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REWARD-BASED CROWDFUNDING

Case ASMO-charger

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ABSTRACT

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This thesis focuses on studying a rising global financing phenomenon called crowdfunding. The aim of this work is to find out what kind of a financing method crowdfunding is and how it can be used by individuals and start-up companies for gathering capital. Work also focuses on clarifying what exactly crowdfunding is and how does it work because the subject is quite new and the information about it is still scarce.

The work itself is based on literal sources and analysis of the information available from different sources of statistics. With the usage of extensive amount of different sources of information, the work aims on combining all the essentials about the matter and creating a compact packet of information about crowdfunding, especially about reward-based crowdfunding. The practical point of view to this thesis comes from the interview with Asmo Saloranta, CEO of ASMO-charger. A company that has successfully executed a reward-based crowdfunding campaign.

Thesis starts on determining the basics of crowdfunding, its history, terminology and different methods of how it can be used. After that, the work advances on analyzing the most prominent crowdfunding platforms which rule the crowdfunding world. Even though the focus will probably shift in the future because of the continuing evolution of this phenomenon. Then the thesis will go through the basic benefits and disadvantages, global markets and discusses how crowdfunding works in Finland. In the latter part of the work the thesis sums up why crowdfunding is a good alternative of financing for individuals and start-ups and how to successfully execute a reward-based crowdfunding project. Last part of this thesis will go through the steps that ASMO-charger took when the company decided to gather capital by using reward-based crowdfunding to finance the product they had planned. This section is based on the interview with the company CEO and on the observations made by the author.

Keywords: Crowdfunding, Startup, Financing, Crowdfunding platforms

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1 INTRODUCTION

When the financial crisis started in 2008 it heavily affected the abilities of banks to offer credit for businesses and especially smaller businesses in the United States. Lending to smaller businesses declined from 659 billion dollars in June 2008 to 543 billion in June 2011. Smaller businesses rely very much on bank credit and so this affected them heavily. This could be seen as a start for rising demand and use of crowdfunding, which had been present already for almost over a decade. Smaller and starting businesses needed capital to run their businesses and when the banks didn't offer them any or at least affordable choices enough, the companies started to look for it elsewhere. (Young 2013, 24.)

The aim of this work is to go through the main features of crowdfunding and answer the question how to create a campaign that has all the essential traits to be successful. As a whole, it is impossible to go through every aspect from advertising to value added taxation entirely so some parts are left out that the work can be kept as a solid package of information. As the legislation regarding crowdfunding is changing all the time, some of the information mentioned in this work can be out of date very soon. Because of that people who consider using crowdfunding should always check the current status of national and international legislation regarding crowdfunding.

The real world point of view to this work comes from a Finnish crowdfunding success story of ASMO-charger. It is one of the first few Finnish campaigns that were successful in reaching their funding goal, and has made crowdfunding much better known in Finland since it gained huge attention at the national media. The interesting thing with the case of ASMO-charger is that they first had an unsuccessful campaign and a year after tried again and succeeded. The information on this part of the work was gathered by an interview with the company CEO Asmo Saloranta who was very helpful in sharing his knowledge about crowdfunding.

2 CROWDFUNDING

In today's world where the financial situation has been uncertain for many years and banks and other investors have tightened their requirements for investing has led to a situation where companies have to seek capital from different sources than before. This has allowed crowdfunding to grow and gain a position alongside with the conventional financing methods.

2.1 What is crowdfunding?

Crowdfunding is shortly explained a way to finance businesses, artistic projects and other ventures by using social networks in the internet linked to a crowdfunding platform to raise money. (Cunningham 2012, 61.) It has made capital gathering for projects mentioned before much easier than earlier, it's somewhat similar to having a Facebook page. (Cunningham 2012, 61.) This phenomenon has been around for centuries, for example the statue of liberty might not be where it is now without crowdfunding. In 1884 Joseph Pulitzer raised 100 000\$ from over 120 000 supporters to ensure the statues construction. (BBC 2013, read 14.4.2015.) The first internet based crowdfunding project was found in 1997 when fans of a band called Marillion gathered 60 000\$ for them, that they could play a tour in the US. (UK Crowdfunding 2015, read 24.3.2015.)

After that the phenomenon has only grown bigger and bigger, in the year 2012 the total amount of money pledged through crowdfunding platforms was over 2.8 billion dollars. (Statista 2015, read 24.3.2015.) Newer statistics are yet to be published, but for example Kickstarter has grown every year regarding on the money pledged, 480 million dollars in 2013 and 529 million in 2014. The actual event of funding requires three different actors, the initiator who has the idea for which the money is collected, the pledgers who invest the money on the idea and the platform that the whole project is published and which handles the money flows. (Sweeney 2014, read 30.3.2015.) As of 24.3.2015 video game project named Star Citizen has collected over 75 million dollars from almost 850 000 pledgers with the help of crowdfunding. This is by far the most money collected by any project using crowdfunding, the second biggest amount of money collected is the new pebble time smartwatch, with over 20 million dollars from 78 471 pledgers. (Wikipedia 2015, read 12.10.2015.)

