

Light Paper

Crowdcycle: Funding Good Causes through Monetized Pledge Matching

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Abstract

Crowdcycle is a solution to the challenges of raising funding faced by good causes or providers of public benefit, and that faced by businesses and individuals in providing this financial support on an ongoing basis.

Crowdcycle is an approach to the private-sector funding of good causes and developing a more robust civil society sector focused on outcomes that are of benefit to the geographic and social area served by a particular Crowdcycle.

Through pledges made by businesses to a good causes as being denominated as 'pledge points', and selling those 'pledge points' to the public who can spend them at the business to fulfill the pledge, worthy causes benefit from an ongoing source of funding with a low cost of acquisition.

Businesses benefit by reducing their cash flow expenditures and accessing a stable source of new and returning customers who are grateful for their pledge. Individuals benefit significantly by participating and providing financial support to worthy causes, while receiving an amount equivalent to their monetary contribution in tokens.

Key Words: crowdfunding, fundraising, responsive philanthropy, cause marketing, local economic empowerment, good causes, non-profit organizations, charities, public-private partnerships.

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In this paper, we present the general model of Crowdcycle for the purposes of establishing the novelty, mechanics and intention of this concept, and licensing it under the Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International (CC BY-NC-SA 4.0) License found at <https://creativecommons.org/licenses/by-nc-sa/4.0/> which allows for innovation but not commercialization, by allowing for derivatives of this concept that you may share with others and require you to attribute and/or link to the Crowdcycle website and white paper as the source of this concept. Therefore, if you are reading this paper with an interest in commercializing the concept, before so doing please contact the writers directly via <https://www.crowdcycle.io>.



Summary of Crowdcycle

This cycle creates a network between three important stakeholders in a community: *businesses, individuals* and *good causes*.

An organization, group or individual representing a good cause is approved to join Crowdcycle and prepares a profile of their cause, activity they propose to do, and how much funding they are seeking. This is put together into a portfolio and displayed as a profile.

A business owner reviews a portfolio of worthy local causes and pledges an in-kind contribution of the goods or services their business offers, which is given a monetary value in national currency, which we call 'pledge points'.

An individual reviews the same portfolio of worthy local causes and identifies which causes they wish to support that have received pledges from a business. They can then purchase up to the total amount of this pledge, and receive an equivalent amount in 'pledge points' in return.

The individual can spend these 'pledge points' as a portion of a purchase at any business in the network that has made a pledge that has not yet been fulfilled.

The recipient organization, group or individual receives the national currency funds of the purchase which they use to carry out their activities.

Businesses determine the percentage of this portion which can be paid in 'pledge points' in order to ensure they are receiving sufficient income for the goods or services they provide.

The cycle continues as businesses make pledges on a regular basis, which are purchased by individuals on a regular basis who make purchases using these 'pledge points'.

Worthy causes receive funds that allow them to focus more on the delivery of services in the public benefit, rather than on the fundraising needed to deliver these services.

1. Introduction

Crowdcycle is a model for fundraising for good causes that makes use of collaboration between businesses and individuals to identify and support worthy recipients of their combined financial support.

The providers of services in the public benefit, such as non-profit organizations, community organizations, or informal groups of people have identified areas of productive activity which provide a benefit to the entire community and not only to the members of the Crowdcycle network.

These good causes are determined by the people involved in them and the businesses that choose to back them with a pledge of in-kind support, and the individuals who purchase those pledges.

These good causes can be any kind of activity, but for Crowdcycle they must meet clear ethical criteria for receiving pledges from companies and transparent reporting standards for how received funds are spent.

Crowdcycle is an innovation on other methods of fundraising that connect individuals and businesses, such as crowdfunding. It goes further by creating a fundraising cycle where companies and individuals are incentivized to continue giving on a constant basis, depending on their spending and redemption patterns.

2. The Challenges Faced by Providers of Community Benefit

To assess the importance of Crowdcycle in improving the identification and support for worthy causes in a community, we need to understand the challenges that these causes face in accessing the financial resources needed to deliver good causes.

Providers of services in the public benefit have developed a number of strategies to lower the cost of funds acquisition by hiring fundraising consultants, and developing a pyramid model of fundraising which helps in identifying which contributors will only make a one-time contribution, those that will contribute regularly, those that contribute in large volumes and those that may bequeath their estates to the provider. This allows them to segment their efforts into activities that achieve maximal efficiency for each type of contributor¹.

As one-time fundraising campaigns and events result in a 'feast and famine' cycle of revenue acquisition, providers of good causes often budget their activities and activity expenditures accordingly, in order to ensure sufficient operational funds until the start of the next fundraising campaign.

Providers of good causes face a variety of challenges in meeting their operational revenue requirements, and these challenges often result in a high cost of acquisition for meeting their needs.

