

FUNDRAISING IN ACTION: HOW TO ENSURE THE SUCCESS OF A CROWDFUNDING CAMPAIGN?

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Abstract

Coimbra Business School (ISCAC) wants to offer to five collaborators of nonprofit organizations the skills in fundraising practices, by paying their tuition fees for them to enroll the *Fundraising in Action* course, a pioneer experience in Portugal. For this purpose, the ISCAC launched a crowdfunding project, consistent with the recommendations established by the literature, and also based on the results of a study carried out on a sample of 484 crowdfunding projects. The way to promote the project and ensure the adherence of funders to the idea, somewhat utopian, raises a number of issues that need to be answered. In addition, the results of the data analyses do not provide clear clues as the way to act in order to maximize the probability of success to generate useful knowledge to the promoters. In short, and because the outcome is unknown, if the *Fundraising in Action* is not going to be financed, other actions need to be implemented.

Resumen

Coimbra Business School (ISCAC) quiere ofrecer a cinco colaboradores de organizaciones sin fines de lucro las habilidades en prácticas de recaudación de fondos, mediante el pago de sus tasas de matrícula, para que se inscriban en el curso *Fundraising en Acción*, una experiencia pionera en Portugal. Para ello, el ISCAC puso en marcha un proyecto de crowdfunding, en consonancia con las recomendaciones establecidas por la literatura, y basado también en los resultados de un estudio realizado sobre una muestra de 484 proyectos de crowdfunding. La forma de promover el proyecto y asegurar la adhesión de los financiadores a la idea, un tanto utópica, plantea una serie de cuestiones que deben ser respondidas. Además, los resultados del análisis de datos no brindan pistas claras sobre la forma de actuar para maximizar la probabilidad de éxito para generar conocimiento útil a los promotores. En definitiva, y dado que se desconoce el resultado, si no se va a financiar *Fundraising en Acción*, es necesario implementar otras acciones.

1. Introduction

The Coimbra Business School (ISCAC) offers undergraduate courses, postgraduate courses as well as masters' degrees. It is an institution of higher education in which several branches of Business Sciences meet together, from Management to Marketing, from Accounting to Auditing, and from Secretariat to Information Systems. It is characterized by being a school with a critical, open, and modern education that wants to be part of this world providing the comfort of its physical spaces, the informality of interpersonal relationships, and the connection of different communities (ISCAC, 2017).

The *Fundraising in Action* is a postgraduate course in the area of Management and Administration, which aims to equip nonprofit organizations with strategic planning and fundraising practices, in terms of money, assets or volunteering, in order to support the financial sustainability of organizations and, consequently, the fulfillment of their mission (ISCAC, 2017). This postgraduate course is addressed to all; the actual and the potential collaborators of nonprofit organizations who wish to increase their level of knowledge and skills in the management of nonprofit organizations (e.g., Foundation, University, Theater, and Museum (ISCAC, 2017).

This innovative course was launched two years ago and its communication plan was essentially based in the public relations of the ISCAC. However, the postgraduation has not been able to guarantee a minimum number of students to cover the running costs, and course was postponed one school year. Last year, the communication plan was improved in order to accommodate three debates on fundraising. These debates were very cherished by the target segments of potential students with the affluence of approximately 60 people in each debate. The participants expressed the extreme need for training in fundraising and so the importance of the *Fundraising in Action*. Although, the problem continue to persist and only two of the five modules offered in the full course, ran experimentally.

