



CROWDFUNDING AS FINANCING MODEL FOR ICH

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1. Financing models for ICH

1.1. Introducing Alternative finance to ICH

In the last 5 years crowdfunding has established itself as a serious new form of alternative finance, i.e. financial phenomena that have emerged outside of the traditional finance system. This has been highlighted recently (March 2018) by the European Commission's Fintech action plan¹, presented a proposal for a regulation on crowdfunding service providers. The new rules may have positive impact on financing ICH, as they will improve Europe-wide access to this innovative form of finance for small investors and businesses in need of funding, particularly start-ups. Investors on crowdfunding platforms will benefit from a better protection regime and a higher level of guarantees, based on clear rules on information disclosures for project owners and crowdfunding platforms.

According to the Framework for European Crowdfunding (De Buysere, Gajda, Kleverlaan & Marom, 2012) one of the most promising tools to help enable economic growth, job creation, and innovation is crowdfunding, as it is a highly democratic tool and means of funding new ideas, small business and job creation across Europe.

What is crowdfunding?

Crowdfunding is a special form of crowdsourcing. The idea of crowdfunding is to collect many small amounts from a community in order to support and realise a certain project, and thus to provide a new dimension of venture capital financing. Similar to crowdsourcing all stakeholders interested in a project idea can support the realisation of the project with their funds. The recognition for the funders rises from a "thank you" up to a price or other rewards.

In a nutshell crowdfunding is when "co-thinking" micro investors provide small amounts for big ideas. Combined with the intelligent use of "crowd-technologies", crowdfunding shapes new ways of entrepreneurship. The difference to traditional ways of financing such as credits or individual investors is mainly that a larger group of investors raises smaller amounts to realise a project. By spreading the investments across different projects the risk of an individual investor is lower and investors can build up a portfolio with different crowdfunding allocations.

Why is it interesting for ICH?

As previous projects and current research reveal, one of the biggest challenge for ICH is access to finance. Many intangible cultural heritage initiatives are depending on public funding that is insufficient. Further, the necessity of alternative ways of financing is obvious due to the hard restrictions of many banks. However, most cultural operators and people that manage cultural projects lack financial resources and expertise. Therefore, it is an aim of the ARTISTIC project to suggest tools and strategies to overcome these hurdles.

Crowdfunding may be a suitable solution, but probably not always the right tool for financing ICH.

- But crowdfunding can be an interesting means for selected ICH projects and initiatives fulfilling the success criteria required for crowdfunding.
- Crowdfunding can be a promising solution for national or regional ICH supporting activities, to improve cooperation between cultural operators, citizens and financial operators, as well as to combine public and private investments.

In order to understand how and where crowdfunding or other ways of alternative finance can support ICH stakeholders it is necessary to:

¹ https://ec.europa.eu/info/business-economy-euro/growth-and-investment/financing-investment/crowdfunding_en



- Know the difference between the different types of crowdfunding
- To know the state of the art with regards to regulation and legal framework of the respective country
- To know the requirements a potential crowdfunding project has to fulfill in order to run a successful crowdfunding campaign

Finally, it is important to point out that crowdfunding remains rather domain independent. Basically, every project from every domain can be suitable for a crowdfunding campaign. The issue is not the domain, the challenge is the success. Approximately 50% of all crowdfunding campaigns fail, because project owners are not aware of the feasibility criteria, and the preparation time they need for the campaign to being successful, or simply do not address the right community.

Thus, for the ARTISTIC project and for ICH it is important, not to re-invent crowdfunding for ICH, but to understand the mechanism driving success and mapping them to ICH.

1.1.1. The different crowdfunding models

A rough understanding of the different crowdfunding models is crucial for identifying success mechanisms and strategies for ICH projects. Besides the funding amount, the funding goals and the community - the country might also influence choosing a certain crowdfunding model. As not every model can be applied in every country. A short overview of the development of crowdfunding in the countries involved in the ARTISTIC project is provided in section 3.2. A more comprehensive legal background for the ARTISTIC project partner countries will be analysed in T2.

- **DONATION-BASED CROWDFUNDING:** For socially motivated or not-for-profit projects. Individuals donate small amounts while receiving no financial or other return. The donation is a philanthropic act for charity causes, and the funders are not expecting monetary compensation.

ICH related example: A folkloric dance group collects 1000 EUR for affording the trip to a competition.

- **EQUITY-BASED CROWDFUNDING:** This model is for ambitious business plans. It works by the sale of a stake in a business to a number of individuals (investors) in return for capital. This type of crowdfunding allows contributors to become investors or co-owners in terms of:
 - o Holding a percentage of ownership.
 - o Demanding a return on their investment (ROI).

ICH related example: A winery collects 650.000 EUR to extend the production site create a nice showroom. Investors get interest rates and other benefits. ²

- **REWARD-BASED CROWDFUNDING:** This is the most widely used model. The funders receive a non-financial reward like products or services for their contribution. However, in the case of tangible products the reward-based model has turned out to be an excellent pre-sales tool since the product can be offered at a lower price compared to the real retail price. In reward-based crowdfunding, the perceived value of rewards should be higher than the economic one.

