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Innovative financial management strategies for **social entrepreneurship projects**

2nd Training – **Project STEP^{UP}, November 2020**

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SE Funding Issues

- Funding for SEs is:
 - either limited or somewhat difficult to access
 - takes up significant resources to apply for and manage
 - often comes with conditions that are not always in line with the founding entrepreneurs' vision or philosophy
 - often SEs are handicapped by the lack of business knowledge to apply for funding and a lack of impact measurement required by many impact investors
 - legal issues related to fundraising and dividends

Go to www.menti.com and use the code 61 85 69 6

What does "Crowdfunding" mean to you?

 Mentimeter





POSSIBLE SOLUTION?

Funding the project or venture by raising **money** **from a large number of people** backing the project and the **idea of the project**.

CROWDFUNDING





DIFFERENT MODELS



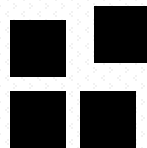
Donation based: Allows charities, or those who raise money for social or charitable projects, to gather a community online and to enable them to donate to a specific project.



Reward based: Enables people to contribute to projects and receive non-financial rewards in return, usually operating a tiered system where the more you donate the better the reward you receive.



Lending based: Projects or businesses seeking debt apply through the platform uploading their pitch, with members of the crowd taking small chunks of the overall loan.



Equity based: Enables the crowd to invest for equity, or profit/revenue sharing in businesses or projects. This form of the model has been the slowest to grow due to regulatory restrictions that relate to this type of activity.



FUNDING SIZE DIFFERS BY THE TYPE OF CROWDFUNDING

DONATION



CROWDSUPPORTING

typically raising < \$20k

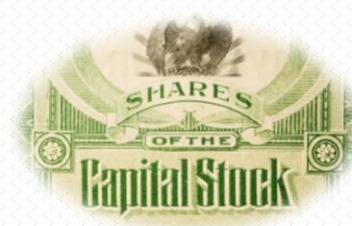
REWARDS



CROWDFUNDING

typically raising < \$50k

LENDING



CROWDLENDING

typically raising < \$500k

EQUITY



CROWDINVESTING

typically raising
\$50K to \$10M



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EXAMPLES: DONATION BASED CROWDFUNDING



CLOSED

Turning Old Water Tower into Welcoming Sign

Our goal is to turn an old water tower into a welcoming sign for Seaport Landing in Aberdeen, WA.

PROJECT OWNER



Grays Harbor Historical Seaport
Aberdeen, United States

1 Campaign | [More](#)

\$3,111 USD raised by 44 backers

About €2,737 EUR

62% of \$5,000 flexible goal





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EXAMPLES: REWARD BASED CROWDFUNDING



FUNDING

Coffee for Biogas Energy & Farmer's Climate School

Proven by scientists. Traded by Montessori kids & eco students to tackle climate change with farmers

PROJECT OWNER



su-re.co (Sustainability & Resilience)
Canggu, Indonesia
1 Campaign | [More](#)

\$15,357 USD raised by 142 backers

About €13,511 EUR

102% of \$15,000 fixed goal

7 days left

BACK IT



\$400 USD

About €352 EUR

Trip to Climate School in Bali

Estimated delivery

July 2019

1 claimed





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Made in Hackney video for Crowdfunder

Company: [Made in Hackney](#), a vegan community kitchen

Type of crowdfunding: rewards/donation

Platform: [Crowdfunder.co.uk](#)

Money raised: £76,693

Number of backers: 553



Rewards

This project offers rewards in return for your donation.

£10 or more

£10 Reward

Christmas recipe e-booklet created by renowned plant-based chef Anton Petrov, and entry into a prize draw to win a hamper.

£20 or more

£20 Reward

Christmas recipe e-booklet created by renowned plant-based chef Anton Petrov and entry into a prize draw to win a healthy food hamper worth £200 courtesy of Revital and Whole Foods Market (Stoke Newington branch).

<https://vimeo.com/237984999>



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Edge and Company - Radical Giving!

by Edge and Company in London, England, United Kingdom



Help us launch Edge and Company - An ethical lifestyle shop stocking and supporting social enterprises and charities worldwide!

✓ **We did it**

On 29th September 2018 we successfully raised £5,345 with 39 supporters in 28 days

Rewards

This project offers rewards in return for your donation.

£10 or more

5% Gift Voucher

A massive thank you for your donation!
Enjoy 5% off your first purchase with us.

£20 or more

10% Gift Voucher

A massive thank you for your donation!
Enjoy 10% off your first purchase with us.

£25 or more

15% Gift Voucher

A massive thank you for your donation!
Enjoy 15% off your first purchase with us.

<https://youtu.be/v3cAch5YJKU>



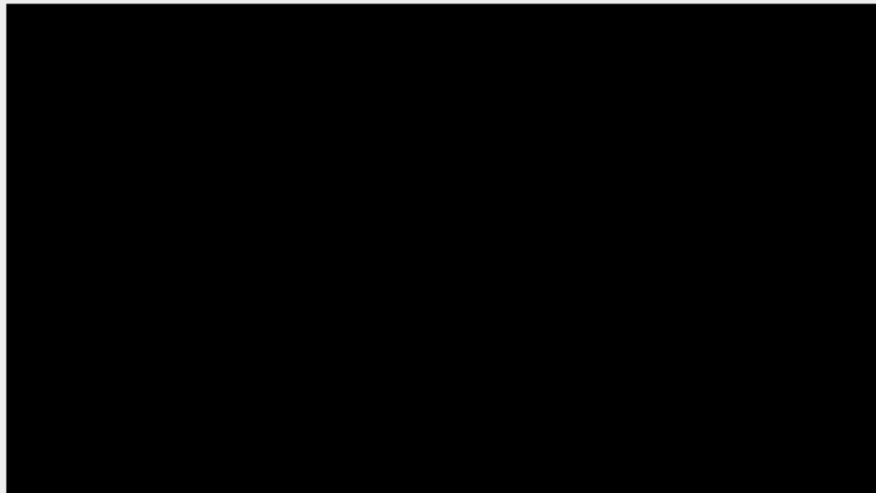
EXAMPLES:

LENDING BASED CROWDFUNDING

Alm Resort Nassfeld

Start with a chance - 4% fixed rate

Information from the project owner



State of financing

185%



Lending-based funding project



€ 557,121 financed, financing start from € 300,000 (€ 1,600,000 max.)



119 investors averaging € 4,682

Project successfully financed

Recently, the following people have
invested because ...

Raphael Spies
15.05.2015 - 18:24

€ 1,000



EXAMPLES: EQUITY BASED CROWDFUNDING





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The Chip crowdfunding video for Crowdcube

Type of crowdfunding: equity

Platform: [Crowdcube](#)

Money raised: £3,807,590

Number of investors: 6,535



<https://vimeo.com/453968283>



COMPARING FINANCIAL MARKETS WITH CROWDFUNDING

FINANCIAL MARKETS

Debt

Market assesses the credit rating
and determines the yield
(interest rate for debt).

Equity

Market assesses the value of the
firm.

CROWDFUNDING

Debt

Company manager determines the
interest rate he/she offers.

Equity

Company manager determines the
share price to which he/ she is
willing to sell a share.



WHY DOES CROWDFUNDING WORK?

Emotional motivation, in terms of an emotional relationship to product, geographics or to the company itself is more important for Crowdfunding investors than a financial return.

- Herding
- Numerical deafness
- Small amounts cause lack of judgment in terms of risk and return



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TECHNOLOGY

Tesla is crowdfunding its vehicles with big promises

The company employs a "pay now, drive eventually," approach.

By Rob Verger November 17, 2017



Elon Musk announced an electric truck on Thursday night, as well as a surprise new Roadster.
Tesla

At a theatrical, hype-filled event Thursday night in an aircraft hanger in Hawthorne, California, Elon Musk announced that Tesla's secret electric semi-truck, the





31k

Share

7

Tweet

11k

g+1

Email

Embed

Link

Follow

SELECT A PERK

\$3 USD

Tesla loves the number 3

And if you donate \$3, Tesla will love you too. If he were alive today he'd totally high-five you and compliment your haircut and/or mustache.

5393 claimed

\$25 USD

Glossy Tesla Photo

An 8X10 portrait of Nikola Tesla, printed with a glossy finish.

Estimated delivery: **October 2012**

891 claimed

\$33 USD

Tesla > Edison bumper sticker

Donating \$33 will get you a "Tesla greater than Edison" bumper sticker: <http://is.gd/GQTCGj>

Estimated delivery: **December 2012**

XPLORE | HOW IT WORKS | START YOUR CAMPAIGN

Goddamn Tesla

ham, New York, United States

Techn

Funders 33,253 | Gallery 4

Campaign Team

\$1,000 USD

Autographed poster

An autographed Wardenclyffe poster signed by Tesla's last remaining relative, William Terbo. Also includes all the above items:

SOLD OUT

Wardenclyffe t-shirt, "Tesla > Edison" bumper sticker, Wardenclyffe Tote Bag, a Wardenclyffe poster, and a coffee mug.

Please specify your shirt size: child(one size), adult (S, M, L, XL, XXL) .

Estimated delivery: **October 2012**

40 out of 40 claimed

\$1,000 USD

Autographed Tesla Poster

A limited edition autographed Wardenclyffe poster signed by Tesla's last remaining relative, William Terbo. Also includes t-shirt, baseball cap, and thumb drive with Wardenclyffe logo.

Estimated delivery: **October 2012**

10 out of 50 claimed



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KICKSTARTER
KICKSTARTER

\$1 reward

 2,084 backers

With your help, we'll be on our way to a successful potato salad. You will get a 'thank you' posted to our website and I will say your name out loud while making the potato salad.

Estimated delivery: Dec 2014


\$2 reward

 1,253 backers

Receive a photo of me making the potato salad, a 'thank you' posted to our website and I will say your name out loud while making the potato salad.

