

**CROWDFUNDING AS A FORMULA FOR THE FINANCING OF PROJECTS:
AN EMPIRICAL ANALYSIS**

“CROWDFUNDING” COMO UMA FÓRMULA PARA O FINANCIAMENTO DE
PROJETOS: UMA ANÁLISE EMPÍRICA

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ABSTRACT

Crowdfunding offers enormous possibilities for marketing and communication, given that it facilitates the circulation of new projects, generates audiences and creates a loyal social base. Nevertheless, experiences of crowdfunding can be diverse. The aims of this investigation are threefold; to analyse crowdfunding platforms in Spain by means of quantitative and qualitative research methods (descriptive and relational); carry out a comparative study of the efficiency index of crowdfunding campaigns for profit-making projects as compared with campaigns raising money for social causes; and to propose good practice guidelines listing the key points of a successful campaign. The results obtained indicate that the percentage of successful profit-making campaigns is no higher than that for charitable ones, and that compliance with the key points in the proposed good practice guidelines is more likely to result in a successful crowdfunding campaign. Keywords: Crowdfunding. Marketing. Communication. Profit-making. Non-profit organisations.

RESUMO

Crowdfunding oferece enormes possibilidades para o marketing e comunicação, uma vez que facilita a circulação de novos projetos, gera o público e cria uma base social leal. No entanto, as experiências de crowdfunding pode ser diversa. Os objetivos desta investigação são três; analisar crowdfunding plataformas da Espanha, por meio de métodos de pesquisa quantitativos e qualitativos (descritiva e relacional); realizar um estudo comparativo do índice de eficiência de campanhas de crowdfunding para projetos com fins lucrativos, em comparação com as campanhas para arrecadar dinheiro para causas sociais; e propor orientações sobre boas práticas listando os pontos-chave de uma campanha bem sucedida. Os resultados obtidos indicam que a percentagem de campanhas com fins lucrativos de sucesso não é maior do que para aqueles de caridade, e que a conformidade com os pontos-chave nas orientações de boas práticas propostas é mais propensa a resultar em uma campanha de crowdfunding bem sucedido.

Palavras-chave: Organizações crowdfunding. Marketing. Comunicação. Com fins lucrativos. Sem fins lucrativos.



1 THE GROWING PHENOMENA OF CROWDFUNDING AND ITS IMPACT IN SPAIN

There are three pillars supporting each crowdfunding campaign; (i) a fundraiser, an entrepreneur who has faith in the project, business ability and the communicative skill to create a community; (ii) the funder or funders who contribute money; and (iii) the crowdfunding platform that acts as intermediary between fundraiser and funders. There are several terms for crowdfunding (collective financing, mass financing, micro-sponsorship), all referring to a formula for the collective finance of projects by means of the internet. The added value offered by such campaigns is the circulation and visibility offered on the internet by the social networks and media.

The arrival of crowdfunding on the marketing and communication scene encourages the circulation of new projects, attracts an audience and creates a loyal social base. In fact, in *la Sociedad de la Banda Ancha* (The Broad Band Society), the flow of digital content, cloud journalism (Fondevila Gascón, 2010), derives from what has been labelled social journalism commerce, in other words from the option to create homogenous communities of consumers around specific content. (Fondevila Gascón, 2009, 2012, 2013).

The phenomenon of crowdfunding first emerged in 2009 and has grown at a considerable rate. In fact, the term crowdfunding appeared in an article by Jeff Howe and Mark Robinson in 2008, however the authorship of the term is attributed to Michael Sullivan, who also used it the same year (Lawton y Marom, 2013). In 2012 a million campaigns were financed via crowdfunding throughout the world in sectors such as videogames, publications, theatre plays, musical projects, social causes and technological products (Massolution, 2012). Crowdfunding campaigns have been shown to be highly effective instruments in publicising profit and non-profit-making projects. The success of such projects depends on garnering the support of a collective that believes them to be necessary and an empathetic campaign capable of connecting with this collective.

There are four models of crowdfunding (Outlaw, 2013): donation, reward, debt and equity. The donation model does not include remuneration of any kind for those who collaborate and finance the project (they are frequently charitable projects of a humanitarian and non-profit-making nature). The reward model offers remuneration (in



the form of products such as the Pebble watch, services or acknowledgements). Crowdfunding based on loans (debt model) (crowdlending, crowdfunded lending or peer to peer loans) offers the project promoter access to small loans at a better rate of interest than they would get from a bank, and assures them a higher profitability than they would achieve on the open market. Finally, equity crowdfunding offers investors stocks, shares or profits in exchange for their financial contribution to the project.

