

**Crowdfunding: Why Museums Should Cultivate the
Millennial Online Donor**

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A thesis submitted to the University of the Arts in partial fulfillment of the requirements for the degree of Masters of Arts in Museum Communications.

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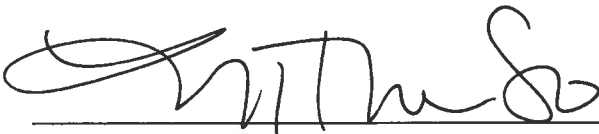
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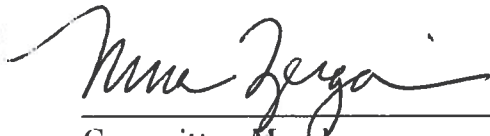


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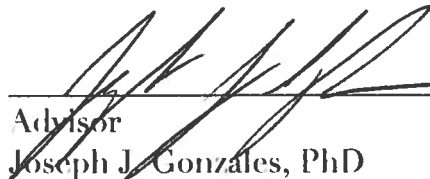
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Abstract

This thesis analyzes the trends and data behind the use of crowdfunding to cultivate the online Millennial donor. In interpreting the trends, behaviors, and attitudes of the Millennial generation along with the characteristics of crowdfunding, I argue that this model may supplement fundraising campaigns run by museums. The scope of this research was through the examination of data and information from areas of nonprofit giving, characteristics of crowdfunding, and the values and demographics of the Millennial generation from 2011 to present. This data came in the form of cultural reports from foundations, research centers, and other trusted sources.

Through crowdfunding, museums are able to interact, engage, and cultivate the Millennial online donor through a medium that is comfortable, trusted, and familiar to them. As museums face uncertainty in their ability to remain financially sustainable, crowdfunding may serve as one of many successful tools in not only raising funds for the institution, but also awareness-building and promotion. The Millennial may then be cultivated through these online outlets to become an institutional advocate, volunteer, member, etc. This thesis will explore the opportunities through which this may be possible.

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Introduction

As the phenomenon of crowdsourcing has begun to form a thriving industry in the last decade, subsequent forms such as crowdfunding, crowd-curating, and open source projects have also begun to spur attention and innovation in many fields. As museums are beginning to emphasize the importance of audience engagement, we are able to navigate the strengths of crowdsourcing and its uses throughout the museum field. Specifically, this thesis addresses crowdfunding and its potential use throughout the museum field. Crowdfunding platforms such as Kickstarter and IndieGoGo have aided organizations, businesses, and individuals in raising over 3 billion dollars worldwide over the past 3 years. With these platforms available and accessible for use, a rise in museums implementing their own crowdfunding campaigns has been seen as of late. This method of fundraising, in contrast with traditional methods of museum development, such as fundraising galas, donor prospecting, and large foundation grants, raises questions and interest in the state of museum donor cultivation and the shift in museum donor demographics. As individual fundraising becomes and remains a crucial component of many museums ability to sustain themselves, it is beneficial to analyze the characteristics of crowdfunding in relation to the cultivation of a new donor field.

Shifting demographics and museum philosophies on engagement pose an opportunity for institutions to blend the use of crowdfunding with the cultivation of a new donor demographic. **Throughout this thesis, I will argue that through the use of crowdfunding, museums are able to not only supplement their financial needs,**

but to also engage and cultivate the online Millennial donor. Through the attitudes and beliefs of this demographic, along with the characteristics and trends of crowdfunding, these two methods may be successfully melded together to create a sustainable engagement and fundraising model.

As nonprofits see a dramatic decline in government grants amongst the arts and humanities, the demand for other means of income becomes increasingly important to the sustainability of cultural institutions. In July of 2013, the federal government cut funding to the National Education Fund by \$3 billion while narrowing funding to the National Endowment for the Arts and other arts agencies by 49 percent for the 2014 fiscal year. These cuts are part of a larger reduction that calls for a 19 percent cut in overall federal spending¹. In response to these cuts, museums are forced to aggressively compete for the few government grants that are available for their programming and planning. In response to federal budget cuts and the current state of museum giving, we are able to discuss the young but powerful industry of crowdfunding and how it may provide supplemental income for museums in order to counterbalance this shift in funding. Digital based fundraising may further develop into other forms of fundraising, therefore it is important and beneficial for museums to adopt or become informed on the uses of crowdfunding and the possibilities it presents.

¹ Ng, David, Los Angeles Times: Entertainment. *House Committee Proposes Funding Cuts for NEA, other Arts Groups*, Online, 24 July 2013, <http://articles.latimes.com/2013/jul/24/entertainment/la-et-cm-nea-funding-20130724>

This thesis will be structured as a guide to be used to address how crowdfunding can provide museums with a viable and successful platform to supplement their fundraising advances. Throughout this thesis, the two most popular types of nonprofit crowdfunding models, donation-based and rewards-based, will be addressed along with their characteristics and methods of use. Along with these methods, I will also investigate the Millennial generation in order to identify their online giving behaviors, attitudes, and values. Through the use of crowdfunding, these identifiers may be directly targeted and harnessed in attempt to build the institutions online and general donor communities.

Chapter 1: What Is Crowdfunding?

Crowdfunding can be defined as a business model in which projects raise money through numerous small donations made by several people, typically through an online platform. This method of aggregating small purposed-driving gifts into larger sums is also called “micro-giving.” This new industry has led to an explosion of opportunities for creatives, entrepreneurs, and businesses in taking their financial needs to the online crowd. While crowdfunding provides a platform for raising capital, it also serves as a measuring tool for how interested the public may be in products, projects, and services. Game developers, scientists, museums, and start-ups have all adopted this intriguing new business model to not only fund projects, but also to measure the public’s interest. In the 2012 American Alliance of Museums (AAM) *TrendsWatch*, crowdfunding was identified as a notable alternative form of museum fundraising. It states, “Crowdfunding lets people vote with their wallets for causes and businesses that align with their values ².” Crowdfunding intersects with certain key characteristics that guide individuals giving decisions and an institution’s ability to determine what causes and programs are meaningful to their stakeholders and audiences. Crowdfunding, while an immediate means to raise money, also serves many more inspiring and instrumental purposes.

² American Alliance of Museums, *TrendsWatch 2012: Museums and the Pulse of the Future*, pg. 15

In a report written by Scott Steinberg called *The Crowdfunding Bible*, Steinberg provides an in-depth analysis of what crowdfunding is, the advantages and challenges it possesses, tools on how to get your crowdfunding campaign started, and a comparison of some of the top crowdfunding platforms used today. Steinberg, evolving from a business background, addresses crowdfunding in his report from all angles but with a strong emphasis on products and technology. However, these same concepts may be directly transferred to a museum development context. He states, “crowdfunding additionally allows you to start forging early and strong relationships with committed customers, who will ultimately become your product’s top advocates³.” In the case of museum organizations, these “products” are our missions, visions, exhibitions, programs, and other services provided to the public. The “customers” or donors, serve as those who will advocate for the museum to their friends, families, peers, and social networks in spreading the word of not only the campaign but also the museum itself. Steinberg continues, “not only are customers more emotionally invested in the development process, they’re also more emotionally invested in the end result⁴.” This is a critical point in analyzing how museums may greatly benefit from the use of crowdfunding campaigns as not only a tool for raising capital but in also attracting long-term advocates to the institution.

Through crowdfunding, museums are able to tap into a new and exciting industry while cultivating and generating new potential museum advocates who invest in not only the

³ Steinberg, Scott, *The Crowdfunding Bible: How to Raise Money for any Start-Up, Video Game, or Project*, READ.ME, 2012, pg. 4

⁴ Ibid.

campaign but in the larger cause and institution. In that way, it shares some aspects of museum membership, but rather than being a “benefits” based incentive, it allows the donor to attach their dollars to a very specific cause. The benefits are about contributing to a mission that aligns with their values, that they can track and see grow, and hopefully succeed, and if they feel motivated, also share their affiliation and it’s success within their networks. This kind of social proof of success and support is not as easily shared as a generic membership. Whether it be a museum exhibition, acquisition, renovation, or event, this new donor, invested from the project conception, may be more likely to carry out their interests by attending the program or exhibition or even by becoming a member of the museum and making future contributions to the institution.

Throughout this thesis, the Millennial online donor is identified as the key participant that identifies with the inherent qualities that may help to make crowdfunding successful. This relationship is formed through the attitudes and behaviors of the Millennial generation along with the characteristics of crowdfunding and how the two compliment and identify with one another.

Types of Crowdfunding

In encompassing the full perspective of crowdfunding, it is important to discuss the different forms it takes, as well as the platforms in which it takes these forms. Before an institution begins to form the structure of the capital campaign, it is essential to

evaluate their resources in order to determine which type of platform best fits the institutions project. An organization may either:

- 1) Use an existing online crowdfunding platform (CFP) such as Kickstarter or Rocket hub or
- 2) Use its own existing website or launch a microsite to host the campaign.

In narrowing in on museums, both of these options have been successfully implemented and may be seen through various case studies. For example, the Woodland Park Zoo launched a crowdfunding campaign to raise \$100,000 in order to fund the construction of a new tiger exhibit complex in May of 2012⁵. In structuring their campaign, the Zoo utilized its own website and donation portal, along with their existing social media outlets in order to reach its already cultivated online community. The Zoo successfully raised \$115,000, exceeding their goal, and received a private matching donation of \$100,000. In using a third party donation portal the Zoo was faced with certain decisions. Rebecca Whitham, the Digital Media Manager for the Zoo, stated, “by using this platform, we were able to create a low barrier entry point for individuals to give through⁶.” However, this eliminated the capture of data from every donor as they were given the option to create a profile, but it was not required. Whitham states that this was not a crucial component of their campaign, as yes, they were interested in

⁵ Woodland Park Zoo. *Give 10 for Tigers*. May 1 to May 25, 2012.

<http://woodlandparkzblog.blogspot.com/2012/05/lets-build-tigers-new-home.html>

⁶ Whitham, Rebecca, Digital Media Manager, Woodland Park Zoo, Phone Interview, 21 October 2013.

finding out who was donating, but they were also more dedicated to tracking audience engagement through their use of email analytics and Facebook⁷.