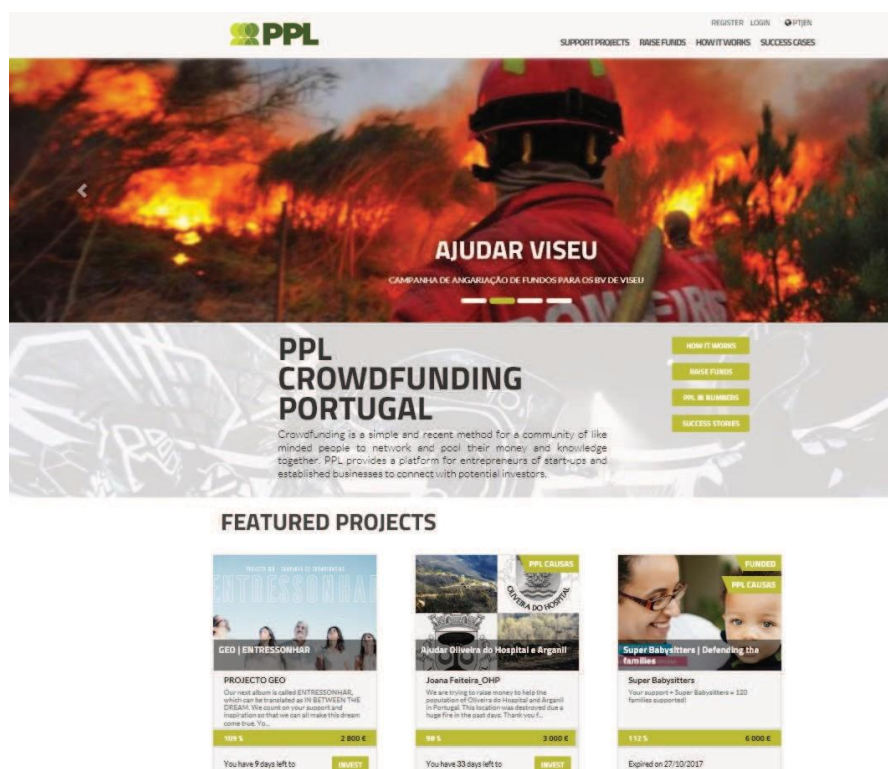
This poor adherence has intrigued the ISCAC's faculty that identified the main cause for the failure of *Fundraising in Action*. In fact, in spite of the great interest shown by the nonprofit organizations, and by other potential candidates for this course, even for a very low tuition fee of only one thousand euros, the nonprofit organizations did not feel morally comfortable to fund, partially or completely, the enrollment of their collaborators in this course with the achieved donations that could give an image of non-ethical behavior.

Faced with the problem of disarticulation between supply and demand for the offer of this course, Coimbra Business School intensified communication campaigns in order to attract the attention to a larger target and "sell their product". However, this intensive communication plan did not reveal much success as well. Consequently, the directors of the *Fundraising in Action* course decided to contact the main philanthropists/sponsors, asking them directly if they were willing to sponsor this course or the school, and by getting that support, the tuition could be much lower. Nevertheless, again, this initiative has also proven fruitless. Now, the directors are discussing the proposal of raising funds, using a crowdfunding platform, to cover the tuition fees of those who are interested in postgraduate course but cannot afford it.

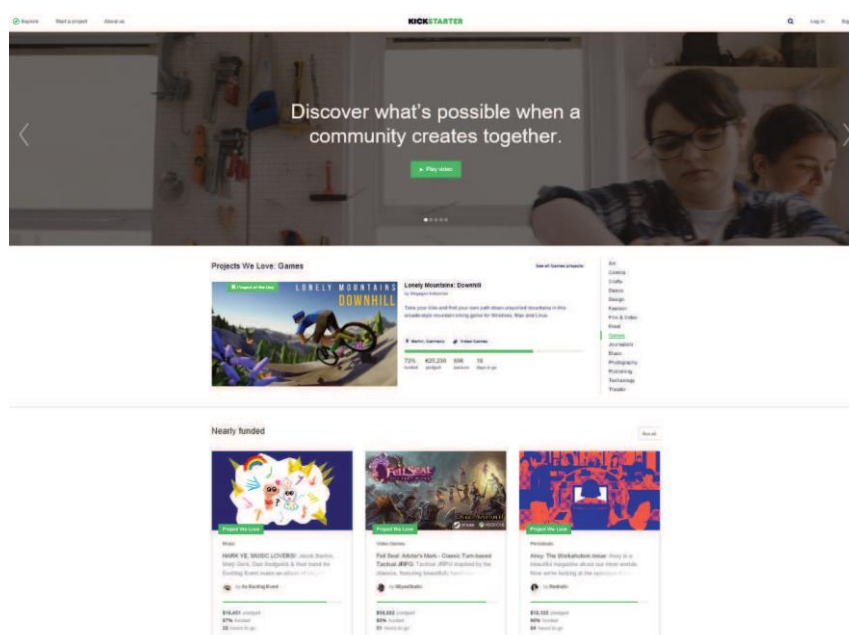
2. Case development

After deciding for the alternative crowdfunding to get the funds needed to subsidize the students' tuition fees, the directors had to make some important decisions, namely: i) what crowdfunding platform to select from those that are available nationally and internationally; ii) what would be the project's title and its main goal?; iii) what project characteristics should be shared on the platform, as well as its minimum required amount and deadline?; and iv) how to promote the project in order to rapidly spread the idea among family, friends, colleagues and unknown people that may believe in the idea?.

