

Rewards-based crowdfunding – a case study

This section provides a fictional case study applied to rewards-based crowdfunding

Carla's Designer Lights

Setting the scene

Carla is a designer based in Prague. She has recently finished building a prototype of her designer lighting system. It is an ultra-modern concept using recycled industrial materials and the system received praise at last year's Milan's Design expo. She has lined up a manufacturer that will develop the main parts as well as a small team to put the lights together, arrange deliveries and installations. In total this means that in order for Carla to start her business she needs to find €41k to cover her costs during the first six months. Given that she wants to sell each of the lights at €200 a piece this means that she needs to sell 205 pieces to cover her costs for the first 6 months. She considered approaching the bank for a loan but given her lack of collateral, outstanding student loan and short time in business, she realised she would not meet the basic qualifications. She decided to try crowdfunding.



Preparation : days 1-10

Carla spent the first week researching crowdfunding websites. She collected and read blogs and articles about rewards crowdfunding, and she identified and investigated interesting examples that were similar to hers and that were successful. By the end of that week she felt she understood what it was and what she needed to do. Carla had her product accredited and ready to go and had already thought through her business concept and financials, so she turned her attention to understanding the crowd, her customers. Via social media, she identified influencers in her field, respected individuals with a solidly engaged following that could help share her message. She spent time talking to these people, joining conversations and making friends and connections, so that when she was ready to launch her campaign she had a strong online crowd to support her. She chose a platform which she knew to be reputable, with the right kind of audience, but on which she could still have high visibility.

Creating the pitch: day 11-25

Carla knew the pitch was crucial to her success so took great care to carefully hone her story. She spent time considering her story and key messages, and the rewards (one of them being the designer light itself, a €200 pledge). Carla knew from her research of other crowdfunding projects that a short video would be essential to help tell her story, demonstrate the quality of her design, and help backers get to know her, her team, and the company ethos. She made a film showing her constructing a light and created a webpage for her business, so she could add her products and describe them further. Carla also arranged a videoconference with the platform's advisor to ask her to review her campaign and suggest improvements, as well as checking for any technical or legal issues applicable in Prague. Carla spent three weeks meeting and speaking to a lot of people, doing her research and creating a crowd around her project. When Carla thought that the buzz was large enough, she launched the campaign.

Fundraising period: day 26-56

As soon as the campaign launched, Carla started to work on the next phase of the crowdfunding process. Carla spent time on her campaign every day, talking to her crowd, letting them know that the campaign was live, encouraging them to participate and to share it with their friends. She talked to journalists and found a lot of interest in her crowdfunding quest as well as her innovative products as a result. Carla received messages from interested people asking questions, and also comments suggesting features she had not thought of and other improvements. She took these on board, and thanked each one of those making suggestions, as part of her efforts to nurture her crowd.

Post-campaign: day 56-70

Carla's campaign worked and she was able to exceed her target, with 145 lights sold! It was a great success, since not only did she have enough to start production, build stock and cover her costs for three months, but also she was also able to sell half of her stock of lights before they even arrived from the factory. The first thing Carla did was to put the production process in motion and thanked all the people involved. She then created a production timetable and informed her crowd when they could expect their lights to be delivered, and began all the admin involved in starting to operate as a business. But Carla did not stop interacting with her crowd. She gave them regular updates on progress and tapped into their expertise when questions arose. Because they became enthusiastic users of her products they also became her best advocates, acting as a marketing and PR platform to spread the word further, helping sell even more of her lights.