



# Introduction to crowdfunding

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Welcome to the MyParkScotland crowdfunding resource. This is the first of five information and work sheets – the other resources are: running your crowdfund campaign, campaign plan worksheet, glossary of terms, and other useful tools and resources. The toolkit has been developed by Tim Wright of twintangibles in partnership with MyParkScotland.

This information sheet provides you with a comprehensive introduction to crowdfunding: what it is, what makes it different, and how to do it.

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# What is Crowdfunding?

Crowdfunding is described as the practice of funding a project or venture by raising money from a large number of people (*the crowd*) who each contribute a relatively small amount, typically via the Internet. Most crowdfunding campaigns are run on websites called platforms. Most platforms charge a fee based on the sum raised by the campaign. Some platforms like Kickstarter and Indiegogo have become so well known that their names are often used to describe the act of running a crowdfunding campaign, so “I am going to do a Kickstarter” means “I am going to run a crowdfunding campaign.”

**MyParkScotland is Scotland’s only crowdfunding platform specifically for parks and greenspaces.**

There is no fee to list a project on MyParkScotland but like all other crowdfunding platforms we charge a small management fee on the funds raised. Before you can list your project on **www.mypark.scot** there is a simple approval process to make sure that all relevant consents and permissions (including landowner’s approval) are in place – this means that once you hit your fundraising target you are ready to get started on your project.

Your supporters can make donations online at **www.mypark.scot** and by TextGiving for donations of up to £10.

What makes MyParkScotland unique is that as a registered Scottish charity, if supporters of projects listed on the site are able to Gift Aid their donation, we can use this additional funding to ‘grow’ the donation and the extra money is used to create a Park Endowment Fund (see figure 1).



Figure1: What happens to a £10 donation with Gift Aid

## How does crowdfunding work?

The basic principle is that you set a target sum to raise and a timeframe within which to do it. You then place your project on a publicly available platform and encourage people to visit the page through an active and planned outreach programme using tools like social media and email. The intention is to appeal to as many of these visitors as possible so that they contribute funds to your project and share this news with their own network. You collect the financial pledges made with the intention of reaching the target set.

**MyParkScotland** recognises that for many projects not all of the funding will come through the crowdfunding platform. That is why through [www.mypark.scot](http://www.mypark.scot) you can also include off-line donations, such as grant funding, business donations and cash collections, within your total as and when you receive them – and we don't make any charge for including funds raised off-line.

Not sure how long it will take? We discuss appropriate timeframes with each project to help groups make appropriate decisions and make the most of marketing opportunities. These timescales are flexible and can be changed to suit groups specific needs.

MyParkScotland also allows projects to change their funding target during a campaign (at no extra cost). For example, if a project receives in-kind support from a business supporter then the target can be raised or amended to reflect that. Or if a crowdfund is really successful in the first few days after being launched a group might want to raise their fundraising target to allow the project to achieve more than the original aim



# What are the different types of crowdfunding?

There are four types of crowdfunding. These are:

**Donation** - Funds collected are gifts or donations with no tangible return to the provider. Platforms which use this model include MyParkScotland and JustGiving.

**Reward** - “Rewards” or “Perks” of different value are offered to supporters to “purchase”. Platforms which use this model include Indiegogo and Kickstarter.

**Lending** - A loan is constructed from many small loan parts collected from the crowd. Most are interest bearing. It is also sometimes called Crowdlending, Peer-to-Peer lending or P2P. Platforms which operate this model include Zopa and Funding Circle.

**Equity** - Shares, or other types of financial instruments like bonds, are sold in small parcels to a large group of investors. This model also includes Community Share Issues which are special types of shares issued by Cooperatives and Community Interest Companies (CICs)

The other important variation in crowdfunding is the distinction between what are known as the “Keep It All” and “All Or Nothing” models.

In a “**Keep It All**” campaign, you keep everything you raise regardless of whether you reach your target or not.

In an “**All Or Nothing**” campaign you only get to keep what you raise if you succeed in reaching your target.

Both the Lending and Equity models are regulated in the UK by the Financial Conduct Authority and are subject to strict rules of operation. The UK allows all four models to operate, many countries do not.

Crowdfunding can be undertaken by both individuals and organisations.

