

Grants, loans and crowdfunding - the new funding mix

A special report by Crowdfunder

Introduction

There is a new world economy emerging.

The 'Collaborative Economy', as reported on by Nesta¹, is turning old funding models around and providing new opportunities for communities and organisations to join forces to use the power of the crowd to finance projects and businesses.

This report focuses specifically on one of those new emerging models, crowdfunding, and seeks to integrate what crowdfunding is and the opportunities it unlocks for funding bodies in particular.

Crowdfunder has worked with IPSOS Mori² and conducted specially commissioned research with Twintangibles to explore how crowdfunding can work with traditional funding bodies to amplify legacy and build a more sustainable economy.

Twintangibles³ conducted in depth interviews with a range of funding bodies, from councils to charities to third sectors organisations, across a period of six weeks in June 2014.

Key Research Findings:

- Limited awareness of what crowdfunding is amongst funding bodies
- Low awareness of the benefits and opportunities crowdfunding can deliver
- Very low awareness of how crowdfunding can compliment and strengthen funding bodies financial offering to projects and businesses

Crowdfunder has identified that the three main opportunities for funding bodies are:

1. Raising and unlocking additional funds for projects
2. Increase community engagement
3. Build a sustainable financial future for projects

What is crowdfunding?

The collaborative economy involves using internet technologies to connect communities to make better use of goods, skills and finance.

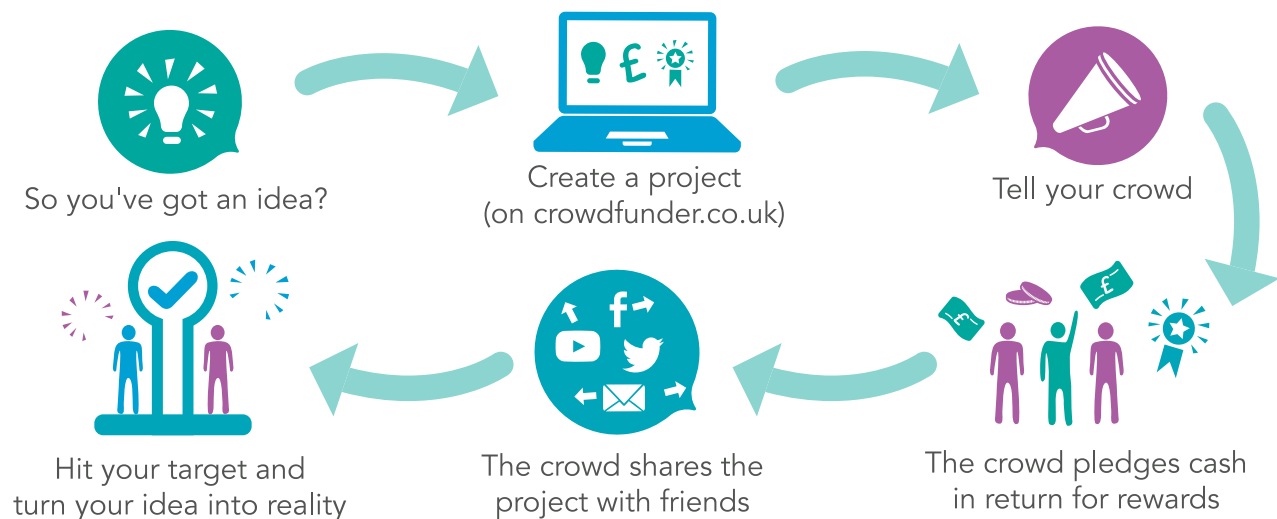
Crowdfunding is one of the fastest growing forms of collaborative finance, with a growth of 382% y/y (source: Nesta. 2014) in the UK last year alone, with similar proportions of communities, charities and enterprise all looking to raise funds from the crowd.

There are three main forms of crowdfunding:

1. Equity crowdfunding - where projects offer shares of equity in return for cash
2. Peer to peer lending - where the crowd offers funding to projects in return for interest on the loan
3. Rewards crowdfunding - where projects offer benefits in kind from their business or project in return for cash

This report will focus on rewards-based crowdfunding as we believe it offers the greatest opportunities to amplify core funding by unlocking further funding from community support.

