

Commerce

Why Choose One? Connectify Blends VC and Crowdfunding in Kickstarter Campaign.

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by Liz Gannes

Networking start-up Connectify finished a successful Kickstarter campaign last week, having raised slightly more than double its goal of \$50,000, the majority of which came in the form of preorders for its new product.

The company's tantalizing premise is that its software will make Internet access faster and more reliable by using more than one connection at the same time.

So, a user at a coffee shop using Connectify Dispatch could combine access from spotty Wi-Fi and a mobile Internet dongle. Or someone making a massive BitTorrent transfer could speed it up by linking to multiple networks.

Dispatch was not exactly a zero-to-Kickstarter-in-30-days project. Philadelphia-based Connectify was already a venture-backed company, and it had already built much of the software for Dispatch before posting the project in August.

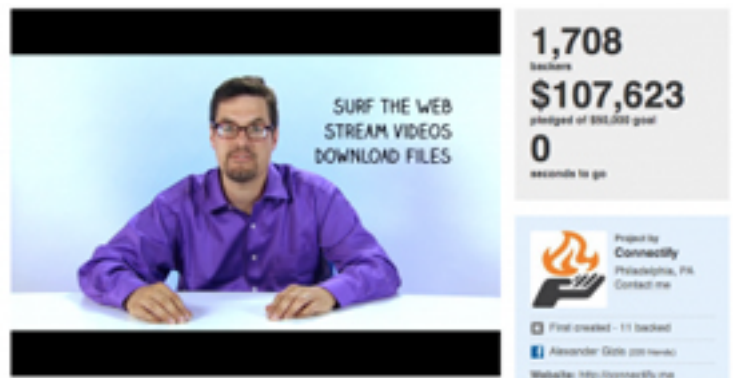
So why Kickstarter? Mainly to get customer feedback and validation, according to CEO Alex Gizis, whom I spoke with shortly after Connectify completed its campaign with \$107,623 raised from 1,708 backers.

Gizis, who previously built robots for the U.S. Department of Defense, raised funding for Connectify last year from In-Q-Tel, the VC firm affiliated with the CIA. That money was enough to pay for a 15-person company to develop a whole bunch of cool technology — “too much code and too many features,” as Gizis put it — but not necessarily to arrive at a clear product.

The Kickstarter campaign was a way to test if consumers wanted a slice of that technology, and to fail fast if they didn't, Gizis said.

What Connectify did wasn't necessarily a first. We're starting to see Kickstarter used as a testing ground by traditionally funded start-ups, rather than a primary funding source, but not always with success, since Kickstarter doesn't pay out any money to projects that don't meet their funding goals.

To be sure, some Kickstarter users may not feel great about giving their money to a company that has been able to use more traditional methods in the recent past. And Connectify doesn't mention its VC funding in its Kickstarter pitch.



Asked to be more specific about the funding, a Connectify spokeswoman gave this explanation: “The previous investment paid for the core technology, but the funding from our backers was crucial for us to develop the Dispatch consumer product.”

Gizis said he sees VC and Kickstarter funding as complementary. Good venture capitalists provide advice and contacts. Good Kickstarter backers provide feedback.

“I think that the savvy venture-backed company should still launch at least some of their products through Kickstarter,” Gizis said. “Your venture funding can go a lot further if your Kickstarter backers are telling you which features they will pay for, and which they have no interest in.”

Okay, sounds like a reasonable premise. I asked Gizis to share a bit more about the lessons he learned from the Kickstarter process.

First off, Connectify’s original goal of \$50,000 was set low, per other people’s advice. Gizis said the number came from a calculation of “the minimal consistent monthly revenue for the Connectify Dispatch project to pay itself off in an acceptable time frame.”

In that respect, it wasn’t really about the money. It was about getting a significant number of early adopters to say they’d pay \$50. “We won’t take any profit on this, but hopefully will end up with a product that sells like hotcakes,” Gizis said.

The Kickstarter campaign had a nice quick kickoff in early August, Gizis said. But then, on day two, he checked the list of the backers — and saw the biggest one was the best man in his wedding.

“There was a moment of sheer terror,” Gizis said. The support of friends and family is a whole lot different than market validation.

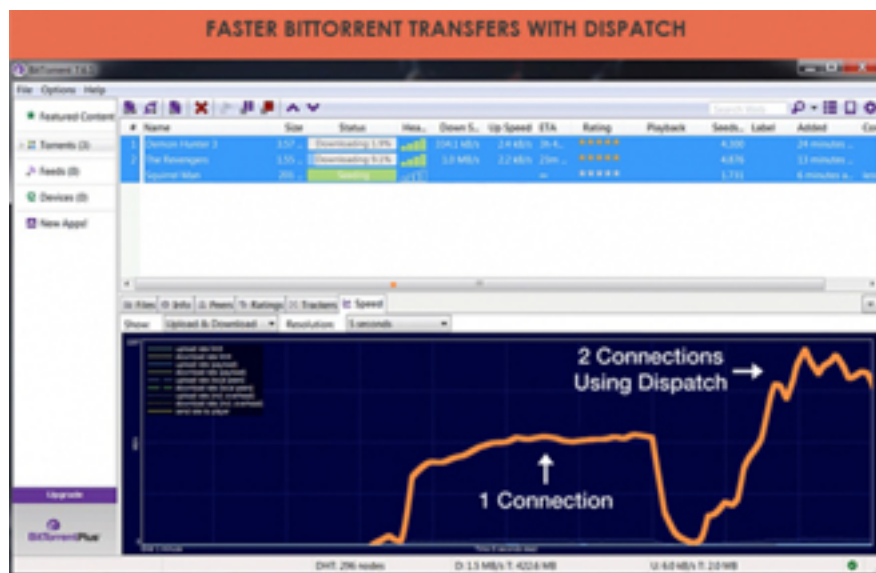
So the Connectify team revised its pitch. In the original Kickstarter video, Gizis himself described Dispatch with a whiteboard and nifty animations. What seemed to work better: posting new videos that showed the software at work in real scenarios, like at a coffee shop.

Once momentum returned, Connectify started asking backers what they thought. As Gizis described it,

In the past there were really two common ways to get feedback: focus groups, which could be done by getting potential customers together, and customer feedback. Each had serious problems though. Potential customers can’t really tell you whether they would buy a product or not, and end up telling you what they think you would like to hear. Customer feedback is great, but you can’t get it until the product really ships and they get to use the product.

I asked Gizis whether he ever entertained visions of raising multiple millions and becoming the next Pebble or Ouya Kickstarter mega-success story. “Maybe just a little bit,” he said. But the reality is Dispatch is a complex and untested product. “So a big part of the goal was to find a core group of users who would buy into the vision, and provide us with first that valuable feedback, and then later act as evangelists.”

As it surveyed backers and read comments, Connectify started incorporating feedback into the live Kickstarter campaign. The upgrades and licenses were simplified, and backers were promised an increasing set of functionality if the project met higher fundraising goals. At \$250,000, Connectify promised to build Dispatch for Mac.



That came directly out of user feedback: people said loud and clear that they wanted a Mac version. But it turned out the Mac goal was an overstep. Mac users realized they risked backing a project that would take their money and build a PC version, if it fell short of \$250,000. So they complained, and Connectify deemphasized the goal.

Gizis said his hypothesis is that it will be better to launch a separate Kickstarter campaign for the Mac version. So that's his next plan.

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