



# Model of developing, promoting and financing of a new innovative product through the methodology of Crowdfunding and Crowdsourcing

Based on the activities done within the OpenAlps project and as part of the Open Innovation Lab ORBITaLA

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## TABLE OF CONTENTS

<b>1. INTRODUCTION</b>	<b>4</b>
1.1. Shortly about Open Alps project	5
<b>2. OPEN INNOVATION</b>	<b>6</b>
2.1. Basics of Open Innovation	6
2.2. Open Innovation Lab ORbITaLA	7
2.2.1. In general	7
2.3. Open Innovation Lab Concept	8
<b>3. A MULTITUDE OF DIFFERENT TERMS OF OPEN INNOVATION</b>	<b>10</b>
<b>4. CROWDSOURCING AND CROWDFUNDING – OPEN INNOVATION WAY TO SUCCESS</b>	<b>13</b>
4.1. In general	13
4.2. Crowdsourcing (si. Množično Sodelovanje)	15
4.2.1. Modern methods	15
4.2.2. Types of Crowdsourcing	16
4.2.3. Steps to Successful Crowdsourcing	17
4.2.4. Advantages and Disadvantages	17
4.2.5. Crowdsourcers	18
4.2.6. Motivations	18
4.2.7. Criticisms	19
4.2.8. Identifying – Motivating crowd	20
4.3. Crowdfunding (si. Množično Financiranje)	21
4.3.1. Types of crowdfunding	21
4.3.2. Role of the crowd	22
4.3.3. Crowdfunding platforms	22
4.3.4. Crowdfunding applications	24
4.3.5. Benefits and risks	24
4.4. Open Innovation with Crowdsourcing / Crowdfunding	26
<b>5. PRACTICAL WORKSHOP ON THEME CROWDFUNDING AND CROWDSOURCING</b>	<b>27</b>
<b>6. MODEL FRAMEWORK VIA KICKSTARTER</b>	<b>29</b>
6.1. Purpose	29
6.2. Kickstarter for Creative Projects base ground	30
6.2.1. Kickstarter in a Nutshell	30
6.2.2. Seven things to know about Kickstarter	30
6.3. Model framework via steps and tips	32
6.3.1. Foreground	32
6.3.2. Step 1 - Getting started	33
6.3.3. Step 2 – Project story	33

6.3.4.	Step 3 – Rewards	34
6.3.5.	Step 4 - Funding	35
6.3.6.	Step 5 - Promotion	37
6.3.7.	Step 6 - Updates	38
6.3.8.	Step 7 - Fulfillment	39
<b>7.</b>	<b>CONCLUSIONS</b>	<b>41</b>
<b>8.</b>	<b>REFERENCES</b>	<b>42</b>

## TABLE OF FIGURES

Figure 1:	Open Innovation Model	6
Figure 2:	Open Innovation Phases	7
Figure 3:	Open Innovation Lab - focus on processes	8
Figure 4 -	Open Innovation Lab –step by step	9
Figure 5 -	OI different terms	10
Figure 6:	Open Innovation + Crowdsourcing / Crowdfunding = Opportunity!	26
Figure 7:	Workshop	27
Figure 8:	Successful cases presented	28
Figure 9:	Kickstarter Brand	30
Figure 10:	Kickstarter – start creating your project	32

## 1. INTRODUCTION

Within the project OpenAlps execution and belonging ORbITaLA Open Innovation Lab activities we noticed, among the SMEs, especially within start-up entrepreneurs who are oriented to the development of new ideas into products, a deficiency of knowledge and practical experience of how to use the methodology of open innovation to developed, promote and fund new innovative product.

To overcome this lack and with the aim of fostering innovative entrepreneurship in the region, we want to offer entrepreneurs a developed model within this document, that will potentially help them in the development, promotion and financing of a new product - **Model of developing, promoting and financing of a new innovative product through the methodology of Crowdfunding and Crowdsourcing.**

What is very important, that presented model beside **theoretical foundations** for the development of new product and its placement on the market also involves practical experiences gained from successful entrepreneurs who have already gone through the process described above.

Model, beside the importance of the **open innovation** approach, demonstrates also a way of identifying crowd (**crowdsourcing**) that could reasonably assist in the development of the product together with funding opportunities for product development through **crowdfunding** methods (like exemplified Kickstarter).

Baseground – Preliminary phase of gaining practical experiences from successful entrepreneurs who have already gone through this process was execution of the **OpenAlps practical workshop on theme Crowdfunding and Crowdsourcing** with the title "Open Innovation, Crowdfunding and Crowdsourcing – Way to Success" that was held was held at end of September 2014 in Pesnica by Maribor.

Workshop has consisted from two practical parts: 1.) Understanding in the simple and easy way the process of developing, promoting and financing of a new product through the methodology of crowdfunding and crowdsourcing (inputs given by successful entrepreneurs); 2.) Practical task, where participants have "virtually" worked on development of a new imaginary product, together with the simulation, how could such a product be financed and potentially further developed and worked out through the methods of the massive funding (crowdfunding) and/or mass collaboration (crowdsourcing). Furthermore, participants gained very important aspect about the validation of the products through Kickstarter campaigns presented.

## 1.1. Shortly about OpenAlps project

Project “Open Innovation in Alpine SMEs” (Acronym: OpenAlps) is part of the EU’s Alpine Space Programme and is funded by the European Regional Development Fund (ERDF) and the participating states. The project has a duration of 3 years (July 2011 – June 2014). Ten partners from six different European countries are involved in the project with the overall aim to support SMEs in their innovation processes with external partners.

The objective of OpenAlps project is to strengthen the competitiveness of SMEs in the Alpine Region by supporting them with implementing Open Innovation methods in their innovation processes. Specific services are offered to SMEs in order to assist them with opening up their company boundaries and benefiting from knowledge and experience of external actors.

More precisely, OpenAlps offers SMEs and R&Ds the following **services**:

- A multilingual web-based OI platform for Innovation Seekers and Innovation Solvers.
- Local OI support centres which improve the accessibility to research facilities and enhance networking opportunities, with particular attention to promoting sustainable development through eco-innovation.
- Local OI Labs (i. e. working groups of SMEs and R&D organizations).
- OI Award Competition with awards for the three best OI projects.
- Management trainings to qualify Lab Managers, SMEs and business development agencies in OI Management.

### Benefits for SMEs

- Speed up development of new products and services, shorten time-to-market and thereby increase revenues and market share.
- Reduce direct spending on R&D.

### Benefits for R&D

- Establish new networks and business opportunities with private companies.
- Get a better understanding of technology trends and applicability.
- Receive additional revenues from innovations.

## 2. OPEN INNOVATION

### 2.1. Basics of Open Innovation

Most SMEs are familiar with the traditional, “closed” model of innovation, where enterprises generate and develop their own ideas for innovative products or processes in order to remain competitive. However, with growing competition and ongoing globalisation, enterprises should open their doors to the ideas, know-how and knowledge of external actors at a local, national and international level.

Open Innovation is a two-way process: The inbound process assumes that not all brilliant ideas are developed inside the company, but that enterprises have to open up and collaborate with external partners such as R&D centres, universities, clients, suppliers, or even competitors. On the other hand, the outbound process allows companies to sell their own innovative technologies and processes to external partners (e. g. through licensing).

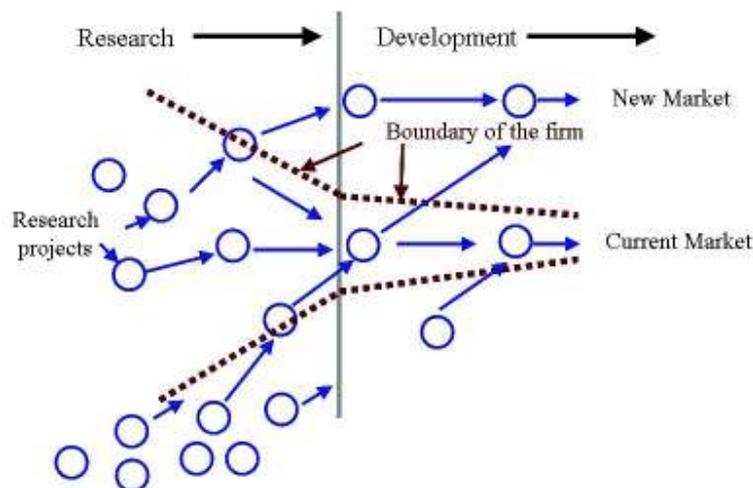


Figure 1: Open Innovation Model

(Source: [www.nansenneuro.net](http://www.nansenneuro.net), 2012)

Successful open innovation is all about multidimensional collaboration. This means simultaneous downstream collaboration with retailers and customers, upstream collaboration with vendors, horizontal collaboration internally, and collaboration with other ecosystem partners as well as with outside communities of common interest, including freelance experts and academicians.

