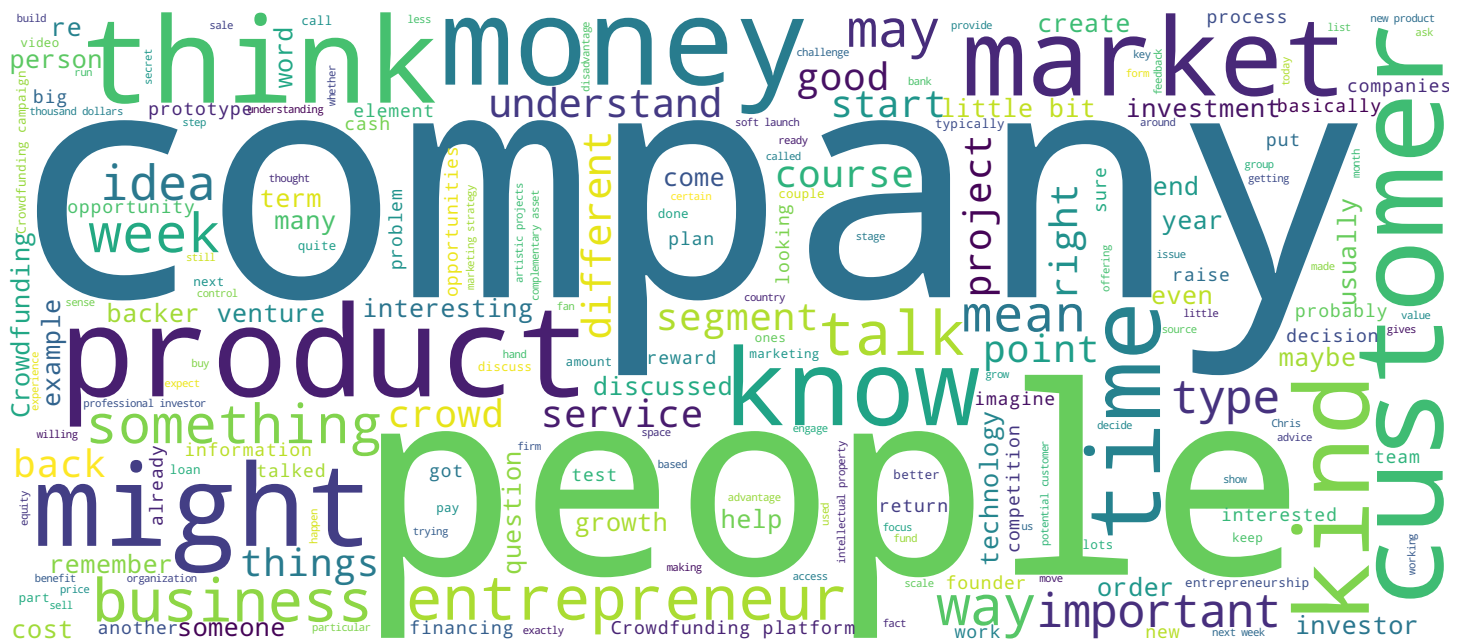


## Prof. Chris Tucci and Prof. Marc Gruber



## Week 3: Entrepreneurial Marketing

### Launching New Ventures: Entrepreneurship & Strategy for Technology-Driven Startups

Prof. Chris Tucci and Prof. Marc Gruber

Welcome back. This is week three entrepreneurial marketing, section 3.5, Crowdfunding, so good to see you again. I'm helping Mark out here a little bit today and today we're going to talk about Crowdfunding. What it is and what you can expect to see in a Crowdfunding campaign? Today we're going to focus more on the mechanics of Crowdfunding whereas next week, in week four, we're going to discuss more of the financial implications of Crowdfunding and I don't know if you notice anything different about me today but if you watch this video and next week's 4.5, at the end of that video I'm gonna tell you a secret so stay tuned for that. So Crowdfunding is a mechanism for an entrepreneur, whom you see here in the figure, to engage with a crowd and we will discuss in a few minutes what we mean by the crowd, who's in this crowd exactly and normally the entrepreneur interacts with the crowd via a Crowdfunding web platform, some kind of internet platform or mobile platform for engaging with the crowd. Now what is the entrepreneur give the crowd? The entrepreneur gives the crowd information about the project. So what kind of project is it?

