MIKE WICKS

CROWD FUNDING

AN INTRODUCTION

Community
Futures PA and District

Growing communities one idea at a time.

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Introduction

This eBook does not offer a complete guide to crowdfunding in all its guises; it is meant as an introduction to this fascinating way of raising money for product development, projects and companies. It focuses primarily on rewards-based crowdfunding for two main reasons; first it is the easiest form of crowdfunding to become involved with, and second it is the most relevant at this time to small business entrepreneurs.

Although equity, or investment-based, crowdfunding is of interest to small business owners, it is in its infancy in both the U.S. and Canada. A few crowdfunding sites offer a platform for small businesses to attract investors, but you will be expected to provide a business plan and comprehensive financials. In this book we focus on rewards, donation, and pre-sales crowdfunding.

Rewards-based, including pre-sales and donations crowdfunding can offer real rewards, but they don't come easy. There are many examples of companies attempting to raise $250,000 for a project and ending up with several million dollars, but in fact they represent a very small percentage of the campaigns launched.

Two-thirds of successful campaigns raise under $5,000, and the majority of campaigns are unsuccessful, so it should not be viewed as a get-rich-quick scheme. As with all things, however, you can increase your chances of success by doing your homework. The vast majority of projects posted don't have a hope of succeeding because their proposition is not well thought out, the product is weak, and the project overall is poorly presented. Reading this book will help you understand what you have to do to give your project a better than average chance of raising the money you need to develop your product, or take your company to the next level.

I wish you the very best of luck!

Mike Wicks

People wanting to raise funds for a project, product development, or almost anything else can sign onto a crowdfunding website and create a campaign. Later in this book we will be showing you exactly how to do this, but for now let's take a look at where the crowdfunding phenomenon originated.

The short definition is that crowdfunding is where a large number of people (a crowd) financially support a project by giving a relatively small amount of money either in return for a reward, as a donation, or potentially in return for equity. It is a form of social networking and uses the power of the Internet and online communities to spread the word about a project or product.

A good formal definition comes from Investopedia (www.investopedia.com): *"The use of small amounts of capital from a large number of individuals to finance a new business venture. Crowdfunding makes use of the easy accessibility of vast networks of friends, family and colleagues through social media websites like Facebook, Twitter and LinkedIn to get the word out about a new business and attract investors. Crowdfunding has the potential to increase entrepreneurship by expanding the pool of investors from whom funds can be raised beyond the traditional circle of owners, relatives and venture capitalists."*

Non-profit organizations have been raising small amounts of money, from large numbers of people through fundraising campaigns forever, which was, essentially, crowdfunding. The Internet however offered a way to extend a non-profit's reach, and by the end of 2011 over $1.2 million had been raised by non-profits using crowdfunding platforms, the largest percentage being in Europe, with North America catching up quickly.

Micro-financing is another form of crowdfunding that existed before this new term become commonplace; with sites such as Kiva encouraging people in prosperous countries to donate small sums of money to entrepreneurs in developing countries.

Having said that, crowdfunding's real roots lay in crowdsourcing and Jeff Howe, who is a contributing editor at Wired magazine, and author of *Crowdsourcing: Why the Power of the Crowd Is Driving the Future of Business*, defines it in two ways, first what he calls the The White Paper Version: *Crowdsourcing is the*

act of taking a job traditionally performed by a designated agent (usually an employee) and outsourcing it to an undefined, generally large group of people in the form of an open call; and the Soundbyte Version: *The application of Open Source principles to fields outside of software.* Source: www.crowdsourcing.com

So really, crowdfunding as we know it today is a subset of crowdsourcing, or at the very least it spawned it.

As recently as 2009 there were just a few online crowdfunding platforms, today there are more than 600 worldwide. Crowdfunding, as it currently exists, allows anyone to raise money, through donations, for any project they are working on through dedicated crowdfunding websites, or platforms. Projects can be anything from an individual writing a book, to a company launching a new product. In fact, people are even using it to get strangers to fund their medical bills, but that's another story.

Music, film, theatre, publishing, technology and video-gaming are currently the most successful sectors using crowdfunding. However, small business entrepreneurs are starting to recognize the potential of this funding source. This is especially so where their product, or project, is of interest to the general public. People look for creative and innovative ideas to support; in particular where the campaign offers, as a reward, an opportunity to be the first on the block with a new product. This can be an exceptionally powerful motivator.

Campaigns that achieve the greatest success are those that feature a specific project, with set goals and deliverables offering attractive 'rewards.' A moderate timeline is also important to success.

New legislation recently signed by President Obama will allow small businesses in the United States to raise equity funding through crowdfunding websites, which is seen as a major advancement in crowdfunding, especially for small businesses (The Canadian Securities Commission is currently looking at similar legislation). This new legislation allows businesses to use Crowdfunding platforms to raise money for special, or startup, projects by offering equity in return.

Crowdfunding businesses promote projects via the Internet so the public is aware of the details and can donate to the 'cause' if they desire. Crowdfunding investment platforms currently include four different business models. These include; investment-based; lending-based; donation; and reward-based platforms. It is recommended that the pros and cons of each model be considered before moving forward with any specific model.

When equity crowdfunding becomes widely available it will be important to understand a little about what type of person will be allowed to invest and at what level. While smaller investments might be allowed from any individual, larger investments will require a more sophisticated level of knowledge from investors.

An accredited investor is: someone who has at least $1 million in net financial assets (excluding real estate); or someone who can prove a net income over the last two calendar years exceeding $200,000 (a husband and wife with a combined income of $300,000 also qualify) they also have to show that they expect to exceed those figures in the current year; or someone who has assets including real estate of $5 million; finally anyone with at least $150,000 to invest is considered an accredited investor. In all these cases the securities commission is making the assumption that

people with this level of assets, or income, are financially sophisticated enough to make sound financial decisions on their own behalf.

Even when you are approaching accredited investors through a crowdfunding campaign you will need to have an incorporated company, and provide a business plan with full financials. Check out a platform called RockThePost in chapter three for more information on equity crowdfunding and promoting to accredited investors.

This book focuses primarily on reward-based crowdfunding, as it is by far the easiest place to start and provides an opportunity for small businesses to raise money for the development of specific new products, or projects. Some 93 per cent of all campaigns in 2011 fell into this category (Source: DailyCrowdSource.com). It should be noted however, rewards-based campaigns raise lower amounts of funding, with two-thirds under $5,000. Don't be put off by this relatively low figure, there are many success stories out there, one of the most well-known being the Pebble Watch which beat its target ten times over, raising $10 million for development of this innovative product.

Before we go any further, let's take a quick look at a few of the most popular crowdfunding platforms.

KICKSTARTER

Kickstarter opened its doors in April 2009 and experienced immediate success. During its short business lifetime, 65,000 projects have obtained funding as the result of its crowdfunding business platform. An impressive $1.2 billion has been pledged to support these projects.

Some of the positive reasons investors are attracted to Kickstarter include the fact that the funds are not committed to a particular project, unless the funding goal is met.

The project risk for the investor is dramatically reduced by this "all or nothing" investment strategy. If an entrepreneur needs $5,000 to launch a project, then Kickstarter believes that their chance for success is diminished if the goal is not met. This policy protects investors against a perceived risky investment proposition. As might be expected, the people raising money for a project do not always view this uncertainty as a positive aspect of the Kickstarter platform.

Kickstarter charges a five percent fee, but only if the goal is met. If the goal is not met, there are no charges. While this may sound like a benefit, many entrepreneurs dislike the fact that they are not allowed to keep the money they raised when the goal is not met.

One major limitation of raising money through Kickstarter is that backers can only donate money by using Amazon's payment processing system. For organizations hungry for donations, it is heartbreaking when investors do not donate because it is too difficult. Many people do not have an Amazon account, and do not want to go to the trouble of establishing an account so they can make a donation.

