

Bootstrap Your Business to Success

Bootstrapping can be defined as “a variety of ingenious methods that find resources, maximize their efficient use, and minimize the explicit costs associated with using these means whether they are found inside the business, obtained from other people, or provided by other companies and organizations.”¹ In other words, bootstrapping involves creative ways to find money and needing less money to succeed. Whether you barter, modify payment terms, or do a “reality check” on expenses, entrepreneurs know there are countless ways to sharpen the pencil and save money.

Check out some bootstrapping inspiration below:

Using Space Creatively

Concerned about spending too much on office space? This is a major area where entrepreneurs get creative and reduce expenses with home offices, coworking space, and more:

HOME OFFICE

Home offices reduce your commute time, allow for flexibility, and can allow for some great write-offs. Check out the *More Resources* section at the bottom of this page for information on home office write-offs.

“We built out our garage and now it’s our office, and we save money on office space and we get to take a write-off. We have a post office box as our business address, and we have meetings at client sites or a cafe.”

—U.S.-Based Entrepreneur

COWORKING SPACE

The movement of collaborative and shared working spaces has taken off across the country. There are spaces that cater to specific industries such as tech start-ups, as with **Capital Factory** and **The Riveter**, which have a women entrepreneur focus.

“We set up camp at a local office share for a lot less than we were spending to rent our own office space. We don’t need a dedicated office, so it’s really quite affordable. We also have plugged into a great community with other entrepreneurs who are in the space and events that are hosted in the space.”

—U.S.-Based Entrepreneur

OTHER CREATIVE SPACE SOLUTIONS

Even the most unconventional spaces can be utilized as office space according to this entrepreneur:

“I have a nutritional supplies company, and I set up in a dermatologist’s office. They let me use their massive supply closet—for storage and private meetings—for next to nothing, and I refer them all kinds of business (and vice versa) because we serve similar client types.”

—U.S.-Based Entrepreneur

Bartering

You can barter almost anything. ... The question is: Do you have a product or skills and expertise that someone else wants or needs?

SERVICE BARTER

Have desirable expertise? A service barter might work for you:

“My massage therapist wanted a consultant to help with her business plan. I helped her with her business plan, and guess what I got in return? Yesssssss ... that’s right.”

—U.S.-Based Entrepreneur

PRODUCT TO SERVICE BARTER

You have a product, they have a service. Here is one example of how an entrepreneur bartered:

“We mark up our uniform products. That’s how we make money. One day, our accountant told me he wanted shirts for his entire company. We sold them to him at cost. The profit we would have made? He did our taxes for free that year.”

—U.S.-Based Entrepreneur

Marketing and Branding

According to research by LinkedIn, four in five small businesses now use social media. And of those with social media accounts, 94 percent use them for marketing.² Whether you're a newbie or better at utilizing your social capital or doing your own market research, marketing and branding is a key category for entrepreneur bootstrapping.

PUT CUSTOMERS TO WORK

Give customers a discount for doing an online review of your product or service. Get them involved by asking trivia questions or having contests on social media. The ways in which entrepreneurs can turn customers into ambassadors are limitless.

"We decided to use a scavenger hunt as a low-cost form of social advertising. We posted clues on Twitter and Facebook and then asked our customers to post pictures of the objects they found in our store. It drove foot traffic to our brick-and-mortar location and has helped increase our sales."

—U.S.-Based Entrepreneur

BE YOUR OWN PR AGENT

Thinking of hiring a PR firm? Maybe you can defer this expense and keep it in house.

Maureen Kelly had just launched her cosmetic line in New York, when she was invited to a press conference at Henri Bendel, a New York-based perfumery. She found herself in a room full of publishing and celebrity personalities. Maureen was able to network with many of these influencers, who then wrote about her in their magazines and blogs, offering her opportunities such as a coveted cover on Self Magazine. The exposure at this event brought orders from national high-end department stores, such as Bergdorf Goodman. The only marketing that Maureen paid for was the use of WhoRepresents.com to find agents for celebrities to mail them samples of her products. One of these celebrities was Oprah Winfrey, and as a result of this marketing, Tarte Cosmetics turned up on Oprah's O List.³

Creative Hiring/Compensation Structuring

Tight on cash? Some entrepreneurs structure employee compensation to conserve cash. See the examples below:

EMPLOYEES WORK FOR EQUITY

Employees who are interested in throwing their hat into the entrepreneurial ring may enjoy the prospect of being paid, in part or whole, in equity. It's also a signal of faith in the company and themselves. Things you'll need to consider when introducing equity sharing into your business:

- Since employees will now be part owners of your company, they must be included as such.
- Seek out legal and financial advice to help calculate the value of your company so you will know how much equity to share.

