

# Funding an Enterprise via Crowdfunding

What could make it a success in Finland?

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<p>Abstract</p> <p>The downturn that hit all over the world increased the creation of start-up companies but finding the funding needed has been challenging for entrepreneurs. Banks have developed defending mechanisms against risks. For corporate funding, there are new models such as crowdfunding. The idea of researching crowdfunding originated from the author's own business idea and need for funding. The aim of the research was to find the factors that motivate backers to participate in a crowdfunding campaign in Finland.</p> <p>The research was implemented using several methods. For quantitative questionnaire, experts of crowdfunding answered and the secondary data was collected through an interview and by analyzing the success results of crowdfunding campaigns. The data was gathered from the service providers offering crowdfunding services in Finland because their experience was considered valuable.</p> <p>The findings of the research showed that the potential economic benefits motivated backers to participate in a crowdfunding campaign. Their belief in the commercial success of the product or service motivated them to invest to the campaign. Examples of the less motivating factors were communal issues and possibilities for influence. The most successful model was an equity-based and lending model whereas a commission-based model was the least successful. A good business idea, carefully planned campaign and equity-based crowdfunding business model could be successful. The limited number of experts and the scarce literature were limitations of the research. For future research, it can be suggested to study how well known crowdfunding is among great public. The next step could be to conduct a same kind of research among the investors to handle their motivation factors.</p>		
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Tiivistelmä <p>Taantuma on vauhdittanut kasvuyritysten syntymistä, mutta rahoituksen saaminen on osoittautunut haasteelliseksi. Pankit ovat suojautuneet erilaisilla mekanismeilla ja yritysrahoitus käytännössä loppui. Perinteiset rahoitusmallit ovat saaneet rinnalleen uuden muodon, joukkorahoituksen. Ajatus joukkorahoituksen tutkimisesta lähti kirjoittajan omasta tarpeesta ja liikeideasta. Tutkimuksen tavoitteena oli tutkia niitä tekijöitä, jotka mahdollistavat onnistuneen joukkorahoituskampanjan Suomessa.</p> <p>Tutkimukseen valittiin triangulatiivinen lähestymistapa, ja aineistoa kerättiin useilla menetelmillä. Kysely toteutettiin joukkorahoitusta tarjoaville palveluntarjoajille, koska heidän kokemuksensa aiheesta nähtiin arvokkaana. Lisäksi tehtiin asiantuntijahaastattelu ja kerättiin sekudääriaineistoa. Teoreettisena runkona käytettiin olemassa olevaa tietoa joukkorahoituksen malleista sekä aikaisempia tutkimuksia soveltuvien osien.</p> <p>Saadut tulokset osoittivat, että mahdollisuudet sijoittajan taloudelliseen hyötyyn motivoivat sijoittamaan kampanjaan. Myös usko tuotteen tai palvelun kaupalliseen menestymiseen motivoi rahoittamaan. Motivoivina tekijöinä nähtiin myös yritystekijät, kuten omistajuus ja kannattavuus. Yhteisöllisiä tekijöitä ei koettu motivoivina. Rahoitusmuodoista menestyksekkäimmäksi osoittautui pääomamuotoinen malli, vähiten palkkiomuotoinen malli. Joukkorahoitus, jota voidaan myös käyttää markkinoinnillisessa tarkoituksessa, osoittautui varteenotettavaksi rahoitusmuodoksi, mutta se vaatii paljon työtä ja huolellista suunnittelua. Pääomamuotoinen malli yhdistettynä ammattimaiseen yrittäjyyteen mahdollistaa menestyksen joukkorahoituskampanjassa. Joukkorahoitus osoittautui sopivaksi tutkimuksen tekijän tarkoituksiin.</p>		
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# 1 INTRODUCTION

This thesis is about the author's decision to achieve an understanding about crowdfunding to base her decisions on and possibly make a plan to access funding for a new venture. The introduction part will deal with and justify the reasons why the author chose crowdfunding as the subject of the thesis. The whole picture is essential for understanding the continuum of the process. The main subjects of the whole picture are lying in adolescence, which has changed the financial markets, and this leads to one of the most critical subjects in starting a new business: how to get funding? Possibly this question has always been one of the difficult questions when starting a business. Nowadays, when we are living such difficult times during some kind of breakthrough, this question has become even more attractive.

The very first news and advertisements about crowdfunding acted as an inducement for this work, and crowdfunding seemed to be something very new and interesting, worth of studying more. The pieces of information gathered about crowdfunding revealed that it is seen very much as a communal or societal issue. And this fitted very well to the writer's own business idea. The subject was chosen to study more issues which would enable a success in a crowdfunding round. What kind of an operational environment it is and how it is linked will be introduced next.

The financial crisis, which took place in 2008 and reached the bottom in 2009 (Gerstberger & Yaneva 2013, 1) started to change the financial environment. The rapid change in consumption acted as an incentive to regression. The most sectors in industry suffered from the decreasing of the consumption. The greatest losses remained in the furnishing and household equipment sector but industries as transportation, gas and food contracted as well. An exception was housing rental where the expenditure increased. (Ibid. 5.) As an outcome the unemployment rate rose.

As a result from the decreasing consumption and unemployment, the financial markets changed during 2007-2009, and the banking crisis came true having negative effects, with banking sectors all over the world hit by the crisis and being not protected against contagion effects. (Dungey & Gajurel, 2014, 271).

After having analysed the data gathered, Nilsson & Öhman (2012, 160) came to the conclusions shown in Figure 1. The findings on paper show that banks are defending themselves by preventing loan applications of small and medium- sized companies. Furthermore, triggering instruments are consequences of financial crisis, increasing regulation, control and support system and from fear of making mistakes. All these have influence at the bank level on lending officers, and consequently on the financing of companies.

In Figure 1 the abbreviation LO is loan officer.

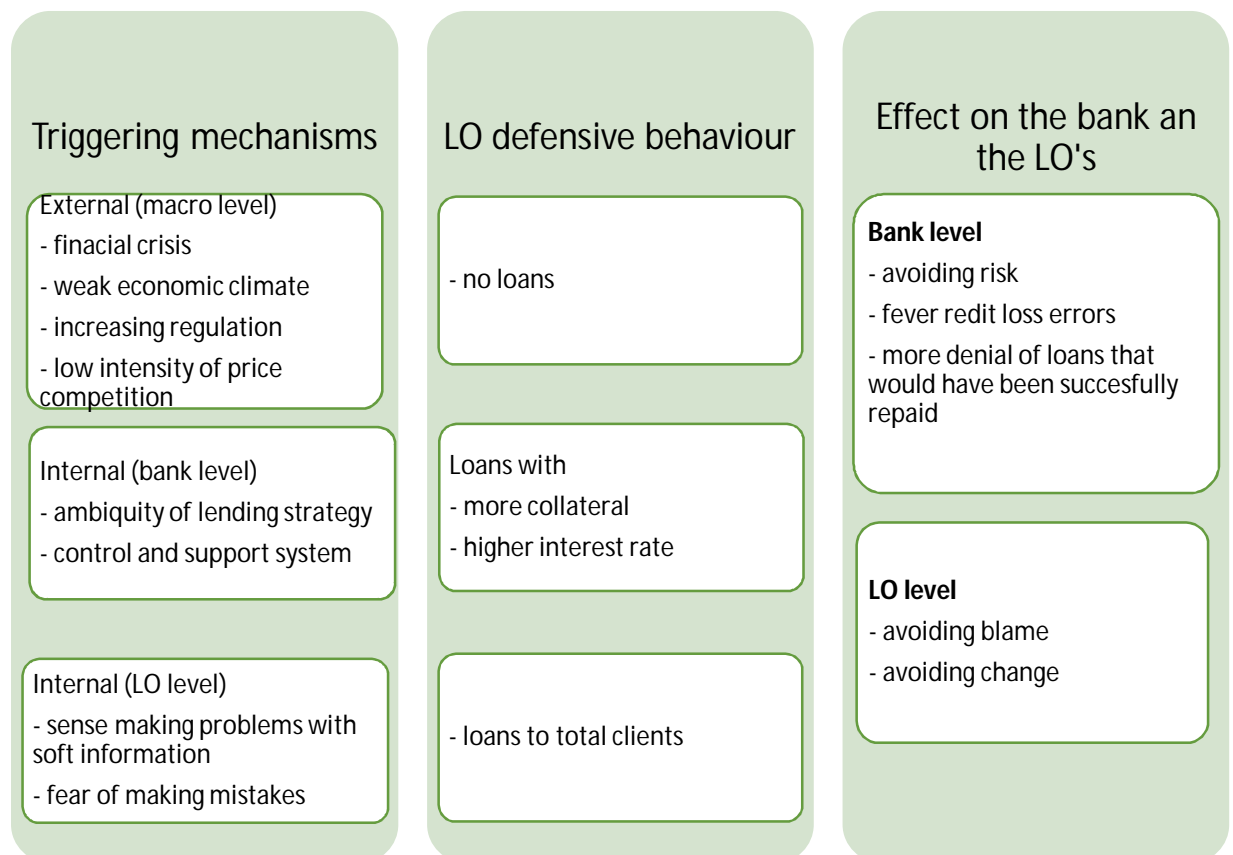


Figure 1. Triggering mechanisms, LO defensive behavior, and effects on banks and the LO's

In his forewords Matthias Klaes (De Buysere, Gajda, Kleverlaan, & Marom, 2012, 5) proposed that SME's faced virtually overnight the sharp end of a diminished access to credit as a consequence of the financial crisis, which spread all over the world. Antonenko, Lee and Kleinheksel (2014, 1) state in their research that crowdfunding was a direct societal response to the financial crisis because of the tighter loan regulations for businesses and foundations.

Changes are happening in the structure of the society in Finland, and innovativeness and new ventures are ranked high. This seems to be a result from the recession which started in 2008. Different parties as governments, universities and The European Union are looking for new ways to create wellbeing and innovativeness. One consequence of the dismissals is stagnation, which has caused difficulties in funding new ventures. According to Bruton, Khavul, Siegel and Wright (2015, 2) changes in technology and regulations have made the adoption of new innovations more accessible, meaning that entrepreneurs now use microfinance, crowdfunding and peer to peer innovations for seeding capital.

The idea for the subject of the thesis results from a long process and has developed in recent years as the author was about to buy a company. After a few months of effort, the calculations showed that there was no future for the company but an unprofitable one. Therefore the deal was not made and that company not bought. The background data collected during the acquisition process led to continuous work with the task and the idea about becoming an entrepreneur became stronger.

Creating a new business does not happen overnight. The idea developed by searching a suitable product to commercialize and to brand. An appropriate product was selected and the process proceeded. The experiences during the acquisition process were valuable lessons and gave deeper understanding about financing and of the problems new venture companies may face.



The purpose of this thesis is to find out the factors which enable a successful crowdfunding campaign. The target is in the factors which should be taken into consideration when pursuing a successful crowdfunding campaign. As a by-product, the author will have an answer to the question if crowdfunding is an appropriate way for her own start-up. One minor objective is to support the decision making concerning entrepreneurship.

Entrepreneurs are assumed to be hard-working, intelligent and sincere and not counting hours when working. A sincere and motivated entrepreneur will work hard to make his ambitions true. An economic mind has been thought to be one characteristic of an entrepreneur, they have to be able to negotiate reasonable contracts, assess favorable factors and evade pitfalls. An entrepreneur's most important characteristic is to be achievement motivated: anxious to achieve targets and goals.

A strong factor favourable to creating something new and start a new enterprise is disruption. Numerous companies are formed by people who are inactive: retired or redundant. The MBA graduates without promotion in their work or the ones who are not likely to get employed but are keen to use their learning in practise are a potential group of new entrepreneurs. (Hisrich & Peters 1998, 11.)

Entrepreneurs are significant actors from a economic point of view as they create welfare and employment. Entrepreneurship is the basis the whole society is dependent on, and the small companies have a big role in it. According to Tilastokeskus, 322 232 companies operated in Finland in 2011, most of which (over 90 %) are small companies that employ less than 10 people. Small and medium-sized companies are extremely important to the political economy of Finland. From the year before, the revenue grew by seven per cent in 2011. (Official Statistics of Finland, 2011.)

The EU has lined out that building the growth and innovation potential of small and medium-sized enterprises will, therefore, be significant for the future wealth of the EU. A continuous structural change and improved competitive pressure raises the role of SME's as providers of employment opportunities and keyplayers for the wellbeing of local and regional communities more significant. The EU has outlined that the consideration of the needs of SME's must be strengthened in the policy of the EU, this was included in the Lisbon Growth and Jobs Strategy. (Commission of the European Communities, 2008.)