Estimated delivery: Dec 2014
Ships anywhere in the world

\$3 reward

 1,272 backers


Receive a bite of the potato salad, a photo of me making the potato salad, a 'thank you' posted to our website and I will say your name out loud while making the potato salad.

Estimated delivery: Dec 2014
Ships anywhere in the world



Share this project

\$25 reward

 289 backers

THE HAT: Receive a potato-salad themed hat along with a bite of the potato salad, a photo of me making the potato salad, a 'thank you' posted to our website and I will say your name out loud while making the potato salad.

Estimated delivery: Dec 2014
Ships anywhere in the world

\$35 reward

 585 backers

THE HOMAGE T-SHIRT: Receive a limited edition t-shirt designed and printed by Columbus, Ohio t-shirt company Homage (<http://www.homage.com>). Also receive a bite of the potato salad, a photo of me making the potato salad, a 'thank you' posted to our website and I will say your name out loud while making the potato salad.

Estimated delivery: Dec 2014
Ships anywhere in the world

funded on





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STEP 

KICKSTARTER

Discover

Start

 Search Projects

Egg Salad

by Dave Berecz



1

backer

\$9.99

pledged of \$10 goal

0

seconds to go

Funding Unsuccessful

This project's funding goal was

Enough hullabaloo surrounding potato salad, Isn't it time egg salad got its due ? What came first, the egg or the potato ???

 Cleveland, OH

 Food

Share this project

Dave Berecz

 First created | 0 backed

[See full bio](#)

[Contact me](#)





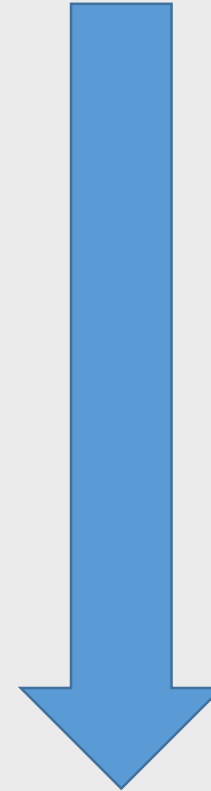
ANOTHER TYPE OF CROWDFUNDING: **SUBORDINATED DEBT WITH OPTIONAL ADDITIONAL PROFIT SHARING**

- Subordinated means that all other debt is to be paid first in case of bankruptcy
- More attractive to crowdfunding investors because of profit sharing
- Benefits for company owners:
 - Subordinated debt could be assigned to equity and its therefore easier to obtain loans or credit
 - No loss of control of the firm
 - Profit sharing with crowdfunding investors is time limited vs. unlimited with equity investors
 - Lower interest rate could be offered to investors
 - Interest payment requires profit in previous year



LOWEST RISK

PRIORITY OF PAYMENT IN LIQUIDATION



HIGHEST RISK

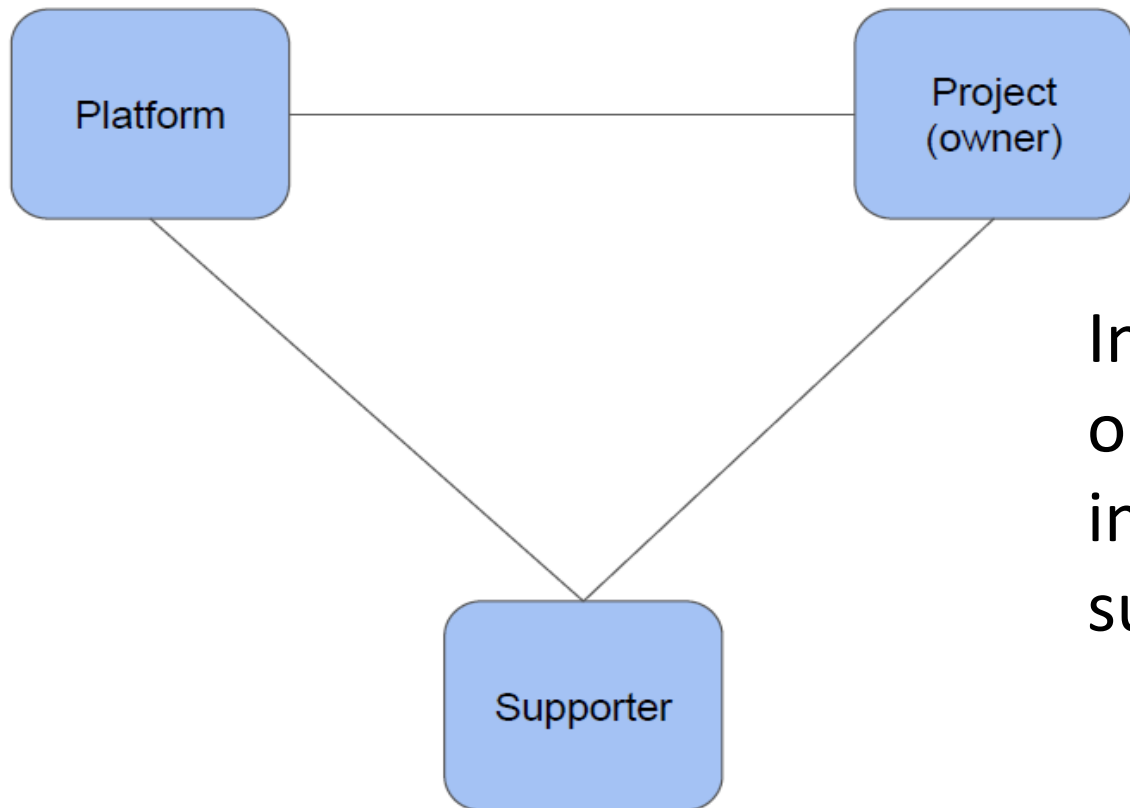


CROWDFUNDING TERMINOLOGY: CAMPAIGN TERMS

- **CAMPAIGN**
all activities of the project to reach out to potential supporters
- **TIME**
(often) specified time in which to reach the funding goal
- **GOAL**
sum of money specified by the project owner
- **THRESHOLD**
minimum funding goal (where applicable)
- **MAXIMUM**
maximum funding goal (where applicable)
- **REWARDS**
material or immaterial items given to the supporter during reward-based Crowdfunding



CROWDFUNDING MECHANICS:



In general, Crowdfunding takes place on platforms (funding portal) which intermediate the payments from supporter to project.

15 Minutes





In Teams

1. List as many **crowdfunding platforms** as you can
 - Which ones focus on **social impact projects/social enterprises**?
2. Find at least 2 examples of **social impact projects/social enterprises** asking for crowdfunding
 - Why would you support (or not) the project or enterprise?
3. In general, what do you think are the **advantages** and **disadvantages** of crowdfunding?

Team Presentations – 5 minutes/team





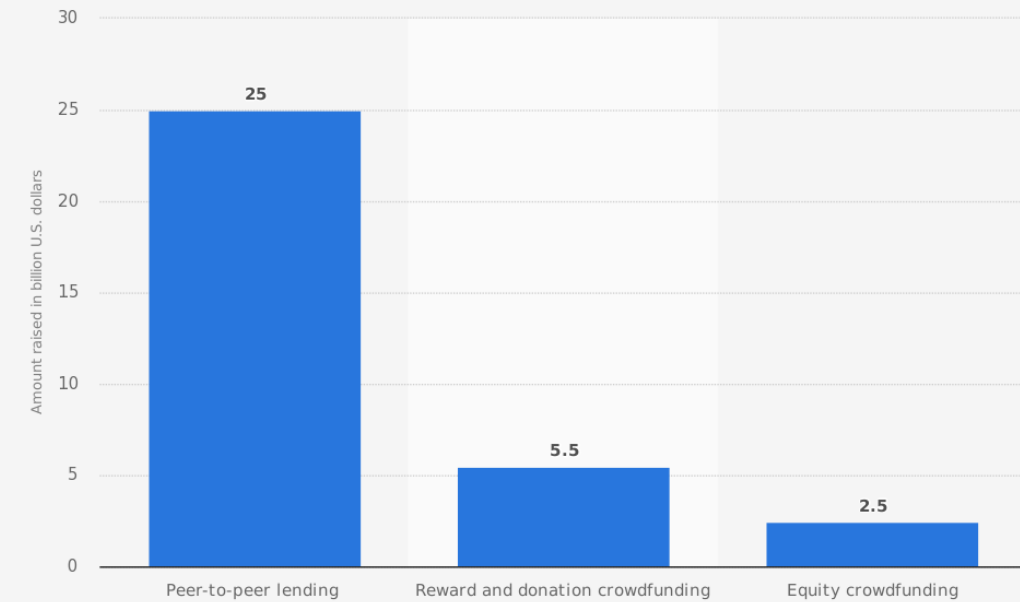
CROWDFUNDING PLATFORMS

INTERNATIONAL	THAILAND	MYANMAR
Kickstarter	Asiola	
Indiegogo	Taejai	
GoFundMe	Socialgiver	MM Community
Razoo	Peerpower	Suseeyar
RocketHub	Dreamaker Equity	Fundmyanmar
Onevest	Live Fin Corp	
Network for Good	Phoenixict	



MARKET STATISTICS

Volume of funds raised through crowdfunding worldwide in 2017, by type (in billion U.S. dollars)

