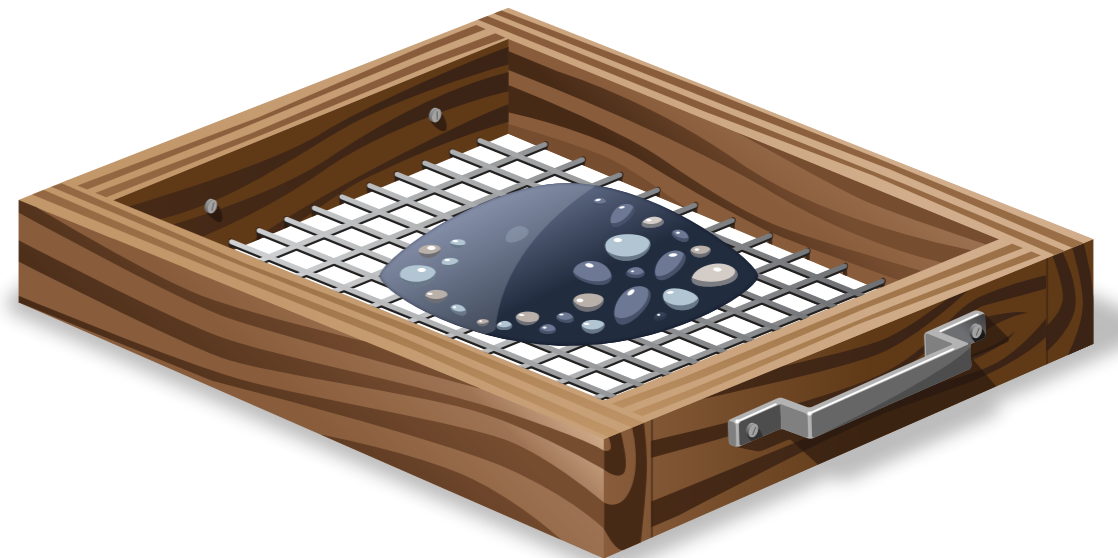


Bootstrapping a Software Product

Lessons learned building and running a hosted web application as a solo founder.

Hi, I'm Garrett Dimon

Founder, designer, and developer of Sifter which is a very simple hosted bug and issue tracker.



About Sifter

Smallish Ruby on Rails App

2 Web/Application Servers

2 Database Servers (Master & Slave)

1 Job Server

~10,000 Active Users

~60 requests per minute

~250 requests per minute at peak

Disclaimer

These are simple opinions based off of our experiences. Every person, team, and application is different. Take it with a grain of salt.

There are plenty of successful businesses for which this stuff wouldn't be true.

Bootstrapping

Growing the business from profit.
(as opposed to outside investment*)

*We actually started with \$16,000. We spent \$10,000 on startup costs. We spent the other \$6,000 on advertising after launch. **Totally possible to do it with less, but the money made it much less stressful.**

Software Product

Digital stuff that you sell for money.*
(as opposed to consulting or services)

* It should literally make money when you're asleep. In our case, billing runs nightly and automatically puts money into our account. **Services businesses can't scale exponentially. One person can only do so much work.**

Examples...

- ★ Icons
- ★ Templates (Keynote Kung Fu)
- ★ Mobile Apps
- ★ Desktop Apps
- ★ Web Apps
- ★ PDF's or eBooks
- ★ Screencasts
- ★ Online Workshops (to some degree)

Idea



Profit

Hopes & Dreams

No Bureaucracy

Control Your Destiny

Mailbox Money

Do Fun Stuff*

Flexibility*

Family Time*

Get Rich*

Fears (Excuses?)

Health & Disability Insurance

Not Enough Money*

Not Enough Skills*

Not Enough Time*

Not Enough Experience*

No Good Ideas / Crowded Market*

Failure*

**If this is what you'r expecting, you
might want to think twice...**



You should probably expect something more like this...



It's really a bit more like this...



1. Getting Ready

Start with a little money. Be ready to be broke. Anticipate a long journey.

Explore. Still on the fence.



Fear & Excuses

Prepare. Committed, but haven't shipped.



Transition. From part-time to full-time.



Work. Answering to paying customers.

