



2019

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SMALL BUSINESS SUMMIT

BUILDING LOCAL ECONOMIES



Join the Crowd

Crowdfunding for Established Small Businesses

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Small Business Majority



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About Small Business Majority

- **Small business education and advocacy organization** – founded and run by small business owners. Been in business since 2005.
- **National** – 8 offices in Washington, D.C., California, Colorado, Illinois, Maryland, Missouri, and Virginia
- **Focus on issues of top importance to small businesses** (<100 employees) and the self-employed, including access to capital, healthcare, retirement, entrepreneurship, taxes and more; work supported by extensive research
- Our **Entrepreneurship Program** brings resources and education to small business owners in key areas of running and growing a small business.



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About Small Business Majority: Our Model

RESEARCH

Start with extensive research (polling, economic studies) to gauge small business owner views and speak to their bottom line



ADVOCACY

Enact change by elevating small business views in public policy debates



EDUCATION

Partner with business groups to hold seminars and roundtables to educate small business owners and get their personal views



NETWORK

Use real small business voices with lawmakers and the media



(more than 20,000 earned media hits)





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Topics of discussion

- Access to capital overview
- Funding sources and key questions to ask
- Crowdfunding overview
- Steps to a successful campaign
- Campaign timeline
- Crowdfunding Story
- Small Business Borrowers' Bill of Rights
- Resources and tools



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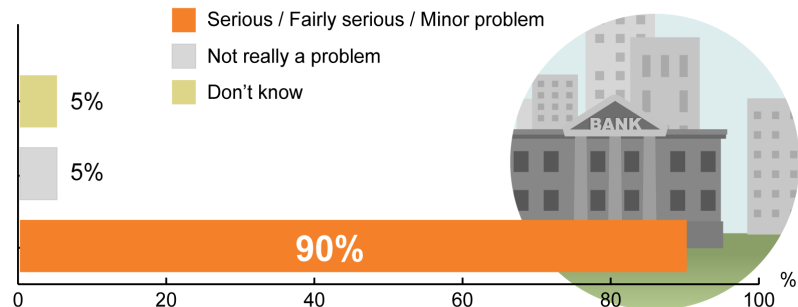


Access to Capital Overview: The Dilemma

- The availability of capital is crucial for small business startup, survival, and growth.
- Inadequate access to capital continues to be a top issue facing small business.
- Small business bank lending is down 20% since before the Great Recession.

Our scientific opinion polling:

90% of small businesses say the availability of credit is a problem





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Access to Capital Overview: Women and Minority Owned Businesses



Women-owned firms are one-fifth of US firms. Almost half of these businesses are owned by women of color

Women and minority-owned firms face significant barriers:

- Typically smaller in size, start with less capital
- Lower approval rates for bank loans and at smaller dollar amounts
- More vulnerable to predatory lending



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Access to Capital Overview: The Good News



GOOD NEWS!

There are more funding options available now than ever before to help you start and grow your business.



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Funding Sources

Family & friends	Personal savings	Microloans
Personal & business credit cards	Home equity	Community banks & credit unions
Venture capital	Equipment financing	Merchant cash advance
Angel investors	Receivables & purchase order financing	Online cash flow lenders
Economic dev't agencies	Bank loans	Online marketplace lenders
Start up programs, bus. plan competitions	Incubators & accelerators	Crowdfunding
Grants	SBA loans (guarantee)	Community dev't loan funds (CDFI)



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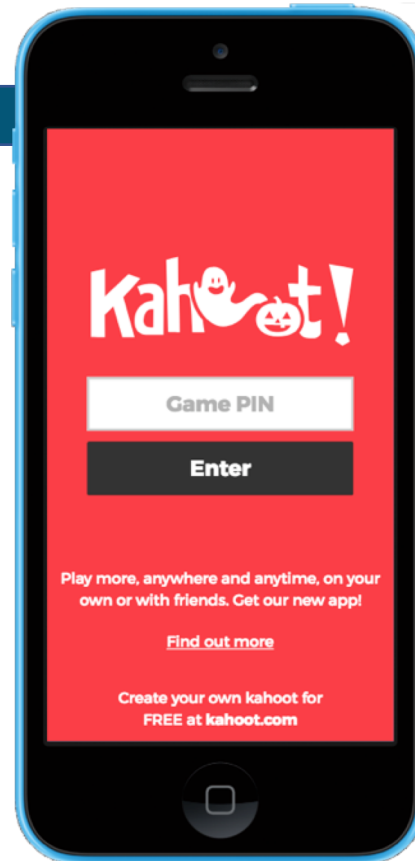