There are also two forms of crowdfunding for which whether or not the fundraiser gets the final income is dependent on the initial finance objective being met: *all or nothing*, for which it is necessary to have reached the finance objective to be able to withdraw the contributions made, and *keep it all*, despite not having achieved 100% of the objective, the fundraiser is able to withdraw the contributions made. Sometimes the platforms fix a minimum percentage of income (about 75-80% of the objective) in order for the *keep it all* option to be activated.

Of the sectors (profit-making and non-profit-making), the Third Sector is required to be more efficient and productive, as it has recourse to a reduced number of the traditional channels of finance, such as public grants, contributions from the charitable branches of banks, company sponsorship and private donations. Finance opportunities are concentrated in private settings which focus on results and non-profit organisations with a more professional profile (*Fundación la Caixa, Instituto de Innovación Social de Esade and Fundación PwC, 2013*). As a consequence the future of non-profit-making organisations will be directed by a social base that supports and legitimises their projects.

The sustainability of crowdfunding lies in its ability to connect non-profit-making organisations with a proactive collective, resulting in a campaign that does not focus solely on fundraising, but friendraising (Cejudo y Ramil, 2013). Several similar definitions of the concept have been coined by authors such as Kleemann, Gunter and Rieder (2008), Schwienbacher and Larralde (2010), Agrawal, Catalini and Goldfard (2010), Griffin (2012), Steinberg and DeMaria (2012) and Belleflamme, Lambert and Schwienbacher (2013).

A recent phenomenon such as crowdfunding requires parameters to be established and the keys to a successful campaign to be determined (Mollick, 2014; Belleflamme, Thomas Lambert and Armin Schwienbacher, 2013; Hui, Greenberg and Gerber, 2015).

The research group Crossmedialab, of the Faculty of Communication and Journalism at the University of Applied Sciences in Utrecht (Holland), has analysed the correlation



that exists between the number of friends on Facebook and the number of backers and pledges from 8,234 Kickstarter campaigns that started on June 1st 2012 and were completed before June 1st 2013 (Hekman and Brusse, 2013). The study concludes that a campaign's success is highly correlated with its number of backers and the level of exposure it receives on Facebook and Twitter. It is deduced from the study that, while the metrics for social media are similar for successful and unsuccessful projects, if the fundraising results are compared, a high correlation does exist between a greater network density and the failure of a project. As Facebook density is inverse to its size, this correlation is logical.

A research group at the University of Illinois (Chicago), analysed the possible connections between the success of a campaign and its promotion on social networks, using a sample of 1,521 Kickstarter projects with a start date of November 1st 2012 and which finished before April 1st 2013 (Lu, Xie, Kong y Yu, 2014).

The study included aspects such as the variation over time of contributions to the campaigns and their activity on social networking sites. The results demonstrate a high concentration of contributions at the beginning and end of campaigns; with 25% of the contributions being concentrated in the first 10 days of the campaign and 10% in the last four days.

The scientific literature in this area of research is limited but growing, in step with the growth in crowdfunding projects. Kickstarter, the world's leading crowdfunding platform, began 2014 having successfully financed 50,000 projects. It amassed more than five million funders and its income exceeded 900 million dollars (Kickstarter Stats, 2013). In March 2014 it raised 1,000 million dollars, thanks to the contributions of 5.7 million people. In June 2015 the total was 1.7 million dollars, 86.400 successful projects and 8.7 million contributors.

There are a large number of initiatives of a heterogeneous nature, making the establishment of a single regulatory legal framework that limits risk and strengthens globalisation, complex. Curiously, 11% of the platforms have their headquarters in Spain and raise 0.7% of the total income. The first two platforms appeared in Spain in 2010, they were *Verkami* and *Lánzanos*. In mid 2013 the number of platforms in Spain totalled 88.

In Spain, 89% of charitable platforms are donation, 63% follow the *keep it all* model and 74% of them neither limit nor define the maximum timeframe of the campaign. A

campaign based on reward, with an *all or nothing* model limited to a timeframe of 30 or 40 days, has a higher probability of being successful.

The majority of the platforms don't implement the keys to success (reward model, *all or nothing* and campaign timeframe limited to 40 days), as can be confirmed on looking into each one of them in detail.

