



FINE2WORK

FINANCIAL COMPETENCES

PROJECT NET





FINE2WORK

PROJECT INFORMATION

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MODULE TOPICS

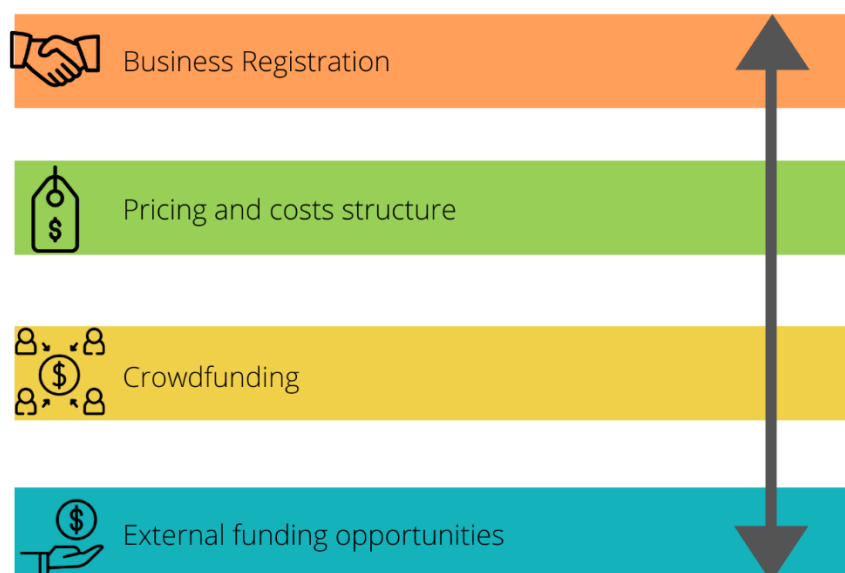






Figure 1: Module: Financial Literacy Topics

KEY SYMBOLS

Symbols	Explanation
	Definition of terms
	Tips
	Lesson Plans/Handouts E.g. Topic 1 – Activity 1
	Linked to 'Entrepreneurial Competences' E.g. Communication Skills, Presentation Skills etc.

MODULE DESCRIPTION

‘Financial Literacy’ module provides information about the crowdfunding with the basic elements of crowdfunding principles, business registration - how to register legally business and what forms to choose, pricing and costs structure – how to determine the value of products and services and understand whether potential business calculation is viable, external funding opportunities for starting own small business or self-employment activities. Adults will learn how to:

1. Determine the value of products and services
2. Calculate costs structure of own small business/ self-employment start
3. Search for external funding opportunities
4. Understand crowdfunding concept and principles



TOPIC 1 PRICING AND COSTS STRUCTURE: OVERVIEW

The main goal of this topic is to provide the necessary information about the pricing of services and goods. Adults will understand the main components necessary for calculation of the value of products and services delivered.



Linked to 'Entrepreneurial Competences'

1.1. The importance of pricing and costs calculation



To maximize profits, businesses must find every possible way to minimize costs and estimate the final price for customers which is also profitable for business.

We should calculate all costs before we start self-employment and estimate the price which is attractive for customer in market we operate. This is the most typical mistake – miscalculation of costs and not correct pricing.

While some costs are vital to keeping the business running, entrepreneurs and self-employed person should always review the financial statements to identify possibly excessive expenses that do not provide any additional value to core business activities.

Cost Allocation

Cost allocation is the process of identifying costs incurred, and then accumulating and assigning them to the right cost objects (e.g., production, marketing, sales, new product development) on some measurable basis. Cost allocation is used to distribute costs among different cost objects in order to calculate the profitability of, for example, different product lines.

Example:

Self-employed person is a hairdresser. The services this person delivers are 1) hair cut, 2) hair colouring, 3) hair do. These are costs objects. This person can calculate how much materials and time are invested in hair cut, hair colouring and hair do. This may come out that hair cut requires only good quality scissors and chair for client, shampoo and towel. On contrary, to offer hair do – the hair dryer, various hair cosmetics and electricity is needed. To offer hair colouring – the hairdresser must invest money in colours and also spend much more time than for hair cut or hair do.

Cost allocation is an important process for a business because if costs are misallocated, then the business might make wrong decisions, such as overpricing/underpricing a product, or invest unnecessary resources in non-profitable products. The aim of analyses is to make sure costs are correctly attributed to the designated cost objects and that appropriate cost allocation bases are chosen.

Pricing

The pricing is basically the sum of ALL COSTS PLUS PROFIT MARGIN in industry we operate.

If we look at hairdresser case then hair cut will be sum of 1) materials required + 2) office rent + 3) hairdresser hour rate + 4) profit for saloon owner (that could be also the hairdresser). We also analyse the average hair cut price in market and try to understand the minimal and maximal price in market. For instance, a hair cut for men in Riga city, Latvia, varies from 5 EUR at self-employed person small and lovely place up to 35 EUR in luxury saloons. So you must figure out your client profile and understand the price for hair cut in between this range (5- 35 EUR).

Tips:



- Do not overprice/underprice
- Analyse similar product/ service price in market you operate



Lesson Plans/Activities:

- Linked with Topic 1 – Lesson Plan 1 – Activity 1 (*define the service or products adult learners plan to deliver and do the price analysis of similar services/ products in market*)

1.2. The pricing structure

Before we calculate the price please think about the business philosophy you will have – will you offer Cost-driven or Value – drive services and products.

Cost-Driven cost structure

These types of businesses are hyper-focused on minimizing costs wherever they can. They want to create the lowest price cost structure by taking advantage of systems, automation and outsourcing. We offer the lowest price and customers choose us because of this main offer – lowest price or saving money.

Value-Driven cost structure

Value-Driven cost structures are staples to companies that are more concerned about creating value than how much it costs them to do so.

While cost is important to keep in mind, if we aren't providing enough value we wouldn't have any clients.

Understand how to create value for different customer segments

Do this by estimating how much value different combinations of benefits could represent to customers. Then, test your assumptions and estimates with your customers with potential customers interviews or marketing survey.

What is a pricing structure?

A pricing structure fundamentally answers the question, “How much do I charge for my product?” by helping you figure out the relationship between the value of your product or service (and especially how your customers perceive that value) and the costs incurred to create/provide it.

Your pricing structure defines your pricing setup for products or services, including your core price points plus discounts, offers, and strategy. Every pricing structure begins with a pricing objective. Change the objective, and you'll have to change the structure, too.

Once your product is ready for market, your first priority is to ensure that the right customers are made aware of its value, and that, once those customers buy-in, they can benefit from the value they've paid for. A good pricing structure can do both.ⁱ

7 examples of pricing structures

Again, pricing structures are all about objectives. Your product and your company's size and growth stage will determine which structure is most appropriate. Here are some examples of tried-and-true frameworks.

Singular/flat-rate pricing

In this type of pricing structure, a company sets a single price, and that's it. Regardless of the individual needs of customer types, your product will be sold at the same rate to anyone who wishes to buy. If you do pursue singular pricing, you must by no means allow it to limit your ability to dynamically adapt to market competitors. A single pricing point doesn't mean one pricing point forever — you should still review and update your pricing regularly.

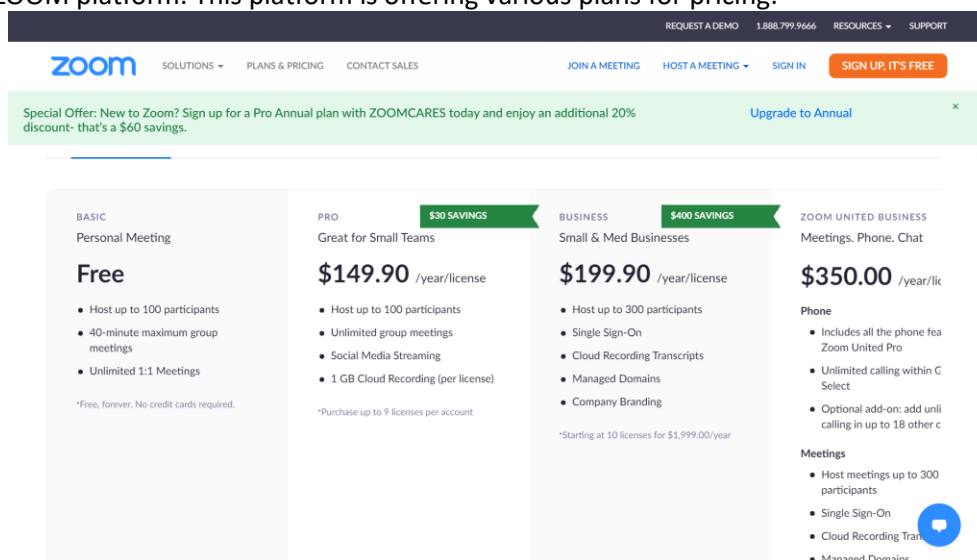
For instance, hair cut for men is 15 EUR. You noticed that this price may be too high as many hairdresser lower price in Covid19 times and you adapt fast and also change price to 12 EUR.

Tiered pricing

Tiered pricing involves giving a prospective buyer multiple options, distinguishing them by the features included.

This is a highly successful pricing structure for subscription services or products. Particularly when you're seeking to appeal to a wide variety of buyer personas, tiered pricing can help you arrange features in ways that are appealing to different potential buyers. Even if your buyer persona range is narrow, tiered pricing is still a very effective way of using monetization to drive growth.

Example: ZOOM platform. This platform is offering various plans for pricing:



Plan	Price	Target Audience	Key Features
BASIC Personal Meeting	Free	Personal	<ul style="list-style-type: none"> Host up to 100 participants 40-minute maximum group meetings Unlimited 1:1 Meetings
PRO	\$149.90 /year/license	Great for Small Teams	<ul style="list-style-type: none"> Host up to 100 participants Unlimited group meetings Social Media Streaming 1 GB Cloud Recording (per license)
BUSINESS	\$199.90 /year/license	Small & Med Businesses	<ul style="list-style-type: none"> Host up to 300 participants Single Sign-On Cloud Recording Transcripts Managed Domains Company Branding
ZOOM UNITED BUSINESS	\$350.00 /year/lic	Meetings. Phone. Chat	<ul style="list-style-type: none"> Includes all the phone fea Zoom United Pro Unlimited calling within C Select Optional add-on: add unli calling in up to 18 other c

source: www.zoom.us

If we look as hair dresser case – you may offer hair cut for 5 EUR, hair wash plus hair cut 7 EUR, hair wash plus cut plus hair do for 12 EUR. This is also tiered pricing. By this option you enlarge the potential customer number.

