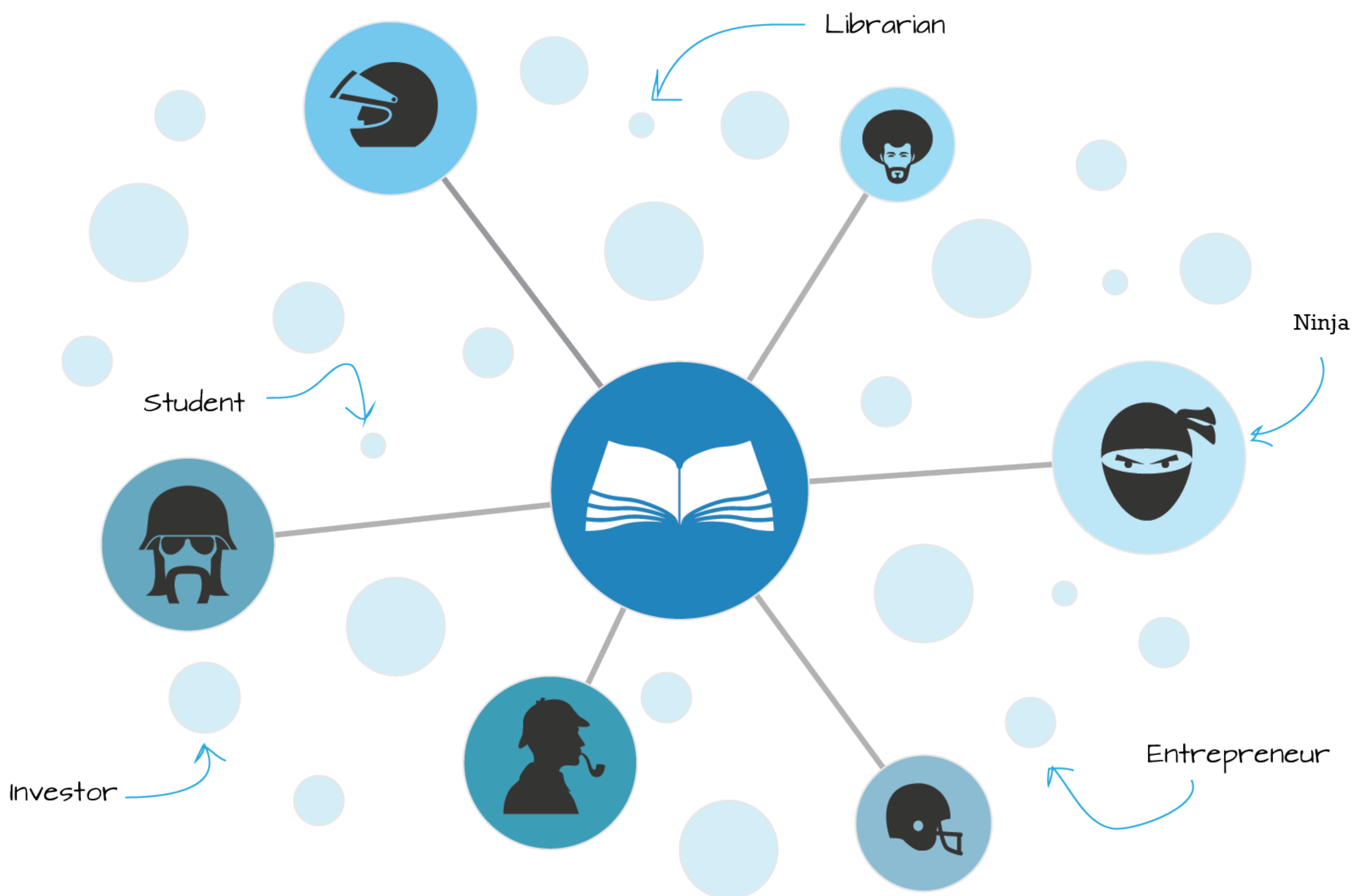# HARNESS THE CROWD

Librarian

Ninja

Student

Investor

Entrepreneur

ABOUT THIS BOOK

Using crowdfunding effectively is a subject that deserves its own class on university course lists. It is an expansive, interdisciplinary endeavor that brings together skills in marketing, design, and psychology. This ebook offers the best lessons, information, and resources about crowdfunding boiled down into one, easily accessible toolkit. In addition, since the campaign video is arguably the most important aspect of the crowdfunding process, it includes a section focused entirely on how to make an effective and compelling project video.