In another case, the Museum of Food and Drink (MOFAD), a museum not yet built, launched a Kickstarter campaign in August of 2013 in aim to raise funds to support a traveling exhibit called the “Puffing Gun⁸.” Their crowdfunding campaign called for a goal of \$80,000 to cover costs of building materials, transportation, and marketing collateral for the exhibition. MOFAD reached their goal, raising over \$100,000 in just three weeks with the help of over 800 backers (donors).

While both museums approached their crowdfunding campaigns differently, their goals and messaging for the campaigns were dutifully loyal to their institutional missions. As these are just two examples, the platform options for institutions to choose from vary depending on the nature of the institution and the resources they have available, both internally and externally. In choosing one of the online crowdfunding platforms, such as Kickstarter, IndieGoGo, or FundRazr, a structured space and online existence is already provided for you. Depending on the platform, some may take a percentage of the funds earned while other platforms transfer all of the money earned to the institution.

⁷ Whitham, Rebecca, Digital Media Manager, Woodland Park Zoo, Phone Interview, 21 October 2013.

⁸ Arnold, Dave and Kim, Peter. Kickstarter. Museum of Food and Drink. *Boom! Museum of Food and Drink's Explosive First Exhibit*. June 29 to July 20, 2013.
<http://www.kickstarter.com/projects/mofad/boom-museum-of-food-and-drinks-explosive-first-exh>

Option two may better serve an organization or institution with a large and interactive “digital community” already in place. This crowd may be active on the institution’s blog, social media sites, and existing website. Launching one’s one microsite may also be more suited towards a larger institution with the available human and financial resources in place to manage and monitor this platform.

Diving deeper into the crowdfunding industry, there lie 4 types of crowdfunding models that are most recognized today:

1. Equity-Based – investors receive a stake in the company
2. Donation-Based – contributions go towards a charitable cause
3. Lending-Based – investors are repaid for their investment over time
4. Rewards-Based – investors receive a tangible item or service in return for their funds⁹

As equity and lending-based platforms are more suited to for-profit campaigns, the two that nonprofit cultural institutions are primarily interested in are donation-based and rewards-based crowdfunding. These two forms serve the nonprofit and creative side of the industry most prominently. Depending on if the institution chooses a crowdfunding platform or their own exclusive site, they will be faced with the decision of choosing

⁹ Ryan, Clare, Under the Radar, *4 Types of Crowdfunding and what this Means for the Future of Investments*, Online. 10 May 2012, [://utrconf.com/4-types-of-crowdfunding-and-what-this-means-for-the-future-of-investments/](http://utrconf.com/4-types-of-crowdfunding-and-what-this-means-for-the-future-of-investments/)

between these two models. Rewards-based crowdfunding is required of some existing online platforms. For example, Kickstarter requires that rewards, or perks, be offered to online donors when initially setting up the online campaign. Rewards may range from t-shirts and coffee mugs to exclusive invitations to special events and behind the scenes access. However, platforms such as *Causes* and *YouCaring* are donation-based sites where the institution may choose whether or not it wants to include rewards, but they are not mandatory. However, donation-based campaigns should be accompanied by follow-up information, such as thank you messages to donors and public acknowledgment of giving. While the donor may not be interested in tangible rewards in exchange for their financial gift, they are likely to respond to future campaigns if recognized for their participation in the campaign, however small that may be.

Crowdfunding Statistics

Before moving into the details of crowdfunding campaigns and the opportunities they present, it is important to digest the statistics and data that can be found on crowdfunding to date. Museums looking to crowdfund may be interested in who is participating in these campaigns, how they find out about them, how much they are donating, and why they are choosing to donate to one campaign over the other. These are very large and complex questions and due to the infancy of crowdfunding in this sector, the data is not abundant enough to answer all of them. However, we are able to look at the data behind museum fundraising, charitable giving, and the demographic

and psychographic findings behind those who are currently giving through traditional fundraising methods.

In focusing this research, we will look at data from 2011 forward, as this is when the use of crowdfunding began to take off in the arts and culture industry. In a 2011 report compiled by **Massolution**, a specialized research firm on crowdsourcing and crowdfunding, data from more than 170 crowdfunding platforms reported over \$1.5 billion raised worldwide, funding more than 1 million campaigns¹⁰. The report also goes on to show that crowdfunding is most popular in North America, representing the largest market with \$837 million funds raised¹¹. As crowdfunding continues to grow in use and popularity, so does the number of online platforms open to the public. In April 2012, there were over 450 active crowdfunding platforms around the world.

More recently, data from 2013 was collected by Massolution as the result of the distribution of the *Crowdfunding Industry Survey*. Upon receiving over 300 quality survey responses, the report was compiled in the first six weeks of 2013 producing the most complete set of data for the crowdfunding industry to date¹². The *2013 Crowdfunding Industry Report* reported a total of \$2.7 billion raised and predicts that the end of 2013 will bring \$5.1 billion funds raised throughout the entire industry. As stated previous, this thesis is focused on reward-based and donation-based

¹⁰ Empson, Rip. TechCrunch. *Crowdfunding: \$1.5B Raised, 1M Campaigns Funded in 2011; Figures Set to Double in 2012*. Online. 8 May 2012.

<http://techcrunch.com/2012/05/08/crowdfunding-state-of-the-union/>

¹¹ Ibid.

¹² Ibid.

crowdfunding models, the two most appropriate for non-profit museums and arts organizations. An 85 percent growth in giving to these two models amounting to \$1.4 billion was reported in 2013. This data is not projected to slow down in the immediate future making it a trend worth investigating.

What these numbers suggest is that crowdfunding is most certainly not a passing trend. Crowdfunding is a successful and profitable fundraising model that has exploded throughout the nonprofit and for-profit sector. A 2013 article by Forbes Magazine states, “donation based crowdfunding sites will differentiate or die¹³.” While a bold statement, it resonates with the nature of the industry. While CFPs like Kickstarter and IndieGoGo have dominated the rewards-based platforms, other sites will be forced to set themselves apart in niche markets in order to stay relevant and seen by both institutions and donors. This is an interesting and important point to note for museums. With the immense amount of information available online, it is important for institutions to be able to reach their target audience efficiently and effectively. As crowdfunding platforms distinguish themselves from one another, may it be based on industry, audience, cause, or some other factor, it is to the museum’s benefit as this will bring their campaign to the a more directed and focused arena. With this information, museums should not feel paralyzed by the mass amount of platforms out there; rather, they should chose one and develop a campaign that works to the platform’s strengths.

¹³ Caldbeck, Ryan, Forbes, *Crowdfunding Predictions for 2013*, Online, 11 December 2012, <http://www.forbes.com/sites/ryancaldbeck/2012/12/11/crowdfunding-predictions-for-2013/>

By considering past campaigns and the information available in preparing for a campaign, museums are able to make informed and sustainable decisions.

Chapter 2: Overview Of Nonprofit Giving

To connect the advantages and benefits that crowdfunding may provide to museums, we will discuss the state of the both traditional (in-person) and online nonprofit giving. Traditionally, museums have cultivated and pursued a certain kind of donor base. These have included wealthy families, individuals, philanthropic foundations, and corporations through galas, special events, other exclusive access, and public recognition opportunities. These traditional donors give large sums of money, bequests, and arranged planned giving in response to the museum's collection and mission. Examples of rewards for giving have included name recognition throughout the institution, acknowledgement in reports and online resources, member special events and discounted prices, early notification of events and programing, and privileged access to early viewings and other opportunities..

Charitable giving, according to the *Giving USA 2013* report, has grown from \$305.5 billion in 2011 to \$316.2 billion in 2012, a 3.5 percent increase¹⁴. For over 40 years, private charitable giving in the US has remained steady at around 2 percent of the Gross Domestic Product¹⁵. However, while this number remains stable, the number of nonprofit institutions and museums has grown rapidly, generating intense competition for private donations. Some museum's financial situations may be at their tipping

¹⁴ Heavey, Susan, Huffington Post, *Giving USA Report: 2012 Charitable Giving Grew Almost 4%, Corporate Donations Grew 12%*, 18 June 2013, http://www.huffingtonpost.com/2013/06/18/giving-usa-report-_n_3457244.html

¹⁵ American Alliance of Museums, *TrendsWatch 2013: Back to the Future*, pgs. 8-12

points, meaning that new donors and philanthropists are needed to bridge the gap between institutions and their growing financial need. However, these new potential donors, the online Millennials, differ tremendously from the conventional donors of the past. Millennials are the ideal potential online donor due to their similar attitudes and behaviors stemming alongside those of crowdfunding. Museums have the opportunity to converge these two areas into a successful and new way of building awareness and financial balance.

Generally, donors gave based upon relationships and opportunities that the museum pursued with them. With a great demographic shift to a focus on Millennial donors, the relationship that museums have with this generation is also experiencing significant changes. Not only are Millennial donors asking why they should give, but also how their money will be used to make a positive impact on the community and how that impact can be measured¹⁶. These demands are more complex and difficult to respond to without extensive research, evaluation, and integrated programming.

The Shift in Generations

What does this changing demographic look like? In examination of the previously stated 2 percent of charitable giving, America's wealthiest households contribute to only about

¹⁶ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013, pg. 3

3 percent of this overall percentage¹⁷. Middle class donors make up the majority of this number but the wealthiest donors contribute a larger amount of money. What this means is that while the upper class is contributing the largest single sums of money to museums, there are only a few wealthy donors contributing to the entire percentage of charitable giving. Thus, a tool like crowdfunding can help museums better connect with the larger mass of potential donors.

Another important shift is in the concentration of wealth into the hands of the Baby Boomer generation. As Baby Boomers will control \$15 trillion in the next 20 years, they are predictably less generous donors by nature due to their longer life expectancy and family situations¹⁸. Baby Boomers may keep their wealth within the family rather than donating it while they are alive. Other important demographic trends in giving are that:

- 1) Women continually outperform men in giving and
- 2) Increase in racial and ethnic diversity impacts who gives and the public impact it will have¹⁹.