KICKSTARTER BY THE NUMBERS

Kickstarter launched in 2009 and since then (as at July, 2014) some 6,523,227 people have made 16,226,998 pledges to the tune of $1,199,354,215.

65,043 projects have been successfully funded and 1,948,811 people have backed more than one project.

Without doubt Kickstarter is the most popular platform and for good reason given that it is probably the first site people come across when checking out crowdfunding. So, it is natural for many of you to gravitate toward using it, but there are several things you need to know before you register.

On March 3, 2014 reached $1 billion in pledges from 5.7 people.

The overall success rate for projects is $43.23%. This may appear low, but many projects are poorly conceived and attract little attention.

Kickstarter provides updated statistics on an ongoing basis, which can be useful when considering what your financial target might be.

Here are the revenue breakdowns for the 65,059 successful projects.

• 7,002 raised less than $1,000
• 40,603 raised $1,000 - $9,999
• 8,883 raised $10,000 - $19,999
• 7,173 raised $20,000 - $99,999
• 73 raised $1m or more.

Without question crowdfunding is becoming better known and is attracting more backers. Here are some interesting statistics from Kickstarter's 2013 year.

• 3 million people pledged $480 million to projects
• $1,3015,520 per day
• $913 per minute
• 19,911 projects were successfully funded

Backers came from 214 countries and territories and all seven continents (including Antarctica)

• 807,7333 people backed more than one project
• 81,090 backed more than 10
• 975 backed more than 100

Kickstarter's First Quarter 2014

• $112,038,158 pledged to projects
• Average pledged per day $1,244,868
• 4,497 successfully funded projects
• 887,848 backers
• 679,413 first-time backers.

ROCKETHUB

RocketHub is another player you may want to consider. Similar to Kickstarter, there is no fee to launch a project. If a campaign reaches its financial goal, a four percent fee is charged. For those who do not reach their goal, unlike Kickstarter, they do get to keep the money raised, but the fee increases to eight percent. Rewards, much like in PBS fundraising campaigns, are the way investors are compensated for their good will. Depending on the donation amount, rewards vary widely.

INDIEGOGO

Indiegogo represents yet another crowdfunding possibility for small businesspeople to raise capital. Projects are allowed to raise funds for up to 120 days. Even if the goal is not met, the money raised is still given to the project, but a higher fee is charged (four percent fee is charged if the fundraising goal is met, and nine percent fee if the goal is not met). While some investors may negatively view the fact that a project is still funded, even if its goals are not met, most entrepreneurs prefer this flexible approach. Entrepreneurs would likely agree that it would be terrible to fall short of a fundraising goal by a few hundred dollars and thereby lose all the money raised.

As mentioned earlier, the crowdfunding sector is growing at an incredible rate and this has led to a great deal of niching with sites focusing on everything from environmental projects to healthcare. Beware though that smaller, newer, platforms may attract less visitors and therefore may make it harder to reach your financial targets.

One very important thing to take into consideration when considering a crowdfunding campaign is that it is not all about the amount raised.

The publicity, and contacts, even a marginally successful campaign can generate can be worth significantly more than was actually raised. In chapter seven we hear from a successful new author who exceeded his target by almost $88,000 and was subsequently approached by major publishers and film companies, making the finances raised via crowdfunding a small part of the overall financial success he enjoyed.

In the next chapter we take a look at what's behind this phenomena - why are so many people giving their hard-earned money to strangers?

Chapter Two

Why Do People Support Crowdfunding Campaigns?

When I first mention crowdfunding to people who have not heard about it, the question I get asked most is, "Why would people give money to strangers - even if they do get a small reward in return?"

The fact of the matter is people do and they do so in their hundreds of thousands. Let's take a look at what makes the average backer of a project tick. In some ways it's a little like armchair traveling, if you can't get out and visit exotic countries you can at least read about them in magazines, books, and newspapers, or watch programs about them. There are many people who are closet entrepreneurs, or who would love to play the stock market if they had the money. With crowdfunding they can become involved in a company and the innovative new products it's developing with very little 'investment' - in some cases it can be as low as one dollar. Whether it's one dollar or $10,000 once a person becomes a 'backer' they are inextricably bound to the company and the project they have backed. Those people who backed the Pebble Watch in the early days of the company's crowdfunding campaign will very shortly be the first to receive their watches. They will be able to

show off this innovative new product to friends and work colleagues well before the average Joe will be able to get his hands on one. Not only that, their 'investment' amount was almost certainly less than the watch retails for today, so they got a bargain by supporting its development - which itself offers bragging rights.

Here are some of the other reasons people are willing to part with their hard-earned money.

SUPPORTING A CAUSE - if a person has any sort of connection to the product, or outcome, of a campaign then they are likely to support it in the same way they would a charity. So for example, if the product is a new type of wheelchair, people who use wheelchairs, or who have family or friends who rely on them, may have a vested interest in supporting the project financially. As I write this, people are supporting campaigns as varied as a documentary film against cruelty to animals, a campaign that is trying to bring solar energy to the Galápagos Islands, and even one to save a local bookstore, which has already raised $30,000.

AFFECTING CHANGE - for some people it's not just the cause, but making a difference in the world. This can be through supporting a product that's going to make a difference, an event, a film, or even an individual entrepreneur. For example, Heartwood is a feature-length and transmedia documentary about citizens on the remote BC

island of Cortes who are uniting under a common vision of healthy forests and thriving communities; by the end of February 2013 its crowdfunding campaign had raised over $10,000.

SUPPORTING A DREAM - when someone has a dream it can be contagious and as word spreads more people come onboard to support it. A guy called Bucky Roberts runs a website which provides free educational videos to everyone on the web. He has already built one of the largest communities of techies, web-designers, and programmers on the Internet. Now he wants this community to work together towards a common goal. He wants to build a social network, like Facebook, that is open and free, not one that is restricted by the pressures of stockholders or corporate laws. His dream is to build a better way to connect the world through his campaign - *Let's Create an Open Source Social Network!* His campaign goal is modest, just $2,500 - as I write this he has raised almost $3,000 with 33-days to go. As word spreads, those that share Bucky's dream of an open source alternative to Facebook will be taking a look at what they can afford to 'donate' toward his dream.

INTEREST IN THE PRODUCT - Formlabs plea on Kickstarter was, *"Are you frustrated that low-end 3D printers don't have the quality to make the true beauty of your designs real? Do you dream of having the power and resolution of a truly professional machine on your desktop? We've created an easy-to-use system that rivals the output of high-end printers at a fraction of the cost."* It hit a nerve with people fascinated by the idea of an inexpensive, but high-quality 3D printer and over 2,000 people pledged almost $3 million in 30-days. Only three of those people pledged more than $10,000.

BEING INVOLVED - it's not always about the product, or project itself, but being connected to the world of business. Backers can include

people stuck in a nine to five job, housewives or house husbands, university students looking for experience, or retirees missing the cut and thrust of business life. There is a level of excitement in being part of the project and the potential development of a new product, a new film, or new technology.

INTERACTION - being able to contribute ideas and interact with the people running the campaign is the draw for another set of people. Perhaps they have ideas, or can contribute skills, knowledge or previous experience with something similar. The fact that they are being heard at all, can be a huge motivator.

BEING PART OF SOMETHING BIGGER THAN THEMSELVES - for many people crowdfunding simply gives them a chance to be part of something bigger - something that expands their horizons and lets them exist for a time, at least, in a far larger world.

THE REWARDS - we must never forget the rewards; almost all campaigns offer backers something special in return for their support. It can be as simple as a t-shirt, or as exciting as being able to meet the creators of the product; it could be an invite to a launch party, or a limited edition - the better the rewards the greater the buzz. Jordan Stratford's campaign (see chapter eight for his tips and advice) featured a reward that resonated with people. For the first ten people to pledge over $500 he offered to, *" ... write an additional short story (2500 - 5000 words) set in the world of Wollstonecraft and presenting a character you can name (it can be you or a friend) – I maintain discretion so the name fits into the ambience of the story. The short story will be made available to the whole world for free so everyone can read about your character's adventures. Oh yes, fame and immortality, I give it to you."* Needless to say he got ten backers in short order!

