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Get Your Money's Worth

We show you 10 ways to save during startup--and which investments are worth the splurge.

By Nichole L. Torres | [Entrepreneur Magazine - August 2008](#)

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If you're like most aspiring entrepreneurs, you're probably not overburdened with wealth. So to start your business, you're going to have to be extra frugal with what little money you have. "In the beginning, when you're trying to build the business, you really do want to save on your expenses to make whatever money you have last longer and to give your business more of a shot," says Jamila White, co-founder of [The Bootstrap Babes](#), a blog full of ideas and money-saving advice for entrepreneurs. Check out the following cash-stretching tips from experts and these inspiring in-the-trenches tales from bootstrap entrepreneurs who are now making millions.

1. **Live cheaply.** Ryan P. Allis, 23, and Aaron Houghton, 27, were still in college when they got the idea for iContact Corp., a Durham, North Carolina, e-mail marketing service company they started in 2003. Allis remembers the earlier days: "We were living in the office, sleeping on futons, cooking on a George Foreman Grill and eating a lot of ramen noodles. It was the classic bootstrapping experience," he says. "We did whatever we had to do to save money and grow our revenue." Going dumpster diving for the proof-of-purchase on a discarded office chair box was one bootstrapping highlight; it was for a \$50 rebate from Staples, says Allis. Today, iContact Corp. brings in annual sales of about \$15 million.

Being a smart shopper for both business and home goods can help you save even more money to help build your business. Search for online coupons for everything you need--from office supplies to household food items, says Donna Maria Coles Johnson, the other half of The Bootstrap Babes, who notes that while large savings are possible, even small savings can add up.

2. **Use creative financing.** Bootstrapping a business means not seeking venture capital--but you can use your own capital and money from family and friends, says White. Also, look for free money in the form of grants and prizes from business plan competitions. "That's money [you] don't have to pay back or answer to any investors for," says White. "There's money out there, especially for women- or minority-owned businesses." Check out local business incubators, economic development centers and Small Business Development Centers for information on free money that could be available in your area.
3. **Start small.** The larger your first product line is, the more money you'll have to spend to get it launched. Don't think you have to hit the big time just out of the gate with huge mass-market appeal. Focus on a manageable number of products and services that you can produce with the cash you have on hand. Says Coles Johnson, "Research your industry and identify your niche."
4. **Put money toward revenue-producing elements.** The key to starting on a slim budget is using your limited resources wisely. Spending money on

Don't Skimp On: Vital Technology

Though there are many low-cost technology solutions, what you should splurge on is the core technology that's vital to your business. Perhaps you're an e-mail marketer so you need a superfast laptop with top-shelf internet connectivity. "The key is not being penny-wise and pound-foolish. You can bootstrap so much that you're not making smart business decisions," says Michael Kriz, founder of Acclaro Inc. "Our approach was always, if there's something that's a good value, spend the money on it. But if it's something that won't significantly affect your business, then don't spend on it."

crucial employees helped Michael Kriz, 41, launch Acclaro Inc., a provider of translation and localization services to businesses operating or expanding overseas. Armed with a background in the translation services industry, Kriz launched in 2002 and used his vast network of contacts to hire only for positions that directly related to immediate revenue. "We were very short on funds to begin with, so when we had a paying customer for a [particular] service, we hired for that service," says Kriz. "We weren't hiring on spec. Everything was to get somebody to commit [to buying] the work, then hiring the people to fulfill that work."

5. **Market through media and word-of-mouth.** It's one of the cheapest yet most effective ways to market your business: getting other people to do it for you. Seek out small local media outlets to begin with, says Coles Johnson. To get your business name out there, offer yourself as an expert source for journalists at local TV stations, newspapers, community publications and trade publications. "Find out what media outlets are in your area and find out if there are ways you can make a contribution," she says.

Not spending money on marketing was another tactic Kriz used to save during startup for his Irvington, New York-based company. He trusted that providing top-notch service would inspire repeat business and referrals from satisfied clients. Kriz also focused on reaching out directly to targeted prospective customers to drum up business in the early days-- a strategy that has helped him push annual sales to \$10 million and build offices in Boston, San Francisco, Paris and Buenos Aires, Argentina.

6. **Staff smart.** You may not have the capi-tal to pay a full-time salary, but you might have just enough to get some contract or temporary help. Kriz hired contract help for some of the administrative functions of his business. For example, he paid a freelancer \$1,000 to design Acclaro's website, but Kriz and his small staff wrote all the content themselves.

