Catalyst Consulting Group

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Crowdfunding for Non-profits

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In this report

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Impact

What is crowdfunding and how has it impacted fundraising efforts around the world?

2

Outlook

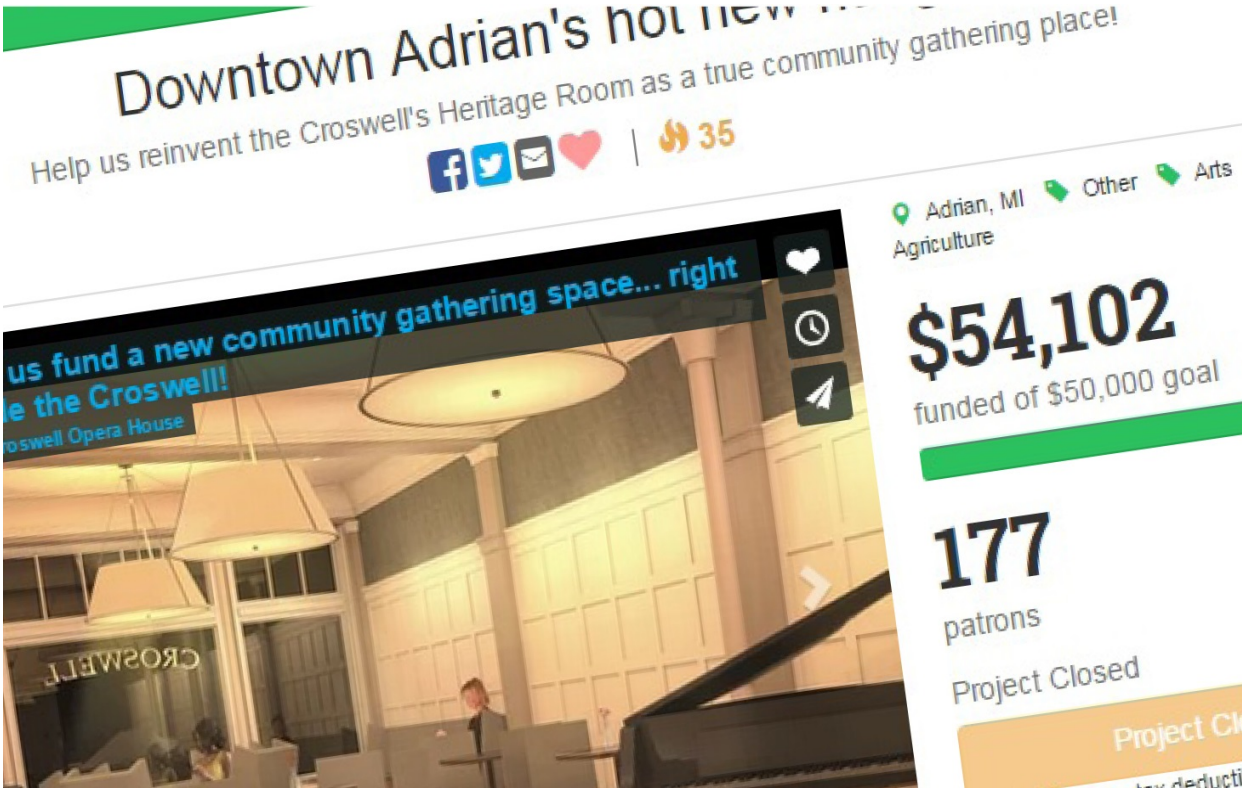How has crowdfunding grown and what key success factors are supporting its future?

3

Practices

Success Guide for Non-profits on building an effective crowdfunding campaign strategy.

CROWDFUNDING 101

How does it work?

Crowdfunding is a strategy that focuses on raising small amounts of money from a large group of individuals via the internet. Crowdfunding involves three key players: the campaigner; the crowd; and the platform that hosts the campaign. The fundraiser will start a crowdfunding campaign by creating a project page on a platform, and then ask the public to contribute funds to their effort. The rise of social media in campaign advocation makes it easy for supporters of your work to find out how to make a donation and understand its impact. The best crowdfunding platforms for non-profits include:

GoFundMe: Best for non-profits looking for no platform fee and a universally-recognized brand.

Mightycause: Best for non-profits looking for advanced team/event management and CRM features.

FundRazr: Best for non-profits looking for a crowdfunding platform with a sterling public reputation.

FirstGiving: Best for non-profits with the ability to pay for advanced event registration.

