



A 'Fundación Chol Chol' beneficiary works in Temuco, Chile.

## HANDBOOK 2

## MODULE 2

# Crowdfunding for Community Nonprofits

## Choosing the right Crowdfunding Platform

Once you've decided to take the plunge and pursue online crowdfunding, the first step is finding the right crowdfunding website or 'platform' for your needs. There are dozens of online crowdfunding platforms out there, all with their own set of advantages and disadvantages, each tailored to different objectives and social causes. In Module 1, we explored the basics of online crowdfunding and used a brief checklist to identify whether it is a good strategy for your nonprofit. We will now take a closer look at some of the key questions you need to ask when choosing a crowdfunding platform to host your campaign, as well as suggest a few platforms that we think work best for small and medium sized community nonprofits.



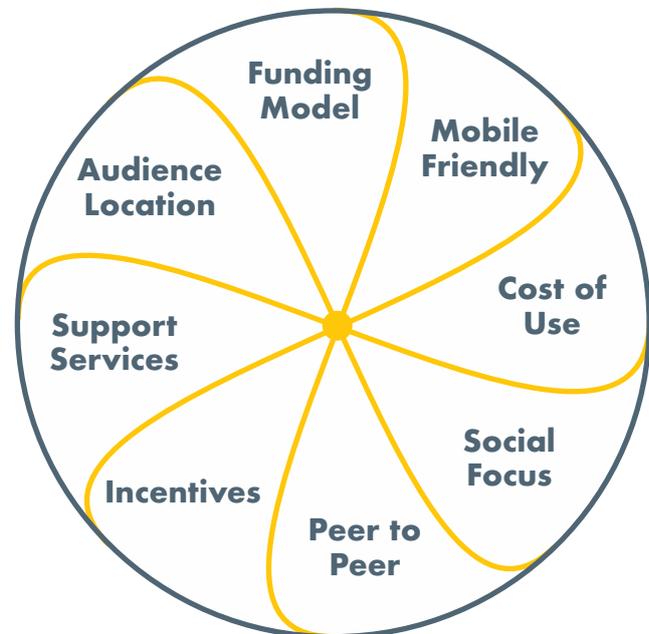
### Download Resource

As you complete this module, refer to '**Resource 2 - Choosing a Crowdfunding platform**' which can be found as a download alongside this module on our website. Use this resource as a guide when you are planning your own crowdfunding campaign.

## 8 important factors to consider when choosing a platform

There are many factors to consider when choosing a crowdfunding platform. In this module, we will explore 8 of the most important criteria.

These criteria are not all equal. It is essential that you carefully assess which are most important for your specific needs and goals – there is no ‘one-size-fits-all’ crowdfunding platform. For some nonprofits, having access to online support in their native language will be most important, whilst for others, the ability to target an audience in a certain region might be key. It is up to you to consider these factors and decide which are most important to you. You can then begin selecting the perfect crowdfunding platform for your organisation’s needs.



### Does the platform specialise in social causes?

Some crowdfunding platforms focus specifically upon charities, nonprofits and international development projects. It is therefore important to consider: **Is the platform specifically designed to support social causes?**

Platforms specifically designed for nonprofits are great because they not only attract people who are interested in donating to social causes, but also lend legitimacy to your campaign. ‘Generalist’ platforms might reach a larger audience, but it is best to target quality donors interested in social causes like yours rather than trying to battle it out against fancy for-profit start-ups like those found on kickstarter and indiegogo.

Choosing a platform that specialises in social causes thus means that the platform knows what works best for nonprofits, and their community is only interested in projects like yours.



#### Helpful Hint

The layout of social-cause crowdfunding platforms is also tailored to donors, rather than investors. Whilst explainer videos and elevator pitches are encouraged, the use of colourful photos, a focus on storytelling and a thoughtful narrative are all touches that are specifically relevant to nonprofit audiences and are built-in to platforms specialising in social causes. Your donors want to feel good about supporting an amazing cause, rather than being swamped in information about financial returns.



## Which crowdfunding model will you use?

One of the first questions you need to ask when choosing a crowdfunding platform is: **Which crowdfunding model do you want to use to receive funds and does the platform offer that option?**

There are two distinct funding models offered by most crowdfunding platforms, many only supporting one or the other:

### 'All-or-Nothing' and 'Flexible Funding'

**You can only withdraw funds if you meet the target set at the beginning of your campaign.**

If you fall short of this target, both you, and the platform, receive nothing, and the money is returned to the donors.

This type of financial return was initially used as a form of security for investors (donors) in the world of for-profit start-ups.

