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10 lessons from a successful crowdfunding campaign

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BY: ROB HEYNS

After about 45 days of extreme effort, intense co-ordinating, crazy ideas and good luck, we managed to complete the most successful rewards-based crowdfunding campaign in South Africa to date with Sugarbird Gin. I wanted to reflect on the learning in contrast to what what we expected going in to the campaign.



Sugarbird Gin - infused with the spirit of entrepreneurship

17 OCT 2017

In July 2017, just before going under the knife for a minor surgery, I wrote a note to myself asking a question or posing a challenge: "Can you successfully crowdfund a gin in South Africa." Having heard about crowdfunding mostly via books by Peter Diamandis and seen the odd YouTube video, I thought that is might be an approach toward business that could give a startup the upper hand.

In October 2017 we launched the Sugarbird Gin campaign on [Thundafund](#). A few days after launch I realised that most South African's do not know much about rewards based crowdfunding and assume that it is either charity or equity—of which it is neither. So I posted this article in the hope of demystifying it somewhat.

Introducing Sugarbird Fynbos Gin

In early November 2017 we passed our target of R750,000, at that stage the second highest funded project on Thundafund ever, which to me was great, seeing as we had

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Somehow we got this right and managed to surpass an established local superstar rock band, Fokof Polisiekar. So instead of passing it off as either pure luck or just hard work, I decided to share my experience of crowdfunding in an attempt to try and make sense of it all and hopefully uncover some of the strategies, tips, tricks and secrets that we applied.

Here are my 10 lessons, but first, one more go at why crowdfunding:

Every business that works with physical products such as in the hardware and fast moving consumer goods sectors will face three challenges:

- Working capital (the lifeblood of a business);
- barriers to scale (which affect the bottom line); and
- competition (impacting sales and revenue).

We saw rewards-based crowdfunding as one great way to tackle all three of these challenges head on.

1. Trust

Without this you are dead in the water. This is generally approached by using a reputable platform and making a founder driven, sincere and authentic video. However; you are asking people to part with money for a potential fly-by-night operation and then wait for 30-60 days before receiving anything, if they are lucky. So just these methods may still not be enough.

We partnered with well trusted brands, but anything that can add trust and credibility is massive. In fact until you can do this, the rest of your campaign is a waste of time and will most likely fail. In fact one of our largest single transactions came from someone who knew of us via a previous business success combined with a referral from a credible local celebrity, even though we had never met this particular, large backer.

2. Demystification

Crowdfunding can confuse people. Despite the proliferation of Kickstarter and Indiegogo, most people assume that you are either begging for free money or giving away equity when they hear crowdfunding. They also assume that you have to be small and pitiful to deserve their help. But who would buy from small, pitiful and not credible? Explaining, educating and being open is key toward overcoming this. We even posted our above Medium article as something to refer people to when questions arose around, "Why must we give you our money for nothing?" and "How much equity are you giving away?" and "Why do you deserve to take people's money?"

3. Rewards based reality

Don't get too carried away with crowdfunding jargon and technicalities. Rewards based crowdfunding is essentially a form of e-commerce. So apply all the basics and rules of e-commerce business and treat it as an e-commerce marketing campaign. Stick to the basics of online retail.

4. Reach the masses—and then iterate

Like e-commerce, crowdfunding can be a game of numbers. The more eyeballs the better. The more effectively you can convert each eyeball into a backer, the better. I would suggest using PR, social media, digital marketing, events and anything you can think of that will get people to your page and viewing your video. You then need to have a compelling offer. We adjusted our product offering every week, based on what people were



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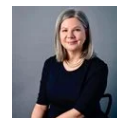


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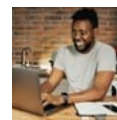


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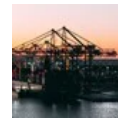


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5. PR and influencers

This may seem obvious to some, but a surprising amount of campaigns go live with a 'build it and they will come' approach. This pretty much only works if your database is huge or your video is amazing. The chances of someone seeing your campaign and deciding to back it are tiny, there are so many barriers to overcome.

So spreading the word through PR agencies that have access to databases as well as the knowledge of what to write for these databases and how to manage the relationships is very impactful.

Influencers are a relatively new career individual who has a large audience on social media or via a blog. They have a database that they too understand and can spread your story to further. Like PR, people have mixed views on this approach. To be honest you have a choice: bring people to your product/campaign or don't. I tend to prefer the former.

