



# CROWDFUNDING 2013 WORLD

## REPORT, ANALYSIS & TRENDS

by  
**Claudio Calveri**  
**Roberto Esposito**

[www.derev.com](http://www.derev.com)



**(CC) DeRev 2013 - All rights reserved.**

This report was realized in a totally independent fashion by DeRev with the aim to provide a thorough analysis on the state of the art and evolution of crowdfunding.

As regards the analysis of the platforms and the study of ongoing legislations, DeRev declines all professional and juridical responsibilities towards the readers.

DeRev did not participate in any bids, nor did it benefit from public or private funding in support of its research. Its scientific activity has no commercial aim. The data cited in the report were either made available online or collected through an open call launched between June and September 2013.

The present report and its contents are not intended as a violation of the activity of trademarked and copyrighted brands, nor do they perform roles and tasks unrelated to those of scientific analysis.

The report and its contents are published under a Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Unported licence (<http://creativecommons.org/licenses/by-nc-nd/3.0>).

DeRev allows the download, reproduction, distribution, and free sharing of this report (or parts of it) at the following provision:

**Attribution** – you must attribute the work and cite it with a link to [www.derev.com](http://www.derev.com); but not suggest that it endorses you or your use of the work.

**Noncommercial** – you may not use this work for commercial purposes.

**No Derivative Works** – You may not alter, transform, or build upon this work.



For other uses please email DeRev at [contact@derev.com](mailto:contact@derev.com).



Page intentionally left blank.

## CONTENTS

### PART 1

## WHY CROWDFUNDING MATTERS: A DEFINITION

<b>1. Crowdfunding's cultural context</b>	<b>17</b>
Definition: the basic elements of crowdfunding	17
The frame: Social Innovation	18
The added (social) value of crowdfunding according to the media	19
The Italian case: Città della Scienza	20
Conclusions: crowdsourcing and crowdfunding as collective empowerment	20
<b>2. Crowdfunding's economic context</b>	<b>23</b>
Crowdfunding's origins	23
Crowdfunding's rise	24
Linked economic tools: "freeing" monetary value	25
Beyond the traditional market: a new economic philosophy	26
The economic advantages of crowdfunding	28
Conclusions: open innovation and crowdfunding as "liquid incubator"	29
<b>3. Crowdfunding's technological context</b>	<b>31</b>
The most important technological developments for crowdfunding	31
Conclusions: crowdfunding and "e-dentity"	31

### PART 2

## CROWDFUNDING'S INDUSTRY

<b>4. Crowdfunding's figures</b>	<b>34</b>
The rise of crowdfunding	34
The liveliest markets	34
The weight of global and local markets	35
The impact of crowdfunding on different sectors	36
The impact of different crowdfunding models	37
<b>5. Crowdfunding's functional ecosystem</b>	<b>40</b>
The platforms	40

<b>6. The platforms</b>	<b>42</b>
The main international platforms	42
The main Italian platforms on the international market	43
The expert's opinion: evolution and prospects of development in Italy	44
Character and vocation of the Italian platforms	45
<b>7. Profiles and figures of the Italian platforms</b>	<b>48</b>
List of active Italian platforms	48
<b>8. The institutional ecosystem: legislative profiles</b>	<b>73</b>
The legal implications of crowdfunding	73
The European horizon for a common legislation	73
<b>9. Equity crowdfunding's legislative profiles</b>	<b>75</b>
Equity crowdfunding in the USA	75
Equity crowdfunding in Europe	75
The Italian law on Equity crowdfunding	75
<b>10. Crowdfunding's lobbying network</b>	<b>78</b>
Associations, events, media	78
<b>11. International trends</b>	<b>79</b>
The sources	79
Data-based analysis: the point of view of the operators	79
Trendsetting analysis : the point of view of consumer-users	80
Analyzing the news: the point of view of financial projects	81

## PART 3

# A HANDBOOK ON CROWDFUNDING

<b>12. A good idea is not enough</b>	<b>85</b>
Premise: the project's concept	85
Approach: on the side of the user with Design Thinking	85
Market analysis	86
The good sides and downsides of crowdfunding for proponents	87
The requirements of a project	88
<b>13. The structure of a crowdfunding campaign</b>	<b>90</b>
How to conceptually structure a campaign	90
What I want to realize	90
The process of realization	91
Motivation: what I am giving in exchange	91

<b>14. Preparing your campaign</b>	<b>93</b>
Principles: the value of coherence and its practical outcomes	93
The capital sins of the “crowdfundraiser”	94
<b>15. Managing the campaign: <i>crowdtiquette</i> and accuracy</b>	<b>96</b>
The pre-launch	96
During the campaign: presence and interaction	96
After the end: accuracy and respect	97
<b>16. Using your tools</b>	<b>98</b>
The structure of the pitch	98
The three golden rules of a crowdfunding campaign	99
The <i>front</i> : title, subtitle, and video for “love at first sight”	99
The <i>background</i> : description and team	101
The <i>core</i> : rewards and financial target to motivate users	102
In <i>real time</i> : blog and social media for constant updates	104
<b>17. Marketing and web marketing advice</b>	<b>106</b>
Be inspired by successful stories	106
Create a social ecosystem for your campaign	106
Choose the right words	107
Don’t be ashamed! Ask, ask, ask	107
Where to find your backers	107
<b>Bibliography</b>	<b>108</b>
<b>Contacts</b>	<b>110</b>



Page intentionally left blank.

## Introduction

### The vision of the report

Crowdfunding is a revolutionary practice and an effective tool to generate social innovation; releasing creative energies and talents from the pressures of a market, whose limitations the current economic crisis made well evident. By now the crisis has become systemic, requiring a rethinking of the way we understand the market, expanding our system of values beyond the outdated traditional economic dynamics.

The cultural revolution culminating in crowdfunding, operates at the anthropological, sociological, political, and institutional level; with tangible effects in the real economy. Crowdfunding declines in economic terms. Crowdsourcing's transversal paradigm of participatory democratic processes and horizontal digital activism, enhances reputation and transparency, collaboration, and the spontaneous emergence of collective practices.

### Mission: functional education

The report aims to educate readers on crowdfunding and aid the public's active participation in digital microfinance.

To achieve such a goal, you must first create awareness and understanding of the phenomenon, starting from the available literature. The report tries to summarize the myriad contents produced by national and transnational political institutions, academic institutions, scholars and practitioners; as well as the news that enrich this scenario on a daily basis.

### Thematic focus

Technological and business innovation, creative and cultural products, scientific research, solidarity and charity, politics, urban regeneration: the scope and applications of crowdfunding are constantly updated thanks to the creativity of thousands of people from all over the world that submit their ideas to the attention of the largest possible audience of investors: online users.

### Geographical focus

The report cites crowdfunding's data, trends, and institutional developments from all over the world, devoting specific attention to the Italian scenario.

### Structure

The report is divided in three sections:

- 1) a Culture book** that describes the cultural, economic, and technological context that favoured crowdfunding's birth and success;
- 2) a Report** that describes the state of crowdfunding on the basis of data and impact, and analyzes the current Italian and international law;
- 3) a Handbook** containing advice to run a successful crowdfunding campaign.

## The authors



### Claudio Calveri

Writer and cultural planner

He curated and coordinated Naples candidacy to UNESCO City of Literature and devised the Creative Clusters format: acknowledged by EBN (European BIC Network) as best practice to launch innovative companies in the field of the culture industry. Currently, he is content manager at DeRev.



[facebook.com/groups/10150105475890551](https://facebook.com/groups/10150105475890551)



### Roberto Esposito

Founder and CEO of DeRev

28-year-old blogger and start-upper. He has a long history of successful artistic and business projects, including non-conventional webmarketing campaigns and viral campaigns on social media that granted him two Guinness World Records. In 2012, he published a book on crowdsourcing with the help of 700,000 users and was appointed communication and marketing manager of America's Cup Napoli, which aggregated 740,000 unique users.



[facebook.com/about.Rob](https://facebook.com/about.Rob)



[twitter.com/Robbb85](https://twitter.com/Robbb85)



[linkedin.com/in/robertoesposito85](https://linkedin.com/in/robertoesposito85)

## Credits

**Enrica Picarelli** – Research, editing, and translation

**Daniela Castrataro & Ivana Pais** – “The expert's opinion: evolution and prospects of development in Italy”

## The promoter

**DeRev.com** is a web platform to create change and social innovation through crowdfunding and Open Democracy. DeRev provides the tools to fundraise, obtain participation, visibility, feedback, and launch projects to make a tangible change in the world. The community is receptive to highly creative and innovative ideas that aim at answering needs and solve collective problems. On DeRev, campaigns can be launched by physical persons, associations, political parties, companies, and public institutions.

DeRev is where creatives and innovators meet to change the world. The platform broadcasts relevant events in politics, culture, sport and society; favouring dialogue and online exchange to create innovation, launch projects and collaboration, produce collective knowledge, and make transparent decisions.



Arts and Culture



Business and Tech



Politics and Democracy



Associations and Groups



Causes and Activism



Mass actions

## Tools for a Revolution

DeRev provides all the necessary tools to turn an idea into a Revolution:

### Crowdfunding

With Crowdfunding you can collect money from users for your project, present it in an effective and compelling way; and promise a reward to those who donate money to it. DeRev has devised three Crowdfunding options to suit different kinds of Revolution:

- **All or Nothing:** if your campaign does not reach its funding total in a maximum of 90 days, all contributions will be given back to the supporters. This option works for campaigns that need to reach their financial goal to start.
- **Keep it All:** all contributions collected in a maximum of 90 days will be credited to the project's account, even if the campaign does not reach its financial goal. This option works for campaigns that can start even if the goal is not reached.
- **Fundraising:** this option has neither minimum funding amount nor a time limit. With it, all pledges will be immediately credited to the project's account. It is devised to suit the needs of political parties, public institutions, and associations willing to finance an ongoing crowdfunding campaign.

### Petitioning

With Petitioning you can launch a petition or protest campaign for viral circulation on the web; use petitioning to sustain electoral campaigns or confirm attendance to mass events.

### Speaker's Corner

It refers to the world-famous crate, set in a corner of London's Hyde Park, that through time, has been frequented by honorary speakers such as George Orwell, Lenin, Karl Marx, Barack Obama, and Tony Blair.



The Speaker's Corner is a virtual stage where users book a broadcast to go live on air: users can comment and interact with the speaker from a group chat room.

### **Crowdsourcing**

With crowdsourcing the supporters of a Revolution send feedback, discuss, and vote the best campaign proposals.

### **The start-up**

DeRev is an innovative start-up founded in August 2012 by Roberto Esposito, Antonio Mottola and Fulvio Sicurezza. Securing one of the most relevant early stage operations in Italy for a web start-up; on August 3 2012 DeRev received a funding of 1,25 million euros by *Vertis Venture* and *Withfounders*, a brand that brings together some of the best business angels around, including Giulio Valiante (JobRapido, Buongiorno Vitaminic, SaldiPrivati) and Michele Casucci (Lycos Italia, Certilogo).

In 2013, DeRev emerges among the Italian leaders in the fields of crowdfunding, Open Democracy and viral communication on social media. The start-up, which since September 2013 operates in the international market, is based in Naples and employs 15 young talents.

### **Network and numbers**

DeRev's platform went online for the Italian market in February 2013, counting more than 100,000 pre-registrations to the landing page and generating a strong media interest. With more than 6 million subscribers to its social networking pages, DeRev's crowdfunding campaigns raised more than € 820,000 in the first seven months after its launch.

On the occasion of **America's Cup Naples 2013**, DeRev published its first report on the social impact of the Open Democracy initiative that was launched in connection with the event; when 80,000 users watched its live streaming and 1,900,000 unique interactions took place.

In less than one year, DeRev established a network of relations at the national and international level, keeping an open channel with institutions, companies, political parties and trade organizations, universities, and incubators; with the aim to spread and endorse social innovation, particularly in the fields of arts and culture, business and tech, politics, and Open Democracy.

In June 2013, Microsoft and the European Parliament added DeRev to the **Digital Democracy Leaders**.

## Endorsements and acknowledgements

We thank all those who contributed to the creation and distribution of Crowdfunding World 2013.

A big thank you goes out to the crowdfunding platforms, companies, institutions and organizations who filled in our open call and provided the data included in this report.





FEDERCULTURE



THE SOHO LOFT





To submit new research projects, launch a partnership or endorse DeRev, please contact DeRev's team at [contact@derev.com](mailto:contact@derev.com).



Page intentionally left blank.



# **PART 1**

# **WHY CROWDFUNDING MATTERS: A DEFINITION**



## CHAPTER 1

# Crowdfunding's cultural context

### Definition: the basic elements of crowdfunding

“Crowdfunding can be defined as a collective effort of many individuals who network and pool their resources to support efforts initiated by other people or organizations. This is usually done via or with the help of the Internet. Individual projects and businesses are financed with small contributions from a large number of individuals, allowing innovators, entrepreneurs and business owners to utilise their social networks to raise capital.”<sup>1</sup>

This definition by the *Framework for European Crowdfunding* sets out the terms of the discussion: crowdfunding does not refer exclusively to a method of fundraising, but to a complex anthropological, social, and economic phenomenon that finds its explanation in a series of processes that promise to innovate the way we understand the relationship between design, production, and consumption.

The abovementioned definition - chosen among many available in the literature, all very similar - highlights three key references to the concepts at the heart of crowdfunding: the **who** (crowdsourcing), the **what** (microfinance) and **where** (Internet).

- **Crowdsourcing**, which alludes to the formula “collective effort of many individuals who network and pool their resources”, “is a phenomenon that sees the active engagement, participation and sharing of individuals who believe in a common cause which catalyzes the energy and resources necessary to achieve the goal.”
- **Microfinancing** (the “small contributions from a large number of individuals”) defines the focus of the economic and financial operation, aimed at collecting capital toward the realization of the project.
- The **Internet** is the habitat where the practice emerges and consolidates. The same document reports that “the rise of the crowdfunding industry over the past decade comes from the advancement in web and mobile-based web applications and services. Entrepreneurs and businesses can utilise the crowd to obtain ideas, collect money, and solicit input on the product, overall fostering an environment of collective decision-making and allowing businesses to connect with potential customers.”<sup>2</sup>

In other words, thanks to crowdfunding, anyone with an idea to create a product, a service, or a company can seek funds in the form of small grants from a crowd of potential investors, with a return that varies according to the typology and object of the campaign.

It is the overcoming of the schema in which the investment comes - from a single investor with considerable financial means, be it a bank, a private subject, a philanthropist, or an investment fund.

---

<sup>1</sup> A FRAMEWORK FOR EUROPEAN CROWDFUNDING | K. De Buysere, O. Gajda, R. Kleverlaan, D. Marom | 2012

<sup>2</sup> A FRAMEWORK FOR EUROPEAN CROWDFUNDING | K. De Buysere, O. Gajda, R. Kleverlaan, D. Marom | 2012



## The frame: Social Innovation

On June 4 2013, in a solemn ceremony at the White House, U.S. President Barack Obama awarded Premal Shah as one of twelve "Champions of Change."<sup>3</sup> The Indo-American entrepreneur is co-founder and president of Kiva, a web platform launched in the mid-2000s to fundraise for companies, with a loan-based model. The aim of this model is to increase opportunities for micro-enterprises and fight poverty around the world.

The White House created the "Champions of Change" program to reward those groups of Americans - individuals, businesses, organizations - that work to provide real opportunities and inspiration to community members through important projects. So far, more than one million small business owners in 30 U.S. cities and 65 countries around the world have received part of the \$ 440 million collected by Kiva, with loans of \$ 25 each. This bounty has helped over 900,000 people.

The creation of Kiva is an important moment in the history of crowdfunding, and Shah's awarding shows the value that the institutions themselves attribute to crowdfunding in terms of its overall impact on society, generating sustainable development and social inclusion through the creation of jobs, as well as reward the initiative and talent of valid projects and personalities.

Crowdfunding becomes a powerful tool to support innovation and social change, the two instances that come together in the concept – fundamental to understanding the creation of added value nowadays – of *Social Innovation*.

"Social Innovation can be defined as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. It represents new responses to pressing social demands, which affect the process of social interactions."<sup>4</sup>

With these words the European Union describes a new category of innovation, different – because transversal - from those listed in the Oslo Manual, the international handbook reference for this concept. The kind of innovation it refers to is explicitly aimed at improving the quality of life, both in the sense of generating a positive impact on society and to "improve the ability of individuals to act." Exactly what crowdfunding – breaking down the traditional barriers of the financial investment - is able to do.

The creative abilities of citizens, social organizations, local communities, and entrepreneurs become a resource for both the public sector and the market, favouring the creation of products and services that meet individual and collective aspirations, thanks to widespread fundraising.

Again according to the European institutions: "encouraging innovation, entrepreneurship and the knowledge-based society is the heart of the Europe 2020 Strategy."

### The new mini-lobbies of talent from "DIY" to "DIWO"

While on the one hand the role of the crowd is essential – thanks to its ability to create a critical mass by, for example, participating in a campaign with minor contributions – on the other another virtuous element emerges, namely the horizontal, democratic and truly open possibility to capitalize on talent, skills, and virtues.

Crowdfunding absorbs the creative ideas of a broad and heterogeneous community of subjects that includes geeks, engaged in the on-going creation of innovative software, makers, craftsmen who invent, repair and reshape any object of everyday life, activists, citizens engaged in political protests; and not least creatives, cultural and creative industry workers suffering from the progressive erosion of the resources

<sup>3</sup> Premal Shah Honored as Crowdfunding "Champion of Change" (Indiawest - [www.indiawest.com/news/11548-premal-shah-honored-as-crowdfunding-champion-of-change.html](http://www.indiawest.com/news/11548-premal-shah-honored-as-crowdfunding-champion-of-change.html) - June 2013)

<sup>4</sup> GUIDE TO SOCIAL INNOVATION – European Commission – February 2013



traditionally allocated to them by the public sector. Since scientific research is also turning to crowdfunding to raise funding, it may well be said that all the “knowledge society” mentioned by the European Union is turning into a diverse and active community.

An interesting evolution is the move from the “do it yourself” (DIY) philosophy, which has always animated many of the subjects belonging to the abovementioned categories, to that of the “DIWO” or better **“Do It with Others: do it with others.”**

The first important text of crowdfunding’s *nouvelle vague*, *The Crowdfunding Revolution*,<sup>5</sup> explicitly mentions this transition, associating the DIWO to crowdfunding: “Fortunately, with the advent of the Internet it has become much easier to come into contact with other DIY practitioners [...] This is how the DIWO movement was born. Crowdfunding is akin to the spirit of DIWO. Individuals, previously lost in an indistinct crowd, decide to invest in projects with a social or emotional impact. Some invest for fun, others because they want to help support a cause in which they believe; and some other investors are friends and relatives who invest to support what their friends and family do. In fact, the latter group is of utmost importance to many crowdfunding initiatives.”

What Lawton and Marom are discussing is the birth of a different kind of lobby, one that aggregates the supporters of common interests and enables them to take tangible action in that direction. A traditional concept that is re-emerging in a “liquid” context, in the sense indicated by Zygmunt Bauman, a context that is undergoing the progressive dissolution of the structures, superstructures, and infrastructures of the past.

#### **Social Innovation and crowdfunding scheme**

Each crowdfunding campaign encompasses the cycle theorized for social innovation, which itself implies:

- identifying a new social need, not yet defined or inadequately met (by the proponent of the project);
- developing a new solution in response to the emerging need;
- evaluating how effectively the proposed solution meets social needs (carried out by the crowd in the course of the campaign);
- implementing the proposed innovation on a large scale by placing it on the market of reference.

#### **The added (social) value of crowdfunding according to the media**

“Crowdfunding will save the American economy.”<sup>6</sup> This is what an article published in *Forbes* opines about crowdfunding, expressing a hope born from the absence of real alternatives for funding in a market that is likely to become increasingly more feeble.

In support of this statement the editorial points to data showing the increasingly systemic reach of the current economic crisis: 2009 marked the largest decline in loans to private individuals since 1942 by U.S. banks, while aspiring entrepreneurs have seen their business plan rejected by venture capitalists in 95 % of the cases. This scenario penalizes innovation and research and has a negative impact on the job market, especially when considering that over the past 17 years 65% of the jobs in the U.S. has been generated by small businesses. The potential of the crowdfunding industry to give life to micro-enterprises – especially innovative ones, but also traditional activities – pushes beyond the will to become a panacea for all ills.

---

<sup>5</sup> The Crowdfunding Revolution – K.Lawton, D.Marom – 2010

<sup>6</sup> Ilya Pozin, "Crowdfunding: Saving the U.S. Economy [Infographic]". *Forbes*, 28 June 2012. (Available at [www.forbes.com/sites/ilyapozin/2012/06/28/crowdfunding-saving-the-u-s-economy-infographic](http://www.forbes.com/sites/ilyapozin/2012/06/28/crowdfunding-saving-the-u-s-economy-infographic))



To this chorus adds Bill Clinton's voice. In 2013, the former American president announced at a public meeting in Little Rock, Arkansas, that crowdfunding would become the official means of survival for small businesses. Already in 2011, Clinton had sponsored – along with the aforementioned platform Kiva – the “Kiva City Initiative” in favour of small businesses in his home town, and now it announced plans to expand the project with the “Clinton Global Initiative America.” Further, the remarks expressed on several occasions by the press that the 137 million dollars raised by Obama in support of his campaign are an expression of the success of microfinance add to the discourse on the salvific properties of crowdfunding.

### The Italian case: Città della Scienza

In terms of its results, the most relevant example of crowdfunding coming from Italy is the fundraising campaign launched to rebuild Città della Scienza in Naples, the renowned science centre destroyed by arson in March 2013.

A few hours after the incident, **DeRev** platform had been appointed by the heads of the structure to launch an awareness campaign and gather public funding through crowdfunding in the hopes to press public institution to guarantee a speedy reconstruction. Beyond the expectations and the emotional wave created by a strong transmediatic campaign, the campaign raised over **€ 790,000** in a few months, with a surprising continuity of donations that has not stopped to this day.

If it is true that this impressive result does not fit the average outcomes of the Italian crowdfunding market, due to the specificities of the situation and the public response, it shows that a crowdfunding market does, indeed, exist: you just have to know how to interpret the signs in the right way.

### Conclusions: crowdsourcing e crowdfunding as collective empowerment

The power of the crowd – understood as a collective body – is a decisive factor in the evolution of contemporary culture. In this sense, it should not be envisaged as a mere sum of individuals, but as the source of a considerable number of potential partners that includes your targeted niche of consumers, composed of the users who would be really interested in your campaign, either as simple “consumers,” or even co-proponents.

This, in sum, is the spirit of **crowdsourcing**, a concept first described by Jeff Howe<sup>7</sup> in a 2006 article on *Wired* and further explored over the years by other authors, impressed by the way individuals, unknown to one another, spontaneously aggregate around ideas, principles and concrete projects. When analyzed at a closed distance, the “people of the Web,” understood as the varied and indistinct mass evoked by the media, appear as far from the uniform collectivity one can imagine. This is a mass composed of “micro-masses,” that connect to each other across the web and knows how to interpret, express, or guess their needs, old and new.

The work of Estellés and González (2012) is a relevant contribution to the literature on the subject. The authors make a final attempt to summarize, analyze, and compare the theories of over forty definitions of “crowdsourcing” and distil the general, but absolutely accurate and exhaustive notion that “Crowdsourcing is a type of participative online activity in which an individual, an institution, a non-profit organization, or company proposes to a group of individuals of varying knowledge, heterogeneity, and number, via a flexible open call, the voluntary undertaking of a task. The undertaking of the task, of variable complexity and modularity, and in which the crowd should participate bringing their work, money, knowledge and/or experience, always entails mutual benefit. The user will receive the satisfaction of a given type of need, be it economic, social recognition, self-esteem, or the development of individual skills, while the crowdsourcer

---

<sup>7</sup> Jeff Howe, "The Rise of Crowdsourcing". *Wired*, June 2006. ([www.wired.com/wired/archive/14.06/crowds.html](http://www.wired.com/wired/archive/14.06/crowds.html))



will obtain and utilize to their advantage that what the user has brought to the venture, whose form will depend on the type of activity undertaken.”<sup>8</sup>

Needless to say, crowdfunding is a direct expression of crowdsourcing, of its ability to enhance the power of the “crowd,” becoming the protagonist of possible innovations. The power to choose, facilitate, and determine the realization of something even in spite of the logic of the market, of its rules and limitations relating to numbers whose meaning change from one day to the next. The principle that “every vote counts,” perceived by many politicians as a mere statement of principle, is here applied at the intersection of anthropology and economics, psychology and market, traditional practices and new efforts to solve problems linked to sustainable global development. Each niche can produce results, scalable or not, starting from collective mobilization, thanks to the efforts of individuals who make contributions of different kinds, depending on how intense their desire to participate is and what needs the campaign addresses.

