Crowdfunding Formula

Hosted by Dave Lavinsky

In this training, you’re going to learn three key things:

1. What crowdfunding is and how it can be used to raise money for your venture
2. How to set up your crowdfunding account, create your profile, and start raising money
3. Advanced tips to getting the most out of your crowdfunding efforts
What You’re About to Learn

• MODULE 1: Crowdfunding Overview
• MODULE 2: Step-By-Step Crowdfunding Guide
• MODULE 3: Advanced Crowdfunding Tips

MODULE 1: Crowdfunding Overview
What is Crowdfunding

- Crowdfunding (crowd financing and crowd sourced capital) is a strategic way for entrepreneurs and nonprofits to raise money for their projects, businesses, or organizations by gaining the support of a “crowd” or a large group of people, to give them money.

Who is in the “Crowd”

- The “crowd” includes:
  - Friends
  - Family members
  - Acquaintances
  - Strangers
What Form of Money is Crowdfunding

• Equity: shares of your company
  – growvc.com

• Debt
  – Must be repaid (LendingTree, Prosper, VirginMoney)

• Donations
  – Best form: easiest, avoids SEC/other regulations. You maintain 100% ownership
  – The focus of this training

How Crowdfunding Transactions Work

• Entrepreneur posts project including funding amount and time (1 to 90 days)

• Backers fund project
  – All money put into escrow account

• At project completion date, entrepreneur receives funds….but

• “All or nothing” – if project under-funded, entrepreneur gets NOTHING, if over-funded, gets over-funded amount
How Much Money Can You Raise Via Crowdfunding

- **Documented**
  - As little as $500. As much as $200,000.

- **Possibilities**
  - Endless possibilities, but “sweet spot” seems to be $4,000 to $25,000

- ** Doesn’t have to provide all funding**
  - Can have other sources and follow-up sources too (e.g., bank loan)

What Types Of Ventures Can You Get Funding For

- **For-profit ventures, non-profit ventures, creative ventures, ambitious ventures**

- **Restrictions placed by platforms**
  - E.g., on Kickstarter.com, no ventures dealing in like pornography, violence, firearms, weapons, lotteries, raffles, etc.
  - Kickstarter: project should achieve a goal (not pay (medical) bills, or go on vacation)
Why Does the Crowd Donate?

- They like you
  - Friends, family, acquaintances
- They like your story
  - Friends, family, acquaintances, others
- Rewards
  - Tangible and intangible rewards given to backers

Why Crowdfunding Now?

- Initial donation-based crowdfunding platforms weren’t even built until late 2009
- Key trends for crowdfunding growth
  - Simplicity of posting content online
  - Massive growth of social networking (MySpace, Facebook, Twitter) gives individuals massive reach that they didn’t previously have
What are the Fundamentals of a Crowdfunding Raise

1. Choose your platform
2. Create an account
3. Create your funding project
4. Categorize your project
5. Create your project tagline
6. Create your project teaser text
7. Create your full text project summary
8. Determine the right fundraising amount
9. Determine the right donation time
10. Develop your list of rewards
11. Create your project visuals
12. Create your project video
13. Promote your project to your network
14. Maintain and update your project

MODULE 2:
Step-By-Step Crowdfunding Guide
1. Choose Your Platform

- **3 Biggest Donation-Based Crowdfunding Platforms**
  - Kickstarter: http://www.kickstarter.com
    - Pros: Biggest network
    - Cons: Not everyone accepted (still in Beta), approx. 8% success fee
  - RocketHub: http://www.rockethub.com
    - Pros: Medium network, default to accept new projects, existing members may have surplus “RocketFuel”
    - Cons: Smaller than Kickstarter, 8% success fee
  - Gofundme: http://www.gofundme.com
    - Pros: Default to accept new projects, no success fees
    - Cons: $9 fixed monthly fee, least members, no rewards
    - Ongoing (no end date); Can raise money for anything

2. Create an Account

- **Your Personal Account**
  - With Kickstarter, you can login using your Facebook profile.
  - Your personal profile is different than your company/venture profile
    - Make it fun
2. Create an Account