Shifts in racial and ethnic diversity highlights interesting new data on Internet and social media usage. This directly correlates with the impacts on crowdfunding, as well, in terms of who is online and who is active on digital channels. In a recent study by PEW, 26 percent of black Internet users use Twitter, followed by 19 percent of

¹⁷ American Alliance of Museums, *TrendsWatch 2013: Back to the Future*, pgs. 8-12

¹⁸ Ibid.

¹⁹ Ibid.

Hispanics and 14 percent of whites²⁰. This is an increase from 2011, where only 18 percent of black users active on Twitter²¹. This increase in social media usage is the result of accessibility through the use of channels like Twitter for this minority to be heard and create their own compelling content. In terms of technology consumerism, blacks and Hispanics are also leading the way in the purchasing of smartphones and tablets²². In regards to women and their use of technology and social media, women outnumber men on their use of Instagram - 16 percent to 10 percent²³.

Crowdfunding has also opened up doors for women and African Americans that had typically been difficult to open. In struggling to secure bank loans or start-up capital, specialized crowdfunding platforms targeting women and African Americans have now made entrepreneurial initiatives more achievable for this group. In an article in the Washington Post, a senior research fellow states that, “there’s evidence that minorities face discrimination when applying for bank loans²⁴.” Sites such as **Black Startup**, a crowdfunding website geared toward the African American community, provide

²⁰ Yu, Roger, USA Today, *Minorities rush to Twitter, Instagram, Smartphones*, 14 February 2013, <http://www.usatoday.com/story/tech/2013/02/14/pew-social-media-survey/1921115/>

²¹ Ibid.

²² Ibid.

²³ Ibid.

²⁴ Overly, Stephen, The Washington Post, *Crowdfunding expands access to capital for women, minority entrepreneurs*, 7 April 2013, http://www.washingtonpost.com/business/capitalbusiness/crowdfunding-expands-access-to-capital-for-women-minority-entrepreneurs/2013/04/07/f37f2cda-9d59-11e2-a2db-efc5298a95e1_story.html

resources and connections to funders from the African American community²⁵. While users are not required to be black to use the site, many are. These recent steps to decrease barriers and discrimination may be seen through the increased use of social media and crowdfunding by both women and other underrepresented minorities.

These shifts combined account for the realization that Millennials, 20-35 year olds, are the inevitable donors of the future. In the donations accounted for in 2011, over three quarters of Millennials donated to charity²⁶. A key difference between this generation and those that have come before it is that Millennials want information on how their money will be used to make a positive impact and how it will make a difference in their community and the world. With this new direction of focus on the cause and outcome rather than the museum's mission and inherent qualities, institutions must narrow their focus and better articulate what they need and why they need it when asking for financial gifts in order to maintain these measured impacts. While museums still strive to make an impact on society for social good, this new generation of donors is demanding that this impact be at the forefront of decision-making in these institutions. Having the resources, time, and staff to produce these results for the Millennial donor may not be manageable for all institutions, especially small museums. The role that crowdfunding plays in connection with the Millennial donor may help to bridge that

²⁵ Overly, Stephen, The Washington Post, *Crowdfunding expands access to capital for women, minority entrepreneurs*, 7 April 2013, http://www.washingtonpost.com/business/capitalbusiness/crowdfunding-expands-access-to-capital-for-women-minority-entrepreneurs/2013/04/07/f37f2cda-9d59-11e2-a2db-efc5298a95e1_story.html

²⁶ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013, pg. 3

gap. Crowdfunding is uniquely positioned to respond specifically to the characteristics and demands of prospective Millennial donors by utilizing communication and social sharing tools that they already use and in their personal and professional lives.

Online Giving

To further understand the impact that crowdfunding may have on the arts and cultural sector, we are best served to look at the trends in online giving in the last two years. Many organizations and institutions, long before crowdfunding became known, have had static online donation platforms available through their websites. However, with the advent of social media and digital marketing, the opportunity to engage with online donors of all kinds has spurred great interest and research into the behaviors and motivations of those who give and don't give.

In a 2013 study done by M + R Strategic Services on the data behind online fundraising, advocacy, and social media, we see a snapshot of how these efforts are affecting nonprofit giving. The study analyzed over 1.6 billion email messages sent to over 45 million subscribers²⁷. In 2012, 6.5 million online gifts were given totaling over \$438 million²⁸. In regards to online email fundraising, data recorded 13 percent of emails

²⁷ M + R Strategic Services, *2013 eNonprofit Benchmarks Study*, 2013, <http://www.e-benchmarksstudy.com/#infographic>

²⁸ Ibid.

were opened accompanied by a 21 percent drop in response rates from 2011²⁹. While not a positive factor to note, it does provide us with an opportunity to evaluate how we approach fundraising through email. Through crowdfunding, the presentation of the email message may provide the user with a “call-to-action” response of a more focused campaign and goal. Through the use of video, images, compelling storytelling, and carefully curated content, this number may be heavily improved upon.

Another fact to report is the increase in email lists by 15 percent³⁰. Data from 2010 and 2011 also support consistent growth in this area. What this means is that while users may not be fully engaged with organizations through methods of giving, they are available to be reached if called upon. This can be particularly impactful if they are already subscribed to the institution’s digital communications channels. As a communicator in charge of messaging and distributing information, it will be imperative to engage with these users in order to heed positive results.

According to this study, online fundraising increased by 21 percent in 2012. Of this, email fundraising accounts for 33 percent of all online giving³¹. A topic that we will discuss later is the application of monthly giving programs. In 2012, these programs

²⁹ M + R Strategic Services, *2013 eNonprofit Benchmarks Study: Infographic*, 2013, <http://www.e-benchmarksstudy.com/#infographic>

³⁰ M + R Strategic Services, *2013 eNonprofit Benchmarks Study*, 2013, pg. 5

³¹ Ibid, pg. 18

saw an increase of 43 percent in revenue with an average reoccurring gift of \$19³². The average amount given at one-time averaged to \$60³³.

To address social media growth found through this data set, a median increase of 46 percent in Facebook fans occurred in 2012, while Twitter audiences increased by a dramatic 264 percent in the last year³⁴. However, it is noted that while Twitter continues to grow in significant numbers, Facebook remains the most consistent and largest social media presence for most nonprofits. In regards to content used to drive peer-to-peer sharing and clicks to other websites, the use of photos was best received for user engagement – likes, shares, comments. These photos, however, were not seen to be effective for generating traffic to other webpages beyond Facebook. Driving traffic is most effect with link and share posts³⁵. These behaviors suggest that when generating content for social media and email outlets, organizations must first determine their goals, whether they are stemmed to encourage audience engagement or to drive users to take action or support a cause to an outside link or website.

In another study done by Georgetown University's Center for Social Impact Communication and Waggener Edstrom Worldwide in 2013, a survey of over 2,000 individuals was completed addressing perceptions, behaviors, and motivations for

³² M + R Strategic Services, *2013 eNonprofit Benchmarks Study*, 2013, pg. 23

³³ Ibid, pg. 23

³⁴ Ibid, pg. 28

³⁵ Ibid, pg. 25

cause support among digitally engaged American adults³⁶. The adults recorded were those that had been on or off-line supporters of a charity or cause in the last 12 months. They were qualified as “moderate social media users” and followed at least one organization on social media. The report demonstrates how social media users interact with causes online, why they share causes with their friends and family, and the online skepticism that may sometimes threaten online users from becoming more involved in a cause.

The most interesting and relevant points from this study was in the categorization of online users into their demographic frame, information on what causes they support and how, and advice on ways to further engage with this online user. Out of the four main categories of users, the one that most pertains to both crowdfunding and nonprofit giving is the “Maximizer³⁷.” This group represented only 17 percent of survey respondents, however they were the most influential and active on social media. This group may also be characterized as the Millennial online donor as their averages ages co-resided with those of this generation – 18 to 43 year olds, the highest educated with over 50 percent possessing a 4 year degree and 19 percent with post-graduate or a professional degree³⁸. This group was the most connected to technology via smartphone and tablet use. They support an average of 12 causes, both locally and globally, and learn about these causes from social media (72 percent) and online news

³⁶ Georgetown University, Waggener Edstrom, *Digital Persuasion: How Social Media Motivates Action and Drives Support for Causes*, 2013, pg. 3

³⁷ Ibid, pg. 29

³⁸ Ibid, pg. 30

sites (47 percent)³⁹. In further engaging with his demographic, they crave creative and meaningful content and stories related to the organization and the cause. They also thrive on being encouraged as influencers, as 85 percent report having influence over their friends and family⁴⁰. It is also crucial to engage with this group through consistent information among all digital outlets, using video and visual representation to support your cause, and to reach out and recognize them for the role they have in contributing to the cause or organization.

What all these reports and studies have in common is that they recognize and identify key online giving platforms and the audiences and respondents that are actively engaged and contributing to them. This information may help to guide museums and other nonprofit institutions in the support of their crowdfunding campaign. This information also highlights the features and opportunities that crowdfunding presents, such as its inherent online status, its responsiveness to social media use, and its adaptive nature to whatever the institutions cause or campaign may be. This chapter is meant to support the use of online giving as not a standard or static link on an institution's website, but as an engaging and dynamic process of informing the online user through the outlets and channels that they best respond to.

³⁹ Georgetown University, Waggener Edstrom, *Digital Persuasion: How Social Media Motivates Action and Drives Support for Causes*, 2013, pg. 30

⁴⁰ Ibid, pg. 31

Chapter 3: The Young Online Donor

What does the Millennial Generation look like?

Now that we have touched on the industry of crowdfunding and the shift in museum donor demographics, we may now begin to discuss the way in which these two things intersect: the online Millennial donor. This has become an increasingly popular term and subject when looking at giving trends throughout charitable giving, as well as crowdfunding.

Through a study done by the PEW Research Center in 2010, a comprehensive look into the Millennial generation was compiled. This report not only discusses the attitudes, trends, and beliefs of the Millennial generation, but also how they compare, both similarly and differently to the generations that have come before it: the Silent generation, Baby Boomers, and Generation X. In understanding that Millennials, roughly 20-30 year olds in this PEW study, are still experiencing many important life stages, these characteristics collected are variable and may change as the generation matures. However, it is still beneficial and valuable in understanding this generation and how it currently thinks and behaves.

