

CROWDFUNDING IN CHINA



**CENTER FOR
DIGITAL CREATIVE ENTERPRISE
RESEARCH @ICCI, SJTU**

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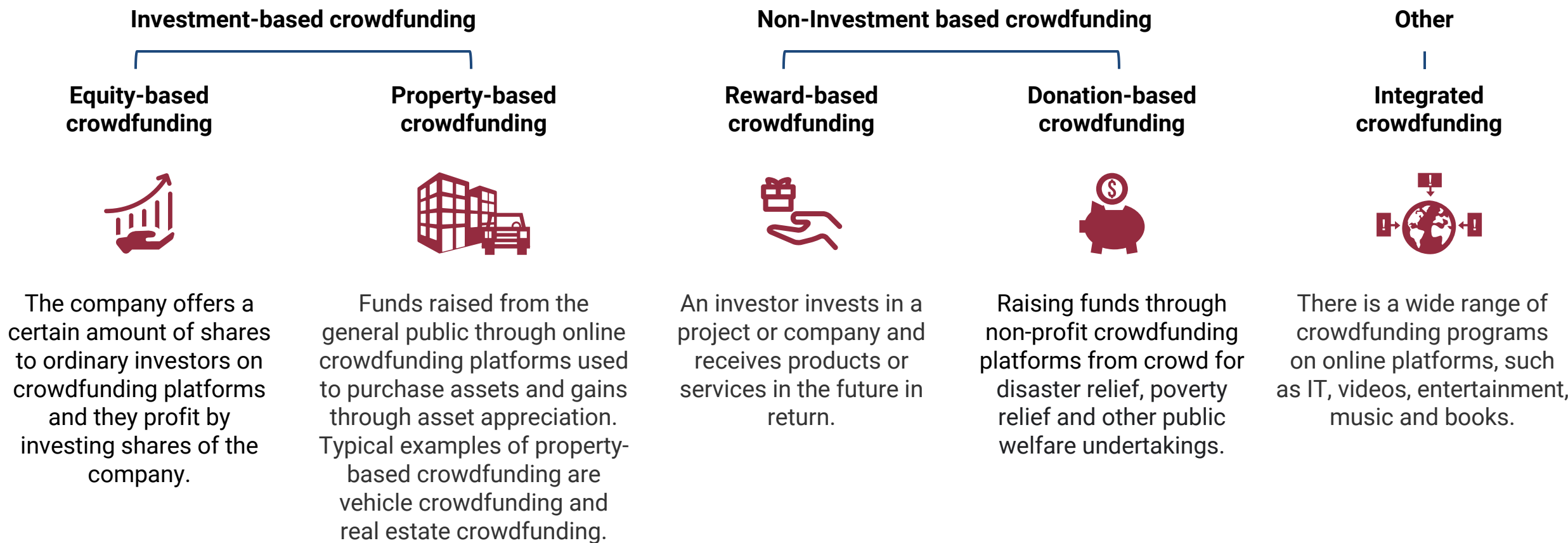
About daxue consulting & CDCER

01

Overview of the crowdfunding market in China

Crowdfunding is separated in three categories in China

Chinese crowdfunding models can be separated between **investment-based**, **non-investment based** and **integrated crowdfunding**. The investment-based crowdfunding model includes **equity-based** and **property-based** crowdfunding. Non-investment-based crowdfunding model includes **reward-based** and **donation-based** crowdfunding.



Source: Qianzhan industry consulting designed by Daxue consulting

China has different classifications for crowdfunding from the west

- Property-based crowdfunding has 3 different types: real estate, vehicle, and 3C products. In Western countries, it usually only includes real estate crowdfunding.
- Peer-to-Peer (P2P) lending is illegal in China whereas it a popular crowdfunding type in other developed countries.

Real estate



- Individuals or institutional funders provide equity or subordinated-debt financing for real estate.
- In China, it is a sub-category of property-based crowdfunding, and its market share is the smallest in property-based crowdfunding.

P2P/Marketplace lending



- Peer to Peer (P2P)/Marketplace lending is a type of debt-based crowdfunding. It is a practice of lending money to individuals or businesses through online services that match lenders with borrowers.
- After the collective collapse of China's P2P marketplaces in 2018, it became illegal in China.

Source: University of Cambridge, Xinhua News designed by Daxue consulting

Differences between equity-based crowdfunding and venture capital

Equity-based crowdfunding in China has is more limited in term of distribution channels compared to the US, but the entry barrier for crowdfunding investors is much smaller than the entry barrier for venture capital investors.

Equity-based crowdfunding in China

Public crowdfunding (**more than 200 investors**) is illegal in China.

VS.

Equity-based crowdfunding in the USA

After the Jumpstart Our Business Startups (JOBS) Act was issued in 2012, **start-ups can raise funds from the public** by issuing or selling securities via appointed agencies.

Requirements for equity-based crowdfunding investors

- Investor's total assets must be over **1 million CNY**
- Investor's financial assets must be over **1 million CNY** or have an average annual income of no less than **300 thousand CNY** over the last three years.
- **No minimum requirements** for investment amount.
- Number of investors: **20 – 200**
- Platform: Crowdfunding platforms
- Equity Ratio of fund raised: **5% - 20%**

VS.

Requirements for venture capital investors

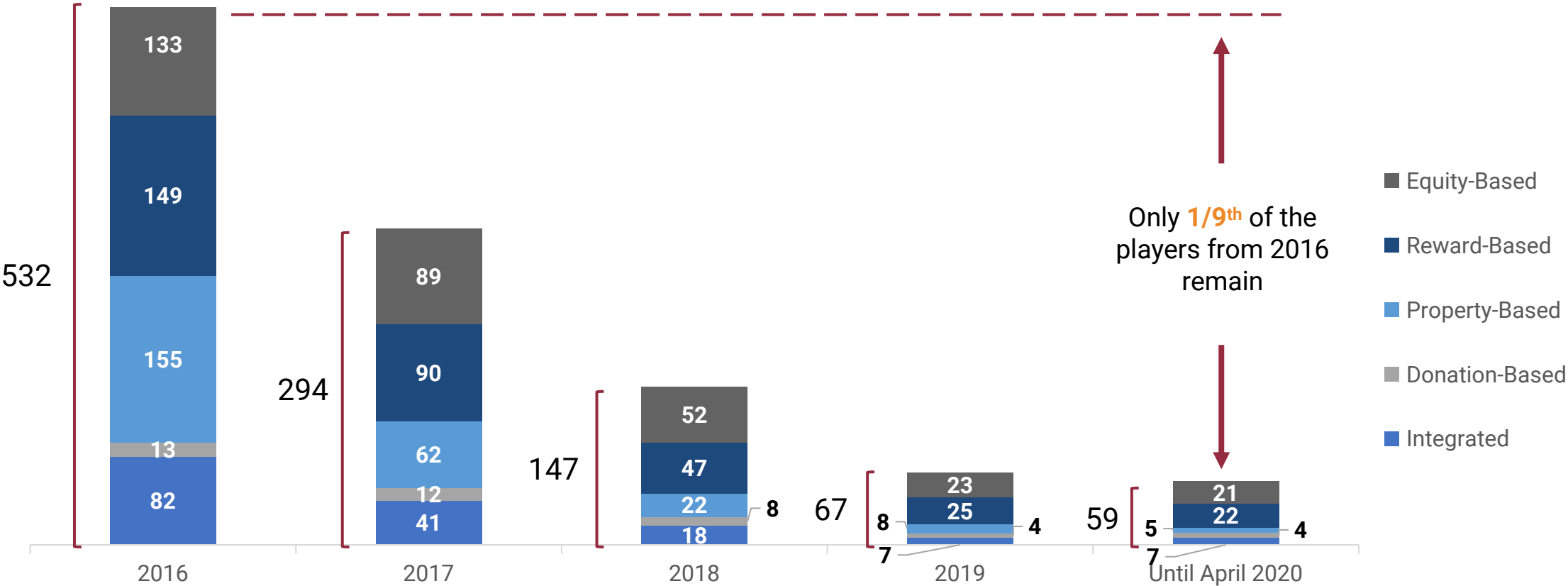
- Investor's total asset must be over **10 million CNY**
- Investor's financial asset must be over **3 million CNY** or average annual income no less than **500 thousand CNY** over the last three years.
- The amount invested in a single private fund shall not be less than **1 million CNY**.
- Number of investors: **50 or less**
- Platform: Private equity investment company
- Equity Ratio of fund raised: **30%+**

Source: JFZ private equity designed by Daxue consulting

The number of platforms greatly declined over the last four years

Because China’s crowdfunding market regulations are getting stricter, by April 2020, there were 59 crowdfunding platforms in China, an 88.9% decrease from 532 platforms in 2016.

Market share of different types of crowdfunding products in China
(2016 – Apr, 2020)

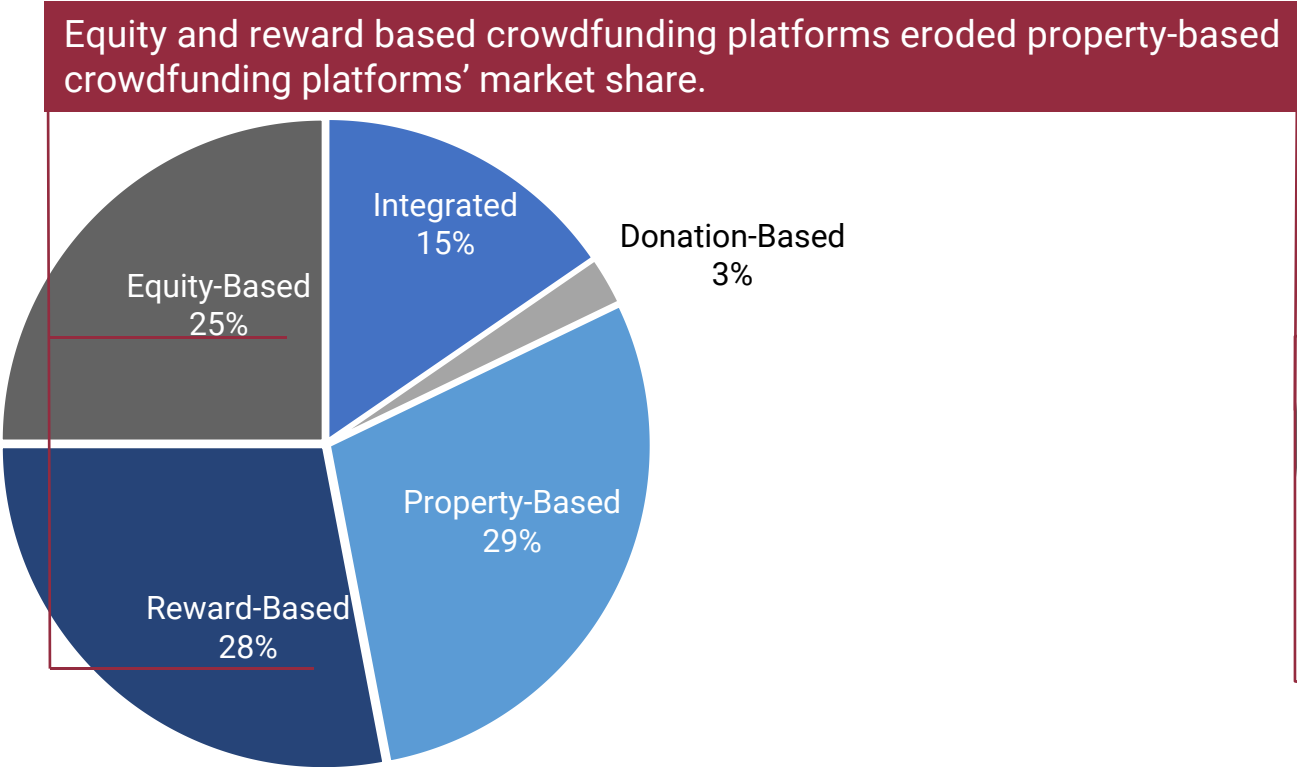


Source: Qianzhan industry consulting, Zhongchoujia crowdfunding info center designed by Daxue consulting

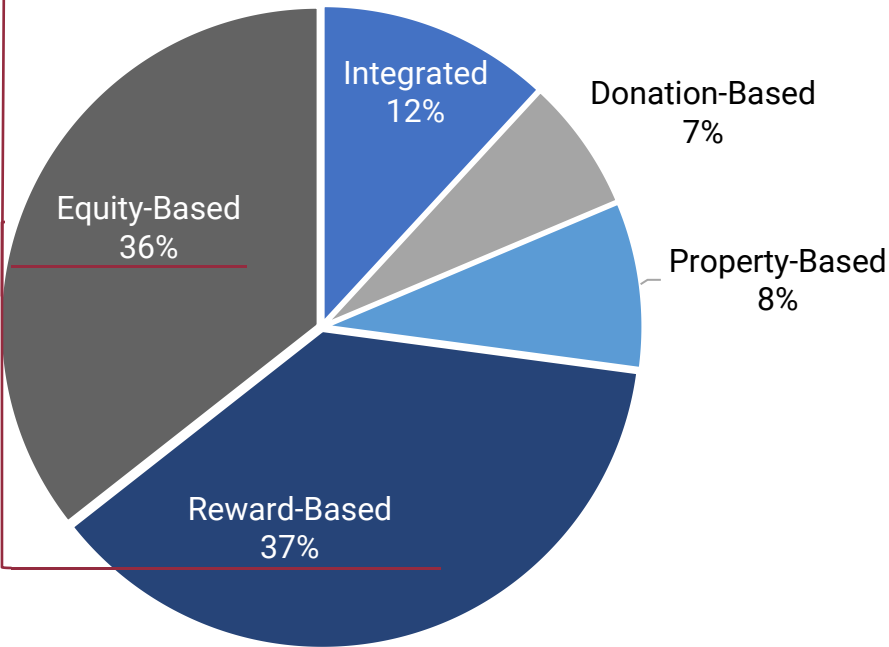
Market share by crowdfunding platform type

Because of tighter regulations as well as the instability and high risk of investing in properties such as vehicles, a large portion of property-based crowdfunding platforms closed down in China. Thus, its market share plummeted significantly over the last five years.