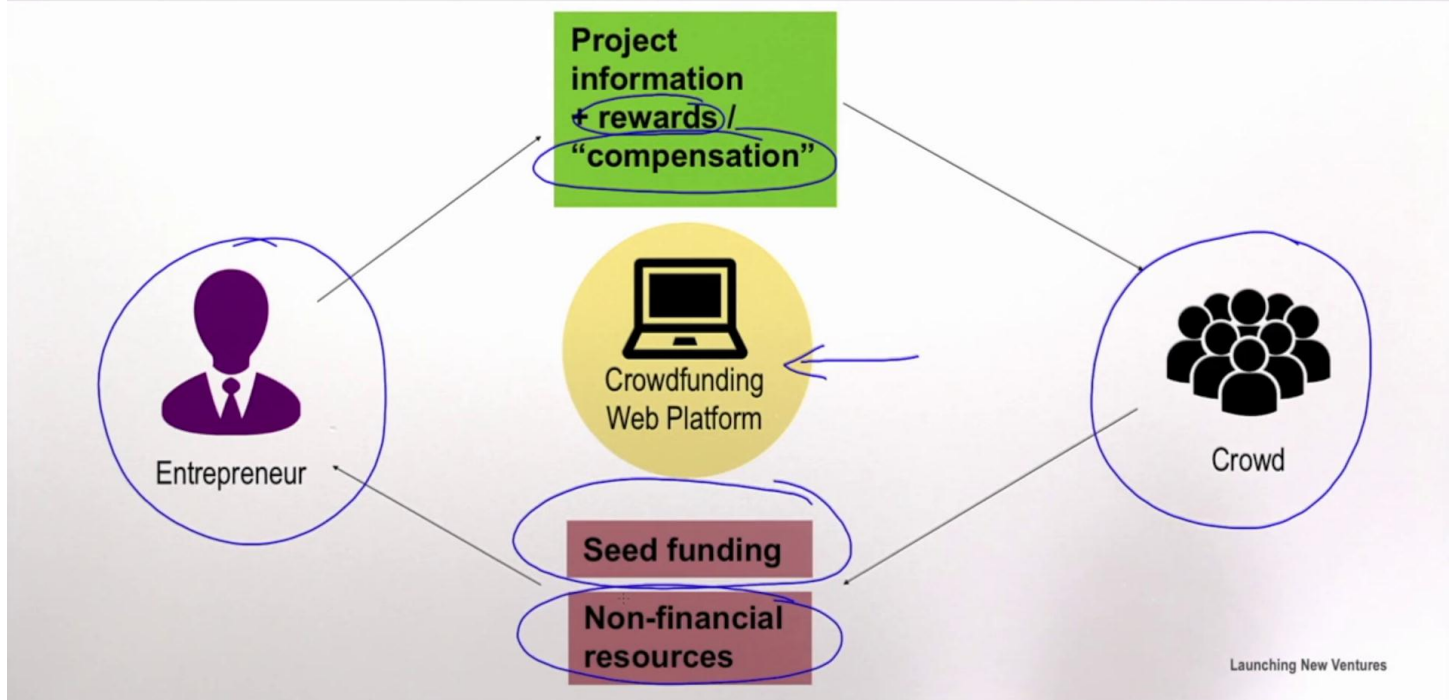
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Summary



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# What is crowdfunding?



