Project acronym:	CHEST
Project full title	Collective enHanced Environment for Social Tasks
Grant agreement no:	611333

D5.2 Best-Practice Guide for Crowdfunding

Dissemination Level		
PU	Public	X
PP	Restricted to other programme participants (including the Commission Services)	
CO	Confidential, only for members of the Consortium (including the Commission Services)	

Version

Version	Date	Author	Organisation	Description
Draft 1	15th July	MB	EIPCM	First draft
Revision 1	30th September	JN, MB	EIPCM	First revision
Final	23rd October	MB	EIPCM	Final version

1 Introduction

Social innovators may face difficulties in obtaining funding through conventional financial options. Crowdfunding offers a financial alternative for social entrepreneurship. Crowdfunding platforms enable an entrepreneur to access funding from many different funders, that is, the crowd. Thus in order to attract funding from these potential funders, the entrepreneur must advertise the social venture to overcome the lack of information that potential funders may have. This report is concerned with the issue of financing social entrepreneurship and looks into how social entrepreneurs can exploit the resources of the crowd to finance their initiative.

1.1 Defining crowdfunding

Crowdfunding draws inspiration from concepts like micro-finance and crowdsourcing, but represents its own unique category of fundraising, facilitated by a growing number of internet sites devoted to the topic. As in any emergent field, the popular and academic conceptions of crowdfunding are in a state of evolutionary flux that makes complete definitions arbitrarily limiting. In one of the few published overviews of the topic, Schwienbacher and Larralde [SCH10] define crowdfunding as "an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes."

However, even this expansive definition potentially leaves out examples that scholars in various fields have labelled "crowdfunding," including internet-based peer-to-peer lending and fundraising drives initiated by fans of a music group, among many other cases. For a deeper understanding of the field, it is therefore necessary to take a closer look at the different types that have evolved: crowddonating, crowdsponsoring, crowdinvesting and crowdlending [LEI12]. Figure 1 shows the market share for each crowdfunding type in the year 2012.
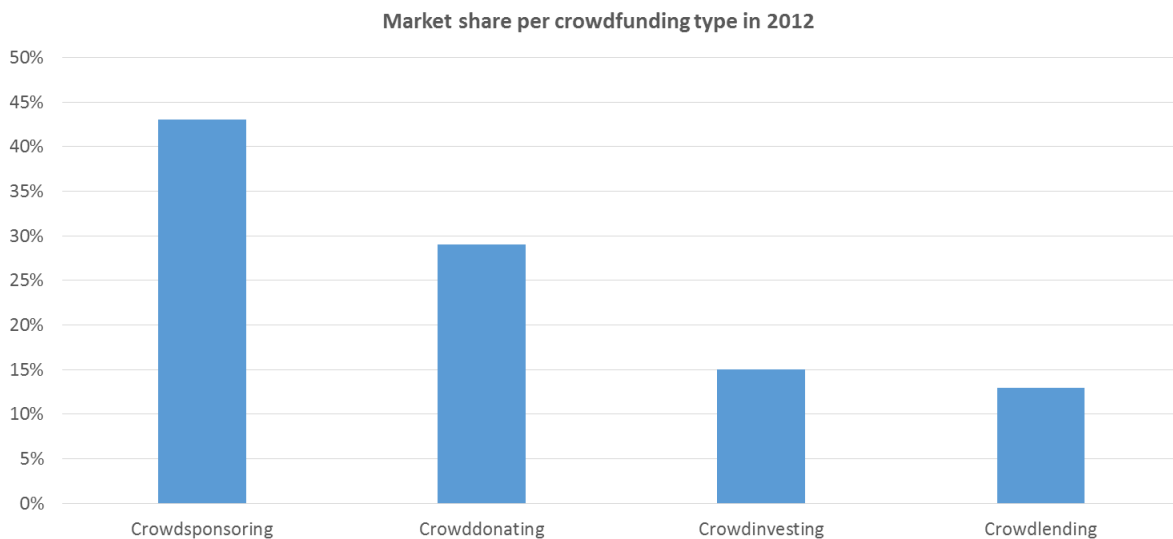

Figure 1: Market share per crowdfunding type in 2012 [based on www.statista.com]

The following sections provide an overview of the four main types of crowdfunding and their typical attributes.

1.1.1 Crowdsponsoring

At a Glance: Crowdsponsoring

Operational aspects	Exchange of product, memento, experience, thanks
	Low to high risk for capital goal
	Medium risk for typical individual contribution
	Enforced time limit of campaigns
Typical starters	Starters composed of teams and individuals
	Starters have project experience
Typical projects	Suitable for projects and products
	From conceptual to prototype stage of business cycle[1]
Motivation of backers	Rewards
	Being part of the project
Technological aspects	Social network connections intensively used
	Main communication tools: Comments and updates
	Main support tools: Funding and rewards fulfilment
	Platforms provide transparency of project and founder
Example platforms	startnext.de
	kickstarter.com
	indiegogo.com

Crowdsponsoring campaigns aim to fund projects ex-ante and the crowd of supporters receives non-monetary rewards, like products, services or reputation. These can range from a virtual "high five", to a hand-signed DVD or the listing of backers on the organisation's website. A special form of crowdsponsoring are **pre-selling** or pre-ordering campaigns: The donation is meant to help produce something (a book, a film, a music album, a theatre performance, software, some new technical product, an agricultural product, a service concept etc.) and the promised return is the delivery of an early version of the product or service. In such a case, crowdfunding is basically an advance order of a product and represents a purchasing act which is subject to turnover tax.

When a crowdsponsoring model is used, the project founder may begin with an idea for a project or product and may even have a rough prototype of the project they hope to create. Project details are

---

[1] The purpose of many crowdfunding campaigns is to develop a product that can be taken to the marketplace. However, founders will come to the capital markets with products in different stages of development from mere ideas roughly sketched on paper to fully developed prototypes ready for commercialization. Still others may come to crowdfunding with an existing revenue stream and they are looking to grow an existing business by taking their product to the next level. Crowdfunding of products in the conceptual phase will have longer development times and should set the expectation that the resulting product may resemble a beta version rather than a polished market-tested end product [BEA15].

posted on crowdfunding website including pictures and often a video to introduce the project founder and their idea. Links to social networking sites (e.g., Facebook, Twitter) are common to allow backers and browsers alike to share the crowdfunding campaign with their social network. The crowdsponsoring model is interesting because it most embraces a new innovative business model. A significant distinction from other forms of financing relate to the types of projects that are created. Typically, the projects are focused on completing a specific project and only a minority is running such a campaign for an ongoing business. The founders are also distinct in that the majority has experience related to the project and/or the business domain. Founders are typically a mix of teams and individuals [BEA15].

The backers do not receive any equity or debt; thus, their main concern is the short-term completion of the project (and the resulting receipt of their reward) as opposed to the long-term outcome of the project founder or the project per se. And while the rewards model may overlap with e-commerce business models to some extent, the distinction is that the product does not exist before the purchase is made, nor is the founder of a campaign generally an existing business, so the risks taken by the backer and the associated motivation to contribute are different than what one would expect in an e-commerce situation.

A distinguishing factor of the crowdsponsoring model is that, due to the nature of the exchange, campaigns can far exceed their capital goal quickly. As opposed to the other crowdfunding models, rewards campaigns end at the end of the time period, not when the dollar goal amount is reached. This can lead to campaigns far exceeding their requested capital goal.

The websites supporting rewards-based crowdfunding provide several features to help both starters and backers communicate and to share the project with others. Links to social media outlets such as Facebook and Twitter are prominent, and the number of times a campaign has been "liked" is visible, which encourage backers to let others know about campaigns. Starters and backers are able to communicate through a comments section where backers ask questions, receive clarification, complain, or encourage the founder. Starters post project updates that let backers know the status of a campaign (and the resulting project progress after a successful campaign has ended). Updates are also used to encourage further contributions after the funding goal is met by providing "stretch goals" and unlocking new reward levels. The rewards structure is unique to crowdsponsoring campaigns, and website providers offer tools to set up various reward levels and tools for reward fulfilment. The website providers also offer secure third party payment processing to collect the contributions from backers and then distribute the money to the founder. Transparency is enabled through the websites with a focus on providing information about the founder and the project itself. Many websites post a list of backers on the campaign while others allow a backer to keep their identity private [BEA15].

1.1.2 Crowddonating

At a Glance: Crowddonating

Operational aspects	Exchange of thanks
	Low risk for capital goal
	Low risk for typical individual contribution
	Enforced time limit of campaigns
Typical starters	Starters composed of teams and individuals
	Starters have project and/or research experience
Typical projects	Suitable for projects
	Typically at conceptual stage of life cycle
Motivation of backers	Philanthropic incentives
Technological aspects	Main communication tools: Comments, results and updates
	Main support tool: Funding
	Platforms provide transparency of project and founder
Example platforms	experiment.com
	betterplace.org
	altruja.de

Crowddonating or crowdraising means the donation of money by the crowd. There is no explicit material or financial reward for donors. Projects funded in that way are mostly social and the motivation of the donors mostly of altruistic nature.

Crowddonating shares aspects of other models yet it is unique in that the backer does not receive anything in return for their donation other than gratitude from the founder. Donation crowdfunding has been associated with funding open access journalism, classroom teachers, and scientific research. In many instances, the projects themselves may be considered public goods and lend themselves to philanthropy. In addition to appreciation from founders, results from funded projects are then shared, which is consistent with the concept of a public good. And while some research has argued that pure altruism does not exist, the donation model of crowdfunding shows evidence of a substitution effect as seen in crowding-out behavior, which supports the existence of pure altruism [BEA15].

Platforms for crowddonating campaigns allow space for the founder to post their project including an opening pitch, a description of the project, and a budget for funds. Comments sections are mostly available and are used mostly to wish the founders luck and success. The use of social media is available but is not a prominent part of the campaign. Beyond communication tools in the form of comments, the platforms also facilitate secure payment transactions and distribution of the collected funds through a third party payment processing system. Transparency is enabled through the platforms with a focus on providing information about the founder and the project itself [BEA15].

1.1.3 Crowdinvesting

At a Glance: Crowdinvesting

Operational aspects	Exchange of ownership
	High risk for capital goal
	High risk for typical individual contribution
	No enforced time limit of campaigns
Typical starters	Starters composed of teams
	Starters have project and business experience
Typical projects	Suitable for products
	Typically at growth stage of business cycle
Motivation of backers	Investment
Technological aspects	Main communication tools: Conference calls, finance reports
	Main support tools: Screening and qualification of backers, business valuation
	Platforms typically constrain information sharing
	Founders choose backers
Example platforms	equinet.com
	innovestment.de
	seedmatch.de

Crowdinvesting is similar to crowdsponsoring but is equity-based (not reward-based) and (partly) funds Start-ups and Enterprises rather than single projects. Another difference is that the rewards offered to funders are of financial nature – in form of shares of the enterprise or of the (expected) profit. Crowdinvesting campaigns are typically run by ongoing business in their growth stage of the business cycle. They are mostly started by teams with entrepreneurial or product expertise.

Traditionally, projects funded by VCs are often sold in 5 years of funding and the "exit strategy" is an important consideration during the funding period. Typically, there are no time limits for reaching the capital goal in equity crowdfunding. There is evidence that, when the capital requirement is larger, founders prefer private equity crowdfunding over rewards-based crowdfunding [BEL14].

Private equity crowdfunding has several advantages over traditional equity fundraising in that a larger and more diverse pool of backers can be reached, and money can be raised faster, which lets the founder stay focused on running their business. However, the disadvantages include limited access to resources typically provided by venture capital firms such as advice, mentoring, and network connections. It is yet to be seen whether these types of resources will become available and

to what extent under the crowdfunding model; however, there is value in these non-financial resources that private equity founders may miss out on, perhaps to their detriment [BEA15].

While backers primarily take an investment approach and are interested in the monetary returns, the risks of business failure remains high. Private equity investments are illiquid, and backers may wait several years before they see a return (if any) of their original contribution. Because these companies are exempted from many of the regulations, some opponents argue that less regulation and less disclosure increases the risk of fraud [BEA15].

The process of equity crowdfunding has mimicked many of the practices of the traditional venture capital/angel investing market. The equity crowdfunding websites enable and further this institutionalization by offering communication tools, labeled as "conference calls", and the equivalent of a "deal room". Equitynet.com also offers tools for the founder to better assess their business risk and business valuation tools. As opposed to enabling transparency, these websites play a role in limiting access by qualifying would-be backers and providing tools such that founders can decide with which backers to share projects details [BEA15].

1.1.4 Crowdlending

<div style="border: 1px solid purple; padding: 10px;">

At a Glance: Crowdlending

Operational aspects	Return of principle plus interest
	Medium risk for capital goal (but wide variety)
	Medium risk for typical individual contribution
	Enforced time limit of campaigns
Typical starters	Starters composed of individuals
	Often, but not always, starters have project experience
Typical projects	Suitable for projects
	No prominent stage of life cycle
Motivation of backers	Investment
Technological aspects	No prevalent communication tools
	Main support tools: Funding, data downloads for backers
	Platforms provide transparency of loan risk and past loan performance
Example platforms	prosper.com (peer-to-peer lending)
	smawa.de (peer-to-peer lending)
	kiva.org (microlending)

</div>

In crowdlending campaigns the crowd grants money to Entrepreneurs, which should be paid back later with a certain interest rate (which in this case is the reward for the supporters). There are also lending models without interest rates to be paid, in these cases social causes provide the motivation for the lenders (for example supporting entrepreneurs in the developing world with loans). Peer-to-

peer lending between private individuals is enabled by web platforms connecting lenders and receivers thus avoiding traditional brokers like banks. Microlending platforms mediate micro credits to projects aiming for economic development.

A previous study found that about 28 percent of campaigns on Prosper.com link to friends, and these campaigns are more successful at reaching their capital goal, have a lower interest rate, and have lower default rates [LIN13]. In their findings, Lin et al. note these findings may be explained by backers who lack "sophisticated risk assessment methodologies" and may interpret friends as a signal of quality (p. 33). Other ways that backers can find quality campaigns is through rational herding; that is, not merely mimicking other's behaviors (irrational herding), but instead, learn from other backers' actions in order to determine a founder's creditworthiness [BEA15].

An interesting phenomenon is emerging on peer-to-peer websites that are beginning to reach out to institutional lenders such as asset managers, pension funds, hedge funds, family offices, and other institutions and marketing these loans as a new asset class. To support institutional investors, Prosper.com provides an application programming interface (API) that backers can use to download historical data of past loans and data on current loans.

The main focus of the portals is to qualify and rate founders and facilitate the monetary transaction between the founder and backer. Unlike other crowdfunding models, other than knowing the founder's credit risk, there is little information available regarding the founder on the campaign. There are no social media links such as Facebook nor Linkedin to share a campaign, although Prosper.com does offer a link to share a campaign through email. Neither Prosper.com nor LendingClub.com provide communication tools or updates from founders during or after the campaign ends. For backers and browsers, the websites are used to search for loans meeting a certain risk level and to fund the loan. Transparency is focused on disclosing the founder's credit risk and on providing extensive data on past and current loans [BEA15].

