

How Raising \$291,000 On Kickstarter Nearly Killed Underwear Startup Flint And Tinder

Alyson Shontell | Dec. 18, 2012, 8:02 AM | 12,353 | 7

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When Jake Bronstein posted his first [Kickstarter](#) campaign, he wasn't expecting much.

He set up a \$30,000 goal on the crowdfunding site. He just wanted to test the waters and see if his idea for a made-in-America underwear company had any legs.

It did. After 30 days, Bronstein's concept, [Flint And Tinder](#), raised nearly ten times its funding goal: \$291,493 from 5,578 backers.

To many people, that sounds like a reason to celebrate.

But it sent Bronstein into a state of panic.

The way Kickstarter works is that people who like an idea vote with their [dollars](#). They "pledge" money to a project to become a backer. Project creators offer backers "rewards"—often an unreleased version of a new product.

In Bronstein's case, that product was underwear. And he didn't have any.

So he'd collected nearly \$300,000 in what amounted to preorders for a product he had never produced. And instead of selling 3,000 pairs of underwear, which he was prepared to make and ship two months later, he was on the hook for 23,000 pairs.

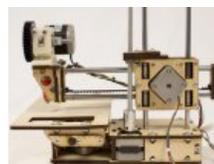
"We were looking at making eight times as much inventory in the same time frame," Bronstein says.



Jake Bronstein, [CEO](#) and founder of Flint and Tinder

Flint and Tinder

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Bronstein had set up partnerships with manufacturers before the campaign kicked off, but the unexpected popularity of the Kickstarter campaign proved to be a problem. The elastic maker, for example, said he'd be able to produce enough material for 3,000 garments with two weeks notice. But when Bronstein told him he needed 20,000 more items, he was told he'd need to wait an additional two months.

By the time Bronstein finally fulfilled all 23,000 orders, the items were three months late. He spent every Kickstarter penny raised and found himself still \$30,000 in the hole. For every six pairs he shipped, he had to produce an extra one because his team made so many first-time mistakes.

Meanwhile, a handful of backers who didn't understand the risks of funding a Kickstarter campaign thought Bronstein was ripping them off.

"I used to cry on my way into work," Bronstein recalls. "It's hard to walk into a room and be a leader when you don't have all the answers."

Then and there, Bronstein had to make a decision. He could either shut down his operation, or he could see [Flint And Tinder](#) through. He decided to pursue his underwear dream.

After all, he'd found a product that neatly fit the market—and not just because of all that extra elastic he ordered.

"At the time, the highest-grossing fashion campaign on Kickstarter was \$64,000," says Bronstein. "I had beat that by four times over."

Bronstein went on to raise \$850,000 from [Zappos](#) founder [Tony Hsieh](#); Fred Mossler, another early [Zappos](#) executive; [Lerer Ventures](#); and David Tisch. That's given him time to work out the kinks.

But what Bronstein's story really illustrates are the problems with Kickstarter's fundraising model for both backers and creators.

The Kickstarter members who bet on Flint And Tinder lucked out. They happened to choose a real entrepreneur to invest in—someone who doesn't quit when met with a seemingly impossible task.

Other Kickstarter backers aren't so lucky. They could well put their money behind a less business-savvy inventor who cuts and runs.

Problem #1: It's not clear who's supposed to vet Kickstarter projects.

Kickstarter says it doesn't conduct due diligence on anyone who creates a fundraising campaign on its platform. It merely accepts or denies a submission.

It's backer beware.

Take Pebble, a watch that syncs with a smartphone. More than 68,000 people gave it \$10.3 million in May. (It's still working out final manufacturing kinks and hasn't shipped its product yet, though the team [has given regular updates about its progress.](#))

When asked if I, a reporter with no knowledge of hardware manufacturing, could have submitted a campaign like the Pebble smart watch, I was told, "Yes."

It doesn't matter that I'd have no idea how to execute the product, even if I had raised millions of dollars on Kickstarter. That's a big risk for backers who may not know they're expected to do their own research.

Kickstarter tries to make it clear that backing one of its campaigns is risky. It encourages the community to hold the creator accountable and ask questions. It also requires founders to complete a Risks and Challenges questionnaire before projects go live.

But it's easy to see how there could be confusion.

Problem #2: Backers don't always know what they're purchasing.

Kickstarter has been vocal about the fact that it's a platform for things that aren't yet made. But to someone who isn't experienced with Kickstarter, it can be confusing. Is it a place for donations? Or is it something like [Amazon.com](#), where you can place preorders?

