



# Starting a firm has never been cheaper

Thanks to the recession, the cost of premises, equipment and services has fallen

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Every cloud has a silver lining, even for a fledgling entrepreneur. Thanks to the recession, the costs of starting up a business have plunged and these days a lot of things can be had for a fraction of what they cost during the boom years - sometimes they may even be free. The bottom line is, if you are having to pay, then you could be paying too much.

Just ask Soul Weston, who estimates that launching his first business at the end of July has cost tens of thousands of pounds less than it would have a year or two ago.

He managed to secure a good deal on the premises for Burrito Bros, his casual dining restaurant in Clerkenwell, London, including a rent-free period. He kept the costs down on the fitting out by securing discounts with tradesmen and equipment suppliers eager for business. His landlord also agreed to pay half the cost of the materials used.

Weston's greatest saving came from not having to pay a premium because the previous business occupying the premises had folded and disappeared, owing rent. "The guy with the takeaway a few doors down paid a premium of £60,000 when he took over his site. My premises is twice the size and already had an A3 food licence in place, so it was a huge saving."

Weston has seen similar deals emerge in the past few weeks. "I had been looking for a site for a year and suddenly I saw several great deals come up. There are loads of premises out there now."

Nick Riesel, managing director of the online broker [Freeofficefinder.com](#), sees an increasing number of start-ups benefiting from the slump on the high street and in the office sector.

"We are seeing a big influx of start-ups and it's a great time to do it," he said. "Landlords need to fill that space one way or another. Anything people want for a business can be had cheaper. Office supplies can be had for 20% less and there's a good 30%-35% off rental deals, even more for some retail premises.

"Landlords are giving free rental periods because every day a site is empty they are losing money. Some businesses are even being allowed to start without a deposit," said Riesel.

He added: "The best way to get a deal is to use a broker to source as many proposals as he can, then negotiate hard. I see a lot of start-ups going for serviced offices. There are no start-up costs and no three- or five-year commitments. People pay a monthly charge and can rent monthly, although give a year's commitment and you could get a couple of months free."

Some fledgling firms are cutting right back on start-up costs by being smart about the way they use IT, said Piers Linney, executive director of Outsourcery, a business that hosts data and applications online for businesses.

"By outsourcing software you can avoid huge upfront costs for equipment such as servers and PCs. In some cases we are seeing business owners do away with offices altogether, working from home and using web conferencing to hold meetings."

Start-ups are also reaping the benefits of a trend in which online service providers increasingly offer basic services free and charge only for premium services, according to Jon Elliman of Soda Art, a design studio. Many services, from invoicing and project management tools to online storage and office software, can be found free online.

Google's Analytics, Insight and Trends tools enable instant market research, while communications sites such as Twitter, online forums and chat rooms allow you to get in touch with potential customers for nothing, said Elliman.

However, he urged caution when trying to secure some things free or cheaply. "You can find free web hosting but this is a false economy because they will be unreliable and where do you turn in case of faults? They won't provide any support at all. It's also a good idea to use a designer for all but the most simple websites. Doing it yourself will generally lead to poorly thought-out, vanity-led results."

The internet is not just a source of freebies. Finding goods such as free office furniture, equipment and even raw materials is becoming easier through websites such as [freecycle.org](#) and [nisp.org.uk](#), which help businesses by sharing resources and spare capacity.

Paul McPherson, managing director of the Fife-based firewood business [maltwood.co.uk](#), estimates he has saved up to £6,000 by using the Nisp network to get free hessian bags from the drinks giant Diageo, which used to send them to landfill.

"Nisp has also put me in touch with a social enterprise called Kibble, which finds work for disadvantaged lads and they will be helping me out," said McPherson.

Nisp, which costs nothing to join and participate in, has helped its 12,000 members save £131m and has found them new markets worth £151m since it was launched, said Maggie Morrison, head of public relations. "Every business has costs but by working together they can find cheaper goods or services and even get some free. If you are a new business you could find free offices, storage space or even raw materials," she said.

Weston adds that making use of so much spare capacity in the economy means start-ups that are confident in their market and are prepared to think creatively about cutting costs and looking for the best deals are well placed to flourish in a recession.

"It is a funny time to be doing it but it's the right time. Start-ups today are in a really good position. You just need to be firm and be prepared to negotiate hard."

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