Fundraising strategies

How to finance your business idea

What is Fundraising?

- Fundraising is a strategically oriented method to obtain the sustainability of a social project over time.

- It is an ongoing and complex activity aiming to the organisation's stability and sustainability, in order to achieve its social mission.

Fundraising tools

1. Public Tenders
2. Crowdfunding
3. Popular Shareholding
4. Membership Fee
5. Fundraising Events
6. Sponsorships
7. Donations
8. Business Angels

Contact collection is an important resource for fundraising.

Equity Capital

Before seeking funds, it is important to have your own capital.

OWN RESOURCES = OWN CAPITAL

This shows that you believe in the project to the point of investing your own resources.

It gives reliability to the others.

1. Crowdfunding

Crowdfunding can be defined as the collective effort of many individuals who create a network and pool their resources to support other people or organizations through internet so that they may fulfil projects.

Individual projects and businesses are financed with small contributions from a high number of individuals.

When those who control traditional credit struggle to recognise the value of an initiative, financing from the base is a real and concrete possibility for realising your own project.

Crowdfunding ingredients

- "Crowd": The main actor is the crowd. It is a community of individuals who, by joining online platforms, spontaneously decide to support collectively the implementation of a project or initiative.

- "Funding": A multitude of very small financial amounts – even a few euros – by individuals in the 'crowd' raise a significant total sum of money available for the purchase of significant capital-based resources.

- "Web": A Crowdfunding platform is a virtual place where designer and supporter can meet and aggregate ideas on creating a shared sense of ownership when funding projects, cultural events and social initiatives.

Types of crowdfunding

a) Reward-based

b) Donation-based

c) Lending-based

d) Equity-based

a) Reward-based

- Such a reward could be the product for which the contribution is being made or just a symbolic recognition (e.g., a gadget, public acknowledgement of the donor's name – something simple…);

- A launch can take place in collaboration with organisations that intend to co-finance projects (including municipalities, associations, banks, etc.) that make tenders to identify the terms required.

- It is possible to launch a fundraising campaign using online platforms.

Two types of fundraising campaigns on online platforms

1. **Take it all**: you can use the resources collected even during the campaign and you use the contributions even if the target figure is reached, scaling back the ambition for the project initially envisaged.

2. **All or nothing**: the entire amount is available only by the end of the campaign, and only if we reach the planned amount. It is more serious and reliable.

Crowdfunding costs

1. Platform costs
2. Transaction cost for each donation
3. Costs of realization and delivery of rewards
4. Campaign promotion costs

It is important **to plan a budget** for the fundraising campaign.

b) Donation-based

This is mostly used by non-profit organisations to fund non-profit initiatives.

c) Lending-based

- Private individuals make small amounts available to provide micro-loans to people and businesses.

- Those who make money available are seen as investors.

- Those who receive money must pass an assessment process, which is very similar to that by the bank.

d) Equity-based

- This offers equity instruments issued by some companies.

- In exchange for the loan paid, you become a full member.

Construction of the crowdfunding campaign

THE PLATFORM

- There are no better platforms than others, to choose you will have to consider several factors:

  - "Take it all" vs "All or nothing";
  - Specialised platform vs Generalist platform;
  - National vs International geography.

Construction of the crowdfunding campaign

THE TIMING

- Choose a duration that allows you not to run down enthusiasm for your project, but one that allows the community to get to know the project and support it.

- "More days online = more funds raised" does not apply in crowdfunding.

- On average, a crowdfunding campaign lasts 40 days.

Myths about Crowdfunding

"Everything can be financed"

- Only a minority of proposals reach their goals and receive adequate financing because this myth is often believed.

- Only causes, products and services that generate enough interest to generate contributions gain the necessary support.

- Try asking colleagues and collaborators: "Would you contribute to this proposal as it stands?"

Myths about Crowdfunding

"I just need to present a good idea for it to work"

- The idea is **never** enough on its own.

- One needs to have a specific proposal.

- The proposal must be easy to imagine quickly and understood on first reading.

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Myths about Crowdfunding

"I can launch the campaign and just wait for the results"

- An entrepreneur and the team engaged in the campaign need to identify supporters and motivate them.

- They need to implement a prepared programme of regular communication to give updates and disseminate 'good news' about the campaign.

- They need to give the campaign constant, ongoing energy to the very last day – from start to finish.

Helpful tips

<u>From the Idea to the Project</u>

- Make the idea clear and concise,

- Identify and analyse the target market,

- Establish the strengths and weaknesses of the project,

- Define the primary and secondary goals to achieve.

<u>Reliable and Regular Communication</u>

- Base the campaign online as much as possible. The Internet is the natural setting for reaching the 'crowd'

Helpful tips

Pre-launch marketing

- **Plan** the contents of the campaign in as much detail as possible.

- Target any stakeholders and additional interested people who may be open to being involved.

- Make a map of your relationships to secure the engagement.

- Remember that between 50%–70% of contributions to your project will come from the community you successfully engage.

Helpful tips

<u>Reference community</u>

- Use the map of the physical and virtual spaces where your reference group meets.

- Raise the team's knowledge about the range of interests with which the group engage.

