Crowdfunding
Fast Track

The step-by-step framework for launching a successful crowdfunding campaign

by Salvador Briggman
Learn about the different types of crowdfunding, the top websites, what goes into a campaign, and more.
In This Section, You’ll Learn

1. What is crowdfunding?
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What is crowdfunding?

Chances are, if you’ve picked up a book on crowdfunding, you’ve heard the term before or at least have some idea of what it is. Let me give you a more specific definition.

Traditionally, crowdfunding refers to when a “creator” or “entrepreneur” raises money online from a bunch of “backers” for some kind of project or cause.

They could be raising money to finance the manufacturing and tooling costs required for the initial production run of their product or they could be seeking the funds needed to bring a book or movie to the masses.

Increasingly, nonprofits are using crowdfunding to raise money for causes that they care about and projects that forward a positive social mission.

In addition, more and more individuals are using crowdfunding platforms to collect donations to help pay medical, funeral, or personal expenses.

These are the different types of crowdfunding campaigns that you can run:

- **Rewards-Based**: When a backer pledges to your campaign, they get access to cool “perks” or “rewards” that you’ve promised.
• **Donation-Based**: This is similar to a typical fundraiser. Donors who pledge to your campaign don't get exclusive perks. They just contribute their money because they want to help out.

• **Equity-Based**: Investors will get shares in your company when they help finance your venture.

• **Debt-Based (peer to peer lending)**: Using P2P lending, you can request funds for personal or business expenses in the form of a loan. That loan will be funded by many different investors. You’ll be obligated to pay back the loan.

As you can see, there are many different forms of crowdfunding. In the next section, I’ll show you some of the top websites out there that you can use to raise money from the crowd.

**The Top Crowdfunding Websites**

**Kickstarter**: Kickstarter has become synonymous with rewards-based crowdfunding, and for good reason. In 2014 alone, 22,252 projects were successfully funded to the tune of $529 million in terms of total dollars pledged.

The main difference between Kickstarter and these other crowdfunding websites are the strict requirements imposed on projects, the curation of the platform, and the fact that all projects must be just that, a project. You can’t raise money for a charity or to purely “fund expenses” like on GoFundMe or Indiegogo.

Finally, Kickstarter is an all-or-nothing crowdfunding platform, meaning that you must hit or exceed your goal in order to keep any of the funds raised at the end of your campaign.

**Pricing**: If successful, “Kickstarter’s 5% fee, and payment processing fees (between 3% and 5%).”

**Indiegogo**: Indiegogo was actually founded before Kickstarter and has established a reputation of being a bit more of an open platform. The website accepts more international projects and also projects that fall into the “charity” arena on the subsection of their platform, Generosity.com.

Historically, Indiegogo has been a bit more aggressive in terms of rolling out new functionality and has also taken a little more of an active role in recruiting projects, based on the private conversations I’ve had with creators. However, I would be amiss if I didn’t point out that Kickstarter has also done a great job engaging creators with new initiatives, like the Kickstarter Film Festival.

One of the big differences between Indiegogo and Kickstarter is that Indiegogo has a flexible funding option, which means that as a creator, you can keep what you raise at the end of your campaign, though you must still make good on your promises to ship out rewards to your backers.
Pricing: When your campaign raises funds, Indiegogo charges a 5% fee on the funds you raise. There are also payment processing fees.

Indiegogo Life (now Generosity) Pricing: Indiegogo Life features a 0% platform fee with a 3% payment processing fee. The platform will also ask your donors to donate to Indiegogo at the rate of 15-20% of their contribution.

**GoFundMe:** GoFundMe has arisen as the leader in the personal fundraising space, having helped individuals raise $470M in 2014 and nearly $1 billion in total dollars. Popular categories include raising money for medical costs, volunteer initiatives, and education, though they also feature business and creative categories.

Although I do see some personal fundraising campaigns go viral on social media and raise thousands or hundreds of thousands of dollars, the vast majority of GoFundMe projects raise ~$1k and mainly from the individual’s social network. Therefore, GoFundMe should be looked at a software solution to raise funds for a cause or yourself.

Pricing: 5% + ~3% payment processing fee.

**Lending Club:** Although “peer to peer lending” is a more common term than “debt crowdfunding,” I decided to include this website in this list, as it is an alternative way for entrepreneurs or individuals to secure capital or funds.

77.41% of Lending Club borrowers report using their loans to refinance existing loans or pay off their credit cards. 1.57% of Lending Club’s total loans are business loans.

