



Matching the crowd

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

Peter Baeck, Jonathan Bone, Sam Mitchell

October 2017



nesta


Department for
Digital, Culture
Media & Sport

 **ARTS COUNCIL
ENGLAND**


heritage
lottery fund

About the Department for Digital, Culture, Media and Sport

The Department for Digital, Culture, Media & Sport (DCMS) helps to drive growth, enrich lives and promote Britain abroad. We protect and promote our cultural and artistic heritage and help businesses and communities to grow by investing in innovation and highlighting Britain as a fantastic place to visit. We help to give the UK a unique advantage on the global stage, striving for economic success.

DCMS is a ministerial department, supported by **43 agencies and public bodies**.

About Arts Council England

Arts Council England champions, develops and invests in artistic and cultural experiences that enrich people's lives. We support a range of activities across the arts, museums and libraries – from theatre to digital art, reading to dance, music to literature, and crafts to collections.

Great art and culture inspires us, brings us together and teaches us about ourselves and the world around us. In short, it makes life better. Between 2015 and 2018, we plan to invest £1.1 billion of public money from government and an estimated £700 million from the National Lottery to help create these experiences for as many people as possible across the country.

www.artscouncil.org.uk

About Heritage Lottery Fund

Thanks to National Lottery players, we invest money to help people across the UK explore, enjoy and protect the heritage they care about - from the archaeology under our feet to the historic parks and buildings we love, from precious memories and collections to rare wildlife.

www.hlf.org.uk Follow us on [Twitter](#), [Facebook](#) and [Instagram](#) and use #HLFsupported and #NationalLottery.

About Nesta

Nesta is a global innovation foundation. We back new ideas to tackle the big challenges of our time. We use our knowledge, networks, funding and skills - working in partnership with others, including governments, businesses and charities. We are a UK charity but work all over the world, supported by a financial endowment.

To find out more visit www.nesta.org.uk



This project was delivered in partnership with Crowdfunder

Crowdfunder is the UK's largest rewards crowdfunding platform having raised over £38m for community, business and social enterprise projects across the UK. Its first pioneering local campaign, Crowdfund Plymouth has raised almost £1,000,000 for over 140 projects in 18 months.

www.crowdfunder.co.uk



**ARTS COUNCIL
ENGLAND**



Crowdfunding resources

This report focuses specifically on matched crowdfunding and lessons from the matched crowdfunding pilot for arts and heritage.

A range of other Nesta resources explore crowdfunding more generally, opportunities and challenges in crowdfunding for good causes and provide advice on how to set up a campaign and find the right platform.

Crowdfunding Good Causes: Based on interviews with UK crowdfunding platforms and a survey of more than 450 charities, community groups and social entrepreneurs, this report, created in partnership with NCVO, explores opportunities and challenges in crowdfunding for good causes.

www.nesta.org.uk/publications/crowdfunding-good-causes

Pushing Boundaries: This study by Nesta and Cambridge University of 94 crowdfunding and P2P lending platforms examines the growth, trends and dynamics within the UK alternative finance sector from 2012 to 2015.

www.nesta.org.uk/publications/pushing-boundaries-2015-uk-alternative-finance-industry-report

Working the Crowd: This report explores the basic principles of crowdfunding, what it is, how it works and which projects and businesses it can be used to raise finance for.

www.nesta.org.uk/publications/working-crowd

How to find the right crowdfunding platform for your good cause: This blog provides advice for charities, community groups and social entrepreneurs on how to find the right platform for their campaign and a list of the main platforms in the UK.

www.nesta.org.uk/blog/how-find-right-crowdfunding-platform-your-good-cause

Matched crowdfunding for the arts and heritage sectors: Case studies and top tips from projects. This blog features eleven interviews with projects that took part in the match fund, on their experience of crowdfunding and top tips from their campaign that others can learn from.

www.nesta.org.uk/blog/matched-crowdfunding-arts-and-heritage-sectors-case-studies-and-top-tips-projects

You can download and read more about all of Nesta's research on crowdfunding here.

www.nesta.org.uk/project/crowdfunding

Contents

Executive summary	5
Acknowledgements	9
Foreword	10
Introduction	12

SECTION ONE	Matched crowdfunding: What it is and who is using it	14
	Introduction	15
	How matched crowdfunding works - the relationship between funder, platform, projects and the crowd	16
	Trends in the matched crowdfunding market	22
	Why set up a match fund?	24

SECTION TWO	An experiment in matched crowdfunding for arts and heritage	29
	Matching arts and heritage in numbers	30
	Introduction	31
	Designing the matched crowdfunding experiment	32
	The impact of matched crowdfunding	40
	The financial impact of matched crowdfunding	40
	The non-financial impact - increasing volunteering and building digital skills	54
	How matched crowdfunding attracts and motivates backers and fundraisers	61

SECTION THREE	Insights and recommendations	74
	Insights	75
	Recommendations	77

Appendix	79
Endnotes	83

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.¹ 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 an 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.

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.

Acknowledgements

This report is the result of a collaboration between Nesta, The Department for Digital, Culture, Media and Sport (DCMS), Arts Council England and Heritage Lottery Fund.

The authors would like to thank our colleagues at Nesta, **Hasan Bakhshi** and **Fran Sanderson** for providing valuable support and feedback on the research. A special thanks to **Toby Baker** for his work on the research and interviews that helped shape Section One of this report.

From the wider project team that helped set up and implement the match funds we would like to thank **Jade Belletty**, **James Bird**, **Carla Piper** and **Sarah Lingard** from Department for Digital, Culture, Media and Sport; **Ross Burnett**, **Clare Titley** and **Anne-Marie Farrell** from Arts Council England; **Anne Young**, **Laura Butcher**, **Gemma Thorpe**, **Nerys Watts**, **Lucy Casot** and **Louise Sutherland** from Heritage Lottery Fund.

At Crowdfunder we would like to thank **Phil Geraghty**, **Graeme Roy**, **Jason Nuttall** and **Jessica Ratty** for all their hard work on developing the match funds on their platform.

We are grateful for the support from the funders and crowdfunding platforms that took part in this study and would like to thank the following funders and platforms for taking the time to be interviewed by us: **Duncan Knox** (Hubbub), **Roy Cremers** (Voordekunst), **Olivier Schulbaum** (Goteo), **Oliver Sleeman** (Crowdfunder), **Kym Kitching** (University of York), **Susie Braithwaite** (University of York), **Kat Carter** (University of Southampton), **James Martin** (University of Essex), **Ella Waving** (Creative England), **Jessica Loveland** (Creative England), **Sheralee Morris** (Santander), **James Parkinson** and **Patrick Dubeck** (Greater London Authority), **Shelley Hague** (Angus Council), **Hannah Sloggett** (Plymouth Council), **Paul Jennings** (Dundee Heritage), **John Mulligan** (Esmee Fairbairn), **Eerde Hovinga** (VSB Fonds), **Alex Watson** (Call the Crowd), **Mari José Telleria** (The Guipúzcoa Region).

Finally, we would also like to thank all arts and heritage projects that took part in our survey.²

As ever, all errors and omissions remain our own.

Foreword



Department for Digital, Culture, Media and Sport

In June 2016 the DCMS culture white paper announced our ambition to establish a new pilot scheme in partnership with Nesta, Arts Council England and the Heritage Lottery Fund to explore the opportunities for matched crowdfunding as an innovative way of funding cultural projects and to build the evidence base to support the growth of this method of fundraising. We are therefore delighted to have backed this partnership in order to build the evidence base around the possibilities for matched crowdfunding.

This report clearly outlines that this is an area where growth is anticipated, and that dialogue between the crowdfunding sector and funding bodies - across civil society and arts and heritage - may prove to be increasingly important tool for involving the public in getting great ideas off the ground.

Giles Smith, Deputy Director for Heritage, Tourism and Cultural Diplomacy

Kate McGavin and **Helen Williams**, Deputy Directors for Arts, Libraries and Digital Culture



Heritage Lottery Fund

The Heritage Lottery Fund is committed to exploring different ways in which organisations in heritage can become more resilient and find new sources of income. Working with the project partners we wanted to test what potential crowdfunding has for fundraising for heritage projects; what the non-financial benefits were likely to be; which crowdfunding approaches worked best and whether HLF's match funding did incentivise more giving from the crowd.

Heritage has a strong volunteering tradition and it is particularly welcome to see the extent to which the crowdfunding organisations were able to bring in new volunteers and other sources of help, and to reach out to new supporters, often from their local area.

Thanks to National Lottery players we are pleased to have been able to invest in this innovative pilot and look forward to sharing the learning.

Anne Young, Head of Strategic and Corporate Planning



Arts Council England

Nesta is leading the way in looking at the development of crowdfunding and its potential for different sectors. At the Arts Council, we are committed to supporting the resilience of the arts and culture sector and were happy to collaborate with Nesta on this recommendation from the government's Culture White Paper.

Although a relatively small pilot, our investment in it enabled arts and cultural organisations to explore new revenue sources and enjoy other non-financial rewards and longer-term collaborations.

The findings have provided valuable insight for us on how arts and cultural organisations and funders can best engage with crowdfunding platforms and the wider benefits they can bring. This research will help inform our future policy and funding programme development as we support arts and cultural organisations to become more resilient and sustainable businesses.

Francis Runacres, Executive Director, Enterprise & Innovation



Nesta

Nesta has been researching and supporting the crowdfunding and alternative finance sector since 2010. As both a major innovation in finance, and a key route to funding for innovative ideas, Nesta has studied how it has taken off in a wide range of sectors.

We are delighted to have been given the opportunity to work with The Department for Digital, Culture, Media and Sport, Arts Council England and Heritage Lottery Fund to explore how institutional funders can make the most of this growth through matched crowdfunding.

This pilot programme has given us unique quantitative evidence that matched crowdfunding can help arts and heritage funders make public money work harder and help the organisations who try it not only raise money from new sources, but also reach new audiences and supporters.

Hasan Bakhshi, Executive Director, Creative Economy and Data Analytics

Introduction

Crowdfunding has grown over the last decade from a marginal fundraising tool into a mainstream form of finance. Crowdfunding platforms, particularly those focused on donations and rewards-based campaigns, have become an important mechanism to fund everything from community facilities to humanitarian interventions to theatres and festivals.

Concurrent with this rapid growth in platform use, established funders, corporate businesses and local authorities are becoming increasingly interested in the idea of matched crowdfunding.³ In this form of crowdfunding, donations or investments are matched with money from funders such as philanthropists, foundations and government on an online crowdfunding platform to help projects reach their campaign targets and start work.

This is typically driven by an interest in using crowdfunding to make public funding go further, get more people involved in developing and supporting projects and use the knowledge of 'the crowd' to test public demand for projects that are ultimately larger in scope.

The rise of matched crowdfunding has spread quickly among crowdfunding platforms, with many dedicating part of their business model to securing these institutional funds to distribute. We estimate that in 2016 more than £1 million was made available by institutional funders for matching crowdfunded projects with a social or cultural purpose.

However, in spite of this rapid growth we still know little about the impact of matched crowdfunding, its opportunities and challenges. This lack of evidence may in turn be keeping many established funders from making informed decisions on the efficacy of matched crowdfunding generally, and its potential utilisation within their current funding programmes.

To address this challenge and help the growing body of funders interested in matched crowdfunding understand it better, the Department for Digital Culture, Media and Sport's (formerly the Department for Culture, Media and Sport) 2016 Culture White Paper announced the ambition "to explore the opportunities for matched crowdfunding as an innovative way of funding cultural projects and to build the evidence base to support the growth of this method of fundraising".⁴

As a result of this, Nesta, in partnership with DCMS, Arts Council England and Heritage Lottery Fund set up the Arts and Heritage Matched Crowdfunding pilot programme. Through two simultaneous funds, the £125,000 Artist+ the Crowd (provided by Arts Council England) and the £126,500 Heritage+ the Crowd (provided by Heritage Lottery Fund), and a review of the lessons from other matched crowdfunding initiatives in the UK and internationally, we set out to explore the following three objectives:

- Understand if matched crowdfunding can leverage more money from the crowd and make public money go further.
- Test which form of matched crowdfunding is most effective and how matched crowdfunding effects projects.
- Explore the non-financial benefits of matched crowdfunding.



SECTION ONE

Based on interviews with funders and platforms, Section One explores the characteristics of matched crowdfunding, funder trends in the market and funder motivations for using it to source and support projects.



SECTION TWO

Section Two takes a more detailed look at the pilot programme with Arts Council England and Heritage Lottery Fund. This includes detailed analysis on the impact of different types of matches on campaign dynamics, a review of the type, size and variation of arts and heritage projects that took part in the pilot and our survey of 591 (12 per cent) of the 4,970 people who backed projects and 59 project owners to understand who they are, their motivations and the impact of crowdfunding.



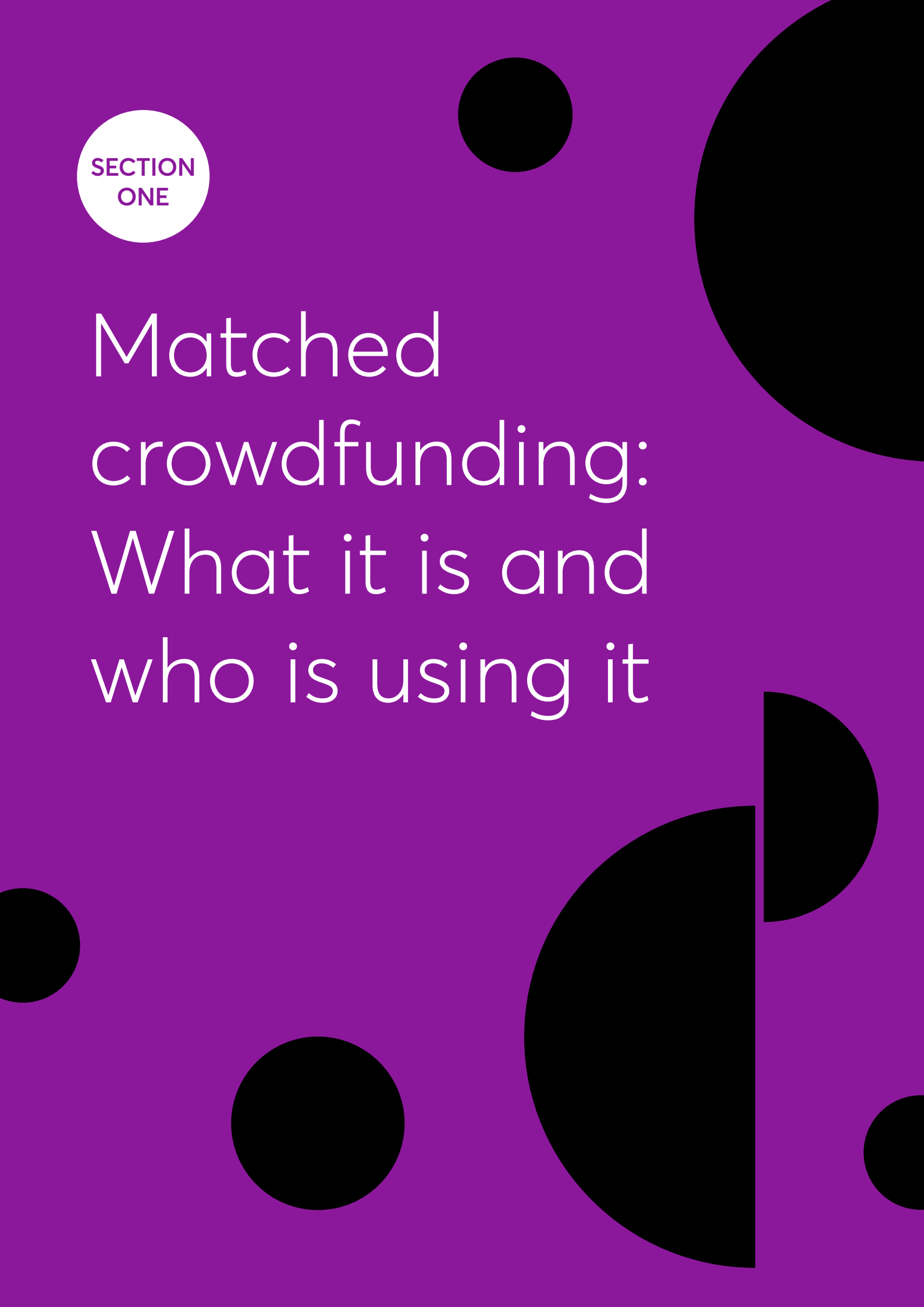
SECTION THREE

The final section concludes with a series of insights and recommendations on how funders and policymakers across all sectors can make matched crowdfunding work most effectively for them. It also highlights the key opportunities and challenges around this innovative form of funding.



SECTION
ONE

Matched crowdfunding: What it is and who is using it



Introduction

The growth of crowdfunding, where projects are funded through many small contributions from the crowd through an online platform instead of a few large investments from institutions, has disrupted most types of finance, from bank loans to investment in start-ups.

Examples of this include how the UK equity crowdfunding market now makes up more 16 per cent of all investment in start-ups and P2P lending makes up more than 12 per cent of all new loans to small businesses. As crowdfunding has grown into a billion pound market financial institutions have become increasingly interested in investing alongside the crowd. A study by Nesta and Cambridge University found that 45 per cent of all crowdfunding platforms in the UK had some levels of institutional funding in 2015, up from only 11 per cent in 2013.

While the majority of activity in this space has been focused on business finance, such as business angels investing alongside the crowd or funders like the British Business Bank providing part of the finance for a small business loan via a peer-to-peer (P2P) lending platform, the last couple of years have also seen an increased interest in crowdfunding among funders of social and cultural projects, such as local authorities and foundations.

In this section we explore the growth in matched crowdfunding for projects which seek to create social or cultural impact, including trends in the market to date and why platforms and funders have begun to explore this new form of financing projects. For a more detailed explanation of what characterises crowdfunding for social and cultural projects more broadly the report *Crowdfunding Good Causes* provides detailed background.⁵

Recognising the growth and increasing prominence of crowdfunding in the UK, a range of funders began to collaborate with crowdfunding platforms across the UK to develop innovative models for bringing crowdfunding and institutional funding together through matched crowdfunding. These early programmes and initiatives range in size, thematic scope and delivery mechanisms from place-based funds by local governments to initiatives for projects by students and alumni by universities.

From a review of platforms by Nesta it is estimated that match funding pilots gave away more than £1 million in funding throughout 2016 in the UK. Across these different programmes there is variation in the types of matches, the design and focus of funds and the relationship between the crowdfunding platform and the institutional funder.

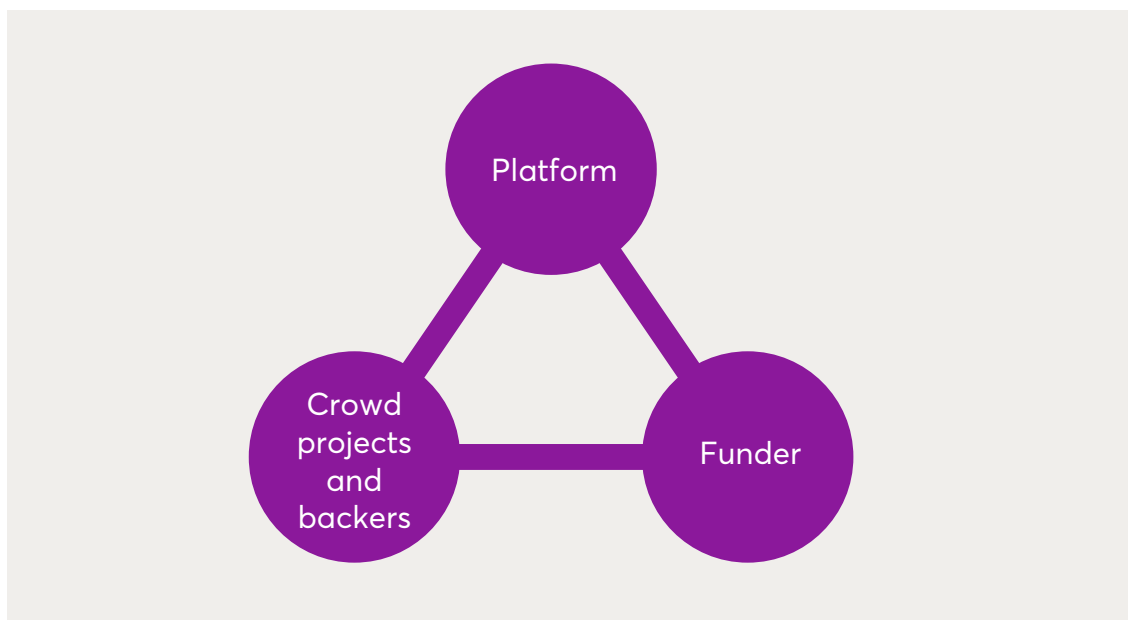
It is important to stress that matched funding between institutions and individual giving for social and cultural projects is not new and is a well-established form of fundraising.⁶ What is different about matched crowdfunding is the focus of crowdfunding on raising funding for a specific project or activity rather than the organisation, and therefore the application of the match to a specific project on a crowdfunding platform rather than a contribution to a more traditional fundraising campaign. The online nature of crowdfunding (projects describe their activity and how the money will be spent on a public page) can also increase transparency around what is getting funded, compared to more traditional forms of matching donations to an organisation.

This paper looks at matched crowdfunding initiatives that have used donation or rewards-based crowdfunding models (where backers of products receive a combination of recognition and products/services in return for their support, but no financial rewards) as this is the most established form of matched crowdfunding. However, there are experiments looking at matching funding for social and cultural projects using crowd-based investment methods such as community shares and peer-to-peer lending. This includes the work done by Big Society Capital on the £10 million Crowd Match Fund⁷ and Power To Change's £1 million fund to match investment raised through community share issues with the aim to increase take up in areas of disadvantage and in under-represented sectors.⁸

How matched crowdfunding works - the relationship between funder, platform, projects and the crowd

At its simplest matched crowdfunding is the practice of combining funding from an institution, such as a grant from a local authority, with money raised from individual donors on a crowdfunding platform, to get a project funded.

Funders and platforms have created a range of different structures for how they manage the relationship between the funder, the platform, the individual projects and their crowd of backers. Based on a range of interviews with funders and platforms we outline some basic principles of how matched crowdfunding works and different key features of how this relationship has been designed.



Basic principles of matched crowdfunding

A key feature of matched crowdfunding is mixing funds from individual donations from the crowd with larger donations from an institutional funder. Typically, the crowdfunding platform(s) acts as the public facing market place for projects that are fundraising. The crowdfunding platform will set up a dedicated page on the platform for the specific fund and the projects it has backed on the platform website. The funder, in most cases in partnership with the platform, sets the parameters for the total funds available for the match, the focus on what can be funded (size of project, theme, geographical focus), which becomes a set of basic criteria for who can apply to the fund via the platform. In addition to this the funder, with the platform, sets the terms for when a match can be made, including what kind of match it wants to make, the size of match, and how funds are transferred to the project from the funder.

One platform or many: The majority of match funds are set up as partnerships between one funder and one platform. However, in some instances the funder can form a partnership with multiple platforms. This gives projects with an interest in crowdfunding and the opportunity for a match more flexibility to select the platform that best fit with their needs. However, this makes the process more complex to manage and gives the funder less control over the design and implementation of the matched crowdfunding process.⁹

Attracting projects to fund: Funders have taken different approaches to engaging with the process of attracting, assessing and making decisions with regards to match funding projects. In most instances, the funder has promoted the match fund to their existing networks of previously funded organisations (such as prior grantees). Funders have also invested in capacity building workshops to enable prospective projects to set up crowdfunding campaigns.

These funder activities are typically combined with matchmaking within the platform, whereby the platform works to promote the available funds to projects and specifies the eligibility criteria to them. In some instances funders have taken a more hands-off approach, with most engagement work and marketing carried out solely by the platform. Whether it is the platform or the funder that leads on the marketing, some studies suggest it is the funders endorsement of projects as well as the funding they provide that incentivises backers to support match funded projects.¹⁰

Matching projects and working with the crowd: Funders generally take one of two approaches to matching projects. The first approach is to act as 'one of the crowd'. In this approach funders take an active approach in assessing projects on a project by project basis, and will then make decisions on the amount to back projects and when the match should be provided, in many ways acting exactly like any individual donor but with an (ordinarily) bigger donation.

The second approach is to create a structured approach to matching the crowds donations. In this approach the funder and platform design a process where matches are made based on specific conditions, typically that they meet the funder's criteria, have reached a specific percentage of their funding target or an amount of backers, which leads to the platform or the funder releasing the match.

CASE STUDY: Crowdfund London



One of the most popular projects backed by Crowdfund London was the Peckham Coal Line (pictured) which raised £75,757 from 928 backers and received a £10,000 pledge from City Hall to explore how a disused railway track in Peckham could be converted into a 900m long urban park.¹¹

Rachel Ferriman

Since 2014 the Greater London Authority, in partnership with the Spacehive crowdfunding platform, have been exploring how civic crowdfunding could become a new way to improve the city, by giving local groups a platform to develop, propose, fund and then bring to life projects to improve their neighbourhood.¹² Crowdfund London offers a chance for projects to gain the support of both the wider community as well as the Mayor of London, who uses the platform to pledge funding of up to £50,000 to citizen-led initiatives as 'one of the crowd'. In addition to matching projects, the GLA runs a number of crowdfunding workshops and live pitching events across the city to encourage uptake and engagement in the fund.

