

Success Factors in Reward based and Equity based Crowdfunding in Finland

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Tiivistelmä

Rahoituksen löytäminen on yksi keskeisimpiä haasteita pienille hankkeille ja yrityksille. Joukkorahoitus on noussut esiin vaihtoehdoksi perinteisten rahoituskeinojen rinnalle viimeisen kymmenen vuoden aikana. Joukkorahoitus viittaa pääoman keräämiseen suurelta ihmismäärältä usein Internetiä hyödyntäen. Koottu pääoma muodostuu usein lukuisista pienistä summista.

Akateemisessa kirjallisuudessa yrittäjien ja rahoittajien on havaittu osallistuvan joukkorahoitukseen moninaisista syistä. Yrittäjät osallistuvat hankkiakseen pääomaa yritykselleen sekä saadakseen validoinnin ideoilleen ja löytääkseen kysyntää tarjoamalleen. Rahoittajat osallistuvat joukkorahoitushankkeisiin muun muassa tukeakseen aatetta tai saadakseen taloudellista tuottoa. Joukkorahoitushankkeiden on havaittu lukeutuvan neljään malliin: lahjoitus-, palkkio-, laina- ja pääomamalliin – riippuen siitä, millaista korvausta rahoittajat saavat panoksestaan. Aiempi tutkimus osoittaa, että hankkeen tyyppi, yrittäjän tausta, sosiaalinen verkosto, ajoitus ja hankkeen pituus, tiedonjako, maantieteellinen sijainti ja muut joukkorahoitushankkeet vaikuttavat joukkorahoitusaloitteiden onnistumiseen.

Pro Gradu -työssä tehtiin tutkimus, jonka tavoitteena oli tunnistaa joukkorahoituksen onnistumistekijöitä suomalaisessa ympäristössä, hyödyntäen tietoa verkkolähteistä ja haastatteluista. Haastattelut pidettiin kolmen palkkiomalliseen ja kahden pääomamalliseen joukkorahoitukseen osallistuneen yrittäjän kanssa. Tutkimustulokset tukevat erityisesti hankkeen tyyppiä, sosiaalisen verkoston ja tiedonjaon merkitystä joukkorahoitushankkeen onnistumisessa. Yrittäjän taustalla ei taas havaittu olevan yhtä suurta vaikutusta joukkorahoituksen onnistumiseen, kuin mitä on aiemmin luultu.

Hyödyntämällä laajaa sosiaalista verkostoa ja kertomalla puoleensavetävää tarinaa, yrittäjät voivat luoda paljon kiinnostusta omaa hankettaan kohtaan. Rahoittajien laumakäyttäytyminen voi houkuttaa lisää rahoittajia, mikä kasvattaa joukkorahoitushankkeen onnistumismahdollisuuksia.

Avainsanat: joukkorahoitus, sosiaalinen verkosto, joukkorahoitushanke

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Abstract

Finding funding is a key hurdle for small ventures and businesses. Crowdfunding has emerged as an alternative option alongside traditional funding options in the past decade. Crowdfunding refers to soliciting funds from a large group of people often through the Internet. The raised capital is often formed from numerous small contributions.

In academic literature both entrepreneurs and funders were found to have heterogenic motivations for participating in crowdfunding. Entrepreneurs partake in order to raise funds for their business as well as to find validation for ideas and to verify demand for their offering. Funders' motivations for contributing to crowdfunding include supporting a cause or seeking financial returns. Crowdfunding projects have been found to fall into four models: donation, reward, lending and equity based crowdfunding – based on the type of compensation funders receive for their contribution. Earlier research indicates that project type, entrepreneur background, social network, timing and duration, information sharing, geography and other crowdfunding projects all affect the success of crowdfunding initiatives.

A study aimed at identifying success factors in crowdfunding in a Finnish setting was conducted in this Thesis using data from online sources and five interviews. Interviews were held with three reward-based and two equity-based crowdfunding entrepreneurs. The study results support especially indications that project type, social networks and information sharing impact the success of a crowdfunding project. Contrarily, entrepreneur background did not seem to affect crowdfunding success as much as previously thought.

By utilizing a wide social network and providing a captivating narrative, entrepreneurs can attract interest in their crowdfunding project. Herding behavior of funders can draw in further contributions, increasing the success rate of the crowdfunding project.

Keywords crowdfunding, social network, crowdfunding project, funder motivation

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1. Introduction

One of the biggest challenges for new ventures is finding funding (Manchanda and Muralidharan, 2014; Frydrych et al., 2014; Lasrado and Lugmayr, 2013). In traditional funding, such as bank loans, venture capitalists and business angels, small businesses are under intense scrutiny (Gompers and Lerner, 2001) and are often denied capital (Sigar, 2012). In Finland, venture funding from these traditional sources has decreased substantially in the past few years (Lasrado and Lugmayr, 2013, Napier et al., 2012). This hurdle often proves to be fatal for budding entrepreneurs (Manchanda and Muralidharan, 2014).

Crowdfunding has emerged as an alternative for small businesses with limited financing options to attract capital (Valanciene and Jegeleviciute, 2013). In crowdfunding, the entrepreneur looks to find a large number of small contributions from the public (Mollick, 2014, Lehner, 2013). This open call for funding is facilitated through online mediums (Gerber and Hui, 2013, Lehner, 2013). Funders as well as entrepreneurs participate in crowdfunding for numerous reasons (Gleasure, 2015, Mollick, 2014).

Crowdfunding is often categorized into four types: donation based, reward based, lending based and equity based crowdfunding (Mollick, 2014, Frydrych et al., 2014). These all provide slightly varying compensations for the funders for their contributions as well as having differing implications for the funders looking for capital. The type of compensation funders receive for their participation also affects whether or not a crowdfunding initiative reaches its funding target (Frydrych et al., 2014).

A crowdfunding initiative that reaches its funding target is viewed as successful. Most initiatives fail to reach their target and those who are successful, surpass their target by only a small margin. (Mollick, 2014) Some research has been done on the aspects that affect the success of crowdfunding initiatives (Ahlers et al., 2015, Frydrych et al., 2014, Mollick, 2014, Belleflamme et al., 2013).

This thesis aims to broaden the understanding of which aspects in the crowdfunding practice have a significant impact on the success of initiatives. Moreover, this thesis

focuses on the success factors affecting reward based and equity based crowdfunding initiatives. Due to the lack of research on crowdfunding in a Finnish context (Lasrado & Lugmayr, 2013), this thesis studies Finnish initiatives and their success factors. With the use of triangulation and multiple research methods, the thesis aims to provide holistic, yet descriptive insights into success factors of crowdfunding initiatives.

This thesis aims to provide answers to the following question:

What aspects affect the success of reward based and equity based crowdfunding initiatives in Finland?

2. Venture Funding

All ventures require resources and in many cases that means monetary funds. Some of these ventures are philanthropic in nature, meaning they serve a non-profitable cause. For example, cultural events might be non-profit and thus their funders do not expect financial returns for their input.

In the case of business ventures, the goal is for the venture to be financially sustainable in the future and provide profit to owners and investors. Many ventures are not profitable in their early stages and take a varying amount of time to potentially become profitable. Additionally, they contain a high level of risk concerning whether or not they ever become profitable. This means funders can expect financial returns for their investment, but due to a high risk of failure, the interest placed on the funds is often significant.

Due to the high risk of failure, not many individuals or financial organizations are willing to fund start-up entrepreneurial ventures. Earlier research shows that one of the biggest hurdles for ventures is finding funding (Manchanda and Muralidharan, 2014; Frydrych et al., 2014; Lasrado and Lugmayr, 2013). Manchanda and Muralidharan (2014) go on to state that the lack of funding is a major cause of death for ventures. According to Sigar (2012), small businesses are often denied bank loans due to lack of collateral, operating history and a proven track record.

The lack of funding options available for small businesses might seem like a problem for the entrepreneurs, not society as a whole, but according to De Buysere et al. (2012) the majority of new jobs in Europe come from small and medium sized businesses. They account for 99% of all enterprises in Europe, as well as providing jobs for 67% of all employees. 58% of value add in the non-financial business economy in 2011 was created by small and medium sized businesses, which means the impact they have is substantial.¹

¹ <http://ec.europa.eu/eurostat/documents/3930297/5967534/KS-ET-11-001-EN.PDF/81dfdd85-c028-41f9-bbf0-a9d8ef5134c5>

2.1. Types of Funding

Entrepreneurs can fund their ventures themselves with the help of friends and family. Due to the substantial capital requirements of most businesses, this is not a viable long-term funding option for the large majority. There are several external funding options for businesses in need of more funds. In this chapter the author will discuss four such alternatives: government grants, bank loans, venture capitalists and business angels.

2.1.1. Government Grants

Ventures can also look for funding through government grants. These are usually provided for non-profit organizations and ventures pursuing a good cause. For example the US government rarely provides grants to small businesses, because the grants are financed by tax dollars². The European Union on the other hand does provide funding for both non-profit and for-profit businesses, for example through agricultural income-support³. Unfortunately for entrepreneurs, government support for non-profits has decreased and less lump-sum government grants are handed out. Now non-profit managers are looking to “make up” for this decrease by expanding their revenue base and increasing their fundraising activities. (Rose-Ackerman, 1987)

2.1.2. Bank Loans

Bank loans are one option businesses have for obtaining more funding. As with any loans, bank loans are given for a certain period of time with an agreed upon interest rate⁴. The banks' primary concern is whether or not the loan will be paid – thus they are very interested in the finances of the business, for example cash flows and margins (Mason and Stark, 2004).

According to Mason and Stark (2004) banks are very distinct in their assessment of a business plan. Banks compare business plans against market averages and demand explanations for significant deviations. The approach banks have in assessing risk

² <https://www.usa.gov/grants>

³ <http://europa.eu/about-eu/funding-grants/>

⁴ <http://www.merriam-webster.com/dictionary/loan>

before loaning capital is highly standardized, which means businesses that are denied a loan by one will likely be denied a loan by all.

2.1.3. Venture Capitalists

Another option small businesses have to attract funding is to attract venture capital, which has become an increasingly important intermediary in financing in recent years⁵. Venture capitalist companies invest in high-risk, potentially high-reward business ventures by purchasing equity while the businesses are still private owned. The businesses funded via venture capital are often small and young, burdened with high levels of uncertainty. These are businesses that might have difficulty attracting other kind of financing. (Gompers and Lerner, 2001)

When assessing investment opportunities, venture capitalists hold businesses under intensive scrutiny (Gompers and Lerner, 2001). They are very interested in the growth potential of the business and the potential financial returns they might expect. Venture capitalists look through business figures in regards to profitability and valuation, but focus more on market conditions – its size, growth and level of competition. (Mason and Stark, 2004)

Selling equity shares means the entrepreneurs must release part of their ownership in return for the funding and allow venture capitalists to participate in the business. According to Valanciene and Jegeleviciute (2013) venture capitalists gain significant control over the business via their investment. Venture capitalists want to reduce the uncertainty of their investment by being closely involved in the business. This is achieved by monitoring the business and taking seats in its board of directors. If negative signals concerning the future potential of the business arise, venture capitalists are prone to deny new funding. (Gompers and Lerner, 2001)

A venture cycle follows a somewhat standardized pattern. First, the business raises venture funds. Then the business is monitored and value is added. Finally, the business exits successful deals and provided financial returns to its investors. This cycle is renewed and new funds are invested to the business if both parties are so inclined.

⁵ <https://www.gsb.stanford.edu/insights/how-much-does-venture-capital-drive-us-economy>

(Gompers and Lerner, 2001) Unfortunately, businesses are at times forced to run through the cycle at too fast a pace. According to Manchanda and Muralidharan (2014) venture capitalists have been blamed for leading the businesses to premature Initial Public Offerings. This has heavy implications for the businesses. Due to these kinds of practices the venture capital industry has been losing their trustworthiness in the eyes of the entrepreneurs.

2.1.4. Business Angels

Businesses can also obtain funding from business angels. Business angels are high net worth individuals who invest a portion of their assets in high-risk, potentially high-return ventures (Fear et al., 1994). Unlike other funding sources, business angels are individual people and thus have a great amount of heterogeneity amongst them. They also have little consistency in their approach to investing as a group. (Mason and Stark, 2004)

Business angels include both people with experience in investing in entrepreneurial ventures and people with no investment history, but a desire to enter the market. Both of these groups prefer investing in ventures when they have gotten past the seed funding stage – that is to say, in later stages of development. Preference is also to invest in ventures that are located close to home. (Fear et al., 1994)

Similar to venture capitalists, business angels are focused on the growth potential of the business and expected returns. They look through business figures, but are more interested in the market as a whole – its size, growth and level of competition. However, unlike other funding alternatives, business angels have a very hands-on approach. They place emphasis on their relationship with the entrepreneurs and the business – meaning they look for interesting and fun investment opportunities with which they feel emotionally attached to. Due to the high level of heterogeneity amongst business angels, entrepreneurs should be persistent in looking for funding. Where as one business angel might not be interested in the venture, another might feel attached to it. (Mason and Stark, 2004)

2.2. Defining Crowdfunding

Crowdfunding is a concept closely related to and originating from the broader concept of crowdsourcing (Gerber and Hui, 2013). The term crowdsourcing is in its infancy and undergoing constant evolution. It can be described as a form of co-creation or collaborative activity. Eight aspects come to play in each crowdsourcing initiative (Estellés-Aroles and González-Ladrón-de-Guevara, 2012):

- The crowd (*people who are contributing to the venture*)
- The task at hand (*the venture requiring crowd input*)
- The recompense obtained (*the type of input obtained from the crowd*)
- The crowdsourcer (*the creator initiating the sourcing of input from the crowd*)
- The goal of the process (*the aim of gaining a certain type of crowd input*)
- The type of process (*the method of obtaining input*)
- The call to participate (*the act of requesting input*)
- The medium (*the channel through which the crowd provides their input*)

These are the aspects common to all crowdfunding initiatives. In order to have a more precise definition, each aspect has to be defined (Estellés-Aroles and González-Ladrón-de-Guevara, 2012). In the case of crowdfunding the task at hand would be defined as “raising money”.

The term crowdfunding was coined by Michael Sullivan in 2006 when he launched his crowdfunding website (Lasrado and Lugmayr, 2013). It is a new and emerging type of funding option (Larralde and Schwienbacher, 2010). Consequently, the academic literature regarding crowdfunding is still limited (Estellés-Aroles and González-Ladrón-de-Guevara, 2012; Giudici et al., 2013).

Crowdfunding has been defined in several different ways in literature. The commonality between almost all definitions is that the initiative aims to raise financial capital from a large group of people often utilizing the Internet. In Table 1 the author has collected four crowdfunding definitions from recent academic literature. These definitions were chosen, because they are relatively recent and have been highly cited in academic literature, which speaks for their relevance to the topic of crowdfunding. The author felt that providing four separate definitions would showcase how the term

crowdfunding is viewed slightly differently amongst leading scholars in the field of crowdfunding research. This slight discrepancy between definitions shows how the term and the topic of crowdfunding is evolving and under constant reiteration.

Source	Definition of Crowdfunding
Mollick (2014)	Crowdfunding refers to the efforts by entrepreneurial individuals and groups – cultural, social, and for-profit – to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the Internet, without standard financial intermediaries.
Belleflamme et al. (2014)	Crowdfunding involves an open call, mostly through the internet, for the provision of financial resources either in the form of donation or in exchange for the future product or some form of reward to support initiatives for specific purposes.
Gerber and Hui (2013)	Crowdfunding uses web technologies and existing online payment systems to facilitate transactions between creators and funders. --- Ideas span across fields and vary in scope. --- Crowdfunding is derived from a broader concept of crowdsourcing.
Lehner (2013)	Crowdfunding means tapping a large dispersed audience, dubbed as “the crowd” for small sums of money to fund a project or a venture - typically through social media or the internet

Table 1: A table of crowdfunding definitions in recent academic literature

Crowdfunding allows entrepreneurs to attract funding from the public rather than specialized companies or individuals. It also makes for more flexible funding, because

the total amount raised is usually constructed from a large number of small investments from different people. For small businesses with limited financing options, crowdfunding provides a viable alternative (Valanciene and Jegeleviciute, 2013).

Raising capital through crowdfunding is based on a close co-operation between entrepreneurs, investors and intermediaries (Valanciene and Jegeleviciute, 2013). Entrepreneurs seek funding through an intermediary, usually a crowdfunding platform, and investors contribute to the ventures that seem most interesting to them. Crowdfunding investors typically focus on the ideas and core values of the business, rather than valuations⁶. Crowdfunding also protects entrepreneurs and investors from underfunded ventures, since most platforms do not execute transactions if the minimum target is not met (Frydrych et al., 2014).

2.2.1. Facilitating Crowdfunding

Fundraising has become easier to facilitate with the arrival of crowdfunding platforms (Valanciene and Jegeleviciute, 2013). They allow entrepreneurs to solicit contributions for their ventures through a specialized site (Wheat et al., 2013). These platforms help entrepreneurs reach a crowd that they may not be able to reach by themselves. Additionally, the crowd reached via a crowdfunding platform is likely inclined towards making such contributions since they have already shown interest in a crowdfunding facilitator. Platforms also allow users easy access to information regarding projects and entrepreneurs (Vasileiadou et al., 2015).

Using crowdfunding platforms protects both entrepreneurs and investors from underfunding and unsuccessful ventures. Most platforms have an “all or nothing” rule on initiatives – meaning contributions made for unsuccessful projects are not executed (Giudici et al., 2013). This practice is in place so that entrepreneurs need not have to commit to an underfunded project as well as protect investors from giving money to an underfunded venture⁷. This can understandably be unfortunate for initiatives that fall just short of their target amount.