Variable pricing

Variable pricing is on offer if part of a company's selling line involves words to the effect of "Contact us for more information on pricing." A company working from a variable pricing model seeks to negotiate a specific price for each customer who needs their services.

This pricing structure is most useful for specific software or software that comes at a financial premium. Similarly, if your product is in-demand in areas that require deployments of varied scale — for instance, if you're approached by companies with five employees as well as those with 500 — you might find variable pricing useful for both maintaining a broad market appeal and getting the most out of larger clients.

Tiered and variable

A company employing this hybrid pricing structure uses tiering as a basis for pricing with 'regular'-sized customers. The benefits of tiered pricing are retained. Meanwhile, the addition of a variable option gives the business room to negotiate rates and cut customized deals with customers who fall outside of their usual range.

The tiered and variable pricing structure is the most complex on our list, but it can be effective when you have a consumer-facing product that is also used by specific business fields. Consumers have a range of options to choose from, while bigger businesses can negotiate for rates and even specific feature packages.

Per-user pricing

Per-user pricing is a simple, highly popular pricing structure that is extremely well-liked among SaaS subscribers. In per-user pricing, a single user pays a fixed monthly price. They may then add another user to their plan, and the baseline price increases (it might double, for instance); a third user increases the price by the same token, and so on.

Usage-based pricing

This pay-as-you-go type model relates the cost of a SaaS product to its usage.

SaaS product is an internet software that all users have access to. Many of your favorite internet platforms are SaaS – Google Apps, DropBox, or Canva. The idea of the SaaS app began to spread by entrepreneurs in the 90s. And to date, it is one of the most relevant business distribution models. At least, 51% of companies already operate every process in the cloud. By 2020 this number is to increase to 73%.ⁱⁱ

This is particularly effective for infrastructure- and platform-related software, such as Amazon Web Services and other services where companies are charged for smaller transactions within the product (e.g., API requests, transactions processed, or data used).

Usage-based pricing is for companies working in price sensitive market areas, as customers will always be able to justify the change in price. From the perspective of a subscription company, usage-based pricing is not ideal. It makes it difficult, however, for companies using it to make concrete revenue forecasts.

Freemium

Hugely popular with successful SaaS companies, from Dropbox and Slack to Yammer and Skype,

freemium dovetails excellently with the tiered pricing model. Entry-level access to product features is kept free, with increasing restrictions on higher-level features to incentivize upgrading.

It's particularly good for very sticky products (like those mentioned) that get customers eager to upgrade, even though it requires taking an initial financial hit.

Tips for building a strong structure

Understand your product's value before determining price

Never decide on your pricing before you have a finished product. Let the product speak for itself; be reactive to the behavior and feedback of your initial customers before changing your monetization approach.

Remember, differing features within your product will be defined by customers' perception of them — just because Feature A and Feature B are in the same package doesn't mean that they're equivalent in value or in customers' willingness-to-pay (WTP) for them. Observe early patterns and adjust accordingly.

Be flexible

Flexibility, re-evaluation, and a sense of dynamism when dealing with pricing strategy are fundamental. Your strategy is not totemic — it has to change as your product does.

Make sure your pricing scales alongside your product's own improvements. A vastly expanded product with new and improved features and last year's price points will actually be losing you revenue per sale relative to its value — don't be afraid to increase your price points!

Tips:



- Explore the prices of similar products and services in market
- Speak with your potential customers about price

1.3. Cost structure: fixed and variable costs

Cost structure refers to the various types of expenses a business incurs and is typically composed of **fixed and variable costs**.

Fixed costs are costs that remain unchanged regardless of the amount of output a company produces, while **variable costs change with production volume**.

Operating a business must incur some kind of costs, whether it is a retail business or service provider.

Cost structures differ between retailers and service providers, thus the expense accounts appearing on a financial statement depend on the cost objects, such as a product, service, project, customer, or business activity.

Even within a company, cost structure may vary between product lines, divisions, or business units, due to the distinct types of activities they perform.

Fixed Costs

Fixed costs are incurred regularly and are unlikely to fluctuate over time.

Examples of fixed costs are overhead costs such as:

1. rent,
2. interest expenses,
3. property taxes,
4. depreciation of fixed assets.,
5. direct labour cost.

While direct labour cost tends to vary according to the number of hours an employee works, it still tends to be relatively stable and, thus, may be counted as a fixed cost, although it is more commonly classified as a variable cost where hourly workers are concerned.

Variable Costs

Variable costs are expenses that vary with production output.

Examples of variable costs include:

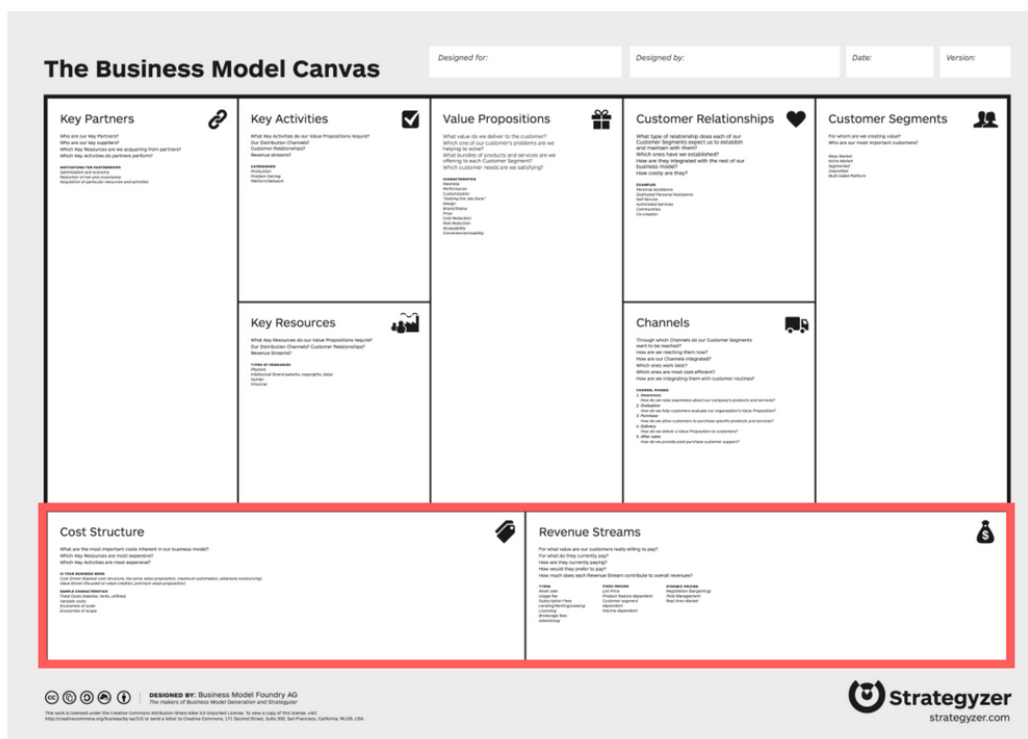
1. direct labor costs,
2. direct material cost,
3. utilities,
4. bonuses and commissions,
5. marketing expenses.

Variable costs tend to be more diverse than fixed costs. For businesses selling products, variable costs might include direct materials, commissions, and piece-rate wages.

For service providers, variable expenses are composed of wages, bonuses, and travel costs. For project-based businesses, costs such as wages and other project expenses are dependent on the number of hours invested in each of the projects.

Task:

Look at your business model cost structure



The Business Model Canvas

Designed for: _____ Designed by: _____ Date: _____ Version: _____

Key Partners Who are our key partners? Who are our key suppliers? Which key resources are we acquiring from partners? Which key activities do partners perform? Information and knowledge Infrastructure and technology Financial and human resources Channels and customer segments	Key Activities What key activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams? Infrastructure and technology Financial and human resources Channels and customer segments	Value Propositions What value do we deliver to the customer? Which one of our customer's problems are we solving for them? What bundle of products and services are we offering to each Customer Segment? Which Customer Needs are we satisfying? Infrastructure and technology Financial and human resources Channels and customer segments	Customer Relationships What type of relationship do we build with our Customer Segments to help them to solve their problems and deliver value? Which ones have we established? How are they implemented with the rest of our business model? New costly are they? Infrastructure and technology Financial and human resources Channels and customer segments	Customer Segments For whom are we creating value? Who are our most important customer segments? Infrastructure and technology Financial and human resources Channels and customer segments
Key Resources What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams? Infrastructure and technology Financial and human resources Channels and customer segments		Channels Through which Channels do our Customer Segments want to be reached? How are we reaching them today? How can we reach them better? Which ones work best? Which ones are most cost efficient? How are we integrating them with customer needs? Infrastructure and technology Financial and human resources Channels and customer segments		
Cost Structure What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive? Which Key Partners are most expensive? Infrastructure and technology Financial and human resources Channels and customer segments		Revenue Streams For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much (how often) should they contribute to overall revenues? Infrastructure and technology Financial and human resources Channels and customer segments		

DESIGNED BY: Business Model Foundry AG
The experts of Business Model Generation and Strategyzer

strategyzer.com

When mapping out this section, consider how you can minimise unnecessary costs whilst still delivering value.

1. Business model Cost Structures can either be cost-driven or value-driven.
2. Once you've mapped out what Cost Structure your business model has, let's think about the different types of costs and their characteristics:

Fixed Costs: these costs remain unaffected even as your business changes. These include rent and staff salaries.

Variable Costs: these types of costs change depending on the quantity of goods and services produced by a business. These include things like raw materials and shipping costs.