Then the entrepreneur also spells out what the backer or what the person in the crowd which we sometimes called the backer, would get back from the project? So what kinds of rewards would be available? What kind of compensation would be given, if any? And what is the backer going to get in return in other words? And then the backer turns around if they are convinced by the project information in whatever form, the crowd members would then turn around and give something to the entrepreneur and that could include Seed funding, so that's very important, that's what we call it Crowd funding because there's a financial aspect to the crowd, or indeed non-financial resources, which could be the form of advice, behavior; we can watch and see what the crowd does and how they interact, or other kinds of non-financial resources.

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1m 42s

## Crowdfunding: Part I

Launching New Ventures: Entrepreneurship & Strategy for Technology-Driven Startups

Prof. Chris Tucci and Prof. Marc Gruber

Okay. Let's talk a little bit now about Crowdfunding for new ventures and why it might be interesting for you to consider raising some money through a Crowdfunding platform. The first point is that you can test and validate your market so you're really going to put something out there, you've got your idea, your product, your service and you're going to tell everybody about it and you're going to be able to see how people react to it. The people call it a test or a validation and you're also going to see how investors or backers work and think about your product. They may give you some comments and you may also see whether they're very interested in funding your product or maybe not at all, which gives you some important signals. Then you're going to be able to build a list of backers because these investors which we also call backers, are going to be making some donations or some kind of support for you and you're going to be able to use the platform to develop a list that you could then use to build relationships with your backers and amongst those backers maybe new customers and so it's a way for you to discover and engage with these new customers. It's also a chance for you to build brand recognition.

Notes

Summary



## Crowdfunding: Part I

Launching New Ventures: Entrepreneurship & Strategy for Technology-Driven Startups

Prof. Chris Tucci and Prof. Marc Gruber

Get your brand out there and you can definitely get some follow-up after a soft launch. What's a soft launch mean? A soft launch means that you are going to test the market quietly without making a very very big launch, so we call it a soft launch. It gives you a way to do some follow-up and get some ideas and get your brand out there in a soft launch before you do a major launch and finally, it's a way for you to boost growth because if you have a new product or maybe a bump up of a current product, you can offer some kind of discounts and you can get some customers right away and that allows you to grow your company and get your ideas out in the market. So let's consider a couple examples here for Crowdfunding. A couple famous examples maybe, well maybe one more famous than the other but the first one and there's some links below to some videos that you can watch about these products. So the first one is the Meow Parlour, which was set up in New York City, where people can go to play with cats. Some of the cats have been abandoned or homeless cats and so what they've done is they've put them into a space that people can go and bring coffee into the space and they can play with the cats.

Notes

Summary





I guess the idea is that it could be relaxing for some people, not me personally but I think for some people out there and apparently a large number of people. This is something that they really like this idea. In fact, they raise money on a Crowdfunding platform to be able to launch this service in New York City and apparently it's been the concept was popular in other continents before they brought it to New York City. So Meow Parlour is one example of a Crowdfunding campaign where people gave money to just get the business off the ground. Now if you think about the second example here, The Pebble Watch. This was actually even in 2019; the Pebble Watch was the most popular Crowdfunding campaign of all time so far. Okay they did it on Kickstarter and this indeed was the very first smart watch or at least the first smart watch that was commercialized. It was made for the iPhone and Android to connect with them and their original idea was to raise, you know, a hundred thousand dollars or something like that on Kickstarter which was a big platform for the prototypes and for launching Artistic projects.

Notes

Summary



0m 08s





## Considerable non-financial gains

Crowdfunding platforms are a new **channel**.

- **Test & validate your market**
  - Put your ideas out there
  - Observe investor behavior
- **Build a list of "backers"**
  - Build relationships
  - Discover & engage with new customers
- **Build brand recognition**
  - Exciting follow-up after soft launch
- **Boost growth**
  - Offer discounts on new or current product

### The Pebble Watch

Source:  
Kickstarter.com



Launching New Ventures

We'll talk more about that in week four but the Pebble watch, original idea was to raise a hundred thousand dollars and in the end they raised over 10.2 million dollars from sixty eight thousand almost sixty nine thousand backers. So that is an amazing record. This project was funded in 2012. It took them another several years to commercialize it. Unfortunately, this company did go out of business. Then they sold their intellectual property off to a company, to Fitbit actually. So but it's a great example of how you can get a prototype out there, get people to adopt it and fund your business and sometimes it can exceed even your wildest expectations. Of course, I wouldn't count on getting 10.2 million in any particular Crowdfunding campaign. However, it does show you that there can be serious money raised on Crowdfunding platforms.