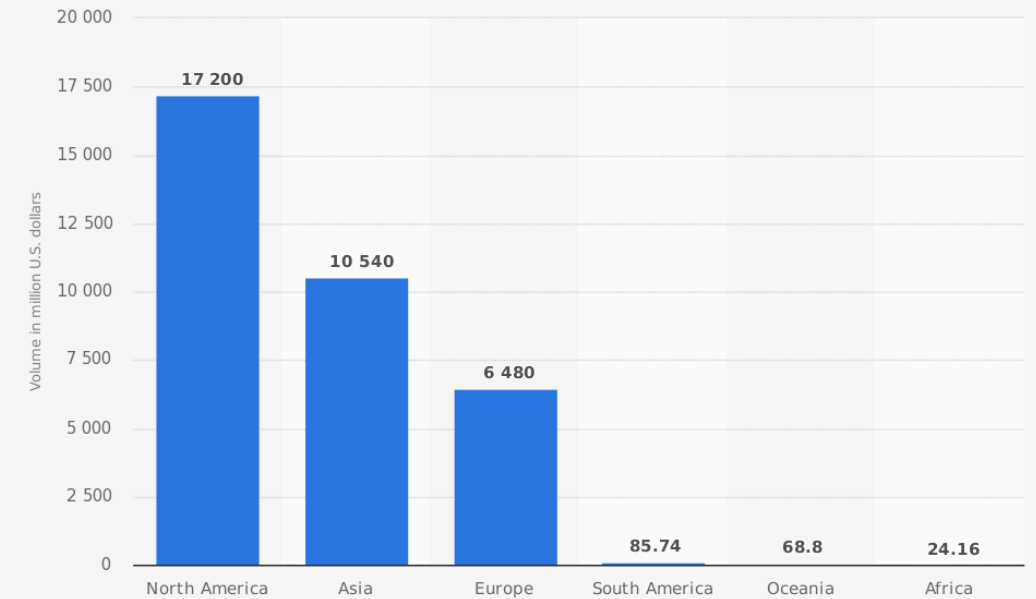


Source
Fundly
© Statista 2018

Additional Information:
Worldwide; Fundly; 2017

statista 

Volume of funds raised through crowdfunding worldwide in 2017, by region (in million U.S. dollars)



Source
Fundly
© Statista 2018

Additional Information:
Worldwide; Fundly; 2017

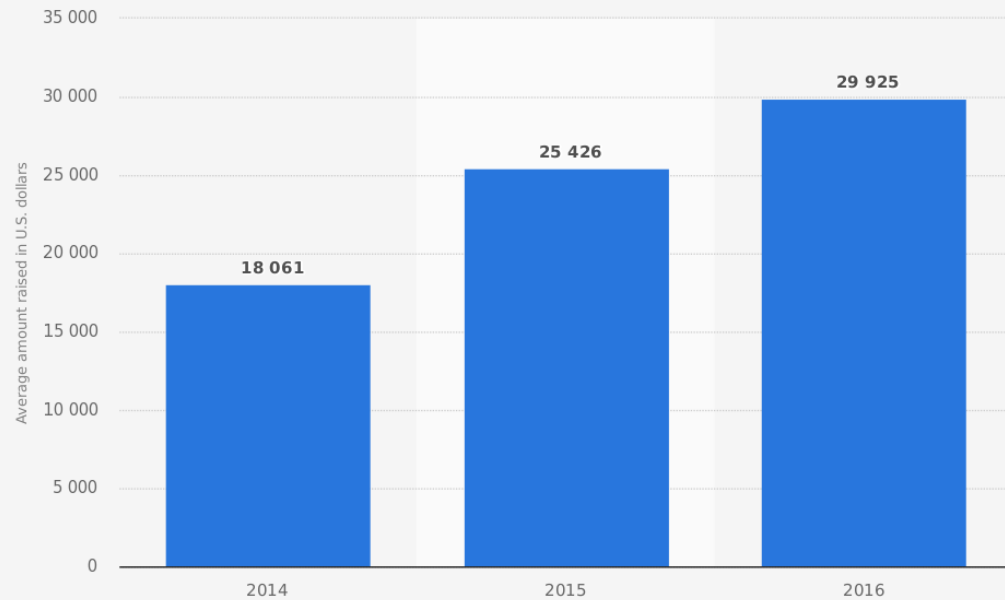
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MARKET STATISTICS

(cont'd)

Average amount of money raised per crowdfunding campaign worldwide from 2014 to 2016 (in U.S. dollars)

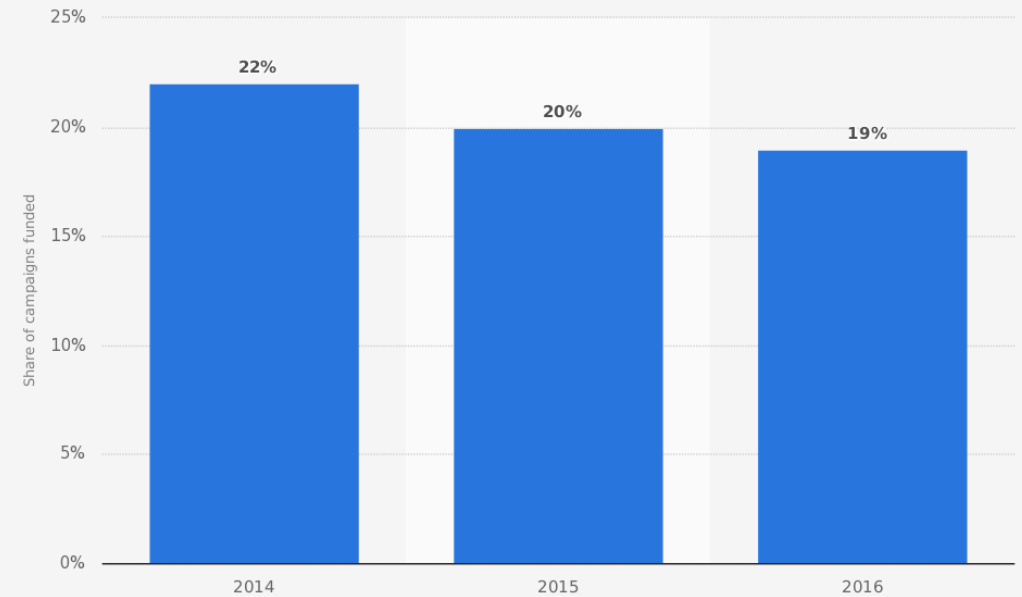


Source
The Crowdfunding Center
© Statista 2018

Additional Information:
Worldwide; The Crowdfunding Center; 2014 to 2016

statista

Share of campaigns funded through crowdfunding worldwide from 2014 to 2016



Source
The Crowdfunding Center
© Statista 2018

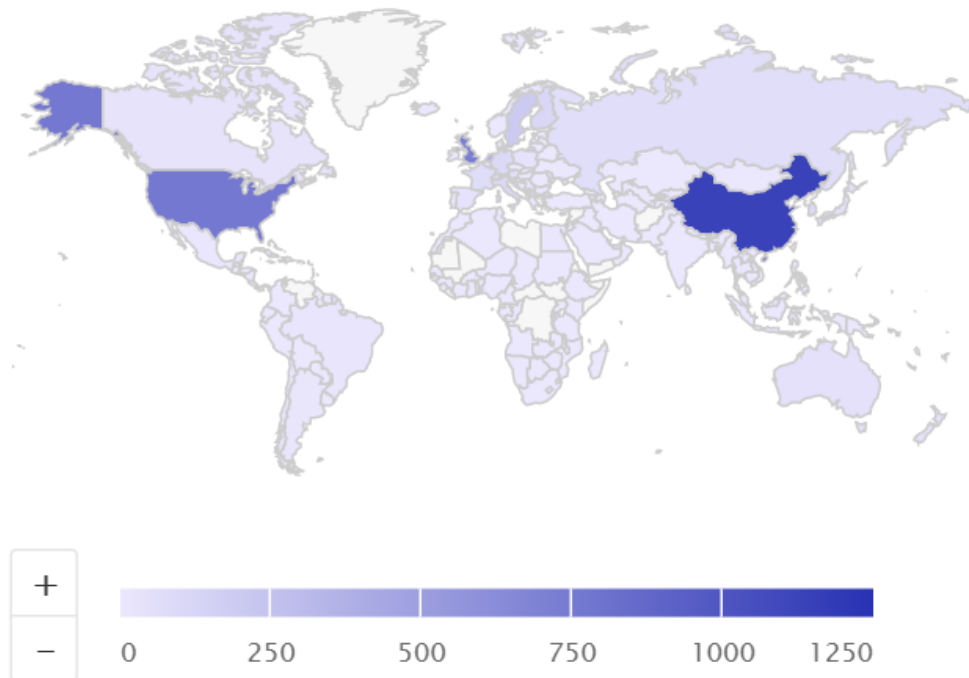
Additional Information:
Worldwide; The Crowdfunding Center; 2014 to 2016

statista



MARKET STATISTICS

CROWDFUNDING & CROWDINVESTING

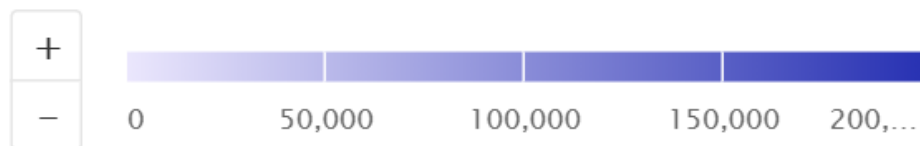
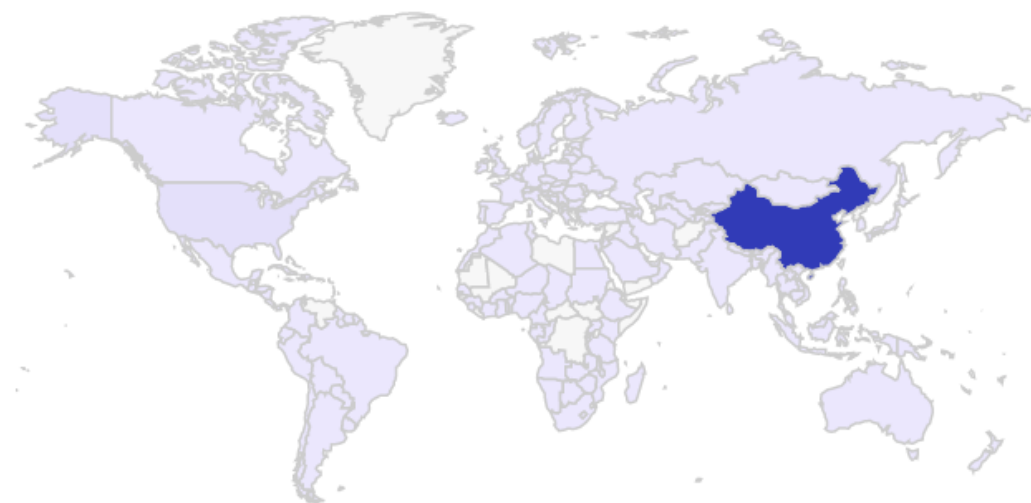