"We wanted to hire an MBA and knew we couldn't afford the starting salary. To get this person on board, we offered her a great title in addition to equity in our venture."

—U.S.-Based Entrepreneur

RESOURCES

For equity sharing, there are many free resources to help determine how much equity should be parceled out per role and per task in your organization. Check out the *More Resources* section at the bottom for ways to share equity with your team.

EMPLOYEES WORK FOR COMMISSION

Some salespeople will agree to work on a 100 percent commission basis. While it may help you financially, you'll have three challenges to manage.

1. Finding salespeople who are willing to work solely for commission may be more difficult.
2. You'll need to write a commission agreement that benefits you and the salesperson.
3. This pay structure sometimes leads to a tradeoff between individual gain and company loyalty. Company culture will need to be carefully managed.

"We ran into some real financial trouble about 10 years ago. All of our salespeople agreed to work on commission, instead of base and commission. Most of them actually make more money with this deal. It was a win-win."

—U.S.-Based Entrepreneur

RESOURCES

For information about the regulations affecting the payment of commissions, visit the More Resources section at the bottom of the page. (State and local laws may apply.)

INTERNS AND INTERNSHIPS

Look at local colleges and universities for interns. Be aware that some internship programs require that the interns be paid. You will also need to plan the time to teach and manage your interns.

“We were a tad disorganized when we hired our first intern. She was very organized, which was not something we were looking for—but should have been. She came along as we met with a software vendor to build our platform. What a learning experience! She loved it. Her organizational skills kicked in, and she really helped us manage the details and stay on top of our due dates.”

—U.S.-Based Entrepreneur

OUTSOURCING AND FREELANCING

Need an expert, but not quite enough for a full-time job? Outsourcing can be the way to go:

“We were having a launch party and I wanted to integrate our logo into a launch party logo. We don’t have an in-house design team, so I put the request out on a freelance site and got 10 responses. It was amazing.”

—U.S.-Based Entrepreneur

Suppliers and Terms

REVERSING CASH FLOW

Tough payment terms in your industry? Learn what one entrepreneur did:

“We used to pay manufacturers 50 percent at the time we ordered. Our clients wouldn’t pay us for about two months ... after they got the product! We were cash poor. We started reversing our cash flow cycle. First, for orders that fell below a certain threshold, the client could pay with the company credit card. So that was money we got right away at the time of order placement. Second, we changed our client payment terms to 30 days. We still continue to look for solutions in this area. It’s almost fun.”

—U.S.-Based Entrepreneur

CHANGING SUPPLIER TERMS AND TRADE CREDITS

It might be the need to free up cash flow or save money, or an emergency situation, that requires a renegotiation of your payment terms with a supplier.

Tip: Be prepared to explain your financial situation and negotiate a deal before you go to the supplier to discuss this option. Your cash flow statement is the perfect tool to help you project how changing terms might work.

“We explained to our supplier that times were tough. We could not afford to pay them everything we owed them. We knew the owners and actually had a great relationship with them. One of them hopped on the phone with us and said, ‘Look—we extend credit to certain clients. You all have brought us a lot of business over the years. Why don’t we just put you in that program?’ We were very relieved.”

—U.S.-Based Entrepreneur

“We were having an event, and in talking to all the vendors we learned that one would offer us a 15 percent discount if we paid up front and did not use a credit card. We saved a lot of money, and then we went back through our list of other vendors to see if this was possible. We found two more who had terms like these, and saved about \$3,500.”

—U.S.-Based Entrepreneur

Equipment

EQUIPMENT SUPPLIERS AND LEASING SOLUTIONS

For the high-priced must-haves, such as your company’s transportation, storage space, large-scale printers, etc., leasing may be your best option.

“I negotiated my leasing terms for my delivery fleet and got them to work with me on a lease-to-own option, and now maintenance is included into our agreement.”

—U.S.-Based Entrepreneur

“We have barely any revenue in February and March, so making monthly payments on equipment was killing us. So, one day we asked the company if they leased their equipment. They did. This allowed us more flexibility in our payments. Now, we don’t rent anything in February and March, and we have no payments due as a result.”

—U.S.-Based Entrepreneur

Other Creative Solutions

GYM OR OFFICE SHARING WITH CHILDCARE

When looking for a new office or signing up for a gym membership, search for ones that offer childcare services.

“I’m a work-at-home mom and I started my own business about two years ago. Once my daughter stopped napping, there went my designated work time. I recently joined a gym that has childcare for two hours. I work out, and then sit at a table with my computer and get a smoothie. It’s gone from being a challenge to something truly enjoyable.”

—U.S.-Based Entrepreneur

“We started a company that lets parents bring their kids in to the coworking space. It’s a lifesaver for many of our clients and a service we love providing.”