In providing an overview, Millennials are those born in the early 1980s to the early 1990s. According to PEW, they are, “more ethnically and racially diverse than older adults. They’re less religious, less likely to have served in the military, and are on track

to become the most educated generation in American history⁴¹.” In examining this generation’s diverse ethnicities, the white population has receded from 70 percent in older generations to 61 percent in Millennials. Congruently, Hispanics account for 19 percent of the Millennial population, while African Americans make up 14 percent⁴².

In concurrence with crowdfunding and its online nature, Millennials are the first “always connected” generation⁴³. Born into a world of Internet, computers, and hand-held devices, more than 75 percent of Millennials have an online social networking profile⁴⁴. Compared to other generations, the second closest is Generation X with half of the population admitting to an online profile⁴⁵. Millennials are socially active participants in the online world and within their online communities. This transfers into an essential component in their value as a potential crowdfunding donor. As Millennials are already online and aware of their virtual surroundings, museums are in a better position to reach and connect with them in a form of communication that they are comfortable with and knowledgeable about.

Other psychographic insights into the Millennial generation are that they are the least religious generation in modern times, they place parenthood and marriage over career and financial success, they get along well with their parents, respect their elders, and

⁴¹ Pew Research Center, *Millennials: A Portrait of Generation Next*, Released February 2010, pg. 1

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Ibid.

are the most likely of all of the generations to self-identify as liberals⁴⁶. Due to the 2008 recession, 37 percent of Millennials are unemployed⁴⁷. In part by the lack of jobs available, Millennials are enrolling in post-secondary school in efforts to elevate their employment situations. In result, Millennials may become the most educated generation in America.

In responding to the survey question as to what makes the Millennial generation unique, 24 percent noted their use of technology as the distinctive reason. However, Millennials are not the only generation to do so with Generation X also responding at 12 percent. This number is not only due to the availability and boom in technological advances throughout the Millennial's life, but also the way in which this generation associates and adopts these trends. Millennials are connected to their devices, whether it be through mobile, tablet, or laptop use. The opportunity to reach the Millennial generation through technology is the greatest resource to be identified.

Arts Participation

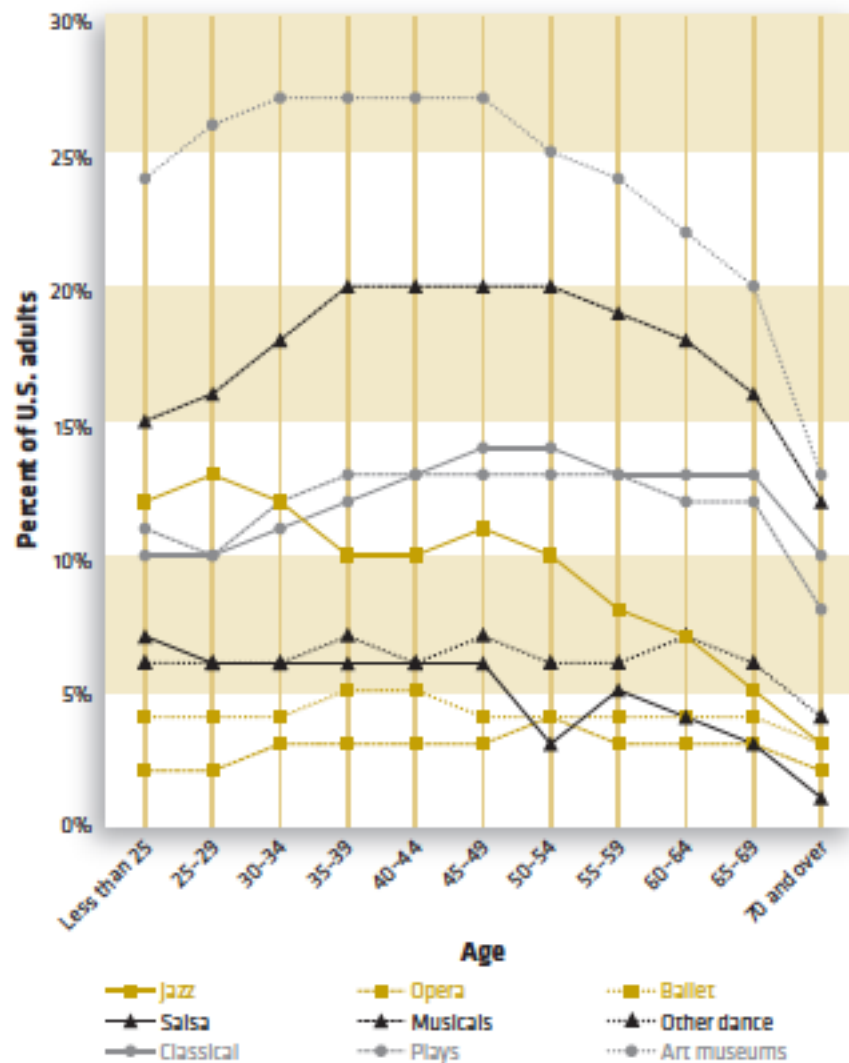
In diving further into the Millennial generation's relationship with arts and cultural institutions, a study done by the NEA based on the 2008 Survey of Public Participation in the Arts (PPA) reports on the trends and behaviors of adults (over 18) in the United States. While this encompasses the generations previous of the Millennials, it gives a

⁴⁶ Pew Research Center, *Millennials: A Portrait of Generation Next*, Released February 2010, pg. 2

⁴⁷ Ibid.

broad overview of the rate of participation in 2008. For example, in 2008, 23 percent of adults reported to having attended at least one event at an art museum in the calendar year. The chart below represents the percent of US adults who attended different types of events from 1982 to 2008⁴⁸.

Percent of U.S. adults who attended different types of events, by age, 1982–2008



In

regards to

more

⁴⁸ National Endowment of the Arts, *Age and arts participation: A case against demographic destiny*, Released February 2011, pg. 36

recent data, another report compiled by the NEA tracks the attendance of adults in their activities in the last 12 months (2011). Of this data, 39 percent of adults attended a visual arts event or activity, while 21 percent specifically visited an art museum or gallery⁴⁹. Further yet, 37 percent of adults attended a live performing arts event, these including arts festivals, musical or non-musical plays, music performances, dance, and opera⁵⁰. A significant change in museum attendance from the 2008 survey to the 2012 survey is the decline in museum visits by young adults (Millennials) and for those age 33-44 by 8 percent⁵¹. In looking at Millennials directly, 18 percent of adult's ages 18-24 and 22 percent of those between 25-34 visited an art museum or gallery in 2012⁵². These numbers are down from that of 2008, with 23 percent and 24 percent of adults respectively visiting arts organizations. However, this data does highlight the demographics of participation in arts and cultural organizations currently in the United States.

Giving Trends Among Millennials

While not all online donors are young adults, the most compatible audience to giving online is Millennials. The *Millennial Impact Report*, a survey done by **Achieve Guidance** in 2013, collected data from over 2,600 young donors on their attitudes, behaviors, and

⁴⁹ National Endowment of the Arts, *How a Nation Engages with Art: Highlights from the 2012 Survey of Public Participation in the Arts*, NEA Research Report #57, September 2013, pg. 10

⁵⁰ Ibid.

⁵¹ Ibid, pg. 20

⁵² Ibid.

perspectives on online giving. Of the survey respondents, 82 percent made a financial donation to a nonprofit in 2012⁵³.

Since 2009, the *Millennial Impact Report* has contributed to the trends and data that represents the over 70 million individuals in the Millennial generation, along with their behavior and interest in nonprofit giving. The report is compiled from an online survey distributed to Millennials from February 2013 – March 2013 for approximately 45 days. Surveys were distributed through Achieve and its 14 research partners. The study has defined Millennials as individuals born between the years 1979 and 1994, thus widening the age brackets used in the previously mentioned PEW report. In approaching this generation, five emergent trends have been recorded on the basis of study⁵⁴:

1. Millennials prefer to connect via technology
2. Millennials share in micro ways
3. Millennials facilitate peer influence
4. Millennials volunteer along a continuum of support
5. Millennials give to have an impact

1. Millennials prefer to connect via technology. This is a key component of this thesis in the correlation between crowdfunding and the Millennial online donor. This generation

⁵³ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013, pg. 9

⁵⁴ Ibid, pg. 3

uses the Internet to research, gather information, learn about organizations and nonprofits that they are interested in, and to participate in online giving. This trend also highlights that Millennials rely on email and social media in order to stay connected and informed on issues and organizations that they are following. It is important that this group have instant and comprehensive access through their virtual outlets.

2. Millennials share in micro ways. Due to the nature of the Millennials' busy schedules and attitudes, they are most often basing decisions off of impulse leading them to make small donations to campaigns that trigger their interest and intrinsic motivations. This also means that they may donate more frequently and to several campaigns at any given time. It is important for this generation to be able to make quick decisions with few barriers and with a low level of commitment. This also translates into their willingness to volunteer with an organization. The individual may commit their time for a few days or for a few hours to a campaign or event that is happening close to them or in an area that interests their lifestyle.

3. Millennials facilitate peer influence. Peer influence has been an overriding factor in the way Millennials behave, give, interact, connect, learn, and engage. Peer influence is not only trusted, but also looked upon for guidance and information. This generation will also call upon their peers and close acquaintances for involvement in campaigns or events that they care about. This is important for institutions to acknowledge in their work to cultivate this generation. If there is little peer engagement in a drive for

donations or involvement, it is unlikely that Millennials will trust or hear about the cause.

4. Millennials volunteer along a continuum of support. This trend is one of the most influential in providing institutions the opportunity for long-term donor cultivation. By providing low-commitment volunteer opportunities for Millennials, for example a 3-hour shift during an event the person is interested in, they are more likely to participate and engage with the organization. The report states that when this generation forms long-term volunteer positions with nonprofits, they are more likely to give larger amounts, as well as encourage their peers, friends, and families to become involved and give, too⁵⁵. In structuring opportunities around these behaviors, museums may be able to cultivate Millennial donors into volunteers and long-term museum advocates.

