



START UP FUNDING

NEW PRODUCT IDEA?

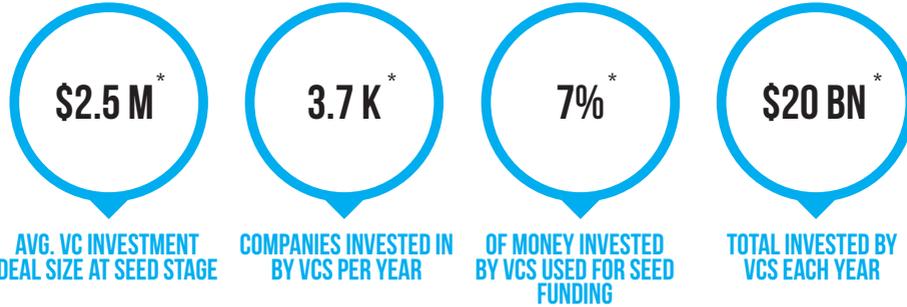
HOW TO RAISE FINANCE

*** CROWDFUNDING VS TRADITIONAL
FUNDING METHODS**

INNOVATE
PRODUCT
DESIGN

London • San Francisco • Salisbury

INTRODUCTION



* [Venture Capitalist Funding in the US Infographic](#)

There are a number of avenues to raise funds for a new idea. We have presented a few in the next chapter, but it is not an exhaustive list. The aim of this guide is to give you Vital Information on how to increase your chance of success to raise finance, whether you are using on-line method such as Crowdfunding or a more conservative approach like pitching your product to industry.

How Innovate can help, see [here](#).



Innovate Product Design Ltd 2014 winners

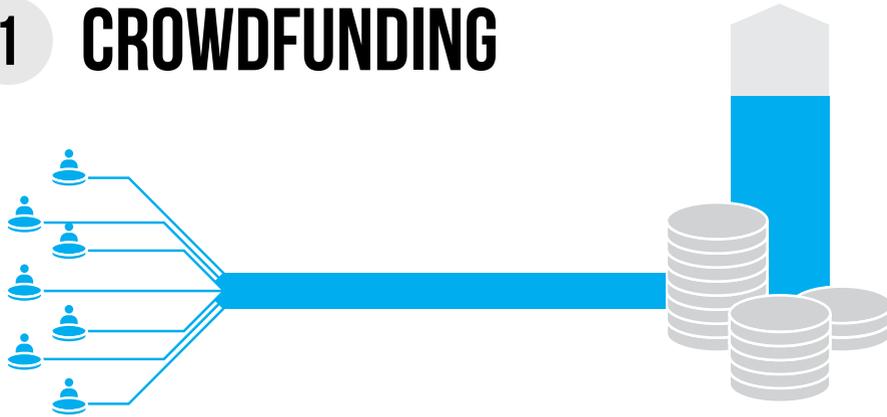


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1 CROWDFUNDING



Also known as crowd financing and equity crowdfunding, Kickstarter describes it as “the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet.”

THERE ARE 3 MAIN STARTUP FUNDING MODELS:

1 REWARD BASED:

Raise finance in exchange of a reward and/or voting rights. This can be monetary or non-monetary.

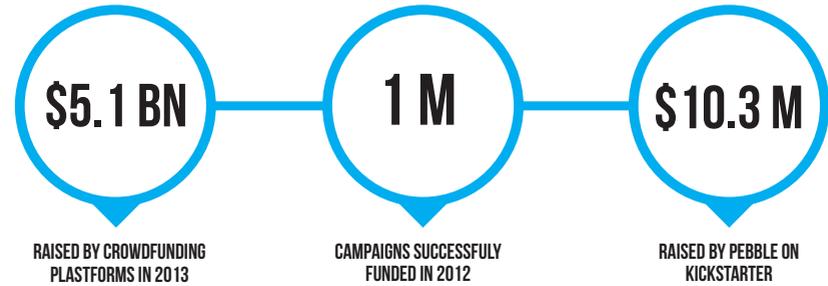
2 EQUITY BASED:

Raise investment capital and contributors receive equity in the resulting business. Many countries have strict regulation; the US has created a new regulation around what governs equity based crowdfunding with the JOBS Act.

