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Module:IT and Digital Solutions for Digital Entrepreneurship

Level 1

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Unit 1 level 1- ICT positioning to Crowdfunding and Social Media



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1. ICT positioning to Crowdfunding and Social Media

1.1 Informal financing: Business Angels and Crowdfunding

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Informal financing is any form of financing in which the financial system is not directly involved.

Informal financing has always existed, however, it has been in recent years when it has developed more due to two circumstances.

The first, the economic crisis and the second, the development of technology that has allowed a greater number of people to participate in projects

Crowdfunding and Business Angels:

Among the forms of informal financing, we can highlight two of them.



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1.1 Informal financing: Business Angels and Crowdfunding

Business Angels:

A Business Angel is an individual who makes his own investment decisions and who contributes his own money, and sometimes his time, to unlisted companies promoted by people who are unrelated to them. Although investing at any stage of development, the Business Angel plays a crucial role in creating innovative companies by supporting entrepreneurs in the early stages of their companies' life cycle (seed and start-up).

Such successful companies as The Body Shop, Amazon, Skype, Starbucks or Google were supported by a Business Angel in their early days.

Business Angels are Known in the USA as Angel Investors or only Angels, in reference to the entrepreneurs who supported Broadway theatre productions at the beginning of the 20th century.



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Features of Business Angels

Although the Business Angel responds to a heterogeneous profile and therefore difficult to categorize, some characteristics are common to all of them and that serve to differentiate them from other types of investors:

- They invest their own money, unlike Venture Capital entities that invest the money of third parties.
- They make their own investment decisions.
- They invest in companies with whose promoters they are not related or friends.
- They seek to make money, although this is not their only or even their main motivation for investing.
- They bring value and are involved in the Business more than financially, as they will be able to make decisions.
- The participation is usually in companies in the initial phase (their investment capacity per operation is generally limited, so they usually enter when the company's valuation is not very high). On average they invest between 25-100K €
- They are professionalized and invest in sectors in which they have already had previous experience.
- They are usually experienced entrepreneurs or managers who invest and contribute their knowledge to younger entrepreneurs.
- In general, they tend to maintain their anonymity before third parties, although many recognized business angels are already public figures.



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Investment criteria for the Business Angel:

- Business Plan Detailed Analysis:
 - Identification and description of the Business, technical, commercial and financial viability (profitability)
 - Planning the necessary strategies for growth and next steps, understanding the use of resources to be incorporated into the company and the return on those resources (when those resources have been invested, what milestones will the company have reached?)
- The Business Angel usually invests mainly in the technology sector.
- Potential of the partners and promoters of the idea & affinity with them.
- Planning the return on investment time.
- Definition of the ownership of the company after the capital increase, and distribution of profits and capital among partners and investors after a certain time



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Business Angels pros and cons:

- Advantages of having a Business Angel

A considerable advantage is that a business angel's investment carries less risk than traditional financing, as the latter does not have to be repaid in the event of the startup's failure. Many investors of this type bring experience and contacts, so their support can be beneficial to you.

- Disadvantages of accepting investment from a Business Angel

The main disadvantage of having a business angel is the loss of total control over your Business. Depending on how you negotiate the inflow of capital, your angel investor will have the authority to take part in the company's management and receive a share of the profits if the company is sold. On the other hand, with a traditional loan, the bank has no control over your company's operation and has no right to its profits.



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Crowdfunding

is the process of funding a venture or project by raising small amounts of money from a large number of people. By reaching a large number of individuals, those doing the crowdfunding often raise large amounts of money without taking out loans, emptying out their savings or tying themselves to venture capitalists or banks.



