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Digital Marketing & Social Media in a crowd-funding campaign.

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Abstract

The goal of this thesis is to investigate the key success factors in the digital marketing approach used for campaigns done on crowdfunding platforms, and how it will change influence the decisions of the crowd to invest in a project.

Regarding the structure of this thesis, we will firstly explain in details what are the roots of the crowdfunding, describe the different type of platforms and in which context they are used. In the second and third part, we will see how crowdfunding represent a boost for the entrepreneurial initiative and how digital marketing is influencing the process of a raising fund campaign. Finally, thanks a research that has been conducted on 46 respondents, we will analyze the behavior of the crowd regarding the marketing approach used by crowdfunders.

As findings, we can state that a crowdfunder must establish a project with a substantial quality content that will pull the crowd toward the project, and choose the right approach in selecting an adapted crowdfunding platforms and rewards.

Keywords

Crowd-funding, crowd-funder, crowd, crowd-sourcing, content marketing, social media, digital marketing.

Abstract

Cílem práce je zanalyzovat klíčové faktory pro úspěch v digitálním marketingu na kampaně používající crowdfunding platformy , zda tento přístup může ovlivnit jedince k investování do projektu.

Co se týká struktury práce , nejprve pojednávám o kořenech crowdfundingu; popisuji různé typy platforem a v jakém kontextu se používají. Ve druhé a třetí části ukazují, jak crowdfunding podporuje podnikatelské iniciativy a jak digitální marketing ovlivňuje získávání finančních prostředků . Nakonec, díky výzkumu, který byl proveden na 46 respondentech , jsem zanalyzoval chování davu ovlivněného marketingovým přístupem používajícího crowdfunders.

Na závěr práce konstatuji, že crowdfunder musí vytvořit projekt s kvalitním obsahem, který bude atraktivní pro lidi, a také zvolit správný přístup a adaptaci crowdfundingových platform a odměn.

Klíčová slova

Crowd-financování, dav, dav-sourcing, obsah marketing, sociální média, digitální marketing.

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Introduction :

"They came for raising funds, but they leave with a more subjective and emotional baggage: a tenfolded confidence in their capacity and a feel of shared optimism" Ricordeau Vincent, co-founder of the crowdfunding platform KissKissBankBank.

On a personal point of view, I was interested in going deeper in the subject of crowdfunding because I felt like this process has enable a complete revolution in the system of creating a company and boosting entrepreneurial initiative. Often seen as a mountain to climb opening a company requires to convince investor, do a market research, develop a new product... Each of this steps require a risky investment in terms of time, and money. But it seems that now, other ways are open to make this process easier and more complete.

In a context marked by the financial crisis and where the search for new business models was previously unsuccessful, crowdfunding platforms have open a new era in relations between entrepreneurs and their relation to financial institutions. Entrepreneurs can now avoid a complicated process of looking for business angels and other ways of project financing. These changes in the entrepreneurial initiative occurred with the spread of the mutual assistance allowed by digital proximity that inevitably undermines traditional patterns.

Crowdfunding operates and accelerates the entrepreneurial initiative by bypassing several institutions and therefore enhance the innovation. Analyzing this phenomenon of crowdfunding in a marketing perspective allow us to ask a question after all: Is the crowdfunding only a process of bypassing financial institutions which makes the entrepreneurial initiatives easier, or it is a becoming a more complex tool of emphasizing marketing approach?

Even if financial contribution done by a group of people is not new for entrepreneurs, the crowdfunding appears to some as a way to encourage the creation and invent a new model would strike a balance between freedom of and easiest access to the creation of business, with a powerful marketing tool in addition. It also put the individual at the heart of the creation process and closer to the project leader, at a time of increased distrust of citizens in public institutions, cultural industries and the financial sector, crowdfunding seem to act on the inverse by switching the power from institutions to the crowd itself. '

In addition to this new possibilities opened by the crowdfunding process, we will define how it changes the rules for companies in a marketing perspective. Beyond this bypassing process, it has also creates a whole new range of possibilities for entrepreneurs to promote their product, service, concept. On several perspectives, the crowdfunding will allows entrepreneurs to use a campaign for monitoring a market, evaluating the demand and see how the public respond to a marketing and communication campaign organized to spread the project through the crowd.

In this thesis, we will define firstly a theoretical background that will define the roots of the crowdfunding, from where does it come from and on which different forms we can use it today. In a more practical approach, we will study what are the key success factors in a crowdfunding campaign, what influence the most in the decision of the crowd and how it reflect on the marketing approach of crowdfunders.

I) The background of Crowd-funding: Importance of the crowd.

1 - Web 2.0 and attraction of crowds:

The crowdfunding and more widely the crowdsourcing could not have proliferated without the development of Internet and the social networking. Indeed social networks and Web 2.0 are the most important tools in terms of sharing knowledge with others as mentioned Belleflamme. (2011). Without these types of platform, the crowd would not be able to cooperate all together, or at least not able to share their know-how to increase the global level of knowledge of the crowd.

a) Web 2.0 definition.

Tim O'Reilly defined Web 2.0 as: *"A Web 2.0 site may allow users to interact and collaborate with each other in a social media dialogue as creators of user-generated content in a virtual community, in contrast to websites where people are limited to the passive viewing of content. Examples of Web 2.0 include social networking sites, blogs, wikis, folksonomies, video sharing sites, hosted services, web applications, and mashups."* (O'Reilly 2007)

The notion of Web 2.0 have been created by the O'Reilly agency in 2004 after considering internet went through a fundamental change since the emergence of new tools. In 2005, O'Reilly described few principles and characteristics of the Web 2.0:

- Web is a set of technologies and service platforms.
- Harnessing Collective Intelligence.
- Centralization of data.
- Software in a continuous modification.
- Rich user experience.

These evolutions and the development of the Web 2.0 have participated to a new social communication approach and have changed fundamentally the way people interact. This structural change is crucial for entrepreneurs who have now access to the crowd way more easily than before and can seek for information or financing solutions.

Web 2.0 has opened people to the Internet social networking and made an access to the crowd via wide developed platforms. More than 1.3 billion people have a Facebook account connected to their friends, relatives. (Facebook Statistics, 2014) The way of sharing knowledge and information have dramatically changed since the globalization of this kind of platforms. The "viralization" of the information has become really important.

As example we can take a famous case, KONY 2012¹ was one of the most viral video on YouTube in 2012. More than 50 millions people have watched the video talking about Joseph Kony. (One of the leader of the Ugandan Guerrilla group) This video went global in few days thanks to the number of share on the social network platforms (Facebook, Twitter, VK etc...)

Without this "virality" allowed by social networking, the crowdfunding and more widely the crowdsourcing could not work properly. Indeed, social-network consists of the very base structure of the crowdsourcing because they facilitate active participation of people in sharing information, knowledge, know-how and suggestion within the Internet communities.

Regarding the crowdfunding especially, the crowd is not only a simple group of people who are involved financially by giving a certain amount of money to a project, it also allows entrepreneurs to get a wider feedback from people involved in the creation of a project. Crowdfunding is not only a financial leverage, but also becomes a marketing tool.

¹ <https://www.youtube.com/watch?v=Y4MnpzG5Sqc> (04.02.2014)

2 - Crowdsourcing at the basis of the crowdfunding:

a) Definition:

The word Crowdsourcing literally comes from a mix of the word "crowd" and a contraction of the word "outsourcing". This term was born from the web 2.0 and has been first used on a forum discussion by a well-known journalist named Jeff Howe in the magazine "The Wired" and he defined Crowdsourcing as:

"Simply defined, crowdsourcing represents the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call. This can take the form of peer-production (when the job is performed collaboratively), but is also often undertaken by sole individuals. The crucial prerequisite is the use of the open call format and the large network of potential laborers". (Howe, 2006)

Other definitions have been made since Jeff Howe first mentioned it, in the business dictionary Crowdsourcing is defined as follows:

"The outsourcing of job functions to groups of people who operate independently and who are willing to provide their services in exchange for experience, recognition or low rates of pay. Recognizing that technology advances have enabled people to develop superior technical skills and talent in the comfort of their homes, companies are now using social media and internet forums to invite them to participate on specific projects." (Business Dictionary, 2006)

Crowdsourcing is a form of outsourcing which does not use other companies to carry out a particular task but instead ask the crowd to create solutions. In most cases, a company will ask the crowd by doing an "open-call" on an Internet platform to communicate and ask the crowd a certain task to accomplish. This open-call does not only reach a certain category of people as firms, organization or professionals, but instead it virtually reaches everybody.

Anybody – individuals or companies – seeking to find an individual talent, or even a collective capacity, can ask for this service. Then members of the public will submit the solution that they found to answer the problematic asked by an entity. Once the project is done, the company can choose among the best given results by the crowd and decide to give compensation or not. Indeed, the compensation or reward is not often monetary based, but is rather a simple recognition or intellectual satisfaction.

The singularity of the crowdsourcing is that several individuals / communities can work simultaneously on the same project. For the companies, the advantages are several. It is an uncostly method of finding complex solutions, and it is also a important possibility to externalize the fail risk of a project because they only need to pay the product or service that fit their expectations.

b) Various expected inputs by companies from the crowdsourcing process:

Information: Using the crowd allows the company to gather important amount of data from different observations and constitute substantial databases. This macro-information can be used for different purposes: For example Google Map has used crowdsourcing to establish their traffic layer application. Each phone sends information regarding the speed at which a car move and then compare it to the other cars in the area.

Problem-solving skills: Solving complex problems requires a mix between knowledge, know-how and creativity. Depending on the problem, the solving capacity of a single individual can be rather limited. But people interacting and sharing their knowledge creates a "collective intelligence" that can amazingly increase the solving capacity.

Individual creativity: Crowdsourcing can also give value to individual creation such as design, photography and every other domain related to the graphic creativity. e.g : IStockPhoto, Wilogo.

c) Crowdsourcing typology:

The initial mission of the crowdsourcing was to generate content that could be used in different ways. The type of content was multiple: Providing further data to databases, elaboration of knowledge repertories, individual production etc. Now the aim of the crowdsourcing has changed and a lot more is at stake. Crowdsourcing is now used to contribute to research & development projects and other high-complex researches. The crowdsourcing concept has changed since it was first used and regroups now several tools described in a six-fold typology (Ross Dawson, July 2010):

1. Distributed innovation platforms: Platforms that support innovation process outside an organization and allow the company to present innovation challenges to a community of innovators. e.g : Innocentive, ideaken etc...

2. Innovation prizes: Challenges submitted to the crowd in exchange of a reward. These competitions reward innovative participants and contribute to enhance global creativity. e.g : Cisco-I-Prize.

3. Content markets: One of the most used tool of crowdsourcing. These are platforms where people can present their content in order to be purchased by other people. e.g : 500px.

4. Prediction markets: Such platforms are made to bring suggestions, ideas and opinions, which is highly valuable for companies to anticipate trends and better shape the world of tomorrow. These predictions can be related to the future sales volume of a company for example.

5. Competition platforms: These are made to gather people with an expertise in a certain domain and organize a competition to pull the best idea/work selected from the crowd. It's often organized for graphic design competition.

d) Forms of crowdsourcing:

Open innovation: The main idea of open innovation is that the knowledge is now widely distributed and the firms cannot count anymore only on their own R&D to find new ideas, solve complex problematic and find better solutions. This allows firms to seek ideas from other firms and then simply outsource the R&D activity by purchasing right to use a patent. On the opposite way, if an innovation is accomplished within the company and is not used, it should be a reason to share this innovation with the others and not keep it. This idealistic approach is in fact rarely done by companies, which prefer to keep their innovation for themselves.

Crowd-creation: One of the most used forms of crowdsourcing. It consists to ask individuals and businesses to solve a particular problem and create the most satisfactory solution to choose afterward by the asking company/individual. The result of such demand can be final product, whether intellectual capital or physical form. Crowd Creation is now the most popular form of pooling knowledge from the masses. It is even used with marketing purposes. e.g : Toyota asked for contributions to re-design their logo.

Crowd-wisdom: This type of crowdsourcing corresponds to the prediction market. An entity attempts to ask the crowd to solve future problems, predict the future, or even directly help the company. This type of outsourcing has been used during the Iowa election, where people were asked "Which candidate will win the election?". Some companies have set their strategies on this prediction market like Betfair or News Future.

Crowd-voting: It represents the type of crowdsourcing where we ask community's perspective on topics. It immediately increases awareness and crowd input in businesses. The voting process allows the crowd to organize, rank and filter content to provide better solution or input for an organization. It also has as advantage that the community is directly involved in the process of decision by adding their input, and influencing on the final output.

e.g : University of Michigans health team have organized a crowd-voting campaign to amplify patients voices to explain their problem and solve it through the access to heir health data.

Crowdfunding: Any tool and method of financial transaction which involves a large number of people to help financing a project by giving a little amount in order to attain the financial objective. This type of financing method does not require the help of any financial institution or organization. This trend is involved in the collaborative consumption and crowdsourcing. Kickstarter is the one of the main crowdfunding platform and has raised more than \$100 million since its creation in 2009.

