



**Crowd involvement in CHEST:  
Insights and recommendations for  
crowdsourcing in innovative funding schemes and  
successful crowdfunding of Digital Social Innovations**



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# 1 Introduction

Online communities – also often referred to as ‘the crowd’ – have been playing an increasingly important role in supporting grassroots initiatives in the area of social innovation and sustainability. It is crucial for almost all Digital Social Innovations (DSI) to build a vibrant community because one of their key aspects is that of a conjoint development, a process of collective learning. Social innovation does not happen with the lone genius coming up with an out-of-the-box solution in a moment of ‘Eureka!’ Instead, ideas start as possibilities that are only incompletely understood by their inventors. They evolve by becoming more explicit and more formalized, as best practice is worked out and tested against social needs (together with the target users), and as organisations develop experience about how to make them work.

Apart from knowledge sharing in order to achieve changes in lifestyle, production or consumption patterns, CHEST emphasized more participatory democratic processes leveraging the emerging network effect. This means that the involved participants are both, the users and the co-producers to the initiative. They are no longer seen as mere consumers but rather as active users and co-creators resulting in their deeper motivations to participate in the innovation process. Consequently, DSI aim to change the way involved participants behave and interact collaboratively leveraging the power of collective intelligence through open digital technologies in order to achieve a better social, economic and environmental sustainability.

A central goal of CHEST is to explore new ways of fostering Digital Social Innovations in Europe implementing different means and modules supporting that goal. Consequently, CHEST is more than only a platform running an idea competition providing seed funding to social innovators. It is a decentralized connected platform for Digital Social Innovations integrating a mix of technical (online) modules, on-site measures and best practice guidelines supporting grassroots initiatives through seed funding, collaborative knowledge and through the extended community of experts and other stakeholders (multipliers, social innovators and target groups).

This document summarizes the various ways in which CHEST has fostered crowd and community involvement in Digital Social Innovations aiming to provide insights and guidance for Social Innovators as well as recommendations for the design of future funding initiatives similar to CHEST. Firstly, CHEST has been implementing approaches of open innovation in the field of DSI crowdsourcing, selecting and funding the best ideas tackling societal challenges in three open calls. CHEST also experimented with possibilities to include online communities in the monitoring and evaluation of its beneficiaries. The main insights are highlighted in chapter 2 (for more details see [D2.2 Open Call report](#)). Finally, we also aimed to provide support for our beneficiaries beyond the CHEST funding period and also to the numerous applicants with great ideas that did not receive funding under CHEST. For them – and for the wider social innovation community – we have developed a best practice guideline on running successful crowdfunding campaigns for social innovators. The main takeaways for social entrepreneurs are provided in section 3 of this document (for further details see deliverable [D5.2 Best-practice guide for crowd funding](#)).

## 2 Crowdsourcing Digital Social Innovation in CHEST

Generally speaking, ‘crowdsourcing’ describes the wider trend of curating a large number of inputs from the crowd to generate valuable insights. It is often based on the framework of collective intelligence [LEV97], the idea that knowledge is the most accurate when it consists of inputs from a distributed population – ‘all of us together are smarter than any one of us individually’. The opposite of collective intelligence is relying on a single agent, for example, a knowledgeable expert. The concept of collective intelligence has been popularized as the wisdom of crowds, and crowdsourcing can be defined as a tool to gather collective intelligence for certain tasks. Related concepts to crowdsourcing are co-creation and open innovation and CHEST explored ways to make use of both in different dimensions. The open innovation approach has been implemented in the open call design (section 2.1), co-creation has been stipulated through community engagement in the idea generation (section 2.2) within the projects of the CHEST beneficiaries and also

One key aspect of social innovation as envisioned by CHEST is that of a conjoint development, a process of collective learning. Social innovation does not happen with the lone genius coming up with an out-of-the-box solution in a moment of ‘Eureka!’ Instead, ideas start as possibilities that are only incompletely understood by their inventors. They evolve by becoming more explicit and more formalized, as best practice is worked out and tested against social needs (together with the target users), and as organisations develop experience about how to make them work. Consequently, Social innovation in a more encompassing way can be understood to comprise also the entire process by which new responses to social needs are developed in order to deliver better social outcomes. This process can be described as consisting of four main stages:

1. Identification of new/unmet/inadequately met social needs;
2. Development of new solutions in response to these social needs;
3. Evaluation of the effectiveness of new solutions in meeting social needs;
4. Uptake and scaling of the most effective developed solutions and practices.

Apart from knowledge sharing in order to achieve changes in lifestyle, production or consumption patterns, CHEST emphasizes more participatory democratic processes leveraging the emerging network effect. This means that the involved participants are both, the users and the co-producers to the initiative. They are no longer seen as mere consumers but rather as active users and co-creators resulting in their deeper motivations to participate in the innovation process. Consequently, DSI aim to change the way involved participants behave and interact collaboratively leveraging the power of collective intelligence through open digital technologies in order to achieve a better social, economic and environmental sustainability.

### 2.1 CHEST open call design and results

A central goal of CHEST was to support a large variety of initiatives at different stages of the project life cycle. Therefore, we decided to split the competition into three different strands. Consequently, there were three **open calls** implemented with different amounts of seed funding:

1. In Call 1 – the Call for Ideas – 30 ideas for a pre-seed-funding of up to € 6.000 each.
2. In Call 2 – the Call for Partners – 5 projects with up to € 150.000
3. In Call 3 – the Call for Prototypes – 24 projects with up to € 60.000 each.

Each call had its own target group:

1. Call 1 aimed to support Ideators like students and creative individuals, basically anyone with a good idea. The funding should be spent to explore the technical feasibility, social impact potential or commercial viability of this idea.
2. Call 2 aimed to support the development of ‘market ready’ products or services. We will fund projects that take an initial idea or basic research to a stage that could be classified as ready for deployment/initial application within its target ‘market’.
3. The target group of Call 3 was two-fold: On the one hand, we seek to offer prolonged support to the best projects that were derived from Call 1. On the other hand, the call also invited submissions from new applicants – or from applicants that applied for Call 1 but didn’t make it into the top 30 ideas. Activities should aim to advance an idea through to the development of a prototype or demonstrator of a product or service. Winners should include prototype development, trials, testing, and the development of a business plan indicating routes for future exploitation.

With regard to the large diversity of social innovation definitions (outlined in section **Fehler! Verweisquelle konnte nicht gefunden werden.**), we aimed to explore different types of Social Innovation existing in society. Key questions to be assessed were: Which ideas or initiatives are emerging beyond that collaborative approach? What can we learn from them by expanding our understanding of what current forms of Social Innovations are and how they can be supported? Therefore, CHEST followed a two-fold approach:

1. To foster Social Innovation ideas based on collective approaches in Calls 2 and 3
2. While at the same time remain as open as possible to different approaches in Call 1 because Social Innovation by definition is a grassroots phenomenon

Over all three open calls, CHEST has received 455 different ideas and proposals, of which we have funded 59 initiatives. Once selected, we have requested all CHEST winners to think of ways to improve their projects by integrating or – if already present – further elaborating collaborative approaches.

