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Achieving project financial objectives through equity-based crowdfunding

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ABSTRACT:

Projects require funding. The popularity of crowdfunding has increased in recent years, and it is a crucial topic because many small businesses and start-ups do not have access to the traditional forms of financing. Crowdfunding provides a novel source of funding for these early-stage businesses. This thesis examines equity-based crowdfunding. It is a rapidly growing economic phenomenon, but still, many equity-based crowdfunding campaigns remain unsuccessful. This research aims to find out how companies can successfully secure funding for their projects through equity-based crowdfunding. This aim is conducted by identifying campaign success factors, comparing the experiences of case companies and crowdfunding platform, and examining the role and support mechanisms of crowdfunding platforms. Moreover, the research examines how one of the case companies leveraged its initial crowdfunding success as a proof of concept to build credibility and secure financing for future projects. Prior literature identifies several success factors for crowdfunding campaigns. However, this research complements existing literature by providing an in-depth analysis of equity-based crowdfunding and providing two perspectives: company and crowdfunding platform. The research data is qualitative. The interview data was analyzed using open coding, which was followed by axial coding. Four semi-structured interviews were conducted. One of the interviews was conducted with the investment manager of crowdfunding platform and three of the interviews were conducted with the representatives of case companies. The study results reveal that the role of a crowdfunding platform is crucial for the success of a campaign. It is not just a technical platform, but instead an active partner that supports companies in executing their crowdfunding campaigns. There are similarities and differences in the factors that are considered important by the case companies and the crowdfunding platform. However, an attractive product, good timing, active communication, and transparency are identified as pivotal factors. The results reveal that backer motivations consist of both financial and non-financial factors. Moreover, the research findings demonstrate that a successful crowdfunding campaign can be used as a proof of concept for future projects when a company applies for funding through crowdfunding or other financing methods.

KEYWORDS: Equity-based crowdfunding, Project funding, Crowdfunding success factors, Crowdfunding platform

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TIIVISTELMÄ:

Projektit tarvitsevat rahoitusta. Joukkorahoituksen suosio on kasvanut viime vuosina, ja se on keskeinen aihe, koska monilla pienillä yrityksillä ja start-upeilla ei ole pääsyä perinteisiin rahoitusmuotoihin. Joukkorahoitus tarjoaa uuden rahoituslähteen näille alkuvaiheen yrityksille. Tämä tutkielma tutkii osakepohjaista joukkorahoitusta. Se on nopeasti kasvava taloudellinen ilmiö, mutta silti monet osakepohjaiset joukkorahoituskampanjat epäonnistuvat edelleen. Tämä tutkimus pyrkii selvittämään, miten yritykset voivat onnistuneesti hankkia rahoituksen projekteillensa osakepohjaisen joukkorahoituksen avulla. Tämä tavoite toteutetaan tunnistamalla kampanjan menestystekijöitä, vertailemalla case-yritysten ja joukkorahoitusalustan kokemuksia sekä tutkimalla joukkorahoitusalustojen roolia ja tukimekanismeja. Lisäksi tutkimuksessa tarkastellaan, miten yksi case-yrityksistä hyödynsi ensimmäistä onnistunutta joukkorahoituskampanjaansa toimivan konseptin todisteena rakentaakseen uskottavuutta ja varmistaakseen rahoituksen tuleville hankkeilleen. Aiempi kirjallisuus tunnistaa useita joukkorahoituskampanjoiden menestystekijöitä. Tämä tutkimus kuitenkin täydentää olemassa olevaa kirjallisuutta tarjoamalla perusteellisen analyysin osakepohjaisesta joukkorahoituksesta ja esittämällä kaksi näkökulmaa: yrityksen ja joukkorahoitusalustan. Tutkimusdata on laadullista. Haastatteluaineisto koodattiin avoimella koodauksella, jota seurasi aksiaalinen koodaus. Neljä semi-strukturoitua haastattelua toteutettiin. Yksi haastatteluista tehtiin joukkorahoitusalustan sijoituspäällikön kanssa ja kolme haastatteluista toteutettiin case-yritysten edustajien kanssa. Tutkimustulokset osoittavat, että joukkorahoitusalustan rooli on ratkaiseva kampanjan onnistumisen kannalta. Se ei ole vain tekninen alusta, vaan aktiivinen kumppani, joka tukee yrityksiä joukkorahoituskampanjoiden toteutuksessa. Case-yritysten ja joukkorahoitusalustan tärkeinä kokemissa tekijöissä on sekä yhtäläisyyksiä että eroja. Keskeisiksi tekijöiksi kuitenkin tunnistetaan viehättävä tuote, hyvä ajoitus, aktiivinen viestintä ja läpinäkyvyys. Tulokset paljastavat, että sijoittajien motivaatiotekijät koostuvat sekä taloudellisista että ei-taloudellisista tekijöistä. Lisäksi tutkimustulokset osoittavat, että onnistunutta joukkorahoituskampanjaa voidaan käyttää konseptin toimivuuden todisteena tuleville projekteille, kun yritykset hakevat rahoitusta joukkorahoituksen tai muiden rahoitusmenetelmien kautta.

AVAINSANAT: Osakepohjainen joukkorahoitus, Projektien rahoitus, Joukkorahoituksen menestystekijät, Joukkorahoitusalusta

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1 Introduction

Crowdfunding has emerged as a viable and popular alternative channel for entrepreneurs to fund their early-stage businesses. Crowdfunding is a novel method for funding ventures, in which capital comes from individuals, often in return for future products or equity (Mollick, 2014). Business owners and entrepreneurs need capital to build and grow their businesses, and nowadays many of them choose alternative forms of capital, such as one popular one, crowdfunding (Taylor, 2015). This research is a master's thesis in industrial engineering and management, which was made for the University of Vaasa.

1.1 Research background and research gap

Wahjono, in the work of Wahjono et al. (2015), outlines that every project needs an injection of capital in order to do the business operation. Authors point out that banks and financial institutions have strict rules and high interest rates in terms of lending, and therefore, small and medium projects and businesses need to find other financial institutions and avoid big loans for their capital funding purposes. According to the article, crowdfunding is one of the options to substitute banks and financial institutions for capital funding. In addition, early-stage and growth-stage companies face significant challenges in financing their projects. Traditional sources for funding, such as bank loans, are often hardly achievable because they have high risk and strict collateral requirements. Crowdfunding is a great option for the company to consider when it faces these challenges. Even though across the world crowdfunding has been raised as a significant financing tool, De Crescenzo et al. note that the equity crowdfunding market remains relatively under-researched (Yi et al., 2024). This research is important because it provides a comprehensive overview of success factors in equity-based crowdfunding. In addition, the research helps companies to consider their project financing more strategically.

Equity crowdfunding is an important economic phenomenon that is growing rapidly (Åstebro et al., 2024). However, even though equity-based crowdfunding provides an opportunity for entrepreneurs to collect funding from a large base of individuals, many equity-based crowdfunding campaigns remain unsuccessful (Lukkarinen et al., 2016). Therefore, it is essential to examine what actions companies can take in order to implement successful campaigns. Bradford, in the work of Ahlers et al. (2015), has stated that equity crowdfunding is a model where investors receive an interest in the form of equity or equity-like arrangements in the ventures they fund. Altundal (2024) defines equity-based crowdfunding as: “In equity-based crowdfunding, financial supporters become partners of the companies of the project owners who request funding with a certain percentage in return for the funds they provide.” (pp. 311) Four types of crowdfunding are equity-based, reward-based, debt-based, and donation-based, and the reward-based crowdfunding platforms are considered the most popular ones in recent years (Lin et al., 2016). Previous literature has predominantly focused on reward-based crowdfunding, while equity-based crowdfunding has received less attention.

According to Richardson in the work of Tracy (2010), qualitative research needs to make a significant contribution, and when the significance of a study’s contribution is examined, it is considered whether the knowledge is extended or whether it improves practices. This research addresses a methodological gap by providing two perspectives: those of the companies and of the crowdfunding platform. If only companies would be interviewed (i.e., funding applicants), the research would suffer from a one-sided perspective. Thus, the platform perspective enables the study to be non-biased and limited to the company perspective. In addition, prior literature has utilized quantitative methods to examine campaign success factors. Conversely, qualitative studies have been scarcely used in equity-based crowdfunding research, forming another methodological gap. Therefore, the qualitative method was chosen for this study. Although previous research has identified common success factors in crowdfunding and analyzed the equity crowdfunding using numerical data, there is a lack of in-depth understanding of how companies achieve their funding goals through equity crowdfunding, especially in the

Finnish context. Moreover, prior research includes studies that consider both reward-based and equity-based crowdfunding. However, this study focuses exclusively on equity-based crowdfunding.

1.2 Research questions and objectives

The research question of this thesis is exploratory and explanatory because its goal is to identify and understand the factors that can be used in implementing successful equity-based crowdfunding campaigns by companies. The research question of this thesis is:

- How do companies successfully secure funding for their projects through equity-based crowdfunding?

The results for the research question are expected to provide valuable information for companies. So, this thesis examines equity-based crowdfunding and aims to find out how companies can accomplish successful equity-based crowdfunding campaigns. Research objectives are set based on this. In addition, comparing answers of case companies and crowdfunding platform will be made to identify common patterns but also differences in terms of success factors. Moreover, the role of crowdfunding platform is examined. Research objectives can be summarized as follows:

1) To identify the success factors that contribute to projects securing their funding successfully through equity-based crowdfunding.
2) To compare experiences of case companies and crowdfunding platform to identify common patterns and differences in success factors in equity-based crowdfunding campaigns.
3) To examine the role and support mechanisms of crowdfunding platform in equity-based crowdfunding campaign success.

1.3 Research scope

Four types of crowdfunding exist. The focus of this thesis is on equity-based crowdfunding, and this thesis does not investigate other types of crowdfunding. This research aims to find answers to the research question, which was introduced in the prior sub-chapter. The aim of the study is to identify and analyze the critical success factors for a successful equity-based crowdfunding campaign from a company perspective. Based on these findings, the study provides practical recommendations to support companies in successfully securing project funding. The research design enables the study to provide companies with a comprehensive understanding of the dynamics of the funding process. It produces concrete information not only about the success factors of the campaign itself (such as marketing, building trust, and the role of the team), but also about the requirements of the crowdfunding platform and the motivations of investors.

The scope also includes an examination of how the achieved funding and the visibility brought by the campaign can be leveraged in future projects. On the other hand, the focus on the company's perspective strictly limits the research. Although the study considers investor motivations, the perspective is limited to the experiences of the case companies and a platform expert; the research, therefore, does not include direct investor interviews or in-depth analysis of consumer behavior. Correspondingly, the role of the crowdfunding platform is examined only to the extent that it serves the company's financing goals. Crowdfunding platform’s own business is not examined in this thesis. The company's broad strategic and operational management after the campaign is excluded from the scope of the work.

In this study, the task of the literature review is to create a theoretical framework around the phenomenon that closely ties the work into a broader academic discussion. By relying on previous research, the work has been able to identify the key concepts, theories, and models that are worth examining in the dynamics of crowdfunding. The information search for this study has focused on literature that discusses the critical success factors of equity-based crowdfunding, investor motivations, the role of crowdfunding platforms, and the essential theories. Since the focus of the study is strictly on the company's perspective and successful financing, topics that do not directly serve this goal have been deliberately excluded from the framework. These excluded themes include, for example, purely legislative issues, the own business models and earning logic of crowdfunding platforms, and the operational management of the company after the actual campaign has ended. Research on other crowdfunding types, as well as angel and venture capital investments, has been utilized when no direct answer has been found from the field of equity crowdfunding. The information search has been conducted in key academic databases (including ScienceDirect, ResearchGate, Springer, and Emerald), and it focuses on English-language literature.

1.4 Structure of thesis

The structure of the thesis is in accordance with academic standards, and it supports the research objectives. The thesis includes an abstract which is written both in English and Finnish, a table of contents, and the lists of figures and tables. This thesis consists of 5 chapters, which are ‘introduction’, ‘literature review’, ‘methods’, ‘results’, and ‘discussion and conclusions’. The introduction chapter consists of four sub-chapters. Sub-chapter 1.1 introduces the study gap and study background. Research question and research objectives are presented in the sub-chapter 1.2. Sub-chapter 1.3 includes the research scope of the study. Sub-chapter 1.4 ‘Structure of thesis’ introduces the structure of this thesis.

The second chapter, literature review, provides an introduction to equity-based crowdfunding. Literature review also defines some essential concepts, compares equity crowdfunding to other types of crowdfunding, creates a theoretical background for the thesis, and introduces recent findings in the field of crowdfunding. The ‘Methods’ chapter provides details for the research design, introduces research methods, and describes the data analysis process. The results chapter presents research findings that were found in the empirical part of this thesis through semi-structured interviews. The final chapter 'Discussion and conclusions' summarizes the research findings of the thesis, discusses theoretical contributions and managerial implications, presents limitations, explains how validity and reliability are achieved, and makes recommendations for future research.

2 Literature review

The literature review consists of nine sub-chapters. In the sub-chapter 2.1, some important concepts and terms are introduced. Sub-chapter 2.2 discusses traditional project finance. Sub-chapter 2.3 provides an introduction to equity-based crowdfunding. The fourth sub-chapter compares equity-based crowdfunding to other crowdfunding types, whereas the fifth sub-chapter considers two essential theories that are particularly relevant to equity-based crowdfunding: signaling theory and herding theory. Sub-chapter 2.6 discusses the success factors of crowdfunding campaigns, and sub-chapter 2.7 addresses the role of crowdfunding platforms. The motivation factors of backers are presented in sub-chapter 2.8. Finally, sub-chapter 2.9 provides a conclusion for the literature review.

2.1 Definitions of concepts

This sub-chapter defines and describes some relevant concepts and terms. Definitions of terms and concepts ensure that they are used consistently. In addition, they create a common starting point for later sub-chapters and chapters and support the logical progression of the research.

Crowdfunding

Belleflamme et al., in the work of Shneor et al. (2020), state that crowdfunding is a method to obtain money from large audiences rather than a small group of sophisticated investors. Short et al. define in the same book that pooling of contributions happens via the Internet. Crowdfunding is an important funding method because traditional financing methods are not always available or reasonable. There are four types of crowdfunding: equity-based, reward-based, debt-based, and donation-based (Altundal, 2024).

Crowdfunding platform

Internet-based platforms, also called crowdfunding platforms, are where most crowdfunding occurs, and they aim to link fundraisers to funders through campaigns (Belleflamme et al., 2015). Shneor and Flåten (Shneor et al., 2020) define a crowdfunding platform as an online application that connects project owners with potential backers. Most platforms share some common characteristics. Meric et al. introduce these characteristics in the book of Shneor et al. The first one is that the platform provides campaign presentation formats for fundraisers. Secondly, the platform allows small- to medium-sized financial transactions, enabling widespread participation. Thirdly, the platforms provide communication tools for interaction between prospective backers and fundraisers, as well as relevant financial information regarding the campaign and its progress.

Backer

In the crowdfunding literature, the term "backer" is widely used, and it refers to an investor or supporter of the crowdfunding campaign. Backer is an individual who invests in a crowdfunding campaign.

Equity-based crowdfunding

Equity-based crowdfunding is a funding model in which investors contribute to a campaign and receive shares of a company (Kuti et al., 2017). The authors define that in equity-based crowdfunding, entrepreneurs publish open calls online for the sale of their equity shares and thus try to attract a large number of investors. The backers can purchase shares directly from the start-up, or they can invest in the financial vehicle that gathers a group of investments and invest the whole set of investments in the start-up (Schwienbacher, 2019). According to the article, this depends on the platform structure.

Reward-based crowdfunding

Mollick (Shneor et al., 2020) notes that reward-based crowdfunding is the most publicly familiar crowdfunding model, in which projects are financed by backers who don't earn any monetary returns. According to the book, Gerber et al. point out that instead the backers expect to receive material or immaterial compensations. In the reward-based crowdfunding, backers will be rewarded by the output of the project, which is, for example, a product at a lower price with earlier delivery conditions (Altundal, 2024).