Fundly: Best for non-profits looking for an alternative to the big crowdfunding names.

Types of Crowdfunding

1 DONATION
Allows the crowd to support a particular cause or effort without expectation of financial return. Often driven by personal desires or moral obligations, and is currently the most common form of crowdfunding.

2 PEER-TO-PEER FUNDRAISING
Allows supporters to raise funds for your campaign by publicly advocating and sharing on your behalf. This can be an excellent tool to leverage the network of your most ardent supporters.

3 REWARDS
The rewards model incorporates non-financial rewards to further incentivise supports to contribute funds. These rewards vary according to the amount donated, and are often suited to creative projects via Kickstarter.

4 DEBT/LENDING & EQUITY CROWDFUNDING
Depends on securities regulations, and involves the purchasing of ownership or the placing of debt (beyond scope of the report).

Why Crowdfunding?

Crowdfunding brings with it many more benefits than just raising money.

Marketing and cause awareness
The very act of crowdfunding gets the word out about the issues you are engaged with.

Market validation
It can provide validation for new initiatives allowing the crowd to vote with their dollars in support of your efforts.

Testing marketing channels and target audience
A great way to see if a specific project resonates with a specific target audience.

Connect with new audiences
The buzz that you create can bring new relationships that you can leverage moving forward.

Understand your audience
Get to know more about the people that do (and don't) support you, the level of support from certain target audiences, issues that resonate, what people say about you via social media, etc.
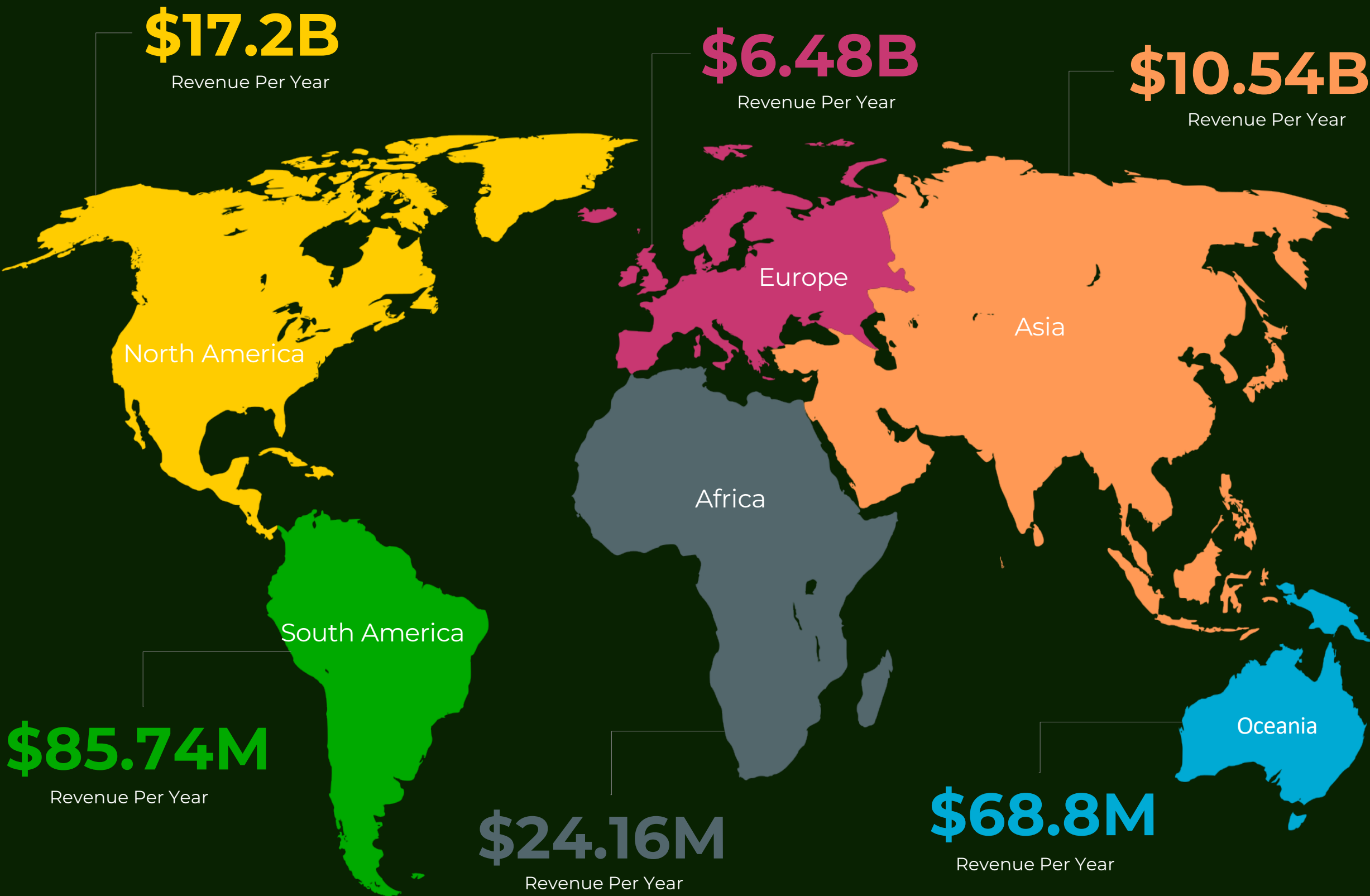
Crowdfunding vs. Traditional Fundraising