How does rewards-based crowdfunding work?



Projects offer rewards in return for pledges of cash. It's an all or nothing model. When a project hits its funding target, the money is released to the project. If the target is not hit, the money is returned.

Projects have to upload information about their project onto a website, with a short video 'pitch'. They explain what they'll do with the cash, and offer a series of scaled rewards in return for various amounts of funding. They then launch their crowdfunding campaign and have a 28 day window to encourage their network and community to back their idea with pledges of support in cash or time.

The process teaches entrepreneurial behaviour, encourages engagement, which in turn, we have discovered, tends to deliver a more sustainable project & more successful legacies.

Manchester Veg unlocks EU funding via crowdfunding

Case study [Manchester Veg](#)

Manchester Veg People's vision was to get a food revolution growing in Manchester. They wanted to get more local veg from the fields around Greater Manchester onto Mancunian's plates. But they needed to purchase a van which could refrigerate the produce and allow them to deliver food direct to customers.



**RAISED £16,575 FROM 323 BACKERS
IN 42 DAYS**

Working with Crowdfunder, they went out to the crowd to ask for pledges of cash in return for rewards like naming a chicken, meet the farmer and exclusive invites to a pick and cook event party.

Within six weeks not only had they crowdfunded £16k, but the money they'd raised had unlocked 40% of matchfunding from the EU - turning their £16k into a massive £22k! They also received over 300 offers of support in kind.

“ We're ecstatic that the campaign has hit the target. It's been a nail biting six weeks but the support and messages we've received have been amazing.

This funding will make such a huge difference to us – more storage space and our own van means we'll be able to supply loads more pubs, restaurants, canteens and schools across Greater Manchester and in turn help more local farmers set up in production by paying them a living wage which is currently an issue in encouraging new people to the industry. **”**

Katie Brandon, Co-ordinator at Manchester Veg People

Why is crowdfunding growing?

There are a variety of reasons why crowdfunding is growing by 382% y/y (source: Nesta. 2014):

The Nesta Collaborative Economy research revealed that:

- 25% of UK adults had used internet technology to share resources and funds over the last year
- Organisations that operate in the collaborative economy often have ambitious goals, both for themselves and for society

In addition Crowdfunder has discovered that:

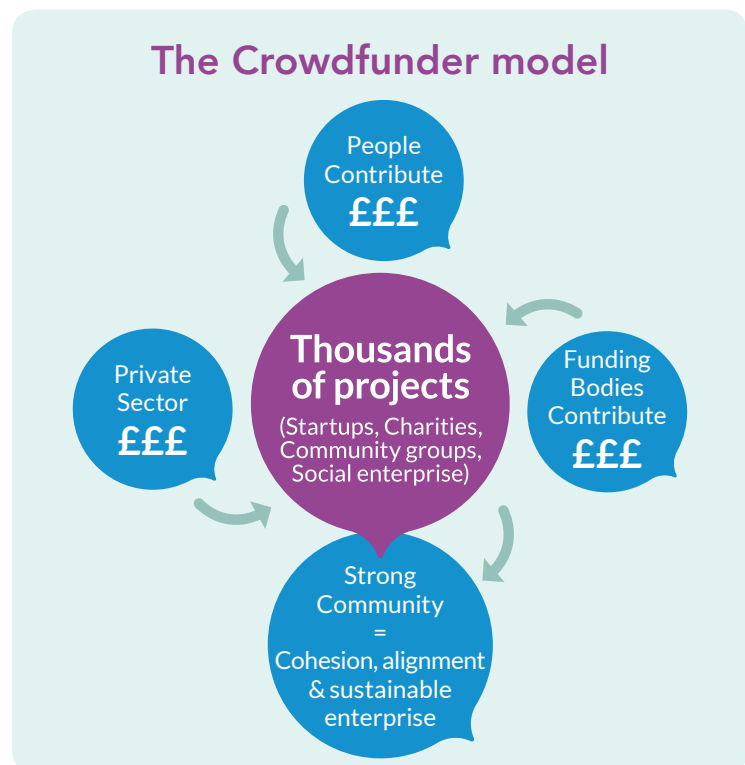
- Crowdfunding creates greater public awareness of the project. Our data reveals that an average project 'reaches' 10,000 people (including through social media, PR and word of mouth) before it hits its funding target
- Crowdfunding connects communities by uniting them for a common cause - offline and also via social media
- People who are pledging and supporting a project can see where their funds are being spent and the results

Crowdfunding & Funding Bodies

How does crowdfunding raise additional funds?

