Crowdfunding: Kickstarting Your Enterprise or Non-profit Through Online Fundraising
HKS Communications Program
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What is crowdfunding?

"The practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet" (Forbes). Online crowdfunding has existed since 1997, but the term "crowdfunding" wasn't coined until 2006 and didn't become popular until Kickstarter was founded in 2009.

What kinds of projects can be crowdfunded?

Any kind! From launching a new mobile app to a new restaurant, publishing a book to a website, expanding a non-profit to paying a child's hospital bills, crowdfunding can (and has!) been used to fund all these projects and more.

Can anyone crowdfund?

Yes, but not everyone is successful: 64% of all Kickstarters fail. Of those that succeed, most were seeking less than $10,000 in funding. It helps to have either a **reputation**—you've been working in this industry for a while and have a proven track record for bringing projects to completion—or a **prototype**—a demonstration of the final product, whether it's a chapter of a book, a trailer for a movie, or a smaller event that could be made bigger.

What crowdfunding platform should I use?

There are over 500 crowdfunding platforms, with the biggest ones being Kickstarter, Indiegogo, GoFundMe, and Patreon. Which one you choose is largely determined by what kind of project you're running and how much money you need:

- **Kickstarter** requires all its projects fall into one of these categories: Art, Comics, Crafts, Dance, Design, Fashion, Film & Video, Food, Games, Journalism, Music, Photography, Publishing, Technology, and Theater. If you don't meet your crowdfunding goal, donors don't get charged, and you receive no money—it's an all-or-nothing proposition.

- **Indiegogo** has many more categories—too many to list here! It supports both Fixed funding, which works like Kickstarter's all-or-nothing model, and Flexible funding, in which you keep all the money you raise. **Generosity** is a subsidiary of Indiegogo specifically for non-profits; all its projects follow the Flexible funding model.

- **GoFundMe** is more personal. "Most people use GoFundMe to raise money for themselves, a friend or loved one during life's important moments. This includes things like medical expenses, education costs, volunteer programs, youth sports, funerals & memorials—even animals & pets."

- **Patreon** creates sustainable revenue by asking donors to pledge a small amount of money every month in exchange for work that you're already producing and making available for free.

Platform	Keep whatever you raise?	Platform fees	Processor fees	Time limit
Kickstarter	No	5%	3% + 20¢	1–60 days
Indiegogo	You choose	5%	3% + 20¢	1–60 days
Generosity	Yes	0%	3% + 20¢	None
GoFundMe	Yes	5%	2.9% + 20¢	None
Patreon	Yes	5%	25¢	Monthly

How much money should I try to raise?

Aim for the bare minimum necessary to accomplish your goal; anything above and beyond can be used to fund "stretch goals". Also take into account the roughly 8% in fees you'll be charged (see table) and the cost of any rewards.

Rewards?

Yes! Your project should offer incentives for donors to pledge. T-shirts and presales of your product are both popular but can be costly—make sure you're actually coming out ahead! Better yet, consider digital rewards that cost little or nothing, such as Twitter shout-outs, content previews, exclusive online Q&A sessions, and executive producer movie credits.

When should I launch my campaign?

After a lengthy marketing campaign. Get the word out that you're launching a crowdfunding project: tweet, create a website, get evangelists, and build hype!

Some facts from Kickstarter:

- On average, campaigns launched on a Monday or Tuesday raise 14% more in the first week than campaigns launched on all other days of the week.
- When a project launches, the creator's most fervent fans rush to show their support. And as time runs out, people who have been sitting on the sidelines are motivated to finally take action.
- 78% of projects that raised more than 20% of their goal were successfully funded.

The campaign is live! Now what?

Don't rest on your laurels yet! Write weekly, if not daily, progress updates. Continue to market your campaign. Consider adding additional rewards or perks! Use kicktraq.com to monitor your progress.

Omigosh—my campaign succeeded!! Now what?!

Congratulations!! You've earned your backers' trust; now to keep it. Continue issuing regular updates (at least monthly). If anything changes, be up front. If anyone wants a refund, provide it. If you cannot complete the project, you are responsible for the funds; Kickstarter will not support or intervene. And remember to report your campaign funds as taxable income!