Crowdfunding: 5 weeks to a winning campaign

Staples



Crowdfunding connects entrepreneurs to a pool of potential backers. It's a valuable tool for those with a great idea and strong business plan but who lack quick funding.

While the size of the "crowd" in a crowdfunding campaign can vary, from a handful of significant investors to a larger group of smaller investors, a successful campaign can provide the capital necessary to get a small business off the ground.

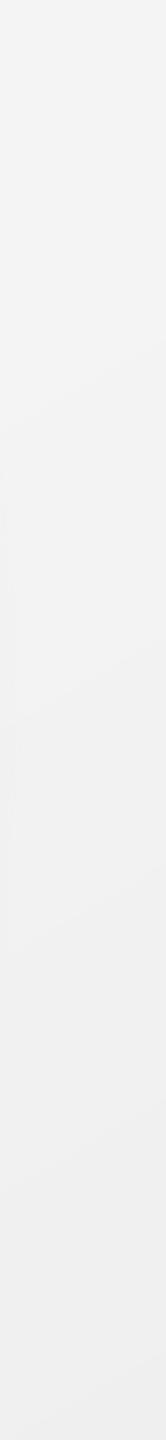
Before investing in a live crowdfunding campaign, however, it's critical to consider all opportunities and obstacles to ensure a successful launch.

Use the following week-by-week checklist — starting five weeks before you launch a campaign — to divide and conquer key prep-work.





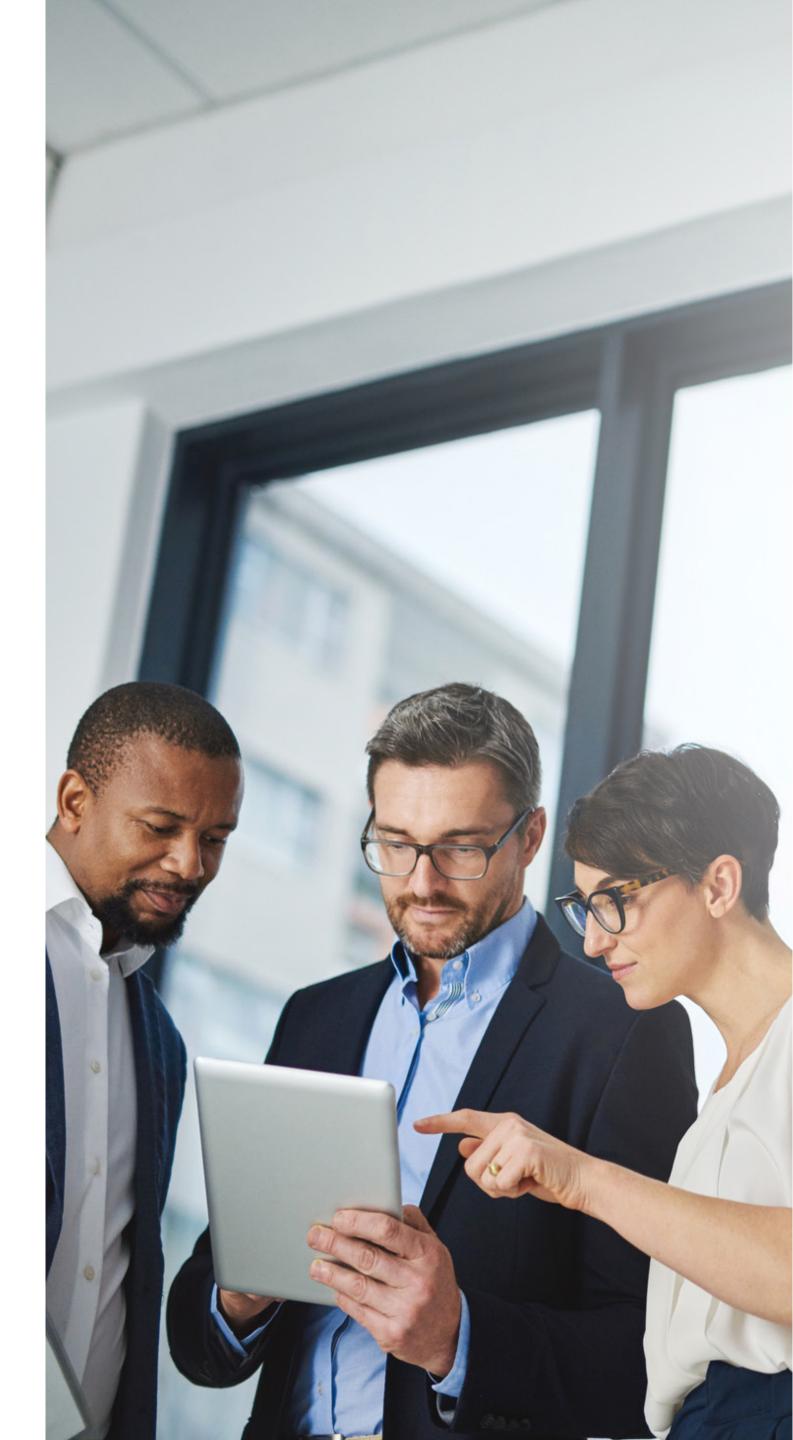
	WEEK 5		
Mon	*Confirm idea originality		
Tue			
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Week 5 Confirm that your idea is original