Number of crowdfunding platforms by types in China
(2016)



Number of crowdfunding platforms by types in China
(April. 2020)



Source: Qianzhan industry consulting, Zhongchoujia crowdfunding info center designed by Daxue consulting

China's crowdfunding market started late but developed fast



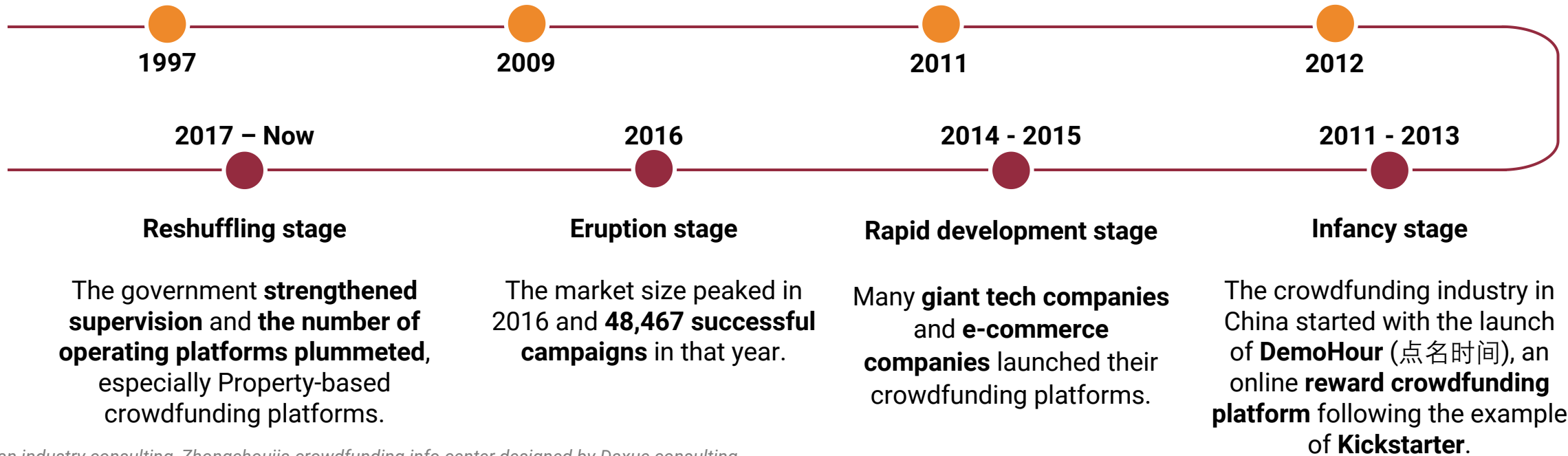
Global

A British rock band funded their reunion tour through online donations from fans, and Artist Share was established in 2000.

Crowdfunding has quickly emerged as a **popular option for SMEs** and its revenue **tripled** from \$530 million in 2009 to \$1.5 billion in 2011.

President Obama signed the **Jumpstart Our Business Startups (JOBS) Act**, lessened regulation burdens on small businesses and has legalized equity crowdfunding.

The **first equity crowdfunding platform** in conjunction with the JOBS Act, Fundable, was launched.



China

The government **strengthened supervision** and the **number of operating platforms plummeted**, especially Property-based crowdfunding platforms.

The market size peaked in 2016 and **48,467 successful campaigns** in that year.

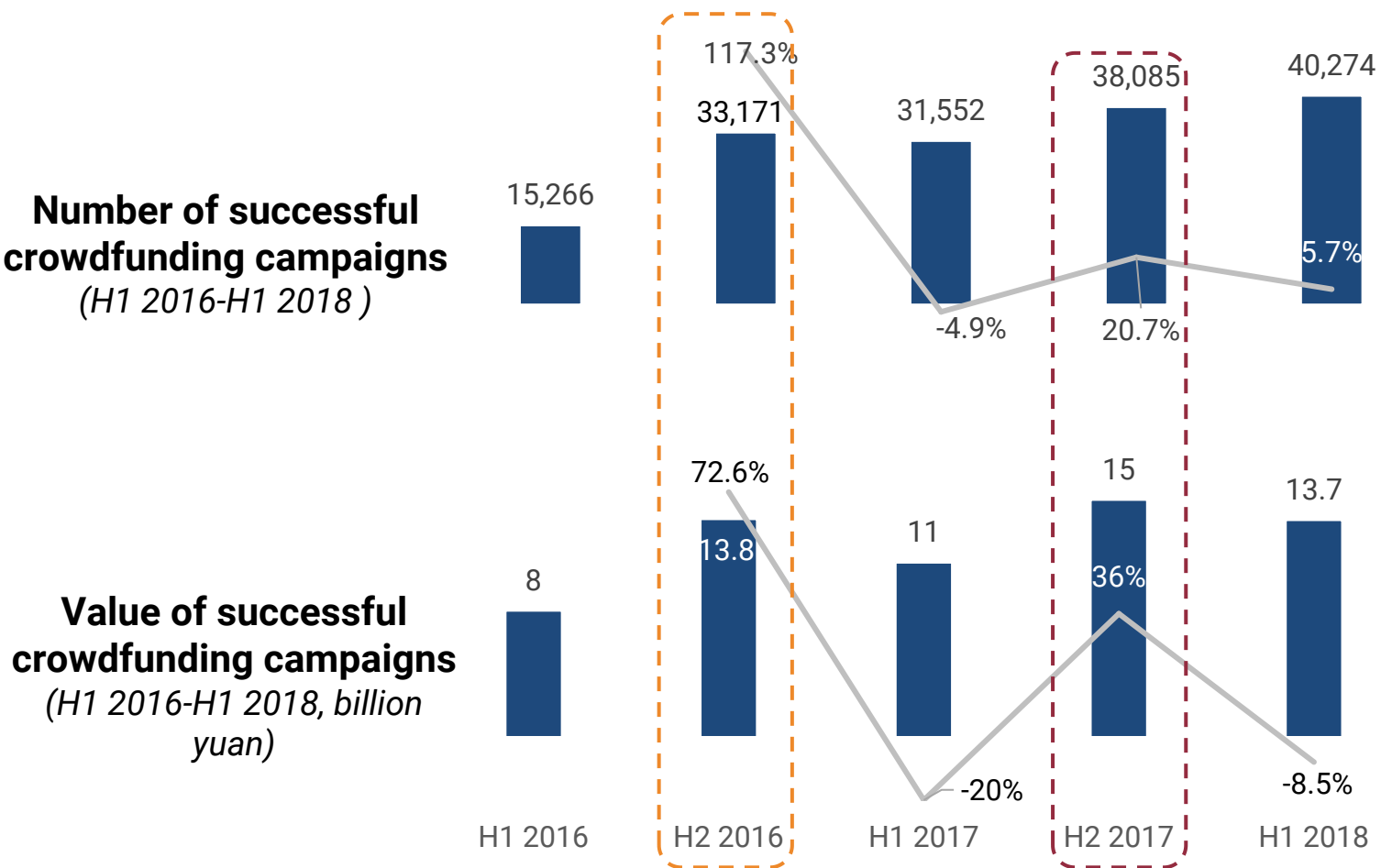
Many **giant tech companies** and **e-commerce companies** launched their crowdfunding platforms.

The crowdfunding industry in China started with the launch of **DemoHour** (点名时间), an online **reward crowdfunding platform** following the example of **Kickstarter**.

Source: Qianzhan industry consulting, Zhongchoujia crowdfunding info center designed by Daxue consulting

China's crowdfunding industry

Three main factors influence the crowdfunding industry in China: new regulations, adjustment with monetary policies and the scale of leading crowdfunding campaigns.



China Treasury yields dropped from **3.6%** in 2015 to **2.6%** in the first half year of 2016, causing large amount of capital seeking for alternative investment methods in the later half of 2016, including crowdfunding.

Total crowdfunding value in H2 2017 increased significantly due to a few high-profile crowdfunding campaigns.
Top five crowdfunding campaign in H2 2017:
Atour Hotel Tianjin Nanjing Road: **121.2 million CNY**
Seed Program: **110 million CNY**
A Leading New Energy Vehicle Key Component Manufacturer: **101.3 million CNY**
Meihao Elegant Hotel Suzhou: **100.1 million CNY**
Flyover China Cinema: **95.3 million CNY**

Source: Reuters, Investing.com, China's Central Bank, Renchuang consulting designed by Daxue consulting

Top 5 local players raised 16 million CNY successfully in one month

Top 5 Chinese integrated crowdfunding platforms (April 2020)

Platforms	Successful campaigns	Successful campaigns' funding amount (million CNY)	Successful campaigns' total supporters
小米有品	23	11.3	709,965
苏宁众筹 zc.suning.com	10	2.1	147,268
造点新货	150	1.2	78,846
座点	77	1.1	44,217
京东金融 JD Finance 京东数科旗下	121	0.5	174,559
Total	381	16.2	1,154,855

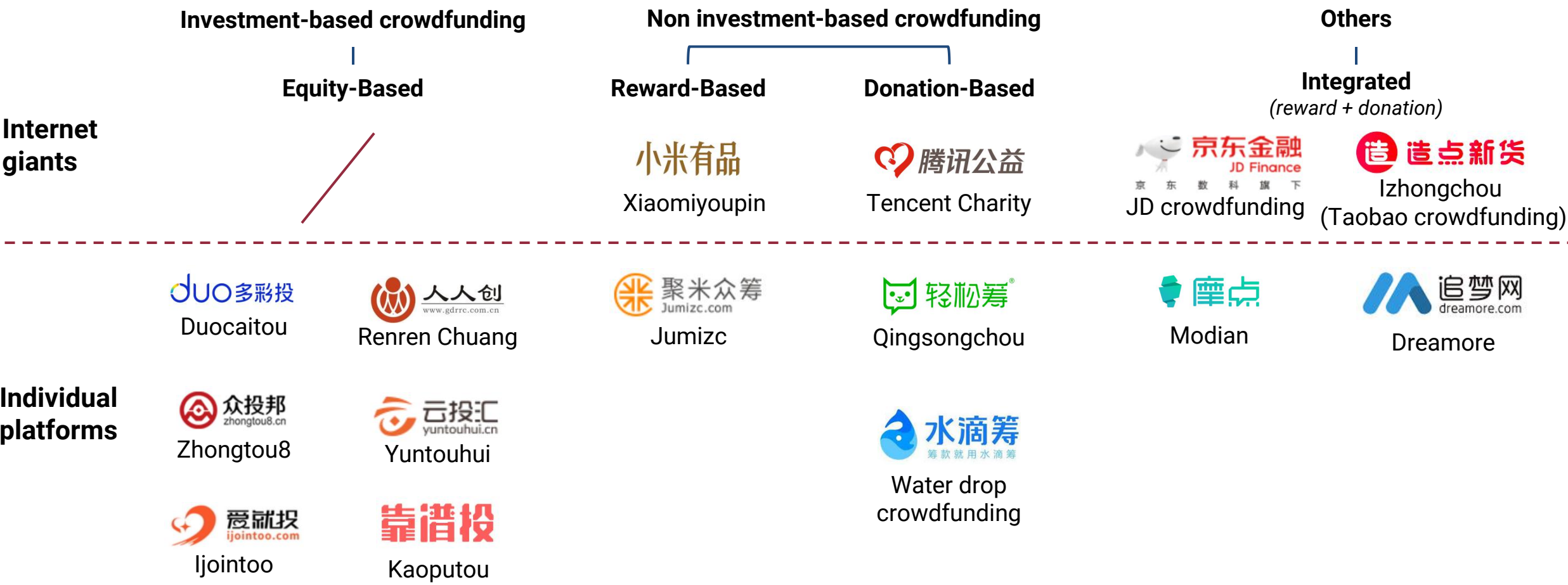
Source: Zhongchoujia crowdfunding info center designed by Daxue consulting

02

Characteristics of the Chinese crowdfunding market

China's large capitals are concentrated on non-investment platforms

Since China's government increased screening requirements for investors and crowdfunding platforms, internet giants such as JD and Xiaomi closed their investment-based crowdfunding business in 2017 and shifted the focus of their business to non-investment based and integrated categories.



