

## THE WALL STREET JOURNAL.

U.S. EDITION

Small Business (A Special Report)

**The Biggest Crowdfunding Campaigns: Where Are They Now? These entrepreneurs raised millions of dollars. But that didn't guarantee success.**

By Deborah Gage

2,713 words

1 May 2018

The Wall Street Journal

J

R1

English

Copyright 2018 Dow Jones &amp; Company, Inc. All Rights Reserved.

Corrections &amp; Amplifications

A crowdfunding campaign for BauBax 2.0, a travel jacket, has raised more than \$109,000 on Indiegogo InDemand. A Journal Report article Tuesday about crowdfunding campaigns incorrectly said BauBax 2.0 raised more than \$4 million on Indiegogo InDemand.

(WSJ May 2, 2018)

(END)

Crowdfunding is usually a pretty modest endeavor. Most people are seeking only a few thousand dollars, and many of them fail to hit even those goals.

But then there is the one-in-a-million case. The entrepreneurial idea that not only beats its goal but beats it dozens of times over -- or hundreds.

Like the father and son who wanted \$70,000 to build artificial beehives and ended up raising nearly \$15 million. Or the inventor who was looking for \$50,000 to build a fancy portable cooler and got more than \$13 million. Or the maker of a smartwatch who raised \$20 million as one of three successful campaigns. And all of them landed those millions in just a few weeks.

This is the story of what happens next, when all that money has poured in. Sometimes the people behind top campaigns plow the money into their products and launch successful companies and new careers. In other cases, the money can't save them from hitting problems in production or delivery.

Here's a look at the top money-raising campaigns ever on Kickstarter and Indiegogo, the two most popular crowdfunding sites.

Some notes first. For some campaigns, the totals include funds raised on Indiegogo InDemand, which allows crowdfunding campaigns that have already met their pledge goals on any crowdfunding site to continue to raise money from backers. And three of the top campaigns were launched by one company, Pebble, so they appear together here in one item.

Pebble Time Smartwatch

Goal: \$500,000

Amount Raised: \$20,338,986

Time Required: 32 days (Feb. 24, 2015-March 27, 2015)

Number of Funders: 78,471

Platform: Kickstarter

Three of the top Kickstarter campaigns, including the biggest one so far, belong to the now-defunct smartwatch maker Pebble Technology Corp. The company raised a total \$43.4 million in crowdfunding, and more than \$15 million in venture capital, according to PitchBook, before it shut down in December 2016 and sold some of its assets to Fitbit.

The company's initial campaign, which raised \$10.3 million in 2012, ranks as the sixth-most-successful campaign ever. The concept: a watch that would let you see who was trying to reach you when you couldn't reach your smartphone. The founder, Eric Migicovsky, was studying engineering at the University of Waterloo and commuting on his bike. He wanted to see who was contacting him on his BlackBerry while he rode so he could stop and answer if needed, he says.

Later, he switched to iPhones and Android devices -- and Pebble included features like the ability to download different watch faces and apps. Pebble's second Kickstarter effort in 2015 comes in as the top crowdfunding campaign to date. Backers pledged more than \$20 million for watches that included a microphone for answering messages by voice and a seven-day battery.

The following year, Pebble continued its streak with a third campaign, raising \$12.8 million for watches that tracked heart rates and a couple of clip-on devices that offered features like GPS tracking and music streaming without being connected to a phone. The effort was the fourth-most-successful ever.

Pledges in the three campaigns ranged from \$69 -- which got backers a clip-on device -- to \$99-\$159 for a single watch, with multiple watches costing more.

Five months after the third campaign ended, Fitbit paid \$23 million for intellectual property related to Pebble's software, among other assets, and Pebble's watchmaking business ceased. Fitbit wouldn't discuss what it is doing with Pebble's technology.

"We needed to partner with a larger organization to be successful, and the market was consolidating," says Mr. Migicovsky. Although he had mixed feelings, he says, "it was time to sell."

In the last campaign, only one model of the watches shipped. Backers who didn't get products were promised refunds. A spokesman for Kickstarter says he believes all the refunds were delivered. (Fitbit is supporting Pebble watches through June 30 and is offering \$50 discounts for Pebble users on a Fitbit Ionic smartwatch.)

All told, Pebble sold about two million watches through Kickstarter and through retailers, says Mr. Migicovsky, who is now a partner at the investment firm Y Combinator.

Flow Hive

Goal: \$70,000

Amount Raised: \$14,927,624 (two campaigns)

Time Required: 56 days (Feb. 23, 2015-April 19, 2015) (Indiegogo)

Number of Funders: 40,457 (two campaigns)

Platform: Indiegogo, Indiegogo InDemand

A father-son team in Australia, Stuart and Cedar Anderson, spent a decade developing a patented beekeeping kit, Flow Hive, to avoid crushing bees during the honey harvest. Stuart was the director of a nonprofit community organization, and Cedar ran a honey-production business and taught paragliding, as well as doing nonprofit work.