By pulling together more than three years of examples and insights from experienced campaign veterans, this book offers valuable direction for anyone who plans to crowdfund a project. We've been through the process (three times, each time surpassing our goal), spent hundreds of hours identifying the best resources, and can confidently say that the insights we've discovered will help you build, run, and fulfill a much stronger campaign than if you were to go it alone.

It is also worth noting that this book introduces its own ideas but also provides direction if you want to explore certain concepts more deeply. It is not just a manual of instruction, but a map pointing you to the best tools for expanding your knowledge. It's up to you to put that knowledge into practice.

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INTRODUCTION TO CROWDFUNDING

2009   2010   2011   2012
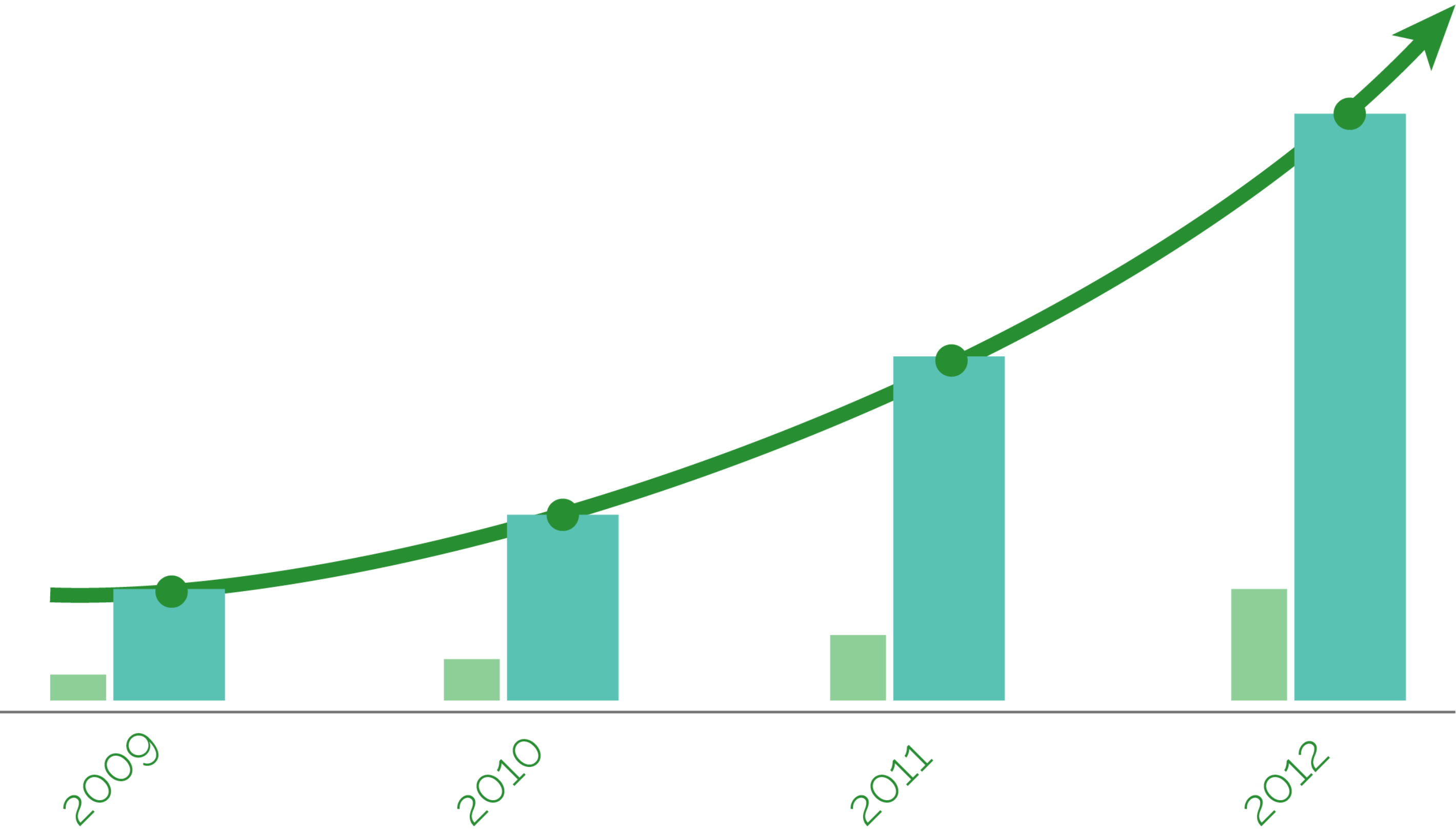
WHAT IS CROWDFUNDING?