3 - The concept of Crowdfunding:

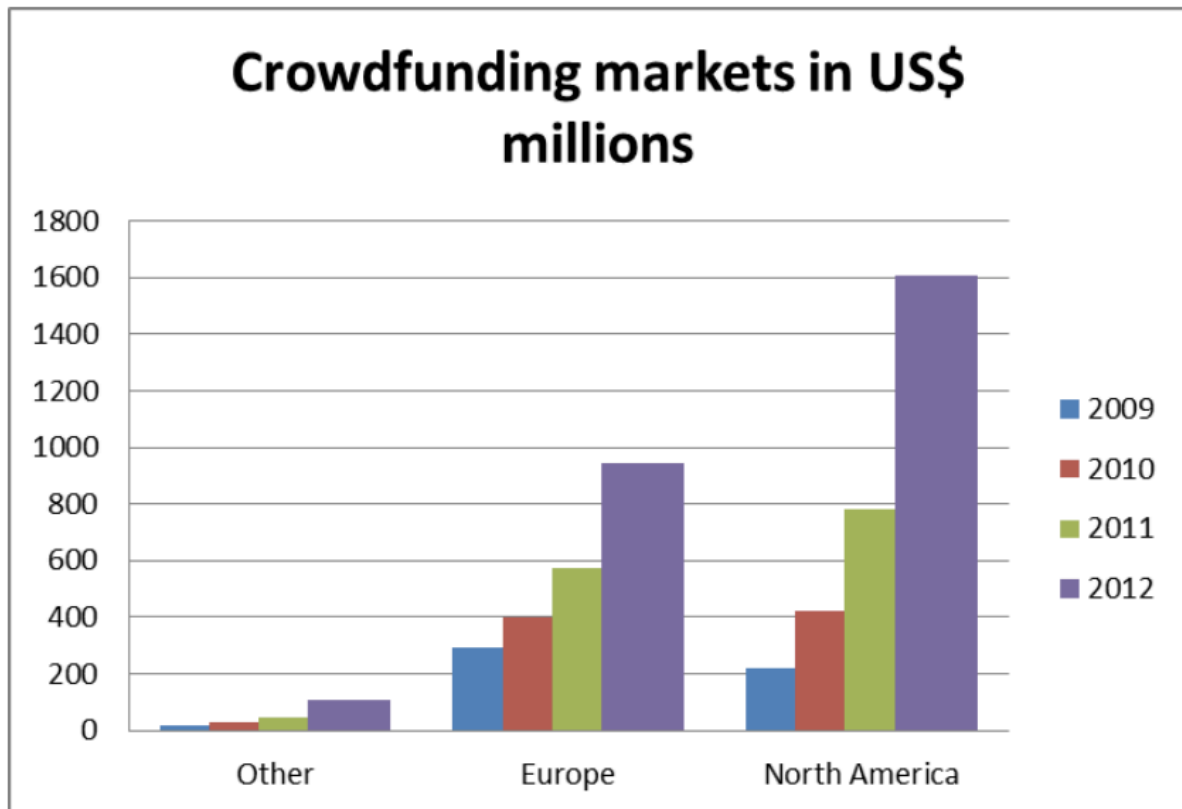
Considering the term relatively new, crowdfunding has not been defined properly yet but the literature available on the subject gives some hints. Here crowdfunding is defined by Lambert and Schwienbacher (2010) as: *“Crowdfunding involves an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights.”*

Put in other way, crowdfunding is a method of fundraising based on the crowd generosity where entrepreneurs ask donations, investment, or pledge, which will support the development of a project. If the crowd believes in the potential of the project, they can provide money through various forms: Donation, loan, equity purchase or also pre-ordering product which will be produced. Once the full amount required by the entrepreneur is reached, investor will reward the crowd regarding the amount of money each donator gave.

It gives the opportunity to anyone to become a business angel.

As the next chart shows, the global crowdfunding market has grown at a fast pace over the last years and has become a huge market in North America and Europe.

Figure 1: Crowdfunding marketing in US dollars. (Source: Massolition 2012 report market on crowdfunding market) :



This tool of financing requires no involvement of any financial institution, every usual financial circuit of financing are bypassed by using the generosity of the crowd, which believes in a success of a project. This element is also a crucial point in the development of the crowdfunding. Indeed because of the financial crisis, banks hardly provide funds and even business angels & venture capitalists invest less in new creative ideas.

Although crowdfunding was mostly dedicated to the entertainment area at the beginning, it takes now a whole new turn by opening to every type of organization or individual who wants to finance project in different area like: Cinema, musician, design, travel, sport, writers, NGOs, charities, inventors... An extraordinary wide range of projects is introduced to the crowd via these platforms of crowdfunding.

Moreover, crowdfunding is not only useful for small-sized projects but also for projects

requiring bigger investment. As relevant examples we can pick "TikTok"² which was one of the most successful projects funded on Kickstarter. Scott Wilson and his company were initially seeking for \$15.000 and they succeed to raised \$942.000 in total having more than 13.500 donators. In 2014, the wireless smart-headphone project called "Bragi" has raised more than 2 millions dollars 40 days before the fundraising campaign was even over.³

Crowdfunding has also surprisingly expanded to real estate business. In Colombia the skyscraper "BD Bacata"⁴ is crowdfunded for over \$170 million by 3800 Colombian backers and expect to open in 2015.

One of the most well known examples of crowdfunding company is probably Kickstarter. It is an American company based in New York that has been created in 2009. Today, Kickstarter is the leader with 19 911 successfully financed projects in 2013. According to the creator of the company -Perry Chan- almost 3 million people in the world from 214 different countries have already brought their financial support to a movie, an artist, a singer or a technological product for an amount of \$480 million raised. (It's 50% more than in 2012)

In the following we will see how the crowdfunding is divided in different types of platforms as well as its market size and composition.

a) Different type of crowdfunding:

Several types of crowdfunding can be distinguished, especially between donation and investment crowdfunding. These depend on how an entrepreneur uses the fundraising platforms to seek donations from the crowd and how they reward the donation.

² <https://www.kickstarter.com/projects/1104350651/tiktok-lunatik-multi-touch-watch-kits> (11.02.2014)

³ <https://www.kickstarter.com/projects/hellobragi/the-dash-wireless-smart-in-ear-headphones?ref=discovery> (11.02.2014)

⁴ <http://www.crowdfundinsider.com/2013/11/26764-largest-crowdfunding-campaign-ever-bd-bacata-skyscraper-prodigy-network/> (11.02.2014)

Also it's important to distinguish, seeking fund by using a crowdfunding platforms will be considered as an indirect way to get financial contribution. A direct fundraising is when an entrepreneur is asking directly the crowd without any intermediaries.

Moreover, we can split the crowdfunding industry up on different categories such as: Equity-based, lending based, reward based and donation based. We will discuss what kind of differences there is between those different approaches.

Donation-based crowdfunding:

This was the first form of crowdfunding ever used, and it is still one of the most used today. Donation-based crowdfunding corresponds to a fundraising done through website platforms where individuals, companies or organization are seeking funds dedicated most of the time to charitable causes without any financial or material reward.

Usually, donors perceive several update about the project they gave fund to, or the reward can be only a social return. In this case, their motivation are intrinsic and donors feel satisfied to be involved in a deep charitable cause which they support.

It is used usually used by non-governmental and non-profit purposes. As an example, Wikipedia, several NGO's or even political parties use this model to gather fund they need.

Reward-based crowdfunding

In contrast to Donation-based crowdfunding, the reward-based one is different because the donor expects a non-financial reward that can be future goods or services that will be produced once the company will have all necessary funds to begin the production process. These rewards can be non-related to the final product and be only gifts given to the investors as rewards to their involvement in the project. These given non-financial rewards are strategically

chosen before the crowdfunding campaign to be distributed differently to donors who will receive their rewards depending on the amount of funds they gave.

This technique of crowdfunding can also be considered as a form a pre-selling or simply as a way to generate revenue for the company before launching officially a product/service.

Although, this reward based crowdfunding begins to take now a huge place into the entrepreneurship environment especially for little/medium-sized projects as demonstrated with famous crowdfunding platforms Kickstarter or Indigogo.

This category of crowdfunding platform is the worldwide largest in terms of number of platforms with more than 500 website in 2013.

Equity-based crowdfunding:

This model is one of the latest evolutions of crowdfunding. Trough this new type of fundraising platform, the funder is able to open shares of its company to the crowd until the project being funded. Investors have a right to vote on certain decisions, you are entitled to dividends out of the company's revenue and you get a share of the value in the company when shares are sold.

Before being presented to the crowd, several entrepreneurial projects are submitted to a official selection step by managers of the crowdfunding platform. These projects can be at different maturity level, from the idea stage to a more mature business with several years of experience and economic viability.

Then, a panel of approved companies and ideas will be officially presented to the crowd on the platform and they will be able to choose in which one they want to invest. There are no intermediaries between the fundraisers and the donors. Investors freely decide on which projects they invest (they may choose areas they know the best).

Investors will be included in the process of decision and will be involved in the capital of the company.

In 2011, it is the equity-based crowdfunding that has raised the largest amount of funds per project. Indeed, 21% of raised fund have been gathered for projects of more than 250.000\$ and only 6% of project funded were below 10.000\$. (Massolution- Crowd-Funding Industry - Report, 2012)

Lending-based crowdfunding

This type of crowdfunding corresponds to a consumer-to-consumer transaction done on "Peer-to-peer" lending platform. These types of lend is usually done between unrelated individual without any intervention of traditional financial intermediary. All transactions are made online on several platforms. (Propser, Zopa etc...)

These loans are considered quite unsecured since they have no guarantee. Moreover, interest rates are set directly by lenders who make sure their borrowers will pay back the money and set higher rate in case of higher risk of no pay back.

Lending-based crowdfunding is also considered as one of the most effective in terms of speed of fundraising and rate of success among all crowdfunding platforms. Indeed, the crowd is more willing to borrow money rather than do donation. In 2012, this lending method has gathered more than 44% of all funds collected in Europe through crowdfunding platforms and is growing at a significant pace compared to other platforms. The lending based is the fastest crowdfunding method as showed Crowdsourcing.org in their 2013 report on the crowdfunding report (Massolution- Crowd-Funding-Industry-Report, 2012) with a, average launch to completion of 4.8 weeks. Crowdsourcing.org sizes this market at more than a billion dollars.

Let us summarize the 4 types of crowdfunding in short sentences:

- Donation: A donor gives a certain sum without financial reward.
- Reward: Indirect purchase process for some type of product or service. (Pre-order mostly)
- Lending: Credit contract, the lender is repaid by the borrower plus interest.
- Equity: Shareholding contract, shares, equity-like instruments or revenue sharing.

Finally, these models are not limited properly and can be mixed. There is a hybridization in the types of crowdfunding platforms. Indeed, several platforms have emerged out of the four types initially defined. These are hybrid platforms that do not fall within the definition of four basic models.

A new model has also emerged in 2012: The Royalties. The crowd invests in a project and receives a share of the revenue generated by the company based on its investment. It is a completely new approach.

In its report, Massolution proposes a definition for the emergence of this trend: "*Hybrid Platforms - In the future crowdfunding platforms will no longer be defined as donations - platforms, platforms, rewards, etc... Platforms will be merging the various crowdfunding models and tailor thesis Will hybrids of models campaign to the owners' needs*"

(Massolution- Crowd-Funding Industry - Report, 2012)

The crowdfunding platforms do not necessarily stick strictly to one model. Nothing prevents the platform to propose several models simultaneously.

As example "CroFun" platform, launched in April 2013. It offers the possibility to create a mix of different crowdfunding models in order to fit perfectly to the need of customers as they mention in their motto: "CroFun" is the first crowdfunding platform where it is possible to create the perfect mix by combining the various forms of crowdfunding." (Crofun Website, April 2013)

b) Crowdfunding Market in several figures and characteristics of crowdfunding platforms :

The crowdfunding market in 2011 was estimated by Massolution to almost \$1,5 billion raised worldwide through more than 450 different crowdfunding situated in different continents. The crowdfunding market grew at a quick pace of 63% between 2009 and 2012. North America was the largest market for crowdfunding with almost 200 different platforms and 530.00 successful fund-raising campaigns organized. More than a million projects have been successfully funded worldwide as the next chart shows :

Figure 2: Total number of successful fund-raising campaigns organized worldwide:

REGION	WORLDWIDE	NORTH-AMERICA	EUROPE	OTHER REGION
Number of successful fund-raising campaign	1,187,000	532,000	654,000	2,000

(Massolution- Crowd-Funding Industry - Report, 2012)

As the **Figure 2.** shows, the total amount of successful project is higher in Europe than in North America than in Europe although North America has still the largest crowdfunding market with \$1610 million raised in 2012 compared to \$945 million in Europe. Other regions of the world have just begun to enter in the crowdfunding market and remain an early stage industry with \$33 million of Asia, \$76 millions for Oceania.

In their last report, Massolution have estimated a growth in the crowdfunding market at more than 80% between 2011 and 2012. Indeed, the worldwide total funds raised through crowdfunding campaign was \$1,48 billion in 2011 against \$2,67 billion in 2012. Massolution

mentioned another strong increase for the year 2013. (*Massolution- Crowd-Funding Industry - Report, 2012*)

To have a better idea of how the crowdfunding platforms are distributed between the different region of the world we take a look on this figure :

Figure 3 : Few example of the world distribution of crowdfunding platforms :

REGION	AMERICA	EUROPE	ASIA	AFRICA
Number of Crowdfunding plateforms.	242	209	34	4

(*Massolution- Crowd-Funding Industry - Report, 2012*)

There are several differences in the number of platforms between continents. In the American and European continents, the demand for crowdfunding platforms is much higher than in Asia because entrepreneurs are more aware of this new trends and also because of cultural reason.

In an article of 2013 on the website CNN Money, the journalist Kurt Wagner has mentioned few reasons why crowdfunding has not caught yet in Asia. As he mentioned: *"Local culture is another thing. For example, the public perception of failure is different in Asia than it is in the United States, says Shimada, and funding an idea online is risky in that it opens the entrepreneur to criticism and the potential to fail publicly. "Wherever you are in the world, no one wants to be a loser," says Shimada, "but especially in a region like Asia where there's this thing about saving face and a pronounced fear of failure."* (Kurg Wagner, July 8 - 2013)

Also in Asia, there is not yet any high profile crowdfunding platforms that people can rely on and trust to elaborate their ideas of businesses. Most of the people continue to rely on the most well-known ones.