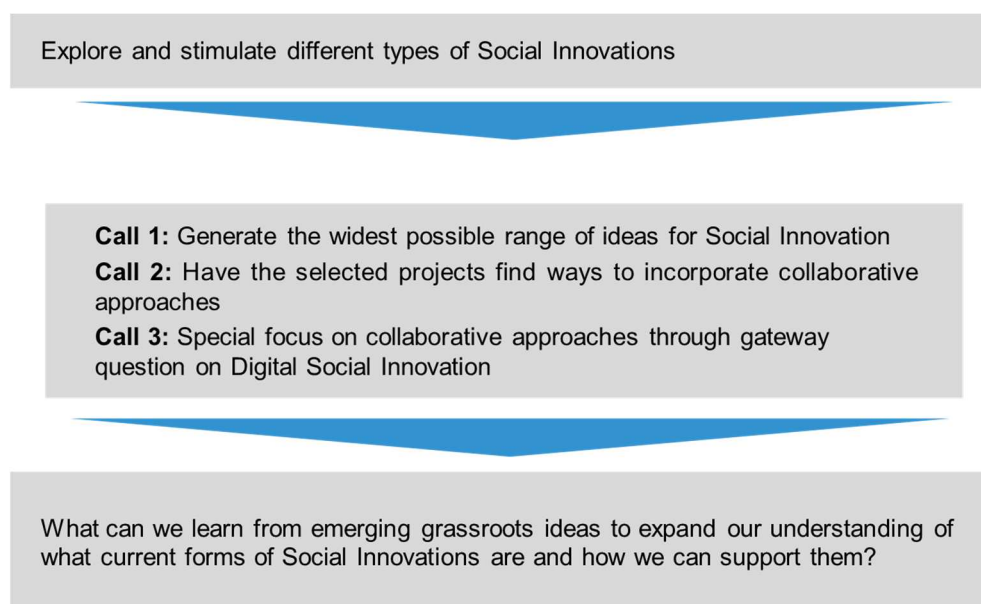


Figure 1: Exploring the full potential of Social Innovations

The goal of any open call should be to attract the widest possible range of applications from as many different applicants or applicant groups (and not from the usual suspects only) and with a high diversity in project size, maturity, novelty and geographic reach. Future initiatives similar to CHEST should take the following recommendations into account:

- Open Call design should aim to address projects of different sizes at different stages of the project life-cycle and with different funding volume requirements. An example of how this can be achieved are the funding levels of CHEST Call 1 (funding initial ideas with up to € 6.000), Call 2 (prototypes with up to € 60.000) and Call 3 ('market-ready' solutions with up to € 150.000) have been appropriate for the initiatives targeted.
- Ensure broad dissemination beyond the already established communication channels by developing a systematic communication strategy, e. g. like the one successfully applied by CHEST:
  - Identify target countries / regions
  - Communicate and disseminate the open call to direct target groups (potential applicants)
  - In order to maximise outreach in an efficient and effective way, research key stakeholders and relevant institutions (multipliers)
  - Communicate through them to act as multipliers into their region leveraging network effects

## 2.2 Community engagement supporting idea generation

In order to carry out the CHEST Call 1 with the online idea submission, commenting and voting, we have managed to set up the CHEST online crowd with 4,983 users active in the CHEST Call for Ideas: 956 different users gave 1,141 comments and 4,886 users submitted 28,718 votes. And with CHEST following an experimental approach, one important goal was to gain deeper insights into the question how online crowds and communities can be engaged and involved in innovative funding schemes. The CHEST online crowd has especially been involved in the evaluation of ideas submitted to Call 1 and later on in the online assessment of the beneficiaries using the CHEST CrowdMonitor (see section 2.3). To enable a closer look at the role of our crowd and their dynamics, we collaborate closely with CATALYST<sup>1</sup> by integrating one of their open tools in CHEST, namely Edgesense. Applying Edgesense within CHEST is of mutual benefit for both CAPS-projects as it also provides valuable test results for CATALYST and the further improvement of the tool. Edgesense is a social network analytics tool augmenting online conversations (such as the commenting on and the voting of ideas on the CHEST platform) with network analytics aiming to foster collective intelligence processes. It allows network managers to take a step back from their networks and assess the overall structure of the interactions going on between the users of the community as well as the evolution of these interactions over time.

Through Edgesense we were able to assess the underlying structure of the CHEST online crowd and the relations between single members or groups as well as their communications (in form of comments and voting). What we see in Figure 2 are the interactions taking place between CHEST users in form of comments on ideas and replies to other comments. Not surprisingly for a network like CHEST, the structure of the interactions largely mirrors the ideas posted with some of them receiving a high number of comments and these comments then attracting an also high number of replies. What we

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<sup>1</sup> CATALYST (<http://catalyst-fp7.eu/>) is an FP7 and fellow CAPS project that will develop and test collective intelligence tools and make them available, as open source solutions, to any interested communities.

see is a network with different focuses resulting from 1030 comments given by 956 different users. This high share of 19 % of the users actively commenting shows that the CHEST crowd is very engaged in the topics because in similar settings their share is more likely to range between 1 and 10 % only. The flower-like artefacts seen in Figure 2 reflect ideas of users that attracted a huge amount of activity in form of many comments by other users. What we also see are connections between different dots showing that these users commented on several ideas. This shows that users did not only give feedback on those ideas for which they had been mobilized in the first place, but rather that initial community building with real interaction has taken place as users commented on different ideas and also on different comments given by other users. Furthermore, the fact that 171 of the 1030 comments were given by users who had also submitted an idea shows, that the crowd-based process of idea generation and improvement applied by CHEST has worked: A large share of ideators reacted on the feedback they received from the crowd. The network shows that some users were able to mobilize more activity than others, and these users are also potential multipliers for the further expansion of the CHEST community. Overall, the online crowd begins to transform into a community, which can be build by the beneficiaries for the development of their projects.

