



AccessSME

Peer Learning of Innovation Agencies for Services of Access to
Finance for Innovative SMEs

DESIGN OPTIONS PAPER

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Design Options Paper - Peer Learning of Innovation Agencies for Services of Access to Finance for Innovative SMEs (AccesSME)

Authors:

Arunas Berzinskas, Lithuanian Innovation Centre (project coordinator)

Arvydas Sutkus, Lithuanian Innovation Centre

Giorgos Tzamtzis, Foundation for Research and Technology-Hellas

Konstantinos Vaitas, Foundation for Research and Technology-Hellas

Mikk Eerik, Enterprise Estonia

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1. DESIGN OF THE PROJECT

1.1. Background

Nine years after the 2008 financial crisis, bank lending had still not returned to pre-crisis levels – particularly for smaller firms. Nevertheless, small firms, which introduce new innovative products, processes or business models are most likely to create new markets, achieve rapid growth, and help the economy recover. External finance may be particularly important for such firms, as they usually lack the internal resources to successfully commercialise innovations. And yet, it is innovative small firms which often find it very hard to obtain finance.¹ Innovative firms tend to have riskier business models, which are important to create new markets, but are also difficult for banks to value. They rely more on intangible assets, rather than physical property. However, intangibles are difficult to value as they are context specific, and thus hard to use as collateral for lending. Innovative SMEs are more likely to apply for finance than other firms (higher demand), but are less likely to access finance (restricted supply).²

Innovation agencies play a key role in encouraging SMEs to explore new sources of financing. Such opportunities include a variety of tools: bank loans, venture capital, risk finance, crowdfunding, participation in international and national research and innovation (R&I) funding programmes etc. SMEs usually do not possess required competencies and extensive knowledge of these measures. To tackle this issue, innovation agencies design and deliver a number of advisory actions and implement specific initiatives, together with an array of other services for small businesses.

Very often, innovation agencies lack the necessary soft skills and the access to effective tools which are essential when promoting all available opportunities for access to finance to the business community. Additionally, some agencies lack the institutional and organizational capacity for such activities. This is usually one of the main reasons why various financing options are not exploited as much as possible on a national/regional level by the SMEs, resulting in lost opportunities for business growth. The agencies acknowledge that these challenges are the result of different issues which are lacking in the respective innovation ecosystem of the partner states. However, they are also due to insufficient capacities and the lack of expertise regarding the innovation agencies. Therefore, this situation needs to be addressed with urgency.

¹ Mina, A., H. Lahr, and A. Hughes. 2013. “The Demand and Supply of External Finance for Innovative Firms.” *Industrial and Corporate Change*, 22 (4), 869-901.

² Lee, Neil, Sameen, Hiba and Cowling, Marc (2015) Access to finance for innovative SMEs since the financial crisis. *Research Policy*, 44 (2). pp. 370-380.

This Design Options Paper (DOP) explores 3 different sources of access to finance:

- 1) Business to business (B2B) matching for partnerships and investments
- 2) Horizon 2020 SME Instrument
- 3) Crowdfunding.

1.2. Partners

Lithuanian Innovation Centre (LIC) mandated by its shareholders - the Ministry of Economy, the Ministry of Education and Science, and the Lithuanian Confederation of Industrialists - implements national innovation policy through provision of innovation support services. Its main goal is to increase Lithuanian international competitiveness by stimulating innovation in business through: a) increasing capability of companies to innovate; b) accelerating adoption of new technologies and commercialization of advanced research results; c) reducing risk of innovation implementation, and d) supporting development of innovation policy recommendations and implementation strategies for relevant public institutions. LIC positions itself as a public consultancy organisation with a mission of advising establishments interested in innovation-related issues. The largest group of clients comprise SMEs and R&D labs. LIC has a regional reach to locations over Lithuania. Lithuanian Innovation Centre was part of FP6 smE-MPOWER project (smE-MPOWER methodology is at the core of coaching services) and its community, which is still running and expanding. LIC uses it in providing services to the companies as part of the Enterprise Europe Network service package, Moreover, it also acts as Key Account Management Service provider for Horizon 2020 SME instrument. In the past, LIC has led number of cross border transfer activities, including good practices of regional innovation support (e.g. to Croatia, Bosnia Herzegovina and Belarus).

LIC is well positioned to contribute experience in coaching Lithuanian companies and conceptual support for new service, tools development and adaptation and their transfer.

Enterprise Estonia (EAS) promotes business and regional policy in Estonia and is one of the largest institutions within the national support system for entrepreneurship by providing financial assistance, counselling, cooperation opportunities and training for entrepreneurs, research institutions, public and non-profit sectors.

EAS activities contribute to the achievement of long-term strategic goals of the Estonian economy. To this end, it supports the development of companies that have export capacity and create higher added value.

As regards the SMEs, Enterprise Estonia is promoting the internationally competitive entrepreneurship and is focusing on three main goals:

1. Raising awareness about entrepreneurship in society.
2. Development programmes targeted at entrepreneurs.
3. Focusing on long-term counselling of companies.

Foundation for Research and Technology-Hellas (FORTH), established in 1983, is one of the largest research centres in Greece with well-organized facilities, highly qualified personnel and a reputation as a top-level research foundation worldwide. PRAXI Network (www.help-forward.gr) is a special unit of FORTH created from a strategic alliance of the research community and the industry in Greece. It was established in 1991 by FORTH (main stakeholder) and the Hellenic Federation of Enterprises (SEV), with the support of the General Secretariat for Research and Technology (GSRT). PRAXI Network operates in the fields of technology transfer and international cooperation addressing small and medium sized enterprises and research institutions all over Greece. Its services range from information to mediation and advisory support, covering the entire spectrum of activities related to research collaboration, technology transfer, commercial exploitation of research results and international collaboration for the promotion of the EU framework programmes in 3rd countries. It is one of the main NCP organisations in Greece and operates the liaison office for FORTH. PRAXI is currently the coordinator of the Enterprise Europe Network (EEN) Hellas consortium, member of EASME's Steering & Advisory Group (SAG), and host of the national representation for the "Innovation in SMEs and Access to Risk Finance" H2020 programme committee. Finally, PRAXI participates in the Access 2 Finance working group of the EEN. PRAXI Network has the capacity to undertake the following type of activities:

- Illustrating best practices, developing tools and disseminating results to maximize the impact of EU R&D projects.
- Offering matching, partnering and individual consultancy services and organising brokerage and partnering events.
- Offering technology transfer services including access to finance, both private and public.
- Supporting research and industry stakeholders, facilitating their involvement in R&D projects and widening participation.
- Implementing joint activities with other NCPs for increasing their own capacity and level of services provided to the research and industrial stakeholders.

1.3. Methodology

Project partners engaged in peer learning activities. The peer-reviewing was used to analyse the *modus operandi* of each partner agency and identify best practices related to access to finance for innovative SMEs. The results of the peer-review process are compiled into this DOP. The paper will enable the transfer of good practices from one agency to another, not only for those participating in the project but for innovation agencies across the EU. By using collective experience and knowledge, partners developed novel approaches to address the identified shortcomings and failures of existing practices, in sustainable and effective ways. Thus, the partnership provided an insight of challenges faced by innovative SMEs and a set of tools which will facilitate all innovation agencies to improve their services.

Partners identified and analysed elements of implemented good practices, which in turn were developed to address identified challenges. Three meetings of the consortium – in Athens (Greece), Tallinn (Estonia) and Vilnius (Lithuania) were held to discuss the delivery of the improved services, to provide a basis for design options and include them in the DOP. These options allow for adapting schemes to the specific national or regional environment. All the meetings involved the peer learning between organizations.

The information that was gathered in meetings and from outside sources were included in this DOP and organized to be as practically usable as possible – project partners prepared guidelines, checklists and step-by-step guides for different issues. It should help other innovation agencies to use this information to develop new services for their clients or to integrate into existing services. Some points covered could be used when organizing business-to-investors events, consulting companies about participation in Horizon 2020 SME Instrument or how to attract financing from crowdfunding.

2. B2B MATCHING FOR PARTNERSHIPS AND INVESTMENTS

Greece has a long history in business to business (B2B) matching for partnerships and investments. Despite the socio-economic conditions in the country, matchmaking events attract the strong attention of SMEs and investors (both strategic and financial) and are held throughout the year. One of the most effective events in the country is the Equity Investment Forum, which is co-organized by FORTH/PRAXI Network. The last Forum attracted 350 participants. For B2B matchmaking (aiming at investment opportunities) more than 300 business plans were submitted and more than 500 meetings were held. This depicts an increase of more than 150% since the previous event.

Other project partners organising various events – conferences (Innovation Summit), infodays and trainings on different topics (R&D and innovation funding, intellectual property rights, business strategy etc.), matchmaking events, seminars (Green IT) and others. All good practices that are required to organise successful events were discussed during the project meeting. The focus, however, is on the Business to Investors matchmaking events where SMEs have an opportunity to find the investors and attract the investment they seek. The guidelines through the whole process are discussed further.

2.1. Organising B2B Matchmaking Events

Due to the significance of such events to SMEs, investors and other stakeholders, it is imperative that enough resources are dedicated and special attention is paid to their organization aspects and specifically on:

- a) Marketing
- b) Promotion, and,
- c) Logistical issues.

The event's concept setting, the integrated marketing communication, the promotion, the follow-up and the logistics procedure of the events are crucial for the successful implementation.

A) Event Marketing

“Marketing is the function of event management that can keep in touch with the event’s participants and visitors, read their needs and motivations, develop products/services that meet these needs and build a communication program which expresses the event’s purpose and objectives” (Hall, 1997).