Debt-based crowdfunding

It is a funding model where fundraisers apply for funds on the web, normally for free, and an automated system audits the fundraiser's application and decides the fundraiser's interest rate and credit risk (Halim, 2024). Khan (2022) defines that in debt-based crowdfunding, money is borrowed from the crowd by businesses with the condition of interest and repayment of the loan.

Donation-based crowdfunding

It is a funding model where backers don't expect monetary or material rewards (Shneor et al., 2020). They argue that intrinsic motivations play a central role, and backers seek satisfaction, joy, and a sense of belonging to be achieved with their donations. Zhao & Shneor suggest in the book that donation-based crowdfunding is a unique model for supporting a wide range of prosocial and charitable causes.

Signaling theory

Spence (Connelly et al., 2011) argues that when two parties, individuals or organizations, have access to different information, signaling theory is useful for describing behavior between parties. Connelly et al. describe as follows: "Typically, one party, the sender, must choose whether and how to communicate (or signal) that information, and the other party, the receiver, must choose how to interpret the signal.” (pp. 39) According to the article, Stiglitz explained that information asymmetries occur when different things are known by different people.

Herding theory

Herding efers to investors’ tendency to follow the decisions of other investors rather than make their own investment decisions. Devenow & Welch (1996) define it as follows: “In its most general form, herding could be defined as behavior patterns that are correlated across individuals.“ (pp. 604)

2.2 Project financing

In project finance, the project company has not operated earlier in history at the time of the initial debt financing (Finnerty, 2013). In other words, a new company is founded for the project. It is also called a special purpose vehicle (SPV). Yescombe (2014) introduces an ‘official’ definition of project finance, which was provided by the Basel Committee on Banking Supervision in the context of the ‘Basel II’ rules. According to the definition, project finance is a method of funding in which the lender relies primarily on the revenues generated by a single project. In addition, according to the definition, project finance is normally used for large, complex, and expensive installations. Yescombe describes: “The Project Company lies at the center of all the contractual and financial relationships in project finance.“ (pp. 47) The author notes that the project company cannot operate any other business that is not part of the project.

Finnerty (2013) notes that “A project must include all the facilities that are necessary to constitute an economically independent, viable operating entity.” (pp. 19) The author outlines that the project cannot be part of another facility. Yescombe (2014) highlights that project financing usually has two elements: equity and project finance-based debt. Equity is provided by investors in the project, whereas debt is provided by one or more groups of lenders. According to the author, project finance debt has priority over the project's net operating cash flow; therefore, the investors' return is more dependent on the project's success. Thus, investors take higher risks than lenders and expect higher returns on their investments.

A project company differs from a corporate borrower (Yescombe, 2014). The author notes that a project company does not have a business record to serve as a basis for lenders, so that lenders can make their lending decisions based on that information. Yescombe points out that lenders nonetheless have to be confident they will be repaid, given the additional high-level risk. The author describes project finance as a slow, complex, and expensive method of financing. However, according to Yescombe, investors make use of project finance for a variety of reasons. For example, high leverage, borrowing capacity, risk limitation, and long-term finance are included in these reasons.

Bonds are one way to finance projects. From the borrower's point of view, a bond issued by a project company is basically similar to a loan (Yescombe, 2014). However, the author notes that it is aimed mainly at the non-banking market, and it is tradeable. According to Yescombe, the project company (i.e., the issuer) agrees to repay the bondholder the bond amount plus interest on fixed future installment dates. Investors in bonds require a good, long-term fixed-rate return without taking on equity risk. For example, insurance companies as well as pension funds match this. Yescombe outlines: "The market for project-finance bonds is far narrower in scope than that for bank loans, but significant in certain countries." (pp. 73) The author points out that bonds can be public issues (i.e., quoted on a stock exchange) or private placements, which are not quoted and sold to a limited number of large investors.

According to Kong et al. and the European Investment Bank, commonly, public-private partnership (PPP) projects are bankable if lenders are willing to finance them or the sponsor can convince the lenders to support them (Zhu & Chua, 2018). According to the authors, Delmon and Hampl et al. write: “From the assessment perspective, a bankable project involves a solid financial, economic, and technical plan, with a risk allocation scheme appropriate for the nature of the project, the risks involved, and the interests of the lenders, implying an acceptable credit risk.” (pp. 2) In addition, in the same article, Kong et al. and Hampl et al. outline: “Considering the quantitative loan analysis, the lenders believe that a project is bankable if the project company has the ability to service the principal and interest payment. In addition, the exposure of the lenders to default by the borrowers is acceptable.” (pp. 2)

Project financing, as a term, is widely misused and also misunderstood (Finnerty, 2013). The author highlights that the term does not mean raising funds to finance a project that is so weak economically that it may not be able to service its debt or provide an acceptable rate of return to equity investors. Therefore, projects funded by project finance could also be financed on a conventional basis. Thus, crowdfunding differs from traditional project finance because, in fact, in many cases, crowdfunding is the only funding option for the companies that are seeking it.

2.3 Introduction to equity-based crowdfunding

Ahlers et al. (2015) define equity crowdfunding as a method of financing in which an entrepreneur sells a specified number of equities (e.g., shares) to a small group of investors via an open call for funding on internet-based platforms. According to Ahlers et al., Belleflamme et al. outline that the funding process itself is a main difference between equity crowdfunding and traditional capital raising. Inventors make their investment decisions according to the information they can get from the campaign page on the crowdfunding platform. This kind of funding process democratizes capital raising and creates opportunities for a large group of entrepreneurs to secure funding without relying on traditional methods. According to Ahlers et al., the transactions in crowdfunding are facilitated by a crowdfunding platform that standardizes investment contracts and settles the payments.

The world is progressing towards a global and digital society, and crowdfunding is part of that (Hooghiemstra & De Buysere, 2016). They point out that the idea behind crowdfunding is not new, as people have recognized a common goal and shared tasks and responsibilities by pooling resources. In recent years, entrepreneurs have had the option to use crowdfunding, which has emerged as a viable and popular alternative funding channel (Vulkan et al., 2016). Especially, for young innovative startups, equity financing works as an opportunity for fundraising and for bridging the funding gap (Kuti et al., 2017). They note that equity-based crowdfunding is a funding model in which investors contribute to a campaign and receive shares of a company.

Equity-based crowdfunding platforms are two-sided markets where the goal is to match entrepreneurs with investors (Schwienbacher, 2019). The author observes that the members of the platform, also called “the crowd”, can consider investing in different campaigns based on investment documentation that is provided on the platform. Aggarwal et al. (2021) discuss peer-to-peer lending and rewards-based crowdfunding to have bigger markets than equity-based funding. On the other hand, they point out that there is potential for higher returns in equity-based crowdfunding. Bapna, in the work of Altundal (2024), notes that the risk-return equation of equity-based crowdfunding makes it riskier than, for example, reward-based crowdfunding, where backers get material rewards in return for their investment.

Equity-based crowdfunding is a rapidly growing funding model as it increased 59% in 2019 over the previous year, and for example, crowdfunding platform WeFunder reached over 400,000 investors by the end of 2019, which was more than 30% from the prior year (Aggarwal et al., 2021). The authors explain that equity-based crowdfunding platforms allow small investors to invest very minimal amounts of money, and thus a great number of less experienced backers can be reached in online platforms. According to the authors, crowdfunding platforms have allowed the possibility for browsing investment opportunities online, in one location, where company operations and characteristics of companies are shared, and even comments and opinions from other backers can be read. Despite the growing trend in terms of the number of investors, traditional financing methods will not be replaced by equity-based crowdfunding (Vignone, 2016).

There are key benefits of equity-based crowdfunding compared to traditional debt-based funding (Taylor, 2015). The author notes that one of the benefits is that equity-based crowdfunding does not require collateral to receive funds. This enables an easier way to seek funding for young companies that don't own, for example, properties. Moreover, the company doesn't have to pay any loans back, but instead investors will get shares and possible profits in the future. Taylor presents the second benefit, which is that the probability of bankruptcy doesn't increase by using equity-based crowdfunding. However, there are also some risks included in equity-based crowdfunding (Son Turan, 2015). The author claims that it is quite an ambiguous task to select the "right" platform. Furthermore, the author argues that entrepreneurs can form unrealistic expectations due to the cost of incomplete information, and therefore, for example, regulatory due diligence requirements and filing of legal documentation need to be considered. In addition, the author notes that equity-based crowdfunding is not suitable for all businesses due to their complexity or originality, and rather more traditional types of angel funding could be more adequate for some products or services.

2.4 Equity-based crowdfunding vs. other types of crowdfunding

There are four types of crowdfunding, which are 1) equity-based crowdfunding, 2) reward-based crowdfunding, 3) debt-based crowdfunding, and 4) donation-based crowdfunding (Altundal, 2024). Lukkarinen et al. (2016) describe as: "the goals of contributors in equity crowdfunding differ from those in other forms of crowdfunding." (pp. 27) According to Lukkarinen et al., crowdfunding is an umbrella term that covers multiple different forms. All forms of crowdfunding share some similarities and differences, which are examined in this sub-chapter.

2.4.1 Equity-based vs. reward-based crowdfunding

Bannerman, in the work of Lin et al. (2016), argues that reward-based platforms are the most popular crowdfunding platforms. In addition, Altundal (2024) says that the most frequently applied model in the world is reward-based crowdfunding. According to the article, Ekici et al. point out that reward-based crowdfunding is the least regulated type in all countries. According to the author, the backers evaluate their funding decision via rewards with different prices from the list that is offered by campaign creators. The author notes that project creators will deliver promised rewards later, according to the funding decision and the reward selections of backers. Frydrych et al., in the work of Maiolini et al. (2023), have defined reward-based crowdfunding as follows: "Reward-based crowdfunding (RBCF) is based on contributors giving to a cause or organization to receive a nonmonetary reward". (pp. 55-56) In other words, reward-based crowdfunding can be seen more as pre-sales or as a support against rewards than as investing. Backers will consider whether project creators can create and deliver the pre-purchased product (Kuti et al., 2017). So, the difference compared to the equity-based crowdfunding is clear: in reward-based crowdfunding, backers receive rewards, and in equity-based crowdfunding, backers receive equity (e.g., shares) of the company.

Vulkan et al. (2016) list several important differences between rewards-based and equity-based crowdfunding. First, in equity crowdfunding, the average amount pledged is much higher. Secondly, the overall funding target in equity crowdfunding is much higher and has increased steadily over time, approaching the size of first-round venture capital investments nowadays. Third, in equity crowdfunding, each project has a pre-money valuation. Fourth, equity-based crowdfunding backers have a clear goal to obtain a positive monetary return on their investment. It can be considered that, in equity crowdfunding, backers evaluate the company's financial potential, whereas in reward-based crowdfunding, backers often respond to the creative content, interesting product, or fascinating story behind the project. Equity crowdfunding resembles traditional funding methods in many ways, whereas reward-based crowdfunding is more about support and rewards.

When the project is large-scale, the campaign-starting companies prefer equity crowdfunding (Kuti et al., 2017). They argue that in equity-based crowdfunding, investors are chasing more likely long-term profits. Instead, according to them, in reward-based crowdfunding, high-quality and smaller valued projects are preferable because the minimum threshold may be too difficult to achieve if the requested amount of money is too high. Lukkarinen et al. (2016) point out that motives differ between equity-based and reward-based crowdfunding. Cholakova and Clarysse observe in the article of Lukkarinen et al. that equity investors are more interested in financial benefits, while contributors to rewards-based campaigns can also wish to be part of a community and help others. In addition, Lukkarinen et al. address that as backers' goals differ, also drivers and criteria of their funding decisions can be expected to differ.

2.4.2 Equity-based vs. debt-based crowdfunding

In debt-based crowdfunding, backers don't get shares of the company, but they will get interest for lending money. While equity-based crowdfunding offers an equity stake in the target company, debt-based crowdfunding offers a credit contract (Lukkarinen et al., 2016). If debt-based crowdfunding is compared to traditional lending, backers of debt-based crowdfunding are regularly individuals who operate without financial knowledge (Ghasemi et al., 2024). Moreover, they argue that debt-based crowdfunding includes bigger risks for investors because there are no collateral guarantees to ensure borrowers repay loans with interest. Furthermore, according to the authors, the source of profit is limited to the interest of the loan in debt-based crowdfunding, while traditional institutions have multiple sources of profit, such as fees, interest, and penalties. Therefore, debt-based crowdfunding is not entirely flawless, especially from an investor's perspective.

Altundal (2024) describes that in debt-based crowdfunding, funders expect to receive a certain return from the entrepreneur at a predetermined maturity after lending money. So, there is no kind of owner relationship as in equity crowdfunding, where backers' value of investment increases if the company succeeds. One thing that is common between equity and debt crowdfunding is introduced by Hakenes and Schlegel in the article of Lukkarinen et al. (2016): in both of these funding models, high funding targets can provide security to backers because their investments will only go through if there are enough individuals who see this particular investment target sufficiently positively to invest in it. However, the above claim is not valid if the crowdfunding platform operates with a keep-it-all model in which the company can keep all the invested money.

Kukk (2022) finds that companies that are less established and have smaller funding needs tend to choose a form of equity crowdfunding, whereas debt-based crowdfunding is preferred by companies with strong growth momentum and larger funding needs. Research also reveals that the company chooses equity crowdfunding if it is in the early development stage in terms of business operations or if the company has relatively little revenue growth. The author notes: "Companies offering debt using crowdfunding campaigns, however, exhibited rather different characteristics. These companies seemed to have more developed businesses, higher revenue growth, and were looking to receive significantly higher amounts of funding." (pp. 302) The author claims that these characteristics indicate that companies that use debt crowdfunding already have established operations and need significant funding to finance their growth.

2.4.3 Equity-based vs. donation-based crowdfunding

Donation-based crowdfunding differs from the other types of crowdfunding in that backers don't expect any monetary or material returns. Donation-based crowdfunding projects are supported by charitable funding (Lukkarinen et al., 2016). Without expecting any financial benefit from the project, social benefit and philanthropy drive backers to invest in (Altundal, 2024). According to the author, social enterprises and innovative business ideas with smart solutions and public benefit in the long term are objects that backers desire to support in donation-based crowdfunding. So, while in equity-based crowdfunding, financial motivation factors play a crucial role, donation-based crowdfunding emphasizes social and ethical values instead of financial benefits.

Lehner in Altundal's work (2024) points out that harmony with social entrepreneurship models makes donation-based crowdfunding a unique funding model. Mollick notes in the same article that all the other types of crowdfunding are in closer harmony with traditional venture capital. Altundal brings up the interesting point in terms of regulations. Donation-based crowdfunding platforms, alongside reward crowdfunding platforms, have the easiest regulation in almost every country, while equity-based and debt-based crowdfunding platforms are more strictly controlled and regulated. Cholakova, Clarysse, and Ercan in Altundal's work address that reward-based and donation-based crowdfunding share common main motivation factors: reward hunting, cooperation, social responsibility, and emotional bond, while, in turn, in equity and debt crowdfunding, backers are simply interested in returns.

2.5 Theoretical foundations

Two theories are introduced in this sub-chapter: signaling theory and herding theory. Both are important theories in the field of economics. These theories play a central role in equity-based crowdfunding because they explain the behavior of investors. This sub-chapter examines recent studies regarding these theories and introduces findings from the recent research.

2.5.1 Signaling theory

Mavlanova et al. and Spence (Kunz et al., 2017) argue that different types of signals and their purposes are analyzed by signaling theory. According to the article, Connelly et al. and Spence suggest that, particularly when there are asymmetries between parties and the aim is to reduce them, signaling theory can be applied. Connelly et al. observe in the article that information asymmetries can be associated with output's (product or service) quality, or they can be related to the behavioral intention of the party, such as the main motivation for selling a product. When it comes to equity-based crowdfunding, there are three parties: companies, the platform, and backers. Information asymmetries can be built between companies and backers when companies naturally have more information about their own intentions. The relationship between investors and ventures can be seen as a principal-agent relationship, which is characterized by information asymmetries and high uncertainty about the risk of failure (Reichenbach & Walther, 2021). Spence notes in the article that signaling can be used to reduce information asymmetry. In addition, Spence (Ahlers et al., 2015) notes that signaling theory can be used as an explanation for which types of information, such as top management team characteristics, make backers invest in start-ups.

