



## CRUCIAL – CROWDFUNDING GUIDE



CRUCIAL (Crowdfunding Capital) 2015-1-IE01-KA202-008626

## Contents

<b>1.0</b>	<b>Welcome &amp; Introduction</b>	3
<b>2.0</b>	<b>About Crowdfunding</b>	4
2.1	What is Crowdfunding?	5
2.2	Why Does Crowdfunding Work?	6
2.3	The Pros & Cons of Crowdfunding	6
2.4	Loan Crowdfunding	8
2.5	Reward Crowdfunding	9
2.6	Equity Crowdfunding	12
2.7	Donation Crowdfunding	13
2.8	Invoice Trading	14
2.9	Investor View	16
<b>3.0</b>	<b>Managing Your Crowdfunding Campaign</b>	19
3.1	How Suitable is Your Project?	20
3.2	Legal & Financial Considerations	22
3.3	Protecting Your Intellectual Property	25
3.4	Choosing a Platform	29
3.5	Budget and Funding Goals	33
3.6	Reward Structure	36
3.7	Developing a Schedule	38
3.8	The Pitch	40
3.9	The Video	43
3.10	Creating a Buzz	46
3.11	Maximising Social Media	50
3.12	After Your Campaign Ends	54

## 1.0 Welcome & Introduction

Welcome to CRUCIAL CROWDFUNDING.

Crowdfunding is the process of asking the general public for investment, usually via the internet.

CRUCIAL Crowdfunding is an ERASMUS+ supported project, designed to help inform those who can potentially benefit from this innovative means of funding business ventures.

The key groups CRUCIAL aims to assist are those seeking financial support, primarily SMEs, but also entrepreneurs, start-ups and social enterprises.

In addition, support agencies such as Innovation Centres, Cluster managers, and public or private organisations, that look to support business and economic development, locally, Regionally and Nationally will be able learn more about how to use and promote Crowdfunding.

## 2.0 About Crowdfunding

Crowdfunding is the process of asking the general public for investment, usually via an internet platform.

In this section you will learn in more detail what Crowdfunding is, why it works and about the different Crowdfunding types.

At the end of this section you will begin to have some clarity about whether Crowdfunding is for you, and if so, which particular type (or hybrid of types) could be the best fit for your project.

The chapters of this section are;

- 2.1 What is Crowdfunding
- 2.2 Why does Crowdfunding Work
- 2.3 The Pros & Cons of Crowdfunding
- 2.4 Loan Crowdfunding
- 2.5 Reward Crowdfunding
- 2.6 Equity Crowdfunding
- 2.7 Donation Crowdfunding
- 2.8 Invoice Trading

*Each section includes an optional evaluation tool which will help you test your knowledge of the section content.*

## 2.1 What is Crowdfunding?

Simply put, Crowdfunding is the process of asking the general public for start-up capital for new ventures. Entrepreneurs and small business owners can bypass venture capitalists and angel investors entirely and instead pitch ideas straight to everyday internet users, who provide the financial backing.

In fact, a Crowdfunding campaign can bring with it more than financial support: the project owners can gain from early validation of the idea, and get an indication of market scope, glean feedback, win fans and open the opportunity to profit from public recommendations about how to directly improve the project.

Crowdfunding has become a major trend in the field of business financing. Established companies as well as small start-ups are using Crowdfunding to great effect as a means of accruing capital for their projects, via more than 500 platforms.

EU crowdfunding platforms operate a diverse range of funding types which we have summarised by five broad headings, as follows;

- Loan based – is when a crowd lends money to a person or company on the understanding that their money will be returned to them with interest added.
- Reward based – is when a crowd gives money to a person or company and in return gets a reward for their contribution. Rewards vary from project to project and depending on the amount given you can receive a high 5 or a state of the art smart watch. It's generally considered to be a method of pre sales.
- Equity based – The crowd invests in a company in return for shares. If that company is successful, the shares that you own will be worth more than you paid for them. If the business fails, you will lose your investment.
- Donation based – is where a person gives money to a project and does not expect anything in return. These campaigns are almost always for a charitable cause.
- Invoice trading – allows companies to receive an immediate cash advance rather than wait 30, 60 or even 90 days for their customers to pay. Companies will however pay a small percentage on each invoice.

These 'Types' will be discussed in more detail in later chapters.

## 2.2 Why Does Crowdfunding Work?

Crowdfunding works for many reasons. It appeals to people who want to feel like they are a part of something – that they contributed in the rise of a small business and can be part of a viral campaign phenomenon that raised millions and possibly become a part of Crowdfunding history. As an investor, Crowdfunding allows you to pick up some unique rewards in return for your investment, or to get involved at an early stage in what could be an exciting and possibly financially rewarding new business.

So, why does Crowdfunding work? There are many things about Crowdfunding that appeal to funders and to investors, including the following;

- It allows you to appeal to people who want to be a part of something.
- It allows people to make small monetary investments
- It lets companies get some pre sales of a product to test the market and also helps them develop a network of followers
- It offers exclusivity... campaign owners can offer exclusive rewards to their first backers
- It is transparent - Having high quality and clear video, pitch and rewards allows backers to fully understand where their money is going and that your campaign can be trusted
- Crowdfunding is direct marketing.

## 2.3 The Pros & Cons of Crowdfunding

Listed below are some of the advantages of Crowdfunding and why any SME or Entrepreneur should consider it as part of their financing portfolio;

- It can provide access to capital
- It can help hedge against risks associated with new product launch

- It can be an excellent marketing tool, and allow you to test elements of your marketing approach
- It can provide proof of concept, and help you test and prove the popularity of your product
- It can facilitate crowdsourcing of brainstorming
- It introduces prospective loyal customers
- Your backers become part of your marketing team
- It provides the opportunity for pre-selling
- Unless equity Crowdfunding, no transfer of shareholding or ownership of the business is a consequence of the financing
- The project may receive unexpected and useful advice, and even tangible offers of assistance
- If at first you don't succeed, you can try again.

On the flip side, there can be negative consequences associated with Crowdfunding, including the following;

- It can be stressful, and requires tireless effort to succeed
- It is not like a traditional product pitch – the crowd funder must be clear on who is the target consumer, and will require knowledge of consumer marketing, social networks and social marketing techniques
- It requires a high level of creativity in how you publicise and promote the offering
- The business / product is immediately in front of the public, and competitors
- The project must be sufficiently interesting to a sufficient number of people to have a chance of success
- Any successful project requires dealing with a large number of stakeholders all with different expectations and demands
- Lack of guidance
- You will need an advanced knowledge of Social Media
- Projects compete against other projects as well as industry competitors
- It doesn't always work
- Even if the project gets funded, it may still fail for other reasons (legal, moral & reputational consequences).

## 2.4 Loan Crowdfunding

- Fastest growing type of Crowdfunding
- Dominated by personal loans
- Business lending share is increasing
- Especially popular in the real estate sector
- Trading across borders is possible, but difficult to regulate

Loan based Crowdfunding is an online financial matchmaking process, connecting borrowers with lenders without the involvement of conventional banking systems. Often described as Peer-to-Peer lending, it can be sub-divided into lending to businesses or consumers. Typically the interest rates achieved are better than those available on the High Street, with investors able to choose the degree of risk they are prepared to accept. Many sites offer a rating system similar to a credit rating score.

Peer-to-Peer, loan based Crowdfunding is the fastest growing part of the portfolio of Crowdfunding products available and represents 75 to 90% of the value of all Crowdfunding activity. This ratio applies across the globe, with year-on-year growth rates of 60-100% from 2014 to 2015.

Peer-to-Peer business lending is dominated by the real estate sector of the business economy with 40% of all deals by value being provided to small and mid-size property development companies. Business lending by this route is now approaching 15% of the total market for SME lending as businesses find Crowdfunding quick, convenient and cheaper than conventional financing options.

The market is rapidly evolving, with new platforms and offers being designed and developed almost daily, and regulation authorities struggling to keep up with what in the majority of instances is an unsecured loan market. The risk of default, with no Government protection has encouraged the platforms to publish their default rates, create funds to compensate investors in the event of default and develop credit rating methodologies that match risk with reward.

The traditional sources of loan funding for both the business community and individuals is being disrupted by the exponential growth of Crowdfunding; with the



result that Venture Capital Trusts (VCTs), banks, Business Angel Groups and even Governments are now supplying funds to Crowdfunding to ensure that they remain significant players in the loan market. UK regulation also opens up the loan market by allowing loans to be packaged in tax efficient savings and pensions schemes which will further advance the market for this sector of Crowdfunding.

The Internet makes trading across geographical borders easy, but, difficult to control and regulate. The picture across Europe is mixed, with individual countries drafting regulation as well as the EU attempting to put legislation in place, but policy makers and legislators struggle to keep up with the pace of evolution in the marketplace. Lenders are also attempting to develop solutions to cross border trading and deal with the complexities of cross border transactions within an unsecured, under-regulated loan market.

The actual mechanism afforded to the investor is relatively simple. Individual sites have different investment strategies – some offer fixed rate, fixed term investment opportunities; some offer a selection process whereby you choose the risk level you are prepared to accept which determines the potential reward; and some offer a bidding process whereby you state your required return and cash available and the recipient selects the best offers available. Most factor in a bad debt element, either incorporated into the rate offered or a surcharge on top to establish and maintain a bad debt fund.

For the borrower (the business), the process involves an online application process that can be completed in a relatively short period (less than 20 minutes) that will generate a response within 48 hours detailing any additional information required or confirmation that the application has been refused/accepted. After a positive decision is reached, the application is hosted on the website for a period (typically a week or longer) to attract investors. This real time application shows investors the current position regarding the proportion of loan already secured and the rate being achieved. Some sites automatically allocate investors (spreading their risk) whereas others allow choice by the investor.

