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# Table of Contents

Executive Summary ........................................................................................................................ 4

Purpose of this Study ..................................................................................................................... 6
  - Introduction ............................................................................................................................. 6
  - Objective ................................................................................................................................. 7
  - Methodology .......................................................................................................................... 7

Crowdfunding: Industry Summary .......................................................................................... 8
  - Overview .................................................................................................................................. 8
  - Models .................................................................................................................................... 9
  - Key Trends ............................................................................................................................. 12
  - Costs ...................................................................................................................................... 15
  - Tax and Fiduciary Considerations ....................................................................................... 15

Organic Sector Application ........................................................................................................ 16
  - A Discussion of Key Opportunities and Challenges ............................................................. 16

Recommendations ......................................................................................................................... 19
  - The Right Model at the Right Time ....................................................................................... 19
  - Best Models for the Organic Sector ...................................................................................... 19
  - To Build or not to Build? .................................................................................................... 20

Best Practices ................................................................................................................................ 21
  - Criteria for Success .............................................................................................................. 21
  - Pitfalls .................................................................................................................................. 22

Exemplars ...................................................................................................................................... 23
  - Successful Crowdfunding Campaign Examples ................................................................. 23

Conclusion ................................................................................................................................... 26

Appendix A ................................................................................................................................. 28
  - Additional Campaigns of Interest ......................................................................................... 28

Appendix B .................................................................................................................................. 30
  - Resources ............................................................................................................................... 30

References ................................................................................................................................... 32
Executive Summary

On March 3, 2014, Kickstarter, the leader among crowdfunding platforms for creative projects, announced it had achieved the remarkable milestone of $1 billion in pledges on its platform. Equally as significant is that 5.7 million people have contributed to Kickstarter projects.

Crowdfunding, a way to use the Internet and social media to solicit many small donations from ‘the crowd,’ or large numbers of the public audience, towards a larger fundraising target, is no longer a niche phenomenon. It is an estimated $5.1 billion industry in 2013, with over 500 platforms worldwide and growing. It started gaining a solid foothold after the financial crisis in 2008 as an alternative channel for the artistic community, charities and entrepreneurs alike to fund their creative and community projects in light of exhausted traditional fundraising channels. Even the World Bank is considering crowdfunding as a means to support infoDev’s Climate Innovation Centers in the developing world.

Crowdfunding has broadened in application from initial cause-related projects by individuals for individuals and charities through a donation-model, to the adoption of an ‘idea and proof of concept’, often a product, by start-up businesses through a reward-model, to the raising of capital through equity- or lending-based models. In fact, crowdfunding investing is attracting much attention lately, especially in Canada, where the equity model is now under serious consideration by the various provincial securities commissions.

Small-to medium-sized enterprises (SMEs) make up the majority of the organic sector in Canada, and their funding challenges are not unlike those of other SMEs. In fact, the industry as well as the sector organizations that work to promote and strengthen organic capacity in Canada are underfunded, a challenge which is of critical importance if the sector is to scale and catch up with demand, 75 per cent of which is currently served by imported products.

This study examined the viability of crowdfunding as an alternative funding source for organic sector organizations and industry. One advantage the organic sector businesses and organizations have is the appeal of organic among Canadians, as it resonates with their health and sustainability values and beliefs. Crowdfunding campaigns are ideal for emotionally charged projects with an engaging story, focused
timeframe, and clear benefit to the individual supporter or community. As such, crowdfunding should not be viewed as a ‘silver bullet’ solution to all funding needs or a long-term funding strategy. It is one proven tool for project specific fundraising that can be successfully applied in an overarching funding and marketing program. In the case of crowdfunding by organizations, simpler, ideally protagonist-driven campaigns by or in collaboration with strong consumer brands are bound to be more successful than individual efforts by sector organizations. In an already tight funding environment, pooling both financial and human resources, as well as tools and skills, in support of an initiative that supports multiple parties, presents significant advantages and efficiencies—especially because crowdfunding campaigns can be expensive and time-consuming.

With thorough campaign planning, proactive management and consistent leadership, crowdfunding campaigns are not only lucrative fundraising tools, but they can also greatly enhance overall brand and marketing strategies. In the case of the organic sector, a Canada Organic umbrella program for individual industry and collaborative sector campaigns might help unify the sector to better support growth, development and success.
Purpose of this Study

Introduction
The Canadian organic market has rapidly grown to become the fourth largest in the world, representing approximately 5,000 certified organic farms, handlers and manufacturers. The organic brand with its new Canada Organic logo is gaining traction, with consumers showing preference over its American USDA Organic counterpart. While growth of the sector continues, significant scalability is key if it is to strengthen in credibility and relevance among Canadians. Especially if the sector is to meet the organic demand, 75 per cent of which is currently served by imported organic products, many of which come from countries that provide financial support for their organic sector. This is a key challenge for the long-term viability of Canada’s organic sector, but in order to meet the demand and increase scale, a significant barrier to funding needs to be overcome.

Since the sector is largely made up of small-to-medium sized producers and processors, it is faced with similar funding challenges as the rest of the country’s SMEs: There is a widely recognized funding gap for smaller capital raises of $1 to $2 million or less, especially since the 2008 financial crisis. Traditional lending institutions have tightened their requirements, and commercial and declining venture capital is hard to come by below the $2 million threshold. While select family, friends and individual angels can often meet demand for financing up to $100,000 or even above, the right fit and partnership can be more difficult to secure.

