

Fundraising Goes Digital

Why Nonprofit Organizations are Adding Crowdfunding Platforms to Their Giving Strategies

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By 2025, the crowdfunding industry is expected to grow to more than \$300 billion. In a nutshell, crowdfunding is raising money through many relatively small donations during a set period of time, typically for a specific campaign or goal, through an online platform.

The tactics behind crowdsourcing are certainly nothing new for nonprofit organizations. But thanks to websites and apps like Kickstarter, Indiegogo and a host of smaller and more specialized providers, crowdfunding has never been more popular. It's shaking up the entire fundraising and donation process, from who's asking for money, who's giving it, and what they expect in return. Crowdfunding may offer rewards or incentives connected to the campaign based on the amount donated.

For nonprofits that ignore this growing influence, crowdfunding could serve as a major disruptor as more would-be donors seek out new ways to give. But for nonprofits tuned in to harnessing the power of crowdfunding to increase donations, the fast-growing sector represents a huge opportunity.

Here's a closer look at four ways crowdfunding is creating better fundraising opportunities for nonprofits and how organizations can best take advantage of these prospects.

1. Maximize the impact of advocates – and their networks

Crowdfunding is built on people who believe in your cause. For nonprofits, getting advocates to share the campaign with their networks is crucial. Every share is like a personal endorsement of the cause and campaign. Of course, social media is the key medium for spreading the word. These shares can have a compounding effect as friends and family share with their networks, increasing exposure and the number of potential givers.

Nonprofits should prioritize making their campaigns easy and compelling. Creating a call to action that makes it easy for

others to communicate the importance of the campaign is crucial. What's more, research shows adding personal videos and stories to your campaign can considerably increase the amount raised. Organizations should look to their most vocal supporters and "digitally deputize" them to take ownership over a campaign. In these cases, make sure the crowdfunding campaign is structured so donations go directly to the nonprofit, not any intermediary. This ensures the tax deduction goes to the actual donors.

2. Eliminate barriers between donors and your cause

With a compelling message and a team of committed advocates, a nonprofit's giving request can spread far and wide – using the right platform. It's important to take a look at the fine print when choosing between services. Some platforms, like Kickstarter, utilize "all-or-nothing" funding, meaning a project is only funded (and donors are only charged), when a project meets a funding goal established at the outset of the campaign. Others, like Indiegogo, can be structured so an organization keeps the money it raises whether it meets its goal or not.

Virtually all platforms take a cut of the money raised. Nonprofits need to look at the tradeoffs of working with specific sites. Defined platforms make creating, maintaining and sharing the campaign easier. Kickstarter has a built-in audience – it's hosted more than 400,000 campaigns as of April 2018. On the other hand, nonprofits that put the work into creating their own customized campaigns keep 100 percent of the amount they raise.

3. Create a direct call to action with clear benefits

In many cases, effective crowdfunding creates a specific ask that's a subset of the organization's overall mission. Defining the scope of the campaign is important. Fundraisers and supporters should be able to state the goal of the campaign in 10 words or less.

Nonprofit organizations should put some strategy behind the donation levels they ask for and the incentives they might provide. These statistics uncover some clear best practices:

- The average successful crowdfunding campaign raises around \$7,000.
- The average campaign lasts around 9 weeks.
- Campaigns that can gain 30% of their goal within the first week are more likely to succeed.

4. Supplement traditional fundraising strategies

Nonprofits shouldn't rush out to cancel their annual black tie gala or direct mail campaign and push all their efforts toward crowdfunding. A so-called "old-school" fundraising mentality should still be the central strategy behind many initiatives.

But nonprofits need to recognize that donor demographics are changing. More and more millennials are finding themselves at a point in their careers and their lives where they're able to give. They have different expectations around technology and don't want to donate like their parents did. With the right preparation and execution, crowdfunding can be an excellent way to reach these would-be donors and round out an effective fundraising strategy.

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