

Should you be crowdfunding?



By [Nokwazi Mzobe](#)

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The number of people utilising crowdfunding platforms is growing and, according to *Forbes Magazine*, is estimated to surpass Venture Capital funding in 2016.



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Crowdfunding relies on people being willing to make a difference. It plays on our desire to engage and help with authentic concerns. Crowdfunding has also democratised access to finance by lowering the barriers to finance opportunities for charities, creatives and entrepreneurs in an exciting way we've never seen before.

Money makes the world go round and the crowdfunding model has created platforms for cash to reach innovative business leaders; people with creative ideas wanting to get a product or business started or to reach the next level of entrepreneurship. Crowdfunding can be a great example of the beauty of the human spirit, where it seems the average person is happy to donate their money (sometimes for relatively little in return) to assist someone in realising their dreams.

What is crowdfunding?

In simple terms crowdfunding, is the practice of funding an idea, project or business by raising money through contributions from a large number of people.

There are two main crowdfunding models:

#1 Donation-based funding

Donation-based funding is where it all started. Funders contribute money towards an idea, goal or project. In return they receive a product, perk or reward. In this model, donors are incentivised to put money into the project because of a social or personal need.

#2 Investment crowdfunding

This is a more recent crowdfunding pivot. Funds "given" to a business are not for "free". The funders either receive equity

(shares) or the funds are seen as debt (i.e. they have to be paid back with interest).

Local and international crowdfunding platforms

[Jumpstarter](#): A South African platform with a range of projects, from musicians raising funds for their albums, to non-profits.

[Thundafund](#): Another South African platform mainly targeted at entrepreneurs. What differentiates Thundafund is that they provide business mentorship support services.

[StartMe](#): Also South African, StartMe encourages the funder to "be part of the next great invention, artistic masterpiece, or entrepreneurial effort - and be rewarded!" They support creatives, non-profits and entrepreneurs.

[Kickstarter](#): One of the earlier and more successful crowdfunding sites, Kickstarter is targeted at creative based projects and is donation-based.

[Indiegogo](#): Another donation-based site for a range of campaigns or projects, such as personal finance, music and other creative projects, start-ups and charities.

[Crowdfunder](#): An investment-based crowdfunding model, where individuals, Angel Investors and Venture Capitalists provide your business with funds in exchange for equity.

Why should you consider crowdfunding?

1. It is relatively easy and less bureaucratic than sourcing funds via a traditional funding models
2. Some models require no repayment (i.e. donation based model)
3. Since people liked your idea enough to fund it, they may become future consumers of your product or service
4. Whether you're an inventor, business owner, creative or non-profit - if you have a compelling idea - someone out there may be willing to fund it.

Lastly, a note of caution, although it provides entrepreneurs with amazing funding opportunities, crowdfunding is not as easy as it sounds. There are many projects that fail to raise funds. Just go through some of the sites listed and you'll notice some projects are "unsuccessful".

You have to have a unique and compelling selling point to be noticed. An outstanding marketing plan is essential - ideally linked to a visibly uplifting idea for social change - as well as an engaging digital platform where people can see, engage and share your idea with others.

ABOUT NOKWAZI MZOBE

Nokwazi Mzobe, Founder and Lead Consultant of Matoyana Business Solutions, a boutique business consulting company located in Johannesburg, South Africa. It is targeted at start-ups, small and medium enterprises across Africa.

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