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So here are the players in the Crowdfunding ecosystem. First, we have the entrepreneurs. These are the ones we've been talking about the people who would like to launch a new business with a new product or new service. Then we have Makers. Now makers are people who like do-it-yourself type projects, they can have access to 3D printers or build other printed prototyping materials and they would actually do something. They may or may not want to create a company for that but they want to create some new product or service. Those are the makers. There are a lot of Artists on Crowdfunding platforms, the people who need money for artistic projects and in the past you had to find some kind of patron for artistic projects and so it's kind of interesting here that artists now have direct access to the crowd to help fund artistic projects. And of course, you have fans. These could be fans of individual people or some kind of fan of a certain kind of project and so the fans are out there and they are probably more willing than the general public to fund some projects especially from Artists, the famous artists or someone that they, whom they respect.

Notes

Summary



0m 11s





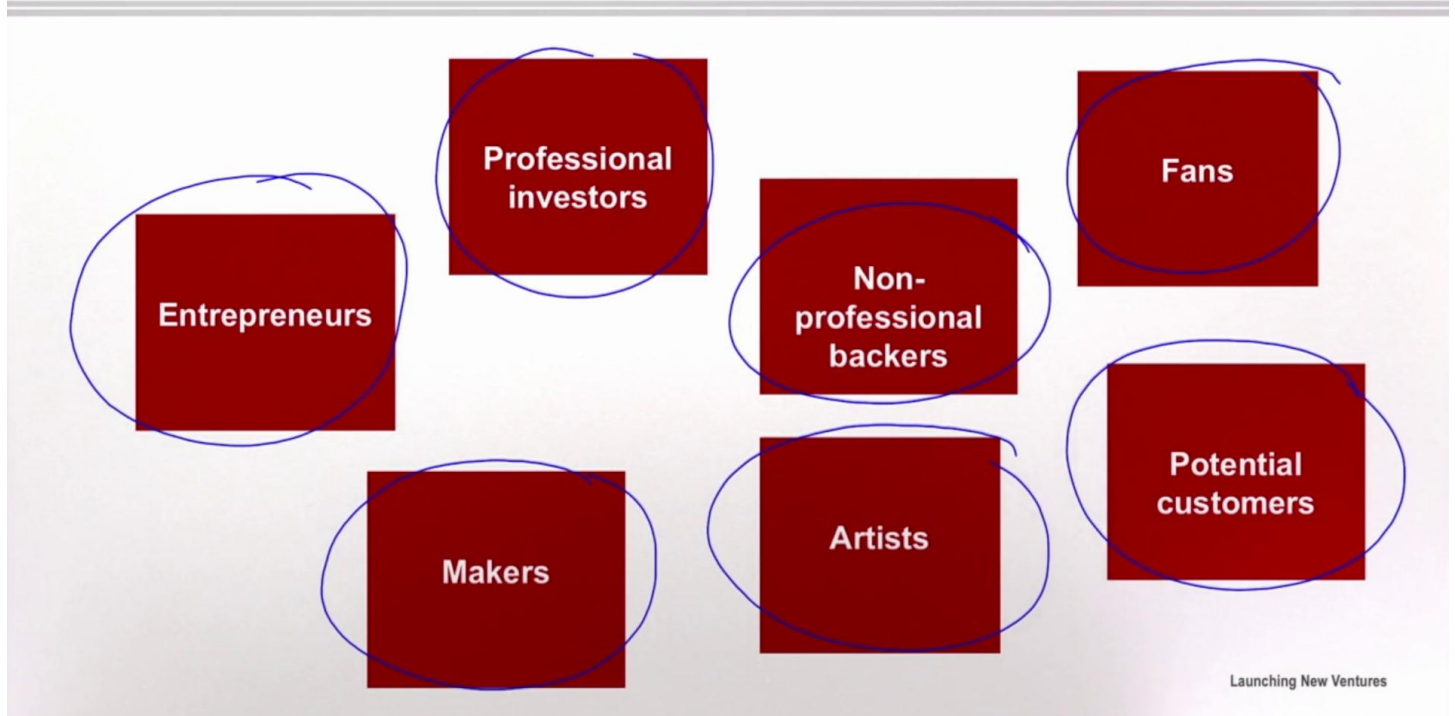
Now in terms of the entrepreneur, there are three other players on this chart who are very very important to the process. The first is the Professional investor. So there indeed, there are professional investors who make investments over Crowdfunding platforms. Professional investors are basically people who invest for a living. Then a much bigger pool of people are the non-professional backers. So these people aren't professional investors yet they are interested perhaps in the returns that they get from the project itself. Some projects are set up as you make a loan to an entrepreneur in developing country, some are set up to be a donation to a worthy cause, some are set up to be rewards. We'll talk more about that in week four and some of them are designed to give out some kind of prototypes. So the non-professional backers are people who are willing to make a financial investment because they're interested in the return that they can get from the entrepreneur from funding the business, same with the professional investors obviously, they're interested in the returns. Now in addition to that and there can be overlaps between these groups.