**MyParkScotland** is predominantly a **donation** based crowdfund.

Market research carried out before MyParkScotland was launched indicated very strongly that individuals who said they would donate money towards a park and greenspace crowdfund project did not want to receive a reward or gift in exchange for their donation - the success of the project was considered a reward in itself.

**www.mypark.scot** is a “**keep it all**” platform and donations are taken at the time that they are pledged. Groups view MyParkScotland as their “piggy bank” as it is possible to add grants and donations from outwith the site to the target. We encourage groups to develop their project in such a way that even if 100% of their fundraising target is not reached, there are still elements of the project which can be delivered.

# How big is crowdfunding?

In 2015, crowdfunding raised \$34 Billion worldwide (Source: Massolutions) and the total had doubled every year for the previous four years! Many crowdfunding campaigns are for quite small sums but some are very large. The model of crowdfunding which raised the most money is the lending model. In the UK crowdfunding in 2015 totalled £1,112 million and this figure is expected to continue to rise.

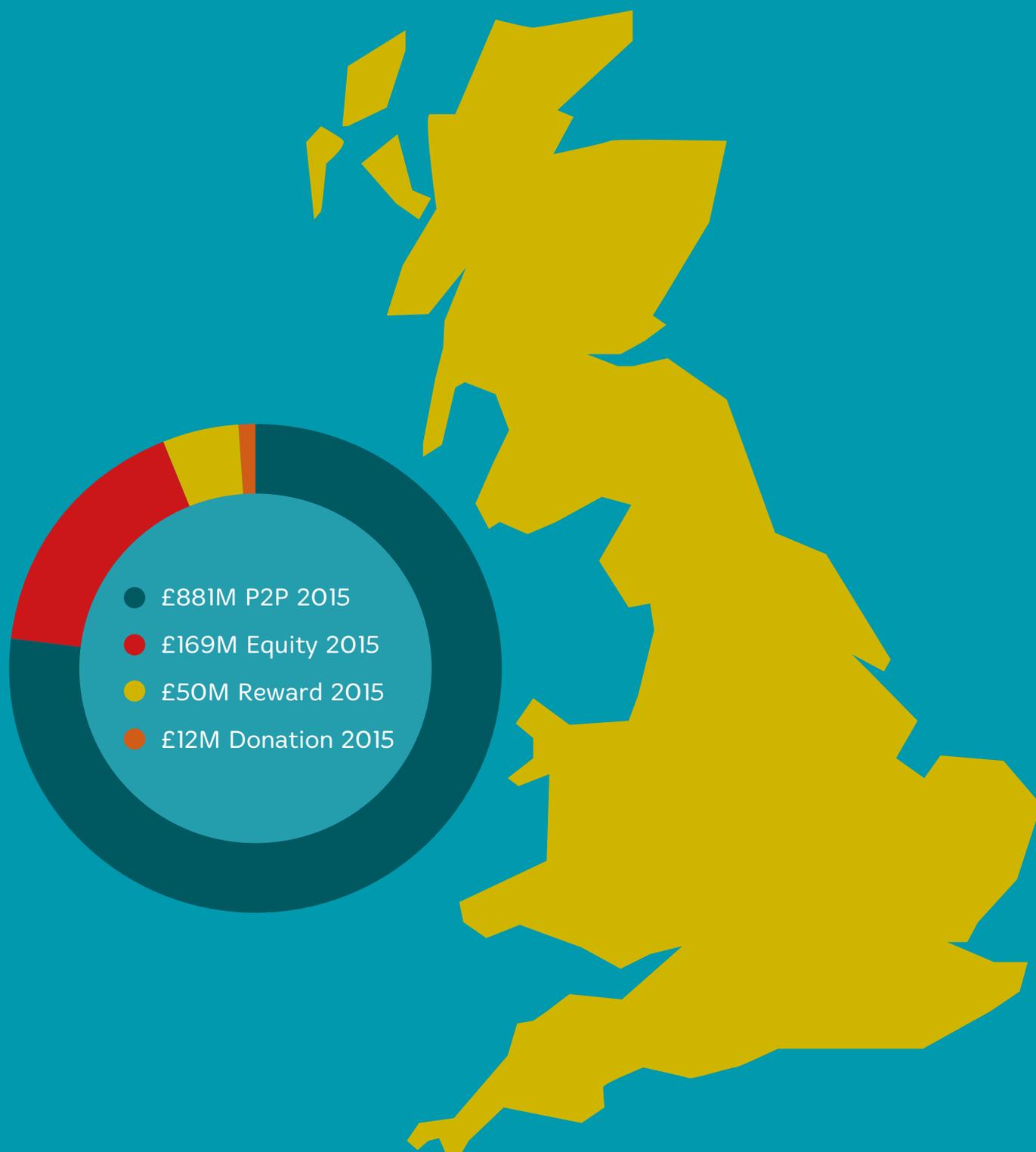


Figure 2: Scale of crowdfunding in the UK

Source: twintangibles, Nesta, AltFi, Crowdfunding Centre

# Why is crowdfunding growing?

Making a public call to fundraise from the crowd is not a new idea but crowdfunding as we now understand it has grown very quickly for a number of reasons since its emergence in the 1990s. These include:

**Technological developments** - The emergence of wide and low-cost access to the internet and communication tools like social media mean it is easier and cheaper for us to reach out to much more widely dispersed and larger groups of people.

**Societal changes** - These technical changes have also empowered us to take on new activities which were once controlled by gatekeepers. We can see this in the way people write and publish books, publish music, writing blogs, and the general sharing of our lives online. Crowdfunding is just the financial manifestation of this sense of empowerment and the ability to take “ownership” of a process. At the same time, we are also increasingly comfortable with transacting financially online be it shopping and e-commerce or checking our bank balances. This confidence to use money online is essential for the growth of crowdfunding.

**Economic factors** - The other key factor in the extraordinary growth of crowdfunding is that after the financial crisis of 2008 access to funding has been more problematic and so people are exploring alternatives to the traditional sources. At the same time interest rates have fallen to historically low levels and so “retail investors” are looking for better places to put their investments and some crowdfunding campaigns seem to offer better returns than would be available on the high street.

## Why crowdfund for parks and greenspace projects?

Parks are really important as wonderful local spaces on your doorstep for play, relaxation and exercise. They make a huge contribution to our health, our quality of life and our community spirit. And we love them.

