



A 'Mi Parque' team-member works in their Santiago office, Chile.

HANDBOOK 2

MODULE 1

Crowdfunding for Community Nonprofits

What is crowdfunding and is it right for you?

Crowdfunding is an increasingly popular fundraising method used by nonprofits and charities to raise money for social causes online. It has the capacity to generate large amounts of funds in a relatively short period of time, combining small donations from multiple donors all over the world. Crowdfunding is also a powerful marketing tool for community nonprofits, offering a new way for organisations to connect with new donors through social media and peer-to-peer fundraising techniques. However, if executed poorly, a crowdfunding campaign can quickly collapse, becoming a huge drain upon a nonprofit's limited resources and yielding little financial reward.

This handbook is designed to help your non-profit raise money through online crowdfunding. It has been created specifically for social causes, to help your organisation build, launch and market a successful crowdfunding campaign. If you want to explore a new and exciting means of fundraising, this handbook has everything you need to get started.



Download Resource

As you complete this module, refer to **'Resource 1 - Checklist: Are you ready for crowdfunding?'** 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.

What is Crowdfunding?

A way of gaining small and medium sized donations from a large number of people online

It was first used by entrepreneurs as a means to attract small-sized investments from every day people interested in their products. Now, with the help of user-friendly online platforms, everyone can access this powerful resource to help fund their projects.

For community nonprofits, the ability to appeal to potential donors from all over the world makes crowdfunding a particularly powerful funding mechanism.



How is crowdfunding different?

Nonprofit



Donors

Nonprofit



Donors

Traditional Fundraising

Chosen activities and interventions Nonprofits seek a single large investment from an international foundation, angel investor or government sponsor.

- Organisations apply for a grant, presenting evidence like LogFrames, Stakeholder Analysis and detailed budgets in hope of receiving funds.
- You can think of this approach as a funnel, with local nonprofits at the wide end, and a small group of potential investors at the closed end. If you fail to point that funnel at the right investor, then you are wasting your time.

Crowdfunding

Nonprofits are given a simple online-platform to showcase their projects and work to attract mainly private sponsors.

- Organisations have the opportunity to build relationships with hundreds of potential donors simultaneously, many of whom they may never have known existed.
- Crowdfunding seeks to turn the funnel on its head by allowing you to reach donors all over the world and build meaningful relationships with people who want to see your project succeed.

Taking Fundraising Online

At the heart of all crowdfunding initiatives is an online hosting platform.

There are hundreds of crowdfunding websites out there, many of which are tailored to the charity, non-profit and development industries.

Each platform has a distinct set of advantages and disadvantages – some take a cut of your profits whilst others do not. Some are more intuitive and user friendly than others. Whichever you choose, it will be the focal point of your entire fundraising efforts.



Helpful Hint

Choosing the right online crowdfunding platform is both vitally important and painfully difficult; but don't worry! We will guide you through this process in detail in **Module 2** of this handbook.

The Benefits of Online Crowdfunding

Whilst it is a time-consuming effort, crowdfunding might well be worth it. Here are a few of the reasons why online crowdfunding can be so effective for community non-profits:

- ⊕ Crowdfunding Campaigns have the ability to **reach people all over the world**. Your campaign can reach a far more diverse audience than a regular appeal. This is particularly valuable for small, local nonprofits situated in remote or isolated regions, far away from potential donors.
- ⊕ Crowdfunding campaigns can be **easily integrated into existing marketing strategies**. Most campaign pages on crowdfunding platforms are also specifically designed to be shared via social media platforms like Facebook and Instagram.
- ⊕ Campaign pages are great spaces to **open up new avenues of conversation with donors** and supporters, as many have integrated comment sections, forums and peer-to-peer funding options.
- ⊕ Crowdfunding helps to **diversify your organisation's revenue**, as well as providing an easy way for your donors to use popular payment methods like credit card, Paypal and even bitcoin.
- ⊕ Crowdfunding helps **legitimise your organisation**. Many online platforms have excellent track records of accountability to donors, thus offering legitimacy that your non-profit can benefit from simply by being hosted on their website. However, in return, these sites generally ask non-profits to provide proof for how funds are being spent. Make sure you take this responsibility seriously. If your aim is to run multiple campaigns into the future, it is essential to cultivate transparent and trusting relationship with donors.

But is Crowdfunding the right type of fundraising for you?