Marketing is not just event promotion but rather a structured and coherent way of thinking about achieving the objectives related to market/stakeholder awareness, event attendance, and satisfaction goals.

From the early stages the responsible person for the marketing of the event (**event-marketing manager**) has to think strategically and analyse the needs of the target market in order to establish and design the “Event Experience”. For that, it is very important to predict how many people will participate and to research any competitive events that could satisfy similar needs (devise a Unique Selling Proposition). The price estimation that participants are willing to pay, the decision on marketing communication and the consideration on how the choice and design of the venue fit with the needs of the attendees, are very important for the design of the marketing strategy.

Concept and planning. In order to properly set the event’s concept and the initial plan, it is necessary to set the expected outcomes (performance goals) which will guide the design of the event. Determination of the target audience is linked with the set goals and an exhaustive list needs to be compiled very early on (e.g. researchers, universities, SMEs, multipliers, media, other EU bodies, trade associations, liaison offices, business development agencies). This target group has specific sectors of interest and these need to be identified and selected in order to conclude the concept of the event.

Initial logistical considerations are equally important. The set of date and time is critical in order to achieve maximum impact and attendance (e.g. avoid the days right before or soon after holidays, Mondays and Fridays which deliver lower attendance, etc.). The event’s location plays also a very important role: the event can either stand alone or in parallel with other events (e.g. trade shows, exhibitions or conferences) and which choice depends on whether the event stands to gain and maximise attendance rates. Finally, the definition of time resources, calculation of required budget for the design and promotion and preparation of the event, underpin the event’s setting in total.

The event “Product experience” depends mainly on 5 “P”s:

1. **Programme:** its core concept, agenda and packaging which includes information on the venue, the registration process, accommodation, food & beverage, transportation, nearby tourist attractions etc.).

2. **Place:** where the event is held, its physical setting and on-site event processes. This also includes any online presence such as webstreaming.
3. **People:** includes speakers, guests, hosts, other stakeholders, event staff etc.
4. **Price:** the exchange of value to experience the event. The cost could be fixed or variable and accommodate various methods of payment.
5. **Promotion** which media and messages (publicity, PR, sales promotion, direct marketing) will be employed in order to build better relationships with the event target groups should also be under careful consideration.

The above 5 “P” method constitutes a rough guide and checklist for keeping the “Product experience” in check.

B) Event Promotion

Promotion of the event is pivotal to its success. Reaching the targeted audience requires a clear, succinct message which is consistent throughout the campaign and media used. This integrated approach consists of a number of promotional methods, the most common of which are found in the following graph:

The event’s promotion begins with the design of the promotion campaign to reach the ideal target audience. The selection of the most appropriate tools for the specific campaign and target audience need to be defined early on. The extent to which an organization uses any or all of these tools depends on its marketing needs, objectives, strategy and resources. The most common (and recommended) promotional vehicles are:

- a. A dedicated to the event website
- b. E-mail invitations, personalized if possible.
- c. Advertisement in Newsletters and banner ads,
- d. Direct mail, personalized if possible
- e. Press releases and other public relations media
- f. Social media

The dedicated website provides an immediate platform for interaction and information posting that prospective participants can visit. The website should also provide a convenient mean for registration for the event.

Whenever possible, it is important to make sure that the event is also part of the organisation’s overall marketing: *Letters, direct mail, brochures and other related marketing communication pieces should all make note of the event.* Simple things may have a big impact, like setting up email signatures linking to the event across the organization and its partners.

After the initial promotional wave, a follow-up (telephone follow up and personal assistance) is highly recommended. Regular reminders for registrants a couple of days in advance of the event are essential since *statistically, reminders seem to have the greatest impact*. Finally, yet importantly, a designed and printed press kit containing material to be used by third parties to promote the event. This material needs to be clear, avoid technical terms, and designed for the largest possible audience in order to be transmittable by the largest possible number of third parties.

In order to maximize impact, organisations should leverage their partnerships and networks to promote the event. Any kind of exposure by collaborators and partners can substantial help a marketing campaign reach its goals. If the event is co-organised with other partners, their marketing tools should also be put into use for the campaign. Public interest groups, online fora or professional associations that might be interested in publishing an announcement about the event should be contacted in order to facilitate dissemination.

Social Media. Promotion through Social Media is a great way for the creation of awareness and enthusiasm to attend the event and a way for fast and direct transfer of shareworthy content (showcase content and speakers, feature reviews from past events). The formatting and style of Social Media differs substantially from other traditional tools so presentation in an intriguing and engaging way is necessary, for instance use phrases such as: *“Interested for exploiting your research idea?”*, *“Contact one of our experts today!”*, *“Browse our online tool and find a partner!”*, *“How to succeed at...?”*, *“Want to learn how to succeed at ...?”* etc.

E-mail campaign. Email campaigns are the most commonly used method for promoting events. It comprises an easy, direct, fast and cost-effective way to pass a message along. Although most organisations are very familiar with basic requirements for email campaigns, it is important to note the following points for a successful e-mail campaign:

- a) Verify the quality of the e-mail list (outdated list, missing letters etc.)
- b) Pay attention to the quality of the invitation copy (syntax, grammar, fonts, etc.).
- c) Include some strong examples of previous relevant events (if applicable)
- d) Avoid word or images that are possibly blocked by spam filters
- e) Provide a short and easy fill in registration form, if there is no online registration form
- f) Avoid attachments and heavy graphics
- g) Link to a dedicated web page with more information on the event to reinforce the marketing message
- h) Automate your e-mail procedure if possible: send out invitations, confirmations and reminders automatically
- i) Run a few test before mass e-mailing (test the invitation to make sure it generally gets through correctly.)

Also note that 79% of recipients tend to hit the “report spam” button when they do not know identify easily the sender is. A clear branding is therefore necessary.

Checklists.

Creating a checklist ensures that no aspects of the event’s organization escapes the attention of the organizer. There are two major lists that need to be checked.

Before the event: The checklist before the event includes:

- establishment of roles and responsibilities within the organisation team
- the table numbers or signs for the arranged meetings
- advertising material such as banners, leaflets and other literature
- the reception line that will be used to initially guide the participants,
- awareness of surroundings (layout of the space, stairwells and exits, security stations, etc.),
- planning for contingencies (missing appointments, lost registrations, etc.),
- the placement of food and bars (should not hinder traffic flow),

A walk-through the checklist and a rehearsal 24 hours prior to the event itself is highly recommended.

During the Event: The checklist during the event includes the following:

- prepare and have available the guest list, the media list, name tags for participants alphabetized at the registration desk
- placement of directional signs in the lobby and other key places
- records of who is attending the event (and ideally keep a running list of who is present at all times)
- reminder to the guests to keep their badges with them at all times,
- prepare and hand out press kits or other giveaways.

Event Follow-Up

It is absolutely necessary that a thorough follow-up takes place after the event. The follow-up establishes continuity, gauges success against goals, contributes towards participants’ satisfaction and collects feedback on improvement possibilities. The first step towards a successful follow-up to the event, requires the preparation of appropriate surveys to collect results and assess the quality of the event organisation.

After the event a series of follow-up e-mails to both attendees and non-attendees presenting information on the event, conclusions, subsequent activities and post event reports are necessary in order to convert attendees to customers. For clients a more personal touch is needed and therefore, where appropriate, thank-you notes or messages are needed to maintain a good relationship with them. Finally, organisers should consider employing all marketing means again (social media, newsletter, press releases, etc.) to convey the outcomes of the event and reference future events.

C) Logistics

Event logistics, especially for large events, requires careful planning, adequate resources, supporting material and contingency planning. The most important logistical factors to consider are the following:

- Has an adequate number of staff/crowd controllers been allocated?
- What is the event flow: people changing tables, site communication, bulletin boards
- How many queues and possible bottlenecks will there be?
- How can the perceived waiting time be reduced?
- Is an event kit available? Site map, accommodation plan etc.
- Storage of consumables and equipment & maintenance
- What first aid, access and emergency procedures are in place?
- Sound & lights
- On-site needs
- Food & Drink provision

The above list constitutes the most critical elements of events logistics and therefore the organizer needs to take them into account, plan for their execution and tackle any issues or problems that may arise.

In order to facilitate a smooth execution in all phases of the event, the organisers are highly encouraged to develop a logistics plan. This constitutes of a general contact list, a detailed site map (scale of the place and direction, list of symbols, pathways etc.), schedules and timelines, emergency plan, subcontractors' details, on-site contacts, and evaluation forms.

2.2. Organising B2I Matchmaking Events

Organising Business to Investors events, is a challenging process but very effective in facilitating attracting finance for SMEs. Such events are organized differently to standard brokerage events.

Cooperation with other key players is essential, therefore, organisers should not attempt to organize such events without additional support. Make sure that the quality of the submitted proposal is high, by establishing a screening process. Finally, make sure not to make promises you cannot deliver, such as to guarantee meetings.

A. Organisational Aspects

For these high-level event it is crucial to organize them in fine detail, while preparation before, during and after the event is also very important.

a) Before the event

There are several issues that an organizer should have in mind. First, if possible, it is important to co-organize the event with other institutions and stakeholders who are key players in the Venture Capital field. Linking with the national decision-makers to achieve high political support is also crucial. Additionally, it is important to engage high-level partners from other countries active in the VC field.