This is the principle of **participatory democracy** in its purity, without the compromises dictated by contingencies that may interfere with the success of the operation.

Crowdfunding can become a powerful antidote to the apocalypse invoked daily by many and often perceived as inevitable. The economic crisis described as an unstoppable and irreversible pandemic, the progressive degeneration of the environment, and ultimately the implosion of the old systems of economic relations and cultural spaces, stifle the creativity of many individuals. **Crowdsourcing** and **crowdfunding** show a possible and feasible way to take back your destiny, if not that of the world. A value also caught by traditional organizations – businesses before all – that acknowledge the structural and complex identity of users, well beyond that of mere consumption. The language employed to reach out and establish a dialogue is often awkward, because in this scenario market players are, for the first time, the victims.

The only barrier to access crowdfunding is therefore one of origin and cultural order. The limitations inherent in this can be overcome with practices of **empowerment**, the individual and collective growth process that takes place when we acknowledge our abilities, self-efficacy and power of self-determination, as theorized by Zimmerman<sup>9</sup> and other authors.

Kieffer and Rappaport focus on the way empowerment gives a sense of control over one’s life and aids direct democratic participation in the community. Levine Perkins points to the possibility for seemingly weak individuals to acquire new resources and tools to establish strategic relationships. These theoretical assumptions can find an outcome, even at a metaphorical level, in crowdfunding.

Devising, launching, and managing a crowdfunding campaign requires a thorough definition of ideas, enough to make you want to reach an audience willing to support the project with financial or promotional contributions.

Spreitzer’s “Psychological Empowerment Scale at Work” provides some indicators to measure empowerment, which seem to vouch for this thesis. To evaluate one’s level of empowerment at the workplace, the author suggests the indicators show:

- “meaning”: expresses the level of coherence between one’s job and one’s system of values and principles. With crowdfunding there’s absolute correspondence between the two;

---

<sup>8</sup> Estellés Arolas, E.; González Ladrón-de-Guevara, F. (2012) Towards an integrated crowdsourcing definition. *Journal of Information Science*. Vol 38. no 2. 189-200.

<sup>9</sup> Zimmerman M. A., Empowerment e partecipazione della comunità. Un’analisi per il prossimo millennio, in «Animazione Sociale», 2, 1999, pp. 10-24.



- “competence”: indicates one’s confidence in his/her functional knowledge at work. Again, the proponent of a campaign must have absolute confidence in his/her knowledge to gain collective support;
- “self-determination” is measured in relation to the feeling of control one has over their work. Evidently, this is essential to any “crowdsourced” activity;
- “impact”: refers to the belief the proponent has on the operational and strategic outcomes of his/her work.

Crowdfunding is, therefore, one of the means of a cultural shift that puts the individual – as a stand-alone subject or as part of a community – at the heart of the scenario.

## CHAPTER 2

# Crowdfunding's economic context

### Crowdfunding's origins

"It is more than five years ago now that the first ripples of the current financial crisis started spreading across the globe. What initially looked like a problem largely confined to the North American sub-prime mortgage sector soon affected most advanced economies in the Western hemisphere. In Europe in particular, uncertainties resulting from a general squeeze on retail credit have been exacerbated by recurring threats of systemic disruption in the financial and monetary spheres."<sup>10</sup>

This is how Matthias Klaes summarizes the impact of the current economic crisis, which the report regards as one of the main reasons that make the crowdfunding an essential tool to boost the economy. The crisis, caused by financial speculation, marks a point of no return of the global economic cycle, but this condition alone does not fully explain the progressive affirmation of crowdfunding.

Crowdfunding is a revised version of a series of established historical practices; and if some attribute the term to Michael Sullivan, founder (in 2006) of a platform for videoblogging projects (the short-lived *fundavlog*) that included a basic fundraising function, everybody agrees that the word (even more than the concept) acquired global notoriety with the rise of *Kickstarter*, one of the leading crowdfunding platforms worldwide).

### Jonathan Swift, crowdfunding's father

If crowdfunding is today's global, miraculous cure for economic ills, the new epic requires historical roots, if only for script's sake. Some trace its birth back to Jonathan Swift, the writer who inspired the "Irish Loan Funds": collective micro-credit institutions launched between the 18th and 19th centuries to fight poverty in Ireland.

Beyond a desire to connect big names to the origins of the practice, it is clear that crowdfunding owes something of its essence to all previous experiences and experiments of micro-credit.

### The statue of Liberty: the first big campaign

Many refer to the fundraising campaign launched to finance the installation of the Statue of Liberty that the French gave to the U.S. at the end of the 1800s. When the committee managed to collect only 150,000 of the \$ 300,000 needed, Joseph Pulitzer set of finishing the monumental work with popular participation, launching a fundraising campaign on his newspaper "The World." The results were amazing if only for the fact that a big part of the received \$ 120,000 donations amounted to less than one dollar. Playing on the emotional factor and turning the campaign in a national (rather than local) event, Pulitzer applied – and perhaps even invented – two cornerstones of successful crowdfunding: to involve all Americans (the first) and making the population feel that they were participating in a truly collective endeavour (the second) that was more than just installing a monument.

To talk about crowdfunding in a strict sense; however it is necessary – as follows from the definition reported at the beginning of this report – to refer to the recent history of the World Wide Web.

---

<sup>10</sup> Matthias Klaes - Professor of Commerce, Keele University - Author (with N. Wilkinson) of An Introduction to Behavioral Economics.



## Crowdfunding's rise

In a recently published paper<sup>11</sup> NESTA, a development agency born from an initiative of the British government to chart the development of the knowledge economy, outlines the key stages of crowdfunding's rise and global consolidation. It is interesting to note that each stage of the scheme is connected with a step of technical nature, capable of adding structural changes to crowdfunding's operativity.

### a) The gift economy and communities (1990 - 2000)

E-mail, forums, newsletters, and instant messaging systems mark the first phase of consolidation of a culture of shared passions and interests, contributing to the formation of real communities gathering around several instances. Real-time interaction allows one to work constantly on shared interests, providing the tools to create networks of previously atomized individuals, as well as to give them a way to donate with one simple act.

The creation of the first fundraising platforms dedicated to social causes and solidarity (*JustGiving* is the most important one, launched in English in 2000) shows how non-profit, and particularly charity, was the first sector to monetize on relational networks. The creative front also mobilized significant bottom-up financing operations: the band *Marillion*, for example, turned to crowdfunding to raise \$ 60,000 in support of a musical tour and the realization of the related album. On the basis of a similar case (1997), *ArtistShare* was founded in 2000, the first donation- and reward- based platform for musicians.

### b) Micro-credit and pitches (2005)

As mentioned, micro-credit belongs to the centuries-old tradition of light funding formulas designed to support emerging realities. In the mid-2000s, the web catalyzed such mechanism and sites like *Kiva*, *Zopa*, and *LendingClub* emerged; operating in different countries around the world. The new experience prompting the birth of such platforms as "*Peer2Peer lending*", inspired by the innovation of the same name that builds horizontal, non-hierarchical networks (sharing of data, in particular), where each node is both active and passive in a feedback loop.

Another landmark innovation is the rise of the so-called pitch that project proponents devise to introduce their idea to potential supporters. The success of the system is testified by the very high rate of return payments on *Kiva*, which, with over \$165 million raised, can boast a 98.83% of returned amounts from those who had benefited from the loan. In such a way, the direct link between economic contribution and virtuous effect emerges, opening a new phase, where proponents learn how to present and promote their work and ideas.

### c) Experiences and rewards (2006-2010)

The second half of the 2000s saw the book of crowdfunding for cultural and creative industries. By the very nature of the industry and its products, crowdfunding consolidated the practice of offering rewards of a material or experiential nature in exchange of the donation.

This was the beginning of a new era, marked by the emergence of two major platforms: *Indiegogo* (2008), the most widespread and operating in over 200 countries; and *Kickstarter*, which can boast greater numbers: U.S. based but currently active also in the U.K..

Social networks further enhance the experiential dimension of crowdfunding, operating as a powerful vehicle to generate quick "viral" and exponential effects.

---

<sup>11</sup> Working the crowd: A short guide to crowdfunding and how it can work for you – NESTA – Peter Baeck and Liam Collins – May 2013



#### **d) Nourishment for companies (2010 and beyond)**

As in many fields, one thing leads to another in crowdfunding. Between November and December 2010, a Kickstarter campaign of \$ 15,000 to realize the prototype of a multifunction watch (TikTok + LunaTik Multi-Touch Watch Kits) collected nearly a million dollars. The impressive figure helped the proponents to start their own business and mass-produce the gadget.

These examples show a new way forward, where financing business activities push beyond micro-credit. This perspective revolutionizes the very concept of enterprise economy, releasing it (at least theoretically) from bank financing.

*GrowVC*, founded in 2010, is an equity-based crowdfunding platform. Its formula includes, in place of “normal” rewards, shares of the company in proportion to the donated amount, replicating the Kiva model and applying it to innovative start-ups. So far, it has welcomed more than 9000 entrepreneurs, investors and experts from 200 countries.

This is the beginning of yet another phase of crowdfunding that forces governments to revise national and international law on enterprise finance. From the American SEC to the Italian CONSOB, institutions from several countries face the need to update the way companies are financed, opening a truly revolutionary and still on-going phase of economic dynamics.

### **Linked economic tools: “freeing” monetary value**

Beyond the history and evolution of crowdfunding, the analysis of some linked economic institutes helps to fully understand the cultural climate that helped crowdfunding reach its maturity.

The *Crowdfunding schemes report*<sup>12</sup> identifies four fundamental concepts as complementary to those of crowdfunding. On 13 July 2011, the Directorate General for Education and Culture of the European Commission (DG EAC) submitted a funding request to several experts on behalf of the EENC (European Network of Experts for culture) on the issue of what regime to adopt for European crowdfunding, particularly as regards legal issues. The endeavour was part of the “Agenda of the European Commission for culture in a globalizing world” that aims at contributing to the development of innovative sources of financing in the creative sector. The immediate goal of the research is to launch internal discussions at the DG EAC on the policy implications of crowdfunding and its regulations, both at the EU and Member State level.

The 60 consulted experts identified certain legal institutions that, by vocation or operativity, are complementary to crowdfunding. In particular:

#### **a) Social Payments**

This concept is similar to crowdfunding as it refers to small cash donations in support of the manufacturing of a product. Social payment is employed especially in the publishing industry and online journalism. Some specialized platforms are Kachingle and Flattr.

#### **b) Social Money**

In some parts of Europe it is a common practice to use complementary currencies in place of official ones. The practice is inspired by the Austrian “Schwundgeld,” a form of alternative currency born in the late 1930s in Tyrol. Social money is one of many alternative forms of payment, with interesting implications in terms of a theorization of value separated from the idea of currency.

---

<sup>12</sup> Crowdfunding Schemes in Europe – David Röthler and Karsten Wenzlaff – EENC Report, September 2011. (Mainly platforms offering financial rewards, see [http://bit.ly/crowdfunding\\_survey](http://bit.ly/crowdfunding_survey)) and approx. 30 experts (see [http://bit.ly/crowdfunding\\_experts](http://bit.ly/crowdfunding_experts)) identified in this field. 10 experts and 11 platforms replied.

### c) Social Banking

Social banking applies the paradigm of democratic, transparent, and participatory practice of the web 2.0 to the banking system, facilitating the dialogue between users to promote peer-to-peer commercial transactions, according to a kind of cooperative thinking. The “Demokratische Bank” is active in Austria and practices participatory decision-making.

### d) Open Money

“Open money,” a (virtual) currency, is not subject to any central control entity (such as central and national banks) that may affect its value through monetary policy operations, such as devaluation or appreciation. The virtual currency is managed according to peer-to-peer principles in a network where each participant manages a portfolio, favouring the passage and flow of the currency.

Everything is inspired by the eponymous manifesto of 2003,<sup>13</sup> which sets out the principles of this new approach: “Money is just information, a way to measure the value of what we exchange, not a value in itself. And we can do it ourselves, to work as something complementary to conventional money. It's just a matter of design.”

### A new and more flexible idea of value

The attempt to experiment new strategies to release value from traditional monetary units – a trait shared by the four abovementioned institutions – expresses crowdfunding’s desire to improve the experiential aspects of consumption.

This results in a different and more complex economic philosophy, which comes from the superposition of new cultural elements applied to the economy.

## Beyond the traditional market: a new economic philosophy

The antithetical terms of market economy and society become part of a single equation, where their differences disappear: an economic philosophy where anthropological and sociological elements and stimuli come together.

### Reciprocity

Crowdfunding owes something to the concept of reciprocity, which cultural anthropology defines as an exchange of goods or work that does not trace back to the logic and dynamics of the market. It is a form of exchange induced by the act of an individual, to which another one correspondingly replies, with no legal obligation. The literature speaks of reciprocity in positive and negative terms. In economic terms, the most interesting aspect is the motivation behind the gesture, which goes beyond that of simply guarding one’s “self-interest,” in view of a larger one. The economists Fehr and Gächter theorized<sup>14</sup> its effectiveness in relation to categories of goods and services:

“The assumption that economic agents make their decisions based on pure self-interest has served economists well in many areas. In situations where contracts are reasonably complete, the underlying assumption of self-interest should continue to be especially important. However, the self-interest model has also failed to give satisfactory explanations for a wide variety of questions of interest to economists,

---

<sup>13</sup> Open Money Manifesto: <http://www.openmoney.org/top/omanifesto.html>

“Money is just information, a way we measure what we trade, nothing of value in itself. And we can make it ourselves, to work as a complement to conventional money. Just a matter of design.”

<sup>14</sup> Fairness and Retaliation: The Economics of Reciprocity - Ernst Fehr and Simon Gächter - Journal of Economic Perspectives—Volume 14, Number 3—Summer 2000—Pages 159–181



including questions about labour market interactions, public goods, and social norms. We believe that for important questions in these areas, progress will not come from additional tweaking of a pure self-interest model, but rather from recognizing that a sizeable proportion of economic actors act on considerations of reciprocity”.

The peculiar status of crowdfunding, linked in many of its formulations to the binomial donation-return (in the tangible or intangible sense, and all the variations that will be explained later), seems to correspond to this model.

### **Gift economy**

The idea of maximum reciprocity in the economic field is expressed by the concept of the “gift economy,” along with “gift culture” and “gift exchange.” David Cheal<sup>15</sup> describes it as a mode of exchange where elements of value pass from one subject to another without implicating a return (of any type) in the immediate future.

So this is not a “simple” gift, since the economic value of what is offered comes into play along with social and personal norms, without, for this reason, constituting an economic system in the strict sense, as with barter.<sup>16</sup> It operates in a different sphere from that of the market, in fact.

### **Civic Economy: a new transversal “market”**

The search for a different, hybrid way among the different sectors that make up the traditional economy finds an interesting expression in the so-called civic economy.<sup>17</sup>

“A civic economy is emerging, one which is fundamentally both open and social. It is an economy which is fusing the culture of web 2.0 with civic purpose. We define the civic economy as comprising people, ventures, and behaviours that fuse innovative ways of doing from the traditionally distinct spheres of civil society, the market, and the state. Founded upon social values and goals, and using deeply collaborative approaches to development, production, knowledge sharing and financing, the civic economy generates goods, services and common infrastructures in ways that neither the state nor the market economy alone have been able to accomplish.”

Overcoming the conceptual separation between the spheres of the private, public, and the enterprise with a view to achieving common good and well-being offers a view of the new “market” targeted by crowdfunding.

### **Long tail” and on demand production**

“Why the future of business is selling less of more” is the subtitle of Chris Anderson’s book *The Long Tail*, where he theorized that access to unlimited information (through the web), and accordingly also to a catalogue of unlimited goods, has subverted the traditional distribution model, based on the chain of production, storage, and retail. The author argues – quite rightly – that the increasing dematerialization of goods and services opens important new market segments. It is the end of the mass market and the beginning of an era of profitable niche markets, calibrated (at no extra cost) on the wishes of the user-client.

And that is just the beginning. The revolution in the distribution chain – now capable of handling an unlimited number of digital goods and services – goes hand in hand with an equally explosive revolution in the field of production. The spread of low-cost tools and processes that enable the realization of material products in limited quantities allows one to respond in a satisfactory and precise way to the new market

---

<sup>15</sup> Cheal, David J (1988). "1". *The Gift Economy*. New York: Routledge. pp. 1–19

<sup>16</sup> Gregory, Chris (1982). *Gifts and Commodities*. London: Academic Press. pp. 6–9.

<sup>17</sup> Compendium for the civic economy – NESTA, CABE & Design Council, May 2011

demand. From 3D to digital printers, from “open source” hardware kits to makers’ shared practices, production techniques are made available and at a very low price, if not for free.

In a system that can now understand and meet the personal needs of each consumer, both at the production and distribution level, crowdfunding is an effective aggregative tool for users interested in the realization of a good or a service.

### Experience economy

Crowdfunding is a representation of the experience economy. Pine and Gilmore used the term “experience economy” for the first time in 1998 to explain the emergence of a new service economy<sup>18</sup>. Moving from previously existing research, the authors elaborated a thorough conceptualization, arguing that companies should design memorable events for their customers, where memory itself becomes the product, or rather the experience. The concept emerged from trading and has since been applied to different sectors, like tourism, architecture, urban planning, employing design, and design thinking as essential means to engineer experience itself.

Behind this logical and historical interpretation are the growing expectations of consumers (with regards to the variety, choice and customization of products) enabled by the digital evolution, as previously clarified in relation to the long tail phenomenon.

Accordingly, the added value of a product lies now in its emotional, evocative, participatory charge, rather than in its actual features and functions. The focus moves from consumption itself to the experience of consumption.

### The experience cycle versus the sales cycle

In an article for *Interactions* magazine, designers Hugh Dubberly and Shelley Evenson illustrate the difference between traditional and experiential consumption, pointing to the difference between what they call the “experience cycle” and the “sales cycle.”<sup>19</sup>

The first difference is the point of view, with sales based on the seller’s perspective; and experience, on the contrary, on the consumer’s. This premise inspires a more holistic approach, according to which the transaction is not exhausted in the purchasing act, but aims at establishing a longer relationship between producer and consumer, based on continued conversation and dialogue. This relationship generates value. Selling becomes just one step in a dynamics that invests in contact, orientation, familiarization, and habit as a means to generate such a high level of satisfaction that the consumer becomes an ambassador of the experience itself: a complex cycle that reproduces crowdfunding in all its phases and with all its tools.

## The economic advantages of crowdfunding

The *Framework for European Crowdfunding* lists the advantages for the internal market:<sup>20</sup>

### System resilience

The speakers included in the paper see in crowdfunding an alternative to the concentration of power that comes from the financial system, with banks pushing for laws that preserve the oligopolistic logic of the “*too big to fail*” of the current system to its present collapse (if not one step further). The hope is that future legislations will prevent the agglomeration of powers and functions in the hands of a few subjects, rather opening the system, as much as possible, to the operation of interconnected networks.

<sup>18</sup> Pine, J. and Gilmore, J. (1999) *The Experience Economy*, Harvard Business School Press, Boston, 1999.

<sup>19</sup> <http://www.dubberly.com/articles/interactions-the-experience-cycle.html>

<sup>20</sup> A FRAMEWORK FOR EUROPEAN CROWDFUNDING | Kristof De Buysere, O. Gajda, R. Kleverlaan, Dan Marom | 2012



### **Best market rates**

With fundraising defined according to criteria other than the purely financial, crowdfunding can generate market prices and real interest rates, providing, among other things, on-going opportunities for liquidity.

### **Diversified financing**

As well as offering new investment opportunities to individuals and corporate investors, crowdfunding also provides proponents with an opportunity to diversify their funding sources. This increases confidence and creates value for the whole system, making businesses less vulnerable to shortages of funds. Once consolidated on a large scale, this would help the crowdfunding industry to become competitive on a global scale.

### **Financial stability**

The ability to invest in specific projects that will bring a tangible return to investors based on visible parameters is a viable alternative to inflation. Historically, economic crises have been often caused by a sudden drop in funding and a subsequent increase in public spending, causing unsustainable deficits in times of contraction.

### **Alternative financial channels**

According to the authors of the *Framework*, the fully transparent interpretation of investment flows allowed by crowdfunding can help to monitor in an accurate way the actual needs of the system, providing data relating to specific projects and information to be included in periodic searches carried out by the financial institutions as a means to identify strands of development policies.

Crowdfunding can thus help to make visible some priorities otherwise neglected in the allocation of public funds. Its trendsetting function is supported by a continuous stream of data that can aid the identification of sensitive areas where public intervention could bring real benefits through tax incentives or similar measures.

## **Conclusions: open innovation and crowdfunding as “liquid incubator”**

“Open user innovation is an institution that competes with and, I will argue, can displace producer innovation in many parts of the economy. A growing body of empirical work clearly shows that users are the first to develop many and perhaps most new industrial and consumer products. In addition, the importance of product and service development by users is increasing over time. This shift is being driven by two related technical trends: (1) the steadily improving design capabilities (innovation toolkits) that advances in computer hardware and software make possible for users; (2) the steadily improving ability of individual users to combine and coordinate their innovation-related efforts via new communication media such as the Internet.”<sup>21</sup>

Eric von Hippel, a member of The Interaction Design Foundation as well as a professor at the MIT, describes the essence of user participation to the production process of innovation. von Hippel’s argument about open innovation rests on some basic elements of crowdfunding, which in this sense also takes shape as a practice of **open innovation**, with an interesting impact on the real economy. The pattern of widespread microfinance offers even more food for thought in the same direction:

---

<sup>21</sup> Hippel, Eric von (2013): Open User Innovation. In: Soegaard, Mads and Dam, Rikke Friis (eds.). "The Encyclopedia of Human-Computer Interaction, 2nd Ed.". Aarhus, Denmark: The Interaction Design Foundation.



- Innovation toolkits” (1) comprise all the instruments – including the same crowdfunding platforms, as we will see below – that make innovation possible, regardless of specific skills required for effective implementation of the product or service in question;
- Digital media literacy (2) is what is needed to promote an innovative idea, even in purely theoretical terms, test its plausibility and impact on the public. The chapter on crowdfunding’s technological context will get back to this aspect;
- In terms of “open innovation” as it relates to crowdfunding, the user’s contribution is of course of primary value, since it supports the economic costs of the operation.

In this sense, crowdfunding platforms are real catalysts of energy and entrepreneurial skills, calibrated on a new economy that is divided into alternative channels and inspired by the self-made philosophy.

Fundraising websites then function as incubators, internationally recognized as essential drivers of innovation and economic development. Reproducing in part – and in a completely informal way – some of the functions of these structures, crowdfunding platforms can in some way be regarded as “**liquid incubators**,” which, disregarding some structural elements, still facilitate innovation.

According to the definition elaborated by the European Commission,<sup>22</sup> a business incubator is an organization that speeds up and facilitates the creation of new businesses, providing a wide range of integrated support services that include:

- physical spaces (which in the case of crowdfunding platforms are digital spaces, like the project’s webpage and connected tools, such as blogs, videos, messaging systems).
- support services for business development (web payment services and financial management); and
- opportunities for integration and networking (via face-to-face meetings with the public and communication and marketing tools like newsletters, internal mailing systems, etc.).

Just as such services and the cost containment resulting from an economy of scale enable the growth and survival of a start-up, the attractive effect and operational functionality of crowdfunding platforms aid the realization of prospect hypotheses.

---

<sup>22</sup> European Commission Enterprise Directorate General, Benchmarking of Business Incubators, Centre for strategy and evaluation services, February 2002.

Hippel, Eric von (2013): Open User Innovation. In: Soegaard, Mads and Dam, Rikke Friis (eds.). "The Encyclopedia of Human-Computer Interaction, 2nd Ed.". Aarhus, Denmark: The Interaction Design Foundation. Available online at [http://www.interaction-design.org/encyclopedia/open\\_user\\_innovation.html](http://www.interaction-design.org/encyclopedia/open_user_innovation.html)

## CHAPTER 3

# Crowdfunding's technological context

### The most important technological developments for crowdfunding

According to NESTA,<sup>23</sup> the four opportunities offered by technological innovation that are essential to the rise of modern crowdfunding are, in detail:

#### An online venue to present the pitch

The British development agency describes the platforms as valuable and sophisticated message boards, enabling users to make their own assessment of the campaign from home. The global nature of the digital medium allows one to overcome any limitation as regards geographical location and the number of users to mobilize for financing.

#### Moving money with a click

A key element of crowdfunding is the safety of economic transactions. To this end, crowdfunding platforms are equipped with secure and low-cost payment systems thanks to online services such as PayPal and Amazon Flexible Payments (AFP).