Brilliant Idea

+

Love From The Crowd

Crowdfunding describes the collective effort across a group to make a particular idea, cause, or project a reality. What is this in plain English? Crowdfunding brings together a group of people who all pitch in to make an idea happen.

This is a simple yet revolutionary model. In the past, bringing an idea to market was impossible for all but the most connected, experienced, and well-funded individuals. Project leaders were forced to forfeit their mon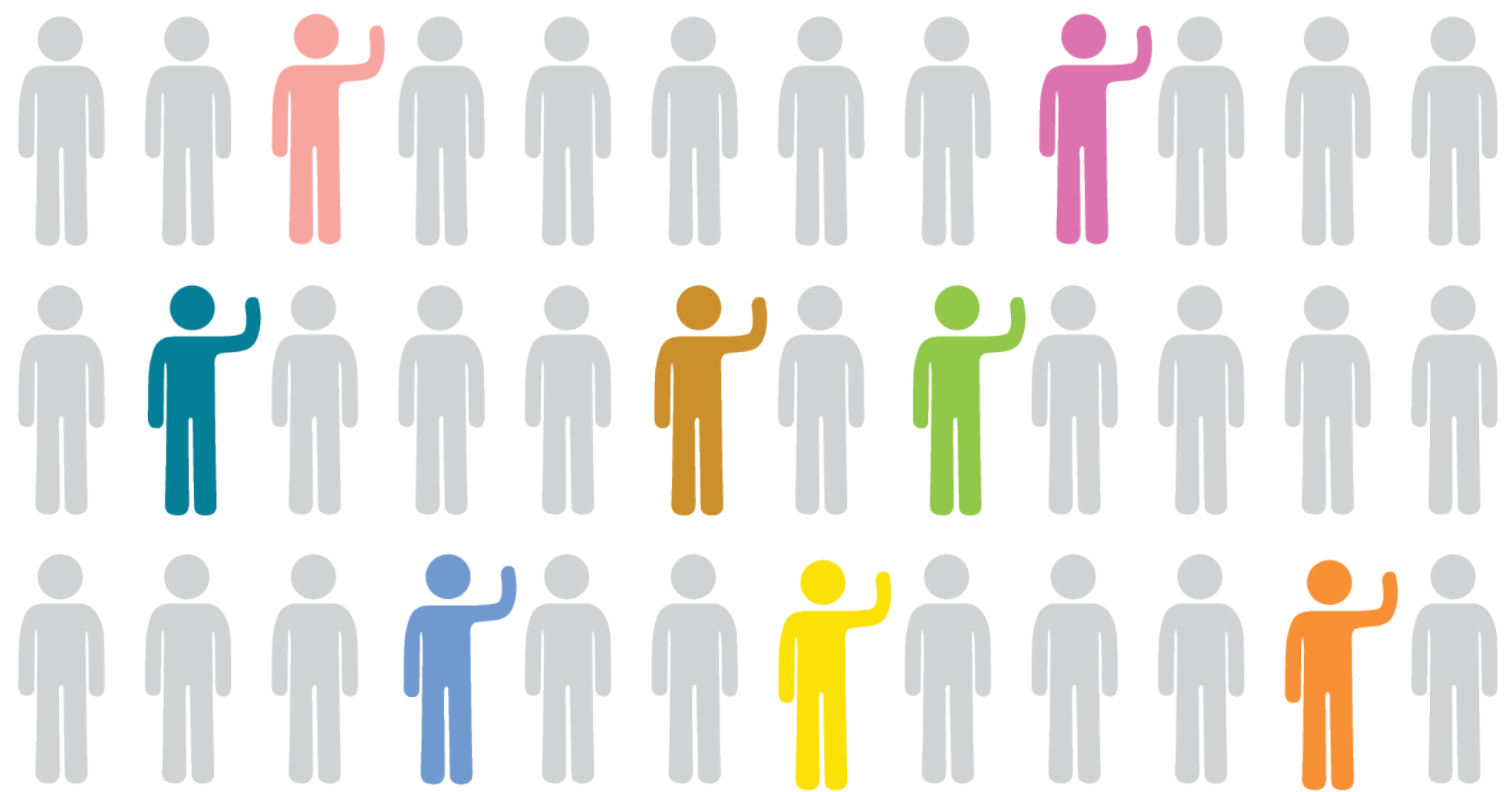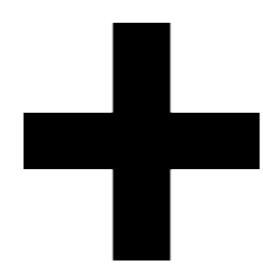ey or ownership of their projects in order to finance their endeavors. Philanthropic projects had to fight over grant applications and patronage from underfunded public institutions. Even if projects did get the funding they required, they were on their own when it came to gathering market feedback, mentorship, and industry connections.