The chosen platform was the platform PPL (People with Portugal) Crowdfunding Portugal (Figure 1) among others, such as Novo Banco Crowdfunding (NB, 2017), and Kickstarter (Figure 2). The PPL appeals to entrepreneurs stating that "the goal of PPL is to democratize the access of small and medium sized projects to funds, because it is believed that in the entrepreneurship and creativity of Portuguese citizens" by applying the 'all or nothing' mechanism as it "is more transparent and brings additional security to backers "... who support the project ". The 'all or nothing' mechanism means that "if the amount raised is greater than, or equal to, the initial goal, the project gets funded. Otherwise, all contributions will be sent back to the supporters" (PPL, 2017).

Figure 1. Initial screen from the official website of PPL Crowdfunding Portugal®

Source: PPL (2017) [<http://www.ppl.com.pt/en>], as available at 24/10/2017.

Figure 2. Initial screen from the official website of Kickstarter® crowdfunding platform

Source: Kickstarter (2017) [<https://www.kickstarter.com/>], as available at 29/10/2017.

As far as the project is concerned, the directors designated the project as *Fundraising in Action*, and assigned Madalena Abreu (Figure 3) as the project's leader. Madalena Abreu is a quite known marketing professor, post-graduate coordinator, and specialist in fundraising and nonprofit organizations management. Additionally, the project goal was described as follows: "We want to offer to five collaborators of nonprofit organizations, whose funding is scarce, the skills in fundraising practices by paying their tuition fees for them to enroll *Fundraising in Action* project".

Planning to start the postgraduation on January of the next year if the minimum number of students is guaranteed, and knowing that a crowdfunding project could be more suitable for small or medium size projects with a short duration and that PPL states that "longer deadlines do not mean higher funding probabilities, it was decided to define:

- i. a time period of 90 days as the runtime of the project at the platform, the maximum allowed by PPL, besides ");
- ii. a minimum amount of 5,615 euros, the amount that allows to pay the five tuition fees and 5% (plus VAT) of the raised amount that PPL charges if the projects succeeds (raised amount is at least equal to the required amount).

To promote the project, knowing that the PPL states that "it is very important to include a video to help convince your potential investors" (PPL, 2017), the option was to only include images and associate a Facebook page with the project (Fundraising Lab, 2017). For the initial image, it was decided to use an image that joins an infographic with the name of the project to an image of a group of students enjoying the class (Figure 4). One additional image was added to identify the project leader (Figure 5). Moreover, as the link to the Facebook page enhances, more images and posts with comments and other reactions (e.g., likes and shares) about the project are available to the potential funders (Figure 6).

To support these decisions and searching to maximize the funding amount for this pioneer experience in Portugal, Madalena Abreu, collected some data on project's characteristics and afterwards examined it in terms of the two possible scenarios: success or failure. In addition, she consulted some scientific literature about crowdfunding, such as Brown et al. (2017), Lukkarinen et al. (2016), Mollick (2014), Strähle and Lang (2018), and Trindade et al. (2017). By the end, she and her team believe that the options taken in the description and characterization of the project were the most adequate.