In the last quarter of 2014 alone, Lending Club facilitated $1.4 billion in loans, and it’s only increasing. The company, which had an IPO in late 2014, valuing the company around $8 billion.

**CrowdCube:** CrowdCube is one of the leaders in the UK equity crowdfunding marketplace that has helped companies raise £15 million in 2014, but the website has already broken that record in the first quarter of 2015, which saw £17.5 million raised by companies on CrowdCube.

The company has facilitated the investment of over $100 million in US dollars for startups and established businesses in the UK.

**Don’t worry!** I know these are a lot of different websites that you can use to make your dream a reality.

In this blueprint to launch a successful crowdfunding campaign, I’m going to be focusing exclusively on Kickstarter and Indiegogo.
I’ll show you not only how to raise funds, but also tricks and techniques that you can use to accelerate the fundraising process.

What goes into a crowdfunding campaign

So, what things do you need to get this whole fundraising process going on Kickstarter or Indiegogo? This is exactly what you need:

1. **A pitch video**: This is the first impression that people are going to get when they come to your page.

By Indiegogo’s estimates, projects with a video can raise 115% more than projects that do not have a video.

According to Kickstarter, projects with videos succeed at a much higher rate than those without (50% vs. 30%).

In addition, MWPDigitaMmedia, who analyzed 7,196 Kickstarter projects in 2013, projects that have a video are 85% more likely to achieve their funding goal.

2. **Campaign text**: Great copywriting and attractive images will get your backers excited about your project. Your campaign text has crucial information, like when you’re going to deliver on the end product and why you or your team is qualified to make this product.

3. **Rewards or Perks**: While some backers decide to support a crowdfunding campaign purely because they like the creator or project, most early adopters pledge to a campaign because they want to own some cool swag, the product itself, or take part in an experiential reward (like getting a cartoon drawing of yourself).

The average amount pledged to a crowdfunding campaign is $60-80. But, $25-30 is the most popular amount pledged to a crowdfunding campaign.

4. **Limited Duration**: There are a fixed number of days that backers can get their pledge in and help support the project. After that time period is over, they can’t pledge to it any more.

Most campaigns run between 25-45 days. For the majority of creators, I recommend running a campaign that is 30 days or less.

5. **Updates**: You can think of updates like a blog that you’re running throughout the entire campaign period. You’ll use updates to engage backers, release news, and address concerns.

Indiegogo campaigns that send out at least 3 updates raise about 239% more money than those that post two or fewer.
Although Indiegogo now offers the InDemand program, which allows creators to continue to take orders for their product after the campaign is finished, the majority of crowdfunding campaigns receive most of their pledges while the project is live.

I know what you’re thinking...

**Do you really need a video?** Yes!

**Do I really need all of these things?** Yes!

As crowdfunding has become more popular, it’s become even harder to raise money from the crowd.

You’re going up against other campaigns that *do* have these different assets, which help communicate their story and incentivize backers to join their project.

As you can see, raising money isn’t effortless. It takes work and a steadfast commitment to making an awesome pitch, product, and experience for your backers.

Before you put in all of that work, it would be nice to know whether or not your idea is a good fit for crowdfunding to begin with.

You’re in luck! That’s what I’m going to be covering in the next section.

Take my advice with a grain of salt, but I’ve also been helping crowdfunders for several years and have seen *a lot* of different types of crowdfunding projects.

**Is your idea a good fit for crowdfunding?**

Let’s examine some of the pros and cons of launching a crowdfunding campaign on Kickstarter or Indiegogo.

**Pros:**

- You do not have to give away equity in your business or intellectual property rights.

- You can use your backers’ social media clout to help spread the word about your new project and reach new customers.

- Major platforms have a backer community, meaning that if people like your project, you have the chance to receive pledges from strangers.

- You can get feedback early-on in the innovation process through the comments section of your project and on updates.
• Backers and pledges can be used as a validation of your target market. This is data you can bring to angel investors or venture capitalists for future investment.

Cons:

• You must invest time and money in creating an attractive campaign page, brainstorm rewards, and make a compelling pitch video.

• You must pay taxes on any pledges that are not donations (we’ll get to that later) and that are not used in the creation of the rewards for backers.

• It’s unlikely that you will make much profit on the funding round. This is because you must invest most of the money in fulfilling the rewards that you promised backers.

• You risk the chance of having your product or idea ripped off. Trademarks and patents do provide some defensibility, but they are hard to enforce internationally.

• You must spend time marketing the project, reaching out to reporters, and being attentive to backers. Crowdfunding is a part-time, if not a full-time job.

