



# START UP FUNDING

## NEW PRODUCT IDEA?

## HOW TO RAISE FINANCE

**\* CROWDFUNDING VS TRADITIONAL  
FUNDING METHODS**

**INNOVATE**  
PRODUCT  
DESIGN

London • San Francisco • Salisbury

# INTRODUCTION



\* [UK National Statistics](#)

There are a number of avenues to raise funds for a new idea. We have presented a few in the next chapter but it is not an exhaustive list. The aim of this guide is to give you vital information on how to increase your chances of success to raise finance, whether you are using on-line methods such as Crowdfunding or a more traditional approach like pitching your product to industry.

How Innovate can help, see [here](#).

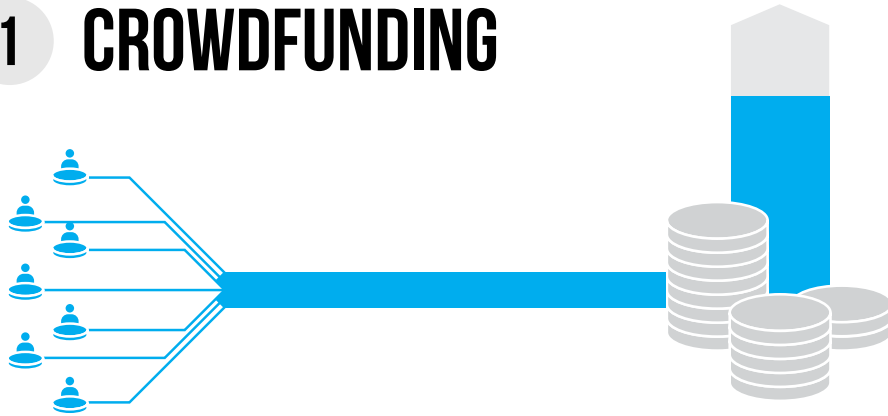


Innovate Product Design Ltd 2014 winners

# CONTENTS

- 1. CROWDFUNDING**  
Overview  
Raising finance
- 2. OTHER FUNDING METHODS**  
Overview  
Detailed Breakdown
- 3. PITCH YOUR IDEA TO INDUSTRY**
- 4. IS IT A BUSINESS ?**
- 5. INTELLECTUAL PROPERTY**  
(Protecting your project)
- 6. HOW INNOVATE CAN HELP**  
Want help with your Crowdfunding campaign?
- 7. APPENDIX**  
List of Crowdfunding websites (organised by industry)

# 1 CROWDFUNDING



Also known as crowd financing and equity crowdfunding, Kickstarter describes it as “the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet.”

## THERE ARE 3 MAIN STARTUP FUNDING MODELS:

### 1 REWARD BASED:

Raise finance in exchange of a reward and/or voting rights. This can be monetary or non-monetary such as a product sample.

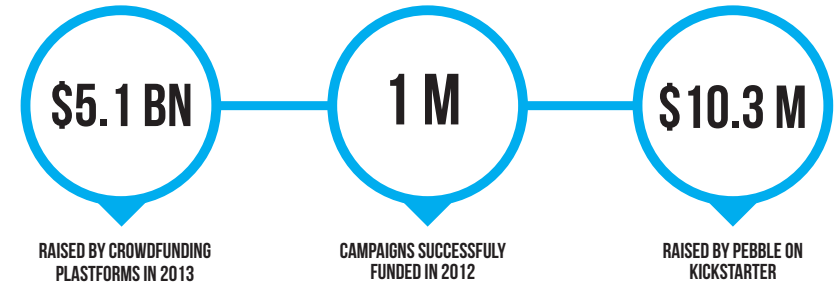
### 2 EQUITY BASED:

Raise investment capital and contributors receive equity in the resulting business. Many countries have strict regulation; Please refer to the Financial Conduct Authority (FCA) for the latest information.