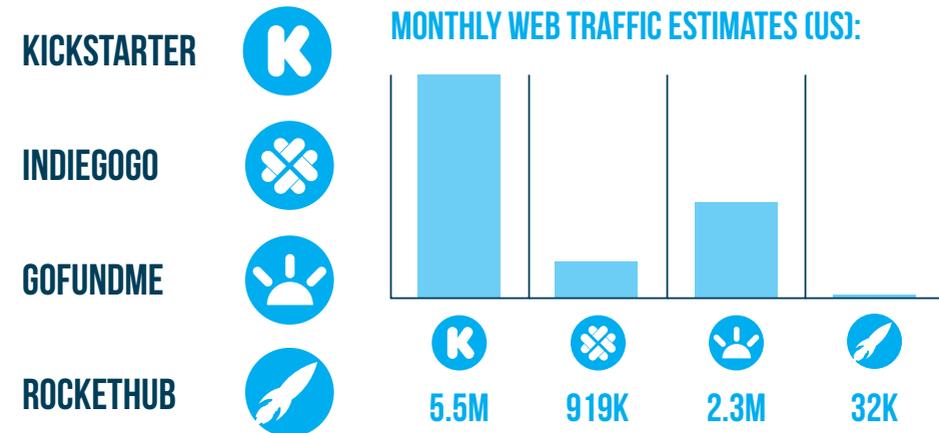
3 LENDING BASED:

Borrow money from individual investors or a group of investors that must be repaid typically with interest.

Sources: Mass Solution, Kickstarter.com



THE BIG FOUR



SERVICE DETAILS:

				
MUST REACH FUNDING GOAL TO GET FUNDS?	✓	✗	✗	✗
% FEE TO RAISE FUNDS?	5% +	4-9% +	7.9-9.25% +	5%
PROJECT DURATION? (DAYS)	50-60	< 40	∞	30-75

[Click here to read a comprehensive list of crowdfunding websites.](#)

WHY USE CROWDFUNDING?



Can require minimal up front investment and reduced risk to founders.

Can be used for marketing purposes to increase awareness of your product.

Successfully funding a campaign establishes market demand for your product, which could help you gain funding from other sources in the future.



Making your idea public gives others a chance to copy it. Make sure your idea is protected before showing it to anyone.

Some crowdfunding websites may require you to deliver promised rewards, even if your funding goal isn't reached. This could leave you out of pocket, always check the terms and conditions before choosing a website.

SUMMARY

There are benefits and draw backs to any funding method. Carry out thorough research and seek professional advice to find the right method for your project.

[Click here to visit the 'How Innovate Can Help' section.](#)

POPULAR CROWDFUNDING WEBSITES:

[Kickstarter](#)

[RocketHub](#)

[FundedByme](#)

[Fundable](#)

[Indiegogo](#)

They are suitable for:

Creative projects such as music band, movie production, art installation, Charity causes, Funding new business ideas, Inventions, new product ideas, Civic projects.

[AngelList](#)

[BankToTheFuture](#)

[Fundable](#)

[Lending Club](#)

[SecondMarket](#)

These leading lending based sites are suitable for:

Startups, New projects initiated by established companies and Individual entrepreneurs.

[Crowdfunder](#)

[Earlyshares](#)

[Wefunder](#)

[Equity Net](#)

[Seedrs](#)

[Circleup](#)

These popular Equity based sites are suitable for:

Business start-ups only, where a part of the profits or part of the company can be shared with the investors.