² <https://1000x1000.at/duernberg>

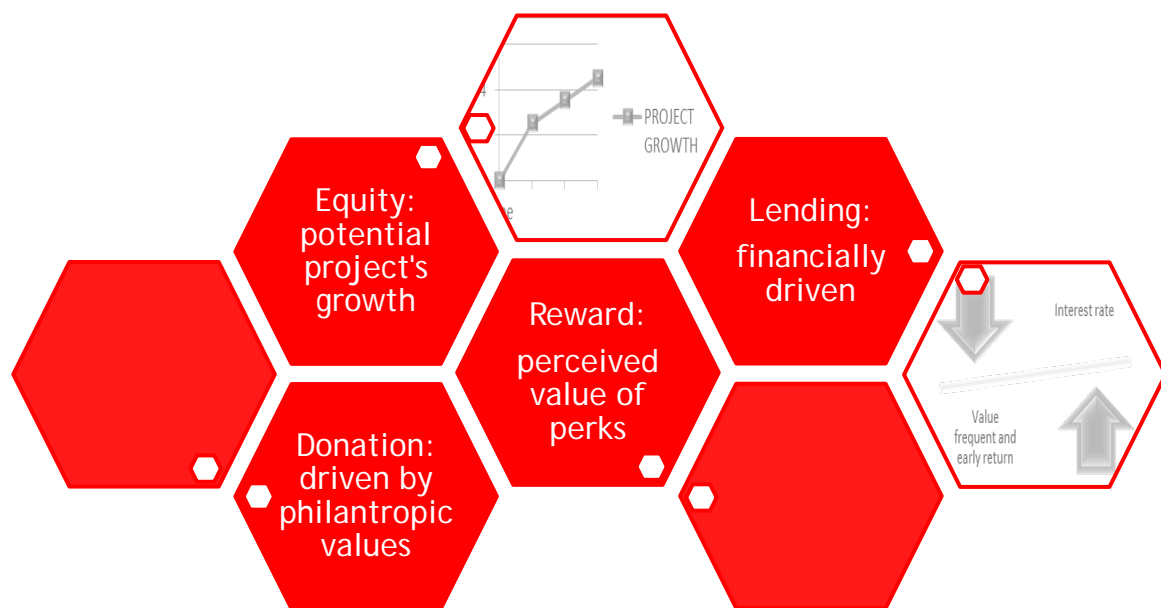


ICH related example: A local and traditional festival needs financial support. For 50 EUR investors get a T-Shirt, for 100 EUR they get a free entrance ticket and for 500 EUR their name will be displayed.

Pre-sales example: A craftsman sells his products in advance. With the collected money he can afford his production (material, time etc.).

- **LENDING-BASED CROWDFUNDING:** This model is similar to every typical lending scenario: individuals lend money to a company (peer-to-business lending) or to an individual (peer-to-peer lending) with the expectation that the money will be repaid with interest. The peer-to-business model is a relevant one for positive cash-flow companies that can credibly assure lenders of being able to pay back the loan. Like for the banking system, the interest rate of the loan is determined by the risk of the investment. Moreover, in this model the ownership is not diluted but the investor's contribution provides financial leverage.

ICH related example: A folkloric costume producer need to modernize its production site. Although he could ask his bank for a loan, he chooses crowdfunding as this allows running a marketing campaign at the same time. He borrows 350.000 EUR from the crowd and pays it back with interest rates after a certain time.



1.2. Analysing crowdfunding in the partners countries

Basically donation and reward-based crowdfunding are possible in Europe without major legal constraints. However, for collecting larger amounts of money (i.e. more than 20.000-100.000) EUR equity or lending based models are more interesting, as with higher investments most investors aim at a financial return. Thus, a very short overview of the state-of the art of crowdfunding for the project partners countries will be provided here. This country analysis shows, that a challenge of the ARTISTIC project will not only be adapting crowdfunding to ICH but also to create awareness on crowdfunding in countries who do not have a large crowdfunding market yet. In a nutshell, Austria, Germany, Poland and Italy can be considered as more advanced with regards to crowdfunding, having also a clear regulation. However, countries such as



Hungary, Slovakia, Slovenia do not have a large crowdfunding market id any and a far away from a legal regulation.

When selecting projects for crowdfunding with in the ARTISTIC regions, it is important to carefully select the crowdfunding model, the platform and roughly check the current legislative status. In some countries, especially the ones where crowdfunding is less developed, it might be difficult or even not possible to run campaigns with financial return. However, donation or reward-based (also pre-sales) crowdfunding will be possible.

This section provides a short overview on crowdfunding facts with regards to the countries involved in the ARTISTIC project. A more detailed overview, especially considering legal aspects and other countries can be found on the website of the European Crowdfunding Network³.

Further, in the Annex can be found a list with active crowdfunding platforms in the respective countries.

1.2.1. Austria

The Austrian crowdfunding market is slowly changing from a small market niche to a serious alternative in the financial system. According to the 2nd European Alternative Finance Industry Report from 2016 (Zhang et al. 2016), 12m EUR have been raised in Austria in 2015. Well-known crowdfunding platforms include conda.at, 1000x1000.at and greenrocket.com. Amongst all the crowdfunding platforms, Kickstarter and Indiegogo rate amongst the most well-known in the world. The change is due to the introduction of a new legal framework, which came into effect in Austria on the 1st of September 2015. Since then, the number of crowdfunding projects and crowd-based business models have increased rapidly.

1.2.2. Czech Republic

Although the crowdfunding market in the Czech Republic is quite small compared to other European countries, it is growing rapidly. By the end of 2015, 5 platforms were online and policy makers started including crowdfunding related issues into current legislation. However, a regulation has not been established so far.

