

REWARDS-BASED CROWDFUNDING

STEPS TO ENSURING
YOUR SUCCESS



FIRST OFF WHAT IS CROWD- FUNDING?

Crowdfunding is a new, attractive form of funding businesses, one which in a very short time revolutionised the way start-ups fund projects. Indeed, the crowdfunding economy has more than tripled over the last three years.

Crowdfunding brings entrepreneurs and their supporters together via an online platform on a website. Entrepreneurs and businesses can utilise the platform to promote their ideas, raise funds, conduct market research on their product, and interact with potential customers. The 'supporter' would be any member of the public willing to contribute towards the project creator's idea. With rewards-based crowdfunding the public would fund the project with donations and in return, the project creator would 'thank' their supporters with rewards that reflect the money contributed.

Most crowdfunding platforms are operated using an 'all-or-nothing' funding model. Every project creator sets their project's funding goal and deadline. If the donations are enough such that the project succeeds in reaching its funding goal, all supporters' cards are charged when the time expires. If the project falls short, no one gets charged.

TELLING YOUR STORY

Your project page is your chance to show your supporters that you're serious, prepared and capable of doing a great job. It is an opportunity to tell the story of who you are, what you want to make, and why. The basic questions you should answer on your project page are:

1. **Who are you?** Introduce yourself, your team, and any similar work you've done.
2. **What are you planning to make?** The more details you give, the better. Visual media is always preferred to a lump of text with complex jargon, so sketches, photographs and videos all help in getting the public as excited as you are.
3. **Where did this project come from?** Sharing the project's history helps others understand the work you do and how you do it.
4. **What's your plan, and what's your schedule?** Lay out a clear, specific timeline for what supporters can expect.
5. **What's your budget?** A breakdown of the ins and outs of the project demonstrating that you've thought things through and have a workable plan, so they can trust you to use funds wisely.
6. **Why do you care?** Excitement is catching. Tell people why you're passionate about your projects and committed to making it happen.

Wondering how to get started in creating a popular project page?

Looking at successful projects in your category is a good way to see what kind of information supporters will expect. Furthermore, the level of detail of your project page should directly reflect the complexity of the project.

PERFECT YOUR MESSAGE

Granted, there's more to a good project page than text. But what makes a project stand out? We've researched experts' opinions on this and found the major factors being:

- Choose a great project image, representative of you and your creation;
- Make a compelling video – it is the best way to introduce yourself and give people a close look on what you're working on. Consider adding captions and subtitles to prevent any misunderstanding;
- Don't cover your images with cheap, unnecessary obstructions like badgers, banners or stamps;
- Write a clear and simple blurb or tagline to distinguish your project;
- Respect people's time by bringing them into your project page with a quick, clear statement of what you're doing – don't make them have to hunt for the goods!
- Show your rewards, it motivates prospective supporters;
- Use lots of high-quality media.

And finally...

- Remember your audience and put yourself in their shoes. When designing your page, think: what would compel me to contribute towards this initiative?

YOUR SUPPORTERS' REWARDS

Rewards can make or break a crowdfunding project. Some rewards are simple enough to determine, but this depends on the type of project.

The best approach to take is the same when designing your campaign and project page: put yourself in the public's shoes. You know better than anyone what the community wants. Think of things that would motivate you to fund a project.

This leads to the inevitable question – how should you price your reward?

Be fair – when people think about donating to your project, they're asking themselves whether your rewards are a good trade for what they're contributing.

Make sure to offer a range of rewards for every contribution value – be it from €5 to €500, every bit counts!

When choosing an estimated delivery date for when you expect to deliver your rewards to supporters, opt for one you are confident to achieve and don't forget to give yourself breathing room in case of any unforeseen delays.

When anticipating a delay, inform your supporters before the delay happens, not when you're in the middle of it. Thank them for their patience by offering them fulfilments on top of their rewards, such as discounts.

Be sure to limit your rewards to your capacity. This is necessary in covering your risks and ensuring that you won't leave any of your supporters high and dry.

According to a report commissioned by the Malta Business Bureau on access to finance, many ideas fail before the business reaches the market due to lack of funding or slow sales. These hurdles can now be overcome through crowdfunding since it has the potential to fund businesses at an early stage when they need cash the most.

FUNDING

- **GETTING FUNDED**

Communicating your project idea to the community is key to getting successfully funded. Sharing your project with your network, and getting feedback from family and friends are essential.

- **YOUR TARGET**

Setting a crowdfunding target is most project creator's biggest hurdle in crowdfunding. Your funding goal should be the minimum amount you need to make what you promised and fulfil all rewards. The first step to setting that goal is figuring out a budget.

