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Implementation and Marketing for a Successful Crowdfunding Campaign Case: X-routes

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DESCRIPTION

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Abstract Crowdfunding is an emerging and not yet profoundly researched topic. It is a promising way of financing for new business ventures, which implies collecting funds from a large amount of individuals through Internet. Crowdfunding involves a versatile range of outcomes which might sometimes be even more beneficial for the project than the funding itself, i.e. market validation, visibility or sustaining the company's future through pre-sales. It is particularly curious that the majority of companies that decide to utilize crowdfunding fail dramatically for numerous reasons, which vary from insufficient preparation time to poor supporting marketing. The purpose of this thesis was to investigate how crowdfunding campaigns should be created, implemented and marketed, and what are the primary factors that influence their success. The research was originally requested by a Finnish IT company Observis Oy that created a new service - X-routes, and was looking for ways to fund, test, develop and launch it. Crowdfunding could satisfy all those needs, but only if carried out successfully. For the benefit of the project, only two out of four crowdfunding models were considered, equity and reward-based. Firstly, a profound literature review was conducted in order to establish a strong theoretical background on crowdfunding and marketing communications involved in it. Furthermore, five semi-structured interviews were carried out: four with companies that have already done crowdfunding on various platforms and one with a representative from a major equity-based crowdfunding platform in Scandinavia. In order to achieve a more exhaustive description and explore both equity and reward-based crowdfunding in-depth, benchmarking approach was utilized together with a thorough review of primary and secondary data sources. As a result of a comprehensive analysis of both theory and empirical findings, a framework for companies willing to pursue crowdfunding was developed. The research identified that crowdfunding should begin long before the actual start of a campaign. Among the utter necessities for success were named prior networking, attractive presentation with compelling high-quality content, and thorough preparation. Marketing channels and communications were scrutinized in this study as they constitute the major part of the implementation process. The concluding part of this research contains a circumstantial analysis that together with the framework can be used as a guide for developing a successful campaign by any business.		
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1 INTRODUCTION

Crowdfunding as a tool for capital formation is not a new concept, although it started to thrive only in the last couple of years. This is due to the fact that with the rapid development of Internet and technology it has never been easier to share and spread information around the globe. According to Dresner, in the terms of funding volume in 2011 the crowdfunding market experienced 64% growth. In 2012 the growth exceeded 80%, which resulted in more than 1 million campaigns successfully raising capital from the crowd. Internet and media are filled with news about projects that collected sometimes ridiculous amounts of money by using crowdfunding. One of the most famous examples is a project by Zack Brown called 'Potato salad' and created on the world's largest crowdfunding platform, Kickstarter. Its goal was to raise 10\$ on a potato salad and as a result the campaign was not just successful, but managed to collect 50000\$. However, this is actually an exception as according to statistics (Kickstarter, 2014) around 60% of campaigns fail dramatically.

The topic of this thesis is crowdfunding and its marketing. The work will discuss crowdfunding as a way of financing a new business and will investigate the most appropriate ways to prepare and implement it. As this research is developed for a company, it is crucial to acquaint the reader with the firm's background and goals.

The commissioning party of the bachelor's thesis is Observis Oy. It operates in IT industry and is particularly specializing in geographic information systems. The company was established in 2010 and is located in Mikkeli, Finland. In August 2014 Observis Oy introduced a new service - X-routes. It is a location-based educational game that can be modified by curricular needs and is aimed to be played outside the classroom. The business model of X-routes is scalable, which means that it can quickly reach a big market share. However, in order to develop the service to its full potential the company needs substantial funding. For this purpose, and also in order to market and promote the service, it was decided to create and implement a crowdfunding campaign.

Therefore, the main research objective of this thesis is as follows: *to find out how to prepare, implement and market a successful crowdfunding campaign*. In order to achieve a profound understanding and expertise in the research problem, several research questions have to be answered.

RQ1: Why do companies choose crowdfunding over other sources of finance?

RQ2: How crowdfunding platforms differ and what should companies keep in mind when making the final choice?

RQ3: What are the essentials and factors that determine if the campaign is going to be successful?

RQ4: How is digital marketing influencing crowdfunding? What is the best way to utilize digital marketing communications during a crowdfunding campaign?

As an outcome of this research a detailed description of how the campaign should be prepared, implemented and marketed will be provided for the commissioning company. What is more, a profound research on two particular crowdfunding models and benefits provided by them will be done. This study is limited to only equity and reward-based crowdfunding models, as they are the ones appropriate for the case company.

2 CROWDFUNDING SCOPE AND CAPABILITIES

This chapter is aimed at defining the crowdfunding phenomena and examining its roots and characteristics. It explains the advantages of crowdfunding compared to other methods of fundraising and researches the process of creation and typical elements of crowdfunding campaigns. Furthermore, it discusses the major models of crowdfunding and opportunities provided by them, as well as major motivations of crowdfunders.

2.1 Defining crowdfunding

In order to fully understand the concept of crowdfunding one should first find out about its origins. Crowdfunding can be seen as a component of a more extensive concept - crowdsourcing. The idea of crowdsourcing existed long time before the first definition was introduced. First time this concept was examined by Howe (2006): 'Simply defined, crowdsourcing represents the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call.' It can occur as peer-production if the task is completed collaboratively, however can also be performed by individuals. Goodrich (2013) describes crowdsourcing as distribution of problem solving, because crowd can provide a company with wide variety of ideas, content, funds and even important feedback.

Crowdfunding is narrowing the concept of crowdsourcing – the only asset that is demanded from the crowd is funds, not ideas. The first research about crowdfunding was conducted by Lambert and Schwienbacher (2010), where they defined the concept as following: ‘Crowdfunding involves an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights.’ Simply put, the main intention of crowdfunding is to obtain a significant amount of money from a large amount of people.

Distinctive feature of crowdfunding is that the money comes from a wide majority of people who are acting not as professional investors, but as a ‘crowd’, each person contributing a small sum (Belleflamme et al. 2011, 2.) The basic idea of crowdfunding is demonstrated on the scheme below, created by Fund St. Louis.

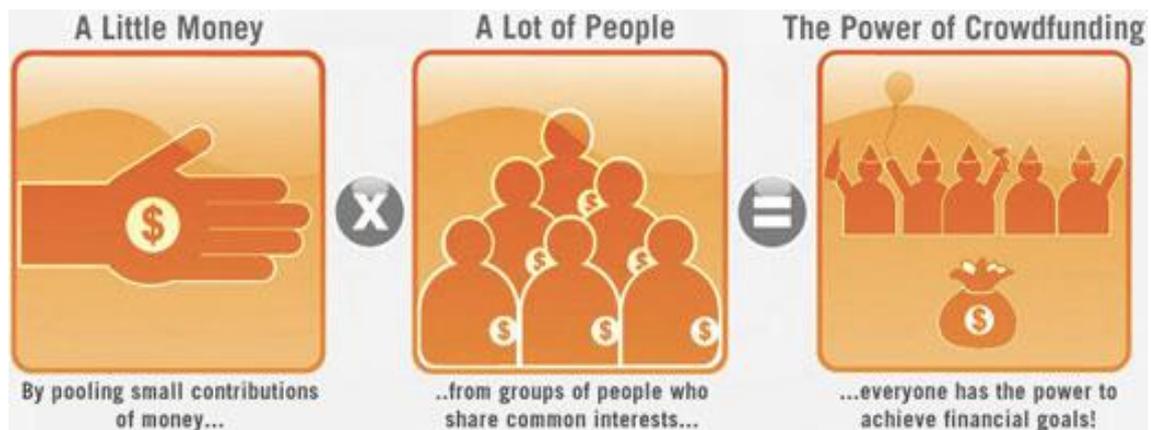


FIGURE 1. Basic idea of crowdfunding. Adopted from Fund St. Louis.

What is not mentioned in the original definition by Lambert and Schweinbacher (2010) is that crowdfunding is actively used by companies for rising awareness, communicating with potential customers, validating the idea and testing both product and the market. This type of fundraising is also strikingly different from the others due to the variety of goals pursued by the projects and funders (Mollick 2013, 2).

Three main participants connected to crowdfunding can be determined. First party consists of the project or company owners that need financial resources for developing or implementing their ventures. These can be as new and innovative start-ups or small specific projects, as existing companies willing to diversify or test their new ideas with the crowd. The second participant is the crowd – Internet users seeking to take part in the proposed project. Reasons and

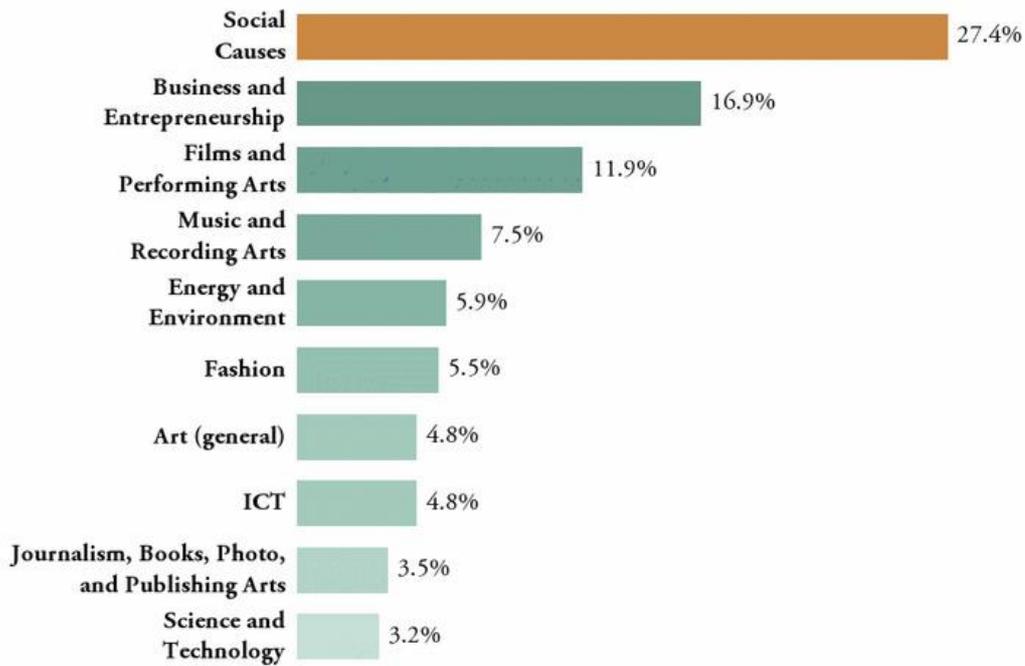
motives for investing can differ greatly and most of the times they are not connected solely to financial interest. The last actor serves as an intermediate between the initiators and the crowd-funders. These are the crowdfunding platforms that usually receive from 5 to 8% of the total sum collected by the project (Lebraty, Jean-Fabrice and Lobre-Lebraty, 2014, 59).

Crowdfunding is available in an immense and constantly growing number of countries, but as it is demonstrated by the figure below, it is not developing evenly. North America and Europe are current leaders and, according to the Crowdfunding Industry Report (Massolution 2013), North American crowdfunding volumes increased on 105%, while the European growth rate was around 65%.



FIGURE 2. Crowdfunding geographical breakdown 2013. Adopted from Crowdfunding Industry Report, Massolution 2013.

Even though crowdfunding originally gained popularity as a model of funding in entertainment industry, it is successful in a wide range of areas such as journalism (Spot.Us), beer (BeerBankroll), software (Blender foundation, Trampoline Systems), tourism (MediaNoMad) and many others (Belleflamme et al. 2011, 8). Diversity of areas in which crowdfunding is utilized is illustrated in a figure below.



Source: 2013 CF: Crowdfunding Industry Report. Copyright © massolution 2013.

FIGURE 3. Crowdfunding platform activity across 10 most active categories. Adopted from Crowdfunding Industry Report, Massolution 2013.

Belleflamme et al. (2011, 7) highlighted three main characteristics of a typical crowdfunding campaigns:

1. In a vast majority of cases crowdfunding initiatives depend mainly on advance purchase of a product, which is not on the market and might not even be finalized yet. This pre-ordering process can start as soon as the project owner offers a description of the final version of the product and a commitment that it will actually be put on the market.
2. Those who pre-order the product in advance often pay the price which is considerably higher than the one that has to be paid after the mass production of the product has already started. It means that crowdfunders are ready to pay more than those, who purchase the product when it's already on the market.
3. 'The crowd must identify themselves as such.' It is crucial for crowdfunders to perceive themselves as a part of a community of honored customers. Therefore, it's the project owner's duty to make sure that they relish community benefits and believe in the project.

2.2 Traditional sources of finance

As crowdfunding is considered to be an innovative way of financing start-ups, it is intended to briefly examine research on entrepreneurial finance and analyze other financing options a company might have.

Larralde and Schwienbacher (2010, 8) separate the sources of financing into 2 main groups: equity and debt. In case of the first category, the capital is obtained by the company, while the investors receive shares in return on their investment and become official shareholders of this company. They receive certain rights in the company's decision-making process and share the risks together with the other owners. In case of debt financing, which is generally represented by bank loans, the investor party remains external to the company itself and is only connected to it by a detailed contract. Due to collateral and seniority of this type of financing it is considered to be less risky. However, for most start-up companies it is hard to entry debt finance (Bhide 1992, 117), as they often do not possess sufficient amount of hard assets for a collateral or balanced cash flow required for regular interest payments (Zider 1998, 132, Larralde & Schweinbacher 2010, 8). A wide variety of sources of financing lies within each type. They were comprehensively described by Larralde and Schwienbacher and according to them, certain types of financing can be used collectively with crowdfunding.

TABLE 1. Different types of entrepreneurial finance investors, grouped by debt and equity claims. Adopted from Larralde & Schwienbacher, 2010, 9.

	Investor	Description
Equity	<i>Entrepreneur and team members</i>	The entrepreneur invests his own money in the company, or money he obtained through a personal loan
	<i>Friends and family</i>	The entrepreneurs' friends and family
	<i>Business angels</i>	Wealthy individuals willing to invest in small projects
	<i>Venture capitalists</i>	Specialized investors gathering money from non specialists and placing it into bigger projects for a period of 5-7 years
	<i>Other companies/ strategic investors</i>	Other companies can decide to invest in projects they believe have strategic importance to them
	<i>Stock markets</i>	Members of the public invest in the company through a public offering
Debt	<i>Banks</i>	Loans
	<i>Leasing companies</i>	Provide equipments and office space to entrepreneurs against lease payments
	<i>Government agencies</i>	Subsidy for particular projects
	<i>Customers/ suppliers</i>	e.g., trade credit
	<i>Bootstrapping</i>	Use of trade credit, credit card and other methods, including working capital management

Some types of funding are more suitable for start-ups than others. Monika Niznik-Klocek in her research on crowdfunding as a way of financing start-ups allocated four appropriate for new businesses financing options: bank loan, venture capital, business angel and bootstrapping. However, before studying them in detail, it is intended to discuss the 3F's model, often referred to as the first primary source of financing for new businesses.

Owners' capital (Friends, Family and Fools)

At the introductory stage firm's alternatives for external financing are restrained. The first and primary option is considered to be owner's capital. Tariq (2013) states that as a type of insider financing it appears to be the biggest resource of informal finance, combining owner's loans, equity and credit card. Quoting Robb and Robinson (2012), he also states that 'Insider finance channels mostly include finance from the family members, friends and affiliates of the firm'. (Tariq, 2013, 4). It is a fairly simple way of acquiring resources as family and friends are less likely to scrutinize every little detail in a business plan or request higher return on investment (Ennico, 2012). Furthermore, this source of financing is crucial as it isn't requiring any collateral or track records.

Banks

Banks are certainly the most familiar to general public source of finance after the owner's capital. 'Banks are financial institutes that provide finance to all types of firms irrespective of their size' (Tariq, 2013, 5). However, receiving a loan from the bank is an infrequently accessible for newly founded companies' option (Bhide 1992, 117). In order to receive money the company is expected to provide collateral to secure the loan with hard assets. So, one could say that the amount of funds the company can receive is strongly interrelated with the volume of hard assets it possesses. (Zider 1998, 132).

New companies that are planning to grow rapidly often lean towards choosing bank loans. Potential large size of the company is one of the reasons to choose banks as a source of financing, they have more incentives to build relationships as early as possible (Cassar 2004, 277 - 278). Lam states that tight connections and trust between company and the bank usually result in lower interest rate and larger credit sum (Lam 2009, 272).

