

Creative Lenses Focus meeting

**15 February 2016
Brussels, Belgium**

Report



Co-funded by the
Creative Europe Programme
of the European Union

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Introduction

The meeting is not intended as a crash course on crowdfunding. It is part of a series that will examine various options of "alternative" financing. Crowdfunding is not an independent alternative to the funding of the arts, but an *addition* to grants.

Crowdfunding: leverage or fraud?

Stef Ampe, Ritcs

Stef Ampe, business leader at Ritcs, has previously worked at the Theatre House, The Beursschouwburg, Compagnie Cecilia. He has spent the last three years with practical research on crowdfunding. Together with Thijs Degheldere, Stef set up a platform for crowdfunding in Brussels. For him, this is a day to gather opinions, recommendations and comments from the sector about crowdfunding.

Crowdfunding: an all-purpose word

Thijs Degheldere, Brands and Stories

Crowdfunding is an umbrella term. Thijs tries to separate the wheat from the chaff during this meeting. The concept (alternative form of financing) is ancient. You saw it in Shakespearean theater already. In 1618, John Taylor finances its books by the readers of his books. He first collected the money and later realised the book. Because of the rule of volume: the more members, the cheaper the book.

Also Mozart in 1783 relied on the support of his fans. He wanted to fund a performance in Vienna, so his fans got a script.

The most famous example took place in 1885. The Statue of Liberty pedestal could not be paid for by the US government. Pulitzer pulled over his newspaper readers to contribute. For one dollar, they got a small replica for \$ 5 a 30cm replica. This is a classic example of reward-based crowdfunding.

In the 21st century, there is an exponential growth of crowdfunding by the digital revolution. Anyone who can access internet, can participate in crowdfunding. The first who used it were the fans - not the artist - of a band in 1997. They collected money for a performance of their group. The first platform for crowdfunding (www.artistshare.com) was inspired by this. This platform, on which fans could finance projects of their artists, was established in 2000.

The term "crowdfunding" was first used in 2006 in a blog by Sullivan. In 2010 kick starter was formed and coined the term. Sullivan's blog was a flop. In 2010 the website voordekunst.nl was set up. Since 2010 we witness a

proliferation of platforms in the neighboring countries, with the risk of decreased impact and quality. But Belgium is far behind its neighboring countries.

Nowadays people try to use crowdfunding within various sectors as a means of financing.

There are four groups of projects for which crowdfunding is being used:

- Creative projects (films, etc.)
- Social projects (sports clubs, etc.)
- Companies (start-ups and SMEs)
- Peer-to-peer loans (purchase of a car).

These categories have generated various models, each model provides another consideration:

- Donations (no quid pro quo, a free gift)
- Rewards (who donates will receive a gift, sometimes disproportionate, often not)
- Loans (interest-based, financial incentive)
- Shares (who invests will receive a share)

The various forms of crowdfunding also have different objectives / motives. Some examples are:

- Finance a project
- Activate a network
- Reaching new audiences
- Investing
- Selling a product (market testing)
- Test ideas (whether an idea will resonate or not)

The first questions you should ask: how do you want to use crowdfunding and what purpose should the action serve?

The numbers behind crowdfunding:

Belgium

Total amount donated in 2013: 1.1 million

Total amount donated in 2014: 4.35 million

- 207 projects in total
- 28% of these projects had a creative nature
- 65% of the 4.35 million was donated to these creative

The Netherlands

Total amount donated in 2013: 32 million

Total amount donated in 2014: 63 million euros

- 8.6% of the projects had a creative nature

projects

Forecast total amount donated in 2015: 8 million

Forecast total amount donated in 2015: 28 million

- 3.2% of the projects had a creative nature

Conclusions on Belgium:

- The share of creative projects is relatively large
- The total donation amount is relatively small compared to the neighbors
- The policy-making body on crowdfunding is far less developed than in neighboring countries
- In comparison with the neighboring countries, there are few platforms (less campaigns, less exposure)

Key challenges regarding crowdfunding in Belgium:

- Catching up with developments in other countries
- Create action perspective and risk awareness
- (How do we as a society / sector handle crowdfunding?)
- There is a need for a large and high-quality transparent platform, which may take the rest of the platforms in tow.
- (One with a solid business model, market is stabilizing)
- Cooperation with other funding sources (Crowdfunding is in addition to grants – example: cooperation Socrowd and financial institutions)
- Setting up regulation and supervision of the crowdfunding market.

