

Matching the crowd

Combining crowdfunding and institutional funding to get great ideas off the ground

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Executive summary

Matched crowdfunding - the process by which public, institutional or corporate funding is combined with smaller donations raised from the public on online platforms - has emerged over the previous few years as a new way to leverage support to get ideas and projects off the ground. These have ranged from small community projects to larger capital or regeneration-focused ventures.

There are now examples of matched crowdfunding being used by a diverse range of funders - including local and national governments, trusts and foundations, businesses with a focus on corporate social responsibility and universities and schools. This interest has led to more than £1 million of matched funding being made available for crowdfunded projects in 2016, with horizon scanning of platforms showing that figure will rise substantially in 2017.

Despite this growth, there is little evidence of the financial and non-financial impacts of matched crowdfunding, and there have been no match funds that focus specifically on the arts or heritage sectors in the UK to date.

Matched crowdfunding for arts and heritage pilot programme

In order to address this lack of evidence, a pilot programme between the Department for Digital, Culture, Media and Sport, Heritage Lottery Fund, Arts Council England and Nesta appointed Crowdfunder to set up two campaigns for arts and heritage projects, providing £251,500 in match funding for crowdfunded projects.* In total, 59 projects were funded through the pilot with support from 4,970 backers.

Through surveys of backers and project owners, alongside analysis of crowdfunding platform data, this study looks at the impact of matched crowdfunding as a new means of getting projects off the ground.

Financial impact of matched crowdfunding

- **Matched crowdfunding can help leverage additional funds for arts and heritage projects:** The £251,500 of match funding provided by Arts Council England and Heritage Lottery Fund helped leverage an additional £405,941 from the crowd of 4,970 backers.
- **Match funding makes projects more likely to succeed:** Even when controlling for the financial contribution of the match itself, projects through the pilot were far more likely to be successful at raising the required funds than non-match funded projects analysed through a historic control group.
- **Match funding increases average donation size:** The offer of a match increased the average size of backers' contributions from £63 to £74, making projects more likely to succeed in reaching their funding target.
- **Match funding brings in new finance to arts and heritage:** The pilot largely attracted new supporters and finance for arts and heritage organisations, rather than drawing from existing philanthropic sources. Eighty-six per cent of project backers had never supported the organisations they backed financially before, and 20 per cent had never backed any arts or heritage project before.
- **Backers give money beyond their budgets for philanthropy:** 78 per cent of project backers indicated that the money they gave to the campaigns was in addition to what they would ordinarily give to charitable or philanthropic causes.
- **Major backers have a significant effect on what gets funded:** There are a group of 'major' backers among the crowd that give a disproportionate amount of the funds. This group of just 1 per cent of the total number of backers gave 24 per cent of the total crowd contribution to the 59 projects.

*The match fund was originally £250,000. An additional £1,500 was provided by Heritage Lottery Fund to ensure a 50 per cent match for the last project through the pilot.

Non-financial impact of matched crowdfunding

- **Fundraisers receive contributions beyond the money raised:** 85 per cent of the fundraisers reported receiving non-financial contributions from the crowd. These include offers of help or voluntary work with the project (42 per cent of all fundraisers), giving feedback/advice on campaign design (38 per cent) and making introductions and connections to potential collaborators or funders (45 per cent).
- **Crowdfunding improves skill levels for individuals and organisations:** More than two in three fundraisers reported that running the crowdfunding campaign significantly improved their pitching and fundraising skills. When it comes to campaign skills, projects also reported significant improvement in their film creation (34 per cent), image creation (30 per cent) and media skills (25 per cent).
- **Positive impacts for fundraisers go beyond the individual project:** In terms of post-fundraising impacts, 64 per cent reported gaining more supporters for their project and almost half of the fundraisers have found new partners or collaborators through the process. Thirty-two per cent also reported having received additional financial support as a result of the campaign, following its completion; for example, receiving a grant as a result of the successful crowdfunding campaign.

