CROWDFUNDING

INTRODUCTION INTO THE PRINCIPLES OF CROWDFUNDING

Martin Steinicke

Babette Regierer

Susanne Hollmann

WELCOME

Susanne Hollmann

Professional grant writing, project management, consultancy for start-up companies

info@sb-sciencemanagement.com
http://www.sb-sciencemanagement.com

Babette Regierer

Professional grant writing, consultancy for science strategy development, training for young researchers

info@sb-sciencemanagement.com
http://www.sb-sciencemanagement.com

Martin Steinicke

Digital Game-based Learning, Applied Interactive Technologies (APITs), Game & Interaction Design, Agent-based Systems and Simulation

martin.steinicke@htw-berlin.de
https://www.htw-berlin.de/hochschule/personen/person/?eid=4407

TOPICS

- What is Crowdfunding? - General principles
- Types of Crowdfunding
- Crowdfunding platforms
- Motivation – Pros and Cons
- Tipps & Tricks
- Examples for Crowdfunding campaigns
- Summary

WHAT IS CROWDFUNDING?

GENERAL PRINCIPLES

WHAT IS CROWDFUNDING?

- getting money
- from many investors („crowd")
- generally for a specific project

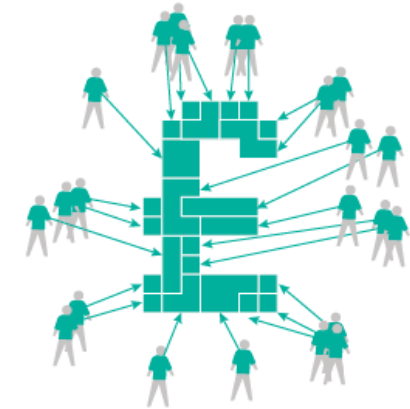- small contributions
- Internet-based

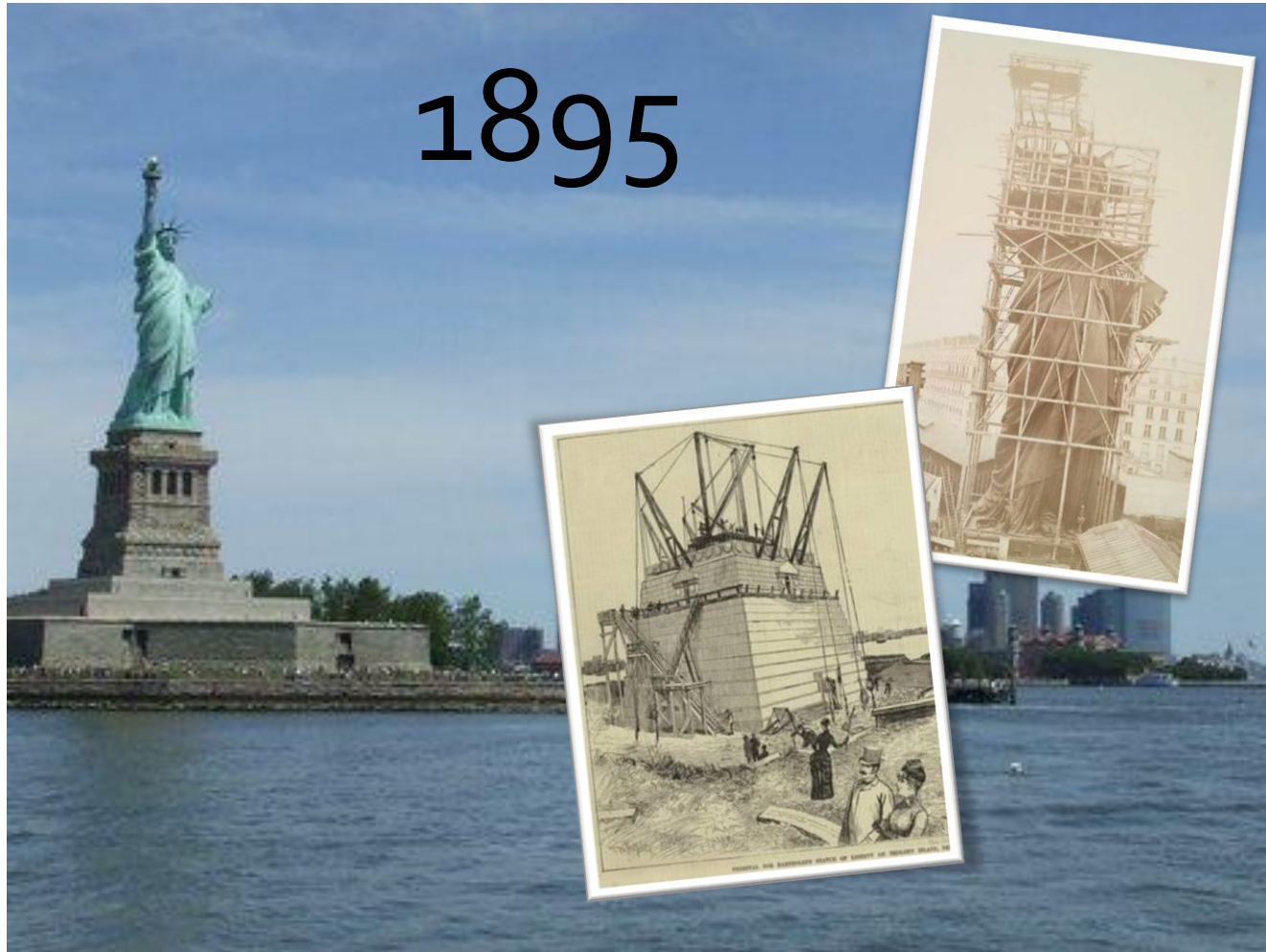**TRADITIONAL FUNDING**
Large amounts from one, or a few, sources

CROWDFUNDING
Many small sums from a large group of individuals

THE IDEA IS NOT NEW….

1895

Early example:
Basis of the Statue of Liberty

Josef Pulitzer was asking for donations in his newspaper „The New York World".

He promised to publish the name of every single donor in his newspaper – independent from the amount given.

Supporters: > 120.000 citizens
Funding raised: $ 101.091

Nesta.

WHAT CONTRIBUTED TO THE SUCCESS OF CF?

- **1997:** Marillion raised funding for a reunion tour via ArtistShare

- **2006**: *Prosper*, one of the pioneers in the peer-to-peer lending space, enables individuals to lend and borrow money outside of traditional banking channels.

- **2009:** Mainstream crowdfunding websites like Indiegogo are launched and the beginning of a new form of crowdsourcing financing

- **2012:** Jumpstart Our Business Startups (JOBS) Act in 2012 (by Obama); paved the way for a regulatory approach to protecting donors to crowdfunding projects -> made crowdfunding attractive as a significant source of funding

- **Factors contributing**: Economic and social crisis (imbalance of revenues, investment capabilities and investment returns), Crowdsourcing initiatives, internet development, success stories