The crowdfunding growth is different among the different types of platforms. Among the four categories we defined previously and since 2007, the Massolution report shows that the reward-based crowdfunding has the highest growth compared to the three other types of crowdfunding with a growth rate of 79% and remain the most important in terms of number of platforms. The other types had a slower pace of growth, lending based was the smallest in terms of number of platforms and donation based have a similar pace of growth. Although the equity-based has the fastest growth with 114% between 2007 and 2011.

The growth in funding volumes was driven first by lending- and donation-based crowdfunding, and by Small and Medium Enterprises adoption of reward-based crowdfunding. The growth in lending volumes mainly stemmed from crowdfunded micro-loans and community-driven loans to local Small and Medium Enterprises:

- **Donation- and Reward-based crowdfunding** grew 85% to \$1.4 billion

- **Lending-based crowdfunding** grew 111% to \$1.2 billion

- **Equity-based crowdfunding** grew 30% to \$116 million

Source : (Massolution- Crowd-Funding Industry - Report, 2012)

c) Global Legal framework in several countries:

Crowdfunding knows a faster development than traditional systems of financing such as bank loan growth, venture capital or charitable funding, even if the amounts usually expected through traditional platforms are much more important. Countries legislation takes roughly into account this new form of financing. The low pace of laws adaptation to the crowdfunding

system make creation of platforms much harder. It is why American and European government try to adapt a legal framework loosening regulation regarding crowdfunding.

The United States have considerably changed the way they approach crowdfunding in a bill Barack Obama government have proposed in 2012. This bill is called "American Job act".⁵ In this document, the White House made 10 principal proposals among which the crowdfunding regulation is one of the main: *"10 - Loosening regulations on small businesses that wish to raise capital, including through crowdfunding, while retaining investor protections."* (The ``American Job Act of 2012" legislative proposal - September 2012)

This proposal framed new types of fundraising including the crowdfunding. It set up to a certain limit and a maximum number of shareholders without having to register with the Securities and Exchange Commission for example.

In US, the law that has been adopted makes it possible to raise capital using crowdfunding process but up on certain conditions:

- Up to \$ 100k CEO vouches accounts, \$ 100k to \$ 500k an accountant must certify the accounts, beyond \$ 500k accounts must be audited and made public.
- Obligation for any fundraise to go through a crowdfunding platform/
- Platforms cannot take investments in any project managed by a crowdfunder.
- If a recommendation is issued by the platform for a project, it must indicate whether it perceives a compensation by the company which raises the fund.
- Maximum of \$ 1 million raised.
- An investor can not invest more than 2 % per annum of its annual income is less than \$40k ; 5% if between \$ 40k and \$ 100k , and 10 % otherwise.
- A period of 3 weeks between the closing of the investment period and the collection of funds by the company allow the "crowd" to detect more easily fraudulent activities.

⁵ <http://www.gpo.gov/fdsys/pkg/CD0C-112hdoc53/pdf/CD0C-112hdoc53.pdf>
(22.04.1014)

This JOBACT is a huge step forward that will release significant opportunities for U.S. small businesses. This law was fully supported by Barack Obama, who has also financed a major part of his campaign through crowdfunding campaigns.

The donation-based site also does not have any particular regulatory issues in US. In contrast, the reward-based platforms have fewer difficulties in particular because there is no money lending, counterparties are generally sending the product presented in the project (e.g : A book, photographs, a sample or a technological product).

In France, entrepreneurs looking for funds of this type fall within the scope of the public offering, and are therefore dependent of the financial institution. Many websites of peer-to-peer lending or consumer lending need to establish banking partners to avoid the official required approval of the administration. In fact, activities related to crowdfunding remain highly regulated, which tends to decrease the pace of the development of this activity.

Therefore, François Hollande announced April 29, 2013 - in the Foundations of entrepreneurship - the establishment by September 2013 of a faster and safer development of crowdfunding in French legal framework to insure to entrepreneurs optimal conditions. (La Tribune, Christine Lejoux, April 30th 2014)

In May 2013, the Financial Markets Authority has written a guide for project managers and entrepreneurs to know the current regulations. A public consultation was opened between September and December 2013 on the future of law regulations concerning the crowdfunding in France . A new proposal has been made in February 2014 to entrepreneurs. This proposal is considered clearer and with less legal restrictions by the ones who wants to raise fund via a crowdfunding campaign.

d) Other concept related:

Considering different approaches of financing a company, there is also a few concepts related to crowdfunding. Among those, we take especially 3 types of financing process which are: Social Payment, Social Money and Social Banking.

These alternatives to crowdfunding processes are often funds and mix together.

1) Social payments:

Social Payments are defined as: *"Small financial donations for existing online content with the aim of contributing to costs of creation."*⁶ This type of payment is often used within groups of people in order to fund a common purpose. It is used often to fund editorial content, online newspapers or even for financing gift.

For example, users of free-of-charge online content, typically blogs, streaming music, podcast and even game, can choose to support creators of the content they use via Social Payment systems.

One of the most relevant examples could be the website Flattr. This website is often compared to an "Internet tip" (Matthew Ingram, Podcast - 2011). Any Flattr user can send money to someone via their *Twitter* name. Every creators of online content can sign up and install a Flattr button on their website. Once their web users are willing to pay a small amount every month by signing up to Flattr, they can click on these buttons to give a little part of their money the creator of content.

We can take another example of the french company "BuyBox" which allows the users to give a specific amount of money that will be collected in parallel with other donators to finance a common gift, cause or prize pool.

⁶ <http://ecommerce-live.net/event/social-payment-la-revolution-du-paiement-a-plusieurs-sur-votre-site-ecommerce-par-buybox/>

Like Social Payment, the crowdfunding principle is based on voluntary financial contributions

2) Social Money:

Social money has been created in complementary to official currencies in order to provide an alternative form of payment. Social money is considered as trading tool, designed and appointed to serve sustainable development projects, projects of social and solidarity economy. (Sandra Moatti - Alternatives Economiques n° 249 - juillet 2006)

The aims of social money are several: Support local economic development in fragile communities, direct purchasing to environmental-friendly business, promote social cohesion.

They are complementary, they are not intended to replace our conventional currencies but to complement them, facilitating trade by combining unmet needs and unused resources, or leading cash flow towards territories, sectors , economic activities that need.

Experts estimate that it exists over the world about 4000 different types of social money. They may look the same but all are different. They are created for and by a community of citizens and / or contractors that defines its objectives, its design, rules and characteristics. (Sandra Moatti - Alternatives Economiques n° 249 - juillet 2006)

3. Social Banking :

Social banking defines social banking as follow: *"An emerging approach to retail banking that makes depositing, lending and the connections between depositors, borrowers and financial institutions transparent. It has its roots in social/consumer trends, including social responsibility and social-network participation, and financial and banking trends, such as financial social networks, microfinance and personal finance management."*

(Gartner, May 2009)

Social banking have found several new applications such as kids account application for money management application, or family account structure with for example a single account with annotated transactions to define who is responsible of the transaction.

As we can see with these three last examples of other concept related to the crowdfunding, several platforms as alternative payment, banking, exchange have been created. The crowd offers much more possibilities to find alternative idea, concept and solution for business purposes.

II) The crowd-funding and how it represent a boost for enterprising initiative?

The enterprising adventure is not an easy task for people who want to create their own business, design their own product or simply being able to put their ideas into real perspective. There are several barriers that make the enterprising initiative a big gap to overcome. Among these barriers, we can evoke legal constraints, conservatism, monetary protectionism, authorities and lobbying of traditional players.

The global financial crisis since 2008 have concerns almost every country and has lowered the pace of company creation in several countries. In result, some sector entrepreneurs are joining forces to try to educate policymakers to new approaches.

It is in this context that the crowdfunding is meant to exist. Indeed, its key point is to find different ways for entrepreneurs to elaborate their business without being obliged to submit their project to financial institutions. The crisis have made loans for little companies pretty difficult to obtain because banks are asking for much more guarantees than before, to be sure that these new established companies will reach their financial expectations. Although, only a minor part of new companies are able to survive years after their creation for several reasons: Miscalculating their market, wrong previsions, weak potential of their product, etc...

By disconnecting usual ways of financing a project, the crowdfunding has several advantages for entrepreneurs.

Whether selling products or services, or even financing a social fund, a crowdfunding campaign organized on the Internet is often considered as a market test size. The project leader speaks directly to the crowd. The creator of the project will quickly be aware if the project meets the expectations of consumers or not. If the platform corresponding to the typology of the proposed project is carefully chosen, a crowdfunding campaign is a good way to achieve a targeted market research in addition to raise fund needed.

1) Statistical approach of the crowdfunding market :

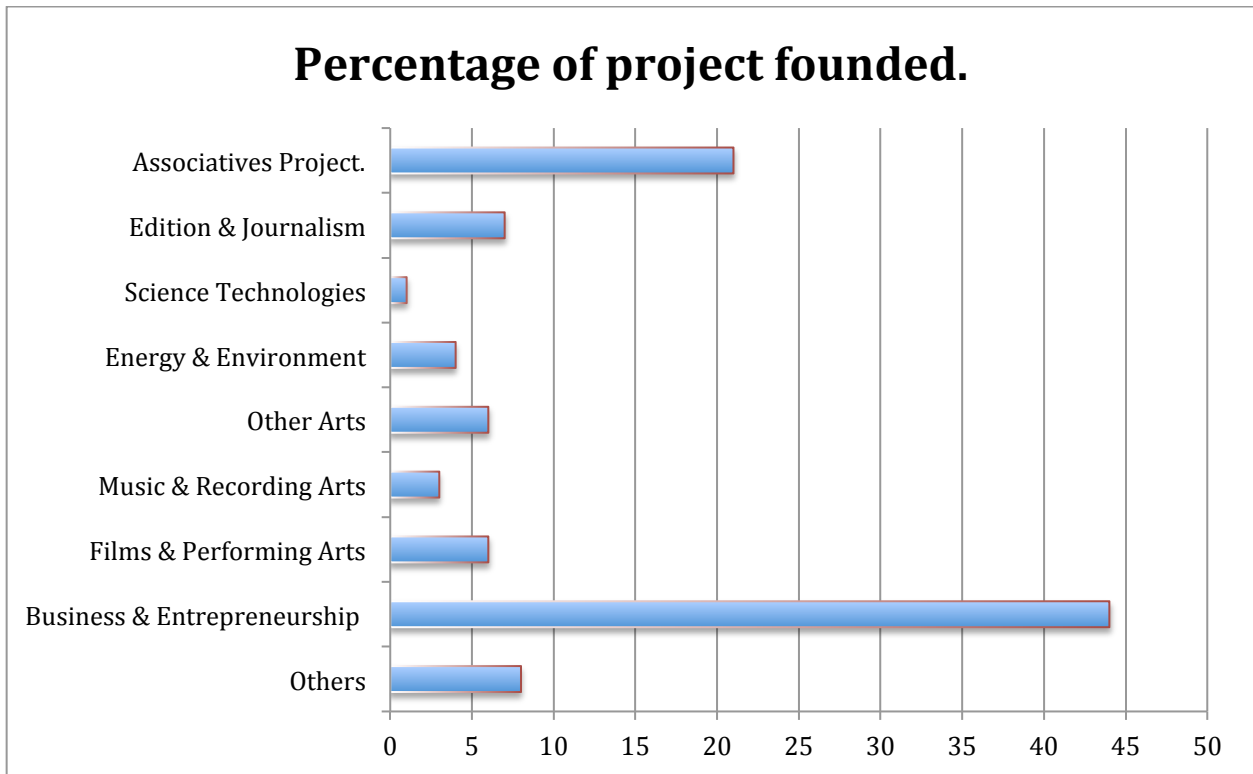
a) Different market concerns by the crowdfunding:

Crowdfunding market is characterized by the fact that it concerns several domains in which entrepreneurs can create their project and submit it to the crowd via different types of platforms. Among the principal categories of project represented in crowdfunding fund raise campaign we evoke social causes, entrepreneurship, art, music and several other type.

Crowdfunding has first obtained its popularity by funding several creative, philanthropic, and social projects. The popularity of crowdfunding for philanthropic cause is still high, but crowdfunding applications for entrepreneurial perspectives have constantly increased years after years.

Driven by models that offer financial return, the 'Business/Entrepreneurship' and 'Energy/Environment' categories are the next highest performing categories.

Figure 3: Most represented categories of crowdfunding project in 2012, regrouping every type of platform:



Source : (*Massolution- Crowd-Funding Industry - Report, 2012*)

As we can see, in 2012 the percentage of crowdfunding related to business and Entrepreneurship was the most used category with almost 45% of project funded. It is a sign of a structural change in the crowdfunding where few years back it was mainly used by musicians and associative projects. However, associative project remains a really important part of the crowdfunding market with more than 20% of all project funded. Among those associative projects, the main part is related to social causes. After those one, edition and journalism are taking the third place with 8% of all projects. Journalism industry is struggling since Internet newspapers have emerged in our daily life. Crowdfunding allows thousands of journalism projects over the world for professional and non-professional journalist.

Arts also have an important place in crowdfunded project with almost with almost 15% if we regroup music, film and other art in the same category. Regarding the movie industry, some crowdfunding project had a really important scope and especially one: Veronica Mars TV show. On March 13th 2013, the writer Rob Thomas have launched on Kickstarter platform, a call to the crowd to gather funds necessary to produce a film based on the series Veronica

Mars. Merely twenty-four hours later after the launch of the campaign, it had received almost 2.5 million dollars in pledges. A record amount, while the campaign was supposed to be open until April 12th.