Venture capital

Venture capital is a formal kind of financing. Investor's place their capital is a venture fund, where it becomes a responsibility of professional investment managers. These funds are invested in ventures in exchange for equity ownership (DeGenarro 2010, 57, Zider 1998, 134). Venture capital is mostly provided to larger companies and often takes form of repetitive investments in the same venture. It is hardly able to make any significant contribution to the venture in the very beginning. For this reason, venture capital mostly focuses on large and already established firms. (Lam 2009, 270).

Angel investors

According to the definition created by Tariq (2013), angel investors belong to 'an informal market for direct finance' in which one person can provide money for small companies and startups binded only by an equity contract (6). Angel investors are wealthy individuals willing to invest into companies of not related to them people. Usually the relationships with them starts at the early stages of company development. The rights and obligations of both sides differ from case to case, as well as the invested sum. Lam also calls business angels an informal category of venture capital 'mainly because they are much less visible, much more difficult to find and they have invested much smaller amounts than venture capital funds' (2009, 269-270).

What is especially compelling in this way of financing is that angel investors do not only provide financial support, but also assistance, bringing in their own skills, competences and connections. Another important advantage mentioned by Tariq (2013, 7) is that 'angel investors invest their own money as compared to the venture capitalists that have a legal duty of care for how they invest'. Due to the informal nature of relationships between the company and investor, business angels make quicker decisions concerning the use of their funds. Overall this way of financing involves less legal and financial complications, decreasing the cost of investment.

Bootstrapping

Quoting Bhidé, 1992, Winborg and Landstrom, 2001, Ebben and Johnson, 2006, the authors state that bootstrapping is a technique that can be used combined with crowdfunding, but is also similar to it in some ways. Bootstrapping takes place when the company is starting with a very small amount of capital and consists of a variety of methods for collecting resources without

becoming dependent on external capital owners (Lam 2009, 273). Entrepreneurs who are using this method of financing try to benefit from as many available resources as possible. Those who choose crowdfunding repeat these actions by trying to involve and utilize as many funders as they can. These two funding options give entrepreneurs an opportunity to bypass traditional investors in an original and innovative manner. However, they still are divergent from each other, primarily because when using crowdfunding one counts on attracting outside investors, while with bootstrapping one mainly depends on internal sources and capital management know-how (Larralde & Schwienbacher 2010, 8).

2.3 Crowdfunding as a novel funding alternative

Compared to other sources of finance crowdfunding is noticeably young. This subchapter intends to analyze and compare it to other ways of funding which were discussed earlier.

In the majority of typical cases, firstly, the initial, minor part of capital is brought into the new company by entrepreneurs themselves, as well as their friends and family. Afterwards, angel investors and venture capital funds provide the residual amount. However, lots of companies still stick around unfunded due to lack of sufficient value that can be pledged to investors or ineffective attempts to persuade investors (Belleflamme et al. 2011, 2). Crowdfunding became an innovative alternative to the old methods of financing and is aimed at tapping the crowd instead of a sophisticated group of investors.

As stated by Lambert and Schwienbacher (2010), crowdfunding is certainly not the least expensive source of financing for most ventures. Pledges received from crowdfunders are usually small, which provokes potentially large transaction costs. What is more, as the crowd is very diverse, investors themselves generally do not provide any expertise, so the entrepreneur becomes the one to bring it in (unlike with venture capitalists and business angels). This also arises one very important for crowdfunding factor - trust. As the investors generally might not have plentiful knowledge about required area, their decisions are based on their own judgments. Hence, trust between investors and an entrepreneur becomes a factor that bonds them together. This is the reason why Larralde and Schwienbacher (2010, 18) state that crowdfunding involves more human contact than any other alternative.

A definite benefit of this source of financing is the attention that might be attracted to a firm or project. This is especially important for artistic projects or cases when the product has to be

introduced and demonstrated to potential customers. At the same time crowdfunding provides a chance to validate a product or market, test the idea on an accurately targeted audience (Lambert & Schwienbacher 2010, 12). Another distinctive benefit of this type of financing is that due to numerous amount of investors, management decisions are only given to the entrepreneurs. Hence, unlike with other methods of financing, there does not arise a discord between investors and project creators (Larralde & Schwienbacher 2010, 11). Additionally, backers have very little to lose if the project fails (18). Beleflamme et al. (2011, 24) highlights that in order for crowdfunding to become a reasonable alternative to other types of funding like banks, business angels or venture capital, an entrepreneur has to build a community in which crowdfunders have real additional benefits.

As every business case differs, it can be hard to estimate which source of finance will be suitable for which company. Lambert and Schwienbacher (2010, 9) stress that a lot of entrepreneurs use crowdfunding together with other sources, notably with owner's savings, friends and family funds, business angel and subsidy from the government.

2.4 Crowdfunding models

Different sources define different types and categories of crowdfunding. For this study it was chosen to utilize the Crowdfunding Industry Report (2013) prepared by Massolution as it is based on a profound and explicit qualitative research of more than 452 crowdfunding platforms active worldwide. Four major models are recognized: donation, equity, lending and reward-based. For this case study two of them (equity and reward-based) are especially relevant, so they are inspected more precisely.

Equity-based crowdfunding

In exchange for a pledge a crowdfunder receives the actual shares of the company, becoming its shareholder. The development of this crowdfunding category is limited by security regulations (Dresner, 2014), however it is still on a rapid rise, especially after the JOBS Act was signed in the USA in the April of 2012. According to the industry report by Massolution (2013), it is the fastest growing category and it produces the largest amount of funds raised on a per-project basis. Equity crowdfunding is a lot more popular in Europe and Scandinavia than in the US. The major equity-based crowdfunding platform in Finland which comprises 60% of the whole market share is called Invesdor (Massolution 2013).

Lending-based crowdfunding

The most popular type of crowdfunding model (Dresner, 2014). All the investments made by the crowdfunders are repaid by the company by a predetermined schedule (after it becomes profitable). A predefined interest is also earned by the investors. Lending-based crowdfunding is mainly related to commercial enterprises and especially popular among small and relatively secure businesses.

Reward-based crowdfunding

This type of crowdfunding implies a certain non-financial reward for the investment made by an individual. It might be something tangible such as a sample of the product or service. It can also be something intangible, a mean marketing or PR, e.g. writing the name of the investor on the product. The reward often depends on the amount of the pledge. This model is actively used by artists, NGO's, entrepreneurs and businesses, and due to the nature of the reward it gets most of the media attention (Dresner, 40. 2014). This category is the largest in terms of number of crowdfunding platforms. It also strongly dominates on the US market. (Massolution 2013).

This model can be subdivided into two categories, depending on the type of funding it involves

- 'All or nothing'

This category implies that the owner of the project will not receive any money unless the minimum funding goal is achieved. The usability of this model is strongly associated with high sense of urgency to fund the project, which brings motivation to everyone involved. What is more, the backers feel more secure as if the project will not receive sufficient funding, they will get the money back. The most famous crowdfunding platform in the world, Kickstarter, belongs to this category and is based in the US.

- 'Keep it all' (flexible funding)

It guarantees that the project creator will be able to retain all the funds, regardless of whether the funding goal is met or not. The pledge is accepted more like a donation, than something that makes a difference to whether the project lives or dies. The major platform associated with this category is also based in the US and named Indiegogo.

Donation-based crowdfunding

The main characteristic of this model is that the crowdfunders do not expect any financial or non-financial return on their investment. Their major motivation is to support a cause. According to Dresner (2014, 39) it is ‘very successful for social causes and especially for disaster relief campaigns’.

A figure below demonstrates the median campaign sizes across all the crowdfunding models. It is obvious that even though the reward-based model is the most famous and widely-known, a lot more money is earned by equity and lending-based crowdfunding campaigns.



FIGURE 4. Median campaign sizes in EUR across crowdfunding models. Adopted from Crowdfunding Industry Report, Massolution 2013.

2.5 Opportunities and outcomes provided by crowdfunding

Crowdfunding is a complex phenomenon and it was not studied profoundly yet. So far it was mainly recognized as an innovative and creative way of fundraising. However, it should not be only considered from the financial side. Slava Rubin, founder and CEO of Indiegogo, once said that ‘money is the least valuable reason to launch and maintain a crowdfunding campaign’ (Kent Bernhard Jr, 2013). In a 2011 study, Beleflamme and his colleagues carried out a research and found that the main motivations for crowdfunding were: obtaining public attention and receiving feedback, testing company’s product, getting better knowledge about customer’s preferences and generating new ideas (Bellflamme et al. 2011, 25–26). After that, some more

researches followed on the same topic. This sub-chapter investigates the reasons to choose crowdfunding and its outcomes for both sides – project owners and crowdfunders.

Marketing and communications

Lambert and Schweinbacher (2010) state that crowdfunding can be utilized as a cheap and effective way to market a product, by raising buzz and attracting public attention to it. They note that most of the project creators usually use and communicate with potential investors through blogs and social networks (Facebook, Twitter), engaging public into communication. Gerber in his research also supported this statement, pointing out that some of the entrepreneurs were forced to create blogs by the attention they gained, and by that they managed to create a dialog with the audience (Gerber et al. 2012, 5-6). According to these findings, it is legitimate to state that crowdfunding can be used to encourage viral-marketing initiated by backers (Gorshkov 2011, 19).

Crowdfunding is letting customers create and generate marketing content, which is a great and cheap engaging technique. What is more, every investor increases the network of potential contributors by spreading the word about his own deed. This provides the assurance that the supporter-network will expand beyond entrepreneur's close circles, helping to create a stronger and longer lasting community, connected by supporting the same ideas and causes (Gorshkov 2011, 19). Crowdfunding is a very efficient practice to gain close long-term relationships with investors and potential customers. This connection does not finish when the financial transaction is over; by gaining more investors the project gains more followers and loyal fans. Due to the global nature of Internet and social media crowdfunding provides an opportunity to communicate to larger masses of people who would otherwise be out of reach geographically or otherwise. This can be particularly useful for companies whose goal is expanding to international markets, or whose product is appealing for some groups of people that are divided all over the world (Parkku 2014, 10).

In an article for Forbes magazine, Tanya Prive (2012) stated that one of the major benefits of crowdfunding is that 'it's free PR'. As a fresh concept, crowdfunding projects usually receive a growing amount of media attention. Successful projects therefore have a chance to occupy the media space, which is a great way to increase brand awareness and attract more contributors (Hendricks, 2014).

To sum up, previous studies prove that crowdfunding is a truly attractive source of marketing for entrepreneurs. The main reasons are:

- encouraging viral-marketing
- building strong communities of customers, who in their turn spread the word and expand the network of supporters and contributors
- engaging the customers
- boosting communication between the entrepreneur and backers
- increasing media attention and overall awareness
- increasing market visibility

Validation and product testing

Beleflamme et al. (2010) stated that one of the reasons for entrepreneurs to use crowdfunding is to gather customer reviews about developing products. Crowdfunding platforms make it easier and quicker to connect with the project manager. Certain projects even provide backers with an opportunity to participate in product design and development (Gorshkov 2011, 8).

Obviously, if customers are allowed to take part in production and development of a product, it is believed by some researchers to increase the chances of success. Gruner and Homburg (2000, 11) proposed that cooperating with customers at different stages of product development is increasing the success rates of the project. Ozer (1999) in his work about testing the product and market's potential also discovered that internet is very convenient for evaluation of new products, especially if used at earlier and later stages of development.

As most of crowdfunding campaigns aim at collecting money in order to launch a new product or service, one could say that crowdfunding process is a way to validate a market, prove that there is a need for the product. If the campaign is successful, it demonstrates relative security of the venture. This proof of safety can further be helpful for getting more funding from VC's, angels or banks. (Kent Bernhard Jr, 2013). In fact, even if the campaign will not be successful, all the money will be returned back to the backers (in case of flexible funding option).

Interesting results were received by Gorshkov (2011, 20). While he was interviewing entrepreneurs, he found out that due to more efficient communication with the target group they were able to: *a) hear the needs of the target group; b) communicate product specific features to potential customers.* He also stated that even though most of the entrepreneurs who participated

in the research weren't planning to abandon their projects in case of unsuccessful fundraising, they still took into consideration needs and desires of consumers in order to tailor their product to market needs and communicate those traits back to customers.

Feedback

During the crowdfunding campaign there is an opportunity to receive and respond on feedback and ideas. Entrepreneurs can introduce surveys and votings in order to analyze what people find attractive or undesirable in the product. What is more, this feedback can be revised in real-time, which helps in preparing and executing necessary improvements (Drew Hendricks, 2014). It also helps in estimation and evaluation of effectiveness of online advertising and other marketing activities (e.g. new videos, blog updates) very fast (Gorshkov, 21).

2.6 Motivations of investors

Understanding the motives of contributors engaged in crowdfunding is rapidly gaining popularity among researchers as it is a relatively new field of research. In the previous chapter the reasons for the entrepreneurs to turn to crowdfunding were uncovered. This part intends to collect information about the major motives behind backer's actions.

As was mentioned before, first researchers who stated that crowdfunding is not just about the money were Schweinbacher and Larralde in 2010. They determined that the main motives of entrepreneurs, besides raising funds, were getting popularity and raising awareness, receiving feedback and enlarging their network. Backers, on the contrary, are excited by desire to participate in a thrilling process of helping to build a startup, expanding their network with other participants and positively affecting their reputation. The results of their research also demonstrated that reward and donation-based crowdfunding prevail in the field. What is more, not-for-profit projects leaned receiving more funds than any other ventures, as they are of higher interest for the general public due to low focus on revenue (Schwienbacher and Larralde, 2010).

Gerber, Hui and Kuo (2012) were studying the reasons for participating in crowdfunding, from both creators and funders, and performed 39 semi-structured interviews. They concentrated on the most popular online crowdfunding platforms - Kickstarter, Indiegogo and RocketHub. According to them, the following four contributor motivations can be distinguished:

- Collecting a reward

An essential motive for supporters to fund a project is obtaining a reward, such as an acknowledgement, a tangible product or an experience. Authors state that some elements that attract users to crowdfunding are the same in the consumer experience. However, in this case the contributors are agreeing to wait for an uncertain period of time before receiving the actual reward, which sets this type of transaction apart from traditional consumer activities.

- Helping others

This motivation has qualities of a philanthropic behavior, as instead of being motivated to get, some people are motivated to donate. Contributors show powerful urge to support creators, no matter how strong is their personal connection. It might be friendship or just common interests. If the project becomes successful, the contributors and creators share the success.

- Being part of a Community

Besides helping individual creators, crowdfunding also gives one a chance to feel like being a part of a community of like-minded people. This is a strong motivation for both project creators and funders. Moreover, supporters tend to desire to see the evidence of being part of that community, by being showed on the project supporter page. Endorsing that, companies often honor their backers listing them on the project website. Supporters also appreciate that their interaction has an influence on the final product and its design. Gerber, Hui and Kuo (2012) state that this communication between two parties promotes trust and creates the bases for monetary transactions.

- Supporting a cause

Crowdfunders are motivated to support causes corresponding to their personal beliefs. By participating and helping in a like-minded community they can signify their own views and hopes, no matter if it is for the project purpose or the creator (Gerber, Hui & Kuo, 2012).

However, the aforementioned motivations mainly focus on reward-based crowdfunding model. Considerably less research was done on motivations in the equity-based crowdfunding, as well as in the other models. As different platforms, projects and models imply different purposes and goals behind the investments, a broader variety of investors' needs and motivations has to be introduced. It is based on the research conducted by Hemer (2011), which is closely interrelated with analysis of the literature published by Sommeregger (2010) and Harms (2007). The major identified motives of investors are as follows (Hemer 2011, 14):

- Personal identification with the project's subject and its goals,
- Contribution to a societally important mission,
- Satisfaction from being part of a certain community with similar priorities,
- Satisfaction from observing the realisation and success of the project funded,
- Enjoyment in being engaged in and interacting with the project's team
- Enjoying contributing to an innovation or being among the pioneers of new technology or business,
- The chance to expand one's own personal network,
- The expectation of attracting funders in return for one's own crowdfunding project

2.7 Challenges and essentials of a successful crowdfunding campaign

There are many reasons why a crowdfunding campaign might fail. Unfortunately today about 60% of campaigns do not reach their funding goals. This sub-chapter intends to analyze the main reasons why a crowdfunding campaign might be unsuccessful and what are the hardest pitfalls on the way to outstanding results.

