The Dos and Don'ts of Crowdfunding: A Recap of the Crowdfunding Panel at Internet Week NY
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Recently, the use of crowdfunding has skyrocketed, increasing 81% in funds raised between 2011 and 2012 across the 308 platforms according to the Crowdfunding Industry Report by [Massolution](#). Crowdfunding is an alternative financing method where collective effort of individuals supports and funds the initiatives of other individuals or companies. Projects funded can vary from movie production (via sites like [Seed&Spark](#)) to starting a business to disaster relief. The amount of platforms worldwide has been increasing steadily, as well, nearly doubling between 2010 and 2012. There are four basic types of crowdfunding: equity-based, reward-based, donation-based and lending-based. Currently, most campaigns are either reward- or donation-based, since the laws and regulations surrounding equity- and loan-based crowdfunding have not yet been implemented by the US Securities and Exchange Commission (SEC).

Last week the consulting and CPA firm EisnerAmper hosted a diverse panel at Internet Week NY to speak about the different aspects of the crowdfunding economy. Stacy Robin, the Director of Marketing at EisnerAmper led the discussion with Candace Klein, CEO of Bad Girl Ventures and SoMoLend, Jon Ostrow, Campaigns Director at Cyber PR, Matthew Savare, Partner at Lowenstein Sandler LLP, and Vladmir Vukicevic, Founder and CTO of RocketHub. Having seen many successes and failures, the panelists provided useful advice for those looking to run a crowdfunding campaign.

Here is a run-down of the crowd-funding dos and don'ts:

Do:

- *Keep the campaign short:* Klein recommends a 30-45 day campaign for ideal results

- *Plan ahead of time:* If your campaign is 45 days long, plan 45 days in advance. Keep in mind the timeline of your campaign – when will you post on Facebook, when will you send out emails, when do you want to send out press releases? Also plan out your finances before the campaign: people often forget about taxes and reward costs, among other things. If you factor in all of it before your campaign, you won't run into monetary issues later.

- *Communicate with your donors and followers:* People who donate a small amount at the beginning of your campaign are likely to donate more later on if you keep them updated and send them thank-you notes.

- *Have a video for your campaign:* Projects with videos are 2-3 times more successful than those without. Keep the video short, though, between 2-3 minutes.

Don't:

- *Treat crowdfunding like it's a tip jar:* Vukicevic says that the biggest mistake and #1 reason for failure of a campaign is thinking that money will come in just by putting it up. Planning a crowdfunding campaign is like planning an event, so how are you going to keep people excited about your project?

- *Keep your supporters in the dark:* Transparency is key to successful crowdfunding. Setting up the right expectations with rewards to informing donors what their money is going towards, make sure your supporters know what's going on.

- *Release your ideas unprotected:* There is no way to copyright or patent an idea. Savare recommends putting out something tangible so that your intellectual property can be protected. A script or book can be copyrighted, inventions can be patented, logos and icons can be trademarked. If you have a unique and innovative idea, but nothing else, don't share it with the world quite yet.

- *Worry if you haven't met your goal yet:* Sometimes a third of the money can come in during the final stretch of the campaign. The first and last week are the two most important weeks of your campaign.

Crowdfunding is the ideal future for startups and small-scale projects. Because the platforms campaigns are run on manage all the legal documentation, there will be more transparent and streamlined documentation presented to investors. Besides the uniformity that it offers, crowdfunding also allows for democratization of projects as well as investors. Anyone can start a campaign, and anyone can support one, which broadens the base of investors and donors available to your project. The regulations for loan- and equity-based crowdfunding are in place will open even more doors for those looking for funding to start their projects.

Here are also Vukicevic's 3 Pillars of Success:

Project: The way you describe and present your project influences how willing others are to support it. Successful campaigns often include the story behind the project, and go beyond the "what" and into the "why". The most moving stories are ones about people. The passion of the people behind the project drives the passion of the donors.

Network: Crowdfunding is like a restaurant – people want to go to the popular, crowded restaurant, not the empty one that they've never heard of. The way you build your network should be similar to a spiral. Get the ball rolling with your close, loyal followers; the people who have supported you from the beginning, family members, and close friends. Reach out to the next layer and the next until you have a good amount of support. People like to support winners, so having a strong foundational network will help you reach and get support from the general audience.

Rewards: Variety of rewards will also increase the amount of support your campaign gets. Make sure to target different audiences with the rewards. Create unique experiences for people so that they get something cool or fun or interesting out of their support to differentiate this from a retail experience. According to Klein, some of the most effective rewards are ones feature the donor's name or voice, or give the donor the opportunity to vote on the name, color, size or other specification of a product. Also, intangible rewards can often be better, since they don't require production and shipping costs, and often they are more unique.

Additional reading:
- Entrepreneur, Crowdfunding Industry On Fire, by Catherine Clifford, April 8, 2013, http://www.entrepreneur.com/article/226302
- Crowdfunding Statistics & Trends, http://visual.ly/crowdfunding-statistics-and-trends
- Seed&Spark, Bright Ideas, Metrics of Success #2, By Emily Best, http://www.seedandspark.com/content/metrics-success-2