Platforms business model in the Italian civic crowdfunding market: An empirical analysis

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Abstract

Civic crowdfunding is a type of crowdfunding through which a community can finance public goods or services of public interest in total or partial (match funding) substitution of funding by the public sector. For public bodies, civic crowdfunding is an alternative (or complementary) method of collecting financial resources because it allows financing public goods or services while reducing public deficits.

This paper examines the operational and business models of the platforms that provide civic crowdfunding campaigns to understand their consistency with the principal decisive factors driving the success of civic crowdfunding campaigns.

To achieve this result, we investigated all Italian crowdfunding platforms involved in civic crowdfunding campaigns (i.e., reward and donation platforms). We found extreme diversity in the characteristics of the Italian platforms engaged in civic crowdfunding campaigns, and a significant dispersion of civic projects seeking funds through the Italian crowdfunding platforms.

Civic crowdfunding remains a new field of interest in academic research, particularly in relation to the structure of the provider of this service (i.e., supply-side market). As far as we know, this is the first empirical study conducted on the Italian civic crowdfunding market.

Keywords

Civic crowdfunding, reward platform, donation platform, 'place-based' nature

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1. Civic crowdfunding: Delimitation of the phenomenon and distinctive features

In the broad framework of crowdfunding, civic crowdfunding can be defined as a method of collecting capital for public goods or for services of public interest in total or partial (match funding) substitution of funding by the public sector. Considering increasing public-sector budget constraints, civic crowdfunding can be an instrumental support mechanism for public finance, and concurrently represents a way to respond to citizens' increasing need for participation in public life (Stiver, Barroca, Petre, Richards & Roberts, 2015). Therefore, civic crowdfunding is a topic of great interest, particularly in view of a possible new legal and regulatory regime for social and community finance investment offerings and activity (NESTA, 2011).

Theoretically many different types of projects can be financed by civic crowdfunding. These range from funding physical structures to public services. But not all public goods can reasonably be the object of civic crowdfunding campaigns due to their nature or to the amount of funding required. The realisation of public services and structures of primary importance such as education, health and defence, should always be guaranteed by public finance (Miglietta, Parisi, Pessione & Servato, 2013, p. 7). In theory, projects financed by civic crowdfunding can be of any size (and corresponding expenditure budget); however, smaller projects tend to prevail (Davies, 2014, p. 57–58; Stiver, Barroca, Petre, Richards & Roberts, 2015, p. 37).

Irrespective of the nature and dimension of the project, the distinctive factor of civic crowdfunding is that the product or service for which funds are raised must be useful for the entire community (Lee et al., 2016, p. 4). Thus, the community is the essential element for understanding the phenomenon of civic crowdfunding. Communities involved in civic crowdfunding projects can be defined in terms of 'territorial' or 'geographical' community or in terms of 'relational' community (McMillan & Chavis, 1986, p. 8), although the former definitions tend to predominate. The following four factors determine the formation and development of a community, whether territorial or relational: membership; sense of mattering; integration and fulfilment of needs; and shared emotional connection (McMillan & Chavis, 1986, p. 9). Thus, people in a community have a sense of belonging, are aware of the importance of membership, pursue the same objectives and share the same history and experiences. These characteristics determine a community's capacity to implement and sustain collective action to achieve common objectives (civic capacity) (Briggs de Souza, 2008, p. 13; Charbit & Desmoulins, 2017, p. 11).

By supporting projects of public interest, particularly those with social, cultural or environmental value, civic crowdfunding has roots in a sense of affectivity or belonging to a community or place, as well as in the benefits expected from the project. Funders who act to stimulate the social and cultural development of an area and expect a non-financial or emotional reward are likely to feel motivated to participate in a civic crowdfunding campaign (De Falco, Volpe & Cucari, 2015).

The geographic distance of the crowd from the project to finance and its proponent seems to play a fundamental role in civic crowdfunding campaigns because this means the funder is connected to the benefit gained from the realisation of the project (Charbit & Desmoulins, 2017, p. 12).

Therefore one distinctive characteristic of civic crowdfunding is its 'place-based' nature.

Community involvement in a fundraising campaign can be measured by the intensity with which the community interacts online in exchanging information and knowledge. Exchange and sharing of information and experience between members of a community online is also influenced by the extent to which community members know each other, by perceived

similarity with the other members of the community, and by trust in the other members of the community (Zhao, Lu, Wang, Chau & Zhang, 2012, p. 583).