Crowdfunding is demanding. According to Crowdfunding Academy, a vast majority of entrepreneurs underestimate the amount of time required for preparation and implementation of their campaigns. Understanding that crowdfunding is not a 'post it and forget it' message isn't enough, it's crucial to do the background work. 'Running a crowdfunding campaign is literally a full-time job if you are going to hope for success.'(Crowdfunding Academy). It is crucial to research similar campaigns, find out what are the most influential online users that could post information about the campaign, enter into relationships with potential funders before starting the campaign.

In order for a campaign to be effective, publicity has to know about it in advance. According to Schneider (2014), project creators need to start the buzz at least 90 days before the launch. Building a community before the actual start is told to be the strongest key to success. The project is not likely to get any funding if it has no backers at all, so taping the creator's social network well in advance can provide a necessary number of early backers (Strohmeyer, 2013).

A bad promo video is another reason why the campaign might not receive enough funds. A research specialist Josh Rhodes (2014) in his article about the main causes of crowdfunding failures states that a powerful video doesn't have to look expensive, it should be effective and

give potential supporters a reason to get interested and enthusiastic about the project. What is more, the video should not contain any technical problems and shouldn't be too long. The ideal length is 2-3 minutes.

If the project creator expects backers to take action, he or she should have a clear and specific message. The story of the product has to be honest, authentic and transparent. There should be a clear mission, concrete objectives and a call for action, with explanations about how exactly people can get involved. Furthermore, it is vital to provide action steps and timetables in order to explain the potential funders what are the money needed for (Schneider, 2014).

Being realistic when setting the funding threshold can play a crucial role in the end of the campaign. According to Crowdfunding Insider, one of the biggest reasons why projects fail is due to underestimating the funding needs. There is hardly anything one can do if after achieving the funding goal it is discovered that more funding is required (Crowdfunding Insider, 2014). However, if the project goal is too high for its time limit, it can fail dramatically. A striking example of that was the New York City Opera's campaign on Kickstarter. The funding goal was 1,000,000 dollars and the length of the campaign was only 22 days. As a result, on the final day of campaign backers donated only 301,019 dollars. Unfortunately, according to Davis (2013) 'the New York City Opera filed for Chapter 11 bankruptcy protection on October 3, 2013'. From this example one could generate another important checkpoint for crowdfunding success - sufficient fundraising period. 'One of the main benefits of crowdfunding is its ability to generate buzz, but that buzz takes time to build.' (Strohmeyer, 2013).

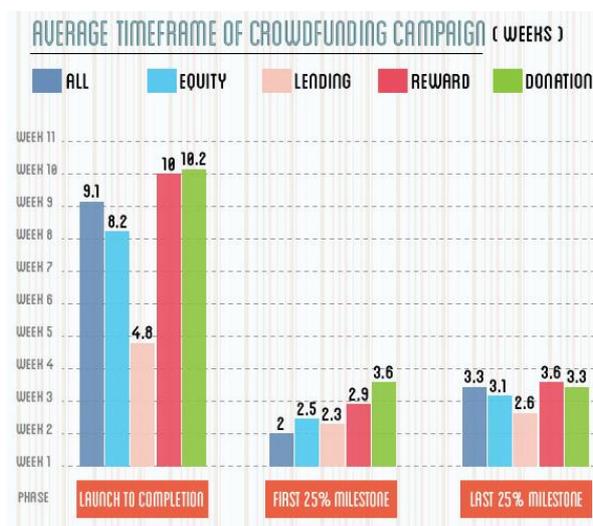


FIGURE 5. Average timeframe of crowdfunding campaign. Adopted from Darryl Burma, 2013.

From the figure above one can state that an average campaign lasts 9 weeks. Reward-based campaigns last 10 weeks, which is generally longer than the equity-based, that are relatively short - around 8 weeks. Another interesting statistics says that campaigns that manage to get 30% of their fundraising goal during the first week have more chances to succeed (Fundable 2012).

3 DIGITAL MARKETING COMMUNICATIONS

In this chapter it is intended to describe digital marketing communications and role of strategic planning in them. For this study to be beneficial to the case company it is planned to examine the marketing communication channels in depth, as well as the aspects of marketing communications that could be applicable to crowdfunding.

The number of internet users worldwide has increased from 1 billion in 2005 to 3 billion in 2014 (Internet live stats, 2014). With constantly progressing technologies and ways they are utilized, global process of interaction and communication between people is constantly transforming and developing. This affects people's consumer behavior, as well as the ways companies operate and market their products. Communication is no longer a sender-receiver act, but a constant interaction. To remain competitive, firms have to stay dynamic and actively use digital media, which includes Internet, email, social media and mobile (Chaffey & Ellis-Chadwick 2012, 6).

Trying to define digital marketing communications one can encounter certain obstacles - the majority of common marketing textbooks do not give an explicit definition. Essentially digital marketing communications encompass the usage of an entire range of digital forms of marketing communications. It spreads beyond Internet marketing, consisting of a variety of channels which do not depend upon Internet connection. Digital marketing channels include social media marketing, search engine optimization (SEO), e-mail marketing, online PR and lots of other forms of digital media.

A definition deduced by Merisavo (2008, 19) characterizes digital marketing communication as 'communication and interaction between a company or brand and its customers using digital channels and information technology'. This explanation acknowledges that communication is reciprocal, triggered by either marketer or consumer.

3.1 Strategic planning and goals setting

For ensuring productive and sustainable future companies utilize strategic planning. A strategy implies how the company is planning to accomplish its goals, not what the goals are. According to Kotler and Keller (2008), strategic planning is a ‘managerial process of developing and maintaining a viable fit between the organization’s objectives, skills, and resources and its changing market opportunities’. Having a clear and precise strategy guarantees that marketing efforts are coordinated with business goals, and ensure that company is targeting the correct audience. Strauss and Frost (2014, 41-42) recognized that primary part of strategic planning is identifying company’s goals, which could be divided into several categories:

- Growth

By examining competition, life cycles and market factors a company should estimate possible extent of growth in terms of revenues and its velocity.

- Competitive position

After careful analysis of other businesses in the industry, it’s beneficial to position one’s company against the others. Possible positions are industry leader, price leader, quality leader, niche company, best customer service etc.

- Geographic scope

Identifying the geographical area of company’s operation and its level of preparation for foreign markets.

- Other objectives

A vast variety of other objectives are usually set by companies, depending on the industry they operate in, specifics of the product, types of channels used etc.

There is no common digital marketing strategy or universal way to establish one, as different products and markets require different solutions. However, in order to define it one should have a profound knowledge of company’s operation industry, competitors, customers and company’s goals (Ryan & Jones 2009, 23-24). Awareness and comprehension of these factors will support formulation of company’s digital marketing strategy and influence the decisions on which digital channels should be utilized and how. This thesis is not aimed at profound examination of

marketing strategies, but will further concentrate on digital marketing communication and its channels, which can be beneficial in crowdfunding.

3.2 Inbound marketing funnel



FIGURE 6. Inbound marketing funnel. Adopted from Smart Insights, 2012.

The inbound marketing funnel was developed by Smart Insights in order to illustrate the inter-play between digital marketing planning and customer buying process. The same scheme can be applied to the investor attraction process in crowdfunding, therefore it is highly valuable for this research.

The first stage is planning of branded content. The major role of content is stressed and defined as the only way to achieve strong presence in search engines. Second stage – Reach, starts immediately when the buyer exploration phase begins. The company has to publish and promote its content, making it easy to find. This stage is materialized through search engines, social networks, with the help of publishers and blogs. When the customer gets acquainted with the content on company's website, blog, through communities and other interactive sources, the

Act phase takes place. That is when the company can influence consumer decision making by modifying the content hub to become compelling, relevant and useful. The main trick is to satisfy customer's needs. If this condition is successfully fulfilled, potential customers are converted into real buyers. During this process it is possible to lay the foundation for repeating sales by developing re-marketing and email automation. Satisfied customers become the crucial element for strong social media marketing, repeat sales and referrals. Engagement and community development also begins on this stage.

3.3 Marketing communication channels

Unlike the traditional media channels that are contracting and slowly losing their influence, digital channels are developing at an extraordinary pace. What is more, as the crowdfunding process takes place mainly on the Internet, the digital world is what has to be taken into consideration while crowdfunding planning.

Website

For digital marketers website is the 'place of business'. As it is the only channel where the owner has total and explicit control, it's one of the most valuable marketing resources. All the other channels will undoubtedly direct back to it. What makes this channel even stronger is that it's the only digital property that entrepreneur fully owns. While building an effective website two major aspects should be taken into consideration: business goals and target market. (Ryan & Jones 2009, 40-44). In regard to crowdfunding, the campaign page itself is also included here.

Search Engine Marketing

The previous chapter discussed the importance of a well-designed and implemented web-site. However, in order to realize its full potential, it should be easy to find, and that is where search engine marketing comes in handy. It enables companies increase the amount of quality visitors and potential customers to their web pages (Chaffey & Elis-Chadwick 2012, 490). Search Engine Marketing consists of 2 main parts:

- *SEO*

Search engine optimization is an ongoing process which controls achieving the top position in organic search engine results (Ashley-Roberts, 2011). The organic and paid search result areas are demonstrated on the picture below.

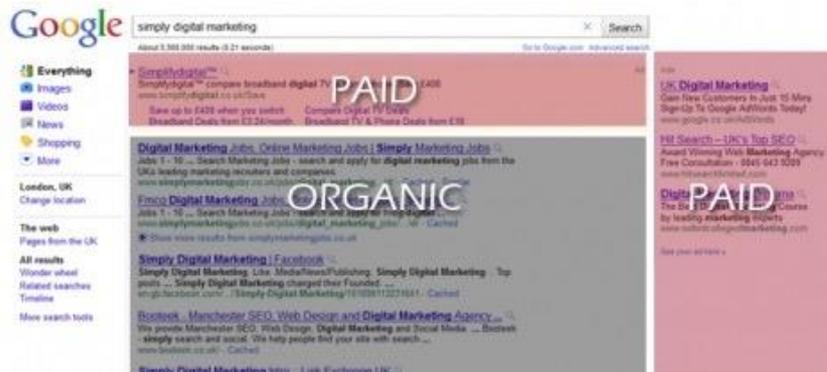


FIGURE 6. Organic and paid search results. Adopted from Ashley-Roberts, 2011.

For better understanding of SEO it's important to realize how it works. To provide correct and first-rate search results to the internet users, search engines collect accurate data about billions of websites. This is done by computerized programs, also called 'bots' or 'spiders', that are 'crawling the web'. Afterwards, the information about the page's content and links is gathered in an extensive database - an index. It is very advanced and allows users who make a search request get results almost instantly. This list of search results is then passed through the engine's ranking algorithms and as a final result the list is arranged depending on relevance.

In order for the website to get to the top of the list, several aspects have to be complied: using effective keywords, original content, attracting high-quality inbound links from authoritative websites and constant evaluation and analysis of competitor's optimization tactics (Ryan & Jones 2009, 69-81).

- *Paid search marketing (Pay-per-click or PPC)*

This concept refers to the results that are displayed alongside and above the organic results. They are often labelled 'sponsored' links or results in order to clarify to the user that companies actually paid in order to pop up in there. Based on the popularity of the keywords used, these adverts can cost from a cent to 50 euros per click (CAM Foundation 2013). This type of advertising is the primary way for the search engines to generate profits (Ryan & Jones 2009, 89-90). Even though the majority of internet users rely on the organic search results, one third of them chooses the sponsored results (Chaffey & Ellis-Chadwick 2012, 491).

Ryan and Jones stated that there are numerous benefits provided by PPC, one of them is full financial control. There is no minimum a company has to provide in advance, the maximum amount a company is ready to pay per click is manually specified and there is no need to pay unless the users actually click the link. What is more, it allows to test, track and compare how changes in an advert affect the final amount of clicks. All that allows the company reach the target audience more effectively. (Ryan & Jones 2009, 90–92).

E-mail marketing

E-mail marketing is a very powerful tool that enables communication with customers on a personal level. Simply put, it includes all the emails sent from the company to its customers, which usually include relevant updates and a ‘call to action’. Opposite to the common opinion, the majority of customers appreciate regular e-mails from the company, as long as they recognize the brand and expect to find some relevant and interesting information inside.

Email marketing can sometimes be tricky to handle, it is important to respect customer’s personal space, support the brand image and preserve the value at the same time. It’s extremely simple and fast for a customer to unsubscribe or mark the message as spam, and if this happens, most of the times it’s impossible to get the connection back (Ryan & Jones 2009, 133-135).

There is a variety of email marketing tools, which help in managing the e-mail list, creating email templates and tracking e-mail campaigns. This type of marketing only makes sense if it is done thoughtfully. Customer relationship management is one of the tools that comes in helpful: it enables maintaining strong and to some extent personal relationships with customers. It includes keeping a record of what was appreciated and disliked in the past, as well as lots of data with relevant demographics and consumer behavior. It enables segmenting and tracking the part of consumers which is most likely to respond. The opportunities are limitless. (Ryan & Jones 2009, 136-137).

Social media marketing

This mean of digital marketing communications became very mature and provides a huge assortment of opportunities. Below are some statistics that demonstrate the significance and magnitude of social media (Bullas 2014):

- Around 72% of all internet users in the world are actively using social media.
- 23% of Facebook users check it minimum 5 times a day
- 47% of American citizens identify Facebook as the main influencer of their purchases
- 70% of marketers practice Facebook for attain new customers
- 71% of internet users use mobile devices for accessing social media

There is a lot more to social media than Facebook. Ryan and Jones (2009, 152) provide a very profound definition: ‘It’s an umbrella term for web-based software and services that allow users to come together online and exchange, discuss, communicate and participate in any form of social interaction.’ Mentioned interaction comprises text, video, images, audio and any other media. Fundamentally, social media is about sharing experience and expertise by generating new content, recommending, sharing, reviewing and rating, discussing and pursuing same interests.

Forms of social media

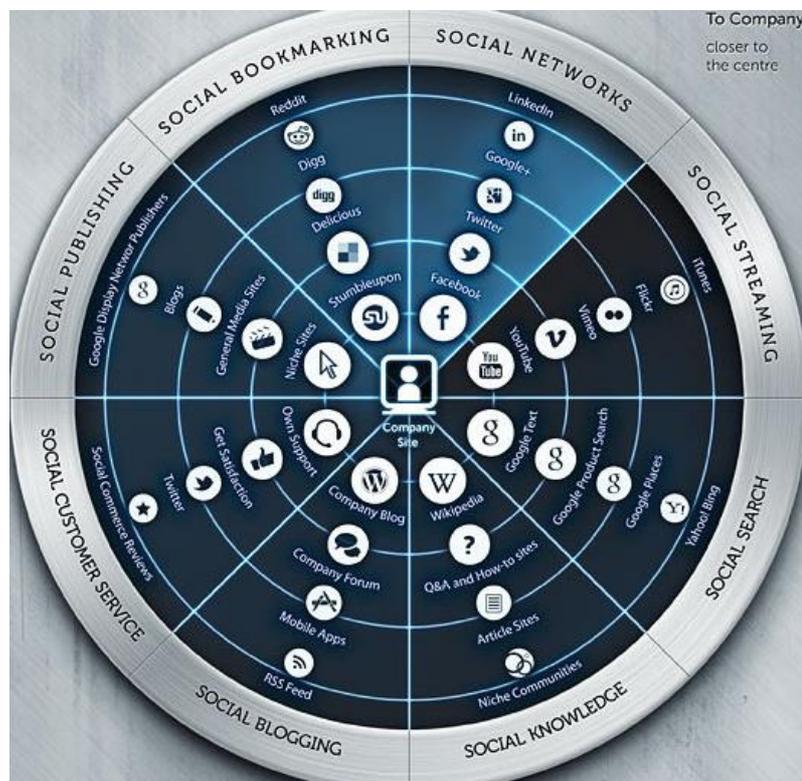


FIGURE 7. Social media marketing radar. Adopted from Smart Insights, 2012.

Above one can find the social media marketing radar (2012), which illustrates its main forms, their complexity and versatility. They will also be discussed in more details further, where they

will be divided into categories according to Ryan and Jones (2009, 157-168) as well as Chaffey and Ellis-Chadwick (2012, 32 – 33).