3. Will you have Economies of scale or Economies of Scope approach

Economies of scale: these are cost savings generated from increased levels of output, resulting in the reduction of per-unit costs.

Economies of Scope: Economies of Scope are savings generated when the cost of producing a range of products together is cheaper than manufacturing them individually. For example, several products may share the same marketing activities or Distribution Channels.

4. Once you've established if your business model is Cost driven or Value driven, consider which of your Key Resources and Key Activities are the most expensive. And always remember to match these costs to your Value Propositions to ensure your business model is always designed with your customers at its core.
5. Remember to take a holistic approach and think about how your incomings and outgoings effect your wider business model: how much do each of your Revenue Streams contribute to your overall revenues? Which of your Key Resources are the most cost-effective, and which are the most expensive? These are key aspects underpinning any business model so take your time to really make sure you have these nailed down.

1.4. Pricing strategies

Product pricing is an essential element in determining the success of your product or service, yet eCommerce entrepreneurs and businesses often only consider pricing as an afterthought. They settle and use the first price that comes to mind, copy competitors, or (even worse) guess.

There are lots of product-pricing strategies out there based on the study of human psychology.

There are lots of pricing strategies out there to do this, but three favorites for profitably lowering prices are **discount pricing**, **loss-leader pricing**, and **anchor pricing**.

DISCOUNT PRICING

Discount pricing is a strategy where items are initially marked up artificially or start at a higher price, but are then offered for sale at what seems to be a reduced cost to the consumer.



An online retail store, might offer discount pricing on all of its kitchen items for a limited time to attract new customers and boost sales.

This is a simple way to attract new customers that might not have bought a particular item at a higher price.

The key to ensuring that the discount pricing strategy remains profitable for your business is to keep the profit margins close to 0 EUR or slightly positive. In other words, don't sell your products at a discount just to get customers in the door, only to find out you're losing money hand over fist.

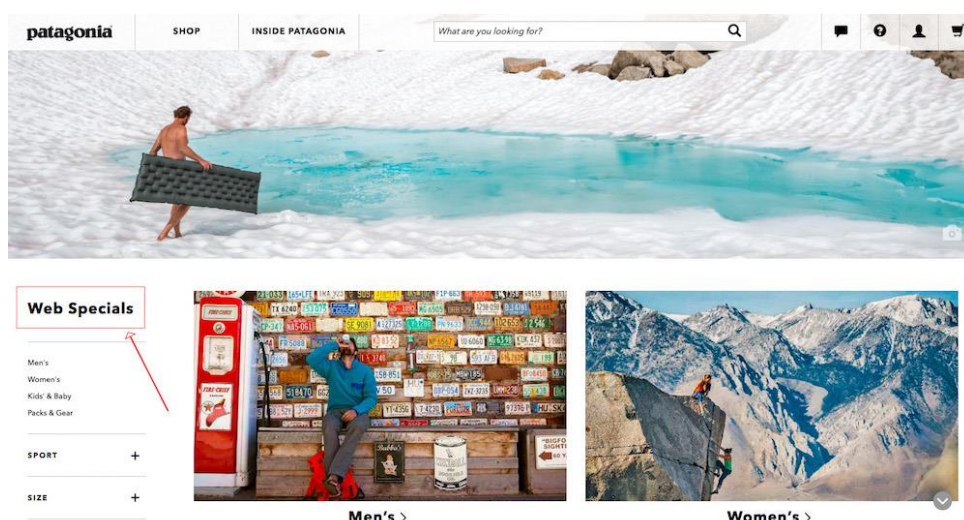
Attract customers with discounts, keep your profit margin on discounted items close to EUR 0, and then upsell or cross-sell other items in your store to turn a profit.

LOSS-LEADER PRICING

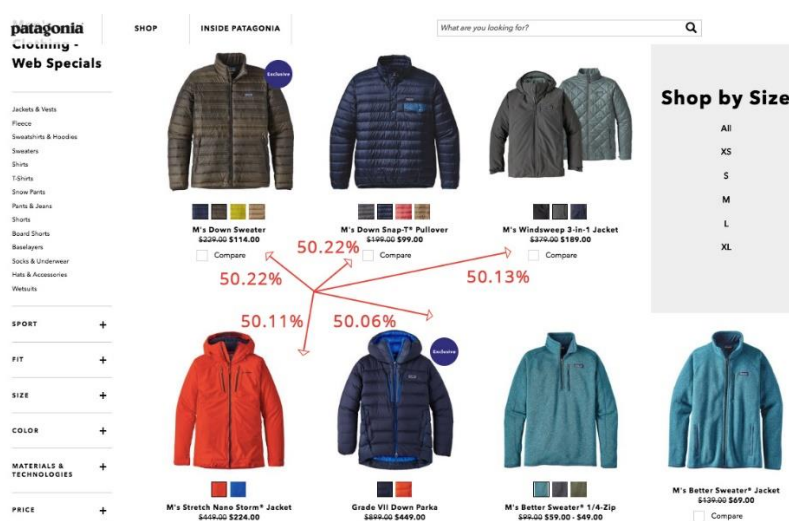
Similar to discount pricing in strategy, loss-leader pricing takes a slightly more risky approach to attracting purchasers.

According to Inc. “Loss-leader pricing is an aggressive pricing strategy in which a store sells selected goods below cost in order to attract customers who will, according to the loss-leader philosophy, make up for the losses on highlighted products with additional purchases of profitable goods.”

Luxury and expensive clothing company Patagonia is a perfect example of loss-leader pricing done right. First, they start with a “Web Specials” page that they promote via email and social media:



In examining their Web Special products, many items are sold at 25-75% below normal retail price:



The key difference with **loss-leader pricing vs. standard discount pricing** is businesses often know that they will not make a profit on items sold as loss-leaders. And that starts with a deep understanding of your product costs and profit margins.ⁱⁱⁱ

Using this pricing strategy can help attract large numbers of customers who would otherwise shop elsewhere, and some of them will buy items with a higher profit margin.

ANCHOR PRICING

There's a great video of Steve Jobs announcing the iPad price on stage in 2010.



He rhetorically asks the attendees what they should price the iPad at. "If you listen to the pundits, we're going to price it at under \$1000, which is code for \$999," says Jobs. \$999 appears on the screen before he continues... "I am thrilled to announce to you that the iPad pricing starts not at \$999, but at just \$499." On the screen, the \$999 price is shattered by a falling "\$499."

That's anchor pricing at its absolute finest.

Anchor Pricing is where you display your "regular" price and then visibly lower the price of that item in stores or online. It works so well because it helps you to create an image in shoppers' minds that they're getting an incredible deal. Little do they know that the regular price was made up in the first place!

TOPIC 2 CROWDFUNDING: OVERVIEW

The main goal of this topic is to present to adult learners the concept of crowdfunding as up-to-date finance attraction tool. Adult learners will understand the crowdfunding concept, principles, benefits and rules.



Linked to 'Entrepreneurial Competences'

2.1. Definition & crowdfunding concept



“THE PRACTICE OF FUNDING A PROJECT OR VENTURE BY RAISING MANY SMALL AMOUNTS OF MONEY FROM A LARGE NUMBER OF PEOPLE, TYPICALLY VIA THE INTERNET”

source: Oxford Dictionary, 2020

There are some other definitions:

- “the practice of raising money for a project through small amounts of money from a number of people.” source: <https://blog.planbook.com/crowdfunding-for-teachers/>
- “crowdfunding is the process of asking the general public for donations that provide start-up capital for new ventures (<http://www.crowdfundingguides.com>)

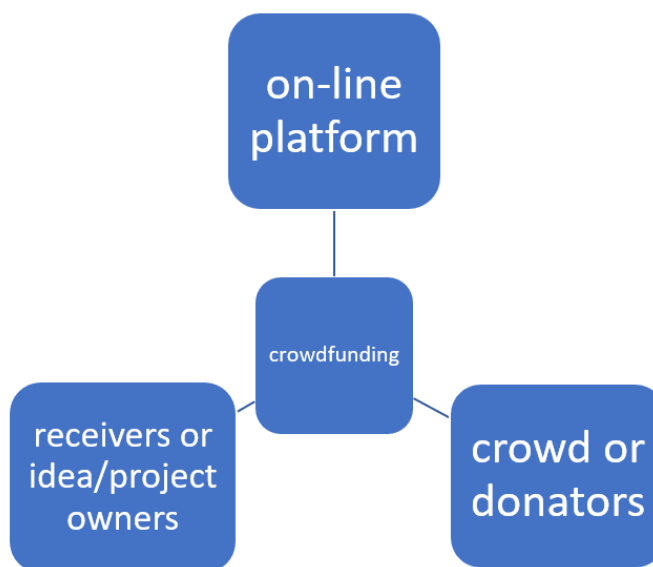
Crowdfunding is a form of online finance for innovative companies, projects and people. Crowdfunding comes in many different formats and purposes - but the overall similarity is the process of collaborative funding often on Crowdfunding platforms, which bring together the supporters with the recipients of funds. (Project Crowd-Fund-Port, www.crowdfundport.eu)

HOW DOES IT WORK?

