## CROWD-FUNDING REVOLUTION

HOW TO RAISE VENTURE CAPITAL USING SOCIAL MEDIA

KEVIN LAWTON AND DAN MAROM



New York Chicago San Francisco Lisbon London Madrid Mexico City Milan New Delhi San Juan Seoul Singapore Sydney Toronto

## **CONTENTS**

## Introduction ix .

Part	I	THE	ROAD	HERE

Chapter   1	The Rise of the Crowd 3
- ,	The Dynamic Duo: Social and Physical Technologies 7 Affinity Groups 10 Participation and the New Pro-sumer Class 14 The Response to the Loss of Social Capital 15 The New Crowd-ployment Paradigm 16 The Crowd-poration 17
Chapter   2	The Decline of Established Financing 19
	The Rate of Change 21 The Durability of Expertise 22 A Multidisciplinary World 23 Market Time Compression 24 Capital Efficiency and the Rolling Close 25 Macroeconomic Sensitivity 27 The Start-Ups' Response 28 The Venture Capital Industry's Response 29 The Market Sizing Fallacy 31 The Base of the Funding Pyramid 32
Chapter   3	The Decline of Outlier Identification 35
·	Curation: The New Leadership 38
Chapter   4	The Emergence of Early Financing 41
Chapter   5	The Rise of Crowdfunding 47
	At the Edge of Chaos 53 Do It With Others (DIWO) 54 Critical Mass 57 The New Ritual, the New Status 59 Rivers Without Cascades 60 Valuations 63 Long Tails and Shrinking Heads 64 Gender Equalization 65

Part   II	THE CROWDFUNDING CAMPAIGN
Chapter   6	Benefits 69 Money 71 Marketing 72
	Participation and Emotional Attachment 75 Currying Serendipity 78 Returns, Rewards, and Perks 79
Chapter   7	The Artful Ask 85
	Authenticity: Keeping It Real 87 Impact and Appeal 90 The Team 96 Clear Goals 97 Starting Fires with Influencers and Core Fans 99 Rewards and Perks 102
Chapter   8	The Journey 111
·	Follow Inspiration with Massive Action 113 Drive Traffic with Social Networking 115 Motivate Your Network: Keep Them Involved 117
Part   III	THE ROAD AHEAD
Part   III Chapter   9	THE ROAD AHEAD  Infrastructure and Ecosystems 121
	Infrastructure and Ecosystems 121 The Power of Virtual Infrastructure 122 The Ecosystem 126 The Power of Tags 129 Integration and Evolution in the Ecosystem 132 When Dartboards Are Better Than Groupthink 135 Funding the Way the Market Wants It 136 Solving the Hoarding Dilemma 138 Kicking It Downstream 142
Chapter   9	Infrastructure and Ecosystems 121 The Power of Virtual Infrastructure 122 The Ecosystem 126 The Power of Tags 129 Integration and Evolution in the Ecosystem 132 When Dartboards Are Better Than Groupthink 135 Funding the Way the Market Wants It 136 Solving the Hoarding Dilemma 138 Kicking It Downstream 142 Intellectual Property Entanglements 143

Chapter 11	The intersection with Crowdsourcing
	No Network, No Funding 168 Crowdfunding Crowdsourced Ideas 170 The Crowdfunding and Crowdsourcing Nexus 171
Chapter   12	The New Investment Models 173
	Venture Capital Meets Crowd Capital 174 Incubators and the Crowd 176 Crowd Capital Meets Crowd Capital 176 Donations First, Investments Later 177 Here Comes Wall Street 177 A New Capital Allocation Mechanism 181 At the Community Level 182 Grants and the Arts 183 Reinvigorating the Community 183 The Virtual Tech Hub 184
Chapter   13	Regulation and Policy Status 187
	The Current State of Affairs 187 United States 194 The Crowdfund Intermediary Regulatory Advocates (CFIRA) 199 Crowdfunding Professional Association (CfPA) 201 National Crowdfunding Association (NLCFA) 201 Europe 202 International 203
Chapter   14	Regulation and Policy Directions 205
	Pray for Much Failure 207 Taxes, Taxes, Taxes 209 Patents and Crowdfunding Platforms 210 The IP Landscape 211 The Velocity of Innovation and the Effects of the IP System 213 A Perpetual Motion Machine of Innovation 216
	Epilogue 217 Notes 223
	Acknowledgments 233
	About the Authors 234
	Index 235