- Social networks

Social utilities connect people and allow them to create network in a group. Users can share all kind of media materials: audio, video, text. Social networking websites are extremely popular as they serve as a new way to revive old connections and strengthen the existing ones. What is more, they simplify the process of communication between a huge amounts of people.

Opportunities: flexible advertising options, improving online exposure and reputation, finding the right people

Examples: Facebook, LinkedIn.

- Social media submission sites

These websites are designed for submitting and discussing of interesting content: articles, videos, podcasts etc. Pieces of content with the highest amount of 'likes' get higher in the ranking. This option is relevant for companies, as by getting to the top they can drive significant traffic on their website.

Opportunities: discovering social preferences, generating the buzz, intensifying exposure, traffic and online reputation.

Examples: Digg, Reddit.

- Forums and discussion sites

This form of social media is among the oldest ones. They consist of discussion groups in which anyone can create their own discussion. The amount of discussions is gigantic and types are very diverse.

Opportunities: getting closer to consumers, demonstrating expertise, raising company's profile, generating targeted traffic.

Example: Google Groups.

- Media sharing websites

These websites give community members an opportunity to upload, share, discuss and comment on different kinds of media content: videos, photos and sometimes even presentations.

Opportunities: estimation of target market specifics, efficient content distribution.

Examples: YouTube, Flickr, Picasa Web Albums.

- Reviews and rating sites

Websites that allow users review and rate firms, services, products, restaurants, hotels etc. Some of them are industry-specific, while others provide stand-alone reviews or are included into a broader site.

Opportunities: advertising, insight into consumer preferences and opinions.

Examples: TripAdvisor, Amazon, Epinions.com.

- Social blogging

Enables anyone to become a publisher. Blogs are very easy to create and are being used by a huge variety of people from all over the world. Bloggers mainly post articles and materials on topics of their interest. Popular bloggers usually have massive amount of loyal readers and tend to be the most influential online gurus. Connecting with these bloggers can help spread the word about the company.

Opportunities: potential for massive exposure, customer engagement.

Examples: Blogger, WordPress.

- Social bookmarking

This concept evolved from an option to add interesting web-pages to browser bookmarks. Social bookmarking consists of websites which allow users to 'save' bookmarks, categorize them with tags, edit and share.

Opportunities: boosting exposure and traffic, help in gaining relevancy and authority.

Examples: StumbleUpon, Delicious.

- Micro-blogging

This type of social media is relatively new and rapidly gaining popularity. Basically it is any short-message broadcast service that allows users share interesting updates with their friends. Mostly these messages do not exceed 160 characters.

Opportunities: following, understanding and estimating the latest trends and influencers of an industry, communication with customers, promoting company's profile, spawn traffic to company's website.

Examples: Twitter, Jaiku, Pownce.

- Social knowledge

Online compilation of pages that are accessible for anyone. They allow users create, develop, discuss and basically contribute to all kinds of topics. These services are a preeminent instrument for mass collaboration. Usability of these sites for marketing purposes is an ultimately new phenomenon, but it's predicted to become a powerful and cutting-edge tool for collaboration between companies and consumers.

Opportunities: establishing a solid network of supporters around a brand, benefiting from the wisdom of the crowd.

Examples: Wikipedia, Encyclopedia Britannica.

Online PR

Online PR can be described as 'communicating over the web and using new technology to effectively communicate with stakeholders' (Ryan and Jones 2009, 178). Essentially online PR has two major outcomes: advancing company's or product's online profile by providing positive contribution to the online community; maintaining and regulating company's reputation by observing, evaluating and influencing discussions connected to it.

First and the most critical is having compelling content, which also has to be available on company's website. However, content is still a minor part of online PR. Its predominant intention is to raise awareness of a business and brand, and provoke curiosity and attention that capitalizes on the viral potential of online social media. Ultimate objective for a marketer would be to engage users into communication on numerous online platforms and lead them to company's website.

Ryan and Jones (2009, 181) stress the necessity to make the finalized press releases accessible on company's website and in local, national or even international media. For reaching superlative market penetration and publicity one should also consider spreading the word further to online press release or news distribution services (i.e. PRWeb, Business Wire, ClickPress). These services disseminate releases to their own websites, online and offline journalists, media sites and news aggregation services (i.e. Google News).

Another imperative in online PR is 'blogger outreach' - connecting with influential bloggers and convincing them to write about one's company. When trying to achieve that, it's relevant to keep in mind that high-profile bloggers receive a sizeable amount of press releases every

week and majority of them end up in the junk folder. To avoid that, it's crucial to assess targeted blogs and evaluate what can be valuable for them in one's press release. Company blog can also become a brilliant tool for connecting with customers. Scott (2014) states that it's pivotal to provide engaging and high-quality content.

4 COMMISSIONING COMPANY CASE

The commissioning company of this thesis is Observis Oy. It operates mainly in the IT industry and focuses on creating geographic information-based systems and applications, which help organizations to provide smarter services to their customers. The company was established in December 2010 and aims at growing into a leading actor in its industry nationally. It operates only in Finland, however some of its products are used abroad. The main office is located in Mikkeli and responsible for all the company's operations. The company currently has 10 employees.



FIGURE 8. Company's logo

In 2014 the company developed a new product - X-routes. It is an educational mobile gaming platform that supports teaching and learning by providing versatile new tools for teachers and compelling new ways of taking classes or courses for pupils. It gets people moving with functional checkpoints marked on a mobile map. Teacher creates a route, which students follow outdoors with a smartphone or tablet. Along the route, there are quizzes or informative checkpoints directing student activity. Correct answers and accomplished tasks can be rewarded with points. X-routes is targeted primarily at first and secondary schools and aims at transforming lessons to outdoor adventure games. As an application, X-routes is designed to adjust to every teacher's individual needs, as the game content and scoring can be defined by the teachers themselves. There is a variety of question and answer formats which are also continuously developed. For example, tasks, questions, and also the answers can be image or video based. The

format of X-routes is scalable and the end-result is always different with real-life merging with digital-life.

According to a number of studies, educational gaming market is currently experiencing rapid growth. Learning games are going through a renaissance as games are going mobile. A report by Ambient Insight (2013) estimates the learning game industry to grow from \$1.5 billion in 2012 to \$2.3 billion in 2017. The growth has been estimated to come from specifically the increase of mobile-based learning game market. (Adkins 2013).

The major challenges of targeting the learning games for the school market were taken into consideration by the company. They mostly concern the schools' inflexible and rigid purchasing systems. However, if these difficulties can be overcome, schools are an extremely interesting and not very overloaded market. (Banville, 2013).

X-routes has already been piloted in Mikkeli in August 2014 as a part of the Perfect Sports Month project. During the month, more than 70 teachers and educators created routes with the tools in the X-routes gaming platform and hundreds of students went outdoors to study with the application. Learning continues on the routes, which teachers create based on their curriculum and imagination. In Mikkeli, students participated in the arts, orienteering, identifying plants and testing math skills. A lot of feedback from teachers and students was received during this testing and the overall impression of the service was undoubtedly positive.

The target markets of X-routes are Europe and North America. A preliminary market research was already conducted by the company. Interviews with teachers in Finland and North America were carried out, as well as a profound analysis of primary and secondary data on global education trends available on the Internet. The current goals are attracting significant financing for completing the development of the product, entering the European and American markets, product and market testing.

5 RESEARCH METHODS AND DATA COLLECTION

A basic definition of research defines it as a search for facts - explanations and answers to unresolved questions. It is a systematic, logical, empirical and critical investigation of an issue

that adopts a scientific method. It commences with selecting and formulating the research problem, followed by developing the research design - a plan for relating the research question to appropriate empirical research. Research design supports and directs the researcher within the given constraints. (Ghauri et al. 1995, 26).

Depending on the nature and structure of the problem, different research designs can occur: exploratory, descriptive and causal. Exploratory research transpires if the problem is badly understood, it explores the situation and investigates the problem thoroughly. In descriptive research the problem is structured and well-understood. This type of research is mainly aimed at creating some sort of customer profile, characterized by strict rules, procedures and precise structure. In the third type, causal, the researcher is confronted with 'cause-and-effect' problems. The main objectives in this kind of research are to identify the cause and to what extent it results in certain outcomes (Ghauri et al. 1995, 27-29). As stated before, the case company is completely new to the crowdfunding phenomena - a concept that has not been yet studied thoroughly. The insufficiency of previous research on the topic suggests flexible and exploratory nature of the study.

Two major research methods exist - quantitative and qualitative. The first one presents its results in numerical or monetary terms, and in most of the cases its purpose is to test existing theory using facts and figures. The second one is closely associated with subjective assessment of behavior, viewpoints and attitudes, (Krishnaswami, Satyaprasad 2010, 3-6) and is primarily related to generating theory instead of testing it.

Qualitative methods enable the researcher to examine the issue in depth, providing a wealth of detailed data. It also is more dynamic and flexible and penetrates rationalized and superficial responses. As the topic of crowdfunding is somewhat new and the results of the study are not easily measured, qualitative method was identified as the most appropriate. It will be helpful as it implies open-ended responses which provide more variable content and enable the researcher to 'understand the world as seen by respondents' (Quinn Patton 1990, 22-24).

Eriksson and Kovalainen (2008, 7) introduced 9 different qualitative research approaches:

- case study research
- ethnographic research
- grounded theory research
- focus group research

- action research
- narrative research
- discursive research
- critical research
- feminist research

Ghauri et al. state that if the main focus of the study is on ‘seeking insight rather than testing’, case study is the most appropriate research strategy. According to Yin (1989), it is an excellent method when the research questions ‘what’, ‘how’ and ‘why’ are to be answered, when the researcher has little control over events and when the study focuses on current phenomenon in real-life context. This bachelor thesis is carried out as a case study research and its main objective is to analyze crowdfunding campaign implementation process and its outcomes for the company. Case study approach was chosen in order to maximize potential practical outcomes for the company and provide a more detailed insight. Furthermore, for the purpose of this research semi-structured interviews and revision of related primary and secondary data were selected as the most appropriate data collection methods.

5.1 Company selection criteria

In order to provide beneficial for the case company insight, most of the companies had to have similar to the case company characteristics and position on the market. As the case company is facing the choice between two crowdfunding models, equity and reward-based, it was decided to gather participants from platforms that represent these two types. Two most appropriate options were designated, consistent with the case company preferences: Invesdor and Indiegogo. Invesdor is the leading equity-based platform in Scandinavia, whilst Indiegogo is one of the most popular reward-based platforms in the world, which also allows flexible funding. Four out of five companies were found through these platforms and contacted through the contact information left on the campaign or company websites. The major preference was given to new businesses from Finland that intend to go international. Such companies could provide up-to-date information and newly-received experiences, critical for the research. All in all, it was planned to interview 4 companies, found through the above-mentioned platforms. Nevertheless, one more company was added to the initial list - a Finnish-based crowdfunding platform, whose representative was able to provide a deep insight on equity-based crowdfunding practices in Finland and Scandinavia, and also some ideas and insights on small national companies willing to go global.

5.2 Interview design

Each interviewee was firstly contacted by means of email correspondence, providing short explanation about the thesis theme and objectives, and an inquiry for an interview. All in all, around ten companies were contacted in order to create a pool of options to choose from. This proved to be especially helpful as a number of companies didn't answer the email, while others refused an interview for the reason of time shortage. Eventually 4 companies were selected, all of them very similar to the commissioning company case. One more interview was conducted with a representative of the leading equity-based crowdfunding platform in Scandinavia. This interview included a modified set of questions that will be clarified later on. It was included to increase the practical benefit for the company, as the interviewee was able to provide an in-depth insight in equity and reward-based crowdfunding practices in Finland. Each interview lasted around 20-25 minutes and was conducted by Skype due to difference in geographical locations. All of them were recorded with permission of the interviewees.

Interview questions

All in all 22 interview questions were developed. For simplification of interview process and its analysis afterwards, they were combined into 5 major categories, which were closely connected to the research questions. The topics were: reasons and goals, preparation and planning, digital marketing and communications, outcomes and challenges. These are broad topics that made the interview process easier and helped to unobtrusively guide the discussion. Further in this chapter the questions will be examined in more details, however, only the major ones will be described, while the rest of them can be found in Appendix 1.

1. Reasons and goals

The first part of interview questions intends to gain some background information about the company. It is vital to receive the essential data about premises and reasons that induced the choice of crowdfunding. Another important issue to find out is the main goal that company thrived to achieve with the help of a crowdfunding campaign. The major questions in this section are:

- *How would you describe the company's situation before the beginning of the crowdfunding campaign?*
- *What were the main reasons to choose the crowdfunding option? Were there any other sources of finance used by the company?*

- *How would you describe the main objectives for your crowdfunding campaign?*
- *Which crowdfunding platform did you choose and why?*

2. Preparation and planning

The second part of the questions focuses on evaluation of the practical side of the process of preparation and implementation of the campaign. It is crucial to analyze how much time the companies spent on the groundwork before the campaign started and how demanding it was while it lasted. What is more, this part intends to get a deeper insight by thoroughly discussing the process of implementation. The leading questions are:

- *How long was the preparation and the campaign itself? Do you consider this amount of time sufficient?*
- *How would you describe the process of campaign preparation?*
- *How many employees were involved in the process? Did you hire any new specialists for the campaign period?*
- *Did you have a marketing plan before/during the campaign? Do you consider it necessary?*
- *Did you have an established network of potential customers and backers before starting the crowdfunding campaign (i.e. a fan page on Facebook)? Do you think it was necessary for success?*

3. Digital marketing and communications

Since the success of any crowdfunding campaign is closely associated with outstanding marketing execution, it is imperative to ascertain on the marketing practices in the companies. This part of the interview questions is the most substantial and consists of approx. 10 questions with some follow-up clarifications. Firstly, some general points have to be investigated with the help of the following questions:

- *How would you describe the main marketing activities before/during the campaign? What happened to be the most demanding?*
- *How much time did you spend on marketing activities (per week)? Do you consider this amount of time sufficient?*

Since the final impact of any marketing efforts is closely interrelated to communication with potential customers, it is important to examine the utilization of communication channels during the process of crowdfunding. Some of the major questions are:

- *Which marketing channels did you use? Have you used them for marketing your business before?*
- *What were the most effective and ineffective marketing channels and why?*
- *How were you communicating with backers during the campaign? How much time did you spend on that? Do you think it was necessary?*
- *What kind of content did you use? What proved itself to be the most successful?*

4. Outcomes and challenges

Finally, it is critical to recap and analyze the primary outcomes of crowdfunding for the company. What is more, it is intended to estimate potential results that could have been achieved, as well as risks and challenges that might have influenced them. The major questions included:

- *Do you think crowdfunding itself gave your company more than just funding? What else did it result in?*
- *Do you consider crowdfunding helpful for companies that wish to go international (i.e. a Finnish company going to the US market)? In which way?*
- *Was there anything you would have done differently? What would you consider as main risks in Crowdfunding?*

As mentioned before, one company was somewhat distinctive from the others. Company E was interviewed using a modified set of questions. The topics were more or less similar, but in this case the researcher intended to get more extensive information about companies that do crowdfunding in Finland and why they succeed or fail. In addition to that, it was crucial to get an opinion on why for some companies equity-based crowdfunding model is more appropriate than reward-based and vice versa. An updated set of interview questions can be found in Appendix 2.

5.3 Data collection

Eriksson and Kovalainen (2008, 77-78) distinguish two major types of data: primary and secondary. The first one is empirical data collected by the researcher himself by interviewing, observing, evaluating written by the participants materials (i.e. diaries, stories), drawings, or

some other kinds of presented materials. Secondary data is the one that already exists, it includes both textual data (documents, diaries, memos, stories, website reviews, historical analysis) and visual materials (movies, videos, TV programs, presentations). Secondary data often supports theories acquired through primary data collection methods and it is beneficial for the researcher to use both of them in the analysis. For the purpose of this research, primary data will be gathered through semi-structured interviews, whilst numerous secondary sources will be utilized to underpin and showcase its findings.

Semi-structured interviews

Eriksson and Kovalainen (2008, 8) identify three major types of interviews: structured, semi-structured and informal. Guided semi-structured interview structure was chosen as it allows to change the wording or order of the questions in every interview, while having an outline of topics and themes for discussion elaborated in advance. Semi-structured type of interview was beneficial for this study as it allows more flexibility and leaves room for open discussion, unlike the structured interview. At the same time it requires less interpersonal skills and time for analysis than an informal interview.