Beyond the concept of community and its bonds with territory, in civic crowdfunding, it is important to examine how platforms that serve as intermediaries between fundraisers and funders express their 'place-based' dimension. Indeed, there are territorial platforms that accept only projects that are based in well-defined geographical areas.

Besides the community that is involved in the project and active in the civic crowdfunding campaign, there are other categories of subjects to investigate. For example, local government, associations, and non-profit and for-profit organisations may be involved in different ways in fundraising campaigns.

Just as important for delimiting the phenomenon of crowdfunding is the degree of involvement of the public bodies in defining the crowdfunding campaign and in contributing financially to the campaign. With reference to the role of the public bodies, it is important to consider the position of those who consider public crowdfunding a subcategory of civic crowdfunding. In public crowdfunding, a further determining factor comes into play, namely that the fundraising campaign is 'public property'; that is, we can define a public fundraising campaign as one for which the proponent is a public body, without support from citizens or private associations (Lee, Zhao & Hassna, 2016, p. 4).

In this context the goal of the paper is to investigating the efficacy of different crowdfunding-platform business models in the success of civic crowdfunding campaigns.

The remainder of this paper is organised as follows. Section 2 examines the crowdfunding-platform business and operational model. Section 3 presents the methodological aspects of the research and the results of the analysis in the Italian market. Section 4 presents the main conclusions.

2. Crowdfunding-platform business models and civic crowdfunding campaigns

Analysis of the different business models of civic crowdfunding platforms is fundamental in understanding the elements that can contribute to the success of a fundraising campaign. It is necessary to explore the features of crowdfunding platforms that can attract or dissuade stakeholder communities that are in some way involved in civic initiatives, that can best support fundraisers, and that can contribute to the final success of the fundraising round.

Civic crowdfunding campaigns can either use generic platforms that may or may not have a special section for such projects or platforms dedicated exclusively to civic crowdfunding. The first aspect to evaluate in generic platforms is the type of crowdfunding model that is most coherent with the logic of a civic campaign. It is usual to distinguish the following four models: donation crowdfunding, reward crowdfunding, lending crowdfunding and equity crowdfunding (European Commission, 2016, p. 8; Kirby & Worner, 2014, p. 8). In view of the aims of civic crowdfunding, it is plausible to consider that donation and reward platforms are most suited to this type of campaign.

The following analysis identifies a subset of platforms that propose civic crowdfunding campaigns and examines their features. A first aspect examined is the distinction between generic and dedicated platforms. Further aspects considered are territorial specialisation of the platform; the presence of a reward for the funders; request for donations in kind; project presentation by video or images; presence of web space for conversations between fundraisers and funders/community; link to social networks.

For the purposes of this paper, the concept of territorial specialisation can be understood (and is understood by the platforms considered) either formally or substantially. The formal

criterion consists of the obligation of the fundraisers to be resident or domiciled in a certain area (usually a region or a set of regions, and less often a municipality). In contrast, the substantial criterion requires that the projects to finance have repercussions in that area.

The presence of a reward for the funders should be a minor element for the success of the campaign because in civic crowdfunding campaigns, the principal return for funders consists of moral recognition, sense of belonging to the community, and above all, the possibility of enjoying the good or service proposed. As a form of reward, returns from civic crowdfunding tend not to be tangible or to have a monetary value, but usually consists in acknowledgement (e.g., a thank-you email) (Stiver, Barroca, Minocha et al., 2015).

The request for donations in kind (material or immaterial, such as offering hours of work) is a further element distinguishing civic from the generic fundraising typical of reward platforms, and such elements can further strengthen community bonds, even after the conclusion of the fundraising campaign (Stiver, Barroca, Petre et al., 2015, p. 41).

Platform features in relation to virtual space on the platform website for conversations between funders and direct connection with the main social networks are elements that promote community relationships. The presence of forums or virtual spaces where two-way communication can occur between proponents of the initiative and the sustaining community is particularly significant. Before and after the fundraising round, relationships between members of the community tend to be via social networks, whereas during the fundraising campaign, the platform website becomes the crucial instrument for transmitting information and promoting relationships. Two main activities conducted online by stakeholders are collection and broadcasting of information, and coordination of activities to sustain the initiative (Stiver, Barroca, Petre et al., 2015, p. 42).