Likewise, the organic sector’s provincial and national associations and research institutions that work to further the Canadian organic capacity and strengthen its integrity and brand equity, broadly speaking, are struggling to fulfill their role effectively and at full capacity with current funding levels from industry (e.g. through membership dues), and decreasing government support from cost-sharing programs and the like. Leaders question the effectiveness of existing funding channels, allocations and fund management, while at the same time are looking to alternative and creative options for closing the funding gap. They are particularly interested in long-term funding solutions to meet capital requirements and industry development initiatives such as organic sector promotion, organic product development, scientific research, innovation, education, and training, and the maintenance, review and update of the Canadian organic standards.
Objective
The Organic Value Chain Roundtable (OVCRT), which is the capacity building and development arm of the organic industry in Canada, and which is funded by Agriculture and Agri-Food Canada, has commissioned this study to look in depth at one particular funding strategy—crowdfunding. The objective is to provide an overview of the crowdfunding industry and its applicability to the organic sector to determine if it may be a viable solution to the gap between existing funding strategies and the additional and varied funding needs across the organic sector.

Methodology
Junxion Strategy conducted an extensive discovery phase through materials review of the organic sector, a crowdfunding market review, and a review of best practices and exemplar campaigns across various industries. The majority of the key findings came from online resources and one-on-one interviews with crowdfunding experts, as well as leaders of the organic sector associations and research institutes in Canada. Initial insights based on key findings were presented and discussed with the members of the OVCRT’s Market Development Group for which this report was developed.
Crowdfunding: Industry Summary

Overview
Crowdfunding describes the activity of using online tools such as the Internet and social media to collect small financial contributions from many individuals towards an overall fundraising objective. The concept of pooling the crowd in itself is not new; it existed long before the arrival of the Internet in the form of individuals or organized groups reaching out to a network to pool together ideas, information, contributions, services or funds among other to bring a project to fruition. In 2005, the editors of Wired Magazine coined this activity “Crowdsourcing” (Wikipedia, 2014).

Since then, crowdfunding specifically has skyrocketed to become a worldwide industry with an estimated $5.1 billion in funds raised in 2013 according to Massolution (2013)—this is up 81 per cent from the $2.7 billion volume of funds raised in 2012.

While the most active category is still social causes at 30 per cent, application has gone beyond supporting personal or charitable causes to product development, research, and advocacy. In fact, business and entrepreneurship follow suit at 16.9 per cent, leveraging crowdfunding with consumers for proof of concept, early idea validation, and product pre-orders (Root, 2014). Entrepreneurs have taken it a step further, now using crowdfunding as a tool to raise capital through equity and debt.

With over 500 active crowdfunding platforms worldwide today, the majority of which are in the United States (over 300), crowdfunding in the western world is a maturing industry and has established itself as a proven, mainstream fundraising model for focused projects. In an effort to serve different interest groups and to differentiate among the entrenched general purpose industry leaders, such as Kickstarter, Indiegogo, RocketHub, and FundRazr, platforms are becoming more niche oriented, catering to their special interest groups, which vary from music and film, to athletics and outdoors, permaculture and agriculture, environment, food, journalism, religion, education, entrepreneurship and more.

The crowdfunding industry supports this environment with two broad categories of ‘crowdfunding’ and ‘crowdfunding investing’ and four main models that fit within:
reward-based, donation-based, equity-based and lending-based. The latter two define the crowdfunding investing space and are still in early development stages.

Much of the industry growth phenomenon may very well be attributed to the financial crisis in 2008, which is still seeing the artistic community, particularly musicians and filmmakers, non-profit organizations and early-stage entrepreneurs struggling to find ways to fund their initiatives through increasingly dried up traditional funding channels. These include government and foundation grants, industry sponsorships, and bank lending options. While incubators and accelerators are emerging as a solid option for entrepreneurs, these hubs cannot meet the start-up demand. As such, and especially for start-up and growth-stage enterprises, there is a significant funding gap in the $100,000 to $1,000,000 capital requirements range. Crowdfunding investing in the form of equity and debt capital is gaining rapid traction (Best, Sherwood & Swart, 2013).

Models

Among the four models in the crowdfunding space, the donation-based model was the first and the leader up until recently. The reward-based model has surged and taken over, commanding 43 per cent of market share today. The donations model now captures 29 per cent, equity 15 per cent and lending 13 per cent (Massolution, 2013).

1. Reward-based

Brought to the forefront by first movers Kickstarter and Indiegogo, reward-based platforms allow campaigns over a fixed time period that offer the crowd a perk in return for their monetary contribution. This might range from $25 to $1,000 incentives such as movie posters, CDs or book copies, concert tickets, project related services and product pre-orders, or major project experiences—it is important that the main rewards are from the project itself. Every platform has different criteria for what types of projects are allowed and what the specific funding options are.

For example, Kickstarter drives creative projects from the US, Canada, UK, Australia and New Zealand, and runs with an ‘all-or-nothing’ model. Nearly six million people have backed a project on this platform for a total of $1 billion in pledges—more than every other crowdfunding site combined, according to Kickstarter (2013). For successfully funded projects, Kickstarter takes a five per cent fee in addition to a three to five per cent credit card processing fee. No fee applies if a project is not
successfully funded. Kickstarter provides Kickstarter School, a how to resource for running a campaign from start to finish (https://www.kickstarter.com/help/school).

Indiegogo is the world’s largest crowdfunding platform for any project, whether for causes, creative projects or entrepreneurial endeavours. While accessible to Canadians since inception in 2008, the platform has only recently added Canadian currency for pledges to Canadian projects. Indiegogo offers both fixed and flexible funding options. Successful campaigns under both options pay a four per cent Indiegogo fee plus three per cent for credit card processing. Unsuccessful campaigns pay a nine per cent Indiegogo fee under the flexible option and funds raised can be retained. Under the fixed option, contributions get refunded and no Indiegogo fees are charged. Indiegogo has compiled an excellent Field Guide for Campaign Owners to successfully run their campaigns (https://landing.indiegogo.com/iggfieldguide/).