5. Millennials give to have an impact. This is one of the driving factors in engaging this generation with your nonprofit's program or campaign. This demographic consistently looks to see how their money is spent for social good. Along with being told how their money will be used, they also want to see real results and the impact their gift will make. This may come in the form of images, videos, or stories about how a previous campaign turned out.

⁵⁵ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013, pg. 3

Why They Give

Through analyzing the data and results from the survey responses, the top takeaway recognized by the *Millennial Impact Report* was that Millennials “support causes they are passionate about, rather than the institutions⁵⁶.” This attitude is essential for nonprofit institutions to understand and respond to as it is their responsibility to engage this generation with their program or campaign, making it not only relevant to them but also communicating the impact that they are able to have through a financial donation. It is also important to address how this relates to crowdfunding and its fundamental value.

If a nonprofit is to utilize crowdfunding to its maximum capability, it is important that they base their campaign on not only a monetary value but also a comprehensive goal that the money will go towards. While nonprofits have run successful campaigns to support operating costs and other passive expenses, some of the most successful campaigns stem from a tangible goal that the institution brings forth. This goal may be the construction of an exhibit, the purchase of an object, or, on a much larger scale, the saving of a piece of land for the future site of a museum. These campaigns are able to lay out, step by step, how the donor’s money will be used and what they can expect after they donate. The donor is then able to check on the status of the project that they have donated to and, hopefully, will attend or visit the institution’s new exhibit, building, or

⁵⁶ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013, pg. 5

event that their donation contributed to. Campaigns may even allow the donor to see first-hand how their gift is being used along the way, such as a special event or preview of the project. For example, the Woodland Park Zoo campaign allowed for donors to visit the construction site of the new tiger exhibit while it was being created. These campaigns are all based on a cause or problem. The museum is looking to the online donor for contributions in helping them solve this problem, but the cause must be worthy of the Millennial's financial gift.

It is also essential to understand that Millennials, in sharing information about the nonprofit's campaign, will share the cause rather than the institution itself⁵⁷. This shift from organization-based support to project-based support is a new and interesting development that institutions may have to address when marketing and distributing information about the campaign. Depending on how the institution relays its campaign, whether it be via their own website or through a CFP, the way in which Millennial donors interact with the institution's online presence is a significant factor in their level of engagement and in their further involvement with the institution. The Millennial donor will likely first look to the institution's campaign, and before making a contribution, visit the institution's main website to further learn about their goals and relationship within the community. If deciding to support the nonprofit, the donor will then rely on the nonprofit's social media outlets to receive updates and information on the status of the campaign. If this online experience is fully functional and dynamic

⁵⁷ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013, pg. 5

for the donor, there is a likely to be a greater chance of conversion and long-term engagement in the future⁵⁸. Therefore, it is important not only that the nonprofit has clear goals outlined in their campaign platform, but that this information is cohesively integrated throughout the institution's website, social media outlets, and other digital media.

How They Give

In regards to direct donation requests to Millennials, they are more likely to engage and respond when their online media outlets (email and social networking) are targeted opposed to telemarketing⁵⁹. Further yet, 65 percent say that they receive email or newsletters from 1 to 5 nonprofits that they engage with or are interested in⁶⁰. Through social media alone, 49 percent of respondents follow 1 to 5 nonprofits through their individual online channels. Of the survey respondents, more than half, (65 percent) preferred when nonprofits shared success stories and projects that they were apart of⁶¹. This relates back to the Millennial's interest in making a contribution based on a cause. In regards to social media, three-quarters of Millennials shared or liked posts by nonprofits, while almost half (45 percent) followed through with a financial gift⁶². This information provides us with a glimpse of how institutions engage the Millennial

⁵⁸ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013, pg. 5

⁵⁹ Ibid, pg. 7

⁶⁰ Ibid.

⁶¹ Ibid, pg. 13

⁶² Ibid.

audience. While it is not enough to just have an online presence, as there are other factors that lead to a Millennial financial gift, it does provide nonprofits an opportunity to present their information as quickly and efficiently as possible in order to testify as to why they are worthy of support. The report provides an influential and comprehensive summary of what this information means to nonprofits:

Millennials value authenticity, variety, and actionable information. True community management goes beyond scheduling updates and monitoring retweets; it creates an honest, friendly environment where followers are treated not as ATM machines, but as collaborators⁶³.

The report also found that 52 percent of respondents said that they would be interested in a monthly giving structure⁶⁴. This finding provides nonprofits the opportunity to approach this donor with a new method of fundraising altogether, allowing for smaller contributions along the way but with a more regular and committed schedule of giving. Another interesting trend in the way Millennials view ways of giving is the movement to request donations rather than gifts from friends, family, and peers for events and other traditional times of gift giving. This form of peer fundraising may lead to a drive in advocacy for an institution's fundraising campaign as the individuals that are passionate about the campaign distribute information while engaging with their close peers and social networks. Peer networking and sharing is an integrated component of a successful crowdfunding campaign.

⁶³ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013, pg. 14

⁶⁴ Ibid, pg. 6

Chapter 4: How Crowdfunding Relates

In further relating the *Millennial Impact Report's* findings to the use of crowdfunding in cultivating this demographic, the key component of getting on the Millennial's radar is in the institution's messaging. While we know that Millennials are connected to institutions through the many online channels that are available, whether it be social media, the institution's website, the crowdfunding platform, or email, the most important component of all of these tactics is the message that is pushed out. If it is not relevant, creative, engaging, and inspiring, the Millennial will pass it by with the thousands of other messages that pop-up on their online channels everyday. The most successful message will inspire the Millennial to share it with their peers and to actively contribute to it⁶⁵. In short, inspiring messages promote social sharing and in turn, financial sharing.

Social Media

In applying crowdfunding to an institution's cause, social media is a vital element to creating a successful campaign. The institution is responsible for not only coming up with a meaningful, impactful, and diverse cause, but in also relaying this information to its audience and donors through its online media channels. Social media provides the institution moments to develop and share rich and engaging stories with its followers.

⁶⁵ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013, pg. 10

In doing so, Millennials not only want to know their role in contributing to the cause, but also how the institution fits in with the greater issue and the larger goal. In acknowledging this, institutions appear more selfless and interested in the greater public good.

Email

Traditional email blasts and newsletters are still important mediums for keeping constituents up to date with current information. As part of the Millennial donors online channels, they look to emails and newsletters from the organizations they follow for a calendar of upcoming events, shorter updates with links to more information, and success stories shared by the organization⁶⁶. Email is a personal and direct link to the individual. It provides institutions the opportunity to engage with the reader in a one-on-one level rather than on their social media outlets where there is opportunity for distraction and competition. However, it is important to provide quick, to the point information that keeps the individual interested and responsive. But be cautious, Millennials reported (71.5 percent) that they became disinterested and annoyed when nonprofits emailed too frequently, bombarding their inbox⁶⁷. Along with engaging the donor in the act of contributing, providing follow-up information and sharing the institutions progress will help to keep the Millennial interested and a potential reoccurring contributor.

⁶⁶ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013, pg. 16

⁶⁷ Ibid.

Website

A resource often neglected by nonprofits is their ability to communicate information through their own website. An institution's website serves as their most comprehensive and integrated platform for information. It provides Millennials a more in depth look at the institution, their mission, and their message. Rather than searching through Facebook or Twitter for the institution's information, Millennials primary action is likely to be visiting the institution's website first. From there they may connect to their social media, as well as the donation sites. It is important that this information is clear, up front, and up to date. If currently running a crowdfunding campaign, this information should be at the forefront of the institution's website. Whether the institution hosts their crowdfunding campaign through a CFP like Kickstarter or through their own site, if it is hidden or takes too many steps to reach the donation portal, Millennial donors may become disinterested in giving.

While we have discussed the importance of the campaign message, how the message is presented is also equally important. Visual representation, videos, images, and unique content is crucial in engaging Millennial donors. Respondents of this report stated that they appreciated when nonprofits used images and videos across their websites, emails, and social media⁶⁸. This visual content is attractive as a real and tangible representation of the institution's dedication to its mission and for the success of their cause. Relevant,

⁶⁸ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013, pg. 20

high-quality, and engaging media is more likely to be shared through peer-to-peer engagement and to evoke a response from this user.

Getting Millennials involved

The second part to this thesis is the goal of nonprofits to cultivate and engage Millennials into becoming an advocate and active participant within the institution. Why would Millennials be interested in getting involved? For the same reason that they donate to certain causes. Millennials want to not only give to causes they believe in, but they also want to be involved in causes that they believe in. In 2012, 73 percent of Millennials reported that they volunteered for a nonprofit⁶⁹. These respondents were motivated either by their passion for the cause or because they believed they could make an impact themselves. The top three reasons for getting involved with a nonprofit were⁷⁰:

1. To support activism (79%)
2. To meet people through a young nonprofit professional group (56%)
3. To gain ongoing leadership and expertise (46%)

In taking the vantage of the nonprofit, the cause may be the institution's mission, their programming, or an event or exhibit that they are working to fund. These causes, however, must be clear, concise, and relevant to not only the institution but to the

⁶⁹ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013,, pg. 22

⁷⁰ Ibid, pg. 8

larger audience and the Millennial. One statement suggests, “this generation wants to support a cause, help other people, and become part of a community that’s equally excited and eager to make a difference⁷¹.” Through crowdfunding, the institution provides the Millennial not only with an opportunity to give but also with an opportunity to stay involved through other ways, such as volunteering and advocating.

There are several factors for nonprofits to be aware of when looking to engage this demographic. Millennials reported that they were most often disappointed when they did not have enough to do when volunteering and when they did not know precisely what they would be doing when volunteering⁷². Almost half of respondents would rather have the opportunity to complete training online if available⁷³. It is fair to say that Millennials value their time equally as much as their financial contributions. Nonprofits may shape their volunteer options for Millennials according to these attitudes. By creating more productive and gratifying opportunities as well as sharing outcomes of their volunteering activities, this demographic may be more likely to return to the nonprofit and commit more time to the institution. In squashing any stereotypes that may hang over Millennials, they reported that their highest motivation to get involved was because they were passionate about the cause; they reported the least that it was because of a reward or prize⁷⁴. Millennials also report that they are

⁷¹ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013, pg. 22

⁷² Ibid.