⁶ <http://www.forbes.com/sites/goncalodevasconcelos/2015/05/27/valuations-in-crowdfunding-are-we-all-barking-mad/2/#2c6a09ce5dad>

⁷ <http://ncfacanada.org/research-crowdfunding-models-keep-it-all-vs-all-or-nothing/>

Alternatively, individually facilitated crowdfunding allows entrepreneurs to tailor their campaigns better than on standardized platforms (Belleflamme et al., 2013). Crowdfunding can also utilize social media. Social media allows entrepreneurs to not only send and receive information, but also connect with and mobilize the crowd (Saxton and Wang, 2013). However, the majority of contributions in social media are relatively small (Saxton and Wang, 2013) and individual crowdfunding seems to involve rather small amounts of capital, with the median being 6400€ (Belleflamme et al., 2013).

While reaching the funding target is a goal shared by most crowdfunding platforms, the incentives for funders and entrepreneurs to participate in crowdfunding differ across platforms (Belleflamme et al., 2015). Thus crowdfunding platforms differentiate themselves by enforcing incentives and rules that are unique.

2.2.2. Current State of Crowdfunding

Crowdfunding is a financing option, which has yet to fully stabilize in both the eyes of the public and the eyes of the government. It is a practice that is still evolving and is far from routine (Vasileiadou et al., 2015). According to Vasileiadou et al. (2015) there is limited indication of stabilization of the learning processes in crowdfunding.

Despite its newness, crowdfunding as a financing market has grown exponentially in the past few years. The number of projects being funded and crowdfunding platforms being launched is increasing. Figure 1 shows the yearly totals being raised globally via crowdfunding. The volumes have increased from 0,8 billion US dollars in 2010 to 16,2 US dollars in 2014. Although the amounts may appear small in relation to total venture funding, they clearly demonstrate the rapid growth of the market (Belleflamme et al., 2015).

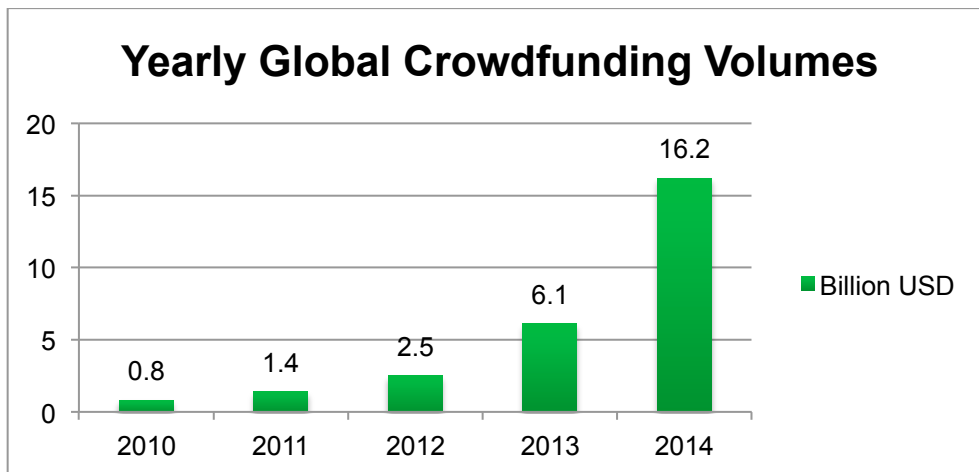


Figure 1: Yearly global totals of crowdfunding (Belleflamme et al., 2015)

Being a highly growing practice it is distressing to see that legal regulation regarding crowdfunding is still undeveloped. Currently, there is no uniform established policy for crowdfunding in Europe. This is concerning since in 2011 one third of the world's crowdfunded capital was raised in Europe and there were approximately 200 active crowdfunding platforms in Europe. (De Buysere et al., 2012)

The US congress on the other hand passed the JOBS act in 2012, exempting crowdfunding for registering with the Securities and Exchange Commission. This rule potentially makes crowdfunding the most popular exemption that businesses could utilize to raise capital. (Sigar, 2012)

Despite the evolving state of the legal regulation of crowdfunding, the practice is growing rapidly and gaining popularity amongst the public. People are participating in crowdfunding both as entrepreneurs and funders.

3. Motivations to Participate in Crowdfunding

3.1. Motivations of Entrepreneurs

Entrepreneurs have numerous reasons to initiate a crowdfunding project. Motivations vary between creators and between project types. According to Gleasure (2015), the perceived benefits of crowdfunding differed from one entrepreneur to another.

Despite these differences, all crowdfunding initiatives have one motivation in common. A major motivation of entrepreneurs is to raise financial capital through crowdfunding (Mollick, 2014; De Buysere et al., 2012; Gerber and Hui, 2013; Manchanda and Muralidharan, 2014; Lasrado and Lugmayr, 2013; Wheat et al., 2013). Crowdfunding enables entrepreneurs to seek funding from a crowd for a one-time project (Mollick, 2014) or for financing a start-up business (De Buysere et al., 2012). This is a great opportunity for small businesses that have limited financing options (Valanciene and Jegeleviciute, 2013). The variety and sheer amount of crowdfunding initiatives means financial capital requirements differ as well. The amount of capital raised through crowdfunding is often small, with the median amount being 6400€ (Belleflamme et al., 2013).

Entrepreneurs also use crowdfunding as a way to present and market their ideas (Belleflamme et al., 2013). This enables creators to build awareness and interest for the project (Mollick, 2014; Manchanda and Muralidharan, 2014; Gerber and Hui, 2013; De Buysere et al., 2012). Public interest at an early stage can be very valuable for the entrepreneur for several reasons - it can translate into funding, market demand, word-of-mouth or feedback for product development. Since crowdfunding initiatives are typically facilitated online, the achieved reach is potentially very large. Social media and online word-of-mouth can further enhance the reach of the awareness (Gerber and Hui, 2013; De Buysere et al., 2012). Public interest also allows entrepreneurs to get feedback on their ideas (Manchanda and Muralidharan, 2014; De Buysere et al., 2012), which in turn can be used in product development.

Another major motivation behind crowdfunding initiatives is to find validation for the project from the crowd (Belleflamme et al., 2013; Gerber and Hui, 2013; Manchanda and Muralidharan, 2014; De Buysere et al., 2012; Valanciene and Jegeleviciute,

2013). If people decide to fund the project and the target amount is reached, entrepreneurs can assume that the public is excited for the project and want it to be realized. This allows entrepreneurs to estimate and verify demand for the project (Mollick, 2014; Manchanda and Muralidharan, 2014; De Buysere et al., 2012). Validating ideas in front of a targeted audience provides insights into market potential of the offering (Belleflamme et al., 2013). These insights are highly important for entrepreneurs, especially in the early stages of development. It allows creators to verify market segmentation and price point of the offering as well as test out pre-selling (De Buysere et al., 2012). Validation also plays an important role for entrepreneurs for another reason. Finding an approving crowd supports the entrepreneur's perception of ability, which in turn expands their capability (Gerber and Hui, 2013). This enables entrepreneurs to achieve something greater than they would have otherwise.

Crowdfunding is a very communal enterprise that all stakeholders are active participants of. In addition to the afore mentioned reasons, entrepreneurs are motivated to partake in crowdfunding in order to build relationships with other participants (Gerber and Hui, 2013). The relationship entrepreneurs have with funders can be very intimate, depending on the project and the participants. Creators can share news about their business and converse with funders in order to build rapport and trust. In some cases this conversation can be one of the biggest benefits of the initiative. According to Wheat et al. (2013), crowdfunding scientific research can create opportunities for public outreach and science education that would not otherwise be easily achieved. Entrepreneurs can also become a part of a community of creators by replicating successful experiences of others (Gerber and Hui, 2013).

Crowdfunding also has more indirect benefits for entrepreneurs. Successful crowdfunding initiatives and the demand demonstrated can lead to further funding from more traditional sources (Mollick, 2014). Traditional financing options, like bank loans and venture capitalists are more hesitant to fund uncertain ventures with little proof of market demand. Thus, crowdfunding can prove to be an excellent way for entrepreneurs to provide validation for their idea. In this way crowdfunding can work alongside financing provided by professional investors (Giudici et al., 2013) or function as seed capital for businesses (Schwienbacher & Larralde, 2010).

Entrepreneurs gravitate towards crowdfunding due to the ease of it. Creating a crowdfunding initiative costs entrepreneurs nothing, except for possible compensation given in return for funds (Manchanda and Muralidharan, 2014) and the marketing efforts put into the campaign. Crowdfunding also affords entrepreneurs creative and strategic freedom, since they are not accountable to funders in the same way as they would be to traditional investors (Gleasure, 2015). This means entrepreneurs are not expected to act according to an external party's expectations, instead are given the freedom to be self-governing.

To summarize, entrepreneurs participate in crowdfunding for various reasons (Gleasure, 2015). Obtaining capital for their idea is a unifying motivation amongst entrepreneurs (Mollick, 2014; De Buysere et al., 2012; Gerber and Hui, 2013; Manchanda and Muralidharan, 2014; Lasrado and Lugmayr, 2013; Wheat et al., 2013), but other reasons to participate also exist. Entrepreneurs partake in crowdfunding in order to present their ideas to the public (Belleflamme et al., 2013) and find validation for the ideas (Belleflamme et al., 2013; Gerber and Hui, 2013; Manchanda and Muralidharan, 2014; De Buysere et al., 2012; Valanciene and Jegeleviciute, 2013). Additionally, entrepreneurs look to build relationships with other participants (Gerber and Hui, 2013) and gain strategic freedom to be self-governing (Gleasure, 2015). Crowdfunding can also demonstrate demand and validate the business venture, which might lead to further funding from traditional sources (Mollick, 2014).

3.2. Motivations of Funders

The funders of crowdfunding initiatives are people of the general public, who have one commonality – they all decided to finance a particular project. Due to the differences between funders, their motivations for funding are extremely heterogeneous (Mollick, 2014). Despite the heterogeneity, common motivations can be found.

Generally funders expect some type of reward for their contribution (Wheat et al., 2013; Gerber and Hui, 2013). These rewards can be divided into three rough categories. There are financial rewards, material rewards and social rewards that funders can gain from contributing (De Buysere et al., 2012).

Contributing in order to gain financial rewards refers to the funder expecting to receive monetary profit for their investment. Financial rewards can stem from the funder lending money to the entrepreneur in exchange for interest on the loan (De Buysere et al., 2012). Alternatively, the funder can have claim to the project's revenues in return for the investment (Giudici et al., 2013). The funder can also buy equity shares from the entrepreneur, and expect the shares to increase in monetary value (De Buysere et al., 2012).

Rewards can also be material in nature. This refers to any kind of non-monetary compensation the entrepreneur provides the funder – often a product or service. The reward can be for example a product - the development of which is being crowdfunded. The reward can also be being credited in the end product or service or being allowed to contribute creatively to the development process (Mollick, 2014). In a case of funding scientific research for example, rewards included guest lectures, dinners and laboratory visits (Wheat et al., 2013).

Funders can also decide to donate to a project without expecting any compensation (Giudici et al., 2013). However, this kind of behavior is not driven by pure altruism. According to Andreoni (1988) charitable giving is motivated by many things other than altruism, such as ethic for duty, taste for fairness or a desire for recognition – and thus cannot be explained by purely altruistic motives. The gains of these motivations are referred to as social rewards (De Buysere et al., 2012).

Social rewards mean the “warm glow” or prestige gained from donating to a project. Warm glow refers to the purely internal satisfaction that comes from the act of giving. In other words, people are motivated to donate, because it makes them feel good. Prestige on the other hand is the utility that comes from having other people know of the donation. That is to say people are motivated to donate because they want others to know that they have donated. Prestige can be achieved by having the entrepreneur or charity publicly report the given amount. (Harbaugh, 1998)

Many times non-compensatory funding is a hybrid between getting internal satisfaction and external recognition from it. Funders are often motivated to contribute in order to support creators and causes. Some funders have reported wanting to support a

friend and other wanting to support a cause. Another typical motivation is to connect with people in their social networks and to engage in a community. (Gerber and Hui, 2013) These reasons provide internal satisfaction from supporting a cause, and external recognition from having a community that is aware of the donation.

As mentioned before, this division into three reward types - financial, material and social – is at times too generalized. A decision to fund a project is often due to a mixture of several different motivations. Part of the motivation to contribute to a project may come from financial rewards and part from non-monetary wishes to support an idea (Belleflamme et al., 2015). Motivations may be based on wanting to support a cause, yet wanting a personal connection in the form of updates from and meetings with the creator (Wheat et al., 2013). It may be difficult to discern which motivations drive which funders or which motivations are the major drivers. According to Frydrych et al. (2014) social and psychological factors may be equally or more important for funders than financial rewards. Clearly there is heterogeneity in the motivations of a single funders as well as the in the motivations of funders as a group.

To summarize, motivations funders have for participating in crowdfunding are heterogeneous (Mollick, 2014). Motivations can include financial gain as compensation for contributions, for example in the form of equity shares, profit sharing or loans (De Buysere et al., 2012, Giudici et al., 2013). Instead of monetary, the compensation received for funding a project can be material in nature. Funders can be given the product or service the project is developing as compensation for their contributions, or be allowed to be involved in the development process in different ways, as a form of reward (Mollick, 2014). In addition to monetary or material rewards, motivations can be based more in the internal and external joy of contributing to a project or cause, without expectation of compensation (Giudici et al., 2013). Internal joy refers to the internal satisfaction that comes from giving, whereas external motives are related to the prestige received from having others be aware of the contribution (Harbaugh, 1998). Reasons for funders to contribute to crowdfunding are often composed of several different motivations (Belleflamme et al., 2015), which adds to the heterogeneity of funder motivations.

4. Crowdfunding Models

4.1. Crowdfunding Types

How crowdfunding can be facilitated has evolved a great deal along the years. Initially, the majority of crowdfunding was donation-based (Belleflamme et al., 2015). This meant funders did not receive compensation for their contribution, but donated charitably. Then compensatory crowdfunding arose and funders got more than goodwill for their input. In the beginning, the rewards were merchandize benefits, but more recently financial rewards have emerged through equity and loan based funding, also known as investment-based crowdfunding (Manchanda and Muralidharan, 2014).

Research now distinguishes between these types of crowdfunding, referring to them as different “models” of crowdfunding. The key difference between different crowdfunding models is the compensation that the funder gets from contributing to a project. Currently, research identifies four main models of crowdfunding: the donation model, the reward-based model, the lending model and the equity model (Mollick, 2014; Frydrych et al., 2014). Reward, lending and equity crowdfunding models feature monetary or non-monetary compensation, whereas the donation model does not require any compensation (Frydrych et al., 2014). Table 2 shows the main characteristics of different crowdfunding models.

Crowdfunding Model	Donation Model	Reward-based Model	Lending Model	Equity Model
Type of Compensation	No rewards for funders	Tangible or intangible, non-monetary rewards	Interest on investment or share of profits	Equity shares as rewards
Platform Examples	GoFundMe, CrowdRise	Kickstarter, Indiegogo, Mesenaatti	CrowdCube, Invesdor	Seedrs, CrowdCube, EquityNet, Invesdor

Table 2: Different crowdfunding models

4.1.1. Donation Model

The key distinction of donation crowdfunding is that funders do not expect direct return for their contribution (Mollick, 2014). In other words funders are philanthropists (Mollick, 2014; Belleflamme et al., 2015).

Originally it was assumed that donation-based funding was only viable for non-profit organizations (Glaeser & Shleifer, 2001). However, this view has changed and donation crowdfunding has become popular amongst for-profit entrepreneurs. Nowadays about 60% of crowdfunding projects are donation-based. However, this figure does not translate into how much capital is raised through donation crowdfunding. Donation-based crowdfunding amounts to only about 3,26 billion US dollars. And in 2012 the average amount raised by projects was a mere 1400 US dollars. (Belleflamme et al., 2015) Although it must be noted that the popularity of the donation model does not extend to individual crowdfunding, in which no platforms are utilized for facilitation. There only approximately 9% of projects are donation-based. (Belleflamme et al., 2013)

Donation-based crowdfunding can be difficult to succeed in when the project creator is a for-profit entrepreneur. Legal regulation might forbid for-profit entrepreneurs from practicing crowdfunding (Lasrado & Lugmayr, 2013) and the long history of non-profit projects might deter people away from funding a for-profit venture. However, people may fund a project if they expect to become future consumers. This is because by funding they may reap large community benefits and enable the entrepreneur to carry the project forward. The wish to support an entrepreneur and possibly become a customer of theirs makes donation crowdfunding suitable for small market with narrow customer bases, for example comic books. (Belleflamme et al., 2014) If entrepreneurs working in a small market were to share profits or pre-sell products as part of their crowdfunding, they would lose a significant share of their future revenue. This makes donation-based funding the best alternative for them.

4.1.2. Reward-based Model

In reward-based crowdfunding funders receive compensation for their contribution, but not in the form of financial returns. These compensations can be divided into two categories: tangible rewards and intangible rewards.

An intangible reward can be for example being credited in a movie or having creative input in a product during development (Mollick, 2014). Alternatively, the reward can simply be recognition or voting rights (Belleflamme et al., 2014). This means funders receive something in return for their contribution, but it is not directly the product or service being crowdfunded.

A tangible reward on the other hand is usually the product or service being crowdfunded. This type of reward system is also referred to as pre-selling or pre-ordering. Funders are seen as early customers that get products earlier than other, at a better price or with a special benefit (Mollick, 2014). Thus this type of crowdfunding often requires the entrepreneur to have at least a prototype of the product ready at the time of crowdfunding (Belleflamme et al., 2014).

