

Crowd Funding

Crowd funding is a powerful way for individuals, groups or organisations to raise funds for a project in a public forum online.

Donors from around the world can view and support these projects, and help them reach their funding goals by pledging to their online campaigns before the project deadline.

The practice of funding a project or venture by raising monetary contributions from a large number of people. Crowd funding is a form of crowdsourcing and of alternative finance.

Crowd funding is

Fast

In comparison to traditional strategies to gain funding such as grant and tender writing, crowd funding can provide funding in a short timeframe.

Empowering

Crowd funding gives individuals the chance to support something that speaks to them personally, to fund outcomes and be updated on the progress of the project.

Democratic

Crowd funding provides the opportunity to democratise the funding landscape by using the collective power of individuals to fund and realise new and innovative ideas.

Crowd funding is not

Ongoing

Crowd funding is generally for a one off project but if you gain a loyal following additional projects can be promoted to your supporters.

Guaranteed success

It is difficult to gauge the success rate of crowd funding projects as they are facilitated through private crowd funding platforms. Two of the larger crowd funding platforms have released success rates; Pozible claimed a funding success rate of 55% compared with 43% for Kickstarter in mid-2014, although the latter had funded significantly more projects.

A replacement for other funding sources

As crowd funding is generally for one off projects it is more useful as a complementary funding source.

4 Key Steps to Success

1. Plan

Crowd funding requires a clear plan. Crowd funding relies on marketing strategies and many of the Crowd funding platforms have resources to help your Crowd funding project succeed. You need to make sure you have the time to plan and run a campaign.

2. Great pitch

The description of your project needs to clearly identify the need and describe your project. Remember you are in competition with many other projects that maybe just as worthy as your project. Have multiple hooks to engage as many different groups of people as possible.

3. Audience that cares

Crowd funding initially relies on personal contacts or networks that already support the work your organisation does. Crowd funding projects often speak to people on a personal level and there is an initial trust relationship with knowing the project. From there the project spreads out to friends of friends and friends of friends of friends.

4. Proactive

Successful crowd funding projects require regular attention throughout the campaign including email and social media promotion. It is not a case of set and go.

Crowd funding and the community services industry

The popularity of crowd funding in the community services industry is relatively new – it is worth experimenting in this space and sharing your experiences, while also keeping a watching brief. A few questions raised by academics Danielle Logue and Markus A Hollerer are worth contemplating;

- What about local communities where there isn't a surplus of funds amongst citizens to build a new piece of infrastructure – does this reinforce inequalities, or reconnect communities?
- Does this collective action enable the state to back out of providing public services in some policy fields, while being left with others?
- How does it fit with traditional ways of financing social projects via the tax system?
- What is the role of traditional philanthropists and family foundations as they now compete with the “crowd” for the best deals?

Resources and further information

Crowd funding platforms are changing regularly and have different structures and rules, make sure you research the pro's and con's of a platform and choose one that suites your needs. Also, visit the [Australian Taxation](#) office website to see the taxation requirements on funds raised.

For a selection of free e-tools to assist you with your Crowd funding campaign [click here](#).

Danielle Logue and Markus A Hollerer, 2015, Civic crowdfunding will challenge governments and charities, The Conversation, <https://theconversation.com/civic-crowdfunding-will-challenge-governments-and-charities-46977>

Ethan Mollick, The Dynamics of crowdfunding: An exploratory study, Journal of Business Venturing, Vol 29 Issue 1 Jan 2014, <http://www.sciencedirect.com/science/article/pii/S088390261300058X>



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