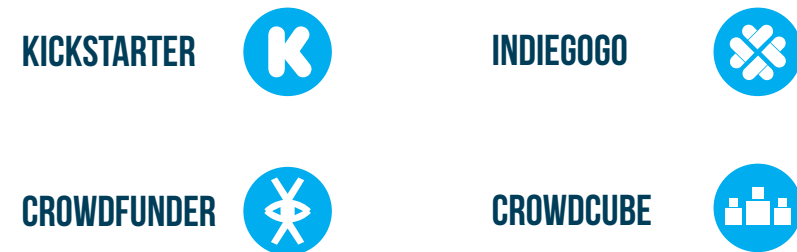
### 3 LENDING BASED:

Borrow money from individual investors or a group of investors that must be repaid typically with interest.

Sources: Mass Solution, Kickstarter.com



## THE BIG FOUR



## SERVICE DETAILS:

	K	⌘	⌘	🏠
MUST REACH FUNDING GOAL TO GET FUNDS?	✓	✗	✗	✗
% FEE TO RAISE FUNDS?	5% +	4-9% +	5%	5%
PROJECT DURATION? (DAYS)	50-60	< 40	14-56	< 60

[Click here to read a comprehensive list of crowdfunding websites.](#)

## WHY USE CROWDFUNDING?



Can require minimal up front investment and reduced risk to founders.

Can be used for marketing purposes to increase awareness of your product.

Successfully funding a campaign establishes market demand for your product, which could help you gain funding from other sources in the future.



Making your idea public gives others a chance to copy it. Make sure your idea is protected before showing it to anyone.

Some crowdfunding websites may require you to deliver promised rewards, even if your funding goal isn't reached. This could leave you out of pocket, always check the terms and conditions before choosing a website.

### SUMMARY

There are benefits and draw backs to any funding method. Carry out thorough research and seek professional advice to find the right method for your project.

[Click here to visit the 'How Innovate Can Help' section.](#)

## POPULAR CROWDFUNDING WEBSITES:

[Kickstarter](#)

[Sponseme](#)

[Crowdfunder](#)

[Bloom VC](#)

[Indiegogo](#)

[We fund](#)

*They are suitable for:*

Creative projects such as music bands, movie production, art installation, Charity causes, Funding new business ideas, Inventions, new product ideas and Civic projects.

[Angels Den](#)

[BankToTheFuture](#)

[Funding Circle](#)

*These leading lending based sites are suitable for:*

Startups, New projects initiated by established companies and Individual entrepreneurs.

[Crowd Cube](#)

[Syndicate Room](#)

[Seeds](#)

*These popular Equity based sites are suitable for:*

Business start-ups only, where a part of the profits or part of the company can be shared with the investors.

[Click here to read a comprehensive list of crowdfunding websites.](#)

## THINGS TO THINK ABOUT WHEN CONSIDERING CROWDFUNDING:

- Your business venture will need funding at various stages throughout its life. Consider your project goals and a variety of funding options to ensure crowdfunding is right for you.
- Some crowdfunding websites can reject campaigns. You should always read through the terms and conditions carefully before investing time and money in a campaign.
- Communicate your project professionally and persuasively with strong visuals and presentations. Here's some advice from Indiegogo: "Your pitch is your first impression with your audience, and the single most important part of your campaign...Instead of explaining your campaign in huge blocks of text, visualise as much of your information as possible". [Click here to see how Innovate can help](#)
- Prepare a Video and show yourself. An enthusiastic, likable founder can be a great asset to a crowdfunding campaign.
- Good Rewards - what to offer. A production product, Collaboration or Experience. Offer a variety of prices to reach a wide cross-section of investors. The most popular reward price on Kickstarter is approximately £25 with an average of £75.
- Consider the cost of the reward including production, supply chain and shipping costs.
- Organise your social media before launching a campaign.
- Keep updating your project.
- Don't forget to Protect your idea before telling anyone about it. [Click here to view our IP section](#)