## **2.5 Reward Crowdfunding**

- Material rewards and/or services in exchange for money pledged

- Rewards tailored to the project and pledge amounts
- Considered the easiest form of Crowdfunding for SME/Entrepreneurs
- Financial reward is never offered to backers
- Traditionally strong focus on cultural-creative sectors
- Usually operates on an 'all-or-nothing' basis

The reward based Crowdfunding model is nowadays the most popular and widespread form of Crowdfunding, indeed. It is considered as an easiest form of Crowdfunding to take part in. Also for small business and entrepreneurs it seems to be the most applicable model to get a project off the ground. Reward based Crowdfunding is based on various rewards, perks or incentives offered to the investor/backer in return for their financial contribution.

Reward Crowdfunding is a model where large numbers of backers give a relatively small amount of money to support a project in return for material or service reward. Within this model there is no financial reward to backers.

The reward based Crowdfunding model is the most popular and widespread form of Crowdfunding. Indeed, it is considered the easiest form of Crowdfunding to take part in. Also for small businesses and entrepreneurs, it seems to be the most applicable model to get a new product or project off the ground.

This concept has been exploited massively in last years. Today there is a great number of platforms focused on reward based Crowdfunding worldwide, with the world's most recognisable platform, 'Kickstarter, a leading proponent.

Campaigns based on rewards were originally organised to fund activities in a cultural-creative environment like music and movie production, art, etc. However, the latest trend shows that there is an increased number of reward based campaigns whose aims are mainly commercial.

Backers usually support the campaign with a relatively small amount of capital starting as low as €5. Campaigns offer contributors special rewards, perks or incentives in return for their support, with the desirability of the reward increased depending on the monetary value of the contribution. The variety of rewards depends on the idea

creator, Crowdfunding platform rules, as well as particular geographical territories regulations.

Typical rewards include T-shirts, postcards, book, CD, DVD, stickers, autographs, ticket to movie premiere, invitation to a launch party, final product with the autograph of the inventor, etc. Many project rewards are essentially pre-sales of the product that the funding is being used to develop. In this way, it can be an effective way to raise finance for a specific project, or new product launch.

In practice, reward based Crowdfunding has a number of phases. First of all the campaign parameters are set... campaign goals defined, funding goal set, campaign duration, and reward schedule.

In the next step, the campaign is launched on a suitable Crowdfunding platform. Platform fees should be incorporated into the total funding goal. It is recommended to consult the platform rules and conditions carefully before launching the campaign as these vary from platform to platform.

Campaigns are usually accompanied by promotional videos, presentations, images to raise backers' interest and social media campaigns designed to stimulate the crowd to contribute. (Promotional campaign usually predates the launch date to ensure the campaign gets the best possible start.)

Once the campaign reaches its funding goals, backers expect to receive rewards in return within a reasonable timeframe. Failure to deliver could result in reputational damage for the company/creator.

There are two main forms of managing the finances after the end of the campaign – “all or nothing” and “take it all”.

All or nothing: within this form the idea creator receives the collected amount only when the funding goal of the campaign is achieved (or exceeded) within the campaign time schedule.

Take it all: in this case the idea creator receives everything even if the campaign funding target is not met. This method raises one very important question.... ‘What happens with the money if the amount collected won't be enough to realise the idea?.

## 2.6 Equity Crowdfunding

- Company shares (equity) are offered to investors from ‘the crowd’
- Increasingly important financing option for start-ups
- Approaches to regulation varies from country to country
- Less strict accounting standards required than for public companies
- Many countries are looking at new legislative/regulative models

Equity Crowdfunding is the process whereby people (the “crowd”) invest in an early stage unlisted company in exchange for shares in that company. Creators (entrepreneurs, SMEs etc.) offer ownership in their business ventures in the form of shares. Investors buy the shares, and their investment is used to grow the venture. The value of the shares follow the venture’s value – if it does well, so does the investment.

Equity Crowdfunding mechanism enables multiple investors to fund start-up companies and small businesses in return for equity (Shares) in that company. If the business succeeds, then its value, and the value of the equity investment, goes up but the converse is also true.

Equity Crowdfunding displays greatest potential with start-up businesses that are seeking smaller investments to achieve establishment, while follow-on funding (required for subsequent growth) may come from other sources. Equity Crowdfunding also displays good potential as follow-on financing after a successful Reward Crowdfunding campaign, when the company has a strong online presence and fan base.

Equity Crowdfunding is also referred to as Crowd investing, investment Crowdfunding, or Crowd equity. Since 2009 this form of alternative finance has become increasingly important for start-ups. In general Crowdfunded businesses do not have to adhere to the strict accounting standards required of public companies. Because equity Crowdfunding involves investment into a commercial enterprise, it is often subject to securities and financial regulation which offer some protection to investors. However, Crowdfunding regulation is still playing catch-up to the evolving

crowding landscape so approaches may vary from country to country, and platform to platform.

The main challenges for a company looking to raise finance through this means will include the following;

- Attracting quality investors (many Crowdfunding investors may have no experience in making such investments)
- Managing co-investment between multiple investors with different motivations for investing, and ensuring that dealing with many shareholders does not become a burden
- Platforms also face a number of challenges as Equity Crowdfunding develops and evolves. These challenges will include:
  - How to stimulate the 'crowd' and in particular 'High-Calibre' investors. Platforms see the right mix of professional investors and risk capital providers, and 'crowd' investors
  - How to ensure company valuations are realistic and equitable
  - How to vet businesses and prevent fraud, especially difficult for new start-ups with little or no trading history
  - How to keep up to pace with the evolving regulatory/legislative environment
  - How to cope with cross-border investing.

## **2.7 Donation Crowdfunding**

- Primarily used for fundraising by charities and 'good causes'
- Social reach can be turned into charitable donations
- Donors receive no financial or material return
- Usually operates a 'Keep-it-all' model

Donation-based Crowdfunding takes place when individuals donate small amounts to meet the larger funding aim of a specific 'charitable project'. This has been a common practice for a long time, although it may not have always been called Crowdfunding. Often, this type of Crowdfunding is used to fund social causes, non-profit organisations, films and endeavours in the arts. Project creators come primarily

from social and cultural groups, creative enterprises and community-based and charitable organisations.

Until the evolution of the internet, most of the organisations fundraising for charity or a good cause had to do so the old fashioned way; by organising specific events, direct advertising or in person solicitations. Until recently and in many cases, these were very successful methods but were also exceptionally inefficient and very time consuming.

In this digital age, and with the power of social media and other internet tools, this has all changed with the introduction of new Crowdfunding platforms. The innovative leap which is occurring now means that individuals or organisations no longer have to worry about wasted postage and futile meetings. The donors are now seeking you out, or it is at least much easier to get your message out at a fraction of the cost.

Donation-based Crowdfunding has been a common practice for a long time, although it may not have always been called Crowdfunding. Often, this type of Crowdfunding is used to fund social causes, non-profit organisations, films, and endeavours in the arts. Wikipedia, the Red Cross, political parties and other similar non-profit organisations all participate in donation-based Crowdfunding. Unlike the other Crowdfunding practices those making a donation do not receive financial or material return in exchange of their donation.

Many donation-based Crowdfunding platforms also use a 'keep-it-all' model, where the platform divests the funds collected regardless of whether the stated funding target has been reached.

## **2.8 Invoice Trading**

- Alternative financing for business/commercial entities
- Unpaid invoices are sold online
- Individual invoices or 'invoice bundles' traded
- Buyers typically include institutional investors, banks, high net worth individuals

- Most common form of asset based lending
- Average 'auction' duration is 8 hours

Online Invoice Trading (factoring) connects businesses with investors. It is a well-established alternative form of finance for business. The seller uses unpaid invoices as 'collateral' to unlock funding very fast. The financing happens against individual invoices or bundles of invoices. This way, finance can be provided cheaper and quicker than by using traditional providers of business loans/overdraft or traditional ways of short term funding.

Invoice trading Crowdfunding is the process in which business sellers' auction their invoices online, as a way to gain quick access to money that would otherwise be tied up. They can sell them individually or in bundles to the bidders (buyers) who offer the most competitive price to advance them the money. Sellers then buy the invoice back from buyers, and can decide whether to do so after 30, 60 or 90 days.

Buyers of these invoices include a wide range of institutional investors, high street banks, asset-based lenders, cash-rich companies and high net worth individuals. Buyers get a fee for stumping up the cash, which varies from auction to auction.

Companies from any sector and of any size can use this way of financing and there will generally be no minimum or maximum auction size. The vast majority of sellers however are SMEs. Invoice financing is the most common form of asset based lending and in most cases acts to support businesses to manage their cash flow, bridging the gap between the delivery of goods or services by a business and the payment from its customer.

Typically, the procedure is as follows:

- You decide that you want to use Invoice Trading as a means of freeing up cash
- Select a suitable platform and create an account - Usually this procedure is very fast. However, sometimes the platforms decide to evaluate their users, so you will have to upload some proof-of-existence documents about you, your bank

accounts and your company. This way the platform can evaluate your application and either accept and create an account for you or reject you.

- Upload your invoice(s) for sale - the platform run some validation checks on the invoices in order to verify that they are real and not fake. Some platforms may even contact the invoice issuer in order to verify their identity or the validity of the invoice that you are trying to sell.
- The funding persons, companies or organisations bid for your invoice and when the bidding finishes, usually after 24 hours, then your invoice gets sold and you get a percentage of the invoice's money right away
- Finally, when you receive the money from your debtors, you will have to pay your funder back the full value of the invoice

Invoice trading (or Factoring) may also be referred to as 'Discounting'... The main difference being that Invoice Trading customers will know their invoices to a third party. In the case of invoice discounting, the financier lends the firm money against a percentage of the value of its unpaid invoices. As the invoices are not sold to the financier, the firm's customers will not be aware that they are being used to raise finance for the firm.