All in all, 5 semi-structured interviews were conducted during the research. Prior to the interview the respondents were contacted by email which provided essential background information about the thesis, its main objectives and the interview questions. The questions were divided into subcategories in order to simplify the process of preparation for the interviewees. Some of the participants asked for a confirmation of the researcher's status from the thesis supervisor and it was also provided to them by email. The dates for the interviews were confirmed in advance.

TABLE 2. Dates and duration of the interviews

The interviewee	Interview duration	Date
A	25 min	17.10.2014
B	20 min	18.10.2014
C	21 min	22.10.2014
D	22 min	22.10.2014
E	25 min	27.10.2014

In the beginning of every interview the participant was introduced to the main objectives of the research and the future use of provided during the interview information. Previously introduced subchapter 'Interview questions' covered major topics for discussion. During the interview process the researcher utilized a variety of questions, sometimes modifying the originally presented in the list structure. When needed, clarifications and follow-up questions were asked in order to receive as much precise information as possible. Every interview lasted around 20 minutes. All of the participants consented to taping the interview with a recorder. After the interviews were transcribed and notes and observations were made.

Benchmarking

The concept of crowdfunding is considerably new, so there wasn't yet done any profound research on what is the best approach to implementation of a crowdfunding campaign. In order to examine one of the research questions and analyze what are the essentials of a successful crowdfunding campaign, as well as possible outcomes of one, benchmarking method is adopted. Benchmarking is commonly divided into two types: performance benchmarking and best practice benchmarking. First one is aimed at comparing performance data gathered by researching similar processes and activities, whereas the second is comparing the performance data and identifying, adapting and implementing the practices which produced the best performance results. The best practice approach, also called the standards approach, enables learning from the experience of others and accomplishing advance developments in performance. Standards benchmarking approach will be used in this thesis.

Secondary data

In order to answer all of the research questions thoroughly, primary data was not the only source of information utilized. During this research a number of secondary data sources was used, as it is one of the cheapest and time-efficient methods of acquiring information. This type of data includes internal and external sources. Internal sources contain all kinds of information from company's internal records like cost information, sales and marketing reports, distributor and customer feedbacks etc., whilst external sources consist of published data (e.g. newspapers, books, private studies) and standardized sources of marketing data (e.g. consumer purchase panels, single-source data, multimedia services). During this thesis research, various types of data were used in order to complement the interviews, including:

- data available from companies websites

- information from the crowdfunding campaign pages
- presentations and relevant materials provided by the interviewees
- electronic articles
- books and publications
- Internet databases

Participants description

As it was briefly discussed in the Selection criteria subchapter, most of the companies are small firms that have already implemented a crowdfunding campaign successfully. A table below illustrates the basic data about the participating companies:

TABLE 3. Participating companies' description

	Country	Business	Model	Target markets
A	Finland	new business	Reward-based	EU, USA
B	Finland	new business	Reward-based	EU, USA
C	Finland	new business	Equity-based	Finland
D	USA	new business	Reward-based	EU, USA
E	Finland	crowdfunding platform	Equity-based	EU

The fifth company represents the major equity-based crowdfunding platform in Scandinavia, that has already raised 2,7 million Euros and received about 370 company pitches. Therefore, its representative has an extensive knowledge of crowdfunding process and its implementation.

5.4 Data analysis

Received during the research information is useless without thorough analysis and interpretation. One of the major problems when analyzing qualitative data is that information on the cases is often so comprehensive, that it simple for the researcher to be drawn into the sheer volume of cases. It is complicated to filter and get rid of irrelevant information before starting the analysis. There are two major viewpoints on data analysis in social studies and business sciences,

positivistic and phenomenological. Positivistic orientation implies that all data can be classified and measured. Therefore, it implicates coding and refining all the information in order to allow further categorization and quantification. Whereas the phenomenological attitude suggests that each and every case is meaningful in its own right and it's not mandatory to pursue data that enables categorization and quantification on some sort of scale (Ghauri et al. 1995, 95-96). As in this study it's crucial to illustrate unique characteristics of each case, the phenomenological viewpoint was selected as the most appropriate.

5.5 Research trustworthiness

Establishing and ensuring trustworthiness in qualitative research can sometimes be complicated because of the narrative format of data interpretation. According to Lincoln and Guba (1985), reliability and validity in qualitative research can be substituted with trustworthiness that involves four major aspects: credibility, transferability, dependability and confirmability (Eriksson & Kovalainen 2008, 294-295).

Credibility

Credibility, also called 'truth value' is a concept that implies answering certain questions: is the researcher familiar with the topic? Are there strong logical links between observations and identified categories? Can other researchers on the basis of this study achieve similar interpretations and claims? The concept is critical for any research as it provides and guarantees confidence in the 'truth' of the conclusions. In the case of this study, several credibility issues had to be kept in mind. As a qualitative research, this work implies interviewing and thus honesty of the interviewees is of great importance. The participants were assured that their answers cannot have any impact on them or their companies, so they did not have any reasons to provide false information. What is more, after the interviews all the transcribed data was sent to the respondents for confirmation, so that they could make any corrections or further suggestions. Hence, all the credibility issues have been taken into consideration in order to provide maximum credibility and reliability to the research.

Transferability

This aspect is interrelated with the degree of similarity of the research with previously carried out studies. It implies that there should be some kind of connection established between the

particular research and previous findings. According to Lincoln and Guba (1985), in order to achieve high transferability, thick description method should be applied. It involves providing a thorough explanation of the phenomenon that would alleviate transferring and comparing the results and specifics to other data. Thus, the researcher's efforts were put into providing a comprehensive and exhaustive description of major concepts, methods and conclusions.

Dependability

This concept designates if the research process and provided data are logical, traceable and documented. Hence, to insure dependability and by that trustworthiness, this research was presented in a thorough and accurate manner, so that if the investigation is done again it would produce similar results.

Confirmability

The aspect deals with the degree to which the findings of the research are formed by the participants and not the researcher's imaginations, interests and motivations. Basically it is about supporting the results and interpretations only with collected information in a way that can be effortlessly understood by others. In order to protect confirmability of this research, all the data was analyzed and interpreted with extreme accuracy, and in cases when any controversial arguments occurred, respondents were asked to clarify the issue. What is more, the researcher stayed neutral and polite during the interview in order to avoid disturbing or influencing respondents' reactions and explanations.

5.6 Usefulness and limitations

As it was mentioned earlier, crowdfunding is a novel and relatively undeveloped concept. Thus, information from a huge variety of theoretical sources was analyzed and combined into a strong theoretical foundation. Afterwards, interviews with a number of companies that could provide an insight on crowdfunding practices in Finland, Europe and the USA were conducted. As a result of the analysis and interpretation of this data and empirical findings, an extensive insight on best practices in crowdfunding, essentials and factors influencing crowdfunding campaigns and the role of digital marketing communications was produced. This study could be extremely beneficial for companies in Scandinavia or elsewhere that are facing the choice of source of

financing or have already decided to utilize crowdfunding and wish to do it in the most efficient way.

6 RESULTS

This chapter intends to provide an interpretation and analysis of the interviews with Finnish and international companies, which could provide a first-hand experience and expertise on crowdfunding. The findings described in this part of the study are presented according to the structure in which the interview questions presented earlier and match four major themes. The analysis of empirical findings is closely linked to the concepts introduced in the theoretical framework. For simplicity of explanation, when discussing results, companies that did crowdfunding are referred as the main participants (A-D). The fifth company, which is represented by an equity-based crowdfunding platform is indicated as Company E.

6.1 Emerging concept of crowdfunding

All the participants from the companies that have just implemented their first crowdfunding campaign admitted that they had no prior experience in the area before they actually decided to use it. This subchapter intends to analyze why are the entrepreneurs appealed by this concept and what are the reasons they prefer it to the traditional sources of finance, which were mentioned in the beginning of the theoretical framework. What is more, it's crucial to examine the logic behind the crowdfunding platform selection. One of the limitations of this study, as acknowledged earlier, is the models of crowdfunding: only two out of four are analyzed in this work, as they are considered to be the major crowdfunding representatives and also are the ones appropriate for the case company. Another important issue to keep in mind while getting acquainted with this work is that every company that does crowdfunding is unique, has its own product and idea, which means that marketing and the process of implementing a crowdfunding campaign in every case is different, shaped by company's objectives and characteristics.

6.1.1 Companies' background

Naturally, before making the final decision, the main participants did a thorough research on the major traditional options of financing. Just like the case company, the majority of them had some prior experience in raising funding: 3 companies had some experience in working with

business angels and VC investors. What is especially interesting is that 3 companies that chose reward-based crowdfunding model had some prior funding before actually starting the campaign. Two of them used grants from TEKES - Finnish Funding agency for Innovation that provides funding, expertise and networking support to startups and growing companies. The main sources of funding for each company are illustrated on the table below. The green color matches the options which provided funds for the each company.

TABLE 4. Major sources of finance in the participating companies

	Model	Crowdfunding	TEKES	Angel Investor	Accelerator program
A	reward-based				
B	reward-based				
C	equity-based				
D	reward-based				

It was stated in the theoretical framework that crowdfunding is a time and resource demanding process. It requires lengthy preparation and a huge magnitude and amount of marketing efforts. However, as demonstrated earlier, even though most of the participating companies had opportunities to access other ways of financing, they still preferred to utilize crowdfunding, which proves the statement that crowdfunding is not just used as an innovative method of financing. The next part of this subchapter will try to analyze the reasons behind this choice.

6.1.2 Goals

'We don't mind the money, but in this case it was a relatively minor incentive.'(company A)

TABLE 5: Goals for the crowdfunding campaign

A	visibility	market response	partner's request
B	'spread the word'	market response	marketing and sales
C	funding	'get out there'	involve more people
D	rise awareness	'get out there'	create initial customer base

Among the first and major reactions on the question ‘why crowdfunding?’ were: market response and ‘getting out there’. Three out of four companies had a new product or service that had to be launched and marketed. Most importantly these three were Finnish companies aiming at entering the EU and US markets simultaneously - that is another critical reason, however, none of the respondents have mentioned it when stating the major causes for selecting crowdfunding. Only after further clarifications requested by the researcher they specified that the campaign was actually extremely helpful in the process of internationalization. However, the essential benefit in this case is usually formulated as gaining visibility and market response.

The major concepts of three above-mentioned projects had to be tested and approved by publicity, and crowdfunding could provide even more than that. Supporters of any crowdfunding campaign eventually become its developers and customers since they provide helpful feedback and ideas for further development, as well as help in forming a strong foundation of future sales for the company. Getting the idea ‘out there’ it is possible for the companies to receive feedback and gauge whether the product is in the correct market or not (Resnick, 2013).

Another crucial factor that was described in the theoretical part of this study and supported by respondents’ replies is creating the buzz. By using the maximum resource and marketing efforts companies were able to get publicity and develop their own audience - a community of consumers that cared about their project.

Company C that used equity-based model, named a contrasting with other responses goal - attracting people into the company. They were looking for opportunities for development and needed new employees with fresh ideas. What is more, company A explained that crowdfunding was one of the ways to satisfy and protect sustainable relationships with their US partner. Margaret Robertson, president of Hide&Seek NY, in her interview for WeWork noted that her company received a huge boost on the recruitment front after launching their Kickstarter campaign. She also mentioned that they obtained a number of partnership and collaboration offers (Kim, 2013). So, one could say that crowdfunding provides a variety of opportunities as far as it concerns attracting new people, partners and investors. Another vivid example of this conclusion is Turf Geography club - a location based iOS game launched through crowdfunding. The founder Michael Tseng explained in the same interview to WeWork (Kim, 2013):

'Within the first 24 hours of launching, Turf raised \$2,000. Then I got a call from an angel investor who said, "I want to fund this. Let's meet." From there, more doors started opening. Various investors, including David Tisch, jumped on board. Kickstarter helped raised \$18,000. The seed round raised \$615,000.'

While analyzing companies' objectives and reasons to choose crowdfunding it's important to remember about the fundamental differences between equity and reward-based models. Different companies choose different options and very often this choice directly affects the outcomes and success of the campaign. A comprehensive discussion of this issue can be found further in this chapter.

6.1.3 Equity and reward-based crowdfunding

Different models of crowdfunding influence the whole process, results and essential factors to remember while creating and implementing the campaign. This subchapter intends to analyze and interpret their major differences. A vital part of explanation is based on the interview with participant E, which until now was not mentioned in the Results part as actively as the other companies. The reader should keep in mind that Interviewee E is a representative of a major equity-based crowdfunding platform in Scandinavia. From now on equity and reward-based crowdfunding models will be referred to as ECF and RCF.

When choosing between RCF and ECF an entrepreneur can encounter certain difficulties and has to keep in mind a lot of factors. According to the Interviewee E, the first one is similar to pre-sales. This is also supported by companies A and B - their products were actively pre-ordered before the beginning of campaign and during it. Company B hasn't actually finished the development yet and is going to ship all the rewards during the spring 2015. This demonstrates loyalty of backers - they are willing to wait for almost a year. It's also a very efficient way to engage, as while waiting for the product to be developed, finalized and produced, anticipating customers are expected to follow the news from the company. It provides sustainable engagement and might result in a larger amount of pre-sales, as the backers are likely to spread the word to their family, friends and acquaintances. Interviewee D described the RCF process as *'sustaining the company through sales'*.

Furthermore, Interviewee D presented RCF as useful for projects or companies willing to validate their product or service. Market validation was referred as one of the main motivations for crowdfunding, discussed in the theoretical framework of this study. It could also be attributed

as one of the objectives for companies A, B and C, which were all using RCF. Interviewee A named it as the major one. Another common goal for all the companies implementing RCF is market response and visibility, both companies A and B mentioned it. Company D stated creating an initial customer base as one of their objectives.

As one can see, the majority of companies which participated in this research used and benefited greatly from RCF. Participant E, that adopted ECF, failed due to insufficient prior marketing. It is vital to understand the type of companies that ECF would be appropriate for and how they can benefit from it. Interviewee E described the main benefits of equity-based crowdfunding as following:

1. It allows companies to leverage on various kind of investors.

The interviewee explains that there are two main types of investors in ECF. One part includes heavy investors that provide significant contributions. In their case the company does not just receive the money, these investors become a bit similar to business angels: they are ready to provide their expertise, contacts and what is often essential, they might attract other investors and even more funding opportunities. The other category of typical investors includes small customers, whose investments are more modest. Even though their input into the company is not as tangible as it is in case with more significant investments, they usually become a powerful source of marketing. As it was described in the theoretical part (chapter ‘Motivations of crowd-funders’) one of major motivations for backers it to be a part of community of like-minded people, which involves spreading the word about the company that excites them.

What is more, ECF also provides a crucial for some companies an opportunity to choose its investors. After a successful crowdfunding round the entrepreneur can select and edit the list of investors, which practically means a chance to reject investors depending on their status or characteristics.

2. ECF enables entrepreneurs to set the deal term in advance

An incredible benefit that is hardly available to any other sorts of funding. The owner of the project is the one to choose which rights to give to the shareholders. It can include A-shares which give the investor the same rights as the entrepreneur has, B-shares that give partial rights, and a minority shareholder agreement.

3. *ECF makes it easier to have international investors and enter foreign markets*

The Interviewee provided a great example of that. One company that implemented a crowd-funding campaign on their service was called Iron Sky Universe. It's a Helsinki-based company that raised 532% of its funding target and became one of the most successful public case on the platform. Curiously, almost 30% of their funding came from Germany and almost a third of investments came from outside the EU. The interviewee noted general positive effect of crowd-funding on internationalization of companies, finding international investors and testing foreign markets.

4. *ECF allows not only to raise capital but also leverage and engage your community*

Investment sums in ECF are generally higher than in RCF, so the network is usually more involved.

5. *ECF allows traditional sources of financing and new investors to syndicate in a deal. It is not exclusive, but actually inclusive of angel and VC investments.*

This can also relate to RCF, however occurs a lot more often in ECF cases as they tend to involve professional investors instead of average consumers.

6.1.4 Choice of the crowdfunding model

This part of the results chapter corresponds with one of the major research questions of this thesis:

RQ2: How crowdfunding platforms differ and what should companies keep in mind when making the final choice?

Primary differences in crowdfunding models and platforms were covered earlier in this chapter, however, by analyzing the Interviewees responses, several main factors that should guide the decision-making process of an entrepreneur were identified.

