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How can social enterprises develop successful crowdfunding campaigns? An empirical analysis on Italian context

+ Introduction

- The introduction and the development of internet CF platforms, has produced new ways to approach fundraising, relying on a large quantity of individuals to generate the capital needed to fund a variety of projects, organizations, and businesses.
- CF can allow both existing and new social entrepreneurs to fund innovative solutions to social problems by drawing on small contributions from a large number of backers, using the internet.

Which are the factors that can support social entrepreneurs in developing successful crowdfunding campaign?

+ Why Italy?

Italy shows a strong dynamism in the crowdfunding sector.

As of October 2013, there are 41 crowdfunding platforms: 27 are active, while 14 are in their launching phase. Of the 27 active platforms, 15 belong to the reward-based model, 9 to the donation-based model and 3 to the lending-based model.

Total value of funded projects divided by crowdfunding models

<i>Model</i>	<i>Published/Approved Projects</i>	<i>Average % success</i>	<i>Total Value of Funded Projects (in euros)</i>
Reward-based	8,533	24%	2,613,473
Donation-based	1,768	44%	919,400
Social Lending	4,311	54%	18,443,000
Total	14,612		22,947,578

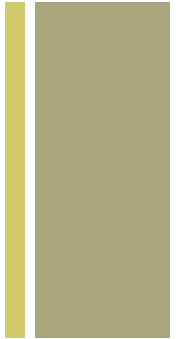
(Castrataro and Pais, 2013)

+ Why social entrepreneurship?

Social enterprises can be defined as private organizations whose mission is to produce goods and services in the pursuit of general interest objectives, referred to local communities, persons or social groups (Borzaga and Defourny, 2001).

Different studies on social entrepreneurship suggest that the **traditional tools used for financing the activities developed by social enterprises are not appropriate for sustaining the starting and growth of social enterprises** (Ridley-Duff, 2008; Fedele and Miniaci, 2010).

+ Theoretical framework



The combination of social media platforms with unconventional innovative reward systems, can individuate alternative solutions (Reyes and Finken, 2012; Lehner, 2013)

- Crowdfunding in a social entrepreneurship perspective can provide additional legitimacy to the venture (Drury and Stott, 2011).
- Investing on a crowdfunding platform represent an intrinsic social activity, and they invest capital also because they can obtain preferential access to the information of the proponent through direct communication tools offered by the CF platforms.
- The community-based experience is a fundamental element for crowdfunding, that can be added to the traditional funding means.

+ Research design

The goal of this work is to develop an initial evidence about the role of CF for existing social entrepreneurship.

Which factors enable social entrepreneurs to develop successful CF campaign aimed at social innovative projects and solutions?

We focus on three main type of issues that can affect the likelihood of a CF campaign to be funded:

- 1. The first dimension is related to the features of social enterprise's network**
- 2. The second factor concerns the CF platform's features**
- 3. The third dimension encompasses the CF's campaign design**

+ Methodology

The data was extracted from 8 different Italian CF platforms, both reward- and donation-based (Eppela, Derev, Starteed, CrowdfundingItalia, ProduzioniDalBasso, RetedelDono, Shinynote, and BuonaCausa), that emerged over the last three years.

As a result, we collected data on 250 CF campaigns, developed by existing social enterprises. The data collection was conducted in the period between the 15th of October 2013 and the 15th of December 2013.

Our sample is composed by project-oriented CF campaigns aimed at introducing an effective social innovation, in terms of new solution to a social need, rather than simply fund original organizational mission (and activity).

+ Methodology

The dependent variable is the funding level that represents the percentage of a project's goal that has been raised by backers.