¹ The True Cost of Fundraising: Should Donors Care?
<https://link.springer.com/article/10.1057/dddmp.2008.5>

1. They need to promote the issues they address as sufficiently worthy in order to receive funding. This causes some organizations to go to great lengths and expense in stating their case, either verbal, written or visually, or in terms of actions taken that cause the issue to be highlighted and put on the public agenda. Such general advocacy and marketing can take time and resources away from delivery of their mission.²
2. They need to provide services that are in demand by individuals and businesses throughout the lifetime of the organization, so they need a steady supply of revenues. Irregular funding is a problem even if the individual gifts are significant and welcome. Consequently non-profit organisations such as community groups tend to limit their activities in order not to overstretch their finances, which limits their positive impact.
3. They need to identify, secure and maintain a continual source of financial supporters in order to meet ongoing revenue requirements. This often requires the organization of special fundraising events, or preparation of reports and other activities that ensure that the funds providers remain sufficiently interested in the activities of the good causes providers and ready to provide contributions on an ongoing basis. This funder-relations activity takes time and resources away from delivery of their mission.
4. They often go to great lengths to meet the financial and bureaucratic requirements of donors when applying for a grant, which they are often unsuccessful in securing. Usually external to a community, donors most often have their own particular priorities and preferred language which public benefit organisations must engage with. This leads to expense on grant identification, grant writing and report production, which increases in the form of additional fundraising staff or consultants as the activities grow. Such expenses have become accepted as necessary, and yet also take time and resources away from delivery of their mission.

In short, fundraising costs time, effort and financial and human resources that would be better spent on achieving outcomes. Organizations should be able to focus on the delivery of services, not on fundraising constantly in order to deliver these services, and this is the reason Crowdcycle was designed.

It is helpful when charitable activity arises from local initiative to meet locally identified needs, and that such activity is supported by local business and individuals as much as from external sources of support that may be available.

² The Spectacularization of Suffering
<https://www.tandfonline.com/doi/abs/10.1080/0267257X.2015.1020330>

This is because funding for worthy causes that comes primarily from outside of the community can also have a negative effect on these efforts. It can reflect a lack of understanding of what the most important local charitable activities are and which ones particularly need more funding. That means some efforts can end up with a lot of money and over-provide a service, while other equally important causes are underfunded.

In 2006, a United Nations study led by an author of this white paper, identified the rise in top-down accountability processes by grant makers to be counter-productive, if not recognising the limitations we have listed here³. However, in the past 15 years, the situation has changed little, with many donors believing it more efficient to increase requirements on recipients to respond to their theories, terminology, metrics and reporting protocols. Therefore, there is a need for systems and tools which provide alternative, more local and self-organised means of funding good causes, which ultimately larger donors could then choose to augment. Crowdcycle is one such system.

3. The Challenges Faced by Businesses and Individuals in Supporting Causes that Deliver good causes

Businesses and Individuals also face challenges in meeting their desire to support these worthy causes which they know would have a net benefit both to their community as well as to their business.

Businesses, particularly small businesses, are restricted in what they can contribute to local good causes by the variability of their own financial turnover and their cash flow. This means it is difficult to make ongoing repeat contributions to the causes they and their customers wish to support.

Many individuals are in a similar financial position and feel that a small donation is not enough to have an impact on the activities of a cause and thus the opportunity to aggregate smaller contributions into something larger is missed.

When the contribution of the business or individual is spent, they are soon asked to contribute again. If the cause is both important and expensive, it is difficult to sustain a significant level of expenditure over the longer term without the additional support of external donors or government agencies. Loss of business and individual contributors increases and the cost of acquisition of additional financial support rises.

Community Organizations and the worthy causes they support by delivering good causes need to find a way to raise funds in which everyone benefits in return so that the fundraising cycle stays healthy and keeps cycling on a perpetual basis.

4. How Crowdcycle Overcomes These Challenges

³ Bendell, J. (2006) Debating NGO Accountability, Development Dossier, United Nations NGLS, Geneva.

Crowdcycle is an innovation in crowdfunding and subscription-based fundraising, providing another set of incentives for businesses to pledge on a regular basis, and as those pledges are given a value in 'pledge points' and spent at the business by individuals, to pledge again.

For individuals, to match the pledge with funds and receive an equivalent amount of 'pledge points' which can be spent at the business, which gives the individual the feeling of having "contributed to a good cause for free".

Local Businesses and community members know what the local needs are and know whether a person or organisation is seeking to meet those needs in a suitable manner. Business owners and managers are often well connected and talk about local needs, people and initiatives, so develop relevant insight into how the deliver of good causes benefit society.

