

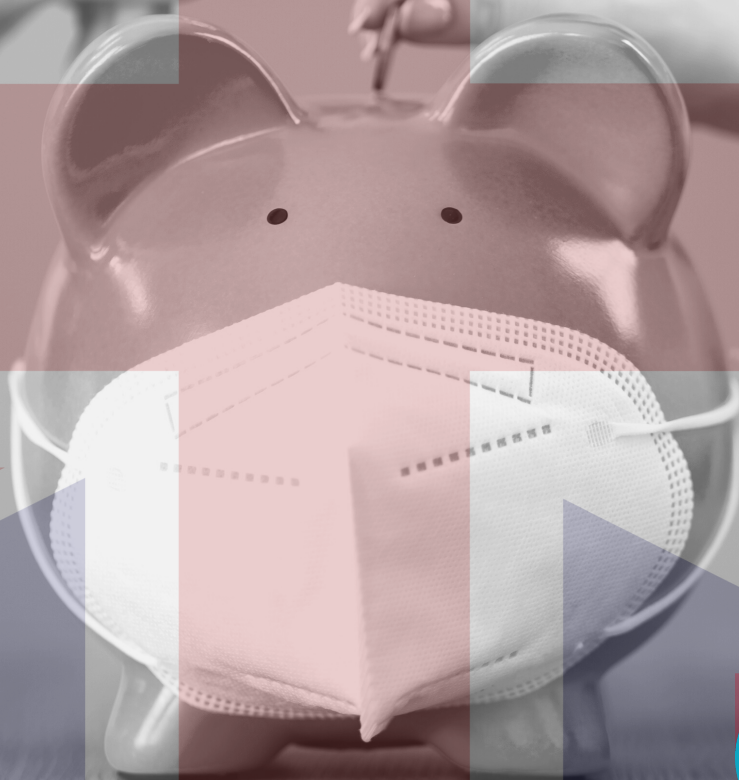
Success.



Co-funded by the
Erasmus+ Programme
of the European Union

Summary Report on Crowdfunding in Social
Enterprises in Europe

Crowdfunding in UK



by John Willcock

COMPARATIVE RESEARCH NETWORK:



SUCCESS

Author John Willcock

Report Italy Guglielmo Apolloni, Andrea Veronelli & Claudia Cellamare

Report UK John Willcock & Jen Milner

Report Poland Pola Kamińska

Report Ireland Amy Keeley & Michael Ward

Report Greece Maria Lianou

Report Germany Nathan Bonnisseau & Tara Bernoville

Design Martin Barthel

**ERASMUS + PARTNERHIP SUCCESS
Supporting Critical Funding for European
Social Economy and the 3rd Sector**

2020-1-DE02-KA202-007404

Published by Comparative Research Network e.V., 2021

Disclaimer

The report was edited and published in the frame of the Erasmus+ Strategic Partnership SUCCESS. Erasmus Plus is financed by the European Union. The European Commission support to produce this publication does not constitute an endorsement of the contents which reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein. The external links in the ebook are being provided as a convenience and for informational purposes only; they do not constitute an endorsement or an approval by the project partners of any of the products, services or opinions of the corporation or organization or individual. The project team bears no responsibility for the accuracy, legality, or content of the external site or for that of subsequent links. Contact the external site for answers to questions regarding its content.



Open Educational Resources

Our Partner ship.

**Comparative Research Network e.V.,
Germany**

Plan A, Germany

**Stowarzyszenie Na Drodze Ekspresji,
Poland**

**Mullingar Employment Action Group,
Ireland**

**Institute of Entrepreneurship Development:
iED, Greece**

RLN U.K. , United Kingdom

School Raising, Italy



SUCCESS



The Basics

UK Crowdfunding Market Size: £7.4Bn,

Share of UK GDP UK GDP £2Tn, so about 0.375%

General Situation of UK

Crowdfunding market still buoyant, but merger of the two big players SEEDRS and Crowdcube has been refused by the UK Competitions and Mergers Authority, a Govt Agency.

It was stated to be a necessary reaction to the current economic situation but the general view emerging is that both will be able to continue to offer this alternative finance option to the UK, of which they control about £140M, or about 90%.