Companies must send clear signals of their value to small investors in order to achieve funding goals via an equity crowdfunding platform (Ahlers et al., 2015). They say the reason is that small investors don't normally have the ability to investigate and evaluate potential investments. According to the article, Connelly et al. note that prior work agrees that venture quality's unobservable characteristics are evaluated by backers by interpreting the signals that are sent by entrepreneurs. Consequently, entrepreneurs need to consider strictly the signals that they want to send and how they will do that. Ahlers et al. (2015) outline that effective signals share two characteristics, which are observability and signal cost. According to the article, Connelly et al. clarify that the observability term refers to how well backers notice and understand the signal, whereas signal cost is defined as follows: ”dishonest signals are not rewarded, and so the cost of producing the signal doesn’t outweigh its benefits.” The authors point out that unobservable characteristics of their venture can be signaled effectively if, after equity offering, entrepreneurs retain equity because this would indicate that en-trepreneurs expect increasing future cash flows.

Lerner, in the work of Kleinert et al. (2020), points out that the pre-financed firms are considered to have a “stamp of approval”, relating to lower information asymmetries from the investor perspective. According to the article, the effect of the signal is stronger when information with respect to the quality of the company is available only a little. Consequently, signals replace missing information, and they affect the investment decisions of backers. Thus, companies that operate in uncertain markets should communicate their quality constantly. Stuart et al. (Kleinert et al., 2020) observe that the value of the signal is higher for young companies. Hoenen et al., in the same article, note that the value of the signal is also higher for companies in earlier funding rounds. According to Kleinert et al., companies that are perceived as uncertain will be more likely to benefit from signals than other companies.

Reichenbach & Walther (2021) argue that recent research indicates that companies can positively influence investors’ desire to invest in them by announcing that the CEO of the company has a university degree, having reputable investor backing, receiving large investments from other investors, and making campaign updates. Ahlers et al. (2015) investigated which crowdfunding project signals and venture quality factors most likely affect investors’ decision to invest in their financial resources in an equity crowdfunding context. According to them, retaining equity and detailed information in terms of risks can be seen as effective signals, and thus these factors can strengthen the possibility of successful funding. Furthermore, their results show that internal governance (e.g., proper board structure) and more highly qualified board members, as well as speeding up capital raising, can have a positive effect on the probability that investors will invest in the campaign. Instead, they note there is minimal or no impact on successful funding when it comes to social capital and intellectual capital.

2.5.2 Herding theory

In all types of crowdfunding, herding is likely common, and it can be expected because crowdfunding includes so much uncertainty (Åstebro et al., 2024). The prior sub-chapter considered signals and signaling theory in equity-based crowdfunding. In fact, one essential signal of project quality is the public decision-making information of other investors because investors can see other investors' behavior in the platform (Yi et al., 2024). They argue that to prevent failure, investors imitate the investment decisions of the forerunners and thus herd behavior exists in the equity crowdfunding market.

When other information is not available, the value of projects can be provided by the crowd (Åstebro et al., 2024). However, the authors note that entrepreneurial projects that should have been funded might not be funded, and vice versa, when the crowd herds. They argue that, for example, the amount of money already invested in the campaign can affect the investor's decision about how much they will invest. According to the article, Zhang, Liu, and Xiao et al. outline that herd behavior appears when investors facilitate their decision-making by observing and following the decisions of their predecessors. Companies can utilize herding positively in their project financing by creating crowdfunding campaigns that tempt early investments.

Ge et al. and Shai et al. (Chen et al., 2024) point out that among investors, herding behavior is a ubiquitous phenomenon. According to the article, Herzenstein et al. discovered the existence of strategic herding behavior among investors, and they presented that investors tend to make a bid on an auction with more bids, but not after full funding was already received. However, potential investors pay attention to project information, but they also pay attention to investment information because prior backers may have internal information from the project (Yi et al., 2024).

Herding can be rational. If investors behave rationally in the equity crowdfunding market, they do not imitate previous investors (Yi et al., 2024). According to the article, Lakonishok et al. and Sias argue that irrational herding exists when information is incomplete, and backers imitate the investment behavior of other investors. Yi et al. argue that in the case of rational herding, investors will analyze profoundly why previous investors invested in the project, and they are trying to understand the logic behind the investment decision. The authors note that the investors use both project information and internal information from previous investors, which makes the herd rational and not blind. However, Sendra-Pons et al., in the work of Yi et al., point out that herd behavior and successful funding can be achieved by having an anchor investor because it triggers a process of observational learning.

Considering asymmetry, which exists in the crowdfunding market, the more a campaign has previous backers, the more backers follow the herd and make investments (Xiao et al., 2021). The authors outline that the positive correlation indicates the information value of predecessor backers' behavior. However, they also noticed that backers pay attention to other campaign listing features and the experience of the project creator, which decreases the amount of information that is needed from the herd.

2.6 Success factors in equity-based crowdfunding

Lukkarinen et al. (2016) write: "While equity crowdfunding provides ventures with an opportunity to collect funding from a large base of investors, many campaigns tend to remain unsuccessful." (pp. 26) Therefore, it is important to examine and identify factors that lead to successful crowdfunding campaigns. This sub-chapter presents several success factors that are identified in prior research.

2.6.1 Team

Literature regarding the investment criteria of VCs and business angels is abundant (Lukkarinen et al., 2016). According to the authors, it is agreed in most literature that the full management team, as well as the entrepreneur, are the most important decision criterion for angel and VC investors alike. Brettel outlines that team-related selection criteria are believed to have the largest impact on VC firms' decision-making (Streletzki & Schulte, 2013). In addition, the management team is a very crucial criterion for the investment decision for both angels and VCs (Sudek, 2006).

According to Ferreira & Pereira (2018), there is a positive effect on the number of investors in the venture if the entrepreneurial team has academic experience. Lazar et al. note that team formation determines early entrepreneurial success and is very important during the initial stage because it is a foundation for all the future entrepreneurial team dynamics (Lo Monaco et al., 2024). Sudek (2006) points out four main themes that angel investors focus on most consciously: the passion of the lead entrepreneur; the trustworthiness of the lead entrepreneur; the quality of the management team; and the existence of an exit strategy or liquidity potential for the investor. So, it can be noted that team members and team play a very important role when it comes to the evaluation criteria of angel investors.

2.6.2 Funding target

In equity-based crowdfunding, the company sets the target amount of money that they want to achieve through the campaign. Typically, companies will determine a target range for the sought amount of funding (Lukkarinen et al., 2016). According to the article, two basic models are identified in crowdfunding platforms: the all-or-nothing model and the keep-it-all model. Lukkarinen et al. point out that in an all-or-nothing model, an entrepreneur can receive invested money from backers only in the case when the goal of minimum target funding is achieved. Instead, according to the article, Cumming et al. argue that in the keep-it-all model, the entrepreneur can keep all the invested money regardless of the amount of invested money. Lukkarinen et al. emphasize the significance of a lower threshold of the target range, especially in the all-or-nothing model, because the campaign fails if it is not achieved. Therefore, the authors note that a balance between seeking sufficient funds and ensuring that the minimum threshold is reached must be found by the entrepreneur.

In reward-based crowdfunding, a lower threshold of the target range positively affects the success of the campaign (Ferreira & Pereira, 2018). However, according to them, on the contrary, in equity-based crowdfunding, when the required funding amount is higher, the crowdfunding campaign is more likely to be successful. Likewise, according to Lukkarinen et al. (2016), campaigns with higher targets may generate more interest among equity investors. They argue the reason is that with the higher amounts of invested money, companies can take more notable actions towards growth and an increase in value. Moreover, they point out that investors may feel confident when they invest in campaigns with a higher threshold because the campaign will succeed only if sufficiently many backers support it with a sufficient amount of money.

2.6.3 Duration

The duration of the campaign in equity crowdfunding ventures has been revealed to be important in terms of the probability of obtaining success (Felipe & Ferreira, 2020). On the other hand, Lukkarinen et al. (2016) argue that duration does not have a significant impact when it comes to the amount raised in the campaign. Duration in the crowdfunding campaign is usually set between 30 and 90 days, and it is a relevant parameter in terms of decisions (Salahaldin et al., 2019). However, the authors point out that the optimal duration for the campaign still remains an open question because previous crowdfunding literature has produced contradictory conclusions when the impact of duration has been studied by researchers. They outline: “While Mollick (2014) and Clauss et al. (2018) report a negative correlation between the campaign duration and its success, Cordova et al. (2015) and Burtch et al. (2013) identify a positive correlation.” (pp. 404)

The longer the campaign is, the less the investors will invest in it (Lukkarinen et al., 2016). The authors argue that campaigns should be shorter because shorter campaigns indicate decisiveness and ability to deliver. Moreover, they add that shorter durations encourage prospective investors not to postpone their investment decision but rather to act fast. Ferreira and Pereira (2018) also support this argument, and they are surprised that a longer campaign does not receive more backers than a shorter one, because it could be thought that a longer campaign would have more time to reach potential backers. According to the article, Kuppuswamy & Bayus state that the reason for the unsuccessfulness of longer campaigns is a lack of confidence among investors. Furthermore, Mollick, in the work of Hooghiemstra & De Buysere (2016), has stated that the probability of a successful crowdfunding campaign decreases when the duration of the campaign increases. Härkönen has, in the work of Lukkarinen et al., argued that longer durations can be disadvantageous for two reasons. First, investments from backers usually occur at the beginning of the campaign and also at the end of the campaign, and thus, a relatively quiet period can be left in the middle. Secondly, investors can postpone their investment decisions during long campaigns and even forget the whole campaign.

2.6.4 Transparency and trust

In crowdfunding, investors and supporters don’t usually know the entrepreneur personally, and therefore their decisions are based on information that is presented openly and honestly. On the other hand, transparency gives investors the possibility to evaluate the project’s real potential and risks. The provision of financials can be used to improve the transparency of the campaign (Lukkarinen et al., 2016). Prior research indicates that it is a requirement of a successful crowdfunding campaign that the crowdfunding platform provides sufficient technical functions that ensure the availability of sufficient financial information during the campaign and after it (Fanea-Ivanovici, 2018). Lukkarinen et al. argue that some of the campaigns will show financial information, including, for example, historical or forecast revenue and profit figures.

It is indicated in the prior studies that mere provision of financials without taking a stance on the quality of the financials is a positive indicator of campaign success (Lukkarinen et al., 2016). In addition, Ahlers et al., in the work of Lukkarinen et al., have stated that when equity crowdfunding campaigns have not offered financial forecasts or have not explained why financial information is missing, they have received significantly less funding. According to Lukkarinen et al., the availability of financials in the pitch is positively associated with the number of investors. The authors point out that it can be seen as a sign of credibility and capability if income statement data and forecasts are reported by the company. By contrast, they note that it can be seen as dubious or unprofessional if financial information is not reported.

According to Ferreira and Pereira (2018), when an entrepreneur knows the quality of a product or venture better than investors, information asymmetry exists. Transparency could help decrease this asymmetry if sufficient information is provided. Ferreira and Pereira note that the quality of early-stage startups cannot be observed directly, and therefore, investors focus on observable characteristics that can be associated with venture success. They note that while signals, which refer to a venture’s quality, affect funding success positively, the level of uncertainty due to information asymmetry affects funding success negatively. However, Ahlers et al., in the work of Ferreira and Pereira, have argued that the absence or the omission of essential information regarding risks or the future of the venture has a negative influence on funding success. Consequently, they conclude that entrepreneurs should provide more information about risks and about prospects of the future if they want to improve the possibility of the campaign's success. According to Ferreira and Pereira, some prior studies indicate that the existence of a video in the crowdfunding campaign is a quality signal of the campaign. In addition, according to the article, Mollick states that the probability of investment in a crowd-funding campaign will be reduced by 26% if it does not include a video.

2.6.5 Network effects and early momentum

Belleflamme et al. (2018) state as follows: "A product or a service exhibits network effects when the benefits that users derive depend on the participation and usage decisions of other users." (pp. 6) According to the article, Belleflamme & Peitz outline that these interdependent users form a 'network'. The importance of networks in collecting funding is agreed upon in the prior literature (Lukkarinen et al., 2016).

Network size is an important factor in terms of the success of a campaign (Ferreira & Pereira, 2018). Mollick and Kuppuswamy and Bayus argue in the article as follows: "The more friends in the social networks, the biggest is the chance of a project to succeed." (pp. 4) Agrawal et al., in the work of Lukkarinen et al. (2016), have emphasized the importance of contributions from personal connections in financing early-stage companies through equity-based crowdfunding. According to the article, Kuppuswamy and Bayus suggest that in reward-based crowdfunding, the majority of campaign funding comes from companies' existing networks. Schwienbacher & Larralde, in the work of Ferreira and Pereira, note that founders of the campaigns should communicate efficiently via Web 2.0 platforms and use personal networks widely. They argue that this is beneficial because communication from individuals who already belong to the network and believe in the project is more effective than formal communication.

All the studies in the prior literature don't agree with the claim that social media presence is important (Lukkarinen et al., 2016). Belleflamme et al. (2013) declare that the amount of funds raised is not enhanced by the use of social networks. Furthermore, Colombo et al., in the work of Lukkarinen et al., highlight that there is no connection between an entrepreneur's number of social media contacts and campaign success in reward-based crowdfunding, even though the number of contacts has a positive impact for early funding.

Lukkarinen et al. (2016) separate networks into two categories, which are private networks and social media networks. They address that when it comes to early funding in crowdfunding campaigns, the majority of funding comes from private networks. According to the authors, for example, crowdfunding platform Invesdor has a so-called hidden phase in campaigns during the first few weeks in which only private network members are able to invest in the campaign. The authors point out that prior literature supports the claim that early funding contributions strongly help achieve a successful campaign.

Colombo et al. suggest that the total number of early contributions strongly affects the success of rewards-based crowdfunding campaigns, and they argue that early contributions are a signal of quality (Lukkarinen et al., 2016). Moreover, Greenberg et al. (2013) suggest that the predictability of success increases when investors know the number of backers in rewards-based crowdfunding. These findings indicate the importance of early success in terms of both the amount of funding and the number of investors.

2.6.6 Product and concept

According to Lukkarinen et al. (2016), the understandability of a company's concept or product offering may be relevant for campaign success. They outline that venture capitalists look for products that provide, for example, competitive advantage, innovativeness, and proven acceptance. The authors point out that angels, as well as VCs, emphasize the importance of product. Lukkarinen et al. argue that when consumers understand or know the products, they may be more comfortable investing. The authors regard the results of crowdfunding platform Venture Bonsai and highlight that, according to the platform's survey results, 61% of respondents answered that an interesting product or service was a reason to invest. Panchal states that the project creator has to present a product that is suitable for crowdfunding but also create a campaign that is suitable for the product (Forbes & Schaefer, 2017).

Early-stage investors, such as business angels and VCs, are attracted by innovative companies in their investment decisions (Le Pendeven & Schwienbacher, 2023). They state that it is unclear whether crowd investors are attracted by the same characteristics as professional investors. They argue that the reason is that crowd investors have less experience in selecting start-ups, they don't have physical meetings with the company, and they have not accomplished as thorough due diligence as business angels and venture capitalists.

2.6.7 Marketing and fear of missing out

Ilves et al. (2020) examined that the campaign spreads by leveraging social media, and transparent communication is a prerequisite and requirement in order to implement a successful campaign. Telve argues in the article by Ilves et al. that certain marketing formats are significant. The number of updates, Facebook shares, and comments belong to these marketing formats. Moreover, Ilves et al. point out that events as well as newsletters can be useful in some cases. Mollick (2014) argues that the press can follow the campaigns, and that can be beneficial for founders.

The greater funding amount can be achieved in the crowdfunding campaign if the company posts on social media (Nevin et al., 2017). Bhargava et al. (2024) analyzed data from a leading online crowdfunding platform. They observed that updates in the early stages of the campaign are more effective in attracting investors than those in later stages. It is recommended that the company continue communication with the investors after the campaign (Ilves et al., 2020). The authors state that the company should communicate continually with the group of supporters that the campaign already has. In addition, they suggest that the updates can be posted on the platform, Q&As can be organized, and responding to the comments of supporters is recommended. Mollick and Xu highlight in the article of Ilves et al. that the more interactions, the better the crowdfunding campaign will be.