TABLE 5. Equity and Reward-based crowdfunding

ECF	RCF
significant investments (average investment: 108.000 Euro)	smaller investments; sustaining the company through sales (pre-sales)
growth	validating the market/service
requires a registered company and involves more paperwork	requires outstanding rewards

6.2 Preparation and implementation

According to Kickstarter (2014), about 60% of all crowdfunding campaigns on their platforms fail. Some sources (Jeffries A. 2013) state that out of 142,301 projects on Indiegogo only 9.3% raised 100 percent of their goals. The last one can be partly explained by the nature of flexible funding - even if a company does not reach its funding objective, it still receives all the money that were donated by crowdfunders. However, the percentage of failures is still colossal. One of the research questions of this study concerns the factors and essentials that determine a successful crowdfunding campaign, and this subchapter intends to disclose why they fail and what can companies do in order to avoid that. It is first planned to go through the preparation process, covering main issues in campaign planning and developing. The next part covers the implementation process and includes researching the major ways of handling digital marketing communications. Therefore, this part of the results chapter aims at gathering insight that could answer the following research questions:

***RQ3:** How are the crowdfunding campaigns created and implemented? What are the essentials and factors that determine if the campaign is going to be successful?*

***RQ4:** How is digital marketing influencing crowdfunding? What is the best way to utilize digital marketing communications during a crowdfunding campaign?*

6.2.1 Preparation process

As mentioned before, none of the major participating companies had any prior experience in crowdfunding. Most of them looked for the information on the concept in the Internet and gathered insights from friends and acquaintances. Going through examples of successful crowdfunding campaigns also helped to understand the concept and kinds of projects that are the most appropriate and likely to become funded.

As the most important steps before launching the campaign they mentioned creating a powerful marketing plan, a clear and compelling pitch, developing content and video. All of the companies considered a strong marketing plan as an absolute necessity and formulated it before the beginning of campaign, company A even re-wrote it once during the process. This subchapter intends to take a closer look on preparatory activities before the campaign, try to estimate the perfect timing for it and resources that are serve as a fundamental for a success.

Identifying potential investors

Interviewee E was the only participant who stressed the importance of identifying the potential investors. Equity-based crowdfunding platforms usually assist companies and provide legal, financial, marketing and often even strategic advice. Just like the goal setting, this process of analyzing potential investors eventually shapes the development of campaign. Three main issues should be addressed while identifying the target audience of a crowdfunding campaign:

1. Why should the investor be interested in the project?

A deep insight on crowdfunders' motivations was presented in the theoretical framework of this study. However, the theoretical part mainly focuses on motivations in RCF, as most of the latest studies focus on this model. Interviewee E confirmed those motivations, explaining that in RCF the strongest catalysts usually are: being part of a community, helping others or collecting an alluring reward. During the interview it was disclosed that in ECF the motivations differ significantly. Investors who seek participation in ECF might never consider trying RCF due to differences in primary investor objectives.

Major motivations for crowdfunders in ECF are:

- Financial return and portfolio diversification

Unlike in RCF, a huge chunk of backers in ECF have some business and financial background and are seeking for a business to invest in. In this sense ECF investors are somewhat similar to Angel Investors.

- Personal relationship with the entrepreneur
- Sharing the same values

Analysis and identification of motives and goals of company's potential investors has a great impact of further development of the campaign and communications process.

2. Why should the company be interested in them?

The resources provided by the crowdfunders to the company are normally represented by capital. However, in both ECF and RCF cases investors can also bring some experience and expertise to the company, as well as increase its visibility and endorsement. In ECF case the advice that might be given to the company usually is more professional due to different nature of investors. They might provide more entrepreneurial consulting and even contacts.

3. How can the investor and company work together?

After estimating who the potential investors might be and what can they bring in the company, it is crucial to estimate how can the company reach them. What is more, previous analysis will support the process of contacting the investors, as the company will know which motivations to invoke to.

Interviewee E stated that before starting the campaign and planning, the company should evaluate its target audience, motivations, age, location and how to reach them in order to plan the communications process accordingly.

Timeframe

Time is money. During this research it occurred that in most of the cases new to crowdfunding entrepreneurs dramatically underestimate the amount of time that a proper preparation requires.

'The preparation takes surprising lot of time' (Interviewee C)

Three out of four companies reported spending too little time on preparation. What makes it even more demanding is that usually the participants had to 'learn by doing', so it was sometimes hard to avoid mistakes and took a lot of efforts to overcome some obstacles. Common conclusion from all the companies was that 6-8 weeks should be the perfect amount of time for preparing, writing the pitch and developing a powerful marketing plan.

Considering the length of the campaign itself it is important to mention its strong correlation to the model of crowdfunding. For reward-based platforms common time of a campaign is reported to be 6-8 weeks, depending on the project. Whereas equity-based crowdfunding models imply a longer campaign period - around 11-12 weeks on average.

TABLE 6. Timeframe for the preparation stage and the campaign

	Preparation	Campaign
A	6 weeks	6 weeks
B	around 5 months	8 weeks
C	2 weeks	3 months
D	2-3 months	8 weeks

The table above illustrates the time limits for each company. It's worth mentioning that some of the companies (B, D) started preparation without officially declaring it by creating and developing their content and strategy. Company A stated that their preparation was very intense and it felt like one or two extra weeks could result into a better campaign. Company C underestimated the amount of time needed for preparation due to insufficient knowledge of minimum campaign requirements, and in the end failed.

Human capital

Due to the novelty of crowdfunding concept and sometimes controversial or at least different data available on the Internet, it was important to evaluate how companies are assigning responsible for the project employees. What is more, it was crucial to find out if the companies outsourced or turned for help from any people from outside the company.

The research showed that most of the respondents assigned a responsible team member, whilst the majority of the crew was also contributing to the process of preparation and implementation. This is typical for small start-up companies with low-hierarchy structure of organization. Simply put, it means that the whole team is working towards a common goal and constantly interacting and supporting each other. In terms of crowdfunding it is considered to be somewhat ineffective as it implies that *'none of the members is actually fully responsible for the results of the campaign'* (Interviewee C). However, most companies tend to assign one member that would be dedicated solely to the campaign. Company A employed and assigned a full-time intern to uphold the process together with their marketing manager who spent half of the working time on the campaign activities. Interviewee A also believes that when deciding on hiring new people into the company it is important to estimate the overall marketing experience of members in the company.

*'You have to have a dedicated project manager who has to work full time, especially during the preparation phase. Whether you should hire an outsider depends on your overall experience on marketing, social media and whether you have the people who'd be able to produce quality copywriting and text for the campaign'.
(Interviewee C)*

While discussing outsourced resources the three companies mentioned that they hired a professional agency for shooting the video. Furthermore, company A stated that they turned to the outside specialist for a copywriting advice, as it was considered to be vital for entering the US market.

The role of prior networking

'Nobody eats in an empty restaurant.' (Interviewee D)

An extremely important issue to contemplate before starting the campaign is company's network of potential customers. An essential idea to keep in mind here is the 30% rule. As stated in the theoretical framework, it's statistically proven that campaigns that manage to receive 30% of their fundraising goal during the first week are well-situated to reach the 100%. As stated in CrowdClan (Djekic, 2013):

- Projects having 20% experienced a 80% chance of success
- Projects starting with 35% or more completed their goals in every instance

The question for the companies to answer was: has the company got an established network of potential clients and backers before the beginning of campaign? All of the companies have more or less fulfilled this criteria. Generally, minimum that was done by everyone is contacting as many friends and acquaintances as possible and asking for support. By participating in different kinds of programs that assisted new businesses and taking part in various conferences, companies A, B and D collected a base of contacts and potential backers that helped to boost and heighten their funding during the first week of the campaign. Company C had already grown a 600 members fan base on Facebook prior to the beginning of the campaign. This community unlike in cases of other companies also included their old customers. However, they explained that it was clearly not enough and they didn't manage to utilize their networks at a maximum capacity.

TABLE 7: Sources of potential backers before the launch

	Conferences	Accelerator/support programmes	Old customers
A			
B			
C			
D			

Furthermore, company A and B stated that they collected pre-orders before launching the campaign and this proved to be especially effective. Company A managed obtaining 400 pre-orders.

'We had gathered pre-orders before launching the campaign, and when we launched, we let these people know about it and they were the initial backers in the campaign. This was very-very important.' (Interviewee B)

6.2.2 Marketing communications

Trying to determine the main reasons and factors for crowdfunding failures, the researcher inevitably reached the implementation stage process of the campaign. This part of the study will concentrate on how companies utilized digital marketing channels and generally describe their major marketing activities during the campaign.

'The whole crowdfunding campaign can be considered as marketing activities.' (Interviewee B)

While trying to decide which channels were used more than the others and why, the researcher had to encounter several obstacles. Every case company had a different approach, formed by their own skills and expertise. Some of them pushed on PR, while others mainly used newsletters. The choice was dictated by the prerequisites and resources owned before the beginning of the campaign. This emphasizes the significance of preparation stage.

While discussing the marketing channels that were utilized during the campaign, the interviewees generally mentioned three major tools: email, online PR and social media. Surprisingly, none of them utilized any other forms of digital marketing (like paid-per-click marketing), and company A even stressed that they did not use any paid advertising. These commonly used channels will be further discussed in more details.

TABLE 8. Digital marketing channels. (Intensity of the color matches intensity of channel utilization in every company)

	email	online PR	social media
A			
B			
C		-	
D			

Online PR

'The largest media hits brought considerable amount of the revenue.'
(Company B)

Company A described intensive PR during their crowdfunding campaign as the key to success. Interviewees A and B both heavily leaned on attracting media attention. It's not an easy task, as it is described in Chapter 2 it requires a perfectly written pitch with clear message and strategy. Interview A described the process of getting the story through as follows:

- create a list of influential journalists
- try to find someone who is acquainted with them
- pitch the story through

This kind of tactics helped them to push their story through to the publicity and as a result the company was showcased on famous media hubs like TechCrunch and Gizmodo. The results of successful operation with this channel is easily measured - that's what makes it indispensable.

'Every time we got an article on some of the mainstream media, the visitor count on both the campaign page and our website spiked up' (Interviewee A)

Another benefit of accurately implemented PR is an option to post the quotes and logos of influential people and media that mentioned the project or campaign. This was used by companies A and B. They provide great support in establishing trust and positive brand image of the company.

E-mail

Newsletters and all sorts of emails were sent by all the participating companies. It's considered to be a very powerful tool as it enables contacting the potential or current customer directly. As stated by company C, it allows high customization, designating email into a personal communication mean and therefore boosting its efficiency. Company A had more than 3000 names on their internal mailing list prior to the start of crowdfunding campaign. What is more, they made everybody within the campaign send emails to their friends with information about it. By that they engaged and reminded about themselves to existing backers and were also able to attract newcomers. *'It's critical to involve as many people as possible in order to spread the word'* (interviewee D). Company D mainly used contacts they collected during participation in the

accelerator campaign. Emails were also utilized for sending ‘Thank you’ notes and interacting with the crowdfunding community and existing backers.

Social media

When it comes to the usage of social media, the level of acquaintance with the tool differed greatly. Some companies were familiar with Facebook and Twitter (interviewees B, C) for quite a long period of time, whereas company A felt like they weren’t doing their best with it.

‘We are a bunch of guys in our mid-fifties, so it’s not a natural format for us and we didn’t feel very confident’. (Interviewee C)

Interviewee A also stated that even though social media haven’t produced sharp and visible spikes in the amount of website visits as it was in the case with successful PR, it still made a perceptible contribution.

Throughout the campaign all the participants operated in social networks. As mentioned before, these included mainly Facebook and Twitter. Twitter proved to be especially compelling as it enabled informal communication with the community. Company A and D tried to contact influential tweeters so that they could comment on their campaign. Furthermore, it was actively used for answering questions and providing engaging content not only about the campaign and the company, but also about the industry as a whole. However, only two out of four companies actually utilized this digital communication channel.

‘The word spread best on Facebook.’ (Interviewee B)

The most well-known social media, Facebook, was the most popular tool among all the companies. Nowadays almost every well-established company has a fan page and this channel is easy to adopt if a company has already been on the market for some amount of time. However, among the companies that participated in this research only one was operating for about a year before the beginning of the crowdfunding campaign.

What is more, Facebook wasn’t used as intensely as Twitter. Unlike in the last one, the content provided on Facebook was mainly original and not curated. It is clearly seen on the Facebook page of company B, where even the color gamma matches the company colors, which shows their efforts to promote the brand.

Blogging

Two out of four companies had their blogs embedded into company websites. They stated that a blog actually happened to be a very valuable communication channel that provided a lot of new opportunities. Interview A noticed that they finally felt some freedom and aspiration to not just talk about the campaign, but take a more humorous angle, which seemed to work quite well. An example of one of their headlines follows below:

Some Kind of Magic

*It's a kind of magic,
It's a kind of magic,
A kind of magic,
One dream, one soul, one prize,
One goal, one golden glance of what should be*

Posted 2014-07-07 16:22:49

Full Story →

FIGURE 10. An extract from the official blog of company A

Content and essentials of a crowdfunding page

Most of the interviewees did not mention the significance of content in the first place. However, while discussing the preparation stages and usage of digital marketing channels, most of them stated that compelling and explicit information that is presented to the audience is one of the decisive factors in customer attraction and engagement during the campaign. Interviewee D believes that one of the main benefits from the campaign was that they were actually forced to make their objectives and thoughts clear and fascinating for the general public.

Interviewees A and D considered humor as a great source of inspiration. Company A did not just use humor and popular songs in their content, but also introduced their own custom-made comics which illustrated a variety of situations where their product was wielded.



FIGURE 11. A sketch from the official blog of company A

Company B that also took advantage of a blog and utilized it to tell and showcase the story behind the brand, posting mainly updates about the company, its members and events. Among major types of content were photos and videos. All of the participants admitted extreme importance of the video and all four hired a professional agency to shoot it. Furthermore, as the reader could see on the Figure 9, company B tried to maintain their brand colors throughout their Facebook page and website, as well all other content sources.

Company's website and crowdfunding pages are a lot similar to a company's business card. While using the benchmarking technique the essential elements that should be positioned on a campaign page:

- Campaign title

The project can avoid losing primary traffic if the page hasn't got a clear label and strong campaign name. The most successful campaigns mostly have similarly structured names that include, first, the name of the project and after that a simple explanation. Following are some project examples from one of the largest platforms in the world - Indiegogo:

'Boozestones - Liquor at its finest '

'Bionic Bird: the Flying App.'

'Canary: The first smart home security device for everyone'

- Video

The effect of a compelling video was emphasized earlier in this work. Projects with videos on Kickstarter are 66% more likely to get funded, according to Kickstarter statistics. According to the Interviewee A, the video should better be too short than too long, perfectly not longer than 3 minutes. It should be inspiring and create excitement about the project, feature the company

and estimate its potential. However, it shouldn't tell the whole story – it's powerful to leave the viewers waiting for more and inspire them to look through the campaign.

- Media

None of the interviewees mentioned this, however, it became fairly obvious during the benchmarking process that featuring all the media hubs that wrote about the project can gain noticeable weight for it by assuring the readers of company's reputation and credibility.

As seen on media:

Ambronite has been chosen among [The 11 Hottest Startups In Northern Europe](#) by Business Insider among Supercell, Jolla and Beddit.



"It tastes like a smoothie I made myself." - A. Sifferlin & K. Conniff, TIME Magazine

"I could certainly see myself using it when running short on time."

TIME Magazine: *"Soylent Has Some Competition—And We Taste-Tested It"* by Alexandra Sifferlin

ArsTechnica: *"If Soylent makes you nervous, you might like Ambronite—but it's not cheap"* by Lee Hutchinson

2/3 claimed

\$159 USD

20 AMBRONITES (EARLY BIRD!)

20 Ambronite Supermeals in single-meal packaging. Includes EARLY BIRD discount of 10%.

SOLD OUT

(Shipping included in US and Finland. For international shipping, add \$30)

Estimated delivery: **September 2014**

100 out of 100 claimed

\$169 USD

20 AMBRONITES

20 Ambronite Supermeals in single-meal packaging.

(Shipping included in US and Finland. For international shipping, add \$30)

Estimated delivery: **September 2014**

45 claimed

\$239 USD

30 AMBRONITES (EARLY BIRD!)

30 Ambronite Supermeals in one-meal packaging. Triple the Ambronite, ten times the excitement! Includes EARLY

FIGURE 12. An extract from the crowdfunding page of company B

- Description

It was stressed by the interviewees that attractive presentation is one of the major elements of success. The way the idea is presented is often even more critical than the idea itself. The message should be clear and concise, and answer all the questions that might arise from potential investors.

