

# Crowdfunding Briefing

This briefing is concerned with donation crowdfunding for good causes via the internet, known as donation crowdfunding.

Crowdfunding isn't new, but the internet has given it a new impetus. Crowdfunding is a huge growth area of income for voluntary and community organisations. Nesta, the innovation charity, estimate that crowdfunding raised over £26 million last year. There are four main types of computer-based crowdfunding

- Donation Crowdfunding
- Reward Crowdfunding
- Debt Crowdfunding
- Equity Crowdfunding



Crowdfunding is a way to source money for a project or cause by asking a large number of contributors via a 'platform' (a website) to individually donate a small amount to it. Because donor crowdfunding is predicated on donations for good causes, donors do not obtain any ownership or rights to the project, unlike other forms of crowdfunding. Donors may receive a token reward; however, the funder may receive nothing at all except the knowledge they have helped a good cause.



## Why should councils be involved?

There are multiple benefits for councils controlling a crowdfunding platform. It will increase levels of resident involvement with public services. The opportunity to contribute to the success of a local project could motivate residents to participate in something that makes a lasting difference. The platform could be used to host joint projects between a council and other public sector or community organisations. The platform can also provide invaluable intelligence on what is happening in the community. Council departments, Individual councillors and the CVS may be able to offer assistance to an unforeseen need.



## How it works

A typical donation crowding campaign requires a lot of planning and preparation work. Before uploading their cause to the platform, groups need to craft a convincing and appealing story. Research shows stories about a single individual told in the first-person have more impact, than graphs and reams of statistics. Also a short video clip can improve the results on a crowdfunding

Once a group has uploaded its campaign to the platform project page, it needs to push the campaign.

It is a common misconception about donor crowdfunding that there is a sea of philanthropists who trawl the internet for causes close to their heart, to which they can make a donation - unfortunately that rarely ever happens. Donors need to be directed to the platform project page and motivated to give.

The good news is the group itself and the people in it, already know the people who are most likely to donate to the cause and spread the word about it – they are the supporters, friends, family and acquaintances. Groups will use social media and other methods to contact them and asking them in turn to promote the cause to their network of friends, family and acquaintances. It's important to remind people several times without appearing to hassle them.

Thanking and appreciating donors is absolutely vital, studies have found around 45% donors said that being thanked inspired them to give again; 23% said the quality of the acknowledgement they received encouraged them to give again.



## Advantages of Crowdfunding

- Easy and Simple: The simplicity and ease of launching a fundraising campaign is one of the main advantages of crowdfunding. CVS may help groups with the process step by step..
- Financing a cause without going through the long process of grant applications. Crowdfunding can help you raise the money you need to develop or launch a brilliant project without or before going through the process of registering as a charity or forming a formal group.
- Have direct access to supporters. This method of raising fund for your project or cause allows you to have a direct access to your supporters who can give valuable feedback on how a service could be improved. You can also continue receiving feedback at every stage of the process that will allow you to further improve.
- Increases awareness of your cause and charity.

## Disadvantages of Crowdfunding

While crowdfunding is a highly beneficial method of receiving financial support for groups' cause, there are also some drawbacks groups should keep in mind.

- Donors (who could be anyone from a friend, colleague or neighbour to a sympathetic donor thousands of miles away) are very less likely to be repeat donors, unlike donors recruited from more traditional forms of fundraising. Groups need to ask themselves is the time, energy, and effort required to host a successful crowdfunding event, right for what they want to achieve.
- If you do not reach the group's target funding, you may find the money that's been pledged will often be returned to your group's donors and you won't be receiving anything
- Copying. Someone sees a great idea and copies it.
- Not every project is suitable for crowdfunding
- Without a good network, it would be near impossible for a group to raise funds



Report on **Donation Crowdfunding** by NESTA—the innovation charity:

<http://ow.ly/FZ2e30kuy1o>

**LGIU Crowdfunding for Local Authorities**



<https://www.lgiu.org.uk/wp-content/uploads/2017/03/Crowdfunding-for-local-authorities.pdf>



<https://www.youtube.com/watch?v=5Eg29O4ceF4>

<https://www.youtube.com/watch?v=YRvu6e9Utd4>



National Council for Voluntary Organisations :

<https://blogs.ncvo.org.uk/2015/11/10/should-you-be-crowdfunding/>

## Seekers

### Applicants

Can be community group parish councils, CVS, associations, etc.



### Seeker decides:

- What do they want to do?
- Why do they want it?
- How much money do they need? (up to £5,000)
- Who is the 'crowd?' they want to sponsor
- How they will market it? eg will there be an incentive?
- Check with CrowdfundDevon if it's a feasible project



### Applicants: create their project description

- Create a web page, fill it with relevant information, can make a video, etc.
- Send it to the crowdfunding site at CrowdfundDevon
- If approved by CFD, web link is created to/from the crowdfunding site



### The 'crowd'

Interested parties commit £'s to the fund  
If the full amount sought by the Seeker is not raised, no money is taken at all.

## Givers

**TDC** can help launch and promote through social media and networking



### CrowdfundDevon

They host the respective Seeker's page on their website, along with the pages of other 'Seekers' who have subscribed to the scheme.



**TDC** dashboard provided by CFD  
Views funding commitments



**TDC** may donate funds towards the relevant crowdfund once targets are reached.