2.2 Terminology of crowdfunding

In this part, I have explained some of the methodology used in the crowdfunding platforms, which I will be also using in this work. The purpose is to make the text more understandable for someone who isn't familiar with this phenomenon. This terminology originates partly from Kickstarter but has spread all along the crowdfunding industry and is used everywhere.

Platform – A crowdfunding site where you can create campaigns and pledge funds.

Campaign – Posting a project on a platform to raise funds for a certain amount of time.

Creator – Someone who starts a campaign on a platform.

Backers or pledgers – People who donate money to projects.

A pledge – the investment made by a pledger

Funded – When a project reaches its goal.

Reward – What backers receive as compensation for their pledge.

Perks – Different levels of rewards what backers receive depending on the amount pledged.

Stretch goal – If a campaign exceeds the initially set financial goal, there can be additional goals which add more features to the complete project. For example if a game-project reaches a stretch goal the makers can add new levels, characters, etc. to the game.

2.3 Different types of crowdfunding

The actual funding can be implemented in many different ways, here I have explained the most common methods used, even though in this thesis I will be focusing solely on reward based crowdfunding.

2.3.1 Equity-based crowdfunding

Entrepreneurs and businesses use equity-based crowdfunding to gather capital for their businesses in exchange for equity from the company. This type of crowdfunding is normally used, when the company is newly founded or relatively small. (Sweeney 2014, read 30.3.2015.) Equity-based crowdfunding raises statistically the most amounts of money, in 2011 over 80% of successful campaigns raised over 25 000\$ and 21% gathered over 250 000\$ worth of capital. (Massolution 2014, read 14.4.2015.)

In the United States equity-based crowdfunding was long restricted by the securities act of 1933 which required companies to disclose their financial information to the Securities and Exchange Commission (SEC). After that the information was published to the public, that possible investors could make better decisions. Also the investors had the right to sue companies that published fraudulent or misleading information and lost money because of that. This law made the use of equity-based crowdfunding difficult and expensive for smaller businesses and therefore the public opinion were against it. As a result, President Barack Obama signed the JOBS act (Jumpstart Our Businesses) into a law in the fifth of April 2012. This new law had looser requirements for certain type of businesses. (Young 2013, 249-251.)

2.3.2 Reward-based

Reward-based funding projects rely on backers to pledge money to their project in return of a non-monetary price. This can be the product that the company aims to produce, a t-shirt, a thank you-note or even the backers name on a website. The value of the received reward normally increases according to the amount pledged. On Kickstarter these are called backer rewards and on Indiegogo they are named perks. (Kickstarter 2015a, read 24.3.2015.)

This method can be used as a great way to promote and pre-sell new products and ideas. It also works as a great way of testing possible demand of the product and gives a free access to a focus group that can contribute to the idea and make it better. In the internet the focus group doesn't have to be a small group that has to be paid for their contribution. Usage of crowdfunding sites allow much bigger groups to give feedback during the campaign so the product can evolve through that. (Young 2013, 16.)

2.3.3 Donation-based

Strictly all crowdfunding projects which offer no potential financial or equity return to the investors could be seen as donation-based. Although nowadays it is thought that on donation-based crowdfunding you receive nothing in return for your donation. (Young 2013, 101.) For example compared to reward-based crowdfunding where you get something in return for your pledge. Normally donation-based projects include projects which aim to help charities, victims of a disaster, nonprofit-organizations etc. There are many crowdfunding platforms that are focused only on donation-based crowdfunding, few of the best know are Razoo, Causes, StartSomeGood and Crowdrise. (Briggman 2013, read 1.4.2015.)

In Finland donation-based crowdfunding is restricted by the law and requires a permit from the police. To be allowed to gather donations the gathering entity has to be non-profit and to work for the common-good (Finlex 2006, read 13.4.2015.) This makes the usage of debt-based crowdfunding very difficult to start and is no use for companies which aim to make money or initially to produce something. This matter will probably change in the recent future as the laws change.

2.3.4 Debt-based

As the name indicates, debt-based crowdfunding focuses on loaning money from a large number of people normally on a fixed interest rate. This method can also be called peer-peer lending or social lending. There are two different ways to implement the loaning procedure which are the following, direct-lending where the lenders individually select the borrower who they loan their money to and indirect-lending where the platform pools money from all the willing investors and then selects the borrowers itself. The latter option aims to lower the investors risk by diversifying the lender base substantially, because of that indirect loaning is more popular than direct loaning. Essentially this makes the intermediary which is the platform to work as a bank between the lenders and borrowers. (Young 2013, 53-54.)

2.4 Crowdfunding platforms

A crowdfunding platform or a portal is an intermediary that connects the entrepreneurs or businesses who are seeking money with the people who are looking to pledge their money into something. Today, there are over 500 different crowdfunding platforms globally. Even though they all are called crowdfunding platforms, they can be very different from each other. Some sites can focus on gathering funding for games, some only gather donations and some sell company stocks as a way to gather funding. There are also big differences in the fees that sites have and how you can collect money. Normally the fee is a percentage from the amount you have successfully collected, usually something between 3-10% and there can be additional fees also from the money transfers. The way how the money is collected can be restricted too, if the project doesn't reach its goal you won't automatically get the money you have raised but that depends on the platform that is being used. The diversity of platforms is too big to be addressed in this work so I will be focusing on the two most successful platforms, which are Kickstarter and Indiegogo. Both are hugely successful even though they differ a lot from each other. (Cunningham 2012, 83.)