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Quick Survey

2 ways to join:

1. Download the Kahoot App and enter **Game PIN** to join
2. Open www.kahoot.it on a browser and enter **Game PIN**





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Important Questions to Consider



- What do you need the money for?
- How much money do you need?
- How long will it take you to pay it back?
- What is the current financial shape of your business?
- How long have you been in business?
- How much collateral, if any, do you have to put up for the loan?
- How quickly do you need the money?
- Are you seeking debt or equity financing?



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Crowd Funding Overview

- In crowdfunding, entrepreneurs **raise capital by reaching out to a large number of people in their online social networks to donate or invest in the business through a third-party online platform.**
- Entrepreneurs **create an online campaign** about their product or service, indicate the amount of money sought within in a set period of time (e.g., 30 days, 90 days), how the funds will be used, and what contributors/ investors get in return.
 - The best campaigns **inspire people and maximize reach across large social networking** circles.
 - Platform typically takes a fee; on average 3%-10% of money raised

Crowdfunding: The “New” Old Funding

**Crowdfunding is
old-fashioned community barnraising
using new digital tools**

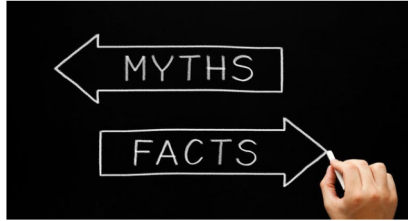


But crowdfunding platforms don't create the connections and relationships themselves

YOU use online and offline communications to turn the trust and connection with your network into funding

The Truth About Crowdfunding

Crowdfunding isn't free



It requires a significant investment of time

*creating and nurturing your network
online and offline*

before, during and after your campaign

The Value of Crowdfunding

- raise funding while **working on the nuts and bolts** of your business
- **test and refine ideas** while solidifying a plan
- generate **proof of concept, market testing** and **customer feedback**
- create a **public proving ground** before large investments of capital are required
- can help **unlock other funding types** from investing to lending



The Crowdfunding Landscape

The crowdfunding landscape includes
3 hybrids of traditional funding:

Donation

personal causes & 501(c)(3) nonprofits

Lending

peer-to-peer lending

Investment

securities: debt, revenue-share & equity

The Crowdfunding Landscape

AND a new type of funding for businesses & creative ideas:

Rewards

contains elements of pre-sales,
early adopter fan support,
and friends/family funding

- first platform founded in 2003
- Kickstarter alone raises \$1.5M/day
- especially successful for businesses funding <\$50K
with the highest success for funding goals <\$10k

The Crowdfunding Landscape

Donation

How does it work?

fundraising for personal needs or causes

Who is it for?

individuals, nonprofits

Fees: % of funds

Note:

many platforms provide tax-deductible receipts for 501(c)(3) donations

The Crowdfunding Landscape

Rewards

How does it work?

contributions in exchange for rewards or perks,
pre-sales/pre-payment for products before manufacturing

Who is it for?

individuals, pre-startups, startups, existing businesses,
nonprofits

Fees: % of funds

Note: backers are not investors,
valuable market validation and customer feedback

The Crowdfunding Landscape

Lending

How does it work?

online platforms that match borrowers
with individual lenders, not banks

Who is it for?

individuals, pre-startups, startups & existing
businesses

Fees: low or no fees

Note: Kiva offers no-interest loans up to \$10,000

The Crowdfunding Landscape

Investment

How does it work?

equity, debt or revenue-share securities offerings -
subject to SEC rules (JOBS Act)

- **Regulation Crowdfunding** (Title III) - raises up to \$1,070,000 per year
- **Reg D (506c)** - no limits**
- **Reg A+** - raises up to \$50M

***accredited investors only: net worth \$1M+ or \$200,000+ annual income*

The Crowdfunding Landscape

Investment

Who is it for?

startups & existing businesses with an investor strategy

Fees: % of funds, warrant and/or flat fee

Note:

- backers are investors
- requires legal and financial compliance filings with SEC
- must use a FINRA approved platform

The Crowdfunding Landscape

Who can use crowdfunding?