⁷³ Ibid, pg. 23

⁷⁴ Ibid, pg. 24

more interested in volunteering if there is an opportunity for professional networking and experience.

An even more paramount finding to address is the Millennial's interest in "ongoing leadership," or their desire for more rooted involvement in the institution. In approaching this demographic for not only funding, but also for their time and commitment, 30 percent of respondents reported that they were interested in pathways for them to join an organizations board or advisory committee⁷⁵. This is a significant number and it conveys that Millennials are willing to dedicate not only financial resources but also their time in the advancement of their involvement in the institution. In looking towards the future, it is important for institutions to be thinking of the next generation of donors, board members, organizational leaders, and institutional advocates. This long-term cultivation will help to create a more sustainable way of functioning, both financially and structurally.

In composing your institution's crowdfunding campaign, it is beneficial to take these attitudes into account, especially for a rewards-based campaign. When targeting Millennials for financial donations, their motivations for not only contributing to a campaign due to a cause but also involvement may determine their willingness to give. Rather than giving away a t-shirt or free tickets for donating, offering professional

⁷⁵ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013, pg. 24

development, networking nights, or other opportunities, may help the institution gain not only a donor but also a long-term participant in the institution's programming.

Long-Term Giving Goals

In launching a crowdfunding campaign, an institution may have short-term goals or long-term goals in regards to how the donations will be used and implemented. These goals may be also supplemented with the long-term cultivation of Millennial donors through small periods of giving. As this demographic is significantly younger than the traditional 60+ year old donors, they may or may not yet be financially stable to commit large amounts of money to the cause. However, that does not mean that they will not follow the cause and contribute along the way when they are able to. These donors are actively engaging with causes that they are passionate about through any instance that is available to them. Engaging with this demographic in whatever means possible is going to provide long-term benefits to both the institution and the donor. The Millennial is unlikely to become disinterested in a cause simply because they cannot afford to give large amounts of money to it.

The simplicity and strength of crowdfunding is that it entails short strategic periods of fundraising that conjure excitement, hype, and attention to the institution's purpose. These short stints of time provide the Millennial donor with a deadline and dollar amount that they may successfully account for financially. It also appeals to the Millennial's dislike of commitment or long-term subscription. While long-term goals

include cultivating the Millennial into a member of the institution, a board member, or a wealthy patron, beginning this cultivation process through crowdfunding allows the individual the time to gain financial stability while still being involved, contributing, and feeling connected to the institution and the cause. In bypassing this generation completely, it may be difficult to reach them again when they are more financially stable and have already been targeted by other nonprofit institutions.

One way to begin this cultivation process through crowdfunding is by providing these donors with a range of giving options that may better meet their situation. In providing benchmark amounts the institution is also able to show where their donation is going and how it will make an impact in the cause and the campaign. Of survey respondents, 84 percent want to or gave online to a nonprofit in 2012⁷⁶. As crowdfunding is an online-based fundraising model, this data wholly supports the relationship between crowdfunding and the Millennial donor.

Another opportunity that is present in the crowdfunding model is the concept of gift matching. The third highest reason as to why Millennials wanted to give was because they were assured that their gift would be matched by another source⁷⁷. In a number of successful crowdfunding campaigns, such as the Woodland Park Zoo, their goal was successfully reached along with a committed matching contribution set out in the beginning of the campaign.

⁷⁶ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013, pg. 28

⁷⁷ Ibid.

It is understood that the majority of Millennials cannot afford to give large sums of money at this point in their lives; most give under \$100 at one time (63 percent)⁷⁸. However, due to the behavior and attitudes of this demographic in their online behavior (sharing and peer advocating), institutions are able to tap into a new and thriving market that self-advocates for the institution's cause without much help from the institution itself. By providing the facts, the message, the resources, and the opportunity, Millennials drive their own advertising and marketing efforts for the institution. This in turn, takes the \$50 donation by one individual and multiplies it through peer-to-peer engagement and the Millennial's own social network.

To recap, through crowdfunding, nonprofits are able to approach the Millennial donor through a channel that is understood and comfortable to them. They are also more inclined to give to a worthy cause, rather than a worthy organization. Messaging and follow-up are extremely important in achieving not only one-time gifts, but also repeat donations. Millennials are not interested in donating and then wiping their hands of an institution or cause; they like to see how their money is being used and who it is impacting. The need for institutions to be transparent and open with this information is vital to the success and sustainability in keeping this demographics' trust and interest.

⁷⁸ Achieve Guidance, *The 2013 Millennial Impact Report*, The Millennial Impact Research, 2013, pg. 28

Chapter 5: Structuring Your Crowdfunding Campaign

In analyzing traditional institutional donating sites, the most common ones are those with no image, no message, and no information on how the money will be used or distributed.

Please complete the following information. When you are finished, click Continue to enter your donation.

* Denotes Required Information

Registration Information	
Title	<input type="text"/>
First Name	<input type="text"/>
Last Name*	<input type="text"/>
Address*	<input type="text"/>
City, State ZIP*	<input type="text"/> <input type="text"/> <input type="text"/>
Country*	<input type="text" value="United States"/>
Phone	<input type="text"/>
Fax	<input type="text"/>
Email*	<input type="text"/>
<input checked="" type="checkbox"/> I wish to receive future email correspondence.	
<input type="checkbox"/> I prefer to make my donations anonymously.	

This method is unattractive with Millennial donors. Whether it be due to the institution's lack of fluidity in their own online platform or the shortage of digital content, we have stated in the previous chapter the Millennial's interest in visual representation. Crowdfunding provides the institution the opportunity to provide images, video, intriguing content, updates, and goals. This information is not only more relevant to the donor, but also more engaging and leverages an amount of trust between the online donor and the institution. No matter how the funds will be used – whether it be for marketing materials, blueprints, exhibition construction, or to keep the lights on – if your institution presents this information up front and with a directed message or purpose, the Millennial donor is more likely to respond. The next few

paragraphs will outline specific points and models that may help to target and attract the Millennial online donor through crowdfunding.

Projects and Goals

In committing to your crowdfunding campaign, a strong and structured plan must be in place before getting the crowd involved. As there are no guidelines or restrictions on the amount of money you may ask for or even where that money must go to, the strongest campaigns have a definite and detailed outline of how the funds will be used.

Case Study: “Let’s Build a Goddam Tesla Museum”

One valuable case study is of a crowdfunding campaign that was hosted through IndieGoGo. Called, “Let’s Build a Goddam Tesla Museum,” the campaign stated it’s primary mission to “raise money to buy back Nikola Tesla’s old laboratory, known as the Wardenclyffe Tower, and eventually turn it into a museum⁷⁹.” The campaign goal was set at \$850,000 with a campaign run time from August 15, 2012 until September 29, 2012. The campaign raised over \$1.3 million with the help of over 33,000 funders. This monumental campaign is not the average crowdfunding example. However, in their success, it is crucial to decipher just what made their campaign successful for those interested in developing their own crowdfunding model.

⁷⁹ IndieGoGo, *Let’s Build a Goddam Tesla Museum*, 15 August 2012 to 29 September 2012, <http://www.indiegogo.com/projects/let-s-build-a-goddamn-tesla-museum--5>

First, the organization benefiting from this campaign was a registered 501(c) 3 non-profit called the Tesla Science Center. The goal amount was justifiably explained through the description of the property cost, \$1.6 million, and an arrangement with the State of New York to match the goal amount if the funds were raised. This put the institution's financial need at \$1.7 million. While a large sum of money and a hefty goal to reach, the campaign message states that this money will NOT be enough to build a museum, but it would be enough to secure the property and to register it as a historical site, forever protecting its integrity. This relates back to the *Millennial Impact Report* and its emphasis on transparency. In stating the situation as clearly and honestly as possible, the Tesla Science Center did not obscure or digress from the true destination of the funds raised through the campaign. Preserving the land for the future site of the Tesla Museum was a worthy and immediate cause, and the campaign stressed and emphasized the imperativeness and value in the success of their campaign.

A second key point to the success of the "Let's Build a Goddamn Tesla Museum" campaign was the press and notoriety that the campaign got via blogs, news, and arts and cultural sources, including Wired, TechCrunch, BuzzFeed, Museum Geek, and NPR. An uncommon but worthy mention to this campaign was that the IndieGoGo campaign, as well as blog feature, was all due to one individual. Matthew Inman, the creator and writer for the website *The Oatmeal*, partnered with the Tesla Science Center to launch the crowdfunding campaign. Inman, a comic artist, had the resources and online community built to lead the charge for this ambitious campaign. A Tesla fan and science geek himself, Inman created a Nikola Tesla comic earlier in 2012, leading to a large

online Tesla fan base on his website⁸⁰. In hearing about the real estate deal in August of 2012, he was more than happy to connect his online fan base and the Science Center's crowdfunding campaign based on a common interest of science and humor. Engaging with not only donors but also key influential supporters is essential to provide your crowdfunding campaign with solid and authentic footing.

Creating a Marketing Strategy

Once a justifiable goal and cause has been determined, a marketing strategy designed specifically to your the crowdfunding campaign should be created. This strategy should take into account the length of the campaign, the resources available and popular to the institution, and the audience that the campaign can and hopes to reach. In the successful Kickstarter campaign run by Pizza Brain, or maybe better characterized as a "museum start-up," the connection that food holds between people became a crucial component to the success of their campaign. Brian Dwyer, co-founder and creator of Pizza Brain, stated, "provide content that your donor can understand and connect with. Pool your resources to present the best possible project that you can⁸¹." And most importantly, Dwyer goes on to say, "don't seem desperate – just tell your story. It is assumed that you're asking for money because you're on a site like Kickstarter. People

⁸⁰ Lichtman, Flora, NPR, *How One Guy Raised \$1.3 million for a Tesla Museum*, 19 October 2012, <http://www.npr.org/2012/10/19/163245530/how-one-guy-raised-1-3-million-for-a-tesla-museum>

⁸¹ Dwyer, Brian, Co-owner and Founder, Pizza Brain, Interview, 30 August 2013.

will recognize and give⁸².” These are important pieces of advise to consider. Each institution has it’s own unique and compelling story. Through crowdfunding, audiences are able to specifically respond to the needs and missions that these stories surround.

