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Crowdfundamentals: What Your Nonprofit Needs to Know about Today's Crowdfunding

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INTRODUCTION

The next big fundraising idea will come from the crowd. It is true of yesterday; it is true today and will be true tomorrow.

In 1988, a man rallied 38 friends to run the New York City marathon to raise money in honor of his daughter, a leukemia survivor. The team raised $322,000 for the Leukemia & Lymphoma Society (LLS). Today, 26 years later, LLS's Team In Training®, is a leader in endurance fundraising efforts. It has raised more than $1.4 billion dollars—because of one man's passion to do something.

In 2007, after going into remission after her own cancer battle, a woman wanted to give back to her doctors. She and her husband created an event called Spin4Survival to raise money for rare cancers. Today, it is known as Cycle for Survival and is an official Memorial Sloan Kettering Cancer Center™ event. Since its inception, the event has raised more than $51 million. In 2014 alone, this vibrant fundraiser generated more than $20 million.
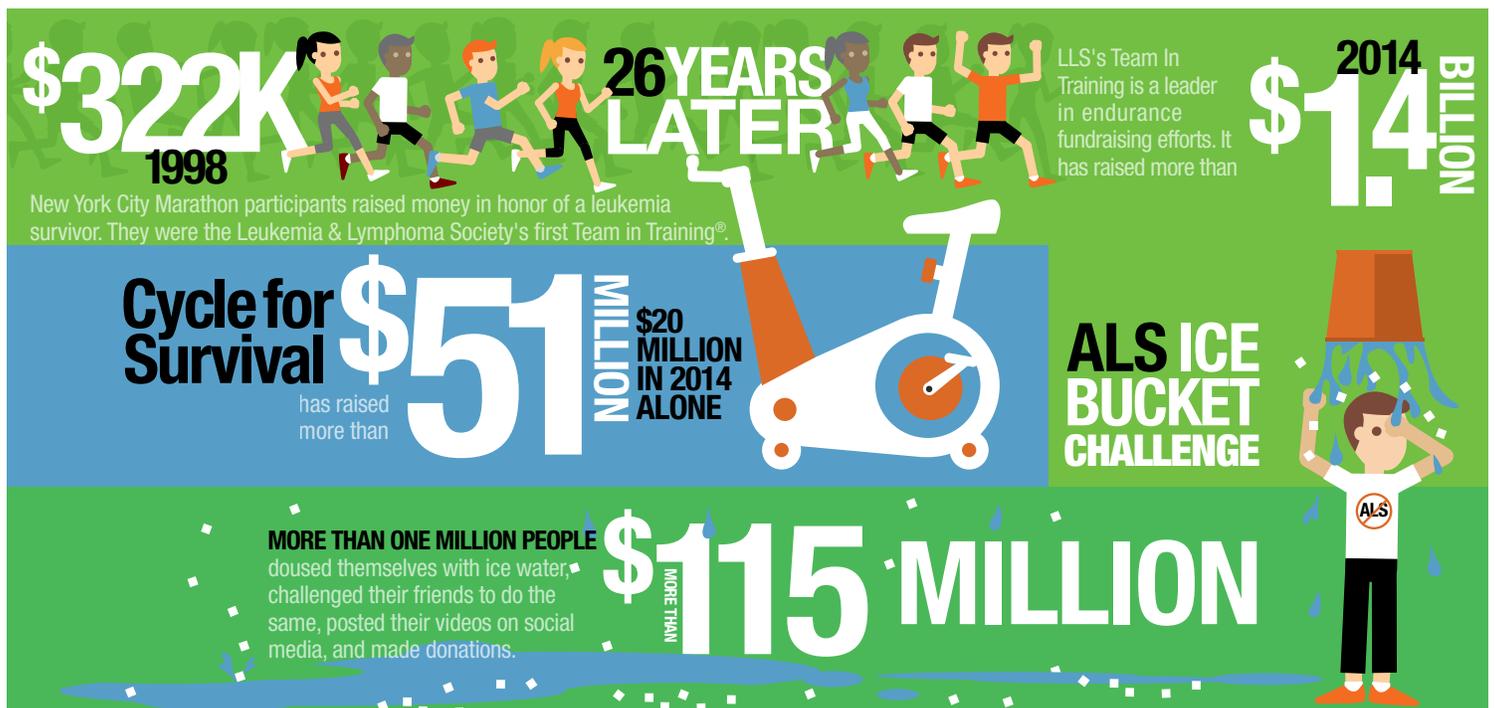
Mostly recently, a man living with ALS challenged his friends to dump a bucket of ice water over their heads. The Ice Bucket Challenge went viral; and the crowd went wild. More than one million people doused themselves with ice water, challenged their friends to do the same, posted their videos on social media, and made donations. As of September 17, The ALS Association® received $115 million in donations compared to $5.7 million during the same time period last year. Enough said.