There are always three parties:

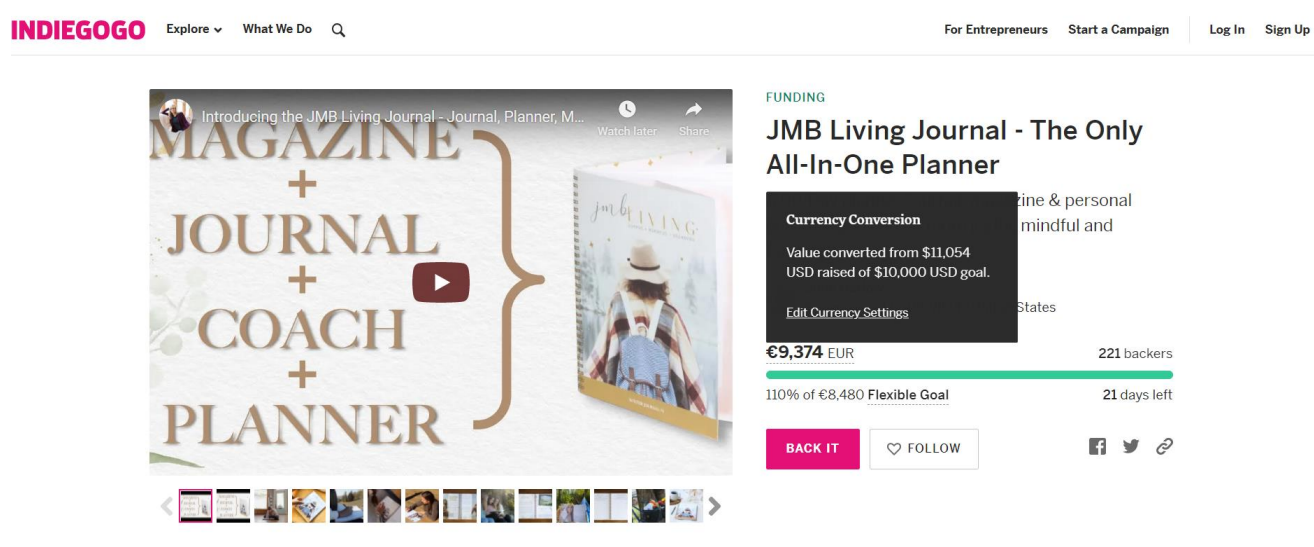
- 1) DONATORS or crowd willing to support or invest money;
- 2) RECEIVERS or idea owners and promoters willing to start business or project;
- 3) INTERMIDIATES (middle shipman) or platform owners that organize connection between receivers and donators and charge 5-7 % of funding raised via their platforms.

NB!!! Crowdfunding platform is also business that helps to connect donators and receivers.



Case study 1 from TOP 3 global crowdfunding platform <https://www.indiegogo.com/>

The simple idea was funded on the TOP3 global platform <https://www.indiegogo.com/>. This is Planner for every day life activities.



This idea promoter was expecting to fund-raise €8,480 but we can see from the picture below that this idea fundraised €9,374 EUR and still there are 21 days to go.

€9,374 EUR

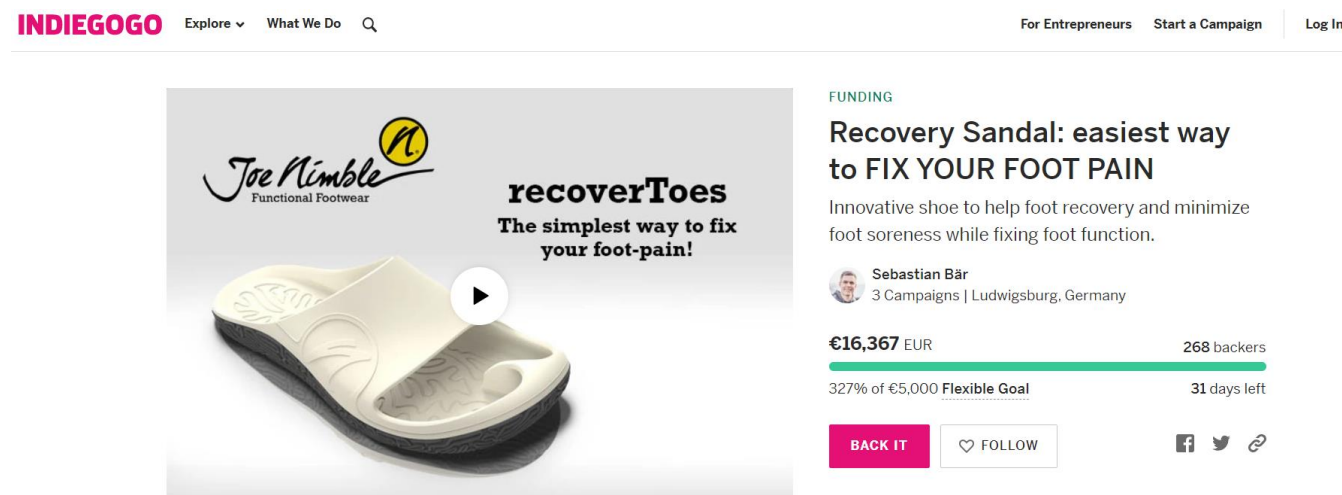
221 backers

110% of €8,480 Flexible Goal

21 days left

Case study 2 from TOP 3 global crowdfunding platform <https://www.indiegogo.com/>

The more complicated idea – Recovery Sandals by German entrepreneur.



This idea promoter was expecting to fund-raise €5,000 but we can see from the picture below that this idea fundraised €16,367 EUR and still there are 31 days to go.

€16,367 EUR

268 backers

327% of €5,000 Flexible Goal

31 days left

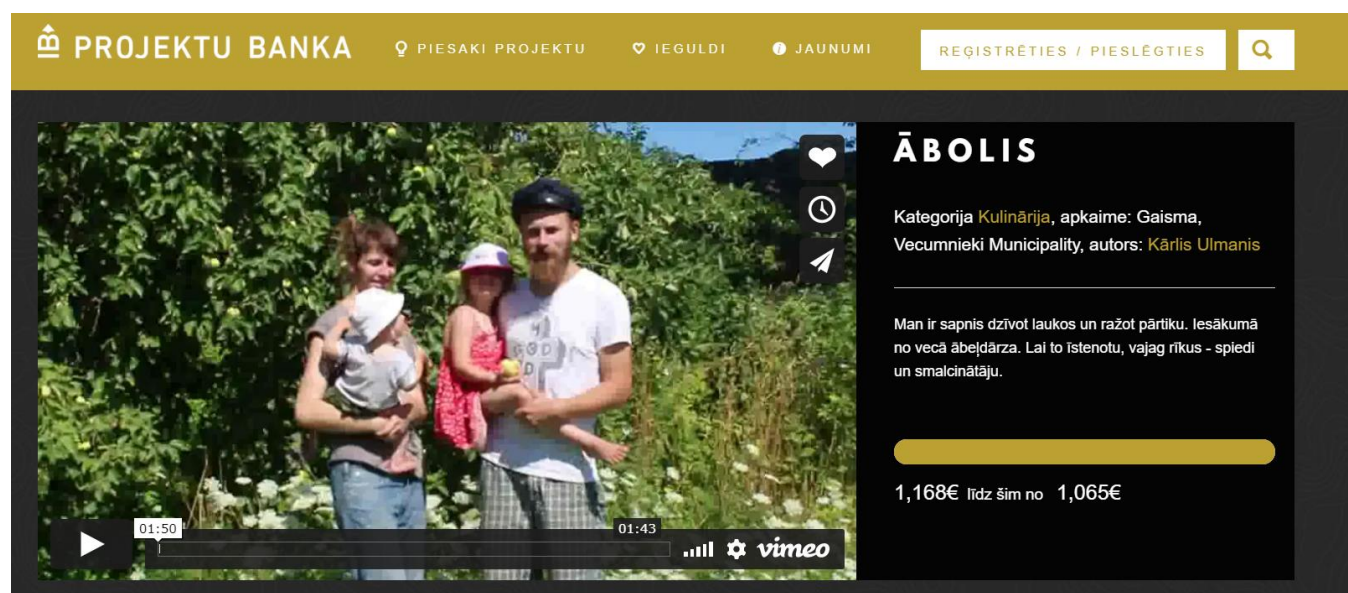
Project FINE2WORK partner organizations are from Latvia, Cyprus, Portugal and Bulgaria. These are some examples from these countries.

Case study 3 from Latvia national crowdfunding platform

This is the only national crowd-funding platform in Latvia namely “Projektu banka” in Latvian or “Project Bank” in English <https://projektubanka.lv/>

This is platform for creative, cultural and educational ideas as well local people willing to start own small and micro business activities. The crowdfunding fee charged by platform owner is 5 %.

The business idea below – “Apple” was fundrasing caimpaign for self-employed person willing to start farming in the apple garden. He wanted to buy equipment for pressing juice out of apples. He asked 1,065 EUR from the crowd in donations and received 1,168 EUR. The business idea was funded.



The screenshot shows the Projektu Banka website interface. The header includes the logo, navigation links (PIESAKI PROJEKTU, IEGULDI, JAUNUMI), and user options (REĢISTRĒTIES / PIESLĒGTIES). The main content area features a video player showing a family in an orchard. To the right of the video, the project title 'ĀBOLIS' is displayed, along with its category 'Kulinārija', location 'Gaisma, Vecumnieki Municipality', and author 'Kārlis Ulmanis'. A description in Latvian explains the project's goal of starting an apple orchard. A progress bar indicates that 1,168€ has been raised out of a 1,065€ goal.

NB!!! Crowdfunding is more than just finance! Crowd-funding can be used for marketing, market research, community outreach and press activities.

History of Crowdfunding

Crowdfunding is not a new concept - the Statue of Liberty in USA is thought to be one of the first documented crowd-funding projects (Project Crowd-Fund-Port, www.crowdfundport.eu).

We can find historically the cases when people donated for public buildings and important activities. Similarly, to the Statue of Liberty in USA, the National Statue of Liberty was also crowd-funded in 1931 by donations of local Latvian people.



source: Statue of Liberty in Riga city, Latvia

In other words – the idea of collecting money from people or ask collective help is not a modern idea. People are willing to help also by financial means because this is a human nature – we feel socially responsible and willing to engage. The engagement is reason why crowdfunding is becoming so popular now-a-days with the help of digital world and internet. We can sit in Latvia and fundraise from people in Portugal, we can have a business idea in Bulgaria and may be donators will be from Cyprus. World is big and small at the same time thanks to internet and technologies.

The project CrowdFundPort mention that the first modern crowdfunding activity was started back in 2003 by artistShare as first Crowdfunding platform in the USA for musicians, then in 2006 Sellaband launches as a fan-funding platform for bands in Europe; in 2008 Indiegogo launches in the USA for creative and social projects; in 2009 Kickstarter opens for US projects; in 2012 the first Crowdfunding Industry Report was published (Project Crowd-Fund-Port, www.crowdfundport.eu).