#### “Social engine”

Along with the platforms, interactive communication venues like social networks and DIY media platforms are equally important to promote a campaign. Facebook (more than one billion users) and Twitter (half a billion users), as well as independent blogs on Wordpress and Tumblr, mine well-established habits and behaviours to find potential markets for entrepreneurs and creatives.

#### Data analysis

The platforms and many of the social networks allow in-depth data analysis, regarding user traffic, flow of donations or unique visits; so that authors can monitor the campaign's trend. Indiegogo's algorithm calculates what it calls the “GoGo factor,” which takes into account the frequency of updates, tweets, comments, and click-through relating to the campaigns, to decide which projects to promote on the homepage and thus increase the platform's success, as well as the success of the most deserving and active projects.

### Conclusions: crowdfunding and “e-identity”

Technology can actively contribute to change collective and individual behaviours.<sup>24</sup> This principle, which is evident when we look at how quickly mores and attitudes are changing in the “social” era, is discussed by Sean Young, a psychologist who specializes in social behaviour, as well as director of the innovation sector at UCLA Center for Behavioral and Addiction Medicine (University of California, Los Angeles).

His studies have recently focused on the assessment of how technology entrepreneurs can effectively engage people and change their behaviours. According to Young, the key is the social psychology of the user, with online communities and social media platforms becoming essential to engineer the desired

---

<sup>23</sup> Working the crowd: A short guide to crowdfunding And how it can work for you – NESTA - Peter Baeck and Liam Collins - May 2013

<sup>24</sup> <http://techcrunch.com/2013/09/28/the-science-behind-using-online-communities-to-change-behavior/>



change in a relatively short time, thanks to the way these means enable real-time information sharing. In this context, crowdfunding platforms operate as both catalysts and active media.

Nowadays, self-awareness also involves how an individual projects his/her personality online. This is more than the “digital personality” deriving from the sum of the data connected to his/her web activity. A more recent and articulated approach, based on texts like “Identity Theory” by Burke and Stets and supported by scholars such as Jenny Davis,<sup>25</sup> a researcher at James Madison University, argues that the qualitative component of online behaviour is equally, if not more decisive, than the algebraic sum of one’s interactions and actions in the digital realm.

Participation in a crowdfunding campaign is certainly a value choice with multiple implications. It is an assumption of responsibility, which translates into concrete action and tangible implications effects in the offline world. In this sense, crowdfunding seems to relate to what we could call “**e-identity**,” a new hybrid kind of identity defined by behaviours that take place transversally in online and offline realms, overcoming the false opposition between the “digital” and the “real”.

The proliferation of digital media devices, which allow for meta-temporal and meta-spatial interactions that erase distances through simultaneous and real-time activities, allows the expression of an “**augmented personality**,” which emergences in behaviours, such as participation to crowdfunding initiatives.

---

<sup>25</sup> Jenny Davies. "The Qualified Self". The Society Pages, 13 March, 2013.  
<http://thesocietypages.org/cyborgology/2013/03/13/the-qualified-self/>  
Burke – Stets: Identity Theory – Oxford Press, 2009



## PART 2

# CROWDFUNDING'S INDUSTRY

*(Photo: yourgreatbusiness.com)*

## CHAPTER 4

# Crowdfunding's figures

### The rise of crowdfunding

An essential tool to chart the overall extent of the crowdfunding movement and related cash flow is the Massolution Report,<sup>26</sup> written by the Crowdsourcing.org group, composed of researchers from Massolution, a consulting firm specializing in crowdsourcing and crowdfunding. The report (2012) discloses the available data on crowdfunding's figures and numbers at the global level, indicating growing and emerging trends.

#### Crowdfunding doubles every year

In 2012, crowdfunding grew 81%, reaching \$ 2.7 billion, with successfully financed campaigns for 1 million dollars. For 2013, the report forecasts a double increase in global funding volumes, reaching \$ 5.1 billion. As for the volumes of the individual categories, Carl Esposti, Massolution CEO, identifies the next big development, maintaining that while the global financial revolution has, so far, been led by loan-based, reward-based, and donation-based crowdfunding; equity-based crowdfunding is now going to take centre stage in the United States. Thanks to a federal law that will be passed by the end of 2013, non-accredited investors will be allowed to invest in exchange of company shares.

#### The growth rates in detail

Regional markets:

- North America: crowdfunding volumes grew by 105%, reaching \$ 1.6 billion.
- Europe: growth of 65%, with a profit of \$ 945 million.
- In total, all other markets grew by 125%.

Growth rates of individual categories:

- donation-based crowdfunding: up 85% to \$ 1.4 billion;
- loan-based crowdfunding: up 111% to \$ 1.2 billion; and
- equity crowdfunding: up 30% to \$ 116 million.

### The liveliest markets

#### The U.S. as first big market

According to the study, that took into account 308 active platforms worldwide, North America and Europe account for over 95% of the overall crowdfunding movement, leading the global market.

The U.S., in particular, count the highest number of crowdfunding platforms. An important indicator of crowdfunding's success is that many of the 191 active platforms now operate at the global level. The most significant example is Indiegogo, whose roadshow export its activities all over the world. The \$ 15 million recently collected by the company will be spent to further this process of internationalization.

Another example is Kickstarter, which expanded to foreign markets after it reached record sales operating only in the U.S. The company has recently opened a UK division which aims to create a strong position in Europe and the English-speaking world. Thanks, in part, to the absence of barriers within the European

---

<sup>26</sup> CROWDFUNDING INDUSTRY REPORT - Market Trends, Composition and Crowdfunding Platforms – Maggio 2012  
(Available at <http://www.crowdsourcing.org/research>)



Union, non-American users on Kickstarter can now benefit from the platform's services, which were previously unavailable to them because of a number of limitations due to the payment policies of the partners (especially Amazon Payments).

### Western Europe

When referring to Europe, the report clarifies that most of the crowdfunding traffic comes from Western Europe. The share of the European market in terms of volume of money raised is dominated by the United Kingdom (63%), followed by Germany, Poland, France, Italy, and Spain. The platform directory Crowdsourcing LLC provides more useful data to identify the largest markets in Europe – according to the number of active platforms – which it locates in the United Kingdom (44), followed by the Netherlands (29), France (28), Germany (20), and Spain (18).

## The weight of global and local markets

The internationalization of crowdfunding platforms seems to suggest that the global market is the new promised land, offering a way to further spread the practice worldwide. Depending on what order of magnitude we take into consideration, the scenario changes considerably:

### 1) Glocal: the industry should focus on “mobile”

The global proliferation of new platforms and the skyrocketing figures raised yearly by crowdfunding show its as-yet untapped potential.

The lack of emerging countries from the scenario – Brazil, Russia, China, India, as well as African ones – suggests optimistic forecasts for the future, especially in view of the growth of the mobile market all over the world.

Mobile web allows one to overcome two major barriers in a single shot:

- payments: the payment systems for cell phones adopted in emerging and developing countries employ charging systems that free customers from owning a bank account, increasing the use of the devices and services connected to them;
- Internet connection: 3g data transmission circumvents digital insufficiency in many parts of the world.

To this add the impressive data about an exploding “mobile culture”<sup>27</sup> that seemingly dominates daily life, especially for users interested in online trading:

- The consulting firm Gartner (based on data collected in 2013) predicts that in 2016 the number of users of mobile payment systems will amount to 448 million, with a market of \$ 617 billion.
- Again, according to Gartner, mobile web will dominate payments in Europe and North America until 2016.
- Portio Research (with data updated to March 2013) estimates that today 1.2 billion people use mobile applications, and that, according to a steady annual growth of 29.8%, the figure will reach 4.4 billion users in 2017.
- Gartner (April 2013) predicts that by 2017 25% of companies will run their own app store, emphasizing the centrality of the mobile phone in consumption dynamics.

---

<sup>27</sup> Global mobile statistics 2013 Home: all the latest stats on mobile Web, apps, marketing, advertising, subscribers, and trends (<http://mobithinking.com/mobile-marketing-tools/latest-mobile-stats>)

Crowdfunding platforms must bridge the gap as soon as possible and adapt to this trend, devising suitable technological infrastructures.

## 2) Local: the perspective of individual campaigns

In an article in *Forbes*, Chance Barnett, an expert of start-ups and investment, argues in favour of local online ecosystems, even if the premise is that – in theory – the Internet has made place “irrelevant.”<sup>28</sup> He observes that:

- quality is a core element of the relationship: the amount of online connections established by a company alone is not significant in itself. As Nilofer Merchant – a Silicon Valley corporate director and speaker – notes “in today’s ‘social’ culture, relationships are what efficiency was for the industry;” however, virtual ones do not account for everything.
- Local communities – the relational circles created by people who share the same physical and geographical context – are certainly more likely to contribute to a project whose genesis and proponents they know directly. The value and credibility of a campaign are rooted in the personal relationships cultivated by the project team (which the author calls “first-level”). Proximity is stronger and more motivating than anything.
- Grow your own cluster: Entrepreneurs take advantage of social networking to cultivate local relations, keeping them alive and identifying the best subjects to include in a “cluster,” i.e. all those who may be involved in any step of the process of product/service production, distribution, promotion. The cluster provides the opportunity to:
  1. access new information;
  2. take advantage of new resources;
  3. collect multiple opinions;
  4. deal with subjects with different skills;
  5. capitalize on exchange to deliver unexpected results;
  6. promote common interests.

In general, Barnett concludes, clustering facilitates connections with potential new employees, investors, vendors, and even mentors. Even if such relationships can and often do form online, their real value depends on the ability to foster relationships in the physical world, possibly in the same geographical area. In the eternal debate on the effectiveness of the virtual versus real, in short, this hand seems to go to the real.

## The impact of crowdfunding on different sectors

NESTA’s classification adequately describes the strands where crowdfunding produces the most significant results<sup>29</sup>:

- **Cultural and creative industries:** the cultural and creative industries – according to the institutional definition<sup>30</sup> – include advertising, architecture, antiques, crafts, design, fashion, film, video, photography, software, video games, performing arts, music, radio, and television. This sector helped to establish crowdfunding as a mass phenomenon, bringing it to the attention of the general public thanks to creative campaigns that caught the imagination of the media. Just think of

---

<sup>28</sup> Crowdfunding's Future: Local Online Ecosystems". *Forbes*, 20 March 2013.

<http://www.forbes.com/sites/chancebarnett/2013/03/20/crowfundings-future-local-online-ecosystems/>

<sup>29</sup> Working the crowd: A short guide to crowdfunding and how it can work for you – Peter Baeck & L. Collins May 2013

<sup>30</sup> [http://ec.europa.eu/culture/eu-funding/what-is-the-cultural-and-creative-sector\\_en.htm](http://ec.europa.eu/culture/eu-funding/what-is-the-cultural-and-creative-sector_en.htm)



the campaign launched in 2013 by Hollywood actor James Franco to produce his film project (which also sparked a debate on whether celebrities should turn to crowdfunding) or the excellent results achieved by the campaign to realize a film based on the TV character Veronica Mars.

According to Massolution Report, these fields collected the following results at the global level:

- Film and Performing Arts: **11,9%**
  - Music and Recording Arts: **7,5%**
  - Fashion: **5,5%**
  - Arts: **4,8%**
  - Hardware and software: **4,8%**
  - Journalism, press, photography: **3,5%**
- **Private business:** thanks to loans and investments, many private businesses benefit from fundraising. In the last year, many have fundraised to open restaurants, innovative companies, produce gadgets, and innovative design works. Another interesting tendency is fundraising for scientific research and institutions (including museums and even NASA) to pay for cultural activities and projects.

Again, according to the data provided by Massolution, it appears that, out of the total funds raised worldwide in 2012:

- “Business and Entrepreneurship” collected **16,9%**
  - “Science and Technology” picked up **3,2%**
- **Public and social projects:** the segment, also known to as “civic crowdfunding,” promotes social projects in the third sector and non-profit organizations; including initiatives related to the environment, solidarity, urban spaces, citizen and community services, and charity.

As for crowdfunding:

- “Social Causes” obtained the best results with **27,4%**
- “Energy and environment” campaigns picked up **5,9%**

## The impact of different crowdfunding models

Crowdfunding changes according to the model of reciprocity established at the moment of donation. Our classification was obtained merging the parameters indicated by NESTA with those found in the *Framework*.

### 1) “Donation-based” crowdfunding

The donation-based model, also known as micro-patronage, refers to campaigns that offer no rewards or financial return to backers, who contribute money for philanthropic and sponsorship reasons.

NGOs in particular have turned to this model to attract donations for individual projects. This helps to differentiate general fundraising campaigns from activities with more specific aims and obtain positive effects in terms of public awareness and donations.

In such a case, backers tend to develop a lasting interest in the campaign, following its evolution and giving positive feedback. The main motivation behind the economic contributions is a personal desire to support the development and implementation of projects perceived as having real meaning for taxpayers. Projects



and platforms that employ the donation-based model generally offer a reward or incentive to encourage contributions; however NESTA underlines that, most of the times, these are intangible and symbolic recognitions, such as public recognition of varying degrees, or participation in special events related to the project.

Well rooted in the philanthropic tradition, the donation-based model derives from the online fundraising practices of charities.

Currently, this is the most widespread crowdfunding model in the world. In fact, Massolution/Crowdsourcing LLC reports maintain that in 2011 donation-based crowdfunding campaigns collected \$ 676 million worldwide. The formula is, however, not inspired exclusively by philanthropic projects and Massolution calculates its impact on different sectors:

- Social Causes: **32,6%**
- Films and Performing Art: **14,1%**
- Business and Entrepreneurship: **12,8%**
- Music and Recording Arts: **9,3%**
- Arts: **7,9%**

## 2) “Reward-based” crowdfunding

This model is similar to donation-based crowdfunding, but always includes non-financial rewards for backers. Generally, it is employed to fund specific projects, rather than on-going activities.

The rewards are closely linked to the project itself, being direct or collateral products with a strong emotional and experiential value. As a way not to drain resources from the campaign’s realization, their economic value is also mostly lower than the amount pledged by backers.

Arguably, the perceived value of VIP tickets or limited editions of goods is greater than their economic equivalent. According to the stats., well-managed reward lists grant campaigns successful results that transcend those of donation-based projects.

Again, Massolution reports the impact of this crowdfunding model on each category:

- Social Causes: **17,7%**
- Films and Performing Art: **17,7%**
- Business and Entrepreneurship: **16,3%**
- Music and Recording Arts: **11,1%**
- Fashion: **8,2%**

## 3) “Loan-based” crowdfunding

With loan-based crowdfunding companies and individuals must repay the sum of money borrowed from backers. Repayment varies depending on whether the campaign relates to socially relevant causes and on the business model chosen among the following ones:

### a) Advance sale

It is a sort of “improper loan, meaning that campaign proponents ask potential backers for advance financing on a product or service, ordering it and then actually booking it. Such an operation replaces the more traditional test market, giving a real and concrete feedback on a product’s potential of market penetration. The motivation behind the donation is the desire to implement the creation of a product we would like to have and benefit from at a lower cost than its market value.

#### **b) Loan**

Loan-based crowdfunding allows companies to borrow money from a group of people, rather than a bank. The platform's role varies depending on the conditions set for repayment. The loan can be:

- traditional: built on standard conditions, refunding the donation with interest. In this case, the loans may or may not be secured, depending on the platform used.
- grant funding: contributions are repaid if and when the project starts to generate revenue or b) if and when the project starts to generate profits.

#### **c) Social Lending**

Social lending is an important typology of crowdfunding. Some platforms charge no interest loan to valuable social projects. This is the case of micro-financing offered to developing countries, where loans can have a systemic impact, helping to establish new economic realities with positive effects on the whole of the social fabric.

Il movimento del crowdfunding con prestito ha generato – sempre stando al Massolution Report – una raccolta di fondi di 522 milioni di dollari nel 2011, diventando il secondo modello più redditizio a livello globale. L'impatto sulle singole categorie è il seguente:

- Business and Entrepreneurship: **54,2%**
- Energy and Environment: **25,0%**
- Social Causes: **12,5%**
- Music and Recording Arts: **4,2%**
- Arti (in generale): **4,2%**

#### **4) "Equity" crowdfunding**

Equity crowdfunding is similar to standard equity investment, where individuals give money to a company and receive ownership of a piece of the business. There exist two types of equity crowdfunding:

- **Investment Securities**  
Investors acquire company shares, receiving ownership of the company or royalties;
- **Revenue sharing**  
Investors receive part of the revenues or profits generated by the project. The Italian legislation was the first to address this issue, as explained in the following pages. Other countries, such as the U.S., are also drafting ad hoc rules.

According to Massolution, the impact of equity crowdfunding on the categories is:

- Business and Entrepreneurship: **29,1%**
- Social Causes: **23,3%**
- Information and Communication Technology: **14,9%**
- Film and Performing Arts: **14,6%**
- Energy and Environment: **5,1%**

## CHAPTER 5

# Crowdfunding's functional ecosystem

## The platforms

Crowdfunding is based on the relationship that the campaign's proponent and his/her backers establish among themselves; and on the transparent exchange of money and information taking place on an online platform.

Given that funding can be collected on personal websites with the help of online payment systems, creating an ad hoc platform is not a mandatory requirement; however, in light of crowdfunding's multiple roles and functions, an analysis of the different aspects of this practice is in order.

### Open platforms and the importance of mediation

Platforms for campaign proponents have become one of the main focuses of the crowdfunding industry. This is not the only solution available to promote a project; but it is certainly the most practised by the general public for a number of reasons:

- the marketplace effect: platforms operate as a preferred destination for users interested in crowdfunding and looking for multiple opportunities in a single, virtual place. NESTA compares the platforms to eBay, which at its time revolutionized the online market, working as a sort of "shopping centre" and meeting place, forming around new rituals of consumption (such as feedback and other mechanisms to build or undermine the credibility of subjects);
- specialization: thematic platforms allow you to carefully choose the best market segment – and demographic – for a campaign. Although general purpose platforms work just as well, specialized ones help to link better a campaign to its target audience;
- bureaucratic simplification: a crowdfunding campaign breaks traditional economic dynamics since the management of the supply chain, required to bring a product or service on the market, is in the hands of a single entity. Platforms allow the organic management of all operations: from legal guarantees to payments and financial transactions; from communication to customer service and interaction;
- methodology: campaign formats can initially appear as a limitation, yet they are an effective promotional tool.

Depending on the promoted campaigns, open platforms can be divided into:

- specialized platforms: they host campaigns for specific segments or industries (such as musical projects, or those for creative industries);
- niche platforms: they change according to the type of promoted project (charity, creative, etc.);
- general purpose platforms: they have no limitations and welcome projects of any type, from start-ups to charity, from art projects to scientific ones, and so on;
- personalized platforms.

### Personalized platforms

Proponents of a project can launch their platform on their own website (if existing) or create one from scratch. The reward is the direct interaction with users/backers and the possibility to keep almost 100% of the funds raised without paying commissions.



This solution works well for individuals with a significant web presence, who can rely on a massive flow of users and good communication skills. In the case of offline subjects (like companies and traditional media), they often turn to platforms with a record of successful projects in their business field.

### Typologies of crowdfunding services

A number of companies and professionals have emerged, that offer services related to or developing from crowdfunding's most innovative aspects.

- Some companies offer their know-how to build personalized platforms. A significant example is *Wedid.it*, which also produced a handbook of the most effective platform designs ([wedid.it/learning\\_resources](http://wedid.it/learning_resources), [www.simplyraise.com/WhitePapers/WhatIsCrowdfunding](http://www.simplyraise.com/WhitePapers/WhatIsCrowdfunding));
- The “crowdfundraiser,” is an emerging professional profile that implements that of the more traditional fundraiser. Compared to the latter, the crowdfundraiser must have specific skills related to mass dynamics, seen as a single, yet liquid interlocutor. Massolution is a fitting example of the new consulting firms emerging in this field;
- The merging of online commerce and crowdfunding is at the core of companies such as Aggregift, which offers a form of collective gift among friends. Campaign proponents submit to their friends a list of potential gifts chosen among the goods available on Amazon. The choice takes place in a live chat room. Once the gift is selected, the campaign gets its own page on Aggregift.com with a unique URL that can then be shared via e-mail, or embedded on Twitter and Facebook. The purchase works itself as a crowdfunding campaign, based on the “All or Nothing” formula (<http://techcrunch.com/2013/03/14/aggregift-turns-anything-on-amazon-into-a-crowdfunded-group-gift/>);
- Shared consumption and co-financing also inspired another side phenomenon: Carrot Mob. In a **Carrotmob** campaign, a group of people supports a business in return for a service improvement demanded by the donor community; so far, more than 250 campaigns have already been launched in over 20 countries worldwide, with good results (at least in terms of awareness);
- Taking account of all the new and emerging crowdfunding platforms is almost impossible. Given that more or less specialized subjects emerge on an almost daily basis, some entrepreneurs have begun to provide a means to amplify their visibility: [crowdfunding.directory.com](http://crowdfunding.directory.com), for example, surveys the new platforms according to geolocal criteria.



## CHAPTER 6

# The platforms

### The main international platforms

Crowdfunding's lively and dynamic context makes it impossible to list thoroughly all existing platforms. According to *Forbes*, among the top crowdfunding sites are:

**1. Kickstarter**

A donation-based platform operating in the creative field - currently the fastest growing and more successful company worldwide.

**2. Indiegogo**

While Kickstarter focuses on creative projects, Indiegogo is the most relevant general purpose platform worldwide, operating in over 200 countries.

**3. Crowdfunder**

Crowdfunder is the leading crowdfunding platform for businesses. It can rely on a growing network of start-ups, investors, small, and social enterprises.

**4. RocketHub**

Promoting donation-based campaigns for creative projects, this platform implements marketing solutions for campaign proponents, thanks to its FuelPad and LaunchPad programs.

**5. Crowdrise**

This is a platform of donation-based campaigns for causes and charity. They have attracted a community of do-gooders and fund all kinds for inspiring causes and needs. "A unique Points System on Crowdrise helps track and reveal how much charitable impact members and organizations are making."

**6. Somolend**

Somolend provides debt-based investment funding to small businesses in the U.S., thanks to a partnership with banks.

**7. Appbackr**

Active on the app market, this platform launched its own niche community for mobile developers.

**8. Angellist**

Angellist is a community of investors and angels that has only recently become active in the crowdfunding market. The accredited institutions have already backed a number of successful tech start-up campaigns.

**9. Invested.in**

A Californian software provider offering the tools to build your own crowdfunding community.

**10. Quirky**

A site for makers: inventors and tinkerers meet online to exchange ideas and find help. Quirky promotes donation-based campaigns to raise money for the best projects.

## The main Italian platforms on the international market

According to an [article](#) published in *Forbes* in May 2013, the equity firms “leading the Italian pack” are:

### 1. DeRev

A social media platform based in Naples that provides all the tools to bring campaigns (referred to as “Revolutions”) into fruition. In August 2012, DeRev closed a deal for an early-stage investment of € 1.25 million.

### 2. Siamosoci

Based in Milan, it helps unlisted companies to obtain funding from private investors. The platform facilitates the creation of investment groups and lets investors collect information to independently assess and select companies to invest in.

### 3. CrowdfundMe

CrowdFundMe (based in Milan) is a recently launched equity-based crowdfunding platform. The site directly brings together entrepreneurs and investors free of any cost.

### 4. WeAreStarting

This is a platform for equity-based crowdfunding founded in March 2013. Its aim is to give visibility to Italian entrepreneurs, allow them to launch, grow and develop start-ups, by leveraging small investments from everyone.

### 5. Smartika

Based in Milan and previously known as Zopa Italia; Smartika is led by Maurizio Sella, a well-known web entrepreneur. “Lenders and borrowers get better rates that cost 25% less than if it was done through traditional banking means and lenders enjoy 6.5% p.a. interest rate after charges.”

### 6. Boober

Originated in the Netherlands, Boober is a direct P2P lending marketplace that promotes personal and social interaction between borrower and lenders; so far Boober has funded €791,650 in loans with interest rates ranging from 5.50% to 16,00%.

### 7. Produzioni dal Basso

Founded in 2005, Produzioni dal Basso is the first Italian crowdfunding platform. It counts more than 30.000 active users.

### 8. Eppela

A reward-based platform founded in 2011 to raise money for creative projects in the fields of art, technology, cinema, design, music, comics, social innovation, etc. Users get to vote on their favourite campaign.

### 9. Kapipal

Founded in 2009, Kapipal is a donation-based platform for personal projects. It describes itself as the first site to offer personal crowdfunding services absolutely for free.

### 10. Starteed

Starteed is more than a crowdfunding site, since it helps to create customized crowdfunding platforms and provides proponents with a Starteed e-shop to sell their products.

### 11. COM-Unity

Based in Modena, COM-Unity is a general purpose crowdfunding platform owned by Banca Interprovinciale SpA. The site hosts different kinds of projects, with a prevalence of humanitarian, social, cultural, and scientific ones.