- -> a combination of factors that make it *possible*

DEVELOPMENT CROWDFUNDING IN DE

2003 - 2015

2015

> 80 Platforms in Germany

2010/11

Start in DE

2008/09

Start in USA

2006

SellaBand
#Crowdfunding

2003

First „Fan Funding" platform

| 2000 | 2005 | 2010 | 2015 |

CROWDFUNDING – DEVELOPMENT 2012-2015
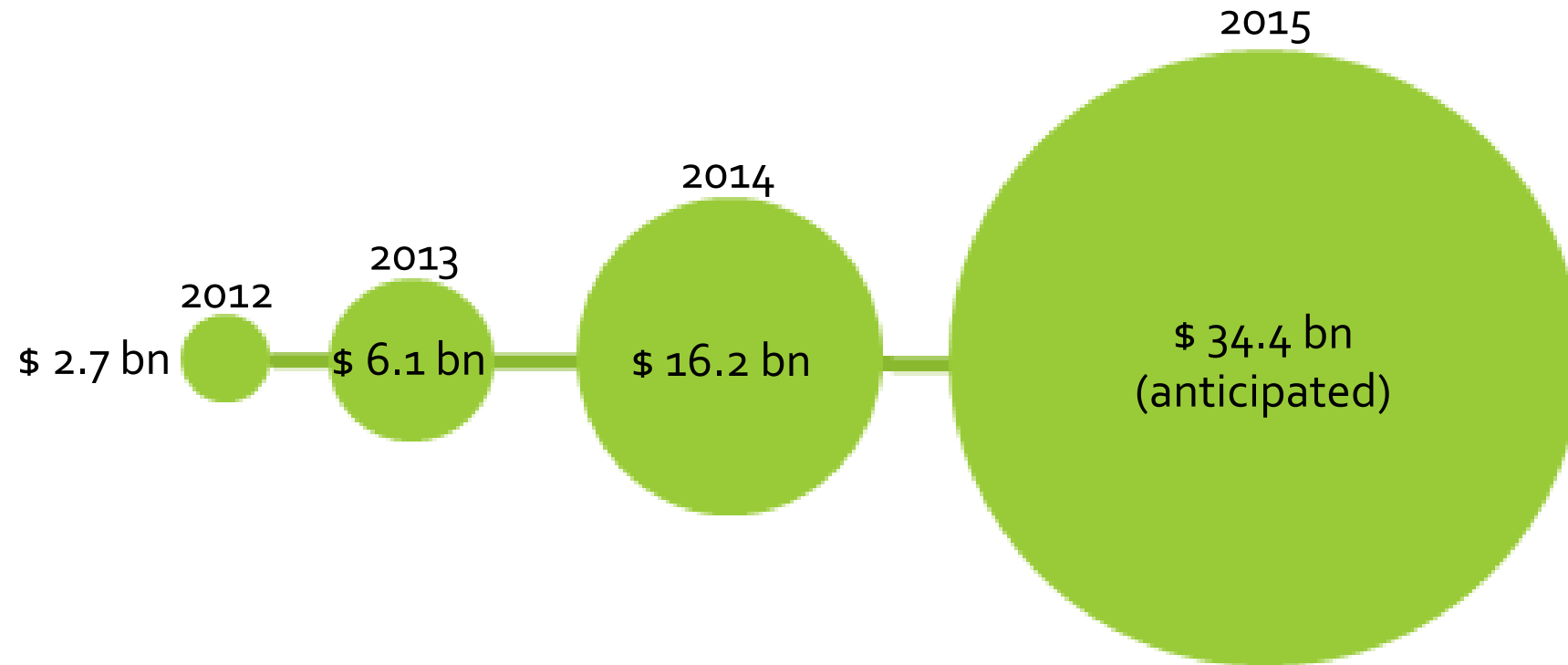
2012

$ 2.7 bn

2013

$ 6.1 bn

2014

$ 16.2 bn

2015

$ 34.4 bn
(anticipated)

Chance Barnett: Trends Show Crowdfunding To Surpass VC In 2016, Jun 2015

https://www.forbes.com/sites/chancebarnett/2015/06/09/trends-show-crowdfunding-to-surpass-vc-in-2016/#47db7bb34547

CROWDFUNDING – DEVELOPMENT 2012-2015

2012
$ 2.7 bn

2013
$ 6.1 bn

2014
$ 16.2 bn

2015
$ 34.4 bn
(anticipated)

Germany 2014:
140 Mio Euro

Source: Cambridge/EY
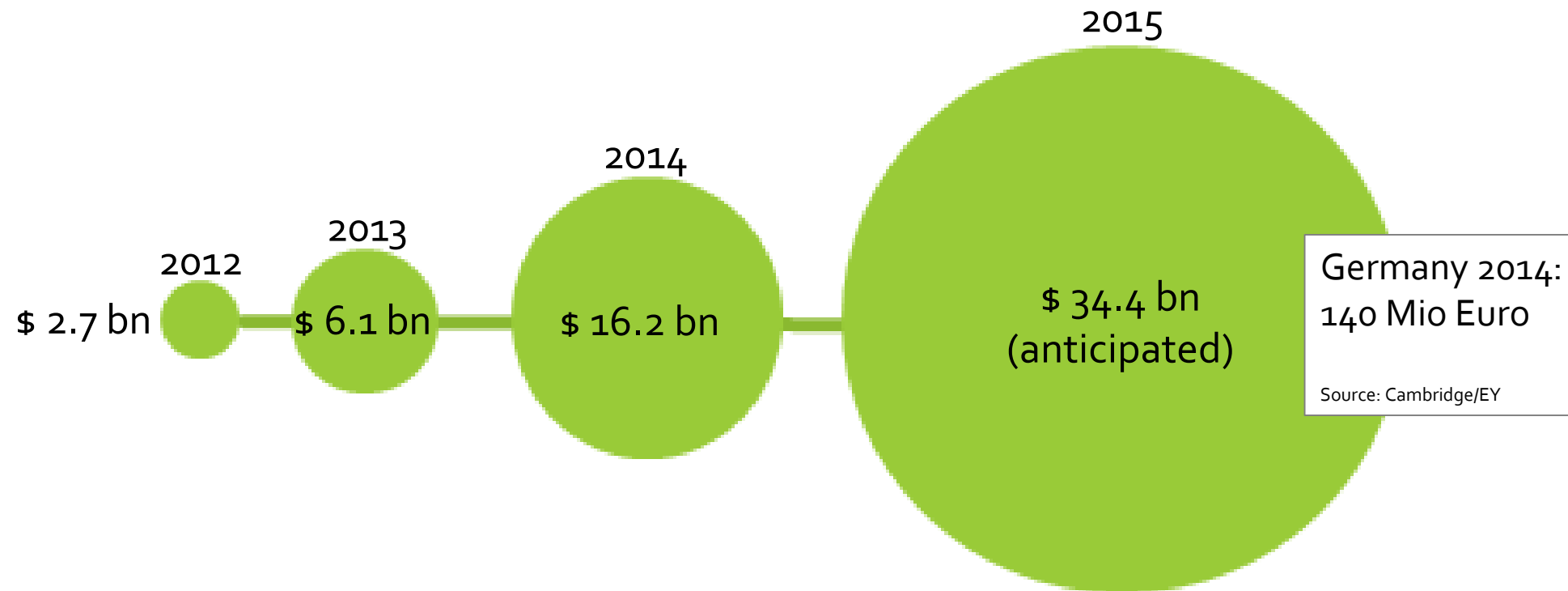
Chance Barnett: Trends Show Crowdfunding To Surpass VC In 2016, Jun 2015

https://www.forbes.com/sites/chancebarnett/2015/06/09/trends-show-crowdfunding-to-surpass-vc-in-2016/#47db7bb34547

VALUE OF CROWDFUNDING

$65Bn

Estimated Revenue
Crowdfunding Added to the
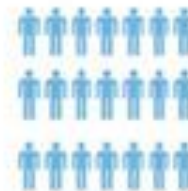Global Economy in 2014[3]

1,250

Number of
Crowdfunding
Platforms Worldwide[4]

410%

Equity crowdfunding
average growth rate
2012-2014[5]

270,000

Number of jobs
crowdfunding
created in 2014[3]

"[…] we saw $16 billion crowdfunded in 2014, with 2015 estimated to grow to over $34 billion.

In comparison, the VC industry invests an average of $30 billion each year."

Chance Barnett: Trends Show Crowdfunding To Surpass VC In 2016, Jun 2015

https://www.forbes.com/sites/chancebarnett/2015/06/09/trends-show-crowdfunding-to-surpass-vc-in-2016/#47db7bb34547

EXAMPLE: GERMANY

Capital raised by Crowdfunding
2011-2016 (in Mio €)
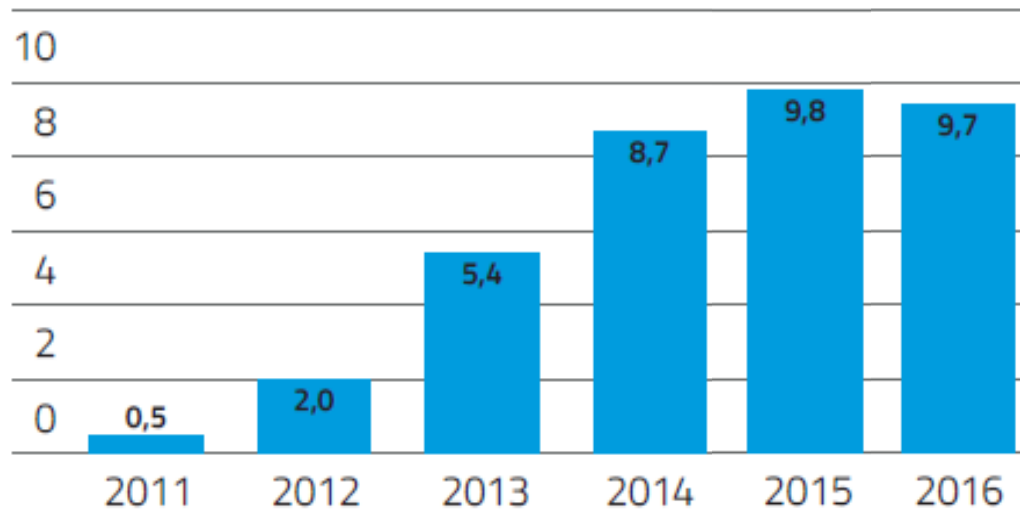
Statistics 2016:

Projects in total: 1.158

Capital collected: 9.7 Mio €

Average project size: 8.368 €

Average # backers per project: 117 backer

     (in 2015 = 105 backer)

Average funding per supporter and project: 72 €

FÜR-GRÜNDER.DE

TYPES OF CROWDFUNDING

CROWDFUNDING CATEGORIES

DIFFERENT MODELS

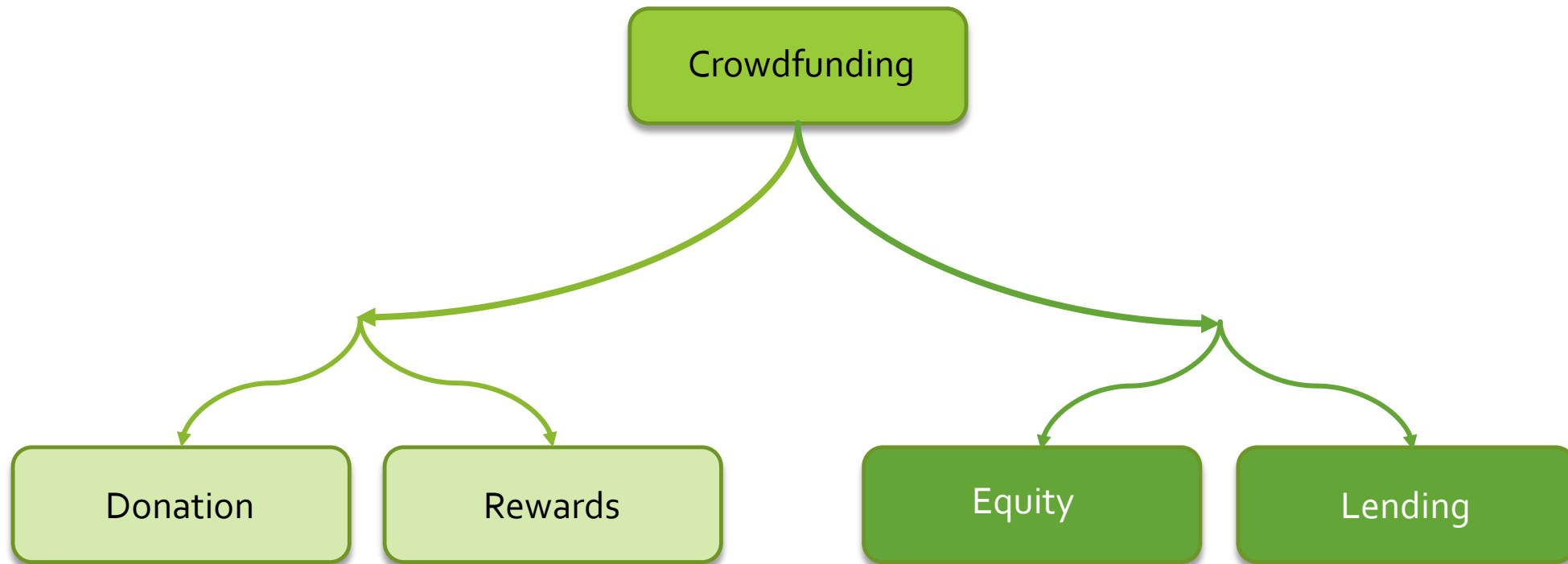**Donation based:** Allows charities, or those who raise money for social or charitable projects, to gather a community online and to enable them to donate to a specific project.
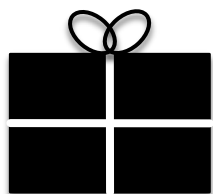
Reward based: Enables people to contribute to projects and receive non–financial rewards in return, usually operating a tiered system where the more you donate the better the reward you receive.

Lending based: Projects or businesses seeking debt apply through the platform uploading their pitch, with members of the crowd taking small chunks of the overall loan.
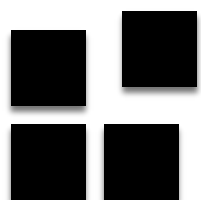
Equity based: Enables the crowd to invest for equity, or profit/revenue sharing in businesses or projects. This form of the model has been the slowest to grow due to regulatory restrictions that relate to this type of activity.
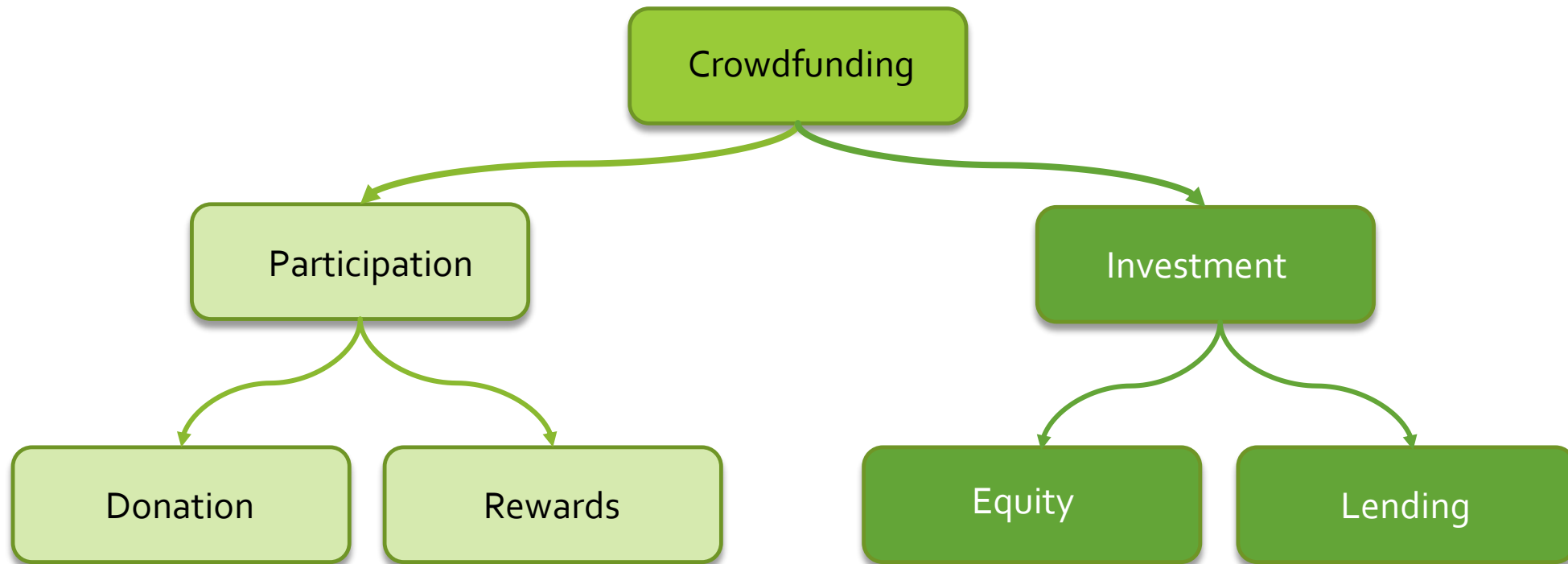
Nesta...

CROWDFUNDING CATEGORIES

EXAMPLES FOR REWARD-BASED CF

- Give a copy of the "thing"
- Limited or special editions
- Share insides of the story
- Creative collaboration
- Creative experiences
- Creative mementos
- „Goodies", also personalised
- Meet the inventors, a dinner etc.
- Involvement of the doners in the project
- Mentioning of the sponsors (especially good for companies)
- …..