—U.S.-Based Entrepreneur

TWEAKING EXPENSES

Take a hard look at what you do and don’t need. Look at your recurring expenses—can they be reduced or eliminated? Closely examine your profit and loss statement (income statement).

“Somehow a recurring expense for a music subscription had gotten on our business credit card. How did that happen? Someone clicked the wrong button, clearly. We eliminated that and saved several hundred dollars per year. Next, we looked at the itemized wireless bill, which was on auto-pay. There was an additional cost that we had never approved getting charged to us each month for a firewall. We had our own firewall software! We called the company and got a refund going back several months, and are now saving that cost going forward. Just these two things added up to a substantial savings.”

—U.S.-Based Entrepreneur

DOMAIN HOSTING

Shop around for hosting services. Many plans tack on additional services that aren't necessary, and you can usually get a discount if you pay for a year in advance versus monthly payments.

We looked at the bill from our domain host one day and said, ‘This is a lot, I wonder if there is anything we can do.’ We just called them up and, sure enough, they had a discount program and we qualified for it. Unbelievable that it was that simple and we didn't do it sooner.”

—U.S.-Based Entrepreneur

Now that you've had a chance to review a variety of bootstrapping tips and inspiration, create a list for your business and brainstorm ways you can achieve your goals with bootstrapping. Set a deadline for yourself, and track your progress.

Bootstrapping Brainstorm and Plan

Category	Ideas	Action Steps	Target Date
Bartering	<i>Example: Have my brother-in-law do some legal work for me and in exchange I will update his website.</i>	<i>Example: Write up an informal contract listing our bartering system and time requirements.</i>	<i>Example: Goal to have this completed by the end of December.</i>
Creative Use of Space	<i>Example: Rent out my garage apartment to offset some of the costs of my business.</i>	<i>Example: Use social media and my neighborhood website to advertise my garage apartment.</i>	<i>Example: Get renter into space in the next two months.</i>

DID YOU KNOW?

Sara Blakely used bootstrapping techniques for the first couple of years when she was building the foundation for her body-shaping undergarment business, Spanx. She wrote and filed her own patent application after discovering that the cost of hiring a patent attorney was \$3,000–\$5,000, which was all the money she had at the time.⁴ After she created the prototype, she used her friends and family as models and designed the packaging on a friend’s computer. As of 2016, Spanx has made \$400 million in sales and Blakely has retained 100 percent of her company, not using any funds from outside investors.⁵

The International Reciprocal Trade Association (IRTA) reports worldwide bartering volume to be \$12 billion–\$14 billion. It is estimated that 50 percent of this is made up of countertrade (usually between sovereign governments and focused on import and export of commodities), 30 percent is corporate bartering, and 20 percent consists of retail bartering.⁶

MORE RESOURCES

Interested in Home Office Deductions?

<https://www.irs.gov/businesses/small-businesses-self-employed/home-office-deduction>

Equity Sharing

Two Ways to Share Equity with Your Team

<https://www.inc.com/jim-schleckser/two-ways-to-share-equity-with-your-team.html>

Commission Regulations and Requirements for Employers

<https://www.dol.gov/general/topic/wages/commissions>

Commission Fact Sheet

<https://www.dol.gov/whd/regs/compliance/whdfs20.pdf>

Bartering Alliances and Fact Sheet

<https://www.irta.com/about/strategic-alliances/>

<https://www.irta.com/about/irta-fact-sheet/>

- ¹ Lynn Neeley, *Bootstrap Finance*, Entrepreneurship: The Way Ahead, 105–116, Harold P. Welsch, 2004.
- ² David Master, *A Brief Introduction to Bootstrapping Your Marketing*, Envato Tuts+ (Dec. 15, 2014), <https://business.tutsplus.com/articles/a-brief-introduction-to-bootstrapping-your-marketing--cms-22758> (accessed Jan. 23, 2019).
- ³ *10 Tips for Bootstrapping Your Marketing*, Inc.com, <https://www.inc.com/guides/2010/06/tips-for-bootstrapping-your-marketing.html> (accessed Jan. 23, 2019).
- ⁴ *How Spanx Got Started*, Inc.com (Jan. 20, 2012), <https://www.inc.com/sara-blakely/how-sara-blakley-started-spanx.html> (accessed Jan. 15, 2019).
- ⁵ Guadalupe Gonzalez, *5 Famous Companies that Bootstrapped Their Way to Success*, CNBC (June 6, 2017), <https://www.cnbc.com/2017/06/06/5-famous-companies-that-bootstrapped-their-way-to-success.html> (accessed Jan. 15, 2019).
- ⁶ *The Barter and Trade Industry*, International Reciprocal Trade Association, <https://www.irta.com/about/the-barter-and-trade-industry/> (accessed Jan.15, 2019)).