



# Guide to Crowdfunding for Community Groups

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# What is crowdfunding?

Crowdfunding is a form of microfinance where large numbers of individuals make small donations towards new projects or start-up enterprises.

Recently there has been an increasing amount of websites in the UK that aim to utilise crowdfunding for social purposes. They allow organisations or individuals to ask the general public or target donors to pledge funds for specific projects over a short space of time. Often donors will pledge support and receive something in return for their gift.

## What are the opportunities for charities and community groups?

- Crowd funding offers the opportunity to build support for projects, publicise your work, reach new audiences and tap into new sources of funding. It is good for one off, short term projects or for raising start-up capital for a venture.
- In addition to this it offers lower transaction costs, helps link supply of finance to demand for a product and is a good way to get niche products off the ground (NESTA, 2012)
- The involvement of the 'crowd' or public in this type of funding can direct funding to popular causes that might be neglected by more traditional funders.

## What are the risks?

- There is still a lot of work to be put in to ensure success – choosing the right type of project, promoting it well and interacting with donors.
- It takes hard work and a strategic approach.
- It cannot be used to fund on-going work and cannot be seen as a replacement for other core sources of funding.
- Many sites take an *all or nothing* approach where money raised will be given to the cause only if it has reached the pre-determined target.
- If you repeatedly fail to raise the necessary funds or the profile of the project it looks bad for the organisation. Or if the funds are raised but the organisation fails to deliver the project it can also reflect negatively on the reputation of the organisation.

## Different models of Crowdfunding

Crowdfunding can take different forms. Some are like traditional philanthropic donations relying on individual's good will. Others work more like investment where individuals receive immediate or future rewards for their donations. In the NESTA (2012) report *Crowding In* they identify four different types of crowdfunding:

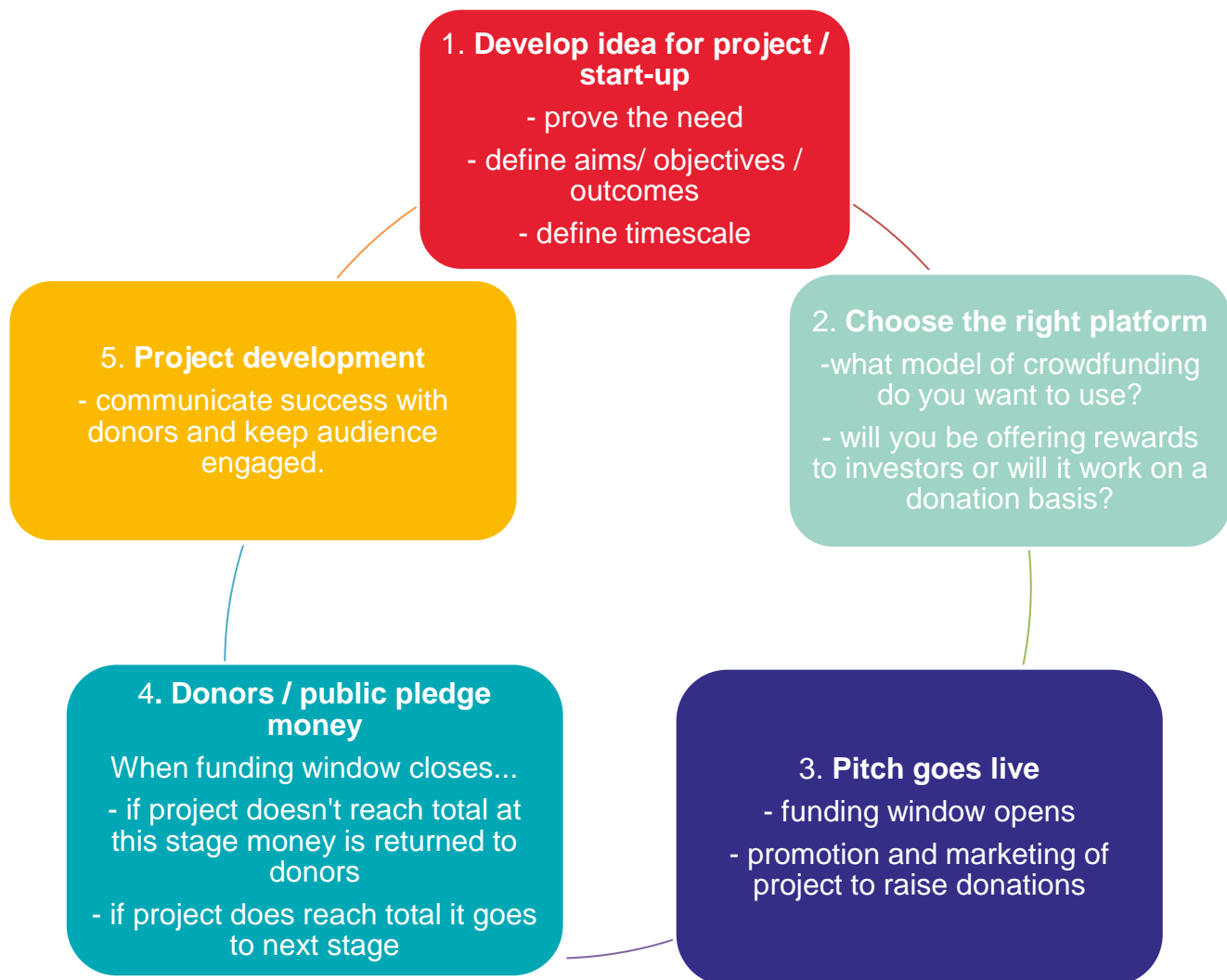
	<b>Form of Contribution</b>	<b>Form of Return</b>	<b>Motivation of Funder</b>
<b>Donation Crowdfunding</b>	Donation	Intangible benefits	Intrinsic and social motivation
<b>Reward Crowdfunding</b>	Donation / Pre-purchase	Rewards but also intangible benefits	Combination of intrinsic and social motivation and desire for reward
<b>Crowdfunded Lending</b>	Loan	Repayment of loan with interest. Some socially motivated lending is interest free.	Combination of intrinsic, social and financial motivation.
<b>Equity Crowdfunding</b>	Investment	Return on investment in time if the business does well. Rewards also offered sometimes. Intangible benefits another factor for many investors.	Combination of intrinsic, social and financial motivation.