[Click here to read a comprehensive list of crowdfunding websites.](#)

THINGS TO THINK ABOUT WHEN CONSIDERING CROWDFUNDING:

- Your business venture will need funding at various stages throughout its life. Consider your project goals and a variety of funding options to ensure crowdfunding is right for you.
- Some crowdfunding websites can reject campaigns. You should always read through the terms and conditions carefully before investing time and money in a campaign.
- Communicate your project professionally and persuasively with strong visuals and presentations. Here's some advice from Indiegogo: "Your pitch is your first impression with your audience, and the single most important part of your campaign...Instead of explaining your campaign in huge blocks of text, visualize as much of your information as possible". [Click here to see how Innovate can help](#)
- Prepare a video and show yourself. An enthusiastic, likable founder can be a great asset to a crowdfunding campaign.
- Good Rewards - what to offer. A production product, collaboration or experience. Offer a variety of prices to reach a wide cross-section of investors. The most popular reward price on Kickstarter is \$25 with an average of \$75.
- Consider the cost of the reward including production and postage.
- Organise your social media before launching a campaign.
- Keep updating your project.
- Don't forget to Protect your idea before telling anyone about it. [Click here to view our IP section](#)

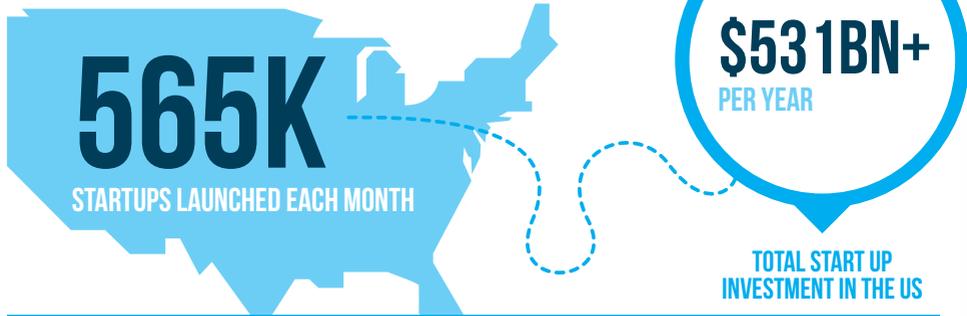
TIPS ON MARKETING YOUR CROWDFUNDING CAMPAIGN AND REACHING YOUR TARGET:

- Start building your audience and your online community at least 3 – 4 months before launching your campaign
- Organise a Kickstarter party within your community
- Press release on specialist or local newspaper
- Update all your social media: Twitter, Facebook, LinkedIn, Google+, Pinterest to include a link to your campaign
- Research influencers in your field such as bloggers, columnists, editors, retailers that could direct traffic to your campaign & get in contact with them
- Email to specific audience, online groups and communities
- Once the campaign is launched, put and share new contents and updates on all your social media Platform
- If you have some spare cash, use a professional that would do it for you:

<http://agency20.com/>

<http://crowdsunite.com/crowdfunding-campaign-promotion/>

4 OTHER FUNDING METHODS



TOP INVESTMENT SOURCES:

\$22BN
VENTURE CAPITAL



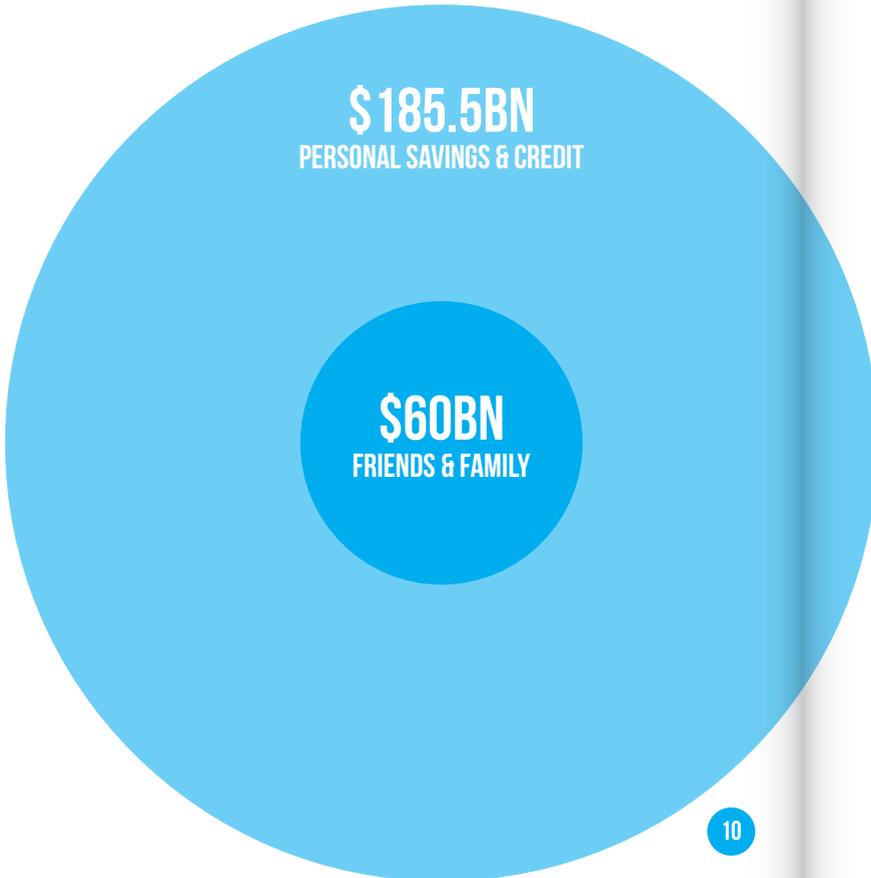
\$20BN
ANGEL INVESTORS



\$14BN
BANKS



\$5.1BN
CROWDFUNDING



Sources: Center for Venture Research, US Small Business Administration, Angel Resources Institute, Angel Capital Education Foundation

PERCENTAGE OF STARTUPS FUNDED

= \$10,000
 = \$1M

AVERAGE AMOUNT INVESTED



PERSONAL SAVINGS & CREDIT

\$48,000



FRIENDS & FAMILY

\$23,000



VENTURE CAPITAL

\$5.94M



ANGEL INVESTORS

\$74,995



BANKS

\$143,899

5 PITCH YOUR IDEA TO INDUSTRY

PERSONALITY

This plays an important part when presenting your invention / business to potential investors. Things to consider:

- Demonstrate to the investors that you have what it takes to go through all the ups & downs and still come out on top.
- Communicate your enthusiasm and knowledge of your product & market.
- Investors are not only interested in a business, but in an individual inventor/entrepreneur. You need to convince them you are the best person for the job.

PITCH

Your pitch must be clear, articulate and concise. It needs to include the following points:

- Explain the problem(s) you are solving.
- What does your company offer and how it differs from your competitors?
- What are your accomplishments to date?
- Present & understand your numbers (revenue, expenses, sales, statement of cash flow, growth, forecast, etc.)

PRESENTATION MATERIALS

Visualize & conceptualize of your idea with presentation materials (presentation boards, products or prototypes, PowerPoint presentation etc.) helps the investors understand your product/business. Try to:

- Make it as professional as you can.
- Make sure you explain your product or service and how it will be used.
- Use language that is suitable to your audience, don't make it too technical.
- Point out your uniqueness.



PREPARE
*** TO ***
IMPRESS

4

A GREAT IDEA



BUT IS IT A BUSINESS?



1. FEASIBLE

DOES IS WORK?



2. VIABLE

DOES IT MAKE MONEY?



3. DESIRABLE

WILL PEOPLE BUY IT?



VALIDATE

KNOW YOUR MARKET

- What are your key markets, what size ?
- Main competitors & competing products ?
- Opportunities for growth & key emerging trends?
- Who are your consumers ?
- Identify & profile your target audience
- Needs / wants / demographics / lifestyles / Buying behavior

?