Pre-ordering has both benefits and challenges for a startup entrepreneur. Entrepreneurs can use pre-ordering to test pricing by having customers reveal their willingness to pay for a crowdfunded offering (Belleflamme et al., 2014). These funders can also be seen as or turned into ambassadors of the product or service. These early-stage funders can promote the offering on social media and gain public interest for the entrepreneur (Belleflamme et al., 2015). However, an entrepreneur may lose future profits if pre-ordering is excessive. When the amount of capital needed through crowdfunding is large, the entrepreneur is forced to distort their pricing to attract more funders – meaning they pre-sell the product or service at too low a price in order to invite more customers. This will make them lose future customers and profits. This is why pre-ordering is suitable for entrepreneurs with relatively small capital requirements working in a market with a large customer base. (Belleflamme et al., 2014)

All in all, the wide range of possible rewards means reward-based crowdfunding is suitable for a relatively varied group of ventures. The taste heterogeneity of funders plays a more prominent role in reward-based than in investment-based crowdfunding.

Small-scale funders are also less interested in financial returns. (Belleflamme et al., 2015) This means many funders are likely to gravitate towards different reward-based funding projects, which in turn gives hope that a wider selection of projects are likely to attract funding. According to Belleflamme et al. (2015) this applies especially to artistic and creative ventures.

4.1.3. Lending Model

In the lending model funds are given as a loan, with expectation for some rate of return on the capital investment (Mollick, 2014). These returns can be a fixed rate of return on investment or a share of the potential future profits (Belleflamme et al., 2014).

Currently, the lending model dominates the crowdfunding market, accounting for approximately 68% of all funds being collected globally. In 2014 lending-based crowdfunding amounted to 11,08 billion US dollars. (Belleflamme et al., 2015)

The lending model does not suit all ventures, because it expects entrepreneurs to be able to pay back the obtained capital to the investors with interest. Thus, investment-based is appropriate for high-risk, potentially high-rewards ventures. According to Belleflamme et al. (2014) the lending model is best suited for early-stage ventures due to their intrinsic uncertainty.

At the moment, there are heavy legal restrictions for invest-based crowdfunding in certain regions – most notably, Europe. The laws on investor protection are designed for incumbent investment settings, which exclude a large number of crowdfunders. Thus, efficient and transparent crowdfunding markets cannot arise in Europe. (De Buysere et al., 2012)

4.1.4. Equity Model

In equity-based crowdfunding, funders receive equity securities or similar considerations as compensation for their contribution (Mollick, 2014; Belleflamme et al., 2014). The expectation is that the funded business will increase in value, thus providing a profit for the initial investors.

In recent years, equity-based crowdfunding has become an important financing alternative for startups. The total funds raised through equity crowdfunding have doubled every year since 2009. (Ahlers et al., 2015) Although total volumes are large, investment-based projects represent only a minority of all the crowdfunding initiatives. Investment-based projects only amount to a few percent of the total. These few-and-far-between projects acquire substantial funds – the typical equity-project being 100 times larger than the average donation-based initiative. The average equity-based project raised approximately 190000 US dollars in 2012. (Belleflamme et al., 2015)

Equity-based crowdfunding is well suited for ventures requiring large amounts of capital. Reward-based crowdfunding has to distort the pricing scheme, but investment-based funding does not. Unlike pre-ordering, which invites more people to purchase the product at a lower price, profit sharing might have fewer customers, but higher margins. Individuals are heterogeneous towards community benefits in cases of pre-ordering, but homogenous in cases of profit sharing. This means taxing community benefits is easier in investment-based crowdfunding, and the most eager customers are likely to finance the entrepreneur to ensure development and production of the offering. (Belleflamme et al., 2014)

Like with the lending model, equity-based crowdfunding does not come without its regulation. The legislative environment of a region significantly influences equity crowdfunding (Ahlers et al., 2015). Most countries impose strict constraints on it (Belleflamme et al., 2014). Heavy investor protection laws in Europe are designed for existing investment practices, and consequently restrict crowdfunding in the area. This prevents efficient and transparent crowdfunding markets from arising. (De Buysere et al., 2012)

5. Success Factors of Crowdfunding

In this thesis and study crowdfunding success is defined as a crowdfunding initiative that reaches or exceeds its original funding target. Funding target in this case means the amount of capital set as a goal for the campaign. Crowdfunding success and failure is determined by whether or not the project raises the target amount. Although raising for example 95% of the funding target could be considered a success by many, this thesis will not view such project outcomes as successful. This is because most crowdfunding platforms use an “all or nothing” rule, where no transfers of capital are executed if the full amount is not reached. Thus, even if a project were to reach 95% of its funding target, no capital would be collected.

Though crowdfunding volumes have risen, most crowdfunding initiatives are not successful. According to Mollick (2014), unsuccessful projects fall short of their target by large amounts while successful projects exceed their target by only small amounts. This would indicate that project legitimacy and interest is difficult to achieve. It also suggests that funders do not feel compelled to contribute to a project that has already met its target. High funding targets imply more effort is required from the entrepreneur to legitimate and create public interest in the project (Frydrych et al., 2014).

The aspects that impact the legitimacy or intrigue of a project are varied. Some of the researched success factors are related to the venture itself. The type of project affects the success of a venture – including whether the venture is non-profit or for-profit, as well as which field and industry the project is set in. The type and level of rewards given to contributors also affects success rates. (Giudici et al., 2013)

The entrepreneur and their actions also affect the potential success of the funding project. The number of entrepreneurs taking part in the venture (Frydrych et al., 2014) and their background has an effect on reaching the funding target (Ahlers et al., 2015). Also, entrepreneur activeness plays a part in the success of a funding initiative (Xu et al., 2015). How well the entrepreneur describes the project to potential funder and how much money is invested into the project pitches impact its success (Giudici et al., 2013).

Some success factors are associated with the network of potential funders available to a project. The number of social media connections the entrepreneurs have and the number of web users that have seen their pitches both affect how successful the crowdfunding initiative is (Giudici et al., 2013). Funder satisfaction is also a big impact on success, because it leads to positive word of mouth (Buttle, 1998). Funder satisfaction can be achieved with funder participation and good project implementation, for example timeliness of rewards and project quality (Xu et al., 2015).

As mentioned earlier, funder motivations are highly heterogenic. Thus, there is no simple solution to succeeding in crowdfunding. Different ventures attract different funders, so it is important to understand what a particular project has to offer and how to best market that to potential funders. According to Wheat et al. (2013), it is a myth that only charismatic projects are funded in the field of scientific research crowdfunding. The topic of the research is often less important than the crowd it engages concerning whether or not it succeeds.

5.1. Project Type and Rewards

The composition of the project itself can affect how well a crowdfunding initiative does. This refers to the field or subject that the project represents. Additionally, the crowdfunding model and rewards attributed to the initiative play a role in its success.

A project that is attention grabbing is more likely to raise funding. This pertains especially to non-profit ventures that often attract funding due to their nature. Online funders are prone to contribute to certain types of causes more easily. Health related causes are most favored. (Saxton and Wang, 2013) Non-profit organizations are also significantly more likely to raise their target amount of capital and larger amounts compared to for-profit entrepreneurs, in cases of independently facilitated crowdfunding. (Belleflamme et al., 2013)

Crowdfunding model and rewards also affect success. The choice of crowdfunding model appears to have an impact on success rate, but not the amounts raised (Belleflamme et al., 2013). Within the reward-based model, initiatives with a product rather than a service as a reward tend to attract larger amounts of funding. This is because funders seem to be more prone to provide funding if they expect a tangible outcome.

(Belleflamme et al., 2013) Then again according to Frydrych et al. (2014), initiatives from creative categories tend to have better ability to assign a mixture of tangible and intangible rewards.

In addition to rewards, contact with the entrepreneur and the project seems important. Belleflamme et al. (2013) states that having an initiative where funders a permitted direct involvement with the project allows entrepreneurs to extract additional value. This direct involvement can be decision-making or provision of time and expertise. Not only would this allow additional value to the entrepreneurs, but also create higher community benefits.

5.2. Entrepreneur Background

As mentioned earlier, the characteristics of the entrepreneurs and the businesses affect the likelihood of attracting funding. This pertains especially to the composition of the creator team and the background of the entrepreneurs. Additionally, the operations and background of the business being funded does have some implications to the success likelihood of the crowdfunding initiative. According to Frydrych et al. (2014), organizational legitimacy is associated with various individual and organizational characteristics.

Projects with pairs and teams as entrepreneurs experience higher success rates than projects being run by individuals (Frydrych et al., 2014). It seems individual entrepreneurs have trouble creating legitimacy for the venture. The heterogeneity of the entrepreneurial team also seems to have an impact on the success of the crowdfunding. Additionally, projects created by females demonstrate higher success rates than those created by male entrepreneurs. (Frydrych et al., 2014)

According to Frydrych et al. (2014), the education level and work experience of the entrepreneur also affect organizational legitimacy and thus success rates. In equity crowdfunding, small businesses with more board members and ones with higher levels of education are more likely to attract investment and have more investors (Ahlers et al., 2015).

As for the characteristics of the business itself, there are varying success factors. Companies that have been in business longer prior to pursuing equity crowdfunding are more likely to raise their target amount of capital quicker (Ahlers et al., 2015). However, according to Belleflamme et al. (2013), the age of the company does not affect the amount of capital raised nor the success of the crowdfunding when facilitating the initiative independently without a platform. It seems the age of the company affects the speed with which crowdfunding initiatives are completed, not the amounts raised.

In the field of donation crowdfunding, it seems fundraising success is related to the business's online capacity and capability, not its financial capacity. Additionally, organizational efficiency does not seem to have an impact of success rates. Similarly, the size of a non-profit business has a negative correlation with the amount of donation – likely due to the large reach provided to small organizations via social media. (Saxton and Wang, 2013)

It also seems external reinforcements of legitimacy do not affect success. According to Ahlers et al. (2015) external certification, such as patents and government grants have little or no significance on the success rate of crowdfunding initiatives.

5.3. Social Network Ties

5.3.1. Social Network of the Entrepreneur

The social network of the entrepreneur and the venture itself has a significant impact of how well a crowdfunding initiative will succeed. The individual social capital, or goodwill, available to the entrepreneur through their social network has a positive impact on the likelihood of reaching the target amount of funding (Giudici et al., 2013). This goodwill can be measured in amounts of followers, supporters or interest in the entrepreneur's activities. In equity crowdfunding, small businesses with better networks have been shown to have a bigger probability to attract funding and have more investors (Ahlers et al., 2015).

A network can also become a community, where individuals support the entrepreneur in more way than one. Having the organization's network form into an interactive

community creates added value. Having community members share information with their own unique networks and other community members enhances the gain attainable from a network. This “social network effect” means entrepreneurs are able to tap into a bigger crowd than they would have originally. The larger the network is, the more powerful the effect is. (Saxton and Wang, 2013) Through a community the entrepreneur can harness their social network as a means to interact with the larger crowd. Building a supportive community is a critical aspect for a crowdfunding initiative to be more profitable than traditional funding. (Belleflamme et al., 2014)

5.3.1. Social Network Effect

Entrepreneurs can increase their audience size by utilizing not only their own networks, but also the networks of their supporters. Organizations have the possibility to reach a much larger number of people through the networks of their advocates (Saxton and Wang, 2013). This social network effect creates a community of participants that interact with each other and have an impact on each other. Peer effects and social dynamics are fundamental aspects of crowdfunding communities, because the ecosystem is built around relationships within heterogeneous networks (Frydrych et al., 2014).

This interaction and influence leads to certain a type a herding behavior, where members of the community are highly affected by the opinions and actions of other community members (Ward & Ramachandran, 2010). Herding behavior is a big factor in online communities supporting initiatives, because of the openness of interactivity and discourse on social media and crowdfunding platforms (Frydrych et al., 2014). Potential funders take note of comments and feedback concerning initiatives and follow the community consensus.

According to Agrawal et al. (2015) and Saxton and Wang (2013), social pressure and obligation play an important role in online crowdfunding. In cases where the funder is close to the entrepreneur seeking funding, family and friends feel obligated to contribute (Agrawal et al., 2015). In donation-based crowdfunding donation are driven more by a cause being “socially acceptable” than it being efficient. This is because

funders wish to improve their social standing within their online networks. (Saxton and Wang, 2013)

Social network ties have a significant impact on crowdfunding due to the “unprofessional” nature of it. Crowdfunders rely more on social dynamics, because they possess less knowledge and managerial skills compared to professional investors (Frydrych et al., 2014). Herding behavior drives decision-making due to lack of individual information and the costliness of acquiring relevant information. Acquisition of relevant information is usually costly, because of information overload. This makes funders use the actions of other funders as a source of relevant knowledge. (Ward & Ramachandran, 2010)

Crowdfunding platforms cannot eliminate these effects emerging from socially connected individuals (Agrawal et al., 2015). They can reinforce herding behavior and alleviate stress from information overload by narrowing the amount of choices. Introducing popularity data, such as short-lists and staff-picks, regarding available funding initiatives helps direct the attention of funders. (Frydrych et al., 2014) Funders are more affected by information aggregating tools like top-5 lists than more fragmented information sources (Ward & Ramachandran, 2010).

However, it should be noted that this herding behavior does not always translate to number of funders. According to Saxton and Wang (2013), there is a large discrepancy between how many people promote and how many people fund donation-based initiatives online. Social media users will easily “like” a cause and promote a cause, but it is more difficult to convert to donate for the cause. Clearly herding behavior drives people to associate with similar ventures as their peers. But this herding also comes with a high percentage of people that are not willing to financially contribute to the venture.

5.3. Duration and Timing

The duration of a crowdfunding initiative and how it carries out over time influences the probability of success. Initiatives with higher funding targets tend to have longer funding durations. Yet, a long duration might expose the initiative’s legitimacy and narrative to questioning, leading to loss of support. (Frydrych et al., 2014) Without

conciseness, funders can easily feel that the narrative of the crowdfunding initiative is disorganized and uncertain. Longer funding durations diminish the sense of urgency, encourage procrastination and tend to lose interest in the eyes of the funders⁸⁹.

Crowdfunding initiatives go quickly out of favor with the funding community unless momentum is maintained (Ward and Ramachandran, 2010).

The role of early funders is important to the success of the initiative. Word of mouth and herding behavior drive other funders to contribute as well. (Buttle, 1998, Huang and Chen, 2006) Funding propensity increases as the total amount funded increases. This is called the “snowball effect”. The funding tendency of people distant to the entrepreneur is especially responsive to the snowball effect. (Agrawal et al., 2015) This is likely because funders close to the entrepreneur often feel obliged to be early funders. Additionally, these funders have a social connection with the entrepreneur and thus do not rely on the community’s social network effect in order gain knowledge of the initiative’s attractiveness.

5.5. Financial Signaling and Information Sharing

In order for an initiative to gain financial capital, funders need to view it as an attractive financing opportunity. One key challenge in crowdfunding is the information asymmetry between funders and entrepreneurs (Agrawal et al., 2015). Entrepreneurs hold much more relevant information concerning the venture than potential funders. This means entrepreneurs need to reveal certain information pertaining the project in order to create true funding interest in the crowd.

Attractive ventures have a clear plan and goal. Thus, entrepreneurs need to be transparent and persuasive about the funding goal. This often calls for a market-referencing business plan to be presented to funders. (Frydrych et al., 2014) This is especially true for investment-based crowdfunding. Since equity and lending crowdfunders are interested in the financial rewards gained from their investment, clear plans regarding the project are important to them. Investment-based crowdfunders pay a lot of attention to

⁸ <http://www.crowdfundingfocus.com/how-long-should-my-crowdfunding-campaign-last-for/>

⁹ <https://go.indiegogo.com/blog/2010/11/more-time-doesnt-mean-more-money.html>

the financial and governance reports provided by entrepreneurs. Consequently, businesses that provide neither financial forecasts nor disclaimers are less likely to attract investors. Their initiatives tend to have longer durations and raise less funding overall. In equity crowdfunding, businesses that signal an intention to seek exit through an initial public offering or a trade sale are more prone to attract investors compared to ones planning to use a different form of exit. (Ahlers et al., 2015)

Not all businesses are prepared to reveal such information to potential funders. According to Gleasure (2015), fear of disclosure is a prominent reason for entrepreneurs to not seek crowdfunding. This applies especially for ventures dealing in business-to-consumer markets, due to the importance of first mover advantage. They fear revealing business plans and other key information may invite imitators, and resulting in them losing their competitive advantage.

However, not all signaling is done through financial documents. Narrative is an integral part of creating legitimacy for and interest in an initiative. Stories help construct new ventures, acquire funding and generate wealth. Stories legitimate entrepreneurs in the eyes of the crowd and competitors, and this legitimization enables capital acquisition. (Lounsbury and Glynn, 2001)

5.6. Geography

Through globalization our world and networks have become increasingly international and independent of geographical location. Entrepreneurs are able to find funding globally and funders are able to find funding opportunities from all over the world. With the rise of the Internet and easily accessible online funding platforms, geographical locations no longer prove a barrier for crowdfunding (Agrawal et al., 2015). Thus, crowdfunding can facilitate funding acquisition that is independent of geography (Frydrych et al., 2014). Also, Giudici et al. (2013) state that the geographic area itself does not have an effect of crowdfunding decisions – meaning initiatives in a particular area do not benefit from potential goodwill associated with the region.

Despite this, geography seems to be linked to the nature and the success rate of crowdfunding initiatives (Mollick, 2014). This is due to social relationships and cultural differences that are not eliminated by online tools. Crowdfunding platforms

eradicate many geography related challenges, but do not remove certain frictions associated with information shared by socially connected people (Agrawal et al., 2015). These social relationships independent of online tools continue to affect crowdfunding patterns. Additionally, the perception of trust connected individuals share cannot be easily overcome. Attitudes towards risk-taking are likely not globalized through crowdfunding. (Frydrych et al., 2014)

Local and distant funders display different funding patterns, but this difference is mostly explained by the typically local nature of social relationships. Local funders, such as family and friends, often act as early funders. More distant funders then rely of the information revealed by early funders to make their funding decisions. These pattern differences are more associated with social networks, but have a geographical effect. (Agrawal et al., 2015)

5.7. Other Crowdfunding Projects

The success of crowdfunding initiatives can also be affected by the success or failure of other crowdfunding ventures. This is because funders are influenced by the performance of similar initiatives in the past (Ward and Ramachandran, 2010). If other related projects have succeeded in their crowdfunding in the past, funders are more confident of the potential success of the initiative at hand. Alternatively, if other similar projects have failed, funders are not as convinced of the initiative's success.