2.4.1 Kickstarter

Biggest crowdfunding site in the world at the moment. Through this site backers have pledged over 1.6 billion dollars to 82 579 successful projects since it was opened in 2009 and only in 2014, 529 million dollars were pledged (Kickstarter 2015b read 24.3.2015.) and the yearly amounts rise continuously. Kickstarter focuses solely on reward-based crowdfunding and it is open for backers from everywhere in the world. The projects on the other hand are not all accepted to the site, they are selected by the staff at Kickstarter and are required to have legal presence in one of the following countries, United States, the United Kingdom, Canada, Australia, New Zealand, the Netherlands, Sweden, Denmark, Norway, or Ireland. (Kickstarter 2015b read 24.3.2015.) This doesn't prevent companies from other countries to start a project at Kickstarter, it is still allowed to raise money but they are required to have legal presence and a local collaborator at some of the previously mentioned countries. Practically that means that you have to found a company in the country of your selection, easiest ones may be Sweden and UK where founding a company has been made fairly easy for foreigners. After that you have to

have a collaborator who has local bank account, address, credit card and a passport. (Kickstarter, 2015c read 24.3.2015.) This is the person who has to work as the creator for the project and provide required identification for the platform.

Kickstarter offers only one funding method for projects. You have to reach your funding goal to get the collected funds and you also get to keep everything that goes over the initial goal. This kind of a rule forces the companies that want to start a project to keep their goals realistic. The site has fixed fee on successful projects which is 5% from the collected amount. Payment processing fees are also deducted from the gathered sum and it is 3% + 0.20\$ per pledge (Kickstarter, 2015c read 24.3.2015.) This should be calculated in the projects budget because it is in fact a major expense. If a project collects 100 000\$ from 2000 pledgers, who all pledge 50\$ the fees are already 8400\$ and this can have a major impact on the project if the budget had been calculated on 100 000\$. Although all pledges under 10\$ are treated as micropledges and are only feed 3% + 0.05\$. Since January 2015 Kickstarter changed its payment provider from Amazon payments to Stripe, this has no effect to pledgers but might allow campaign creators to get their money faster than before. (Kickstarter, 2015c read 24.3.2015.)