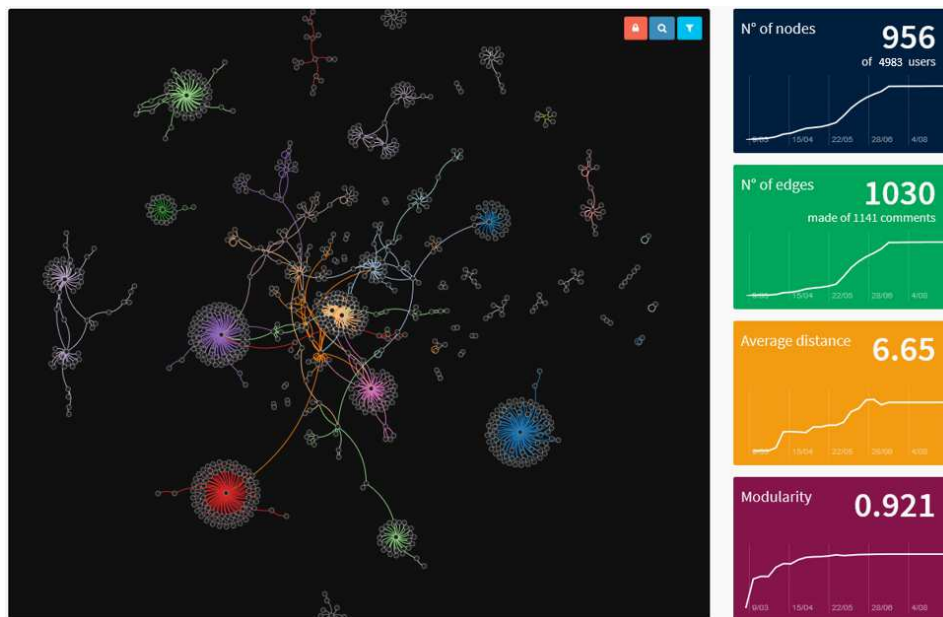
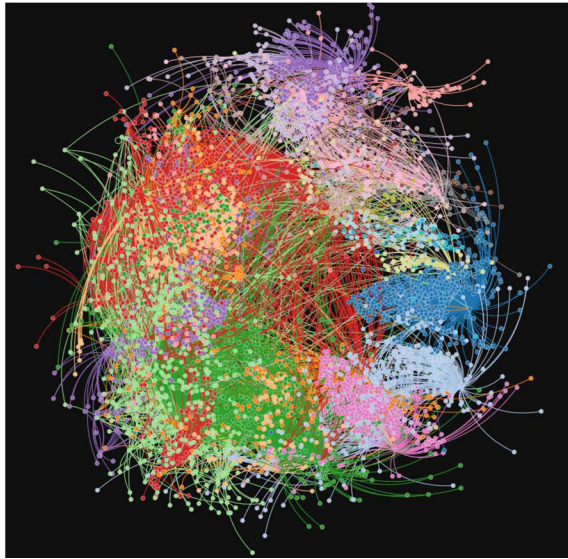
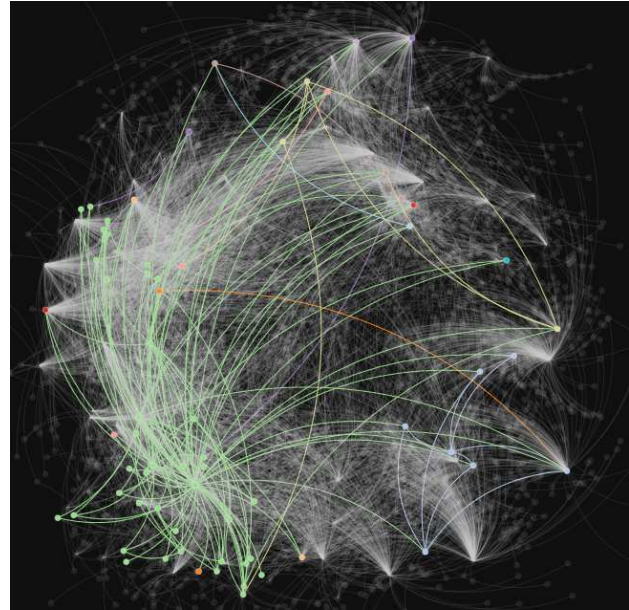


Figure 2: Edgesense view of the shared idea generation and refinement within the CHEST online crowd

While Figure 2 shows the structure of the network based on the users' comments, Figure 3 visualizes the voting activity of CHEST Call 1. 4.886 out of 4.983 users voted on different ideas, giving a total of 28.851 votes. The picture shows a very dense network with many linkages between different dots resembling the high voting activity reached in CHEST. Each dot resembles a user that has posted one or more ideas himself (the more "central" dots of the network) or voted on an idea by a certain user (the more "peripheral" dots surrounding the central dots). Similar as in the network of comments (Figure 2) the lines between the dots show the activity that links two different users through a voting. Taking a closer look at some key users of the community we see that many users that have voted on many different ideas rather than supporting only one project for which they might have been mobilized by the submitter. Figure 4 shows one example of such a key user of the CHEST online crowd who has not submitted an idea himself but has voted on many different ideas.

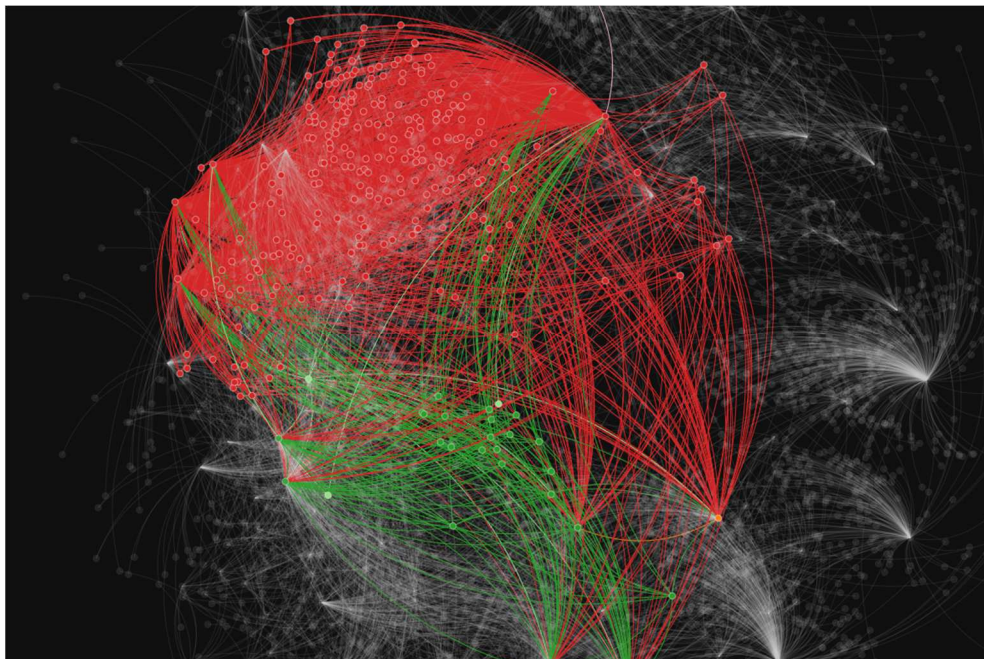


*Figure 3: Visualization of the CHEST voting activity*



*Figure 4: High voting activity by one key user of the CHEST online crowd*

Not surprisingly, many submissions (especially the winning ideas) gathered a strong community of supporters around their ideas. However, the example of such an idea with a strong supporting community visualized in Figure 5 shows also many connections reaching out and connecting different users, that have many links to other users, i. e. they voted on many different ideas. This means that the winners did not win because only of their supporters which they mobilized through their personal networks. In order to win they also needed to collect positive votes from other members of the CHEST online crowd.



