Crowdfunding from a Marketing Perspective

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AUTHOR: William Arkrot, Anton Unger & Erik Åhlström
TUTOR: MaxMikael Wilde Björling
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Magnus Hultman, My Independence

William Arkrot              Anton Unger              Erik Åhlström

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Abstract

Raising funds through crowdfunding has experienced an accelerated growth for start-up companies. Moreover, recent literature suggests that crowdfunding has developed from being just a fundraising tool to a versatile marketing tool (Brown et al., 2016). Even though the marketing aspect of crowdfunding has been researched, there are no clear distinctions of explicitly what marketing values a crowdfunding campaign may entail. This study investigates the two dominating crowdfunding approaches for commercialized ventures, namely, reward- and equity-based crowdfunding. A gap in literature has been identified regarding differentiating reward- and equity-based crowdfunding, in terms of what marketing values they encompass from an entrepreneur’s point of view. The authors’ theoretical position comprehends a connection between crowdfunding and marketing values, which the authors aim to investigate through an exploratory approach. The empirical findings are based upon eleven face-to-face, semi-structured interviews with entrepreneurs who has launched a successful crowdfunding campaign and can thereby be considered experts in the field. Through the empirical findings, the authors were able to identify how each approach creates value for the company. The empirical findings suggest that there are convergences and divergences, differentiating reward- from equity-based crowdfunding. This study aims to support and guide entrepreneurs who want to start a crowdfunding campaign by giving the entrepreneurs directions depending on what marketing values they may seek.
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1. Introduction

This chapter introduces the subject of crowdfunding, its historical development and its correlation to value creation through marketing. This will be followed by the problem formulation and the purpose of this research. Moreover, this chapter will include expected empirical findings and the research question that this study pursues to answer.

1.1 Background

It is vital for new ventures to obtain financial capital to initiate their business (Cassar, 2004). However, start-ups has historically experienced difficulties in gaining commitment from traditional sources of funding, such as, venture capitalists, business angels or banks. Furthermore, the capital available through ‘FFF’s’ (friends, family and fools) might be insufficient in the entrepreneur’s pursuit of their business idea (Tomczak & Brem, 2013). In recent time, the phenomenon of crowdfunding has been an increasingly popular tool for entrepreneurs who seek to fund their business ideas (Mollick, 2013). The process of crowdfunding allows the entrepreneur to disregard traditional sources of funding and reach out to the public for funding. Thus, the development of crowdfunding is designed as an alternative way where the entrepreneur utilizes a great number of individuals to raise capital instead of being reliant on one entity (Belleflamme et al., 2014).

Even though many authors presents crowdfunding as a new phenomenon (Belleflamme et al. 2014; Mollick, 2013), traces of crowdfunding can be found during the era of Mozart and Beethoven, who collected small amounts of money to finance their compositions and concerts from individuals who were interested in their performances (Hemer, 2011). Another example of historic crowdfunding is the Statue of Liberty in New York in 1885. The pedestal of the statue was being produced by the U.S., but the costs were too high and the project required additional funding. Pulitzer was able to raise $102,000 from 120,000 donors which was sufficient to finish the Statue of Liberty (Young, 2012). Despite its historical background, researchers are defining crowdfunding differently and therefore it has become an umbrella term for raising capital from a large group of people where investors contribute with small amounts of funding (Ahlers et al., 2015). Belleflamme et al. (2014) and Mollick (2013) shares the definition of crowdfunding as
the process of collecting small contributions from a large number of individuals instead of being reliant on one unit. Although, Gerber and Hui (2013) suggest that the definition of crowdfunding should be revised, that crowdfunding is not just about exchanging funds and offering rewards as Belleflamme et al., (2014) and Mollick (2013) defines it, the definition is too narrow.

Despite that crowdfunding, according to previous literature, has been presented as a tool for raising capital, it has developed into a tool with multiple purposes. For instance, Belleflamme et al. (2014) elaborates on the notion that companies can use crowdfunding to test, promote and sell their products. Furthermore, Giudici et al. (2012) elaborates on this development of crowdfunding, and that the main reasons for entrepreneurs to engage in crowdfunding are to raise capital, obtaining attention and getting feedback. Moreover, Brown et al. (2016) comprehend the advantages of crowdfunding besides raising capital, and states additional benefits, such as validating the product or business idea and to create a sales pipeline by distributing the products to the backers. Testing, promoting and selling the product (Belleflamme et al. 2014), obtaining attention and getting feedback (Giudici et al., 2012), and creating sales pipelines (Brown et al., 2016) are outcomes of crowdfunding that could be connected to ‘value creation’ as described by Jobber and Ellis-Chadwick (2016). Henceforth, it is suggested that the process of crowdfunding has developed from being a mean to raise capital to a more dynamic process that generates marketing values for the company through value creating processes.

The core of value creation is exchange. This refers to transactions of any kind where a physical good, service, idea or money is exchanged for another. The underlying intention of the process is that all parties included in the exchange gain something of satisfactory value (Jobber & Ellis-Chadwick, 2016). Gummerus (2013) further illustrates how the value concept carries two branches, namely, value creation and value outcomes. Moreover, the value creation process concerns the internal organisational activities and resources, while the value outcomes refers to how the value is collected and perceived by the customers. Furthermore, Srivastava (2016) highlights how organisations can gain competitive advantage through value creation by understanding its fundamentals. Hence, it is important for crowdfunding companies to understand the value creation concept while launching their campaigns. However, crowdfunding branches into five
subcategories which makes the application of the value creation concept divergent. These five subcategories, namely, reward-based, equity-based, donation-based, lending-based and royalty-based entail different scopes, motives and outcomes (Outlaw, 2013). However, by emphasising commercialized crowdfunding companies, understanding the value creation process is suggested by the authors to be of high importance for the entrepreneur when launching the crowdfunding campaign. By emphasising commercialized companies, this study focuses exclusively on reward-based and equity-based crowdfunding, since these two represent the dominating approaches for commercialized ventures (Belleflamme et al., 2014). This paper will provide insight in how these two approaches vary in terms of creating value. Additionally, this study will aim to develop an understanding where the convergence and divergence of the two crowdfunding types are demonstrated in terms of how they create value for the company.

1.2 Problem
As the phenomena of crowdfunding has experienced an accelerated growth, the subject has naturally been increasingly researched (Belleflamme et al., 2014; Mollick, 2013). Recent literature suggest that crowdfunding has developed from being just a fundraising tool to a versatile marketing tool (Brown et al., 2016). Even though the marketing aspect of crowdfunding has been researched, there are no clear distinctions of explicitly what marketing values a reward- and equity-based crowdfunding campaign entails. In addition, a gap in literature has been identified when it comes to comparing the two major crowdfunding approaches, reward-based and equity-based crowdfunding, in terms of value creation. In turn, this could pose difficulties for entrepreneurs to select the most appropriate crowdfunding approach when it is unknown what marketing values each approach generates.
1.3 Purpose
This thesis aims to provide insight in how reward- and equity-based crowdfunding differ in terms of how they create value for a company. While considering the previously identified marketing values of crowdfunding, the authors aim to explore additional marketing values that has not been identified in previous literature. In turn, this study aims to assist entrepreneurs to select an appropriate crowdfunding approach depending on what marketing values they might seek.

1.4 Research Question
The purpose is concentrated down to the research question that will function as a guideline for this thesis.

- *How does reward-based crowdfunding and equity-based crowdfunding differ in terms of value creation for the company?*
2. Literature Review

This chapter discusses existing literature in the subject of crowdfunding and marketing in order to establish a theoretical framework as a foundation for the empirical research. The first section of this chapter reviews reward-based crowdfunding and equity-based crowdfunding to identify specific outcomes of crowdfunding that could correspond to value creation for a company. The second section of this chapter suggests how these outcomes can create value, and how they relate to marketing.

2.1 Crowdfunding

The concept of crowdfunding refers to a fundraising tool where entrepreneurs turn to the public for financial aid. Crowdfunding arrives from the concept of crowdsourcing which involves obtaining ideas, solutions and feedback from the public (Belleflamme et al., 2014). Rather than being reliant on getting funded through traditional sources of funding such as venture capitalists, business angels or banks, crowdfunding allows entrepreneurs to collect smaller sums of funding from a larger cluster of individuals (Mollick, 2013). Moreover, a crowdfunding campaign is less time-consuming to launch than turning to traditional sources of funding and is less constrained by legal aspects (Gerber & Hui, 2013).

Despite being a tool for raising capital, crowdfunding is suggested to assist entrepreneurs with validating the demand for products, expanding awareness of both the product and the brand, and to build valuable relationships (Gerber & Hui, 2013). Additionally, Mollick (2013) stresses aspects of building a competitive advantage and gaining press attention through crowdfunding. These additional benefits are elaborated further by Brown et al. (2016) in their article “Crowdfunding as a marketing tool”. Brown et al. (2016) applies a marketing perspective to crowdfunding where they argue that outcomes such as creating sales channels, branding and getting market feedback can be as valuable as or even more valuable than raising funds.
2.2 Types of Crowdfunding
Crowdfunding branches into five sub categories that utilizes different fundamentals to raise funds, namely, ‘reward-based’, ‘equity-based’, ‘donation-based’, ‘lending-based’, and ‘royalty-based’ (Outlaw, 2013). Lending-based crowdfunding is based on the same principles as a traditional funding source. An investor lends an amount to an entrepreneur and expects a rate of return on the capital lent. A donation-based approach has charity as its foundation, as the investor does not expect to get any return on the investment (Frydrych et al., 2014). The royalty-based approach gives the investor a percentage rate of the company’s revenue based on the gravity of the investment (Outlaw, 2013). A reward-based approach offers a reward in return for an investment. This reward commonly corresponds to getting the company’s product to a discounted price before it reaches the market, and can therefore in practice be seen as a pre-ordering model. Additionally, through a reward-based approach the investor could be considered an early stage customer since the investment is a pre-purchase of the product (Belleflamme et al., 2014). Lastly, the equity-based category adopts a profit-sharing approach where an investment in the campaign will be exchanged for shares or dividends of the company (Brown et al., 2016). Even though this approach shares principles of funding through business angels or venture capitalists, equity-based crowdfunding turns to a larger chunk of individuals for funding instead of being reliant on one unit (Belleflamme et al., 2014).

2.2.1 Reward-based crowdfunding
Reward-based crowdfunding refers to when entrepreneurs fund projects with non-monetary rewards as incentives for receiving financial support from investors (Miller, 2017). The reward usually involves the product which the focal company aims to produce with the capital gained through the crowdfunding campaign. To make an investment incentivising for the crowd, the reward often refers to backers receiving the product before it is released to the public for a discounted price compared to the scheduled retailing price. However, reward-based crowdfunding is also found in industries not dealing with consumer goods. In the arts industry, a reward could refer to getting a signed shirt from a musician or acknowledging the investors behind a crowdfunded movie in the ending credits (Hossain & Oparaocha, 2015). According to Franke & Klausberger (2008), the reward is of high importance, if it is not perceived as fair by the crowd, the campaign is not likely to be successful. Agrawal et al., (2013) further supports this statement,
arguing that the value proposition of a project must be clear and the return when pledging a project must be incentivising.

Brown et al., (2016) suggests that a reward-based approach is more suitable for campaigns that offers a physical product for which people are willing to prepay for. However, even if tangible rewards are more common, immaterial rewards also appears (Steinberger, 2017), as in the aforementioned example of being honoured in the closing credits of a movie (Hossain & Oparaocha, 2015). Furthermore, it is suggested that campaigns which offers products that are in an early development stage, are less likely to reach their funding targets. In such cases, the reward which is typically delivered upon project completion, are far from reaching the supporter, which decrease the willingness for supporters to pledge the project (Brown et al., 2016). Mollick (2013) acknowledges that the timeframe promised to supporters is a common issue, 75% of all successful reward-based campaigns are delayed in terms of delivering the rewards to its supporters.

Belleflamme et al., (2014) mention another constraint related to reward-based crowdfunding. The average pledge that investors in a reward-based crowdfunding community are willing to invest is typically smaller compared to communities engaging in equity-based crowdfunding. Thus, reward-based crowdfunding is suggested to be more suitable for projects with lower funding targets. However, this is a general conclusion with exceptions, drawing on an example of the Pebble smartwatch, which had a funding target of $500,000 but raised over $20 million during its reward-based crowdfunding campaign (Kickstarter.com, 2017b). Belleflamme et al., (2014) argues that people engaging in reward-based crowdfunding are in general heterogeneous, hence they can be considered to accurately represent a general crowd. This is found to be contradictory to more recent research, which suggests that early adopters interested in technology constitute most of the reward-based crowdfunding community (Hossain & Oparaocha, 2016; Miller, 2017). According to the Economist (2012), the industry of technology and video games are the two industries that generated the most funding on Kickstarter in 2012, which could be connected to the suggested homogenous characteristics of the reward-based crowd community aforementioned.
2.2.1.1 The reward-based crowdfunding community
An empirical study by Stiernblad and Skoglund (2013) suggests that unsophisticated crowd characteristics are common on reward-based crowdfunding platforms. As a demonstration of these unsophisticated characteristics, Stiernblad and Skoglund (2013) proposes that 72% of the crowd on reward-based communities made their investment decision in less than ten minutes. Moreover, the majority of the reward-based crowd had never been involved in the purchase of equity before which is suggested by Stiernblad and Skoglund (2013) to limit the possibility that the crowd could be considered as sophisticated investors.

