

Business English News 31 – Crowdfunding

Discussion Questions

1. Have you ever donated to a crowdfunded project through sites like Kickstarter?
2. What do you see as the risks and rewards of this approach?
3. What kinds of projects do you feel are best suited for crowdfunding? Why?

Transcript

Crowdfunding, the idea of **gathering** lots of small contributions from individuals to finance a company or a project, is one of the latest **buzzwords** to hit the business world. Born as a result of the economic crisis where access to financing from **traditional sources** is increasingly difficult, crowdfunding is another **avenue** to secure funds for **entrepreneurial** ventures; as This is Money explains:

Until recently, financing a business involved asking a few people for big **sums** of money. Crowdfunding is **turning this idea on its head**, using the Internet to help **entrepreneurs** talk to thousands – if not millions – of potential funders who each contribute a small amount.

While **platforms** like Kickstarter and Indiegogo have become a popular way for small companies and **startups** to show **proof of concept** and raise money for their ideas, the crowdfunding model has been around for more than a century, as Crowdsourcing.org notes:

In reality, crowdfunding **dates back to** 1885 when Joseph Pulitzer launched a campaign in the newspaper, The New York World, to raise funds to build a base for the Statue of Liberty. By collecting **mere pocket change** from various individuals from **all walks of life**, they were able to fund the project with the support of the masses.

Although there are different forms, the rewards-based system is the most common type of crowdfunding. This is where individuals donate towards a specific project with the **expectation** of receiving a **tangible** but non-financial reward or product at a later date. As Forbes points out:

Kickstarter is basically a **donation model**, where **wannabe** entrepreneurs submit their **bright ideas** on the website and **solicit** funding from the public, usually in exchange for

some small **goodie**, like a free copy of whatever the product to be produced is, but the contributors do not receive any **equity** or **ownership** in the project.

Crowdfunding has taken off in recent years due in part to the **reluctance** of financial institutions to give money to small medium enterprises, or **SMEs**. **Inevitably**, this has created a number of alternatives for businesses to raise cash, and banks are no longer **the only game in town** as Business News Daily explains:

Crowdfunding will go **mainstream**. In years past, crowdfunding as a means of financing a business was a **novelty**, a rare exception to the traditional methods of bank loans, **venture capital** and borrowing money. Today, announcing your crowdfunding campaign is just as common as any of these other options, **if not more so**.

While crowdfunding has **revolutionized** business funding, the model still has limits as it fails to recognize that entrepreneurs and startups need more than just **cold hard cash** to succeed. Entrepreneur magazine had this to say:

Of course there are **downsides** to crowdfunding, such as putting an idea **out there** that can be easily stolen or having **backers** that offer money only while not giving you either the **network** you need, **sound** business **advice**, or a **second round** of funding.

While crowdfunding may bring some new products to the **public eye**, like every investment, **there's no such thing as a sure thing**. In a **stark warning**, the UK's Financial Conduct Authority says there's a strong chance that an **unsavvy** investor risks **losing their shirt**:

"We **regard** investment-based crowdfunding to be a high-risk investment activity. It is very likely that you will lose all your money. Most investments are in **shares** or **debt securities** in startup companies and will result in a 100% loss of **capital** as most startup businesses fail."

With more than \$65 billion added to the global economy in 2014, more crowdfunding projects are **a given** in 2015. Whether it's the UK's £3 billion mission that will send human **DNA** to the moon, or the Coolest Cooler, which raised \$13.2 million, crowdfunding is now a **viable alternative** for those seeking the financial support to help get their product **off the ground**. As Geekwire concludes:

Crowdfunding may have entered the **mainstream consciousness**, but platforms can have much larger applications than just **bankrolling** the latest iPad accessory or album from an **up-and-coming** artist. Wherever there is a **gap** in traditional financing options, a crowdfunding model will attempt to **fill the void**.

Vocabulary

Crowdfunding: The act of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet.

To gather: To collect or amass; "It's not easy, but I'm trying to gather the courage to ask my boss for a raise."

Buzzword: A word or phrase that is fashionable at a particular time or in a particular context; "The latest buzzword in international travel is 'ecotourism'."

Traditional sources: Conventional methods or processes; "Banks and venture capitalists are traditional sources for raising money to start a new business."

Avenue: Possibility or option; "We have 3 potential avenues to cut costs for next year."

Entrepreneurial: Enterprising or capitalistic; "His entrepreneurial attitude has helped him grow his business by more than 400% in the last year."

