CROWDFUNDING FAQ RESOURCE SHEET

What is crowdfunding?
Wikipedia defines "crowdfunding" as "the practice of funding a project or venture by raising monetary contributions from a large number of people, typically via the internet." It's not hugely different from traditional fundraising, but it has taken off as people have become more used to online financial transactions, and websites have made it easier for creators to share their projects with potential donors. Donors on most crowdfunding platforms aren't buying a share of your project, like stock, they are making a donation to support your passion and idea, and be involved in your project.

What are some of these crowdfunding platforms I can use?
As crowdfunding evolves, so do the number of platforms and the forms they take. Even so, the field is dominated by two big names, **Kickstarter** and **IndieGoGo**. Both platforms are similar in that they support time-limited projects, usually between 30 and 60 days, for a fixed dollar amount. Kickstarter uses an all-or-nothing model for its campaigns – you either have to hit your goal or you get none of the pledged money. IndieGoGo offers a flexible funding model where you can choose to collect the pledged funds even if you don't hit your goal, but you pay a higher fee to IndieGoGo.

There are also platforms that are specifically for artists. **Hatch Fund** is a curated platform that offers support for mid-career artists to fund projects, and they are a nonprofit with some matching funds available. **Pledge Music** is a site that is specifically geared towards musicians looking to fund records. **Patreon** is a platform where people pledge a certain amount to you as a creator for each piece of content you release – it is used mostly by musicians, visual artists and artists who can release new material easily via the web.

If you are a nonprofit organization or fiscally sponsored in Minnesota, you also have access to **GiveMN**, a crowdfuding platform which supports non-profits year round. It does not do time-limited projects (although you can set a time limit for your campaign) and can be used for general donations and donor relationship management.

There are also sites that have sprung up for funding projects like medical expenses or basic human needs like **GoFundMe** or **Modest Needs**, which offer flexibility for funding and project purpose. The field of crowdfunding is constantly changing, and if you can think of a niche audience, chances are there is a platform out there or in the works.

You mentioned fees up there, will this cost me anything?
Most crowdfunding platforms shouldn't cost you anything up front, but these platforms support themselves through taking a cut of the funds that you raise. Many platforms also partner with payment processing organizations (Kickstarter with Amazon, IndieGoGo with PayPal) that will take a cut as well. Check the sites for current rates, but you should budget 5-15% of your donations going to the platform as a general rule.

Great, so I put my project on a crowdfunding site and it raises money?
We've all heard about projects catching on virally - potato salad raising tens of thousands of dollars, a band raising a million dollars - but those projects are few and far between. The "crowd" part of the word isn't really accurate - the people who are most likely to give are people you are already connected to in some way. The site may make your work accessible to the whole wide world, but that doesn't mean that it will be picked up by strangers. The "funding" part is also not entirely accurate. Yes, you will be asking people to fund a project, but to get that funding and keep donors involved, you're actually engaging them in your project, telling your story and building relationships.

So how do I know if a crowdfunding campaign is right for me?
Before launching a crowdfunding campaign, consider your track record and background as a fundraiser and your existing network. Have you asked people for money? Do you have a track record as a producer of successful projects? Do you already have an audience or fan base, or are you building one? Are your connections comfortable online? Answering these questions will help you understand the reach you have, and help with goal-setting, budgeting and project management.

How do I set a budget?
Having a reasonable sense of who you know and their capacity to give can help you set a budget for your campaign. With time-limited projects, especially all-or-nothing models, you want to give yourself the best chance to succeed, and if you exceed your goal, you can keep that money. Being transparent about your needs and where the money is going can help budgeting and engaging people. If you have a huge project in mind, try breaking it down into component parts, or a Phase 1 and ask for funding for that. A crowdfunding campaign is useful as a test to see if there is public support for your idea.

Do I need to offer rewards?
Offering rewards for different donation levels is common practice in many crowdfunding campaigns. When setting reward levels, consider what engages people in the project, what you can reasonably provide, and the cost of delivering those rewards. Electronic updates and digital downloads are easily and inexpensively delivered. If you have physical reward items, consider hosting pick-up events instead of mailing – you save on the cost of postage and get a chance to bring your supporters together.

What are some tricks to doing this right?
Plan ahead. The experience of many crowdfunders shows that there are spikes of interest at the beginning and at the end of a campaign – plan to have material to release in the middle to keep interest up. Ask your donors to share the campaign, and give them compelling material to do so like a great video, images or graphics. If you can line up a major gift, use that as leverage either in the form of a challenge grant (like MPR does) or as a way to boost you over the finish line.

Is it really all that work to do it right?
It really is. Running a crowdfunding campaign can be like having a second full-time job on top of your regular work. You'll need to be constantly advocating; in person, in letters, online announcements, emails, chats, everything. But all this can be hugely rewarding and fulfilling as you build a network of supporters and collaborators that follow your career, and see your idea come to fruition.

ADDITIONAL READING AND RESOURCES

Kickstarter blog – *Good info on Kickstarter, and also handy tips on crowdfunding as a whole. Just about every platform will have some sort of FAQ with what they consider the best practices for their platform – and those practices may not always line up, as crowdfunding is an evolving field.*
https://www.kickstarter.com/help/faq/kickstarter%20basics

Kickstarter v. IndieGoGo – *Weighted toward Kickstarter, but has some helpful information for you to consider when comparing any crowdfunding platforms such as time scale, reach of platform, additional and platform support.*
 http://crowdfundingdojo.com/articles/kickstarter-vs-indiegogo-the-ultimate-guide-2015-edition-with-free-fee-calculation-tool

The Basics of Crowdfunding – *Via Entrepreneur Magazine, this has some handy steps to consider, although it does have an angle for business startups.*
 http://www.entrepreneur.com/article/228125

The Failures of Crowdfunding: No, Kickstarter Cannot Support an Opera Company – *Via The Atlantic, a cautionary tale of crowdfunding over-reach and limitations.*
http://www.theatlantic.com/technology/archive/2013/09/the-failures-of-crowdfunding-no-kickstarter-cannot-support-an-opera-company/280118/

Crowdfunding Platforms: Global Database – *Via The Crowd Café, a comprehensive listing of crowdfunding platforms – there are a lot! Also on the site is data about those platforms.*
http://www.thecrowdcafe.com/crowdfunding-platforms/database/

6 Tips for Creating a Successful Crowdfunding Video – *Via the Fractured Atlas Blog, some good tips on how to make the most of a video for your crowdfunding campaign, and why it's important.*
https://www.fracturedatlas.org/site/blog/6-tips-for-creating-a-successful-crowdfunding-video

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