Top 5	
1. China	US\$1,140m
2. Israel	US\$855m
3. United States	US\$765m
4. United Kingdom	US\$728m
5. Netherlands	US\$399m
31. Thailand	US\$5m
59. Myanmar	US\$1m



MARKET STATISTICS

CROWDLENDING



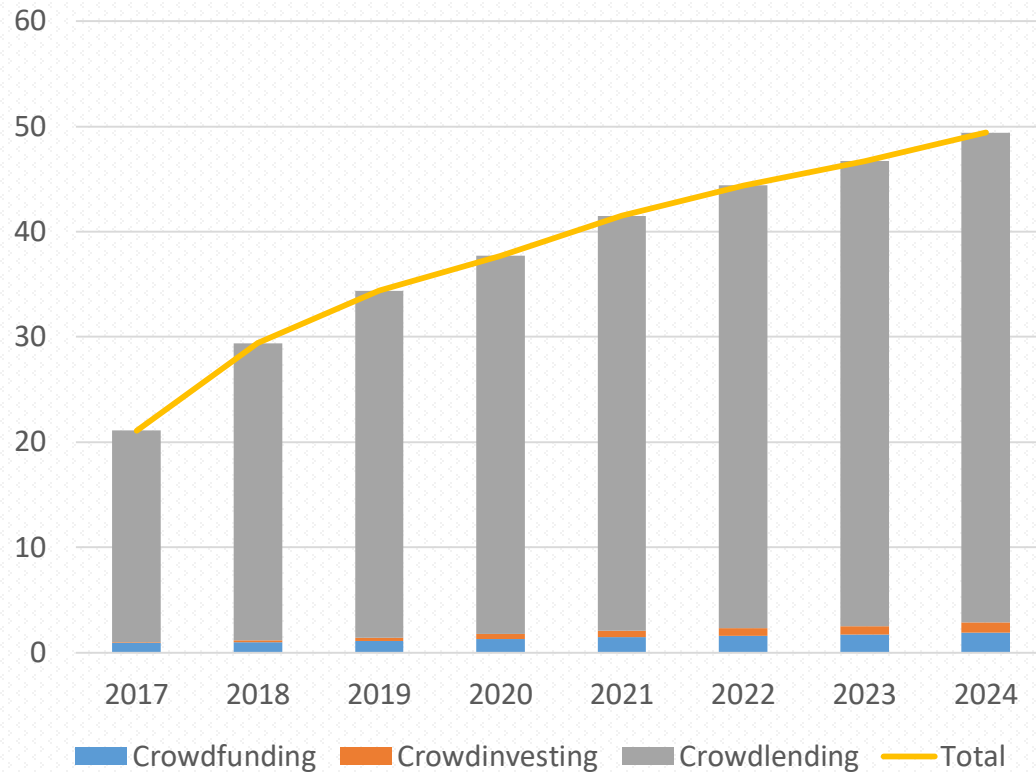
Top 5	
1.  China	US\$190,498m
2.  United States	US\$7,202m
3.  United Kingdom	US\$2,299m
4.  Switzerland	US\$1,342m
5.  Italy	US\$699m
31.  Myanmar	US\$36m
128.  Thailand	US\$2m