1.2.3. Hungary

The Hungarian society is still trying to familiarise itself with the new funding method. In the country, the per capital volume of alternative finance compared to the GDP per capita is lower than average (Zhang, B. et al, 2016). There are few active platforms, and they mainly use the donation or rewards model. Like in many other European countries, crowdfunding has started to spread in Hungary as well. However, it is somewhat delayed in comparison to international and other European countries. General mistrust, relatively low population and limited savings seem to hinder the enhancement of crowdfunding activity. Though strategic level activity lags behind practices and there are no crowdfunding platforms dedicated to sustainability only, there are examples of successful sustainability projects.⁴

1.2.4. Poland

According to the 2nd European Alternative Finance Industry Report (Zhang, B. et al, 2016), Poland raised 10m EUR in 2015. Poland is performing pretty well in the crowdfunding market given its relative economic strength. It is ranked amongst the top 15 countries in Europe for the volume of alternative finance.

³ <http://eurocrowd.org/crowdfunding-by-country/>

⁴ CASI Project POLICY BRIEF for Hungary: www.casi2020.eu/app/web1/files/download/issue-4-hun.pdf



However, capital market regulations and administrative barriers connected mostly with public money gathering, are limiting the development of crowdfunding in Poland, a nation with almost 40 million people.

1.2.5. Slovakia

The Slovakian crowdfunding industry represents a newcomer in Europe. So far, projects from Slovakia have widely used international crowdfunding platforms.

By mid 2015, some local crowdfunding platforms started their business and tried to survive in the difficult policy and legislative environment.

1.2.6. Slovenia

Until 2015, no crowdfunding platforms were active in Slovenia. Thus, crowdfunding is a completely new industry for this small country and 2016 will be a trend indicator. According to the 2nd European Alternative Finance Industry Report (Zhang, B. et al, 2016), the crowdfunding volume in 2015 for Slovenia was 0,8m EUR.

1.2.7. Germany

According to the 2nd European Alternative Finance Industry Report (Zhang et al 2016) that Cambridge University published in September 2016, Germany ranks second amongst European countries in terms of total volume. If this acceleration continues, it may be possible that Germany could become the largest alternative finance market in Europe, excluding the UK, in the coming years.

1.2.8. Italy

Crowdfunding established itself rather quickly in Italy, where Produzioni dal Basso, the first donation and rewards-based platform was launched in 2005. The growth of the crowdfunding market has been slow, but nevertheless relevant. Crowd-investment (lending and equity) started in the last years. Lending is heavily regulated and still intermediated by the platforms (lenders may not choose borrowers).

According to the 2nd European Alternative Finance Industry Report (Zhang et al. 2016), 30 Italian platforms were surveyed and thus Italy ranks seventh in terms of total volume in 2015 (EUR 31.61m).

1.3. Crowdfunding for ICH - Whats the difference?

Basically, crowdfunding for ICH isn't different than any other crowdfunding. But it is important to point out that crowdfunding provides on the one hand side many opportunities for ICH. On the other hand side it is necessary to map the ICH characteristics to crowdfunding success factors in order to establish strategies bringing ICH crowdfunding campaigns to success.

With regards to opportunities for ICH, crowdfunding could help to overcome the generation conflict. One challenge for successful and sustainable preservation of tangible and intangible cultural heritage consist in the active involvement of the young generation.

Why using crowdfunding for ICH?

In a nutshell, there are two reasons why crowdfunding is considered for crowdfunding ICH:

- Lack of finance, thus, crowdfunding is used as a "financing tool"
- Marketing and community building, thus crowdfunding is used to increase community involvement or reach a wider audience.



1.3.1. State of the art - Crowdfunding ICH

Elaborating an objective state of the art on the impact of crowdfunding ICH is unfortunately not possible due to non-transparent platform data, non-harmonised keywords of platforms or simple restricted access to crowdfunding projects. For an initial analysis the scope will be broadened from ICH to the cultural and creative sector (CSS), which covers according to the European Commission's a number of subsectors, such as architecture, archives and libraries, artistic crafts, cultural heritage, design, fashion, film, high, end, music, performing and virtual arts, publishing, radio, television and video-games.

According to a European Commission study from 2017, "a number of individual platforms that focus on CCS publish some data about their activities in Cultural and Creative Sectors, either on their website or in reports. According to Voordekunst.nl - the largest CCS specific donation and reward-based crowdfunding platform in the Netherlands, it has raised a total of €9 million from more than 90,000 donors since 2011, providing funding for 1,625 art projects. Kickstarter.com, the largest reward-based crowdfunding platform in the USA, has raised around \$2.9 Billion for 121,016 campaigns worldwide since 2009 (status as at January 2017). Kickstarter has a strong focus on cultural and creative projects (...) and is frequently used by European creators and backers"

The following table provides an overview of all the projects funded on Kickstarter, currently the world's largest donation and reward based crowdfunding platform. Of course, this table is not representative, but it provides a good feeling that ICH projects might be very suitable for crowdfunding. Special emphasis with regards to crowdfunding ICH potential lies on the categories:

- music (27.202 projects funded successfully, while most projects raised between USD 1000-9999)
- art (11.942 projects funded successfully, while most projects raised between USD 1000-9999)
- theatre (6.267 projects funded successfully while most projects raised between USD 1000-9999)
- crafts (2.175 projects funded successfully while 751 projects raised less than USD 1000 and 1122 projects raised between USD 1000-9999)



Category	Successfully Funded Projects	Less than \$1,000 Raised	\$1,000 to \$9,999 Raised	\$10,000 to \$19,999 Raised	\$20,000 to \$99,999 Raised	\$100 K to \$999,999 Raised	\$1 M Raised
All	141,023	17,503	78,367	20,339	19,932	4,602	280
Music	27,202	2,703	19,318	3,602	1,501	76	2
Film & Video	24,508	2,821	13,809	3,880	3,617	375	6
Games	13,188	1,005	5,333	2,396	3,293	1,066	95
Publishing	12,672	1,858	7,872	1,688	1,166	88	0
Art	11,942	2,938	7,234	1,061	649	55	5
Design	10,959	737	3,693	1,915	3,340	1,210	64
Technology	6,697	405	1,827	932	2,137	1,300	96
Theater	6,580	939	4,803	567	256	15	0
Food	6,267	649	2,619	1,473	1,442	77	7
Comics	6,117	823	3,809	732	664	88	1
Fashion	5,896	817	2,622	1,072	1,175	206	4
Photography	3,384	630	1,878	492	359	25	0
Dance	2,382	221	1,862	224	74	1	0
Crafts	2,175	751	1,122	173	119	10	0
Journalism	1,054	206	566	132	140	10	0

Figure 1: Overview of Kickstarter statistics (March 2018)

1.3.2. ICH crowdfunding success rate

The table above highlights successful campaigns and projects. However, approximately 50% of all crowdfunding campaigns are not successful. With regards to ICH related categories it shows that while 27.202 music projects have been funded successfully, 27.812 campaigns in this sector failed.

On Kickstarter 11.942 art related projects were successful and 17.096 weren't. For the category of crafts the failure rate is even higher. While 2.175 projects raised successfully the envisioned amount, 6.896 projects were unsuccessful.

Category	Unsuccessfully Funded Projects	0% Funded	1% to 20% Funded	21% to 40% Funded	41% to 60% Funded	61% to 80% Funded	81% to 99% Funded
All	250,842	54,622	156,041	24,304	9,780	3,762	2,331
Film & Video	41,437	10,074	25,704	3,785	1,261	430	183
Publishing	28,320	7,230	17,331	2,395	924	316	124
Music	27,812	7,481	15,924	2,926	1,045	318	118
Technology	26,870	5,572	17,859	1,859	820	363	397
Games	23,371	2,681	15,488	2,752	1,348	665	437
Design	20,024	1,943	13,001	2,776	1,262	568	472
Food	18,914	4,263	12,344	1,434	586	171	116
Fashion	17,725	4,607	10,437	1,646	639	248	148
Art	17,096	4,139	10,036	1,810	713	250	148
Photography	7,612	2,008	4,512	716	243	105	28
Crafts	6,896	1,721	4,245	548	250	87	45
Comics	5,062	478	3,229	773	379	143	60
Theater	4,415	897	2,711	527	187	60	33
Journalism	3,829	1,247	2,292	201	54	18	17
Dance	1,459	281	928	156	69	20	5



Although these figures are not representative they show, that although ICH related sectors are popular and suitable for crowdfunding the failure rate is rather high.

Reasons for this are manifold and can only be analysed by case - however some ICH related characteristics for risks are obvious:

- Create a convincing and emotional story
- Choosing the right platform with the right community
- Online vs. offline community: Especially with regards to the generation conflict one problem ICH projects might have is that the targeted community for achieving funds is not online



In 2016, in Eglisau - a small village in Switzerland - choir leader Helene Haegi went online with her Heimitische Klängeexternal link (local sounds) folk music project. Her aim was to get two male voice choirs to yodel a mass for charity. Despite a video, a great network and creative rewards for investors, Haegi secured only CHF1,700 of her target of CHF10,000. "Our target amount was too high," reflects Haegi. A further problem was that her target audience are not heavy internet users. "Our club members have great networks, but not over the internet." Although some of the choir members have Facebook accounts and posted the campaign online several times, they simply weren't reaching anyone. "Another factor is that many older people are sceptical about making payments online," she says. Clearly, crowdfunding has yet to bridge the generation gap.

Figure 2: The importance of online communities. Example and image taken from European Commission 2017, p.106

1.3.3. Best practices, Use Cases and examples

1.3.3.1. Example of platforms focusing on cultural heritage

So far there is no platform dedicated to ICH projects. So far, ICH projects can be found on large donation and reward-based platforms such as Kickstarter⁵, Indiegogo⁶ or startnext⁷ (to mention the largest ones) as well as on many different local platforms.

However, there are some niche platforms focusing e.g. on cultural heritage such as Loveltaly⁸.

Loveltaly is a non-profit organization dedicated to the preservation and appreciation of Italy's unique cultural heritage and the world's greatest living museum. The association is the first of its kind to support conservation projects throughout Italy.

