



CROWDFUNDING FOR A NOVELTY CONSUMER PRODUCT

Case study: Goodio Cools

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ABSTRACT

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This thesis uncovers the fairly recently emerged concept of crowdfunding, which in simple terms means collecting funds from a crowd for a certain cause or project via designated online platform. In its current form, crowdfunding emerged first after the financial crisis of 2008, when people needed to find other means of getting capital after the banks were reluctant to lend money. Crowdfunding can be implemented in various ways, which are also explained in this thesis.

The thesis will briefly explain the different methods of crowdfunding, and also offers some example platforms. The biggest emphasis of the thesis is on Equity based crowdfunding, which means buying shares of a company via a crowdfunding platform. Equity based crowdfunding is explained in more detail, and few platforms that operate in Finland are introduced.

At the end of the thesis there is also an equity based crowdfunding project, along with a report on the planning and implementing of said project. This Finnish crowdfunding project called Goodio Cools is a specialty consumer product by a Finnish startup, aiming primarily for the Finnish market. Therefore the whole thesis focuses specifically on equity crowdfunding in Finland, excluding the legal matters concerning the topic. My role in Goodio Cools was solely to help executing the project and to work as a marketing manager in the Crowdfunding process. I have no ownership or work background in the company.

The aim of this thesis is to provide the reader with info on the whole concept of crowdfunding, its' different aspects, and to give some examples of each. The project report is to give insight on equity-based crowdfunding and the project planning and implementation behind the scenes. Perhaps the example case of Goodio Cools can help future projects and investors to see if crowdfunding is the most successful means of getting funded.

Key words: crowdfunding, media, online, funding, social media

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1 INTRODUCTION TO CROWDFUNDING AND THE CASE STUDY

The term crowdfunding includes various concepts and methods for collecting funds for seed finance, product development and social causes. The funding is got either as donations or investments from multiple individuals across country borders. One single investment can be fairly small, and the rewards and legislations regarding the funding project vary according to different platforms and national laws. (Investment Management Finland 2012, 5)

Crowdfunding is an online extension from the financial aid of friends and families: the online networks allow entrepreneurs to seek funding from different communities who are looking for reward those with ideas and innovation. Crowdfunding is also a new way for angel investors to find companies to support. In the term “crowdfunding”, the “crowd” refers to either the individual supporting a cause, or the investor whose priority is to maximise profits. The crowd-based decision-making and innovation can be applied to funding of projects or businesses. With the help of social networks and profiles and the viral online communication, individuals and companies have raised billions of dollars either in debt, equity and donations since 2008.

Crowdfunding first emerged in an organized way in the financial crisis of 2008, mostly as a result for artisans, creative businesses and start-up companies’ difficulties in rising funds for their business. When traditional banks were unwilling to lend capital, there was a need for alternatives for conventional funding tools such as bank loans, investor angels or venture capitals.

In this thesis I will not go into detail with the Finnish laws and legislations concerning crowdfunding, since I am not a legal expert and the field of crowdfunding is relatively new and the laws are being adjusted to the changing conditions. In the case study I want to focus only on the actual crowdfunding project, not what happened after the project got financed and ended. Since I am neither an employee nor a partner in Goodio Goods, I have no say of the company’s business outside of the project.

2 HISTORY OF CROWDFUNDING, CROWDFUNDING IN EUROPE AND IN FINLAND

According to InfoDev, crowdfund investing started first in Australia, and was followed by the United Kingdom. In 2013, 45 nations in North America, Latin America, Europe, The Middle East and North and Sub-Saharan Africa, as well as Asia have crowdfunding platforms.

Crowdfunding has been expanding especially in the developed countries such as Australia, the United Kingdom, the United States, the Netherlands, France, Italy and Germany. However, with the growing and easy access to technology, also the developing countries are waking to crowdfunding as a viable source of capital. (InfoDev 2013, 8.)

In all regions, crowdfunding grew at 63% compound annual growth rate from 2009 until 2012. Equity-based crowdfunding grew at 114% rate. (InfoDev 2013, 19.)

According to a report by Massolution in 2013, the European crowdfunding market grew 65% over 2011, generating some US\$945 million in 2012. This makes Europe the second most active crowdfunding market, responsible for roughly 35% of the world's crowdfunding (by funds raised). (Crowdfunding in the European Union 2013.)

Crowdfunding does not have a special status in the European Union. The activities are ruled by the legal frameworks for financial institutions and lenders such as banks and investment entities like venture capital firms, angel investor and such. Crowdfunding platforms must comply with the European Directives and their transpositions to national laws and legislations. For example in France, most platforms are not agreed according to the "agreement for the collection and preservation of funds", and must therefore be backed by traditional banks. The countries' regulations vary: Unlike in France, in Belgium nearly everyone can lend to a company. (Frameworks of Crowdfunding Activities 2011, 2.)

All equity platforms in Europe must comply with the "Prospectus" European Directive, which sets the specifications for sending the needed information for investors for funding over 5M€. The directive exempts crowdfunding providers from any information constraint for funding under 100 000€, which lets national authorities specify the rules

between the 100 000 and 5M€ range. (Frameworks of Crowdfunding Activities 2011, 2.)

