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Crowdfunding 101: Tips and Tricks for Running a Successful Campaign

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Learning Objectives

- Discover why fewer than 44% of Kickstarter campaigns succeed and explore the factors that lead to success
- Explore why advanced preparation is key and learn how to identify key metrics that determine when your campaign is ready to launch
- Learn how to make the most of your limited time campaign
- Explore options for post-campaign success

Description

You're a designer/engineer/inventor with an amazing new product, and you're thinking of launching a crowdfunding campaign to get it to market. Now what? This session will help you navigate the highs and avoid the lows that can accompany fast-paced crowdfunding campaigns. We'll discuss everything from start (which funding platform should I choose?) to finish (I never thought about the cost of shipping to Japan and Australia), and everything in between.

Your AU Experts

Adam Smith is product manager for Integrated Marketing Systems at Autodesk, and lives in Portland, Oregon. He was formerly product manager for Inventor software. He has an MBA in innovation management and has served as a fellow for the National Collegiate Inventors and Innovators Alliance. An inventor himself, Adam has brought patented inventions to market through a variety of channels, including licensing, crowdfunding, and manufacturing.

Special thanks to Lauren Wallace for creating and authorizing the use of the 'Seven P's of Crowdfunding' that we will reference in this class and in this handout. Lauren is an attorney who focuses on privacy, technology and intellectual property law. Lauren is extremely active in Portland's start-up community. She serves on the advisory board of the Oregon Entrepreneurs Network and previously chaired OEN's Angel Oregon, the Northwest's premier annual angel investment conference.

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The Seven P's of Crowdfunding

1. Pitch

This is the whole package, the website and video, the thing that you hit the “Go” button on and hold your breath. It better be good, because you are competing for eyeballs even before you start competing for money, and there are a lot of other worthy projects out there at the same time. And that doesn't take into account competition from Reddit, BuzzFeed, and whatever championship game is on that day.

So what makes a successful pitch? It's hard to predict, and honestly sometimes the big winners and surprising losers seem totally random. But I think the winners have a few things in common:

A focused pitch, driving toward a single outcome, that

- 1) solves a problem
- 2) is offered at the right place and time (especially if the product has an element of seasonality), and
- 3) appears to be likely to succeed – that is, shows signs of being a quality project

Your pitch contains multiple signals about the quality of the effort in its totality, which can result in a Network effect – signals of a high-quality project attract early backers who act more like investors (assessing team, market, barriers to entry, etc) – and these people act as influencers of later, more casual, backers. Your pitch has to succeed with these early assessors before it can gather viral steam and generate social success. So investing in high-quality video and copywriting is likely to pay off. **The most important element of your pitch that is under your control is the video.**

2. Promise

Unlike other ventures, in a crowdfunding campaign the learning about what it takes to deliver follows, rather than precedes, the promise to deliver. And since you don't know what you don't know, how can you tell if your promise is grounded in the real world? Do you know the cost to manufacture/create/deliver the goods? How quickly can you pull the production trigger, and what are the upfront costs to do so? Can you handle storage and shipment of the goods? Can you scale your process if your campaign blows up? (This can be significant, as we'll see in a later section).

Make SURE you have your product development process going already. It is okay if you still have just prototypes, or phases of prototypes; but you want to be as close to



production-ready as possible. Even the Kickstarter handbook strongly suggests that you under promise, and over deliver – and give yourself some breathing room besides.

3. PR – Press and Social

When you see the amount of press that a hot crowdfunding campaign generates, it's easy to think that "if you build it, they will come." But in reality, the process of pre-loading press has to start months before the campaign launches. Bloggers and mainstream writers in every domain are completely inundated with press releases every day, and it can take multiple contacts and inside networking to get their attention. And once you have their attention, you have to fit in their editorial schedule, which may be planned well in advance. Then once you launch, you have to keep the ball in the air so they will write about you again. All this takes so much more time than you ever think it will, and can be white-knuckle to the finish.

Note from Adam: Don't assume that early press will lead to more press. The first day of my campaign, I achieved nearly 35% funding. I was pretty confident that with recognizable names already promoting the campaign + a decent amount of early funding, that I'd be able to drum up a lot more press once the campaign was live. I was very wrong! The rest of the month was a slow and grueling march to the finish. I did get some smaller outlets to promote the campaign, but nothing very substantial. All the other outlets I approached either already had promotional calendars planned out, or they weren't interested in promoting a campaign that was partially started (bottom line - don't underestimate a PR person's desire to 'break news').