Value exchange
Crowdfunding can incentivize organizations to increase the amount of value that they are creating for their donors. When there is more value created, whether by surprising, entertaining, or offering goods and services, donors will often contribute additional funds.

Time-bound
Crowdfunding campaigns are of a specific, defined length that allows for marketing, buzz, and momentum to feed onto itself and peak appropriately. An end date incentivizes participation by the crowd and incentivizes the efforts of the campaigner.

Specific
As opposed to asking for support for a general mission, crowdfunding best practice can involve a more specific ask for a specific project. This gives the project a measurable outcome that someone can immediately relate to as having supported and increases the 'touchpoints' of the campaign. The 'touchpoints' are those characteristics that increase the spectrum of participation by allowing the campaign to resonate with people in a variety of ways.

It's a sprint
Crowdfunding is an intense effort that requires all hands on deck for a specific period of time.

REGIONAL CROWDFUNDING REVENUE (2020)

$17.2B
Revenue Per Year

North America

$6.48B
Revenue Per Year

Europe

$10.54B
Revenue Per Year

Asia

Africa

$85.74M
Revenue Per Year

South America

$24.16M
Revenue Per Year

$68.8M
Revenue Per Year

Oceania

Does it work?

$36B
Global Amount Raised by Crowdfunding
Crowdfunding has become one of the most popular ways for individuals to raise money for a cause, project, or event.

$65B
Added to the Global Economy
Crowdfunding has allowed people around the world to raise significant amounts for causes they care about.

22%
Global Average Success Rate
While not every campaign is successful, many crowdfunding owners reach or surpass their goals.

78%
Successful Campaigns that Exceed their Goal
Most successful campaigns end up exceeding their starting financial goal.

NON-PROFIT CAMPAIGNS

$9,237	**$66**	**28%**
Average Amount Campaign Raises	Average Amount Donated	Repeat Donors

Important Considerations

Crowdfunding is not for everyone, and it is important to carefully evaluate its suitability for your organization. Consider moving through the following steps:

→ What objectives are you trying to accomplish?

→ What timelines are you bound too?

→ Do you have sufficient human resources to support a campaign?

→ Is your organization supportive and willing to invest resources in the effort?