Santilli, Tsai, and Honka address that there are two main functions for advertising in the marketing literature: an informative function and a persuasive function (Eisenbeiss et al., 2023). They describe informative function as: “The informative function is to provide consumers with information about products so that they can make reasoned purchase decisions.” (pp. 2) Instead, Bertrand et al. state in the article that the persuasive function does not necessarily provide decision-relevant information, but the goal is to change consumer preferences. According to Eisenbeiss et al., both informative and persuasive social media posts affect investment decisions during an equity crowdfunding campaign.

Fear of missing out (FOMO) has received relatively little attention in the crowdfunding literature. Agarwal points out that FOMO is a cognitive bias that affects consumer behavior (Sabia et al., 2022). Sabia et al. write as: ”Przybylski et al. (2013, p. 1841) defined the term as ‘a pervasive apprehension that others might be having rewarding experiences from which one is absent…characterized by the desire to stay continually connected with what others are doing’.” (pp. 61) Cialdini, in the work of Eisenbeiss et al. (2023), has argued that according to psychological research, scarcity, rarity, and dwindling availability of objects or opportunities attract people. Eisenbeiss et al. illustrate some examples as follows: “Examples from equity crowdfunding campaigns include: ‘The countdown is on - seven days left! Until then, you can still invest in our campaign on Companisto’ and ‘Today last chance - Secure your shares now! Here you can find the auction’.” (pp. 2) The idea behind this communication is to create fear of missing out in the crowd.

A loyal fan base can be created by entrepreneurs by using FOMO in order to activate identification mechanisms (Sabia et al., 2022). They argue that FOMO emerges as a powerful facilitator of belongingness to support the crowd investor's self-determination strategies. Thus, the investors are willing to participate in a crowdfunding community, sharing in its values and beliefs. Hershfield states that FOMO is effective among non-professional investors (Altundal et al., 2024). Hershfield describes in the article that individuals are interested in others' investment decisions due to FOMO, they envy others' gains, and trade in the relevant markets to achieve the same gains. According to the article of Altundal et al., Chaitanya and Nordin argue that new media tools give individuals the possibility to copy the decisions of other investors. In addition, Shiva et al. point out in the article that real-time access to other investors' investment information leads investors to overbuy without sufficient investment information.

2.7 Crowdfunding platform's role

Literature on the analytical side of crowdfunding platforms is very limited, and the role of crowdfunding platforms has been investigated in a few papers (Bi et al., 2019). According to the article, Zvilichovsky et al. and Da Cruz treated the crowdfunding platform as an agent in a two-sided peer-economy market. Moreover, Kleinert et al. (2022) define equity crowdfunding platforms as: "active, two-sided online platforms that serve as gatekeepers for new venture applicants to regulate the equity crowdfunding process". (pp. 1628)

The due diligence process of crowdfunding platforms consists of background checks, site visits, credit checks, cross-checks, account monitoring, and third-party proof (Cumming et al., 2019). They argue that among equity-based and loan-based platforms, due diligence is more emphasized. The authors observed that due diligence facilitates campaign success, and moreover, it helps to increase the number of investors and the total amount of raised capital on a platform. Furthermore, they claim that lower quality and fraudulent projects can be screened, and information asymmetries between project creators and backers can be mitigated with due diligence application.

Lukkarinen et al. (2016) point out that the entrepreneur and the crowdfunding platform pre-determine the funding target, the minimum investment, campaign duration, and the provision of financials prior to the campaign. The authors point out that 80 percent of the companies that have applied to accomplish their campaign on the crowdfunding platform Invesdor have not fulfilled the set of criteria required to collect equity crowdfunding. Kleinert et al. (2022) found that even 90 percent on average is a rejection rate in the pre-campaign phase, making it perhaps more critical than the campaign phase itself. They point out that equity crowdfunding platforms consider the following quality signals in their acceptance decisions: patents, sales agreements, team experience, and venture capital backing.

2.8 Motivations of backers in equity-based crowdfunding

What motivates backers to invest in equity-based crowdfunding campaigns? Lukkarinen et al. (2019) define: “The term motivation refers to what drives, or moves, an individual to take a certain action.“ (pp. 6) In the article, Ryan & Deci point out: “Different individuals can have different motivations for the same action, driven by differing goals and attitudes.“ (pp. 6) According to the article, already in the year 1959, Simon suggested that the crowdfunding participant has also non-financial aims. As Zhang & Chen (2019) refer to Deci & Ryan, Stock et al., and Van den Broeck et al., research on motivation in crowdfunding has been mainly based on self-determination theory. According to the article, theory says that motivation consists of two facets: extrinsic motivation and intrinsic motivation. In the article, Amabile et al. argue that extrinsic motivation refers to actions committed to external or tangible outcomes, whereas Deci & Ryan outline that intrinsic motivation refers to the pursuit of certain internal feelings. Andreoni, in the work of Zhang & Chen, considers that the behavior of people can be based on psychological benefits as well as extrinsic rewards.

Investor decision-making in crowdfunding differs from decision-making in traditional finance, such as venture capital, business angel investments, or bank loans (Hoegen et al., 2017). On the other hand, Hall & Hofer outline in the article that investment decisions in crowdfunding share common characteristics with decisions in VC funding or bank loans. As Hoegen et al. refer to Akerlof, investments are decisions under uncertainty, and predicting the future development of a business is impossible. Goethner et al. and Lukkarinen et al. point out that backers' motivations vary both between investors and between campaigns, and they are very heterogeneous (Shneor et al., 2020). Therefore, there are contradictory results in research related to the motivations of equity crowdfunding backers (Lukkarinen et al., 2019). According to the article, Cholakova & Clarysse found that equity investment decisions were predicted solely by financial return motivation, and non-financial motives were not found to be significant. On the contrary, in the article, Schwienbacher & Larralde found that backers had intrinsic motivations rather than financial, and they wanted to feel personal satisfaction as well as receive recognition. In the same article, Collins & Pierrakis, for their part, suggest: “equity crowdfunding investors can be motivated by financial reasons, intrinsic reasons such as the willingness to support or be involved, or social factors such as the prestige earned by investing in new companies.” (pp. 8)

Wasiuzzaman et al. (2021) investigated motivations in equity crowdfunding in Malaysia. Results indicated that financial return does not motivate investors remarkably, and instead, aesthetics, trust, and novelty were all very significant factors, of which aesthetics had the strongest effect. Crowdfunding platforms are visual environments that can emphasize the role of aesthetics. However, Bretschneider & Leimeister in the work of Shneor et al. (2020) argue that backers are motivated by the ability to receive recognition, to influence campaign outcomes, and to receive returns or rewards, but not by altruistic motives.

Helping others as a motivation factor to invest in presents an internal feature that reflects backers' voluntary funding intention to support project creators, which is based on altruism (Zhang & Chen, 2019). Moreover, Vismara in the work of Shneor et al. (2020) suggests that some equity-based crowdfunding backers may invest out of a wish to support sustainable development in the world. Vismara continues: "As such, no consensus exists as of yet about investor motivations in equity crowdfunding, perhaps due to their inherent heterogeneity and the rapid evolution of the industry." (pp. 97)

2.9 Conclusion of literature review

In project finance, the project company does not have any earlier operations in its history at the time of the initial debt financing (Finnerty, 2013). So, a new project company is founded for the project, and the project company does not have any other operations. Finnerty points out that the projects that are funded by project finance could also be financed on a conventional basis. Thus, crowdfunding differs from traditional project finance because, in many cases, crowdfunding is the only funding option for the companies that are seeking it.

Kuti et al. (2017) define equity-based crowdfunding as based on the idea that investors invest in a funding campaign and, in return, will receive shares of a company. Backers make their investment decisions according to the information they can receive from the crowdfunding platform. Crowdfunding democratizes capital raising and makes possible for a large group of entrepreneurs. There are four types of crowdfunding, which are 1) equity-based crowdfunding, 2) reward-based crowdfunding, 3) debt-based crowdfunding, and 4) donation-based crowdfunding (Altundal, 2024). Literature recognizes that reward-based crowdfunding has bigger markets than equity-based crowdfunding. On the other hand, in equity-based crowdfunding, the investor has potential for bigger returns but with higher risks. However, equity-based crowdfunding is not suitable for all businesses (Son Turan, 2015).

Previous literature has predominantly focused on reward-based crowdfunding, while equity-based crowdfunding has received comparatively less attention. Qualitative methods have been used sparingly in equity-based crowdfunding research. Therefore, this methodology was chosen for this study. This research addresses a methodological gap by providing two perspectives: that of the companies and that of the crowdfunding platform. The research question of this thesis is: How do companies successfully secure funding for their projects through equity-based crowdfunding?

To answer the research question, previous literature identifies two essential theories that companies should apply in order to achieve funding successfully. They are signaling theory and herding theory. There are information asymmetries between companies and investors because companies obviously have more information than investors. Signaling theory can be applied when the aim is to reduce asymmetries between parties. Herding is likely common in all types of crowdfunding, and it can be expected because crowdfunding includes so much uncertainty (Åstebro et al., 2024). Herd behavior occurs when backers utilize the decisions of their predecessors in their decision-making. Companies can utilize herding positively in their project financing by creating crowdfunding campaigns that tempt early investments.

To determine how to achieve successful funding through equity-based crowdfunding, it is essential to identify the key success factors of the campaigns. Literature identifies factors that contribute to the success of equity crowdfunding campaigns. Prior research agrees that transparency is a very important factor to consider in order to accomplish a successful campaign. According to the literature, financial information and forecasts are crucial to inform, and their absence has a negative influence on funding success. Prior literature agrees that networks are important in collecting funding (Lukkarinen et al., 2016). In addition, network size is a crucial factor (Ferreira & Pereira, 2018). Lukkarinen et al. observe that according to prior literature, early funding strongly helps achieve a successful campaign. The literature indicates that the importance of the product is great for VCs and angels. Lukkarinen et al. argue that when consumers understand or know the products, they may be more comfortable investing. Prior literature agrees that a company’s activity in social media is important (e.g., Facebook shares, number of updates, and comments). Ilves et al. (2020) point out that it is advisable to continue communication after the crowdfunding campaign.

The current literature provides only a partial answer to the research question because there is contradictory information regarding how companies can accomplish successful campaigns. Lukkarinen et al. (2016) outline that a lower threshold of the target range is important because the campaign fails if it is not achieved. On the other hand, they point out that higher targets may be more attractive among equity investors because with the higher amounts of invested money, companies can take more notable actions towards growth. Ferreira & Pereira (2018) state that when the required funding amount is higher, a crowdfunding campaign is more likely to be successful. When it comes to the duration of the campaign, others argue that duration is an important factor to consider, and others disagree. In addition, in the prior literature, others argue that longer campaigns are better, while others suggest that shorter campaigns succeed better.

Literature suggests that the company should focus on the pre-campaign phase in order to get access to the platform. The crowdfunding platforms’ role has been investigated in a few papers (Bi et al., 2019). In the prior literature, they are considered as two-sided online platforms. Prior studies in the literature identify the gatekeeper role of the platform. A significant number of companies are unable to launch their campaigns on the platform because they fail to meet the selection criteria. Prior literature indicates that some crowdfunding platforms accomplish due diligence, and it has a positive impact. For example, Cumming et al. (2019) observed that due diligence facilitates campaign success.

To understand how companies can secure successful funding, it is crucial to identify the motivation factors of investors. Prior literature does not give an unambiguous answer regarding these motivation factors. There are contradictory findings with respect to motivation factors of equity crowdfunding backers (Lukkarinen et al., 2019). There are studies that emphasize the importance of financial motivation factors, whereas some literature highlights non-financial ones. Hoegen et al. (2017) point out that the decision-making of investors in crowdfunding differs from decision-making in traditional finance, such as venture capital or bank loans. Moreover, Fear of missing out (FOMO) has received relatively little attention in the crowdfunding literature. However, some studies identify FOMO as an important driver to leverage in campaigns.

3 Methods

This chapter presents the study methods of this thesis. Research question and research objectives guided the choice of study methods. Qualitative semi-structured interviews are applied by the author in order to get answers to the research question. This chapter consists of three sub-chapters, which are research design, data collection, and data analysis process.

3.1 Research design

Punch, in the work of Öztürk et al. (2024), states that a research design works as a guide for the researcher on what to perform and how to do it. Well-defined research design improves the reliability and validity of the research and also improves the accuracy of the research findings. This thesis uses an exploratory research design. Testing hypotheses is not a goal; instead, the goal is understanding and identifying factors that help companies secure funding for projects through equity-based crowdfunding.

The qualitative study method is chosen by the author for this thesis because the purpose is to understand how and why companies achieve successful equity-based crowdfunding campaigns. In this thesis, it is not measured numerically. In addition, the study method enables comparison between the company and crowdfunding platform perspectives, which gives a balanced and versatile image of the phenomenon. Qualitative semi-structured interviews can be well applied in this thesis because they make the consideration of detailed experiences possible.

Qualitative research must have a worthy topic and meaningful coherence (Tracy, 2010). The author points out that a worthy topic means that research needs to be relevant, timely, significant, interesting, or evocative. According to the article, meaningful coherence refers to a study’s ability to achieve what it purports to be about and use methods and procedures that fit its stated goals. Crowdfunding is a worthy topic because traditional funding methods, such as bank loans, are not always possible, but still, projects need to be financed. On the other hand, semi-structured interviews support answering the research question, which provides meaningful coherence for the study.

3.2 Data collection

Data collection refers to the procedure that is used for collecting relevant information for addressing the objectives of a research study (Busetto et al., 2020). In this thesis, data is qualitative and primary by its nature, and it is collected through semi-structured interviews. The interviews, which are implemented in this thesis, create detailed and experience-based data on how companies have secured their funding through equity-based crowdfunding campaigns. Access to the data will be obtained through direct contact and voluntary participation. The interviewees were contacted by email. The interviews were conducted via Microsoft Teams because the participants preferred this option more than face-to-face meetings. The interviews were recorded by the researcher. The data collection process was supplemented by emails with four interviewees. The goal of this communication was to validate and ensure the precise positions of interviewees in the companies and deepen understanding in the context of the case companies' industries.

Rich rigour refers to a rich complexity of abundance and ethical practice, which means that the data needs to be accurate and fabrication, fraud, omission, and contrivance should be avoided (Tracy, 2010). Rich rigour is achieved in this thesis by implementing several interviews. Semi-structured interviews enable rich observations. Ethical practice is considered in this thesis by accomplishing mutually agreed interviews, processing data trustfully and carefully, and providing anonymity for the interviewees when presenting findings and results. The sources of data:

1) Representatives from companies that have successfully raised funding for their projects through equity-based crowdfunding.
2) Crowdfunding platform professional, representative from Invesdor, who can provide perspective into platform operations and campaign facilitation.

When it comes to the different perspectives of interviews, the company perspective reveals actions in practice as well as decisions in planning and execution of campaigns. On the other hand, the crowdfunding platform perspective provides information about how the campaigns are supported and facilitated. Moreover, relevant information in terms of backers' motivations is achieved through interviews. Collected data enables comparative analysis, which is one essential objective of this thesis. Semi-structured interviews enable flexible but systematic collection of data. Moreover, the study method provides the possibility to create an interview structure where all the interviewees can answer questions from the same themes. However, the open questions give an opportunity to deepen answers. The interview guides can be found in the appendices. Company A's questions varied slightly from those of Companies B and C to account for its unique perspective on leveraging crowdfunding success in future projects. Additionally, the questions for the crowdfunding platform's investment manager were tailored to investigate the platform's specific role and support functions.

Questions in the interviews are planned based on the research question and the research objectives. For transparency, Table 1 indicates interview methods, dates of the interviews, and durations of the interviews.

Table 1. Semi-structured interview information.