3. Empirical evidence from Italian civic crowdfunding market

Beginning with the Italian reward and donation platforms active in January 2017, we first identified a subset of platforms limited to civic fundraising. We employed the criterion of the presence of a collective benefit from realisation of projects. Thus, we excluded all platforms that presented projects aimed funding personal needs. We obtained the sub-sample of 25 platforms listed in Table 1.

The data collected are based on the platform websites. We considered the sections 'About us', 'How it works' and 'frequently asked questions (FAQs)'. We also examined how projects were presented on the platforms. Due to the great variety of projects that can be financed by civic crowdfunding, it is essential to identify the types of goods and services financed by civic crowdfunding in Italy before analysing the platforms' business models.

Our analysis found that there are many types of projects financed by civic crowdfunding in Italy, for example, school projects (e.g., building repairs and restoration, services, purchase of equipment); arts and music projects; protection and care of natural and artistic heritage; health and services for the disabled; energy efficiency; and transport and mobility.

All projects and services seeking funding must be useful for the territory and the community. However, certain aspects are more acutely felt, such as recovery and regeneration of the territory and goods in areas of interest for specific communities, as well as certain categories of people, such as families, children and people with disabilities. With reference to the second aspect, the analysis of the business models demonstrates that some Italian platforms seek funding only for non-profit organisations to finance projects of social utility.

Table 1: List of Italian reward and donation platforms involved in civic crowdfunding campaigns (January 2017)

Name of Platform	
Anci Innovazione	Kendoo
Buonacausa	Mecenup
Civibanca	Meridonare
Com-unity	Planbee
Derev	Produzioni dal basso
Eppela	Proposizione
Eticarim	Replace
Fidalo	Rete del dono
Finanziami il tuo futuro	Schoolraising
FundItaly	Terzo Valore
Ginger	Ulule
Insieme doniamo	With you we do
Iodono	

The manner in which projects are realised is also important. Indeed, we found particular attention is paid to projects that besides offering services useful to citizens, consider eco-sustainability, are innovative and use new technologies.

The aim of the following analysis is to identify the business models and operating characteristics of platforms that have managed civic fundraising campaigns. In the range of choices made by platforms in configuring their business and operating models, the fundraisers have discretional margins that can lead to the configuration of different types of fundraising campaigns. Table 2 summarises platform features based on these variables. For the 25 platforms, we investigated the following aspects: business model (distinguishing between reward-based, donation-based and hybrid models), platform specialisation (generic or dedicated platforms to civic or public crowdfunding), territorial specialisation, presence of a reward for funders, request for donations in kind, how the project is presented in relation to videos and/or images, availability on the platform for conversations between fundraisers and funders/community (i.e., forums and comments), link to social networks.

In relation to the business model, we found a predominance of the reward model, either pure reward or a reward–donation hybrid. Eighty per cent of the platforms involved in civic crowdfunding have a business model of this type. The percentage of platforms using the pure model is also high (60 per cent).

Clearly the choice of model has a direct effect on the variable reward, which is therefore present in all cases in which the platform adopted this type of business model (pure or hybrid). We found that in most civic crowdfunding campaigns, the reward is symbolic (e.g., a thank-you email or flyers and invitations to events associated with the project). In a minority of the cases, the reward may be material, for example, offerings of products resulting from the project (this is common for funding of school projects).