Today, the process is changing. Sites like Kickstarter and Indigogo have reinvented the way good ideas are realized by connecting inventors and artists with a community of patrons. Through this system, the risk of launching a project is spread across

a large pool of supporters so that everyday individuals can involve themselves in exciting new projects without having to take on enormous financial risk. Furthermore, people with good ideas can execute their projects without abdicating control to a single outside source of capital.

In addition to mitigating risk, crowdfunding allows groups to test and tweak ideas before they dive headfirst into the marketplace. Because they have such a large pool of contributors, recipients of crowdfunding can call on their backers for feedback, advice, and mentorship. This personal engagement with the project often leads these contributors to become product evangelists – sharing, advertising, and moving the project forward after funding because they are part of its story.

This opportunity for individual connection is the most compelling facet of the consumer side of crowd funding. As Yancey Strickler, co-founder of crowdfunding platform Kickstarter, explains, "Each Kickstarter project is a narrative of a real person doing something important or something meaningful, something they care about. We get to follow along. We get to act as an audience. … These are people just like you and I, trying to raise money for an idea, trying to build support for their idea from people just like you and I." Whether it's a creative new movie, an innovative new gadget, or a piece of performance art, sites like Kickstarter are building communities around inspiring ideas. They help make the production process more transparent so people can see what it really takes to make a project happen, and invite everyone to partake.

The massive growth of the crowdfunding industry is testament to its merits. In 2012, over $2.7B was raised through crowdfunded projects. Kickstarter's projects raised nearly 400% more in funding over the previous year (the site raised $27 million for projects in 2010, $99 million in 2011, and $319 million in 2012). Furthermore, with the passage of the Jobs Act, which allows equity-based investment to be crowdfunded, this number is likely to get even larger.

Crowdfunding is still young and there are a lot of kinks to be worked out. That said, if

one can be certain about anything, it is this: crowdfunding is a movement too large to ignore and too important not to respect. It may be the way of the future, or it may evolve into something completely different. But for now, if you're trying to realize a dream or see an idea become a reality, it's a new and powerful tool at your disposal.

RECAP

- Crowdfunding brings together a group of people who all pitch in to make an idea happen.

