

# How Crowd Funding Works: The Basics

## In This Chapter

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- Discover what crowd funding is . . . and isn't.
- Learn how crowd funding works.
- Determine if crowd funding offers the right opportunity to fund your idea, business, or project.
- Develop realistic expectations.

In recent years, crowd funding has become an extremely popular and viable way for entrepreneurs, inventors, artisans, small business operators, fundraisers, musicians, charities, and people from all sorts of backgrounds and from all walks of life, to quickly, legally, and systematically raise the money needed to launch a new business, invent and sell a new product, fund some type of for-profit or nonprofit project, or somehow transform a business-related dream into reality.

Thanks to services like Kickstarter, Indiegogo, FundAnything, RocketHub, and Selfstarter, creating and launching a reward-based or presale-based crowd funding campaign has never been easier. However, it's important to understand that these days, the term crowd funding is being used very broadly.

In reality, there are big differences between reward-based crowd funding and equity-based crowd funding (which we'll explore later). What you need to know now is that the majority of this book focuses on reward-based or presale-based crowd funding, which is what platforms like Kickstarter, Indiegogo, and many others offer. That being said, the popularity of crowd funding is expected to grow a whopping 92 percent in 2014.

What creating and managing a successful crowd funding campaign involves is continuously and quickly evolving due to changes in technology,

the growing popularity of crowd funding, and laws being passed on the state and federal level.

While you've probably heard many stories about inventors, small business operators, creative people, or entrepreneurs who had an amazing idea, launched a crowd funding campaign, and in less than a month, raised \$5 or \$10 million, when initially all they were seeking was a few hundred thousand dollars, it's essential that you understand that not all crowd funding campaigns become successful. In fact, many fail.

For every crowd funding success story, there are many failures. From this book, not only will you learn about the types of crowd funding projects that tend to be successful, plus learn proven strategies that can make your campaign a success, you'll also learn why so many campaigns stumble. Understanding why some crowd funding campaigns fail puts you at a tremendous advantage, because you'll know early on what mistakes and pitfalls to avoid and what strategies to pursue to achieve success.

## **WHAT CROWD FUNDING IS . . . AND ISN'T**

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Reward- or presale-based crowd funding allows you to reach out to your friends, relatives, professional acquaintances, like-minded people with similar special interests, and/or a niche target audience of people—in other words, your network—in order to get them to help you fund your business idea, invention, or project. You also typically need to reach out to the general public (the crowd) to expand your network of supports and backers.

In its simplest form, crowd funding is a viable alternative to more traditional ways of raising capital through investors, bank loans, or by utilizing credit. (Before crowd funding, individuals often found it necessary to use credit cards to fund start-ups, for example.) Reward-based crowd funding is open to everyone; it can be done without having to hire a team of lawyers, accountants, and financial experts, and it's very inexpensive to pursue.

What makes reward-based crowd funding work is the Internet and your ability to utilize online social networking to reach a targeted audience. Running a crowd funding campaign requires you to reach out to a target audience—using online social networking, email, online advertising, public relations, and other methods that we'll be exploring—sell them on your project idea, and get potential backers to support your project financially.

A crowd funding campaign is typically hosted on a specialized online service, like Kickstarter or Indiegogo, which are two of the most popular reward-based crowd funding platforms. On the crowd funding platform you choose to work with, your project idea is given its own web page and URL (website address), from which you manage your crowd funding campaign.

However, while a platform like Kickstarter or Indiegogo hosts and helps you manage your campaign, it is your responsibility to populate that web page with all of the information someone will need in order to get excited about your project. This typically includes creating an attention-getting promotional video and populating the campaign's web page with compelling text, photos, and other content you deem appropriate in order to communicate your message. Then it's your responsibility to drive an abundance of targeted traffic to your campaign's website. Your goal is to transform visitors to your crowd funding campaign's web page into backers who opt to support your project financially.