The Future of Crowdfunding
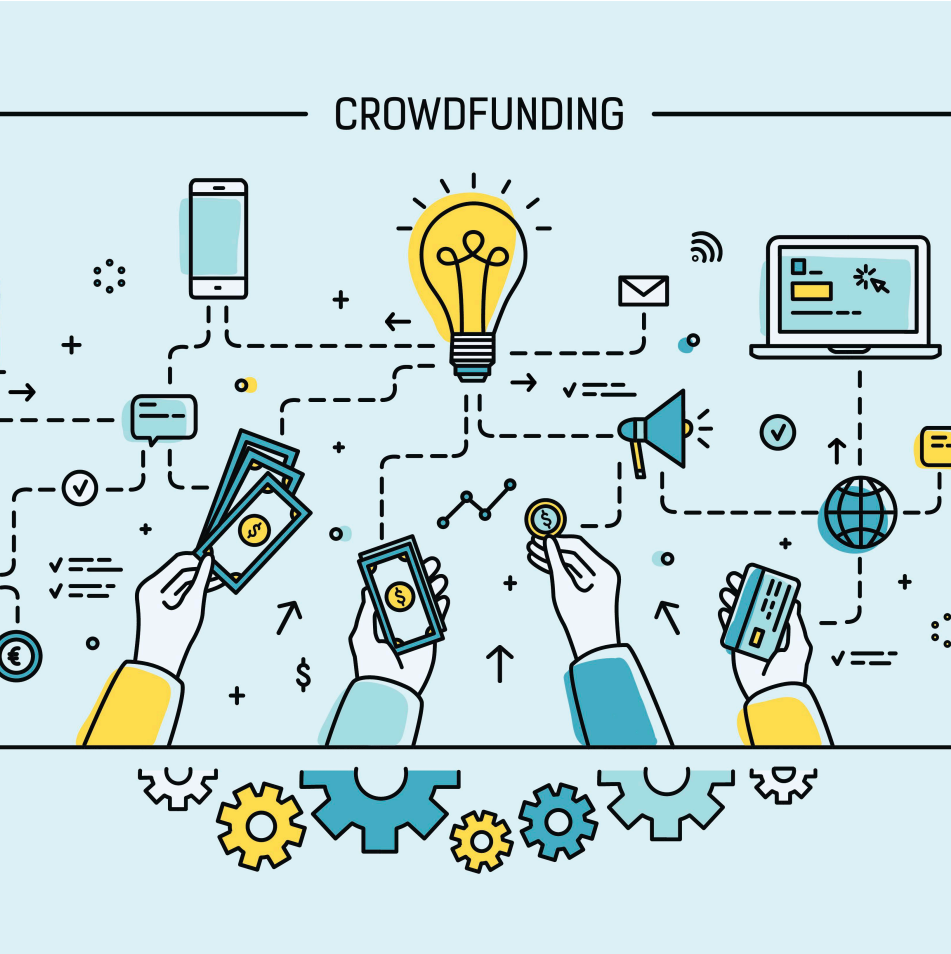
The global crowdfunding market is projected to grow to over **$300 billion by 2025**. Current growth is fueled by the recent COVID-19 outbreak and the healthcare front liners working globally. Countries are actively using crowdfunding platforms to raise money for them against the spread and impact of the pandemic. Social media has drastically increased crowdfunding promotion as well. Platforms act as a free of cost promotion resource and global reach marketer to audiences. Active crowdfunding campaigns on social media are expected to further drive the growth of the crowdfunding market in the next five years.

Blockchain to the Rescue?

Trust has always been a major topic of concern given the current state of crowdfunding. Other issues, including compliance, accounting, choosing the right crowdfunding platform, the cost of hosting, and building interest in the project, have been equally difficult to solve.

Crowdfunding found a new outfit when start-ups began raising funds through Initial Coin Offerings (ICOs). This trend signals a future where cryptocurrencies and **blockchain technology** might drive the future of crowdfunding. Blockchain can be described as a data structure that holds transactional records and while ensuring security, transparency, and decentralization. With smart contracts and immutable data, blockchains will be able to build trust between contributors and projects with nothing more than the technology underneath.

Zero or Reduced Cost
The ability for crowdfunding platforms to use their own cryptocurrencies helps mitigate costs associated with hosting crowdfunded projects. While traditional platforms may charge up to 10% in fees, without the conventional "middle man", blockchain platforms offer far more flexibility, transparency, and inexpensive ways to get the same job done.

A Truly Decentralized Crowd
Blockchain technology enables anybody anywhere to participate in a crowdfunding campaign. With a borderless interface, the opportunities of investing are limitless.

Immutable and Distributed Crowdfunding
Finally, the immutability of the blockchain will help secure the ideas of start-ups going through the crowdfunding phase, forever linking projects with the rightful authors. The blockchain will also help build secured systems that provide protection for the investor's data.

