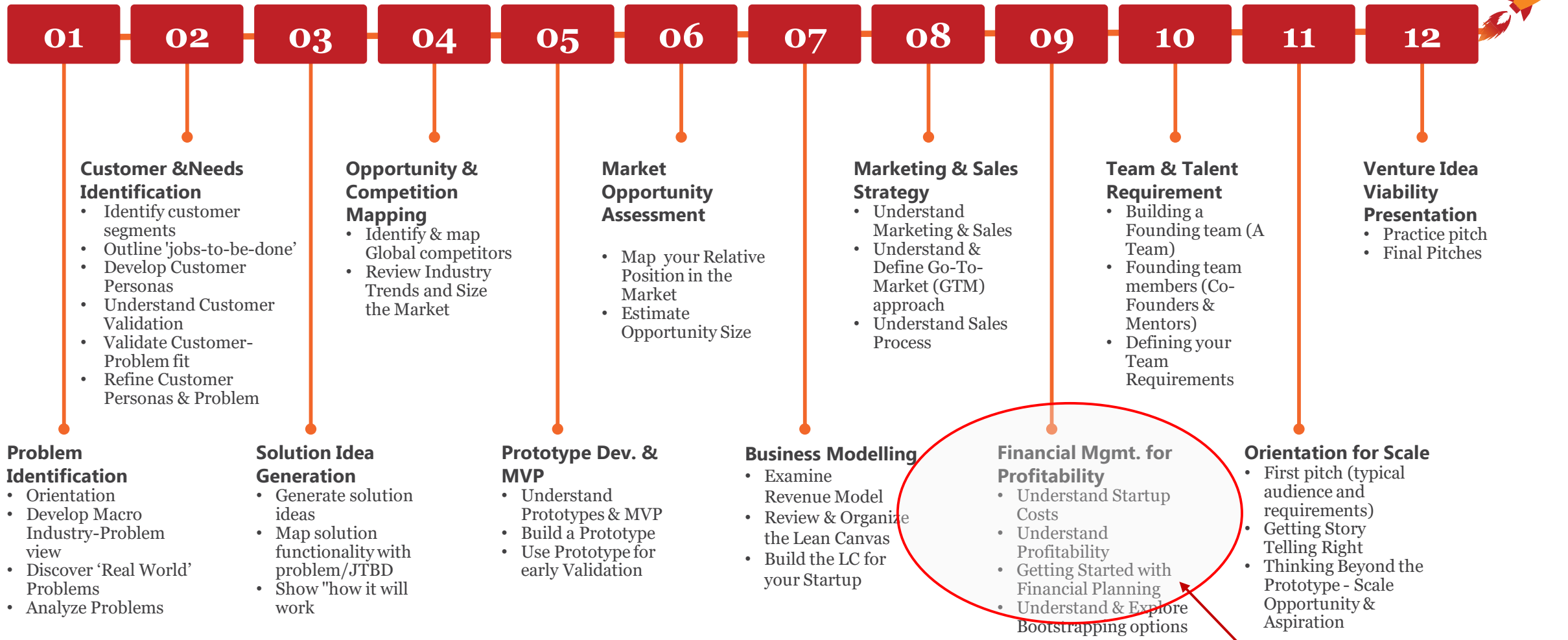
High Potential Leads

Through effective sales automation, lead scoring, and customer relationship management (CRM), startups can **focus efforts on high-potential leads**.

Compelling Sales Pitch

A **compelling sales pitch** captures potential customers' attention and persuades them to take the desired action.

IGNITEX JOURNEY: Building Entrepreneurial Leaders



We are here!

LEARNING OBJECTIVES

By the end of the lesson, you will:



Understand Costs

Examine various types of costs associated to any business



Startup Costs and Venture Maturity

Learn about startup costs associated with the stage/maturity of the startup



Identify Key Costs

Identify the costs associated with your venture

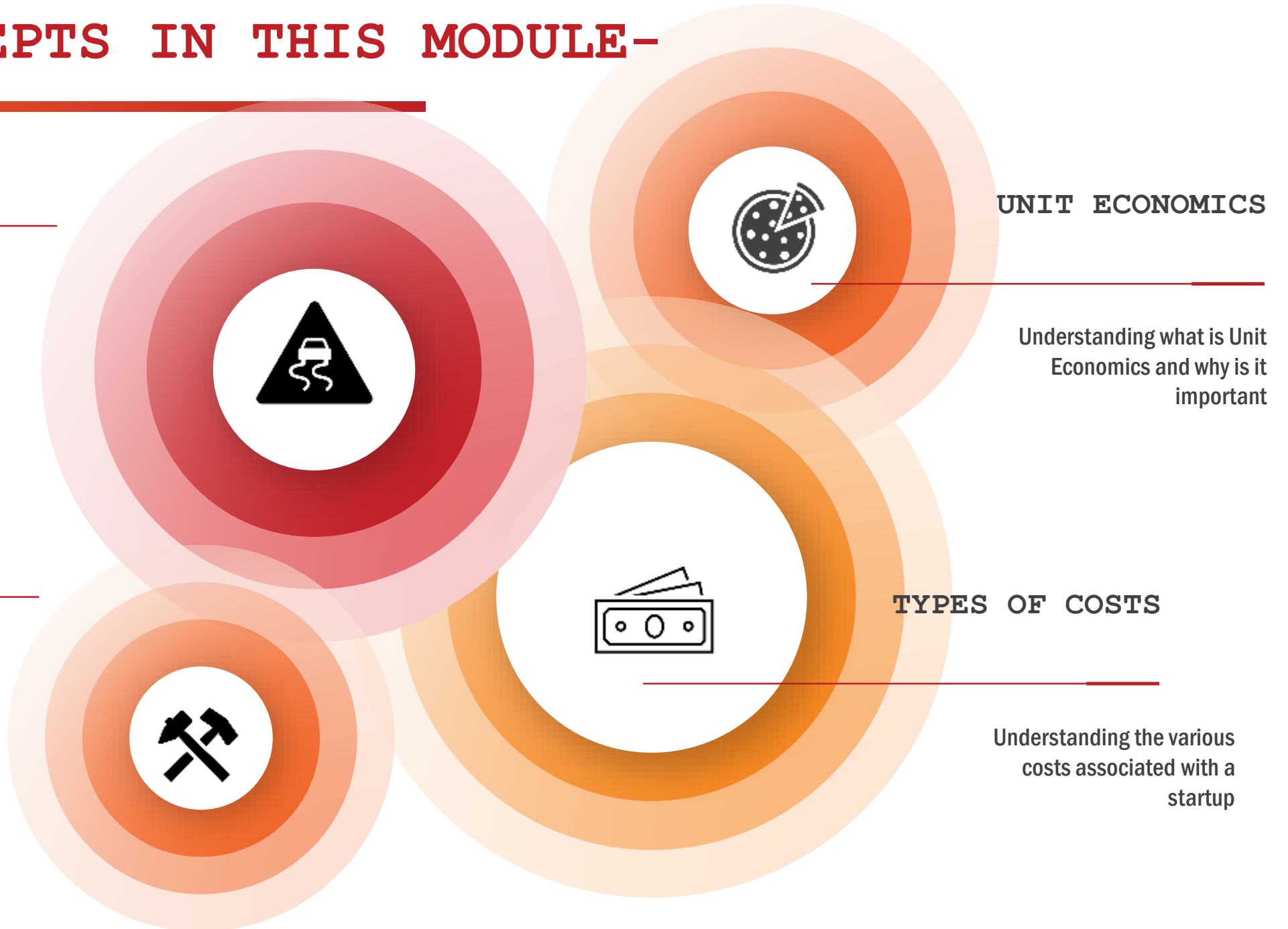
CORE CONCEPTS IN THIS MODULE-

COSTS Vs STARTUP STAGE

Understanding the relationship between types of costs and startup stage

FINANCIAL SIMULATION TOOL

Using the tool for hands - on experience of financial planning



UNIT ECONOMICS

Understanding what is Unit Economics and why is it important

TYPES OF COSTS

Understanding the various costs associated with a startup

**CONCEPT
INTRODUCTION
SESSION**

How much pocket money do you get per month?



By what date does it get over?



What do you do after that?



How much money do you owe your friends?