CORWDFUNDING TYPES ON PLATFORMS 2013 (EUROPE + USA)

Crowdfunding types on common platforms (Europe)

- Donation — 10%
- Equity — 19%
- Lending — 3%
- Reward — 68%
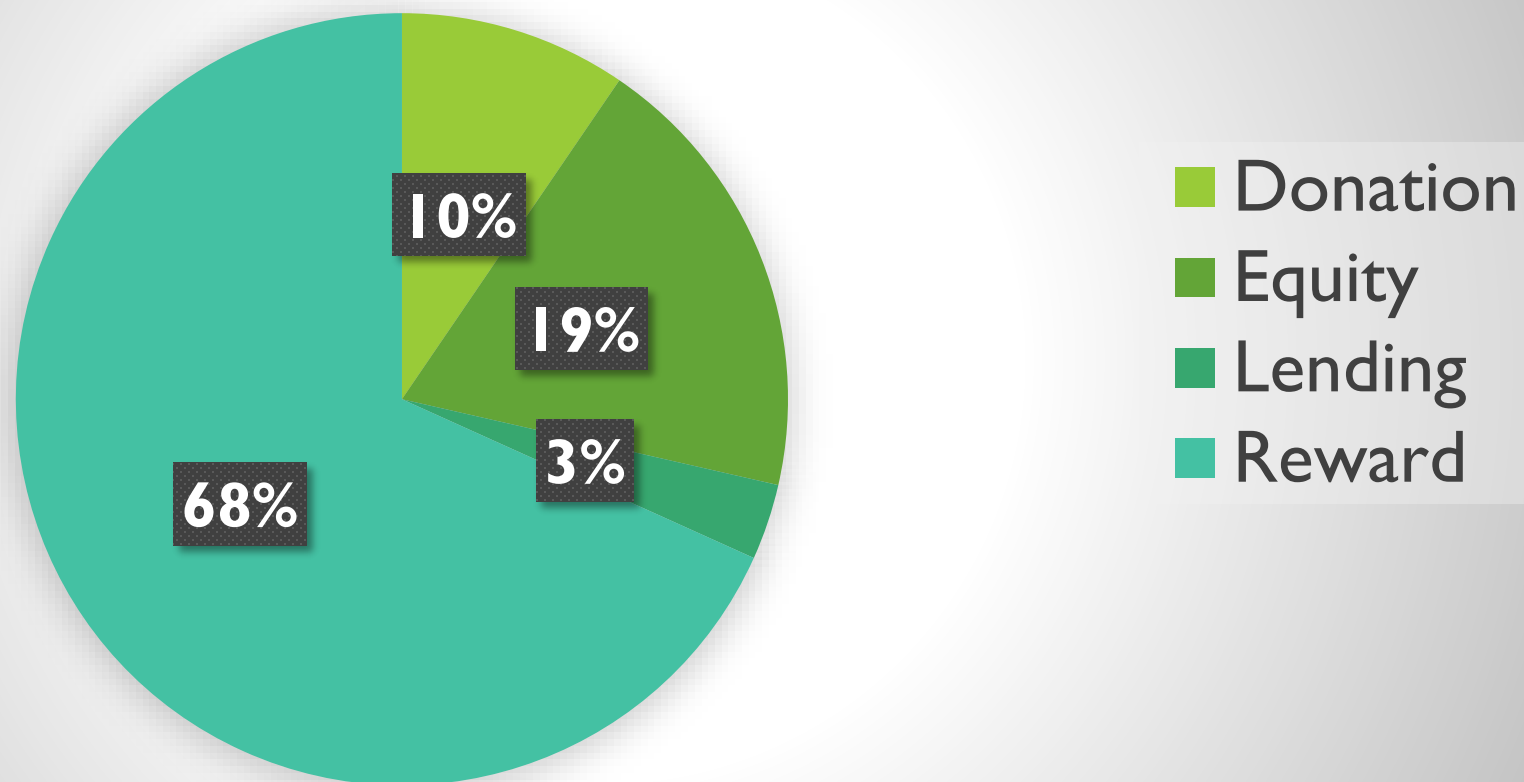
Analysis of 63 platforms (Europe + main US platforms)

CROWDFUNDING BY TYPE

Total Global Crowdfunding Industry estimated fundraising volume in 2015: **$34 Billion**

Breakdown:
- Reward and Donation Crowdfunding: $5.5B
- Equity Crowdfunding: $2.5B
- P2P Lending: $25B

SUCESSFUL PROJECTS 2013 VS. 2014 (DE)
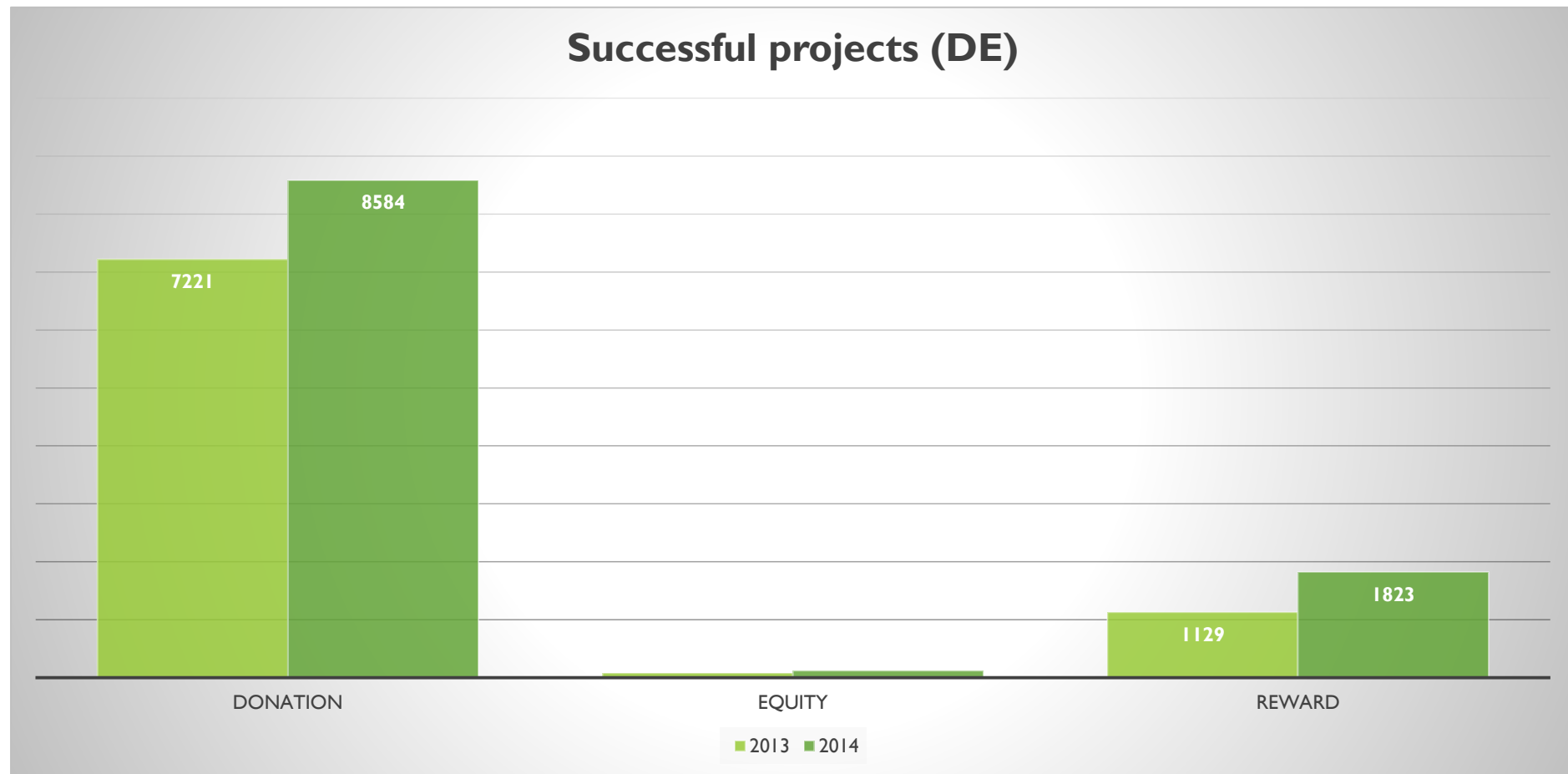
Successful CF projects in Germany. Source: Data from 22 platforms in 2013 and 2014

CROWDFUNDING 2013 VS. 2014 (DE)

Gesammeltes Kapital (D)

€20.000.000

€11.000.000

€10.000.000

€9.300.000

€5.700.000

?