Figure 3. Madalena Abreu



Source: ISCAC (2017)

Figure 4. Initial image of the *Fundraising in Action* project

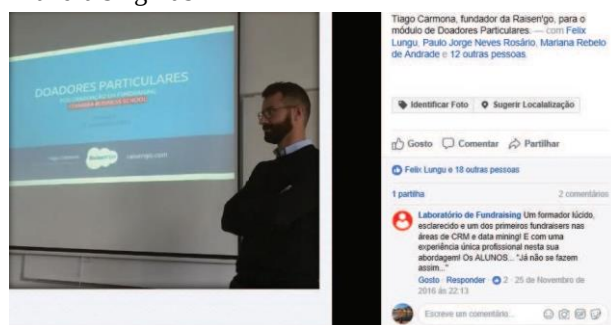


Source: Fundraising Lab (2017) [<http://www.facebook.com/LaboratorioFundraising>], as available at 24/10/2017

Figure 5. Additional image of the *Fundraising in Action* project



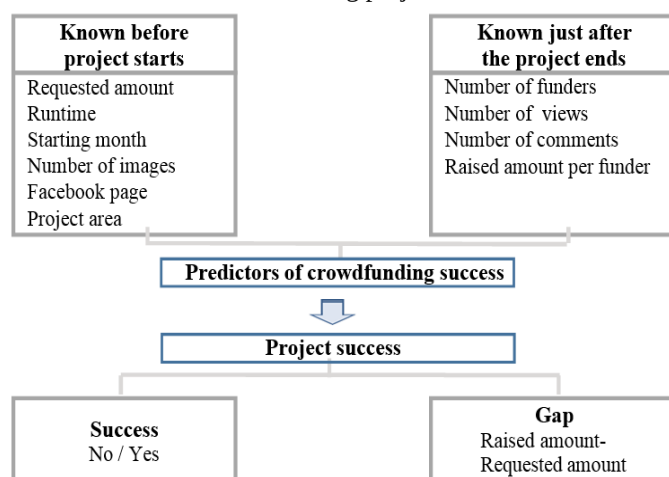
Source: Fundraising Lab (2017) [<http://www.facebook.com/LaboratorioFundraising>], as available at 24/10/2017

Figure 6. Facebook post in Fundraising Lab

Source: Fundraising Lab (2017) [<http://www.facebook.com/LaboratorioFundraising>], as available at 24/10/2017

Crowdfunding data analysis

The collected data allow two types of analyses. Project success can be predicted from the founders' point of view, based on the known data at the project launch, but also from the funder's point of view, based on the observed variables that exemplify the behavior of potential and effective funders that are associated with project success (Figure 7). Since Coimbra Business School is only interested in obtaining the requested amount, the option is to measure the project's success in a qualitative way, i.e., success and the project is implemented or failure if the project fails.

Figure 7. Predictors and success measures of crowdfunding projects.

Source: Author's own elaboration based on data collection

Following the statistical techniques suggested by Laureano (2013), Madalena Abreu produced the following analyses aiming to characterize the relationship between each predictor (covariate), only known after the project ended, and the success.

There is a positive and weak linear relationship between each of the covariates and the dependent variable, the gap between the raised amount and the requested amount. However, the relationship between the number of comments and the gap is not significant (Table 1). The associations between the gap and the number of views or the raised amount per funder are very strong; it is moderate with the number of funders, and irrelevant with the number of comments (Table 2). The estimates associated with the covariates are significant in explaining the success now measured as a dichotomous variable (Table 3).

Table 1. Pearson correlations between gap and its predictors

Number of funders	Number of comments	Number of views	Raised amount per funder
0.238***	0.021	0.221***	0.167***

Notes: *** - Correlation is significant at the 0.001 level; $n = 484$.

Table 2. Eta association measure between gap and the predictors.

Measure	Number of funders	Number of comments	Number of views	Raised amount per funder
<i>Eta</i>	0.807	0.314	0.981	0.985
<i>Eta</i> ²	0.651	0.099	0.963	0.970

Note: $n = 484$ **Table 3.** Descriptive measures of the predictors by project success.

Success	Number of funders		Number of comments		Number of views		Raised amount per funder	
	M	SD	M	SD	M	SD	M	SD
No	13.2	18.5	.9	5.3	1927.7	1702.0	19.1	21.2
Yes	74.5	104.4	1.8	4.0	5516.8	5632.8	51.1	51.9
Total	46.5	83.6	1.4	4.7	3877.9	4661.9	36.4	43.8
<i>t</i> test for the mean	$t_{(281.4)} = -9.35$; $p < 0.001$		$t_{(400.1)} = -2.203$; $p = 0.028$		$t_{(317.6)} = -9.81$; $p < 0.001$		$t_{(359.5)} = 9.14$; $p < 0.001$	

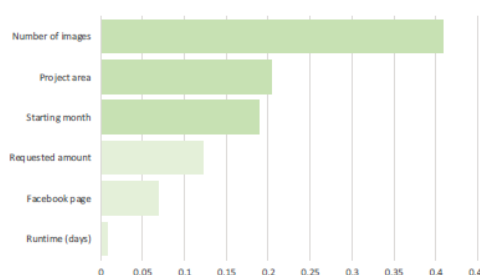
Notes: $n = 484$; M = mean value; SD = standard deviation.