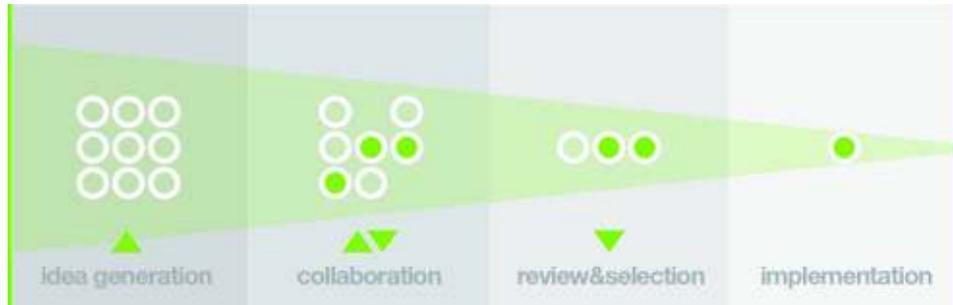


Figure 2: Open Innovation Phases  
(Source: OpenAlps project, 2013)

**Open innovation in cooperation with external partners offers a lot of advantages such as cost efficiency, risk sharing, external creativity, increased flexibility and speed.**

## 2.2. Open Innovation Lab ORbITaLA

### 2.2.1. In general

Open Innovation Lab Slovenia: ORbITaLA - Creative Industries

The Slovenian Open Innovation Lab ORbITaLA is intended to connect end users with developers of ideas and implementers of solutions. It provides an environment where clear needs and ways to fulfil them are identified, and new technological and process solutions are brought from the abstract model to the implementation level.

ORbITaLA focuses on mainly on the promising field of Creative Industries.

Open Alps partner Maribor Development Agency (MRA) has already contributed to the recognisability of the project, as it has successfully established and launched ORBITALA - a laboratory for open innovation at 25<sup>th</sup> of May 2012.

Main activities focus on adopting a successful existing model of open innovations to gain the optimal results within the region of Podravje.

### 2.3. Open Innovation Lab Concept

The next figure shows a basic / general overview of the Open Alps Open Innovation Lab ORbITaLA activities with a specific focus on processes.

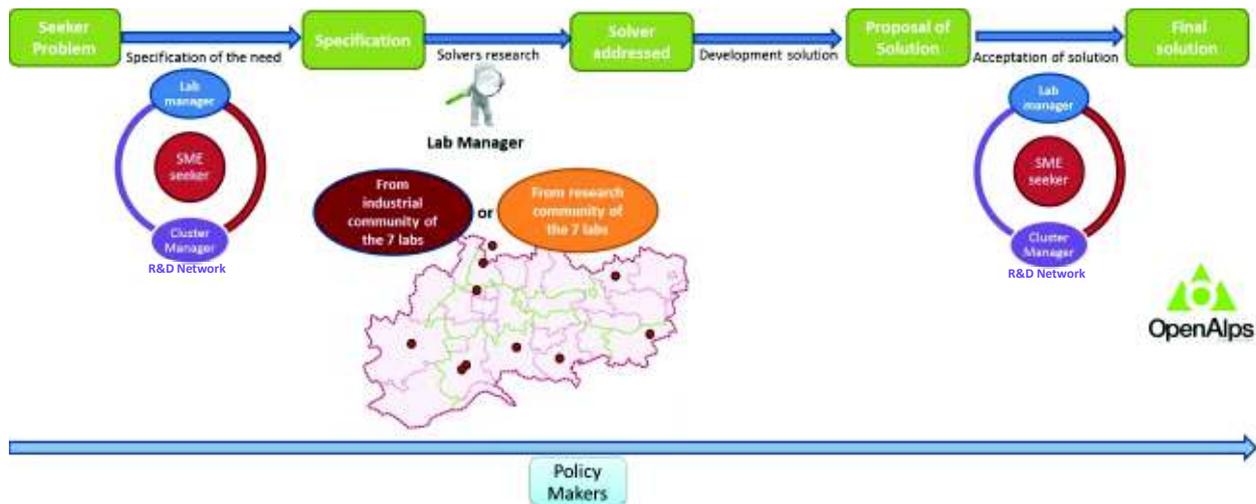


Figure 3: Open Innovation Lab - focus on processes

(Source: OpenAlps project, 2013)

OI Lab, through the activity of the manager, involves from the Industrial community one or more players (SMEs), with specific problems to solve (e.g. improvement of business process, development of management tools, saving money in specific field of activities). The representative of the SMEs together with the Lab manger and the Cluster or similar R&D Network Manager (if available from regional sense) “translates” the problem in standard terminology (specification), in order to make the issue clear to the representative of the solvers categories (from research and business side).

Once the problem has been defined with all specifications (technical, of methods, level of implementation or new development and so on), the Lab Manager addresses the Research and Industrial Community from the different Open Innovation Labs of the Alpine space regions in order to find out the most appropriate solver for the specific issue. After this phase, the solver develops the solution, which is then presented to the SMEs with the support of the Lab Manger and Cluster or R&D Network Manager (if available).

During the processes, acting as neutral expert of innovation and open innovation systems, the Cluster or R&D Network Manager is able to support the players in several steps (e.g. specification as well as acceptance of the proposal). On the other hand the Policy Makers are permanently updated by the Lab Manager on the activities run within the Lab and on all matters relevant for its categories (e.g. Rights issues, IPR, Open Source policies).

The Lab Manager coordinates and participates to each step of the processes in order to collect all relative information for reporting.

The next figure aims to visualize, in a more detailed level, the steps that the Lab and the players involved have to achieve to implement an open innovation process.

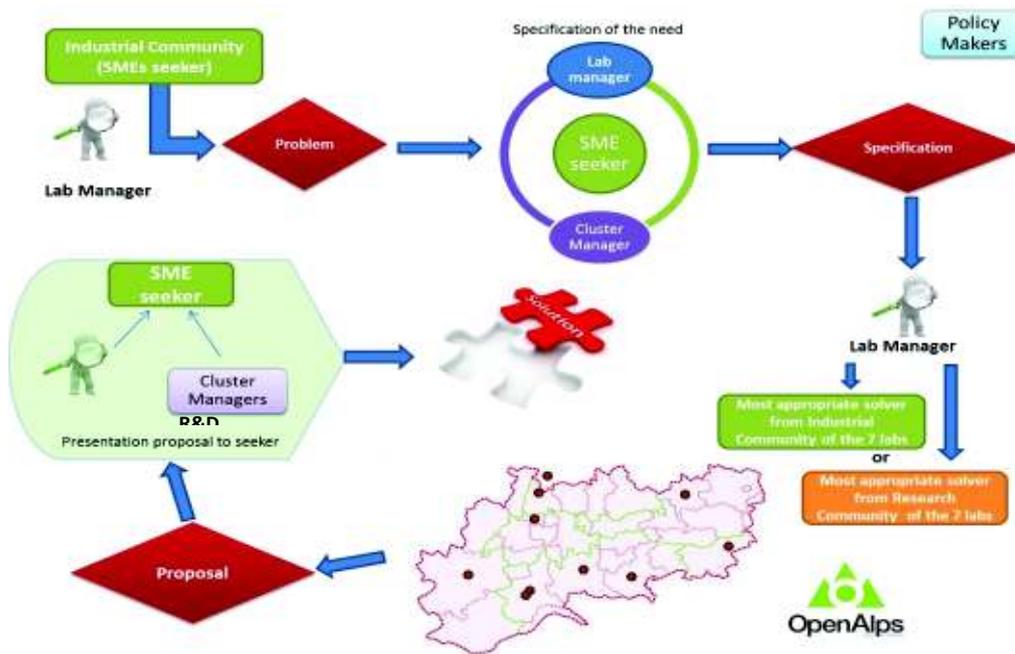


Figure 4 - Open Innovation Lab -step by step  
(Source: OpenAlps project, 2013)

### 3. A MULTITUDE OF DIFFERENT TERMS OF OPEN INNOVATION

There are other ways some people define open innovation, just as Eskimos have dozens of words for “snow”. Some claim it works just like open source software. It doesn’t. The business model for innovation is a key part of open innovation. Others think that it is just supply chain management. It isn’t. Open innovation involves many other actors that fall far outside traditional supply chains (such as universities or individuals), and these participants in open innovation can be influenced, but often are not actually directed or managed. Some claim it is user innovation. It’s not.

Specific definitions and related terms of Open Innovation concept are constantly growing. Some of related terms we are presenting on next figure, where we exposed purposely both of in this document furthermore presented terms – Crowdfunding and Crowdsourcing.