PARTICIPANT	INTERVIEW METHOD	DATE	DURATION
COMPANY A	MICROSOFT TEAMS	3.10.2025	37 MIN
COMPANY B	MICROSOFT TEAMS	7.10.2025	21 MIN
COMPANY C	MICROSOFT TEAMS	8.10.2025	34 MIN
CROWDFUNDING PLATFORM	MICROSOFT TEAMS	17.10.2025	35 MIN

All the interviewees had held pivotal roles and positions in their companies that contributed to the success of the crowdfunding campaign. The case companies are from three different industries, and all the companies have accomplished at least one successful equity-based crowdfunding campaign. Campaigns of the case companies occurred during the years 2015-2023. Positions of the interviewees, industries (based on NACE codes of the European Union), number of campaigns (equal to the number of successful campaigns), and the campaign years are presented in Table 2. Positions of the interviewees were positions at the moment of the campaigns. The interviewee from the crowdfunding platform Invesdor held the title of Investment Manager.

Table 2. Case company information.

	Industry (According to the EU NACE Classification)	*Interviewee positions*	*Campaign years*
Company A	Arts, entertainment and recreation	Chairperson of the Board & CEO of the parent company	2015 & 2016
Company B	Accommodation and food service activities	Chief Financial Officer (CFO)	2016
Company C	Manufacturing	Marketing Manager	2019, 2020 & 2022/2023

3.3 Data analysis process

The data analysis process started by listening to recorded interviews and making first notes and observations. The next step was the transcription of all four interviews. AI tool Clipto.AI was used for transcription. However, the interviews needed to be listened to by the author, entirely checking that the transcription was correct; some corrections to the transcriptions needed to be made by the author. After transcription, all the interview data was read by the author a couple of times in order to begin to understand important themes and bigger entities. The third step of the data analysis process was open coding. At this phase of the analysis process, the author went through interview data and made codes for the citations with Microsoft Word's comment feature. Labels are given for events/actions/interactions, and thus conceptually similar ones are grouped together to form categories (Corbin & Strauss, 1990). One code could have been, for example, “duration” or “motivations of smaller investors”. Open coding is followed by axial coding. Corbin & Strauss argue that categories are related to their subcategories in axial coding. In this phase, categories are formed, and similar codes are grouped with them, and themes will be created. The final step is reporting these themes and presenting research findings. The data analysis process is illustrated in Figure 1.

Answers of the companies and the crowdfunding platform are compared under formed themes. These answers are considered in parallel during the analysis. Direct quotations from interviews were chosen neutrally and not to support the author’s interpretation. Moreover, findings were not chosen to support some particular insight. Instead, all the data was considered. The author has made small modifications to the quotations to improve readability. For example, fillers and repetition have been removed. In addition, square brackets within the quotations are used for two reasons. First, if words inside the quotations are changed by the author to protect anonymity. Secondly, to clarify some sentences. The interviews were conducted in Finnish, and all the quotations are translated into English by the author. Translations do not alter the meaning of the original quotations.

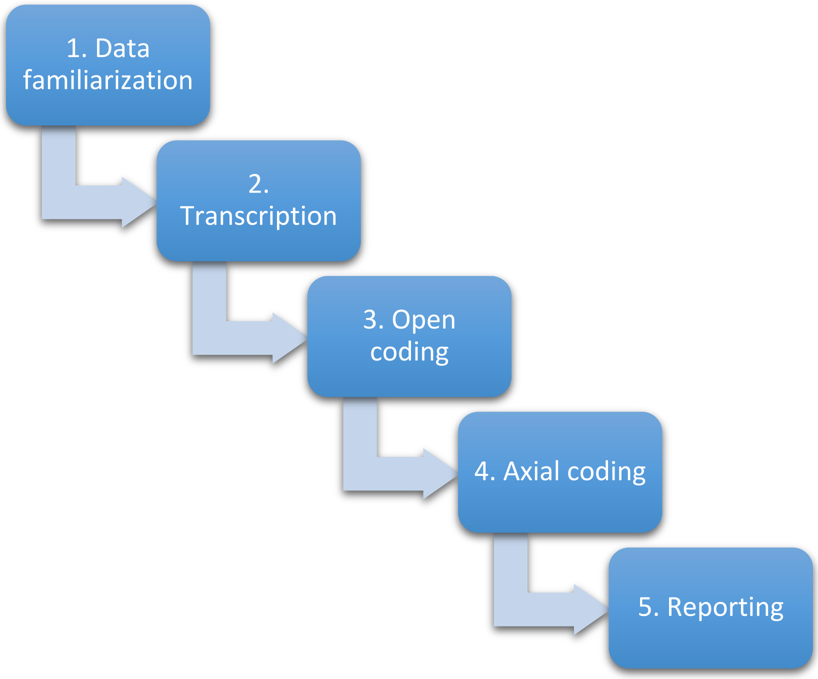

Figure 1 Data analysis process.

4 Results

This chapter presents the research results. Three companies and crowdfunding platform Invesdor were interviewed through semi-structured interviews. So, overall, four participants were interviewed. This chapter consists of four sub-chapters. Sub-chapter 4.1 discusses the role of the crowdfunding platform. Sub-chapter 4.2 considers the research findings with respect to the success factors of the equity-based crowdfunding campaigns. Sub-chapter 4.3 takes a look at the motivation factors of backers. Finally, sub-chapter 4.4 discusses how a company can leverage a successful crowdfunding campaign in its future projects. Findings of the sub-chapter 4.4 are based on the company A's interview.

Before moving forward to the factors that affected the success in equity-based crowdfunding, it is presented why case companies chose crowdfunding for their financing method. It creates context for the success factors and reveals the original goals of each campaign. Moreover, this information creates a foundation for why certain success factors were important.

Company A did not have any other funding options than crowdfunding. Therefore, they must use crowdfunding to finance their project.

"When we went to ask loan to the project from bank, it did not succeed. They listened our story looking quite aghast." (Company A)

However, they also said that the crowdfunding campaign was used for marketing.

"Our idea was that we don't only gather money but do marketing. We find this kind of ambassadors which would as though engage this [project] already at the point when it was kind of still in [early visionary phase]." (Company A)

According to the representative of company B, they chose crowdfunding to finance their project because the company was popular and they also wanted to use the campaign as a marketing tool for the firm. In addition, they thought that crowdfunding could be a suitable funding form because quite a lot had already been written about it in the media.

"Basic reason for that why we used crowdfunding was that already in that time [Company B] was quite popular." (Company B)

Similarly, as Company A, Company B also wanted ambassadors.

"At the same time, we had idea of having ambassadors who would tell from our firm to the public when many owners are involved." (Company B)

The representative of company B said that the firm wanted many shareowners.

"The goal was that there are many and with small sums. […] It is much better than someone would come and put million to the table. […] All the owners would also market the [Company B] at the same time. It is major single reason why we did go this way." (Company B)

According to the representative of company C, a motive to use crowdfunding was that other funding routes were already contacted, and more money was needed.

"When angel investors and investors from own circle had already been contacted at that stage, then a slightly larger sum had to be raised, so this was the only way to raise that larger sum at that moment." (Company C)

The motives and the reasons to choose crowdfunding as the financing method are summarized in Table 3.

Table 3. Reasons behind financing method selection.

Company A	Company B	Company C
- Crowdfunding was the only option available. - A bank loan was not given when asked. - Marketing was made through a campaign.	- Many owners could spread the word. - The campaign was utilized to finance the project and marketing. - The company wanted rather many investors with small sums than one large investor.	- Other funding routes were already contacted, and more money was needed. - Crowdfunding was the only option.

4.1 The role of crowdfunding platform

The representative of Invesdor (investment manager) talked about the investment manager's role, tasks, and responsibilities at the beginning of the interview. An investment manager finds companies that seek funding mainly via networks and prepares cases for the investment committee by analyzing the business. During campaigns, the investment manager works as a contact person for the companies, supports Invesdor's project manager, and supports the process to maximize the amount of capital raised.

This sub-chapter considers the role of the crowdfunding platform, Invesdor, in the equity-based crowdfunding campaigns. Considering the role of Invesdor is essential for interpreting the research findings because campaign success depends on support, processes, and expertise, which are provided by the platform. An interview with the Invesdor's investment manager revealed that the role of Invesdor is remarkable nowadays. The investment manager of Invesdor comments that the role of Invesdor in accomplishing campaigns has changed.

"It has changed very much over the years. […] Today, Invesdor is practically responsible for the whole preparation. It makes all the materials for the company. It makes juridical

due diligence, it makes business due diligence, and it makes material for the campaign, the investor material." (Invesdor)

The interviewee says that in the case of a campaign being opened in other countries, Invesdor will translate the material. According to them, Invesdor also markets crowdfunding campaigns in their own channels in order to achieve the best possible final result. The investment manager notes that Invesdor's role has changed from the point when companies were evaluated only at a surface level. Nowadays, the role is different. They say that all companies don't get access to Invesdor even though they would like to.

"There is a significant number that cannot reach us. […] Most can't access to the Invesdor's website even if they want to. We experience that they are too early phase, they are not interesting enough in our opinion. We don't see the business idea and so on. So, the screen has tightened up a lot." (Invesdor)

They examine potential companies, almost like a venture capital fund. Invesdor is strongly involved in supporting campaign material creation and ensuring that good material, which is given to the potential investors, exists. It is also important that the platform sees notable good return potential.

The investment manager highlights that the companies see the success factors in a different way and says that there should be communication with the companies, and the company needs to understand that the platform is an expert in this case.

"I would say that the typical mistake is that target company does not listen professional. […] It would be good to listen to what we have to say when applying for funding through us." (Invesdor)

The representative of Invesdor points out that even though the company itself believes it knows the most important things in their business, they are not necessarily the things that are important for investors and what resonate with investors.

"It is absolutely the biggest mistake which is made in the campaign preparation. There is perhaps too much talking from certain product which is made, manufactured or sold and there is too little focus on the investment opportunity." (Invesdor)

So, in conclusion, according to the representative of Invesdor, it can be stated that the role of Invesdor has changed crucially over the years: it is not a purely technical platform, but instead it is an active partner. The changed role can also be seen as a fact that the screen has tightened up, and only a few companies can access the platform. According to the investment manager of Invesdor, in order to implement a successful campaign, it is important that the company uses the platform's help, support, and expertise. The role of Invesdor is summarized in Table 4.

Table 4. Invesdor's role in equity-based crowdfunding campaigns.

Theme	Key content
Changed role	Invesdor is not only technical platform, but instead it is active partner which makes material for the campaign and supports companies.
Preparation of campaign materials	Invesdor is practically responsible for the whole preparation.
Due Diligence	Invesdor accomplishes juridical and business due diligence.
International support	Invesdor translates materials if the campaign is opened in other countries.
Marketing and visibility	Invesdor markets campaigns in their own channels in order to maximize good results.
Gatekeeper role	Not all companies get access to the platform. Many companies are filtered out by Invesdor.
Expert position	The company needs to actively leverage the platform's support, advice, and expertise.

4.2 Success factors of equity-based crowdfunding

This sub-chapter reveals study results with respect to success factors. The emerging factors are based on analysis of interviews, and they reflect both the companies' and the crowdfunding platform's perspectives.

4.2.1 Product and concept

The representative of Company A notes that their project had concreteness, uniqueness, and attractiveness.

“The story was interesting, project itself was interesting and sort of unprecedented, visible and concrete. […] Concreteness that something is achieved, and uniqueness that this is not only concrete in a certain way, but also highly visible and somewhat extraordinary as a project.” (Company A)

The representative of Company A says that the project perhaps created a “wow” element among the crowd because something visible and real could be achieved with applied funding. In addition, they succeeded in affecting people’s imagination.

“That perhaps appealed to people's images and imagination. That's one aspect.” (Company A)

According to the representative of company B, they knew that their concept had an attraction. Consequently, they wanted to bring the concept out to the potential investors. In addition, they emphasize the importance of a good idea and a working concept.

“Even more important thing is, of course, that there is a good idea. It's not just about formatting the texts correctly, but also about having a working story behind it, a working concept.” (Company B)

The company C’s representative, for their part, points out the attractiveness of the firm and also the unique and patented product.

“I would say that we have unique product which had patents all in order. […] The firm was interesting.” (Company C)

The representative of Invesdor emphasizes the importance of the right valuation. They note that investors are more professional nowadays and therefore valuation needs to be appropriate to raise money from them.

“When I said that the field has changed, I think the investor community has also become significantly more professional, which means that if it's too expensive or investors feel that the valuation is too high, then the money simply won't rise in the same way.” (Invesdor)

Key findings of this sub-chapter are presented in Table 5.

Table 5. Product as a success factor.

Perspective	Key findings
Company A	Concreteness, uniqueness, visibility of the project, and ability to affect mental images of backers.
Company B	Strong and workable idea and attractiveness of the concept.
Company C	Unique product that has a patent. The company was interesting.
Invesdor	Valuation needs to be right because professionalism among investors has grown.

4.2.2 Funding target

None of the case companies mentioned funding target as a success factor for the campaign. Instead, the representative of Invesdor states that the requested amount can't be too big.

"I would say that one more addition to that [success factors] is that requested funding amount is realistic." (Invesdor)

In addition, they point out that a moderate sum is reasonable at first, and funding rounds can be implemented more, and then the company can request more money.

"And it is also important to as a company that if you are applying [funding] for the first time, it is better to apply for a little less funding. We are talking perhaps from million or max. one and a half million. And then in the next funding round it can be applied again a little more." (Invesdor)

According to the representative of Invesdor, it is important to note that the company can apply for funding many times over the years.

"It is better to raise slightly smaller rounds in order to achieve investment base and investor base." (Invesdor)

The Investment manager states that one success factor of crowdfunding campaigns is using the successful campaign as a reference for future funding rounds.

"Can it be used as a reference that 'we already have one successful round'?" (Interviewer)

“Absolutely it can and must be used. And then of course, there's a new success factor, since you asked about them. We have a lot of alumni who have been there [in a platform]. Some have been there five times, even six times.” (Invesdor)

The representative of Invesdor notes that it is very important that the company communicates with its investors between the funding rounds in the same way as a listed company. The company needs to send the updates about how the company is doing and so on. However, they bring up one more reason why the funding target should be realistic. It is suspicious from an investor's perspective if the invested amount of money is far from the target.

“Investors somewhat question how this company can succeed as it remains far from the sought maximum funding amount.” (Invesdor)

Table 6 summarizes the key findings.

Table 6 Key findings: Funding target.

Theme	Key content
Realistic funding target	The requested funding target needs to be realistic.
First funding round (i.e. campaign)	In the first round, it is better to seek a little less funding (e.g., 1–1.5 M€). Funding can be applied for several times if needed.
Building an investor base	Smaller funding rounds help in building an investor base for future rounds.
Risk of high funding target	Funding target raises doubts among investors if the amount achieved falls far short of the target.
Successful campaign as a reference	The company should use a successful campaign as a reference for future funding rounds. Communication to investors is crucial between funding rounds.

4.2.3 Team

The importance of the team didn’t rise to the success factor of a campaign, as far as the interviews of companies B and C are concerned. However, the interviewee of company A regards experience and merits in the team as an important campaign success factor.

“Then this group that was doing it [project], it had certain merits. It had done things. […] There were some experienced people on that team.” (Company A)

The representative of Invesdor considers the team significantly important for the success of the campaign.

“So, if we're talking specifically about these equity-based campaigns, what are the most important success factors?” (Interviewer)

“Number one, in my opinion, is the same as with any venture capital fund: we need to see that there is a good team, because if there isn’t, it won’t get through to us.” (Invesdor)

4.2.4 Marketing and media visibility

This sub-chapter includes aspects of marketing and media visibility in the campaigns. Sub-chapter 4.2.4.1 discusses marketing and social media, whereas sub-chapter 4.2.4.2 considers visibility in media during the campaigns.

4.2.4.1 Marketing and social media

The representative of company A highlights that their goal was to affect people's movement in the city where the project was implemented. To achieve this goal, they did marketing and had, for example, a slogan. Their marketing budget was remarkable.

"We spent tens of thousands of euros on campaigning, paid advertising on Facebook and press releases were made and so on." (Company A)

They point out that company A spent more on paid advertising than companies typically do in crowdfunding campaigns. According to them, communicative actions and events were made, and the role of Facebook was important.

"We succeeded well in our own communication, predominantly in social media." (Company A)

The company B's representative states that they made their own marketing notably, and Facebook was used as a channel.

"We did quite a lot own marketing also. […] Facebook was popular channel in social media in that time. To some extent perhaps Instagram in that time, but not much." (Company B)

Moreover, they note that company B informed potential investors through their campaign, also in their physical business places.