Finnish legislation sets some limitations to how equity crowdfunding can or cannot be used. The European Union and national authorities in Europe (Finanssivalvonta, Fiva in Finland) regulate in order to protect the investors.

In the case of international funding opportunities, there might be several countries' legislations to be considered. In the EU, a country cannot demand for prospectus if the collected amount is less than 100.000 euros. (Investment Management Finland 2012, 5-6.)

According to Investment Management Finland, in order to realize the assets and make more investments, Finland should offer the opportunity to sell stocks from an unlisted company. Since the phenomenon of crowdfunding is relevantly new, the exit-practices of unlisted companies vary greatly. (Investment Management Finland 2012, 5-6.)

3 WHY TO CROWDFUND

3.1 Crowdfunding for startups and entrepreneurs

With the help of a crowdfunding platform, individuals, start-ups and emerging companies can get funding and visibility for their activities in a completely new way. Crowdfunding is social and not limited to country borders. It harnesses the power of the community in supporting a certain cause, project or a company in several different forms, which are explained later on in this thesis. With crowdfunding, aspiring entrepreneurs have the potential to reach shareholders who are interested and have knowledge about their field of business, also internationally. These early investors can become evangelists, advisors and mentors for the company, offer their knowledge and connections and thus help the company survive through the challenges in their early phases. Campaign owners, who are often early stage companies and start-ups, also get product validation, support networks and partnerships. Crowdfunding sets the direction towards individually driven and direct investment framework.

(InfoDev 2013, 26-27.)

3.2 Crowdfunding for investors

Funders who participate in crowdfunding often are somewhat entrepreneurial, with understanding for potential, appetite for excitement, and intrinsic urge to be a part of the community that supports the project or company. Usually the funders identify themselves with the project, and provide the social proof of concept while acting as a spokesperson. In this way the funders are ambassadors for the project or business they are supporting, and they help market and promote it through their networks. (Framework for European Crowdfunding 2012, 9.)

For investors, especially equity crowdfunding offers opportunities to invest in interesting companies and projects with high growth potential. Information and communication technology offers new means for communication on an international level, but also local companies and local market can be supported. Equity crowdfunding allows the spreading of investments, and it gives potential for greater profits than the conventional stock

market. Crowdfunding platforms give value to potential investors by providing them with a transparent tool for communication, as well as proof of market interest in a start-up or a project, while allowing the assessment of several potential investment opportunities efficiently, simultaneously and in private. The technology of the platforms enable, increase and improve deal flow and communication while decreasing response time and the time of completing transactions and improving syndication. (InfoDev 2013, 17.)

The social media giant LinkedIn, which is focused on professional relationships, announced, that the number of its' users who listed "crowdfunding" in their skills grew 48% in 2013. LinkedIn also hosts 508 active crowdfunding groups. (Ibberson 2013.)

3.3 Summary

In order for crowdfunding systems to work and be credible, there is a need for more than just entrepreneurs and willing and interested investors: culture of trust is essential for the funding of companies, projects and causes that are mediated via online platforms and interactions. Since there may not be previous interaction and relationship between the funder and the funded project or company, and they might be hundreds of miles away or even in different continents, trust is built solely online. The transparency of information on the used platform, and the near real-time feedback and other communication enables building trust that is generally born in shared connections on social networks, ratings of others on trusted websites, as well as community affinities. (InfoDev 2013, 9.)

4 DIFFERENT TYPES OF CROWDFUNDING

Crowdfunding can be divided into different categories based on the substitutions, compensations and rewards of the projects. Different crowdfunding platforms usually charge certain fees from the project owners according to their own policies. The funding of projects can be “all or nothing”, where if the project does not get the all of funds they aim for, it will fail and no money will be collected. Some platforms charge fees even if the project doesn't reach its' goal and fails, and others will allow the project to gather even smaller amount than what was the initial goal. Usually the charges from the platform vary from 2.9% of the total project funds up to 5% or even 15% of the collected funds plus in some cases additional credit card or PayPal fees.

Some platforms are combinations of different crowdfunding types; they can offer for example both equity as well as donation based projects. The same platform can offer fundraising for different entities, such as Razoo, which support Individuals, Corporations, Non-profits and Foundations. The crowdfunding platform can also be focused around one theme, like PledgeMusic or Sellaband, both of which accept solely projects related to musical creations. (Falcon 2013.)

The single act of funding can be as simple as donating a sum of money as a donation without anything in return, to get a reward or to buy a share of the company that is seeking funding. This report will focus more closely on the latter, which is also known as equity-based crowdfunding, as it is used in the benchmark cases as well as in the Goodio Cools project. The different types of crowdfunding can be phrased in several ways and they might also overlap with each other. Also national legislations pose some limitations to certain ways of crowdfunding.