Sum: Amount, total, or quantity; "The sums involved are significant when you consider that we can't account for nearly €100,000."

To turn an idea on its head: To completely change or do something in the opposite way.

Entrepreneur: A person who organizes and manages any enterprise, especially a business, usually with considerable initiative and risk.

Platform: Website or space to express particular views or initiate action; "The goal of the conference is to provide a platform for the discussion of communication issues in multinational corporations."

Startup: A business or activity that has recently started.

Proof of concept: Evidence proving that an idea, invention, or business model is possible.

To date back to: To be made or started at a particular time in the past; "A huge collection of artifacts dating back to the early 1400s can be found in the museum."

Mere: Simply, only, a small amount; "I earn a mere \$5 an hour; it's not enough to cover all of my expenses!"

Pocket change: A small or unimportant amount of money; coins that you carry in your pocket.

All walks of life: Every type of person, occupation, profession, or social class; "People from all walks of life donated to the charity."

Expectation: The belief that something will happen; "Contrary to his expectations, he was able to find an affordable office in the center of city."

Tangible: Something that can be physically seen or touched; "Although Carlo had a good business plan, the bank wouldn't give him a loan because he lacked tangible assets."

Donation model: A business plan where money or goods are given by other people/investors.

Wannabe: A person who wants to be famous or successful; "Tony Blair said wannabe MPs should get a job in the "real world" before entering politics."

Bright idea: Clever, intelligent, or creative plan (sometimes sarcastic); "Reiko had the bright idea to use our current employees as trainers for the rest of the staff; it could save us thousands of dollars on consultants."

To solicit: To ask for, request, or try to obtain (something) from someone; "I've called this meeting to solicit your thoughts on the medium-term business plan."

Goodie: Something that is particularly attractive, nice, or desirable; "Our company gave chocolate goodies to all of the staff after the deal was finalized."

Equity: Shares in a company or a percentage of a company's stock.

Ownership: The legal possession of something that is usually big or valuable; "Home ownership rates in Germany are surprisingly low; nearly 60% of people prefer to rent."

Reluctance: Unwillingness or hesitancy; "Barb's reluctance to accept the first offer was a great decision; they made much more money after further negotiations."

SMEs: Small and medium-sized enterprises (SMEs) are enterprises which employ fewer than 250 persons.

Inevitably: Certainty of happening or occurring; "We must inevitably make some sacrifices if we are going to save money."

The only game in town: The only option or choice; "Out here, this bank is the only game in town when it comes to financial services."

To go mainstream: To become the current thought or trend of the majority; "As its popularity increases, we may finally see Bitcoin go mainstream in 2015."

Novelty: Being unique, fresh, or new; "The novelty of having a famous boss quickly wore off once we realized how difficult he was to work for."

Venture capital: Money that is used to start a new business.

If not more so: Having more than the previous; "Chinese is as difficult to learn as English, if not more so."

To revolutionize: To significantly transform, modernize, or update; "Smartphones have revolutionized how the world communicates with each other."

Cold hard cash: Physical money as opposed to credit or checks.

Downside: A negative aspect of something that is generally positive; "The downside to being an ESL teacher is that they generally live very far away from their families."

To put something out there: To make an idea or product freely available to other's; "By putting this app out there for everyone to use, we hope to collect enough information to improve the connection times of our transit system."

Backer: Supporter, sponsor, or promoter; "Having a celebrity like Clooney as a backer for our coffee company will make a huge difference in our marketing abilities."

Network: Personal/business connections and contacts; "Lucy has a fantastic network of people to help her with every imaginable aspect of her home business; investors, sales people, tech support, you name it!"

Sound advice: A suggestion that is practical, honest, helpful, and can yield the desired result; "Saving 10% of every paycheck is extremely sound advice for those just entering the job market."

Round: A regularly recurring activity; "After passing the 3rd round of interviews, Dean was excited at the idea of starting an exciting new career in finance."

Public eye: Publicly visible or known to all people; "As the mayor of a small town, Bill made it a practice to get into the public eye as much as possible."

There's no such thing as a sure thing: Nothing is certain or guaranteed.

Stark warning: Severe, strong, or direct; "Kaeryn gave a stark warning to her entire team; 100% participation from every person or you'll be replaced immediately."

Unsavvy: Inexperienced or untrained; "The purpose of Pierce's online course was to provide training for the unsavvy new members in our company."

To lose one's shirt: To lose a lot (or all) of one's resources (usually money).