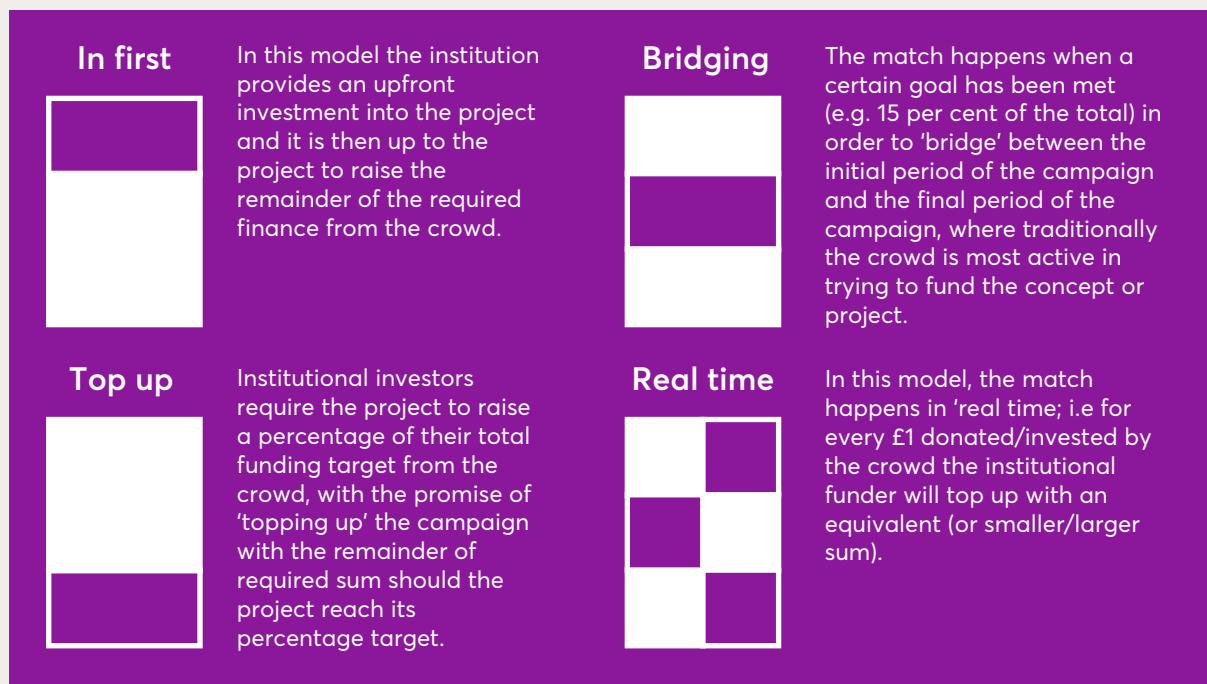
Now on its fourth round, so far more than 8,700 Londoners have pledged over £1.6m to 77 crowdfunding campaigns run by people from

across the city which has been matched by almost £1.2m from City Hall.¹³

This includes a diverse range of projects from the Well Street Community Food Market,¹⁴ The Community Brain Community Kitchen in Surbiton¹⁵ and a community art initiative in North London.^{16, 17}

Looking beyond the financial impact, an evaluation of the fund found that it helped improve community cohesion and democratise the urban re-development process as well as opening up local government processes to a wider and less-active section of the population. The same evaluation also found that there are some challenges such as potential dominance of certain groups over others in the process and the intense time and skills required by projects to successfully raise funds.¹⁸

The different matched crowdfunding models



Which match model and when to apply it: Funders also need to decide the type and ratio of match they want to make. There are four primary models funders can use to apply the match, in first, top up, bridging and real time. In the interviews and landscape review we find that the top up and bridging models have been most popular with funders to date. There is significant variation in the ratio of matches, with funders opting to make matches that range from 25 per cent to 50 per cent and in some cases as high as 75 per cent of the total funding target. Little research has been done on the effect of the different models and ratios of matches.

The 'in first' approach is typically best suited to funds where the funder wants to play a strong role in curating the portfolio of projects and lead the crowd towards projects that have already been endorsed by them. By contrast, the 'top up' is more geared towards funders that wish to be led by the crowd, and provide funding to projects that have already been endorsed by the crowd.

The dynamics of most crowdfunding campaigns can be described as U-shaped, with the majority of donations and investment from the crowd coming in at the beginning or end of campaigns with few happening at the middle.¹⁹ This 'lull' at the middle of campaigns can sometimes reduce momentum and overall chances of success. Bridging matches are used by funders to work against this dynamic by providing financial input during the dip in activity in the middle of the campaign and get projects to the stage of funding where the crowd is more likely to resume backing projects to give them the last push towards reaching their financial target.

Real time matches may provide a bigger incentive to backers by giving a more direct connection between their donations and the extra money going to the project as a result, and therefore accentuating the feeling that it is making the backers donation go further. However, this type of match requires more functionality from the platform as a funder matches must be made in response to every backer contribution, possibly leading to higher development costs.

As mentioned earlier the ratio at which funders match the contributions from the crowd varies considerably. While smaller matching ratio for example, where the funder provides 25 per cent of the target providing the crowd raises the remaining 75 per cent (hereafter a 25 per cent match), mean that the funder is able to back a larger number of different projects than with higher match ratios — such as 50 per cent or 75 per cent — larger match ratios may act as more of an incentive to prospective backers.

We are not aware of any studies that test the effect of match ratios in the context of matched crowdfunding. However, a study which compared a 'no match' treatment with 50 per cent, 66 per cent and 75 per cent match ratio treatments in the domain of direct mail fundraising found that while a 50 per cent match increased both the probability that an individual donates and the average amount given per donation, higher matching ratios provided no additional impact.²⁰ To our knowledge, there have not been any real world studies exploring the effect of lower match ratios of less than 50 per cent on the generosity of potential donors.²¹ Prior to our matched crowdfunding experiment, the effect of a 25 per cent match in real world conditions or how its impact compares to that of a 50 per cent match was unclear.

CASE STUDY: York University

Suzy Harrison



The University of York Boat Club, the largest sports club at the University, set out to crowdfund for a new boat for the women's rowing team to enable them to compete at regional and national events. They succeeded in raising £5,448 from 61 backers, including a £500 match from the University.

In 2014, the University of York created its own crowdfunding platform, YuStart, using a white label service provided by the Hubbub platform. The platform allows students and members of the University to develop their interests and to pursue creative and entrepreneurial projects which can make a difference to the lives of their fellow students, the University and the wider community.

In 2015, the University introduced match funding to the platform, enabling students or staff fundraising for eligible projects to receive up to 50 per cent from a dedicated annual fund - YuFund. The match funding aims to encourage more students to attempt fundraising, increase the diversity of student activities that the university is able to support, provide an opportunity for students to learn valuable skills, and create a visible system for celebrating the impact that money donated by university alumnus and friends is having.

YuFund, the University's fund, awards £30,000 a year in match funding. More than 100 projects have fundraised using the YuStart platform, of which 77 have received match funding from YuFund. After initially offering up to £500 in matched funding for individual projects, YuFund now offers up to £1,000 or 50 per cent of their fundraising target (whichever is lower).

In order to qualify for funding, projects must fulfill a broad set of criteria. Fundraisers must be current staff or students; projects should enhance 'the York experience' through academic, extra-curricular, sporting or volunteering activities; help students reach their full potential - in their studies, employability and participation and are usually fundraising for between £100 and £10,000.

"There's a risk that campaigns can plateau in the middle of a fundraiser, but the initial buzz generated by the offer of match funding is hugely valuable for fundraisers."

Kym Kitching, Student and Young Alumni Officer

The offer of match funding has had a significant impact. Average individual donations more than double when match funding is available, meaning that matched projects on the YuStart platform raise three times as much money as unmatched projects for individual donors (with the match funding contribution then added to this). Furthermore, 11 per cent of donors to match funded campaigns give to more than one campaign.

An added benefit for the University is that crowdfunding enables it to reach a group of donors that have traditionally been hard to engage; students themselves and new alumni make up 36 per cent of donors to the platform.

Trends in the matched crowdfunding market

The matched crowdfunding market has grown due to the proliferation of interest from a variety of funding sources, such as grant funds, local authority funds and corporate funding. It has also diversified in terms of the types of fund available and the objectives of funders. Based on interviews with funders, platforms and a review of other research and best practice we explore some these trends below.

Size of the market

As matched crowdfunding has grown in popularity so has the total amount of funds made to matched crowdfunding pilots. We estimate that in 2016, more than £1 million of matched funding was given away to crowdfunding projects through matched crowdfunding pilots, by at least 29 different institutional funders, including several universities, local authorities, charities and corporates.²² There a strong indication that this number is set to grow significantly in 2017 with a number of new large funds announced this year, including the £251,500 Arts and Heritage funds, the £470,000 fund by Birmingham City Council²³ and the £100,000 City Mayor's Community Engagement Fund by Leicester City Council.²⁴

Who are the match funders

Matched Crowdfunding is relevant for any organisation that provides grants or similar types of funding for cultural or social purpose projects. This is best exemplified by the wide range of funders we have uncovered in our research.

- **Local and national government:** One of the most popular areas of matched crowdfunding is within cities and local governments,²⁵ such as the work done by the Greater London Authority (GLA),²⁶ Plymouth, Birmingham and Manchester City Councils. It is estimated that in the UK alone at least 45 councils have a partnership with a crowdfunding platform.²⁷ As we discuss below, the motivations from local governments differ but often have a strong geographical focus on communities, resilience and local regeneration.
- **Trusts, foundations and arm's length bodies:** Foundations and other grant making organisations such as Esmée Fairbairn,²⁸ UnLtd,²⁹ Trust for London and City Bridge Trust,³⁰ and Creative England have also begun to explore this new area, as a way of distributing funds.
- **Businesses:** Some companies are looking to distribute money they would give to good causes (primarily through CSR programmes) through matched crowdfunding. Examples of this include how Santander, as part of its corporate social responsibility programme, set up the Change Maker fund³¹ and MakeHull Pioneers, where a group of Hull businesses jointly set up the #MakeHull³² fund to support projects that makes Hull a better place to be.
- **Universities, colleges and schools:** Crowdfunding is increasingly used by educational institutions such as universities and schools to support students and alumni projects. As part of this some institutions, such as University of York,³³ Southampton³⁴ and Oxford³⁵ have set up funds to match crowdfunded projects by teachers and students. Another example is the Nesta-backed Rocketfund platform³⁶ which focuses on bringing in businesses to match-fund technology projects in schools.

CASE STUDY: Crowdfund Plymouth



Celebrating Community Through Our Local Park set out to celebrate the local Moor View Park in Plymouth by creating an engaging art installation within the park and managed to raise £3,800 from 47 supporters, including £1,750 from the City Council.³⁷

Jonathan Noades

In 2015, Plymouth City Council, in partnership with the Crowdfunding Platform Crowdfunder, used £60,000 of the neighbourhood proportion of their Community Infrastructure Levy (CIL) to setup the Crowdfund Plymouth matchfund.³⁸ The basic criteria of the fund are that projects have to meet CIL criteria and the fund will cover up to 50 per cent of a project's cost to a total of £5,000. Through this approach the City sought to make best use of funds open to the community, reduce time and administration required to give out small grants, increase visibility of the fund and provide support to areas reach a new audience by supporting projects and people that would otherwise not have applied for funding.³⁹

"We check Crowdfunder every week, and we've seen a lot of projects that wouldn't have gone through the usual application route which is what we were aiming for. They can be quite reactive - someone's just seen a problem and they have set about fixing it. It creates an environment where local people can be supported to develop their own solutions

to improving their communities in a supported way For people that aren't used to putting funding applications in it can feel more accessible - they can put in a short film or just explain it as they would to their friends."

Hannah Sloggett, Neighbourhood Planning Manager, Strategic Planning & Infrastructure, Plymouth City Council

The fund, now in its third year, has distributed £997,260, including more than £140k from the city in matches to projects in Plymouth These range from a campaign by the Plymouth Argyle Ladies FC to cover cost of kit and playing matches⁴⁰ to Sole Discretion - a social enterprise seeking to protect the marine environment through the creation of a dedicated supply chain for ethically caught fish.

An evaluation of Crowdfund Plymouth found that most of the matched projects have taken in the city's most disadvantaged areas, but that pledges have come from across the city and nationally.

Why set up a match fund?

How matched crowdfunding differs from traditional forms of grant funding

Beyond the partnership with the crowd, matched crowdfunding has the potential to offer a number of benefits for funders above and beyond traditional grantmaking.

Most significantly, projects tend to be 'crowd led', with the match funding provider following where attention and money are flowing from the crowd, rather than vice versa. This presents the most significant shift from conventional grant funding streams based on set criteria, closed applications and individual expert or panel decision-making processes.⁴¹ Further to this, matched crowdfunding can be argued to be a significantly faster method to raise funds than traditional grant funding. Most campaigns take between four to six weeks from start to finish, which will in most cases be shorter than the time it takes to apply and hear back from grant funding organisations.

Funder motivations for setting up a match fund

Through interviews with funders and crowdfunding platforms and analysis of existing match funding initiatives, we sought to understand key ambitions, objectives and expected impact that has led funders to setting up matched crowdfunding pilots. While these naturally vary between funders, we identify six reasons why funders and platforms have begun to experiment with matched crowdfunding. While these are separated out below it is important to note that most funds are only established to achieve a combination of these:

- **Finding new projects, people and ideas to support:** Finding new projects from geographical areas or groups in society that would not normally think of or have the capability to apply for a grant from the funder was the most commonly cited factor for setting up a match fund. Amongst funders, this built on a recognition that their programmes might not always reach wide enough audiences or go beyond previously supported organisations.
- **Make money go further:** There has been a consistent focus on the current tight fiscal environment for funding bodies, in particular local authority budgets, in the UK.⁴² Matched crowdfunding provides a transparent method for funding projects that leverage institutional, public or corporate funding with financial contributions from the crowd. This, combined with the opportunity for non-financial benefits, led the Future Cities Catapult to claim that 'in the future, crowdfunding will become the de-facto method to assign council resources and budget to local projects'.⁴³ Funders and platforms also expressed a hope that crowdfunding could help them reduce the administrative costs of managing and giving out small grants, however to date there is no evidence of this.

- **Getting larger projects off the ground and helping projects leverage more money from the crowd:** Building on the ambition to make the funder's money go further by matching crowd donations, a common ambition is also to use the offer of a match to increase average donation size from the crowd (compared to if there was no match) and help projects increase the total amount of funding they can raise. Analysis by the Goteo platform found that a crowdfunding campaign with institutional support receives on average 180 per cent more from crowd donations than a campaign without institutional support. Also, its success probability (reaching the minimum set campaign/project budget) is increased by up to 90 per cent (in comparison to 71 per cent success rate for campaigns without match funding).⁴⁴

In addition to increasing size and volume of donations, there was also interest in the extent to which the match can help projects raise higher amounts on average and thereby help projects raise more money and increase the size and type of what can be funded through the crowdfunding platform.

- **Activate funds for geographical and/or thematic areas:** Funders and platforms described the goal of using matched crowdfunding as a way of increasing more activity in a specific locality or thematic area. The matched crowdfunding programmes launched by local authorities and local governments are all driven by ambitions to support more activity in specific geographic areas and specific themes such as regeneration funding for projects like food markets, playgrounds or nature trails. These do not have to have a specific geographical focus. The Creative England Queen of Code match fund, for example, aimed specifically at encouraging games development programmes by women throughout England.⁴⁵
- **Use the crowd to test and assess projects:** Sourcing and filtering through hundreds and sometimes thousands of applications for funding, determining which are of good quality, have local interest and buy-in is a challenge faced by most grant funders. Matched crowdfunding schemes provide an opportunity for funders to crowdsource knowledge and interest in projects and applications from the crowd, which can make it easier for funders to determine which applications for funding should be considered for a match.
- **Increased public involvement and engagement in local grant funded projects:** Funders, in particular those involved in funding local or place-based projects, expressed interest in the extent to which the public match funding campaign can increase a sense of ownership and long-term buy-in to the project from the local community. For example, a review of the social impacts of the Mayor's Crowdfunding Programme in London found that 'funding and delivering a local improvement project provides a tangible reason for increased levels of interaction and engagement; catalyses the development of skills and knowledge necessary for success; and provides participants with a form ownership of their project and in turn, their wider localities'.⁴⁶

Potential challenges of matched crowdfunding

Alongside the potential opportunities and benefits in matched crowdfunding, there are also a number of potential issues and challenges. Many of these also exist within pure/non-matched crowdfunding but risk being amplified due to the possibility of a dual set of priorities between the crowd and institutional funder.

- **Crowd vs grant funding dynamics:** One of the most significant challenges in matched crowdfunding is finding the right balance between the more traditional process of giving out grants and crowdfunding. Some of the simpler challenges include the infrastructure used in the process, such as the fact that most grant funders still require some element of paper-based applications versus the often entirely digital process of setting up a crowdfunding campaign; that projects will have to design their proposals both for the crowd and the funder (who will often require questions regarding areas such as impact, quality and reach answered in specific ways that won't seem relevant to the crowd) in order to attract funding from both parties.

But the biggest challenge is perhaps the speed of crowdfunding campaigns. Most crowdfunding campaigns run for an intensive four to six week period and do not follow the more structured process of applying for and awarding grants. While most campaigns need the full period to reach their target, some do this in as little as 24 hours, and following on from this decide to either close their campaign or seek to overfund their project in order to raise more funds. This requires funders to be flexible, often having to make decisions on projects to back in a relatively short period of time and (if possible) being open to projects moving their funding target as the project develops.

Finally, where funders commit to awarding a match once a certain percentage of the funding target has been reached they open the fund up to the risk of 'gaming' the match, where fundraisers either channel their own funds or funds from wealthy existing donors into the crowdfunding campaign in order to release the match from the match funder.

- **Managing crowd vs expert decisions and expectations:** As mentioned earlier, one of the key features of matched crowdfunding is that projects are led by the crowd. This requires funders to trust the wisdom of the crowd and risks creating a conflict between what the crowd perceives as worthy of funding and what experts making decisions within institutions or public bodies see as worthwhile.⁴⁷

Beyond the ability of the crowd to assess the quality of projects there is also the possibility of matched crowdfunding leading to funding projects popular with the crowd, which risks reducing funding for worthwhile but less popular initiatives, such as those supporting old people or people with disabilities, which have anecdotally proven hard to crowdfund.⁴⁸

- **Increasing inequality:** Crowdfunding is based on the idea that people 'vote with their wallets'; where projects and campaigns that can attract enough donations or investment from the crowd go ahead and those which can't, don't.

Participants on crowdfunding platforms, from the people who pitch ideas to those who donate money, will in most cases be those who are online and understand how crowdfunding works. One potential challenge, as a result of this is that people and communities that are wealthier, more adept at running successful crowdfunding campaigns and have larger social networks are in a position to benefit the most from crowdfunding. One study of crowdfunding for science projects found that while the crowd was willing to fund a wide variety of often very specialist projects, it is researchers with a large social media following (Facebook Twitter, and YouTube) who are more likely to raise money.⁴⁹

Other research has dispelled some of this critique. One study looking at gender, geography and participation in donation, community shares and rewards-based models found that these models tend to involve equal numbers of men and women in funding and fundraising, and include people from a diverse mix of income groups.⁵⁰ Similarly, an evaluation of the Crowdfund Plymouth match funding scheme, which sought to get people from across the city involved in setting up and funding projects, found that a higher proportion of projects came from Devenport, the most deprived ward, than any other ward in the city, demonstrating the inclusivity of the scheme.⁵¹ The literature therefore seems inconclusive, however, the risk of increasing inequality is something that funders should consider.

- **Confidence in budgeting for crowdfunded projects:** The vast majority of grant or funding applications require at least outline budgets to be submitted against staff time, equipment, outside expertise and other relevant factors to the project at hand. While crowdfunding projects usually include narrative on how the money raised will be spent, there is in most cases little specificity on exactly how funding will be allocated. This leads the crowd to have to make an instinctive judgement on whether the project target 'feels' accurate in relation to the activities described, a process which can clash with the requirement for a more formal budget from the institutional funder. Certain match funds have circumvented this issue by requiring a separate budget to be provided in order to sign off match funding.
- **Limits to size of what be funded:** As mentioned funders are often motivated by an interest in using crowdfunding to make public money go further and use the application of matches to get larger projects off the ground. In this context it is important to note that the amount of funding that can be raised through crowdfunding is still relatively small and only suitable for projects of a particular size. The average size of non-matched crowdfunding campaigns is estimated to be £714 for donation-based campaigns and £6,326 for reward-based campaigns.

- **Delays and risk of non-delivery:** Most crowdfunding campaigns are for projects at the idea or early concept stage. Once projects have reached their funding target and move to delivery and implementation there is therefore still a significant risk of delay or even failure to deliver. One analysis of 48,500 Kickstarter projects⁵² found that the vast majority of projects fulfill their obligations to their supporters, but that over 75 per cent deliver products later than expected, with the degree of delay predicted by the level and amount of funding a project receives.⁵³ In this regard crowdfunding platforms and the crowd will often be more flexible than funders and grants with a specified delivery and reporting period.
- **Managing failure to reach funding targets:** A key feature of crowdfunding is the concept of testing ideas with the crowd and the risk factor that not all campaigns succeed. As a natural result of this failure rates on most crowdfunding platforms are quite high, with one popular platform, for example, reporting that two-thirds of all projects fail to meet their targets.⁵⁴ This poses a potential challenge for funders, particular for those who are not using the top-up model, as projects that have received a promise of match from the funder on the condition that they hit their fundraising target, might still fail to attract enough support from the crowd.