To promote the event in the best way possible, it is important to prepare a professional, dedicated if possible, website, in order to demonstrate the strong aspects of the event as well as high-impact promotional material. In order to achieve active participation from investors, the organiser should send invitations for expression of interest to investors immediately after the event is announced. Additionally, it is recommended to organize a pre-conference event and a press conference to get maximum visibility. Finally, every organizer should remember that organizing such an event is highly demanding (liaise with suitable stakeholders, collect and assess business plans etc.), so it is crucial that preparations start early.

b) During the event

During the event, there are several issues to be considered. First, the venue should be well organized and friendly for the participants of the event. As in any type of matchmaking event, special attention is needed in order to keep the meetings running on time, without delays. If possible, organizing an event on the side with more exclusive characteristics, such as a networking cocktail between certain stakeholders, could be a good, 'out of the box' addition.

c) After the event

After the event the organizers should provide to the participants 'after event' services and support such as facilitation of follow-up or if appropriate dissemination of the participants' lists, so that all, or at least most of the participants are satisfied. In order to thank the investors and

entrepreneurs for their participation and ask for their feedback, personalized emails should be sent out in a timely manner.

B. Preparing companies to meet with Investors

When a company meets with investors, preparation prior to the meeting is crucial. Extensive research should ensure that the company knows exactly how to approach the meeting and acquire information about the Venture Capitals (VCs). For instance, it is important to know whether the VCs targeting the company are actively investing in their respective market and in companies of similar size and development stage.

First impressions matter. A company representative who is self-confident, looks professional and is well informed on the idea they want to pitch will affect a VC positively. Being specific on the exact budget the company needs, the purpose and the duration of the financial support is very important for a VC who considers funding the company. It is also very important that an exit strategy is in place for the investors to see and evaluate.

Companies need to attract the attention of investors in a very short time. Details can be shown a later stage. The company representative should make the most of the allocated time and therefore convey the most important information. Thus, the 'Elevator Pitch' must last less than a minute, a presentation must be short, while the executive summary of the project idea must be well-written in one or two pages.

In order to be well prepared, companies should familiarise themselves with the investors and their general background. Investors are generally smart, self-confident people, usually with accountancy or legal background. They frequently use financial jargon, such as 'burn rate' (the amount of money a company needs every month) and 'EBIDTA' (earnings before interest, depreciation and amortization), so companies should be prepared for that. Investors are used to meeting with companies, therefore they know what they are looking for, both in a company and in an investment.

In a company, investors are looking for commitment, adaptability, team chemistry and technical skills. ***In an investment***, they are looking for a return in their investment that is equal or above industry standards and a return on equity to be comparable to the investment profile.

Most importantly, a company will need to demonstrate to potential investors that their concept will essentially be a solution to an identified **problem**. For example, if the concept targets consumers, then your company must talk about consumer needs. Additionally, if possible,

demonstrating your company's idea would be a big advantage. Alternatively, visual aids such as screenshots can be used.

It is essential for a company to have a good understanding of the **market** they are targeting, with data compiled from several recent studies. If the market is new, the company should explain to the investors the potential size of this market (volume of users/customers) as well as the growth potential. If the market will be replaced by the proposed solution, the company should have an estimate of the impact their solution will have on the existing market. Additionally, companies should be aware of the competition forces in the market they are targeting, and should be able to distinguish themselves from competitors.

If investors are interested, they will need to have more information on the **team** responsible for the implementation of the proposed idea. Therefore, companies should be able to present their team members, their expertise and talents in a short and interesting way. In the same manner, it is important to present the financial aspects of the proposed project in a short and effective way.

When meeting with investors it is important to keep in mind that they appreciate short and sharp presentations. Additionally, they will focus on the team around the project idea; therefore, passion and determination are important qualities. The presence of your company on social media should not be underestimated, since investors will most probably search the company online. Being introduced to the investors from a mutual acquaintance can also help, such as a friend, old colleague or associate. Finally, it is crucial to be clear with the needs of the company and the best way these needs will be covered.

Preparing material for Investors

As it was mentioned before, a company will most likely attract potential investors if they have a well-prepared executive summary of their project idea, a short presentation and an elevator pitch.

a) Executive Summary

The Executive summary, is usually a concise text presenting key elements of a business plan. Its short nature allows only for the most important aspects to be presented, such as:

- The current status of the company, including funds already raised, revenue, team size and expertise, volume of customers
- The specific problem/need in the market that the proposed project is aspiring to solve, and how it will solve it

- The targeted market, its size, potential and competition
- The strategy that will lead the proposed concept to the market
- The size of the required budget and the needs it will cover

b) Presentation

Presentations allow for more information to be passed along and with graphical assistance more details can be conveyed. The most important aspects that should be included in a short presentation of your project idea are:

- The problem your company wants to solve and the way to do it
- The benefits of the value proposition, the impact on the customer and the market
- The size of the market and your business case
- The technology used (only if it improves the presentation of the idea as a whole)
- The investment and action plans

c) Elevator Pitch

The elevator pitch is the shortest way to present to investors so only a few elements can be presented. The most important aspects that should be included in an elevator pitch (duration of one minute) are:

- The problem your company wants to solve and the way to do it
- The benefits of the value proposition, the impact on the customer and the market

During the elevator pitch, it is crucial that your company's idea is properly sold, in a way that the investor will see the advantages of your idea compared to another idea.

After Investors' Rejection

It is important to be aware of the fact that the probabilities of getting funding from VCs are low. According to the Small Business Administration, about 600.000 new businesses are launched in the U.S. every year but only about 300 of them are funded by VCs. Essentially, this means that only about 0.05% of the new entrepreneurs will receive funding from VCs, because most of the time, ventures do not qualify for venture capital.

Since rejection by investors is quite common, there are many options on how to proceed after such eventuality. There is no Golden Rule on how to proceed, but every case is treated differently depending on the company's characteristics, its innovation potential, its funding requirements and the market applicability of its project idea.

a) Business Plan revision

In order to identify what went wrong, the business plan (or other material) presented to Investors should be reviewed. The most common problems related to investor rejections need to be examined such as market analysis and appraisal, business model, innovation relevance, and technology maturity. After the review, improvements should be made and a revised business plan should be developed.

b) Innovation Capacity Assessment

Most companies (especially start-ups) do not have the necessary capacity to handle their innovation (technical development, philosophy, strategy, financial management, and network). Therefore, a thorough assessment should be performed using various innovation management capacity tools and methodologies (such as the Imp³rove methodology and tool) to identify weak points in the company's capacity. The innovation capacity assessment should be followed by a thorough review and an action plan, which the SME should adopt and apply.

c) IPR Assessment

IPR Assessments are also necessary in order to make sure the innovation proposed is fully protected and to ensure the ability of the SME to use its innovation (freedom to operate). Investors are quite sensitive to innovation that is not thoroughly protected or is not properly assessed.

d) IPR Valuation

Apart from the assessment, IPR Valuation also are necessary to gain a good understanding where the company stands. Investors are eager to see not only the application of an innovation but also its value in a preliminary assessment. The company should seek to conduct an IPR valuation, which will provide the initial value of the innovation in real market terms. Subsequently, the SME needs to incorporate this valuation in its business plan and adapt its strategy accordingly to the IPR's value (and lifecycle value).

e) Alternative Funding

There are other channels apart from VC funding, and it is important to be aware of the different options an SME has. Some of these channels include banking loans, EU Access to Finance tools and instrument, Crowdfunding and Peer-to-peer consumer and business lending.

3. SME INSTRUMENT

SME Instrument is a funding scheme of EU R&D and innovation programme Horizon 2020. It is divided into three phases, which means preparation for submitting a proposal is different, depending on a phase you want to take part on.

Phase 1 - Feasibility study

Phase 1 helps to get a grip on the R&D, technical feasibility and commercial potential of a groundbreaking, innovative idea and develop it into credible business plan for scaling it up. Funded projects will receive a lump sum of 50 000 euros and this phase should last around 6 months. In this phase, SME should submit a business proposal no longer than 10 pages.

Phase 2 - From concept to market

Phase 2 is meant to develop your business concept further into a market-ready product, service or process aligned with company's growth strategy. Supported activities in this phase could be trials, prototyping, validation, demonstration and testing in real-world conditions and markets. Funded projects will receive between 500 000 and 2 500 000 euros. Requested amount could be higher or lower if it is justified. Projects should normally take 12 to 24 months to complete, but could take longer in exceptional and well-justified cases. In this phase, SME should submit a business proposal no longer than 30 pages.

Phase 3 - Business acceleration services and coaching

Phase 3 offers free coaching, business acceleration services and mentoring to help businesses to scale up and grow. Business acceleration services contain trainings, links to investors, partnering and networking with other SMEs and larger firms.

As seen from above, depending on phases, the submitted business proposal are different.

The main idea of a business proposal is to convince evaluators to invest in your business.

Either you are taking part in phase 1 or 2, a good business proposals contains three key elements: **1) Impact 2) Excellence and 3) Implementation.**

Always open call, rather simple proposal, fast evaluation and sufficient funding for innovation - these features made SME Instrument a very attractive to the European businesses. Around 2500

SMEs were granted funding of almost 900 million EUR in 3 years.³ However, the competition is fierce, but some countries manage to participate more successfully than others.