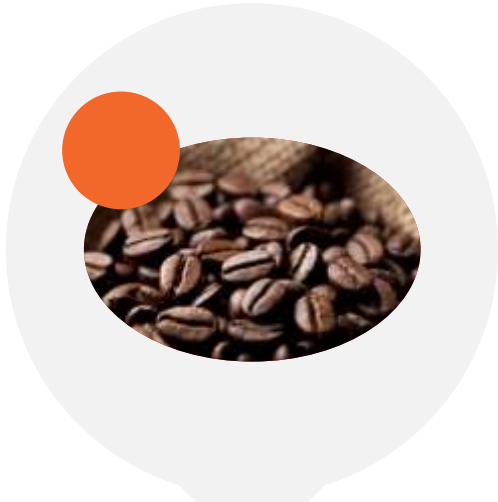
Let's Talk
Money!



WHAT ARE THE
VARIOUS COSTS
THAT A **COFFEE**
SHOP WILL
INCUR?

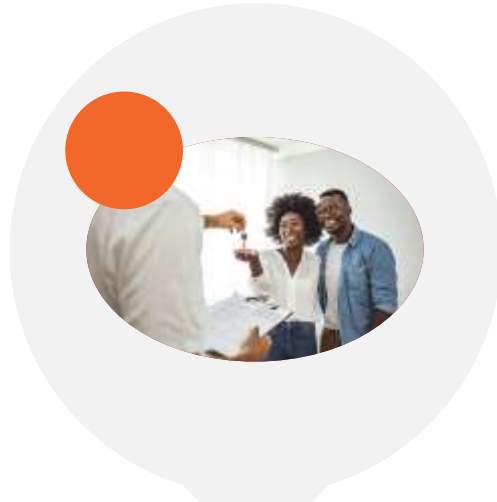


Types of Expenses



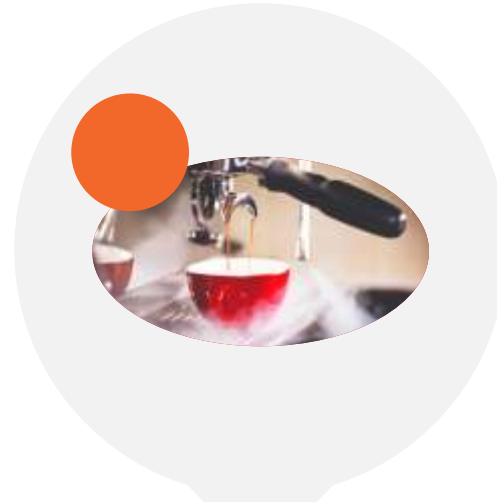
Direct Costs

Expenses like coffee beans, milk, sugar, and other ingredients, wages of baristas



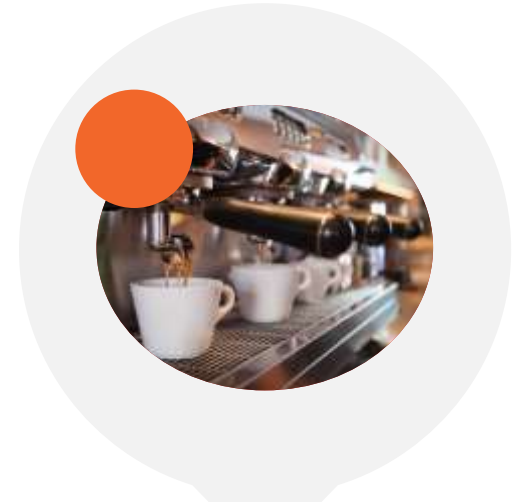
Indirect Costs

Salary of the manager, utilities (electricity, water), marketing, and rent for the space



Capital Expenditure (CapEx)

Cost of purchasing espresso machines, renovations, buying furniture



Operating Costs (OpEx)

Daily expenses, like ingredients, wages, utility bills, advertising, and rent.

TYPES OF COSTS



BREAK DOWN YOUR COSTS

Separate one-time from ongoing expenses, further categorize by cost type (marketing, equipment, rent).



FACTOR IN CONTINGENCIES

Unexpected expenses are inevitable. Add a ~20% buffer to your total estimate for emergencies or unforeseen adjustments.




SEEK PROFESSIONAL HELP

Accountants, financial advisors, and industry mentors can provide invaluable insights and help refine your cost predictions.

Individual Activity

What are my Finances?



