LAUNCH**LEADER**

5 Reasons Crowfunding Campaigns Fail

And Why Your Campaign Will Succeed By Micro-Crowdfunding On LaunchLeader

Despite crowdfunding's explosive growth into a $5 billion marketplace, the vast majority of campaigns fail.

The statistics are staggering: 60% of Kickstarter campaigns fail and 90% fail on Indiegogo.

The average crowdfunding creator is left trying to beat the odds while a small group of high-profile projects raise millions of dollars and capture mainstream media attention. This lopsided dynamic obscures the spirit of crowdfunding, which was designed to democratize fundraising and serve as an alternative channel to exclusive capital markets.

Entrepreneurs and creators who want to grow faster than their own resources allow need to find a way to get other people to invest in their ventures. For ideas in the beginning stages of development, crowdfunding is a promising opportunity. But crowdfunding can be an incredible waste of time and energy if it doesn't work, and you walk away with none of the money that you raised.

? This raises the fundamental question: why are so many entrepreneurs failing on crowdfunding platforms? Is it an innate weakness of the crowdfunding concept, or are the founders missing key ingredients to crowdfunding success?

In this report, we examine five reasons why crowdfunding campaigns fail, and provide specific strategies to overcome the challenges.

1. YOU DIDN'T BUILD UP YOUR SUPPORT NETWORK.

"Nearly every successful [crowdfunding] project I've ever seen was from an artist or startup that already had customers, fans, followers … a list of people to whom they could announce their crowdfunding campaign. Ask yourself how you would drive visitors to your campaign page. If the answer is, "No idea," work on that first."

Carol Tice, in *The Myth of Magical Crowdfunding and What Actually Works*, published in *Forbes*.

From the moment you decide to start your company, you need to collect the contact information of all the people who show interest in what you're doing. This is your first priority (higher than making a prototype, perfecting your code, buying file cabinets and printing business cards).

Whether you have a crowdfunding campaign in the works, or not, start talking about your business with everyone you meet. When you come across a person who shows genuine interest, ask them if you may send them updates about your progress, and save all of their information; phone number, email, social media handle and physical address.

In the beginning, when you have time, send them a thank you note, and put their information into a spreadsheet or database. When you get to the point where you don't have time to send a personal thank you, find a way to automate this step with an email autoresponder, or delegate the thank you note to an assistant or intern.

There are people out there who want to help you get started and support you. These include your friends and family and both online groups (e.g. forums and social media groups) and offline groups (e.g. clubs and meetups) who share an interest in your project. Don't lose track of these people!

Landing Page

Email Marketing
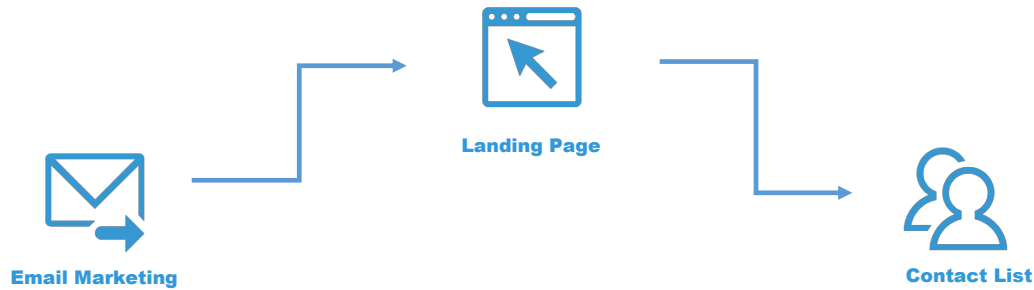
Contact List

- Get a Mailchimp or Constant Contact email marketing account set up and get in the habit of sending messages to the people on your list. Email is proven to be the most efficient and powerful marketing platform. Try to keep your communications informative and beneficial for the reader. Doing so will get them used to hearing from you and appreciating your value.