Small business organizations like the Chamber of Commerce, Rotary, Lions and other clubs spend a significant amount of time and effort identifying and evaluating these causes.

In order to reduce the costs and challenges of acquiring sufficient funding for good causes, and reduce the negative cash flow of businesses and individuals, we propose a new model for the funding of good causes so that:

- Organizations, informal groups or individuals who wish to engage in carrying out a worthy cause can easily access a pool of local businesses and individuals who are potentially interested in supporting their activity.
- Worthy causes, and businesses can communicate easily with individuals.
- Businesses can contribute in-kind as a pledge, and not from their profit in a way that impacts their cash flow.
- Individuals can buy 'pledge points' to fulfill the pledge made by local businesses and contribute financially to the cause, and receive an equal amount in tokens which can be spent as a portion of a purchase at a business.

In this way, each stakeholder receives a benefit that at very least equals their cost.

5. How Crowdcycle Works

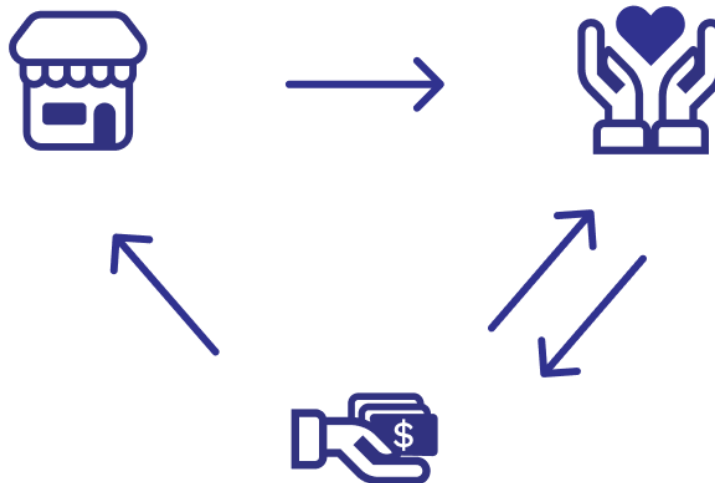
As the focus of Crowdcycle is worthy causes, the cycle starts by identifying organizations, informal groups and individuals who are interested in conducting activities to achieve a beneficial outcome for the community, a worthy cause.

This organization, group or individual creates an account and once their application is approved, they can create a profile for their cause on the platform. This profile and the profiles of others is combined into a portfolio for business owners and individuals to consider for their support.

Business owners review the portfolio, and choose which worthy causes they wish to support. They make a pledge to that cause in 'pledge points', which represents an amount of goods or services their business offers. They also set a rate of acceptance of Crowdcycle tokens as a percentage of each purchase made by individuals. Only pledges made by businesses to a cause are available to be purchased by individuals.

Individuals also review the portfolio, and choose which worthy causes they wish to support. They purchase tokens from the worthy cause of their choice with cash, and therefore have a balance in tokens equivalent to their cash contribution. They can then review the list of businesses that have made pledges to worthy causes, and spend their tokens as a portion of a purchase at that business.

Crowdcycle Flow Diagram



1. Businesses give in-kind contribution - receive extra business, lower cost of contribution* and tax deduction*
2. Individuals give money – receive equal amount of 'pledge points'.
3. Community organizations give services – receive funding

6. The Benefits of Crowdcycle

Instead of making a one-time contribution, Crowdcycle allows for businesses and individuals to create a cycle of giving that benefits them both as well.

Community organizations and worthy projects can now focus nearly all of their time on what they do best, instead of fundraising.

The Crowdcycle platform allows everyone in the cycle to see how collaboration between businesses and individuals supports important work by using purchasing power to affect positive change.

1. Community organizations receive funding on a monthly basis.
2. Individuals can spend the same amount at a local business that they contributed to by funding a public good.
3. Businesses receive ongoing and additional business in a way that does not cost them more than their profit or negatively impact their cash flow, and brings in both new and returning customers.

Businesses benefit from attracting customers who are committed to supporting the local community, motivating their staff and stakeholders to make the business a success, without having to find funds for cash donations ahead of revenues. This leads to a favourable impression of the business, which is referred to as “cause-related marketing”.

Customers benefit from a simple means of identifying and supporting trusted local initiatives that are doing good, while doing so in ways where they receive products and services.

The worthy cause benefits from an easier means of receiving recurring financial inflow.

These benefits provide a strong set of incentives for business, individuals and good causes providers to participate in the platform, as will be explained further in this white paper.

Cumulatively, Crowdcycle unlocks the possibility for local communities to better support what members of that community believe needs additional funding.