According to European Commission's "Think Small First" report, the climate in society should make starting a business more approachable for those who are seeking new opportunities to work and be employed. The EU is driving an ambitious policy for reaching growth. The following quotation tells about the willingness to make the climate more friendly for starting businesses.

*The general climate in society should lead individuals to consider the option of starting their own business as attractive... entrepreneurship and the associated willingness to take risks should be applauded by political leaders and the media, and supported by administrations. Being SME-friendly should become mainstream policy. (Commission of the European Communities, 2008.)*

The European Commission launched The SBA (Small Business Act) review in February 2011. It is a major milestone in pursuing the implementation of the Small Business Act. In that SBA 2020 strategy, the intention is to have a more entrepreneurial Europe. The Small Business Act took its first steps on 25 June 2008 and it has had several milestones, for example, on 28 May 2009 the Competitiveness Council reported about a good progress, and the member states agreed solidly on the importance of strengthening the actions to improve access to finance and decrease the regulatory load on business. (Commission of the European Communities, 2013.)

Therefore, in the words of European Crowdfunding Network (2014):

*“Current developments and achievements in the practice of crowdfunding show the relevance of this emergent field in financing all kinds of projects. Simultaneously, the scientific field elaborating this phenomenon gains ground but still needs further development.”*

The latest survey concerning access to bank financing in the period from April to September conducted by European Central Bank presented that for micro enterprises, the net percentages deteriorated significantly. At the same time, the access of small enterprises to bank loans and overdrafts had a generous improvement in having a bank financing. (European Central Bank 2014, 15.)

Studies and research about crowdfunding is limited. There are studies but not the ones which focus on success factors. 129 academic journals concerning crowdfunding were found from Ebsco Host, but none of them was related to Finland and success factors.

## **1.1 Financing a start-up**

This thesis will focus on crowdfunding and other sources for financing will be expressed shortly. The introduction part was created to link the tasks like entrepreneurship and the global stagnation together, which has caused dismissals and led to the tightened access to financing.

There exist several ways to fund new ventures. The traditional ways as bank loans, bootstrapping, venture capital, angel funding, local institute funding as Finnvera among others are good choices, but crowdfunding has been chosen to the main subject of this work. Financing via traditional ways is much harder than earlier and backing start-ups under the uncertainty the world is going through in these days means

more risks to the banks and to the other organizations like Finnvera. The other sources of financing are introduced in the thesis in principle.

The company's main source of financing is cash flow from the operations, but a start-up's financing is formed from the other sources before the establishment of the business. Quite often it means calling family, friends and own savings to help start-up's very first steps. Financing is an important and therefore momentarily studied issue. The recent research conducted by Ley & Weaven (2011, 85) shows that there is a funding gap at the earliest stages of a new firm development.

There is no one right and perfect method to raise money, every method has advantages and disadvantages, in a form of debt, interest rate or enormous risk. As mentioned, family and friends are one choice for a source of financing. Alongside other ways to raise funding, bootstrapping is an owner's other way to fund new business on his personal finances or from the operating revenues of the new company. It may be use of credit card, home equity or wages from occupation. (Feldman, 2013, 111)

Family and friends are a popular method of financing an early stage-company, even despite of the fact that they may lose everything. The friends and family investing comes with a more safe feeling with respect to litigation risk. (Feldman 2013, 116-117)

Before having cash flow from the operations new enterprise is dependent on the external sources of financing, it is a risky situation for the backer. Even if the proper business plan and clear mission statements are completed, uncertainty of the repayment exists. The findings of Nilsson's and Öhman's (Nilsson & Öhman 2012, 155) research about defensive loan assessment behavior in a changing bank environment

for SME's indicate that the bank managers are mostly concerned about the repayment capabilities; they focus more on risk than to the opportunity and make assessments according to the worst case scenario. The federation of Finnish enterprises (Federation of Finnish Enterprises, 2014) lists short- or longtime period loans, bank credit accounts, guarantees and reimburses as methods to finance companies.

## ***1.2 Crowdfunding's role as financing instrument***

Whereas traditionally financing has been arranged by a small number of investors with large amount of money, via crowdfunding a large number of investors invest small amounts of money. This is quite a new way to raise money and it has become a valuable source to raise funds, permitting individual founders of for-profit, cultural, or communal projects to request funding from the people.

Headline at Taloussanommat 23.01.2014 "Crowdfunding becomes a genuine option – banks concerned about it" (Okkonen, 2014). This kind of headline points that crowdfunding has become a considerable source of funding and expresses that old structures are breaking down, the banks are not that strong anymore. Avery (2012) shows that the same kind of process is going on generally and the citizens are taking over from the traditional sources of funding. Furthermore Avery states it is the start of the bank disintermediation and thus challenges banks to join the revolution. The opinion is based on the case of Chris Riley, as he was about to ask for a £2000 loan the day after Eurozone banks had borrowed €490 billion from the European Central Bank. The interest rate the bank wanted to charge from Riley was 24 %. Small business and entrepreneurs are left without funding for their businesses while the strategy for economic recovery has focused on policy and the banking system. (De Buysere, Gajda, Kleverlaan, & Marom 2012, 8.)

Crowdfunding has developed rapidly and at the same time it's popularity has risen like a rocket. According to De Buysere et al. (2012, 6) at the end of 2011 there were around 200 crowdfunding platforms active in Europe and an increase of 50 % by the end of 2012 was predicted. The estimation of the number of platforms and amounts of raised capital is expressed in Figure 2. The data is from year 2012 and it is in line with De Buysere et al. (2012, 6) concerning the number of platforms. Amount of raised capital is \$ 1, 5 billion worldwide and in Finland \$ 5 million in year 2013 (Invesdor, 2014). According to Crowdfunding Industry Report (Massolution, 2013) the global crowdfunding markets have grown by 64% in 2011 and 81% in 2012. North American crowdfunding volumes grew 105% and European 65% in 2012. Figure 2 shows that over 11 000 campaigns were launched in 2012.

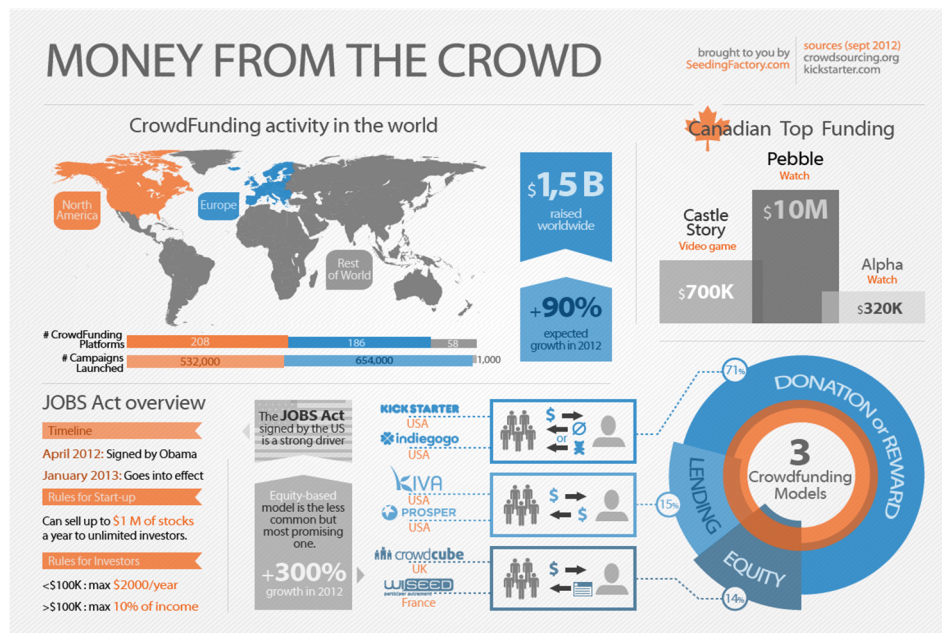


Figure 2. Numbers about crowdfunding globally (<http://seedingfactory.com/>)

According to Brabham (2013, 43), Jeff Howe (2008) in his book *Crowdsourcing: Why the Power of the Crowd Is Driving the Future of Business* offered four types of crowdsourcing; crowd wisdom, crowd creation, crowd voting and crowdfunding. Based on this, it may be permissible to claim that crowdfunding has its roots in crowdsourcing. Earlier the consumer's role has been passive but in crowdsourcing consumers are encouraged to take an active role.

Kleemann & Voß (2008, 6) describe that skilled individuals are mobilized to be involved in the product design, advertising, quality monitoring and in solving specific problems. Initially, consumers were served in all possible ways, self-service emerged later at first at groceries and fast-food chains. The internet enabled consumers and the crowd to be interactive and participate in a firm's activities. One example of crowdsourcing is bakery of Moilas service Moilala (<http://moilala.fi/>) where individuals can share the recipes and Moilas GF Ltd will put the best of them into production.

The history how crowdfunding finally developed is rather long, but the very first time the name crowdfunding was used on 12 August 2006 by a man named Michael Sullivan (Walker, 2014) who coined it up for a fundraising of a video blogging community. After that the concept has become well-established and generally known. Maybe the first idea of supporting new enterprises and opportunities by offering microloans to people without access to the traditional banking system was in a non-profit organization founded in 2005 called KIVA (2014). After that, the founder (CrowdFunding World Summit, 2014) of the Grameen Bank and winner of the Nobel Prize Muhammad Yunus started to offer microloans for ultra-poor people by using a platform created by himself in 2007. Generally, the development was rapid and crowdfunding service provider Indiegogo was founded next year, in 2008 (Indiegogo, 2014). Kickstarter, a reward based platform was founded in 2009 (Kickstarter, 2014) and RocketHub, also a reward based platform, in 2010 (RocketHub, 2014).

Communities are in a significant role when discussing about crowdfunding, Brabham's (2013, 3) definition of crowdsourcing figures out that a community (crowd) that is willing to perform the task voluntarily is in the core of the definition of crowdfunding. Furthermore, a community's ability to interact with the organization via online environment is an essential topic.

At the initial state the foundation costs will take much financial resources as well as marketing and branding. A financial capital is needed for hiring input to produce and to sell output (Reid 2007, 71). It has been thought that financial capital sources are in the form of debt or in the form of equity, for debt is the interest rate requested and in equity form is rate of profit requested. Funding gathered via crowdfunding sets somewhere between these two, debt and equity.

A potential need for financing and the interest towards the changing financial markets acted as an incentive for this thesis. Moreover, crowdfunding as a phenomenon is new, interesting, and the author wanted to know more about it. Experience and knowledge will be increased year after year, and the issue will probably become more researched when the data of a longer period of crowdfunding will be available. This thesis opens up the sources of those factors which enable a successful round of crowdfunding. There were numerous possibilities of writing a thesis about a new venture from marketing to business plan. However, those are quite useless without financing.

Many of those considering to start a business are in a similar situation: how to raise funding in uncertainty, when bank loans and other organisational seed funding are hard, almost impossible to have. Crowdfunding is important because it creates possibilities for funding in two different ways: it may enable the whole funding or part of it and possible crowdfunding may lead to sources for other types of funding. It is easier to negotiate with investors when it is shown that work for it has been done already. One example of that is the Pebble's "smart watch", (Mollick 2014, 3) which was rejected at first by venture capitalists but was able to have a large amount of venture capital funding after a successful crowdfunding campaign.

The access of a start up to funding is the problem, and crowdfunding offers a solution to that. Success does not come automatically, and here the target is to find



information of why backers participate in a crowdfunding campaign. Also the role of a business model is selected to be reviewed. Because every crowdfunding campaign is implemented via the crowdfunding platform, it led to the decision to collect information from service providers. It was thought that they have experience and views concerning the factors behind a successful crowdfunding campaign.

The next chapters will handle what kind of instrument crowdfunding is, what kind of factors affect to the investor's decision. In addition, business models, a political aspects are handled in the next chapters. Business models are introduced and a tool, roadmapping, for choosing a right business model is introduced in the following chapter. Crowdfunding campaigns are implemented via platforms through Internet owned by service providers; these issues are introduced in the following chapters. The latter chapters handle the results and conclusions.

### ***1.3 The research questions***

1. What factors platform service providers consider motivate backers to finance crowdfunding campaigns?
2. What kind of business models can be chosen for a crowdfunding campaign?

In other words, to study more the factors which could make crowdfunding campaign a success in order to fund an enterprise.

## **2 LITERATURE REVIEW**

Here is expressed what kind of regulations has been set and what the business models are. The motivational factors of investors are handled in the next chapters and arguments for and against crowdfunding.