- Set up a landing page on the Internet where you can refer people who want to support you. Link to it from your Facebook and other social media pages. Offer to give your supporters something in return for their contact information, like a free report, gift certificate or tip guide that you create. Here is an example that we created sharing 5 Free Crowdfunding Resources.

- You contact list is your greatest asset as a growing company. When you have a large list of responsive supporters (aim for 300 – 500 to start), raising money on a crowdfunding site will be much easier, because these people are your early adopters. When you conduct a crowdfunding campaign – whether you succeed or not the first time – keep your contacts organized and continue building your list. Game developer, Emil Larsen, had only 30 email contacts when he launched his first Kickstarter campaign and failed. By the time he ran his second Kickstarter campaign for Burning Suns, he had increased his list to 400 people, which helped him successfully raise $95,000 – more than double his goal. Your email list is currency.

Your email list is your currency.

2. YOUR SUPPORT NETWORK ISN'T READY TO DONATE TO YOU.

The best way to secure timely support from your network is to prepare them at least 30 days ahead of time for your campaign. Make sure everyone is aware of your idea and your crowdfunding campaign before you officially launch to ensure that people are ready to donate during the first couple of days – which is the crucial period for building momentum.

However, when someone lets you know that they support you, they may not be ready to donate money immediately. Don't be offended or discouraged by this, or write those people off. Keep sending them information.

There are many reasons why someone doesn't give you money when you ask for it:

No money at the moment   **Not convinced yet**   **Wants to see you make changes**

- They might not have the money at the moment, but are willing to donate at a later time

- They might not be convinced that you are serious, and need more proof that you will pull off your business idea

- They want to see you make changes based on their recommendations and the feedback of the community

When you keep in touch with supporters, reminding them of why they would want to support you, you might catch them when they are ready to donate. Send them more information as you progress, and ask them for their feedback as well. Remember, your supporters are your most important customers and their opinions matter!

The biggest difference between Leo Knight's failed first Kickstarter campaign and his successful second go round – when he raised $125,000 for Campfire In A Can – was based on feedback from his backers; he added the function to burn propane.

Woord Fire   Propane   Campfire cooking   All Inside

As the Campfire In A Can case illustrates, the necessary support may not come in the course of your first campaign attempt. But that doesn't mean your crowdfunding dreams are over.

In fact, our new research analyzing hundreds of Kickstarter campaigns reveals that creators who fail and try again with the same campaign increase their odds of success by 50% (from 40% to 60%).

When one campaign fails, the best thing you can do is reach out to get the support of your first backers for your second attempt (a practice called **"pre-loading"**).

That's what Ryan Grepper did after he failed to raise his $125,000 Kickstarter goal for his product, The Coolest Cooler. During his second campaign he contacted all of his backers before he launched. Donors were also more excited about his second campaign because he improved his video, product photos and prototype. Ryan's "crowdfunding comeback" became one of the most successful Kickstarter campaigns ever, raising over $13 million. Pre-loading works regardless of the size or category of your project. Singer, Alex Ivy, not only overcame a Kickstarter failure but also a life threatening illness when she re-launched and leveraged previous backers to increase the haul by 10X for her album, Deep to Deep.

Using LaunchLeader as a pre-Kickstarter/pre-Indiegogo micro-crowdfunding platform, entrepreneurs can build up an initial following of close supporters to leverage over the course of several campaigns.

Your supporters are your most important customers and their opinions matter!

3. YOUR VIDEO STINKS.

Having a quality video is mandatory to standing out in the competitive crowdfunding space. It's the first thing that people see, and it sets the tone for the entire campaign.

Tell a compelling story in your video, but don't take too long; research proves to keep your video between two and two-and-a-half minutes in order to get the most views.

"You should focus your video on the product, and if you have little experience in front of a camera then keep it very short and use a narration in the background while demonstrating the functionality and benefits of your product… In general: depict a phenomena/problem and present the solution/your product. Keep it simple!"