One such example is *Miaportacion.org*, founded by the cofounder of *Atrápalo* in May 2010, which covers food and material, economic and sanitary requirements. The finance objective of each project is situated in the range of 300 to 500 Euros. It imposes no time limit on its fund raising projects, to the extent that some of them can last for more than a year. *Hazlo posible*, founded in January 2012, is exclusively orientated towards the financing of NGO (non-governmental organisations) projects set up in Spain. It follows the *all or nothing* model, with a limit of three months for fundraising for projects.

Migranodearena, launched in January 2012 and belonging to the Real Dreams Foundation, hosts NGO projects set up in Spain and works by means of a *keep it all* model, without a time limit. *Trustparency*, launched in December 2012, is positioned as the first storytelling platform (focusing on the use of video in project presentations), follows a *keep it all* model with no time limit. *Worldcoo*, set up in January 2012, involves companies who sponsor a project, with the platform not charging commission. It specialises in projects that involve international cooperation, with an *all or nothing* model and a time limit of three months. *Flipover*, created in December 2012, creates a community providing support for social projects by offering time, generating collaborative ideas and working to obtain finance. The community comprises promotional users and contributory users. It follows an *all or nothing* model, with a time limit of 90 days.

There are also platforms that don't follow the crowdfunding standards, but they define themselves accordingly and are included in other polls of the sector. One such platform is *Teaming*, a charitable initiative of monthly micro-donations of one Euro that has been going since 1998. It is widely used in companies: the *Teaming* manager creates a group of friends or employees who donate one Euro every month to finance a social cause that they choose themselves. They also choose to whom the donation will be made and the timeframe deemed appropriate. In *Deportistas solidarios*, a specialist sporting charitable platform, non-profit organisations register causes on the internet and sports men and women raise funds in their immediate environment through crowdfunding campaigns based on personal sporting challenges. If the challenge and the funding are achieved, the



sports man or woman makes the contribution to the active cause on the website of their choice. In Sporthelp, each *sporter* establishes their challenge and chooses the social cause they wish to support. In *Lohagopor*, personal challenges are established and a NGO is chosen to receive the donations. *Smilemundo*, despite defining itself as a crowdfunding platform functions differently, with donations being made directly to the platform, which selects the projects and puts them to vote by the *crowd*. The winning project receives a grant that differs according to project and category. The total amount donated is not specified on the webpage. Project categories include; people, the environment and the care and protection of animals.

Colaboramás is a crowdfunding platform for the exclusive use of institutions, church congregations, parishes, diocese, grant aided schools and religious NGOs. *BBVA Suma*, an initiative of the BBVA Group, is offered to individual clients who are interested in raising funds for their causes. It is a web tool that integrates project creation, circulation, management and collection of funds in the same virtual space. *Valioo* belongs to a marketing services company that rewards NGO's chosen by each of its users. *FreeONG* is a platform that generates funds from searches of complementary publicity. *Kygloo* is dedicated to charitable and social lotteries with the goal of raising funds and publicising NGO projects. *Eniniciative* is a voting system to support and finance NGOs. *Socialbid* is an online platform defined as an *outlet solidario* (charity outlet) and which auctions experiences with celebrities. *IxIMicrocredit* supports entrepreneurs to make it out of their state of poverty. It proposes finance for entrepreneurs without funds by means of micro-credits offered by private social investors.

2 METODOLOGY

This article aims to identify what makes a crowdfunding campaign effective as an instrument of communication and marketing in both profit-making projects and for social causes. An additional goal is to create good practice guidelines for Third Sector organisations wishing to launch a campaign of this kind.

Quantitative and qualitative methods were used to poll Crowdfunding platforms in Spain, carry out a comparative study of the efficiency index of crowdfunding campaigns for profit-making projects and social causes and to propose good practice guidelines of



the keys to a successful campaign. The following section outlines the current state of the question and the hypotheses that this investigation aims to confirm.

An automatic daily information collection system was created using search engine alerts to obtain quantitative data, which remained active for two years (2012-2014). Due to the range of terms used, the key words for the search engine alerts were as follows: crowd funding, crowdfunding, crowd-funding, crowd financing, crowdfunded lending, equity crowdfunding, *financiación colectiva*, *financiación en masa*, *microfinanciación popular*, *micromecenazgo*, microlending and microfinance. In parallel, taking into account the growing weight of social networking sites (Fondevila Gascón Del Olmo Arriaga and Sierra Sánchez, 2012), we participated in a LinkedIn group called Equity Crowdfunding, with the goal of following the sector's debates and key authors.