International lessons

While the UK is one of the most active and vibrant markets, platforms across Europe are also experimenting with matched crowdfunding and developing initiatives that funders and platforms in the UK could learn from. One study of crowdfunding for the cultural and creative sectors in Europe found that 36 per cent of European platforms that supported projects from within these sectors had a partnership with an institutional funder.⁵⁵

In Spain, the Goteo platform has worked with universities and regional governments such as the International University of Andalucia and the Regional Government of Zaragoza on implementing match funds, typically following a model where the funder would match individual payments of up to €100 for a limited number of crowdfunding campaigns if they reach their target.⁵⁶

In Netherlands, Voordekunst⁵⁷ (For The Arts) was set up in 2010 as a project developed by the Amsterdam Fund for the Arts, an arm's length body of the city of Amsterdam, to distribute funds for the arts and address a gap in funding for arts resulting from budget cuts in the arts sector by the national government. It has since grown into an independent platform and is now estimated to be the largest Dutch crowdfunding platform for the arts. The match funding setup varies, but in many cases follows the original process developed in partnership with the city of Amsterdam, where Voordekunst selects potential relevant projects on the platform and puts them forward to the funder for consideration. Until spring 2016 match funding partners have contributed around €350.000 to projects which resulted in around €1.5 million in project funding.⁵⁸

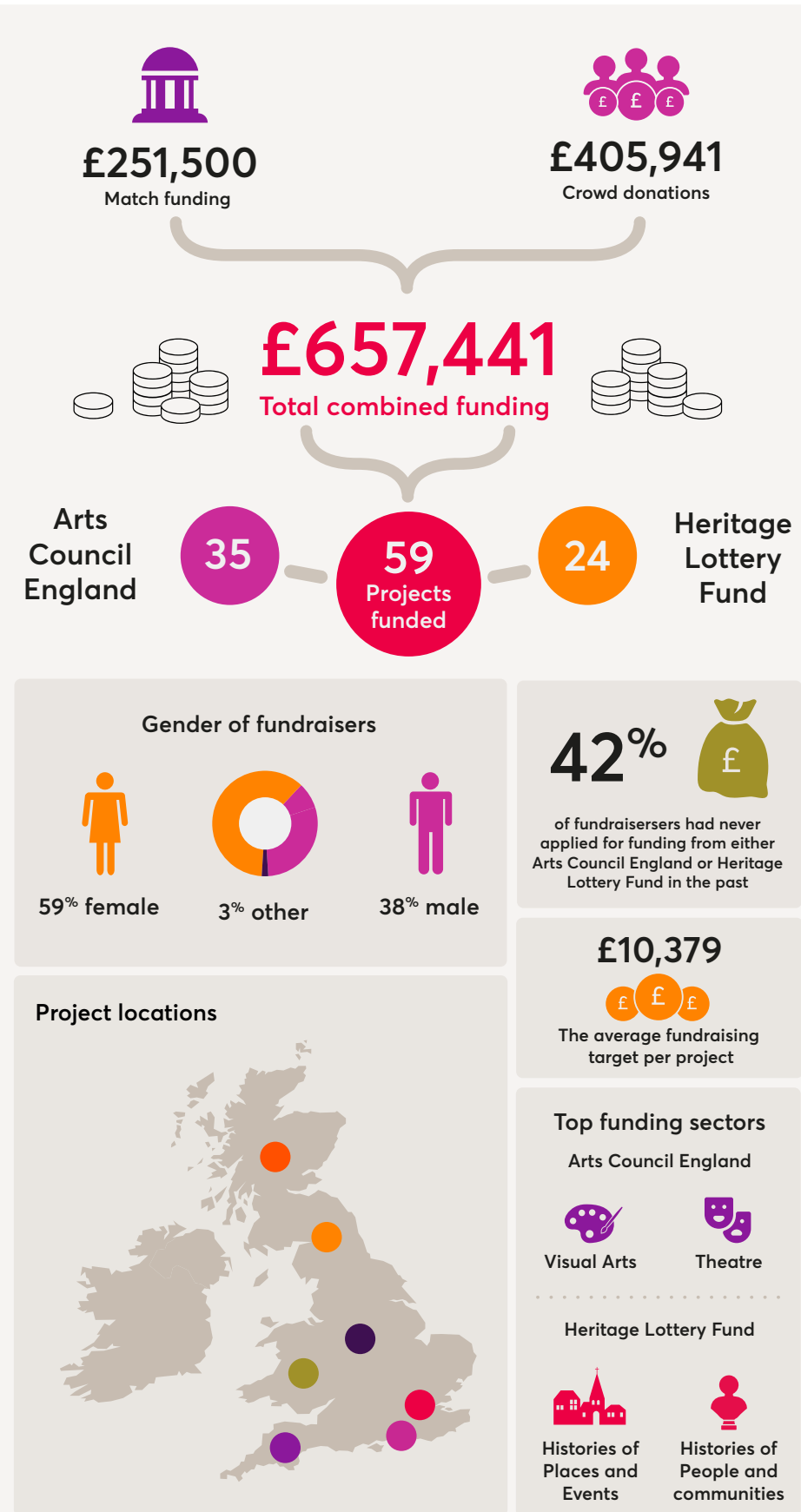


SECTION
TWO

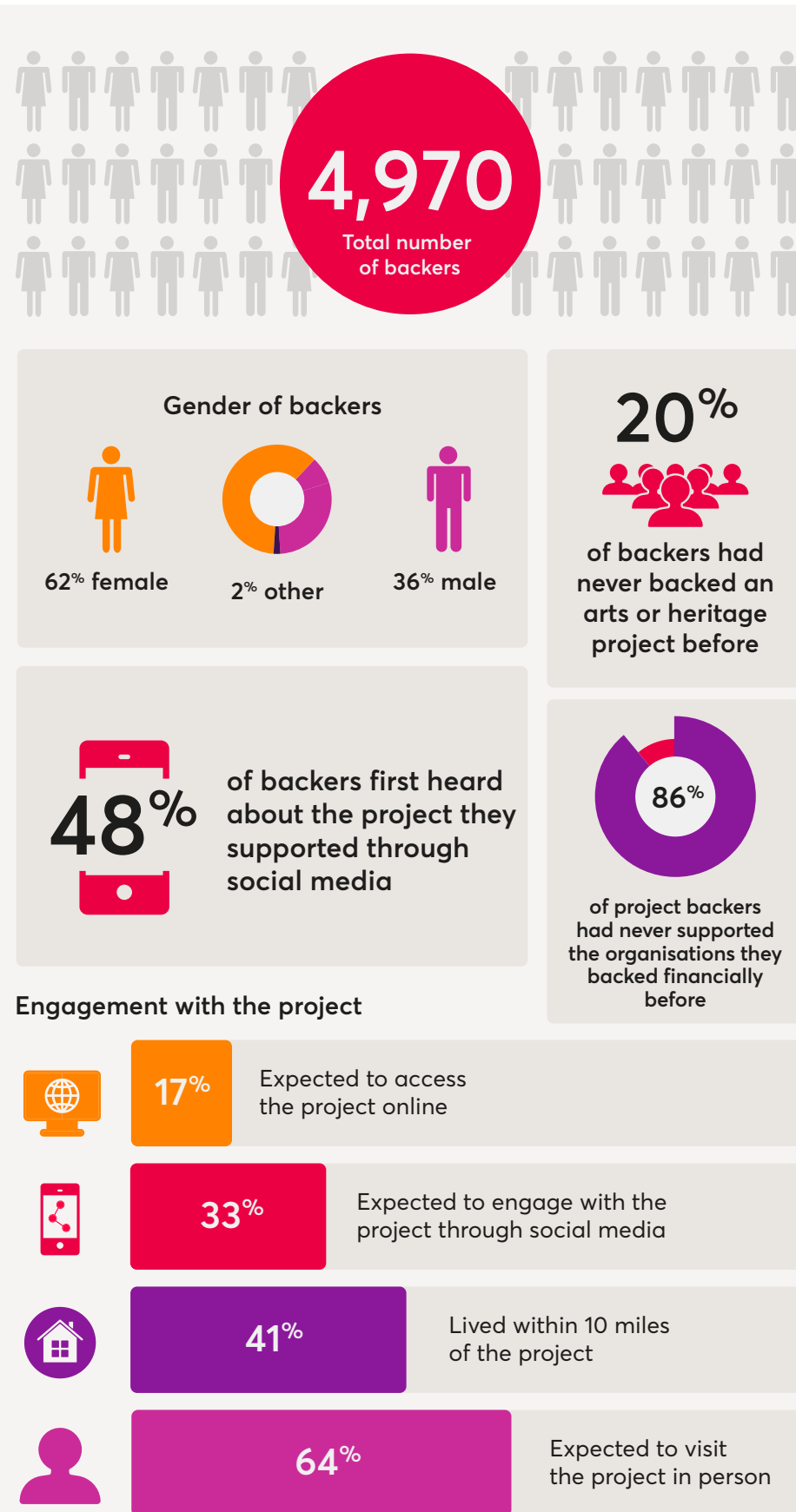
An experiment in matched crowdfunding for arts and heritage

Matched crowdfunding for arts and heritage in numbers

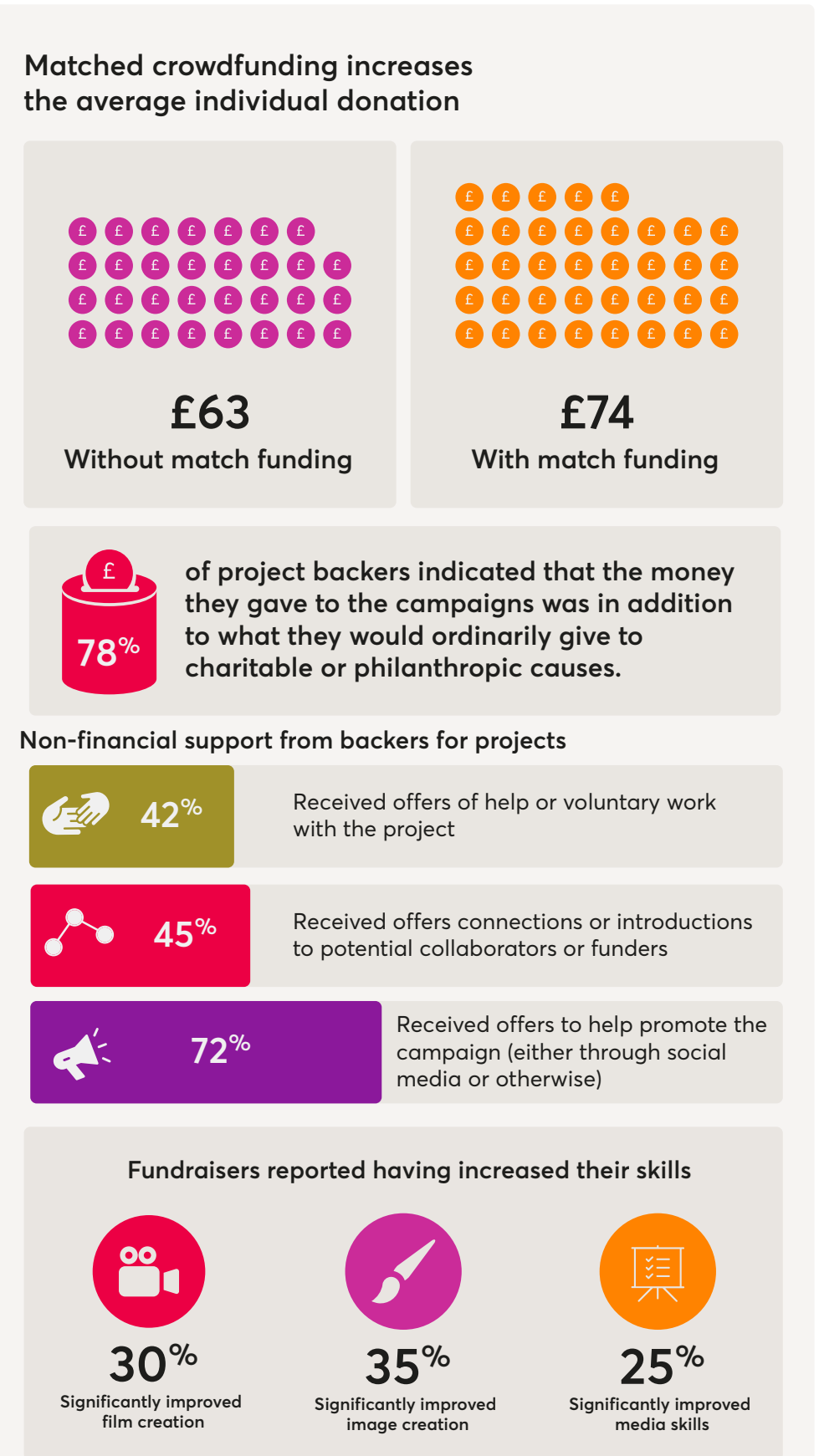
What got funded?



Profile of backers



Impact of funding



Introduction

In March 2016, the Department for Digital, Culture, Media and Sport (DCMS) Culture White Paper⁵⁹ announced a pilot scheme to 'explore the opportunities for matched crowdfunding as an innovative way of funding cultural projects.'

Building on this, DCMS, partnered with Nesta, Arts Council England and the Heritage Lottery Fund to set up two funds of £125,000 and £126,500 respectively to match crowd-funded arts and heritage projects, with the twofold aim of creating a new source of funding for the arts and heritage sector while also setting up a series of experiments to test the impact of matches on projects.

Crowdfunding in the arts and heritage sectors, and the broader creative industries, is not a new phenomenon and indeed has been the driving force behind much of the growth in the donations and rewards-based crowdfunding market. It was a band, British rock group Marillion, who pioneered the idea of crowdfunding when they funded their 1997 tour via a campaign on their website. Similarly, the world's first dedicated reward-based crowdfunding website, ArtistShare, focused on 'fan funding' for musicians. Fast forward to 2016 and 62 per cent of Kickstarter's total campaigns in 2016 were in core cultural categories (12,098 projects in total), demonstrating that projects within the broader creative industries are the driver of activity on the platform.⁶⁰

That crowdfunding has become increasingly mainstream within the cultural sector in the UK is perhaps best illustrated by the fact that almost one in five (19 per cent) of all arts organisations that took part in the Arts Council England and Nesta Digital Culture survey reported that they had used crowdfunding in 2017.⁶¹ The popularity of crowdfunding has also led to the development of UK platforms aimed specifically at supporting cultural projects. This includes the Art Fund-managed platform Art Happens which focused specifically on crowdfunding museum and gallery projects, while Dig Ventures⁶² acts as a platform for both crowdfunding archeological projects and crowdsourcing expertise to work on the projects.

However, in spite of the growth of crowdfunding there has been no specific match funding for the arts and heritage sectors in the UK. In order to rectify this, the partners sought to both provide match funding through a pilot and address a number of the evidence gaps discussed in Section One.

These gaps relate to the processes by which crowdfunding platforms work with funders of various types, the technical detail on the size, type and function of the match itself and finally the subsequent impact of match funding on both successful fundraisers and project backers.

Throughout the section we analyse four main stakeholders. These are the project backers, fundraisers, the institutional funders and the crowdfunding platform.

- **Backers** refers to the private individuals who financially supported the crowd-funded projects.
- **Fundraisers** refers to the projects that raised funding for a project from in the matched crowdfunding pilot.
- **Institutional funders** refers to Arts Council England and Heritage Lottery Fund and the match funds they provided.
- **Crowdfunding platform** refers to Crowdfunder, the platform commissioned to administer the two match funds.

Designing the matched crowdfunding experiment

The objectives of the matched crowdfunding experiment

The pilot, announced in DCMS's Culture White Paper in 2016,⁶³ explicitly sought to test an approach to matched crowdfunding that, focusing on funding for the arts and heritage sector, would:

1. Seek to understand if and how match funding can make public money work harder. This includes examining whether match funding leverages more money for impactful projects and increases public engagement in selecting and developing campaigns to back financially.
2. Attempt to test which match funding approach is the most effective, what the impact of different amounts of match funding have on projects and explore which types and size of projects are best suited to crowdfunding.
3. Exploring the possible non-financial benefits of projects funded through a matched crowdfunding campaign - such as the opportunity to source time, skills and marketing from backers as well as funding drawn from their donations.

Through these, the pilot aimed to create increased evidence and knowledge on the opportunities and challenges in matched crowdfunding for arts and heritage projects.

The match fund - how we designed the experiment

Core components of the design

At the head of the pilot sit two parallel funds for arts and heritage projects.

- The £125,000 Artists+ the Crowd match fund for artists, funded by Arts Council England.
- The £126,500 Heritage+ the Crowd match fund for heritage projects, funded by the Heritage Lottery Fund.⁶⁴

These two funds distributed match funding to projects aiming to raise between £4,000 and £40,000 on the platform that fitted the thematic scope of Arts Council England and Heritage Lottery Fund.

Crowdfunder, a UK-based crowdfunding platform, was commissioned to set up two specific communities and application processes within the Crowdfunder platform for the arts and heritage projects that were seeking a match from one of the two funds. Crowdfunder were appointed after a competitive tender process that saw applications from various crowdfunding platforms and consortia approaches.

In addition to the contract with Nesta to cover administration and implementation of the two funds, Crowdfunder also charged their standard platform fee to individual projects (a small percentage of the fundraising target, excluding the match funding provided). Nesta also contributed significant resources in terms of project management, research, communications and outreach staff time.

Randomised matches

The experimental aspect of the pilot related to two specific components of the fund which were not identical for all projects. Firstly, the funding was distributed randomly through two different methods - top up and bridge funding (two of the types of matched crowdfunding explored in detail in Section One) in order to ascertain whether the manner in which match funding was distributed made a difference to the fundraising dynamics. For example, did those that receive top up funding typically have more donors, or not?

Secondly, the amount of match funding was switched halfway through the programme. The match funding was originally set at 25 per cent of the project total, but was raised to 50 per cent halfway through the pilot. This decision was taken due to the slow uptake of projects to the match funding pilot through the first three months, which was below the projected number of projects anticipated. While this was not planned at the beginning of the pilot, it did allow the study to examine four separate treatments of funded projects across the arts and heritage crowdfunding campaigns. The treatments outlined in Table 1 were identical across both arts and heritage projects.

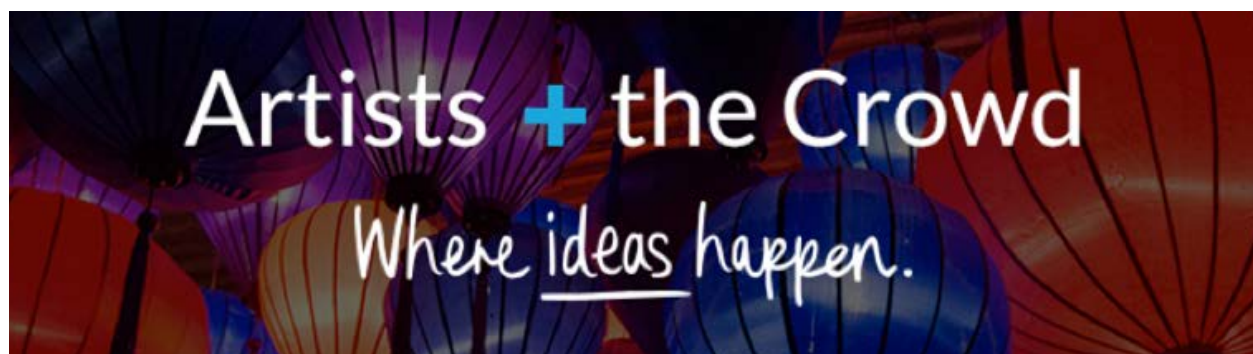
Table 1. Different treatment groups tested through the matched crowdfunding pilot

Type of match funding provided	Proportion of match funding provided	
	25 per cent match funding	50 per cent match funding
Top up funding	25% top up	50% top up
Bridge funding	25% bridge	50% bridge

Match fund design and funding

The two separate campaigns were co-designed by the project partners, Nesta and Crowdfunder. However, the thematic focus for both the Arts Council England and Heritage Lottery Fund funds were established by each of the respective funders, in order to situate the match funding into their wider funding and grant-making objectives.

Thematic focus of the Arts Council England match fund



The thematic focus of the Arts Council England campaign was originally centred on individual artists raising between £4,000 and £40,000 in funding. The geographical scope of the campaign was for the whole of England from the start of the process. Match funding was originally provided at 25 per cent of the total target - so between £1,000 and £10,000 per project depending on total project aim. However, the original scope of the Artists+ the crowd fund failed to produce the desired breadth of projects. This was therefore increased to 50 per cent (£2,000 to £20,000) for

the second phase of the fund. Furthermore, the scope was expanded from individual artists only during the first phase to arts organisations with a turnover of below £200,000 per year during the second phase. As with the move from 25 per cent to 50 per cent funding, this change was made due to a lower than anticipated flow of applications to the fund. Application forms were based on a pared down version of the Arts Council England Artists' International Development Fund application form. Projects were required to have at least five backers before being considered eligible for match funding.

Thematic focus of the Heritage Lottery Fund match fund



The thematic focus for the Heritage Lottery Fund campaign was originally focused on heritage organisations in the North West, South West and Scotland aiming to raise between £4,000 and £40,000 with match funding of 25 per cent provided (£1,000 - £10,000). During phase two of the funding, the geographical scope was widened to the whole of the UK and the match

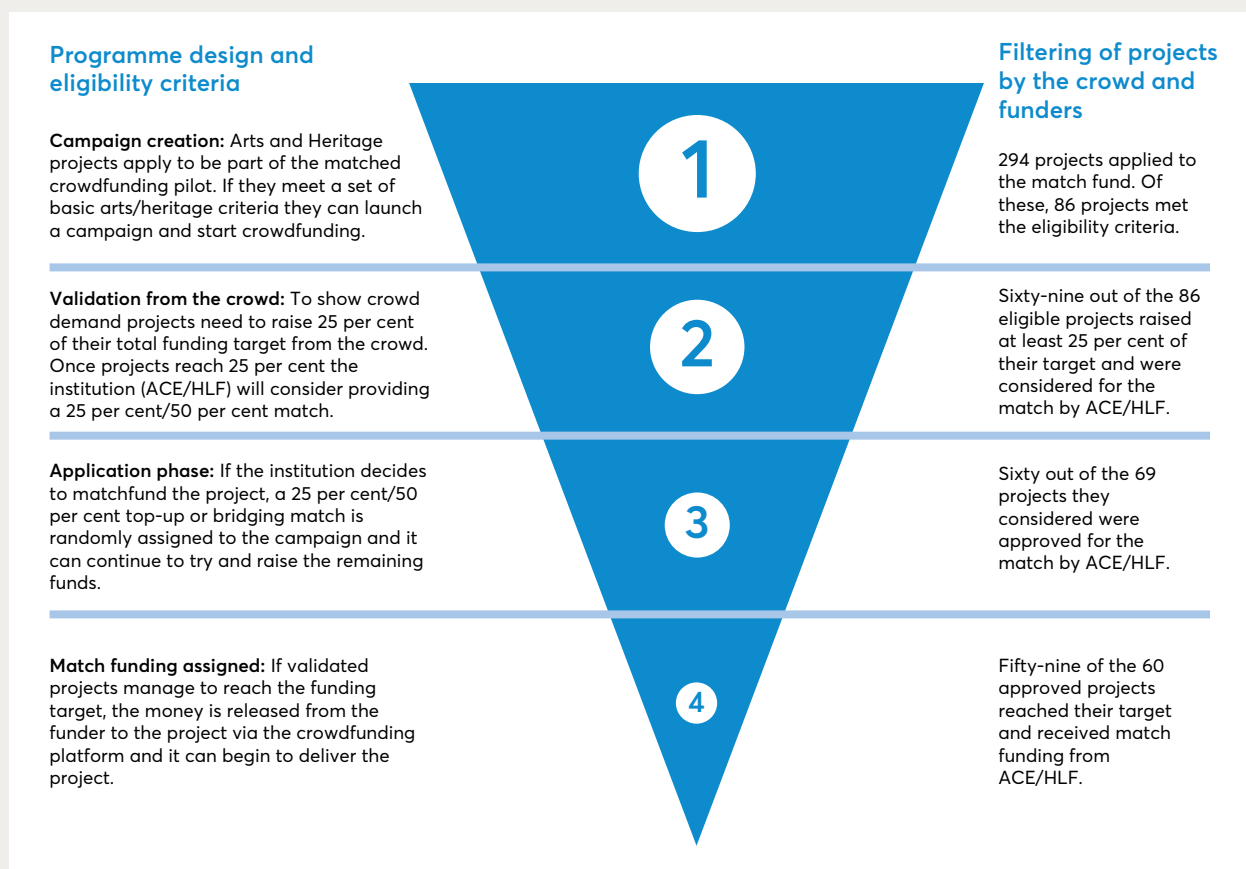
funding amount increased to 50 per cent (£2,000 to £20,000). Application forms were based on a shortened version of the Heritage Lottery Fund's Sharing Heritage grant application form. Projects were required to have at least five backers before being considered eligible for match funding to show there was a level of crowd interest before the match was made from Heritage Lottery Fund.

Process flow through the application phase (applying to the fund, staged process and relation between the funders, platform and crowd)

The figure below outlines the application process that arts and heritage projects undertook in order to receive match funding through either of the campaigns. In total, 294 projects applied for the match funds, with 86 of those projects meeting the basic eligibility criteria to be considered by Arts Council England and Heritage Lottery Fund respectively. Those that did not meet the basic eligibility were advised on whether other suitable match funding was available or if they could change their application to meet eligibility criteria.

Of the 86 projects that met the basic criteria, 69 achieved the minimum target of 25 per cent funding from the crowd to be considered by either match funding partner. Nine of these were judged by the funder to be out of scope by, for example, having a lack of artistic track record. The other 60 were approved by Arts Council England and Heritage Lottery Fund for match funding. Only one project did not go on to reach its funding target after this point (see Figure 1).

Figure 1. Programme design and eligibility criteria along with the number of projects which qualified at each stage



Design and implementation challenges of the pilot

While the programme was ultimately successful in distributing matches to arts and heritage projects, the design and implementation of the pilot encountered a number of challenges which other funders should take into account when considering similar programmes. Many of these mirror the challenges identified by funders in Section One of this report.

- **Aligning funder criteria with the crowdfunding process:** One of the most significant challenges was aligning Arts Council England and Heritage Lottery Fund funding criteria with the standard application process that projects have to go through when setting up a crowdfunding campaign. In particular, balancing the process of getting enough information about the artistic and heritage quality and objectives of projects against reducing the time required by projects to set up a crowdfunding campaign and apply to be considered for a match. While this process all happened via the Crowdfunder website, funders still had to spend significant time assessing projects that had reached 25 per cent against arts and heritage criteria.
- **Lack of sufficient transparency or clarity on project budgets:** One particular challenge within the application form and project information provided by projects for funders was the relative lack of transparency from projects on budgets and how exactly the fundraised money will be spent. Crowdfunding pages require project owners to specify what they want to do or achieve with the funds raised, but not exactly how money will be spent which made funders less confident about applying matches, particularly for larger campaigns.
- **Pipeline and finding enough projects to fund:** Matched crowdfunding requires applications from a large pool of prospective projects to ensure a sufficient supply that meet both the crowd and funders' criteria. From the outset both match funds struggled with generating enough uptake amongst arts and heritage projects. These barriers were:
 - **Twenty-five per cent match funding not providing enough of an incentive.** There was some feedback from the platform that the 25 per cent match funding available was not providing a strong enough stimulus for projects to either complete the application form or to speed up their plans to start crowdfunding when they had a campaign ready on the platform but not yet in fundraising mode.
 - **Scope of Artists+ the crowd fund was too narrow initially.** The Arts Council England funding was focused on individual artists rather than arts organisations. However, there was a limited number of applications during this phase, partially due to the fact that individual artists tended to seek less than £4,000 (the minimum threshold) in funding.
 - **Geographical coverage of Heritage+ the crowd fund was too limited.** Heritage Lottery Fund initially wanted to fund projects in North West England, South West England and Scotland. However, it became apparent that operating within these areas was not providing a large enough number of applications to the fund.

- **Marketing support and its impact on uptake:** From the outset the funders made a deliberate decision to be relatively hands off in the promotion and engagement of the match funding opportunity. As a result, the majority of engagement activity related to the funds were delivered by the crowdfunding platform. This had some impact on the uptake of the fund opportunity as the platform did not have all of the relevant networks to reach sometimes niche arts and heritage individuals and organisations. The funders therefore had to invest some additional time into marketing the funds, through newsletters, social media news items on their websites.