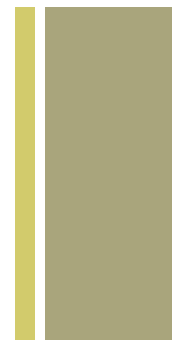
The explanatory variables encompass three main dimension: social enterprise's network, CF' platform features, and CF campaign design

DIMENSIONS	VARIABLES	MEASUREMENTS
Social Enterprise's Network	SE_Size	1: micro; 2: small; 3: medium; 4: big; 5: very big
	SE_Website	Yes: 1; No: 0
	SE_FBPage	Yes: 1; No: 0
	SE_TwitterProfile	Yes: 1; No: 0
	SE_FBLikes	Log(number of likes related to the social enterprise FB page)
	SE_TwitterFollow	Log(number of followers related to the social enterprise Twitter profile)
CF Platform's features	CF_Platform	Dummy variable for each of the 8 CF platform
	CFP_Type	Reward-based: 1; Donation-based: 0

+ Methodology

DIMENSIONS	VARIABLES	MEASUREMENTS
CF Campaign's design	CFC_Type	All or nothing: 1; Flexible: 0
	CFC_Video	Yes: 1; No: 0
	CFC_Photo	Number of photos
	CFC_Description	Succinct: 1; Detailed: 2; Exhaustive: 3
	CFC_Reward	Yes: 1; No: 0
	CFC_NRewards	N. di reward
	CFC_BudgetInfo	Yes: 1; No: 0
	CFC_Update	Yes: 1; No: 0
	CFC_Followup	Yes: 1; No: 0
	CFC_ FundingGoal	Log(sum to raise)
	CFC_Tips	Yes: 1; No: 0
	CFC_Duration	Log(number of days)
	CFC_Supporters	Log(number of supporters/not backers)
	CFC_Likes	Log(number of likes related to the CF campaign)
CFC_Retweets	Log(number of retweets related to the CF campaign)	

+ Sample of the research



Platforms	Typology	Nr. of Projects	%
Crowdfunding-Italia	REWARD BASED	3	1,2%
Starteed		5	1,9%
Eppela		11	4,2%
DeRev		10	3,9%
Produzioni dal basso		13	5,0%
Retedeldono	DONATION BASED	141	54,4%
Shinynote		17	6,6%
BuonaCausa		59	22,8%

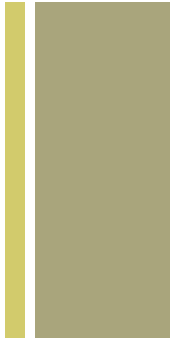
+ Sample of the research

Social Enterprise	N.	%
Non-profit organizations legally instituted (ONLUS)	173	69.2%
Other non-profit organizations	45	18%
Social cooperatives and Foundations	25	10%
Private Firms (limited companies)	7	2.8%

The projects that were successful, reaching the funding goal, were 40 out of 250 (15.5%). The amount requested on average was around 10,000 €

	Average	Success	Failure
Financed amount	9.733	4.634	10.686
% Financed	30,3%	115%	17%
Number of backers	28	84	17
N.	250	40	210

+ Hierarchical Multiple Regression Results



Predictors	Dependent Variable (Funding Level)		
	Model 1	Model 2	Model 3
Constant	(7.699)**	(7.686)**	(7.477)**
<i>Social Enterprise's Network</i>			
SE_TwitterFollower	.240**	.191**	.122*
<i>CF Platform's features</i>			
CF_Platform4 (Eppela)		.373**	.230**
<i>CF Campaign's design</i>			
CFC_N_Update			.245**
CFC_FundingGoal			-.182**
CFC_N_Supporter			.156**
CFC_N_Retweet			.131*
R²	.058	.194	.336
ΔR²		.136	.142
N. observations	250	250	250

* $p < 0.05$; ** $p < 0.01$
t-value in parentheses

+ Conclusions

CF campaigning can develop greatly with the advance of **social media**



Only those social enterprises that have a **stable presence** on **Twitter** are able to activate “retweets” related to their initiatives.

CF campaign should be **actively managed along all the funding phase.**



Social entrepreneurs can use such combined information in several strategic ways in order to improve organizational legitimacy

The choice of a specific reward-based CF platform is related to the successful of the campaign.



REward-based CF campaign means that potential backers should be informed on both economic value and intrinsic social and experiential value.