Key Factors of Success

QUALITY IDEA & PITCH

ENTICING REWARDS

MARKETING CAMPAIGN

STRENGTH OF YOUR NETWORK
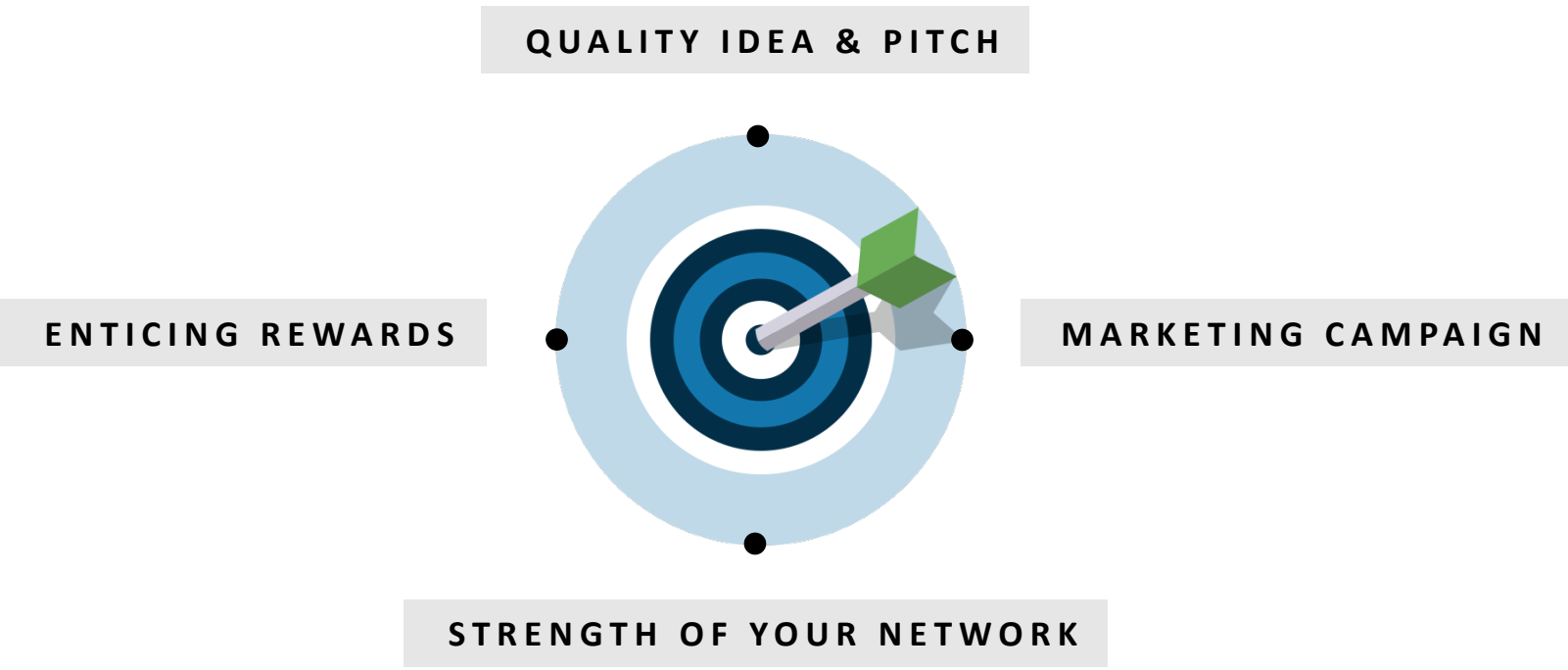
Quality Idea and Pitch
A crowdfunding campaign is only as good as the idea seeking funding, which must create or be seen to be creating value in some way. Your pitch should be clear, compelling, and memorable. If you are unable to communicate the idea to others in a manner that is easy to understand in less than 30 seconds, you may need to rethink your presentation.

Marketing Campaign
Without undertaking a concerted series of steps to share, disseminate, and communicate, the crowd will not learn about your campaign. It is important to think carefully about how you will market your campaign.

Strength of Your Network
Campaigns with a larger network are correlated with greater success. Remember to think holistically about the size of your network via your organization, campaign team members, and partners. Also know that even the most popular crowdfunding platforms will generally bring you less than 10% of your total number of backers, so the size and reach of your own network is key!

Enticing Rewards
Most successful crowdfunding efforts address the 'what's in it for me?' question for those that are contributing funds to a campaign. Rewards may be tangible or intangible, and are an opportunity to create value for your donors.

1 Building Your Campaign

Create a Great Crowdfunding Video
Almost all crowdfunding campaigns include a video in which you engage people more personally about your story and project. Tell people who you are, what your project is about, what problem you are trying to solve, and what you hope to achieve with their contribution. Above all, make sure to tell a good story.

Choose a Campaign Type (Flexible vs. Fixed Funding)
There are two basic campaign types: (1) You keep the funds raised regardless of reaching your target or (2) You only get the funds if you reach your target by your end date.