Crowdfunding Platforms

There are almost 600 crowdfunding (or similar) platforms worldwide; in North America there are a couple of hundred. In this chapter we'll try to save you a bunch of work and provide basic information on the most popular and relevant platforms for the small business owner. We have focused on North American sites, as they are more likely to attract North American visitors who might stumble upon your campaign. Canada ranks number eight globally in terms of the number of platforms it has (17).

The pricing information provided below is meant as a guide only. Many platforms offer variations on their standard pricing and some offer special rates for nonprofit organizations, or for your second campaign. Credit card fees can also be complex and based on the amount of money raised, and whether monthly payment options are available. Always visit the platform's web site to get current and accurate information.

When choosing a crowdfunding platform you have to take several things into consideration and weigh the pros and cons. On the one hand, Kickstarter is by far the largest and gets the most visitors, but it also has a huge amount of competition for supporter's money and it can be difficult to set up for Canadians. At the other end of the spectrum RockThePost is easier and you won't be up against the same level of competition, but you might want to question how many potential backers are checking it out. The other thing to look at is what type of ventures are successful in each platform? Take a look at chapter four for some interesting statistics, which might help you with your decision.

Choosing the right platform for your concept, from the several hundred possibles, is important so don't rely solely on the information here as new platforms are launching every month. One thing to beware of is sites that look professional, and even well-established, but have poor success rates. There is one such site which launched over five years ago that talks a good talk, but when you dig into it, the site only has 15 projects and very few have raised any funds at all. Unfortunately this is not an exception, there are many sites out there that attract few visitors.

Here is a selection of platforms that are worth checking out; it is by no means comprehensive and I urge you to carry out an extensive review of what's available - especially as it is changing constantly.

KICKSTARTER

The biggest, and many say the best, Kickstarter allows creative projects in the worlds of Art, Comics, Dance, Design, Fashion, Film, Food, Games, Music, Photography, Publishing, Technology, and Theater.

As mentioned earlier, Canadians need to work with someone in the United States to use Kickstarter. Many do however make the effort, as it is the largest platform in North America. Kickstarter fairly recently opened its doors to projects from the United Kingdom. Many people question why Canada was not the next country to be welcomed into the Kickstarter family.

What do they say about themselves?

Kickstarter is a funding platform for creative projects. Everything from films, games, and music to art, design, and technology. Kickstarter is full of ambitious, innovative, and imaginative projects that are brought to life through the direct support of others.

INIDEGOGO

This platform is available to anyone, anywhere, to raise money for anything, and as such may be the best one for Canadian entrepreneurs, especially if they have no way of getting someone in the United States to act as an agent.

You can collect money in a wide range of currencies from anywhere in the world (except those countries on the U.S. OFAC sanctions list) as long as you have a bank account.

What do they say about themselves?

We're fixing the funding process by empowering people from all over the world to accomplish extraordinary things through our platform. In 2008 we unleashed Indiegogo in the independent film industry and it was a smash hit. In 2009, we expanded to include all industries and today we're the leading international crowdfunding platform, having raised millions of dollars for thousands of campaigns worldwide. Our belief is that anyone, anywhere who is passionate and works hard should be able to raise money.

ROCKETHUB

RocketHub is a smaller player but nevertheless has some interesting projects on its site. Art, science, business, and social good projects - all welcome.

What do they say about themselves?

You want your crowdfunding project to be successful. Period. You want your project to be where it belongs, and you want it to be noticed. You're busy and you need this to be worth your time. You want to do nothing less than to dazzle your supporters.

We get it. We know what it feels like to take a risk for your passion, because we've been there (meet our team below).

We see ourselves as your partner. So, we've designed everything — our site, systems and support — to help you achieve your goals today. And, we are working with governments, educators, and communities to make sure your opportunities for success will expand tomorrow.

If you want to be part of an international, pioneering, open community that has helped thousands of artists, scientists, entrepreneurs, and social leaders raise millions of dollars, you want to be part of RocketHub.

FUNDRAZR

This platform seems to open its doors to just about any project and suffers for it in my opinion. At the time of writing there is a project that has the goal of raising $10 to get someone a much needed haircut, and another by a guy that simply wants backers to make him a millionaire. He's raised $2 of his $1 million in 48-days. These types of ridiculous projects, and there are many of them in the crowdfunding world, are responsible for making the statistics relating to the percentage of successful projects unreasonably negative.

On the more positive side Fundrazr does feature many small business projects that have succeeded in reaching their funding goals.

What do they say about themselves?

FundRazr is the easy-to-use crowdfunding platform for everyone. FundRazr gets your cause or project noticed and funded.

SPONSUME

Artistic and entrepreneurial projects. Must offer a creative or innovative project to the public. It is based in the U.K. but allows projects from anywhere in the world (excluding Singapore). Canadians can set up their campaign in Canadian currency.

What do they say about themselves?

Sponsume is an independent venture based in London. Launched in 2010, we are a crowdfunding platform and community dedicated to creativity and innovation.

Sponsume received praise from a number of publications, including Wired, TechCrunch Europe, The Times, The Guardian, the BBC website, the British Journal of Photography, The Stage, and Le Figaro.

POZIBLE

Pozible is an Australian based company and its crowdfunding services are aimed at artists, musicians, filmmakers, journalists, designers, entrepreneurs, inventors, event organizers, software developers and all creative-minded people. Canadians can use Pozible and have a dedicated page.

What do they say about themselves?

> *Pozible is a crowdfunding platform and community-building tool for creative projects and ideas. It was developed to help people raise funds, realise their aspirations and make great things possible.*

> *Crowdfunding with Pozible is a way for motivated makers to access funding beyond 'official' channels by talking directly to switched-on consumers, fans, peers and like-minded strangers.*

> *Whether you're a part-time photographer, aspiring illustrator, avant-garde kazoo virtuoso or app-developing wizard, you can host your project on Pozible.*

PEERBACKERS

This American platform is a little different in that it is specifically aimed at helping entrepreneurs raise capital to start or grow their businesses.

What do they say about themselves?

> *peerbackers is a new way to fund entrepreneurs. It is an online funding platform that allows business owners to raise capital from their "peers" — in small increments — in exchange for tangible rewards to those who contribute.*

> *"Anyone with an idea, project, business or invention can apply to post on our site from anywhere in the world. This fundraising approach is not only ideal for seed capital or for expanding an existing venture, but it is also good for proof of concept or creating a product prototype as part of a larger venture. This approach can really be used for funding any project or idea that is worthy of support."*

ROCKTHEPOST

RockThePost offers a platform for equity crowdfunding, crowdfunding for startups and small business financing. It showcases pre-qualified startups that are sustainable and have good business plans, and financials.

What do they say about themselves?

"Equity crowdfunding is a relatively new opportunity, so the SEC (Securities and Exchange Commission) is still adjusting the regulations covering the space for the ordinary person to contribute to your fundraising. However, in the meantime, RockThePost is conducting equity crowdfunding already with accredited investors, the only legal way to currently use equity crowdfunding. In order to create an equity crowdfunding campaign, your company will need to pass through a specific round of background checks. In addition to being an incorporated company, you will need to provide a list of documents including: a full business plan; financial snapshot; and a 5-year financial forecast."

FEE STRUCTURES				
Platform	Fee Goal✓	Fee Goal✗	Card Fee*	All or nothing?
Kickstarter	5%	n/a	3-5%	✓
Indiegogo	4%	9%	3%	✗
RocketHub	4%	8%	4%	✗
FundRazr	5%	n/a	2.2%	✗
Sponsume	4%	9%	2.9%	✗
Pozible	4-5%	n/a	3.9%	✓
Peerbackers	5%	5%	2.9%	✗
RockThePost	5%	n/a	3.5%	n/a

* Card fees vary depending on the transaction value and volume discounts. Some crowdfunding platforms have made special arrangements with PayPal for lower fees. There will also be a per transaction fee usually around $0.30. There can also be an additional wire fee for non-U.S. campaigns.

