My name is Peter Baeck and I run the Centre for Collective Intelligence Design at Nesta, the UK's innovation foundation.

As part of our work on collective intelligence one of the areas of interest has been crowdfunding, and for the last 10 years or so we've been looking at the different ways in which crowdfunding is both an innovation in finance and a way of finding and funding innovative projects.

In this short module I'm going to give a quick introduction to what crowdfunding is and how we're providing new tools and methods to improve disaster response to the COVID-19 crisis through mobilizing people and their money in new ways.
So, quickly, I'm going to cover what crowdfunding is and how it can help communities raise funds, how crowdfunding could lead to different forms of investment and support for mutual aid and collective support initiatives, and finally I'm going to talk a bit about matched crowdfunding and how we can combine funding from big institutions like foundations and government with funding from the crowd.

So first of all, what is crowdfunding? Well at its simplest, it can be described as the way of finding and funding projects, businesses, and loans through lots of small donations and contributions from large numbers of sources rather than large amounts from a few such as a bank or an investment fund.
We tend to talk about there being these five models of crowdfunding.
So there's reward based, that's what we know from platforms like Kickstarter and others, where you essentially pre-purchase a product. You back a campaign to develop a video game or a new product, and then the development of it goes ahead, and if it's successful you get something in return like the game or a nice gadget.
Then there's the donation based model. Here you give money towards the campaign but all you get in return is a good feeling, of having supported typically what is a worthy course - so a project by a charity or a social enterprise.
And then you have equity-based crowdfunding. This is where the crowd buy small shares in companies with the hope of making a big financial return if the company succeeds in the future, through an exit or takeover.
And then you have community shares, which is former social equity where you buy shares in social businesses.
And then finally have the kind of lending based model, which also is called peer-to-peer lending. Essentially, here you crowdfund a loan by buying lots of small parts of a company through a platform which is then used to fund typically an SME (Small and Medium-Sized Enterprise) and then that kind of loan is paid back with interest to the crowd.
As you can see from the slide, the kind of average sizes of those kind of investments vary a lot by the models, with the biggest amount of money typically going into the kind of equity based crowdfunding projects and lending based projects, whereas rewards and donations are

much smaller.

So there are some interesting examples of kind of debt debt and equity approaches to new solutions that respond to the COVID-19 crisis.
And I've broken down the slide into kind of three main types.
Investing companies providing medical solutions - and so there is even kind of talk about trying to kind of crowdfund a vaccine, although I don't think that is a feasible kind of route of finance for for that.
Lots of investment now going on into companies and businesses that kind of respond to the crisis, and the different effects of it such as a food delivery service for example.
And then there are some examples of kind of beginning to crowdfund loans or peer-to-peer debt to businesses that are struggling as a result of the crisis.
However, I think that the the biggest opportunity, at least in the short term in crisis response using crowdfunding, is through donations and rewards. So what I listed there is what I think - that these models work particularly well for a medium-sized projects that need finance, and won't be able to give backers anything in return beyond the good feeling of having supported their project, whereas of course that you give out some sort of gadget or product in return if it's a reward-based campaign.
Typically, what you can raise is less than 15k, although there are examples of donation awards campaigns that are higher than that, but they're typically for kind of small amounts of funding.
People who back these projects are typically driven by social motivations - wanting to kind of solve a kind of a social issue or a challenge or problem rather than making a financial kind of benefit out of contributions.
And typically there's quite a fast turn-around, for most campaigns, their life lasts around four weeks from kind of kicking off to the money being paid out to the project if it's successful.

So just quickly in terms of how crowdfunding works, it's more complicated what I've listed in this model. But essentially there are these kind of five stages of crowdfunding and the initial bit is you find a crowdfunding platform typically.
And on that platform you pitch your project and so you tell people what you want to do - "I want to set up community business, I want to buy a food cart", and you list that and pitch it to the platform.
And the platform then does a screening to check that you kind of meet the requirements - first of all that you're not trying to do anything legal, but also that you meet the kind of general platform criteria for the kind of projects that they want to launch and the model that they support.
Then your pitch goes live, and this is where the public gets to see your idea and your project, how much money you want to raise, and what - if anything - they get in return for committing money to your project.
And that's when people can start pledging money, and typically you

say, "Well here's 15,000 pounds", and people can see this ticker going up of money being raised as your campaign develops.
And this is where you want to kind of campaign hard, to make sure you mobilize as many people aspossible to give towards your project.
Some platforms operate with the kind of keep-it-all model, which means that no matter how much money you raised, even if you don't hit your funding goal you can still take out the money that you do raise towards your project, whereas others offer what's called an all-or-nothing model where you only get to take the money out if you hit your funding target.
Once, say, you hit your falling target, the money is then released on the platform to the project and you then go and develop it. And at this point, you keep contact with your backers to say how we're spending the money and how your project is progressing, but also what you're spending the money on and if you are developing a product, then when they can expect to get that product.
And finally, of course, you ship the product if when it's developed.