- It acknowledges that many projects require a minimum level of funding to reach viability. If the target is not reached, the project cannot be realised, and any attempt to do so with insufficient funds would merely waste the investor's/ donor's money.

**Every dollar donated goes directly to your cause.**

This method gives organisations more flexibility, but there are some flaws.

This type of funding requires an increased level of trust on the donor's part. In order to feel comfortable donating, the donor must trust that even if the total amount required for the project is not reached, their money will be put to good use.

- It is often, but not always, suited to development programs that offer workshops, training projects and education programs.



#### Example: All-or-Nothing

**Raising money to build a school classroom:** You would need to raise the total amount required in order to finish the project. If the amount raised doesn't cover the total costs, then the project would collapse. There is no point having a classroom without a roof, and donors won't be happy to learn that their money went towards a half-finished building with no prospect of completion.



#### Example: Flexible Funding

**If you proposed a target of \$1000 to help run a series of domestic violence prevention workshops but only raised \$500, you might still be able to offer a meaningful project.** Whilst you may only be able to reach half as many women, or visit half as many communities, the donors' money would have been used on a socially constructive project that directly reflected its original goal.

## So which fundraising model should you choose?

Whilst it is tempting to choose the 'flexible funding' method in order to secure funding, some projects may perform better under the 'all-or-nothing' model. Indeed, if you take the risk and choose all-or-nothing, your campaign will enjoy a distinct advantage – urgency!

### Urgency, the need for immediate action, can benefit your crowdfunding campaign in two different ways:

#### Organisational Urgency

##### How it works:

Nonprofit fundraisers will push their crowdfunding campaign twice as hard if they know that they need to reach their target in order to receive funds. Fundraisers are more inclined to explore every possible avenue of support if they know that failure means that all of their hard work will go to waste.

It is important to consider however, that for organisational urgency to be effective, you must first have the resources and capacity to dedicate significant amounts of time and energy to your campaign.

#### Donor Urgency

##### How it works:

If you announce, with one week to go in your campaign, that you require \$1000 more or you will lose everything, we guarantee that those who may not have already donated will more strongly consider doing so, and those who have already donated will start appealing to friends and family for the final funds. If your donors know that your project will collapse if you don't reach the necessary amount, they are far more likely to push your cause and help you reach your goal. They want to see your project succeed – that's why they donated in the first place. This process takes full advantage of 'Peer-to-Peer Fundraising', a powerful crowdfunding tool that we will explore later in **Module 9**.

Carefully considering whether your campaign is best suited to 'all-or-nothing' or 'flexible funding' models is of the upmost importance. Ask yourself and your team the following questions:

- When and how do we want to receive the funds?
- Is our priority to ensure that we receive at least some funding, or go for the big target but risk losing it all?
- Do we have the resources or capacity to take full advantage of organisational urgency?
- Do we have a group of core supporters who might be susceptible to 'donor urgency' strategies?

Whilst in most cases, a flexible fundraising option will work best for small nonprofits, the all-or-nothing approach has the capacity to raise far greater amounts of money and reach many more new donors if executed well. Whichever you choose, you will have to check whether the crowdfunding platforms you're considering supports it. Some offer both, whilst others specialise in one or the other.



## Does the platform allow incentives?

Some platforms require that you offer some type of incentive or reward to donors. You therefore need to consider: **Does the platform allow you to offer incentives, should you offer them, and if so, what kind?**

Whilst this may seem like a logical way to increase donor interest, Yale researchers George Newman and Jeremy Shen, found that rewarding donors supporting social causes actually cut donations in many contexts. They identified that donors who received a gift, felt selfish, which in turn reduced the motivation for giving. Indeed, if you are going to offer a gift in return for donation, Rob Wu, CEO of the crowdfunding platform CasueVox, says that nonprofits should focus upon impact-focused rewards.



### Helpful Hint

An impact-driven fundraising gift is one that is directly relevant to the project that the donor is supporting. This might include offering a hand-made scarf from a family who started a local business as a result of your project, or a personal letter from a child that your nonprofit provided education to.

### Considerations when deciding whether to use incentives

- ✓ When compared to other types of incentives, impact-driven gifts are an all-round win-win because they match the donor's motivations to give with the tangible impact on the beneficiary.
- ✗ At the same time, you must be careful about the goods you provide. In some ways, a gift produced by a child on a large scale could be misconstrued or misunderstood as a form of child-labour.
- ✗ From a legal perspective, you also need to consider if your gift would be considered a 'product' for which the donation is considered a payment. If so, you could be eligible for taxation upon the donation as a payment for goods. The legality and ethics surrounding the gifting model can therefore be a little tricky and we recommend seeking advice from a local lawyer or accountant.
- ✓ However, if you ensure that your gifts are heart-felt, genuinely relevant to your project and legal, this can be an effective way of engaging new donors.