The donation-based crowdfunding market is prone to fraud

Flaws on donation-based crowdfunding market



Donors who suffer from online "fraudulent donation" incidents often fail to safeguard their rights and interests **as losses of less than 2,000 CNY** cannot be filed with the police in China.



Some crowdfunding platforms' **information review mechanisms are faulty**, and people providing falsified or tampered information can also launch fundraisers.



There are **no legal requirements** for application materials or the usage of the funds.



Current issues in the donation-based crowdfunding market

- Some fraudsters provide **false background and capital information** in the application.
- Fraudulent donations under **falsified or tempered identity**
- Unclear donation process, and **non-transparent** donation destination.

Reward crowdfunding turned into another channel for group buying

- Internet giants use their crowdfunding platforms as group buying platforms to reach lower-tier city markets. Moreover, some even sell second hand or low-quality products in the name of “Crowdfunding”.
- Crowdfunding platforms only act as an intermediary platform and do not take any responsibility for the quality of the product.



Xiaomiyoupin
Founded by
Xiaomi



造点新货
阿里鱼旗下品牌
Zaodianxinhua
Founded by
Alibaba



京东众筹
JD.com
JD crowdfunding
Founded by
Jingdong

Most crowdfunding products sell on reward-based platforms such as Xiaomiyoupin have already left the market, but they are sold at **cheap prices via time-limited crowdfunding**.



Wangyiyanxuan
Founded by
NetEase

Wangyiyanxuan's crowdfunding platform not only launched group buying, but also lists some **pre-used luxury products**. Although it is still called “crowdfunding”, **only one person can be the “supporter”** and owns the product in the end. As an intermediary, the platform is not responsible **for the authenticity of the product**.

Source: Xiaomiyoupin, Zaodianxinhua, JD crowdfunding, and Wangyiyanxuan designed by Daxue consulting

IP + products are the new hot crowdfunding items

- Crowdfunding platforms are focusing more on reward-based crowdfunding due to the **strict supervision** and **high risks** inherent to investment-based crowdfunding.
- Because the main users of online shopping and investment are **Gen-Y and Gen-Z** who **like to follow trends**. The timeliness of crowdfunding matches the short burst nature of movies and contemporary trends. Thus, IP products are very popular in reward-based crowdfunding.
- The topics about **films' and museums' periphery, and literature** are the most welcomed by consumers in China. Products like **blind boxes, handcraft models** and **cultural creations** cater to consumers the best.

The most successful crowdfunding campaigns on Modian* (2020)



Film
Harry Potter's 3D puzzle
Raised 2.4 million CNY
Had 5,581 supporters



Anime website's virtual character,
AcFun's resin kit
Raised 1.6 million CNY
Had 1,657 supporters



Film
Mr. Bone's blind box
Raised 1.3 million CNY
Had 799 supporters



China's historical architecture
Chilai pavilion's (迟来亭) blocks
Raised 1.2 million CNY
Had 4,661 supporters

**Modian is an integrated crowdfunding platform, it offers reward-based and donation-based crowdfunding projects, also sells products after their successful crowdfunding.*

Source: Modian designed by Daxue consulting

03

Regulations and policies

Financial platform scandals stimulated government's supervision

Measures for the Administration of Public Fundraising Platform Services, Basic Technical and Managerial Specifications of Online Fundraising Platform for Charitable Organizations were published, and these policies **regulated the donation-based crowdfunding activities**.

P2P platforms were failing to pay investors' dividends and interests, resulting in a large number of closures and liquidations causing billions of yuan in loss to over a million investors. Since then, the government started to **suspend all debt-based crowdfunding businesses** in China and strengthened the supervision of all types of online financial programs.

2016

02



2018

04



01



03



2014

Guidelines for the Management of Private Equity Crowdfunding was published, and it **normalized the performance of the equity-based crowdfunding platforms**.

2017

Many equity-based crowdfunding platforms closed down, include 36kr, an equity-based crowdfunding platform hosted by a leading technology media. Since then, the government **enhanced the supervision** and all the equity-based platforms transformed to **online private equity platforms**.

Source: Peking University, Lantai law firm designed by Daxue consulting

Policies standardize equity-based crowdfunding platforms

Crowdfunding platforms' activities are under the supervision of China's Securities Regulatory Commission. They have to register under a certain threshold of capital. Public activities are also strictly prohibited on the platforms.



An equity-based crowdfunding platform must have at least **5 million CNY** registered capital in China. The platform must have **two or more senior managers with 3 or more years** of working experience in finance or information technology.

Any individual or company can not launch any equity-based crowdfunding activity without the permission of **China Securities Regulatory Commission**.

Number of total investors for each program should be **less than 200** and any type of **public advertisement** is not allowed.

Source: Peking University, Lantai law firm designed by Daxue consulting

Increased control on equity-based crowdfunding platforms' related businesses

Measures for the Management of Private Equity-based Crowdfunding limits its business range and other subsidiary businesses.



Equity-based crowdfunding platforms are not allowed to provide **external guarantee*** or **equity entrustment**** for crowdfunding projects or **provide services for the transfer** of equity or other forms of securities.

Equity-based crowdfunding platforms are prohibited to concurrently engaged in **P2P lending** or **online microfinance business**.

Equity-based crowdfunding platforms are not allowed to **finance themselves** or **related parties**.

**External guarantee is the commitment by the bank/guarantor to compensate for any losses incurred on the basis of failure to fulfill the obligations.*

***Equity entrustment is a method of disposing of equity or shares in which the actual contributor agrees with another person to perform the rights and obligations of a shareholder on the behalf of the actual contributor.*

*Source: China Securities Regulatory Commission,
Lantai law firm designed by Daxue consulting*

There are less regulations on reward-based crowdfunding

Since there are no specific laws for reward-based crowdfunding platforms or activities, some civil laws have covered the matter in recent legal cases.



There are no specific laws for reward-based crowdfunding, which falls under the application range of **Contract Law** and **Administrative Measures for Online Trading**.

For IP derivatives, Intellectual Property Law regulates that investors should invest in the **usage** of IP rather than the IP itself because all the revenue shall be made based on **usage**.

Source: Peking University, Lantai law firm designed by Daxue consulting

The legal definition of donation-based crowdfunding activities is vague

Donation-based crowdfunding activities are not legally regarded as charity fundraising. Thus, Charity Laws are not applicable.



Policies for the Administration of Public Fundraising Platform Services and China's Basic Technical Specifications for Charitable Organizations' Internet Public Fundraising Information Platforms specify that **individuals are not allowed to publicly raise charity funds online.**

According to **Basic Technical Specifications of Online Fundraising Platform for Charitable Organizations** and **Basic Managerial Specifications of Online Fundraising Platform for Charitable Organizations**, personal help and online mutual assistance are **not charity fundraising**, and the information provider is responsible for authenticity.

Since donation-based crowdfunding **does not belong to charity fundraising**, it doesn't not fall under the constraint of Charity Law, and beneficiaries do not have the obligation to guarantee the transparency of the fund usage by law.

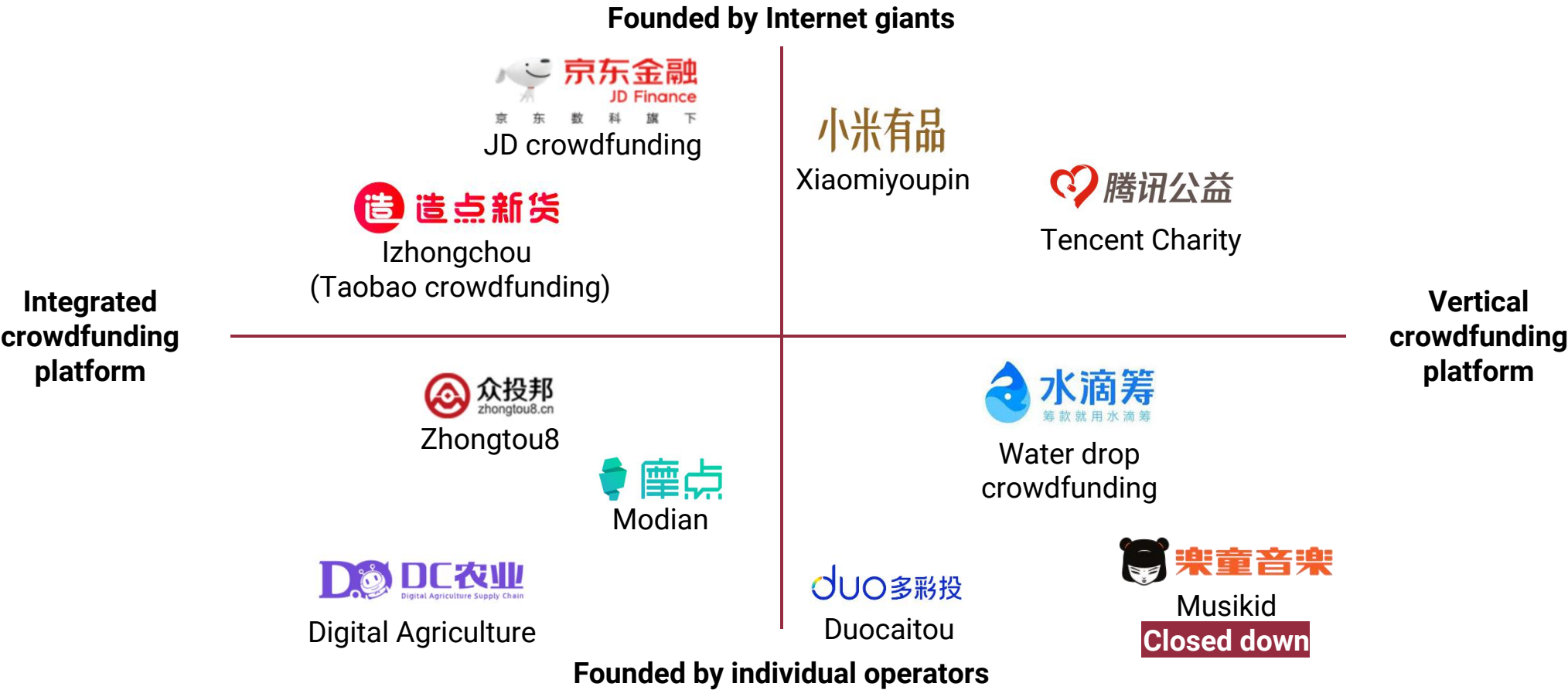
Source: Cyberspace Administration of China, Ministry of Civil Affairs designed by Daxue consulting

04

Leading local players and failure cases

Overview of the crowdfunding environment in China

Positioning map of domestic crowdfunding platforms



JD includes crowdfunding as one of the nine sectors of JD Finance

JD Crowdfunding is an integrated crowdfunding platform established in July 2014 with **21,182** campaigns in total. Investment policies are strict, therefore most crowdfunding campaigns are based on **rewards** and **donations** while JD regards it as one of its channels for selling products.