The most successful made-in-Canada platform is FundRazr. The platform is available for anyone across 20 countries and ten currencies. Campaigns can be reward or donation-based, run with or without a time limit, and fees are fixed across the campaigns (five per cent FundRazr fee, 2.9 per cent PayPal fee, and a 30 cent transaction fee). The platform differentiates itself with leading social and website integration tools.

2. Donation-based

In this model, crowdfunding platforms allow campaigns that are asking for a straight monetary donation toward a personal cause (e.g. help for cancer treatment cost, community recycling program), or a peer-to-peer fundraising challenge that supports a charity program (e.g. Run for the Cure, climb for Alzheimer’s). In most instances, if a campaign is associated with a registered charity, a charitable tax receipt is available in return for the donation. Other than the tax receipt and potential name recognition on the personal fundraising page, there is no tangible benefit for the donor.

Some of the largest players catering directly to individual and/or charitable campaign giving are JustGiving in the U.K., Causes, GoFundMe, Crowdrise, Razoo and FirstGiving in the U.S.A. and FundRazr and Giveffect in Canada. The cost for these platforms is on average around seven per cent (e.g. 5% of donations received to platform plus a merchant processing fee of 2.0-3.5%). In addition, there may be a per transaction fee of 30 cents, for example. Setting up a campaign page is usually free, and there are typically no costs beyond the above mentioned for campaigns run by individuals. For non-profit organizations, a monthly or yearly platform administrative fee may apply,
which has to do with compliance, donor reporting and automated tax receipt services, for example.

Ready-to-go ‘white label’ platforms, which can be custom branded, are available, as well as website ‘plug-in’ options that allow charities or individuals to insert the peer-to-peer fundraising functionality directly into their own website. This is particularly common for Canadian charities that will leverage customizable peer-to-peer platforms from providers such as Artez, Convio and GiftTool.

3. Equity-based

This model is quickly gaining traction with entrepreneurs needing early stage or growth capital and investors looking for financial returns and stakes in companies. Through online technology, posting and social media channels, there is the potential for equity platforms to provide access to a larger public funding pool, and fill a funding gap for SMEs between start-up funding from family, friends and colleagues (<$100,000 in capital requirements), institutional lending options, and the commercial, angel and venture options available (>1 million in capital requirements).

Among all the models, this is the most expensive one with high up front costs such as development of offering memorandum, various required marketing collateral, and due diligence on company and executives performed by the portal. Equity crowdfunding is also complex as it deals with securities laws, and is highly regulated in an effort to protect investors. Investors have potentially unlimited financial gain while at the same time run the risk of significant financial losses. Current application and regulation varies from country to country. The US Securities and Exchange Commission opened up equity crowdfunding to accredited investors (typically >$200,000 in annual income or a net worth of over $1 million) in the fall of 2013, and is reviewing potential extension to ordinary investors (Serebrin, 2013).

Some of the more prominent platforms in the U.S.A. are AngelList and CircleUp. The latter focuses on matching high-growth consumer products companies with investors. Several Canadian companies have successfully raised funds south of the border, including WAFU Inc., a Montreal-based company bringing healthy Japanese-style consumer foods to market. It successfully raised close to $250,000 from U.S. accredited investors for its expansion by listing with CircleUp (G. Michel-Garcia, personal communication, March 3, 2014).
In Canada, each province is regulated by its own securities commission. To date, only Saskatchewan is allowing equity crowdfunding as a new exemption under the offering memorandum, and most provincial securities commissions are currently proposing new rules and regulations (for up to date information per province, visit the respective provincial securities commission website). That said, a handful of equity platforms, such as Alberta’s SeedUps Canada, have started up under existing prospectus exemptions, which allow funds to be raised from accredited investors, friends, family and business associates, for example. However, an offering memorandum is still required at this stage, as are audited financial statements, among other formalities. Considerations need also be given to the number of investors allowed in a private company in Canada—currently 50—before it’s considered public. So overall, the process is still quite traditional and complex. The main benefit for now, it seems, is that online technology can help provide a broader reach across the investor pool—it is already providing more visibility and match-up opportunities for investments, and it has the potential to make the process more efficient, cheaper and effective in the future. Nonetheless, there are still key regulatory hurdles to overcome before it can be cultivated to full potential.

4. Lending-based

These platforms are similar to equity with the exception that investors take on debt rather than equity and as such become creditors. According to the World Bank Crowdfunding Report, “debt platforms will facilitate the aggregation of funds for the business, fund transfers to the business and repayment of the loans back to the investor from the business” (Best, Sherwood, & Swart, 2013). Leading lending platforms include Zopa in the UK, and Prosper in the U.S.A. This model is as of yet not available in Canada. If Canadian companies are wanting to look elsewhere, they need to remember that loan structures over 12 months are considered securities and regulated as such (G. Michel-Garcia, personal communication, March 18, 2014).

Key Trends

With the exception of the investing platforms which are still in early growth stage, in particular in Canada, it can be safe to assume that the maturing donation- and reward-based market in the western world will see some consolidation and failures with platforms closing and key market players considering acquisition. On the other hand, there is still plenty of room to grow in the developing world, with nations like China showing a potential market opportunity of $45 to $50 billion (Best et al., 2013).
With over 500 platforms in the world and more launching all the time, it will become increasingly difficult for new start-ups to enter at the level of the entrenched global players, let alone succeed them—not only from a brand equity perspective, but especially from a technology advancement perspective and the capital requirements necessary to continuously innovate. Increasingly, platforms need to find ways to assist campaigns to stand out.