"BEAN-THERE-DONE-THAT" FINANCES

Average Order Value (AOV): \$5 for a cup of coffee
Monthly Sales Volume: 2,000 cups of coffee
Costs:
Coffee beans: \$1,000 per month
Milk and sugar: \$300 per month
Wages for baristas: \$2,000 per month
Manager's salary: \$2,000 per month
Utilities (electricity, water): \$500 per month
Rent: \$2,000 per month
Advertising in local newspapers: \$500 per month

1. What is the coffee shop's total monthly revenue?
2. What are the coffee shop's total monthly direct costs?
3. What are the coffee shop's total monthly indirect costs?
4. What is the coffee shop's total monthly overheads?
5. What is the coffee shop's monthly Cost of Goods Sold?
6. What is the coffee shop's total monthly costs?
7. Is the coffee shop breaking even, making a profit, or incurring a loss?
8. How much operating profit is the coffee shop making per month?
9. How much operating profit (explain this term) is the coffee shop making per year?



SCAN ME

Students Scan to Play

Click on the play button to view/play the activity

Individual Activity

Typical Business Costs

What are the typical costs of a Manufacturing Unit

Select one or more correct answers:



Raw Material

Utilities

Internal Server

Licenses

Logistics

Content Marketing

Machinery & Equipment

Labour



SCAN ME

Students Scan to Play

Click on the play button to view/play the activity

CAN THERE BE OTHER
TYPES OF COSTS?



Can you
list some
PRE-
LAUNCH
costs?



TYPICAL PRE-LAUNCH COSTS

-  **R&D** **01** Market research, product development, prototyping, and testing.
-  **BUSINESS FORMATION** **02** Legal fees, registration costs, insurance, and permits.
-  **BRANDING & MARKETING** **03** Logo design, website development, content creation, and initial marketing campaigns.
-  **TECH & EQUIPMENT** **04** Hardware, software, office furniture, and other necessary tools.
-  **TALENT ACQUISITION** **05** Recruiting and onboarding initial team members, interns, consultants, or freelancers.

Can you list
some **AT-**
LAUNCH
Costs



TYPICAL AT-LAUNCH COSTS

01

Marketing & Advertising

Launch campaigns to drive awareness and customer acquisition.

02

Inventory & Production

Purchasing initial stock of products or materials for production.

03

Website & Platform Launch:

Finalizing and launching your website or online platform.

04

Events & Promotions

Launch events, product demos, or special offers to attract customers

05

Professional Services:

Consultants, freelancers, or agencies for launch-specific tasks

TYPICAL GROWTH COSTS



Marketing & Customer Acquisition: Ongoing marketing campaigns, SEO efforts, social media management, and content creation.

Operations & Personnel: Salaries, benefits, office expenses, supplies, and ongoing costs of running the business.

Product Development & Maintenance: Ongoing product improvements, bug fixes, and feature development.

Customer Support & Service: Costs associated with providing customer support and resolving issues.

Growth & Expansion: Additional marketing efforts, hiring new employees, scaling infrastructure, and potential fundraising costs.



COST MANAGEMENT

BENEFITS OF MANAGING COSTS

MAKE INFORMED DECISIONS

Identify and manage costs to
make more **informed**
decisions.

INCREASE PROFITABILITY

Maintain a healthy cash
flow, reduce unnecessary
expenses to **increase**
profitability.

REDUCE EXPENSES

Identify areas where expenses
can be reduced **without**
impacting quality.

BE COMPETITIVE

Manage costs effectively
to offer products or
services at more
competitive prices

Do's of Managing Costs



BREAK DOWN YOUR COSTS

Separate one-time from ongoing expenses, further categorize by cost type (marketing, equipment, rent).



FACTOR IN CONTINGENCIES

Unexpected expenses are inevitable. Add a ~20% buffer to your total estimate for emergencies or unforeseen adjustments.



SEEK PROFESSIONAL HELP

Accountants, financial advisors, and industry mentors can provide invaluable insights and help refine your cost predictions.