4.1 Micro Loans

Micro Loans are based on the idea that anyone can lend money via online platforms. Some platforms offer loans to the developing countries in order to fight poverty and develop economic opportunities. When the borrower has financial stability, they will repay the loan. Kiva.org, a non-profit micro loan organization has grown since 2005 to having over million lenders, who donate more than \$1,5 million per week

One person can loan just 25 dollars to help create opportunity in the world. The repayment rate in Kiva.org is around 99%, and the company does not take any percentage from the loans or from any of their 227 Field Partners. (Kiva 2013.)

4.2 Donation Based Crowdfunding

Donation based crowdfunding has been utilized by several Finnish companies. The pioneer platform of crowdfunding, the U.S based Kickstarter uses donation based funding. In the cases of Finnish companies using Kickstarter, there are challenges regarding taxing and the Finnish legislation. Since in Finland one needs to have a permit from the police to get donations, the donation based option is possible only for non-profit organizations. (Investment Management Finland 2012, 6-7.)

Besides Kickstarter, other big donation based platforms are Indiegogo and Rocket Hub, both of which originate from the United States. These platforms have restrictions on the campaign types they accept, where as GoFundMe.com is for a platform that allows seeking for funds for any kind of personal need. (Falcon 2013.)

4.3 Reward Based Crowdfunding

Reward based crowdfunding can overlap with donation based, since some donation based platforms also can offer some rewards or perks in return for donations. Usually the values of the rewards increase according to the donated amount. For example Kickstarter offers the option of giving rewards to funders, which is known as “Backer Rewards.” The same feature in Indiegogo is known as “Perks”. (Falcon 2013).

4.4 Lending or Debt Based Crowdfunding

Lending or Debt-based crowdfunding is similar to equity-based crowdfunding, which is explained more in detail later in this thesis. The main difference between these two is that in debt-based crowdfunding the investors become creditors and do not receive an equity stake of the company. In debt-based crowdfunding, each investor receives an

interest rate associated with the amount bid. (InfoDev 2013, 23.)
Examples of Debt-based crowdfunding include Prosper, and Finnish Lainaaja.fi and Fixura.

4.5 Equity-Based Crowdfunding

Equity crowdfunding is a means for a startup or other company who is looking for greater interest and investment resources, to seek funds via online platform. A single investor can input just few thousands of euros, after which they become shareholders via regular sharing of issue. Equity crowdfunding campaigns offered in Finland must be prepared carefully and according to the Finnish law. Usually the whole campaign can be executed completely online.

The following chapter explains further few different equity-based platforms that operate in Finland.

5 EQUITY-BASED CROWDFUNDING PLATFORMS

The number of different crowdfunding platforms has exponentially grown in the past years. According to estimations, by the end of 2011 there were 435 worldwide platforms, and the numbers are growing by 63% per year.

Below is a short description of few equity-based crowdfunding platforms, which are either originally from Finland, or operate also in Finland.

5.1 Invesdor

Invesdor is North Europe's first equity based crowdfunding platform. The company, founded in 2012 in Helsinki, operates also in Estonia, Denmark and Sweden in 2013. Currently the company is focused on North Europe, but expansion to other markets is not impossible. In less than a year, 145 000 euros has been invested through Invesdor in Finland. (Good News From Finland 2013.)

Invesdor's minimum investment amount is 20 euros, which allows people not interested or who cannot afford being business angels, still to invest in growing enterprises. The company wants to allow people to fund growing businesses even from their own couch. (Good News From Finland 2013.)

5.2 Venture Bonsai

Venture Bonsai is a platform for European startups and companies. This Finnish company offers opportunities for equity funding in small entries from numerous investors. Venture Bonsai includes social media in offering a platform for communication between potential investors and the fund raising company before the investment decision. Venture Bonsai is the first service to offer also practical tools for the whole investment process, both for the small companies as well as their potential investors.

Venture Bonsai's idea is to offer a company and product profile for the companies who wish to get equity from investors. The potential investors who are interested in the company's progress are then easily kept up-to-date in a Twitter-like manner. When the funding round is current, Venture Bonsai supports the company with sample documents and different tools including ways to build trust. During the investment round, the entrepreneur gets to choose who see their documents. Venture Bonsai offers open share rounds, and the company highlights full transparency in their business. (Venture Bonsai 2011.)

5.3 FundedByMe.com

The crowdfunding platform used for funding the Goodio Cools project is Swedish Fundedbyme.com. The platform was chosen for Goodio due to the domestic and international opportunities it provides. Even though FundedByMe is fairly new and doesn't have the same hype around it as Kickstarter has, the on-going projects seemed to be in line with Goodio's vision and brand image. FundedByMe was founded in March 2012. Since its' launch, it has over 26 000 investors who have invested nearly 4 million euros. (FundedByMe 2013.)

FundedByMe is the first crowdfunding platform that includes both reward-based as well as equity crowdfunding. The global platform focuses on transparent cross-border investments, helping entrepreneurs and investors meet in a trustful environment.

In 2013, FundedByMe had offices in Sweden, Finland, Denmark, Norway, Spain and Germany, but the company operates globally. The equity funding is currently available only to European entrepreneurs, whereas the reward-based crowdfunding is global.