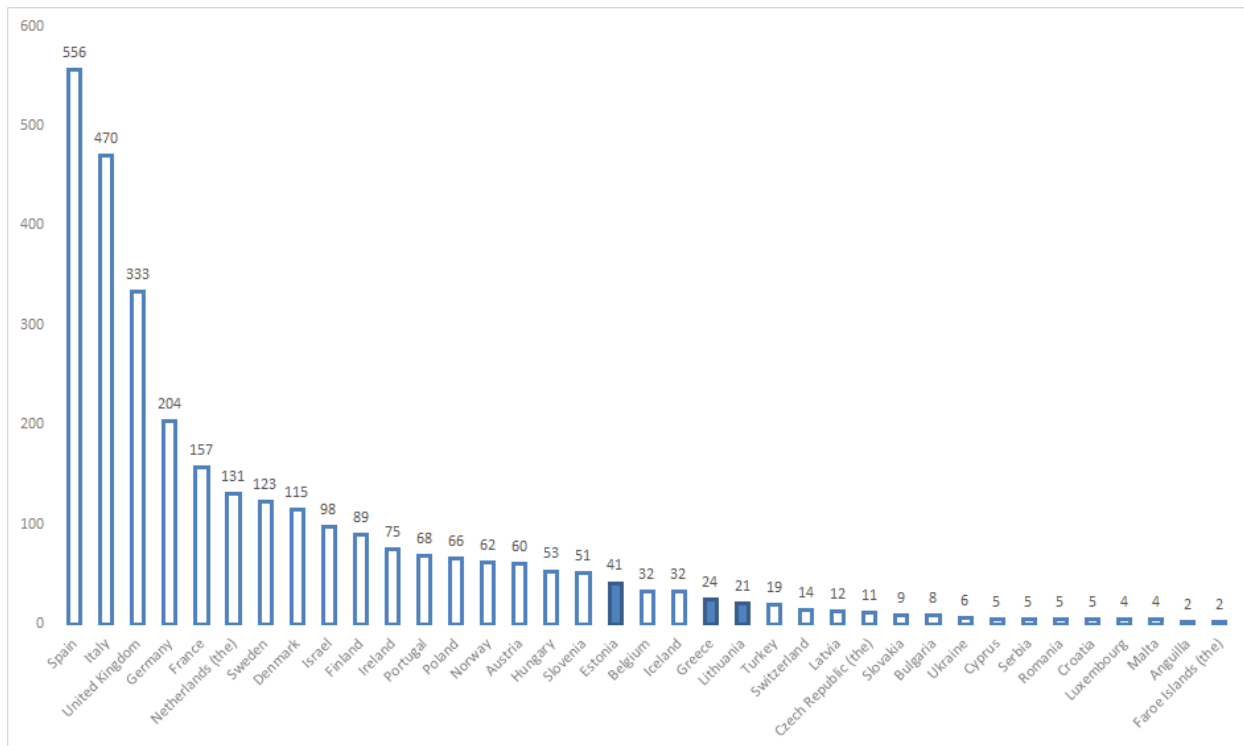


Chart 1. Financed SME Instruments by country

Estonia, despite being a very small country, has an astonishing track record of SMEs participation in Horizon 2020 SME Instrument. As it is shown in the Chart 1, Estonia in overall ranking of funded SME Instrument projects holds 18 place out of 37 countries (Greece is in 21st and Lithuania in 22nd place). However, if you calculate funded projects for 100 000 inhabitants (Chart 2), Estonia jumps to amazing 2nd place! Lithuania is 17th and Greece is in 27th place.

However, SMEs generally have insufficient knowledge about Horizon 2020. They also encounter difficulty in determining whether this programme is the right choice for them and struggle with profiling and identifying the most relevant partners for their project idea. Enterprise Estonia possess good knowledge about the processes of SMEs involvement in Horizon 2020.

³ https://ec.europa.eu/easme/sites/easme-site/files/2016_smei_report_updated.pdf

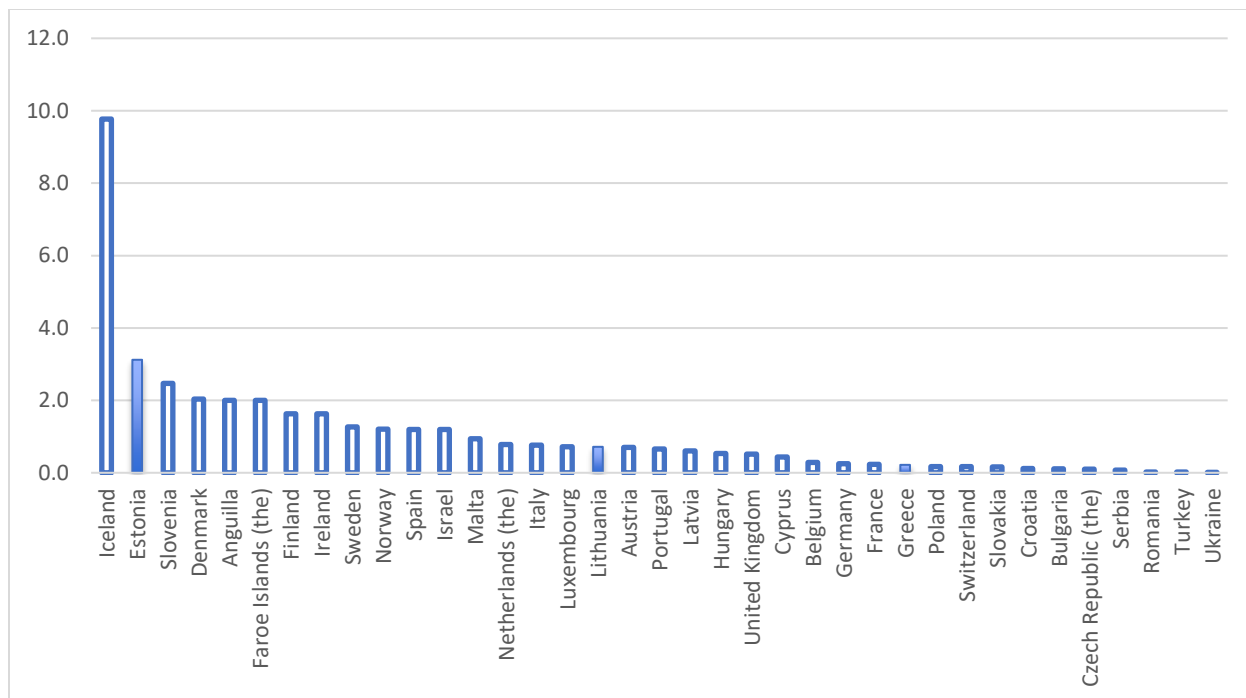


Chart 2. Funded SME Instrument projects for 100 000 inhabitants

Estonian Research Council (ETAg) and Enterprise Estonia are nominated Estonian National Contact Point Organization for Horizon 2020. They have the responsibility for coordination and promotion of Estonian participation in Horizon 2020 by providing guidance, practical information and assistance on all aspects of participation in Horizon 2020.

Enterprise Estonia provides:

- **One-on-one consultations**
 - Discovering the idea of the innovation
 - Selecting the right topic for the instrument.
 - Give feedback if the development is not mature enough for the instrument or there are other fundamental deficiencies
 - Setting appropriate timelines to stimulate submitting applications in a timely manner
- **Hotline** - Answering technical and content related questions
- **Reviewing and commenting proposals**

Tips to make a successful proposal:

1. International impact. Make sure your proposal explains thoroughly how your idea will change the market internationally or better yet, globally.
2. Provide numbers. Market size, sales volumes, turnover, number of jobs created and sales prices are key figures to present in your proposal. Make sure they are realistic and achievable.
3. Your innovation changes the world. Explain why your innovation, product, service or process is excellent.
4. Do not forget risks. Although your innovation changes the world, it is important to show that you have considered and understood the potential risks involved.
5. Viability. Prove that your innovation is viable and better than existing solutions.
6. Implementation. Convince everybody that you and your team can do it.
7. Timeframe. Realistic timeframe for all the activities mentioned in your proposal can ultimately show you are competent to succeed.

Last, but not least:

Team is everything. Before even considering taking part in SME instrument, make sure that you have capable team to deliver the expected results. You need to convince that you are backed-up by competent team and you have considered all the necessary skills required to make your project successful.

- **General training and information days**

The target group: researchers, PhD students, project managers and others who have little experience with Horizon 2020 and who are planning to take part in the Framework Program.

Trainers of general topics: Estonian Research Council consultants.

Main topics:

1. Introduction to Horizon 2020 - structure, rules for participation, forms of cooperation
2. Discussion - Who and Why should participate in Horizon 2020
3. Practical exercises with participating portal and work program
4. Partner Search Systems and Practical Exercise
5. Formulating the project idea
6. Funding rules
7. Repetitive exercises

Takeaways when organizing:

Sharing information through our network

Enterprise Estonia focuses, in our other services, mainly on enterprises who are ambitious, shows promises for rapid growth and look for new opportunities outside home market. In that sense, Horizon 2020 SME Instrument's and Enterprise Estonia's target groups are very similar. To encourage breakthrough innovations and participation in SME instrument, Enterprise Estonia cross-references all the potential suitors for SME instrument against their active clients list, to find and direct them toward the instrument. Rather similar supporting measures between SME instrument and Enterprise Estonia's services, enables to consult and actively promote the instrument for the main client groups.

Sharing information and active „sales“

- 15 Enterprise Estonia account managers
- 15 County Development Centers with approximately 40 consultants
- Enterprise Estonia internal trainings
- Regular newsletters to clients

Sharing SME Instrument related information and know-how to the potential clients, have proven to be a successful measure. Estonian enterprises have had 43 successfully funded projects in the amount of 18,9 million EUR.

Other project partners are executing various activities to foster the participation in SME Instrument as well. The most common are, of course, consultations about the rules of participation in the programme, drafting the proposal and pre-reading of the drafts. Awareness raising events and trainings are organised periodically. Even financial schemes for preparation of successful proposal were used in the past. There are plans to introduce the national support for the companies that were awarded the Seal of Excellence in Lithuania in 2018.