Crowdfunding is a tool that enables projects to reach out to their communities by using a mixture of social media, traditional fundraising techniques, marketing and PR.

Projects can offer involvement in return for pledges. This creates a high-level of public interest, which is complimentary to receiving funding from fund distributors.



If there is match-funding on offer for projects, this usually increases the number of projects and the level of their engagement, and can help them raise even more funds.

When a project receives funds from a fund provider - typically a charity, public sector or private sector CSR - it adds more credibility to the project in the eyes of the crowd. Projects supported by a funding body raise 40% more funds.

Scottish community unlocks £36,000

Case study [Annan Harbour Action Group](#)

Annan Harbour Action Group, raised £6,000 from the crowd to unlock a further £36,000 from funding bodies; the European Fisheries Fund and Dumfries and Galloway Council.

The £42,000 that was raised will enable them to dredge the harbour before rejuvenating it and improving the economy of an old town with a rich history.

Serge Gomes da Silva, FARNET, who was a part of the European Fisheries Fund team that awarded Annan Harbour over £26,000 in funding after their successful Crowdfunder campaign said:

“As a tool to secure match funding, crowdfunding opens new possibilities for local communities to apply for support from funding bodies.

The most exciting aspect is that by gathering the support from their local community, or even beyond, project owners are able to prove that their idea has the backing from the crowd that supports their project for further funding.”

To top off the exciting funding package off the back of their Crowdfunder campaign, the volunteer-led team were also pledged over £4,500 work of skills from local business the EnviroCentre, making their community dream for a revamped harbour a reality.



RAISED **£6,000** THEN RECEIVED **£36,000** FROM **FUNDING BODIES**

How does crowdfunding engage communities?

Unlike other funding streams, engagement, and therefore exposure, is integral to the funding process.

Crowdfunding projects succeed with the support of their community.

Every project uses online and offline ways to reach and develop their networks. They commonly use a mixture of local PR, events and social media to promote their project.

Typically, project owners say they know 30% of the people who back their project; the other 70% are new to the campaign and have been referred through their network. The average reach of a Crowdfunder project is 10,000 people through their project pages, social media, email databases and press and media mentions.

Local people who back a project can also volunteer their time and skills. We facilitate many projects who are building great teams through their campaign that will help them launch their idea and engage with the community.

Community supports local football club

Case study FC United

“At FC United we'd received incredible support from funding bodies, including Sport England, the Football Foundation, DCLG and Manchester City Council, but in order to maximise the funding, we needed a further £50k to help us kit out our function rooms and kitchen which is when we turned to Crowdfunder.

We were amazed at the reach of our campaign and the support it generated in Manchester and beyond. Our crowdfunding campaign gathered everyone together for a common cause, and has left us stronger as a football club and we believe broadened our reach.”

Andy Walsh, General Manager, FC United of Manchester, who received £1.7m in community shares, £308k from Government funding and £918k from Sport England plus £50k with Crowdfunder.



**RAISED £51,395 FROM 679 BACKERS
IN 56 DAYS**

How does crowdfunding create sustainable futures?

- Crowdfunder's experience is that if project has reached out and achieved community support, the community is more likely to get behind the project and back it for the long term - looking after and building the idea they have funded
- The crowdfunding process also teaches entrepreneurial behaviour which gives project owners a better chance of being successful
- Using crowdfunding alongside traditional funding can add an additional layer of sustainability to projects. A number of funding bodies in our research said they'd like their projects to have diverse funding incomes to increase economic resilience. Crowdfunding is a new revenue stream with additional benefits that delivers greater sustainability
- Crowdfunding also facilitates targeted funded. Matchfunding can be tailored to specific sectors to ensure it reaches the areas it's needed most

Crowd secures the future of community kitchen

Case study [Made in Hackney](#)

“ We came to the end of our Big Lottery funding and when our grant finished we were looking for funds to continue the great work we had achieved.

