Cinetics: Beyond Crowdfunding?

Teaching Case

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Abstract

This case examines the opportunities, benefits, and risks associated with online crowdfunding, which allows entrepreneurs to finance the development of new products and build a community of customers. The case describes how the founder of a startup company came up with the entrepreneurial idea and leveraged Kickstarter to establish and grow his company. The case elaborates how crowdfunding facilitates a firm's initial development, creates visibility, spread word of mouth, and drives initial sales. Students are expected to identify the roles of lead users, community involvement, and stretch goals in crowdfunding as a paradigm of open innovation. The case also poses an intriguing dilemma about how a crowdfunded company should move forward and grow big with alternative funding options. The case is mainly designed for use in masters' level or upper division undergraduate class on Digital Business, Open Innovation, Strategic IT management, and Digital Innovation.

Keywords: Crowdfunding, open innovation, lead users, entrepreneurship, digital innovation, Kickstarter

Introduction

Since 2011, Cinetics had successfully launched three products, CineSkates, CineMoco, and Axis360, and raised more than $1 million on Kickstarter crowdfunding platform. The company now had seven full-time employees. In January 2015 Justin Jensen, the founder and CEO of Cinetics, had some breathing room to think about his long-term plan for growing his company. “Should we continue to rely on launching products with Kickstarter’s rewards-based crowdfunding? Should we embrace other channels for funding and product launches?”

Kickstarter had been a good option for Cinetics because the company’s products targeted a small specialized market. Founded in 2009, Kickstarter had gained a reputation for being a leading rewards-based crowdfunding platform for creative products, especially in the technology and product design categories. Rewards-based crowdfunding did not allow backers to invest in the creators’ projects for financial gains or for a stake in the company. Kickstarter acted as a platform to showcase creative ideas and projects and to entice interested groups of individuals to invest money in return for tangible rewards.

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such as the first version of the product. Entrepreneurs chose a deadline and minimum funding goal. Kickstarter adopted an “all or nothing” mechanism. If a funding goal was not reached by the predetermined deadline, funds were not collected. If the funding target was reached, Kickstarter charged 5% of the amount raised as a loyalty fee and Amazon charged an additional 3% to 5% transaction fee for collecting the money from funders.

Crowdfunding platforms such as Kickstarter made it possible for entrepreneurs to solicit capital from the public to support entrepreneurial ventures. Companies could target potential customers who shared similar interests. The opportunity to engage with these customers through blogs, Twitter, Facebook, or other social media provided means to build a community around the crowdfunding project. Crowdfunding enabled a company to gain insights into customers’ thought processes. Some entrepreneurs also used crowdfunding to obtain feedback and ideas for product improvements and assess the potential of an idea before undertaking large-scale production. Exhibit 1 describes the typical crowdfunding process.

For Cinetics, crowdfunding had gone beyond an effective fundraising mechanism. Kickstarter provided an important channel for leveraging lead users in product co-creation. However, crowdfunding was not without risks. The three crowdfunding campaigns of Cinetics were not equally successful. Moreover, there were concerns whether the crowdfunding market had become too crowded, with thousands of new projects launched every day. The amount of capital raised could be very unpredictable. The percentage of projects that got funded had been declining.²

Exhibit 1: Crowdfunding Process

Starting Cinetics in 2011

Digital camera technology had improved dramatically since Jensen’s undergraduate engineering student days at the University of Texas at Austin. Yet, capturing cinematic quality footage with ordinary equipment was still very difficult and expensive. In early 2011, while pursuing his MBA degree at the Sloan School of Management at MIT, Jensen worked on a film project for a sports conference. The camera equipment he wanted to use to capture the actions and movements on the ground was out of his budget. Hand-held video shooting produced wobbly and poor-quality film. Jensen developed a simple technique to secure a moving camera: a configurable tripod with wheels that enabled him to shoot smooth panning shots. The sliding and rolling the tripod allowed much more stable footage than could be captured with a standard hand-held camera. Thus Cinetics was born.

Cinetics’s first product, later called CineSkates (Exhibit 2), gave amateur videographers the capability to create captivating cinematic footage of the same or even higher quality videos than they could achieve

² http://www.kickstarter.com/help/stats?ref=footer
with the far more expensive professional equipment. Potential buyers included amateur photographers, wedding videographers, small music video producers, and documentary film producers. CineSkates was designed with future expandability in mind.

