

Chapter 23

Crowdfunding as a Marketing Tool

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ABSTRACT

Most people, at a first sight, perceive Crowdfunding as a specific and exciting process to raise money. Of course, this is correct, but it is not the whole truth. A successful crowdfunding campaign must be addressed to a community of people, rather than to an indiscriminate crowd, which is also typical for any marketing strategy. Leveraging on this key element, crowdfunding can amplify almost any kind of communication activity, provided it is able to meet the needs of a community and to provide the benefits that the community expects. Therefore, if well exploited, crowdfunding is a powerful tool in the hands of marketers, whose potential goes far beyond the evidence of pre-selling a new product, to reach new marketing horizons such as branding, business development, CRM, credit scoring and even HR management.

INTRODUCTION

When Coolest Cooler's campaign on Kickstarter closed in August 2014, it ended up being the most successful Kickstarter campaign ever, raising \$13 million from more than 62,000 backers. The target was originally set to \$50,000, but, in only two days, the campaign hit \$500k. Was such a huge success only a crowdfunding campaign? Clearly not. It was definitely a marketing campaign. Money strictly needed for putting the product into production was only a fraction of the amount raised. Besides funds, the main achievements of the campaign were both a large amount of pre-orders and a worldwide awareness. Are not they two typical goals of a marketing plan?

The takeaway of Coolest Cooler story is that crowdfunding is not only a matter of getting funded, but, also, enterprises can exploit it as a powerful tool to implement a marketing strategy. The ways to achieve this objective may assume different shapes, formats, and even processes.

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Moreover, the use of crowdfunding as a marketing tool is not limited to enterprises raising funds, but can be adopted also by those eventually investing. As always, planning and executing a marketing strategy cannot base on general rules, valid for every instance, but should be adapted to each single situation considering the opportunity, the environment and the strategic goals.

This chapter's purpose, far from aiming to present entrepreneurs and managers a set of rules following which their problems will solve magically, is to give them a structured idea and a few hints about how crowdfunding can widen their available weapons to reach their target.

BACKGROUND

Let us start by defining what crowdfunding and marketing are. Other chapters of this book deeply treat the Crowdfunding concept, so here we only remind its main elements. The two key elements are included in its etymology: “crowd”, a mass of people, and “funding”, collecting money.

However, “a mass of people” is not enough to describe the success of the crowdfunding phenomenon. The crowd - each single individual composing the crowd - must be engaged. Engagement is as more effective as more a campaign is able to catalyze people around a common need or feeling. That means a crowdfunding campaign must leverage on a community, which might be smaller or larger depending both on the subject of the campaign and on the campaign's creator's ability to communicate it. In other words: crowdfunding is all about identifying a group of people by its needs, reaching them through an effective communication and, finally, providing them with what they want (a product, a service, a return on investment).

Let us focus now on the definition of marketing.

UK based The Chartered Institute of Marketing (CIM, n.d.) defines marketing as

... the management process responsible for identifying, anticipating and satisfying customer requirements profitably.

The American Marketing Association states (AMA, 2013):

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society.

Marketing author and academic Philip Kotler (Kotler, 1972) defines marketing as:

Satisfying needs and wants through an exchange process.

These three respected definitions have one theme in common: meeting the needs and providing benefits.

It clearly appears, matching this latter finding with what we reported above about crowdfunding, that we are talking about the same thing: both definitions go in the same direction by stating that marketing as well as crowdfunding are tools to meet the needs of people and to provide them the benefits they expect.

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