2.2.1.2 Investor motivation in reward-based crowdfunding
Since it is the crowd that contributes with funding, it is highly relevant for entrepreneurs to understand the investors’ motivations for backing a reward-based project (Gerber & Hui, 2013). Steinberger (2017) conducted a quantitative study regarding this subject. The nature of reward-based crowdfunding is that a project will not be carried out if the funding target is not met. These empirical findings suggests that the main driver for supporters to pledge a reward-based campaign is the willingness to consume the product, which otherwise would not be available on the market (Steinberger, 2017). Entrepreneurs can also promise value-adding features if the funding target is exceeded with certain amounts, motivating supporters to invest even further. Another motive for supporters is the value associated with the reward itself, the discount received or in terms of getting the product before it is available for the general public (Steinberger, 2017; Gerber & Hui, 2013).

In addition, altruism is also suggested to play a role in why some supporters engage in reward-based crowdfunding (Steinberger, 2017). Altruism, is referred to the motivational aspects of doing good without receiving anything in return, such as donating money to charity (Henderson & Malani, 2009). This means that backers, to some extent, also see reward-based crowdfunding as a way of doing good (Steinberger, 2017; Tomczak & Brem, 2013; Özdemir et al., 2015; Ashoka, 2016). Gerber and Hui’s (2013) findings strengthen the altruistic motive, that supporters back reward-based crowdfunding projects based on the desire to help entrepreneurs to whom they feel personal connections to.

Even if a reward-based approach does not promise the possibility for supporters to
influence a project, it is still found to be a driver for certain investors. In many cases, entrepreneurs do listen to what the backers have to say and make changes to the product based on these opinions. This goes hand in hand with the feeling of being involved in a project when receiving continuous flow of information of how the project progresses, which investors engaging in reward-based crowdfunding are entitled to (Steinberger, 2017).

2.2.2 Equity-based Crowdfunding
Equity-based crowdfunding has a profit-sharing approach that allows the entrepreneur to raise capital from the crowd in exchange for shares, dividends or equity in the company (Brown et al., 2016). The exchange can take other forms, such as return on future acquisitions, royalties or as an initial public offering (Mollick, 2013). In equity-based crowdfunding, the entrepreneur sets a funding target, and a corresponding share percentage that the entrepreneur is willing to exchange. For example, if the entrepreneur aims to raise $100,000 in exchange for 10% of the company’s equity, an investment of $10,000 would give the investor a 1% ownership (Wilson & Testoni, 2014).

As mentioned earlier, crowdfunding in general goes back to the era of Mozart and Beethoven (Hemer, 2011) whereas as the aspect of equity-crowdfunding merely goes back a few years (Mollick, 2013; Belleflamme et al., 2014; Bretschneider et al., 2014). However, with the implementation of the JOBS Act in 2012, equity-based crowdfunding is believed to establish a new dawn for the entire crowdfunding sphere (Mollick, 2013). The JOBS Act is a law in the US, allowing individuals to invest in startups, encouraging funding of small ventures. Furthermore, the impact of the JOBS Act was believed to sweep away the venture capitalists (Devaney & Stein, 2012) completely, due to the increasingly popular phenomena of equity crowdfunding, where non-accredited investors can finance projects (Kantor, 2013).

In addition, the comparison between venture capitalists and the ‘crowd’ has been thoroughly studied by Stiernblad and Skoglund (2013) who suggests as the result of an empirical study, that the crowd of the equity-based platforms share characteristics of venture capitalists and angel investors. They suggest that equity-based crowdfunding could replace more traditional funding methods entirely. However, this is contradicted
by Kantor (2013), who argues for the fact that crowdfunding carries a much higher risk for fraud, and is not protected by regulations in the same way as investments by accredited venture capitalists or angel investors are. Moreover, Wilson and Testoni (2014) shares the opinion regarding the risk of crowdfunding platforms, and suggests that the crowd of investors ought to be protected by at least one participant who can legally represent the crowd, and that policymakers should administer the platforms to prevent such fraud or conflict of interest (Wilson & Testoni, 2014). Besides the risk of fraud, equity crowdfunding forces entrepreneurs to disclose their ideas, business strategies and intellectual properties to the public (Wilson & Testoni, 2014). This is a result of the fragility of an early stage venture, where a minority of the companies has the possibility of protecting themselves through patents and copyrights (Agrawal et al., 2013).

Literature suggests that a profit-sharing approach such as equity-based crowdfunding is appropriate for early stage ventures with high funding targets (Belleflamme et al., 2014). This suggestion is elaborated on by Brown et al. (2016) with the opinion that if there is no finished product or prototype to uncover to the crowd, the entrepreneur should consider an equity-based crowdfunding campaign.

2.2.2.1 The Equity-based crowdfunding community
It is important for entrepreneurs that considers equity-based crowdfunding to study the characteristics of the representative community (Belleflamme et al. 2014). Whether or not the crowd is capable of making adequate investment decisions is a somewhat controversial area. In 2010, Schwienbacher and Larralde proposed that crowds often can be more efficient in solving company problems than individuals or small teams, due to their diversity (Schwienbacher & Larralde, 2010). Stiernblad and Skoglund (2013) are in agreement with Schwienbacher and Larralde (2010), and elaborates on the topic whether or not the crowd can be considered sophisticated investors. They suggest that parts of the equity-based crowdfunding community can be considered as experts and comparable to venture capitalists or business angels in their investment decisions. Wilson and Testoni (2014) elaborates on this comparison since equity-based investors also contributes with knowledge and experience as the projects develops, just as angel investors or venture capitalists does. Moreover, Stiernblad and Skoglund (2013) argues that the crowd is mature and adequate to make crowdfunding investments. In contradiction to this, Kantor
(2014) suggests that the crowd is generally unsophisticated and naive, and therefore makes inadequate investment decisions. According to the empirical findings presented by Baeck et al. (2014), investors in equity-based communities contribute with more than just financial means, especially through their contact networks which are brought closer to the company through investors. Furthermore, it is suggested that entrepreneurs benefit from their investors providing sophisticated feedback regarding development processes of the venture, by becoming brand ambassadors (Wilson & Testoni, 2014).

2.2.2 Investor motivation in Equity-based crowdfunding
In comparison to reward-based crowdfunding, the investors of equity-crowdfunding do not receive any direct tangible rewards, but instead exchange their investment for shares or dividends in the company. The investors can be branched into two investment styles, namely passive investors or active investors (Schwienbacher & Larralde, 2010). A passive investor is solely interested in the financial return that the investment might yield, while the potential voting rights and other engagement in the company is not the purpose of the investment. An active investor on the other hand, is active in the entrepreneurial process and might acquire voting rights and give feedback on the product (Schwienbacher & Larralde, 2010). An investor of equity-based crowdfunding must not, as in the case of reward-based, become a consumer, but instead a shareholder and possibly a supporter of the entrepreneurial endeavour.

2.3 Creator Motivations
Agrawal et al. (2013) argue that there are two major incentives why creators engage in crowdfunding and they are: ‘Lower cost of capital’, and ‘the ability to gain information about the market and the products’. ‘Lower costs of capital’ looks at the benefits that crowdfunding will have in comparison to other sources of raising capital, e.g., taking a loan with a rate that has to be paid on a regular basis until the loan is fully paid off. The second incentive is the ability to acquire information that can benefit the creator in various ways, for instance, the information can be used to determine the crowdfunding projects demand. If the project receives funding from a large number of investors it demonstrates that the project has a legitimate demand (Agrawal et al., 2013). Gerber and Hui (2013) further validate these two motivations by mentioning ‘Gain approval’ and ‘Raise funds’ in their paper Crowdfunding: Motivations and deterrents for participation (2013).
Furthermore, Gerber and Hui (2013) mentions four additional incentives: ‘Expand Awareness of Work’, ‘Form Connections’, and ‘Maintain Control’. ‘Expand Awareness’ looks at the benefit that follows once launching a crowdfunding project on the internet and making it available to anyone who has internet access. This allows the creator to increase the awareness throughout the world in comparison to traditional means of raising capital which limits the awareness to only the people who review the funding application (Gerber & Hui, 2013; Moisseyev, 2013). ‘Form Connections’, also referred to as ‘Build Relationships’, benefits the creators since it looks at the relationship that crowdfunding creates between the investors and the creator (Ashoka, 2016). This allows the creator to reach out to the investors to get help with decision-making and creative thinking. This connection allows the creator to receive decisive information about what the investors consider important and hence can make adjustments to the product (Gerber & Hui, 2013; Özedmir et al., 2015; Agrawal et al., 2013).

Brown et al., (2016) mentions ‘Direct Sales Channel’ as another major driver why founders decide to crowdfund. Crowdfunding works as a sales channel which allows a project to sell products without owning a sales platform, this is further mentioned by Moisseyev (2013). Brown et al. (2016) further mentions ‘Branding’ as a motivator why creators decide to engage in crowdfunding. ‘Branding’ in crowdfunding refers to when a company decides to run a campaign with the purpose of building recognition and brand awareness to attract customers. For instance, General Electric (GE), decided to run a crowdfunding campaign in 2015 to increase the awareness of one of their products, namely the ice maker ‘Opal’. General Electric did at that time most likely have the capital to create this machine but still decided to use IndieGogo to crowdfund the project. In this case, General Electric was able to build a successful product without spending any money on marketing research or advertisement. The project was a huge success and validated that the project would have a demand once launched, the second benefit that General Electric received was branding. ‘Opal’ was a success story that was shared virally and GE did not have to spend any resources on building up the brand (Kastrenakes, 2016).
2.4 Marketing Values of Crowdfunding
With the concept of marketing being extensive, this study applies the principles of marketing developed by Jobber and Ellis-Chadwick (2016). According to Jobber and Ellis-Chadwick (2016), the goal of marketing is to establish long-term relationships with the customers and create customer satisfaction in order to captivate customers while generating profit. Companies that utilize the principles of marketing understands the gravity of building relationships with customers through satisfaction, and that creating customer value entices new customers. Through organizational activities, the company creates value for the customer, which in turn creates the value of the business. The key process of value creation is exchange, where transactions of physical goods, services, ideas or money is transferred for another (Jobber & Ellis-Chadwick, 2016). The fundamental function of these exchanges are dependent on a mutual satisfaction, where the significance of the value created is determined by quality of the exchange (Jobber & Ellis-Chadwick, 2016).

Nonetheless, ‘value’ has been considered an ambiguous term by researchers in the past decades (Gummerus, 2013). Additionally, Gummerus (2013) suggest that ‘value’ is one of the most misused terms within marketing research and there is no consensus that shares a mutual definition. The general interpretation suggests that there are two main branches of the value concept, namely value creation processes and value outcomes (Gummerus, 2013). The value creation processes relates to organisational activities and resources, ergo, the internal processes that the firm performs. The value outcomes on the other hand, refers to how the value is captured and perceived by the customers. This interpretation of ‘value-creation’ is shared by Matthyssens et al., (2016) suggesting that value is created through both internal and external collaboration, meaning that value created by the firm has no purpose until it is accepted by the customer. In addition to this, Srivastava (2016) emphasises how competitive advantage is gained through value creation. The value extracted by the customer will in turn create value for the entrepreneur and the shareholders (Srivastava, 2016). Through these interpretations, the authors argue that value carries two main components, namely value creation (internal) and value outcomes (external). Yet, Gummerus (2013) suggest that value carries a subjective aspect where different parties may have different perspectives on who the value benefits. Thus, value
creation must be anchored to a specific actor (customer, firm, or stakeholder) to be accurately researched.

Jobber and Ellis-Chadwick (2016) further emphasizes on the importance of value creation and restructures traditional marketing scholars. Traditionally, marketing has been described through the use of models and processes, for example, the 4 P’s model and the STP process developed by Kotler and Turner (1998). Without neglecting previous marketing scholars, Jobber and Ellis-Chadwick (2016) reconstruct previous marketing literature by placing value creation at its centre, and emphasizes on the importance of what customers’ value. Jobber and Ellis-Chadwick further particularize the term ‘value creation’, which is referred to as internal actions within a company, for instance, product development, building relationships and branding. Meanwhile, ‘value delivery’ refers to external elements outside a company, such as creating sales channels and expanding awareness while still being part of the value creation process. Thus, value delivery correlates to the aforementioned explanations mentioned by Gummerus (2013), MatthysSENS et al., (2016), and Srivastava (2016) on value outcomes.