While technology has changed over the time span of these three projects, there are several things nonprofits can learn from these and other well-publicized crowdfunding successes.

Jennifer Ashbaugh, director of national events for Big Brothers Big Sisters of America®, thinks we can learn a lot. However, she said, "We shouldn't be trying to copy someone else's success. We should be listening to our own supporters—those who are invested in our cause. We have to pay attention to the people who are creating small fundraisers in our name, as well as to those who have bigger ideas. Some of the ideas may not be productive, but who are we to say? We don't know where the next big idea will come from."

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Big Sisters of America

$322K 1998 **26 YEARS LATER**

LLS's Team In Training is a leader in endurance fundraising efforts. It has raised more than

2014 $1.4 BILLION

New York City Marathon participants raised money in honor of a leukemia survivor. They were the Leukemia & Lymphoma Society's first Team in Training®.

Cycle for Survival $51 MILLION $20 MILLION IN 2014 ALONE

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ALS ICE BUCKET CHALLENGE

MORE THAN ONE MILLION PEOPLE doused themselves with ice water, challenged their friends to do the same, posted their videos on social media, and made donations.

MORE THAN $115 MILLION

Think about it: What if the ALS Association had tried to squelch the Ice Bucket Challenge? What if Memorial Sloan Kettering Cancer Center™ had said, "No one will want to participate in an indoor cycling event year after year?" What if a man hadn't decided to ask his friends and coworkers to run with him?

The practice of crowdfunding isn't new, but its wide adoption—fueled by hundreds of online crowdfunding websites—has changed the fundraising landscape. While nonprofits have always used crowdfunding principles, we are now closely following the growth of new fundraising platforms and contemplating what to do in response. This white paper explores the issues and proposes some answers.

FUNDRAISING THEN AND NOW

1776 — The Government; by the people and for the people

1852 — Salvation Army®

1885 — The Statue of Liberty

1921 — United Way™

1938 — March of Dimes

1946 — UNICEF™

1999 — Blackbaud releases online peer-to-peer fundraising tools

2004 — Facebook®

2006 — Michael Sullivan coins the term "Crowdfunding" in a video blog

2008 — Presidential Election – Pres. Obama raised more than any other campaign via the Internet, demonstrating the power of small donations

2009 — Kickstarter™

2014 — More than 500 crowdfunding platforms

CROWDFUNDING: THEN AND NOW

Crowdfunding, the practice of financing a cause or project by raising small amounts of money from a large number of people, has been around for a long time. Until recent years, we simply called it "fundraising." But with the media spotlight on things like the Ice Bucket Challenge, unprecedented political fundraising efforts, and donations of $52,000 to an aspiring potato salad maker, it's easy to overlook the fact that the Statue of Liberty stands today because, in 1885, 125,000 individual citizens contributed to fund the completion of her pedestal. Or that in the 1950s, at the height of the polio epidemic, individuals made small contributions to the March of Dimes® that totaled $67 million, which in today's dollars is about $536 million.

So if nonprofits have always used crowdfunding practices, why is crowdfunding being touted as new? Julia Gallagher, director of development operations and technology at Memorial Sloan Kettering Cancer Center, believes that although the concept isn't new, the broad adoption of crowdfunding is changing things.

"We've been crowdfunding forever, and we will continue to focus on it and our other core fundraising strategies," she said. "But as professionals, we have to realize that the world is changing. Easy access to the Internet, the popularity of social media, new crowdfunding websites and tools that empower individuals are changing the fundraising landscape." Gallagher continued, "It's fair to say that what's popular this year maybe different next year. Technology changes quickly."

NEW CROWDFUNDING WEBSITES INVITE EVERYONE INTO THE TENT

All crowdfunding isn't the same, but anyone with an idea can create a web page on any of the more than 500 crowdfunding platforms and solicit donations from the crowd—which is essentially anyone, anywhere in the world, who is listening.