• You risk embarrassment if you fail. But, repeated failure is part of the territory if you are trying to bring a cool product or creative art piece into the world.

You should know, not all categories on crowdfunding platforms are created equally.

Creators in the design, technology, gaming, and fashion categories might see backers from around the world support their campaign. Pledges could pour in, and they’d shoot past their funding goal with ease.

However, campaigns in the publishing, dance, music, and theater categories don’t experience the same level of interest from strangers.

These types of campaigns tend to see pledges coming in from the friends, family, fans, and second degree connections of the creator.

This doesn’t mean that if you’re looking to launch a campaign in one of these categories that you won’t be able to gather up a base of supporters.

It will just take more pre-launch crowd building, marketing, and hustle on your part. You won’t be able to reap as many rewards from being a part of the crowdfunding platform’s marketplace.

Do not launch a crowdfunding campaign if:

• You don’t have a prototype or sample work that you can show people. People don’t want to help crowdfund an idea that has no work behind it.
• You’re not willing to let your friends know about this awesome new project and get them onboard.

• You have no desire to put in the work to market the project to your target audience.

• You’re raising money for a cause, and not a project with tangible deliverables. Although you can raise money for this type of project with one of the mentioned crowdfunding platforms, I’ll be focusing on projects with a clear deliverable in this book. That could be a comic book, album, or tech gadget.

The secret sauce: what makes it all work.

One of the most popular questions that I get in interviews is, “so what’s the secret to this whole crowdfunding thing?”

Well, I’m here to tell you!

I’ve boiled it down to one sentence.

**Successful crowdfunding comes down to building relationships at scale.**

In the past, you might have had to fly around the country, show prototypes of your product to potential investors, and spend time getting the contact information of investors to get funding for a project.

Now, you can go straight to the crowd, your customers.

You can spend a definite amount of time creating a pitch video, campaign text, coming up with rewards, and showing off a prototype and it will **seen by thousands** of people around the web.

There’s a tremendous amount of scale that comes with launching a crowdfunding project, which is unique to the web.

Rather than putting in the energy to attract more investors, you’ll see funds trickling in on their own.

These could be backers that found you in the Kickstarter or Indiegogo marketplace.

They could be backers who saw your campaign on Facebook, Twitter, or other sites. Your crowd or tribe will help you reach a demographic that you didn’t have access to previously.

But, there is a price. You have to work to earn the trust and support of your followers.

You must develop a positive relationship with your backers, answer their questions, and get them as excited as you are about this new campaign.
The more effectively you tell your story through social channels, marketing, PR, your video, and campaign text, the stronger the relationships that you form will be, which makes all the difference.

We support and buy from people that we know, like, and trust. Not just because they promise us a cool experience or product.

**Crowdfunding Communities and Resources**

Thankfully, a great community has formed around the growing crowdfunding industry. There are lots of places where you can ask questions, get information, and share your project. Here are a few.

**KickstarterForum.org** - You can share your Kickstarter or Indiegogo project, ask questions, and connect with other creators.

**CrowdfundingForum** - Discuss topics in the crowdfunding industry, talk with other campaigners, and ask questions about your project.

**CrowdCrux.com** – A blog that helps creators launch campaigns on Kickstarter and Indiegogo.

**LinkedIn**: Kickstarter Support Group, Funding the dream with Kickstarter, Crowdfunding Discussion, Crowdfunding - Kickstarter, Indiegogo, and more.

**Google+**: Crowdfunding, Kickstarter Supporters and Campaigns, Kickstarters.

**Twitter**: @CrowdfundingForum, @CrowdCrux, @CrowdfundingPr_, @BestofKickstarter.

**Who am I?**

My name’s Sal, and I’m a crowdfunding nerd. I’m passionate about two things: the growing crowdfunding industry and helping people reach their fundraising goals.

My number one goal is to see to it that you have all the tools and knowledge to run a kickass crowdfunding campaign.

It can be a headache to wrap your mind around all of the resources available and actions you need to take in order to get it off the ground.

I’ll tell you *exactly* what you need to do to launch a successful crowdfunding campaign.

I’ve been helping creative types launch successful crowdfunding campaigns for 3 years now, and I’ve loved every minute of it!
Don’t think that I started out with all of the answers. I learned a TON along the way, and the landscape is always changing.

But, I was determined to figure out this industry and just why some crowdfunding projects see mind-blowing success and others fail by the wayside. In the next pages, you’ll see what I’ve learned!

- Sal