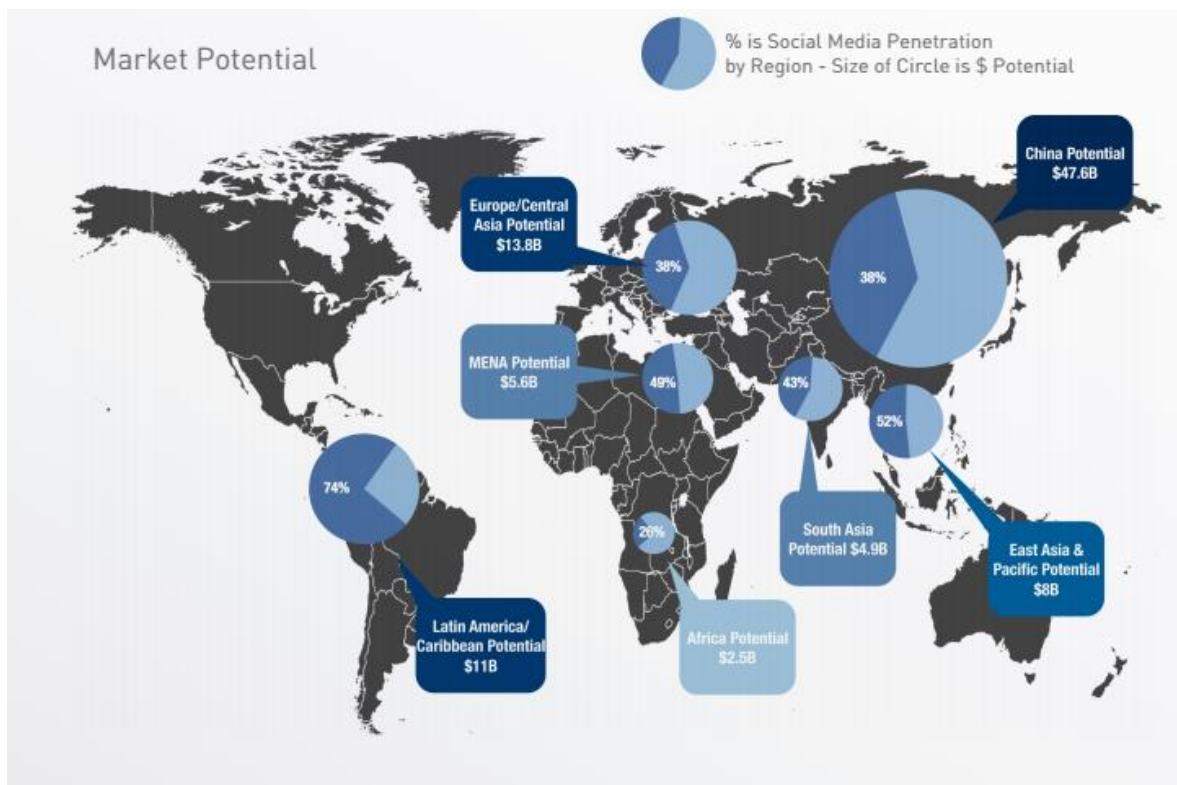
2.4.2 Indiegogo

The second biggest crowdfunding site after Kickstarter. Indiegogo focuses also only in reward-based crowdfunding projects but offers a lot more options for new projects. All new projects are accepted to the site and that diversifies the project scale significantly. This can also make it harder to stand out from the crowd with your project. The main benefit of Indiegogo is that it allows a project to be created anywhere from the world. (Steinberg, DeMaria 2012, 21.)

2.5 Crowdfunding markets

Since the crowdfunding boom began, the industry has grown significantly every year. The statistical information presented here, is somewhat old because the newer reports are yet to be published for free, but the trend has continued as the same since then.

In 2012 the crowdfunding industry raised over 2.7 billion dollars worldwide for over million projects. Volumes grew from 2011 as much as 81% and in 2013 the industry was predicted to continue growing rapidly, the volume were forecasted to be 5.1 billion dollars which would total in 52% growth. Most optimistic predictions from the year 2014 predict that the crowdfunding industry as whole will reach almost 35 billion dollars. (Massolution 2014, read 14.4.2015.) World Banks issued study also estimates that the industry can grow even up to a yearly volume of 90-96 billion dollars by 2025 worldwide. The study also states that the greatest potentials of crowdfunding lie in China and other parts of East-Asia. If crowdfunding markets can grow to such heights, the yearly amount of 90 billion dollars would exceed the amounts invested by global venture capital funds which were 51.7 billion in year 2012.



PICTURE 2. (The World Bank 2013, read 14.4.2015.)

3 FINANCING A BUSINESS USING REWARD-BASED CROWDFUNDING

3.1 Why is reward-based crowdfunding a valid option for financing a business

Crowdfunding is a great way of financing your business idea whether you are already an entrepreneur or just had a great idea for a product, service etc. Even though reward-based way doesn't usually gather massive amounts of capital, it can still get you started and allow you to access more financing options. Successfully executing a crowdfunding campaign is a great way to attract possible funders when you have shown the potential demand on your idea through the campaign.

Crowdfunding sites almost never charge a fee from starting a campaign. (Young 2013, 16.) Money is charged as a percentage from the gathered amount, if the campaign succeeds in some way, which depends on the platform that is used. This means that anyone can start a crowdfunding campaign because it doesn't require any initial money. The only thing needed is an idea and enough enthusiasm to go through with it.

Keeping the ownership of your own company is a great deal for some people. Virtually when gathering capital from venture capital groups or business angels you have to give up a part of your business to them as in shares of the company. Reward-based crowdfunding on the other hand allows you to keep 100% ownership of your company. (Young 2013, 17.)

3.2 Having something customers see worth funding

The most important thing that is needed before creating a crowdfunding campaign is to have something that in fact can gather enough attention and pledges to be successful. There are few common features

when talking about products and services, which we will go through next. There are of course exceptions, especially when the campaign is for an art project, a film or a book.

Meeting a real need within the target audience, Rupert M Hart lists three key aspects that can give an answer to that question.

1. Does the product give customers real benefits or is it just a nice thing to have.
2. Are customers aware of the problem that the product is helping to solve?
3. Are customers ready to accept the offered product? Will they really buy?

It has to be taken on account that when talking about crowdfunding and especially small scale pledging, these questions may not always apply. When pledging a few dollars, customers may not give the process of pledging so much thought as compared to something that has a bigger financial impact on their lives. (Hart 2012, 34.)

If the idea of your product or service is already existing, you have to take on account even more variables. When trying to compete on an already competed field, these three questions can help in making a difference in the competition.

1. Is the idea better than existing? If it's only slightly better, it should still be developed further.
2. Is it better than substituting products?
3. Can the product be defended on the market? If it's better than everything else on the market but easily copied, value will be lost quickly. (Hart 2012, 35-36.)

Even though the product or service has all of these easily surpassed, it still might not get the funding. There are countless variables that can affect the campaign and make it fail. Luckily there is no limit in creating campaigns until one succeeds.

3.3 Benefits

The industry of internet based crowdfunding is new, and still developing all the time. It is probable that all the possible benefits of it haven't even been discovered yet and that also goes for the disadvantages. Here we will go through some of them.

The most useful advantage for a start-up company in crowdfunding is probably the fact that the crowdfunding campaign doesn't just help you gather low-cost financing for your project. It enables you to raise public interest before your product, service etc. is even ready and to test the possible markets of your business concept with real customers. (Steinberg, DeMaria 2012, 3.) Platforms also allow your company to be directly connected to the customer base and create strong relationships with your future customers which both are extremely important opportunities and can be used beneficially. (Steinberg, DeMaria 2012, 4.)