Of course, not all of these ideas are successful. In fact, the majority of them are unlikely to meet their fundraising goals, but well-publicized success stories fuel the imagination. We've seen it in the nonprofit world, and we see it in the for-profit world, too. Consider Pebble®, a start-up founded by Eric Migicovsky. Migicovsky wanted to create a watch that would display messages from your smartphone. Unable to secure funding through traditional channels, he turned to the crowd, and it responded with enough money to fund his project, despite its only benefit being a discount on the finished product.

Individuals are also turning to crowdfunding websites to raise money for personal causes, such as chemotherapy expenses, in vitro fertilization, college tuition, and veterinary bills. This has created a completely new appeal network. And, of course, there's the media. Hungry for feel-good stories, it is enamored with crowdfunding, and the buzz remains high as journalists and talk show hosts report on high-visibility projects, pour ice water over their heads, and interview successful crowdfunders.

Ashbaugh closely follows crowdfunding news and practices in her role at Big Brothers and Big Sisters of America®.

"The crowdfunding boom is a wake-up call for nonprofits," she said. "We have to wonder if crowdfunding is undercutting philanthropy on some level. If someone donates to pay for an individual's medical bills, for example, will they feel they have satisfied their philanthropic efforts? What is going to happen to funding for medical research or efforts to improve health care for all?"

While those questions will only be answered over time, Ashbaugh believes we have plenty to learn from crowdfunders and there are actions we can take now. "We should pay attention to how easily and openly people ask for money for their ideas and projects. To remain viable, we have to approach our supporters and potential donors with the same fearlessness," she said. "You wouldn't believe how many professional fundraisers I've met who are afraid to ask for money. That has to change."

FINANCIAL ACCOUNTABILITY AND CROWDFUNDING

While the federal government is still drafting rules for commercial (for-profit) crowdfunding, individuals and organizations are readily accepting donations via crowdfunding websites under vague tax reporting information. In addition, there is little accountably that the individuals and organizations will do what they promised with the money. As a 501(c)3, nonprofits have an advantage over crowdfunding websites; we are audited, regulated, and we provide tax information and other records to our donors. So let's communicate that.

And don't forget that crowdfunding websites are in business to make money. Almost all take a percentage of the money raised, and some offer advertising and marketing for an additional cost. Equity crowdfunding may allow these sites to take a piece of a business.

WHAT WE CAN LEARN FROM CROWDFUNDING

Here are a few lessons from the crowdfunding front.

1. **Marketing matters**. In general, successful crowdfunders make laser-focused requests supported by compelling visuals. Can you say the same? Look at your website, fundraising platforms, and social media sites. Make sure people can find you and when they do, make an immediate connection. How strong is your call to action?

2. **Messaging is important.** Are you telling people what you want them to know, or are you creating a message that is focused on potential donors and how they can make a difference? Have you demonstrated the needs of those you serve?

3. **Storytelling sells.** Tell a story, incorporate photos, and use videos. Show your donors and prospects the needs of your cause.

4. **Urgency drives action.** A crowdfunder's project has a beginning and end date; potential donors know the timeline for action, and they like it. Attention spans for today's donors are short, so be aware when planning your fundraising calendar. The Ice Bucket Challenge is a great example of urgency; friends gave their friends just 24 hours to complete the challenge and/or donate. And let's not forget #GivingTuesday, a one-day call to make a donation, which in 2013 experienced a 90 percent increase in online giving compared to the previous year.

5. **Anyone and everyone can fundraise.** Listen to your supporters. Ask them to fundraise for you. Support their fundraising ideas by using your peer-to-peer software tools. Enable and empower them to create personal online donation pages. Whether through a fundraising dinner and auction, team walk, or hike along the Pacific Crest Trail, you want your supporters to use your website to accept donations and receive recognition.

6. **Say "thank you."** While we're good at publicly thanking big-dollar donors, crowdfunding teaches us that everyone needs to be recognized. Get creative and make the most of digital technology. Create a donor name display on your web page to recognize donors. Use social networks to say thank you. Be creative. A simple statement of thanks is nice, but could you do more? Yes.

HOW TO MAKE THE MOST OF YOUR OWN CROWDFUNDING EFFORTS

View your supporters as crowdfunders.

As we know, all nonprofits are crowdfunding in one way or another, but let's focus on enabling your supporters to raise money on behalf of your organization. Your method may take the form of a standard peer-to-peer fundraising event or extend to a family's dream of setting up an annual golf tournament to support your cause.