The crowdfunding platforms detailed above represent a fraction of those available and have been chosen as potential sites, where the average small business might successfully post a campaign and raise finances for a project. We have not listed sites aimed at non-profit fund-raising although many exist. If this is of interest, one that is worth checking out for environmental projects is the smallchangefund.org which is Canadian based and is the Canadian partner of the Global Greengrants Alliance of Funds (www.greengrants.org).

If you would like to investigate more Canadian crowdfunding platforms check out http://www.ncfacanada.org/canadian-crowdfunding-directory/ for a list of all sorts of crowdfunding and angel investment web portals across Canada.

Crowdfunding By The Numbers

Crowdfunding is huge and if you don't believe me as at July 2014 there were around 600 platforms. Almost 200 of these platforms hail from the United States; 70 in Canada; 44 from the U.K. and more than one hundred across the rest of the Eurozone. It should be noted however, that the top five platforms in the United States account for almost three-quarters of total funds raised. In 2012 there were more than 1 million campaigns.

If you are thinking that this is a relatively small movement, with a few people providing a few dollars here and there to support creative ideas, think again. When the ink is dry on the figures for 2013 we will be looking at around $5 billion being raised - well over 100 per cent up from 2011.

Although most people focus on reward-based crowdfunding, in actuality 47 per cent of funds came from donations (where there was no reward, or perk) and only 11 per cent for those projects offering some sort of reward. It should be noted however, that reward-based crowdfunding is growing at an exceptionally fast rate, according to a crowdfunding industry report (based on a survey carried out by crowdsourcing.org, and using data based on direct submissions from 135 crowdfunding platforms).

The same report states, that when it comes to the four types of crowdfunding the size of the campaigns are significantly different: equity-based ($84,597); loan-based ($5,587); reward-based ($4,076); and donation-based ($664). When comparing success rates between types of campaign, the amount of revenue being raised has to be taken into consideration with smaller campaigns having a better chance of being fully funded.

As this book is aimed at small business entrepreneurs, my primary focus will centre on reward-based crowdfunding, rather than equity funding, which at this time is difficult to access.

When we're talking about crowdfunding and the opportunities it offers, we have to be careful not to get carried away with the promise it offers for our projects. Having a successful crowdfunding campaign is not easy, it requires a great deal of planning, and as you will see in this chapter less than half of all projects are fully funded.

Kickstarter is by far the largest crowdfunding site and provides the most comprehensive statistical analysis, so we'll start with a look at some of its figures.

As at February 2013, Kickstarter had launched an amazing 85,974 projects, out of which 35,887 were successful (that is fully funded) and 46,497 were not funded. Remember with Kickstarter, it's all or nothing; it's no use getting to 99 per cent funded - you still end up with nothing.

Those 85,000 plus projects have received a total of $480m in pledges. We do of course have to be careful about this number as $68m was not collected (due to cancelled pledges), making the true figure at $412m.

If we divide the number of successfully funded projects by the number of all projects whose deadlines have passed (including successful, unsuccessful, suspended and cancelled projects) the project success rate is 43.56 per cent. This gives you less than a 50/50 chance of success, but you can certainly increase your chances by doing your homework and setting up your campaign correctly in the first place.

We talked earlier about the fact that Kickstarter only releases pledged money when the project becomes fully funded within the campaign timeframe, so it is interesting to look at the success rate of projects overall. Some 11 per cent of all projects receive zero pledges, this accounts for 20 per cent of the 46,497 unsuccessful projects. The biggest dropping off point is those projects receiving between 1 and 20 per cent of the requested funding, which account for 62 per cent of unsuccessful projects. Interestingly, 81 per cent of projects that raised more than 20 per cent of their goal were successfully funded.

Most projects that are successfully funded are aiming for between $1,000 and $9,999 - accounting for 67 per cent of all successful projects. Compare this to the crowdfunding stars that raise $1m or more, which account for only 20 projects out of the 35,887 successfully funded projects. In the more modest $20,000 to $99,999 range, the percentage is still only 8 per cent, and lower still, at a little over 1 per cent, for those raising $100,000 to $999,999. Updated figures for Kickstarter can be found on page 8.

The lesson here is to be realistic with your goal setting.

The four highest funded categories on Kickstarter are: music (28.7%); film and video (24.6%); art (10.1%) and publishing (8.1%). Remember, different crowdfunding sites attract different investors.

With Kickstarter, if it features your campaign you have an 89 per cent chance of reaching your goal as opposed to 30 per cent if they don't.

In 2012, Indiegogo campaigns, on average, raised 20 per cent more than they did in the previous year. Financial support for almost half of Indiegogo campaigns (mostly cause related, entrepreneurial, or creative) came from more than one country. The sites most successful campaign was *Let's Build a Goddamn Tesla Museum* which raised over $1.3m.

The length of campaigns were shorter in 2012 (average 39 days), reflecting a trend toward tighter campaigns being more successful across all crowdfunding sites. See chapter five for more information on why shorter campaigns raise more money than longer ones.

Indiegogo reports that campaigns using a video raised 114 per cent more money than those which didn't use this medium. Almost two-thirds of all Indiegogo campaigns featured a video. Shorter videos were more effective, with campaigns featuring those lasting under five minutes being 25 per cent more likely to reach their funding goal. The average across successful campaigns only was 3.11 minutes. Overall, there was an increase of media being used in campaigns from five items in 2011 to six in 2012.

Another interesting statistic from Indiegogo is that campaign owners who contribute to other campaigns are 9 per cent more likely to see their campaign be successful and will raise 13 per cent more.

The increasing influence of social media is illustrated by Indiegogo campaigns receiving an average of 55 per cent more likes, or shares, on Facebook than in 2011.

When it comes to the people funding campaigns across all platforms the vast majority of people, some 90 per cent, only support one or two projects, and the average amount pledged for equity and lending projects is $60, where with reward-based project it's only $3. Donation-based projects fare a little better with pledges at $8.

Sources: Kickstarter; Indiegogo; econsultancy.com; crowdfunding.org; appsblogger.com;

Creating A Campaign

Don't be under the impression you can log-on to a crowdfunding platform, fill in a few forms and have a project listed in the time it takes to put an ad on Craigslist or Kijiji. Statistics show that the average successful crowdfunder took around two-weeks to build their project and fine-tune it before making it public. This is a tough market, you are asking strangers for the most part, to trust you and believe in you enough to part with their money. A slip-shod project will not instill confidence.

THE CONCEPT

The first thing you need to do is come up with a concept for your project and campaign. You are unlikely to get a lot of interest, or backing, for a vague project such as expanding your business, or purchasing new machinery or technology. You need to come up with something that the general public, and in particular your own network can understand and get excited about - something they want to see happen. You are looking for buy-in, both metaphorically and literally.

NAMING YOUR PROJECT

Make it memorable, make it clear; pitch it as an opportunity not a begging letter. Promote the experience not the product and make it exciting. Check out which projects capture your interest and ask yourself - why?

THE EYE-CANDY

Right up front, along with the title, you need an image that will make people linger long enough for you to capture their attention and get them reading the first few lines of your pitch, or click the play button on your video. Make it eye-catching and relevant - you probably only have 5-seconds to capture someone before they move on to the next project.

THE ELEVATOR PITCH

Think Twitter - how can you sum up your project succinctly - perhaps in the time it takes an elevator to travel ten floors rather than in just 140 characters, but still brief and to the point?

This pitch will be the first thing people see and will be used by the platform to promote your project.

YOU NEED TO KNOW PEOPLE!