Table 2: Crowdfunding-platform business models and operating features

#	Business model	Platform Specialisation	Territorial specialisation	Reward	Donations in kind	Videos	Images	Forums/Comments	Social networks
1	Reward/Donation	Generic	NO	YES	NO	YES	YES	YES	YES
2	Reward/Donation	Generic with civic section	NO	YES	NO	YES	YES	YES	YES
3	Reward/Donation	Generic with civic section	NO	YES	NO	YES	YES	YES	YES
4	Reward/Donation	Social/Civic	YES	YES	YES	YES	YES	YES	YES
5	Reward/Donation	Social/Non-profit	NO	YES	NO	YES	YES	NO	NO
6	Reward	Public	YES	YES	NO	NO	NO	YES	NO
7	Reward	Civic	NO	YES	NO	YES	YES	YES	NO
8	Reward	Generic	YES	YES	NO	YES	YES	YES	YES
9	Reward	Generic	NO	YES	NO	YES	YES	YES	YES
10	Reward	Generic	YES	YES	NO	YES	YES	YES	YES
11	Reward	Generic	YES	YES	NO	YES	YES	YES	YES
12	Reward	Generic	NO	YES	NO	YES	YES	YES	YES
13	Reward	Generic/civic/public	NO	YES	NO	YES	YES	YES	YES
14	Reward	Generic	NO	YES	NO	YES	YES	YES	YES
15	Reward	Generic	NO	YES	NO	YES	YES	YES	YES
16	Reward	Generic with civic and public sections	NO	YES	NO	YES	YES	NO	YES
17	Reward	Generic	NO	YES	NO	YES	YES	YES	YES
18	Reward	Civic	NO	YES	NO	YES	YES	YES	YES
19	Reward	Generic	NO	YES	NO	YES	YES	YES	YES
20	Reward	Civic/Public	NO	YES	NO	NO	YES	NO	YES
21	Donation/Lending	Social/Non-profit	NO	NO	NO	NO	YES	NO	YES
22	Donation	Social/Non-profit	YES	NO	NO	YES	YES	NO	YES
23	Donation	Social/Non-profit	YES	NO	NO	YES	YES	YES	YES
24	Donation	Social/Non-profit	NO	NO	YES	NO	YES	NO	YES
25	Donation	Social/Non-profit	NO	NO	YES	YES	YES	NO	YES

Source: Platforms websites

Pure donation models are a minority: only four platforms have this model and only one was a hybrid donation–lending model. These platforms are strongly characterised by their operation field and platform governance. With reference to the former, in all cases they are platforms specialised in projects with strong social effect and that seek funding only for non-profit organisations to finance projects with social utility. With reference to the latter aspect, there is a clear prevalence (four out of every five) of platforms launched by banks, two of which approached only clients of the bank itself, who are therefore the only promoters of initiatives on the platform. In this case, the platform is an alternative and exclusive channel for some non-profit organisations, already clients of the bank, to fundraise for projects of interest to the organisation itself.

Considering the features of civic crowdfunding platforms that have been analysed, particularly the importance of aspects connected to place, there is presumably a connection between platform specialisation and territorial vocation. Therefore, it can be expected that the decision of the platform to limit its operations to a certain geographical area is more common for platforms dedicated only to civic crowdfunding and generic platforms with special sections for civic or public campaigns. This relationship should be even closer for public crowdfunding platforms on which the only fundraisers are public bodies.

The ten generic platforms all use the reward model, and only 30 per cent of these demonstrate territorial specialisation. The four generic platforms with sections dedicated to civic or public crowdfunding also demonstrate a preference for the reward model and a complete absence of territorial specialisation. In addition, the four platforms specialising exclusively in civic or public fundraising campaigns use the reward model, and do not show any particular territorial vocation in relation to operating features. Only one of these platforms, which is dedicated exclusively to public crowdfunding with local-government proponents, claims to limit its activity to a geographical area of reference.

Thus, no relationship seems to emerge between the specialisation of platforms for civic fundraising campaigns and territorial vocation. The only example confirming such a relationship is that of a pure public crowdfunding platform.

Therefore, platforms that claim to limit their activity to a particular geographical location have very different business models: generic platforms with reward models, public crowdfunding platforms with reward models, and prevalently social platforms with donation models.

It is worth noting the only platform analysed that has a very diversified business model. This platform offers a section that is open to generic crowdfunding campaigns and two sections that are dedicated to civic and public crowdfunding campaigns. However, the public section has a singular mode of operation in relation to the previous definition of public crowdfunding. The public body is not a promoter of the project but plays the role of selector and assessor of projects presented by organisations that are active in the geographical area. The public body is also expected to intervene as co-funder ex post, therefore acting as a funder of last resort for projects that reach at least 50 per cent of the target amount.

As indicated, a request for donations in kind by the project fundraiser is an element that may differentiate civic crowdfunding campaigns from other types of crowdfunding campaigns. Indeed, it should be remembered that donations in kind, particularly donations of time to an initiative, are an element that may more easily develop in communities where people already know each other (offline communities), and a way of strengthening cohesion in the community that is supporting the project. Only a minority of platforms (three) have this characteristic. These are the platforms operating prevalently in the social field with a donation or a hybrid reward–donation model. In all platforms analysed, donation in kind concerned working time. This time can be used to advertise and promote the crowdfunding campaign or to provide professional consultancy to the project fundraiser. Donations in kind accompany, rather than replace monetary donations.