But before you make any changes or start a peer-to-peer fundraising program, evaluate your situation. Do you need to diversify your revenue streams? Do most of your funds come from major gifts or events? Are your supporters coming to you asking if they can fundraise on your behalf? If so, you'd better step up your game. First, answer these questions:

1. **Are you comfortable having people fundraise on your behalf?** How do you feel about people posting your name on Facebook® and Twitter®, talking about you at a public fundraiser, or holding a benefit tournament at the local pool hall? All organizations have a culture; make sure yours is okay with people fundraising for you and using your brand and name. If it's not, find out why. Opportunities can easily slip through your fingers while you are debating what types of fundraising you are comfortable with.

2. **How will you support your crowdfunders?** It requires staff time, leadership commitment, and the right online technology to give your fundraisers the help they need to reach out to their crowds. You have to carve out time to encourage your crowdfunders to meet their goals and yours. Achieving your revenue goals doesn't happen without a well-constructed plan to support your funders.

USE YOUR OWN WEBSITE

The crowd loves to fund tangible products and projects, but is this something that nonprofits can tap into? Can you crowdfund for a new freezer for a food distribution center, a student scholarship fund, or a traveling art exhibit? Technically, it's simple to do. All you need is an idea, a page on your website, and a communication plan. It's the marketing and messaging that's difficult—they require thoughtful planning.

The Ice Bucket Challenge demonstrates the simplicity of online needs for a crowdfunding program. The ALS Association® added a graphic, donation page, and check box to its donation form that asked whether or not visitors had heard about them from the Ice Bucket Challenge. That was it. Its online needs were simple because the challenge, the marketing, and the promotion were happening in the social media world outside of its website.

Decide if the project is worth it. Crowdfunders may be one-time donors. What would it take to turn them into repeat donors, or is the project important enough that you are simply thrilled to have one-time donors? If your goal is to convert a crowdfunder into a repeat donor, what is your acceptable loss? If you convert 40 percent into repeat donors and lose 60 percent, is that acceptable? How will you define success?

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> *— Kristi Koon*
> *Director of Direct Response Marketing*
> *at The ALS Association*

Kristi Koon, director of direct response marketing at The ALS Association, said, "We got lucky. The Ice Bucket Challenge caught fire and went viral, bringing in three million new donors to the Association, and of those, 20 percent opted in to receive additional information. That's 600,000 new supporters!"

Koon added, "Of course, we would have loved for everyone to request more information, but that's not realistic. We're thrilled with the 20 percent. Now, we're working on a strategy to engage this group of new supporters, who are quite different from our typical demographic. It's a new challenge for us, but one we're really excited to tackle."

CROWDFUNDING AND TECHNOLOGY

Technology is the easy part of crowdfunding because you probably already have what you need. If you are creating a program and

asking the crowd to donate, you're set. You just need your website, a donation form designed for the project, donation acknowledgements, and reporting tools.

But if you want your supporters to crowdfund for you, you have two options. The first is to select a designated crowdfunding platform, such as Blackbaud's everydayhero™, promote it, and track it.

This tool not only enables supporters to raise money online but also tracks the time and effort put into fundraising. The second option is to create your own branded crowdfunding site including automated, personalized messages to keep your crowdfunders motivated and active. With Blackbaud's TeamRaiser®, you can go beyond the traditional, and create your own crowdfunding community.

The development team at Pomona College used TeamRaiser and crowdfunding techniques to increase revenue to its annual fund.

"We knew it was time for us to do something new," said Kristen McCabe Romero, assistant director of the office of alumni and parent engagement. "Increasing revenue for the annual fund has become more and more challenging, as it has for many organizations, and we decided it was one industry trend we didn't want to follow."

The first question the team had was: *Can we tap into the crowd's love for project-based fundraising?*

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> Kristen McCabe Romero, Pomona College

"Our biggest concern was how we could give an identity to the annual fund and be transparent that donations would still be unrestricted gifts to the college," explained Romero. This is a common worry for organizations that look to crowdfunding to diversify revenue and acquire new donors.

Creative strategies and transparent messaging set expectations for the donor while creating project-based fundraising. To give character to the annual fund, Pomona College identified four hallmark areas it supported. For example, Team Creativity supported creative thinking and problem-solving, through the humanities, arts, and science.

Instead of looking for a big name celebrity to champion each team, Pomona turned to its faculty. They identified their most engaged faculty members through student and alumni surveys, philanthropic activity, and overall engagement. Those members then starred in videos, sat for

interviews, and posed for photos. "All this great content was used to develop our own crowdfunding site powered by TeamRaiser," said Romero. "We didn't want to just ask for money. We engaged our alumni first, and then asked them to support one of these hallmark areas." The results were all good. "To close our fiscal year in June, we received more than 1,500 gifts. More than half of the first-time donors who gave this year gave to the Team Challenge," Romero said. "We're excited about the results and look forward to next year."