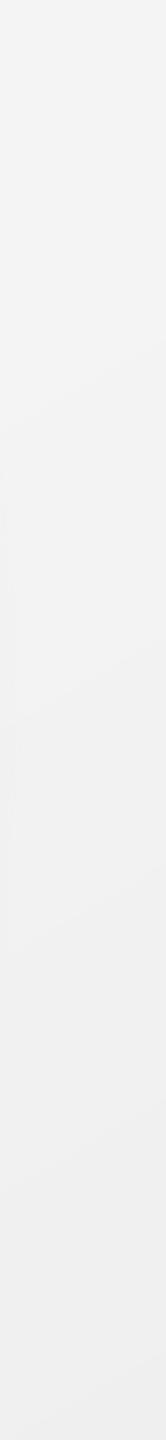
Nothing kills campaign momentum like a cease and desist letter from a competitor.

Do your due diligence and scan the Internet for any strong similarities to your idea. That way, when your campaign goes live, you can be confident you won't encroach upon existing trademarks.





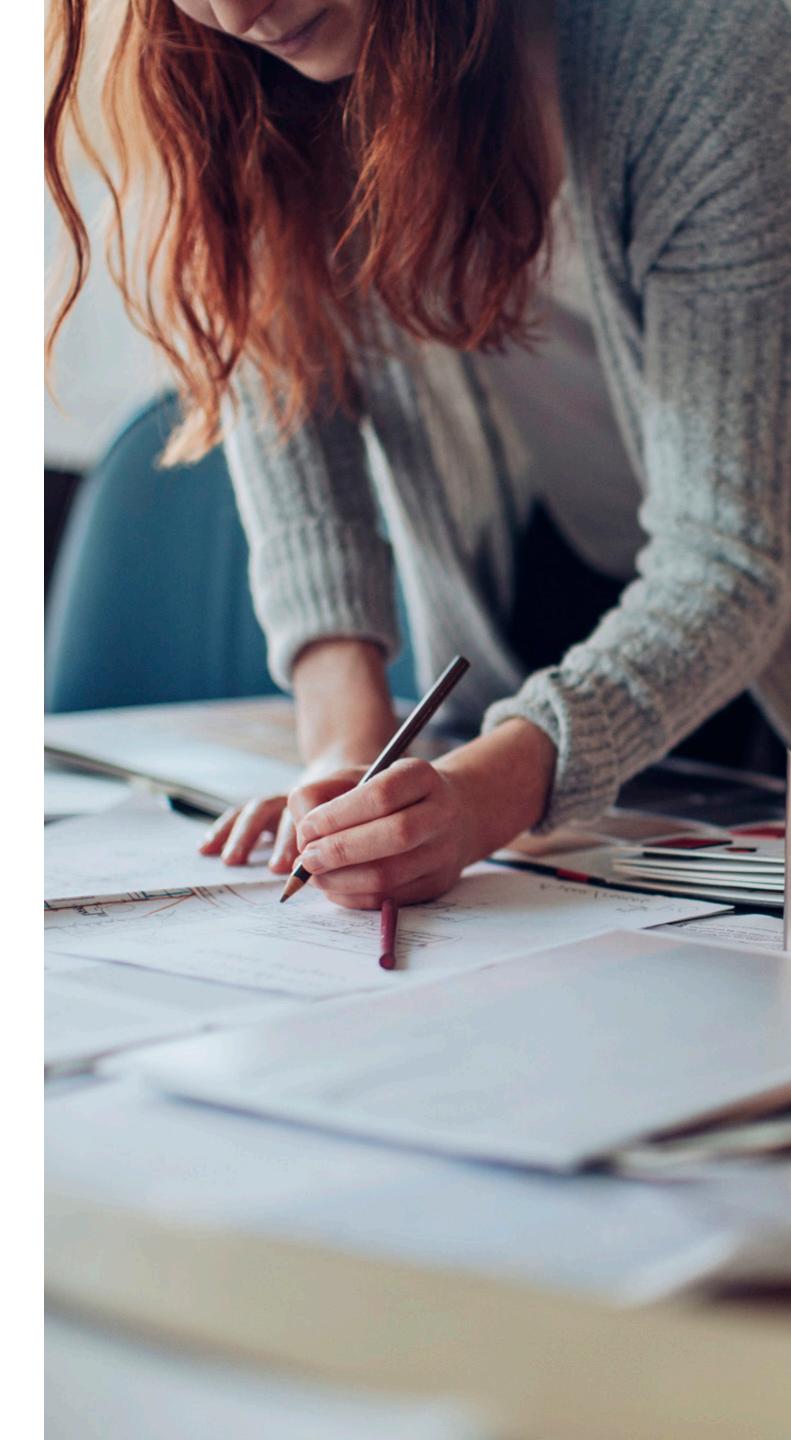
	WEEK 4	
Mon	*Review federal & state laws	
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ri	*Find the right model	
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Week 4 Get familiar with federal and state laws