Success and failure of related projects also affect the creators of the current initiative. According to Gleasure (2015), entrepreneurs that have observed crowdfunding failures first-hand are most fearful of public failure. So entrepreneurs with higher exposure to crowdfunding and failures within it are more worried about their own crowdfunding. This might be because people exposed to crowdfunding are more aware of all the implications crowdfunding can have for an entrepreneur.

6. Legal Regulation

The legal regulation on crowdfunding is still evolving. Currently, there is no uniform policy for crowdfunding in Europe (De Buysere et al., 2012) and the US has just recently made changes that make crowdfunding a viable option for entrepreneurs and funders (Sigar, 2012).

6.1. Donation and Reward-based Crowdfunding

In the US, solicitation of funds as gifts or donation is a highly unregulated practice. This means that donation crowdfunding is not largely legally restricted, since funds are transferred as gifts. Moreover, if an entrepreneur seeks capital through crowdfunding without any expressed or implied possibility of return, securities laws are not applicable. However, as protection for the funders, in instances of abuse, online solicitations can be subject to wire fraud statutes. (Hazen, 2012)

In Finland, donation crowdfunding is more regulated and is only allowed for non-profit or non-governmental organizations. Also, if entrepreneurs engage in pre-ordering, the rewards for contributing must be sold under the Finnish consumer law. (Lasrado and Lugmayr, 2013)

6.2. Investment-based Crowdfunding

Investment-based crowdfunding is much more severely constricted in comparison with other forms of crowdfunding (Belleflamme et al., 2014). Because investment-based crowdfunding involves the sale of a security, it is subject to numerous regulatory issues. It has been highly restricted in many countries until recently, as new policies have been introduced. The legislative environment of the country of practice still significantly influences investment crowdfunding. (Ahlers et al., 2015)

According to De Buysere et al. (2012), efficient and transparent investment-based crowdfunding markets cannot form in Europe due to investor protection regimes that are designed for official investment settings. Having no Europe-wide policy on crowdfunding also makes the regulation more ambiguous. All countries have their own legislation concerning crowdfunding. For example, Italy passed a law in 2012 allowing businesses to raise equity capital through dedicated crowdfunding platforms

(Giudici et al., 2013). Overall, investment-based crowdfunding requires considerable paperwork in European countries (Valanciene and Jegeleviciute, 2013).

Though investment-based crowdfunding is also cumbersome in the US, the situation there is changing rapidly (Valanciene and Jegeleviciute, 2013). In the US securities laws apply to business investments such as stock, bonds and partnership interests. Investment in the form of a loan, rather than ownership, is also subject to securities laws. (Hazen, 2012) Thus, all investment-based funding falls under securities laws in the US. However, due to concerns about the stagnant economy, the congress passed the JOBS act in 2012, which exempts crowdfunding from registering with the Securities and Exchange Commission. This was done in light of the growing popularity of crowdfunding and is likely to become a popular alternative for small businesses to raise funds. (Sigar, 2012)

Policy makers face trouble balancing investor protection and encouraging entrepreneurship (Hazen, 2012). Regulation is required to protect funders from potential fraud or abuse. This is why the JOBS act includes restrictions on crowdfunding. All investment-based crowdfunding projects must meet four criteria (Sigar, 2012):

- The total amount of securities sold by an entrepreneur cannot exceed 1 million US dollars
- The total amount sold to a single investor cannot exceed either 2 or 100 thousand US dollars, depending on the individual's income or net worth
- The transaction must be facilitated by either a broker or platform that must register with the Securities and Exchange Commission and a self-regulatory organization
- The entrepreneur must comply with statutory requirements, such as disclosing certain financial and other information

Overall, legal regulation especially in regards to investment-based crowdfunding is still evolving. Currently, there are no universal policies for crowdfunding, so a crowdfunding project is subject to its countries legislation. Since the legal environment is still evolving, keeping up with the most recent developments is crucial in order to succeed in crowdfunding. This might be difficult to do, since most entrepreneurs and

fundors participating in crowdfunding are not educated in the details of crowdfunding legislation. This in turn results in ambiguity regarding the legislation. Not understanding which laws a crowdfunding project is subject to, can be incredibly detrimental to the success of said project. Thus, De Buysere et al. (2012) suggest a three-part system for crowdfunding policies:

- Legal regulation (funder protection and financial control)
- Education (educating stakeholders on crowdfunding benefits)
- Research (transparent and open approach)

7. Crowdfunding in Finland

Entrepreneurial activities have been on the rise in Finland, and entrepreneurial culture has improved in recent years (Napier et al., 2012). Entrepreneurship is seen as a desirable career choice in Finland. (Lasrado and Lugmayr, 2013) Approximately 93% of Finnish businesses have less than ten employees and 26% of all employees work in these micro enterprises¹⁰.

Most new businesses ventures are funded at least in part by the Finnish government agencies (Lasrado and Lugmayr, 2013). The government grants monthly financial aid for startup entrepreneurs¹¹, which in 2013 amounted to approximately 27 million euros¹². Although Finland is very supportive towards entrepreneurs, help aimed at startup entrepreneurship has not come to full fruition (Napier et al., 2012). Possibility for entrepreneurs to look for alternative funding is limited. Equity financing has dropped drastically since 2008 in Finland. (Lasrado and Lugmayr, 2013) Additionally, banks have a much more low-risk policy in terms of loans, and thus hesitate to invest in new risk-high ventures – not surprisingly, bank loan financing has decreased since 2008 (Napier et al., 2012).

With the decrease of available funding for new entrepreneurs from traditional sources, crowdfunding has gained popularity in Finland. Five active crowdfunding platforms have emerged recently. Although crowdfunding as a concept is becoming more popular, Finland still lacks behind many other developed countries. Finns are slow to adopt new innovation and financial options. Motivations for participating in crowdfunding do not differ from motivations in other countries, but the importance of financial rewards should be noted. (Lasrado and Lugmayr, 2013)

One key distinction in the Finnish crowdfunding setting is legal regulation. Understanding Finnish laws is crucial for success, thus educating Finns on legal regulation is the biggest challenge crowdfunding platform face at this point in time. Donation-

¹⁰ http://www.yrittajat.fi/File/58894954-665a-4e66-95e6-1134e13dd10f/SY_yrittajyystilastot_2015_ENG.pdf

¹¹ <http://www.finlex.fi/fi/laki/ajantasa/2012/20120916#L8P1>

¹² https://www.tem.fi/files/44299/ELY-keskusten_ja_TE-toimistojen_myontamat_yritystuet_v._2013.pdf

based crowdfunding is not practical for most entrepreneurs in Finland. It is only applicable for non-profit organization under the Finnish fundraising law. Reward-based crowdfunding must also be carefully managed. The rewards for funding the initiative must be sold under consumer law, with value-added tax and fixed prices. (Lasrado and Lugmayr, 2013) Investment-based crowdfunding projects are very regulated in Finland. The selling of bonds or equity must be facilitated via authorized platforms. However, peer-to-peer lending currently falls outside the regulatory scope. Overall, Finland does not have a specifically made regulatory regime for crowdfunding, instead is waiting on the European Commission's legal initiative. For now, policies guide the market towards self-regulation. (Gajda, 2014)

For initiatives working within these constraints success factors are similar to those globally. Success depends on project quality, social networking capabilities and marketing reach of the entrepreneur and the crowdfunding platform (Lasrado and Lugmayr, 2013).

Since crowdfunding is an emerging practice in Finland as has yet to have been studied at length, the author believes it to be important to further research the topic in a Finnish environment. Additionally, there has not been much research on the influence a chosen crowdfunding model to the importance of success factors. This is why the author has decided to research which of the afore mentioned success factors are important in crowdfunding in Finland.

8. Methodology and Data Collection Methods

8.1 Theoretical Perspective and Methodology

In this thesis the author takes a constructivist worldview. Constructivism views truth and meaning as being not independent of interaction, instead created within the interactions people have with the world (Morgan and Smircich, 1980; Guba and Lincoln, 1994; Mir and Watson, 2000; Gray, 2013). This perspective allows subjects to construct their own meaning in different ways, even in relation to the same phenomenon (Mir and Watson, 2000; Gray, 2013). Since the topic of crowdfunding is based on the interaction between creators and funders, the author believes constructivism to be a well-suited perspective.

Since crowdfunding success is closely linked with factors that are not easily quantifiable, the author views individual experiences and opinions as an important resource in studying the topic. Thus, the author uses interpretivism as her theoretical perspective. Interpretivism views the world as a construct formed by human actors (Walsham, 1995). It deals with the actions of the individual and focuses on qualitative aspects (Gray, 2013).

The author uses phenomenological research in order to find the opinions and subjective accounts of the participants. By using quite unstructured research methods, the author hopes to uncover factors that were possibly not in the original focus. (Gray, 2013)

8.2 Research Approach

All data collection methods have their strengths and weaknesses. Qualitative data is in-depth and thorough, yet not easily generalizable. Quantitative data on the other hand is generalizable, but does not provide deep insights into why events occur. In order to balance out these weaknesses, the author uses triangulation. Triangulation utilizes several data collection methods to mitigate the shortcomings of a single method. (Grey, 2013)

The author has chosen to complete the study with a cross-sectional approach, in which data is collected at one point in time (Grey, 2013). The data was collected with two collection methods – through descriptive and interpretive studies.

Descriptive studies paint a picture of a phenomenon as it occurs. This approach provides a description of the phenomenon, although it cannot explain why an event has occurred. (Sandelowski, 2000) Interpretive studies on the other hand seek to utilize qualitative methods to explore people's experiences and perspectives of these experiences (Grey, 2013). By conducting a multi-method study the author aims to create both a more generalizable and an in-depth picture into crowdfunding success factors.

8.2.1. Data From Online Sources

As a quantitative method, online data was collected from a crowdfunding platform called Kickstarter. Kickstarter is a platform that facilitates reward-based crowdfunding globally. Kickstarter describes their impact on the crowdfunding market as follows:

“Since our launch, on April 28, 2009, 10 million people have backed a project, \$2.1 billion has been pledged, and 97,774 projects have been successfully funded.”

The creator of the initiative introduces the project and the goal of the crowdfunding on Kickstarter. They also set the duration and target amount for it. Kickstarter uses what is known as an “all or nothing” rule, meaning the transfer of funds is not executed if an initiative does not reach its minimum funding goal. For those that succeed in reaching their funding goal, Kickstarter takes a 5% facilitation fee.¹³

Kickstarter publishes statistics and data about crowdfunding done via their site. The author used this data for the descriptive study in this thesis.

8.2.2. Interviews

As a qualitative method, interviews were held with different entrepreneurs that have succeeded in crowdfunding. Interviewing successful crowdfunding initiatives was important for finding more insight into which factors affect the success of an initia-

¹³ <https://www.kickstarter.com/terms-of-use?ref=footer>

tive. Additionally, the author chose to interview Finnish entrepreneurs, because crowdfunding research concerning Finnish ventures is limited (Lasrado and Lugmayr, 2013).

Since donation-based crowdfunding is restricted to only non-profit organizations in Finland, the author chose to exclude donation-model initiatives from the study. This was due to two reasons. First, the results of such crowdfunding initiatives would not be very generalizable due to the legal restrictions on practicing donation-based crowdfunding. Second, due to these restrictions, donation-based crowdfundings are very sparse, thus making them difficult to interview.

The author has also decided to exclude lending-based crowdfunding initiatives from the study. Even though the total volumes of lending in Finland are impressive, there are not many facilitators for this kind of crowdfunding. Fixura, a Finnish crowdfunding platform, deals in lending-based crowdfunding, but does not let funders and entrepreneurs interact. Funders invest money that Fixura then distributes to entrepreneurs – the typical interaction between parties is not present in Fixura's business model.¹⁴ This kind of business resembles sophisticated lending practices more than crowdfunding. Thus the author believes researching it will not produce meaningful results considering the topic of the thesis.

Due to the above reasons the author has decided to focus on reward-based and equity crowdfunding in the study. Five different entrepreneurs were interviewed for the purpose of this study. Three of the entrepreneurs were individuals that had initiated a reward-based crowdfunding project. Two were entrepreneurs that had initiated an equity crowdfunding project. The author believed it best to interview entrepreneurs from differing industries, because crowdfunding is a practice that can be and is participated in by different ventures. One of the interviews was held in person and the four others via telephone. The interviews lasted a total of 25-60 minutes. The interviews were conducted in the style of an open interview, which resulting in variations in the discussed aspects of the topic at hand (Eskola and Suoranta, 1998).

¹⁴ <https://www.fixura.fi/fi-fi/sijoittaminen/>

9. Research Findings

9.1. An Overview of Kickstarter Projects

Kickstarter is a reward-based crowdfunding platform. They operate on an “all or nothing” rule, meaning if an initiative does not reach its target-funding amount, no capital exchanges hands. Their terms of service¹⁵ state that:

- Projects must create something to share with others.
- Projects must be honest and clearly presented.
- Projects can't fundraise for charity, offer financial incentives, or involve prohibited items.

As a form of transparency Kickstarter publishes funding statistics concerning the projects initiated on their platform. They provide data informing how many projects have been successfully funded and how much funding has been raised by both successful and unsuccessful projects. This data is listed according to project category. Kickstarter has 15 different project categories – for 15 different industries.

9.1.1. Number of Successful Projects and Amounts Raised

In 2014 a total of 529 million US dollars was crowdfunded through Kickstarter. That funding amounted to 22252 projects reaching their target funding and being successful. As can be seen from Figure 2, those successfully funded initiatives were divided relatively evenly throughout the year, with the exception of a decrease in the number of successes in January and February. This would imply that there is no significant trend in how many projects are funded in each month.

¹⁵ <https://www.kickstarter.com/terms-of-use?ref=footer>

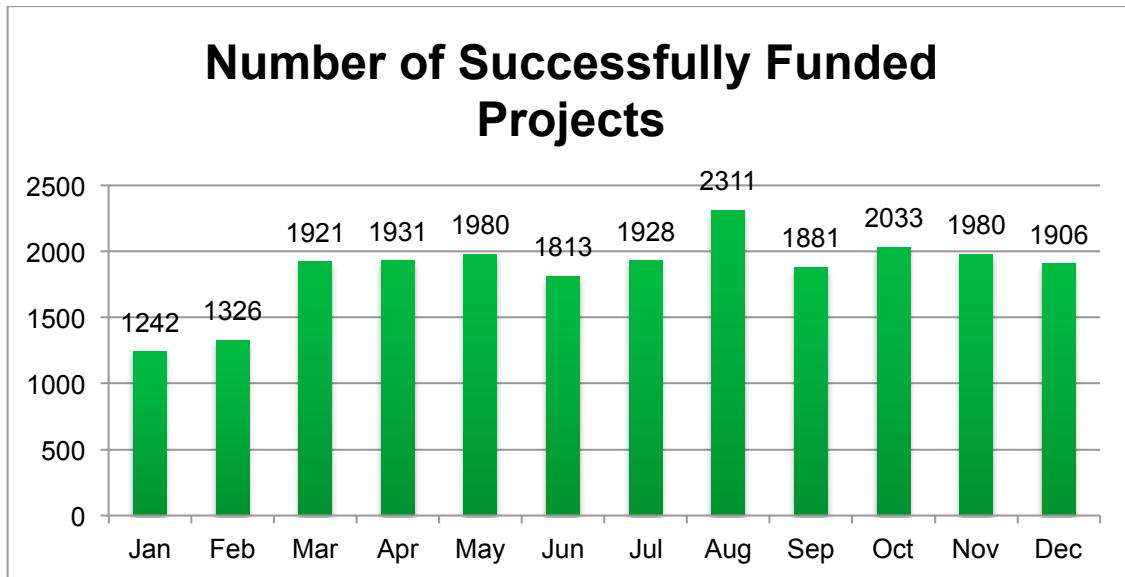


Figure 2: Number of successfully funded projects on Kickstarter in 2014 by month¹⁶

The number of successfully funded projects through Kickstarter in 2014 did vary quite substantially in relation to category. As can be seen from Figure 3, some categories produced a much higher amount of successful projects than others. *Music* and *Films & Video* categories had approximately 4000 successful initiatives each, whereas *Journalism*, *Crafts*, *Dance* and *Photography* only amounted to less than 600 each. However, it must be noted that *Journalism* and *Crafts* categories were introduced to Kickstarter only in June, which likely affected the number of funded projects they amounted to. Overall this data clearly shows that some categories are home to a larger amount of successfully funded projects than others.

