

Whitepaper

Financing the Circular Economy in the Tourism Sector

How Can Tourism SMEs Use Reward-Based Crowdfunding to Finance Circular Solutions?



Colophon

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Introduction

The Interreg 2 Seas project FACET aims to facilitate the adoption of circular entrepreneurship in the tourism and leisure sectors of the 2 Seas region, including the coastal areas of England, Belgium, France, and the Netherlands.

The 2 Seas region has traditionally been a tourist destination with a strong impact on the regional economy and a circular economy is required – in the region as well as in other destinations - to ensure that the tourism sector remains viable in the interest of the host communities and to help encourage the conservation of the natural environment. The need for a circular economy was emphasised by the COVID-19 pandemic which demonstrated the urgent requirement for more resilience and sustainability in tourism destinations.

The Interreg 2 Seas project FACET should help to develop several circular economy pilot projects in the tourism sector and demonstrate their transferability to other destinations. Supporting tourism SMEs in overcoming the major challenges of financing circular initiatives is an important part of this aim.

The Purpose of this White Paper

This white paper is mainly addressed to tourism SMEs. It proposes crowdfunding as one of the available financing mechanisms for a circular economy.

In a recently published [White Paper by the FACET](#) project, six strategic steps were identified to enable local authorities to create a favourable environment for supporting the emergence of a circular economy in destinations. Pieces of advice were also given on how conventional financing options can be tailored to financing circular solutions.

Conventional financing options include grants, voucher schemes, and loans and can be tailored to the needs of a circular economy in tourism by:

- **Promoting** the concept of the circular economy among financial stakeholders.
- **Providing** technical support to tourism SMEs to apply for funding.
- **Restructuring funding requirements** for a circular economy.

Yet, these financial solutions are not always available and/or suitable for SMEs and circular solutions, therefore, in this white paper, **reward-based crowdfunding** is proposed as a promising option for SMEs, especially when seeking to raise initial capital investments for a circular initiative.

SMEs often find it challenging to access conventional funds because of high administrative costs and the time-consuming and complex funding applications involved. In addition, some financial support schemes tend to target larger scale investments. For SMEs working in tourism in the 2 Seas region, reward-based crowdfunding might be an interesting alternative. It offers the opportunity to raise money more simply, without creating debts or losing ownership. Also, crowdfunding provides an opportunity to promote and market the company as well as its sustainability strategies, get feedback on the new business concept, and stimulate more active involvement of the public and tourists in sustainable initiatives.

Crowdfunding allows firms to raise small amounts of money online from many individuals to fund new projects. Crowdfunding can help tourism SMEs overcome the financial barriers of a circular economy, related for instance, to the purchasing of equipment, installations, and technologies. Yet, crowdfunding is not easy and requires a strong proposition for a target audience, solid planning, and professional execution. The purpose of this white paper is to provide the necessary guidance to tourism entrepreneurs that intend to crowdfund their circular economy ideas.

This white paper will not only explain the process of crowdfunding – with a particular focus on **reward-based** crowdfunding – but also suggests the creation of destination-based crowdfunding platforms and provides step-by-step guidance on how tourism SMEs can engage in crowdfunding campaigns to make their business models more circular. The white paper builds upon the experience of the FACET project, the interviews with financial stakeholders, and relevant literature.

The Structure of this White Paper

The white paper *first* introduces the **circular economy** and its **relevance for tourism destinations**. *Second*, it outlines some of the common **financial obstacles** that are faced by SMEs in a circular economy, and then it presents practical guidance (**the C-I-R-C-U-L-A-R STEPS**) to set up a successful crowdfunding campaign for circular economy initiatives.

2

A Circular Economy in Tourism

A circular economy is increasingly recognised as necessary for the tourism sector ([Manniche et al., 2019](#)), given the pressures that the sector can place on local resources and communities (e.g., waste generation, overconsumption of resources such as water and energy), and the sector's potential to bring positive benefits to destinations through its linkages with the Sustainable Development Goals ([UNWTO, 2022](#)).

A circular economy allows tourism and hospitality businesses, as well as communities and regions, to move from the **linear model** of *take-make-dispose* to a **circular model**, in which resources are kept and valorised for as long as possible. This is achieved by finding alternative production and consumption solutions, alternative use of materials, and where feasible, the creation of new tourism products which reduce resource use and are more sustainable.

