

'An essential book for every budding entrepreneur'

Peter Jones, entrepreneur and star of BBC's *Dragons' Den*



# HOW TO MAKE A MILLION BEFORE LUNCH



**RACHEL BRIDGE**

Rachel Bridge is the Enterprise Editor at *The Sunday Times* where she writes about entrepreneurs and small business. She has written three books about entrepreneurs: *How I Made It*, *My Big Idea* and *You Can Do It Too*. She has an MA in Economics from Cambridge University.

happened to mention the baby fair to her. The two agreed to do a swap – but, more than that, they have stayed in touch and established a business relationship that could work well for both of them in the future.

Start-ups may even be able to get PR in return for bartering their products. Jo Sensini is the owner of Velvet Integrated PR, based in west London. She recently agreed to be paid £1,000 in chocolate for some work and had also agreed to be paid in shoes by another client for a project that never went ahead.

### **Get your customers to pay upfront**

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Perhaps the most exciting and lasting solution to the question of how to avoid borrowing money is to start up a business which doesn't actually need money – because the customers pay you before you have to pay your suppliers. In other words, a business which is always cash positive. Other side benefits include no bad debts, and no time spent chasing them – because if customers don't pay, they don't get the product or service. Simple as that. Such an idea may sound too good to be true but a number of small businesses have discovered that it can and does work – brilliantly.

Sylvia Tidy-Harris started up her public-speaking agency The Speakers Agency in 2001 with £1,000 in cash. She has never had to take out a loan or ask for an overdraft facility and she never has sleepless nights about whether a client is going to pay their bill or where she will find the money to pay a speaker. The reason for this is simple – she gets the money upfront from clients wishing to book a speaker which she puts into a client holding account and only pays the

speaker once they have delivered a speech, which can be several months later. As a result her business is always, and has always been, in credit, and she has never suffered any bad debts. Now the business has seven hundred speakers on its books and an annual turnover of £1 million.

Sylvia says: 'I just wanted a straightforward business that would work. Nobody ever told me to take the money upfront but I just thought it was logical because you can't take back a speech; it is not like selling furniture which you can take back. There are enough concerns in business without having to worry about repaying a loan.'

She says that in all the years she has been in business only four clients have ever been upset about the idea of paying her upfront. The reason so few people object, says Sylvia, is because they know they will get their money back if the speaker does not fulfil his or her side of the deal.

Sylvia helps to ensure the company always stays in credit by keeping fixed costs as low as possible. No swanky London office for her and her five staff – they rent a small office in Ibstock, Leicestershire, next door to a bookmakers and a chip shop, for £500 a month.

She says: 'I have never had to worry about how we are going to pay the bills and that in business is the biggest relief of all.'

Claire Brynteson also runs a business which has never needed a loan or overdraft. At her business, Buy Time, which provides temporary PAs and concierge services by the hour, customers pay upfront for blocks of time and she pays her workers in arrears at the end of each month.

Claire, who started up her business in 2003 with £20,000,

part of her redundancy money from her previous job, says she modelled her business on the idea of pay-as-you-go mobile phones, liking the ease and simplicity of the way in which people could buy phone credit upfront and then use it whenever they wanted. She has never had a bank loan and has had negligible bad debts.

She says: 'I set up the business this way to minimise the risk of cash-flow problems. I probably sleep a lot better at night than many other small business owners at the moment because unlike them I don't feel stressed about money. I would hate to think that a bank could demand their money back, simply because of external circumstances which might have nothing to do with my business. I am glad I don't have that pressure on me. By running my business this way I have complete control and complete confidence that my business is not going to be affected by changing attitudes of banks to small firms.'

The payment upfront model can even work for businesses in market sectors which do not traditionally charge this way.

David Sandy is the owner of Integreat Media, which designs websites for small and medium-sized businesses. He started it up in 2006 with £1,000 of personal savings and now runs it in his spare time from his home in Winkfield Row, near Bracknell in east Berkshire. In his day job he is a web developer for the NHS.

Whenever he is taken on to design a website, he asks the client for 50 per cent of the cost upfront, and then gets the balance before the website he has designed goes live. He says: 'In effect I am getting the entire 100 per cent payment upfront before the total product is available to their clients.'

HOW TO

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SIR RICHARD BRANSON

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