## **2.1 The key concepts**

In this study, the key concepts are start-up, financing, crowdfunding, business model and success. The theories of crowdfunding, start-up and business model are defined in the following subchapters. The crowdfunding business model and business model are separate issues. Crowdfunding business model is expressed in chapter 2.3.

### **Definition of crowdfunding**

Crowdfunding can be defined through some specific characteristics. Schwienbacher and Larralde (2010, 4) define crowdfunding as “an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes.” Brabham (2013, 117) presents that crowdfunding is “the use of an online community to bring an idea or product to market through collective funding by several donors in the community”.

### **Business Model**

Business model has been defined differently depending on the purpose. According to Österwalder and Pigneur (2010) it is defined on the way it “describes the rationale how an organization creates, delivers and captures value. “. In other words, who the key partners are, what kind of activities and resources a business has to have in order to be successful. Figure 3. (ibid.) shows the design of the tool, Business Model Canvas, which was originally created by Alexander Österwalder. It was adapted to be used in crowdfunding.

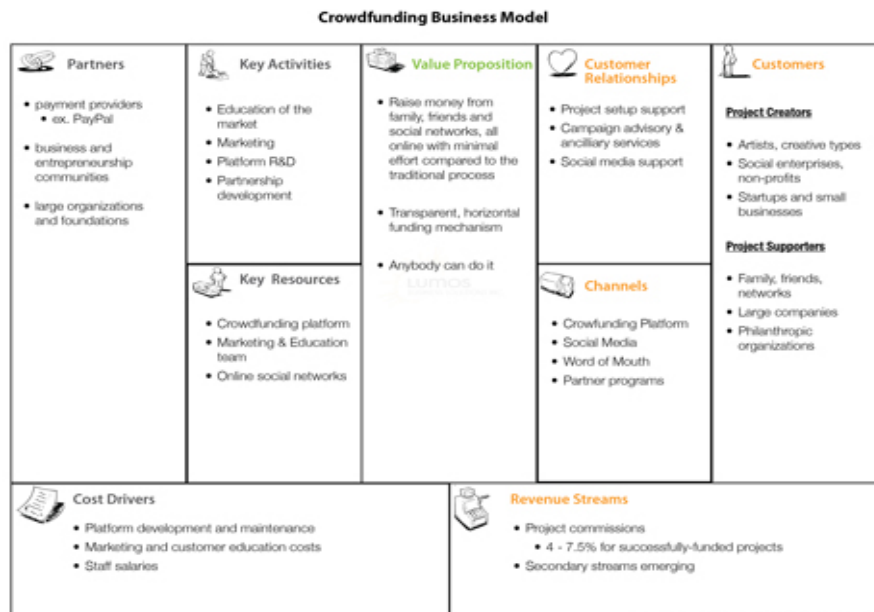


Figure 3. Business Model Canvas (Lumos Business Solutions, 2016)

## Start –up

There is not only one but many definitions for a start-up company. Below are presented two of them. Steve Blank (2010) defines start-up as follows:

*“a start-up is an organization formed to search for a repeatable and scalable business model”*

Neil Blumenthal, CEO of Warby Parker (Robehmed, 2013) defines start up differently:

*“A startup is a company working to solve a problem where the solution is not obvious and success is not guaranteed”*

## Success factors

When talking about success, some measurement or definition should be determined. The word success usually expresses that something has been achieved. Gemünden (2015, 2) states that business success factors can be classified into two groups, which are resources and capabilities.

## **2.2 Investment decision, affecting factors**

The three parties of crowdfunding are the seeker, the service provider and the investor. All these three parties are needed and in this section reviews the reasons why investors donate or invests. The crowdfunders usually fund projects or products of firms that are at their early stage (Belleflamme , Lambert, & Schwienbacher 2013, 9-10). Both Belleflamme et al. (2013, 9) and Brabham (2013, 37) state that crowdfunding is widely used by artists, filmmakers and creative people. Backer's motivation to fund is to receive the record, film or other output that could not be possible without his or her own input.

Pre-ordering and profit sharing motivates the crowdfunders to give higher amounts of money and they tend to pay more than a regular consumer. (Belleflamme et al. 2013, 10). A soft information about the creator (the one who is seeking funding) tends to lead to a more positive perception of an investor or borrower. Moreover, the investors are aware of the exchange price and they are highly willing to support creators (Gerber et al. 2012, 3.)

Belonging to a group and communality are remarkable factors motivating to fund. Belleflamme et al. states (2013, 2) that the community benefits are related to the consumption experience under the pre-ordering mechanism and to the investment involvement under the profit-sharing mechanism. According to Gerber et al. (2012, 7) investors participate in crowdfunding to engage in a community and thus the campaign gives them an opportunity to be involved in a project which they feel meaningful.

According to (Hannula 2014, 5), one interesting trend for an entrepreneur is having an access to local finance. For neighbouring area this means possibilities to influence for local business development, create work and wellbeing and thus is a remarkable

motive to fund. The investors are interested in getting a product, they often make the investment just before the round is closing. By doing this, the investor can be quite sure of having the wanted product. (Agrawal, Catalini, & Goldfarb, 2011, 18). Investors are rewarded differently (Brabham 2013, 38) according to the invested amount. The \$20-investors might receive a product like a DVD, whereas the \$100 investors might have much more like their names in the film. Getting rewards is based on the amount invested, the more you invest the more you get rewards. One of the most important motivations for participating in crowdfunding is the reward.

(Kuppuswamy & Bayus, 2013, 3)

According to the ministry of Finland, Figure 4. shows the motivation of investor are social, expectation of reward and economic. Only one occurs in every model, and it is the social motivator.

	<b>Model</b>	<b>Type of refund</b>	<b>Motive of the backer</b>	<b>Platform service providers</b>	<b>Domestic legislation</b>
Donation based	Donation	No refund	Social		Money Collection Act
reward based (pre-sales)	Donation Pre-sales	Reward, product	Social and having a reward	Mesenaatti.me (FI) Kickstarter (US)	Consumer Protection Act
peer-to-peer lending or crowd lending	Loan	Loan and rent (social lending without rent)	Economic, social	Lainaja.fi (FI) Fixura (FI) Kiva (US)	Financial market legislation
Equity based	Loan	Capital gains if successful company / dividend	Economic, social	Invesdor Oy (FI) Venture Bonsai (FI) FundedByMe(SE)	Financial market legislation

Figure 4. Motivation of backers according to the business model (adapted from Kallio 2014, 11)

The recent research conducted by Gerber et al. (2012, 6-7) shows that the motivations were related to the rewards; funders liked if something was sent to them, even something small. On the other hand, the funders were following the projects closely and wanted the funded money to be pointed to the project and not to rewards like t-shirts.

### ***2.3 Crowdfunding business models***

Before launching a presentation, one must be familiar with the types of crowdfunding. The types of crowdfunding differ and they are explained in Figure 5. The types determine the nature of the crowdfunding model and the model of refund. On the equity – type model where revenues and profits are shared the financial return will be expected. (Crowdfundingplanning, 2013). Outlaw (2013) lists that in equity kind of crowdfunding individuals have an opportunity to become shareholders and have financial returns. This model is very similar with business angels, and is also called crowdinvesting (De Buysere et al. 2012, 11) Unlike the equity crowdfunding the reward based model does not offer returns, shares or equity but possibly goods or services for a lower price, or only a “thank you”. The benefit for the entrepreneur is being free from debts and keep the shares in his own hands. (ibid).

The donation is an old model where individuals or communities donate money to a project or a product they believe in. The royalties are paid for supporters as a percentage of revenue if the venture generates capital. The fifth form to collect funding from the crowd is lending where crowds set funds via the platform, and expect the repayment with fixed rate of interest. This may be easier and an economical way for the entrepreneur.



Figure 5. Types of Crowdfunding (Crowdfundingplanning, 2013)

Another source, De Buysere et al. (2012, 10) states that the main categories are donation, reward, lending and equity. In addition forms as peer-to-peer lending, where the lenders and borrowers do not know each other and the one model, peer-to-business where loans are provided to small and medium sized businesses. Peer to peer lending is also agreed to be crowdfunding, the concept of crowdfunding is elusive but the main feature of it is that individuals are financing projects or new ventures, not banks or other organisations. (Mollick, 2014, 2)

This is one kind of determination about business model, they can be mixed or used as combinations. One possibility (European Crowdfunding Network, 2012) is to offer products and services instead of money, this is known as In Kind Funding. Pre-Sales is one option, which is a model where customers are asked to pay in advance. (ibid)

The objectives of the founders vary but the main objective is to finance new ventures and projects. Friends and family often finance small projects like different happenings but the seed capital for starting a new venture is implemented via crowdfunding. Crowdfunding has also value for measuring the product demanding and thus lead to the funding from traditional sources without forgetting the aspect of marketing. According to Mollick (2014,3) some investors are placed in the position of philanthropists whom do not expect direct returns for their donations.

The Crowdfunding Industry Report (Massolution 2013, 7) states that during one year, donation and reward-based crowdfunding grew by 85%, lending based crowdfunding by 111% and equity-based crowdfunding by 30%.

## ***2.4 Political aspects of crowdfunding***

Every country has its own regulations about financing, banking and Money Collection Acts. The needs for renewing the regulations have been noticed, and the attitudes towards this demand vary. The following sections will present the regulations and attitudes in the U.S., Finland and France.

The U.S. President Barack Obama signed the Jumpstart Our Business Startups (JOBS) Act on April 5 2012 in Washington by saying that it is as a potential game changer and allows start-ups and small businesses to have an access to a pool of potential investors. This movement made it legal for companies to sell equity stakes to anyone over crowdfunding platforms. (Businessweek, 2013.)

The French Vice-Minister of Economics, Fleur Pellerin (European Crowdfunding Network, 2014) presented a proposal for renewing the regulations of crowdfunding on 14<sup>th</sup> February 2014 and the outline of the proposal was very positive. A plan about



a government issued quality label for crowdfunding platforms was included in the proposal, being linked to the transparency and customer protection aspects. Furthermore, the proposal included a suggestion about non-limit amounts and transparency rules.

In Finland, the Money Collection Act has faced a pressure for changes, and the legislation is going to be renewed in the near future. Crowdfunding without any substitute can be thought to be a collection of money, as the Fundraising Act (31.3.2006/255) 3 § defines a fundraising activity where by appealing to the audience money is collected. Päivi Räsänen, (Lehto, 2014) Minister of the Interior was against the changes, but congressional representatives were more open to the idea of renewing the Fundraising Act to correspond to the present demand. (Finlex, 2014)

Minister of Economic Affairs Jan Vapaavuori has stated (Ministry of Employment and Economy, 2014) that the industry of crowdfunding is going to grow also in Finland. It has to be taken seriously. The industry could truly prepare their own internal operating instructions and then possibly a certified operator who would undertake to comply with these instructions. Ministry of Finance has set a group to draw up a proposal concerning crowdfunding for the law. This is going on and it should be ended on 30 June 2016.

### **3 IMPLEMENTING CROWDFUNDING CAMPAIGN**

Without internet there would be no web shops, Wikipedia or crowdfunding, the development related to web techniques has been rapid. Earlier, when the Web 1.0 was in use it was possible to show and publish something but Web 2.0 completed a participatory media accessible for all. The change in trade was sudden and those who were able to set up web shops managed better than those who did not get along

with this development. It launched also a huge development of different kinds of applications which allowed online interactions. Both crowdsourcing and crowdfunding have benefited from the development of Web 2.0 and thus link people and networking.

The traditional commerce is turning to an ecommerce being transparent and online, 24 hours per day with low costs. Furthermore, an online payment system has elaborated to the same extent making transactions between investors and seekers flexible and reachable. (Gerber, Hui, & Kuo, 2012, 1).

In his research, Danmayr (2014, 14) states that despite of the benefits of Web 2.0 features, it is a tempting area for scammers and thus vulnerable, rather increasing than decreasing potential of fraud. Crowdfunding platforms (De Buysere, Gajda, Kleverlaan, & Marom, 2012, 15) have the fraud protection mechanisms against scammers.

In figure 6. there are shown the four main factors as being central in Web 2.0 phenomenon. A social networking which allows people to access products and services and connect friends. An interaction orientation is about participant's ability to influence to the customer demand and create possibilities to debate intensively between firm and customer. In turn, user added value is about user generated content by preserving creativity and innovations. A customization and personalization enables internet users to reconfigure websites including products and services according to their needs.