*How the UKs Businesses, Charities, Government and Financial System can make the most of Crowdfunding*

Donation crowdfunding and Reward crowdfunding are good options for charities or community groups with specific projects or products in mind.

Crowdfunded Lending and Equity Crowdfunding are options for social enterprises and social business as investors will receive return over time. It allows social enterprise and start-ups to get money on more favourable terms (lower interest rates). These crowdfunding platforms tend to charge a flat commission of 5% on the money raised if successful.

# The Crowdfunding Process



## How to get the most out of it

Creating a successful crowdfunded project relies on the same principles as any good project development and fundraising: proving the need, developing a project, showing how people (donors/supporters) can make a difference, communicating the difference you make.

### The Project

- Define what it is you want to fund. A new project or organisation? As it is with all fundraising you will need to be clear about the cause and how it will make a difference to your beneficiaries.
- Have a plan for the project but also for the fundraising. Be clear about how much you want to raise and by when.

### The Audience

- Think about who this project will appeal to. What would be their motivations for donating to you? Affinity to the cause? Altruism?



- Specify the rewards that donors will see, tangible and intangible.
- Develop a communication plan for the project. Where can you find the audience for this project? Social media, events, work communications?
- Engage with and build a strong relationship with these individuals. They are not just potential donors, but also potential stakeholders and supporters.

## Tell your Story

- Crowdfunding is about stories. Specifically, your project's story. Think about how you can make your project stand out online. Tell it how it is, pull on heartstrings and most importantly tell it in a way that resonates with people.
- Could you use pictures and videos to make it engaging?

## Timeframe

- Be clear about how much you want to raise and the deadline for doing so when you put the project online. Do you have enough time to raise the funds you need?
- Be clear about the timeframe for the project. When will it run and for how long?

## What sites can you use?

There are many different types of crowdfunding platforms. It's worth having an internet search to compare the options before starting out on a crowdfunding project. Each website will have clear information and guidelines about how their process works.

<b>Crowd Cube</b>	Helps start-up and growing businesses to raise business finance by letting people invest through their equity crowdfunding platform	<a href="http://www.crowdcube.com/">http://www.crowdcube.com/</a>
<b>Crowdfunder</b>	A crowdfunding platform that supports projects of all sizes from individuals to community groups and charities.	<a href="http://www.crowdfunder.co.uk/">http://www.crowdfunder.co.uk/</a>
<b>Global Giving</b>	A UK based fundraising platform for global social projects	<a href="http://www.globalgiving.org/">http://www.globalgiving.org/</a>
<b>JustGiving</b>	A crowdfunding platform launched by the online fundraising site JustGiving.	<a href="https://www.justgiving.com/crowdfunding">https://www.justgiving.com/crowdfunding</a>
<b>Seedrs</b>	A UK based equity crowdfunding platform that makes investing in start-ups easier by making it possible for people to invest as little as £10 in start-ups	<a href="https://www.seedrs.com/">https://www.seedrs.com/</a>
<b>Spacehive</b>	A fundraising platform for neighbourhood improvement projects.	<a href="http://spacehive.com/">http://spacehive.com/</a>
<b>Sponsume</b>	A crowdfunding platform for artistic and entrepreneurial projects	<a href="https://twitter.com/sponsume">https://twitter.com/sponsume</a>
<b>Unbound</b>	funding for authors to write and publish books	<a href="https://unbound.com/">https://unbound.com/</a>

## Top tips from those that have done it!

Research well the website that you will be using. Is it easy to set up and manage? If possible, speak to someone who already has a project up on that website to get their perspective on what it is like to use.

Offer your donors a chance to get involved in the project with more than just financial contribution – people are more likely to support the cause they feel strongly connected with and familiar with than one which is remote.

Don't rely solely on the crowdfunding but use it as a way to organize other fundraising events to back up the crowdfunding campaign.

Have an organised group of 2 – 3 people who can dedicate time to it and be committed to getting something going.

Look to your contacts for anyone who can offer prizes or experiences that people can pay for.

Make connections with small businesses that might be interested in donating to the cause.

Make connections with local people and organisations that can promote the project.

## Resources

- [Innerear, \(2012\) Social Media Crowdfunding for Charities](#)
- [Twintangibles \(2012\) Components of a Good Crowdfunding Campaign](#)
- [Innerear \(2011\) Digital Audience development](#)
- Baeck, P. Collins, L. Westlake, (2012) [Crowdfunding in How the UK's Businesses, Charities, Government and Financial System Can make the most of Crowdfunding](#). London: NESTA.
- [Twintangibles Blog](#)
- Charity Digital (2016) [Online crowdfunding guide for charities](#)
- The Guardian (2014) [Crowdfunding: Essential advice for charities](#)
- Nonprofit Tech for Good (2019) [A Fundraising & Social Media An 11-Step Guide to Successful Crowdfunding Campaigns for Nonprofit Organizations](#)