1.2 Overview of crowdfunding market and platforms

At a Glance: Crowdfunding Market and Platforms

The crowdfunding market has seen an enormous rise over the last decade with thousands of successful campaigns run. The number of platforms available has also seen significant growth. They have different target groups and implement different business models:

- **Threshold pledge models**: In the **All-Or-Nothing (AON)** model, starters set a capital-raising goal below which they do not keep any of the pledged funds, and the crowd does not get any reward. In the **Keep-It-All model (KIA)**, by contrast, the starter can keep the entire pledged amount, regardless of whether or not the stated capital raising goal is reached.
- **Micro-lending models** broker small credits on a peer-to-peer basis.
- **Investment or equity models** split the capital raised into equity shares of the venture.
- In the holding model the platform operator creates a subsidiary company as an individual holding for each of the crowdfunding ventures.
- The **club model** recruits potential funders from the crowd as members of a closed circle, which acts like an investment club.

Crowdfunding platforms are the intermediaries that act as facilitators for crowdfunding. At present, many new platforms evolve on all continents, each attempting to offer novel features and business models. Hemer [HEM11] has identified the following basic business models:

Threshold pledge models: All-Or-Nothing vs. Keep-It-All

The threshold pledge model has evolved two different forms: "All-Or-Nothing" (AON), and "Keep-It-All" (KIA). In the AON model, entrepreneurial firms set a capital-raising goal below which the entrepreneurial firm does not keep any of the pledged funds, and the crowd does not get any reward. The platform and the project initiator agree on a concrete pledging period (between two weeks and several months) and a so-called threshold, a targeted sum of money that must be reached via the contributions of the backers before any financial transaction is generated. The backers only promise to pay a specified amount if the threshold is reached within the agreed period; they only give pledges. In order to make the status of each funding process fully transparent, the platform manages a website for each project where the Web community or the interested public can view the current status of the incoming pledges and the number of backers. The platform administers the pledges and once the sum of money pledged has reached or exceeded the threshold at the end of the period, the pledges are transformed into financial transactions, e.g. the payments are released from the escrow account and transferred to the project's account. If the threshold has not been reached, the fund-raising is regarded as unsuccessful and the financial transactions are not realized. In the Keep-It-All model (KIA), by contrast, the entrepreneurial firm can keep the entire pledged amount, albeit at higher fees, as explained further herein, regardless of whether or not the stated capital raising goal is reached. Both forms of the threshold pledge model are widely applied among many platforms. The AON principle is the predominant model for crowdfunding projects that aim to collect capital via donations, sponsoring, pre-selling or pre-ordering. In more advanced business models, the platforms offer both, AON and KIA models to choose and they tend to combine this model with other features like lending or investment models.

Micro-lending models

Several platform models exist which broker small credits on a peer-to-peer basis, i.e. from individual to individual without the (direct) involvement of a bank. As one example, the German platform www.smava.de collects loan pledges from the "crowd" for private projects and, according to the threshold-principle, releases them the moment the target is reached. Smava then collects the repayment instalments from the debtor (the project initiator) and forwards them to each crowd-lender. In smava, the relationship between lender and debtor remains fully anonymous, whilst P2P lending normally includes personal contact between the partners in the credit contract.

Investment or equity models

Investment or equity models first became known through two platforms specializing in the music business (e. g. www.sellaband.com). Project initiators (here: musicians) and their partner platforms define a period and a target amount of money which serves as a threshold. They divide this target into thousands of equal slices, which are offered via the platform as equity shares (or stocks) to the crowd at fixed prices (e.g. € 10). Pledging then begins, analogous to the threshold-pledge model, until the threshold is reached. After that, a so-called investment phase begins.

Holding model

The former British music platform Bandstocks and the current French platform www.wiseed.fr (specialized in start-ups) both supplement the above outlined investment model with a feature that Hemer calls the "holding model". This involves the platform operator creating a subsidiary company as an individual holding for each of the crowdfunding ventures that are to be funded. Each holding owns the above-mentioned shares of "its" venture and sells them to the crowd. It acts as a single

investor in the crowdfunding venture, alongside other potential investors from the conventional capital market.

The club model

The public offering of investment opportunities (securities) is highly regulated and restricted. In many countries, this requires the publication of a sales prospectus, which must be accepted by a supervisory authority (e.g. the SEC in the USA, BaFin in Germany). The procedures involved are complicated, time-consuming and costly, so that in practice they are prohibitive to a small-scale crowdfunding campaign. To avoid this bureaucracy and cost, some platforms organize their community by recruiting potential funders from the crowd as members of a closed circle, which acts like an investment club. The regulatory provisions are then less strict, because members of these clubs are regarded as "qualified investors" who need less legal protection. This brings to mind the construction of business angel clubs, which – among others – serve the same purpose of bypassing the cumbersome concession process.
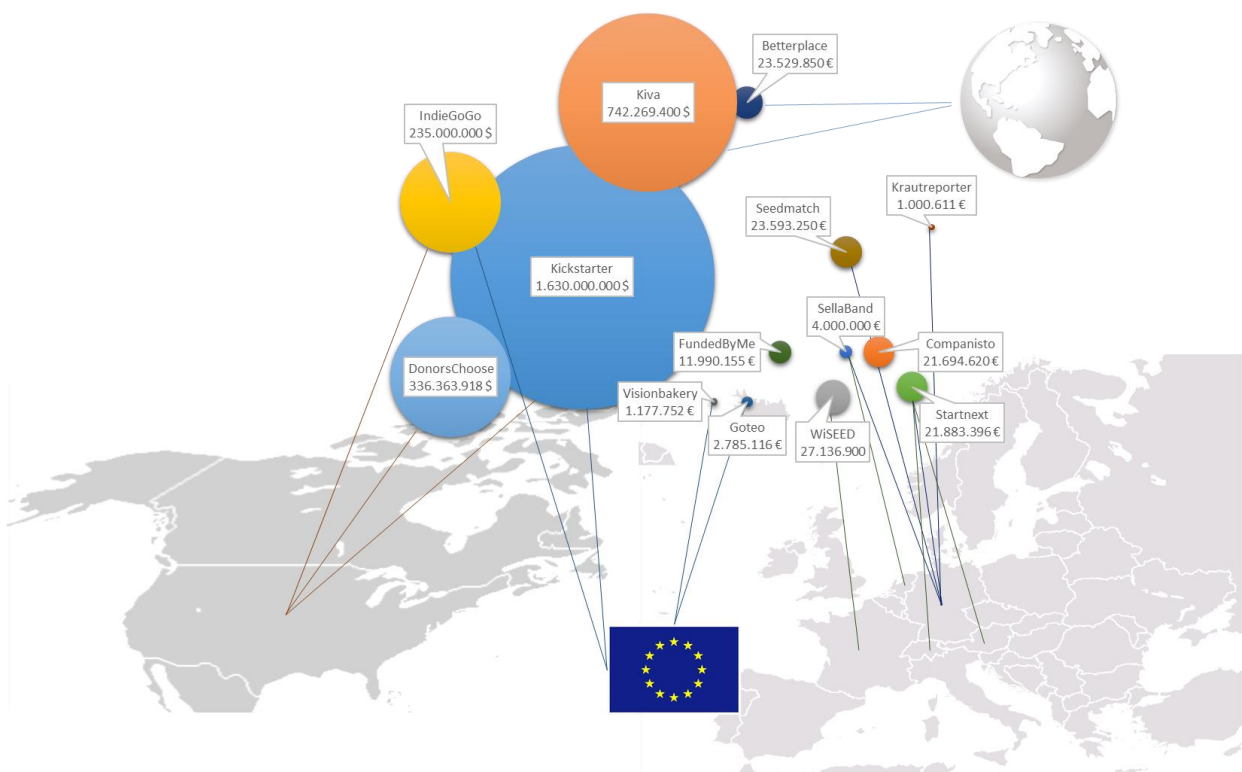

Figure 2: Geographical range of and cumulated amount of money paid out by selected crowdfunding platforms

Table 1 provides an overview of a selection of relevant crowdfunding platforms worldwide compiled from Internet research. If not stated otherwise, the data provided in the table is based on self-assessments provided by the platforms themselves. The terms "successful" and "un-successful" projects are used which refer only to the success (or failure) of finishing the crowdfunding process on the platform according to the pre-set targets. The project could still go on to fail after this initial "successful" fund-raising campaign, as is the case with any other project. This subsequent performance is not considered here. With regard to the costs for starting a campaign it is important to note that additional fees might apply depending on the mode of payment (i. e. fees for PayPal transactions etc.)

Table 1: Overview of selected crowdfunding platforms

Platform (country)	Sector	Platform start date	Main target group	Crowdfunding model(s)	Platform business model	No. of successful projects (success rate)	Avg. Amount of money pledged per project	Cumulated amount of money paid out in total	Avg. pledge per supporter	Costs for submitter
Kickstarter (US + EU)	Any	2009	Non-profit, For profit / commercial	Crowdsponsoring	Threshold pledge	90.688 (37 %)	7.746 $	1.630.000.000 $	204 $	5 % of total funding budget, special rate for small pledges
Companisto (DE)	Startups, Real estate	2011	For profit / commercial	Crowdinvesting	Threshold pledge	45 (n.a.)	482.103 €	21.694.620 €	n.a.	10 % of total funding budget + administrative fee
WiSEED (FR)	Startups, Real estate	2002	For profit	Crowdinvesting	Holding model	76 (n.a.)	357.064 €	27,136,900 €	n.a.	Between 5 and 20 % of the funding budget
IndieGoGo[2] (US + EU)	Any	2007	Non-profit, For profit / commercial	Crowdsponsoring	Threshold pledge, flexible fundings	24.750 (9 %)	9.495 $	235.000.000 $	n.a.	5 % of total funding budget (AON + KIA), 25 % discount for non-profits
SellaBand (NL + DE)	Music	2006	Non-profit, For profit / commercial	Crowdsponsoring Crowdinvesting	Investment	n.a.	n.a.	4.000.000 €	n.a.	15 % of total funding budget
Startnext (DE/A/CH)	Any (focus on creative projects)	2010	Non-profit, For profit / commercial	Crowdsponsoring Crowdinvesting	Threshold pledge	2.903 (56 %)	7.538 €	21.883.396 €	n.a.	Transaction fee: 4 %, optional donation supporting startnext
Goteo (ES + EU)	Social	2010	Non-profit, For profit / social business	Crowddonating Crowdsponsoring	Threshold pledge	413 (69 %)	6.743 €	2.785.116 €	48 €	4 % of total funding budget
Krautreporter (DE)	Journalism	2014	Non-profit	Crowdsponsoring	Club model	n.a.	n.a.	1.000.611 €	57 €	None, platform is financed by shares of membership fees
Visionbakery (DE + EU)	Any	2010	Non-profit, For profit / commercial	Crowddonating Crowdsponsoring	Threshold pledge	274 (57 %)	3.597 €	1.177.752 €	55 €	11,9 % of total funding budget
Seedmatch (DE)	Startups	2011	For-profit	Crowdinvesting	Threshold pledge	81 (n.a.)	291.275 €	23.593.250 €	965 €	Between 5 and 10 % of total funding budget
Betterplace (DE +	Social	2007	Non-profit	Crowddonating	Threshold pledge	14000 (n.a.)	1.680 €	23.529.850 €	n.a.	Free, optional donation from starters and backers

---

[2] IndieGoGo does not publish campaign statistics. The data presented here is based on an analysis by https://www.krowdster.co

Platform (country)	Sector	Platform start date	Main target group	Crowdfunding model(s)	Platform business model	No. of successful projects (success rate)	Avg. Amount of money pledged per project	Cumulated amount of money paid out in total	Avg. pledge per supporter	Costs for submitter
worldwide)										
Wefund (UK)	Creative projects	2010	Non-profit, For profit / commercial	Crowdsponsoring	Threshold pledge	398 (n.a.)	n.a.	n.a.	n.a.	5 % of total funding budget
FundedByMe (SE + EU)	Any	2011	For profit / commercial	Crowdsponsoring Crowdinvesting Crowdlending	Threshold pledge	418 (n.a.)	122.706 €	11.990.155 €	5.935 €	6 % of total funding budget, For equity-based campaigns: 8 % of total funding budget + additional fee of € 500, For loan-based campaigns: 4% of total funding budget + 1% administration fee on repayments made to lenders
DonorsChoose (US)	Classroom projects	2000	Non-profit	Crowddonating	Threshold pledge	596.339 (68 %)	706 $	336.363.918 $	68 $	Free, optional donation from starters and backers
Kiva (US + worldwide)	Any	2005	Non-profit	Crowdlending (Micro-lending)	Micro-lending model	930.650 (99 %)	416 $	742.269.400 $	10 $	Free, optional donation from starters and backers

Kickstarter regularly analyses also non-successful campaigns. Figure 3 shows that 62,1 % of the unsuccessful projects (97.675 of 157.410) raised between 1 % and 20 % of their funding target. At the same time, almost none of the unsuccessful projects failed with more than 40 % of their funding target reached (summing up to only 0,06 %). In consequence, starters should aim to reach 20 % of their funding level as quickly as possible. Once they have surpassed this threshold, chances to successfully complete the campaign are very high.
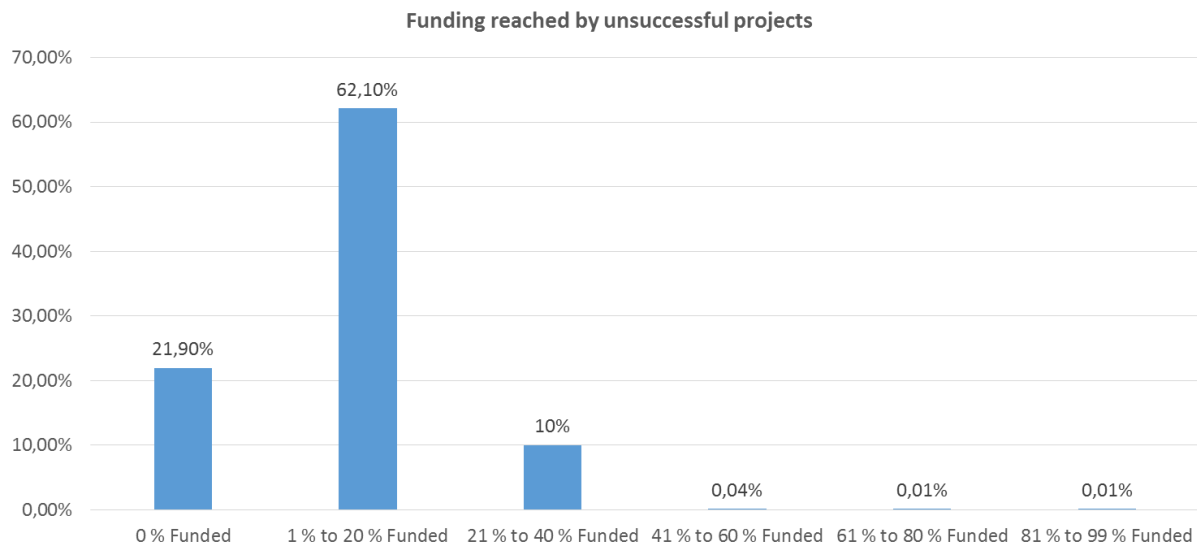
Funding reached by unsuccessful projects

Figure 3: Funding reached by unsuccessful projects on Kickstarter [source: www.kickstarter.com]

1.3   Goals of starters and backers

Starters and backers have a wide variety of goals. Many crowdfunded projects seek to raise small amounts of capital, often under € 1.000, to initiate a particular one-time project like an event. In these cases, capital is often provided by friends and family [MOL14]. Increasingly, however, crowdfunding appears to be a viable source for entrepreneurial seed capital, allowing entrepreneurs to raise the initial money required to start their new venture [SCH10]. For example, of the fifty highest funded projects through 2012 on Kickstarter, the premier crowdfunding site, 45 have turned into ongoing entrepreneurial firms [MOL14].

