

## BOOTSTRAPPING MENTORING AND CONSULTANCY

### Connects' Bootstrapping Support Services

Connect is perhaps unique in offering support to entrepreneurs through Bootstrapping Consultancy and Mentoring. It can be delivered in two ways:

- Consultancy – Fees from actual sales over a fixed number of years.
- Equity Model – KANES equity support where a bootstrapping approach is taken.

### Definitions

- The art of starting a business with little or no external funding.
- The best funding comes from customers, not investors.
- Bootstrapping is about incremental growth based on **actual** sales.

### Rationale

The conventional approach to helping create businesses is to lead new entrepreneurs down the path:

- Create idea or invention
- Develop outline business plan
- Develop detailed marketing plan
- Cost the business process and produce a cash flow document that indicates the funding required
- Obtain the funding from Banks, Angels etc.
- Launch the marketing plan
- Employ salesman
- Sell the product and implement the business plan

Strangely most businesses start at the bottom with identifying clients and markets and working backwards. This is the basic of bootstrapping. To obtain external funding pre-revenue is near impossible. By taking a bootstrapping approach, it is still possible to create a successful business – Bill Gates took this approach in Microsoft by securing his major client, IBM, before he had fully developed the product he was going to sell to IBM. Dell was started with \$1,000. Connects' bootstrapping services help entrepreneurs by aligning their approach to the bootstrapping policy of finding sales and a route to market, without increasing fixed overheads.

## **Action Plan to Prepare the Clients**

1. Decide what you're selling and to whom. Outline the key features and benefits of your product or service on a single sheet of paper.
2. Identify potential customers and how to contact them.
3. Contact potential customers and start asking for orders. Of course, don't mislead customers about a service or a product that is not yet available, but don't let that stop you from asking for their business.
4. If your potential customers are not willing to buy the most likely initial outcome – find out why. Take that information and update your product or service description. Return to steps 2 and 3, until you believe you have the right idea.
5. Make a list of 20/30 ways you can promote your product at little or no cost.
6. Work out what product or service features have the best value proposition that you can deliver initially with your limited resources. Try to identify the minimal set of features or capabilities that will allow you to get your first customers. Make those features or capabilities your first product or service. You can always add more once the revenue stream has started.
7. When you have prospects willing to spend money, start making and delivering your product or service. Be careful not to spend more time than absolutely necessary. Your primary time and effort should still be devoted to selling. Try to get these initial customers to pay all or part in advance.
8. Grow your business incrementally. Add phones, workspace and employees only when necessary and only when you already have the money. Concentrate on sales.
9. When sales take off, pull out the sledgehammer. Increase sales activity and interaction.
10. Always remember to celebrate your successes.
11. Review progress and prepare a list of the ten most attractive business propositions and chose 1/3 of these.

## **Bootstrappers Aptitude Test**

It is valuable to check ones own aptitude and potential clients – see Appendix A – An Aptitude Test. The individual questions and “correct” response gives a good idea to the entire approach. To align oneself to bootstrapping is may be necessary to change perception and approach.

## **Why is Bootstrapping Better than Conventional External Funding**

1. Quickest and surest way to build a solid business – far more likely to be a successful approach.
2. Excess cash can delay the painful job of selling.
3. Eliminates wasting money.
4. Eliminates wasting time.
5. Cannot make a fatal financial mistake.
6. Lowest risk technique.
7. No equity “given” away.
8. Starts with independence and freedom of action.
9. Having no money forces unconventional (innovative) thinking.

## **Why the Focus on Sales?**

1. You learn quickly whether your business idea is viable.
2. You get to talk to customers at your earliest possible opportunity.
3. You soon learn who your likely customers will be.
4. You learn what your customers **really** want and how your product can be improved to meet these needs.

## **Bootstrapping Avoids the Myths of Starting a Business**

### *Myth 1*

I need to use fee based lawyers, accountants and consultants.  
Use volunteer mentors or a bootstrapping Consultant.

### *Myth 2*

I need to use marketing agencies.  
What you really need is a group of satisfied and loyal customers.

### *Myth 3*

I must order some glossy colour brochures.  
Use PDF sent electronically and/or refer clients to your website.

#### *Myth 4*

I need to buy brand new.

It is possible to utilize used equipment in most cases.

#### *Myth 5*

I need to plan cash flow for 2/5 years.

Bootstrappers use periods of 3/6 **months**.