Breadth and type of projects funded

The location of the 59 funded projects is shown in the map of Figure 2. From this, it can be seen that there are strong clusters of projects in both London and the South West, with no projects emerging in the East of England. Although the sample size is too small to draw strong conclusions, there does seem to be a cluster of activities based around the South West - where Crowdfunder is located. It is worth noting that Arts Council England projects had to be located in England, so the strong representation of heritage projects in Scotland (five in total) is encouraging set against the focus on London and the South West.

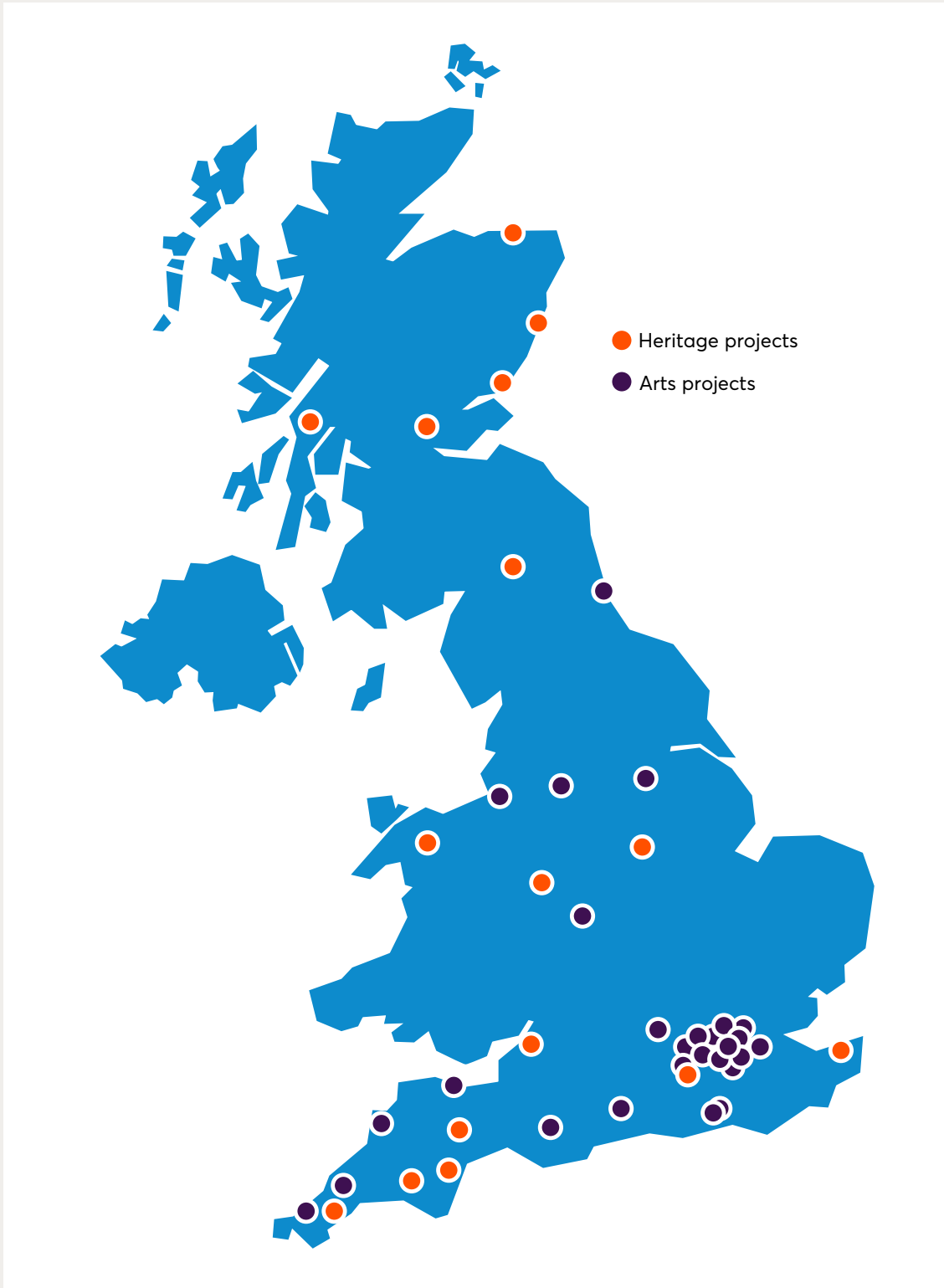
Within the arts-funded projects there was a diverse portfolio of both individual artist projects and funding for arts organisations. Some key themes of the fundraisers through the pilot were:

- A cluster of artist workspace and community workspace projects, such as BeeCreative Studios in Manchester, The Workshop Art Club in North Cornwall and Creative Workspace in Bristol. This group of workspace-based projects each raised between £4,000 - £6,000 for their work.
- A range of funding for music recording and promotion from early-career musicians, including Josie Florence, Eva Lazarus and Stonehouse Jack. This is an area where artists can bring in their direct fan-base to support modest crowdfunding raises.
- Another area of projects focused on straightforward theatre production - *8 Minutes* by the Alexander Whitley Dance Company, Rosie Kay's *MK Ultra*, the 80s *Othello* tour and *Picasso's Women* all fell into this category. However, this group did aim for very different targets, with *8 Minutes* at the top end raising over £28,000 for their work.

The portfolio of heritage projects also had a number of key themes in terms of the type of organisation funded and work they sought to raise money for.

- As anticipated, a number of projects focused on the restoration of historic buildings, ranging from the Castle Hill Project, which raised just over £4,000 to clear a hill fort that had become neglected, to Braemar Castle, which raised over £20,000 for restoration works on the exterior of the castle.
- There were a small number of conservation projects, including a project called the Lost Treasures of St Sidwell's, which aimed to restore stained glass windows and statues damaged during the Blitz, and Coll Hoard conservation - which fundraised to conserve 13 items of Bronze Age metalwork.

Figure 2. Location of the 59 match funded projects



CASE STUDY: RRS Discovery



Dundee Heritage Trust

In November Dundee Heritage Trust, a small independent charity, successfully raised £41,795 for the restoration of The Royal Research Ship (RRS) Discovery, one of Britain's most important historic ships, through the pilot. The funds were raised through a mix of £31,795 from the crowd and a £10,000 match from the Heritage Lottery Fund. The money raised will go towards putting up new rigging and masts on the ship.

"My main piece of advice would be to try it. But I'd also say you have to go through the thought process in terms of what crowdfunding means for your organisation: do you have the right project? Is it something that the public would get behind? How much do you need to raise to make it happen?"

Paul Jennings, CEO of Dundee Heritage Trust

The impact of matched crowdfunding

Below we explore lessons from the matched crowdfunding pilot. In the analysis we combine data from the crowdfunding platform on campaign dynamics, a survey of 53 (90 per cent) of the 59 project owners (the fundraisers) and a survey of 591 (12 per cent) of the 4,970 project backers.

Unless it is highlighted, the analysis is based on both data on arts and heritage projects and their backers. Where we have found significant variation in responses from those who took part in the arts fund and those who took part in the heritage fund we have analysed and presented the data separately.

The financial impact of matched crowdfunding

At the core of all donations and rewards-based crowdfunding campaigns is the requirement to set a specific financial target and then execute a campaign to encourage backers to contribute to those campaigns. Matched funding provides a potentially powerful aid to ensuring a wide range of projects get funded. Looking at the pilot it can be seen that £251,500 in matches from Arts Council England and Heritage Lottery Fund to help leverage an additional £405,941 from 4,970 backers. This is perhaps the clearest demonstration of the financial impact of the matched crowdfunding pilot.

Table 2. Money raised from crowd and funders by match funded projects

Institutional match	Crowd donations	Leverage
Arts Council England £125,000	£224,124 for arts projects	Every £1 invested helped leverage £1.79 from the crowd
Heritage Lottery Fund £126,500	£181,817 for heritage projects	Every £1 helped leverage £1.44 from the crowd

Looking beyond the total amounts leveraged from the crowd, the following section explores the financial impact of running a crowdfunding campaign and the impact that the offer of a match from Heritage Lottery Fund and Arts Council England has had on projects.

Financial impact in this context refers to the extent to which crowdfunding and the matches increase the amount of finance that can be raised or provide access to finance for projects they would not otherwise be able to obtain. We do this both by looking at the impact reported by projects, the type and size of donations made by backers and the extent to which crowdfunding helps projects attract financial support from new supporters.

Increasing funding for arts and heritage projects through leveraging new sources of finance from the crowd

Turning 'soft' connections into financial donations

Looking at the prior knowledge that backers had of the organisation they donated to, it appears that crowdfunding can both help fundraising organisations attract new donors and turn 'soft' connections (people with awareness of the projects they backed but no prior record of supporting them financially) into financial supporters.

Thirty-five per cent of backers had never heard of the organisation they were supporting before, but the majority (51 per cent) knew of the organisation or project but had never backed them financially before. Only 14 per cent of backers had supported the project financially before donating to it via the crowdfunding campaign. (Figure 3).

Looking beyond support for specific projects there are also signs that crowdfunding can attract people who would otherwise not normally support the arts or heritage sectors. One in five (20 per cent) of backers reported that they had never previously backed arts or heritage projects online or via any other method before supporting the crowdfunded project.

"It is a lot of work to get the message of a heritage project out there to the people you want to connect with, but the more you engage and connect the more surprising support you receive. Of the 64 supporters, 60 of them had never supported the University of Stirling before."

Stuart Rennie, Fundraising Manager, University of Stirling

Figure 3: Backer awareness of fundraiser before donation



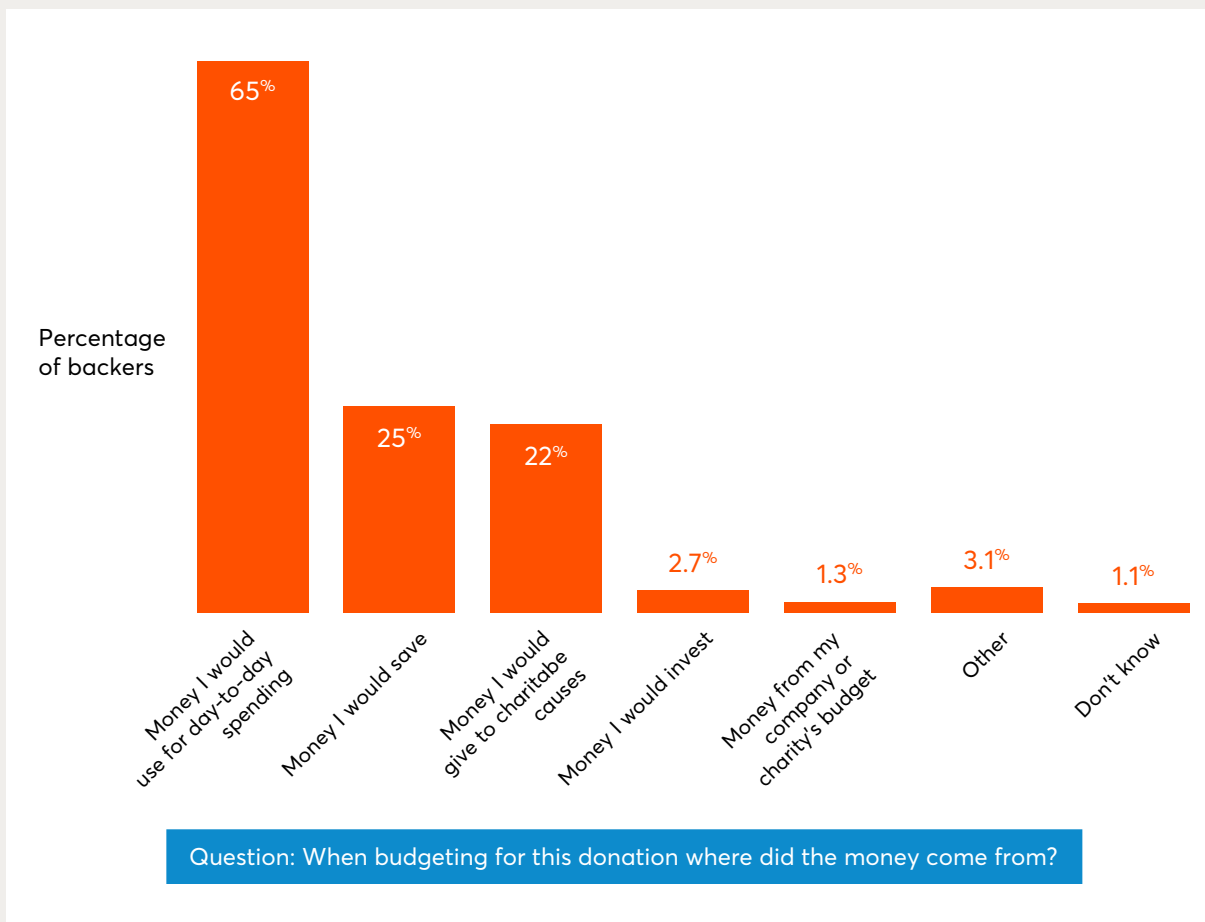
Question: Were you aware of the fundraiser before you backed the project?

(Matched) crowdfunding adds to the total pool of finance available to arts and heritage projects

When asked where the money they contributed to projects came from, only 22 per cent reported that they would have otherwise given the money to a charitable cause, with 78 per cent reporting that the money would otherwise have been used for a combination of day-to-day spending (65 per cent), saving (25 per cent) or investing (4 per cent). This finding indicates the potential for donation and reward-based crowdfunding to increase charitable giving to the arts and heritage generally (Figure 4).

Extrapolating beyond the sample of backers that responded to the survey to all backers in this pilot, we estimate that of the £405,941 raised from crowd, approximately £316,634 were 'new' funds for arts and heritage.

Figure 4. How backers would otherwise have spent the money they donated



Impact of the match on targets, donation sizes and success rates

The offer of a match may make fundraisers more ambitious

The average funding target for match funded projects was £10,379. There is some evidence that the opportunity of match funding made the project owners more ambitious. Fifty-one per cent of all match funded project owners reported that they increased the size of their target due to the prospect of match funding (either to meet the minimum requirement of £4,000 or to be more ambitious in their project).

To test whether this finding was reflected in the data from the crowdfunding platform we compared the crowdfunding targets set by the projects that were approved for the match by Arts Council England/Heritage Lottery Fund with targets set by a group of control projects. These control projects were all arts or heritage-based projects, that had tried to crowdfund between £4,000 and £40,000 on the Crowdfunder platform in the last two years and had been reviewed by Arts Council England or Heritage Lottery Fund to ensure they fit with the criteria for projects that they would have approved for a match had they applied to one of the two funds.

This analysis suggested that the offer of a match made fundraisers set a higher target when a 50 per cent match was offered, but not when a 25 per cent match was offered (see Figure 5).⁶⁵ It is clear that the offer of a 50 per cent match could encourage fundraisers to ask for more money because they know they have to raise less money from the crowd than if no match was offered. It is, however, less clear why those that were offered a 25 per cent match set lower targets than the control group.

Some of the qualitative feedback from project owners confirmed that the offer of match funding did make them raise their targets. One arts project owner stated: "The extra money allowed me to boost my crowdfunding project target that will help make a great music project happen (recording next week!) This grant is making this all happen".

Figure 5. Average target size for Control vs. projects offered the 25 per cent and 50 per cent match. Error bars show standard error of the mean.



Matched projects are more likely to be successful

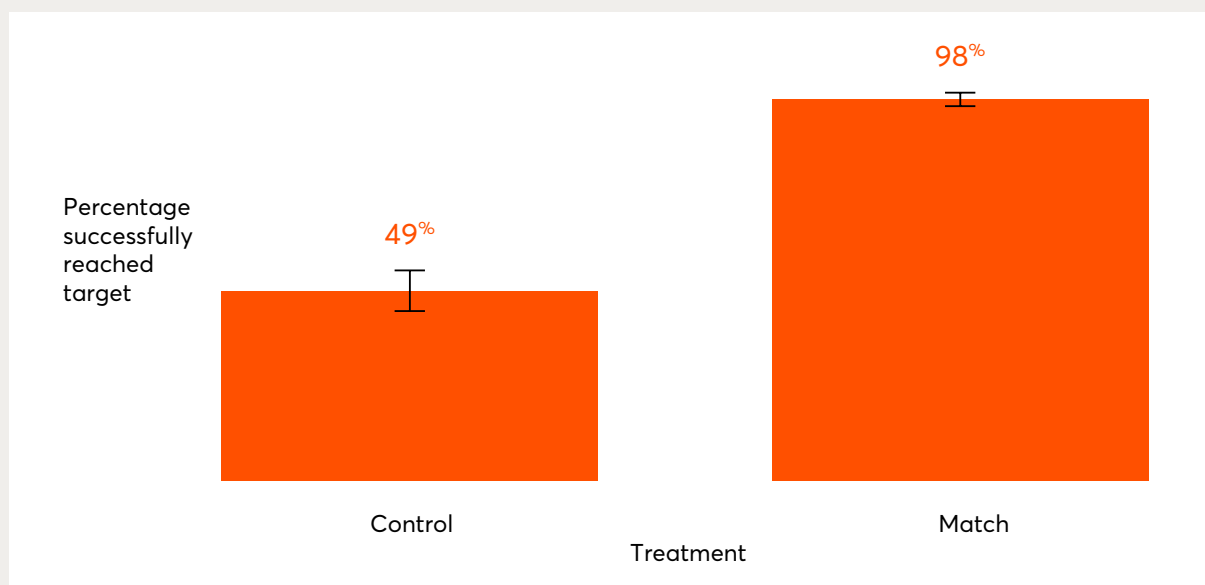
When we compared data from the projects that were approved by Heritage Lottery Fund and Arts Council England with the group of control projects, we found that projects involved in the match were significantly more likely to successfully reach their target (Figure 6).⁶⁶ In fact, only one of the projects that managed to reach 25 per cent funding from the crowd and was approved by the match funders failed to reach its target.⁶⁷

Naturally projects that receive a large amount of money towards their target, as match funded projects did, would be more likely to reach their crowdfunding target because this decreases how much they have to raise from the crowd. However, we wanted to understand if the offer of a match affected the likelihood that a campaign would be successful, beyond decreasing how much they needed to raise from other backers. To answer this question, we compared the success rates of projects that were approved for the match by Arts Council England/Heritage Lottery Fund with the success rates of the group of control projects described in the analysis above, controlling for the amount of money that projects were required to raise from the crowd in order to be successful. For matched projects the amount they needed to raise from the crowd was their crowdfunding target minus the amount that they would receive from Arts Council England/Heritage Lottery Fund if successful, for control projects it is simply their crowdfunding target.

This analysis showed that match funded projects were more likely to be successful than the control group (see Appendix Table 3). This suggests that the increased success rate in the matched projects was due to a change in backer behaviour rather than because the match decreased the amount they had to raise from the crowd.

After crowdfunding campaigns reach their fundraising target they can continue raising money for their project until they reach the deadline chosen at the beginning of the campaign. While the offer of a match increased the success rate of projects there is some evidence that it reduces the amount that projects will overfund. On average matched projects raised £1,109 over their target whereas control projects on average overfunded by £1,544.

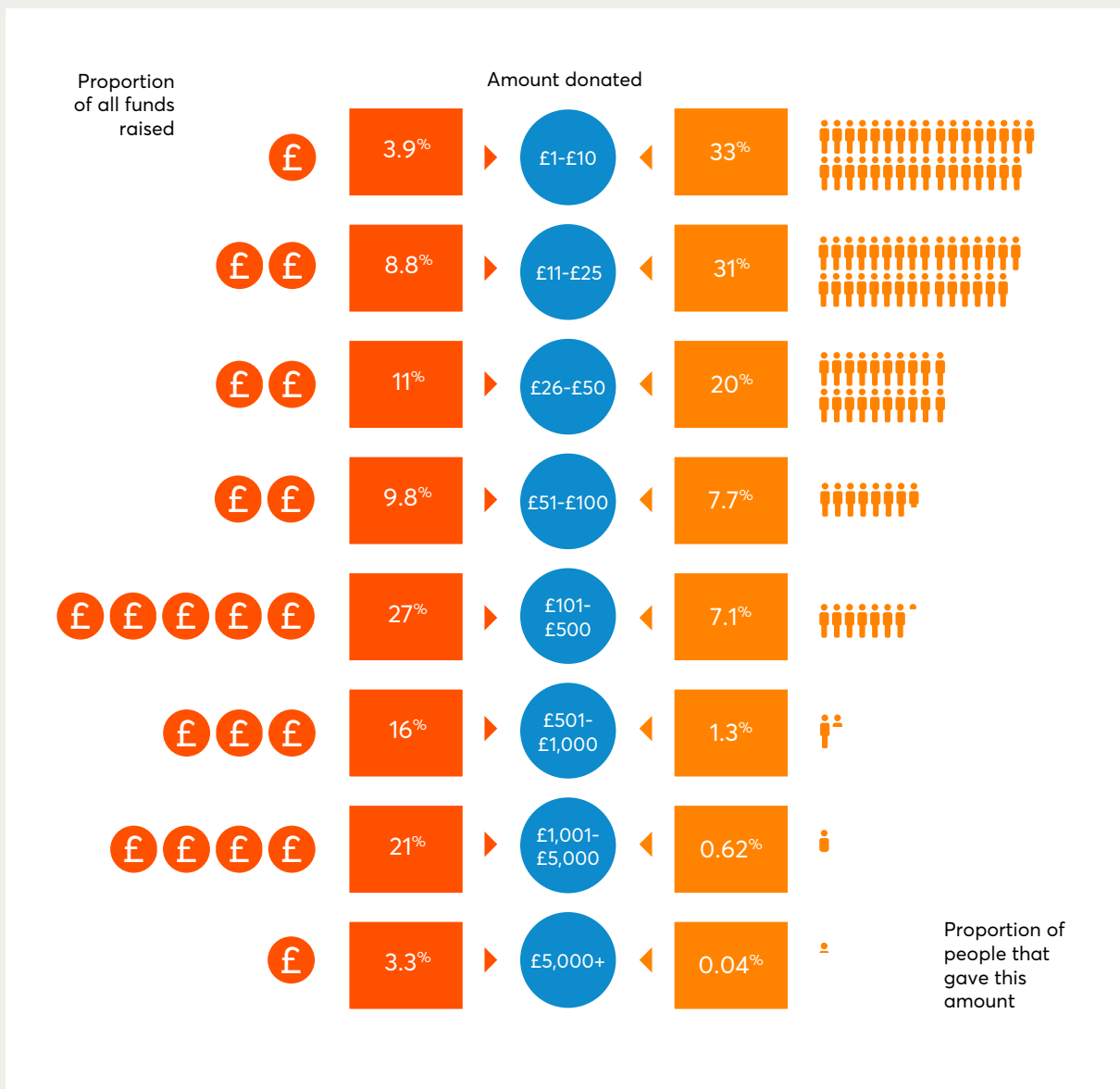
Figure 6. Percentage success rates for Control vs. Projects that were offered a match - error bars show standard error of the mean



The offer of a match increases average size of contributions

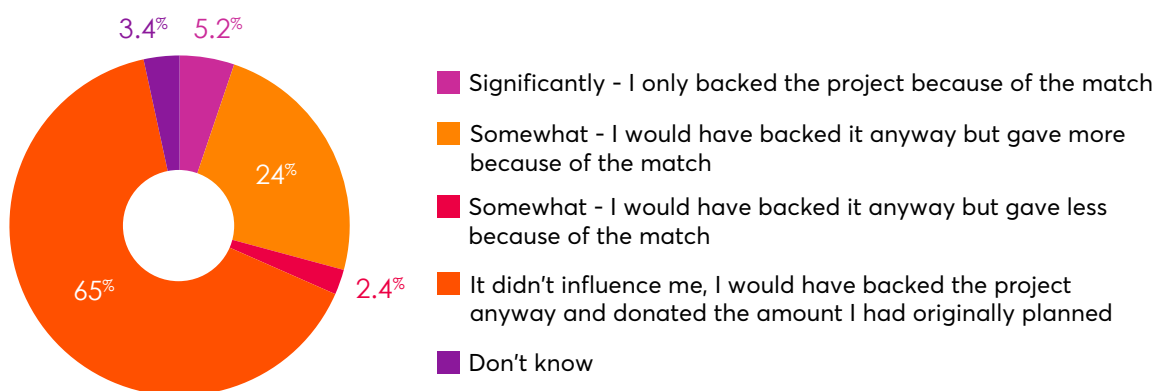
While the average donation was £74,⁶⁸ people's donations to match funded projects varied from as little as £1 to as much as £6,600. This average, however, is skewed by a small number of large donations and the most common amount backers give is £10. While large bids of over £1,000 were relatively rare in number, making up less than 1 per cent of all pledges, they contributed 24 per cent of the £405,941 raised from the crowd in this pilot. (see Figure 7).

Figure 7. The different amounts people gave compared to the total of all funds raised



Just as it made fundraisers more ambitious, there is also some indication that the offer of a match can have a positive impact on the amount people give to projects. Fifty-three per cent of all project backers said that when backing the project they were aware that it was eligible to receive matched funding.⁶⁹ Of those that were aware that the project could receive a match, 24 per cent said that they would have backed the project anyway but gave more because of the match (Figure 8).