How matched crowdfunding attracts and motivates backers and fundraisers

- **The pilot attracted projects beyond the usual pool of grant applicants:** 42 per cent of successful project owners had never applied for funding from either Arts Council England or Heritage Lottery Fund before the pilot, indicating that the pilot was to some extent able to reach new projects, organisations and individuals in comparison to more traditional grant funds.
- **Matched crowdfunding campaigns are driven by local interest:** Two in three project backers expect to visit/experience the project they supported in person. The majority of project backers live within 20 miles of where the project they supported is based.
- **Social media is vital for crowdfunding to work:** Social media is the primary driver of initial interest in the projects. Forty-eight per cent of backers first heard about the project they supported through their social media channels.
- **Backers and fundraisers were predominantly female:** Almost two in three (62 per cent) of fundraisers and 59 per cent of backers were female.

Challenges of the pilot project

- There were problems at the outset with establishing a large enough pipeline of suitable arts and heritage projects through the pilot, potentially due to the initial 25 per cent match not acting as enough of an incentive and restricting the projects both geographically (for heritage) and thematically (for arts). The result of this was to extend the pilot, which led to a higher project management and communications workload for all parties.
- Although subjective, workshops with Arts Council England and Heritage Lottery Fund grant-making staff post-pilot indicate that the quality of the projects funded was not always comparable in quality to projects funded through conventional grant funding streams.
- Information gathered on projects was not always strong enough to make detailed value judgements on their work – for example the lack of transparent budgeting or precise descriptions of activity presented difficulties throughout the programme.

Recommendations

Based on the evidence from the pilot and wider review of the match funding landscape, Nesta proposes the following recommendations for both crowdfunding platforms and funders. These are outlined in summary form below, and explored in detail in Section Three of the report.

Funders should:

1. **Try it...** while matched crowdfunding presents challenges to how funders currently operate, there are clear benefits that should prompt funders to consider how crowdfunding relates to their current practice.
2. **Help organisations make the most of crowdfunding through investing in crowdfunding skills alongside providing match funding.** Along with the financial incentive, funders can help potential beneficiaries make the most of crowdfunding opportunities through outreach and workshops that help them build their skills.
3. **Make matched crowdfunding part of a wider funding strategy.** This should include support for crowdfunded projects to attract more conventional forms of finance and a clear idea for how matched crowdfunding complements existing funding streams.
4. **Use crowdfunding to build skills and organisational resilience through the additional non-financial benefits that come with it.** Funders should see matched crowdfunding not just as a method for distributing funds, but also as a tool that can help them build organisations' resilience.
5. **Invest time and resources into the co-design of match fund programmes.** Funders need to ensure that their institutional knowledge on grant funding requirements and the needs of potential beneficiaries are combined with the platforms' expertise in crowdfunding.
6. **Look beyond matched crowdfunding for interventions that can help involve the crowd in decision-making.** Examples include mechanisms for channelling successfully crowdfunded projects towards traditional forms of finance offered by the funder.

Crowdfunding platforms should:

7. **Continue to develop bespoke services to fit with the needs of funders.** In particular, platforms should develop products that allow for the integration of essential funding information into their platform for match funders - such as gathering information on budgeting for projects.
8. **Rigorously measure and share evidence of what works.** Platforms and funders should use the data captured through matched crowdfunding pilots to measure their impact and share best practice with the wider sector.

Arts and heritage organisations should:

9. **Explore using crowdfunding as a fundraising and engagement tool.** Arts and heritage organisations should consider building the right skills and capabilities to make the most of the opportunities available through crowdfunding.
10. **Identify projects that could be crowdfunded and use crowdfunding to demonstrate the value of new ideas that can help you attract larger amounts of follow-on funding.** Crowdfunding can be used specifically as a method for testing out demand and interest in ideas and prototypes that can subsequently access more traditional forms of finance.



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