As we have discussed earlier, Millennials are best reached through email and social media. As each institution’s campaign will be unique based on the cause, resources, and messaging – there is no static set of guidelines or rules to guarantee a successful campaign. However, there are questions that each institution may ask itself in regards to their campaign that reflect pervasive best practices⁸³:

- What marketing, PR, and advertising resources are available to be utilized to promote the project, and more specifically, the campaign?
- What modes – online/print/social media – would be most effective?
- What media attention is the project able to attract that the museum controls?
- How often should the museum be reaching out to its audience throughout the campaign?
- How is the museum best able to manage its assets? I.e. HootSuite, campaign manager, etc.
- Are there key individuals that the museum may contact to be “spokespeople” for the cause? I.e. famous individuals, thought leaders, etc.

⁸² Dwyer, Brian, Co-owner and Founder, Pizza Brain, Interview, 30 August 2013.

⁸³ Steinberg, Scott, *The Crowdfunding Bible: How to Raise Money for any Start-Up, Video Game, or Project*, Pgs. 16-17

- What visual resources (film, photography) are available to be integrated into the messaging of the campaign?

These questions may be seen as just a base for the institution to use in launching their own exclusive marketing strategy. Dwyer states, “It’s all about your resources. As a film school dropout, we had the skills and resources to make really compelling videos in order to tell our story⁸⁴.” In engaging with their audience this way, Pizza Brain was able to create an exciting buzz and generate free press, leading to international recognition and coverage. Dwyer advises that the best resource is your story, and by representing that story in a fluid and engaging way, donors are more likely to respond and share with their peers⁸⁵. In this way, storytelling and sharing becomes the crux of the project.

Benchmarks and Costs

The last stage of preparation before launching your crowdfunding project is to assess the costs of the campaign. These costs should be soundly built into the overall goal of the campaign. If offering rewards, their costs and costs of postage, shipping, and preparation time should also be taken under consideration. Once these have been addressed and accounted for, the institution will be able to set pledge levels or benchmarks for online donors to help guide their giving decisions. In appealing to the online Millennial donor, a structured and comprehensive strategy is best in laying out

⁸⁴ Dwyer, Brian, Co-owner and Founder: Pizza Brain, Phone Interview, 30 August 2013.

⁸⁵ Ibid.

these numbers.⁸⁶ Rather than providing an open-ended request for donations, supply the online donor with dollar amounts and expand on how these dollar amounts may transfer into the funding of the campaign.

A potentially successful approach may be to distinguish what X amount of money will go towards or how much money it will take to get X. For example, the *Save the Bomber Plant* campaign, hosted on Network for Good, provides the online donor with a dollar amount in comparison to how many square feet it will save: \$50 will save one square foot, \$100 will save two square feet, and so on. Another example of this benchmark strategy was used by the Smithsonian's Freer Sackler museum campaign for the exhibit, *Yoga: The Art of Transformation*. Donating the amount of \$25 designates "Serenity: Help to create tranquil galleries⁸⁷," giving \$65 allots for "Power: Bring yoga classes to the museum⁸⁸," and so on. In interweaving the theme of yoga throughout not only the campaign message but also the donation amounts, the Smithsonian created a cohesive and one-of-a-kind experience to their crowdfunding campaign. This repetition of thematic content may provide the online donor with a positive trigger when hearing or thinking about the campaign and the institution. This Smithsonian campaign went on to surpass their original goal of \$125,000 with final total of \$129,000.

⁸⁶ Razoo, *Together We're One*. Smithsonian's Freer Sackler Museum, <http://www.razoo.com/story/Smithsonians-Freer-Sackler>

⁸⁷ Ibid.

⁸⁸ Ibid.

While there are many more decisions and steps to be made before launching one's own crowdfunding campaign, the steps previously mentioned are some of the most integral in targeting the Millennial online audience. These are critical components to campaigns that have not only been successful, but that also attend to the beliefs, impressions, and reactions that Millennials bring to their attitudes to online giving. In abiding by these strategies while approaching your crowdfunding campaign through institutional eyes, an informed and conscious direction may be taken in not only reaching your funding goal, but also in cultivating a new influential donor generation.

Chapter 6: After Crowdfunding

Throughout this thesis, we have discussed the most valuable information in structuring a museum crowdfunding campaign. Specifically, we have identified the Millennial generation as one of the most active and engaged users online and an audience important for institutions to engage and pursue in their fundraising efforts. However, there are several other important considerations to acknowledge when preparing for a crowdfunding campaign. Along with any other fundraising drive, the need for both human capital and institutional support is crucial to the success of the campaign. In not only keeping the institution's online platforms updated and functional, if the campaign is offering any rewards or benefits to donors, those costs and resources should be considered before launching. For a large institution, the capacity to fulfill these needs may be better suited due to the availability of staff, interns, or volunteers. An internal checklist of available resources is highly suggested before launching a crowdfunding campaign.

Another resource to be considered will be the integration and reporting of donor data captured throughout the campaign. Whether using a platform such as Kickstarter, this information may need to be transferred over throughout various systems before the institution is able to utilize it. Other concerns include the regulatory environment surrounding email and online fundraising. Depending on state laws and regulations, email fundraising may be considered a form of solicitation; therefore it is necessary for

each institution to consult with these guidelines and standards before carrying through with email blasts, newsletters, etc.

What if you fail?

A very apparent risk in carrying out a crowdfunding campaign is the possibility for the campaign to fail. This failure is not only seen internally, but more importantly, publically. As apart of the campaign, the institution is advised to implement a contingency plan in the case of a failed campaign. Depending on the platform used, the campaign may be able to collect some, all, or none of its fund raised. Kickstarter, for example, does not release any of the funds donated unless the campaign reaches its original goal. The donors who participated the campaign will not be charged for their gift. However, other platforms offer a fixed or flexible plan, where if the campaign fails to reach its goal, some of the funds are still distributed to the organization. Although collecting any amount may be seen as somewhat of a win, it is important to know the minimum of funds needed to fulfill any rewards system that was put in place. If not having the necessary funds seems to be too risky; it is best to refund all of the money.

Regardless of funds collected or not, it is important for the institution to be prepared to handle press and criticism for a failed campaign. Being prepared for this situation will help the institution in bouncing back and moving forward in their fundraising efforts. Some examples of campaigns that have failed to reach their goal include the Currie Dinosaur Museum (CDM) in Canada. In their IndieGoGo campaign perched at \$1 million,

the CDM only raised \$35,000⁸⁹. In choosing flexible funding, the institution was able to collect the funds raised, however still responsible for fulfilling perks awarded to the 200 funders who contributed. While able to raise awareness for the proposed campaign, the museum was forced to turn to more traditional donors and grants for the majority of its funding⁹⁰. The museum broke ground in April 2013.

As with any fundraising campaign there lies the risk of failing short of your goal. Crowdfunding is no different. In preparing and considering all outcomes when structuring the campaign, institutions may better prepare themselves and the public for the possibilities of both success and failure. This should not deter institutions from attempting this model, however, it does encourage transparency and preparedness in taking a campaign to the online crowd.

Further Research on Crowdfunding and Millennials

In recognizing the nature of this generational demographic and the study of their behaviors, it is important to state that the data and studies used in this research may change and develop along with the times. However, for this thesis and at this given time, the research used throughout proves to be current and up to date. As the field of crowdfunding grows and matures, future studies on donor demographics, campaign

⁸⁹ IndieGoGo, *Let's Build a Currie Dinosaur Museum*, October – February 2013, <http://www.indiegogo.com/projects/let-s-build-the-currie-dinosaur-museum>

⁹⁰ CBC News, *Museums take up Crowdfunding*, 31 May 2013, <http://www.cbc.ca/news/arts/museums-take-up-crowdfunding-1.1411905>

success and failures, and other notable characteristics will undoubtedly be carried out and published. In regards to nonprofit donor cultivation, museums will always be searching for methods and models to adopt in order to maintain a sustainable and operational budget. These methods, including crowdfunding, will develop and change along with the changes in museum audience trends, practices, and development.

In continuing research into the study of crowdfunding as a means of cultivating the Millennial online donor, a comprehensive study regarding Millennial's attitudes and behaviors towards museum specifically may prove to better shed light on this approach. Online giving is a method museums have yet to champion, whether that is due to the online audience or the museum's integration of this model into their institutional infrastructure - or, possibly, a combination of both. As the Millennial generation matures and changes, their attitudes and behaviors are likely to change, as well. Measuring their influence and contribution to online crowdfunding will better guide museums in their ability to reach this audience as donors and long-term museum advocates. Through the use of online tools such as social media and online donation platforms, data may be better-captured and available for museums to use in analyzing and improving the outreach and success of their campaigns. This ability to capture data may not be as easily accessible through traditional methods of fundraising. Museums may then use this information to refine their fundraising strategies and continue to engage in long-term cultivation with their online community.

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Appendix: Literature Review

Crowdsourcing

This thesis explores a derivative of the crowdsourcing phenomenon and its application in the museum field. As crowdsourcing is a fairly young term itself, the sub-category of crowdfunding that this thesis addresses is still being explored and analyzed. The basis of crowdsourcing comes from the evolution of the participatory culture in modern day museums. This culture is brought about not only by a new demographic and audience, but also from the changing economy and other factors that museums face. This literature review will focus mainly on the thoughts of Nina Simon, Jeff Howe, Daren Brabham, and James Surowiecki. These are the main key thinkers in the areas of participatory culture, crowds, and crowdsourcing. Through their analysis and writings, my thesis is able to justly support the use of crowdsourcing strategies in museums.