This can be done by writing down a list of all possible expenses, even the less obvious ones, such as packing materials. Make sure that every step of the project's process is accounted for. Don't forget to give yourself some cushion in case of unexpected costs or emergencies.

Also, do your research! Check out similar projects on different platforms to assess the suitability of your target amount and speak to as many successful campaigners as possible.

- **CHOOSING THE RIGHT CAMPAIGN LENGTH**

It is a common misconception in crowdfunding that more time equals more money. Crowdfunding experts hold that projects lasting 30 days or less have the highest success rates.

OTHER IMPORTANT CONSIDERATIONS

- **PROMOTING YOUR PROJECT**
Make good use of your social networks by targeting those contacts who you know are interested in topics like yours. Remain thoughtful about timing to determine at which stage it would be most relevant to cover your project. Be sure to show off any content you can, be it a sample, trailer or a preview.
- **COMMUNICATING WITH FUNDERS**
Use regular, insightful and honest project updates to keep your supporters in the loop. They are also a good opportunity to ask them to share your content so make sure you include great content that will make them want to share. Include recommendations, testimonials and links to any press coverage.

If you think you might get a lot of similar questions, consider compiling a 'FAQ' page. Apart from giving you more time to work on your project, it will also show potential funders that you've thought every aspect out and put yourself in their shoes.

SOME OTHER TIPS

Other things definitely worth trying to create hype around your project include:

- Try to line up a first few donations before going live – social proof is a huge aspect of crowdfunding and people are more likely to pledge their support if others have already done so;
- Ask for feedback before launching;
- Host an event to show off your product (and be sure to bring a tablet along with you so people can donate on the spot!);
- Line up your family and friends to help get the word out;
- Pick a good launch date;
- Work the media and don't go to the press directly– a crowdfunding project that is soaring makes a much better story than the crowdfunding project that has launched or is about to launch. Also remember to include your project page URL in your press releases and communications so people can find your project and donate to it.

Info by: Grant Thornton and ZAAR

ABOUT GRANT THORNTON MALTA

Grant Thornton Malta was set up in the mid-1970s and has grown into one of the country's leading firms of certified public accountants and management consultants.

As of 1 January 2015 Grant Thornton Malta expanded its advisory and tax practices through a merger with EMCS, an independent advisory and tax services firm. Through this merger Grant Thornton Malta continues to consolidate its position as one of the major business advisory, accounting, assurance and tax firms in Malta.

The firm presently has a complement of 100 people including partners and directors and a multi-disciplinary team of advisors, auditors, tax specialists, lawyers and IT specialists. The firm's client base includes several public interest entities, international and local groups of companies and smaller organisations operating in various industry sectors.

Grant Thornton Malta has a support agreement with ZAAR operated by P.E.I. Limited - Malta's first crowdfunding platform

We support this initiative and are willing to help any aspiring entrepreneurs in realising their crowdfunding and business objectives. With extensive experience in business planning, financial modelling and the likes, we are well-positioned to assist you in your crowdfunding needs.

For further information on how we may help you, please contact Michael Zarb on michael.zarb@mt.gt.com or call +356 21320134 or +356 79796378.

About ZAAR.com.mt

ZAAR is a donation/reward-based crowdfunding platform that will facilitate donations to support projects voluntarily without expecting a financial return or equity. However, in return for a donation offered, backers would be willing to accept a reward that is promised to them by the project initiator as an appreciation for the support received.

ZAAR's crowdfunding platform facilitates contacts, disseminate ideas brewed and gives full access for those with serious intentions to enable great ideas to be funded.

Campaigners can start the ball rolling by registering online, following a customer due diligence exercise in order to secure integrity of the project. We will help by setting the idea on the platform. Upon successful funding a rate of 5% commission will be kept. The platform will take an all-or-nothing approach and therefore there will be mechanisms in place for refunds of donations to supporters, should a project not meet its funding targets.

For further information or to find out more contact Karl Grech via email karl@zaar.com.mt or call +356 23403982 or visit www.zaar.com.mt

We believe that great ideas should go far, and it is our mission to provide the space for that to happen.

Karl Grech, Manager of ZAAR's crowdfunding platform operated by P.E.I Limited



Grant Thornton

An instinct for growth™



Arts Council Malta,
Casa Scaglia
16, Mikiel Anton Vassalli Street
Valletta VLT 1311

Tel: +356 2339 7020
fundinfo@artscouncilmalta.org

www.artscouncilmalta.org