Crowdfunding Explained

to small and medium sized enterprises

What is crowdfunding?

The different types of crowdfunding:

- **Peer-to-peer lending**: The crowd lends money to a company with the understanding that the money will be repaid with interest. It is very similar to traditional borrowing from a bank, except that you borrow from lots of investors.

- **Equity crowdfunding**: Sale of a stake in a business to a number of investors in return for investment. The idea is similar to how common stocks are bought or sold on a stock exchange, or to a venture capital.

- **Rewards-based crowdfunding**: Individuals donate to a project or business with expectations of receiving in return a non-financial reward, such as goods or services, at a later stage in exchange of their contribution.

It is more than just money!

- **Proof of concept and validation**: You can see others share the belief and value in your project or concept.

- **Help with other forms of financing**: A successful campaign highlights that there is a market for your business. This is very useful when seeking additional finance from other types of financiers.

- **Access to a crowd**: You are addressing a huge audience of individuals, some of whom may have valuable expertise and insights.

- **Powerful marketing tool**: Crowdfunding can be an effective way to present a new product or a new company to customers.

Large amounts from one, or a few sources

Many small sums from a large group of individuals

Traditional funding vs Crowdfunding

How to do it:

- **Make your research on how to do crowdfunding**
- **Prepare your business plan and financial offer**
- **The fundraising period: motivate the crowd**
- **Contact the platform(s) and submit your application**
- **Create the pitch, by telling your story in a compelling way**
- **Post-campaign activities**

For more information on crowdfunding and how to use it, please consult the EU guide at:

http://ec.europa.eu/growth/access-to-finance/funding-policies/crowdfunding/index_en.htm