- Rewards

Creative rewards are essential for attracting the attention of crowdfunders. It might be anything starting from a trial or sample of the product to tickets for events and conferences, or even a dinner with a celebrity.

- Reasonable deadline and funding goal

It was mentioned in the theoretical framework and backed by the respondent's answers that it is important to be rational and justify the funding sum, as well as the deadline. Reasons and explanations on where the money will go to should be clear and credible.

Direct contacts and event participation

Another essential part of communications during and even before the campaign is the utilization of personal contacts and participation in events. None of the participating companies has organized its own event, but while benchmarking it occurred to be a very efficient way of generating awareness and public attention around the campaign. This also provides some guarantees for the aforementioned 30% rule fulfilment, which states that before the actual beginning of the campaign 30% of backers should be ready to invest.

If a sufficient amount of direct contacts cannot be gained with only company's current connections, conferences and other business events are able to solve this problem. Companies A and B participated in a TEKES program, where they met a lot of representatives of start-up and business communities and that provided a basis for their prior network. Interview D evaluated an accelerator program in which his company participated before the beginning of the campaign as one of the major sources of contacts that were utilized during the crowdfunding process.

6.2.3 Risks and challenges

This part of results chapter covers the main risks and challenges that occurred in crowdfunding. It aims at defining the difficulties that might occur during the crowdfunding process, which could potentially become helpful in the campaign planning.

Interviewee A explained that one part that they could have done differently is elaborating more on the campaign in the very beginning. It felt like if they spent more time, the campaign could be a lot better. Interviewee D also stated that it's important not to underestimate the amount of time required for preparation. What is more, he explained that one of the main challenges that

at the same time resulted in a huge reward for them was creating a clear and compelling message.

'Don't rush into it! You have to check every sentence and analyze every little detail, because people are going to ask questions and you have to be prepared'. (Interviewee D)

Another challenge that Interviewees A, C and D named was attracting the people. As networking is one of the main factors influencing the success of a campaign, the entrepreneur has to tell everyone about it. Furthermore, it's not just about talking, but making people tell their friends, visit the campaign website and share it. It's critical to use private networks, but also to force others use their connections.

'You have to shout about your campaign!' (Interviewee A)

The risks named by the participants were hard to generalize. Interviewee B stated that it's important to estimate if the product is actually suitable for crowdfunding. What is more, there are a lot of risks that might lead to campaign's failure. Interviewee A and B both agreed that even with a great idea and project, insufficient preparation and meager amount of supporting marketing during the campaign can damage the final result tremendously and lead to a lousy public failure. Furthermore, if the company actually fails it inflicts a great damage to its reputation and it might become challenging to attain any funding afterwards. Interviewee C stated that even though equity-based crowdfunding is associated with less of a *'crowd entertaining'*, marketing is still crucial:

'Our biggest fail is that we didn't plan enough the marketing aspect of crowdfunding. We should have used more time for marketing planning or hired a specialist.'

6.2.4 Campaign success factor

After analyzing the interviewees' explanations on the main lessons and pitfalls, and evaluating the opinion of Interviewee E, the main factors determining campaign's success were identified:

Networking

- Active networking before and during the campaign process
- Capitalizing on existing fan and follower base

- Dedication and persistence in social media interactions

Attractive presentation

- Compelling and clear project description
- Use of images and videos
- Highlighting unique aspects of the concept

Good preparation

- Good business and marketing plans
- Reasonable valuations and target/goal sums
- Engagement and commitment of the team

7 CONCLUSIONS AND DISCUSSION

This part of the study focuses on conclusions and is based on the research of empirical findings and profound analysis of theoretical sources. It aims at answering the initial research questions and therefore achieving the main objective of this work. Furthermore, it provides suggestions for the commissioning company, based on careful analysis of both primary and secondary data. Taking into consideration previously conducted research on the topic, it also suggests issues for further research.

The major objective of this thesis was to ascertain how to prepare, implement and market a successful crowdfunding campaign. In order to achieve profound understanding of the crowdfunding concept and achieve the primary aim of this study, several research questions had to be answered and analyzed. The first research question intended to scrutinize the reasons behind the choice of crowdfunding.

RQ1: Why do companies choose crowdfunding over other sources of finance?

The aim of this question was to estimate what kind of companies are suitable for crowdfunding and why can they benefit from it more than from any other source of finance. A thorough literature review was conducted and its results were indicated in chapter 2. Crowdfunding, as well as the major traditional ways of financing for startups and small companies were described and compared. Furthermore, after analyzing the empirical findings together with the theoretical

background, it was identified that crowdfunding often includes possibilities provided by other sources of finance e.g. business angels. It was also discovered that majority of companies that participated in this research utilized other sources of financing simultaneously with crowdfunding.

In addition, it was ascertained that it brings a lot of outcomes for the company and most often funding is not the major priority for those who select this type of financing. According to collected primary and secondary data, goals such as visibility, product or market testing or increasing brand awareness are often ranked a lot higher than the investment itself. However, it is legitimate to state that the result of any campaign heavily depends on the way it is implemented, and that by fulfilling certain conditions the entrepreneur can influence the final outcome remarkably.

It is essential to keep in mind that effects and consequences of any crowdfunding process rely heavily on the crowdfunding model that is chosen by the company. This is what the second research question focused on.

RQ2: How crowdfunding models differ and what should companies keep in mind when making the final choice?

This question is closely linked to the first research question, as company's goals dictate the choice of the crowdfunding model and platform, which thereby determines the results of any campaign. Four major types of models were described in the theoretical framework and due to the limitations of this study, only two of them - equity and reward-based crowdfunding - were scrutinized further during the primary data collection process. Each model implies certain concerns during the preparation and implementation stages, and basically involves a specific approach. Types of investors, their motivations and background also differ in each model. A wide range of motives of investors was investigated in the theoretical part and backed by the empirical evidence.

As mentioned in chapter 2, reward-based model gets most of the media attention, and therefore is responsible for the public impression of crowdfunding. According to the judgments of interviewees, reward-based crowdfunding is a lot similar to pre-sales, as the companies who chose it usually benefit from pre-orders, thus sustaining the future of their business through sales. Therefore, the average investment isn't as sizable as in equity-based cases and there is a strong

dependency on creative and appealing rewards. Due to the nature of their products and services, certain firms aren't exactly appropriate for this form of crowdfunding. According to empirical findings, this type is also especially appealing for companies willing to validate and test a market or service.

At the same time in equity-based crowdfunding the major objective for the majority of companies is receiving sufficient growth investments. This model enables entrepreneurs to leverage various kinds of investors, allows flexibility in setting the deal term, and facilitates in acquiring international investors and entering foreign markets. What is more, it is often inclusive of angel and VC investments, which can provide access to more knowledge, expertise and even connections. The average investment in this case is higher, according to the interview results, thus the relationships with investors are usually tighter. However, benefits come with a price, as this model requires a registered company and often implies a vast amount of paperwork.

According to the results of this study, these models both enable companies to establish, expand and engage their community to a certain extent. While making the final decision, the company should take into consideration its goals, the type of product or service, and the form of connection and benefit they are expecting from investors.

As it was mentioned earlier, the results of any crowdfunding campaign rely greatly on its implementation. In order to define the most efficient way to implement one, the following questions should be set.

RQ3: How are crowdfunding campaigns created and implemented? What are the essentials and factors that determine campaign's success?

Crowdfunding campaigns fail easily. This and the next research questions have a strong practical value for the commissioning company of this thesis, as they are aimed at estimating the most effective practices utilized during preparing and carrying out a campaign. According to the primary and secondary sources analyzed in the results, the first step after determining company's goals and selecting a platform is identifying the target audience of a campaign. It is crucial to evaluate why the investors would be interested in the project, what kind of input can they bring into the company and how can they work together with the company. Aforementioned analysis proved that during this process it is worth keeping in mind the type of crowdfunding model that is used, as different platforms involve different kind of investors. Another important concern mentioned by research participants is accurate assessment of time required

for preparation, as well as the timing of the campaign itself. It is crucial not to underestimate necessary amount of time as lack of preparation was named as one of the most common reasons for failure among the interviewees. Likewise, it is critical to decide whether the company lacks essential human capital and skills, and consider whether it is needed to outsource employees or some part of work.

In addition, both literature review and empirical study accented the 30% rule, which implies that campaigns that manage to gain 30% of their funding goal during the first week are a lot more likely to make it till the final objective. On the basis of these findings, one can conclude that it is critical to pay a lot of attention to prior networking and acquiring as many potential funders as possible during the preparation phase. This can be done by actively involving entrepreneur's and other internal contacts, participating in events, conferences and programs for new businesses.

While answering this question, major risks of crowdfunding campaigns were researched as well. As a relatively new field of research, crowdfunding still has a lot of unexplored areas and pitfalls. In order to minimize the possibility of campaign failure it was important to understand what are the major challenges a company might face while doing crowdfunding. According to the empirical findings of this study, most of the mistakes that can be avoided usually occurred during the preparation stage of the campaign. Participants mentioned that insufficient amount of planning, meager prior networking and inadequate extent of supporting marketing were the major reasons for possible public failure.

On the basis of empirical findings of this thesis, the major factors determining the campaign's success were named: networking, good preparation and attractive presentation. The first and the second factors were discussed earlier, while the last one is included into the next research questions.

As mentioned earlier, the following research question is closely interlinked to the previous one. As stated by one of the interviewees, 'the whole crowdfunding campaign can be considered as marketing activities', and so the components that constitute effective digital marketing and communications during the campaign are scrutinized by the next research question.

RQ4: How is digital marketing influencing crowdfunding? What is the best way to utilize digital marketing communications during a crowdfunding campaign?

Marketing was recognized as one of the major factors influencing the final outcome of any crowdfunding campaign. A comprehensive study of literature sources helped to identify the major marketing channels and activities that can be adopted during a crowdfunding campaign. Initial findings included a wide variety of options, however during the empirical research the list was narrowed down and the most effective channels were determined. Company website, online PR, social media and email were recognized as utter necessities, however other tools such as blogs and SEO were also considered powerful. More comprehensive description and analysis of their usage are presented in the results chapter. The role of clear message and compelling content was also stressed, as these elements support the very process of customer attraction and engagement during the campaign. What is more, an intriguing video, as well as some humor and creativity also add value to the content.

7.1 Framework for companies considering the crowdfunding option

As a result of thorough literature review followed by analysis of empirical findings, the crowdfunding process was systematized and described in the scheme below (p. 65). However, while getting acquainted with this framework, it is important to keep in mind that demonstrated results are limited by the scope of this research. What is more, the outcomes of a successful crowdfunding campaign are not included in it.

As crowdfunding is still a fairly new concept and very little research has been done on it, this work can be considered to achieve its main objective in the light of its limitations. As mentioned earlier, only equity and reward-based crowdfunding are scrutinized in this research, as they were beneficial for the case company. Donation and lending-based crowdfunding models and platforms have only been described briefly in the theoretical framework, therefore they can be suggested for further research.

What is more, the results of this research are strongly interrelated with the characteristics of companies which participated in it. Most of them were newly-established companies from Finland and their funding goals and background were more or less similar. Therefore, there is a huge space for research among other kinds of companies that utilize crowdfunding e.g. NGOs and large corporations. At the same time further research could be conducted for specific platforms, countries and industries.

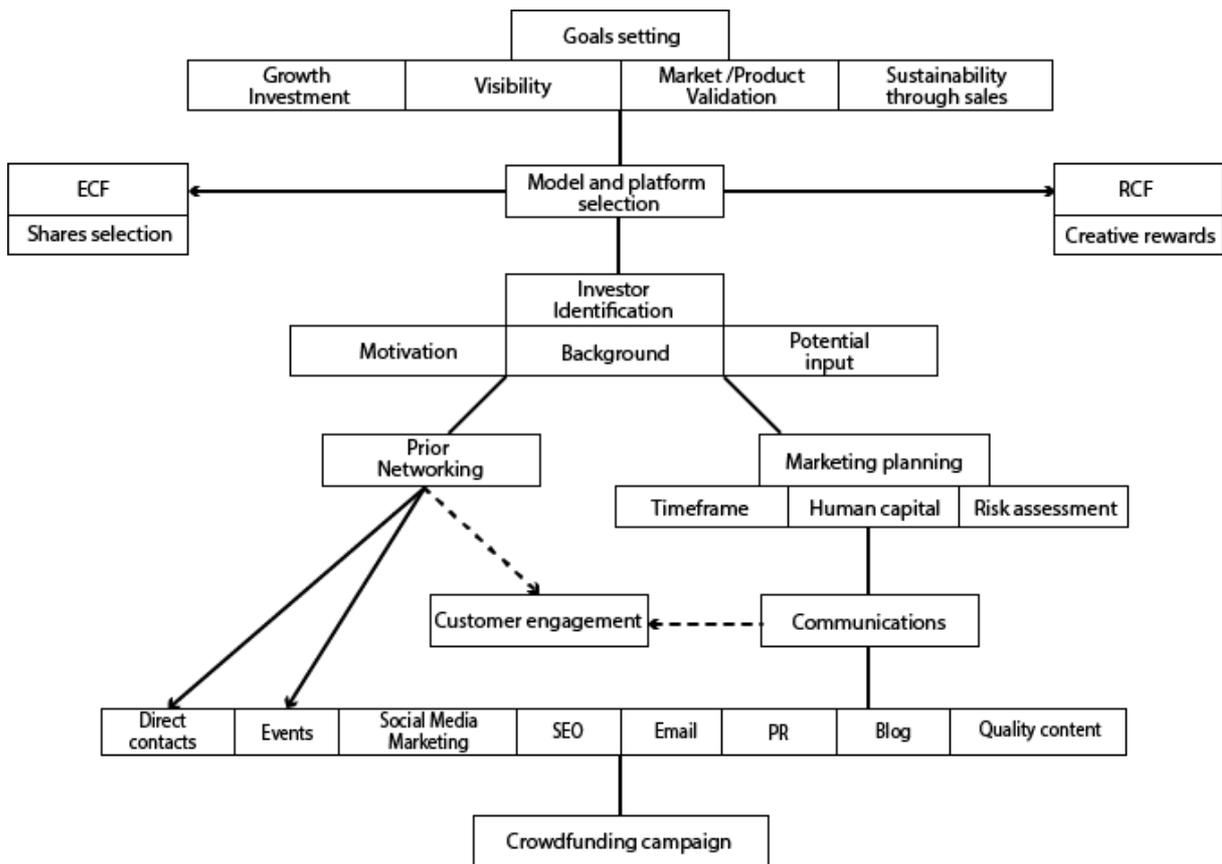


FIGURE 13. Framework for the crowdfunding process

As the next stage after platform selection is identifying the target audience, it is also crucial to mention that this was not the major focus of this study. Trying to analyze the crowdfunding process as a whole and identify which parts and essentials determine its success was the aim of this work, which makes it more exploratory. Precise identification of company's potential investors was not named as a major factor of campaign's success in line with networking, preparation and presentation. However, just like the crowdfunding model and platform selection it was evaluated as a crucial issue to consider before even starting the campaign planning. Therefore, investor identification specifics in crowdfunding can be a very promising suggestion for further research.

Preparation and implementation were identified as major stages that determine the final outcome of any campaign. On the scheme they begin from Prior Networking, Planning and Marketing Communications. A similar research on the topic was conducted by Mari Parkku during spring 2014 and is named 'Marketing a crowdfunding campaign through digital marketing channels: case: The Crowdfunding Platform X'. It focuses on marketing and especially social media practices in crowdfunding on a particular platform. Some of the empirical findings of this study and Parkku's conclusions are similar, which supports confirmability and therefore

trustworthiness of this research. However, marketing aspect is only one part of this work and, what is more, empirical findings of this research are focused not only on the use of social media, but also on online PR, emails, blogging and quality content development.

Prior networking, planning and implementation of marketing communications are believed to be crucial for crowdfunding success, as together with careful selection of digital marketing channels they contribute to the final investor pool generation. The results of this study prove the validity of that statement. However, another essential step during the preparation stage is creation of quality content, that is compelling and interesting for the investors and has a clear message that accurately represents company's and campaign's goals and values. What is more, during the research an important step that takes place during the marketing planning stage was recognized and marked as risk assessment. It is crucial to analyze and evaluate potential risks before the beginning of marketing and crowdfunding itself.

