

SAFA Entrepreneurial Lesson

How to be financially sustainable

Important things to remember from previous lessons

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1. Equation for gauging financial success
 - a. $(\text{Yearly income}) - (\text{Yearly Expense}) = \text{Yearly Net Income}$
2. Your expenses are just as important as the profit you generate.
 - a. Some common expenses include
 - i. Tax
 - ii. Manufacturing prices
 - iii. Wages
 - iv. Advertisements
 - v. Day-to-day costs
3. Simply making as much profits to cover your expenses doesn't mean you are a successful company. You must be making a high net income in order for the company to be worth your time as an entrepreneur.

How to have financial sustainability

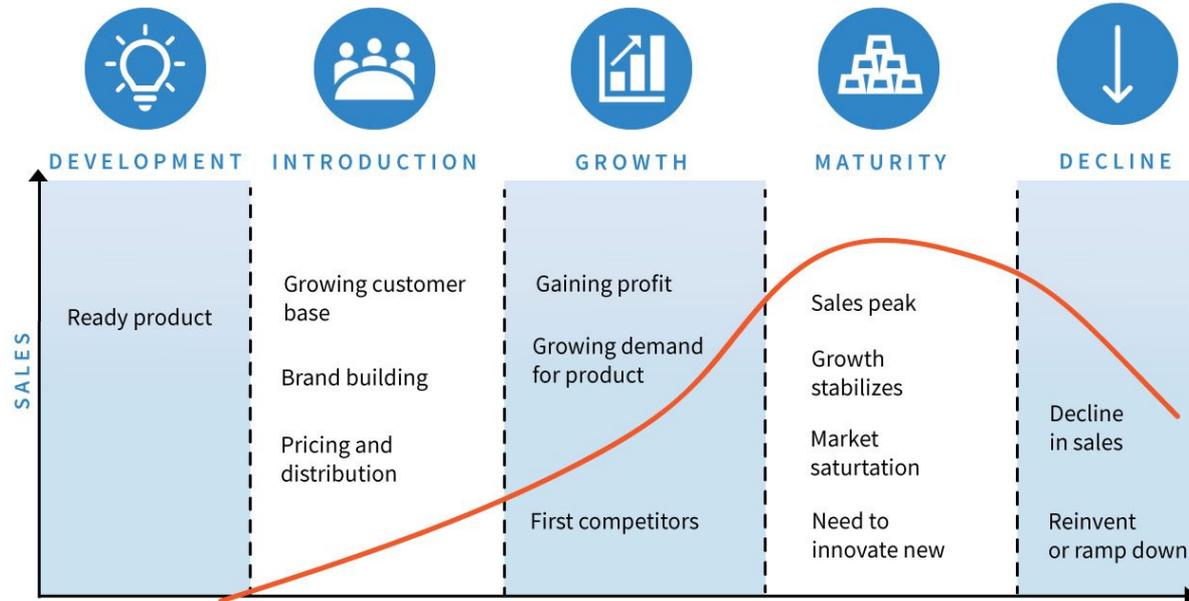
An important part of being financially sustainable, is to recognize the situation in which your innovative product is in. **What does this mean?**

As an entrepreneur, you need to be familiar with the product life cycle. The success and progress your company makes will change in rate as your innovative product passes through the life cycle.

Why does the product life cycle help to increase financial sustainability? One of the key aspects to financial sustainability is generating enough revenue from sales, so knowing the life-cycle is a valuable asset in predicting sales for the future.

Activity Time!

Look at some of the characteristics of the product life cycle graph to the right. In your entrepreneur journal, guess where your product currently is in the simulation.



Product life Cycle

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1. Introduction Stage

- a. Slow sales volume to start
- b. Makes no money at this stage

2. Growth Stage

- a. Profitability begins to rise
- b. Increased competition leads to decrease prices
- c. Costs reduced

3. Maturation Stage

- a. Brand differentiation is needed to keep market share
- b. Sales volume peaks and competitors increase

4. Decline Stage

- a. Sales volume decrease
- b. Profit becomes more of a challenge

The important of gaining capital to get to the growth stage

Capital is a fancy term for money. In order to generate revenue to be financially sustainable, you need to increase your sales. This means getting out of the introduction stage and going to the growth stage. You often need support to get out of the introduction stage to cover expenses which will help you stabilize your company.

Support often comes in the form of loans or investments into your company. As an entrepreneur, you need to be aware of this in order to be on the path to financial sustainability.

Video Time

Watch this short video on how start-up companies like yours can get the capital needed to reach the growth stage.



Managing Expenses

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Never forget the importance of managing your expenses! Without being able to keep your expenses low and manageable, the revenue you generate through the sale of your product won't let you be financially sustainable.

The best way to do this is be organized, and don't make unnecessary purchases for things which you could have otherwise avoided.