

Crowds bring power, payoff to entrepreneurs



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Economic
Diversity

As I walk through my garden, marveling at the fresh treats in store and wondering what I'll do when 47 bell peppers ripen at once, I also wistfully think of the one crop that continues to elude even the greenest of thumbs.

The money tree. It's fun to imagine the possibilities a money tree would offer, branch after branch reaching out to support one's life pursuits. Go ahead, take a minute ...

Back in reality, I realize how valuable this concept could be to

many entrepreneurs in possession of the next game-changing idea, without the capital to move forward. Enter Kickstarter.com, a successful example in a growing genre of websites devoted to crowdfunding.

In the past few years, crowdfunding has become a disruptive element in the startup process, enabling inventors and promoters of numerous causes to generate capital through a consensus of virtual supporters, a money-giving tree of sorts, without sacrific-

ing equity in their projects or circling the globe chasing venture capital and angel money.

The crowdfunding concept is fast becoming a fundraising force to be reckoned with. Kickstarter.com alone has generated more than \$125 million for 16,500 successfully funded projects in less than two years. With more than 40,000 ideas posted, its success rate is about 40 percent. And there are many others offering similar services.

In a recent Innovation maga-

zine article, Kickstarter spokesman Justin Kazmark defines crowdfunding as "the intersection of commerce and patronage." He says it's not an investment because there is no promise of a return, and it's not a donation. There are simply "project creators" and their "backers" who may get "rewards" in exchange for their support.

Most projects posted on crowdfunding sites like Kickstarter

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yield between \$2,000 and \$25,000, although targets exceeding \$100,000 are not uncommon. Individual pledges typically range from \$20 to \$70, but ultimately depend on the backer's level of interest in the idea, perks offered by the creator, and the potential final outcome.

Different crowdfunding sites operate under different business models, some channeling funds to creators as they come in, some only charging backers if the fundraising target is reached. Each also has its own formula for assessing service fees.

I'll stop here and address the elephant in the room. Although Congress is working on a bill to help, crowdfunding is unregulated, which means it is inherently quite risky. Because of this, and because different crowdfunding sites often specialize in certain innovation areas, it's critically important to do your homework before jumping into either side of the game.

Want to dabble in fundraising via crowdfunding? Here are some tips:

Have a good pitch. Explain yourself well. Remember that

campaigns with videos are more successful.

Provide an attractive reward. Can you offer a discount or exclusive first pick of a new product? How about a limited edition T-shirt or souvenir? Of campaigns that reach their targets, 93 percent offer perks.

Set a realistic fundraising goal and a short timeline, less than 60-70 days.

Provide frequent progress reports, regularly connecting with your target audience through blogs and social media channels, for example, to keep them engaged and spur additional pledges.

Spread the word. Create a team to increase outreach. Shamelessly self-promote. Prime the pump with pledges from your inner circle. As contributions increase, statistically, so does the project's chances of reaching its target.

And finally, contact influencers to evangelize your project. Engage opinion leaders across relevant channels, and consider vertical and traditional PR efforts.

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