However, funding need not be the only goal for starters of a crowdfunding effort, even in an entrepreneurial context [GER12]: In addition to raising funds, starters are motivated to engage in crowdfunding for the direct connection to the funders through a long-term interaction that extends beyond the moment of the financial transaction. Such committed long-term interactions allow creators to collaborate directly with funders, blurring the role between producer and consumer. The long-term relationship stands in contrast to the short-term relationship that occurs in many online financial transactions, however it is consistent with many online communities that are not focused on financial transactions, such as online discussion communities. Creators participate in crowdfunding because it expands their awareness through social media creating interest in new projects in the early stages of development. Press attention also potentially follows crowdfunding campaigns, which can be beneficial to founders. Such marketing purposes have been especially important in industries where projects seek to create ecosystems of complimentary products. Crowdfunding has also been used by founders to demonstrate demand for a proposed product, which can lead to funding from sources that are more traditional. A case of this use of crowdfunding can be found in the Pebble "smart watch," which was initially rejected for venture capital funding but was able to secure a large amount of VC funding after its Kickstarter campaign. Conversely, a lack of demand makes it easy for founders to "fail quickly" if they see little interest in a project, without the need to invest additional capital or effort [MOL14]. Starters may also participate in crowdfunding

because they want to replicate the success of others. As a positive side effect of starting a successful crowdfunding can be that it strengthens people's beliefs in their ability: public recognition and validation supports perceptions of ability and pushes people to expand their capabilities. Thus, crowdfunding, like other forms of venture finance, offers a potential set of resources and benefits that go way beyond capital.

Motivations of backers are also diverse but are key for any starter to understand and address appropriately. The relationship between funders and founders varies by context and the nature of the funding effort [BEL12]. The reasons why individuals fund projects depend on the type of project and/or crowdfunding type, and their goals often overlap as projects may allow funders to achieve several different goals simultaneously:

1. **Crowddonating** campaigns, such as art or social projects, follow a patronage model, placing funders in the position of philanthropists, who expect no direct return for their donations. People support efforts that are consistent with their identity – in this case the identity of helping others and supporting causes. In this way, crowdfunding influences the type of ideas that are realized, allowing for smaller niche markets [GER12].
2. In **crowdlending** campaigns, funds are offered as a loan, with the expectation of some rate of return on capital invested. In the case of microfinanced loans, the lender may be more interested in the social good promoted by the venture than any return generated by the loan, thus including patronage model elements as well.
3. In **crowdsponsoring** campaigns, funders receive a reward for backing a project. This can include being credited in a movie, having creative input into a product under development, or being given an opportunity to meet the creators of a project. Alternately, reward-based crowdfunding treats funders as early customers, allowing them access to the products produced by funded projects at an earlier date, better price, or with some other special benefit. The "pre-selling" of products to early customers is a common feature of those crowdfunding projects that more traditionally resemble entrepreneurial ventures, such as projects producing novel software, hardware, or consumer products.
4. Finally, **crowdinvesting** campaigns treat funders as investors, giving them equity stakes or similar consideration in return for their funding. Even within these contexts, the actual goals of funders are extremely heterogeneous. Individuals may invest in a patronage model project in order to support a cause that is viewed as important, to perceive themselves as pioneers supporting an innovation, to personally support the project founders, to engage in a community or as a political statement [MOL14].

1.4 Advantages and risks of crowdfunding

Crowdfunding is a novel way to attract seed funding for grassroots initiatives and entrepreneurs but it is not without drawbacks. Before any starter dives into the time consuming venture of profiling their project, securing supporters and then implementing their idea, taking time to understand the advantages and disadvantages of crowdfunding up front could save a lot of time and energy down the line.

Crowdfunding preserves ownership. In the case of venture capital and business angels, investors gain significant control over company's decisions whereas with crowdfunding entrepreneurs do not need to give away such rights. When capital is raised through crowdfunding, entrepreneurs do not lose the right to make company's decisions themselves.

Crowdfunding capital is exceptionally accessible. Small initiatives have very limited financing options. According to Sigar [SIG12], bank loans are often denied due to a lack of collateral, operating history and a proven track record. In addition, private financing from venture capital firms and angel investors only fund a small number of businesses – a finding that is also supported by the CHEST

applicants and experts (see Deliverable D5.1). Crowdfunding fills this early-stage-gap by connecting small grassroots initiatives and start-ups, which are marginalized from the traditional sources of funding, to the general public. Figure 4 gives an overview of funding sources typically available for entrepreneurs and shows where Crowdfunding can close the early-stage-gap.
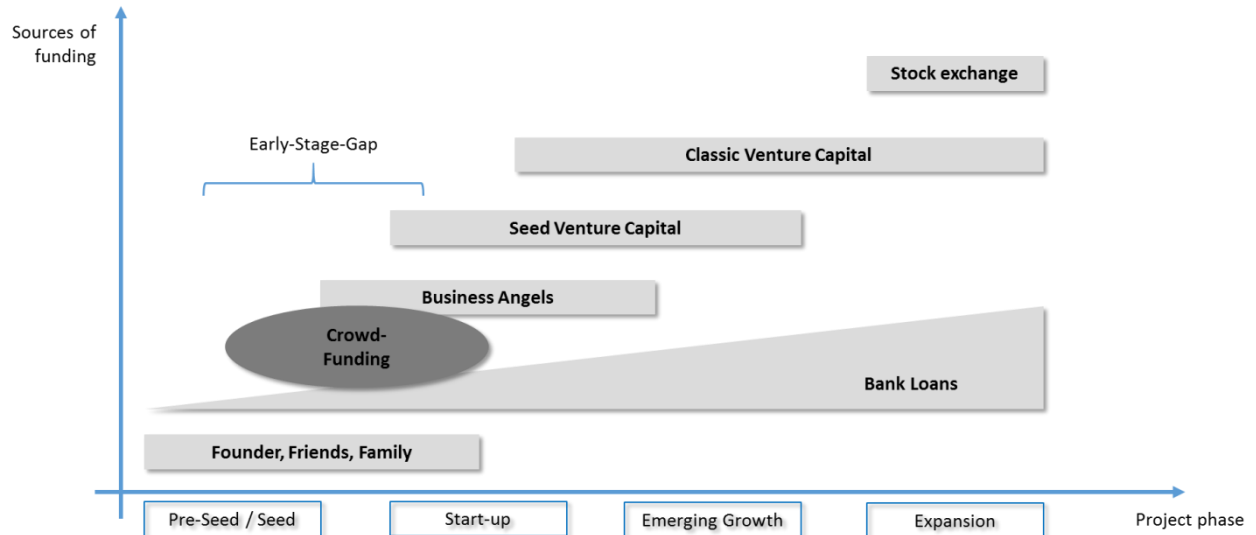

Figure 4: Crowdfunding can close the early-stage-gap (based on [HEM11])

Crowdfunding is also a chance to test the marketability. Pitching a project or business through a crowdfunding campaign can be a valuable form of marketing and result in media attention. The whole mechanism of crowdfunding is based on attracting a big number of individuals, who find an idea interesting, worth their investment, time and attention. Successful starters can gauge the potential for a promising start-up of the business or project based on the public's response to the request for support. If enough individuals believe in an idea or a business model and it is crowdfunded, the idea or business model is likely to succeed [BEC11].

A successful crowdfunding campaign can not only be a proof of your concept, but also highlights that there is a market for your business that people believe in. This is very useful when seeking additional finance from other types of financiers such as banks, venture capital, angel investors, as you might seem less risky to them, or get better terms and conditions [EC15].

Crowdfunding can serve as a means of co-designing products or services. Crowdfunding – as a special form of crowdsourcing – can be a tool for innovators to improve their business models and products or services. Starters sharing an idea often get feedback and expert guidance on how to improve it [SIG12].

Crowdfunding provides benefits for communities through both local and global means. Crowdfunding can be a tool for people to invest in their own communities and this will help to create sustainable economic health. According to Bechter et al. [BEC11], modern technologies allow to overcome geographical barriers and access money globally. Their research reveals that most entrepreneurs focus on a project within their geographical community but try to raise funds globally.

Crowdfunding also entails some disadvantages and risks, which need to be assessed carefully before the start of any campaign. To start with, entrepreneurs seeking to crowdfund their businesses should consider the administrative and accounting challenges they are going to face. Even when running a crowd-sponsoring campaign where donors receive rewards (see section 1.1), the job of recording contributions and sending rewards is time consuming. When a large number of investors become

shareholders, business will face even bigger administrative and accounting challenges – "this would require meticulous and laborious bookkeeping of all investments and shares in the business to determine the share of profits to which each investor is entitled to" [SIG12].

Bechter et al. [BEC12] state that entrepreneurs seeking to crowdfund their businesses face the risk of their idea being stolen by better-funded investors or large corporations. Especially first-time starters might lack knowledge to protect their ideas and business plans, and in case an idea or business plan is stolen, most entrepreneurs would lack the resources necessary to fight for it in court.

There is a lack of well-grounded advice on crowdfunding. Sigar [SIG12] draws attention to the fact, that crowdfunding is mainly carried out via the internet, which replaces real life encounters with virtual meetings, which could make it more difficult for investors to determine whether an issuers business in legitimate. In addition, there arises a problem of choosing a trustworthy crowdfunding platform. It is an issue for both, investors and entrepreneurs. Though huge amounts of information are available, it may be difficult to decide, which intermediary platform or which business can be trusted and worthy.

Dealing with a large and potentially diverse set of backers brings different issues, expectations and demands. Not understanding a contributor's rights, complaints handling or enforcement mechanisms can create problems, particularly with equity crowdfunding, which comes with some loss of control over your business [EC15].

Much like any other venture, there is no guarantee of success. In the all-or-nothing model (AON), if the fundraising target is not reached, money collected during the campaign will have to be returned to investors. Yet, there is also the risk of "over-funding" – successful campaigns often exceed their fundraising target by a wide margin and not always this extra money can be spend in an economic way.

Advantages	Disadvantages
👍 Crowdfunding preserves ownership	👎 Administrative and accounting challenges
👍 Crowdfunding capital is exceptionally accessible and can close the early-stage-gap	👎 Ideas and business models presented public can easily be stolen
👍 A chance to test the marketability	👎 Lack of well-grounded advice
👍 Helps with other forms of financing	👎 Issues with responsibilities towards investors and investor dynamics
👍 Supports co-designing of products / services	👎 Risk of under- and over-funding
👍 Benefits for communities through both local and global means	

1.5 Legal aspects of crowdfunding

In a recent survey [EC14], the European Commission recognizes the enormous potential of crowdfunding, especially for the sustainable startup and social entrepreneurship scene. The potential is mentioned not only in terms of direct finance access for these target groups, but also in beneficial side-effects such as creation of new jobs, earning new skills, new channels of testing and marketing a product/service etc. However, the report cautiously mentions that crowdfunding is still an emerging model and cannot be used to replace public or bank funding and identifies key legal challenges for starters and policy makers alike:

1. **How to protect the intellectual copyright of the products/services that are raising funds online?**
2. **How to prevent fraud (financial, ethical, and legal) and protect consumers?**
3. **How to tackle the overall legal uncertainty?**
4. **How to counteract the lack of awareness and understanding of crowdfunding as a financial model?**

For some of the raised issues, there are ways in which the EU existing or currently upgrading legislation can cover. In the case of money laundering, a uniform transaction threshold is currently discussed under the Anti-Money Laundering Directive and Regulation 1781/2006. As for IP protection, earning a patent that is effective in the whole EU for this purpose might be made possible by upgrading the current patent system. In some EU countries, some of the issues are tackled by existing and developing national legislation. Some of the above issues however do not have any current legislation to tackle them.

The different forms of crowdfunding (see section 1.1) show differences in user groups, risks, complexity and purpose, which warrant a distinction among these various forms, and, importantly, a distinction between financial and non-financial return models. As a matter of fact, different crowdfunding models have different needs with regard to legal regulations. For the crowdsponsoring and crowddonating models, legal challenges are comparably manageable, as they do not involve financial returns. Yet, a few issues apply also to these forms of crowdfunding. Almost all crowdfunding platforms have certain legal and administrative requirements (verification of identity, account information, etc.) for starters in order to be eligible to launch a project. Irrespective of the chosen crowdfunding model, the protection of Intellectual Property rights provides an important challenge for everyone starting a crowdfunding campaign because publicizing a project idea on a platform embodies the risk of the idea being stolen. Therefore, the European Crowdfunding Network gives the following recommendations[3] with regard to IP protection.

---

[3] Based on an excerpt from http://www.eurocrowd.org/2014/07/protect-idea/

How to protect your idea

One of the most common concerns web entrepreneurs have when dealing with crowdfunding is: "How can I protect my idea and prevent it gets stolen?"

First, you have to know that unless you patent your idea, there is no 100% safe way to protect it. Yet, for you as Social Innovators, the problem is not as important as for for-profit ventures. Engaging with your community is much more important than withholding information. Especially for Social Entrepreneurs, **transparency towards your community** is the key to their engagement – and to the credibility of your campaign. Consequently, you should focus your communication on what it will enable, what social impacts it will have and why your project is trustworthy.

You need to **find a good balance between the information you need to disclose to the platform users,** in order to make sure they understand your project and clearly see its benefit**, and the information you would retain**, because sharing it you would allow some people to imitate the product. There is no rule of thumb to determine how much information you should disclose and it really depends on the characteristics of your project. For example, if you are a web-entrepreneur, launching an ecommerce website, it is useful to explain to the crowdfunding community how the business model works, but you do not necessarily need to disclose who your suppliers are or what is your programming code.

If you are using **equity crowdfunding**, you can consider to prepare a **non-disclosure agreement** and have it signed by your investors. This is a quite strong barrier that would make stealing the idea very difficult and expensive. However, this method cannot be used in reward crowdfunding, because the crowdfunders, in this case, are not partners, but some sort of special customers.