- Make your personal profile friendly/fun

3. Create Your Funding Project

- Choose Starting a Project/Launch Your Project
- Complete the fields (we’ll go through each step)
- For Kickstarter only 5 fields to start
  1. Category
  2. Funding Goal
  3. Project Description
     - The more creative you can make it, the better your chances of being accepted
  4. Project Rewards
  5. Links
4. Categorize Your Project

- Kickstarter
  - Art
  - Comedy
  - Comics
  - Community
  - Crafts
  - Dance
  - Design
  - Events
  - Fashion
  - Food
  - Film/Video
  - Gaming
  - Journalism
  - Music
  - Photography
  - Technology
  - Theater
  - Writing/Publishing
  - Other

- RocketHub
  - Architecture & Design
  - Business
  - Dance
  - Education
  - Environment
  - Experimental Art
  - Fashion
  - Film
  - Food
  - Games
  - Journalism
  - Missions & Endeavors
  - Music
  - Open Source
  - Philanthropy
  - Photography
  - Politics
  - Research & Invention
  - Social Events
  - Social Experiments
  - Software & Web
  - Sports
  - Theate
  - TV & Web TV
  - Visual Art
  - Writing

- Simply choose most appropriate or closest category

5. Create Your Project Tagline

- Your tagline/title must be captivating and catchy
  - It will be the headline of your page
  - It will be the headline of your widget
  - It will be the headline of your “discover” profile
5. Create Your Project Tagline

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- Don’t just use company name. Create excitement, interest and intrigue. Some examples:
  1. Akimenko Meats, Bringing Locally and Sustainably Raised Meats to Our Community
  2. enjoy life, love, cupcakes
  3. My Friend’s Mustard: The Journey from My Kitchen to Your Grocery Store Mustard Shelf
  4. Greenaid-Seedbomb Vending for Greener Cities!
  5. OpenPCR – Open source biotech on your desktop
  6. Decentralize the Web with Diaspora
  8. Fresher than Fresh Snow Cones
6. Create Your Project Teaser Text

• Only done separately for Kickstarter (25 words)
• For RocketHub, it will be first 100 characters of your full text project summary (so choose them wisely)
• Project Teaser text goes on the Discover page (both) and on your widget (Kickstarter)
6. Create Your Project Teaser Text

• RocketHub “Projects” page

6. Create Your Project Teaser Text

• An elevator pitch with or without personality
  – Diaspora will be an open source personal web server to protect and share all of your stuff online.
  – Providence Juice Company is a mobile juice bar, which will be unveiled in Providence within the next few months.
  – Floating Doctors is the world’s first globally mobile medical team to utilize a green platform to deliver medical relief in remote places!
  – Two community minded artists creating a space for people to "enjoy" life in Youngstown, OH featuring a cupcakery, cafe, yoga, music, dance, and art.
  – Help me start a Brooklyn-based mustard company!
7. Create Your Full Text Project Summary

• Your full text project summary is your “About this project” (Kickstarter) or “Project description” (RocketHub)

• Textual portion of your project listing

• Should be concise, easy to read, and enticing

• Use headings, subheadings, bolded words, etc. to guide the readers through the text

• Average successful summary has 450 words (few as 218; seen 706 and above)

7. Create Your Full Text Project Summary

• Key points to include in summary
  1. Why was the venture/project was started
  2. What makes the service/product unique
  3. What is the opportunity/market need and how does the project’s product/service fulfill this opportunity/market need
  4. What is the “Bigger Picture” what benefit or value does the product or service provide to its customers
  5. The venture/company’s history and/or founder/team’s background
  6. Use of funding (important)
Example: Fresher than Fresh Snow Cones

WHO WE ARE: We are Kansas City's 1st all natural snow cone stand on wheels! We have reinvented the snow cone in order to please modern tastebuds that are looking for fun and refreshment without all the artificial stuff.

Our snow cone syrups are made from 100% natural ingredients without ANY artificial colors or flavors. We use as many organic and local ingredients as possible. FTF snow cones also happen to be gluten free, dairy free and fat free, so we have many regular customers with food allergies and dietary constraints that can enjoy this worry-free treat.

Fresher than Fresh is housed in a renovated 1957 Shasta trailer and our mascot, Snowie the Snow Cone is always standing by with a proud perma-smile. Currently, we park the trailer in a small urban green space in downtown Kansas City where customers can sit on a tree stump, enjoy the sunshine and drink in the natural goodness that is Fresher than Fresh!