## 2.9 Investor View

- Investors should figure out what their expectations on risk and return are
- Loan-based crowdfunding has usually the most predictable rate of return
- It is easy to diversify investments in loan-based crowdfunding using automatic IT tools
- Equity-crowdfunding gives a possibility to support a business You like
- Donation-based crowdfunding helps You to support a good cause
- Invoice trading has relatively high liquidity and short investment horizons

Different investors have different expectations regarding risk and return of their investments. When planning your crowdfunding project it is sensible to analyse, what kind of investor are you are targeting. What is their motivation and risk-tolerance?



What profit or reward would they expect? How much are they willing invest. Based on answers to above questions you can select most suitable Crowdfunding projects and platforms for your needs.

It is important to note that investments on Crowdfunding are riskier than traditional bank deposits or any other government secured or backed investment vehicles (e.g. government bonds) or corporate bonds of large companies. However, usually returns from crowdfunding projects are also higher. In addition, there are other motivations for crowd investors e.g the opportunity to support people, causes or products which they care about. Different crowdfunding investment categories have different types of returns and they also attract different types of investors.

#### Loan crowdfunding:

If the investor prefers to know with a relatively high certainty what kind of return the investment is going to make, then loan-based crowdfunding might be more suitable than other crowdfunding types. In loan-based crowdfunding, interest rate is agreed in advance. Naturally some loans will default and there might be some delays in payments, but due to the relatively high quantity of loans financed in most crowdfunding portals, it is possible to estimate profitability of investment rather well. Returns of loan-based crowdfunding are most predictable, ranging from 2-3% to almost 20% depending on platform used and locations of lenders and borrowers. Returns from equity-based crowdfunding projects are difficult to estimate before companies have started producing profit or before they have been sold.

Loan-based crowdfunding can be fairly automated, so an investor uses his time efficiently. The platform usually takes care of loan collection activities on behalf of the investor.

#### Equity crowdfunding returns

If the investor is more interested in potential high-risk and high-gain investments, then equity-based crowdfunding might be the more suitable avenue. Probability of success varies from business to business, but in equity-based crowdfunding projects, investors

are able to benefit if the recipient company is sold to a larger player or listed on stock-exchange.

Equity, donation and reward crowdfunding projects communicate about their activities and usually give an investor the possibility to communicate with them if needed.

### Reward crowdfunding

In case the investor is interested in supporting cool ideas and receiving concrete perks, then reward-based crowdfunding might be more suitable as an investment option. Backers of reward-based crowdfunding projects are motivated by possibility to use an interesting product when it has been developed and by having something new and innovative earlier than the others. There is a chance of supporting interesting projects which are emotionally important for the backer. Rewards of crowdfunding projects can be emotional, physical or monetary. Different investors value these rewards differently.

Equity, donation and reward crowdfunding projects communicate about their activities and usually give an investor a possibility to communicate with them if needed.

### Donation crowdfunding

In donation-based crowdfunding the gains are not monetary. Positive emotions come from the possibility of supporting an interesting cause emotionally relevant for the backer and from the possibility to contribute to the society or to life of a particular person by creating something positive.

Equity, donation and reward crowdfunding projects communicate about their activities and usually give an investor the possibility to communicate with them if needed.

### Invoice trading

Invoice trading (and loan-portals) appeal to the risk averse as they provide a possibility for the investor to invest money for a short pre-determined period of time with a high probability of repayment.

### 3.0 Managing Your Crowdfunding Campaign

If you are considering launching your own crowdfunding campaign it is not quite as simple as posting your information online and hoping for the best. For a successful campaign there is a lot of Pre-Launch work that needs to be done.

In this section you will learn what to consider before Crowdfunding, how to prepare for your campaign and how to generate the momentum required to give you the best chance of success.

Typically a campaign runs for about 30 days, but the pre-launch effort can, and should, take three to four times that.

At the end of this section you will have a much clearer idea of the steps involved in preparing your campaign

The chapters of this section are;

- 3.1 How Suitable is Your Project?
- 3.2 Legal & Financial Considerations
- 3.3 Protecting your IP
- 3.4 Choosing the Platform
- 3.5 Budget & Funding Goals
- 3.6 Rewards Structure
- 3.7 Developing the Schedule
- 3.8 The Pitch
- 3.9 The Video
- 3.10 Creating a buzz
- 3.11 Maximising Social Media
- 3.12 After Your Campaign Ends

*Each section includes an optional evaluation tool which will help you test your knowledge of the section content.*

### 3.1 How Suitable is Your Project?

- Are you sure you need funding at all?
- If you are, then test your idea with friends and relatives first
- Get them to spread the word and test it on their friends
- Is your product exciting enough?
- How do you intend to create the buzz?
- Are you ready to handle the huge volume of communication?

Understanding how suitable your project is for crowdfunding is an essential part of campaign preparations. Your project is well suited for crowdfunding if you have a clear idea for creating something that people need. A crowdfunding project must excite people and get them emotionally involved with the outcome that you want to achieve. An important thing to remember is that many investors look for interesting and relevant products – it is good to target a particular community. To a large degree, a successful crowdfunding campaign is based on the appearance of success and popularity.

Understanding how suitable your project is for crowdfunding is an essential part of campaign preparations. There may be aspects to your project that actually make it more suitable to another form of financing, e.g. bank loan. Crowdfunding is rarely the sole source of funding needed and often complements other sources of funding. Raising money in this way needs to be considered only as part of an overall business plan. You should review your funding needs with your accountant or financial/business adviser.

Your project is well suited for crowdfunding if you have a clear idea for creating something that people need. How do you know if you do? Why not test your idea with people who are close to you, who wish you well and who have your best interests at heart. Pitch your idea to your friends or relatives and see what they think. If they think there might be something in this, you then need those people to spread the word and ask their friends what they think. Getting some feedback from people who are

strangers to you is also very valuable, and a good indication of the response you might get from the general public.

To take this further, you could pitch your idea to a larger audience or focus group to feel what sort of excitement you can generate. If your idea is good, you will have gained your first fans by the time you're through, and the word will start to spread. When you have done all that, you'll have a pretty clear idea about whether your project would fly or flop in a crowdfunding campaign.

A good crowdfunding project has a vision that excites people and gets them emotionally involved with the outcome that you want to achieve. You need to have a vision that can be defined concisely, and communicated clearly in an engaging manner. You also need to understand and communicate what you need the money for. Campaign communications need to be managed by somebody on a daily basis to create and maintain a buzz and keep your project in the consciousness of potential investors. Would that be you or someone who works for you? Crowdfunding can be risky if it means that your business has to do without your day-to-day input. You need to evaluate the possible disruption to the business and therefore the real costs of the campaign.

It is important for a good crowdfunding campaign to finish relatively soon. Ideal duration starts from a couple of months and few successful campaigns would be longer than half a year. Does that fit with your schedule? If you have a bigger project in mind, you could always trim it a bit, or split it into two.

Crowdfunding suits certain types of products and has a higher success rate within certain sectors. Really, you need something that will deeply appeal to a particular audience. You should establish if your offering is suited to crowdfunding and whether the crowdfunding platform you are considering has a track record of success with similar businesses in your sector.

Obviously, your product needs to be something that people can't just pick up at their local supermarket, and ideally it should be something that is not easily available online. Your product needs to solve a real problem that people have that they don't have an answer for or it has to create enough emotional appeal, so that people would be willing

to contribute to something new or interesting. Think in terms of niches... some of the most successful crowdfunding campaigns have targeted specific sectors. Consumer products tend to be more attractive to the general public than Business to Business (B2B) opportunities.

Considering all of the above, are you sure you want to go the crowdfunding way? If you're sure, and your friends and relatives are sure, and their friends and relatives seem to be sure, then your project is probably very well suited for crowdfunding. If some of the above are not, then you could also contemplate other more traditional forms of funding.

Please keep in mind that any form of funding is only a step in a large stairway. Your aim should be to build an enduring business – not just to raise 'one-off' money.

To a large degree, a successful crowdfunding campaign is based on the appearance of success and popularity. You need to work hard to achieve that, and in the end there are no guarantees of success. If you feel that you need extra funding, and your project is suitable for crowdfunding then, in reality, you need to have identified about one third of the funds beforehand from friends, family and investors before you commit to a public campaign. You might then expect a crowdfunding platform to provide a third, and finally your customer network to provide the rest.

If you decide to try it out, we wish you the best of luck!

### **3.2 Legal & Financial Considerations**

- Get to know the regulations that apply to you
- Regulations can vary from country to country
- Apply for a patent / register your trademark where possible
- Have a financial plan for both campaign failure and extraordinary success
- Plan for taxes and other unexpected costs
- Be honest, keep your promises, and you will be fine

There are financial and legal considerations you need to be aware of before you start your crowdfunding campaign. You need to protect your ideas from being stolen by competitors. Your business practices will also be subject to public scrutiny, especially if you choose the equity crowdfunding route. The best advice anyone could give is to be honest and keep your promises. If you also follow the rules (which vary slightly from country to country) regarding taxes and financial reporting you should be OK. Make sure you understand all the relevant regulations before you begin your campaign.

It's great that you are embarking on a crowdfunding campaign, or at least are considering doing so. Before you make your final decision, however, you should understand the risks that are associated with crowdfunding, so that you can manage them effectively and remain in control of your business, even when things go slightly differently than what you had originally planned.

### Intellectual property (IP)

IP assets are immaterial but they add real value to a business. These include patents, copyrights and trademarks. For instance, a new product that is patentable (or has patentable components), or an art work that is subject to copyright might be presented as a crowdfunding project. Protecting rights to intellectual property is an important consideration when publishing your crowdfunding campaign. Two main types of intellectual property issues have emerged with crowdfunding:

- Disputes about ownership of a patent or copyright,
- Ideas or concepts on crowdfunding pages being stolen by competitors.