The first point to discuss is the change in perception of the use of crowds, or the “wisdom of the crowd.” Traditionally, museums represent a very professional and scholarly voice that distinguishes itself from the public. In recent years, this barrier of scholarly voice and public opinion is not only being scrutinized but also broken down to a more shared authority relationship. It is important to discuss why and how museums may trust their public’s opinion. Here in lies the work of James Surowiecki. In his renowned book, The Wisdom of Crowds, Surowiecki discusses the power of the crowd and how the many may carry a not only wise voice, but a more accurate perception of

the truth. The variance in which a crowd brings to a topic is important. An expert, while typically academically accomplished and with an exceedingly amount of experience, brings a trained eye to the situation. It is here that he discusses the American television show, *Who Wants to be a Millionaire*. Given 3 “lifelines” is a contestant gets stuck on a question, one of these lifelines includes “ask the audience.” This represents the wisdom of the crowd’s theory. When the contestant chooses the option to “phone a friend” the contestant typically asked a trusted and learned acquaintance to put their trust in. This option results in a 65% success rate. The contestant is receiving one opinion from one “expert.” However, when the contestant chooses to “Ask the audience,” there results in a 91% success rate of the “Crowd” picking the correct answer. While this example does not constitute as a scientific experiment or research, museums themselves are not in the position to look to this sort of data for their situations. Museums must look at trends in visitor participation, visitor influence, and visitor expectations in order to achieve many of their goals. The point that *Who Wants to be a Millionaire* makes is that “however well-informed and sophisticated an expert is, his advice and predictions should be pooled with those of others to get the most out of him”⁹¹. This is precisely the point I plan to make in discussing crowdsourcing strategies used within museums.

There are some questions that must be asked when first investigating what good crowdsourcing may do for your institution. Herein lies Nina Simon’s research and discussion on the “Participatory Culture” that has arrived within museums in the last few decades. This culture expects more, desires interaction, desires a voice, and desires

⁹¹ Surowiecki. James, *The Wisdom of Crowds*, pg. 34

a way to leave their mark in whatever area they are participating. Nina Simon defines a participatory culture institution as, “a place where visitors can create, share, and connect with each other around content.”⁹² Now this may be translated in various ways to various institutions. While this construct may be viable for some institutions based on their mission and strategic plan, it may not be a suitable approach for a more traditional institution not looking to expand its audience engagement in this manner. It is not my point to discuss what an institution should do or which path to choose. This is at the will of the board, director and other important stakeholders of the museum.

This thesis is to address the institutions that have taken the steps and made the commitment to become a more engaging and participatory institution. While these steps may take place very slowly or more rapidly, that is expected. However, it is important to note that while crowdsourcing may be an approachable strategy for some institutions, it may never be for others. Through crowdfunding specifically, museums have the opportunity to not only direct their efforts toward a new and prosperous online community, but to also share the way in which they fundraise through integrated and creative messaging, visual representation, and more direct and pointed causes.

As part of this new and growing participatory culture, here, I believe, lies the ability of crowdsourcing to be used to pursue this change. Simon goes on to say:

Create means that visitors contribute their own ideas, objects, and creative expression to the institution and to each other. *Share* means that people discuss, take home, remix, and redistribute both what they see and what they make

⁹² Simon, Nina, The Participatory Museum. Preface, pg. 1

during their visit. *Connect* means that visitors socialize with other people—staff and visitors—who share their particular interests. *Around content* means that visitors’ conversations and creations focus on the evidence, objects, and ideas most important to the institution in question⁹³.

These ideals are directly in line with the potential that crowdfunding strategies hold for museums. In looking to find ways for visitors to create, share, and connect, crowdfunding may be used to not only fulfill these needs, but to also present new techniques and opportunities to do so.

As mentioned before, a participatory culture may not yet be welcomed or viable for some institutions. However, for those institutions in which has a mission and staff to support that vision, the goals of a participatory museum are clear: “both to meet visitors’ expectations for active engagement and to do so in a way that furthers the mission and core values of the institution⁹⁴.” In all aspects of a museums exhibitions, programs, events, educational resources, the museums goal is to further its mission and carry out the core values of the institution. It is here that museum professionals may find comfort in that the same goal holds true for the strategies of a participatory culture.

Now that we have discussed the pretense in where crowdsourcing lies within the museum ideals and constructs, we may focus on crowdfunding specifically and how it fits into the larger narrative. Jeff Howe, in his 2008 book Crowdsourcing: Why the Power of the Crowd is Driving the Future of Business, proposes 4 types of

⁹³ Simon, Nina, The Participatory Museum. Preface, pg. 1

⁹⁴ Ibid.

crowdsourcing that are variations of the core term: crowd wisdom, crowd creation, crowd voting, and crowd funding⁹⁵. Of these 4 proposed variations, this thesis will focus on crowd funding. In defining this new and developing term, crowdfunding may be the easiest of the 4 variations to accurately represent. Brabham defines it is, “the use of an online community to bring an idea or product to market through collective funding by several donors in the community⁹⁶.” Again, while our focus is not on the private sector, “product to market” does not apply in the literal sense but in the function of funding a goal set by the institution at play. A product of a museum may represent an exhibition, building, renovation, etc. In our case, external stakeholders represent the public interested and or affected by the project crowdsourced. Their inclusion in the funding process provides the public with a dynamic and committed relationship to the success of the goal or cause.

Whether it be funding, voting, or curating, the emphasis on shared authority, participatory culture, and open source all play important and influential roles in successful and creative crowdsourcing projects.

This thesis strives to share the benefits, risks, rewards, challenges, opportunities, and variations that crowdfunding may provide to the non-profit field. It is my challenge to the reader to construct their own path and direction in using this strategy the best way fit for their institution and their goals.

⁹⁵ Howe, Jeff, Crowdsourcing: Why the Power of the Crowd is Driving the Future of Business, pg. 12

⁹⁶ Brabham, Daren, Crowdsourcing, Glossary

State of Nonprofit Giving – Giving USA, 2013 Report⁹⁷

- Total 2012 contributions were over \$316 billion
- Highest percentage came from individuals (72%)
- Second highest percentage came from foundations (15%)
- Arts were apart of the largest increase in giving in 2012 (~8%), however still only receive 5%
- 3.5% increase in giving from 2011
- Giving by individuals estimated to have increased by 3.9%
- Bequest giving decrease by 7%

2013 Fundraising Effectiveness Project

An influential source that will be used in discussing nonprofit fundraising is the 2013 Fundraising Effectiveness Project that was developed in 2006 by the Association of Fundraising Professionals and the Center on Nonprofits and Philanthropy at the Urban Institute. This project was organized to “conduct research on fundraising effectiveness and help nonprofit organizations increase their fundraising results at a faster pace⁹⁸.” This report, similarly to this thesis, discusses the research signifying an “untapped potential for giving” in the U.S. The data collects over 2,800 survey respondents,

⁹⁷ Giving USA 2013, *Highlights: An Overview of Giving in 2012*, Lilly Family School of Philanthropy, pgs. 1-3

⁹⁸ 2013 Fundraising Effectiveness Survey Report, pg. 2

covering nonprofit fundraising results from 2011-2012. The amount raised from the respondents totaled over \$1.3 billion for an average of over \$400,000 for each respondent⁹⁹. The report points out that in order to effectively understand your institutions fundraising situation, it is crucial to analyze the fundraising gains and losses, in both monetary amounts and donors, rather than just the amounts gained at one point¹⁰⁰. It is important to look at these factors year by year in order to fully understand the scale and trends of the fundraising economy. An important angle to address from the report states, “the growth in giving is increased both by maximizing gains and minimizing losses, and management and boards need to know this to make intelligent, informed, growth-oriented planning and budgetary decisions¹⁰¹.” The report uses the example that if an institution reports a 65% gain from one year to the next but reports losses of 55%, the institution nets a gain of only 10%¹⁰². In approaching these numbers as a connected and cohesive set rather than two independent amounts, we are better able to understand the yearly effectiveness of fundraising campaigns and planning. As a disclaimer, the report does note that the contributing nonprofits did so voluntarily and that the findings are not representative of the entire nonprofit field in its entirety.

In supplying a summary of the reports findings, over the 2011-2012 year, there was a 2.6% increase in growth in giving. However, there was a negative growth in the number

⁹⁹ 2013 Fundraising Effectiveness Survey Report, pg. 3

¹⁰⁰ Ibid, pg. 4

¹⁰¹ Ibid.

¹⁰² Ibid.

of donors of -2.7%, approximately to nearly 40,000 donors. In breaking down gifts by category, the report records new gifts, recaptured gifts, upgraded gifts, downgraded gifts, lapsed new, and lapsed repeat. Gains in new, recaptured and upgraded gifts were able to offset the downgrade and lapse in new and repeat gifts for a net gain of 2.6%. This is an interesting and important data set to look at as while museums are losing gifts, they are offsetting this loss by not only attracting new donors, but also donors they were able to re-reach and donors who increased their donation amount.

In breaking the data up by size of institutions, larger institutions, raising \$500,000 or more, have a much more significant gain (16.6%) compared to smaller institutions, (raising \$100,000-\$500,000) raking in a net loss of -5.1%. The report further breaks down institutions by size in 20 percent increments, analyzing the different types of gifts against the size of the institutions. Throughout the data, there is an obvious trend that museums in the top 20% consistently outperform the bottom 20% of respondents. While it is beneficial to view this data as an industry, it is also highly suggested that the data is most significant for each individual institution based on its previous year loss/gain versus its current year loss/gain. This data will serve the institutions budget and planning best at tracking its gift amounts along with its donor net.

This report serves as a foundation for the state of giving in the nonprofit sector. As a broad arrangement of data, we do not know if these respondents are museums, educational organizations, or religious sectors. However, it does provide us with a glimpse of the current gift economy and the state it exists in today. It provides, maybe even more importantly, the reasoning that nonprofits, museums specifically, are in

intense competition for the attention and gifts of donors, especially in their diminishing numbers.

It is important to reiterate that I do not propose crowdfunding as a strategy to replace traditional means and methods of fundraising. The argument here is that crowdfunding may serve as a supplement for not only raising capital, but in also tapping into a new donor profile that traditional methods are unable to reach.