

Philly start-up Kapsul is making a quieter air conditioner thanks to \$2.3 million from crowdfunding

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The summer months when air conditioning is considered a necessity are winding down, but a Philadelphia start-up is working to offer improved

window units to make it through next year's scorching heat.

Kapsul, a company that designed a smaller and quieter air conditioning window unit, raised \$2.3 million on crowdfunding platforms Indiegogo and Kickstarter in June 2016, said Chris Myers, a Kapsul late-stage co-founder and the chief operating officer.

"It was pretty humbling because you saw the interest of people in the product and their belief that you could do something transformational. And it was real market validation," said Myers, who also is the managing director of the Philadelphia Development Group, which founds, funds, and advises start-ups. "If the interest had been less, the enthusiasm for changing the whole category would've been less."

A Kapsul air conditioning window unit is smaller than a traditional one, with handles built into the design and an accompanying window frame adapter for easy installation. Besides the control panel on the front of the units, they can connect to Wi-Fi so the temperature can be adjusted through a phone app. Myers said the most important difference between typical window units and a Kapsul product—which costs \$499 for pre-orders and \$599 at retail—was the reduced sound from the air conditioner.

"When we did a lot of research, we found that the most common reason for low star ratings on Amazon, for instance, is that they're really loud," Myers said. "They're so loud that people turn them down to have conversations or to make phone calls, and that's not something you really want to live with."

Getting their air conditioner to be quieter—Myers said the product is about half as loud as a typical one—took Kapsul eight redesigns of the engineering involved because the units are "based on technology that really hadn't changed since your grandfather bought an air conditioner.

It's ancient technology."

The new design is what appealed to Anne Slater, a retired Bryn Mawr College librarian from Lancaster and one of the company's backers, because her air conditioners are "all heavy, I can't lift them, and they're all pretty noisy. I thought it was time to look for something better, and I was enticed by the smaller and quieter aspect of these machines."

Start-up expert Robert Moore, cofounder and CEO of intelligence platform Crossbeam and president of Philly Startup Leaders, said Kapsul is at the "intersection of the old and the new" by upgrading familiar technology. "People have cared about air conditioning for far, far longer than they've cared about internet," he said.

The company could benefit big-time from a warming planet.

And even now its success in crowdfunding is "rooted in there being real consumer demand," Moore said. "When you see something that does this well on Kickstarter, it's evidence that there's market demand out there of real significance beyond Kickstarter."

Kapsul's accomplishments on Indiegogo and Kickstarter are a "good way to show people that you can come up with something new and people will buy it," said Jason Sherman, a tech writer and entrepreneur from Philadelphia. "It shows that there are still innovative ways to improve daily lives in society."

Sherman said the future of Kapsul depended on whether the company can deliver its new units to backers by its spring of 2019 deadline and then scale up in the future.

That deadline has been moved back by about two years. When Kapsul first launched crowdfunding campaigns, the company was called Noira

and it had a goal of raising \$250,000 to complete the [air conditioning units](#) in time for summer of 2017.

Co-founders Kurt Swanson, Kapsul's chief executive and engineer, and chief technology officer Donald Pancoe started the company after working as design consultants at Likuma Labs, a product design and engineering consultancy in Philadelphia. Because of the multiple redesigns and amount of time it took to find manufacturing partners, the company had to readjust its expectations.

Since the air conditioners—which will be manufactured in China—were not ready to go by this summer, Swanson said, Kapsul is now taking time before next summer to fine-tune the units. "Rather than rush it out and deliver air conditioners in the wintertime, we're focused on making sure the app is ready, making sure the user experience is great," he said.

Some backers were unhappy with the delays and started commenting on the company's crowdfunding pages, so Kapsul hired a new community manager for the nine-member operation to improve transparency and communication with the backers. Once they committed to the new timeline, only about 3 percent of the backers decided to withdraw support, Kapsul's Myers said.

In May, Swanson posted a letter to the company's backers on its Indiegogo page, apologizing and taking responsibility for the delays and emphasizing Kapsul's commitment to the new delivery date of April 2019. He also offered compensation to Kapsul's early backers in the form of a one-year extension to the product warranty (extending the total warranty to three years), 40 percent off the backer's next full-price Kapsul purchase, and 10 shares of equity in the company.

Ray Bunch, an early Kapsul funder from with a background in engineering, said he was "never concerned about the timeline" but he

thinks others' complaints were legitimate and appreciates the increased efforts to communicate with consumers. "If it was a major corporation I was investing in for something new to be delivered, I would've expected something faster, but for it to be a ground-up new product, I don't think two or three years is unrealistic," Bunch said.

He said he was willing to wait for a product that showed significant innovation and can improve this part of people's lives.

"They've worked really diligently trying to overcome (problems) step-by-step without cheating on the whole innovation idea," he said.

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