Cases

Crowdfunding has several varieties. Some examples to show the different possibilities and modalities of crowdfunding in Flanders.

Berlin

Laura Fierens (communication) and Kurt Lannoye (business leader) of Berlin presented the campaign.

Campaign details:

- Wanted: 32,000 euros for 729 tiles that are processed in an art installation in Lisbon.
- Reward-based crowdfunding
- Flexible crowdfunding: even if you haven't reached your goal, you receive the donated money
- Rewards: inter alia to "own" your own tile.
- Selected platform: RocketHub.

Campaign:

"In preparation, we were primarily concerned with questions like "how do we

get this campaign disseminated as quickly as possible?” For this a plan for social media and targeting allied companies was set up. Furthermore, communication through newsletters to the donors, printed flyers etc. Related to the topic of the objective (a wall of tiles on a building in Lisbon, depicting a waving man) donors got a bag and were invited to share their travel pictures using this bag on berlin’s social media.”

The offline campaign through the media (radio and newspaper) yielded many responses. These were mainly people beyond the usual audience of berlin.

Time investment:

Both the preparation, the campaign itself and the follow-up costed a lot of time. An intern did the preparation (two weeks full time). The campaign lasted from May to July (about six weeks). Aftercare ran from August to September.

The result of the campaign:

- Turnover: € 5,297.93
- Cost: € 1,573.66
- Profit: € 3,724.27

141 donors have donated through the platform 15 people directly to the company. The donors were:

- o 65% own network,
- o 35% outside the network.

It was striking that the longer the project ran, the more unknown donors came in.

Non-financial results:

- Lots of press attention
- Great attention of presenters (future gigs).
- Strong image improvement during the campaign.

New insights:

- It was more work than expected
- There were few small donations
- The campaign received more attention in Belgium than in Lisbon
- The target amount was too high (if it is not achieved is demotivating)

Was the campaign a success?

“We have mixed feelings about it. The project is now being realised in part. We have noticed that it worked well for a specific purpose (buy a tile for an art installation)”.

What would you do differently in future?

- Choose a different platform. A platform that is at the local level and as a currency is euros.
- Ask a smaller target amount.

het nieuw stedelijk

Christel Dusoleil is since 2010 working as a project manager in Leuven. Het nieuwstedelijk ("new urban") is in an exciting transition to a new building.

The experience with crowdfunding is limited if it is defined as collecting money through the internet. They did once via digital begging letters. External advice has been obtained to write the "best" letter. This action was meant to cover the cost of extras in a performance. (around € 5000, -)

The letter was sent to 4,000 former audiences. The total printing and postage costs were about € 3500, -. The net result was zero. Alongside with the money it costed a lot of time and did not really end up in closer relation with the audience.

After this bad experience they chose for a new strategy. 'Friends of ...'. This operation involves a subscription with an extra value. Subscribers get a tour / introduction / may be the first in line for a ticket to a performance or get a special invitation for a dress rehearsal. They are truly pampered.

The aim of this ongoing campaign is to generate awareness and engagement with the visitors. In the initial phase, the company discovered that both the formula: "Friends of ..." and the company were not very well known. Not even in their own city or neighborhood.

The result of this campaign in 2015: 250 friends donate €11,000 per year.

Next step in the campaign: VIP tickets to a performance.

This formula is composed of:

- Tickets with added value: value is not entertainment but an intrinsic value (a Q&A or introduction).

The main condition to make this a successful formula is:

Make sure the public matches with the programme.

