

IN SITU

TAKING
COOPERATION
FORWARD



IN SITU D.T2.4.2 Joint Social Entrepreneurial Skills and Competences training



Crowdfunding Training



IN SITU, STEP RI PP8, Anita Pribanić

SESSION 4 - Crowdfunding Training

- Crowdfunding basics
 - o Introduction and overview
- Crowdfunding campaign - first steps + tips&tricks
- Crowdfunding for social businesses - examples
- Q&A



WHY THIS TOPICS?

Deliverable D.T3.3.3	Crowd-sourcing campaigns	Social businesses/init. will be selected for a professional reg. crowd-sourcing campaigns (1 per region). Selection criteria are the level of innovation, their social impact, the benefit for the disadvantaged group.	11.2021	6
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Source: IN SITU AF, page 58



Cambridge Dictionary

Crowdsourcing:

the activity of giving tasks to a large group of people or to the general public, for example, by asking for help on the internet

<https://dictionary.cambridge.org/dictionary/english/crowdsourcing>



Jeff Howe: “...crowdsourcing represents the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call.

This can take the form of peer-production (when the job is performed collaboratively), but is also often undertaken by sole individuals.

The crucial prerequisite is the use of the **open call format and the large network of potential laborers.**

https://crowdsourcing.typepad.com/cs/2006/06/crowdsourcing_a.html



CROWDSOURCING

Crowdvoting

Crowdsourcing creative
work

Crowdsolving

Crowdsearching

Crowdfunding

Mobile crowdsourcing

Crowdshipping

...



Let's have a look at some Crowdfunding basics



WHAT IS CROWDFUNDING?

Oxford Dictionary

Crowdfunding: “the practice of funding a project or venture by raising many small amounts of money from a large number of people (the “Crowd”), typically via the Internet.”

<https://www.oxfordlearnersdictionaries.com/definition/english/crowdfunding>



WHAT IS CROWDFUNDING?

European Commission

“Crowdfunding is an emerging alternative form of financing that connects those who can give, lend or invest money directly with those who need financing for a specific project. It usually refers to public online calls to contribute finance to specific projects.”



- Digital process
- Transparent process
- Community dimension
- Time-limited
- Project-oriented



- Allows access to capital to "everyone"
- Validation of ideas before going to market
- Pre-orders from potential customers
- PR
- Risk reduction



PROS & CONS

+

Global approach

Complete project control

Ownership

Market testing

Media visibility

Pre-sales

Feedback

-

Stress

Complete project
commitment

Idea exposure

Competitiveness

Constant self-promotion

A lot of supporters = lots of
requests



- PROJECT OWNER
 - PLATFORM
- SUPPORTERS/CONTRIBUTORS
 - CAMPAIGN
- CAMPAIGN DURATION
 - FUNDING GOAL
- INCENTIVES/REWARDS



HOW OLD IS CROWDFUNDING?



Image by [Pete Linforth](#) from [Pixabay](#)

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HOW OLD IS CROWDFUNDING?



<http://www.grameen.com/>

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Image by [Kim Loan Nguyen thi](#) from [Pixabay](#)



HOW OLD IS CROWDFUNDING?

Explore Start a project

KICKSTARTER
#BlackLivesMatter

Search Q



Pebble Time - Awesome Smartwatch, No Compromises



Color e-paper smartwatch with up to 7 days of battery and a new timeline interface that highlights what's important in your day.

[Learn More](#)

Created by

Pebble Technology

78,471 backers pledged \$20,338,986 to help bring this project to life.

Last updated [December 7, 2016](#)

Source: <https://www.kickstarter.com/projects/getpebble/pebble-time-awesome-smartwatch-no-compromises/description>



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- > Donation-based Crowdfunding
- > Reward-based Crowdfunding
- > Equity-based Crowdfunding
- > Lending-based Crowdfunding



- Used to raise money for a non-profit or a cause
- Supporters (donors) typically donate small amounts
- Usually no reward beyond the gratitude of the project beneficiary (tax reduction?)