¹⁶ <https://www.kickstarter.com/year/2014/data?ref=yir2014>

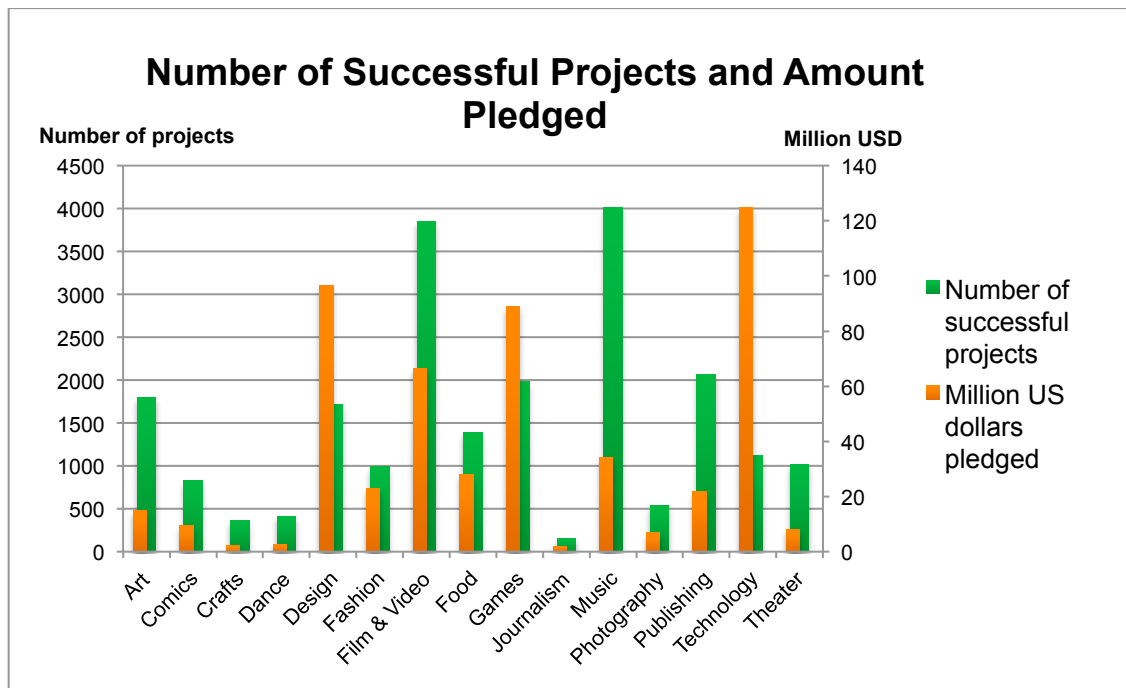


Figure 3: Number of successfully funded projects and amount of funding raised on Kickstarter by category¹⁷

In addition to the number of projects, the amount raised also varies significantly according to category. As shown in Figure 3, the amount of capital raised by each category differs greatly. Categories such as *Technology*, *Design* and *Games* all raised over 85 million US dollars in 2014. On the contrary, *Journalism*, *Dance* and *Crafts* raised less than 3 million US dollars each.

From this it is clear that some categories raise a substantial amount of capital, even though the number of successful projects is smaller than in other categories. For example, *Technology* as a category raised 125 million US dollars in 2014, but had only 1124 successful initiatives. This would imply that the average project in a category such as *Technology* has a relatively high funding target. *Music* projects on the other hand raised a total of 34,1 million US dollars, but comprised of 4009 successful initiatives. This would entail that projects in categories like *Music* do not have a high funding target.

¹⁷ <https://www.kickstarter.com/year/2014/data?ref=yir2014>

These indications are further supported by data in Figure 4. Categories such as *Games*, *Design* and *Technology* have a significantly larger share of successful projects that have raised over 10 thousand US dollars than categories like *Dance*, *Theater* and *Music*. Approximately 64% of *Technology* projects raise 10 thousand UD dollars or more, whereas that figure is only 11% for *Dance* projects. Thus, it is likely that projects from categories like *Games*, *Design* and *Technology* have higher funding goals, than those from categories such as *Dance*, *Theater* and *Music*.

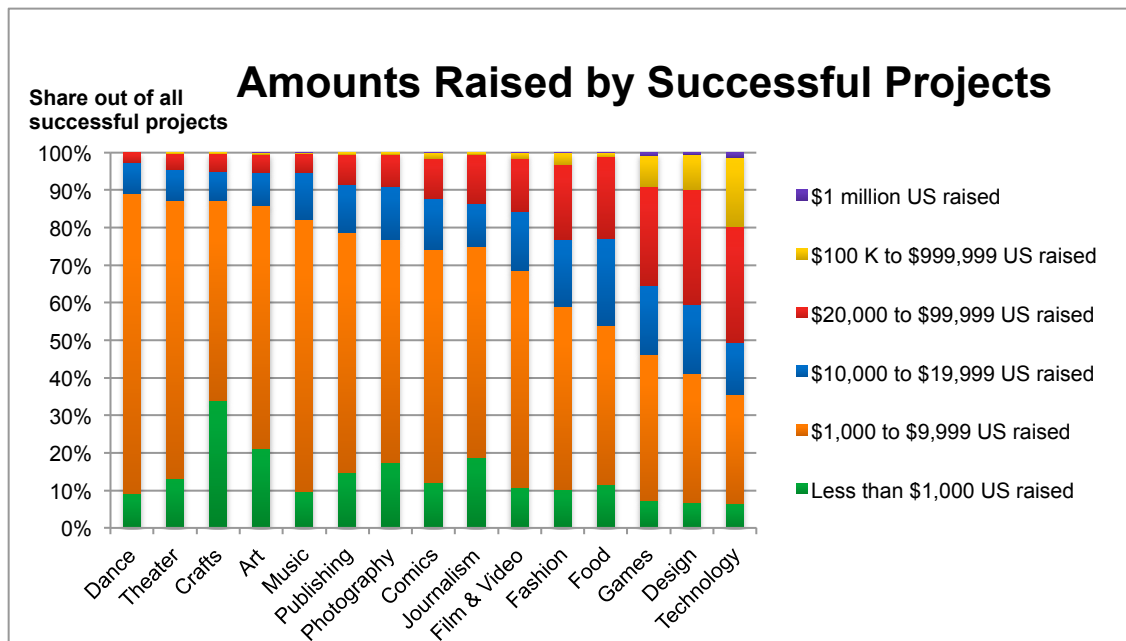


Figure 4: Amount of capital raised by successful projects over the history of Kickstarter¹⁸

However, it should be noted that it is also possible for funding targets to not be set high, but for some categories to raise amounts substantially higher than their goals. This would create a bias in the data towards larger raised amounts in categories such as *Technology*. Yet, since research shows that crowdfunding initiatives rarely surpass their funding targets by large amounts (Mollick, 2014), this seems an unlikely occurrence.

¹⁸ https://www.kickstarter.com/help/stats?ref=about_subnav

9.1.2. Success and Failure Rate of Projects

Success rates of reward-based crowdfunding initiatives also vary considerably. The average Kickstarter project has a success rate of approximately 37%. As shown by Figure 5, *Technology* projects have a success rate of 20%, whereas *Dance* projects succeed 63% of the time. This data is to an extent negatively correlated with the amounts of capital raised by the projects. This would imply that categories that typically have higher funding targets have lower success rates and vice versa. However, causation between the two cannot be determined from the data.

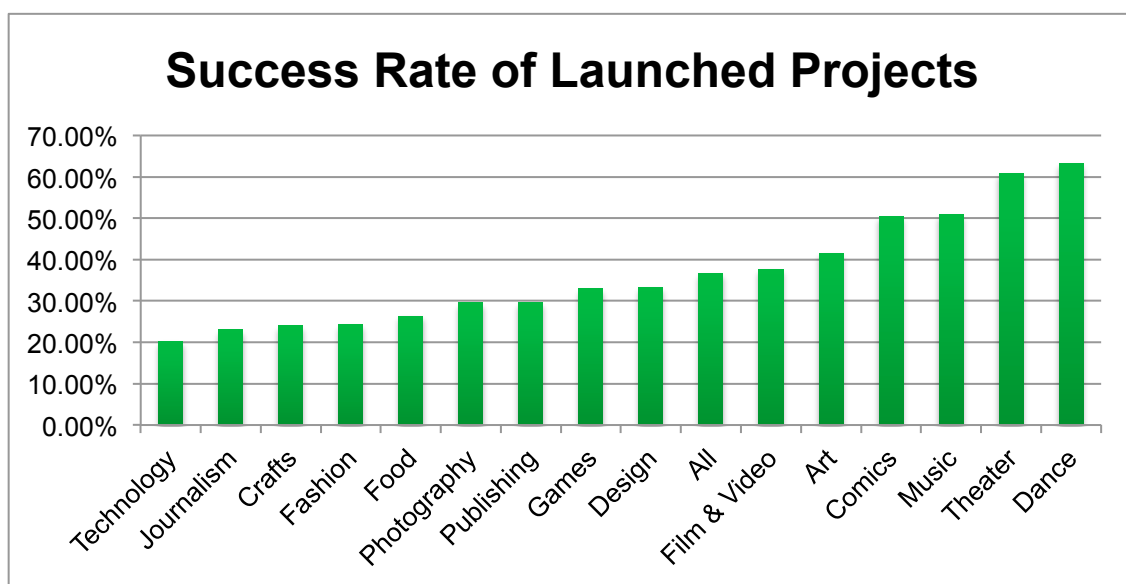


Figure 5: Success rate of initiated crowdfunding projects over the history of Kickstarter¹⁹

Through a closer examination of the amounts of successful and unsuccessful projects on Kickstarter, the success rate can be further assessed. From Figure 6 it can be seen that the total amount of initiated projects does not clearly correlate with the success rate. Categories such as *Music* have large amounts of launched projects and high success rates, yet categories like *Publishing* and *Technology* with relatively large amounts of launched projects have significantly lower success rates. Additionally, categories such as *Dance* have small amounts of launched projects and high success rates, whereas *Journalism* and *Crafts* have small amounts of launched projects and

¹⁹ https://www.kickstarter.com/help/stats?ref=about_subnav

low success rates. Thus, it would seem the amount of initiated projects does not indicate likelihood of success.

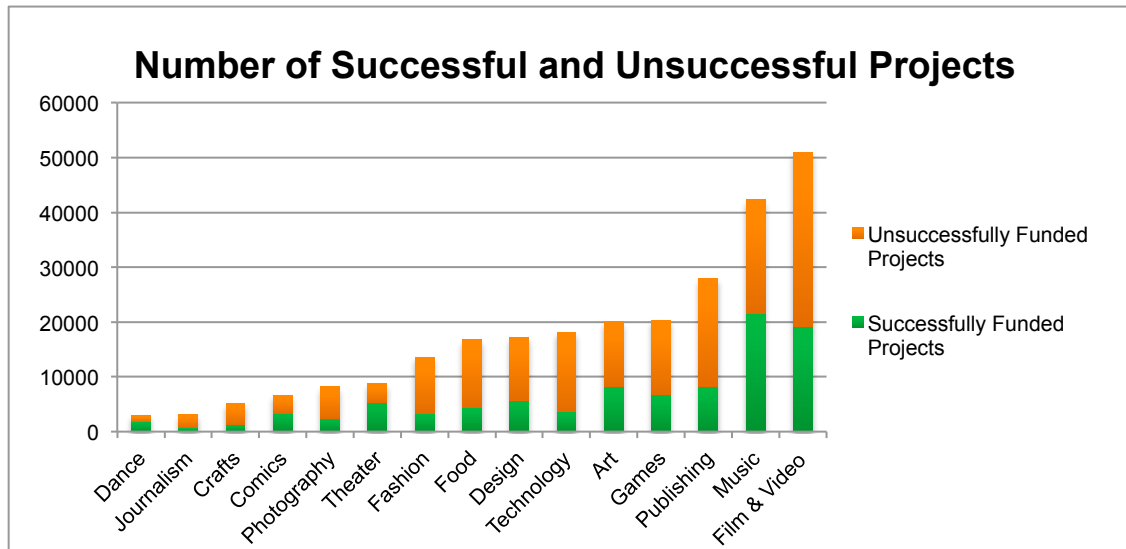


Figure 6: Number of successful and unsuccessful funding initiatives over the history of Kickstarter²⁰

As for unsuccessful projects, an interesting pattern is clear. As seen from Figure 7, the vast majority of unsuccessful projects fail by large margins. On average, 84% of all unsuccessful projects raise 20% or less of their target. Only about 2% of all unsuccessful projects reach over 60% of their funding goal. This is consistent with earlier research indicating that unsuccessful crowdfunding projects fall short of their target by large amounts (Mollick, 2014).

²⁰ https://www.kickstarter.com/help/stats?ref=about_subnav

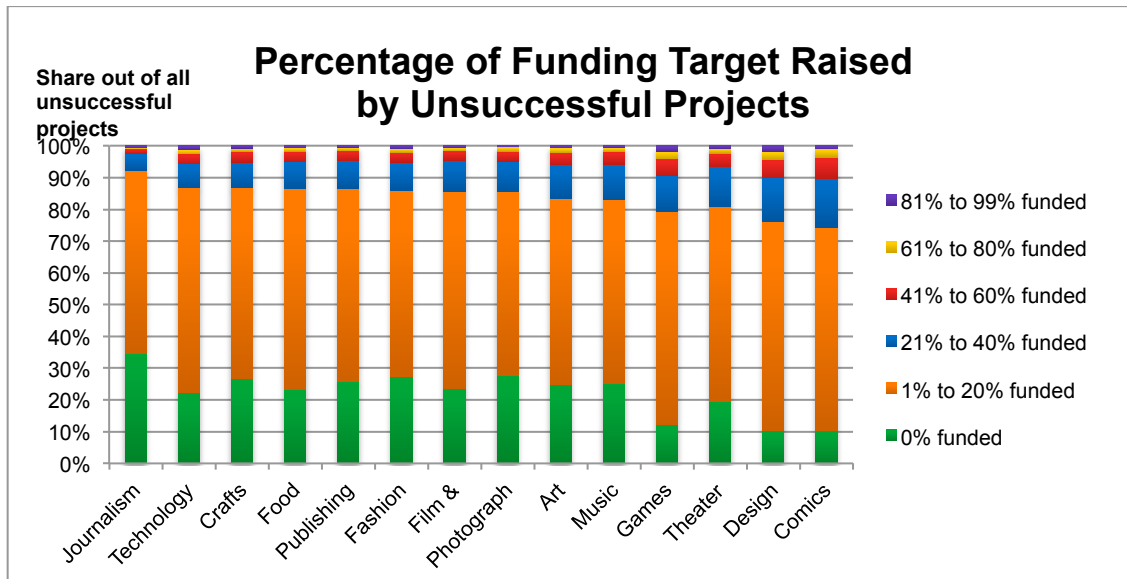


Figure 7: Percentage of funding target raised by unsuccessful projects over the history of Kickstarter²¹

There are no significant differences between categories in regards to how far from the funding target projects fall. Unsuccessful *Comics* and *Design* projects seem to reach slightly closer to their targets than others. However, when looking at amounts raised by successful projects and success rates of projects, there is no observable correlation.

These findings are significant and interesting. They give plentiful information regarding the amounts raised through crowdfunding and success rates of Kickstarter projects. However, they fail to provide insight into why successes and failures occur. This is why the author continues the research by studying success factors in more detail and depth. In order to obtain a better understanding as to which factors affect crowdfunding success, five interviews were carried out and analyzed.

²¹ https://www.kickstarter.com/help/stats?ref=about_subnav

9.2. Interviews

The interviewees and their ventures are introduced in Table 3 as well as in further detail next.

Project	Ambronite	Autolla Nepaliin	EkoRent	Juuri	Pyynikin Käsityöläispanimo
Interviewee	Simo Suoheimo	Juho Leppänen	Juha Suojanen	Ilja Bjors	Rauno Pere
Crowdfunding Model	Reward-based	Reward-based	Reward-based	Equity	Equity
Crowdfunding Platform	Indiegogo	Independent	Joukon Voima & Mesenaatti	Invesdor	Independent Invesdor Independent
Amount of Funding Raised	103 thousand US dollars	33 thousand euros	6550 and 5660 euros (two simultaneous campaigns)	173 thousand euros	40 thousand 243 thousand 336 thousand euros (three different crowdfunding campaigns)

Table 3: Introduction of interviewed crowdfunding projects

Ambronite

Ambronite is a food-based company founded by three Finns. The product they sell is a drinkable super meal intended to supply all the daily nutritional requirements in one simple package. Their goal is to revolutionize the food industry with a new healthy option. The Ambronite team started their product development in 2013 and spent most of the year fine-tuning their product and strategy.

After extensive preparation, their reward-based crowdfunding initiative was launched on Indiegogo in May of 2014 with a target of 50 thousand US dollars. In their Indiegogo campaign site, the Ambronite team described their journey so far as follows:

“Since June 2013 we have successfully manufactured over 250 kg (over a thousand meals) of Ambronite for over 100 people who took part in our limited beta. The feedback has allowed us to perfect the recipe, production methods, packaging and taste. Now we need your support to start producing Ambronite for you and thousands of others and to make leading healthy lifestyles easier and more enjoyable - even for busy people.”

Ambronite was able to raise their goal of 50 thousand US dollars in under a week. The crowdfunding campaign ended in early July 2014 having raised approximately 103 thousand US dollars with a total of 829 people funding their initiative. With this result Ambronite made history by raising more funding than any other food product before it.

Autolla Nepaliin

Autolla Nepaliin (eng: In A Car To Nepal – A Movie Of Dreams) is a movie that was made out of video material produced during a two-month trip from Finland to Nepal. In 2012 three Finnish men undertook a journey driving a van to Nepal in order to collect jewelry from a women's shelter to charity. During the trip, 85 hours of video material was shot with an intention to publish the material through TV channels in Finland. Unfortunately, after approaching several TV channels it became clear, producers where not interested in the venture.

In December 2013 the entrepreneurs decided to launch a reward-based crowdfunding campaign for the creation of a movie from the filmed material. The initiative was launched on an independent website with a target of 25 thousand euros. After three weeks the campaign came to a close raising a total of 33 thousand euros. At the time Autolla Nepaliin was the only fully crowdfunded movie in Finland and the biggest grossing fully Finnish crowdfunding initiative.

EkoRent

EkoRent is a company renting electric cars for hourly use in the greater Helsinki area. The company started its business in 2014 and is the first of its kind in Finland. EkoRent's mission is to popularize electric car usage in order to improve air conditions in cities. In 2015 EkoRent looked to expand their business to include more service locations in Helsinki.

Having considered crowdfunding for some time, preparations began and a reward-based campaign was launched with the help of Joukon Voima on Mesenaatti in October of 2015. EkoRent launched two campaigns, one for each of the expansion locations, with a minimum target of 4400 euros each. After a five-week campaign both initiatives were successful and raised 5660 and 6550 euros respectively.