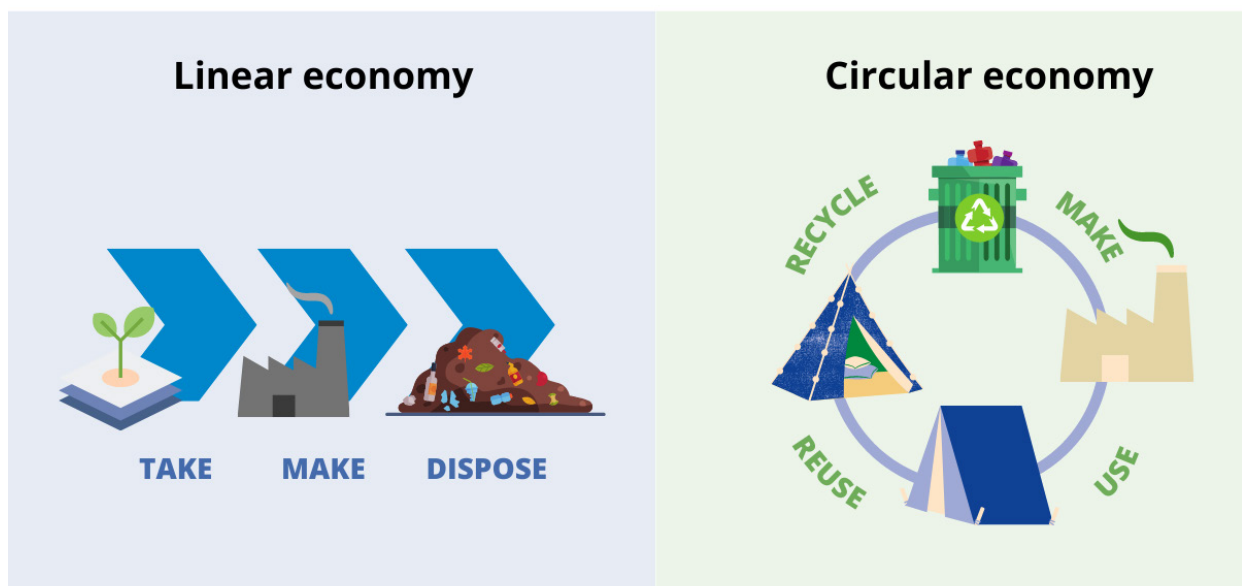


Figure 1. From Linear to Circular Economy

The circular economy for the tourism sector is particularly essential to decrease reliance on resources, build more resilient destinations, create new jobs, decrease operational costs, promote digital developments, and help to meet the increasing market demand for sustainable tourism experiences. However, tourism entrepreneurs might require high levels of capital investment to change existing set-ups and to invest in new equipment.

Unfortunately, for many entrepreneurs, the demand for capital may be too high and, therefore, require external funding for upfront investment or to support the initial operating costs. Even though there are several financing options on the market, businesses, especially SMEs, still face barriers to accessing finance that need to be addressed and mitigated. These important issues are discussed below.

TABLE 1 | THE FINANCIAL BENEFITS OF MANAGING CIRCULAR BUSINESS MODELS

Circular aspect / outcome	Financial benefits for tourism SMEs when managing circular business models
VALUE ADDED BY CIRCULAR PRACTICES	The adoption of circular business models by tourism SMEs could produce products or services that tourists and communities value higher than conventional solutions. This can lead to an increase in pricing power, new revenue streams, and competitive advantages.
REDUCE THE COST OF MATERIALS AND OPERATIONS	Increased return flows of used products or materials can lower production/purchasing costs of tourism SMEs if virgin materials are more expensive to source. Lower production/purchasing costs can boost profit margins. Similarly, refusing, reducing, reusing, and/or recycling resources in business operations give tourism SMEs significant economic benefits.
REDUCING INVESTMENT AND OPERATIONAL COSTS THROUGH COLLABORATIVE MODELS	Many circular solutions need to be operated through collaborative models driven by community effort. This may include joint purchasing of materials and/or equipment for a circular economy as well as joint waste treatments and joint utilisation of the destination's infrastructures. This means that tourism businesses can jointly invest and collectively cover the operational expenses of tourism facilities through a circular economy.

Source: Partially adapted from [ING \(2015\)](#)

The Financial Benefits of, and Barriers to, a Circular Economy

The transition to a circular economy by tourism SMEs can have both positive and negative financial implications. These financial implications concern both development and operating costs. This section starts by summarising, in Table 1, some of the financial benefits of a circular economy.

The financial benefits outlined in Table 1 show the economic importance of tourism SMEs adopting circular solutions. There are, however, also several financial barriers, including:

These financial barriers include:

- **Costs of expertise** for the initial development of a circular economy including costs for certifications, labelling, and marketing.
- **Investment to purchase** equipment, technologies, and new installations needed for circular solutions.
- **Investment to innovate, develop, test, and operate** new products and services.

While there is a range of financing options available for entrepreneurs seeking to adopt circular practices, in this white paper we propose crowdfunding as a way to finance circular projects in the tourism sector which is particularly relevant for SMEs.

