The Future of Crowdfunding for CDFI’s

Paul Dombowsky
Overview

- Who am I?
- What are Crowdfunding and Crowdsourcing?
- Who is this CROWD?
- Types of Crowdfunding
- Crowdfunding Worldwide
- Why? What’s changed in funding small business, etc.
- Motivators for seeking funds / funding projects
- Social Enterprise
- What do you need to crowdfund?
- Benefits and Challenges
- Examples
- Crowdfunding and Crowdsourcing Opportunities for You
- Resources
This presenter uses crowdfunding / crowdsourcing
Not crowd funding / crowd sourcing
Who Am I?

Paul Dombowsky

- Founder and CEO of Ideavibes – 1.5-year-old start-up
  - We help organizations engage their crowd to make change happen through engagement, ideas or funding worthy projects. We help organizations explore crowdsourcing and crowdfunding and assist them in launching initiatives (Scouts Canada, Mexico City, Transport Canada, TELUS, etc.)
  - We also like to think we help organizations hear from those that don’t always get a chance to be heard.
- Founder of Fundchange – Canada’s first crowdfunding site for charities
- Developed of 2 iPhone/iPad apps
  - Heartache App
  - Coach on the Go – Hockey
What is Crowdfunding?

So many definitions ...

According to Wikipedia – crowdfunding describes the collective cooperation, attention and trust by people who network and pool their money and other resources together, usually via the Internet, to support efforts initiated by other people or organizations. Crowdfunding occurs for any variety of purposes,[1] from disaster relief to citizen journalism to artists seeking support from fans, to political campaigns, to funding a startup company, movie [2] or small business[3] or creating free software.

Crowdfunding is a type of crowdsourcing.
**So what is Crowdsourcing?**

**Defined**
An engagement process whereby organizations seek input from either open or closed communities of people, either homogenous or not, to contribute ideas, solutions, or support in an open process whereby the elements of creativity, competition and campaigning are reinforced through social media to come up with more powerful ideas or solutions than could be obtained through other means.

**Why Bother?**
Organizations have a difficult time engaging with their communities to strengthen their relationship and be citizen/crowd focused. Internal or external, the community has ideas that can be harnessed that come from diverse backgrounds, experiences and education.
Who is this crowd?

The crowd you know
- Citizens
- Prospects
- Customers
- Stakeholders
- Fans

The crowd you don’t know
- Public (global)
- Competitor’s Customers
- Citizens
- Influencers
- Media

Social Media Makes the Connection
Types of Crowdfunding

- Donation Based
- Equity Based (Revenue & profit sharing)
- Lending Based (P2P lending, P2B lending & social lending)
- Reward/Preorder Based

- Donation Based: 49%
- Equity Based: 18%
- Lending Based: 22%
- Reward Based: 11%
Crowdfunding Worldwide

US$1.5BN
2011 –raised through crowdfunding globally

452
04/2012 – Number of Crowdfunding Platforms

Source: Based on Crowdsourcing.org Directory of Sites as of April 2012
Why?

- There was a gap for funding ‘stuff’ and the market filled the need with a new channel
- The gap was for a new way to fund change
  - Innovation
  - Creative endeavors
  - Startups
  - Charities – new channels
- Reflection of the dissatisfaction with current channels for funding
- Control maintained by the creators/founders
- Funders aren’t looking for control – they just want to participate / belong / connect
Mind the Gap – Small Business Funding

- Over the past 17 years, 65% of net new jobs came from small business
- Small business / start-ups used to find funding by tapping into savings, home equity and friends/family
- Savings rates have declined and home equity has been disappearing
- $51b invested in US start-ups in 2010 – accredited investors made up only 19% - majority came from friends and family ($41.6 billion)

Motivations for Seeking Funding

- It's not just about the money but – but that is primary.
- Other motivations:
  - Establish Relationships
  - Validate ideas – endeavors
  - Replicate successful experience of others
  - Expand awareness of work through social media
Motivation to Fund – Not only about the payback

- **Rewards:**
  - early access to music or film
  - First run of a product
- **Supporting people in their social network**
- **Support creators and causes** – personal connection
- **Engage and contribute to a trusting & creative community**
- **Hyper Local Connection** – support endeavors close to where you live
- **Making change happen in your community**
- **Impact outside of local community**
- **Return on investment** (small % of motivating factors)
Social Enterprises and Crowdfunding

