THE STARTUP'S GUIDE TO

MARKETING AND GROWTH

www.Act-On.com

Table of Contents

Startup Success Begins with the Basics

When a new business kicks off, many decisions have already been made regarding the products and/or services offered – level of quality, range of products, price points, distribution channels, customer service, and target market. But no matter how sure you are of these decisions, there's no certainty about how the market will respond. It's imperative to be ready for anything – from a business that starts slowly and keeps you in bootstrap mode to one that takes off immediately and glides right through Series A and B funding rounds.

You must be able to pivot quickly, both in terms of capital expenditure and human time. You must master the art of building your business, while flying it at the same time.

Let's take a look at the potential lifecycle of a startup, from bootstrapping to venture capital (VC) rounds to an initial public offering (IPO) or acquisition, and the marketing steps you should consider making along the way. After all, your marketing must strategically help your company plan not only to enter the marketplace successfully, but then find ways to stay there for the long term. That's why it's imperative to have a marketing plan, as well as a business plan – and that they be in sync.

Regardless of whether your startup is B2B or B2C, and whether you're starting with pocket change or serious seed money from angel investors, the lifecycle from one startup stage to the next is never exactly the same. However, most begin someplace very close to home … such as your garage. Where it goes from there is largely up to you (along with the fates and the market). But no matter where you start, you'll need some help along the way.

Your Startup Starts Here: Bootstrapping and Seed Funding

Bootstrapping

You've heard the term "bootstrapping," but what does it really mean? Unlike using venture capital, bootstrapping allows the startup to maintain control over all decisions and, once the sales cycle begins, to also be the primary recipient of the revenue.

Of course, bootstrapping also means more risk for the entrepreneur ... because it's your money that's invested. And even if the company starts out well, too small of an investment can significantly hamper growth.

That being said, many of today's biggest companies (as in, both recognizable and absurdly successful) were kicked off by bootstrapping, including Apple, Microsoft, Amazon, and others that originated in garage-like environments. Of course, a lot of the successful companies that get the headlines were also started by entrepreneurs who used outside capital to get them off the ground, and they now have equity investors waiting to reap rewards.

Bootstrap:

A situation in which an entrepreneur starts a company with little capital. You are 'bootstrapping' when you attempt to found and build a company from personal finances or from the operating revenues of the new company.

—INVESTOPEDIA

Sharing the Weath

Because 100% of nothing is a lot less than 17% of a large company

Idea	Co-founder	Family & Friends	Seed Round	Series A (etc.)	IPO
Founder: 100%	Founder 1: 50%	Founder 1: 37.5%	Founder 1: 31.2%	Founder 1: 19.2%	Founder 1: 17.6%
	Founder 2: 50%	Founder 2: 37.5%	Founder 2: 31.2%	Founder 2: 19.2%	Founder 2: 17.6%
		Uncle: 5%	Uncle: 4.2%	Uncle: 2.6%	Uncle: 2.4%
		Option pool: 20%	Option pool: 16.7%	Option pool: 13.5%	Option pool: 12.4%
			Angel investor: 16.7%	Angel investor: 10.4%	Angel investor: 9.5%
				Venture capitalists: 33.3%	Venture capitalists: 30.5%
				First employee: 1.8%	First employee: 1.7%
					Public: 8.3%

How should a startup's shares be allocated as the company grows?

Source: FundersandFounders.com

Your Startup Starts Here: Bootstrapping and Seed Funding (continued)

Seed Funding

Some startups wouldn't be able to get off the ground without a certain level of funds to conduct market research, begin developing the product, and simply pay the bills while getting started. These startups may pursue seed money, which is a form of securities offering in which the investor purchases part of the business. It's a very early investment, designed to support the operation until it can stand on its own, or perhaps until it's ready for more investment.

Seed money options include family and friends, angel investors, as well as crowdfunders. Seed funding typically doesn't include venture capital investments, as those involve larger institutions, much higher levels of money, and more complex transactional and contractual arrangements. Instead, the investments are usually in the lower range of $10,000 to $300,000.

Product crowdfunding (such as SeedInvest, Seedrs and Crowdcube) or financial bootstrapping – using the cash flow from an existing business – also can provide seed money, in lieu of an equity offering.

Either way, seed funding requires the investor to take a risk and plunk down cash on a business that's often little more than an idea at this stage. Hence, the stronger the idea, and better the founders' history, entrepreneurial skills, and marketing capabilities, the more chance the startup has to secure these initial funds.