- Individuals (backers) donate to a project or business with the expectation of receiving a non-financial reward in return for investment, such as goods or services
- Perks/rewards
- Allows companies to gather an audience before a product launch
- New product (pre-selling)
- PoC



Two types:

“Keep-it-All” - a financial goal is set but the team keeps the entire amount raised

“All-or-Nothing” - a financial goal is set and the team keeps nothing unless the goal is achieved



- Investors give larger amounts of money and get a piece of equity in the company
- Shares or stocks
- Used to raise money to fund the launch of a start-up or scale-up (innovation project) of SME



- Loan for projects and companies
- Lenders lend their money through a platform to a borrower
- Initial investment + interest



THE 2ND EUROPEAN ALTERNATIVE FINANCE INDUSTRY REPORT

Alternative Finance Model	Definition	2015 Market Volume
Peer-to-Peer Consumer Lending	Individuals or institutional funders provide a loan to a consumer borrower.	€ 365.80m
Peer-to-Peer Business Lending	Individuals or institutional funders provide a loan to a business borrower.	€ 212.08m
Equity-based Crowdfunding	Individuals or institutional funders purchase equity issued by a company.	€ 159.32m
Reward-based Crowdfunding	Backers provide finance to individuals, projects or companies in exchange for non-monetary rewards or products.	€139.27m
Invoice Trading	Individuals or institutional funders purchase invoices or receivable notes from a business at a discount.	€ 80.59m
Real Estate Crowdfunding	Individuals or institutional funders provide equity or subordinated-debt financing for real estate.	€ 26.97m
Donation-based Crowdfunding	Donors provide funding to individuals, projects or companies based on philanthropic or civic motivations with no expectation of monetary or material return.	€ 21.71 m
Debt-based Securities	Individuals or institutional funders purchase debt-based securities, typically a bond or debenture at a fixed interest rate.	€ 10.73m
Balance Sheet Business Lending	The platform entity provides a loan directly to a business borrower.	€ 2.35m
Profit Sharing Crowdfunding	Individuals or institutions purchase securities from a company, such as shares or bonds, and share in the profits or royalties of the business.	€ 0.54m

Source: Page 31 - https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2016-european-alternative-finance-report-sustaining-momentum.pdf



THE 2ND EUROPEAN ALTERNATIVE FINANCE INDUSTRY REPORT

Figure 18: Most Funded Sectors by Model

Alternative Finance Model	1st	2nd	3rd
Peer-to-Peer Business Lending	Retail & Wholesale	Manufacturing & Engineering	Construction
Peer-to-Peer Consumer Lending*	Education & Research	Community & Social Enterprise	Health & Social Work
Equity-based Crowdfunding	Technology	Manufacturing & Engineering	Health & Social Work
Reward-based Crowdfunding	Arts, Music and Design	Film & Entertainment	Media & Publishing
Donation-based Crowdfunding	Charity & Philanthropy	Health & Social Work	Community & Social Enterprise
Real Estate Crowdfunding	Real Estate & Housing	Construction	
Invoice Trading	Retail & Wholesale	Business & Professional Services	Manufacturing & Engineering
Debt-based Securities	Retail & Wholesale	Energy & Mining	Agriculture
Balance Sheet Business Lending	Retail & Wholesale	Agriculture	Food & Drink
Profit Sharing Crowdfunding	Environment & Clean-Tech	Business & Professional Services	Health & Social Work

Source: Page 37 - https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2016-european-alternative-finance-report-sustaining-momentum.pdf





Comparison: Types of Crowdfunding relevant for Startups, Projects and SMEs

	Reward	Lending	Equity
Types of Project: purpose	Non-governmental and non-profit initiatives, small and medium sized enterprises, commercial pre-sales of products and services, creative and cultural projects: initial funding	Small business loans, project finance: increasing working capital, small acquisitions, purchasing equipment	Small and medium sized enterprises: expansion, production or marketing
Offer	Pre-orders, tangible rewards	Repayment with or without interest	Ownership stake in the company
Average Funding Amount Sought	€ 10,000 - 20,000	€ 0.3 – 1 mill.	€ 0.5 – 2 mill.
Funders	Anyone, Mostly individuals	Individuals, institutional investors	Mostly individuals, high net worth investors and increasingly professional investors
Average Duration	Campaign: around 30 days; timeframe for delivery of reward: up to 1 year	Campaign: depending of platform; Loans: will run for months to years (varies according to loan structure and platform)	Campaign: usually up to 30 days, Investment: until sale of business
Fees	+/- 3-5% plus payment fees via third party operators	+/- 3-5% (plus interest)	+/- 5% listing fees, +/- 3-5% transaction fees, due diligence fees
Success Rate	+/- 50% for raising funds	+/- 50%	+/- 40%
Financial Consequence	Booked as revenue in Profit and Loss account	Debt on balance sheet	Asset on balance sheet