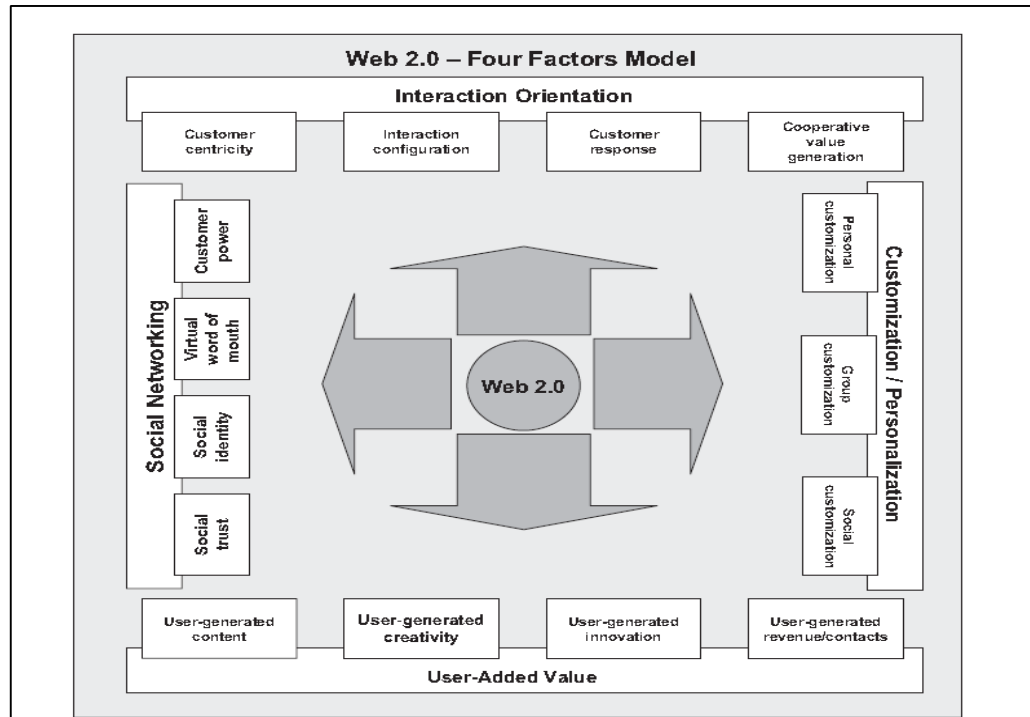


Figure 6. The Web 2.0 – factors models (Wirtz, Schilke, & Ullrich, 2010)

The purpose of the platform is to be a link between different parties, investors (funders) and seekers (the ones who are seeking funding). It co-operates with seekers by offering supportive services like legal services and help with pitches alongside the platform. The online (De Buysere, Gajda, Kleverlaan, & Marom, 2012) platform serves as an intermediary between the creator (project owner) and funder.

The limitation of the study has set to deal with circumstances in Finland, but for getting a more overall picture also platforms operating in the U.S are shortly presented here, but platforms operating and offering services especially in Finland are introduced more comprehensively.

In 2012 (Massolution, 2013) there were 452 platforms operating globally, most of them located in North-America and Europe and most of them offering reward-based

services. As shown earlier, there are different kind of business models offered concerning crowdfunding platforms and they vary in terms and features, in models and focuses. The audience, size and credibility are different. (Steinberg, 2012, 21). The corporate owners are using different crowdfunding platforms than artists, for example.

A crowdfunding platform provider must be able to accomplish a certain performance, definitely it plays a supporting role rather than controlling or imposing in the process. Both, creators and investors, have varying goals which sets demand to the provider to be flexible and adaptive. In addition, the platform provider should use network resources and facilitate the flow of ideas in supportive meaning towards both parties, creator and funder. At the outset, the seeker apply to present the idea on the platform's website and if the idea is accepted, the platform offers a standardized format for the creator of the project to present the idea over the internet. The platform provider collects money in favour of the project owner from funder. If the goal is reached the funds are paid out to the project owner. (Danmayr, 2014, 27)

According to Forbes (Barnett, 2013) here are listed the top ten crowdfunding sites in the U.S. The service officers differ from the providing and content. Some providers are specialized in tech, some of them to the small businesses. One of them, SoMoLend, has partnered with banks to provide loans. The figure's 7. purpose is to refine the differences between service providers and show the differentiation.



Figure 7. Different service providers of crowdfunding.

Of these ten, Kickstarter and CrowdFunder are presented in more detail. Kickstarter has been chosen because it is one of the well-known pioneers in this field and CrowdFunder was selected because it is working differently than Kickstarter.

Kickstarter was founded in 2009 and it is only for projects. The field of the campaign can be anything from food to a technical innovation. Creators of the crowdfunding project keep 100% ownership of the work and backers receive rewards for their contributions. Joining Kickstarter is free, but some services are offered against charges. Also successfully funded project will be charged five percent of the funds collected. For transferring the payments Amazon Payments is used in US-based projects. Projects can last 1 – 60 days. (Kickstarter, 2014.)

CrowdFunder was founded in 2011. Their mission is to democratize access to opportunity and funding for entrepreneurs around the world and thus fuel economic growth, at the moment they are operating in United State of America, Mexico and in Latin America. CrowdFunder is an equity crowdfunding platform and offer their services to the startups, social enterprises and small businesses. In contrast to Kickstarter, entrepreneurs give up equities in exchange for funds and this enables backers have the opportunity to profit financially from their investment. Their campaign type is all or nothing and 5 % fee is charged after completed campaign. The transactions are completed via Amazon and the transaction fee is 1,9 %-5 %.

### ***3.1 Crowdfunding platforms in Finland***

There is still insufficient information available about crowdfunding in Finland. The facts presented here are based on the information gathered mostly from newspapers and the Internet. Crowdfunding in Finland is in its early stage. The funds transferred thorough the crowdfunding markets in Finland add up to two million euros. The very

first crowdfunding company that offered means and ways for raising money in Finland was Venture Bonsai in 2010. (Lukkari, 2014.) In his recent study Lasrado (Lasrado, 2013, 47) states that Finland is adopting new mechanisms slowly but still making achievements in this field in order to reach the same level as the USA or UK.

Jukka Lukkari (Lukkari, 2014) reported on 17 April 2014 in Tekniikka&Talous that crowdfunding gathers momentum in Finland. As a significant mark of development, the Nordic Crowdfunding Alliance was launched on 14 April 2014. In Finland, there operate platforms such Mesenaatti.me, Invesdor, Venture Bonsai, Vauraus and Swedish origin FundedByMe, whereas in the Nordic region there is only a limited number of crowdfunding platforms. The alliance was scaling up the operations and thus enabling entrepreneurs to scope out to a larger audience.

Mesenaatti.me was founded in 2013 targeted to the entrepreneurs creating social and cultural projects. Via Mesenaatti.me it is possible to launch a project for services, business and individual projects. Mesenaatti.me is also open for charity projects, associations, individuals, foundations and public projects. It is a reward-based platform, which is available only for the citizens of Finland. The Finnish social security number is needed. Those who have a license from the police for fundraising can apply funding without offering a reward. Mesenaatti.me charges a 7 % commission for all successful project. In case the goal is not reached, the funding will be returned to the funders. (Mesenaatti, 2015).

Six friends founded Invesdor, an equity-based crowdfunding platform in 2011. Invesdor provides online crowdfunding services for those who are operating in Northern Europe and are registered in either Finland, Sweden, Estonia or Denmark. (Invesdor, 2014)

Vauraus is a platform offering loans to the companies. Single backers invest in the company and can have interest rents for their investments. (Vauraus, 2015).

### **3.2 Roadmapping**

For supporting a strategic planning and management, numerous methods have been created, and one of this kind of future research methods is roadmapping. The roadmapping method is quite a simple tool to express complicated questions. It shows how to reach a goal, what kind of path and road will lead the destination. It is a visual presentation, which shows crossroads between roads and shows the whole picture. Roadmap demonstrates different kind of ways to complete desired destination. According to Uusitalo and Louhisola (2013, 9-10) it improves possibilities of the strategic planning management and it is flexible, because it is applicable for a different kind of purposes.

Utilization of the roadmap is possible for many purposes, starting from a small project to the larger strategic planning for future prospects. Different kind of the tools of the roadmapping are obtainable as a web-based solution. (ibid. 11.) Gordon (Gordon 2009, 9) presents that the limitations and weaknesses lie on a requirement for deep expertise and complexity, thus it reflects the knowledge of the people who created the roadmap. Strauss and Radnor (Strauss & Radnor, 3) pointed that instead of setting a strong focus but setting the focus to the scenario itself may hinder the process. One kind of road map of crowdfunding is expressed in Figure 8. It is created for choosing the right service provider for crowdfunding campaign.





Design by Jorge Colombo

Figure 8. Road map for choosing the crowdfunding service provider (adapted from Markowitz 2013)

### **3.3 Crowdfunding campaign**

Getting funded via crowdfunding culminates in campaign. The work before and after and the challenges the campaign process may face are also elaborated in this section.

Many pieces should fall into place if one wants to have success in crowdfunding campaign. Although crowdfunding has a lot of good features and is a promising way to finance start-ups or projects, it is not a cash machine but a very challenging project. The purpose of the campaign is to tempt and invite a certain group of people to participate and give their own assets for a new venture or project which is unknown and without any guarantee whether it will become true or not. This sets some requirements for the one who is seeking to be funded. One advantage (Steinberg, 2012, 3) of crowdfunding is that as a “by-product” there comes a chance to gauge the public interest before launching a product.

Because crowdfunding creativities involve the outline of a new product and services, uncertainty about quality may occur; the entrepreneur, the company and the products are unknown (Belleflamme , Lambert, & Schwienbacher, 2013, 26). The possibility for a successful campaign increases and investors are more willing to invest when the company founders, employees and the team can show more solid expertise in its area. When the business and the product have had time to develop, more chances of success exists, and investors are motivated to believe in the company and its products. In particular, the less experienced the entrepreneur is, the longer the product / service as well as a business should be. (Poutiainen, 2014.)

### 3.4 Building a campaign

At first, the idea of using crowdfunding as a way to raise funds is in funds – before exploring the whole idea of the concept. This is all about crowd, it decides to fund or not, and if there is a good idea they have a personal interest in and the business concept is comprehensible to the crowd, crowdfunding might have chances to success. Amount of financial needs in crowdfunding differs depending on maturity of the company and the product, if enterprise is at its very early stage it will need funding to construction cost, for example. As well, if the company is more mature, it may need funding for product development or internationalizing.

On Figure 9. it is shown four different types of companies and campaigns, from lighting to games. From this figure can be seen clearly one difference compared to traditional sources of funding, the total sum can be much higher than estimated. For example agreed bank loan is just what is written on contract but via crowdfunding the sum may be increased by hundreds of percent. The campaign still needs to be targeted and scheduled. When possible investor comes to the site, he or she sees the presentations as on figure 9.

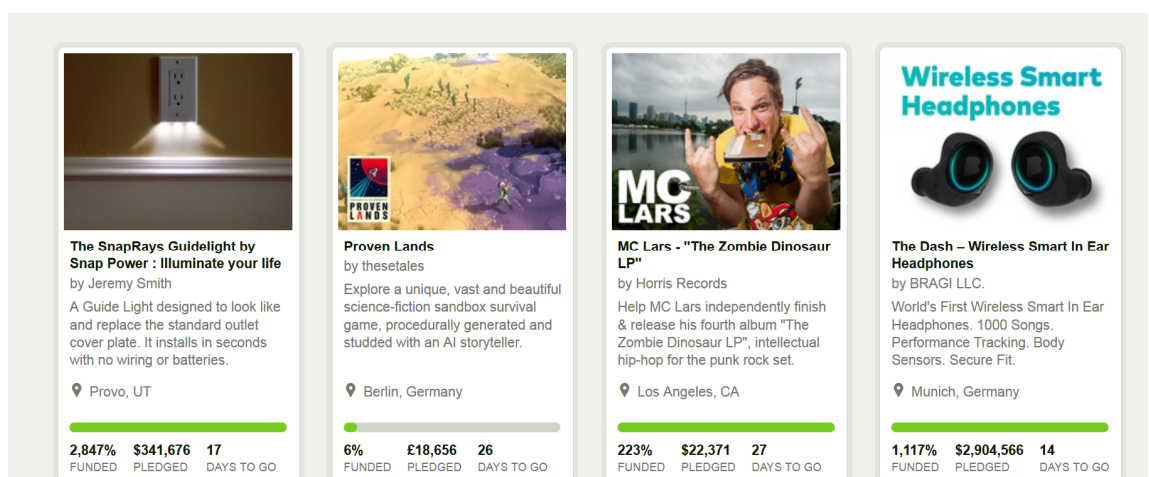


Figure 9. Crowdfunding projects at Kickstarter (Kickstarter, 2014)

Campaigns have three (Invesdor, 2014) stages, before the round, during the round and after the round. A preparation of getting ready to the round consists of acts as determining goals, duration of the campaign and creating supportive material for campaign. In other words, the first stage is the time of decision making and partly activating networks also.