We also created our own poll of crowdfunding platforms registered in Spain. In this way, 88 platforms registered before June 2013 were listed and analysed.

A qualitative Delphi method study was carried out, combining sources to determine whether there are keys to mounting a successful crowdfunding campaign with a higher probability of reaching its finance objective. The key points generated were analysed with the goal of producing good practice guidelines containing the most relevant points. Equally, the importance of each of the key points was considered and the good practice guidelines were validated. The list of key points was derived from of the experiences and opinions of the organisations that served as sources of information providing multiple perspectives, arising from the desire to maximise the frame of reference of the study and minimize the potential error of failing to include any point that might prove important in mounting a successful campaign.

The 15 sources of information used were the following: a renowned Spanish fundraising organisation (*Asociación Española de Fundraising* The Spanish Fundraising Association); quality web pages or blogs in the field of fundraising and crowdfunding (*TecnolONGia*, *Universo Crowdfunding* and *Crowdacy*); internationally renowned (Kickstarter and Indiegogo) and Spanish (*Verkami* and *Goteo*) crowdfunding platforms; authors of books or bloggers who have produced guides or recommendations to ensure the success of crowdfunding campaigns (Scott Steinberg and Melinda Emerson); campaign fundraisers who have achieved success or wide circulation (Jaume Albaigès, Francesc Balagué, the consultancy SocialWin, specialised in the monitoring of social media); and academic authors who attempt to measure and define the keys to the



success of a crowdfunding campaign: Ethan R. Molick, Paul Belleflamme, Thomas Lambert and Armin Schwienbacher.

The research hypotheses are as follows:

Hypothesis 1: The success rate of campaigns for profit-making projects is no higher than that of campaigns for non-profit-making projects

Hypothesis 2: There are keys to ensuring that a crowdfunding campaign is a success and has a higher probability of achieving its finance objective

3 RESULTS

3.1 Possible differences between profit-making and non-profit-making projects

In order to determine if the success rate of profit-making project campaigns is higher or not than non-profit-making project campaigns, independently of the platform type on which they are hosted, two samples of campaigns launched in 2013 were used. One of profit and non-profit-making project campaigns hosted on general platforms, and another of campaigns of non-profit-making projects hosted on charitable platforms which specialise in non-profit-making projects.

Of the campaigns on general platforms, 16 general donation and reward platforms were analysed. Four of the platforms were rejected for being inactive (*Fandyu*, *Mynbest*, *Volanda* and *Fandinguea*); three of the 16 platforms were rejected as they did not have any active projects (*Somosamalgama*, *Potlatch* and *Idearápida*); two did not include campaigns for charitable projects, being platforms specialised in loans and investments (*Nestarter* and *Comunitae*); and one of them had fewer than six active campaigns in either of the two polls, making it invalid as a platform from which to obtain a pool of representative campaigns (*Projeggt*). In summary, of the six general platforms with more than five active projects *Verkami* and *Lánzanos* were the leaders. They were followed by *Goteo*, *Crowdthinking*, *Mymajorcompany* and *Kickproject*. In the case of

Lánzanos, its system only registered successful campaigns, and therefore was of no use for the purposes of this research.

Of the 1,251 campaigns registered, 23 had their headquarters outside of Spain, 11 in Italy, three in Germany, two in Andorra and one in each of the following countries; Argentina, Belgium, Cuba, Portugal, Japan, Mexico and Holland. These 23 campaigns whose headquarters were not in Spain were eliminated leaving a sample of 1,228 campaigns. As *Verkami* makes up 44% of the active projects accumulated in the two polls, it is estimated that the sample is representative of this type of general platform.

44% of the 2,791 campaigns on general platforms are projected to be hosted by *Verkami* in 2013, allowing a comparison to be made of the success index of the profit and non-profit-making crowdfunding campaigns hosted on a general platform with a reliability of 95% ($K = 2,575$) and a margin of error of 2.1%. At first the finite number of campaigns did not provide any performance data ($p = q = 0.5$). As the United States of America Crowdfunding Industry Report 2013 estimated that 50% of the campaigns in the States end successfully, the estimated values of p and q would be maintained.

To enhance the validity of the sample, 149 campaigns hosted on the general platform *Goteo*, selected in the same period of time as the sample from *Verkami* were included. The *Goteo* data was obtained through observation of the information published on the platform website. The final size of the sample was 1,377 campaigns (1,228 *Verkami* and 149 *Goteo* campaigns).