Too many people launch a project on a crowdfunding platform and sit back and wait for something to

happen. This is not how it works - your success is directly linked to the number of people you initially get interested in your project. If you rely on 50 to 60 Facebook friends to spread the word about your crowdfunding project you are unlikely to be successful. Before you even consider launching a project you will need to build your list to thousands. This can be through Facebook, LinkedIn, your blog, or any other database of people you have connected with. Think outside the box; for instance if your product is in the technology sector you might head off to a conference, or trade show for the hi-tech industry and collect business cards from everyone you meet, or take a booth and hold a draw as a way to get attendee's contact details.

Be creative and come up with ways to collect names; offer a free eBook (like this one perhaps) to anyone who comes to your website, or partner with friends, colleagues, or acquaintances who have large social media networks. Remember, crowdfunding is about crowds - the larger the better, and going viral. Don't just ask people to visit your project, encourage them to tell all their contacts about it too!

ALL PLATFORMS ARE NOT EQUAL

There are over 500 platforms out there, but in reality very few will be suitable for your project. First, you need to find one that allows you to launch a project from your country. For instance, if you live in Canada, Kickstarter while the biggest in North America is not going to work for you unless you use an agent, or third-party agent, in the United States. However with Indiegogo no such restrictions exist. Then there is the type of projects that each platform focuses on, some attract backers interested in the arts, music, or film, others technology. Choosing the best platform for your project is vital to its success.

WHO CAN YOU EMULATE?

Take a look at several platforms that seem to feature similar projects to the one you wish to get funded and see how they are promoting themselves. Not only that take a look at how well they are doing in terms of funding and number of backers. Check out the rewards they are offering and see if they stimulate your creativity and give you ideas of what you might offer; also take a look at which reward levels are the most popular. This will give you an idea of what the primary level of investment might be.

Look at projects that are succeeding, and also the ones failing and determine why. All this information should be taken into consideration when developing your own plan.

CHECK OUT OTHER CAMPAIGNS

Now take a broader look at the most popular campaigns, and those closest to being funded. Look for commonality - these are the success stories what do they have in common? Is it the rewards, the great video, the background information? Does the campaign excite you? If it does, analyze why and build that excitement into your project.

A CROWDFUNDING BUSINESS PLAN

Take your crowdfunding project seriously and develop a mini business plan. What are your goals and objectives; what are you raising funds for; how will you deliver on your promises; how will you get the word out there; what will the extraneous costs be? These and dozens of other questions need to be answered prior to launching a project/campaign on a crowdfunding website.

Ensure you have a detailed strategic plan on how you will deal with fulfilling the rewards promises you made; the last thing you want is for your project to get a bad name because you dropped the ball and weren't able to deliver.

WHAT BUDGET DO YOU NEED?

Don't confuse this with your funding goal; this is the amount you will need to actually develop the product for which you are raising money. What do you need the money for? If it's to pay you a salary, think again, no one is going to invest in your project so that you can pay your mortgage, or eat out at fancy restaurants. They want to see where the money is going and that it is being used for line items vital to making the project happen. Remember to include the cost (including labour and mailing) of delivering all those rewards you will be promising. People are looking for transparency - they want to know where and how the money is being spent.

THE FUNDING GOAL

Some platforms have an all or nothing policy - that is, if you don't reach your funding goal you get nothing. Others allow you to keep anything you raise, but charge a higher percentage where your goal is not reached. Both policies have pro's and con's; check chapter three for more information, and to see which popular platforms operate under which policy).

If you opt for an all or nothing funding goal, remember you can raise more than your goal, just not less. Asking for extremely high amounts can put people off backing your project, as they may feel it's not viable and unlikely to succeed in reaching its goal, and therefore not worth backing in the first place.

Select a reasonable amount that will allow you to deliver the basics of the project, even if the bells and whistles might have to wait awhile. Do not under any circumstances appear greedy, but on the other hand don't ask for too little, or it will look unrealistic and foster doubt as to whether you can deliver what you are promising.

One vital aspect of setting your goal is to show clearly why you need the funds and exactly how they will be used. Getting the funding goal right is somewhat of an art, so take some time to look at what other people have asked for and what they have achieved.

CAMPAIGN LENGTH

A lot has been written about how the length of a campaign can affect its success. Longer campaigns can lose their momentum and could result in early backers changing their minds, and others holding off until later to see how the campaign progresses and then deciding against, or finding another more exciting project. According to Kickstarter and some

industry reports, 30-days seems to have the highest success rate - statistically speaking. A high-energy, fast-paced and exciting campaign offers the best chance of reaching its goals.

BUILD EXCITEMENT

People have to be passionate about what you are trying to achieve, if they are to part with their hard-earned money - especially in many cases to a complete stranger. Build passion into your project by showing your excitement and commitment, and that of your team. Have something that people can talk about and forward to their friends, whether it's amazing facts, or statistics, or perhaps a case study - maybe even a demonstration.

BUILD TRUST

People have to believe that you are not only honest and ethical, but also capable of delivering on the promises you are making. Ensure you let potential backers know that you have the skill, knowledge and experience to deliver on your promises. Where possible provide examples, testimonials, or other proof to convince people you will indeed deliver.

INVOLVE YOUR AUDIENCE

Imagine potential backers as your audience, people who need entertaining and engaging. Wherever possible let them interact with you and the project - show them that if they back you, it is the start of a relationship between you. Check out chapter two where we discuss why people back crowdfunding projects). Continuous communication is vital.

CREATE A VIDEO

A good video can be the difference between success and failure; after all the first thing we do when we visit a crowdfunding project is click 'play' to hear what it's all about don't we? In the next chapter,

Going Viral, I talk about the power of video and mention a film about dance that has been viewed by 200 million people. Now, you may not need that many people to view your promotional piece, but you still need it to capture the interest of viewers to the point they want to share it with others.

These days making a video is easy; most PCs and especially Macs have built in programs to help you. Your video can be anything from an entertaining, even theatrical, presentation to a PowerPoint presentation with a voice over. One thing is certain though - the better it is, the more captivating it is, the more people will watch it to the end and forward the link to their friends.

Be careful about any soundtrack you put on your video as most music is copyrighted and you don't want to be slapped with a lawsuit. Just as you can purchase images online, you can buy music; just enter "copyright free music" into any search engine and you'll find a whole bunch of sites. Here are two to get you started: www.stockmusic.net and www.royaltyfreemusic.com.

Regardless of the approach you plan to take, there are some basics that have to be in all videos. First, potential backers want to know a little about you and your project. What is the history of the product, project, concept? Tell the story of how you got to where you are today and what your dreams are for the future. Show excitement, be positive and take the viewer on a journey with you - help them 'experience' the project and 'see' what it will become.

Next, tell the viewer why you need the money and what you will use it for. Make them feel that it is in their hands to make this project successful.

Finally, tell them about the rewards you plan to offer and focus on the fact that these are special gifts for special people - again, show your excitement about how neat they are.

One big tip is that people support people they like and feel they can trust. Don't hide behind screen shots, let backers see your face and appeal to them directly.

One last thing, you want your video to be as professional as possible, but before you start making your blockbuster movie check out the technical specifications and limitations of the particular crowdfunding platform you are using; Kickstarter for instance limits the size of your video to 1,000mb and accepts only certain file types.

THE PREZZIES

Exciting rewards make it easy for people to invest in your project; they give backers a warm feeling that not only are they supporting something worthy, but getting something cool in return. The main thing to offer is the product itself, or something relating to the outcome of the project. Approach rewards from the perspective that you want backers to benefit tangibly from the support they are giving you. Also that you regard them as special; so something signed, or limited, or personal will engender more support than something almost anyone can obtain.

People like to feel that they are being treated like true investors, so giving them a chance to see behind the scenes, get an advance look at the prototype, or even have a say in the name, the colour, or the packaging. These are powerful rewards that cost you very little, but mean a great deal to the person receiving them.

Think about offering high-end backers a chance to be in the television commercial, or other advertising, or to be on set when they are filmed. You might offer them the opportunity of chatting with you, or the developers over the telephone, or perhaps you might have a reception for all backers who can make it to your offices, or host a picnic at a central location.

