Chapter 5
Running Successful Crowdfunding Campaigns for Non-Profits

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ABSTRACT

Crowdfunding is a method to raise revenue and funding from a large number of people. First used by entrepreneurs as a way to attract small-sized investments to for-profit ventures, the crowdfunding platform has grown substantially over the last five years. Today, a valuable mechanism for fundraising for not for profit organisations, the crowdfunding platform is projected to realise nearly a US$100 billion by 2025. Non-profit leaders, employees and volunteers can benefit by successful crowdfunding campaigns as a means to raise revenue.

INTRODUCTION

Crowdfunding is an innovative mechanism to raise funds from a large number of people (a crowd). The funds obtained from the individual is usually small-to-medium (Ordanini, 2009). According to Mulvey, (2013), the non-profit sector can couple crowdfunding with social media to produce effective and efficient changes in the way non-profits organisations seek, obtain and sustain funds. Crowdfunding has changed the dynamics of funding and has become an instrumental pathway for not for profit fundraising for non-profits to do so social good (Hobey, 2014). One of the reasons for this growth could be because crowdfunding platforms directly connect donors with requestors.

Crowdfunding is a very effective and cost efficient mechanism for not for profit organisations to raise revenue and funding. However, some conventional nonprofits and charities consider it as a threat (Maldonado, 2012). Despite a small group considering online crowdfunding as a threat, existing stakeholders in non-profit sector would benefit from seriously considering crowdfunding for its revenue raising potential and evaluate then make informed decision about their organizational long and short term objectives and business models. It should be acknowledged though that the dynamic growth in the online crowdfunding

platform has been compared as analogous to what digital file sharing once was for the major players in the music industry (Southin, 2013). Southin (2013) suggests that the fundraising environment is changing and that the growth of online funding is just at the beginning stages of development.

This chapter explores how a non-profit can launch a successful crowdfunding campaign. Following the introduction, a brief overview of the crowdfunding landscape provides insights into crowdfunding and the changing economic landscape of fundraising in the non-profit space. The characteristics of a successful not for profit organization crowdfunding campaign are then discussed followed by specific recommendations for not for profit organizations to embark on a crowdfunding business model and crowdfunding strategies are provided for successful crowdfunding campaigning is outlined. This chapter contributes to the financial knowledge in the not for profit space and concludes with three additional future research project recommendations.

CROWDFUNDING LANDSCAPE

Businesses and nonprofits have raised funds by using small number of donors are able to donate large amounts of money. However the landscape of fundraising is changing. Crowdfunding is one method of fundraising that relies upon getting small amounts of money from a large number of donors. Crowdfunding is normally done online (Bray, 2015).

The recession of 2008 has produced significant negative impact on the trend of philanthropic giving. In this scenario, crowdfunding represents a unique opportunity to obtain funds from individuals who may provide a smaller amount of donation and feel that they can make the difference in the success of the mission of nonprofits (Becher, Entsch, Frey, 2011). Crowdfunding as an innovative approach of fundraising has quickly grabbed the attention of nonprofit sector. Around the globe thousands of individuals and nonprofits are using crowdfunding to impact the lives of needy people. Crowdfunding has provided opportunities of philanthropic giving out of a small group of wealthy donors (Andrew, 2013; Belleflamme, Lambert, & Schwienbacher, 2010).

Crowdfunding is not a new concept. This concept has been around for hundreds of years. This concept of collective fundraising was used as early as in 17th century to fund publications (Carvajal & García, 2012). Today, the modern notion of crowdfunding is deeply rooted in the very old business model that nonprofits have used in which the funds were generated by collecting micro-donations from individuals to achieve the cause of nonprofits (Belleflamme, Lambert, & Schwienbacher, 2010). The term crowdfunding was first coined by Michael Sullivan. He launched a fundraising campaign to create an incubator for projects involving creation of video blogs. The basic principles behind crowdfunding approach were reciprocity, transparency shared interest and getting funding from the crowd. However the concept of crowdfunding was fully operationalized when Kickstarter.com, one of the largest crowdfunding platforms, adopted it (Prive, 2012).

By 2011, many more crowdfunding platforms emerged. These platforms were able to raise US dollar 5 billion in 2013. 30% of this amount was devoted for social causes (Morgan & DiGiammarino, 2014). While the figures speaks themselves the novelty and success of today's crowdfunding is due to the modern Internet technologies and the new philanthropic mindset of the people that have provided crowdfunding practices of big push. Crowdfunding projects can be used by both nonprofits and commercial firms.

The crowdfunding projects initiated by nonprofits are community-based and offer no financial gain for donors (Estellés-Arolas & González-Ladrón-de-Guevara, 2012). While crowdfunding can provide

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