Publishing a new product on a crowdfunding site exposes the creator of the product to the possibility that his or her idea could be copied. If you have a patentable product, it might be a good idea to file a provisional patent to give you at least some protection while you begin your crowdfunding campaign.

If you want to use images, music, video, or other copyright protected artwork for your crowdfunding campaign, you must have the copyright or a licence to use this content. If you want to protect content of your own, copyright it before you publish it on a

crowdfunding site. The same is true for trademarks (and service marks). You need to use the appropriate symbols to show that you have applied for a trademark or that you own the copyright.

### Fulfillment of promises

During a crowdfunding campaign, make sure you do as you have promised. This is especially important if you use the donation model. If you promise something and end up not delivering, the consequences can be serious. The costs of the fulfillment of those promises should be accounted for in all your financial calculations. Most crowdfunding sites are essentially go-betweens, and are treated as such by the law. If you fail to deliver on your promises, it is you that will be held accountable.

### Fraudsters can go to prison

Equity crowdfunding involves the sale of securities, and there are laws in every country that govern the sale of securities. If you do something wrong, your company and its managers can be sued. In some cases, they could be imprisoned.

The bottom line is simple: Tell the truth. Under most securities laws, being 100 percent truthful and not making any misrepresentations about your business guarantees relatively safe passage through any turmoil, be it legal or financial.

### What if you do extremely well and exceed all your expectations?

As well as planning for success, and for failure, you should also have a back-up plan for extraordinary success. If you really catch the public's attention you might receive far more in donations or investment than you had ever planned. What then? There are many examples of very successful campaigns that raised so much more cash than they had initially wanted that it was difficult to manage, administratively and production-wise.

### Taxes

One aspect of business whose importance is often overlooked by beginners, are taxes. You need to remember that the income you receive from a crowdfunding



campaign may be considered as income by the tax authorities. If it is taxable you have to abide by the law, ensuring that you file and pay as required. Always include tax issues in your calculations. There are different regulations regarding Value Added Tax in crowdfunding situations in different countries and depending on what kind of campaign you are conducting. It is always worth a consultation with a trusted accountant or tax adviser about the tax code in your jurisdiction.

### Financial Reporting

For companies that have already begun a crowdfunding campaign or that are planning on beginning one, there are unique questions that need to be answered when it comes to financial reporting. As the concept is fairly new, regulations regarding these types of investments continue to evolve around the world. Consult the web pages of your national regulatory agency for more information, and don't be shy to ask advice over the telephone or by engaging a competent professional. It's better to be absolutely clear about all relevant regulations than to make mistakes and be sorry later.

### **3.3 Protecting Your Intellectual Property**

- Intellectual property can be difficult to protect in a crowdfunding campaign
- Innovations can usually be patented, but the process is lengthy and costly
- Motion pictures, sound recordings, pictorial, graphical and literary works can be copyrighted
- Registering your trademark is almost always a good idea
- Regulations vary from country to country
- Consult a lawyer if you are unsure about how to proceed

To get and maintain an edge in business, you need to protect your intellectual property. How can you manage a crowdfunding campaign without giving away too much information that your competitors can use to their advantage? If you have a product (or a component of a product) that can be patented, consider it seriously. If you have a creative work that can be copyrighted, do so immediately. It's usually a good idea to

register your trademark as well! If intellectual property is essential to your business success, as it usually is, it would be wise to consult a lawyer before you begin your crowdfunding campaign.

To get and maintain an edge in business, you need to protect your intellectual property. It's no good creating a superior product or service, only to have your competitors snatch it up and use it for their own good, before you can even properly introduce it to the market. Whether you're using a pre-order platform or one in which you give away actual equity in your company, crowdfunding can be a good way to get publicity and introduce your new product into the market. But how do you do it without giving away too much information about the ins and outs of your product or service? Here are some ideas.

### Know When to Launch

People (entrepreneurs included) sometimes ignore what they are afraid of, instead of doing the productive thing of developing a counter-strategy. Having your intellectual property stolen is pretty scary because it usually means a significant loss of income. Protect your intangible assets early on, before your competitors hear about them. This is especially necessary if you're planning a crowdfunding campaign that requires you to publicly disclose sensitive information about your product. Crowdfunding could potentially be disastrous for businesses who haven't protected their intellectual property.

### Develop an IP Strategy

It is important for startups and early stage companies to take the necessary steps to establish an IP strategy, an action that usually requires a financial investment into protecting the IP. Early stage companies often focus on operations and sales, items that are a necessity in the short term. However, backers looking to make long-term investments, as well as a return on that investment, are looking for security in the future, and without IP protection the investment can become questionable and risky. If you need to raise outside finance, you have to be able to view your own business

from the point of view of an outside investor, and manage the risks that they would probably consider.

## Patent

Patents can be expensive and difficult to get, so you need to make sure you can handle the costs of the process before you begin. Patent regulations also vary from country to country, and you need to be aware of the regulations that apply to you. Consult with a patent lawyer, your national Patent Office, or The European Patent Office (EPO) [www.epo.org](http://www.epo.org).

According to the EPO, 'Patents are valid in individual countries for specified periods. They are generally granted by a national patent office, or a regional one like the EPO. Patents confer the right to prevent third parties from making, using or selling the invention without their owners' consent'. An 'invention' can be patented if it is 'a product, a process or an apparatus'...that is 'new, industrially applicable and involves an inventive step'.

An 'inventive step' means a feature of an invention that involves technical advance as compared to the existing state of the art, which is not obvious to a skilled person in the art.

Patents should not be confused with the other kinds of intellectual property rights available such as utility models (can be registered in some countries, to protect technical innovations which might not qualify for a patent), copyright, trademarks and designs and models which protect a product's visual appearance, i.e. its shape, contours or colour.

Before applying for a patent, it is advisable to carry out a patent search.

## Copyright

You don't have to register your creative work or pay a fee to protect it with copyright. Your work is protected by law the very instant you create it.

It is wise to mark your work with the copyright symbol ©, your name and the year of first publication. Not only will this remind people that the work is protected and they need to contact you if they're using your work in a way that breaches copyright, it will also give them a date from which they know the copyright period begins.

If you want to take this a step further, you can register your work's existence with a solicitor, or an organisation that offers this as a service. This isn't actually proof enough of you having created the work, nor that the work is original, but it can help prove in a court of law that you had the work in your possession on the date in the event of disputes relating to copyright.

You can also submit your work to a relevant registry, so that your work and its associated copyright information can be found by interested parties.

Consult a specialist or the European Copyright Office [www.eucopyright.com](http://www.eucopyright.com) for more detailed information.

### Trademark

A trademark or service mark includes any word, name, symbol, device, or any combination, used or intended to be used to identify and distinguish the goods or services of one seller or provider from those of others, and to indicate the source of the goods or services.

Registering a trademark for a company name is pretty straightforward. In some countries, you can file an application online in no time at all, without needing any assistance from a lawyer. Before completing an online registration form, check the relevant database to make sure another company hasn't already registered an identical or similar mark for the same categories of goods or services you offer. If they have, your application will almost certainly be rejected.

### Consult a Professional

If intellectual property is essential to your business success, as it usually is, it would be wise to consult a lawyer before you begin your crowdfunding campaign. There might be aspects to intellectual property laws in your country that's really unintelligible

to the layman (on his own), but that you need to understand before you proceed. As always in business, it's best to look before you leap.

### Choose Your Platform Carefully

Usually, with bigger crowdfunding platforms, you have to use that platform's standard format for campaigns. With private crowdfunding sites, you have more choice about which information you share. This is an important consideration when choosing where to launch your campaign. The choice of crowdfunding platforms is already vast and the number of platforms will probably grow in the future. Of course in addition to intellectual property considerations there will be many other factors, which will influence your choice of crowdfunding platform to use.

### **3.4 Choosing a Platform**

- First determine what type of Crowdfunding you will use
- What platforms are most popular in your Country?
- Are there platforms specifically focused on your Business Sector
- Study other projects
- Consider platform costs, restrictions and rules

Choosing the right crowdfunding platform can be an overwhelming process. The platform won't necessarily make or break your project, but is it a good idea to leave it to chance? All crowdfunding platforms are built to help you leverage your social networks to reach as many people and raise as much money as possible, but the similarities may end there. Look for the platform that best suits your needs and gives you as much flexibility as possible.

With new crowdfunding websites popping up every day, you'll want to research the following:

1. How long the crowdfunding website has been in operation
2. How many fundraising campaigns they've published

3. What levels of success they have achieved
4. Terms, conditions and fee structure
5. What level of support they offer
6. How many complaints they have encountered

It's also good to keep in mind that certain sites retain the rights to approve or deny your project, depending on its theme and contents. If your project doesn't fit in with the theme of a site, it runs the risk of being rejected due to a lack of certain criteria.

The first thing you need to do is determine your project parameters:

Take some time to think about the type of project you're raising funds for and what are your project goals.

- The stage your business is at
- The resources and expertise you have available
- The extent of your social network
- How much finance you require
- How much you are willing to pay for it
- What is your long term strategy

### Business Stage

Choose a platform with a crowdfunding model that complements your project. Often the model you choose (Reward, Loan, Equity, Invoicing etc.) will depend on the stage your business is at. The 5 stages of the 'Crowdfunding Escalator Concept' as put forward by [crowfundinsider.com](http://crowfundinsider.com) provides a useful guide;

- Stage 1 – Idea

A Donation campaign can be a good option at this stage to better administer the friend and family support and create awareness before a second campaign if warranted

- Stage 2 – Revenue

A business can consider a Rewards campaign to supplement cash flow, generate awareness (and sales) of a new innovative product, and to help fund early growth. The marketing benefits are as valuable as the funds.