## TIPS ON MARKETING YOUR CROWDFUNDING CAMPAIGN AND REACHING YOUR TARGET:

- Start building your audience and your online community at least 3 – 4 months before launching your campaign.
- Organise a Kickstarter party within your community.
- Press release on specialist or local newspapers.
- Update all your social media: Twitter, Facebook, LinkedIn, Google+, Pinterest to include a link to your campaign.
- Research influencers in your field such as bloggers, columnists, editors, retailers that could direct traffic to your campaign & get in contact with them.
- Email to specific audience , online groups and communities.
- Once the campaign is launched, put and share new contents and updates on all your social media platform.
- If you have some spare cash, use a professional that would do it for you:  
<http://thecrowdfundmarketing.com/>  
<http://crowdtell.com/>

## 2 OTHER FUNDING METHODS

OVER  
**500K**  
STARTUPS IN THE UK IN 2013

**95%**  
OF BUSINESS ARE STARTUPS

TOTAL START UP  
INVESTMENT IN THE UK

## TOP INVESTMENT SOURCES:

VENTURE CAPITAL

ANGEL INVESTORS

FRIENDS & FAMILY

PERSONAL SAVINGS  
& CREDIT

BANK LOANS

CROWDFUNDING

## OTHER FUNDING METHODS IN THE UK

1. Government Schemes
  - [www.gov.uk/business-finance-support-finder](http://www.gov.uk/business-finance-support-finder)
  - [www.startuploans.co.uk](http://www.startuploans.co.uk)
2. Grants
  - [www.gov.uk/business-finance-support-finder](http://www.gov.uk/business-finance-support-finder)
  - [www.governmentfunding.org.uk](http://www.governmentfunding.org.uk)
  - [www.trustfunding.org.uk](http://www.trustfunding.org.uk)
  - [www.governmentfunding.org.uk](http://www.governmentfunding.org.uk)
  - [www.grantsonline.org.uk](http://www.grantsonline.org.uk)
  - [www.J4b.co.uk](http://www.J4b.co.uk)
  - [www.fundingcentral.org.uk](http://www.fundingcentral.org.uk)
  - [www.grantfinder.co.uk](http://www.grantfinder.co.uk)
  - [www.grantsnet.org.uk](http://www.grantsnet.org.uk)
3. Bank loan
4. Equity Funding & Venture Capital Association
  - [www.bvca.co.uk/](http://www.bvca.co.uk/)
  - [www.ukbusinessangelsassociation.org.uk/be-an-angel](http://www.ukbusinessangelsassociation.org.uk/be-an-angel)
  - [www.ngfc.org.uk/](http://www.ngfc.org.uk/)
5. Credit card
6. Peer to Peer Lending (P2P)
  - [www.zopa.com/](http://www.zopa.com/)
7. Swapping or trade equity for work
  - [www.letslinkuk.net/](http://www.letslinkuk.net/)
  - [www.staffshare.co.uk/](http://www.staffshare.co.uk/)
  - [www.bartercard.co.uk/](http://www.bartercard.co.uk/)
  - [www.webequity.org](http://www.webequity.org)
8. Startup Incubator
  - Seedcamp in London, UK
  - YEurope in Vienna, Austria

# 3 PITCH YOUR IDEA TO INDUSTRY

## PERSONALITY

This plays an important part when presenting your invention / business to potential investors. Things to consider:

- Demonstrate to the investors that you have what it takes to go through all the ups & downs and still come out on top.
- Communicate your enthusiasm and knowledge of your product & market.
- Investors invest not only in a business, but in an individual inventor/entrepreneur. You need to convince them you are the best person for the job.

## PITCH

Your pitch must be clear, articulate and concise. It needs to include the following points:

- Explain the problem(s) you are solving.
- What does your company offer and how it differs from your competitors?
- What are your accomplishments to date?
- Present & understand your numbers (revenue, expenses, sales, statement of cash flow, growth, forecast, etc.)

## PRESENTATION MATERIALS

Visualise & conceptualise your idea with presentation materials (presentation boards, products or prototypes, PowerPoint presentation etc.) helps the investors understand your product/business. Try to:

- Make it as professional as you can.
- Make sure you explain your product or service and how it will be used.
- Use language that is suitable to your audience, don't make it too technical.
- Point out your uniqueness.



