

# Bootstrapping Your Startup: Attracting Resources in a Post-VC Era

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# Series A Venture Funding

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- Once upon a time, all you needed was a good story and a good team to attract investors.
- Today, you need:
  - » A good story
  - » A good team
  - » Customers
  - » Revenues
- This is a classic Catch-22.

# Bootstrapping Is The Answer

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- The only way to escape this Catch-22 is to bootstrap your startup on very little cash.
- This IS possible!
- The fundamental technique is to time-shift your payables into the period when you have revenues starting.
- The supporting technique is barter.

# Startups Require Many Resources

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- People (Salaries)
- Workspace (Rent & Utilities)
- Software & Hardware
- Sales & Marketing (Travel, Creative & Media Expenses)
- Professional Services (Legal, Accounting)
- Inventory

# People

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- Deferred Salary
- Sweat Equity
- Importance of Options over Stock Grants
- Document everything
- A letter will suffice in lieu of an option plan
- Plan for high turnover

# Workspace

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- Virtual company from networked homes
- Incubate at another company in return for services
- Incubate at an Incubator
  - » Full Service
  - » A La Carte
- Sublet

# Software & Hardware

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- Match Revenue and Expense
- Ask for creative help
- Barter
- Story of InTouch Software

# Sales & Marketing

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- Sales
  - » Pay on pure commission
  - » Manufacturer's Reps
  - » Book travel on the Internet
- Marketing
  - » Pay on a percentage of revenues
  - » Kickstart Alliance



# Professional Services

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PS firms want to get you while you are young:

- Incubation Programs
- Deferred Billing
- Payment in Equity

# Inventory

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- Consignment
- Long payment terms
- Customer pre-payments
- Secondary market deals

# Scrounging

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- Buy nothing new
- Use the Internet
- Find downsizing firms
- Bankruptcy Auctions & Liquidators
- Follow new sales to get second hand equipment (Positive's Furniture)

# Barter

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- You have a product or service
- It has an economic value
- Trade it
- Time-shift the trade if necessary

# Alternative Sources Of Funding

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- ~~Credit Cards~~
- ~~Factoring~~
- ~~Employees & Partners~~
- Second Mortgages
- Vendors
- Customers

# Vendors

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- Getting terms to match your Cash Cycle
- Involuntary payment terms
- Voluntary payment terms
- Credit Line
- Investment

# Customers

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- Down payment
- Pre-sell
- Long term contract
- Investment

# Karma

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- A bootstrapped company runs on faith and trust, not cash.
- Keep the faith, be worthy of the trust.
- People have to believe in YOU.
- Good Karma is its own reward.
  - » Story of Tadiran



# Story of Qordia

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- People (5) \$0K
- Hardware (8 Servers) \$6K
- Software (5 major enterprise packages) \$0K
- Workspace & Telecommunications \$0K
- Sales & Marketing \$0K

# Summary

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- Bootstrapping is a viable method for getting around the funding Catch-22
- Chutzpah is required!