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# Crowdfunding's \$100m kickstart making Aussie start-ups pozible

**Ronald Mizen** *Online News Editor*



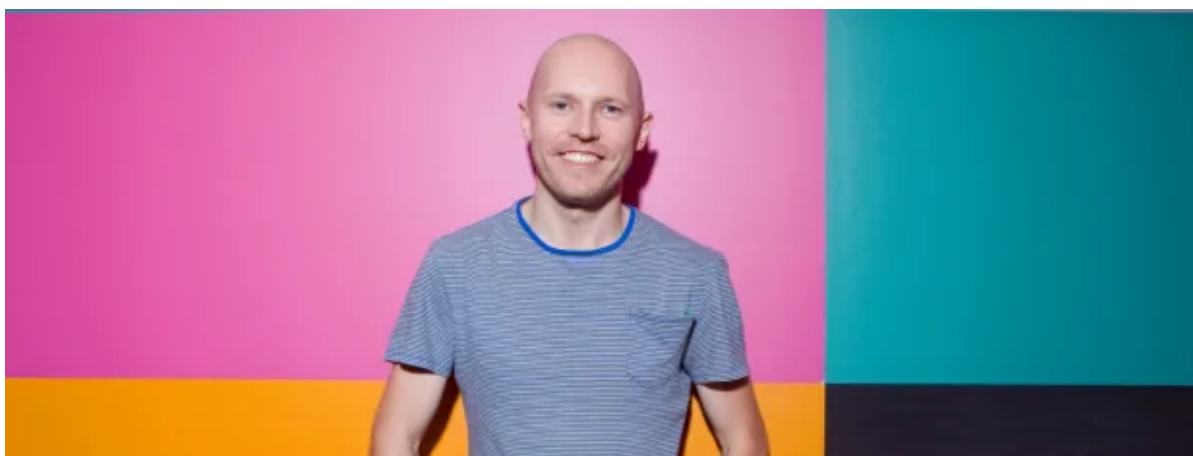
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"Nobody tells you your baby's ugly," Sacha Pantschenko says. "You can ask family and friends what they think of what you're doing and they'll say 'Yep, it's fantastic', but until somebody puts money down to buy something, you don't really have a true response."

Pantschenko is the founder of Sydney start-up ButterUp, which in late 2015 launched a campaign on crowdfunding platform Kickstarter for the "[stupendous splendiferous ButterUp](#)", a custom-manufactured butter knife designed to not destroy bread while spreading butter.

"It was really purely an experiment, it was probably more the idea of getting something launched on Kickstarter than the actual product itself," he says. "I had pretty much zero expectations."





Pozible CEO Alan Crabbe says politics is getting in the way of the future of crowdfunding in Australia. **Michele Mossop**

Within days the quirky Aussie invention had found massive support all over the world, raising just over \$360,000, smashing its \$38,000 target. More than 15,000 backers from 77 different countries pledged \$12 to get their very own ButterUp.

"It's very much a First World problem, admittedly, but obviously the product we came up with resonated with quite a few people," Pantschenko says.