*Figure 5: View of an idea submitted, which received extensive support from all over the CHEST online crowd*



### 2.3 CHEST CrowdMonitor: Crowd evaluation of beneficiaries

CHEST has successfully elicited and collected structured project-related feedback from the online community. 92 different users had given 103 ratings for the three questions on the CHEST CrowdMonitor for the five projects funded under Call 2 (repeated rating was allowed with an interval of five days after the prior rating) and 400 users delivered 429 assessments for Call 3 projects. Overall, such level of participation shows that the CHEST CrowdMonitor has been accepted by the community even though we had hoped for a somewhat larger number of participants in the evaluation of Call 2 projects. The received feedback of the online crowd has been largely positive for both Call 2 and Call 3 projects. Figure 6 shows an example of the CrowdMonitor assessment results for Call 2 beneficiaries.

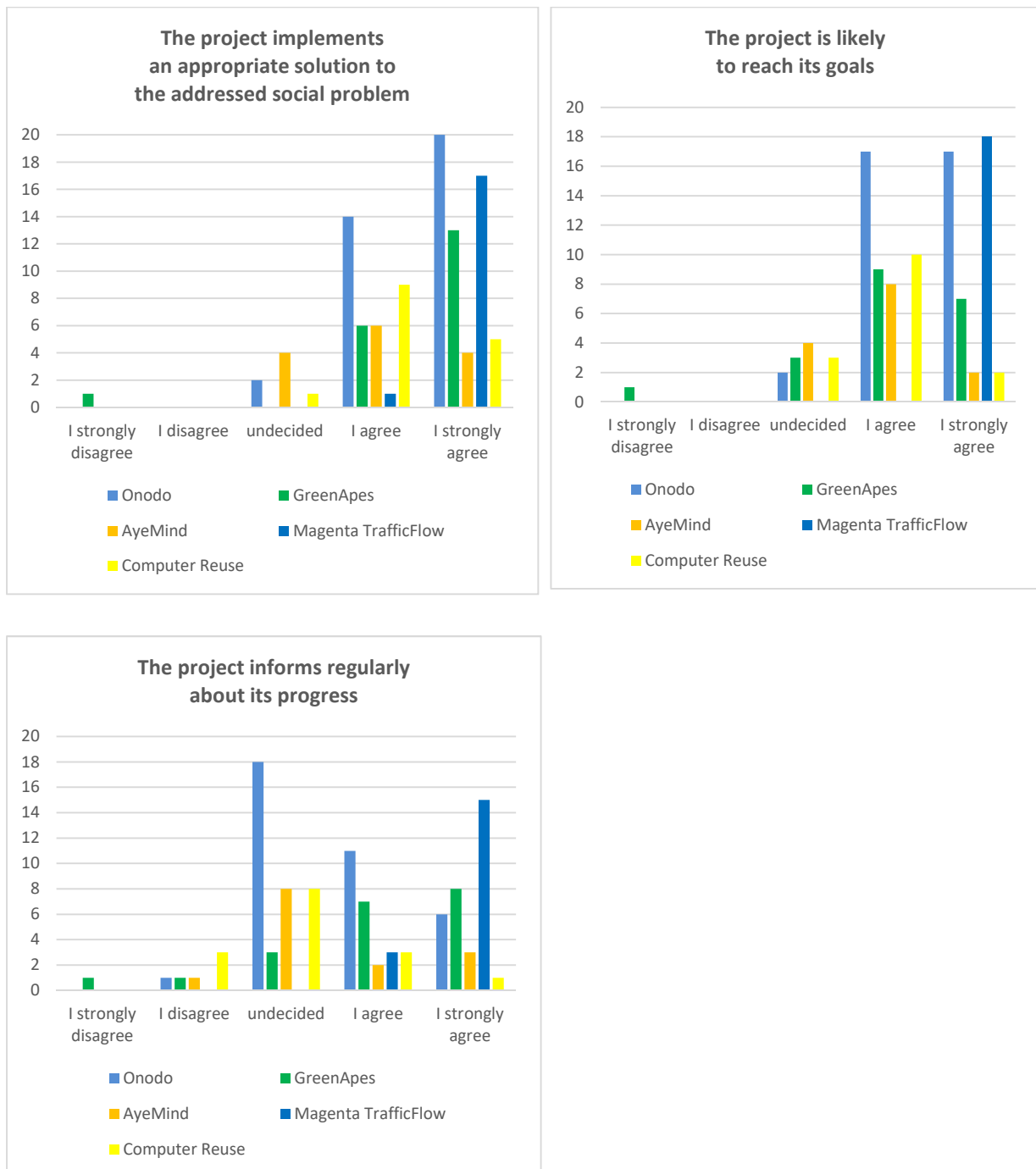


Figure 6: Example of the results of the CrowdMonitor assessment of CHEST Call 2 projects

In the CrowdMonitor voting a large majority of the participants gave a positive or very positive assessment of the overall quality and approach of the projects. Again, the crowd perceived the progress the projects have been making so far as mostly positive to very positive. Mainly positive was also the perception about the efforts undertaken by each project to document its progress (with some difference only in a very few individual cases).

Overall, the assessment through the CHEST CrowdMonitor shows that almost all crowd evaluators highly valued the approaches of the beneficiary projects as appropriate for the societal challenges at hand as well as each project's progress. The relatively high number of undecided votes about the documentation of project progress indicates that there is a strong desire of the community for more regularity of information on individual steps in project implementation – in addition to otherwise successful communication and dissemination of project results. The beneficiaries could leverage this interest in the project progress by even more intensively involving such users in the projects'. This shows some potential for further improving the already very successful user involvement in co-design activities and community building of the beneficiary projects (see D2.3 for details).

## 3 Crowdfunding

### 3.1 Types of crowdfunding

Social innovators may face difficulties in obtaining funding through conventional financial options. Crowdfunding offers a financial alternative for social entrepreneurship. Crowdfunding platforms enable an entrepreneur to access funding from many different funders, that is, the crowd. Thus in order to attract funding from these potential funders, the entrepreneur must advertise the social venture to overcome the lack of information that potential funders may have. This report is concerned with the issue of financing social entrepreneurship and looks into how social entrepreneurs can exploit the resources of the crowd to finance their initiative.

Crowdfunding draws inspiration from concepts like micro-finance and crowdsourcing, but represents its own unique category of fundraising, facilitated by a growing number of internet sites devoted to the topic. As in any emergent field, the popular and academic conceptions of crowdfunding are in a state of evolutionary flux that makes complete definitions arbitrarily limiting. In one of the few published overviews of the topic, Schwienbacher and Larralde [SCH10] define crowdfunding as “an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes.”

However, even this expansive definition potentially leaves out examples that scholars in various fields have labelled “crowdfunding,” including internet-based peer-to-peer lending and fundraising drives initiated by fans of a music group, among many other cases. For a deeper understanding of the field, it is therefore necessary to take a closer look at the different types that have evolved: crowddonating, crowdsponsoring, crowdinvesting and crowdlending [LEI12]. The following table provides an overview of the four main types of crowdfunding and their typical attributes.