### 12. Prestiamoci

Founded in 2007 and launched in 2009, it was built as an in-house P2P technology platform.

## The expert's opinion: evolution and prospects of development in Italy

Crowdfunding in Italy has an interesting origin. Although some of the industry's forerunners are indeed Italian, with a platform launched back in 2005 and another one that saw the light before the birth of industry giants such as Kickstarter and Indiegogo, Italy is currently not a leading country in the crowdfunding universe. Apart from social lending platforms, which appeared between 2008 and 2009, things only began to change in the second half of 2011 with the birth of many major crowdfunding platforms. According to Google trends, the second half of 2012 saw the real explosion of crowdfunding in Italy; possibly fuelled by on-going discussions on the equity-based crowdfunding regulations inspired by the American JOBS Act. The discussion would eventually make Italy the first country to enforce regulation on equity, bringing it into the mainstream with articles, publications, posts, TV, and radio debates.

An analysis of the Italian scenario confirms its liveliness and maturity: new platforms continue to emerge to meet the demands of different niche markets. In the last year alone, until September 2013, more than forty new platforms and websites were created.

However, the imaginary of an innovative and cutting-edge Italian crowdfunding landscape is offset by a lack of knowledge of the phenomenon on the part of the general population. In fact, if on the one hand platforms continue to emerge, on the other, crowdfunding campaigns do not seem to raise considerable funds. This suggests a lack of participation on the part of the crowd that could be due to a gap between the expertise of platform owners and the development of a real crowdfunding culture. This adds to the general lack of web culture in the country, steeped in suspicion and distrust, building on a latent technological backwardness and the digital divide. In spite of some high-profile cases, the number of projects and funds collected is still relatively low compared to the global average.

Nevertheless, crowdfunding events and initiatives are growing and multiplying almost the same rate as the platforms, that gives hope for a more widespread penetration of the culture of crowdfunding in our country in the near future.

Italian crowdfunding presents some specific elements, which are modelled in on the observed global trends listed by Massolution. Among these are sectorization and localization, with the birth (and success) of niche and local platforms operating in small areas and sectors. This trend seems to fit the peculiar culture and configuration of the Italian territory. In addition, there is a growing participation of financial actors, with the launch of the first bank-promoted platforms, a trend accelerated by the enforcement of CONSOB Regulation on equity.

In addition, an interesting trend is the emergence of so-called "do it yourself" (DIY) crowdfunding. In such a case, designers do not rely on a platform, but organize the campaign independently from their websites or recurring to white label solutions. This works for organizations with specific skills and a pre-existing community of reference. It is not yet possible to define the reasons of this trend; but it certainly shows a distrust of the designer to rely on the available platforms. In fact, when not resorting to DIY crowdfunding, a prevalent choice is to turn to foreign platforms, such as Kickstarter. The motivation behind this seems to be the fact that Italian platforms mostly operate at the national level, thus lacking international resonance. Furthermore, another peculiarity of Italian crowdfunding is the absence of a big player, in favour of a very accentuated fragmentation and, as already mentioned, a preference for the creation of niche platforms, that discourage proponents of generalist campaigns.

The sophisticated experiences that are springing, evidence expertise and lay the foundations for a dynamic market and rapid development. Equity will be a strong push, encouraged by a good media presence. In



addition, DIY might be a trend to cultivate, as already practised by some platforms that make available white label solutions.

In conclusion, we can say that crowdfunding in Italy is still green, but growing rapidly and with pronounced peculiarities. CONSOB regulation, rather than having a direct impact, could drive a broader transformation, first of all in the cultural forms of financing and strengthen the on-going process of consolidation of an “Italian” way to crowdfunding.

*(contributed by Daniela Castrataro and Ivana Pais)*

## Character and vocation of the Italian platforms

The compiled figures and funded project show that Italian crowdfunding is still young; however before we talk about “competition” between the different operators – to be considered pioneers in the field – we should first look at the position of each company within the scenario, a condition that has direct and indirect consequences on the portion of the market and the relationship with the users.

For a realistic view of the landscape of Italian crowdfunding platforms it is necessary to clarify beforehand that the criteria of classification overlap, without privileging any aspect, topic, or mode of business. The report offers a hybrid classification that takes account, first, of the distinction between pure platforms, – dedicated solely or principally to crowdfunding – and multitasking ones – where crowdfunding is complementary to other functions, and then of platforms that are still in their preliminary phase. The criteria of differentiation are then specified for each group to outline combinations and continuities.

### a. Multitasking platforms

When it is not the main offer of a website, crowdfunding often integrates the range of general services provided by it, since communities increasingly express the need to rely on fundraising for the realization of projects.

**DeRev** ([www.derev.com](http://www.derev.com)) holds the record for funding raised by a crowdfunding platform, with about € 800,000 raised by February 2013. It describes itself as an “active media” for innovators, with the aim to promote practices and projects of social innovation by means of crowdfunding, crowdsourcing, petitioning, and live streaming. With an English version active since August 2013, the platform provides free consultation to launch projects, ensuring that they comply with the guidelines for qualitative, rather than mass-produced, results. DeRev supports all the formulas of crowdfunding: “All or Nothing,” “Keep it All” and “Fundraising.”

**Starteed**’s offer ([www.starteed.com](http://www.starteed.com)), active on the web since 2012, starts with crowdfunding to facilitate production and product development, as well as create a marketplace through its e-shop. Starteed’s crowdfunding formula of choice is “All or Nothing,” with a 5% commission on successfully funded projects, in addition to the costs of bank transaction.

**Ginger** ([www.ideaginger.it](http://www.ideaginger.it)), an all-purpose website, integrates crowdsourcing and crowdfunding for arts and culture projects, with reference to the territorial community of Emilia Romagna, as suggested by its name, an acronym of “Gestione Idee Geniali in Emilia Romagna” (Managing Smart Ideas in Emilia Romagna). Ginger’s crowdfunding formula of choice is “All or Nothing,” with a 3% commission on successfully funded projects and mandatory rewards. It has not yet financed any project.

Charity and solidarity are **ShinyNote**’s field of action, ([www.shinynote.com](http://www.shinynote.com)). The site is intended as a meeting place for “individuals looking for a place to share and express affect and emotions.” Inspirational stories invite users to donate to charity projects, with a 5% commission and good user traffic. Yet only 5 projects have been funded so far, for a total amount of tens of thousands of euros.



**Iodono** ([www.iodono.com](http://www.iodono.com)) operates in the same field. It promotes personal fundraising on behalf of Direct Channel, a non-profit organization that created an online directory of good causes. **BuonaCausa** ([www.buonacausa.org](http://www.buonacausa.org)) seems oriented to support corporate social responsibility projects, inviting participation by means of petitions and donations to associations, testimonials, companies, and activists. **Cineama** ([www.cineama.it](http://www.cineama.it)) is a community dedicated to movies that combines crowdsourcing and crowdfunding.

Fundraising operators are gradually opening up to the prospect of crowdfunding, often integrating their offline activities with online platforms to best help clients to articulate a campaign. This is the case of **Commoon** ([www.commoon.it](http://www.commoon.it)) that, starting as a consulting service for sustainable development projects, extended its range of action to fundraising, creating an ad hoc crowdfunding platform. The peculiarity of the platform lies in the clause whereby “if a project does not reach its financial goal the collected amount will be devoted to other projects, according to criteria of analogy;” so far, no project has been funded.

Yet another consulting company, **Hoola Baloon** ([www.hoolabaloon.com](http://www.hoolabaloon.com)) claims to offer “crowdfunding solutions” in connection with fundraising support. It works as a hub for projects, posting them on the platforms that it considers most appropriate to their goals.

**Status Nobilis** ([www.statusnobilis.com](http://www.statusnobilis.com)) comes from a different background. It is a technology company that set up a crowdfunding platform to support a variety of innovative projects. Currently, only a preview is available with one funded project.

#### b. Basic platforms

Among the platforms that are entirely dedicated to crowdfunding, the first to be launched, in chronological order, is **Produzioni dal Basso** ([www.produzionidalbasso.com](http://www.produzionidalbasso.com)). It was created in 2005 to “welcome bottom-up initiatives and campaigns.” It offers no mediation or consulting, but just a free service, consisting of the web infrastructure (a sort of template). The crowdfunding formula of choice is “All or Nothing” with optional reward. Among more than 360 funded projects – for a total of tens of thousands of euros raised – are many publishing projects, with small traders employing the platform for test market.

Along with Produzioni dal Basso, **Eppela** ([www.eppela.com](http://www.eppela.com)) shares the generalist vocation and the reward-based formula for “All or Nothing” campaigns. It counts about 73 funded projects by September 2013, averaging from a few hundred to several thousand euros.

The most effective example of niche, reward-based platform is **Musicraiser** ([www.musicraiser.com](http://www.musicraiser.com)), launched in October 2012, which is directed to musical projects, raising funds for recording, promotional tours, music videos, concerts, festival, etc. Successful projects can collect over € 10,000. Thanks to its niche target and the fair average quality of the projects (in terms of preparation and presentation) 153 projects have been successfully funded so far, in spite of the challenges of the “All or nothing” formula and a relatively high fee of 10% to which add the transaction costs and VAT.

**Kapipal** ([www.kapipal.com](http://www.kapipal.com)), launched in 2009, is the first international platform to support personal crowdfunding. Open to all kinds of projects, including anniversaries, private parties and the like, it is available in Italian and English, and aims at conquering foreign markets, although with little success. The absence of fees and the “Keep it All” formula, which transfers any collected amount to the campaign proponent, have brought to funding 11 projects and several thousand euros. Kapipal also drafted a “Kapipalist Manifest” about good crowdfunding practices.

Crowdfunding has often helped to support journalistic projects, reports, and documentaries. A growing niche of users seems to be ready to support financially initiatives concerning freedom of expression and information. In Italy, two platforms were created with this aim: **Youcapital** ([www.youcapital.it](http://www.youcapital.it)), founded in 2010 by Cultural Pulitzer, and **Pubblico Bene** ([www.pubblicobene.it](http://www.pubblicobene.it)), launched with funding from the Emilia Romagna Region with the aim to fund the best reports and promote “citizen journalism” with “All or Nothing” campaigns and small financial targets (given the territorial scope of the projects). Right now, 11 projects are in the launch phase.



Since the beginning of 2013, **Kendoo** ([www.kendoo.it](http://www.kendoo.it)) has been promoting and financing projects active in the province of Bergamo. The crowdfunding formula of choice is “All or Nothing,” with a 5% commission on successfully funded projects; so far, 6 projects have reached the target.

**Crowdfunding-Italia** ([www.crowdfunding-italia.com](http://www.crowdfunding-italia.com)), launched in late 2012, offers free registration and draws no commissions. The crowdfunding formula of choice is “All or Nothing,” with mandatory rewards. In spite of its general purpose framework and convenient conditions, only one project has been funded so far. The latest addition to the Italian market in chronological terms is **Take off crowdfunding** ([www.takeoffcrowdfunding.com](http://www.takeoffcrowdfunding.com)), created in 2013 and scheduled to launch in October of the same year to operate within incubator at Milan’s Startups hi-tech Polihub. Promoting reward-based “All or Nothing” and fundraising campaigns, it withdraws a commission of 5% on raised funds (which becomes 2% for non-profit organizations). No project has been financed yet. This is one of the few “pure” platforms that does not require proponents to create a video presentation of the campaign (just like IndieGoGo), in contravention to one of crowdfunding’s “mantra.”

Charity crowdfunding can also count on a network of platforms. **Retedeldono** ([www.retedeldono.it](http://www.retedeldono.it)) raises funds for projects with social vocation and non-profit organizations and has, so far, funded 19 campaigns.

The financial boost to micro, small, and medium companies - also in view of the new legislation of the equity crowdfunding - comes from platforms like **SiamoSoci** ([www.siamosoci.com](http://www.siamosoci.com)), a marketplace for start-ups that connects businesses and potential investors.

**Smartika** ([www.smartika.it](http://www.smartika.it)) deals instead with social lending (loans between private individuals and is managed by the Bank of Italy). Micro-lending comes with commissions on the total value of the loan, according to classes of credit.

Horizontal loans between individuals are the business of **Prestiamoci** ([www.prestiamoci.com](http://www.prestiamoci.com)), a website launched by experienced figures from the world of finance and banking. Its aim is to facilitate the payment of loans outside of traditional expensive mechanisms.

**Com-Unity** ([www.com-unity.it](http://www.com-unity.it)) is another example of how the community of financial traders has also entered the dynamics of open relationships between users, trying to intercept crowdfunding with a general purpose platform created by Banca Interprovinciale. The crowdfunding formula of choice is “All or Nothing,” with a 5% commission on successfully funded projects (and an additional fee for tutoring service). It promotes projects selected by a committee composed of the Ethics Committee, Tutor and the Bank itself, following a pattern similar to that of business incubators.

### c. Emerging platforms

The web continues to host crowdfunding experiments and initiatives, driven by the need to explore new strategies to overcome the financial crisis. The lack of funds for scientific research inspired **Open Genius** (<https://sites.google.com/site/scienza20/open-genius>), which provides a brief abstract of its aims, including the examples of similar platforms abroad.

**WeAreStarting** ([www.wearestarting.it](http://www.wearestarting.it)) locates itself on the equity crowdfunding market with a landing page dedicated to “giving visibility to entrepreneurs with bright ideas.”

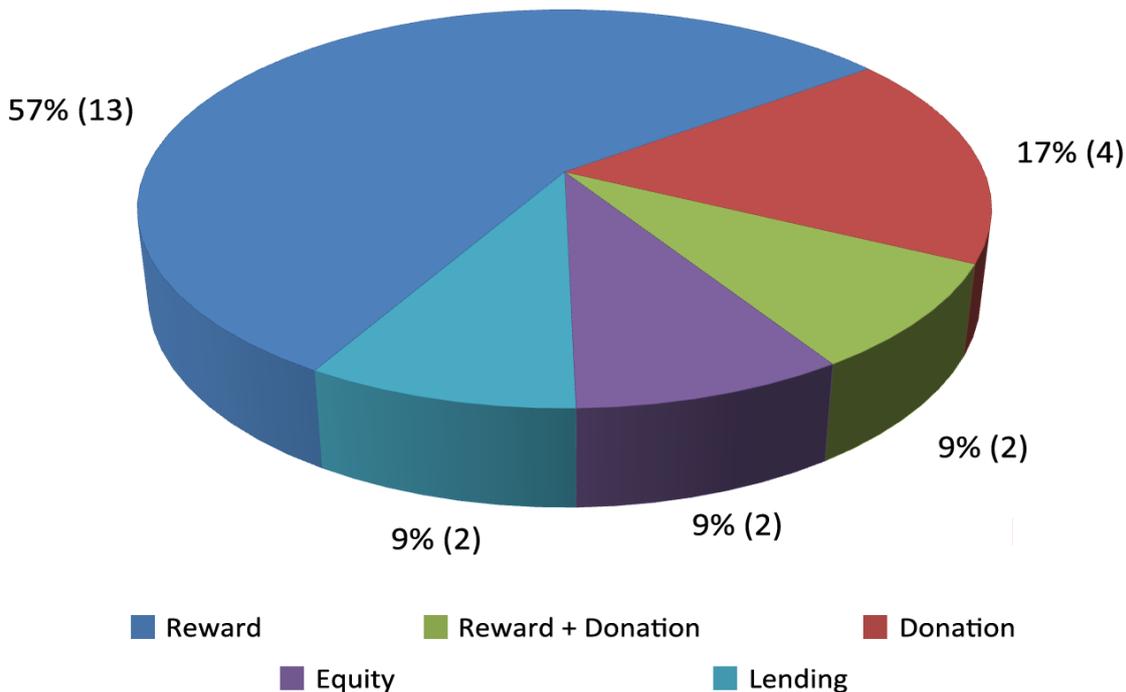
Still in progress, **Fund For Culture** ([www.fundforculture.org](http://www.fundforculture.org)), a platform dedicated exclusively to cultural products and services, was launched during Creative Clusters, an event that promoted innovative enterprise and local development in Campania Region. Even if so far only the blog has been active, the website offers a suitable infrastructure to the presentation of projects and fundraising initiatives.

Sports fans are hoping to find in **Spooome** ([www.spooome.com](http://www.spooome.com)) an ad hoc instrument to bring together all pre-existing tools of collaboration, like training together, and information exchange; so far, fundraising has not come into practice yet.

CHAPTER 7

## Profiles and figures of the Italian platforms

Typologies of platforms:



Geographical location:





**DeRev** is an online platform and active media that creates innovation through crowdfunding, petitions, and digital democracy. It offers a range of tools to “turn the best ideas into Revolutions” getting funding, participation, visibility, feedback, and suggestions. The site is aimed at highly creative projects: innovative, able to solve a need or problem in the community; and can be used by individuals, associations, political parties, non-profit organizations, NGO, government agencies, and companies.

**Crowdfunding typology:** Reward | Donation

**Categories:** Arts and Culture | Business and Start-up | Cinema and Photography | Design and Theatre | Public Events | Journalism and Comics | Music | Games and Tech | Non-profit | Politics | Science | Sport

**Reach:** National | International

**Team:** Founded by Roberto Esposito, 28-year-old web entrepreneur twice awarded with the Guinness World Records for viral campaigns on the web; Antonio Mottola and Fulvio Sicurezza. The innovative start-up is based in Naples and employs 15 young talents.

**Crowdfunding model:** All or Nothing | Keep it All | Fundraising

**Fee:** 5% (All or Nothing) | 9% (Keep it All) | 4% (Fundraising)

**Payment system for proponents:** PayPal | Bank account

**Payment system for backers:** PayPal | Credit card | Debit card | Bank transfer

**Launch:** February 2013

**Projects promoted:** 198 on 5.780 submitted

**Funding total raised since launch:** € 820.450

**Backers:** 11.368

**Average donation per user:** € 25

**Italian users:** 65%

**Additional tools and features:** DeRev’s Academy offers free consulting, help and expertise to create and manage crowdfunding campaigns. Counting more than 6 million fans on social networking sites and 800 articles in the press, the platform promotes all published projects, providing widgets to embed contents on other sites. Its partnership network puts proponents in contact with political parties, production houses, business incubators, public bodies, and institutions.

**Owner:** DeRev S.r.l.

**Business model:** Commission on raised funding | Premium Services

**Headquarters:** Naples, Italy

**Website:** [www.derev.com](http://www.derev.com)

**Facebook:** [www.facebook.com/about.DeRev](http://www.facebook.com/about.DeRev)

**Twitter:** [twitter.com/DeRevOfficial](http://twitter.com/DeRevOfficial)

**Google+:** [plus.google.com/101536156380496051091](https://plus.google.com/101536156380496051091)



**Kapipal** is a platform to raise money for personal projects, such as birthdays, wedding lists, and charity.

**Crowdfunding typology:** Reward | Donation

**Categories:** Arts | Culture | Charity | Events | Personal

**Reach:** National | International

**Team:** Alberto Falossi: consulting and IT management.  
He held a lectureship at Pisa University from 2007-2011.

**Crowdfunding model:** Keep it All

**Fee:** 0%

**Payment system for proponents:** PayPal

**Payment system for backers:** PayPal | Credit card

**Launch:** 2009

**Projects promoted:** Unknown

**Successfully funded projects:** 11

**Funding total raised since launch:** Unknown

**Backers:** Unknown

**Average donation per user:** Unknown

**Highest funding total raised for individual project:** Unknown

**Additional tools and features:** The platform does not provide consulting, nor does it promote the projects, which are launched and managed by their proponents. It also has one of the few sites that has no directory of the active campaigns that can be accessed exclusively via direct links.

**Owner:** Grow Vc Operations Limited

**Business model:** None

**Headquarters:** Hong Kong

**Website:** [www.kapipal.com](http://www.kapipal.com)

**Facebook:** [www.facebook.com/MyKapipal](http://www.facebook.com/MyKapipal)

**Twitter:** [twitter.com/kapipal](http://twitter.com/kapipal)



**Retedel dono** is a non-profit platform that promotes social campaigns with web technology and viral communication. Retedel dono raises funds through personal fundraising.

**Crowdfunding typology:** Donation

**Categories:** Culture | Non-profit | Public Events | Sport | Social Innovation

**Reach:** National | International

**Team:** Anna Siccardi graduated in Physics at the University of Turin and specializes in software quality management. Valeria Vitali graduated in Political Science at the University of Pavia, holds a MA in Cooperation and Development (Universitat de Barcelona) and a specialization in Non-profit Management at New York University.

**Crowdfunding model:** Keep it All

**Fee:** 5%

**Payment system for proponents:** Bank account

**Payment system for backers:** PayPal | Credit card | Bank transfer

**Launch:** 11 May 2011

**Projects promoted:** 320

**Successfully funded projects:** 38

**Funding total raised since launch:** € 540.000

**Backers:** 11.000

**Average donation per user:** € 47

**Highest funding total raised for individual project:** € 28.000

**Italian users:** 90%

**Additional tools and features:** It offers a mobile version to make donations from smartphones, a Facebook tab and app, as well as a widget to donate from partner websites.

**Owner:** Rete del Dono S.r.l.

**Business model:** Commission on raised funds

**Headquarters:** Turin-Milan, Italy

**Website:** [www.retedel dono.it](http://www.retedel dono.it)

**Facebook:** [www.facebook.com/retedel dono](http://www.facebook.com/retedel dono)

**Twitter:** [twitter.com/Retedel dono](http://twitter.com/Retedel dono)



## ProduzioniDalBasso

nuove comunità economiche

**ProduzioniDalBasso** addresses proponents who would like to launch a campaign financed through bottom-up fundraising. The platform does not withhold fees, promote, or distribute the projects.

**Crowdfunding typology:** Reward

**Categories:** Music | Publishing | Documentaries | DVD | Cinema | Theatre

**Reach:** National

**Team:** Angelo Rindone

**Crowdfunding model:** All or Nothing

**Fee:** 0%

**Payment system for proponents:** Bank account | PayPal

**Payment system for backers:** Bank account | PayPal | Postepay

**Launch:** 2005

**Projects promoted:** 697

**Successfully funded projects:** 375

**Funding total raised since launch:** € 915.000

**Backers:** 38.708

**Average donation per user:** € 23

**Highest funding total raised for individual project:** € 20.000

**Additional tools and features:** The platform limits its activities to sharing on social networks, offering proponents no consulting or promotional support. On Produzioni dal Basso proponents can modify the deadline of their campaign but not its funding target which, once reached, determines the end of a campaign.

**Owner:** Produzioni dal Basso

**Business model:** None

**Headquarters:** Milan, Italy

**Website:** [www.produzionidalbasso.com](http://www.produzionidalbasso.com)

**Facebook:** [www.facebook.com/produzionidalbasso](http://www.facebook.com/produzionidalbasso)

**Twitter:** [twitter.com/betapdb](http://twitter.com/betapdb)

## MUSICRAISER

**Musicraiser** is a reward-based crowdfunding platform for musical projects. On Musicraisers, campaigns have been launched to fund the production of DVDs, videoclips, records, tours, etc..

**Crowdfunding typology:** Reward

**Categories:** Album | Video | Events | Concerts | Extra | Promotion

**Reach:** National

**Team:** Giovanni Gulino, founder and frontman of the band Marta sui Tubi.

Tania Varuni, DJ and producer.

**Crowdfunding model:** All or Nothing

**Fee:** 12.2%

**Payment system for proponents:** PayPal

**Payment system for backers:** PayPal | Credit card

**Launch:** October 2012

**Projects promoted:** 348

**Successfully funded projects:** 160

**Funding total raised since launch:** € 500.000

**Backers:** Unknown

**Average donation per user:** Unknown

**Highest funding total raised for individual project:** € 27.446

**Owner:** Musicraiser S.r.l.

**Business model:** Commission on raised funds

**Headquarters:** Milan, Italy

**Website:** [www.musicraiser.com](http://www.musicraiser.com)

**Facebook:** [www.facebook.com/Musicraiser](http://www.facebook.com/Musicraiser)

**Twitter:** [twitter.com/Musicraiser](http://twitter.com/Musicraiser)



**Iodono** is a personal fundraising platform that allows you to donate and raise funds for non-profit organizations and causes closest to the people. Iodono is an easy, simple, and fun tool to fundraise for the organization we most care for, and promote it with friends and family.

**Crowdfunding typology:** Donation

**Categories:** Non-profit

**Reach:** National

**Team:** Iodono is based on an idea developed by Direct Channel, an organization that supports non-profit organizations with fundraising campaigns, expertise and technological support. Laura Patrino Silva leads Iodono's team of 27 people.