The financial pressures on local authorities and increased competition for grant funding mean that crowdfunding through MyParkScotland is an attractive option for park and greenspace projects.

MyParkScotland also connects back to our parks history and heritage – going back to Victorian times, many of our parks and public spaces came about through public subscription or donations from a philanthropic industrialist. Crowdfunding is just public subscription re-invented for the 21st century.

Using [www.mypark.scot](http://www.mypark.scot) to raise funds for projects allows groups to reach new audiences, open up a new avenues of funding and make existing funding go further.

Since launching in May 2015 to the end of March 2017, MyParkScotland supported nearly 50 projects to raise new funds for parks and greenspaces through crowdfunding.

## What makes crowdfunding different from other funding?

Crowdfunding reaches widely by using technology and reduces the size of funding each individual contributor has to come up with. This means that more people can take part. Making it easy for a wider group of people to support a business or project introduces a wider range of motivations for people to back a campaign. This means that there is a range of reasons why people might support you, and not simply for a financial return.

The idea of many small contributions making a difference (as opposed to a small number of large contributions) is a concept underpinning lots of online activities which have disrupted traditional industries and it is called “The Long Tail”.

Because the process of crowdfunding is a very public one and involves many people it can, and does, bring many more advantages than simply money. It can be a powerful campaigning tool, it can build networks, validate an idea, build awareness and many other things, all of which can be very valuable and useful. A good crowdfunding campaign will recognise and target these additionalities.

For some entrepreneurial projects, it has the advantage of accelerating the process of setting up a business by allowing the entrepreneur to run in parallel a series of processes like market research, publicity and marketing and fundraising, which have often traditionally been seen as sequential.

**MyParkScotland** allows groups to share their project idea and ask people to support the project through a simple donations process.

Working through the MyParkScotland Crowdfund Campaign Plan will allow groups to examine their project idea, identify audiences and work out how to approach them. This will increase the likelihood of financial success from the campaign but also raises the profile of the organisation and what they are trying to achieve.