Exhibit 2: Cinetics’ First Major Product - CineSkates

While Jensen had clarity on the product and its target market, he was less certain how to finance the product launch and get the target market to take notice. Traditional funding mechanisms offered a steady stream of capital, but they also required a proven record of performance, as well as a willingness to forfeit both a share of the new venture and cede some control over the future of the company. Jensen felt that many traditional investors (including early stage investors) would not be familiar with the intricacies of photography and videography. Jensen consulted with a friend who had launched a successful crowdfunding campaign on Kickstarter. Jensen hoped to quickly raise funds from targeted audiences while soliciting input from lead users and lead adopters for his first product, CineSkates. 3

Launching Cinetics’ First Kickstarter Campaign 4

A successful crowdfunding campaign was built on three key capabilities: storytelling, an engaging reward structure, and social network reach. The first step in launching a Kickstarter campaign was to develop a 3-minute project description video to capture audiences’ attention and entice them to contribute to the project. The description video for CineSkates highlighted both the product and Jensen’s passion. Prototypes of the product and drafts of the promotional video went through countless iterations and modifications with feedback from mentors that included professors Jensen had studied with. A mentor advised Jensen to show shots made with and without CineSkates. The differences, vividly apparent in the video, exemplified how to convert a message about a complex technical product into simple “language” and bring to life the potential applications that would appeal to backers.

Setting the funding goal and a menu of rewards to compensate backers’ contributions was also a challenge. According to Jensen, “If you don’t hit your goal, you get nothing, so you don’t want to set it too high. If you set it too low, you may lose backers that want to help get the product to the funding goal. On the other hand, a successful project may draw more backers since they can see that so many others see value in it. So the goal needs to be both attainable and surpassable.”

Unsure about how much people might be willing to pay for CineSkates, the Cinetics team conducted a marketing survey, which produced surprising results: People were willing to pay a lot more than anticipated. The survey also helped identify product features that customers found valuable. The Cinetics team also researched competing product offerings, striving to ensure that CineSkates was unique and desirable.

Before the Kickstarter campaign went live, Jensen clarified his strategy to his team. “Our priorities are threefold,” he said. “First, focus on the core business; second, build credibility around product and

4 http://www.kickstarter.com/projects/jj1/CineSkates-camera-sliders
company; and third, develop a network of core backers that help expand the business. Our focus is on the long term—building a business, not just building a Kickstarter campaign.”

On the first day of the Kickstarter campaign, Jensen was anxious. The first couple of backers were friends; this only made him more nervous. Then, just a few minutes into the campaign, a journalist at TechCrunch.com wrote an article about the product and the campaign.5 The article generated a sudden spike of interest, which continued to snowball during the funding cycle. Cinetics reached its funding target of $20,000 on Day One. By the end of the funding cycle, the campaign had attracted 2,019 backers and raised a total of $486,518 (Exhibit 3). “Once we flew past the Kickstarter goal on the first day, things progressed incredibly quickly,” recalled Allison Jensen, Cinetics’ Communications Director (and Jensen’s wife). “It was amazing to see so much interest, both from beginning filmmakers and professional cinematographers.” To gain further attention, Jensen sought out local media coverage.6

![Exhibit 3 Funding Performance – CineSkates Fall 2011](image)

**Funding Performance by Pledge Levels**

<table>
<thead>
<tr>
<th>Pledge Level</th>
<th>Reward</th>
<th>Number of Backers</th>
</tr>
</thead>
<tbody>
<tr>
<td>$325 or more</td>
<td>First 100 CineSkates Systems sent out by September 14th</td>
<td>100</td>
</tr>
<tr>
<td>$275 or more</td>
<td>CineSkates System for iPhone 4 &amp; iPhone 4S!</td>
<td>184</td>
</tr>
<tr>
<td>$275 or more</td>
<td>One complete CineSkates System</td>
<td>1144</td>
</tr>
<tr>
<td>$150 or more</td>
<td>One set of CineSkates</td>
<td>442</td>
</tr>
<tr>
<td>Others</td>
<td>Others</td>
<td>149</td>
</tr>
</tbody>
</table>

Cinetics’ success did not go unnoticed by more established competitors. Another firm that developed tools for filmmakers and photographers subsequently built a product that was strikingly similar to CineSkates. However, through its Kickstarter campaign, Cinetics had built a passionate community of users, and it kept its pricing competitive.


