

What Should I Spend Money On?

Coaching Questions

What are all of the things that you think you should be spending money on? Can you explain why you need each item?

- There is a wish list of items that you would like to buy that would make you business 'perfect' in your eyes. But not everything is actually needed today. Some items can be purchased when you get more sales to justify spending more money in the business.
- It is a good idea to limit how much you invest in a business until you have some sales. Getting a sale is the true proof that your business idea is a good one. It does not matter how many people say they will buy, if no one does.
- When you justify the purchase of each item, it should be a strong reason that is generally tied into sales. If you cannot justify an item, or if the reason is weak, the priority of this item will drop.

Can you prioritize your items to purchase?

- When you justify the purchase of each item, it should be a strong reason that is generally tied into sales. If you cannot justify an item, or if the reason is weak, the priority of this item will drop.
- Once your items are in order, clump them together in terms of items that will be purchased at the same time. Often these items will be purchased in order to meet business goals. For instance, if you want to get incremental sales online, you may invest in pay per click at the same time as completing website updates.

When will you purchase?

It is important to wait for good times to purchase. There are a few factors that should be aligned for you to finally take the plunge and spend the money;

- Research

Have you done your research on all of the options. Especially for a larger ticket item, you should get pricing and an understanding of service levels from at least 3 providers.

- Sales / Promotions

There are certain times of the year where it may be better to buy different products or services. For instance, to buy a plane ticket you want to buy 2 months out or last minute. For cars, autumn is a good time as their new inventory comes in for the next year and there are promotions.

- Cash Flow

You need to wait until you have adequate cash in your account with room to spare post purchase. If you are getting too close to the line by spending, you should be waiting.

Examples

Online Directory

An online directory had a \$10,000 budget. They ended up spending \$5000 on incorporating the company, leaving them with \$5000 to operate with. Online directories take a long time to set up as it is all about getting new listings over time. By spending the \$5000 on something that was overpriced and non-critical, the business went out of business.

Photographer

A photographer really wanted the top of the line camera. Her clients couldn't tell the difference between an \$800 camera and a \$3000 camera. She should buy the \$800 camera and spend the additional \$2200 on something the customers can notice.