Crowdfunding is similar to the **business angel** system but differs in two main aspects, it seeks a massive investment from small individual contributions and **relies on ICT for fundraising**



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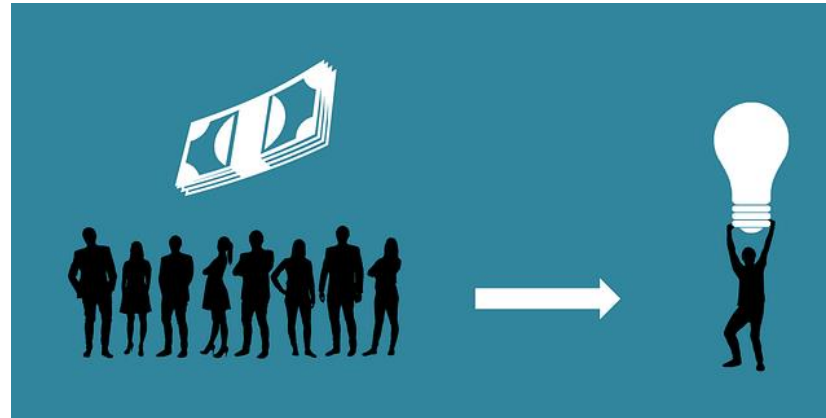
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Types of Crowdfunding

Rewards-Based Crowdfunding: individuals lend small amounts of money to a project in exchange for a reward or incentive

Equity-Based Crowdfunding: an investor receives a portion of the company in return for their investment



Donation-Based Crowdfunding: a large number of individuals donate a small amount of money toward a project, contributors don't expect anything in return.

Debt-Based Crowdfunding: a large amount of individuals lend a small amount, with the expectation that they will be paid back the principal along with interest.



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What Are the Benefits of Crowdfunding?

Reduced financial risks

You can generate more revenue with less risk

Validates business idea

You can validate your product and use feedback to improve it before shipping

Improving your marketing efforts

Marketing is made easy by existing platforms and engaged funders

Fundraising Efficiency

Crowdfunding can raise enough capital to kickstart your venture.

Opportunity to connect

Sharing your business idea attracts not only funding, but also expert guidance and advice and feedback on how to improve your ideas.

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Drawbacks to Crowdfunding



Time and effort:

Successful campaigns require a lot of dedication, in terms of time, effort and even money.

All or nothing:

If you can't reach your goal, your investors get their money back and you leave empty-handed. Only a fraction of crowdfunding campaigns meet their desired goals

Damaged Reputation:

Your reputation could take a serious hit if your project fails or falls through.

Theft of idea:

Unless you patent your collective funding idea and register your trademark, someone could steal it. Some individuals might steal your idea and build a better version (or simply market it more successfully).

It is important to seek help from a business coach who will help you delve into the pros and cons of a campaign to see if it is right for your project.

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Your Crowdfunding campaign. Before, during and after.

Before:

- **Spend time getting to know your project**, its main characteristics, its viability and its possible profitability.
- **Experiment with Crowdfunding.** In addition to theoretical knowledge, an excellent way to learn how the system works is to participate.

Participate in a campaign as a donor to learn about the donor's experience and think about how to improve it.

Additionally, in the future, it can help you since you can get reciprocal participation in your campaign.



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- **Financing:** Your objective is to achieve 100% of the necessary financing, but you have to establish the minimum amount of financing required for your project to be viable



- **Platform:** As we will see in this course there are many crowdfunding platforms, to choose yours, analyse the commissions (normally between 5% and 8%), the security of payments for the patrons and whether the platform offers additional promotional services or the possibility of contacting the patrons.
- **Duration:** A longer campaign doesn't have to be better, think that the longer the campaign is active the more maintenance it will need.

The time needed for the launch is usually one or two months, and the duration of the campaign usually reaches five or six months.

Keep in mind that during all this time you will have to be 100% dedicated to your campaign.



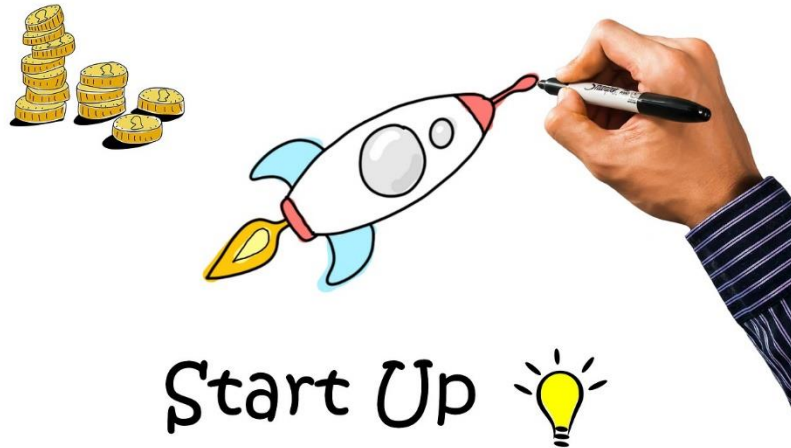
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During:

- **The launch:** To successfully launch your campaign, the most important thing is to convey our business idea in an optimal way and be able to encourage donors to participate.