Product Enhancements

Cinetics received a variety of valuable feedback from its Kickstarter backers, who shared their understanding of technology trends in the photography industry and suggested additional product features. Desired enhancements included:

- Using suction cups, magnets, or pneumatic wheels for rough surfaces;
- Adding functionality with a tripod mount and stand for smartphones;
- Using a motorized wheel for stop motion and time lapse photography; and
- Increasing CineSkate’s height- and weight-handling capabilities.

The Cinetics team quickly incorporated much of the backer feedback—some suggestions in a matter of days. Backers and supporters could see the product as it evolved. For example, when a CineSkates system for iPhone was introduced and then offered as a new reward on Kickstarter, backers were further incentivized to pledge funds so that they could acquire this enhancement. Some backers were lead users modifying the product to fit their needs and demonstrating and discussing their modifications. These suggestions led to new product variations that Cinetics offered in its online store as well as to its retailers and distributors (see Exhibit 4).

Exhibit 4: New Variations of CineSkates Coming from User Feedback

Feedback also led to quick fixing of bugs or malfunctioning parts. “With the original design, users encountered problems when locking the wheel to the tripod. The production brackets that locked onto the feet of the tripod had a smooth surface, unlike the prototypes. The early user feedback led us to modify the design and produce replacement parts,” said Operations Director Augie Salmon.

Cinetics Backer Community

Most backers were male, tech-savvy, artistically inclined, and between the ages of 18 and 30. About equal numbers were hobbyists and professionals. Backers shared a common desire to produce high-quality pictures and videos with their existing cameras without spending too much on accessories.

Jensen classified backer motivations into three groups:

- Relationship: Many of the first backers of Cinetics were Jensen’s friends and family.
- Tangible gains: Consumers backed the project in return for the product/service.
- Affinity: Supporters were motivated by a shared/altruistic interest, passion, belief, or sense of identity.
Financial gains were not necessarily the primary driver for backer contributions to rewards-based crowdfunding projects. Instead, backers invested in Kickstarter projects for future products, for certain forms of recognition, and to be part of the community.

Social media, such as Facebook and Twitter, generated word-of-mouth publicity. Early backers shared their projects with friends or followers. Jensen gathered and analyzed data from company blogs, Facebook pages, and Twitter to gain more insights into user demographics, interests, and sharing activities (see Exhibit 5. “A deeper understanding of the customer base and what product they wanted was critical to the success of the campaign,” he asserted.

**Exhibit 5: Activities on Cinetics’ Facebook Page 2011**

Building the community around Cinetics required the company’s continuous engagement with users and supporters on Kickstarter and other platforms before, during, and after the crowdfunding campaign. Cinetics used a blog to keep users informed, Twitter to send out the latest updates, and the Facebook page to highlight upcoming events and activities. The Cinetics team also prepared a set of “how-to” and demo
videos, providing visual instructions on how to assemble the products and how users could shoot professional quality shots using Cinetics’ products.

To enhance user engagement and develop brand stickiness, the Cinetics team launched a video contest in which users were rewarded for identifying new, creative uses of the product. Some videos went viral.

**Production and Delivery**

The success of the first Kickstarter campaign did not go unnoticed by retailers. Specialty retailers, such as Adorama and B&H Photo Video, showed interests in carrying Cinetics’ products. In addition to its online store, Cinetics also sold products through more than 20 domestic and international specialty stores. The surge in demand put Cinetics’ operations under high pressure, given its limited manpower and still nascent supplier network.

The unexpected success of the Kickstarter campaign meant that Cinetics had underestimated the demand. To produce such a large number of units, the company had to renegotiate with a number of suppliers, some of which are located in China, to procure the extra components. Moreover, just before the deadline to ship the first batch of products, a bug was found. At that point, Jensen had to decide whether to ship or wait until the bug got fixed. The first 100 backers who pledged $325 or more were expecting to receive the product soon. The Cinetics team did not want to start out on the wrong foot. While delivery delays were not unusual among crowdfunding projects on Kickstarter, bad rap over major delays in shipments had been reported and criticized by the press.

To establish company credibility and build social capital, Cinetics went ahead and shipped the product to these backers by the deadline, but also notified them of the issue that had recently been discovered. "Few businesses were shipping on time. We felt it was important for our first... backers to see that the product was real,” Jensen said. “In few weeks, we had the issue resolved, and we reshipped. Hopefully our efforts built customer loyalty.”