- Bringing an idea to market used to be impossible unless you were connected, experienced, and well funded.

- But when you crowdfund, the cost of launching a project is spread out across a large pool of supporters and no one is charged unless the target goal is reached, making it much less expensive and risky for the creator.

- Further, campaign backers typically feel more connected to the project and its story. Thus, they commonly offer mentorship, advice, and feedback for free.

- The crowdfunding industry is growing very rapidly. In 2011 over 1.5 billion was raised overall; in 2012 over 2.7 billion was raised. Kickstarter in particular has grown roughly 400% per year since 2010.

ADDITIONAL RESOURCES

OVERALL CROWDFUNDING REFERENCES

A Kickstarter's Guide To Kickstarter   (http://bit.ly/121GBMB)

An ebook (free PDF edition) written on how to launch a Kickstarter campaign. This guide contains everything the author wishes he knew before he started his first Kickstarter campaign.

The Crowdfunding Bible   (http://bit.ly/11ONp1m)

'The Crowdfunding Bible' ebook was written to guide you through the process of raising money for any startup or project. Valuable contents include the pros and cons of crowdfunding as well as the types of projects that can use crowdfunding as a valuable investment source.

The Ultimate Crowdfunding To-Do List   (http://bit.ly/12rsUGR)

An extensive to-do list and terrific reminder material for the basics of ideating, completing, and fulfilling a successful crowdfunding campaign.

OVERVIEW OF CROWDFUNDING AS AN INDUSTRY

A Snapshot on Crowdfunding   (http://bit.ly/11JKgDI)

The Snapshot on Crowdfunding PDF ebook describes the phenomenon crowdfunding and explores the different business models of crowdfunding. The book examines the economic relevance of crowdfunding on an empirical basis.

Crowdfund Investing (http://bit.ly/18hnC9f)

Testimony of a successful entrepreneur to the United States House of Rep-

resentatives outlining the growth and effectiveness of crowdfunding and supporting financials. The article includes the framework that entrepreneurs/ small businesses have to comply with for the Small Business and Entrepreneurship Council (SEC) rules.

Crowdfunding 101 (http://bit.ly/139s60M)

A legal crowdfunding guide authored by those who pioneered the legalization of crowdfunding as an investment vehicle.v