3

Crowdfunding for a Circular Economy

Crowdfunding **is the practice of raising small amounts of money online from many individuals to finance a project.** The funder is generally rewarded for their contribution, except in the case of donation-based crowdfunding. However, the adoption of crowdfunding by tourism entrepreneurs for a circular economy is still not a mainstream strategy, although the concept has been successfully used very occasionally for many years. Switzerland's first eco-hotel, the Hotel Ucliva, was opened in 1983. The concept had first been announced in 1978, but funding for construction had proved to be very difficult to obtain. A pioneering crowdfunding appeal made through Swiss newspapers solved that problem, attracting over 900 individual funders, and enabling construction and operation See <https://www.ucliva.ch>, <https://www.ucliva.ch/nachhaltigkeit/>, and <https://www.ucliva.ch/ueber-uns/genossenschaft-ucliva/>. Unwittingly, Ucliva fulfils almost all the requirements of the circular economy.

The global crowdfunding market for all economic sectors was worth about USD 13.3 billion in 2019 and is projected to continue to grow by 2026 to USD 39,79 billion ([Wessel et al., 2021](#)). **The main advantage** of crowdfunding is that it can provide SMEs with a degree of autonomy when seeking to raise funds for a circular project. Therefore, **it helps mitigate some of the challenges**, such as strenuous and difficult administrative procedures, associated with sourcing initial capital investments through more conventional financing options such as grants or loans ([Mähönen, 2019](#)). A summary of the advantages and disadvantages of crowdfunding compared to other main financing options is provided in Table 2.

Moreover, crowdfunding can also help SMEs in cases where their innovative projects are not supported by financial institutions due to unconventional approaches or unfamiliarity with the risk profile. Crowdfunding not only provides entrepreneurs with the opportunity to raise funds but can also **test the business concept and collect feedback from the public on the business idea.**

An EU study, that explored the statistical relationship between the probability of launching a circular campaign and its success, demonstrated that crowdfunding is a suitable source of finance for circular projects ([Ljumović & Hanić, 2021](#)). Crowdfunding campaigns also enable links to be promoted to a more responsible tourism market as well as foster valuable connections between tourists and the destination, increasing loyalty and the likelihood of return visits. In addition to these benefits, crowdfunding **can stimulate the active involvement of tourists and local communities**, making them an integral part of the transition to a circular economy. From a marketing point of view, tourism demand is increasingly shifting towards more sustainable experiences, and **crowdfunding projects can provide SMEs with a potential market advantage** in a growing responsible tourism market. **Switzerland's Hotel Ucliva has proven all these points, (see earlier), it can provide an excellent and motivated niche marketing network**

Moreover, through the crowdfunding campaign, tourism SMEs can inspire other businesses to consider circular practices. Tourism SMEs in the same destination can also fundraise for a common circular project, such as the installation of a shared facility needed to activate circular practices at the destination (e.g., a plastic repurposing centre).

There are several different crowdfunding models as explained below.

TABLE 2 | ADVANTAGES AND DISADVANTAGES OF THE MAIN FINANCING OPTIONS

Option	Advantages	Disadvantage
GRANTS	<ul style="list-style-type: none"> • A grant doesn't need to be repaid • No requirement for collateral • Funds are more readily available in some areas such as energy and environment, innovation 	<ul style="list-style-type: none"> • Grants are very competitive • The criteria for the grants can be very niche • Grants can be location specific • A grant is unlikely to cover all the costs and often is time constrained • Grants often come with conditions • A limited number of specific grants are available for a circular economy in the tourism & leisure sector
LOANS	<ul style="list-style-type: none"> • Comparatively faster to obtain a business loan than a grant • The interest payment is tax deductible, in most cases • Funds are always available if the business meets the requirements • Not competing directly with others • The interest rate is normally reasonable due to competition among lenders • No restrictions on where the fund is to be spent. • No loss of control of the business 	<ul style="list-style-type: none"> • Difficult to obtain if the SME lacks a substantial track record or valuable collateral • Additional financial costs compared to grants because of the need to pay interest on loans • May not get full amount applied for
CROWDFUNDING	<ul style="list-style-type: none"> • Opportunities to get larger sums of funds in a short period • Get projects funded without creating debt or losing business shares (donation/reward crowdfunding) • Marketing opportunity of the business and its initiatives • Less rigorous than banks for loan-based crowdfunding 	<ul style="list-style-type: none"> • Rigorous due diligence as projects are checked extensively before approval to create a successful campaign. • Extensive social media marketing is necessary nowadays to find a big community willing to donate. The success rate for a donation campaign is lower than for the reward type • A big crowd may be needed to reach funding targets.