The second sample comprises non-profit-making campaigns hosted on charitable platforms. The campaigns were selected from the 19 charitable platforms registered on our own poll, although three were not active at the time the samples were selected (*Lohagopor*, *Valioo* and *FreeONG*), four had no active campaigns (*Kyglloo*, *IxI Microcredit*, *Einiciativate* and *SocialBid*), four had no more than five active campaigns in neither the 2012 poll nor that of 2013 (*Deportistassolidarios*, *Colaborasmas* and *BBVA Suma*). Therefore, the activity of 11 of the 19 platforms was minimal or non-existent. Furthermore, the format of three of the platforms was not appropriate for the purposes of this research (*Teaming*, *Sport2help*, *Smilemundo*).

On the closing date of our poll, June 2013, five of the 19 charitable platforms (*Miaportación*, *Migranodearena*, *Hazloposible*, *Trustparency* and *Worldcoo*) were hosting 82 campaigns (Table 1). However, three of these were rejected for various reasons.

Two were discounted for not complying with one of the standards of crowdfunding; a time limit for finance of 30 to 40 days. These included *Migranodearena* and *Trustparency* who allowed their projects to be active for more than a year, which complicated monitoring of the success of the campaigns. *Miaportación* (based on a *Keep it all* model) was rejected because the average value of its campaigns (222 €) was significantly lower than the general average.

Hence the platforms *Worldcoo* and *Hazloposible*, together representing 27% of the active campaigns that followed the crowdfunding standards of the charitable platforms polled were selected. Observation and recording of data was carried out directly from their websites. The same procedure as in the first sample was followed to validate the size of this second sample, so that if the weight of these two platforms in June 2013 was maintained at 27% throughout the whole of 2013, we would have a total of 288 campaigns, which would be assumed to be normally distributed. Therefore, the second sample, composed of 78 projects, 73 projects from the platform *Hazloposible* and 5 from *Worldcoo*, enables us to compare the success rate of non-profit-making crowdfunding campaigns hosted on a charitable platform with a reliability of 95% ($K = 2.575$) and a margin of error of 9.5%.

As the objective was neither to extrapolate nor predict future behaviour but to estimate the proportion of financially successful profit-making projects and the proportion that were not, this margin of error was considered acceptable for the sample. From data obtained from the two samples, the success rate of non-profit-making project campaigns, whether hosted on charitable or general platforms and the percentage of success of profit-making project campaigns hosted on general platforms was calculated.

Tabla 1 – Charitable platform campaigns registered in 2012 and 2013.

Platform	June 2012	June 2013	Accumulated campaigns	% Total
Miaportacion	18	16	34	41%
Migranodearena	7	10	17	21%
Hazloposible	4	11	15	18%
Trustparency	0	9	9	11%
Worldcoo	0	7	7	9%
Total charitable campaigns	29	53	82	100%

Source: Authors own data.

The data from the 1,555 campaigns that correspond to the year 2013 were used to test the first hypothesis. These campaigns started on 1st January 2013 and were completed before 31st December 2013. They were hosted on the following platforms; *Verkami* (1,228 campaigns), *Goteo* (149 campaigns), *Hazloposible* (73 campaigns) and *Worldcoo* (five campaigns). There is a similar success rate for the projects hosted on the two general platforms; 70% for *Verkami* and 66% for *Goteo*; while in the case of the charitable platforms the success rate varies substantially according to the platform, 84% for *Hazloposible* and 40% for *Worldcoo*.

The significantly different percentage of success obtained by *Worldcoo* is due to the limited size of the sample (five campaigns) and the fact its average finance objective by campaign (29,496 €) is much higher than that of the other platforms (4,534 € for *Verkami*, 4,333 € for *Goteo* and 1,593 € for *Hazloposible*) (Table 2).

Tabla 2 – Finance objectives of the 2013 campaigns.

Platform	Finance objective	Actual income
Verkami	4,534 €	3,680 €
Goteo	4,333 €	4,004 €
Hazloposible	1,593 €	1,478 €
Worldcoo	29,496 €	1,558 €

Source: Authors own data.

A negative correlation is observed between the size of the finance objective and the success rate of a campaign. On analyzing the average finance objective by campaign and platform and the average actual finance obtained, it is observed that the higher the total finance objective, the lower the chance of the campaign being successful.

