

The Social Impact of Crowdfunding



BES CROWDFUNDING

A social impact measurement study for “crowdfunded” projects

Master Thesis presentation – Feb. 2014

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Presentation Structure

- Introduction
- Literature Review
- Research Questions
- Case Study
- Teaching Notes
- Conclusion

Introduction (I)

“How do I put together the resources I need?”

“How do I get the MONEY I need?”

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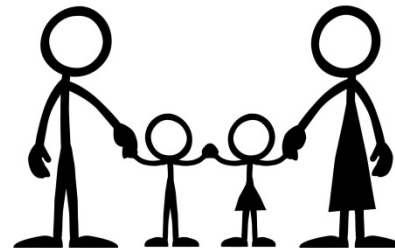
Savings



Loan



Ask



Introduction (I)

“How do I put together the resources I need?”

“How do I get the MONEY I need?”

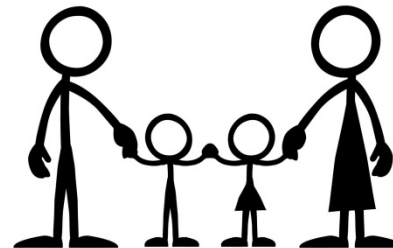
Savings



Loan



Ask



Crowdfunding



Introduction (II)

“How can Social projects benefit from Crowdfunding?”

“How do social projects measure impact?”

Research Questions

RQ #1- How has **crowdfunding** emerged and how is it evolving in **Portugal**?

RQ #2- How do social entrepreneurs **measure social impact** and for what purpose?

RQ #3- How can social projects apply and benefit from the **Expected Return methodology**?

Literature Review (I)

“Who is the social entrepreneur?”



The Social Entrepreneur

Not-for-profit individuals who assume the **importance of the market forces** without losing the focus in a **social mission**, balancing between these two aspects (Boschee, 1998)

Literature Review (II)

“How do I put together the resources I need?”

Crowdsourcing

“The act of outsourcing a task to a “crowd”” (Howe, 2006)

“(…)using the expertise of the agent, which is the basis of outsourcing. Some crowds have agents that, over the years, accumulated some level of knowledge and problem solving skills which can be valuable to corporations or individuals.” (Afuah and Tucci, 2012)

Pros

- Specialized communities
- Cost-efficient
- Co-creation of knowledge

Cons

- Difficult to control
- Distance affects quality

Literature Review (III)

“How do I get the money I need?”

Crowdfunding

Crowdsourcing applied to the financing of projects or companies

The power to **start or accelerate a project** with a small amount per contributor, which, multiplied by **many investors**, will allow the entrepreneur to achieve the desired **financing value**.

(Kuppuswamy and Bayus, 2013)



Crowd (Investors)

Assess project acceptance

Input to the future of project

Support something they believe

Project (Promoters)

Test a brand/project/product

Receive feedback

Get the needed funding

Literature Review (IV)

“How do social projects measure impact?”

Every year philanthropists grant billions of dollars (...). They often do so without assessing (...) the effectiveness of the organizations they fund.
(Brest, Harvey and Low, 2009).

“Why is it important?”

Funders’ requirements have become more demanding
(Ellis, 2008)

The nonprofit sector is becoming increasingly **professionalized**
(Hwang and Powell, 2009)

Current **economic crisis** and that decreases the allocation of private and public resources
(Ebrahim and Rangan, 2010)

Important and Needed

Literature Review (V)

“How do I spend the money I need?”

1) No common metric

There is still the need to have a common metric to make comparisons and to provide social impact results to investors
(Brest, Harvey and Low, 2009)

2) No data/measurement

There is a lack of common measures, quality data and the cost of measurement.
(Tuan, 2008)

3) Subjectivity

Doing good is a matter of societal values about which there may be little or no consensus
(Kanter and Summers, 1994)

Literature Review (VI)

“How do I spend the money I need?”

Solution proposed:

- 1) Social Cost-Benefit Analysis
 - 2) Social Return on Investment
- Converts social returns into money**

Problems:

- 1) How can I assume prices for social costs and benefits?
- 2) Is it meaningful to use discount rates on social impact?
- 3) Do NGOs have a completely monitored system to collect data?