This research anchors value creation to the firm’s perspective, meaning the crowdfunding company. Additionally, how the crowdfunding campaign can create value through its processes. Through this review of value creation, the authors will use the term value creation as a process that creates value for the crowdfunding company. Moreover, the operational definition of ‘value’ or ‘marketing value’ is set to an outcome that generates benefits for a company’s internal and external operational processes, that subsequently results in increased profitability. Hence, marketing values are referred to as beneficial outcomes that are generated through value creating processes. The next section identifies six marketing values of crowdfunding that could conform to value creation for the firm.
2.5 Suggested Marketing Values of Crowdfunding

This section will review six marketing values of a crowdfunding campaign that has been identified in previous research. Furthermore, this section will connect these values to how they could create value for the crowdfunding company.

2.5.1 Raise Capital
The core requirement for a commercialized start-up company is the process of obtaining resources, with financial capital as one of the most critical factors (Gompers & Lerner, 2004). The fundamental objective of fundraising is to raise capital in order to subsequently create more value for both the company and the customer (Konrad, 2015). Crowdfunding is a fundraising tool which aims to provide the capital needed to proceed with the business (Mollick, 2013). In the case of crowdfunding, the fundraising is done through exchanges with the crowdfunding community, where capital is obtained for either ownership in the company or for a reward (Belleflamme et al., 2014). Crowdfunding, with raising capital at its core, subsequently makes it possible for entrepreneurs to grasp additional marketing values that are not as commonly sought-after, as raising capital (Belleflamme et al., 2014), which will be further explored throughout this chapter.

2.5.2 Build Relationships
‘Build relationships’ refers to the relationships that are a result of a successful crowdfunding campaign. This could be relationships with either partners or consumers that can be considered a stakeholder of the organization (Gerber & Hui, 2013). The outcome of establishing or strengthening these relationships will allow the creator to gain valuable inputs regarding various sections of the business (Agrawal et al., 2013). Jobber and Ellis-Chadwick (2016) further elaborates on the binary process of building relationships, and that value is created when relationships are built between either business-to-business or business-to-consumer. Relationship management plays a crucial part when successfully building relationships where both parties need to work together to gain mutual benefits (Jobber & Ellis-Chadwick, 2016).

As with all business relationships, the relationships built through crowdfunding can be with suppliers, partners or customers and the exchange between parties create value for
the campaign in various ways. For instance, relationships with suppliers can allow for increase in quality or reduction in price. Relationships with partners can supply market intelligence, or knowledge about competitors. Relationships with customers can, in addition to loyalty, result in inputs regarding the product or service that can be a form of market research (Jobber & Ellis-Chadwick, 2016). How crowdfunders can utilize customers’ feedback will be further clarified in the next section regarding product validation.

2.5.3 Validate product
The crowdfunding campaign establishes a two-way communication where the customers create value for the company by providing feedback regarding the product or service (Belleflamme et al., 2014). Brown et al. (2016) further elaborates on how crowdfunding can be used as a tool to validate the demand for the product and to test the market. Crowdfunders can be faced with questions such as which customers will buy the product, what the customers’ value and how to satisfy the customers. These are questions that can be answered by conducting market research (Jobber & Ellis-Chadwick, 2016). In a similar way as with constructed market research, the product validation aspect of crowdfunding can serve as a complement, free of charge. However, in contrast to constructed market research, product validation through crowdfunding will happen regardless if you ask for it, since this is a dynamic process based on the community’s interest in the campaign (Brown et al., 2016). Tracking number of backers and the information flow from the community will not only justify or reject your product idea, but generate feedback that in sequence can be used to modify and improve the product (Brown et al., 2016).

2.5.4 Branding
According to Jobber and Ellis-Chadwick (2016), a successful brand has a unique position in the minds of the customers. This in turn leads to differentiation, which corresponds to what makes a certain brand different from another competitor. Further, a strong brand will become a competitive advantage that results in increase of sales, due to the ability to charge premium prices (Jobber & Ellis-Chadwick, 2016). Hence, it is important to understand how a crowdfunding campaign can develop brands in order to create value.
Despite that company brands and branding is not new in any sense, the purpose of establishing and strengthening brands through crowdfunding is vastly unmentioned in existing literature in the subject. Brown et al. (2016) identifies ‘branding’ as an objective of launching a crowdfunding campaign. Moreover, they propose that both Pebble and Shock Top Beer managed to establish strong brands as a result of their crowdfunding campaigns. Due to the success of Pebble’s Smartwatch campaign they were considered to be a leading brand in the industry (Brown et al., 2016). The strategy used by Shock Top Beer was entirely emphasising branding. The beer company ran a contest where they enticed the community to come up with inventive and environmentally friendly ideas for draught manufacturing, which in turn massively enhanced their brand image. According to Brown et al., (2016) the branding success was based on the fact that the brand got associated with a social cause. Building brands around a social cause is moreover considered a strengthening factor according to Jobber and Ellis-Chadwick (2016) stating that caring for an important matter will improve how the brand is perceived by the customers.

An additional important factor to building strong brands, according to Jobber and Ellis-Chadwick (2016) is being first on the market with a unique value proposition. Moreover, to create value through branding, it is crucial that the company adapts a long-term perspective of their business (Jobber & Ellis-Chadwick, 2016).

2.5.5 Create Sales Channel
Launching a crowdfunding campaign will automatically also establish a sales channel for the campaign, since the fundamental functions of a sales channel will directly be available when the campaign goes live (Brown et al., 2016). This is where the two types of crowdfunding becomes distinctly separated, as the reward-based approach offers a pre-ordering model where an investment immediately turns into a purchase (Belleflamme et al., 2014; Tomczak & Brem, 2013). This turns the reward-based crowdfunding platform into a marketplace where the value is exchanged, as backers exchange their money for a product or service through their investment. While the reward-based approach can create sales channels that reward the backers with discounts or first samples of the product, the equity-based approach takes a profit-sharing route (Belleflamme et al., 2014). Despite that the equity-based community will become a sales-channel where the investments are
exchanged for equity or dividends, these sales channels are limited to an exchange between the crowdfunding company and its potential partners. However, whether or not the sales-channels established through the equity-based platforms are able to reach out to the ultimate consumer is yet to be examined. Nevertheless, this is undeniably an exchange between two or more parties where value is co-created as partnerships can be established with mutual benefits (Jobber & Ellis-Chadwick, 2016). Additionally, the sales channel established through the platforms allows the crowdfunding company to deliver value to the investors and the customers (Jobber & Ellis-Chadwick, 2016).

2.5.6 Expand Awareness
Expanding awareness through the crowdfunding campaign corresponds to reaching out to as many individuals as possible (Gerber & Hui, 2013; Moisseyev, 2013). This could in marketing terms be related to public relations (PR) since the purpose is to convey a message in order to educate and inform the public about the organization or its product without using the company’s own resources (Jobber & Ellis-Chadwick, 2016). Moreover, in comparison to traditional means of raising capital, crowdfunding will enable the flow of information to the entire community and beyond, instead of to a single angel investor (Belleflamme et al, 2014). This allows for the flow of information to go from the company to the investors, who in turn potentially gain value from receiving information about the product (Jobber & Ellis-Chadwick, 2016). By launching a crowdfunding campaign, regardless of selected approach, the company simultaneously establishes a communication channel. Through this channel, the company and the entrepreneur can communicate and deliver value to its investors and customers regarding the company, the product or the service. This process occurs externally, which conforms to Jobber and Ellis-Chadwick (2016) concept of value delivery.
2.6 Summarizing Model
To conclude, these six marketing values are suggested to be outcomes of a successfully carried out crowdfunding campaign, according to previous research. A model (see figure 1) has been developed to test if and to what extent these outcomes creates value for the investigated companies. Additionally, emphasis will be put on whether the outcomes differ between companies that selected a reward-based approach and those that selected an equity-based approach.

Figure 1 (Developed by the authors).
3. Methodology & Method

This chapter will discuss the methodology and the purpose, philosophy and approach of this research. This is followed by the method, including data collection processes, population and sample and the interview design that was used in this research.

3.1 Methodology

3.1.1 Research purpose
The data collected in this thesis serves as a foundation for the comparison between equity-based crowdfunding and reward-based crowdfunding in terms of value creation. The purpose of the empirical study was to explore entrepreneurs’ experiences and opinions regarding several marketing dimensions of crowdfunding in order to create an understanding and to validate or challenge previous literature. The primary data was collected through face-to-face, semi-structured interviews that allowed the researchers to explore the underlying motives and outcomes of successful crowdfunding campaigns.

3.1.2 Research Philosophy
Collis & Hussey (2014) acknowledges two research paradigms namely interpretivism and positivism. Positivism was introduced in natural sciences and suggests that social reality is objective, hence, investigations will not counterfeit by social circumstances. Criticism was raised regarding this philosophy and another paradigm was articulated as opposed to positivism, the interpretivist approach. Here, social reality is found to be subjective instead of objective and therefore social investigations are subject to social circumstances. This thesis adapts an interpretivist research paradigm as the authors believes that social reality is highly subjective, because it is built upon perceptions (Collis & Hussey, 2014). This research aims to take the social phenomenon into account when conducting and analysing interviews as a mean for gathering primary data. Hence, this research follows an interpretivist paradigm.
3.1.3 Research Approach
The approach to research involves the conjunction between theory and research, where the authors’ reasoning can be either deductive, inductive or abductive (Saunders et al., 2012). The foundation of a deductive approach is present theories, while the foundation of an inductive approach is an observation, and the theory is the outcome (Bryman & Bell, 2015). Lastly, the reasoning behind the abductive approach begins with an unpredicted fact which is suggested to be the conclusion instead of the assumption. Thus, the authors would assume that the conclusion is true if the assumptions are true (Saunders et al., 2012).

Despite that this study does not develop hypothesis, it adopts to a theoretical position where crowdfunding is connected to marketing values. The authors aim to test this position through the empirical data gathered, with the purpose of exploring the link between crowdfunding and marketing (Saunders et al., 2012). The foundation of the theoretical position has developed from the elaboration of previous theories, which characterizes a deductive approach to research (Collis & Hussey, 2014). By studying the subject of value creation, the authors wish to explore implications of value creation in the context of crowdfunding. With this purpose, an inductive or abductive reasoning is not embraced, since the foundation of the research themes and questions is based upon already existing theories which the authors aim to test through observations (Saunders et al., 2012). By following the existing theoretical framework, and by exploring opinions and experiences from successful crowdfunders, this paper aims to distinguish the differences and similarities between reward-based and equity-based crowdfunding concerning marketing values.

For the authors to distinguish these differences and similarities between the two types of crowdfunding, this research has an exploratory purpose. Since the field of literature concerning such a comparison is vastly uninvestigated, an exploratory procedure is essential. Through an exploratory approach, this research aims to categorize patterns and opinions (Collis & Hussey, 2014). For this exploratory study to be fruitful it is fundamental that the data derives from experts in the field (Saunders et al., 2012). Hence, this study collects its empirical evidence from successful crowdfunders that unquestionably can be considered as experts in the subject. Even though exploratory...
studies rarely concludes or justifies a problem, this study aims to investigate how the two types of crowdfunding differs in terms of value creation.

3.1.4 Quantitative vs. Qualitative data
Saunders et al. (2012) differentiates quantitative and qualitative research on the basis of whether numbers are used in the data collection process. A quantitative study could therefore be used as a synonym for a research method that includes the collection on numeric data, as opposed to a qualitative method which collects non-numerical data. However, Saunders et al. (2012) argues that the distinction between the two methodological choices are too narrow, since the majority of research combines numeric and non-numeric data.

Quantitative research investigates variables and their relationship which are further analysed using statistical methods. Common quantitative research techniques are survey questionnaires and structured interviews where the questions should be expressed clearly and interpreted the same way by all respondents. As opposed to a quantitative research, a qualitative approach studies respondents’ thoughts and opinions and the correlation between them. It aims to add to existing literature by developing conceptual frameworks and applies non-structured data collection techniques. Unstructured interviews, focus groups and observations are common ways of collecting qualitative data, the process is highly interpretive where new questions could emerge during a research session (Saunders et al., 2012).

Quantitative data usually relates to positivism, that utilizes strictly structured numerical data collection techniques. Furthermore, it is suggested that numbers can be used for collecting data which is qualitative in nature, such as, people’s opinions and thoughts. Depending on what is investigated, data collected quantitatively could therefore to some extent fit to an interpretivist research philosophy (Saunders et al., 2012). In this paper, the authors have partly collected qualitative information quantitatively but follows an interpretivist research philosophy. The sample investigated is too small to make any statistical conclusions. Thus, the authors argue that a qualitative approach was applied
even though data collected numerically was integrated in the interviews, yet qualitatively analysed.

