



**ICE**  
TRUSTED IT PARTNER



# 6 HIDDEN BIOTECH STARTUP COSTS

## 1

## UNINFORMED PURCHASING

Accepting list price, which is the cost the supplier lists in their catalog or on their website, could result in you having to pay an additional 15 to 30% for your supplies and equipment.

Consumables made of plastic, for example, are often overcharged by as much as 83.3%. For instance, depending on the source, the list price of a 175 mL cell culture flask might range from \$30 to almost \$200. If you don't do your homework and compare prices, you'll never know how much money is squandered.

Similar to buying a car, purchasing pricey lab equipment should involve comparison shopping and haggling. Although the procedure requires an initial time investment, skilled haggling can help a business save thousands of dollars. Suppliers are constantly ready to lower their pricing (particularly towards the conclusion of a quarter to fulfill sales targets).

One to two months before you need the equipment, start your shopping. This will assist you in avoiding wasting significant amounts of time negotiating with suppliers and accepting a higher price.

Make it easier to deal with sales reps by preparing, in advance, your responses to the following items:

- Intended use
- Frequency
- Number of users
- Features
- Warranty

A minimum of two suppliers should provide quotations; this process can take one to three weeks. Eliminate any line items that are unnecessary (the aforementioned list will be useful for this). then get prepared to bargain. Here are some suggestions and talking points:

- Verify the features you anticipate receiving. Ask the sales representative if you have any questions regarding the quote.
- Carefully read the fine print and enquire about the service agreement and guarantee being supplied. It's possible that the service contract's duration exceeds what your business requires. Think about if a two-year warranty is enough. You can then purchase the service contract or a new device if your business is still operating after two years.
- To get your pricing as low as you can, use all quotations as negotiating tools.



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## SHIPPING AND TAXES

If your background is in academia, which is tax-exempt and frequently receives free shipping from many suppliers, it is simple to forget about shipping. In practice, shipping and taxes for a four-person lab can easily cost \$1,400 per month. Fortunately, since taxes are typically a fixed rate, they are simple to plan for.

Follow these three easy measures to reduce shipping costs. To avoid having to overnight anything, first make a plan. Costs for expedited shipment can increase between \$50 to \$100. Additionally, anxiously anticipating your thing adds unnecessary tension. additionally, it might not even arrive on time.

Second, dissect shipping expenses by producing a straightforward graphical breakdown similar to that in Figure 1. These facts will support your request for a discount in addition to helping you plan for the future: "Company Y, I've already spent X dollars with you this year. Can you lower the order's delivery costs?"

Third, never undervalue the influence of bargaining. Free delivery offers on purchases exceeding a particular threshold are typical. Once you spend a certain amount with a provider over the course of a year, you might be able to negotiate free shipping.

## 3

## LATE-ARRIVING ORDERS

Has the late arrival of a reagent or supply ever caused an experiment to be postponed? It is not a significant deal in academia. However, in the world of startups, each day that goes by gets the business one day closer to running out of money. Therefore, obtaining a wage or working for free could depend on late and inaccurate orders.

Since you do not have a purchasing department to guide you, it is crucial to learn more about the product before completing the order.

*Distributor or Manufacturer?* When ordering through a distributor (like VWR), enquire as to whether the product is already in stock or is being shipped directly from the manufacturer (like Corning). Due to a lack of clear communication between the two sides, distributors' estimates for direct from manufacturer products, also known as "drop shipments," are frequently inaccurate. Protect your time by calling the manufacturer to make sure the items are in stock and available for shipping if you know the product is coming directly from them.

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*Chronic Offenders* — For things that are delayed, keep a log of the item type, the supplier, and the duration of the delay. This will enable you to negotiate item or delivery prices in the future and help you identify which vendors to stay away from.

## 4

## ACCOUNTING

Another area of startup management for which scientists are frequently unprepared is accounting. However, because startups operate on a tight budget, keeping track of spending on a daily and monthly basis is essential to calculating the company's runway, or how long it will be until it runs out of money.

Set up a few hours each week to handle cost reports, consolidate receipts, and reconcile bills. With regular examination, you will commonly find errors and unnecessary costs you may simply cut back on.

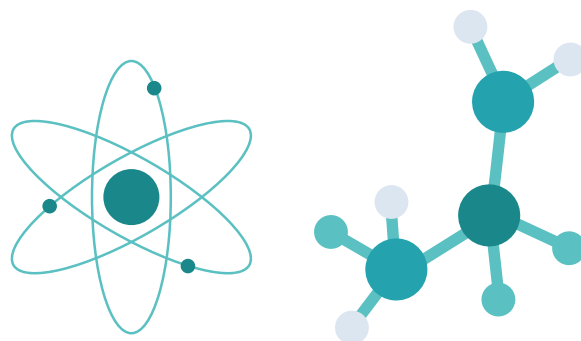
It will be simpler to analyze your expense report (Profit and Loss) and determine the average monthly spending (burn rate) with the aid of an online management application. Make sure to account for unforeseen costs, such as faulty equipment, preparation for lab inspections, or new data analysis software, by adding an extra 10 to 15% to your burn rate.

## 5

## DISCOUNTS

Discounts are offered by vendors to appeal to frugal customers. Sadly, the "discount" might not be as beneficial an offer as it first appears. For the same product, list pricing can differ dramatically amongst providers.

A 20% discount on a \$1000 item is significantly worse than no discount on a \$500 item. Shop around and bargain to protect your budget.



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## RETURN POLICIES

Whether you entered the incorrect catalog number, modified a protocol, or ordered PBS 10x rather than 1x, you will eventually need to return something. The price of a return can differ greatly. While some businesses just charge for return shipping, others may also impose a restocking fee that is often in the range of 15% of the item's cost. This makes it even more important to study and comprehend a return policy before making a purchase as these fees are inescapable and non-negotiable.

## MAKE IT HAPPEN

The startup industry has it challenging. The company's founders, partners, and workers put in a lot of effort, put in long hours, and battle every day to keep it alive. You can concentrate on science, data analysis, and investor presentations by being aware of these hidden costs and making the necessary preparations.



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