FundedByMe assists entrepreneurs and investors in each step of the crowdfunding process. Social media elements are included in all of the campaigns, and the weekly investors' and daily entrepreneurs' digest is sent to keep the users engaged. (FundedByMe 2013.)

5.3.1 Equity Crowdfunding in FundedByMe

The Equity Campaign process starts by submitting the campaign to be assessed by FundedByMe. All the terms such as investment amounts, number of investors, and other prerequisites of a Campaign are set by the Campaign owner, not by FundedByMe.

Usually the amounts to be collected range from 50 000 to 200 000 euros, and the duration of the project from the planning phase to the funding takes usually approximately 6 months.

During the first, so called Pre-Round stage, the Equity Campaign is only visible to registered Members. Members who are interested in the project may receive more extensive information, such as financial details, by clicking a button on the specifically assigned web page. The Pre-Round stage lasts for 1 month, and if the project raises interest and is successful, it will continue to the Open Round.

After closing the Pre-Round stage, the entrepreneur can open the second, Open Round, in which the members who registered their interest during the Pre-Round can invest in the campaign. The campaign owner is responsible for setting the participation terms and duration of the Open Round. FundedByMe does not partake in the Open Round; it is just the connecting platform and does not offer any financial advice, it only helps with marketing and promoting the campaign.

A Member who is interested in a campaign may report their interest including an investment amount, which is not binding in any way. The Equity Campaign owner can accept or reject the investment offers.

After the campaign owner has accepted the investment offer, the Member electronically signs up for the investment. Until the subscription note of the share is issued and signed, the Member can re-call the offer.

After closing the campaign, the Campaign owner will send all necessary documentation to all the investors in order to complete the investments. (FundedByMe 2012.)

According to Kristiina Pääkkönen, the Country Manager of Finland in FundedByMe, the most successful equity-based projects in FundedByMe are consumer products. Finland is known and requested for game industry companies. In general, FundedByMe has

attracted several technology start-ups, but the campaigns range from vodka to video games and baby clothing. (FundedByMe 2013)

5.3.2 Fees

FundedByMe charges 6% of the total amount raised for a successful project. Campaigns who do not reach their minimum investment threshold are not funded, the capital is returned to investors and there are no charges for the entrepreneurs.

FundedByMe fees include access to the registered investors, social media visibility as well as publicity in the other FundedByMe marketing communications such as newsletters and blog posts. FundedByMe provides tips and best practices for success in its blog, and sends email digest on current campaign activities and assistance during the campaign execution. (FundedByMe 2012)

There might be additional taxes and additional fees depending on each country's individual legislation and procedures.

5.3.3 Future Prospects

Kristiina Pääkkönen, the Country Manager of Finland in FundedByMe states that FundedByMe is Europe's fastest growing crowdfunding platform and the only platform offering both equity based as well as reward based funding. What comes to the crowdfunding market, Pääkkönen states that in this market size there is not enough room for 5 crowdfunding companies in Finland. She predicts that as a phenomenon, crowdfunding is growing and upcoming industry, and Finland is in a mature stage, compared to for example Norway and Spain. In Finland, there is more competition in relation to the population.

“Usually the successful companies in crowdfunding have been from the creative industries, where companies have not had the chance to meet the investor angels before,” Pääkkönen states. She also says, that: “The equity based crowdfunding poses high demands for pitches, and the company that wouldn't succeed with the investors won't

succeed on the platform, either. Companies who have a good product can fulfil their dreams with the help of interested people from all over the world, who see the potential of the product and the team.” (2013)

6 CASE STUDY: GOODIO COOLS



6.1 Company overview

Goodio is a Finnish startup company, founded in 2012 from the needs of 3 friends who wanted to have more high quality products on the market. The company established their own raw chocolate production facilities in Herttoniemi, Helsinki, where they produce their own organic, stone-ground raw chocolates. The company portfolio also includes trail mixes made from dried berries and nuts, and the future prospects are to expand the product families and add new product lines. Besides Goodio Cools, new product families for 2014 include for example organic smoothie mixes, chocolate-coated berries, and snack bars.

Goodio's mission is to promote wellbeing, give people good mood food, to provide high quality options for healthier indulgence with affordable prices. All of Goodio's products are plant-based, either organic or wild crafted, which is the key factor for the pricing. The packaging materials are as eco-friendly as possible, and the raw materials are directly sourced from the producers to ensure quality and ethicality.

6.1.1 Goodio Cools

Goodio Cools is an alternative to ice cream made from dairy. It consists of only 4, all organic and natural base ingredients, which alone makes the product unique and stand out from the rest of the products in the market. Goodio's plan is to start the production with 4 basic flavours, and then later on increase the selection and to include also flavours with chunks and swirls.

Goodio Cools is suitable for everyone, but especially for those who are sensitive or allergic to certain allergens i.e. dairy or soy. Goodio Cools is also aimed to LOHAS consumers, who are conscious and want to be aware of the origin, ethicality and quality of the products they consume.