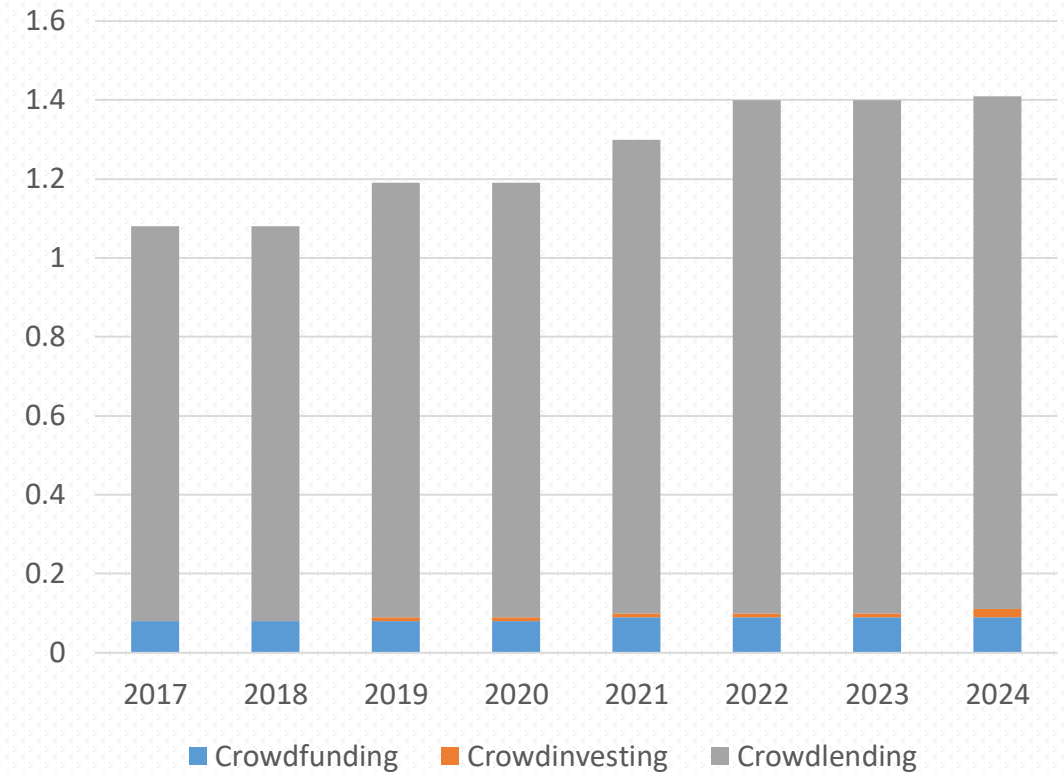
MARKET FORECAST

MYANMAR

Transaction value in million US\$



Number of Campaigns in thousand

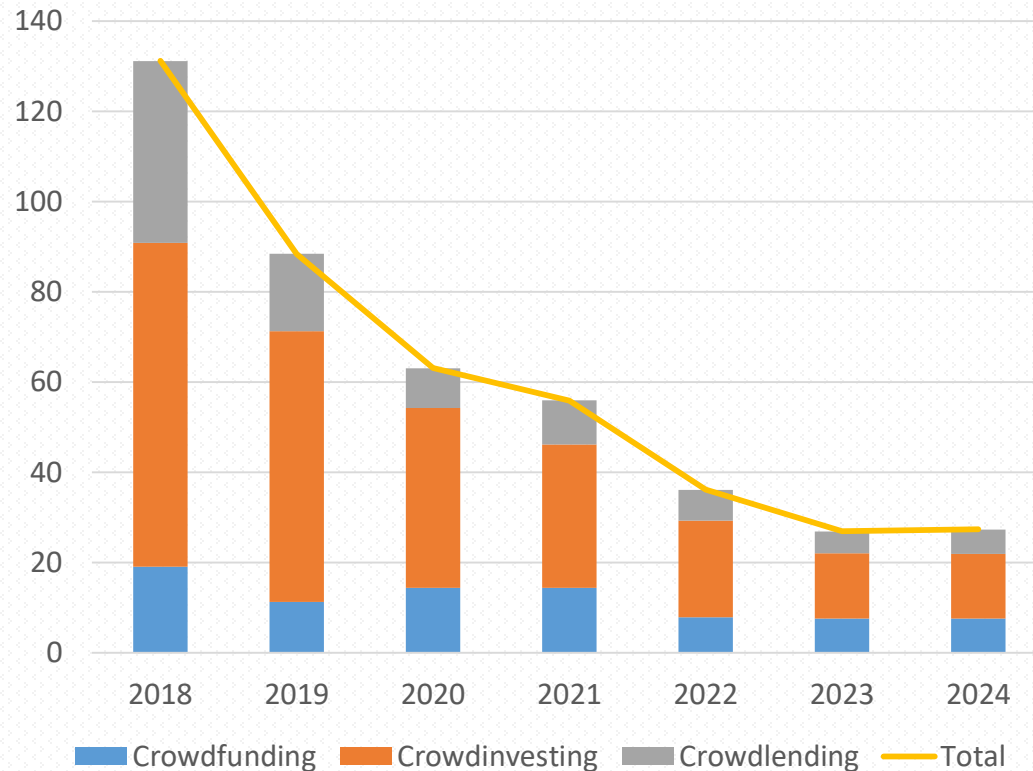




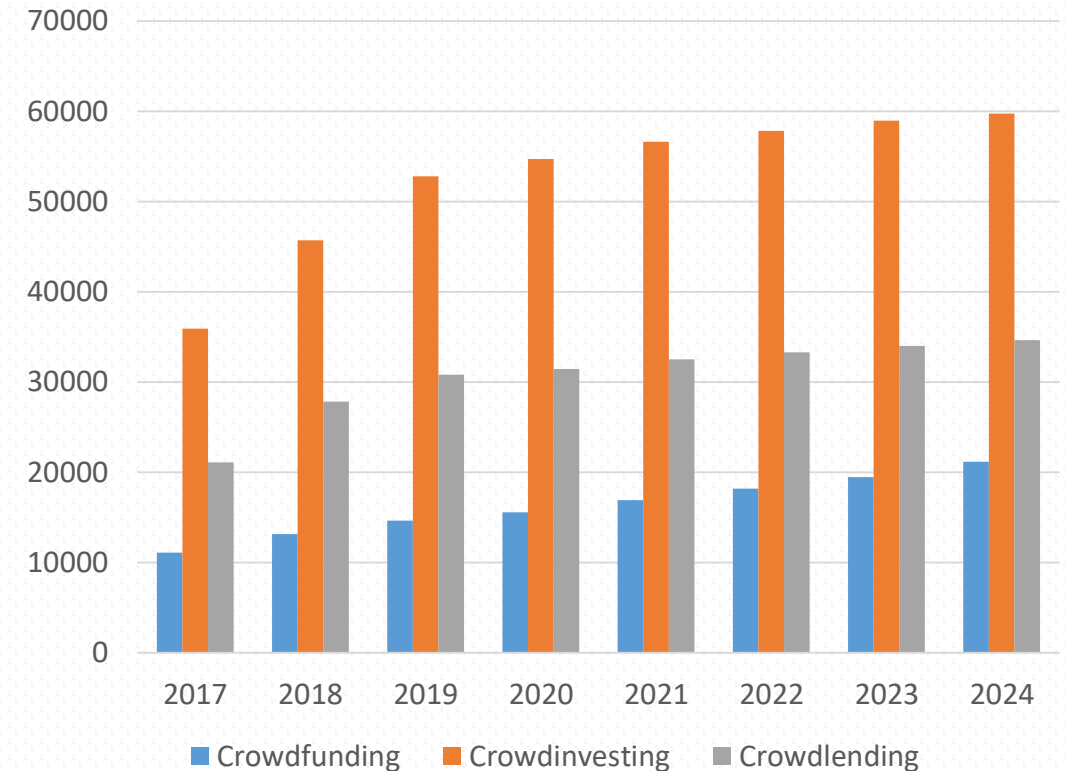
MARKET FORECAST

MYANMAR (cont'd)

