

Guerrilla Startups™

How to Finance Almost Any Startup

Creative Financing for Savvy Entrepreneurs

Who Need to Launch Their Startups *Now*

Without Venture or Angel Capital

Version 1.0

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VOLUME 1

www.antiventurecapital.com

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Introduction

Before you can attempt anything truly great, you will need courage.

Before you can have the courage, you will need the knowledge.

The Guerrilla Startup Guide was written for people who need to launch immediately and create positive cashflow quickly with a minimal up-front cash investment.

This is the startup guide that I wish had existed back in the mid-1980s when my entrepreneurial career began. Since it didn't, I began collecting stories about how innovative entrepreneurs launched their companies when outside capital wasn't available. Someone once said that entrepreneurs are the artists of the business world because they create something out of nothing. The really good entrepreneurs certainly can and do.

From both being an entrepreneur and helping other entrepreneurs over two decades, I have come to divide them into two groups based on how they handle the startup phase. The first group rigidly weds itself to a particular plan which then requires a certain sum of capital to carry out. This group then begins by writing a business plan and shopping it around to investors. The problem

with this approach is that investors who are willing to put money into nothing more than a stranger's idea are as rare as hen's teeth. This is why most startups are never able to raise the necessary capital and, therefore, either die on the vine or finally morph into something else more do-able after 6 to 12 months of a futile capital quest. The second and much smaller group consists of entrepreneurs who announce their intentions to go after a given market opportunity and are, seemingly magically, in business a month later with bona fide customers and sales revenues. Most of us have noticed members of this second group in action and experienced some degree of awe.

What is the difference between these two types of entrepreneurs? What is the magic used by the second group? These are the questions that inspired the research which culminated in *The Guerrilla Startup Guide*.

The objective of this guide is to help you to discover how to create a cashflow positive situation quickly and long before investors are approached. Your first priority is to survive the [Financing Valley of Death](#). That pet project requiring substantial investor capital may, therefore, have to wait a bit. First things first, as they say. You need some credibility before people with money will take you seriously. Shoot for cashflow immediately with a transitional business model if you have to. Do not make the mistake of wasting 6 to 12 months shopping a plan around to strangers. Very few revenue-less startups succeed at raising capital from outsiders unless they

happen to have a stellar team of respected industry names on their rosters.

Once you have successfully passed through the Financing Valley of Death you will stand a far better chance of attracting investors or, better yet, you may discover that you no longer need them and their money.

From now on I want you to think of entrepreneurs as being like certain chefs. Some chefs are very rigid in their style requiring that a specific list of ingredients be made available to them before they can start cooking. This is fine so as long as you are not too hungry and can wait for the required ingredients to arrive. However, if you are hungry now and lack the cash to buy more groceries, you will need to be flexible and work with what you have. The other chefs, the more entrepreneurial ones, will not wait for someone else to deliver everything to them, but will instead immediately begin to search the pantry, refrigerator, and vegetable garden for what's available. They then use the items at hand to start creating a nourishing meal.

This is what true entrepreneurship is all about. It's starting with what's at hand *now*.

The Guerrilla Startup Guide is about successfully cashflow engineering your way through the startup phase and becoming cashflow positive. Cashflow engineering involves substituting "cash floats" for actual cash and finding ways to minimize or eliminate the Big-3 Cash Burners: accounts

receivable, inventory, and fixed assets. You don't need to be strong in math or accounting to master the skill. All you need to be able to do is understand your cashflow position.

In entrepreneurship it's all about quickly creating cashflow and being able to pay your bills. It's not about wasting a half-year or more of your life shopping a plan around to strangers as the bills stack up at home and your spouse fumes. Take my word for it, you may love a certain widget which you want to introduce to the world, but you will love positive cashflow even more. If your widget requires a considerable amount of money to launch, focus on cashflow first and proving your entrepreneurial mettle before chasing investors. You will save yourself a lot of time and grief this way. As we will see in the guide there are all sorts of ways get your project out of the starting block and up and running.

Finally, think of this guide as a collection of tactics for quick advance rather than a strategy. All of them are do-able although not all may be applicable to your particular situation. Each business is unique to a degree.

Peter Ireland



Guerrilla Startup Guide Overview

*If you want the lack of money to control your world,
don't worry it will.*

The first chapter introduces the invariably fatal Sitting Duck Startup Model. It also includes a summary of why accepting venture/outside capital is, in most instances, a “Faustian Bargain” and concludes with tips on how not to get scammed when pursuing outside investment capital.

The Do-Able Deal Test is introduced in chapter 2. It helps you to test the viability of a startup idea before committing to it. The Guerrilla Startup Model is introduced in chapter 3 which is the heart of this manual. The fourth chapter, Fake it Till You Make it, covers the critically important art of entrepreneurial image management.