However, apparently Enterprise Estonia and Estonian Research Council integrated all the services connected with SME Instrument seamlessly with their other services for the companies. Companies are grown with the help of the experts to the level that their participation in SME Instrument would have the greater chance for funding. The smaller size territory and population also is an important factor for finding new perspective companies quicker and more efficient.

Success Story

The most notable example of just how important the work with Horizon 2020 SME Instrument could be to a small company is a case of Estonian company Skeleton Technologies.

This company positions itself as the global leader in graphene-based ultracapacitors and energy-storage systems.⁴ Ultracapacitors are high-power energy storage devices with more than 100 times increased power density across more than a million life-cycles, compared to the best battery technologies. Skeleton technologies' devices are the only ultracapacitors to use a patented graphene-based material in their manufacture, allowing them to deliver twice the energy density and five times the power density of their competitors.⁵ Skeleton Technologies successfully participated in SME Instrument and in November of 2015 were selected for a SME Instrument Phase 2 grant. Since then they attracted around 27 million EUR of funding from different sources and are working with European Space Agency and large car manufacturers. The company built a factory in Germany in 2017 expanding their production capacity even further.

⁴ <https://www.skeletontech.com/about>

⁵ <https://ec.europa.eu/easme/en/news/step-future-skeleton-technologies-raises-13-million-its-graphene-ultracapacitor>

4. CROWDFUNDING

4.1. What is crowdfunding?

R&D and innovation enhance competitiveness and growth of a company; however, such investments are usually characterized with a high degree of uncertainty and there are no guarantees that the investment will yield the desired results. In this regard, participation in crowdfunding platforms may help SMEs to reduce the risks and mitigate potential financial loss.

Crowdfunding is a new funding practice through which people, often living in different geographical areas, contribute to funding a project they share an interest in. Money is raised via online platforms, thus, utilizing the Web 2.0 technologies (Borello, De Crescenzo, & Pichler, 2015). According to Fundly.com, global amount raised by crowdfunding reached 34 billion U.S. dollars.⁶

The beginning of this micro financing can be traced back to the 1700s when it was once called an Irish Loan Fund. Founded by Jonathan Swift, these loans were given to low income families in rural areas. These loans gained in popularity and peaked in the 1800s where over 20 % of all Irish households held an Irish Loan Fund. The popular idea found its way to Bangladesh, India in 1976 where Dr. Mohammed Yunus provided banking opportunities to low income families on the same concept of the Irish Loan. Within five years of its inception, Dr. Yunus' banking program grew to over 30,000 members from the original 42 females. In 1983, the original idea made a transformation from the small program into what is known today as Grameen Bank (Bradley III & Luong, 2014).

The first account of crowdfunding can be credited to Marillion, a British rock band, in 1997. Marillion raised \$60,000 online through donations from their fans to go on a reunion tour ("The history of "). Brian Camelio started the first crowdfunding platform ArtistShare in 2000. ArtistShare allows fans of artists to fund the creation of new works from the artists ("About") (Bradley III & Luong, 2014).

Why could crowdfunding matter to a company? Mainly because crowdfunding is the ultimate tool for validation. There's no better way to test demand for your product or service than to ask people to pay ahead of time. This takes a large part of the risk out of creating a new product as you're not shelling out a chunk of money for an initial run just hoping that people will want it. Moreover, crowdfunding platforms are great solution for the marketing of the product. The

⁶ <https://blog.fundly.com/crowdfunding-statistics/>

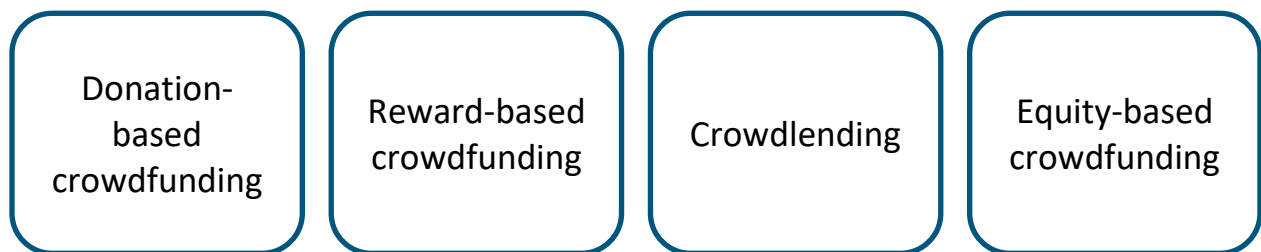
websites of these platform have huge stream of visitors and, if it's done right, the company's campaign could be visible for thousands and even millions of potential backers. When you get enough traction and support from backers – the publicity will follow and it could multiply your success even more.

The best part about crowdfunding is that you can build a community around your product and even get incredible feedback on how to make it better.

If you decide that crowdfunding makes sense for your situation, you should have the following ready to go before moving forward:

- A working prototype
- Knowledge of production and how you will deliver to backers
- Associated costs from launch to delivery

4.2. Types of crowdfunding



Donation-based crowdfunding

The donation-based crowdfunding model refers to a classic fundraising objective, with the difference that the donations arrive via Web 2.0 and in most cases through a specific intermediary.

Investors do not expect material rewards in exchange for their contribution, but a social reward instead (e.g. acknowledgements).

Reward-based crowdfunding

The reward model offers both material as well as immaterial compensation and is currently the most prevalent crowdfunding model.

On the one hand, funders can benefit from pre-selling or pre-ordering, thereby receiving the financed project or product before publication or market entrance, often at a better price or even only at the price of an acknowledgment or plug.

Crowdlending

In the lending model, investors provide funds through small loans.

In this type of crowdfunding, funders can earn an interest payment that was contractually agreed upon before the loan was made.

These kinds of contracts can either be between private persons, so called peer-to-peer lending, or between private persons and companies.

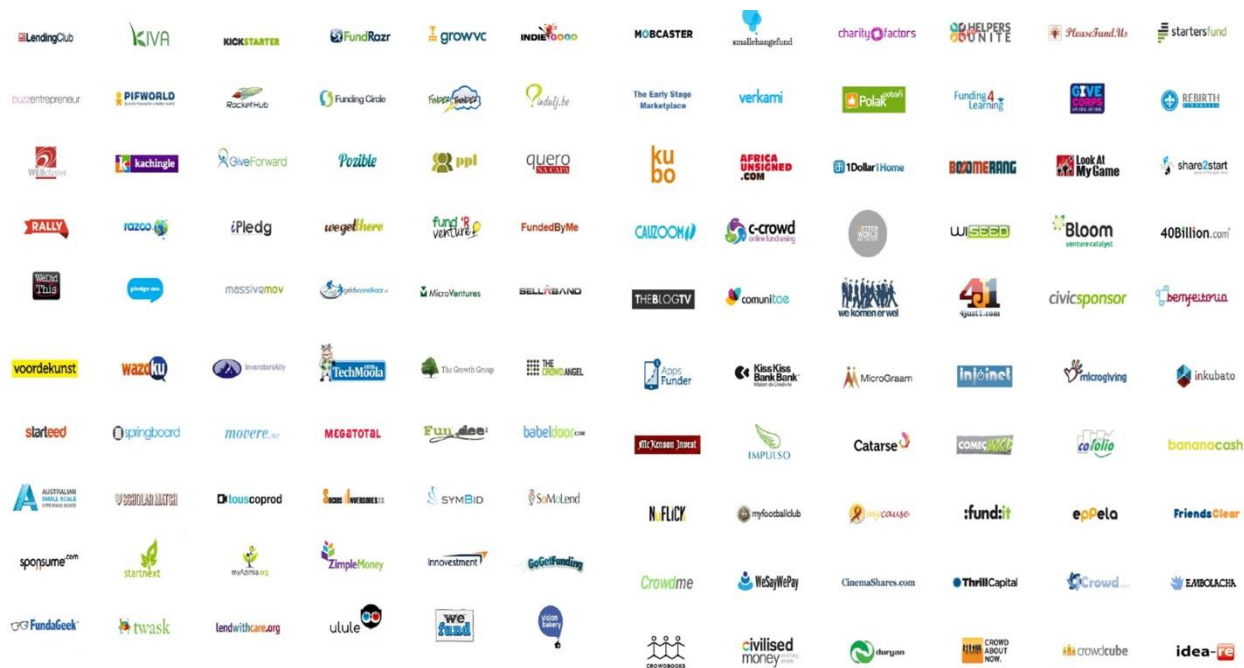
Equity-based crowdfunding

The equity-based crowdfunding model treats project funders as investors by making them equity stakeholders in return for their support with the goal of profit sharing in the future. Here, the crowd buys shares of the fundraised company.

In the German-speaking realm, this type of crowdfunding is often referred to as *crowdinvesting* or *investment crowdfunding*.

4.3. Crowdfunding platforms

There are hundreds, if not thousands, different crowdfunding platforms worldwide. The image below illustrates just small fracture of them.



When there are so many of them, how the company should choose the right one? Well, this task is not the simplest. Most popular platforms by the funded campaigns, attracted financing and publicity are U.S. based Kickstarter and Indiegogo. Actually, the majority of popular platforms are founded in U.S., but it should not be a surprise because it is a country with the largest economy in the world, strong tradition and favorable conditions of investing are playing a crucial role here. We analyzed 22 Lithuanian projects that attracted the crowdfunding and the vast majority of them (18) used Kickstarter. 3 campaigns were run in Indiegogo and the only other platform used was GoFundMe.

