

An illustration showing several hands of different skin tones dropping gold coins into a large, pink piggy bank. The piggy bank has a smiling face and a slot on top. The word "Crowdfunding" is written in large, bold, blue letters across the middle of the image.

Crowdfunding

By Greg Varhaug

Mainstream Acceptance

Online crowdfunding was basically non-existent prior to 2006. Since that time, it has grown into a multibillion-dollar enterprise. Crowdfunding started as a way of raising funds for theater and film projects. It has since been adopted for a wide variety of purposes. The 2008 financial crisis forced small businesses, in particular, to find creative new ways of raising capital. This propelled the acceptance of crowdfunding as an alternative to traditional methods of finance. Now that professional investors are getting into the act, crowdfunding has entered the mainstream.

Crowdfunding sites vary in their purposes and in their terms and conditions. Some crowdfunds are simply charities raising money for worthy causes. Others are started by small businesses, often as a way to pay for a production run. Donors are rewarded by being first in line to get the new product once it's produced. Some crowdfunds stipulate an amount that will be used for marketing. Some crowdfunding sites require that you meet a predetermined fundraising goal before they release the money. Others give you whatever money you're able to raise, whether you meet your goal or not. Most have special provisions for charities and non-profits.

Funding an Invention

Clear Lake resident Mark Lacy recently completed a successful Kickstarter campaign in which he raised \$20k. Lacy is the inventor of My Paint Saint, a simple but ingenious gadget that avoids the problem of opening messy paint cans, stirring separated paint, and cleaning brushes. The brush and paint are stored together in an airtight container that keeps the paint fresh for years.

Lacy recently addressed a group at a meeting of the Houston Inventors Association and offered his views on what made his Kickstarter campaign a success and what he would have done differently. "Here, all of

a sudden, there's just one exciting thing after another happening with my product. I feel like my dream is becoming a reality, and I think it's all a result of Kickstarter."

Launching a crowdfunding campaign is as easy as making a Facebook page. You simply go to a web site, create an account, upload a picture, and write something about yourself. Lacy told his audience, "You can launch a Kickstarter in 30 minutes, but don't do that." He recommends taking six months to create a social media presence and carefully crafting your crowdfunding page before actually launching it.

According to Lacy, there are several things you should do at the outset. Create social media pages for your company or product and establish yourself within the crowdfunding community. Take an active part in online groups devoted to

crowdfunding. Reach out to reporters and bloggers. Lay the groundwork for a promotion on Thunderclap to coincide with the launch of your campaign.

You should also create a membership at whatever site you plan to use for your campaign. Members on crowdfunding sites often get involved in one another's projects offering advice and support and, sometimes, small donations. The smallest donations can be valuable to a campaign because each donator is counted as a backer. The number of backers is one of the most crucial metrics used to rank your campaign. Member profiles on crowdfunding sites show how long you've been a member, which members you associate with, and how many projects you've backed on that site.

Lacy recommends finding a reputable marketing company to help promote your campaign. These

companies work on contingency for a percentage, and they're behind many successful drives. Oversight from an experienced sales team with a large network can increase your chances for meeting your goal. Marketing companies want to be involved in the planning and launching of your campaign. They usually won't take on a campaign after it has been launched.

He also recommends always offering a \$1 and a \$5 reward, even if the only reward for the donor is a heartfelt "thank you." It isn't much money, but it gives you another backer and improves your ranking, which inspires investor confidence. Finally, Lacy says that his campaign benefitted from cross-promoting with another Kickstarter campaign for a kitchen product, the ChopTainer. He recommends cross-promoting with other campaigns running on the same site.

Crowdfunding and Non-Profits

Houston community radio station KPFT (90.1 FM) recently met their goal of \$20k to help pay for a new state-of-the-art transmitter. The 45 year-old, non-commercial, non-profit station depends entirely on donations to stay on the air. Robin Lewis, KPFT's Development Director, explains how she decided on a host for the station's campaign: "One of the reasons I chose Indiegogo was that whatever you raise, they give you. So if you're below your goal, you still get whatever you happen to raise."

KPFT's Indiegogo campaign was the last step in an effort to raise the \$180k needed to purchase and install the new transmitter. That amount didn't include the station's normal operating expenses; they began raising funds for the project two years ago with special events and pledge drives devoted solely to funding the new transmitter.



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Tell a Story

Every crowdfunding pitch revolves around a story. Part of KPFT's winning formula was crafting a compelling narrative. Lewis explains, "Before we did our video, we wrote a story—the story of transmitters at KPFT. We have some pretty dramatic stories." KPFT is the

only radio station in America to have ever been bombed off the air—first in May 1970, and again that October. The mangled remains of their second transmitter are in a display case at the station. More recently, their last transmitter was damaged when it was struck by lightning. "After that, we made a plan for how to use social media and our email list, along with on-air announcements and our website to push our message."

To raise money for the transmitter, KPFT borrowed \$100k from a sister station in the Pacifica Radio network. On-air fund drives and special events raised another \$60k. "The reason we had a \$20k goal was that was our shortfall." And they needed the money fast. They decided to try crowdfunding because raising the money through more traditional means would have been too slow.

Lewis says that Indiegogo is a good deal for non-profits, since they are allowed to collect whatever money is raised each week. "That was important for us. So the moment we had enough cash, we ordered the transmitter and had it sent here."

Even though the station reached its stated goal of \$20k, Indiegogo allowed them to raise money in addition to the amount of their goal. Lewis explained that the additional money from Indiegogo will go to repaying the \$100k loan from their sister station. The campaign reached its initial goal about 45 days after launching, and it wrapped up on September 15th of this year.

Lewis' advice for non-profits looking at crowdfunding and



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Indiegogo in particular: “I highly recommend it.” Lewis says it’s essential to have a video explaining your campaign. All crowdfunding websites allow you to upload videos to your page. KPFT’s Indiegogo video was simple, a couple of minutes of narration over a series of still photos. Crowdfunding is a highly competitive arena. Your video is your first, best chance to set yourself apart from other campaigns on the same site and is a part of any successful crowdfunding effort. Your video should list your goals and rewards for investors and should include a clear call to action.

Lewis also advises, “You should have one specific thing that you’re trying to do.”

KPFT conducts regular fundraisers throughout the year to cover its normal operating expenses. Compared to their regular fundraisers, where the money goes “to support the station,” Lewis says that the public responded especially well to their campaign’s sole focus on raising money for a single item. Thanks in part to their crowdfunding efforts, KPFT is now broadcasting at full power, reaching more people with a better signal than ever before.

Thunderclap

Thunderclap is a crowdspeaking platform that describes itself as an “online flash mob.” Thunderclap provides people with a way to opt into a coordinated message sent

out simultaneously on Facebook, Twitter, and Tumblr. Supporters essentially donate their social reach to amplify a short message. You have to set and meet a goal for a specific number of supporters for your message to be sent out. If you don’t reach your supporter goal, no message is sent.

Thunderclap also provides you with data on how many people your message reached. It has quickly become a favorite method for promoting non-profits and worthy causes like Red Nose Day, World Humanitarian Day, and Parkinson’s Awareness Month. Thunderclap is also being used by companies to promote brands. Their basic service is free, but they also offer premium features to paying users.

Whether you’re using a tool like Thunderclap or simply getting the word out about your project on one targeted social media site, crowdfunding is an accepted part of the business world that can no longer be ignored. **N**

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