There is a movement from ‘destination’ platform to ‘service’ platform—a shift to offering tools to integrate marketing efforts across various strategies, helping campaigners achieve traction and immediate action in places where the crowd is located. For example, new innovations include platforms providing the option to claim a reward directly off an online newspaper article covering the campaign story, versus having to click through to the main campaign site to make the transaction.

For any organization wanting to build a custom crowdfunding portal, building from scratch is no longer essential, as fully functional platforms exist in the form of ‘white label’ solutions such as Katipult or WordPress themes (free content management system) that can be licensed or bought, branded and customized to suit specific needs. Other options include collaboration with leading platforms, plugging their technology into an existing site to benefit from the rich features and existing audience. For example, FundRazr has developed a ‘plug and play’ option that can be directly embedded into an existing website or Facebook page, circumventing the need to send supporters to a third party portal. The costs for these options range from a $1,500 per year licensing fee for Katipult, to a $60 one-time download fee for a WordPress theme like Fundify, to a five per cent transaction fee for FundRazr’s plug and play technology.

Campaigns

With so many campaigns hitting email inboxes these days and a stagnant economy coupled with household debt at record highs, charitable giving in Canada is declining (Frisk, 2013) and as such, “donor fatigue” or crowd burnout may certainly be a concern, especially across the donation-based model. However, according to recent survey results from Blackbaud, a leading non-profit technology vendor and advisory, among the giving that is happening in the country, online giving including crowdfunding is popular, accounting for 41 per cent of total giving. This narrowly trails checkout donations, which is the most successful giving channel at 56 per cent
(Rovner, 2013). The main motivators for giving are to support the cause and in the case of peer-to-peer fundraising, to support the friend.

In the case of non cause-related projects and crowdfunding investing, the audience profile would seem altogether different with supporters looking mainly for tangible returns like product pre-purchases or equity stakes, versus an altruistic reason to give. This may be supported with the surge in the reward-based model, which has now surpassed volumes of donation-based platforms by a significant amount, and the increasing activity and interest in the equity model seen across the country.

According to Indiegogo insights, successful campaigns typically raise $7,000 over a 40-day campaign timeframe (B. Harris, personal communication, February 24, 2014). With the hundreds of thousands of campaigns vying for attention, it is no longer enough to simply build a campaign page and assume ‘they’ will come and give—neither is ‘dabbling’ to see if it will work. The reality is that it is now harder than ever for a campaign to stand out. To be successful, a crowdfunding campaign needs to be part of an integrated marketing communications strategy and meet, at minimum, the benchmark level and best practices discussed below. The ‘golden rule’ states that successful campaigns need to raise 20 to 30 per cent of contributions from close ties, such as families, friends and colleagues, at the beginning of a campaign, before strangers will consider giving.

In addition to the sheer number of campaigns, the challenge for visibility may well be attributable to changing behavior on social media. A main driver of crowdfunding campaigns is online social networks. In fact, it accounts on average for 22 per cent of campaign funds raised (B. Harris, personal communication, February 24, 2014). However, with content outpacing the space for visibility, social media platforms like Facebook are changing their news feed algorithms. This means that it will get increasingly difficult for organic posts to surface, or surface long enough to be noticed, read and acted upon (Delo, 2013).

Roughly 60 per cent of crowdfunding campaigns do not meet their target. Many of these are not executed well—meaning they fail to follow best practices and benchmarks, and/or offer nothing different or new to the ecosystem of ideas. Having said that, with the right ingredients, opportunities for success are abundant and go beyond dollars raised. Big value comes from generating buzz, awareness, and growing a loyal tribe. In particular for entrepreneurs, product validation, pre-orders
and an accessible, attentive customer base can lead to investment opportunities beyond the crowdfunding level.

**Costs**
The investment in a crowdfunding campaign goes beyond the platform costs for all the afore mentioned reasons. Crowdfunding is an important tool in an overall marketing campaign. Successful execution requires time, a dedicated team, commitment and steadfast leadership. From a monetary perspective, a campaign may cost up to 30 per cent of funds raised. This includes around 20 per cent for the integrated marketing campaign, legal and accounting fees and rewards costs, and up to 10 per cent platform fees. Campaigns with teams are usually more successful—at least one full-time campaign lead is required in addition to several part-time support personnel with different expertise to round-out the skill sets and reach on the campaign team. The timeframe for campaigns varies, but forty days or less seems to be most successful for campaigns on Indiegogo.

In addition to the actual campaign run-time, which requires consistent engagement and updates, there is a pre-crowd phase with some teams planning up to six months in advance in order to get ready with their strategy, marketing materials, pitch, video and rewards. A wrap up phase follows that includes shipping of rewards, thank you communications, follow ups and project progress reports. Many continue interacting with their newly engaged crowd long after the campaign has finished, cultivating relationships for the long-term. For equity-based crowdfunding, there is another layer of necessary preparation from a fiduciary, accounting and disclosure perspective, the scope of which is beyond the introductory discussion of this study.