Whatever you offer, it has to be meaningful and it has to show the value you place on the people who are turning your dream into reality.

PRICING

Rewards-based crowdfunding is all about lots of people giving a little cash. The most popular pledge point is just $25, and according to Kickstarter the average is around $70. Focusing on the small amounts is sound strategy. Consider one of the giants of reward-based crowdfunding - the Pebble Watch - these guys raised $10,266,845, a huge sum, but it came from 68,929 backers - an average of just $148.90 each.

PROMOTE LIKE CRAZY

This is such an important part of the campaign, we have given it its own chapter which talks about the importance of making your project go viral (see chapter six).

COMMUNICATE, COMMUNICATE, COMMUNICATE

So, your campaign is going well, the money is flowing in, now you can focus on developing your product right? Wrong! Never take your eyes off the campaign - everyday you need to tend and nurture it by posting project updates on your campaign pages, blogging about it, talking to your backers, reaching out to all those people visiting your campaign, building excitement, and creating a story around it. Remember all these people are going to be customers and promoters when your product hits the streets and you will need them onside, eager and excited to be an ongoing part of your success. Remember this is all about relationships and these people are invested in you and your success and feel they know you and your company. Never, never ignore them, or show them any disrespect.

Let everyone know you were successful - assure them you will keep them in the loop - and do so. Just because the campaign is over doesn't mean you get to rest - you need to get into high gear and thank all your backers and supporters.

REWARD FULFILLMENT

Of course the most important part of the campaign is reward fulfillment - your backers will be eagerly awaiting any benefits due to them, immediately the campaign closes. If, like the Pebble Watch team, you got tens of thousands of backers you may be feeling overwhelmed, but hopefully you will have developed a plan at the outset of how the deliveries will be made. Be honest with everyone and let them know if there are going to be any delays. It might be a good idea to post photographs of your fulfillment team busily parcelling up the goodies and having fun. Anything

you can do to show that you and your team are real people doing their best, will alleviate any bad feelings about potential delays.

CELEBRATE

Let everyone on your database know that the project was successfully funded - not just those that gave money. Let the local media know that you did well, and if you got national attention through the campaign then don't forget to issue a press release.

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In the next chapter we'll go into more detail about how to promote your project and more importantly ways to help it go viral; the holy grail of crowdfunding.

Chapter Six
Going Viral

You can have the greatest product, or the most exciting project, but if only a few people know about it you are never going to raise the funds you need. We've talked about the importance of building a database of people large enough to get the word out to the point where hopefully the message will reach a tipping point and go viral. So, how do you do that?

Going viral with a marketing message is nothing new; it happened pre the Internet age all the time and spread via newspapers, radio and television. Something goes viral when it piques the interest of enough people for it to get sufficient traction to spread widely through multiple channels. Malcolm Gladwell (author of The Tipping Point) says that ideas and behavior, and messages and products, can act like an outbreak of an infectious disease and result in a 'social epidemic.'

A friend of mine worked for BC Ferries in the early 1970s and worked on a campaign in Alberta to promote travel with BC Ferries. They never expected their message would go viral, after all it was simple - in early spring they would drop daffodils over downtown Calgary from an aircraft to encourage Calgarians to head west for spring break. What made the campaign go viral was the fact that the flowers froze on the way down and instead of floating gracefully to earth, came down as popsicles clattering onto the sidewalk. The media quickly got hold of this and reported it widely; luckily no one got hurt and the story was covered nationally. This may be an example of 'going viral, the good, the bad and the ugly' the idea was certainly novel and could have been cute, however the execution was not fully thought through and someone could have been seriously hurt.

Many years ago I was told about a brand launch reception held by British Airways; a great example of how to ensure a message spreads quickly and positively. BA invited journalists and dignitaries to a cocktail reception after which everyone was invited to move next door to see the airline's new colours. By the time everyone was ushered into a darkened room by BA staff carrying muted flashlights, and taken up a flight of stairs to their seats, most people had forgotten they were in an airport. A disembodied voice announced that the new brand was about to be unveiled. Loud music followed - one imagines the theme to 2001 A Space Odyssey - and, as it reached its crescendo, the lights were switched on, blinding the audience for a second. There

before the audience, indeed literally just a few feet from their faces, was a Boeing 747, a Jumbo Jet, sporting BAs new logo and colours. BA had built bleachers that followed the contours of the the giant aircraft. There was a collective gasp, and much cheering, as people realized that they were in an aircraft hangar and nose-to-nose with the largest aircraft in the world. You can imagine the coverage BAs new brand received in the media the next day and how quickly word spread about the launch of its new colours.

These two examples show great creativity and would work equally well today. In the first case people would be pulling out their smart phones the second the first daffodil shattered on the ground and Tweeting about this strange occurrence. In the second, smart phones would be taking photographs and bloggers in the audience would be vying to get the story out first.

Going viral is about having a message that people get excited about and want to spread for some reason. The message has to evoke an emotional response. I was sent a video the other day of a dog playing the piano and singing. The sender who loves dogs, thought the video cute and wanted to cheer me up. I forwarded it to other dog lovers I know, and so it spreads. Your marketing message has to compel people to want to share it for some reason.

Some people think going viral is a matter of luck. Well, maybe in some cases it is where a video, or message, captures the cultural zeitgeist in some way and people feel they have to send it to everyone they know. Twenty three million people have watched a YouTube video of a guy raving about a rainbow. Personally it didn't do a lot for me, nor did watching a comedian perform the Evolution of Dance, which I found rather disturbing, but over 200 million people have seen that video. It sometimes seems the more we try

to make something go viral the harder it is to make it happen. If it was easy, almost anything or everything would go viral and that is certainly not the case. Without a great deal of luck you need a good strategy.

But let's focus on crowdfunding; a friend of mine, Jordan Stratford, posted an idea for a book on kickstarter.com, (see chapter eight for his crowdfunding tips). He took time to study the crowdfunding medium before launching his project. First he had an appealing idea, which evoked an emotional response in people with young daughters like himself. He made a short video telling people why he believed in his project so much, and the good influence it would have on young teenage girls. That alone would not have been enough however, to get the message out to the numbers of people needed to make it go viral; so, he built excitement among his followers and friends, people he had worked with, met at literary conferences and anyone else he knew. As he says, "the first step in crowd-funding is to start with a great crowd." Word started to spread and the concept became the subject of blogs and subsequently

appeared on the crowd-funding website's front page. The rest as they say is history, he raised $91,751, mostly from strangers, in 27 days!

If you want to go viral, you've got a better chance of being successful if you use video. A video link is 53 times more likely to appear in the top five of Google's first page of search hits. YouTube videos get more hits than anything else, which is not surprising when you consider 48-hours of video is uploaded every minute!

The basics of going viral with a marketing message is that it has to be simple for journalists and potential backers to grasp - it also has to be unique. You then need to get people talking about it, blogging about it, and emailing it to their friends. But you need to do more; think hard about which of your friends are most likely to forward it to someone influential, a industry pundit, a blogger, a television personality. Who do you know that might have a personal interest in your project, or do you know someone who might know someone that does?

Consider the six degrees of separation - how far are you away from someone who could help take your message viral? You might be surprised at who you know and more importantly who they can lead you to. I reviewed my relatively modest network while writing this chapter and discovered that I am connected to a CEO of an international publishing house, a member of the Royal family, who is a well-known interior designer, and a celebrity hairdresser all of whom would read an email from me, and more to the point click a link to a video and potentially forward it to others. Now, play the six degrees of separation game with your address book, Facebook friends, LinkedIn connections, and acquaintances, friends and family. You'll be surprised how may people you can reach once you start to extend your search to your contacts, contacts, or even your contacts, contacts, contacts!

Chapter Seven
The What-Not-To-Dos

AIM TOO HIGH

Many people simply aim too high and that puts people off investing. I saw one project recently that didn't have a video, didn't outline exactly what they were trying to achieve, or what they needed the money for, but expected to raise $1 million. Needless to say, they were not doing well, with only a single bid for $20 and I imagine that was from their mom!