In general, it is important to keep in mind when you launch your crowdfunding campaign that you are running the risk that the idea might get stolen. However, it is also wise to remember that what really matters, in the end, more than idea itself, is the execution. A great idea with a poor execution is worth almost nothing.

Crowdinvesting and crowdlending campaigns pose significantly more legal issues than crowdsponsoring and crowddonating. In addition to the above mentioned, investment crowdfunding can breach various securities laws, because soliciting investments from the general public is often illegal, unless the opportunity has been filed with an appropriate securities regulatory authority, such as the Securities and Exchange Commission in the U.S. or the Financial Conduct Authority in the U.K.

Only a minority of the crowdfunding platforms operate cross-border due to authorization costs and little know-how about foreign legislations. This is despite the fact that crowdfunding is generally perceived as model designed for cross-border functionality. There are furthermore specific risks perceived in regards to equity and lending models: fraud, money laundering, IP theft, project failure, money loss, and no legal structure in place to protect stakeholders. This might explain why there is a stronger call for EU support for these two models [EC14].

All in all, given the somewhat disparate perceptions of the crowdfunding practice, as well as the moderate call for Pan-European legislation, the EC has, for now, decided to not intervene with a proposal for a Pan-European legislation but rather monitor the evolution of crowdfunding (in all its models), as well as national legislative proposals. The main reason for this decision is that a European legislation might be a burden for the incipient model of crowdfunding, while a lax approach might decrease trust and might lead to fraud and losses [EC14]. The European Crowdfunding Network welcomed the EC acknowledgement of the potential of crowdfunding however express concerns that national regulations on crowdfunding might fragment the market and create difficulties in cross-border expansion. It advocates for a Pan-European legislation in this matter, to make the adoption and functionality smooth [ECN14].

The following sections provide a very brief overview of the legal heterogeneity in Europe summarizing relevant regulations in a few example countries. For a more extensive description of the current legal situation in European countries, see [GAJ14]. Most crowdfunding platforms also offer general advice and listings of institutions for more specialized guidance such as the local Chamber of Commerce, local supervisory authority or the appropriate government department.

THE BRITISH CONTEXT

A legal framework for crowdfunding is already active in the country since 1 April 2014. The legislation concerns crowdinvesting and crowdlending specifically. For the crowdinvesting model, the most debated legal provision is the limitation of one's investment to 10 % of one's net assets in crowdinvesting during one year. This is argued by authorities as a way to protect inexperienced investors from investing too much in startups, given that 50 % to 70 % of these are said to fail within their first year. Equity crowdfunding platforms however think this will repel contributors, taking the 'crowd out of crowdfunding' and leaving space only for accredited investors. For the crowdlending model, there is also a minimum of financial resources that platforms need to have in order to protect themselves from potential failures.

Overall, the new rules place a lot of (legal) responsibility on the platforms themselves. They need to mediate the relationship between startups and investors/lenders and protect both sides. Obligations often include a minimum of financial resources (to assure solvency), ensuring that projects will run despite the platform's own insolvency, protecting and rightfully informing consumers, providing conflict resolutions etc.

THE SPANISH CONTEXT

Legislation similar to the UK regulation has been introduced in Spain, where the focus is on protecting inexperienced lenders and investors. The Draft Bill XX/2014 regulates Crowdfunding platforms operating the Equity Model and the Lending Model for the first time. They are required to register with authorities and the central bank, possess initial capital, and are subject to big fines if they act otherwise. Proposed limitations are of € 1 Million per project, a max of € 3.000 individual financial contribution/project and a max of € 6.000 individual crowdfunding contribution per platform. Donations and rewards models are not subject to Draft Bill XX/2014 and therefore, no such license is required. Currently there is no prospectus requirement in any Model but is discussed whether the Equity Model falls within the exception to obligation of publishing prospectus, provided by Securities Market Act 24/1988, or not.

THE FRENCH CONTEXT

The recently proposed French legislation is less constraining and thought to best reflect the industry's expectations. Since October 2014 there are two optional statuses for crowdfunding platforms (alternative to more costly and stringent statuses), subject to the control and disciplinary powers of the Autorité des Marchés Financiers (AMF) and the Autorité de contrôle Prudentiel et de Résolution (ACPR):

1. CIP – *conseil en investissement participative* (crowdfunding investment advisor) – for Equity Model platforms,
2. IFP – *intermédiaire en financement participatif* ((crowdfunding investment intermediary) – for Donation and Sponsoring Model platforms

Crowdfunding activities have been opened to PSIs – *prestataire de services d'investissement* (investment services advisors), and new exceptions to banking monopoly and prospectus requirements have been introduced. Donation models are subject to existing payments laws but no further legal provisions, while for profit crowdfunding platforms need to respect transparency rules, a quality label and offer correct guidance to investors/lenders. A lender can contribute a max of € 1.000 per project in order to attract a wider pool of supporters, but there are no further limits to how many such contributions one can make. Equity crowdfunding can provide ordinary shares of societes par actions simplifiées (with specific provisions in their by-laws can be offered on Crowdfunding platforms) to the public. There is a general cap applying to CIPs and PSIs for public offering on Crowdfunding websites of ordinary shares and fixed interest bonds for a maximum raised amount of € 1 million per year.

THE GERMAN CONTEXT
In July 2015, the new German Retail Investor's Protection Act (Kleinanlegerschutzgesetz) came into effect, containing the first specific Crowdfunding regulation in Germany:
- Subordinated profit-participating loans (partiarische Nachrangdarlehen) qualify as investment products (Vermögensanlagen) under the German Investment Products Act (Vermögensanlagengesetz)
- Regulation for all investment products – such as silent partnerships (stille Beteiligungen), participation rights (Genussrechte) and subordinated profit-participating loans – is increased through extended requirements for prospectus, extended obligation to publish addenda to the prospectus, ad hoc disclosures and strict rules for the marketing of investment products
- Exception from most requirements under the German Investment Products Act are explicitly tailored
- Investments of more than € 1.000 require a self-declaration by the investor
- There is a general cap for fundings at a maximum amount of € 2.5 million per project.

Pursuant to the German Banking Act (Kreditwesengesetz), anyone intending to provide financial services in Germany commercially or on a scale, which requires a commercially organised business undertaking requires a written license from BaFin, the Federal Financial Supervisory Authority. Consequently, where an online Crowdfunding platform facilitates the offering of securities, investment products or shares in collective investment undertakings (Investmentvermögen), the operator of the platform provides financial services within the meaning of the German Banking Act and therefore, generally, requires a license by BaFin. The Donating and Sponsoring Models currently do not qualify as investment products; consequently, a prospectus pursuant to the German Investment Products Act is generally not required. In addition – depending on the structure in detail – there are good reasons to state that currently these kinds of investments do not qualify as shares in collective investment undertakings or investment products. Therefore, it should fall outside of German financial services regulation.

THE ITALIAN CONTEXT
Italy was the first country in the EU to implement legislation on crowdfunding. Equity based crowdfunding is subject to a regulated activities regime. According to Italian Law 221/2012, crowdfunding platforms must restrict offers of securities to shares and quotas in "innovative start-up Italian companies". A few equity based crowdfunding platforms use exclusions and exemptions from regulated activities regime. However, according to the legal provisions, the model is only valid if the

project has at least one accredited investor (i.e. a bank, a financial corporation, an incubator) who invests at least 5% of the capital offered. Not just anyone can own an equity crowdfunding platform – they need to either be a bank or meet certain criteria of professionalism. The prospectus requirements does not apply to the offering of securities or investment products with a value of € 5,000,000 or less within a period of 12 months. Law 221/2012 has provided that the same limit applies also to Equity Crowdfunding and this should not restrict the diffusion of Equity Crowdfunding since the amounts raised are generally smaller. The crowdlending model, either in the peer to peer or in the peer to business form, is not yet subject to a specific "light" regulation which could support a significant growth of the relevant markets. Italy is, so far, most specific on who can use crowdfunding.

2 Factors of success: Literature review and best-practice examples

This chapter examines determinants of success for crowdfunding based on experiences of successfully run crowdfunding projects. Before we present seven successfully concluded projects we start by taking a closer look at data-based literature studies first.

At a Glance: Factors of Success

- 👍 **Social capital** is key: Build a diverse team covering many different competencies and communicate them clearly to your supporting community.

- 👍 The **quality of your campaign** reflects the quality of your project: Plan enough time to carefully prepare and your campaign.

- 👍 Be **visual**: Produce at least one video and possibly develop other materials like images that visualize your project.

- 👍 Be concise, but **complete** in your presentation. Your project description should cover every important aspect of your project.

- 👍 Do not underestimate **hedonic aspects**: Especially for social projects, appealing to the emotions of the capital-givers and implementing entertaining elements will maintain interest and show your professionalism and passion.

- 👍 **Regular updates**: Frequently publishing news on your campaign page and actively communicating with your supporting community has a large impact on the success of your campaign.

- 👍 **Community engagement** is vital: Foster your social networks, grow and engage a large community on Facebook and Twitter already before starting your campaign.

- 👍 **Think global, act local!** Successful campaigns are those that reflect the underlying culture of their geographic region and engage communities close to them.

- 👍 **Keep it short, keep it low!** The lower the funding goal and the shorter the campaign the higher the chances of a project are to succeed

- 👍 **Suitable rewards**: When deciding for a reward-based crowdfunding campaign, develop a set of rewards that are related with your project and that would boost the social image of the backer.

2.1 Literature review

Scientific research shows that Social Enterprises or projects with a social benefit or non-profit background are more likely to successfully complete a crowdfunding campaign than their for-profit counterparts are. Various studies confirm this correlation both theoretically [BEL10, BEL13, LEH13] as well as empirically [SCH10]. According to [BEL13], financial returns are not the main motivation for investors in crowdfunding. Rather their biggest interest is in the implementation of the project. Non-profit organisations and projects appear more trustworthy and fulfil this expectation to a larger degree than profit-oriented enterprises.

In [MOL14] a large dataset of projects run on Kickstarter was examined with respect to underlying dynamics of success and failure, revealing important insights. Social capital and preparedness from the founders are associated with an increased chance of project success, suggesting that quality signals play a role in project outcomes. In the particular context of the study and the site, the site's recommendations to ventures to provide a video and updates were considered as basic signals of project quality. As additional measure of quality, the correctness of given text was checked for misspellings on the ground that it would indicate reduced preparedness and quality.

Herzenstein et al. [HER11] examine how identity claims constructed in narratives by borrowers influence lender decisions about unsecured personal loans in peer-to-peer lending campaigns. Using data from Prosper.com, the authors find that unverifiable information affects lending decisions above and beyond the influence of objective, verifiable information. As the number of identity claims in narratives increases, so does loan funding, whereas loan performance suffers, because these borrowers are less likely to pay back the loan. In addition, identity content plays an important role. Identities focused on being trustworthy or successful are associated with increased loan funding. Thus, starters should provide detailed information about themselves and the credit projects or joining an infinity group may efficiently enhance the trust from lenders.

The second influential factor is the size of the social network of the founders (proxied there by the number of Facebook friends of the entrepreneurs), as in crowdfunding it is the initial source of significant funding and it can work as well as endorsement for the project quality. Last, geography also appeared to be linked to the nature and success rates of projects, with founders proposing projects that reflect the underlying cultural products of their geographic area. Project duration and goal amount were found negatively correlated with success: the lower the funding goal and the shorter the campaign the higher the chances of a project are to succeed. According to the study, the crowdfunding projects seem to generally succeed by small margins, or fail by large ones. It should be noted though, that this study addressed reward-based crowdfunding projects only. In summary, the key variables for success in [MOL14] were quality and preparedness, social network and last but not least, geography. [AGR11] approve this finding by analysing archive data of the music platform SellaBand. In funded projects the average distance between starters and backers was 3.000 miles with a higher proximity at the beginning of the campaign (due to a strong family and friends-effect).

According to [MOL14], the clear lessons for entrepreneurs seeking crowdfunding were the following:

1. Entrepreneurs should put focus on the project quality and look for ways to signal preparedness. Social network ties have also been found to be important in crowdfunding.
2. As far as the completion is considered, appropriate goals will allow a founder to deliver a product on time; achieving significantly more funding than requested is rare. Careful planning is important and required both to set these goals and to prepare for a crowdfunding success, which will entail the execution of a promised venture.

The association of the project success with the individual social capital was also seen in [GIU13], a study on a sample of projects hosted on Italian crowdfunding platforms. Updates of a project have been found related to success also in another study [ANB14], when it comes to Kickstarter projects. Thus, these two variables can be accepted as very likely positive determinants of success.

A study on another platform, Startnext, is presented in [CRO14]. For the dataset of projects, they collected diverse variables ranging from basic ones like target amount, category and duration to variables that are related to the description of the project like video, image and word count, blog entries and whether it was recommended by the page. Their investigation of success determinants starts from the starting phase, as in this platform a project should attract a minimum number of fans to enter the funding phase and collect pledges. The analysis showed a negative correlation between the funding target and attracting fans and a positive one with the word count of the description and the number of videos and images.

Next the projects that passed into the funding phase were examined in respect to whether they were funded or not. The target amount of the project and the length of the funding period were found negatively correlated to getting funded. The quality of communication between the project and potential funders presented a positive effect, as well as the number of fans and being recommended by Startnext. The results of this study on Startnext were compared to the study of [MOL14] on Kickstarter and were found similar. At both platforms, a high target amount and long funding period appear negative impact on the likelihood of receiving funding and at both platforms the perception of a project's quality seems to be a determinant of success.

It included also an analysis or reward levels on a smaller sample, finding some positive correlation with pre-selling rewards, invitations and brand clothing while offering unrelated to the project services appeared to have negative impact. As for distinguishing the rewards in terms of visibility of the pledger's support, rewards that would boost the social image of the pledger appeared to have better impact than the ones that would enhance the self-image.

Schulz et al. [SCH15] showed the high impact of idea creativity and hedonic value on the success of hedonic, altruistic and for-profit crowdfunding projects. Surprisingly the results for altruistic and for-profit campaigns were different from each other. For hedonistic campaigns, idea creativity was positively linked with the project success, while hedonic value did not have an impact. This could indicate that hedonic orientated capital-givers have a stronger focus on the idea creativity that can be strongly linked to the offered reward. Therefore, the hedonic value has been pushed into the background. The success of Altruistic projects is influenced by both, idea creativity and hedonic value. The two dimensions are strongly linked with characteristics of non-economic driven investors. For-profit projects did not show a significant relation between idea creativity and success. However, the extent of hedonic value influences the success of these crowdfunding projects. Capital-givers of for-profit projects may be driven by economic motivation, but face limitations of knowledge, expertise and resources to professionally value the investment opportunity. As a result, the capital-givers turn their attention to the hedonic value of a project. A hedonic campaign should concentrate on a high level of idea creativity by emphasizing its novelty, the relevance by indicating its uniqueness and an accurate and precise project description of its purpose. An altruistic project should also highlight its idea creativity, but put an even stronger scope on its hedonic value. This means appealing to the emotions of the capital-givers (e.g. through storytelling), implementing entertaining elements (e.g. demonstration of product) to maintain interest and showing professionalism and passion to create the desire to participate. For-profit projects have to accentuate their hedonic value in order to approach capital-givers aiming for financial return.