- **any stage of business:** idea, startup, growth, established
- **any size of business** – solo entrepreneur to Fortune 500
- **any kind of business** - B2C, B2B, online, bricks & mortar, local, international
- **low barriers to entry** - not dependent on FICO, repayment capacity, equity injection, collateral
- **few limits on how much can be raised** – from hundreds to millions of dollars
- **women and minority entrepreneurs** are more successful at crowdfunding

Personalized Feedback on Your Crowdfunding Potential



Crowdfunding Readiness Report Card
Your Business Name

Overall Assessment

3-6 months of consistent work to have the best chance for crowdfunding success

Assets	Beginning	Developing	Secure
			X
			X
	X		
		X	
	X		
	X		
			X
		X	

Want to crowdfund but not sure if your business is a good candidate?

Statistics show that **over 50%** of campaigns **never reach 10%** of their goal.

Even a small amount of education **increases your odds of success** exponentially.

Let us help you beat the crowdfunding odds

Take our **Crowdfunding Rapid Assessment** and receive:

- personalized, data-backed feedback on your potential to crowdfund
- a **Crowdfunding Report Card** with actionable steps to begin today
- **30-minute Assessment Call** with one of our expert team members

Purchase today at this link: bit.ly/CfB-rapid





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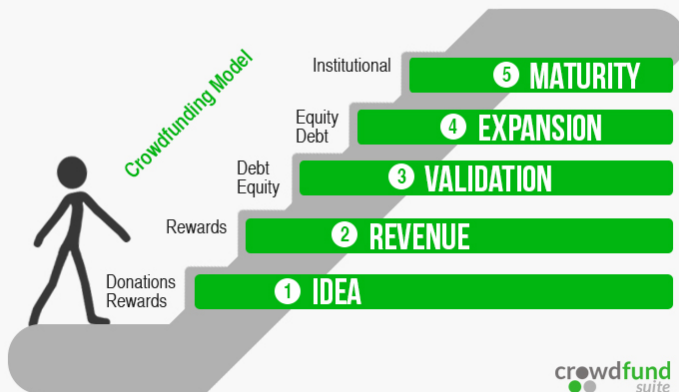
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Steps to a Successful Campaign: Choosing the Right Model

The Crowdfunding Escalator



The amount of capital you need and stage of business are critical to deciding on the model to use and platform to select.

Donations < \$10,000

Rewards – \$5k – \$100k+

Lending – \$25 – \$150k

Equity – \$250k – \$3M+



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Steps to a Successful Campaign: Choosing the Right Model

1. Have the right product
2. Build a thorough plan
3. Build campaign assets
4. Build pre-campaign momentum, engage your community
5. Execute campaign
6. Post-campaign follow through and engagement



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Crowdfunding Campaign Timeline

**Planning &
Strategy**

60-90 days



**Pre-campaign
promotion**

60 days



**Campaign
Execution**

14-30 days



**Post-campaign
follow-through**

180 days -
ongoing

Ongoing Marketing and Communications



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Crowdfunding Campaign Timeline: Planning and Strategy

Research

- Make sure your product is a good fit for crowdfunding
- Market test your product before the campaign
- Select appropriate platform
- Look at competitors and make sure you're positioned correctly

Build a thorough plan

- Set a realistic funding goal
- Build campaign team and determine roles
- Plan campaign finances
- Develop good reward levels
- Set your campaign timelines

Create campaign assets

- Create a captivating video
- Business backstory and product images
- Create a press kit, campaign website or landing page
- Email capability and social presence



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Crowdfunding Campaign Timeline: Rewards Considerations



- The key is to create an incentive to donate/lend for different types of individuals to maximize pledges.
 - Pre-orders, early delivery
 - Limited editions
 - Special recognition
 - Services
- Consider 3-8 tiers of rewards
- What makes your company unique?

Resource:

Kickstarter has a list of possible rewards: www.kickstarter.com/blog/need-some-reward-ideas-here-are-96-of-them



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Crowdfunding Campaign Timeline: Pre-Campaign Promotion



- Build pre-campaign momentum
 - Supercharge social activity
 - Use traditional marketing to begin gathering emails for the campaign start
 - Get professional help if you need it
- Engage your community
- Create pre-launch buzz



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Crowdfunding Campaign Timeline: Execute Campaign

- Engage online and offline
- Send out press release
- Stay on top of production
- Continue momentum - communicate often and well
- Reach out to media and bloggers, guerilla marketing, grassroots methods



TIP! The beginning and end of the campaign are when most funding happens so put in extra effort at those times.