Across the four platforms, the finance objective of successful campaigns is lower than the average theoretical objective given for each platform (88% in the case of *Verkami*, 95% for *Goteo*, 98% for *Hazloposible*, 13% for *Worldcoo*). Therefore, successful campaigns have a finance objective that is lower than campaigns that fail to reach their objective. All unsuccessful campaigns have a finance objective that is higher than 100% of the average theoretical objective of the platform (127% for *Verkami*: finance

objective of 5,771€ for unsuccessful campaigns versus an average of 4,534 €, 110% for *Goteo* (a finance objective of 4,782€ for unsuccessful campaigns versus an average of 4,333€), *Hazloposible* (a finance objective of 1,750€ for unsuccessful campaigns versus an average of 1,593€) and 158% for *Worldcoo* (158%, a finance objective of 46,569€ for unsuccessful campaigns versus an average of 29,496€).

Equally, the number of funders of the successful campaigns hosted on the general platforms *Verkami* and *Goteo* exceed the average number of funders for the platforms, at 33% and 35% respectively. In the charitable platform *Hazloposible* the average number of funders for each project (32) is much lower than the 119 and 93 that *Verkami* and *Goteo* achieve respectively. Therefore it is deduced from data obtained from the platforms *Verkami*, *Goteo* and *Hazloposible* that despite the average success rate of campaigns hosted on charitable platforms being higher than that of those on general platforms (98% for *Hazloposible* above 88% for *Verkami* and 95% for *Goteo*), the actual total raised is much less (for *Verkami*, 4,840€ for *Goteo*, 5,604€ for *Hazloposible*, 1,722€). The finance objective of the charitable platforms is 70% less than the average for the two general platforms.

Comparative success rates for profit-making projects and social causes is given in table 3. Success rates are given according to the project categories of the campaigns hosted on the two general platforms, *Verkami* and *Goteo*. The non-profit-making projects are shown separately from the profit-making projects.

For *Verkami*, of the 1,228 campaigns, 1,169 are profit-making with a success rate of 70%. The 59 charitable or non-profit-making campaigns achieve a success rate of 78%. For *Goteo*, of the 149 campaigns, 117 are profit-making, with 63% successfully reaching their objective and 75% of the 32 charitable campaigns being successful. The success rate of the non-profit-making projects of both platforms is similar (78% and 75% respectively), but the percentage of success of the profit-making campaigns varies significantly according to the category and the platform. In the cinema and video category the rate varies between 84% for *Goteo* to 65% for *Verkami*, or in the music category 50% for *Goteo* and 75% for *Verkami*. The percentage of successful profit-making projects varies between 76% and 52% in the case of *Verkami* and between 84% and 45% for the platform *Goteo*.

Table 3 – Success rate of the campaigns on general platforms in 2013.

Platform	Nº of campaigns	Successful	Unsuccessful	Success rate	Contrast to the
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					average
Verkami profit-making	1,169	809	360	69%	99%
Verkami non-profit-making	59	46	13	78%	112%
Goteo profit-making	117	74	43	63%	96%
Goteo non-profit-making	32	24	8	75%	114%

Source: Authors own data

The first hypothesis is supported by the research, given that the percentage of successful profit-making campaigns is no higher than that of the charitable campaigns (for *Verkami*: 69% of the profit-making campaigns against 78% of the non-profit-making campaigns; for *Goteo*, 63% of the profit-making campaigns versus 75% of the non-profit-making campaigns). The findings reflect that the success rate is lower in the profit-making campaigns, and this finding is independent of the type of platform they are hosted on (general or charitable).

Although the success rate of the charitable campaigns always exceeds that of the profit-making ones across all platforms analysed, if you compare the finance objective, this does vary according to the platform. In the case of *Goteo*, the finance objective of the non-profit-making projects is below the average objective of the profit-making projects (4,163€ for the profit-making projects with respect to 3,900€ in the non-profit-making projects) and for *Verkami* it exceeds that of profit-making projects (3,908 € in profit-making projects and 5,512 € in non-profit-making projects).

Nevertheless, on the charitable platforms, the average finance objective of the projects is always lower than that of the general platforms (1,563€ for *Hazloposible*). The percentage of actual income of the charitable campaigns over the finance objective is similar in the case of the platform *Verkami* (120% of the non-profit-making campaigns with respect to 121% of the profit-making ones), but lower in the case of *Goteo* (126% of the non-profit-making campaigns with respect to 137% of the profit-making ones). In the case of *Hazloposible* it is 110%, significantly lower than the general platforms. The same result is found for the average number of funders for each project (100 with respect to 119 in the case of *Verkami*, 86 with respect to 93 for *Goteo* and 32 in the case of *Hazloposible*).