Second stage is campaign-time; being in action, working with the press, being available for the crowd and being very visible and open. Contents like audio-visual presentation and business plan might be accessible just for predetermined audience, not for all (Hannula, 2014, 5).

The last stage is working according to the results of the round; if the round was successful, funders should be informed and possibly rewarded. In case the round did not succeed investors should be informed and the collected funds refunded.

### ***3.5 Pros and cons of crowdfunding***

This new way of funding has pros and cons, and they are expressed on Table 1. It is possible to raise awareness of a new business but if not prepared well enough as a mischance potential customers may lose their trust to the company.

Marketing and pre-selling aspects are the pros which may lead to a huge positive impact in the future but it requires an enormous amount of work and knowledge for example about end the users and their behaviour. Crowdfunding campaign is not easy, it is putting the person and his/her ideas on the internet, on display.

**Table 1.** Pros and cons of crowdfunding (Steinberg, 2012; Scotland.gov.uk 2013, adapted)

PROS	CONS
crowdfunding can help you raise awareness for your new business	if you haven't protected your business idea with a patent or copyright, someone may see it on a crowdfunding site and steal your concept
investors can track your progress and may help you promote your brand through their networks	if you don't reach your funding target, any finance that has been pledged will usually be returned to the investors
controlling everything, costs, timing	stressful – unexpected ups and downs, including possibly a huge success
pre-selling products	may require of knowledge of consumer marketing
receiving useful advices from backers	constant hard work to find new ways to publish, promote and otherwise call attention
backer become built-in marketing team and crew of brand evangelists	does not work always
it's an alternative option for businesses that struggle to get bank loans or conventional funding	requires that sufficient number of people are interested in your product
possibility to make much more than intended	competing with other projects – same target audience

A fraud is often mentioned when discussing critics of crowdfunding and a risk to fund scammers instead of authentic creators and their aim to gain fund for project or start-up. (De Buysere, Gajda, Kleverlaan, & Marom, 2012, 15.)

## 4 RESEARCH DESIGN & METHODOLOGY

The markets of crowdfunding are global but this study focuses on crowdfunding in Finland. The Figure 10 presents the framework of the research. A larger theme is lying on a financing and in the issues for having a seed money for new business, a narrower area of study is crowdfunding, a more detailed research will be implemented among service providers of crowdfunding. According to Hirsjärvi, Remes and Saja-vaara (2013, 140-141) theoretical framework defines the theories which are relevant

to the research. The theoretical framework is pursuing to understand and determine the idea of crowdfunding and the factors around the phenomenon.

The primary survey is directed for the service providers, and the information is decided to collect from the service providers because all crowdfunding campaigns go through some platform. Therefore, it was thought that due to their experience, platform owners/service providers have understanding about the factors which influences to the success in crowdfunding campaign. The obtained result is to have an answer what should be taken into consideration to have a successful crowdfunding campaign. The study is limited to handle the situation in Finland, the platforms in Finland, supply of the crowdfunding offering in Finland as well as the political aspects in Finland.

For getting answers for research question two, the data is collected from internet pages of the service providers. Purpose is to observe what kind business models can be chosen and are they succeeded or not.

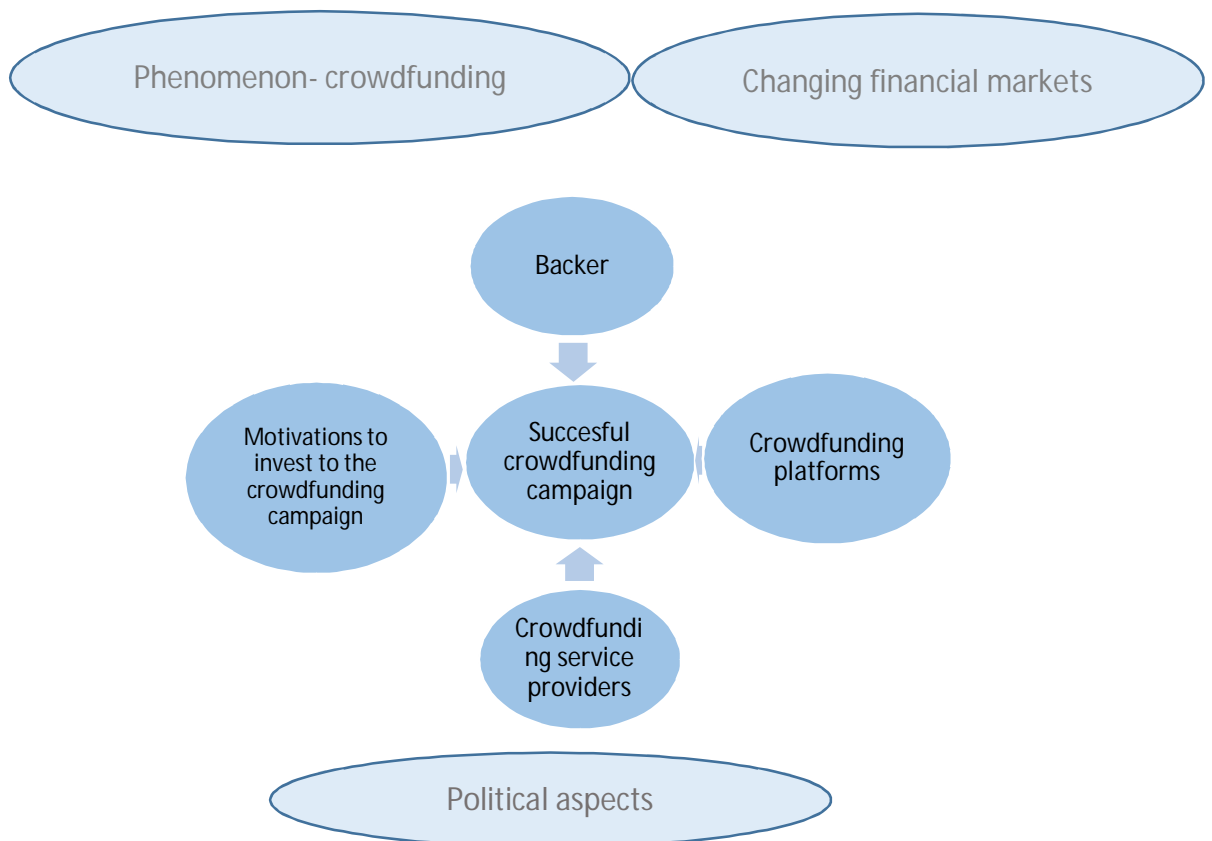


Figure 10. Framework of the research

Raising capital for new venture is in focus here, therefore emphasis stands in the factors which will support pursuing a crowdfunding campaign. Roughly, the idea of crowdfunding is that a single funders offer their assets, and without them there will not be success. Those who are seeking funding, plan and develop a presentation which will be published in the crowdfunding platform in the internet. The information about the business the investors need, like the product or service, the company, business field or the team is presented there. The presentation's content might be the determinant factor which assesses whether the investor will fund or not, something in it must motivate him.

There exist different forms of crowdfunding and the one starting a crowdfunding campaign must define which form is the most reasonable. The question number two is assisting the main question but is also important in itself.

The subject is current because it is one of the most considerable sources to raise funds for the new venture. For those who are seeking seed money or a start-up investments. Moreover, crowdfunding is a novel approach for raising funds, which has increased rapidly, will probably develop further, and therefore deserves a deeper study. The fact that quite few will reach the successful crowdfunding campaign (Hollas, 2013) and the failure rate is high, justifies the necessity of this thesis. Aim is go into the essential questions when planning a crowdfunding campaign.

The fact that The Commission of the European Communities (2008) has changed the policy for more supportive for start-ups alongside the datum that 90 % of companies are SME's (Official Statistics of Finland, 2012) supports this research and makes it very topical. As a phenomenon, crowdfunding is at its early stage and still waiting for a researcher's acts and especially books and researches to be written, literature about crowdfunding is limited. Literature review consists of researches and surveys.

Research strategy, the plan of replying the research questions is conveyed on Figure 11. To do a research is much more complex process but on this figure are expressed the bigger lines, how the research is conducted.

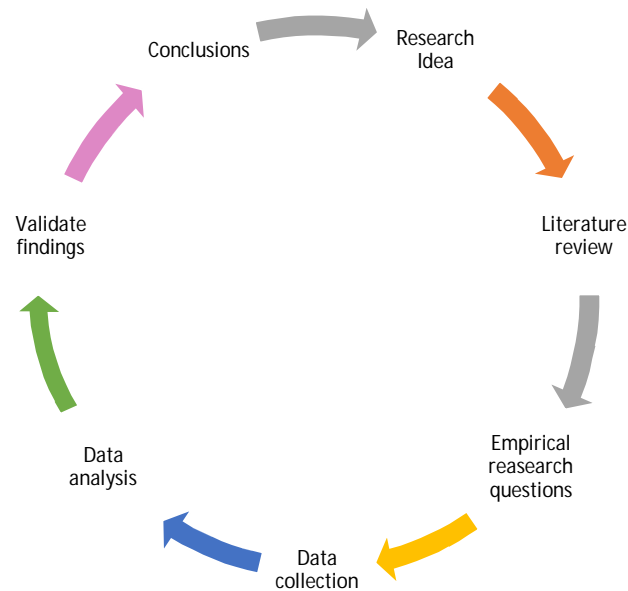


Figure 11. The Research strategy

It is important not to mix the qualitative research's and quantitative research's techniques and procedures. (Saunders, Lewis, & Thornhill 2009, 152)

In this research, the purpose is find out the factors, which enable a success in crowd-funding. The quantitative method was selected to this research, and Jha (2008, 111) states that reliability in data collection is assured in measuring internal consistency, applying test-retest correlation coefficients along using equivalent forms of the instrument. As discussed earlier, crowdfunding is a quite novel phenomenon and experience of it is quite narrow. On the field of crowdfunding business the player are mainly those who offer services as platforms and the ones who are seeking funding and the investors, who donate or make investments. From this group of three, ser-



vice provider and the one who is seeking funding, are the target groups of data collection. Both of them are experienced and particularly the service providers have important knowledge; it is their interest to be involved in a successful campaign.

The Likert scale (Robb, 2014) which measures meaning of things and concepts was chosen to measure opinions and the positions of a targeted issue. An example of the Likert scale is illustrated on Figure 12. It express, that the position marked 0 means neutral and the position one is labeled "not important", the position two "quite important" and position six is "extremely important".

The Likert's scale is usually (Heikkilä, 38, 2014) a five points scale, where the middle one means "do not know". The 6-point Likert scale does not give an opportunity for answer "do not know".

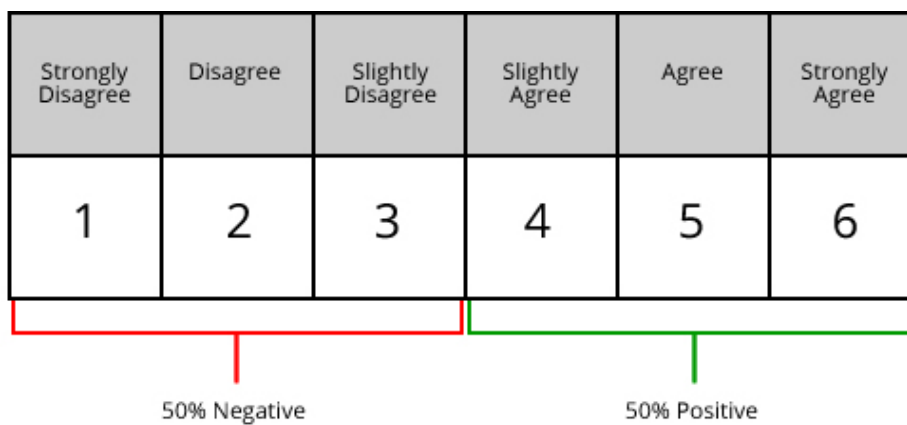


Figure 12. The 6-point Likert scale (Robb, 2014)

The participants was chosen by using Internet and searching service providers in Finland. As a result were found three companies that offer crowdfunding services, they were Invesdor, Vaurus and Venture Bonsai. Contact details was collected from service provider's Internet pages, 41 contacts was found. Questionnaire was sent via Webropol survey and the basic reports printed from software. Mesenaatti.me.,

which offers platform services, three experts work at Mesenaatti.me. From this sample, one person was chosen to be interviewed.