Now let's talk about Social Media, especially Facebook. A Wharton study from last year found a strong correlation between the number of Facebook friends in a founder's account linked to a KS campaign, and the success of that campaign. So it's no surprise that Coolest Cooler FB has 84K likes, and very active updates. Exploding Kittens FB has 109K likes, and Ouya has 102K. These levels correlate closely to the number of backers each project ultimately signed up, but the process of building that FB presence started long before the crowdfunding campaign launched.

Note from Adam: I learned the hard way that not all Social Media is created equal. I actually pushed my launch date forward because I had commitments from a major magazine to promote my campaign. I didn't want to miss out on their offer, because I was sure that this single bit of promotion would be my biggest driver of backers. Ultimately, they promoted the campaign via Twitter, which in my opinion (now) is completely worthless in actually driving action and traffic. Even with a huge audience, I didn't get more than a handful of click throughs from Twitter. Almost all of my traffic



came from Facebook and Blogs. If I had to do it over again, I would focus specifically on getting featured blog posts which would then be shared via Facebook.

4. Premiums

Rewards should offer some kind of value or connection to the project, be cheap and simple to source and fulfill, and offer an opportunity for multiple contacts between the campaign and its backers. Wacky rewards may even lead to additional press, which can drive traffic to your campaign. But beware of complicated rewards or too many premium levels. Keep your rewards simple, relevant to your project, and make sure you can deliver all of them in a timely manner. This is super critical.

5. Process

So what are those 30 days really like? Do you just sit around and boggle at the dollars rolling in to your Kickstarter account? I read about one company that rigged an air horn to sound every time they received a pledge – can you imagine a worse price to pay for each incremental success? I guess they dropped that after a little while.

Note from Adam: One other major lesson I learned is the value of teamwork. I did everything in my campaign myself. Product design, my video, setting up PR, responding to backer emails, fulfilling orders...literally everything. And it was exhausting and way more stressful than it could have been with a little help. Looking back, I know many of my friends and family would have loved to be a part of it, and I probably missed out on some great talent to help in areas that aren't my strongest.

6. Performance

This ties back to Pitch and Promise – did you have real visibility into what it would take to deliver the goods when you launched your campaign? Did you raise enough money to fulfill your premiums as well as perform whatever you promised in your pitch (see how that all ties together?). Keep in mind that your platform plus your billing processor will take a chunk of the proceeds, do you have enough left to perform and still turn a profit?

The Wharton study mentioned earlier found that, while most campaigns do end up fulfilling their promises to backers, nearly 75% of successfully funded projects experience some delay in fulfillment. It's interesting to note that, according to the study, the degree to which a project is overfunded often predicts the likelihood that fulfillment will be delayed.



Let's take Coolest as an example. The campaign raised 26,000% of its goal, pre-selling its product to 62,000 backers. The product was originally promised for February 2015, but has had to delay shipment multiple times. The company has justified the delays by adding a lot of improvements to the product, which is great for people who got in at \$185. But certainly the BOM has gone up – the post-campaign price was originally targeted at 300, then 399, a 30% increase at retail – so whatever margin the product had a 185 has been eaten into by increased cost of goods, outside management fees, expedite costs, etc – all times the 62,000 pieces that the company needs to deliver ASAP. And this doesn't factor in the reputational cost of having such a high-profile campaign run into performance problems.

Coolest has done a great job of communicating about their delay and offering a lot of transparency into their process, even posting a "countdown to delivery" on their webpage. Since the majority of crowdfunding projects experience some sort of delay in fulfillment, Coolest is in good company, and once they deliver their amazing product, all will be forgiven. But I imagine these are some heart-pounding times at Coolest HQ.

7. Passion

The most important element of your crowdfunding campaign!! Why is passion, genuine passion, so important? Because you're not just asking people to give your product a try, or support your cause, or help your company make its next payroll – you're asking them to have faith in you, and that requires authentic devotion to your cause and the kind of powerful communication that can only come from the heart.

When people back a crowdfunding campaign, it's not the same as them just buying a product. They support projects when they feel a true sense of connection to the project or the project's creator – they need to see, hear, and feel your passion shine through in your project. And when that passion is truly authentic, you'll be amazed at how your project backers help promote your campaign to their own social networks.

