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CrowdFunding As E-commerce In South Africa



by **GG van Rooyen** — Mar 27, 2018 in **How to Guides** [👍 4k](#)



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“Crowdfunding is the new bank loan, without the pressures of repayments. Crowdfunding is an online method of fundraising that allows people all over the world to put their ideas or pitches onto a digital platform. These pitches are then available for people worldwide to see, and to decide whether or not they would like to support the campaign. There are four main types of crowdfunding: Rewards-based, donation-based, equity-based, and debt-based, each with its own unique purpose,” says Nicholas Dilley of South African crowdfunding platform [Thundafund](#).

“In South Africa, crowdfunding is still a relatively new concept and with many South Africans sceptical about making online transactions, it’s very much a rising industry. Rewards-based crowdfunding has become a growing force. Thundafund is the brainchild of entrepreneur Patrick Schofield, who founded the company in 2013. The way that rewards-based crowdfunding differs from any other form, is that in exchange for the money raised, the project creator is expected to give something back to the backer in the form of a reward. These rewards can vary, anything from a thank you card to a tangible product. However, when selecting rewards for your campaign, it is important that you keep your project and potential backer in mind.

In 2017 alone, Thundafund raised more than R8 million, which was almost equivalent to the previous four years combined.

“In South Africa, we say that, realistically, you can expect a maximum of R150 000 in crowdfunding. However, we are constantly being surprised. It really comes down to how amazing your project is, how big the network is, and if the rewards are what people want. There is no reason to believe that any start-up couldn’t raise over R1 million if founders put the work in and justify how the money will be spent,” says Nicholas.

The rising of Sugarbird Gin



One of Thundafund's biggest recent success stories was [Sugarbird Gin](#), which managed to raise R1 086 973. The gin is an idea conceived of by a four-person company called Steel Cut Spirits.

"As a company, we care about crafted products that have a story and an ability to excite, inspire and bring people together. We also have a proudly South African desire to put our produce on the global map, and an interest in great local gins that can use fynbos to create amazing flavours," says Steel Cut Spirits CEO, Rob Heyns.

Despite having already had success in the industry, Rob and his co-founders identified crowdfunding as one of the best ways to bring Sugarbird Gin to the market.

"All FMCG products face the three-part challenge of competition, barriers to scale and working capital constraints. The model of rewards-based crowdfunding addresses all three of these challenges at the same time," says Rob.

"By launching via a crowdfunding campaign, we were able to stand out from many other products on the market, and involve our new friends and fans in our ongoing mission at the same time.

"We were able to operate at scale from day one by consolidating these first orders and thus produce great gins at a better price by working with the volumes of more established gin companies. We were also able to access funds upfront before producing batches, which provided the cash flow needed to grow quickly. There are very few better ways than

crowdfunding to test a concept, solve cash flow issues, scale to proper production from day one and stand out from the competition. When I decided to go ahead, I studied crowdfunding thoroughly for two months while ensuring that our team had the required skillset to be able to execute.”

With the crowdfunding of Sugarbird Gin, Steel Cut Sprits decided to treat the campaign like the online selling of a product.

“Rewards-based crowdfunding is essentially a form of e-commerce, as you are selling products or services, so we approached it from the angle of an e-commerce campaign. Your product and marketing thus need to be spot on. We employed an evolving product strategy of refining our offers based on sales feedback before and during the campaign. We also applied a plethora of online marketing strategies, including audio-visual, digital marketing, social media, PR and even direct selling to large potential backers,” says Rob.

Nicholas agrees that crowdfunding needs to be approached in a professional manner. Most people will judge your business purely on your crowdfunding campaign and its funding page.

“Businesses and start-ups must have campaigns that appear very professional. The campaign should also be viewed as a marketing exercise that will allow the entrepreneur to test his or her product in the real world and receive feedback. Doing fun activations, like launch parties and events can also be a great way to get the word out there about your project and brand.”



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GG van Rooyen was the deputy editor for Entrepreneur Magazine South Africa. Follow him on [Twitter](#).



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