Platform users:

- People who are interested in cost-effective products
- People who want to support farmers' agriculture

Project initiators:

- Retailers or distributors of low-end products
- Farming companies or agencies in rural areas or craft entrepreneurs



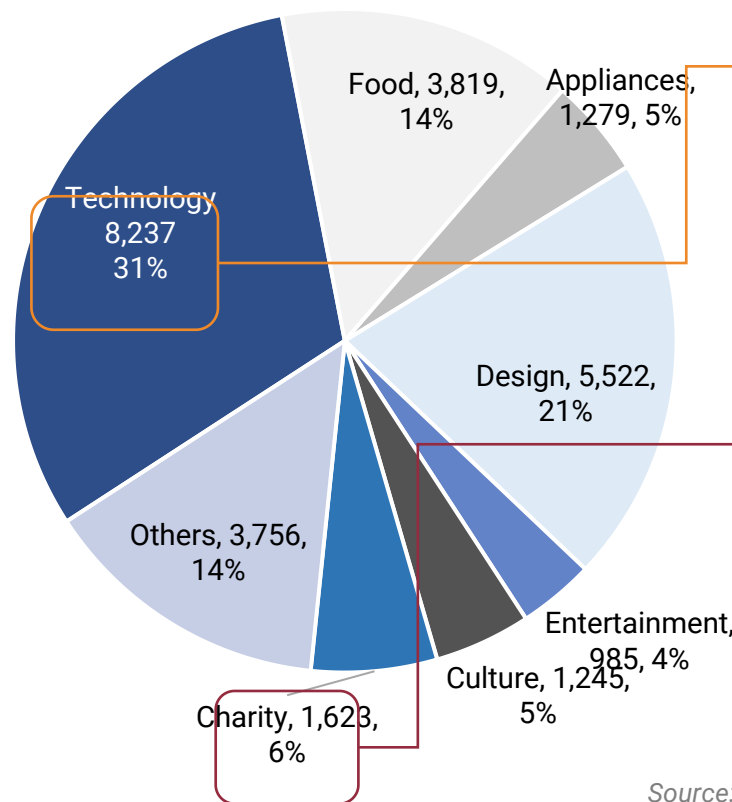
Distribution channels:

- JD Finance mobile app
- JD Finance website

Categories:

- Technology
- Food
- Charity
- Electronical appliances
- Art derivatives
- Entertainment
- Cultural derivatives
- Others

Categories of crowdfunding programs* (Aug. 2021)



Among all projects, the **technology category** takes the largest share of crowdfunding campaigns.

In order to resonate with the Chinese government's projects fostering **rural revitalization**, JD provides various distribution channels including crowdfunding to help farmers to sell.

**Some campaigns may fall into two or more categories.*

Source: JD Finance designed by Daxue consulting

Consumers can see the real-time campaign progress

Smart Problem-Solving Pen (Reward-based)

Engaging more buyers by showing real-time purchase notifications on the app and short-video introduction on the top of the product page.

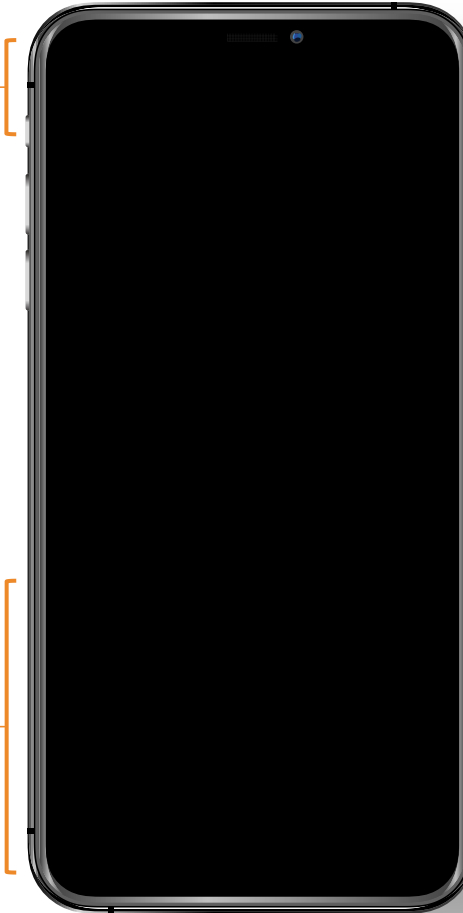


The crowdfunding price is 699 and the retail price is 1,299. Crowdfunding price is much cheaper as a reward.

Showcase the panel of campaign process in order to increase its credibility.

Yantai Fushi apple (Donation-based)

Anti-Poverty Program tag, meaning this program is helping farmers in poverty.



Video description of the apples, introducing the orchards and how they were picked.

Showcase the panel of campaign process in order to increase credibility.

Supporters can receive different standards of fruit packages based on their donations.

Source: JD Finance designed by Daxue consulting

SWOT analysis of JD's crowdfunding platform

S

Strength

- As a crowdfunding platform owned by one of the biggest Internet giants in China, JD crowdfunding has **JD Group's capital and credit endorsement**.
- JD Group has its own **delivery business**, and logistics costs are much cheaper.
- The crowdfunding platform can expend the amount of **cash flow** of JD's financial services.

W

Weakness

- JD crowdfunding **lacks reliable verification** and nearly all kinds of vendors can launch a crowdfunding campaign. Thus, it's difficult to garner consumer trust.
- Many products on JD crowdfunding have already existed on various e-commerce platforms and JD crowdfunding is often just used as a **group buying distribution channel** for cheaper prices.

O

Opportunity

- After the market reshuffling, **many small and medium-sized crowdfunding platforms were closed**, and the entry barrier for new crowdfunding platforms is high.
- Endorsed by JD Group, JD crowdfunding is a **priority choice** for both designers and consumers over competing platforms without robust capital.

T

Threat

- JD crowdfunding's main competitors, Xiaomiyoupin (小米有品) and Wangyiyanxuan (网易严选), which are also owned by Internet or Tech Giants have **better user interface** and **wider range of products**.
- Unlike Modian, JD crowdfunding doesn't have a **user and designer community**. Thus, it is difficult to develop **fixed consumer groups**.
- JD crowdfunding doesn't have any **IP derivatives**, which is a popular trend in crowdfunding and may cost potential buyers.

Modian raised almost 5,000 crowdfunding campaigns in 7 years



Modian is a domestic crowdfunding platform offering reward-based and donation-based crowdfunding campaigns, also sells products on its in-app e-commerce platform after their successful crowdfunding.



Platform users:

- Gen Y & Gen Z in Tier 1 cities
- Monthly income above 8,000
- People who are interested in novelties or IP peripherals

Project initiators:

- Project initiators with creative ideas
- Animals, people, and disaster relief funds in need of funding

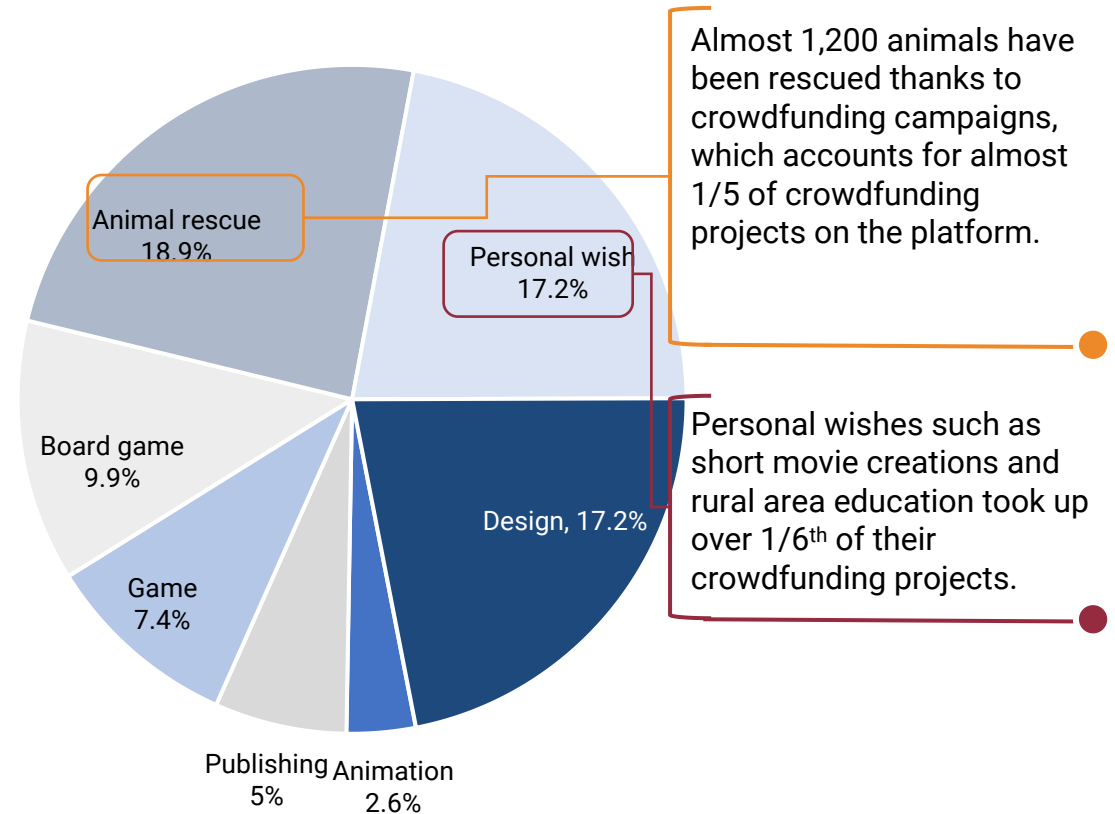


Distribution channels:

- Self-operated mobile app
- WeChat official account
- Xiaohongshu
- Weibo



Distribution of Modian's crowdfunding campaigns (January 2014 - February 2021)



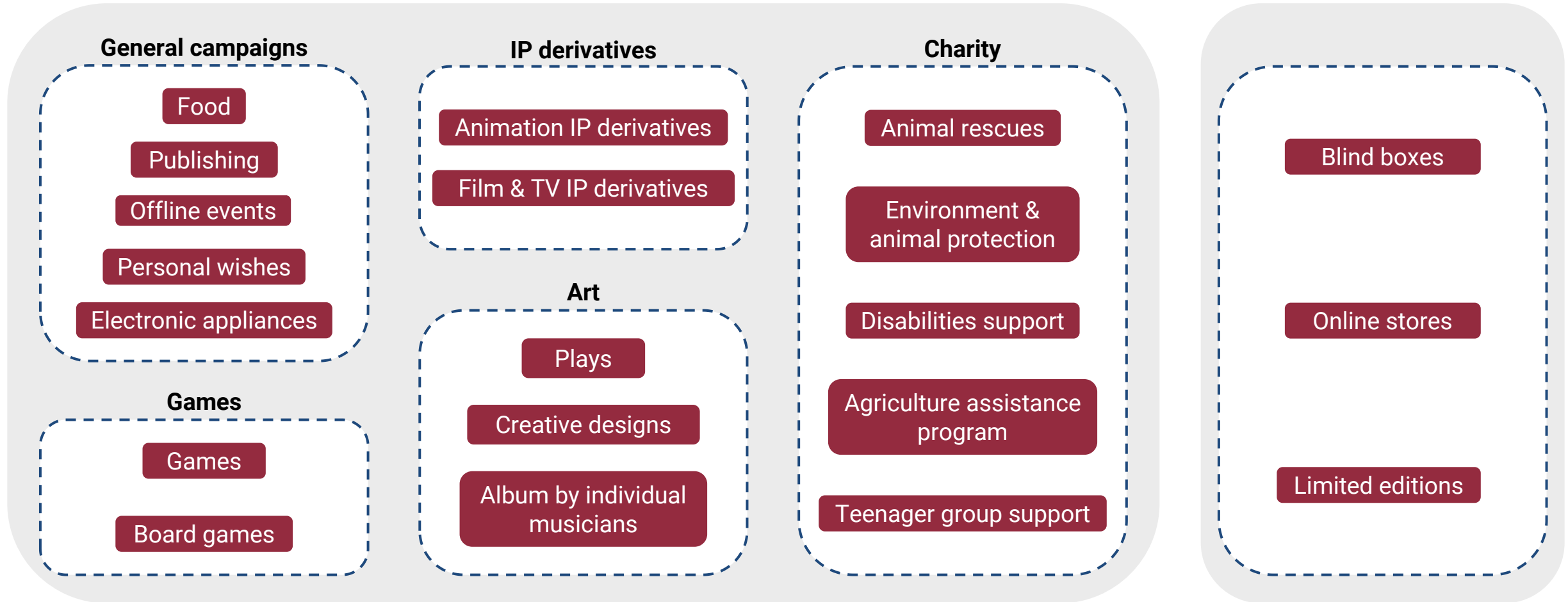
Source: Modian annual reports designed by Daxue consulting

Modian divides crowdfunding campaigns into 6 sub-categories



Crowdfunding

E-commerce



Source: Modian mobile app designed by Daxue consulting

Modian combined crowdfunding & online stores in one mobile app



Integrated crowdfunding & online store

According to Modian's 2019 annual report, Modian launched the in-app online store to reduce the pressure on the company from the single business approach.