Figure 8. The influence of the match offer on backers' decision to contribute to projects

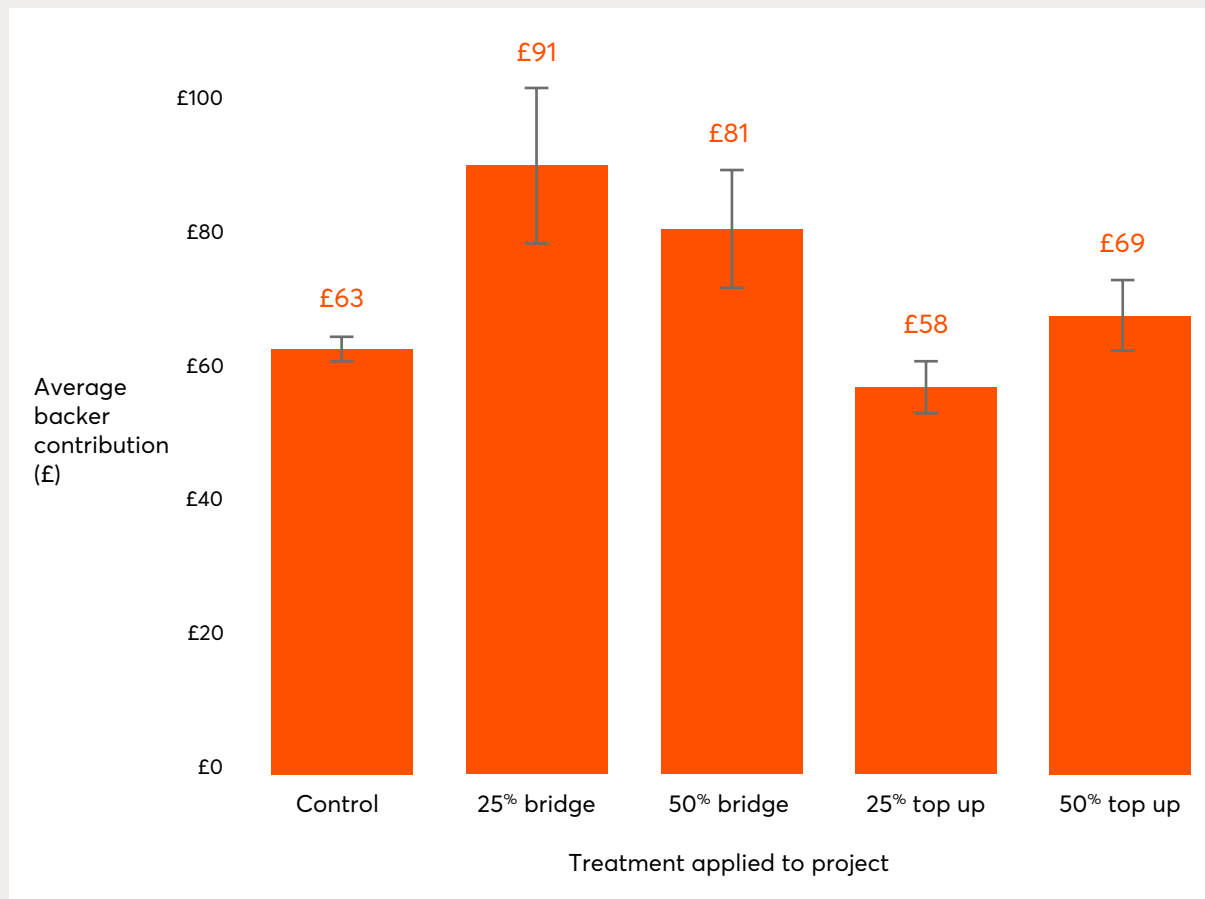


Question: To what extent did the matchfunding offer from the Arts Council England influence your decision to back the project?

This finding is confirmed from an analysis of data from the campaigns, which found that those backing projects that were offered a match, except backing projects in the 25 per cent bridge match treatment, gave significantly more than the control projects (Figure 9; see appendix Table 4).⁷⁰

The average contribution towards matched projects was £74 compared to £63 for control projects. It is likely that higher average contribution amounts are, at least in part, what drives the higher success rates of match funded projects.

Figure 9. Average backer contributions for Control vs Projects offered the 25 per cent and 50 per cent, Top up and Bridge match. Error bars show standard error of the mean.

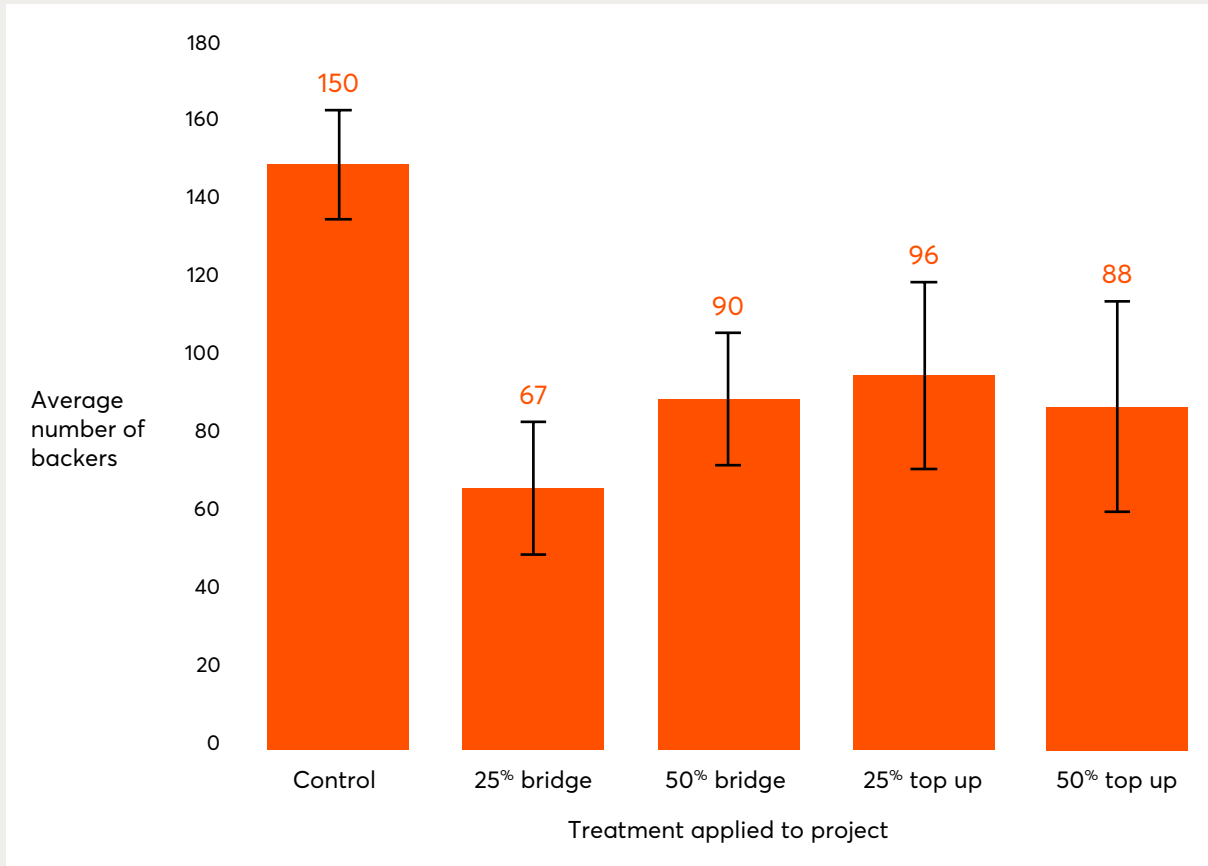


Matched projects received fewer backers

Survey data shows that the offer of a match has little to no impact on people’s decision to back and doesn’t affect the number of people that back projects. Only 5 per cent of backers that were aware of the match said they only backed the project because of the match (Figure 8) whereas for the majority (65 per cent) the offer of a match did not influence their decision to back the project at all.

When comparing the number of backers in projects that were offered match funding vs. the control group, we found that projects that were given the chance of receiving the match had significantly fewer backers than the control projects, even when controlling for the amount of money that the fundraisers were required to raise from the crowd (Figure 10; see Appendix Table 4).⁷¹ This is likely to be driven by the fact that, on average, matched projects receive larger contributions from each individual backer and therefore needed fewer backers to reach their target. We found no significant effect of the matching method or ratio on the number of backers (see Appendix Table 5).

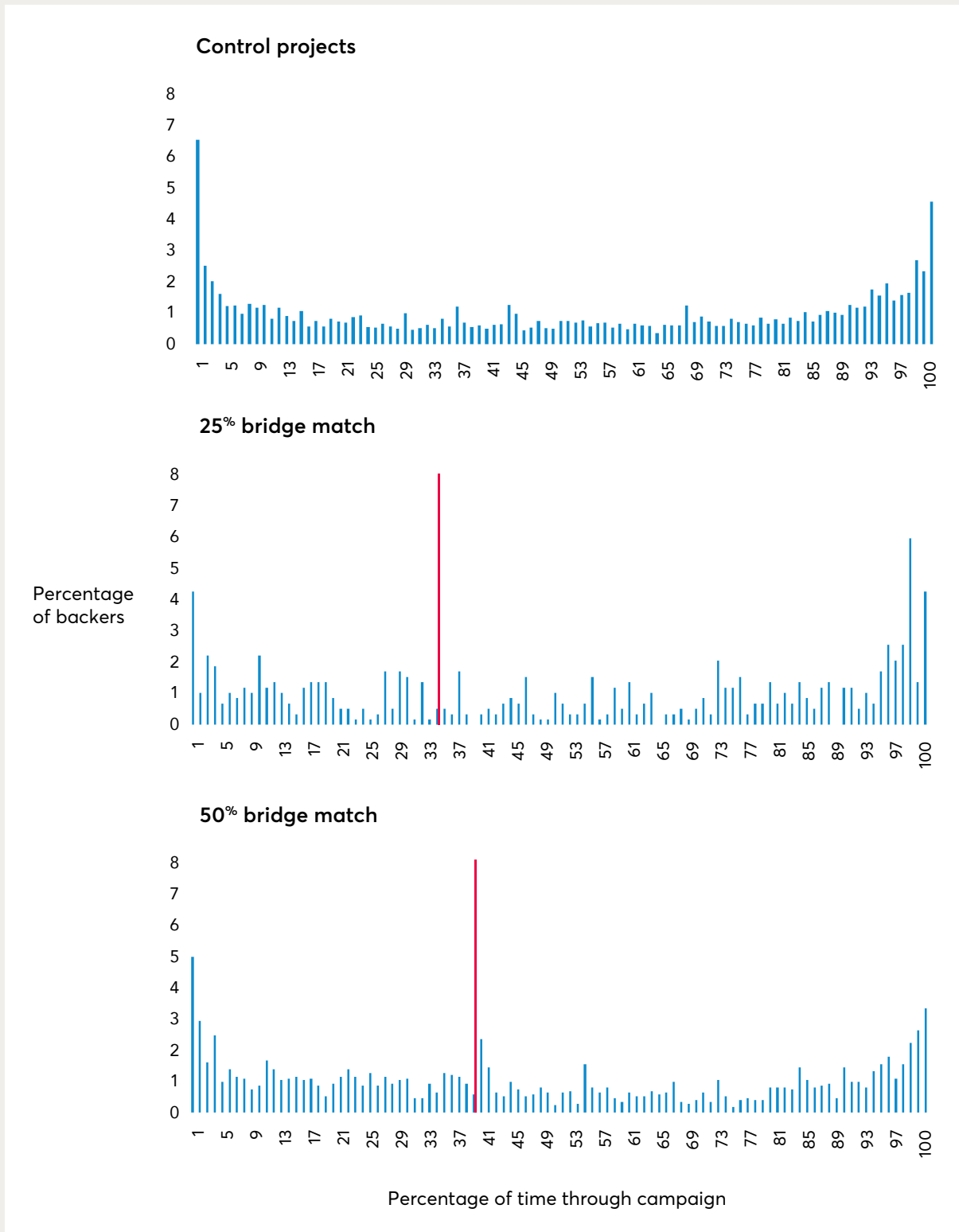
Figure 10. Average number of backers for Control vs. Projects offered the 25 per cent and 50 per cent, Top up and Bridge match. Error bars show standard error of the mean.



The backer dynamics of matched crowdfunding campaigns

As explained in Section One, previous studies examining the timing of contributions to crowdfunding campaigns have described contributions as U-shaped, where the crowd are considerably more likely to give at the beginning and end of the campaign than during the middle period when contributions are less frequent.⁷² Figure 11 shows that this characteristic U-shape can be observed in matched crowdfunding campaigns as well as previously in unmatched campaigns, as previously described. In Section One we suggested that bridging may help overcome the lull during the middle period of the campaign, we find little evidence for this here.

Figure 11. The percentage of backers that contributed throughout crowdfunding campaigns for all 25 per cent bridge matched, all 50 per cent bridge matched and all Control projects. The red bar on matched campaigns shows the average time which the match was made by Arts Council England or Heritage Lottery Fund.



Helping to fund projects that would not otherwise have been funded

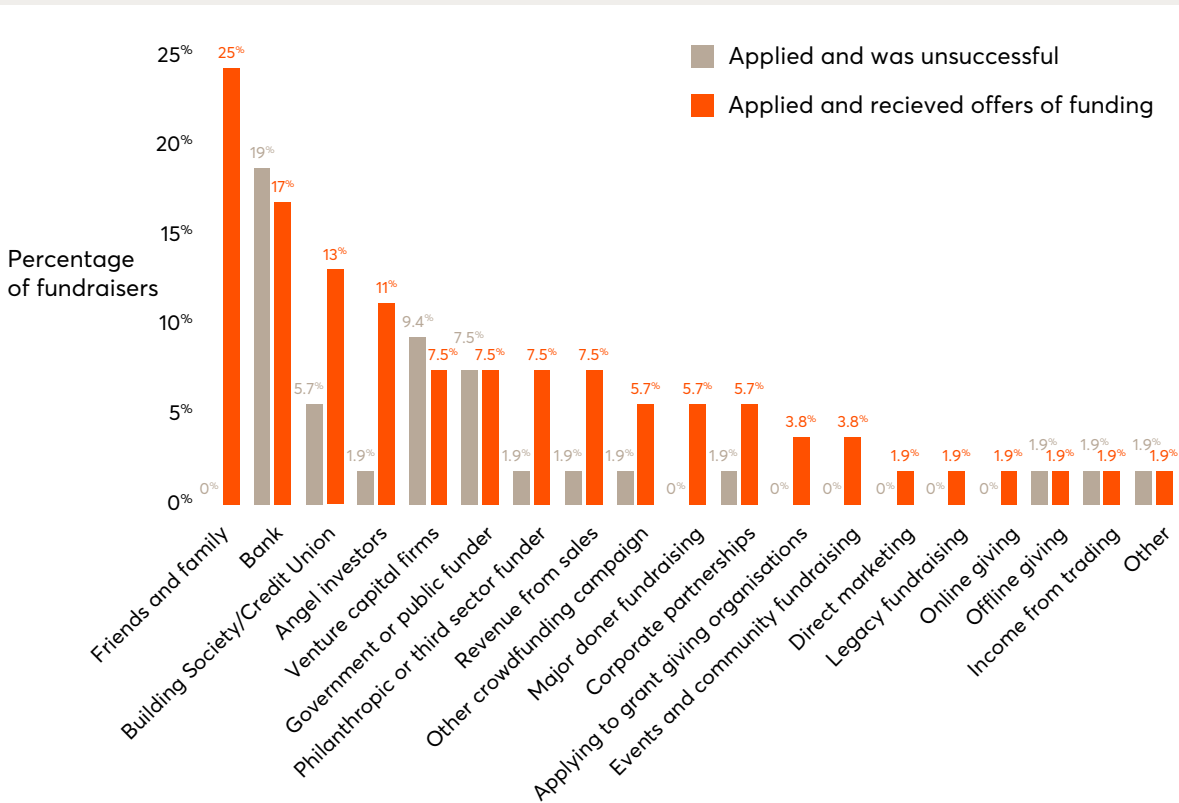
In addition to the increased success rate experienced by matched projects, the research also found that matched crowdfunding helped some projects raise funds they would not otherwise have been able to get from other institutional funders.

Applying to grant giving organisations for funding was the most popular source of institutional funding followed by income from revenue, public funders and funding from friends and family.

Nineteen per cent reported that they had been unsuccessful in applying for funding from a grant giving organisation. Similarly, 9 per cent of projects had unsuccessfully applied for funding from a Philanthropic or Third Sector Funder and 6 per cent had unsuccessfully applied to a Government or Public Funder (Figure 12).

Further to this, 25 per cent of owners had received funding for their projects from friends and family before their crowdfunding campaign began, 17 per cent had received an offer of funding from a grant giving organisation and 13 per cent had an offer from Government or a Public Funder.

Figure 12. Other sources of funding project owners tried before considering crowdfunding



Question: Did you try to get the money you raised for this project from other sources before considering crowdfunding, and were you successful?

Crowdfunding is often used as part of a wider funding mix

The survey findings indicate that the funds raised via crowdfunding are often part of a wider mix of funding and used by fundraisers to fund specific activities within a larger project.

Across both heritage and arts projects a high proportion were made up of multiple sources of funding, of which the crowdfunding campaign constituted one component. Only 26 per cent of projects were fully funded through their campaigns, and 27 per cent of projects raised between 1 per cent to 25 per cent of the total project funding from their campaign.

Qualitative responses to this section showcased both the different targets held by organisations and the varied types of fundraising undertaken led to the total funding mix for projects, beyond their crowdfunded project. One example of this is how one heritage project which explained how they raised money from a mix of sources, including '£90,000 from participants in the project, £15,500 through crowdfunding, £2,500 raised through a grant and £1,000 through donations.'

Over a quarter of projects reported that the crowdfunding campaign was the sole source of their project finance, and a number of respondents detailed how crucial the funding route was to their funding in general:

"We needed to raise all the money from crowdfunding or we couldn't do it at all. We had raised £55 from the limited release of our first demo EP and we couldn't afford a wider release. Then the Arts Council funding made it all seem possible - we know we would have struggled to raise the full amount all by ourselves."

Arts project owner

Potential future impact of the match fund on projects and backers

In addition to the direct impact on projects generated by the crowdfunding campaign and match fund we were also interested in exploring the potential future impact that could be generated by taking part in the fund.

Using matched crowdfunding to attract follow on funding

As discussed elsewhere Crowdfunding is often seen as a way for fundraisers to test a new idea, and, if successful, demonstrate the public interest and value of the project. There is some evidence that a successful crowdfunding campaign can lead to follow on funding from other funders who see the campaign as validation of the project. Thirty-two per cent of projects reported that they have attracted subsequent funding after their successful crowdfunding campaign within the pilot. One arts project owner went into detail on this, in relation to R&D for a new artistic endeavour:

"One of the main factors behind our decision to use crowdfunding was to create engagement with our audience, and, being our very first production, to "test" whether there was appetite for the idea. Our expectations in this sense were fully met, and we felt a strong commitment to the project from our supporters. We also think it was a good success story to tell that probably helped unlocking other funding that we secured after the end of the campaign, and that helped raise the profile of our project and thus indirectly contributed to its success. We expect to use it again."

Arts project owner

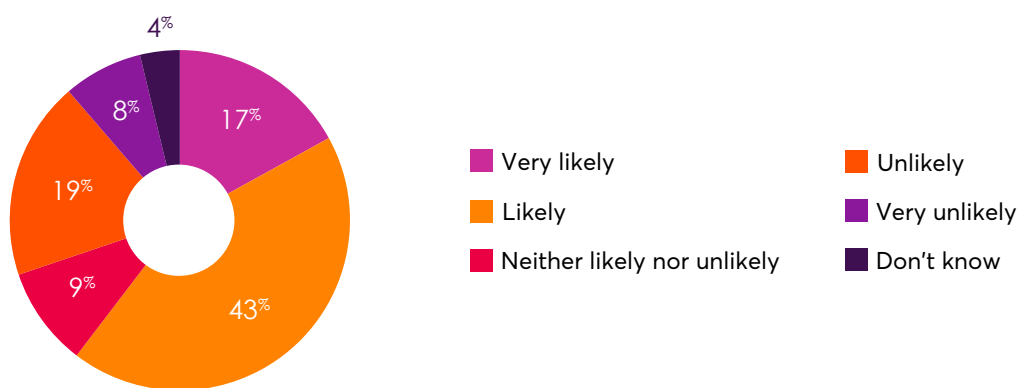
Successful fundraisers are likely to return to crowdfunding

With regards to the potential future uptake of crowdfunding by arts and heritage organisations there are clear signs that the successful organisations will use it to fundraise again in the future. Two in three (60 per cent) reported that they were likely or very likely to use it in the next 24 months. However, it is worth noting that a substantial amount (27 per cent) reported that they were unlikely or very unlikely to use it.

No strong impact on future interest in giving via crowdfunding

We also explored the extent to which crowdfunding could lead to more long term giving via crowdfunding from backers. The biggest proportion (36 per cent) didn't know about their future plans to back projects through crowdfunding. However, there is some indication that crowdfunding will lead to some degree of sustained giving via crowdfunding. Almost one in three reported that they would use crowdfunding two to three times a year to support an arts or heritage project (Figure 13). This indicates that people are inspired to fund by what they come across/what they are connected to rather than a particular interest in crowdfunding.

Figure 13. Likelihood of project owners raising money through crowdfunding in the next 24 months



Question: Now that you have successfully financed this project, how likely would you or your organisation be to raise money through crowdfunding in the next 24 months?

CASE STUDY: The Boat Shed Pop Up



Ben Borley

In March 2017, The Bike Shed Theatre in Exeter successfully raised £30,605 of an initial £25,000 target (including a £12,500 match from Arts Council England) from 469 supporters in 28 days to develop their new project, The Boat Shed.⁷³

"Part of the reason we're doing The Boat Shed Pop Up is to test if people actually want it to happen. Do people want a new creative space in this part of Exeter? Are people excited about lots of theatre companies and comedians coming to this city? Is a mini golf course in a theatre a crazy idea or a good one?"

The Crowdfund campaign was the first test of our ideas. Thankfully the response indicated that people did indeed want these things to happen."

Kelly Johnson, Deputy Director, the Boat Shed

For 16 weeks over the summer of 2017, the old maritime museum in Exeter sprung into life with The Boat Shed Pop Up, which sought to transform two derelict warehouses on Exeter's quayside into a new creative venue for the city, including filling the warehouses with theatre, visual art, live music, comedy, cocktails, goat's milk ice-cream, and a mini golf course inspired by the stories and heritage of Exeter and designed by local artist Fi Russell.

The non-financial impact - increasing volunteering and building digital skills

Looking beyond the money raised, crowdfunding is seen to have the potential to help projects attract more than money, through, for example, gaining new volunteers and building organisational capacity. Indeed, given the resources required to set up and run a crowdfunding campaign, one frequent comment is that it is not worth doing if fundraisers are just in it for the money - the real value comes from the different types of non-financial impact.

Turning backers in to volunteers and campaigners

Those who backed projects with a financial donation also reported having offered a range of non-financial forms of support to projects. Most prominently, 38 per cent of supporters helped promote the campaign after backing it, showing how crowdfunding can help projects with marketing and tapping into new networks of potential supporters (Figure 14). For example, one heritage project supporter said they 'informed people when in groups I belong to and put posters and flyers in my local area' and another said they were 'Just spreading the word amongst friends who I thought would be interested' in the project.

Similarly, the offers of feedback by backers (13 per cent) and introduction to potential collaborators (9 per cent) show the interest from backers in shaping projects and helping them succeed. One heritage supporter, for example, 'offered to run community workshops for the project for free' and an arts project supporter 'recommended the artist to local festival promoter, left positive comments on the artist's profile (and) shared the campaign online'.

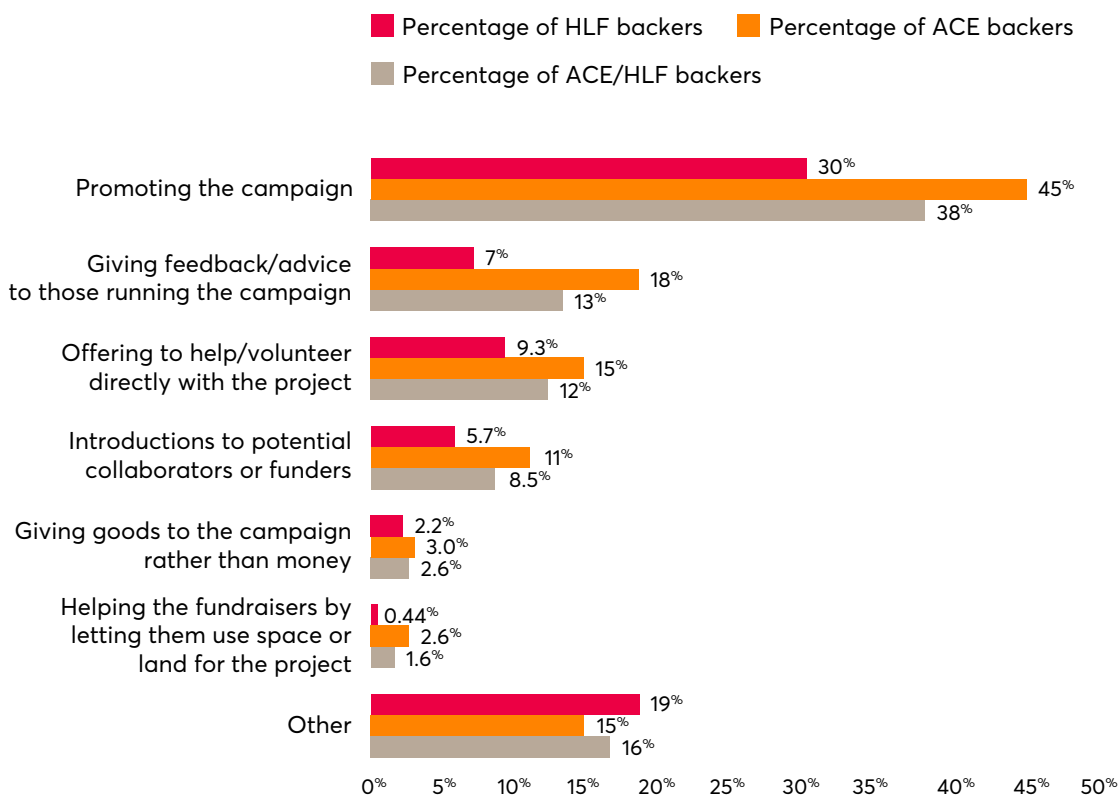
There is some evidence that crowdfunding can help projects increase volunteering. When asked about their previous engagement with the organisations fundraising 9 per cent of backers reported that they had offered to volunteer with the organisation prior to backing it (Figure 15), contrasting this with the 12 per cent that offered to volunteer for the project after having backed it shows a 33 per cent increase in potential volunteers for the fundraising project.⁷⁴

The opportunity to attract volunteers appear slightly higher for arts projects. Where 9 per cent had previously offered to volunteer, which increased to 15 per cent as a result of the campaign - a 66 per cent uplift.