Types of Crowdfunding

Different types of crowdfunding are available to entrepreneurs: equity, loans, donation, and reward-based crowdfunding:

- **Equity-based** crowdfunding entitles the funder to receive shares in the company in exchange for the money pledged. The shares may, (or may not), pay dividends. The shares may be sold to others, or back to the company in some cases.
- **Loan-based** lender participants receive interest, the level of which depends on the rate set by the borrower. The loans may be repaid to the lender in agreed circumstances.
- **Zero-interest loan-based** crowdfunding entitles the borrowers set up campaigns to raise money and lender participants to eventually receive their money back (without interest) but they will gain the satisfaction of having participated in a sustainable project.
- **Donation-based** crowdfunding enables the funders to donate small amounts of money to the crowd-funded project for no financial or material return.
- **Reward-based** crowdfunding entitles the fundraiser to presell a product or service to launch a business project without creating debts or sacrificing shares.

Each of these crowdfunding types has its advantages and disadvantages, as elaborated in Table 3.

TABLE 3 | CROWDFUNDING TYPES: THE ADVANTAGES AND DISADVANTAGES

	Advantages	Disadvantages
EQUITY	Opportunities to get larger sums of funding in a short period. Often backed up by tax reliefs in some countries. Good support on legal services if the equities are offered via a crowdfunding platform.	Rigorous due diligence as projects are checked extensively before getting approval to create a campaign. The project must part with business shares.
LOAN	Access to funds is a lot faster and often at better interest rates than traditional banks. In the case of zero-interest loan crowd-funding, access to funds involves zero in-terest for the borrower.	Intensive due diligence but less rigorous than banks. Pressure for the business to succeed to pay the interest on time and eventually to pay back the loan on time. In zero-interest loan crowdfunding , pressure is only on paying back the capital on time (no interest payments).
DONATION	Gets projects funded without creating debt or losing shares in the business.	Extensive social media marketing is necessary as it needs a bigger community's donating to achieve its goal. The success rate for a business campaign is lower than the reward type.
REWARD	Similar to the donation type with no debt and no parting with equity. Also, easier to raise more funds and faster than donation crowdfunding.	It may need a bigger crowd to fund this method. The reward needs to be honoured. More time is invested in marketing and giving updates during and after the campaign reaches its goal.

While each of the five typologies of crowdfunding retains its specific advantages, and the potential to be tailored to tourism, in this white paper, **reward-based crowdfunding** is considered the most appropriate crowdfunding option for SMEs intended to raise funds for implementing circular solutions. Compared to other crowdfunding options, reward-based crowdfunding is easier for small-medium tourism enterprises to access funds and does not involve paying back loans and interests as it would be for loan-based crowdfunding or giving away business shares as it would for equity-based crowdfunding. Moreover, reward-based crowdfunding may be preferred over donation-based crowdfunding as it may be reduced the risk that a tourism business may attract insufficient donations if it offered no reward.

Using Reward-based Crowdfunding for a Circular Economy

Reward-based crowdfunding campaigns can be in an **all-or-nothing** mode where the fundraiser keeps the money offered only when the campaign achieves the full fund request or the **keep-it-all** funding option where the fundraiser keeps all the money even when the full amount of the fund request is not achieved. Entrepreneurs should be aware that not all crowdfunding campaigns are successful and that building a campaign requires time and effort from the fundraiser.

Reward-based crowdfunding, in addition to representing an opportunity to fully fund circular solutions, can also be used as a hybrid solution together with loans, grants, and/or voucher schemes that may not cover the full investment needed for the circular solution. If a project received a government grant or loan, or even a commercial loan, it would give the online backers more confidence to invest in the campaign. Equally, a successful crowdfunding campaign could help enable entrepreneurs to gain easier access to commercial loans. However, it is suggested that for hybrid funding opportunities, entrepreneurs look beyond traditional financing institutions such as banks to uncover more finance opportunities. As tailored financing for circular solutions is not mainstream yet, reward-based crowdfunding can help mitigate rejections of fund requests due to medium-high risks and market uncertainties that may be associated with circular initiatives assessed by conventional lenders or investors.

Furthermore, reward-based crowdfunding can also help mitigate the limitation of existing green funds which SMEs may not always access due to the high concession requirements. In the case of implementing circular economy initiatives, funding requirements may not be met due to the often-untested circular solutions, making it difficult for banks to finance through green fund mechanisms. Market uncertainties and lower annual performance figures caused by the COVID-19 pandemic have also led many entrepreneurs to poorer financial ratings, making reward-based crowdfunding an attractive option to raise funds for circular solutions.

Some examples of using reward-based crowdfunding in sustainable tourism projects include:

The Warden's House



This funding project, located in Cardiff, UK, refurbished an old bungalow to create an independent restaurant respecting the principles of the circular economy. The platform used was [Kickstarter](#), and an 'all or nothing' financing model was adopted. The reward-based campaign raised £43,147 from 684 backers.

