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**Editor's Note**  
Hiring for a start-up is very different than for a larger business. Today, we explain the key qualities you need to look out for.

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## Brad Callaghan

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### How can I ensure my sales can support a large capital investment?

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**I'm starting a business that requires a fair amount of machinery and equipment. How can I ensure that I don't make a huge initial outlay only for me to desperately play catch-up if sales aren't as strong?**

Firstly, research; secondly, cashflow forecast; and thirdly, testing.

Every business should research their venture. A lot of new ventures never consider research as they feel that it is a mainstream business that would be required.

This is not the case. If you are planning on starting a new business that requires a large amount of funds you would be crazy to first not research:

- If there is actually a market for your business.
- The market you are focusing on.
- The competition you are facing, including the prices they are charging and their demographic.
- Your likely running cost.
- Your breakeven point.

There is always a risk in business, but by doing the research you can make it a calculated risk.

After collecting all this data you would prepare a cashflow forecast. Based on the information collected you can prepare a forecast to show your projected sales and running expenses. This will show your monthly commitment and the sales you will need to break even.

There are companies that publish benchmarking data for particular industries. You can use this information to base your sales estimates off. The Australian Taxation Office also publishes benchmarking data that has been collected from tax returns in real time. If you have performed the detailed research, you should have a fairly good idea of the demand, the price you can charge and the likelihood of customers dealing with you.

This will be the focus of your marketing strategy on how to attract customers and giving them a reason to buy from you.

Your main concern is achieving sales, which is reliant on your marketing and customer service strategy along with your reputation and the job you provide.

Thirdly, I would look at testing. If there is a large upfront commitment for plant and equipment, I would aim to start small and then add or expand once the sales begin to flow.

This of course would be subject to what sort of business you were operating and the plant you required. Hence starting with one excavator and truck instead of a fleet of three.

*Brad Callaghan, of [Callaghan Partners](#), has more than nine years' professional accountancy experience. He has worked in senior management roles within taxation and business services dealing with a number of clients from a range of business sectors.*

Ask Brad or any other StartupSmart Mentor a question [here](#).