*“We are delighted and overwhelmed at the public support shown for this project on Glasgow Green. Not only have we beat the funding target set, but we have also found nearly 200 project champions who support this exciting project.”*

Some groups have found an added benefit is that other funders have been more supportive of subsequent funding and grant applications because the crowdfund has demonstrated community support (i.e. people were willing to put their hand in their pocket to support the project). Other groups have found additional volunteers as a spin-off from their crowdfund.



# Advantages & disadvantages of crowdfunding

As with all forms of fundraising, there are advantages and disadvantages. This section looks at some of the main advantages and disadvantages of raising funds through crowdfunding.

## What are the advantages?

- It is a very accessible process which is open to all and can be carried out on your terms – you decide on the amount you want to raise and the timescale to raise the funds.
- You are in control – the promotion and selling of the project is the responsibility of your group.
- It can bring much more than money – it can attract new people and support (non-financial) to your group.
- What money it does bring can be very different from traditional investment – funds raised through crowdfunding are unrestricted and can be used for all elements of your project.
- It can be quick – as you are in control you are able to work quickly to start raising funds.
- You will also produce a very valuable asset for you or your organisation as you run a campaign and that “crowd asset” can be a very useful and enduring resource – people who support your project are also likely to support your group.

## Advantages of crowdfunding with MyParkScotland

MyParkScotland can support groups to develop their project idea – and we have a toolkit to help you plan your project and run your crowdfund campaign.

The platform is very flexible – you choose your fundraising target and timescale.

You keep all the funds you raise, even if you don't reach your project target.

Competitive platform fees and the ability for supporters to Gift Aid their donations, means that your project will receive the full value of their donation (on most platforms you receive the donation, less the platform and payment fees) and the additional funds support a Scottish Park Endowment Fund.

Supporters can donate easily and safely online or by TextGiving

Donations can be received from all over the world through the MyParkScotland – we've received donations from people in Australia, Canada, USA and across Europe, as well as closer to home

You will be able to communicate using MyParkScotland to those people who have supported your project

MyParkScotland will help share your project to as wide an audience as possible.

*“Most people don’t realise the potential of individual people giving and feel nervous about asking, don’t think that get out there and ask people”*

*“the orchard was part of the overall development of the park and members of the community could be involved in fundraising and planting”*

*“our first ever public appeal, crowdfunding through MyParkScotland generated wider awareness of the project to the local community and the wider public”*

## What are the disadvantages?

- It is not easy – to be a success takes a lot of time and effort to carry out continued promotion of your campaign.
- Many campaigns are unsuccessful and the successful ones take work, preparation and effort to make them happen – there is no guarantee of success but work, preparation and effort can increase the chances of success.
- It is also a very public process and so you must be prepared to be open and honest in a public arena and expect brickbats and bouquets in equal measure – it is important to accept that there may be public scrutiny of your project and prepare for this.

## Disadvantages of crowdfunding with MyParkScotland

MyParkScotland is a relatively new platform but with a growing presence and a high level of trust.

Crowdfunding for parks and greenspaces is still a new concept and so a great deal of promotion is needed to encourage people to support projects.

It still takes a lot of work to crowdfund through MyParkScotland (as with all crowdfunding) – it’s not enough just to list your project and hope donations will magically appear.

But please don’t let this put you off! Lots of groups have already found that crowdfunding is an ideal way to fund all or part of their project.

If you’ve got a great idea for a project, event or activity in your park or greenspace, then please get in touch – here at MyParkScotland we would love to help you crowdfund for your project.



We hope you found this information sheet useful – this is part of the MyParkScotland crowdfunding resource – [www.mypark.scot/get-involved/crowdfunding-resource](http://www.mypark.scot/get-involved/crowdfunding-resource)

Introduction to Crowdfunding  
Running Your Crowdfund  
Crowdfund Campaign Planning Worksheet  
Glossary  
Some Useful Tools

This toolkit has been developed by Tim Wright of twintangibles in partnership with MyParkScotland.

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Visit the MyParkScotland website [www.mypark.scot](http://www.mypark.scot)

Follow us on Twitter [@myparkscot](https://twitter.com/myparkscot) or find us on Facebook and Instagram

Get in touch [hello@mypark.scot](mailto:hello@mypark.scot) or give us a call **01786 849757**



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