The Best Way to Get Seed Money Through Crowdfunding

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Early on in our careers, many of us were tutored as to how to best write an effective and attention-getting curriculum vitae (CV) in looking for a job.

But in today's world, many are looking not for just a job, but are engaged in wide, often Internet-based searches for seed money to launch entrepreneurial ventures of one sort of another. But what guidelines exist as to the best way to go about securing this kind of funding?

To look into this issue and provide some answers, an extensive research project was launched at the Hebrew University of Jerusalem, in which the researchers sought to resolve these questions: Are prospective investors being influenced in their investment decisions by the entrepreneurs' description? Should entrepreneurs focus their business pitches on themselves or on their projects?

The answer, for some fund seekers, is: don't hesitate to boost yourself

The research on the issue was carried out by Prof. Orly Sade and her graduate student Dan Marom of the Jerusalem School of Business Administration at the Hebrew University.

Securing seed funding is one of the biggest challenges for any entrepreneur, notes Prof. Sade. When pitching the initiative to investors, there are various methods the entrepreneur can call upon in order to convince the investor to fund the project. Most notably, the entrepreneur may decide to place the emphasis of the pitch on the business idea. Alternatively, the entrepreneur may center the presentation on his personage, calling upon his name, resume, or past accomplishments.

Sade and Marom's research empirically investigated the importance of the entrepreneurs' description in the early investment pitches of more than 20,000 fundraising efforts, conducted by various entrepreneurs through a leading, US-based crowdfunding platform -- Kickstarter.

Using custom software to collect the investigated data, they amassed a database from Kickstarter consisting of 4,304 ongoing projects, 16,641 successful projects, 4,128 failed projects, 22,274 entrepreneurs, 1,108,233 investors, and investments that sum up to more than $120 million. The period investigated in the project was from the inception of Kickstarter, in April 2009, up until March 2012.

Focusing on the frequency of the mention of the entrepreneur's name in the funding applications, the researchers found that this factor was significantly higher in the applications involving "artistic" projects (those ventures involving such areas as entertainment, food, music, fashion and others) than in the technological category. Further, they found, that this emphasis on the entrepreneur was directly related to the probability of success in securing seed funding in the artistic category.

"In an era in which crowdfunding is a growing source of venture capital (more than $2.7 billion was raised in the US in this manner in 2012), it is important for academics, investors and those seeking funds, to have a basis for aiming their pitches in the most effective manner," said Sade.

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