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PURCHASE



# 2013CF

## THE CROWDFUNDING INDUSTRY REPORT

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## Introduction FOREWORD

“  
**CROWDFUNDING HAS  
NOW EMERGED AS A  
VIABLE, SCALABLE  
ALTERNATIVE TO  
PUBLIC AND PRIVATE  
FINANCE.**

### THE NEW FINANCIAL REVOLUTION

If you think that crowdfunding just means smaller companies that launch games and device projects on platforms like Kickstarter, think again. Crowdfunding has now emerged as a viable, scalable alternative to public and private finance.

These developments have implications for how governments frame economic development programs, and leverage public investments.

Behind the scenes major, global companies are running the rule over crowdfunding as a way to leverage their innovation portfolios into the marketplace. Crowdfunding is helping enterprises interact with lead customers, and validate R&D outputs.

No financial institution can afford not to be informed about how crowdfunding is evolving across the world and providing new opportunities for banks, investment houses, and financial intermediaries.

We founded massolution in order to study and advise on how crowdfunding models are emerging in different parts of the world, impacting government policy, informing enterprise innovation, and changing the role of financial institutions.

We hope you find our 2013CF Industry Report insightful and that you embrace how crowdfunding will change the way business is done.

A handwritten signature in black ink, appearing to read "Carl Esposti".

**Carl Esposti**  
CEO/Founder  
Massolution and Crowdsourcing.org

## Introduction

# FOREWORD

## A YEAR OF ACCELERATION

**“ WE ARE  
FORECASTING  
\$5.1BN IN TOTAL  
GLOBAL FUNDING  
VOLUMES IN 2013.**

2012 was a year of acceleration for the crowdfunding markets! It was the year where crowdfunding platforms raised a total of \$2.7bn compared with \$1.5bn in 2011. In massolution's 2012CF Industry Report, we predicted that the total funding volumes would reach \$2.8bn; our forecast was therefore correct within a very low margin of error (~5%), and we can thus confirm that the global crowdfunding markets have accelerated from an annual growth of 64% in 2011 to an 81% growth in 2012. We are forecasting \$5.1bn in total global funding volumes in 2013.

2012 was also the year where in January, the Elevation Dock became the first individual campaign to reach the \$1m milestone. A few months later in April, Pebble Technology showed how to reach this milestone in only 28 hours; a campaign that resulted in over \$10m total funds raised.

It was also the year where attention shifted towards crowdfunding's potential impact on entrepreneurial finance. Equity-based crowdfunding got the bulk of media attention in the US when the Jumpstart Our Business Startups Act (JOBS Act) was signed into law on April 5th.

Since crowdfunding markets are nascent and the concept itself not broadly understood, discussions about its applicability and potential often strands in polemic narratives that contributes very limited (if any) value to the discussion. The 2013CF Industry Report therefore provides clarity on the taxonomy for the industry.

In addition to this we have added a separate chapter, Web 2.0 Financing, to provide a deeper understanding of the very core of crowdfunding. Namely, capital formation on the collaborative web. We are grateful for eminent contributions of Bryan Zhang (Cambridge University), Dan Marom (The Hebrew University), Kristof De Buysere (Tilburg University), and Sean Carr (University of Virginia).



**Kevin Berg Kartaszewicz-Grell, Ph.D.**

Research Director (Crowdfunding), Massolution

**“ THE 2012  
WORLDWIDE  
CROWDFUNDING  
VOLUME REACHED  
\$2.7BN RAISED  
FROM OVER 1.1M  
CAMPAIGNS.**

## Introduction

# KEY FINDINGS

## HIGHLIGHTS

The 2012 worldwide crowdfunding volume reached \$2.7bn raised from over 1m campaigns. Worldwide crowdfunding volumes grew 81% in 2012, which is an acceleration from the 64% growth in 2011.

### Growth rates by region

Although crowdfunding offers a growing number of countries opportunities to access funds, North America and Europe raised much more capital than platforms in other regions.

- North American crowdfunding volumes grew 105% to \$1.6bn.
- European crowdfunding volumes grew 65% to \$945m.
- On average, all other markets grew close to 125%.

### Growth rates by crowdfunding models

The growth in funding volumes was primarily driven by lending- and donation-based crowdfunding, and by SME adoption of reward-based crowdfunding. The growth in lending volumes mainly stemmed from crowdfunded micro-loans and community-driven loans to local SMEs.

- Donations- and Reward-based crowdfunding grew 85% to \$1.4bn.
- Lending-based crowdfunding grew 111% to \$1.2bn.
- Equity-based crowdfunding grew 30% to \$116m.

This is an excerpt from the full 2013CF Industry Report. For extensive highlights, predictions, detailed insights, and key crowdfunding developments, please see the full report.

**The 2012 Crowdfunding Market**

## MARKET GROWTH AND COMPOSITION

### CROWDFUNDING WORLD MAP: TOTAL FUNDS RAISED

The global crowdfunding market grew 81% in 2012 to a total funding volume of \$2.7bn. Compared with 64% growth in 2011, crowdfunding is accelerating.

Total funds raised during 2012 in USD

**WORLDWIDE** \$2.7bn

**Figure: Global crowdfunding volumes: the Crowdfunding World Map.**

**The 2012 Crowdfunding Market**

## CAMPAIGN STATISTICS

### REFUNDING MODELS (CONT.)

Refund campaign rates across the different crowdfunding models are: 21.40% lending-based campaigns, 8.20% donation-based models, 12.30% reward-based, 0% equity, and 17.00% mixed models.