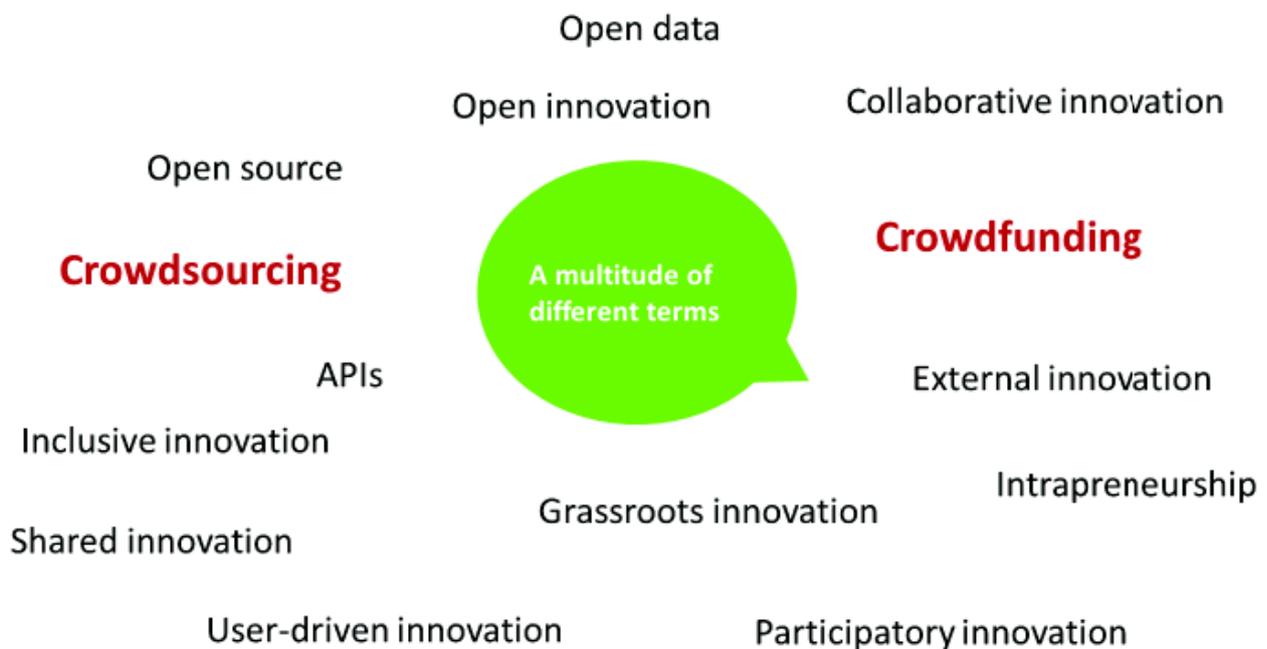


Figure 5 - OI different terms  
(Source: OpenAlps project, 2013)

Some of above stated terms are defined and illustrated in continuation. They represent small s.c. open innovation glossary for beginners.

#### Open innovation

Open Innovation is about engaging the innovative ecosystem as well as its internal resources within its innovation process, through dynamic collaboration.

### **Collaborative Innovation**

Collaborative innovation is a synonym for Open Innovation.

While some talk about internal collaborative innovation (= collaborative dynamic within the company), others mention external (=collaborative dynamic with a company's external ecosystem).

### **Shared Innovation**

A rare, not widely used term, is a synonym for Open Innovation.

### **Participatory Innovation**

A term that usually refers to an "internal" Open Innovation, realized within the company.

Specifically, it refers to approaches of "internal" collaborative innovation, which involves employees from all hierarchical levels, from the lowest to the highest.

### **Grassroots innovation**

Term that usually refers to the innovation proposed and created by communities (that consist of customers, users...). Its advocates insist on its social dimension such as sustainability, social development and others. It represents one form of Open Innovation.

### **Inclusive innovation**

It is a specific term, mainly used in India, with no direct relation with Open Innovation.

It refers to offers that are considered innovative, because they "include" the largest number of potential clients; they are accessible to as many people as possible, especially to the poorest. These offers are characterized as 'very low cost' and 'very low resource consuming;.

11

### **External Innovation**

Not a very usual term that generally refers to dynamics of collaboration between a company and its external ecosystem. In particular, the term highlights the importance of business intelligence as a source of innovation.

### **Crowdsourcing**

Open Innovation tool, whose purpose is to capitalize on collective intelligence of its ecosystem, in order to quickly obtain answers/solutions for a need, at a low cost.

### **Crowdfunding**

Type of crowdsourcing specifically dedicated to fundraising efforts.

### **User-driven innovation**

Term refers to innovation inspired by users/customers of an offer.

"User-driven" innovation is therefore a form of Open Innovation.

### **Open source**

Term referring to software whose license corresponds to criteria specifically established by the Open Source Initiative; or rather, the possibility of free redistribution, access to the code source and to derivative works.

### **Research partnerships**

Research activity conducted in a partnership with economic actors as a response to the socioeconomic needs expressed by them.

### **Enterprise Social Network (ESN)**

ESN is an Open Innovation tool: it is a collaborative platform that offers its members the opportunity to easily exchange, share ideas and collaborate among them.

ESN features are generally similar to those on public social networks that are adding some specific features related to the specific professional needs.

### **Application Programming Interface (API)**

APIs are Open Innovation tools.

API is a set of protocols that computer system can use to automatically interact with another computer system: that way, it enables the interoperability among them, and thus the opportunity for an external actor to benefit from features held internally.

### **Intrapreneurship**

Undertaking while working within the company: it is the process in which people lead a specific project viable within their company. This enables employees with ideas to express themselves within their organization and the company to better understand new business opportunities. It is sort of an organizational creativity.

Other concepts / concept term may come up, such as enterprise social networks, fab labs, collaborative platforms, BarCamps, hackathons, etc..

## 4. CROWDSOURCING AND CROWDFUNDING – OPEN INNOVATION WAY TO SUCCESS

### 4.1. In general

You can rely your online crowd to conquer your own part of the world. Crowdsourcing and crowdfunding are about connecting people at a local level to create businesses that will benefit communities. Although the world is operating more and more as one global community through social media, people rely on local communities for bare necessities.

#### Crowdsourcing

Crowdsourcing is the online gathering of a group of people to share knowledge and wisdom to build a better product. Crowdsourcing first gained prominence in the world of programming in what was called open source. Open-sourced programming was a way for companies to leverage the collective coding power of essentially freelance programmers so that they could deliver a great product (code).

By opening it up to other programmers, people were allowed to clean up, fix, and/or improve the code. The theory was that opening up the proprietary code to the crowd wouldn't make competitors but compatriots. The crowd would work together to make it better.

Most recently, this concept expanded into online collaboration through different mediums.

#### Crowdfunding

It was only a matter of time before this community involvement moved into the financial arena. And in reality, it already had.

##### *Donation-based efforts*

The American Cancer Society (ACS) has been crowdfunding for decades. It hosts events like Making Strides Against Breast Cancer, in which teams form to raise money to fight cancer. Large groups of people pool donations together for a good cause — in the case of ACS, to the tune of half a billion dollars since 1994! However, any charitable giving, whether to a church, National Public Radio, or AIDS walks, is really crowdfunding.

And the crowdfunding concept doesn't apply just to charity. Politician's crowdfund their re-election campaigns all the time. The theory is, if they can actively engage voters with campaign contributions, those voters will have a vested interest in the success of the candidate.

Unfortunately, this can also be seen as one of the biggest problems with politics. Politicians are constantly out there looking for capital to fund their campaigns . . . so much that they aren't always focused on policy.

One of the reasons for President Obama's 2008 success was his ability to harness the power of crowd donations. His campaign was able to raise over \$50 million from over a million passionate followers. These people spoke not only with their voices but also with their wallets.

Instead of relying on individual large contributors, the Obama campaign went to hundreds of thousands of Americans and asked them for small contributions. It was the difference between winning and losing for Obama. It also shows you the power of pooling small dollar contributions together.

Most recently, people have used crowdfunding to raise money for art-related projects. Probably the most well-known platform for doing so is **Kickstarter**. Started by a person who wanted to raise money to put on a concert, Kickstarter has become a crowdfunding phenomenon where people from all over the world are helping to fund mainly art-related projects — to the tune of \$250 million in 2012!

#### *Microfinance projects*

Back in 1983, a man by the name of Muhammad Yunus started the Grameen Bank. The goal was to leverage the undeveloped skills of the poor by providing the money to entrepreneurs to create businesses. The unique feature was that there was no collateral. The bank would provide micro-loans to borrowers (98 percent of them being women). Peer pressure would ensure that borrowers followed through with repayments. It was so successful that Yunus went on to win a Nobel Peace Prize.

Although Yunus's efforts were funded by microfinance organizations and community development banks, individuals like Matt Flannery and Jessica Jackley saw the ability to expand the opportunity by allowing the crowd to step in and pool their resources in the same way to help entrepreneurs in the developing world.

Their story led to Kiva. Kiva allows people in developing countries to lend money via the Internet to people in developing countries. Kiva doesn't pay out any interest on the loans it facilitates. People do it to help others around the world, to be a part of something other than themselves, and to build a stronger global community.

#### **Crowdfund investing**

Over time, people have become comfortable giving to causes they believe in or entrepreneurs in the developing world who need financial assistance to create their own jobs. Now they're bringing these concepts home. Instead of just giving your money away because it feels good or is the right thing to do, now you can do so and own shares of stock in that business!

For decades investors have been used to investing in Fortune 500 stocks listed on public exchanges. Now you'll be able to invest in businesses in your own backyard.

Although some of these businesses may have the potential to be high-growth businesses, not all of them will have the ability to make you rich. They will, however, provide tangible benefits that money invested in a Fortune 500 company can't provide — benefits like convenience, service, and a sense of community.

## 4.2. Crowdsourcing (si. Množično Sodelovanje)

**Crowdsourcing** is the process of obtaining needed services, ideas or content by soliciting contributions from a large group of people, and especially from an online community, rather than from traditional employees or suppliers.