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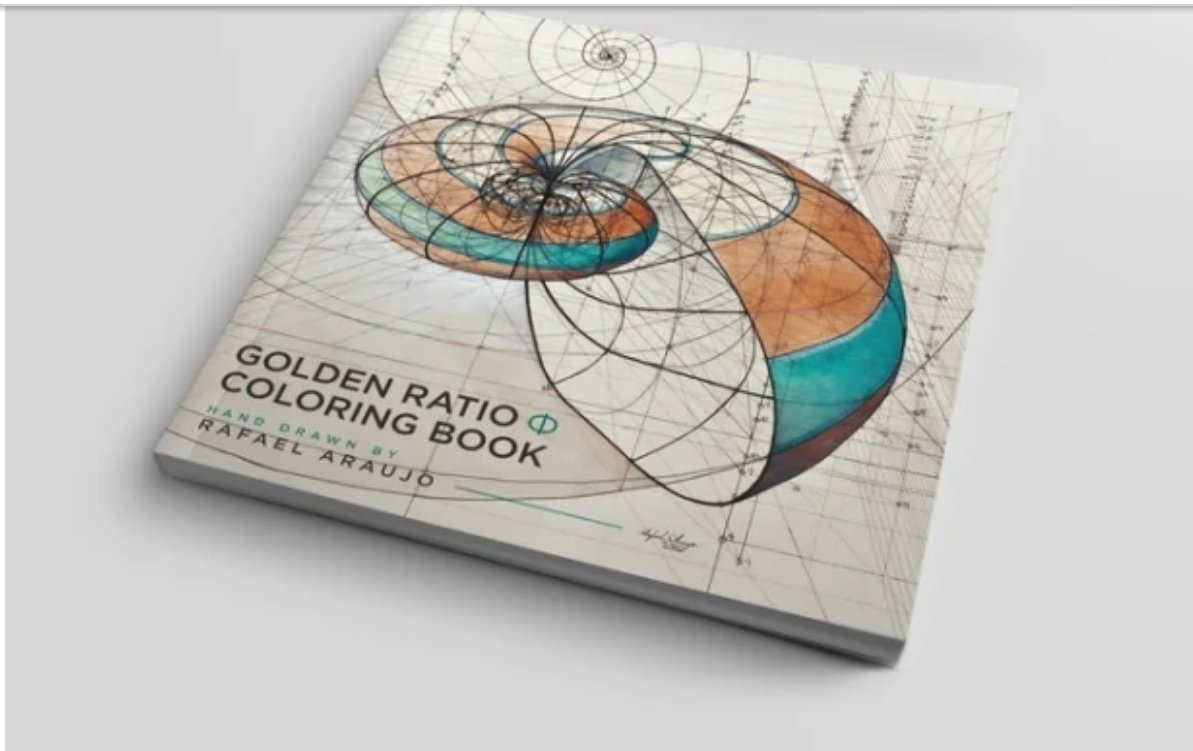
ButterUp is one of more than 8,000 Australian projects to have found success on crowdfunding platforms Kickstarter, Indiegogo and Pozible, which combined have helped Australians raise more than \$100 million from reward-based campaigns since 2010.

In reward-based campaigns backers pledge to support products or projects in return for a reward – often the product itself – if the campaign is successful.

## Platforms

[Australia-based Pozible](#), which launched in 2010, tops Australian campaigns launched (about 11,400), most successful campaigns (around 6500) and dollar value raised (about \$46 million). Pozible also has the highest success rate at 58 per cent.

At about 24 per cent, New York-based Kickstarter, which opened to Australians in 2013, has a lower success rate. But on average Kickstarter campaigns raise more money, with about 1500 Australian campaigns raising nearly \$32 million dollars.



The "Golden Ratio Colouring Book" sold more than 8000 copies in 94 countries and raised more than \$480,000 on Kickstarter.

A list of the top 20 Australian projects on San Francisco-based Indiegogo shows more than \$27 million has been raised since the platform launched in Australia in 2010. However, about 67 per cent of Indiegogo's total dollar figure comes from just one project – [the hugely successful "Flow Hive", a revolutionary beehive design](#) – which raised more than \$18 million.

"I think Pozible is known for our higher success rate – our success rate is nearly double that of the US players," Pozible CEO Alan Crabbe says. "I think from a support perspective we're a bit more hands-on in actually helping the projects."

"Generally with our advice, it's geared around planning the project, planning the launch, planning a successful campaign from all points of view: marketing, social, design; all of these different aspects."



"You win even before you launch," say Sydney-based Andres and Melinda Restrepo. In 2016, the couple, who both specialise in digital marketing, launched the [Golden Ratio Colouring Book](#) on Kickstarter with Venezuelan artist Rafael Araujo.



The stupendous splendiferous ButterUp.

"Our initial funding goal was \$27,000, which we raised basically within the first 36 hours," Melinda says. "We didn't expect the project to take off the way it did. Obviously that was a bit of a surprise for us."

Off an initial target of 500 books and \$27,000, the *Golden Ratio Colouring Book* sold more than 8000 copies in 94 countries and raised more than \$480,000. "We couldn't believe it ourselves, we were like 'What is happening?'" Andres says.

"In business you have time to develop and to evolve and absorb these kinds of incidents. But Kickstarter will grow a project, if it is successful, so quickly that it will also grow the amount of unforeseen circumstances you will have to confront."

Around the same time, a little over 1000 kilometres away off Tasmania's south coast, Bruny Island Cheese Co. founder Nick Haddow was planning his company's first venture into crowdfunding on Indiegogo.



Flow Hive (a beehive with a tap) co-inventor Cedar Anderson, left, with Ty Hermans. Flow Hive raised \$18 million on Indiegogo. **Robert Shakespeare**

Unlike many start-up projects, the Bruny Island Cheese Co. has been operating successfully for more than a decade and looked to crowdfunding as a way of both expanding and getting customers more engaged and invested in the business.