The survey of fundraisers corroborates the findings on non-financial support from backers (Figure 16). Seventy-two per cent had received help with promoting the campaign from their backers, 45 per cent had received introductions to potential collaborators and 42 per cent had received offers of help and volunteering.

Thirty-eight per cent also reported that their backers had provided feedback and advice on their campaign. This indicates that the role of the crowd is not just funding but also shaping the design of the campaign as it progresses towards its funding target. Only 15 per cent of the projects received no offers of non-financial support.

Figure 14. How backers reported their non-financial support to projects



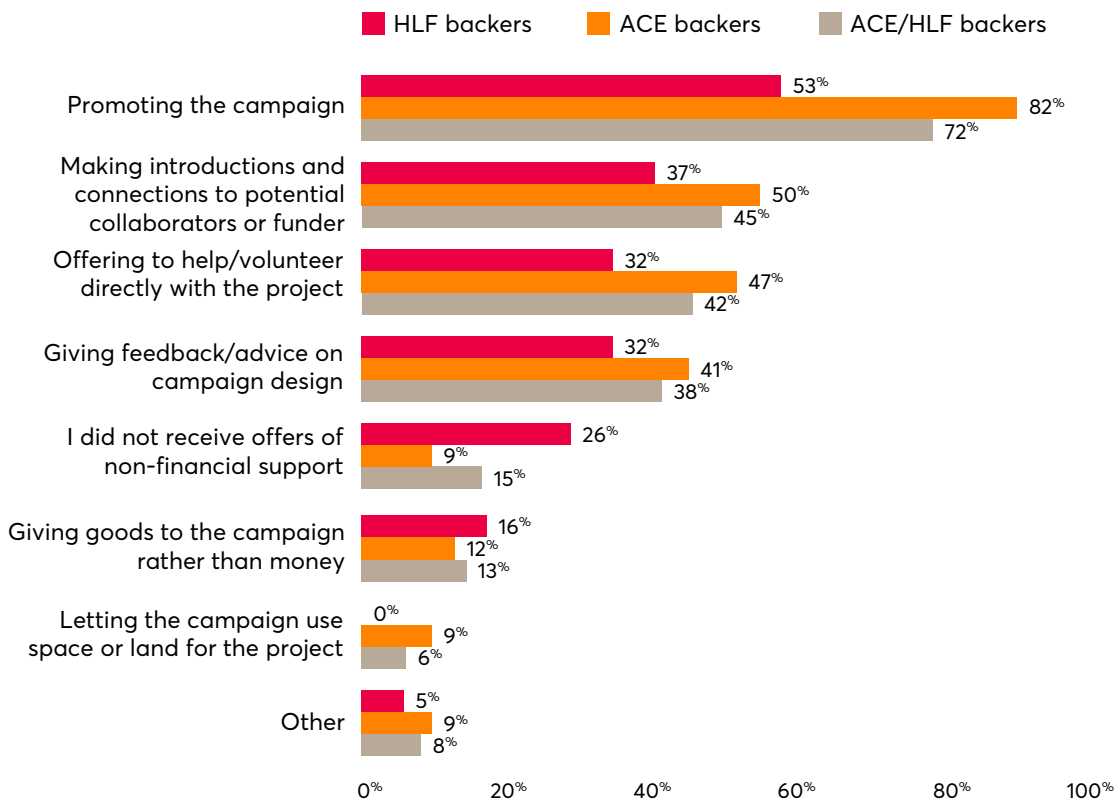
Question: Have you contributed to the campaign through any of these non-financial support methods?

Figure 15. How backers reported their previous non-financial support of projects



Question: Have you previously supported this fundraiser through non-financial means, before this crowdfunding campaign?

Figure 16. How fundraisers reported the non-financial support they received from backers



Question: Did you receive any offers of non-financial support from your backers?

CASE STUDY: The Opera Story: Snow



© Nick Rutter

The Opera Story⁷⁵ is a new company specialising in commissioning new opera from young composers, with a mission to make the beauty and richness of opera as accessible as possible. They set up a crowdfunding campaign to help finance their first show, *Snow*.

In December, the team successfully raised £7,405 from 78 supporters, including a £1,250 match from Arts Council England, exceeding their original £5,000 target. *Snow* was made a reality with shows in London from 20 February to 3 March 2017.

"Crowdfunding is a fantastic way to reach out to find out who believes in your project and to generate ownership of artistic projects from their earlier stages. Snow is The Opera Story's

first production, so we wanted to make sure we had that support to get the project off the ground. Crowdfunding was a useful tool for that. Crowdfunding is also enjoyable for the audience. They are able to connect with the project, feel a part of it, and know that they have helped to make this happen. Importantly, a successful crowdfunding can be used to show that there is support for your project and may encourage other funders to get involved. Especially in our case because we managed to exceed our target by nearly £2,500. That gave us a great story we could tell to people and we are sure it motivated some other funders to back us."

Manuel Fajardo, The Opera Story's co-founder and Executive Director, about the campaign.

Skills development through the pilot and impact experienced by projects after fundraising

The research examined whether the pilot had increased the skill level of successful fundraisers and explored some of the initial impact they felt from their campaigns. More than two in three reported that that running the crowdfunding campaign significantly improved their pitching and fundraising skills (Figure 17). 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).

When asked about the impacts experienced since the crowdfunding campaign ended projects reported a range of positive outcomes (Figure 18). Sixty-four per cent reported gaining more supporters for their project, while 62 per cent felt a more general sense of confidence and empowerment in their organisations or themselves. Almost half of the projects have found new partners or collaborators through the process, while 43 per cent have received non-financial support. All four of these factors were demonstrated through a range of positive comments on additional impact through the project owner surveys. Some of the impact is outlined in the quote below, although these points were echoed by a broad cross-section of the projects:

"We have had an incredibly successful campaign, achieving our target was fantastic but that was just one part of the benefits of the campaign. The Crowdfunder (sic) helped us raise our charity's profile, gained us new contacts and opened conversations about future funding and collaborations. It has been great raising money at the same time as promoting our theatre tour and charity."

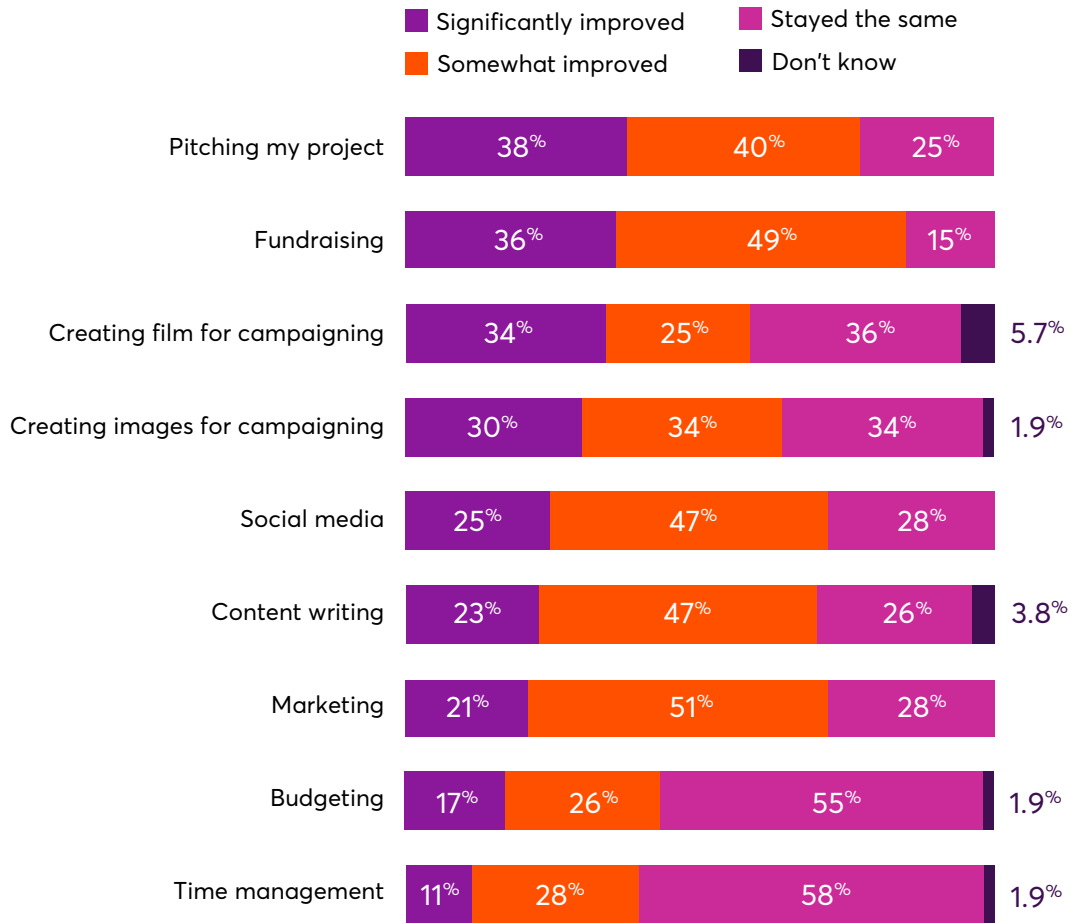
Arts project owner

Crowdfunding also seems to have an impact on wider communications – 36 per cent reported receiving media coverage after the campaign ended. Media coverage has often been in local media or trade press. Only 4 per cent had not experienced any positive impacts beyond the money they raised. One heritage project expanded on the additional communication and media coverage in their comments:

"I think the PR benefits were tremendous. We produced a video for the Crowdfunder website, but we were able to use this in social media as well. It promoted the Dinosaurs of China exhibition to the general public and enabled a lot of them to feel involved in what we were doing."

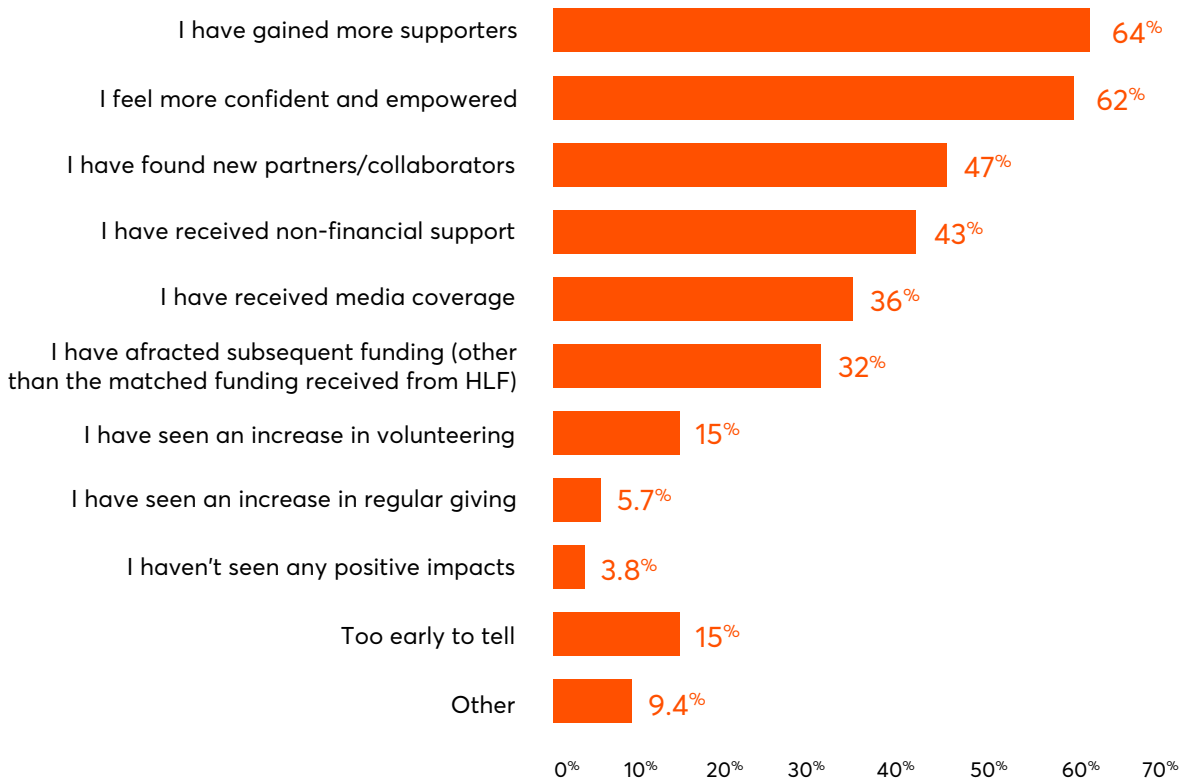
Heritage project owner

Figure 17. How fundraisers reported that taking part in the crowdfunding campaign improved their (organisations) skills



Question: To what extent has taking part in the crowdfunding campaign improved your (organisation's) skills in the following areas?

Figure 18. Positive impacts experienced since crowdfunding reported by fundraisers



Question: Since your crowdfunding campaign ended, have you experienced any of the following positive impacts?

How matched crowdfunding attracts and motivates backers and fundraisers

In addition to financial and non-financial impact the pilot also sought to understand in more detail who the fundraisers that took part in the pilot were, how they found out about the crowdfunding opportunity and their motivations for using it to fundraise for, or support, a project. This section also examines the extent to which the matched crowdfunding pilot enabled Arts Council England and Heritage Lottery Fund to identify new projects and organisations and the levels of diversity amongst backers and fundraisers.

Fundraiser motivations for crowdfunding

Impact of the match fund on the decision to crowdfund

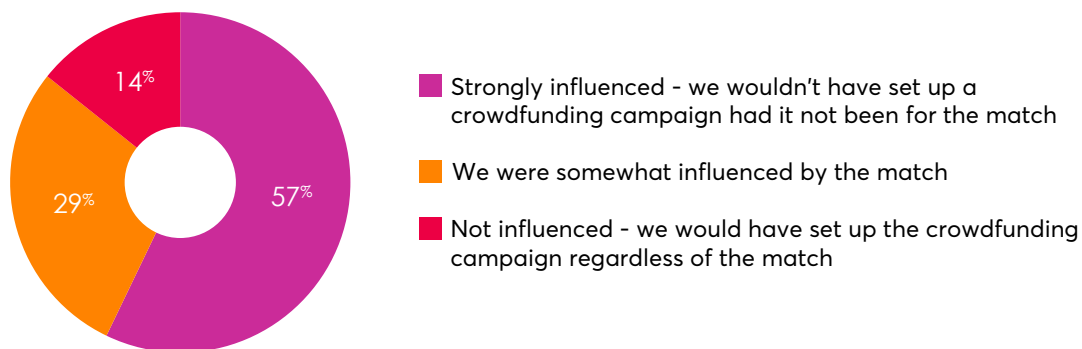
The study is able to chart the prior awareness of the match funding opportunity before fundraisers decided to crowdfund for their project and their past relationship with each of the respective funders.

Three in five (60 per cent) of fundraisers reported that they were not aware of the match fund opportunity before they went to the crowdfunding platform to set up their campaign. This is to be expected due to the funders, Nesta and DCMS's ambition to be led by the crowd meaning that they did relatively limited marketing, with most of the primary fund marketing conducted by Crowdfunder.

Responses from the 40 per cent of organisations that were aware of the match fund(s) before setting up their crowdfunding campaign shows that the match fund had a degree of impact on their decision to try crowdfunding. Fifty-seven per cent of those that knew about the match funding available were strongly influenced by the offer (they wouldn't have set up the crowdfunding campaign had it not been for the potential of a match) and a further 29 per cent were somewhat influenced (Figure 19). Only 14 per cent were not influenced at all by the match fund.

Looking across the portfolio of all successfully funded projects, this means that one in three were influenced by the offer of a match (22 per cent of all projects were strongly influenced and a further 11 per cent were somewhat influenced).

Figure 19. How fundraisers reported the match funding affected their decision to crowdfund



Question: To what extent did the match funding offer influence your decision to crowdfund?

Other motivations for using crowdfunding

Aside from the match funding, the survey data also explores which other factors motivated arts and heritage organisations to crowdfund for their projects.

The ability to be in control of the project was seen as a key factor (important or very important to 76 per cent of fundraisers) when deciding to crowdfund (Figure 20). One arts project owner was blunt in their assessment of the opportunity: 'So much less of a headache than anything else and if you fail - well, maybe that tells you something...'. Meanwhile, another arts project stressed that 'Control and (the) speed of fundraising were the main drivers' in their decision to crowdfund.

Two in three fundraisers (64 per cent) reported that curiosity at trying a new fundraising method was important or very important to them. A heritage project owner, for example, noted that their organisation 'felt it was something we hadn't tried before, so wanted to see what was involved and how it might potentially be used for other campaigns in future.' Seventy-two per cent of fundraisers also stated that the opportunity to gain non-financial benefits was either important or very important.

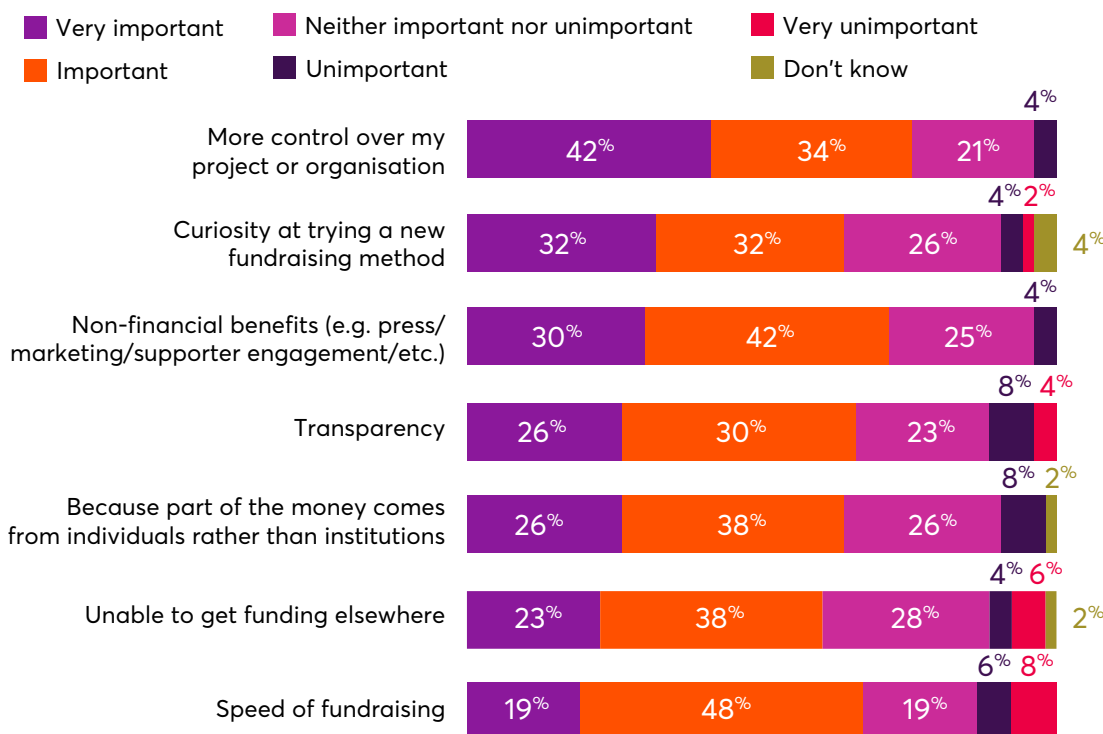
Prior connections between funders and fundraisers - using crowdfunding to attract new people and projects to Arts Council England and Heritage Lottery Fund funding

Examining prior connections between fundraisers and Arts Council England or Heritage Lottery Fund indicates whether the pilot was able to galvanise organisations that were outside of the portfolio of organisations that had previously received funding from one of the two funders. Forty-two per cent of all fundraisers said they had never applied for funding from the funders before, 30 per cent that they had successfully applied to the funder in the past and 28 per cent that they had either been unsuccessful or had a mix of successful and unsuccessful applications.

When looking at the reasons why 42 per cent of fundraisers had never applied for funding from Arts Council England/Heritage Lottery Fund before, just over one in four (27 per cent) said they were not aware of grant funding opportunities, 18 per cent said they did not think their project or organisations would be suitable for Arts Council England/Heritage Lottery Fund funding, and 18 per cent said they were dissuaded by the competition for funding (Figure 21).

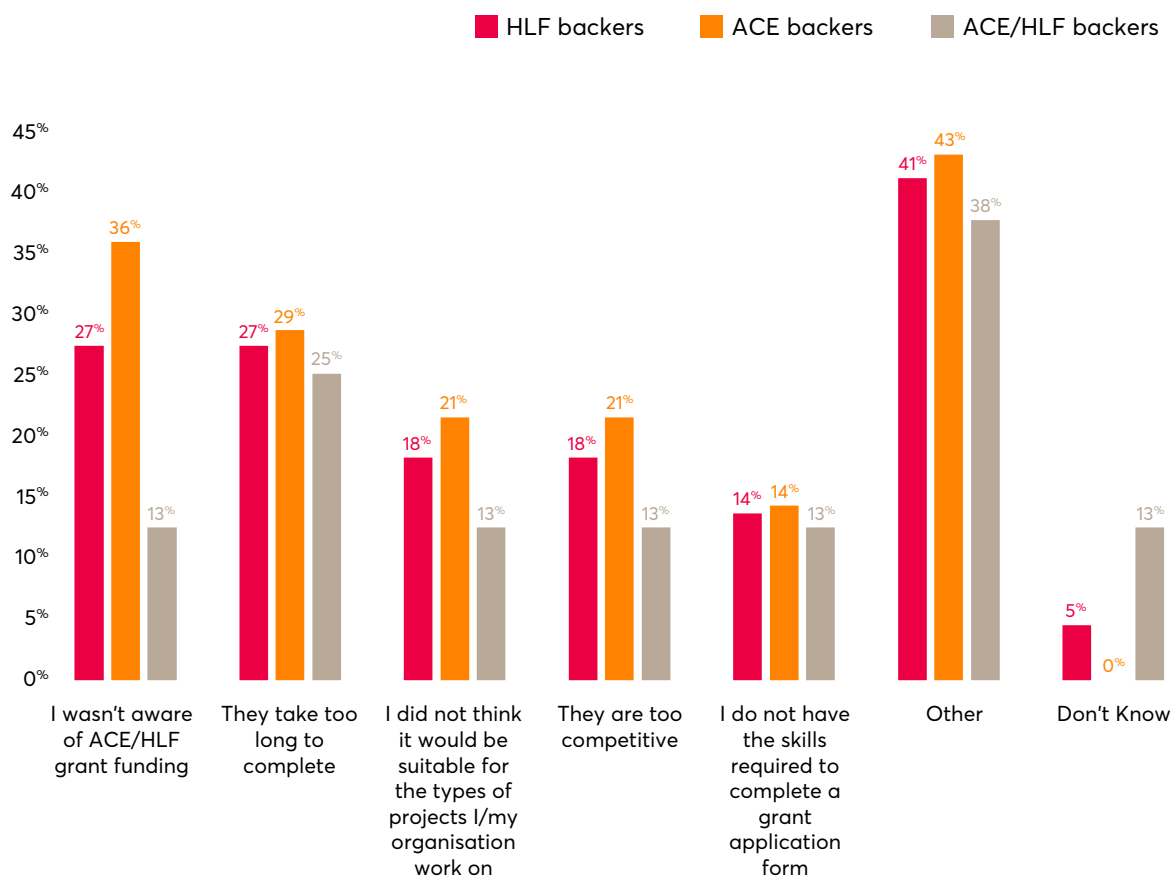
It seems from this sample of projects then, that there is a group of individuals and organisations across the UK (England for Arts Council England funding) that do not access conventional grant funds from Arts Council England or Heritage Lottery Fund but have projects that have some appeal to communities willing to back them.