CROWDFUNDING SITES
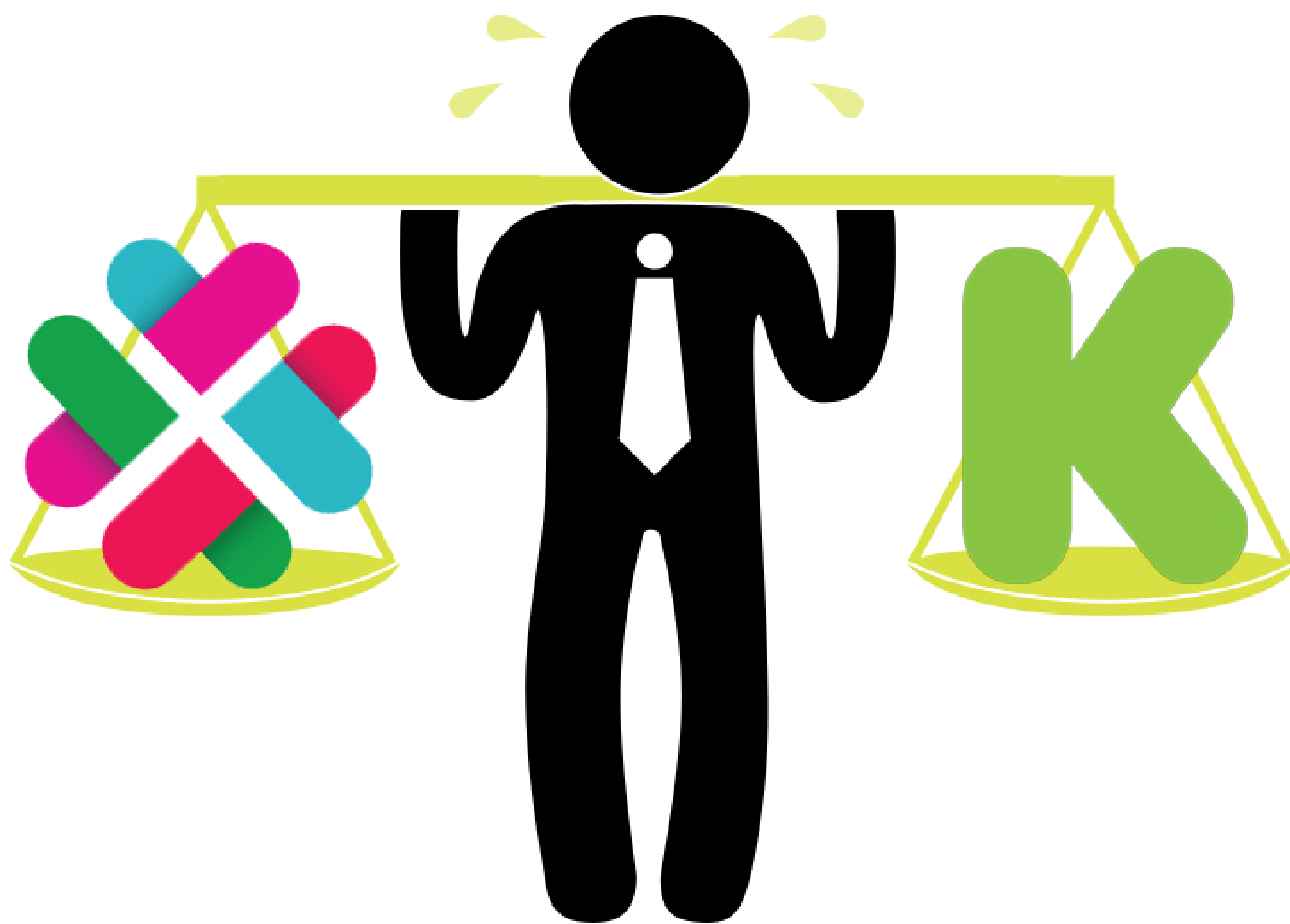
KICKSTARTER

"Kickstarter is the major player in this space, and for good reason. The service gets a lot of media attention, and even though the majority of Kickstarter projects don't go anywhere [44% succeed], it's become the go-to destination for anyone looking to crowd-fund their projects thanks to a few high-profile projects that managed to raise a lot of money. It's not the biggest crowd-funding community, and it's not even the one with the best track record, but it's incredibly easy to use, popular with angel investors and people looking for the next big idea to invest in and get behind, and well organized. Idea creators can set up their profiles for free, backers can pledge as much or as little as they choose, and no money changes hands until time runs out assuming the project is fully-funded... Kickstarter takes 5% off the top [plus a 5% payments fee], and the rest goes to the inventor or creator to make their idea happen." –Life Hacker, Feb. 7 2012

Kickstarter Stats

- Kickstarter's model is "All or Nothing". If you reach your goal, you earn what you raise. If not, no money changes hands.
- Kickstarter charges 5% of whatever you raise plus 4% to handle payments.
- Payments are coordinated via Amazon web services.
- The success rate of Kickstarter campaigns was 44% as of July 10, 2013.

Kickstarter Pros

- Higher brand recognition.
- Very easy to use.
- All or nothing model gives confidence to potential backers.

Kickstarter Cons

- Only fixed funding so if you don't get your goal, you get nothing.
- You man not fund generic causes (e.g. raise money for Red Cross)
- Only accepts payments via Amazon. This can be complicated for to set up and requires users to create Amazon accounts to support your project.