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Source: ECN, Comparison: Types of Crowdfunding relevant for Startups, Projects and SMEs, <http://eurocrowd.org/wp-content/blogs.dir/sites/85/2017/03/ECN-Crowdfunding-for-Start-ups-comparison-types.pdf>

OVER 1250 CF PLATFORMS WORLDWIDE

Over 350 platforms
in Europe



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Image by [Yuri_B](#) from [Pixabay](#)

Generalist Platforms

- Any type of project
- No restrictions

Specialised Platforms

Focus on:

- A specific business sector
- Geographical area

Niche Platforms

- Very specific sectors



FEEES!



- > Success based fee (4-10%)
- > Transaction&transfer fees
- > Registration fees
- > Campaign support fees
- > Post-campaign logistics
- > Yearly fees for commission, or interest of investors



Selfstarter - open source starting point for building your own CF site

Ignition deck - self-hosted DIY CF platform and framework for WordPress

Give - WordPress donation plugin



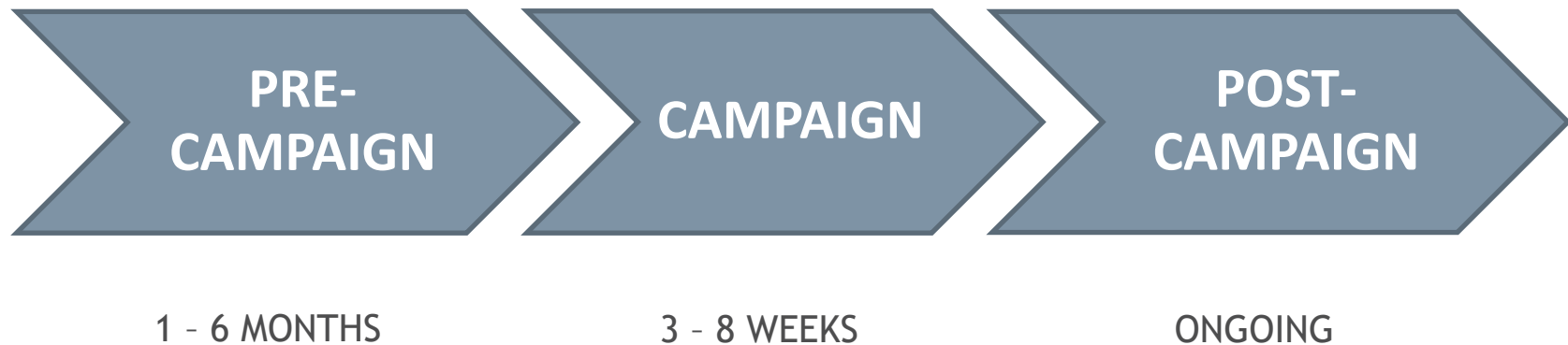
I want to start a
campaign, but
how should I start?



1. Pre-campaign phase
2. Launching phase
3. Execution phase
4. Post-campaign phase



CAMPAIGN PHASES



What to keep in mind when shaping a CF campaign



1. Set a clear goal
2. Define your value proposition
3. Set a (realistic) funding target
4. Team-up
5. Understand target group
6. Identify your CF model and platform
7. Prepare your pitch + video
8. Decide campaign length
9. Choose your incentives (perks)
10. Partner-up
11. Make a communication plan
12. Review



Plan carefully!



ELABORATE YOUR IDEA

- What do you need to finance?
- What is the purpose of your project?
- Does it solve a problem?
- Is your idea sustainable?
- Are you aware of the campaign risks?



Why should someone support you?
(No, really, why should they give you their money?)



