Kickstarter is the way to go?

I know many crowdfunding platforms, and every day a new one is born. However, Kickstarter is the one with more users by far, and it is the most successful platform— not only for many users but also for projects funded.

I will be frank. I don't like their model. I understand why they are successful, and I will explain in this post: why I prefer other platforms instead and why I personally find little value in using it from an investor point-of-view. There are values may be from a potential fundraiser it but I will need to face some ethical issue, and I don't know if I am willing to do that, but let me start from the beginning and down the line I will explain better what I mean.

The main competitor of Kickstarter is IndieGoGo

The main difference between the two is that within Kickstarter if you don't reach all the money requested the project does not get financed, so it's either all or nothing. Instead, with IndieGoGo, you get the money regardless of the amount that you collect. In this model, lies the secret of Kickstarter.

The above concept can be positive or negative. If you are an investor, you can think that you will waste your time attempting to fund a project without knowing with certainty if it gets started. But at the same time, you could also consider that it's better and safer to only finance projects that will begin if they have the money requested. Otherwise, with only a portion of the funds required, a project could not be completed. So if this "all or nothing model" is positive or negative, it might be a unique point of view.

From a fundraiser perspective, if you're sure of collecting the money and have a very creative project, then Kickstarter

is excellent. However, many fundraisers are moving towards IndieGoGo, as it's better to get something than nothing. Or maybe with the all or nothing you have a better chance to take them all?

Now, funny enough, the population of the Web likes to feel appreciated and essential. Do you remember the video about McGonigal that we viewed in the crowdsourcing lecture? It opened my mind.

Think for a moment. Let's apply their gaming theory to the attitude of the internet-user towards financing a project. Do you remember the Epic meaning?

Yes, everybody wants to feel so valuable to contribute to a world cause, there is an Epic meaning syndrome on Internet—people get inspired by a mission that will change the course of humanity. In the all or nothing approach, your $20 will make a difference!! There is a project to develop a tool that will change the lives of poor people in Africa? Great! Your $5 will make a difference, but only $10,000 are missing! A great campaign in social media will get you the money!! The user feels that if they contribute to the idea of a project with a robust humanitarian impact, they can make a difference as every dollar counts toward the minimum amount outreach.

The Kickstarter approach plays on the Epic meaning need of the users, thanks to them:

- a project will get funded or not,
- the users have great power,
- they feel they can make a difference,
- they feel it's their project,
- they are part of it.

It's nice. Unfortunately, they fail to understand that they are making somebody else rich with their money, without anything back, and most of the times project does not help a good cause, and it only helps to make rich or to finance some

crazy fancy ideas of lunatic investors that will never get money from serious investors.

This is the only logical explanation. I spend time on IndieGoGo every day, and projects are much nicer, well presented and interesting than Kickstarter—at least from my point of view.

It's important to understand the Role of:

- the investor,
- the benefactor, and
- the Chicken.

Wise investors know that the investment needs to be directly proportional to the risk, most of those crowdfunding platforms are risky, for example in my research project I am analyzing few of the Real estate crowdfunding, and they are dangerous and risky. They mostly offer not virtual guarantee and mezzanine loans and type b shares they not even worth the paper they are written on.

There is a need for education, in this sense. Otherwise, a lot of people will get rich while many others will get robbed. And they risk destroying an excellent idea and concept just because of greed.

Accessing the Web needs to be a way to leverage the possibility to access more people—not to find more unaware investors to take advantage of.

My experience with IndieGoGo was quite upsetting, but I guess it's the norm for most of the project, at least I was aware of it, and the amount of the purchase was small. I bought a little device that was supposed to automatically measure the amount of muscle and percentage of body fat with a simple scan. The amount was less than $200, so it did not really matter how risky it was (that's part of the trick as many $200 contributions makes millions).

The desire to have this device before it appeared in stores (I guess its part of the motivation behind many funding, too) pushed me to fund the project.

The device was supposed to be ready in May, and I still have not received it. And likely I will never get it.

Somebody is working on a project, getting paid a big salary and probably will never deliver anything. There is less urgency when easy money pours from the sky to finance a project, and a company can pay you big bucks to be the boss.

If I need to put money as I do on a project, I need to consider the risk and the reward. Most of the projects on Kickstarter offer a ridiculous reward for the investment, offering a piece of the equipment or for a slightly better price.

So you pay $250 rather than $200 or $180 for something that's not done yet, you will get the product may be in few months if the project does not fail.

What sort of investment is that?? This does not make sense, I would instead buy the product in the shop, and pay the extra $50 or $100. At least I know I will not lose my money.

This does not make sense, it's more like a donation, it's an act of humanity, or it falls in the gratification need to be part of an epic project and have a fancy device few month before others.

Now, most of those fundraisers are not poor. They are wealthy, but they are leveraging the Web because they know or learned how easy it is to fool young, inexperienced investors that like to play as if they are in a Shark Tank Series. The difference is that they fail to understand they are not the sharks, but they are the shark's food.

Some of their incentives make me laugh. One project I

particularly liked, for example, offered $5,000 incentive in which you get to have a dinner with the Project Leader and be called the primary sponsor.

Now I would happily pay $30,000 or $50,000 to have a dinner with a proper influence person that can teach me a lot: a Warren Buffett, Larry Page Sergey Brin or Gandhi (if he was alive). In substance, somebody I appreciate with a very high level of knowledge and influence. But I will not give $5,000 to a random individual trying to finance a project. This is stupid, but people do just that, and it works.

To answer the question of the assignment: I would not feel like financing most of the project in either Kickstarter or IndieGoGo, at least if the bottom line is to make an investment. Of course, if I feel compelled to contribute to an excellent cause or I need to give a donation to somebody that looks genuine, this is another matter.

Crowdfunding can quickly become a big scam if investors are not cautious to what they do. People get a kick from a project, and they only see the positive aspects of the projects and their sales pitch. Most cannot understand the challenges involved and consequently many projects fail miserably.

When I raise money for a project, I like to give a serious prospectus to my investors, and mainly a fill guaranteed and control of the companies.

I received literally millions of dollars from investors, but all had full control and full understanding of the risk and of the rewards. Raising money without giving the investors proper guaranteed is unethical, so from one side, there is an incentive from the other I feel that if I take money from people that put trust in me I need to do it right, so I don't feel for now happy to fund a project in those terms.

I am looking at more positive way into CrowdCube that it's a

British crowdfunding platform, it seems more serious than other however I still see much threat for serious investors.

Maybe there is a need in the market for a platform that offers to crowdfund with a proper guarantee—rather than a shallow and risky piece of paper that will be almost impossible to claim back when the project turns bad. And they usually do.

My negativity is focused not on the crowdfunding but on the negative use of it. Experienced sharks are damaging unaware and dummy investors, and this, in the long run, can affect this magic world of funding in the new age if it does not get regulated. Besides that, crowdfunding is amazing. It's changing the world, and the business models and the perspective of investors and clients, and anybody approaching business needs to seriously take a look at those options to reconsider a new model and a new way of doing trade.