A new integrating definition summarised definition (after studying more than 40), developed by Enrique Estellés-Arolas and Fernando González Ladrón-de-Guevara:

"Crowdsourcing is a type of participative online activity in which an individual, an institution, a non-profit organization, or company proposes to a group of individuals of varying knowledge, heterogeneity, and number, via a flexible open call, the voluntary undertaking of a task. The undertaking of the task, of variable complexity and modularity, and in which the crowd should participate bringing their work, money, knowledge and/or experience, always entails mutual benefit. The user will receive the satisfaction of a given type of need, be it economic, social recognition, self-esteem, or the development of individual skills, while the crowdsourcer will obtain and utilize to their advantage that which the user has brought to the venture, whose form will depend on the type of activity undertaken".

Word "crowdsourcing" can apply to a wide range of activities. Crowdsourcing can involve division of labour for tedious tasks split to use crowd-based outsourcing, but it can also apply to specific requests, such as **crowdfunding**, a broad-based competition, and a general search for answers, solutions, or a missing person.

In crowdsourcing, problems are broadcast to the public in the form of an open call for solutions. Members of the public submit solutions, which are then owned by the entity which broadcast the problem. In some cases, the contributor of the solution is compensated monetarily, with prizes or with recognition. In other cases, the only rewards may be kudos or intellectual satisfaction. Crowdsourcing may produce solutions from amateurs or volunteers, working in their spare time, or from experts or small businesses, which were unknown to the initiating organization.

Crowdsourcers are primarily motivated by its benefits. One of these includes the ability to gather large numbers of solutions and information at a relatively inexpensive cost. Users are motivated to contribute to crowdsourced tasks by both intrinsic motivations, such as social contact, intellectual stimulation, and passing time, and by extrinsic motivations, such as financial gain.

Due to the blurred limits of crowdsourcing, many collaborative activities are considered crowdsourcing even when they are not. Another consequence of this situation is the proliferation of definitions in the scientific literature. Different authors give different definitions of crowdsourcing according to their specialties, losing in this way the global picture of the term.

### 4.2.1. Modern methods

Today, crowdsourcing has transferred mainly to the Internet. The Internet provides a particularly good venue for crowdsourcing since individuals tend to be more open in web-based projects where they are not being physically judged or scrutinized and thus can feel more comfortable sharing. This ultimately allows for well-designed artistic projects because individuals are less conscious, or maybe even less aware, of scrutiny towards their work. In an online atmosphere, more

attention can be given to the specific needs of a project, rather than spending as much time in communication with other individuals.

Crowdsourcing can either take an explicit or an implicit route.

**Explicit crowdsourcing** lets users work together to evaluate, share and build different specific tasks, while implicit crowdsourcing means that users solve a problem as a side effect of something else they are doing.

With explicit crowdsourcing, users can evaluate particular items like books or webpages, or share by posting products or items. Users can also build artifacts by providing information and editing other people's work.

**Implicit crowdsourcing** can take two forms: standalone and piggyback. Standalone allows people to solve problems as a side effect of the task they are actually doing, whereas piggyback takes users' information from a third-party website to gather information.[30]

#### 4.2.2. Types of Crowdsourcing

Crowdsourcing has **five major forms**. Each form involves a crowdsourcer or manager, a crowdmarket and a crowd of people. By choosing the right form of crowdsourcing, you can manage large jobs with thousands of workers or do small jobs that require just a single person. You can create jobs that you carefully monitor and control, or you can let the crowd organize itself and decide how it should do the work.

##### Usage

##### Features

##### Usage

##### Crowdcontests

- \*Enable you to identify the best worker for you job
- \*A single job description that asks for one item
- \*Many people proposing or creating item
- \*Only pay one person

- \*Graphic design
- \*Answering questions
- \*Testing software
- \*Creating films
- \*Other creative projects

##### Macrotasks

- \*Enable you to get a specific skill for a job or project
- \*Hire worker from crowd for single task
- \*Communicate over the Internet
- \*Worker paid by task

- \*General business work
- \*Web design and other forms of design
- \*Assistance with writing and editing
- \*Application development

##### Microtasks

- \*Enable you to use human intelligence on large, complicated jobs
- \*Divide big jobs into small units
- \*Put units on the Internet
- \*Let members of crowd do tasks
- \*All workers get paid

- \*Transcribe business cards, medical records and other documents
- \*Tag photos and handle non-textual data
- \*Find business information

### Crowdfunding

- \*Engage social networks to raise money
- \*Put a request for funds on an Internet platform
- \*Create messages and videos to promote request
- \*Recruit crowd to donate money
- \*Offer crowd gift or benefit

- \*Support non-profit organisations
- \*Raise funds for artistic endeavours
- \*Get cash for companies by offering goods or services
- \*Raise equity for company (under the right circumstances)

### Self-organised crowds

- \*Post a challenge on the Internet
- \*Recruit crowd to work on challenge
- \*Crowd organises itself into a team
- \*Teams compete to provide best answer for challenge
- \*Winning team compensated
- \*Team decides how to divide compensation

- \*Innovation – creating new products or services
- \*Finding and collecting information
- \*Processing information and offering judgement
- \*Solving challenges

#### 4.2.3. Steps to Successful Crowdsourcing

When you crowdsource, you go through a series of six steps that prepare the job, get the job to the crowd and collect the final work product. Many of these steps are supported by **crowdsourcing platforms** – web services that guide you through these steps. Most of these platforms give you an easy connection to crowds and handle all the details of compensating the crowd.

**Six steps** to successful crowdsourcing:

1. Design the job and divide the labour.
2. Write clear instructions.
3. Choose a web platform to serve as your crowdmarket.
4. Release the job and recruit the crowd.
5. Listen to the crowd and manage the job.
6. Assemble the work of the crowd and create the final product.

#### 4.2.4. Advantages and Disadvantages

##### Crowdsourcing Advantages - Five Things Crowds Do Well

Crowds bring the power of collected human intelligence to various forms of work, which is the beauty of crowdsourcing, or collaborative brainstorming. Crowds can do a good job of bringing a specific skill to a job at just the moment when that skill is needed.

They are also very good at coordinating a lot of different skills on large and complicated jobs such as:

- Making judgements
- Reading handwriting
- Interpreting images
- Finding information

### Crowdsourcing Disadvantages - Identifying Six Things Crowds Do Badly

Crowds are at their best when they take the information you give them, combine it with their own experience and present you with their judgements – all good things in a collaborative environment. However, crowds do have trouble understanding the context of jobs. They can rarely see the forces that are shaping the job.

Six examples of things that crowds do badly:

- Guess what you're thinking.
- Remember the history of your project.
- Remember your goals.
- Check their work.
- Distinguish rumours from truth.
- Make strategic decisions.

#### 4.2.5. Crowdsourcers

There are a number of motivations for businesses to use crowdsourcing to accomplish their tasks, find solutions for problems, or to gather information.

These include the ability to offload peak demand, access cheap labor and information, generate better results, access a wider array of talent than might be present in one organization, and undertake problems that would have been too difficult to solve internally.

Crowdsourcing allows businesses to submit problems on which contributors can work, on topics such as science, manufacturing, biotech, and medicine, with monetary rewards for successful solutions. Although it can be difficult to crowdsource complicated tasks, simple work tasks can be crowdsourced cheaply and effectively.[57]

Crowdsourcing also has the potential to be a problem-solving mechanism for government and nonprofit use.

Researchers have used crowdsourcing systems (in particular, the Mechanical Turk) to aid with research projects by crowdsourcing some aspects of the research process, such as data collection, parsing, and evaluation. Notable examples include using the crowd to create speech and language databases.

#### 4.2.6. Motivations

Many scholars of crowdsourcing suggest, that there are both **intrinsic** and **extrinsic motivations** that cause people to contribute to crowdsourced tasks and that these factors influence different types of contributors.

**Intrinsic motivations** are broken down into two categories: enjoyment-based and community-based motivations. Enjoyment-based motivations refer to motivations related to the fun and enjoyment that the contributor experiences through their participation. These motivations include: skill variety, task identity, task autonomy, direct feedback from the job, and pastime. Community-based motivations refer to motivations related to community participation, and include community identification and social contact.

**Extrinsic motivations** are broken down into three categories: immediate payoffs, delayed payoffs, and social motivations. Immediate payoffs, through monetary payment, are the immediately received compensations given to those who complete tasks. Delayed payoffs are benefits that can be used to generate future advantages, such as training skills and being noticed by potential employers. Social motivations are the rewards of behaving pro-socially, such as altruistic motivations.

#### 4.2.7. Criticisms

There are two major categories of criticisms about crowdsourcing: (1) the value and impact of the work received from the crowd, and (2) the ethical implications of low wages paid to crowdworkers. Most of these criticisms are directed towards crowdsourcing systems that provide extrinsic monetary rewards to contributors, though some apply more generally to all crowdsourcing systems.

#### Impact of crowdsourcing on product quality

There is susceptibility to faulty results caused by targeted, malicious work efforts. Since crowdworkers completing microtasks are paid per task, there is often a financial incentive to complete tasks quickly rather than well. Verifying responses is time-consuming, and so requesters often depend on having multiple workers complete the same task to correct errors. However, having each task completed multiple times increases time and monetary costs.