**Tax and Fiduciary Considerations**
It is important to understand fully the tax and fiduciary duties for campaign scenarios and individual campaigners’ chosen models. The specifics around these requirements, especially concerning the equity model, are beyond the scope of this report. As such, we advise conducting due diligence as well as consulting with lawyers, accountants and professionals in the crowdfunding space before launching a campaign. For example, any funds received to a reward-based crowdfunding campaign are considered revenue and taxed as such by the Canada Revenue Agency. Also, when providing rewards, it is necessary to sort out and plan for which perks fall under provincial tax regulations.
Organic Sector Application

A Discussion of Key Opportunities and Challenges

The National Crowdfunding Association of Canada (2014) explains that, “Crowdfunding is a model that was built for and is best suited to financing one-time projects rather than providing capital.” The World Bank Crowdfunding Report 2013 confirms this notion by stating that, “Crowdfunding enables early stage companies to raise specific amounts of money for either targeted projects or expansion” (Best et al., 2013). Both statements emphasize the suitability of crowdfunding for focused projects rather than long-term capital needs.

With this in mind, crowdfunding may be well suited for specific projects across the organic sector in Canada because organic initiatives are local and dependent on local market acceptance, challenging to fund solely through traditional mechanisms, and emotionally charged because they are considered important by Canadians. Organic appeals to Canadian values and beliefs, as it associates closely with a more sustainable ecological footprint, healthier and more nutritious food choices, and alternatives to genetically engineered products (Best et al., 2013; MacKinnon, 2013).

“Crowdfunding helps address both social and economic factors [...] Locally based campaigns build community and social cohesion, while the social feedback built into crowdfunding platforms improves transparency, communication and accountability from founders to investors” (Best et al., 2013).

While organic sector associations were considering the feasibility of crowdfunding in long-term funding scenarios, crowdfunding needs to be seen as an opportunity to enhance existing funding channels by supporting specific areas and projects—such as a focused advocacy or promotional campaign, a research study, or development of a product. In order to reach beyond the stakeholders within the sector, it is critically important that the project is easily understood, has a realistic and achievable goal and timeframe, appeals to an existing emotionally charged tribe, has a strong story (case for support) with relevant emotional appeal, and/or delivers a benefit to the individual supporter or community at large. A crowdfunding campaign for the maintenance of the organic standards for example, may as such not be ideal: Standards maintenance is expensive, requires a long-term funding strategy, and is a complex issue to explain—both from the perspective of how it is directly relevant to
the public (let alone explaining what its function is in the first place), and the political
discussion of why the government will no longer support it going forward.
Furthermore, with an issue not fully understood and challenging to explain among
industry and the public at large, it may send the wrong message and undermine the
credibility and integrity of the existing organic standards including the leadership
who oversees it.

To shift gears to the crowdfunding investing side and the SME community among the
sector, a project should demonstrate a sound business case with the required
supporting documentation in place, and it should follow regulatory requirements as
prescribed by the respective provincial securities commission.

Because it is so socially driven, with success largely determined by how well a
campaign can engage the crowd, crowdfunding has the potential to greatly enhance
the existing brand, marketing and advocacy strategy of the organic sector. However, it
should not itself be considered a strategic advocacy tool. Movement-making requires
collaboration and consistency across multiple organizations and integration across all
strategies and tactics, particularly in the face of complex problems—like those faced
by an emerging industry.

The organic sector associations across the country deal with similar industry
challenges and often work separately to address similar needs. This creates economic
inefficiencies (from a human resource and fund management perspective), and may
hamper the growth and potential for a unified, trusted Canada Organic brand. If
adopting a crowdfunding strategy, flogging to launch separate crowdfunding
campaigns across the country for similar projects without a unified national strategy
and key messages would not serve the sector. Crowdfunding presents opportunities
for inclusiveness—uniting the ethos of organics with the like-minded ethos of
community-building and engagement. As such, launching campaigns under one
unified brand and project strategy, pooling resources and skills, and doing so at times
and in places where the organic crowd is already gathered, such as during Organic
Week, could greatly enhance funding potential, grow trust and solidarity within the
sector, and further cultivate support from both industry and the tribe of organic
supporters.

In the case of a research project that may be relevant to organic supporters beyond
national boundaries, organic sector organizations collaborating internationally would
need to ensure that their chosen platform and model can support multiple geographic
regions and currencies, and that key messages, while tied to an overall strategy, are catered and relevant to each of the geographic regions participating.

For unique regional projects, the associations should not shy away from considering the launch of an independent campaign, as long as it fits within the existing funding strategy, and the investment of time and efforts spent on crowdfunding will clearly and significantly enhance the strategy overall and successfully meet the given project need. Registered charities, such as Canadian Organic Growers, have the opportunity to tap into peer-to-peer fundraising, which is a powerful way to crowdfund as it is done by third party supporters of the charity who will be backed by their family and friends for their efforts to raise funds for their chosen cause. It can significantly increase the funding pool for a given project; however, it is harder to turn those funders into long-term supporters of the charity as their motivation first and foremost is to support their friend or family member in most cases—the actual cause is usually the second motivator (Rovner, 2013).

Along with the significant opportunity that crowdfunding provides for growing brand awareness and a tribe of supporters comes the need to be fully prepared for transparency and disclosure. Being comfortable with handling public exposure and communication across various channels, especially social media, is key. Accessibility, accountability and professionalism must permeate all aspects of campaigns. This takes time and resources.

Equally important to ensure a successful campaign is its structural design. More successful fundraisers run a smaller campaign first, and then build on early momentum, before plunging head-on into a massively ambitious campaign that may not meet its objectives. Having said that, there are two schools of thought on this among crowdfunding experts: Some say to risk it all and go for the stretch goal right off the bat in order to stand out from the crowd and capture attention. Others say to build on success one step at a time to grow trust and a loyal following. For an emerging market such as the organic sector, the latter is the more resonant school of thought. There is no room to speculate on brand integrity in this environment. After all, success resonates across the brand and its marketing—but so does failure.