2008

2009

2010

2011

Engaged

Move

Puppy

Europe

First Child

Idea

Quit Job

Buy House

Honeymoon

Full-time

Move Again

Wedding

Launch

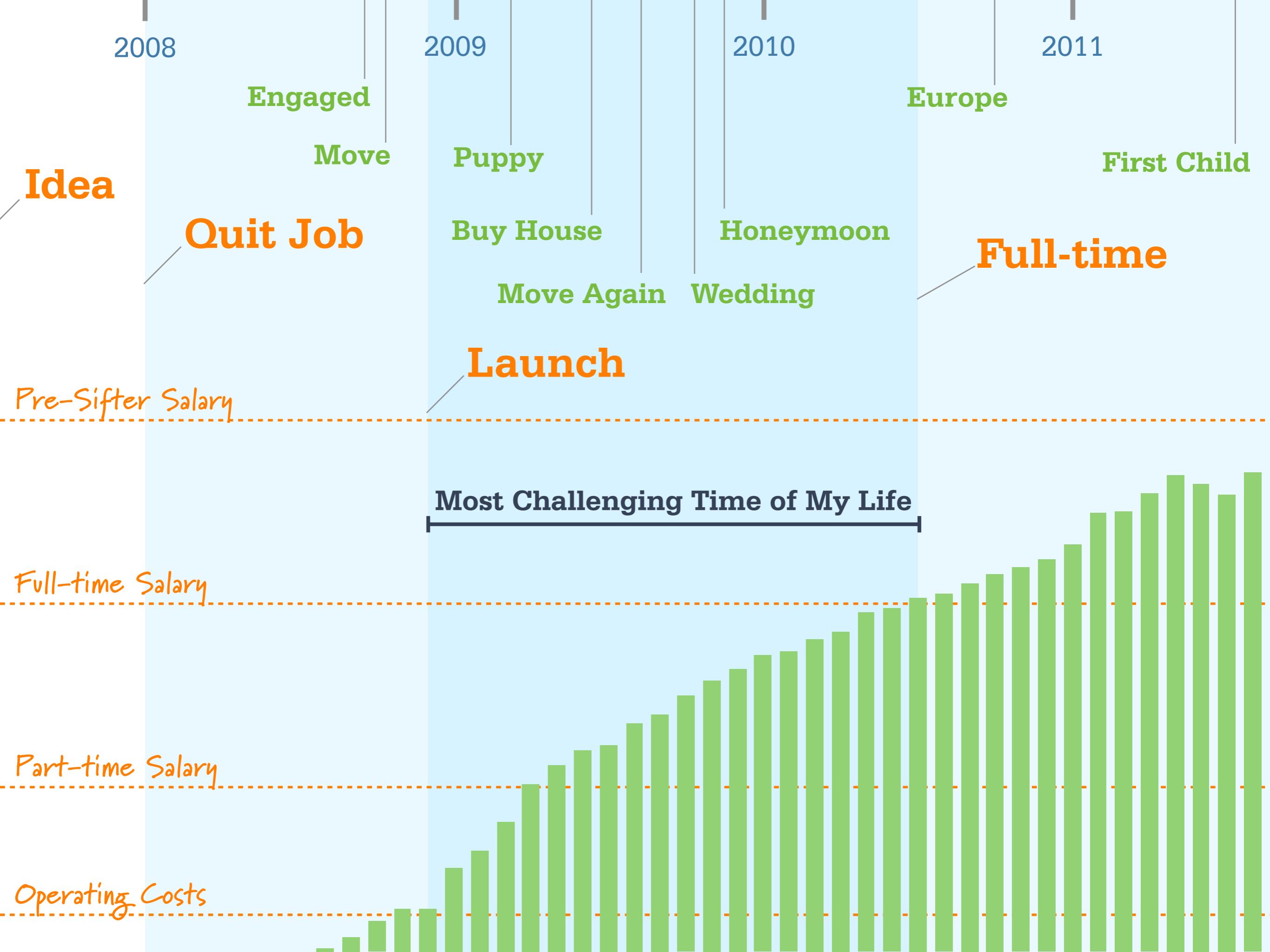
Most Challenging Time of My Life

Pre-Sifter Salary

Full-time Salary

Part-time Salary

Operating Costs



Good Decision



Didn't put my life on hold.