- Does your organization type influence how funds are raised?
- What does the open market think about funding social enterprise?
Social Enterprises and Crowdfunding

- What we’re seeing:
  - Number of Platforms focused on crowdfunding social enterprises – US and UK primarily
    - Equity model – Impact Investment
    - Donation model
  - Growth in vertically focused sites
    - Ie. Environmental, women entrepreneurs, etc.
  - Opportunity for localized sites (City based funding site for S/E)
  - Challenges with the pitch – different than asking for donations
  - Sites (US) to check out for social enterprise funding:

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Crowdfunding - What do you need?

- A crowd
- An Idea or Project
  - Business challenge / problem / question you want funded
  - OR
  - Creative endeavor
- A process and tool for engagement
- Trust and commitment in your crowd to take action
- Key performance indicators – what does success look like?
- Proof of action – your crowd wants to see what happened
Benefits & Challenges

• It’s social – the crowd promotes projects it likes
  • It’s social – the crowd won’t promote projects that aren’t shareable
• Success comes to those that actively build a crowd
  • A challenge for organizations new to social media
• It’s the free market at work
  • It’s the free market at work
• Build stickiness to the project
  • Need to pay attention to write-up to inspire funders
  • Video almost a requirement
  • Tell a story
Focused on Charity and Non-Profit Projects

Not ‘all or nothing’ – after 21 days a project can be removed

Costs:
$99 + hst to join includes 2 postings
3.9% processing fee
I.e: Crowdrise – Donation Based
Ie: Impact Trader – Impact Investing

Impact Bonds and Stocks

Goals generate Impact Points

Approach is similar to traditional ‘trading account’

Complex but interesting for more sophisticated funders
Ie: Greenunite – Reward Based

In Partnership with...

Our projects help fund innovative and creative work. Support artists and entrepreneurs who are committed to making a difference. Learn more or start your own project today!

Help Water in the Wells fund prototype development! By: Water is life in Tucson, AZ. We can't build yours until we build the prototypes!

The sun - all the power we need! By: Ricky in Cape Town, Western Cape, South Africa. Solar technology that provides heat, food, and electricity. An ideal way to empower rich or poor.
ie: Rock the Post (US) – Equity/Royalty Based
ie: Kickstarter (US) – Preorder/Reward Based

- Preorder – Reward Based
- 63,000+ projects launched
- $288 million pledged - $238 million paid out
- 3,800 current projects
- 44% have been fully funded
- 7 projects have raised over $1 mil
- Top project $10+ mil – Pebble watch
- Dance and music projects are most successful
- fashion related most likely to flop
- Examples: Open source submarine, commercial spacesuit, doc about working in Antarctica
Crowdfunding Opportunities for Your Organizations

Helping Make Change Happen One Project at a Time

Crowdfunding for Start-ups / Social Enterprises
- Regionally or locally based

Crowdfunding for Community Initiatives
- Regionally or locally based

Centrally run initiative for CDFI’s to post projects – respond to challenges
  - IE Federal sponsored Crowdfunding Site for Community Action

Crowdfunding and Crowdsourcing to make projects happen
- Combination of Funding and Ideas and Expertise
Crowdsourcing Opportunities for Your Organizations

Innovation from your Crowd

- Solve problems by getting input from your crowd
  - Internal and External Crowd

- Drive innovation by supporting ‘Ideas that Matter’
  - Improve programs and processes

- Build success stories and support partnerships
  - Develop culture of innovation and making things happen

- Crowdsourcing as part of your citizen engagement strategy
  - Coupled with increased social media activity to enhance exposure and create new opportunities
Resources

- “Crowdsourcing” – book by Jeff Howe
- Crowdsourcing.org – Industry website
- blog.ideavibes.com
- Massoluton’s Crowdfunding Industry Report – April 2012
- “Crowdfunding: Why People Are Motivated to Post and Fund Projects on Crowdfunding Platforms” Elizabeth M. Gerber, Julie S. Hui, Pei-Yi Kuo, Northwestern University
Thank you

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