6.2 The Market

Before launching the funding campaign, we conducted research on several markets such as LOHAS (Lifestyle of Health and Sustainability) and factors contributing to the demand of Goodio Cools in Finland.

According to a research by Tripod Research, every third consumer is a responsible LOHAS-consumer, who leads the sustainable development and health-promoting lifestyle. Great number of LOHAS-consumers do not find the products they are seeking for in the store. The raw material and ingredient choices, production conditions and consequences of usage are expected to be responsible and transparently informed about. These consumers make decisions that reflect their desire to live more healthy and according to the principles of sustainable development. (Tripod 2011.)

The organic market keeps on growing and going strong. According to estimation by Pro Luomu, the sales of organic food grew approx. 20-25%, and rose to 200 m euro in Finland. The organic market has been estimated to having grown even 50% during 2012. In addition to the organic sector, the demand for specialty products is increasing. (Pro Luomu 2013.)

Finland is researched to have the biggest consumption of ice cream in Europe, with 14 litres of ice cream per person per year. Almost half of the consumers are interested of the origin of their ice cream, and domestic products are highly valued. (Taloussanomat 2011.)

18 percent of Finnish people suffer from lactose intolerance, According to estimations, 75% of all the people in the world have lactose intolerance after infancy. (Pribilia, Hertzler, Martin, Weaver, Savaiano, 2000.)

Along with the rise of different special diets and lifestyles, there is a growing demand for lactose- and allergen-free products. People with restricted diets also want to indulge, preferably guilt-free.

One of the strong assets of Goodio is the fact that it is a small, domestic company. The ice cream market in Finland is dominated by two international giants: Nestlé and Unilever. In 2010, the value of single-packed ice creams in Finland was approx. 100-120 million euros. Unilever's market share was 15-25%, and Ingman Ice Cream was approx. 20-30%. Nestlé's market share was estimated to be 45-55 percent. (Kuluttaja-, ja kilpailuvirasto 2011.)

Goodio believes that there is room for small entrepreneurs in the market, and that artisan products will continue to increase their demand as people become more and more aware of their health and wellbeing through nutrition conscious choices as consumers.

7 GOODIO COOLS PROJECT

The screenshot shows the FundedByMe website interface. At the top, there is a navigation bar with the FundedByMe logo, a search bar, and a 'CREATE CAMPAIGN' button. Below this, a horizontal menu contains links for 'Browse Campaigns', 'For Entrepreneurs', 'For Investors', 'Success Stories', 'What is FundedByMe?', 'Learn More', and 'We're Hiring'. The main content area is titled 'Goodio Cools - Ice Dream Come True' and features a central image of four ice cream tubs. To the right of the image is a summary box for the equity campaign, displaying '28 Investors', '€50,000 Raised', and '10.00% Of company's shares'. At the bottom of the page, there are tabs for 'DESCRIPTION', 'DOCUMENTS', 'QUESTIONS', and 'ACTIVITY', and a 'BROWSE CAMPAIGNS' button.

Goodio Cools project introduction page on fundedby.me.com, 2014.

The initial idea for Goodio Cools came from Jukka Peltola, one of the three co-founders of Goodio. He suggested crowdfunding as a means of getting the product running and public, and FundedByMe.com was his first preferred platform option. In September 2013, I started researching other possible platforms and different crowdfunding types in order to find the most suitable one for Goodio Cools, and also to get some benchmark and framework for a successful campaign execution.

FundedByMe seemed like a suitable choice as the platform for the reasons previously mentioned in this thesis: the international, but Scandinavian platform offers potential for success both domestically as well as throughout Europe. The internationalization opportunities are an important factor and future prospect for Goodio, thus making FundedByMe more suitable than only Finnish platforms.

7.1 Early stage project planning

The early stage project planning consisted of the aforementioned research on the markets, and writing down the unique selling points of the product. The idea was to make

Goodio Cools accessible to all and brand it as high quality product that can be enjoyed without a guilty conscience. In addition to the unique selling points, the campaign was structured in several meetings, where we also analysed the different target groups and specified the necessary steps that needed to be taken in order for the campaign to succeed. My part was to outline the needed content and write the texts in collaboration with Jukka Peltola. We decided the project to be only in English, since it would give more international potential.

In order for a project to get accepted to almost any crowdfunding platform, there needs to be certain financial documents of the company, as well as a target goal for the funding. In Goodio Cools' case, the amount sought to be funded was 50,000€, giving away 10 percent of the whole company. The target amount was broken down to smaller sections explaining more in detail where the investments would be directed.

In November, I had an interview with Kristiina Pääkkönen, FundedByMe's Country Manager of Finland. The aim of the interview was to get a professional's insight on implementing and maintaining a successful campaign. I also enquired about general crowdfunding-related issues for this thesis. According to Mrs. Pääkkönen, and several articles I came across online, crowdfunding is suspected to be a growing phenomenon.