- **A good story to engage investors:** You have to be able to tell a good story so that potential investors can somehow identify with it. That way they will remember it and be more inclined to donate.

Experts recommend a storytelling format told in the second person, as it facilitates empathy.

In addition to using optimal packaging, you should have a good product. Spend time preparing a good description of your product analysing its characteristics, why it is necessary for society and the advantages it will bring to donors.

Use the video as your ally, create a quality video for storytelling and for the presentation of your product. If necessary, seek professional help.

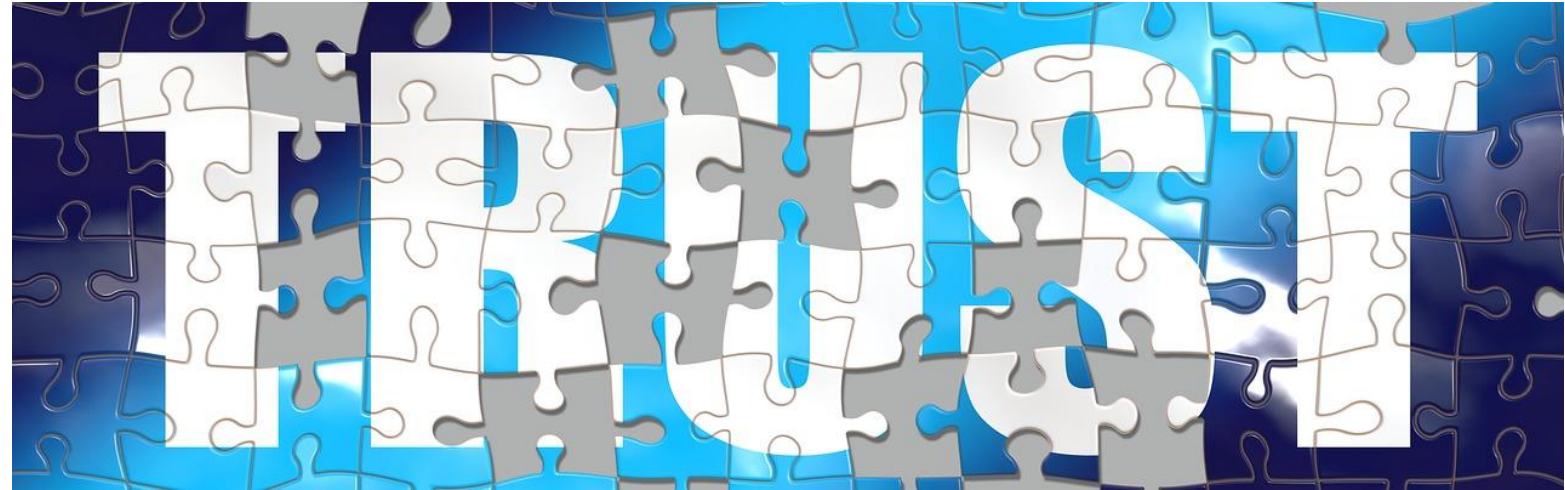


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- **Clarity conveys confidence:** One of the enemies of your campaign will be mistrust and fear of fraud. To overcome this, you must highlight your merits, the benefits of your product and be very clear about the viability of the project, the deadlines and the amount of money you are requesting.
- **What we offer in return:** In addition to contributing to the launch of a successful product, our donors usually expect to receive something in return, products, or participation in the company.



You should offer an attractive reward to encourage participation. A viable reward to avoid future problems.



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- **Full marketing:** Marketing must be present throughout your crowdfunding campaign. You must use all the means at your disposal.

Social networks.
Online advertising.
Influencers
Email marketing
Blog or landing page.