If you begin your crowd funding campaign with a great idea that's viable, you're able to quickly and succinctly communicate your idea online, and then generate a strong interest in it, you can be successful. But, along the way, a lot can go wrong. And what you need to understand right from the start is that managing a reward-based crowd funding campaign requires a significant time commitment on your part. There are no shortcuts.

Thanks to services like Kickstarter and Indiegogo, as well as countless others that you'll soon become familiar with, what crowd funding offers is an opportunity that's never before been so readily available. Reward-based crowd funding provides the ability for just about anyone to share with the public their viable idea for a business, invention, or project and attract people (the crowd) who become passionate about that idea and help to financially support it and make it a reality. What crowd funding is not, however, is a get-rich-quick scheme.

Crowd funding can take on many different forms, each of which uses its own method for raising money and funding businesses, inventions, individuals, or projects. All, however, rely on your ability to reach out to the online world and self-market your campaign using online social networking (Facebook and Twitter, for example), email, online advertising, public relations, and the other tools available to you.

Before you even think of launching a crowd funding campaign, a lot of research and preplanning need to be done. Again, there are no shortcuts if you want to be successful. You'll also need to invest a significant amount of time toward marketing, promoting, advertising, and managing your reward-based crowd funding campaign as well as in proactively communicating with your potential backers and actual backers (those who have supported your campaign financially).

## **LET'S TALK CROWD FUNDING LINGO**

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In its current online form, crowd funding is a relatively new practice, and like the Internet itself, it's changing and evolving quickly and continuously. As a

result, a lot of new terminology has been created that relates to crowd funding. So, before you delve too deeply into pursuing your own crowd funding campaign, let's take a few minutes to identify some key terms you'll soon be using as part of your everyday crowd funding–related vocabulary.

We'll start with the concept of *reward-based crowd funding* and *presale-based crowd funding*. In the past, if you had a business or project idea and needed funding for it, one way to raise that capital was to seek out investors. In exchange for providing financial capital, investors received equity or partial ownership in the company or project that was being funded. In financial terms, they were making an investment.

Reward-based crowd funding does not involve traditional investors, nor does the person or organization that's running the crowd funding campaign wind up giving up any equity or ownership of their company or project. Instead, a reward-based crowd funding campaign involves seeking out *backers* (everyday people) who financially contribute to the funding of a business, product, or project in exchange for something of value, such as a reward, perk, experience, and/or the product they're helping to fund.

In other words, backers are not making a traditional investment, nor are they making a donation. When individuals decide to back a project, in some cases they're simply pre-purchasing a product based on the idea for that product, knowing that it could take several months, or even years, for the product to actually be designed, manufactured, and made available to them and the public.

Beyond just giving inventors with little or no start-up capital the opportunity to raise money to make their invention or product ideas a reality, reward-based crowd funding is also currently being used by all sorts of creative people to fund a wide range of project types.

For example, musicians are using reward-based crowd funding to pay for the recording of albums, fund tours, or purchase equipment. Movie producers are using crowd funding to raise money to film, edit, duplicate, and distribute their movies. Entrepreneurs and start-ups are using reward-based crowd funding to launch or expand their businesses.

Some writers are using reward-based crowd funding to self-publish their books, while other creative people are using this funding method to produce shows, performances, conferences, or works of art.

Likewise, computer and video game developers, software engineers, and mobile device app developers are all successfully using reward-based crowd funding to raise the money needed to create a new game, software program, or app.

Inventors are using crowd funding very effectively to raise the money needed to design, manufacture, and launch their product ideas. As a result, thousands of new high-tech gadgets and cool products have already been

introduced to the world, not by huge corporations, but by individuals (like yourself), business start-ups, or established small businesses that without the existence of crowd funding would not have had the financial resources to achieve their goals (since traditional funding methods typically aren't available to them).

Whatever it is that someone is using reward-based crowd funding to raise money for is referred to as a *project*. When people begin using a crowd funding service like Kickstarter or Indiegogo to do their crowd funding, this is referred to as running a crowd funding *campaign*.