- Stage 3 – Validation

A business could consider Lending if they meet the criteria and have a good credit rating. The benefits can include paying lower rates than banks while creating community advocates from local investors. Plus, equity can be very expensive at this stage given that valuations are not maximised.

- Stage 4 – Expansion

Established business looking to expansion can be a good time to consider Equity as the valuations will be much more favourable. Accredited investors have proof of your ability to run your business and may be quite interested in participating in the benefits of your growth. Debt crowdfunding or traditional bank lending or Angel investment may also be options to consider given your maturation to fundable status in their eyes.

- Stage 5 – Maturity

Typically 5+ years in operation. Your goals will drive your model decisions from here. Some firms still turn to Equity crowdfunding at this stage preferring to avoid the control issues and forced exits common in the venture capital arena.

### Business Sector

While these are not hard and fast rules some general guidelines can be considered.

- Rewards have proven very successful for the Arts, Charities and gadgets or new technology ventures
- Equity has worked for hot start-ups that would have attracted angel investors with old-fashioned pitches before the advent of crowdfunding or firms at the Expansion or Maturity phases described earlier
- Lending is a newer option that seems very well suited to Main Street businesses that have hit the expansion phase after 2+ years and want to create supporters while they borrow.

### Platform track record

You can reduce your risk by researching other track records of success and asking questions like those below:

- How much money has been raised by projects similar to yours?

- How many projects have raised funds?
- Do they claim to serve your niche? Can you find proof?
- Do they have evident financial backing?
- Does the executive team have any background in crowdfunding or venture capital?
- Does the platform support my marketing plans for my campaign? e.g. social media integration etc.

### Money Matters

There are many different fee structures that crowdfunding sites use. Some charge a flat platform fee, some take a percentage of donations, and some charge a fee per transaction. Credit card processing fees are usually charged, as well. Research the fees involved with the crowdfunding platform and read their terms and conditions.

Be aware that some sites will charge you a higher fee for not reaching your goal, or worse, don't let you keep the money you raise unless you meet your goal.

You'll also want to find out if you need to wait until the end of the campaign to claim your funds or if you are able to cash out along the way. This is important to know if you'll be running a long campaign or if you'll have expenses throughout.

### Customer Support and Ease of Use

Consider the amount of assistance needed for your project creation. Do you want someone walking you through the entire process, or are you more of an autonomous worker, preferring a simple tutorial and complete control?

You may need assistance setting up your site and marketing it. Look for online tutorials and guidance. As you are getting started you could also try contacting the customer service team to be sure the site is responsive, timely, and open to giving you the support you need!

### Unique Tools



Find the platform that will work the hardest for you: one that saves you time and money, is streamlined, looks pretty, simply stated, and works well.

You may want the ability to post offline donations to make the thermometer rise even if the money comes in via cash or cheque. Giving begets giving, so you want every donation to count.

Another helpful tool is receipt customisation, which lets you include tax-deduction information to save you time and money on follow-up mailings.

Customising your site will bring your story to life and make it more memorable and meaningful for prospective donors. Look for a platform that gives you the ability to brand your campaign and has multimedia functionality.

### Restrictions

Consider platform rules about deadlines (some sites limit campaign duration), project approval requirements, or restricted access to information about your donors.

Crowdfunding can do much more for you than just raising money: It can help you grow your email list, increase engagement and build a comprehensive 'fan' database so these features are important.

## **3.5 Budget and Funding Goals**

- Research similar campaigns for ideas
- Prepare a detailed project budget
- Set realistic funding goals
- Check platform rules and fees specific to your project
- Make sure to budget for all associated costs, fees and taxes
- Plan for potential demands of oversubscription

One of the most important aspects of running a successful crowdfunding campaign is setting the right funding goal. While it is important to set a funding goal that reflects your project's financial needs accurately in order to ensure you gain the confidence of potential donors, it is also important to consider any expenses you may incur during the crowdfunding process and account for them when setting a funding goal.

For the funding to meet its funding goal it is important to correctly calculate the amount to be requested. One of the first things to do when setting your crowdfunding goal is to research similar campaigns to the one you are launching. You can benefit from their successes and shortcomings, and it will also help you structure your reward system to optimise your ultimate goal total.

It is important to distinguish a crowdfunding budget from a project funding goal.

A budget concerns strictly the operational costs (fees and taxes included), whereas the funding goal is the (minimum) monetary amount that you need to raise to make a 'successful' campaign.

One of the most common crowdfunding mistakes is not allocating enough money for marketing. In fact, project marketing may even require additional hands-on expertise. Yet there are a myriad of other costs to acknowledge. Professional videos, for instance, demand storyboarding, scriptwriting, staging, shooting and editing, many things that may be outside your scope of expertise. Campaigns may require designers for landing page mock ups, infographics, photos and more. Mentors, accountants and lawyers too are costly consultants. As one can see, budgeting a crowdfunding campaign is much more complicated than factoring in perks and portal fees. This is why it's paramount to define the market approach before setting a goal.

For example, if your project's funding goal is €20,000, perhaps the crowdfunding budget accounts for €4,000 of that total. This is where personal investment comes into play: In order to adequately survey a market and promote an opportunity, crowd funders require an initial financial commitment. This typically ranges from 5% to 25% and depends on the type of project and the range of expenses likely to occur.

According to [www.entrepreneur.com](http://www.entrepreneur.com), many 'successful' crowdfunding projects ultimately fail because owners discover that the funding they sought wasn't enough to cover their expenses. These entrepreneurs may have reached, and even surpassed their funding goal, but they didn't anticipate the high costs of creating or shipping their rewards (crowdfunding budget).

You need to take into account the total costs associated with a crowdfunding project and these costs include (but are not limited to) the following;

- Costs strictly associated with the project (day to day business costs)
- Actual, fixed cost of executing your project (whether producing a product, building a website, or renting a store front).
- Cost of using the platform including commission and payment processing fees
- Costs of creating your rewards.
- Reward fulfillment costs, including shipping costs, padded envelopes, boxes, bubble wrap and tape. (Be sure to include an additional shipping fee in your pledge levels for international backers)
- Potential tax implications
- Cost of making a pitch video(s), website etc.
- Advertising costs, such as pay-per-click or press release distribution.
- Consider building in the costs of hiring a campaign consultant, a PR company or creatives such as designers and a video producer to help make the strongest presentation possible
- Legal and professional fees
- It is also important to consider the possibility of over-subscription. Particular in reward campaigns. If you exceed your funding goals significantly what effect will this have on the overall project budget?
- Contingencies

Finally, when deciding how high to set your crowdfunding goals you may consider the following:

- If possible, try an initial campaign where you just raise money for idea development. Raise money for market research, legal filings and development of

a prototype. This will give you a much lower target at which to aim and will be easier to fund. You'll also have a successful campaign to show potential supporters in follow-up campaigns and you will learn about what it takes to run a successful crowdfunding project

- Let your pre-launch success help determine your crowdfunding goals. Campaigns that raise no money before their launch have a low average success rate. For campaigns that raise even as little as 5% of their goal, the success rate jumps very significantly. Raising funds pre-launch helps to show social proof that people already trust you and the campaign. Try raising money for a month before the campaign.

### 3.6 Reward Structure

- Relevant if you are running a Rewards Based Campaign
- Logical organisation and realistic structure of rewards are key
- Plan for between 9 and 15 reward levels for optimal impact
- Think about how rewards can promote your business
- Avoid campaign slump by revealing special rewards throughout the campaign
- Research successful campaigns for ideas

To meet the funding goal in reward based crowdfunding it's essential to setup a smart reward strategy. Keep a clear, simple and straightforward explanation of all rewards and associated pledge amounts. Offering interesting and unique incentives can encourage a crowd into contribution. Think strategically when defining pledge amounts, rewards being offered and be sure to include all associated costs in your budget.

In reward based crowdfunding, the logical organisation and realistic structure of rewards are key elements of a successful campaign. In order not to confuse backers about what they get in return for their contribution the clear, simple and straightforward

explanation of all rewards is needed. This includes the definition and pledge price of each option.

Categories of offered rewards are usually determined by the project type. As well as the product itself, other rewards offered can include early or exclusive access to and even an enhanced version of the product, giving a chance to contributors to be a part of the project, souvenirs and memorabilia (photos, audio & video records, booklets etc.) special and private events or experiences, special credits and mentions.

Offering interesting and unique incentives can motivate a crowd to contribute to the campaign. Rewards which are not available anywhere else can raise the number of backers who are interested, to pledge for unique, exclusive, eye-catching or creative rewards which they can't buy anywhere else.

When developing the rewards structure it is also important to think about how rewards can also serve as an instrument for promoting your product/service and building your brand recognition, as well as building the community from backers. If well thought out rewards can serve as a good tool for building the community from backers or promoting products.

#### Optimal reward's quantity

The optimal number of rewards is generally considered to be about 12. It is recommended to plan the total number of rewards between 9 and 15, to offer a sufficient range of interesting rewards, and a well-crafted escalation of pledge values.

While pricing each reward tier, consider both very low priced levels (around €5) and really highly priced incentives (€'000's) at the top level of the reward structure.

Avoid large gaps between each of the pledge. Keep in mind the simple rule: backers can't contribute to anything which is not on the reward's list. This helps to motivate contributors of different income groups as well as raise the passion for the project among more people.

Rewards of lower tiers (€5 - €50) are minor items and typically include simple 'thank you', T-shirt, CD, DVD, e-book, post card, etc. Rewards from the top of the list are generally items of one-of-a-kind and much more appealing to the wealthy funder.

To set up a cumulative reward structure is also an option. It means that each higher level offers all rewards from lower tiers plus an additional bonus. This can motivate potential contributors to pledge for a higher level than they would otherwise consider.

It can also be useful to plan some rewards which will be revealed later throughout the campaign. You may also consider inviting suggestions for rewards desired by potential backers. This kind of strategy supports the potential buzz during the campaign and can re-engage funders or be a source of new contributors and fans of the project. Campaigns tend to experience a slump during the funding period so this strategy can also help maintain momentum during these slump periods.