In 2013, het nieuwstedelijk started a patronage program. This is an extension of the friends-action. The added value of this formula is in the personal contact between the company and the patron. It is not a sponsorship, but a donations programme. The company offers nil or very little in return for the donation.

Recommendations for this type of crowdfunding:

- You will gain not only money, but also a support/constituency.
- This type of campaign counterattacks the image of artist being subsidy-addicts.
- It takes a lot of time, patience, blood, sweat and tears. It is really a long process and requires a heavy investment.
- To be successful, your organisation needs reputation/prestige.
- To have a solid base /own building is a big advantage for this type of campaign.
- Participants must be able to identify themselves with your organization.

Kopergietery

Nele Roes, financial and external relations manager.

- Target: € 7,500 for a media table
- Combination of gifts and rewards-based crowdfunding
- Selected platform: crowdfunding Ghent
- Fixed crowdfunding: if you don't reach the target amount, you get nothing
- Rewards: low cost for organising them:
 - 50 euro tour
 - 100 euros extras
 - 500 euros is a party in the lobby
 - 1,000 euros is to be co-producer

Tips for crowdfunding:

- Don't set up a too high target amount
- Be brief and clear (campaign 1 month)
- Your first time should be good (1st impression lasts)

The campaign ran for a month and had a tight communication strategy. People were already informed and animated before the campaign started. Different groups of donors were approached in different ways. Suitable communication was searched for for each group.

Campaign:

- Week 1: fat checkout! The money comes in large numbers.
- Week 2: the number of donations and the rate at which the money comes in fall sharply.
- Week 3: an additional mailing is sent out to remind people of the action.
- Week 4: a tough final sprint deployed. The donations increase again.

Who were the donors?

based on percentage of full amount gained:

- 5% from arts organisations
- 10% from students
- 10% from unknown
- 13% from suppliers
- 14% from business/non suppliers
- 48% from own ranks (family, friends, fans,...)

International supporters, the older generation (70+) and those convinced that because you get subsidy, they shouldn't have to donate, were difficult to reach.

What have you learned from the campaign?

- The support for the company is tested
- It is a powerful communication tool
- You can not cover the full cost of a project (only 15-20%)
- The product you want to finance should be tangible, sustainable, visible,

yield beyond the regular activities and risky.

- Rewards are the wallpaper. They are not in proportion to the amount that you ask in return.
- Well-known personalities in the trailer helped the campaign.
- Generates appreciation of part of the audience because you're looking for other resources.

One question : should we keep to a radio silence for a while after this action?
How long must we wait before we can organise a new campaign?

What investment did the crowdfunding action require?

- 1 month full-time employment
- A substantial contribution from the artists

What was the result of the campaign?

- o 140 donors
- o € 7,185.00 from the platform
- o € 1,500 euros off the platform

Vincent company

Vincent Company participated in a project called Rabat 4358. Intention was not to raise money. The mission of Vincent was to make a connection between the audience and the content of the performance. So they started to raise an audience before looking for a venue.

What steps have been followed?

1. Identification of the public
2. Activation of the public

The scope of the action is an open solidarity principle. There is therefore no target amount. Rabat 4358 didn't work on a fixed compensation with the venues, but varied the amount per location. Some paid a higher fee than real costs, this "profit" was used to finance the deficit on the other locations. So the show could play break even.

This means partners were asked: "What can you pay up?" The standard answer was, "as little as possible". Explaining the principle of solidarity and combining it with the economic one was a big challenge.

To identify the audience (step 1), a dramaturgical analysis was made. This analysis was needed to clarify where Rabat 4358 could achieve significance. The only way to do this was by having as many personal contacts as possible with the potential audience.

How much time does it cost?

Two days per performance date (very intense). That's because negotiating with an audience is much harder than negotiating with programmers. The public does not consider the additional costs of the presentation (building set

/technical requirements/ sejours etc.)

Financial income:

€45,000 tour revenue generated over 40 performances in 4 countries.