**Crowdfunding model:** Fundraising

**Fee:** 9%

**Payment system for proponents:** Bank account

**Payment system for backers:** Credit card

**Launch:** 1 May 2010

**Projects promoted:** 375

**Funding total raised in 2012:** € 148.000

**Funding total raised in 2013:** € 90.000

**Backers:** Unknown

**Average donation per user:** € 60

**Highest funding total raised for individual project:** € 15.000

**Italian users:** 100%

**Additional tools and features:** Facebook app and Event page promoting photographic exhibitions, concerts, ballets, and sport events.

**Owner:** Direct Channel S.r.l.

**Business model:** Commission on raised funds

**Headquarters:** Milan, Italy

**Website:** [www.iodono.com](http://www.iodono.com)

# starteed

**Starteed** is a crowdfunding platform that helps people put their ideas into practice, thanks to Starteed Community's social and financial support. The platform also offers help to manage and sell products on its website.

**Crowdfunding typology:** Reward

**Categories:** Arts | Design | Fashion | Games | Technology | Internet | Events | Ecology

**Reach:** National

**Team:** Starteed's team is composed of 7 young talents from Italy and the U.K. Claudio Bedino (CEO & Founder), Valerio Fissore Cerutti (CFO & Founder), Claudio Fruttero (IT Development manager), Edoardo Benedetto (UI/UX Designer), Simonetta Ferrero (Press and Customer Relationship), Stefano Bedoni (Design and Develop Specialist), and Daniela Castrataro (Head of Research, Advisor).

**Crowdfunding model:** All or Nothing

**Fee:** 5%

**Payment system for proponents:** PayPal

**Payment system for backers:** PayPal | Credit card

**Launch:** March 2012

**Projects promoted:** 54

**Successfully funded projects:** 7

**Funding total raised since launch:** € 57.472

**Backers:** Unknown

**Average donation per user:** Unknown

**Highest funding total raised for individual project:** € 10.237

**Additional tools and features:** The platform uses an influence system to monetize supporters: after the first donation, users can earn credits by offering expertise, donations and helping to spread a project, then getting a percentage of the revenues from the sale of the product, in case this is then sold on the site.

**Owner:** Starteed S.r.l.

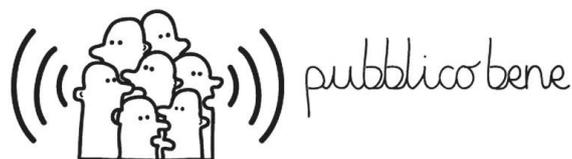
**Business model:** Commission on raised funds

**Headquarters:** Turin, Italy

**Website:** [www.starteed.com](http://www.starteed.com)

**Facebook:** [www.facebook.com/StarteedPlatform](http://www.facebook.com/StarteedPlatform)

**Twitter:** [twitter.com/beStarteed](http://twitter.com/beStarteed)



**Publico Bene** is an experimental project of investigative journalism funded by readers and based on the direct participation of readers and journalists. Active in Emilia Romagna region, it promotes locally-based, independent information inspired by community funded reporting.

**Crowdfunding typology:** Donation

**Categories:** Journalism | Press | Comics | Politics

**Reach:** National

**Team:** Alarico Mantovani (CEO), Alessandro Vincenzi, Daniele Ongaro, Enrico De Donà, Fabrizio Giardina Papa, Francesca Massai, Giancarlo Basso, Giorgio Grappi, Giusy Marcante, and Margherita Bianchini.

**Crowdfunding model:** Keep it All, Fundraising

**Fee:** 0%

**Payment system for proponents:** PayPal | Bank account

**Payment system for backers:** PayPal | Cash

**Launch:** 1 January 2012

**Promoted projects:** 14

**Successfully funded projects:** 12

**Funding total raised since launch:** € 8.000

**Backers:** 200

**Average donation per user:** € 40

**Highest funding total raised for individual project:** € 100

**Italian users:** 92%

**Awards and press:** PublicoBene has been mentioned by il Fatto Quotidiano e Internazionale. Video reports have appeared on local and national websites, including Corriere.it. The editorial staff has been invited to discuss the project at Pordenone Festival di Giornalismo d'Inchiesta and Bologna Festival Visioni Italiane.

**Owner:** Associazione di Promozione Sociale Publico Bene

**Business model:** Commission on raised funds | Registration Fee | Premium Services

**Headquarters:** Bologna, Italy

**Website:** [www.pubblicobene.it](http://www.pubblicobene.it)

**Facebook:** [www.facebook.com/pubblicobene](http://www.facebook.com/pubblicobene)

**Twitter:** [twitter.com/pubblicobene](http://twitter.com/pubblicobene)

# eppela

jump on opportunities

**Eppela** is a general purpose crowdfunding platform where proponents share campaigns with their own social networks and fundraise for them. It addresses artists, writers, videomakers, geeks, and designers; and aims at turning individual projects into small enterprises.

**Crowdfunding typology:** Reward

**Categories:** Art & Entertainment | Lifestyle & Technology | Social Innovation

**Reach:** National

**Team:** Eppela was founded by Nicola Lencioni. Its team is composed of 8 people, including project manager, web designer, developers, and customer care.

**Crowdfunding model:** All or Nothing

**Fee:** 5%

**Payment system for proponents:** Bank transfer

**Payment system for backers:** Visa or Mastercard credit cards

**Launch:** June 2011

**Projects promoted:** 400

**Successfully funded projects:** 60

**Funding total raised since launch:** Unknown

**Backers:** Unknown

**Average donation per user:** Unknown

**Highest funding total raised for individual project:** Unknown

**Owner:** Antepima S.r.l.

**Business model:** Commission on raised funds

**Headquarters:** Lucca, Italy

**Website:** [www.eppela.com](http://www.eppela.com)

**Facebook:** [www.facebook.com/Eppela](http://www.facebook.com/Eppela)

**Twitter:** [twitter.com/Eppela\\_IT](http://twitter.com/Eppela_IT)



**Crowdfunding-Italia** is a crowdfunding platform for creative and humanitarian campaigns.

**Crowdfunding typology:** Reward

**Categories:** Arts | Non-profit and Charity | Entrepreneurship

**Reach:** National

**Team:** Unknown

**Crowdfunding model:** All or Nothing

**Fee:** 0%

**Payment system for proponents:** PayPal

**Payment system for backers:** PayPal | Credit card

**Launch:** 6 November 2012

**Projects promoted:** 48

**Successfully funded projects:** 2

**Funding total raised since launch:** € 9.453

**Backers:** 423

**Average donation per user:** € 22

**Highest funding total raised for individual project:** € 8.020

**Additional tools and features:** The minimum financial target of a project is 100 euros. Each campaign must offer at least two rewards for each category of donations. Further, at the end of the campaign, backers are asked to donate money to the platform itself.

**Owner:** Boost Ltd

**Business model:** None

**Headquarters:** London, UK

**Website:** [www.crowdfunding-italia.com](http://www.crowdfunding-italia.com)

**Facebook:** [www.facebook.com/italiacrowdfunding](http://www.facebook.com/italiacrowdfunding)

**Twitter:** [twitter.com/Crowdfunding\\_IT](http://twitter.com/Crowdfunding_IT)



**Com-Unity** is Banca Interprovinciale's portal for financing and crowdfunding.

**Crowdfunding typology:** Reward

**Categories:** Agriculture | Education | Pedagogy | Schooling | Social | Social Media | Voluntary work

**Reach:** Local

**Team:** Banca Interprovinciale Spa was founded in 2009, with a registered capital of € 40 million, by a group of entrepreneurs from Modena and Bologna. It was launched to keep a foot in the local community through transparent and innovative practices of customer care.

**Crowdfunding model:** All or Nothing

**Fee:** 7,26% (6,05% for platform use + 1,21% supervision and tutoring)

**Payment system for proponents:** Request to Banca Interprovinciale at the end of the campaign

**Payment system for backers:** Credit card

**Launch:** 2013

**Projects promoted:** 8

**Successfully funded projects:** 1

**Funding total raised since launch:** € 13.840

**Backers:** Unknown

**Average donation per user:** € 10

**Highest funding total raised for individual project:** € 11.010

**Additional tools and features:** Donations range from a minimum of 10 to a maximum of 500 euros. Submitted projects are reviewed by an Ethical Committee and, once approved, elaborated by a supervising team.

**Owner:** Banca Interprovinciale S.p.A.

**Business model:** Commission on raised funds, consulting and Premium Services

**Headquarters:** Modena, Italy

**Website:** [www.com-unity.it](http://www.com-unity.it)

**Facebook:** [www.facebook.com/ComUnityBip](http://www.facebook.com/ComUnityBip)

**Twitter:** [twitter.com/com\\_unitybip](http://twitter.com/com_unitybip)



**Common** addresses micro-enterprises, cooperatives, non-governmental organizations offering them support and expertise to turn needs into solutions.

**Crowdfunding typology:** Donation

**Categories:** Non-profit

**Reach:** Local

**Team:** It started offering its expertise on sustainable development and, in a short time, it realized that sustainability is a revolution that can change market relationship, as well as the identity of clients.

**Crowdfunding model:** All or Nothing

**Fee:** 7%

**Payment system for proponents:** PayPal

**Payment system for backers:** PayPal

**Launch:** Unknown

**Projects promoted:** 4

**Successfully funded projects:** 0

**Funding total raised since launch:** € 130

**Backers:** 13

**Average donation per user:** € 10

**Highest funding total raised for individual project:** € 80

**Additional tools and features:** The platform employs a PayPal account in the name of Il Grande Carro NGO to collect donations. If a campaign does not reach its targeted amount, the raised money is given to another project, chosen on the basis of its goal and deadline.

**Owner:** Rikrea S.r.l. and Il Grande Carro non-profit organization

**Business model:** Commission on raised funds

**Headquarters:** Viterbo, Italy

**Website:** [www.common.it](http://www.common.it)

**Facebook:** [www.facebook.com/rikreadesign](http://www.facebook.com/rikreadesign)

**Twitter:** [twitter.com/rikrea\\_design](http://twitter.com/rikrea_design)



**Takeoff** aims at helping small and medium-size companies to raise money through crowdfunding. It brings together the commercial, marketing, and technological expertise of its founders.

**Crowdfunding typology:** Reward

**Categories:** Craft | Beauty and wellness | Games | Services | Theatre | Technology

**Reach:** National

**Team:** Davide Dessì, Davide Pesce, and Thomas Iacchetti

**Crowdfunding model:** All or Nothing

**Fee:** 5%

**Payment system for proponents:** PayPal

**Payment system for backers:** PayPal

**Launch:** 14 May 2013

**Projects promoted:** 8

**Successfully funded projects:** 0

**Funding total raised since launch:** € 2.127

**Backers:** 33

**Average donation per user:** € 64

**Highest funding total raised for individual project:** € 314

**Additional tools and features:** Donations must amount to at least € 2.

**Owner:** TakeOff S.r.l.

**Business model:** Commission on raised funds

**Headquarters:** Milan, Italy

**Website:** [www.takeoffcrowdfunding.com](http://www.takeoffcrowdfunding.com)

**Facebook** [www.facebook.com/TakeoffCrowdFunding](http://www.facebook.com/TakeoffCrowdFunding)

**Twitter:** [twitter.com/TakeOffCF](http://twitter.com/TakeOffCF)

# smartika

**Smartika.it** is a lending platform where private individuals can lend money directly to each other at low rates (-25% on average) and fair return. Smartika is a payment institution authorized and supervised by the Bank of Italy.

**Crowdfunding typology:** Lending

**Categories:** Debt consolidation | Medical expenses | Education

**Reach:** National

**Team:** Smartika's shareholders are private entrepreneurs and professionals. The operating team is composed of web developers and experts in finance and credit management. Smartika relies on the collaboration of Union Trust for administrative management.

**Crowdfunding model:** All or Nothing

**Fee:** Lenders pay 1% of the home loan. The fee for applicants ranges from 0.75% (market A+) to 1.50% (market A), 2.50% (market B) and 2.75% (Market C), in addition to a monthly collection fee of € 2.

**Payment system for proponents:** Direct debit on credit card

**Payment system for backers:** Bank transfer

**Launch:** 15 January 2008

**Projects promoted:** 3910

**Successfully funded projects:** 1955

**Funding total raised since launch:** € 3.500.000

**Lenders:** 5000

**Average donation per user:** Unknown

**Highest funding total raised for individual project:** Unknown

**Owner:** Smartika S.p.a.

**Business model:** Commission on transactions

**Headquarters:** Milan, Italy

**Website:** [www.smartika.it](http://www.smartika.it)

**Facebook:** [www.facebook.com/Smartika.it](http://www.facebook.com/Smartika.it)

**Twitter:** [twitter.com/Smartika\\_it](http://twitter.com/Smartika_it)

**Google+:** [plus.google.com/u/1/b/117726531709648494818](https://plus.google.com/u/1/b/117726531709648494818)

## WeAreStarting

EQUITY-BASED CROWDFUNDING

**WeAreStarting** is an equity crowdfunding platform active on the Italian market. Its aim is to collect capitals for innovative start-ups from investors.

**Crowdfunding typology:** Equity

**Categories:** Business | Web & Tech | Social Innovation | Science and Research | Startup and Inventions

**Reach:** National

**Team:** WeAreStarting's team is composed of three engineers with a passion for innovation. They work with a strategy partner specializing in accounting and consulting for companies.

**Crowdfunding model:** All or Nothing

**Fee:** 8%

**Payment system for proponents:** Financial intermediary

**Payment system for backers:** Bank transfer | Home banking

**Coming on:** 31 December 2013

**Projects received:** 32

**Approved projects:** 2

**Funding total raised since launch:** 0

**Backers:** 0

**Highest funding total raised for individual project:** 0

**Additional tools and features:** Strategic consulting, financial consulting.

**Owner:** Carlo Allevi

**Business model:** Commission on raised funds

**Headquarters:** Bergamo, Italy

**Website:** [www.wearestarting.it](http://www.wearestarting.it)

**Facebook:** [www.facebook.com/WeAreStarting](http://www.facebook.com/WeAreStarting)

**Twitter:** [twitter.com/WeAreStarting\\_](http://twitter.com/WeAreStarting_)



**Prestiamoci** is a social lending website that helps persons exchange money with no financial intermediation from banks. In such a way, users keep the money that would normally go to the bank, giving higher interests to lenders and a cheaper financial costs to borrowers.

**Crowdfunding typology:** Equity

**Categories:** Business | Web & Tech | Social Innovation | Science and Research | Start-up and Inventions

**Reach:** National

**Team:** Mariano Carozzi is Prestiamoci founder and CEO of Agata SpA. He was born in Milan in 1962 and grow up in Ivrea, near Turin. He graduated in Law and now specializes in corporate finance and payment systems.

**Crowdfunding model:** All or Nothing

**Fee:** 8%

**Payment system for proponents:** Financial intermediary

**Payment system for backers:** Bank transfer | Home banking

**Launch:** January 2010

**Projects promoted:** Unknown

**Successfully funded projects:** 351

**Backers:** Unknown

**Funding total raised since launch:** Unknown

**Average donation per user:** Unknown

**Highest funding total raised for individual project:** Unknown

**Additional tools and features:** Prestiamoci takes part in fundraising with donations ranging from 1 to 10%. It also collect interests, like the other lenders.

**Owner:** Agata S.p.A.

**Business model:** Commission on raised funds

**Headquarters:** Ivrea (Turin), Italy

**Website:** [www.prestiamoci.it](http://www.prestiamoci.it)

**Facebook:** [www.facebook.com/Prestiamoci](http://www.facebook.com/Prestiamoci)

**Twitter:** [twitter.com/prestiamoci](http://twitter.com/prestiamoci)



**SiamoSoci** is an online marketplace that allows unlisted companies to raise capital from private investors to finance growth. The platform helps individuals to select sectors and companies of interest: and find quickly and thoroughly all the information for the evaluation of the company. SiamoSoci also facilitates the creation of club deals (investment group) between investors with different skills; and a rating system makes it possible to assess the reliability of information.

**Crowdfunding typology:** Equity

**Categories:** Start-up

**Reach:** National

**Team:** The company was founded by nine entrepreneurs who have combined their successful experiences in the world of web and financial sectors with the common goal of boosting growth through innovation and the creation of new businesses. Dario Judges is co-founder and CEO.

**Crowdfunding model:** Keep it All

**Fee:** 0%

**Payment system for proponents:** PayPal

**Payment system for backers:** PayPal | Credit card

**Launch:** 2010

**Projects promoted:** 206

**Successfully financed projects:** 13

**Funding total raised since launch:** Unknown

**Backers:** Unknown

**Average donation per user:** Unknown

**Highest funding total raised for individual project:** Unknown

**Owner:** SiamoSoci S.r.l.

**Business model:** Consulting | Augmented visibility

**Headquarters:** Milan, Italy

**Website:** [www.siamosoci.com](http://www.siamosoci.com)

**Facebook:** [www.facebook.com/siamosoci](http://www.facebook.com/siamosoci)

**Twitter:** <https://twitter.com/siamosoci>

# FINANZIAMI IL TUO FUTURO

**Finanziami il tuo futuro** is a local crowdfunding platform for the promotion and dissemination of new projects for the development of Apulia. It was born from the need to integrate and revitalize the productive sectors of the local economy through innovation and creativity of young people in the area.

**Crowdfunding typology:** Reward

**Categories:** Culture | Web & Technology | Non-profit | Cinema | Photography | Social Innovation

**Reach:** Local

**Team:** Annalisa Adobati (project manager), Gratianna Semeraro (communication and marketing, management of online interactions between staff, proponents and potential funders), Angelo Crovace (graphical user interface and processes the portal navigation), Keivan Tahami (development of portal and maintenance), and Vito Perrini (management of territorial activities).

**Crowdfunding model:** All or Nothing

**Fee:** 0%

**Payment system for proponents:** Bank account

**Payment system for backers:** PayPal | Credit card | Cash

**Launch:** 25 March 2013

**Projects promoted:** 13

**Successfully funded projects:** 0 (campaigns are active from 2 July to 31 December 2013)

**Funding total raised since launch:** € 0

**Backers:** 108

**Average donation per user:** 22

**Italian users:** 89%

**Additional tools and features:** Offline activities carried on the territory ensure transparency and serve to verify the actual use of the collected funds. Each campaign must be submitted by a deadline and raise at least 5% of the targeted amount to remain online 30 days after launch. Campaigns that reach 70% received an additional 4-month online time, plus two more months to collect 100% of the amount.

**Owner:** FARE A.P.S.

**Business model:** Commission on raised funds (since 2014) | Marketing | Consulting

**Headquarters:** Puglia, Italy

**Website:** [www.finanziamiiltuofuturo.it](http://www.finanziamiiltuofuturo.it)

**Facebook:** [www.facebook.com/pages/Finanziami-il-tuo-futuro/363896960390735](https://www.facebook.com/pages/Finanziami-il-tuo-futuro/363896960390735)

**Twitter:** [twitter.com/FTFuturo](https://twitter.com/FTFuturo)



**ShinyNote** was founded as a online destination to share emotions, rather than politics or technology. These emotions help to generate awareness and motivate donations for solidarity and social causes.

**Crowdfunding typology:** Reward

**Categories:** Environment | Arts & culture | Human rights | Emergencies | Politics | Health & research | Sport

**Reach:** Local

**Team:** Founded by Roberto Basso and Fabrizio Trentin, the company counts 33 members – including entrepreneurs from Brescia, Veneto, and Roma – who invested 4 € 50.000 to launch the platform.

**Crowdfunding model:** Keep it All

**Fee:** 5%

**Payment system for proponents:** PayPal

**Payment system for backers:** PayPal

**Launch:** 21 July 2010

**Projects promoted:** 747

**Successfully funded projects:** 5

**Funding total raised since launch:** € 15.928

**Backers:** Unknown

**Average donation per user:** Unknown

**Highest funding total raised for individual project:** Unknown

**Additional tools and features:** Partnership with Make a Change, BuoneNotizie.it, Timu ahref, Stories.coop, Banca Generali, Si Può Fare - Radio24, Socialradio.it, Terzo Valore. Projects on “Start me up: raccontaci la tua voglia di cambiamento!” , “FUND ME!”.

**Owner:** The Shiny Note S.r.l.

**Business model:** Commission on raised funds

**Headquarters:** Palazzolo sull'Oglio (Brescia), Italy

**Website:** [www.shinynote.com](http://www.shinynote.com)

**Facebook:** [www.facebook.com/ShinyNote](http://www.facebook.com/ShinyNote)

**Twitter:** [twitter.com/shinynote](http://twitter.com/shinynote)

# Kendoo.it

**Kendoo** aims at promoting artistic, cultural, and social projects launched by private subjects, NGOs, non-profit organizations, and associations; and raise funds in their support.

**Crowdfunding typology:** Reward

**Categories:** Arts | Education

**Reach:** Local

**Team:** Marco Sangalli (CEO Mediaon), Alain Maringoni (Senior software engineer), Marco Carminati (Senior software engineer), Luca D'Agostino (Senior Art Director), and Giorgia Bucchiarone (Junior Product Manager).

**Crowdfunding model:** All or Nothing

**Fee:** 2%

**Payment system for proponents:** Bank transfer

**Payment system for backers:** Credit card

**Launch:** 28 January 2013

**Projects promoted:** 8

**Successfully funded projects:** 7

**Funding total raised since launch:** € 19.230

**Backers:** 543

**Average donation per user:** € 35

**Highest funding total raised for individual project:** € 6.000

**Owner:** Mediaon S.r.l.

**Business model:** Commission on raised funds

**Headquarters:** Bergamo, Italy

**Website:** [www.kendoo.it](http://www.kendoo.it)

**Facebook:** [www.facebook.com/kendoobergamo](http://www.facebook.com/kendoobergamo)

**Twitter:** [twitter.com/kendoo\\_it](http://twitter.com/kendoo_it)

# BOOMSTARTER

**Boomstarter** was created with the aim of providing a space to submit, evaluate and fund projects.

**Crowdfunding typology:** Reward

**Categories:** Animals | Arts | Events | Games| Fashion| Sport | Theatre| Web

**Reach:** Local

**Team:** Marco Interdonato, Cristina Antonelli, Giuseppina Mura, Salvatore Ferrari Ruffino, Alessandro D'Erme, Tamara Selim Menandri, Giovanna Maria Falchi, Salvatore Murgia, Andrea Ceino, Elio Fabrizi, Anna Grossi, and Rita Vizzaccaro.

**Crowdfunding model:** Keep it All

**Fee:** 4% for successful projects | 9% for projects that do not meet their financial goal

**Payment system for proponents:** PayPal

**Payment system for backers:** PayPal

**Launch:** November 2011

**Projects promoted:** 14

**Successfully funded projects:** 0

**Funding total raised since launch:** € 662

**Backers:** 40

**Average donation per user:** € 16

**Highest funding total raised for individual project:** € 412

**Additional tools and features:** In September 2011, the platform launched a crowdfunding campaign to fund its own launch, raising € 8.046 from 79 backers.

**Owner:** Boomstarter SnC

**Business model:** Commission on raised funds

**Headquarters:** Rome, Italy

**Website:** [www.boomstarter.it](http://www.boomstarter.it)

**Facebook:** [www.facebook.com/BoomStarter](http://www.facebook.com/BoomStarter)



**Ginger** is a crowdfunding platform that promotes campaigns based in the Emilia Romagna region. The campaigns must foreground their link to the region and promote activities to carry out at the local level. Ginger believes that economic and social development stems from strong links with the regional territory and offline promotion.

**Crowdfunding typology:** Reward

**Categories:** Arts & Theatre | Events | Fashion & Design | Start-up | Science & Technology | Publishing

**Reach:** Local

**Team:** Ginger was founded by five women living in Bologna and working in the creative and cultural industry: Agnese Agrizzi, Virginia Carolfi, Martina Lodi, Nicole Maffi and Caterina Coretti. The project won the *Incredibol! Edizione 2012* public competition announced by the Municipality of Bologna.

**Crowdfunding model:** All or Nothing

**Fee:** 0%

**Payment system for proponents:** Unknown

**Payment system for backers:** Unknown

**Launch:** November 2012

**Projects promoted:** 6

**Successfully funded projects:** 2

**Funding total raised since launch:** € 9.540

**Backers:** 126

**Average donation per user:** € 75

**Highest funding total raised for individual project:** € 3.303

**Owner:** Associazione Ginger

**Business model:** Registration fee (€ 100) | Strategic support (€ 200) | Consulting

**Headquarters:** Bologna, Italy

**Website:** [www.ideaginger.it](http://www.ideaginger.it)

**Facebook:** [www.facebook.com/IdeaGinger](http://www.facebook.com/IdeaGinger)

**Twitter:** [twitter.com/IdeaGinger](http://twitter.com/IdeaGinger)



**BuonaCausa** is a platform to promote “good cause” campaigns through fundraising, crowdfunding, and social activism. BuonaCausa.org is active mainly in the fields of non-profit, public administration, activism, and cultural projects; extending its activities to innovative crowdfunding campaigns.