<https://cynnalcyrmu.com/former-cardiff-park-wardens-house-transformed-into-sustainable-city-centre-restaurant-kindle/>

The Warden's House offered 57 multiple rewards starting from a donation of £1 without rewards to £500,00, for example:

- With a £10.00 pledge, the backer had their name added to the 'funders wall' as a thank you, this pledge received 79 backers.
- With a £20.00 pledge, the backer received a branded reusable cup (this reward gained 39 backers).
- With a £50.00 donation, the backer gained a 2-night stay for 6 people at Wright's Food Emporium in Llanarthney, including a wine tasting session. This reward gained 1 backer.

Reward-based crowdfunding provided the opportunity to launch this hospitality sustainable project where the design was mostly around reusing and repurposing almost every element of the original building, and with a large amount of the materials reclaimed such as doors, scaffold boards used to create a garden and planting beds, tiles made from 90% recycled glass, reused bricks from external walls to create new door openings, energy-efficient equipment installed, rainwater recycling system and composting machine.

Happy Drêche

This project, located in Lille, in northern France, seeks to create value from the draff (a by-product of beer making) and is not always valorised in urban environments even though it remains a very important concentration of fibres and proteins. The crowdfunded project enables the manufacturing of malt nuggets from this by-product. The project seeks to limit food waste, favour local products and create jobs for local people. This was a reward-based (9 types of rewards) project using the [Kisskissbankbank](#) platform which had successfully raised €6,585 from 135 backers.

<https://gastronomy.hautsdefrance.fr/en/happy-dreche-2>



Rewards included:

- With a €10 contribution, the backer got 100g of sweet nuggets and 3 recipes to test the nuggets.
- With a €40 contribution, the backer received 300g of custom malt nuggets, and a nice glass jar to keep them.
- With a €250 contribution, the backer received a home meal cooked for 6 people, an explanation and fun activities on the grain, beer, and all other local products, and a souvenir gift.

Boentje Café

This project is a zero-waste coffee house in Belgium that created a successful campaign raising funds to improve its facilities to become even more sustainable. As in the previous examples, this was a reward-based project, and it used the [Growfunding](#) platform. Seven types of rewards were offered, using the 'All or Nothing' financial model. The finance raised was €14,235 from 199 backers. Examples of rewards included are:

- With €25.00 the backer received an invitation to the pre-opening with beer and surprise, 1 pastry, 2 jars with Boentje Café logo,
- With €500.00 the backer received the café space for an evening party and the café's staff cooks for 30 people.

The crowdfunding approach allowed the café to purchase more equipment thus enhancing its customer service and sustainable approach.

These three examples show how successful reward-based crowdfunding can be for tourism and hospitality businesses to increase their potential to implement more sustainable and circular practices and to develop their economic viability.

Furthermore, the examples demonstrate how crowdfunding was used to finance a wide range of equipment and building costs and create benefits for the community by promoting a zero-waste culture and better quality sustainable food offered in the region



<https://www.boentjecafe.com/accueil>

Creating a Destination Crowdfunding Platform

Tourism SMEs can launch their reward-based crowdfunding campaign through existing crowdfunding platforms such as [Produzioni del Basso](#), [Growfunding](#), [Gofundme](#), [Eccocrowd](#), and [wemakeit](#). Although these platforms have considerable scope to include sustainable / circular tourism projects, we recognise the need for more specific crowdfunding platforms that would maximise the benefits of crowdfunding for tourism and the circular economy. A destination-based crowdfunding network or platform could allow:

- **Building a community** of local authorities, tourists, and residents that supports circular projects at a destination is crucial for its sustainable development ([Crotts et al., 2022](#)).
- Contributing to **sustainable destination branding and identity building** ([Maheshwari et al. 2011](#)).
- Providing the opportunity to **market the crowdfunding campaign directly to tourists**.
- Facilitating the sharing of **innovative ideas** among destination entrepreneurs ([Kennedy et al., 2017](#)).

A destination-based crowdfunding platform could be developed with the support of various destination and non-destination actors such as local authorities and financial stakeholders. Such platforms, however, require the creation of robust linkages between the destination and travel operators. These include linkages to tour agencies willing to promote the platform by raising its awareness among travellers. Furthermore, travel operators can promote and communicate opportunities for investment in local projects, and effectively communicate the rewards that are being given to tourists during their visit. The platform can be financed through various revenue streams including **membership fees, success fees, promotion fees, and government support or grants**, where the platform helps to distribute grants to target projects. In addition to working through tour operators, given that very many visitors to North Sea resorts travel independently, it is essential to engage the press and social media platforms.

The destination-based platform could allow entrepreneurs to fully fundraise for circular projects but it should also aim at hybrid funding options. For example, similar to the crowdfunding model of [Spacehive](#), campaigns can be **matched with other funding options such as government funds and foundations that may want to invest in the projects**. Moreover, through a destination-based crowdfunding platform, local authorities can distribute funds via co-funding of popular campaigns on the crowdfunding platform, to support those local circular economy initiatives.