Transaction value in growth percent



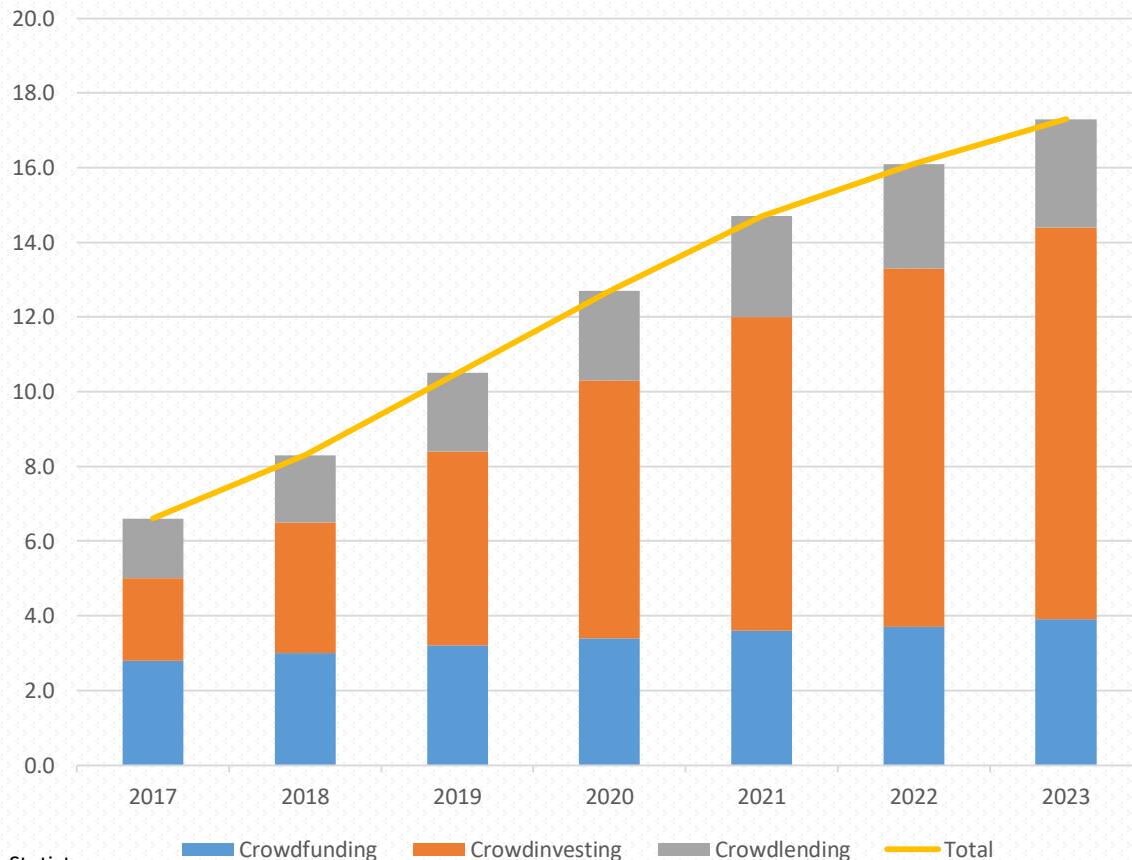
Av. Funding per Campaign in US\$



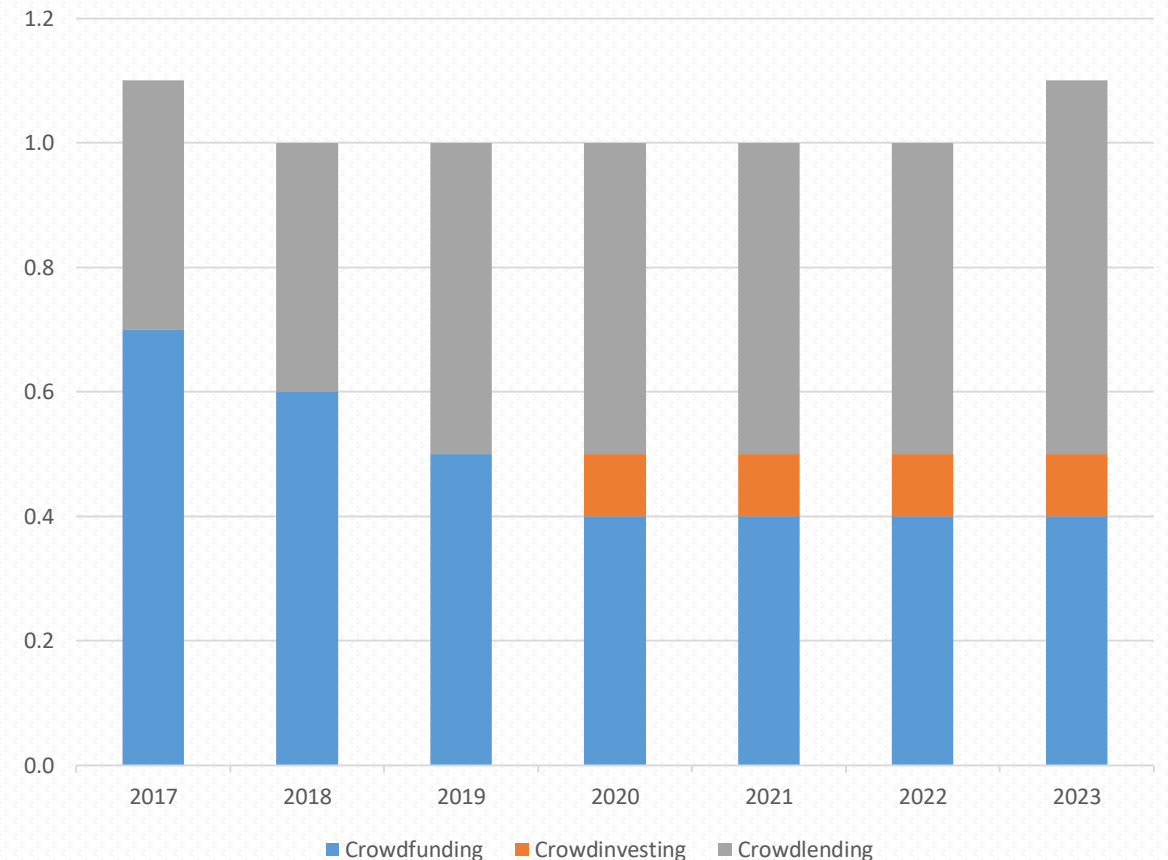


MARKET FORECAST THAILAND

Transaction Value in million US\$



Number of Campaigns in thousand

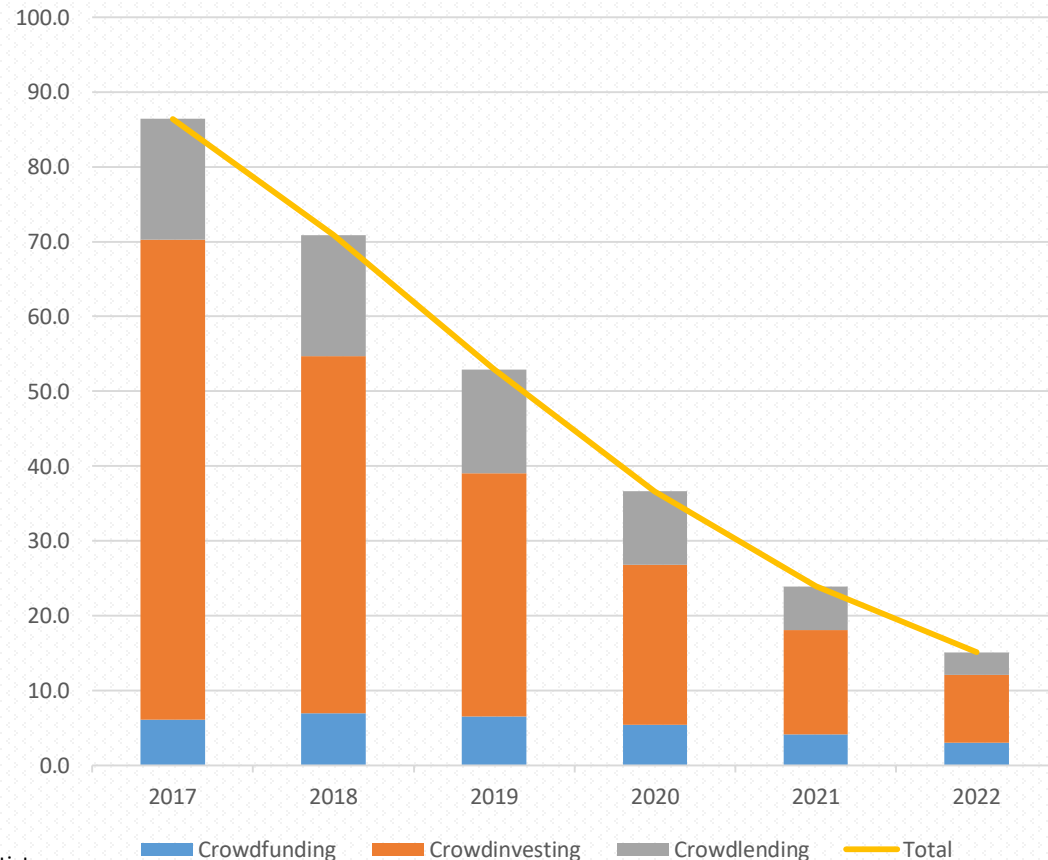




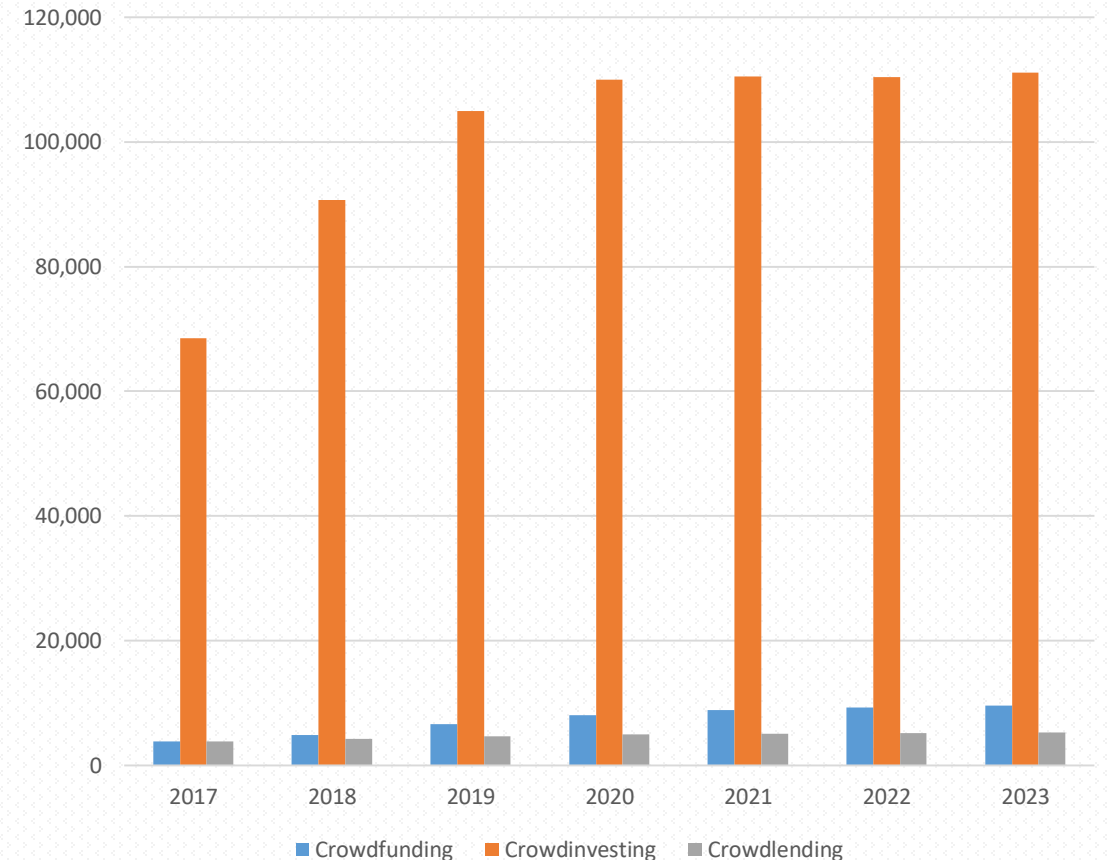
MARKET FORECAST

THAILAND (cont'd)