**Crowdfunding typology:** Reward | Donation

**Categories:** Arts | Culture | Business | Non-profit | Journalism | Sport | Science & Research | Start-up

**Reach:** Local

**Team:** Federico Lauria (CEO), Giuseppe Lauro (technical manager) and Francesco Sorano (legal manager, public relations).

**Crowdfunding model:** All or Nothing | Keep it All | Fundraising

**Fee:** 0%

**Payment system for proponents:** PayPal | Bank account

**Payment system for backers:** PayPal | Credit card | Bank transfer | Postal transfer

**Launch:** 1 March 2011

**Projects promoted:** 1000

**Successfully funded projects:** Unknown

**Funding total raised since launch:** Unknown

**Backers:** 4.000

**Average donation per user:** € 75

**Highest funding total raised for individual project:** € 26.000

**Owner:** Associazione Treeware

**Business model:** None

**Headquarters:** Naples, Italy

**Website:** [www.buonacausa.org](http://www.buonacausa.org)

**Facebook:** [www.facebook.com/BuonaCausa.org](http://www.facebook.com/BuonaCausa.org)

**Twitter:** [twitter.com/buonacausa](http://twitter.com/buonacausa)



Page intentionally left blank.

## CHAPTER 8

# The institutional ecosystem: legislative profiles

### The legal implications of crowdfunding<sup>31</sup>

Next to the functional ecosystem of crowdfunding, which describes the relationships, processes, and mechanisms involved, an institutional ecosystem is emerging. National governments and supranational organizations are studying the phenomenon and how to insert it into the framework of economic development, in terms of its definition and standards.

The difficulty of drawing up a comprehensive regulation able to bring together the essential aspects of crowdfunding is due to crowdfunding's many implications, with normative profiles belonging to different areas, and multiple existing formulas and models, including donation, rewards, lending, and equity. Furthermore, some countries have adopted different rules to regulate donations in support of political and beneficial activities.

The European Commission lists six normative areas of management for crowdfunding platforms:

1. provision of financial payments;
2. use of copyright and intangible assets;
3. taxation of sales of material goods and services and income taxation;
4. distribution of loans and receivables;
5. protection of investments and property;
6. protection of user data.

The first three points concern crowdfunding for creative projects, the fourth and fifth come into play when the practice is used to transfer shares or financial performances, whereas the last one is applied to all cases.

### The European horizon for a common legislation

On 25 March 2013, the European Commission, on the basis of the statement of intent to support crowdfunding as an alternative and non-traditional source of financing, raised in its Green Paper<sup>32</sup> on long-term financing of Europe, the issue of balancing the need to protect consumers with regulatory and elastic measures that would enable participatory and horizontal practices. The Commission focused on the positive effects for small- and medium-sized enterprises, which form the connective tissue of continental economy.

The report on crowdfunding's biggest markets,<sup>33</sup> published in June 2013, explores its impact on Europe's single market and national economies. The study reports that between 2011 and 2012 the European crowdfunding market has more than doubled in value, reaching a volume of about € 1 billion in 2012, a figure that – the authors remark – should be taken as indicative and not absolute, given the constant evolution of the market in question and the absence of valid and recognized indicators. The estimates

---

<sup>31</sup> Crowdfunding Schemes in Europe – David Röthler and Karsten Wenzlaff – EENC Report, September 2011.

On 13 July 2011, the Directorate General for Education and Culture of the European Commission submitted a request for an expert contribution on behalf of the EENC (European Experts Network on Culture) on the issue of crowdfunding schemes in Europe, with a particular focus on the legal issues in this field.

<sup>32</sup> The Commission Green Paper on the Long-term Financing of the European Economy: **the European Banking Federation response**.

<sup>33</sup> Regulation of Crowdfunding in Germany, UK, Spain and Italy and the Impact of European Single Market - June 2013



include all the various forms of possible financing through crowdfunding; such as donations, awards, pre-sales, consumer credit, as well as medium and small business loans.

The positive impact of the phenomenon is measured prospectively with attention to its social effects, with entrepreneurs who, thanks to fundraising, contribute to innovation (launching innovative products and services), cultural diversification and in general the creation of jobs.

About 23 million small and medium companies in Europe, counting 10 or less employees, could benefit from this scenario. The aim is to help this sector of the economy to find new venues of financial access, either at the national or European level.

However, according to the data collected by the European Investment Bank, only 30% of companies benefits from bank loans, while 40% rely on bank credit, if not on to overdraft, in the short term. As regards investments, industry statistics reveal that venture capital invests yearly in less than 5,000 high-growth businesses, while angels invest in about 1,000 of them. Of the millions of small- and medium-sized companies that do not have access to this line of financing some can count on good profitability, others keep the balance with suppliers' receivables, other rely on factoring. There are approximately 10 million companies left that must rely on the resources of a community composed of family, friends, and acquaintances. Crowdfunding could catalyze these flows of capital in measurable parameters and open the investment to other potentially interested parties.

## CHAPTER 9

# Equity crowdfunding's legislative profiles

### Equity crowdfunding in the USA

In the United States, crowdfunding's most advanced market, SEC legislation is addressing equity crowdfunding, laying the foundations for the explosion of the segment, as predicted by Carl Esposti in the statement discussed in this book. The bill contains a number of measures to make company investment through crowdfunding more agile than current commercial laws allow. The main points highlighted in Massolution's Report relate primarily to:

- the ability to raise up to \$ 1 million from private, non-accredited investors, or up to \$ 2 million if credited;
- there is no obligation to disclose the shareholding structure if it counts less than 1,000 members (as opposed to the previous limit of 500);
- the possibility to invest 5% of the total income (up to \$ 2,000) for those whose income is more than \$ 100,000; and
- the possibility to invest 10% of the total income (up to \$ 100,000) for those whose income is more than \$ 100,000.

### Equity crowdfunding in Europe

Many European countries seem to be more inclined than the U.S. to approve equity-based crowdfunding legislation. In Europe, a number of ad hoc platforms (growing at a rate of 114% in the past few years) have been listed to intercept this market.

- **United Kingdom:** Many countries are trying to promote this type of investment, although not always with satisfactory results as the United Kingdom. The latter has embarked on a path since December 2011, when a Business Funding Task Force was asked to explore new way to facilitate the country's economic growth. Particular attention was paid to the creative industries, identified by the British government as the main key to national economic development. For now, crowd-funded projects are still under the control and management of a Financial Services Authority (FSA), which makes it hard for individuals to fundraise, given to the high costs of bureaucratic procedure.
- **France:** The last few years have seen the birth of at least 25 crowdfunding platforms in France. With 15,000 financed projects since 2008, these have raised over € 6 million. On the eve of the last presidential elections, platform operators signed a manifest to ask candidates to approve more flexible norms for crowdfunding that would increase the number of members in a holding from 50 to 150, with a minimum limit of € 3000 to enter the first public offering. Further requests concerned financial benefits similar to those granted to charity donations and more agile bureaucratic procedures, considering that current ones require backers to provide two identificatory documents, proof of residence, and current address for donations as small as € 100.

### The Italian law on equity crowdfunding

The abovementioned law that Italy passed in July 2013 is the first instance of a standardized model of equity crowdfunding management by a European country, and many other countries look to it as a leading



model. CONSOB's website provides a sort of handbook to correctly interpret the new legislation. The manual describes the essential aspects of the new law, offering advice on how to interpret it.

The main features of Italy's legislation on equity crowdfunding are:

- **Definition:**

- a. "Crowdfunding refers to the process by which people (a 'crowd') give sums of money (funding), often small ones, to fund business initiatives and other projects, typically using internet sites ('platforms' or 'portals') often in exchange for a reward.
- b. 'Equity-based crowdfunding' refers to a typology of online investment, where a person buys a share of equity interest in the company: in such a case, the reward amounts to the economic and administrative rights derived from said share.
- c. A variety of crowdfunding models exist, depending on what kind of relationship exists between the campaign's proponent(s) and the backers."

**"Innovative start-ups":**

The law concerns and allows the funding of "innovative start-ups" and recently founded small companies (Spa, Inc. or cooperatives) with an innovative, technological, or social vocation. The company must be registered in a special register and present the following features and requirements:

1. not being traded on regulated markets (or other trading systems);
2. be incorporated and carry business activities by no more than 48 months;
3. be based in Italy;
4. be a small business (with an annual production value that does not exceed € 5 million);
5. not distribute profits;
6. invest in the production, development, and commercial distribution of innovative products and services (art. 2, comma 1, L.D. 24 March 2006, n. 155).

To be an innovative start-up, the company must meet at least one of the following requirements:

1. invest in research and development (at least 15% of the highest between production expenses and value);
2. appoint postdocs or graduate students engaged in research to in least one-third of the available positions (i.e. more than two-thirds being in possession of a master's degree); and
3. have usufructuary rights (at least one) for industrial, electronic, biotechnologic inventions, meaning the rights for an original program and/or scientific development.

- **Equity crowdfunding portals**

Innovative start-ups rely on different forms of crowdfunding, yet the web remains the most effective venue to raise capital. Accordingly, dedicated websites, subject to CONSOB surveillance, represent the most important means to fundraise and collect venture capital. The pitches available on the sites provide potential investors with the necessary information regarding team members, business plans, financial, and technical features.

The law allows innovative start-ups to offer securities through online portals, provided that they register in a special section of the commercial register of the Chambers of Commerce, Industry, Handicraft and Agriculture containing the main company information. Each start-up's website is an equally important source of information, as it reports six-month updates on company activities, founding members, staff, and other entries listed in the Decree, as well as on its budget.



- **Portal managers**

Portal management comes with special requirements, given the need to safeguard investment and financial transactions. A special section of CONSOB's register certifies the "quality" and "reliability" of portal services.

The management role goes to the subscribers to this list, as well as to banks and investment firms (SIM) previously authorized to provide investment services (so-called "managers of law," noted in the special section of CONSOB's register). The registry is freely available on the website of the authorities that control the market.

Managers are expected to offer a so-called "investor education," helping interested parties to navigate the universe of investment. Among the various available tools is an online questionnaire that operates as release note and acknowledgement of the contract's terms and conditions. Retail investors are subject to even stricter regulations.

- **The dimensional limits of financing**

To speed up the growth of crowdfunding and ease investments in innovative start-ups, CONSOB's Regulation exempts companies from applying the current norms on investments and investment services, provided that they do not exceed:

1. € 500 for each order and 1,000 for total annual orders, for investments made by natural persons;
2. € 5.000 euro for each order and € 10.000 for total annual orders, for investments made by juridical persons.

To apply the exemption, investors must prove they did not exceed these thresholds (considering, for the annual threshold, investments made on other portals).

- **Risk profiles in equity crowdfunding investment**

CONSOB report refers to the risks connected to investing in an innovative start-up, stating that "A start-up basically offers an idea and a project to realize it." Supporting such an idea entails higher risks than traditional investments.

The emotive impact of a pitch, which is designed to catch the imagination and attention of users, is what generally motivates people to invest. The main risks are:

1. loss of capital, especially for innovative start-ups that only count on an exciting idea and tenable perspective;
2. lack of (initial) profit, due to the fact that recently founded companies hardly produce any in their first years. The second "Growth Degree" forbids the distribution of profits, binding them to reinvestment, for the whole time that the company fulfils the requirements of an innovative start-up, meaning the four years following registration in the commercial register. Investors can, however, benefit from tax relief;
3. Illiquidity due to the inability to negotiate or sell one's share on the stock market, as well to understanding its actual value at a given time;
4. illicit activities. CONSOB report makes explicit reference to "frauds," inviting investors to collect all the necessary information also making use of CONSOB public registers;
5. one last piece of advice for investors is to monitor constantly the start-up's development, taking part in company life and reading the reports produced by the Board of Directors and shareholders' meetings.

## CHAPTER 10

# Crowdfunding's lobbying network

### Associations, events, media

A system grows not only thanks to the creation of new laws and increased user literacy, but also once operators establish functional and working networks to represent themselves in industry associations.

**Worldwide:** Once we take *crowdfunding.org* and *Massolution* (with its report) to be the reference points for the community of operators, it is just as important to point to Crowdfunding Guide ([www.crowdfundingguide.com](http://www.crowdfundingguide.com)), a specialized media containing news on crowdfunding. "Visions of the Future of Crowdfunding in Europe" ([www.future-crowdfunding.de/publication](http://www.future-crowdfunding.de/publication)) is another relevant example of a publication penned by crowdfunding operators looking for funding, which provides an overview of the European platforms, with an emphasis on business models, juridical structures, and best practices. The report also lists the main events in the field, taking place in Berlin, Amsterdam, and Singapore; and other information on the European crowdfunding market. Additionally, it develops a vision of its impact for researchers, politicians, bankers, investors, and government officials.

As concerns events, a *Global Crowdfunding Day* was instituted ([www.globalcrowdfundingday.com](http://www.globalcrowdfundingday.com)) to celebrate the passing of the Jumpstart Our Business Startups Act (JOBS Act) in the U.S. on 5 April, 2012. Symbolically, the date is "a time to celebrate the crowdfunding industry." The aim of its promoters, coming all from this field, is to give birth to a shared and widespread crowdfunding culture; and to document the organic development of the movement

Celebrations on the Global Crowdfunding Day include launching a campaign or donating to one, promoting a project on social media and/or using the *#globalCFday* hashtag on Twitter. Promoters also want to measure the 24 hour economic impact of such initiatives on all platforms.

The Crowdfunding World Summit ([www.crowdfundingworldsummit.com](http://www.crowdfundingworldsummit.com)) taking place in October 2013 is an online conference of over 40 operators and U.S. Congressmen, which aims at introducing the industry's new dynamics to the general public. Bringing together entrepreneurs and institutions that believe in crowdfunding's economic potential, the event's slogan is "Everywhere to Everyone."

**Italy:** The Italian Crowdfunding Network ([www.italiancrowdfunding.org](http://www.italiancrowdfunding.org)), founded by Ivana Pais (Catholic University of Milan) and Daniela Castrataro (Twintangibles and Crowdfuture), authors of a report on the Italian market, is a "non-profit, independent association that promotes crowdfunding culture and networking among professionals, with the aim to aid innovation, competitiveness and market sustainability."

Another important event is Crowdfuture ([www.crowdfuture.net](http://www.crowdfuture.net)), the first Italian conference on crowdfunding, whose second edition took place in 2013. The organizers describe the event as "a convention that looks at the present and future of crowdfunding, raising issues, developing solutions, identifying and exploring new challenges and trends." More than 300 speakers took part to the 2012 conference in Rome.

The event also produced the Crowdfuture ebook ([www.slideshare.net/crowdfuture/ebook-crowdfuture](http://www.slideshare.net/crowdfuture/ebook-crowdfuture)), a valuable report on the state of the art and main trends of the national market.

## CHAPTER 11

# International trends

### The sources

To define the most relevant international trends of the crowdfunding market three sources are especially valuable. The first is an interview with the aforementioned Carl Esposti, CEO of Massolution, the company that more accurately studied the phenomenon, who speaks on the basis of data collected according to traditional scientific criteria, often through interviews with industry personnel.

The second voices a widespread point of view about pure crowdsourcing. It is a document drawn up by Trendhunter.com, a web platform that bases its trend analysis (trendsetting) on real-time observations of a series of events relating to coherent experiences. Trendhunter favours open source, asking anyone to identify, select, and aggregate interesting cases (or “micro-trends”) that the website posts daily in different categories. The platform monitors the data flow and puts the most interesting cases together in a report, as soon as a clear and consistent trend emerges. The community of trendhunters is composed of more than 120,000 volunteers from around the world, whose contents attract more than 40 million monthly visits.

The third source is the mass of articles that feed daily media reports on crowdfunding, revealing the aims and goals that motivate individuals and organizations to choose this funding practice.

### Data-based analysis: the point of view of the operators

According to Massolution’s report, **quoted** by *VentureBeat*, 2013 will witness the emergence of five main trends. Esposti mentions:

#### a. Niche platforms

Just as foreseen by Chris Anderson’s description of market niches, a market for crowdfunding platforms is on the rise, calibrated on delivering projects related to certain sectors. Reward-based crowdfunding, specifically, is capitalizing on the added value of specialization and functionality specific to certain industrial segments (such as music, fashion, journalism). User interest is connected not just to a specific campaign, but to the subject, more generally. In such a case, the power of attraction of the individual project is enhanced by what has been called “the marketplace effect.”

Specialization is growing and differentiation is becoming equally varied, addressing all kinds of categories and tastes. For example, there exist platforms catering to the LGBT (lesbian, gay, bisexual & transexual - [www.getgayfunded.com](http://www.getgayfunded.com)) and African-American public ([www.blackstartup.com](http://www.blackstartup.com)). Less noble, but indicative of the growing interest in crowdfunding, is [www.offbeatr.com](http://www.offbeatr.com), which raises funds to finance projects of a pornographic nature, such as movies, magazines, books, and shows.

#### b. Locavesting

Esposti also discusses investments made by proximity-based social circles. He explicitly refers to Locavesting (a term that combines “investment” and “local”), a book by financial journalist Amy Cortese that explores the rising trend of investing in projects launched by acquaintances, friends, and members of the local community. It should also be noted that some North American states (Louisiana, North Carolina, Georgia, and Kansas) have already standardized loan-based crowdfunding, precisely to support the participatory desire of the people. Rebirth Financial ([www.rebirthfinancial.com](http://www.rebirthfinancial.com)) is often mentioned as an exemplary platform dedicated to local campaigns ran within the borders of individual states.



### c. Enterprise crowdfunding

Even major companies and associations have begun to use crowdfunding to improve their “social” image, to test market products or services, and to develop side segments of other business activities. The positive effect is not merely financial, but depends on the feedback generated once users are offered a real chance to interact.

In support of this thesis is a **survey** conducted by the American Institute of Architects (AIA, the representative body of over 85,000 professionals in the U.S.), which focuses on how crowdfunding can help to provide funds at a time of great crisis in the construction sector and real estate, for small- and medium-size projects, as also for the construction of residential, commercial, and even industrial infrastructures.

On the business side, Universal Music launched a crowdfunding campaign - through its *UVinyl* division - to promote the “Vinyl Project,” which aims at re-issuing a series of historical vinyl albums and stimulate the interested niche market.

### d. Fundraising for economic development

Just like the European Union and governments, financial institutions, including the likes of the World Bank and the Inter-American Development Bank, are assessing the impact of the new form of fundraising on a macro scale linked to the real economy. In the past two years, the Multilateral Investment Fund (MIF), in particular, has surveyed more than 40 active platforms to study the potential impact of microcredit on small Latin American businesses.

### e. LIVE crowdfunding

Crowdfunding seems to live essentially on the web, but its outcome is – in most cases – the creation of a good or service available in the physical world. We have seen that, in the opinion of Esposti, local communities and social proximity are essential to the success of a campaign, as much as the parallel management of social channels in the digital world. Unsurprisingly, the number of thematic events promoting the direct, physical encounter between potential investors and project proponents has been steadily increasing in the U.S. and the rest of the world. On those occasions, interesting ideas spread more quickly, and donations are collected more easily on the spot. The model is inspired by B2B events, industry conventions, and bootcamps.

## Trendsetting analysis : the point of view of consumer-users

On the basis of what was published on the website, Trendhunter’s administrators obtained a **consumption trend** showing the propensity of many users to support, contribute to, and fund the pre-launch of products and services. The term chosen to indicate this practice is “Pretail,” invented and patented by The Integer Group. Pretail refers to a mode of consumption where the consumer – driven by the desire to find innovative, emotional, and unconventional products – navigates crowdfunding platforms as if they were real-world shopping centres, distinguished, however, by a strong experiential impact which all too often is missing from retail locations. This is a new frontier of shopping, with a unique offer, driven by the initiative and creativity of an army of entrepreneurs and start-uppers determined to win their share of the market with real innovations.

“Pretail” growth is due to four main factors:

#### a. The expanding global brain

Consumerism has been swept away by the collective intelligence that brings together the creativity, entrepreneurial spirit, and ideas of thousands of creatives and start-ups around the world. The whole process of creation has changed according to the need to pre-order the object of a desire, which takes shape as the product itself is realized. In this parallel dynamics, the consumer’s imagination is integral to



the (evocative and emotional) creation of the product for sale. Today, more and more companies are trying to stimulate this crowdsourcing dynamics and exploit the value of personalized goods or services.

An indicative example of creative hub is *MakeThatThing.com*, a platform that oversees all phases of a crowdfunding campaign and helps to find individuals and companies willing to realize the product, also taking care of its management, distribution, and delivery.

#### **b. Perfect market fit**

The thrill of being the first to enjoy a new product, combined with the passion for innovation and the product's peculiarities, trigger a positive effect for producers, creating a tailor-made production market, where user feedback provides a valuable resource of pre-sale evaluation, as well as an indicator of a project's limits of plausibility. In such a way, and given the unlimited number of potential innovations, the risk of overproduction leaves way to the emergence of an almost perfect and boundless market.

#### **c. Instant trust**

Users' hesitation and scepticism are not real barriers to Pretail, considering that online transparency is one of the essential rules of the market: the fear of the disastrous consequences of a simple mistake in the management, or a gap in protocol transparency are enough to guarantee the fulfilment of what was promised. The risk of losing one's own money to the bad faith or inability of the project's proponent is the price to pay to belong and revitalize an innovative and pioneering community of consumption.

These observations are, of course, more appropriate if we refer to reward- and donation-based crowdfunding practices. As evidenced by CONSOB recommendations, investment requires a different kind of evaluation in the case of equity-based practices.

#### **d. From pretail to etail to retail**

In some cases, the chain of Pretail extends into the channels of online and offline retail. Sites like *ChristieStreet* and *CrowdSupply* allow users to find products of old campaigns, and it is not uncommon that the online distribution of a product through crowdfunding is just a first step toward offline mass-production.

Pretail has a much higher rate of market penetration in regions such as Europe, than in South and Central America, or Pacific Asia. European consumers are accustomed to forms of overconsumption that changed their sensitivity, pushing them to look for experience, rather than goods themselves. This condition is different from that of the average Latin American, who is still thrilled by the traditional consumption ritual, and from that of average Asians - especially Chinese - unaccustomed to online commercial transactions.

A practical example of the potential link between crowdfunding and offline retail is the case of Maria Pinto, a fashion designer made famous by Michelle Obama, who often wears her creations. Since the crisis forced her to shut down her business in 2010, she re-entered the market with a **crowdfunding campaign**, asking users to help her raise \$ 275,000, offering accessories and clothes as rewards.

### **Analysing the news: the point of view of financial projects**

Media offer a vantage point on what happens daily in the crowdfunding world, whose borders keep extending, creating new market opportunities every day.

#### **a. "Celebrity crowdfunding"**

Also known as D2F ("Direct to fans"), celebrity crowdfunding refers to campaigns launched by celebrities in support of their projects. One representative example is the campaign organized last year by actor and director Zach Braff to finance his new film. The initiative sparked online discussions and acrimony. On the one hand, some applauded the quest for autonomy and artistic freedom of a famous person trying to break



free from the exclusive logic of traditional production. On the other, some opposed him on “ethical” grounds, accusing him of exploiting his status to make money, while stealing the scene of less known subjects.

Faced with such accusations, Braff specified the “independent” nature of his project, explaining that the money raised would cover only part of the cost, in which he himself had invested, gaining nothing from the campaign. Such an example has the merit of showing the implications of a practice that has also been used by other mainstream artists, the likes of James Franco and Spike Lee.

#### **b. Progressive crowdfunding**

The “Vigilant Diaries” series shows a variation of reward-based crowdfunding. The producers put the first two episodes on sale, explaining that they would use the money to finance further shootings. CEO Brian Norgord explained that the hosting platform financed the project, in the belief to set an example for other directors and producers who, after realizing a good “pilot,” have no way to valorize it outside the distribution network.

#### **c. Crowdfunding for professional talent**

In the U.S. the loan to finance college education, especially at the prestigious institutions, is becoming more and more expensive. This may hamper promising careers, with many talented young people who accept almost any kind of jobs, regardless of their high qualifications, to repay the debts accumulated in their college years. Prudence can be overcome with crowdfunding, as demonstrated by Trina Spear, a brilliant (former) student with a master's degree at Harvard, who was able to leave a job that she felt somewhat restrictive of her capabilities and co-founded FIGS Scribs, a start-up specializing in innovative medical devices, thanks to a fundraising campaign that brought 13 people to invest \$ 20,000 in her project. The money covers the \$ 1,500 monthly instalment of her student debt, gives her time to start the business and raise funds for the company. Investors will receive 1% of its gross income for several years. This is a form of “human capital contracts” that many do not appreciate, taking it as a way to commodify the person. The same Trina has instead stated that the initiative was a real liberation for her. The crowdfunding on the basis of one's talent is growing, especially in the U.S..