DONATION   EQUITY   REWARD
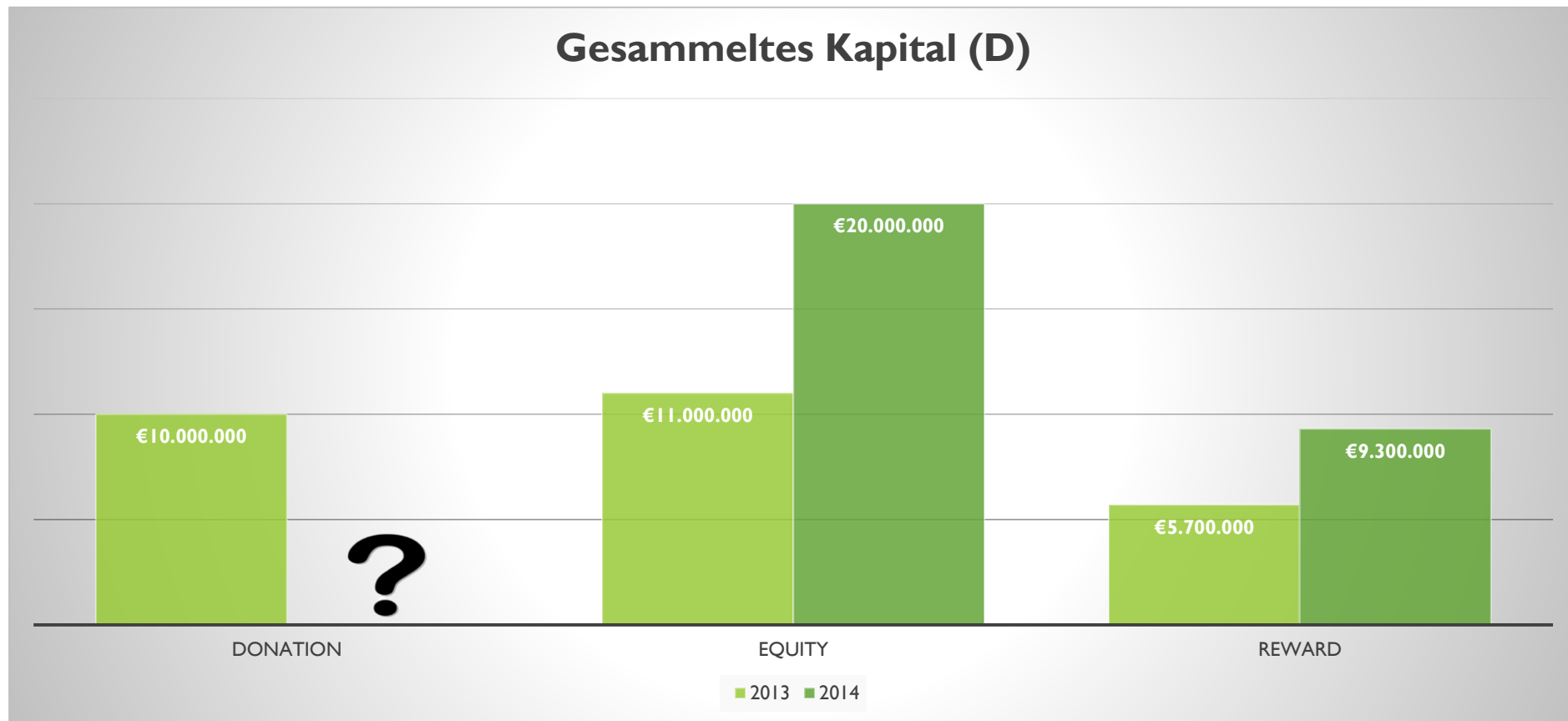
■ 2013   ■ 2014

Erfolgreiche Projekte (Deutschland) Quelle: Auswertung 2013 – 2014 Datensatz: 22 Plattformen,
Donation auf „?" da Plattform „betterplace.org" begann Statistik zu versteckten

CROWDFUNDING PLATFORMS

TOP 3 CROWDFUNDING PLATFORMS

Site	Total Raised	Supporters	Platform Fee	Payment Fee	Important to Know
gofundme	$5B	50M	0%	2.9% + $0.30	✔ Can withdraw immediately and deposits take 2-5 business days ✔ 24/7 rapid email support, mobile app, superior add beneficiary feature ✔ GoFundMe Guarantee protects donors and beneficiaries from fraud
KICKSTARTER	$3B	14M	5%	3.0% + $0.20	✔ Specializes in creative projects with robust reward level feature – 14-day wait to withdraw and deposits take 5-7 business days – Limited email support hours, requires Kickstarter approval to launch
INDIEGOGO	$1B	9M	5%	3.0% + $0.30	✔ Offers "flexible funding" pay more fees to not hit goal – 3-week wait to withdraw and deposits take 2-5 business days – Limited email support hours

https://www.crowdfunding.com/

SUCCESS BY TOPICS (WIKIPEDIA)

Funding range	Successful topics	Remarks
Over 10 Mio $	Blockchain, video games/gaming	1 food project („Flow Hive")
5-10 Mio $	Blockchain, gaming, hard-/software, movie	
1-5 Mio $	Blockchain, gaming, watch, movie, hard-/software, 3D print, camera	Food projects: "The Vegetarian Butcher Plant-Based Plant", Stone Brewery, drink "Soylent", molecular ice cream "Kyl21"

TOP 3 CROWDFUNDING PLATFORMS

KICKSTARTER Stats

$3,460,239,235
total dollars pledged to Kickstarter projects

137,494
Successfully funded projects

14,071,248
Total backers

4,542,634
Repeat backers

42,853,794
Total pledges

Projects and Dollars

Category	Launched Projects	Total Dollars	Successful Dollars	Unsuccessful Dollars	Live Dollars	Live Projects	Success Rate
All	385,585	$3.46 B	$3.07 B	$377 M	$16 M	2,888	35.93%
Games	35,583	$745.93 M	$682.00 M	$61.98 M	$1.95 M	305	35.73%
Design	30,367	$730.95 M	$658.73 M	$67.16 M	$5.06 M	302	35.20%
Technology	32,988	$702.19 M	$610.12 M	$86.45 M	$5.62 M	373	19.95%
Film & Video	65,313	$397.64 M	$335.25 M	$61.90 M	$490.45 K	349	37.13%
Music	54,492	$207.16 M	$189.64 M	$17.16 M	$362.43 K	277	49.46%
Fashion	23,025	$133.89 M	$116.81 M	$16.52 M	$550.14 K	250	24.83%
Publishing	40,434	$133.64 M	$116.00 M	$16.92 M	$728.23 K	313	30.81%
Food	24,817	$126.74 M	$106.49 M	$19.68 M	$568.61 K	198	24.89%
Art	28,420	$90.80 M	$80.24 M	$10.10 M	$466.16 K	205	40.96%
Comics	10,897	$72.33 M	$67.27 M	$4.86 M	$196.24 K	86	54.23%
Theater	10,888	$40.41 M	$36.09 M	$4.22 M	$109.24 K	44	59.95%
Photography	10,888	$38.23 M	$33.24 M	$4.90 M	$96.36 K	53	30.65%
Crafts	8,852	$14.45 M	$11.91 M	$2.48 M	$66,480	84	23.96%
Dance	3,799	$13.09 M	$12.21 M	$856.45 K	$21,697	18	62.13%
Journalism	4,822	$12.78 M	$10.82 M	$1.89 M	$73,304	31	21.52%

KICKSTARTER

Category	Successfully Funded Projects	Less than $1,000 Raised	$1,000 to $9,999 Raised	$10,000 to $19,999 Raised	$20,000 to $99,999 Raised	$100 K to $999,999 Raised	$1 M Raised
All	**137,494**	**16,923**	**76,589**	**19,849**	**19,409**	**4,451**	**273**
Music	26,813	2,665	19,052	3,546	1,474	74	2
Film & Video	24,122	2,763	13,600	3,812	3,572	369	6
Games	12,605	961	5,082	2,291	3,166	1,013	92
Publishing	12,362	1,812	7,687	1,640	1,135	88	0
Art	11,557	2,784	7,037	1,042	636	53	5
Design	10,582	700	3,567	1,856	3,227	1,171	61
Technology	6,506	390	1,776	902	2,074	1,269	95
Theater	6,501	924	4,753	558	251	15	0
Food	6,127	636	2,558	1,440	1,410	76	7
Comics	5,863	781	3,650	710	637	84	1
Fashion	5,654	747	2,503	1,048	1,154	198	4
Photography	3,321	618	1,845	484	352	22	0
Dance	2,349	218	1,837	222	71	1	0
Crafts	2,101	726	1,086	167	113	9	0
Journalism	1,031	198	556	131	137	9	0

KICKSTARTER

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KICKSTARTER

Partnerships & Support:
Indiegogo vs. Kickstarter

GO KS

Design, Prototyping and Manufacturing Partners

Through an innovative program with Arrow, you'll have partners at your side from design to prototyping and manufacturing.