Nevertheless, more and more of crowdfunding platforms are popping up in other regions and countries as well and in the near future the statistics could change completely. As European SMEs would be mostly interested in American and European platforms, we are not going to include the platforms from other regions in our comparison. We will compare the platforms by their type, purpose, fees and funding model.

Reward-based crowdfunding

Platform	Description	Fees	Funding model*
Indiegogo	Indiegogo is currently the largest global fundraising site. The most popular types of businesses that raise money on Indiegogo are technology, design, film, travel, and eco-	5 % cut from what you raise plus 3% + 0.30 per transaction	You can choose either funding model

	friendly businesses. In addition to the wide range of businesses, Indiegogo is also a good choice for female business owners – over 47 % of successful campaigns are run by women. Indiegogo is most well-known for reward crowdfunding, but it also offers equity crowdfunding.	credit card processing fees.	
Kickstarter	Almost any type of consumer small business can use Kickstarter to test the viability of its products or services with a global audience. Many small businesses first raise money on Kickstarter before they try for a loan or try to raise venture capital. A range of different types of businesses, from restaurants to design firms to craft businesses, successfully raise money on Kickstarter.	5 % cut from successful campaigns plus 3-5 % payment processing fees.	All-or-nothing
Patreon	Patreon’s crowdfunding platform is designed specifically for artists and creators. This is a good option for freelancing artists, photographers, and other creative types. The backers, called patrons, can fund your campaign with a set amount of money each month or on a per project basis.	5 % cut from funds plus 2-5 % credit processing fee.	All-or-nothing
Ulule	Since its launch in October 2010 in France, Ulule has helped finance more than 5000 creative, innovative, or community-minded projects with a 67% crowdfunding success rate in 2014. Ulule is the first platform to offer two fundraising types: the project manager can set a budget target, or a number of objects / items to pre-sell. Ulule also offers an open API if you want to operate crowdfunding campaigns on your own website.	6.67% (VAT non included) for all funds received by credit card	All-or-nothing
Plum Alley	Plum Alley is a crowdfunding site designed specifically for women. Women in food, fashion, art, tech, and other industries have used Plum Alley to raise thousands of dollars. Only a small percentage of traditional investment and venture capital money goes to women-owned businesses, so sites like Plum Alley have stepped up to fill the void. Plum Alley says campaigns on their site have twice the success rate of the industry average.	Free	All-or-nothing
RocketHub	RocketHub is one of the largest, broadest crowdfunding communities on the net today.	4 % cut from successfully	Keep what you raise

	They are open to personal causes, social good projects, and businesses. They have a "Success School" which helps you understand how to launch a successful crowdfunding campaign.	funded campaigns and 8 % from campaigns that don't meet their goal. There's also a 4 % credit card processing fee.	
FundRazr	FundRazr launched back in 2010, and they have helped over 60,000 campaigns across the globe raise over 86 million \$ in funding. They are open to a variety of uses, personal and business. They make it easy to share your campaign on social media (share your whole campaign or select messages and updates) and to collect money from supporters.	5 % cut from your raise.	You can choose either funding model.
GoFundMe	GoFundMe is best known for raising money for personal or charitable causes, but businesses are eligible as well. While there's no maximum to the amount of money you can raise, most businesses on GoFundMe are raising relatively small amounts of money to fund small projects.	5 % cut from funds and 2.9 % + 30 cents payment processing fee.	Keep what you raise.
KissKissBankBank	KissKissBankBank, one of the world's leading crowdfunding platform dedicated to creativity and innovation, highlights projects that go beyond just mainstream trends. The fact that its contributors are called 'Kissbankers' itself put them on the list of platforms to watch for! The rewards based platform, KissKissBankBank also boasts of a mentor club that are organizations, institutions, media, brands who submit projects from their own communities and also support projects by providing funds or visibility to a project.	5% only from the successful projects. On this are added 3% fees for secured banking transactions.	All-or-nothing

* Reward based platforms have different funding models: an All-or-Nothing (which means if you don't raise your minimum goal you walk away with nothing) and Keep what you raise (funding option wherein if you don't reach your goal you can *still* keep the money you raised). Some platforms let's you to choose either models. However, one can argue that the company could have a problem with delivering their promises to backers if it doesn't reach the minimum goal. It also raises the question whether the business idea is validated.

Equity-based crowdfunding



Platform	Description	Fees
Fundable	While many crowdfunding sites are multi-purpose, catering to businesses, non-profits, and consumers, Fundable is exclusively for businesses. They take a pretty hands-on approach and will help you understand the fundraising process before you launch your campaign. Instead of taking a cut of money you raise, Fundable charges a flat monthly rate (160 \$) for access to their crowdfunding platform. Fundable offers both reward crowdfunding and equity crowdfunding.	179 \$/month and 3.5 % plus 30 cents credit card processing fee,
Angellist	Angellist is to equity crowdfunding what Kickstarter is to reward crowdfunding. It's one of the oldest and most well-known equity crowdfunding sites. Companies that are household names, such as Uber, Postmates, and Thumbtack, used Angellist to meet investors. Businesses based in the US or UK can apply for funding on Angellist, but the most successful companies are generally those with an experienced founding team, some post-launch revenues, or offline investors already involved with the company. The best part of Angellist is that it is completely free to use for entrepreneurs. No money actually exchanges hands on Angellist. Rather, this site gives you a way to meet accredited investors and a set of online fundraising tools that you can use to create a powerful pitch and manage the investment process.	Free!
CircleUp	CircleUp has helped over 196 startups raise over 390 Million \$ in funding. They are one of the largest sites for marketplace investing and equity crowdfunding. The average startup on CircleUp raises more than 1 million in less than 2-3 months. The companies on CircleUp are extremely innovative—we noticed businesses making everything from water bicycles to vitamin-enriched 'smart' coffee. CircleUp manages the closing process for you, including escrow, funding, and transfer of funds.	5 % cut from the funds your raise.
Crowdfunder	Crowdfunder is another great equity crowdfunding site. They aim to help small businesses that would traditionally find it difficult to raise venture capital. They claim, "We get you into the deal at the same terms as leading VCs." You can choose your company stage (e.g. seed funding, Series A, etc.), area of business, and location. Most of the deals on the site are equity deals, though there are also a few debt options.	Starts at 180 \$/month. 5% plus VAT cut from the funds your raise.
Crowdcube	Crowdcube is Britain's largest and the world's first equity crowdfunding platform, targeted exclusively at investors who are sufficiently sophisticated to understand these risks and make their own investment decisions. More than €29.52 million have been successfully invested through Crowdcube so far.	There are no fees for listing your business on Crowdcube. The platform charge a success fee of 7% (exc. VAT), on the amount

		successfully raised.
FundedByMe	FundedByMe was founded in Stockholm, Sweden, in March 2011 and is one of the first crowdfunding platforms in the world to offer both equity and reward-based crowdfunding. The platform has a major focus on European entrepreneurs to facilitate cross-border investments that benefit both entrepreneurs and investors to assist with job creation and economic growth. FundedByMe operates on a global scale and has offices in Sweden, Finland, Denmark, Norway, Spain, Germany, Italy, and Singapore.	4% (2% is for FundedByMe, and 2% goes to handling payment services) on the total amount of money raised through a successful campaign
SeedInvest	SeedInvest gives small businesses and startups access to some big name investors, such as Andreessen Horowitz and Sequoia Capital, as well as smaller investors and VC firms. The company’s goal is to help businesses spend less time fundraising and more time on what they do best—running their businesses. They work with large funding rounds ranging from about 500K \$ to 5 Million \$. Unfortunately, only 1 % of companies that apply for raise capital on SeedInvest actually make it through. They say that “existing traction in fundraising, particularly having a lead investor in the current round, is desired though not required to be accepted and listed on SeedInvest.”	5-7.5 % fee on capital raise; 5 % warrant coverage or equity; up to \$0 - \$10,000for escrow, due diligence, marketing, and legal costs.
EquityNet	EquityNet is another old, established equity crowdfunding site. We like EquityNet because you can use it to raise smaller amounts of money, which typically isn’t possible when raising investor money. You can raise as little as 10K \$ or as much as 10 Million \$ on EquityNet. EquityNet also has a patented business plan and analysis software that you can use with a paid subscription to your best foot forward with investors. According to Equitynet, Entrepreneurs who use their business planning software are 10 times more likely to obtain funding than those who don’t.	\$300 for one month.

Crowdlending

Platform	Description	Cost
Kickfurther	Kickfurther provides crowdfunded loans for inventory financing. The name is a variation of Kickstarter – the idea is that new businesses that outgrow Kickstarter or Indiegogo will need inventory loans to keep growing. In order to be eligible for Kickfurther, you must have completed at least one successful production run. We chose Kickfurther as one of the best crowdfunding sites because of the flexibility that it offers.	Average APR is 20-30 %. There is also a 1.5 % withdrawal fee when you withdraw funds from the platform. Takes a 3.5% cut upfront.

