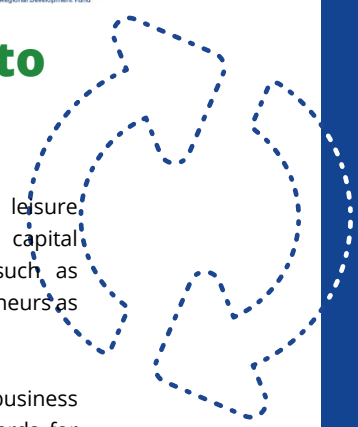


# Financing the Circular Economy in the Tourism Sector: How Can Tourism SMEs Use Reward-based Crowdfunding to Finance Circular Solutions?

The Interreg 2 Seas project FACET focuses on implementing circular solutions in the tourism and leisure sector. This white paper proposes reward-based crowdfunding as a valuable option to raise initial capital investments for a circular initiative, especially when accessing more conventional funding, such as government grants or loans, is challenging. The C-I-R-C-U-L-A-R steps are proposed to tourism entrepreneurs as guidance to develop and launch a reward-based crowdfunding campaign for their circular initiative.

Reward-based crowdfunding entitles the fundraiser to presell a product or service to raise funds for a business project without creating debts or sacrificing shares. The fundraiser could offer various types of rewards for backers, creatively, depending on the amount of contribution they made. There are only a few successful pioneering examples of using reward-based crowdfunding in the tourism and hospitality sector for circular solutions. For examples, The Warden's House in Cardiff (UK) raised £43,147 from 684 backers to refurbish an old bungalow to create an independent restaurant respecting the principles of the circular economy; and the Boentje Café, in Belgium, raised €14,235 from 199 backers to improve its facilities to become even more sustainable. The rewards that they offer to backers are such as engraving their name on the "funders wall", branded reusable cup; an invitation to the pre-opening event, and an evening party with a special dinner.



01

## Create a circular tourism project with environmental and social benefits

The circular tourism project should have clear environmental and social benefits. Moreover, to develop a feasible circular tourism project, the entrepreneurs should:

- clarify what the circular project is
- seek technical advice where needed
- seek financial advice to develop a full project financial model and evaluation of the performance

02

## Initiate a crowdfunding campaign

After generating the project idea, the entrepreneurs need to choose the most suitable crowdfunding platform for the campaign and seek approval from the selected platform to list the campaign. Things to consider are:

- the focus of the platform
- platform reviews
- platform charges

The entrepreneurs also need to develop a good story of the circular tourism project and decide on the types of rewards to be offered. Aspects to consider when deciding on the rewards of the crowdfunding campaign include:

- the sustainability of the production of the rewards
- the cost of the rewards
- choosing appealing names for the rewards
- offering different rewards for the same financial contribution to attract a wider crowd



03

## Recommend and promote the crowdfunding campaign

The campaign must be actively promoted to past, current, and future visitors as well as to residents. Promotional channels include:

- the destination's websites
- social media
- travel agents and fairs
- other events where the campaign and the destination's sustainability efforts can be promoted



04

## Consider possible adjustments to the crowdfunding campaign

Often crowdfunding campaigns need to be revisited and revised. Changes may be related to how the campaign is communicated, how the platform is selected, or how rewards are provided, or they may be more deeply rooted in the circular project itself. Adjustments may also be associated with the amount of funding to be raised.



05

## Unlock and implement the circular tourism project

After the campaign is successful, the practical implementation of the circular tourism project can be initiated. During this process, it is important to keep funders/backers updated on the development of the initiative through, for instance, regular posts on the platform, social media, and the website. Online updates on the practical development of the circular tourism project are also a marketing approach, which could reach a global audience.



06

## Launch the rewards for the crowd funders/backers

When delivering the rewards, the entrepreneurs should consider:

- the process (time and method) to claim the reward
- when to allow the backers to claim their reward (start date)
- how to ensure that the production of the reward can cope with the number of claims
- how to track the rewards given

When and how the rewards will be delivered must be properly planned and it should be communicated in the campaign and the updates provided. The backers must not expect the rewards to be delivered prematurely. Transparency is key to building trust between the fundraiser and the funder.



07

## Assess the impact and benefits of the circular tourism project

It is crucial to assess the improvement that the circular solution achieves and to collect positive customer and/or community feedback on how the solution may have helped them improve their experience and created benefits for the wider community.



08

## Reconnect with the crowd funders and update them on the success of the initiative

The entrepreneurs should consider reconnecting with the backers and updating them on the successes of the circular project. This would ensure that the positive impacts are communicated and increase the probability that the entrepreneurs' future crowdfunding campaigns receive funding.



## Conclusion

Reward-based Crowdfunding is a promising financing approach for a circular economy in tourism, as it can help entrepreneurs avoid the bureaucratic and often complex government funding application procedures. Moreover, there is often an absence of appropriate loans and grants. However, entrepreneurs need to consider several aspects to ensure their reward-based crowdfunding campaign is successful. The C-I-R-C-U-L-A-R reward-based crowdfunding steps provide the needed guidance to help tourism SMEs successfully engage in crowdfunding campaigns for a circular economy. Moreover, local authorities play an essential role in promoting this funding method and providing co-funding opportunities to entrepreneurs, where reward-based crowdfunding can be combined with more conventional funding options.

Public and financial stakeholders in tourism destinations can also support the creation of a destination-based crowdfunding platform, which would allow tourism entrepreneurs to reach the tourism audience more directly as well as promote the sustainability efforts of the destination, and widening participation of local communities.



**Download the full white paper**

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**More about the project: [www.facetwiki.eu](http://www.facetwiki.eu)**