As you explore platforms, research both <u>federal</u> and <u>state</u> laws. If you've opted to exchange equity for funding — a practice now regulated by the U.S. Securities and Exchange Commission (SEC) consider consulting a legal expert.

Keep in mind that state laws can vary. For example, in Colorado, crowdfunding platforms aren't permitted to charge success-based fees, so they charge small business hopefuls a flat fee.







CAMPAIGNS TEND TO FALL INTO ONE OF TWO OVERARCHING CATEGORIES — **REWARDS-BASED AND EQUITY CROWDFUNDING.**



Investors receive a share of the company in exchange for contributions.

Week 4 Select a model

Rewards-based

Donors receive a reward, often organized in tiers, in exchange for contributions. For example, a small business specializing in sustainable swimwear might reward donors with a beach towel or a tote bag.

2 Equity crowdfunding

which model do i choose?

It's important to select the incentive structure that best meets your needs. For example, rewards-based funding may not be the best fit if your business lacks tangible merchandise.

On the other hand, while equity crowdfunding can increase capital, entrepreneurs sacrifice full ownership of their future company.

Model 1 Rewards-based crowdfunding

PROS (+)

- Backers often become loyal customers
- Campaigns can be used as testing grounds and marketing for the product or service
- Fewer legal requirements

CONS (-)

- Generates a lower sum at a slower pace
- Funding isn't intended to sustain a start-up post-launch
- Rewarding backers and maintaining connections costs time and money

Model 2 Equity crowdfunding

PROS (+)

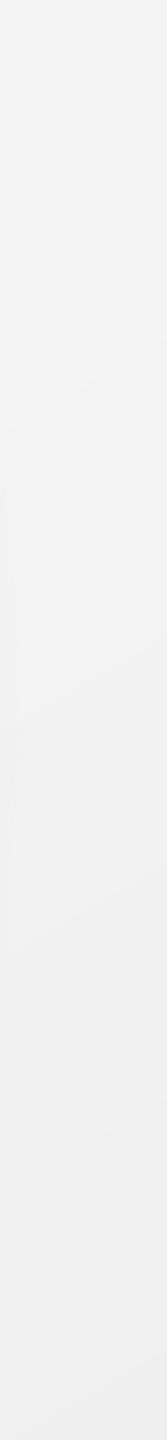
- Generally produces a larger sum at an accelerated pace
- Sophisticated investors can offer valuable insight
- Investors have a stake in your success, so it behooves them to promote the brand