For inspiration or more details about the reward structure check other successful campaigns for ideas.

### **3.7 Developing a Schedule**

- The project schedule is a crucial component of your strategic plan
- Create a team and divide the tasks according to the strategic plan
- Think about the right timing for the start and progress of all project phases
- Phases include planning, pre-campaign, during the campaign and post campaign
- Optimal duration of the funding phase is 30-40 days
- Usually, once campaign duration is set, it cannot be changed

Designing the right schedule can be very helpful throughout all campaign stages and as with all projects, proper planning is essential for success. Designing the schedule is not just a case of deciding how long you will run your funding campaign, but is very important in deciding when, and defining a comprehensive schedule for other project phases including planning – pre-campaign, during the campaign, post campaign and

reward fulfilment. Within the schedule it is important to develop a timeline for all stages and define all actions.

While developing a timeline for your campaign it is important to design a strategic plan. When developing the plan consider key aspects: be particular about when the project will be released, define the duration of the campaign, set up the goal and objectives, plan the budget, define strategic milestones, define how and when the promises will be distributed, set up a communication strategy, define project team members' responsibilities

Consider the calendar before deciding the launch date of the crowdfunding campaign. Check if there are big holidays, seasonal events or national days coming up. If your campaign is targeting other countries consider events in those countries. There may be seasonal impacts on your campaign (positive and negative).

Also, when deciding about the launch date reflect long-term holidays, day-to-day activities as well as other occupations of people in your team that are working on the campaign. Avoid down days which have a negative impact on the crowdfunding campaign success.

Another significant aspect to be considered is the length of the campaign. Planning the campaign as long as possible could give an impression of being able to get more money, however, in practice the opposite is true. Throughout long-term campaigns it is very difficult to maintain the engagement and enthusiasm of project fans. It is also difficult to maintain the drive and focus of your team on project goals. In fact, long duration of campaigns eliminates the urgency of supporting the project, boosts fans procrastination, and makes it hard to keep up momentum. The optimal duration of the campaign is between 30 and 40 days. This allows full concentration of the project team on campaign goals, building the sense of urgency amongst project fans and potential contributors, keeping the crowd engaged.

Some platforms also allow you to set the campaign length according to your own schedule while others may have maximum and minimum length of the campaign.

Usually, once you have set the duration of the campaign there is no chance to change it.

Successful crowdfunding campaigns can be accomplished when a precise and efficient schedule is designed and it is followed by all project team members. The schedule also gives the people behind the project an overview about their specific responsibility during the various project phases.

### 3.8 The Pitch

- Create the right first impression
- Communicate your message clearly, and concisely
- Focus on your project benefits rather on specific features
- Understand the platform rules
- Ask for support
- Create a call to Action

Raising money from complete strangers requires tact. You need to give them undisputed reasons why they should support your project. To do this you must learn how to make a great pitch that will not only appeal to their emotions, but one that will convince them that your project is worth investing in. The pitch is what gives your audience their first impression of you. Your crowdfunding campaign pitch is your first point of contact with potential funders. For your pitch to be effective it is crucial to plan and include all the elements that make a compelling pitch.

These are the main elements that you need to communicate via your pitch:

1. The people
2. The project
3. The campaign goals
4. How to get involved



A pitch should cover the following:

### Who you are

First introduce yourself. Give a small profile of who you are and what you do. Make it conversational, just like you are physically meeting these people reading your pitch.

Introduce the team...Who are they? What is their role? What are their qualifications?

### Introduce your project

This is the part where you give a captivating story of why the project is important to you and the inspiration behind it. You must appeal to your audience's emotions. Keep it short, make your writing enjoyable. Use anecdotes and humour sparingly. Keep it serious but make sure it is not boring.

Briefly tell your audience the kind of impact your project will have on the world or on the community around you and show them why they want to be a part of your initiative. What problem does it solve?

You may also want to outline the potential market for your product or service. Particularly for an equity or loan campaign, investors will want to know who your target market is... how big is it? What are the key trends? What other factors need to be considered?

Finish with a powerful summary paragraph, think of it as a closing argument and include a call to action for them to proceed to watch your video for more details, to fund your project and to share it via their own networks.

### The campaign goals

Be specific and include your funding goal, and even a breakdown of where the money goes.

When your project will take place: Set a deadline, this creates a sense of urgency. Show your passion, explain the impact of your campaign or tell us about the people who will benefit from it.

Include details about where your project will take place and also give the reasons why you chose to crowdfund..

### How people can get involved

State how the person reading can become involved in making the project a success.

Beyond just donating money, what else can people do to help you? Outline any perks you have created.

Share the social media platforms you are using and explain the value of sharing the campaign with others.

### General tips and things to consider

- Try and be positive at all times and focus on the benefits of your product rather than just the features
- Develop an engaging story. Personality, voice and storyline count
- Be concise: Every word you use needs to have a specific purpose. If it doesn't, cut it out. Your proposition should be only three or four sentences
- Communicate clearly in everyday language. For people to invest in you, they need to understand what you're asking them to buy into
- Use real-world language, not the latest trendy buzzwords. You are pitching to the crowd, not to the industry
- It is important to write your pitch in the first person rather than the third person
- Be specific: Being positive and backing up what you say with verifiable facts is a good thing, but making unproven claims and using overly flowery language that only lovers of jargon will understand should be avoided at all costs. People respond best to clear communication
- Be clear how much funding you'll need to raise and how it will be used to bring your project to fruition
- Create your social networking platform well before you post. Most crowdfunding will come from fans and followers on social media, as well as from friends and family

- Understand the funding platform rules, including whether it's an all-or-nothing model, what your timeframe will be, whether there's a penalty for missing your goal, and what percentage of your funds are paid to the platform. Read all the fine print
- Check your spelling and grammar thoroughly
- Include a call to action for your audience to fund and share your campaign.

### 3.9 The Video

- Projects that have a video(s) perform best
- Keep the video short – three minutes is plenty
- Be clear, passionate, professional and memorable
- Avoid long boring monologues
- Rehearse until you are comfortable and confident
- Don't be afraid to use multiple videos

According to all available data, projects with videos have a much higher success rate than projects that don't. Your video is the most compelling tool you have for presenting why your campaign deserves to succeed. It's very important to get it right. People judge others and their ideas quickly. Given the video is often the first thing people look at, getting it right is critical. If you get it wrong you may lose potential investors before you've really started. Keep the video or animation short – three minutes is plenty. After this, people are likely to switch off.

Your video is the most compelling tool you have for present why your campaign deserves to succeed. You have a small window of opportunity to stand out. You can do this by telling your story in a clear, memorable, passionate and professional way.

It's critical that your core idea is communicated effectively. It may help if you follow the AIDA principle when preparing your video and all other pitch materials.

- A** Attention: Attract the attention of the investor
- I** Interest: Raise interest by focusing on and demonstrating advantages and benefits
- D** Desire: Convince customers that they want and desire to invest in you and your idea
- A** Action: Lead customers towards taking action and investing

You should consider the following point when preparing your video or pitch animation:

#### Introduce yourself and your team

- Tell us who you are and what you are trying to do? What are your qualifications?
- Try and build a connection with the viewer, show your passion, professionalism and personality
- Include shots of yourself and your team speaking to the camera. Let people see your face and hear you explain your project in your own words. The face of the entrepreneur is one of the most important parts of the video. Some entrepreneurs try and hide behind a product demonstration or an animation. But if potential investors see your face they are more likely to invest in you.

#### Introduce your Project

- Tell us the story behind your project. Where did you get the idea? What stage is it at now?
- Sell your project on impacts, advantages and benefits. Focus on the problem it solves and the value it adds rather than the technical aspects
- Showcase your progress and experience. What have you already done to work towards your objective?

#### Campaign specifics

- Tell us why you are crowdfunding?

- Come out and ask for people's support, explaining why you need a specific amount of money and what you'll do with it
- Talk about how awesome your rewards or perks are
- Explain that if you don't reach your goal, you'll get nothing, and everyone will be disappointed.

### Other considerations

- The first frame of your video often acts as your thumbnail / preview – think about what people will see
- Make sure you are dressed appropriately considering your target end user
- Speak directly to contributors
- Check what's in the background – something may seem small to you, but investors may view it as ignoring the details
- Check your spelling thoroughly - don't kill a great idea with a random apostrophe in the first frame
- Honour short attention spans. Your video should be no more than 2-3 minutes long. Avoid long, boring shots of just talking to the camera.
- The best crowdfunding videos are filmed in a setting that brings the viewer into the place where your work gets done. Give the viewer a taste of your day-to-day work life because that's what they're investing in
- Pitch in the first person rather than the third person
- Script or no script? The best technique is just to write bullet points and ad-lib the rest because it sounds more natural. It can be hard to memorise a script and still sound natural. So practice until you are comfortable and can deliver a confident, comfortable pitch. Nervous pitches don't sell.
- Try and film short, direct and punchy segments rather than long rambling narratives. That way it's easier to edit the footage together.
- Don't make statements of fact, predictions about the future or mention financial information in your film unless they can be supported by evidence.
- Don't include the financial terms of the deal in your video because it might be shared or embedded anywhere and wouldn't have the disclaimers and context that it does when it's on the main website's page.

- The clarity of the presenter's voice is also extremely important. Make sure that you use a good quality microphone, film in a quiet place and that any background music (added afterwards) is kept fairly quiet. The quality of the sound is as important as the quality of the images.

### Multiple video

Much of the effort of marketing for your campaign happens off the platform that it's listed on. You should be promoting your campaign through as many channels as you can and video is a great way of doing this. You can post your outtakes, behind the scenes videos and all sorts of video content directly on YouTube and other Social Media. Don't be afraid to use more than one video on your campaign page. The most important video should be your general trailer, but other video could focus on your early preparation, your product, your team or some aspect of your campaign or company philosophy that people want to know more about.