WHY WE ARE FUNDRAISING: Much to our delight, our first summer in business was a success! We were fortunate to be featured in publications such as Food Network Magazine, the Wall Street Journal, Organic Gardening Magazine and BUST Magazine...so we can't help but believe we are on the brink of something good. We just need some financial support to keep up with this positive momentum. The requested funds would help us afford equipment and renovations to our trailer that would enable us to expand our reach and take our refreshing all natural treats to farmer's markets, weddings and many neighborhoods in Kansas City.
7. Create Your Full Text Project Summary

• Example: Fresher than Fresh Snow Cones

  – The $6,300 will be just enough to finish off the Shasta trailer… I've already invested all of my personal savings (and then some...) so I decided to give Kickstarter a try before approaching private investors. If we happen to receive more than 100% (fingers crossed!), anything extra will go toward building my 'dream fleet' - starting with the old ice cream truck that's patiently sitting in my back yard…

  – THE BIGGER PICTURE: The immediate embrace of this business makes me believe that people are craving simple pleasures to balance the demands of our fast-paced, gadget-filled lives.

  – Seeing little kids sitting on a tree stump, enjoying a snow cone with their mom or dad makes me feel like everything is right with the world. It makes me feel like I’m doing my part to make life just a little bit happier. And to me, THAT is success.

  – Thank you for reading and thank you for your support!

  – For links, photos and more information, visit: www.ftfsnowcones.com

7. Create Your Full Text Project Summary

• One easy way to start: PTP Pitch (Problem Then Solution Pitch)

  – Do you know how it's hard to stay on a diet; what I do is help people stay on their diets by automatically sending them email reminders twice/day.

  – Do you know how it seems really hard for entrepreneurs to raise money, what I do is show entrepreneurs the right way to raise money so they can start and grow outrageously successful businesses.
7. Create Your Full Text
Project Summary

• One easy way to start: PTP Pitch (Problem Then Solution Pitch)
  – Pop's 'Stache is the answer to the age old problem of "Hey! I just put my drink down at a wonderful social gathering, now which beverage is mine?!". With 8 different styles of mustaches that clip to the top of your favorite beverage bottle (Fits a HUGE array of Soda/ Water/ Beer bottles) you will never get your drink mixed up again. But most importantly, take a swig and bingo! Instant facial hair!

7. Create Your Full Text
Project Summary

• Final point: you can link out from your summary
  – Link to your own website
    • Big fan of this. Your own website can tell fuller story, and link back to crowdfunding platform
    • Crowdfunding profile more concise
  – Link to supporting documentation (other website’s, business plan, etc.)
8. Determine the Right Fundraising Amount

• Remember – all or nothing; don’t shoot too high or you can get nothing.

• Estimate worth of your network and don’t ask for more than this amount.
  – 60 X $50 = $3,000
  – 20 X $100 = $2,000
  – 20 X $400 = $8,000

• Determine least possible amount of financing which you can use.

• Extended network/true strangers average 30% of funding, but could be 0% to 99%.

8. Determine the Right Fundraising Amount

• What to do if you reach amount...

• Post project update
  – Thanks! Now here’s what we can accomplish with more money...

• Account for project fee in funding amount request (8%)
9. Determine the Right Donation Time

- Kickstarter is 1-90 days, RocketHub is 15-180 days
  - Recommend 90 days
    - Pros: best chance of raising initial amount plus more
    - Cons: don’t receive money for 90 days even if hit goal sooner

10. Develop Your List of Rewards

- The key to success with donation-based crowdfunding is establishing cool rewards
  - The more creative the better
- Recommend multiple reward levels from small to large, so something for everyone
- It’s ok if no one goes for a certain donation reward (e.g., $2500 reward)
- Make minimum reward $5 or $10 (not $1)
- Oftentimes rewards are “cumulative”
- Consider location of donors
- Can have limited supply of some/all rewards
- Note RocketHub has only 3 custom rewards amounts other than ($5, $10, $15, $20, $50, $75, $100, $150, $250, $500, $1K, $5K, $10K)
10. Develop Your List of Rewards

