CROWDFUNDING
Is it for you?
???$$$$$$$???

Reporting on: IEEE Consultant Network meeting   San Diego 6-9-14

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IEEE-USA AICNCC Vice-Chair
July 2014 FENET Meeting

Based on: *How to Pull Off a Successful Kickstarter Campaign*
Speaker CREDITS: Mark Schmid, Bob Stein, Michael Migdol

- Note: Magic Formula slides are based on Speakers posted materials that night (using Kickstarter product example).
- Based on Bill's notes at the San Diego IEEE Consultant Network mtg. on 6-9-14 ; plus additional research and many thanks also to Foothill FENET meeting contributors.
- Foothill Attendees: Bill Grist, Raja Singh
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- **Abstract of Presentation at San Diego CN event:**
- Both you and your clients have great innovative ideas and often actual working products, but seldom enough capital to successfully bring them to market. Crowdfunding is one of the sources of capital worth exploring for many, but pulling off a successful campaign is not for the uninitiated. Many try and most fail. This team managed to put all the pieces together to raise just over their targeted $50,000 and then deliver product rewards as promised. They then went on to sell out their 30,000 unit order in just a few weeks and got customer commitments to sell out next year's snow season orders. Now they are planning their next crowdfunding campaign.
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- **About the program:**
- Join us for a fast moving multimedia program where our speakers tell their story of pulling off a successful Kickstarter campaign. Revealed will be the essential steps along with interesting detail that goes beyond what you will find on the Kickstarter website and by going to Wikipedia "crowdfunding."

Credits & Contact Info: *How to Pull Off a Successful Kickstarter Campaign*
Speakers: Mark Schmid, Bob Stein, Michael Migdol

- **Speaker Bios:**

- Mark Schmid is CEO The Art Function Group of Companies. A graduate of San Diego State University, Mark has developed multiple industry-leading companies in the action sports space. He has over 25 years of experience in product design, brand launch, management, manufacturing, marketing, and distribution in both hard goods and soft goods, in both specialty & big box retail stores. Mark is also a former world class pro skateboarder. www.sdsportinnovators.org

- Bob Stein is President and COO of The Art Function Group. Bob teaches the "Financial Investor Presentation" at CONNECT to both the business advisers and the wannabe entrepreneurs. He has mentored a fair number of ventures through funding and successful exits at CONNECT for over 7 years. Bob holds an MBA from Kellogg School of Management, Northwestern University. Bob Stein | LinkedIn

- Michael Migdol is the owner of Automatic Media and publisher of Automatic Magazine. Educated at University of California, San Diego, Michael is a marketing domain expert. Michael Migdol | LinkedIn

How can FENET put this to use? Know the difference…

- ## Definition of CROWDSOURCING
- **:** the practice of obtaining needed services, ideas, or content by soliciting contributions from a large group of people and especially from the online community rather than from traditional employees or suppliers
- Outsourcing vs. Crowdsourcing (for another meeting)
- ## Definition of CROWDFUNDING
- **:** the practice of soliciting financial contributions from a large number of people especially from the online community
- It works, but not always; see the details behind the press / hype.

Where to get started:

- Research it! Rankings & Focus of site.
- Tech sites frequently in the news: Kickstarter.com   and SoFundMe.com
- Indiegogo.com, equitynet.com, AngelList , etc.
- www.crowdsourcing.org/directory lists over 2700 funding sources
- Use CSPs or CFPs? Try it yourself, or get help? (Svc Providers, Funding Platforms)

Crowdfunding RANKINGS/ Examples

GoFundMe.com

▪ 5% of your funds raised

▪ Over $360M raised for personal fundraisers. Processing fee of 2.9% + $0.30 applies.

Kickstarter.com

▪ 5% fee.

▪ Personal fundraising <u>not allowed</u>. Creative only. Processing fees of between 3-5% apply.

Indiegogo.com

▪ Fee is 9%. Only if goal is reached 5% is refunded. 3% processing fee. $25 fee for international wire.

Misc. OTHERS

▪ 5% fee is suggested to campaign donors. Processing fee of 2.9% + $0.30 applies.

▪ 5% fee is charged to campaign creators. Processing fee of 2.9% + $0.50 per transaction applies.

▪ Free accounts charge 5%, paid accounts are 3%. Processing fee of 2.9% + $0.30 applies.