Think carefully about how much you need, and what you need it for. Set a goal that you are confident of meeting. If you genuinely need a large sum of money, which might frighten off potential backers, split the project into phases and carry out several crowdfunding campaigns.

Your goal has to make sense to potential backers; they have to have faith that you and the project are grounded in reality.

BE GREEDY

It is obvious that many people set up their project as a get rich quick scheme; they probably think that it's got a better chance of success than buying a lottery ticket. Remember, it's not only about the money - if it is then you are less likely to succeed. The winners in the crowdfunding lottery are those that go into it professionally looking to build awareness and feedback for their product. Fixating on the money is a sure way to fail at crowdfunding.

Backers expect all the money to go into developing the product and not into your vacation fund.

GILD THE LILY

This is a phrase William Shakespeare used in one of his plays and it means exaggerating the merits of something. It is tempting, and easy, to be overenthusiastic about your product, but there is a fine line between a little hyperbole and dishonesty. Be scrupulously factual about any claims or promises you make.

LACK THE REQUIRED CONTACTS

There is no way around the fact that you need to have a very large number of people in your address book, or social network. Too many people launch

a project expecting the crowdfunding platform to bring enough people to its website to view their project. It's not going to happen that way - you have to drive people to the site and to your project; the vast majority of your backers are going to be connected with your extended network in someway, or have heard about it via some sort of media outlet.

DON'T RESEARCH WHAT THE SUCCESSFUL CAMPAIGNS DID

The majority of campaigns fail. Why? Because they were badly conceived and poorly executed. Go online to any crowdfunding website and take a look at the top projects - those reaching their goals. Now look at those that haven't attracted a single bid. Spending a few hours doing this exercise is money in the bank. There is a reason why projects like Oculus Rift, a new virtual reality (VR) headset designed specifically for video games, raised 974 per cent of its goal - raising $2,437,429 based on a goal of $250,000! Watch the video and you'll see what I mean as the inventor describes how the idea came to him when he was working in his parent's garage.

DON'T RELATE TO YOUR PROSPECTIVE BACKERS

People want to know there is a real person behind the project. A boring slide show describing your project is not going to win you any backers, you need to get in front of the camera and show your passion and belief - people support people not products.

DON'T WOO YOUR AUDIENCE

Think about how you act when you want someone to like you; perhaps you engage them in conversation, ask them questions, share a little about you and your dreams, your likes, dislikes. Basically you communicate and build a rapport with them - well the same is true of potential backers, and just as importantly those who have already backed you. After all, if you went on a date and liked the person would you then ignore them afterward? Of course not, and you should not ignore the people who have backed your project - you want them to talk about you to all their friends and help you reach the tipping point where your project will go viral.

START THE CAMPAIGN BEFORE YOU START THE PROJECT

Too many people have an idea and then take it straight to a crowdfunding site. They've made no investment of time and money themselves, but they want others to shell out money to get them 'started'. Take it from me, it isn't going to happen. You need to be at least someway along the path toward making your project a reality before inviting the world to be your partner.

BE MODEST

No one likes a braggart, but people need to see confidence, they need to see that you know with absolute certainty that your project is going to be a success. If they sense that you are not sure, then why should they be?

DON'T HAVE COOL REWARDS

Cool rewards win the day - sure backers should be supporting you for totally altruistic reasons, but in reality what makes them come onboard is the neat stuff they will get.

BE BORING

So many campaigns lack excitement. You must have a hook, something that people can latch onto, something they will want to talk to their friends about, or spread on Facebook. Think long and hard about how you can introduce some pizzazz to your project - may be it's the product itself, the rewards you are offering, the good it will do people, the link to a social enterprise - something!

LEAVE YOUR CAMPAIGN UP FOR TOO LONG

Long campaigns, those over 30-days, can start to fizzle out. Also when a campaign is too long people tend to procrastinate and then end up never committing. You need to have a sense of urgency to your campaign. Statistically, according to Kickstarter which keeps excellent records, projects of 30-days or less have the greatest chance of success.

PROMISE MORE THAN YOU CAN DELIVER

It's great to offer a lot of great rewards but remember at the end of the day you will have to deliver them to all your backers, and what if that means tens of thousands of them?

The other promises which are often broken are timelines; we all tend to be overly optimistic about how quickly we can bring things to market, but remember, your backers may not be sophisticated in the world of business and therefore not understand, or be patient about, even genuine delays.
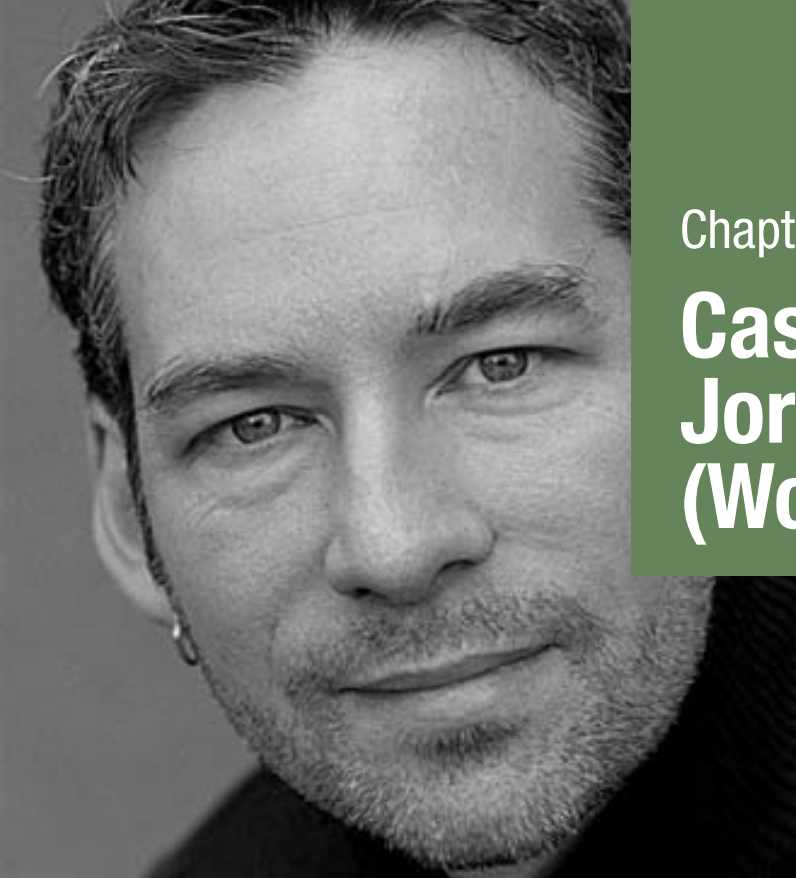
Chapter Eight

Case Study: Jordan Stratford (Wollstonecraft)

Jordan Stratford is an exceptionally bright and charismatic man, but he had no experience with crowdfunding before he came across the Kickstarter website and wondered whether it might be a way to fund an idea he had for writing a series of novels aimed at girls age 8-12. The books feature two very real girls – Ada, the world's first computer programmer, and Mary, the world's first science fiction author – caught up in a steampunk world of hot-air balloons and steam engines, jewel thieves and mechanical contraptions. The hook that got people interested enough to financially support Jordan was the books' pro-math, pro-science, pro-history and pro-literature focus.

His campaign is archived on the Kickstarter site and can be viewed here.

So, on April 2nd I set out to raise $4,000 to fund a Middle Grade fiction project, Wollstonecraft. I needed the funds to pay the illustrator and the editor and the publicist, set up a website, etc. At the end of the campaign, April 30th, I'd raised $91,751 – that's around 2,100 per cent more than my original target!

Understandably, a lot of people have asked how I achieved this. So in no particular order, let's take a look.

Do your research. Look at the top funded campaigns in your category and take notes. What are their reward structures? What's the tone of the video? What keywords jump out at you?