DONT' s OF MANAGING COSTS

DON'T UNDERESTIMATE THE COSTS

This is a recipe for disaster. Hope for the best, prepare for the worst. Assume higher prices, longer timelines, and potential setbacks in your calculations

DON'T RELY ON GUESSWORK

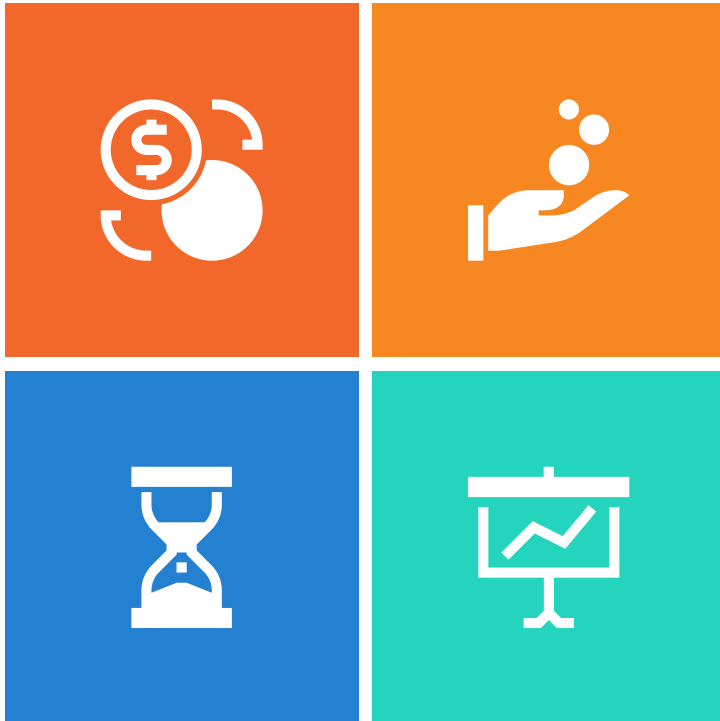
Don't just pull numbers out of thin air. Research, compare quotes, and get concrete data to back up your cost estimates.

DON'T FORGET UP-FRONT EXPENSES

Legal fees, software licenses, or website development might be upfront costs, but they're crucial for launch and need to be included.

DON'T BE AFRAID TO PIVOT

If your research unveils higher costs than anticipated, don't be afraid to adapt your business model.



Popular tools
for
accounting/expen
se management/
budgeting

The logo for Tally, featuring the word "Tally" in a red, cursive script font with a thin black underline.The logo for Vyapar, consisting of a stylized red and yellow 'V' icon followed by the word "Vyapar" in a bold, red, sans-serif font.The logo for Zoho Books, featuring the word "ZOHOO" in a colorful, blocky font (Z in red, O in green, H in blue, O in yellow) followed by the word "Books" in a black, sans-serif font.

INTEGRATION WITH  Gstabox

The logo for Intuit QuickBooks, featuring a green circle with the letters "qb" in white, followed by the word "intuit" in a small, black, sans-serif font and the word "quickbooks." in a larger, bold, black, sans-serif font.