• Example: Fresher than Fresh Snow Cones
  – $1 (10 backers) – too little
  – $5 (45 backers)
  – $10 (51 backers)
  – $25 (25 backers)
  – $30 (17 backers) (free product – only local)
  – $32 (49 backers) (t-shirt)
  – $50 (18 backers)
  – $100 (5 backers)
  – $250 (2 backers)
  – $500 (1 backer)
  – $1,000 (0 backers)
  – $2,500 (0 backers)

10. Develop Your List of Rewards

• Ideas for Your Low Price (<$20) Rewards
  – Goal: make backers feel good; they are donating completely out of support for you and don’t require much back from you.
  – Ideas
    • a genuine thank you for your support
    • “a warm feeling inside for helping a really nice lady bring pure and natural treats to the world”
    • Special code to access website
    • Name listed on website as a supporter
10. Develop Your List of Rewards

• Ideas for Your Medium Price ($20 to $200) Rewards
  – Goal: make backers feel good and like they are also getting a deal
  – Ideas
    • Product/product bundles (or service/service bundles)
    • $X donation for $X/2 gift certificate
    • Promotional products (T-shirts, stickers, pins, magnets, posters)
    • Signed products/product bundles
    • Secret recipes
    • Exclusive access to product/service before everyone else

10. Develop Your List of Rewards

• Ideas for Your High Price Rewards ($200+)
  – High price rewards – give backers a real feeling of ownership
    • Product/service named after donor
    • Prominent mention on website
    • Sponsor-like status: name on storefront, uniforms, delivery trucks.
    • Customized product creation/delivery
    • Invite to launch party/event
    • Credit on product
    • Complete access to something
    • Exclusive access to product/service before everyone else
11. Create Your Project Visuals

• Most important visual is your project profile picture
  – Goes on Discover page and use as first slide of video (for consistency)

• You can add other visuals to your project summary
11. Create Your Project Visuals

• Picture could be a company logo, a cool picture, etc.

• Pictures help establish bond; logos help establish credibility

• Resources: istockphoto.com, 99designs.com, hatchwise.com
12. Create Your Project Video

- Your video is one of the most powerful ways to influence donors

- Average successful video is 1.5 to 2 minutes

- Key points to include:
  - What the product/service is
  - How it is beneficial
  - What is the overall mission

- Tell a story and INSPIRE people

12. Create Your Project Video

- Video Best Practices:
  - Use a storyline format that engages the viewer
  - Make the video visually appealing and entertaining
  - Showcase the product and service and how it is used by the consumer/customer
  - Depending on your project, humor or action shots may be appropriate
  - Have the founders speak or be involved in the video
  - If the project has a facility make sure to showcase it in the video
  - Background music is very effective in creating a good mood and generating excitement
  - If appropriate, add special effects to create a “wow” effect
12. Create Your Project Video

• Core Types of Video To Check Out:

  1. Team speaking about product:
     http://www.kickstarter.com/projects/196017994/diaspora-the-
        personally-controlled-do-it-all-distr
  2. Founder telling story with pictures of her holding cards with text:
     http://www.kickstarter.com/projects/4equalsides/the-square-
        project
  3. Founder telling story with pictures and music:
     http://www.kickstarter.com/projects/1700799373/cocina-verde-
        bringing-healthy-vegetarian-food-to-a
  4. Pictures and music, plus text telling story:
     http://www.kickstarter.com/projects/ftfsnowcones/fresher-than-
        fresh-snow-cones

• Tools to use to create your video:
  – Camera
    • Any video camera, web camera or mobile phone/digital camera that
      can film video
  – Mixing/Creating Video
    • OneTrueMedia.com (upload pictures and video clips)
    • Animoto.com
    • SlideRoll.com
    • Vuvox.com
13. Promote Your Project to Your Network

• Email friends (and/or text them)
• Tweet on Twitter
• Facebook
  – Post on Newsfeed
  – Post in Groups
  – Create Facebook Fan Page
  – Message friends
• Post in LinkedIn Groups
• Post on MySpace
• If have website, add widget and blog posts
• And then get your friends (and backers) to do the same!