INDIEGOGO

"Indigogo is actually larger than Kickstarter [based on the number of campaigns launched, and more people there use it for more types of projects. The site takes 4% off the top of your fundraising if you reach your funding goal, and encourages creators and developers to offer perks to the community for funding their projects. Unlike some of its competition, Indiegogo is more lenient with charitable causes. The site is particularly popular with software and app developers, although all sorts of creative projects are up on the site for funding, including documentary and independent films, education projects, and international aid projects. " –Life Hacker, Feb. 7 2012

Indiegogo Stats

- Indiegogo offers two types of fundraising: "All or Nothing" fundraising in which case it charges 4% plus 3% for payments, or "Flexible Funding" where if you don't reach your goal, you still keep what you raised but you are charged an additional 5% (12% in total) off the total funds raised.
- Indigogo conducts payments via Credit card or PayPal
- Indigogo success rates and numbers are unpublished.

Indiegogo Pros

- You can use credit card or PayPal.
- Flexible financing: you can still make money even if you don't reach your goal.

Indiegogo Cons

- Lacks the brand recognition.
- If you don't reach your fundraising goal, Indie takes a 9% cut not including the 3% charge for credit card fees.

Though Kickstarter and Indiegogo generally take the spotlight when it comes to crowdfunding sites, there are a number of other companies that offer similar, sometimes more specialized crowdfunding models. Especially in recent years, the number of crowdfunding platforms has been exploding. Sites like Crowd Supply and Crowd Tilt are prominent up-and-comers. Though there are many more.

Additionally, several groups have effectively crowdfunded their projects using their own custom built platforms. This is always an option if you don't want to cough up 10% to Kickstarter or Indiegogo.

RECAP

- Both Indiegogo and Kickstarter allow campaigners to set up a profile for free, offer fixed funding, and allow backers to pledge from anywhere in the world.

- Kickstarter has a more restrictive platform: they have strict rules about what types of projects they'll host, only offer fixed funding, and only allow campaign creators who are from the US or the UK. In contrast, Indiegogo allows any type of project, allows flexible funding as well as fixed funding, and allows campaign creators from anywhere in the world.

- Kickstarter has a stronger brand name, which means that projects they host tend to get a lot of media attention, but Indiegogo hosts more projects every year, and allows more payment options for backers.

- If your campaign reaches its goal, Indiegogo takes 4% of what you raise plus 3% to process payments (plus an extra 5% if you select flexible funding and DO NOT reach your goal) - Kickstarter takes 5% plus 4% to process payments.

- Kickstarter and Indiegogo are the largest crowdfunding platforms, but there are other options which may be worth exploring, especially for niche campaigns.

ADDITIONAL RESOURCES

EXPLANATION OF KICKSTARTER VS. INDIEGOGO

Crowdfunding Bible - C: "Before You Start" (http://bit.ly/11ONp1m)
See page 21 of 'The Crowdfunding Bible' to see a few insights into 12 of the major crowdfunding sites. The fees and goals of each crowdfunding site are discussed comprehensively.

CS Fundraising: Kickstarter vs. Indiegogo (http://bit.ly/17isfwZ)
A comprehensive comparison of the pros and cons of Indiegogo and Kickstarter. The article cautions to plan ahead for the fees that these sites require and reminds the reader to not attempt to crowd source a project without a thoughtful outreach and marketing strategy.

RESOURCES FOR KICKSTARTER

Kickstarter School (http://kck.st/11JKE4Q)
An 8-step guide for launching a crowdfunding campaign, provided by Kickstarter. Lessons covered include how to define your project, how to create rewards, and how to set your goals.

15 Steps to a Successful Kickstarter Project (http://bit.ly/11JKMBj)
A lengthy Kickstarter article that divides the crowdfunding process through four phases and fifteen steps. The article includes helpful data and examples for each step.

RESOURCES FOR INDIEGOGO

Crowdfunding Tips for Campaigners (http://bit.ly/124NLRp)
A guide to Indiegogo, by Indiegogo. The guide outlines the entire process of Indiegogo crowd-funding, from getting started to post-campaign activities.

How to Get Your Crowdfunding Campaign To Indiegogo To the Top

(http://bit.ly/124NLRp)
A guide by Wired that outlines great tips for Indiegogo (most of which are also applicable to Kickstarter). The guide includes five years of data that helps to illustrate "what matters and what doesn't" when it comes to a successful campaign strategy.