**PREPARE**  
\*\*\* TO \*\*\*  
**IMPRESS**

4

# A GREAT IDEA



## BUT IS IT A BUSINESS?



### 1. FEASIBLE

DOES IS WORK?



### 2. VIABLE

DOES IT MAKE MONEY?



### 3. DESIRABLE

WILL PEOPLE BUY IT?

## VALIDATE

### KNOW YOUR MARKET

- What are your key markets, what size ?
- Main competitors & competing products ?
- Opportunities for growth & key emerging trends?
- Who are your consumers ?
- Identify & profile your target audience
- Needs / wants / demographics / lifestyles / Buying behavior

?

### DO YOUR RESEARCH

- Consumer & Market Reports, Product & Trend Analysis
- Trade Magazines & Events, Consumer Media
- Government Agency Statistics, Web Search, Blogs
- Focus Groups



### MARKETING STRATEGY

#### Product

- What is your USP?
- Competitive advantage ?
- Why would someone want to buy this product ?
- Product development opportunities

#### Price

- What will the consumer be prepared to pay ?
- What's the perceived value ?
- Promotion / Paid-for & free advertising
- Online presence / bloggers / social media
- Trade events / consumer exhibitions / industry awards

### DISTRIBUTION STRATEGY

Key Factors:

- Nature of Product
- Market Size
- Channel / Industry
- Key players in the Industry
- Risk
- Resource Availability

3 Main Options:

Wholesale

Retailer

Consumer

There are benefits and drawbacks to each route to market. Wholesale requires the lowest investment in marketing and logistics but offers the lowest profit margins while Retail and Consumer require greater marketing efforts but reap higher profits. By selling direct to the consumer, a company has complete control over their sales process.



## SUCCESS!





# INTELLECTUAL PROPERTY

(PROTECTING YOUR PROJECT)

## WHY PROTECT YOUR IDEA BEFORE RAISING FUNDS?

It is generally wise to take all possible steps to protect your idea before putting it into the public sphere. However protection can be expensive. It's also very useful to receive market feedback early to help develop your idea and assess market demand...luckily there are various ways to protect ideas, legally, practically and commercially.

## WHAT KINDS OF LEGAL PROTECTION ARE AVAILABLE?

### Automatic Rights

There are a number of rights that arise automatically, without the need for you to take any steps or specifically spend money on acquiring the rights. These include copyright, unregistered design rights and unregistered trade mark rights (typically known as 'passing off'). Enforcement of unregistered rights is typically more difficult, requiring various legal tests, such as whether copying has occurred, damage and similarity. Legal advice would need to be sought to obtain further details, as this is only a brief overview.

### Registered Design

Designs can be registered in the UK and Europe fairly cheaply and potentially without using professional help, as the official offices for registration are very helpful. The visual appearance or ornamentation of your project may be registered for up to 25 years, renewed in 5 year periods. The design needs to have novelty and individual character, but are not examined so the registration itself is cheap.

### Granted Patent Protection

A patent protects the idea behind a product: such as HOW it works, WHAT it does and WHY it has certain features. Patents can be extremely valuable assets. In order to be deemed worth the protection of a granted patent an invention must be Novel, Inventive and fit into one of the following categories:

- a new idea
- an improvement upon an existing idea
- a new combination of existing ideas

Patent applications can take up to 4½ years to be granted but as soon as you have filed your patent application you have a date you can use to show that you had the idea first (see 'Patent Pending' below!).

Granted patents give protection against others using your invention for up to 20 years from filing the application, provided you maintain the renewal fees which keep the granted patent in force (in the UK paid annually from 4 years). Granted patents stop others using your idea in the country where your patent is granted and in force. There is no such thing as a worldwide patent but there are ways of making an application that can be used in multiple countries.

The most far reaching application you can obtain is through something called the PCT (Patent Cooperation Treaty) which provides a single application method for around 160 countries. Other applications include the EPC (European Patent Convention) covering the majority of Europe. These types of applications are expensive however you have 12 months from your first filing to extend protection into other countries.

Patent law varies from country to country so it is important to see a patent attorney when applying outside the UK to make sure you are applying correctly.