Literature Review (VI)

“How do I spend the money I need?”

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Expected Return Model (Brest and Harvey, 2008)

Mission

Social objectives

Cost

Benefit per dollar invested

Convert money in social return

Research Questions

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Case Study (I)

“How do I get the money I need?”

KICKSTARTER



- Online communities
- Everyone can donate or submit projects
- Only if the amount requested is reached, you get your money

“Is it working?”



Launched in 2009

843,000,000\$

5,000,000 supporters

50,000 projects

43% success rate

- Creating jobs
- Opportunity for everyone
- Putting companies to live
- Changing the loans dependence

Case Study (II)

“How do I get the money I need (in Portugal)?”



Since 2011

“To empower Portuguese entrepreneurs and philanthropists to achieve their projects' full potential” (PPL Mission)

Results until August 2013 :

€275,000
collected

7,700
project supporters

95
projects successfully financed

Case Study (III)

“How do I get the money I need (in Portugal)?”



Amount collected per category

Supporters

Candidates

Entrepreneurship

1113

92

Social

381

77

Technology

440

43

Education

490

55

Music

1279

97

€0 €10,000 €20,000 €50,000

18 categories in total

Case Study (IV)

“How do I get the money I need (in Portugal)?”



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Case Study (V)

“How do I get the money I need (in Portugal)?”

To address this social focus:

BES CROWDFUNDING

- 1) high demand for social projects;
- 2) BES social corporate responsibility objectives;
- 3) PPL's need to segment the offer (cannibalization)

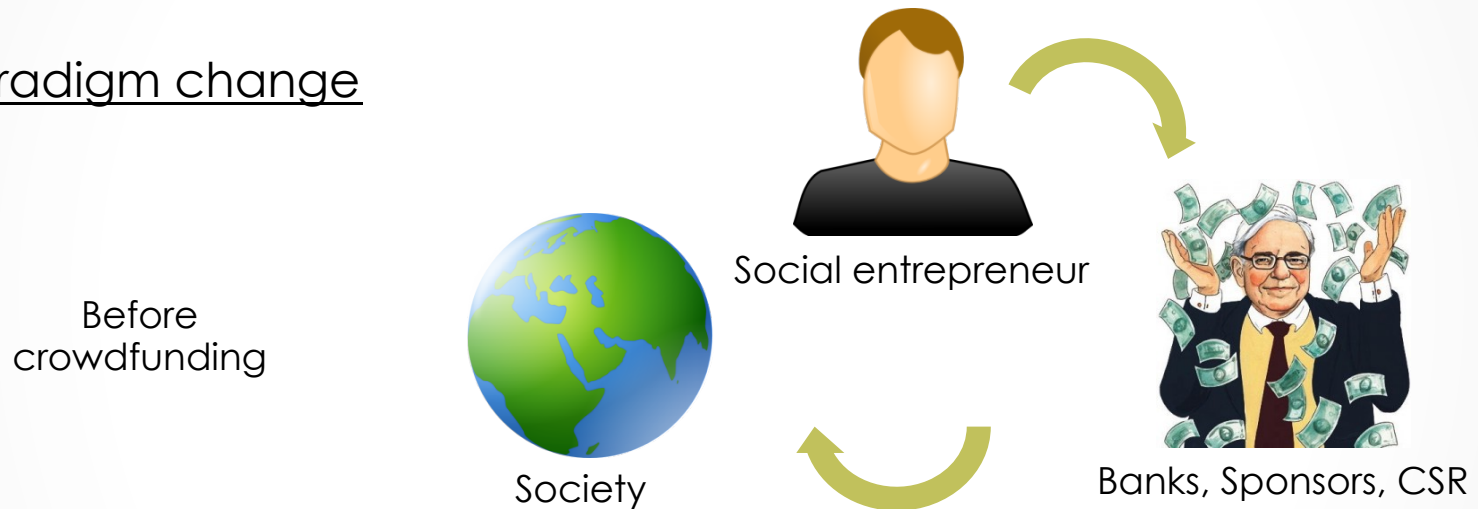
Results:

	PPL	BES Crowdfunding
Projects Submitted	932	100
Projects Published	241 (25%)	46 (46%)
Projects Financed	95 (45%)	24 (65%)

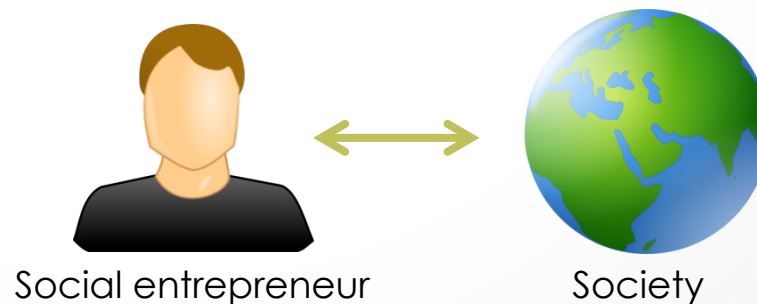
Case Study (VI)

“How do I get the money I need (in Portugal)?”

Paradigm change





After crowdfunding



Case Study (VII)

“How do social projects measure impact?”

Behavioral change

Scarcity  Crowdfunding control
(direct and indirect)  **Impact measurement**

“Why is it important?”

External motivations
(pointed before measure):

- 1) Negotiation power
- 2) Ratios' promotion
- 3) Project awareness

Measurement

Internal benefits
(pointed after measure):

- 1) Internal efficiency
- 2) Performance improvements
- 3) Historical tracking

Case Study (VIII)

“How do social projects measure impact?”

Expected Return Model
(Brest and Harvey, 2008)

Convert money into social return

$$\frac{\text{Benefit in a perfect world} \times \text{likelihood of success} \times \text{philanthropic contribution}}{\text{Cost (\$)}}$$

Benefit per dollar invested

Pros

The mission transformed in return
Flexibility
Simplicity
Comparable between projects with same mission

Cons

Assumptions based
Lack of objectivity
Simplicity

Case Study (IX)

Practical Analysis



Acreditar

**Associação de pais e amigos
de crianças com cancro**



Case Study (X)

Practical Analysis



Acreditar

**Associação de pais e amigos
de crianças com cancro**

“Helping children and their families in all the process after cancer has been diagnosed.”



Identifies needs



Acreditar

**Associação de pais e amigos
de crianças com cancro**

Action plan and execution

Family support
Emotional support
Social support
Leisure activities

Case Study (XI)

Practical Analysis



Acreditar

Associação de pais e amigos
de crianças com cancro

Social support

Food needs – “O cabaz” project

8 Families

3 Months

24 baskets

Average cost of €60

Total cost = €1,440

Merchandising

Companies CSR



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Case Study (XII)

Practical Analysis

BESCROWDFUNDING

Utilizador ou email *Senha *

f Connect

Entrar

Criar uma nova conta. Pedir uma nova senha.

[APOIAR PROJETO](#)
[CRIAR PROJETO](#)
[COMO FUNCIONA](#)
[CASOS DE SUCESSO](#)
[CONTATOS](#)

[Início](#) · [Projecto O CABAZ – Programa de Apoio Alimentar às Famílias de Crianças com Cancro](#)

✔ Muito obrigado pelo seu contributo. Este projeto já se encontra financiado a 100% devido ao envolvimento da sociedade civil. Contudo, encontram-se ainda em aberto outros projetos a necessitarem da sua generosidade, pelo que ainda tem possibilidade de poder contribuir para outra causa através do BESCrowdfunding.

PROJECTO O CABAZ – PROGRAMA DE APOIO ALIMENTAR ÀS FAMILIAS DE CRIANÇAS COM CANCRO

INFORMAÇÃO
COMENTÁRIOS 0
APOIANTES 161



Promovido por: Associação Acreditar

Objetivo: 1 440 €

Terminado a: 08/08/2013

Localização: Lisboa, Portugal

APOIAR JÁ

OBJETIVO:
€1440

PROGRESSO: 162% Total

€2339 angariado | 161 apoiantes

RECOMPENSAS

Apoie com 1 € e obtenha
Declaração de agradecimento individual e personalizado a cada um dos doadores, a ser enviado por e-mail ou por correio para os próprios.