Both are able to increase credibility by using their trusted voices to increase trust and visibility for your project. I was very impressed by the channels that could be unlocked by influencers, but for my bang for my buck, I found PR to be better value. Also the most impactful influencers in our campaign were influential friends with big followings, more so than that of the paid ones. Don't get me wrong, some of the paid influencers were immense, growing our following instantly with great, professional posts, but the biggest conversions come from the people who shared our story and goal at no charge, but simply because they believed in what we were offering.

6. The power of a good story and leading with purpose and mission

No one will write about, read about and let alone support your project if it is same-same and has no impact. When coming together to start this business we looked at what was mutually important to us. This included; a passion for great crafted products that bring people together; a desire to take great local products abroad; a need to be part of something bigger by adding value to others, especially through entrepreneurship and; a keen interest have a good time while doing the above.

Understanding why you do anything gives you an advantage as a person, understanding why a team or company takes on a goal brings alignment and purpose.

Working from a place of purpose gives meaning and direction to the internal team and can inspire customers to become supporters, advocates and ambassadors. This inspirational clarity has the great side-effect of piquing the interest of media as well.

The PR people we worked with as well as some talented writer friends helped us to get these thoughts onto paper and we shared them. We had no idea if any of these would get any uptake but were lucky enough to have our entrepreneurial focus on developing new entrepreneurs get some traction. This was a pleasant surprise for us as it was something we assumed important to us, not the masses. We had expected the interest for a delicious but accessible craft gin to come from Foodies and saw this entrepreneurial aspect as our own project, not one that most people would be keen to share.

When we topped Fokof Polisiekar and broke records, this really took our PR to the next level, which backs up the value of crowdfunding as a way to build demand for your brand. We received a lot of support from people who wanted us to get from number two to number one. Once we broke the record, publications all over the country suddenly wanted to write about us. It also reminded me of the quote by the wise man Ricky-Bobby: "If you are not first, you are last" ;-)



and family wherever applicable, not just in spreading the word or donating, but also in taking part in the campaign and helping to produce and market the campaign. If you have a large audience and a lot of cash to spend, you won't need this, but for a pure startup like ourselves, this is as valuable as PR, influencers and free staff. I won't list everyone here, as the list of contributors is that long, but to everyone in team Sugarbird for the 2017 Thundafund campaign: Thank you!

8. Some hustle for good luck

I knew going in that it would be a lot of work, but I was surprised just how much back and forth communication and coordinating was actually needed in the end. It was a heavy load, demanding of instant ongoing multiple back and forth communications. Another aspect that came in handy was an ability to sell larger rewards. Our efforts brought in over 150 backers, but in the end 8 or so backers brought in over 60% of the revenue. Each of these came through via a direct sell or pitch of some sort and made all the difference.

9. Thinking out of the box

To start the potential interest in the campaign we included some pretty outlandish rewards such as having Ryan Gosling hand deliver your signed bottle of gin for R900,000. These did generate interest but (luckily) no direct sales. Half way through the campaign, we could see that the small (one bottle for R270) rewards, were not going to add up to our total of R750,000 so we started developing a mix of different price points to drive the sales. We also removed the slow movers and then got really creative...

10. Self incentive reality

An innovative reward (product) is nice and will appeal to early adopters and similarly motivated people in different niches. The problem is that unless you are Apple, your early adopters will generally be a small subset of a niche. The chance for volume of sales is statistically difficult and with popular rewards tending to be at low price points, this makes for a difficult and impractical formula.

So how do you really bring in the bucks needed to make a campaign successful? Larger rewards for a start, however, the big trick is to think about what really motivates people and generally that is self-gain in different guises. The weakness of a rewards-based campaign is no upside for those who back you on your mission. This needs to be challenged. It was this thinking that lead us to invent the 'buy batch and share the profits' reward. This allowed people to support us and gain from the upside without too much risk or commitment and without the drawn-out formality of equity. This backer incentivising reward is what eventually blew our campaign out the park.

People will tend to feel like they are helping you, thus the focus needs to be on them and what they get. "What is in it for me", is a reality, especially if you are asking people to part with their hard earned cash. As mentioned before, crowdfunding is essentially online retail, so think about what your customer really wants and give it to them (at a price that works of course).

After completing a campaign, I still highly, highly recommend making use of crowdfunding for start-ups and new business projects that may have challenges for cash flow, scalability or standing out from the crowd. However; a big warning; To be able to even have a chance of reaching your target you will very likely need to perfect all of the above and then work some more and hustle some more and then hope. It is not for the feint-hearted and if you are not able to sell or market, you will really be climbing an uphill battle.

So I say, get your sh*t in order and go for it... if you dare. And if you do, best of luck to you! You are not just launching your own product smartly, you are helping to build upon this



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