Further, Dartagnans⁹ is a "French-based crowdfunding platform exclusively dedicated to the spread and preservation of the heritage, art and culture in France. Since its launch in 2014, around € 400,000 have been raised by 56 campaigns. Apart from matching heritage sites with donors, Dartagnans is also a communication agency, offering campaigners communication support for their project launched on the platform." (European Commission, 2017)

⁵ www.kickstarter.com

⁶ www.indiegogo.com

⁷ www.startnext.com

⁸ <https://loveitaly.org/>

⁹ <https://dartagnans.fr/>



1.3.3.2. Example for arts and culture match-funding of a bank in Austria

In May 2016, Bank Austria announced a partnership with the reward crowdfunding platform wemakeit.at, to support arts and culture initiatives. It budgeted €100,000 to be allocated through the platform to projects participating into the so called "Bank Austria Art Award". The projects willing to take part to it had to be in the field of architecture, exhibition, theatre, comics, design, film, photography, games, art, literature, music, dance. They had to prepare a crowdfunding campaign on wemakeit - which reviewed the projects to verify they filled the requirements - and launch it. Bank Austria corresponded 33% of the funds targeted to each campaign who succeeded in raising the first third of the total amount from minimum 20 backers.

Furthermore, Bank Austria offered additional €10,000 as a prize to the project which, among the successfully crowdfunded ones, distinguished itself for social commitment as judged by a jury of professionals.

1.3.3.3. Example for a large investment based crowdfunding campaign

Traditional folk costumes since 1741 - crowdfunds 350.000 EUR and increases customer base in the DACH region

WIMMER is a family owned company sewing traditional Austrian folk costumes. The sewery is led in the 9th generation by Monika and Stefan Wimmer and has 17 employees realising custom-made high quality folk costumes.



WIMMER SCHNEIDERT – TRADITION MIT ZUKUNFT





1.4. Crowdfunding for ICH - Getting started

1.4.1. ICH stakeholders

When talking about crowdfunding, the following stakeholders are involved:

- The project owner, i.e. the ICH project or organisation to be crowdfunded
- The project backers, i.e. the community of investors consisting of family and friends, the organisations network, the platform community and other interest investors.
- The crowdfunding platform
- Further, especially relevant for ICH might be public authorities or regions aiming at supporting ICH or other financial institutions e.g. banks

1.4.2. The motivation of investors

Quero, et al. (2013, 2014) distinguish between the following 5 types of motivations for individuals to participate in crowdfunding:

- experiential motive: have the feeling that you are part of a project and participate in the process of the creation of a work;
- show commitment to a type of work or a production method through your involvement;
- have a particular community's desire for a type of non-commercial creative product;
- consumer motive: advance purchase of the product; and
- economic return.

The following table summarises the results of a study with regards to motivation both of crowdfunding project owners and backers (Gerber, Hui, & Kuo, 2012):

Crowdfunding project owners	Crowdfunding project backers
- Recieve financial support	- Support Creators and Causes
- Establish relationships	- Engage and Contribute to a Trusting and Creative Community
- Get validation	- Seek rewards
- Replicate success of others	
- Communicating via social media about own work	

A main characteristic of ICH projects is, that they are mostly related to a specific region and have a very emotional component (e.g. local unique traditions). Thus, the main motivation for project backers crowdfunding ICH is to support local projects aiming at the preservation of certain unique traditions, habits etc.



1.4.3. Costs for campaigns

There is a wide variety of underlying business models of platforms, e.g. preparation fees, success-based fees and transaction costs. On average, the overall costs for a crowdfunding campaign correspond to approximately 4-10% of the raised funding. Many platforms offer also additional packages for promotion (varying from 250-2500 EUR) or campaign preparation (varying from 250-2500 EUR) - depending on the experience of the ICH organisation, it is highly recommended to take advantage of the packages to ensure campaign success.

Besides the fees, the time required for preparing and moderating a crowdfunding campaign is quite high.



Considering the amount of time and money to be spent, crowdfunding is quite expensive. Some SMEs state, that they would have get easier and cheaper a loan from their bank.

Thus, the decision to acquire funds via crowdfunding is a strategic one, by carefully weighting costs and benefits.

1.5. Success factors for crowdfunding ICH

Crowdfunding can provide several added values for ICH organisations. However, such a campaign has to be planned very carefully. Due to the rapid rise of crowdfunding, there are only few guidelines in literature examining the factors for failing or succeeding, e.g. Mollik (2014) analyses the underlying dynamics of success and failure among crowdfunded ventures based on data from Kickstarter, the largest crowdfunding site in the US. Nevertheless, when looking for a successful integrated approach to financing ICH, some best practices based on practical experiences from the crowdfunding platform 1000x1000.at platforms as well as from discussions with other similar platforms can be summarised as follows:

1. Elaborate a communication and marketing plan.

In order to reach a wide audience and to convince them to support a project it is important to define which target group should be addressed when and with which instruments.

2. Establish a personal communication to potential investors.

Primarily, investors fund the person behind an idea. Therefore it is important to allow personal communication, e.g. by providing a phone number or visiting events for getting in touch with potential investors or allowing face to face communication.

3. Investors are more than investors.



For sustainable innovation it is important to take advantage of the crowd side effects. Very good personal communication allows involving investors in the project. Thus, investors become multipliers, co-thinkers and partners at the same time.

4. The team behind the idea.

Usually, organisations consist of a team of people complementing their competences and knowledge. For successful crowd campaigns it is important to present the whole team, as heterogeneous teams promise success.

5. Reporting the project progress.

Social media allows continuous reporting of the project progress. By involving the crowd in the discussion more people get involved in the project idea. The crowd wants to see persons moving things forward. This is supported by authentic communication including also reports about setbacks.

