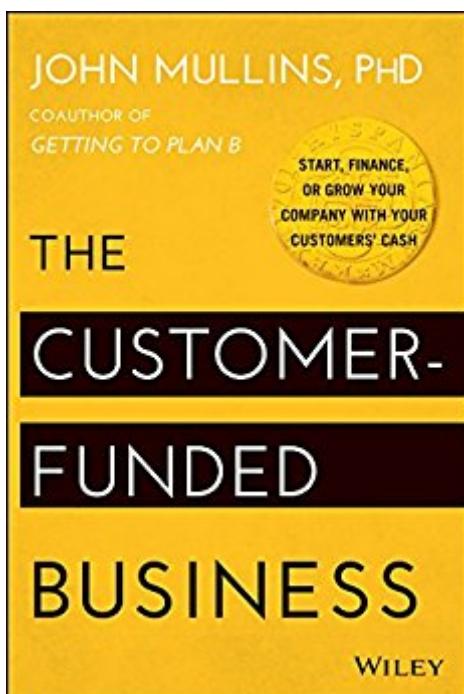


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# The Customer-Funded Business: Start, Finance, Or Grow Your Company With Your Customers' Cash



## Synopsis

Who needs investors? More than two generations ago, the venture capital community- VCs, business angels, incubators and others -convinced the entrepreneurial world that writing business plans and raising venture capital constituted the twin centerpieces of entrepreneurial endeavor. They did so for good reasons: the sometimes astonishing returns they've delivered to their investors and the astonishingly large companies that their ecosystem has created. But the vast majority of fast-growing companies never take any venture capital. So where does the money come from to start and grow their companies? From a much more agreeable and hospitable source, their customers. That's exactly what Michael Dell, Bill Gates and Banana Republic's Mel and Patricia Ziegler did to get their companies up and running and turn them into iconic brands. In *The Customer Funded Business*, best-selling author John Mullins uncovers five novel approaches that scrappy and innovative 21st century entrepreneurs working in companies large and small have ingeniously adapted from their predecessors like Dell, Gates, and the Zieglers: Matchmaker models (Airbnb) Pay-in-advance models (Threadless) Subscription models (TutorVista) Scarcity models (Vente Privee) Service-to-product models (GoViral) Through the captivating stories of these and other inspiring companies from around the world, Mullins brings to life the five models and identifies the questions that angel or other investors will - and should! - ask of entrepreneurs or corporate innovators seeking to apply them. Drawing on in-depth interviews with entrepreneurs and investors who have actually put these models to use, Mullins goes on to address the key implementation issues that characterize each of the models: when to apply them, how best to apply them, and the pitfalls to watch out for. Whether you're an aspiring entrepreneur lacking the start-up capital you need, an early-stage entrepreneur trying to get your cash-starved venture into take-off mode, an intrapreneur seeking funding within an established company, or an angel investor or mentor who supports high-potential ventures, this book offers the most sure-footed path to starting, financing, or growing your venture. John Mullins is the author of *The New Business Road Test* and, with Randy Komisar, the widely acclaimed *Getting to Plan B*.

## Book Information

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## **Customer Reviews**

John has done it again! A book that I can relate to. I = a middle class aspiring Entrepreneur who is NOT living in Silicon Valley. The sexy model I see people following in the startup space is - get an idea, do a three months lean startup, get seed funded (or join a startup accelerator) and then look for series A. I see my Lean startup friends talking about number of visitors to their website, number of downloads of their apps, amount of money they have raised, etc. Everyone is out there to become the next facebook, sign up the whole world, go viral, and then figure out a way to make money! John Muller suggests a different model through this book - get an idea, find a customer, invest just enough in your business to win the first customer, scale based upon your customer's experience, bootstrap for as long as you can, then look for investment to accelerate your growth. John's books (my first one was The New Business Road Test: What entrepreneurs and executives should do before launching a lean start-up (4th Edition) (Financial Times Series) talks about Entrepreneurship for people who neither have an Ivy League education, nor do they live in Silicon Valley, where "ideas" perhaps get funded. This book presents the magic masala behind many Entrepreneurs outside the valley, specially in India. And that magic turns out to be the Entrepreneur's ability to somehow bootstrap their business from their customer's money. Being of Indian origin, I can vouch for the fact that such a strategy of using customer's money to bootstrap is the ONLY way to start a company in India (and perhaps for most places outside the US). Many thanks to John and hope to read more from him in the future.

Mullins describes 5 different models that companies have followed to launch using customer funds. He gives examples of each - mini case studies of firms you've heard about (in most cases). He shares why these models work, why they may or may not work in other circumstances. He then outlines what to look out for if you want to apply that model to your company - or to a company you may be investing in. Too many business books focus on a topic or a theme and then act as if it always works for everyone. John Mullins tells both sides of the story, and does a good job putting it in context. My only quibble (and it's a small one) is that he sees customer funding as a prelude to raising equity investment and dismisses bootstrapping as a method for only small companies. In my experience, some companies go that route, but many more use customer funding as bootstrapping and don't always stay small, but go on to create considerable wealth. Regardless of the next phase of growth, the details of these 5 models and when they work is a great thing for all entrepreneurs to know.

The Customer-Funded Business should be mandatory reading for every entrepreneur before even thinking about seeking angel or venture capital funding. It's also the perfect "what to look for" guide for the professional angel investor. I will be giving a copy to every startup that pitches me!

John's real life experience and academic research come together nicely to make the case for early stage and mid-market growth companies to focus on growth funding via customer funded models. The five he identifies and illustrates (stories and case studies) are very helpful, and based on my experience, "right on". For the Founder\CEO that is considering Venture Capital, make sure you read this book first before you make your decision! Keeping control of your equity, business operations and not being distracted unnecessarily are all benefits of the customer funded business...and it can be a lot more fun too! Keith Cupp, President Gazelles International Coaching Association

I've read both The Customer Funded Business and John's other book, Getting to Plan B. I loved them both and gained great insights and the needed inspiration to make changes. I read Getting to Plan B when my business was small (about \$2M in sales). It provided a philosophy of thinking that allowed us to grow (with our hard work) by over 20% annually for the last ten years. During that time we radically changed how we earn our income and so much of our product mix. I grabbed this book

as I was preparing for another round of growth. It has kept me from doing something I have been fearful of: reaching out to private equity for funding. While the speed of growth might be a bit slower, I am much more committed to building a great company than building a big company.

I have personally attended one of the John Mullins classes at London Business School. The class is superb, and this is a book well worth reading. One of the top business books I have ever read, and one of the few business books you absolutely must read whether you are starting a business or are an employee in a business. Buy and read with confidence, superb.

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