Crowdfunding is an amazing fundraising tool, that much is clear. However, it must be used strategically. Before you get carried away, designing campaigns and tailoring marketing strategies, it is essential to assess whether crowdfunding is right for your organisation or your project. Time is valuable for nonprofits with limited resources and personnel. If you don't have the basic pre-requisites outlined on the following pages crowdfunding might not be for you.

Prerequisite 1 Do you have a website or social media presence?**Why is this important?**

People considering a donation to a crowdfunding campaign will want to learn more about you. They want to see that you are a professional organisation that is trustworthy and accountable. They will likely have a few key questions that they want answered before they donate:

- Is this a real, legitimate nonprofit?
- Is there evidence that this nonprofit is doing what it says it is doing?
- Does this organisation have a record of success?
- Why should I give my money to this organisation instead of another?

The first place they will turn to for this information is a website. Ideally, your organisation's website will have a clear goal and mission statement, provide details

about who you are and what you are doing, as well as evidence of your work with beneficiaries in the community.

What if I don't have a website?

Social media pages like facebook, Instagram and twitter can be another way for you to showcase and legitimise your work. These are easy to create and manage, offering a simple open platform to exhibit a portfolio of your work. Make sure that these pages are active. Try and post to Instagram every couple of days and to facebook at least once a week. Providing up-to-date evidence of your organisation's progress and success is essential.

**Prerequisite 2** Can you market your campaign?**Why is this important?**

Crowdfunding campaigns don't just market themselves! Please don't fall into the trap of convincing yourself that just because your campaign is for a good cause, that it will 'go viral'. Be prepared to push your campaign hard if you want to raise the necessary funds. The aim of marketing your crowdfunding campaign is to tell as many people as possible about your campaign and how they can support your mission.

- Most organisations rely heavily upon their newsletter subscribers. Indeed, if people have been interested enough to subscribe to a newsletter, there is a good chance that they might become your first crowdfunders. This core group of followers will also hopefully begin lobbying your cause amongst their friends and family members. You might even like to ask if they could share your campaign on their social media accounts - a process called peer-to-peer marketing which we will explore in **Module 9**.

- An active social media presence is a great way to begin marketing your campaign and making your broader audience aware of your campaign. Try not to make a 'direct ask' for donations more than once a week but be sure to reference the campaign regularly in your posts.
- Holding live events, asking bloggers and social media influencers to share your campaign and contacting local media outlets and newspapers for interviews about your work are all great ways to market your campaign. You don't need to have plans for all of these marketing avenues yet, but you do need to have the capacity to pursue as many as possible if you want to create the buzz you need to achieve your funding target.

Prerequisite 3 Can you receive funds?**Why is this important?**

It is essential that you have a bank account in your organisation's name. However, even if you have this, there are many crowdfunding platforms that won't accept bank accounts from certain countries.

If the platform you wish to use doesn't allow you to receive funds in your country, you can consider using a third-party organisation, volunteer or friend as an intermediary in a country where funds can be received. They can receive funds on your behalf and then transfer them through Paypal or Western Union

to your account in your country. Whilst this can be a useful solution, receiving funds in the way can quickly become cumbersome and complex – characteristics that are never good when money is involved.

It is thus essential that you make sure your organisation has the financial capacity to receive funds from an international, online crowdfunding source. Every country and platform is different, so be sure to check policy statements in detail.

Finishing Up

If your organisation does not yet meet these basic requirements, crowdfunding is probably not for you. It is a far better use of your time and resources to build an online presence or mailing list first, and then give crowdfunding a try. However, if you have been nodding your head as we have been going through this list, then it might be time to get stuck into the world of online crowdfunding. Getting started is easy but doing it right can be a challenge. You can learn everything you need to know about how to pull off a successful crowdfunding campaign in the following modules. Good luck!

This resource was produced by Grassroots Collective.

This is module 1 of our 10-part handbook for nonprofit crowdfunding. Find the full handbook at: 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

This information is a guide; the means by which it is applied is under your direction. Use of our website, and the information and materials within, is at the risk of the user, and Grassroots Collective will not accept responsibility for any damages which may arise from the use of this site. It is essential that you contextualise the use of this guidance and apply it within the legal limitations of your country. This is a living document and should not be treated as a stand-alone solution to all crowdfunding challenges. Concepts of best practice are constantly being reviewed and refined, as is the contents of this guide. We cannot guarantee the completeness, accuracy or suitability of this information for any particular purpose.