▪ BEWARE of crowdfunding sites claiming to be '100% Free'. They will simply charge your donors instead and you will collect less donations as a result. Fees always exist when accepting payments online.

Crowdfunding Background

▪ Crowdfunding Models

▪ There are 2 main models or types of crowdfunding. The first is what's called ***donation-based funding***. The birth of crowdfunding has come through this model, where funders donate via a collaborative goal based process in return for products, perks or rewards.

▪ The second and more recent model is ***investment crowdfunding***, where businesses seeking capital sell ownership stakes online in the form of equity or debt. In this model, individuals who fund become owners or shareholders and have a potential for financial return, unlike in the donation model.

▪ http://www.forbes.com/sites/chancebarnett   Article

▪ The JOBS Act of 2012 paved the way to investment crowdfunding, but the JOBS Act Rulings by the SEC may continue to change things.

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So, How do I PROTECT my idea? Per Ray Roberts, IP Attorney

- Start Early; do it before your campaign!
- File a Provisional or Design patent application
- May want a trademark or copyright
- Cite "TM" or "Patent Pending"
- Big players could outlast you in a court battle, but the negative publicity and internet shaming may influence them to negotiate with you first.

So, How do I actually get started?

- Think this over very carefully.

- Watch a professional video from a successful Kickstarter campaign.

- Ok, let's look at a Real example; and follow the Magic Formula (from our speakers)……

- Speakers example: Click Carabiner; Snowboarding Tool.

- http://www.clickcarabiner.com/

- Also, Scan funding sites for videos, funded projects

The Magic Formula; pt 1: How do I actually get funding?

What is this?	show snowboarding product on Kickstarter.com
Engage! (video?)	tell a good story
Who cares?	target market
Why care?	benefits of product
Ex. Tune my Bindings I'm safer	Snowboard product; can use anytime, anywhere. Safety; so bindings don't fail me on the mountain.

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The Magic Formula; pt 2: How do I actually get funding?

Innovative	advantages
Show skills, expertise	credibility
Almost done	video of your prototype, almost ready to use; (design /tooling / working unit)
Can DO	appears possible
Will DO	appears probable

The Magic Formula; pt 3: How do I actually get funding?

The ASK	why you need it/ tell others/ thank them /PLEASE TELL OTHERS
Resonate with me	personal
Help the Underdog	human nature
MUST see value	Recommend it?

The Magic Formula; pt 4: >Comments from Presenters

- Get people SHARING your message
- Post to Forums (potential users will see your link)
- Great video (professionally done?) that will really connect with your donors and touch their hearts
- Blog – pictures; stories of users
- "good photo, good copy, good story"
- Offer Bonus Levels to donate; Creative Rewards! For $5 you get a "digital high 5"
- Communicate with Donors through email; show them it's value, worth.
- https://www.kickstarter.com/projects/clickcarabiner/clck-carabiner-the-snowboard-and-ski-binding-tool

The Magic Formula; pt 5: >RESULTS for ClickCaribiner!

- Donors SHARED their message.
- They believed; and liked the video message about the inventor using up his kid's college fund to create this.
- **1,939 backers**
- **$52,422 pledged of $50,000 goal**
- **0 seconds to go**

- **Research it:**
- https://www.kickstarter.com/projects/clickcarabiner/clck-carabiner-the-snowboard-and-ski-binding-tool

Next Steps:
Could you pull it off?

- View videos and successful campaigns
- Your PR may be the most important (donors sharing your link)
- Many donors do so just to make sure a product they want will get produced!
- Do your online research
- Try a test case from IEEE ideas?
- Open Discussion with FENET members…

Foothill Section Plans

- How can we use this with FENET?
- PACE Topics?
- Student meetings
- OCCN / LAACN Meeting discussions
- Entrepreneur Network formation
- ?.....

END

- Thank you for your interest.
- Now GO make something happen!

Future: Crowdsourcing

- **Crowdsourcing.org**
- Crowdsourcing Service Providers (CSPs)
- Crowdfunding Platforms (CFPs)
- Examples of the concept:
  - see Rally Fighter story; open source vehicle design. localmotors.com/rallyfighter/

  - JuiceBox is an Open Source 15kW Level 2 EV charging station costing 3-4x lower than currently existing EVSEs.
  - This product was initially successfully funded from a KickStarter campaign. The project received over 230% of the target funding amount from around 300 backers. As of May 2014, over 1,000 JuiceBoxes have been made!

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