Got engaged, married, bought a house, moved twice, went on a honeymoon, went to Europe, and had a child. Point being that while it's not easy to make sweeping life changes, it's certainly not impossible.

Bad Decision



**Failed to recognize the stress
it put on my wife.**

Sifter consumed an incredible amount of attention the first couple of years. Even when I wasn't working on it, I was thinking about it.

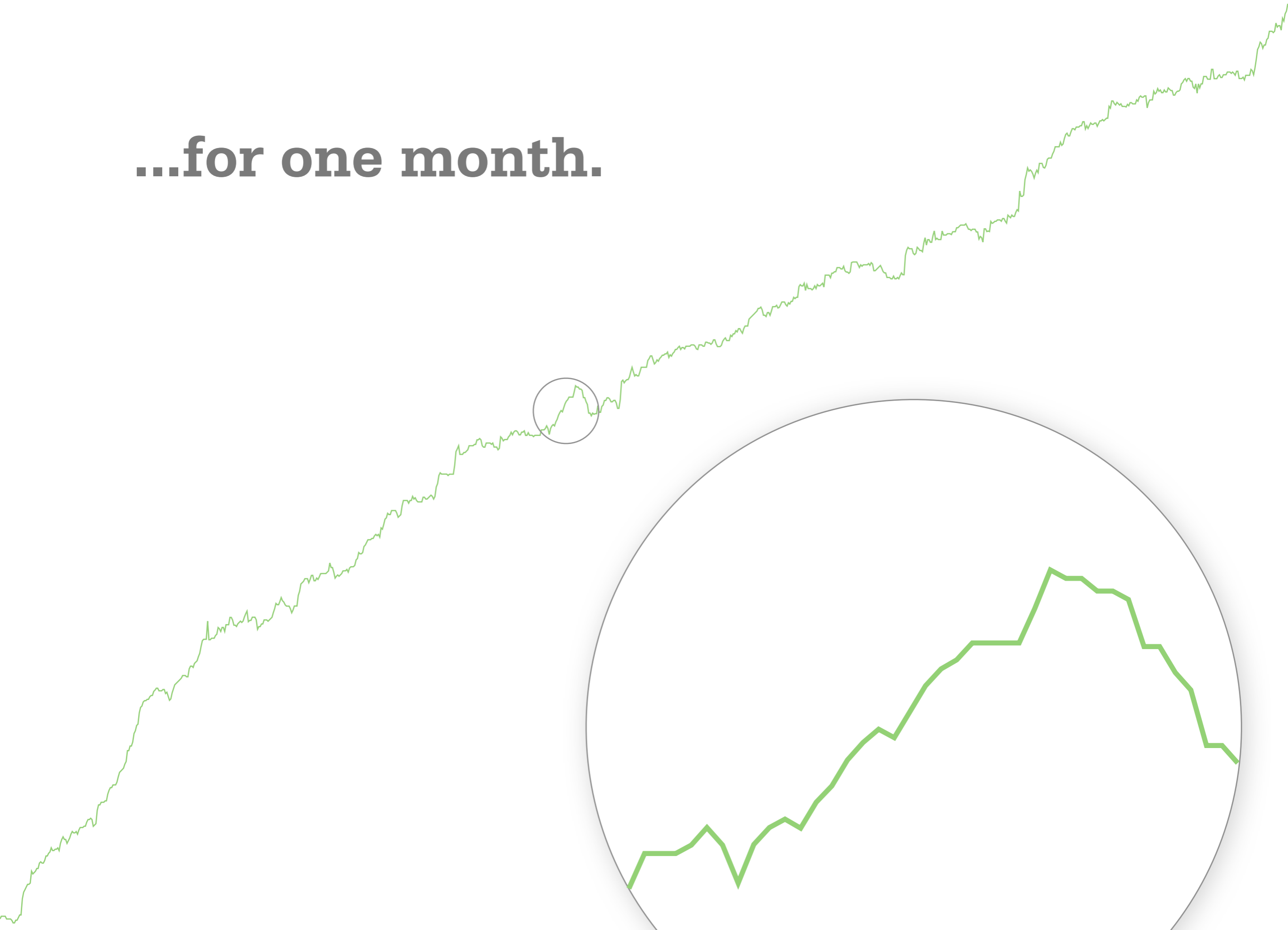
First and foremost, a start-up puts you on an emotional roller coaster unlike anything you have ever experienced. You flip rapidly from day-to-day – one where you are euphorically convinced you are going to own the world, to a day in which doom seems only weeks away and you feel completely ruined, and back again. Over and over and over. **And I'm talking about what happens to stable entrepreneurs.**

Marc Andreessen

Our revenue growth...