Another aspect you should not forget is to monitor everything that is said in networks about your campaign.

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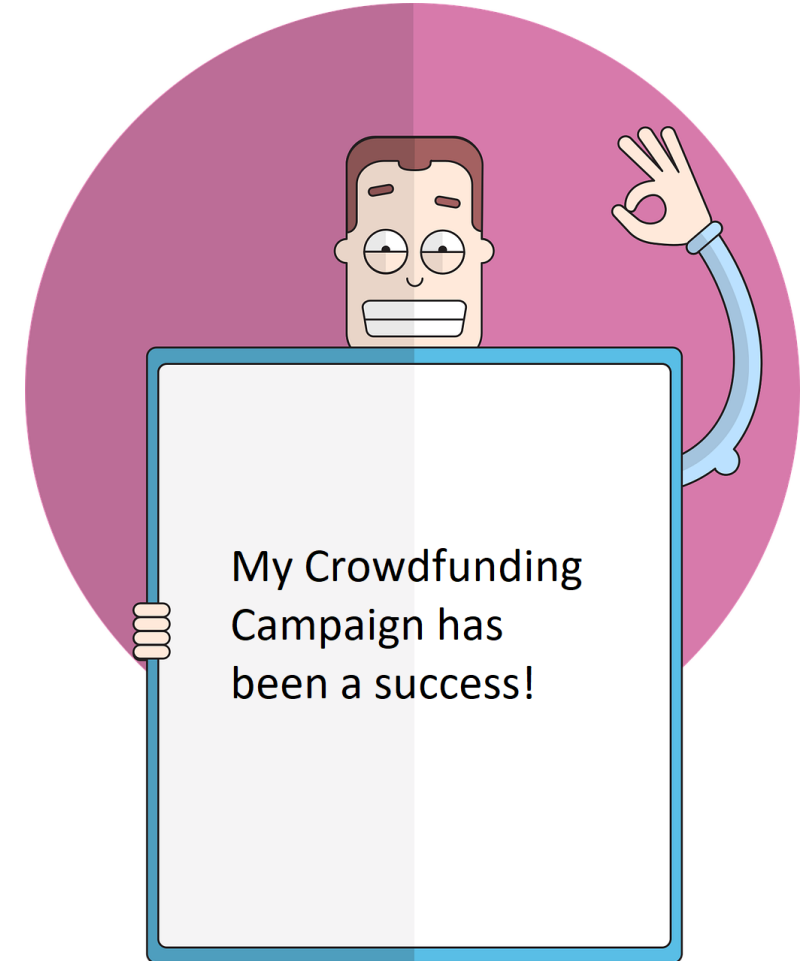
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After: I reached the goal. Now what?

If you have followed all these steps and have been consistent, your initiative may have achieved the necessary funding. what to do next?

The post-campaign is a fundamental step. Keep in mind that funding is only the first step in getting your product to market and angry donors can create a smear from which you and your product could not recover.

The key is communication, clearly transmitting the success of the campaign, thanking the collaborators and indicating the deadlines and the way to receive the reward to the investors.



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TOP Crowdfunding Platforms. Target Location (Europe – Global)

1. Kickstarter (Global) <https://www.kickstarter.com/>
2. Indiegogo (Global) <https://www.indiegogo.com/>
3. GoFundMe (Global) <https://www.gofundme.com/>
4. SyndicateRoom (Global) <https://www.syndicatoroom.com/>
5. MightyCause (Global) <https://www.mightycause.com/>
6. Crowdcube (United Kingdom) <https://www.crowdcube.com/>
7. Oneplanetcrowd (Netherlands) <https://www.oneplanetcrowd.com/nl>

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TOP Crowdfunding Platforms. Target Location (Europe – Global)

8. Startupxplore (Spain) <https://startupxplore.com/en>

9. Goteo (Spain) <http://www.goteo.org/>

10. Seedmatch (Germany) <https://www.seedmatch.de/>

11. Companisto (Germany) <https://www.companisto.com/de>

12. WiSeed (France) <https://www.wiseed.com/fr>

13. Ulule (France) <https://fr.ulule.com/>

14. KissKissBankBank (France) <https://www.kisskissbankbank.com/>

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1.2 Business Incubator vs Business Accelerator