13. Promote Your Project to Your Network

• What to post/email
  – Story
    • We’re going to start (create anticipation)
    • We’ve started – join us (excitement)
    • We’re making progress (social proof)
    • New stuff progress, rewards, press – (confidence)
    • We’re about to end - time is running out (scarcity)
  – Calls to action throughout
    • Go to [fundingplatform.com] to get involved
13. Promote Your Project to Your Network

• Post/email template for you (new project)
  – I’m raising money right now to start [business description]. A bunch of my friends are helping me out, and I hope you can get involved too. If you could, please go to [link to crowdfunding site] to see what I’m up to. I think you’ll find it really interesting.

• Post/email template for you (project nearly funded)
  – Recently I told you about the business I’m starting and am raising money for. Well things have gone really well and a bunch of folks have contributed.
  – But, if I don’t reach my full funding goal, I don’t get to keep any of the money I raised so far. I only have X days left to reach the goal, so could you please go to [link to crowdfunding site] to help. Contributing is simple as pie and I’m offering some really COOL rewards to those that participate.
13. Promote Your Project to Your Network

- **Post/email template for friend (new project)**
  - Here’s a quick bit on [project name]. If you would email this to your friends or post on Facebook, I’d really appreciate it. Thanks!
  - My friend [your name] is raising money to start [business description]. A bunch of us are helping him/her out. Go to [link to crowdfunding site] to learn more. I think you’ll find it really interesting. And if you decide to get involved, he/she's offering some really COOL rewards.

- **Post/email template for friend (project nearly funded)**
  - Here’s a quick bit on [project name]. If you would email this to your friends or post on Facebook, I’d really appreciate it. Thanks!
  - My friend [your name] is close to raising the money he/she needs to start his/her [business description]. He/she has only X days left to reach his/her goal or he/she doesn't get to keep any of the money raised so far. Go to [link to crowdfunding site] to help. Contributing is simple as pie and he/she’s offering some really COOL rewards to those that participate.
14. Maintain and Update Your Project

- Successful projects do not just “post and forget” about their project. You should:
  - Continue to send messages to all social networking accounts (keep them apprised of your progress)
  - Constantly respond to comments/conversations on your profile
  - Add content to your own blog/website
  - Continue to update your profile
14. Maintain and Update Your Project

[Image of Kickstarter project page for The Square Project]

[Image of Kickstarter project page for Decentralize the web with Diaspora]

You must be logged in to comment.

Donna D says: Jessie told me about your project - so glad to see you've reached your goal and I hope it goes even higher in the next few days. Good luck!
On August 26, 2019

Summer Rainey Osiao says: Love you Tarah! So glad this got funded!
On August 25, 2019

Tara St James says: Thank you for your generous funding Leah! Let me know if you want to come visit me in the shop in Brooklyn, or even see the studio. So happy to hear you're opening an eco-boutique, we need more of these!
On August 25, 2019

Laurel Connell says: Are you kidding me? I went to New York Fashion Week? It is my dream to attend, although as a journalist... I also am opening an eco-boutique but thought I didn't have the

[Text of Kickstarter project page for Decentralize the web with Diaspora]

Survey and Blanks
For backers only, posted 1 day ago

THIS POST IS FOR BACKERS.
If you're a backer of this project, please log in to read this post.

30 COMMENTS

A Little More Than 24 Hours Left!
Posted to the blog on 5/27/16

All,

When we started our Kickstarter, we thought our $10,000 would come from our immediate friends, family, and a small handful of generous strangers.
14. Maintain and Update Your Project

- Add Updates (or Project Blog entries) at least weekly
  - Company news/events/accomplishments/press mentions (pictures if possible)
  - Give funding updates (1/4 complete, 21 days to go)
  - Ask folks to spread the word for you (email, Facebook)
  - Thank backers
  - New rewards (with pictures if relevant)
  - Get folks to join your Facebook fan page or follow on Twitter
  - Engage backers and create “members” status with “Backers Only” updates

MODULE 3:
Advanced Crowdfunding Tips & Tactics
1. Leverage Your Platform Members

• Get full exposure on your crowdfunding platform to get more “stranger” donations
  
  – Comment on other entrepreneurs’ projects by posting positive messages
  
  – Do low priced fundings of other relevant projects (whose backers might be interested in your project)
  
  – Follow other projects
1. Leverage Your Platform

Members

Leverage Kickstarter platform to increase visibility and engagement with your members.