...for one month.



Bad Decision



Focused too much on short-term ups and downs.

Now, I try not to worry about anything until it's been a trend for a week. (That's not to say I ignore it. I just don't worry about it until it's a "real" problem.)



Good Decision



Looked back every few months at accomplishments.

Day-to-day it felt like we weren't getting anywhere, but looking at three months at a time, it was a different story.



Bad Decision



Let fraud get the best of me.

We had it under control. Cost us \$200 in fees, but I let it consume me for two weeks.

Good Decision



Went all-in and planned for it to be more than a side project.

With operating costs, \$1,000/mo. of revenue is nothing, and running a hosted web app isn't worth it. It didn't get "easy" until it supported me full-time and had profit of its own.

Good Decision



Got a business partner.

He brought more business knowledge and took a lot of the operational burden off of me. (Accounting, legal, insurance, etc.) Also, cash.

Good Decision



**Brought on a technology
advisor.**

Helped with a lot of early tech decisions as well as helping us find our current systems administrator.

Bad Decision



Didn't get a tech partner.

I'm more of a designer first and developer second. Keith is more of a business person. Would have been nice to have someone focused exclusively on tech. Ultimately managed just fine, though.

Good Decision



One person has controlling interest and decision making responsibilities.

At some point, there needs to be a goto person. Mixed messages and blurred visions cause problems.

Bad Decision



Lacked confidence in myself.

Had our advisor work on it part-time instead of taking the leap myself. Early on, nobody was better for the company than I was.

2. Product Strategy

Focus, customers, feature requests, launching, and iterating.

Which of the following features are “must have for launch”?

- A) Email Integration
- B) Attachments
- C) Search
- D) API
- E) Milestones
- F) OpenID
- G) Text Formatting

None of them

Good Decision



Launched early.

Sifter didn't have search, file uploading, email integration, API, milestones, or OpenID. We still don't have text formatting.

Good Decision



**Didn't add features as a
knee-jerk reaction to a
request.**

Often, we'd get one request one day and the exact opposite request the next day.

Good Decision



Explained decision-making about including or excluding features to customers.

Forced us to think things through, and usually elicited good conversation to validate or invalidate an idea.

Good Decision



No custom statuses. This one decision defines Sifter.

This is simultaneously the number one complaint and number one favorite feature. It's polarizing. Keeping it simple has given us so much flexibility.

Bad Decision



Made decisions too quickly.

Debating between a couple of minutes of downtime vs. 20 minutes of downtime. Making the decision too quickly led to bigger problems.

Good Decision



Handled bad situation with complete openness and honesty.

Made a mistake that led to 8 hours of data loss. Offered credit to all affected customers. Cost us about 10% of that month's revenue. All customers were understanding and grateful.

Bad Decision



Fell into the feature trap.

Spent 2 months building features that only get used 2.3% of the time. The vocal minority can be very distracting.



<http://contrast.ie/blog/swiss-army-knives/>

Good Decision



Used data to guide decisions.

Customers ask for a feature. I check their account usage, our analytics, and Sifter logs for trends and usually find better solutions.

Good Decision



Embraced criticism.

If people take the time to criticize, it's because they feel that the product is already pretty solid. If it's way off, they don't say anything at all.

Bad Decision



Worried about cancellations.

Added exit interview to understand cancellation reasons. Almost all cancellations are small companies or freelancers that used Sifter for 1 project and the project is over.

Good Decision



**Take ridiculously good care
of customers.**

I never take time off, and it's rare for a customer to wait more than an hour for a response from support. Always same day.

Bad Decision



Obsess about taking care of customers.