FACEBOOK

Find us on Facebook



Case Study (XIII)

Practical Analysis



Acreditar

**Associação de pais e amigos
de crianças com cancro**

$$\frac{\text{Benefit in a perfect world} \times \text{likelihood of success} \times \text{philanthropic contribution}}{\text{Cost (\$)}}$$

$$\text{Expected Return} = \frac{24 \times 1 \times 1}{1,440} = 0.01 (6) = 24 \text{ baskets}$$

Case Study (XIII)

Practical Analysis



Benefit in a perfect world x likelihood of success x philanthropic contribution
Cost (\$)

$$\text{Expected Return} = \frac{24 \times 1 \times 1}{1,440} = 0.01 (6) = 24 \text{ baskets}$$

APOIAR JÁ



But... Extra €899

$$€899 \times 0,017 = 15$$

15 more baskets thanks to crowdfunders = 2 more months of provision

- 1) Less dependent on partner companies
- 2) Community involvement

Case Study (XIV)

Practical Analysis



“Contribute to the medical support and care of the population of a small community”

2 teams of 4 volunteers to Mozambique

Medical check-ups

Patient forwarding to specialties

Medical and social training sessions

Home visits

HIV tests forwarding

Case Study (XIV)

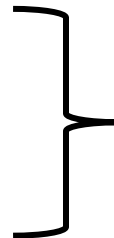
Practical Analysis



“Contribute to the medical support and care of the population of a small community”

2 teams of 4 volunteers to Mozambique

Medical check-ups
Patient forwarding to specialties
Medical and social training sessions
Home visits
HIV tests forwarding



Costs:
Medical equipment
Living costs of the team
Travel tickets

2,150 to send 1 volunteer to the field
17,200 to send all 8 volunteers

Companies CSR

Sponsorships on campus

Case Study (XV)

Practical Analysis

MEDICINA MAIS PERTO: MOÇAMBIQUE

INFORMAÇÃO

COMENTÁRIOS (3)

APOIANTES (79)

Matola, Moçambique

Educação



VER VIDEO

Gosto Partilhar João Sá Monteiro e 870 outras pessoas gostam disto.



SOBRE O PROJECTO

O que é o Medicina Mais Perto: Moçambique?

O Medicina Mais Perto: Moçambique (MMP:MZ) é um projeto de voluntariado internacional da AEFML em parceria com associações locais moçambicanas.

O objetivo principal é levar apoio médico-social a uma população cujo acesso aos cuidados de saúde é, muitas vezes, barrado por dificuldades tão simples como a falta de transporte, falta de dinheiro para uma consulta ou pelo simples estereótipo face aos médicos.

Parceiros:

- Associação Voluntária das Mães e Crianças Carenciadas (AVOMACC)
- Centro DREAM of Africa (centro de apoio ao doente HIV+)

2 724€
ANGARIADO

136% do objectivo de 2 000€
79 apoiantes
Terminado a 08/06/2013



Promovido por:
Tomás Neto da Silva

Enviar email

RECOMPENSAS

Apoie com 5€ e obtenha

Um postal de agradecimento electrónico +
Agradecimento na nossa página do facebook

Apoie com 10€ e obtenha

Fotografia dos voluntários com as crianças
durante o projeto + Agradecimentos anteriores

Case Study (XVI)

Practical Analysis



$$\frac{\text{Benefit in a perfect world} \times \text{likelihood of success} \times \text{philanthropic contribution}}{\text{Cost (\$)}}$$

$$\text{Expected Return} = \frac{1,440 \times 1 \times 0.8}{17,200} = 0.07 = 140 \text{ people impacted}$$

Case Study (XVI)

Practical Analysis



Benefit in a perfect world x likelihood of success x philanthropic contribution

Cost (\$)

$$\text{Expected Return} = \frac{1,440 \times 1 \times 0.8}{17,200} = 0.07 = 140 \text{ people impacted}$$



But... Extra €724

$$€724 \times 0,07 = 50$$

50 more people impacted by MMP thanks to crowdfunders

- 1) Less dependent on corporate sponsors
- 2) University community involvement

Case Study (XVII)

Practical Analysis

Expected Return Model (Brest and Harvey, 2008)

Social mission results per dollar invested

Negotiation power increase

Internal quality standards definition through time

Robust analysis of the project due to crowdfunding procedures

crowdfunding is changing how social projects are funded

Teaching Notes(I)

LO1 – The existing need for entrepreneurs and **philanthropists** to find and use innovative ways of finance their projects, in particular, **using crowdfunding**.