The people or organizations that launch a reward-based crowd funding campaign to fund their projects are the projects' *creators*, and the people they're seeking out to help fund their projects (and also help promote them) are the *backers* or *supporters*. Remember, there is an important distinction between a backer or supporter and an investor or donor.

Again, when people become backers or supporters of a reward-based crowd funding campaign, they receive something of value (a reward or perk) in exchange for their financial support. They are not, however, making an investment that could theoretically become more valuable. Likewise, they are not making a donation out of the goodness of their hearts, because they are receiving something of value in return for their support.

The online-based service used to host and help manage a crowd funding campaign is referred to as a *crowd funding platform*. Kickstarter and Indiegogo are popular examples of reward-based crowd funding platforms. However, at the time this book was being written, instead of using an independent crowd funding platform to host a crowd funding campaign, some project creators were opting to host and manage their own campaigns on their own websites or blogs. This can be done using tools offered by services like Selfstarter.

What you'll learn from Chapter 3, "Introduction to Crowd Funding Platforms and Services," is that each crowd funding platform offers its own unique set of tools for creating and managing a crowd funding campaign. Some platforms, like FundAnything, are open to all project creators. Others, like Kickstarter, are open only to "creative projects," while some platforms are open only to certain types of projects, such as the development and creation of consumer-oriented, high-tech projects or to nonprofit fund-raising campaigns.

In addition to each platform offering something unique that tends to work best for certain types of campaigns, each charges fees based on how much money is raised and has different policies for collecting and distributing the funds raised. So, depending on what you're trying to accomplish with your crowd funding campaign, you'll want to be sure to choose a crowd funding platform or self-hosted option that offers the tools, functionality, and flexibility you need.

When a product is being created as a result of reward-based crowd funding, in some cases the campaign's creator focuses exclusively on presales as opposed to offering backers rewards and perks. In this case, the campaign promotes a product idea. The goal is to fund the design and manufacturing of that product. The backers simply pre-purchase the product, often at a discount, while it's still in the idea phase, because it's a product they want to own and use, and it's something they're excited about and want to help make a reality. In this case, the reward or perk the backer receives is the product itself as soon as it becomes available. There are numerous crowd funding platforms that cater specifically to this type of presale campaign approach.

For other types of reward-based crowd funding, in addition to or instead of just preselling the product, rewards or perks are offered. This is the approach used by the Kickstarter and Indiegogo platforms, for example. In exchange for supporting a project financially, the project creator comes up with a menu of unique rewards to offer, at different price points, that a backer can acquire. These rewards or perks tend to be exclusive, limited, and only available to campaign backers.

One of the key components to a successful reward-based crowd funding campaign is offering rewards and perks that will be of interest to your backers and entice them to help fund your project with higher levels of financial support. A lot of creativity typically goes into creating the rewards associated with a campaign. Chapter 4, "Preplanning Your Crowd Funding Campaign," focuses in part on helping you develop rewards and perks to offer to your backers, if this is the type of crowd funding campaign you choose to pursue.

In addition to reward-based or pre-purchase crowd funding campaigns, several other forms of crowd funding are quickly evolving. *Equity-based crowd funding* is still in its infancy and involves using crowd funding techniques to raise money for a business or project, but in this case, the investors who support a project do receive equity in the business or project. These are more traditional investment opportunities, and they can legally be promoted to the public; thanks to the Jumpstart Our Business Startups (JOBS) Act, they are open to almost everyone, not just designated credited investors.

Equity-based crowd funding is being used by start-up businesses and established businesses of all sizes and in many industries. It's also starting to become popular in the real estate industry. This type of crowd funding is also taking several distinct forms, which the JOBS Act has been designed to regulate.

Taking advantage of equity-based crowd funding requires the use of lawyers and other experts to implement. This form of crowd funding is touched upon in this book, but is not the primary focus of it, in part because

at the time this book was being written, major components of the JOBS Act had not been fully enacted by the U.S. Congress.