I would stress out if it took me longer than an hour to answer an email. Nobody ever expected hour-turnaround except me. I'm harder on myself than even our most demanding customers.

Good Decision



Recognize toxic customers.

From time-to-time, customers lie or do other shady things. Best to just do whatever it takes to make them happy and move on. Spending time on toxic customers only hurts your other customers.

Bad Decision



Let customers put accounts on hold indefinitely.

Was idealistic and thinking people would go on hold for 2-3 months at a time. 85% never returned. They simply went on hold instead of canceling. We continue to have an obligation, and they don't.

Good Decision



Advertised early.

Initial advertising got the word out. Subsequent advertising was significantly less effective.

Bad Decision



Continued advertising.

Ultimately spent almost \$10,000 on advertising, but only the first \$5,000 was truly worth it. Might do some advertising once 2.0 is out, but probably won't.

Good Decision



**Wrote. Blogged. Shared.
Explained.**

Built an audience. Validated ideas. Forced me to clarify my thinking. Writing and explaining things has a weird way of forcing you to understand something better than you would have otherwise.

Good Decision



**Didn't worry about people
stealing our ideas.**

By the time they copy what you're doing, you'll be on to the next thing. They'll always be a step behind.

3. Pricing & Profit

Understanding value and making money.

Good Decision



Charged money during beta.

Not for revenue, but to filter people and test the billing system. We charged \$5 per month just as a barrier to entry. People will use any piece of crap software if it's free.

When you have to prove the value of your ideas by persuading other people to pay for them, it clears out an awful lot of woolly thinking.

Tim O'Reilly

Good Decision



Didn't do free accounts or discounts.

People will use anything if it's free. We want people to use it because they like it, not because it's free. Also, those generally make for the worst customers.