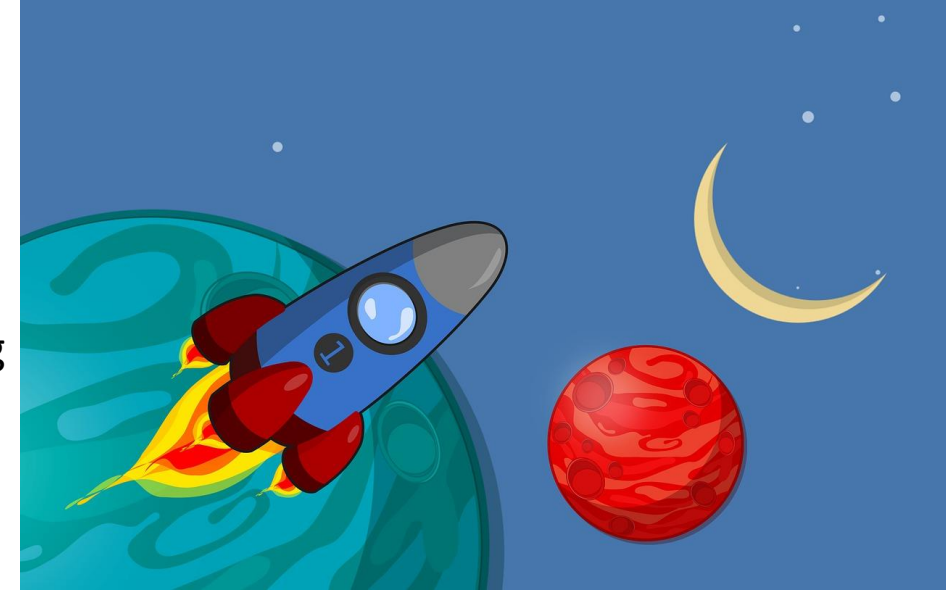
Business Accelerators and Incubators help you take off, make your project sketch profitable, or boost it to grow.



Business Accelerators and Incubators make their resources - whether in the form of workspaces, mentors or contacts - available to your business idea so that it takes off and is launching into the market.



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Your start-up will go through different phases, and in each one, it will have different needs. The aim of an incubator and an accelerator is the same: to help the entrepreneur. The way they work is what makes them different.



1.2 Business Incubator vs Business Accelerator

What is a Business Incubator?

An incubator is an entity that supports the projects of entrepreneurs who are in the seed phase, that is, in that initial phase in which the business idea has just been born and seeks support.

Business incubators help start-ups that have just begun to operate in the following way:

- **Coaching.** They will support you in defining objectives, establishing actions to achieve them and measuring results.
- **Training.** In the incubators, courses are usually given for the development of business ideas, the search for market opportunities or the launch of companies.
- **Infrastructure.** They provide infrastructures such as offices, meeting rooms, Internet connection, post office or secretarial services.

A company that has been incubated is likely to be more likely to prosper and achieve growth.

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1.2 Business Incubator vs Business Accelerator

What is a Business Accelerator?

To accelerate is to give a greater impulse to something that is already moving. Therefore, a business accelerator is an entity that boosts startups that are already operating.

The acceleration of the start-up is achieved in the following way:

- Intensive training in aspects such as validation of the business idea, Lean Start-up method, elaboration of a business model using the Lean Canvas method, partner search, marketing plan, creation of a partnership.
- Mentoring. People specialising in your business area will give you advice to guide you and suggest ideas.
- Investment. Generally, the business acceleration process ends with a session where each entrepreneur presents his project in a few minutes in front of several potential investors to obtain financing for the company.



1.2 Business Incubator vs Business Accelerator

How are they different?

Below is a summary to list the main differences between incubators and accelerators.

- The incubator helps to get out into the market while the accelerator helps projects already in development.
- The business incubator starts to collaborate with the new project from the very beginning, providing advice and training to make the market launch a success. Once the idea or business has been launched, the incubator gives way to the accelerator which, as its name suggests, has the main purpose of "accelerating" the projects, helping them to make profits and be profitable in the medium and long term.
- Accelerators seek "rapid" growth and incubators are natural. The main objective of accelerators is to achieve high growth rates for their clients in a short period of time. In doing so, they will try to ensure the survival of the company as most companies fail and disappear in the first years of life.
- However, business incubators believe in growing the new project at a natural pace, which requires a more extended time.