- Seek the group's understanding that there is shared 'common ground' between the proposed project and their interests.

Helpful tips

<u>Offline presence:</u>

- Actively promote your project offline as well when online engagement is more difficult with an important stakeholding community

- Try to introduce yourself to this public face-to-face and in person, at meetings events and

- if absolutely necessary, consider possibly going to front doors talking to individuals if you feel this could generate positive word-of-mouth, though this can also sap resources.

Level of Formality

Crowdfunding is halfway between formal tenders and other highly informal fundraising tools like street collections.

Formal Elements:

- Crowdfunding requires the fundraising team to write a medium-structured project:

- The team must explain the aims and objectives in detail on their website, with both text and a video.

- This needs to clearly present the organisation's background and what it wants to achieve with the financial resource being sought.

- It must be reliable, precise and convincing as the team is speaking to those who already know the organisation to some extent, but also to a new audience.

Level of Formality

<u>Formal Elements:</u>

- The team must report on how it spends the amount raised for the value of transparency and to show respect for the community that has contributed.

- A campaign requires a dedicated team of people committed to working on it consistently, even if this is for a limited period time, a couple of months being usual.

- The amount raised is designated and allocated to a set objective.

- The organisation only uses the resources raised in the project when the amount required has been collected so that the project can be fulfilled.

Level of Formality

<u>Informal Elements:</u>

- It can be used to collect different amounts of money across a very broad range.

- This can be from a few hundred Euros to several thousands, depending on the context of the project and the nature of the target audience being addressed.

- The team can start the campaign at time of its own choosing, not according to a set timetable with imposed deadlines;

- The team can freely choose which expenses it seeks to cover with the amount being raised rather than this being specified for them by the funder.

3. Popular Shareholding

- This is a tool to support a project with a strong social impact by proposing the purchase of Share Capital on the company to supporters who then become shareholders;

- The main characteristic is that this comes 'from below' – from the community, from citizens, from the social base;

- The popular shareholding activity develops a dense network of relationships with the local community;

- It is a mutual financing tool based on an ethic of solidarity.

- It is important to demonstrate the value added for the community through the raised capital.

4. Membership fees

If establishing an association, one may have income from:

- **Membership Fee**: Initially, or initially and each year after that, individuals pay a sum to be a member and so enable participation in association activities and the right to vote.

- **Additional Association Fee**: the member pays an additional amount for an association service so the member can participate in specific activities (e.g., a course or a concert).

Donations are different because these are also made by non-members.

5. Fundraising Events

- The Association can collect donations when it wants to do so and at any time.

- It can also organize **Fundraisers**, events that raise money from attendees in exchange for the sale of goods or services.

- But they must be occasional and a report must be made for each fundraiser.

- These are kept in the records and approved by the Association's members.

5. Fundraising Events

Examples:

- Selling second-hand items
  (perhaps donated by members or supporters,
  or from shops).

- An evening of games or challenges as entertainment
  for the attendees
  (e.g., bingo, a quiz, Karaoke, and the like).

- Dinners.

- Paying to participate in a fun cycling, running or
  walking event.

6. Commercial Sponsorships

-   This is a contract between two parties.

-   A sponsoring organisation agrees to provide a set economic amount in a commercial exchange.

-   Such an exchange is likely to be for the provision of promotion by, and association with, a positive community-based service or project.

-   Promotion can be provided on any form of media set out by the sponsored organisation.

6. Commercial Sponsorships

- Promotional media could be the website, e-literature, printed materials, or advertising boards at an event.

- During an event, the sponsoring organisation may also provide a speaker to underline the endorsement.

- Any of this can promote the name, image and brand of the sponsor, or allow 'taster' elements of their knowledge to be disseminated.

- The key thing to remember is that this is a **commercial** exchange, not charity, and must be treated as such to ensure the sponsor is engaged.

7. Donations

- A non-profit organisation receives a donation from a third-party as a mere act of generous patronage, so is not obliged to provide anything in return.

- However, the organisation may *offer* to do so in order to nurture goodwill.

- For this, it can propose putting the logo of the donor on its materials, or identify donors on its website.

- Always ask if this is what the donor would appreciate as many donors would prefer to remain anonymous.

8. Business Angels

- These are investors looking for business opportunities with registered companies.

- 'Business Angels' are people who invest their money in the initial phase of start-ups.

- The investment is in exchange for a holding and identified participation in capital.

- They may have a 'mentorship' role in a start-up, where personnel may lack experience in the business world.

8. Business Angels

- As well as mentoring, they make their network of knowledge and contacts available for company use.

- They should be considered as being active stakeholders in the company.

- Their goals are to accumulate added value in a short time by helping the company to develop at speed.

Credit

- One of the main tools for start-up businesses seeking to fulfil capital requirements and associated activities.

- However, it is only suitable for projects that already have good sustainability.

- This means that they can guarantee income and the payment of a loan as the loan is requested.

Credit

- Companies apply for credit because they need an 'initial push' in the project.

- The hope will be that this can then become sustainable on its own.

Microcredit

- Microcredit is a loan activity to gain only **small amounts of financial capital.**

- This is for individuals and small businesses that do not meet their needs for credit in the traditional banking circuit.