The Lucky 13 Bootstrapping Rules

Don't hold back. Timing can be everything for startups, both in terms of using the finances when you have them invested, as well as how soon the product hits the market. So commit yourself 100 percent and drive your startup to market. While there aren't any hard and-fast rules for bootstrapping your own business, there are many, many ideas that can help you succeed. **Here are just a few:**

1. Start really small. Create your version of the home office and build that product or service. Maybe get a like-minded partner. If you need money, figure out the bare minimum it will take to get to market (plus, perhaps, 10 percent to cover unexpected hardships). Often it's less money that you'd think. Join business and market associations – entrepreneurs inevitably need to bounce ideas off of people, and this is one way to do it – for free. These are also great places to socialize the business and gain publicity. Be sure to make a concrete goal – you have to know what you're trying to achieve, or you'll never get there. Be bold in this goal, and be able to measure it.

2. There should be only a few of you, so make sure your skill sets are complementary. Dave McClure, an angel investor based in the San Francisco Bay area who runs the business incubator 500 Startups, states that the ideal startup has a hacker, a hustler, and a designer. The hacker codes, the hustler starts bringing in business, and the designer helps make the vision appealing to the customer and/or investor. Perhaps you can play two of these roles, but if you try to do all three, you'll burn yourself out. Find a complementary co-founder.

3. Find your market fit. Market fit can be hard to define, but it's a key ingredient to any startup's success. It's the moment when you have refined your product and pitched it to the point that its place in the market becomes obvious, and potential customers who've seen it will be disappointed if it doesn't come out. Some consider this as the most essential part of the startup process. Without market fit, you have nothing to sell, and you probably won't be able to afford a lot of salaries and overhead before that fit is established.

Before you whip out the credit card or go on a hiring spree, talk to potential customers within your defined target market (rather than random people like your family, who often are not potential customers). Talk to them about your product and whether or not they'd like it. Inquire how they would use it, how often, at what price, and with what features they'd like to see. Such an exercise will send you back to the drawing board, give you notes for revising the product, or give you another sign that this baby needed to hit the market yesterday.

The Lucky 13 Bootstrapping Rules
(continued)

4. Make your sales and marketing efficient. As a bootstrapper, you must strive for efficiency. This includes running small, inexpensive marketing tests and designing a website with the proper functionality, the first time out. It also means putting in place the building blocks for demand generation. Downstream funding opportunities will scrutinize the ability your company has to build an efficient pipeline of deals. Outline the lead-to-revenue cycle – also known as the sales cycle.

5. Don't get too social. Related to the above, rather than trying to be all over social media (Facebook, Twitter, YouTube, Vine, Pinterest), devote those energies to one platform in the beginning. Consistent interaction with your audience is the best way to gain traction – like blog entries or tweets – so make sure you can make daily (or at least weekly) contributions to one social media platform before you think of spreading out.

6. Consider which social platforms make the most sense for your startup. If you can market your product best visually, focus your energies on Instagram or Pinterest. If you offer a service that is best expressed by sharing information, develop a strong Twitter or Facebook presence. With Twitter in mind, be sure to use it to engage B2B as well as B2C. Thank anyone who mentions your business in their articles, and even engage with your competitors from time to time – this puts your brand on the map, and can bolster relationships with people in your industry.

7. Start an audience experiment with your chosen social media platform. Facebook, for example, is a great segmentation tool that allows you to find the perfect audience for your ad placements by letting you limit who sees the ad to members with specific interests, demographic segments, behaviors, and other criteria. This may prove to be too expensive for some bootstrappers, so make sure you test before taking a deep dive.

The Lucky 13 Bootstrapping Rules
(continued)

8. Keep the team small until the cash is there. Cash is still king. A large staff – or even a single unnecessary employee – can deplete the budget, so hire only absolutely essential personnel. It's about making your runway long enough to get the plane you're piloting (while still building!) off the ground. Remember, some team members can wear multiple hats and may be open to stock options instead of high salaries. Also, consider a virtual office, which can be cost-effective and could include team members all over the world.

9. Build a website that mirrors your vision. Unless you've got coding experience, go with a low-cost, but professional-looking, option (such as WordPress) to get your site launched quickly. However, consider hiring a designer to create your logo (you can find good freelancers on Fiverr or 99designs.com). A cheap-looking or clumsy logo design can make your business look unprofessional.