Since the early days of Crowdfunding, the number of platforms worldwide rose to over thousand. More than 1250 Crowdfunding platforms online worldwide according to the Crowdfunding Industry Report

(2015). More than 360 Crowdfunding platforms operate in Europe according to the 2nd European Alternative Finance Industry Report (2016).

WHAT IS IT GOOD FOR?

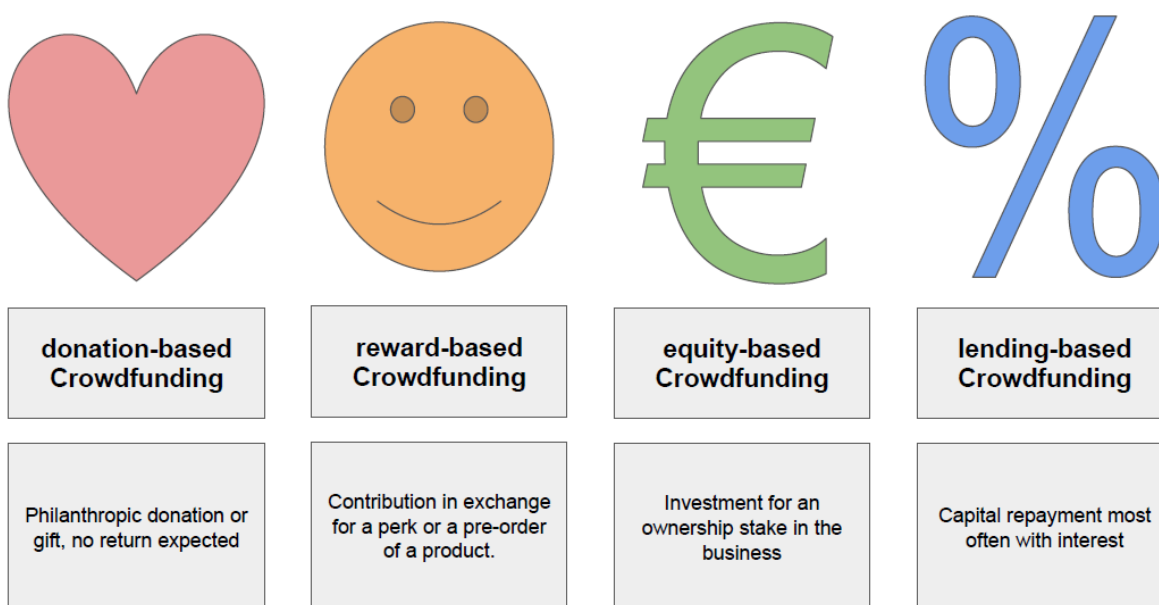
- Alternative source of early seed funding.
- Validation of your business idea through real-time interaction with donators or crowd
- Opportunity to promote your business idea or brand name.
- Opportunity to recruit and inform potential clients as donators could become also your clients.



2.2. Crowdfunding principles

There are four types of crowdfunding.

DONATION BASED:	Funders donate to causes that they want to support, with no expected compensation.
REWARD-BASED:	Funders receive non-monetary rewards often take the form of a token of appreciation or the pre-purchasing of products or services.
LENDING-BASED:	Funders often receive fixed periodic income and expect repayment of the original principal investment.
EQUITY-BASED:	Funders receive an interest in the form of equity in the venture they fund or, alternatively, revenue or profit-share arrangements.



source: Massolution, Crowdfunding Industry Report 2015

Tips:



- **DONATION -BASED and REWARD-BASED is the most appropriate type for small and micro business ideas promoters.**
- **Always start with psychologically acceptable for you amount to raise from crowd.**

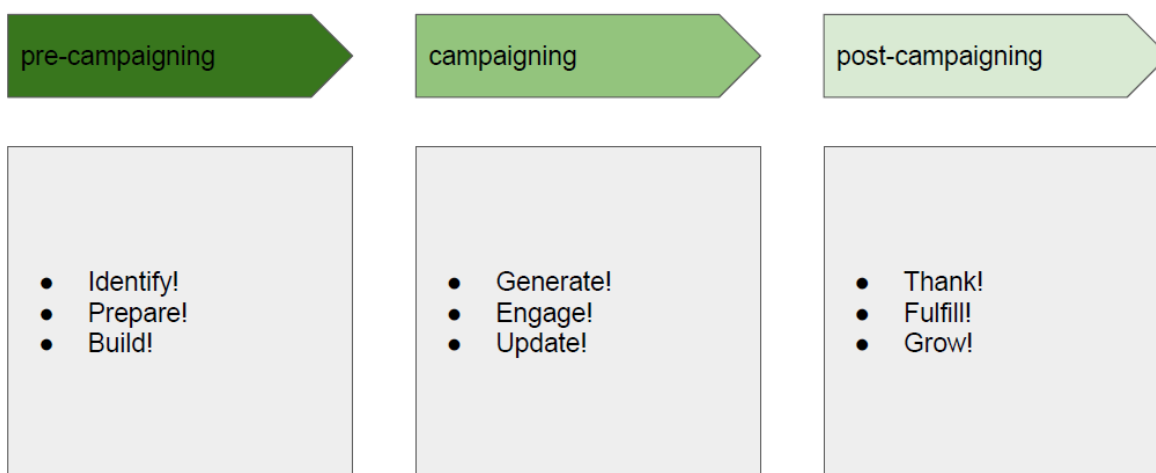
Remember simple case study from Latvia "Apple" – this is the initial trial that could be done by everyone.

CROWDFUNDING PROCESS

When you are about to start crowdfunding, please try to identify:

1. the main goal – for what you collect money? Design, purchasing equipment, prototyping, marketing, research?
2. identify the name of the crowdfunding campaign – the nice name is important, people like “catchy” titles
3. find the appropriate platform nationally or internationally – this is always easier to start locally and then try globally
4. read carefully the platform rules or terms of cooperation, not all countries are eligible to start crowdfunding in global platforms, also there are tax issue that should be taken into account (always commission fee pf 5-7% and sometimes national value added tax (VAT) is also charged). This may come out that receiver should pay off even 30 % in taxes combining VAT plus fee. Read is this KIA or AON platform (please refer to text below)
5. explore the supported projects on the selected platform – this will help yout to understand the focus of crowd following this platform
6. prepare all needed materials to start campaign – usually videos, infographics, product description, images, references, more you show and explain more people may believe in idea and support.
7. in case you go for REWARD-BASED crowdfunding campaign – please state clearly what will be reward – your product, discount or any other goods for exchange.

There are three phases: the pre-campaign phase, the campaign-phase itself and a post-campaigning-phase.



2.3. Crowdfunding rules

Most Crowdfunding-platforms follow an “all or nothing” approach, some also offer “keep it all” approach.

KIA = KEEP IT ALL: money will be transferred by the platform from supporters to the project or receiver no matter what

AON = ALL or NOTHING: money will be only transferred to the platform from supporters to receiver if the project campaign reaches it's funding goal

Case study 1 “KIA or AON”

Please visit now platform <https://help.kickstarter.com/hc/en-us/articles/115005047893-Why-is-funding-all-or-nothing->, here you can find important information about funding rules on TOP 3 global platform.

Articles in this section

Kickstarter and COVID-19

Updated 18 days ago

Follow

What is Kickstarter?

What are the basics?

Why is funding all-or-nothing?

What are the fees?

How do I manage my Messages?

Why is funding all-or-nothing?

We established the all-or-nothing model when we launched in 2009 as a measure to protect creators, and to minimize risk for everyone. By not releasing funds unless a project meets its goal, this ensures that creators have enough money to do what they promised and they're not expected to complete a project without the funds necessary to do so. This also assures backers that they're only funding creative ideas that are set to succeed.

We've seen that having a goal to rally around creates a sense of urgency—it gets early backers personally invested in bringing on more supporters, and it makes every backer part of a community crossing the finish line together.

Setting a goal and not charging backers unless the project reaches that goal also makes the process democratic. Backers have to come together to raise the amount the creator really needs.

source: [https://help.kickstarter.com/hc/en-us/articles/115005047893-Why-is-funding-all-or-nothing-\(2020\)](https://help.kickstarter.com/hc/en-us/articles/115005047893-Why-is-funding-all-or-nothing-(2020))



- We can read that KICK STARTER operates based in all-or-nothing model.
- Above all they charge 5% as platform plus 3% for payment processing done by another operator.

United States ▼

If your project is successfully funded, the following fees will be collected from your funding total: Kickstarter's 5% fee, and payment processing fees (between 3% and 5%). If funding isn't successful, there are no fees.

Kickstarter fee	5% of total funds raised
Payment processing fees	3% + \$0.20 per pledge
	Pledges under \$10 have a discounted micropledge fee of 5% + \$0.05 per pledge

source: <https://www.kickstarter.com/help/fees?country=US>

The fee depends on country of idea promoter. Image below shows the rules if promoter is from UK.

United Kingdom ▼

If your project is successfully funded, the following fees will be collected from your funding total: Kickstarter's 5% fee and payment processing fees (between 3% and 5%). Please note we do not withhold VAT. If funding isn't successful, there are no fees.

Kickstarter fee	5% of total funds raised
Payment processing fees	3% + £0.20 per pledge
	Pledges under £10 have a discounted micropledge fee of 5% + £0.05 per pledge

source: <https://www.kickstarter.com/help/fees?country=GB>

Case study 1 “KIA or AON”

Please visit now platform social crowdfunding platform <https://startsomegood.com/>.

We can read that this platform charges 5% service fee plus payment processing.

What are your fees?



Written by StartSomeGood Team
Updated over a week ago

Submitting and launching a project is completely free. If your project reaches its funding goal, StartSomeGood charges a 5% service fee on all pledges that are successfully processed. As a project creator, you can choose to pay this fee yourself, or you may pass the fee on to your donors. For example, if you receive a pledge of \$100 and choose to pay the service fee yourself, StartSomeGood will keep \$5, leaving you with \$95. If you choose to pass the fee on to your donors, a donor pledging \$100 will pay an additional \$5 service fee for a total charge of \$105, leaving you with \$100. Note that you (the project creator) will also pay a fee to payment processing provider Stripe in either case. Stripe's fees are very competitive and you can find the details at stripe.com/pricing.

source: <https://help.startsomegood.com/en/articles/4454836-what-are-your-fees>

This platform operates based on AON model.