The balance is made up of charitable donation-based and other 3rd Sector-type funding.

Challenges to Crowdfunding.

The 2 major business focused agencies are still unprofitable but claim to be approaching profitability, or are raising additional finance.

Social Enterprises/ 3rd Sector

Definition

The UK Govt lists the following as comprising the 3rd Sector, "The third sector includes community groups, voluntary organisations, faith and equalities groups, charities, social enterprises, co-operatives, community interest companies, mutuals and housing associations.

Size and Structure of 3rd Sector Market,

It depends totally upon definitions of participants. Total Income is £45-50 Bn. Structure includes many charities and Housing Associations, that are responsible for building and

Crowdfunding is increasingly popular as an alternative financing tool for start-ups as well as for more established small and medium enterprises.



maintaining approximately 17% of the UK housing stock available for rent.

Charity Sector main players are:

- Personal contributions - £10Bn
- Social Housing - £8 Bn
- Private Schools - £8-10 Bn
- Charities - £17 Bn

If the value of volunteering is included then the total figure exceeds £100 Bn.

Share of GDP. About 4%

General situation of 3 rd Sector market.

A disparate group, including some educational institutions - universities and private schools, research organisations, a major charity sector and non-government organisations that deliver many government support activities.

Challenges to the 3 rd Sector

The economic shock caused by the Covid pandemic has dramatically reduced the reserves held as salaries continued to be paid but contributions and income earned

fell in many cases to zero during lockdown. Larger declines have been projected for service delivery contracts, public donations, investments, other income sources, and trading activity.

Share of Crowdfunding in 3 rd Sector.

It is still a very small proportion for Institutions, the majority of funds raised are from individuals supporting an enormous range of good causes.

The big players are Just Giving, Gofundme and Crowdfunder. Gofundme operates in 19 countries and has raised £7 Bn in 10 years, Justgiving £5 Bn and recently in the UK,

Crowdfunder has raised over £100 M, and claims to be the UK's largest Crowdfunding platform.

Policies and Strategies

The UK government funds a lot of 3 rd Sector activity both directly as grants and indirectly by contracting with delivery agencies for service delivery for a wide range of activities from social care to housing, support to the elderly and a wide range of training/re-training activities.

The majority of these organisations function as non-profit making, ie are not subject to business taxes on profits/surpluses. Any individual who makes financial donations that is a UK tax payer can confirm this to the receiving organisation such that the organisation can reclaim an additional 20% on any funds donated from the UK Government, although some smaller charities do not collect sufficient donor data to reclaim the 20%.

How is Crowdfunding integrated in 3 rd Sector?

Currently adoption is sporadic and unstructured, being promoted by the platform operators mainly hosting personal and small organisation

campaigns. Large organisations have dedicated fundraising teams that typically focus upon gaining regular donors, legacies and major fundraising events, rather than confuse the donor market with additional crowdfunding campaigns.

In the UK Crowdfunding is predominantly used by smaller charities and those looking to raise funds for a specific activity or cause.

3Which visions or future orientated strategies for the 3 rd Sector exist and which role does Crowdfunding play in those?

Crowdfunding within the 3 rd Sector is very much an ad hoc activity, predominantly promoted by the Platform operators, whose business model relies upon receiving small percentages of donations.

No data has been found to suggest that there is any strategic planning apart from promotion by the platform operators, and for many medium and smaller charities, the use of crowdfunding appears to be mainly absent.

Which reports/projects/research on Crowdfunding in 3 rd Sector exist?

The major player in the UK is ThirdSector(www.thirdsector.co.uk). This is a subscription service that collates information on a daily bulletin, promotes reports and conferences and acts as a conduit for jobs and opportunities across the sector.

The majority of Crowdfunding published papers have focused upon the financial aspects within the business community (equity raising and peer-to-peer lending), rather than the social enterprise/charity sector.

RLN is a subscriber to Third Sector.

Which bureaucratic/tax rules have to be considered for Crowdfunding?