Their innovation: Unlike some harvesting methods, which involve cracking open a hive and potentially killing bees, the Flow Hive is made of reusable plastic with partially formed honeycomb cells. When bees fill the cells with honey, beekeepers turn a spigot and honey flows out. Then bees refill them.

But the product wasn't just selling a new design -- it offered to make beekeeping accessible to a much wider audience. After posting a prelaunch video on Facebook, Flow Hive hit its \$70,000 target on Indiegogo within a few minutes and raised \$12.2 million in less than two months, receiving 20,000 preorders. The pledge for a complete hive was \$600, but backers could pledge less to get a smaller option that dropped into standard hives.

So far, about 51,525 units have sold through Indiegogo and online. The company doesn't disclose revenue but is in the black, a spokesman says. Roughly half the hives have gone to people new to beekeeping.

"Bees are fascinating creatures, and beekeeping is a hobby which encourages a deeper connection with your immediate environment," says Cedar in an email. "We know people have offered honey to their neighbors to

help encourage them to stop using pesticides, so there is a community element as well. It's a very relaxing hobby. . .and the whole family can get involved in something that's really positive."

The Andersons were stunned by the campaign's success, they say. Stuart says he worried about not being able to deliver and considered closing it down early. But Cedar wanted to continue. The team fell just a couple of months behind schedule, setting up manufacturing, materials, suppliers and staff and shipping about 20,000 units to 130 countries in nine months.

Flow Hive has raised another \$2.7 million on Indiegogo InDemand -- the campaign is still active, so the figure is still changing -- and a limited edition of the Flow Hive 2 is expected in August.

A spokesman says that the Andersons still drive used Toyota Hilux pickups, which they've converted to run on used oil from takeout restaurants. "My main feeling regarding all this is gratitude," says Stuart in an email, both because he gets to work with his son and because Flow Hive has made beekeeping easier for everyone, which contributes to "a better, more sustainable world."

Cooler

Goal: \$50,000

Amount Raised: \$13,285,226

Time Required: 53 days (July 8, 2014-Aug. 29, 2014)

Number of Funders: 62,642

Platform: Kickstarter

Cooler, billed as "a portable party" with a built-in blender, Bluetooth speaker and extra-wide tires, raised nearly \$13.3 million in July and August 2014. The idea was that you could take the 60-quart gizmo, which came in four colors, to barbecues or tailgate parties without extra gear.

Prices for a cooler ranged from a pledge of \$185 for the basic model (or \$165 for an early pledge) to \$2,000 for a cooler signed by its creator, Ryan Grepper, plus a visit from Mr. Grepper to your next party to tend bar.

The coolers were supposed to be delivered to backers around February 2015, according to Kickstarter. But they were repeatedly delayed, and backers lost patience. Around 565 consumers complained to the Department of Justice in Oregon -- the state where Mr. Grepper's Cooler LLC is based -- and the department opened an investigation. The department says it found probable cause that the company was engaging in, or had engaged in, an unlawful trade practice.

Under Kickstarter's terms of use, Mr. Grepper was required to give refunds to backers whose rewards he didn't fulfill, although no timelines for refunds were specified. (Kickstarter eliminated the refund requirement after Oct. 18, 2014, a little more than three months after the campaign launched.)

On June 14, 2017, Mr. Grepper settled with the Department of Justice. According to the settlement papers, filed in Marion County Circuit Court, Mr. Grepper had shipped coolers to 38,979 confirmed backers by the time the settlement was signed.

The settlement mandated that Mr. Grepper deliver coolers to a remaining segment of the backers totaling 873 within 120 days -- a condition the Department of Justice says Mr. Grepper has met. The settlement also outlined measures for getting coolers to his other backers or sending them a credit toward another cooler. The department won't say how many of those backers have gotten a cooler or credit.

The department said that the settlement "shall not be considered an admission of a violation for any purpose." In the papers, Mr. Grepper denied engaging in "any unlawful or otherwise inappropriate business practices."

Among other terms, Mr. Grepper is barred from rewards-based crowdfunding until he fulfills the terms of the settlement.

In a recent conversation, Mr. Grepper said he focused on quality and costs got out of hand, but he has now streamlined production and is working with "a more trusted and narrower supply chain, which ironically does put costs right about where we projected they'd be when the product launched."

His encounter with the Department of Justice, Mr. Grepper said, cost six figures in legal fees and "a tremendous amount of time and energy." It's nice, he said, "to have it put to bed. It's nice to get back to business."

This campaign was the second time Mr. Grepper had tried to raise money for the cooler on Kickstarter -- his first campaign, in 2013, failed to reach its pledging goal, Kickstarter says, and no money was collected.

Kingdom Death: Monster 1.5

Goal: \$100,000

Amount Raised: \$12,393,139

Time Required: 45 days (Nov. 24, 2016-Jan. 7, 2017)

Number of Funders: 19,264

Platform: Kickstarter

This was the fourth Kickstarter campaign for Kingdom Death, which bills itself as "a massive cooperative board game about survival in a nightmare-horror world."

