



CROWDFUNDING *in the USA and Russia*

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What is Crowdfunding?

Crowdfunding is an **online money-raising strategy** that began as a way for the public to donate small amounts of money, often through social networking websites, to help different people including *artists, musicians, filmmakers, and other creative people* to finance their projects.



Crowdfunding Platforms

- There are crowdfunding platforms for every type of cause, event, project, and situation.
- The most common form of crowdfunding is peer-to-peer lending, also called crowdfunded lending.
- Peer-to-peer lending is a way for people to borrow and lend money without using an official financial institution as an intermediary.
- Worldwide, this form of crowdfunding produced \$20 billion in 2023. This is down from pre-pandemic amounts.



Crowdfunding Platforms

- In second place is donation crowdfunding with or without reward.
- This form of crowdfunding raised \$1.9 billion worldwide in 2023 – also less than pre-pandemic.
- Finally, there is equity crowdfunding, with a total 2023 volume of volume of \$1.41 billion, also less than before the pandemic



Types of Crowdfunding Platforms [2]

	<i>Form of Contribution</i>	<i>Form of Return</i>	<i>Motivation of Funder</i>
<i>Donation Crowdfunding</i>	Donation	Intangible Benefits	Intrinsic and Social Motivation
<i>Reward crowdfunding</i>	Donation/ Pre-Purchase	Rewards but also intangible benefits	Combination intrinsic and social motivation and desire for reward
<i>Crowdfunded lending</i>	Loan	Repayment of loan with interest. Some socially motivated lending is interest free.	Combination of intrinsic, social and financial motivation
<i>Equity crowdfunding</i>	Investment	Return on investment in time if the business does well. Rewards also offered sometimes. Intangible benefits another factor for investors.	Combination of intrinsic, social and financial motivation

