



**LOCAL CROWDFUNDING FOR A LOW-EMISSION SOCIETY: INVESTIGATING
THE CONCEPT OF LOCAL CLIMATE CROWDFUNDING FOR NORWAY**

Final report

WP2.1 Lessons learned from existing crowdfunding platforms

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Executive summary

The current report provides an overview of the activities and results of WP 2.1 “Lessons learned from existing crowdfunding platforms”.

Primary objective of WP 2.1 is to review existing climate crowdfunding approaches, so that we can understand how these might be applied in the Norwegian context. In this way WP 2.1 contributes to the COOLCROWD project’s goal, which is to explore the potential of crowdfunding for climate-friendly agricultural projects in Norway as a novel socio-technical practice that promotes a rapid transition to a low-emission society.

First, we provide an overview of the existing research on crowdfunding. The literature review focuses on the following topics: motivation for crowdfunding, barriers for crowdfunding, success factors for crowdfunding campaigns, comparison of crowdfunding with traditional sources of financing, and sustainable crowdfunding. Second, we assess four international crowdfunding online platforms representing different crowdfunding models, i.e. reward, donation, lending, and equity. Platform Nr.1 is Abundance Investment, the first peer-to-peer energy investment provider in the UK to finance local energy projects. Platform Nr. 2 is Ecocrowd, a German crowdfunding organization that makes use of the reward model and promotes sustainable projects, including agriculture and renewable energy projects in Germany and abroad. Platform Nr. 3 is JustGiving which is a social platform for giving to charity and personal causes including green causes (donation model). Platform Nr. 4 is Oneplanetcrowd, a sustainable crowdfunding platform operating in Germany and the Netherlands which allows different crowdfunding models (lending, donation, reward, investment). We analyse the platforms’ business model and design and provide an overview of the projects featured on the platform. Third, we study selected green projects on the mainstream crowdfunding platforms Kickstarter and IndieGoGo. Fourth, we interview the representatives of green projects with successful crowdfunding campaigns to understand their motivation to use crowdfunding, identify crowdfunding challenges and discuss crowdfunding process. Finally, we investigate offline crowdfunding possibilities by looking at the Dutch “Farmer searches neighbour” initiative in which citizens invest in organic food from a farmer with any profit then invested in solar panels for the farm.

WP 2.1 applies a triangulation of methods in form of gathering primary and secondary data. The following activities were conducted: (1) In-depth interviews with representatives of crowdfunding platforms and green projects; (2) Collection and analysis of secondary data including company websites, press reports and other published sources. As a result, WP2.1 identifies the building blocks of existing business models of green crowdfunding and determine the economic success factors and barriers for a locally crowdfunded climate project that will feed into WPs 2.3 to 5.

Based on our analysis, we can make the following conclusions:

- Our findings regarding the motivation of founders are consistent with the existing literature on crowdfunding (see Table 2). When we talk to the representatives of the

green crowdfunded projects they admit that raising money is one of their main motivations and discuss the difficulties of getting funding from the traditional sources. However, it is not the only motivation for seeking crowdfunding. Many project owners also want to increase awareness around their projects and get direct contact with their supporters. They especially highlight the importance of community engagement due to the sustainable nature of their projects.

- As for the funders' motivation, we find that many successful crowdfunded green projects offer quite small and symbolic rewards, especially for the lowest contribution level (a thank you letter or a tote bag). At the same time, project owners discuss the importance of making their rewards attractive. Moreover, when we look on the international green crowdfunding platforms, lending- and equity -based types of projects have the highest success rates. Therefore, consistent with the previous literature (see Table 3) we can conclude that rewards are an important motivational factor. Still, the funders are motivated by much more than that. As highlighted in the literature, we also find that funders are driven by altruism and want to support a good cause. It is especially true for sustainable type of projects. Personal relationship with farmers and belonging to community are also of importance.
- One of the main barriers for crowdfunding is the workload. Most of project owners argue that crowdfunding takes a lot of effort, much more than they expected to begin with. Preparing and sending the rewards takes especially much time. Opposite to the previous literature (see Chapter 2.2), most of the project owners do not discuss problems related to disclosure of product information and opportunity cost of raising money through crowdfunding. That can be explained by the nature of the selected projects. For farmers, disclosure of product information is not that critical as it is difficult to copy their products. Moreover, owners of sustainable projects experience difficulties in raising money from alternative sources due to their focus on sustainability instead of profit and therefore the opportunity costs are low.
- In the reward-based crowdfunding, finding appropriate rewards might be a challenge. Many project owners highlight the need to find a balance, so that the rewards are attractive but still manageable and realistic. The perishable nature of farmers' products can also be an issue. Still, most of farmers try to find the ways to use their own produce as a reward.
- When we look on the success factors for crowdfunding campaigns, similar to the existing research (see Chapter 2.3.) we find that funders' behavior follows the pattern of rational herding. That means that it is extremely important for crowdfunding projects to gain initial momentum and thus the project owners need to have a wide social network that can act as a catalyst of the crowdfunding process. Most of the project owners we interviewed argue that support of their social network is crucial to their success and they have to invest a lot of effort to building the network (e.g. through participation in various events). Prosocial nature of the projects and sustainability focus of the platform may also contribute to the projects' success.
- While comparing green projects with successful crowdfunding campaigns and green projects with unsuccessful campaigns on Kickstarter and Indiegogo, we do not find

large differences in terms of types of green initiatives and project size. The rewards provided to potential funders in unsuccessful projects are also similar to the ones provided by the successful projects, namely many small symbolic rewards, own produce and experiential kind of rewards (e.g. dinner, rafting trip, joining the harvest). However, we find that most of the unsuccessful project managed to collect a very marginal portion of their funding goal, 15 % or less. That confirms our idea that funders' behavior follows the pattern of rational herding and therefore highlights again the importance of social network.

- In general, building relationships with existing and potential funders is extremely important. Project owners use actively social media to engage with their potential funders and also build the offline relationships (e.g. by making a call, attending offline events). They also mention that the relationships with funders do not end at the end of the crowdfunding campaign and many funders still feel engaged and involved in the project.
- As for crowdfunding models, green projects successfully use all the four models (reward, lending, donation and equity). Moreover, there are the hybrid models of crowdfunding, e.g. reward+loan or convertible loan+donation+reward combinations. However, the projects with lending- and equity-based crowdfunding have the highest success rates. Still, we also find many successful projects in the other two crowdfunding types. We also find offline crowdfunding initiatives, e.g. "Farmer searches neighbour".
- Green crowdfunding platforms differ in their approach to the project selection process. Lending-based and equity-based platforms have much stricter selection process and are more involved in the whole crowdfunding process. On the other hand, the reward- and donation-based platforms have much lower requirements to project's viability and focus mostly on the sustainable nature of the projects. They also provide a more limited range of support services to the project owners.
- Crowdfunding platforms can be seen as ecosystems working together with other actors to build an ecosystem-wide value proposition. To identify the elements of platforms' business models, we therefore map their ecosystems by using two innovative mapping tools, Business Model Connect and Ecosystem Pie Model. As a result, we identify various actors involved in the platforms' ecosystems, the interactions between these actors and the platforms, and how these actors contribute to the platforms' ecosystem value proposition. Our findings demonstrate that due to their differences in crowdfunding models, the business models of the four crowdfunding platforms vary in their complexity, from Ecocrowd's simple model of reward-based crowdfunding to Oneplanetcrowd's complex model involving various types of crowdfunding.

The current findings will be used in WP 2.3 as the background for developing alternative business models for a green crowdfunding initiative in Norway.