### **3.10 Creating a Buzz**

- Identify your target audience early
- Define your marketing / PR strategy
- Establish a landing page and social media accounts
- Allow for time and effort to build momentum before campaign launch
- Engage with and utilise bloggers and influencers
- Drip-feed info and engaging content to maintain the buzz

Creating a buzz and getting people to know about your crowdfunding campaign is no easy task, but generally it can be boiled down to these 3 simple steps: 'Early preparation', 'Managing your campaign' and providing 'Behind the scenes access' to engage fans.

Your first step is to figure out your target audience at least a month before your campaign is scheduled to go live. This focusses your campaign and gives you a vastly

expanded reach. Campaign owners often try to target everyone around them (friends, family, co-workers, etc.), and waste valuable resources trying to engage the wrong people, because they don't take the time to identify their target audience.

In order to determine the target audience for your campaign stop and think about WHO your product or your service will appeal to most. Then focus in on key demographics of this audience by considering the age range, gender, income, and education level (as applicable) of the pool of potential crowd funders who could or would back your project.

### Early Preparation

It all starts with the product itself. How does it disrupt the status quo? Your new product should be destructive and creative. It should eliminate an older way of doing something and offer a new, innovative means of achieving the same goal. If you begin from that framework, you can start your preliminary advertising about the product by honestly saying that it will change the way people live and/or do business. That's sure to generate some publicity and put your company in the spotlight. Make notes on the core features that are 100% unique. That will be important later.

You don't want to brag about the product's features. You want to share how it will make life easier for people who use it. Think about the last time you saw one of those 'But wait! There's more!' TV commercials, advertising some clever new gadget. Those commercials offer a great formula to follow for building buzz about a product before its launch. Companies like Apple are the undisputed pre-launch product buzz kings. You may not be as big as Apple, but you can still build online suspense and anticipation. The trick is to keep an element of mystery while hinting at great things soon to come. Tweet tantalising clues. Put up a great big 'Coming Soon' message on your website and Facebook page. Share sneak previews without giving away too much. Post teaser videos on YouTube. The possibilities are endless. If you do this effectively, you're much more likely to make a big splash when you do actually launch.

Another great way of spreading the word is to get bloggers to talk about your upcoming product. If you pick the right bloggers, you'll amplify the buzz by tapping into their audience. Again, don't tell them everything, keep the suspense going, but give them exclusive tidbits that they can pass on to their readers, thereby ensuring that you are continually 'in the news'. If you give each blogger the same 'exclusive' scoop, they are just going to get annoyed and lose interest, so try to come up with half a dozen unique angles and send a different one to each blogger. Almost all popular bloggers know how to use social media to promote their posts. As a result, word about your product will find its way on popular social media sites.

And do not forget to ask these same people to come to your events!

### Managing your campaign

Are you planning on launching your product with a bang or with a whimper? If you're just thinking to just make the product 'available for purchase' on a certain date then you're not building excitement. Why should people believe that your product is a big deal if you don't even believe it's a big deal?

Most people think about crowdfunding as a way of raising money. It is, but it's much more than that. A crowdfunding campaign is a great way of building an army of enthusiastic supporters. When people put their own money into a crowdfunding campaign, they've already bought into your product concept. They'll go out of their way to tell friends, family and colleagues about what you're doing. In many ways, it's like having a free sales force. When you do that, you'll find that eager customers will want to be among the first people to get your product.

Most of your campaigning will undoubtedly be via social media so make sure you choose the right tools from those that are available (e.g. twitter, Facebook, LinkedIn, Pinterest etc.). Create a landing page that will direct potential supporters to take no more than three actions: Share on Facebook, tweet and watch the campaign video. With three simple clicks, people on your landing page should be able to share your campaign among their own social networks (and invest once your campaign goes live). Always have a way for people to submit their email on your website or Facebook page.



Start compiling your mailing list sooner rather than later so that you can maintain contact with your potential funders.

If you want to generate some free PR about your upcoming product launch, advertise that it will offer a radical change to the way people live or do business and then keep them guessing.

Run ads that drop clues about how your product will benefit people. Be sure not to disclose complete spoilers, though. Give them just enough information to want more.

Another great way of maintaining buzz is to give funders (or prospective funders) exclusive pre-launch access to your product. This works particularly well if you are launching an information product or service or can provide limited access to a beta site.

### Behind the scenes

To get people really engaged in your product's story, give them a behind-the-scenes view of your creative process as it progresses. Don't give away too much. What you need is a set of teasers that make potential customers eager to know more. Don't just focus on the product itself. If you pay attention to the human angle then you'll create a real relationship with your audience. For example, produce video interviews with staff, where they talk about how they feel about the product and why they're excited about its launch.

To create buzz about your product before it launches, define and implement your tactics so that you can have people talking about your product and excited for its release date. Recent research of 100,000 campaigns by Indiegogo tells us that '42% of funds are raised in the first 3 days and last 3 days' of a campaign, so don't underestimate how important it is to be prepared to start strong.

### Maintaining Momentum

Sustainable success of the crowdfunding campaign relies on the right and effective strategy of maintaining momentum throughout the whole campaign duration. Usually the mid-campaign is followed by decreasing amount of contributions and interest into

the project. To maintain the momentum include tactics in your strategic plan to try to spread the word actively; share photos and videos about the project's progress regularly; reveal new perks when the project reaches a particular percentage of the goal; build excitement; create a story about the project.

The need of boosting contributions is essential during all crowdfunding campaign stages and requires focus and effort on your part. Running a crowdfunding campaign is a permanent job. It requires the full attention of people behind the project at all campaign stages. It is important to support the project every single day by various actions in order to maintain the momentum.

For effective achievements of actions, especially during the mid-campaign period there are several simple activities recommended to be followed.

- To maintain the momentum try to spread the word actively... share photos and videos about the project's progress regularly; reveal new perks at strategic intervals, reveal limited-time rewards, create a story about the project progress.
- During the mid-campaign lull insist on asking the crowd for support, don't avoid bringing in big contributors, try to run a special campaign or competition, post news and updates when reaching the milestones.
- Designing a Q&A section on the campaign page will make it more attractive to contributors. Keep in mind the offline actions too. Try to make the best out of special days to keep the momentum.

### **3.11 Maximising Social Media**

- Pick the right platforms
- Create an explainer video(s)
- Promote pins on Pinterest
- Use Facebook ads
- Implement LinkedIn sponsored updates
- Advertise on Twitter

Social Media is and has to become an integral part of your crowdfunding campaign. Since you're asking for money from people, you need a direct way of communicating with them. Social media excels at this task. In fact, to be successful in some types of crowdfunding (e.g. rewards, donation) effective use of social media is critical. Promoting your campaign is not the job of the platform... it is your job.

Gaining financial support through social media is not an easy task. Successful crowdfunding through social media requires planning, dedication and determination.

No matter how amazing your product or service or idea is, no one is sitting around flipping through platforms looking for your project. Crowdfunding platforms create a hub for campaigns, but it's not their job to drive traffic to your hub. That's your job! Even a firmly established and trusted brand has to work to hook their crowd for a new crowdfunding campaign.

How can you do that you ask? Well here is a quick-start guide for maximising your social media for your crowdfunding campaign:

### Pick the Right Platforms

You don't have to be on all of the social media platforms that exist. That would be exhausting and drain valuable resources. Instead, pick the right platforms for you according to your industry, your audience demographic, your geographical target and what you can reasonably manage with the resources at your disposal.

e.g. If you are a filmmaker, you're likely to be posting videos and commenting on the videos of others on YouTube and/or Vimeo. If you have a fashion-themed project, make sure you're on Instagram. If your project is attractive to foodies, find people who love pictures of food on Pinterest.

### Create an Explainer Video(s)

It's difficult to overstate the importance of video marketing. Statistics show that video increases engagement. Sit down with your marketing team and craft a well-produced video or multiple videos that creates a sense of anticipation about your upcoming

product launch. Distribute that video to the usual quarters (YouTube and Vimeo at a minimum) and be sure to share it on all your social media channels.

You can also run the video as a YouTube promoted ad. Target people in the YouTube community based on interests and demographics so that they see your video even if they don't subscribe to your channel.

Finally, keep in mind that YouTube is also a search engine. Be sure to optimise your video for keywords relevant to your product.

### Promote pins on Pinterest

Use the image-driven social media website Pinterest to prove that a picture is indeed worth a thousand words. Create a clever image that reflects your product, include a brief ad copy, and pin it to Pinterest. Consider teasing people on Pinterest with the revolutionary way your product will solve a problem, but not telling them how, then, promote it. Pinterest allows you to promote your pins so that they appear to users who don't follow your brand or any of its boards.

Schedule at least a few promoted pins to roll out in the weeks and months leading up the launch. If your images look great, you'll have people on the social media site liking and re-pinning your pins.

### Use Facebook

Start by using Facebook native ads. Those are the ads that appear in a user's newsfeed as though they're content posted by friends with your sponsored message (something catchy about your product). Your ad should include a link to some outstanding, teasing content about your upcoming launch. The content should have a compelling headline.

Also, run a 'Like' campaign for the Facebook page associated with your product. Once again, you can get creative with the text you use. One of the best approaches is to ask people to click 'Like' if your product solves their problem.

Make sure that you target the right types of people with both of your ads. Fortunately, Facebook allows you to craft an ad campaign to users based on demographics and interests.

### Implement LinkedIn sponsored updates

A great way to build buzz about your product, especially if you're in the B2B (Business to Business) space, is to use LinkedIn Sponsored Updates. Here's how it works: you use your company page to create some amazing content, then promote that content so people in your target market see it even if they're not connected to you.