We decided to give crowdfunding a go as it felt like an efficient method of raising finance without the workload of paperwork and evaluations that traditional finance entails.

Our campaign enabled us to invigorate our community, connect with our supporters, widen our network and raise money at the same time. We fundraised over £13k from 275 backers and proved the need for our community kitchen.

I'm constantly surprised at how many people heard of us through our campaign. There were even people who had intended to pledge on the campaign then remembered six months later and donated £500 which goes to show the impact our campaign has created and the thought-legacy it provided. ”

Sarah, Made in Hackney



**RAISED £13,280 FROM 257 BACKERS
IN 42 DAYS**

Summary and key takeaways

Crowdfunding - an increasingly important part of the funding mix.

Crowdfunding is growing fast in the UK and offers a complimentary solution to other more traditional funding sources. However our research suggests that due to lack of awareness of crowdfunding and its benefits, funding bodies may not be maximising the opportunities it unlocks which include:

1. Raising additional funds for projects - from the crowd and the private sector
2. Increasing community engagement - with projects enjoying greater support and the funding distributor, more recognition
3. Building a sustainable financial future for projects - by embedding entrepreneurial behaviour

If you are a charity, public sector organisation or a private sector organisation with brand communication or CSR requirements, and are interested in exploring how crowdfunding can benefit your projects, speak to Crowdfunder about campaign opportunities.

Crowdfunder campaigns can offer:

- Amplification of existing funds by unlocking private sector revenues
- Access to additional funding
- Match-funding mechanisms
- Amplified engagement and awareness of projects
- Decreased administration costs
- Reach into sectors and audiences who may otherwise be hard to reach

“Creative England invests in talented people and their ideas, and through our partnership with Crowdfunder we were able to connect with hard-to-reach talent in a creative way. The Queen of Code campaign was integral to this and had immeasurable benefits above and beyond the funding itself”

Caroline Norbury, CEO, Creative England

What next?

We are already working with a number of funding bodies about how they are using crowdfunding as an integral part of their fund-giving process and how they advise their projects on how to crowdfund.

We are delivering bespoke platforms and campaigns to tackle funding challenges and provide outstanding community funding and match funding solutions.

To take advantage of the opportunity crowdfunding presents, get in touch with partnerships@crowdfunder.co.uk or give us a call on 01673 873506 ext. 14.

About Crowdfunder

Crowdfunder is the UK's No 1 rewards-based crowdfunding platform having launched thousands of projects, which between them have raised over £3m.

Crowdfunder turns great ideas into reality by connecting communities. We work in partnership with Plymouth University, Creative England and NESTA.



Footnotes

- ¹ www.nesta.org.uk
- ² www.ipsos-mori.com
- ³ www.twintangibles.co.uk

Some Crowdfunder Stats...

- The **three main opportunities** for funding bodies and local authorities are:



Raising additional funds for projects



Increase community engagement



Build a sustainable financial future

- Crowdfunding is one of the **fastest forms of collaborative finance** with a growth of **328% y/y** (Source, Nesta)
- Projects supported by funding bodies raise **40% more funds than average**
- Crowdfunder projects have a **40% success rate** – which reaches **60%** with integration and **support from the Crowdfunder Academy**

4 weeks + 4 weeks = 8 weeks

Crowdfunder projects take an average of four weeks to prepare

Projects on Crowdfunder fundraise within a four week time frame

Average Crowdfunder project completes after approx. 8 weeks

- The **average success rate** of a crowdfunding project in the UK is **23%**
- Project owners say they **know 30% of the people who back their project**; the other **70% are new to the campaign** and have been referred **through their network**
- The **conversion rate** of a pledge when a person visits the project page is **between 5-20%**
- 20% of all projects submitted** to Crowdfunder are also **receiving funds from traditional funding bodies in the UK**



The average pledge on a Crowdfunder project is £50



The average funding target of a Crowdfunder project is £4,000



The average reach of a project is 10,000 people



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