10. Don't delay the website for perfection. Perfectionist startups can take forever to get their initial website up, making sure every last feature is promoted and the functionality is just right. But as long as most of the features exist and the site works, get it launched. After all, you want to start getting feedback from your customers and start harvesting prospects for your sales team and, yes, start making money, too.

11. Don't be afraid of the numbers. Ignore regulations, important paperwork and accounting at your own peril. Keep track of expenses and profit right off the bat, and perhaps invest in some do-it-yourself accounting software. Consider using an accountant, if only to set up a structure and process that you can follow by yourself.

The Lucky 13 Bootstrapping Rules

(continued)

12. Be your own publicist. Finding a solid copywriter to tout your company in the right channels makes sense. But if you're the CEO of a company and have a good story to tell, then you'll probably get written up. No one knows your company better than you. Use free services like Help a Reporter Out (HARO) to figure out where to pitch yourself. Practice your elevator speech and have answers ready for the three most common questions you're asked. Be able to articulate how your company is different, and the unique value you bring to the market you serve. Also, develop your writing skills and get good at telling your story in a few paragraphs. Take a look at Ann Handley's book, "*Everybody Writes*," for inspiration and tips.

13. Don't try to do it all – outsource the right stuff. Web design, programming, and email marketing copy may be best outsourced in the beginning stages. Sites like Toptal and Upwork can help you find affordable talent for specific projects.

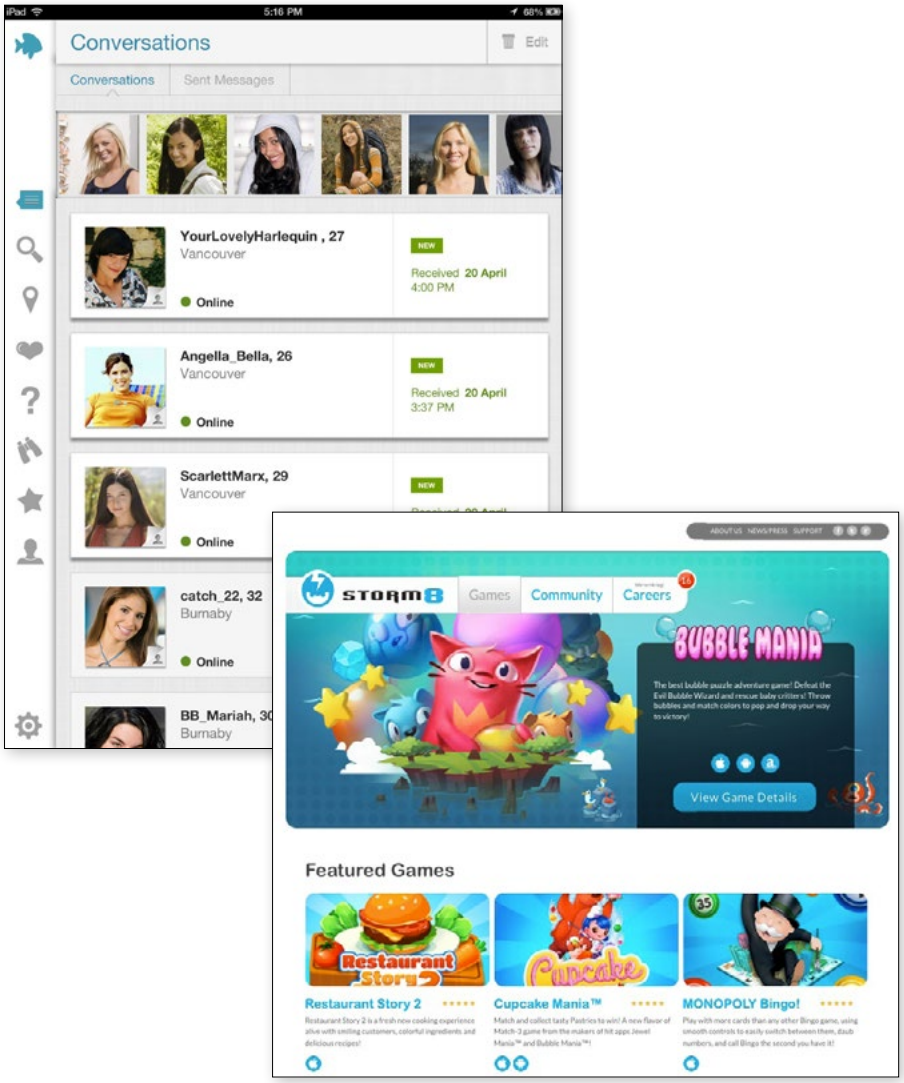
4 Companies That Flourished in Bootstrap Mode

Many successful companies not only began in bootstrap mode, but stayed there for quite a while.

