Founders First
CAPITAL PARTNERS

Rock My World Case Study

How Rock My World Media used revenue-based financing (RBF) to drive greater revenue growth by increasing conversion rates and their customers' overall lifetime value

Rock My World Media is on a mission to help people live healthier and more active lives by looking at solutions that combine data and content to create interesting experiences.

ROCKMY WORLD

The company was founded in 2013 with a music product called RockMyRun, which provided all around music for exercise that changed based on the performance of the exerciser. By leveraging beta technology about how somebody is exercising, the company was able to help people perform better during exercise by up to 20% and enjoy exercise by more than 30%.

The Opportunity

The gap in the market that Adam identified was that there had to be a better way, a more intelligent way, of delivering music for performance outside of just guessing at a playlist. And that formed the foundation for Rock My World and the app RockMyRun.

Another key aspect that led to the founding of the company was Adam's six and a half years at Qualcomm, a chip provider based in San Diego. While working there, Adam noticed how much more technology was going into the devices we use every day.

As a matter of fact, he was part of the team at Qualcomm that initially placed the investment in Fitbit when they were a startup company.

Adam had a vision of the future where we would wear devices that would be able to calculate and deliver data about our bodies in real-time.

He realized he could take the experience that he had in creating music for himself—having the right song play at the right time during his workouts—and scale it to millions of people based off of the data that was coming in from their devices.

It was really that background between the entertainment industry and technology that formed this inspiration for the company.

Six years later, Adam made the leap and dedicated himself to his startup full time.

Solution: Revenue-Based Funding with Founders First

Like many founders, Adam's funding journey started off with personal savings. After the company started to experience some growth and revenue generation, he began researching different funding options.

Through his research, Adam believed angel investment and more sophisticated investors was the route to go down.

He spent many months seeking out angel investors and finally was able to secure some angel investment.

The process was extremely time-consuming and challenging overall. To raise that initial capital, he spent a lot of time pitching to people, engaging in conversations where people made commitments then backed out of them, and driving up and down the state to pitch to whoever would be willing to listen.

However, the equity financing did allow Adam to build the company and start to generate some growth, and add more fuel to the fire.

Adam's team had developed an interesting model in terms of lifetime value to customer acquisition costs, and overall they had built what they had envisioned as a machine: when money was put in one end, more money came out the other. And that's really where revenue-based financing (RBF) came in.

"We could do it [RBF]. We ended up closing an initial round and putting that money immediately to work. And we were able to get through that so quickly.

It was a matter of weeks as opposed to the months of pitching and negotiating and getting turned down and all of that.

Because we had had this system, because we had demonstrated recurring revenue, **it was so fast** and so easy just to bring in some **additional investment and put it to work.**

Adam Riggs-Zeigen
Founder & Former CEO, Board of Directors
Rock My World Media

After Founders First

Comparing the RBF amount versus the size of an angel investment is stark.

- ✗ Generally angel investments can be anywhere up to a five figure check and can take up to six months to receive.
- By comparison, RBF can reach a potential of six figures of capital in just a matter of weeks

Like many entrepreneurs, Adam experienced this same narrative.

Before RBF, Rock My World was generating in the high six figures in revenue. And it had been growing, but once the company was able to secure revenue-based financing, the company really, really took off.

Before RBF, the company had just one revenue stream that they were totally reliant on, which is extremely risky.

After taking revenue-based financing, Adam's team was able to diversify and afford different revenue streams.

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- ! Over the next 24 months, Rock My World was able to increase their revenues by 3x.
- ! The company grew their team by almost 40%.
- ! They improved their key metrics in terms of conversion rates and their overall lifetime value.

And doing all that without having to give up additional shares or control or anything like that was a great experience for Adam.

Performance Measurement

The key metrics that Rock My World used to evaluate their company's performance are the cost of customer acquisition and lifetime value.

Adam encourages all entrepreneurs to think about their business this way.

For example, if it costs the company $15 to get a lead with a 10% closing rate, the client acquisition cost is $150 per customer.

By then measuring the churn rate of the company's customers and how much the average value of each customer is on a monthly basis, Adam could then determine that the lifetime value of a customer is anywhere between $1,200 and $1,500.

By being able to compute these metrics, Adam was able to confidently pursue more funding because he had the data to confirm it is incredibly profitable over the lifetime of the customer.

Rock My World also has downstream metrics that lead up to conversion rate, in terms of churn rate, and what it costs them to get a lead, but ultimately LTV and cost of customer acquisition are really the important ones.

EBITDA, which includes all of the other costs associated with delivering a service, is the third metric Rock My World follows closely.

Advice for Other Entrepreneurs

Adam believes it is important to take revenue-based funding at the right time.

Founders should seek RBF once they know how to grow their business but are missing that additional aspect of capital to help them grow further. Adam goes on to say that RBF is a great solution for folks that—

- have been working on their business for a little while;
- know how to get additional customers;
- know how to close those deals;
- and know how long on average those customers will stay with them.

Once this machine is built, revenue-based financing is a great way to receive and deploy capital to ultimately get the growth you're looking for.