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1.2 Business Incubator vs Business Accelerator

How are they different?

- Business incubators were born to create their own projects unrelated to their parent companies, although this currently only happens occasionally.
- Accelerators come to help other projects already created, and a fundamental figure in this type of service is the mentor. The mentor is an increasingly important project or start-up advisor. They are professionals with proven experience who advise entrepreneurs. Incubators have their experts but not this specific figure.
- Incubator provides physical space. Very often, the business incubator includes among its services the rental of the physical space in which the new company will work until it obtains a definitive headquarters. Accelerators do not provide this type of service.
- Accelerators have been around since very recently, 2005, whereas business incubators date back to the 1960s. Both emerged in the United States, but their origin differs in time.



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1.3 ICT and Social Media

ICT also is known as Information and Communication Technologies are the set of tools that facilitate both communications between people and the collection and analysis of information.



Social media use, particularly on mobile phone applications, continues to expand without bounds of age, sex, or ethnicity.

From entrepreneurship and in particular, digital entrepreneurship, ICTs through corporate social networks have brought great changes and many advantages to the business world.

The use of technological advances, such as corporate social networks, offers great benefits to small and medium enterprises, which are the new focus of interest for technology companies.



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Advantages offered by ICTs and Corporate Social Networks to SMEs

Better internal and external communication.

Besides e-mail, social networks, WhatsApp and many other technological communication tools are very important instruments for a company.

Simplifies management.

ICT and Corporate Social Networks enable significant time savings in the completion of tasks and simplify many processes. Actions such as planning, management, organization or business monitoring and control are much faster and more effective when the right tools are used.

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Satisfied customers

The management tools provide us with better information about the customers, their buying practices, their preferences, their needs or their desires, and allow us to design strategies focused on the satisfaction of our target.

Also, social platforms offer loyalty mechanisms and facilitate better customer service.

Expansion

The use of corporate social networks is essential to expand business and cross borders. ICTs and social networks are instruments that cross all technological, physical and spatial barriers to benefit the expansion and development of the company, especially in the initial stages.

Better brand image for the company.

ICT tools and corporate social networks project a modern and innovative image of a company, which contributes to making it more efficient and competitive.



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How to effectively exploit social media and increase brand awareness

Social media exposure is intimately related to the image we project of our brand.

Increased brand awareness is critical to growth.

You must always consider the large number of variables involved and that the actions to be developed will be different for each social media.

With these tips, it will be a little easier to optimise your presence in social media and build a strong brand image.

GOAL Set your objective.

Firstly, It is critical to set goals that will be your guidelines when designing your social media strategy.

Always SMART objectives:

Specific-Measurable-Achievable-Relevant-Time oriented



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Specific: "I Want to reach 500 followers in my Facebook profile".

Measurable: Your achievements have to be clear and specific. This way you can measure them

Achievable: Be realistic about your short and medium-term goals, so you can avoid frustration.

Relevant: A relevant objective must be aligned with your core business strategy. If you are only looking for followers and likes without setting goals that will attract quality traffic to your site, you are likely to fail on social platforms.

Time-oriented: An objective has to be related to a specific time frame. Neither too short to have enough time to reach the objective nor so long as to make us lose perspective. Giving a deadline to the objective will also make you and your team responsible.



1. ICT positioning to Crowdfunding and Social Media

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1.3 ICT and Social Media



Know Your Public

Knowing your social media audience is important because this is where your target audience should be.

To know your target audience, you have to answer at least **these questions:**

Do I have an ideal customer for my product/service?

What is the approximate age of that customer?

Is my service or product gender-oriented?

What is their income level?

What is their social or educational level?

What are their online preferences or behaviours?

By knowing your target audience, you will know how to get their attention first and then their interest. Once you have it, social media will be the best tool to bring your followers to your website or product.



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Know Your Competitors

Knowing your future clients is basic to correctly orient our strategy in social media, but did you know that another fundamental element is to understand your competitors?