✔ ✘

Cutting-Edge Technology from Leading Partners

From our support for Apple Pay on the web to our robust integration with Stripe, we work with leading companies so all users benefit.

✔ ✘

Fulfillment Partners

Get fulfillment assistance from dedicated partners, including Amplifier and Brookstone.

✔ ✘

Retail Partners

Sell your product on major e-commerce platforms through dedicated retail partners, including Amazon and Newegg.

✔ ✘

24-7 Support from Real People

Receive round-the-clock support from our customer happiness team.

✔ ✘

Flexibility & Reach:
Indiegogo vs. Kickstarter

GO KS

Multiple Funding Models

Option to keep whatever funds you raise, even if you don't hit your goal.

✔ ✘

Open Platform

Raise money for anything – no application or approval process.

✔ ✘

Global Fund Distribution

Receive funds in almost every country.

✔ ✘

Worldwide Reach

Run a crowdfunding campaign from almost any country or territory.

✔ ✘

Tools:
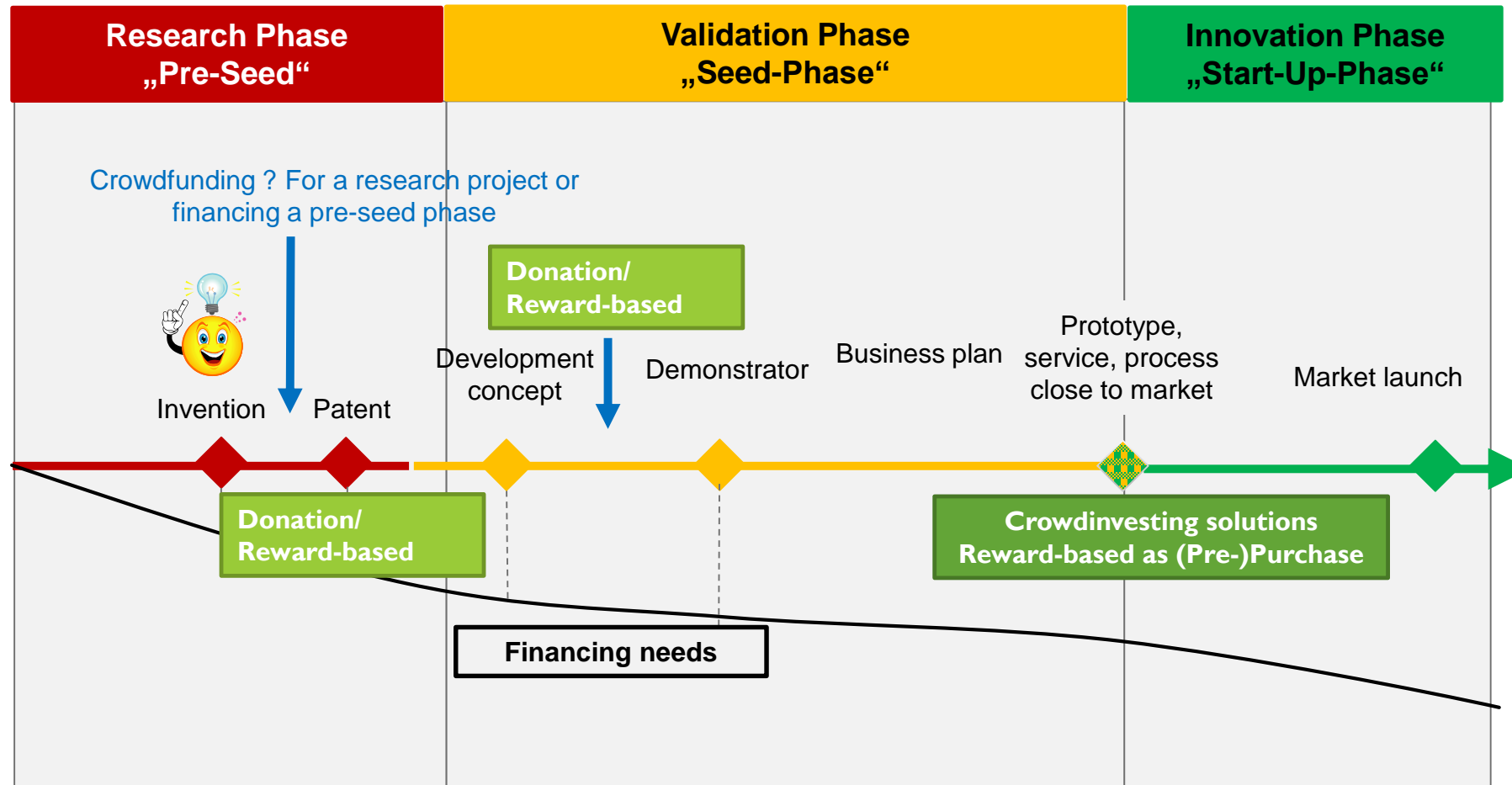### Indiegogo vs. Kickstarter

GO KS

Pre-Campaign

Easily capture email addresses before your campaign launches.

✔ ✘

Equity Crowdfunding*

Raise money from an engaged community of investors while maintaining company control.

✔ ✘

InDemand + Marketplace

Continue raising money and building your community after your crowdfunding campaign is over.

✔ ✘

INDIEGOGO

MOTIVATION – PROS AND CONS

FUNDING VS. INVESTMENT

Research Phase „Pre-Seed"

Validation Phase „Seed-Phase"

Innovation Phase „Start-Up-Phase"

Crowdfunding ? For a research project or financing a pre-seed phase

Donation/ Reward-based

Development concept

Demonstrator

Business plan

Prototype, service, process close to market

Market launch

Invention

Patent

Donation/ Reward-based

Crowdinvesting solutions Reward-based as (Pre-)Purchase

Financing needs

WHY CHOOSE A CF CAMPAIGN?

Starter

- money for an aim / product / project / initiative
- proof of concept / feedback
- attention of the media
- establishment of a community
- gain power users & evangelists

Crowd

- buy an innovative product
- support of a „good" project
- participation
- bragging rights
- high interest yield
- jackpot mentality

RISK OF CROWDFUNDING

- Reputation, e.g. in case:
    - distrust from customers concerning the reasons for crowdfunding
    - unsuccessful campaign
    - successful campaign but
        - team not able to deliver
        - quality / performance of product or service (prototype vs final)
        - lacking Backer management / integration / communication
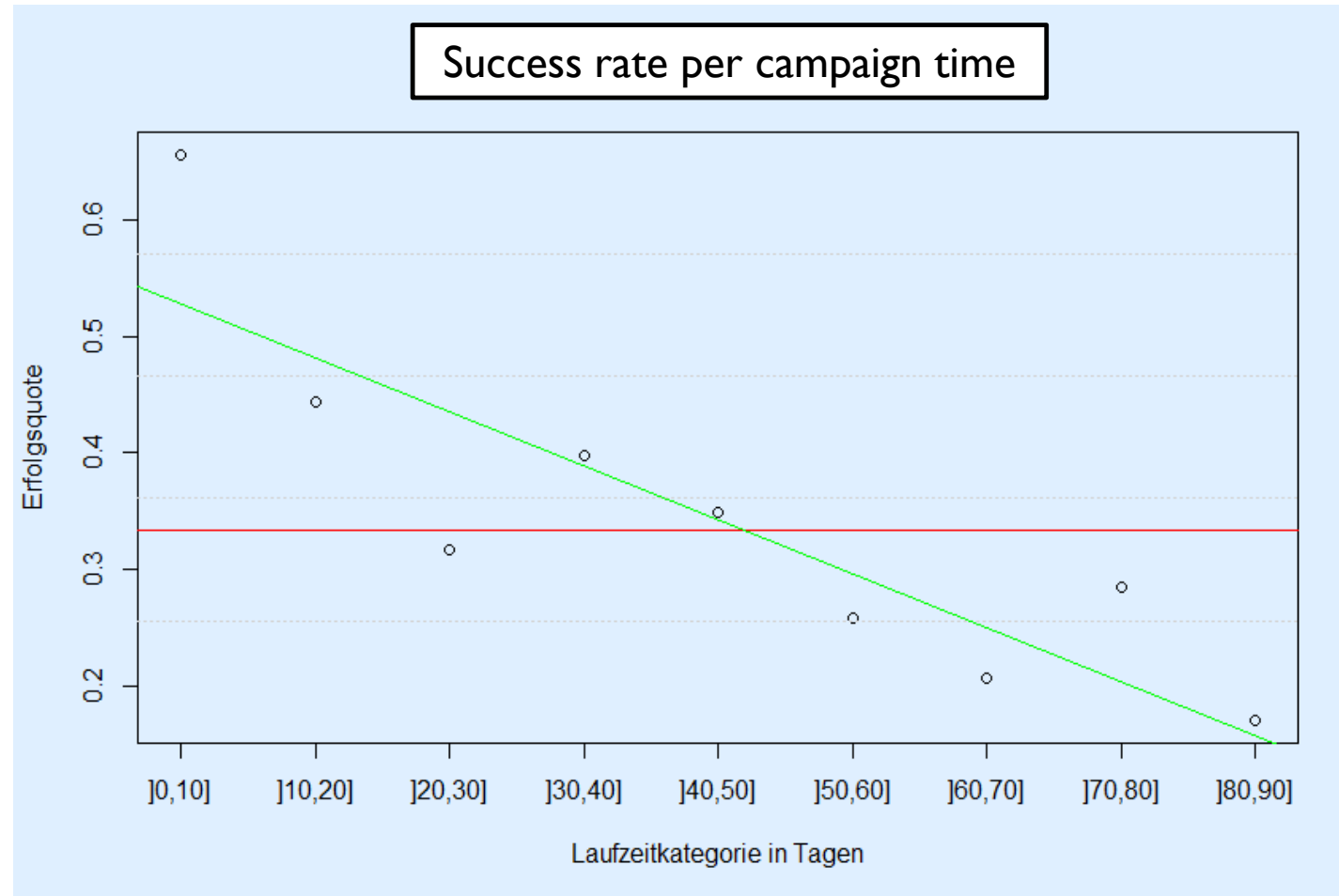
RISK OF CROWDFUNDING