For donations within the UK, if the donor is a UK tax payer the receiver can claim an extra 20% from the Govt on any donation received. For organisations controlled by a board of trustees the situation is more complicated and depends upon the

constitution rules that govern the organisations operations – this is a major stumbling block in the UK, inhibiting the adoption of Crowdfunding as the senior management/accountable trustees do not have the understanding of modern methods of fundraising including digital marketing.

Additionally, GDPR data collection and storage rules inhibit some charities from collecting tax payer signatures to enable the 20% collection. It is likely these same charities have relatively poor IT back-office support and would not currently participate in crowdfunding.

This is born out through low level charity interactions RLN has had in the sector over the last 3 years.





Education and Training

The vast majority of training materials that are available are either guidance from platform operators or a number of online tutorials that explain hints and tips about the different stages of preparing for submitting a crowdfunding campaign, managing the live period and subsequently managing the crowd post campaign, whether successful or failure to achieve funding.

None of the materials (and there are plenty covering the main “Do’s/Don’t’s”) investigate the internal policy discussions that relate to confusion that can be caused to existing funders and how a hybrid model can be integrated into a business model. None explain the need for the vital internal strategic management discussions that are necessary to align senior management with the operational constraints that are legally placed upon trustees.

These include the ability to raise funds that possibly don’t fit with the legal framework originally created for an organisation and which govern its day-to-day operations.

An interesting offering is provided by Charity Digital, which is a software donation platform. Its aim is to improve the digital awareness and access to software for charities, raising their digital expertise and skills and understanding. (<https://charitydigital.org.uk>).

How are those trainings performed what is their content and who is delivering them?

All materials that RLN have researched relate to articles and online published materials that focus upon the pre to post campaign stages. Some offer check lists and “How to do” sections but none are inter-active, nor do they offer online support apart from

Platform operators. No evidence has been found of the training needed to convince trustees of the benefits that can accrue from integrating

Crowdfunding into their donation model, or to uplift the skills needed to run a successful campaign.

Crowdfunding Platforms

Which kind of projects do the Crowdfunding platforms in your country support?

Crowdfunding is available for all types of activity, from equity funding for start-ups and business expansion, to peer-to-peer lending, and all types of donation funding, including reward-based, campaign support and individual need funding.