	<b>Crowdsponsoring</b>	<b>Crowddonating</b>	<b>Crowdinvesting</b>	<b>Crowdlending</b>
<b>Operational aspects</b>	Exchange of product, memento, experience, thanks Low to high risk for capital goal Medium risk for typical individual contribution Enforced time limit of campaigns	Exchange of thanks Low risk for capital goal Low risk for typical individual contribution Enforced time limit of campaigns	Exchange of ownership High risk for capital goal High risk for typical individual contribution No enforced time limit of campaigns	Return of principle plus interest Medium risk for capital goal (but wide variety) Medium risk for typical individual contribution Enforced time limit of campaigns
<b>Typical starters</b>	Starters composed of teams and individuals Starters have project experience	Starters composed of teams and individuals Starters have project and/or research experience	Starters composed of teams Starters have project and business experience	Starters composed of individuals Often, but not always, starters have project experience
<b>Typical projects</b>	Suitable for projects and products From conceptual to prototype stage of business cycle	Suitable for projects Typically at conceptual stage of life cycle	Suitable for products Typically at growth stage of business cycle	Suitable for projects No prominent stage of life cycle
<b>Motivation of backers</b>	Rewards Being part of the project	Philanthropic incentives	Investment	Investment
<b>Technological aspects</b>	Social network connections intensively used Main communication tools: Comments and updates Main support tools: Funding and rewards fulfilment Platforms provide transparency of project and founder	Main communication tools: Comments, results and updates Main support tool: Funding Platforms provide transparency of project and founder	Main communication tools: Conference calls, finance reports Main support tools: Screening and qualification of backers, business valuation Platforms typically constrain information sharing Founders choose backers	No prevalent communication tools Main support tools: Funding, data downloads for backers Platforms provide transparency of loan risk and past loan performance
<b>Example platforms</b>	startnext.de kickstarter.com indiegogo.com	experiment.com betterplace.org altruja.de	equinet.com innvestment.de seedmatch.de	prosper.com (peer-to-peer lending) smawa.de (peer-to-peer lending) kiva.org (microlending)

### 3.2 Overview of crowdfunding market and platforms



#### *At a Glance: Crowdfunding Market and Platforms*

The crowdfunding market has seen an enormous rise over the last decade with thousands of successful campaigns run. The number of platforms available has also seen significant growth. They have different target groups and implement different business models:

- **Threshold pledge models:** In the **All-Or-Nothing (AON)** model, starters set a capital-raising goal below which they do not keep any of the pledged funds, and the crowd does not get any reward. In the **Keep-It-All model (KIA)**, by contrast, the starter can keep the entire pledged amount, regardless of whether or not the stated capital raising goal is reached.
- **Micro-lending models** broker small credits on a peer-to-peer basis.
- **Investment or equity models** split the capital raised into equity shares of the venture.
- In the holding model the platform operator creates a subsidiary company as an individual holding for each of the crowdfunding ventures.
- The **club model** recruits potential funders from the crowd as members of a closed circle, which acts like an investment club.

Crowdfunding platforms are the intermediaries that act as facilitators for crowdfunding. At present, many new platforms evolve on all continents, each attempting to offer novel features and business models. Figure 7 and Table 1 provide an overview of a selection of relevant crowdfunding platforms worldwide.

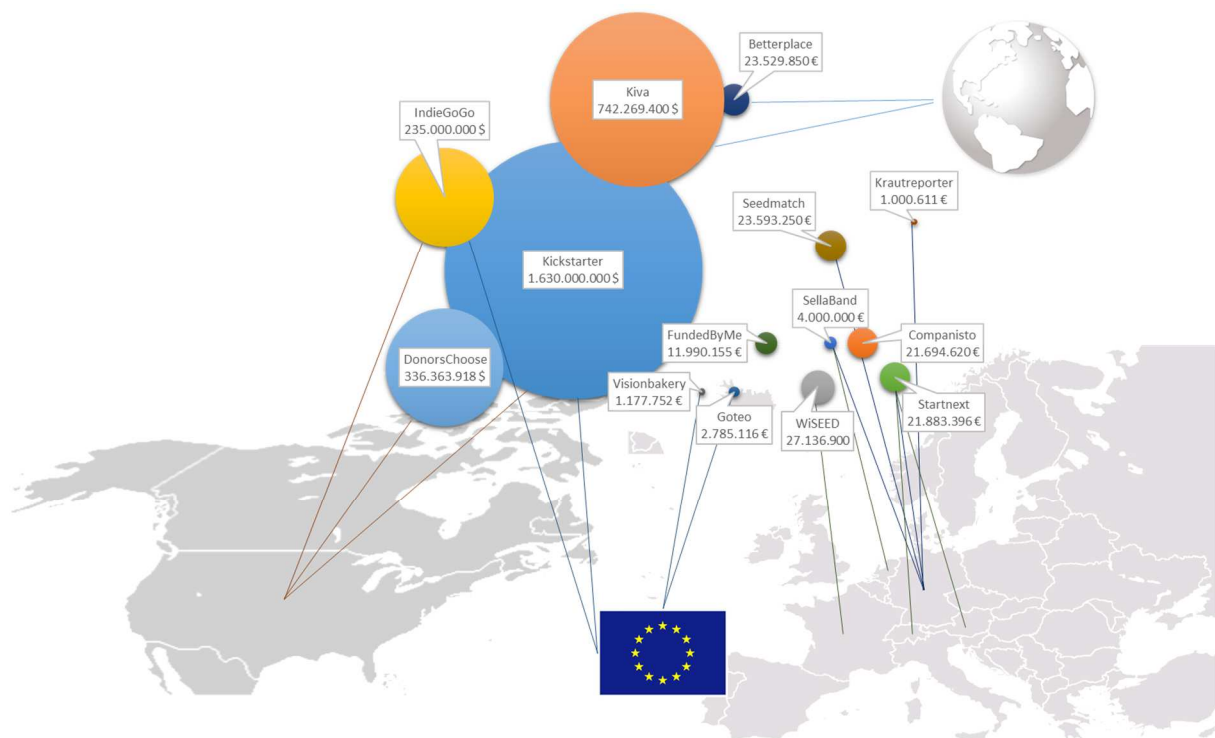


Figure 7: Geographical range of and cumulated amount of money paid out by selected crowdfunding platforms