Figure 20. How fundraisers reported the importance of various factors in their decision to choose crowdfunding over other fundraising methods



Question: How important were the following factors in your decision to use crowdfunding over other fundraising methods?

Figure 21. Reasons fundraisers reported for why they had not applied for Arts Council England/Heritage Lottery Fund grants in the past



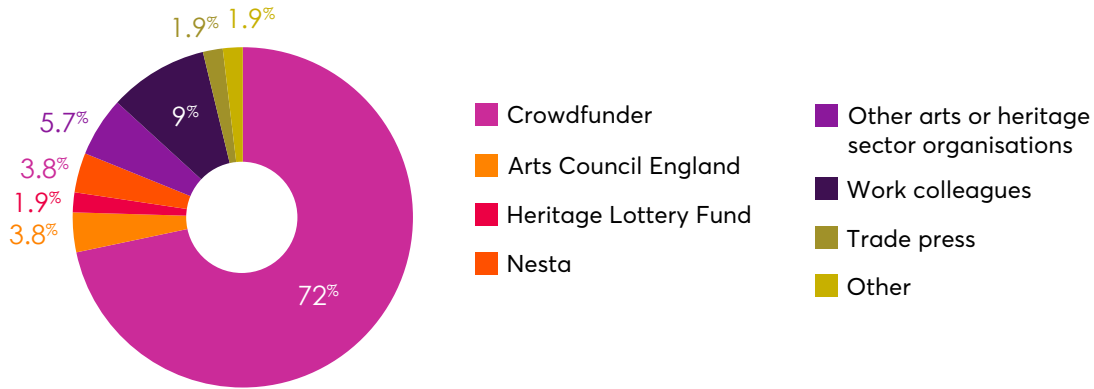
Question: Were there any specific reasons why you had not applied for ACE/HLF grants in the past?

The crowdfunding platform is key to sourcing new projects

From the survey of fundraisers we find that the crowdfunding platform plays a key role in raising awareness and attracting applicants to the match funds. Around three in four fundraisers (72 per cent) reported that they first learned about the match funding opportunity from the platform Crowdfunder (Figure 22). This is consistent with the finding that a large proportion of both Arts Council England and Heritage Lottery Fund-funded projects were not aware of the match fund when they started preparing their campaigns.

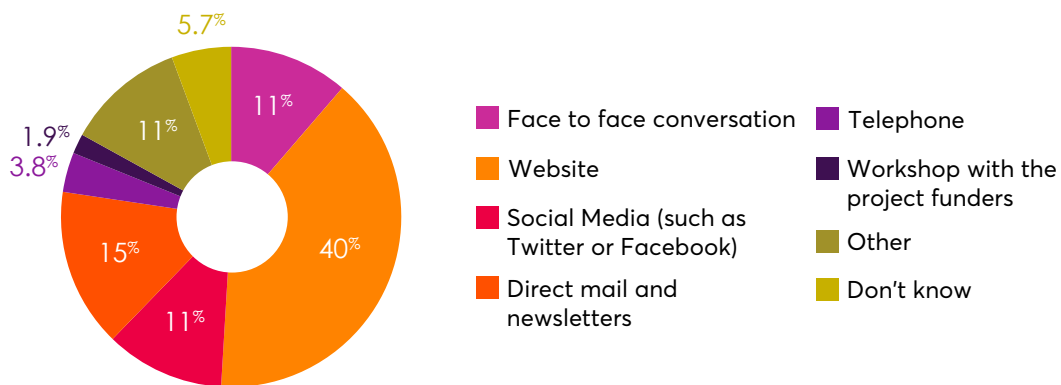
Social media was the most effective medium/channel for reaching fundraisers with information about the match fund. Forty per cent of fundraisers reported that it was the medium through which they first learned about the match fund offer (Figure 23). Direct mail and newsletters (15 per cent), social media (11 per cent) and face-to-face conversations (11 per cent) also had some effect on making fundraisers aware of the opportunity.

Figure 22. From whom fundraisers reported first hearing about the match fund



Question: From whom did you first hear about the match funding offer?

Figure 23. Through which communication channel fundraisers reported first hearing about the match fund



Question: Through which communication channel did you first hear about the match funding offer?

CASE STUDY: Coll Hoard Conservation



Aaron Watson © Kilmartin Museum Company Ltd

In 2015, local metal-detecting enthusiast Kenny Macintyre was out and about on the RSPB Scotland reserve at Breachacha, Isle of Coll, when he came across a metal object, different from the bits of scrap metal he usually found.

"The project we decided to Crowdfund for was fairly time sensitive, as the artefacts needed to be conserved sooner rather than later and Crowdfunding seemed to be a good way of raising funds to a deadline. We also wanted to research the possibility of using crowdfunding for a larger project at a later date."

Anne Smart, Kilmartin Museum

He contacted the Treasure Trove Unit in Edinburgh who were able to confirm that the object he had found was a Bronze Age spearhead, dating from between 1,000 to 800 B.C.

With the knowledge that items like this are normally found in hoards, and being aware of the historical value of such a hoard, the Treasure Trove Unit decided to excavate further. Their hunch proved correct and, with help from Kenny and other archaeologists, a total of 13 items were discovered at the site.

Building on this success, the Kilmartin Museum set up a crowdfunding campaign to conserve the Bronze Age metalwork.⁷⁶ With the backing from 48 supporters, including a £5,000 grant from the the Heritage Lottery Fund, the museum raised £10,930 of a £10,000 target in 32 days.

Why people backed projects through the pilot

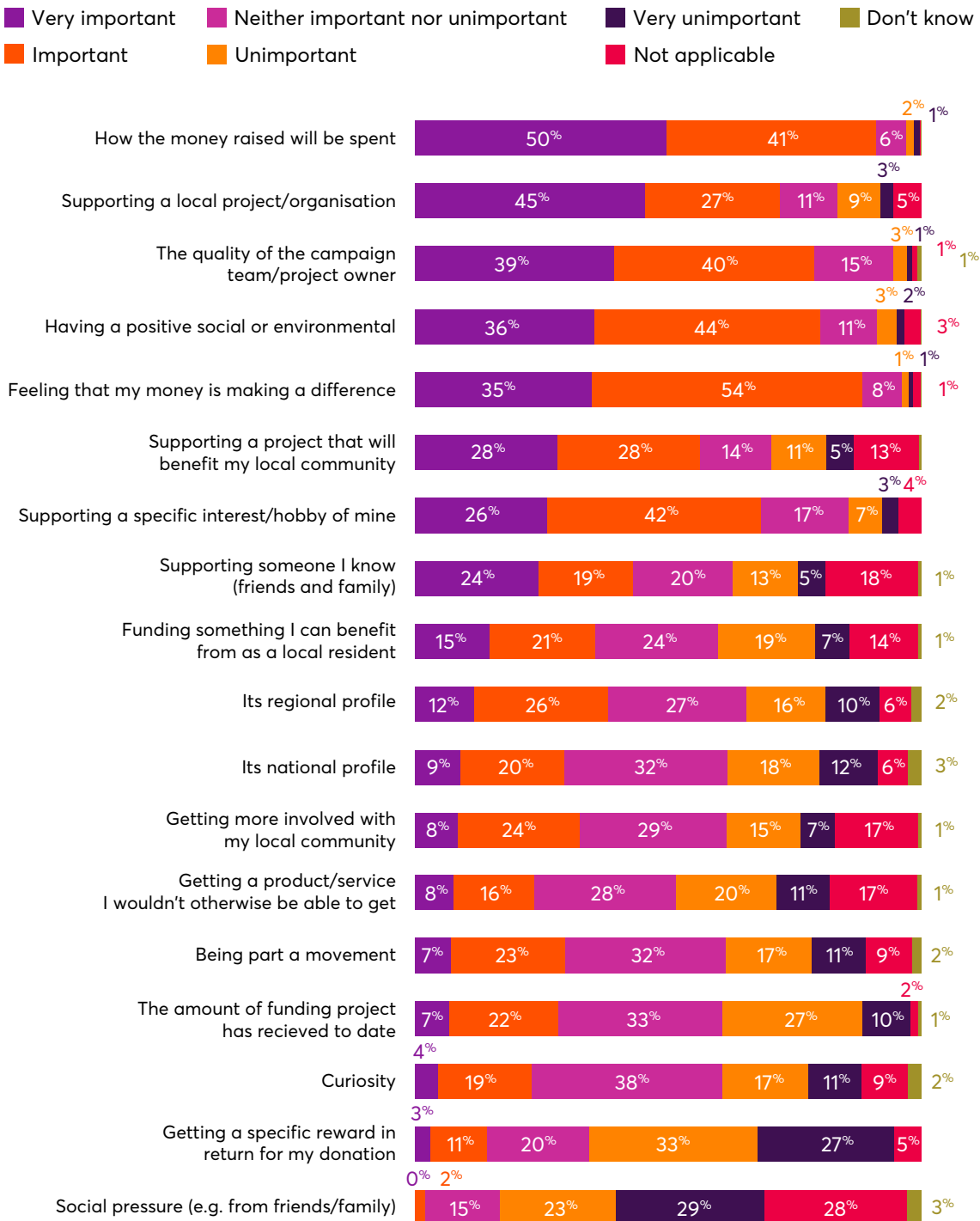
People look for local, high quality projects that they can access when making the decision to fund

From both the survey of backers and platform data showing the geographical location of backers in relation to projects, it is clear that the motivating factors for backers are supporting a good quality project team, having a clear description of how the money raised will be spent and that projects are either local to them and/or something they can access or experience.

While the average donation from the majority of backers is relatively small, how the money raised will be spent is still the most important factor for backers (ranked very important to 50 per cent, and important to 41 per cent, of backers; Figure 24). The quality of the campaign team/project owner ranked very highly (important or very important to 79 per cent of backers). This is interesting as it, combined with the importance of how the money will be spent, indicates that the crowd are forming an active judgement on the project rather than simply forming a decision on whether the idea is good.

While the expectations and usage are very similar across arts and heritage backers, there is some variation in the expectation of receiving a reward from the project - 33 per cent of arts backers expected a reward compared to only 16 per cent of heritage backers.

Figure 24. How important backers reported various factors were in their decision to fund projects



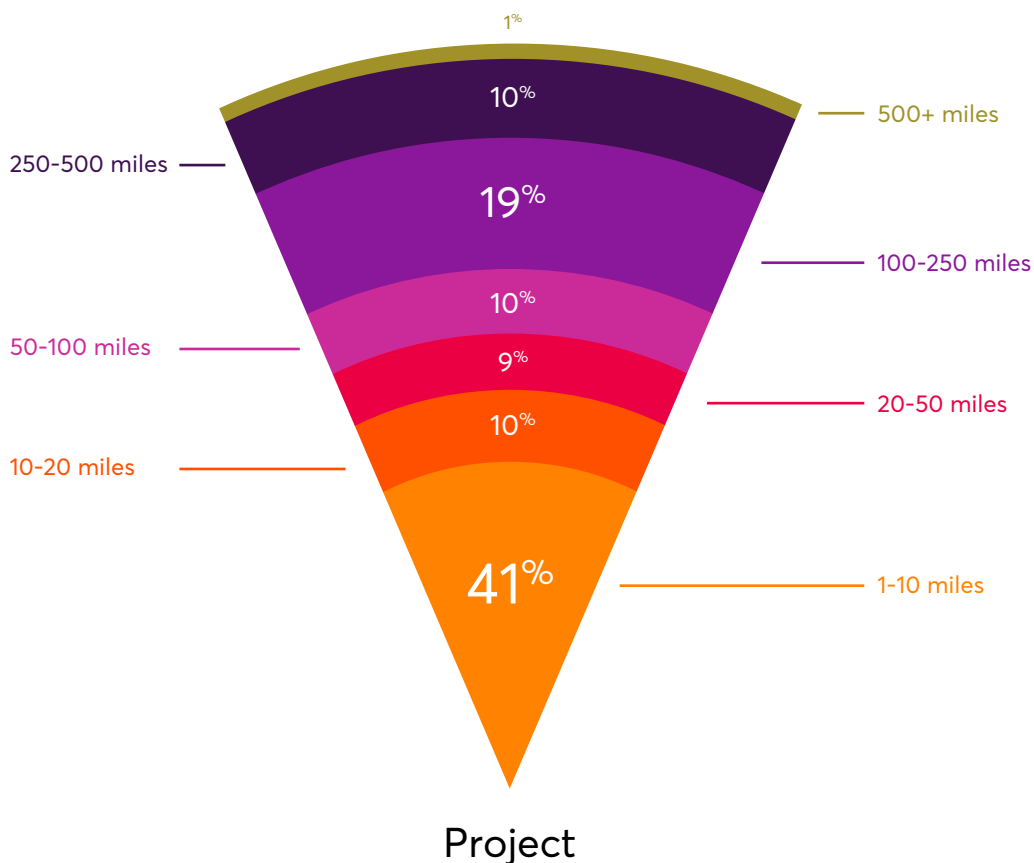
Question: When backing the project, how important were the following factors in your decision to fund?

The importance of backing a local project

Supporting a local project was important or very important to 82 per cent of backers. This interest in local projects was supported by analysis of platform data. Analysis of backer and project postcodes shows that the average distance between backers and the project they support was 85 miles, with an average driving time of 103 minutes. However, as illustrated below, this average was skewed by a small number of long-distance backers, with 41 per cent living within ten miles of the project they supported (Figure 25). This indicates that while crowdfunding enables projects to reach backers that are geographically dispersed it is primarily used to activate networks of local people to back projects in their area or region.

Interestingly, on average backers supported Heritage Lottery Fund match funded projects from further afield than Arts Council England projects, with backers of Heritage Lottery Fund projects being based an average of 107 miles from the project they supported, compared with backers of Arts Council England funded projects who were on average 56 miles from the project they backed.

Figure 25. Average distance of backers from projects they helped fund



How backers learn about and connect with the projects they supported

Supporters are directed to the crowdfunding campaign by the fundraiser and friends and family

It is clear that the project owners themselves are the key to driving people towards the project. Forty-six per cent of backers first heard of the project from the fundraiser; followed by learning about it from friends and family (22 per cent). The crowdfunding platform also has some impact on making backers aware of campaigns with 14 per cent reporting that they first learned about via the platform (Figure 27).

Social Media was by far the most effective channel for reaching new backers, with 48 per cent of backers reporting that this was the channel through which they first heard about the project they supported (Figure 28).

As a result there are two significant findings in relation to communications from the pilot. Firstly, neither the platform nor match funding partners played a particularly large role in driving backers towards the projects initially - although the platform did have some tangible impact. Secondly, it shows that while the platform provides the base for the project, the campaigning momentum for crowdfunding projects within the arts and heritage space has to initially come from the project's own connections and contacts and ability to reach new audiences, rather than a wider sphere of unknown backers who are simply interested in 'good ideas'.

Figure 27. From whom backers reported having first heard about the project they helped crowdfund

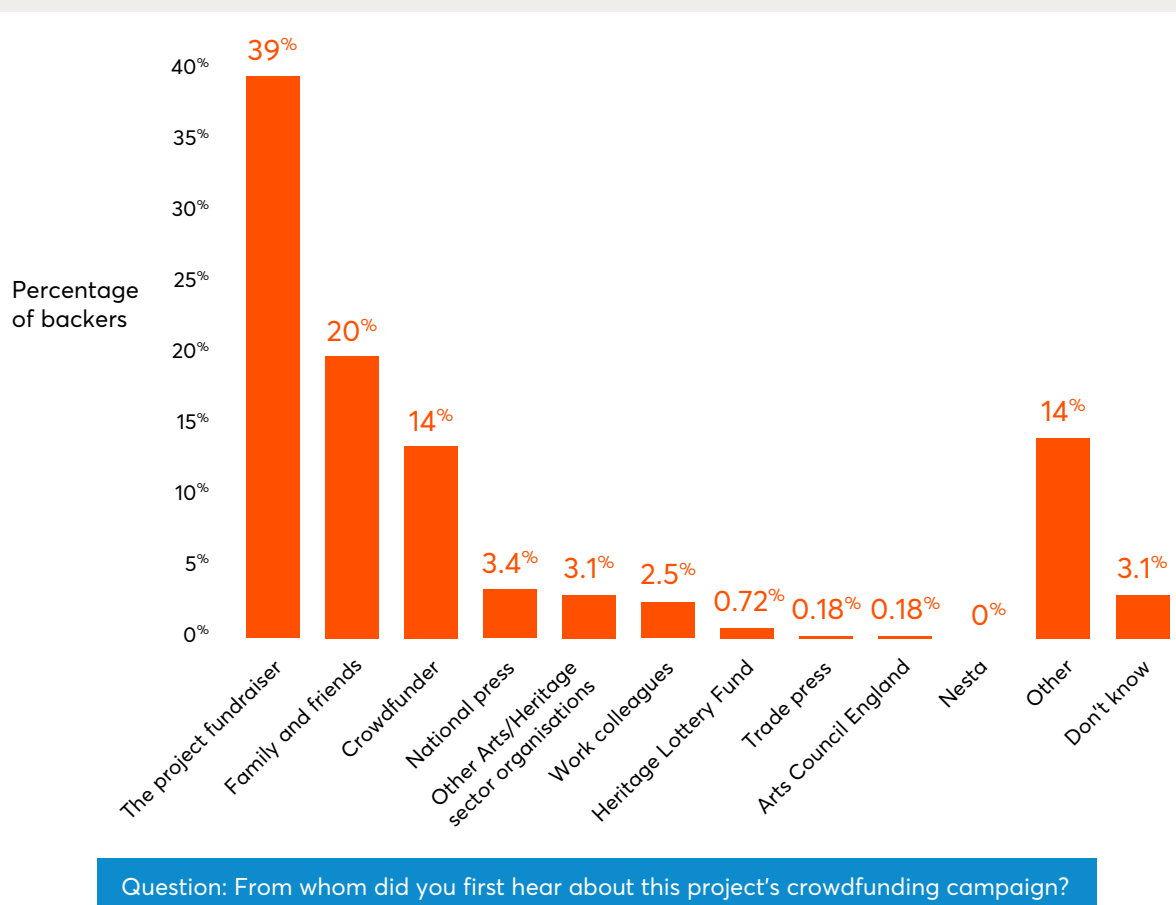
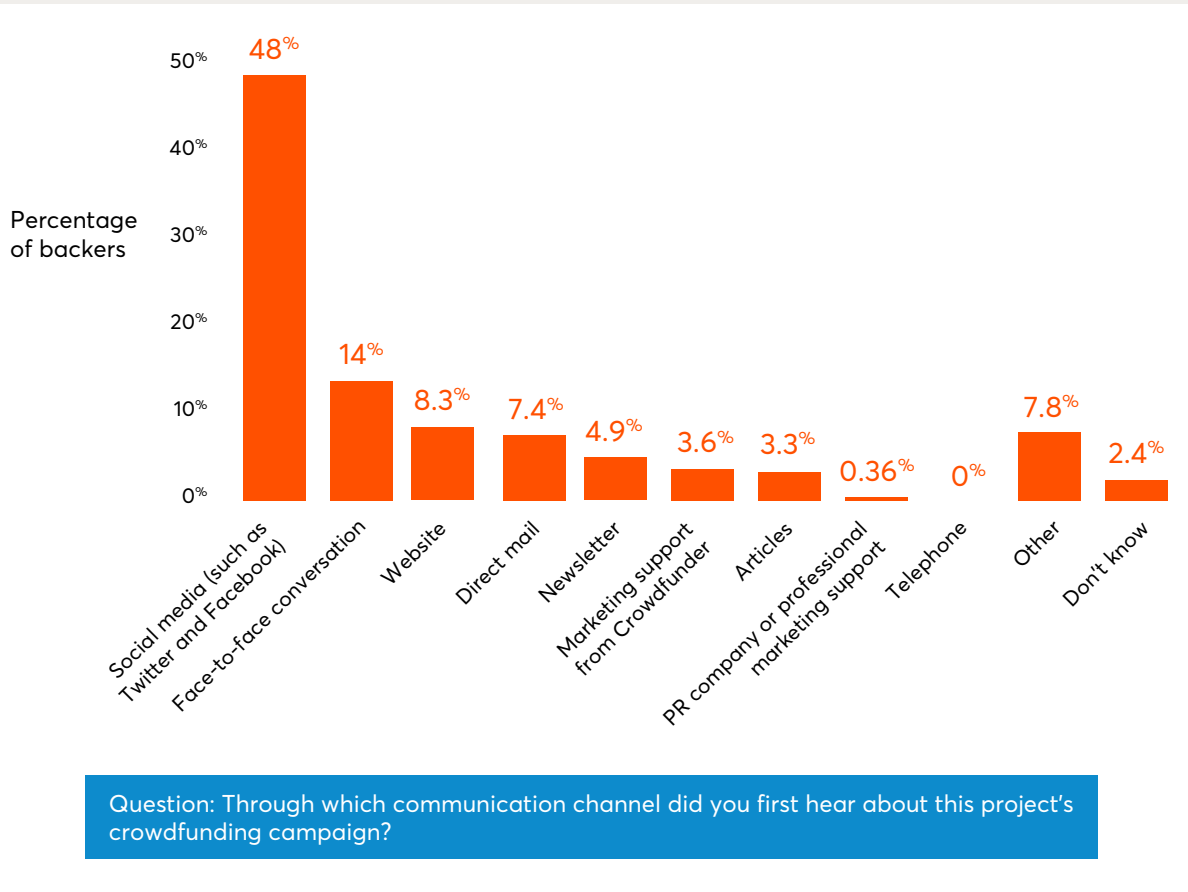


Figure 28. Through which communication channel backers reported first hearing about the project they helped fund



Who are the fundraisers and backers

Figure 29 illustrates the demographic profiles of the fundraisers and backers that took part in the survey. Across both surveys we find that the matched crowdfunding pilot attracted people who are from a mixed income background, are more likely to be women and generally have high education levels.

(Matched) Crowdfunding is for all age groups and most popular with women

Only 4 per cent of all fundraisers were between 18-24 years old, with a relatively even distribution of fundraisers by age group from 25 and upward. With age groups, it is worth noting that arts projects attracted slightly younger fundraisers, with 35 per cent of all Arts backers being between 18 and 34 vs. only 16 per cent of Heritage backers falling into the same age group.

A look at the age of backers tells a similar story. Almost 19 per cent of backers were over 65 across both the arts and heritage match funds. The age profile for Heritage Lottery Fund project backers is older than for Arts Council England. Fifty-eight per cent of heritage backers are 55 or older, while this figure is 38 per cent for Arts Council England projects. Correspondingly, the age range for arts backers is significantly younger than for heritage, with 39 per cent of art backers being between 18-44 years old.

When it comes to gender, crowdfunding appears to be slightly more popular with women than men. Sixty-two per cent of all fundraisers were women, as were 59 per cent of backers. This demonstrates that getting projects off the ground through crowdfunding platforms does not necessarily isolate particular demographic groups, albeit for a small sample of projects.

Fundraisers and backers tend to have high levels of education but relatively low income

The reported income of those who backed projects in this pilot indicate that crowdfunding projects attract funding from backers from a diverse mix of income groups, but who primarily hold higher education qualifications.

Two in three fundraisers (66 per cent) reported their income as being below £25,000 and therefore also below the UK Average. The same was the case for a large proportion (41 per cent) of backers.

In terms of education levels, three in four (76 per cent) have an undergraduate or postgraduate degree and further 8 per cent had a PhD. Only 11 per cent reported they had A-Level or equivalent as their highest level of education and even fewer (4 per cent) had a Higher National Diploma (HND). Backers of the projects similarly had high education levels.

Figure 29. Gender, age, education and income of fundraisers and backers





SECTION
THREE

Insights and recommendations

Looking across the findings from the arts and heritage matched crowdfunding pilot and wider review of the match funding landscape, there are a number of insights on the potential of crowdfunding and the use of matched crowdfunding for policymakers and funders. These extend beyond the arts and heritage sector and are relevant for most institutions, public bodies and corporates focused on funding social and cultural projects.

Insights

Crowdfunding can help arts and heritage projects achieve significant financial and non-financial benefits. Match funding can help increase the uptake of crowdfunding within those sectors.

The offer of match funding acts as an incentive (and in some cases is the primary reason) for fundraisers to set up crowdfunding campaigns. This is the case both for fundraisers that have received prior funding from the match funder and those who did not.

However, the survey of backers shows that, within the pilot, match funding and the involvement of a funder generally has little or no impact on their decision to donate to projects. Match funding therefore adds to the potential pool of projects, but does not motivate prospective backers to support them. The benefits that successful projects receive are therefore primarily the same as through normal crowdfunding, but the match funding has the effect of incentivising more projects to start up in the first place.

The real value in matched crowdfunding is in the opportunity to leverage more than money

While the initial aim of crowdfunding is fundraising, it is evident from this pilot that the impact of running a crowdfunding campaign goes beyond the money raised from the crowd. The use of crowdfunding to find new collaborators, getting backers to campaign and promote projects, attracting new volunteers and building new digital and campaigning skills for the participating organisations demonstrate this.

Funders considering developing a matched crowdfunding pilot and the costs, resources and risks associated with this should therefore take into account not only the financial impact it can help them achieve, but also the ancillary benefits and opportunity to increase the wider resilience of organisations that they support through crowdfunding.