To build a predictive model of the project success (yes or no), Madalena Abreu choose a classification tree model with CART algorithm and a holdout validation method (training sample 85% and testing sample 15%), as decision trees usually produce good models, and are easy to understand by marketers (Larose and Larose, 2015).

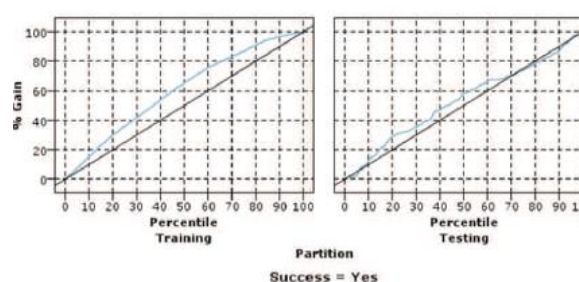
The model predicts well (68.54%), considering the training sample (Table 4); the most important predictor of the project success is the number of images, followed by the project area and starting month (Figure 8). Moreover, the gains chart shows the performance difference between the training and testing samples (Figure 9); Figure 10 presents the model rule set that allows classifying a project in success or failure.

Table 4. Model performance metrics

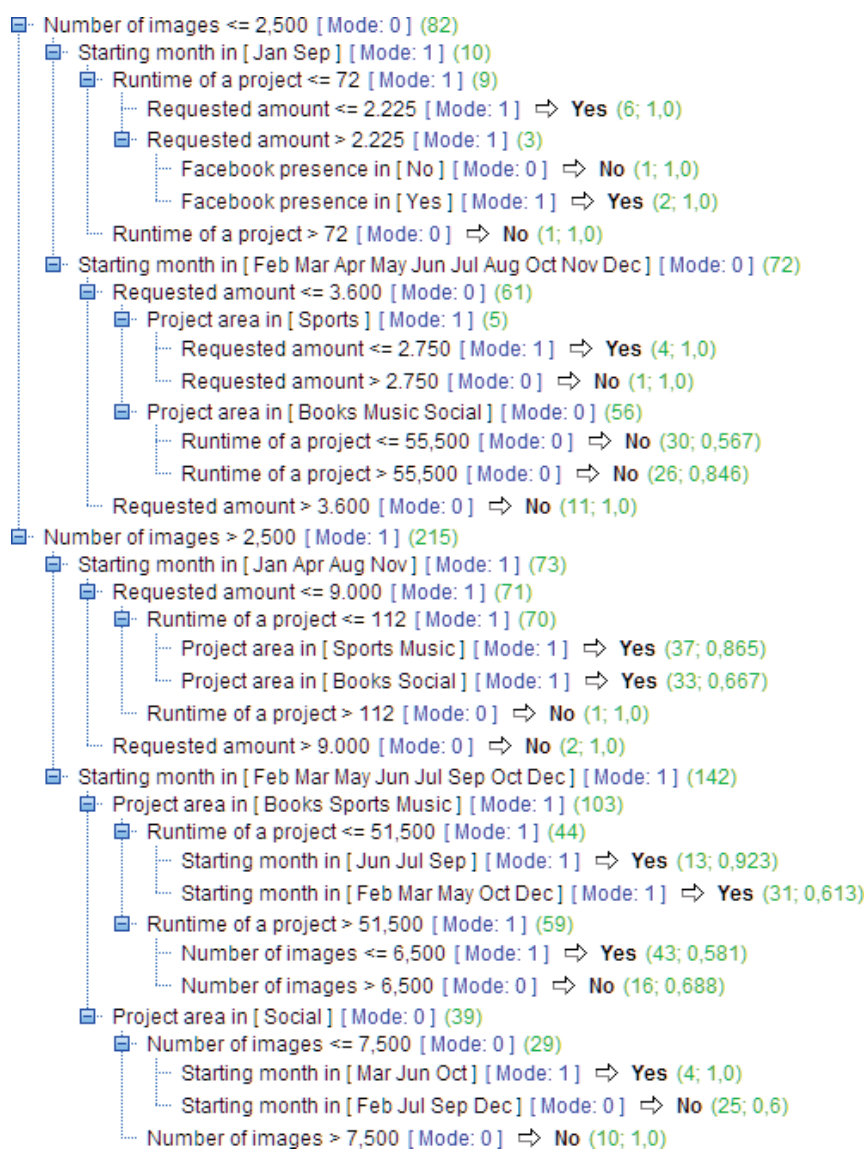
Measure	Training	Testing
Accuracy	68.54%	56.76%
Sensibility	76.11%	54.05%
Specificity	59.24%	59.46%
AUC	0.732	0.573