Finally we can see that science have the least proportion of funded project with 1% of total project. Although, it still is considered as an important field because it allows to pledge research on plenty of domains as medicine, biology, etc... It has also specified platforms like Kickstarters but dedicated to science: experiment.com.

2) Pros and cons of Crowdfunding for entrepreneurs.

a) Pros :

As we already mentioned, crowdfunding is presenting several advantages for entrepreneurs. Up on the type of platforms chosen by the entrepreneurs, advantages and drawbacks might be different. Here we will describe and analyse the pros and cons for the most used platforms among all type: Reward-based crowdfunding. (e.g : Kickstarter)

- Control:

Creators maintain the control on every factor concerning the fund raising campaign: How much an entrepreneurs needs, schedule of fund raise process, delivery of the product, type of reward, marketing strategy and creative approach and finally the interaction with the customer.

This freedom of choice allows the manager of a crowdfunding campaign to have a large scope of action to organize a fund raise. No requirements are provided by the platforms concerning the marketing strategy to adopt, neither for which kind of reward the company is

supposed to give to pledgers. This large scope allows them to be creative and original to perceive a maximum amount of people to pledge their projects.

- Ownership:

The creator of a crowdfunding campaign on an equity-based platform always keeps 100% of its project. There is not possibility for crowdfunding platforms to take stake, or to take part into a project. Platforms are only intermediaries that gather the crowd and communicate about projects brought by creators.

- Pre-evaluation:

A crowdfunding campaign is not only a fund raising process, it also allows for entrepreneurs to test their product on their customers before any official release. It is one of the key points of the success of this model. Indeed, most of the time the reward-based project give to their pledgers reward based on their pre-production (Prototype, first series, beta-test etc...)

First customers can give detailed feedbacks to creators of project because they are usually more involved in their purchase than "classic" customers. Once creators are aware of these feedbacks, they can adapt their production before an official release of a product/service.

Crowdfunding campaign can represent a way for brands to test the validity of their product. Pre-selling is one of the most common way for crowdfunders to raise fund and test the market in the same time to get feedbacks from potential customers.

In addition to the pre-evaluation of the product/service provided by a company, a crowdfunding campaign also represents an important opportunity for a creator/brand to evaluate a marketing strategy on their targeted customers and bring some modification in case.

- Platforms of communication:

Crowdfunding platforms represent a way for companies to raise the awareness of the crowd on their project because several media usually scan these platforms. Once they select the

best projects presented on different platforms they usually report it on their social media, newspapers or website to introduce new concept to their reader. Crowdfunding platforms become more and more an incubator of smart idea where people are getting interested to read about.

Crowdfunding campaign are not only a financing process anymore but its becoming a marketing tool for companies who wants to introduce their product to a public that is more sensitive and open about new idea of business.

- Emotional involvement:

Backers (*people who are pledging crowdfunding project*) are not only simple customers for the crowdfunder. Backers are the first potential customers of a project and have a special position of having an early close relationship with the project.

In order to convince people to pledge a project, the crowd has to be convinced by the project and believe in its future. Its means that pledgers do not only buy products but a idea as a whole. Once they are convinced by a project, they become prescribers of a project and don't hesitate to spread the idea in their social circles. Investors become important prescribers for entrepreneurs and it is why once crowdfunder succeed to reach a maximum of prescribers, it becomes an important stake in a communication strategy.

- Virality :

To allow the crowdfunders to look for investment, they have to set a business plan to detail their needs in setting budgets that can justify their funding request. For almost half of the crowdfunding project submitted to the crowd, the fund raise process does not reach the expected amount. Although, on the other half that succeed to raise the amount needed, some of them goes viral and gather much more than they expected.

Some project had gathered almost 8 times their funding goals. It allows to the creator of the project to upscale their initial project by a grow in feature set, scope and/or ambition with the extra money generated. e.g : Adding some products, services or simply increase the pace of development of their project.

- Equity risk free :

When a company project gather investors and banks to raise fund, they need guarantees that the project will have the best chance to succeed in the long terms to allow them to have the best return on investment possible. Although, if the project fails for any reason, the entrepreneurs could have difficulties afterwards to be convincing toward others same type of investors and formal institution.

The crowdfunding is bypassing this issue because if a project of fundraise fail, the crowd will not take it as a fail but simply like a weak project that need to be improved. These campaigns does not have any negative consequences instead of the loss of time put into a campaign which have fail.

b) Cons :

- Public exposition :

A crowdfuding project is by definition opens to the crowd. Everyone can participate and interact with the creators of a project. It has a main drawback : The concept or the ideas behind a project are out directly in front of the public – and, potentially, competitors can be inspired from ideas seen on crowdfunding platforms and make their own product. Sullivan and Stephen Ma (2012), Galwin (2012) state that entrepreneurs who are seeking to crowdfund their businesses; face the risk of their idea being stolen by bigger investors or larger corporations which have the potential to raise fund easily.

Crowdfunding does not protect a crowdfunder from a "leak" of idea or concept taken by a third party. Although there is no opportunity to operate hidden from the competitors. Competitors may be able to capitalize on public knowledge of any companies or products put on a crowdfunding platform.

- Not efficient for every kind of project :

Crowdfunding is not a way for all kind of company to raise fund easily. Even though there is a constant increasing in the range of project presented to the crowd, some types of companies do not have the same potential to gather fund toward a project than others.

A project needs to interest a sufficient number of people motivated enough to take part in a project by pledging a certain amount of money.

An important part of the process is to evaluate whether crowdfunding will be an efficient way to promote a project and gather fund or if a crowdfunding does not worth the effort to be established. Entrepreneurs need to have a critical look on their project and evaluate the potential size of the audience they can reach by using a crowdfunding campaign and evaluate the potential value of this approach.

- Organization of a crowd-funding campaign takes time:

Every crowdfunder can on his own set a schedule in his campaign to define how long the fund raise will be. It has a main drawback. If an entrepreneur needs a cash inflow pretty quickly in order to establish a new project, crowdfunding is not the good way to go.

Indeed, if an entrepreneur needs a lot cash inflow in a short period of time; to take advantage of a discount deal with a supplier; or requires a rapid infusion of cash for a building project; crowdfunding website might not be the best solution. In these conditions, a cash advance or business loan from a business bank are better options to be considered.

- Already a competitive market:

Even if the crowdfunding has an image of "revolutionary process" for entrepreneurs, it does not mean that success is guaranteed. There were more than 500 different crowdfunding platforms in 2012, on which thousands of projects have been presented to the crowd. On the total of these campaign, around 12% did not receive a single pledge. It is a competitive market place where crowdfunders have to provide the best product/concept possible to gather attention and find pledgers. (*Massolution- Crowd-Funding Industry - Report, 2012*)

Crowdfunding platforms are usually divided into several categories of project (Media entertainment, technology, design etc...) where all campaigns are gathered together. In this perspective, every crowdfunding projects are competing against each other to pull backers into their project. Some concept based on the same product will bring more or less backers on their project considering the quality of their marketing campaign, communication done on the social media.

Figure 4 - SWOT Analysis of the crowdfunding process for entrepreneurs:

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">• Entrepreneurs keep the right to make their own decision regarding the product, campaign and communication.• No loss regarding the capital of the company for reward-based crowdfunding.• Marketability testing.• Bypass the usual circuit of financing.	<ul style="list-style-type: none">• Internet based activity on which we don't have a proper hindsight yet.• Public exposition of a project : Difficulties for an entrepreneur to protect its idea from being stolen by other.• Time efficiency.• Doesn't fit any kind of project.

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Positive impact expected on economy with a facilitation of entrepreneurship process. • Constant opening to new business environment. (Real Estate ⁷ crowdfunding, science, study-crowdfunding etc...) • Constant increasing use of social media, which makes the virality of crowdfunding project better off. 	<ul style="list-style-type: none"> • Legal framework and restrictions mostly unfavourable for equity-based crowdfunding.

As our SWOT analysis shows, crowdfunding is providing several opportunities for entrepreneurs in different perspectives. This financing process is constantly increasing in terms of amount pledged every year, in terms of number of platforms, number of users (Backers and Crowdfunder) and finally in diversity of ideas, concepts, presented to the crowd.

3) Focus on different actors of the crowdfunding :

Kickstarter - Most famous reward-based crowdfunding platform.

Kickstarter is an American company primarily known by his crowdfunding website, created in 2009 and pioneer in the field. Since its launch, Kickstarter has funded a wide range of projects (more than 60,000 in May 2014⁸) in various fields. Projects are classified into 13 different categories (Art, cartoon, design, fashion, films, food, games, music, photography, publishing, technology, theater) and 36 subcategories. The largest by far "films" and "music", which includes more than half of the projects presented on the platform. With the "video games" category, both represent more than half of fundraisers.

⁷ <https://neighbor.ly/>

⁸ <https://www.kickstarter.com/help/stats>

Kickstarter claims no ownership over the projects funded work on the platform. However, projects launched through the site are publically and permanently archived and searchable.

The site does not provide any guarantee that the entrepreneurs who proposed a project on Kickstarter drive the project till the end or use the money for their project. Kickstarter advises pledgers to rely on their own judgment to make their investment choices. A warning on the site specifies that project managers can be held legally responsible for promises made and broken. One case of broken promises happened in 2014 between Oculus and the giant social media Facebook; which bought the company few weeks after the successful fund raising campaign done by Oculus. As a result, some pledgers did not receive their reward after the acquisition by Facebook.⁹

These examples are among the most important projects funded on the platform:

- Pebble (2012), a watch with a touchscreen smartphones contacting : more than 68,000 users for \$ 10.2 million.¹⁰
- Ouya (2012), a console cheap running Android : more than 63,000 users for \$8.5 million.¹¹
- Torment : Tides of Numenera , the video game that has received the most financial support (\$ 4,188,927 by 74,405 users)¹²
- FORM 1 (2012), a professional 3D printer cheap : more than 2000 users for \$ 2.9 million.¹³

Fees : 5% for Kickstarter if the project achieved to meet the pledge goal. None if you don't. Processing and banking fees vary from 3 to 5% via Amazon.

⁹ <http://www.forbes.com/sites/davidprosser/2014/04/02/does-facebooks-deal-for-oculus-spell-trouble-for-kickstarter/> (27.04.2014)

¹⁰ <https://www.kickstarter.com/projects/597507018/pebble-e-paper-watch-for-iphone-and-android> (27.04.2014)

¹¹ <https://www.kickstarter.com/projects/ouya/ouya-a-new-kind-of-video-game-console> (27.04.2014)

¹² <https://www.kickstarter.com/projects/inxile/torment-tides-of-numenera> (27.04.2014)

¹³ <https://www.kickstarter.com/projects/formlabs/form-1-an-affordable-professional-3d-printer> (27.04.2014)

Goals : Founder can keep everything once the pledge goal is reached, although fees still apply. In case the goal is not reached, no fees are asked to the founder of the fund-raise campaign.

IndieGogo - Reward-based crowdfunding platform.

Born in 2008, Indiegogo allows users to raise funds or invest in all types of projects, technological, artistic or charitable initiatives.

Its mode of operation differs from Kickstarter: if a project reaches the target it has set, IndieGoGo fees represent 4% of funds raised. If this goal is not achieved, the costs will be 9% but the remaining money is still donated to the project.

In addition, Indiegogo is more open to international trade: This platform has successfully financed more than 40,000 campaigns and supports projects in over 200 countries since its launch. (*Indiegogo Statistics - 2013*) The site is also more social media friendly than its competitors because it includes several social features: Allowing project managers to communicate their fundraising through email alerts, and social networks interaction via Facebook and Twitter.

Anaxago - Most famous equity-based crowdfunding platform in France.

French first platform equity-based crowdfunding launched in September 2012, Anaxago specialized in SME financing between 0 and 5 millions euros turnover and seeking an amount between 100.000 and 1 million euros. Since its launch in 2012, ANAXAGO has raised more than 2 million euros, gathered more than 11,000 members and funded a dozen companies.

Since its inception two years ago, Accelerator accompanied forty teams of entrepreneurs and directed over thirty fundraising first and second round for a total of € 10 million.

Some companies already have accompanied success stories, as "1001Menus"¹⁴, "FioulReduc"

¹⁴ <http://1001menus.com/fr/>

¹⁵ or "FamiHero."

Wiseed - Innovation and technology oriented equity-based crowdfunding platform.

Wiseed is an investment structure approved by the "*Autorité des marchés financiers*" (French finance authority). The company supports private investors in start-up Identifying potential. WiSeed selects startups with financial analysis and expert system tools.

Applicants to Wiseed tend to become members of the selection committee for startups seeking funding. To benefit from a capital increase, eligible SMEs must be domiciled in the European Union, have less than eight years and offer services or products with an innovative character.

Each month, the community selects 10 innovative startups. After an audit, three of them are enable to raise between 50,000 and €500,000 against 5-20% of their capital. With an investment opportunity from 100 €, WiSEED allows investors to become shareholders of these companies. All investors are pooled in a holding dedicated to funding. Thereafter, the platform monitors the project and helps keep communication between investors and entrepreneurs.

Wiseed has financed the start- up of e-business as "IntuitLab" ¹⁶, "ChacunSonCafe.fr" and "enjoysunglasses.com" which a sunglasses specialized e-merchant.

4) Disconnect the usual circuit of project financing.

