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**Crowdfunding: The New Big Fundraising Trend?**

Much has been said and written about the enormous amounts of money that can be raised online. The Chronicle of Philanthrophy, the major trade paper for the nonprofit world, reports that in 2007 online fundraising accounted for a mere .5% of charitable income. In 2009 this number leaped all the way up to 1%! ( <http://philanthropy.com/premium/stats/onlinefundraising/index>.

php?search=true&year=2010)

These statistics look at a few hundred of the very largest-budget nonprofits. What do these numbers have to do with the majority of much smaller fnonprofit organizations?

If you’ve been working on your online fundraising and have been a little disappointed, at least you can pat yourself on the back if you are doing as well as those majors at that .5 % - 1% level of your total income. Many organizations are finding very poor results from their online fundraising efforts. So to all of you I would say, stick to your online guns, while adding some new tools to your toolkit: The difference between online fundraising and crowdfunding is like switching from a dial-up computer to web 2.0, without stopping at web 1.0 on the way. However, many of us are being asked to raise large amounts of money online, and we are being shown the exponential increases in online fundraising that have taken place in 2011 and being asked to match those. If we can understand what has been going on with the data, we may be better prepared to understand how to work with social media and online fundraising.

**What was so important about 2010 for online fundraising?**

The catastrophic earthquake in Haiti in 2010 moved much of the human race to donate. We had progressed technologically to the point where we could respond to the horror we were seeing on our televisions ***instantly***. And what was the simplest way to do that? Online and on our mobile phones. Cellphones and computers processed so much of the individual giving for Haiti, that a complete change in fundraising took place ***overnight***. In 2009, the largest of the largest nonprofits had collectively raised about $1.2 million in their online giving during the year. In 2010, large charities were ***each*** raising ***hundreds of thousands*** of dollars through texts and online donations on ***each of the days*** immediately following the earthquake in Haiti. People wanted their money to get to Haitians as fast as it possibly could, and they knew that the earthquake had destroyed most forms of transportation and communication to the island.

Having seen the devastation in Haiti, a 7 year-old boy in England named Charlie decided that he wanted to raise money for the relief effort by cycling around his local park. So Charlie ***set up a page on a UK site called justgiving.com*** and set a goal to raise 500 pounds. In 48 hours the “crowd” had given 148,000 pounds. At the time of this writing, the donations had reached almost 211,000 pounds.

Charlie’s efforts were made possible because people were so moved by this tragedy of such proportion that when it was brought into our living rooms, we all wanted to act immediately—and the technology was there to handle that desire. Sites such as justgiving.com as well as traditional nonprofits made it possible to act with that kind of immediacy and provided online donate buttons or text numbers.

This was the birth of 21st century crowdfunding on a global scale.

So, you should be saying to yourself, “But I’m not running a multi-million dollar nonprofit with a large staff, and I don’t have millions of people behind my cause.” Perhaps you work for a smaller organization without a dedicated social media staff, and you need to raise some money for your modest project to save the world on a smaller scale. Crowdfunding is about bringing the crowd to your project and requesting their funding. So it’s your job to set up a page and watch the money flow in. Sounds easy doesn’t it?

Crowdfunding Sites

For organizations without a dedicated social media staff, crowdfunding sites which are all template-based are incredibly helpful. They require no knowledge of programming language, no design skills, and only relatively basic computer, email and web skills. OK I wouldn’t assign the crowdfunding task to someone who has no aptitude or love of the web, but rocket science it is not!

Two of the most well-known crowdfunding sites are Kickstarter and Indiegogo. These are both user-friendly and have many similarities, the greatest one being that they are used for creative, arts projects. Perhaps their greatest dis-similarity is that Kickstarter is an all-or-nothing site – if you don’t raise the entire project budget, all the money is returned to the donors – whereas Indiegogo is a site in which the project keeps the donations no matter how much is raised. There are many other differences and everyone needs to read the fine print.

There are crowdfunding sites now dedicated to many specialist arenas – open source software, fashion, photography - but a few of interest to the philanthropic community and fundraisers in particular include: **loudsauce.com**, which funds advertising for nonprofits; **startsomegood.com** that is focused particularly on social entrepreneurs and is also interesting because it is worldwide and not restricted to only US nonprofits; **unbound.co.uk** is a really interesting site in England in which we “the crowd” can fund writers – some of them very well known – and their book projects; and **unitedstatesartists.org** is a site that funds fine arts projects that have already been partially funded by foundations.

Everything Old is New Again

The good news for all the old fogies in fundraising out there is that you don’t need to resign. All this new-fangled social media stuff hasn’t done you out of a job yet. Why? Because the most significant way to get off being stuck at that .5% - 1% of your income is to remember that online fundraising and crowdfunding ***follows exactly the same rules as traditional fundraising.***  So what are the rules? Have a great cause, market that with an even greater case, then systematically ask the greatest number of prospects possible.

To begin with, set a crowdfunding goal that is based in reality and ***based on how many individuals you know and can contact to ask to give***. Up until now, nearly all crowdfunding is project-based so choose a project that is going to be most fun for the crowd. This is really about FUNdraising **with a capital F for FUN.**

Here are some more questions to ask yourself (or your boss) to insure that your goals are realistic:

* Does your project have a similar budget as the multi-billion dollar one that would be necessary to pay for a similar PR/Marketing Campaign such as was created in the aftermath of the earthquake in Haiti? No. Then don’t expect that kind of response.
* Does your project have an online marketing budget? If so, how much is it? One reason that the nonprofit community is acknowledged to be further ahead in social media than the for-profit community is because so much online is free and that’s where we excel – at being creative with zero to tiny budgets.
* How many people already know about this project? And how many are funding it online now? If none, then count each donor you bring to make a gift as a victory.
* How many people are you personally willing to ask to fund this project? If you aren’t willing to ask, how are those donors going to give? You need to call, email, visit those potential donors and ask them to give, but in this case, you will ask them to give online.
* How many others are willing to ask people to fund this project? How many potential donors does that add up to in total? And if you assign an amount to each of those potential donors, how much does that add up to? So, having asked these questions, you should be able to answer how much you can raise online?
* Do these questions remind you of anything? They should. Traditional Fundraising.

So here’s the good news. Say you need $5000 or $25,000 to change the world, and you can raise that through crowdfunding. Here are some of the benefits. You can wake up one day. Pick a site. Set up your page in a few hours. Start fundraising, and in a few months achieve your goal and get your project moving. No more discussion about starting a nonprofit and where to find a lawyer to help with that. No more trying to find someone who might know someone who might know someone at such and such foundation. No more wasting time and money building websites and figuring out donor buttons. No more rubber chicken fundraising dinners.

You will still be accountable to your donors. You will still be required to cultivate and steward them or they will be uninterested in funding the project’s expansion or phase 2. You will still need to communicate online as well as in person, on the phone and by mail. Oh well. The more things change, the more things stay the same.

Happy (online) fundraising.