American Express Small Merchant Knowledge Center
October Phase I Content
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AXP Umbrella Topic:
Leverage/Cash Flow, Financing Options

Series:
Crowdsourced Funding For Small Businesses

Article Headline:
Crowdfunding Guide Pt. 2: How to Craft a Compelling Pitch

What You Will Learn:
1. What To Do Immediately After Your Campaign Ends
2. How To Deliver The Rewards You Promised To Your Backers
3. How To Turn Your Idea Into a Viable Business

Body:
According to the crowdfunding research firm massolution, $2.8 billion will be raised through crowdfunding in 2012. And if you're a small business owner who wants to get a piece of the pie then you need to know how to create an effective crowdfunding pitch for your next product or venture.

In this article you'll learn exactly how to create and execute an effective crowdfunding pitch that compels people to donate to your project.

Step 1: Research Your Target Market

You first need to research your target market. Find out what their fears, frustrations, and ambitions are. Which blogs and forums do they read and comment on? What kind of language do they use? The more you know your audience the easier it will be to write a pitch that connects with them.

Action: Identify your target market and your ideal backer. On a sheet of paper brainstorm who your ideal backer is. Be as specific as possible as you answer the following questions:

- How old are they?
- Where do they live?
- Are they Internet and business savvy?
- What is their annual income? How do they spend their money?
- What blogs, magazines and forums do they read?

- What do they do for fun?
- What are their fears, frustrations and ambitions?

Step 2: Research Prior Campaigns

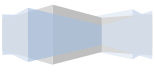
Your next step is to research successful projects, as well as campaigns that failed. Your objective is to take an analytical approach as you study campaigns to discover reasons why certain strategies and tactics are effective while others are not. There are thousands of pitches available online right now for you to dissect.

Action: Study the 10 most successful crowdfunding pitches on Kickstarter. Then find the 10 most successful projects in your particular industry. As you watch the videos and read the pitches pay attention to the subtle nuances and techniques used. Were the presenters funny, serious, straightforward, professional, or casual? How long was the pitch? What made the product or service seem unique? Then study five unsuccessful campaigns to learn what not to do. What made you want to stop watching/reading? What could they have done differently?

Step 3: Determine Your Funding Goal

AppsBlogger.com studied 45,815 Kickstarter projects and discovered an important factor to successful projects: **setting a realistic monetary goal.** It's better to ask for the bare minimum you need for your project than to risk setting your funding goal too high and not meeting it. Plus, backers may not contribute if they believe your goal is unrealistic.

Action: Create a budget for your project using a spreadsheet. Be sure to calculate the service costs, expenses for reward fulfillments (including shipping), taxes, fees from the crowdfunding site (typically 5% of total contributions), and marketing costs. Then review your budget with your accountant to make sure you understand all the financial and legal implications involved in a crowdfunding campaign. Also remember to include in your project description an explanation on how you will spend funds if you exceed your goal (include additional features, services or rewards you'll offer if specific higher target goals are met).



Step 4: Write Your Pitch

Only after you have researched your target market, studied successful and unsuccessful campaigns and set a funding goal, are you ready to write your pitch. Your pitch will consist of a video and a written introduction and it is the first impression people have of you and your project. Therefore you want to make sure you refine it until it's the best it can be.

Action: Include the following elements in both your video and written pitch:

- Who you are
- Your background relevant to this project
- A reason to trust you
- Your project or product (clarify what it is and what it does)
- How your project is unique
- Deadline for project completion date
- How much backing you need to complete the project
- How you will use the money
- The rewards you're offering
- Your plans for excess donations if you happen to exceed your goal
- Why your project is worth your viewers' hard-earned money
- How they can keep in touch with you during development and after the campaign ends

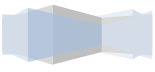
After you write your pitch and shoot your video test it on friends, family and colleagues. You may even want to split test it before you launch. To conduct a split test create two different pitches and ask people which one they like better and why. And if you can connect with someone who has prior crowdfunding experience ask them for their feedback too.

40 Popular Crowdfunding Sites

An important factor in achieving crowdfunding success is to choose the right site for your project. Most crowdfunding sites have similar functions but different audiences. You will find two lists below: the first is for creative projects and the second is for more traditional businesses.

-Crowdfunding Sites (Creative Focus)

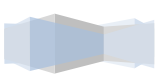
Kickstarter http://www.kickstarter.com/ (The most popular)
indiegogo http://www.indiegogo.com/



Crowdfunder http://www.crowdfunder.co.uk/
Peerbackers http://peerbackers.com/
Chipin http://www.chipin.com/
Fundable http://www.fundable.com/
Citizen effect http://www.citizeneffect.org/index
Revenue trades http://www.revolutiontrades.com/
Rockethub http://www.rockethub.com/
Sonicangel http://www.sonicangel.com/
Spot.us http://spot.us/
Tartnext http://www.startnext.de/
Ulule http://www.ulule.com/
Cofundos http://www.cofundos.org/
Buzzbnk http://www.buzzbank.org/
Biracy http://www.biracy.com/
Investedin http://invested.in/

-Crowdfunding Sites (Business Focus)

40billion http://www.40billion.com/
Appbackr http://www.appbackr.com/
Capangel http://www.capangel.com/
Cofundit http://www.cofundit.com/
Crowdcube http://www.crowdcube.com/
Crowdfund http://www.crowdfunding.co.za/
Digital garage http://digitalgarage.co.za/
Globeforum http://www.globeforum.com/
Growvc http://www.growvc.com/main/
Innovatrs http://innovatrs.com/
Investiere http://www.investiere.ch/
MicroVentures http://www.microventures.com/
Podium ventures http://podiumfunds.com/
Raisecapital http://www.raisecapital.com/home...
Seedups http://www.seedups.com/
Seedmatch http://www.seedmatch.de/
Trampoline http://crowdfunding.trampolinesy...
Vencorps http://www.vencorps.com/
Venture bonsai http://www.venturebonsai.com/
Wealthforge http://www.wealthforgeonline.com/
Wiseed http://www.wiseed.fr/wicket/web/...



FriendsClear http://www.friendsclear.com
33needs http://33needs.com/

To learn what to do after your crowdfunding campaign ends read, Crowdfunding Guide Pt. 3: Delivering On Your Promises.

Bio:

Joshua Monen is a freelance financial writer, marketing consultant and speaker who specializes in small business, personal finance and startups. His has written for numerous national publications and websites including PerkStreet, MicroVentures and Lanier Upshaw.