Example:

- Turn our cities’ windows into vertical veggie farms!
  - Project by: The Windows Farms
  - 231 backers
  - $28,205 pledged
  - Funding successful

- Contributions:
  - News Emory: What a great idea! I hope these windows become reality.
  - Daniel: Awesome! I would love to have a window farm in my city.
  - Scott: Inspiring! I’m excited to see this happen.

- Backer experience:
  - Congratulations on reaching your goal! Best of luck for your window farms in 2019!
1. Leverage Your Platform Members

2. Leverage Your New Donors

- Thank them
- Get them to email out (you can send them a group message)
- Get them to donate or buy more
- Get them to invest
  - Reg D of 1933 Securities Act states that a company must have a pre-existing relationship with the investor, prior to the investor seeing any materials related to the offering.
- Get them to loan money (VirginMoney)
3. Leverage Your Funding

• With good credit and 10% to 20% down, can get bank or SBA loan
  – So can turn $20K crowdfunding into up to $200,000 in financing

• Business credit
  – Can buy items from companies who report to D&B and build great business trade credit profile (Costco offers up to $100K line of credit)
    • Best Buy, Texaco, Fedex, UPS

Celebrities & PR

• Target someone famous/respectable in your local community or a celebrity to donate to your project – will create excitement and credibility

• Use your project to get PR in local papers and/or trade journals
  – Will drive tons of traffic to your website and/or project profile
Create Buzz, But Don’t Fund Yourself

• Kickstarter payments made through Amazon Payments
• As project creator, you create an account with Amazon Payments, but Amazon forbids project creators from paying themselves.
  – Any pledges made by a project creator to themselves may cause Amazon to cancel a project creator’s Amazon account, making it impossible to receive or remove funds.”
  – Please note that Amazon may not detect this action until a project succeeds and they attempt to collect funds. While the project will appear to succeed on Kickstarter, Amazon will later suspend any Amazon Payments accounts controlled by the project creator, making it impossible to receive/remove funds.
• So do NOT use your own name to back yourself. Give money to a friend to do it for you so you start creating buzz and momentum.

Widget (Kickstarter)

• Embed the widget of the platform onto your company’s website so that visitors can easily navigate to donation website
  – Get others to do it too
Your Own Blog/Website

- Not necessary, but helpful
- Adds credibility (link to it from profile)
- May already be getting traffic (link that traffic to profile and/or include widget)
- Can add more content than profile allows
- If you get any press, want to link to your website and not crowdfunding profile
- Can use to explain how crowdfunding platform works (all or nothing, not investment, etc.)

Tax & Legal Stuff

- Unless your company has 501c3 status, donations are NOT tax exempt
- There may state tax issues with pre-payment of goods; keep good records
- If you don’t deliver on your rewards, you risk damaging your reputation and potential legal action
Rewards to Customers

- Don’t worry about cost of future rewards (e.g., $10 gift certificate)
- Most will buy a lot more than that, become customers for life, refer friends, etc.
- Strongly consider non-physical rewards (less expensive/no shipping)
- Strongly consider rewards that are contingent on company’s successful launch

Surpassing Goal

- You can update your project after you meet your goal
  - Now that we’ve surpassed our minimum goal, additional funding will allow us to make [project/company name] even better by {link to your blog or updates and explain how money will be used}. 
What Not to Do

• Do not spam or send unsolicited messages
• Don’t promote your project on others’ project pages
• Don’t post inappropriate content
• Don’t post negative comments about others’ projects
• Don’t cyber-beg or try to guilt people into funding you
• Don’t expect to get fully funded with promoting your profile
• Don’t neglect your profile (updates)
• Don’t set your funding goal too high
What To Do

• Make a cool video and profile
• Tell a story, be genuine, and INSPIRE
• Get your friends and family to back you
  – Get them to help spread the word for you
  – Continue to move the “story” or “campaign” along
• Create cool rewards that folks will want
• Leverage donors

What To Do NOW

• Follow my advice
• Spend some time on the platforms
• Launch your project and raise money!