For example in America, what the UK know to be a patent would be referred to as a 'utility patent'. Other countries have other systems like cheap short-term patents called 'utility models'.

America allows software and business method patents but these are not typically possible in the UK.

### Patent Pending

A first filing of a patent application, including a provisional application, gives a right to file other patent applications within 12 months - in the meantime it is a very sensible commercial alternative to agreements to keep things confidential, or just relying on trust.

If steps are not taken within 12 months from this first filing date the application will be abandoned and in most circumstances, any publicly disclosed inventions may never be capable of patent protection.

But if the steps are taken any 'matter' not covered in the application may not be able to rely on the filing date, so to be safe the first filing is best broad and inventive, considering the invention as thoroughly as a full application; and it is helpful to include clear drawings showing every feature of the invention to help with this.

This first filing gives what is known as 'patent pending' status. This does not really provide any real legal rights as such but can have a number of useful commercial benefits, including kudos and a date to show when **you** had the idea.

### Trade marks

Words, pictures, logos, words and pictures, shapes, colours and even smells may be registered as monopoly marks for trading in relation to 'classes' of goods and services. It is possible to register trade marks nationally, regionally or using treaty applications.

Registering a trade mark in the UK is not costly (from £270 no VAT), and the registration will last for 10 years, renewable indefinitely.

A registered trade mark allows you to prevent others from using a mark in trade that is the same or similar to your registered mark, and used for the same or similar goods or services, where there is a likelihood of confusion.

You may find trade marks helpful if your idea:

- Lacks any other protectable feature
- Rests on the branding
- Will be first to market in the field
- Is already public
- Is a business method or similar

Trade marks need not be registered before use (see Automatic Rights above) but ought to be registered before any serious commercialisation efforts commence.

## 6 HOW CAN INNOVATE HELP?

**WE CAN HELP YOU DESIGN, DEVELOP, PROTECT AND COMMUNICATE YOUR PROJECT.**

Our designers can visualise your idea and work hard with our engineers to make that vision a reality. Innovate has the insight and experience to help you deliver the right product pitch at the right time.

### 1. PROTECTION

*Patent Advice, Intellectual Property (IP) Advice, Worldwide Patent Search, Patent Drafting, Registered design application drafting, Trademark searching and application.*

### 2. CONCEPT PRESENTATION

*Hand Sketching, 3D Modelling, Visual Communication of your concept.*

### 3. PROTOTYPING

*Marketing (appearance) model, Proof of principle prototype, Experience Prototype, 3D Printing.*

### 4. PRODUCT DESIGN

*Market Research, Product Development, Packaging Design, Service Design, App Design, Branding.*

### 5. DESIGN FOR MANUFACTURE

*Design Development, Electrical & Mechanical Engineering, Detailed Design, Pre-production prototypes, Design for Manufacture, Supply Chain Management.*

### 6. BUSINESS & MARKETING

*Promotional Website Design, Marketing Advice, Business start-up Advice.*



## NEED HELP WITH YOUR CROWDFUNDING CAMPAIGN?

Deciding to create a crowdfunding campaign is only the beginning of an intensive process to gain the necessary funds needed to bring your idea to life. We can provide you with the crowdfunding necessities to create an effective crowdfunding campaign.

Each crowdfunding platform has different requirements, however some of the things you will need include:

### 1 PROFESSIONAL PRODUCT OR IDEA VISUALS THAT TELL YOUR STORY

Innovate can provide you with professional product visuals from qualified product designers, engineers & prototypers ensuring that the product is visualised but with insight into the technical feasibility, manufacture limitations & production methods necessary to reduce your risks after the initial campaign funding.

### 2 3D MODEL AND CONSIDERATION OF MANUFACTURING CONSTRAINTS

We can help with 3D computer Aided Design (CAD) models for visual, prototype & manufacture stages of your process.

### 3 A PROTOTYPE *(depending on campaign platform)*

Innovate Product Design has extensive experience with prototyping and can help you with an array of prototypes. Please see our prototyping [gallery](#).