**The Second Kickstarter Campaign**

In mid-2012, Cinetics built its second major product, CineMoco, in response to feedback from professional users during the first crowdfunding campaign. CineMoco (abbreviation for Cinetics Motion Control) had a moto-controlled dolly and slider for video and time-lapse photography (see Exhibit 6). The product was highly compact and customizable. To finance the launch of CineMoco, Cinetics again turned to Kickstarter with high hopes.

CineMoco was a much more sophisticated product than CineSkates. Its motorized dolly and remote shutter control features targeted even a narrower market niche. Because of its increased product complexity (and therefore higher production cost), the Cinetics team priced the product higher than what they did for the first Kickstarter campaign. The team set a funding period of 51 days, with a goal of $50,000. With 283 backers, about 30% of whom had also contributed to the first campaign, the second campaign raised more than $113,000 (Exhibit 7).

The second campaign was not as successful as the Cinetics team expected. The first campaign had garnered more than 6 times as many backers, almost 1.5 times more comments, and 3.25 times more in money than the second campaign. In a team meeting, Jensen asked: “Why did the first Kickstarter project appeal to considerably more people than the second one?” The Cinetics team collected data from the

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7 Here are a few examples of instructional videos created by the Cinetics team:
CineSkates: http://www.youtube.com/watch?v=nTvN2bp4btA
CineSquid: http://www.youtube.com/watch?v=QlYXvXw-kQ
8 Competition video that went viral: http://vimeo.com/37620264
9 http://cinetics.com/dealers/
10 http://money.cnn.com/2012/12/18/technology/innovation/kickstarter-ship-delay/
11 http://www.kickstarter.com/projects/jj1/cinemoco-motor-control-for-your-camera
company’s website, blog, Facebook, and other social media, hoping to better understand what people thought about CineMoco.

Exhibit 6: Cinetics’ Second Major Product – CineMoco

Exhibit 7: Funding Performance – CineMoco  Fall 2012

<table>
<thead>
<tr>
<th>Pledge Level</th>
<th>Reward</th>
<th>Number of Backers</th>
</tr>
</thead>
<tbody>
<tr>
<td>$795 or more</td>
<td>CineMoco slider</td>
<td>48</td>
</tr>
<tr>
<td>$495 or more</td>
<td>CineMoco Dolly</td>
<td>13</td>
</tr>
<tr>
<td>$450 or more</td>
<td>CineMoco upgrade</td>
<td>7</td>
</tr>
<tr>
<td>$50 or more</td>
<td>SkatePlate upgrade</td>
<td>1</td>
</tr>
<tr>
<td>$25 or more</td>
<td>SkatePlate</td>
<td>127</td>
</tr>
<tr>
<td>Others</td>
<td>Others</td>
<td>88</td>
</tr>
</tbody>
</table>
In April 2014, Cinetics launched its third Kickstarter campaign to finance a new product, Axis360. The product was a compact, lightweight and versatile motion control system. It moved at a wide range of speeds, fluidly or incrementally, and worked with most digital single-lens reflex cameras, mirror-less cameras, and cinema cameras (Exhibit 8). The Axis360 system was much more complicated and expensive than CineSkates or CineMoto, and thus gave rise to several challenges. Explaining a complicated system in a 3-minute video was a major hurdle. The backers would need to understand what the product was, how it worked, and why they should contribute to this project. The Cinetics team spent hundreds of hours on the video and asked family members, friends, and mentors to review alternative versions of the video. The team also gave Axis360 prototypes to talented filmmakers and asked them to create videos and share their shots. Caroline Rohwedder, the lead designer, recalled that “award-winning documentary filmmaker Griffin Hammond created an overview video and got some great shots using Axis360, and YouTube phenom Mitch Bergsma made a video that showed close-ups of Axis360 as he set up the system.” Cinetics also hired a public relations company to come up with a plan for the crowdfunding campaign.

The Cinetics team set a funding goal of $75,000 for this third campaign, and introduced several stretch goals after the initial funding goal was reached. Jensen initially felt that stretch goals might further complicate the campaign because backers already had difficulties fully understanding the new product and rewards. “Crowdfunding is still new for many people. The concept of stretch goals is another thing that backers need to comprehend.” However, as stretch goals had become a standard feature on Kickstarter, the Cinetics team decided to try the feature: they set first stretch goal at $300,000:

Our first stretch goal is a result of the feedback from an early product review by Mike Perlman. Mike discovered a way to balance Axis360 that enabled extra smooth sliding. The only problem was that his setup resulted in his camera screen being covered by an L bracket. We built a cleaner solution, a balancing quick release plate that we call AP120. AP120 is an incredibly useful part, and we want to include it with Axis360, so it is our first stretch goal!