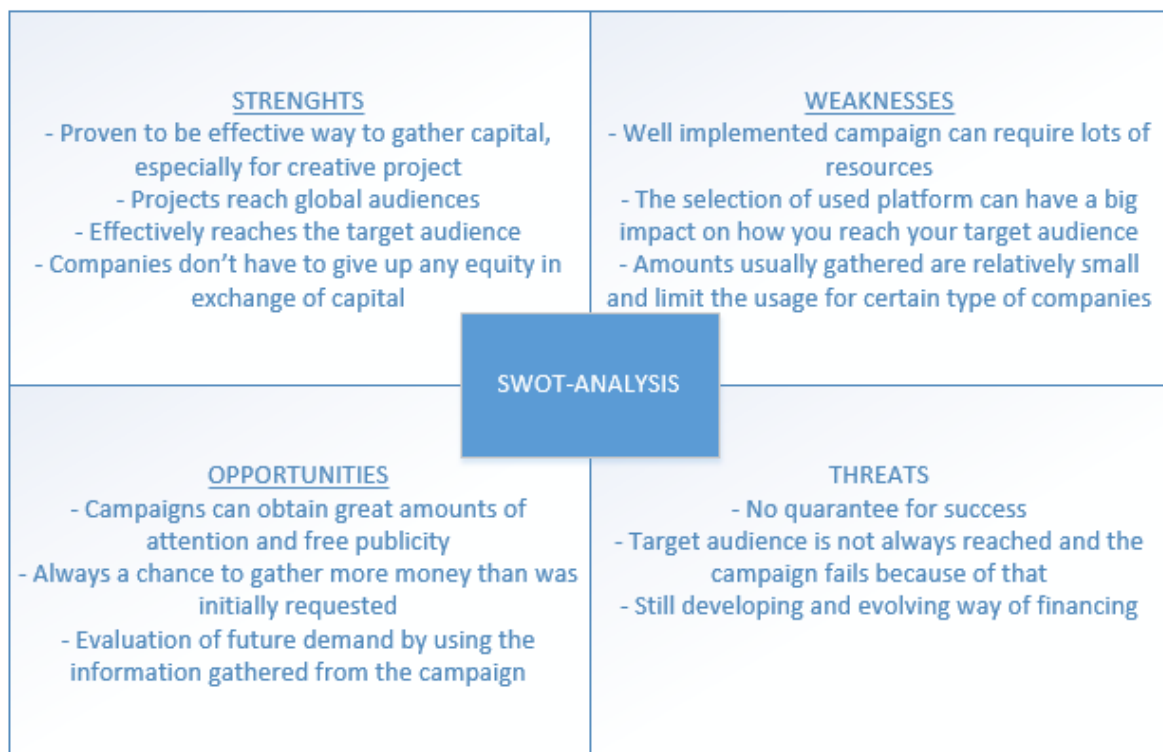
It is also important to notice that big, successful companies aren't the only ones who can harness the benefits of crowdfunding. (Steinberg, DeMaria 2012, 3.) This is often the case when raising capital from conventional sources of financing. In crowdfunding it almost seems that it is the opposite, Big part of all projects which are successfully funded are created by relatively small start-up companies or individuals. The number of created projects by one company is unlimited, which is also a huge advantage. Even if the initial project of a company is unsuccessful, you can always remodel your approach or create a totally new idea. After that you can create a new project, change the platform if you want to and see, if it would be a success now. This is possible because the cost of creating a project is very low, and requires no put in money, only the hours put in by the people working with the project. (Steinberg, DeMaria 2012, 4.)

3.4 Disadvantages

The first and biggest disadvantage in crowdfunding is that most of the projects created fail in their funding goal. Companies may have used countless hours on campaigning and working on their idea and still fail. For example, at Kickstarter the success rate of projects is 38.69%. (Kickstarter 2015a read

24.3.2015.) They also don't accept all projects who want to try raising money on their site so the real number can be significantly lower. The other big con is the fact that the average amount collected on a fully financed project was only 7000 dollars in 2012. (Crowdfunder 2014, read 26.3.2015.)

Running a project requires a lot from the people who work on it. Crowdfunding projects have far more larger audiences and require more transparency and openness when compared to other forms of financing. Projects have to be well planned in advance, consistent with their efforts and stay in constant contact with their audience. (Cunningham 2012, 70.) The fact that you are working straight with the end-consumers require different skills than when working with professional investors, banks, etc. People working with the project should have knowledge on consumer marketing, social networks and social marketing to reach all the potential backers. (Steinberg, DeMaria 2012, 6.) This brings us to the fact that when the projects are very open that also means that the people behind them are also in the public eye, especially the spokesperson who is the face of the project. To have a successful campaign you have to invest a lot of your time to constantly being out in the open in social media self-promoting and gathering public interest in your project which can be very stressful.



PICTURE 1, SWOT-ANALYSIS

4 BUILDING A SUCCESSFUL CAMPAIGN

4.1 Main components of a crowdfunding campaign

All successful crowdfunding campaigns that are implemented through the most used platforms, have many things in common. They almost exclusively consist from the following parts, and when executed properly together, can lead to success. There are also many other things than those that are mentioned below, but here we go through the main things, that together form a campaign.