"It's actually about how can we engage with customers, how can we really get them invested in what we're trying to do. Crowdfunding was a perfect platform for that," Haddow says.



"We've taken the largest step through our business to purchase a farm at the beginning of this year with the intention of developing it into a dairy farm." The money raised from the campaign will go towards its development.

Haddow's campaign launched in Indiegogo in November and has raised around \$150,000 of its \$200,000 target. Project backers are sent cheese wheels for pledging their support. Nick's confident the campaign will exceed its target due to the support of the company's highly engaged customer base, known as "The Cheese Club".





The most valuable thing crowdfunding does outside of the financial provisions is engagement," he says.

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"As a small business the only way we can compete is by building a community and engaging directly with consumers. Crowdfunding does that automatically as par for the course, it gets people over the line.

"It's a wonderful kind of mash up of venture capitalism, advertising and promotion in a way. It's such a potent model."

## Failure

Not all funded campaigns turn out well for founders or backers. Several high profile successes have turned into high profile disasters, highlighting the risks of crowdfunding and how too much of something can be bad.

In late 2015, the Wales-based company behind the Zano Drone Kickstarter campaign – a small autonomous drone the founders said would be able take photos and record HD video – filed for bankruptcy after failing to fulfil 12,000 pledges worth about \$4 million.

Zano was a darling of the tech world. At the International Consumer Electronics Show (CES) in Las Vegas, the drone made the shortlist, from 20,000 products, for tech website Engadget's "Best of CES" award. A year later, the company was broke.

The high profile and high value failure of Zano – at the time the most funded campaign in Europe – led Kickstarter to hire investigative journalist Mark Harris to find out why the campaign only delivered about 600 products before going bust.

In the end Harris found while the founders "did mount a serious, well-intentioned attempt to develop, manufacture, and deliver" the project, "a seemingly dedicated staff couldn't, in any case, meet the over-ambitious deadlines and specifications".



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The inclusion of "stretch goals" – additional features or products to be made available if certain fundraising targets are met – such as thermal imaging and the ability to fly upside down, also increased the pressure on the founders.

In Harris' findings, he noted "there were drones costing 10 times as much that couldn't match Zano's specs". This might have been a warning to Zano backers.

While Prime Minister Malcolm Turnbull has [called on the nation to embrace risk and not fear failure](#), crowdfunding backers are rarely interested in accepting either. "You can also get backers from hell every now and then who can make your lives very painful," one founder said.

"In other countries the success rate is actually quite low – it varies from platform to platform – it varies from about 15 per cent to be about 35 per cent, and that's max," says Crabbe. "Other countries are a bit more open to failure."

"You never really know which way your project is going to go, and it's better to plan for the best case scenario and be able to fulfil, rather than just putting it out there and not giving it your 150 per cent," Melinda Restrepo says.

"Everything magnifies by the volume of your sales," she adds. That means your mistakes magnify as well, and a \$2 mistake on 5000 products can become a \$10,000 problem.

## The future

Despite some setbacks, crowdfunding has grown in popularity for businesses and individuals looking to validate and take new products to market, and there is now a discussion about what the future of crowdfunding looks like.

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plans to launch hundreds of industry-specific platforms.

"We have plans to go into pretty much every industry we operate in and have niche platforms, both in Australia and internationally," Crabbe says.

Pozible is also looking to equity crowdfunding – whereby backers take an equity stake in the business – to grow its business in the future.

Equity crowdfunding isn't legal for most Australians, which has caused confusion for the entire industry as people struggle to understand the different types of funding models.

"It's unfortunate that all of these different models are so-called 'crowdfunding', but it's very important to distinguish the very big differences between each one," Crabbe says. "With equity you expect to get a return, with rewards you expect to get a product or something physical or recognition of the donation."

Crabbe says potential backers would often ask if Pozible was operating illegally in Australia. "We haven't heard it for a few years," he says. "But now we're getting it again because equity is coming through."

"I've just been frustrated [politicians] haven't been able to get something through yet. I think it's just politics that's getting in the way."

"Companies that have access to equity crowdfunding overseas are outgrowing their Australian counterparts."

The Turnbull government has [introduced a bill which would allow limited equity crowdfunding in Australia](#), but the bill is yet to pass the Parliament and there remain disagreements about the way forward between the major parties.

*The author of this article was a backer of the failed Zano Drone Kickstarter project.*



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