2.2 Showcases of successful crowdfunding campaigns

This section provides a review of some recent successfully concluded crowdfunding projects. When information was available (through some interviews for example), insights regarding the success of the specific project are provided. The cases are summarized in
Table 2. The cases vary a lot in terms of products, type of crowdfunding, cause, platforms and even in terms of whom they concern and can reach from geographical perspective as it was attempted to cover as many as possible different categories and platforms. This makes them not always comparable with each other (e.g. a successful crowd pre-selling project will most probably be significantly overfunded in comparison to a crowd raising for a good cause or crowdsponsoring). Nonetheless the table provides an overview and the possibility to compare projects that present similarities.

Table 2: Overview of selected examples of successful crowdfunding projects

Project	Category	Platform	Type of Crowdfunding	Goal	Raised	% Funded	Contri-butors	Avg. Contri-bution	Duration (approx.)
Solar Roadways	Technology, Social	Indiegogo	Crowdsponsoring	$ 1,000,000	$ 2,200,341	220 %	48,475	$ 45	2 months
3Doodler	Technology	Kickstarter	Crowdsponsoring	$ 30,000	$ 2,344,134	7,814 %	26,457	$ 88	1 month
Fotos für die Presseheit	Journalism, Social	Startnext	Crowdsponsoring	€ 7,500	€ 8,922	119 %	309	€ 29	2 months
Let's Send Kids to Harvard	Social	Indiegogo	Crowddonating	$ 100,000	$ 1,418,334	1,418 %	51,466	$ 27,5	1 month
Pebble Time	Technology	Kickstarter	Crowdsponsoring	$ 500,000	$ 20,338,986	4,067 %	78,471	$ 259	1month
Pono Music	Technology	Kickstarter	Crowdsponsoring	$ 800,000	$ 6,225,354	778 %	18,220	$ 341	1month
BRCK	Technology, Social	Kickstarter	Crowdsponsoring	$ 125,000	$ 172,107	138 %	1,078	$ 160	1 month
Media No Mad	Technology, Social	Own website	Crowd investing	€ 90,000	€ 55,800	62 %[4]	81	€ 689	1 month

---

[4] See explanation under section 2.2.8

2.2.1 Showcase: Solar Roadways[5]

Category	Technology, Social
Funding Period	April to June 2014 (got later InDemand and is again open to funding)
Funding Target	$1,000,000
Funds Raised	$1,000,000: $2,200,341[6] (220% of target)
Number of Contributors	48,475
Average Contribution	$45
Updates	126
Site	Indiegogo
Type	Crowdsponsoring
Media	1 Video, 9 Images (at start Month, as retrieved from Internet Archive[7])
Description word count	353 words (Short), 1727 words (Extended with use cases)

Solar Roadways is a modular paving system of solar panels that can be installed on roads, parking lots, driveways, sidewalks, bike paths, playgrounds and any other surface under the sun. The campaign raised $2.2 million and was featured by media outlets such as The New York Times, becoming as one of the most highly funded projects on Indiegogo. It was a flexible funding, i.e. it would receive all funds raised even if it had not reached the goal.

The unique case was examined in [8] with respect to its factors of success with the help of the marketing manager of the campaign. The key points are described in the following.

A lot of work was done even before the campaign was launched. Co-founders Scott and Julie Brusaw had won several profile-raising awards, thus they had collected already a social acknowledge setting the foundation for a clear and simple idea.

The importance of setting the foundation before launching a campaign is highlighted. In order to make a project popular in social media a good idea is needed, a good way to convey it, and a network of people ready to deliver it.

The importance of staying engaged is also mentioned. Updates should constantly be done and people should be encouraged so that they turn from passive fans to active donors. A crowdfunding campaign is a living call-to-action addressing a community of believers. Solar Roadways had 126 updates logged and they included a stream of media coverage, endorsements from senior political figures, and casual updates on what was happening with the project and together they formed a personal storyline. Furthermore, Co-founder Julie Brusaw constantly checked the social media feeds for the project and more importantly, was constantly asked the fans what kind of perks or what visions of Solar Roadways they had, making them feeling like they were part of the project. Soon *Solar Roadways* became a community.

The fact that it was a story people could endorse played naturally an important role: a start-up doing innovative things, in order to make the world a better place, calling for a little help to promote their idea.

---

[5] https://www.indiegogo.com/projects/solar-roadways#/story
[6] According to https://go.indiegogo.com/blog/2014/11/top-7-indiegogo-campaigns-time.html
[7] https://web.archive.org
[8] http://crowdfunding.cmf-fmc.ca/case_studies/solar-roadways

In order to recruit new supporters a given advice would be to reach influencers and raise awareness of the project among them like journalists and community leaders. The marketing manager of the campaign noted the need to establish a relationship with journalists, but not until it is ensured that there is a polished product that has gained a certain momentum, as journalists want to be associated with a winning idea, which would also help to turn the readers into funders.

According to the page, one of the greatest success factors behind the campaign was the ability to get people to share and join the campaign. They even switched videos halfway through, and put up a fan-made one and two days later the campaign suddenly kicked up in contributions. They created a touch-point for fans to contribute to the momentum they had generated and came up with a reason for people to keep coming back.

So in summary, the keys of success, were a good foundation and preparation, retaining engagement and reaching out to influencers, converting in the end the popularity into funding.

The Media Gallery when the campaign ended included 28 media sources (images and videos) while in the front page there was a video, 5 illustrative images and of course images of the offered perks. The rewards included a variety of items from thank you bumper stickers and videos, hats and t-shirts to actual glass solar cell pendants to small glass hexagons. Last, some of the rewards were personalized.

This campaign, got later in the InDemand Campaigns[9], and thus people can still contribute. Up to today, it has reached 250K shares in Facebook and 21.8K Tweets. The Facebook page has 84K subscribers. The couple and co-founders seem to have a common open Facebook account with 1747 friends, as well as one private each with 50 and 185 friends, so a relatively small and closed social network.

Information sources:
http://crowdfunding.cmf-fmc.ca/case_studies/solar-roadways

2.2.2   Showcase: 3Doodler - The World's First 3D Printing Pen[10]

Category	*Technology*
Funding Period	*February to March 2013*
Funding Target	*$30,000*
Funds Raised	*$2,344,134 (7,814% of target)*
Number of Contributors	*26,457*
Average Contribution	*$88*
Updates	*35 (10 during the time of funding)*
Site	*Kickstarter*
Type	*Crowdsponsoring (pre-selling)*
Media	*1 video, 13 images in campaign's page*
Description word count	*27 words (Subtitle)/ 345 words (Main description only)*

The 3Doodler is a 3D printing pen that could be used by anyone to draw in 3D. While drawing the device extrudes heated plastic, which quickly cools and solidifies into a strong stable structure. Its popularity quickly exploded on Kickstarter, reaching the $30,000 goal in less than 4 hours after it was launched in February 2013 while the total amount ($2,344,134) was raised in 34 days. The backers

---

[9] https://www.indiegogo.com/projects/solar-roadways#/story
[10] https://www.kickstarter.com/projects/1351910088/3doodler-the-worlds-first-3d-printing-pen

received their rewards within a year after the fundraiser ended. It belongs to the 0.0004% of Kickstarter projects that have ever reached $1 million.

The rewards mostly contained the product or combined packages of the product, offering also some for a special price for the very first pledgers. Pledges started from 1$.

According to Daniel Cowen, co-founder of 3Doodler, and the analysis of the demographic base of the backers, they are 61% American, 39% international and ranged across different professions like hobbyists, teachers, professionals, engineers, and designers. The co-founder provides valuable knowledge and advice through his interview, highlighting the importance of a good preparation before lunching it in public that certainly includes approaching the media ahead on time and having a concrete sense of the goals and the budget. Delivery dates must be realistic and significant time must be planned for the communication with the backers. He highlights the value of an ongoing and long-term commitment to the backers, as they are the allies who make the idea possible and potentially lifelong fans so they must be heard and respected.

The secret of success for Daniel Cowen is having a great idea and the support of the right people at the right time but also important factor plays a very careful and proper preparation.

The second generation, 3Doodler 2.0, became Kickstarter's the most successful hardware sequel, which smashed its $30,000 goal in only 16 minutes.

Information sources:

http://www.forbes.com/sites/wilschroter/2014/04/16/top-10-business-crowdfunding-campaigns-of-all-time/
http://www.nydailynews.com/life-style/3doodler-pen-turns-scribbles-3d-structures-article-1.2079969
http://icanbesociety.com/3doodler/
http://www.crowdfundinsider.com/2015/01/61176-3doodler-2-0-surpasses-1-million-10-days-kickstarter/

2.2.3   Showcase: Fotos für die Pressefreiheit (Photos for press freedom)[11]

Category	*Journalism, Social*
Funding Period	*February to April 2014*
Funding Target	*7,500 €*
Funds Raised	*8,922 € (119 % of target)*
Number of Contributors	*309*
Average Contribution	*29 €*
Updates	*23 in total (17 during the time of funding)*
Site	*Startnext*
Type	*Crowdsponsoring*
Media	*1 Video, 5 Images*
Description word count	62 words (short description), *930 words (main description)*

Fotos für die Pressefreiheit was a German crowdfunding project lunched in Startnext in 2013, aiming to raise money to publish the Photo book "Fotos für die Pressefreiheit 2013" from the Reporters without Borders[12]. The Photo book documents events of 2013 in images and text. It focuses on countries where freedom of press, expression and Internet are endangered and contains work of

---

[11] https://www.startnext.com/pressefreiheit
[12] https://www.reporter-ohne-grenzen.de/

internationally honored photographers and authors who provided their work for free. With the raised amount they would cover a part of the printing cost of the book, the sales revenues of which would go directly on their work on human rights.

The reward structure was very well organized. For € 7.50 backers received a world map showing the situation of press freedom in certain countries, for € 45 the photobook could be pre-ordered (including the book of the previous two years), for a contribution of € 375 all 27 issues of the photo book in German, French and English has been rewarded. In total, ten different rewards – ranging from cheap to luxury – offered something for everybody. One new reward has also been introduced during the campaign: a limited newspaper holder titled "Journalisten in der Klemme" (literally translated: "journalists under pressure").

The success of the crowdfunding campaign was also ensured by a high quality project description including a video showing for which purposes the money was to be spent (e. g. one of the protagonists of the video was a female journalist from Afghanistan which sought asylum in Germany and has been supported by the project). In addition, the large network of Reporters without Borders (with almost 32.000 Facebook likes) has been an important factor of success supporting the campaign with additional material (dedicated website with a blog containing regular project updates, flyers, etc.) and dedicated dissemination through their various communication channels (social media, dedicated newsletter, etc.)

Information sources:
http://www.dzi.de/wp-content/pdfs_SpendenFORUM2015/Wahler.pdf
http://www.fundraiser-magazin.de/index.php/interview-archiv/mit-online-fundraising-zur-lebendigen-kommunikation.html

2.2.4 Showcase: Let's Send Kids to Harvard: Vidal Scholarship Fund[13]

Category	Social
Funding Period	January to February 2015 (19 days)
Funding Target	$100,000
Funds Raised	$1,418,334 (1,418% of target)
Number of Contributors	51,466
Average Contribution	$27,5
Updates	2
Site	Indiegogo
Type	Crowddonating
Media	0 Video, 5 Images (in campaign page)
Description word count	462 words (main description only)

"Let's Send Kids to Harvard" was an Indiegogo crowdfunding campaign, launched in January 2015 from Brandon Stanton, the man behind famous photography blog[14] who aimed to raise $100,000 in order to send the students of Mott Hall Brides Academy in Brownsville, Brooklyn on a tour to Harvard. The campaign set a new record for the most contributors ever to a single Indiegogo campaign; more than 50,000 people from 108 countries. The campaign got a lot of attention and

---

[13] https://life.indiegogo.com/fundraisers/let-s-send-kids-to-harvard-vidal-scholarship-fund
[14] http://www.humansofnewyork.com

appeared in some popular shows and places including the White House, countless news and media outlets.

The photographer and blogger is known for sharing compelling stories of New Yorkers one of which was revealed after meeting a middle-schooler of the school, which led to a meeting with the school's principal, who wanted to provide students of the neighborhood with the highest crime rate in New York City an opportunity to see the campus of one of the top schools in the world. Brandon therefore initiated the campaign after this meeting and after he shared it in his blog, the $100,000 goal was reached within 45 minutes.

Some of the success could be attributed to the presentation of the campaign in the media, with powerful images, and meaningful quotes from students and teachers, comprising a powerful narrative about what life is actually like for those students. It should be therefore noted that the limited in general coverage of multimedia and updates in the campaign page in Indiegogo does not reflect in this case how the project was presented in the social media.

The role of the organizer to the success of the campaign is definitely crucial. The blog and work of Stanton has a quite large audience, counting more than 14 million fans in Facebook, and 330 thousands of followers in Twitter. Thus, Brandon Stanton has already built a growing community, through his work of capturing images and human stories.

Information sources:
https://go.indiegogo.com/blog/2015/02/lets-send-kids-harvard-sets-record-biggest-indiegogo-fundraiser.html
https://leadwithresonance.wordpress.com/tag/brandon-stanton/

2.2.5   Showcase: Pebble Time[15]

Category	*Technology*
Funding Period	*February to March 2015*
Funding Target	*$500,000*
Funds Raised	*$20,338,986 (4,067% of target)*
Number of Contributors	*78,471*
Average Contribution	*$259*
Updates	*27 in total (11 during the time of funding)*
Site	*Kickstarter*
Type	*Crowdsponsoring (pre-selling)*
Media	3 Video, 17 Images
Description word count	22 words (Subtitle)/ 995 words (Main description only)

Pebble Time is a smartwatch, with an e-paper display and a long lasting battery life. It is as of today the most funded Kickstarter campaign, which raised a total of $20,338,986 in pre-orders from 78,471 backers and nearly doubled the $10.3m that the company raised in 2012 for its original Pebble smartwatch[16]. Except for the most funded it was also the fastest funded campaign on Kickstarter. In just 49 minutes, the watch had already raised $1 million and hit $4 million in less than three hours after going live on Kickstarter.

---

[15] https://www.kickstarter.com/projects/597507018/pebble-time-awesome-smartwatch-no-compromises
[16] https://www.kickstarter.com/projects/597507018/pebble-e-paper-watch-for-iphone-and-android

The Pebble Time campaign benefitted from the previous experience. New perks released during the campaign were announced at strategic points to stimulate backers to promote the campaign and bring new backers. Pebble's decision to use Kickstarter to pre-sell its forthcoming product was an interesting tactic, as it could have actually sold it as well on their own platform and with existing investor funding. Therefore the campaign on Kickstarter was not really about capturing funds but more as a promotional vehicle for Pebble. It now stands as a Kickstarter record.

As earlier mentioned, the campaign was a crowd pre-selling, i.e. the backers were pledging to order the smartwatch. Pledges varied certainly in price and content and there were also combined packages of two, five or 10 watches.