Giving one more purchasing chance for IP lovers

Meanwhile, IP fans who didn't catch the specific crowdfunding project, now can purchase it on Modian's online store after the event finished.

Driving consumption with limited & mystery products

Modian created 3 sectors leveraging scarcity psychology: special edition, limited edition, and blind boxes. Meanwhile, consumers can resell unsatisfying boxes to Modian at a discount.

Source: Modian mobile app designed by Daxue consulting

Modian gave social attributes to the crowdfunding platform



'I said money you said yo'
supported the product



Live
crowdfunding
process

Strawberry Corgi
freshly baked! I want
both the taste and
the heart!

Innovation process
& designer
community

Display the latest crowdfunding statement on the top

Engaging viewers to purchase by showing latest purchased news and a short introduction video on the top

Creating a more meaningful product name

Use interesting slogan instead of product's name as title

Providing a community for both designers & consumers

Display the project's innovation process, launched a community for both designers and app users to share their ideas

Source: Modian mobile app designed by Daxue consulting

Source: Modian mobile app designed by Daxue consulting

SWOT analysis of Modian crowdfunding platform



S

Strength

- Have good campaign packaging and details
- User-friendly interface, overall simple, easy to navigate
- Uses IP sentiment to retain users
- Social attributes increase user retention
- The progress of the project is fully disclosed, increasing the credibility of the project

W

Weakness

- Consumers are still skeptical of crowdfunding platforms
- Profitability is not strong, with the highest percentage of projects being animal rescue (18.9%)

O

Opportunity

- After the government regulated crowdfunding, many platforms withdrew from the market, now is a good time to seize opportunity.
- Modian can try to use the main IP series of crowdfunding campaigns to drive the user participation on art campaigns.

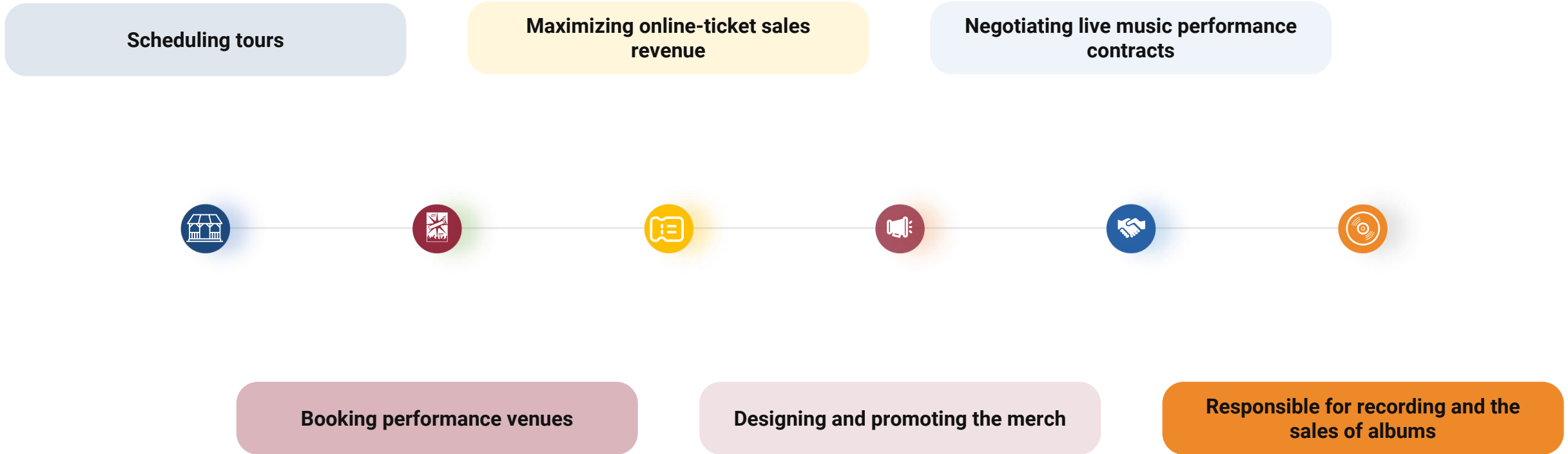
T

Threat

Compared with the crowdfunding platforms established by Internet giants Ali, Xiaomi, and Tencent; Modian's capital, supply chain, and users are not as developed.

Musikid provided a one-stop service for musicians

It offered a complete service chain of fundamental music agent for musicians.



Source: Musikid designed by Daxue consulting

COVID-19' lockdown brought a fatal blow to Musikid



Since Musikid was an independent platform without the backing of big capital and one of its main businesses was offline concerts. It did not survive through the pandemic, despite having more than a decade of experience operating crowdfunding.

The trigger for Musikid closing down

Independent musicians claim on Weibo ticket fees from Musikid were not paid

In the beginning of 2020, all outdoor activities stopped suddenly because of COVID-19 lockdowns. Musikid, as an independent vertical field crowdfunding platform, couldn't bear the losses over months. Therefore, after the scandal of musicians claiming that Musikid failed to pay for their concert revenue, Musikid lost its credibility and left the market.



耳光乐队
4月14日 17:27
这条微博是用来讨债的，讨债对象是@乐童音乐，希望大家帮转。

我们耳光乐队2019年度的演出，在2020年1月11日全部结束，这一年经历颇多，虽然我们这个所谓的业界有一些大的变化，但我们乐队票房并没有大的提升，所幸也没有大的下滑。去年这一年来，我们跟大部分主办方合作得也依然比较愉快。报批、场租、场地分成，所有费用我们已经全部付清，然而，疫情突至，伴随着年关、开春，从冬衣到短袖了，我们的票务代理平台，@乐童音乐，依然还没有付清我们自十月份以来的票款。

乐童从之前挤牙膏似的每周付一些，甚至最近几个月都黑不提白不提了，根本不提合同上十五个工作日结款的条约，更没有当初诱惑我们跟他们签署独家票务代理的所谓奖励之说了。大家都难，但是不要把你们的难建立在我们独立乐队的生计上，你们的难是你们自己经营的事，我们乐队只是演出、卖票，你们是票务平台，我们只要按合同日期拿钱。拖几日或几周都已很过分，从去年十月到今天，已经半年了，这都多长时间了？你们不能总是这样拿着我们的钱不给，超出合同结款日的违约金有多少了？利息又有多少？而且到今天没有任何人做出任何解释。

“This post is for debt collection, addressed to @Musikid, please help reshare it.
It's been six months since October 2019 and we have not received a settlement of our performance fees, let alone the rewards promised in the contract.
And no one has come in contact with us to this day.



耳光赵荒唐
大家都是平等的合作，独立音乐人不应总是被当做弱势群体来任人摆布。大家都遵守契约，很多事原本不会这么啰嗦。

“Many bands are making music at a loss. And this is the worst thing that can happen. Please give the band some healthy living environment and let the band's spring come sooner.



修手机的峰子
独立音乐人本来就挣钱不易，还这样拖欠，真的不地道！
20-5-28 21:14

“It's not easy for independent musicians to earn money, and it's bad to default on money like this.

“We all work together as equals, and independent musicians shouldn't always be treated as vulnerable to be at the mercy of others.



十三月郭
本来好多乐队们都是贴钱做事 又遇上这种雪上加霜的情况 多给乐队一些良性生存环境 少发生些负面的阻力 让乐队的夏天早点来 让有内涵的乐队能出更多警醒的歌儿
20-5-28 20:07

SWOT analysis of Musikid crowdfunding platform



S

Strength

- Musikid was a vertical crowdfunding platform in the music field. It was more professional than integrated platforms.
- The platform has been established for 10 years which helped it gain a large user base.

W

Weakness

- Crowdfunding is finance-heavy which required the experts to calculate the products' profitability. However, the core team of the company consisted of musicians and marketing strategists.
- The listed integrated crowdfunding platform Modian also has an artist support section, which has a larger amount of young users.

O

Opportunity

- Since the platform had a stable user base, Musikid could develop music-related derivatives, such as T-shirts.
- Successful musicians who used the platform could be leveraged to promote it.

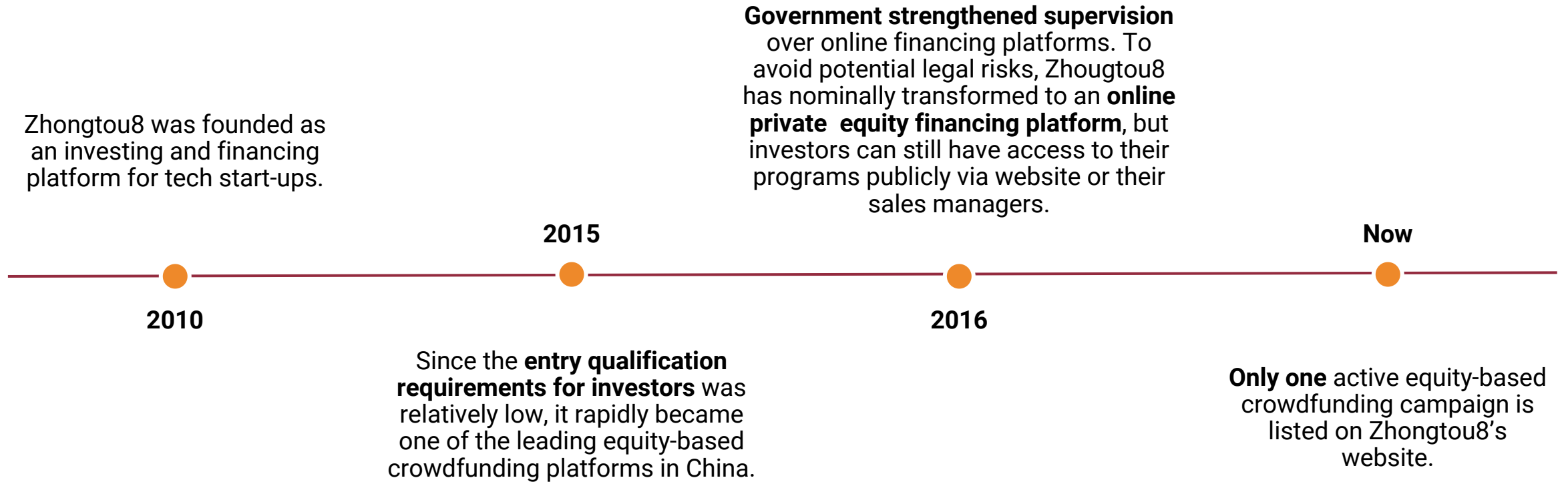
T

Threat

- With a single industry chain, if the platform was affected by negative news, it may collapse as a whole.
- The platform was not backed by strong capital, which led to low-risk resistance.

1 campaign remains on the leading equity-based crowdfunding platform

Zhongtou8 was one of the leading equity-based crowdfunding platforms in China. It has developed into an online private equity financing platform and raised the entry qualification requirements for investors after a market reshuffle during 2015-16.



Source: Interview with sales manager from Zhongtou8 designed by Daxue consulting

Zhongtou8 has transformed its financial service due to legal risks

Investor requirements before reshuffle

Minimum investment amount of **100 thousand CNY per program**

VS.

Current investor requirements

- Minimum investment amount of **1 million CNY per program**
- Investor's minimum total asset must be **10 million CNY**
- Must have **3 million CNY financial asset** or average annual income of **500 thousand CNY** over the last 3 years

Programs before reshuffle

- Small and medium-sized **start-ups**
- High-tech companies with broad market potential, such as **NIO Automobile Manufacturer** and **Dji Technology Company**.

VS.

Current programs

- Tech companies planning to IPO in **The Science and Technology Innovation Board Market** or **National Equities Exchange and Quotations** shortly
- Target crowdfunding amount between **15 million CNY** and **500 million CNY**.

Source: Interview with sales manager from Zhongtou8 designed by Daxue consulting

05

Chinese business on global platforms

Global crowdfunding platforms help Chinese manufacturers go overseas

According to President Xi's speech in August 2021, China will vigorously develop its manufacturing industry. Meanwhile, two leading global crowdfunding platforms are devoted to bring China's manufacturing products to consumers on the global market. Compared to traditional B2B exports, manufacturers can receive more active feedbacks on their products from both consumers and the market via crowdfunding services.