However, millions of entrepreneurs, inventors, and creative people of all types have discovered that using reward-based crowd funding is an extremely viable way to raise the funds needed to make their ideas and dreams a reality.

## **NINE COMPONENTS TO A SUCCESSFUL CROWD FUNDING CAMPAIGN**

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The first important lesson you need to learn, right now, is that to successfully use reward-based crowd funding, you need a great, well-thought-out, and viable idea. It can be an idea for a product, invention, business, service, or just about anything else. Your project needs to be something about which you are personally knowledgeable and truly passionate.

Ideally, the idea for your business, invention, or project should be unique and innovative, but at the very least, it must be legal and offer an obvious benefit or a solution to a problem or an exciting new twist on something that's already in the market.

Second, it's absolutely essential that you properly identify the target audience for your project. You need to be able to find and reach many people who will share your passion and excitement for your idea. At the same time, you need to ensure that your project is something that your target audience will want. When it comes to reward-based crowd funding, having a great idea for a project is useless if there's no demand for it.

Third, you need to do research. After developing your idea and proving its viability, the next step is to figure out—logistically and financially—exactly what it will take to make it a reality. Then, determine if crowd funding can be a useful tool to help you achieve your goals. If you determine crowd funding is a viable option, the next task is to research the best crowd funding approach to take and which crowd funding platform to use.

There are many crowd funding platforms out there, and no two are alike. It's essential that you find a crowd funding platform that's ideally suited to your particular project. In this book, you'll learn about several popular crowd funding platforms and self-hosting services, but more importantly, you'll learn what you need to understand when choosing which service to work with.

Fourth, your promotional video is an extremely important tool. While it's not required by all crowd funding platforms, without a doubt your most important tool for soliciting backers and communicating details about your project and crowd funding campaign will be the promotional video you

produce. In three minutes or less, your promotional video needs to tell your story, demonstrate your product, and convince potential backers to financially support your project.

The focus of Chapter 7, “Producing Your Promotional Video,” is on scripting, shooting, editing, and producing a promotional video that will capture the attention of your target audience. The production quality of your promotional video must meet or exceed the expectations of your target audience, while expertly and creatively communicating a lot of information in a very concise and visually appealing way.

Fifth, you need to create and expand your network. This includes friends, family, people in your target audience, and others you can easily reach and promote your campaign to. Your network should be large and composed of people who will become backers and support your project financially. As you market your crowd funding campaign, you’ll also want to encourage your backers to share details about your campaign with their own networks (via Facebook, Twitter, LinkedIn, email, etc.). This virtual word-of-mouth promotion is essential and will help you quickly expand your network and identify additional backers.

Crowd funding is all about reaching out to the crowd to help get your project funded. Without an established network and the ability to use the Internet to effectively communicate with people in your network, running a successful crowd funding campaign will be much more challenging.

Sixth, you need to expertly communicate your project idea and details about your crowd funding campaign with others using a wide range of online-based resources. At the same time, you need to understand that when you reach out to potential backers, you’ll only have a few brief seconds to capture their attention. As a result, your marketing message needs to be clear, succinct, well thought out, and be able to generate the desired response from the people it reaches.

Seventh, it’s vital that you understand exactly what it will take to be successful. One of the biggest mistakes people make is not doing enough research as they’re getting started, so they’re not properly prepared once their crowd funding campaigns kick off.

Another all-too-common mistake is miscalculating your budget. If you able launch a successful campaign and raise the money you thought you needed, what happens when those funds aren’t enough to make your idea a reality? Or, what happens when you have promised your backers results within 30 days only to discover that you’ll need six months to turn your idea into a reality? These are situations you’ll learn how to address later in this book.