Rudi Beijnen, the founder of EMBRACE+, a Kickstarter wearable device that raised almost $265,000.

The best videos are centered on the customer and the problems that they face, rather than the creator, and how she or he came up with the idea. When the creators of the Veteran Watch re-launched their Kickstarter campaign after failing the first time, they overhauled their video to accomplish the mission of raising $21,000 during their comeback campaign. One of the major improvements was adding a voiceover that spoke directly to the watch's benefits.
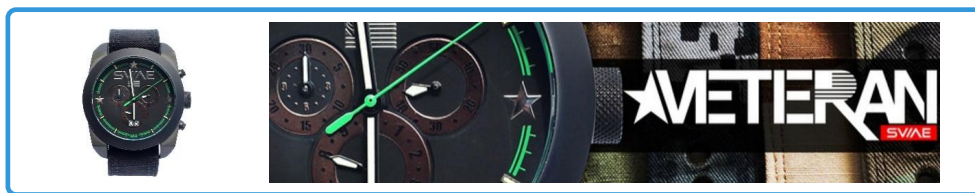
Some videos can be made with your phone and a few friends over the weekend. But most successful crowdfunding projects, including the Veteran Watch and EMBRACE+, require the help of a professional videographer.

The problem is that if you need professional help with your video, it will cost money to produce – roughly $1,000 per minute – which you may not have in your budget. Moreover, creators who show a fully functional prototype in their video do much better, because people would rather see what the product can do, rather than imagine what it could be like. Yet building a prototype costs money as well.

LaunchLeader can be the solution to this problem. As a micro-crowdfunding site, it is designed to raise money for tools like a professional explainer video and prototype for use in a larger crowdfunding campaign.

No matter how much time and effort you put into your video, the results have to be authentic and memorable.

Your video is the first thing that people see.

4. YOU WANT TOO MUCH MONEY.

"The funding goal you set is very important! If you set it too high people will think you want to make a quick buck or that your campaign will never achieve the goal… Backers want to be part of a successful campaign, not a failing one! Better you set the goal very conservative and try to go beyond it by using stretch goals and PR."

Rudi Beijnen of EMBRACE+.

Beijnen and his partners failed with their first Kickstarter campaign for EMBRACE+ when they only raised $83,000 out of their $220,000 goal – resulting in zero funding (since Kickstarter projects are "all or nothing," in which creators must reach their goal to receive any pledges). But when they re-launched the project with a more conservative ask of $80,000 – not coincidentally the total pledge value from their first campaign – they raised over $260,000.

Similarly, Ryan Smith's board game campaign for Moral Dilemma came up a few thousand dollars short when he tried to raise $7,500. Within just two weeks he launched a comeback campaign for Moral Dilemma – lowering his ask to $1,000 – and raising over $50,000, or 5,000% of his goal! Like the gamer that he is, Smith realized that "overfunding" is a key variable in Kickstarter's algorithm, which determines the projects that get featured on the front page for each category. Moreover, getting "overfunded" creates social proof and viral adoption by sending a signal to other prospective backers that the project is a winner.

**The funding goal you set is very important!**

5. YOU DON'T SHOW WHERE THE MONEY IS GOING.

When startup founders ask for thousands of dollars, people want to know where is the money going? If they don't know, they may decide not to give. After all, how can they know if the entrepreneur will spend it wisely, on things that will actually help the business? Does the founder even know where the money will be spent?

Most crowdfunding projects neglect to specify exactly how the funding will be used to advance the idea. Instead of outlining the uses of funds, creators ask for a large lump sum, which is intimidating to potential backers who desire transparency and accountability for their hard earned money.