"All the people who came to [business places], received information that there is this kind of chance." (Company B)

The representative of company C reviews that in their first funding round, they got vast visibility through marketing cooperation that was made together with a YouTube channel, which had millions of followers. Attention was received from abroad with the help of this project. However, the interviewee emphasized the importance of the newsletter and said that social media was not so important.

"Newsletter was, I would say that it is number one we had. […] If we hadn't had 8000 people for whom to send emails, it would have gone perhaps in a different way." (Company C)

"I would say that maybe 50 percent [of backers] came because they were our customers and knew us, but from that other marketing, 80 percent came through the newsletter. Social media was pretty small." (Company C)

They state that the newsletter included information from the funding round, news from the firm, and information from possible events or received rewards. Before the campaign, they made a teaser on social media where they informed social media followers that the funding round would start soon and the updates would be given in the newsletter. However, they also marketed the campaigns in Kauppalehti. During every funding round, they had an advertising campaign in Kauppalehti.

"There are banners that are clear. One sentence, what you want the customer to know about the company, and then a clear call to action button." (Company C)

They had these banners in Finnish and English. In addition, in the end phase of the campaign, banners included information that the investor still has time to invest.

"They [banners] were simple, but they were reputedly their most effective advertising banners at the time they were in Kauppalehti." (Company C)

In terms of paid advertising, the representative of company C points out that the newsletter was obviously practically free to the firm, whereas Kauppalehti was their most expensive marketing channel.

“If there was a little paid marketing in Kauppalehti, was there any in social media? (Interviewer)

"Something very minimal, some boosts to some social media post, maybe something like 50 euros each.” (Company C)

The representative of Invesdor emphasizes that it is important that the company itself is active during the whole campaign. They see social media channels as an important way to be active.

“It [activeness] doesn’t necessary mean that it needs to be paid advertising, but that own social media channels, LinkedIn and so on are used.” (Invesdor)

The representative of Invesdor considers it important that the team and the company use marketing channels to gain visibility and momentum for the campaign.

“We can see remarkably big difference also in the behaviour of our investors, which may partly be due to herd behaviour, that when company is active, actively trying to attract investors and investments, those are coming. The more investments come, the more investors also in our network become active.” (Invesdor)

In addition, Invesdor’s representative argues that the role of social media has increased. Findings of marketing strategies are summarized in Table 7.

Table 7. Marketing methods and role of marketing.

AGENT	ESSENTIAL MARKETING METHODS	ESSENTIAL OBSERVATIONS
COMPANY A	Paid advertising (Facebook), slogan, press releases, communicative actions and	They had a remarkably big marketing budget. Communication occurred predominantly in social media.

	events, communication in social media	
COMPANY B	Social media (Mainly Facebook), marketing in their business places	They carried out a lot of their own marketing. All the people who came to the business places received information from the campaign.
COMPANY C	Newsletter, cooperation with popular YouTube channel, banners in Kauppalehti, social media	The newsletter was the most important marketing tool. The use of social media was very minimal. Kauppalehti was their most expensive marketing channel.
INVESDOR	Companies need to be active on social media.	The role of social media has grown. The activeness of the company increases the behavior and momentum of investors.

4.2.4.2 Media visibility

The representative of A says that they made press releases. However, they note that it can be said that they did not succeed very well in the media because there were a couple of skeptical articles regarding their campaign.

"I remember the media was somewhat skeptical about it [crowdfunding campaign] […] We didn't do very well in the media." (Company A)

For company C, Kauppalehti was an important marketing channel, and at the same time, it was their most expensive marketing method. Moreover, the representative of company C says that they made a press release during one of their campaigns. In addition, they say that they were mentioned in the article of Kauppalehti during every campaign. For example, one famous artist used their product, and therefore, they were mentioned in the article.

"Kauppalehti does not usually want to mention in these articles [from funding rounds], it [funding round] was mentioned in the subordinate clause in that article, but the news item itself was something else..." (Company C)

The representative of company C points out that their contact in the Kauppalehti also helped to get mentions from the firm in the news. They were able to ask directly from the contact whether he could write on the subject they wanted. In addition, the representative of company C regards it as important that there was paid advertising in the magazine.

"Usually, it goes in the magazines so that if you don't advertise, you don't get the article. But if you put money for the advertising, more likely they will write article from you" (Company C)

The representative of Invesdor points out that the role of print media has decreased, and the role of social media has increased. They state that earlier there were companies that had front pages, but nowadays, these can be seen very little. They also say that so-called ad blockers are one reason why the role of print media has decreased.

"When many has so called ad blockers on, advertisements don't perhaps go through." (Invesdor)

However, the representative of Invesdor admits that it is a positive thing if visibility in media can be achieved without paid advertising.

"If company is so interesting that it can manage to achieve visibility in media without paid advertising, it has influence." (Invesdor)

They point out that perhaps the role of media visibility depends on what kind of company is regarded and what the company does. Moreover, it depends on how the company has used money, for example, on social media vs other channels. The investment manager also points out that it can be difficult to clarify from which channels investors have been reached by the company.

"And then of course, if you hit the right magazine, on the other hand, I also think it's harder to measure if you're in a magazine, what actually came through that and what came from elsewhere." (Invesdor)

Table 8 outlines key observations in terms of the media visibility's role in the campaign.

Table 8. Media visibility's role for campaign success.

Agent	Key observations
Company C	• The company was mentioned in the articles of Kauppalehti during all three campaigns, and thus Finnish investors were activated. • The contact person in Kauppalehti helped to get the company's name into the articles. • Paid advertising through banners helped to get company's name into the articles.
Invesdor	• The role of print media has decreased, and the role of social media has increased. • So-called ad blockers are one reason why the role of print media has decreased. • It has an impact if visibility in the media can be achieved without paid advertising. • The role of media visibility depends on how the company has used money, for example, to social media vs other channels.

4.2.5 Transparency, trust and credibility

The representative of company A describes that they didn't have concrete exit plans, so that the investor would get their money with interest. Moreover, there were no plans for the distribution of dividends. They say that these things were not promised.

However, they promised profitable business as well as a budget forecast for the next five years.

"But profitable business was promised. Then it was promised, which was also a five-year budget forecast, that this is how it will go." (Company A)

The company C's representative said that they needed to share all the financials openly. In addition, a video was made at least in two out of three campaigns. The CEO and founder were introduced in the video. Moreover, the reason why the firm was established, and the firm's vision were presented in the video. In addition, crowdfunding platforms require that the company justify to the investors on the platform how the money will be spent. All the scenarios needed to be described if the firm receives a minimum sum, midpoint sum, or maximum sum. In addition, the destination for the money needed to be explained believably.

"Investors don't just give you money if you don't do anything extra with it, but if you receive 500 000 more, you have to have some realistic, reasonable use for that money and what you plan to achieve financially with it in the future." (Company C)

Company B was already familiar to consumers, which adds trust in the company. The representative of company B brings up two things in terms of trust: a popular brand and a realistic prospect.

"I would say that the equation was that it was a quite well-known, very popular brand, and then a realistic prospect." (Company B)

Moreover, the representative of company B states that they did not promise too much to the backers.

“We did not promise gold, but realistically we opened prospect and the potential of this concept.” (Company B)

The representative of company A describes that the company had already succeeded in getting permission from the city to rent a very essential area for their project. Thus, the project was more realistic.

“It [project] wasn't just an empty fantasy [...] In a certain sense, there already existed an asset, namely a lease agreement with the city.” (Company A)

According to the representative of company C, they did updates regarding the phases of the campaign. In addition, they published news through a newsletter about what they plan to do with the requested amount of money and what they have already done. Trust was built towards investors also by mentioning rewards, patents, satisfied clients, and quotes from satisfied clients. Table 9 provides a look into the key findings of this sub-chapter.

Table 9. Key findings: Transparency, trust and credibility.

Theme	Company A	Company B	Company C
Objectives communicated to investors	Profitable business and a 5-year budget forecast were promised.	Realistic outlook, not too big promises.	Clear plan for the use of funds.
How was credibility built?	A lease agreement in the very essential area of the city.	Well-known and popular brand.	Detailed explanation of how money will be spent. In addition, they mentioned rewards, patents, satisfied clients, and quotes from satisfied clients.
Building trust	Realistic financial forecasts and transparent communication.	Realistic prospect without overpromising.	Video introducing the CEO, founder, and the company’s vision. Updates on how the raised funds were used and what

			had already been accomplished.

4.2.6 Campaign timing and duration

Timing and duration emerged as key themes in the interviews, and these are addressed in this sub-chapter.

4.2.6.1 Timing

Timing was not mentioned as an important success factor by a representative of company A. However, the representatives of companies B and C considered it important.

"Timing is really important. It was a time when crowdfunding had been around for a while, but not that much yet, there weren't that many cases in Finland yet." (Company B)

The representative of company B also points out that timing was an important factor in another way, too. Company B was in the right phase to use crowdfunding.

"The concept had already been proven to work, but the company was still early enough that there was significant upside for investors. At least, that's how we saw it." (Company B)

In addition, company B's representative notes that they were the first company in Finland to provide a novel concept in their sector. Thus, timing was great because it supported the growth of the business and the success of the funding campaign.

The representative of company C states that they postponed their second campaign because they thought that the timing for the campaign would be better at a later stage.

"We were supposed to start second round already at spring, but then it was postponed to autumn. The most important thing was that we can get something interesting to tell from the firm at a same time when the round comes out" (Company C)

When it comes to company C's third funding round, it was really important that the funding round had to be at a specific time. Moreover, they launched one product prematurely to get the product included in the funding round. They say that the timing was good to apply for funding because the trend in their industry was rising, and they had a good product with a patent.

4.2.6.2 Duration

When it comes to the duration of the campaign, all the representatives of case companies commented that the crowdfunding platform proposed or decided how long the campaign should be.

"I feel like they're usually a certain length through the [crowdfunding platform]. They have a standard length, and it's like four or six weeks, and we went with that." (Company A)

"We just listened to what [Crowdfunding platform] said that they had their own concept, and we went with that." (Company B)

"From there [crowdfunding platform] came a suggestion about how long it should be. […] I don't think our three rounds were all the same length. It seems like they were a little different length." (Company C)

However, the representative of company B considers that duration is not one of the most important things in the campaign.

"So, what about the duration of the campaign and its planning, did it affect the success of your campaign?" (Interviewer)

"Yeah, yeah, certainly, but if I think about it a bit, it was much more important that there was a working concept behind it than that there were magic tricks…" (Company B)

The representative of Company C considered timing more important than duration.

"Maybe it's not so important how long the round lasts, but that there is something to tell about the company at the same time, which increases the hype." (Company C)

Company C's representative considers that if the duration is too long, people lose interest in the campaign. Therefore, duration should be as short as possible, but long enough to achieve the target amount.

Invesdor's representative notes that the middle weeks of a campaign are quite stagnant, unless the company has a remarkably large marketing budget.

"If the campaign stays open for a long time, we see that the middle weeks don't really bring much in. The only exception is that if companies have a very significant marketing budget, certainly a hundred thousand or more. So that you could really spend for weeks and weeks on media, then a longer campaign might be good." (Invesdor)

Invesdor's representative notes that they see very clearly from the statistics that the peaks are coming at the beginning of the campaign, at the moment when Invesdor sends a newsletter, and in the end, when there is a last chance to invest. They state that the campaign follows a normal initial public offering. Conclusions and key findings with respect to timing and duration can be found in Table 10.

Table 10. Timing and duration of the campaign.

Theme	Agent	Key findings
Timing	Company B	• Timing was good in three ways: 1) Crowdfunding was in the developing phase in Finland. 2) The company was in the suitable phase – the concept was proven, but there was growth potential. 3) The company was the first one in Finland to provide a novel concept in their sector.
	Company C	• Postponing the campaign to allow interesting news to come from the firm at the same time as the campaign. • One of the campaigns was planned to happen at a certain time, and one product was launched prematurely to get the product included in the funding round. • The trend in their industry was rising, and they had a good product with a patent.
Duration	Company A	• Platform decided – standard duration
	Company B	• Platform decided the duration. • Working concept is more important than duration.
	Company C	• Crowdfunding platform made suggestions – duration of funding rounds varied. • Timing is more important than duration. • Duration should be as short as possible, but long enough to achieve the target amount.
	Invesdor	• The middle weeks of the campaign are quite useless except if the company has a huge marketing budget.

	• Peaks are coming at the beginning, after the newsletter, and at the end of the campaign. • Crowdfunding campaign follows a similar curve to a normal IPO.

4.2.7 Campaign dynamics

This sub-chapter considers the importance of early momentum and the fear of missing out. Early momentum refers to investments at the beginning of the campaign, whereas fear of missing out refers to the phenomenon where investors are afraid to miss their chance to invest.

4.2.7.1 Early momentum

Two out of three case companies (company A and company C) considered that early momentum was an important success factor in their campaigns. Company A leveraged their parent company to create early momentum.

"We were trying to get it started early on, and the parent company subscribed some of the shares already in early phase." (Company A)

They point out that the parent company was giving a push to the campaign, and the parent company didn't make only one single big investment, but rather it subscribed once in a while. The company A's representative notes that this kind of push from the parent company was beneficial.

"But it mattered in that early stage that when often in crowdfunding nothing happens first and then things only start to happen if the campaign is four or six weeks long, towards the end." (Company A)

The representative of company C says that the crowdfunding platform has a so-called 'hidden phase' which happens before the funding round goes public. They point out that 100% of the requested funding can already be achieved in the hidden phase (i.e., before the campaign is even public). Anchor investors play an important role in this phase.

*"If there are these anchor investors or investors who have already committed to invest before that round, they can help fill the hidden phase." (*Company C)

They point out that if the hidden phase can be completed fully before the round is public, it guarantees that the funding round will achieve its funding target.

"Because when it goes live and it's already around 100 percent funded, it's a really good thing." (Company C)

The representative of Invesdor does not believe that the hidden phase affects the success of the campaign. Instead, they say that there are some reasons why it is needed.

"The first one [reason] is that we have a requirement that the company itself brings in anchor investments of a certain percentage of the requested amount of money." (Invesdor)

The representative of Invesdor argues that they have the above requirement because it validates the validation, and also due to the herding effect, as no one wants to invest first.

"The second reason is that it [hidden phase] is sort of handout to companies, their current owners, that they have the opportunity to invest first." (Invesdor)

However, the representative of Invesdor strictly denies a correlation between the hidden phase and campaign success.

“Does the hidden phase itself have an impact on the success of the campaign? It doesn't, but it has to exist so that we can get all of this done, because the legal material has to be ready when the so-called anchor investments are made.” (Invesdor)

4.2.7.2 Fear of missing out

Company B and company C note that fear of missing out, or FOMO, affects investors. The representative of company B notes that the new investments occurred especially at the end of the campaign.

“And from day to day, especially towards the end, the investments came in very quickly. When people realized that the round was about to fill up, they wanted to get on board. And a few were left out because they didn’t make it in time.” (Company B)

The representative of company C tells that their most important task, especially at the end of the campaign, was to create FOMO to investors. They argue that creating FOMO succeeded well.

“The final phase went really well for us, because people got the feeling that so many others had already invested and with such a large amount, so they thought, ‘Alright, I’ll put in money as well.’” (Company C)

The company C’s representative points out that due to FOMO, many investors invested at the end of the campaign.

The representative of Invesdor says that, in their opinion, most of the investments don't always come through FOMO at the end of the campaign. However, they note that it depends on some factors.

"I wouldn't draw a straight line that most of it will come as FOMO at the end. This also varies. If it does, it varies depending on the market situation, it also varies depending on how close you are to that maximum amount. The closer you are to it, the more FOMO there is." (Invesdor)

Table 11. Key findings: Campaign dynamics.