Shorter projects are more successful than longer ones. 28 day campaigns tend to succeed and 2 month campaigns tend to fail. This is a generalization, but play the odds. Also a Kickstarter campaign is as exhausting as it is exhilarating, and you want to get it over with.

Videos make or break funding. They don't have to be complicated or schmancy – mine was a direct 90-second appeal over Ken-Burns-effect stills. I deliberately kept the tone of my video honest and kind of homespun, not too slick (and with modern software, too slick is a mouse click away).

Get social. A month before launch I distilled everything down to one Facebook account, one Twitter account, one website. I made sure I was following decision-influencers and that my mentions would show up on their radar. Obviously the trick here is not to overdo it. Keep it authentic and directly – not obliquely – relevant. Don't bombard @celebs with begging for retweets.

Thank everybody constantly, and remember that re-tweets or 'likes' or 'shares' are as valuable as pledges.

Position the goal of the campaign as "funding for the OTHER people needed to make it happen" not funding for you personally. Campaigns which do very well are those which seek to pay for printing, or a film crew, etc. Backers understand this kind of financial reality, but are less willing to let you quit your day job with the proceeds of the campaign.

Use local media. This won't actually move your goal much, but it helps cement your long-term success by establishing relationships. Even major media success has a modest financial impact – my campaign made io9, boingboing, cnet and WIRED and altogether this gave us less than 5 per cent of our final tally – but this type of coverage grants your project validity and, let's face it, ups the awesome factor.

Set your funding goal to around 80 per cent of what your rock-bottom budget is, and you'll likely overfund to the degree at which you'll have every-thing you need.

Commit to "kicking it forward." Economically, it does seem weird to take 5 per cent of the project funds from the Kickstarter community and put it back into that community, but it's part of the cul-ture – the culture which is making all this possible – and you'd be wise to honour it.

Kickstarter or Indiegogo? If you need $10,000 to make your film and only get $8,000, your film isn't likely to get finished. Under the Kickstarter model, you get $0. So no funds are wasted. However under the Indiegogo's "flexible" model, if you fail to reach your $10,000 target, they'll release whatever you do manage to raise – minus 12 per cent. So you have even LESS money to *not* do the thing you set out to do. But Kickstarter only

gets money if you succeed (you can also set up Indiegogo in this manner, but few seem to do so). That's a vital thing to remember.

Kickstarter has 2 million users, and is much larger than Indiegogo, which is also critical if you expect most of your support to come from within the platform's community (as mine did - about 75 per cent). However, Indiegogo is international (you can do your campaign from anywhere) which is a huge advantage if you're Canadian or Australian and don't have any American friends to help you set up a Kickstarter campaign.

Budget = 90 per cent of funds raised. At the end of your successful campaign, 5 per cent will go to Kickstarter and 5 per cent will go to Amazon for processing credit cards. If you raise $10,000, you'll only get $9,000. Accept that going in.

Listen. Your backers aren't just funders, they're collaborators. They have really good ideas, and they want your project to happen as much as you do. They are the seeds of your fan base. So let them play, too. If they want your content in another format, or another language, great! These can be stretch-goals.

Don't throw it all out there at once. If the grand scheme for your $10,000 goal includes a vision of what it could look like at $70,000, keep it to yourself until, and if, you hit $50,000. Otherwise it seems exploitive. It is, however, a good idea to work out the "what if" well in advance. I got caught completely off-guard and ended up by just asking backers what they wanted me to do with the extra funds.

Digital whenever possible. While about half my nearly 3,000 backers signed up for a reward that I can simply e-mail them, the other half require me to hand-write or hand-sign or hand-package and ship tangible objects, which means I need to hire help, which means it impacts the project budget. I'm grateful, but it's a consideration.

Gratitude, not entitlement. While this is your idea, it's not your money. The budget only exists because others connected with your idea and your passion. Towards the end of the campaign you'll see a lot of cancelled pledges – this doesn't mean they don't love you or your idea, or that you've done anything wrong. It may mean they're overcommitted that month, or that once you've hit your goal they want to give their money to a project that might not make it without their support, and they're proportioning their contribution accordingly. That's fair and sane, and it's not personal. Just be genuine, and grateful.

Your success is next. Now go create something amazing, and invite others along for the ride. I believe in you.

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Thank-you Jordan! Since writing this Jordan has inked a deal with a leading book publisher and been approached by film producers. No doubt we will all be reading Wollstonecraft books and watching his movies in the not too distant future.

Chapter Nine

The Future of Crowdfunding

Even though some crowdfunding sites have been around for as long as ten years (Artist-Share was the first; dedicated to the music business and focused on fan-funding) many people in Canada know little about this social media phenomenon. That will all change over the next few years as the number of new crowdfunding websites multiply and the two big names, Kickstarter and Indiegogo, rack up more major successes.

"Crowdfunding Will Make 2013 The Year Of The Gold Rush" so said David Drake in a guest post on Forbes magazine's online site. He followed this with a prediction that Global Crowdfunding will double in annual revenues to $6 billion in 2013, and the number of crowdfunding platforms will rise to 1,500. His prediction was close; in fact annual revenues reached $5.2 billion in 2013, but the number of platforms saw a more modest growth to approximately 600.

The relaxation of the rules around equity crowdfunding in the United States through the JOBS act (Jumpstart Our Business Start-ups) will result in a new wave of investment-based crowdfunding websites. Canadian securities regulators will be watching what happens south of the border with interest, but some form of equity-based crowdfunding, over and above that currently allowed by accredited investors, is inevitable in the long run. It is a natural progression; as backers become more sophisticated they will demand a greater involvement beyond receiving a few t-shirts, posters, or advanced access to new products. However, industry pundits differ as to whether non-accredited investor crowdfunding will take the industry by storm; many believe it's potential has been exaggerated.

I believe that Kickstarter and Indiegogo will continue to dominate in North America. Kickstarter is the Amazon of the industry and is doing a lot of things right. However, the fact that it does not currently let Canadians run campaigns without using a third-party in the U.S. opens the door to Indiegogo and others that welcome them. Kickstarter does plan to progressively open its doors to new countries, but whether Canada is seen as a priority remains to be seen.

Many smaller sites will disappear as they fail to attract both new projects and backers. There are many sites that look professional, but have few projects and those that they do have show little to no dollars raised.

By necessity, projects will become increasingly sophisticated as backers expect more. There are far too many projects out there that are poorly

designed, have no video, provide little information, and have lack-lustre rewards.

Smaller sites will be forced to carve out a specialist niche for themselves, and this is happening now with platforms specializing in environmental projects, music, theatre and other areas.

Individual campaigns will continue to raise more funds. 2012 saw an average increase of 20 per cent over the previous year, and this will continue as people become more familiar with designing attractive campaigns; more people become aware of crowdfunding; and as backers grow more confident.

Campaign length will begin to drop as project managers heed the advice of many sites that longer campaigns tend to fizzle out and generally underperform.

Crowdfunding is still very new and undergoing many growing pains. In the next few years many new sites will open, especially in the equity-based market as regulations are relaxed and rewritten. Currently investment, or equity-based crowdfunding is permitted in Australia, Belgium, France, Germany, Netherlands and the United Kingdom. As mentioned earlier, the United States will also be making it legal sometime in 2013. Can Canada be far behind? We'll have to wait and see.

Within the next few years crowdfunding whether rewards-based, donation-based, lending-based, or investment-based will become an accepted way of generating revenues for projects and companies.

There are exciting times ahead for this new industry, and especially those small business entrepreneurs who embrace the potential of crowdfunding and use it to test-market new ventures and raise development capital.

Good luck to you all.

Prince Albert & District Community Futures is a full service business centre providing small business loans from $5,000 up to $150,000 to help individuals start up a business or expand an existing business. We also provide small business counselling services and workshops for new and existing business owners. Apply on line at www.pacf.ca or drop by our office to discuss your financing needs.

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