Crowdworkers are a nonrandom sample of the population. Many researchers use crowdsourcing in order to quickly and cheaply conduct studies with larger sample sizes than would be otherwise achievable.

One of the problems of crowdsourcing products is the lack of interaction between the crowd and the client. Usually there is little information about the final desired product, and there is often very limited interaction with the final client. This can decrease the quality of product because client interaction is a vital part of the design process.

It is usually expected from a crowdsourced project to be unbiased by incorporating a large population of participants with a diverse background. However, most of the crowdsourcing works are done by people who are paid or directly benefit from the outcome (e.g. most of open source projects working on Linux).

#### Ethical concerns for crowdsourcers

Because crowdworkers are considered independent contractors rather than employees, they are not guaranteed minimum wage. Typically, no written contracts, non-disclosure agreements, or employee agreements are made with crowdworkers. For users of the Amazon Mechanical Turk, this means that requestors decide whether users' work is acceptable, and reserve the right to withhold pay if it does not meet their standards.

Collaboration between crowd members can also be difficult or even discouraged, especially in the context of competitive crowd sourcing.

#### 4.2.8. Identifying – Motivating crowd

Identifying – Motivating crowd to assist in the development of the product is mostly significantly based upon the specific application of crowdsourcing varied, unique to the application.

However, **three crowd types** based on similarities in approaches and contexts can be identified

1. Task-based public crowds
2. Employee-based crowds, and
3. Information-exchange public crowds

These groups differed from each other with respect to the participants and function of the crowds examined.

##### **Task-based public crowds**

Public task-based crowds perform a specific task or a set of tasks. There are few or no relationships between the crowd participants, who each contribute using their individual abilities. Such a type of design tasks relate mostly to electronics, product design, digital media products, graphics, advertisement and websites.

Motivational drivers include: immediate financial payment (of varying amounts), skills improvement, enjoyment and fun (of varying type), and community-related motivations. Important to note is, that financial payment might not be the best way to motivate a crowd because other forms of motivation can be more important.

##### **Employee-based crowds**

Participants in a corporate, employee-based crowd are employed by the host company. The crowdsourcing tasks include internal idea generation and language translations.

Motivational drivers include: immediate payment of rewards, such as peer recognition, career advancement, and professional development.

##### **Information-exchange public crowds**

This type of crowd includes participants seeking technical information as well as participants providing technical information, and these roles are interchangeable. Some tasks may also require creativity in addition to technical information.

Potential crowdsourcing tasks/communities: ideas-based community organized around a company-sponsored contest; knowledge-based community anchored around online Usenet groups about computer programming and databases;

controlled experiment by marketing researchers who could manipulate the points system used to reward participants for contributions and thus shape crowd behaviour.

Motivational drivers include: access to technical experts to solve problems, learning, fun, and being part of a community.

#### 4.3. Crowdfunding (si. Množično Financiranje)

**Crowdfunding** is the practice of funding a project or venture by raising monetary contributions from a large number of people, typically via the internet. One early-stage equity expert described it as "the practice of raising funds from two or more people over the internet towards a common Service, Project, Product, Investment, Cause, and Experience or SPPICE."

The crowdfunding model is fuelled by three types of actors:

- the project initiator who proposes the idea and/or project to be funded,
- individuals or groups who support the idea and
- a moderating organization (the "platform") that brings the parties together to launch the idea.

According to available web data in 2013, the crowdfunding industry grew to be over \$5.1 billion worldwide. Earliest recorded use of the word "crowdfunding" was in 2006.

21

##### 4.3.1. Types of crowdfunding

The Crowdfunding Centre's May 2014 report identified the existence of two primary types of crowdfunding:

1. Reward-based crowdfunding: entrepreneurs pre-sell a product or service to launch a business concept without incurring debt or sacrificing equity/shares.
2. Equity-based crowdfunding: the backer receives unlisted shares of a company, usually in its early stages, in exchange for the money pledged. The company's success is determined by how successfully it can demonstrate its viability.

##### Reward-based crowdfunding

Reward-based crowdfunding has been used for a wide range of purposes; including motion picture promotion, free software development, inventions development, scientific research, and civic projects.

##### Equity-based crowdfunding

Equity-based crowdfunding is the collective effort of individuals to support efforts initiated by other people or organizations, through the provision of finance in the form of equity.

### 4.3.2. Role of the crowd

The inputs of the individuals in the crowd trigger the crowdfunding process and influence the ultimate value of the offerings or outcomes of the process. Each individual acts as an agent of the offering, selecting and promoting the projects in which they believe. They will sometimes play a donor role oriented towards providing help on social projects. In some cases, they will become shareholders and contribute to the development and growth of the offering. Each individual disseminates information about projects they support in their online communities, generating further support (promoters).

Motivation for consumer participation stems from the feeling of being at least partly responsible for the success of others initiatives (desire for patronage), striving to be a part of a communal social initiative (desire for social participation), and seeking a payoff from monetary contributions (desire for investment).

An individual who takes part in crowdfunding initiatives, tends to reveal several distinct traits: innovative orientation, which stimulates the desire to try new modes of interacting with firms and other consumers; social identification with the content, cause or project selected for funding, which sparks the desire to be a part of the initiative; (monetary) exploitation, which motivates the individual to participate by expecting a payoff.

### 4.3.3. Crowdfunding platforms

As of 2012, there were over 450 crowdfunding platforms. Project creators need to do their own due diligence in order to understand which platform is the best to use depending on the type of project that they want to launch. There are fundamental differences in the services provided by many crowdfunding platforms.

For instance, **CrowdCube** and **Seedrs** are both Internet platforms, which enable small companies to issue shares over the Internet and receive small investments from registered users in return. While CrowdCube is meant for users to invest small amounts and acquire shares directly in start-up companies, Seedrs on the other hand pools the funds to invest in new businesses, as a nominated agent.

Crowdfunding platforms serve as a "network orchestrators". They create the necessary organizational systems and conditions for resource integration among other players to take place.

Relational mediators act as an intermediary between supply and demand (e.g., **SellaBand**, **Kickstarter**). They replace traditional intermediaries (such as traditional record companies, venture capitalists). These platforms link new artists, designers, project initiators with committed supporters who believe in the persons behind the projects strongly enough to provide monetary support.

Growth engines focus on the strong inclusion of investors. They dis-intermediate by eliminating the activity of a service provider previously involved in the network. The platforms that use crowdfunding to seek stakes from a community of high net worth, private investors and match them directly with project initiators.

According to Forbes (2014) **top 10 Crowdfunding Platforms / Sites for Fundraising** (funding opportunities for product development through crowdfunding methods) are (listed according to):

It has to be exposed, that crowdfunding platforms have different models and focuses. This list can help you find the right place for your crowdfunding goals and needs.

### 1. Kickstarter

Kickstarter is a site where creative projects raise donation-based funding. These projects can range from new creative products, like an art installation, to a cool watch, to pre-selling a music album. Kickstarter is one of the earlier platforms, and has experienced strong growth and many break-out large campaigns in the last few years.

### 2. Indiegogo

While Kickstarter maintains a tighter focus and curates the creative projects approved on its site, Indiegogo approves donation-based fundraising campaigns for most anything — music, hobbyists, personal finance needs, charities and whatever else you could think of (except investment). They have had international growth because of their flexibility, broad approach and their early start in the industry.

### 3. Crowdfunder

Crowdfunder.com is the platform for raising investment (not rewards), and has a one of the largest and fastest growing network of investors. After getting rewards-based funding on Kickstarter or Indiegogo, companies are often giving the crowd the opportunity to invest at Crowdfunder to raise more formal Seed & Series A rounds.

### 4. RocketHub

RocketHub powers donation-based funding for a wide variety of creative projects.

What's unique about RocketHub is their FuelPad and LaunchPad programs that help campaign owners and potential promotion and marketing partners connect and collaborate for the success of a campaign.

### 5. Crowdrise

Crowdrise is a place for donation-based funding for Causes and Charity. They've attracted a community of do-gooders and and fund all kinds of inspiring causes and needs.

A unique Points System on Crowdrise helps track and reveal how much charitable impact members and organizations are making.

### 6. Somolend

Somolend is a site for lending for small businesses in the US, providing debt-based investment funding to qualified businesses with existing operations and revenue. Somolend has partnered with banks to provide loans, as well as helping small business owners bring their friends and family into the effort.

### 7. appbackr

If you want to build the next new mobile app and are seeking donation-based funding to get things off the ground or growing, then check out appbackr and their niche community for mobile app development.

### 8. AngelList

If you're a tech startup with a shiny lead investor already signed on, or looking for for Silicon Valley momentum, then there are angels and institutions finding investments through AngelList. The accredited investors and institutions on AngelList have been funding a growing number of top tech startup deals.

### 9. Invested.in

You might want to create your own crowdfunding community to support donation-based fundraising for a specific group or niche in the market. Invested.in is a Venice, CA based company that is a top name "white label" software provider, giving you the tools to get started and grow your own.

