**The Stairstep Approach to Bootstrapping**



Start Small Get Big

**Step 1: Your First Product**  
Everyone knows how difficult it can be to launch your first product, and frankly, a lot of the startup advice out there just makes it harder. From validating an idea, to testing message-to-market match, coming up with a marketing plan, and actually building the product, it’s a miracle anything gets launched at all.

With that in mind, how do you give yourself the best chance of avoiding failure?

In my experience, the biggest pitfall that trips up first-time product people is trying to create something too complex.

The strategy that seems to give people the best chance of success is creating a simple product, with a simple marketing plan – that means a one-time sale product, with a single traffic channel.

Specifically, I’m suggesting that you don’t get started with a subscription SAAS model. Recurring revenue is the holy grail for bootstrappers, as we’ll discuss later in this post, but it can also be a major obstacle to making a sale.

It’s much easier to sell a standalone product like a WordPress plugin or a Magento add-on – they’re relatively inexpensive and the customers “owns” them forever, so they don’t have to worry about mounting costs over time or “throwing money away” on something they can’t keep.

Other examples of one-time-sale products might be a Shopify app, a Drupal add-on, a Photoshop plugin, or an ebook.

These smaller projects might not be as “sexy” as trying to disrupt marketing automation, and they probably won’t land you on TechCrunch, but they will help you become profitable much, much earlier.

A project like my most recent effort, [Drip](https://www.getdrip.com/), is a serious undertaking, and while I’m happy with its growth, I’m pretty confident I would not have been able to make it work 13 years ago when I first started building products.

As for a single traffic source, focus on figuring out one way of generating customers, instead of trying to master all the different traffic channels at once.

Getting those initial early sales is a big win.

In my case, that meant getting good at SEO with my first project, instead of trying to learn SEO, Adwords, Facebook ads, etc. all at once. I’ve seen many other people focus specifically on generating free downloads from [WordPress.org](http://www.wordpress.org/)and then up-selling premium plugins, selling physical products like vitamins on Amazon, or generating profitable how-to channels on YouTube.

This focus will help you start generating revenue without worrying about becoming a master marketer, and let you develop new skills one-by-one as you need them.

**Step 2: Rinse and Repeat**Step 2 is doubling-down on the model that worked in Step 1 and repeating it until you own your time.

In essence, once you’ve launched your first successful product and it’s making a bit of money, take a look at what made that product a success and repeat it.

One of the biggest mistakes I see founders make is abandoning what already works and trying to take on a bigger challenge before they’re making enough money to develop products full-time.

Instead, focus on replicating the same type of product with another angle or in another market, maybe more than once.

Obviously most WordPress plugins won’t pay you enough to quit your job, but three might – that’s exactly what worked for [Dave Rodenbaugh.](https://twitter.com/daverodenbaugh) Once he figured out how to successfully sell premium add-ons to users of his free plugin, he developed two more plugins with [premium options](http://businessdirectoryplugin.com/), instead of jumping to SAAS or trying to figure out how to promote his plugins with Facebook.

Phil Derksen is another example with 2 WordPress plugins: [Pinterest Pin it Pro](http://pinplugins.com/) and [Stripe Checkout Pro for WP](http://wpstripe.net/). He quit his job last month by stacking their combined revenue into a full-time income.

Richard Chen of [PHP Grid](http://phpgrid.com/) recently made the jump from one-time sales to leaving his job, and is working on climbing to the next step.

David from [FatCatApps](https://fatcatapps.com/) is doing great with his [easy pricing tables](https://wordpress.org/plugins/easy-pricing-tables/) and [easy opt-in](https://fatcatapps.com/optincat/) plugins.

And Fri Davies from the [Dynamite Circle](http://www.tropicalmba.com/dc/) has done this with his Magento add-ons.

When I first started moving out of consulting in 2005, I acquired a product called [DotNetInvoice](http://www.dotnetinvoice.com/), a straightforward piece of invoicing software that I promoted almost exclusively through SEO.

The revenue from that product grew incrementally until 2008 when I started acquiring and building more products instead of trying to optimize what I was already working on.

Those were still simple projects, like a job board for electrical linemen, an e-commerce store for beach towels, and a couple of ebooks – all one-time sales promoted that relied on SEO traffic or AdWords to make sales.

So why did that grow my business faster than testing and tweaking each of these products individually?

Lifetime value. The lifetime value (LTV) of nearly all of these products was not enough to warrant anything except “free” traffic from an organic source like Google or the WordPress plugin repository.

But I didn’t know that at that time, which lead to me wasting more than a year trying to scale my beach towel store. But when you’re selling something that has an LTV of $10-15 dollars, you just can’t make paid advertising work. Or content marketing. Or any of the other approaches I would use to grow an app with a higher LTV ($150+).

So in Steps 1 and 2 I see people succeeding by sticking to free traffic channels (typically organic or viral), sticking to the first one that works for you, growing it until it plateaus, and focusing on replacing your income by repeating this with multiple products.

None of my early projects were particularly glamorous, but when I stacked them together I built enough product income to buy out 100% of my time and quit consulting.

That let me move to step 3, where I was able to start focusing on bigger projects, with higher LTVs that gave me room to experiment.

**Step 3: Recurring Revenue**  
Now that you’re generating enough income to justify going out on your own, and you have the experience and the mindset of someone with a few successes under their belt, it’s time to level up and take a bigger risk by going after recurring revenue.

Recurring sales are the holy grail for bootstrappers for a reason – instead of repeating the painstaking process of selling new product month after month, every customer increases revenue for this month, next month, and beyond.

While some percentage of your customers will churn, this model gives you incredible leverage to grow your business – if you’re providing a good product, you will retain the vast majority of your sales month over month.

That’s a big part of the reason why SaaS is so popular with bootstrappers (with productized services and membership sites also on the rise.)

But the other side of the SaaS coin is that there’s along onramp to any kind of substantial revenue, which is why I recommend you complete steps 1 and 2 before moving to recurring revenue.

Aside from the fact that recurring revenue tends to yield much higher lifetime values – think about how much you’ve paid Basecamp or your hosting company over time – the high dollar value that a new customer is worth to your company opens up a world of new marketing approaches you can attempt, such as: PPC, display ads, content marketing, integration marketing, etc.

When I bought [HitTail](http://www.hittail.com/) and optimized its sales funnel, it more than doubled my annual revenue, even though the average purchase per customer was barely into the double digits.

But because it’s relatively inexpensive on a monthly basis, customers stay with us long enough to create a nice LTV which gave me the flexibility in ad spending to figure out a profitable Facebook ad campaign that brought more than a thousand new customers over the course of about 6 months.

That kind of growth is the promise that drives a lot of new founders to dive headfirst into SaaS projects. But frankly, I hope this post has made your reconsider that it’s probably the wrong place to start due to the technical and marketing complexities (not to mention the competition) that go along with SaaS.

I don’t think HitTail or Drip would have taken off if they were my first projects – I don’t know that I would have had the time, money, skills, or confidence to give them what they needed to succeed.

**Moonshots**The tech media likes to focus on moonshots because they’re exciting, but their focus on the 1-in-10,000 that work means they ignore the hoards of people who have tried and failed because they try to play in the NFL before they’ve learned basic blocking and tackling.

There is no guarantee that The Stairstep Approach will help you launch a successful product right out of the gate, but based on patterns I’m seeing in the bootstrapper community it’s a nice, low-risk path to a successful software company.