Because crowdfunding success is heavily tied to a strong story, usually represented by a protagonist, many organizational campaigns will fail because they present the organization as a whole. (Admittedly, it is often difficult to find an appropriate and willing face for the organization.) Audiences in that case do not feel as close a
connection to the people behind the project—and people like to support people. The organic sector associations could mitigate this challenge by finding ambassadors among the stakeholders within the industry and adjacent to it, matching their faces and stories to specific issues. Compelling stories and vignettes from the crowd often drive successful participation of the crowd.

**Recommendations**

**The Right Model at the Right Time**

The organic sector’s need for funding is the paramount problem. Addressing it requires the right strategy—meaning the right approach for the context. It is important to keep in mind that crowdfunding is not a ‘silver bullet’; it is not and never will be a solution to every funding challenge. The appropriate strategies address the ‘cause,’ not the ‘symptom.’ Without knowing the specific need and root cause of a problem, no strategist can determine if a remedy is truly appropriate.

It might be useful for associations to conduct a critical review of their current funding strategies and determine if and why they may or may not be working. Is the overarching nation-wide system broken or not effectively managed? Is the internal system broken or not effectively managed? Are existing channels and networks of internal systems fully leveraged? If yes, are the funds effectively managed? If no, should industry be contributing additional funding to associations’ core and/or specific projects? If so, which would be appropriate? If no, how can the membership value be increased to justify higher dues for example? What other options are there? What truly makes an effective funding system now and in the future?

Once the challenge is clear, and the overall strategy set, then it can be assessed how crowdfunding might support it in the short-term for project specific funding needs—it would not be a good candidate for long-term core funding for the key reasons discussed earlier: best for focused projects with specific timeframes, a simple, clear message, and an engaging story, to recap a few.

**Best Models for the Organic Sector**

The suitability of crowdfunding depends on the specific area or initiative requiring funds and the fit with the overall fundraising and marketing strategy. If it is a fit,
which model to choose depends on the specific project and the overall value proposition: Does the project provide a financial return, an economic or community impact (a social return), or an altruistic, feel good return? What is best for the project and what does the target community want and need?

For associations and research institutions, equity-based crowdfunding clearly has no place as there are no shares to distribute. However, both donation-based and reward-based (or a blend) may be viable options. An advocacy campaign that lobbies the government on behalf of industry on an issue that is a concern for and important to the general public, such as GMO, could very well work on a donation-based model—as long as it can simply and clearly demonstrate the issue, the need and the resulting impact and benefit to the community.

For SMEs across the sector, equity is an emerging opportunity as legislation catches up to crowdfunding sector trends and demand. Investors were traditionally staying away from crowdfunding, but now that a monetary stake is potentially involved, the landscape is shifting. The reward-based model is appropriate for start-ups and early stage businesses for proof of concept, early idea validation and customer pre-orders—new organic products such as cosmetics or packaged foods would be ideal. Raises up to $250,000 are realizable but typically, they are in the $5,000 to $50,000 range. Once the business has become a growth stage venture with a capital ask requirement of $250,000 or more for a specific project or expansion, it may become a candidate for the equity model. Agriculture and agriculture technology may be seeing good potential in this model soon, with U.S.-based Agfunder.com recently starting up to support the most promising Ag and AgTech startups looking to raise investment capital from accredited investors. It will be only a matter of time before an agriculture-specific crowdfunding platform will set up shop in Canada (O. Jofre, personal communication, February 25, 2014).

**To Build or not to Build?**

The earlier discussion of sector associations’ potential collaborations gives rise to the notion of creating a Canada Organic brand crowdfunding platform from which the campaigns can run and support part of a larger brand and marketing campaign. Given the crowdfunding industry’s fast-paced technological advances and the brand equity power of the entrenched platforms, let alone the funds and technical expertise required to pull it off, it would not make sense for organic sector associations to build their crowdfunding platform from scratch. Rather, the sector might consider white
label (e.g. Katipult) and WordPress themes (e.g. Fundify, ignitiondeck), and social fundraising plug-in options for websites and social media (e.g. FundRazr). In choosing a partner, considerations should be given to the cost structure, flexibility of terms, social integration tools and services, innovation, and ability to reach and serve the sector’s target audiences. If the sector organizations were to collaborate on the development of an umbrella crowdfunding platform, they might consider to not only run their own campaigns, but to also offer the platform as a value-add service to its industry members. In such an instance, revenue-share opportunities with a platform supplier would be worthwhile to look into.

Best Practices

Criteria for Success

13 key ingredients (reward and donation models)

✓ Know and apply the ‘golden rule’: a successful campaign has 20 to 30 per cent committed at launch—from family, friends or close network. Only once the crowd sees a well-backed, engaged campaign, might it start to pay attention.

✓ The protagonist and the heart of storytelling: The most effective campaigns are tied to a great story and ideally a person—people first invest in people and shared experiences.

✓ Consistent, determined leadership and strong spokespeople drive successful campaigns.

✓ Establish a campaign team—more people means more skills and reach. Campaigns with teams raise on average 339 per cent more (B. Harris, personal communication, February 24, 2014).

✓ Know and target your audience!

✓ Know and share the W5: who, what, when, where, why and how in both the video and the pitch—transparency is key.

✓ Plan the campaign as part of an integrated marketing strategy and place the same level of emphasis and effort on each component, as it is the sum that will
make a successful campaign (e.g. 20 per cent from email outreach, 22 per cent from social media).

✓ Be excited about and actively engaged on social media—it is a main driver of crowdfunding activity.