## Is the platform mobile friendly?

A 2016 study from the US identified that nearly 80% of social media activity takes place on mobile devices. This is important because in most cases, social media is where a majority of your campaign marketing will take place. As such, you need to consider: **Does the platform have an intuitive, mobile-friendly design?**

- If an interested donor is linked to an amazing, mobile-friendly crowdfunding homepage, they are far more likely to donate directly from their mobile device.
- If it has a poor mobile layout, or none what so ever, this decreases your chances of receiving a donation from these donors.



## Does the platform cater to your audience?

This is important because different crowdfunding platforms will help you target different audiences. You therefore need to consider:

**What will your 'average donor' look like and where do they live?**

This is important because different crowdfunding websites are based in different countries, and these platforms will focus their marketing, financial accessibility and language preferences upon these specific geographical locations. For example, Ketto.org focuses upon India, whilst afrikstart.org is based in Africa. These platforms make it easier for people in these countries to donate, using local payment options like bank deposits and mobile transfers.

The crowdfunding platform itself is also more likely to be known and trusted by potential donors who live in the country it is based. By using platforms that your audience is familiar with, you increase the legitimacy of your campaign and the likelihood of receiving donations.

Understanding your target audience is essential to effective crowdfunding and will be explored in more detail in Module 4. For now, the most important factor to consider is what region most of your donors live in and whether your platform will help you engage them.



## Do they offer Peer-to-Peer fundraising?

Later in this handbook, we are going to explore peer-to-peer fundraising (Module 8), a unique fundraising model where your organisation's key supporters are able build their own fundraising pages to support your campaign. Not all crowdfunding platforms offer this feature, so it's important to consider whether you're likely to use it when choosing a platform.

You therefore need to consider: **Does the platform offer peer-to-peer options so that your supporters can build and promote their own fundraising pages in support of your mission?**

Whilst we consider peer-to-peer fundraising to be an important component of most successful crowdfunding campaigns, it is not always essential. If, due to one of the other factors identified here, you want to choose a crowdfunding platform that doesn't offer this feature, don't be too concerned - we will show you how to modify your peer-to-peer strategy to promote sharing rather than fundraising in Module 8. Nonetheless, if peer-to-peer campaigning is something you have your heart set on, this factor can be a deal-breaker for many platforms.



### Helpful Hint

If you're not familiar with Peer-to-Peer fundraising, it's a good idea to take a quick look at Module 8 before deciding whether this feature will be important for your campaign.



## How much does the platform charge?

One way or another, crowdfunding platforms will be making money out of your campaign. Some take a percentage of the funds you raise, whilst others charge subscriptions or flat fees. It is essential that you take a careful look at the terms and conditions before signing up to a crowdfunding platform. You need to have a clear understanding of how much money you will actually receive and how much they will take. Indeed, you have a responsibility to both donors and beneficiaries to maximise the amount of money that will go directly toward your project.

It is therefore essential to consider: **What percentage of the final amount raised will the crowdfunding platform take as commission?**

Whilst minimising the costs associated with your crowdfunding campaign is important, some social cause platforms are explicit in taking a larger fee from your campaign, justifying this by using the extra money they make to advertise and market your campaign. This means that, in the long run, your organisation may make more money, despite losing a larger percentage of your total funds.

It's therefore essential to think carefully about how much of your hard-earned funds you should invest in choosing a professional and supportive crowdfunding platform. For smaller campaigns, it may well be best to choose the cheapest option. However, for larger campaigns, investing in a crowdfunding platform with robust support, international legitimacy and a capacity to help market your campaign may well be worth the money.



### Helpful Hint

Generally, crowdfunding platforms that are specifically targeted to social causes will charge a reduced amount as their way of supporting a good cause like yours.



## What support does the platform offer?

This can be difficult to assess without some trial and error. Most platforms will have a 'how-to' guide to building a campaign, however, some will go a step further. **Does the platform offer in-depth training or one-on-one guidance to help you produce the best results possible?**

This criterion may be particularly important for local nonprofits who have limited experience creating online content. A little extra guidance can be a huge help in ensuring that your crowdfunding project succeeds.