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Summary



0m 13s



The individual could be in multiple groups here but you have potential customers over here and those potential customers are people who are interested in the product or service itself and they want to use it or they may want to just to get it out there. They want to see it scale up because they think it's so interesting. So here, you know, you might be interested in giving them kind of free access or early access at free, early access to the prototype and those potential customers would be very happy to try it out and also give you feedback on it.

Notes

Summary





Let me give you some practical advice now on your Crowdfunding platform. The first thing is you have to be careful it will take a lot of time. You need to budget your time appropriately and many of the Crowdfunding, the successful projects actually took a lot longer than the original entrepreneurs thought they would, so you really have to imagine that your Crowdfunding is going to take several months and maybe even a year. So don't think that you're going to just create the thing, go up get the Crowdfunding in a week and then start the company the next week. You really have to make sure you plan and you budget for it too because it's going to be some cash outflows during that time. We'll talk about that again in week four. Have a plan, be prepared, try and anticipate various outcomes. In other words, imagine what it might be like if nobody finds this business.

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0m 16s



That'll give you some very key information from the market or you know the normal case where you get some backers and you get some money in and you can you take that money and use it, you get some prototypes out there, people using it, give you feedback and then there's the case which is unlikely I admit but there is the case where you get so many backers that you're just swimming in money and you've run out of all your prototypes to give them and that'll also give you a very good signal that you're onto something very very hot and you need to scale up more quickly perhaps than you that you thought. So you know try and imagine different scenarios here but be realistic in your rewards and be creative. So you can imagine you know having lunch with the founder. That could be interesting for some people. Giving them an advance copy of whatever prototype that you have could be interesting for some people, let them play with it. Establish a relationship so you want to imagine what the rewards are and typically what you do is you'll have a stage series of rewards.

Notes

Summary





- It takes a lot of **time**. Budget appropriately.
- Be prepared. **Have a plan** & try to anticipate various possible outcomes.
- **Be realistic** in your rewards (and also creative!)
- Crowdfunding often works best for teams.