Findings:

- Do not do this to make a profit (principle of solidarity is fundamental)
- Challenge: the system sounds too good to be true (risks to become the victim of its own success)

Unie der Zorgelozen

The “Union of carefree people” applied crowdfunding to acquire and renovate their building in Kortrijk. Total amount required: 2.67 million for acquiring and renovation. The renovation would be covered by subsidies, but aim was to activate the community. Support for the construction and renovation already existing, the campaign had two lines. A core group of seven people with a large network - advertising, politicians etc. and an unlimited supporters group.

King Baudouin Foundation was used as the bank account of the campaign. This foundation provides credibility and takes care of the administration. On this account mostly gifts 5 to 10 euros were donated , the membership fee for the supporters.

Larger amounts came in thanks to actions organized by the audience, like a charity to walk on stilts on the Mont Ventoux. And finally also some corporate business donations came in.

Much time was spent on finding the right ‘image’ for the campaign (advertisement firm) and on networking, meetings, negotiations.

Results:

In total: € 100.000,- (60% in kind sponsoring/ 40% donations on the projects’ accounts)

Tip:

Integrate your campaign in your daily activities.

Action Zoo Humain

- Target: € 10.000 to present a Tunisian company both in Belgium and Tunisia.
- Reward based
- Platform: KissKissBankBank (NL / FR / EN)
- Fixed crowdfunding: if you don’t reach target, no money
- Mostly Dutch speaking donors

The reward was a ‘surprise package’, so the content was adjusted during the campaign making it more attractive in order to reach the target amount.

Campaign:

- Starts with social media and newsletter
- Shared by social network
- Each performance of Action Zoo Humain is followed by a debate and a possibility to donate

Preparation time

- 1,5 day/week from October till February , which makes it a heavy time investment.

Results:

Target has been reached.

Donors:

- 151 donors contributed € 12.720,- through the platform.
- Post performance-collections: € 1.243,-.
- 80% of donors through the platform were from the company's own network, 20% were new.

Non-financial result:

- Visibility in the media
- New audiences reached

Experience versus expectations?

- Interesting deepening of production both artistically and organisationally
- Reform from fleeting success to structural basis.
- Most money collected in the 1st and the last week
- Large donations have determined the success.

Tips for next time:

- more bets on major sponsors and to be prepared with a plan B.

Crowdfunding for arts organisations

Panel discussion between experts : Roy Cremers (*Voordekunst*, NL), Selma Franssen (*Socrowd*, BE) and Fried Roggen (*Social Entrepreneurship*, BE)

Crowdfunding for the arts is time-consuming and the financial return is questionable. The non-financial return is a bigger asset. In the end the crowd is more important than the funding.

Roy Cremers:

Did Voordekunst have a pioneering role?

It arose from a naive idea. It had been around for some time with relatively

low attention up to scepticism from the arts field until the heavy cuts on cultural budgets were announced and the sense of urgency arose. Even within the larger art organisations. The fear within the sector is that crowdfunding will be taken as a green light by the government to continue to step back. Crowdfunding is not an alternative, but an additional funding. The government in the Netherlands stimulates crowdfunding, but knows that it is no substitute for the grant. You should not do crowdfunding because you *must*, but because you *want to*. Think well in advance what type of funding fits the goal you want to achieve. Crowdfunding can be a prelude to other funding such as sponsorship.

How is Voordekunst financed?

We received an initial grant for 1.5 years. By then the business model should be functioning (or should have been functioning? did these 1.5 already finish?). (each campaigner pays € 100, - for the start of the campaign plus 5% of the total amount donated if target is reached).

After 1.5 years the business model turned out to be not good enough and we set up partnerships with several companies that have been reduced since. In 2015, 65% were own income from projects. 35% from partner contributions and sponsorship. That last 35% will stop after this year.

Are you still trying to establish other forms of crowdfunding?