CONS (-)

- Strict (and still-evolving) government regulations
- Investors may request detailed business reports
- Platform fees tend to be more expensive



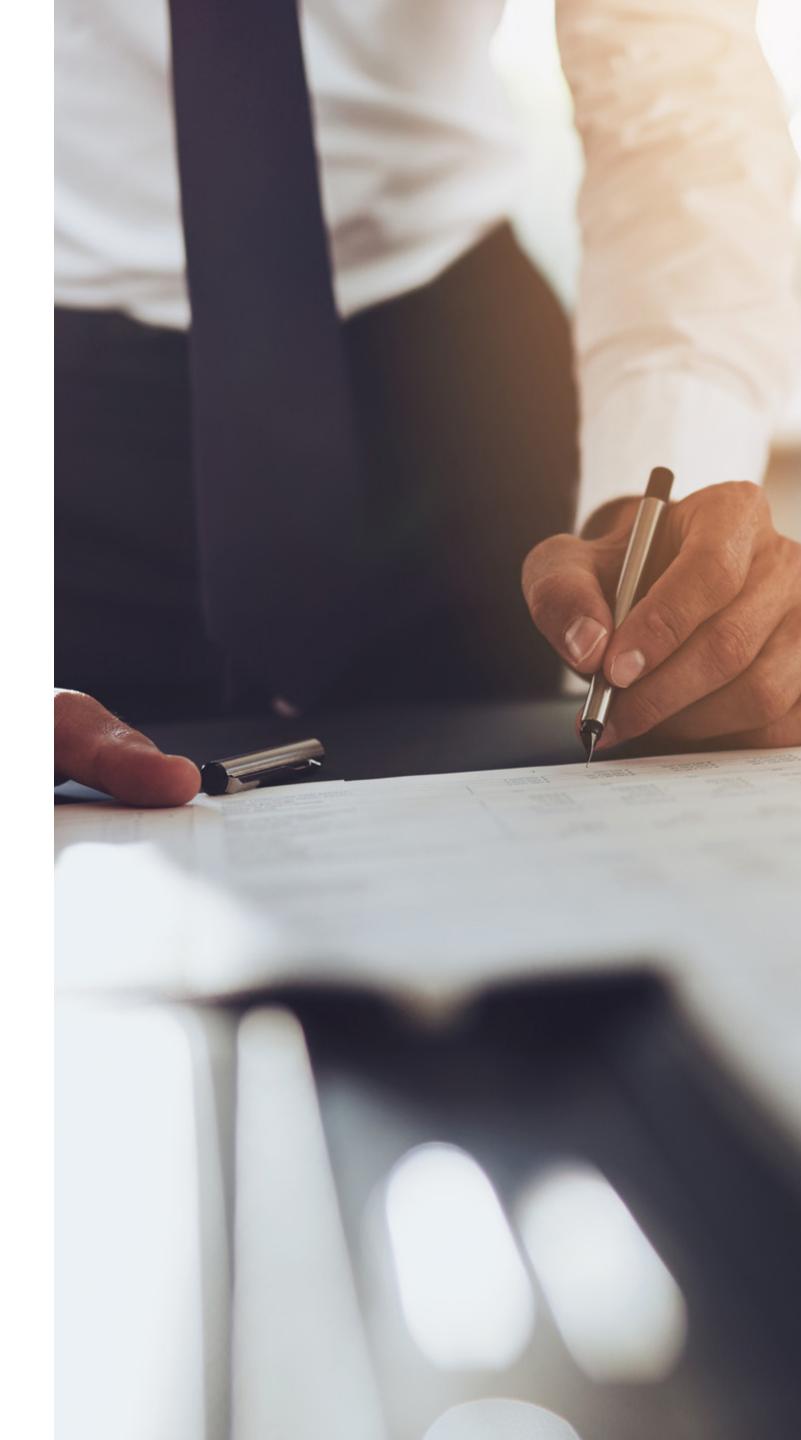
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Week 3 Protect your small business brand

It's always a smart idea to safeguard intellectual property before creating a campaign. Consider consulting a legal expert to better protect everything from your brand name to industrial design.