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Crowdfunding Campaign Timeline: Post Campaign Follow-Through



- Send thank you messages
 - Share the outcome of your campaign and provide status of next steps
- Nurture new relationships
- Equity considerations



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Post Campaign Follow-Through: Success Factors



1. Quality idea and pitch
2. Network strength
3. Strong committed team
4. Key content and documents
5. Strong marketing campaign and incentives



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Common Crowdfunding Mistakes

- We underestimated the time commitment involved
- We didn't adequately test our campaign
- We launched before we were ready
- We didn't consult legal counsel
- We didn't account for taxes and fees
- We had little traction so we gave up
- We blamed it on the platform
- We didn't realize how important the video was



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Is Crowdfunding Right for Your Business?



- Do you have a **loyal following**?
- Do you have a strong **social media presence**?
- Are you looking to **engage an audience** of potential customers?
- Do you have a **compelling** and **inspiring** story?
- Why should backers support you and **why now**?



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Alternative Online Lenders

- A new breed of online lenders are innovating small business lending, expanding new options for entrepreneurs.
 - Simple, streamlined application process; quick approval and delivery of funds
 - Use of **technology** and new sources of **social data** to assess risk
 - Online lending is largely **unregulated** at this point
 - Typically higher interest rates than banks
- **Not all online lenders are equal** and some players mask very high rates.



Small businesses must proceed with caution!



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Predatory Lending Tips

- Merchant cash advances should be a **last resort**
- Be cautious of **deceptive and aggressive sales/advertising**
 - Keywords: Fast cash, no credit score, no collateral needed
- **Proper cash flow planning** is highly recommended
- Carefully review and understand all **fees, terms and penalties**



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Crowdfunding Story: Kateri Gutiérrez

gofundme | Search | Start a GoFundMe | Share | Tweet | Donate



COOP LA 92



\$5,571 of \$15,000 goal

Raised by 93 people in 1 month

[Donate Now](#)


[Share on Facebook](#)

Created August 1, 2018

 **COOP LA** 
 Business
 SOUTH GATE, CA

KG ...

Recent Donations

 **\$20**
 Suzanna Tran
 1 day ago

\$100

Help us Open COOP LA!

Share | Tweet | 395 shares





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Be an Advocate!



SMALL BUSINESS BORROWERS'
BILL OF RIGHTS

www.responsiblebusinesslending.org

The Six Principles

1. The Right to Transparent Pricing and Terms
2. The Right to Non-Abusive Products
3. The Right to Responsible Underwriting
4. The Right to Fair Treatment from Brokers
5. The Right to Inclusive Credit Access
6. The Right to Fair Collection Practices



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Small Business Borrower's Bill of Rights

Checklist for small business owners

- What is the interest rate (or other applicable rate like AIR, APR)?
- Are there any upfront fees? If so, where do they go?
- What are the payment amounts and frequency?
- Are there any prepayment penalties?
- What is the full cost of the loan over its lifetime?
- If refinancing, are fees being added to the existing principal?
- Is the lender imposing deadlines for accepting the loan offer?
- If going through a broker, are they fully disclosing their fees?



ASK YOURSELF: Have you fully assessed your business' financial situation and feel you can reasonably meet the payment terms?



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Access to Capital Overview: The Good News

kiva

FUNDABLE

Crowdfund
BETTER



CROWDSUNITE

gofundme™

Still need help navigating your crowdfunding options?

Visit top crowdfunding sites to **comparison shop** among a wide range of platforms.

Bonus: they also provide **good educational tools and resources.**



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Resources

Visit our Small Business Access to Capital Resource Portal:

[Venturize.org](https://www.venturize.org)

Venturize.org is an educational lending platform that gives small businesses increased access to responsible capital by demystifying the lending landscape and providing resources to help you become loan-ready.





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Join Our Network

Ways to get involved:

- Receive a monthly newsletter
 - Share your small business story for media requests
 - Letters to the editor/Op-eds
- Regional and state events
 - Free webinars for businesses
 - Policy/advocacy updates
 - Resources and education

Connect with us!



Small Business Majority



@SmlBizMajority



@SmlBizMajority