The destination crowdfunding platform could be supported by **one-stop centres** where existing and aspiring entrepreneurs could seek advice and support for the development of their campaigns. One-stop centres would provide essential technical support and maximise the success rate of the destination crowdfunding campaigns and should, if possible, be initiated through the collaboration of different destination stakeholders such as regional development agencies, incubators, and local authorities

In the next section several steps are proposed to be followed by entrepreneurs when running a circular tourism crowdfunding campaign.

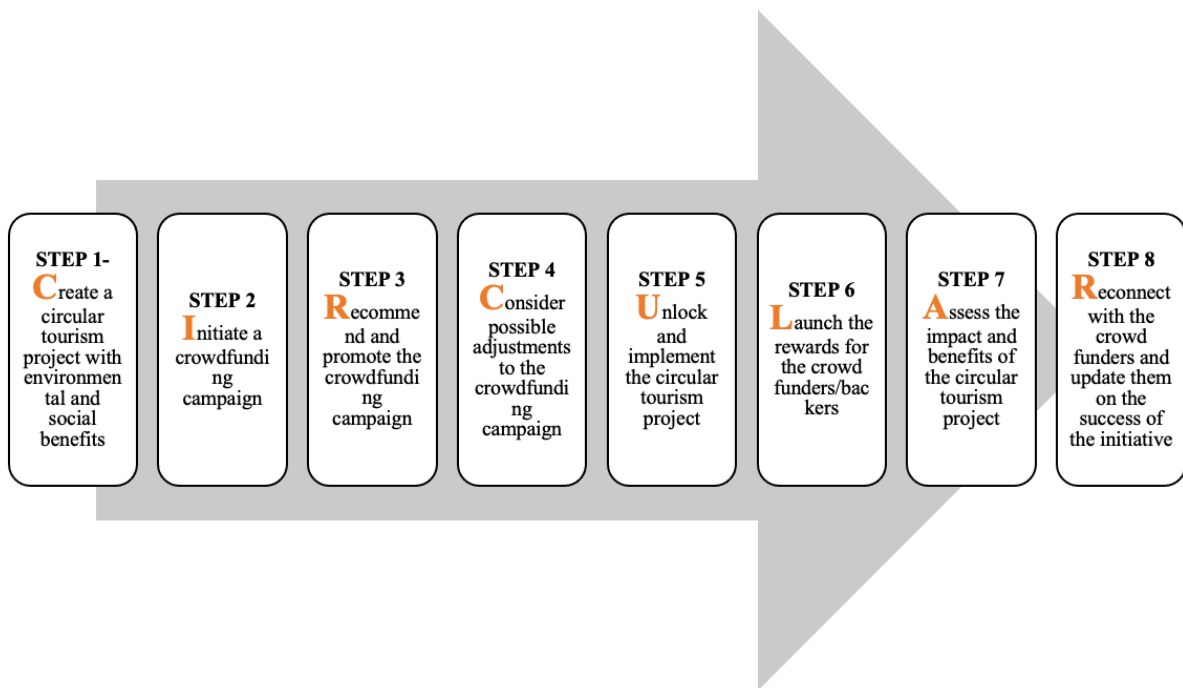


Figure 2. The C-I-R-C-U-L-A-R Steps towards Crowdfunding

The C-I-R-C-U-L-A-R Steps to Reward-Based Crowdfunding for a Circular Economy in Tourism

During the Interreg 2 Seas project FACET, **an eight-step process for crowdfunding was created to support tourism entrepreneurs – especially SMEs – in engaging in crowdfunding campaigns for their circular economy initiatives.**

Each step is presented in this section with relevant recommendations.

- **STEP 1** **C**reate a circular tourism project with environmental and social benefits.
- **STEP 2** **I**nitiate a crowdfunding campaign.
- **STEP 3** **R**ecommend and promote the crowdfunding campaign.
- **STEP 4** **C**onsider possible adjustments to the crowdfunding campaign.
- **STEP 5** **U**nlock and implement the circular tourism project.
- **STEP 6** **L**aunch the rewards for the crowd funders/backers.
- **STEP 7** **A**ssess the impact and benefits of the circular tourism project.
- **STEP 8** **R**econnect with the crowd funders and update them on the success of the initiative.

STEP 1 - Create a Circular Tourism Project with Environmental and Social Benefits

Creating the circular tourism project idea is the first step of the crowdfunding campaign. The idea should have clear environmental and social benefits and it can be developed by involving the entire business team to gather more insights and suggestions.

Entrepreneurs can create **joint crowdfunding** ideas, achieving collective projects at the destination level. For example, this may include crowdfunding joint purchasing initiatives, or purchasing technologies and equipment for shared use at the destination.