The game's creator, former Web designer Adam Poots, started crowdfunding in May 2009, shortly after Kickstarter was founded, raising \$1,741 to produce an elaborately sculpted collectible figurine. Mr. Poots also started thinking about how to design a game.

A campaign he launched for an iPhone game later that year failed to reach its goal. But he returned to Kickstarter in November 2012 with a campaign for a board game -- Kingdom Death: Monster -- that raised more than \$2 million. Fulfillment was delayed by nearly two years after Mr. Poots announced on Kickstarter that he was sacrificing speed for quality. Both the game and its production costs were growing -- they went from an estimated \$20 a game to well over \$100, he says -- and he told backers he needed more time for play testing and the production of plastic miniatures.

He upgraded the plastic, he says, and he went to China to oversee the last weeks of production. One miniature, the phoenix monster, was sculpted by hand by French artists and has a wing span of 7 or 8 inches, he says.

Kingdom Death: Monster was finally delivered -- 6,000 copies were printed for backers, who pledged \$85 and up, and 4,000 to sell through retail channels, at about \$400 a copy. Mr. Poots won't disclose sales figures but says he ended up in the black. After the game went out of stock, its resale value soared -- games were being sold on eBay for more than \$1,000.

So, despite what he calls the stress of running a crowdfunding campaign, Mr. Poots returned to Kickstarter in 2016 to reprint the game with new content. The effort raised \$12.4 million, with pledges ranging from \$5 for add-ons to the new version of the game to \$2,500 for the game itself plus various rewards. Delivery is ongoing and is expected to extend through 2020. Mr. Poots declines to disclose revenue or unit sales, and he says it is too early to say whether he'll end up in the black on this campaign.

BauBax Travel Jacket

Goal: \$20,000

Amount Raised: \$11,609,614 (two campaigns)

Time Required: 59 days (July 7, 2015-Sept. 3, 2015) (Kickstarter)

Number of Funders: 55,949 (two campaigns)

Platform: Kickstarter, Indiegogo InDemand

Hiral Sanghavi was an M.B.A. student at Northwestern University's Kellogg School of Management when he and his wife, Yoganshi Shah, decided to launch a Kickstarter campaign for a travel jacket with 15 features, including a built-in neck pillow, eye mask, gloves, earphone holders and drink pocket.

The campaign started on July 7, 2015, with a goal of \$20,000 -- and raised nearly \$9.2 million in less than two months. Another \$2.4 million came from Indiegogo InDemand.

Yet problems cropped up. Despite assurances on Kickstarter that BauBax could get clothing shipped by November 2015, delivery slipped until February 2016 and wasn't completed until May, Mr. Sanghavi says.

He blames manufacturing troubles and mistakes by his logistics partners, Rakuten USA and Floship, which he says he fired after the crowdfunding orders were shipped.

"They had a limited bandwidth or capacity in terms of number of packages shipped per day," Mr. Sanghavi says.

Michael Manzione, CEO of Rakuten Super Logistics USA, a platform of Rakuten, says, "It is incumbent upon both partners to implement an agreed-upon business plan to ensure both parties can -- and will -- fulfill their respective obligations, [and that] unfortunately wasn't our experience with [BauBax]."

Floship marketing head Christopher Moore says there were snafus due to the labeling of non-English addresses and the fact that some shipments incurred extra duties because their values were overstated.

Some Kickstarter backers, meanwhile, were upset that jackets were available on an e-commerce site before they had received theirs. Online sales orders were shipped faster than crowdfunding orders, Mr. Sanghavi writes in an email, and "if I had known that the crowdfunding orders would take over three months to get shipped, I wouldn't have gone live with the e-commerce sales."

He continues, "I realize how naive and unorganized we were in the initial days of BauBax. BauBax as a team have come a long way over the past two years, and we are here to stay and grow further."

BauBax has now shipped more than 200,000 jackets at prices ranging from \$149 to \$199 (plus shipping) to customers in 150 countries, generating \$25 million in total revenue through Kickstarter, Indiegogo InDemand and retail outlets. (Early Kickstarter backers got a price break.)

The company has seven global warehouses, up from two in 2015, Mr. Sanghavi says, and it has gone back to crowdfunding. A Kickstarter campaign for smart clothing that would wirelessly charge smartphones missed its \$100,000 goal and was canceled in August 2016. Mr. Sanghavi says not enough people knew about wireless charging to build support for the campaign, but BauBax plans to revive the effort by early 2019.

In the meantime, he ran a Kickstarter campaign for BauBax 2.0, a travel jacket with 25 features. In that effort, which lasted from Feb. 14 to April 15 of this year, 21,409 backers pledged \$3,948,547, exceeding the \$50,000 goal, according to Kickstarter. BauBax 2.0 has also raised more than \$4 million so far on Indiegogo InDemand.

---

Ms. Gage is a writer in San Jose, Calif. Email [reports@wsj.com](mailto:reports@wsj.com).

[License this article from Dow Jones Reprint Service](#)

Document J000000020180501ee510000c