To gain a competitive advantage, you must know who your competitors are, what they do and how to beat them. The best way to do this is to find and analyse information about your competitors. This way you will know what works in your sector.

These steps can help you:

- **Identification:** Use Google to search for keywords used by your audience and see which companies appear in the first results. Visit their websites and check their activity on social networks. Use that information as a tool for business growth.
- **Comparison:** Compare the performance of your social media with those of the competition, observe the design of their networks, specific characteristics, outstanding information they offer, responses of followers to publications, hashtags they use, etc. Use this information to improve your strategy.



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- **Analyse activity:** Study the frequency of your competitors' activity on social networks, how often they post and the response they receive.
- **Know their websites:** Probably many of your competitors will use websites as a platform to support social media to create content. Check which ones use websites or blogs and analyse their postings, paying attention to the content that is most shared.



Which or how many social channels to choose?

If you already have a profile of your target audience and know their age, income level, gender, etc., you can compare that data with the social media demographics and determine which network will work best.

You can also determine your social media channels based on the content you are going to create. For example, if you create video and images for your brand, you can use Pinterest, YouTube, Instagram, Facebook, etc. If you have business development content in the form of articles, LinkedIn is perfect for you.

It's important not to cover too much, be careful with the number of social networks you choose because the work of updating, maintenance and management can become unsustainable if you don't have enough resources.



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Create a Content Strategy

- Use visual content to increase brand awareness

Visual content is more attractive to the social media user. Create your graphics or images and publish them on social media. People are more likely to share something on their social networks that is visually appealing than a text-only post

- Share excellent content

The relevant actions depend on quality content. If your content does not offer value, your publications will be ignored. Analyse your competitors.

- Make contests

It can be any kind of contest, try to be creative. People love to compete and will share your contests with others, expanding the reach of your brand and increasing brand awareness.



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- The blog, your best partner.

If you don't have a blog, create one. Create useful and interesting entries and share them on your social channels, if the content is of high quality, it will be shared.

If you lack ideas, research your competitors.

When a post works give it a push. Use your social ad accounts and boost successful posts. If a post has worked well take note, be guided by the good results.

- Remember to use hashtags

Use hashtags without fear as they can greatly expand the reach of your brand in social media

- Infographics

It's best to create your infographics, but if you can't, you have the option of sharing others' and tagging the source. If they provide useful or relevant information, people are likely to share them.



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- Make your content viral

It seems easy but it is not. Whether something goes viral depends on the value of your content, what matters is that it is attractive. If your networks work, it's easier for your content to go viral.

  **Improve the user experience**

You should always think that social media should maximise the customer experience.

Before publishing, you should consider what your followers expect, don't just publish promotional messages. You can offer information about your company or news of interest in your sector.

If you receive complaints from your followers do not ignore them, try to respond as quickly as possible and do not forget to be friendly.

Try to make your followers feel well treated, consider it a customer service job.



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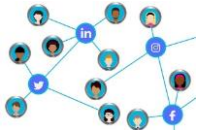
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Be yourself

Both we and our followers are people, in social media, you have to express yourself as a person who addresses people, do not show falsehood or create an artificial character. If your follower senses that you are a real person, he or she is more likely to get involved



Adapt your style to different platforms.

You must be yourself, but you have to take into consideration that each platform has different characteristics. On some like Twitter, you can be more carefree, while on others like LinkedIn you have to show your more professional and efficient style. As in real life, in a different (social) context we can behave differently, but always maintaining politeness and courtesy, Netiquette.



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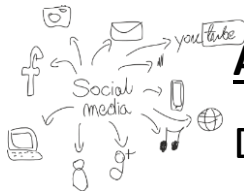
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No copy and paste.

When you want to share content in several social networks, do not publish the same message in each place. Try to be creative and publish a unique message on each network.



Advertise Across Channels

Don't limit yourself. If you have the capacity, use several social networks to launch your messages. Take advantage of all channels.

Remember to stay true to your brand image in all social media, that way users will recognize it more easily.

Social media advertising is a great way to get your brand recognized.

You can use social tracking tools to receive information about the mentions of your brand.





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