In volume 2 we move onto how to use cash flow engineering to either eliminate or minimize the Big-3 Cash Burners: accounts receivable, inventory, and fixed assets. By finding workarounds for these three categories of startup and operating expenses, we can dramatically reduce our startup budgets. The third chapter covers overhead reduction.

Volume 3 ties everything together by teaching you how business modeling can be used to speed up traction in the market as well as minimize startup capital requirements.

One final point, if you are not familiar with the three terms: breakeven, variable costs, and fixed costs, please familiarize yourself with them and understand what they

are. They are important concepts you will need to fully understand in order for this guide to help you. You can first read their definitions in the Glossary (Appendix C), and then review Appendices A and B for more detail.

~ ~

PS You can  highlight sections in these files as well as add notes with most pdf readers, so feel free to do so.



2.0 The Do-Able Deal Filter

Time is the sole capital of people whose only fortune is their intelligence. - Honore de Balzac

Most people can learn from their own experiences quite well, but many ignore the experiences and lessons of others. - *The Way To The Top*

Let's take a few minutes now to absorb an extremely important conceptual tool I have come to call the *Do-Able Deal Test*. Whether or not they have a formal name for it, it's used by advanced entrepreneurs for sizing up the viability of any new business idea or opportunity. In reality it's just a rule-of-thumb and not a precise measurement. However, as you acquire data points it will grow in its accuracy and help you to screen out opportunities that have a low probability of getting out of the starting blocks. The best way to introduce the concept is with a few examples of entrepreneurs looking at potential deals. Let's look at four such situations.

1. The hair care products industry is a highly competitive one with seemingly thousands of brands, both big and small, fighting tooth and nail for shelf space in stores and hair salons. Frances is a professional hair-stylist of 23 years and owner of a trendy salon in an affluent area. Over the past two years she has been experimenting with new shampoo and conditioner formulations and now feels

that she has a product line ready for the market. She has long dreamt of having her own brand of high quality hair care products.

A business plan has been developed by Frances along with the help of her CPA and a recent MBA graduate from the Stern School of Business. The plan calls for \$32 million to be raised to build a state-of-the-art factory in New Jersey. Frances has strong opinions about the hair care industry's business practices and Q.A. standards and, therefore, wishes to separate the new brand from it completely and start fresh with total quality control. She doesn't know any investors personally but is confident that the business plan and product samples will quickly attract them. Her first step will be to approach local angel investor groups and banks. After the money is raised to build the factory it will be approximately ten months before selling efforts can begin.

2. Wayne is in the waste management business and manages a small 23 truck company that his dad started in 1994. Wayne now has an idea for his own spin-off business based on an industry-wide problem. One of the major operating expenses in this business are the tipping fees at public landfills. Every time a garbage truck unloads itself the company has to pay this fee. Therefore, in order to reduce his operating costs Wayne wants to buy fifty acres of raw land and create his own landfill site. However, since he can't swing the purchase price alone, he plans to bring in other local waste management

There's no
reward in life
without risk.

- Barry J. Farber

companies as investors. Once in the deal, his assumption is that they will all switch to the new site exclusively.

Wayne has written a business plan and met with the other owners to present the idea of a co-owned landfill site that will not only reduce their tipping fees but will eventually create a profit that will result in dividends being paid. He is confident that he will raise the \$1,100,000 the bank requires as a down payment by bringing in five other owners.

3. Todd sees himself as an amateur inventor with over 15 years of tinkering experience in his spare time. He has a day job as an assistant store manager at a local grocery chain. Todd now feels that his ship has finally come in due to a new personal sound system he has designed for the audiophiles who want to enjoy their music on walks and in the great outdoors. He has filed for a patent and written a business plan calling for \$900,000 to be raised from investors.

Once raised, \$100,000 of this sum will be used to finalize the design and prepare it for the first production in China. Another \$500,000 will be used to put up a letter of credit for the first production run which needs to be at a minimum a full 40-ft container load, according to the manufacturer. The remaining \$300,000 will be used to rent a small office and warehouse near Todd's home, hire a full-time salesperson, and cover initial marketing costs to distributors and retailers. Due to the lag time that comes with manufacturing in China, Todd estimates it will

be 120 to 150 days between receiving the funds and the first sale. Todd has started to look for investors on the Internet.

4. Frank is a small town physician and occasional entrepreneur planning to open a new clinic that will perform various diagnostic tests on local patients. Currently, if a doctor in his area wants an MRI, CAT Scan, or other high tech testing for a patient the latter has to drive to a city hospital an hour away and then back again. Frank believes that he can raise the \$3 million needed to build the testing clinic by approaching other local doctors who have the same problem. Let's look at his assumptions for this belief. His research shows that there are twenty physicians in the vicinity of the proposed clinic who are, therefore, likely to refer their patients to it. He also believes that half of them, will be willing to help fund the clinic as investors based on talking to a sample of ten.