Plenty of Fish: In 2003, Markus Frind began the largest dating site (70 million registered users) in the world from his Vancouver, Canada apartment. He had previously worked for a few tech startups before launching this free site, which rakes in the money from advertising.

By year five, he was still in his apartment without any employees, yet making $10 million a year. In 2015, Plenty of Fish sold to Match Group for $575 million in cash.

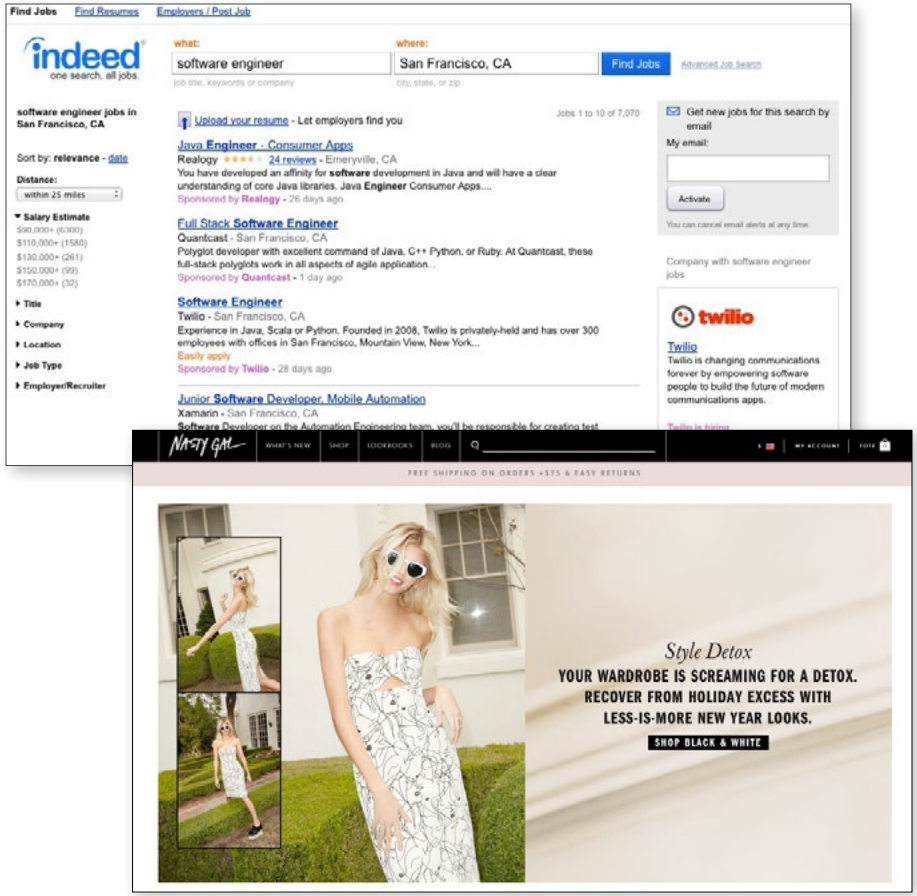
Storm8: This game publisher, based in Redwood City, California, was entirely bootstrapped by CEO Perry Tam and his cofounders in 2009. All of them were former Facebook employees. It now has more than 40 mobile games, 250 employees, and 50 million monthly active players. In a single day in 2011, it made $1 million from one promotional sale across its titles.



4 Companies That Flourished in Bootstrap Mode
(continued)

Indeed: A search engine for jobs, Indeed was created and bootstrapped by Paul Forster and Rony Kahan. The duo had previously created jobsformoney and sold it to the Financial News in 2003. They created Indeed the following year. The service is available in more than 50 countries and serves 25,000 employer clients in 26 languages. By March 2014, the site was recording 140 million unique visitors every month. After a few years, the duo raised $5 million and had a monster payday in 2012, selling the company for close to $1 billion.