3.2 Good practice guidelines for successful campaigns

During the first phase of the study a list of 14 key points from which guidelines of good practice aimed at ensuring the highest probability of achieving a successful crowdfunding campaign, was drawn up. The list was presented to a pool of experts who were requested to rate the validity of the items on the list, select from the 14 points the 10 that they consider most relevant and weigh up the importance of each of the key points, giving them a score out of 100 points. Experts were informed that, in the case that any of the four key points were not selected but nevertheless were considered relevant, this should be indicated, as it was not considered essential that the good practice guidelines take the form of a list of 10 items if this resulted in crucial items being left off the list.

From the average score awarded to each point on the list, the good practice guidelines containing the keys to, or basis of, a successful crowdfunding campaign was drawn up. A group of experts was selected from a range of fields for the validation process, they consisted of representatives from renowned crowdfunding websites and general and charitable platforms: Jonàs Sala (co-founder of *Verkami*), Gregorio López (executive president of the platform *Lánzanos*), Juan Antonio Méndez (Micro-donations platform of the *Hazloposible* Foundation), Aureli Bou (executive president of the platform *Worldcoo*), Valentí Acconcia (Spanish Association of Crowdfunding and executive president of the crowdfunding platform *Projeggt*), Héctor Muñoz (author of the blog *Crowdacy*) and Jaume Albaigès (author of the blog *TecnolONGia*).

To check the validity of good practice guidelines for a successful campaign, 40 successful or unsuccessful campaigns that were launched and completed in 2013, were selected. The degree of compliance with each of the key points of the good practice guidelines was measured according to an established scale; two points if compliance was high, one point if compliance was medium and zero points if there was no compliance. Each campaign received a score that could vary between 0 and 20 points according to the degree of compliance with each of the 10 key points that comprise the good practice guidelines.

The 40 campaigns were selected by means of various criteria. The campaigns were selected from those analysed in 2013 and hosted on the following platforms; *Verkami*



(958 campaigns), *Goteo* (98 campaigns) and *Hazloposible* (73 campaigns); *Worldcoo* was not included as it only hosted five campaigns.

The campaigns, belonging to the four categories, which achieved the highest score from each platform were selected (drawn from the total number of campaigns from each platform in the year 2013; 78% in the case of *Verkami*, 66% for *Goteo* and 100% for *Hazloposible*). Both *Verkami* and *Goteo* have a non-profit-making project category on their platforms.

The successful and unsuccessful campaigns with the highest finance objective from each of the categories and platforms that host charitable campaigns were selected. A final sample containing 85% profit-making project campaigns and 15% charitable campaigns was obtained.

The sample of 40 campaigns contained 20 from *Verkami*, 8 from *Goteo* and 12 from *Hazloposible*. These 21 successful and 19 unsuccessful campaigns, with 18 corresponding to profit-making projects and 22 to social causes, were analysed in order to compare their compliance with the good practice guidelines.

The first five points of the good practice guidelines, considered by a pool of experts to be essential to increase the probability of a campaign being successful, with an accumulated weight of 58%, are as follows: a project that connects with a collective; a realistic finance objective; a powerful pitch; attractive rewards and wide circulation during the campaign .

From the remaining five points, point 6 stands out; achieve 20% of the objective in the first two weeks, which, in spite of being included by only five of the experts, achieves the considerable weight of 10%. So, the remaining points are; achieve 20% of the objective in the first two weeks; a good campaign video; a wide reaching launch; updating the project; a campaign lasting no more than 40 days. Of the points included in the original 14 (Table 4), one that was considered essential by one of the experts (thanking funders) was discounted due to a low weighting.

Tabla 4 – Validation of the key points for the success of a crowdfunding campaign.