Frank is convinced that he has a winning formula because he can show investors precisely how much each of their referrals will generate for the clinic and how much of that money will flow back to them via dividends. The more business they send him the more they earn.

Pop quiz time!

Which of the above opportunities do you think stand the best chances of getting off the ground?

Please take a moment to think it through before continuing.

If you have a natural nose for deals that filters out the weak ones, you have probably spotted the fact that two of the above appear, at first blush anyways, to be better bets than the others. They are the landfill and medical testing clinic ones. Let's take a look at why this is. The criteria I use in the Do-Able Deal test are:

1. Concrete need for the offering by the market?
2. Customers known?
3. Investors known?
4. Does the founder have credibility in the industry?
5. Reasonable capital amount required?
6. High ROI?
7. Fast ROI?
8. Barriers to copycats?

The two superior projects are both attempting to meet a concrete need in the market place. Moreover, everyone involved, from doctors and patients in one case, and waste management company owners in the other, recognizes the need and has a genuine incentive to do something about it. The other two products are driven not by any market place need but rather by the owner's personal enthusiasm for their respective products. This is normally a huge flashing danger sign. Just because you happen to have a passion for something doesn't guaranty that others will buy from you.

Another big plus for the two superior deals is that founder in each case already knows both the customers and

investors. Indeed the customers and investors are the

Base your
decisions on
where you are
going not on
where you are.
- Anon

End of free excerpt

First say to
yourself what
you would be;
then do what
you have to do.

- Epictetus

Do not squander

time for that is
the stuff life is
made of.

- Benjamin
Franklin

Twenty years
from now you
will be more
disappointed by
the things that
you didn't do
than by the ones
you did do. So
throw off the
bowlines. Sail

away from the
safe harbor.

Catch the trade
winds in your
sails. Explore.

Dream.

Discover.

- Mark Twain

First learn the
rules. Then
break them.

- Anon

Every
worthwhile
accomplishment,
big or little, has
its stages of
drudgery and
triumph; a
beginning, a
struggle and a
victory.
- Mahatma

Gandhi

Most everything
I've done, I've
copied from
someone else.
– Sam Walton

When you are
making a
success of
something, it's
not work. It's a
way of life. You
enjoy yourself
because you are
making your
contribution to
the world.

- Andrew

Granatelli:

Racing Icon and

STP Oil Founder

When you're
little, you have
to do crazy
things. You just
can't copy the
big guys. To
succeed you
have to be

innovative.

- Ted Turner

Life is too short
to be small.
- Benjamin
Disraeli

One step
forward is worth
more than 100
years of thinking
about it.
– Anon

Small
opportunities
are often the
beginning of
great
enterprises.

- Demosthenes

Momentum is
really a leader's
best friend.
Sometimes it's
the only
difference
between winning
and losing.
- John Maxwell

When you're
that successful,
things have a
momentum, and
at a certain
point you can't
really tell
whether you
have created the
momentum or
it's creating you.

– Annie Lennox

The wealthy got
wealthy not by
investing their
money, but by
investing their
time. The
sooner we value
our time, the
sooner we begin
to invest it
wisely.

– Roger
Hamilton

Even if you're on
the right track,
you will get run
over if you just
sit there.

- Will Rogers

Everyone has a
purpose in life.
Perhaps yours is
watching
television?
- David
Letterman

I believe
in...mastering
the best that
other people
have figured
out, [rather
than] sitting
down and trying
to dream it up
yourself.

- Charlie Munger

The first thing
you have to do
is avoid going
broke while
you're getting
rich and famous.
– Dan Kennedy

A gentleman
should be
ashamed if his
words outshine
his actions.

- Confucius

What you do in
your working
hours
determines what
you have. What
you do in your
play hours
determines who
you are.
— George
Eastman

Nurture your
mind with great
thoughts, for
you will never
go any higher
than you think.

— Benjamin
Disraeli

Life isn't about
finding yourself.
Life is about
creating
yourself.
— George
Bernard Shaw

In theory, there
is no difference
between theory
and practice.
But in practice,
there is.
— Yogi Berra

I know very
little about
acting. I'm just
an incredibly
gifted faker.
- Robert
Downey Jr.

To be
successful, keep
looking tanned,
live in an
elegant building
(even if you're
in the cellar), be
seen in smart
restaurants
(even if you
nurse one drink)
and if you
borrow, borrow
big. - Aristotle
Onassis

Entrepreneurs
are simply those
who understand
that there is
little difference
between
obstacle and
opportunity and
are able to turn
both to their
advantage.
- Niccolo
Machiavelli

It's not that I'm
so smart, it's
just that I stay
with problems
longer.

- Albert Einstein