6. Clear presentation of how the funds will be used.

A clear presentation of how the collected funds will be used is essential. It is recommended also to indicate potential further investments, in case more funds than planned are raised.

7. Enough time for the crowd campaign, but not too much.

To ensure a good preparation for telling the story and activating the crowd during the idea finding or the funding process it is important to have enough time.

8. Crowd campaigns are a time consuming task.

Promoting a crowd campaign requires a very engaged team who spends much of their time in moderating the crowdfunding process and being visible in the discussions.

9. Involving cooperation partners.

It is very helpful to involve further cooperation partners who support the promotion of the project idea or are willing to further elaborate the project idea.

10. Start the campaign by activating family, friends and fans.

Achieving many funds in the beginning seems to be a success indicator and motivates people who usually prefer waiting. This can be achieved by making sure that friends and families are aware of the project and support it at an early stage. Further, many crowd members tend to wait for a certain dynamic until they start their investment.

The following table summarises success factors for crowdfunding.

In order to make use of crowdfunding for ICH related projects, it is important that all relevant stakeholders are aware of these aspects.

Project	Crowd	Communication	Person
Clear Project Description	Family & Friends	Communication Plan	Time & Engagement
Project Team	Regionality	Emotion & Passion	Personal Involvement
Story & Innovation	Selection of Platform	Social Media	Open Mindset
Graphics & Video	Funding Goal & Rewards	Online & Offline PR	Cooperation Partner
Updates & Progress	Transparency	Personal Form	Professionalism



2. Marketing Tools / Strategies

2.1. Involving the Crowd

When elaborating a strategy on financing ICH projects and on the ICH sustainability in different ways, involving the crowd might be an interesting marketing tool and strategy.

When choosing crowdfunding as a financing option and thus involving a large number of small investors, this crowd involvement has several side effects highlighted in the following figure.

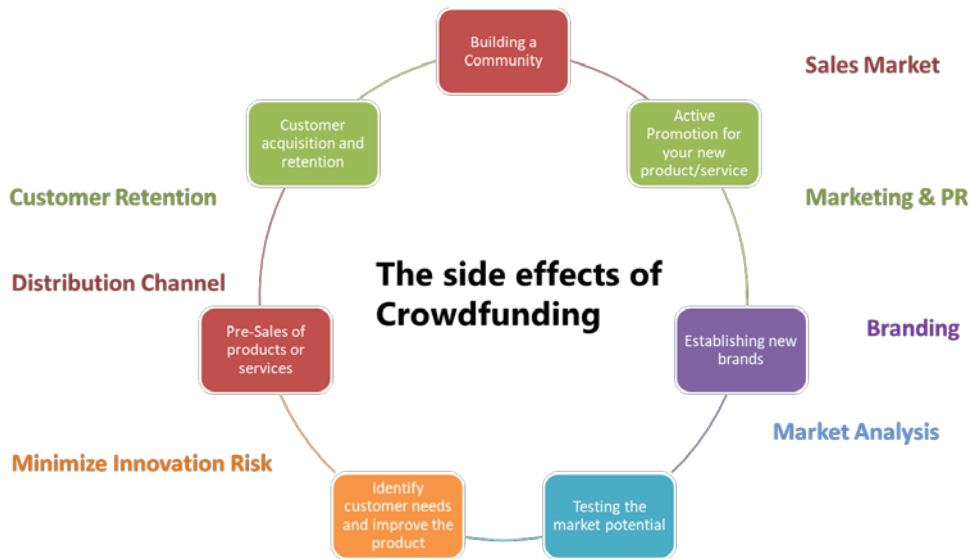


Figure 3: The side effects of crowdfunding for ICH

2.2. Crowdsourcing

Through crowdsourcing ideas can be developed creatively. Engaging with a creative community provides valuable insights, creates connections, and thus provides value for the innovation success. Crowdsourcing also allows filtering the project ideas and thus minimizing the innovation risk both for the project owners and the crowdfunding platforms. An ICH organization or any other individual can describe a challenge and start an idea contest for enriching ideas with the crowd. In a next step, these ideas are selected and evaluated by the community. The community can range from a selected group of experts to a global community with heterogeneous individuals, including creatives, potential stakeholders, or experts on selected topics. The aim of crowdsourcing is to take advantage of a network consisting of co-thinkers, creatives, entrepreneurs and organisations who collaboratively submit ideas, evaluate the ideas and shape them to a final concept for a new product, service or start-up. Thus, ICH organisations can collect feedback and reduce the innovation risk at a very early stage and at the same time leverage the chance for a successful crowdfunding or marketing campaign.



The screenshot shows the Neurovation.net website interface. At the top, there's a search bar and a user profile for Conny Weber with 128 points. The main navigation includes 'Wettbewerbe', 'Ideen', 'Arena', and 'Community'. The current challenge is 'Vulkanland goes Crowdsourcing', which is in its 'Community Bewertungsphase' (Community Evaluation Phase), starting in 1 week and 2 days. The challenge is titled 'Feedback- und Einreichphase' (Feedback and Submission Phase) and is due on 01.04.2018 at 12:00. There are 29 participating ideas. The challenge description asks users to create a brand for the 'Steirisches Vulkanland' region. The prize is a 'DANKE-Geschenkpaket mit Steirisches Vulkanland'. Moderators listed include Jperchthaler, Juergen Neubauer, and Daniela Adler.