Nasty Gal: A former community college dropout, Sophia Amoruso bootstrapped her clothing startup for five years before going to outside capital. Nasty Gal has more than half a million followers on Facebook and more than 600,000 on Instagram, and sales top $100 million annually.



12 Ways to Get Your Startup to Stand Out – With or Without Venture Capital

For many startups, the bootstrapping step is skipped because the product simply requires larger funds than the owners can produce by themselves. Or, bootstrapping has run its course and the company needs a major cash infusion to continue its growth. For that funding, many startups consider venture capital. Ideally, the investment will be enough to carry your business (and the according marketing muscle required) all the way to the final product. The last thing you want to do is stop product development and do more VC rounds to keep the startup afloat.

Before you decide to bank on VC, however, you should be aware that the vast majority of startups do not get VC backing. In fact, in 2012, fewer than 300 startups were funded by VC – with more than 500,000 businesses begun each year, that means only 0.06 percent of startups received money from a VC.

Even if your company does get that VC backing, the terms can be onerous, with at least 25 percent of your company's shares siphoned off to the VC. Such a high cost of capital puts immediate pressure on the startup to grow quickly and keep it up, which is challenging for most. Make sure you know exactly what each term means in a term sheet, and pencil out various possible outcomes.

Fortunately, there are more capital options today than ever before, including angel investors and networks, crowdfunding sources, corporate strategic partnerships, equipment leasing firms and, yes, banks.

Whether or not your business does secure VC or some alternative funding, it needs to grow to prosper, let alone survive. Ideally, your company will grow at a faster rate than your market sector does; you want to be continually gaining market share. Competition may be fierce in your industry, so how can you break through the noise to get your new company noticed?

Here are 12 marketing and branding tips that can help you rise above the rest.

12 Ways to Get Your Startup to Stand Out – With or Without Venture Capital (continued)

1. Stay true to your unique vision. Whatever makes your company stand out in your space, build on that rather than watering it down with moves that are similar to what your competitors are doing.

2. Know what you want from your marketing. Do you want to make your brand better-known? Increase your social audience? Convert prospects into customers? Make sure you know what your marketing efforts are aimed at, and have a plan for improving those results. For example, when prospects don't become customers, use surveys to figure out why. Understand your customers' objections and solve them. Remember, demand generation is a core discipline in revenue-driven marketing.

3. Make the right marketing investment. Generally, the start-up stage is too early to hire a chief marketing officer (CMO) or even a full-time marketer, and you may not need a dedicated email service provider (ESP) quite yet. But you might want to invest in a customer relationship management (CRM) solution or marketing automation software – or even both. Among nearly 5,000 startups recently surveyed, only 3.6 percent had an ESP, yet 15 percent had invested in CRM, and 21 percent in marketing automation software.

4. Target the right audience. Sure, you want love from everybody, but your startup will do much better by going after specific audiences, such as early adopters of certain technologies or particular demographic groups. Before going to a larger audience, it's smart to identify and appeal to your core influencers so they can help you spread the word.

5. Take search engine optimization (SEO) seriously. Most B2B and B2C purchases begin with a search. You won't make the sale if that buyer relying on search doesn't see your company on the search engine results page. With SEO, you're using Google to help your most likely prospects – the ones deliberately looking for what you sell – find what they're looking for. Be prepared to spend some money on quality SEO services and get ready to wait for a few months before seeing an increase in traffic. It can take a lot of experimentation and research to fine-tune your SEO results, but it's well worth it.

12 Ways to Get Your Startup to Stand Out – With or Without Venture Capital (continued)

6. Get outbound marketing going, right away. It's critical to balance SEO with strategic outbound marketing. It can take a good deal of time and money to get SEO right, especially in competitive markets. This is time many startups don't have, so create a plan that includes outbound campaigns, such as email marketing, because these can yield quicker returns and gain market share faster.

7. Affiliate with complementary – but not identical – businesses. Ideally, these businesses are established and have a built-in audience you can share. If you have a quality product that does not compete directly with their product roster, then a revenue share or referral fee should be surprisingly easy to agree to.

8. Go local. In the Internet age, we often forget about our local community, but it's a great place to start building brand awareness. Consider getting editorial coverage or buying advertising in local newspapers, promoting your product at nearby colleges, and finding events to sponsor.

9. Engage, don't enrage, with social media. When posting regularly, make sure you're engaging with your audience rather than peppering them with not-so-veiled company promotions. Social media users will ignore (or even ridicule) self interest; they want interesting, fun content – so give it to them. Prove you have something interesting to say, then encourage them to sign up to receive more of your communications. Just don't take advantage of their opt-in by giving them a pushy sales pitch.