Flint And Tinder ran into questions like this with a handful of clients. Since then, Kickstarter has taken a more active role in educating its community.

"It's hard to know [how many people feel like they're shopping at a store](#) when they're backing projects on Kickstarter, but we want to make sure that it's no one," Kickstarter's founders wrote on its blog in September.

They created new criteria for Kickstarter submissions: Product simulations were prohibited, as were product renderings. Campaign creators could only display pictures of current, working prototypes, not hypothetical, cool-sounding but impossible-to-execute products.

Problem #3: There's no way to cap a total fundraising goal.

Flint And Tinder got more preorders than it could handle. There are things Bronstein could have done to minimize the chaos, like cap the number of backers allowed to purchase each tier of reward. He says he should have done that in hindsight.

"It's something I think about a lot—there were a lot of moments I could have changed the economics on the Kickstarter campaign," Bronstein told us. "I could have turned to all the backers and said, 'Just order one item and then you can sample the product and I can make it for you at a profit. But if you order 12

pairs, that won't be the case.' But I'm not the kind of person to dial it back. At a certain point, your ego gets in the way."

Pebble actually did cap its rewards with one week left in its campaign. Kickstarter tells us Pebble could have raised even more than the \$10.3 million if it had let the campaign run longer.

Even if a creator stops offering rewards, backers can still pledge money, though at that point, it really is more like a donation. Past experience shows, though, that backers are looking to get something.

Problem #4: Kickstarter inadvertently exposes key financials about companies.

"Vendors can [Google](#) you and find out the price you sold products for on Kickstarter, the number of items you sold, and the timeline you sold them in," Bronstein says. "That gives them a lot of leverage."

Armed with that information, Flint And Tinder's suppliers haggled with him after the campaign, Bronstein says.

"That can complicate relationships in a way that doesn't often happen to businesses outside of Kickstarter."

Problem #5: There's no good way to refund all the backers after the first month or two of a campaign.

What if Bronstein had decided to quit instead of fulfill the 23,000 orders?

He'd have had to refund all the backers within 60 days of the campaign ending. Otherwise, he'd face a massive headache refunding each of the 5,500 orders one by one.

Kickstarter uses Amazon Payments, and Amazon has a 60-day limit on bulk refunds.

This makes it difficult for creators to determine how to refund or exchange products for people who preorder their items and become unhappy after more than two months has passed.

Problem #6: Kickstarter only solves a (relatively) small problem for aspiring entrepreneurs

The world is full of inventors. There are very few entrepreneurs who can actually execute the brilliant ideas.

Kickstarter lets anyone try and raise money, but after the campaign is complete, the fundraiser is on his or her own to get the job done.

There isn't a lot of handholding after a campaign is complete, which can be a big risk for backers.

Contrast that with, say, Quirky, a [startup which takes a far more active role](#) in getting a new product fully

designed, manufactured, and sold.

So, is a Kickstarter campaign really worth it for backers and inventors?

Despite the enormous amount of stress Bronstein faced launching his company on Kickstarter, he says he'd go through it all over again.

He acknowledges that he made a lot of mistakes, from miscalculations about how much it would cost to produce and ship items, to inefficiencies in fulfilling orders. But he recommends Kickstarter to anyone who wants to create a strong bond between their product and their first customers.

"I am glad I did Kickstarter," Bronstein says. "It adds a proper legacy to the brand. By day one, I had created a consumer base of 5,000-plus people who were enthusiastic about the product. I don't think it would have been the same if our first customers had bought our product in a box on a shelf."

Bronstein particularly recommends Kickstarter for anyone who has created an amazing product but doesn't have the resources to produce it, or for a tech-focused company like Romotive, which already has a robust product built and needs a way to [efficiently](#) raise more capital for production.

Romotive has completed two successful fundraisers on Kickstarter.

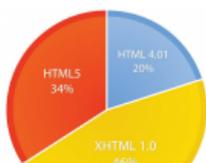
"We lost \$30,000 on the initial Kickstarter order, but when you think about the cost of setting up a company, to say that got you 6,000 customers at that price is a pretty good spend," Bronstein says.

"Opening up a pizza shop would cost you more than that. Now we're running cash-flow positive every day."

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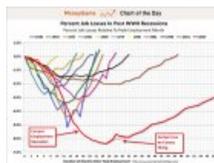


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Kickstarter is a microfunding platform for artists and entrepreneurs to find support for their projects.

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