Figure 4: Screenshot of a crowdsourcing challenge pilot with the Vulkanland region in styria, Austria

2.3. Combination of alternative financing with traditional financing tools

Especially for banks it becomes more and more popular to combine their loans with crowdfunding. As leveraged funds through crowdfunding can be seen as equity, banks recognize interesting opportunities to fund projects that lack e.g. own equity or securities. An example is the Austrian platform <https://www.we4tourism.at/>. This platform is dedicated to the tourism sector and supported by the Austrian Hotel and Tourism Bank (ÖHT) to finance projects. The most interesting aspect here is, that the ÖHT commits to provide a loan for a tourism organisation once the required equity is raised through crowdfunding.

The tourism sector has many characteristics that are similar to the ICH sector, this is why this approach might be interesting for regional cooperation with banks.

2.4. Match Funding

Matching funds means combining public funds with private funds. There are several examples of matching funds where a certain amount of the private funding, i.e. the crowd is matched with public fundings.

The graphic features the 'meta! KULTURA' logo on the left, which consists of a red hexagon with 'me' and a black hexagon with 'ta!' inside, with 'KULTURA' written below. To the right, the text describes the Goteo platform's matchfunding model: 'Goteo is a crowdfunding platform for civic crowdfunding in cultural, social, educational and technological projects. It regularly collaborates with public authorities in the ambit of matchfunding. In 2017 it partnered with the cultural department of the Provincial Council of Gipuzkoa (Spain). **MetaKultura!** dedicated €70,000 in 2016 for cultural projects located in that region. This matchfunding scheme works according to the 1:1 model: for every euro that the user gives to the project on Goteo, the Provincial Council of Gipuzkoa invests another euro to the project.'

Figure 5: The Goteo platform. Source: European Commission, 2017



Since 2013, the Aventis Foundation and crowdfunding platform Startnext have collaborated to promote the projects of cultural professionals from the Rhine-Main region through crowdfunding campaigns; this partnership is named **kulturMut**. Annually, an open tender process takes place where the crowd decides which project will receive the €250,000 cash prize from the investment fund Aventis Foundation. This scheme is a type of co-financing with a fixed amount provided annually. For now, the partnership between Startnext and Aventis Foundation has supported 105 projects and brought €1,420,565 of financing. Since 2016, the Kulturfonds Frankfurt RheinMain has become part of this matchfunding scheme.

Kulturfonds Frankfurt RheinMain has become part of this matchfunding scheme.

For more information visit: <https://www.startnext.com/pages/kulturmut#contest>

Figure 6: The match-funding action KulturMut. Source. European Commission, 2017

2.5. Creating regional ICH portals

One important aspect with regards to communication, marketing and eventually financing is to reach a crucial mass and to have a strong community. For individual players, this might be difficult. Further, in the ICH sector there might be communities who are not strong internet users.

Creating regional/national ICH portals allows individual to take advantage of a community. Further, all ICH related crowdfunding campaigns can be bundled there.

An example is the French initiative “Tousnosprojets”¹⁰. BPI France collects here more than 1000 projects of 38 different crowdfunding platforms.

3. Guidelines for setting up a strategies / using the tools

Creating awareness and Best Practice communication

Especially in the CEE countries where crowdfunding hasn't established yet it is important to start raising awareness on this innovative financing method soon and to communicate best practices to all involved stakeholders. By learning from others and by demonstrating successful campaigns and use cases stakeholder get prepared for training and coaching activities

Training and coaching

In order to make an assessment whether an ICH is crowd-fundable and the team is ready to engage an intensive online cooperation it needs training and coaching. A train the trainer concept should be set up, in order to ensure having qualified coaches in the ARTISTIC project ICH regions.

Ensure risk mitigation and due diligence

Crowdfunding ICH projects (in case of lending or equity based models) can mean loosing all the invested funds. In order to ensure trust among the stakeholders and to support building up sustainable ICH funding, all stakeholders, especially investors should be aware of the related risks. Further, it should be ensured only promoting ICH projects for funding, after a careful due diligence.

Establish relationships to potential crowdfunding platforms

In most of the cases it is suitable to select the crowdfunding platform after defining the projects scope and boundaries. Especially for ICH there might be some interesting local crowdfunding platforms or, depending on the country even ones focused on culture

¹⁰ <https://tousnosprojets.bpifrance.fr>



4. Literature

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Annex

List of crowdfunding platforms

The following list includes an overview of available crowdfunding platforms per ARTISTIC partner country.