Transaction Value Growth in percent



av. Funding per Campaign in US\$

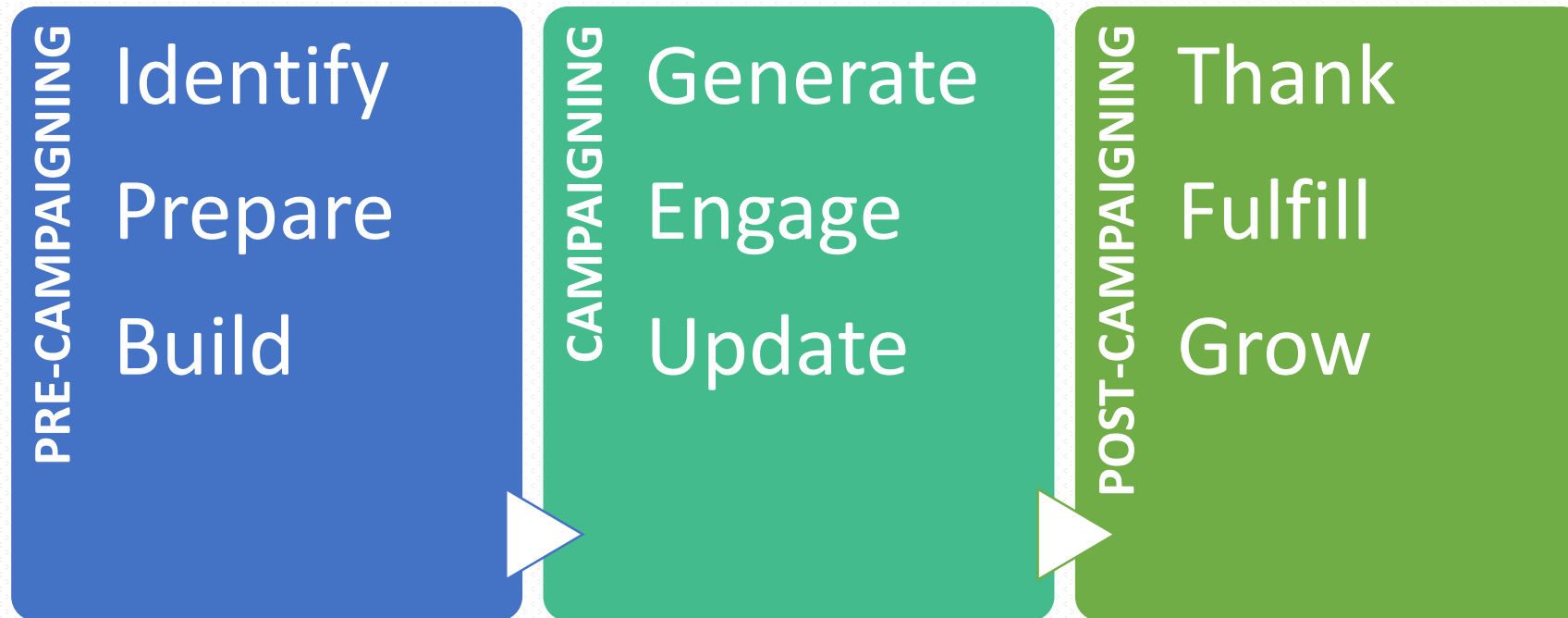


15 Minutes





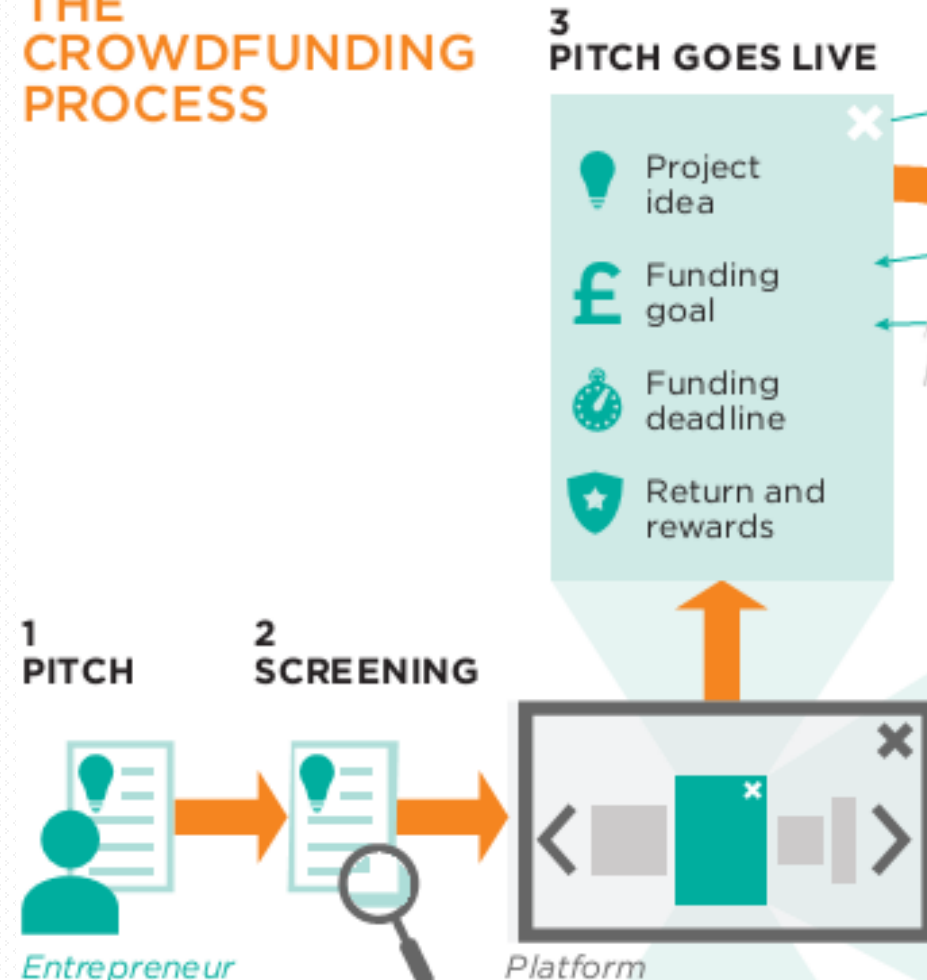
CROWDFUNDING FRAMEWORK: CROWDFUNDING PROCESS





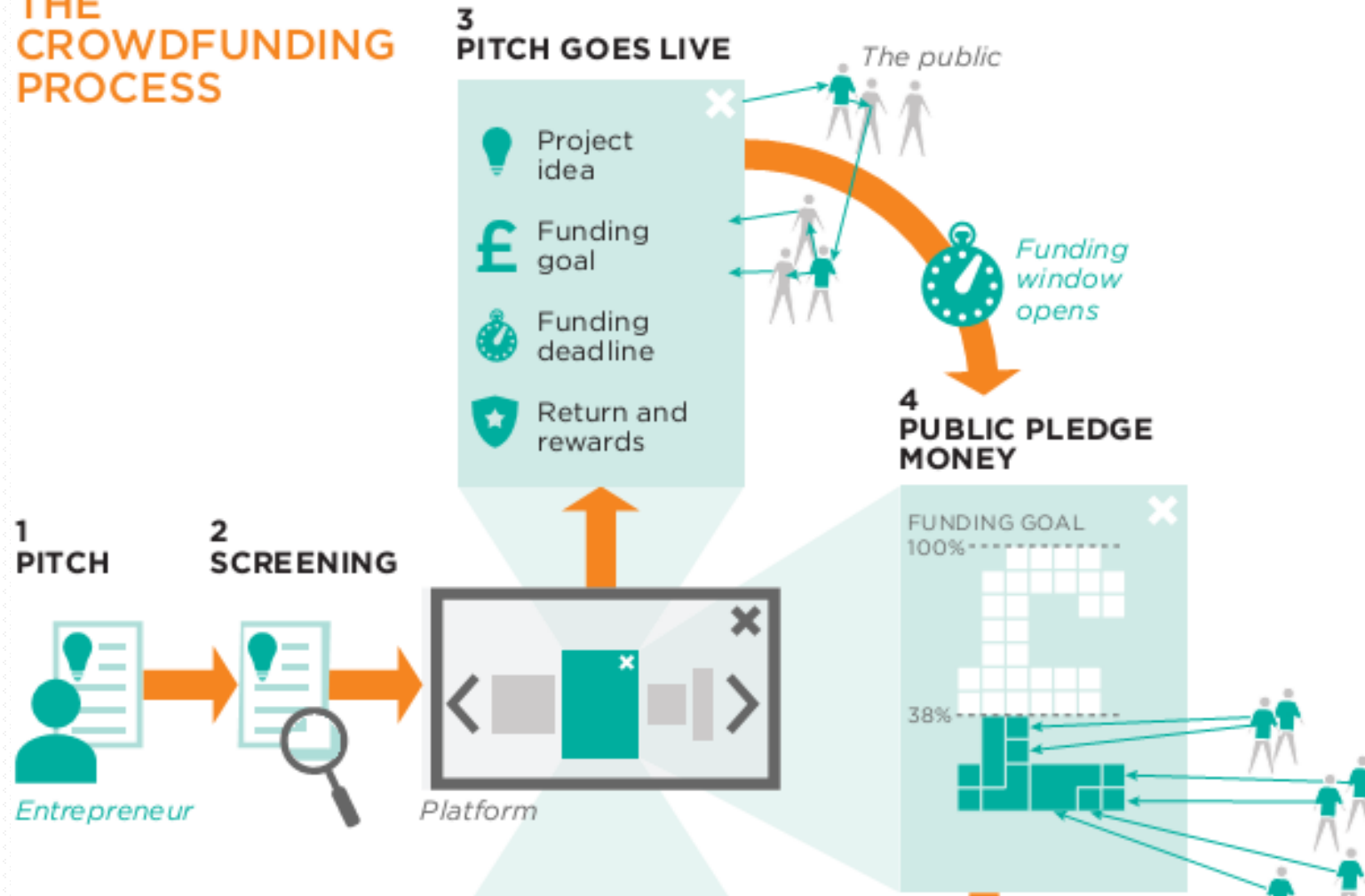
HOW DOES IT WORK

THE CROWDFUNDING PROCESS



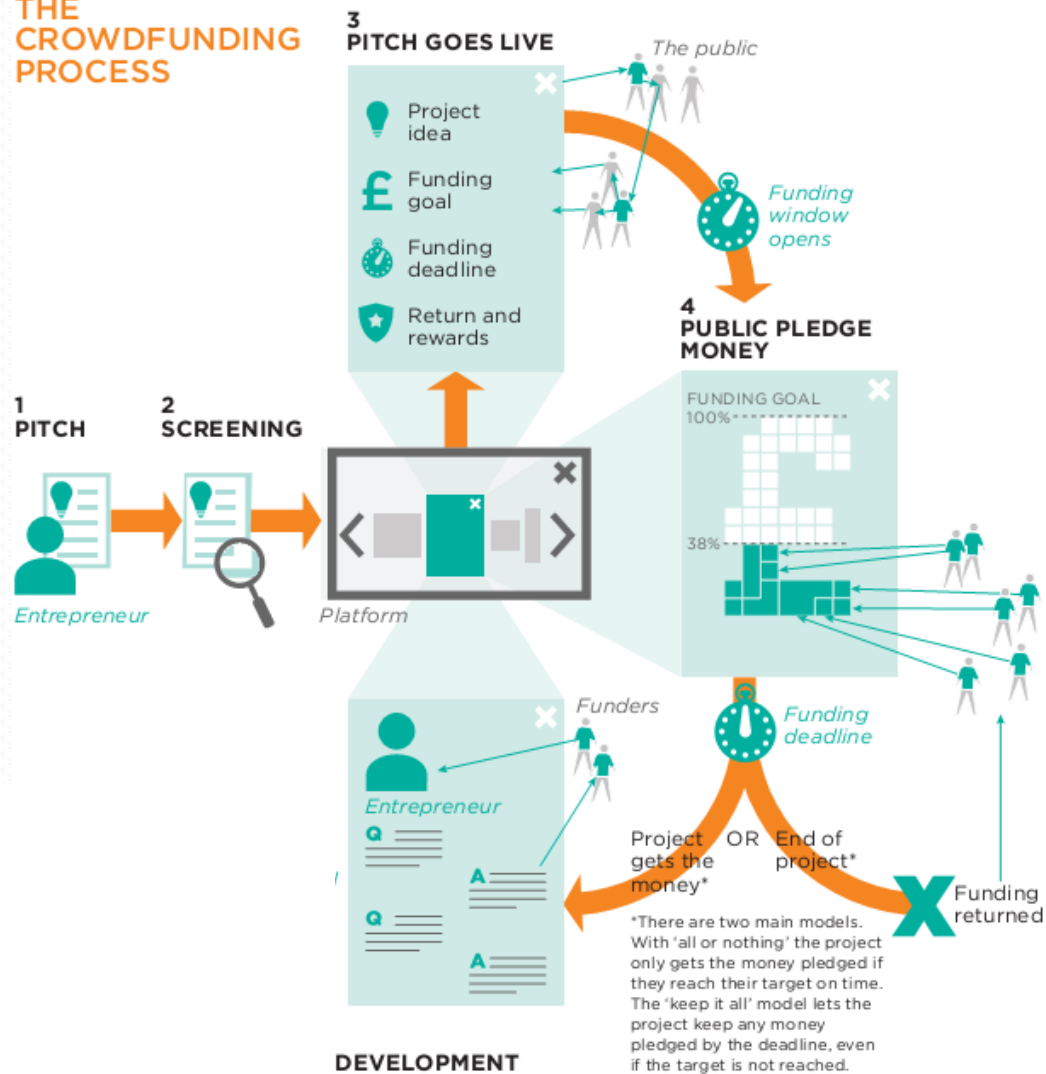


THE CROWDFUNDING PROCESS



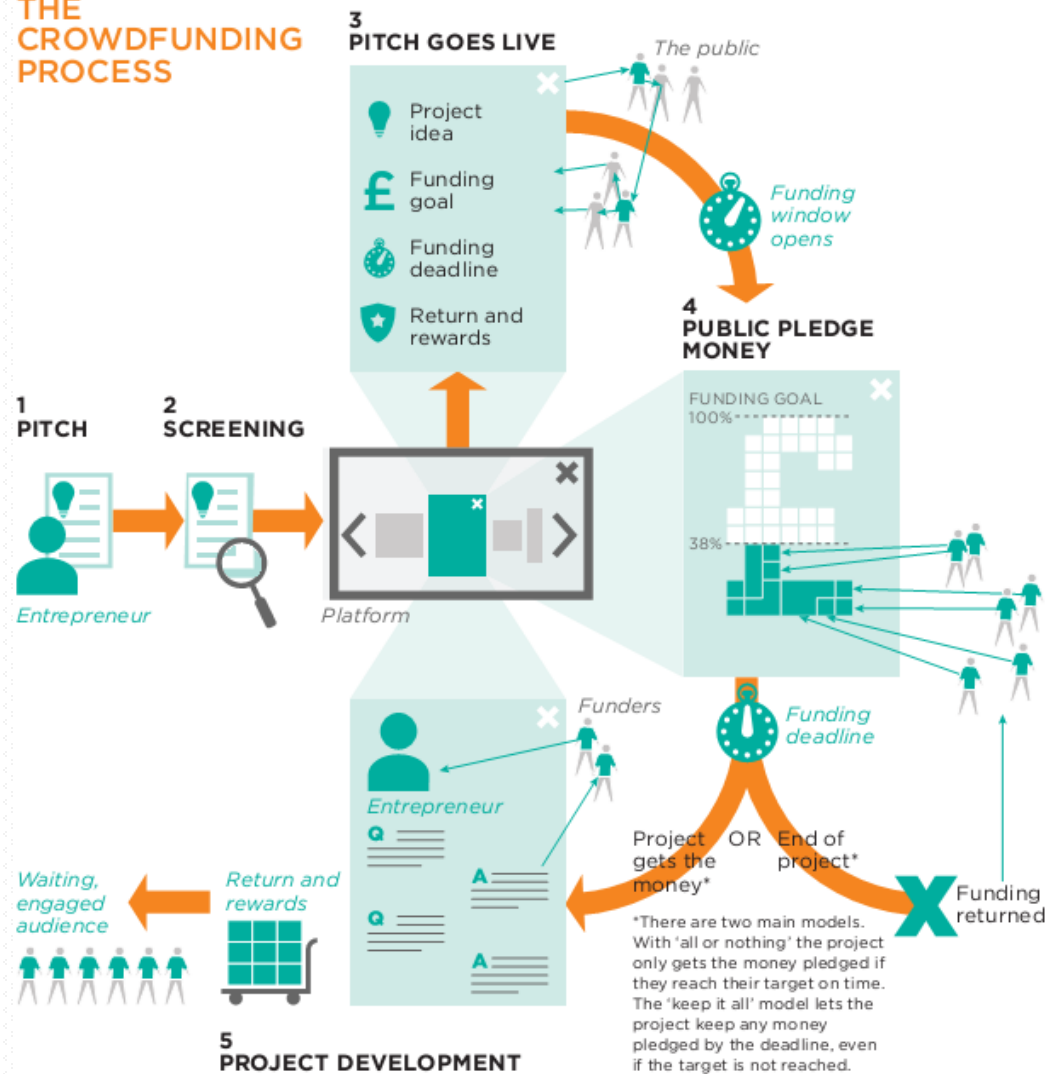


THE CROWDFUNDING PROCESS





THE CROWDFUNDING PROCESS





ORGANISE YOUR CROWDFUNDING CAMPAIGN

A successful Crowdfunding campaign needs more than just publishing your project on a Crowdfunding platform.

IDENTIFY	PREPARE	BUILD
Define your goal, budget and milestones	Set up project and communication plan	Open account and set up payment
Write a business plan	Start a pre-launch page	Add campaign title
Build your team	Produce a campaign video, pics and graphics	Add your team and description texts
Choose the crowdfunding model and platform	Write a campaign text	Upload video and business plan
Imagine different scenarios	Write FAQ's	Publish your campaign



RUN YOUR CROWDFUNDING CAMPAIGN

After publishing your campaign, there's a lot of work to do to create buzz and keep your project going.

GENERATE	ENGAGE	UPDATE
Send personal mails and publish press release	Answer emails & FAQs	Inform about project status
Send direct messages	Plan a live Q&A session	Post interviews & articles
Update your community	Start a referral contest	Send out email-newsletter
Advertise in Social Media	Visit offline events	Send reminder to close contacts
Organise a kickoff event	Ask for feedback	Communicate new rewards & stretch goals
	BEWARE: the valley of tears	Present testimonials



FINISH YOUR CROWDFUNDING CAMPAIGN

After a successfully finished Crowdfunding campaign, don't forget your crowd!

THANK	FULFILL	GROW
Communicate your success	Invite your supporters to events	Identify “true” believers amongst your supporters
Thank your supporters	Reward supporters as promised	Work with your success
Update your campaign-page	Communicate milestones	Identify “true” believers amongst your supporters
Party with your teams	Invite your supporters to events	Work with your success
Communicate your success	Reward supporters as promised	
Thank your supporters		



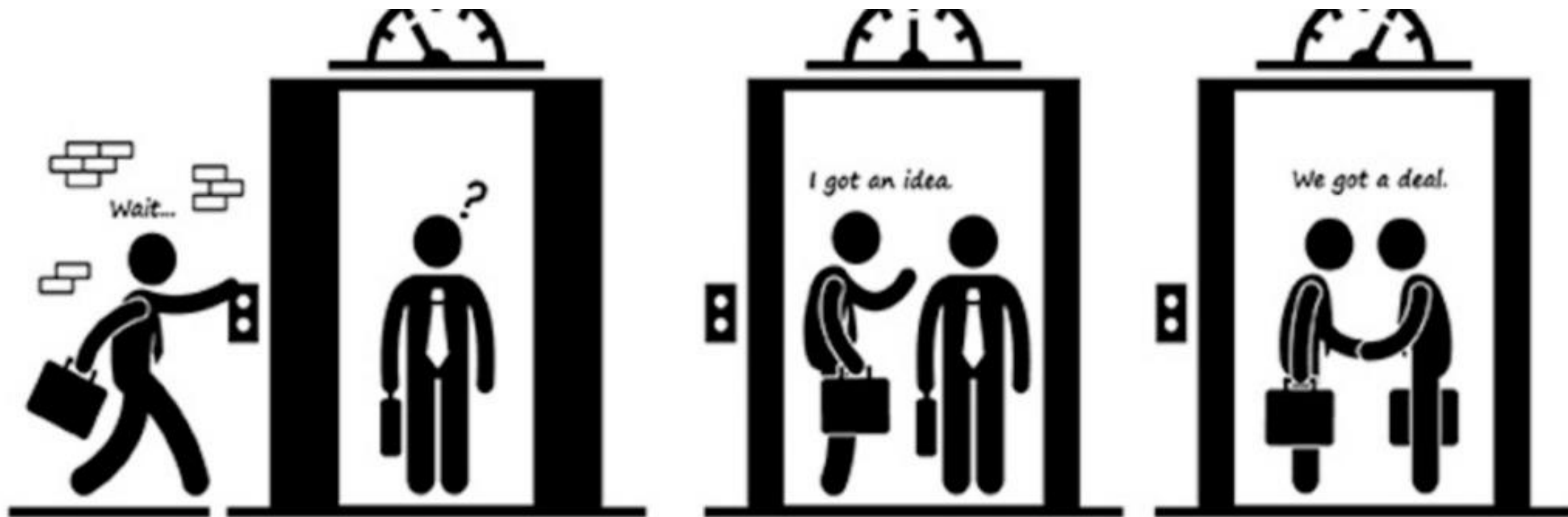
In Your Teams

Using your idea from the social business model canvas:

Create a crowdfunding pitch

Please present your results to the group

IDENTIFY	PREPARE	BUILD
Define your goal, budget and milestones	Set up project and communication plan	Open account and set up payment