Launching New Ventures

So in other words you will say if you give me, you know, a hundred dollars, you can have lunch with the founder and you know for a thousand dollars, you know you have a very fancy dinner with the founder or whatever, give you a slightly functioning prototype for the low investment and for a higher investment, you know, I'll give you some other bigger rewards. And of course, for an equity Crowdfunding which is also a possibility, you've got to imagine what you're going to be, you know, giving away in terms of equity for the various levels of investment that you have in your company. So you have to imagine. You already have to go through and create a valuation for your company when you have an equity Crowdfunding round because you're going to be actually giving away some ownership shares in your company. Again we'll talk more about that in week four. Finally, last piece of practical advice is Crowdfunding often works best for teams. So that means that you don't want to be typically an individual entrepreneur. Some people have studied this that investors tend to like a whole team, like to see the synergies between the members of the team and also for the publicity, the video that you might make etcetera. It's good to show a team is behind this thing and investors tend to like that better.

Notes

Summary



13m 00s



So relating this back to marketing which is what this whole week is all about, you have to remember that Crowdfunding could be an integral part of your marketing strategy. Now one thing you should remember is that you should probably set up your segmentation first. It's very important because obviously you can't be everything to everyone or you end up being nothing. So you really want to make sure that you define your market segments as we've already discussed and then you decide how you want those segments to be represented in your crowd for your Crowdfunding campaign. And think about that as part of your overall marketing strategy and then how you might have some creative interaction with your customers, get the word out, get your brand name known, see how they use and how attracted they are to your products and you have to remember there's going to be some production, some distribution challenges. You have to be ready for those. Nothing kills a reputation faster than, you know, non-delivery of a Crowdfunded prototype. Right, so you say, oh, you know, give me ten thousand dollars, I'll give you a working Prototype. It'll ship, you know, within a couple of weeks and then you don't ship it because it's not ready.

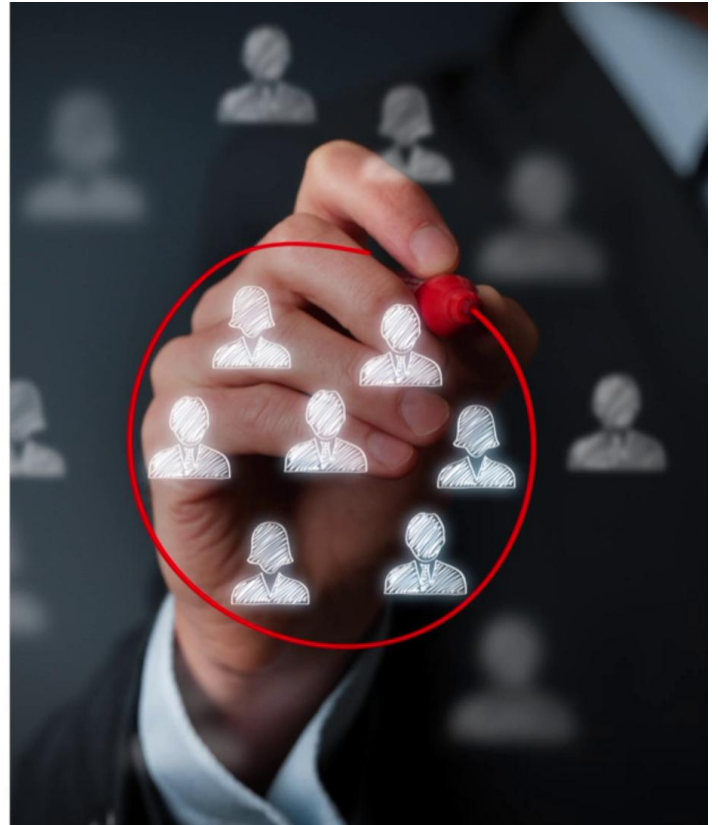
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Summary



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You're taking the money that you thought was going to be so pre-financing and you're working on the prototype and then, you know, you don't get it out there in time and that is a killer for your reputation. So you really have to be ready to go, identify your segments, identify your marketing strategy, figure out how your Crowdfunding fits into that strategy and then make sure that you can execute as soon as the money starts coming in. Okay. Then you can test and validate your market as we discussed and move on to the next phase which is going to be eventually your financing. So thanks for watching. Stay tuned and we will see you soon.

Notes

Summary



15m 45s