"Bootstrap" financing and Crowdfunding :

Bootstrap financing defined a situation in which an entrepreneur starts a company with little amount of capital. "Boot strapping" for an individual is an attempts to found and build a company from personal finances or from the operating revenues of the new company.

¹⁵ <http://www.fioulreduc.com/>

¹⁶ <http://www.ecole-intuit-lab.com/>

Bootstrap finance represents a stable funding resource when a company has stable financial health. Equities of a company include: amounts paid by the partners increased, over time, the annual profits made by the company, which are not distributed as dividends. Undistributed results form the reserves.

Financial borrowings on medium and long term are a source of external financing for the company, in addition to its equity. But its represent a substantial cost for the company where auto-financing, when its possible, require only an important reserve of found.

Crowdfunding make a difference when it's helping entrepreneurs to satisfy their startup needs for financing. Initially, entrepreneurs may be required to spend a lot of time and energy trying to finance their startups without any assurance of success in this particular endeavour. Michael Lutz, an entrepreneur and former CEO of GammaLink.Inc has stated, *“raising money has become a disease. Entrepreneurs are wasting lots of brainpower scheming to raise money”* (Bhide, 1992).

Crowdfunding makes the creation of a company almost without cost, instead of the time spent on a marketing and communication campaign. The only cost that can be asked to the entrepreneurs afterward is the fee asked by the crowdfunding platforms and costs related to the elaboration of a marketing campaign. Even if bootstrap financing or crowdfunding are uncostly methods of financing, it does not guarantee a successful project. Partly because it requires several conditions to fulfil:

- Efficient marketing and communication campaign to insure the success of a project.
- Product or service, which fits client expectations.
- Mostly innovation oriented product / service with a real input.
- Good financial health for companies that use their own resources to finance a project.

III) How digital marketing is connected and influences the Crowd-funding.

1) What are the links between marketing and the crowdfunding how it is used.

a) A change in how crowd-funding is perceived.

At the beginning, crowdfunding was considered more like a new way of financing for little-medium sized projects that had a special potential to bring interest of crowd. Music and cinema industries have early understood the strong potential of the crowdfunding process.

Now, it seems like people and brands see the crowdfunding with a different perspective than before. For the crowd, it still represents a way to help and boost the entrepreneur initiative, a way to being at the heart of innovation. Although for brands, it has become a new - and sometimes necessary- tool.

These new types of funding plan represent an important opportunity for brands to multiply their communication perspective. Indeed, according to the funder of the french platforms Kiss Kiss Bank Bank : *"Brands have a strong interest in entering this crowdfunding bubbling ecosystem where creativity is emphasized. Crowdfunding is an interesting niche market, with a process of "optimism-washing". It makes crowdfunding platforms manufacturer of entrepreneurship stories"*. (Vincent Ricordeau - Avril 2013)

Crowdfunding is becoming a new kind of marketing tool. By submitting an innovating idea on a crowdfunding platform, entrepreneurs are able to test several perspectives of their concept: market research, building a community of influencers. All project-page are organized in order to present the project to the crowd in a way that they can see the evolution of the campaign.

Crowdfunding platforms are also now searching for several partnerships with brands and bank that could support some particular projects. In Kiss Kiss Bank Bank, there is few mentors, such MK2 company (Cinema) the Capa agency (Press) and La Banque Postale. (French public

bank) For two years, each partner were supposed to choose one or two projects in which they were interested in providing additional funding in parallel to the crowd. The key point for partnership companies is to get a positive return on their image and make them "entrepreneurs-makers".

b) Marketing in the role of emphasizing desire in a crowd-funding campaign:

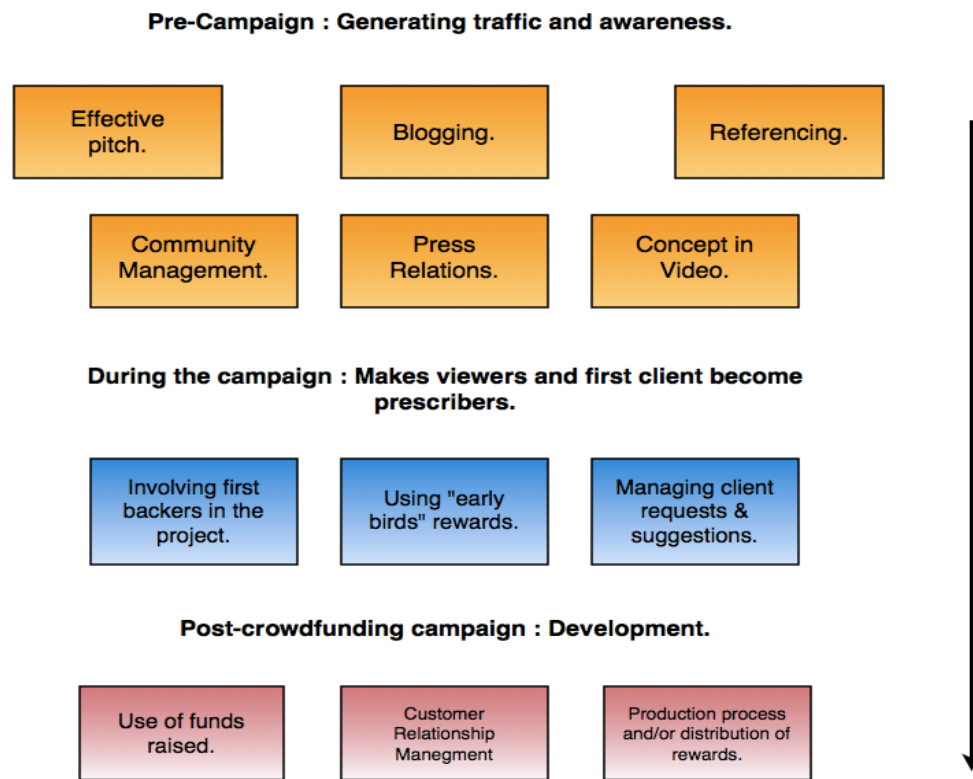
Passing from an economy of scarcity where the support was at the center of trade to the economy of abundance, where everything is meant to be own, it is this value that makes you want to buy.

A crowdfunding project of a product, service needs to create the biggest enthusiasm possible in order to satisfy the needs of a project. Like in any other marketing campaign, the aim for an entrepreneur is to bring the interest of a maximum number of people. Although, on a crowdfunding campaign, convincing people to pledge is not an easy for a simple reason:

Crowdfunding projects imply that pledgers are not able to acquire the product immediately.

It is why it is essential for the crowdfunder to establish an efficient marketing campaign based on the notion of a strong desire from customer. This level of desire will influence the amount of pledge given to the project and the number of backers, therefore will drive our desire to possess/acquire the goods. It is also a reason why crowdfunding is more effective with innovation driven product and service than "usual" product already established on a market.

Figure 5 : 3 main steps in a crowd-funding campaign.



(Source : Own material created after research)

This figure shows step by step, how funders are supposed to manage the organization the 3 main step constituting a crowdfunding campaign. Here the pre-campaign stage will be a real determinant of the efficiency of the marketing approach, because it will gather all mains tools necessary to elaborate a marketing strategy and define an axis of communication to reach future pledgers.

Typically, on a project page, a countdown shows in real time the amount raised, the remaining time, the number of contributors and a whole space that introduce the projects. This space dedicated to the presentation of the project to the crowd is one of the most important elements for an entrepreneur. The better a project looks like on their campaign page, the higher the chances are to reach the financial goal set. As an example, a video introducing and explaining the whole concept of the product concerns by the campaign might increase of 114%

the chance of having a successfully funded campaign. (Greg Kumparak, 2014) Videos are much more appreciated by the crowd for several reasons:

- It allows watching a concept directly in application, in parallel of detailed explanation.
- The crowd can "personify" the project because videos are often presented directly by funders.
- Concept videos realized by professional video makers can makes an attractive way to shows a concept that could enhance a campaign much more than a detailed text introducing the project.

c) Using "Content Marketing" approach in a crowdfunding project.

Content Marketing means creating and sharing valuable free content to attract and convert prospects into customers, and customers into repeat buyers. The type of content you share is closely related to what you sell; in other words, you are educating people so that they know, like, and trust you enough to do business with you. (Salvador Briggman 2014)

The content marketing is meant to create and distribute qualitative and quantitative content, information to current and potential customers of a company. The idea behind the content marketing by offering valuable information is to promote decision making among potential readers, increase the credibility and expertise of the authors, and finally develop brand loyalty.

It is the opposite of an intrusive marketing. Instead of offering your products and services, you deliver information that makes your "valuable to follow" or more knowledgeable in your field consumers. In a way, content marketing educate a targeted group and make them desire what the company is offering.

Creating quality content is not only about sharing any kind of information to the public,

it's more about relaying information trends, and being prescriber of information. In short, create quality content that will bring the crowd to read, discover qualitative information and finally bring people interested in a project. As an example of what we can consider as content marketing we can list : blog posts, papers, infographics, stories, slideshows, how-to's, and case studies shared by companies, brands and non-profits organization.

This type of approach for crowdfunding perspective uses content marketing techniques to drive attention and donations from the crowd to the fundraising site of the campaign. Content marketing is any marketing strategy that uses the creation or sharing of content-based media to attract its target audience.

Marketers are giving people content that piques their interests and fulfill their curiosity. Once the crowd find an interest in the content, people will keep coming back to check if there is there any more qualitative information. This creates loyalty of the crowd, forms a community among existing supporters, and attracts new people on a crowdfunding campaign. Done purposefully, content marketing can represent a useful technique to improve the online visibility of a project.

This approach of content marketing is important for a crowdfunding campaign in several perspectives (Meredith Janke, 2013):

- **Communication on social networks:** A good strategy of content strategy will facilitate the spread of a crowdfunding campaign. Indeed, if people feel what they see from a project are relevant, and make them closer to the project, they will be more disposed to share information.

Having an efficient social media campaign implies to be really active on social media platforms by posting news from the project, videos, articles, updates and other quality content that will involve the crowd into the project. Moreover, a crowdfunding campaign needs to be active on a maximum amount of platforms like Facebook, Twitter, Instagram, Pinterest, Linkedin, to diversify and enlarge a maximum the visibility of a project.

As an example to set the huge impact that a social media can have on a crowdfunding campaign is Facebook. Usually, crowdfunding platforms allows creators of a project to link a Facebook account to the project which most the time correspond to the account of the creator or eventually of a community manager. A study has shown that the most powerful of indicators on Facebook are: How many Facebook friends a project creators have. It shows that the potential of the online social network is one of the efficient indicators of a success rate. (E.Mollick, 2014)

Prof. Mollick shown that for every order of magnitude increase in Facebook friends: from 10 to 100 and from 100 to 1,000, the chance of a project succeeding increases drastically. It does respectively from 9% to 20%, and reach more than 40% if a founder has more than 1000 Facebook freinds. (E.Mollick, 2014)

- **Search Engine Optimization:** Search engines reward companies that publish quality content consistently. Being able to reach a higher amount of people by putting a crowdfunding campaign in the first pages of search engine is an important element to work on.
- **Public Relation:** PR allows creators of a crowdfunding campaign to communicate to an important target that will spread the words of the campaign: Journalist, bloggers and companies that could be interested in the project. PR is also a part of the quality content provided to the crowd, but it's meant to full-fill expectations on different perspectives less linked to a customer approach.
- **Inbound Marketing:** The quality of the content chosen to communicate with, will determine the generated traffic and leads. To communicate all means are efficient, but some are more than the other, especially the video. For example, in a crowdfunding campaign, a project page that a video to explain and introduce the concept will rise up more funds than others.

- **Cost Per Click:** Campaigns usually only reach their goals if there is quality content behind insuring a consistent inflows of people. Usually, between 1 and 5% of the total flow of people seeing a campaign page will donate or pledge a project. (Rich Cottle, 2014) Using tools like Google Ad words will allow the crowdfunders to communicate to the right target they set.
- **Web Analytics:** Analyzing data regarding the inflow of people in a campaign page will allows the funders to understand where the crowd have heard about the project. It facilitates the communication strategy by choosing efficiently the best platforms to communicate about a campaign.

2) What are the key success factor of a crowdfunding funds raise and an example of a successful campaign.

a) 4 different key sucess of a crowdfunding campaign:

1. Project leader and social circles: Funders have a real interest to be involved directly in a campaign.

Crowdfunding platforms users and investors are interested in a project for itself and for what it can bring to them in terms of dividend or reward, but also to create a relation with the creators. Indeed, they want to be involved in a project, and see it reaching to its goals. In this perspective, project leaders must share how they are personally involved in their creation and shows their enthusiasm regarding the success of their concept.

Raising fund is mainly a matter of trust. Being project leader implies to involve people surrounding a project and inspire confidence to new visitors to convince them to become a substantial support. Regarding this approach, we can see that in reality, crowdfunders have to convince three social "circles" (C. Daniel Baker, 2013) that can help spreading the word through different network and allows reaching financial goal set at the first step of the

campaign.

- **First social circle:**

A project leader will always start involving his first social circle into his project because it is the easiest people to reach. First circle are taking into account relatives, friends, family, fans, direct network that regroup people who have directly heard of the project and support it very quickly to show their interest in helping the creator to implement his idea. This phase is considered very important mainly for small-medium project, which represents a majority in reward-based crowdfunding.

This first circle will start the essential "snowball" process of the word of mouth that may bring success in a crowdfunding campaign. (C. Daniel Baker, 2013)^s Among this social circle, sharing campaign activity on social networks is intense and the funds raised high.