- Financial, e.g. in case:
  - unsuccessful campaign
    - campaign costs and manpower
  - successful campaign:
    - underestimated input/time/costs for rewards (especially physical goods: manufacturing, handling, shipping, …)
    - taxes & legal fees
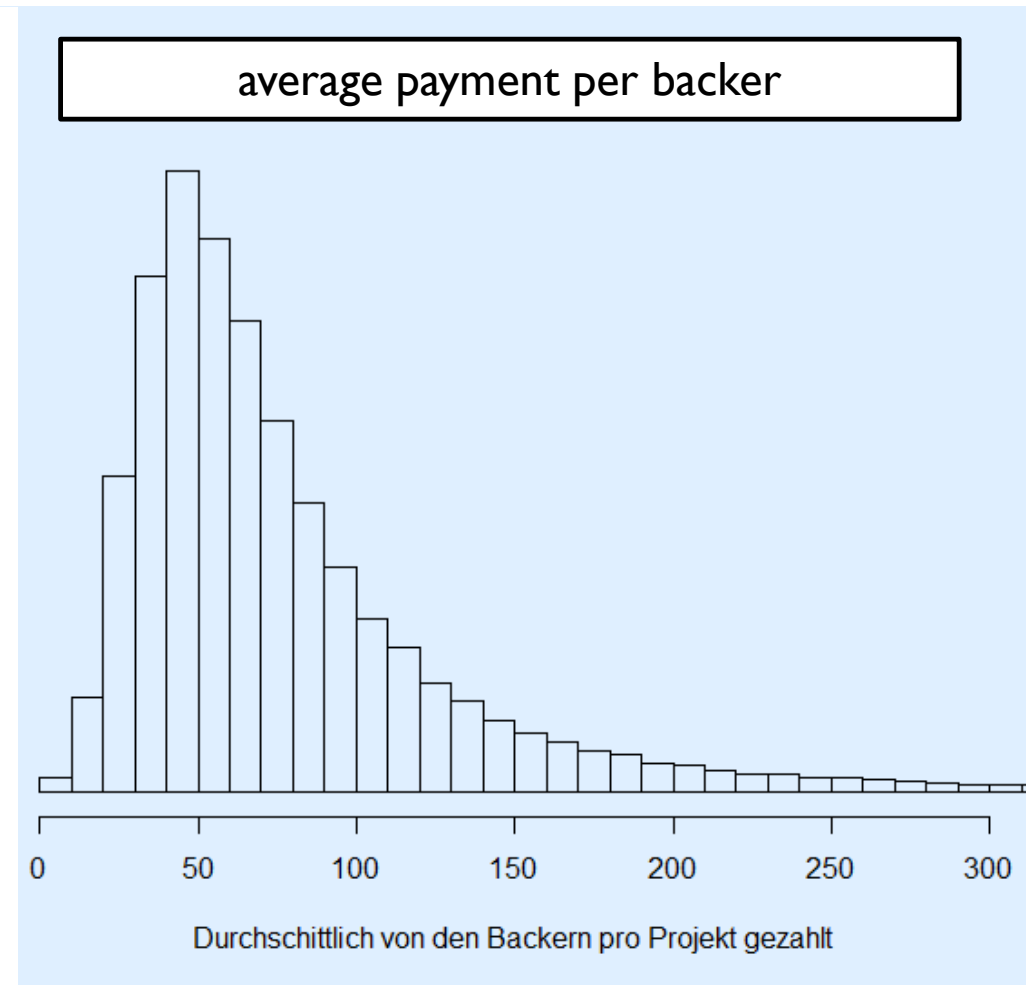- may scare of VCs / Business Angels in any case

TIPPS & TRICKS

SUCCESS CRITERIA – TIME

Success rate per campaign time

SUCCESS CRITERIA – REWARD TIERS

Success rate per reward tiers

SUCCESS CRITERIA – REWARD TIERS

average payment per backer

Durchschittlich von den Backern pro Projekt gezahlt

EXAMPLES FOR REWARD-BASED CF

- Give a copy of the "thing"
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- Share insides of the story
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- Creative experiences
- Creative mementos
- „Goodies", also personalised
- Meet the inventors, a dinner etc.
- Involvement of the doners in the project
- Mentioning of the sponsors (especially good for companies)
- …..

S: Status
A: Access
P: Power
S: Stuff

Creative Media Forschung und Entwicklung

EXAMPLES FOR REWARD-BASED CF

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Motivation ↑

S: Status
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Cost ↓

Creative Media Forschung und Entwicklung
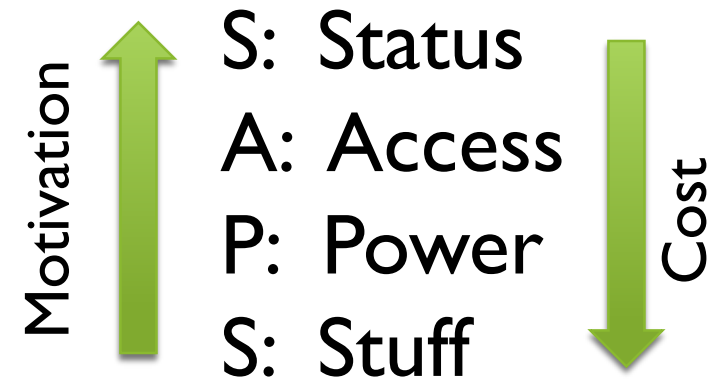
SUCCESS CRITERIA – DON'T BE GREADY

Success rate by goal

COSTS FOR A CAMPAIGN

SCENARIO: 20T vs 40T campaign goal (via Kickstarter)

Fixed Costs:

optimizing webpage	€ 1000
semi-pro videographer fee	€ 1000
copywriter fee	€ 700
advertising	€ 250
internal manpower (1000 – 5000)	€ 2000
Sum ca:	€ 5000

Variable costs (20T vs 40T):

profit sharing fee (at 5 percent)	€1000	€ 2000
processing fee (at 3 percent)	€ 600	€ 1200
pledge fee (at 20 cents)	€ 100	€ 200
production and shipping of the rewards	€ 800	€ 1600
Sum:	€ 2500	€ 5000

20T => -7.5T€ ➜ costs: 37,5%

40T => -10T€ ➜ costs: 25%

Don't think (too) small!