Table 1: Overview of selected crowdfunding platforms

Platform (country)	Sector	Platform start date	Main target group	Crowdfunding model(s)	Platform business model	No. of successful projects (success rate)	Avg. Amount of money pledged per project	Cumulated amount of money paid out in total	Avg. pledge per supporter	Costs for submitter
<b>Kickstarter (US + EU)</b>	Any	2009	Non-profit, For profit / commercial	Crowdsponsoring	Threshold pledge	90.688 (37 %)	7.746 \$	1.630.000.000 \$	204 \$	5 % of total funding budget, special rate for small pledges
<b>Companisto (DE)</b>	Startups, Real estate	2011	For profit / commercial	Crowdinvesting	Threshold pledge	45 (n.a.)	482.103 €	21.694.620 €	n.a.	10 % of total funding budget + administrative fee
<b>WISEED (FR)</b>	Startups, Real estate	2002	For profit	Crowdinvesting	Holding model	76 (n.a.)	357.064 €	27,136,900 €	n.a.	Between 5 and 20 % of the funding budget
<b>IndieGoGo<sup>2</sup> (US + EU)</b>	Any	2007	Non-profit, For profit / commercial	Crowdsponsoring	Threshold pledge, flexible fundings	24.750 (9 %)	9.495 \$	235.000.000 \$	n.a.	5 % of total funding budget (AON + KIA), 25 % discount for non-profits
<b>SellaBand (NL + DE)</b>	Music	2006	Non-profit, For profit / commercial	Crowdsponsoring Crowdinvesting	Investment	n.a.	n.a.	4.000.000 €	n.a.	15 % of total funding budget
<b>Startnext (DE/A/CH)</b>	Any (focus on creative projects)	2010	Non-profit, For profit / commercial	Crowdsponsoring Crowdinvesting	Threshold pledge	2.903 (56 %)	7.538 €	21.883.396 €	n.a.	Transaction fee: 4 %, optional donation supporting startnext
<b>Goteo (ES + EU)</b>	Social	2010	Non-profit, For profit / social business	Crowddonating Crowdsponsoring	Threshold pledge	413 (69 %)	6.743 €	2.785.116 €	48 €	4 % of total funding budget
<b>Krautreporter (DE)</b>	Journalism	2014	Non-profit	Crowdsponsoring	Club model	n.a.	n.a.	1.000.611 €	57 €	None, platform is financed by shares of membership fees
<b>Visionbakery (DE + EU)</b>	Any	2010	Non-profit, For profit / commercial	Crowddonating Crowdsponsoring	Threshold pledge	274 (57 %)	3.597 €	1.177.752 €	55 €	11,9 % of total funding budget
<b>Seedmatch (DE)</b>	Startups	2011	For-profit	Crowdinvesting	Threshold pledge	81 (n.a.)	291.275 €	23.593.250 €	965 €	Between 5 and 10 % of total funding budget
<b>Betterplace (DE +</b>	Social	2007	Non-profit	Crowddonating	Threshold pledge	14000 (n.a.)	1.680 €	23.529.850 €	n.a.	Free, optional donation from starters and backers

<sup>2</sup> IndieGoGo does not publish campaign statistics. The data presented here is based on an analysis by <https://www.krowdster.co>

Platform (country)	Sector	Platform start date	Main target group	Crowdfunding model(s)	Platform business model	No. of successful projects (success rate)	Avg. Amount of money pledged per project	Cumulated amount of money paid out in total	Avg. pledge per supporter	Costs for submitter
<b>worldwide)</b>										
<b>Wefund (UK)</b>	Creative projects	2010	Non-profit, For profit / commercial	Crowdsponsoring	Threshold pledge	398 (n.a.)	n.a.	n.a.	n.a.	5 % of total funding budget
<b>FundedByMe (SE + EU)</b>	Any	2011	For profit / commercial	Crowdsponsoring Crowdinvesting Crowdlending	Threshold pledge	418 (n.a.)	122.706 €	11.990.155 €	5.935 €	6 % of total funding budget, For equity-based campaigns: 8 % of total funding budget + additional fee of € 500, For loan-based campaigns: 4% of total funding budget + 1% administration fee on repayments made to lenders
<b>DonorsChoose (US)</b>	Classroom projects	2000	Non-profit	Crowddonating	Threshold pledge	596.339 (68 %)	706 \$	336.363.918 \$	68 \$	Free, optional donation from starters and backers
<b>Kiva (US + worldwide)</b>	Any	2005	Non-profit	Crowdlending (Micro-lending)	Micro-lending model	930.650 (99 %)	416 \$	742.269.400 \$	10 \$	Free, optional donation from starters and backers

### 3.3 Factors of success

This chapter examines determinants of success for crowdfunding based on experiences of successfully run crowdfunding projects. Before we present seven successfully concluded projects we start by taking a closer look at data-based literature studies first.



#### *At a Glance: Factors of Success*

- 👍 **Social capital** is key: Build a diverse team covering many different competencies and communicate them clearly to your supporting community.
- 👍 The **quality of your campaign** reflects the quality of your project: Plan enough time to carefully prepare and your campaign.
- 👍 Be **visual**: Produce at least one video and possibly develop other materials like images that visualize your project.
- 👍 Be concise, but **complete** in your presentation. Your project description should cover every important aspect of your project.
- 👍 Do not underestimate **hedonic aspects**: Especially for social projects, appealing to the emotions of the capital-givers and implementing entertaining elements will maintain interest and show your professionalism and passion.
- 👍 **Regular updates**: Frequently publishing news on your campaign page and actively communicating with your supporting community has a large impact on the success of your campaign.
- 👍 **Community engagement** is vital: Foster your social networks, grow and engage a large community on Facebook and Twitter already before starting your campaign.
- 👍 **Think global, act local!** Successful campaigns are those that reflect the underlying culture of their geographic region and engage communities close to them.
- 👍 **Keep it short, keep it low!** The lower the funding goal and the shorter the campaign the higher the chances of a project are to succeed
- 👍 **Suitable rewards**: When deciding for a reward-based crowdfunding campaign, develop a set of rewards that are related with your project and that would boost the social image of the backer.

### 3.4 Guidelines for planning and implementing a successful crowdfunding campaign for DSI

The following eight steps aim to guide you in the process of deciding, whether or not crowdfunding is a funding scheme that is suitable for your venture and if so, to provide guidance in the planning, preparation and running of your crowdfunding campaign. The aim of these guidelines is not to cover every aspect of your campaign in detail, as these details will vary to a large degree depending on the specific nature of your project. Rather this guide aims to support you by structuring the process of your work integrating the knowledge about crowdfunding success criteria. The step-by-step guide

provided in full detail in deliverable [D5.2 Best-practice guide for crowd funding](#) will facilitate the process of planning, developing and running a successful crowdfunding campaign for Digital Social Innovations. The following summary aims to provide the key information, tools and checklists for social innovators interested in starting a crowdfunding campaign.

### 3.4.1 Step 1: Decide if crowdfunding is appropriate for your project

Crowdfunding is generally a good option for your project if one or more of the following points are met:

- ✓ **You can clearly communicate and explain your project's added value.** Projects whose business model or concept cannot be clearly communicated and easily understood by most of the people will probably encounter difficulties in raising money through crowdfunding. People won't pledge money if they cannot immediately understand the added value of the business.
- ✓ **Your project has already a fan community on social networks.** Crowdfunding is all about leveraging your existing networks and expanding them. Having, before starting the crowdfunding campaign, a community of fans and followers on social networks will certainly be of great help in raising money and awareness.
- ✓ **You want to test the market potential of your project.** Crowdfunding is also a great market survey tool. By launching and promoting a crowdfunding campaign one can test the market potential the project has, that is if there is a good demand for the solution one is offering. This, eventually, could also come handy when approaching, later on, professional investors, like VCs and business angels.
- ✓ **You want to raise capital, but also promote the project.** A well run crowdfunding campaign will not only provide you with funding needed, but also generate a lot of buzz on social network and raise media attention.