3.1.5 Interviews
Aforementioned, qualitative data can be collected through either interviews, focus-groups, observation, diaries or protocol analysis (Collis & Hussey, 2014). For the purpose of this research, either interviews or focus-groups could be appropriate methods. Through a focus-group method, a group leader initiates a discussion regarding a product, situation or a concept where the participants are allowed to express their thoughts and feelings concerning the themes (Collis & Hussey, 2014). This approach facilitates a discussion, where one participant might influence the others to raise opinions, which the researcher can subsequently collect. It is popular that researchers document the discussion through audio and/or video recording (Collis & Hussey, 2014). In regards to this research, the authors deemed it inappropriate to use focus groups due to two major obstacles. The focus group would consist of several entrepreneurs, of which many might be either direct or indirect competitors. This could limit the density and richness of the information gained through the discussion considering the fact that some of the themes would include strategies or secrets that the participants doubtfully would share. Secondly, as mentioned earlier, a focus-group will be a discussion where one participant might influence the other participants. This would be seen as a problem in the purpose of this research, since the other participants might be biased by the answers of other participants. Ergo, one participant might mention several aspects of a theme that the other participants did not consider. This could result in an incline towards a specific result rather than a diversity in the participants’ opinions.

For the researchers to collect unbiased and honest data, an interview-approach was appropriate. Interviews allow for a more subtle and comfortable setting for the participants which is critical for the researchers to in-depth understand the underlying opinions and feelings of the interviewees (Collis & Hussey, 2014). With an interpretivist philosophy, the purpose of the interviews is to understand opinions, attitudes and what people have in common regarding the theme of selection (Collis & Hussey, 2014). When conducting interviews, there are three primary procedures, namely face-to-face-, telephone- and online-interviews. A telephone- or online-interview has its limitations
based on the absence of personal contact that complicates the extraction of information. Nevertheless, interviews through telephone or online comes with less cost, and allows for a more convenient extension of participants. On the contrary, face-to-face interviews facilitates comprehensive and complex answers. Furthermore, research suggests that interviewees are generally more comfortable sharing sensitive information when engaging face-to-face compared to other interview methods, such as telephone or online interviews (Collis & Hussey, 2014).

When conducting interviews through an interpretivist philosophy, the arrangement can be either unstructured or semi-structured. Through an unstructured interview the researchers do not prepare the questions, instead a theme is set and the questions develops during the time of the interview (Collis & Hussey, 2014). On the contrary, semi-structured interviews are prepared in advance, although it allows for the interviewee to speak more freely and it encourages the development of spontaneous thoughts and feelings, yet align with the topic (Collis & Hussey, 2014). As the theme of the interviews was crowdfunding, the authors selected a semi-structured arrangement in order for the dialogue to remain within the subject.

3.2 Method

3.2.1 Primary Data
Collecting primary data was done through semi-structured interviews. Interviews allow the researcher to get an understanding of what the interviewees do, what they feel and what they think. The researchers adopted the interpretivist paradigm to be able to explore and collect data concerned with the interviewees understanding, feelings, opinions, attitudes, and the common patterns among the participants (Collis & Hussey, 2014). Semi-structured interviews allowed the authors to collect data that will help understand ‘how’ and ‘what’, but more importantly it will put emphasis on ‘why’ the interviewees decided to engage in reward- or equity-based crowdfunding (Saunders et al., 2012).

3.2.2 Literature Review Data
A literature review was conducted in order for the authors to familiarize themselves with the subject and evaluate existing knowledge, but also, to identify gaps in the literature,
some which this research aims to fill (Collis & Hussey, 2014). When collecting secondary data, the authors looked for peer-reviewed articles in credible journals. ‘The Journal Business Venturing’, ‘TOCHI’, ‘The International Journal of Entrepreneurship Research & Behaviour’ and ‘Business Horizons’ were the most commonly used journals. In order to determine the credibility of the article the authors considered the number of citations. Consideration was also put on the year of publication, since crowdfunding is a new concept which have developed quickly, recent literature were chosen over older to minimize the risk of using outdated data. When searching for relevant literature in the subject, keywords such as: ‘Crowdfunding’, ‘Equity-based crowdfunding’, ‘Reward-based crowdfunding’, ‘Crowdfunding marketing’ and ‘Crowdfunding benefits’ were used. Since the existing literature on the similarities and differences between reward-based and equity based crowdfunding is limited, the authors built a conceptual framework through research on articles mainly covering crowdfunding in general.

3.2.3 Population & Sample
It is in the authors’ knowledge that qualitative studies rarely studies a population through a sample. Yet, with the purpose of extending theory and exploring the field of crowdfunding, a purposive sampling method was applied, where the cases are studied for theoretical reasons, and not statistical (Eisenhardt, 1989). This research is narrowed down to investigating the two dominating crowdfunding approaches used by commercialized ventures, namely reward- and equity-based crowdfunding. The population in this research are companies that had launched either a reward- or equity-based crowdfunding campaign on either Kickstarter, IndieGogo or FundedByMe, within the technology- or design sector, in Stockholm, that reached their funding target. Consequently, the sample was judgmentally assessed through this population. More information regarding the companies used in this study can be found in the appendix (see appendix 1).

When sampling a population there are two essential methods to consider. Firstly, the probability method which is a process where selection is done randomly and all units has the same chance of being chosen (Saunders et al., 2012). Secondly, the non-probability method which will not randomly select the units of the research, but through subjective acumen. Even though a non-probability sample carries a subjective perspective, it allows the retrieval of in-depth and rich information that will be used to develop theories
regarding the differences and similarities of the two crowdfunding types (Saunders et al., 2012). Moreover, since this research follows a interpretivism paradigm, the data collected through this sample will not be analysed in order to generalize a population through the sample, and hence a non-probability method can be used (Collis & Hussey, 2014).

When selecting the sample size for this research, the authors followed Saunders et al.’s (2012) guidelines concerning semi-structured interviews. According to the guidelines, such a method is to have a minimum of 5-25 units in the sample, this paper investigated a sample of eleven successful entrepreneurs. The selection of the sample in this research was based on the judgement of the authors, with the aspiration that the units were capable of providing information relevant to the research questions. This method is known as purposive sampling (Saunders et al., 2012). The selection of the sample had a variation of a heterogeneous and homogeneous technique (Saunders et al., 2012).

With the purpose of comparing equity-based to reward-based crowdfunding regarding value creation, it is equally important to assess the information from both types. Thus, the sample was aimed to be equally divided resulting in six companies representing reward-based and five companies representing equity-based crowdfunding. Despite that a heterogeneous approach was used for the comparison, a homogenous technique was used to select companies within each crowdfunding type. Since the focus of this research was to compare the two crowdfunding types within the two largest crowdfunding industries, an approach other than homogenous was not feasible. The homogeneity in the sample can be seen through several levels, where all interviewees were either the founder, partner or CEO of the company and extensively involved in their campaign. Moreover, the companies in this research were all in either an initial- or early stage of their business development. Figure 2 presents the sample companies for this research. Aforementioned descriptions and statistical information on each company can be found in the appendix (Appendix 1).
Figure 2.

<table>
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<tr>
<th>Reward-Based Crowdfunding</th>
<th>Equity-Based Crowdfunding</th>
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3.2.4 Interview design
The interview questions were developed with regards to Collis & Hussey’s (2014) framework. Closed questions were used to obtain factual information, for example, “Was this your first crowdfunding campaign?” and “Did you try to get funding from traditional sources before engaging in crowdfunding?”. Open questions were asked to gain and investigate broad information, for instance, “Why did you choose to engage in crowdfunding?”. Probing questions were relevant to get the interviewee to elaborate on previous statements and to get greater insights in relevant areas. Some probing questions that were commonly used are: “Can you elaborate on this?” or “What do you think is most important?”. Hypothetical questions are useful to encourage the interviewee for deeper thinking, for example, “Would you have done anything different if you were to do a crowdfunding campaign today?”. Comparison questions were fundamental in this paper and helpful since the aim of this paper is to compare two different approaches to crowdfunding which assisted the authors to explore the needs and values of the interviewees. Examples of such questions used are: “Why did you not choose the other approach?” or “Do you think certain products are more suitable for a certain approach? Why?”. In the end of each interview the authors asked summarizing questions to clarify and validate important statements, this to make sure that the responses were understood correctly or encourage the interviewee to elaborate further. The interview questions are fully illustrated in the appendix (Appendix 2).
As a complement to understanding the motives and outcomes behind the entrepreneurs engagement in crowdfunding, the participant was asked to fill in a data sheet (see figure 3). All eleven data sheets from the interviews can be located in the appendix (Appendix 3 & 4). The data sheet was based on the six major outcomes extracted through the literature framework, as presented in figure 1. It is evident that raising capital is a major benefit of using crowdfunding. However, as research in the field has developed, more marketing oriented benefits has surfaced. Belleflamme et al., (2014) propose that validating the product and expanding awareness are two primary advantages of crowdfunding. Furthermore, Gerber and Hui (2013) consolidates these two advantages while adding one more benefit, namely building relationships. In 2016, Brown et al., confirm these benefits in their study while identifying two additional, which are creating sales channels and branding a company through a crowdfunding campaign. To conclude, the six values were: Raise Capital, Expand Awareness, Create Sales Channel, Build Relationships, Validate Product and Branding. To examine if the importance of these six values differ between equity-based and reward-based crowdfunding, the participants were asked to rate these benefits from 1-6 to justify the importance of each specific value where 6 is the highest and 1 is the lowest.

Since it is suggested that all values are important, respondents were allowed to use the same number more than once if some values were seen as equally important. The participants were asked to rate the motives behind their crowdfunding campaign according to the importance of each specific value before the campaign was launched. Secondly, the participants were asked to rate the outcomes of the same values as they were perceived when the campaign was closed. This was done in order to understand if the motive behind the engagement differed from the perceived value as the campaign was closed. The questionnaire in combination with the interview was done to strengthen the information extracted from the interview while it also allowed for further probing questions.
3.2.5 Data Analysis

The purpose of this research is to find patterns and initial evidence in a comparison of reward-based and equity-based crowdfunding, and to explore the uninvestigated territory of how the two types of crowdfunding creates value for the company. With an interpretivist paradigm, and an exploratory approach, the authors aim to find patterns and correlations in the interviews to pursue this purpose (Collis & Hussey, 2014). The results derived from the interviews are analysed accordingly, where a pattern was presumed if a similar result was found more than once. Moreover, since this research does not aim to generalize a population, the numbers received in the data sheet are reference points, utilized to strengthen quotes, and are presumed to be accurate in this case study, and not for a population.

| Company name: |
| Crowdfunding type: |
| Rate the following six values from 1-6, where 6 is highest and 1 is lowest. Same number can be used more than once. |
| Firstly, rate the motives according to the importance of each specific value when you launched the crowdfunding campaign. Secondly, rate the outcomes of the values as you perceived them when the campaign was successfully closed. |

<table>
<thead>
<tr>
<th>Values</th>
<th>Motives</th>
<th>Outcomes</th>
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<td>Raise Capital</td>
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<td>Expand Awareness</td>
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<td>Validate Product</td>
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<td>Branding</td>
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4. Result & Analysis

In this chapter, the authors present the empirical findings that derived from the interviews. These results are presented and analysed in relation to the theoretical framework regarding crowdfunding and marketing. The last section of this chapter presents a summarising figure of the empirical findings.

4.1 Summary of Data Sheet

Figure 4 presents a summary of the data sheets filled out by the interviewees using median values. Due to the small sample size, average values were found to be unrepresentative and median values were seen as more appropriate. The motives, which refers to what the entrepreneurs valued before the campaign are compared first, reward-based crowdfunding (RBC) to the left and equity-based crowdfunding (EBC) to the right. Secondly, the value creating outcomes which refers to the perceived value gained after reaching their funding target are compared between the two crowdfunding approaches. Green colours indicates a higher median number for that specific benefit and approach, while red indicates a lower number. If the median value was equal for both approaches, then a yellow colour was used.

Figure 4.