Write a business plan	Start a pre-launch page	Add campaign title
Build your team	Produce a campaign video, pics and graphics	Add your team and description texts
Choose the crowdfunding model and platform	Write a campaign text	Upload video and business plan
Imagine different scenarios	Write FAQ's	Publish your campaign



Pitch— 3 minutes MAX!!!



DUE DILIGENCE OF PLATFORMS

- **Identify crowdfunding platforms** that cater the needed form of funding, look for those that might have carried projects in the sector previously
- **Study related projects**, both successfull and unsucessfull ones
- **Closely study the platform** (information provided, funding process, fee structrues, legal terms (you might have to register to find these))
- **Check numbers** of projects, funding amounts, success rates, geographic focus and other historic data
- **Decide** and consider one or more platforms for the campaign



DUE DILIGENCE OF THE FIRM

- **Agreements/ Term sheets** - firms need to have signed a term sheet prior to the due diligence in most cases (the term sheet sets out the terms of the contract to be entered into if the due diligence is successful).
- **The due diligence** – this will typically involve a set of basic reviews that help characterise the business. These will most certainly always involve:
 - Evaluation of the management team
 - Audit of the financial accounts
 - Evaluation of the technology
 - Analysis of the intellectual property rights
 - Evaluating existing customers' recommendations



VALUATION

- **The firms sets its own valuation**, the crowdfunding platform will however influence the firm or may have their own method. Depending on the type of finance (debt, reward, equity) the methodologies will vary.
- **Crowdfunding platforms** have usually a standard contract to begin with, which can help simplify things; even the best lawyer might not be able to secure all interest at all times and firms can be assured that without legal advice they will most likely secure none of your interests.



CROWDFUNDING: BENEFITS

- Access to “cheap money”
 - Risk transformation due to small amounts
- Potentially **larger sums** of fundraising
- Gain audience and **publicity**
- Build social and **sustainability proof**





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STEP 

READY TO KAHOOT! IT?

Please go to <http://kahoot.it> with your smartphone
or use the QR-Code.





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THANK YOU FOR YOUR ATTENTION AND COLLABORATION