Figure 8. Project success predictors' importance

Source: Author's own elaboration

Figure 9. Gains chart for project success

Source: Author's own elaboration

Figure 10. Decision tree model to predict project success (rule set)

Finally, to a better understand of the model, a sensibility analysis is performed by analyzing the relationship between the most important predictors and the model success prediction (Figure 11 to 13). The model predicts failure in 69.6% of the social projects, while in the other three areas the model predicts success in the majority of the projects. Regarding the starting month, December and October are the months where failure occurs in the majority of the projects. January is by far the best month to start the project as the model predicts success in all the projects launched in this month. Finally, the model clearly tends to predict success when the number of images are greater than two images.

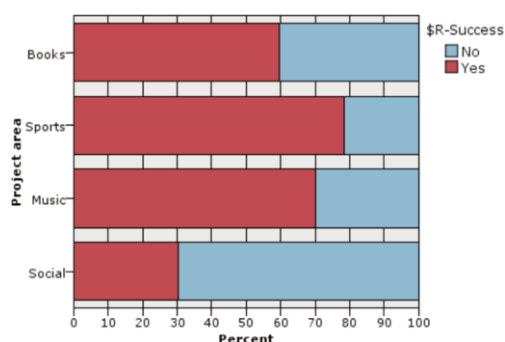
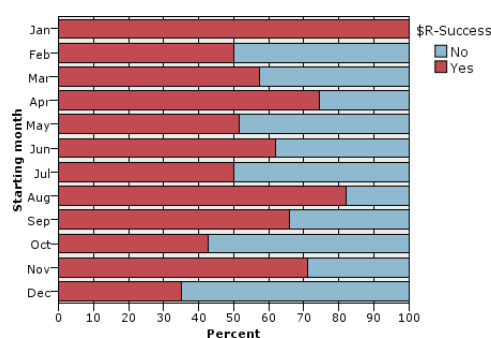
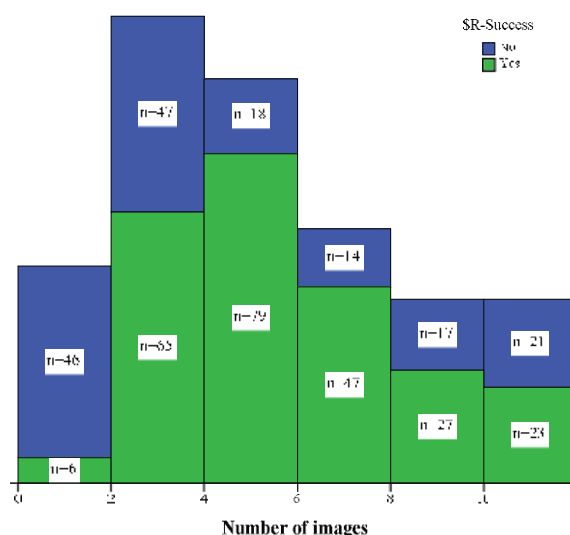
Figure 11. Predicted success by project area**Figure 12.** Predicted success by starting month

Figure 13. Predicted success by number of images

3. Questions for discussion

The crowdfunding project of Coimbra Business School is emerging under uncertainty. Thus, answering the following questions can help the initiative's promoters to detect potential failures and, in time, correct them such a way that the team in charge can improve the chances of the success of *Fundraising in Action*.