To develop a feasible circular tourism campaign idea, entrepreneurs should:

- **Clarify what the circular project** is and where it can be located. In the case of a joint crowdfunding campaign – where several businesses may fundraise together for a shared project - the circular project can be developed through brainstorming activities.
- **Clarify the environmental and social value** that will be created by the circular project. See for instance, [Ecocrowd](#)'s guidelines on how the crowdfunding project should contribute to people, soil, water and air, climate, animals and plants, cultural assets, and the use of energy and resources. It can be useful to talk to and involve the local authority at this stage.
- **Seek technical and financial advice** to ensure that all development and operational aspects of the circular project are considered. Technical and financial advice may be sourced through consultants, available public support and from the platform itself.

STEP 2 - Initiate a Crowdfunding Campaign

Entrepreneurs need to choose and seek approval from the most suitable crowdfunding platform as well as identifying the best time to launch the campaign. The fundraiser should consider:

- **The focus, terms and rules, market trends, and the fees that the platform will charge and its reputation.** These factors can also reflect on the platform followers and those that will eventually fund the project (EU, 2022). It is important to remember that public willingness to participate in tourism-related crowdfunding is influenced by trust in the platform (Kim et al., 2020).
- **Developing a story** (perhaps in print and on video) of the circular tourism project with clear explanations of what the entrepreneur is seeking to develop, why, and the benefits the project is seeking to generate (EU, 2022).
- **The types of rewards offered to the backers.** Aspects to be considered when deciding the rewards include the sustainability of the rewards, their cost and name, and offering different rewards for various financial contributions, to attract a wider crowd. (Ecocrowd, 2022).
- **When to launch the campaign.** Seasonality may have an impact on the success of the campaign, and it may be more advantageous to launch the campaign before the high tourist season rather than after.

Following the development of the circular tourism project campaign, the campaign should be recommended and promoted to the public.

STEP 3 - Recommend and Promote the Crowdfunding Campaign

After the campaign is launched on the crowdfunding platform, it should be actively promoted to past, current, and future visitors as well as to residents. In the case of a destination-based platform, local authorities and destination management organisations can play a vital role in promoting and circulating the proposed circular projects through their websites and social media as well as travel agents and fairs. Promotion can be done through:

- **Social media networks** which have been identified as a key promotional channel for good crowdfunding performance (Wang et al., 2017).
- **Talking to the press, radio, and television media** and participating in **industry conferences** (EU, 2022).
- **Delivering promotional messages** through mailing lists and on-site facilities.

Promotion would specify the campaign and the reasons for it along with the different rewards that the funder can receive. An important point throughout the campaign is ensuring a constant updating of the investors/backers on the progress of the campaign.

STEP 4 - Consider Possible Adjustments to the Crowdfunding Campaign

Not all crowdfunding campaigns are successful and often they should be revisited and revised. The fundraiser should consider changes that can and should be addressed to the project and the campaign. Required changes may be related to campaign communication strategies and/or the platform selected, rewards provided, or be more deeply rooted in the circular project itself. Adjustments may also be associated with the amount of money to be raised.

When reviewing the campaign, the following aspects may be considered:

- Is there sufficient progress in the fundraising?
- If not, how could better fundraising be achieved?
- Do communications about the project and the campaign need to be improved, and if yes, how?
- Can the promotion and marketing of the campaign be improved, and if yes, how?
- Or are there elements of the circular project idea that should be changed?

STEP 5 - Unlock and Implement the Circular Tourism Project

After the campaign is successful, it is time to unlock and implement the circular project. The fundraiser should re-connect with the suppliers that were initially identified (when the initial project was developed). Using the same suppliers as when the circular project was developed should ensure that costs will be the same and that the funds raised are likely to cover the expected costs of the circular project.

In this phase, it is important to keep funders/backers updated on the development of the initiative through, for instance, making regular posts on the platform, social media, and the website. It is also a key marketing approach, which could reach a global audience. The implemented project should reflect the campaigned idea.

STEP 6 - Launch the Rewards for the Crowd Funders/Backers

Although some rewards – depending on their nature – may be provided to the funders/backers before the implementation of the circular project, most of them may only be provided when the circular project is realized. For example, if a hotel raised funds for circular wastewater treatment and one of the rewards is a free night at the hotel, although the free night can be provided ahead of the completion of the initiative, it would be preferable if the funder can see the completed project when staying at the hotel, when the backers can experience or see the implemented circular solutions.

When delivering the rewards, the entrepreneurs need to consider:

- The process (timing and method) to claim the reward.
- When to allow backers their rewards (fixing a start date)
- Ensure that the production of the reward copes with the claim.
- And setting up a system to track the rewards.

When and how the rewards will be delivered should be properly planned and it should be communicated in the campaign and updates provided.