Name	Country	URL
1000x1000	AT	www.1000x1000.at
Bawag	AT	www.crowdfunding.at
Conda	AT	www.conda.at
dasErtragReich	AT	http://www.dasertragreich.at/
Finnest	AT	www.finnest.at
Global Rockstar	AT	www.globalrockstar.com
Home Rocket	AT	www.homerocket.com
Rainbow Campaign	AT	www.rainbowcampaign.com
Respekt.net	AT	www.respekt.net
Everfund	CZ	http://www.everfund.cz/
Modrý život	CZ	www.modryzivot.cz
Music Cluster	CZ	http://www.musiccluster.cz/
Nakopni.Me	CZ	www.nakopni.me
Startovač	CZ	www.startovac.cz
Vision Partners	CZ	https://www.visionpartners.cz
Adjukössze	HU	https://www.adjukossze.hu
Creative Selector	HU	www.creativeselector.hu
Niok	HU	http://www.niok.hu/niok-eng
Beesfund	PL	www.beesfund.com
Crowdangels	PL	www.crowdangels.pl
Crowdfunders.pl	PL	http://crowdfunders.pl/
Crowdfunding.pl	PL	http://crowdfunding.pl/
HanzaTrade	PL	www.hanzatrade.com
Megatotal	PL	www.megatotal.pl
Polak Potrafi	PL	www.polakpotrafi.pl
Siepomaga.pl	PL	http://www.siepomaga.pl/
Wspieram	PL	www.wspieram.to
Wspieramkulture	PL	www.wspieramkulture.pl
wspolnicy.pl	PL	http://www.wspolnicy.pl/
Zrzutka.pl	PL	https://zrzutka.pl/



Crowdberry	SK	https://www.crowdberry.sk/
Ďakujeme.Sk	SK	www.dakujeme.sme.sk
Dobra Krajina	SK	www.dobrakrajina.sk
Hithit	SK	www.hithit.com
Ludia Ludom	SK	www.ludialudom.sk
Zlty melon	SK	https://www.zltymelon.sk/
52 Masterworks	DE	www.52masterworks.com
Aescuvest	DE	https://www.aescuvest.de/
Auxmoney	DE	https://www.auxmoney.com
Bankless 24	DE	https://www.bankless24.de
BERGFÜRST AG	DE	https://de.bergfuerst.com/
Better Now	DE	www.betternow.org
betterplace.org	DE	www.betterplace.org
Bettervest	DE	www.bettervest.de
Bitbond	DE	https://www.bitbond.com
Bürgerzins	DE	www.buergerzins.de
CEPPIInvest	DE	http://www.cepp-invest.de/
CINEDIME	DE	www.cinedime.de
Companisto	DE	www.companisto.de
Crosslend	DE	www.crosslend.com
CrowdTrader	DE	www.crowdtrader.de
Crowd9	DE	www.crowd9.de
Deutsche Mikroinvest	DE	www.deutsche-mikroinvest.de
Ecoligo	DE	http://www.ecoligo.com/
Econeers	DE	www.econeers.de
Exporo	DE	www.exporo.de
Fairplaid	DE	https://www.fairplaid.org/
Funder nation	DE	https://www.fundernation.eu/
Fundsters	DE	www.fundsters.de
Geldwerk1	DE	www.geldwerk1.de
Giromatch	DE	https://www.giromatch.com/
Green Crowding	DE	www.greencrowding.com
greenXmoney	DE	www.greenxmoney.com
Green Rocket	DE	https://www.greenrocket.com
Greenvesting	DE	www.greenvesting.com
Investofolio	DE	https://www.investofolio.de
Innovestment GmbH	DE	www.innovestment.de
Kapilendo	DE	www.kapilendo.de
Katrim	DE	http://www.katrim.de/
LeihdeinerStadtGeld	DE	https://www.leihdeinerstadtgeld.de/
LeihdeinerUmweltGeld	DE	www.leihdeinerumweltgeld.de
Lendico	DE	https://www.lendico.com/



LightFin	DE	https://www.lightfin.de/
Mediafunders	DE	http://mediafunders.net/projekt/
Mezzany	DE	www.mezzany.com
Nordstarter	DE	www.nordstarter.org
Regiocrowd	DE	https://www.regiocrowd.com
Renditefokus	DE	www.renditefokus.de
Science Starter	DE	https://www.sciencestarter.de/
Seedmatch	DE	www.seedmatch.de
Spendino	DE	www.spendino.de
Startnext	DE	www.startnext.de
Unternehmerich	DE	www.unternehmerich.de
Vision bakery	DE	www.visionbakery.com
Waali	DE	www.waali.org
Zinsland	DE	www.zinsland.de
Assiteca Crowd	IT	www.assitecacrowd.com
Becrowdy	IT	www.becrowdy.com
Buona Causa	IT	www.buonacausa.org
Cineama	IT	www.cineama.it
Com-Unity.com	IT	www.com-unity.it
Crowdfunding	IT	http://crowdfunding.co/
CrowdFundMe	IT	www.crowdfundme.it/
Derev	IT	www.derev.com
Ecomill	IT	http://www.ecomill.it/
Eppela	IT	www.eppela.com
Equinvest	IT	www.equinvest.it/
Fund For Culture	IT	www.fundforculture.org
Ginger	IT	http://www.ideaginger.it/
Investi-Re	IT	http://www.investi-re.it/
Iodono.com	IT	www.iodono.com
Kapital	IT	www.kapital.com
MusicRaiser	IT	www.musicraiser.com
Prestiamoci	IT	www.prestiamoci.it
Produzioni dal Basso	IT	www.produzionidalbasso.com
Retedeldono	IT	www.retedeldono.it
ShinyNote	IT	www.shinynote.com
MamaCrowd	IT	https://mamacrowd.com/message/508#email=&name=&surname=&tel=
Smartika	IT	www.smartika.it
Sociallending	IT	https://www.sociallendingitalia.net
Stars Up	IT	http://www.starsup.it/
Starteed S.r.L.	IT	www.starteed.com
Tip Ventures	IT	http://tip.ventures/IT/landing
Ulule	IT	https://it.ulule.com



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