#### **4.1 Reliability and Validity**

The purpose of a scientific process is to obtain knowledge. For a thesis to meet the requirements of trustworthy research and credibility, forethoughts are needed and attention has to be paid. In this thesis, a quantitative approach was used because of the nature of the research. Jha (2008, 7.) presents in his book that a quantitative approach is used when something can be measured. The nature of the research question determines the selection of the method. In this study, the purpose is find out the factors that enable a successful crowdfunding round, which means that the determined goal for funding will be reached.

Furthermore, Jha (2008, 48) states that in quantitative research, experimental design is established in which the variables in question are measured. Research is much more than collecting writings or gathering information from different sources. Good research consists of those but produces new theories or results. Sachdeva (2009, 6) states that research is the organized process of collecting and analyzing information in order to increase our understanding of the phenomenon about which we are concerned or interest in. According to Saunders, Lewis, & Thornhill (2009, 156), the presents requirements for reliability will be met if the same results can be accomplished on other occasions and by other observers.

In addition, to add reliability, the qualitative and secondary material was collected. Combining (Sachdeva, 190) a qualitative and quantitative method is termed as “triangulation”, which is the application and combination of several research methodologies in a study of the same phenomenon. Further, (ibid, 186) triangulation uses a variety of data sources as opposed to merely relying upon one path of observation.

Jha (2008, 45) presents in his book that qualitative research is a multimethod in focus, which involves explanatory and naturalistic approach to its subject matter. In this study, the purpose is to find out the factors that enable a successful crowdfunding round, which means that the determined goal for funding will be reached. Therefore, when studying phenomena, pursuing to make sense and interpret the facts, a qualitative method is suitable for adding more understanding. The qualitative material consists of an interview of an expert. Secondly, the secondary data is collected from the Internet pages published by the crowdfunding service providers. The information collected from the Internet pages focuses on information of the crowdfunding rounds, where the issues focused on are: business model, company and success.

## 5 RESULTS

This section will present the results of the empirical study and illuminates the factors that contribute to the completion of the study in a positive way. The questions of the questionnaire can be viewed in the appendices and they are introduced in this section. The questionnaire consists of nine questions.

This study explored those factors that may enable a successful crowdfunding round. The results can be applicable generally, and a readers or some others who are going to set a crowdfunding campaign may have answers to their own questions and evaluate on their own, if it could be success or not and take advantage of these results and use them as a basis for their own decisions. The answers were opinions of the specialists who were working on the field of financing and crowdfunding. Now, there are still the same service providers in the market, and the business field has not changed, with neither new legislation nor any other signs about changes in sight now. When a project of the Ministry of Finance will give a statement for the basis of the new legislation, it will probably cause changes that will affect the situation and the circumstances of crowdfunding. The results can be used as a piece of advice, ra-

ther than an exact truth. The main source of information, the questionnaire was targeted to service providers in the sector of crowdfunding and was sent via Webropol surveys on 19 February 2014 to the 41 experts of crowdfunding who offer services in Finland, and to the service providers Invesdor, Vauraus and Venture Bonsai. The first reminder was sent on 26 February 2014 and the second reminder on 4 March 2014. As a result, 17 respondents answered the survey, with the response rate being 41%.

### **What are the most important factors that motivate funders to participate in a crowdfunding campaign?**

Table 2 expresses the results for the first question of nine. The first question was about the importance of the presentation and it is Informativeness in a crowdfunding campaign. One respondent gave it a three, which implicates that it is less important. Most of the respondents gave it a five, which was one less than the highest rank and six respondents ranked it most highly, giving it a six. Average was 5,12. Consequently, the informativeness of the presentation has a remarkable role when making a decision about participating in a crowdfunding round.

**Table 2. Informativeness of the presentation**

	N		%
Not important	1	0	0
	2	0	0
	3	1	6
	4	2	12
	5	8	47
Very important	6	6	35
Total	17		100

Table 3 shows how the answers were distributed when evaluating how much the product or service was influencing the decision of participating in crowdfunding round from the point of view of having the product or service for him/herself. One of

seventeen determined that it will not influence that decision and it is not important. The segmentation of the results showed that seven respondents gave it a three, which is to some extent remarkable, and six respondents out of seventeen ranked it highest.

**Table 3. Product or service (willingness to have)**

		N	%
Not important	1	0	0
	2	0	0
	3	1	6
	4	2	12
	5	8	47
Very important	6	6	35
Total		17	100

Furthermore, the third question measured the interest in participating in the crowd-funding round from the point of view of believing in the commercial potential of the product or service. As a result, fifteen out of seventeen ranked gave it a five or a six, and evaluated it to be a significant factor. Table 4 shows the results of question 3.

**Table 4. Product or service (believing in the commercial potential)**

		N	%
Not important	1	0	0
	2	0	0
	3	1	6
	4	1	6
	5	5	29
Very important	6	10	59
Total		17	100

Question 4, which is expressed in Table 5 was about the interest towards crowdfunding campaign from the point of view of the company and its features, owner, profitability and CEO. Relevance of those factors is high, average was 5, 59. No one ranked it less than four and more than a half of respondents ranked it being very important.

**Table 5. Company (features, owners, CEO, profitability)**

	N		%
Not important	1	0	0
	2	0	0
	3	0	0
	4	1	6
	5	5	29
Very important	6	11	65
Total	17		100

In Table 6 it is shown results to question five, which was purposed to find out the role of the business field. Given answers are more scattered than in previous questions, four respondents evaluated that it is not that important (answers two and three), but eight of the respondents evaluated it to be very important (answers five and six).

**Table 6. Industry, business field**

	N		%
Not important	1	0	0
	2	2	12
	3	2	12
	4	5	29
	5	6	35
Very important	6	2	12
Total	17		100

Belonging to the group and a communality was one of the aspects of crowdfunding, and question number six was surveying the communality features towards willingness to participate in the crowdfunding campaign. Table 7 shows that the average, 3,71 was near the middle of the scale, and it could be said that it does not play very important role in the participating process. Almost 60 % estimated that it has somewhat to do with the decision.

**Table 7. Community (belonging to the group, feelings)**

		N	%
Not important	1	0	0
	2	3	18
	3	2	12
	4	10	59
	5	1	6
Very important	6	1	6
Total		17	100

Question number seven was scanning the role of having opportunities to an economic benefit in the form of interest rates, equities and shares. The results showed clearly that economic factors play a major role when making the decision. Average was 5, 71, which was probably the maximum achievable performance and it was ranked highest by 76, 5 percent of the answers. Results are shown in Table 8.

**Table 8. Having economic benefits as a motivator in a participating process**

		N	17 %
Not important	1	0	0
	2	0	0
	3	0	0
	4	1	6
	5	3	18
Very important	6	13	76
Total		17	100

The opportunity to influence locally and to the company's development was handled in the empirical study and the purpose of question number eight was to scan this. In Table 9 is shown how answers were divided quite steadily, no one ranked it not important at all and no one evaluated it to be very important. Rest of the scale got rankings steadily. It can be said that the opportunity to influence has a minor role in the participating process.

**Table 9. Opportunity to influence as a motivator**

		N	17 %
Not important	1	0	0
	2	5	29
	3	6	35
	4	4	24
	5	2	12
Very important	6	0	0
Total		17	100

The table 10 demonstrates the questionnaires results by average of the each question. It shows that one of the most significant factors, which influences to decision to fund in crowdfunding round, is possibility to have economic benefits and earnings. The most influencing factor to fund was an opportunity to have economic benefits like interest rates, equity, or shares; average of the answers was 5,71. Secondly, company and its feature, owners, CEO, profitability influences to the decision to fund. Those, who a seeking funding via crowdfunding, are often at early stage, just taking the very first steps as an entrepreneur. Then it is understandable the features of the company will be emphasized when making decisions to fund. In case, that company which is already more mature, and operated already at market, is seeking money for internationalizing can show figures about profitability and convince backers that the company can be taken seriously.

Factors like opportunity to influence were influencing least of all to the decision to fund, average of that was 3,18. The question was measuring the issues like opportunity to influence to the company's internal processes, be a specialist or advisor in the company.



**Table 10. Results listed in order by average**

Question	Average
Informativeness of the presentation	5, 12
Product or service (willingness to have the product in the future)	4, 18
Product or service (believe in the commercial potential)	5, 41
Company (feature, owners, CEO, profitability)	5, 59
Industry, business field	4, 24
Community (belonging to the group, feelings)	3,71
An opportunity to have an economic benefits (interest rate, equity, shares.)	5,71
Opportunity to influence	3, 18

**What kind of business models can be chosen for crowdfunding campaign and what would be most likely succeeded?**

Finland is an EU country, and therefore positive alignments of Fleur Pellerin, the French Vice-Minister of Economics is significant signal to the crowdfunding business and developing. This enables that those who are operating in a field of crowdfunding, can trust to the continuity of the branch, and at least barriers are not built through the agency of European Crowdfunding Network. As a results, this may mean more competition and thus better service for those who are starting a crowdfunding campaign and finally this will lead more successful crowdfunding campaigns.

It was disclosed that crowdfunding campaign is in a big role in marketing a new product or service.

## 5.1 Results of various business models

The secondary data was collected on 19.12.2015. From the www- pages of Vauraus information of company loans was collected and analysed. The Figure 13 shows how the data was displayed. The information was gathered to the excel-sheet.

Lainan kohde	Korko	Sijoitusaika	Tarjottu	Luottoluokitus	Sijoitusaikaa jäljellä	Summa (€)
Käyttöpääoma (Yritys)	8,00%	3 vuotta	52%	☆☆☆☆★	38 päivää	250 000
Uuden yhtiön perustaminen (Yksityinen)	7,00%	5 vuotta	99%	★★★★★	Toteutunut 18.12.2015	40 000
Kasvu/laajentuminen (Yritys)	9,00%	4 vuotta	100%	☆☆☆☆★	Toteutunut 18.12.2015	32 000
Elinkeinonharjoittaminen (Yksityinen)	7,00%	5 vuotta	100%	★★★★★	Toteutunut 17.12.2015	10 000
Käyttöpääoma (Yritys)	9,00%	5 vuotta	100%	☆☆☆☆★	Toteutunut 16.12.2015	146 000
Käyttöpääoma (Yritys)	9,00%	5 vuotta	100%	☆☆☆☆★	Toteutunut 14.12.2015	25 000
Kasvu/laajentuminen (Yritys)	8,00%	5 vuotta	100%	☆☆☆☆★	Toteutunut 14.12.2015	50 000

Figure 13. View of secondary data at Vauraus.fi

There were 407 cases, first round was 26.8.2013 and the most recent ended on 18.12.2015. Common to all these was that all of them had realized. Whole amount of granted loans was 36 44 2200, average of the granted loans being 89 539.

The published information concerned successful results. From all of them, the requested amount was not achieved in some cases. The lowest granted loan was 19 % from the requested amount but in 337 cases, the loan was admitted by 100 %. The loan period was from six months to five years, with interest rates of 6 % to 26 %. The companies needed funding for growth and working capital, whereas private persons needed funding for merchant and trading. From private persons loan requests 24 % was for starting a new business. By companies not more than 2 % of all loans were requested for investments and internationalization

Table 11. Distribution of the company and private persons lending via Vauraus-platform.

<b>TABLE</b>	<b>Company</b>	<b>Private person</b>	<b>All</b>
N	236	171	407
	%	%	%
New business	0 %	24 %	10 %
Internationalization	1 %	0 %	1 %
Growth	45 %	0 %	26 %
Working capital	47 %	0 %	27 %
Merchant, trading (private)	0 %	67 %	28 %
Investments	2 %	0 %	1 %
Product development	5 %	0 %	3 %
Merger, acquisition	0 %	5 %	2 %
Other	0 %	4 %	1 %
Altogether	100 %	100 %	100 %

The information collected From Invesdor's pages is shown on table 12. Invesdor is an equity-based platform. The first twenty campaigns were selected from closed rounds. It is not known if all the rounds are presented on the Internet. Information was gathered from Invesdor's Internet pages on 1.1.2016. The chosen cases were selected up starting from the last closed round and ending at the 20th closed round.

One of the cases was seeking loan, and others were offering equities. One of the group did not reach the target, achieving 33 % of targeted amount. Failure percent is 5 % of all. Biggest requested amount was almost 1,5 million euros and lowest was 25 000 euros.

Table 12. Crowdfunding rounds of the platform Invesdor.