Juuri

Juuri is a restaurant founded in 2004 by two Finns. They serve Finnish fine dining cuisine in Helsinki and have gained a good reputation among customers. Juuri has been mentioned in the Michelin Guide since 2008. They describe their work and values as follows:

“We make Finnish food by respecting its roots and traditional handiwork. We make everything from the beginning ourselves. We do not use prepared or semi-finished products. Good food tells a story that will take you on a journey.”

Juuri has expanded their business by opening new locations in 2011 and 2014. In 2014 the founders of Juuri were looking to gain more funding for their business. Since bank loans are difficult to obtain, they sought to strengthen their equity capital by initiating a campaign on a Finnish equity crowdfunding platform Invesdor. With a valuation at a million euros in September 2014, Juuri launched a campaign with target range of 75 to 300 thousand euros. This meant they were parting with 7-23% of their equity shares. After a three-month campaign Juuri raised approximately 173 thousand euros.

Pyynikin Käsityöläispanimo

Pyynikin Käsityöläispanimo is a brewery based in Tampere, Finland. The company was founded late 2012 and obtained production permits in 2013. They doubled their production capacity in 2015 via equipment improvements and look to increase capacity again in 2016. The brewery aims to produce high quality artisan beers and siders.

The brewery has held a total of three equity crowdfunding campaigns. The first was held in late 2012 when the company was founded. This campaign lasted a couple of weeks and was independently facilitated. It raised a total of 40 thousand euros. The second campaign was held in 2013 and lasted about a year. This campaign was hosted via Invesdor and raised a total of 222 thousand euros. The third campaign was launched via the company's website in February 2015 and lasted for approximately 1,5 months. A total of 336 thousand euros was raised through the third crowdfunding campaign. The first campaign was held in order to obtain capital for starting production and the second and third in order to increase production capacity through equipment renewals.

Interview Results

After interviewing five entrepreneurs about their crowdfunding projects, the responses were analyzed to provide a clearer view of which afore mentioned success factors are perceived to be most important. Table 4 shows an overview of the project details, including crowdfunding model, platform, funding amounts, duration and network size. The author will introduce the reasoning behind the entrepreneurs' crowdfunding project and do a more comprehensive discussion into each success factor in the following sections.

Project	Ambronite	Autolla Nepaliin	EkoRent	Juuri	Pyynikin Käsiyöläispanimo
Crowdfunding Model	Reward-based	Reward-based	Reward-based	Equity	Equity
Crowdfunding Platform	Indiegogo	Independent	Joukon Voima & Mesenaatti	Invesdor	Independent Invesdor Independent
Target Amount	Minimum 50 thousand US dollars	Minimum 25 thousand euros	Minimum 4400 euros per campaign	75-300 thousand euros	<i>(First campaign target unclear)</i> 222-256 thousand euros Minimum 125 thousand euros
Amount of Funding Raised	103 thousand US dollars	33 thousand euros	6550 and 5660 euros (in two simultaneous campaigns)	173 thousand euros	40 thousand euros 243 thousand euros 336 thousand euros
Duration	2 months	3 weeks	5 weeks	3 months	2 weeks 1 year 1,5 months
Entrepreneurs' Network Size	Hundreds ready to fund and share	11 to 12 thousand Facebook followers	25-30 bloggers and media representatives 800 on the mailing list	8-10 thousand on the mailing list	1000 shareholders

Table 4: A table of the main details of the interviewed crowdfunding projects

9.2.1. Motivations for Participating in Crowdfunding

As suggested by earlier research (Gleasure, 2015; Mollick, 2014; Belleflamme et al., 2013; De Buysere et al., 2012), the entrepreneurs interviewed had various motivations to pursue crowdfunding.

All interviewees stated need for financing as a reason to participate in crowdfunding. For both EkoRent and Pyynikin Käsityöläispanimo, expansion of their business was explicitly stated as a reason for capital requirement. For EkoRent this was in order to open more service points and for Pyynikin Käsityöläispanimo this was for upgrading brewery equipment in order to increase production capacity. For Autolla Nepaliin, the funding was for the realization of the movie, not expansion, because the venture was a one-time affair. These monetary motivations were primary to the entrepreneurs, as indicated by academic research (Mollick, 2014; De Buysere et al., 2012; Gerber and Hui, 2013; Manchanda and Muralidharan, 2014; Lasrado and Lugmayr, 2013; Wheat et al., 2013).

Autolla Nepaliin, Juuri and Pyynikin Käsityöläispanimo also had difficulty attaining financing from elsewhere, which increased motivation to participate in crowdfunding. Autolla Nepaliin was proposed as a movie to TV stations without success. Thus, the creators turned to crowdfunding. Juuri and Pyynikin Käsityöläispanimo both had challenges obtaining bank loans, which drove them towards crowdfunding. Their larger funding targets and challenges with traditional funding might have been motives for equity crowdfunding. Research states that not only do equity crowdfunding initiatives acquire more capital (Belleflamme et al., 2015), but also larger targets seem to suit equity crowdfunding better than other crowdfunding models (Belleflamme et al., 2014).

In addition to capital requirements, other benefits of crowdfunding were mentioned as motivations. Market validation was a significant motivation for Ambronite, Autolla Nepaliin and EkoRent. It is interesting that market validation was most important to the reward-based ventures. However, considering Ambronite and Autolla Nepaliin were using crowdfunding to enter their market and had a limited existing customer base, it is not surprising that validation and verification of demand is important to

them. According to Suoheimo, “*finding financing through crowdfunding is important, but getting a launch estimate is even more important*”. This is in line with academic research claiming validation (Belleflamme et al., 2013; Gerber and Hui, 2013; De Buysere et al., 2012) and verification of demand (Mollick, 2014) are important motivations for entrepreneurs. Leppänen also felt “*crowdfunders did not dictate how to produce the film*”, which enabled the team to be freer than they would have been with traditional funding. This is in accordance with Gleasure (2015) claiming crowdfunding offer entrepreneurs more creative and strategic freedom than other investment methods.

9.2.2. Choice of Crowdfunding Model

As explained in the *Methodology* section of this thesis, representatives from both reward-based and equity-based crowdfunding were studied. It was clear from the interviews that the entrepreneurs that chose equity crowdfunding did so because of the financial implications. Those who participated in reward-based funding did so for a larger variety of reasons.

Juuri “*wanted to strengthen equity capital in order to fix the balance sheet*”. Thus, equity crowdfunding was found to be the optimal, and according to Bjors, the only option. For Pynnikin Käsiyöläispanimo, the lack of traditional funding options was a key driver for participating in crowdfunding. Pere described it as “*free money, since there is no interest on it*” and mentioned the assistance they have gotten from shareholders in marketing and other business related tasks. Clearly, the two companies initiated their equity crowdfunding for different reasons, but both seemed quite focused on the financial benefits of the option.

Contrarily, the reward-based crowdfunding ventures seemed more focused on several different benefits crowdfunding could provide them. For both Ambronite and Autolla Nepaliin the validation from the crowd was a crucial aspect of the campaign. For Ambronite the validation was a type of business tool – as Suoheimo stated “*it served a lot of purposes: doing market research, finding customers and gaining validation*”. Alternatively, for Autolla Nepaliin validation was a form of mandate for going through with the realization of the project. Leppänen felt that “*the core of crowdfunding is that*

if people do not support the idea, it is not carried out". Additionally, marketing opportunities seemed to be important to the entrepreneurs. Crowdfunding enabled not only funding, but marketing possibilities for Ambronite and EkoRent.

In addition to the wider benefits attainable through reward-based crowdfunding, Suojanen felt that the relative smallness of the funding target meant reward-based crowdfunding was best suited for EkoRent. This is closely aligned with academic literature stating investment-based crowdfunding is better suited for larger amounts and reward-based crowdfunding suiting smaller amounts (Belleflamme et al., 2014). Suoheimo on the other hand explained how equity crowdfunding would not have suited Ambronite, because *"people were not attracted to the venture as an investment, but wanted a product like it"*. This seems to be an informed decision, since companies such as Ambronite, offering a tangible product as compensation tend to attract more funding (Belleflamme et al., 2013).

9.2.3. Choice of Crowdfunding Platform

The interviewed ventures had slightly differing motivations for their choice of crowdfunding platform. The most common reasoning behind choice of platform seemed to be the monetary fee platforms collect for their services. Service fees acted as a criterion for choosing a crowdfunding platform for Ambronite, Autolla Nepaliin and Pyynikin Käsityöläispanimo. For Ambronite it seemed to be a secondary concern, but Autolla Nepaliin and Pyynikin Käsityöläispanimo were more affected by it. Both Autolla Nepaliin and Pyynikin Käsityöläispanimo facilitated their crowdfunding independently, at least in part due to high platform service fees.

In addition to service fees, Autolla Nepaliin and Pyynikin Käsityöläispanimo both held the lack of meaningful marketing opportunities as a criterion for choosing to facilitate funding independently. Autolla Nepaliin already had 11 to 12 thousand followers on Facebook in the beginning of their crowdfunding campaign, while the budding crowdfunding platform Mesenaatti had only about 3000. Thus, Mesenaatti's marketing reach did not seem attractive enough to compensate for the service fee according to Leppänen. Pyynikin Käsityöläispanimo had adequate marketing capabili-

ties - enough to not require the use of crowdfunding platforms, *“especially since they are quite costly”*.

The lack of viable alternatives seemed to also weigh in the choice of platform. Bjors stated, *“this was the only option”* in regards to choosing Invesdor as Juuri’s platform for equity funding. Autolla Nepaliin considered multiple options, but since their followers were predominantly Finnish, American platforms were found ill fitting due to language and the American checkout system. Having excluded foreign platforms, Autolla Nepaliin *“did not really have other options than Mesenaatti in Finland”* and Mesenaatti was deemed too costly and new to be viable. Ambronite also excluded platforms from their alternatives. Kickstarter was not viable, since *“there were no food products on Kickstarter”*. Additionally, the requirement for a US social security ID and a *“strong technology focus”* made Kickstarter a non-option for Ambronite.

Only Suoheimo from Ambronite and Suojanen from EkoRent spoke very positively about a platform option. The other entrepreneurs seemed to have chosen their platform by eliminating other alternatives. For Ambronite, the chosen platform was Indiegogo, because *“it was the first crowdfunding platform, and it was very large and included other food products”*. This rationale is in line with research stating crowdfunding decisions are affected by other similar projects (Ward and Ramachandran, 2010). Indiegogo also *“gave a more competitive fee and good references”* for Ambronite. EkoRent on the other hand chose Joukon Voima specifically due to their smallness and novelty. Using a larger more established platform, EkoRent would have been *“one project amongst all the others”*, whereas with Joukon Voima the platform *“will give 110% of their time, energy and resources”*.

9.2.4. Project Type and Rewards

The interviewed projects came from different industries and markets: Ambronite being a healthy food based product, EkoRent an environmentally friendly rental car service, Autolla Nepaliin a movie about a good cause, and Juuri and Pyynikin Käsityöläispanimo a restaurant and a brewery respectively.

None of the projects were held by non-profit organizations, but the movie Autolla Nepaliin was not looking to gain profit from its completion. Funding that exceeded

the target amount was partially spent for charity. Additionally, after the movie became a hit, ticket revenues were donated to charity as well. According to Leppänen the movie project's philanthropist nature affected the success of the crowdfunding at least to an extent. He said "*people follow things that are a) good b) funny or c) something you want to associate yourself with*". This is in tune with Belleflamme et al. (2013) stating that non-profit entrepreneurs are more likely to reach their target goal.

Both Pere from Pyynikin Käsityöläispanimo and Bjors from Juuri also believed that the nature of their businesses positively affected their crowdfunding. They stated that owning a restaurant or a brewery is "sexy" and something people want to associate themselves with. According to Bjors some people dream of owning a restaurant and were thus more inclined to contribute. Pere went on to say "*crowdfunding is easier for this kind of industry, because people will rather fund breweries than for example paper mills*". This would imply that the type of industry or business a crowdfunding initiative belongs in affects the success of the funding. In accordance with this, the Kickstarter statistics stating some categories have better success rates than others might be linked to the nature of the category, not only to the size of funding targets in said category. Categories such as *Music* and *Dance* have better success rates than *Technology*, which might mean that certain industries fare better in crowdfunding.

The type of compensation given to funders for their contribution has also been found to impact crowdfunding success. For equity-based crowdfunding the compensation for contributing is equity shares, thus there is no variance in types of rewards. Reward-based crowdfunding however, can utilize a wider selection of compensations. Out of the three interviewed reward-based funding projects, one had a product as its reward, one had a service and one had a mixture of the two. Ambronite offered its products as compensation for contributing and EkoRent offered driving hours as compensation. Ambronite raised over double their target amount, whereas EkoRent raised only approximately 35% more than their funding target. These findings are in line with earlier research stating reward-based crowdfunding projects tend to attract more funding if the compensation for participating is a product instead of a service (Belleflamme et al., 2013). Autolla Nepaliin offered both movie tickets and DVDs of the movie depending on the size of the contribution. It was a creative project and success-

fully implemented hybrid rewards, which is also aligned with earlier research by Frydrych et al. (2014).

It has also been found that allowing crowdfunders direct involvement with the project enables entrepreneurs to extract more value from them (Belleflamme et al., 2013).

The only one of the interviewed projects that allowed such involvement was Ambronite. Suoheimo stated “*all beta customers contributed via interviews and polls in the development of the project. That development was continued during the crowdfunding stage*”. This inclusion of funders helped Ambronite succeed so well in their crowdfunding and product development. Suoheimo stressed this by saying “*this would exist without the help and support we have gotten*”.

9.2.5. Entrepreneur Background

According to Frydrych et al. (2014) organizational legitimacy is affected by the entrepreneurs' composition and backgrounds. Frydrych et al. (2014) states that groups and pairs fare better in crowdfunding initiatives in comparison to individual entrepreneurs. All of the interviewees in this study were conducting crowdfunding as part of a team and were successful in their crowdfunding projects. Suoheimo was working in a group of three; Leppänen with a central group of five; Suojanen, Bjors and Pere both with a business partner. These findings are aligned with results from earlier research.

It has been found that the heterogeneity of the entrepreneurial team affects their crowdfunding success (Frydrych et al., 2014). Additionally, educational and work background has an impact on success (Frydrych et al., 2014) – entrepreneurs with higher levels of education are more likely to attract funding (Ahlers et al., 2015). The study interviewees were of somewhat heterogenic backgrounds. All three Ambronite entrepreneurs were from Aalto University, “*two from the School of Business – one studying finance and one information and service management – and one from the School of Technology*”. Thus, all three entrepreneurs held Master's level diplomas and come from varying fields of study. Autolla Nepaliin had a more diverse group of individuals at its core. Leppänen and a few others in his team were business owners. Two had a background in engineering studies and one studying to become a mathematics teacher. So, their background was diverse, yet not many higher level diplomas were

held by the creators at the time of the crowdfunding project. Suojanen from EkoRent on the other hand holds a Master's diploma and an MBA. Both he and his business partner have had a long career at Nokia – which albeit impressive, does not seem very diverse. Overall it seems the reward-based crowdfunding interviewees represent a mixed set of higher and lower level education backgrounds. Additionally, the entrepreneurs in some ventures seem more heterogeneous than in others. Thus, the impact of diversity and education level is inconclusive.

As for the equity-based crowdfunding interviewees, both Bjors from Juuri and Pere from Pyynikin Käsityöläispanimo hold Bachelor's diplomas from Universities of Applied Sciences. This means neither have the higher-level educations implied by Ahlers et al. (2015), but both have been successful in their crowdfunding. This would imply that level of education might not be as crucial for crowdfunding success as thought by earlier research.

According to Belleflamme et al. (2013) the age of the organization does not affect crowdfunding success or amounts in independently facilitated crowdfunding. But Ahlers et al. (2015) state that the older the organization, the faster they are able to attract their funding. Out of the five interviewed ventures, Ambronite was the fastest in reaching their target. However, Ambronite was a budding company at the time, unlike companies such as Juuri. Pyynikin Käsityöläispanimo on the other hand was a young company at the time of their crowdfunding projects, but took a significant amount of time to reach the funding target. These results seem to contradict Ahlers et al. (2015) or at least seem inconclusive regarding earlier findings.

9.2.6. Social Network Ties

9.2.6.1. Social Network of the Entrepreneur

According to earlier research the goodwill available to entrepreneurs impacts their crowdfunding success positively (Giudici et al., 2013). This goodwill can be in amount of interest people show in the entrepreneurs' activities. The interviewees had existing networks that provided afore mentioned goodwill to the entrepreneurs when launching their crowdfunding projects. Ambronite had *“hundreds of people, ready to fund and share the crowdfunding project”*, Autolla Nepaliin had 11 to 12 thousand

followers on Facebook, EkoRent had 25 to 30 bloggers and media representatives at hand as well as “*approximately 800 people on the mailing list*” and Juuri had about 8 to 10 thousand people on their mailing list. Pyynikin Käsityöläispanimo did not have a specific amount on their mailing list, but did have 1000 shareholders by the third crowdfunding project that were sent news about upcoming events such as the equity funding initiative. These details are shown in Table 5.

Project	Ambronite	Autolla Nepaliin	EkoRent	Juuri	Pyynikin Käsityöläispanimo
Crowdfunding Model	Reward-based	Reward-based	Reward-based	Equity	Equity
Network Size	Hundreds ready to fund and share	11 to 12 thousand Facebook followers	25-30 bloggers and media representatives 800 on the mailing list	8-10 thousand on the mailing list	1000 shareholders
Amount of Funding Raised	103 thousand US dollars	33 thousand euros	6550 and 5660 euros (in two simultaneous campaigns)	173 thousand euros	336 thousand euros (in third crowdfunding project)

Table 5: Network size and amounts raised by interviewed projects

All the interviewed projects had a large amount of interested individuals in their network before launching their campaigns. It would seem Autolla Nepaliin had the biggest reach, with Juuri a close second. Both projects reached their target, but did not raise the biggest amounts within the chosen crowdfunding model. In the reward-based crowdfunding, Ambronite raised 103 thousand US dollars with a target of 50 thousand US dollars, whereas Autolla Nepaliin raised 33 thousand euros having targeted 25 thousand euros. As for equity funding, Pyynikin Käsityöläispanimo raised a total of 336 thousand euros in their third campaign, whereas Juuri raised 173 thousand euros. According to Ahlers et al. (2015) better and bigger networks increase the likelihood of attracting funding and investors in equity crowdfunding. The results of this

study do not seem to align with Ahlers et al. (2015) research, since Juuri raised less funding with a much larger network than Pyynikin Käsityöläispanimo.