Information sources:
http://www.crowdfundinsider.com/2015/03/65150-pebble-time-20338986-in-crowdfunding-a-kickstarter-record/)
http://www.theguardian.com/technology/2015/mar/30/pebble-time-smartwatch-kickstarter-crowdfunding
http://www.entrepreneur.com/article/243281

2.2.6   Showcase: Pono Music[17]

Category	*Technology*
Funding Period	*March to April 2014*
Funding Target	*$800,000*
Funds Raised	*$6,225,354 (778% of target)*
Number of Contributors	*18,220*
Average Contribution	*$341*
Updates	*52 in total (26 during the time of funding)*
Site	*Kickstarter*
Type	*Crowdsponsoring (pre-selling)*
Media	*2 Videos, 4 Images (6 Perks images)*
Description word count	*296 words (short Description), 1352 words (Extended)*

Pono Music was a campaign launched by famous musician Neil Young, aiming to provide the highest resolution music. Pono Music and the Pono Player is a new music player and ecosystem aiming to create life-like listening experience. As most of music we listen to today is on smartphones and iPods which use a compressed form to deliver digital music resulting also in a quality compromise, Pono is created to work with a lossless codec and deliver high resolution music files with 30 times more sound data than typical MP3 files. The Pono Music player integrates with a forthcoming music library that claims the backing of many major music labels and over 2 million different songs.

The campaign was more than successful, as it raised over $6 million on Kickstarter, making it to the top of Kickstarter's most funded projects and probably fastest ones as it reached the initial goal of $800,000 in *a single day*.

The rewards of the campaign included mostly editions of the pono player, either the product in reduced prices for early birds or in special editions signed by some artist and pre-loaded with artist's

---

[17] https://www.kickstarter.com/projects/1003614822/ponomusic-where-your-soul-rediscovers-music/description

top two albums. The highest rewards included also an invitation to VIP dinner and Pono listening party with Neil Young, while the lowest rewards included club memberships and T-shirt and signed from Neil Young posters.

It is worth to be mentioned, that after the success of the campaign, they moved into another form of crowdfunding campaign; into *equity crowdfunding*[18], where backers are actually investors that purchase a share in the Pono company.

Information Sources:
https://www.linkedin.com/pulse/20140913052727-48072-neil-young-raised-over-10-million-via-crowdfunding-here-s-how
http://www.crowdfundinsider.com/2014/08/48187-neil-youngs-pono-music-equity-crowdfunding-campaign-extended/

2.2.7   Showcase: BRCK[19]

Category	*Technology & Social*
Funding Period	*May to June 2013*
Funding Target	*$125,000*
Funds Raised	*$172,107 (138% of target)*
Number of Contributors	1,078
Average Contribution	*$160*
Updates	*33 in total (16 during the time of funding)*
Site	*Kickstarter*
Type	*Crowdsponsoring (pre-selling)*
Media	*2 Videos, 4 Images*
Description word count	*383 words (short Description), 1617 words (Extended)*

BRCK is a rugged, portable WiFi Hotspot and Battery expender. It was designed by Ushahidi, a non-profit technology company building upon open source software and digital tools to help people in the developing world to use information more effectively.

 The idea behind BRCK was based on the fact that internet is part of our everyday life and we get dependent upon it and an unreliable connectivity and timely access to information can have significant negative impact. This realization led the founders to engineer a device that could provide failsafe internet connectivity in almost any situation. BRCK was therefore born to make this a convenient, portable and durable solution.

BRCK works like a cellphone, by intelligently and seamlessly switching between Ethernet, Wifi, and mobile phone networks (3G or 4G). It gains connectivity through a standard SIM card and/or Ethernet or WiFi connections and its battery lasts for 8 hours in case of power interruption. The device is small and easy to set up. It can connect up to 20 devices with a WiFi signal that can cover several rooms. At the sixth iteration of the prototype, the company was ready to go into production and launched a Kickstarter project to fund it.

---

[18] https://www.crowdfunder.com/pono-music
[19] https://www.kickstarter.com/projects/1776324009/brck-your-backup-generator-for-the-internet/description

The crowdfunding campaign lasted a month and concluded successfully. The rewards start from simple Thank you messages and T-shirts, school and tool bags with the logo, and as the pledges increase to packages combining mostly the device, the accessories and subscription in the premium version of their application Crowdmap[20]. The highest reward included an invitation to a testing safari in Kenya.

Information sources:

http://www.forbes.com/sites/anthonykosner/2013/05/05/brck-keeps-the-internet-on-when-the-power-goes-off-even-in-africa/

2.2.8   Showcase: Media No Mad

Category	*Technology & Social*
Funding Period	*December 2008 to January 2009*
Funding Target	*€ 90,000*
Funds Raised	*€ 55,800 (62 % of target)*
Number of Contributors	81
Average Contribution	*€ 689*
Updates	*n.a.*
Site	*BuzzMoney (own website)*
Type	*Crowdinvesting*
Media	*n.a.*
Description word count	*384 campaign description, 898 Q&A section*

The company *Media No Mad* successfully raised money using crowdfunding techniques and thus was thoroughly examined in [SCH10]. It is a French Start-up founded in October 2007. The main activity was the development of website with principle was to create a community of travellers who share information (images, videos, sounds and comments) about their trips. The expected source of income was the advertising which meant the revenues of the company would be correlated with the number of users visiting the website. The company needed money to launch a second version of the website with more functionalities and a better user experience and thereby they decided to find investors from the web.

To this purpose they run a separate operation, called BuzzMoney, on a separate website, describing their approach and welcoming candidates. Through their networking and connections the project grew fast and attracted people, initially from blogs and later from Facebook and Twitter. The campaign reaching even the attention of regular media, however the investors had been already found before this point.

To secure the privacy of their project they didn't provide publicly the business plan. It was only provided through a private login, which was given only after some filtering. The filtering was firstly on the provided private information of the potential shareholders and later the selected candidates had to sign a non-competition and non-disclosure agreement.

Even though the original aim was to raise 90.000 €, amount meant to cover development and marketing, they stopped raising money after a month when they reached 55.800 € from 81 investors,

---

[20] https://crowdmap.com/welcome

as the selected investors, strongly related with IT and marketing, would assist not only financially but also in development and promotion of the website.

A survey on the incentives of a sample of the investors in [SCH10] revealed interesting facts. The majority of them didn't seek to make high profits but all were partly or fully agreed that they wanted to be part an entrepreneurial project. Furthermore, most of the investors had faith in the potential of the product and the competency of the team. Another incentive for a few of them was also the potential to extend their network. The company provided a community platform as an incentive for investors to participate and express opinion. From the surveyed sample the majority participated actively and everyone would visit the platform at least once in a week. The opinions expressed in platform do not oblige the founders as they still own the 85% of shares, but are likely to be considered in order to keep them active and positive towards the progress.

Another interesting point to mention is that the founders got advice from a specialized company before launching the operation.

In summary, the campaign resulted in raising something more than money; skills, as investors had very diverse but related to the project skills and therefore considering their voice is more an asset than a liability. In addition, it was the intrinsic motivation of the investors to be part of it rather than a financial motivation playing a key role and thus it was necessary to provide space for knowledge sharing in a participative platform. So, the final guidelines from studying the case of Media No Mad as given by [SCH10]:

- Efficient communication with Web 2.0
- Extensive use of one's network: communication from people who have faith in the project is more effective than regular communication
- Use of Information asymmetry as advantage: the project should be attractive but present barriers and be unattractive to non-serious investors at the same time
- Knowing which skills would be beneficial and looking for them in potential investors
- Preserving motivation of investors to be active participants by creating a space for knowledge sharing and showing their help can be valuable
- Detailed knowledge of the legislation to ensure legal compliance

Regarding the campaign, Buzzmoney was the first crowdfunding event in France counting 6,500 information requests, press passes, TV and radio[21].

---

[21] https://www.f6s.com/medianomad

3 Guidelines for planning and implementing a successful crowdfunding campaign for DSI

The following eight steps aim to guide you in the process of deciding, whether or not crowdfunding is a funding scheme that is suitable for your venture and if so, to provide guidance in the planning, preparation and running of your crowdfunding campaign. The aim of these guidelines is not to cover every aspect of your campaign in detail, as these details will vary to a large degree depending on the specific nature of your project. Rather this guide aims to support you by structuring the process of your work integrating the knowledge about crowdfunding success criteria.

Decide on crowdfunding	Test your approach	Community building	Campaign preparation	Choose a platform	Campaign design	Run your campaign	Wrap-up your campaign
• Decide if crowdfunding is appropriate for your project	• Start your project by testing your approach with your target group	• Develop awareness of your project and build a community	• Choose the type of crowdfunding • Carefully calculate your funding target	• Compare crowdfunding platforms and decide for the most suitable one	• Develop your project's pitch deck • Produce a video and other visuals • Develop a reward scheme	• Launch your campaign with a short duration of 30-40 days • Post regular updates and introduce new awards	• Stay informative towards your supporters • Involve your community in your project's progress • Assess the lessons learned

Step 1: Decide if crowdfunding is appropriate for your project

Crowdfunding is generally a good option for your project if one or more of the following points are met:

☑ **You can clearly communicate and explain your project's added value.** Projects whose business model or concept cannot be clearly communicated and easily understood by most of the people will probably encounter difficulties in raising money through crowdfunding. People won't pledge money if they cannot immediately understand the added value of the business.

☑ **Your project has already a fan community on social networks.** Crowdfunding is all about leveraging your existing networks and expanding them. Having, before starting the crowdfunding campaign, a community of fans and followers on social networks will certainly be of great help in raising money and awareness.

☑ **You want to test the market potential of your project.** Crowdfunding is also a great market survey tool. By launching and promoting a crowdfunding campaign one can test the market potential the project has, that is if there is a good demand for the solution one is offering. This, eventually, could also come handy when approaching, later on, professional investors, like VCs and business angels.

☑ **You want to raise capital, but also promote the project.** A well run crowdfunding campaign will not only provide you with funding needed, but also generate a lot of buzz on social network and raise media attention.

Step 2: Start your project and test your concept

Prior to the crowdfunding campaign, develop the social enterprise as far as possible through bootstrapping. This step shows that the project is moving forward and demonstrates that the

founders are actively developing the enterprise which suggests that any funding will be fruitful. This stage should involve the establishment of partnerships. Being able to show backing from other companies and institutions is a good sign of credibility, all the more so the more well-known and recognised these institutions are. In addition, take the time to describe the problem you are addressing in detail, analyse the causal chain behind it, its scale as well as previous attempts to solve it. Define you goals and the approach of your solution, identify your target groups and describe the social impact you aim to achieve for each of them. A very valuable step to maximise your chances for a successful solution and a successful crowdfunding campaign is to carry out an early concept or prototype test with your target groups.

How to test your Concept

One key prerequisite to achieve a high impact in developing Digital Social Innovations is the user-centred design involving your target users right from the project start (co-design). Following an iterative development cycle, it is advisable to carry out such a concept test / prototype evaluation involving your target users as early as possible. There are many different and easy to use techniques available to carry out such early-stage evaluations (user analysis, concept test, etc.) taking place even before a running system is available (using click-demos, mockups or paper) – for example:

- Scenario-based testing

- Wizzard-of-Oz prototyping

- Paper prototyping

- Video prototyping

For possible methods other than the few stated above and further details on how to apply them, see for example *http://www.ucc.ie/hfrg/projects/respect/urmethods/methods.htm*. Choose an applicable methodology and carry out an evaluation/test of your envisioned solution and use its results to refine your concept. A positive side effect of testing your concept with your target group is that this will also contribute to the development of your community (see step 3).

Step 3: Develop awareness of your project and create a community

The key to crowdfunding or online fundraising is not asking for money. It is not aiming for the wealthy 1%. Instead, it is about building and engaging a community of followers. You have to engage and cultivate a community that believes in your idea and are ready to help you change the world. This involves advertising the project and creating pages on social media. It is important for the entrepreneur to get his or her personal networks i.e. friends and family to spread the word about the enterprise. This is also the time for the entrepreneur to assess the resources that may be acquired through personal networks, as this will help determine the target amount to be funded. Social media should be used prior and during the campaign to signal support but also to signal the commitment of

the entrepreneur to the social or environmental challenge. This can be done, for instance, by posting links to articles about the social or environmental issue at hand. The social entrepreneur should consistently exploit social media before and during the crowdfunding campaign to advertise the project and signal commitment to the success of the project.

Social Media Checklist for Crowdfunding Starters[22]

Twitter

☑ Use popular and trending hashtags to raise awareness for your project and campaign.

☑ Always include your campaign link whenever you tweet about it.

☑ Ask for retweets to help spread the word.

☑ Tweet at people (even those you don't know) who might have a special interest in the subject of your campaign.

☑ Gain followers by following others and actively engaging them.

☑ Be careful not to tweet too much — nobody likes spam.

☑ Make sure your teammates also tweet to their followers about the campaign.

☑ Tell people about your rewards — be specific.

Facebook

☑ Use both a personal and a campaign-specific profile to send regular campaign updates.

☑ Always include a link to your campaign whenever you write about it on Facebook.

☑ Ask people for feedback and engage them with questions.

☑ People are more likely to "Like" and "Share" media, not just text.

☑ Use pictures and videos to show your rewards, campaign sneak peeks, and more.

☑ Tell people about your rewards — be specific.

Instagram

☑ Take pictures documenting your campaign journey.

☑ Take pictures of events relating to your project.

☑ Follow others on Instagram who might be interested in your project or who work in its industry.

☑ Tag words that relate to your project.

☑ Tag your pictures with a link to your campaign.

☑ Use photos to show your rewards, campaign sneak peeks, and more.

Pinterest

☑ Use your Pinterest account to build your project's vision and "brand."

☑ Pin pictures of your rewards and anything else visually interesting that relates to your project.

☑ Pin videos and images that lead back to your campaign.

☑ Include a campaign link on your profile page.

---

[22] Based on [IND15]

Step 4: Prepare your campaign

When you are planning your crowdfunding campaign, having a concrete and specific objective to share with your potential backers is fundamental, because it helps you to calculate and define your goal.