Eighth, having realistic expectations is also essential. Reward-based crowd funding is not a get-rich-quick scheme or an easy way to raise



thousands or millions of dollars in a few days or weeks. Throughout this book, you'll be introduced to many successful crowd funding experts, as well as entrepreneurs, small business operators, inventors, artists, and other creative individuals, like yourself, who have successfully used crowd funding to transform their ideas into reality. What you'll discover as you learn about the experiences these people had, or when you go out and speak with others on your own about crowd funding, is that you will need to invest weeks or maybe months preparing to launch a successful crowd funding campaign.

Then, once the campaign has launched, you'll need to invest hundreds, maybe thousands, of man hours to successfully manage and promote the campaign. If you're successful, an even greater investment of time, effort, expertise, and resources will be needed to use the funds raised to actually launch your business, bring your invention to market, or make your project idea a reality.

Each step along the way, as you prepare and manage your crowd funding campaign, will require a diverse set of skills. You'll need to juggle many different responsibilities, develop new areas of expertise, seek out help from proven experts in various fields, and remain focused while avoiding the common problems and pitfalls so many people experience when trying to use crowd funding to raise money.

Simply using many of the crowd funding platforms is easy and straightforward. If you know how to use any web browser and you're proficient surfing the Internet, you have the skills needed to use a crowd funding platform. Many of the crowd funding platforms have made using their service as easy as creating a listing on eBay to sell an item.

However, creating and managing a successful crowd funding campaign is not so easy. The more you know about business, finance, sales, marketing, advertising, promotions, public relations, storytelling, online social networking, video production and editing, and effective interpersonal communication, the better off you'll be. These are just some of the core skills you'll need to operate a successful crowd funding campaign.

So, if you already have the necessary skills and experience, terrific! However, if you're honest with yourself and know that you're a great inventor, for example, but that you lack the ability to communicate well with other people, you'll either need to fine-tune your skill set or seek help from experts who already possess the skills and experience you need for success.

Finally, the ninth component in a successful crowd funding campaign is to understand right from the start, that no two reward-based crowd funding campaigns are identical. What worked in the past for one business, invention, or project may not work for another. Even after you do all of your research and planning, be willing and able to adapt and fine-tune

your strategies as you go. Flexibility and the ability to react quickly to the response from actual and potential backers is important.

Unfortunately, running a successful crowd funding campaign is not an exact science. Every campaign you see on Kickstarter, Indiegogo, or any other crowd funding platform, has its own story, its own challenges, a unique target audience, and its own potential group of backers. Your own creativity, dedication, and persistence as well as your ability to adapt will play a huge role in your success.

## **COMMON MISCONCEPTIONS ABOUT CROWD FUNDING**

The concept of crowd funding is still relatively new. As a result, most everyday people have no clue what it is, how it works, or what's involved in becoming a backer for a project they're interested in supporting. With each passing month, however, reward-based crowd funding is becoming more popular and more widely used.

However, as you launch your crowd funding campaign, you may discover that your target audience is not technologically savvy and not familiar with the crowd funding concept. Educating potential backers about how this process works is one additional hurdle you'll need to overcome to be successful.

Don't launch a crowd funding campaign with the misconception that your potential backers and target audience are as knowledgeable about crowd funding and how it works as you are. There are still many people out there who are not comfortable making online purchases from reputable companies, much less willing to financially support crowd funding campaigns.

If these people are part of your target audience, you will face a challenge trying to convince them to fund your project, which in essence means asking them to pre-purchase something that doesn't yet exist from an unknown and often unproven company, and then wait a long time to receive the product or perk.

Make sure you understand who your target audience is and that you launch your crowd funding campaign with an established network that's composed of people who understand your project and are likely to support it financially.

As you'll discover from reading the in-depth interviews with crowd funding experts that are featured in Chapters 13, 14, and 15, the biggest misconception people have about crowd funding is the "if you build it, they will come" mentality. As a project creator, simply publishing and launching a reward-based crowd funding campaign on a platform like Kickstarter or Indiegogo is not a guaranteed formula for success.