#### *Myth 6*

Customers rarely identify innovation, but they will tell you their “pain points”.

### **Why do Bootstrappers avoid Conventional Market Research**

1. Market Research is too costly
2. Market Research is very indirect
3. Market Research is time consuming
4. Market Research is notoriously inaccurate

Why organise a focus group to ask a prospective customer if they would buy a product, when you could just as easily ask them yourself and build those all important, one-to-one business relationships at the same time.

### **Advertising and PR**

Bootstrappers also do not advertise as it rarely creates **new** markets.

Bootstrappers **do** use the press and spend a lot of time to ensure their message gets coverage:

1. Identify the ten most important publications read by your target customers.
2. Identify the key journalists who cover your particular sector in these publications.
3. Write down the five most newsworthy aspects of your business.
4. Identify the five elements of your business that would make a good photo and have them taken ready for journalists.

### **Expansion**

As you take on new employees make sure they will follow the bootstrapping philosophy. Get them to answer the questions in Appendix A.

## APPENDIX A

### The Bootstrapper Aptitude Test

The following multiple-choice test will determine if you are a natural Bootstrapper:

1. When starting a business, what should you do first?
  - a. Write a business plan and then try to raise money.
  - b. Call lots of people to help you understand the issues in your market.
  - c. Develop a prototype of your product idea.
  - d. Hire a marketing consultant.
  
2. You have an idea. What should you do next?
  - a. Implement the business plan.
  - b. Rent office space and buy used office furniture.
  - c. File for a patent
  - d. Communicate your idea to 300 people in writing and then call each one.
  
3. If you know you have a good product idea, what should you do next?
  - a. Find a good intellectual property lawyer to protect your idea.
  - b. Build a prototype and personally start selling it.
  - c. Try to raise money.
  - d. Hire a salesperson to sell your product.
  
4. You find someone who is interested in your product or service. You should:
  - a. Explain that you would like to have her join your beta test programme.
  - b. Try to get her to place an order.
  - c. Tell her you don't have a product available yet.
  - d. Tell her all about the features you are going to add to the product.
  
5. Someone wants to buy your product, but he needs it to do a few more things in addition to its current capabilities. You should:
  - a. Tell him it won't do those things.
  - b. Get him to pay for the enhancements.
  - c. Take the order and tell him it will ship in four weeks.
  - d. Explain why those things are difficult to do and convince him to buy the current product.

6. A major publication calls saying it is writing a big article about your product and wants you to buy an ad in the same issue of its magazine. You have enough money for the ad, but not much more. You should:
  - a. Buy the ad.
  - b. Tell the caller your advertising budget is already committed.
  - c. Tell the caller you don't have enough money.
  - d. Tell the caller to get lost.
  
7. You're still just getting started and Dun & Bradstreet calls asking for company information and detailed financial data. You should:
  - a. Give the information.
  - b. Politely decline.
  - c. Refer D & B to your accountant.
  - d. Don't return the call.
  
8. A major potential customer says she wants to fly to visit you, but you're still working out of your house. You should:
  - a. Tell her you are just getting started and don't have an office that will accommodate a visit.
  - b. Rent office space prior to the visit and get your family and friends to occupy all the desks.
  - c. Tell her you will be travelling the week she wants to visit.
  - d. Borrow your accountant's office and hang your shingle over his the day of the visit.
  
9. You're the only person working full-time in the business and you're asked how many employees you have. Say:
  - a. We have 50 employees.
  - b. We have 20 employees.
  - c. I'm the only one.
  - d. We have six people involved in the business.
  
10. You've just made your first sale and generated your first monthly profit. You should:
  - a. Give yourself a raise.
  - b. Get that bigger office you have wanted.
  - c. Throw a party.
  - d. Hire a consultant.

## Analysis of the replies given to The Bootstrapping Aptitude Test

QUESTIONS	ANSWERS
1	B
2	D
3	B
4	B
5	B or C
6	B
7	B
8	A
9	D (Spouse, Accountant, Lawyer yourself etc.)
10	C

Exceptions – Question 3 (A) - There are of course cases with an invention that it should be registered before processing and in some cases NDA would be signed before giving details of the product.

- 0/2 Correct – The other end of the spectrum to a national bootstrapper.
- 3/5 Correct – A big company may be your natural home.
- 6/8 Correct – With help from a bootstrapping consultant you will make it.
- 9/10 Correct – A natural bootstrapper – Go for it!