Key point	Total number of points	Average by expert
A project that connects with a collective	100	14
A realistic finance objective	85	12

A powerful pitch	85	12
Attractive rewards	73	10
Wide circulation during the campaign	69	10
Achieve 20% of the objective in the first two weeks	67	10
A good campaign video	48	7
A wide reaching launch	47	7
Update the campaign	38	5
A campaign lasting no more than 40 days	35	5
thanking funders	32	5
The strength of offline circulation	12	2
The fundraiser's guarantee/deposit	7	1
Fundraising support team	2	0

Source: Authors own data

The Pearson correlation that exists between the actual success rate and the score obtained in the good practice guidelines is positive, with a value of +0.88. Points that score highly on one of the variables (percentage of success) also score highly on the other variable (valuation). These results support the second hypothesis, that there are keys to ensuring the success of a crowdfunding campaign with a higher probability of achieving its finance objective. Complying with the key points of the good practice guidelines is likely to result in a greater probability of a campaign being successful.

To this correlation coefficient can be added some points that best exemplify the co-variation that exists between the degree of success and the score on the good practice guidelines. Therefore, the campaign with the highest percentage of income over objective (233%) is the only one with a score of 20 points in the good practice guidelines. The 21 campaigns that successfully reach their objective achieve an average score of 16 points on the good practice guidelines and they all exceed 13 points. Their average success in raising income is 121%. For the seven campaigns with a score of 13

points that are nevertheless successful, this is due to the unusually high average value of the contributions by funders or the support of a local and very committed community. Finally, the unsuccessful 19 campaigns raise an average of 18% of their initial objective, with a score of 9 on the good practice guidelines.

According to the average values, for the two general platforms (*Verkami* and *Goteo*), the average score of the successful profit-making or non-profit-making campaigns is 16 or 17 points. On the charitable platform *Hazloposible* the figure is 14 points, so the campaigns hosted on charitable platforms have a greater margin for improvement.

If the average score of the unsuccessful campaigns is analysed (Table 5), there is a greater variation between the average values achieved depending on the platform: *Verkami* is at 7 for charitable campaigns and 8 for profit-making ones, *Hazloposible* at 9 and *Goteo* at 10.

Table 5 – Average valuation of the keys to success according to whether or not the campaign was successful.

Campaign success	Yes	No
A project that connects with a collective	1.9	1.5
A realistic finance objective	1.8	0.8
A powerful pitch	1.5	1.2
Attractive rewards	1.3	0.3
Wide circulation during the campaign	1.4	0.7
Achieve 20% of the objective in the first two weeks	1.0	0.7
A good campaign video	1.7	0.4
A wide reaching launch	1.9	0.2
Update the campaign	1.4	0.8
A campaign lasting no more than 40 days	1.9	2.0
Final score for each campaign	14	7

Source: Author's own data.



The findings demonstrate therefore, that the success rate of profit-making projects is no higher than that of non-profit-making social causes. This finding is independent of the type of platform on which the campaigns are hosted. The validity of the good practice guidelines is also demonstrated as it can be seen that a high percentage of successful campaigns comply with them.

4 CONCLUSION

This investigation aimed to evaluate the current efficiency of crowdfunding in raising funds for profit and non-profit-making projects. The goal of this study is to evaluate the use of crowdfunding in strategies of communication and fundraising for the Third Sector, immersed as it is in the structural change brought about by this phenomenon.

The results confirm that the percentage of successful profit-making campaigns is no higher than that of charitable campaigns (*Verkami*: 69% of the profit-making campaigns against 78% of non-profit-making campaigns; *Goteo*, 63% of the profit-making campaigns versus 75% of non-profit-making campaigns). The results demonstrate that the success rate of profit-making campaigns is lower, and this finding is independent of the type of platform on which the campaign is hosted (general or charitable).

Not all Spanish platforms include or accept non-profit-making projects; however there are platforms that specialise in non-profit-making projects that do accept profit-making projects campaigns.

The existence of some key points that help to ensure the success of a crowdfunding campaign has been confirmed. According to this investigation, the points that make up the good practice guidelines, ordered from those with greater to lesser weight are as follows; a project that connects with a collective; a realistic finance objective; a powerful pitch; attractive rewards; wide circulation during the campaign; achieving 20% of the objective in the first two weeks; a good campaign video; a wide reaching launch; updating the project; and a campaign lasting no more than 40 days. After applying these good practice guidelines to 40 campaigns, it can be seen that if a campaign complies fully with all the key points (20 points) its success is guaranteed. The average score of successful campaigns is 16.5 points, with campaigns that failed to



reach their objective scoring an average of 8.5. The correlation between the success rate and the score obtained on the good practice guidelines is +0.88, indicating that a high percentage of the successful profit and non-profit-making projects, comply with the keys to success outlined in the good practice guidelines. High success rates correspond with high scores on the good practice guidelines.



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