Stretch Goal #1 - $300,000 - AP120 Quick Release Plate
If we reach $300,000, we will add the AP120 quick release plate to all Axis360 Plus, Axis360 Pro, Two Axis360, and Three Axis360 kits! That’s every reward that includes a Tilt Kit.

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12 http://www.kickstarter.com/projects/jj1/axis360-modular-motion-control-for-cameras
The crowdfunding campaign quickly flew past the $300,000 stretch goal (see Exhibit 9). Cinetics added two additional stretch goals—one for $500,000 and the other for $700,000. The stretch goals helped the Cinetics team to continually update the crowdfunding page and keep backers informed and engaged. The $500,000 goal was reached.

The third Kickstarter campaign yielded 648 backers and raised over $665,000. The funding success and the complexity of the product greatly increased the pressure to achieve on-time production, assembly, and delivery. Cinetics contracted with a number of suppliers for the materials and components needed to assemble the final product system. Where possible, Cinetics used multiple suppliers for key components. Cinetics had designed the rewards with its supply chain capacity in mind, so that certain rewards had a quantity limit. Allison Jensen explained: “After the first hundred sold, we would put out a new reward that’s exactly the same but with a later shipping date. We monitored funding progress and added new rewards sequentially hoping the shipments would not be staggered. This was definitely helpful.”

Nevertheless, delivery delays became unavoidable when some key small suppliers unexpectedly became backlogged and failed to meet their deadlines. “We have tried to differentiate Cinetics from other Kickstarter project creators by avoiding delivery delays. We were able to do this in the first two projects. This [third campaign] was the first time we were unable to ship everything by the estimated delivery date,” said Allison Jensen. Backers left a number of complaints on the Kickstarter project page. “Project dead? Any shipping? Estimated delivery was May 2014 but now is 18 June,” one backer wrote. Allison Jensen apologized and explained how Cinetics had been working hard to get the rewards shipped as soon as possible. The company finished shipping all rewards in early September 2014.

Exhibit 9: Funding Performance – Axis360 Spring 2014

<table>
<thead>
<tr>
<th>Pledge Level</th>
<th>Reward</th>
<th>Number of Backers</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,495 or more</td>
<td>Three Axis360</td>
<td>205</td>
</tr>
<tr>
<td>$1,145 or more</td>
<td>Two Axis360</td>
<td>73</td>
</tr>
<tr>
<td>$795 or more</td>
<td>Axis360 Pro</td>
<td>134</td>
</tr>
<tr>
<td>$695 or more</td>
<td>EARLY BIRD Axis360 Pro</td>
<td>100</td>
</tr>
<tr>
<td>$495 or more</td>
<td>Axis360 Plus</td>
<td>37</td>
</tr>
<tr>
<td>$395 or more</td>
<td>Axis360 Basic</td>
<td>5</td>
</tr>
<tr>
<td>Others</td>
<td>Others</td>
<td>94</td>
</tr>
</tbody>
</table>
How Should Cinetics Grow?

After successfully launching three products raising over $1 million on Kickstarter, Jensen was planning for the next step. Should the company continue to rely on Kickstarter for its funding and product launches or use other options? Should it consider venture funding? Picking the right path was not just about financing; it would impact future product launches and the community the company has built.

Jensen contemplated:

*I have some great connections through Austin/University of Texas and Boston/MIT networks. Several investors have also reached out to us based on press coverage we’ve received. Given our previous success, growth, and brand recognition, we could raise money from a VC [venture capital] firm. But this would also mean shareholders who would want large returns quickly. Also, we’re not aiming to grow exponentially; we want to grow steadily. Perhaps angel funding is a better fit for us.*

Jensen’s remarks raised a number of questions. How would the community that Cinetics had formed and nurtured during its three crowdfunding campaigns react? Would its backers feel removed from a company that was no longer funded by them? Would they still be willing to contribute their ideas and feedback if Cinetics was to choose to go elsewhere for funding and product launches? With limited resources, the company had to make the decisions carefully. Should more resources be devoted to its online store and building a network of retailers and distributors. The sales from Cinetics online store equaled to those from its retailers and distributors. In 2014, approximately 55% of the company’s sales came from the third Kickstarter campaign and online store and the other 45% from retailers.