	You can set the interest rate that you will pay to your backers and the estimated time period it will take for your inventory to sell. As your inventory sells, you pay back your backers.	
Lending Club	Lending Club offers personal loans of up to 40K \$. These personal loans can be used for business purposes. Lending Club also offers larger business loans of up to 300K \$ for small business owners needing more capital. Loans are paid back in 1-5 years. The best part is how easy the process is—in most cases, you can apply for a loan and get your funds within 1 week. To qualify, you need a credit score of at least 650. For business loans, you also need to be making at least 70K \$ in annual business revenues and have been operating for at least 2 years.	Average APR is 5-30 %
Funding Circle	Funding Circle is a provider of crowdfunded business loans. They provide loans of up to 500K \$, so they are a good choice if you're in need of more capital. They also tend to be cheaper than Lending Club and Prosper for most borrowers. To qualify, you need a credit score of at least 620, annual revenues of 150K \$ or more, and must be in business for at least 2 years.	Average APR is 13-18 %.
Kiva	Kiva provides crowdfunded 0 % interest, no-fee loans to entrepreneurs across the US and the world. You can borrow up to 10K \$ over 36 months. Over 2 million entrepreneurs have raised over 800M \$ million on Kiva. To qualify for a Kiva loan, you must at a minimum be 18 years old, a US resident, and must use the loan for business purposes. You cannot currently be in foreclosure or subject to any liens. Also, you must be able to demonstrate your social capital by making a loan to another business, and by having multiple friends and family members make a loan to you.	0 % interest and no fees!

When choosing the crowdfunding platform – one piece of advice should be taken into account. The company should only choose one platform and focus all the efforts there. As we will discuss further, running the crowdfunding campaign is really hard and demanding work. And having more than one platforms to take care the company not only disperse resources but could also mislead the backers.

During the meeting in Vilnius partners had a Skype call with young Lithuanian entrepreneur - Gediminas Nemanis, the CEO of company Rubbee. This company develops electric drive for a bicycle and is one of the most successful Lithuanian crowdfunding campaigns. His shared insights resonated well with Cathryn Lavery's⁷ (American designer, entrepreneur, writer and crowdfunding expert) guide to successful crowdfunding campaign. Our guidelines for the

⁷ <http://www.littlemight.com/about/>

companies will be based on this guide. As there are so many different crowdfunding platforms, as an example we're going to use the most popular one - Kickstarter.

4.4. How to run successful crowdfunding campaign

1. Pre-launch

Most important questions

When you think about launching a crowdfunding campaign for your new product, you should realize that people will likely connect more easily with your story as the creator instead of solely the product. You should talk more about your personal experience and what motivation drove you to start developing your product. C. Lavery⁸ suggests to ask yourself these questions before you launch:

- Who is the project for?
- Where do they spend their time online?
- What is the best most economical way to grab their attention?
- How can you add more value to your campaign to help these potential backers even before the product is delivered?

The answers to these questions will help you to target the right people with your marketing, message and product and it could save you a lot of time and costs.

Duration of the campaign

Kickstarter let's you to choose any length of time up to 60 days for your campaign. Typically the first and last week of the campaign drive the most pledges, so doing a longer campaign will not necessarily mean raising more money. You could use the website Kicktraq⁹ to research the funding graph of similar campaigns. You must understand that running crowdfunding campaign demands quite large time and energy investment. Doing it for too long could deplete all your reserves, so choose the duration wisely. Schedule the launch and end of campaign during a time when people are online most, which is typically during the week rather than a weekend. This leads us to the next topic.

⁸ <http://www.littlemight.com/kickstarter-step-by-step/>

⁹ <http://www.kicktraq.com/>

Choosing a Launch Date

It's important to launch your Kickstarter during the time of the year when people will resonate with your product. Take into consideration all the holidays, special occasions and seasonality. For example, if you developed innovative snow shovel - you should think twice before launching the campaign in summer. Most likely people will not be thinking about the problems that large amount of snow could bring when there's +30 degrees outside. And you should reconsider your plan to launch on a weekend because people tend to be online much less than during the week, it's also going to be more challenging to get press coverage on launch day if it's a weekend.

Funding goal

The funding goal varies depending on the product you're trying to sell, so it makes more sense to talk about the minimum amount of money you need to successfully produce and deliver to backers. The reason is that people tend to support the products that are likely to succeed in reaching their funding goal. It is advisable to pick the funding goal that you could reach rather quickly but you should still make calculations if that amount of funding will be sufficient to deliver what you promised.

Rewards

Reward is a great driver to make people that are interested in your product to act faster. You provide an extra value to your proposition. However, the reward levels (different additional set of items that the backer gets with the main product, for example) should be kept simple - do not create artificial and unnecessary levels which could become logistical nightmare for you and would complicate decision making process for the backer.

Earlybird Rewards

The early bird deals are a great way to get those initial pledges in during those first 48 hours which builds initial momentum for your campaign. Here're some options you can consider for Earlybird levels:

- A small discount
- Earlier delivery
- Limited edition version
- Bonus gift included

These reward levels should be limited as it creates scarcity and therefore, visitors are more likely to back quickly than procrastinate on it.

The video

Do you need video for your crowdfunding campaign? The short answer is - definitely! MWP research revealed that projects that have a Kickstarter video are 85% more likely to achieve their funding goal¹⁰. But we are not talking about any video. To get the best results your video must be professionally made (filmed with high-quality equipment, edited with professional software etc.) and should carry the clear message (“right to the point”, shorter rather longer). Your potential backers are busy people, so you should be as concise as possible. To be able to produce this kind of video, you need to take into account some important tips:

1. Write your script and time yourself *before* you shoot anything.
2. Create a storyboard with all the shots you want to capture as well as who will be appearing and where you’ll be shooting. The more detail and consideration you put into this part ahead of time the less stressed you’ll be on the day(s).
3. Show different use-cases within the video itself so you’re relating to your target audience. You should know this from when you wrote out who the project was for.
4. Share the storyboard, script and inspiration shots with the camera person ahead of time so they can prepare accordingly.
5. Music choice is critical to set the mood and should be selected ahead of time. Ensure you have permission to use so you don’t get into trouble later.
6. Get feedback constantly! Ask people that don’t know the product to watch your video and see if they have any questions.

G. Nemanis told that their campaign would not be getting as much attention without a video. The main reason was a shot with Sir Richard Branson, world famous entrepreneur who visited Rubbee’s booth during one event in Lithuania. Sir Branson was given the Rubbee electric drive into his hands and by inspecting it he said the word “Fantastic” in front of running cameras. This episode was used in Rubbee’s video and it was a perfect boost for the product’s promotion.

Webpage

The product’s page in Kickstarter page should look professional and look very polished - it would help to attract backers and to develop their trust. Great design, high resolution photos and videos

¹⁰ <https://mwpdigitalmedia.com/blog/without-a-video-your-kickstarter-project-will-probably-fail/>

is the only way to go. If you lack designer skill yourself - you should consider hiring a professional designer.

The webpage could have similar structure:

- **Introduction:** What you do, who you are, and why you created your product.
 - **Social Proof:** Logos of podcasts, blogs you've appeared on
 - **Unique Selling Proposition:** Telling your story and sharing what makes your product different
 - **Social Share:** An offer to entice people to share, in exchange you should give them a free stuff.
 - **Specs & Features:** The nitty gritty details about the physical features and specifications of the product.
 - **Testimonials:** Quotes of what people have said about you.
 - **Rewards:** A graphic representation of the rewards you offer (much clearer to read than the default Kickstarter side-panel)
- Project Timeline:** Your planned schedule for the campaign, production and delivery

2. Planning your Pre-Launch

It's important to get off to a running start with Kickstarter so planning an effective pre-launch is crucial to success.

Here're some things to do to pre-launch successfully:

Build an Email List

The first 48 hours on Kickstarter are crucial since this is when the first jolt of backers will pledge money to your campaign. Once you show Kickstarter that people dig your project, their algorithm will do its thing, and you'll show up under the 'popular projects' and perhaps even the first page.

But you won't get featured on the front page if you don't have that initial surge of sales, and the best way to get that initial surge is to build an email list of people who can't wait to get it.

Create a Media List

Creating a media list is incredibly useful as it's a highly-targeted list of relevant sites that have covered similar projects to yours who you can reach out to for coverage. C. Lavery suggest two ways to do this, one with BuzzSumo¹¹ and the other is more time-consuming with Google Images.

a) Find Relevant Websites/Blogs Using BuzzSumo:

BuzzSumo is an excellent tool to analyze content so you can find key influencers in your niche efficiently. It speeds up the media list process incredibly. Here's how it works:

1. Get the Kickstarter URL for 10 Kickstarter projects that serve your same audience
2. Go to the Content Research tab of BuzzSumo
3. Paste the Kickstarter URL into the area provided
4. Export results into an excel sheet, this will give you database of incredibly useful information such as:
 - Article URL
 - Date Published
 - Social shares; segmented out by Facebook/Twitter/LinkedIn/Pinterest
 - Author Name

b) Find Relevant Websites/Blogs Using Google Images:

1. Find 5–10 Kickstarter projects either similar to yours or that serve the same audience as your campaign will.
2. Save the main project images for each to your computer.
3. Use Google Images to search for image.
4. On the Google results page review the top results
5. Create a spreadsheet with all relevant data

Once you have your media list of important contacts you can start planning your outreach. You should write all your emails ahead of time and schedule them in advance. Followup.cc¹² could be used for this.

How to reach out to Media list/Influencers

¹¹ <http://buzzsumo.com/>

¹² <http://followup.cc>

Bloggers and influencers get bombarded daily with pitch emails. 99% of these emails will go straight to the trash because they do it all wrong.

You need to make it as easy as possible for them to write about your project which means giving them all the information up front in a short and engaging format. No back and forth emails that create friction for them.

The first step is to create a press folder with:

- Product images (both high-res and low-res image sizes)
- Description of the product
- Your project video
- Any additional information that seems relevant

Essentially the least amount of work you make a blogger do, the better. With a good pitch and organized information and assets, it's a much easier decision for them to talk up your project.