### 10. Quirky

If you're an inventor, maker, or tinkerer of some kind, then Quirky is a place to collaborate and crowdfund for donation-based funding with a community of other like-minded folks. Their site digs deeper into helping the process of bringing an invention or product to life, allowing community participation in the process.

These 10 crowdfunding sites cover most campaign types or funding goals you might have. Whether you are looking to fundraise or not, go check out the sites here that grab your attention and get involved in this collaborative community.

#### 4.3.4. Crowdfunding applications

Crowdfunding is being experimented with as a funding mechanism, for creative work such as blogging and journalism, music, independent film and for funding start-up companies.

Community music labels are usually for-profit organizations where "fans assume the traditional financier role of a record label for artists they believe in by funding the recording process".

Innovative new platforms, such as **RocketHub**, have emerged that combine traditional funding for creative work with branded crowdsourcing—helping artists and entrepreneurs unite with brands "without the need for a middle man."

#### 4.3.5. Benefits and risks

##### Benefits for the creator

Crowdfunding campaigns provide producers with a number of benefits, beyond the strict financial gains.

The following are non-financial benefits of crowdfunding:

- Profile – a compelling project can raise a producer's profile and provide a boost to their reputation.
- Marketing – project initiators can show there is an audience and market for their project. In the case of an unsuccessful campaign, it provides good market feedback.

- Audience engagement – crowd funding creates a forum where project initiators can engage with their audiences. Audience can engage in the production process by following progress through updates from the creators and sharing feedback via comment features on the project's crowdfunding page.
- Feedback – offering pre-release access to content or the opportunity to beta-test content to project backers as a part of the funding incentives provides the project initiators with instant access to good market testing feedback.

Proponents of the crowdfunding approach argue that it allows good ideas, which do not fit the pattern required by conventional financiers to break through and attract cash through the wisdom of the crowd. If it does achieve "traction" in this way, not only can the enterprise secure seed funding to begin its project, but it may also secure evidence of backing from potential customers and benefit from word of mouth promotion in order to reach the fundraising goal.

### Risks and barriers for the creator

Crowdfunding also comes with a number of potential risks or barriers:

- Reputation – failure to meet campaign goals or to generate interest result in a public failure. Reaching financial goals and successfully gathering substantial public support but being unable to deliver on a project for some reason can severely negatively impact one's reputation.
- IP protection – many Interactive Digital Media developers and content producers are reluctant to publicly announce the details of a project before production due to concerns about idea theft and protecting their IP from plagiarism.[72]
- Donor exhaustion – there is a risk that if the same network of supporters is reached out to multiple times, that network will eventually cease to supply necessary support.
- Public fear of abuse – concern among supporters that without a regulatory framework, the likelihood of a scam or abuse of funds is high. The concern may become a barrier to public engagement.

25

For crowdfunding of equity stock purchases, there is some research in social psychology that indicates that, like in all investments, people do not always do their due diligence to determine if it's a sound investment before investing, which leads to making investment decisions based on emotion rather than financial logic.

Crowdfunding draws a crowd: investors and other interested observers who follow the progress, or lack of progress, of a project. Sometimes it proves easier to raise the money for a project than to make the project a success. Managing communications with a large number of possibly disappointed investors and supporters can be a substantial, and potentially diverting, task.

#### 4.4. Open Innovation with Crowdsourcing / Crowdfunding

Following open innovation process is an excellent example of combining Open Innovation with External Idea Validation (involving Crowdsourcing!).

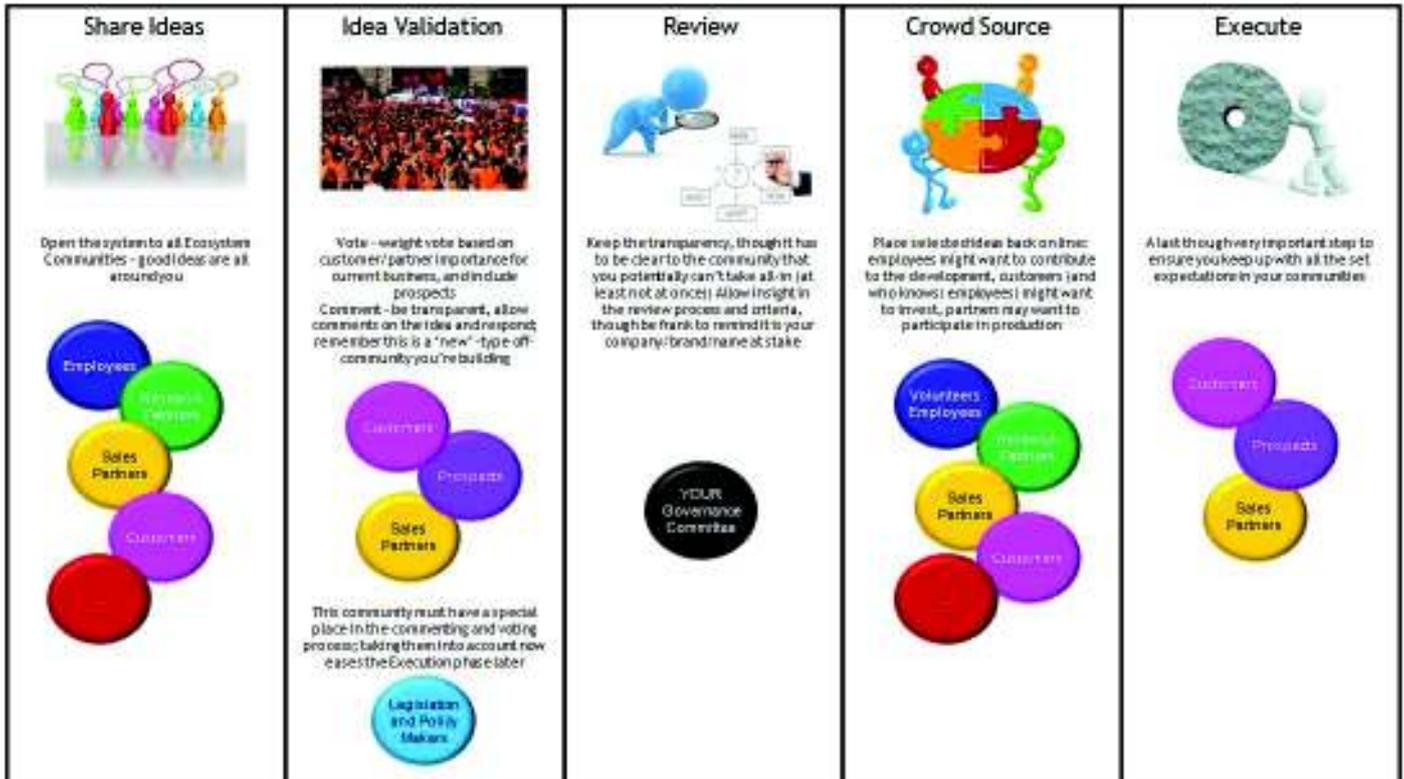


Figure 6: Open Innovation + Crowdsourcing / Crowdfunding = Opportunity!  
(Source: Patrick Verdonk, 2013)

## 5. PRACTICAL WORKSHOP ON THEME CROWDFUNDING AND CROWDSOURCING

Organisation and execution of the practical workshop on theme Crowdfunding and Crowdsourcing

### OPEN INNOVATION, CROWDFUNDING AND CROWDSOURCING – WAY TO SUCCESS

**The process of developing, promoting and financing of a new innovative product through the methodology of crowdfunding and crowdsourcing**

Workshop on theme Crowdfunding and Crowdsourcing was held on 30.9.2014 in Pesnica by Maribor in premises of Styrian Technology Park.

The main content was divided into **two practical parts**.

**First part** of practical workshop was dedicated to present and understand in the simple and easy way the the process of developing, promoting and financing of a new product through the methodology of crowdfundinga and/or crowdsourcing. Main inputs and impressions has been given by two speakers – successful entrepreneurs (**Chipolo, eBerce**) who have gone through the entire process of developing their products via above-mentioned methodologies.

27



*Figure 7: Workshop*  
(Source: OpenAlps project, 2013)

In the **second part** then followed a practical task, where participants have “virtually” worked on development of a new imaginary product, together with the simulation, how could such a product be financed and potentially further developed and worked out through the methods of the massive funding (crowdfunding) and/or mass collaboration (crowdsourcing).



1. Drop, stick or attach the Chipolo to your valuable item and you will always know where it is.



2. Download the Chipolo app from the App Store or Google Play.



3. Track and find your valuable item with your smartphone.



◆ **Chipolo :: "Nothing is Lost"**

◆ **eBerce :: "Trackerboard"**

Figure 8: Successful cases presented  
(Source: OpenAlps project, 2013)

Furthermore, participants gained very important aspect about the validation of the products through Kickstarter campaigns presented.

## 6. MODEL FRAMEWORK VIA KICKSTARTER

### 6.1. Purpose

Among the SMEs, especially within start-up entrepreneurs who are oriented to the development of new ideas into products, we noticed a deficiency of knowledge and practical experience of how to use the methodology of open innovation to developed, promote and fund new inovative product.