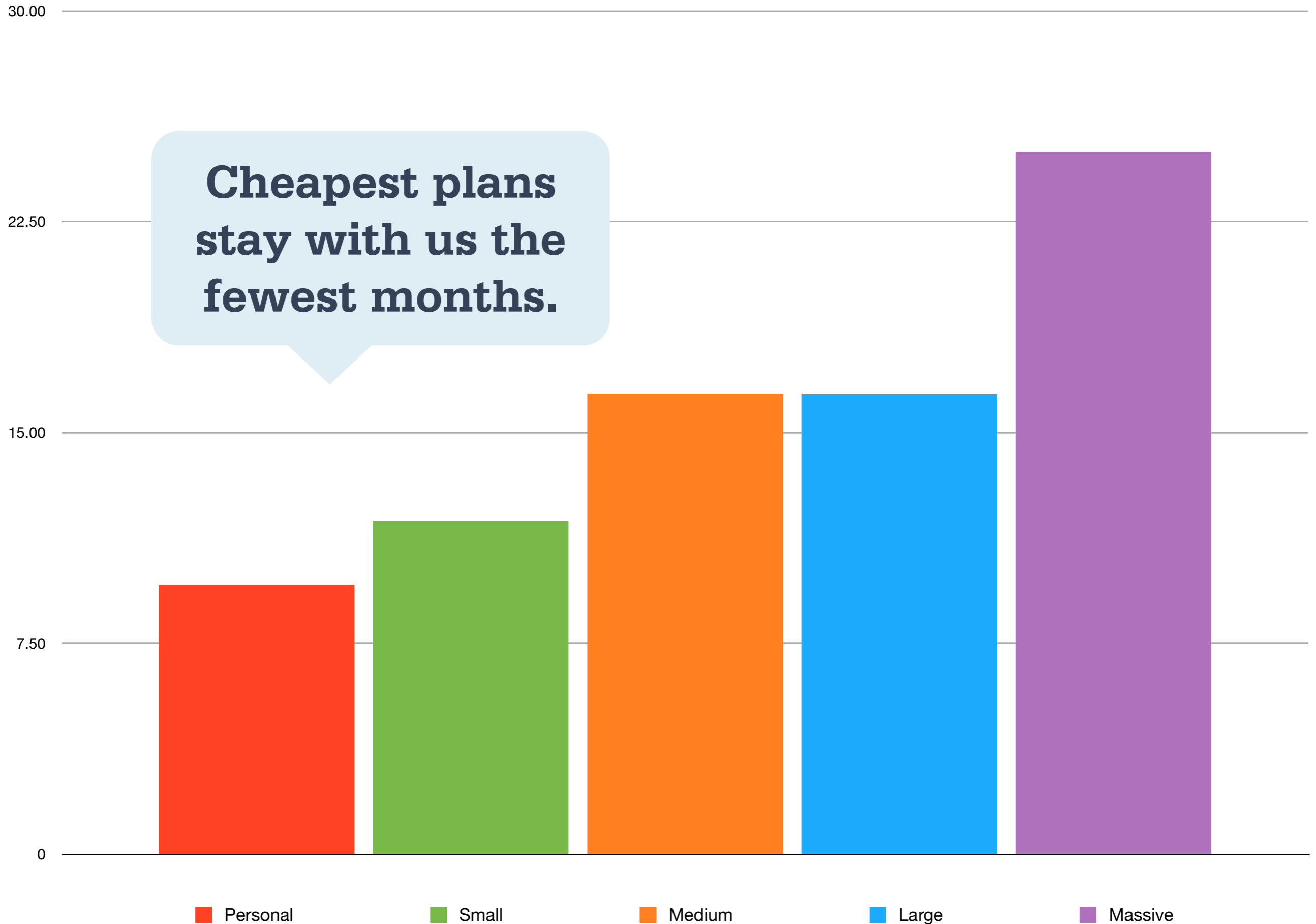
Good Decision



“Raised” prices.

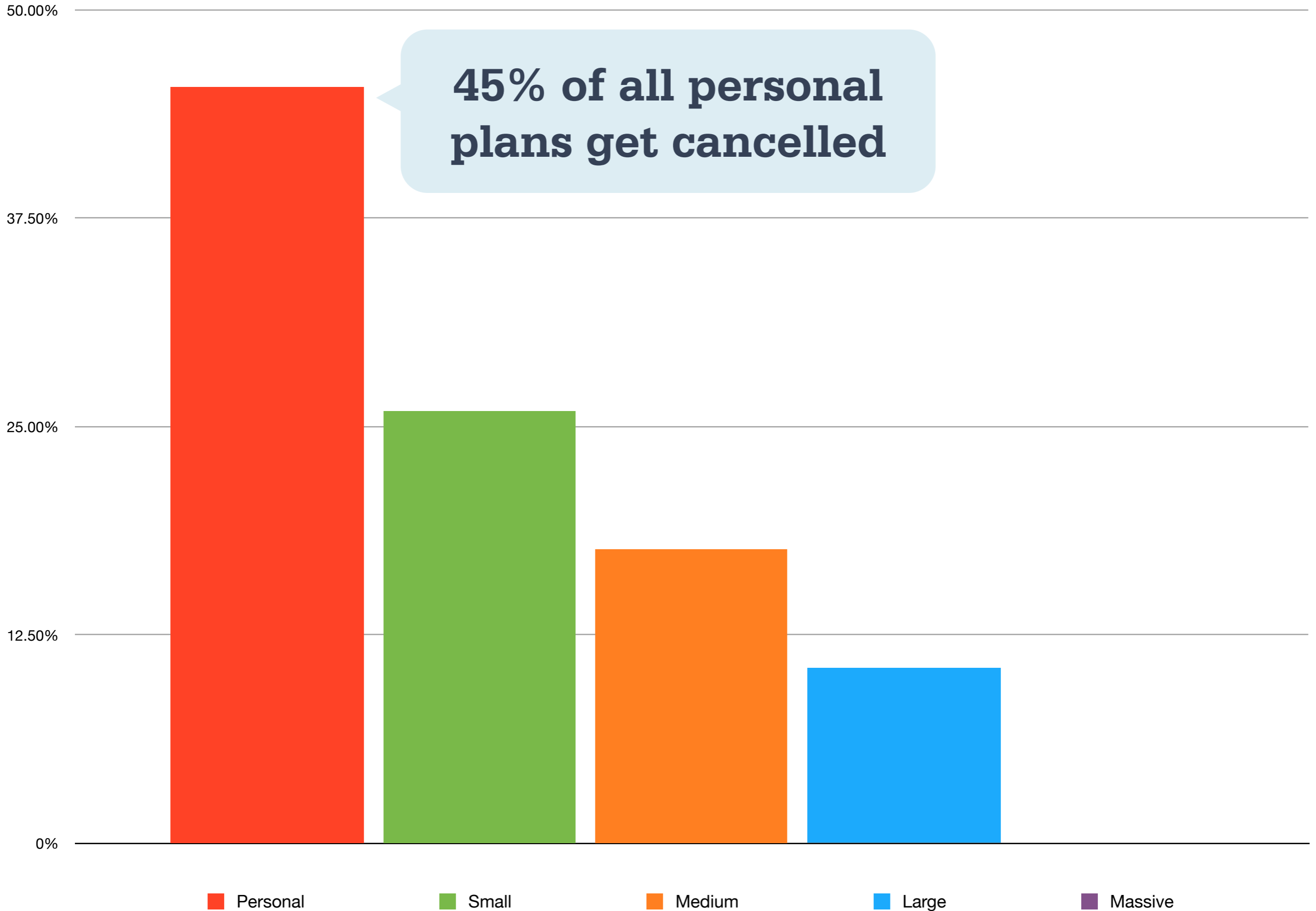
Lowest price plans turnover rapidly and generally have more demanding users.