### 3.4.2 Step 2: Start your project and test your concept

Prior to the crowdfunding campaign, develop the social enterprise as far as possible through bootstrapping. This step shows that the project is moving forward and demonstrates that the founders are actively developing the enterprise which suggests that any funding will be fruitful. A very valuable step to maximise your chances for a successful solution and a successful crowdfunding campaign is to carry out an early concept or prototype test with your target groups.



#### *How to test your Concept*

One key prerequisite to achieve a high impact in developing Digital Social Innovations is the user-centred design involving your target users right from the project start (co-design). Following an iterative development cycle, it is advisable to carry out such a concept test / prototype evaluation involving your target users as early as possible. There are many different and easy to use techniques available to carry out such early-stage evaluations (user analysis, concept test, etc.) taking place even before a running system is available (using click-demos, mockups or paper) – for example:



- 👍 Scenario-based testing
- 👍 Wizard-of-Oz prototyping
- 👍 Paper prototyping
- 👍 Video prototyping

For possible methods other than the few stated above and further details on how to apply them, see for example <http://www.ucc.ie/hfrg/projects/respect/urmethods/methods.htm>. Choose an applicable methodology and carry out an evaluation/test of your envisioned solution and use its results to refine your concept. A positive side effect of testing your concept with your target group is that this will also contribute to the development of your community (see step 3).

### 3.4.3 Step 3: Develop awareness of your project and create a community

The key to crowdfunding or online fundraising is not asking for money. Instead, it is about building and engaging a community of followers. All starters should consistently exploit social media before and during the crowdfunding campaign to advertise the project and signal commitment to the success of the project.



#### Social Media Checklist for Crowdfunding Starters<sup>3</sup>

##### Twitter

- Use popular and trending hashtags to raise awareness for your project and campaign.
- Always include your campaign link whenever you tweet about it.
- Ask for retweets to help spread the word.
- Tweet at people (even those you don't know) who might have a special interest in the subject of your campaign.
- Gain followers by following others and actively engaging them.
- Be careful not to tweet too much — nobody likes spam.
- Make sure your teammates also tweet to

##### Facebook

- Use both a personal and a campaign-specific profile to send regular campaign updates.
- Always include a link to your campaign whenever you write about it on Facebook.
- Ask people for feedback and engage them with questions.
- People are more likely to “Like” and “Share” media, not just text.
- Use pictures and videos to show your rewards, campaign sneak peeks, and more.
- Tell people about your rewards — be specific.

<sup>3</sup> Based on [IND15]

their followers about the campaign.

- Tell people about your rewards — be specific.

### Instagram

- Take pictures documenting your campaign journey.
- Take pictures of events relating to your project.
- Follow others on Instagram who might be interested in your project or who work in its industry.
- Tag words that relate to your project.
- Tag your pictures with a link to your campaign.
- Use photos to show your rewards, campaign sneak peeks, and more.

### Pinterest

- Use your Pinterest account to build your project's vision and "brand."
- Pin pictures of your rewards and anything else visually interesting that relates to your project.
- Pin videos and images that lead back to your campaign.
- Include a campaign link on your profile page.

#### 3.4.4 Step 4: Prepare your campaign

When you are planning your crowdfunding campaign, having a concrete and specific objective to share with your potential backers is fundamental, because it helps you to calculate and define your goal.

When setting the target goal of your campaign, you should try to keep it as much real as possible. Everyone would love to collect € 50.000 through a crowdfunding campaign, but not every project has the premises to do so. You should consider the issues raised above, your networks -i. e. what type of persons you are connected to – and your funding needs. Estimate a target budget and ask yourself:

**GIVEN THE NETWORKS, I AM CONNECTED TO AND THAT I CAN EASILY TAP INTO,  
WOULD I BE REALISTICALLY ABLE TO REACH THE TARGET BUDGET IN THE SET TIME?**

If the answer is no, you need to re-estimate the goal, if the answer is yes, you can go on. However, always keep it mind that lowering further the target budget may be a very good strategy. In fact, it makes your campaign more achievable and it makes certain you will be able to deliver on your promises. Moreover, a successful campaign has a greater marketing and visibility return than one that did not meet its target.

As a rule of thumb, set your goal so that you can reach 20% of your goal within the first 48 hours from your friends, family and close network. As highlighted in section 3.3, statistics show that once you have surpassed the threshold of 20 %, you are very likely to succeed in getting the rest to fulfil of your funding goal. If it is not possible to reach 20 % within the first 2 days, consider lowering your goal – you can always surpass your goal if you hit it.



## *Choosing your Type of Crowdfunding*

### **Crowd-donating**

- If your project is not for profit or if you are supporting a social cause. When there is a social cause at the base of your project, people do not need material rewards in exchange of donations, because, donating, in this case, is just a matter of being altruistic.

### **Crowd-sponsoring**

- If you can offer appealing rewards at zero or low costs. When you calculate the target budget you want to raise through crowdfunding you need to take into account the costs associated with the reward production and delivery. Therefore, the less expensive are the reward costs, the better it is for you.
- If you do not want to give away equity capital. If you need capital, but you are not willing to give away equity, reward crowdfunding might be the solution for you. In fact, you are receiving money in exchange of products or services.
- If you have a tangible product. If you are offering a tangible product, crowdfunding can be an excellent solution for you to raise capital. In fact, reward crowdfunding has proved to work great as a pre-sale tool for hardware products, since the product is offered in exchange of a money pledge that is slightly less of what would be the retail price. Pre-ordering schemes are more successful when the funding needs of the entrepreneur are low and in larger markets for products that can reach a large base of customers. Pre-sale rewards typically require the existence of a prototype at the time of crowdfunding, i.e. the project should be in a rather advanced stage [BEL12].

### **Crowd-investing**

- If you have a potentially profitable and well planned business model. For example, for web entrepreneurs, who lack a tangible product, but may have an interesting business model in mind, equity crowdfunding might be the right choice. Profit-sharing schemes are more likely to be successful when funding needs are high and for products or services that are very specific in nature, are only of use to a narrow set of consumers or the project is in an early stage of development (e.g. prototype development) [BEL12].
- If you do not have access to professional investors. If you have troubles finding a couple of professional investors willing to invest in your project, either because you do not have the right connections to reach them or they are simply not interested in your project, do not give up! You can always try to run a crowdfunding campaign and prove them wrong!

### **Crowd-lending**

- If you can prove you are able to pay the loan back. This is particularly important in order to receive a good evaluation that will allow you to get a loan at a competitive cost.
- If you want to exploit the leverage effect.



## Campaign Building Checklist<sup>4</sup>

### Project video

- Make a short video (1-3 minutes) that expresses your goals and intentions.
- The first ten seconds of your video count. First impressions are everything.
- Star in the video yourself to make it more personal.
- Give contributors a sneak peek of your project or product.
- Use music to set a tone for the video and the campaign.
- Make sure the video is clear and concise — visuals help.
- Invite your audience to join you on your journey — you're not just asking for money.
- End with a clear call to action.