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<tr>
<th>Values</th>
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<td>Expand Awareness</td>
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<td>Create Sales Channel</td>
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<td>Build Relationships</td>
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<td>Validate Product</td>
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<td>Branding</td>
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<th>Values</th>
<th>Outcomes RBC</th>
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<td>Expand Awareness</td>
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<td>Create Sales Channel</td>
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<td>Build Relationships</td>
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<td>Validate Product</td>
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<td>Branding</td>
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As displayed in figure 4, the motives behind crowdfunding engagement are not in line with the actual outcomes of the campaign. This augments the importance of this study, suggesting that entrepreneurs are not entirely aware of what marketing values each approach impose. With the purpose of identifying what marketing values crowdfunding brings about, the outcomes of figure 4 is emphasised. First of all, no differences has been acknowledged suggesting that one approach is superior to the other in terms of raising capital and expanding awareness. The creation of sales channels were found to be more beneficial for companies engaging in reward-based crowdfunding. The sales channels established through a reward-based approach were suggested to be more direct, since they reaches the end consumers. The equity-based crowdfunding companies valued relationships with investors higher compared to reward-based crowdfunding companies. The majority of the companies engaging in equity-based crowdfunding did not have a finished product yet, and needed assistance for developing one through valuable investor relations. On the contrary, the majority of the reward-based crowdfunding companies had a finished product ready to be introduced to the market. Hence, product validation were found to be more applicable to companies engaging in reward-based crowdfunding. Branding benefits is suggested to be an outcome that is perceived stronger among equity-compared to reward-based crowdfunding companies. Through building close relationships, equity-based crowdfunding attracts actively involved investors who spreads the brand externally in a positive way. These six values will be further analysed in this chapter.

4.2 Raise Capital
Crowdfunding is a fundraising tool and it is evident in this case study that a strong motive among equity-based campaign creators is to raise capital. Even though gaining commitment from traditional sources of funding was an option, the equity-based companies in this study has actively chosen to crowdfund their project. It is suggested that crowdfunding can be used as a supplement to traditional funding sources, but also as the exclusive funding tool. For instance, the CEO of Boom Watches explains how they previously have worked with angel investors and venture capitalists but still decided to run a crowdfunding campaign at a later stage:
“First of all we raised capital through angel investors and venture capitalists, but later we decided to engage in crowdfunding” - Niklas Dahlgren

However, in equity-based crowdfunding, valuing a company without having any financial numbers to back that valuation can be problematic according to the interviewees. If the valuation is too high, investors may seek other investment opportunities where they find better value for their money. On the other hand, if the valuation is too low, it could lead to an overfunded campaign where the entrepreneur misses out on additional money. An appropriate valuation will express credibility to the investors, and that the offer aligns with the conditions on the market. The difficulties in valuing the company is explained by the co-founder of Fooever who was positively surprised when valuation of the company was accepted by the market:

“We did not think we could valuate ourselves so high” - Karin Angerind

In this case study, raising capital is also an overarching motive for reward-based crowdfunding campaigns. While it is hard to gain commitment from traditional sources such as business angels or venture capitalists, reward-based crowdfunding supplies a simple, yet efficient way of raising capital. Since the scope of a reward-based campaign is to sell directly to the customers, the capital gained is essential in the first production batch, which is described by a board member of Asket:

“Crowdfunding was a good way for us to get the money we needed for the first production batch” - Jakob Nilsson Dworsky

This case study indicates that crowdfunding engagement is not a result from being rejected capital from traditional sources, but an active choice by the entrepreneurs. That crowdfunding can be superior to traditional sources of funding is previously acknowledged by Agrawal et al., (2013) that emphasises the lower cost of capital that crowdfunding entails. The empirical investigation does not suggest any differences between the effectiveness of raising capital between the two crowdfunding approaches. Belleflamme et al. (2014) elaborates on the notion that the pledges in reward-based crowdfunding are in general smaller compared to equity-based pledges. Hence, an equity-based approach is suggested to be more appropriate for projects with a higher funding
target. However, this generalization is not confirmed by the interviewees, who did not acknowledge any differences regarding one approach being superior to the other in terms of raising capital. Although, this study suggests differences in how the capital is utilized between the two approaches. Capital raised through an equity-based campaign is not directly linked to the production, but instead to the development of the business. Whereas the capital raised through reward-based crowdfunding is proposed to be directly used for an initial product batch. The value created by raising capital through crowdfunding is not suggested to directly diverge. Yet, the additional outcomes that derive from the process of raising the capital are suggested to deviate, and will be further displayed and discussed in this chapter.

4.2.1 Maintain Control

Maintaining control is a benefit that is closely connected to raising capital. Regarding reward-based companies in this case-study, it is a perceived by the participants that maintaining control and ownership of the company is a sought-after benefit. The process of a reward-based campaign consists of a trade-off between the backers’ investments and the company’s product or service, where control and ownership of the company remains resolute. A reason why reward-based crowdfunders in this case study did not choose an equity-based approach is the unwillingness of giving up equity and control. They were concerned by unstructured ownership which in turn could limit their chances of receiving additional funding from traditional sources at a later stage. The benefit of maintaining control is a major motive why Asket chose a reward-based approach over an equity-based campaign:

"Equity-based crowdfunding is not interesting, since we are worried about a messy ownership structure. In the long term, if we need to bring in more money from larger investors, it is unattractive if our term sheet shows 1000 different individuals with interests in the company." - Jakob Nilsson Dworsky

Moreover, an aspect which could be considered as a deterrent for equity-based crowdfunding is the risk of getting inappropriate owners into the company as a result of giving up control. The interviewees stress the importance of carefully choosing investors with attractive characteristics. If this is not done properly, there is a risk of ending up with shareholders with strong opinions and lack of experience, which in turn can lead to
conflicts. The CEO and founder of My Independence explains the careful process of selecting appropriate investors:

“We chose investors carefully and accepted the ones that we felt that we could work with.” - Magnus Hultman

The nature of the equity-based crowdfunding encompasses a trade-off between the investors’ money and the company’s equity, i.e., control. Through this case study, this aspect has shown to play a major role in why entrepreneurs have chosen a reward-based approach over an equity-based. Creators behind an equity-based crowdfunding campaign stresses the importance of carefully selecting investors based on what they can contribute with, and to only choose investors with whom they can cooperate with. Another problem that some of the interviewees are concerned about, is the risk of getting a disorganised ownership structure which could limit the chances of receiving additional funding from traditional sources at a later stage. To conclude, reward-based crowdfunding comes with the advantage of maintaining control. On the other hand, a motive of selecting equity-based crowdfunding is to get competent partners involved in the company, which will be discussed in section 4.3.1. Hence, it becomes a trade-off between keeping control and getting active and competent investors into the company.

4.3 Build Relationships
The interviews suggest that equity-based crowdfunding foster long-term relationship with a high degree of involvement. These strong relationships are also seen as highly valuable in the process of receiving feedback from investors. The benefit of building relationships in equity-based crowdfunding is further confirmed in the data sheet analysis, where it was rated as one of the primary motive behind their engagement. The vice CEO of Rentl explains why building relationships was a valuable outcome from their crowdfunding campaign:

"Build relationships was very important for us, we have created a closed group on Facebook for our shareholders, it has been really important to get ideas on what can be improved and so on.” - David Mattsson

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The authors have not found any evidence suggesting that reward-based campaigns generate relationships to the same extent which equity-based projects do. Furthermore, as mentioned by Jobber and Ellis-Chadwick (2016), relationships with customers, suppliers or partners can all create value for the company. This case study does not indicate any suggestions how the reward-based companies managed to build relationships with its partners or suppliers. However, reward-based campaigns could foster customer loyalty which is further explained by a board member of Asket, who states that the campaign can create a loyal customer base:

“A successful campaign helps you build a loyal customer base who feels involved in the development of the business” - Jakob Nilsson Dworsky

Gerber and Hui (2013) identifies building relationships as a benefit from crowdfunding engagement but does not suggest that equity-based crowdfunding is superior to reward-based, which the case study indicates. Schwienbacher and Larralde (2010) elaborates on investor motivation in equity-based crowdfunding and that the investor does not receive a direct tangible reward, as in reward-based crowdfunding. Instead of a tangible reward, investors in equity-based crowdfunding invests in ownership and their return on investment is dependent on the success of the project. In turn, this can lead to more active investors being involved in the entrepreneurial process, which supports the empirical evidence suggesting that equity-based crowdfunding generates stronger and more long-term relationships. Thus, the proposition is that equity-based crowdfunding creates more value for the company through relationships, which is more thoroughly discussed in the next section.

4.3.1 Competent Investors
Competent investors is an outcome of crowdfunding that is closely related to the previous finding of building relationships. One of the main purpose behind selecting an equity-based approach has been consistent throughout the interviews, which is to get investors with valuable competences and experience involved in the company. In turn, this could help the company to develop further by providing assistance with different tasks from within the company, which is suggested to be a more efficient way compared to outsourcing such tasks. The founder and CEO of My Independence AB stresses the
importance of acquiring partners with valuable competences to effectively develop the company:

“We wanted to bring in people with skills that we can work with. It is cheaper to have shareholders who can help with various services that you would otherwise have to buy from outside” - Magnus Hultman

Furthermore, the empirical data suggests that customers in reward-based crowdfunding communities are mainly interested in purchasing a product before it reaches the market, to a discounted price. A board member of Asket believes that the reward-based crowd is generally extrinsically motivated and not interested in assisting the company in development processes:

“On Kickstarter there are many investors that does not care about the values or messages of the company but simply backs a project to get a discount or to be first with something” - Jakob Nilsson Dworsky

The empirical findings suggest that a reward-based community is more extrinsically motivated compared to an equity-based community. Agrawal et al., (2014) and Franke and Klausberger (2008) emphasises on the importance of incentivising offers in reward-based crowdfunding and clear value propositions, since reward-based crowdfunding does not entitle investors with the right to influence a project. Hence, the shift of focus is directed towards the reward and not to assist the entrepreneur behind the company. As opposed to this, the profit sharing nature of equity-based crowdfunding is suggested to motivate investors to contribute to the project to assure a high return on investment. Therefore, if an entrepreneur values active investors, then reward-based crowdfunding becomes a poor alternative, as opposed to equity-based crowdfunding, which the empirical findings in this case study indicates. However, it is seen through previous literature that altruistic motives exists in reward-based crowdfunding, where the investor back a project in order to help the entrepreneur succeed (Steinberger, 2017; Tomczak & Brem, 2013; Özdemir et al., 2015; Gerber & Hui 2013). Although, this assistance refers to the monetary contribution of an investment, and not by contributing in the business process or the product development.
4.4 Validate Product

Validating the product was not a major motive to engage in equity-based crowdfunding, yet it was an additional minor motive mentioned in the interviews. Even though validating the product was not a major motive, it is suggested that if an equity-based campaign fails to get funded, it could relate to flaws in either the campaign, management or the business idea itself. Henceforth, equity-based crowdfunding does enable product validation indirectly through validating the business idea. This is supported by the CEO of Boom Watches:

“If we had not received any investments it would have been something wrong with either the campaign, the management or our product” - Niklas Dahlgren

However, the gravity of validating the product among equity-based crowdfunding companies in this case study is dependent on the maturity of the business. In early stage ventures, there might not be a finished product to validate which would reduce the importance of this marketing value. For ventures in later stages, the demand could already be secured with similar products already existing in the market. The vice CEO of Rentl explains how the demand for their product was already established and that they did not experience a need for validating their product:

“We thought, well, to some extent on validating the product, but we knew from before that there was a demand, and we did not need a market research in that sense” - David Mattsson

The empirical findings suggests that validating the demand for the product is a strong motive among reward-based crowdfunders. It is suggested that a reward-based crowdfunding campaign assists entrepreneurs in validating their product and securing a demand. In this case study, some of the entrepreneurs launched their campaign with an uncertainty regarding the demand of the product. In terms of reward-based crowdfunding, reaching the funding target means that the product has been accepted by the customer base and that there is a demand for the product, since an investment is an actual purchase through a pre-ordering model. As mentioned by a partner of Flyte, reaching the funding target and above corresponds to a secured market demand:
Through the data collected in the data sheet, it is evident that validating the product was a major outcome for the companies that used reward-based crowdfunding. The median number concerning ‘validate product’ was significantly higher among reward-based companies compared to equity-based. The reason behind this divergence is suggested to be that reward-based crowdfunding in a more concrete way tests the demand of a product since this approach targets the ultimate consumers. Meanwhile, in equity-based crowdfunding, investors are more interested in the financial return that an investment might yield, henceforth, equity-based crowdfunding validates the growth potential of company rather than validates the product itself. In terms of creating value for a company through product validation, the reward-based approach corresponds more accurately to market research as the flow of information targets the end consumer. Thus, the reward-based approach is more appropriate for answering questions regarding which customers that buys the product, what the customers value and how to satisfy the customers which relates to market research (Jobber & Ellis-Chadwick, 2016).

Agrawal et al., (2013), and Gerber and Hui (2013) explains how crowdfunding can be used as a tool to validate the product, but does not go into depth regarding one approach being superior to another. However, literature suggests that equity-based crowdfunding is more suitable in an early stage where there might not be a finished prototype that can be presented to the crowd (Belleflamme et al., 2014; Brown et al., 2016). This was the case for several of the equity-based crowdfunders participating in this case study, where they were either in a too early stage to validate a product or too late, meaning that their product was already existing in the market. Meanwhile, all investigated reward-based crowdfunding companies had a finished product or prototype to demonstrate to the crowd and therefore in a more suitable phase for validating the product. In conclusion, the empirical data from this research suggests that validating the product is a marketing value created through both approaches. Nevertheless, the value created through this outcome is suggested to be more beneficial for a reward-based approach, where there generally is a finished product or prototype to validate. In addition, product validation for a reward-
based approach corresponds more sufficiently to market research as described by Jobber and Ellis-Chadwick (2016).