Also, be mindful of the information you disclose to avoid arming potential copycats. Trade secrets, such as an original recipe or manufacturing processes, are better left unsaid.





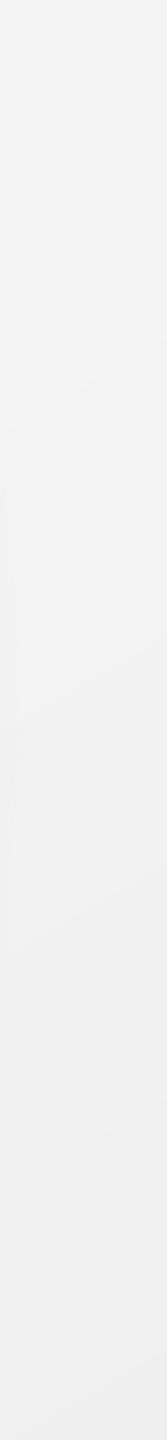


Crowdfunding comes with its own costs, from rewarding backers to creating promotional materials for your campaign. A pitch video, for example, can quadruple funding.

Plan out your spending with a firm budget to cut costs wherever possible.

Week 3 Establish a budget





Week 2 Make a final decision: which platform is right for you?

The rising popularity of crowdfunding campaigns has resulted in an influx of new (and niche) platforms. Using the research you've already gathered, identify your own needs before making a final decision.

For example, if you're in the market for heavy-hitting investors, you might opt for a platform with an accredited network, such as <u>CircleUp</u>.





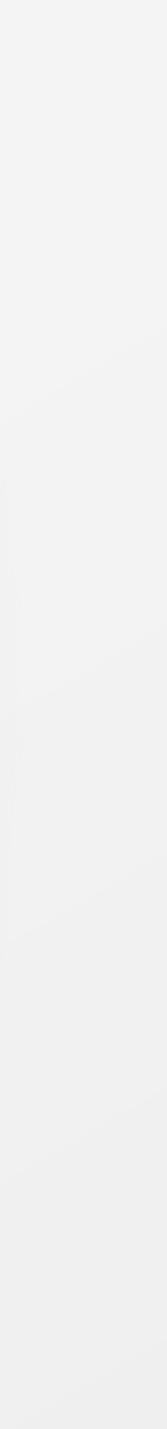
To ensure you've found the right platform, ask yourself the following questions:

- How much flexibility do I want? For example, is it possible to extend campaigns?
 - **Do I need campaign support?** <u>IndieGoGo</u> account managers, for instance, offer tailored marketing and PR advice.
- - Who's my audience? For example, an eco-friendly business may see more success on a socially-minded platform such as StartSomeGood.
- What tools do I need? Some platforms, such as <u>SeedInvest</u>, offer fully integrated advertising tools.