We are now looking at the possibilities of matching funds: 30% investments from companies and the governmental funds and 70% by crowdfunding. This contribution from a funder is an important signal to the crowd: if a fund donates money, the project will be of good quality (credibility) .

Selma Franssen:

SoCrowd: A campaign takes a lot of time, but a good preparation enhances the chance for success.

How does Socrowd function?

We give out loans in a corporate way with the aim to mobilize the own supporters. 1/3 of the loan has to be funded by supporters through share lending. The rest will be borrowed by Socrowd. At the end of the period, the entire loan has to be paid back to Socrowd. After that Socrowd pays back the supporters. All these loans are interest-free and go up to a limit of €100,000. Socrowd test projects ahead on financial feasibility, social impact, etc. This inspection makes that Socrowd functions as a mark of guarantee. Socrowd is doing social crowdfunding and gives no reward (no interest, no tax benefit), so participating is based on philanthropic reasons. The shareholders are ambassadors who support your project.

What are the risks of Socrowd?

We guarantee risks through a revolving fund, built up by successful projects. Besides, Socrowd reduces the risk that a loan is not repaid by a rigorous

selection.

Fried Roggen:

Formerly director of several large associations without lucrative purpose, now ‘social entrepreneur’. He was tired of the restrictions imposed by subsidies, so looked for a new way to solve social problems. The phenomenon of ‘social enterprises’ emerged. ‘Social enterprises’ means that you address social problems with entrepreneurship.

He guides people in setting up businesses. Banks were not willing to finance. So he set up a private financing agent. This can be done by first running a number of smaller projects. The profit of these being used to create a larger project and to obtain the corresponding investments. If you have a precedent, others will follow. That's the legendary “come one, come all”.

What can the sector learn from social enterprises that are wealthier than the sector?

Social enterprises are not wealthy. We try not only to focus on ad hoc funding through crowdfunding. What we do for social enterprises is to look for different, broad, structural funding and financing strategies.

Why did you start using a Crowdfunding platform last year?

We have an investment fund from which you can obtain up from 200,000. That investment fund is only accessible by large companies. We couldn't help small start-ups, who need an investment that no one is willing to give. Social enterprises have a story that appeals and so are better suited for crowdfunding. Our study found that it was not profitable to start our own platform.

What is the importance of what you have done to create a comprehensive, diverse financing?

I think organisations need to bring their company back into the picture. So, mission, vision, customer, value proposition and searching potentials including subsidy, incomes from the bar etc., but also bank financing, short and long-term predictions of financing needs etc. We must dare to get clear if the cost of collecting money outweighed the benefits.

Selma, you have tips for crowdfunding?

Think well in advance how much time and money you want to invest. Create your campaign short and sweet. It is hard to keep the attention of your audience. Create momentum and make sure you have people willing to invest at the beginning and at the end of the campaign. This is the “come one, comes all”.

What can Socrowd offer to the arts sector?

The clearest example is the Filmhouse Mechelen. Seeking 100 people who wanted to give each 100 euros. That worked because they had a very specific goal. Another example is Circusplaneet Ghent. Seeking money for a space. So you see that a little concrete action works best.

Does the platform offer support?

Socrowd provides support to build the file (financial plan) and supports the communication. It is also suitable for smaller amounts. 40% of donations through Socrowd go for the minimum amount of € 100. Socrowd does require a surety for the loan. Participation in Socrowd works as a hallmark.

Roy, can you give a target amount of an average campaign at Voordekunst?

The middle request of our projects is €7,500. That amount is still growing. Partly because now larger institutions also sign up, which is also due to fact the phenomenon is better known. We advise to use crowdfunding for a minimum target of €1,000. The requested amount needs to be not too high, but should not be too low either.

What kind support does Voordekunst provide?

We give workshops, undertake visiting hours, offer consultancy to create internal support (create urgency in the organisation) and examine the feasibility of each project.

Do you have tips for a good crowdfunding campaign?