In addition to having a network, it is important for entrepreneurs to have a community. According to Belleflamme et al. (2014) a supportive community is crucial for a crowdfunding project to be more profitable than traditional funding. Ambronite, Autolla Nepaliin and Pyynikin Käsityöläispanimo all had a network that was described as a community. Suoheimo from Ambronite said, *“this product is a joint effort of the gang and it would not exist without that support”*. Leppänen from Autolla Nepaliin also mentioned that the project was a joint effort and people supported because *“they want to be part of the story”*. For Pyynikin Käsityöläispanimo the community was not necessarily people interested in the business, but the individual shareholders that had joined in earlier crowdfunding projects. Pere described them as *“a great group that advertises and asks retailers about the product’s availability”*. All these responses view the network as more than just a group of people, but as individuals that are a part of a shared community. Thus, it is not surprising that they were all able to succeed so well in their crowdfunding, especially Ambronite doubling their target amount and Pyynikin Käsityöläispanimo with the largest raised amount out of all the interviewed projects.

9.2.6.2. Social Network Effect

Entrepreneurs are able to reach a larger number of people through the networks of their supporters than they would on their own (Saxton and Wang, 2013). By gaining access to the supporters’ networks and having supporters share information with their unique networks, more people hear about the crowdfunding project and potentially fund it. All the interviewed entrepreneurs felt that this social network effect was a key component of their success.

According to research, funders that are close to the entrepreneur feel obliged to contribute to the funding (Agrawal et al., 2015). This was evident in the interviews as well. Bjors from Juuri stated that *“friends shared the project with their networks”* and Pere from Pyynikin Käsityöläispanimo mentioned that existing shareholders help in marketing and brand awareness by asking retailers if they stock their products. Su-

oheimo from Ambronite stressed the importance of getting “closest” funders to invest in the project in the very beginning – “*getting funders in the first 24 hours, results in random people daring to fund as well*”. This agrees with research by Ward & Ramachandran (2010) claiming funders use the actions of other funders as a source of relevant information. Moreover, Frydrych et al. (2014) state social dynamics are more important to crowdfunders than to professional investors. This is due to the “unprofessional” nature of crowdfunding.

Some of the interviewees noted that information sharing was especially important in social media. Leppänen from Autolla Nepaliin stated, “*it was very important that supporters shared the project on their own social media accounts*”. Bjors from Juuri also said “*people need to be involved if a project is to spread through social media*”. Suojanen from EkoRent mentioned that bloggers wrote about EkoRent after they were asked to share information about the project. Clearly, social media activity was something that interviewees felt was central. This is also in accordance with Frydrych et al. (2014).

In addition to social media publicity, some interviewees believed traditional media publicity to be highly important to their crowdfunding success. Finnish public figures Arman Alizad and Madventures shared the Autolla Nepaliin story, which Leppänen believed was crucial to the project’s success due to the celebrities’ “*credibility reach*”. Autolla Nepaliin was also featured in Aamulehti, a Finnish newspaper. Suojanen from EkoRent also noted the importance of having media representatives make features about them in Helsingin Sanomat, a nation wide newspaper, and YLE, a Finnish news broadcaster, by saying he is “*pleased about all the publicity we got*”. Ambronite was also featured in global news outlets such as Forbes, TIME, Wired and CNN, and Suoheimo felt these aided in the success of their crowdfunding project.

Overall the effects of the social network affects as well as any sort of publicity seem to affect all different crowdfunding projects in the same way. The more a project is shared and publicized, the more people are reached. This in turn results in more potential funders. Herding behavior of funders does not seem to differ between crowdfunding models either. Herding is present in all crowdfunding due to the “unprofessional” nature of it, and it does not seem to depend on the type of project. Thus, re-

ward-based crowdfunding and equity-based crowdfunding both view network effects as important.

9.2.7. Timing and Duration

The timing and duration of a crowdfunding initiative might affect its success. According to Frydrych et al. (2014), projects with larger funding targets tend to have longer durations. This is true for the interviewed projects as well. Table 6 shows the target amounts and durations of each project. Juuri and Pyynikin Käsityöläispanimo, the equity-based crowdfunding projects, have on average larger target amounts and longer durations. This duration and target amount ratio also holds true to a certain extent within reward-based projects. Ambronite, with a 50 thousand US dollar minimum target had a 2-month duration, whereas Autolla Nepaliin had a minimum target of 25 thousand euros and a 3-week duration. However, the EkoRent project with a 4400-euro target lasted for 5 weeks.

Project	Ambronite	Autolla Nepaliin	EkoRent	Juuri	Pyynikin Käsityöläispanimo
Crowdfunding Model	Reward-based	Reward-based	Reward-based	Equity	Equity
Target Amount	Minimum 50 thousand US dollars	Minimum 25 thousand euros	Minimum 4400 euros per campaign	75-300 thousand euros	<i>(First campaign target unclear)</i> 222-256 thousand euros Minimum 125 thousand euros
Duration	2 months	3 weeks	5 weeks	3 months	2 weeks 1 year 1,5 months

Table 6: Durations and funding targets of interviewed projects

When asked about suitable durations for crowdfunding projects, Pyynikin Käsityöläispanimo, EkoRent and Autolla Nepaliin advocated short durations as optimal. Pere from Pyynikin Käsityöläispanimo stated that after three crowdfunding projects, he has come to realize shorter durations are better due to their efficiency. Suojanen from EkoRent also said shorter durations are more suitable, because “*the audience grows tired of news and marketing*”. This supports research by Frydrych et al. (2014) claiming longer durations might expose the project’s narrative to questioning, and thus result in loss of support. Leppänen from Autolla Nepaliin went on to say that in an online setting, people read messages in real time, so longer durations are not needed for spreading word. Additionally, he felt that having project implementation “*on hold*” during the crowdfunding project, makes it difficult for entrepreneurs to have long durations. All these findings are in accordance with Ward and Ramachandran (2010), stating initiatives go out of favor unless momentum is maintained.

In addition to the duration of the campaign, the timing of funding activities is also important to its success. The role of early funders has been found to be very important to the success of crowdfunding projects. This is because word of mouth and herding behavior drive other funders to support the project as well. (Buttle, 1998, Huang and Chen, 2006) Ambronite’s campaign followed this pattern quite precisely. After a lot of preparation, the team launched the campaign and reached their minimum target within a week. Early funders contributed to the initiative immediately and others followed their example, resulting in Ambronite attracting double their target amount of funding. Other interviewed projects followed a U-curve in terms of attracting funding. Autolla Nepaliin project “*had a spike in funding in the beginning and later reaching the target seemed difficult*”. Nevertheless, Autolla Nepaliin reached its target and according to Leppänen “*when it seemed it was going to reach the target, a new large mass of people contributed to the project*”. EkoRent’s project also followed the U-curve and “*70-80% of funding was attracted in the beginning and the end peaks of the project*”. Pyynikin Käsityöläispanimo’s second campaign took about a year to reach its target. It gained funding in the beginning but failed to reach its target, and after deciding to prolong its duration the project reached its target within a few weeks. The entrepreneurs, whose projects followed the U-curve of funding activity also claimed

shorter durations would be better suited. This is due to the “down time” their projects experienced.

Interestingly, Juuri had a very different crowdfunding schedule than the other projects, because most of the investments came in in the last two weeks of the campaign. Apparently, reaching the target amount was not certain until near the end of the campaign and “*when it reached the target, a large amount of new investors arrived*”. This would imply, similarly to Autolla Nepaliin, that once a project has been successfully funded, people are more willing to contribute to it. Due to the “all or nothing” nature of most crowdfunding platforms, this should not be due to fear of giving money to an unsuccessful project. However, it might be related to an intrinsic desire to support “winners”, or in this case successful projects.

In relation to duration and timing, spending time to prepare for the crowdfunding campaign was something that was also mentioned in interviews. EkoRent spent about 3 months with Joukon Voima preparing for the campaign before launching it. Suoheimo from Ambronite said crowdfunding initiatives “*need at least 6 months of planning and preparation*”. The Ambronite team worked for 6 months before launching their campaign and Suoheimo felt that they could have benefitted from more preparation. This was so that “*95% of the work is done by the time the crowdfunding campaign is launched*” and “*when the campaign is launched, a large mass of people are already supporters and ready to fund it*”.

Overall, there does not seem to be trends in relation to timing that differ greatly between reward-based and equity crowdfunding. Most of the interviewed projects followed a U-curve, and one was backed greatly towards the end of the campaign. Clear differences between the crowdfunding models seem to exist in the different durations of the campaigns. Equity crowdfunding initiatives tend to have larger funding targets and consequently longer durations (Frydrych et al., 2014).

9.2.8. Financial Signaling and Information Sharing

Due to the information asymmetry between entrepreneurs and funders (Agrawal et al., 2015), it is important for entrepreneurs to provide potential funders with adequate

information on which to base decisions on. All the interviewees recognized the importance of good communication and sufficient provision of information.

Since funders are contributing capital for the project, entrepreneurs are to be transparent and persuasive about the project goal. This is often achieved by providing a business plan to the funders. (Frydrych et al., 2014) As suggested by this research, Leppänen felt transparent and open communication was central for the Autolla Nepaliin project. As for providing details concerning the use of the capital raised, only the main goal of producing the film was described. Further details were given of the amount exceeding the target of 25 thousand euros. In accordance with Frydrych et al. (2014), EkoRent's "*basic business model is available on the company website*" and details about the use of the raised capital were provided on the campaign site.

Providing clear plans for the future of the project is especially important for investment-based crowdfunders. This is because they expect monetary rewards for their contribution and are thus more interested in the profitability of the business. (Ahlers et al., 2015) Juuri acted in accordance with this research having "*all the financials present, because without them nothing works*". Since Juuri had only one location open at the time of the crowdfunding campaign, the crowd could not be provided with much historical financial data. But, "*estimates of revenue development*" were provided. Pere from Pyynikin Käsityöläispanimo also felt it was important to provide business plans for funders. He claimed they "*had to tell what investments were going to be made, what was going to be done with the money and what the goal was*". Additionally, he said, "*there were some inquiries about financials*". According to Ahlers et al. (2015), investment-based crowdfunders pay attention to financial and governance reports, and consequently, businesses that do not provide financial forecasts are less likely to attract funders. Thus, it would seem that both Juuri and Pyynikin Käsityöläispanimo followed research supported practices in regards to financial signaling. However, both doubted the role that this played in their crowdfunding success. Pere from Pyynikin Käsityöläispanimo claimed financial data "*was not that important in this campaign*" and that "*a detailed inspection of data is not the most important aspect for funders*". Thus, it seems both the equity crowdfunding businesses acted somewhat according to researched best practices, but did not feel they were crucial to their success.

In order for communication and information sharing to be persuasive, it is also important to focus on the narrative. Narrative has been found to be integral to the creation of legitimacy and interest in a crowdfunding project. Stories help legitimate entrepreneurs in the eyes of the funders and competitors, enabling acquisition of capital. (Lounsbury and Glynn, 2001) All the interviewees concurred with this, stating that their story was an integral part of their communication and a key reason for their success. Suoheimo explained the importance of Ambronite's story by claiming, "*people do not buy what you do, but why you do it*". Suojanen also noted that communicating EkoRent's story of getting cleaner city air through electric cars was very important to the campaign. Pere even wondered that Pyynikin Käsityöläispanimo's story might have been more important to their crowdfunding success than financial information provided. Autolla Nepaliin and Ambronite both expanded on a story's importance by claiming "*people want to be a part of a story*". Clearly, story and narrative was perceived as highly important to their success by the interviewees. Perhaps the importance of stories compared to financial data and business plans is highlighted due to the "unprofessional" nature of crowdfunding. According to Frydrych et al. (2014) crowdfunders are more dependent on social dynamics than professional investors, which might result in persuasive and charismatic stories and storytellers to drive decision-making. This would explain why even in equity crowdfunding the holistic picture of the business was viewed as more important to funders than financial details.

9.2.9. Geography

With the rise of online platforms and communications tools, geographical effects on business are diminished. Location no longer acts as a barrier for crowdfunding (Agrawal et al., 2015), nor does crowdfunding depend on location (Frydrych et al., 2014). In this study the interviewed projects were all based in Finland and for most of them, the majority of customers and funding came from Finland.

Since Autolla Nepaliin was a movie in Finnish, most potential viewers and funders were Finnish. According to Leppänen from Autolla Nepaliin, this culture and language condition was a driver in excluding foreign crowdfunding platforms. All Facebook followers and funders were Finnish, so the Autolla Nepaliin team wanted the platform and checkout system to be in Finnish and easily accessible with Finnish bank

accounts. Similarly, EkoRent, Juuri and Pyynikin Käsityöläispanimo are very local businesses, with local customer bases. Consequently, their funders were also mostly local. EkoRent pre-sold driving hours to contributors, thus enticing local people to fund the project. This was also done to validate the idea within the customer base. Juuri and Pyynikin Käsityöläispanimo on the other hand sold equity, which in itself is not geographically tied. However, most of the investors came from Finland. According to Bjors a small amount of Juuri's funders were foreign, but he made no attempts to market the crowdfunding opportunity abroad and assumed funders found the project through Invesdor.

Contrary to the others, Ambronite had a large amount of foreign funders. According to Suoheimo "*over 50% of funders were from the US*". Ambronite spent time fine-tuning their Indiegogo site, which due to the platform's US origin was visible to a global audience. Suoheimo believed social media activity was not a key channel for Ambronite, since the team's personal updates did not reach too far outside of their personal Helsinki and Aalto University based network. Since the Ambronite team focused on building a network of beta users and advocates that were ready to fund their project, they were able to launch their campaign with a significant amount of funders. These funders were people close to the entrepreneurs. Ambronite attracted capital from more distant funders after these initial supporters. This is in accordance with research by Agrawal et al. (2015) claiming more distant funders rely on the information revealed by early funders to make their funding decisions.

From these findings, it would seem geography does not hinder the success of crowdfunding projects. However, very location based businesses do not seem to attract funding from distant sources. Thus, geography does not appear to affect crowdfunding success, but affects the diversity of funding sources in some cases.

9.2.10. Other Crowdfunding Projects

The success or failure of other crowdfunding initiatives can have an affect on a project. Both entrepreneurs and funders are influenced by the performance of previous projects (Ward and Ramachandran, 2010). For this study interviewees were able to give their views on how other crowdfunding initiative affect them as entrepreneurs.

For Ambronite, EkoRent and Juuri, the existence and performance of similar projects affected choosing crowdfunding platforms. Suojanen said he was aware of the lack of similar projects when launching EkoRent's campaign and consequently felt "*it might be difficult*". Alternatively, Suoheimo from Ambronite excluded Kickstarter from platform alternatives due to the lack of food products. The inclusion of other food products on Indiegogo was a factor in choosing said platform for Ambronite. For Juuri "*the successes on Invesdor gave faith*" since they "*would not have to be the first in this*". According to Gleasure (2015), entrepreneurs that have observed crowdfunding failure are more afraid of public failure. Contrarily, it could be deduced that entrepreneurs that have observed crowdfunding success are more confident in their crowdfunding project. According to Gerber and Hui (2013) an approving crowd spurs the entrepreneur's perception of ability. It could be that this approval need not be direct, but instead experienced through the success of other similar projects. Bjors' responses would indicate this to be true.

All in all, the success of other crowdfunding projects seemed to build faith in the entrepreneurs but not necessarily ensure their success. Perhaps the effects of observing the performance of other projects are more direct, and influence how confident the entrepreneur is and consequently how well they perform.

9.2.11. Legal Regulation

Since legal regulation regarding crowdfunding is evolving globally, it might be difficult to keep up with the latest laws. Currently, there is no uniform policy for crowdfunding in Europe (De Buysere et al., 2012) or in Finland (Gajda, 2014). This could make crowdfunding laws dubious and confusing, resulting hesitation on the entrepreneur's or the funder's behalf.

Interestingly legislation did not seem to be an issue or concern for the interviewees. Pere from Pyynikin Käsityöläispanimo referred to the restriction for businesses to raise funds without compensation in Finland (Lasrado and Lugmayr, 2013) by stating "*we have always given something as compensation, so legislation has not been an issue*". He continued by saying "*it is no different in others countries, although businesses can raise funds without compensation in some places*". This implies Pyynikin

Käsityöläispanimo is informed about the legal environment in Finland and does not view it to be disadvantageous to his crowdfunding activities. As suggested by Lasrado and Lugmayr (2013) being informed about Finland's legislation regarding crowdfunding eased the process for Pyynikin Käsityöläispanimo.

Juuri on the other hand would have appreciated additional assistance with some of the legal aspects of crowdfunding. Bjors from Juuri stated, "*there were some legal matters, that I would have gladly paid someone 100 euros to do for me*". However, Bjors noted that these inconveniences were small and when asked if legislation affected the project he responded by saying "*this was an easy project*".

The only interviewee who felt legal regulation affected their crowdfunding project was Suoheimo from Ambronite. For Ambronite the problem with legal regulation was its ambiguity. Suoheimo stated "*In Finland, no official decision has been made concerning taxation and the tax administration has no guidelines to provide*". For Ambronite having no clear rules about taxation meant that the team was uncertain as to how to proceed with the funds. Suoheimo continued by saying he "*categorizes ambiguity as a risk*", thus affecting business. According to Suoheimo new, innovative ways to finance and do business are "*outlaws*" and will be until clear regulations are indicated.