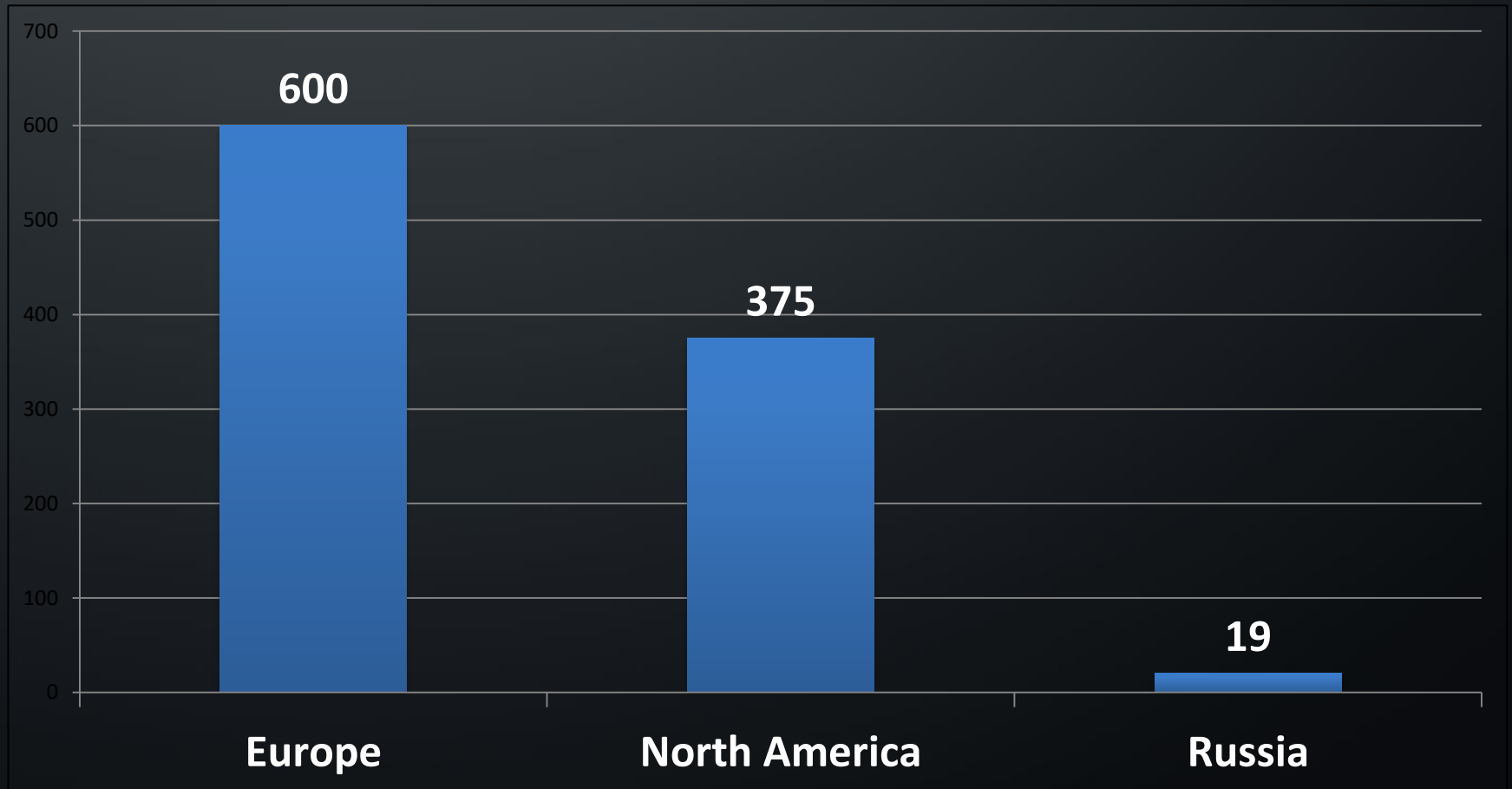


Crowdfunding Platforms.

- The number of crowdfunding platforms, in total, varies by region, with the greatest concentration of platforms existing in Europe and North America.



Platforms by Region





Main US Donation Crowdfunding Platforms

Name	Year of launching	Type of projects
Kickstarter	2009	Creative projects
Indiegogo	2008	Any project such as creative, entrepreneurial, or cause-related.
RocketHub	2010	Art, Business, Science, and Social.
GoFundMe	2010	Many categories including social and creative projects
Patreon	2013	Membership based – links “patrons” with creative artists



Kickstarter

- Kickstarter, one of the most important crowdfunding platforms, reports that as of September 24, 2024, the success rate of fully funding a project on the crowdfunding website was 41.7 percent
- success rates vary by project category from a low of 19.96 for technology projects and a high of 62.05% for dance projects.
- Kickstarter requires that projects be fully funded.
- Less than full funding means that donations are returned to donors.
- There are fees charged for using the platform.

The top of the slide features a photograph of several stacks of coins, including gold and silver ones, resting on a yellow envelope. The background of the slide is dark grey with a yellow and grey geometric design at the top.

Indiegogo

- Another US platform, Indiegogo offers a flexible funding option.
- The person seeking funding keeps all funds raised, *whether or not the goal is met.*
- There are higher fees charged for using the flexible platform.



Russian Crowdfunding

- According to the estimates of the Central Bank of Russia, the market for domestic crowdfunding in 2022 amounted to about 2 billion rubles.
- Currently, there are about 19 working crowdfunding platforms in the country.
- The largest of them are Planeta.ru and Boomstarter.



Boomstarter

- One of the main Russian crowdfunding platform Boomstarter, created in 2012, works on the model "all or nothing" and requires collection of 100% of the amount set up with registration of the project.
- Otherwise, all collected money is returned back to donors.
- As a result, only 14% of projects registered on the platform receive funding. Essentially, this is the Kickstarter model.

- Planeta.ru allows collection of funds up to 50% of the amount needed for the project, but the platform commission will be a larger amount –
- Instead of usual 5% from the raised money it will be 15%.
- According to the platform, every third project launched on the platform became successful.
- This model is similar to the US Indiegogo flexible funding model.



Main Russian Donation Crowdfunding Platforms [5]

Name	Year of launching	Type of projects
Planeta.ru	2012	Creative projects
Boomstarter	2012	Creative, game projects
My teacher	2010	Educational projects
Together	2010	Social projects
Kroogi	2008	Creative projects



Crowdfunding is limited in time.

As a rule, crowdfunding platforms, worldwide, limit the collection period from one to three months.



Special Characteristic of Russian Crowdfunding

- A Russian platform can hold special promotions in cooperation with large companies and state authorities.
- Within the framework of the Boomstarter platform, state organizations and commercial companies can support various projects.
- For example, during the program "Young Moscow" from March to August 2014, the Department of Culture of Moscow financed projects, doubling the amount collected for the project