DEFINE YOUR VALUE PROPOSITION

Innovation

Design

Customisation

Design

Brand / status

Price

Expense reduction

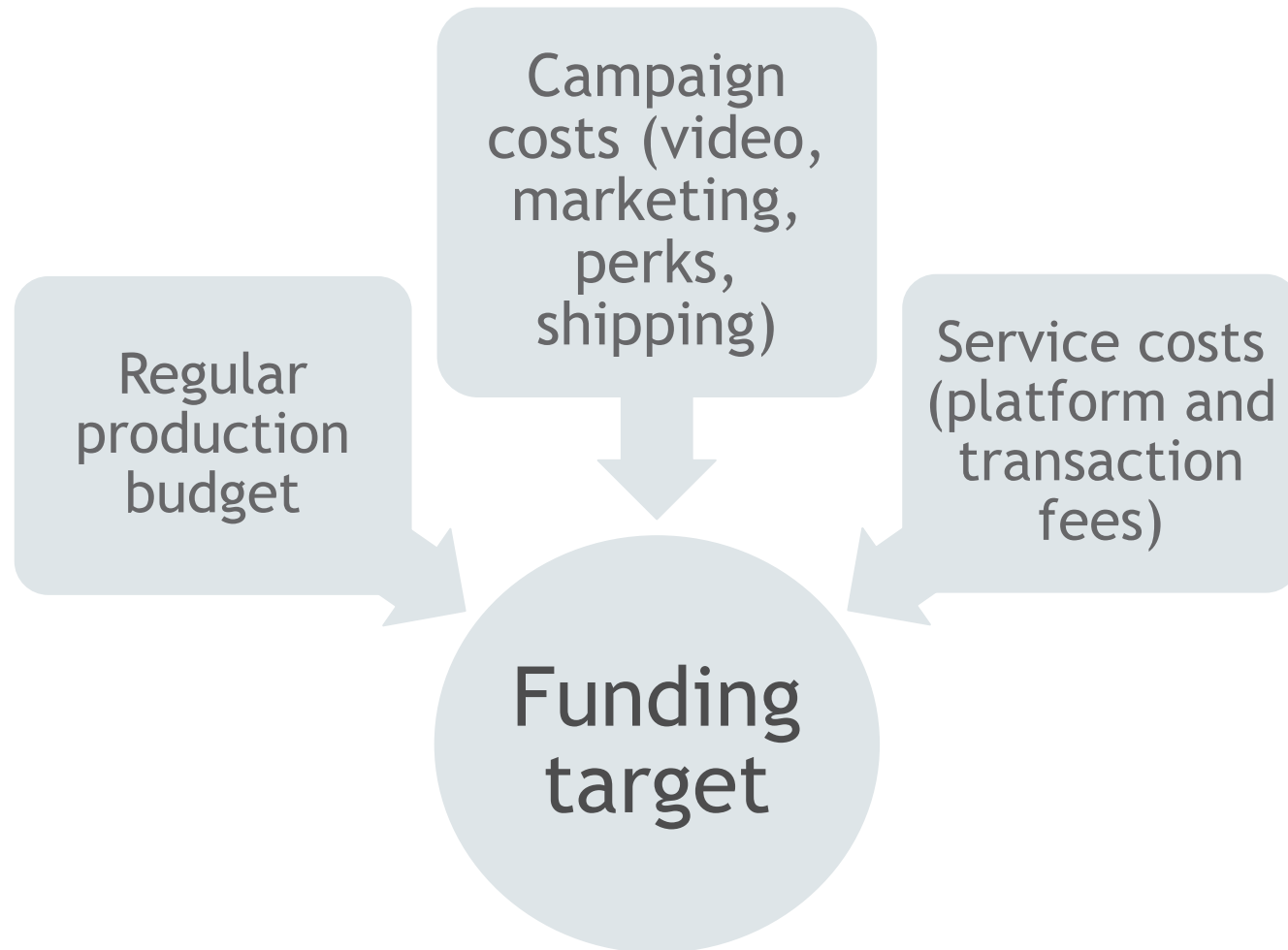
Risk reduction

Accessibility

Convenience / usability



FUNDING TARGET



“Keep-it-All” or “All-or-Nothing”

Set a realistic funding target!



TAXES!



YOUR TEAM



Project Manager
Product developer
Product tester
Editor
...

Photographer
Graphic designer
Online Community
Manager
...

Do you have the organizational resources needed?
Does your team have a regular job too?