4.1.1 Pitch

Pitch is the first contact point of the idea to the audience. Making a good first impression with it is very important, especially when talking about people who have had no previous contact with the campaign. The pitch is usually consisted from two parts, the video pitch and the written introduction to the project. (Steinberg, DeMaria 2012, 33.) The aim of the pitch is to convince the audience that the thing you are doing is meaningful and to make them feel like they need to help you to bring this idea to life. The more passion you can get in to the pitch and into the story what lead you to this point the better but don't go overboard. (Young 2013, 93.) Creating emotions in the audience is a vastly underrated way of marketing, and the pitch is all about marketing the idea and the people behind it. People who understand and feel what your campaign, and the idea is about are more likely to take part in it rather than people who only understand it. When trying to add passion and emotion to the pitch you can use pictures that evoke emotions, words or a story. Below is a list of words which can be used in evoking positive emotions.

Pleasant Feelings

OPEN	HAPPY	ALIVE	GOOD
understanding	great	playful	calm
confident	gay	courageous	peaceful
reliable	joyous	energetic	at ease
easy	lucky	liberated	comfortable
amazed	fortunate	optimistic	pleased
free	delighted	provocative	encouraged
sympathetic	overjoyed	impulsive	clever
interested	gleeful	free	surprised
satisfied	thankful	frisky	content
receptive	important	animated	quiet
accepting	festive	spirited	certain
kind	ecstatic	thrilled	relaxed
	satisfied	wonderful	serene
	glad		free and easy
	cheerful		bright
	sunny		blessed
	merry		reassured
	elated		
	jubilant		

PICTURE 3 (Psychpage 2015, read 12.10.2015.)

Having a campaign video is essential. Campaigns with videos are 100% more successful than the ones that don't have a video. This doesn't mean that the video has to be filmed and edited by professionals, even though that is probably preferable. Today, when almost everyone can film high definition videos with their phone, it's quite easy to make your own campaign video. As long as the video is clear, audio is easily understandable and the segments are connected smoothly it won't be lagging behind the professionally made videos in any crucial manner. (Young 2013, 95.)

When talking about campaign videos and video pitches, the quality of the video or the effects are not the thing that will make people pledge their money into your project, even though they can have some effect in certain audiences. The most valuable thing that you bring to the audience is the idea itself, and you or your representative. (Young 2013, 96.) The video itself should be rather short, people have

a short attention span, especially in the internet. You should get the audience exited or engaged in the first 5-15 seconds. (Steinberg, De Maria 2012, 35.) After that you can go into more detail with your product and you. It is important to acknowledge the fact that when people pledge money to a project, they are often not only interested in seeing the project succeed, but also the creator. (Young 2013, 95.) So when making the video pitch, it should not only focus on the product, but also on the people that are behind it, should it be only you or a team of many.

4.1.2 Funding Goal

Setting a proper funding goal for a crowdfunding campaign is much harder than one would think. Steinberg and DeMaria advice that the financial goal should be set at the minimum amount that is enough to make your project work. After that, you should set secondary, higher goals, which add more content, features or services if reached. In the end, Steinberg and DeMaria state, that the lower the amount asked the likelier it is to be reached. People are more likely to pledge if they think that the project will reach its goal easily than if it is going to be a stretch.

4.1.3 Launching and time frame

The time when a campaign is launched is surprisingly important. If it is launched at Tuesday morning at 7AM, it will also end at Tuesday morning at 7AM. Especially when the campaign duration is set into 2 or 3 weeks, this can have a big impact on the campaign, if it doesn't gather the required funding goal fast. If you are seemingly close to the goal, and the campaign nears to the end, it is much easier to promote your campaign during weekend than it is at the start of a new week and gather those missing pledges for a successful campaign. (Steinberg, DeMaria 2012, 47.)

4.1.4 Reward-tiers

Having multiple reward-tiers has become a norm in crowdfunding community. Only offering one reward option should not be even considered, because coming up with multiple rewards in different price ranges is very easy. Having multiple options in varying price ranges allows people to pledge more if they want and this should be encouraged with rising attractiveness of the rewards along with the price. Confusing reward structure can be a big disadvantage when competing on peoples pledges. Reward structure should be easily understandable and provide enough incentive for people to pledge their money on the project. (Young 2013, 22.)

4.2 Marketing the campaign

As the whole crowdfunding industry is almost solely based in the internet, it is crucial to be familiar with digital and social media and marketing. When reaching out to the public, you will be using global medias like Facebook, Twitter, YouTube, Instagram and blogs. Because of that you should be familiar with these platforms or have a partner who can help you with these aspects. (Young 2013, 21.)

5 CASE ASMO-CHARGER

5.1 Background

As a case example of reward-based crowdfunding, we will go through the process that the makers of ASMO-charger went through when they prepared and executed their two consecutive campaigns in 2014 and 2015. The information for this part was acquired from an interview with Asmo Saloranta himself.

