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Bootstrapping your Business.

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"What's a bootstrapper to do? You have to go where the other guys can't. Take advantage of what you have so that you can beat the competition with what they don't." - Seth Godín

Bootstrapping a business is not an easy process meant for every entrepreneur or company, there are far easier and often lucrative ways of growing a business faster such as seed investors, friends and family, venture capital, and angel investors. However, there are also huge returns and incentives for taking on the challenge and pulling yourself up from your bootstraps. In this article we'll be breaking down the different benefits and risks in bootstrapping as well as multimillion success stories from companies like Atlanta based Mailchimp and New York, MyClean, to show how a business can with diligence overcome the seemingly insurmountable.

What's Bootstrapping?

To begin, we should clarify what bootstrapping entails.
There are many different types of bootstrapping, some business may be in a seed investment stage or may be at a customer funded stage. Other companies may have undergone a difficult period or event, like the Covid Pandemic, which shows most business overcame the economic crisis through self-financing and bootstrapping. The important thread in each form of bootstrapping is the financing from existing partners or the business.

The main incentive in many cases for bootstrapping there is the fear and complication that would come from bringing external parties into the equity structure of the company. Far too many partners have brought down the decision-making power of a founder or founding team. During an unforeseen moment like the pandemic, many businesses might be tempted to look for venture capital investment or external sources, however, long-term success of companies could be hampered by a rash decision. Companies who instead manage to cut costs, create more value for their employees, as well as being creative and diligent, manage to steer their company into the end of the global crisis.

> *"You start a company, and then you wake up one day and realize you don't remember what any of your hobbies are, it gets scary when you don't really understand what it is that you like".*

That's what CEO of MailChimp, Ben Chestnut said in an interview with Inc. Magazine, when discussing his company's bootstrapping story. The founders of Mailchimp had to undergo an immense amount stress throughout the start of their company, pivoting from market to market looking for their perfect fit. Choosing to face the challenges alone was no easy feat, the two partners had to work almost every day for the first couple of years, their lives focused solely on getting the company off the ground. The had to be ingenious with their cost effectiveness and marketing campaigns to preserve a healthy bottom-line while

scaling their business. This period came at a high personal cost with less time afforded to hobbies or recreation, but the work managed to pay off in the long term as they are now a multi-million-dollar company with over a thousand employees, yet still is 100% founder owned.

Ingenuity and discipline form a firm backbone for a company seeking a bootstrapped journey. However, it is just as necessary to be creative with your company's structure, management, and day-to-day operations to see it succeed. In looking at the case of MyClean's founder and CEO, Michael Scharf, we see a pattern of creativity and lean structuring of a business model to see his company grow into a multi-million-dollar cleaning service in New York City. Previously an investment banker at Bank of America, Scharf, had a background of understanding the insides of a company's structure and profitability, as well as long term growth potential. He used this knowledge to find the "pot of gold" that was the cleaning service industry, which at that time had been completely fragmented nationally and only had large tools and services companies. While Scharf might have become interested in the possibility of dominating nationally, he did not reach that success by shooting towards it right away. Instead "We would just look at the numbers. I mean, we didn't look on a year-by-year basis, of course. We looked on a day-by-day basis, and we were able to see we were acquiring ten customers a day, 12 customers a day, 14 customers a day, and from doing $5,000 in revenue a week to $10,000 revenue a week, to $15,000." Gaining enough capital to scale and reinvest in your company requires day-to-day diligence and management over your bottom-line and potential growth opportunities. Every founder of a bootstrapped company must dedicate their time and full dedication to the short-term success of their business while also paving the road to a scaled structure.

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Companies don't need to go down this route, there are forms of funding that don't require a loss of equity and can fulfill the needed short-term capital to grow. One method that has been rapidly growing in popularity over the decade is crowdfunding, with companies like GoFundMe and social media platforms to raise capital on a grass root level. However, this method may not be profitable or stable for a medium to large scale business A business loan from a bank could be a great asset to help recruit capital in the short term and help create a structured expansion to repay that loan.

NodusBank can help guide you in the financial realm, no matter how you choose to confront your company's future. We offer great business loans and credit lines and other services.

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