

## Crowdfunding in Ireland - a guide

**Crowdfunding can be a financial lifeline for a startup but it can also be a futile, time wasting attempt to raise money. Don't try it until you understand how it works.**

Crowdfunding websites match those who have ideas they want to turn into reality with donors.

The crowdfunding website takes a commission from the funds raised, typically 5% but the commission can be 10% or more on some sites.

The top Irish crowdfunding platforms are: [FundIt](#); [SeedUps](#); [iCrowdFund](#); [iDonate.ie](#); and [MoneyCrowd](#).

### Pros and cons

For startups and certain types of small businesses, crowdfunding is seen as a low-risk way of raising funds without having to part with equity.

Some startups have found that crowdfunding is a stepping stone to other capital. Increasingly, angel investors and venture capitalists back promoters who have been successful in crowdfunding campaigns.

But crowdfunding has its drawbacks. Failure rates are high – the majority of crowdfunding projects fail to reach the fundraising goals.

Startups also find that crowdfunding is a time-burner. Success is often down to the amount of time spent preparing the campaign and then promoting and managing it. Entrepreneurs need to put a lot of information about a product or service into the public domain. This carries risks – your competitors will know what you're doing and you may be forced to defend yourself from online critics.

Below are five questions you should ask yourself before you 'kick start' your project.

### **1. Is your business suited to crowdfunding?**

Crowdfunding suits certain types of businesses – usually startups or early stage companies that are looking for relatively small amounts of money. It has a higher success rate within certain sectors like the arts, digital media, music, and certain types of consumer goods businesses. You should find out if the crowdfunding platform you are considering has a track record of success with similar businesses to yours.

### **2. Do you have right skills for crowdfunding?**

Crowdfunding suits particular types of entrepreneurs, those with good marketing skills and who are active on social media. Research shows that more men than women pitch on crowdfunding sites and that most are under the age of 35.

If marketing isn't your skillset, or if you're unfamiliar with social media, then crowdfunding might be a gamble. A crowdfunding campaign is not for a social media novice. But don't be intimidated

by statistics on age or gender.

### **3. How sharp are your video pitching skills?**

Excellent video pitches are essential to successful crowdfunding campaigns and persuading donors to part with their cash. Pitching your product or service to a mobile camera (most likely) does not come easy and requires preparation and perseverance.

Do your research, by viewing other video pitches. Write a compelling script that communicates the selling points simply and clearly. Deliver it with passion. Reshoot it until it's right.

### **4. Can the real costs of a crowdfunding campaign be justified?**

The amounts raised for a business through crowdfunding tend to be modest. While the direct costs of a campaign are low, the real costs can be high. The real cost is time. Entrepreneurs who have succeeded or failed to raise funds invariably comment on the intensity of the campaigns, how they got little else done and were sleep deprived.

Crowdfunding can be risky if it means that your business has to do without your day-to-day input. If you are a solo entrepreneur, you need to evaluate the possible disruption to the business and therefore the real costs of the campaign.

### **5. Does crowdfunding meet the real funding needs of your business?**

Crowdfunding is rarely the sole source of funding needed. It often complements other sources of funding, from investors, State bodies and also from lenders. While crowdfunding certainly can provide much needed cash, raising money in this way needs to be considered only as part of an

overall business plan. You should review your funding needs with your accountant or financial/business adviser.

**READ MORE:** [The most successful crowdfunding project ever launched.](#)