DO YOUR RESEARCH

- Consumer & Market Reports, Product & Trend Analysis
- Trade Magazines & Events, Consumer Media
- Government Agency Statistics, Web Search, Blogs
- Focus Groups



MARKETING STRATEGY

Product

- What is usp ?
- Competitive advantage ?
- Why would someone want to buy this product ?
- Product development opportunities

Price

- What will the market take ?
- What's the perceived value ?
- Promotion / Paid-for & free advertising
- Online presence / bloggers / social media
- Trade events / consumer exhibitions / industry awards

DISTRIBUTION STRATEGY

Key Factors:

- Nature of Product
- Market Size
- Channel / Industry
- Key players in the Industry
- Risk
- Resource Availability

3 Main Options:

Wholesale

Retailer

Consumer

There are benefits and drawbacks to each route to market. Wholesale requires the lowest investment in marketing and logistics, but offers the lowest profit margins while Retail and Consumer require greater marketing efforts but reap higher profits. By selling direct to the consumer, a company has complete control over their sales process.



SUCCESS!



INTELLECTUAL PROPERTY

(PROTECTING YOUR PROJECT)

WHY PROTECT YOUR IDEA BEFORE RAISING FUNDS?

It is generally wise to take all possible steps to protect your idea before putting it into the public sphere. However protection can be expensive. It's also very useful to receive market feedback early to help develop your idea and assess market demand...luckily there are various ways to protect ideas, legally, practically and commercially.

WHAT KINDS OF LEGAL PROTECTION ARE AVAILABLE?

Design Patents

The visual appearance of your project may be protected for up to 14 years. Design patents are relatively inflexible rights however, although good legal representation can help you expand the scope of your protection. The design needs to have novelty and individual character. Design patents are only granted if the design is novel and not obvious for all items, even those of different utility.

Granted Patent Protection

A patent protects the idea behind a product: such as HOW it works, WHAT it does and WHY it has certain features. Patents can be extremely valuable assets. In order to be deemed worth the protection of a granted patent an invention must be Novel, Inventive and fit into one of the following categories:

- a new idea
- an improvement upon an existing idea
- a new combination of existing ideas

Patent applications can take years to be granted, but as soon as you have filed your patent application you have a date you can use to show you had the idea first (see 'Patent Pending' below!).

Granted Patents stop others using your idea in the country where your patent is granted and in force. There is no such thing as a worldwide patent, but there are ways of making an application that can be used in multiple countries.

The most far reaching application you can obtain is through something called the PCT (Patent Cooperation Treaty) which provides a single application method for around 160 countries. Other applications include the EPC (European Patent Convention) covering the majority of Europe. These types of applications are expensive; however you have 12 months from your first filing to extend protection into other countries.

Patent Pending

Inventors are entitled to use this term in reference to their product or process once a patent application has been filed, but prior to the patent being issued or the application abandoned.

A first filing of a patent application, including a provisional application, gives a right to file other patent applications within 12 months - in the meantime it is a very sensible commercial alternative to agreements to keep things confidential, or just relying on trust.

If steps are not taken within 12 months from this first filing date the application will be abandoned and in most circumstances, any publicly disclosed inventions may never be capable of patent protection.

But if the steps are taken (i.e. if you proceed with the application) any 'matter' not covered earlier may not be able to rely a later filing date, so to be safe therefore the first filing is best broad and inventive, considering the invention as thoroughly as a full application; and it is helpful to include clear drawings showing every feature of the invention to help with this.

This first filing gives what is known as 'patent pending' status. This can have a number of useful commercial benefits, including kudos and a date to show when you had the idea.

Trademarks

Words, pictures, logos, words and pictures, shapes, colors and even smells may be registered as monopoly marks for trading in relation to 'classes' of goods and services.

