



White Paper

By [Antti Hannula](#) on August 3rd, 2010

Venture Bonsai Crowdfunding and Growth Platform

Venture Bonsai is a platform for entrepreneurs to build online presence enabling them to receive funding from one or more professional or private investors as well as facilitate all the activities before and after the investment has taken place. Extensive use of web-enabled communication, reputation building and other tools offer a unique platform for the investors to follow, communicate with, invest in as well as follow or participate the development of those startups they mostly believe in.

What is Crowdfunding?

Crowdfunding is an alternate approach to get investments for a start-up.

Wikipedia defines crowdfunding as

“an approach to raising the capital required for a new project or enterprise by appealing to a group of people (figuratively, “the crowd”) for contributions from one or many. When such an appeal is global it is mass funding. ”

It's not actually a new idea as it has been developed over the last decade, mainly in the film and music industries. Unlike traditional models which rely on large contributions from one or two institutions, crowdfunding is based on raising small sums from many people. Instead of raising 300,000€ from three angels (100,000€ each), you collect 10,000€ from 30 private investors.

Crowdfunding isn't going to replace venture capital, private equity, debt finance or stock-markets. In many ways it's an evolution of “friends and family” and “angel” models, just operating with greater transparency and on a larger scale. It may even turn out to be an essential and complementary part of the financing tools needed to cultivate and grow new businesses.

But What's the Actual Problem?

Number of traditional investors interested in start-ups who are looking for money in the range of 50,000€ to 500,000€, has decreased rapidly. It is also true that in today's world more can be done with less money ("the old 5 Million euros is nowadays 500,000€"). Investments in this category are high risk investments with potentially high return. But most of the companies will fail. That is only one reason why traditional investors are moving (and have already moved) away from this category. When alternate investment vehicles are invented to fill the gap, also the traditional investors will benefit as they can this way have more companies in the funnel for additional investments.

Is Crowdfunding The Solution for this?

A successful crowdfunding solution has to solve many problems in order to be a feasible alternative for the start-ups and investors alike. There is an obvious need for process simplification (de-mystification) and standardization concerning documents such as Term Sheet and Shareholders' Agreement. An initiative in this field already introduces a [Standardized Term Sheet](#) acceptable by both entrepreneurs and investors. Trust and transparency are also probably some of the biggest issues. How do you create trust in the online world? How do you manage the communication with so many stakeholders? There will most likely be new innovative solutions for all of these challenges in the near future. The change is inevitable. Additionally, private investors can invest 5,000 € euros in ten start-ups, instead of putting 50,000€ to one single company, effectively decreasing their risk as well.

How Can Venture Bonsai Help You?

[Venture Bonsai](#) is an initiative by a group of entrepreneurs to take action on this problem. It is a platform which helps entrepreneurs to get attention from the investors, including both the Professional Investors, High Net-Worth private individuals as well as other individuals willing to invest 5,000€ or more on the growth of interesting companies. For those willing to invest money in private companies, Venture Bonsai is the most trusted and reliable place to discover, follow and invest in those companies that one believes to be most successful in the future. Versatile communication tools help all parties make this possible.

If you are interested (either as an Entrepreneur, Professional Investor, High Net-Worth Individual or a Privater Non-Professional Investor), please contact us (see contact details at venturebonsai.com) and we can tell you more.

See also [LinkedIn Group](#) and <http://twitter.com/venturebonsai>.