7.2 Project launch

After launching Goodio Cools in fundedbyme.com, the project got investors almost immediately. Even though the campaign didn't have a video, and the social media coverage was fairly small, within the first 10 days, Goodio Cools had collected 18,000€. The campaign got fully funded in just 25 days, being the first Finnish success in FundedByMe, and the fastest successful project on the platform.

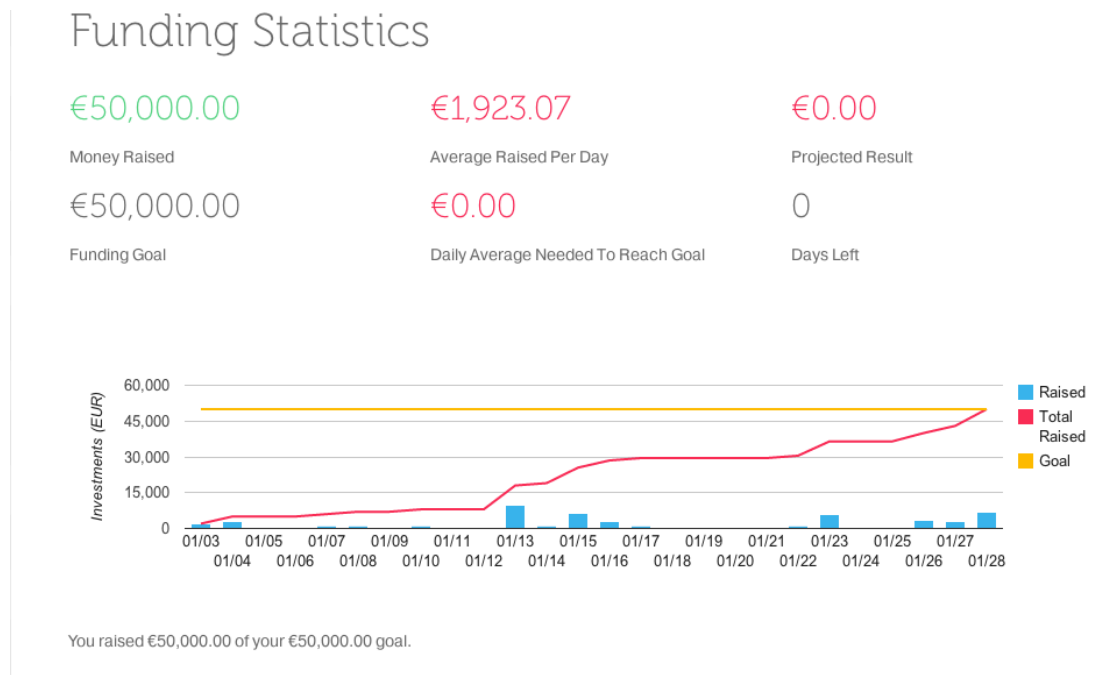
7.3 The investments and investors

Besides Finland, the investors and new shareholders of Goodio are from Sweden (6), Norway (1), Estonia (1), Italy (1) and France (1). Generally, the investments are the minimum amount of 1,000€, but the highest single investment being 5,000€ (2 people)

and second-highest 4,500€. The highest amount raised per day was January 13th, ten days after the project launch, when the project raised 10 000€. In the last 3 days of the campaign, the project collected 10 500 euros, making the closing fast and surprising. Because of the last days' surge in interest, some people missed out on the investment opportunity.

Besides direct investments, the company got a fair amount of new contacts and potential leads for the future. Several people who did not get a chance to invest through FundedByMe contacted regarding further investment possibilities. It also seems like the investors were mainly people who share the company's ideals and values, and want to help. Instead of business angels, Goodio Cools got backed by people who are also the end customers of the product and want to see the ice creams hit the market. The investors probably followed the campaign online in social media, and helped contributing its' spreading to wider audiences.

The peaks in investments cannot directly be linked to social and other media presence and updates, since according to FundedByMe statistics some of the investors visited the campaign more than once before making the investment decision. However, the number of visitors peaked each time there was an update on Facebook, indicating that updates kept people engaged and sharing information brought new customer and investor prospects for both Goodio and Goodio Cools. During the Pre-round, the projects' contact person and CEO of Goodio, Lasse Jalkanen, received several questions regarding the financial information and future prospects of Goodio Cools and Goodio. Competitor analysis, business plan and profit calculations were given to all investors and those interested getting shares in the company.



Funding statistics screen capture from Fundedby.me.com (28.01.2014)

FundedByMe offers statistics on the project, its investors and how it is reaching the goals. Following the statistics was interesting as well as encouraging for the team, and offered insight on the demand for the product. It was interesting and in some cases surprising to see where the investors came from.

7.4 Marketing and media exposure

Goodio Cools proved out to be a successful campaign even without a video or other promotion materials that were advised to be included in the campaign in order to raise interest and get funded. Our simple product design mock-up along with few pictures, an illustrative graph and a brief team introduction was enough of extra visuals to support the main content and supporting documents of the campaign.

7.4.1 Facebook

In the beginning of the pre-round and the whole campaign, the team did not have a clear schedule on the marketing process and different steps to be taken. We decided to “play it by heart” and update our Facebook page as often as seemed smart and purposeful: we

wanted to provide information and updates but not spam people with inadequate or meaningless content.