INDIEGOGO

Indiegogo is one of the first sites in the world to offer crowdfunding services. It opened its China branch in Shenzhen in 2016. China is now the company's fastest-growing market and accounted for over 40% of the campaigns that raised 560 million CNY in 2020. From 2016 to now, Indiegogo China has raised over 2 billion CNY.



MATE eBikes raising over **154.7 million CNY**

KICKSTARTER

Kickstarter is the world's leading crowdfunding platform. In 2020, it reached a record of approximately 400 million CNY in funding from China-based campaigns.



MILITARY Vintage Manual Chronograph raised **10,521 CNY**

Source: Indiegogo China,
Kickstarter China designed
by Daxue consulting

Indiegogo guides innovative Chinese products launch in global markets

Indiegogo is committed to help Chinese companies debut new products through crowdfunding, and **over 350 Chinese companies** have succeeded with Indiegogo. Consequently, products from China have raised close to **20 million CNY** over the past four years.

Overseas crowdfunding can help...

Verify the success of a product and its sales strategy as well as accumulate valuable experience in user portrait, pricing strategy, and production operation.

Companies can benefit from Indiegogo's network...

Comprising more than 65 agencies and service providers, including partnerships with America's largest retail chains and marketing agencies.

Prepare for the crowdfunding

1

Indiegogo China has a professional multinational team with expertise in global strategy development, hardware outreach and marketing to help China-based companies increase their competitiveness in the global market.

During the crowdfunding

2

Chinese companies can collect first-hand feedback and suggestions from customers on product hardware and software. This feedback may help the product to iterate quickly and increase its competitive advantage in the market.

After the crowdfunding

3

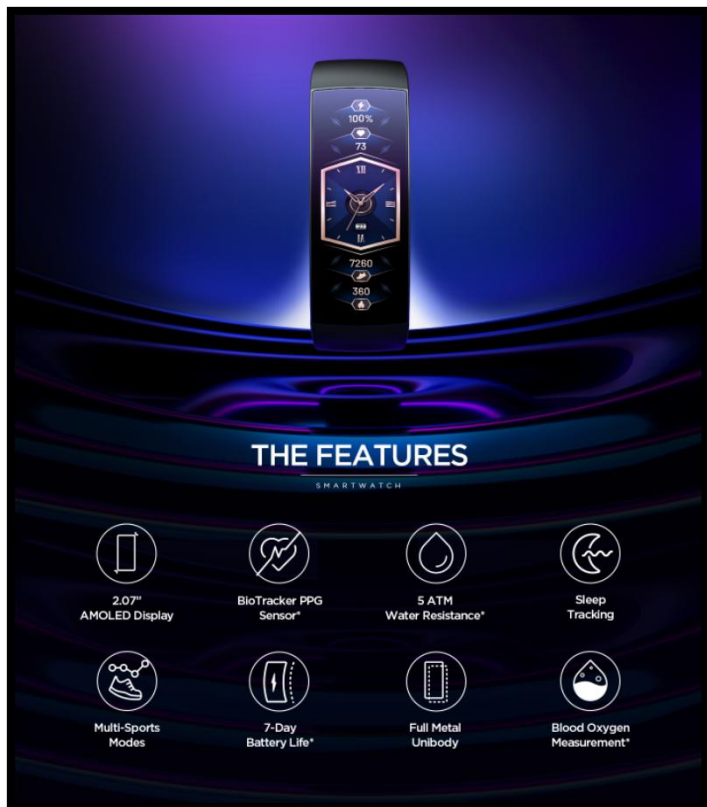
Crowdfunding gives new products and brands a considerable voice overseas, thus connecting to new users on a large scale. Similarly, the crowdfunding effect through word-of-mouth has become a strong endorsement in subsequent sales channels.

Source: Indiegogo China designed by Daxue consulting

Indiegogo highlights Huami's advantage to get more backers

INDIEGOGO

Amazfit, a brand of Huami, has launched two wearable device campaigns on Indiegogo, each raising over 10 million CNY. Its most popular product, the Curved Smartwatch, has raised 13 million CNY supported by 10 thousand backers so far, and continues to be open for backing.



During research & development

Advertising materials highlight the advantages of "using scenarios"

Indiegogo's crowdfunding experts suggested using dynamic content on product page to highlight situational monitoring features such as exercise/waterproof/sleep so that users can experience them through different scenarios.



Before product launch

Developing community to maintain active users

Indiegogo helped Huami during the pre-launch period by focusing on "community cultivation" and "FAQ before launch" to enhance users' engagement and products' attraction.



During crowdfunding

Adjusting reward strategy in time

Indiegogo helped Huami adjust its unclear reward scheme at the early stage of the campaign, and differentiate between multiple types of rewards, thus significantly improving the overall conversion rate.

Source: Indiegogo China designed by Daxue consulting

Midea turns to Indiegogo to get closer to global consumers

INDIEGOGO

Midea Group, a fortune 500 home appliance giant from China, has completed two campaigns on Indiegogo. Its Window Air Conditioner raised **9.9 million CNY** by the end of the campaign. It uses a revolutionary U-shaped design to solve the installation problem of traditional window air-conditioning appliances.



Massive marketing activities supported by Indiegogo

Midea sent **18,000 emails** to reach out to potential customers through Facebook advertisements and the Indiegogo email list. Also, backers can be awarded a **\$50 Starbucks Coffee Voucher or an 8% referral reward** through Kickbooster for every successful referrals on Indiegogo.



Customer community building

Midea **collects customer feedback** to solve the problems on Indiegogo. Additionally, Midea built a user experience loop consisting of newsletters, WeChat official accounts, as well as many other social media platforms.

A prominent Chinese company's new challenge

Midea (美的), being one of the largest home appliance companies in China, switched from an approach centered around B2B export to crowdfunding and e-commerce which can directly help them collect the feedback from the market.

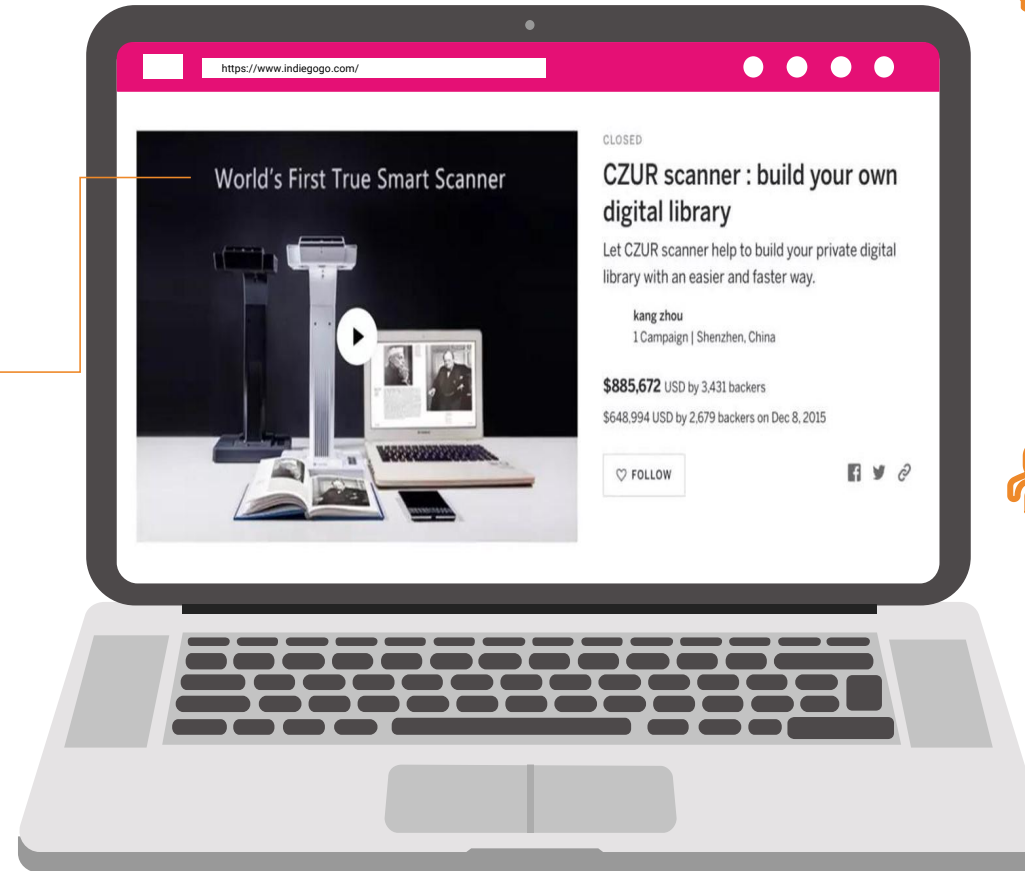
Source: Indiegogo China designed by Daxue consulting

Indiegogo emphasizes CZUR's uniqueness in the global market **INDIEGOGO**

CZUR, a world leading scanner company, started its global business presence through Indiegogo. Since then, its overseas sales have been recorded on different crowdfunding platforms. The company has successfully launched **five campaigns** on Indiegogo.

Indiegogo guided CZUR to modify the product's description in order to refresh people's perceptions of scanners

In 2015, when the first CZUR's scanner was launched on Indiegogo, it was described as the 'World's First True Smart Scanner' and was able to build one's personal digital library in an easier and faster way. Such a description on Indiegogo led to a success because it broke people's stereotype of a scanner, which were previously regarded as bulky objects only available in libraries.



Active communication on Indiegogo

CZUR makes good use of different communication channels on Indiegogo to evaluate its customers' demand and feedback. In addition, a comprehensible introduction video for the product now demonstrates the products professionally and clearly within 10 seconds.



Indiegogo's main consumer group matches CZUR's user profile

CZUR's latest product, Shine Ultra, is a new series of scanners positioned at the middle and high-end enterprise-class quality range. The new product line provides an excellent fit for Indiegogo's main backers' groups.

Source: Indiegogo China designed by Daxue consulting

MUZEN chose Indiegogo for its products' first appearance

INDIEGOGO

MUZEN, a Hong Kong based audio manufacturer has successfully launched two audio products on Indiegogo. Its OTR Wood Retro Speaker program is completed and raised **643,610 CNY**, which corresponds to **317%** of the initial target amount. The CyberShell Mechanical Speaker program is continuing and has raised **919,808 CNY** so far, equivalent to **2,923%** percent of its flexible goal.



Collaboration with a global community

MUZEN Audio reached out to **Radio Caroline**, a pirate radio station that has inspired numerous DJs and music lovers worldwide. MUZEN Audio designed and produced a special Radio Caroline edition of Wood Retro Speakers, and **10% of the crowdfunding fund** of the program was donated to Radio Caroline to help their broadcasts.



Indiegogo as a partner to successfully enter the US market

MUZEN Audio has chosen the crowdfunding approach for entering the US market because it is not only an approach of building online sales, but also an effective method to gain attention within the global market. MUZEN Audio has chosen Indiegogo as its preferred crowdfunding platform because it is specialized in innovative hardware products.

06

Best practices and implications

National pride fuels IP products to raise 16 million CNY on Bilibili



Incarnation is a domestic 3D animation of a Chinese traditional story. Along with the final episode of the first season released a range of IP derivatives. *Incarnation*'s crowdfunding campaign reached **16.7 million CNY** in just one month, which was **16,651.4%** of the original planned fundraising goal, creating **a new record for a crowdfunding campaign** around a domestic project.

Garage kits of Incarnation characters



Fan base of the IP

Incarnation is co-produced by Bilibili and YHKT Entertainment. Since its launched on Bilibili, *Incarnation*'s rating has been **as high as 9.6**, and the number of views has **exceeded 400 million** over two years.

Fans orientated products

The majority of *Incarnation*'s audience is male. Therefore, Bilibili and YHKT Entertainment designed a garage kit as a reward for their crowdfunding campaign.

Shopping behavior has shifted with the new generation



Chinese born in the post-90's tend to be more nationalistic than Gen-X, who prefer to buy foreign brands. According to Daxue consulting's 2021 in-depth interview research, over half of Gen-Z interviewees increased their purchasing of Chinese brands over the past year.

Young Chinese are proud of their culture

With China's economic and technological development, young Chinese people are beginning to feel the rising status of their country around the world, which brings them great pride and a willingness to give their country's culture and brands more opportunities and a higher desire to buy them.