✓ Communicate and provide updates consistently and proactively throughout the campaign as campaigns with updates raise on average 286 per cent more funds (B. Harris, personal communication, February 24, 2014). Continue communicating once the campaign is over. Thank everyone and provide progress reports—build relationships for the long-term.

✓ Have a pitch video and paint a visual picture through photo and video—images are 10-times more engaging than words. Campaigns with videos raise on average 370 per cent more - those with videos less than five minutes in length are 25 per cent more likely to reach their goal (B. Harris, personal communication, February 24, 2014).

✓ Have rewards and ensure the main rewards are tied to the project. Campaigns with perks raise on average 143 per cent more with 70 per cent of successful campaigns offering five to eight perks, $75 being the most popular price level (B. Harris, personal communication, February 24, 2014). Add one large, contextual perk (e.g. $1,000 level) to show relationship to smaller ones. Be prepared to go through with the promise as someone may just claim it.

✓ Establish a reasonable, realistic goal and timeframe. Chances are that a successful campaign will succeed its goal. In fact, 87 per cent of campaigns that reach their goal will exceed it. The ideal length for successful campaigns is between 21 and 45 days (B. Harris, personal communication, February 24, 2014).

✓ Celebrate successes with the campaign team (even if the goal wasn’t met), and debrief on winning elements and necessary improvements. Determine next steps and whether or not a follow up campaign is necessary.

**Pitfalls**

Many campaigns fail because they do not follow all of the above best practices. They are critical and should not be taken lightly. If engaging in a crowdfunding campaign, commitment to the best practices is key for success.
Exemplars

Successful Crowdfunding Campaign Examples
Following are brief highlights of successful campaigns across the reward, donation and equity models that may be of relevance to the organic sector’s needs and goals:

Reward-based (facilities and services)
The Real Food CREATIONS campaign on Indiegogo ran from April 13, 2013 to June 14, 2013 with a fundraising target of $20,000 and actual funds raised of $24,720. The ask was for the “expansion of their kitchen capabilities to make New Brunswick grown prepared foods more accessible to schools, restaurants and other retailers.” Real Food Connections is a Fredericton, NB based grocery company that represents 140 local food producers through their retail location and online store including natural and organic produce and products. Founder and owner, Levi Lawrence, led the campaign with a team of supporters, using it as a tactic in an overall integrated marketing strategy for the company. This is an example of a campaign that applied all best practices such as strong protagonist and video pitch, focused project, clear communication, project related rewards, leveraging existing tribe, and creating community impact to name a few.

http://www.indiegogo.com/projects/real-food-creations

Donation-based (legal battle, justice, policy shift)
The Farmed and Dangerous? campaign by Montana Jones has been running on gofundme.com, and to date, has raised $90,795 out of a $100,000 goal. Montana is a farmer, shepherd and writer who is fighting a legal battle with the Canadian Food Inspection Agency over the killing of her ewes to determine their health status. According to Montana, they were healthy. This is a solid example of an emotionally charged story with a strong, authentic protagonist fighting for her rights and survival. A whopping 53,000 supporters shared her funding page across social media channels.

http://www.gofundme.com/FarmedAndDangerous
**Equity-based (product expansion)**

WAFU Inc. raised approximately $230,000 for expansion, in an equity crowdfunding campaign on CircleUp, a leading equity platform for consumer goods in the U.S.A. in June 2013. This was the first Canadian equity crowdfunding from accredited investors in the United States. WAFU is a private Montreal-based company developing “healthy, great-tasting Japanese-style foods to the kitchens of the west.” The company’s distribution reaches into the United States, which was an important factor in the success of the campaign.

[http://www.prweb.com/releases/2013/6/prweb10814047.htm](http://www.prweb.com/releases/2013/6/prweb10814047.htm)

**Collaborative campaign**

Whole Kids Foundation (nonprofit arm of Whole Foods) and PACT, an organic cotton clothing company, partnered with Indiegogo to help grow 100 urban gardens across the United States. Over 60 campaigns were launched under one banner raising over $100,000 to make it happen. This is an excellent example of a collaborative campaign unifying under one brand in the name of community impact. Resources and tools were provided and shared with each of the community leaders and their teams to effectively manage key messages and available funds, and ultimately grow the awareness of the initiative across the country. The campaign video with the kids interviews is priceless and a highly effective way to demonstrate relevance while making an emotional connection with the audience.

[http://www.indiegogo.com/partners/grdn](http://www.indiegogo.com/partners/grdn)

**Sector crowdfunding**

The “Crowdfunding Opportunities in Climate and Clean Energy Innovation” from the World Bank Crowdfunding Report (Best et al., 2013, p. 73), represents an interesting example of another sector—climate and clean energy—looking at the feasibility and potential of crowdfunding. It examined specifically how infoDev’s Kenya Climate Innovation Center, an accelerator program, might enable climate innovation projects and businesses in its region using crowdfunding. “The development of innovative models to fund companies is a core component of infoDev’s Climate Innovation Centers (CICs)” (Best et al., 2013). This discussion differs from that of the organic sector associations’ in that the CICs are currently funded by international government entities and as such, the study is more so focused at how crowdfunding applies to and provides value for the industry stakeholders, versus how crowdfunding might
support the CICs themselves. In fact, the discussion looks at how crowdfunding can be considered a value-add service for the members of the CICs accelerator program and how the CICs can play a trusted broker role in that relationship. Having said that, there is a side mention on how crowdfunding may also provide a return on investment for CICs to fund long-term operations (p. 79). One notion would be for the CICs to become crowdfunding investors in a portfolio of their sector companies, providing potential returns for their operations in the long-term (p. 80).