- **Second social circle:**

After the first social circle has been aware of the campaign, a second circle social will be interested after having heard from the first circle. Literally, second circle are represented by friends of crowdfunder's friends, relative etc... It means that these people, are less interested in the project than the first circle because they are not directly implicated. As consequences, the amount of donation, pledge, given by this circle is less important than in the first one. The "early birds" (most fervent supporters of the project) have already contributed when these 2nd and 3rd circles of potential will potentially pledge the project after being sure that they will find a real interest in the reward. Although second social circle may be more disposed to pledge a project than the last third circle because they feel indirectly related to the project.

- **Third social circle:**

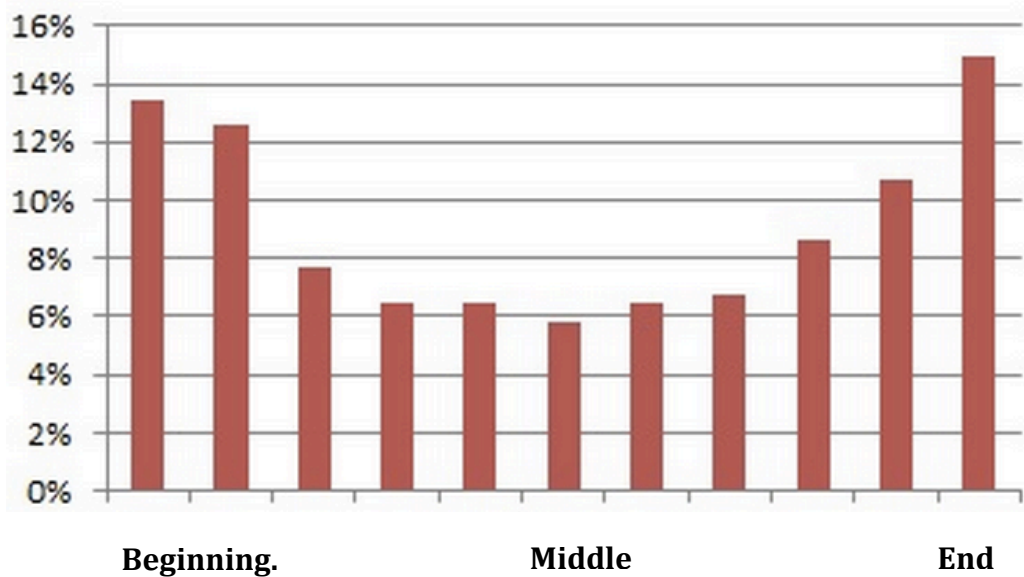
The third circle is considered as the last one and consists of people that are not related to the creators of the project. It's on this circle especially that a marketing campaign is meant to be the most efficient in order convince them to pledge a project. As the figure below, a dramatic raise in funds raised happens usually within the last 4 days of a campaign and can rise up to 20 % of total fund needed.

2. Setting the right length in the fund-raise process to be efficient.

Choosing the right length of a crowdfunding campaign is an important strategy regarding how the pledged will be distributed all along the campaign. Considering a quite long campaign and think that it will let more time for pledgers to donate is a mistake. Statistical research has shown the optimal length for a crowd funding campaign is around 30-40 days upon the type of project going though the crowdfunding platforms and the amount need.

Crowdfunding platforms are usually giving advices for novice funder and suggest a length of average 30 days, which is statically the most efficient in terms of length relatively to potential of success. Having a too long length will increase a potential lose interest from the crowd. Crowdfunding supposed an high intensity in terms of communication, marketing, and an efficient management of backer flows. As the figure below shows, a majority of campaigns have a flat line in the middle period, and a pea at the start and in the last 48-72 hours.

Figure 6 : Timeline of average proportion of funds raised during a campaign.



(Source : The crowdfunding platform "Ulule" have done a study on 212,875 contributions made on 5085 projects posted during the first 3 years of Ulule activity.)

As we can see in the chart above, the repartition of pledge on the timeline make a "U" shape where most of the pledgers give on the first 20% and the last 20% of the campaign. It appears clearly that the middle step is a low activity stage where the crowd can feel that they don't need to pledge immediately.

It's important to build at the beginning a fan base that is generating a sense of interest. It will ensure a relatively good traffic in the middle stage if the first step have been managed with efficiency. During the middle stage, it's necessary to have a strong material to communicate on to avoid a loss of interest and bring a maximum of people to follow the last last. This final stage is maybe the most important, a close deadline will enhance the desire to donate because people will have tendency to think like this "pledge before its too late". If a campaign is too long it will never creates this feeling of urgency, and the crowd would feel no pressure to pledge before the campaign runs out.

3. Showing to the crowd a well-planned strategy of execution:

A crowdfunding campaign is seeking for a maximum amount of pledge. Although, it is always positive for crowdfunders once a project reach its goal to go further and get more than what was expected. In order to do this, the project has to show in the clearest way the financing plan of the project. Planned budget has to be created in order to separate accurately how fund collected will be used if the fund-raise reach the expected goal.

For example, in the financial details, a chart can shows the portion of funds that will be used for production of the good/service, a portion for communication post-campaign, and other step that allows the crowd to see how funders will use the funds collected. The crowd is not always looking carefully these financials information considering the fact that in reward based campaign, no dividend are given to the backer, although its really important to have a precise and details communication about this plan to prove the quality of a project.

4. An efficient pitch that will make a crowdfunding campaign unique:

The campaign pitch is the first point of contact with potential backers, it may be seen has the window of a campaign, where people get all necessary information and will make their first "tendency" to pledge or not the campaign. An effective pitch requires exhaustive preparation and execution. It requires a precise choice of word, explanation and style. A pre-campaign feedback is necessary to evaluate the potential of the pitch and be sure that is sufficiently catchy to attract the crowd and make them prescribers of the concept. An efficient concept introduction can require multiplying tools offers to crowdfunders to make the best pitch. Video, info-graphic information, graph and other ways of communication can be a good way to get a better pitch. Moreover, crowdfunding campaign needs to put in front of the public their differences, in this way a pitch can be driven more by emotion than rational allocation.

b) Example of a successful crowdfunding campaign : Pebble Watch.

As an example of a successfully funded campaign, we will go through the Pebble

Watch¹⁷ case because it has several interesting characteristics. Firstly because its funder had issues financing its project only with business angels and have been obliged to go on a crowdfunding platform to bypass this first obstacle. Secondly because the product was well marketed, innovation driven and is still the record of the most pledged project. And finally because despite of the success of this project, its well-planned campaign, and the fact that the funder has gathered more than what he expected, this project have also faced important difficulties.

Principle:

Eric Migicovsky had the idea of the Pebble Watch while he was still a student at the University of Waterloo. After graduating in 2009, he and a team developed their first idea of the smart watch called InPulse , which was only compatible with BlackBerry. Eric and his team “have been designing smart-watches for 3 years. Its first project has been presented by several media as Engadget, The Verge, Gizmodo, NYTimes. After a brief stay in the company incubator Y-Combinator, his young company has transformed with the help of few angel investment funds in a new company called: Pebble Technology. Its new name, has dedicated its efforts to create a Kickstarter campaign for the new Pebble Watch, which has become compatible with iPhone and Android devices via Bluetooth technology, and has moved the company to Palo Alto. (California - USA)

This smart-watch connects to a smartphone and the CEO Eric Migicovsky has explained the principle of its product as follow: “The idea is that instead of having to constantly pull out your smartphone, you can just glance down and see the key portion of the message right there described the idea. If you want to ignore the call, you simply shake your wrist. If it's someone you can brush off, you can just cancel it right there.”

The success and failures of Pebble watch:

¹⁷ <https://www.kickstarter.com/projects/597507018/pebble-e-paper-watch-for-iphone-and-android>

Pebble CEO's has opted for crowdfunding after his attempts to attract major investors failed. Although he managed to raise \$ 375,000 from business angels, it has not managed to raise more money or to boost capital investment risk. Eric attributed his difficulty to obtain financing to lower sales volumes for its previous concept InPulse, in addition to the fact that gathering investment in hardware is usually difficult to obtain. Confronted to the impossibility of financing his project by convincing several business angels, Eric have chosen the Crowdfunding platform Kickstarter to raise fund he needed to develop his smart-watch and exposed its product to the crowd.

From the first day of his campaign crowdfunding until the day it has ended (May 19, 2012) it was obvious that the Pebble Watch would have beaten any previous records on the platform. Indeed, in the first 28 hours of the Kickstarter campaign, Pebble Technology had collected more than \$1 million, after less than a week, the amount exceeded the previous record of Kickstarter 3.3 million, and within two weeks it had reached \$8 million. Finally, two weeks before the scheduled end of the campaign, Pebble Technology has decided to terminate the loan early, having raised just over \$10 million in funds to focus on the manufacture of watches.

The Kickstarter campaign Pebble Watch has adopted a lending model consisting essentially of presales. However, the company also offered a contribution level for any contributor wishing to support the project, but do not want to buy the product.

Pebble had managed to gather in their campaign the most important key success necessary to lead a good campaign in several perspectives. On a product perspective, the Pebble watch was a perfect product for a crowdfunding because it was an affordable, open-source in order to develop applications, universal, and innovation driven product. Considering these few characteristics, Pebble had gathered a high viral potential of a product able to seduce everyone that was interested in new technology product. The positioning approach of the Pebble watch was mostly High-tech seekers and innovative users who like stylish and design product and already use Iphone or Android phones. Also, the concept was not only for

technology seekers but also for people who like sports like running, cycling in which monitoring performance can be a good incentive.

Migicovsky had previous experiences with several projects he backed before on Kickstarter, and thought it might be the most effective way of raising money. He knew that one of the best way to gather attention from the crowd was being able to introduce its product with an efficient video demonstration. He was inspired by people like Adam Lisagor¹⁸, who directed influential videos for Flipboard, Jawbone and Square and other technology start-up, inspired him. He then borrowed a camera and have recorded a short video of 3 minutes with his team and embedded it on a Kickstarter page. This campaign video was presenting Pebble watch in a way to put the product in daily situation, explaining how the watch works with simple words in order to make the campaign understandable by a wider range of people internationally.

After have recorded the video, they have decided to put their goal to \$100,000 - which was the amount necessary to cover the first production run - and give an exclusive on the story to popular gadget blog Engadget and several other technology-oriented newspapers.

Managing a good repartition of reward is an important point for crowdfunder in order to: Fit the budget of different types of backers; insuring a quick raised with the Early Birds rewards; And collect a maximum amount of funds. Pebble's team has established their reward like the figure below.

Figure 7 - The repartition of the rewards offered by Pebble company among the pledgers:

¹⁸ <https://www.youtube.com/watch?v=v2vpvEDS00o>

Amount of the pledge.	Types of reward.	Number of pledgers.
1\$	Exclusive updates.	2615
\$99 or more.	Early Bird: 200 watches available.	200
\$115 or more.	One Black Pebble.	40804
\$125 or more.	One Color Pebble.	14350
\$220 or more.	Two Black Pebbles.	3800
\$235 or more.	Prototype Pebble for early app development + one Color Pebble.	100
\$240 or more.	Two Color Pebbles.	4925
\$550 or more.	Five Color Pebbles.	900
\$1000 or more.	Ten Color Pebbles.	482
\$1,250 or more.	Custom watchface + five Color Pebbles.	20
\$10,000 or more.	Mega distributor pack with 100 pebble watches.	31

(Source : Kickstarter campaign <https://www.kickstarter.com/projects/597507018/pebble-e-paper-watch-for-iphone-and-android>)

In order to support a maximum the community of backers, Pebble had to establish pro-active accounts on several social media and actively engage the consumer in the Kickstarter comment section to answer to every request sent by the crowd. Moreover, they have created a blog section where the team posted more than 50 posts to make the page the most active possible in addition to their activity on Facebook, Twitter and Reddit.

Unfortunately, with 85,000 sold in less than 50 days, Pebble had only the ability to make about 15,000 units a week. Shipping was first expected to begin September 2012, but finally was expected to begin shipping units on January 23, 2013. This limitation in the production capacity allowed all initial orders in about eight weeks, but Pebble was not able to insure the delivery of all the orders in the right time. Some of people have received their watch one year after their purchase. This was one of the main weakness of the whole project, the fact that the funder have been completely overflowed by the quantity of backers that was way too high for the first expected production capacity initially established.

The history of Pebble Watch demonstrates the potential behind crowdfunding to support and carry out a project that perhaps would not have otherwise been able to access funding or more traditional sources of financing. Not only Migicovsky has he been able to demonstrate that the watch was a good idea , but he was able to instantly create a market for the product with a large number of guaranteed sales.

This case also demonstrates the power of the pre-sale model crowdfunding. It allows the backers to get a good at better prices even if they have to wait until the final production than can occurs few months after a crowdfunding campaign. In this case, one of the main key success of the campaign Pebble Watch was the initial investment Migicovsky in creating promotional materials of high quality, as the promotional video shown on the Kickstarter campaign page, and other 3D modeling of the watch that allows the funder to provide a substantial qualitative content to the crowd.

IV) Reasearch on the crowdfunding.

1) Methodology:

The literature on crowdfunding, is still quite limited. Therefore, considering the author's aim is to contribute to this area. So the main objective of this thesis chapter is to bring some suggestions in marketing perspective by seeing how the crowd behaves in a crowdfunding campaign, and gives to entrepreneurs, if they would, consider using crowdfunding. This chapter presents the path from the elaboration of tthe research questions, all the way through the research until presenting its results. The information will be extracted from secondary sources as far as findings will come directly from data collected in this questionnaire.