STEP 7 - Assess the Impact and Benefits of the Circular Tourism Project

Assessing the impacts of the circular solution on the business is critical to understanding its effect. It is crucial to assess the improvement that the circular solution generates when compared to the baseline, and to collect positive customer and community feedback on how the solution may have improved their experience and how it may have created benefits for the wider community.

For example, how much water had the business saved as a result of the circular solution? How have the experience of the customers and the perception of the local communities towards the business improved as a result of a circular food initiative that benefits people in need? These and other considerations can and should be looked at and communicated to the wider public.

STEP 8 - Reconnect with the Crowd Funders and Update them on the Success of the Initiative

After assessing the benefits 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 not only are the funders updated about the project and the positive impact that they have contributed but would also increase the probability of being funded again in future crowdfunding campaigns that the entrepreneurs may launch. It is also important for the entrepreneurs to connect back to local authorities and destination management organisations that can further promote the successful initiative.

4

Concluding Summary

For SMEs in tourism, a transition to a circular economy can often be costly. Crowdfunding is a promising financing approach for a circular economy in tourism as it can help avoid the bureaucratic and often complex funding application procedures as well as the possible absence of appropriate loans and grants. It is essential, however, for entrepreneurs to follow guidance on how to initiate, develop and propose a crowdfunding campaign.

In addition, the white paper has also highlighted the importance of creating and promoting a destination-based crowdfunding platform. Such a platform would allow the destination to create a collective effort and potentially joint crowdfunding campaigns, target tourists and communities, and ultimately promote the destination and its sustainability successes.

Entrepreneurs should also consider different aspects after the implementation of the circular project, this for instance may include assessing the benefits of the circular project and communicating these to the funders and all customers. Such communication would ensure support for future campaigns, and a sense of participation in a successful project by the funders and it would also enhance customer experience.

Local authorities can have a pivotal role in both cases, when a destination-based platform is created and used, and when entrepreneurs use existing crowdfunding platforms. Authorities can for example provide technical and financial support to SMEs to develop a circular project and can provide promotional support to the campaigns potentially reaching a wider audience through the destination website and by using social media.

Tourism is very much a fashion-based industry, and, as such, it needs to have effective marketing. It is increasingly known that sustainability can be a marketing asset for a destination. The circular economy, as a concept, is not well-known, partly because it is new. The wider concept of sustainable tourism is not fully understood by the market, even after its emergence and first implementation nearly forty years ago ([Bausch et al., 2021](#)). Steps should be taken to explain and market the concept of the circular economy as often as possible, using a multi-media marketing strategy.

The issue of governance might need to be considered if the circular economy is undertaken by a partnership of several SMEs, by an entire destination, or even perhaps by several destinations in one region. It is to ensure equity between partners, maximise benefits, and publicise the benefits of the process. Evidence for the need for effective governance comes from the now abundant experience obtained from efforts to implement sustainable tourism strategies ([Bramwell, 2011](#); [Bramwell & Lane, 1993](#); [Bramwell et al., 2017](#)).

To conclude: crowdfunding for a circular economy in tourism has the potential to raise essential funds for SMEs that cannot easily be accessed through more conventional financing options, but as in using every funding channel, it requires time and resources to be successful. This white paper provides initial guidance to tourism entrepreneurs that are seeking to engage in fundraising for their circular projects.

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About the FACET Project

The EU Interreg 2 Seas FACET project implements measures to encourage entrepreneurs in the tourism sector to apply circular solutions within their companies, thereby creating new sustainable revenue models. With a strong consortium of project partners from Belgium, England, France, and the Netherlands, experiments are being conducted with circular applications in the fields of accommodation, waste reduction, and circular operations.

As a coastal region, the 2 Seas region (covering the coastal areas of Belgium, England, France, and the Netherlands and connected by the Channel and the North Sea) has traditionally been a tourist destination with a strong impact on the regional economy. However, tourism also entails mass consumption of raw materials and puts pressure on their limited availability in the region, where industry, agriculture, and tourism are already competing. Circular solutions are needed to ensure that tourism remains economically beneficial. Moreover, the COVID-19 pandemic has induced a crisis in the tourism and leisure sector; many tourism firms have suffered – many businesses are in stagnation or facing survival challenges. Now is the time to look at how we have organised our society and economy and how we want to build our systems back more sustainably, in the post-COVID era.

Throughout the 2 Seas area, FACET locally develops various practical, accessible, and small-scale pilot and demonstration projects to help entrepreneurs gain practical knowledge and experience to make circular business models. FACET provides expertise and support in setting up these pilots.

Interreg 2 Seas 2014-2020 is a European Territorial Cooperation Programme for England, France, the Netherlands, and Belgium. The Programme is co-financed by the European Regional Development Fund (ERDF). The objective is to develop an innovative, knowledge and research-based, sustainable and inclusive 2 Seas area, where natural resources are protected, and the green economy is promoted.

Project Partners



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