All in all, most of the entrepreneurs were unconcerned with legal regulation and did not feel it affected their crowdfunding project. Ambronite, as an outlier, feared the potential negative effects of ambiguous legislation. It might have been that since most of the interviewees were very geographically tied to a place, initiating their crowdfunding project in a country with different legislation was not an acceptable possibility for them. Thus, they might not have felt the need to engross themselves in differing legal regulations, instead choosing to follow the policies indicated to them in Finland.

9.2.12. Things to do Differently

When asked what they would do differently if they were to redo their crowdfunding campaign, the interviewees gave varying responses. Suojanen from EkoRent and Pere from Pyynikin Käsityöläispanimo both spoke of have a shorter duration or completing the crowdfunding in less time. Both felt that a faster pace would have made the pro-

ject more efficient. Pere continued by saying marketing and communication could have been done better by utilizing social media more.

Though having spent the longest amount of time out of all the interviewees preparing for the crowdfunding campaign, Suoheimo from Ambronite felt they could have been more ready, stating “*you can never prepare enough*”. Leppänen from Autolla Nepaliin would have prepared more by seeking out important film and media connections early on in order to ease the funding process. He said the money might have even been obtained easier through other financing sources than crowdfunding.

Some interviewees also faced obstacles from external parties. Bjors from Juuri felt the biggest improvement to the process would have come from Invesdor, their crowdfunding platform. Bjors said he would have appreciated the platform’s assistance in legal matters and other small issues. Suoheimo from Ambronite on the other hand stressed that Finland, with its ambiguous legal environment in regards to crowdfunding taxation, was a challenging place to complete the crowdfunding campaign. Suoheimo said if the Ambronite team would not have had a geographical preference, the crowdfunding campaign would have been completed in Sweden or the USA. This is because Suoheimo views the legal setting to be clearer and more favorable to crowdfunding.

9.2.13. How Business Has Proceeded

Crowdfunding is often used to find capital for a venture, and thus successful crowdfunding projects lead to something being put into implementation. For Autolla Nepaliin that implementation was producing the movie. For Ambronite it was launching a business. And for EkoRent, Juuri and Pyynikin Käsityöläispanimo it was expanding existing businesses.

All the interviewees were pleased with the success of their crowdfunding initiative, but it is interesting to see how well this success has translated into success of the venture itself. Autolla Nepaliin was able to be made because of crowdfunding and became a hit having now been seen by over 250 thousand people. The team landed a deal with YLE and several movie theaters, through which the film received a much wider audience. It also won the Finnish movie award Jussi for audience favorite. Am-

bronite “*has grown explosively, sold to 40 different countries and hired new team members*” according to Suoheimo. Ambronite has also obtained “*funding from business angels and venture capitalists in Finland and abroad*” – one of whom is the co-founder of YouTube. This is in accordance with Mollick (2014) claiming successful crowdfunding can lead to additional funding from traditional sources. Since EkoRent’s crowdfunding campaign ended only a short while ago, there is not yet much information about how well the business has proceeded. Overall the reward-based crowdfunding projects seemed to have done well after the crowdfunding campaign.

As for the equity-based crowdfunding, the interviewees were less verbose in their description of current business. Bjors stated the crowdfunding success “*has not eased life at all*” and that while Juuri has opened a new location, more capital is required and “*loans are very hard to get*”. Alternatively, Pyyntikin Käsityöläispanimo has “*recently taken a loan for 50 thousand euros from Finnvera*” and is expanding production capacity. It seems the equity crowdfunding projects have not experienced the crowdfunding success as uniformly as the reward-based ones.

10. Discussion

10.1. Findings from the Study

Crowdfunding, as an emerging financing market has grown rapidly over the past few years (Belleflamme et al., 2015). More capital is being raised through crowdfunding than ever before and more people are participating in it. People participate in crowdfunding as entrepreneurs looking for funding or as funders. Both groups have various motivations behind their actions. For entrepreneurs a common motivation is to raise funding (Manchanda and Muralidharan, 2014; Frydrych et al., 2014) and others may include reasons such as finding validation for ideas (Belleflamme et al., 2013; Gerber and Hui, 2013), building relationships and indicating demand (Mollick, 2014; Manchanda and Muralidharan, 2014; De Buysere et al., 2012). Most funders on the other hand participate in crowdfunding projects in hopes of receiving compensation for their contribution (Wheat et al., 2013; Gerber and Hui, 2013). Rewards can be monetary or non-monetary in nature (De Buysere et al., 2012). Funders may also look to contribute in order to support a cause and be part of a community (Gerber and Hui, 2013).

Earlier in the thesis nine crowdfunding success factors were identified. Those success factors affect whether or not a project reaches its funding target. The identified success factors encompass the crowdfunding project (Belleflamme et al., 2013), its duration and the entrepreneur initiating it (Frydrych et al., 2014). Moreover, success factors include aspects such as network (Frydrych et al., 2014; Agrawal et al., 2015), information sharing (Agrawal et al., 2015) and other crowdfunding projects (Ward and Ramachandran, 2010). Finally, geography (Mollick, 2014; Agrawal et al., 2015) and legal regulation (Sigar, 2012; De Buysere et al., 2012) have been found to affect crowdfunding projects.

Several success factors can be identified from the interviews. Firstly, the type of the project and its rewards were found to have some correlation with successfulness. All interviewees felt that the nature and industry of their business was attractive to funders. This is similar to data from Kickstarter indicating the success rates of project

categories differ.²² This could suggest that some industries are more attractive to crowdfunders than other. The impact of rewards was also found to align with earlier research. As according to Belleflamme et al. (2013), projects with products rather than services as rewards attracted more capital. Additionally, equity crowdfunding projects were found to have larger funding targets than reward-based projects.

The composition and background of entrepreneurs was also found to be relatively inconsistent with earlier research. All interviewed projects were found to have been conducted successfully by teams or pairs, which is in accordance with research by Frydrych et al. (2014). However, results imply that entrepreneurs' level of education might not have as large an impact on success as previously suggested by Ahlers et al. (2015). Especially equity based crowdfunding projects seemed to not be affected by the entrepreneur's lower level of education. Results also suggest that the age of the organization does not affect the speed at which projects reach their funding target, as implied by Ahlers et al. (2015).

Social networks were found to be a key success factor for crowdfunding projects. All interviewees had a large interested network, which according to Giudici et al. (2013) positively affects their success. However, the size of the network was not found to directly affect the amount raised in equity crowdfunding, as suggested by Ahlers et al. (2015). Instead of the size, the supportiveness of the network was found to be more important. All the interviewees who described their networks as a community were highly successful in their fundraising. This affirms research by Belleflamme et al. (2014) claiming a supportive community positively affects crowdfunding.

Results also reinforce research by Saxton and Wang (2013) claiming entrepreneurs are able to reach a larger amount of people with the help of their supporters, which in turn positively affects crowdfunding success. Findings imply that community behavior and sharing information through networks is beneficial to a crowdfunding project. Additionally, results concur with earlier research by Ward and Ramachandran (2010) and Frydrych et al. (2014) claiming funders use the actions of other funders as a basis for their decision-making. In addition to the above, results show a strong perception that traditional publicity has a significant positive impact on success. Interviewees

²² <https://www.kickstarter.com/help/stats?ref=hello>

that had gotten media attention during their crowdfunding campaign, felt this publicity aided their success.

Duration and timing of projects also seemed to affect success. Projects with larger funding goals were found to have longer durations, as suggested by earlier research by Frydrych et al. (2014). Since equity crowdfunding tends to involve larger target amounts, they consequently have longer durations (Belleflamme et al., 2014). Moreover, several interviewees expressed preference towards shorter durations, because it would make the project more efficient and less likely to bore potential funders. These findings are in accordance with research by both Frydrych et al. (2014) and Ward and Ramachandran (2010). As for the timing of funding; early funders were found to be important for the herding behavior of other funders. However, most of the interviewed projects followed a U-curve, having a peak at the beginning and at the end of the campaign. And one campaign attracted a substantial amount of its funding at the end of the campaign. This would suggest that the timing of contributions does not directly influence the success of the project. Additionally, once the funding target had been reached and the crowdfunding project was already successful, some attracted a large amount of new funders. This finding might suggest that funders prefer to contribute to projects that others have contributed to – as implied by Ward and Ramachandran (2010) and Frydrych et al. (2014) – and are guaranteed to be successful.

Information sharing and communication was found to be very influential to crowdfunding success. Results indicate that being transparent and providing necessary information, such as business plans, were important for crowdfunding. This affirms similar findings by Frydrych et al. (2014). However, financial data and business plans were not perceived as highly important to funders. This contradicts earlier research by Ahlers et al. (2015) indicating such information is very important to equity crowdfunding. Instead, narrative was found to be very important for a project's success. As suggested by Lounsbury and Glynn (2001), stories helped legitimate entrepreneurs and enable them to acquire funding. Stories and narrative were viewed to be at least as important than business data. Perhaps the well-narrated, charismatic and persuasive projects attract attention and popularity in similar fashion as opinion leaders do in social dynamics. This would align with research by Frydrych et al. (2014) stating

crowdfunders are dependent on social dynamics more than professional investors – as professional investors are interested in financial data, and crowdfunders in stories.

Geography was found to not be a barrier or hindrance to crowdfunding. This affirms research on the topic (Agrawal et al., 2015; Frydrych et al., 2014). However, since most of the projects got a large majority of their funding domestically, it is difficult to determine if geography would prove a challenge for more internationally positioned projects. One of the interviewed projects was highly international and did not experience challenges with geography related matters, which would concur with earlier research.

Legal regulation was of little worry for most interviewees. As suggested by Lasrado and Lugmayr (2013) being informed about Finland's legislation made the crowdfunding process easier for entrepreneurs. One interviewee was highly concerned with the ambiguity of legislation. It is possible that since this interviewee had considered initiating the crowdfunding project abroad, he was more aware of the legislative opportunities in other countries. As the other projects were more geographically tied to Finland, they might not have entertained this option. Thus, a country's legal environment could seem more acceptable to the geographically tied projects than to those with options elsewhere.

Other crowdfunding projects were not found to directly affect the success of a project. Entrepreneurs were influenced by the performance and presence of previous crowdfunding projects, as claimed by Ward and Ramachandran (2010). However, this seemed to impact their confidence, not the funding directly. It could be that entrepreneurs feel approval for their project, when they observe approval for other similar projects. According to Gerber and Hui (2013) such approval boosts an entrepreneur's perception of ability, thus resulting in better performance.

10.2. Limitations of the Study and Future Research

As with most research, this study does not come without its limitations. Firstly, only one source of online data was used and only five interviews carried out. This does not allow conclusions to be very generalizable. Since findings for interviews only repre-

sent the views and opinions of the respondents, it is difficult to make broad assumptions based on them.

Secondly, all interviewees were Finnish and had conducted their crowdfunding project in Finland. This also limits the generalizability of the findings. Finland represents one, relatively small crowdfunding region with its own unique regulations. Thus, success factors are likely to be different in comparison to other regions, due to for example legal regulation.

Thirdly, only one researcher collected and analyzed the gathered data. This means that the interpretation of the results may be biased and affected by the views of the single interpreter. When multiple researchers are involved in the process, the analysis takes more points of view into consideration (Eskola and Suoranta, 1998).

Despite these shortcomings, this thesis has aspects that support its credibility. For one, the research was done using triangulation. By using several methods of data gathering, the researcher employs the strengths of each method, while mitigating the weaknesses (Grey, 2013). Also, the findings in this thesis are in line with other studies on crowdfunding. Frydrych et al. (2014) showed that funders use the actions of other funders as a source of relevant information and communication from the entrepreneur should be transparent and persuasive. Additionally, shorter project durations and an entrepreneur team of more than one affect crowdfunding success positively. Ward and Ramachandran (2010) also highlighted how funders base their decision-making on the actions of other funders. They also showed shorter project durations have a positive impact on crowdfunding success.

As crowdfunding is such a new field of research, there are numerous aspects that could and should be researched. The author of this thesis suggests, that future research should focus on the unique success factors that affect donation crowdfunding, as well as lending-based crowdfunding. Additionally, certain success factors, such as social networks as well as information sharing and communication should be further researched. Also, as stated in earlier studies (Lasrado and Lugmayr, 2013), Finland as a unique crowdfunding environment should be analyzed in more detail.

11. Conclusions

Crowdfunding has become an increasingly popular financial alternative for entrepreneurs (Belleflamme et al., 2015). Crowdfunding is still evolving as a concept (Laralde and Schwiendbacher, 2010) and the academic literature regarding it is limited (Estellés-Aroles and Gonzáles-Ladrón-de-Guevara, 2012; Giudici et al., 2013).

Research has been done on the participation motivations of both entrepreneurs and funders – and motivations for both groups have been found to be heterogeneous and numerous (Gleasure, 2015, Mollick, 2014). Motivations for entrepreneurs include obtaining funding (Manchanda and Muralidharan, 2014; Frydrych et al., 2014), finding validation (Belleflamme et al., 2013; Gerber and Hui, 2013) and verifying demand for their idea (Mollick, 2014). As for funders, motivations vary from looking for financial gain (De Buysere et al., 2012) to wanting to support a cause (Wheat et al., 2013). Research divides crowdfunding into four different models based on the compensation funders receive for their contributions: donation, reward, loan and equity based crowdfunding. Funders receive social and material rewards as well as loan and equity based financial returns for their contribution respectively. (Mollick, 2014)

Earlier research has also been done on the factors that affect the success of crowdfunding projects. Several aspects such as project type (Belleflamme et al., 2013) and duration (Frydrych et al., 2014), as well as entrepreneur background and social networks (Frydrych et al., 2014; Agrawal et al., 2015), have been found to have an impact on the success of a crowdfunding initiative.

This thesis set out to find which aspects affect the success of reward and equity based crowdfunding projects in Finland. The results of the study indicate that the type of project seems to have an impact on its crowdfunding success. Certain industries, such as art performing arts and restaurant businesses seem to be more easily funded than some other industries. The results also indicated that shorter project durations were optimal, in order to not lose momentum. Though entrepreneur background did not seem to have as much of an impact than previously believed, entrepreneurs' social networks were important to the success of the project.

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13. Appendices

Crowdfunding data provided by Kickstarter used for the descriptive study method in the thesis. Data gathered on the 16th of November 2015. URL:

https://www.kickstarter.com/help/stats?ref=about_subnav

Category	Launched Projects	Total US\$ (millions)	Successful US\$ (millions)	Unsuccessful US\$ (millions)	Live US\$ (millions)	Number of Live Projects	Success Rate
All	268122	2079,92	1788,86	250,23	40,83	6185	36,64%
Games	20973	428,49	382,01	42,11	4,37	624	32,94%
Technology	18912	379,22	315,55	52,26	11,41	819	20,20%
Design	17786	368,67	320,66	37,22	10,79	640	33,36%
Film & Video	51805	309,73	255,86	49,17	4,71	787	37,60%
Music	42970	159,70	144,46	13,80	1,44	690	50,97%
Food	17190	85,62	70,80	13,73	1,08	440	26,35%
Publishing	28603	83,19	70,14	11,90	1,15	622	29,62%
Fashion	14040	75,66	63,13	9,15	3,37	454	24,19%
Art	20379	60,01	51,89	7,37	0,76	368	41,47%
Comics	6832	45,80	41,37	3,41	1,02	161	50,40%
Theater	8841	34,78	30,85	3,77	0,15	116	60,78%
Photography	8316	23,99	20,44	3,33	0,21	137	29,54%
Dance	2937	9,68	8,94	0,70	0,04	28	63,22%
Journalism	3228	7,93	6,68	1,08	0,17	110	23,00%
Crafts	5310	7,45	6,08	1,23	0,15	189	24,00%

Category	Successfully Funded Projects	Less than \$1,000 US raised	\$1,000 to \$9,999 US raised	\$10,000 to \$19,999 US raised	\$20,000 to \$99,999 US raised	\$100 K to \$999,999 US raised	\$1 million US raised
All	95961	11338	56440	13507	12126	2412	138
Music	21549	2106	15601	2718	1073	50	1

Film & Video	19183	2040	11110	3027	2720	282	4
Art	8299	1761	5362	741	399	34	2
Publishing	8287	1233	5277	1065	671	41	0
Games	6703	493	2606	1222	1776	551	55
Design	5720	380	1971	1051	1749	545	24
Theater	5303	692	3936	435	228	12	0
Food	4413	510	1867	1030	954	48	4
Technology	3654	236	1066	503	1126	678	45
Comics	3362	403	2090	454	362	52	1
Fashion	3287	338	1598	591	656	102	2
Photography	2416	423	1430	341	211	11	0
Dance	1839	171	1467	154	47	0	0
Crafts	1229	417	656	94	59	3	0
Journalism	717	135	403	81	95	3	0

Category	Unsuccessfully Funded Pro- jects	0% funded	1% to 20% funded	21% to 40% funded	41% to 60% funded	61% to 80% funded	81% to 99% funded
All	165976	37130	102390	16558	6344	2289	1263
Film & Video	31835	7471	19807	3058	1022	330	147
Music	20731	5236	11970	2338	834	255	98
Publishing	19694	5067	11997	1696	647	203	84
Technology	14439	3203	9342	1072	463	198	161
Games	13646	1671	9145	1548	723	332	227
Food	12337	2876	7801	1041	419	123	77
Art	11712	2927	6847	1244	457	160	77
Design	11426	1199	7517	1565	666	281	196
Fashion	10299	2813	6026	935	321	126	78
Photography	5763	1589	3341	554	184	77	18
Crafts	3892	1039	2344	309	135	39	26



Theater	3422	667	2101	428	149	52	25
Comics	3309	340	2116	510	227	84	32
Journalism	2401	828	1385	131	36	9	12
Dance	1070	204	651	129	61	20	5