Thus, in order to go deeper in the subject, we study the typical behavior and the expectation of the crowd, among which there some people are ready familiar with the concept of Crowdfunding as far as this concept, is getting more and more visibility in the media. For

this questionnaire, I questioned different network where most people were in my social network. They were usually familiar with this kind of concept because it concerns mostly young people (Between 18 and 30) coming from several European countries and are mostly students in university in Business or Technical fields. Furthermore, in order to emphasize the sample size and avoid my social circle, I managed to gather several Facebook groups that regroup people linked to the entrepreneurial and crowdfunding sector. Mixing these two networks were for me, a representative sample of people interested in establishing a business or motivated by entrepreneurial initiative, or simply curious to see new innovative products established by young entrepreneurs.

The objective of this questionnaire was to stress out how the crowd reacts regarding several marketing and communication approaches that could be done by a crowdfunder, a fund raise campaign. In order to study this, the questionnaire has been organized in several questions as followed:

- Gender
- Age
- Are you familiar with the concept of crowdfunding?
- Have you ever pledged a crowdfunding project?
- Among these crowdfunding platforms, which one do you know?
- If you have ever pledged, on which of these platforms? (Can be several)
- What would be for you, the maximum pledge that you would give for a crowdfunding campaign?
- You are most likely to pledge a project if.
- Regarding a Crowdfunding Campaign, what would be for you the most important social-media to communicate with?
- For you, what is the most important in a crowdfunding campaign page?
- On which kind of media did you usually hear about crowdfunding campaign?

After several researches, these questions seemed to me relevant in order to see how the crowd

react on how a campaign is organized, on which element are the most important to emphasized the decision of backing a project or not.

2) Results:

As sample, I managed to gather 46 different questionnaires full-filled entirely. We can noticed that among the sample of people, they were 52% of female and 48% male have answered, a perfect ratio that allow us to think that no answer will be influence by a disequilibrium in the sample. Among the 46 people, a large majority of them were already familiar with the concept of crowdfunding with a ratio of 87%, which prove that this concept have been widely seen in several media and especially on the Internet since several years.

Although, even if the concept of crowdfunding is known by a majority of people, a higher ratio of people has never pledged a campaign on the Internet. Indeed, they were 56% to answer no to the question did you ever pledged a crowdfunding project.

Even though if there is still a major part of the people that never pledged a project. One person out of two is a pretty high ratio in the sample asked, considering the fact crowdfunding is a pretty new concept, it seems like people are more and more willing to pledge that they like. Furthermore, it seems like this ratio is increasing everywhere in the world with multiple attempt of laws simplification regarding crowdfunding. It has been the case in 2012 with the Job act in USA (Initiated by the Obama government) and in 2014 in France for example with a new simplified law proposal regarding crowdfunding made by the ministry of the numeric economy Fleur Pellerin.

Regarding the type of platforms mostly used by the sample of people asked, we can easily see that the reward-based crowdfunding is mostly used. Kickstarter, the most well-known platform is known by almost 85% of the sample, as well as Ulule and Indigogo are known by half of the people asked in this questionnaire. These 3 platforms are reward-based website and gathered most of the vote, when equity based platforms seems to be less known considering the fact that it's a bit more specialized than the others. Equity-based crowdfunding needs a certain

amount of fund to afford a ticket of entry in the company board for example. Usually, there is minimum sum to be allowed to invest in a project. (Between 2000€ and 10.000€, depending on the website) In the same way, among all people constituting the sample who already had experience in pledging a project, most of them had already pledged on reward-based platforms and especially Kickstarter, Kisskissbankbank and Ulule. Although, a minority of five persons have invested in equity-based platforms. (Wiseed, Fundme)

The amount of money invest in a crowdfunding campaign seems to be an important factor that determines the willingness of the crowd to pledge a project or not as we can see with the gap between people using reward-based crowdfunding compared to equity based. In the question, an important majority of people, approximately 80%, is willing to give between 1€ and 100€ for a project. Only 20% are willing to give more, between 100€ and 1000€. It is pretty clear that the crowd does not want to take a "risk" by investing an important amount of money in a project in which they are not sure about the finale outcome. This factor can influence in an important the way in which crowdfunder have to manage their reward.

In order to establish a rank between what is important, what matters to the crowd regarding their willingness to pledge a project or not. In the question n°8, several factors were supposed to be ranked by the sample, in terms of importance on their decision to pledge. As results, we can see few trends that appear more or less clearly. Firstly, people seem to be sensible to innovation driven project, which is one of the main sector in the crowdfunding industry now. People seem to do the link between product with a potential innovation, and this way of financing. Although, they do not perceive it directly as a way of earning dividends. Indeed, on the fact "Do you expect a financial reward" and "It's a new perspective of investment for you", most of the people answer that is was moderately important for them.

What seems to be important as well for increasing the people willingness to pledge a crowdfunding is to be able to be involve in a project and having contact with the funders. Crowdfunding allows backers to feel closer to entrepreneurs because they are involved directly in the process of creation. Backers can send request, chat with the funders on Facebook, have exclusive information about the progress a project, and they can see how funders are putting

effort in their project. By feeling this, they not only pledge for a simple product, but for the whole experience to be in the "backstage" of a project.

Finally we can see that having heard of a project on the social is even more important for the crowd than if they would have heard of it from their relatives. It could mean that a campaign which has gone viral will be considered by the crowd an important fact in their decision making process.

The type of media on which crowdfunders have to communicate is mostly Internet based media. 70% of the sample usually heard about a campaign on the social media, or on Internet with blogs, news, and other websites. Newspapers, Radio and TV are not communicating at all about crowdfunding project. For example, only 8% of the people heard about a campaign on the TV and 17% in the newspapers. Internet and social media are the most important platforms to communicate about a project, but more precisely, regarding what is the most important social media to communicate about a campaign, we can see that : Facebook appears clearly to be the most important one with 91% and Twitter in second position with 43%. Other social media like Instagram, LinkedIn and Pinterest did not seem to matter for communicating about a project.

For the last question, the aim was to define what was the most important element for the crowd on a crowdfunding campaign page. Regarding this, the two most important elements to consider for a crowdfunder is to have a maximum overall clarity on the pitch describing the project and having substantial content like photography, video and others. In second position in terms of importance, a close communication between funders and the crowd is important once again, as well as the originality of the communication campaign.

3) Perspectives for crowdfunders :

As perspectives for crowdfunders, this questionnaire is revealing few important facts to consider for entrepreneurs who want to realize a project and gather funds by a crowdfunding campaign. It appears pretty clearly that crowdfunders, have to organize

their campaign in a way that fit the expectation of the crowd, notably by providing a substantial content into the campaign by putting an efficient material like videos, photos etc ... These are much more appreciated than several long paragraph of explanation, even it is necessary as well if people wants to go deeper in the details of the project. Crowdfunders should then realize original content that will enhance the traffic on their pages and allow their campaign to goes viral.

Furthermore, it's really important for crowdfunders to communicate directly with the people who invest in their project to still feel this proximity between backers and entrepreneurs. Its one of the main attribute of the campaign page, being able to communicate with the funders, so its important to use this proximity tool to make feel the crowd close.

Moreover, we can see that Facebook, Twitter, and Linkedin are still the most important social media to communicate about a project, to provides updates, news or others fact about a project. People associate these crowdfunding campaign and these social media because they usually heard of it on these platforms instead of reading them in the newspapers, hearing of a campaign on the radio etc... TV, Radio and Newspapers could be considered as "old media" regarding the crowdfunding industry. They are often the last media where we can hear about project done in crowdfunding. It can be explained by the fact that these media does not provide the right content in the right way to catch the attention of the crowd. Also, crowdfunders have much more amplitude in their choice of communication with internet than if they were constraint to communicate on Radio, TV and Newspappers. Indeed, for example an original video can goes viral on the internet and be shared by an important amount of people that think a project deserve to be shared because its interesting, new or original.

Finally, as far as the type of crowdfunding that is the most used is the reward based platforms, crowdfunders must have a good strategy in their choices of reward because the crowd is willing usually to spent an amount inferior to 100€ in average in a

project. It could be more, or less up on the project, but if we take this amount in average, we can imagine that at least one third of the reward have to be lower than 100€ to allow people to give pledge without thinking that it is too expensive. The aim for crowdfunders is too gather every single euro necessary to their campaign, as we usually say, there is no "tiny" donation, only donation.

Conclusion:

This study goal was to know if crowdfunding was only a process of bypassing financial institutions, which makes the entrepreneurial initiatives easier, or if it was more like a complex tool of emphasizing their marketing approach. In regard to the reward-based crowdfunding, which is the most used type of platforms among all, it seems that bypassing the financial institution is not anymore the only incentive.

In the last couple of years, crowdfunding platforms have proven to be a viable alternative for innovators to raise funds from the crowd on a large variety of branches that can concern film, publishing, video games, arts, technology and more. The idea of bypassing traditional money sources and putting the funding in the hands of the crowd, while keeping control over the project, it represents a real shift regarding the way of creating new companies.

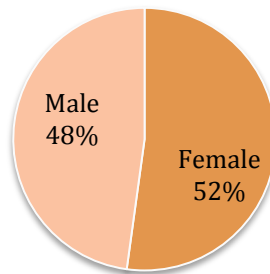
The aim of this study was also to contribute towards the understanding of this new way of raising capital online, and state principal key success factors that could influence crowdfunders to establish an efficient fund raising campaign. On the marketing perspective, we can see that in addition to be a financial tool, it allows funders to make a complete process of market research, communication and even establish a direct contact with customers which therefore could disrupt the gap between funders and clients on the internet. It appears then, that the crowdfunding has become way more than what it was aimed at the beginning by providing a complete new range of marketing and communication that work in perfect correlation with social media.

Finally, the research done on a sample of 46 people has shown interesting results in terms of how the crowd reacts regarding what is the most important for them in a crowdfunding campaign, on which kind of media they like to hear about a project, and have a precise idea of the crowd behaviors.

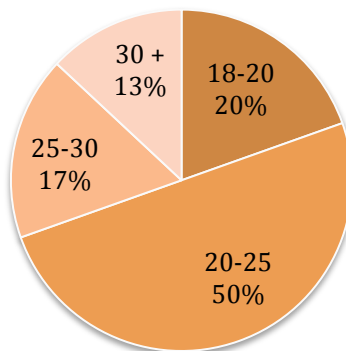
Appendices :

Appendix N°1 - Questionnaire Results :

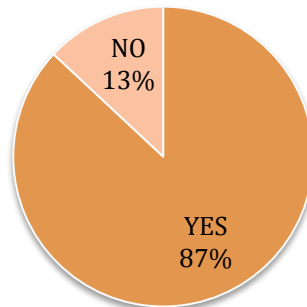
Question N°1 : Gender of the sample ?



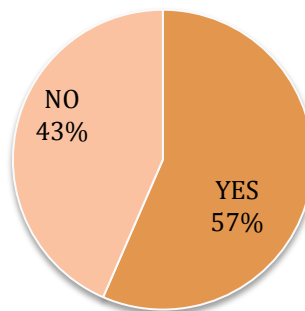
Question N°2 : Age of the sample ?



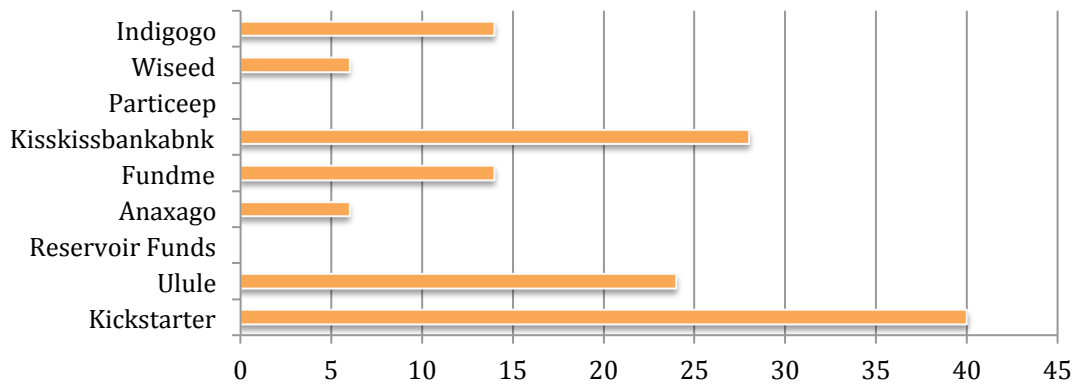
Question N°3 : Are you familiar with the concept of crowdfunding?



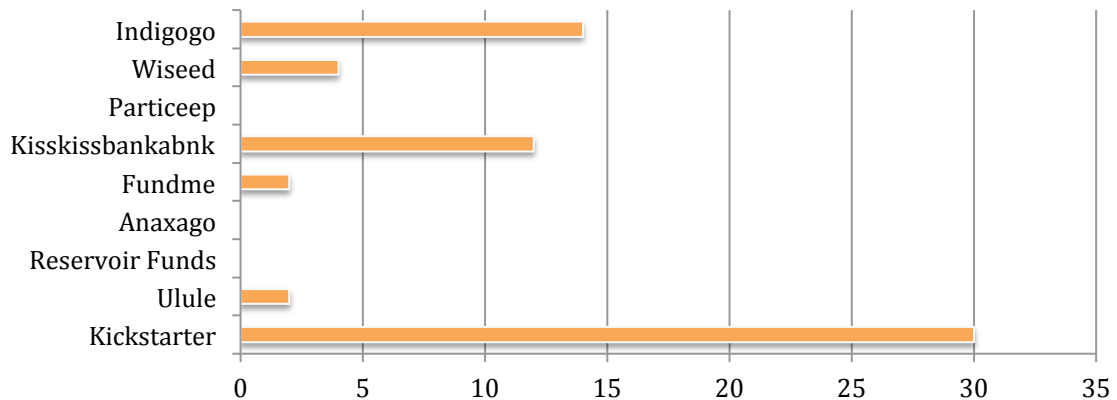
Question N°4 : Have you hever pledged a crowdfunding project ?