It is possible to register trademarks nationally, regionally or using treaty applications

A registered trademark allows you to prevent others from using a mark in trade that is the same or similar to your registered mark, and used for the same or similar goods or services, where there is a likelihood of confusion.

You may find Trademarks helpful if your idea:

- Lacks any other protectable feature
- Rests on the branding
- Will be first to market in the field
- Is already public
- Is a business method or similar

Trademarks need not be registered before use (see Automatic Rights above), but ought to be registered before any serious commercialization efforts commence.

AMERICA INVENTS ACT

Recent changes to US patent law have meant it is better not to rely on the 12 month 'grace period' that allows some patentees to have disclosed an idea prior to filing a patent application. This is more in line with the situation internationally where no public disclosure of an idea is possible before patent protection is attempted.

6 HOW CAN INNOVATE HELP?

WE CAN HELP YOU DESIGN, DEVELOP, PROTECT AND COMMUNICATE YOUR PROJECT.

Our designers can visualize your idea and work hard with our engineers to make that vision a reality. Innovate has the insight and experience to help you deliver the right product pitch at the right time.

1. PROTECTION

Patent Advice, Intellectual Property (IP) Advice, Worldwide Patent Search, Patent Drafting, Registered design application drafting, Trademark searching and application.

2. CONCEPT PRESENTATION

Hand Sketching, 3D Modelling, Visual Communication of your concept.

3. PROTOTYPING

Marketing (appearance) model, Proof of principle prototype, Experience Prototype, 3D Printing.

4. PRODUCT DESIGN

Market Research, Product Development, Packaging Design, Service Design, App Design, Branding.

5. DESIGN FOR MANUFACTURE

Design Development, Electrical & Mechanical Engineering, Detailed Design, Pre-production prototypes, Design for Manufacture, Supply Chain Management.

6. BUSINESS & MARKETING

Promotional Website Design, Marketing Advice, Business start-up Advice.



1.



3.



2.



5.



6.



4.

NEED HELP WITH YOUR CROWDFUNDING CAMPAIGN?

Deciding to create a crowdfunding campaign is only the beginning of an intensive process to gain the necessary funds needed to bring your idea to life. We can provide you with the crowdfunding necessities to create an effective crowdfunding campaign.

Each crowdfunding platform has different requirements, however some of the things you will need include:

1 PROFESSIONAL PRODUCT OR IDEA VISUALS THAT TELL YOUR STORY

Innovate can provide you with professional product visuals from qualified product designers, engineers & prototypers ensuring that the product is visualized, but with insight into the technical feasibility, manufacture limitations & production methods necessary to reduce your risks after the initial campaign funding.

2 3D MODEL AND CONSIDERATION OF MANUFACTURING CONSTRAINTS

We can help with 3D Computer Aided Design (CAD) models for visual, prototype & manufacture stages of your process.

3 A PROTOTYPE *(depending on campaign platform)*

Innovate Product Design has extensive experience with prototyping and can help you with an array of prototypes. Please see our prototyping [page](#).

4 DESIGNING REWARDS THAT MATTER AND STAND OUT

We can help with the technicalities and costs associated with a design, we can also help you with setting up manufacturers & retrieving quotes from our trusted manufacturers. We also provide you with realistic goals and time margins.



5 A VIDEO AND DESCRIPTION THAT EXPLAINS THE STORY BEHIND YOUR PROJECT

Innovate can help with the video production and all the tools or props (such as prototypes or marketing models) needed.

6 UPDATES THAT SHARE YOUR CREATIVE JOURNEY

You are involved throughout the whole design process and we provide you with the updates on the areas that we can help with and necessary for you to keep your backers updated.

To see if we can help you with your project, submit your idea online here.