Depending on what you're doing with your campaign, your goal will have to take into account costs of production, shipping and the like. To define these costs, you should spend time during the campaign preparation understanding and selecting the best and cheapest alternatives, so to try to keep your costs as low as possible and, thus, lower your final goal. In fact if there is one thing crowdfunding statistics are clear about, the lower your goal is, the greater your odds are of obtaining or exceeding it. Figure 5 shows this fact by visualizing the success rates of Kickstarter-projects depending on their target amount.
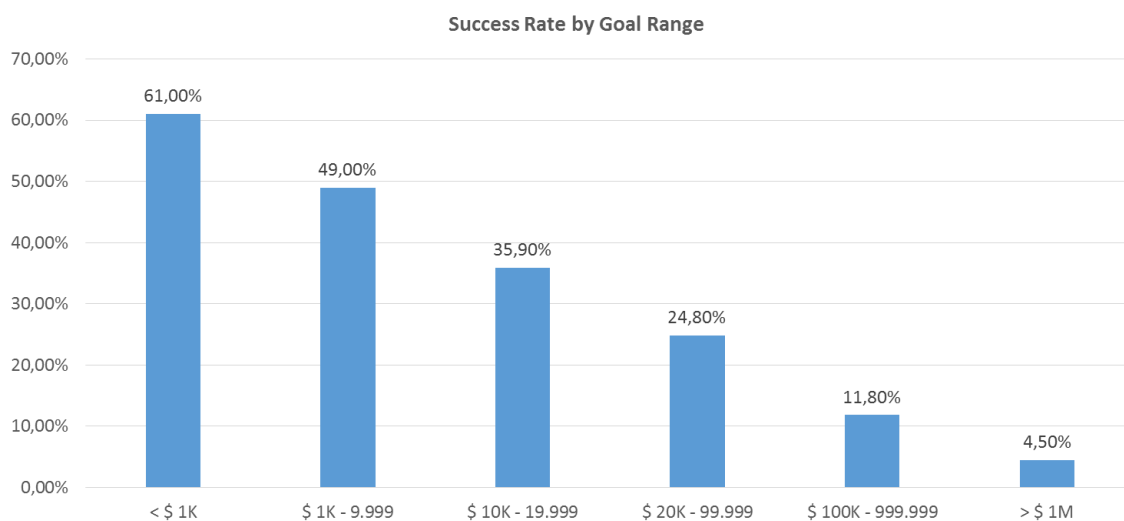
Success Rate by Goal Range

Goal Range	Success Rate
< $ 1K	61,00%
$ 1K - 9.999	49,00%
$ 10K - 19.999	35,90%
$ 20K - 99.999	24,80%
$ 100K - 999.999	11,80%
> $ 1M	4,50%

Figure 5: Success rate by goal range on Kickstarter [based on www.kickstarter.com]

Your final target budget may depend also on external factors that might affect the collection of funds, especially if you are working with rewards crowdfunding. For instance, are there external factors that place a deadline on how soon you need the funding? Are there any seasonal events – e. g. Christmas – that will happen during your campaign, and will they foster or hinder it? You should try to map these events and external factors and understand how they could influence your goal.

When setting the target goal of your campaign, you should try to keep it as much real as possible. Everyone would love to collect € 50.000 through a crowdfunding campaign, but not every project has the premises to do so. You should consider the issues raised above, your networks -i. e. what type of persons you are connected to – and your funding needs. Estimate a target budget and ask yourself:

GIVEN THE NETWORKS, I AM CONNECTED TO AND THAT I CAN EASILY TAP INTO, WOULD I BE REALISTICALLY ABLE TO REACH THE TARGET BUDGET IN THE SET TIME?

If the answer is no, you need to re-estimate the goal, if the answer is yes, you can go on. However, always keep it mind that lowering further the target budget may be a very good strategy. In fact, it makes your campaign more achievable and it makes certain you will be able to deliver on your promises. Moreover, a successful campaign has a greater marketing and visibility return than one that did not meet its target.

As a rule of thumb, set your goal so that you can reach 20% of your goal within the first 48 hours from your friends, family and close network. As highlighted in section 2, statistics show that once you have surpassed the threshold of 20 %, you are very likely to succeed in getting the rest to fulfil of your funding goal. If it is not possible to reach 20 % within the first 2 days, consider lowering your goal – you can always surpass your goal if you hit it. Contributors want to give to a winning project; if you reach a high percentage of your goal quickly, the campaign appears more successful and strangers will be more likely to give. Accordingly, Indiegogo recommends obtaining the initial 30 per cent of the target from the entrepreneur's social capital arguing that strangers are more likely to provide funding if others have trusted the entrepreneur and the project with their money. This follows what has been established in the literature on crowdfunding that social capital is important for the success of a crowdfunding campaign [AGR11]. The entrepreneur can thus decide on a target based on what is expected to be raised from friends and family and what is needed in order to launch the business.

Choosing your Type of Crowdfunding

Crowd-donating
☑ If your project is not for profit or if you are supporting a social cause. When there is a social cause at the base of your project, people do not need material rewards in exchange of donations, because, donating, in this case, is just a matter of being altruistic.

Crowd-sponsoring
☑ If you can offer appealing rewards at zero or low costs. When you calculate the target budget you want to raise through crowdfunding you need to take into account the costs associated with the reward production and delivery. Therefore, the less expensive are the reward costs, the better it is for you.

☑ If you do not want to give away equity capital. If you need capital, but you are not willing to give away equity, reward crowdfunding might be the solution for you. In fact, you are receiving money in exchange of products or services.

☑ If you have a tangible product. If you are offering a tangible product, crowdfunding can be an excellent solution for you to raise capital. In fact, reward crowdfunding has proved to work great as a pre-sale tool for hardware products, since the product is offered in exchange of a money pledge that is slightly less of what would be the retail price. Pre-ordering schemes are more successful when the funding needs of the entrepreneur are low and in larger markets for products that can reach a large base of customers. Pre-sale rewards typically require the existence of a prototype at the time of crowdfunding, i.e. the project should be in a rather advanced stage [BEL12].

Crowd-investing
☑ If you have a potentially profitable and well planned business model. For example, for web entrepreneurs, who lack a tangible product, but may have an interesting business model in mind, equity crowdfunding might be the right choice. Profit-sharing schemes are more likely to be successful when funding needs are high and for products or services that are very specific in nature, are only of use to a narrow set of consumers or the project is in an early stage of development (e.g. prototype

	development) [BEL12].
	☑ If you do not have access to professional investors. If you have troubles finding a couple of professional investors willing to invest in your project, either because you do not have the right connections to reach them or they are simply not interested in your project, do not give up! You can always try to run a crowdfunding campaign and prove them wrong!
Crowd-lending	☑ If you can prove you are able to pay the loan back. This is particularly important in order to receive a good evaluation that will allow you to get a loan at a competitive cost.
	☑ If you want to exploit the leverage effect.

Closely related to your target amount will be the selection of the crowdfunding model that best suits your needs. In addition to the information given in Section 1.1, the guidelines on the next page aim to help you in the decision. These are of course not necessary requirements, but they are just general tips that might be helpful in guiding you when deciding what form of crowdfunding to use. Eventually, the final choice is always up to you and your business' needs.

The choice of crowdfunding type depends on your target. For their loan-based crowdfunding service, FundedByMe offers entrepreneurs the possibility of choosing the interest rate. Social ventures could hypothetically take advantage of their commitment to a social or environmental challenge to offer lower interest rates. Furthermore, FundedByMe also offers the possibility for entrepreneurs to offer acquisitions in the case of exit. However, debt issues subject the enterprise to the risk of bankruptcy penalties and equity issues to the loss of self-determination. On the other hand, reward-based crowdfunding does not come with the drawbacks of equity and debt crowdfunding as advanced by the pecking order theory and it is better suited to social enterprises as these can better exploit their good image through their commitment to a social or environmental goal.

With regard to choosing between All-or-nothing or Keep-it-all reward schemes, AON models offer a guarantee to the crowd that the entrepreneur does not start a project with unrealistically low funding. In contrast, the KIA model is a useful model for entrepreneurs who can scale their business (i.e., a portion of the planned project is feasible) at a level that individuals still get utility from the reward under a scaled-down format (knowing that they will lose the entire utility if the project is cancelled). This may occur if the degree of underfunding is not excessive so that the crowd avoids bearing too much risk of not receiving anything. Similarly, entrepreneurs with projects with few fixed costs of production are more likely to use the KIA model, since the absence of fixed costs makes it easy to undertake the projects on a smaller scale than when fixed costs are important. AON fundraising campaigns generally involve substantially larger capital goals and are much more likely to be successful at achieving their goals. KIA model represents less risk but also lower returns (lower chances of obtaining the needed funds) for the entrepreneur, while the AON model has more risk taken by the entrepreneur but higher chances of successful funding. Thus, the KIA model, while offering an overall lower chance of success, may be optimal for risk-averse entrepreneurs, particularly if the higher risk involved in AON is not compensated by sufficiently higher success chances.

Campaign Building Checklist[23]

Project video

☑ Make a short video (1-3 minutes) that expresses you goals and intentions.

☑ The first ten seconds of your video count. First impressions are everything.

☑ Star in the video yourself to make it more personal.

☑ Give contributors a sneak peak of your project or product.

☑ Use music to set a tone for the video and the campaign.

☑ Make sure the video is clear and concise — visuals help.

☑ Invite your audience to join you on your journey — you're not just asking for money.

☑ End with a clear call to action.

Rewards

☑ Make rewards names and descriptions clear.

☑ Ensure you can fulfil rewards and still complete your project.

☑ Call out the urgency of rewards availability related to the length of your campaign. Use words like "limited edition," "exclusive," and "early-bird."

☑ Create rewards that will connect the contributor to the project emotionally as well as physically.

☑ Consider your rewards pricing strategy — offer a $25 rewards and a $100 reward to incentivize funders with varying disposable incomes.

☑ Make sure to tell contributors to add the cost of shipping — or include it in the reward's value if it's a physical good.

Project description – Tell your story

☑ Put the most important information first.

☑ Tell a compelling story, and keep it short. Break long text into sections with headings.

☑ Explain exactly why you are raising money.

☑ Share details about yourself, your team, and important events or people that shaped your project.

☑ Build trust with a specific budget breakdown.

☑ Spelling and grammar are important, so be sure to proofread.

Include pictures of your rewards in the pitch text. They add personality and help break up lots of copy.

Links

☑ Add links to Facebook, Twitter, and other social media channels related to your campaign.

☑ Add links to your business/other website — outside links help legitimize your campaign.

---

[23] Based on [IND15]

Step 5: Choose a crowdfunding platform

At a Glance: Crowdfunding Platforms for Social Causes

While a detailed overview of the crowdfunding market and platforms has been provided in section 1.2, the following table provides a snapshot of those platforms that are most suitable for social innovators:

Platform	Sector	Main target group	Crowdfunding model(s)	No. of successful projects
Kickstarter	Any	Non-profit, For profit / commercial	Crowdsponsoring	90.688
IndieGoGo	Any	Non-profit, For profit / commercial	Crowdsponsoring	24.750
Startnext	Creative projects	Non-profit, For profit / commercial	Crowdsponsoring Crowdinvesting	2.903
Goteo	Social	Non-profit, For profit / social business	Crowddonating Crowdsponsoring	413
Krautreporter	Journalism	Non-profit	Crowdsponsoring	n.a.
Visionbakery	Any	Non-profit, For profit / commercial	Crowddonating Crowdsponsoring	274
Betterplace	Social	Non-profit	Crowddonating	14.000
Wefund	Creative projects	Non-profit, For profit / commercial	Crowdsponsoring	398
DonorsChoose	Classroom projects	Non-profit	Crowddonating	596.339
Kiva	Any	Non-profit	Crowdlending (Micro-lending)	930.650

The crowdfunding needs to provide the selected type of crowdfunding. It is also important to choose a platform that enables the campaign to reach the targeted market. For instance, if an enterprise is seeking to sell a product to a specific country, the crowdfunding campaign should also target this market. This is especially true for pre-purchase crowdfunding. On top of raising funds, crowdfunding enables the entrepreneur to test the market and create brand awareness [ING13]. It is therefore, crucial to choose a platform that can foster the right market not only for the successful reaching of the target but also to advertise the enterprise and get feedback from the targeted market. Other criteria to consider when selecting a crowdfunding platform are whether the platform offers the KIA (Keep It All) or AON (All Or Nothing) formats as well as the fees that the platform charges. Kickstarter only offers AON, while Indiegogo offers both. Table 1 (see section 1.2) provides a detailed overview of selected platforms to help you with your decision.

Step 6: Design the crowdfunding campaign on the platform

This step involves making a pitch for your social enterprise. This includes explaining how the enterprise will address a social or environmental issue and how the activity will generate income to sustain itself. The focus of the pitch depends on the type of crowdfunding. When employing equity crowdfunding, the pitch should be addressed to potential investors who will be expecting financial returns. However, this does not mean that a commitment towards a social or environmental goal

cannot be put forward as it may attract impact investments. As for when using reward-based crowdfunding, you have to produce a good contribution-reward layout that will incentivise small funders and those with greater resources to contribute. This means offering a wide range of possible contributions in exchange for rewards that match each one of the possible contributions.

Determining Rewards and Donation Tiers - Giveaways for Giving?[24]

Many organizations use rewards and premiums (gifts) to incentivize donations, and it has become a common element of crowdfunding campaigns. Rewards can range from the most basic, like donor acknowledgment on social media, to high-end gifts or recognition by the organization.

☑ **Surprise them!**
Everyone loves an unexpected gift or note of thanks. Think about going beyond the standard automated email thank you and mailing a handwritten note, or sending a gift after the donation has been completed.

☑ **Align with your mission**
If you really want to give your donors a gift, pick something that fits your purpose. Examples: a dog bandana or collar if you are an animal shelter, a personalized or branded notebook if you're an educational organization, or a recipe guide made by your team if you work on food and hunger issues.

☑ **People, not premiums**
Think about what you would want from a non-profit you support, and choose something that creates a deeper connection with your donors. For instance, an exclusive conference call with the Executive Director, or a special note from someone who was affected by the campaign.

Another popular feature of crowdfunding is using donation tiers to provide several options of giving for a campaign. It removes the guesswork for the donors, but also gives you a chance to tie your goals more specifically to your mission, giving the donor a better handle on what they are supporting. To determine the donation tiers for your campaign, take a look at your total fundraising goal, what the funds will be used for, and what it will take to get there. Each campaign will be different, so your tiers may vary from one project to the next.

Here's an example setup that could be used by an organization advocating for youth fitness:

€ 10	Covers the cost of a jump-rope for a child
€ 25	Covers the 5k race entry fee for a child
€ 35	Buys a new pair of running shoes for a child
€ 50	Pays for two swimming lessons for a child

It is not always easy to match donation levels with specific impact goals, but when you can, it really increases your chances of success for a campaign. Contributors who have pride in your campaign or want to participate in it have a strong association with you and/or your work. They want to support you and play an important role in bringing your work to life. Think about why they are excited to

---

[24] Based on [CAU15]

participate and offer rewards that align with those reasons. Do they want to support you because they care about the geography in which you work? Offer them a local artisan craft or postcard. Do they have a family member or friend who associates with your work? Enable them to contribute in that person's honour. They might have a personal interest in the issue you are addressing, and are likely to be interested in opportunities to further their knowledge and engagement, such as volunteering or an exclusive blog post. You can invite them to your launch party to meet you and learn more about your work.

It might seem trivial thing to say, but the video pitch plays a very important role in a crowdfunding campaign. Just consider that **50% of the projects with a video get funded compared to only 30% among those that do not have a video.** Thus, it is essential, if you want to increase your chances of success, to shoot a video pitch of your project. And you can do it nicely, even if you are not a professional video maker. You only need a camera, a video editing software tool and follow the tips on the next page.