How Crowdfunding Works On StartSomeGood.

At StartSomeGood our fundraising model is called “all-or-nothing”. This means donor pledges will not be processed unless you hit your first fundraising target, what we call your **tipping point**.

“All-or-nothing” crowdfunding may sound risky, but it is the model used by the most respected platforms in the industry, including Kickstarter.

source: <https://startsomegood.com/howitworks>

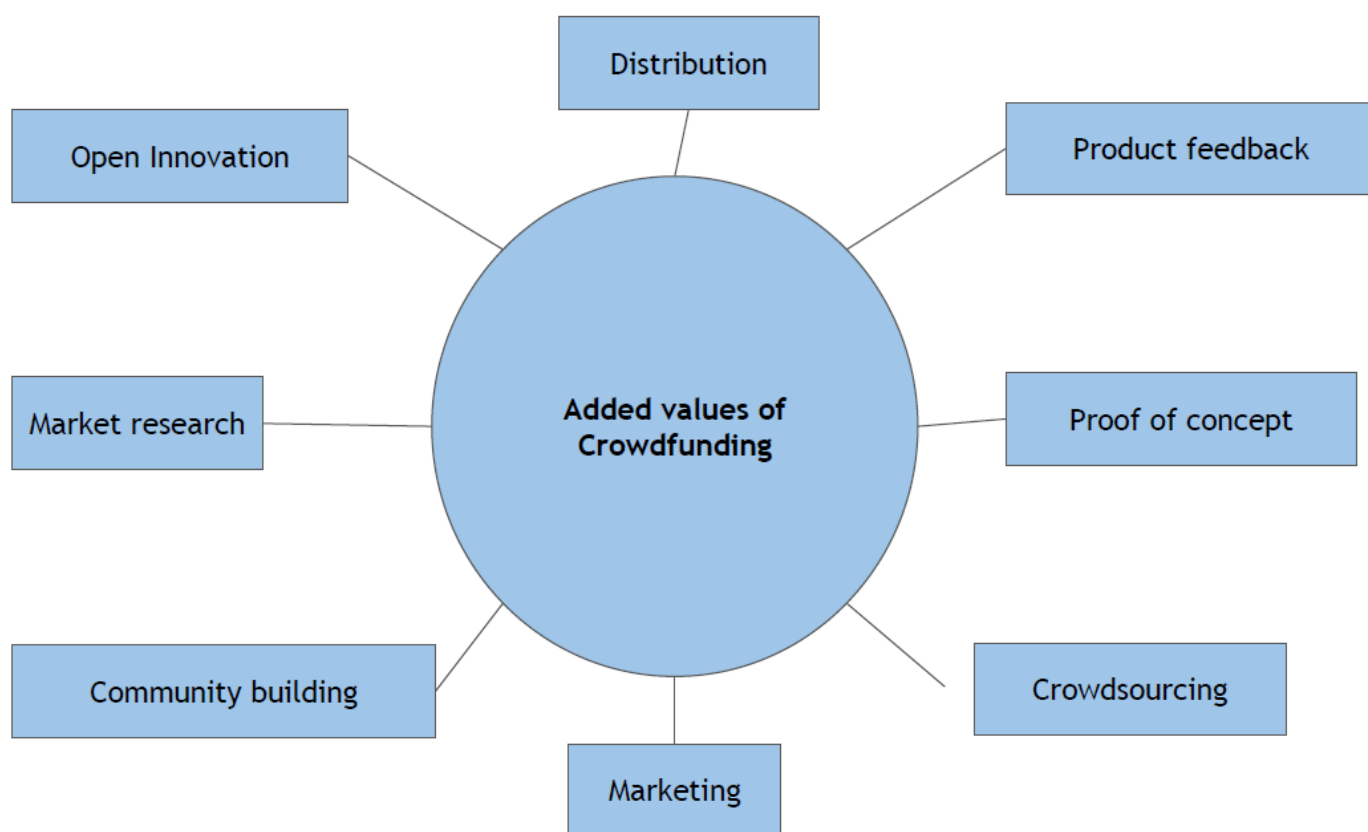
2.4. Crowdfunding benefits and risks

THE REALITY OF CROWDFUNDING “If you think crowdfunding is easy, guess again: It’s definitely not. It’s actually pretty scary, because you have to be prepared to put yourself out there on display [for the public]. It’s the Internet and you have to expect mixed feedback.”

Jane Jensen, Pinkerton Road: A Year of Adventure

Crowdfunding Pros:

- Crowdfunding doesn’t just help you finance your projects – it also lets you gauge public interest before launching new products or inadvertently spending money for marketing
- You control everything, including costs, timing, delivery, creative vision and execution, marketing and customer interactions
- You keep your equity. Projects and businesses remain 100% yours.
- You get to test and prove out the popularity of your model, using as little as a prototype or preproduction materials.



Crowdfunding Cons

- It puts you and your ideas out directly in front of the public – and, potentially, the line of fire.
- Success requires investing tireless effort into ongoing social marketing campaigns, and constant self-promotion, throughout the entire duration of the fundraising campaign. If you're shy, guarded or soft-spoken by nature, you'll have to get over these tendencies to run a successful crowdfunding campaign – or find someone else to serve as a project spokesperson.
- It doesn't always work. That's not to say that you should be discouraged about the chances of successfully crowdfunding a project, but you do have to be realistic, and prepare yourself for potential failure.

source: <http://www.crowdfundingguides.com/>

TOPIC 3 EXTERNAL FUNDING OPPORTUNITIES: OVERVIEW

The main goal of this topic is to provide of this topic is to provide the useful information about the external funding opportunities in project partners' countries for own small business or self-employment. Adult learners will understand the various external funding opportunities and benefits and risks of external funding.



Linked to 'Entrepreneurial Competences'

3.1. Funding options



The funding or simply saying money is very important if someone is willing to move from idea stage to implementation stage.

This is a very important moment at the start of own business or self-employment and sometimes lack of financing is the crucial point when people stop dreaming and doing.

Let's say a young person aged 25 is having an idea of opening small hairdresser saloon to provide job placement for herself of himself and may be offer also the working place for another self-employed beauty specialists. The business idea is clear.

The second step is to clarify all requirements for opening beauty salon. Usually beauty salon is linked with sanitary and health security requirements that could be asked either in local municipality or at the responsible institution of this business sector.

The third step is calculation of all necessary costs that will occur before opening saloon and regular costs that will be monthly payments for 1) saloon rent, 2) electricity and water, 3) telephone, 4) marketing or advertising activities, 5) hair cosmetics, 6) salary and taxes, 7) transport costs and any other relevant costs. When person estimates the budget for start and for work in at least first year, then the finance questions is raised.

Usually there are different options how to get money or starting capital.

These options are:

- 1) **OWN MONEY FROM SAVINGS** – this is good option and not risky at all but does everyone is having enough savings to start own business;
- 2) **3F (FAMILY, FRIENDS, FOOLS)** - in other words we ask for lending money from our family members, friends and people we may know and who trust us, also commonly named as “fools”;
- 3) **BANK LOAN** – this is not always possible and people are afraid of serious contracts in case they fail or do not succeed on time;
- 4) **INVESTORS AND BUSINESS ANGELS** – this is possible if your business idea is innovative and with global or international potential;
- 5) **SUPPORT PROGRAMMES BY LOCAL MUNICIPALITY OR NATIONAL GOVERNMENT** – this is good option but you need to write a project proposal and compete;
- 6) **INTERNATIONAL SUPPORT PROGRAMMES LIKE EUROPEAN UNION FUNDS** – this is not so easy if a person is having no experience and may be English language skills are not so fluent (many proposals are written in English but also in national languages);
- 7) **CROWDFUNDING** – this is up-to-date way now-a-days thanks to internet but this is rarely used by persons willing to start business due to understanding and knowledge lack about crowdfunding basics.



Lesson Plan/Handout:

Please think how much money you need to start your own business or self-employment and try to find out information about all funding opportunities mentioned above.

Is this an easy task? May be not if we have no idea where to look for information.

3.2. Own savings and 3F

- **OWN SAVINGS** – do you have own savings? How long time to need to work to save own money to start? While you work and save money, do you gain time or may be loose time?

The benefits:

- *no obligations*
- *flexible in case some activities are prolonged*

The risks:

- *if loosing own money no one will re-pay, this is only own responsibility*
- *lack of experience may lead to failure covered by own sweat capital or savings*

- **3F** – think critically whether your family, friends and people around you can lend you starting capital. Are these people ready to help you now when world is changing so fast? In case you will not be able to pay back on time – will you have any opportunity to prolong the lending period? Will 3F lend you officially by signing any documents or this will be “gentlemen’ agreements when you are given money based on trust? Do you want actually to start business using 3F approach? Do you feel good enough about borrowing money from 3F?

The benefits:

- *“friendly” obligations*
- *flexible in case some activities are prolonged*
- *cheap money as no interest rate paid*

The risks:

- *if loosing 3F money no one will re-pay, this is only own responsibility*
- *mutual trust with 3F is put at risk*
- *may lose friends if something goes wrong*

3.3. Bank loan, investors and business angels

- **BANK LOAN** – this is more serious option as usually banks secure loans by either real estate guarantee or asks another person to give this guarantee namely to become a warrantor. This is very risky to a warrantor for another person as there is always a possibility not to give back the bank loan on time. There are various options for small business start in EU countries and bank loan is one these options. Usually there are state development banks which main mission is support of micro, small business and self-employment.