More of successful campaigns was almost unchanged compared to 2011. The funding volume in the same period grew by 81%. This is due to the average campaign amount per campaign for the aggregate 1 volume and not the typical funding volume per campaign more than 4% in 2012.

**Figure: Growth in funding volume by crowdfunding model in millions of USD (research based estimate for 2013).**

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**Outlook**

## EMERGING CROWDFUNDING PLATFORMS

### DEFINITION

**EMERGING CROWDFUNDING PLATFORMS**

#### A NEW WORLD MAP

Most surprisingly, North America and Europe account for the majority of pre-launched CPFs. Currently, 84.4% of the active CPFs divide evenly between these two continents. Asia and South America are represented with 5.7% and 4.2% of active CPFs respectively, while Oceania accounts for 2.4% and Africa 1.9%.

The fastest CPFs break down in the same way, except for the placement of Oceania and Africa. They are distributed as follows: North America (31.7%), Europe (20.9%), Asia (16.4%), Oceania (11.2%), and Africa (2.6%).

**Figure: Global distribution of launched and pre-launched crowdfunding platforms.**

**PLATFORMS**

Based on over 250 pre-launch CPFs, a representative sample of 85 were found analyzed. Out of these, almost all face problems once they launch. Still, focus on Social Causes, which carries some consistency with the pre-launch CPFs, is on the rise. This is likely due to the fact that it is a relatively large part compared to the current markets, but can be explained by the increased attention investment start-ups and early stage firms have been getting after the passage of the 2005 Act in USA.

Social Initiatives account for 7.6% of the sample, which is an interesting figure. Unsurprisingly research and scientific investors are still rather low active (2.3%) and have yet to form a strong category. Art accounts for 1.6%, while Film & Performing Arts and Housing, Real Estate & Development for 1.9% each.

**Figure: Categories for pre-launch crowdfunding platforms.**

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## Outlook

## CAPITAL INFLOW

In addition to crowdfunding models, massolution tracks and analyzes all forms of crowdsourcing models. Crowdsourcing as an exponential organizational online model for distributed production and problem solving can be categorized in terms of general applications (outputs). The following taxonomy categories: Cloud Labor, Crowd Creativity, Distributed Knowledge, Open Innovation, Tools, and of course Crowdfunding is used on Crowdsourcing.org and given a more detailed description on the following page.

In a forthcoming research report, 2013CS - The Crowd Investment Report, massolution analyzes capital inflow to the crowdsourcing and crowdfunding asset classes in 2012. The general trend is quite clear: with the exception of Open Innovation, Crowdfunding attracted less investment capital than the other crowdsourcing categories. Crowd Creativity, which is the most developed category of crowdsourcing, attracted most of the investment capital in 2012. The majority of this money came from venture capital and late funding rounds (Series C).

**Figure: Capital inflow (millions of USD) Crowdsourcing platforms.**

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These pages are excerpts from the full 2013CF Industry Report. Please purchase the full report to explore this content and more.

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**THE 2013CF  
INDUSTRY REPORT  
PROVIDES A UNIQUE  
AND IN-DEPTH  
ANALYSIS OF THE  
CROWDFUNDING  
MARKET TRENDS AND  
COMPOSITION.**

## Introduction

# ABOUT THIS RESEARCH

## THE 2013CF INDUSTRY REPORT

**The 2013CF Industry Report provides a unique and in-depth analysis of the crowdfunding market trends and composition.**

The 2013CF Industry Report is a research report that provides a unique and in-depth analysis of crowdfunding market trends and composition. The Crowdfunding Industry Survey, to which massolution received 308 high-quality responses, was conducted during the first six weeks of 2013 and resulted in the most comprehensive data collection on the worldwide crowdfunding market to date. Massolution has conducted significant follow-up research via other reliable channels to complete the profiling of the global crowdfunding industry.

The 2013CF Industry Report was made possible by the collective efforts of massolution's research director Kevin Berg Kartaszewicz-Grell, senior analyst Maria Adamowicz, Francesco Schiavone (University of Naples), Sean Carr (University of Virginia), Kristof De Buysere (Tilburg University), Dan Marom (The Hebrew University), Bryan Zhang (Cambridge University), Tim Haverkamp (Regional Analyst), Jia Qiao (Regional Analyst), and David Shin (Regional Analyst).

Massolution™ is a unique research and advisory firm specializing in the crowdsourcing and crowdfunding industries, and helping to write the guidelines for a new way to do and fund business. Massolution works with governments, institutions and enterprises in the design and implementation of crowdsourcing and crowdfunding business models that drive improved business performance, product and service innovation, enhanced levels of customer engagement, and the formation of new sources of capital. Massolution also operates the industry website [www.crowdsourcing.org](http://www.crowdsourcing.org). More information at [www.massolution.com](http://www.massolution.com).

This is an excerpt from the full 2013CF Industry Report. For further information on the data sources and methodologies that informed this research, please see the full report.



## Acknowledgments

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If you are interested in massolution's customized research, please contact us at [research@crowdsourcing.org](mailto:research@crowdsourcing.org).

We would like to thank all our sponsors and supporters whose help has enabled the broad distribution of this report.

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## PARTICIPATING CROWDFUNDING PLATFORMS

We would like to thank the participating companies for an unprecedented response to the 2013CF Survey and for providing extensive data.



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