### Advertise on Twitter

Another social media channel that offers you a veritable ocean of prospects is Twitter. You can tweet a brief text message in 140 characters or less, an image, or even a video.

Then, you can promote the tweet so that even people who don't follow you will see the tweet. You'll be charged based on engagement.

Fortunately, Twitter Ads allow you to target your tweet to people based on interests and demographics, so be sure to promote the tweet to people who are in your target market.

### Use a social media dashboard

Wouldn't it be great if instead of spending an hour each day on social media marketing your crowdfunding campaign you could automate the entire process? Well it's now possible by using a social media dashboard! [Hootsuite](#), [Buffer](#), [Tweetdeck](#) and [Tweepi](#) are all websites that you can use in order to save time and money from managing your social accounts!

These websites give you the ability to manage all your social networks and schedule messages for future publishing, and they give you a wide scope of your social media activity.

Also, what's your audience saying about your brand? By using those tools, you can find out who they are and engage them!

### 3.12 After Your Campaign Ends

- Withdrawing funds is usually a straight-forward process
- Keep records for Regulatory and Audit purposes and also for Marketing
- The campaign data can be as valuable as the money you raise
- Communication is critical during the fulfilment process
- Keep Your Backers in the Loop
- After achieving funding goals, work is not over, you need to build on your success

Having hit your funding target, thanks to a successful crowdfunding campaign built on lots of good preparation, a compelling video, a strong promotion and a savvy campaign page you now have to begin the real work of making everything happen. Once the buzz of your successful campaign fades, you'll quickly realise you are accountable to hundreds, if not thousands of contributors. It's what you do AFTER you have hit your funding target that really determines the future of your product or service.

#### How to get the Money

Withdrawing funds from the platform is usually a very simple and straight-forward process. With loan, equity and invoice trading platforms the legalities of the process are usually facilitated by the platform. For other forms of crowdfunding, depending on the platform, withdrawal can either occur once the campaign duration is reached and has hit its funding goal (all or nothing arrangement) or else as soon as financial contributions are made.

Most campaign platforms provide the interface to transfer funds to any other payment system such as PayPal, WePay etc. or even an electronic bank transfer to your

business account. Transferring and withdrawing funds is a straight forward process and usually takes from 7 to 14 days depending on the platform you use. A standard verification process is normally applied before withdrawing of funds can take place.

Most crowdfunding platforms also provide very intuitive dashboards that provide detailed information about each withdrawal. The online dashboard displays the progress of the campaign and withdrawing money will not affect the displayed campaign totals.

### Keeping Records

Most campaign platforms offer integrated back-end management tools that allow the campaign owner to store data related to the campaign. This data is normally accessible through a series of menus and presented in different formats, with different levels of detail. Accurate and up-to-date data is critical for the proper running of a crowdfunding project.

Part of the crowdfunding campaign entails keeping record about the donors, their donation, the period and frequency. Most of the data is captured automatically at donor stage and stored in the respective campaign platform.

Campaign platforms offer integrated analytics related to CRM (Customer Relationship Management) data, traffic and usage patterns, donation levels and social media traffic. Campaign platforms offer user friendly and graphical dashboards that present the different data subjects in a single interface in real-time. Analytics allow the campaign owner to drill into specific data such as audience information, locations, conversions, referrals, etc.

Do not underestimate the value of the data and feedback that you can glean from a crowdfunding campaign. Regardless of the success or failure of the funding campaign, the feedback you receive can provide you with great insight into how the market has perceived your product or service offering.

### Reward Fulfilment

When a reward based campaign is successfully funded, the owner of the campaign is responsible for completing the project and fulfilling each reward. Their fundamental obligation to donors is to finish all the work that was promised. As part of the 'Stay Connected' process, it is very important that the owners of the campaign regularly update the donors about the progress of the project and the status of the fulfilment programme.

The Reward fulfilment process is a very important task within the campaign and must be included in the project budget and schedule.

The following 3 steps give an indication on how the reward fulfilment is normally conducted in the process of the campaign:

- 1) The reward fulfilment should be included in the project plan, establishing a detailed and accurate budget and timescale. The plan should also include contingency planning and a risk assessment.  
Unfortunately, the cost of reward fulfilment is something that is often underestimated and in some cases, projects have failed because the campaign owner was not able to capture all the components of the reward at the very early stages of the project. On the other side, if the correct budget and planning has been factored in, reward fulfilment becomes very straight forward and can be very valuable in attracting early adopters and provide positive feedback on the product and your company.
- 2) Failing to fulfil rewards on time could tarnish the reputation of both the project and the company (or individual). Communication is critical during the fulfilment process to ensure that funders don't panic and misunderstand any blips or delays. On average Crowdfunding projects miss their delivery date for perks, product or service launch by about 90 days so for the experienced Crowdfunding investor this is 'normal', but without a steady flow of information your financial backers can and will become anxious, which not only will cause you to have to spend valuable management time on explaining the 'whys' and 'whens' but will also begin to alienate those whom have already pledged support to you from doing so in possible future funding rounds.
- 3) If you need help, some of the effort can be outsourced to companies that can coordinate the crowdfunding fulfilment programme, taking into account different



products for different donor levels and segmenting the inventory and outbound shipments based on specific target dates and concurrent donation periods.

If you are absolutely unable to complete the project and fulfil rewards, you must make every reasonable effort to find another way of bringing the project to a satisfying conclusion for your donors.

In most of the cases, the crowdfunding platform will not bear any responsibility neither on the completion of the project nor on the reward fulfilment. Furthermore, the crowdfunding platform, does not oversee the project's performance, and does not mediate disputes between users. These provisions are normally indicated in the 'Terms and Conditions' of the crowdfunding website.

#### Stay focused on the Product or Service you have developed

During your funding campaign it is likely that you will have had to answer many questions and queries about what you are trying to develop and the route you are taking. In many cases this will challenge the assumptions you have made causing new ideas to ferment in your mind and causing you to worry that some of your delivery strategy may need changing.

This is dangerous because time is limited in terms of moving from concept to delivery. Ensure that you document all the feedback that you have received but at the same time be honest with yourself about how much time and effort would be necessary to incorporate these new ideas into your core concept and the impact this would have on your timeline and costs.

Any changes will inevitably affect your original project plan so only add those 'must have' additions and leave the 'nice to haves' to future products and future funding applications. Being brutal with this decision making process will help keep you on track to deliver to time and budget.

Your main objective should be to keep your promises made to your backers.

From that point on, when you have begun to receive customer feedback you can possibly begin to think about improvements and variations on your original concept and develop plans for a portfolio of products that will develop your market position and increase your chances of long term business viability.

### Keep Your Investors informed

To varying levels, your investors have shared your vision for your business concept and supported your venture with their cash. They are now passengers on the same journey that you are now undertaking and therefore like any journey want to be kept informed about when they will arrive and more importantly, where.

Your communication plan is a key feature of the post funding phase, because without this, dissatisfaction rises. It is not necessary to create a blog that details every issue that you face, but assuming that you have defined key milestones within your delivery plan, you may need to share any significant missed points with your investors. Effective communication will reassure investors that you are a capable manager of a new business venture that they have pledged their support to.

### Plan Ahead for Customer Support and things that could go wrong

In an ideal world everything will go to plan and you will deliver to cost, time and quality with perfect customer satisfaction levels. The reality is likely to be different, as any start up entrepreneur is likely to testify. Any slight hiccup in your development journey will inevitably add pressure to your small management team and cause increased pressure and possibly increased cost.

Trying to plan for the unexpected is by definition difficult but ensure that your original plan is not built upon everything going right first time. Putting realistic timescales into your development and delivery plan is vital right from the start.

The most critical activity here is building an efficient customer service strategy that breaks your support efforts into web support, customer service and resolving issues. Make sure that your website is easy to find on search engines and has documentation, FAQs, photos and videos on how to use the product or service ahead of the launch

and how to report problems back to you. You will need to ensure that you answer any query quickly and effectively.

If you have the luxury of a customer service team ensure that they understand how best to help customers in the manner that reflects your business values.

Having recorded customer issues ensure that your customer base is kept up to date with changes and communicate any fixes to users via updates and your customer service team.

Your backers will expect a few bugs and problems as you develop your business, it is not something to be embarrassed about unless their severity and quantity become unreasonable. Being able to resolve problems quickly, effectively and efficiently can actually raise customer confidence in a new venture as they see how you have overcome issues on your journey to a successful launch.

#### Think about future funding needs and new products or ideas

Your ability to cultivate a second income stream quickly after launch could be the difference between the development of a thriving business and a single product venture that vanished as quickly as it arrived.

Most crowdfunded start-ups reach a point when your initial funds run low, which typically happens just before or just after your launch, when the business is at its most vulnerable point of development. You may need to identify additional revenue sources that will help you obtain new orders after launch. If you offer hardware and media perks, consider selling direct on your website and on other online stores. If you developed software, try to regenerate the buzz from your campaign and drive sales on your site.

#### Stay connected

Communication is the life blood of business – it's how we generate interest, attract customers and deliver satisfaction to the marketplace. It's also how through feedback from both customers and potential customers we generate improved products and

services and gain valuable information for the development of new market opportunities.

Make a plan. Communicate often and communicate well. Rather than randomly select ideas as they occur try to brainstorm those areas that are likely to fit in with your campaign and write them down with a timescale so that you know how you will engage with your (potential) customer base and have a structure to your forthcoming promotional activities. Once you have a plan you can then modify as events happen and change your ideas, but without some form of structure you will fail to maximise the effort you put in.

Don't forget to follow these basic steps:

- 1) Express gratitude to all backers and give special thanks to those who contributed beyond the requested amount
- 2) Spread updates among backers about the project progress
- 3) Keep on promoting and taking orders
- 4) Enlarge and develop your contact network
- 5) Think about follow on actions (maybe another campaign?)