CROWDFUNDING IS HOT, BUT IT'S NO GUARANTEE

Crowdfunding may look easy, but it's not. Popular success stories aside, only a fraction of crowdfunding projects meet their goals. According to statistics from Kickstarter™, only 44 percent of projects meet their funding goals, and of roughly 60,000 unsuccessful projects, nearly 40,000 failed to reach 20 percent of their goals. IndieGoGo®, another popular crowdfunding site, is less forthcoming about its projects' performance, although its success rate is estimated to be around 34 percent. We already know fundraising is hard work, no matter how you do it. Creating a plan, finding donors, tracking, recognizing and retaining them is not easy. It takes time, careful implementation, thoughtful messaging, superior communications, and an investment in technology to raise money.

CONCLUSION

Nonprofits are far better positioned than individual crowdfunders to be successful fundraisers over time. We already have the best practices for cultivating donors. We already know what premiums work best, and at what levels. We have exemplary financial reporting systems in place. However, we have to stay sharp and hone our messaging to become better storytellers if we want to remain vital. And, perhaps above all, we have to support and encourage those who want to crowdfund for us because today, people want to be empowered to raise money and give to causes they believe in.

WHAT CAN YOUR ORGANIZATION DO TO MAKE THE MOST OF YOUR EFFORTS IN FUNDRAISING AND SUPPORTER ENGAGEMENT?

Tap into the crowd to expand your reach. Visit us online at Blackbaud.com to learn more about how TeamRaiser® and everydayhero™ can support your efforts to increase revenue and awareness for your cause.

Join the Blackbaud Community online! Get updates on the latest trends, best practices, and need-to-know news at npENGAGE.com. You can also stay connected with us on our Facebook® page and our Twitter® feed.

Need help? Our team of experienced fundraising strategists can work with you to create a new program, or build on your current efforts to reach the crowd.

"The crowdfunding boom is a wake-up call for nonprofits," said Ashbaugh. "We should pay attention to how easily and openly people ask for money for their ideas and projects. To remain viable, we have to approach our supporters and potential donors with the same fearlessness," she said. "You wouldn't believe how many professional fundraisers I've met who are afraid to ask for money. That has to change."

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About the Authors

Amy Braiterman, principal strategy consultant at Blackbaud, manages a team of fundraising strategists to support customers with their peer-to-peer fundraising events using a process she refers to as "data driven strategy." Amy's data driven strategy analyzes overall program performance, participant fundraising, and use of online tools to develop innovative fundraising plans. Prior to joining Blackbaud, Amy earned her fundraising stripes managing events for The Leukemia & Lymphoma Society®, Alzheimer's Association®, and Share Our Strength®. She shares her fundraising know how on npENGAGE.com, by hosting educational webinars and speaking at industry and customer conferences.

Andrew Welkley, is the sr. product marketing manager for Blackbaud's peer-to-peer solutions, giving him the opportunity to work on a combination of two of his long-standing interests: online marketing and participation in fundraising events. As a regular speaker, author, and the creator of the popular video blog series "Team Andy's Tips and Tricks for Peer-to-Peer Fundraising," he shares the insight he has gained from working with nonprofits across all verticals to optimize the use of peer-to-peer technologies and crowdfunding technologies and strategies to improve fundraising results.

About Blackbaud

Serving the nonprofit and education sectors for more than 30 years, Blackbaud (NASDAQ:BLKB) combines technology and expertise to help organizations achieve their missions. The company works with more than 30,000 customers in over 60 countries that support higher education, healthcare, human services, arts and culture, faith, the environment, private K–12 education, animal welfare, and other charitable causes. Offerings encompass a full spectrum of cloud-based and on-premise software solutions and related services for organizations of all sizes, including: fundraising, eMarketing, advocacy, constituent relationship management (CRM), financial management, payment solutions, analytics, education solutions, and vertical-specific solutions. Nonprofit organizations around the world raise more than $100 billion each year using Blackbaud solutions. Recognized as a top company by Forbes, InformationWeek, and Software Magazine, and honored by Best Places to Work, Blackbaud is headquartered in Charleston, South Carolina and has operations in the United States, Australia, Canada, the Netherlands, Ireland, and the United Kingdom. For more information, visit www.blackbaud.com.