Average # of Months with Sifter

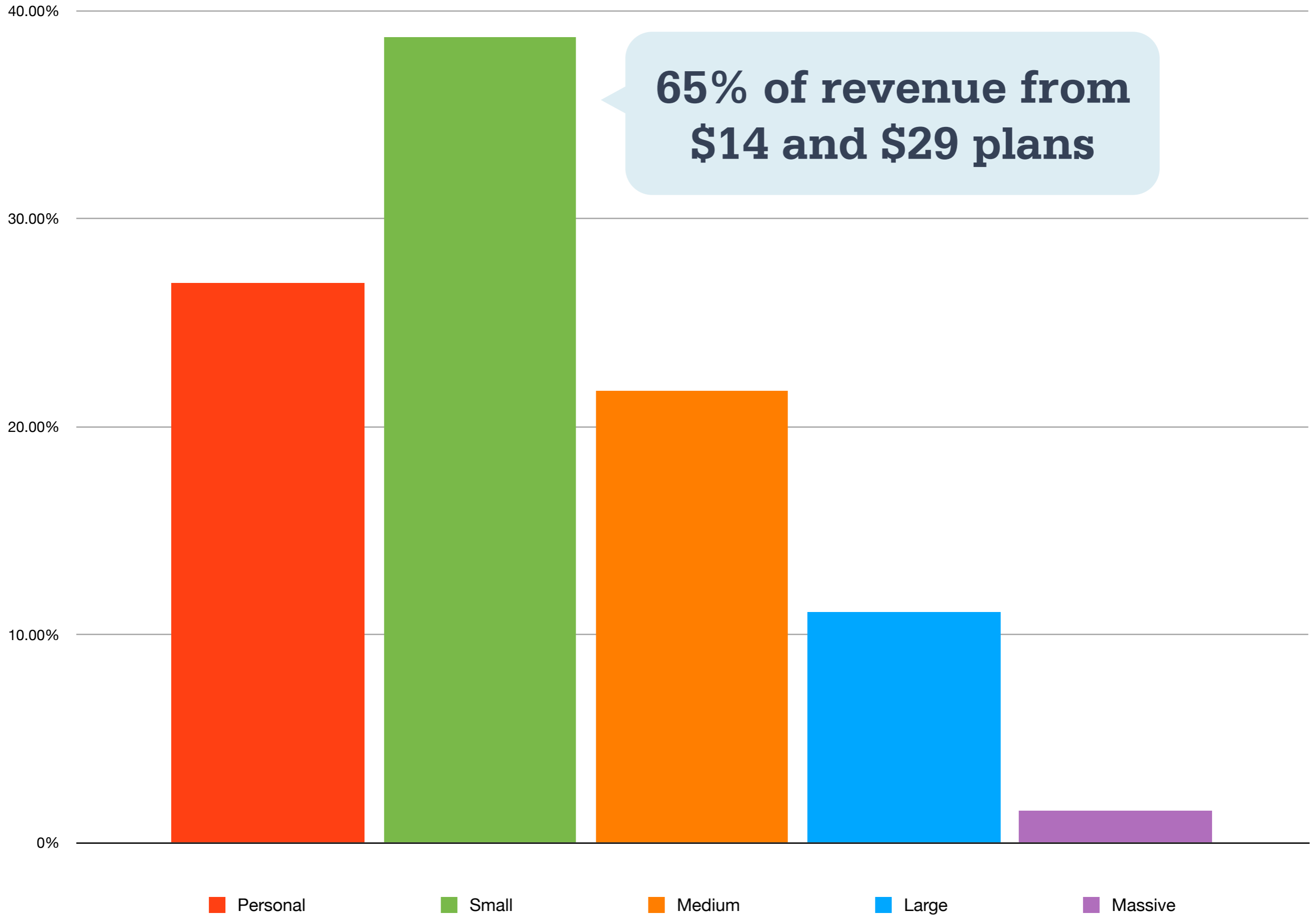


Cheapest plans stay with us the fewest months.

% of Each Plan that Ultimately Cancels



Plans as a % Total Revenue



65% of revenue from \$14 and \$29 plans

Good Decision



**Aimed for monthly
profitability. And didn't
outgrow our revenue.**

Weren't afraid to spend money, but tried to make sure that we always ended the month with more money than we started. A yearly budget is key because many significant costs are not monthly and would otherwise be off the radar until it's too late.

Good Decision



Run billing daily.

Constant stream of income, and billing problems only affect a small portion of customers.

Good Decision



Kept personal costs low.

No office space. No debt. Could have done better, though. You will be your company's single biggest cost center.

Good Decision



Watched financials like a hawk.

Kept a close eye on our bottom line, cash flow, and money in the bank.

Bad Decision



Watched financials too closely.

I updated our numbers almost daily, and kept too much detail. Weekly is more than enough.

Know Your Costs

Hosting

Performance Monitoring

Source Code Management

Uptime Monitoring

Transactional Email

DNS Management

Exception Management

File Storage

Transaction Fees

SSL

Bookkeeping

Accounting

Legal

System Administration

Team Software

Business Insurance

Health Insurance

Merchant Account

Domains

Your Cost of Living

4. Tech & Operations

Start simple. Delay complexity.

Good Decision



Didn't open source the application.

If it wasn't providing my income, I wouldn't have made time for it. Would have been too difficult to stay excited about the vision.

Bad Decision



Built our own billing system.

To our credit, we didn't have much of a choice at the time. These days there are plenty of choices.

Good Decision



Bootstrapping forced us to scale cautiously.

By letting our profits determine how much we invested in the company, we couldn't spend time on the wrong things.

Researchers found that certain factors – such as age and gender of founders, location, and previous entrepreneurial experience – have little bearing on a startup's likelihood of failure. **The most consistent predictor of failure, rather, was a startup's propensity to engage in premature scaling.**

Startup Genome Project

Interviewed 3200 Startups

(Quote is really focused on “high-growth” startups.)

Bad Decision



**Waited too long to go
full-time SSL.**

The cost is negligible, and the value is infinite. With web applications, it's expected these days.

Bad Decision



**Obsessively worried about
downtime.**

In 3 years, we've had about 8 hours of unplanned downtime. Only half of that was under our control. I spent 8760 hours worrying about it.

Good Decision



**Didn't obsess over
automated testing.**

Building a business, not a test suite. Sifter simply wasn't complicated enough in the beginning and we didn't know what we were building.

Bad Decision



**Didn't obsess over
automated testing.**

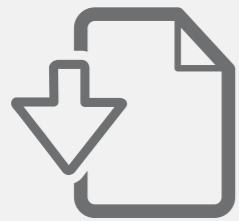
We did a little, but not much. We've definitely had to add it in as we go and as Sifter becomes more complex.

Bad Decision



Waited too long to go to a high availability hosting environment.

The setup isn't trivial, and the up front costs are significant, but it's worth it. Easier to scale. More redundant. More insulated from problems. Faster.



<http://bootstrapping.sifterapp.com>

Thanks! Questions?

garrett@nextupdate.com
[@garrettdimon](https://twitter.com/garrettdimon)