Make it a part of the policy/work plan of the organisation. Also in the audience policy. Do not make the campaign last too long. See Voordekunst as partner. It's important authors and artists really believe in the platform.

Crowdfunding and cultural policy

Rita de Grave (Flemish Government), Kristien Vermeersch (Federation for Social-Cultural Work), Isabelle De Voldere (researcher additional funding)

Rita de Grave, governmental policy: if a sense of urgency prevails, crowdfunding can work. But is crowdfunding a viable alternative? No! It is complementary. A small hole in the budget may be solved with crowdfunding, but there are other ways too. It could become a solid pillar in an operation of a cultural organization, though.

Kristien Vermeersch, advocacy: there are many new regulations aiming at the social and cultural sector nowadays. Crowdfunding is not an alternative, but a supplement. Public subsidy has a social basis as well, it is a crowd that pays (through tax money).

Isabelle De Voldere, research: I had the task to identify additional funding for all possible financing needs in the sector. There is no single overarching tool to provide all financing needs. Crowdfunding is no alternative to subsidies, that are irreplaceable.

Can one integrate crowdfunding within a cultural policy?

Rita: That's not necessarily the responsibility of the Minister of Culture. It overlaps with the agency for enterprise and innovation within Economic

affairs.

How do we ensure that crowdfunding doesn't become a means for large investments?

We should not be deterred by the policy excess. Regulations are under construction to also offer tax benefits for donations to crowdfunding, but that does almost automatically exclude the not for profit sector. We should try to adjust the economic legislation in our sector and not try and fit the sector in the economic legislation.

Should a government facilitate crowdfunding for not for profit businesses by law?

Yes. In other policy areas people assume not-for-profit associations have no economic activities. Opening up the economic legislation for nfp-associations with an economic activity, would create new options. For instance, the win-win loan.

We witness a potential dichotomy: culture and economy separately or mixing both. You see the same in the instruments

I see that the two have moved more closely towards each other. I appreciate that the agency for enterprise and innovation now offers options/instruments to non-profit organizations. The Minister of Culture should continue to work on this so culture will get a wider spread in society.

The sector is not aware of all these instruments yet. What role should a government play within the field of crowdfunding?

Isabelle: Work on transparency. That gives confidence. As a government you may give a mark of recognition. Another way is to set up a kind of labeling. I do not think the government itself should set up a platform.

Q&A

How does the combination of share loans and loans function within Socrowd?

Selma: the crowd collects 1/3 and 2/3 is financed by Socrowd.

How do you find a balance between time investment in crowdfunding and core business?

Nele Roes: Kopergietery has 16 FTEs. The internal support is very important. You may wonder if labor costs exceed the revenues, but the staff were already employed anyhow.

How creates Voordekunst internal support within larger institutions?

Roy: We consult the core team on their plan. Once that is clear, we organize a brainstorming session with the whole organization. We present the plan, while it is not fixed yet. The organization itself may still fill out a few things. We make this co-ownership. Employees get a soft launch to introduce them to the platform, so they can effectively communicate and share the project once the

real launch takes place. We also think about the next steps. Can we use this as a structural strategy?

We get more and more requests of donors to identify good projects. Since last November we map our donors with a CRM system.

We also know by now which days and which months are best to start a campaign, but we cannot be really predictive on behavior yet.

What risks crowdfunding can be for the arts sector once the government withdraws even further because we proof to be able to (sometimes) generate more revenue?

Selma: Artists are the most endangered group. The organizations should find a way within their own practice to supplement funding and protect artist by doing so.

We better prepare for a reality in which a government tries to withdraws : form alliances that exceed the sector and create a narrative of the impact of subsidy cuts.

We now need to build a buffer to absorb reducing subsidies. The instrumentation to make that possible is a priority.

Can't we combine the tax shelter and crowdfunding, so individuals as well as corporate companies get a tax reduction for their donation to the cultural sector?

First of all it is important that the Minister defends his own industry and values the role of culture, so this can open new ways of financing (l.e. agency for innovation and entrepreneurship)