Asmo Saloranta got the idea for the charger that would turn itself off when there was nothing connected to it from a personal tragedy. His fiancée's childhood home had burned down, and the reason for the fire was a mobile charger which was left connected to a socket even it was not used at that time. After he had gotten the idea, he tried to find out if there were any products available which already had that feature but there were none. As Saloranta was an engineer, he decided to develop a charger like that himself, and soon enough he had a breakthrough which was very simple, the charger had a relay that would turn off the flow of electricity when there were no devices connected to it. After that he filed a request for a patent which was granted, even though he had gotten the patent there was a problem with big companies that could patent everything else around it which could be very problematic. As a solution, Saloranta decided to make everything about his invention public, as this would prevent anyone from patenting that technology afterwards because public knowledge cannot be patented. Now the only problem he had was how to get his invention produced and to the public market. At this time, he only had a rough working prototype of the charger and no knowledge if there was a demand for this kind of a product. As he started looking for capital for the company to start producing the charger he had an idea of trying crowdfunding on which he had stumbled upon before. As traditional investors were not yet very interested, he decided to start a crowdfunding campaign at Kickstarter.

The first campaign at Kickstarter started in the summer of 2014 and the funding goal for this was 70 000 dollars. In the end the campaign succeeded to gather only 32 270\$ and was unsuccessful. Even though the campaign itself was unsuccessful, the media coverage and the hype it created woke up the

investors and public interest into ASMO-charger. As the campaign had revealed, there could be a real demand for this type of a product and made it easier for the company to get the traditional investors in. As the product had had so much media coverage in 2014 in Finland and also globally, it made the second crowdfunding campaign at Indiegogo much more probable to succeed, as it would succeed in 2015 and gathered over 90 000\$ in the end as the goal was only 10 000\$. Both of these project were planned in a span of a few weeks and with a small team of people and where the most amount of work came after the launch of the project.

5.2 Challenges

As the first campaign for ASMO-charger was created in Kickstarter, there were many challenges related to that. The biggest one was probably that that the project creator had to reside in the United States and have a local credit card. Luckily enough, the team had a member who was from the United States and agreed to help them with the project. This lead to the fact, that if the project would have been successful, all the money would have gone through him which requires a lot of trust for that person. Saloranta stated that when using Kickstarter, you should always base your project in the US, because the currency used depends on that. This is because, in his opinion, the biggest audience is in the United States and people living there, usually only pledge on dollar-based projects. So if you base your project for example in Sweden, your Kickstarter currency will be crowns and it can confuse some people and prevent them from pledging to it even though the idea itself could be very good. Another challenge was the customer service at Kickstarter, when Saloranta and his team had something to ask, receiving an answer could take weeks. This can make it difficult to work through possible problems when you can't get help quickly.

The amount of work after the launch can be a surprise, when Saloranta launched his campaign, he had a little help with the social media coverage but in the end he did most of the work by himself. Saloranta stated that after the launch, you will need to work almost around the clock with the project the whole time it is in the air, in his case 30 days. So if you don't have the energy to do it all by yourself, you should have some help in all the work that is required during the campaign. For example, answering inquiries for possible pledgers via email, social media, telephone and the platform, taking care of the

publicity of the campaign with possible interviews, updating social media and the homepage and much other stuff too.

5.3 Resources

With both crowdfunding campaigns Saloranta had only a small team of people helping him prepare for the campaign and the projects were planned in a quite short time, about one month. The planning part is quite quick to do when the biggest parts are making the home page and filming the video pitch, if you have the general idea ready like Saloranta had. On the first campaign they filmed the video pitch with no real professional help but on the second they hired a professional, and the results can be seen when you watch both videos. This was also the biggest expense on the second campaign. Otherwise both campaigns were executed with a quite small budgets, which almost anyone could afford. Budget for the first campaign was under 500 euros and for the second, successful one approximately 2000 euros.

5.4 Saloranta's key points to crowdfunding

- Kickstarter has more early adopters, Indiegogo more hipsters and environmentally oriented people
- Executing a crowdfunding campaign is a great way of promoting your idea and raising interest in investors
- When using Kickstarter, you should base your campaign in the United States so you can have your campaign in dollars
- You should aim in reaching your funding goal in the first three days of the campaign
- Kickstarter has the biggest regular userbase of crowdfunding platforms and that is its best asset
- Becoming a staff pick at Kickstarter is a huge advantage, thousands of people will see your project on the Kickstarter front page

- Advertising your campaign is the key to success, if no one knows about your campaign, no one can pledge.
- Try getting as many friends, relatives, et cetera in pledging to your project during the first day. This increases the possibility to raise interest in others too.
- Even if you succeed, you might need outside investors

6 ANALYSIS AND DISCUSSION

6.1 Problems and the future

As the crowdfunding industry as we know it today is based solely in the internet and consequentially is reachable for anyone and from anywhere in the world, we can say it is a great example of globalization in its best. It has made it possible for people to participate and influence in creating new things, services, art, et cetera in interaction with their creators, which can lead to much more consumer-friendly ideas, when the future consumers themselves are involved. Now when we are at the verge of it becoming a real player in the financing business and really starting to spread into people's lives there are many factors that may threaten it. The biggest threat as I see it is right now is the national legislation in different countries. There are already signs that individual countries could be planning on forcing different taxes and regulations on crowdfunding campaigns. The biggest problem in this is that campaigns are almost always global, and people from different countries pledge to them and so, if every country imposes their own laws on them it could make crowdfunding practically impossible. In some ways this is already a reality but the laws are not imposed so crowdfunding has been possible, at least until today. In the future the reality could be different, if countries cannot see the possibilities and advantages of crowdfunding and start trying to regulate it too much.

