Chapter 10

Principles in Crowdfunding
Benefits and Validation Tools:
How to Ensure Campaign Success

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ABSTRACT

This chapter provides the key benefits of a crowdfunding campaign together with a rich variety of validation tools provided to enhance the chance of a crowdfunding campaigns success. Benefits cannot be achieved in a crowdfunding campaign if it is not successful. Thorough validation of the campaign upfront can heighten success. The author in an internationally respected crowdfunding author who has managed over 300 crowdfunding campaigns through the platforms he has been involved with. The author lists 11 benefits and 11 validation tools together with his own road tested processes plus a plethora of links to tools to assist both the novice and experienced crowdfunder.

CROWDFUNDING BENEFITS AND VALIDATION TOOLS

This chapter takes a look at the benefits of crowdfunding and some of the many tools that can be used to check or validate your campaign before or after it goes live. It is often difficult for people to know if your campaign is successful or not. Validation tools can assist in this assessment.

With crowdfunding some of the benefits are obvious but some of them are often only visible to the campaign owner. Here is an overview of the benefits of crowdfunding and some of the tools that can be used to validate campaigns.

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Benefits

The Benefit Is Money

“Show me the Money”. The oft-quoted phrase from Tom Cruise is to most people the primary benefit of a crowdfunding campaign. Most people have a target amount of money they would like to receive and also a “beyond my wildest dreams” amount that they have seen evidenced in successful campaigns for coolers, watches and beehives. Some platforms are structured around keeping every dollar you raise while others have a minimum target you have to raise before you get any money. Before choosing the platform for your crowdfunding raise you should base your selection on these criteria if the “money” is important to you.

The Benefit of Staying Compliant

Collecting money in collection boxes, tins or in your hand from supporters may be quick and easy but it is far from transparent and often not compliant. Most countries have regulations around contributions where the donor gets nothing in return. Usually those collecting need to have permission and identification.

With crowdfunding there is usually a benefit or reward transferred at an agreed future time to the contributor. By doing this on a crowdfunding platform the transaction is transparent, can be updated as delivery gets nearer, or delayed, and the financial part of the transaction is properly handled.

In the area of equity or debt crowdfunding compliance is even more important as there are strict rules about how these transactions are handled and recorded.

Since the beginning of time people have lent money and invested in others businesses and it is fair to say that many of these transactions have no loan agreement or share certificates and this aspect often sours relationships when things are going wrong. A properly constructed compliant crowdfunding platform can alleviate this by transparently keeping the handling of contributions compliant.

Reaching Contributors Far and Wide Is Very Beneficial

A platform provides the opportunity to gather investors, customers, contributors, supporters, followers, ambassadors, influencers and evangelists far and wide. This is because of the intersection of two major trends.

The two major trends and “technical disruption” and “cultural disruption”.

Figure 1 is a modified version of a chart from Jonathan Sandlund’s (2013) piece “The Rise of Meaningful Investing at TheCrowdCafe.”

The first is the ability of the Internet to easily and efficiently handle financial transactions without people going to the bank, posting a letter or physically having to front people they know and don’t know. The Internet and the growing number of Internet based financial services can handle transactions from a few cents to hundreds of thousands of dollars. It also provides much needed access to capital for those locally or in far off lands.

The second trend is the growing demand for human beings to be more meaningfully involved in the things they do, the things they buy and the things they invest in. At the intersection of these trends is where crowdfunding platforms have evolved. If you are interested in finding people that are passionate about the fact that the bee population is declining and believe the solution is to have a beehive in your