To regard: To think of or consider as; "Carol regards the sale of her bar as one of the best, and wisest, of her long career."

Share: One of the equal parts into which a company's capital is divided, entitling the holder to a portion of the profits; "Poor Greg... When he sold his shares in Apple they were only a few dollars each; he had no idea their value would increase so much!"

Debt security: Interest-paying bonds, notes, bills, or money market instruments issued by governments or corporations.

Capital: Money that is used to generate income or make an investment; "By raising capital for our online gaming company, we plan to triple the number of customer service representatives working in our offices."

A given: Something that is certain or inevitable; "It's a given that the team was in shock after Sara's sudden departure, but they all wish her the best in her new role with the embassy."

DNA: A person's genetic makeup; "Dominic is such a great coach, I often wonder if he has leadership qualities in his DNA."

Viable alternative: A practical, possible, or worthwhile option/choice; "The only viable alternative to a full contract is multiple temporary (short-term) projects; but it's not a good way to build a future!"

Financial support: Financial resources provided to make a project possible.

To get something off the ground: Under way or in progress, as if in flight; "Due to legal difficulties, the construction projects in Southern Italy never got off the ground."

Mainstream consciousness: The current or generally accepted thoughts and feelings of an individual or group of people.

To bankroll: To support financially, to fund; "Bobby's idea was to bankroll a company that exports lumber throughout the continent."

Up-and-coming: Showing signs of advancement and ambitious development; "Among his colleagues, he's considered an up-and-coming employee, and will probably get a management position soon."

Gap: A space, difference, or disparity; "The gap between what their company was offering and what I felt I deserve to make was too great for me to consider working for them."

To fill a void: To replace or provide something necessary; "The only way to fill the void of being away during the holidays is to study hard and try to keep as busy as possible."

Language Review

A. Collocations

Make collocations from this lesson by matching words from each column below.

1. Public	a. Security	
2. Viable	b. Back	
3. Debt	c. Eye	
4. Venture	d. Model	
5. Sound	e. Alternative	
6. Donation	f. Idea	
7. Date	g. Advice	
8. Bright	h. Capital	

B. Review Quiz

1. The idea of crowdfunding is closely related to which recent social phenomenon?
 - a. Crowd mentality
 - b. Crowdsourcing
 - c. Grey market
 - d. Crowdsurfing
2. "Our sales manager _____ everyone in the conference room and told us that if we don't meet our targets we could be fired."
 - a. Solicited
 - b. Regarded
 - c. Bankrolled
 - d. Gathered
3. "Traveling overseas twice a month for work was a good idea at first, but the _____ quickly wore off."
 - a. Buzzword
 - b. Wannabe
 - c. Novelty
 - d. Gap
4. "At the time of their invention, color televisions were a _____ product."
 - a. Revolutionized
 - b. Revolutionary
 - c. Revolution
 - d. Revolutionizing

5. "I know you spoke to the hiring manager at a party, but it's far from _____ that you'll get the job."
- A sure thing
 - A given
 - Inevitable
 - All of the above
6. "In order to grow a startup into an SME, _____ must have a solid understating of the market conditions."
- Entrepreneurs
 - Entrepreneurial
 - Entrepreneurship
 - Entrepreneur
7. Which of the following best expresses the idea that company is having difficulty bringing their product to the market?
- They're in the public eye.
 - They're losing their shirts.
 - They can't get it off the ground.
 - They're the only game in town.
8. "You only need 3 things to start a company; a(n) _____ business plan, some _____, and a lot of courage."
- Unsavvy/venture capital
 - Sound/cold hard cash
 - Alternative/proof of concept
 - Mainstream/networks
9. "Our server crash was a problem for the accounting department, but even _____ the IT guys who had to solve the problem!"
- More so for
 - Less so for
 - Not so much for
 - Much more
10. "I'm _____ to give him the promotion due to his lack of experience running a team."
- Unreluctantly
 - Reluctance
 - Reluctantly
 - Reluctant

Answers

A. Collocations

1. Public Eye
2. Viable Alternative
3. Debt Security
4. Venture Capital
5. Sound Advice
6. Donation Model
7. Date Back to
8. Bright Idea

Answers: 1/c, 2/e, 3/a, 4/h, 5/g, 6/d, 7/b, 8/f

B. Review Quiz

1/b, 2/d, 3/c, 4/b, 5/d, 6/a, 7/c, 8/b, 9/a, 10/d

Online Practice

Click the "Launch" button to open the **online practice:**

Launch Quiz