An expert in staffing herself, Allison O'Kelly came up with clever hiring solutions when she started Mom Corps Inc., a staffing business that connects companies with the flexible employment market (e.g., moms who've opted out of traditional workplaces). Since starting in 2005, this Marietta, Georgia, entrepreneur has hired several contract employees, which helps keep overhead down. "All my employees work from their home offices, so they use their own home computers and phones, and we don't have any infrastructure costs," says O'Kelly, 35. "We also hire salespeople on a commission basis and pay them when they actually make money for the company." What's more, O'Kelly is a trained CPA, so she's never hired an outside bookkeeper--she does it all herself.

7. **Negotiate the best deals.** What many startup entrepreneurs don't realize is that everything is up for negotiation--from technology costs and merchant account fees to your web designer and printing company. "Just because something has a sticker price doesn't mean there isn't some room for negotiation," says White. "The worst thing they can do is tell you no, but too many bootstrappers don't even ask." And if you're paying cash, you're in an even better position to negotiate the best deal, adds Coles Johnson.

O'Kelly, whose company earns annual sales of about \$2 million, negotiated with vendors in the early days to help keep costs manageable. Says O'Kelly, "You can say, 'Hey, I don't have that much money to do this. I only have this much. Are you available to do it for that much?'"

8. **Look for inexpensive technical tools.** There are so many low-cost and no-cost software solutions out there--all you have to do is look. For example, data backup from [Carbonite](#) only costs about \$4 a month. "[Ten years ago], tools for online marketing were few and far between, and they were really expensive," says White. "Now the tools are way more user-friendly and very affordable."

Use every technology you can find to build and market your business inexpensively--from blogs to e-mail newsletters. Says Coles Johnson, "Today, bootstrappers have a lot of the same technology at their fingertips that large, better-funded companies have."

9. **Use credit cards wisely.** While the whole purpose of bootstrapping is to avoid getting into debt, there are benefits to making smart credit card purchases. Look for personal or business credit cards that offer rewards points or cash back on purchases you need to make for your business. "Be really careful and look at all your options before you go into debt," says Coles Johnson. "Make sure that you really do need--not want--the item you're about to [charge]."

You can pay off your balance every month or use debit cards with rewards programs to avoid costly finance fees; you can get cash back, travel rewards or airline miles--the list is endless. "We don't believe in accumulating credit card debt, but use cards that have a rewards program so you can turn around and make your business purchases work for you," says White. Companies like Citibank, Discover Card and OPEN from American Express are just a few of the large creditors that offer small-business rewards cards.

Legal and Financial Advice

Surround yourself with brilliant people when you bootstrap your business. Don't think you can wing it when it comes to your financial plan or legal documents--invest your cash in top-notch professionals. You need solid financial and legal advice, says Jamila White, co-founder of The Bootstrap Babes. Allison O'Kelly, founder of Mom Corps Inc., suggests you think of legal and financial advice as investments toward future business harmony. "If you mess up legal and accounting, you could be in huge trouble later on. I made sure everything was in order [at the beginning] so I would not have future problems."

10. **Offer fractional ownership as payment.** A lack of upfront cash doesn't mean you can't get some top-notch talent. Try what Allis and Houghton did with iContact Corp.: Hire help for some cash and a stake in the company. "We hired our first employee for \$1,000 a month and a percentage of ownership in the company. We were creative and often offered ownership and equity in order to pay reduced salaries," says Allis. "My partner and I didn't take a salary for the first two years of the company. We did whatever we had to do to keep our expenses low."

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The Bootstrap Boost

Cash constraints could be your key to innovation.

Bootstrapping is gospel for the Bootstrap Network, a group of entrepreneurs dedicated to building companies without any investor capital. Started by Bijoy Goswami, the first chapter was Bootstrap Austin. There are now Bootstrap Network groups in Boston, Chicago, Dallas and New York City, to name a few. "The business evolves from the process of bootstrapping itself," says Goswami. "The bootstrapping process is to make do with less. Bootstrappers realize that if you stay cash constrained, that constraint creates innovation. So you actually don't want to ruin the constraint of the business. The minute you take constraint out of it, you're not going to innovate." So if you don't have wads of money to throw at a problem, you're going to have to be really creative to solve it. That innovation breeds new ways of doing things that can boost your business.

Networking with other bootstrapping entrepreneurs can give you the support you need at every stage of your business, from initial concept to growth. A basic tenet of the Bootstrap Network is to connect companies with others in the same stage. "That support of other entrepreneurs turns out to have a huge positive impact on the business and the entrepreneur," says Goswami. For an introduction to the bootstrapping mentality, check out "Bootstrap Bootcamp," a 90-minute DVD course developed by Goswami. Contact the group at bootstrapnetwork.com to obtain a free copy.