Analysis of the platforms' operating choices in relation to visualisation of fundraising campaigns (e.g., images, videos) and promotion and sharing of the project (i.e., on the platform website and/or via links to social networks) is a further element to consider in gaining understanding of the market of civic crowdfunding. Considering all 25 platforms, substantial uniformity of behaviour emerges in the use of images and videos and links to social networks. Greater variety is observed in the offers of virtual spaces (e.g., forums and comments) on platform websites to facilitate communication among people interested in the project.

However, the results of the analysis are more interesting if the examination is conducted by differentiating platforms by type. That is, there was complete uniformity of behaviour for generic platforms. These platforms provide for photos and images, offer the opportunity to leave comments, and provide direct links to social networks. The experience gained by these platforms in other fields (reward campaigns) presumably has induced them to replicate the operating model for civic crowdfunding rounds. Generic platforms with sections dedicated to civic or public crowdfunding campaigns reveal similar behaviour. Only one platform does not offer a forum or comments section for exchange of information and opinions.

The four platforms dedicated exclusively to civic and public crowdfunding reveal a much more differentiated configuration. Some of them do not require videos to be used and do not provide a direct link to social networks. There are also platforms that do not use images and provide a web area where the community meet virtually and chat. Likewise, some platforms dedicated to projects of social utility do not require the use of videos and direct links to social networks. However, it is particularly noteworthy that five out of seven (i.e., more than 70 per cent of platforms of this type) do not offer spaces dedicated to forums and/or comments. Attention to visualisation, communication, promotion and sharing of the crowdfunding campaign is therefore weaker for platforms dedicated exclusively to civic and social projects.

4. Main conclusion

To our knowledge, this paper represents the first systematic analysis of the business models and operating features of Italian crowdfunding platforms involved in civic fundraising campaigns. Therefore, the study contributes to a better comprehension of an emerging and under-researched phenomenon, and represents a first step in understanding the crucial elements that can contribute to the success of civic crowdfunding.

The analysis revealed a strong differentiation among platforms in relation to business models and operating features. Civic crowdfunding campaigns have principally been run on generic reward or hybrid reward–donation platforms, but also on civic and public crowdfunding platforms, as well as on social crowdfunding platforms. The first aspect to consider for Italian civic crowdfunding is therefore the lack of a specialised supply-side market.

The generic reward crowdfunding platforms seem to be the key players of the Italian civic crowdfunding market. It must be highlighted that the business and operating model of this type of platform is a consolidated model that does not present substantial changes between civic and non-civic fundraising campaigns.

In contrast, a less powerful role in the Italian civic crowdfunding market is covered by dedicated platforms (civic and public crowdfunding platforms), which demonstrate a lower grade of homogeneity in their business and operational models. For these types of platforms, an operational area that seems to be distinguishing for broad margins of improvement is the methods of displaying, explaining, promoting and sharing information about the fundraising projects with the community of potential funders.

The analysis did not reveal evidence of a marked territorial vocation by platforms, not even for platforms specialising exclusively in civic or public fundraising campaigns.

Considering the supply side, the Italian civic crowdfunding market seems to have developed primarily through a process of related diversification of the reward–donation model, rather than through the emergence of a new and independent crowdfunding model. Consequently, the Italian civic crowdfunding market reveals room for improvement in adjusting the services offered to the needs of fundraisers and funders.

However, to confirm such a hypothesis, it is necessary to investigate further aspects of the phenomenon. In analogy with prior research of other types of crowdfunding models (e.g., reward, peer-to-peer lending and equity), civic crowdfunding campaigns, both funded and non-funded (e.g., those that did not reached the minimum target), need to be analysed to identify which features are fundamental to the success of a civic crowdfunding campaign. The motivations for and the deterrents from supporting a civic crowdfunding campaign are other aspects to examine in greater depth. This analysis may be achieved either through interviewing funders or analysing the content of comments posted on platform websites by funders or people interested in the campaign.

This analysis also found some case-studies that deserve more thorough investigation due to their features. They refer to dedicated civic crowdfunding platforms and even more to public crowdfunding platforms. Considering the current number of crowdfunding rounds on these platforms, it seems the platforms are at an early stage of their development. Moreover the co-presence of public bodies deserves attention. A better understanding of the roles and relationships among proponents/fundraisers, public bodies and funders is needed to discover potential critical situations that might arise and assumptions for efficient partnerships for a campaigns' success and consequently for projects' implementation.

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