10. Use the second-largest search engine in the world. That's YouTube, with more than 3 billion searches monthly. Incorporate video into your search strategy with transcripts and metadata. Post and promote your own videos and share videos from others.

11. Incentivize the share. Getting people talking is key, and there's nothing like a little discount or gift to spark people to tweet, post on Facebook, or make nice comments. Rafflecopter, for instance, manages giveaways and allows you to run an online contest in a flash.

12 Ways to Get Your Startup to Stand Out – With or Without Venture Capital (continued)

12. Become an expert in your industry.

Non promotional, informational articles written by you or one of your cofounders can greatly aid your company's standing. If it's high quality and adds new thought to an issue, then such branded content will be picked up across your industry, spreading your exposure much farther than your company's own site, blog, or Facebook page.

Startup Stats

Looking at the size, funding stage, marketing investment levels and social media activity of startups is eye-opening. Reviewing historical data from nearly 5,000 startups* reveals impressive levels of funding, as well as company size, considering we're talking about startups that have gotten some level of VC funding.

You'll notice that while analytics and tracking are conducted by most of the startups, it's slower going on the marketing automation, ESP, and CRM fronts. Expect that to change as time goes on, due to the increasing need for marketing efficiency, as well as marketing product improvements.

Social media activity, by contrast, is often one of the first marketing tactics startups engage in, even if it's just to drumup buzz about the business. More than 80% of startups have significant activity (more than 50 followers or likes)on LinkedIn and Facebook, and over 93% have significant followers on Twitter.

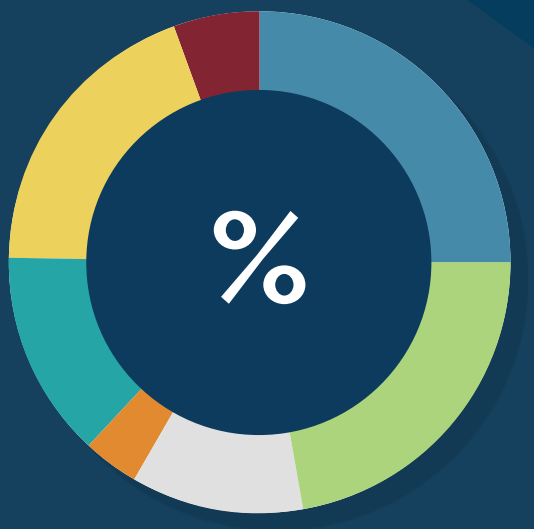
Average number of employees: 22

Average total funding: $7.3M

**Based on data for 4,815 startups that received VC funding. Data from Mattermark and Datanyze.*

Startup Stats (continued)

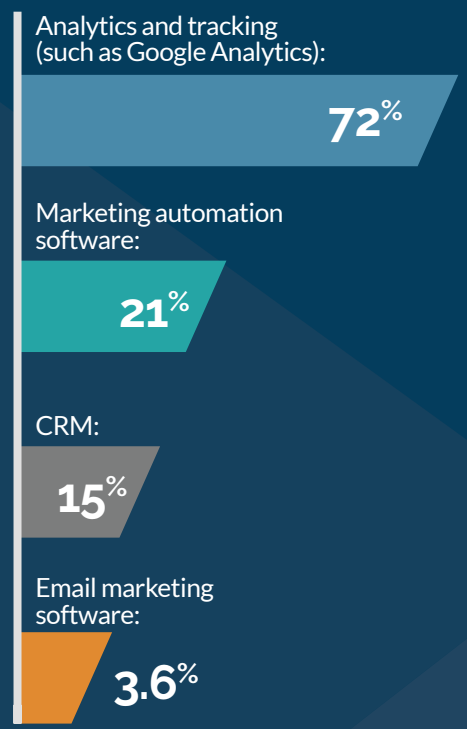
VC FUNDING STAGE



- Pre-VC: 25%
- Late: 13%
- Phase A: 22%
- Exited VC: 19%
- Phase B: 11%
- Unknown: 5.5%
- Phase C: 3.7%

MARKETING INVESTMENT

Percentage of startups using the following:



SOCIAL MEDIA PRESENCE

Average Followers/Likes

Twitter: 3,977
Facebook: 4,078
LinkedIn: 692

Fewer than 50 Followers/Likes

Twitter: 12%
Facebook: 6.5%
LinkedIn: 19%

5 Marketing Musts If Your Startup Reaches the IPO Stage

The goal for many startups is "going public," as in an IPO. This requires you to enlist an investment bank as an underwriter and join a particular stock market, such as the Nasdaq Capital Market, which many smaller, less-funded companies ("small caps") belong to.