In the beginning of the campaign, Goodio Goods had less than 1,000 likes on Facebook. The initial plan was to spread the word also through other Facebook communities and groups, such as Vegaani (vegan), Taivas ja Helvetti (entrepreneurial publication and related group), Paleo Suomi (paleo lifestyle), ERY (Society of Living and Raw Foods) and Safkatutka (page revealing the “Hidden truth” of different food products and their labeling). The shared links to the project received a lot of positive feedback and comments, along with some questions, mostly not related to the campaign, but to the product. I replied to all of the questions, no matter how irrelevant, with my own name, as well as I could.

Through sharing, liking and spreading the campaign on the groups and pages, Goodio Goods increased its’ Likes to over 1,200. One non Goodio Cools-related raffle on Goodio Goods page also increased the Likes, which made the later campaign publications visible to a greater number of people. Safkatutka suggested the possibility of boosting the campaign visibility through paid advertisement, but at that point Goodio Cools had already been funded for over 70%, so we found it unnecessary for the time being.

Besides posting on the aforementioned groups, Goodio posted updates on its’ own Facebook page. We told people about an interview of one of the company owners, and posted few times about the rapid progress we were making. If the campaign had not been so successful on its’ own, there might have been a need for paid advertisements to boost and raise awareness. Just the power of “Liking” and “Sharing” quickly spread the campaign to a wider audience, which itself was important whether people were interested in investing or not. For Goodio it was important to see if there is a demand for such product, and judging by the response, there definitely is interest and a strong customer base for Goodio Cools.

7.4.2 Twitter

Goodio's existing Twitter account had been inactive for over a year when launching the Goodio Cools project. There was no specific plan for Twitter updates regarding Goodio Cools or other subjects, despite the advice from FundedByMe and other crowdfunding resources, which all suggested to have active marketing in various social media, not just Facebook. After meeting with FundedByMe's Kristiina Pääkkönen regarding social media coverage and different strategies, the campaign had already collected 83% of the funding goal. Therefore it seemed uncalled for to start tweeting at that point, even though the meeting gave great insight and inspiration regarding Goodio's marketing strategy in the future.

7.4.3 FundedByMe.com

FundedByMe.com placed Goodio Cools campaign on the top of their webpage, providing more visibility than some other projects got. The campaign was also included in FBM newsletter, and it was posted on FundedByMe's Facebook wall. We were provided with the opportunity to set up a Skype session with FundedByMe's other country offices to tell about the project, and we also could have organized some kind of a pitching event with another campaign owners. Since the project was going so well without the extra efforts, we found all the extra possibilities too time consuming considering the results we could get.

7.4.4 Other media

Goodio got attention also in some print publications, but the company had no media surveillance over which press took the matter public. Kauppalehti came to interview Goodio in February, and one women's diet magazine wrote an article about a new healthy ice cream. Radio Rapu radio station asked for a half hour interview after the campaign had gone through, in March. Jukka Peltola went to tell about the success story and the subject of crowdfunding in general. Also the magazine "Huili" wrote an article about ice cream, which mentioned Goodio Cools. According to Jukka Peltola, most media was waiting for the ice cream launch in order to write articles, instead of writing about the crowdfunding project.

7.5 After the crowdfunding project

After the Goodio Cools project got funded, the work with various aspects of the production started rolling simultaneously. The research and sampling for raw materials, looking for the right supplier for packaging and the production of the ice cream was just the tip of the iceberg.

7.5.1 Budgeted costs

Goodio had planned a share of the budget to marketing and branded counter top freezers. Jukka Peltola says: "The idea was to get resellers from places that didn't necessarily already have ice creams, i.e. quality coffee houses and speciality stores like Punnitse ja Säästä-chain. We didn't want Goodio Cools to be in the same freezers with soy ice creams and other allergen-friendly ice creams. At the same time we needed to plan the pack, the lids, and design that went to it. Money went to 50 freezers, graphic design and changing it according to the packaging requirements, and sourcing for organic dates and coconut milk. Oftentimes coconut milk has added guar gum, which we didn't want. I found one in Sri Lanka, but it was packed so that the cans had BPA", Jukka Peltola tells.

When starting the project, the recipes for the ice creams were already fairly ready, but Goodio also wanted to test the bigger scale production. Because of unusual ingredients, there was special machinery needed to produce the right consistency product. Throughout the spring, there was price competition amongst different sub-contractors and manufacturers. "We were doing a lot of things at the same time: Finding the packaging materials, trying to find the right ice cream manufacturer with enough scaling capacity and the right machinery to produce with special ingredients, if they could also fill the ice cream packages and if they were certified organic and had logistic solutions. There is not that many companies in the business, and even fewer that could match our criteria. We had to change the look and feel of the packaging because of there was trouble with

where to print, and the minimum order turned out to be 30,000 pcs per flavour, making our first order to be for 90,000 ice creams.”