Theme	Agent	Key findings
Early momentum	Company A	• Parent company subscribed to shares in the early phase of the campaign, giving the campaign a push
	Company C	• Anchor investors play important role in the hidden phase before the campaign goes public • It is a very good thing if company can raise a lot of funding in the hidden phase
	Invesdor	• Hidden phase does not affect the success of the campaign • Hidden phase is needed because: 1) anchor investments validate the validation and create herding 2) it works as a handout to the company's owners to invest first
Fear of missing out	Company B	• Towards the end, the investments came in very quickly when people realized that the round was about to fill up
	Company C	• Creating FOMO was a very important task at the end of the campaign • Creating FOMO succeeded well
	Invesdor	• Most of the investments don't always come through FOMO at the end of the campaign

	• Market situation affects the role of FOMO in campaigns

4.3 Backer motivations

This sub-chapter considers the motivation factors of backers that the case companies regarded as important in their campaigns. In addition, the representative of Invesdor highlights the motivation factors of backers in campaigns.

The representative of company A notes that financial returns, desire to see the project come to fruition, taking part in the visible project, and emotional identification with the project were motivation factors that motivated their backers. In addition, owner and user benefits played an essential role.

"I would say that certainly it was important that we promised also owner benefits for these people." (Company A)

The representative of company A states that the firm had a very good opportunity to provide particular benefits to the first shareholders. Moreover, they emphasized the theme "investing yourself". It meant that if you leverage user benefits and use the company's facilities, at the same time, you will invest in your well-being and networking. Referring to these benefits, they wanted to cause some kind of movement.

"It might not have mobilized these deep pockets, but it did activate around 1000 retail investors through the small-share or single-share model." (Company A)

The representative of company A says that backers wanted to see this project happen.

"Then I genuinely think that people wanted to see the project come to fruition. In a way, people probably had the idea that I was involved in doing something like this which would leave a mark on the streetscape of [city] as well." (Company A)

The representative of company A makes a difference between smaller and larger backers. To smaller backers, who invested 200 euros, investing was a 'fun fact' thing that they were involved in the project. While to backers, who invested thousands of euros, 10,000 euros, or even 100,000 euros, investing was clearly a financial issue. The company A's representative points out that people invested in it also according to their emotions, and the investors considered whether the project seemed interesting. This side was important in their project.

"Of course, there's always the financial side, but then there's also the emotional side, whether this project speaks to me, whether this project will do good in the world and in the city. That side played a pretty big role for us." (Company A)

The representative of company B noted that the good concept was the recipe to reach investors. Moreover, they emphasize that backers wanted to be part of the brand. In addition, an expectation of financial returns motivated investors.

"From investor perspective it was certainly that they believed concept and its returns." (Company B)

The representative of company C says that they don't believe that expectations of financial returns were the main reason to invest in. On the other hand, they mention that some investors were interested in a big return on investment if the company gained the same kind of success as a very successful company in the same manufacturing field. The representative of company C states that the motivation factors between large and small investors differed from each other.

“Larger investors who were in, they are our real customers who believe this idea from this product and what we are doing with this product to the [leisure industry] and to the world and so on.” (Company C)

The representative of company C stated the reasons for smaller investors to invest as follows:

“But then the small investors, I think they are in the market or I know they are in the market with the idea that I put 900 euros, it's not a terribly large sum, that I won't lose terribly here if I don't get anything from this, but then if this becomes even five or ten times more valuable than this share, then I will make it.” (Company C)

The representative of company C considers that these were the main reasons why someone invested in their crowdfunding campaigns. The investors were attracted by patented technology, big potential, and good timing when products of other operators in the leisure industry started to become mainstream. They got to the tech bubble on the coattails of one big tech company. In addition, it increased attractiveness among investors that company C had popular manufacturing brands as its clients. They operate in the niche industry, and thus, people who know the industry also know these manufacturing brands. It increased attractiveness among these investors. However, the representative of company C states that investors were also their customers.

“I would say that since we have achieved quite a few shareholders from that financing round through the fact that they're our real customers also. [...] They've said that it's [product] really good and they want to support this company and be involved in this development and other things. That's how they [investors] became also.” (Company C)

The representative of Invesdor outlines clearly that financial returns are the most important reason why backers invest nowadays. They point out that earlier investors wanted to be involved and support projects, just being part of something. However, Invesdor's representative argues that it has changed a lot in a way that nowadays projects are seen as good investment opportunities. However, they don't entirely deny value-based motivations.

"It might be that there are some other factors, some value-based things, but financial returns are absolutely the most remarkable. […] There are some companies, maybe. One or two comes to mind where investor with bigger investment portfolio has maybe experienced that this is so good that this is worth supporting simply because of the world situation." (Invesdor)

The representative of Invesdor also questions whether the owner benefit is financial return.

"It is certainly the case that if a small investor gets some advantage in a restaurant, of course one can question whether it is not still a financial return." (Invesdor)

The representative of Invesdor argues that investors don't necessarily believe in the company but can see some owner benefit as a financial investment too. According to them, some industries are more attractive to investors than others. However, the representative of Invesdor presents a very big misconception that many companies have.

"A very big misconception is that many companies with a lot of customers believe that they can raise a significant amount of funding. This has completely changed." (Invesdor)

They argue that consumer products are not of interest to investors.

"Often we see the opposite, that consumer products are not of interest to investors and there should be companies that have very high potential in the future." (Invesdor)

The representative of Invesdor points out that consumer products have been tested over and over again, and they have concluded that consumer products just don't seem to interest investors. They argue that there is only one case when it is reasonable to accomplish a campaign with the consumer product.

“Actually, we have a bit like concluded that it's better not to do those, unless the client itself has a significant marketing budget and sees it as a bit of a visibility campaign for themselves to spend that money on that marketing.” (Invesdor)

Tables 12 and 13 summarize key findings when it comes to backer motivations.

Table 12. Backer motivations - Financial and value-based factors.

Theme	Company A	Company B	Company C	Invesdor
Financial returns	• Attracted investors, especially larger investors	• Investors believed to concept and its returns	• Not the main reason to invest • Some backers were attracted	• Absolutely the most remarkable motivation factor
Value and emotion-based motivations	• Value-based and emotional identification with the project • Played a big role	• Investors wanted to be part of the brand	• Desire to support company due to good experiences with their product • Faith to the product	• Very rare, but sometimes
Smaller vs larger investors	• Small investors wanted just to be involved • To larger investors, investing was more financial investment	-	• Small risks but big potential returns attracted small investors • Larger investors believe that product and company	-

			make good for the world	

Table 13. Backer motivations - Owner benefits, familirity & other drivers.

Theme	Company A	Company B	Company C	Invesdor
Owner and user benefits	• Important motivation factor • "Investing yourself" – was an important theme	-	-	• Owner benefit can be seen as a financial benefit
Customers and the importance of product familiarity	-	• Well-known brand	• Customers supported product they liked • Company had popular manufacturing brands as their clients	• Consumer products don't interest investors
Other motivation factors	• Desire to see the project come to fruition • Taking part as well as being involved in the visible project	-	• Patented technology • Big potential • Good timing due to trend in the industry • Company got to the tech bubble on the coattails of one big tech company	-

4.4 Leveraging crowdfunding success in future projects

This sub-chapter regards how the mother company of case company A can leverage its two successful equity-based crowdfunding campaigns in its future projects. The representative of company A states that they thought already at the beginning of the project that the same kind of projects could be done more if they succeed with the first project.

According to the company A's representative, the project, which was financed through crowdfunding, is a proof of concept that this kind of project is possible to accomplish in the city center in a visible location, and on the other hand, that its business model can be built profitably. Company A's mother company has applied for funding several times from professional investors, investment banks, or private investors. The parent company is responsible for developing new projects and arranging financing, while separate subsidiaries manage the operational activities of completed projects. Company A is one of these subsidiaries. The parent company will accomplish the same kind of projects that company A does.

"Company A has enabled duplication. But we don't use in these future projects crowdfunding model anymore." (Company A)

The representative of company A argues that using crowdfunding would be too arduous to be organized in so many cities, as their objective is to make 10 or 20 projects in different cities around Europe. So, in future projects, they will not use crowdfunding. Instead, they plan to make a "founding membership campaign".

"Instead, we're doing this kind of founding membership campaign to try to get the movement started." (Company A)

Similar to a crowdfunding campaign, the company is trying to reach about 1000 founding members, who would invest small sums. Thus, these founding members will receive founding member benefits, similar to owners of shares who received owner benefits through the crowdfunding campaign. The company aims to inspire investors, cities, and financiers by presenting illustrative images of future projects and their potential locations by using company A as a reference. In future projects, the company does not own real estate itself, but instead, real estate investors finance their building. When the building is completed, the company or its subsidiary rents the destination long-term, which provides a predictable and safe return on their investment.

"Also from this perspective, [company A] has been super important that we can show that this is how profitable business is operated there." (Company A)

In addition, they point out that they can show, for example, how great a company's ability is to pay rent. It creates trust towards real estate investors. Table 14 summarizes the findings of this sub-chapter.

Table 14. Leveraging crowdfunding in future projects.

Theme	Key findings
Leveraging marketing tools from crowdfunding	Founding membership campaign: • Similarly, as in a crowdfunding campaign, the company tries to get about 1000 founding members • People can invest small sums in future projects, but they don't receive shares. Instead, they receive founding member benefits • Benefits to the company: Movement creation, building community, visibility for the projects, commitment of people
Proof of concept	• Company A is a proof of concept that this kind of project is feasible
Building trust and credibility	• Results of crowdfunding project (customer numbers, profitability, profitable business model) increase trust among cities, people, and investors
Leveraging reference project	• Company A is used as a reference project for future projects because it works as a concrete example that this kind of project is achievable
Enabler of scaling	• Without crowdfunding, the first project would not have been possible

	• Successful project opened doors for multiple other projects around Europe

5 Discussion and conclusions

This chapter discusses the implications in relation to existing academic discourse. In addition, recommendations are made, and key findings are summarized in this chapter. Moreover, the chapter outlines the study's limitations, considers the reliability and validity of the study, and offers suggestions for future research.

5.1 Discussion of findings and managerial implications

The purpose of this thesis is to identify how companies can secure funding through equity-based crowdfunding. The research question and objectives are aligned accordingly. The research question is:

- How do companies successfully secure funding for their projects through equity-based crowdfunding?

Research findings indicate that a successful equity-based crowdfunding campaign requires that the company actively cooperate with the crowdfunding platform, market campaigns actively, and set realistic funding targets for the equity-based crowdfunding rounds. Additionally, the company needs to focus on creating early momentum for the crowdfunding campaign in order to induce herding among crowd.

The research objectives are:

1) To identify the success factors that contribute to projects securing their funding successfully through equity-based crowdfunding.
2) To compare experiences of case companies and crowdfunding platform to identify common patterns and differences in success factors in equity-based crowdfunding campaigns.

3) To examine the role and support mechanisms of crowdfunding platform in equity-based crowdfunding campaign success.

To achieve research objectives, four semi-structured interviews were conducted in this thesis. Three case companies and one crowdfunding platform, Invesdor, were interviewed by the researcher. By addressing the first research objective, the research identifies equity-based crowdfunding campaign success factors, such as an experienced team, active marketing, and accurate valuation. Regarding the second research objective, the case companies and the crowdfunding platform, Invesdor, share common perspectives, but notable differences also emerge, for example, in what motivation factors of the investors are primary. Finally, in addressing the third objective, the research findings show that the crowdfunding platform is an active partner, and the companies should leverage its expertise and advice.

5.1.1 Crowdfunding platform as an active partner

To understand how companies succeed in equity-based crowdfunding, it is necessary to examine the support offered by the crowdfunding platform. Besides the companies' own success factors, it is important to understand the impact of the crowdfunding platform on the campaign's outcome. Therefore, the third objective of the study was to examine the role of the crowdfunding platform and the support mechanisms it offers. Research results indicate that the crowdfunding platform’s role in equity-based crowdfunding campaigns is significant.

The findings of this study significantly deepen the understanding of the role of crowdfunding platforms. Traditionally, crowdfunding platforms have been considered passive technical intermediaries; however, this research challenges this perspective by showing that they are, in fact, active value creators. The crowdfunding platforms do due diligence, produce investor material, translate materials when needed, and market campaigns in their own channels. This finding supports and reinforces the findings of Lukkarinen et al. (2016) that platforms plan campaigns together with the company. The new contribution of this study is to show how extensive this partnership has become today. For example, the crowdfunding platform rigorously evaluates the quality of the team and business potential before the campaign even goes public. Moreover, the platform guides the company to shift its focus from simply promoting the product to highlighting the factors that make the target company an attractive investment opportunity for a professional investor base. Another important aspect with respect to the role of crowdfunding is that the results empirically confirm the platform's role as a strict gatekeeper. The strong filtering of companies performed by Invesdor is in line with the findings of Löher and Kleinert et al. (2022), according to which only a small proportion of companies applying to the platform are accepted. A key contribution of this study is the confirmation that this screening process is not based solely on technical criteria, but on an in-depth business assessment.

The first practical recommendation to the companies is that they should focus on the pre-campaign phase because, in order to accomplish a successful campaign, firstly, the company needs to get access to the crowdfunding platform. Furthermore, the research highlights the importance of leveraging the crowdfunding platform’s expertise. As the interview results of this study show, a typical mistake for companies is to ignore the advice of crowdfunding experts during the campaign preparation phase. The interview with Invesdor’s investment manager strongly emphasized that the platform has the best expertise on what resonates with investors. Based on the findings of this study, the second recommendation is that companies should actively listen to the platform’s advice and utilize their guidance in building their campaign.

5.1.2 Campaign success factors

The study findings indicate that the product and business concept features are essential to conduct. The interviewees emphasized particularly concreteness, visibility, attractiveness, uniqueness, and working concept. One out of three case companies highlighted the importance of a patented product. A patented product can reduce information asymmetry between investors and the company. Lukkarinen et al. (2016) outline that the understandability of a company's concept or product offering may be relevant for campaign success. In addition, they point out that according to the survey of crowdfunding platform Venture Bonsai, 61% of respondents answered an interesting product or service as a reason to invest. Jegeleviciute & Valanciene (2014) write from valuation as: "Drover and Zacharakis (2013) outline that not sophisticated crowdfunding investors are likely to rely on entrepreneurs to value the business, but 'entrepreneurs tend to be tempted to put a high valuation on the company' (Drover and Zacharakis, 2013)." (pp. 246) Contrary to Drover and Zacharakis' assertion of investors' uncritical reliance on entrepreneurs' valuations, the results of this study show that investor behavior has shifted: by introducing the crowdfunding platform's perspective, the findings reveal that even if a product or concept is interesting and attractive, an unrealistic valuation can prevent successful fundraising because investors are more professional today. Based on the findings, the practical recommendations for companies are as follows: 1) Create an attractive concept and product. Furthermore, the uniqueness of the product or the concept is a big benefit. 2) Ensure a realistic valuation. The company must ensure that its valuation is right and realistic for the market.

One out of three representatives of the case companies mentioned team as a success factor, highlighting its experience and merits. In addition, the representative of Invesdor addressed the team as being of significant importance. So, study results indicate that an experienced and high-class team helps a company to secure funding. The case companies did not consider the funding target as an essential success factor. Instead, Invesdor's investment manager considered it very crucial. The investment manager argues that the company can accomplish multiple funding rounds. Therefore, in the first round, the requested amount can be moderate. They emphasize that the requested amount of money should be realistic and not too high. Prior literature includes contrary information. According to Lukkarinen et al. (2016), campaigns with higher targets may generate more interest among equity investors. In addition, Ferreira and Pereira (2018) argue that when the required funding amount is higher, a crowdfunding campaign is more likely to be successful. Consequently, the results of this study are in stark contrast to previous literature. This difference can likely be explained by the rapid maturation of the crowdfunding market. For example, when the study by Lukkarinen et al. (2016) was published, equity-based crowdfunding was still a relatively new phenomenon, so a high funding target could act as a signal to investors about the company's ambition. Today, however, the landscape has evolved: investor awareness and expertise have increased significantly. As a result, overly ambitious funding targets are now more likely to be seen as a risk than an incentive. However, the investment manager of Invesdor highlights the importance of using the successful campaign as a reference for future funding rounds: a successful campaign works as a quality signal to the investors. This is one practical recommendation to the companies.