Rewards
Offering something in return for a financial backing is a key factor of success for most crowdfunding campaigns. Consider things like t-shirts and bags or experiences like like VIP memberships. Increase value by making rewards custom and unique. Campaigns that include rewards have:

3.3x	Increase in Avg. Amt. Raised	**22%**	Increase in Success Rate	**2.8x**	Increase in Avg. # of Backers

2 Marketing Your Campaign

Plan Your Marketing Campaign
Planning ahead of time ensures that the time period during which your campaign is live runs smoothly. Find time to get organized by building spreadsheets that you can use to keep track of finances, key relationships, media contact, etc.

Prepare Your Networks
1. **Gather** — Bring together all information about your network into a single spreadsheet based list (e.g. all email addresses, phone numbers, social media contacts).
2. **Assess** – Assess the strength of this information. Categorize contacts, identify key individuals, and assign each contact a score based on their potential support.
3. **Build** – Build your social media presence, mailing lists, and personal connections. Ask family and friends to support your campaign early on to gain traction and credibility.
4. **Engage** – Communicate with your network by sharing your activities and efforts, as well as asking them for advice.
5. **Communicate**– Decide on whether you want to ask people to visit, share, donate, and/or volunteer.

Conduct Your Campaign
Prepare materials in advance like development of your media kit, pre-written emails and social media messages. Use tools to conduct your campaign (i.e. Asana and Mailchimp) and aim to coordinate the timing of your messages and campaign launch.

Optimize Your Marketing
Social media is a powerful promotional tool. Identify in advance where key marketing messages will be directed, and to whom. Measure impact via engagement metrics.

126%	How much more campaigns raise when owners update supporters	**3x**	How much more campaigns raise if they update their supporters every 5 days

3 Executing Your Campaign

Campaign Logistics: Time Management and Workflow
Running a crowdfunding campaign is a significant undertaking, and you will have to manage your campaign at all times. Some key tips to manage your campaign effectively are:
1. Prepare your email and social media messages in advance of your campaign.
2. Build a calendar that maps the durations of the campaign, and input all action items that will be taken.
3. Send your social media messages and emails when most people are likely to view them online. For example sending emails at the beginning of the week is better than sending them before (or during) the weekend.

In addition to these tips, you should also maintain a daily campaign execution checklist that includes listening to your social media channels, reviewing campaign strategy, and planning for new opportunities.

Campaign Roles
Campaign Manager
• Set overall strategy and direction of the team
Social Media Manager
• Select channels and build campaign content bank
Customer Service Lead
• Provide timely response to inquiries and/or issues
Campaign Spokesperson
• Handle media interviews, events, and be voice of campaign
Volunteers
• Assist in event creation, rewards, and campaign feedback

Throughout your campaign you should be prepared to evaluate how successful your efforts have been by being flexible, seeking feedback, and testing out what are driving donors to contribute.

4 Post-Campaign

Campaign Completion
There is still a lot of work left to be done once your campaign is complete. If you've included rewards in your campaign, you should get started right away in getting them out the door. If you have any hiccups in reward fulfilment or execution of your project, you should be as transparent as possible. Remember to **thank** the donors of your campaign as well including any and all backers, supporters, and of course volunteers.

Common Mistakes and Lessons Learned
• Underestimated the time commitment involved
• Didn't realize how important having a video was
• Didn't conduct enough planning
• Didn't factor in the time and costs of the rewards
• Didn't notify the entire organization or stakeholders

Proven Best Practices
• Start with a good idea
• Have an attractive and visually interesting video

105%	How much more campaigns with personal videos raise than those that don't

• Keep your crowdfunding campaign to 45 days or less
• Conduct daily outreach via email and social media
• Plan in advance specific activities to achieve in your crowdfunding goal each week
• Engage with backers and all them to co-create with you
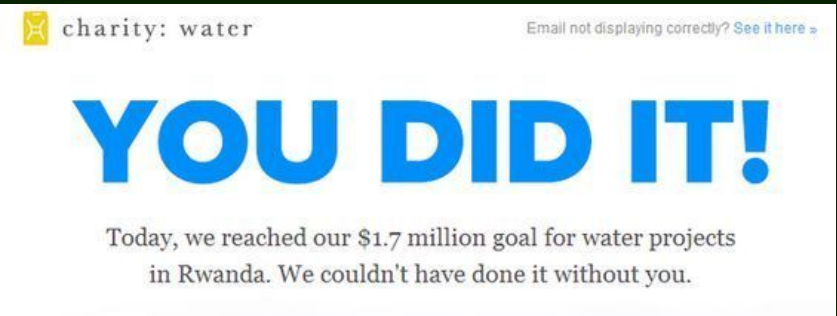
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