- Remember that crowdfunding platforms have a vested interest in your success – they are making money from your campaign. Don't be afraid to take advantage of their service. Ask questions and send emails if you are not sure about anything.
- Make sure that, if online support is important to you, that the crowdfunding platform can offer this support in a language you understand. Remember that there are crowdfunding platforms out there that are based in many languages other than English.

## Possible crowdfunding platforms for community nonprofits:

Now that we have explored 8 important criteria to consider when choosing a crowdfunding platform, we want to introduce 4 that we think work best for community nonprofits. The information here is accurate to the best of our knowledge in May 2018.

<b>Chuffed.org</b>	<p>Chuffed was initially founded in Australia, however have now expanded to supporting projects in 22 countries throughout the pacific, Asia, Europe and North America.</p> <ul style="list-style-type: none"> <li>✓ They charge a 0% commission fee – that means that you receive every cent that is donated. They do charge donors a transaction fee of around 1.3% (all platforms do), however raise their own funds from corporate sponsors, meaning they don't have to charge you.</li> <li>✓ They have a strong focus upon social causes.</li> <li>✓ Their campaign generation tool is easy to use and intuitive.</li> <li>x Unfortunately, they only offer tax exemption incentives to Australian donors and organisations.</li> </ul>
<b>Global Giving</b>	<p>Global Giving is a UK based crowdfunding platform. They are one of the best options for organisations based in remote parts of the world where finding a platform that will support financial transfers can be challenging. Indeed, Global Giving have supported community organisations in an incredible 170 countries.</p> <ul style="list-style-type: none"> <li>✓ Global Giving is an incredibly professional and supportive platform. They support only legitimate nonprofits and take vetting incredibly seriously.</li> <li>✓ They market projects hosted on their platforms to corporate partners, meaning that your organisation has the chance to secure funding from global brands like google, microsoft and trip-advisor</li> <li>x They retain a 5-12% fee on donations. They justify this huge fee by pointing to the advertising and personalised support they provide to help make your campaign a success.</li> </ul>
<b>Razoo.com</b>	<p>Razoo is a US based platform that has received over \$500M USD since beginning in 2006 and offers a clean, slick design with an intuitive search function for donors.</p> <ul style="list-style-type: none"> <li>✓ They are well set-up to share on all the different social media streams.</li> <li>✓ They offer a great feature which allows you to build a profile for your nonprofit within their site which you can then run multiple campaigns from. This way, you can have separate campaigns running simultaneously for different activities you are running within the community.</li> <li>x The downside is that they take 4% commission for hosting your campaign (which is still a competitive rate amongst most crowdfunding platforms).</li> <li>x They also only allow organisations with a 501c3 registration in the US to host a non-profit profile. If you are not based in the US you can still raise funds through a personal profile, but these will have to be deposited through a partner organisation or individual with a bank account in the US.</li> </ul>

**Pozible.com**

Pozible is another Australian based platform with a truly global outlook; they support crowdfunding in over 100 different countries. They are aimed at slightly larger community organisations with bigger targets and a more established online presence.

- ✓ They offer the ability for your campaign to be hosted on their page or embedded directly within your website. This is a great option for organisations that already have a website with high traffic or an existing, active social media campaign.
- ✓ They have excellent online support and a useful 'crowdfunding academy'.
- x They charge a commission fee of 5% for projects under \$100,000AUD.
- x It is best suited to established nonprofits. It is not the choice for beginner crowdfunders.

It is important to note that the crowdfunding platforms we have listed here are all internationally based. Whilst these platforms have a track-record of success, there is a strong case to consider working with a local crowdfunding platform based in your region. These include Ketto.org in India, afrikstart.org in Africa or ideame.org in Latin America. Whilst local platforms might limit your access to international, English-speaking donors, they offer support in local languages and offer much easier local payment options for in-region donations.

## Finishing up

The platforms we have listed above are only four of the hundreds of platforms out there. We suggest you do a little more research and find one that works best for you. Now that you know the questions you need to ask, you'll be in a much better position to choose the best platform for your specific needs. In the **next module**, we will profile your target audience and begin to identify the best strategies to engage them in your campaign.

## This resource was produced by Grassroots Collective.

This is module 2 of our 10-part handbook for nonprofit crowdfunding. Find the full handbook at: [www.thegrassrootscollective.org/grassroots-hub](http://www.thegrassrootscollective.org/grassroots-hub)

Have a question about crowdfunding for social causes or want to learn about how we can support your organisation on its mission? Contact us at: [info@thegrassrootscollective.org](mailto:info@thegrassrootscollective.org)

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