Question 1. What are the possible reasons why the PPL platform was chosen and not Kickstarter platform? Identify, based on the information available on the official website, the strengths and weaknesses of each platforms' offer.

Question 2. Do you agree with the promotional tools considered by the project's team, namely, the non-production of a video, the inclusion of the images on the PPL platform and the combination of the project with the Facebook page of the Fundraising Lab? Is it possible to produce a timeless promotional video of the *Fundraising in Action*? If yes, propose a video design.

Question 3. Do you agree with the choices taken, regarding the characteristics of the project, namely designation, description, required amount and runtime period of the project at the platform? Justify based on the information provided by the PPL platform, and also on the results of the performed statistical analysis.

Question 4. In the data analysis, Madalena Abreu used the data available on 484 crowdfunding projects and various statistical techniques:

- Based on the literature, what are other possible predictors explaining the project success could have been considered in the analysis?
- Do you agree with the use of decision trees for classification problems to build the predictive model of the project success? Justify and identify alternative techniques.
- Do you agree with the validation method of the model used? Justify, giving advantages and disadvantages in relation to other methods of validation.
- Would it be advantageous to select the gap defined as the difference between the raised amount of a project and its requested amount as a target (dependent variable) and, thus, to apply regression techniques? Justify, presenting similarities and differences between the two types of problem: classification and regression. Also, refer some advantages and disadvantages of each type.

Question 5. Given the estimated predictive model, it is important to clarify some points:

- How do you justify that the model considers the project area as the second most important predictor of project success and that the social area is the one that the model estimates to have a lower success rate?
- Considering the data related to the project *Fundraising in Action* (starting month = October; required

amount = 5,615 euros; project area = social; runtime of the project = 90 days; and number of images = 5), what is the predicted result: success or failure? Justify by identifying the rule and presenting the confidence of the prediction and the support of that rule.

- c) How can the quality of the model be improved, knowing that only 56.76% of the projects are well classified in the testing sample?
- d) Do you agree with the choice of not considering the predictors only known after the project ends? Does the result be different if all the predictors were also considered?

Question 6. Taking into account the Portuguese reality, where collaborators from nonprofit organizations do not attend professional training, how do you take the importance of fundraising to the general public?

Question 7. For this concrete crowdfunding project, is it important to have the support of the nonprofit organizations? Is it also important to put potential graduate students in the role of publicizing the campaign?

Question 8. In your opinion, what is the most outcome of the *Fundraising in Action* project?

The answers to the questions are, by the nature of the questions, generally subjective. Thus, the formulation of the points of view of each one must take into account the existing knowledge on the subject, whether already in the scientific literature (white literature) or in the gray literature, or the one obtained on the basis of the analysis of using statistical techniques (including techniques known as data mining). In addition, the answers to the questions should result from the knowledge of several domains/fields, such as marketing, nonprofit, education, data analysis, information systems and information technology, that it will be very useful to discuss the case in groups of students with different backgrounds.

4. Conclusions

Fundraising is a very actual topic and requires knowledge, not only practical, but also scientific, about the main concepts, techniques and trends. It is also an area where many organizations, after the recent financial crisis, have begun to use fundraising and see it as the only way to ensure their financial sustainability.

For many universities, fundraising from alumni and companies is already a common practice. However, the funds raised are used on behalf of the university to cover operating and investment costs. *Fundraising in Action* project as the emphasis to fund school as a way to fund the education of some of its students in fundraising course. Thereby, the project ensures that scientific knowledge is transferred to the civil society. It seems, therefore, a new mission, a case where the university uses a crowdfunding platform to get funds for a social project.

Therefore, it is important to understand if the chosen path was the right one. One certainty seems to bet on crowdfunding! But, is this way the most adequate one to communicate the project? Are the selected images and text appealing enough to ensure funders? What is the reward for the funders if the project succeeds? Should the team consider giving some tangible rewards? These and many other issues remain in the air.

There are many crowdfunding projects that appear to have the characteristics to deliver success and are not financed; others, that apparently are not appealing, achieved great success. This issue remains unanswered, but, data collected on crowdfunding projects about promoters (founders) and funders can help to better understand this reality.

Will *Fundraising in Action* be a good example of utopian character?

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