### Rewards

- Make rewards names and descriptions clear.
- Ensure you can fulfil rewards and still complete your project.
- Call out the urgency of rewards availability related to the length of your campaign. Use words like "limited edition," "exclusive," and "early-bird."
- Create rewards that will connect the contributor to the project emotionally as well as physically.
- Consider your rewards pricing strategy — offer a \$25 reward and a \$100 reward to incentivize funders with varying disposable incomes.
- Make sure to tell contributors to add the cost of shipping — or include it in the reward's value if it's a physical good.

### Project description – Tell your story

- Put the most important information first.
- Tell a compelling story, and keep it short.
- Break long text into sections with headings.
- Explain exactly why you are raising money.
- Share details about yourself, your team, and important events or people that shaped your project.
- Build trust with a specific budget breakdown.
- Spelling and grammar are important, so be sure to proofread.
- Include pictures of your rewards in the pitch text. They add personality and help break up lots of copy.

### Links

- Add links to Facebook, Twitter, and other social media channels related to your campaign.
- Add links to your business/other website — outside links help legitimize your campaign.

<sup>4</sup> Based on [IND15]

### 3.4.5 Step 5: Choose a crowdfunding platform



#### *At a Glance: Crowdfunding Platforms for Social Causes*

While a detailed overview of the crowdfunding market and platforms has been provided in section 3.2, the following table provides a snapshot of those platforms that are most suitable for social innovators:

Platform	Sector	Main target group	Crowdfunding model(s)	No. of successful projects
Kickstarter	Any	Non-profit, For profit / commercial	Crowdsponsoring	90.688
IndieGoGo	Any	Non-profit, For profit / commercial	Crowdsponsoring	24.750
Startnext	Creative projects	Non-profit, For profit / commercial	Crowdsponsoring Crowdinvesting	2.903
Goteo	Social	Non-profit, For profit / social business	Crowddonating Crowdsponsoring	413
Krautreporter	Journalism	Non-profit	Crowdsponsoring	n.a.
Visionbakery	Any	Non-profit, For profit / commercial	Crowddonating Crowdsponsoring	274
Betterplace	Social	Non-profit	Crowddonating	14.000
Wefund	Creative projects	Non-profit, For profit / commercial	Crowdsponsoring	398
DonorsChoose	Classroom projects	Non-profit	Crowddonating	596.339
Kiva	Any	Non-profit	Crowdlending (Micro-lending)	930.650

### 3.4.6 Step 6: Design the crowdfunding campaign on the platform

This step involves making a pitch for your social enterprise. This includes explaining how the enterprise will address a social or environmental issue and how the activity will generate income to sustain itself. When using reward-based crowdfunding, you have to produce a good contribution-reward layout that will incentivise small funders and those with greater resources to contribute. This means offering a wide range of possible contributions in exchange for rewards that match each one of the possible contributions.



#### *Determining Rewards and Donation Tiers - Giveaways for Giving?<sup>5</sup>*

Many organizations use rewards and premiums (gifts) to incentivize donations, and it has become a common element of crowdfunding campaigns. Rewards can range from the most basic, like donor acknowledgment on social media, to high-end gifts or recognition by the organization.

<sup>5</sup> Based on [CAU15]

- ☑ **Surprise them!**  
Everyone loves an unexpected gift or note of thanks. Think about going beyond the standard automated email thank you and mailing a handwritten note, or sending a gift after the donation has been completed.
- ☑ **Align with your mission**  
If you really want to give your donors a gift, pick something that fits your purpose. Examples: a dog bandana or collar if you are an animal shelter, a personalized or branded notebook if you're an educational organization, or a recipe guide made by your team if you work on food and hunger issues.
- ☑ **People, not premiums**  
Think about what you would want from a non-profit you support, and choose something that creates a deeper connection with your donors. For instance, an exclusive conference call with the Executive Director, or a special note from someone who was affected by the campaign.

Another popular feature of crowdfunding is using donation tiers to provide several options of giving for a campaign. It removes the guesswork for the donors, but also gives you a chance to tie your goals more specifically to your mission, giving the donor a better handle on what they are supporting. To determine the donation tiers for your campaign, take a look at your total fundraising goal, what the funds will be used for, and what it will take to get there. Each campaign will be different, so your tiers may vary from one project to the next.



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### *How to shoot a great Crowdfunding Video<sup>6</sup>*

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- ☑ **Tell a story.** A good shot will tell a complete story. This means it should include a subject and an action. In particular, the public wants to know who are you, what are you doing, why you are doing that, why you are using crowdfunding and why you need people's support.
- ☑ **Show us your face.** It is important for potential backers to see your face and get to know a little bit who you are. Try to look trustworthy. As shown by an academic study, this will help people in their decision to invest. Would you give money to someone of which you never saw the face or that does not look trustworthy to you?
- ☑ **Communicate emotions.** While telling your story try to transmit emotion too. Leveraging empathy will help you to be liked by the viewers.
- ☑ **3 minutes or less.** People's attention span is quite short. That's why you want to keep your video pitch under 3 minutes of length. It might seem to you a too short time, but in reality it is enough.

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<sup>6</sup> Based on <http://www.eurocrowd.org/2014/07/shoot-great-crowdfunding-video/>

- ☑ **Always say thank you.** Sometimes people give it for granted, but it is really not. Saying thank you at the end of your video will be appreciated even by those people that do not pledge any money, but who take time to watch the video until the end.
- ☑ **Use a stool.** To have a more quality shooting, it is advisable to use a tripod to get more stable images. In case you do not have it, use a kitchen stool!
- ☑ **Put some background sound.** To obtain a great effect, select an audio track to use as background sound. You can check the internet for websites that offer royalties free sound files.
- ☑ **Edit it to make it look a seamless final product.** If you do not have any experience in editing, what you have to do is using straight cuts, that is no corny transitions between clips. You can check the Internet for websites that offer low cost editing software.
- ☑ **Make it fun.** Always remember that the video must not be boring. Once you have it, ask for feedback to your friends to see if they find it boring and how it can be improved.

### 3.4.7 Step 7: Launch and manage your campaign



#### *Key Tasks during your Campaign*

- ☑ Crowdfunding campaigns are most successful between 30 and 40 days duration.
- ☑ Post updates once or twice per week that feature your campaign's progress
- ☑ Use updates and new rewards to combat the usual mid-campaign lull in contributions. Campaigns that send out at least three updates raise about 115% more money than those that don't

### 3.4.8 Step 8: Stay informative after your campaign ends

Keep your contributors well-informed about the status of their rewards — people are surprisingly patient as long as they know they'll have to wait and that you're making progress (even if there are unexpected delays). Maintain relationships and communication with your contributors and followers through your social channels and your website or blog. Be ready to implement your budget wisely. A number of online services can help you efficiently fulfil the rewards. Especially for crowdfunding campaigns with a social cause it is vital to keep your backers and your wider community informed about the progress you are making with your project. Be transparent about the usage of the funds raised and about the course of your project. Wherever possible, involve your community in the development of your project (see step 2). Take a moment to think about what went well and what could be improved—you can use this knowledge to make your next campaign even more successful.

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