Business field	Business Model	Target fund	Reached fund	% funded from target	Succeeded
Internet app	Equity	60 000	116400	194	Yes
Internet, communication, financing	Equity	300000	666149	222	Yes
Internet, communication	Equity	50000	54834	110	Yes
Internet, communication	Equity	200000	207682	104	yes
Movie	Loan	50000	243600	487	yes
Tourism, spare time	Equity	500000	810800	162	Yes
Food and drink	Equity	32260	86540	277	Yes
Radio, Media	Equity	150000	363000	242	Yes
Transportation	Equity	1494000	2017858	135	Yes
Aviation	Equity	100000	144000	144	Yes
Sports, football club	Equity	249835	344495	138	Yes
Children design clothes	Equity	75000	116960	156	Yes
Self-Storage	Equity	100000	1008385	1008	Yes
Bitcoin services	Equity	150000	227203	151	Yes
Home care & nursing home	Equity	60000	60680	101	Yes
Sport, a share of Hockey Team	Equity	150000	246720	164	Yes
Food, palm oil	Equity	80010	26320	33	No
Mobile Marketing	Equity	50000	140240	280	Yes
Sports, climbing wall	Equity	25000	44557	178	Yes
Health care, first aid equipment and training	Equity	125053	130769	105	Yes

Table 13 presents information about Mesenaatti.me's Internet pages that is identified as a reward-based platform through which funding is sought for example arts, movies, projects, theatre and books.

Information was gathered from Mesenaatti.me's Internet pages on 2.1.2016. The chosen cases were selected up starting from the last closed round ending at the 20<sup>th</sup> closed round. From the twenty of these, six campaigns did not achieve funding which is 30% of all. The ones which did not reached targets were movies, a journalism project, textile design project, clowns and fashion happening.

There was there similar like journalism projects “Great Journalism rally”, topics were dolphinarium of Tampere, nuclear plant of Pyhäjoki and YLE’s funding and leading: Yle’s project did not get funding but two others were funded.

Table 13. Crowdfunding rounds of the platform Mesenaatti.me

Business field	Business model	Target fund	Reached fund	% funded from target	Succeed
Free time, Samba carnival	Reward	5000	1034	20,7	Yes
Movie	Reward	5000	2110	42,2	Yes
Movie	Reward	5000	0	0,0	No
Music, record	Reward	5000	1335	26,7	Yes
Music, record	Reward	20000	4195	21,0	Yes
Circus for Children	Reward	6000	2194	36,6	Yes
Journalism project	Reward	5000	631	12,6	No
Journalism project	Reward	5000	3315	66,3	Yes
Journalism project	Reward	5000	2093	41,9	Yes
Textile design project of handi-capped	Reward	6500	280	4,3	No
Animalia Calendar	Reward	16000	2787	17,4	Yes
Local media, journalism	Reward	6000	1845	30,8	Yes
Music, record	Reward	5000	1020	20,4	Yes
Crowdfunding happening	Reward	4900	1120	22,9	Yes
Movie	Reward	35000	730	2,1	No
Clowns without borders	Reward	1000	0	0,0	No
Fashion happening	Reward	7000	0	0,0	No
Music, record	Reward	5500	2050	37,3	Yes
Research, nature	Reward	6000	2270	37,8	Yes
Music, record	Reward	10000	3091	30,9	Yes

As a conclusion it can be stated, that a company seeking funds for working capital and growth most likely will be funded. Most successful business models are equity based model and lending whereas more modest results were got from reward based business model.

## **5.2 Success factors; results of the interview**

In addition, a telephone interview was conducted on 12 March 2014 with Tanja Jänicke. Tanja Jänicke is one of the founders of Mesenaatti.me Her field of expertise is campaign planning, marketing, training and co-operation with companies. The telephone interview was to supplement the information and widen understanding. It was also to add more value to the study.

The interview questions are included in the appendices. The questions were the basis of the interview and they were sent beforehand to Tanja Jänicke. Originally, the questions were in Finnish and the interview was also held in Finnish. The list of the questions was translated into English.

According to Tanja Jänicke (2014), the producer of the Mesenaatti.me, the key words in crowdfunding are openness, honesty and transparency. Openness is relevant from the point of view of the backers who want to know exactly what they are backing. The backers evaluated the project and would like to know everything about it. People are very interested to know every detail and ask questions. As for transparency, it persuades the backers.

Jänicke also highlighted that launching a crowdfunding campaign requires hard work. Those who are backing an idea are not necessarily just customers but mentors and teachers as well. Backers are those who can make the start-up become true, they are as much involved as the entrepreneurs themselves. Characteristically, a backer is a potential customer who wants to have the product and very likely also some kind of an expert of the field. Jänicke (2014) emphasized the importance of an idea, which should be something very new and mind-blowing. In addition to a good idea, succeeding in a campaign requires careful planning and implementation.

Furthermore, before a round can become visible, open and transparent it needs to be planned. Meticulous planning is as important as the hard work needed to do to accomplish the round, Jänicke pointed out.

In the nature of crowdfunding, a communal issue exists but the results of the study showed that the economic reasons motivated to participate in crowdfunding campaign.

## **6 DISCUSSION**

After studying and conducting the documentary analysis, drawing up questionnaire and completing the interviews, it is time to draw the conclusions, and discuss about relevance of the study. The methodology chapter determined how to conduct the thesis that is a multimethod study pursuing to find factors that enable a successful crowdfunding round. This study is useful for those, who are considering establishing a new venture and searching ways to fund their very first steps as an entrepreneur. Those, who are interested in looking for an optional source for funding, may use this study as a guide.

Furthermore, managers of the more mature companies who are seeking opportunities for internationalizing can utilize the results of this study. Thus, the results of the study are applicable to any purposes and can be generalized to some extent. This means that the results can guide in the right direction when making a decision whether to start a crowdfunding campaign or not, and to what purpose: exploring the interest of consumers in a product or service, use crowdfunding as a marketing tool or as a tool for funding. This brings out that despite the meaning of the word, crowdfunding can have other purposes as well. Both Lambert and Schvienbacher and Mollick (2010, 2013) also stated that crowdfunding is not only a way to have funding but also to test new services or products and run marketing campaigns.

In addition, the facts about the new phenomena of crowdfunding, growing business field, lack of traditional funding, and political willingness to develop crowdfunding offers opportunities for those who are interested in creating new business in the field of crowdfunding.

In the very beginning of the study, it was mentioned the few earlier studies concerning crowdfunding. There are Internet sites with most of them repeating the same information. There was no new information generated by research, which resulted in the literature review remaining modest. Lack of literature was surprising. What could be more significant than success when pursuing funding for a new venture via crowdfunding? Possibly the answer lies in the innovativeness of crowdfunding. The discussion is extended to concern the results and compare to the existing literature.

When finishing this study, one more search was completed, and as a result a paper was found in which success factors were researched. In this study Cordova, Dolci & Gianfrate (2015) founded that campaign duration increases the chances of success, and increasing the amount of funding goal correlates with a lower probability. This kind of success factors were not handled in this study, but this indicates that interest towards success factors exists. In addition, this information is valuable for those who use this study for their own purposes.

As a result, the seeker must define issues as the company, features, product or service and evaluate the commercial potential seriously, so this study can be partly a tool for evaluating management issues. The object of the entire study was to take a deeper insight into crowdfunding, and further; trying to find those factors which enable success in crowdfunding. The perspective was from the new entrepreneurs' point of view, the one who would like to be an entrepreneur. The target group to the questionnaire and interview was chosen to be the crowdfunding service providers. Why were expressly the service providers chosen? In contrast to the single money seeker,



the service providers are experienced on the field of the crowdfunding and thus probably have larger awareness about the subject of factors leading to success.

Handling issues like funding and financing a new venture, it could not have been conducted without stating the traditional sources to the level. The traditional sources for funding were expressed shortly in this study, nature of them varies a lot from the idea of crowdfunding. They are more organizational sources, when crowdfunding differs from the traditional ways to fund. The traditional ways to fund new ventures was expressed here because they have a long history and are needed to be introduced when handling matters as financing a new venture. The information of them was a good ground to introduce the idea of crowdfunding, it created an excellent basis for comparison old traditional ways to new phenomena. As in the empirical study expressed, the defending systems of banks towards financing new ventures because of the financial crisis have been strengthened and could be assumed that crowdfunding thus offers a solution for those who are seeking a seed money for starting a business.

A huge breakthrough has happened, comparing the older financing procedures to new ones; a precise business plan composed to the banks or other traditional boards has changed to the narrative pitches and videos accessible to the public in Internet. When the earlier negotiations about funding have been committed in private rooms, the technical approach web.2.0 permitted solutions like platforms and social media to be very open publicly. Furthermore, crowdfunding does not require an equity to be shown as traditional sources of funding usually require, but crowdfunding campaign can be started from scratch.

Instead of showing the calculations and having a financial capital, seems to be that the seeker should show her/his capabilities and the entrepreneurial skills to set up a

company and a good business idea to convince backers. It even seems that crowdfunding allows funding to be casual or informal, although it can not be taken as a cash dispenser. With the more casual mode of communication with the investors, and as investors are not in a position to influence to the seekers ideas or anything, there is a risk to go wrong. Platforms allow all to follow the progress of the campaign, and tracking is easy, but as a difference to traditional sources of funding, a single investor cannot influence to the result. They cannot demand more own equity, marketing plans, reports or anything else from the seeker. As a conclusion of that, the proper planning to achieve the goal is even more significant than when applying funding via traditional sources.

The purpose of this study was to find out the reasons, which enable success in crowdfunding. Two questions were chosen to this study, which were considered to shed more light to the reasons that predict a successful crowdfunding campaign. First of them was to study those factors that motivate funders to participate in a crowdfunding campaign and the other question concerning choosing a business model and its relevance in a crowdfunding process. For these questions were answers acquired from seventeen respondents. For adding more value and information and more comprehensive study, the secondary data was collected. It completed this research.

Earlier it was expressed that proper planning is even more significant comparing to the traditional sources of funding due to the differences in monitoring the progress and development. Where representatives of the traditional sources may force for proper planning, demand business plans or reports to be shown, and ask numerous details, in crowdfunding a single backer can follow progressing from the platform. This comes in the importance of knowing the motivation of investor. Is it the record or T-shirt they would like to have or economic benefits, it would be good to know. The seekers also differ from each other, a young singer on her/his very first steps who wants to make name and arouse public interest, is very different from someone,

who has a business idea, a vision about scalable business and has worked to commercialize his idea and start a business.

The larger framework of the study was in financing, starting a new business and finding funds for that purpose, and narrower focus on crowdfunding and successful factors as motivation of backers. Also technical solutions, which enable success, as platforms were handled in this study. Crowdfunding can be used for less business-related funding and purposes. Businesses are rarely founded just for fun or life style. The business, company and economic matters seems to be motivators to fund. Answerers estimated that the most interesting was the company itself, so it can be deducted that funders are willing to fund the company, and are more interested in it, rather than the product. Furthermore it can be deducted, that the business interests funders, and when interesting business has been found, they donate in that company. As earlier was mentioned, the proper planning is in a big role when pursuing a success in crowdfunding round. Therefore, a precise information about business is justified, backers seems to have willingness to know the details and business profoundly.

Choosing a business model is quite much related to the target of the seeker; is the purpose to start a real business, or perform a project, or to collect funds for charitable reasons. Donation based crowdfunding model was illegal in Finland, and therefore it is not an option, there must always be the compensation for receiving money. The respondents of the survey had chosen equity based crowdfunding model as a most attractive model, which raises additional questions up as why would they choose that one. Additional question after the question would have been justified, depending on the answer. Does equity based model represent more professional attitude which makes it attractive or is the question about receiving shares and possible economic benefits? Selecting the business model seems to be a choice which is determined by the target of the crowdfunding campaign. The issues which matter are the company itself, is it already existing, and the scale; small or large. It would probably not be an option to give shares of a one man company, but a production

plant with larger volume and production would be a different thing. One question which is considerable to think, is the impact of the new concept itself. Could it be a motivator as well, because it is considered to be fashionable?

It was shown, that the platform owners differ from each other, and they are specialized for offering different kind of business models. In other words platforms are profiled to offer models which belong to their category. For example Mesenaatti.me is offering platform services for categories of music, culture, publishing, games, society and charity but another Finnish platform service provider Invesdor is profiled to offer only more professional businesses and only on equity base. The decision about what the intention is for business, is essential when choosing a platform and it may affect to the result. If a group of actors establish a limited company and will collect funding on equity based platform for a theatre project, they will possibly notice the target group of backers was not the right one. It seems to be that continuity and professionalism are in key role when pursuing equity based funding, expecting hard results as profits. The right kind of positioning of the own product, target group, own business and goals are essential when selecting a business model.