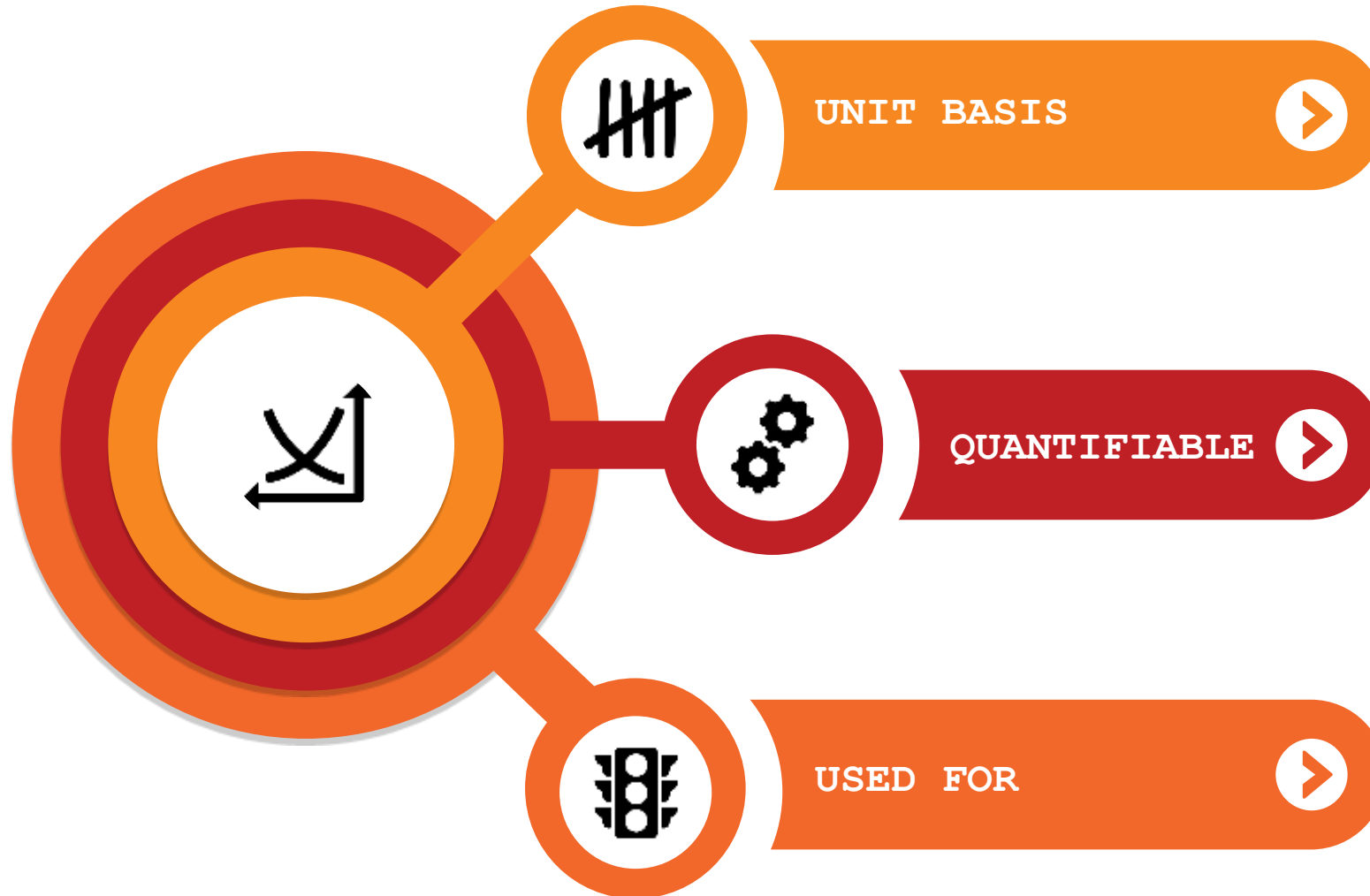
What is Unit Economics?



Let's
find
out!



Understanding Unit Economics



Are a business model's costs and revenues measured on a per-unit basis.

Can be any quantifiable item that adds value to the business (Ticket sold, ride completed)

Helps businesses predict break-even points and gross margins, and identify which products or services are profitable

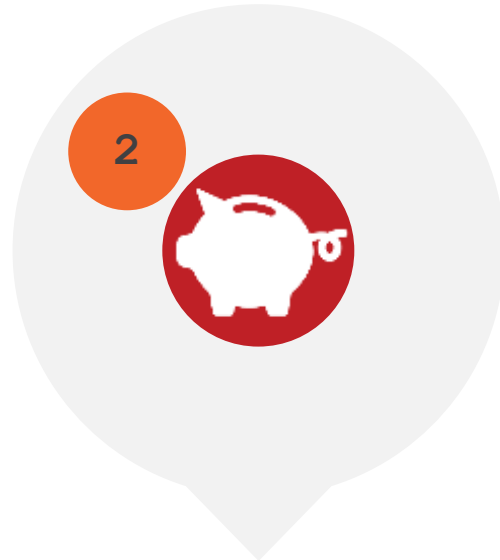
Key Metrics for Unit Economics



Customer Acquisition Cost

How much does it cost to acquire a new customer?

Includes marketing expenses, sales commissions, all costs associated with acquiring a customer



Average Revenue Per User

How much revenue do you generate from a single customer?

Calculated as total revenue divided by the number of customers



Customer Lifetime Value

How much total revenue is expected from the customer throughout their relationship with you?

Takes into account the ARPU and the average customer lifespan



Pricing

While not a key metric of Unit Economics, it goes hand in hand with it

Considers factors like prod costs, competition pricing and desired profit margin

Key Metrics for Unit Economics

(Cost of Goods Sold) COGS

- **What is the cost of producing goods?**
- **Includes the cost of the materials and labor directly used to create the product, excludes indirect expenses**





Working out the Unit Economics together!