To overcome this lack and with the aim of fostering innovative entrepreneurship in the region, prepared a practical baseline model, that can potentially help them in the development, promotion and financing of a new product - **Model of developing, promoting and financing of a new innovative product through the methodology of Crowdfunding and Crowdsourcing.**

The forthcoming model framework beside **theoretical foundations** for the development of new product and its placement on the market also involves practical experiences (via **Practical Tips – pointing out crowdsourcing and crowdfunding aspects of presented campaigns**) gained from successful entrepreneurs who have already gone through the process described above (see previous chapter Practical workshop for more information's).

Model framework, beside the importance of the **open innovation** approach, demonstrates also the way of **crowdsourcing** together with funding opportunity for product development through **crowdfunding** method **Kickstarter**.

Kickstarter method was chosen to be a baseline of our model framework. From one side because of tanging to two successful entrepreneurs cases presented on the practical workshop and from other side as the open innovation / crowdsourcing / crowdfunding aspects of development, promotion and financing through Kickstarter campaign, what can practically be shown, and is one the leading approaches used on this thematic.

Furthermore, also the important aspect of the product validation can be shown.

## 6.2. Kickstarter for Creative Projects base ground

Modern technology and the social web has opened up a lot of possibilities for entrepreneurs and creative people. Kickstarter is a platform that's been growing fast in popularity and making business opportunities possible for those willing to get started.

### 6.2.1. Kickstarter in a Nutshell

Put simply, "Kickstarter is a funding platform for creative projects," as it reads on the front of the site. Crowdfunding, to be a little more specific. Every project is independently crafted while friends, fans and total strangers offer to fund them in return for rewards.

Kickstarter beside crowdfunding aspects, engages also the aspects of open innovation and crowdsourcing.



**KICKSTARTER**

*Figure 9: Kickstarter Brand*  
(Source: www.kickstarter.com, 2014)

### Basics

A **project** is a finite work with a clear goal that someone would like to bring to life. Think albums, books, or films.

The **funding goal** is the amount of money that a creator needs to complete their project.

Funding on Kickstarter is **all-or-nothing**. No one will be charged for a pledge towards a project unless it reaches its funding goal. This way, creators always have the budget they scoped out before moving forward.

A **creator** is the person or team behind the project idea; working to bring it to life.

**Backers** are folks who **pledge** money to join creators in bringing projects to life.

**Rewards** are a creator's chance to share a piece of their project with their backer community. Typically, these are one-of-a-kind experiences, limited editions, or copies of the creative work being produced.

### 6.2.2. Seven things to know about Kickstarter

#### 1. Kickstarter is a new way to fund creative projects.

Kickstarter is a home for everything from films, games, and music to art, design, and technology. Kickstarter is full of projects, big and small, that are brought to life through the direct support of people like you. Since their launch in 2009, 7.3 million people have pledged \$1 billion, funding 72,000 creative projects. Thousands of creative projects are raising funds on Kickstarter right now.

## 2. Each project is independently created.

The filmmakers, musicians, artists, and designers that are seen on Kickstarter have complete control over and responsibility for their projects. Kickstarter is a platform and a resource; Kickstarter is not involved in the development of the projects themselves. Anyone can launch a project on Kickstarter as long as it meets Kickstarter guidelines.

## 3. Together, creators and backers make projects happen.

Project creators set a funding goal and deadline. If people like a project, they can pledge money to make it happen. Funding on Kickstarter is all-or-nothing — projects must reach their funding goals to receive any money. All-or-nothing funding might seem scary, but it's amazingly effective in creating momentum and rallying people around an idea. To date, an impressive 44% of projects have reached their funding goals.

## 4. Creators keep 100% ownership of their work.

Backers are supporting projects to help them come to life, not to profit financially. Instead, project creators offer rewards to thank backers for their support. Backers of an effort to make a book or film, for example, often get a copy of the finished work. A bigger pledge to a film project might get backers into the premiere — or a private screening for backer and his friends. One artist raised funds to create a wall installation, then he gave pieces of it to its backers when the exhibit ended.

## 5. Creative works were funded this way for centuries.

Mozart, Beethoven, Whitman, Twain, and other artists funded works in similar ways — not just with help from large patrons, but by soliciting money from smaller patrons, often called subscribers. In return for their support, these subscribers might have received an early copy or special edition of the work. Kickstarter is an extension of this model, turbocharged by the web.

## 6. Backing a project is more than just giving someone money.

It's supporting their dream to create something that they want to see exist in the world. People rally around their friends' projects, fans support people they admire, and others simply come to Kickstarter to be inspired by new ideas. Some projects take longer than anticipated, but creators who are transparent about issues and delays usually find their backers to be understanding.

## 7. Kickstarter mission is to help bring creative projects to life.

Kickstarter is an independent company of 92 people based in Greenpoint, Brooklyn. They spend their time making Kickstarter a little bit better every day, answering questions from backers and creators, and finding new projects to share. If a project is successfully funded, they apply a 5% fee to the funds collected.

They believe that creative projects make for a better world, and they are thrilled to help support new ones. Building a community of backers around an idea is an amazing way to make something new.

### 6.3. Model framework via steps and tips

#### 6.3.1. Foreground

Model framework, beside the importance of the open innovation approach, demonstrates also the way of crowdsourcing together with funding opportunity for product development through crowdfunding **method Kickstarter**.

Model framework, is very closely related and it is based (adopting) on the Kickstarter's project shaping and development steps, called Kickstarter's Creator Handbook. Especially, as it is easy to understand and gain **theoretical summarized predispositions** for potential new users (entrepreneurs, innovative project developers) facing the need / seeing opportunity in it, within their new innovative product development, promotion and funding. Practical experiences are added by each development stage as a **Practical Tips** gained from successful entrepreneurs who have already gone through the process described above (see previous chapter Practical workshop for more information's).



*Figure 10: Kickstarter – start creating your project*  
(Source: www.kickstarter.com, 2014)

In the continuation, **stated Kickstarter steps** of creating successful project via funding campaign are shortly presented (with intense of getting quick overview and important issues for entrepreneur) . It might help entrepreneur to get started with shaping his own project, whether it's to make a movie, an album, a game, a design, a play, a restaurant, or pretty much anything else that springs from the imagination. More information's and details can be found via Kickstarter innovative platform on the web.

Kickstarter innovative platform is more than just a funding tool. It is a community of millions of people who love to share and support creative things. Every Kickstarter project is the story of something new coming to life.

**7 steps for creating successful project** of an innovative entrepreneur, that entrepreneur (YOU) should take into consideration:

### 6.3.2. Step 1 - Getting started

Your project can be anything that you want to create and share with others. It could be a book, a film, a piece of hardware... Pretty much anything you dream up can find a place on Kickstarter platform. Keep your project focused, with a clear end goal, and you'll be good.

Every Kickstarter project should have the following:

- A **project page with a video and description** that clearly explains the story behind your project
- **Rewards** that backers will receive when the project is completed
- **Updates** that share the creative journey as the project comes to life

In continuation, each of these presented one by one.

#### Additional Practical Tips:

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33

### 6.3.3. Step 2 - Project story

Your project page is where you'll share your story. What are you looking to create with the help of your community? Use your video and description to quickly and clearly communicate what you're trying to do and why you're doing it. Inspire excitement for your idea, and also make potential backers confident in your ability to see it through.

Your video doesn't have to be super pro looking. Some of Kickstarter's favorite project videos have a very DIY feel. To give you an idea of how to approach yours, check for existing videos on Kickstarter platform.

Use your video and description to do the following:

- Introduce yourself and any teammates involved with your project.
- Tell the story behind your project. Share any progress you've made so far, any photos of early prototypes, any research you've done. Potential backers appreciate these kinds of details.

- Share a timeline for how you plan to complete your project and send out rewards. Be open and honest about whatever you're still trying to sort out.
- Include your budget — even if it's just a rough one. A budget is proof that you've planned ahead.
- Most importantly, have fun with it! This is your chance to shine.

#### Additional Practical Tips:

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#### 6.3.4. Step 3 – Rewards

Rewards are what you share with the people who helped you bring your project to life. Some rewards are straightforward, like a copy of the product you have made. Other rewards are more creative and unique. The best projects tend to have a mix of both! Some pointers to help get you thinking about your rewards.

##### What to offer

As a creator, you know what will make your community most excited. Trust your gut, and offer rewards that you yourself would want.

34

Five common reward types:

- *Copies of the thing*  
The album (physical or digital!), the DVD, a print from the photo exhibition.
- *Limited editions*  
Backers love limited editions. They celebrate the special role backers played in helping the project come to life.
- *Collaborations*  
A backer appears in your comic. Every backer gets painted into your mural. Two backers do the handclaps for a song on your record.
- *Experiences*  
A visit to the set. A phone call from the author. Dinner with the cast. A concert in your backyard.
- *Mementos*  
Polaroids sent from location. Thanks in the credits. Meaningful tokens that tell a story.

## What not to offer

Though encouraging you to get creative, there are a few items that just won't fly, like financial returns and things that aren't produced directly by you or your project. Be sure to check out this list of prohibited items before you go live.