In this study the target was achieved and the success factors were found. As one result it can be said that backers are motivated to participate in campaigns which enable financial benefits. Lending and equity based business models were the ones which offer an opportunity to have the financial benefits in a form of interest rate or shares. The opportunities to have the product or the reward were not that tempting reasons to participate. Donation kind of business model was out of the question because it was illegal in Finland.

### ***6.1 Comparing the results of the empirical research to the literature review***

The literature view deals with business models and the motivation of funders for implementing crowdfunding campaigns. In addition, political aspects and solutions like

WEB2 were discussed. Political aspects were considered to be in a minor role and were not included in the questionnaire because platform owners should have taken this into consideration when making their offers. Nevertheless, it is important to know what is legal and what is not when making decisions considering a crowdfunding round. In addition, it is important to know, what kind of an authoritative attitude exists towards crowdfunding, which will influence the success in crowdfunding. In addition, the authorities' attitude and willingness to develop crowdfunding issues in Finland is essential from the perspective of decision-making. Possibly authorities' tendency to make crowdfunding more transparent is a consequence of the bank authorities' tendency to defend themselves against risks by rejecting loan applications.

Belonging to a group was a remarkable motivating factor according to Belleflamme et. al (2013, 2). In this study the result was different as belonging to a group was the second least determining factor to participate. This kind of result raises questions. Is this a cultural factor depending on the country, or could this be a thought only without any truth? It might also be possible that the social factors are not so important any more and evolving crowdfunding is becoming more a tool of business rather than charity.

### Roadmapping

In the context of choosing a provider for crowdfunding or assessing an own stage in the whole picture, roadmapping is a useful tool for it. An example of that is shown in figure 10. It starts simply with a question if the seeker knows what he/she is doing. By following the paths, a suitable solution for service provider may be solved. The purpose of the road map is to screen the ones that are the most suitable for someone's own project to choose the service provider of crowdfunding campaign. In Finland, there is only few providers, and the road map can be applied for the circumstances in Finland.

As well as selecting the service provider, which means quite much the same than choosing the business model, the road map can be used for crystallizing and developing own project, to sharpen idea or purpose and for determining the goal. Setting questions and answering to them will lead to next step in the road map. Not only for selecting the right service provider for crowdfunding, the map will guide for the source of more appropriate financing. Setting the question "who are your ideal investors?" can lead to the result for example to turn to angel investors as a more appropriate source for financing for example.

## ***6.2 Limitations to the research***

Researcher's access to the data may be a common limitation and in this research, it could be considered to be a limitation because of the limited amount of the service providers in Finland, and action on the field is narrow. Sample size is considered a limitation, the questionnaire could be sent to very limited target group and not all the respondents answered. It was known from the beginning of the study that there are not that many service providers in Finland. As noted during the study, crowdfunding is a very new phenomena and taking its very early steps, particularly in Finland. Choices to carry out the survey among crowdfunding service providers were narrow, but willingness to study crowdfunding, and particularly in Finland were considerable.

Someone could ask why choose a topic from which was known that material would be hard to find and the range of crowdfunding service providers was that narrow. However, it must be started from somewhere, and it will be fine if this thesis could act as a basis to further studies with the subject. From the beginning it was not meant to fill the whole gap of researches about crowdfunding, but fulfill one piece of knowledge. Lack of the studies concerning success in crowdfunding in Finland makes this study a very relevant study; new focused information was produced from this field of greater subject, funding an enterprise. This makes this study more abreast of

the times – especially when crowdfunding as a source of funding enterprises has grown hugely and could be assumed the trend will continue. For improvement, the deep interviews would have given more value to this study. So would do the research among service providers because their work is related with crowdfunding and they work amongst crowdfunding, the factors which enable the success is remarkable for them. Seeking for motivational reasons for backing crowdfunding campaign among backers would need a very large sample group and knowledge about crowdfunding. It could be that the public is not that familiar with crowdfunding, which assumption points to an idea of further study; how well known crowdfunding is among great public.

A question about how much and how deeply service providers guide seekers for setting a campaign could have been a good question to ask from the service providers. It possibly effects to the result. Now it is unclear, do they let everyone participate despite of insufficient content or poorly planned campaign. It would be interesting to know, where the limit is. This has presumably a kind of role in success of crowdfunding round. Very essential issue in this study was to find the reason what motivates funders to participate in a crowdfunding campaign. Now it is not known how people get information about crowdfunding, how many of Finnish people know about crowdfunding. Here lies an opportunity for further research about the public awareness of crowdfunding and how information about it is gathered.

Validity and reliability of the research was handled in chapter 4.1, the multimethod approach was chosen. The results consist of respondents understanding about the factors that influence to the upshot of the success in crowdfunding. Instead of verbal, free answers the questionnaire was formed. This was chosen to have measurable answers instead of some single words. By this is meant, that if the questionnaire would have been open for example like a question: What factor will affect to the decision to participate in crowdfunding campaign? Above-mentioned question could

have given as many answers as there were respondents. Secondly, the semi-structured questionnaire would have given answers that the researcher has not taken into account and that could be considered a limitation.

It is impossible to evaluate what factors have influenced to respondents answers, respondents feelings, attitude or even experience. It is unknown how experienced or how long the respondents have been working on the field of crowdfunding and how deep their expertise is. Crowdfunding and platforms in Finland is that novel, it would not have been possible to select respondents that have been working with crowdfunding many years. It would be interesting to know, what kind of documentation systems platform owners have, do they follow results of the crowdfunding round and analyze them. If they do, it would be worth of deeper study. For pursuing the development of the successful crowdfunding round, there would be an opportunity to create some kind of development tool for measuring the results. It could possibly be a good subject for further research, which could create something new. It was shown in this research that incoming of the Web 2.0 enabled interaction with the public. It is known that the amounts of clicks can be measured and one subject for further research is create a questionnaire for the visitors of crowdfunding platforms to measure their willingness and motives, for example.

Further, the research was selected to limit in Finland, because culture, legislation and probably also values differ between Finland and other countries. It would be interesting to implement the same research somewhere else, where longer history exists and financial or entrepreneurial atmosphere differs from Finland's status quo, not to mention the cultural differences.

One of the kickoff to study crowdfunding was author's very first touch to the subject and conception about communality and an own business idea. An own business idea concerning products for those who are having a celiac disease and communality was



linked strongly to each other. One limitation could be author's objectivity, but in this study, the objectivity was maintained. In the study it was not concentrated only on the communality issues, other factors were handled equally to large extend about quantitative method.

When discussing the answers to the main research question "Funding an enterprise via crowdfunding- what could make it being a success?" results of the empirical study were similar and they did not vary from each other very much. Were the answerers too careful and did not want to express strong assessing? Possibility to have economic benefits arose the most important factor, but the other factors were considered quite important as well. Overall, the entirety of all the factors may affect to the result for the successful round.

The secondary data was collected from the Internet pages of the service providers. In the web pages also the failed rounds were introduced. However, it is not known if all crowdfunding rounds were presented, in other words, were the most failed crowdfunding rounds cleaned off the Internet pages or were they on the site. If not all rounds was introduced, it may be a limitation and distort the results.

Choosing the right business model goes hand in hand with service provider, they were different from each other. From equity based crowdfunding campaigns, five percent failed and from reward based crowdfunding campaign thirty percent failed. From the loan-based campaigns, each campaign reached the target. From that point of view it could be stated, that loan based is the most successful business model. This is in line with the report of Massolution (Massolution 2013, 7) which stated lending based crowdfunding growing most of all.

### **6.3 Recommendations for further research**

While doing this study, many questions and ideas emerged. Due to the lack of earlier studies, this subject is an open field, just waiting for explorers. What we know now is that this is a rising method for funding. This study was targeted to gather information about factors which enable success in a crowdfunding campaign. The history of crowdfunding lies in crowdsourcing and in the third world and a social aspect like Kiva, which offers microloans for poor people. What is known about history is that if history is not understood, the present cannot be understood either, and history is a philosophy taught by examples. There lies an interesting target for future research: what factors made crowdfunding expand and become as popular as it is now. Understanding history much better can be used for developing crowdfunding and maybe avoid unsuccessful crowdfunding campaigns. Also analysing failed crowdfunding campaigns would give valuable information about successful factors. Platform service providers could use the knowledge for offering better services. When experience accrues concerning crowdfunding, the developmental issues would be worth-further study, for example measured by the number of service providers, amount of backed campaigns and the amount of funds.

It was stated, that crowdfunding can be used for testing a business idea or marketing, from which arises an idea for future studies concerning success among the seekers on the second round. It would be interesting to know about the successful factors in case the first round has not been successful. Would the second round be successful or not and why?

Further, for this study platform service owners were interviewed, and therefore research among those who have carried out a crowdfunding campaign would give valuable information. Their estimation about success factors measured in the same way as in this study. Comparing the results of this research and corresponding research

among the ones who have performed a crowdfunding round would be very interesting: would the results be similar or what results that kind of research would give. Information about the reasons of final results of the crowdfunding campaign among the seekers who have had success in crowdfunding round would be worth of research. And on the other hand, a research among the seekers who have not reached the target in the crowdfunding round; what went wrong. Economic reasons were the motivational factors which made backers participate in a crowdfunding round. For further studies this could be a field for deeper study. Also, research among backers could give information about the motives for participating in a crowdfunding round.

The author's strong vision is that the traditional financial institutions like banks, Finvera etc. will be in a minor role in the future, and that the financial markets are changing with no return. Phenomena such as crowdsourcing and crowdfunding have come to stay. What comes to the political aspects, there is a willingness to develop crowdfunding on the ministry and EU level, and that will increase rather than decrease the possibilities for succeeding in crowdfunding.

As finishing this study, Nordea Bank (NORDEA, 2016) announced about starting to offer an equity based crowdfunding services. The news support that crowdfunding is a considerable way to fund enterprises.

In the beginning of the study was mentioned about MBA – students without promotion and entrepreneurship, and the business idea of the author. As a result was stated that crowdfunding suits to the author's purposes. In addition, this study brought out other very considerable factors for future plans.

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## Appendices

### Appendix 1. The questionnaire via Webropol survey

#### Requirements for a successful crowdfunding campaign.

The purpose of the following questionnaire is to find out what makes investors participate to the crowdfunding campaign.

When the visitor/investor evaluates the presentation, what are the key factors that attract his interest and affect to the decision?

**1. Informativeness of the presentation (detailed, comprehensive) \***

1 2 3 4 5 6

Not important ○○○○○○ Very important

**2. Product or service (willingness to have the product in the future) \***

1 2 3 4 5 6

Not important ○○○○○○ Very important

**3. Product or service (believe in the commercial potential) \***

1 2 3 4 5 6

Not important ○○○○○○ Very important

**4. Company (features, owners, CEO, profitability) \***

1 2 3 4 5 6

Not important ○○○○○○ Very important

**5. Industry/Business field \***

1 2 3 4 5 6

Not important ○○○○○○ Very important

**6. Community (belonging to the group, feelings) \***

1 2 3 4 5 6

Not important ○○○○○○ Very important

7. An opportunity to have an economic benefits (interest rate, equity, shares)  
\*

1 2 3 4 5 6

Not important ○○○○○○ Very important

8. Opportunity to influence \*

1 2 3 4 5 6

Not important ○○○○○○ Very important

## Appendix 2. The questions to the interview

1. Kenelle joukkorahoitus sopii? (To whom crowdfunding is suitable)
2. Mitkä tekijät ovat tärkeimpiä onnistuneen joukkorahoituksen saavuttamiseksi? (What factors are most important for achieving success in crowdfunding)
  - 2.1. Esittelyn informatiivisuus (informativeness of the presentation)
  - 2.2. Tuote tai palvelu (asiakas haluaa sen itselleen) (product or service, customer would like to have the product)
  - 2.3. Yritys itsensä, yrityskuva, omistajat, toimitusjohtaja, kannattavuus (Company features, owners, CEO, profitability)
  - 2.4. Toimiala (business field)
  - 2.5. Sosiaaliset tekijät, kuuluminen yhteisöön tms. (social aspects, communality issues)
  - 2.6. Mahdollisuus saada taloudellista hyötyä, osingot, osakkeet. (an opportunity to have financial benefit, shares, dividends)
3. Mitkä ovat joukkorahoitusta hakevan pahimmat sudenkuopat? (What are the pitfalls of the crowdfunding for seeker)
4. Onko epäonnistunut joukkorahoituskierrös este/haitta uuteen kierrokseen, vai onko se positiivinen asia (mainos, kehittyminen, näkyvyys)? (Is the failed crowdfunding campaign a barrier for new round or positive issue (advertising, developing, visibility))
5. Lailliset näkökohdat (vastikkeellisuus, yms.) (Legal aspects, rewards etc.)