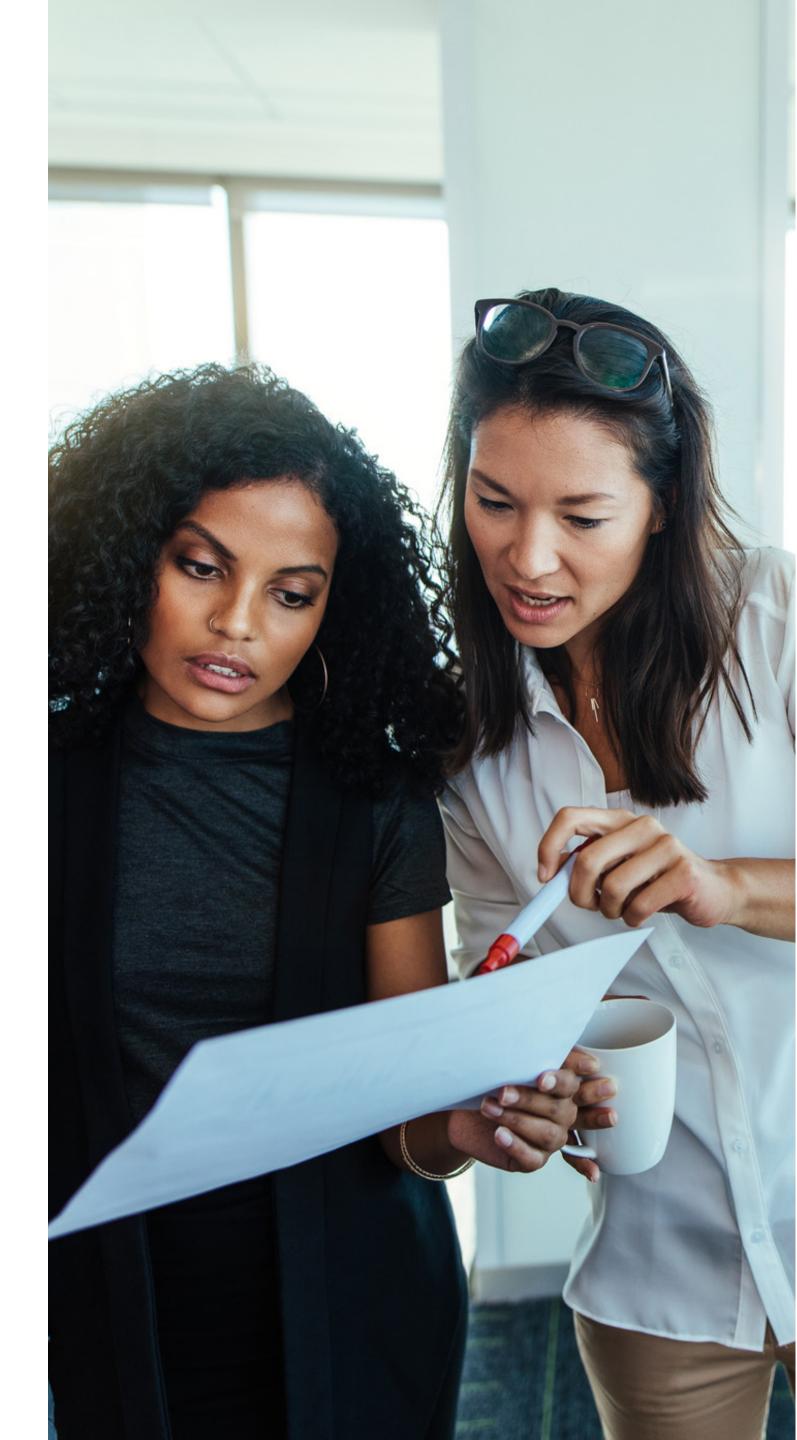
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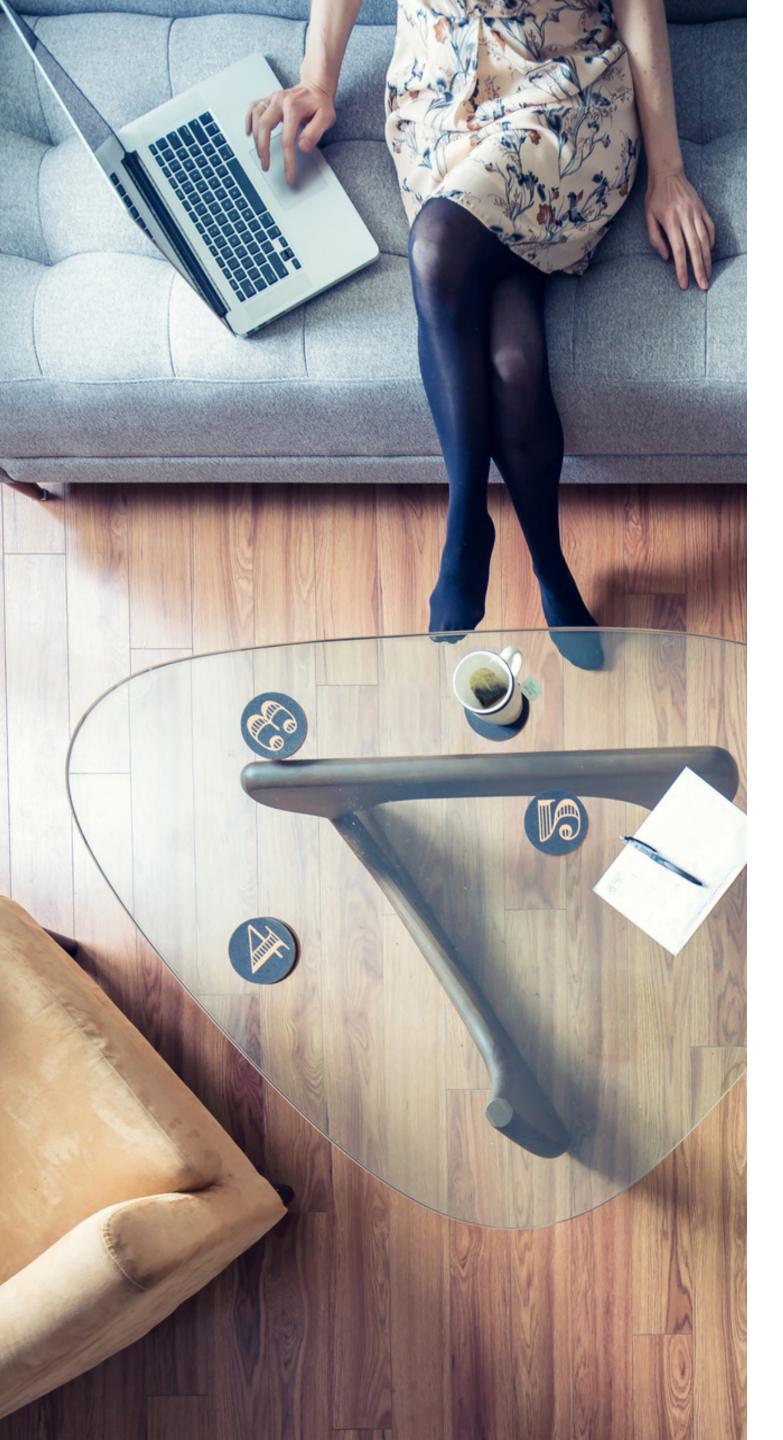