As an example, if you have started a campaign from Finland you have to have paid the Value Added Taxes to Finland as well as other possible expenses and taxes. But let's focus only on VAT in this example about the possible future of crowdfunding legislation. So, if the situation changes in a bad way, there could a possibility that the starter of a crowdfunding campaign is required to pay taxes to every country that he has gotten a pledge from and calculate the amounts by different tax percentages where there even could be many different percentages inside a one country, like in the United States. And when the usual crowdfunding campaigns are started by small companies or even by individual people, this would effectively render crowdfunding totally useless.

The best possible outcome for crowdfunding legislation would be in my opinion that nations together could reach an agreement about the legislation involved in it and make it as easy as possible for the companies and people involved in it. This would add much stability to the crowdfunding community and

could tempt in much more people when they could trust there would be no problems with the legislation which can be quite confusing right now.

As for other risks, they are much less lethal to the whole crowdfunding industry as legislation can be. There are always a possibility that the image of crowdfunding can suffer from a multiple hoaxes that reduce the amount of people willing to pledge in fear of being scammed. And the threat of crowdfunding platforms becoming too greedy and starting to charge too much from campaigns on their site. These and many other more insignificant risks would still only be a slowing factor in the rise of crowdfunding industry, because hoaxes can be prevented with better security and people will eventually move to other platforms, if one or two start becoming ineffective.

Even though crowdfunding has gathered much media attention in the recent years, it still depends on the company or entrepreneur to find out more about it and to try it. The spreading of usage of crowdfunding is based almost only on the word of mouth and the internet because it is not really offered anywhere as a real option even though it is. Hopefully in the future we will see it become as established as other funding methods like bank loans and private investors and people would really start recommending it as a good option for companies and possible entrepreneurs.

The crowdfunding industry is now in a situation where no one can know where it is going. Nations have just woken up to it and are planning on their legislation regarding on it and when there are no global agreements or treaty's that affect it, nations can regulate it almost as much as they want. The next few years will show how this situation will develop and only after it is clear what the result is, could crowdfunding really become a real financing option. This is because as long as there are risks as big as crowdfunding has now, it won't in my opinion be stable and reliable enough for most of the companies and people to base their ideas on.

7 CONCLUSION

The purpose of this thesis was to be a descriptive study about the current state of reward-based crowdfunding as a global phenomenon. The aim was to gather together all the aspects and characteristics of reward-based crowdfunding and try to find common denominators in successful endeavors. As an interesting insight the work provides the expertise and knowledge from Asmo Saloranta, who successfully planned, created and executed a reward-based crowdfunding campaign. As a whole, this thesis can be used as a compact packet of information about reward-based crowdfunding when comprehensive topics about this matter are quite rare or contain too much information about the other forms of crowdfunding.

Methods used in this work rely almost solely on the extensive study of information available on reward-based crowdfunding in literature and online. It is successful in compressing the huge amount of information available from different sources to a substantive packet that contains all the basics that are required, when trying to succeed in a crowdfunding campaign.

The work itself proved to be much more challenging to produce than was anticipated beforehand. The information was hard to come by in a printed form and the online based sources were scattered and the information in them were sometimes in contradiction with each other. This made it quite hard to choose the most reliable sources.

As regarding the timeframe of this thesis, the work took much longer than was planned beforehand. This was due to some changes in the work itself, which was the ASMO-charger case being taken in as a part and the interview what followed that decision. The unexpected difficulties with the information gathering and other obstacles that could not have been seen in advance. But in hindsight, this hasn't lowered the quality of the work, in fact it might have made it better when there has been a possibility to follow the evolution of reward-based crowdfunding through 2015 and bring those observation along. Especially this has been a great possibility for the writer to learn very much about this phenomenon and its progress.

The process of this thesis was at times quite challenging, because the contents of the work changed a few times. Biggest change was the case study of ASMO-charger being taken in. The biggest challenge in this work was to choose what information to take in and what to leave out. There would be enough perspectives and nuances in crowdfunding to easily write a book about. In the end the topics chosen were quite general to keep this work simple enough to be easy to read for everyone that are interested in reward-based crowdfunding. After that, the writing of the theory part was quite easy when all the sources were chosen beforehand. The latter part of the work proved to be a bit more challenging because there are no facts written in stone when talking about crowdfunding campaigns. The research question of the work was clear from the beginning, how to build a reward-based crowdfunding campaign that has all the perceived traits to be successful, and the work in the writer's opinion answers that quite well. It has gathered all the basic information without going into too much detail so it is easy to use for a real life purposes. It would be interesting to go deeper within this theme, but that would require a lot more resources that were available this time.

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