7. The Crowdcycle Business

Crowdcycle is a financial technology services business that organizes the platform, facilitates the onboarding of good causes, business and individuals, processes pledges, purchases of ‘pledge points’, and fulfillment at local businesses.

As purchases of 'pledge points' are made using the platform, funds are received in the name of the worthy cause, and disbursed on a monthly basis. For this, Crowdcycle charges a processing fee on the amounts received.

There is a side to the business that reviews and approves requests to join from representatives of worthy causes and businesses to ensure there is no duplication or fraudulent activity. It is also responsible for promoting the causes to be both ethical in operation and transparent in reporting. It also provides support for franchisees with this activity (see below). Crowdcycle seeks grants from large foundations and aid agencies to enable these support activities, thereby providing such partners with opportunities for locally-relevant and self-sustaining philanthropy.

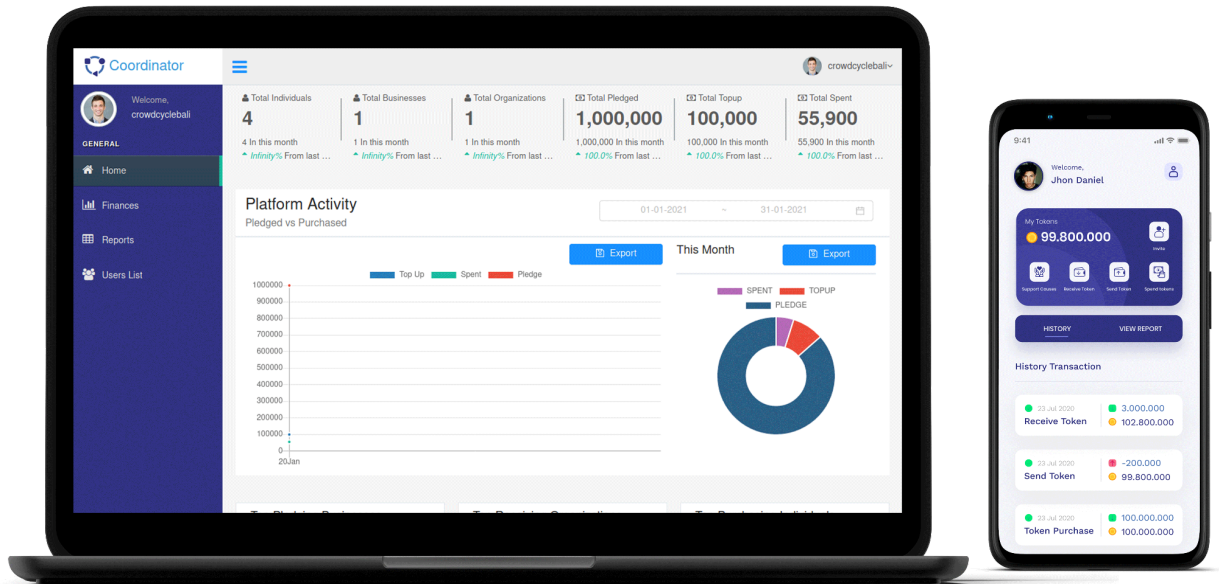
Crowdcycle is structured as a company with a temporary license franchise model. Local Crowdcycle networks can be purchased for a period of time, after which the management may be changed by vote of the membership of participating account holders.

8. The Crowdcycle Platform

The Crowdcycle Platform consists of a web interface as well as a native, cross-platform mobile application available for Android and IOS phones.

The web interface allows representatives of worthy causes and businesses to access a dashboard that presents detailed information about their activity on Crowdcycle.

For businesses, this includes details on the platform overall, such as new individual members, new businesses, new causes joining the platform, as well as which individuals visit their business the most, the announcements they have made, along with other details that will help the business to understand the benefit Crowdcycle brings to them.



For organizations, this includes information on which businesses have made the most pledges, and which individuals have contributed the most to them through Crowdcycle, as well as how much is owing to them at the end of the month, and how much funding has been generated for them through this platform.

The mobile app allows businesses and worthy causes to create and update their profile and other details on a regular basis, and to make pledges to worthy causes, purchase 'pledge points' to support the same worthy causes, and fulfill the pledge at a business.

Individuals can use the app to see how much they have contributed, which organizations they have contributed to, and how many 'pledge points' they have purchased.

9. Conclusion

Crowdcycle introduces a novel way of raising funds to support worthy local causes.

This is done in a way that reduces the cost of contributing for businesses and individuals, and incentivizes their contributing behaviour in a way that encourages an ongoing cycle of pledging, purchase of 'pledge points' and fulfillment at businesses that supports each of them significantly.

The outcome is a strengthened civil society sector; a lively and resilient neighbourhood, town, community or city, with a higher quality of life than if local collaboration had not been enabled by Crowdcycle.