- Who will support the project and why?
- Do you have a "community" already created?
- How wide is your audience?
- Who are the most likely users of your product or service?
- How do you reach the selected audience?



IDENTIFY YOUR CF MODEL

Project type?

Tech, social cause, consumer product

Capital Type?

Donation, commercial, equity, debt



HOW TO CHOOSE THE RIGHT PLATFORM?



What percentage does the CF platform keep?
What support and promotion does the CF platform offer?
Is the CF platform appropriate for your project?

[Interreg CE project CROWD-FUND-PORT platform search](#)



- Material
- Digital
- Personal
- Experiential
- A tailor-made service
- Financial awards and incentives



\$25 - most donations

\$99 instead of \$100

Early bird prices

Flash sale

Surprise perks

Accessories perks

Add pics and quantity discounts

Determining the price: Calculate shipping costs

Disclaimer: customs

Value for money



Does the platform set a limit?

Usually 60 days.

Average campaign duration = 30 days

Longer duration for equity-based Crowdfunding campaigns.



Define:

- Key messages
- Target group
- Communication channels
- Communication schedule

Create communication materials ahead.

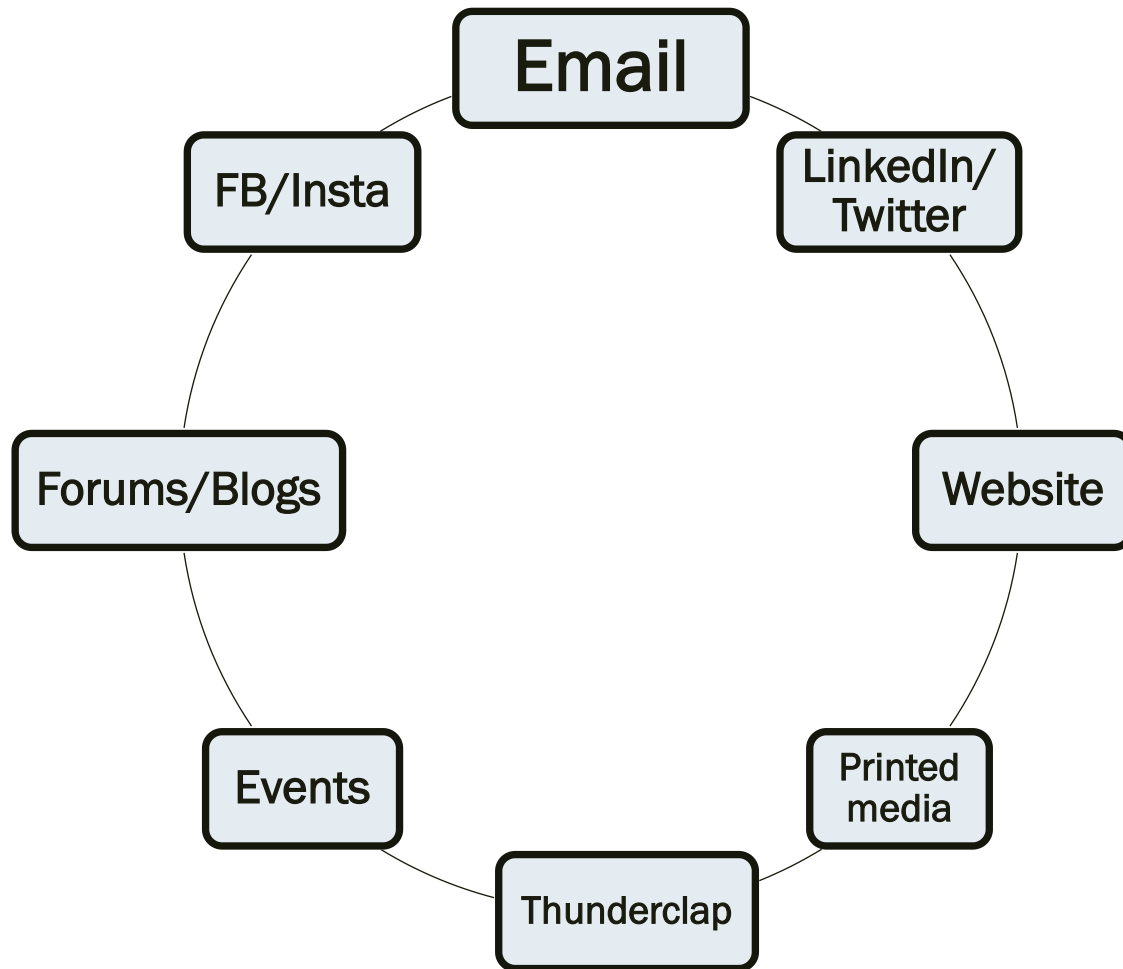
Which social media do you plan to use?