**SUBMIT IDEA
ONLINE**

Free review and 100% confidential (NDA is included)



“High quality projects attract backers who may promote the project to other potential backers, or external media thus increasing the draw of the project” (Journal of Business Venturing, E Mollick)



“Technical drawings, CAD designs, sketches, and other parts of the design process are awesome” Kickstarter



“ Rule # 1 for Kickstarter videos: Make one” Kickstarter

7 APPENDIX

SBA.GOV RESOURCES

The US small business association is an excellent source of information, here are a list of article we found particularly insightful:

20 Questions Before Starting a Business:

www.sba.gov/content/20-questions-before-starting-business

10 Steps to Starting a Business:

www.sba.gov/content/follow-these-steps-starting-business

Create Your Business Plan:

www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/how-write-business-plan

Understanding Your Market:

www.sba.gov/content/do-your-market-research

START UP FUNDING - WHAT IS AVAILABLE IN THE US?

1. Equity Funding & Venture Capital Association

ffvc.com/

2. Peer to Peer Lending (P2P)

www.zopa.com/

www.lendingclub.com

3. Swapping or trade equity for work

www.webequity.org

LIST OF CROWDFUNDING WEBSITES

Name	Funding Model	Focus	Country
Crowdfunder	Reward	Any goal	US
FundAnything	Reward	Any kind of project or business: creative, arts, personal, charitable.	US
FundedByMe	Reward	Equity and rewards	Sweden, Finland, Norway, Italy, Germany, Denmark
FundRazr	Reward	Personal, charitable, entrepreneurial, and political causes	Canada, UK
Fundly	Reward	Personal, charitable, and political causes	US
Indiegogo	Reward	Allows a broad range of projects	US, Canada, UK, Europe, Australia
Kickstarter	Reward	Creative projects	US, UK, Canada, Australia, New Zealand
Offbeatr	Reward	Pornography	US
Crowdfunder	Reward		UK
Pozible	Reward	Creative	Australia, Singapore, Malaysia, US
Funding Circle	Debt	Small businesses	UK, US
InvestedIn	Equity		US
Rally.org	Reward	Medical, educational, charitable, creative, entrepreneurial, and political causes	US, Germany
RocketHub	Reward		US
Sponsume	Reward		UK

Name	Funding Model	Focus	Country
Angels Den	Equity, Debt, Donations	All businesses	UK
AngelList	Equity, Debt	Start-ups	US
BankToTheFuture	Equity, Debt, Rewards	small businesses and new start-ups	UK
Bolstr	Revenue share	Small businesses	US
CircleUp	Equity	Consumer products and retail	US
Companisto	Equity	European companies, Investors from all over the world	Germany, Switzerland / Europe
CrowdCube	Equity, Rewards	start-ups, small businesses, growing businesses	UK
EarlyShares	Equity		US
EquityNet	Equity, Debt	Startups and mature companies	US
Fundable	Equity, Debt, Rewards	Seed stage businesses	US
InvestedIn	Equity		US
Lending Club	Equity, Debt		US
MicroVentures	Equity	Tech Startups & High Growth	US
Prosper Marketplace	Debt		US
rebuildingsociety.com	Debt	All businesses	UK
Rock The Post	Equity	Early stage tech-startups	US

Name	Funding Model	Focus	Country
SecondMarket	Equity, Debt	Late stage start-ups and privately held companies at a pre-IPO or pre-acquisition stage	US
Seedrs	Equity	Seed-stage businesses, Investments from £10+	UK & Europe
Seedups	Equity	Early stage tech-startups	UK, Ireland, USA & Canada
StartupValley	Equity	Technology start-ups and businesses	US
Symbid	Equity, Rewards	Start ups and business ideas, entrepreneurs, small businesses, accelerators, incubators, crowd investors, angel investors	Netherlands, US, UK
ThinCats	ThinCats	Small businesses	UK
Zopa	Debts		UK
Syndicate-Room.com	Equity	Here, small investors are sought to “top up” substantial stakes in a business that has already been bought by established “dragons” or lead investors. The lead investors must contribute at least 25pc of a firm’s funding.	