In reality, people are not going to magically stumble upon your campaign's web page and become a backer of your project. The crowd funding platform and the various Internet search engines are not going to drive qualified and interested backers to your campaign. That simply is not going to happen.

After coming up with an awesome project idea and creating a well-thought-out reward-based crowd funding campaign for it, and then publishing that campaign on an appropriate platform, your work is only beginning. It's now your responsibility to actively and continuously drive traffic to your campaign and solicit backers. The focus of Chapter 8, "Promoting Your Campaign," is on how to successfully market, advertise, and promote a reward-based crowd funding campaign.

This is going to require the use of social networking (Facebook, Twitter, etc.), email, and potentially online advertising, in addition to a well-orchestrated public relations effort. Creators of successful crowd funding campaigns, regardless of which platform they use, implement a multifaceted marketing, promotional, and advertising strategy that begins before the launch of the campaign and continues until the campaign ends. During the actual campaign, a significant time (and sometimes financial) commitment is needed to implement these strategies, without which your campaign will not attract backers.

## **IT IS ESSENTIAL TO CREATE AN ACCURATE TIME FRAME AND BUDGET**

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Another common misconception about reward-based crowd funding is that the project creator can randomly come up with an outrageously high and unsupportable funding goal, such as \$1 million, when all that's really needed is \$10,000, and that backers are going to provide them with all of the money they ask for with no strings attached. This, too, is false.

As you'll discover in Chapter 5, "Crunching the Numbers," it's essential that prior to launching your crowd funding campaign, you set a funding goal that is achievable, realistic, and viable.

In terms of achievable, you need to know that you'll be able to reach an ample number of backers, who will allow you to generate enough funds to reach your goal. If you know your existing network comprises 5,000 potential backers, and each will give an average of \$25.00, you will probably have a difficult time raising more than \$125,000 from your campaign unless you do an incredible job with your marketing, promotional, public relations, and advertising efforts and are able to attract an abundance of total strangers to your campaign.

In terms of being realistic, don't assume your crowd funding campaign will go viral and that you'll raise \$10 million or more with little or no effort. The campaigns that do manage to go viral and achieve these incredible results are almost always backed by extensive advertising, marketing, promotional efforts, and public relations campaigns that were created and implemented by skilled and experienced professionals. And a lot of money and resources were put behind those campaigns.

Only a miniscule number of reward-based crowd funding campaigns actually go viral on their own, without tremendous financial and marketing support. However, to achieve success, your campaign does not need to go viral. It simply needs to reach enough people in your target audience so you can fund your project.

This might mean attracting several hundred or a few thousand backers, not hundreds of thousands of backers. Especially for smaller-scale crowd funding projects, when you only need to raise thousands of dollars, focusing on making a campaign go viral is counterproductive and a waste of time and resources.

After reading this book, you should be able to calculate a realistic funding goal for your campaign, based on your idea, target audience, available resources, and other key factors. Finally, make sure your funding goal is viable. Once you figure out how much money you want to raise, make sure it's enough to actually fund your project, taking into account unexpected expenses and problems, the fees you'll need to pay to the crowd funding platform, and the fees charged by the third-party credit card payment processor that handles the campaign's financial transactions.

Another important consideration is your time frame. Realistically, you'll need to create three separate time frames for your project and make sure that each is achievable. First, you'll need to set aside ample time to do research and prepare your campaign. This could take days, weeks, or months depending on your knowledge, experience, and resources.

Next, you need to come up with a realistic time frame for your crowd funding campaign's duration. Depending on the platform, a campaign can last anywhere from a few days to 90 days (or longer), although the average campaign length is 30 days. The campaign duration you select is basically how much time you'll have to drive traffic to your campaign's page, convert visitors into backers, and reach your funding goal.

You will also need to prepare in advance for what happens after your crowd funding campaign ends. If you've successfully reached your funding goal, you now have to make your project a reality. During the campaign, you'll need to provide your backers with a projected time frame for the project's completion, so they know that if they prepurchase your product or help fund your project they will receive the product or perk within 60 days, 90 days, six months, or one year after the campaign ends.