Here're some tips for crafting your emails:

- Keep it short, sweet and personal. Do not mass email these people, you should craft each email to the individual or blog you're approaching.
- Link to a folder of professional assets (images/text/video etc.)
- Name and Date of project launch with link (to either preview page or landing page)

By doing all of these things you will automatically put yourself way in front of most people that they receive emails from, and you will be considered professional.

Set Up Google Analytics

Kickstarter is integrated with Google Analytics which really helps tracking conversion, traffic and digging down to what's working.

3. Content Marketing

If you want to generate more buzz about your product and campaign, you should think about content marketing. It could be executed by writing complimentary articles on the topics of that directly correlate with your product.

You are selling an innovative pulse tracker - write the articles about health, prevention of coronary diseases and so on. Use existing blogging platforms (like Blogger, Wordpress, Medium etc.) to expand your reach even further. The articles could be syndicated across social media,

relevant websites such as Reddit, Forums, Facebook groups. This could drive a significant amount of traffic and recommends to these posts and to your campaign.

4. Cross Promotions

An under-utilized way to get more backers as effectively and economically as possible is to do a cross-promotion with another campaign that targets a similar audience.

A good rule of thumb is to reach out to other creators that:

- Have a complimentary product, OR
- Serve a very similar audience
- Have got a similar number of backers to your campaign

Tip: You should back any campaign you cross-promote, even if it's only at a \$1 level. Backers can see that you supported it, and it looks better.

5. Setting up Pre-Orders

After the Kickstarter campaign ends, it takes two weeks for the transfer of the money to go through. During this time, if you want to be able to accept preorders, you should set up another service outside the Kickstarter. Celery¹³ could be used to handle this task. It is really important to ensure that you take the advantage of the traffic that is still coming out way after the campaign had ended.

6. Fulfilment

Fulfilment is almost always the toughest part of any Kickstarter campaign, especially if you're delivering a physical product as we were.

If you want to ensure was that your backers enjoy a positive experience with your product, you should pay particular attention to the packaging. It could be a great idea to have fulfillment center in Europe as well as one in the other continent where your backers reside. By doing this you are making the purchase of the product as smooth as possible. It will bring additional costs for the company, of course, but this decision could grant you long-term success and providing extra value to our supporters in different regions.

It takes around two weeks to receive your funding once your campaign is over so you should bear that in mind when planning your timeline.

¹³ <http://www.trycelery.com/>

Once you receive the funding, it's time to send surveys to your backers to begin reward delivery. As Kickstarter makes this process somewhat cumbersome, another service - BackerKit¹⁴ - could be used.

As we went through all the process thoroughly now it can be distilled to step-by-step checklist.¹⁵

4.5. Step by step guide to crowdfunding

90 Days

- Choose the crowdfunding platform for you.
- Set up an account with an Email Service Provider (ConvertKit)
- Create a customer avatar for your customer
- Research similar crowdfunding campaigns to get ideas for yours
- Create a landing page for your launch to collect emails (Leadpages, Clickfunnels)
- Create a Facebook ads account and add a pixel to your website or landing page
- Set up your social media accounts for the product/brand

60 Days

- Finalize your Funding Goal (amount of money you will ask for)
- Finalize the launch date and the campaign length (typically between 30 - 60 days)
- Create reward levels and establish pricing structure for each

¹⁴ <http://www.backerkit.com>

¹⁵ <http://www.littlemight.com/kickstarter-step-by-step/>

- Create an email sequence for your landing page, should include a Welcome email which shares your founder story and another email introducing the product
- Begin creating a media list of influencers to reach out to about your launch
- Make list of assets you'll need for your campaign page
- Storyboard the video for your campaign page
- Photograph your product and associated assets
- Write script for your video
- Find a videographer and arrange shoot

30 Days

- Produce and edit your video
- Write the copy for your campaign page
- Create campaign name and tagline focusing on the benefit and why your project is unique from the hundreds of others
- Create campaign project image, Indiegogo (640 x 640), Kickstarter (1024 x 576)
- Create all social media graphics (Facebook, Twitter, Instagram)
- Create list of Frequently Asked Questions
- Finalize your media list
- Create your pitch email to media list (short, simple with all relevant info)
- Start reaching out to influencers and media list to let them know about the launch

Launch week

- Send out pitch emails / press release or emails to relevant media list contacts

- Send out sneak preview to retailers, highlighting the benefits for them to back
- the project
- Write the FAQ for the project in word doc (to be copied in once you go live)
- Review project page:
 - Spell Check everything on your page
 - Ensure reward levels are correct, you can't change this after the fact
 - Make sure placeholder images or text has all been updated
- Outline responsibilities and expectations with your team
- Send project preview link to friends, advisors for feedback
- Design any banner ads/fb ads you will be posting during campaign
- Prep your launch notification emails to your list
- Reach out to partners/affiliates to let them know launch information
- Finalize your project page after getting feedback from advisors
- Finalize all manufacturing information with your supplier

Day of Launch

- Press the Launch button
- Send out your email to your list
- Create a 302 redirect from your website to the Kickstarter
- Post your project on all social media channels
- Copy the FAQ questions into area
- Send out a campaign update to your backers after your first 24 hours to thank them for their support. These are your tribe!

4.6. Crowdfunding pitfalls to avoid

Floship authors Ch. Moore and A. Sande in their publication “7 Challenges Faced by Wildly Successful Crowdfunders And How You Can Overcome Them” are referring to these 7 challenges¹⁶:

1. Communication

- Establish a communication workflow from the start of your crowdfunding project scheduling regular updates in advance.
- Prepare a customer service workflow. Backers are comforted when they know that they always receive quick and helpful replies to their queries and comments.
- Be open and honest about challenges your project encounters, provide realistic promises instead of empty and overly optimistic ones.

2. Backers – first!

- Keep your promises to backers, when you say your backers will be the first to receive their product, make it happen.

3. Intellectual Property Issues

- Innovate, create, renew
- File a provisional patent
- Ensure the marketing media used in your campaign was created by you or that you have the right to use it
- Practice your own *due diligence* pre-launch to avoid an infringement claim

¹⁶ <https://www.floship.com/7-potential-problems-with-crowdfunding/>

4. Calculation of Costs

- Ensure your initial product price for your backers is enough to cover the costs of production, overhead, shipping, customs and taxes.
- Evaluate whether or not your budget will allow for design changes.

5. Scaling

- Make sure you have a list of backup suppliers to turn to in case you run into problems with your chosen suppliers.
- Consider outsourcing your production to an ODM (original design manufacturer), when your company had planned to make your product yourselves, only to end up having to make a much larger number of units than you will be able to handle.

6. Delivery

- Don't send out backer surveys about where to ship items until goods are ready to ship.
- Plan as best you can before launching to get an idea of what your shipping obligations and fees will likely be to fulfill your products.
- Avoid nasty surprises by ensuring you have correctly budgeted your delivery costs for all markets.

7. Delays

- Over prepare and under promise
- Expect manufacturing delays
- Be realistic rather than idealistic

Success story



The crowdfunding is rather new phenomena in Lithuania, however, there are some successful examples already:



Filippo Loreti watches
(18.550 backers, 5.7 M \$ pledged)



Freedom TV (4000 subscribers, 21K \$ /mo. in donations)



Spyndi furniture (137 backers, 110.000 € pledged)



Millo blender (344 backers, 110.000 € pledged)



Rubbee drive (214 backers, 64.000 £ pledged)

Freedom TV is a Patreon campaign and the others are Kickstarter campaigns. Definitely the greatest Lithuanian success story when talking about crowdfunding is Filippo Loreti watches. With over 18,5 thousand backers in Kickstarter and 5,7 million U.S. dollars pledged it is most successful crowdfunding campaign for timepieces ever. Two brothers – Matas Jakutis and Danielius Jakutis – are behind this brand of what they are calling “affordable luxury watches”.¹⁷ They started company in 2014 and decided to crowdfund their idea beautifully looking and affordably priced watches. And the results of campaign shows that their decision was right on point.

Besides the mentioned crowdfunding platforms there a few local ones in Lithuania as well: Savy.It, FinBee, Paskolu Klubas, Manu, Optimalus Kreditas. Estonia has a number of crowdfunding platforms like Bondora.com, Hooandja.ee, Investly.co, Fundwise.me. A few platforms operate in

¹⁷ <https://www.forbes.com/sites/tomaslaurinavicius/2017/05/03/brothers-disrupting-watch-industry/>

Greece - Class Fund, E-Fund, Easy Starter, Greek Fund, Groopio, Jump Start Greece, One Up etc. As you may see, the prevailing type of crowdfunding in all countries is crowdlending. That is not a surprise, considering the favourable regulatory conditions on financial technologies in Baltic States. Greece has somewhat stricter approach, and it results in slightly different nature of those platforms.

5. LESSONS LEARNT

1. Preparation for the B2I matchmaking is quite different than preparation for B2B Matchmaking from organisers side.
2. Companies should be trained to meet the investors if they want to have a chance to a successful outcome.
3. Companies should realize that the probability of investment is very small.
4. It is very important to work with the companies further after they are rejected by investors.
5. Horizon 2020 SME Instrument is suitable but challenging funding option for innovative companies.
6. Integration of the support services for SME Instrument into existing portfolio of services for the companies is crucial factor for better results.
7. Crowdfunding opens the new possibilities for financing almost any idea.
8. Crowdfunding is not only the funding – it's a validation of the idea and marketing channel as well.
9. Running crowdfunding campaign is a hard work and the company should prepare accordingly.
10. There are hundreds of different crowdfunding platforms in the world – company should choose which suits the best. However, it makes sense to stick to most popular ones.