#### **d. Crowdfunding for real estate**

David Drake, founder and president of LDJ Capital, a global strategic and financial consulting company, published an [article](#) in *Forbes* about how the real estate market - more than other segments overwhelmed by the subprime crisis - is relying more and more on crowdfunding. Investments in this area are motivated only by the prospect of income for small investors, and the awareness to contribute to the architectural fabric of local communities. In support of the thesis, Drake also refers to a number of specialized platforms.

#### **e. Crowdfunding and Mainstream Media**

The size and global reach of crowdfunding is attested by its growing synergy with traditional media – television in particular – which creates spectacular representations of crowdfunding projects.

The CNBC (TV channel dedicated to finance) launched the show *Crowd Rules*, where small business owners compete for a prize of \$ 50,000, asking the audience to vote whom to fund among them. Each season involves companies from a particular branch of the market. The first one is set in the catering business.

Before that, ABC launched the genre with *Shark Tank*, a show in which aspiring entrepreneurs submit their pitches to investors.

A further step in the direction of bringing crowdfunding to television is the partnership between A&E and the crowdfunding platform RocketHub for the production of a show – *Startup Project* – about fundraisers. According to RocketHub CEO, the show helps the projects to reach out to a larger audience and significantly increase chances of fundraising. The number of campaigns on RocketHub has increased by 300% since the



collaboration was announced, inspiring competition by other operators in the sector. The nature of crowdfunding is not competitive, according to many; but it is undeniable that the role of traditional media – beyond the considerations related to the “new epic” on the matter – is still very strong.

**f. Subscribing to crowdfunding**

An innovation opening up an additional market space and introducing a variant of classic crowdfunding is *TubeStart*, a platform that allows Youtubers to offer € 5 subscriptions to their channel and fundraise for campaigns.

The system, which also supports traditional crowdfunding campaigns of a value ranging between \$ 500 and \$ 500,000, promises to revolutionize webtv, providing the creators of the most watched Youtube channels to get real and direct revenue for their activities. The service is available for the moment in the U.S., Canada, and Europe.



**PART 3**  
**A HANDBOOK ON CROWDFUNDING**

*(Photo: [jib.ca](#))*

## CHAPTER 12

# A good idea is not enough

### Premise: the project's concept

Crowdfunding is the best strategy to support worthy projects and let individuals express their creativity. Sticking to the simple definition of the phenomenon causes most of the misunderstanding at the heart of failed campaigns.

Having a good idea is often not enough to attract and motivate people to support a campaign. Users should be able to appreciate a project, know what it is about and how it plans on reaching its goal.

Beyond general “creativity,” what matters is the campaign’s evolution, including the variables and features that come into play before the product is actually realized.

This refers to the project’s premise, its object and the whole concept the proponent has developed. In order to win the trust and loyalty of users, the concept must be well structured and explained. This warrants a necessary distinction of the various **phases of the creative process**:

- **Intuition** is when we realize that a certain need has not been satisfied, or that some product has not been put on the market yet. Intuition may be inspired by everyday occurrences, when we realize that something could work better. This, however, does not account for how it would work better.
- The **idea** is the answer to the perceived problem. It offers a practical solution and an appropriate “mechanism” to solve it.
- The **project** refers to the whole process by which the idea is put into practice and includes mode of realization, tools, and procedures.

Even though it can happen that a simple idea is enough to inspire commitment and contribution, usually competence is what puts a campaign in motion. It is all about credibility.

The “Creative Problem Solving Institute” of Buffalo (NY) devised one of the easiest **strategies** to accomplish a project. The strategy is divided in three steps:

1. Analysis: study the context, identify critical issues and what causes the problem, understand the challenges to solve it.
2. Creation: this is when you devise potential solutions and original ideas to solve a problem; and
3. Transformation: this is when you elaborate a strategy to turn your idea into a reality, devising a plan of action.

### Approach: on the side of the user with Design Thinking<sup>34</sup>

Applying design thinking to business has, by now, become a consolidated practice. “The Cox Review of Creativity in Business” (2005) was commissioned by the British government to the Design Council to explore new ways of economic development. It sums up the main phases of design thinking as follows:

---

<sup>34</sup> The Cox Review of Creativity in Business, 2005



- “Creativity” is the generation of new ideas — either new ways of looking at existing problems, or of seeing new opportunities, perhaps by exploiting emerging technologies or changes in markets.
- “Innovation” is the successful exploitation of new ideas. It is the process that carries them through to new products, new services, new ways of running the business, or even new ways of doing business.
- “Design” is what links creativity and innovation. It shapes ideas into practical and attractive projects for users or customers. Design may be described as creativity deployed to a specific end.

In this respect, design is both an approach and a methodology to best express the potential of a project. It works just as well for crowdfunding.

Addressing a mixed and vast public requires adopting a communication strategy that catches the interest and attention of such a heterogeneous audience.

Since the priority is adopting the user’s point of view, **design thinking** becomes an ideal strategy, as clarified by the European Commission in a 2009 report<sup>35</sup> The latter states: “Design is increasingly considered a strategic tool for user-centred innovation. As such, it is a holistic and multidisciplinary problem-solving approach that takes user needs, aspirations and abilities as its starting point and focus. The potential of design to make products, services and systems correspond better to environmental and social needs has also received increasing attention in recent years.”

## Market analysis

### What is your market?

Submitting a project on the web to obtain bottom up support is inspired by the “open source” philosophy of collaboration. It is like leaving a message in a bottle in Internet’s *mare magnum* in the hope that someone picks it up. This is, undoubtedly, a very common mistake.

One of the premises of the present report is that a crowdfunding campaign is, first of all, an economic endeavour with financial implications and effects that can be measured against the parameters of the real economy.

A well-planned campaign is, first of all, a way to put a new product or service on the market. Since crowdfunding is open to all sorts of innovations, it is often hard to identify a specific market, depending on the level of innovation and transversality of the product itself. The nature of the latter helps to single out the best context, public, and environment to introduce it.

### Placement in crowdfunding

When placing a product or service on the market through crowdfunding, the elements to keep in mind are:

- knowledge of pre-existing, similar products and the extent to which they satisfy consumer needs;
- knowledge of the subjects operating in the sector and their dimension (multinationals, small companies, professionals, associations, freelance);
- whether the products in question are easy to find and in which form they are available (are they free or on sale?);
- strategies of distribution (online, retail, etc.);
- communication strategies.

The outcome helps to understand how to best position your innovative product and service on the market.

---

<sup>35</sup> COMMISSION OF THE EUROPEAN COMMUNITIES, Brussels 7.4.2009 — SEC(2009)501 final

### Defining your target: who is your audience?

After identifying your niche market, you need to understand who your audience is to make communication more effective.

The interest in innovations changes according to the people. It is, thus, important to pay attention to the modes of communication, especially when considering that most persons welcome revolutionary products and services with scepticism and confusion.

Max McKeown,<sup>36</sup> an expert of innovation, divides public reactions to innovation into the following statistical categories:

- innovation lovers (2,5%): users who adopt innovation as soon as it comes on the market;
- lead opinion and early adopters (13,5%): are quick to get the message and pass it on to the larger public;
- “early majority” (34%): this is the part of the public that reworks the impulse received by early adopters;
- “late majority” (34%): users belonging to what could be called the innovation’s “long tail;” and
- “laggards” (16%): the last ones to convert to the new product/service.

It is advisable to attract and mobilize “early adopters” who are also the best ambassadors of innovation. Market analysis can provide the necessary data to identify them. For detailed information see the section on marketing.

### The good sides and downsides of crowdfunding for proponents

Introducing a new service or product on the market comes with good and downsides for proponents. It is necessary to keep this in mind when launching a crowdfunding campaign. The following synopsis is based on a paper on digital micro-financing for creative industries published by the Canadian government in 2012.<sup>37</sup>

#### Advantages

The potential advantages, beyond economic ones, for crowdfunding proponents are:

1. Enhancing credibility and reputation: a successful campaign that catches the public’s attention has positive effects on the proponent, improving his/her reputation;
2. Test market: the public’s reaction helps proponents to ascertain whether a real market exists for their idea. Successfully funded campaigns help proponents to establish a dialogue with traditional investors, since they show the positive potential of a project. Even unsuccessful campaigns provide useful information on the outcome, in terms of mobilized attention and resources. Failure may suggest what improvements to make, for example;
3. Aggregating backers: online and offline efforts to circulate the news about an innovation have a promotional effect that is being exploited by many traditional companies, especially with regards to pre-sale;
4. Actively involving the public: crowdfunding campaigns become a sort of “common ground” where the exchange between proponents and the public adds value to the campaign;
5. Information “in flow”: the actions and data generated by a crowdfunding campaign are valuable because they refer to a chronologic evolution, divided into dynamic phases and providing accurate, strategic information;

<sup>36</sup> McKeown, Max - The Truth about Innovation - Pearson Education, 2008

<sup>37</sup> Crowdfunding in a Canadian Context - Prepared by: Nordicity [www.cmf-fmc.ca](http://www.cmf-fmc.ca) - Exploring the Potential of Crowdfunding in the Creative Content Industries - August, 2012



6. Internationalization: from the systemic point of view, it is evident that creating international platforms enhances the visibility and potential success of innovations.

### Risks

As well as the advantages, proponents should also keep in mind the downsides of launching a crowdfunding campaign, as listed by the report on the basis of the potential risks perceived by proponents:

1. Experimenting: in spite of media attention, crowdfunding is still green and the public is yet to become accustomed to its dynamics. Proponents should be ready to work hard, since no positive outcome is guaranteed but to committed and high-quality projects.
2. Damaged reputation: just as a successful campaign improves one's reputation and professional profile, an unsuccessful one can undermine the credibility of a project. If, for example, a low economic goal is not reached, or a campaign generates little attention and user traffic, it might be that future project will be just as compromised. It is also important that the campaign addresses real users' needs, assuring that which was promised will ultimately be delivered.
3. The campaign's costs: these must include financial, as well as creative and management figures, such as the expenses relating to video shootings, press releases, gadgets, and promotional materials. At the management and creative level, proponents should keep in mind that the time spent devising and working on the campaign has itself a value and should be remunerated accordingly.
4. Patenting one's ideas: even if ideas cannot be copyrighted, a way to protect one's projects from theft, besides resorting to patents and legal deposits, is showing one's competence and competitive advance guaranteed by a good campaign.
5. Exhausting the community of backers: users do not really trust a mechanism that asks them to periodically fund on-going projects. The experiential relationship with the use can exhaust consumers, preventing them from contributing to the campaign. This is mostly due to crowdfunding's nature as a new practice in need of consolidation.
6. Frauds: this is a common fear among proponents that governments are addressing with special legislation (see the Italian and American laws on Equity crowdfunding).

### The requirements of a project

Understanding one's needs helps to understand what kind of help we need from our backers.

There are many ways to contribute to a campaign:

- Economic contribution: it can take the form of a donation and involve an offer of money, or material help. In such a case, some campaigns allow backers to contribute with goods or services relating to a project;
- Promotion: experiential economy assigns a value to attention and time. Those who do not materially contribute to a campaign can still help by building a relational network where ideas find the best venues to circulate and reach their potential audience. The ability to identify and come into contact with the people in charge of valuable channels of communication equates to managing a marketing campaign at zero cost;
- Feedback: crowdsourced activities rely on the opinion and criticism of users which would otherwise be impossible to involve in one's activities. To get the right answers, it is however important to pose straight and focused questions.

## CHAPTER 13

# The structure of a crowdfunding campaign

### How to conceptually structure a campaign

Before delving into the operative and functional heart of crowdfunding, it is best to further clarify some aspects of the campaign's concept, so as to improve its launch and success.

As previously stated, platforms provide a pre-constituted format for content management, which basically aids users (and proponent as well) to focus on the campaign's essential features.

Usually, formats share a common outline. They refer to a number of features that proponents need to have clear in their mind before putting up the campaign. Here are some issues that they should address, to satisfy the users' curiosity and point of view.

### What I want to realize

This is a core question not only because it raises other important issues, but also because it motivates the public to help and support your campaign. The fundamental arguments to the present are:

- **The outcome: What good, service or work do I want to realize?**  
The detailed presentation of your campaign's outcome gives users a clear scenario of what they will support and fund. Unclear descriptions may make bottom up efforts useless.
- **The aim: Why did I launch the campaign?**  
The first answer is also the easiest one: for economic reasons. Yet, in the participatory and experience economy of today, the most important aim is the collateral one. The aim of a crowdfunding campaign to build a foster home is not simply to build the actual edifice, but to contribute to social integration. Those willing to create sustainable design goods push for improving daily habits. The outcomes also fit within a larger framework that improves their meaning and value.
- **The context: Why now?**  
"To be in the right place at the right time" is one of the rules of crowdfunding. In order to let users know why their help is needed, you should describe the general context that inspired your idea, explaining what conditions, or lack thereof, pushed you to launch the initiative.
- **Personal motivation: why me?**  
Crowdfunding tells the story of a good and/or production that is yet to be written. To make your plan realistic and attractive, you should start from personal experience, explaining what dreams and prospects prompted you to launch your campaign. Behind the story of the product itself, there should emerge the motivations and knowledge that make you "the right person" to take action "at the right time."
- **The value: what makes your campaign interesting?**  
A common mistake is to believe that the value and meaning of a campaign are self-evident to all users, regardless of their history and disposition. You should, instead, clarify what advantages a project actually offers. It is of primary importance that its every nuance is clearly explained and



discussed, because the key to success is in your ability to explain the impact of your intuition on everyday life.

- **The target: who is your audience?**

Once you have fully answered the preceding question, you can easily identify the best audience for your project, those who can generate the best impact for your campaign.

## The process of realization

Crowdfunding introduces a process that will ultimately produce a good, service, or company. Verifying the functionality and operativity of the project helps to get ready to discuss parts of your campaign that may strengthen its plausibility and credibility. Here are some questions to keep in mind while you get ready to publish your initiative on the web:

- **Who's doing what?**

This question relates to the whole of the project. It does not only refer to its proponent/s, but also to those involved in implementing and realizing the service or product, regardless of their being part of the team or not. The reliability of external providers must be verified at all times, although, ultimately, the responsibility of the operation is in the hands of the proponents.

- **What are the phases of your project?**

It is advisable to divide your campaign in macro phases so as to easily follow the development of each of them and explain the whole process in detail. Two distinct but important phases are those of the good's actual production and the handing of the rewards. Many overlook the latter, which includes packaging, delivery, and related expenses. The phases change according to the project and its aims.

- **What is the mechanism of your campaign?**

This refers to the competences and activities required to move from one phase to the next. For example, in the case of the distribution/selling phase, it is important to clarify the role of the agreements with providers and couriers: in depth knowledge of each detail helps to oversee the macro phase.

- **What are the costs and schedule?**

Knowing the costs and schedule of your operation will help you not to experience inconveniences. It is advisable to establish a maximum and minimum range of expenses. Your commitment with backers should include indicating a financial goal, creating a shopping list, and setting up a schedule.

## Motivation: what I am giving in exchange

Donation, investment, pre-purchase, and investment are the four ways you can contribute to a crowdfunding campaign. They imply a material or immaterial return. The Framework for European Crowdfunding<sup>38</sup> indicates three forms of motivation for backers:

---

<sup>38</sup> A FRAMEWORK FOR EUROPEAN CROWDFUNDING | Kristof De Buysere, Oliver Gajda, Ronald Kleverlaan, Dan Marom | 2012



**1. Social return**

It is described as the intrinsic satisfaction associated with the realization of the project you contributed to. The feeling is enough of a reward in itself. This is the core of donation-based crowdfunding and of charities, in particular.

**2. Material return**

Generally, this refers to the crowdfunding campaign itself, which backers want to see realized in return for their contribution. This is the core of reward-based crowdfunding, with rewards driving the operation. In such a case, crowdfunding operates as a sort of pre-sale, offering advantageous terms of purchase. There is never a direct correspondence between the donation and the real economic value of the product/service, since part of the added value comes from immaterial aspects of the experience (as with special editions).

**3. Financial return**

It refers to lending-based crowdfunding, as well as to social lending and equity-based crowdfunding that imply a financial return on investment.

When impossible, combining different typologies of rewards and returns can help enhance a project's appeal.

## CHAPTER 14

# Preparing your campaign

### Principles: the value of coherence and its practical outcomes

Coherence is the basic principle of crowdfunding. This rule underlies the main tenets of crowdfunding:

#### a. Coherence as transparency

The relationship between contributions and outcomes must be clearly outlined. The project's budget must be plausible and all expenses listed, to help backers to check that it is coherent with the campaign's goal. The success of most campaigns is due to their transparency. In some cases, such as creative activities and travels, the proponents must state explicitly that part of the budget will go to support them and that this will not compromise the outcomes of the campaign. Let us not forget that, in view of the **earmark** established with backers, collected funds will be entirely devoted to the campaign.

#### b. Coherence as credibility

Reputation is often a proponent's best asset, being his/her skills a guarantee for those supporting his/her efforts. An appropriate background – with reference to the same sector for which the proponent is fundraising – may involve the ability to use the necessary technical means. Alongside the competences, personal motivation also plays an important role, which often makes up for the lack of specific training. Important is also the perception about the general preparation and amount of information acquired by the project's proponents.

#### c. Coherence as functionality

Crowdfunding is not just a commercial operation. Expectations are much higher, as well as the attention dedicated to it. The functionality of means and goals is of outmost importance. Accordingly, the best modalities to achieve one's goal must be carefully chosen.

This implies, among other things:

- picking the best **platform** to set up your campaign, according to the available services, vocation (sectorial or not), commission fees, promotional power, and viral circulation of hosted projects;
- choosing the best crowdfunding model according to the kind of reward you are willing to give; and
- choosing the best **crowdfunding typology** for your idea. Terminology may vary from platform to platform, but the mechanism is the same:
  1. **All or Nothing**: a minimum economic target is set out, assumed to be essential to the realization of the campaign. If the campaign does not reach its goal, backers receive their money back. In such a case, the financial return is carried by the platform at no cost for the proponent or backer, since the donation does not account for an actual transaction, but only for an intention of payment. Nothing prevents a campaign, however, to exceed its financial threshold. In such a case, fundraising does not stop and all exceeding contributions are credited to the proponent at the end of the campaign. This formula ties the realization of the project to its pre-set budget.



2. **Keep it All:** an economic target is set out, but all contributions are immediately credited to the campaign's proponent and will not be handed back if the campaign does not reach its target. This model works for those willing to realize a project, regardless of hitting the financial goal. "Keep it All" welcomes, but does not depend fully, on support to cover part of the costs of realization. Once a contribution is made and credited, the proponent is expected to accomplish his/her goal (including handing out the rewards), putting the project in motion even before the end of the campaign. This inspires potential backers to finance the development of the campaign.
  3. **Fundraising:** given that there is no obligation to state a goal or set a deadline for fundraising, the philosophy is akin to classical fundraising. Contributions are credited in real time and campaigns have no deadline. Such features are fit to support the activities of associations, political parties, institutions, and non-profit organizations, rather than specific projects.
- Choosing the **duration of your campaign:** "All or Nothing" and "Keep it All" campaigns generally last from a minimum of 30 to a maximum of 90 days, to maximize the user's attention and monetize on the communication efforts to reach out to as many backers as possible. Studies indicate that 60% of the donations are made in the days immediately after the launch of a campaign. The initial promotional effort inspires curiosity and interest, as well as contributions from the communities of proximity of a proponent, mainly friends and family.

### The capital sins of the "crowdfunder" <sup>39</sup>

Steinberg and DeMaria's *Crowdfunding bible* lists the most common mistakes made by proponents, that often undermine even the best campaign. The authors provide a sort of chart of such "sins," according to how bad they are:

1. **lack of good reputation or solid brand; weak or undefined identity and/or personality.**  
Potential backers need to trust the competences and qualities of a proponent, his/her production philosophy and vision. Proponents must do their best to let future supporters overcome any scepticism.
2. **Inability to clearly explain the advantages, intrinsic value, and benefits for backers of the project.**  
Many campaigns manage to reach a lot of users, generating impressive traffic; but most of the interactions consist of clarification requests. This is not a positive sign. Rather, it shows that video, title, subtitle, and description of the project, that is its descriptive elements, do not fully and successfully summarize its benefits and advantages for backers.
3. **Inability to express the distinctive features of a project as regards the products, services, and companies already existing on the market.**  
In a crowded marketplace, where similar products and services abound, it is important to stress what makes your project different from the rest. Explaining why your idea satisfies consumers' needs often implies relying on material and immaterial sources that you should carefully choose and be able to evoke.

<sup>39</sup> The Crowdfunding bible - By SCOTT STEINBERG with RUSEL DeMARIA - Edited by JON KIMMICH



**4. Campaign’s inability to generate awareness and mobilize potential backers.**

Even the best structured campaigns may fail to mobilize the public’s attention. In such a case, it is important to know how to plan a good marketing strategy. This requires not only including traditional media and the web, but also stipulating partnerships and attending public meetings ad hoc events where the proponent might get in touch with potential backers and supporters. The following sections will provide an in-depth discussion of marketing strategies and tools.

**5. Setting excessively high financial goals.**

This is especially true for “All or Nothing” and “Keep it All” campaigns.

How does “a lot” become “too much”? It is hard to give a general answer, considering that the financial amount needed to launch a project might actually be high. The answer takes into consideration psychological and quantitative elements.

On the psychological side, a high financial goal (even for a complex project) can generate distrust: backers can see it as unreachable and lose interest. Generally, proponents should keep their goal as low as possible. Reaching the goal can inspire others to emulate and contribute to a project, pushing the collected amount even beyond the minimum threshold.

On the quantitative side, proponents should make a realistic projection of the number of users they are willing to reach with promotion. They should also set out a financial plan relying on the number of friends and family that will initially support their campaign.

## CHAPTER 15

# Managing the campaign: *crowdtiquette* and accuracy

### The pre-launch

A good campaign begins before its launch on the web. In order to create expectation and inform the public about the imminent fundraising, it is advisable to warn potential backers in advance with some sort of pre-launch activities.

A stratified and steady flow of information, disclosed in advance of the campaign's start, is consistent with crowdfunding's strategy, which aims at attracting the attention of users, rather than simply surprising them. While working on your campaign, you should:

- gather your team and clearly explain to them the added value and distinctive traits of your idea. The best thing to do is prepare a point-to-point list of features that anybody can make use of, in order to avoid misunderstandings;
- draft a report stating when your campaign is due to begin, what platform you chose and add a direct link for donations;
- set up an online or offline event to announce the start of the campaign: it can be a party, a press conference, or any other occasion to make contact with potential backers and supporters.

The pre-launch phase creates a sort of preview of the actual campaign. Offering interested users a chance to support your project from the very beginning adds positive value to it.

### During the campaign: presence and interaction

When managing a campaign, you should always conform to some general rules of behaviour – a “**crowdtiquette**,” which is no less than a portmanteau based on the best known rules of netiquette):

- you must earn the attention of the public and satisfy the needs of users. Good manners should come before strategy;
- you should always be available: there are no stupid or inappropriate questions. Any input from users is welcome and should be taken as a chance to build a long-lasting relationship;
- to be thorough means to be elastic: when you are asked to re-explain something, make sure to change the way you do it so as not to simply rehearse what you just said;
- do not take too long to answer a question: the time you take to do it indicates the level of attention, presence, and affability you are putting in your campaign;
- to be available on the communication channels you chose for your campaign is a way to open to users;
- it is counterproductive to flood your supporters with news: make sure to keep them informed on the evolution of your campaign, but avoid taking advantage of communication to give them unnecessary or redundant information; and
- campaign managers should know how to moderate: the interactive nature of the web inspires debates and discussions. Those in charge of communication should know how to manage them, making sure that everybody respects crowdtiquette.



The crowd is not a mass, but a collectivity of individuals that you must respect at all times.

### After the end: accuracy and respect

Crowdfunding's last phase takes place after the end of the campaign. Regardless of whether you reached your financial goal or not, you should not forget to respect crowdtiquette, since this phase is just as important as the previous ones. The advice works for "All or Nothing" campaigns, as much as for "Keep it All" and "Fundraising" ones.

- **If the campaign failed to reach its goal:**
  - a. make sure to thank all backers, since they may be the supporters of future projects. It is best to thank them one by one with a personal message.
  - b. Ask backers if they would like to be updated on possible, further developments of your project, or any other of your initiatives.
  
- **If the campaign reached its goal:**
  - a. you must always thank your backers, regardless of the rewards you will hand out;
  - b. keep a database of your backers: it will be easier to hand the rewards;
  - c. respect your deadlines. In case of delays, make sure to update your supporters about what caused them;
  - d. always update your project's website, asking supporters and backers for feedback and posting it online. You will leave a material proof of your initiative and improve your reputation and credibility;
  - e. pick a communication channel to stay in touch with your fans and strengthen their sense of community.