On the initial stage of this research it was planned to focus on digital marketing channels, but later on due to obvious high impact of networking and communications that do not take place in the digital world, marketing communications were investigated in a broader perspective. Every company which is pursuing crowdfunding is encouraged to be as active and persistent in their communications as possible. Both theoretical and empirical sources state that entrepreneurs have to 'shout' about their campaigns. After careful analysis of both secondary and primary data, a range of appropriate major communication channels was identified.

- Company's website and crowdfunding campaign page
- Social media
- PR
- Email
- Company's blog
- SEO (including Pay-Per-Click)

It is suggested for the campaign's benefit to stay creative while selecting the channels, and always keep in mind the target audience of the campaign and the nature of industry in which the company operates. Therefore, the content presented in each channel should differ. Company's blog, as well as some social media networks like Twitter allow a more bold and informal approach, while others have to be as simple and informative as possible i.e. PR and emails.

After selection of suitable communication channels, it is vital to keep the communication stable and endeavor to engage the publicity. Engaging the audience amplifies development of a community of like-minded people around the company and its brand. The review of theoretical literature showed that backers are likely not only to invest into unfamiliar companies, but also to spread the word about a project to other potential investors. This aspect wasn't profoundly covered in this research, however there have already been works that focused on it. A bachelor thesis by Paykacheva Valeria (2014) 'Crowdfunding as a customer engagement channel' has demonstrated that crowdfunding is widely used not only as a marketing tool, but also as an engagement platform.

Another crucial for crowdfunding success factor is what the investors receive in exchange for their contribution. In case of equity-based crowdfunding an entrepreneur has to decide on the type of shares, while in reward-based it is the reward that has to be attractive. The influence of the reward is not scrutinized in this research, but as it is suggested to have a certain impact, which can be researched in a separate study.

7.2 Suggestions for the case company

Commissioning company can benefit significantly from previous parts of the conclusion chapter, but the main proposals for the crowdfunding campaign are outlined in this subchapter. These practical suggestions mostly follow the conceptual framework, but also scrutinize the practical outcomes concerning the preparation and implementation stages. As the X-routes project is not yet developed at its maximum capacity and requires sufficient growth investment, it is first advised to select an equity-based crowdfunding model. However, as one of the company's prospective objectives is entering the North American market, an option of implementing a reward-based campaign in the future can be beneficial. Meanwhile, equity-based crowdfunding can enable the company to grow and acquire crucial resources, as well as valuable expertise and connections. Furthermore, while implementing its first campaign the firm will be able to create a strong network of customers which they would be able to benefit from in the future. A Scandinavia-based platform is strongly recommended, as it will make the communication among the company and investors easier and promote trust. During this research process a leading equity-based platform, Invesdor, was thoroughly examined and is advised for the commissioning company.

The next step is identifying the target audience of the campaign. It is crucial to examine what kind of objectives the potential investors might be pursuing. According to empirical findings of this research, the major ones usually are:

- Financial return and portfolio diversification
- Sharing the same values
- Personal relationship with the entrepreneur

Equity-based crowdfunding can support the long-term development of the project by providing connections overseas, and it also implies more serious and long-term relationships with investors. As the company has already tried to find business angels through personal contacts and didn't succeed, it is suggested to focus on the first and second types of investors. Closely-connected and related to education institutions, teaching and education investors, as well as educational gamification enthusiasts, progressive parents and start-up enthusiasts are among the major components of X-routes target investor group. On the current stage of development the company might be interested in receiving all kinds of input from them i.e. capital, experience, visibility. What is more, it's valuable for the company to try to gain some contacts that might be helpful in the future, when the company will aim at going to the overseas markets.

According to the information acquired during a short training in the company, it is strongly advised to hire a marketing specialist that would be solely responsible for the campaign. Currently the company hasn't got sufficient skills and expertise in marketing field and as it is focused on the IT sphere, there is a chance that the amount of time and efforts to prepare a campaign could be underestimated. Therefore, it is also vital to set a sufficient time limit for the preparation phase. After careful analysis of empirical findings, suggested amount of time would be from 6 to 8 weeks.

Next relevant issue to consider in advance is prior networking. By the beginning of the campaign the project has to already have roughly about 30% of backers, which means they have to be ready to invest. It might seem as a huge number, however, gaining these funders can be done by utilizing all the entrepreneur's connections, as well as the connections of all the members in the team. Furthermore, this initial network can be acquired through participating in all kinds of events and programs. Among the major ones that can be utilized by the commissioning company are Arctic 15, Slush and TEKES - a Finnish funding agency for innovation that also provides all kind of grants.

Risk assessment is another step crucial during the preparation stage. The company has already analyzed major marketing risks connected to its target audience, but has not done this in the light of the crowdfunding process. After careful analysis of empirical findings, the major challenges were identified as follows:

- inadequate estimation of time required for preparation, therefore insufficient groundwork
- lack of marketing expertise and resources

After taking into consideration potential pitfalls, the company can start the preparation. Firstly, it is vital to develop the project's website. Currently the company has its own website, but in order to gain credibility for the project, it requires its own website. It will be the starting point of all communications and all other marketing channels should link to it. The website should be optimized (SEO). Depending on the budget, the project could also benefit from pay-per-click advertising.

Another issue to figure out during the preparation stage is content. The company should create high-quality content that would be compelling and engaging for the audience. During the analysis of empirical findings it was specified that sometimes it is worth to get some copywriting assistance, especially if targeting foreign investors and markets. However, if the company believes that its inside employees have all the necessary marketing and copywriting skills and can produce quality content, this might not be obligatory. It is also strongly recommended to hire a professional agency to shoot the video.

Long before the start of the campaign it is recommended to build up a company blog and start working on press visibility. Through the company blog the project can be presented to the audience in a more informal manner, humor and creative approach to content are highly recommended. Blog provides the project with a chance to show its own voice, tell and showcase the story, as well as keep the community updated on latest news of both the project and industry. The project pitch should be pushed through the influential media and blogging platforms. While contacting those, it is essential not to send the same kind of content to everyone, but to adapt it and make it as interesting as possible for every single source. It is useless to ask for mass coverage without providing engaging content for press releases.

As for the case of X-routes, educational gamification is an extremely hot topic today. Especially since the Programme for International Student Assessment (PISA) survey in 2000, Finland has

earned a reputation of one of the world's best performing education systems (Marten, 2013). Due to this latest trend the project has a potential to gain a lot of publicity and media attention. A short list of platforms that could be useful for the case company is presented below. They are demonstrated as an example, whilst an elaborated list of suggested media platforms and blogs that can be utilized before and during the crowdfunding process can be found in Appendix 3.

TABLE 9. Proposals on media platforms

Platform	Description
Games and Learning	A news and information service aimed at increasing the amount of information available for those interested in developing and funding new educational games for children and young adults.
TechCrunch	One of the most powerful sources, 'a leading technology media property, dedicated to obsessively profiling startups, reviewing new Internet products, and breaking tech news.'
Gizmodo	A major innovation and technology blog
Erli Bird	An early adopter and beta testing community with 40000+ real-world users.
The creators project	Brightest technology and art projects platform

One of the keys to successful crowdfunding is communications planning. An agenda should be defined in advance, with a plan for each week. Major steps to be planned are:

- Online PR and traditional media
- Newsletters
- Social media updates
- Direct contacts and events participation

Email is considered to be a very powerful marketing tool, though the list of contacts should be collected in advance, during the initial networking and preparation phase. It is recommended to customize emails in order to make them more appealing to the customer, and include only relevant information e.g. updates on the service development and stages of campaign preparation.

Concerning the social media, Facebook and Twitter were defined as obligatory in the light of the empirical findings of this research. Facebook is recommended to be used for the most relevant and compelling original content. Meanwhile, Twitter allows more freedom in selection of content. It involves more industry-related curated content, which boosts engagement and communication. The ratio of original to curated content is recommended to be 1/3. Due to the educational nature of the project, it is also strongly advised to adopt LinkedIn for a more professional approach to content.

It is important to keep in mind that even after the campaign finishes, the process is not over. It is extremely beneficial for the company to sustain the communication with the investors in order to develop an engaged network of like-minded people around the brand. What is more, when the campaign is over, it is the time to take care about delivering the promises that were made (rewards or shares).

7.3 Limitations and boundaries

While conducting this research, the concept of crowdfunding was scrutinized thoroughly. As a novel funding alternative, it was compared to traditional sources of financing. Furthermore, the major crowdfunding models were introduced. The reasons and opportunities attractive for the entrepreneurs, as well as the motivations of investors were explained. Essentials of a successful crowdfunding campaign and major risks that might occur were discussed. The role of marketing planning and communications was uncovered and the most significant marketing channels were introduced and expounded. The major focus was on equity and reward-based crowdfunding models and this can be considered as the main limitation of this study. All the above mentioned points might show different results, when approached from a point of view of a different crowdfunding model.

It is obvious that a larger sample could provide a deeper insight on the topic. What is more, a quantitative research on a similar topic might provide a more complete description. Another significant limitation is the types of companies used in this research. Four major firms were small new businesses. A similar research with different kind of companies could also bring strikingly different results.

The major focus of this study was on the essentials of preparation and implementation of a campaign that dictate its final outcome. It also stressed the influence of accurate goal setting

and careful crowdfunding model selection as initial requirements for success. However, even though the reasons and motivations of both entrepreneurs and investors to engage into crowdfunding were investigated, the influence of deliberate investor identification was not examined in the empirical part of the study.

7.4 Reliability of the research

During this research five interviews were conducted via Skype. Several clarifications were done afterwards using email. Four of the companies were very similar to the commissioning party, whilst the fifth was somewhat different and chosen for its ability to provide an important insight on equity crowdfunding practices. All of the four companies were asked the same questions (Appendix 1) which were preliminary approved by the thesis supervisor. The interviews were organized, recorded and transcribed in the same manner. Therefore, accuracy and richness of information was set as the first priority. What is more, a lot of information was collected by using benchmarking method, as well as by analyzing a number of primary and secondary data sources. The foundation for the transferability of this research was established in the previous subchapter, where the findings of this work were compared to the results of similar works and significant connections were made. Comprehensive information on how the information was collected and analyzed was also provided. What is more, the researcher tried to interpret the data in a way that could be easily understood by those who do not have a profound understanding of the topic, providing confirmability of this study.

8 CONCLUDING REMARKS

While conducting this study, the needs of the commissioning company were always put in the first priority. The major objective was to understand and evaluate existing opportunities and provide justified suggestions for the case company on how to prepare and implement a crowdfunding campaign. As I have never encountered crowdfunding during my studies or work, this experience was eminently beneficial for my professional development. What is more, it happened to be a very exciting field for research, as not much is known on the topic yet. While working on this study, a number of suggestions for further research was carried out and mentioned in the previous chapter. However, some of these topics seemed especially interesting. One of them, the role of investor identification in the process of crowdfunding implementation,

was mentioned in this work, but have not been investigated thoroughly. I believe that the nowadays companies do not have enough expertise on how to appeal to potential investors, therefore this knowledge could provide a lot of practical benefits to all who pursue crowdfunding. A quantitative research with a wider range of companies could also provide a deeper insight. Another promising field is the interrelation between prior networking and communications with the customer engagement.

The research process was a lot more demanding and time-consuming than I expected. While analyzing the theoretical sources and gathered empirical data, I gained a profound expertise of crowdfunding and marketing communications implied by it. I received a profound academic knowledge on equity and reward-based crowdfunding practices in the USA and Europe, as well as on the process of campaign creation and implementation. By conducting a short training in the company and carrying out a number of semi-structured interviews, I also developed my interpersonal and communication skills notably.

The conclusions part together with the framework of crowdfunding process can be highly beneficial not only for the case company, but for any business that is facing a similar situation. The suggestions part is also well elaborated and provides an instruction for the commissioning company on how to proceed further.

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APPENDICIES

APPENDIX 1 (1). Interview Questions

Reasons and goals

1. Describe briefly your company's situation before the beginning of the crowdfunding campaign
2. Why did you choose crowdfunding? Did you have any other financial support?
3. How would you describe the main goals for your crowdfunding campaign?
4. Did you have any experience in Crowdfunding before starting your campaign?
5. Which crowdfunding platform(s) did you use and why did you choose it(them)?

The process of preparing and planning the campaign

6. How long was the preparation and the campaign itself? How did you prepare for the campaign?
7. Did you hire any new specialists for it? If not, do you think it was necessary?
8. Did you have a marketing plan before/during the campaign? Do you consider it necessary?
9. Did you have an established network of potential customers and backers before starting the crowdfunding campaign (i.e. a fan page on Facebook)? Do you think it was necessary for success?

Digital marketing and communications

10. What were your **main marketing activities** before/during the campaign?
11. How much time did you spend on marketing activities (per week)? Do you consider this amount of time enough? What was the most demanding?
12. Which communication channels did you use? Have you used them for marketing your business before?
13. What were the most effective and ineffective marketing channels and why?
14. How did you use **social media** before/during your campaign? How would you describe its effect?
15. How were you communicating with backers during the campaign? How much time did you spend on that? Do you think it was necessary?
16. What kind of marketing content did you use? What proved itself to be the most successful?

APPENDIX 1 (2)

17. How much are you communicating with crowdfunders after finishing the campaign?
How are you communicating with them (e-mail, facebook)?

Challenges and outcomes

18. Do you think crowdfunding itself gave your company more than just funding? What else did it **result** in?
19. Do you consider crowdfunding helpful for companies that wish to go international? (i.e. a Finnish company going to the US market) In which way?
20. Was there anything you would have done differently? What would you consider as main **risks** in Crowdfunding?
21. What would be your advice to those, who just started preparing their crowdfunding campaign?

APPENDIX 2 Interview Questions for company E

1. Why do companies choose crowdfunding over the traditional sources of financing?
2. What should an entrepreneur keep in mind when choosing between equity and reward-based crowdfunding? Which companies are more suitable for which option and why?
3. What are the major outcomes of a crowdfunding campaign except the funding itself?
4. What is the role of crowdfunding in the internationalization process of companies?
5. How would you describe the role of marketing communications in crowdfunding process?
6. What is the current situation on the Finnish crowdfunding market?
7. How would you describe the main risks and challenges in crowdfunding?

APPENDIX 3 Proposals on blogs and media platforms for X-routes

Platform	Address
Arctic Startup	http://arcticstartup.com
TechChunch. One of the most powerful sources, ‘a leading technology media property, dedicated to obsessively profiling startups, reviewing new Internet products, and breaking tech news.’	http://techcrunch.com/
Gizmodo. A major innovation and technology blog	http://gizmodo.com/
Erli Bird. An early adopter and beta testing community with 40000+ real-world users.	http://erlibird.com/
Trend Hunter. Ideas and trends community and media platform.	http://www.trendhunter.com/
The creators Project. Brightest technology and art projects platform.	http://thecreatorsproject.vice.com/en_us
PSFK. New ideas in business, design, tech and travel.	http://www.psfk.com/
Gizmag. New and Emerging Technology news.	http://www.gizmag.com/
EduGames Hub – a global community of educational games makers	http://edugameshub.com/
Gamification Corp. A leading source for gamification news and info.	http://www.gamification.co/blog/
ENGAGE Learning - European Network for Growing Activity in Game-based learning in Education	http://www.engagelearning.eu/?p=1
The Serious Games Society (SGS) - a think tank for the future of games for learning	http://www.seriousgamessociety.org/index.php/joomla-pages/about-us
Tech News World. IT and Tech blog.	http://www.technewsworld.com/
KauppaLehti	http://www.kauppa-lehti.fi/5/i/yritykset/yrityshaku/
Game based learning. A community of thought leaders, innovators & practitioners using gaming and social media technology to transform learning.	https://www.facebook.com/GameBased-Learning
Games and Learning - a news and information service aimed at increasing the amount of information available for those interested in developing and funding new educational games for children and young adults.	http://www.gamesandlearning.org/
Education Design Labs. Community. Bringing the education, creative & digital sectors together to design new ways of learning.	https://www.facebook.com/EducationDesignLabs
Learning without frontiers - a global platform for dialogue, discussion & debate about the future of learning	https://www.facebook.com/LearningWithoutFrontiers