How to shoot a great Crowdfunding Video[25]

☑ **Tell a story**. A good shot will tell a complete story. This means it should include a subject and an action. In particular, the public wants to know who are you, what are you doing, why you are doing that, why you are using crowdfunding and why you need people's support.

☑ **Show us your face**. It is important for potential backers to see your face and get to know a little bit who you are. Try to look trustworthy. As shown by an academic study, this will help people in their decision to invest. Would you give money to someone of which you never saw the face or that does not look trustworthy to you?

☑ **Communicate emotions**. While telling your story try to transmit emotion too. Leveraging empathy will help you to be liked by the viewers.

☑ **3 minutes or less**. People's attention span is quite short. That's why you want to keep your video pitch under 3 minutes of length. It might seem to you a too short time, but in reality it is enough.

☑ **Always say thank you**. Sometimes people give it for granted, but it is really not. Saying thank you at the end of your video will be appreciated even by those people that do not pledge any money, but who take time to watch the video until the end.

☑ **Use a stool**. To have a more quality shooting, it is advisable to use a tripod to get more stable images. In case you do not have it, use a kitchen stool!

☑ **Put some background sound**. To obtain a great effect, select an audio track to use as background sound. You can check the internet for websites that offer royalties free sound files.

☑ **Edit it to make it look a seamless final product**. If you do not have any experience in editing, what you have to do is using straight cuts, that is no corny transitions between clips. You can check the Internet for websites that offer low cost editing software.

☑ **Make it fun**. Always remember that the video must not be boring. Once you have it, ask for feedback to your friends to see if they find it boring and how it can be improved.

---

[25] Based on http://www.eurocrowd.org/2014/07/shoot-great-crowdfunding-video/

Step 7: Launch and manage your campaign

Key Tasks during your Campaign

☑ Crowdfunding campaigns are most successful between 30 and 40 days duration.

☑ Post updates once or twice per week that feature your campaign's progress

☑ Use updates and new rewards to combat the usual mid-campaign lull in contributions. Campaigns that send out at least three updates raise about 115% more money than those that don't

---

Once a date has been set, the entrepreneur should mobilise friends and family to contribute soon after the launch in order to support early funding thus signalling to other potential funders that people have already trusted the entrepreneur and the project with their money. Mobilising this support can go through social media. The duration of the campaign is a factor in the success of the campaign. Longer campaigns don't necessarily mean you'll raise more money. The longer the campaign, the harder it is to build a sense of urgency and maintain funding momentum. According to the self-assessment of several platforms, **campaigns are most successful between 30 and 40 days duration**. Short campaign might motivate contributors to make a pledge as soon as possible. The campaign then consists in advertising the project as much as possible to create awareness and attract funding. Studies show that investment accelerates as the entrepreneur gets closer to the required sum whereby outsiders contribute most funds as opposed to the initial phase where friends contribute the most [BEC11]. So, after family members and friends contribute in the initial phase, they can recommend the business for their friends through social networks and serve as a trustworthy source. Having such recommendations and seeing that a big part of the amount is already raised, outsiders are more likely to contribute. In addition, make sure to leave two weeks between the end of your campaign and the date you need your funds.

Post updates once or twice per week that feature your campaign's progress (example: Celebrate when you have reached 50% of your funding goal), new media, or any other compelling content your audience might be interested in. **Use updates and new rewards to combat the usual mid-campaign lull in contributions**. **Campaigns that send out at least three updates raise about 115% more money than those that don't**. Think of rewards that you can add throughout your campaign to re-energize your community. Is there something directly associated to your campaign that you can offer? Do you know local businesses or entrepreneurs who might want to offer campaign perks (i.e. cross-marketing)? For instance, you could post a special thank-you video or thank-you note or produce a photo, mug or t-shirt featuring your organization or campaign. The possibilities are endless, and you have to make sure you understand the steps necessary and know exactly how much money you'll need for creation and distribution. When reaching out to any vendor to get a quote, don't forget shipping costs. Allow some time to fulfil your rewards — it might take longer than you think.

Step 8: Stay informative after your campaign ends

Keep your contributors well-informed about the status of their rewards — people are surprisingly patient as long as they know they'll have to wait and that you're making progress (even if there are unexpected delays). Maintain relationships and communication with your contributors and followers through your social channels and your website or blog. Be ready to implement your budget wisely. A number of online services can help you efficiently fulfil the rewards. Especially for crowdfunding campaigns with a social cause it is vital to keep your backers and your wider community informed about the progress you are making with your project. Be transparent about the usage of the funds raised and about the course of your project. Wherever possible, involve your community in the development of your project (see step 2).

Take a moment to think about what went well and what could be improved—you can use this knowledge to make your next campaign even more successful. If you need to raise additional funds, consider launching a follow-up campaign, and update your old campaign with a link to the new one.

4 Summing up: Key takeaways for successful crowdfunding

As we have shown in this document, crowdfunding provides an attractive and above all, very accessible funding source for social ventures, especially at the early stages of their project lifecycle. There are different types of crowdfunding:

- **Crowdsponsoring** campaigns aim to fund projects ex-ante and the crowd of supporters receives non-monetary rewards, like products, services or reputation.
- **Crowdinvesting** is similar to crowdsponsoring but is equity-based (not reward-based) and funds Start-ups and Enterprises rather than single projects and provide financial rewards.
- **Crowddonating** or crowdraising means the donation of money by the crowd. There is no explicit material or financial reward for donors.
- In **crowdlending** campaigns the crowd grants money to Entrepreneurs, which should be paid back later with a certain interest rate (which in this case is the reward for the supporters).

The crowdfunding market has been growing at fast pace over the last couple of years and it is likely to continue its rise. It is a novel way to attract seed funding for grassroots initiatives and entrepreneurs but it is not without drawbacks:

Advantages	Disadvantages
Crowdfunding preserves ownership	Administrative and accounting challenges
Crowdfunding capital is exceptionally accessible and can close the early-stage-gap	Ideas and business models presented public can easily be stolen
A chance to test the marketability	Lack of well-grounded advice
Benefits for communities through both local and global means	Issues with responsibilities towards investors and investor dynamics
Supports co-designing of products / services	Risk of under- and over-funding
Helps with other forms of financing	

For founders and entrepreneurs considering starting a crowdfunding campaign, there is no guarantee that you will reach your funding goal. However, the scientific research and best practice examples assessed in this report show the factors of success that separate campaigns that reach their funding goals from the failing ones. Thorough planning of your campaign carefully taking into account these factors will significantly increase your chances of reaching or even exceeding your funding goal (for further details please refer to section 2):

1. **Social capital** is key: Build a diverse team covering many different competencies and communicate them clearly to your supporting community.
2. The **quality of your campaign** reflects the quality of your project: Plan enough time to carefully prepare and your campaign.
3. **Be visual**: Produce at least one video and possibly develop other materials like images that visualize your project.
4. **Be concise, but complete** in your presentation. Your project description should cover every important aspect of your project.
5. Do not underestimate **hedonic aspects**: Especially for social projects, appealing to the emotions of the capital-givers and implementing entertaining elements will maintain interest and show your professionalism and passion.

6. **Regular updates**: Frequently publishing news on your campaign page and actively communicating with your supporting community has a large impact on the success of your campaign.
7. **Community engagement** is vital: Foster your social networks, grow and engage a large community on Facebook and Twitter already before starting your campaign.
8. **Think global, act local!** Successful campaigns are those that reflect the underlying culture of their geographic region and engage communities close to them.
9. **Keep it short, keep it low!** The lower the funding goal and the shorter the campaign the higher the chances of a project are to succeed
10. **Suitable rewards**: When deciding for a reward-based crowdfunding campaign, develop a set of rewards that are related with your project and that would boost the social image of the backer.

The step-by-step guide provided in section 3 will facilitate the process of planning, developing and running a successful crowdfunding campaign for Digital Social Innovations:

1.	Decide if crowdfunding is appropriate for your project	• If it's easy to communicate the benefits of your project • If you already have a community • If you want to test the market potential • If you want to raise money and promote your project
2.	Start your project and test your concept	• Apply a user-centered design approach and test your concept or prototype with your target group
3.	Develop awareness of your project and create a community	• Engage and cultivate a community that believes in your idea • Develop a community building plan and extensively use Social Networks for applying it
4.	Prepare your campaign	• Choose the type of crowdfunding that is most appropriate for your project • Carefully calculate your funding target, keep it as small as possible
5.	Choose a crowdfunding platform	• Take a close look at all platforms you consider appropriate and thoroughly match your project's needs to their conditions and focus
6.	Design the crowdfunding campaign on the platform	• Develop a pitch-deck describing your project concisely • Produce a short video and other materials visualizing your venture • Develop a reward scheme that suits your project and your target community
7.	Launch and manage your campaign	• If possible, choose a short campaign duration between 30 and 40 days • Stay informative during your campaign, post regular updates and introduce new rewards
8.	Stay informative after your campaign ends	• Keep your supports informed about the process of their rewards • Communicate the progress of your project to a wide community • Assess the lessons you learned during your crowdfunding campaign

5   References

AGR11	Agrawal, A.; Catalini, C.; Goldfarb, A. (2011): The geography of crowdfunding, NBER Working Paper Series No. 16820.
ANB14	Anbang, X.; Yang, X.; Rao, H.; Fu, W.; Huang, S.; Bailey, B. P. (2014): "Show me the money!: an analysis of project updates during crowdfunding campaigns," in "Proceedings of the 32nd annual ACM conference on Human factors in computing systems" ACM 2014, pp. 591–600.
BEA15	Beaulieu, T.; Sarker, S.; Sarker, S. (2015): A Conceptual Framework for Understanding Crowdfunding. Communications of the Association for Information Systems: Vol. 37, Article 1. Available at: http://aisel.aisnet.org/cais/vol37/iss1/1
BEC11	Bechter, C.; Jentzsch, S.; Frey, M. (2011): From wisdom of the crowd to crowdfunding. Journal of Communication and Computer, 8, p. 951-957.
BEL10	Belleflamme, P.; Lambert, T.; Schwienbacher, A. (2010): Crowdfunding: An Industrial Organization Perspective, SSRN Working Paper 2151179.
BEL12	Belleflamme, P.; Lambert; T., Schwienbacher; A. (2012): Crowdfunding: Tapping the Right Crowd. SSRN eLibrary.
BEL13	Belleflamme, P.; Lambert, T.; Schwienbacher, A. (2013): Individual Crowdfunding Practices, in: Venture Capital, (ahead-of-print), 1-21.
CAU15	Causevox (2015): How to Plan a Nonprofit Crowdfunding Campaign. The beginner's guide to creating an impactful crowdfunding campaign for your nonprofit or project. Available from www.causevox.com
CRO14	Crosetto, P.; Regner, T. (2014): Crowdfunding: Determinants of success and funding dynamics (No. 2014-035). Jena Economic Research Papers.
GAJ14	Gajda, O. (Ed.) (2014): Review of Crowdfunding Regulation. Interpretations of existing regulation concerning crowdfunding in Europe, North America and Israel. Published by the European Crowdfunding Network AISBL.
GER12	Gerber, E. M.; Hui, J. S.; Kuo, P. (2012): Crowdfunding: Why people are motivated to post and fund projects on crowdfunding platforms, Northwestern University, Creative Action Lab.
GIU13	Giudici, Giancarlo, Massimiliano Guerini, and Cristina Rossi Lamastra, "Why Crowdfunding Projects Can Succeed: The Role of Proponents Individual and Territorial Social Capital," Available at SSRN 2255944, 2013.
EC14	European Commission (2014): Unleashing the potential of Crowdfunding in the European Union. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Available from: http://ec.europa.eu/internal_market/finances/docs/crowdfunding/140327-communication_en.pdf
EC15	European Commission (2015): Crowdfunding explained. A guide for small and medium enterprises on crowdfunding and how to use it. Available from: http://ec.europa.eu/growth/tools-databases/crowdfunding-guide/what-is/explained/index_en.htm
ECN14	European Crowdfunding Network (2014): European Commission announces help for Crowdfunding. Available from: http://www.eurocrowd.org/2014/03/european-commission-helps-crowdfunding/
HEM11	Hemer, J. (2011): A snapshot on crowdfunding, Working Papers Firms and Region, Nr. R2/2011, Fraunhofer ISI.
HER11	Herzenstein, M.; Sonenshein, S.; Dholakia, U.M. (2011): Tell me a good story and I may lend you money: the role of narratives in peer-to-peer lending decisions. Journal of Marketing Re-search 48, pp. 138-149.
IND15	Indiegogo (2015): Indiegogo Field Guide. Available from: http://landing.indiegogo.com/iggfieldguide/

ING13	Ingram, C.; Teigland, R. (2013): Crowdfunding among IT Entrepreneurs in Sweden. A Qualitative Study of the Funding Ecosystem and IT Entrepreneurs' Adoption of Crowdfunding. Available from https://www.iis.se/docs/Crowdfunding_among_IT_Entrepreneurs_in_Sweden.pdf
LEH13	Lehner, O. M. (2013): Crowdfunding Social Ventures: A Model and Research Agenda, in: Routledge Venture Capital Journal, 15 (3).
LEI12	Leimeister, J. M. (2012): Crowdsourcing: Crowdfunding, Crowdvoting, Crowdcreation. In: Zeitschrift für Controlling und Management (ZFCM), Nr. 56, Year: 2012. Pages: 388-392.
LIN13	Lin, M.,; Prabhala, N. R.; Viswanathan, S. (2013): Judging borrowers by the company they keep: Friendship networks and information asymmetry in online peer-to-peer lending. Management Science, 59(1), 17-35.
MOL13	Mollick, E. (2013): Swept Away by the Crowd? Crowdfunding, Venture Capital, and the Selection of Entrepreneurs, SSRN Working Paper 2239204.
MOL14	Mollick, E. (2014): The dynamics of crowdfunding: An exploratory study. Journal of Business Venturing 29 (2014) 1–16.
MOR13	Moritz, A.; Block, J. (2013): Crowdfunding und Crowdinvesting. State-of-the-Art der wirtschaftswissenschaftlichen Literatur. Universität Trier.
POE12	Poetz, M.; Schreier, M. (2012): The value of crowdsourcing: can users really compete with professionals in generating new product ideas? Journal of Product Innovation Management 29.
SCH10	Schwienbacher, A.; Larralde, B. (2010): Crowdfunding of small entrepreneurial ventures. SSRN Electronic Journal.
SCH15	Schulz, M.; Haas, P.; Schulthess, K.; Blohm, I.; Leimeister, J. M. (2015): How Idea Creativity and Hedonic Value Influence Project Success in Crowdfunding. In: Thomas. O.; Teuteberg, F. (Ed.): Proceedings der 12. Internationalen Tagung Wirtschaftsinformatik (WI 2015), Osnabrück, S. 948-962
SIG12	Sigar, K. (2012): Fret no more: inapplicability of crowdfunding concerns in the internet age and the JOBS Act's safeguards. Administrative Law Review, 2 (64), p. 474-505.