Unlike other crowdfunding platforms, LaunchLeader breaks the total cost of your project into smaller digestible bits of specific deliverables. The format is similar to a wedding registry wish list. For example, if you need a logo, a website, a video or a prototype, your backers choose to donate to one (or more) of those itemized tools. When you raise enough money for the logo, those funds are disbursed, even if you haven't reached your total project goal yet. If your backers fund the website or the prototype, you receive the funds you raised for those items.
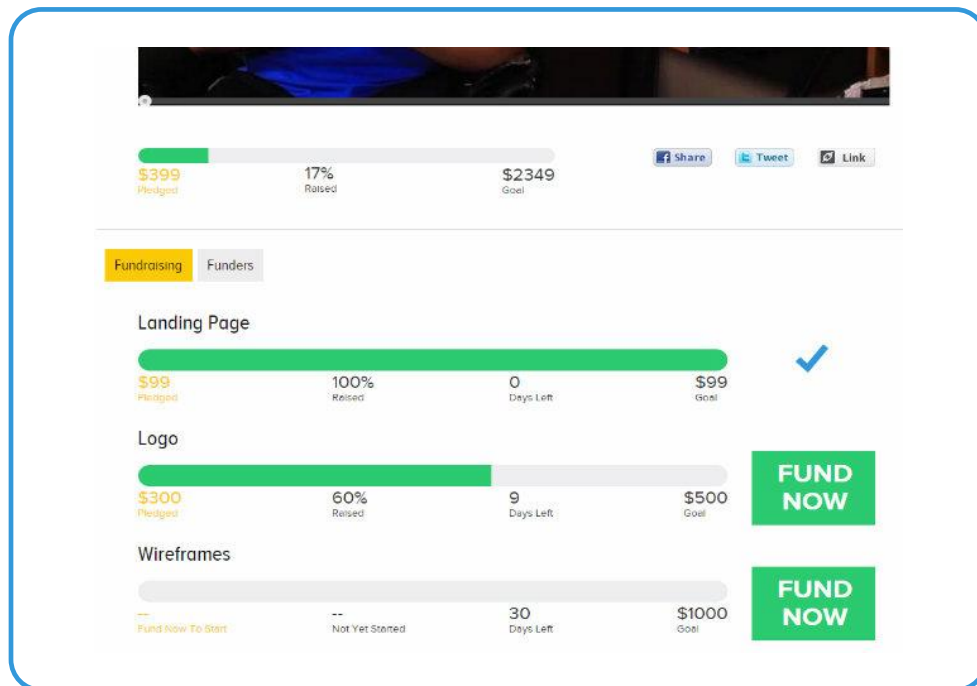
When a tool is completed, entrepreneurs post the result on their profile by uploading a link or file to their tools portfolio. This builds trust with backers, and holds the entrepreneurs accountable for responsibly spending their money. When people know where their money is going, they feel like they've contributed in a meaningful way to the entrepreneur's story. They have a tangible image of how they helped, which is more compelling and fulfilling than most other rewards.

LaunchLeader gives crowdfunding a gift registry makeover.

People want to know where their money is going.

LEARN FROM THE MISTAKES OF OTHERS.

The principles and case studies highlighted in this white paper are intended to help you learn from others' failure and succeed your first time.

For more inspirational and informative interviews with crowdfunding creators who experienced both failure and success, check out our podcast, Crowdfunding Comebacks.

LaunchLeader is a micro-crowdfunding platform for rallying supporters and raising startup money from friends and family. Get started at www.launchleader.com

ABOUT THE LAUNCHLEADER FOUNDERS

ASHOK KAMAL
Co-Founder & Chief Executive Officer

Ashok's career as a social entrepreneur spans the for-profit and nonprofit sectors, including running a youth development organization in New York City and co-founding Bennu, a leading green social media marketing company. He is a mentor with the Network for Teaching Entrepreneurship (NFTE), vegetarian foodie, and fantasy baseball aficionado.

NICHOLAS SEET
Co-Founder & Chief Technical Officer

Nicholas has been a serial entrepreneur since his first startup concept was funded and he left his software development position at Deloitte Consulting. Since then he served at different times as Founder, CTO, and CEO of Auditude, which was acquired by Adobe Systems in 2011. He enjoys public speaking, creative writing, and being with his wife, Vivien.