Jensen concluded:

*We have a proven record of successfully beating our set goals, but the challenge with crowdfunding would be to reinvigorate our past backers and further engage with the photo & film photographer community. I also wonder about equity crowdfunding. Or should we grow with our retained earnings, be more protective of our ideas, and focus on sales via our online store, retailers and distributors?*

Jensen felt that the Cinetics team (Exhibit 10) was stronger than it had ever been and would continue to grow stronger in time. Cinetics still had Augie, the very first employee. But several others had come and gone. Jensen acknowledged that the company had faced many challenges with recruiting and keeping employees. Some of the turnover was due to the company’s continuously changing needs. The hectic early days made it challenging to find the necessary time to ensure good fit with new hires. Also, Cinetics was located in Austin, TX with strong competition in regards to talent, salary, and benefits. But, the company now had a strong team of dedicated individuals who were attracted to a small company where their efforts had a real impact.
### Exhibit 10: The Cinetics Team (January 2015)

<table>
<thead>
<tr>
<th>Member</th>
<th>Short Bios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justin Jensen</td>
<td>Justin Jensen is the founder of Cinetics. He has a bachelor degree in mechanical engineering from the University of Texas at Austin and an MBA on entrepreneurship and innovation from Sloan School of Management at MIT. He worked as a summer associate in Austin Technology Incubator and was with Accenture for two years as technical architecture consultant.</td>
</tr>
<tr>
<td>Allison Jensen</td>
<td>Allison Jensen has an undergraduate business degree in marketing. She worked in the apparel and fashion industry before joining Cinetics full time after the first Kickstarter campaign. As is typical in many start-ups, her contributions range across the spectrum from accounting to shipping and communicating with customers.</td>
</tr>
<tr>
<td>Caroline Rohweder</td>
<td>Caroline Rohweder has a bachelor degree in Intermediate Art, Digital Art, and Video from Arizona State University. She is the lead graphic designer at Cinetics. She designs web pages, develops product packaging, and creates a variety of graphics and videos for the Kickstarter campaigns and the web store.</td>
</tr>
<tr>
<td>Brittany Clawson</td>
<td>Brittany Clawson worked with Caroline Rohwedder to form a dynamic marketing duo. Brittany runs the web store and social media, and makes rad video too.</td>
</tr>
<tr>
<td>Augie Salmon</td>
<td>Augie Salmon is the operations director at Cinetics. He hand builds and tests all Cinetics gears. He has been with Cinetics since the first CineSkates Kickstarter project.</td>
</tr>
<tr>
<td>Eric Pak</td>
<td>Eric Pak is a University of Texas at Austin trained mechanical engineer. He specializes in product design and engineering. He is a former machinist and race car driver/train engineer.</td>
</tr>
<tr>
<td>Alvin Peters</td>
<td>Alvin Peters is an electro-mechanical technician working with Augie Salmon.</td>
</tr>
</tbody>
</table>
### Appendix A. Different Funding Options

<table>
<thead>
<tr>
<th>Funding Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Venture funding</td>
<td>This type of funding consists of backing by venture capital (VC) firms or individuals, who provide capital for a certain share of the startup. The aim for most VC firms is eventually to generate a return through an event such as the firm’s initial public offering (IPO) or its sale to a larger company. This type of funding can be sought at various stages of a startup’s growth.</td>
</tr>
<tr>
<td>Angel funding</td>
<td>An angel investor (also known as a business angel or informal investor) is an affluent individual who provides capital for a business startup, usually in exchange for convertible debt or equity ownership. Angel investors increasingly are organizing themselves into angel groups or angel networks, thus sharing resources and pooling their investment capital, as well as providing advice to companies in the portfolio.</td>
</tr>
<tr>
<td>Equity-based Crowdfunding</td>
<td>This option is similar to rewards-based crowdfunding, but instead of the rewards, backers are actually given a stake in the firm. Investors are able to claim a dividend on gains the company makes and also are liable for any losses the startup incurs.</td>
</tr>
<tr>
<td>Self-Funded through Organic Growth</td>
<td>This option will fund a company’s product development through product sales (revenues from wholesaling and direct selling). Outside from Kickstarter, about half of Cinetics’ sales came from its online store and half of them were from retailers and distributors.</td>
</tr>
</tbody>
</table>