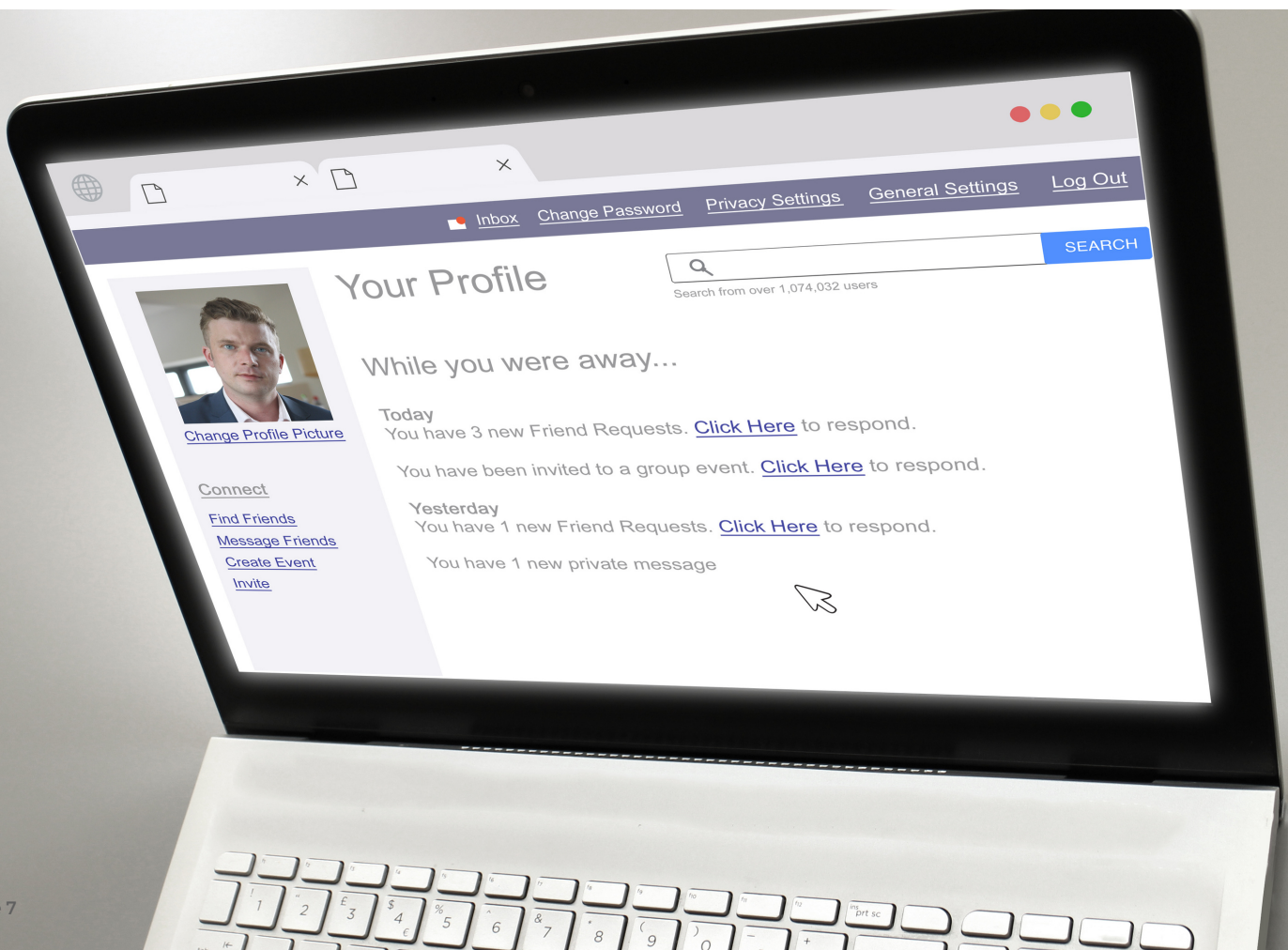
How are campaigns structured and run?

The main crowdfunding campaign platforms lead an applicant through their process, with helpful hints and tips and checklists to ensure that the applicant has the best chance of success. However, the platform providers do not provide any information as to whether their platform is the most suitable for the applicant.

A simple Google search now provides many articles that provide solid guidance on the key stages of a campaign and what are the critical areas that require resource before submitting an application.

.What kind of support and training do the platforms offer for their user.?

All the big platforms (eg, Crowdfunder, Justgiving, GoFundMe) include step-by-step advice and guidance on the what an applicant must consider and what data they need to assemble prior to submission.





Crowdfunding Practices

Practice 1 Crowdfunding in education

Justgiving.com is the most used tool used in the UK for individuals trying to fund educational needs – university fees, educational visits, classroom equipment and classroom-based activities. As well as encouraging participation from the educationally based needs sector, it covers a wide spectrum of need, from homeless charities, health and welfare, foodbanks, the elderly and disadvantaged.

.Practice 2 Crowdfunding in NGOs

Charity Digital fits neatly into this area, it provides platform support across a wide range of areas, including data processing and analytics, fundraising and marketing and communications. It offers free, or heavily discounted software that maximises an organisation's ability to fundraise, improving their efficiency and effectiveness.

Practice 3 Crowdfunding in social enterprises

<https://fundrazr.com> claims to have a focus on social enterprise funding with specific tools and expertise that assist social enterprise entrepreneurs find the funding they need. It claims operational activity in over 40 countries with range of currencies from the USD to Sterling and the Euro. There are also a range of Asian and South American currencies available for donors to use.

Practice 4 Crowdfunding in typical context

The Third Sector/Social economy covers everything from raising money for foodbanks, to supporting International Campaigns, to playground equipment for your local school. Most platforms do not discriminate between causes, and the rates they charge vary considerably.

There is no optimum platform, the most frequently used ones in the UK are Crowdfunder,

Justgiving and GoFundMe, with VirginGiving also having a substantial presence. The climate post-Covid is unsure for many platforms and already we are seeing platforms vanish and merging of platforms to enable survival..