A global tool for a local audience

Crowdfunding is often heralded as a tool that can help fundraisers easily attract a global audience. However, as demonstrated in this arts and heritage pilot, crowdfunding is primarily a way for fundraisers to connect with local people and their money. In the majority of cases backers live less than 20 miles from the project they gave to and the majority stated that they were going to see or experience the project in person.

This finding provides further evidence to the opportunity discussed in Section One regarding matched crowdfunding as a tool that is particularly well suited to support activities that are focused on place-based activities or on creating more engagement within particular communities.

Marketing and capacity building are a requirement to increase the uptake of specifically targeted match funds

One of the initial challenges of this pilot was generating enough uptake of the funds amongst art and heritage projects. Funders can help increase uptake of crowdfunding, but it requires commitment of resources to market and build a pipeline of projects in advance of, and throughout, the funding period. Forty per cent of fundraisers were aware of the match fund before deciding to try crowdfunding, and within this group a large proportion cited the opportunity to receive a match as a key factor in their decision to try crowdfunding.

This shows the potential for funders and crowdfunding platforms to increase the impact and uptake of crowdfunding if they invest more in the marketing and capacity building within the communities of people and organisations they are hoping to reach.

While matched crowdfunding attracts a diverse mix of backers it risks being dominated by a few large donors

The pilot attracted fairly diverse groups of backers and fundraisers in terms of age, education and average income. This goes some way to challenging one of the commonly cited risks of crowdfunding - that it is primarily for a younger, more digitally savvy, group and that this risks increasing inequality in who can access funds.

Looking at where funding came from, large bids of over £1,000 made up less than 1 per cent of all pledges but contributed 24 per cent of the £405,941 raised from the crowd in this pilot. This shows that a small group or large donations are disproportionately able to determine the success of campaigns and subsequent distribution of matches. While this demonstrates the ability of crowdfunding to attract a mix of small and large donors, crowdfunding platforms and funders should continue to develop measures that maintains diversity of backers in matched crowdfunding.

Crowdfunding works best as one of a number of tools to fund and develop projects

The majority of fundraisers explained how crowdfunding only formed part of their total fundraising target, and often went towards funding an isolated activity within a larger project, such as buying tables and chairs for an event, or buying part of the materials required for a restoration. At times the match funders found this challenging, as it was hard to identify exactly what the match funds would go towards funding within the larger project.

Building on this, projects described how crowdfunding often became a method for them to demonstrate local value and the value of their idea, which was in turn used to leverage further institutional funds after the successful crowdfunding campaign.

Which match should funders choose?

While this study showed that matched crowdfunding in general increases the average size of backer contributions and helps projects reach their fundraising targets, the impact of the bridging versus the top-up matching method was inconclusive. With regard to matching ratios, the pilot found that a 50 per cent is more effective at increasing the average contributions of backers than a 25 per cent match. There was also some anecdotal evidence through the pilot that the offer of a 25 per cent match did not necessarily spur the fundraisers on to start their campaigns, which should be a consideration when funders are attempting to distribute funding within a particular timeframe.

Recommendations

Funders should:

- 1. Try it...** while matched crowdfunding presents challenges to how funders currently operate, there are clear benefits that should prompt them to consider how crowdfunding relates to their current practice. These benefits relate to the increased breadth of projects accessed through crowdfunding, the involvement of (at times) large groups of backers with arts and heritage projects and the significant financial and non-financial benefits delivered to successful fundraisers. Where funders are focusing on supporting small-scale projects they should consider experiment with matched crowdfunding.
- 2. Help organisations make the most of crowdfunding through investing in crowdfunding skills alongside providing match funding.** Not having enough knowledge about what crowdfunding is or not having the skills to set up and run a crowdfunding campaign can act as a barrier to organisations trying crowdfunding, or reduce their chances of success if they do. Alongside the financial incentive in the form of a match, funders can help potential beneficiaries make the most of the crowdfunding opportunities through workshops or other forms of outreach that help them build their skills.
- 3. Make matched crowdfunding part of a wider funding strategy.** While matched crowdfunding can help funders reach new projects with their funding, and in turn help those projects leverage financial as well as non-financial support, it will be most effective when integrated into a wider funding strategy. This should include support for small-scale crowdfunded projects to attract larger, more conventional forms of finance and a clear idea of how the matched activities complement existing funding streams.
- 4. Use crowdfunding to build organisations' resilience through the additional non-financial benefits that come with it.** While it is easier to quantify the financial impact of matched crowdfunding, the wider non-financial impact is potentially as significant. As such, funders should see matched crowdfunding and the cost and risks associated with this new form of funding not just as a method for distributing funds, but also as a tool that can help them build organisations' resilience. This is both in terms of the non-financial benefits such as improving digital and fundraising skills and attracting volunteers, along with financial benefits such as attracting new sources of funding from individuals who have not donated in the past.
- 5. Invest time and resources into the co-design of match fund programmes.** Funders will only make the most of the opportunities in matched crowdfunding if they work with platforms on co-designing match funds and ensure that their institutional knowledge on grant funding requirements and the funding and support needs of potential beneficiaries are combined with the platforms' expertise in crowdfunding.
- 6. Look beyond matched crowdfunding for interventions that can help give the crowd a greater role in decision-making.** As demonstrated in this study, the involvement of the crowd has the potential to help funders leverage money and identify which projects to back. Funders interested in opening decision-making to the crowd should explore ways beyond matched crowdfunding for doing this.

One option could be to develop a mechanism for channeling projects from platforms to funders. Successfully crowdfunded projects generally indicate quality and public interest. Funders interested in exploring new ways of finding good projects to support could work more strategically with crowdfunding platforms to identify good projects, which after having been backed by the crowd, could be supported with grants or other forms of finance to sustain and further develop their project.

Another could be to experiment with online participatory budgeting, where citizens can suggest and vote on ideas they would like the funder to back, but unlike crowdfunding don't have to put their own money towards the campaign. This will be particularly relevant for local and central governments.

Platforms should:

- 7. Continue to develop bespoke services to fit with the needs of funders.** Most platforms operate on a set of similar features, which in many cases are appealing to funders. However, as the market grows so does the complexity of demand from funders. Platforms should continue to innovate and 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 and how to report on impact in a way that gives funders confidence in the returns generated by the projects.
- 8. Rigorously measure and share evidence of what works.** In spite of the evidence generated through this pilot there are still significant gaps related to the impact of matched crowdfunding and to the opportunities and challenges related to this form of funding. Platforms and funders should use the data captured through matched crowdfunding pilots to measure the impact and share best practice with the wider sector. Building on this, platforms and funders alike should invest in better knowledge-sharing between funders within specific sectors, such as local government or the arts, on how to set up matched crowdfunding initiatives.

Arts and heritage organisations should:

- 9. Explore using crowdfunding as a fundraising and engagement tool.** While crowdfunding will not work for everyone, it is a market that continues to grow and arts and heritage organisations should consider building the right skills and capabilities to make the most of the opportunities available. Organisations that don't do this risk not being able to tap into the opportunities, both financial and non-financial, that come with raising money for a project from the crowd, as well as the opportunity to leverage further funds through getting a match fund.
- 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 is primarily suitable for small projects, with the average campaign size in this pilot being around £10,000. Organisations interested in crowdfunding should identify small projects or isolated activities within larger projects that they can crowdfund. Building on this, crowdfunding should be used as a method for testing out demand and interest in ideas and prototypes that can subsequently access more traditional forms of finance.

Appendix

Appendix Table 1: Comparison of treatment groups tested through the matched crowdfunding pilot.

	Matching type				
	25% Bridge match	25% Top up match	50% Bridge match	50% Top up match	No match offered (control)
Average fundraising target	£11,250	£6,091	£12,263	£10,722	£10,556
Percentage of projects that reach fundraising target	92%	100%	100%	100%	49%
Average contribution from backers	£90	£58	£81	£69	£63
Average number of backers	67	96	90	88	150
Average amount overfunded	£461	£1,678	£1,288	£969	£1,544

Control group includes projects that crowdfunded in the last two years on Crowdfunder, reached at least 25 per cent of their target and were approved in principle by Arts Council England or Heritage Lottery Fund (90 projects). All figures, except 'Average amount overfunded' include projects that were approved by Heritage Lottery Fund and Arts Council England but were not successful in reaching their target. 'Average amount overfunded' is restricted to those projects that were successful in reaching their target.

Regression outputs

Regression models were built using R version 3.3.1.⁷⁷ Control group included projects that crowdfunded in the last two years on Crowdfunder, reached at least 25 per cent of their target and were approved in principle by Arts Council England or Heritage Lottery Fund. Model was built using stepwise regression and selecting the best model (based on AIC) that contained the main variable of interest, either 'Match Ratio', 'Match Offered' or 'Match' depending on the specific analysis.

Appendix Table 2: Regression output for linear model with Fundraising Target as dependent variable (n = 150)

	Estimate	Std. Error	t value	p value
Intercept	9454.4	1061.2	8.909	1.81e-15
Fund (Heritage)	3559.2	1590.9	2.237	0.0268
Match ratio (25%)	-1290.8	2107.1	-0.613	0.5411
Match ratio (50%)	135.2	1790.1	0.076	0.9399

Reference level for 'Fund' variable is Arts Council England; reference level for 'Match ratio' is Control. The full model, before model selection, also included the interaction between 'Matching ratio' and 'Fund' but this was found to not improve the model.

Appendix Table 3: Regression output for binomial model with whether or not a project was successful as the dependent variable (n=150)

	Estimate	Std. Error	z value	p value
Intercept	6.00E-01	3.59E-01	1.669	9.51E-02
Target minus match provided by Arts Council England	-6.33E-05	2.98E-05	-2.122	0.033867
Match offered (yes)	3.97E+00	1.03E+00	3.836	0.000125

Reference level for 'Match offered' variable is the No match offered i.e. the control group. The full model, before model selection, also included the variables 'Fund (Arts Council England/Heritage Lottery Fund)', 'Number of Twitter followers', 'Number of Facebook followers' and 'Video (Yes/No)' but these were not found to improve the model.

Appendix Table 4: Regression output for Linear Mixed Effects model with backers' donation size as dependent variable (n=18,605)

	Estimate	Std. Error	t value	p value
Intercept	51.863	15.0925	3.436364	0.0006
Match (25% Bridge)	43.892	20.43303	2.148134	0.0334
Match (25% Top up)	13.4818	20.628441	0.653555	0.5144
Match (50% Bridge)	58.452	16.453671	3.55252	0.00055
Match (50% Top up)	36.00302	17.643347	2.040600	0.0431
Target - match amount	0.00459	0.0007004	6.55033	<0.0000
Video (yes)	-31.86477	13.302271	-2.395439	0.01795
Had a coach (yes)	-0.00013	0.000075	-1.739941	0.0840

Reference level for 'Match' variable is the control group. Project title was included in the model as a random intercept. Model was created using stepwise regression and selecting the best model (based on AIC) that contained the 'Match offered' variable (the main variable of interest). The full model, before model selection, also included the variable 'Fund (Arts Council England/Heritage Lottery Fund)' but this was not found to improve the model.

Appendix Table 5: Regression output for linear model with the number of backers as dependent the variable (n=150)

	Estimate	Std. Error	t value	p value
Intercept	6.98E+01	2.37E+01	2.943	3.79E-03
Target - match amount	3.95E-03	1.27E-03	3.097	0.00235
Match offered (yes)	-5.95E+01	1.92E+01	-3.093	0.00238
Number of Twitter followers	1.00E-03	5.65E-04	1.771	0.07871
Had a coach (yes)	3.82E+01	1.94E+01	1.966	0.05121
Stretch goal (yes)	3.38E+01	2.12E+01	1.594	0.11322

Reference level for 'Match offered' variable is the No match offered i.e the control group. The full model, before model selection, also included the variables 'Fund (Arts Council England/Heritage Lottery Fund)', 'Video (Yes/No)' and 'Number of Facebook followers', but these were not found to improve the model.

Appendix Table 6: Regression output for linear model with the number of backers as dependent variable (n=150)

	Estimate	Std. Error	t value	p value
Intercept	6.93E+01	2.38E+01	2.907	4.24E-03
Target - match amount	3.82E-03	1.31E-03	2.921	0.00407
Match (25% Bridge)	-9.00E+01	3.42E+01	-2.635	0.00937
Match (25% Top up)	-6.87E+01	3.89E+01	-1.765	0.07965
Match (50% Bridge)	-6.03E+01	2.87E+01	-2.103	0.03728
Match (50% Top up)	-3.65E+01	2.88E+01	-1.266	0.20769
Number of Twitter followers	1.03E-03	5.78E-04	1.775	0.07813
Had a coach (yes)	4.66E+01	2.17E+01	2.143	0.03383
Stretch goal (yes)	3.18E+01	2.14E+01	1.487	0.13915

Reference level for 'Match' variable is the control group. The full model, before model selection, also included the variables 'Fund (Arts Council England/Heritage Lottery Fund)', 'Video (Yes/No)' and 'Number of Facebook followers', but these were not found to improve the model.

Appendix Table 7: Regression output for linear model with the amount a project overfunded by (£) as the dependent variable (n=103)

	Estimate	Std. Error	t value	p value
Intercept	-1.026e+03	6.489e+021	-1.582	0.1172
Fund (Heritage Lottery Fund)	4.346e+01	4.253e+02	0.102	0.9188
Match (25% Bridge)	-8.932e+02	6.606e+02	-1.352	0.1797
Match (25% Top up)	-8.274e+02	7.482e+02	1.106	0.2717
Match (50% Bridge)	2.188e+00	5.437e+02	-0.004	0.9968
Match (50% Top up)	-1.506e+01	5.727e+02	-0.026	0.9791
Target - match amount	1.825e-01	3.054e-02	5.973	4.45e-08
Number of Facebook followers	-5.263e-023	4.760e-02	-1.106	0.2718
Number of Twitter followers	1.855e-02	1.074e-02	1.727	0.0876
Had a video (yes)	2.278e+021	4.739e+02	0.481	0.6320
Had a coach (yes)	2.256e+02	4.737e+02	0.476	0.6350
Stretch goal (yes)	9.296e+0	4.810e+02	1.933	0.0564

Reference level for 'Match' variable is the control group. Model was restricted to projects which successfully reached their fundraising target.

Endnotes

1. The match fund was originally £250,000. An additional £1,500 was provided by Heritage Lottery Fund to ensure a 50% match for the last project through the pilot.
2. Birmingham Art Map, MK ULTRA., Stonehouse Jack's New EP, Blaenau Ffestiniog and Trawsfynydd Railway Society, Holy Trinity Bramley Bell Restoration Appeal, Is this a Waste Land?, Creative Workspace land, Help Eva Lazarus make her first solo EP, Longing Belonging and Balfour, Play Me, I'm Yours - Bristol 2017, The Pixies' Scarf, Save Winterbourne Barn , The Workshop Art Club, Castle Hill Project, Shadow Tales on Tour, Relative Poverty, The Fisherman's Daughter Touring Library, WWI Airedale Monument, The Boat Shed pop-up, The Young Pretenders Summer Season 2017!, The Lost Treasures of St Sidwell's, Retrospect: an unpublished account of WW1, Synergy Dance, Bromance, 80s Othello Tour, Constellation: a sculpted solar system for Hove, Coll Hoard Conservation, Threshold Festival 2017, 8 MINUTES, Focus Africa Music Festival 2017, Josie Florence 'Nightingale' EP, One Dress, Picasso's Women, Politic Man, Thamesis Walkies, The Opera Story: Snow, Save The Sunbathers, BeeCreative Studios, YANK, Margate Caves, Soundproof Cobalt, Help us to hatch our animatronic baby dinosaur!, Return unique South Notts Heritage bus to the road, Redwing Arts and Community Hub, Montol 10th anniversary appeal, Redwing, eXXpedition, Samphire Festival - 2017, Fidel: a musical, Help Stirling to protect The Peter Mackay Archive, Deep Time Walk.
3. <http://www.nesta.org.uk/publications/crowdfunding-good-causes>
4. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/510798/DCMS_The_Culture_White_Paper__3_.pdf
5. <http://www.nesta.org.uk/publications/crowdfunding-good-causes>
6. <https://cdn.thebiggive.org.uk/static/docs/A-Great+Match-EVersion.pdf>
7. <https://www.bigsocietycapital.com/what-we-do/investor/investments/crowd-match-fund>
8. <http://www.powertochange.org.uk/funding/community-shares/>
9. There are a range of platforms in the UK that funders could collaborate with. So far the majority of matched crowdfunding initiatives have been delivered by the Crowdfunder, Spacehive and Hubbub platforms. This blog provides an overview of the main platforms in the market <http://www.nesta.org.uk/blog/how-find-right-crowdfunding-platform-your-good-cause>
10. <http://www.nber.org/papers/w17954>
11. https://www.london.gov.uk/sites/default/files/cc_case_studies_web_version_170616.pdf
12. <https://www.london.gov.uk/crowdfunding>
13. https://www.london.gov.uk/sites/default/files/cc_case_studies_web_version_170616.pdf
14. <https://www.spacehive.com/well-street-market>
15. www.spacehive.com/the-community-kitchen
16. <https://www.spacehive.com/woodstreetstudios>
17. This report by the GLA features case studies of a range of successfully funded projects. https://www.london.gov.uk/sites/default/files/cc_case_studies_web_version_170616.pdf
18. <https://data.london.gov.uk/dataset/mayor-s-crowdfunding-programme-social-impacts/resource/797ad009-48ad-4c37-a590-cd5da9a26729>
19. https://funginstitute.berkeley.edu/wp-content/uploads/2013/11/Crowdfunding_Creative_Ideas.pdf
20. <http://karlan.yale.edu/sites/default/files/aer2e972e52e1774.pdf>
21. However, one laboratory-based study using university students suggested that a match ratio of 25 per cent does also increase the propensity of individuals to contribute. See: https://www.jstor.org/stable/40005091?seq=1#page_scan_tab_contents
22. This estimate was based on 29 matched crowdfunding schemes identified through desk research. Where funds were spread across multiple years and information regarding the distribution of the total funding available was assumed to have been spread evenly over this time period.
23. <http://www.crowdfunder.co.uk/crowdfund-birmingham>
24. <https://www.spacehive.com/profile/leicestercitycouncil/funds/citymayorscommunityengagementfund>

25. The Planning Officers Society describe how the types of funds that can be used by councils includes 'section 106 and neighbourhood proportion of Community Infrastructure Levy (CIL), community funding and grants. <http://www.planningofficers.org.uk/downloads/pdf/Crowdfunding%20for%20Councils%20-%20short.pdf>
26. <https://www.london.gov.uk/what-we-do/regeneration/funding-opportunities/crowdfund-london>
27. <http://futurecities.catapult.org.uk/2017/03/31/crowdfunding-become-de-facto-funding-method-councils/>
28. <https://www.esmeefairbairn.org.uk/item.aspx?id=98>
29. <https://unltd.org.uk/2016/03/15/spaces-for-change-announcement/>
30. <https://www.citybridgetrust.org.uk/crowdfunding/>
31. <https://www.ft.com/content/5ee92158-8945-11e6-8cb7-e7ada1d123b1>
32. <https://www.spacehive.com/movement/makehull>
33. <https://yustart.hubbub.net/>
34. <https://southampton.hubbub.net/>
35. <https://somerville.hubbub.net/>
36. <https://rocket.fund/>
37. <http://www.crowdfunder.co.uk/celebrating-community-through-our-local-park/>
38. <http://www.crowdfunder.co.uk/crowdfund-plymouth>
39. https://www.crowdfunder.co.uk/uploads/Plymouth_Impact_Report/plymouth_doc_for_nesta.pdf
40. <http://www.crowdfunder.co.uk/plymouth-argyle-ladies-fc>
41. It is worth noting that some funders interested in matched crowdfunding may never have been involved in grant making or funding programmes more widely, such as corporate social responsibility teams within businesses.
42. <https://www.local.gov.uk/sites/default/files/documents/future-funding-outlook-co-18b.pdf>
43. <http://futurecities.catapult.org.uk/2017/03/31/crowdfunding-become-de-facto-funding-method-councils/>
44. <http://pro.europeana.eu/blogpost/goteo-and-the-case-for-match-funding>
45. <http://www.crowdfunder.co.uk/competitions>
46. Warbis, M. (2016) 'Understanding the social impacts of the Mayor's Crowdfunding Programme: a qualitative retrospective on rounds 1 and 2.' London: Greater London Authority. <https://files.datapress.com/london/dataset/mayor-s-crowdfunding-programme-qualitative-study/2016-09-30T16:33:59/Social%20impacts%20of%20MCP%20-%20Final%20publication.pdf>
47. There are few studies looking at the quality of crowd vs expert decision making. One study 'Wisdom or Madness? Comparing crowds with expert evaluation in funding the arts' examined the crowdfunding of 120 theatre projects, each aiming to raise at least \$10,000, and compares the funding decisions of the crowd with the views of 30 experts. Their findings suggest strong agreement between the crowd and experts. Where there is disagreement, this is much more likely to be caused by the experts' indifference to a project which was popular with the crowd, rather than the other way round. Where this was the case, the study suggests that presentation of proposal, rather than quality of concept, was the biggest differentiating factor. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2443114&download=yes
48. See discussion of this in Bone, J. and Baeck, P. (2016) 'Crowdfunding Good Causes.' London: Nesta. <http://www.nesta.org.uk/publications/crowdfunding-good-causes>
49. Byrnes, J.E.K., Ranganathan, J., Walker, B.L.E. and Faulkes, Z. (2014) 'To Crowdfund Research, Scientists Must Build an Audience for Their Work.' See: <http://journals.plos.org/plosone/article?id=10.1371/journal.pone.0110329>
- Cha, A. (2015) Crowdfunding propels scientific research. 'The Washington Post.' See: https://www.washingtonpost.com/national/health-science/crowdfunding-propels-scientific-research/2015/01/18/c1937690-9758-11e4-8005-1924ede3e54a_story.html
50. <http://www.nesta.org.uk/publications/understanding-alternative-finance-uk-alternative-finance-industry-report-2014>
51. Crowdfunder (2016) 'Crowdfund Plymouth: Discover the social impacts of Crowdfund Plymouth – a pioneering campaign to crowdfund a city.' See: https://www.crowdfunder.co.uk/uploads/Plymouth_Impact_Report/plymouth_doc_for_nesta.pdf
52. These were 'pure' crowdfunding projects that haven't received a match from an institution.
53. <http://www.sciencedirect.com/science/article/pii/S088390261300058X>
54. Failure rate is the inverse of the success rate of 36 per cent reported by Kickstarter. See: <https://www.kickstarter.com/help/stats>
55. <https://publications.europa.eu/en/publication-detail/-/publication/7e10916d-677c-11e7-b2f2-01aa75ed71a1/language-en/format-PDF/source-search>
56. <https://www.goteo.org/>
57. <https://www.voordekunst.nl/>

58. <https://www.crowdfunding4culture.eu/sites/default/files/Voordekunst.pdf>
59. <https://www.gov.uk/government/publications/culture-white-paper>
60. Kickstarter, Public Benefit Statement (2016)
61. Arts Council England and Nesta, Digital Culture Survey 2017 (2017)
62. <https://digventures.com/>
63. Department for Culture, Media and Sport, The Culture White Paper (2016)
64. The Heritage Lottery Fund grant was extended by £1,500 to allow for a final project to receive a full 50 per cent match at the end of the programme, rather than the amount left in the original funding pot.
65. A regression analysis failed to show that this effect was significant (see appendix table 2).
66. We did not analyse differences in success rates for the different matching methods and ratios because there was only one failure among matched projects, meaning that all but the 25 per cent Bridge treatment had a 100 per cent success.
67. The project that failed to reach its target was in the 25 per cent Bridge treatment.
68. The median donation was £20.
69. Thirty-three per cent said they were unaware of the match and 9 per cent didn't know if they were aware of the match. This, however, should be understood in the context that around one in four of backers would not have heard of the match Arts Council England and HLF only made the decision to back projects once it had received 25 per cent of its funding from the crowd.
70. When controlling for the amount they had to raise from the crowd to be successful, whether or not their campaign page had a video and whether or not they received coaching from Crowdfunder.
71. We also controlled for the number of Twitter followers that the project had, whether or not they had received coaching from Crowdfunder and whether or not they had set a stretch goal.
72. https://funginstitute.berkeley.edu/wp-content/uploads/2013/11/Crowdfunding_Creative_Ideas.pdf
73. <https://www.crowdfunder.co.uk/boat-shed-pop-up/>
74. This is in line with other studies of crowdfunding and its potential impact on volunteering, such as Understanding Alternative Finance (2014) which found that 27% of backers of donation-based crowdfunding campaigns had offered to help or volunteer with the project they backed.
75. <http://theoperastory.com/>
76. <http://www.crowdfunder.co.uk/success-stories/coll-hoard>
77. R Development Core Team R (2011) R: A Language and Environment for Statistical Computing. R Found Stat Comput 1: 409.



nesta

58 Victoria Embankment
London EC4Y 0DS

+44 (0)20 7438 2500

information@nesta.org.uk

 [@nesta_uk](https://twitter.com/nesta_uk)

 www.facebook.com/nesta.uk

www.nesta.org.uk

Nesta is a registered charity in England and Wales with company number 7706036 and charity number 1144091.
Registered as a charity in Scotland number SCO42833. Registered office: 58 Victoria Embankment, London, EC4Y 0DS.