Week 1 Carefully consider campaign length

The longer a campaign is live, the greater the risk a copycat will pirate the idea and carry it to completion before you. Think strategically about your campaign timing — IndieGoGo recommends 30 days.







According to a recent study by IndieGoGo (in which 100,000 campaigns were assessed), the first three and final three days of a crowdfunding campaign see 42% of funding raised.

Think early on about how to maintain funding momentum, offsetting a mid-campaign lull with new perks, regular updates or fresh assets that celebrate progress.

Week 1 Prepare for the lull

A successful crowdfunding campaign can offer the quick financial lift that small businesses need to move from ideation to execution, but smart preparation is paramount.

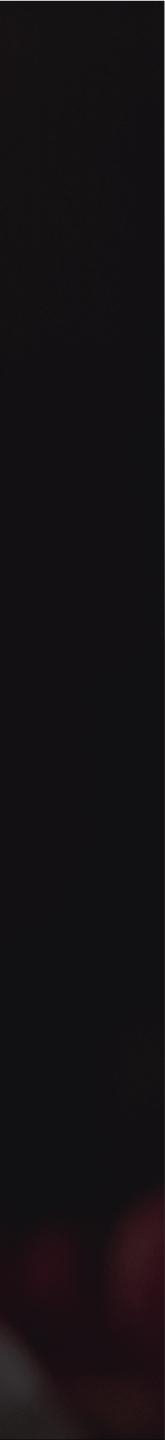
By weaving these steps into your overall strategy, you'll be better positioned to launch your campaign with confidence, maintain control of the process and secure the funds you need to bring your innovative idea to life.

Ready to get started?

Looking for more inspiration?

CHECK OUT THESE FIVE SUCCESSFULLY CROWDFUNDED CAMPAIGNS:

1. <u>Amabrush automatic toothbrush</u> 2. <u>Exploding Kittens card game</u> 3. <u>Taga 2.0 family bike</u> 4. <u>Gravity weighted stress blanket</u> 5. <u>G-RO carry on luggage</u>



Looking ahead to small business success?

For more ideas and inspiration, visit the **Staples Business Resource Center**.

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entrepreneur.com <u>indiegogo.com</u>

Sources