So we've already seen lots of examples of crowdfunding being used to address the COVID-19 crisis. So, some examples include typically some kind of help raised directly for community activities supporting people directly affected by the crisis.
Help someone local raise money to buy some essential items. We've seen a lot of campaigns aimed at buying essential items for those working in healthcare services, like PPE (Personal Protective Equipment).
Also a lot of interesting stuff is going around to try and essentially keep local businesses afloat by pre purchasing products from them.
Saying to a local bar, brewery, or shop that you want to buy a voucher, or pre-buy beer from them, so that in the future you can kind of go on and cash in on that, but in the short term they get some cash into the company.
And then they were also some initiatives looking into crowdfund debt and other bills fo people who've lost their jobs because of the crises, so no longer pay healthcare, medical bills, education.
And that was a kind of crowdfund project that kind of frees up funds to pay the debt off so people don't go into hardship.

The crisis has always brought along a whole range of kind of mutual aid initiatives, typically aimed at either providing mutual aid for a hyperlocal area, such as a street, or a small kind of local area in a city or place, or kind of mutual aid aimed at helping a specific group of people who might be a at risk, for example, care workers as we have seen in one example on the slide there.
And in this case, crowdfunding has been used almost like crowdfunding to create a pool of funding, that couldn't be drawn down by the mutual aid group to to fund a number of activities like food shops or supporting a local food bank, covering fuel costs, setting up a specific fund as I mentioned for vulnerable care workers, or the cost related to volunteering.
But it's almost like a very kind of local initiative to try and create

a pool of funds that could be draw down on, and to make sure that the mutual aid activities sustain themselves.

So I think it's really important to stress here that crowdfunding is really hard to do and many campaigns fail. Depending on which platform you go to, failure rates range between 20,40, 60, to 80 percent.

But there are a lot of things you can do to really improve your campaign, and we've listed in in our report, "Crowdfunding Good Causes", and in a number of blogs, a number of different tips for how we can best do that.

I'm not gonna go into too much detail on it here, but just say that I think the main thing is that you start by budgeting - be realistic about how much money you need and what you need it for - and if there's anything in return and that people get, make it really clear about how are your budget is going to help you deliver that product or service.

Find the best platform for your campaign - something we'll go into in a bit more detail later.

Be really clear and transparent with with people who you want to give you money about what you're trying to achieve, and what they'll get in return, if anything.

Tell a story. So typically, your personal story or your community group's personal story: who are you, why it is important, and why should people back you.

If possible, try and make a short video - two minutes, made on your on your smartphone - just to kind of put a face and a voice behind the course.

Try not to think of the launch date of the campaign as when you go live, but if possible, pre-launch. So make sure you get possible backers lined up way before you launch your campaign on the crowdfunding platform, so that the day you go live you have lots of people ready to support and back your cause.

Make sure who it is that you want to back you. So you will typically have the people who you know want to give to you: friends, family people in your local community.

Make sure you reach out to and target those people really early on.

But alongside that, also map out ho are the second, third, and fourth tier of backers. So you might reach out to people in your industry, connections to your local community for example, and figure out what is the best way of reaching them - direct mailing, Facebook, Twitter, or the social media channels maybe even a phone call if it's a really important backer.

Make sure you get the rewards right, if there are any. Make sure they are very cheap for you to make and have quite a lot of emotional or kind of social value to the people who you want to reach.

Use stretch targets, so ideally set quite low, particularly if this is your first campaign, a lower target for fundraising. Make sure it's feasible, so say a thousand pounds will help you kind of buy one food cart, or one round of shopping, and then add a number of stretch targets which means you can go up to two, three, four, five thousand, and make clear to people what they get in return.

The more you stretch the target, the more they keep giving to your campaign.
And while you do that keep engaging, communicating with your backers, both when you when you're doing well, but also if you're not doing well.
And I think the most important tip out of all of these is to really steal and copy as much as you can from other campaigns. Most great ideas have already been thought of somewhere else and I encourage you to really go to to trawl through all the crowdfunding platforms, copy the different ideas for how to explain the pitch, rewards, communicate ideas to backers.

There are now thousands of platforms out there that will help you launch your crowdfunding campaign and I think there are lots of different ways which you can kind of look at which one works best for you.
But here are five things that I think you should ask of any platform.
First of all, do they offer the right model for you?
Secondly, what model do they operate in terms of what happens if you don't reach your funding target? Is it all-or-nothing or keep-it-all?

Does the platform specializing in a particular type of project? Some platforms specialize in for example legal aid, film, food. Others are much more general.
What support would they provide to your specific project? Will they just help you launch a campaign, and what will they also give you some campaign advice, for example?
What does it cost so in the case of COVID-19? A lot of platforms actually waived their platform fees, but otherwise platforms tend to charge a between three and five percent fee to launch a campaign, and on top of that there's typically kind of payment fees as well.
So double check what what those fees are and with the platform before you start your campaign.

