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New Research Shows Optimism For Crowdfund Investing Continues To Rise

Earlier this year I wrote in [Harvard Business Review](#) about the coming legalization of Crowdfund [Investing](#) in the U.S. in my article [“Don’t Abandon Crowdfunding, Manage It”](#)

That article noted that crowdfunding is rising fast as a significant source of funding for startup ventures, based on data from the [“Crowdfunding Industry Report”](#) from [www.crowdsourcing.org](#). The April 2012 report has estimated that 452 crowdfunding platforms (CFPs) raised nearly \$1.5 billion in 2011, and that funding volume is on track to nearly double to \$2.8 billion in 2012. By all estimations, the 2012 predictions continue to hold.

This week the **Crowdfunding Professional Association** ([www.crowdfundingprofessional.org](#)) in conjunction with the co-founders of [Crowdfund Capital Advisors](#), **Sherwood Neiss, Jason Best** and **Zak Cassidy-Dorion**, are releasing additional information based on a comprehensive survey of 442 entrepreneurs, investors, and intermediaries about their interest in Crowdfund investing as the enactment of the JOBS Act, signed April 5, 2011, allows for equity based crowdfunding in the United States beginning in 2013.

This means a business could raise up to \$1 million per 12-month period from both accredited and nonaccredited investors over the Internet or through family, friends and business contacts. It will allow average investors to access the same kind of high-growth investments once available for only the wealthy. For entrepreneurs, it provides a highly valuable feedback mechanism on prospective offerings while allowing them to access capital much more readily than traditional vehicles including SBA loans, VCs and Angel investors.

Despite program detractors’ continued warnings about the possibility of fraud, investors, participants, and their intermediaries are highly



Many entrepreneurs and investors are looking forward to the new funding avenues Crowdfund Investing will bring

excited about the newer and faster paths to business and revenue for startups the ability to do equity investing through crowdfund platforms will bring. Here's what the 442 respondents (287 entrepreneurs, 166 investors, 179 intermediaries and 11 unspecified) have to say:

- They understand and like the concept of crowdfunding. 67.75% feel their specific knowledge of crowdfunding as a topic is high, ranking their understanding at a level of 8-10.
- Their understanding of the changes coming due to crowdfund investing is somewhat lower. 45.71% rank their current understanding of what the changes will mean at a level of 8-10.
- As to what excites them most about the coming changes they cite 1) Access to Capital, 2) Entrepreneurship, 3) Innovation, 4) Jobs and 5) Access to Investment Opportunities.
- As to what worries them most about the coming changes they cite 1) Fraudsters, 2) [Business](#) failures (based not on fraud, but on inability to execute), 3) Information overload from portals and platforms, 4) Poor [Investor Education](#), and 5) Poor Entrepreneur Education.
- As to which platforms they will use, 34.67% will use the most visible platforms. 34.34% will use industry-specific platforms. Regional platforms will fare less well, receiving only 14.74% response.
- Clearly, crowdfund investing makes more capital available for more entrepreneurs: 36.14% look to raise investment for the very first time, with 18.75% looking to launch a company for the first time.
- Prospective participants are well along with their projects: 33.76% have business plans, 26.92% have prototypes, and 23.50% are already generating revenues. Only 15.81% are still at the idea stage right now.
- On average it would appear that unaccredited investors will deploy \$4,347 per year and accredited investors will deploy \$29,987 per year.

It is clear from this new research that entrepreneurs, investors and the intermediaries who help them are excited about crowdfund investing and are ready to play. The right precautions and sanctions are essential, of course—but properly handled, crowdfund investing is a bright spot and phenomenon with the potential to enact major changes in the funding and investment landscape for startup companies in the seasons to come.

For a full copy of the new study, readers can go to either www.crowdfundcapitaladvisors.com or www.crowdfundingprofessional.org. I am also writing about all of the means of gaining startup funding for an upcoming book. Any questions about how Crowdfund Investing will affect your company launch or investment plans in 2013? I look forward to your remarks.

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