The benefits:

- *bank is always lending money if all calculations are real and this is somehow proof to business that will work*
- *discipline that entrepreneurs must repay loan and thus no step-back plan*

The risks:

- *if losing money no one will re-pay, this is only own responsibility*
- *serious legal obligations*
- *not cheap money as bank interest rate is paid*

- **INVESTORS AND BUSINESS ANGELS**

Usually investors and business angels invest in fast growing innovative companies and start-ups with export potential. They may not be interested in small, micro business and self-employment as these business ideas are mostly local or regional scale and nature.

Do you know what is business angel?

A business angel is an independent individual who provides capital for the development of a business. Typically wealthy individuals, business angels (or angel investors) aim to help entrepreneurial individuals succeed with a business idea by investing their own money. Business angle may invest money in return receiving shares in company, not mandatory 51%. But investors tend to claim at least 51% to have control in company.

In the perspective of this training material scope, investors and business angels are not the relevant option due to difference in business idea potential scale. But this is good to know this funding option in case one day a person move from micro and small scale to international fast growing business idea. Investors are interested in the business team potential but self-employed person or micro company is one person business.

The benefits:

- *business angel or investor is becoming team member that contribute own knowledge and experience to business development*
- *discipline and motivation to work as investors ask for regular reports for progress*

The risks:

- *legal obligations*
- *loosing 100% control and ownership*
- *investment rules could be not clear to business team that may lead to losing business*



3.4. Support programmes by international programmes

What is European funding?

The European Commission designates national or regional managing authorities according to the shared management principle. This means that the European Commission only supervises the implementation of funds, but the Member State takes responsibility for the management, for example in the case of the European Structural and Investment Funds.

Latvia, Portugal, Cyprus and Bulgaria as the Member State of the European Union (EU) implementing the EU regional policy uses financial assistance provided by the EU for economic and social development. Largest financial instruments within the framework of which countries receives financial assistance are the EU funds: European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund (CF).

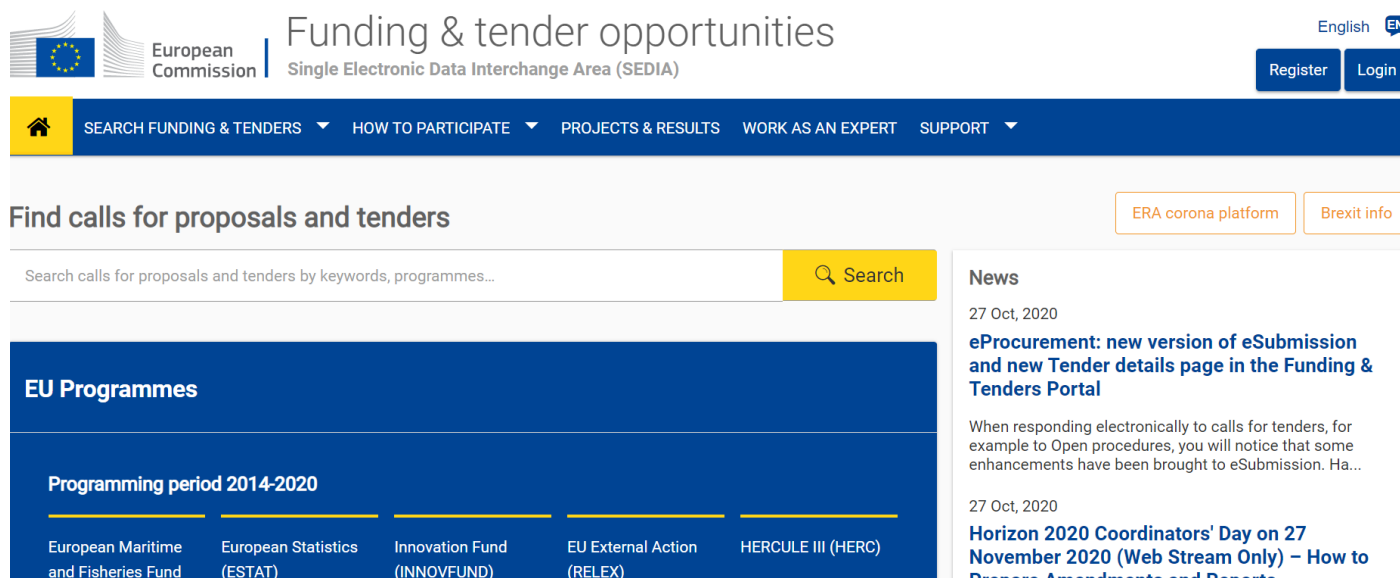
- **The EU finding scheme is extremely complicated but the important aspect is availability of this funding for micro and small business development and also self-employment.**
- **Each member country is having national authorities responsible for various EU funding distribution in EU partner countries.**

There are two forms of EU funding management: direct management and shared management.

Direct management means that a fund or programme is directly managed by the European Commission or one of its agencies. The management involves selecting contractors, awarding grants, transferring funds, monitoring and other activities. This means that funding is submitted directly online to EC. This is quite complicated process and mostly all proposals are submitted in English or German or French. You must register company to be eligible to apply. Consultations are also available in English that could be serious obstacle to apply directly to EC support. Usually there is one more serious obstacle – EC programmes support international partnerships and you may need to find at least two more partners representing two other countries, let's say one company from Latvia, one from Portugal and one from Cyprus is forming partnership. This means that English language skill is needed.

Shared management means that the management of the EU fund or programme is delegated to EU countries. Most EU funded projects, accounting for around 80 % of the EU budget, are under shared management. This means that there are national institutions representing EU support programmes in each member country and we may consult with these institution in national language. But still mostly all programmes demand the partnership.

The overall information about EU funding is available online at <https://ec.europa.eu/info/funding-tenders/opportunities/>



The screenshot shows the 'Funding & tender opportunities' page of the European Commission's Single Electronic Data Interchange Area (SEDIA). The page features a search bar for finding calls for proposals and tenders, a navigation menu with options like 'SEARCH FUNDING & TENDERS', 'HOW TO PARTICIPATE', 'PROJECTS & RESULTS', 'WORK AS AN EXPERT', and 'SUPPORT'. A section titled 'EU Programmes' lists various funding instruments for the 2014-2020 programming period, including the European Maritime and Fisheries Fund, European Statistics (ESTAT), Innovation Fund (INNOVFUND), EU External Action (RELEX), and HERCULE III (HERC). A 'News' section on the right highlights updates such as the new version of eSubmission and Tender details page, and the Horizon 2020 Coordinators' Day on 27 November 2020.



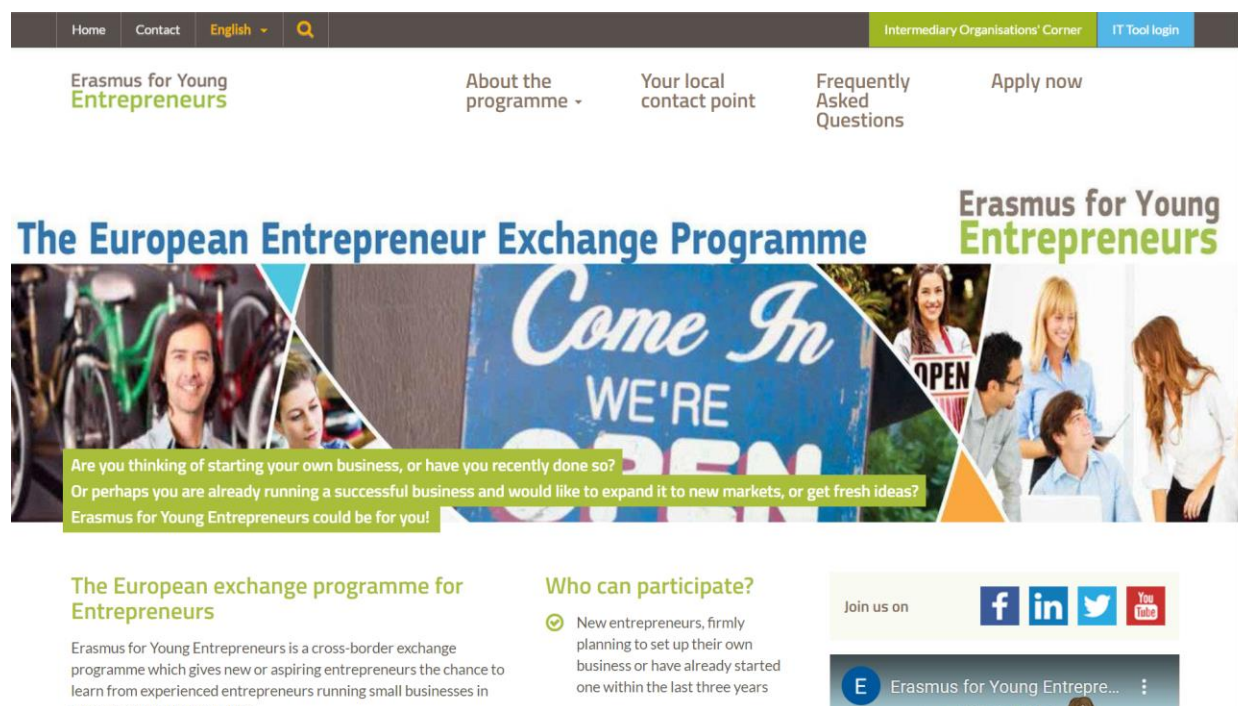
- **The EU funding period is 7-years' period.**
- **The previous period was 2014-2020 and now we are facing 2021-2027 period with new programmes and support instruments.**

This is crucial to understand the opportunities for micro and small business as well as self-employed persons. There are some support programmes that may fit this objective – small business development.

Erasmus for Young Entrepreneurs

Erasmus for Young Entrepreneurs is an exchange programme for entrepreneurs, financed by the European Union. It offers you the opportunity to work alongside an experienced entrepreneur in another participating country and strengthen the skills you need to develop your business. Your stay abroad can last between one and six months.

(<https://www.erasmus-entrepreneurs.eu/>)



Erasmus for Young Entrepreneurs is a cross-border programme facilitating the exchange of entrepreneurial and management experience.