4.4.1 Feedback
Feedback is an extensive outcome of crowdfunding that occurs once the campaign is launched and is connected to product validation. Regarding the level of feedback sophistication received through equity-based crowdfunding, the responses in this case study are in alignment, the level of sophistication was perceived as high. The communication was both relevant and versatile. By establishing a two-way communication between the company and the crowd, equity-based crowdfunding companies could obtain feedback and ideas regarding sought-after changes or modifications of the product or service. The vice CEO David Mattsson states how Rentl benefited from the high level of sophistication in their feedback:

"The communication was overall sophisticated and qualified feedback, many of these investors had a good knowledge regarding our situation and had experience of investing in other companies" - David Mattsson

Additionally, whether investors behind an equity-based campaign were involved in the product development depended on the readiness of the product. If a company was in an early stage, feedback on product improvements seemed to be more welcoming compared to if the product is already finished or further in its development process. As expressed by the CEO of Boom Watches, the feedback regarding product changes could not be utilized since the product was already finished:

"Investors were not allowed to influence the product, the product was already finished" - Niklas Dahlgren

As opposed to equity-based communities, the level of sophistication is found to be limited in reward-based crowd communities. The feedback received by the reward-based companies in this case study is primarily superficial and ambiguous. Chris Higham, partner of Flyte, mentions that the feedback was generally positive, but that criticism comes both ways, and that it is common with foolish comments on Kickstarter. Moreover,
the co-founder of Pins Collective illustrates the superficiality of the feedback on reward-based communities:

“We received quite basic feedback, people who wanted black instead of white and a magnet instead of a needle.” - Olof Sjöstedt

Furthermore, since reward-based crowdfunding depends on a pre-ordering model, it requires either a developed product or a prototype. Therefore, it is proposed that the feedback on product improvements has been acknowledged whilst not adapted by the companies in this case study. The CEO and founder of North 22 recognizes this proposition, that the feedback could not be utilized due to an already developed product:

“The product was already made, and therefore the crowd could not influence it” - Mathias Ericson

The data collected in this research suggests that the level of feedback sophistication is higher in equity-based communities compared to reward-based communities. This could be connected to previously mentioned empirical findings that equity-based crowdfunding fosters strong relationships and higher investor involvement. Moreover, this could be connected to the study by Stiernblad and Skoglund (2013) regarding crowd sophistication. Stiernblad and Skoglund (2013) suggests that the unsophisticated crowd characteristics are more common on the reward-based crowdfunding platforms. In their study, it is proposed that the equity-based community can be compared with business angels or venture capitalists in their investment decisions (Stiernblad & Skoglund, 2013). There is no indication in the empirical findings of this research that supports the statement that the equity-based crowd could be compared to traditional investors. Even though this study does not compare the equity-based community with angel investors or venture capitalists, this study indicates that the sophisticated characteristics are more common on the equity-based platforms than on the reward-based platforms. Hence, the equity-based approach is suggested to create more value than the reward-based approach through feedback from the investors.
4.5 Branding

The empirical findings suggest that branding is a strong motive among the equity-based crowdfunders, and the motives are reflected in the outcomes of branding. Despite that branding has been a strong motive for the equity-based crowdfunders, it has not been acknowledged as a main driver of the campaigns, yet an additional outcome that has been valuable. According to the data sheet, branding is suggested to play a more important role for equity-based crowdfunders compared to reward-based in this case study. As in the case of Rentl, after their successful crowdfunding campaign they now have a waiting list for potential investors. The founder of Rentl explains the positive branding effects of being associated with a successful investment round:

“*We appeared in a good context since we achieved our goals quickly, now we have a pretty hefty waiting list of potential investors, it is very positive to be associated with a successful investment round*” — David Mattsson

According to Jobber and Ellis-Chadwick (2016), a successful brand has a unique position in the minds of the customers. In equity-based crowdfunding the customers are referred to as potential investors and not the end consumer as in reward-based crowdfunding. Thus, branding efforts in equity-based crowdfunding targets investors that will be potential partners and are dependent on the success and development of the company. It is proposed by Brown et al., (2016) that strengthening a brand could be a potential benefit from either an equity-based or a reward-based approach. However, the authors of this paper suggest that equity-based crowdfunding is considered a long-term project that involve building long-lasting relationships and gaining ambassadors who spread recognition of the brand. Furthermore, the data gathered through the interviews suggest that none of the reward-based crowdfunders had branding as one of their main objectives when doing crowdfunding. Thus, this case study indicates that equity-based crowdfunding is more appropriate if the aspiration is to build or strengthen a brand. However, Brown et al., (2016) draws on examples of reward-based crowdfunding campaigns, namely the Pebble Smartwatch and Shock Top Beer which both gained significantly stronger brands as an outcome of their crowdfunding campaigns. Yet, this case study provides an indication that equity-based is superior to reward-based crowdfunding if the ambition is to build or strengthen a brand.
4.6 Create Sales Channel

It is evident in this case study that the equity-based companies established business relationships with their investors. As the result of the marketplace created through the equity-based platforms, the companies could exchange equity for investments. The founder of Djeene mentions how equity-based crowdfunding platforms is an efficient way of reaching out to potential investors.

"It was of great interest to get access to partners through the crowdfunding platform" - Pär Helgosson

Creating a sales channel through a reward-based crowdfunding platform is perceived as a strong benefit among all interviewees. On a reward-based platform, an investment directly becomes a sale for the company due to the pre-ordering aspect of the approach. If the product is not yet ready for delivery, the investments serves as the foundation for an initial product batch. If the product is finished and ready for delivery, the investment becomes a purchase. Moreover, it is suggested from the data sheet that the outcome of creating a sales channel exceeds the underlying motive, and that this was an unanticipated benefit from the reward-based approach. It is recognized and expressed by the co-founder of Pins Collective, that reward-based crowdfunding offers the possibility to sell a product before it is finished:

"A Reward-based approach is a great tool for selling a product before it is finished" - Olof Sjöstedt

While the sales channels through a reward-based approach can reach the ultimate consumer, the ones established through equity-based platforms are related to creating a sales channel where equity is exchanged. Hence, the authors suggest that the sales channels created through equity-based crowdfunding are limited, and not as direct as the ones created through reward-based crowdfunding since they do not, in general, reach the consumer. As Jobber and Ellis-Chadwick (2016) expresses it, value is created when there is an exchange occurring between two or more parties which clearly appears in both reward- and equity-based crowdfunding, although the exchanged values differ. The exchanges on the reward-based platforms are more similar to a marketplace where monetary value is traded for a good or a service. Meanwhile, the exchange on the equity-based platform has another aspect, where value is co-created and partnerships can be
established, where monetary values are traded for equity or dividends in the company. Henceforth, the company creates value in both crowdfunding types, yet this study indicates that the exchange is more direct on reward-based platforms. To conclude, this research suggests that creating a sales channel is more important and recognized for reward-based crowdfunding companies, since reward-based crowdfunding is built upon transactional processes.

4.7 Expand Awareness

It is apparent that equity-based crowdfunding can be used to expand the awareness of a company or product. The network that an investor brings to a company is an important aspect and valuable resource for entrepreneurs when engaging in equity-based crowdfunding. Getting access to these networks that the investors provide allows the crowdfunders to expand the awareness of the company and the product exponentially. This is further confirmed in the data sheet where all respondents with experience in equity-based crowdfunding rated ‘Expand Awareness’ as one of their main motivators. The majority of the equity-based crowdfunders in this case study mentions the importance of brand ambassadors, which refers to investors that actively spread and expands the awareness of the company and the product through their own networks. The CEO of Boom Watches understands the importance of having brand ambassadors, and explains the nature of exponentially spreading a brand:

"When the ambassadors share our messages out and have their 500 contacts on LinkedIn or Facebook, then you will reach a lot of people." - Niklas Dahlgren

In addition to obtaining brand ambassadors, it is suggested that engaging in equity-based crowdfunding generates public relations (PR) and press. Getting acknowledged in credible newspapers and forums is not only positive for the brand itself, but also expands the awareness further. For instance, the co-founder of Fooever mentions how they predicted the increased publicity as an outcome of their crowdfunding campaign:

"We had predicted that we would get PR from the campaign, which we also got" - Karin Angerind
In the case of reward-based crowdfunding, expanding awareness is the most unconsciously received benefit concerning the companies in this case study. Expanding awareness was not a major motive for any of the companies to engage in crowdfunding, although its outcome has been immensely extensive. The crowdfunding campaigns captures the communities’ interests which consequently assists the campaign to gain additional awareness. Flyte managed to sell their products to Greenland, and Pins Collective were paraphrased in over a hundred articles on a global scale during a month thanks to their crowdfunding campaigns. In the data sheet, the majority of the entrepreneurs within reward-based crowdfunding considered ‘expand awareness’ as a significant benefit received. A partner of Febtop acknowledges how the awareness of their start-up company has increased as a result of their crowdfunding campaign:

“There are many more that know about us now after our campaign than before” - Simon Karlsson

Moreover, reward-based crowdfunding serves as an advertisement tool where a successful campaign generates awareness not only on the specific platform, but also externally on other media such as articles or blogs. The CEO of People People explains how a Kickstarter campaign results in beneficial exposure:

“Launching a crowdfunding-project on Kickstarter gives you a lot of marketing” - Martin Willers

Henceforth, earning PR and positive exposure in the press is suggested to be a benefit from engaging in either reward-based or equity-based crowdfunding. No empirical evidence have been identified suggesting otherwise. A partner of Flyte explicitly mentions the power of free advertisement, and that it carries more reliability and credibility than paid advertisement. Here, a parallel could be drawn to PR, where the purpose is to convey a message to inform the public about the organization's product without using the company’s own resources (Jobber & Ellis-Chadwick, 2016). Thus, generating PR through a crowdfunding campaign is suggested to be a value creating outcome for the company. ‘Expand awareness’ is mentioned within both crowdfunding approaches by Gerber and Hui (2013) which further confirms the importance of ‘expanding awareness’ when researching crowdfunding. However, this case study suggests that there is a difference in how equity- and reward-based crowdfunding
manages to expand their awareness. For instance, the interviewees suggest that equity-based crowdfunding expand the awareness through the use of brand ambassadors that possess networks. The entrepreneurs are then able to expand the awareness of their company by reaching out to people through the ambassadors’ own networks. On the other hand, reward-based crowdfunding is suggested to expand awareness through the campaign itself, which is done through exposure on the crowdfunding platform and through the large user base of reward-based platforms. Even though both approaches expands awareness in different ways, there is no empirical findings suggesting that one approach is superior the other.

4.7.1 International Outreach
International Outreach is an outcome of crowdfunding that derives from expanding awareness. The number of people residing on equity-based crowdfunding platforms is suggested to be a deterrent for equity-based crowdfunding. Reward-based crowdfunding platforms, such as Kickstarter and IndieGogo have a larger user base than equity-based crowdfunding platforms, especially when compared to FundedByMe (Crowdfunding, 2017). The size of the crowdfunding platforms is an important factor, which is acknowledged by the CEO of People People who stated:

“When we launched our campaign, FundedByMe did not have a critical mass, hence we chose Kickstarter to reach out to a larger fan base” - Martin Willers

Additionally, it is proposed that when it comes to equity-based crowdfunding, it is easier to succeed as a Swedish company using a platform also based in Sweden, hence geographical proximity is suggested to matter. This was recognized by the CEO of Boom Watches, who through his experience has seen that it is easier for an equity-based campaign to succeed on a domestic platform:

“We could also have gone with an international player, but we have seen that it is harder to succeed as a Swedish company on an international platform. It is easier to succeed as a Swedish company on a Swedish platform ” - Niklas Dahlgren

Reward-based crowdfunding platforms are larger and more international compared to
equity-based platforms. Since Kickstarter was launched, $2.9 billion has been pledged by almost 120,000 different backers (Kickstarter, 2017a) and IndieGogo, the second largest platform in terms of revenue, operates in 223 different countries (IndieGogo, 2017). There are no equity-based platforms that are equivalent to these on today’s market. The empirical data suggests that the platform size differences between reward-based and equity-based crowdfunding matters, and is a reason why some companies choose a reward-based approach instead of an equity-based. Furthermore, equity-based exchanges are more complex and generally deals with larger investments (Belleflamme et al., 2014). It is suggested to be easier and more valuable to bring people which are aware of the legal aspects of exchanging equity in the particular country, that has insights in the local market and possess local networks. Whether or not proximity constraints the success of a crowdfunding campaign has been discussed in previous literature, although there is no evidence on how geographic location of a project impacts its success-rate (Agrawal et al., 2013; Mollick, 2013). Yet, the indications in this case study are that geographical proximity facilitates the success-rate of equity-based campaigns. Whether or not this is the case for reward-based campaigns is not implied in this study. In conclusion, the empirical findings indicates that a reward-based approach can create value through international outreach, due to the higher feasibility of utilizing international investors. Meanwhile, as mentioned earlier, an equity-based approach is suggested to be more limited to domestic markets.