## How to price

The most popular pledge amount on Kickstarter is \$25 (aprox. 20€), and the site-wide average for all pledges (big and small) is about \$70 (aprox. 55€). Small rewards are where it's at!

Some other things to think about when pricing:

- *Offer a wide variety*  
Some of your backers might be able to contribute \$100, but others might only be able to pledge \$10. Every backer counts, so be sure to offer an array of rewards that can appeal to all different kinds of people.
- *Consider the costs*  
Remember that you'll be producing and delivering the rewards that you offer. Presumably you'll use some of the money raised on Kickstarter to make that happen. Plan ahead and budget accordingly for these costs.

## Estimated delivery dates

One piece of information you'll be asked for while building your project is an "Estimated Delivery Date" for each reward. This is your best guess for when you expect to deliver that particular reward, or set of rewards, to those backers.

Choose a delivery date that you feel confident about or will be working towards. Don't be afraid to give yourself some breathing room. Underpromise, overdeliver.

If you do run into setbacks with timing, let your backers know. Tell them what happened and give them an updated time frame. They'll appreciate it!

### Additional Practical Tips:

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### 6.3.5. Step 4 - Funding

Kickstarter uses an **all-or-nothing funding model**. If your project doesn't meet its funding goal, no money changes hands. This is great for creators because it minimizes risk. Meeting your goal ensures that you'll have the funds you need to complete your project and deliver rewards to your backers.

Your funding goal should be the minimum amount needed to complete the project and fulfill rewards. The first step to setting that goal is to estimate a budget.

Few tips for putting together yours budget:

### **Make a list**

Write down every possible expense, even less obvious ones like the cost of packaging and shipping rewards. For larger expenses, research your options and see who can give you the best deal based on the quantities you expect you'll need. Total it up. The number might be bigger than you expected, but that's okay. Think of this rough budget as your ideal budget. If it feels too high, consider different aspects of your project you might be willing to compromise on to cut costs.

### **Consider your reach**

Kickstarter is a great way to share your project with new communities. (There are over one million repeat backers!) That said, most of your support will come from your core networks and the folks who are most familiar with you and your work - family, friends, etc. You'll want to have a good sense of how much support you can reasonably expect from them.

### **Choose your goal**

Once you've researched your budget and considered your networks, you're ready to set your funding goal. Because funding is all-or-nothing, you can always raise more than your goal but never less. Figure out how much money you need to complete the project—while considering how much funding you think you can generate—and select an amount close to that.

### **Set your project deadline**

Funding can last anywhere from one to 60 days, but a longer duration is not necessarily better. Statistically, projects lasting 30 days or fewer have our highest success rates. Shorter projects set a tone of confidence and help motivate your backers to join the party.

### **Give yourself a cushion**

If your project is successfully funded, Kickstarter applies a 5% fee to the total funds raised. There are additional credit card processing fees too (about 3-5%), and every project's tax situation is different. Check out Kickstarter and Taxes: a guide for your accountant to learn more.

### **Additional Practical Tips:**

- tba
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### 6.3.6. Step 5 - Promotion

An exceptional project can lead to outpourings of support from all corners of the web. But for most projects, support will come from the people you know. The goal in any case is to get people as excited as you are about your project - to make them feel like they will be taking part in something special.

#### Announce your project

Send an email to your close friends and family so they can be first to pledge, then share the project on social media. You don't want to overwhelm people with e-blasts and group messages, but make sure you remind your networks throughout your project's funding.

It can also help to break down your contact list into smaller groups and tailor your message to each audience. Give a short description of your project and highlight some of your project's rewards. Be concise - and don't forget to include the link to your project page!

#### Follow up individually

A nice, personal message is the most effective way to let someone know about your project. After you've sent out your big emails and posted your project to social media, you can follow up with people individually. Try highlighting very specific things about the project you think each individual might like.

#### Pitch the press

Writers are always looking for new stories and ideas. There's no magic script to get them to write about you or your project, but your best bet is to focus on who you are and what you're trying to create. Find venues that cover work like yours. How does your project fit in with the broader context of your community? Pitch your idea, not just that you're funding.

#### Reach out to communities

If you are making a new kind of espresso machine and there's an organization for baristas, it's not a bad idea to tell them about your project and ask them to share with their crews.

#### Host an event

Throwing a small party is a great way to rally close fans and friends. Many creators will set up a computer right at the party to make it easier for less computer-savvy relatives to back the project.

#### Line up help if you think you'll need it

For projects with ambitious goals, you might need more than yourself to get the word out. If you're making a film, for example, make sure your entire cast and crew is involved with the effort.

#### Additional Practical Tips:

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### 6.3.7. Step 6 - Updates

Throughout the life of your project, you'll be communicating with backers and keeping them updated on your progress. That's where project updates come in. They're your project's blog, and how backers can follow along with you from start to finish. Being part of this journey is one of the best things about Kickstarter!

Three kinds of project updates:

#### Updates that build momentum

While your project is live, keep your backers informed about new developments and funding milestones. It'll inspire them to help you spread the word.

Treat your project like a story that's unfolding before their eyes. Detailed updates like "Pics from last night's show!" or "We found a printer for our book!" are fun for everybody to follow along with.

Once you launch, you'll begin to receive a steady stream of comments and messages from backers. Remember to check in frequently and respond to individual concerns. If you notice that certain questions come up more frequently than others, consider adding this information to your project's FAQ.

#### Updates that share the process

Once your project is successfully funded, keep backers updated with your project's progress and all the creative decisions you're making. If it feels right, you can even use updates to ask your backers for feedback. Keeping backers informed is an essential part of Kickstarter. Even if things aren't going according to plan, you should definitely keep your backers in the loop!

#### Updates that celebrate success

The story of your project doesn't end after it's shipped. Share reviews, press, and photos of your project out in the world, whether it's opening night of your play or your book on someone's bookshelf.

#### Additional Practical Tips:

- tba
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### 6.3.8. Step 7 - Fulfillment

Fulfillment means getting your rewards to backers and communicating with them as you complete this process. Like every other step, this one requires planning and budgeting. But fulfillment can be fun too.

#### Tools

Two tools to help you fulfill rewards:

The first is the **Survey tool**. You can use it to collect your backers' mailing addresses, shirt sizes, or any other information you need to fulfill their rewards.

The second tool is your **Backer Report**. All the survey responses end up neatly organized in your Backer Report, which you can export as a CSV file and open in pretty much any spreadsheet program.

#### Shipping

For any physical reward that you offer, you're responsible for delivering it to your backers. Unless you plan on hand-delivering rewards, this means shipping.

Plan ahead for how you'll send each reward, how you'll package them, and how much they'll cost to ship. Don't forget hidden costs like bubble mailers and packing tape (and hand cramps from filling out custom forms!). Adding shipping insurance might cost a little bit more, but might also give you peace of mind.

The best way to get started is with some research online. Start with the basics like mailing guides, checklists, and bulk mail information from your postal service.

Don't want to handle shipping on your own? There are lots of great fulfillment services out there that can handle shipping for a cost. If you decide to work with a fulfillment partner, do your homework and figure out which one can best handle your project's needs.

#### Communication

Have fun with fulfillment! Take pictures of your packing party. Tell funny stories from the post office (backers love seeing photos and videos of their rewards being packaged). Ask your backers to let you know when their rewards have arrived. Cherish these last moments of a job well done!

#### The finish line

When you've completed your original goal and fulfilled your project's rewards, post a celebratory update and give yourself a pat on the back! If your project develops or you start on new ones, keep up with your backers and share your stories as they unfold.

#### Additional Practical Tips:

- tba
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## 7. CONCLUSIONS

To conclude: Presented model framework of developing, promoting and financing of a new innovative product through the methodology of Crowdfunding and Crowdsourcing, basing on the Kickstarter successful project shaping and development steps, can help further to the innovative entrepreneurs in the way to overcome the lack of knowledge and practical experiences by development, promotion and funding of his new innovative product. It's also the good point for the early stage product validation, before entering massively to the market.

We shall expose, that presented model framework is not the only one way that innovative entrepreneur may use (and which we are suggesting, according to different preliminary activities and works done within OpenAlps project and ORBITaLA OI Lab), as a lot of different model frameworks and approaches are existing. At the end, it's sole entrepreneurs decision which one or mix of more he will decide for and go along with it.

Model framework, beside the importance of the open innovation approach, demonstrates also the way of crowdsourcing together with funding opportunity for product development through crowdfunding **method Kickstarter**.

### Some concluding useful points:

- Kickstarter attracts entrepreneurs, by enabling people all over the world to self-identify.
- The entrepreneurs can test demand for their new ideas in advance of creating them. In effect, a Kickstarter campaign is a form of pre-sales. Bad ideas are not backed, which keeps costs down.
- The successful entrepreneurs get funding for their ideas quickly, without going to banks or venture capitalists.
- The nature of crowdfunding is such that the funders of ideas take a relatively low risk (usually small value amounts) in exchange for small rewards (usually early access to the product).
- The world gets lots of cool new products.

41

For the last line of our conclusions within lessons learned we can only say (write):

**Open Innovation + Crowdsourcing / Crowdfunding = Opportunity!**

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