Once you promise your backers results, it's important to deliver what you have promised on time and on budget. Unfortunately, due to poor planning and other factors, delays are commonplace when it comes to turning a funded project into a reality. Efficiently and properly dealing with pitfalls, delays, challenges or budget miscalculations is essential if you want to maintain the support of your backers. Thus, as you'll learn in Chapter 13, "Interviews with Crowd Funding Experts," maintaining an open and honest line of communication with your backers, right from the start, is extremely important.

## **AGAIN, THERE ARE NO SHORTCUTS**

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Creating and managing a successful reward-based crowd funding campaign will rely on your ability to efficiently and effectively handle each component of the campaign, either on your own or by hiring consultants or third-party agencies that have specific skills and experience to support you and your efforts.

Thanks to services like Kickstarter, Indiegogo, and many others, it's currently possible to get almost any type of project funded, as long as it is legal and not offensive. However, to achieve your funding goals, you'll need to start with a great idea; develop realistic expectations for what's possible using reward-based crowd funding; know and understand your target audience; and be ready to implement the promotional, marketing, advertising, and public relations efforts related to your campaign in a cost-effective and efficient way.

Each chapter of *The Crowd Funding Services Handbook* focuses on one or more aspects of the reward-based crowd funding process. Beyond the knowledge you'll obtain from this book, your own creativity, passion, and dedication to your project will be key components to its success. If done correctly, just about anyone can use crowd funding to raise money to make an idea a reality.

As you'll discover, crowd funding offers some other key advantages when it comes to determining the viability of a project idea without investing and risking a fortune. Many established companies are using crowd funding as a marketing and market research tool in addition to a means to raise capital.

## **CROWD FUNDING CAN BE USED TO RAISE MONEY FOR PEOPLE AND CHARITIES, TOO**

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Crowd funding can be used to raise money for individuals and charities, as well. In Chapter 13 you'll learn about a crowd funding platform called Upstart that uses established crowd funding techniques to help individuals

raise money for themselves in order to pursue their entrepreneurial goals or seek out higher levels of education.

You'll also discover how the CrowdRise, Prizeo, and Start A Cure crowd funding platforms, for example, are changing the way fund-raising is being done by charities and how businesses are able to handle their charitable donations, while at the same time boosting their brand awareness and enhancing their overall image. These crowd funding platforms are also making it easy for everyday people to raise money for charities they're passionate about helping and to extend the reach of their efforts on a national or international scale.

Using the knowledge and insight you acquire from this book, chances are you, too, will discover how you can best take advantage of reward-based crowd funding to raise the capital needed to fund your project idea, or, at the very least, determine that using one of the newly evolving equity-based crowd funding options is better suited to help you achieve your business objectives.

## **THE FUTURE LOOKS VERY BRIGHT FOR CROWD FUNDING**

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For the right type of project, reward-based crowd funding offers a relatively quick and low-risk way to raise capital without having to give up equity in or partial ownership of the project idea. Never before has this type of capital been available to everyday people. In the relatively short time that reward-based crowd funding has been in existence, thousands upon thousands of products, businesses, and projects have been funded.

According to the Fundable crowd funding platform, which offers crowd funding tools specifically for small businesses (which you'll learn more about in Chapter 3, "Introduction to Crowd Funding Platforms and Services"), by the end of 2014, reward-based crowd funding will help to create at least 270,000 new jobs and inject more than \$65 billion into the global economy.

By 2020, crowd funding could be responsible for generating \$3.2 trillion in economic value per year, and help create 2 million new jobs. These figures could potentially go even higher as outstanding elements of the JOBS Act are enacted by the U.S. Congress and everyday people over the age of 18 are allowed to participate in equity-based crowd funding projects as investment opportunities.

There's no better time than right now to look into the feasibility and opportunity that reward-based crowd funding (or potentially equity-based crowd funding) can offer to your project idea. So let's get started!