The exchange is implemented by a stay of a newly established or potential entrepreneur with a well-experienced entrepreneur running a small or medium-sized enterprise (SME) in another country.

source: https://ec.europa.eu/growth/smes/supporting-entrepreneurship/erasmus-young-entrepreneurs_en

The financial support to new entrepreneurs contributes to travel and subsistence costs during the visit. The grant is paid by the local contact point chosen by the new entrepreneur (registered in the online application).

The new entrepreneur and his/her local contact point sign an agreement which determines the funding granted during his/her stay, and how it will be paid in practice. The financial support is calculated monthly and is based on the monthly lump sum for the relevant country.

Note that the financial support is provided only for the time spent abroad collaborating with the host.

Benefits for participating entrepreneurs

New entrepreneurs

- build their capacity to manage a small company
- gain relevant skills and knowledge
- get practical experience
- network

Hosting entrepreneurs

- make use of fresh entrepreneurial attitude
- obtain knowledge about another market and culture
- gain international cooperation opportunities
- get new ideas and fresh perspectives

Who is eligible for the programme?

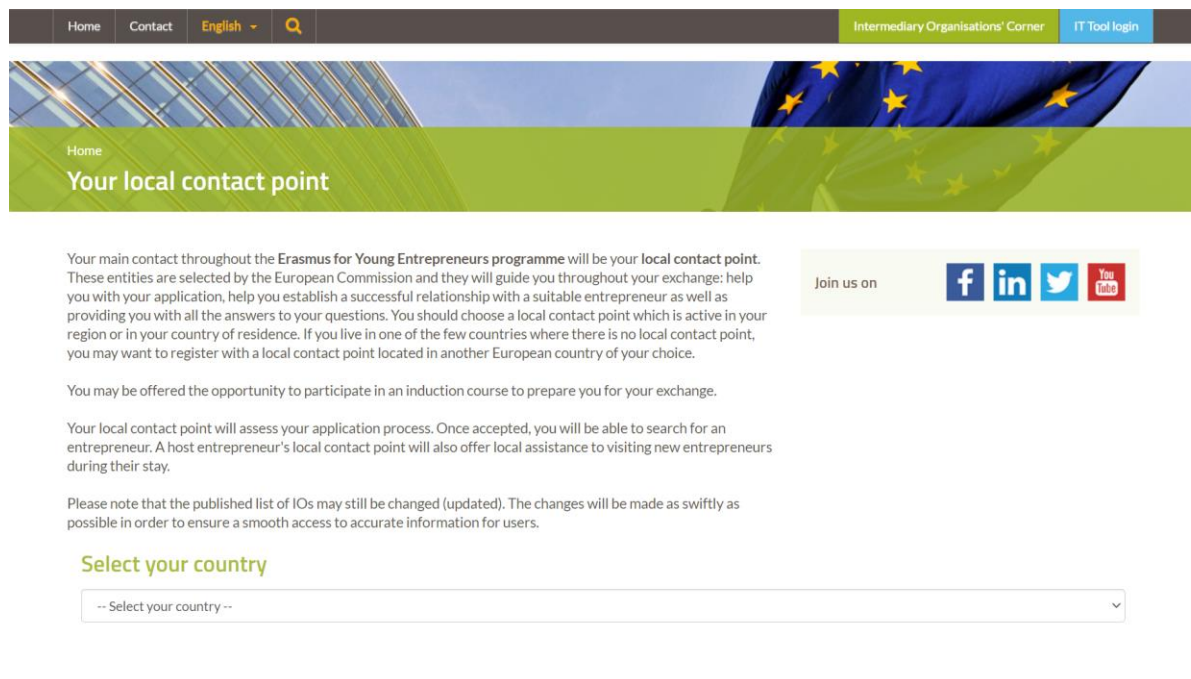
- new entrepreneurs – would-be entrepreneurs with a credible business plan, or people who have already started their business within the last three years
- no age limit – all ages can participate
- no topic restrictions - any industry or sector can take part

How to take part

New and experienced entrepreneurs who want to take part in the entrepreneurs' exchange programme may apply via the programme website and choose their preferred local contact point in their respective countries of residence. Your application should include a CV, motivation letter and, in if you're a new entrepreneur, a business plan. Once accepted, you can search the programme database for an entrepreneur to be matched with.

We recommended that you read the registration guide carefully to have all required information at hand before starting the registration process.

Please visit web page and select your local national contact point at <https://www.erasmus-entrepreneurs.eu/page.php?cid=5>



The screenshot shows the website's navigation bar with links for Home, Contact, English, and a search icon. It also features links for Intermediary Organisations' Corner and IT Tool login. The main heading is 'Your local contact point'. The text explains that the local contact point is the main contact throughout the programme, selected by the European Commission to guide users. It mentions that users should choose a local contact point active in their region or country, or another European country if none is available. It also notes that users may be offered an induction course and that the local contact point will assess applications and offer assistance. A note states that the published list of IOs may be updated. At the bottom, there is a section titled 'Select your country' with a dropdown menu currently showing '-- Select your country --'.

The responsible organizations in Latvia:

Select your country

Latvia

Latvian European Community Studies Association
Kalpaka Boulevard 4
LV-1050 Riga

Contact person:
Ms Denize Ponomarjova
Tel. +371 28241115
zzeibote1@gmail.com
[website »](#)

SIA Civitta Latvija^{***}
Maskavas str. 6
LV-1050 Riga

Contact person:
Ms Irēna Vercmane
Tel. +371 27311819
erasmus@civitta.lv
[website »](#)

The responsible organizations in Bulgaria:

Select your country

Bulgaria

Bcause
Vitoshka blvd. No.65
1000 Sofia

Contact person:
Ms Penka Tsvetkova
Tel. +359 29811901
penka@bcause.bg
[website »](#)

Champions Factory
Str. Mur 27
1680 Sofia

Contact person:
Ms Aleksandra Goteva
Tel. +359 899080808
championsfactorybg@gmail.com
[website »](#)

Foundation Cluster Information and Communication Technologies^{***}
133 Tsarigradsko Shosse" BLVD, BIC IZOT, Floor 2, office 290"
1784 Sofia

Contact person:
Ms Krasimira Shindarova
Tel. +359 24899744
office@ictcluster.bg
[website »](#)

SDRUZHENIE BULGARSKA TAROVSKO-PROMISHLENA PALATA
9 Iskar Str.
1058 Sofia

Contact person:
Ms Gabriela Dimitrova
Tel. +359 28117489
g.dimitrova@bccci.bg
[website »](#)

Sofia University St. Kliment Ohridski^{***}
125 Tsarigradsko Shose Blvd., bl.3
1113 Sofia

Contact person:
Mr Todor Yalamov
Tel. +359 28738310
eye@feb.uni-sofia.bg
[website »](#)

The responsible organizations in Portugal:

Select your country

Portugal

British Portuguese Chamber of Commerce
Rua Sacadura Cabral No 65, Bloco B, Piso 0, Loja 6
1495-703 Cruz Quebrada Dafundo

Contact person:
Mr Chris Barton
Tel. +351 213942020
c.barton@bpcc.pt
[website »](#)

C4G Consulting and training network
Av. Republica n24A, r/c D, Queluz
2745-206 Lisbon

Contact person:
Mr Hugo Romão
Tel. +351 214342871
eye@c4g.pt
[website »](#)

Conceptwin
Praça Dom Pedro IV 74
1100-202 Lisboa

Contact person:
Mr Tiago Nascimento
Tel. +351 213420272
eye@conceptwin.eu
[website »](#)

MADAN Parque
Rua dos Inventores
2825-182 Caparica

Contact person:
Ms Alcino Pascoal
Tel. +351 210438600
erasmus.entrepreneurs@madanparque.pt
[website »](#)

ESLIDER PORTUGAL, ASSOCIACAO
Rua Dr Pires de Lima, número 117, 5º esq
4200-433 Porto

Contact person:
Ms Margarida Silva
Tel. +351 915679236
esliderportugal@gmail.com
[website »](#)

FabStart, Fabrica de Startups, SA
Avenida Marginal Edifício Parque Oceano, 3G
2780337 Oeiras

Contact person:
Ms Filipe Estrela
Tel. +351 933500001
eye@fabstart.pt
[website »](#)

TecMinho
Campus De Azurem Universidade Do Minho
4800 058 Guimarães

Contact person:
Ms Anabel Goulart
Tel. +351 253510763
anabel@tecminho.uminho.pt
[website »](#)

The responsible organizations in Cyprus:

Select your country

Cyprus

C.I.P. Citizens in Power
Alexias 24, Lakatamia
2304 Nicosia

Contact person:
Mr Angelos Parmatzias
Tel. +357 96250200
angelos.p@citizensinpower.org
[website »](#)

DekaPlus Business Services Ltd
Spyros Kyprianou Ave. 23, Office 101
4003 Limassol

Contact person:
Mr Christos Nicolaides
Tel. +357 99378673
europjects@dekaplus.eu
[website »](#)

Grantxpert Consulting Limited
72 28th October Ave., Engomi
2414 Nicosia

Contact person:
Ms Elina Spiliotakopoulou
Tel. +357 22669266
espiliotakopoulou@outlook.com
[website »](#)

SYNTHESIS CENTER FOR RESEARCH AND EDUCATION LTD
Tagmatarchi Poulou 33
1101 Nicosia

Contact person:
Ms Eliza Danenfelde Kirpe
Tel. +357 22252315
eye@synthesis-center.com
[website »](#)

All national contact points helps the individuals to learn about this opportunity, find an experienced entrepreneur abroad and submit application.

Task “Select the most appropriate external funding source for starting own small business/ self-employment”

Now you have some basic information about external funding opportunities.

1. please visit web page <https://www.erasmus-entrepreneurs.eu/>
2. select of your national contact points
3. contact this responsible institution over phone or email to explain what is your idea and that you might be interested in this exchange



- *Use this task to become proactive in searching opportunities!*
- *Never give up in case you do not reach the right person!*

ⁱ <https://www.profitwell.com/recur/all/pricing-structure>

ⁱⁱ <https://spdload.com/blog/what-is-saas-product/>

ⁱⁱⁱ <https://sumo.com/stories/how-to-price-a-product>