### 4 DESIGNING REWARDS THAT MATTER AND STAND OUT

We can help with the technicalities and costs associated with a design, we can also help you with setting up manufacturers & retrieving quotes from our trusted manufacturers. We also provide you with realistic goals and time margins.



### 5 A VIDEO AND DESCRIPTION THAT EXPLAINS THE STORY BEHIND YOUR PROJECT

Innovate can help with the video production and all the tools or props (such as prototypes or marketing models) needed.

### 6 ONGOING GUIDANCE THROUGH YOUR CREATIVE JOURNEY

You will be involved throughout the whole design process and we provide you with the updates on the areas that we can help with and necessary for you to keep your backers updated.

To see if we can help you with your project, submit your idea online here.



Free review and 100% confidential (NDA is included)

# 7 APPENDIX



“High quality projects attract backers who may promote the project to other potential backers, or external media thus increasing the draw of the project” (Journal of Business Venturing, E Mollick)



“Technical drawings, CAD designs, sketches, and other parts of the design process are awesome” Kickstarter



“ Rule # 1 for Kickstarter videos: Make one” Kickstarter

## LIST OF CROWDFUNDING WEBSITES

Name	Funding Model	Focus	Country
Crowdfunder	Reward	Any goal	US
FundAnything	Reward	Any kind of project or business: creative, arts, personal, charitable.	US
FundedByMe	Reward	Equity and rewards	Sweden, Finland, Norway, Italy, Germany, Denmark
FundRazr	Reward	Personal, charitable, entrepreneurial, and political causes	Canada,UK
Fundly	Reward	Personal, charitable, and political causes	US
Indiegogo	Reward	Allows a broad range of projects	US, Canada, UK, Europe, Australia
Kickstarter	Reward	Creative projects	US, UK, Canada, Australia, New Zealand
Offbeatr	Reward	Pornography	US
Crowdfunder	Reward		UK
Pozible	Reward	Creative	Australia, Singapore, Malaysia, US
Funding Circle	Debt	Small businesses	UK, US
InvestedIn	Equity		US
Rally.org	Reward	Medical, educational, charitable, creative, entrepreneurial, and political causes	US, Germany
RocketHub	Reward		US
Sponsume	Reward		UK

Name	Funding Model	Focus	Country
Angels Den	Equity, Debt, Donations	All businesses	UK
AngelList	Equity, Debt	Start-ups	US
BankToTheFuture	Equity, Debt, Rewards	small businesses and new start-ups	UK
Bolstr	Revenue share	Small businesses	US
CircleUp	Equity	Consumer products and retail	US
Companisto	Equity	European companies, Investors from all over the world	Germany, Switzerland / Europe
CrowdCube	Equity, Rewards	start-ups, small businesses, growing businesses	UK
EarlyShares	Equity		US
EquityNet	Equity, Debt	Startups and mature companies	US
Fundable	Equity, Debt, Rewards	Seed stage businesses	US
InvestedIn	Equity		US
Lending Club	Equity, Debt		US
MicroVentures	Equity	Tech Startups & High Growth	US
Prosper Marketplace	Debt		US
rebuildingsociety.com	Debt	All businesses	UK
Rock The Post	Equity	Early stage tech-startups	US

Name	Funding Model	Focus	Country
SecondMarket	Equity, Debt	Late stage start-ups and privately held companies at a pre-IPO or pre-acquisition stage	US
Seedrs	Equity	Seed-stage businesses, Investments from £10+	UK & Europe
Seedups	Equity	Early stage tech-startups	UK, Ireland, USA & Canada
StartupValley	Equity	Technology start-ups and businesses	US
Symbid	Equity, Rewards	Start ups and business ideas, entrepreneurs, small businesses, accelerators, incubators, crowd investors, angel investors	Netherlands, US, UK
ThinCats	ThinCats	Small businesses	UK
Zopa	Debts		UK
Syndicate-Room.com	Equity	Here, small investors are sought to "top up" substantial stakes in a business that has already been bought by established "dragons" or lead investors. The lead investors must contribute at least 25pc of a firm's funding.	