In any case, a crowdfunding campaign ends only when the rewards have been handed to all backers and you have realized what you set out to do.

## CHAPTER 16

# Using your tools

## The structure of the pitch

### Portmanteau for crowdfunders

As the presentation of a business project, the “pitch” is yet another application of business language to the context of crowdfunding. The submission of a campaign is in fact structured in such a way, as to highlight some key points without abusing the patience and attention span of the listener.

Let us not forget that the user grants part of his time to focus on the substance of a proposal; so it is best to appease him/her as easily as possible: needless to say any abuse of the patience and tolerance of the public risks compromising the success of your fundraising campaign.

### The essential features of the pitch

The conceptual structure of the pitch reproduces that of a traditional presentation to investors. Once adapted to the web, it should define the following aspects:

- *Project idea*: it should thoroughly define what needs it aims to satisfy and how it proposes to do so.
- *Funding target*: the financial target of a campaign; meaning the economic amount you are willing to raise to fund your project. It helps to identify potential backers.
- *Funding deadline*: it mobilizes attention, indicating a temporal threshold for contributions.
- *Return for backers*: is the key to crowdfunding. As previously stated, at the heart of a campaign is the exchange between user/backer and proponent.

You need to take care of all these aspects to assure the success of your pitch.

### Test the effectiveness of your pitch before posting it online

Before posting your pitch online, a good idea is to set up a sort of focus group, asking friends, relatives, and even acquaintances – better if they are not versed in the project’s topic – to listen to the presentation and answer some questions that may reveal whether the pitch is actually able to:

- deliver its core message;
- be appreciated, meaning if it contains the right elements to let users express a positive opinion on it;
- catch attention and therefore be worth of economic support.

The reactions to this focus group can provide effective feedback on the pitch’s ability to reach different classes of users.

Even in the case of a niche product/service, looking at things from the point of view of the “man on the street” helps to effectively calibrate the message.

### What to ask before going online:

Before taking care of its emotional impact, you should assure that your project is as user-friendly as possible. Ask yourself the following questions:

- a. Is the focus group able to describe the goals of the campaign? A good presentation should enable anybody to sum up the general idea, even if not its technical details.
- b. Has the focus group grasped the value of your idea and what solutions it offers?
- c. Who does the group identify as the campaign’s target public? The perception of the group helps to establish whether the language and tone you adopted express the image you devised for the campaign.



- d. If the group members believe to belong to the target public, would they pay to support the campaign? What made them react positively or negatively?
- e. What elements and information determined their reaction?
- f. When did they grasp that the pitch was asking something of them?
- g. Do they know what they will get in exchange for the donation?

Once you are done with this, take note of some general rules for structuring the campaign, taking the best advantage of the potential, limitations, and functions of the online tools at your disposal. From now on, you will have to focus on the web presentation and the tools available on the platforms.

### The three golden rules of a crowdfunding campaign

Successful crowdfunding campaigns follow three mail rules. They refer to:

- 1) **Content:** it is essential to be able to communicate and understand the value generated by the project. But how? The result value can be described in relation to two parameters:
  - Benefit: what is the use of your idea? What problem does it set out to solve? For whom is it worth.
  - Inventiveness and newness: what makes your idea stand out? How is it different from other products/services on the market?Make sure to let the innovative aspects of your project emerge.
- 2) **Form:** each tool of your web presentation, video, business card, description, should communicate the essential feature of your project, meaning what makes it different and interesting to users. The emphasis on the autonomy of each support is essential, since links let users focus on single aspects without having to scan through the whole platform to find them.
- 3) **Methodology:** in order to learn how to realize an effective campaign you should take a look at successful examples. Analyzing the best practices of similar projects helps you to save time and work.

### The front: title, subtitle, and video for “love at first sight”

To involve users in your fundraising initiative, you should carefully attend to its every phase. Each of them is measured on the public’s reactions and attention level, based on an evaluation of the narrative space at your disposal.

Basically, the first phase, which we will name “love at first sight,” must immediately grab the attention and interest of the user. To this end, it is of the outmost importance to focus on the project’s presentation.

The front tools of a crowdfunding campaign are:

#### 1) Business card: title, subtitle, and graphics

The campaign’s business card, as the platforms often call it, is composed of three elements. They are available for the user in the preview widget of most websites, which is the vertical box of presentation listing all the campaigns. Here are some basic rules:

- **Title and subtitle:** they summarize the substance of your project in minimum space.
  - Cryptic or vague formulas do not help users to understand your message.



- If you want to use the name of your product/service or company in the title, with the help of other evocative terms, state your aim in the subtitle. Since you are not promoting a well-known brand, make sure to get your message through as clearly as possible.
- It is best to use the subtitle to specify what you are asking, using verbs like “support” and “fund.” Exportable widgets will also help users to immediately understand you are promoting a fundraising campaign.
- **Graphics:** take good care of the visual aspect of your campaign. The first thing you should focus on is the image appearing in the box window, which warrants:
  - high resolution: pixelated images suggest a lack of care;
  - clear subject. Given the little space at your disposal, you should avoid choosing articulated or confused pictures.

Other graphic elements like the header and the images to add to text let you be more creative, as long as they are in high resolution.

## 2) Trailer: the pitch video

The pitch video is another means by which users can “bump” into the crowdfunding campaign and spread the word about it regardless of the platform. It is also an element that often undermines the confidence of proponents, given that the majority of them are not professional directors. This can be a barrier to those who want to approach the universe of microfinance. Of course, nothing prevents competent proponents to realize artistic videos; but it is good to keep in mind that the goals of a pitch video for crowdfunding are to inform and motivate. Logic has precedence over emotionality, at least at this early stage. A pitch video for a crowdfunding campaign must answer the golden rules reported below.

### Tools and technical details

It is essential that your pitch video be in high resolution and good audio. Nowadays, even basic devices like smartphones guarantee a decent quality standard of images. Generally, you can work with any digital device that shoots in High Definition. Make sure that the audio is equally acceptable. The basic features of a pitch video for crowdfunding are:

- non-pixelated images;
- good lighting;
- clear, echoless audio track. In this respect, carefully consider whether to shoot outdoors.

### Video preparation

A pitch video for crowdfunding should last from 1 to 3 minutes, considering the user’s average attention span online.

Once the duration is established, focus on the video structure. Imagine it as a kind of screenplay for specific needs. The preliminary steps to realize an effective pitch video are:

- picking a **format**. Unless you have editing skills, it is best to go for a personal message and speak directly to your public. Slideshows or promotional videos are, on the contrary, not the best choice. The video should focus explicitly on raising funds for your campaign;
- making a **list** of what to say and of the best way to engage users. Keep in mind that you should inform first and excite later;
- choosing a style in line with your project and personality. It can be formal, informal, playful, or serious. A good idea is to adapt it to the speaker’s identity and to capitalize on his/her spontaneity.
- Choose whether to add **photographs, video sequences, text, or graphics** to the pitch video. Just do it if you can keep a high quality standard.

### The structure and contents of the video

The script of the video should include:

- An engaging beginning: the video should mobilize the attention of users in no less than 10-20 seconds, stating its aim, added value and introducing the campaign's proponent. The order of such information varies according to the author's popularity. Well-known authors can take advantage of their established credibility to guarantee for the project; less known ones will rather focus on the evocative power of the idea.
- The history: providing a look into the birth and evolution of the idea, with reference to the proponent's personal motivation, will generate empathy and engagement. It will provide the rational and emotive drive to continue watching the video. It is essential to stick to two or three key points, as if they were highlights.
- The value: explain the added value of your idea. It is best to show a functioning prototype or a good representation (such as a render, or an image) of the object of the campaign.
- The rewards: you should always mention the rewards. Do not list them all, just give users an overall idea of the kinds of return you are promising them.
- The call to action: although this is the core of the presentation, most proponents miss or overlook it. It is not enough to end the video with a thank you: you must clearly ask for help, state the time range of your initiative and the name of the platform to donate. It can happen that someone is watching your video on YouTube or a social network, rather than from your fundraising website of choice.

### The background: description and team

Once you catch the user's attention, make sure to provide him/her with the detailed and exhaustive content needed to build a long-lasting relationship and prompt a donation.

Here is a "behind the scene" look on how to describe the project, team and proponent(s) profiles, the same advice is offered, in different forms by every platform.

This is where you tell the story of your campaign and persuade users, with rational and emotional means, to give financial support to it.

#### 1) The description

The available space is theoretically unlimited, with an option to include pictures, additional videos, text files like pdfs, etc. Take advantage of this chance to lead users to take a deeper interest in your project, but do not abuse it. In particular, it is good to comply to some general rules regarding the form and content of exposure.

#### Formal requirements

- Simple language: always stick to a simple language and avoid technicalities, especially when describing the value of your project, to assure that your message gets to as many users as possible. If you want to offer detailed technical information, provide links or refer the audience to external documents.
- Avoid visual redundancy: reading habits and attention change according to the platform. To best exploit the power of the web, avoid creating "word walls" and long blocks of text. Use subsections, subtitles, and add images and videos to keep up the user's attention.

#### Types of contents

With regards to contents, let us go back to what was said about turning your idea in an actual project. Create a hierarchy of priorities, establishing what issues take precedence.



- Outcome and value: this is what should take priority and be as detailed as possible. State the aim of your fundraising project.
- Goal: indicate the context and general philosophy of the project. This is especially true for social campaigns.
- Context: explain the value of the campaign in relation to actual events, using examples from everyday life.
- Personal motivation: this is the empathic element that strengthens your relationship with users. Personal anecdotes about how you came up with the original idea may help your audience to feel closer to you.

## 2) The team

Focus only on the competences of team members that contribute to the creation and realization of the campaign. Make sure to describe:

- Education: academic and work experiences that evidence the intellectual history and contribution of the team member to the campaign;
- Professional skills;
- Specific skills: list the studies and researches carried out in the months and years preceding the start of the campaign.

## The *core*: rewards and financial target to motivate users

Beyond donation and investment, crowdfunding is about the return users receive for contributing to a campaign.

It is important to quantify and make the transaction and connected return worthwhile. Each platform dedicates a reward, or shopping list section to this form of exchange.

### 1) Rewards

The psychological function of the rewards is to:

- remember users that the campaign produces value;
- balance the relationship between backers and proponents;
- evoke the idea of scarcity, so as to motivate users to contribute.

### Features of the rewards

Rewards should be chosen and listed according to general, basic criteria. They must be:

- Coherent: sticking to the campaign's philosophy, goal and outcomes. In such a way the user will get a better idea of the context of the initiative;
- Fair: even if they are worth less than the amount of money actually given to the campaign, the rewards should always have a fair corresponding value; and
- Varied: since all users must be able to contribute with as much as they can, it is best to set out multiple classes of rewards according to the amount of money that has been given. The backers' profile published in NESTA's report suggests to create four classes of rewards:
  - *Least Expensive*: the first class addresses those who donate as little as 1 to 5 euros. These users do not have big expectations on the rewards, but would like to be updated on the campaign. They make up a small part of the potential audience of a project;



- *The Focal Point*: it comprises users that regard the material outcome of the campaign (the finished product) as the return for their donation. It brings together the majority of backers, meaning those willing to get the product at a reduced cost;
- *Extras*: users belonging to this class expect to get something special in return of their contribution, such as some sort of benefit, a gadget, or a personalized version of the final product;
- *Most Expensive*: these are the most aggressive and enthusiastic backers, who will pay anything to get what was promised them.

### **Types of rewards**

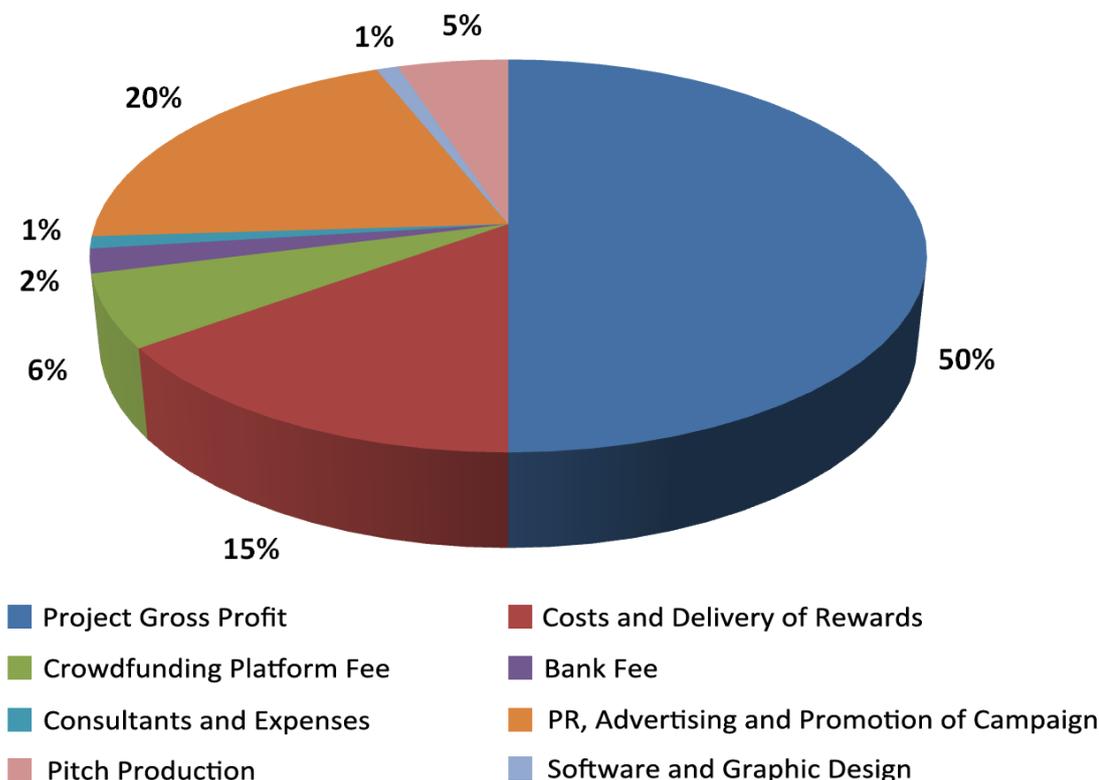
The nature of the project and user expectations suggest the types of rewards to offer. Here is a tentative list of the types of rewards you could provide. Usually, each class reports the rewards listed in the previous ones.

- The product for which you are fundraising;
- a personalized version of the same product, such as a limited edition, a pre-sale, a less expensive or discounted version, etc.;
- merchandising and gadgets: pins, stickers, t-shirts, shoppers, caps, posters;
- items documenting the history of the project; such as backstage, books, photographs, videos;
- the chance to have a say in the campaign or take active part in it. This usually happens with creative projects and takes the form of traditional sponsorship. Especially generous offers can entitle backers to become directly involved, contributing to the communication and management of the project;
- personalized experiences that might include attending private parties or meetings with the creative team.

### **2) The shopping list and financial target**

The budget of a crowdfunding initiative should be studied in detail. The sum of the costs determines the financial target (with “All or Nothing” and “Keep It All” campaigns). Many proponents set as low a target as possible, in order to reach it more easily and stimulate further contributions. However, keep in mind to list:

- all expenses connected to good and service supplies;
- the expenses incurred by the proponent and team members. In some cases, however, it could be better not to list them, showing your audience that the team is willing to invest in the campaign in the first person. The challenge is to meet these costs with potential, extra funds raised with the campaign;
- the expenses of setting up an office and/or creating a website;
- costs of manufacturing the product you are fundraising for;
- promotional and marketing expenses;
- potential bureaucratic expenses, like registering a licence or patent;
- the expenses connected with shipping out the rewards;
- bank fees and commissions.



### The strategy for campaigns that exceed their financial target

When you set out a financial target for your campaign, you should keep in mind there never is a maximum threshold for raising funds.

As a general rule, crowdfunders should be ready to face not only the hardest and most difficult situations; but also to welcome success and know how to capitalize on the positive drive of a campaign that exceeds your expectations.

Some pre-emptive measures to adopt in such an event are:

- have some announcements ready, in case the campaign raises more funds than expected: the announcements should reflect the positive growth of the initiative;
- have extra rewards ready if and when the campaign exceeds its target;
- while the campaign is still ongoing, and as part of your marketing efforts, write an announcement to spread the news that you hit the target; and ask for continuous donations to keep growing.

### In real time: blog and social media for constant updates

#### Blog, newsletter, social media

If interaction is the key to crowdfunding, it is essential to launch a blog to update users on the work in progress, as well as use social networks and newsletters. Contents should include:

- updates on the project's development and progress;
- tales from the backstage, including anecdotes on the team members;
- the campaign's milestones, such as important as meetings, public events, and press releases;
- videos and interviews with your testimonials;
- news from the field of reference of your campaign.



Since respecting the deadlines and keeping users constantly updated on your project is a hard job, you should:

- set out a schedule for the updates (daily, weekly, monthly);
- create a template for emails, newsletters, and posts on social media;
- realize text, audio, and video messages to release in the course of the campaign announcements of relevant milestones; and incite users to contribute.

## CHAPTER 17

# Marketing and web marketing advice

### Be inspired by successful stories

Successful crowdfunding campaigns are a useful inspiration to structure your strategy and promotional initiatives. In particular, pay attention to:

- what channels were used (online, paper, TV, radio);
- what online channels were used the most (YouTube, Facebook, Twitter);
- what web communities were the most responsive to the campaign (i.e. Facebook pages or groups);
- the creative and informative approach to the product;
- the press release to find out what media best responded to the campaign;
- what kind of reaction marketing initiatives and promotion generated in the public;
- the marketing strategy (paying close attention to how often announcements and news were made and on which channels);
- the language used;
- the recruitment of famous personalities and which ones were chosen as testimonials of the campaign and its product(s).

### Create a social ecosystem for your campaign

The campaign's *call to action* must reach as many digital and physical locations as possible. Users should constantly be invited to donate and spread the word about your project. Make sure to give them as many web references as possible to navigate the campaign in an organic and continuous way. The social ecosystem includes:

- a landing page containing all useful information on the crowdfunding campaign. This is the heart of your strategy and you should make sure to let all relevant information be found here;
- a website reporting the previous activities of the team and proponent (if pertinent);
- a LinkedIn profile listing the individual skills of each team members;
- a YouTube account with videos about the campaign;
- a Twitter account to update as frequently as possible;
- a Facebook profile, better if it is a fanpage to aggregate as many users as possible;
- a Google+ profile.

While the landing page, the YouTube channel and at least one account on a social media platform are mandatory, the rest of the entries are optional. It is advisable to stick only to the channels you are familiar with, to guarantee effective and continuous updates. In order to create a real ecosystem, each of the channels should make explicit reference to the campaign and its aims.

Some platforms, like Kickstarter and DeRev, allow users to embed a widget (a box containing dynamic updates on the campaign's development) on external web pages (like blogs, website, and social networks) and export their crowdfunding initiative. For platforms that do not provide a widget, a direct link, connected with an explicit call to action, will do.



## Choose the right words

It is essential to use the right words in choosing the title of your campaign and describing it. The same applies to videos and images.

Search engines provide results according to algorithms that analyze keywords, among the other things. Web marketing's Search Engine Optimization (SEO) optimizes search results according to terms and other parameters to enhance the visibility of contents on search engines.

It is advisable to employ keywords that have a strong connection to your campaign, especially in the title, subtitle, and description.

## Don't be ashamed! Ask, ask, ask

Along with a straightforward call to action, it is essential to keep spreading the word about the campaign:

- at any public event when you are allowed to give a speech;
- with friends, family and acquaintances;
- in media interviews;
- on available web channels.

The principle is that, if you think your project deserves to be supported, you should never be ashamed to ask for help. Well-done crowdfunding knows no shame.

## Where to find your backers

According to Melinda Emerson, an expert of small business also known as *SmallBizLady*, **friendraise first**, meaning raising funds from acquaintances and the people close to you, is a winning strategy for crowdfunding (which, in fact, can be regarded as a form of small business).

- Mobilizing friends, family and acquaintances is a way to take advantage of your relational network.
- The persons who are closer to the proponent are, theoretically, also the ones who have the greatest trust in him/her;
- the first backers can motivate other users to take note of the campaign and support it, financially and otherwise.

Accordingly, Seedr, a platform for start-up investment authorized by the Financial Conduct Authority, published a **report on crowdfunding** contending that the campaigns that raise at least 35% of the total amount from friends and family usually reach their financial target. It names such an effect *Crowdfunding Momentum*.

## Bibliography

- Agrawal, A., Catalini, C., Goldfarb, A., 2010. The Geography of Crowdfunding. SSRN Electronic Journal.
- Anderson, C., 2007. La coda lunga. Da un mercato di massa a una massa di mercati.
- Baeck, P., and Collins, L., May 2013. Working the crowd: A short guide to crowdfunding And how it can work for you – NESTA.
- Belleflamme, P., Lambert, T., Schwienbacher, A., 2012. Crowdfunding: Tapping the Right Crowd. SSRN eLibrary.
- Burke, P. J., and Stets, J., 2009. Identity Theory. Oxford Press.
- Cabral, L., 2012. Reputation on the Internet, in: Peitz, M., Waldfoege, J. (eds.), The Oxford Handbook of the Digital Economy. Oxford University Press.
- Cheal, D. J., 1988. The Gift Economy.
- Consequences of Investment Patterns in Crowd-Funded Markets. SSRN Electronic Journal.
- Davies, J., March 2013. The Qualified Self. The Society Pages.
- De Buyser, K., Gajda, O., Kleverlaan, R. and Marom, D., 2012. Framework for European Crowdfunding.
- European Banking Federation, June 2013. **The Commission Green Paper on the Long-term Financing of the European Economy: the European Banking Federation response.**
- European Commission, February 2013. Guide to Social Innovation.
- European Crowdfunding Network in association with Osborne Clarke, June 2013. Regulation of Crowdfunding in Germany, the UK, Spain and Italy and the Impact of the European Single Market.
- Fehr, E. and Gächter, S., 2000. Fairness and Retaliation: The Economics of Reciprocity. Journal of Economic Perspectives.
- Franke, N., Shah, S., 2003. How communities support innovative activities: an exploration of assistance and sharing among end-users. Research Policy.
- Klaes, M., Wilkinson, N., 2012. An Introduction to Behavioral Economics.
- Lawton, K. and Marom, D., 2010. The Crowdfunding Revolution.
- Gregory, C., 1982. Gifts and Commodities.
- NESTA, CAFE & Design Council, May 2011. Compendium for the civic economy.
- Pine, J. and Gilmore, J., 1999. The Experience Economy.
- Massolution, May 2012. CROWDFUNDING INDUSTRY REPORT- Market Trends, Composition and Crowdfunding Platforms.
- Hippel, E. von, 2013. Open User Innovation, in: Soegaard, Mads and Dam, Rikke Friis (eds.), The Encyclopedia of Human-Computer Interaction, 2nd Ed. The Interaction Design Foundation. Available online at [www.interaction-design.org/encyclopedia/open\\_user\\_innovation.html](http://www.interaction-design.org/encyclopedia/open_user_innovation.html)
- Kuppuswamy, V., Bayus, B.L., 2013. Crowdfunding Creative Ideas: The Dynamics of Project Backers in Kickstarter. SSRN Electronic Journal.
- Lin, M., Viswanathan, S., 2013. Home Bias in Online Investments: An Empirical Study of an Online Crowd Funding Market. papers.ssrn.com.
- Poetz, M., Schreier, M., 2012. The value of crowdsourcing: can users really compete with professionals in generating new product ideas? Journal of Product Innovation Management.
- Rice, M., 2002. Co-production of business assistance in business incubators: an exploratory study. Journal of Business Venturing.



- Röhler, D., and Wenzlaff, K., September 2011. Crowdfunding Schemes in Europe - EENC Report.
- Schwienbacher, A., Larralde, B., 2010. Crowdfunding of Small Entrepreneurial Ventures. SSRN Electronic Journal.
- Von Hippel, E., 2005. Democratizing innovation. the MIT Press.
- Zimmerman M. A., 1999. Empowerment e partecipazione della comunità. Un'analisi per il prossimo millennio. «Animazione Sociale». Vol. 2. 10-24.
- Zimmerman, M., Zeitz, G., 2002. Beyond survival: Achieving new venture growth by building legitimacy. Academy of Management Review.

## Contacts



**WEB:** [www.derev.com](http://www.derev.com)

**E-MAIL:** [contact@derev.com](mailto:contact@derev.com)

**FACEBOOK:** [facebook.com/about.DeRev](https://facebook.com/about.DeRev)

**TWITTER:** [twitter.com/DeRevOfficial](https://twitter.com/DeRevOfficial)

**GOOGLE+** [plus.google.com/101536156380496051091](https://plus.google.com/101536156380496051091)

### DeRev S.r.l.

via Alessandro Scarlatti, 67  
80129 Napoli (NA) – Italy

*(Photo: David Vela)*