What budget do you plan to use for communication?

Different content for media and backers!



COMMUNICATION PLAN



Answer the basic questions (who, what, how, when, where, why)

+

What is your financial goal?

+

What do you offer in return?

+

Call to action



- Video = 4x more successful campaign
- Ideal duration 3 minutes, max 5 minutes
- Explain the value in the first 30 seconds
- Reply to the 5 Ws
- Give a face of the campaign (look at the camera!)
- Show the product
- Ensure good audio



- Appeal to Your Existing Fans (FFF)
- Create a Community
- Describe Yourself
- Make it personal
- Back Other Projects
- Include a visual Spending Breakdown
- Don't Ask for Money Immediately
- Offer the Lowest Possible Donation
- Offer Compelling Incentives
- Choose a Shorter Project Duration
- Do not start just before Xmas or summer holidays



- Crowdfunding = easy money
- Setting a too high financial goal
- Promising an early shipping date
- Boring pitch
- Lack of target group understanding
- Lack of contact with niche media
- Functionless perks



LAUNCHING YOUR CAMPAIGN

1. Spread the word (online and offline)
2. Create momentum
3. Double check your contribution process
4. Host a launch party!



1. Appeal to Your FFFs
2. Appeal to Everyone Else
3. Communicate Often
4. Check analytics
5. Add New Rewards
6. Build Interest Before You Close
7. Stretch goal?



1. Deliver on time
2. Be transparent
3. Maintain contact
4. Reach out
5. Recap
6. Follow up campaign?



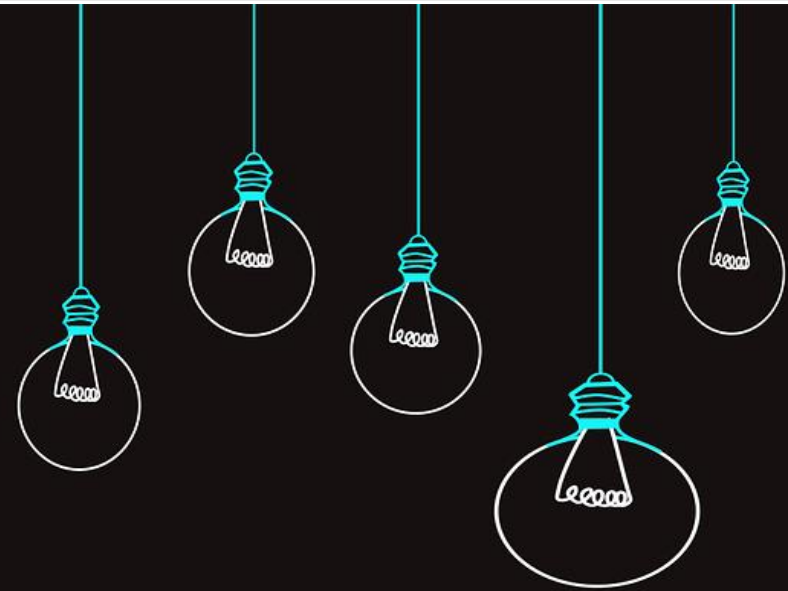


Image by [Ranjith Siji](#) from [Pixabay](#)



An Hour of Code for Every Student

INDIEGOGO

Explore ▾ What We Do 🔍

For Entrepreneurs Start a Campaign


Log In Sign Up



CLOSED

An Hour of Code for Every Student

Every student in every school should have the opportunity to learn computer science — Code.org

 **Code.org Team**
1 Campaign | Seattle, United States

33,651,160 HRK by 2,895 backers
33,501,584 HRK by 2,723 backers on Dec 15, 2014

♡ FOLLOW



MIRET ecological sneakers - made with 97% natural materials

MIRET ecological sneakers - made with 97% natural materials



Step into durable and comfy unisex sneakers and leave no toxic legacy to the next generations that will walk the Earth

[Follow along!](#)

Created by

Hrvoje and Domagoj Boljar

562 backers pledged \$68,210 to help bring this project to life.