So that's what crowdfunding is and I think how it can help kind of support different causes in the case of COVID-19. So I think that's what is in terms of the relationship between the crowd and you and your project
In match crowdfunding, you typically bring in another another element, so they do you have kind of combining institutional funding, typically from governments, big foundations, NGO's (non-governmental organizations), or individuals with the crowds and combining that in a kind of new setup.
And we looked at that in a number of different reports at Nesta and recently did a big experiment with funding arts and heritage projects here in the UK.

I guess the first we need to say is there's lots of questions on what's the best dynamic between the crowd and the institution and the platform.

We talk about these four models.
In first - the institution says we believe in this project and then the crowd follows,
Bridging - where the crowd comes in first, institution kind of gets the project over the middle line, typically when it hits the kind of 40%, and then the crowd tops up in the end and gets to put it over the finish line.
Then there's a top-up model, where the crowd invests upfront in the project, and if it hits a certain target, typically around 70-75%, then the institution kind of matches it until the funding target is hit.
And we've listed in our research a number of different kind of motivations and challenges in this. I think the main kind of motivations are that it's an opportunity to leverage more money and also attract new people, new projects that the funders and institutions would not normally reach.
But it's very complex and very hard to manage, of course, the main being crowds are typically quite chaotic, switch on and off, and can often have quite niche or different demands than the institutions can have, which are a bit more rigid and structured and perhaps also a bit more slow-moving.
So it requires adaption on both sides in terms of making the process work.

So as I mentioned earlier, at Nesta we've run a kind of match crowdfunding experiment for arts and heritage project in the UK and we found three main interesting pieces of evidence from matching a quarter of a million of arts and heritage money with donations from the crowd.
One, it can help funders leverage my money for the causes that they want to target, and through the offer of the match, funders can incentivize crowdfunding and drive more people towards giving to local causes.
And finally, it's not just about money. Participating in crowdfunding can have lots of non-financial contributions from supporters including volunteering, donation space and goods.

I'm going to give a couple examples of that now. So in the crowdfunding experiment we put in a quarter of a million pounds to match funding donations from the crowds and that enabled leveraging an additional 400,000 pounds from the crowd of around about 4,970 backers.
So quite quite a strong leverage, so at the minimum for every pound listed, 1.40 pound was donated to the project by the crowd.

I think the interesting bit in this slide is that what it shows us that it helps attract new people to local courses. So of the people who backed the projects that we helped fund via the matched crowdfunding project, 86% had never backed a project financially before.

So it brings in new people and new money. Most people weren't familiar with this kind of sector before, so one in five had never backed arts and heritage projects before.
And other people have given, you know, just what they would normally give. So they don't see the money they give through crowdfunding, it's what they would normally give to charitable causes
So 78% said that this money was in addition to what they'd normally give to charities, which shows that this is a way of leveraging more money, enabling more money to go to the causes rather than just replacing money that would be spent elsewhere in the same same sector.

I think this slide is a bit interesting in that it shows that beyond the money there is a huge range of non-financial benefits that could come from from crowdfunding.
So 85% of the projects that receive funding through our work reported receiving non-financial contributions from the crowd, so really demonstrating the opportunity to really leverage not just money but also other other forms of support that can also be valuable to projects.
In the long term, 64% reported gaining more supporters for the projects and also people who did fundraising often reported finding other forms of collaborators - anything from new board members to joint partners for their project through the crowdfunding process.

I think the other thing the square thing is that's quite interesting is crowdfunding allows you to both target local and global. So as the model on the lefthand side there shows, while 41% of backers live within 10 miles of the project - and that does the show that this is a way of tapping into kind of your local community - it's interesting to see that 30% live more than 100 miles away from the project.
So, again kind of showing the ability to tap into both a kind of ecographic kind of close community, but also a global community who share the same kind of cause and drive as the people fundraising.
So that was a very short introduction to what crowdfunding is and what it could help do.
I think in the context of kind of COVID-19, I'd say there's three things I think you could do next.
First, check that anyone else is trying to do what you want to do.
There are lots of crowdfunding campaigns popping up during a time of crisis for the same thing, and so if you see someone else doing what you do, stop your own campaign.
Join forces, or maybe at least give them some money.
If there was no one else doing what you want to do in your area, then try it but start small and add stretch targets as I mentioned earlier.
I think the first thing you can do is just try and experiment. And frankly I'd say be prepared to fail.
Lots of campaigns fail the first time around. But just trying to set up a crowdfunding campaign, which is free except for the time you spend on it, will give you a lot of valuable lessons that you can apply to try and craft one again in the future.

So we have lots of free resource on this website, and if you have any questions about what crowdfunding is and how it can help you or your project, please just drop me an email or send me a tweet.

Thank you.