LO2 – The history, the motivations and the growing results that crowdfunding platforms are achieving in **Portugal**, in particular PPL and BES Crowdfunding.

LO3 – The **benefits** for both the entrepreneurs and the society to **measure social impact** and possible internal and external consequences.

LO4 – Learn how the **Expected Return methodology** does represent a benefit for philanthropists and what its main limitations are.

Teaching Notes(II)

TQ1 – What are the reasons behind the appearing of crowdfunding companies and what are the main future trends?

1. The financial crisis that made Banks increase their interests rates
2. The difficulty in obtaining a high-interest loan from a Business Angel
3. The resistance to give away an equity percentage of the firm
4. The appearing of several forms of crowdsourcing (information, IT, etc.) in society

Teaching Notes(III)

TQ2 – What are the main factors that the projects studied (Acreditar and MMP) present as decisive to achieve a successful crowdfunding campaign?

1. Having a concrete mission and objective
2. Fund discrimination
3. The network

Teaching Notes(IV)

TQ3 – What are the internal and external benefits of measuring social impact and how does the Expected Return methodology address them?

External:

1. Ability to **present results** to institutional investors, gaining negotiation power.
2. Ability to **promote project's results in a structured way** and therefore raise support from public funds, institutions and privates.
3. Ability to **raise awareness from the public**, contributing to the promotion of its cause

Internal

1. Gains in **internal efficiency** from knowing performance results
2. Ability to **compare** results among time and other projects

Teaching Notes(IV)

TQ3 – What are the internal and external benefits of measuring social impact and how does the Expected Return methodology address them?

1. Being a performance ratio that can be **presented to potential investors**
2. Taking into consideration the **specific goal** of the project
3. Taking into consideration the cost and the **benefit per €** invested
4. Having the ability to **compare in time** and among projects with the same aim
5. Taking into consideration the possibility of success (or failure) and the philanthropist contribution (or partners' contributions)

Conclusions

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1. Crowdfunding is changing the social fundraising paradigm in Portugal

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2. The need and importance of social ventures to measure impact

Conclusions

1. Crowdfunding is changing the social fundraising paradigm in Portugal
2. The need and importance of social ventures to measure impact
3. The Expected Return model as an efficient tool

Thank You

The Social Impact of Crowdfunding

A social impact measurement study for “crowdfunded” projects



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Appendix (I)

Further Challenges

- 1) Performance measure due to community pressure
- 2) How demanding will crowdfunders be?
- 3) Public Internal data?

Limitations

1. Scarce number of projects involved in study
2. Few practical research about Expected Return model

Future Research

1. BES Crowdfunding (reasoning behind)
2. How are results presented? (Measurement, crucial indicators, current results)

Appendix (II)

Assumptions

Actividades	# de actividades realizadas	# pessoas envolvidas em cada actividade realizada	total
Consultas da Família	80	4	320
Consultas da Mulher	76	1	76
Encaminhamento para especialidade	40	1	40
Formações	40	20	800
Encaminhamento HIV	85	1	85
Visitas domiciliárias	20	4	80
Incentivo retoma dos estudos	30	1	30
Desparasitação	12	1	12
			1443

% Financing (PPL) = $2,724/17,200 = 16\%$

% Field Work = 100%

a. **Financial contribution:** Percentage of an individual organization's contribution relative to the overall philanthropic contribution needed to achieve the outcome.

Financing – 25%

b. **Degree of influence:** How essential the investment is to achieving the outcome. This measure can result in philanthropic contribution that is greater than the level of financial share

Field work – 75%

Contribution = $0,16\% \times 0,25\% + 0,75\% \times 1$