 **Last updated** [May 21, 2020](#)



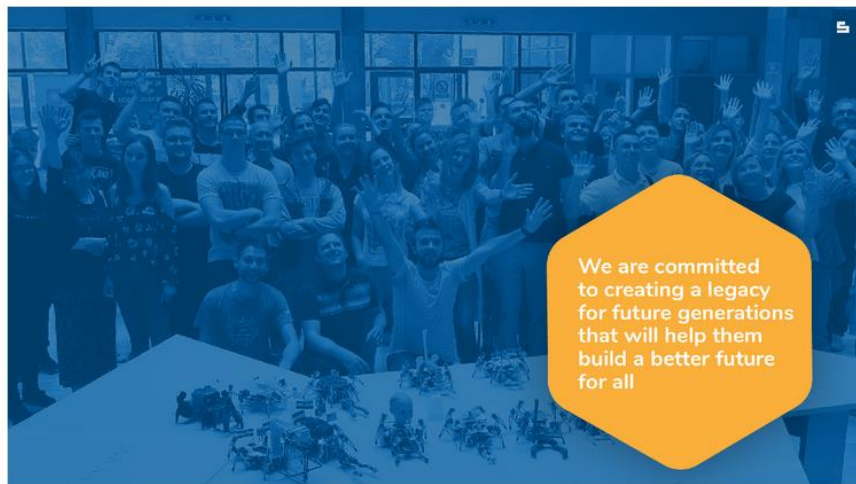
EQUITY CROWDFUNDING BEST PRACTICE

CAMPAIGN TERMS COMPANY DOCUMENTS UPDATES DISCUSSION

Introduction

Old books, outdated curriculum, ancient technology and boring classes. This is the state for science and engineering (STEAM) subjects in many countries. Teachers do their best in balancing personalised lesson plans, updating curriculums, and keeping students interested - all while using long replaced technologies or books. But is it enough to prepare our children for the future?

Now picture, STEAM education as a service. A solution that offers complete programs and project-based learning that attracts and engages students regardless of age, income and gender.



That is Stemi.

By combining a mixture of Plug&Play programs and the interactive bio-inspired robotics of the Hexapod, the company, has been able to start the process in achieving its goal. Raising a new generation of engineers and problem solvers.



STEMI FUNDERBEAM

Empowering students all around the world by offering schools to become innovation labs for STEAM subjects.

Social impact

We are deeply motivated by social impact this company enables. Offering better, faster and cheaper STEAM programs for the educational systems around the world in order to make the world a better place.



Our impact directly maps to two of the UN's Global Sustainable Development Goals:

ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING OPPORTUNITIES FOR ALL

CROWDLENDING BEST PRACTICE

kiva Lend Borrow About Sign in



Funded

Total loan: \$500
Powered by 11 lenders

Lindiwe



Shurugwi, Zimbabwe / Poultry

Find a new loan

A loan helped construct a large fowl run.

Kiva platform - Lindiwe

Lindiwe's story

Lindiwe is 22 years old and lives with her family in the Shurugwi district. She operates a restaurant and poultry business and uses her earnings to pay school fees for her children.

Lindiwe is requesting a Kiva loan to construct a large fowl run to house her chickens. She plans to use the profits she earns to expand her poultry business.

She volunteers at the local high school as a Camfed Learner Guide, teaching students about active citizenship and personal confidence. The interest on her social-interest loan will be repaid through her weekly volunteer work.

This loan is special because:

It is a 0% interest loan for young women with new businesses.

More about this loan

Loan details



Loan length:

14 months

Repayment schedule: Monthly
Disbursed date: December 15, 2015
Funding model: Fixed
Partner covers currency loss? N/A
Facilitated by Field Partner: Camfed Zimbabwe
Is borrower paying interest? No
Field Partner risk rating: ★ ★ ★

Field Partner: Camfed Zimbabwe



THANK YOU!



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