10 TIPS FOR A CROWDFUNDING CAMPAIGN

1. Analyse fit: Crowdfunding model & platform

2. "Lessons Learned" from comparable projects

3. Financial goal: realistic, only project specific cost, cost-effective (e.g stretch goals)

4. Attractive rewards (what the crowd thinks, not you ! ☺) + SAPS + digital vs. physical

5. The story is the key : unique and presented according to audience & platform

6. Professional approach and mindset

7. Build a strong kick-off and keep the momentum

9. The crowd and (their) social media is the key

10. Do it your way!

CROWDFUNDING CAMPAIGNS

EXAMPLES

„STAR CITIZEN" KICKSTARTER CAMPAIGN (2012)

„Reclaim the stars in the exciting new Space Epic from lengendary game designer Chris Roberts."

Developed by
Cloud Imperium Games Corporation

"The traditional publishers don't believe in PC or Space Sims. Venture Capitalists only want to back mobile or social gaming start ups."

Kickstarter Campaign: 10/10 – 19/11/2012

35.000 supporters
raised ~ 2.15 Mio USD

…one of the most successful CF campaigns for games

„STAR CITIZEN" ONGOING CF / PRE-PURCHASE WEB-CAMPAIGN

Digital Add-Ons

Blackbeard Stealth Skin: +$5
False Colors Skin: +$5
Add-On Ship: Aurora +$25
Add-On Ship: Constellation +$225
Digital Download: Star Map +$5
Digital Download: Star Citizen Novella written by Dave Haddock, the man behind the Time Capsule and Spectrum Dispatch lore. (delivery TBA) +$15

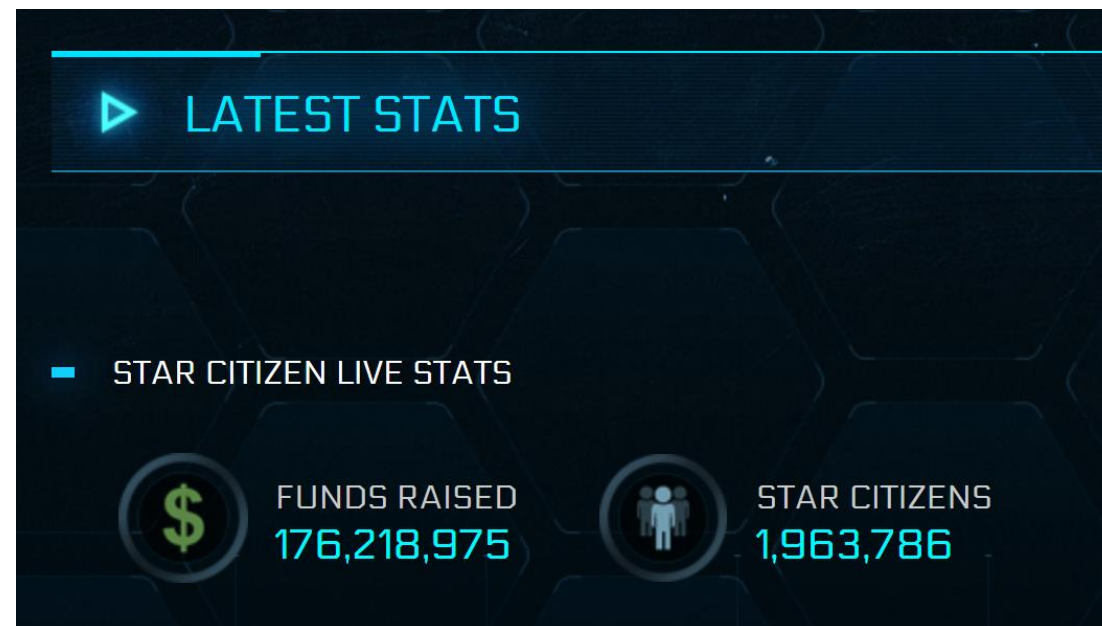**Physical Add-Ons**

Fold up glossy full color map of the game universe +$10
• CD of game soundtrack +$20
• Hardback bound 42 Page Book "Squadron 42 Manual" +$20
• Spaceship shaped USB stick +$30

▶ LATEST STATS

STAR CITIZEN LIVE STATS

$ FUNDS RAISED
176,218,975

STAR CITIZENS
1,963,786

EXAMPLE „PANONO"

Development of a 360° camera, company started in 2012

- Collected 1.25 Mio USD on Indiegogo CF Platform (aim was 1 Mio USD)

- Collected another 1.7 Mio € Crowdinvestment via Companisto Platform in 2014

- Now are insolvent; production more expensive and time-consuming than expected, could not deliver to backers
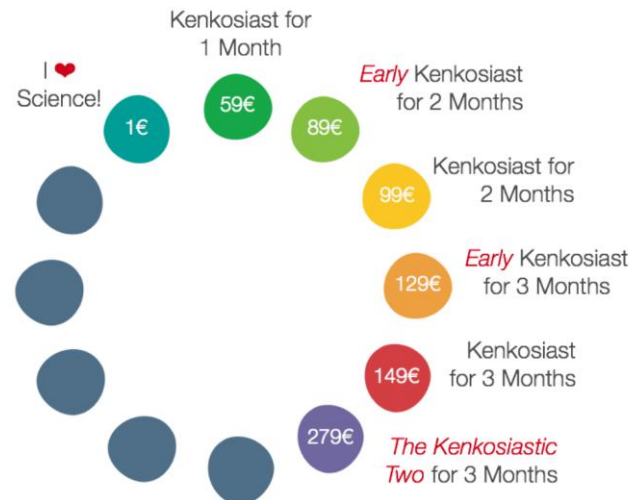
PANONO
Panoramic Ball Camera

INDIEGOGO – HEALTH PROJECTS

HEALTH & FITNESS

ONE SMARTDIET: measure body fat with OneSoftDigm
New Year, New You! One smartdiet to help you make and keep your health.

$18,271 USD　　　　　183 %

183%　　　　　35 days left

HEALTH & FITNESS

World's First Augmented Reality Glasses for Autism
Empower children & adults on the spectrum to teach themselves life skills for happy self-sufficiency

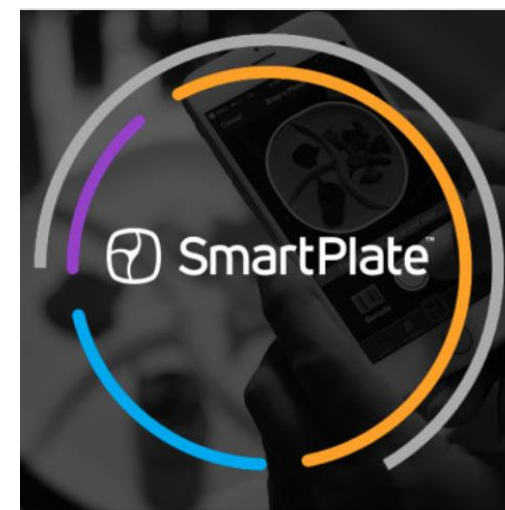**$125,018** USD　　　　　1.245 %

InDemand

FUNDING

Amabrush - World's First Automatic Toothbrush
Amabrush is the world's first, fully automatic toothbrush.

HEALTH & FITNESS

€4,419,424 EUR raised　　　　　6396%

🔥 Now funding through **InDemand**

HEALTH & FITNESS

Smart Plate TopView: Your Personal Nutritionist
The world's first Intelligent Nutrition Platform that instantly analyzes everything you eat.

$147,611 USD　　　　　127 %

InDemand

KICKSTARTER – ONGOING HEALTH PROJECTS

Dygma Raise - The world's most advanced gaming keyboard

by Luis "Deilor" Sevilla

€133,461 pledged
157% funded
13 days to go

Therapy Fit - The Ultimate 4-in-1 Foot & Calf Massager

by Sports Creative Innovations

£2,421 pledged
12% funded
3 days to go

SUCCESS CRITERIA

Successes

Video company – Contact list

Pebble Watch – Great marketing

Community Project - Incentives

Failures

Safety Company - Insufficient contacts

Pharma Project – Poor business plan

Video Game – Poor management

SUMMARY

SUMMARY

- Crowdfunding is a new and dynamic approach to raising capital

- Most campaigns fail

- There are a number of decisions you need to make

- It will cost you time, money and effort to succeed

"You cannot crowdfund unless you have a crowd"

CROWDFUNDING *for Growth*   www.crowdfundingforgrowth.com

THANK YOU VERY MUCH FOR YOUR ATTENTION!

INFO@SB-SCIENCEMANAGEMENT.COM

MARTIN.STEINICKE@HTW-BERLIN.DE