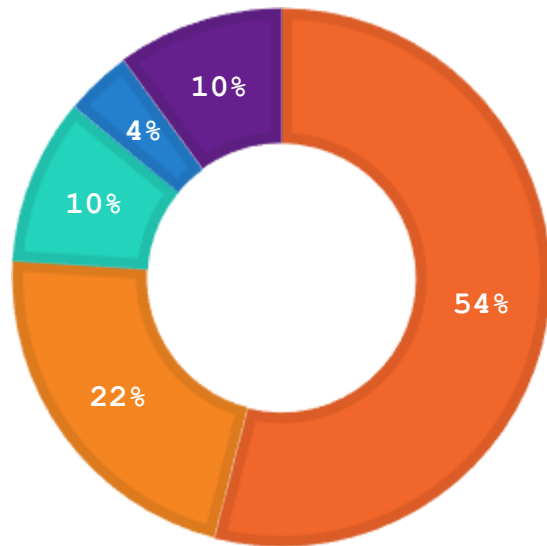
Let's

Work it Out

What is the difference in the Unit Economics between Café 1 and Café 2?

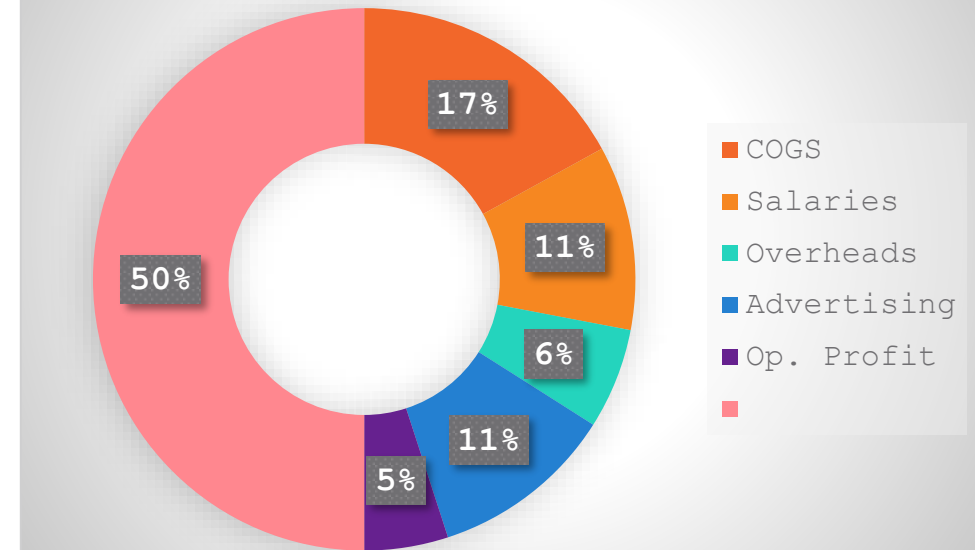
CAFÉ 1

■ COGS ■ Salaries ■ Overheads ■ Advertising ■ Op. Profit



CAFÉ 2

■ COGS
■ Salaries
■ Overheads
■ Advertising
■ Op. Profit
■



Our learnings for Café 1 and Café 2

What have we learned?

- What is COGS?
- What is Operating Profit?
- Café 2's COGS is quite low: Smart sourcing or poor-quality beans?
- Café 2's Op Profits are large: Expensive pricing or better cost mgt?
- Both spend almost same on advertising – what can you suggest to each?
- **OVERALL:** These are % figures; need to look at absolute numbers too to get a fuller picture

Q & A

If you have questions, ASK



Overall Learning Objectives met today

Startup Costs

It is important to distinguish between fixed and variable costs and to recognize direct, indirect, capital, and operational expenses

Cost Management

Understanding and managing costs help you stay competitive, and profitable, reduce costs while retaining quality

Unit Economics

Learnt how Unit Economics can predict break-even points and gross margins, and identify which products or services are profitable

Financial Tool

Saw an example of how financial management plays out in a startup using the tool and learnt how to leverage its various components to manage costs.

! MANDATORY COURSEWORK

POST SESSION

PREP for NEXT SESSION

1. Exercise

INDIVIDUAL – Play with the simulation tool to get further clarity on Financial Planning

2. Team activity

TEAM – Estimate various components of you Financial Plan



Play the 'MyStyle Simulation game' – as a prep for the next class session

THANK YOU

If you have questions, ASK

