**What Is Reward Based Crowdfunding?**

**Source:** [**http://thecrowdfundmarketing.com/reward-based-crowdfunding/**](http://thecrowdfundmarketing.com/reward-based-crowdfunding/)

**Excerpt**

These days, it’s hard to hear much about fundraising without also hearing a thing or two about the concept of crowdfunding. Thanks to the internet, crowdfunding has opened up a whole new world of possibilities for a variety of people that might not have had the same chance to put their projects in motion on a practical basis before. These include small business owners, independent artists, charity workers, and many others.

The rising popularity of top crowdfunding sites such as Kickstarter and IndieGogo has only helped to spread the popularity of crowdfunding as a modern fundraising solution. At present, the concept on the whole has caught on to such an extent that it’s gone beyond simply being a tool specifically utilized by small businesses and independent entities to get a given project off the ground. Even larger businesses are now turning to crowdfunding as a way to obtain funds to develop products and concepts the public would like to see happen.

**A Look at the History of Crowdfunding**

Although crowdfunding has officially reached a point where it’s here to stay, it’s something that rose to prominence relatively recently as far as the history of fundraising goes. Prior to 2012, it really only existed as small scale peer-to-peer lending in which isolated individuals that believed in what you were doing would help you move your project forward by lending money. The term “crowdfunding” itself dates back to 2006 in relation to fundraising efforts for a video blogging network launched by Michael Sullivan.

What we currently think of when we hear the term “crowdfunding” actually first began as a form of outsourcing known as “crowdsourcing”. Crowdsourcing is the practice of delegating the many tasks attached to a given project over a portion of the general public to help facilitate its speedy completion. People who choose to become involved in crowdsourced projects generally do so on a volunteer basis out of a genuine desire to be involved.

Crowdfunding operates on the same general principle, but with the addition of incentives to encourage contribution and increase amounts donated. People who choose to help crowdfund a given project do generally do support the cause behind that project and wish to be involved in helping it come to fruition. However, many also wish to obtain the incentive attached to a particular size donation. The type of incentive involved is what determines the difference between reward-based crowdfunding and equity-based crowdfunding.

**How Does Reward Based Crowdfunding Work?**

Reward based crowdfunding is probably the most popular and widespread of the two campaign types. After determining the amount of money that needs to be raised for a successful project, the person or company behind the campaign then sets up suggested donation amounts. Each of these will come attached to a specific reward or incentive.

For instance, if an independent filmmaker decides to use reward based crowdfunding to raise money for his next independent film, he might offer people who donate $100 to the cause a mention in the film’s credits. Those who choose to donate $500 might receive a signed film poster while people who donate $1000 might get to attend a meet-and-greet. The types of rewards that can come attached to a crowdfunding campaign can cover literally anything.

Some reward based crowdfunding campaigns require the entire target amount to be raised or exceeded in order for the business or individual to actually receive the funds. Others will simply allow them to collect whatever they manage to raise and put it toward the project in question. In cases where the sought-after benchmark needs to be met in order for any of the funds to be collected, people who donate have the added peace of mind that comes with knowing they’ll get their money back if there’s a possibility that enough wasn’t raised for the project to move forward as planned.