Young people have online spending habits

Gen-Z was the first generation to grow up making purchases online. Therefore, they have a stronger ability to recognize the authenticity of e-commerce products and stronger willingness to purchase online.

Bilibili manages its video platform and extends its business



Bilibili launched as a video platform catering to Chinese Gen-Z. It adopted anime, gaming, and dancing related videos as its main categories. Due to the high retention and loyalty of Bilibili's users, the e-commerce section for selling IP-related products and reward-based crowdfunding campaigns was subsequently released.

The "perfect" timing for launch

IP derivative was launched by the end of the first season, capturing the psychology of fans who want to buy products as a souvenir.

Bilibili's huge number of anime users

According to iResearch, in 2019 the number of post-90s users accounted for **72.3%** of the platform's overall users. According to Bilibili's statistics, in the first quarter of 2021 the average monthly active users reached **223.3 million**, and the average daily usage time was **82 minutes**.

Established Crowdfunding Platform

Bilibili has built a well-established crowdfunding platform on its **mobile app and website**. It leverages tactics like 'Membership shopping' and the 'relevant products' banner below the videos to nudge users to shop. Moreover, users can learn more about the products, inquire online sales assistants at the product page.

Bilibili provides an easy process to participate in crowdfunding



Two methods to reach the reward-based crowdfunding project of Incarnation on Bilibili's mobile app

Project page

1



The section of 'Membership buying' can be found easily on the first page of Bilibili's mobile app

The crowdfunding projects will be listed after searching 'crowdfunding'



2



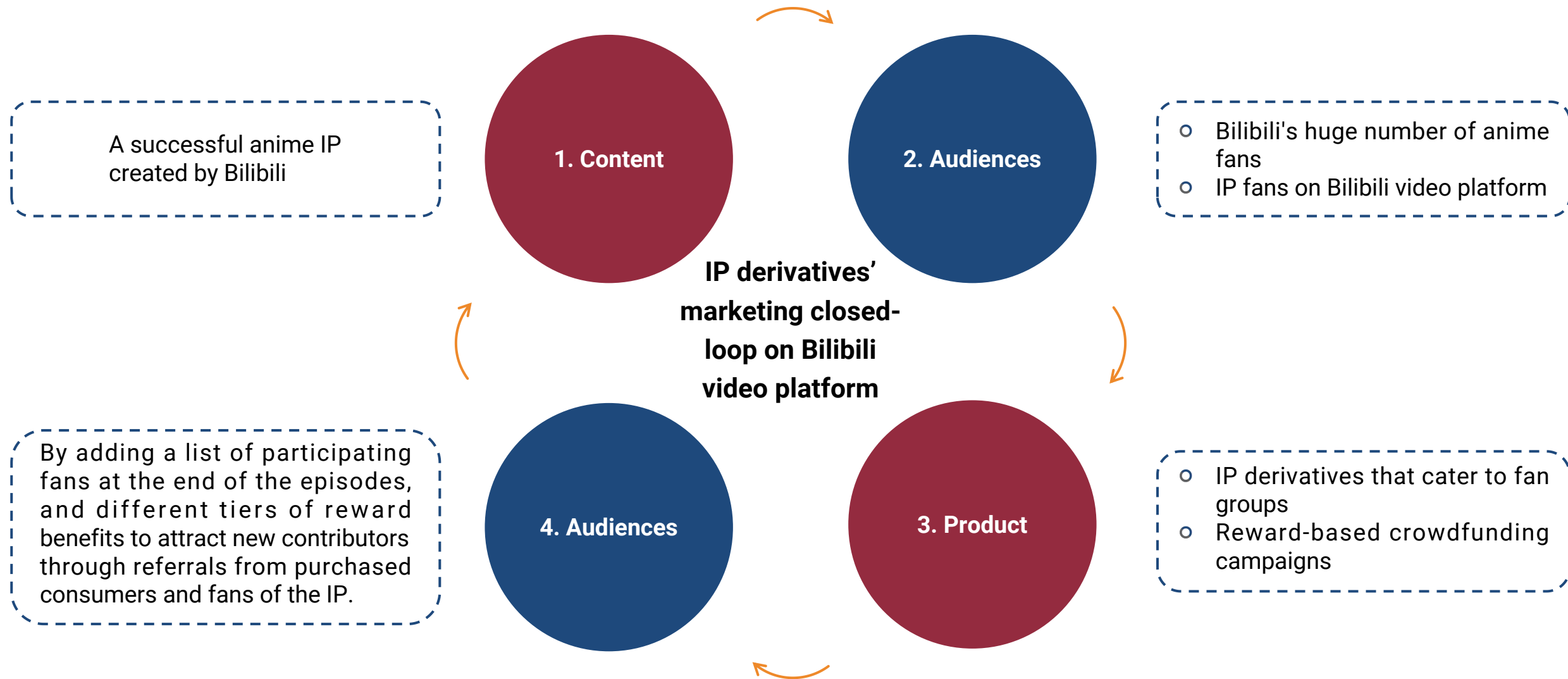
The IP derivatives also are attached beneath the IP video



Consumers can easily reach out to the sales assistants

Source: Bilibili designed by Daxue consulting

The marketing strategy of Incarnation's crowdfunding project



3 Million CNY was raised for non-GMO corn on Zaodianxinhua

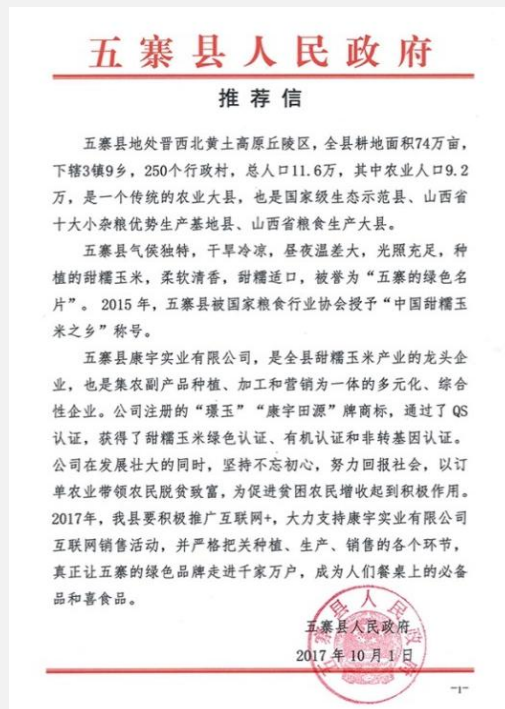


An agricultural crowdfunding program was launched for non-GMO corn known as the 'Capital of Corns'. By the end of the campaign, **3,030,233 CNY was raised**, which was **6,060% of the target amount**. The campaign was a great success because it has the endorsement of the local government, tracking system of each unit of corn and different plans for consumers to choose.

The non-GMO corn is **actively supported by the government** in Wuzhai county of Shanxi province, because the local **geographical advantage** makes corn farming in Wuzhai a competitive industry.

Endorsement by local government

Recommendation letter from the People's Government of Wuzhai County



6 types of crowdfunding plans

19.8 CNY
Three white/yellow corn

支持 19.8元	感谢您对我们的支持 您将获得 有机甜糯黄玉米3支装	X 3
支持 19.8元	感谢您对我们的支持 您将获得 有机甜糯白玉米3支装	X 3
支持 29.8元	感谢您对我们的支持 您将获得 有机甜糯黑玉米3支装	X 3
支持 64.8元	感谢您对我们的支持 您将获得 有机甜糯黄玉米10支装	X 10
支持 64.8元	感谢您对我们的支持 您将获得 有机甜糯白玉米10支装	X 10

64.8 CNY
Ten white/yellow corn

Six tiers of reward plan are provided, and consumers can select which kind of corn and how much they want.

On each package, there is a QR code and consumers can scan it for the exact information of each piece of the corn, including **category, size, place of production, grower with contacts, and growing measures**.

“
可追溯身份信息的甜糯玉米
令人耳目一新？”



Source: Zaodianxinhua
designed by Daxue consulting

FIIL's headphone raised 17 million CNY on JD crowdfunding

FIIL launched a crowdfunding program for its smart headphones on JD crowdfunding and raised **16,924,353 CNY** from **242,565 supporters**, **169% of the target amount**. The crowdfunding program was a great success case of the hunger marketing method and using a 1 CNY lottery plan to attract more participants.



Since FIIL is owned by **Wang Feng**, a famous Chinese singer. He designed this smart headphone based on his own experience. It is a portable MP3 with noise reduction and gesture functions on the ear cups to adjust the volume.

1 CNY lottery plan

There was a **lottery plan** which tickets only costing 1 CNY, and **one headphone was given randomly** among every 800 lottery plan buyers.

¥ 1

226,558

226558 位支持者 supporters

无限额 抽奖档

每满800位支持者抽取1位幸运用户，不满足时也抽取1位。幸运用户将会获得1台FIIL Diva。幸运用户将由京东官方抽取，抽奖规则及中奖者名单将在话题区公布。

[抽奖规则>](#)



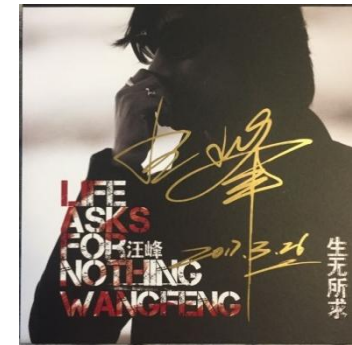
The headphone will be delivered within 30 days after the crowdfunding succeeds.

配送费用: **免运费** Free delivery

预计回报发送时间: **项目众筹成功后30天内**

筹款结束

Stimulating supporters to order by gifts & limited plans



The supporters who ordered the co-branded version also received a **CD signed by Wang Feng**.

All the supporting plans were **limited** except the lottery plan where the consumers were nudged to place an order before it sold out. Also, the crowdfunding page emphasized that if consumers missed this opportunity, they would have to **wait for another month** before the official launch of the headphones.

Source: JD crowdfunding designed by Daxue consulting

Waterdrop went public by operating a donation crowdfunding platform



Waterdrop, a donation crowdfunding platform that made its IPO in April 2021, uses fundraising to invest in financial projects.

Donation crowdfunding platform

Since the government strictly regulates public charity fundraising, in order to avoid donation risk, Waterdrop operates as a financial institution. It leverages one month fundraising period to invest financial projects by the raised amounts.

Waterdrop also recruits a group of 'Charity assistants' to guide and engage more philanthropists and fundraisers on its platform in order to pool more investments.



Insurance broker

Starting from 2016, Waterdrop created an online insurance platform and engaged people to buy insurance products through its donation platform.

Insurance coupon pops out on the donation interface when people open a donation link



An advertisement for their insurance products shown on their crowdfunding page

Source: Waterdrop designed by Daxue consulting

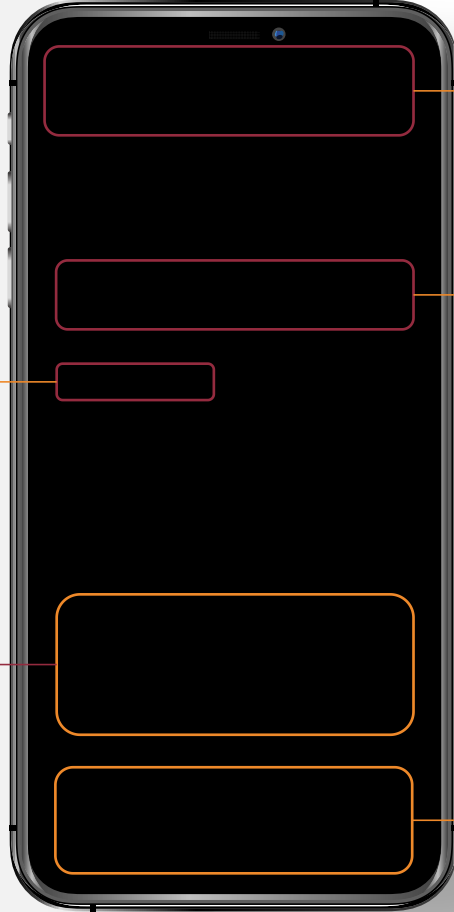
Waterdrop raised 3 million CNY in few hours for forest fire victims

Title: charity fundraising | emergency support
forest fire in Liangshan of Sichuan | Shuidi Charity

Target
amount was 3
million CNY.

Information
about the
Sichuan Red
Cross, who
launched this
campaign.

Project record number



At the time of the
screenshot,
1,339,640 CNY had
been raised and this
message had been
reposted on social
media 29,215 times.