7.5.2 Unexpected costs

Law matters and paper work took a lot of time and money: Different agreements had to be made, modified and sent to all the shareholders. For a startup without an existing lawyer this was a big challenge and unknown field. Jukka Peltola from Goodio wants to state that the legislative matters should be considered when starting a crowdfunding project: ”there is a big cut of the money that goes to the lawyers and legislative matters. You should include this amount to your budget”.

7.5.3 Crowdfunding

Jukka Peltola’s advise for those interested in crowdfunding: “My own experience is that you need a dedicated team and clear roles for each person, especially the contact person should be carefully chosen. You also need to have a plan for executing the project after it gets funded. In our case it would have been clearly impossible to try to plan for everything in advance, there were so many surprises. We made the whole project so fast, it would have been a massive job to try to plan for it all before launching the project. It is very challenging for an ice cream producer to even test this kind of product with such special ingredients.”

As to how to determine the amount to be collected through crowdfunding, Peltola advises: “Don’t underestimate the needed sum. In the case of success, you need to have enough money to execute the project and launch. The problem is the amount of planning. It is hard to plan ahead all of the possible scenarios and money holes.”

About Goodio Cools project, mr. Peltola has learned a lot.

“We were incredibly ambitious with our goals of having the ice creams out in the market within half year of the crowdfunding. In a way we succeeded 50% - we succeeded in the project but not in the launch.

If your project doesn't need a lot from outside and there are not many variables, then you don't need so much planning. The more external factors you have, the more risks you have. Your investors share the risk with you, but in the end, you are the one to carry the responsibility. The responsibility and the expectations of others may turn into a burden. There is a difference with someone investing 2 dollars to get a t-shirt to investing several thousands of euros for something no one has done before.”

After the crowdfunding project, there were inquiries for at least 5 University theses interviews regarding crowdfunding from countries such as Denmark, Italy, Sweden, and Finland. Jukka Peltola gave 3 Skype interviews and 2 written messages to these students.

In August 2014, the project is on hold due to new company ownership negotiations.

8 DISCUSSION

8.1. Crowdfunding in general

Crowdfunding in general is beyond getting funds for a specific goal, it is also a means for an individual or a company to test their ideas' appeal to the market. One can share their passions and professional ideas beyond country borders, introducing themselves and their inventions to potential investors and customers in other countries and continents, too.

8.1.1. Crowdfunding platforms

When thinking of crowdfunding as a means to getting funds, one should first consider the various different possibilities crowdfunding offers. Lending or donation-based crowdfunding might be best options for an individual looking to fund a personal project. When it comes to startups looking for more than just funds from fans, friends and family, and perhaps also professional senior advise, equity-based crowdfunding might be more valuable option. Because there are a vast variety of different crowdfunding platforms all over the Internet, research between the different prospective options should be conducted before jumping to the first platform that comes around. Also national differences regarding legislations should be taken into consideration when choosing the best platform.

8.1.2. Project execution

After determining the suitable platform and before starting the campaign, it is crucial to define the target amount to be collected. If the collected sum is too little to make the project actually happen, one should consider the alternative methods for collecting the needed remaining funds. Even though the crowdfunding campaign is a success, it does not automatically mean that there is enough capital to finance the project launch. Especially in the case of low-budget startups, this might mean that the project fails, unless there is alternative means for funding.

8.1.3. Success

If the campaign is not marketed well and promoted to people, it might not reach its' potential investors and customers. There are several guides to making a marketing plan and schedule online, and the crowdfunding platforms may also require scheduled plans before allowing a project to be launched online. Platforms also often give advice and schedules for the project execution, but it is also possible to successfully complete a crowdfunding project without scheduled marketing plans and other activities. This success requires either a solid brand with eager followers, high consumer demand for the project, or just pure luck. Building trust with the audience is in my experience very important: with visuals like video material or mock-up prototypes of the upcoming product will make the project seem more credible, tangible and better thought-through.

8.1.4. Failure

If the project fails in collecting sufficient amount of donors and donations, it still has collected important information to the launching company or individual. Crowdfunding is a good channel for conducting market research and to see if the market has demand and interest for the product. Even if the campaign fails in collecting the needed amount to succeed, it might still get funding through other channels. The saying "There's no bad publicity" is somewhat valid with also crowdfunding: the more publicity your project gets and the more people become aware of it, the better.

8.2. Goodio Cools

Clearly, Goodio's crowdfunding campaign for Goodio Cools was a hit. It was a wonderful market research project to find out if there is demand for such novelty products. Nevertheless, even half year after the FundedByMe project was completed, there still was no Goodio Cools ice cream on the market. Goodio faced problems with the actual product launch in several stages: the raw materials, packaging etc. had some unexpected additional costs, leading to problems with the raised funds ending before intended. The ice cream launch was scheduled to be at the beginning of summer 2014, but it was de-

layed until further notice in August 2014. Goodio's co-founder Jukka Peltola was very eager to give his insights on the pitfalls and learned lessons from his crowdfunding experiences, and he has also shared his opinions and advise in radio as well as for theses from 4 different countries.

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