### 4.8 Product Conformity

It is proposed in this case study that a reward-based approach is more appropriate if the company offers a tangible product. Additionally, the empirical findings suggests that the customers must clearly understand the value proposition of a product sold through reward-based crowdfunding platforms. David Matsson, the vice CEO of Rentl, states that their product required too much explanation to fit on a reward-based platform since customers may experience complications in understanding their value proposition:

“Sure, we could have been offering free rentals but it is more difficult and requires more explanation and people may not understand the value in the same way as if we had been giving out a t-shirt for example” - David Matsson
Moreover, it is suggested to be necessary for a company with a reward-based approach to offer a product with some form of uniqueness. In this case study, all reward-based companies offered a product with unique features except one, which confirmed that their product lacked the unique touch, and therefore did not suit a reward-based platform. Hence, it is suggested that not having a unique product could limit the chances of getting funded through a reward-based approach. The CEO of People People, who experienced success in their reward-based campaign mentions the essentiality of having a unique product:

“A reward-based campaign has to create a wow-feeling” - Martin Willers

By looking at the products and services offered by the equity-based companies in this study, it is evident that the majority offers a product or service that is more complex than the reward-based companies’ offerings. Hence, it could be considered an advantage for a reward-based campaign to offer a tangible and unique product to be successful. If these product characteristics are not fulfilled, an equity-based approach is suggested to be more appropriate. This has been previously researched by Brown et al. in their study from 2016, which suggests that a reward-based approach do require a physical product with a clear value proposition.

4.9 Summary of Result

In figure 5, a summary of the abovementioned results are presented in an illustrative figure developed by the authors. The marketing values marked with a star are the values that the authors have found through the interviews and has not been discussed in previous literature. The marketing values associated with reward-based crowdfunding are presented to the right in the figure and the values related to equity-based crowdfunding to the left. However, one should be careful not to misinterpret the findings as definite. For example, ‘validate product’ which is found in the reward-based section is to some extent also a benefit gained through equity-based crowdfunding according to the case study but is seen as more beneficial in reward-based crowdfunding campaigns. In the middle of the figure, marketing values that are seen as equally beneficial for both approaches are stated. For example, ‘expand awareness’ has been proven to be a major benefit for all the
respondents in this case study and thus applying to both equity-based and reward-based crowdfunding. Hence, this figure aims to propose an appropriate crowdfunding approach based on what marketing values the entrepreneur might seek.

**Figure 5** (Developed by the authors).

Reward-based and Equity-based crowdfunding are suggested to raise capital equally good, no empirical evidence was found that suggests otherwise. Aforementioned, expanding awareness of a company is suggested to be an outcome that is gained through crowdfunding in general, any indications of one approach being superior to another has not been identified. However, the process of expanding awareness differs between the two approaches. For instance, equity-based crowdfunding raise awareness through the network of investors while reward-based crowdfunding raise awareness through the platform that the campaign resides on, and through its consumers. The platforms that the two approaches reside on differ in terms of size, which is suggested to matter according to the participants. Reward-based crowdfunding platforms are prone to facilitate for an international outreach, compared to equity-based crowdfunding platforms that reaches out to the near proximity.
According to the participants, feedback is received through both approaches. However, it is suggested to be a difference between the communities residing on the different platforms, resulting in different levels of feedback sophistication, being more sophisticated in equity-based crowdfunding communities. An entrepreneur should be aware of this difference since equity-based crowdfunding might generate more valuable feedback, which could refer to product improvements and administrative matters. The empirical data suggests that by inviting investors to become shareholders in equity-based crowdfunding, it allows for building strong and long-lasting relationships with competent investors. In turn, this makes it possible for entrepreneurs to obtain assistance with business related tasks and to obtain actively involved investors working towards strengthening the brand. However, these benefits are gained by giving up shares, hence losing some control of the company. Meanwhile, in reward-based crowdfunding the entrepreneur keeps all shares, hence maintaining the control and ownership of the company.

Validation of a business is a benefit gained by both an equity- and a reward-based approach, but in different ways. A reward-based approach validates the product in a concrete way due to the pre-ordering nature of this approach with the creation of direct sales channels at its core. Moreover, if a company has a developed product or prototype which is ready to be introduced to the market, a reward-based approach could serve as a good tool to test the product demand. On the other hand, an equity-based approach is suggested to indirectly validate the product since investments propose that there is an interest for the company and therefore validates the growth potential. Furthermore, if the entrepreneur does not yet have a finished product and require capital to develop it, then an equity-based approach may be suitable.
5. Conclusion

This chapter presents the key findings of the research along with the authors’ final conclusions.

This research explores how reward- and equity-based crowdfunding differ in terms of value creation for the company. The purpose of this research was fulfilled since the research question has been answered. The authors have identified differences in how the two crowdfunding approaches creates and delivers value for the company, and that the scopes of the two approaches differ. While the reward- and equity-based approaches are proposed to raise capital equally effective, there are major divergences between the two. The reward-based approach is suggested to require a finished product or prototype to be successful, while the equity-based approach does not, and is additionally appropriate for more complex products or services. Moreover, the reward-based approach allows the entrepreneur to directly reach the ultimate consumer which validates the product and creates direct sales channels. In contrast, the equity-based approach encompasses competent investors and strong relationships which validates the growth potential of the company. In the case of equity-based crowdfunding, the investors becomes brand ambassadors with an active endeavor of communicating the company’s brand. The reward-based approach on the other hand, expands awareness through an international outreach where the communication processes are proposed to conform to public relations. Ultimately, these suggestions answers the research question and proposes convergences along with distinct divergences.

While there are clear divergences between the two crowdfunding approaches, an entrepreneur that is considering crowdfunding as a funding tool should not solely look at what marketing values that one seek. The stage of the business and the product characteristics are essential factors should choose suit the crowdfunding approach.
6. Discussion

This chapter will discuss and interpret the empirical findings in relation to the purpose, methodology and the research questions of this paper. The first section will discuss the limitations that this study encountered. The second section discusses the implications for practice that can be drawn from the empirical findings. The last section discusses the implications for research and suggestions for future studies.

6.1 Limitations

Throughout the research process, the objective has been to access entrepreneurs with experience and knowledge in crowdfunding. This was done through a purposive sampling technique, which implies for possible researcher biases and limitations regarding generalization (Saunders et. al. 2012). However, the aim of this research is not to generalize an entire population but to provide indications, which could be further tested. Moreover, the authors did not have the resources or time to carry out a random sampling technique which would have enhanced the representativeness of the findings (Tongco, 2007).

Another limitation could be that the reward-based crowdfunding platforms used in this study differ from the equity-based platform in terms of international scope. The reward-based platforms, Kickstarter and IndieGogo, are international players while the equity-based platform, FundedByMe, is local and based in Sweden. However, since this paper is aimed to study the Swedish market where this kind of distribution between platforms and crowdfunding approach is common, it could be argued to represent the Swedish market. If this kind of distribution is applying to other countries, where equity-based crowdfunding platforms targets a local crowd and reward-based platforms targets internationally, is yet unknown. Hence, this limits the possibility for generalization since the result may turn out differently if all of the participating entrepreneurs, regardless of the crowdfunding approach, would have used international crowdfunding platforms.

The authors have chosen to limit their sample to companies in the design or technology industries, which are the two most commonly found industries engaging in crowdfunding. Whether the result would have differed if the authors were to include other industries is difficult to say, but since the aim was not to compare different industries, this
concentration was found suitable. Additionally, the authors have chosen to only include entrepreneurs who had carried out a successful crowdfunding campaign in their sample. The reasoning behind this was that successful crowdfunders would have experienced the marketing values of crowdfunding to a larger extent compared to entrepreneurs who have carried out an unsuccessful crowdfunding campaign. Furthermore, information received from entrepreneurs not reaching their funding target could be considered as invalid since they should not be viewed as experts in the area of crowdfunding. Thus, the empirical findings in this research is limited to successfully carried out crowdfunding campaigns, and might not be applicable for a campaign which does not reach its funding target.

Qualitative research is subject to contextualization, where the researcher need to understand findings within contexts, which provide room for misinterpretation (Collis & Hussey, 2014). Moreover, due to the fact that crowdfunding is a relatively new and unexplored subject, the secondary data collected is mostly based on scientific articles which does not focus on the specific approaches, but mainly crowdfunding in general. This could allow for misinterpretation, where the authors have understood those findings as applicable to both approaches if nothing else is suggested.

6.2 Implications for Practice

The authors argue that entrepreneurs can increase their chances of successfully launching new ventures through crowdfunding by understanding the differences of the two approaches. The authors suggests that an equity-based approach carries a long-term perspective to the business. The marketing values associated with equity-based crowdfunding, namely ‘Build Relationships’, ‘Competent Investors’, Validate Growth Potential’ and ‘Branding’ could be considered as long-term endeavors, which allows the company to create value over a longer time span. Additionally, these marketing values are suggested to be intertwined with one another, for instance, relationships are built with competent investors who by investing in the business, validates the growth potential to subsequently spread and enhance the company’s brand. Furthermore, the long-term perspective of equity-based crowdfunding could conform to previous literature suggesting that an equity-based approach is appropriate in the early stage of a business.
On the contrary, it is suggested through the empirical findings that reward-based crowdfunding is more suitable for businesses with a finished product. Therefore, the authors suggest that a reward-based crowdfunding approach adopts a short-term perspective with a transactional purpose which allows the company to deliver value. ‘Validate Product’, ‘International Outreach’, ‘Create Sales Channels’ and ‘Maintain Control’ are marketing values which the crowdfunder will profit from rapidly once launching a successful campaign. The short-term transactional perspective of reward-based crowdfunding may conform to previous suggestions regarding a reward-based approach being more appropriate in a later stage of a business. Additionally, the reward-based approach is suggested to focus on delivering and transferring products to the end-consumer, due to its pre-ordering aspect, where the capital raised through the campaign is used for initial production. On the other hand, an equity-based approach generally starts with an idea of a product, where the capital raised is used for product development processes.

Ultimately, entrepreneurs should not entirely base their approach selection on what marketing values they seek. The entrepreneur has to understand the company’s stage of business and the product characteristics. The authors suggest that a reward-based approach suits businesses with a finished product that is available for delivery. On the other hand, the equity-based approach allows the entrepreneur to fund a product or service idea, and does not require product completeness. Moreover, this strengthens the aforementioned aspect of equity-based crowdfunding being a long-term process in comparison to reward-based crowdfunding.

6.3 Implications for Research

The qualitative and exploratory nature of this research has allowed the authors to find patterns in how the two types of crowdfunding creates value for the company. Moreover, the exploratory approach allowed the authors to validate existing theories while finding new patterns in the subject that has not been previously researched. Previous literature covering crowdfunding has taken a general stance and not distinguished the two approaches researched in this study. The empirical findings suggests that there is a vast difference between reward-based and equity-based crowdfunding and that these two
approaches should be separated and not generalized. Moreover, the authors agrees and further emphasises Gerber and Hui’s (2013) notion that the definition of crowdfunding should be revised from simply being a fundraising tool. This creates an opportunity for future research to elaborate and modernize the definition of crowdfunding and ultimately define reward-based and equity-based crowdfunding separately.

The empirical findings are proposed to be connected to Jobber and Ellis-Chadwick’s (2016) notion of value. The authors believes that reward-based crowdfunding is connected to value delivery and marketing values which could be considered immediate payoffs of a crowdfunding campaign. Meanwhile, equity-based crowdfunding is connected to value creation and marketing values which are not immediate payoffs, but valuable in the long run. However, the empirical data for this paper did not provide sufficient proof to confirm this relation, which invites for future research.

Furthermore, the empirical findings implies that equity-based crowdfunding has a higher potency on domestic markets, where entrepreneurs generally selects investors through a proximal judgment. As opposed to this, a reward-based crowdfunding approach carries an international outreach with no identified proximity constraints. Even if equity-based crowdfunding allows for international investors, one could speculate that cultural differences play a part in why equity-based crowdfunding is subject to proximity constraints. Equity-based crowdfunding allows for close relationships and cooperation over a long period of time. Thus, it becomes important for the entrepreneur and investor to be able to collaborate effectively, and cultural differences might lead to obstacles in this collaboration process. However, this research has not investigated how culture affects reward- or equity-based crowdfunding which invites for an interesting research topic.