Crowdsourcing for scientific research
The Woods Hole Oceanographic Institution's crowdsourcing initiative is an interesting example of an organization asking the crowd to step up and take charge of a critical initiative on an issue of concern to citizens that has no or not enough government funding support (CBC, 2014). The objective is to monitor the arrival of radioactive water from Fukushima along the West Coast. However, the institution does not have enough seawater samples from up and down the West Coast of North America, as it is expensive to collect and analyze. As such, the Center for Marine and Environmental Radiation established a central crowdsourcing hub for information, updates, and support at http://ourradioactiveocean.org/. Concerned citizens can give both in time and/or a monetary donation. The task is to enlist citizens to crowdfund for a sampling kit ($550-$600) that they can then use to collect seawater samples. The organization provides willing volunteers with a fundraising page that they can use to solicit the support from their friends and family in return for their efforts towards this cause.

http://ourradioactiveocean.org/

See Appendix A for more successful campaigns of interest.
Conclusion

Canada Organic appeals to the values and beliefs of Canadians who are driven by healthier, more sustainable choices; there is a ‘locally relevant’ aspect to many initiatives, which also require local market acceptance; and there is clearly a need for additional funding mechanisms to support the sector’s growth and success. Crowdfunding presents significant opportunities to industry stakeholders and sector associations, but only insofar as campaigns are launched for a specific project and timeframe, within the context of a broader plan, respect audiences’ needs for simplicity and rewards, and consider collaboration on key nationwide initiatives whenever applicable.

The importance of proper campaign planning, management and leadership before, during and to close campaigns cannot be overemphasized. The resource requirements for crowdfunding are significant, especially in personnel time, and efforts cannot drop off after launch—in fact, the most successful campaigns are carried beyond the wrap-up of the campaign. During the post-campaign period, new relationships are nurtured for the long-term. Clear benchmarks illustrate best practices, and with increasing competition, creativity and innovation, the sector will find it essential to truly stand out and add something new and relevant to the crowdfunding ecosystem.

For sector associations, it is an opportune time to examine existing funding models to determine what makes a solid, sustainable system now and in the future, and what specific role crowdfunding will play in supporting that system. A national framework of umbrella strategies for the sector and guidance for effective use of crowdfunding must be considered in the context of existing fundamentals: Traditional fundraising, marketing and communications approaches are not being supplanted by crowdfunding. Rather, crowdfunding presents a complementary new range of opportunities. Collaborative and cooperative approaches that unify the sector will better support sector growth, development and success. Crowdfunding may add one important tool in helping not only to raise additional project funds, but also to support the growth and awareness of organic and its tribe of supporters as a whole.
About Junxion Strategy
This guide was prepared by Junxion Strategy, March 2014. With offices in Vancouver, London and Delhi, Junxion exists to catalyse social and environmental progress. The company’s international, inter-disciplinary team has spent nearly twenty years supporting mission-minded founders, pioneers of corporate social responsibility and sustainability, non-profit executives, and philanthropists.

To learn more about Junxion and to draw on their team’s expertise, visit Junxion.com or call 604-681-8308 or 1-888-681-8308.
Appendix A

Additional Campaigns of Interest

Canadian Food Space Campaigns on Indiegogo
Pasture Raised Meat on PEI
http://www.indiegogo.com/projects/pasture-raised-meat-on-pei
Help translate Le jardinière-maraîcher
Bestie Sausages

Other Food Campaigns of Interest
Good Spread
Perfect Fuel Chocolate
Open Food
Kuli Kuli
Emmy’s Organics
Interesting Campaigns by Organizations with Complex Issue
Data Rescue campaign for Caledon Institute of Social Policy
https://www.giveffect.org/campaigns/159-data-rescue
Stop FIPA
https://fundrazr.com/campaigns/5RWS1/ab/5CCCd
Wikileaks Legal Expenses
https://fundrazr.com/campaigns/8Xdq3/ab/5CCCd
Appendix B

Resources

How-to Guides

Indiegogo Field Guide for Campaign Owners
http://landing.indiegogo.com/iggfieldguide/

Kickstarter School
https://www.kickstarter.com/help/school

The Crowdfunding Bible
http://www.crowdfundingguides.com/

http://www.portal4crowding.com/ebook.php

Associations, Directories and News

National Crowdfunding Association of Canada
http://ncfacanada.org

Canadian Crowdfunding Directory
http://ncfacanada.org/canadian-crowdfunding-directory/

Crowdsourcing.org – The Industry Website
http://www.crowdsourcing.org/

Crowdsourcing.org Directory
http://www.crowdsourcing.org/directory

National Crowdfunding Association (USA)
http://www.nlcfa.org

CrowdFundBeat
http://www.crowdfundbeat.ca/
http://crowdfundbeat.com/
Consultants and Mentors

Canadian Crowdfunding Ambassador Program
http://ncfacanada.org/crowdfunding-ambassadors-program

Junxion Strategy
http://junxion.com

BluBow
http://blubow.com

Ian MacKenzie
http://ianmack.com

White Label and Plug-In Platforms

JOI Media: Katipult Crowdfunding Platform for Enterprises
http://joimedia.com/

WordPress Themes
http://ignitiondeck.com/id/
http://astoundify.com/fundify.html

FundRazr Plug & Play
http://poweredby.fundrazr.com/

Crowdfunding Investing Tools

BoardSuite - board and investor relationship management
http://boardsuitecorp.com

Integrated marketing, management and business platform
http://apicista.communityleader.com/

Pre-screening and planning tools
http://www.crowdfundingroadmap.com/
References