Nevin et al. (2017) found that the greater funding amount can be achieved if the company posts on social media, for example, on Facebook. The study findings of this thesis indicate that marketing and communication play an essential role in the success of a campaign. Companies A & B emphasized the importance of social media, whereas company C highlighted the importance of newsletters and marketing in traditional media. However, all the companies were active during the campaigns. The representative of Invesdor emphasizes the significance of activeness. The company's continuous activity may reduce information asymmetry. Theoretically, the results supplement existing literature by indicating that the success of a campaign is not based on one particular marketing channel but rather the company’s ability to activate investors. A practical recommendation is that companies that seek funding should be active and leverage marketing channels where they already have an audience, such as a customer base, social media, or newsletter.

Mollick (2014) states that the press can follow campaigns, and that can be beneficial for founders. This claim is supported by the experiences of Company C. Company C's visibility in Kauppalehti supported campaign success and activated investors. The representative of Invesdor points out that the role of traditional media has decreased, and the role of social media has increased. However, they point out that media visibility without paid advertising has a positive impact. So, the study results suggest that media visibility can be beneficial, but it is not a prerequisite for success.

The study results highlight that transparency, trust, and credibility are important for the success of a campaign. Prior literature emphasizes that, for example, the provision of financials is important. Moreover, Ahlers et al., in the work of Lukkarinen et al. (2016), argue that if a company does not provide financial information, it receives less funding. Company A improved transparency and trust by providing realistic financial promises but avoiding empty promises (e.g., exit strategy). In addition, trust was improved by having a lease agreement with the city in which the project was implemented. Securing a lease in a prime location demonstrated to investors that the project was a realistic and viable physical venture rather than just an empty vision. In the light of signaling theory, the lease agreement appears as a verifiable signal that reduces uncertainty. Company B was also realistic when they communicated to the investors. In terms of building credibility, realistic communication is a more effective signal than exaggerated promises. For company C, transparency, trust, and credibility were built by providing financials openly, including for example actual and forecasted revenue growth, EBITDA and net income. They provided scenarios on how money will be spent. They built trust towards investors also by mentioning rewards, patents, satisfied clients, and quotes from satisfied clients. Customer relationships act as quality signals by providing social proof. A practical recommendation is that companies should avoid overpromising and implement transparent communication regarding financials. In addition, the company needs to present and justify how it will use the invested money. Moreover, consistent and active communication is crucial.

The timing of the campaign has been studied relatively little in prior literature. However, Cerpentier et al. (2021) describe it as: “Consistent with the idea of hot markets serving as windows of opportunity, we find that in hot markets, ECF firms set higher targets, collect more overfunding, and thus raise more equity capital than ECF firms in cold markets.” (pp. 1766) The representative of company B emphasized the importance of timing in their campaign. Firstly, the development phase of crowdfunding in Finland helped in fundraising. In addition, they provided a novel concept in their business sector, and the company was in the right development stage because they had a working concept but great growth potential. Company C benefited from the trend in their industry, and moreover, the importance of timing was reflected in strategic decision-making (e.g., timing of launching a new product). The results supplement the literature by suggesting that timing can be leveraged with respect to the development phase of the company, industry trends, and the ability to provide relevant information during the campaigns. Practical implication is that when a company establish the campaign, it should consider timing in terms of market and its own business operations.

Prior literature mainly agrees that crowdfunding campaigns should not last too long. Kuppuswamy & Bayus, in the work of Ferreira and Pereira (2018), state that the reason for the unsuccessfulness of longer campaigns is a lack of confidence among investors. Furthermore, Mollick, in the work of Hooghiemstra & De Buysere (2016), argues that the probability of a successful crowdfunding campaign decreases when the duration of the campaign increases. The study results of this thesis illustrate that duration is largely determined by the crowdfunding platform. Case companies did not regard duration as an important success factor. The investment manager of Invesdor argues that the middle weeks of the campaign are quite useless except if the company has a huge marketing budget. According to the investment manager, investments occur clearly at the beginning of the campaign, at the end of the campaign, and after the newsletter.

Herding is common in all types of crowdfunding (Åstebro et al., 2024). Herding can be created by early investments. Study findings show that company A considered early funding through investments of the mother company important. On the other hand, company C received early funding from anchor investors. The importance of early funding reflects the dynamics of herding theory, where early capital lowers the threshold for other investors to challenge the investment decisions made by others. Fear of missing out (FOMO) has received relatively little attention in the equity-based crowdfunding literature. However, for example, Hershfield, in the work of Altundal et al. (2024), states that FOMO is effective among non-professional investors. Company C experienced creating FOMO as a very important task, and they succeeded well, as many investors invested at the end of the campaign. In addition, company B’s campaign received new investments, especially at the end of the campaign. Observations of the accumulation of investments towards the end reflect herd behavior, in which the activation of later investors is linked to the pressure caused by the end of the campaign. On the other hand, the representative of Invesdor points out that, in their opinion, most of the investments don’t always come through FOMO at the end of the campaign. Regarding campaign dynamics, the first practical recommendation is that companies should try to find early funding from existing owners or anchor investors. The second recommendation is that companies should actively create FOMO–for example, through enhanced communication, emphasizing the short investment period remaining and the rapid completion of the campaign–to activate late investors in the final stages of the campaign.

5.1.3 Backer motivations in equity crowdfunding campaigns

Financial returns, the desire to see the project come to fruition, taking part in the visible project, owner and user benefits, and value-based identification with the project were motivation factors that motivated backers of company A. When it comes to company B’s campaign, backers were attracted by a strong concept, the expectation of financial returns, and the chance to be part of the brand. The representative of company C argues that expectations of financial returns were not the main reason for investing in their campaigns. However, trust in the product, satisfied customers, patented technology, and big potential motivated investors to invest. Unlike company C, which considered customers an important factor in the campaign’s success, the Invesdor representative states that consumer products are not of interest to investors. The investment manager emphasizes that a large number of customers does not affect the campaign’s success. They state that financial returns are absolutely the most important reason why backers invest nowadays. Both company A and company C made a difference between small and large investors. In company A’s campaigns, investment was more of a financial issue to larger investors and a ‘fun fact’ to smaller investors. During the campaigns of company C, larger investors were motivated by the idea of what the product would do to the industry. Smaller investors are involved with the idea of low risks and the possibility of receiving good returns.

Prior literature includes contradictory results with respect to the motivations of equity crowdfunding backers (Lukkarinen et al., 2019). According to the article, Cholakova & Clarysse state that equity investment decisions are predicted solely by financial return motivation. On the contrary, Schwienbacher & Larralde, in the article by Lukkarinen et al., found that backers had intrinsic motivations rather than financial ones. The study results of this thesis supplement prior literature by suggesting that investors’ motivation factors are not unambiguously either financial or non-financial. Instead, motivation consists of a combination of different factors. Goethner et al. and Lukkarinen et al. highlight that investor motivations vary both among investors and across campaigns, and are highly heterogeneous (Shneor et al., 2020). This claim is supported by the study’s results, which showed differences in motivational factors between smaller and larger investors.

A practical recommendation is that companies identify heterogeneity in investor motivation factors and adjust their campaign communication accordingly. Targeted communication to large and small investors is beneficial. Study findings highlight that companies should avoid assuming that a large customer base or a consumer product's popularity alone would guarantee campaign success. An investment manager states that investor professionalism emphasizes the importance of sound valuation. Therefore, in the planning phase of an equity-based crowdfunding campaign, it is essential to identify which kind of investors are attracted by the campaign and build an investment story that combines reliable financial views and relevant non-financial motivation factors.

5.1.4 Leveraging crowdfunding success in future projects

Research findings indicate that a successful equity-based crowdfunding campaign can be utilized strategically in future projects. Company A's crowdfunding-financed project serves as a proof of concept demonstrating both a profitable business model and feasibility. The mother company has used this project as a reference for future projects. However, the crowdfunding campaign was an excellent experience for the company from a marketing perspective. In future projects, they aim to create a people's movement and build a community by establishing founding membership campaigns. The idea is same as with the owner benefits in the crowdfunding campaign. The difference is that investors receive only founding-member benefits, not shares.

The results complement the literature by showing how crowdfunding acts as a strategic "proof of concept" tool to validate the business model and build credibility with traditional financiers. A practical recommendation is that companies can consider crowdfunding as a strategic tool to build credibility and create references for future projects.

5.1.5 Contributions and managerial implications for project management

Project finance is a method of funding in which the lender primarily relies on the revenues generated by a single project (Yescombe, 2014). Project finance is normally used for large, complex, and expensive installations. According to Yescombe, the project company cannot engage in any operations that are not part of the project. Project financing, as a term, is widely misused and misunderstood (Finnerty, 2013). A project that uses project financing as a funding method could be financed on a conventional basis. However, crowdfunding differs from this. Results of this study indicate that two out of three case companies needed to use crowdfunding because other funding methods were unavailable.

Research findings highlight that equity-based crowdfunding is not merely a financing method, but it also provides strategic benefits to the companies that bank loans and large investors don't provide. Unlike traditional project financing, crowdfunding can be used as a marketing tool. Besides money, the case companies sought "brand ambassadors" who would commit to the company and spread the word. Results indicate that a successful campaign can be leveraged as a reference for future projects when the company is negotiating with large institutional operators such as real estate investors or cities. Furthermore, a successful funding campaign builds credibility for the more traditional funding rounds. Unlike traditional project finance, crowdfunding is a funding process that is a public spectacle where "hype" and news have a direct impact on the success of the funding.

The first practical recommendation is that companies without access to traditional project finance consider equity-based crowdfunding as an alternative funding option. However, a company applying for equity-based crowdfunding is required to have a strong business concept and venture capitalist-type credibility, such as an experienced team and realistic valuation, as crowdfunding platforms reject the majority of applicants. The financing form is ideally suited for companies that can simultaneously utilize the campaign as a marketing tool. In addition, equity-based crowdfunding is an excellent fit for companies whose product or concept is exceptionally attractive, unique, or concrete enough to attract the interest of a wide audience.

The second recommendation is that the target amount of sought money should be realistic. For initial needs, the company should seek a moderate amount (e.g., max €1-1.5 million). A successful smaller funding round builds an investor base for the future. The third recommendation is that even though money is coming mainly from small, unknown backers on crowdfunding platforms, companies should secure so-called anchor investors before a public funding round, as early funding is critical to the campaign's success. The fourth recommendation is that the company's activity mustn't stop at the end of the campaign. On the contrary, the company should communicate with investors regularly (as a listed company would) between rounds to keep them involved in subsequent rounds.

5.2 Limitations of study

This study has some limitations regarding study methods, research data, and generalization of results. One limitation of this thesis concerns interviewees' positions within the case companies. The representatives of three case companies held the positions of Chairperson of the Board & CEO of the parent company, Chief Financial Officer (CFO), and marketing manager. The roles, responsibilities, work tasks, and positions may have influenced which success factors were emphasized in the semi-structured interviews. Therefore, the answers reflect personal views of representatives, and they don't necessarily cover the company's comprehensive vision of success factors in an equity-based crowdfunding campaign. For example, the representative of company A emphasized the importance of the team, whereas the representatives of companies B and C didn't. The reason can be the position that they held in the company. The second limitation is that only one crowdfunding platform was interviewed. In addition, only three case companies were interviewed. Thus, generalization of the results is limited.

The third limitation concerns the geographical context. All the case companies are Finnish, and thus the results of the research reflect the characteristics of the Finnish crowdfunding market. Consequently, results cannot be directly generalized to other countries and markets where the operating environment and investor behavior can differ. Finally, the fourth limitation concerns study methods. The research is based solely on qualitative methods, which enables a deep understanding of the phenomenon but limits the quantitative generalization of results.

5.3 Research reliability and validity

Qualitative research needs to have sincerity and credibility (Tracy, 2010). According to the article, sincerity refers to self-reflexivity about subjective values and biases. Moreover, study methods need to be transparent. The author notes that credibility means that study findings have to be trustworthy, verisimilar, and plausible. Direct quotations from interviews are utilized in order to improve credibility. Data is approached based on knowledge studied in university studies, which may affect things that are considered first. However, to maintain open interpretation, the data was listened to and read multiple times. The goal was to ensure that the reported themes are based on participants' own insights and not assumptions of the researcher.

Tracy (2010) points out that qualitative research should achieve resonance. The author describes as follows: "Resonance can be achieved through aesthetic merit, evocative writing, and formal generalizations as well as transferability." (pp. 844) In this thesis, for example, direct quotations improve resonance. In addition, this thesis has transferability because the results can be applied to other types of crowdfunding, such as debt-based crowdfunding.

Repeatability is ensured through a profound description of the analysis process, which is presented in sub-chapter 3.3. The researcher's subjectivity is mitigated by triangulation, which involves comparing perspectives of the interviewees and contextualizing the findings with prior literature. Transparency of the interviews is very important. To improve transparency, both interviews and the data analysis process are described in detail.

5.4 Suggestions for future research

Research findings provide several subjects for future research. As the research is based on qualitative data and is limited to three case companies and one crowdfunding platform, future research could deepen and expand observations by using quantitative methods and including more companies and platforms. In addition, a different market environment would be beneficial for future research.

In this thesis, answers from crowdfunding platforms and case companies differed regarding campaign success factors. We should examine more widely how the assumptions and opinions of platforms and companies differ from each other. On the other hand, how these differences affect the campaign's results. This study found that concept and product play an important role in the success of equity-based crowdfunding campaigns. Study results illustrate that exciting and interesting products, as well as a realistic valuation, are important factors. In particular, the representative of the crowdfunding platform emphasized that the valuation needs to be accurate. However, a research question for future research could be: "Can an attractive and unique product compensate for high valuation, or is realistic valuation always a pivotal factor for success in equity-based crowdfunding?"

Timing was considered a very important success factor by two out of three case companies. Timing has been studied comparatively less in the crowdfunding literature. One suggestion for future research is: At what stage of a company's development is equity-based crowdfunding the most effective form of financing?

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Appendices

Appendix 1. Interview guide: Crowdfunding platform representative

Background and role

1. What is the role of Invesdor between companies and investors? How does Invesdor support companies in planning an equity-based crowdfunding campaign?

Crowdfunding campaign planning

2. Are there any typical mistakes that companies make when preparing a crowdfunding campaign?
3. What about the duration of the crowdfunding campaign? How important is it to the success of the campaign?

Crowdfunding campaign success factors

4. What are the most important success factors in equity-based crowdfunding campaigns?
5. How important a role does media visibility play in the success of a campaign?
6. How big a role does this so-called hidden phase play in the success of the crowdfunding campaign?
7. How important is it for a company to be able to justify where the money is going? Is that important to investors?

Investor perspective

8. What factors seem to motivate investors to participate in crowdfunding campaigns?

Future trends

9. Do you see any new trends or factors in the future that could influence the success of equity crowdfunding campaigns?

Appendix 2. Interview guide: Company A representative

Background and decision

1. How did you end up choosing crowdfunding as the financing method for your project, and what factors made it the right solution for you?

Planning and success factors

2. What factors were crucial in making your crowdfunding campaigns successful?
3. How did you plan the duration of the crowdfunding campaigns, and do you think that the duration had an impact on your success?

Value offered to investors

4. What motivated investors to invest in your crowdfunding campaigns?
5. Did you receive feedback from your investors?

Leveraging crowdfunding success for future projects

6. How have your crowdfunding campaigns helped you get started on new projects?
7. How have those crowdfunding campaigns been used to benefit future projects?

Experiences, lessons learned, and future

8. Do you think you could have done something better in your crowdfunding campaigns?
9. Could crowdfunding play a role in future projects for the company?

Appendix 3. Interview guide: Company B & C representatives

Background and decision

1. How did you end up choosing crowdfunding as the financing method for your project, and what factors made it the right solution for you?

Planning and success factors

2. How did you plan the duration of the crowdfunding campaign, and do you think that the duration had an impact on your success?
3. What factors were crucial in making your crowdfunding campaign successful?

Value offered to investors

4. What motivated investors to invest in your crowdfunding campaigns?

Communication and trust

5. What channels did you use to reach investors?
6. How did you build trust with investors during the crowdfunding campaign?

Investors and audience

7. Who were your investors (e.g. private, institutional, domestic, foreign)?
8. Did you receive feedback from your investors?

Experiences, lessons learned, and future

9. Do you think you could have done something better in your crowdfunding campaigns?
10. What role do you think crowdfunding could play in the future of your company?