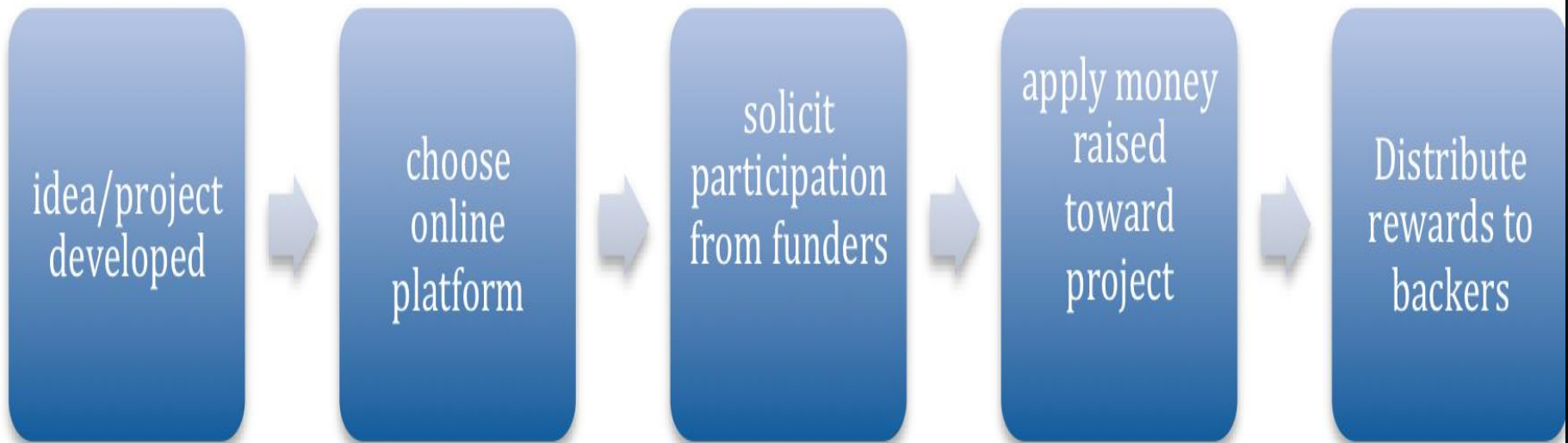


Crowdfunding is changing the way projects are funded, moving away from bank financing to crowd financing.

- Crowdfunding has quickly moved from trendy buzzword to a mainstream fundraising model.
- In less than five years, Kickstarter has attracted more than five million contributors pledging close to \$1 billion, funding more than 55,000 individual projects.
- Rival fundraising platform Indiegogo can boast of a campaign that single-handedly generated \$12 million in pledges.
- Numbers like these make crowdfunding an attractive option for first-time entrepreneurs and established businesses alike.



The Crowdfunding Process (donation based)



The top portion of the slide features a close-up photograph of several stacks of coins, including gold and silver ones, resting on a yellow surface. A calculator is partially visible in the background. The image is framed by a grey and yellow geometric border that tapers towards the right.

Successful Crowdfunding Principles

1. Know your goal: make sure you are clear about why you are doing your project.
2. Tell a compelling story. Investing in a great video is an absolute must!
3. Set a goal that makes sense for you, but make sure you cover all costs in creating this number. Remember if you do not hit the goal, you get nothing, but it is fine if you exceed the goal



Successful Crowdfunding Principles

4. Select Rewards wisely. Create rewards that are exclusively available for your backers.

This can be a discount on a product or an entirely unique product that will not be available after the campaign.

These people are taking a big risk in backing you—make sure you treat them well.



Successful Crowdfunding Principles

5. Determine your fulfillment beforehand. Make sure you know about what is needed to provide promised rewards, and test these before you begin the campaign.
6. Keep up your momentum. Typically, there is a surge of support in the first week of a campaign, and another in the final days, but there is usually a big drop in the middle.

Strategize how to keep interest up. This takes good planning and making sure you have blog posts, press events, and some backers lined up before you begin.



Successful Crowdfunding Principles

7. Selecting the crowdfunding platform should be the last step, not the first.

It is important to spend much time building a tribe of believers that want your product and support what you are doing.

Longstanding relationships and a solid list of people to email on day one of your project will make success possible.



Successful Crowdfunding Principles

8. This may seem obvious, but for any project to work, it comes down to having a great product. Make sure you are making an amazing product that addresses a real need.
9. Finally, it is important to announce success and to thank donor/backers.



Pros and Cons of Raising Funds Using Crowdfunding.

Pros	Cons
Money for your project	Stressful
Learn who is interested and will support your work.	Can be expensive once you take into account fees, reward costs, and your own time.
Start building philanthropic relationships and gathering data about supporters	Reputational risk associated with potential failure to meet the fundraising target, or worse failure to deliver the project and rewards
An opportunity for a big marketing campaign and the benefits it can bring.	



Some Differences Russia/USA

- There are some differences in crowdfunding practice in the two countries. As mentioned earlier, an interesting difference is that in Russia different government authorities, foundations, and corporations have contributed to crowdfunded projects.
- In the US this does not occur.
- Finally, the success rate of projects is slightly higher in the US (24.2% to 62.05%) than in Russia, where the success rate is currently 14% to 33%.



Conclusion

- Over the last several years crowdfunding has become an increasingly popular option for both entrepreneurs and investors in the USA and in Russia.
- So many donor/backers (over 9 million on Kickstarter alone), means that *crowdfunding* platforms can create many more kinds of matches between project creators and backers, increasing the diversity of ideas that get funded and reshaping how ideas come to market.
- This holds promise in both Russia and the US for realizing innovative ideas and achieving success outside traditional funding models.



- Спасибо!
- Thank you!
- Questions and Comments