This is a months-long process that requires the services of a law firm to assemble public disclosures for the IPO prospectus that's included in the SEC Form S-1. Next, you select an investment bank(s) to take care of the underwriting, which will both set the price and prepare large institutional investors for a hopefully successful stock market debut. The investment bank assumes the risk of selling the startup's shares in return for a percent of the proceeds (termed a "spread").

Before the IPO, executives from the new business and the underwriter take part in a show-and-tell of sorts, meeting with stock analysts, portfolio managers, and mutual fund managers in several major cities to generate interest in the coming stock.

This is a major move for your company and requires getting all your marketing ducks in a row, including product marketing, content marketing, demand generation, and brand development. Here are five marketing musts for this stage of your company's development.

1. You own a refined marketing message. You know what kind of company you are, and whether or not your product base will continue to expand. Particularly if your founding members are technologists, the startup has proven it knows how to communicate with its customers through a skilled marketing team. This team continually defines and positions the product messaging.

2. Your company's products are highly valued. Again, this is partly the result of a solid marketing team with domain expertise that knows how to communicate the value of the company's products. Customer-centric marketers create content for prospects at every stage of the buyer's journey and in every channel. Your marketers and/or PR team also work with media and industry analysts to receive critical feedback, as well as enhance the perception of the company's products.

5 Marketing Musts If Your Startup Reaches the IPO Stage (continued)

3. You've built marketing into your product. In other words, simply make the product easy to recommend. If every single user recommends two new users, you have exponential growth. Some experts call this "growth hacking" or "viral marketing." Whatever you call it, you should never stop doing the research. Make sure you have someone looking at market sizing, customer demographics, industry best practices, case studies, and your competitors, in order to keep improving your marketing strategies.

4. Your brand is active and consistent. This does not necessarily mean you've hired a brand marketing agency, but often this is the stage at which such a move becomes necessary for industry-wide exposure and PR management. A good brand manager will create experiences (ones outside of what a product marketer can handle) that connect with customers, creating both sharing and loyalty. Ideally, the marketing is also consistent across advertising, branding, graphic design, and media deployment tactics.

5. Your demand generation team is working hand-in-hand with your sales team. Through a variety of tactics (both inbound and outbound) and channels (search engine marketing, email marketing, social media, and maybe even direct mail or telemarketing), these quantitative marketers are in charge of driving demand for your great products, often using CRM in combination with their marketing automation. They churn out qualified leads, as well as improve your search position.

Conclusion: Achieving Startup Success Requires Smart Marketing

Just as having a great product is not enough to succeed, having the best marketing plan in the world will not move a poor product. You need that excellent product or service, plus the marketing horsepower to to take it through all the life stages.

No matter what the stage of the your startup – from bootstrapping to angel investing to VC funding to even an IPO – it's critical to make the right decisions about marketing: decisions that map to the business plan and to the organization's objectives and goals. Making those right decisions about marketing will produce a company built to succeed both now and in the future – no matter how big your plans may be.

Acclaim for Act-On

FROST & SULLIVAN
2014 BEST PRACTICES AWARD

Deloitte.
Technology Fast500

Inc. 500
2013, 2014, & 2015
FASTEST GROWING COMPANIES

Forbes 2013
AMERICA'S MOST PROMISING COMPANIES

LEADER in Forrester Research, Inc. report, The
FORRESTER WAVE
Lead-To-Revenue Management Platform Vendors, Q1 2014

See all of Act-On's awards & accolades...

About Act-On Software

Act-On Software is a marketing automation company delivering innovation that empowers marketers to do the best work of their careers. Act-On is the only integrated workspace to address the needs of the customer experience, from brand awareness and demand generation, to retention and loyalty. With Act-On, marketers can drive better business outcomes and see higher customer lifetime value. The Act-On platform provides marketers with power they can actually use, without the need for a dedicated IT resource.

Connect with us to learn more

www.act-on.com | @ActOnSoftware | #ActOnSW