This study has performed an initial illumination in the comparison between reward- and equity-based crowdfunding from a marketing perspective, yet with a qualitative method. Further research could through quantitative means test the significance of similar findings to strengthen the conclusions. Moreover, additional qualitative research could be useful for investigating additional marketing values of crowdfunding that could emerge over time. Lastly, the authors suggest that future research should investigate the alternative crowdfunding approaches not covered in this study, namely, donation-, lending-, and
royalty-based crowdfunding, and what marketing values they may entail. Moreover, crowdfunding is a generally new and unexplored subject which requires further attention in research.
7. References


8. Appendix

Appendix 1.

<table>
<thead>
<tr>
<th>Reward-Based Crowdfunding</th>
<th>Equity-Based Crowdfunding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company name:</strong> FLYTE</td>
<td><strong>Company name:</strong> Djenee</td>
</tr>
<tr>
<td><strong>Interviewee:</strong> Chris Higham, Partner</td>
<td><strong>Interviewee:</strong> Per Helgosson, CEO</td>
</tr>
<tr>
<td><strong>Crowdfunding type:</strong> Reward</td>
<td><strong>Crowdfunding type:</strong> Equity</td>
</tr>
<tr>
<td><strong>Product:</strong> Levitating Light</td>
<td><strong>Product:</strong> Application</td>
</tr>
<tr>
<td><strong>Value Proposition:</strong> FLYTE is a levitating light which hovers by magnetic levitation and is powered through the air. With FLYTE, we’ve set the lightbulb free.</td>
<td><strong>Value Proposition:</strong> You’re pressed for time and have a zillion things to do. We know that. That’s why we built Djenee, to be your personal assistant that makes anything happen, any time of the day and anywhere you want.</td>
</tr>
<tr>
<td><strong>Campaign Information:</strong> Received 5,573,486 SEK. 2085 Investors.</td>
<td><strong>Campaign Information:</strong> Received 4,023,021 SEK for 9.3% of the company’s shares. 57 Investors.</td>
</tr>
<tr>
<td><strong>Company name:</strong> North 22</td>
<td><strong>Company name:</strong> Rentl</td>
</tr>
<tr>
<td><strong>Interviewee:</strong> Mathias Ericson, Founder</td>
<td><strong>Interviewee:</strong> David Mattsson, vice CEO</td>
</tr>
<tr>
<td><strong>Crowdfunding type:</strong> Reward</td>
<td><strong>Crowdfunding type:</strong> Equity</td>
</tr>
<tr>
<td><strong>Product:</strong> Watches</td>
<td><strong>Product:</strong> Platform</td>
</tr>
<tr>
<td><strong>Value Proposition:</strong> Arkipelag is a collection of qualitative minimalistic watches utilizing Swiss movements. Inspired by the archipelago of Stockholm.</td>
<td><strong>Value Proposition:</strong> Rentl is the “Airbnb” for the things you have at home.</td>
</tr>
<tr>
<td><strong>Campaign Information:</strong> Received 171,368 SEK. 81 Investors.</td>
<td><strong>Campaign Information:</strong> Received 1,834,290 SEK for 26.12%. 226 Investors.</td>
</tr>
<tr>
<td>Company name:</td>
<td>Asket</td>
</tr>
<tr>
<td>--------------</td>
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</tr>
<tr>
<td>Interviewee:</td>
<td>Jakob Nilsson Dworsky, Board Member</td>
</tr>
<tr>
<td>Crowdfunding type:</td>
<td>Reward</td>
</tr>
<tr>
<td>Product:</td>
<td>T-shirts</td>
</tr>
<tr>
<td>Value Proposition:</td>
<td>There’s something about the classic crew neck T-shirt that speaks to every man. Yet, despite its widespread appeal, it’s exceedingly difficult to find a high-quality T-shirt that both looks good and fits well.</td>
</tr>
<tr>
<td>Campaign Information:</td>
<td>Received 438,569 SEK. 674 Investors.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company name:</th>
<th>Pins Collective</th>
<th>Company name:</th>
<th>Fooever</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee:</td>
<td>Olof Sjöstedt, Co-Founder.</td>
<td>Interviewee:</td>
<td>Karin Angerind, Co-Founder</td>
</tr>
<tr>
<td>Crowdfunding type:</td>
<td>Reward</td>
<td>Crowdfunding type:</td>
<td>Equity</td>
</tr>
<tr>
<td>Product:</td>
<td>Pin</td>
<td>Product:</td>
<td>Application/Platform</td>
</tr>
<tr>
<td>Value Proposition:</td>
<td>We wanted to transform the classic round shaped pin into a modern wearable. We made a digital pin that lets you voice any opinion, express love to your favourite artist or the support of the cause you are engaged in – and to change between these with just a few clicks.</td>
<td>Value Proposition:</td>
<td>Fooever takes on the bigger picture by hosting a platform for actors where food can be sold locally to the end consumer without crossing larger food chains</td>
</tr>
<tr>
<td>Campaign Information:</td>
<td>Received 921,597 SEK. 1042 Investors.</td>
<td>Campaign Information:</td>
<td>Received 602,505 SEK for 5.66% of the company’s shares. 124 Investors.</td>
</tr>
</tbody>
</table>

63
<table>
<thead>
<tr>
<th>Company name: Febtop</th>
<th>Company name: Boom Watches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee: Simon Karlsson</td>
<td>Interviewee: Niklas Dahlgren, CEO</td>
</tr>
<tr>
<td>Crowdfunding type: Reward</td>
<td>Crowdfunding type: Equity</td>
</tr>
<tr>
<td>Product: 3D-Printer (The Optimus)</td>
<td>Product: Watches</td>
</tr>
<tr>
<td>Value Proposition: A 3-in 1 machine with a smart modular design. Use it as a 3D printer, laser cutter and CNC mill. The Optimus is a smart and modular digital fabrication machine that individuals can use to make final products on their desktop.</td>
<td>Value Proposition: BOOM Watches offers a high-quality timepiece at an affordable price, and the opportunity to create the perfect personalized accessory to suit individual tastes and styles. Simply change one or more parts of the watch according to occasion or mood.</td>
</tr>
<tr>
<td>Campaign Information: Received 3,006,095 SEK. 439 Investors.</td>
<td>Campaign Information: Received 5,056,121 SEK for 13.59%. 108 Investors.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company name: People People</th>
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<tbody>
<tr>
<td>Interviewee: Martin Willers, CEO</td>
<td></td>
</tr>
<tr>
<td>Crowdfunding type: Reward</td>
<td></td>
</tr>
<tr>
<td>Product: Speaker (Transparent Speaker)</td>
<td></td>
</tr>
<tr>
<td>Value Proposition: Because of the beautiful transparent design, The Transparent Speaker blends in effortlessly and fits in nicely into any environment with any decor. Forget the age-old conflict over cables and “large wooden boxes” in your living and work space, this Speaker’s simple design makes nice no matter where you put it.</td>
<td></td>
</tr>
<tr>
<td>Campaign Information: Received 1,530,307 SEK. 490 Investors.</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 2. (Interview questions)

1. Tell us about your company and what you offer, and what's your role in the company?
2. Is this the first crowdfunding campaign you've been engaged in?
3. Did you try to get funding through traditional sources too, such as Venture Capitalists and Business Angels or loans?
4. Why did you choose to use your crowdfunding?
5. How did you choose the platform?
6. What was your main purpose with your campaign?
7. Have you seen any other benefits with your campaign? Was this something you predicted?
8. You chose an equity / reward-based approach, why?
9. Did you consider other approaches too?
10. Why did you not choose equity / reward-based?
11. How did you experience the communication from the crowd community?
12. Did you get any feedback, if yes, what sort of feedback?
13. Did you get "sophisticated" feedback?
14. Did you allow your supporters to influence the product?
15. How did you perceive the number of backers?
16. You had an average pledge of x SEK, would you rather have seen fewer backers with bigger contributions or more backers with less contributions?
17. If you would redo your campaign, what would you change?
Appendix 3. (Equity-based crowdfunding companies)

<table>
<thead>
<tr>
<th>Company name:</th>
<th>My Independence (Bodeen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crowdfunding type:</td>
<td>Equity</td>
</tr>
</tbody>
</table>

Rate the following six values from 1-6, where 6 is highest and 1 is lowest. Same number can be used more than once.

Firstly, rate the motives according to the importance of each specific value when you launched the crowdfunding campaign. Secondly, rate the outcomes of the values as you perceived them when the campaign was successfully closed.

<table>
<thead>
<tr>
<th>Values</th>
<th>Motives</th>
<th>Outcomes</th>
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<tr>
<td>Raise Capital</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Expand Awareness</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Create Sales Channel</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Build Relationships</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Validate Product</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Branding</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

| Company name: | Born
| Crowdfunding type: | Equity |

Rate the following six values from 1-6, where 6 is highest and 1 is lowest. Same number can be used more than once.

Firstly, rate the motives according to the importance of each specific value when you launched the crowdfunding campaign. Secondly, rate the outcomes of the values as you perceived them when the campaign was successfully closed.

<table>
<thead>
<tr>
<th>Values</th>
<th>Motives</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise Capital</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Expand Awareness</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Create Sales Channel</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Build Relationships</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Validate Product</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Branding</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>
Rate the following six values from 1-6, where 6 is highest and 1 is lowest. Same number can be used more than once.

Firstly, rate the motives according to the importance of each specific value when you launched the crowdfunding campaign. Secondly, rate the outcomes of the values as you perceived them when the campaign was successfully closed.

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<thead>
<tr>
<th>Values</th>
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<th>Outcomes</th>
</tr>
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<tbody>
<tr>
<td>Raise Capital</td>
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<td>6</td>
</tr>
<tr>
<td>Expand Awareness</td>
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<td>5</td>
</tr>
<tr>
<td>Create Sales Channel</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Build Relationships</td>
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<td>2</td>
</tr>
<tr>
<td>Validate Product</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Branding</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Values</td>
<td>Motives</td>
<td>Outcomes</td>
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<tr>
<td>---------------------</td>
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<tr>
<td>Raise Capital</td>
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<td>Build Relationships</td>
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<td>4</td>
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<tr>
<td>Validate Product</td>
<td>6</td>
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<tr>
<td>Branding</td>
<td>6</td>
<td>6</td>
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</table>

Appendix 4. (Reward-based crowdfunding companies)

<table>
<thead>
<tr>
<th>Values</th>
<th>Motives</th>
<th>Outcomes</th>
</tr>
</thead>
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<tr>
<td>Raise Capital</td>
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<tr>
<td>Expand Awareness</td>
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<tr>
<td>Create Sales Channel</td>
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<td>1</td>
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<tr>
<td>Build Relationships</td>
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<td>2</td>
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<tr>
<td>Validate Product</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Branding</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>
Company name: **Fe6Top**

Crowdfunding type: 

Rate the following six values from 1-6, where 6 is highest and 1 is lowest. Same number can be used more than once.

Firstly, rate the motives according to the importance of each specific value when you launched the crowdfunding campaign. Secondly, rate the outcomes of the values as you perceived them when the campaign was successfully closed.

<table>
<thead>
<tr>
<th>Values</th>
<th>Motives</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise Capital</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Expand Awareness</td>
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<tr>
<td>Create Sales Channel</td>
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<td>5</td>
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<tr>
<td>Build Relationships</td>
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<td>5</td>
</tr>
<tr>
<td>Validate Product</td>
<td>4 5</td>
<td>6</td>
</tr>
<tr>
<td>Branding</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Company name: **Flyto**

Crowdfunding type: **Reward**

Rate the following six values from 1-6, where 6 is highest and 1 is lowest. Same number can be used more than once.

Firstly, rate the motives according to the importance of each specific value when you launched the crowdfunding campaign. Secondly, rate the outcomes of the values as you perceived them when the campaign was successfully closed.

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<th>Outcomes</th>
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<td>6</td>
</tr>
<tr>
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<td>6</td>
</tr>
<tr>
<td>Create Sales Channel</td>
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<td>1</td>
</tr>
<tr>
<td>Build Relationships</td>
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<td>5</td>
</tr>
<tr>
<td>Validate Product</td>
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<td>6</td>
</tr>
<tr>
<td>Branding</td>
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</tbody>
</table>
Crowdfunding type:

Rate the following six values from 1-6, where 6 is highest and 1 is lowest. Same number can be used more than once.

Firstly, rate the motives according to the importance of each specific value when you launched the crowdfunding campaign. Secondly, rate the outcomes of the values as you perceived them when the campaign was successfully closed.

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<th>Motives</th>
<th>Outcomes</th>
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<tbody>
<tr>
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<tr>
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</tr>
<tr>
<td>Branding</td>
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Crowdfunding type: 

Rate the following six values from 1-6, where 6 is highest and 1 is lowest. Same number can be used more than once.

Firstly, rate the motives according to the importance of each specific value when you launched the crowdfunding campaign. Secondly, rate the outcomes of the values as you perceived them when the campaign was successfully closed.

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