* The campaign
only lasted a few
hours. This
screenshot was
taken while the
campaign was in
progress.

Sichuan Red Cross launched this project on Waterdrop

During the forest fire in Daliangshan, Sichuan on March 30 of 2019, 27 firefighters and 4 local cadres died. In order to raise pension for the victims' families, Sichuan Red Cross launched the fundraising campaign.

WeChat is the main distribution channel

Fundraising posts on Waterdrop were shared based on **interpersonal networks** via social media, especially **WeChat** since friends have a better understanding of the reality of the fundraiser, they are willing to trust and donate.

Patient information is provided to foster credibility

In order to prove the authenticity of the fundraising, each project listed the **information of the source, severity of the accident, why fund raising, evidentiary material page and fundraising activity area.**

Source: Waterdrop designed by Daxue consulting

Waterdrop simplified the fundraising process to help more people



The platform has a professional consulting teams to guide fund raisers. Its flexible fund withdraw system allows the life-saving money to be used during emergency. However, its identification system is not always reliable and the punishment for fraudsters is too weak for deterrence.

Preparation

- 1 Fund raisers **register the interest and demand online** with phone number.
- 2 Waterdrop's **Charity assistant** contacts them within 5 minutes.

Campaign Launch

- 3 With the guidance of the specialist, the fund raiser can launch the campaign by uploading **background information, reason for seeking help, medical certificate and financial information.**
- 4 All of these information will be verified through **personal credits** stored by the government, **the fund raiser's social network.**

Fund Withdrawal

- 5 Raisers can withdraw and use part of the funds **before the campaign ends** under emergency circumstances.
- 6 Funds can be both paid to the fund raiser or **directly to institutions like hospitals or clinics.**
- 7 The seeker keeps updating the **usage of the fund and latest medical treatments** under the post in the following 3 months.

Source: Waterdrop designed by Daxue consulting

07

Key takeaways

Key takeaways

- 1 China's crowdfunding market started ten years later than those of developed countries. Crowdfunding is separated into three categories in China: investment-based crowdfunding, non-investment-based crowdfunding, and integrated crowdfunding. In between, investment-based crowdfunding platforms have different classifications when compared with other countries.
- 2 Most investment crowdfunding platforms have transformed into non-investment crowdfunding because of strict recent regulatory measures. The primarily targeted consumers in China are the post-90s, and the characteristics include group buying and IP products. Many leading non-investment and integrated crowdfunding platforms are generated by domestic Internet giants.
- 3 Yet because of the wild growth, the market declined at a fast pace. As of 2020, only 1 out of 9 players remained in the market. The Chinese government introduced regulations after the regular occurrence of financial fraud. Consequently, market share switched from property and equity-based crowdfunding to reward and donation-based platforms.
- 4 The top 5 local players have successfully raised 16 million CNY in one month, including Xiaomiyopin, Suningzhongzhou, Zaodianxinhua, Modian, and JD Finance. Most of their crowdfunding projects are based on rewards or donations.
- 5 Indiegogo and Kickstarter, both being global leading crowdfunding platforms, have designed their China offices with the ambition of introducing domestic manufacturers to the overseas market.
- 6 As an anime video platform, Bilibili found the business opportunities to have an in-app e-commerce platform targeting fans to sell IP derivatives and raise IP crowdfunding projects. Alibaba-funded Zaodianxinhua is a reward-based crowdfunding platform that launched rural revitalization projects.

ABOUT

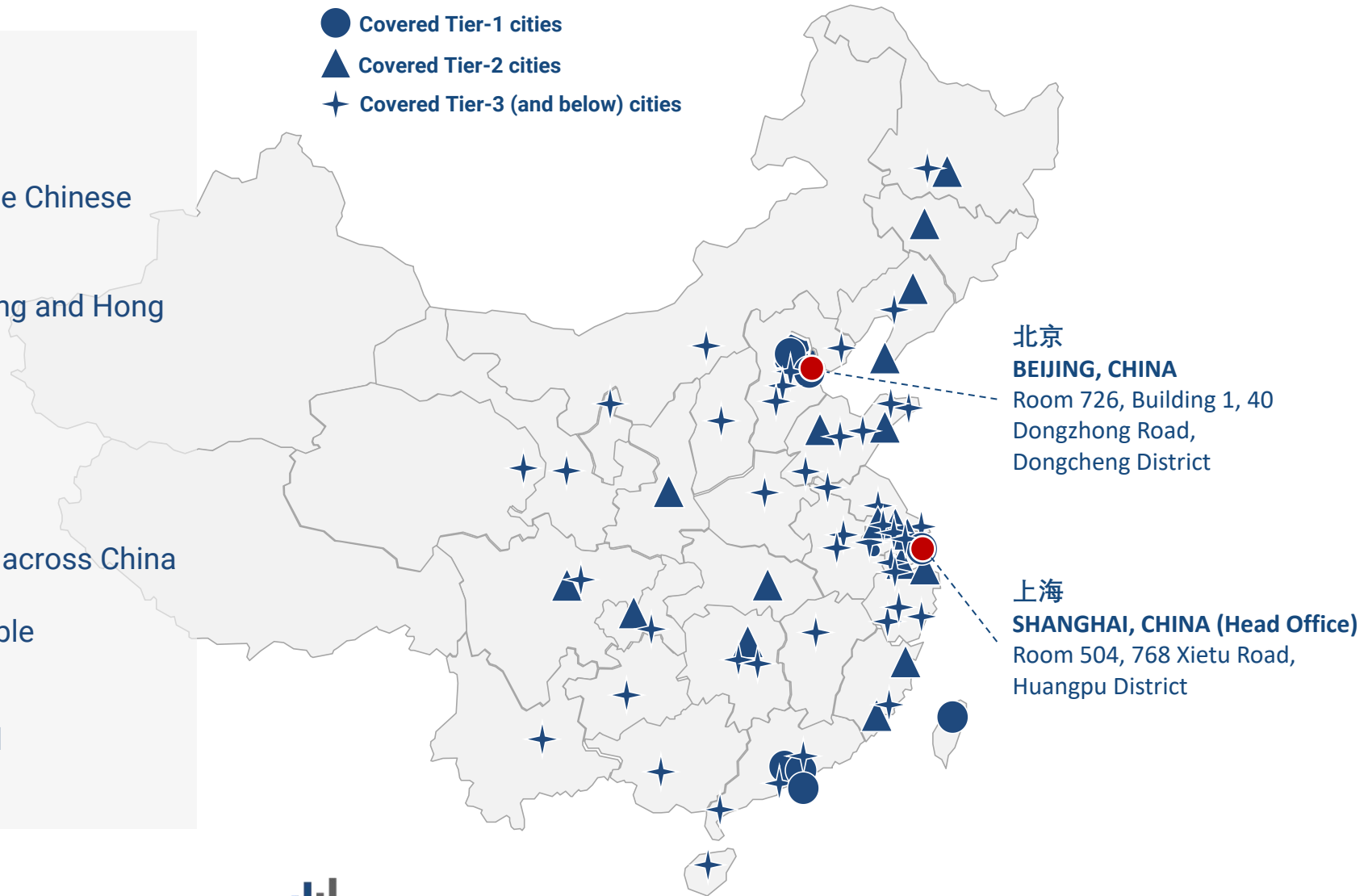


Who we are

Your Market Research Company in China

We are **daxue consulting**:

- A market research firm specializing on the Chinese market since 2010
- With 3 offices in China: in Shanghai, Beijing and Hong Kong
- Employing 40+ full-time consultants
- Full, complete, national coverage
- Efficient and reliable fieldwork execution across China
- Using our expertise to draw precise, reliable recommendations
- With key accounts from around the world



Our APAC network

A research and consulting firm headquartered in China, with an Asia-focus and a presence on three continents.



Our history



Our past and current clients

350+ clients with 600+ projects for the past 7 years



A recognized expertise on the Chinese market

Regularly featured and quoted in global publications

Our latest quotations in recent publications

The New York Times

TECHINASIA

france
bleu

LE TEMPS

SBS NEWS

ASIA WEEKLY

FT FINANCIAL
TIMES

英文中國新聞
The China Post

REUTERS

GLOBAL
TIMES

SBS NEWS

the guardian

y net
news.com

Le Monde

THE WALL STREET JOURNAL

Les Echos.fr

THOUGHTFUL
CHINA

CHINA
ECONOMIC REVIEW

SWI

LE TEMPS

TechNode

CONDÉ NAST

TECHINASIA

FRENCHWEB.FR
LE JOURNAL DE L'ÉCONOMIE

LE FIGARO

CHINADAILY
中國日報

THE WALL STREET JOURNAL

ESSEC
BUSINESS SCHOOL

The New York Times

Guanghua School of Management
Peking University

Forbes

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JDN
JOURNAL DU NET

L'OBS

Wine News
THE POCKET WINE MAGAZINE

france
bleu

gbtimes
Global reach, Local touch

South China
Morning Post

TECH
INSIDER

IT NEWS AFRICA
AFRICA'S TECHNOLOGY NEWS LEADER

THE JORDAN TIMES

Jing Daily

World
Trademark
Review

FINANCIAL REVIEW

ASIA WEEKLY

Contrepoints
le nivellement par le haut

The Street

Chef
d'Entreprise

CCI FRANCE CHINE
中國法國工商會

ISRAEL HAYOM
This is where we stand

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algemeiner | a

華美銀行
EAST WEST BANK

EAST WEST BANK

BOF
The Business of Finance

Los Angeles Times

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ABOUT



**CENTER FOR
DIGITAL CREATIVE ENTERPRISE
RESEARCH @ICCI, SJTU**

Center Introduction

Center for Digital Creative Enterprise Research (CDCER) at ICCI & SJTU

Vision

We study and support digital creative enterprises combining digital capability and creative competency to generate business values for education, inspiration, and impact.

Mission

We build educational networks of researchers, educators, professionals, and students for identifying, understanding, and creating business and social value from the digital creative industry.



Founded in 2015, ICCI is the outcome of the strong partnership between University of Southern California (USC) and Shanghai Jiao Tong University (SJTU). With creativity, innovation, and entrepreneurship as its core, ICCI is designed to foster future industry leaders with creative spirit and interdisciplinary capabilities.



SJTU has cultivated numerous elites in politics, science, industries and arts, and has made great contributions to the country's economics, science and technology, arts, and health care since founded in 1896.

CDCER Introduction

Research Approaches & Activities

Interdisciplinary

We add values on the intersections of business management, digital technology, and creative practices.

We create the processes of interchanges in theories, methods, and skills.

Industry-oriented

We create more practical and relevant knowledge for the industry through action learning and consortium research.

We collaborate closely with the leading enterprises in the industry to develop innovation platforms.

We help emerging enterprises grow their performance and impacts.

International

We cultivate international collaboration networks for sharing best practices.

We integrate strong academic and industrial resources of SJTU, USC, and other domestic/global partner universities and institutions.

CDCER Introduction

Activities

Academic Research

Business Case Writing

Seminar/Workshop

Industry-University Consortium

Course Development

Consulting Service

“Global Digital Creative Industry-University Consortium”

The consortium aims to generate mutual learning and growth by enabling close collaboration and engagement between member enterprises, the CDCER (& ICCI, SJTU), and other related entities (e.g., other universities, government agencies, non-profit organizations).

Who are Our Potential Member Enterprises?

Startups and small medium sized enterprises (SMEs) in diverse digital creative sectors that are: 1) Knowledge-intensive organizations with Innovative, affective, and collaborative culture, 2) Customer-focused, market-oriented, and data-driven, and 3) Aiming to disrupt the existing markets and create new markets with a novel business model

Service Package for Member Enterprises

Monthly Seminar | Quarterly Company Visit | Annual Diagnosis | Curated Knowledge Content



For
more
information
about
CDCER

ICCI Homepage: <https://icci.sjtu.edu.cn>

CDCER Intro: <https://icci.sjtu.edu.cn/en/program/index/144>

Any Inquiry for the Consortium or collaboration opportunities,
please contact: shryu@sjtu.edu.cn



**CENTER FOR
DIGITAL CREATIVE ENTERPRISE
RESEARCH @ICCI, SJTU**



上海交大—南加州大学文化创意产业学院
USC-SJTU Institute of Cultural and Creative Industry



上海交通大学

SHANGHAI JIAO TONG UNIVERSITY

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RESEARCH @ ICCI, SJTU**

DIGITAL

CREATIVE

**BUSINESS
VALUE**