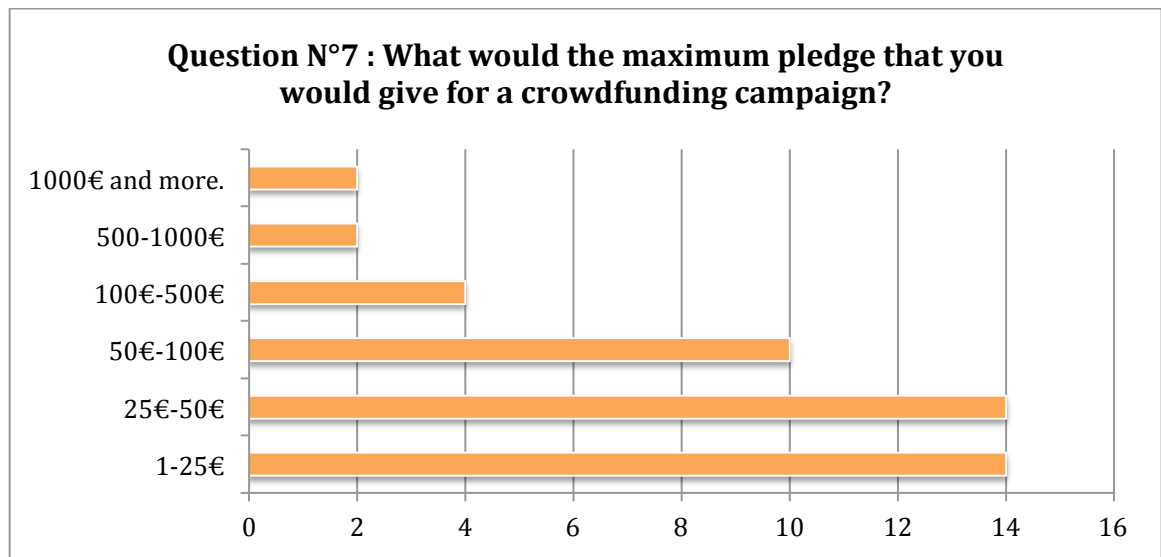


Question N°5 : Among these crowdfunding platforms, which one do you know?

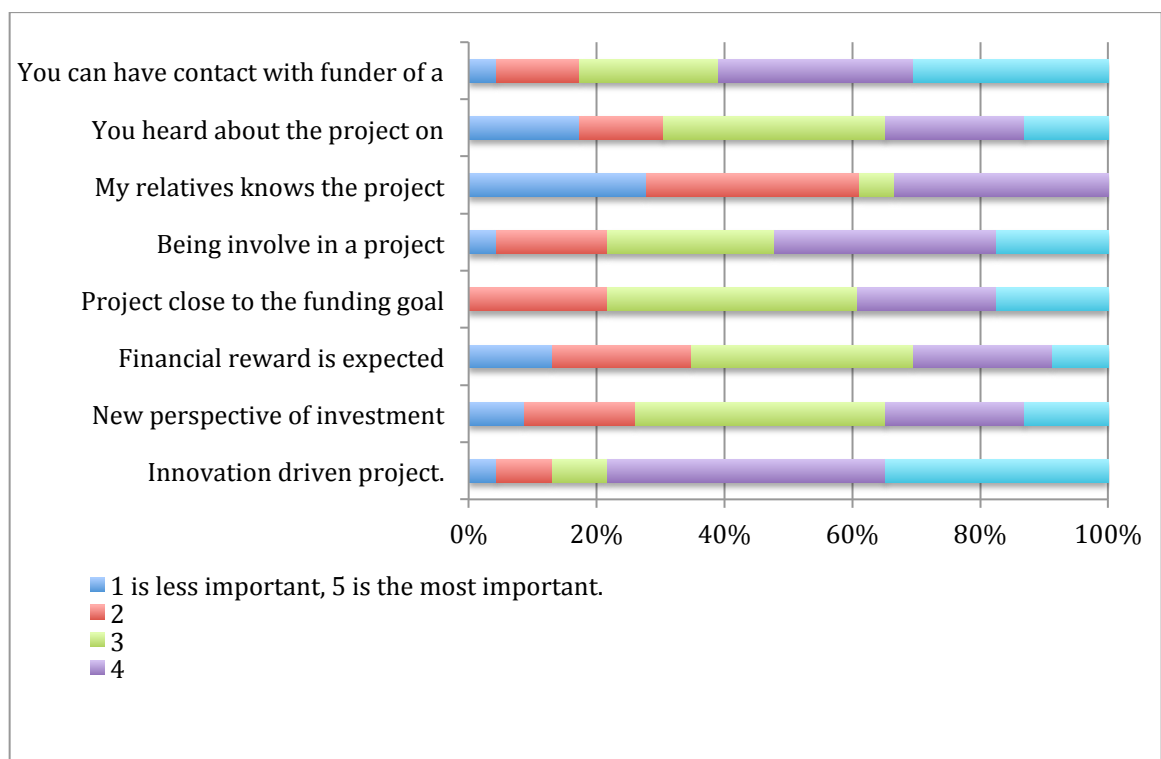


Question n°6 : If you have ever pledged a project, on which of these platforms? (Can be several)

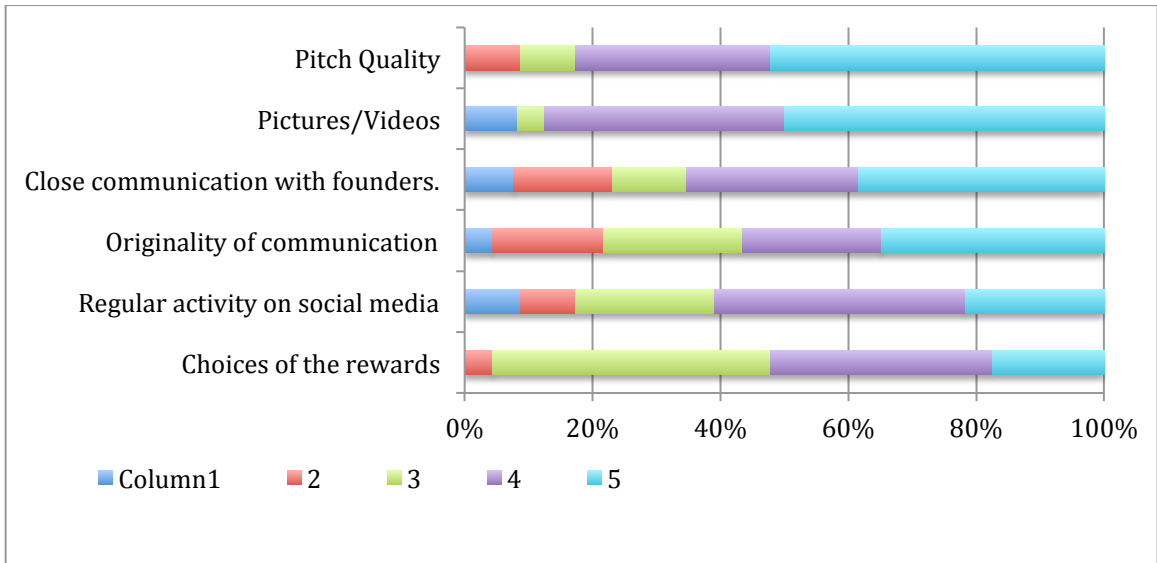




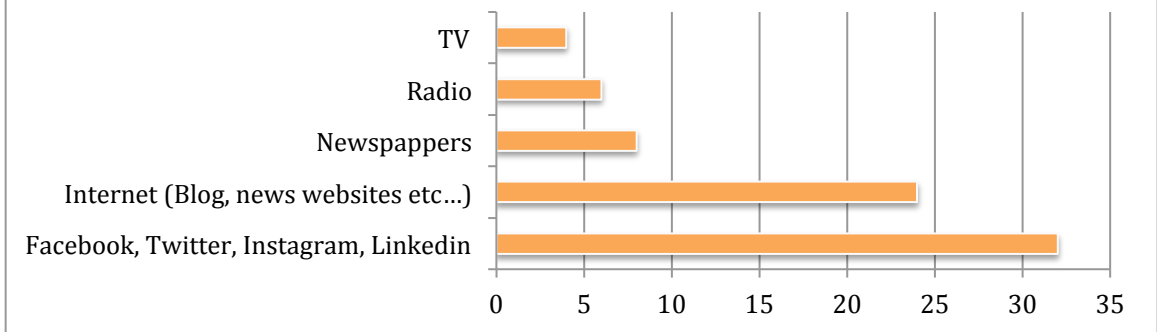
Question N°8 : You would be more likely to pledge a project if? 1 is less important, 5 is most important.

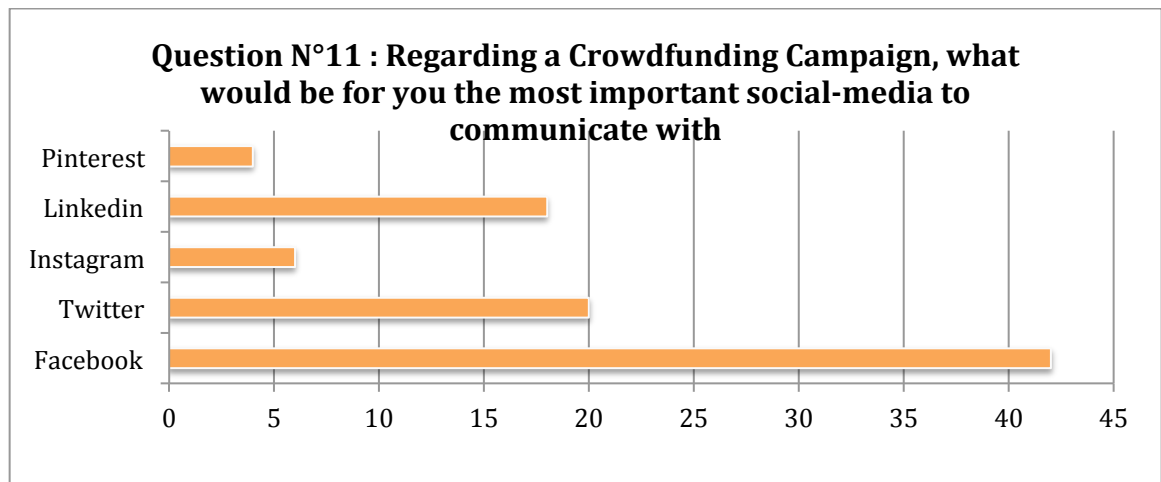


Question N°9 : For you, what is the most important in a crowdfunding campaign page ? 1 is least important and 5 is the most important.



Question N°10 : On which kind of media did you usually heard about crowdfunding campaign ?





Appendix N°2 - Questionnaire :

Digital Marketing & Social Media in a crowd-funding campaign.

Dear participants,

I am a student of International Business Master programme at University of Economics in Prague. I would like to ask you to participate in a research study, which is a part of my thesis. My thesis subject is Digital Marketing & Social Media in a crowd-funding campaign.

By filling out this 5-10 minute survey, you will help me obtain the very best results.

Are you a Female or a Male ?

- ☐ Female
- ☐ Male

Are you familiar with the concept of crowdfunding ?

- ☐ YES
- ☐ NO

Have you ever pledged a crowdfunding project ?

- ☐ YES
- ☐ NO

Among these Crowdfunding platforms, which one do you know ?

- ☐ Kickstarter
- ☐ Ulule
- ☐ Reservoir Funds
- ☐ Anaxago
- ☐ Fundme
- ☐ KissKissBankBank
- ☐ Particeep
- ☐ Wiseed
- ☐ IndieGoGo

If you ever pledged a project, on which one of these platforms ? (Can be several)

- ☐ Kickstarter
- ☐ Ulule
- ☐ Reservoir Funds
- ☐ Anaxago
- ☐ Fundme
- ☐ KissKissBankBank
- ☐ Particeep
- ☐ Wiseed
- ☐ IndieGoGo

What would be for you, the maximum pledge that you would give for a crowdfunding ?

- ☐ 1€-25€
- ☐ 25€ - 50€
- ☐ 50€ - 100€
- ☐ 100€ - 500€
- ☐ 500€ - 1000€
- ☐ 1000€ and more.

If you had to mark each of this case between 1 to 7. Where 1 is least likely, 5 is most likely. You are most likely to pledge a project if... :

	1	2	3	4	5
It's an innovation driven project.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It's a new perspective of investment for you.(equity-based platforms)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
You expect an financial reward in return	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The project is close to the funding goal.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
If you are able to be involve in the project.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Only some of my relatives knows the project.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i have heard about a project on several social media.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
You can have a contact with the founders of a project.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Regarding a Crowdfunding Campaign, what would be for you the most important social-media to communicate with :

- ☐ Facebook
- ☐ Twitter
- ☐ Instagram
- ☐ LinkedIn
- ☐ Pinterest

For you, what is the most important in a crowdfunding campaign page ? 1 is least important, 5 is the most important.

	1	2	3	4	5
Close communication with founders. (Comments, Q/A etc...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Overall clarity of a project. (Explanation, financial details, schedule...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Choices of the rewards.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pictures and videos introducing the project.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regular activity on the social media.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Originality of the communication.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

On which kind of media did you usually heard about crowdfunding campaign ?

- ☐ Facebook, Twitter, Instagram or LinkedIn.
- ☐ Internet (Blog, news website, etc...)
- ☐ Newspapers.
- ☐ Radio
- ☐ TV

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