- Being excluded from gaining credit may be the 'fruit' of many factors.

Microcredit

- These may include, for example:
    - a lack of the required bank guarantees;
    - request for small amounts of money that do not offer enough interest return for the lender;
    - the rigidity of banking procedures which do not take into account the complexity of human situations.

- The limits of the normal credit system lead to the exclusion of a large part of local populations.

- This increases the number of those who request social services subsidies.

Microcredit

- Seekers of microcredit are individuals and small enterprises.

- Microcredit for enterprises addresses women and men who want to carry out a job project.

- The aim is to guide people with training courses to:
  - the realization of a project ;
  - the consolidation of an already started business.

Microcredit

- Microcredit for enterprises aims to:

  - ○ Raise awareness about the responsibilities when starting a business.

  - ○ Identify all the responsibilities for organisations that have a specific ethical, moral and tax commitment;

  - ○ Evaluate the sustainability of the project together with the microcredit supplier.

  - ○ Direct the business idea towards good practice in the project work.

- This can make the applicant appear as trustworthy to a larger credit institution when financing the project.

Choosing whether to resort to tenders or other forms of financing

Addressing the Key Issues

Identify the amount required

- Low ➡ possibly **Fundraising Dinner**
- Medium ➡ possibly **Crowdfunding**
- High ➡ possibly **Tenders**

Know the reason for seeking the capital

For example:

– to cover annual needs for ordinary activities.
  ➡ **Membership fee, ordinary donations, popular shareholding**

– for the purchase of a specific asset
  ➡ **Ad-hoc fundraising, perhaps with events or sponsors**

– for the launch of a new project
  ➡ **Tenders, Crowdfunding**

Addressing the Key Issues

Queries

- Can the organisation anticipate a successful tender and proceed, gambling that the amount will be covered later?
- How many staff or volunteers are available to work on any tender?

Notes

- Some tools require only occasional work while others require a more regular commitment).
- Some tools require technical knowledge.

Addressing the Key Issues

- In all cases, it is always good to know a full range of tools.

- It can often be useful to use a **combination of different tools** to maximise their effect.

- A team may combine by seeking co-financing in a Call for Tenders, or seek to build sustainability to the activities over time.

Tenders vv. Other Fundraising Tools

Organisations use tenders if they want to carry out a structured project to meet the need they have identified.

Tenders	Other tools
Writing a well-structured project. In particular, give context to the needs, identify specific objectives, state how one intends to achieve them, in what timeframe, the indicators of success, and the like. Specific knowledge is needed to correctly understand what the tender is asking for as it is essential to include this information.	Explaining to members and donors what the purpose is of the fundraising. The more precise one is, the more credible it is. There is no need for a long and complex project description like there is for a tender.
Usually used to collect high amounts (but also the number of activities will be high).	Usually this is for small and medium amounts.

Tenders vv. Other Fundraising Tools

Tenders	Other tools
The idea must be within the project lines proposed by the funding body. Organisations need to adapt to the exit times of the tenders (in some periods there may not be any notices suitable for your idea).	There is more freedom to ask donors for what you need and when you need it.
Often you have to be ready to work in partnership as this is the trend of many current calls	One can more readily choose whether or not to connect to other options (e.g., to organise, or not to organise, a big event)
The activities must be well structured and detailed. There must be a time schedule and a costed budget that quantifies the expenses related to each activity with estimates as necessary.	A budget is needed, intended as a precise vision of the expenses that you want to cover with the fundraising. However there is rarely any requirement to be as detailed as that required by a call.

Tenders vv. Other Fundraising Tools

Tenders	Other tools
Not **all** expenses are allowed to be 100% funded. This depends on the tender. (usually, expenses for usual human resources and ordinary activities are excluded)	You can freely choose which expenses to cover with the fundraiser within the scope of what the association actually needs.
The budget spent requires very precise reporting. This procedure has its own rules in terms of timing, possible advance expenses, payment methods, and so on. Validated reporting certifies the appropriateness of expenses.	It is always good to report to donors how the amount has been spent, but this is mainly for transparency purposes.
Many tenders require you to cover expenses in advance and only reimburse the corresponding sum upon presentation of proof of payment. It is very important to think how to find the necessary funds for such advanced payments – from internal resources or from other	Organisations only make the purchase if and when they collect the amount they need.

Tenders vv. Other Fundraising Tools

Tenders	Other tools
The calls for tenders are structured to require the organisation to have one or more people who dedicate time and attention to coordination process. The realisation of the specific activities can also be based on volunteers, as they can be for crowdfunding.	The other fundraising methods can often be singular and short-term (e.g., a dinner, lottery, sponsorship request, etc.) and therefore it is also possible to involve volunteers. However, even volunteers must have a minimum level of fundraising skill. In addition, a fundraising campaign requires everyone in the organisation to be involved at some level – from the Board to the volunteers.
The relationship is one between those with responsibility in the organisation and the foundation or funding body.	The relationships with donors are organically directed by individuals, so the relationships are more enriching and deeper, which may bear fruit in the future.

Thank you for your attention.