

Corporate Brand Building in Start-Ups through Equity-Based Crowdfunding

A Case Study of Virtuous Spirits

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Abstract

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This study investigates if and how equity-based crowdfunding can benefit a start-up's corporate brand building process. Building the corporate brand can play a significant role for the company's establishment in the market. Although equity-based crowdfunding has grown exponentially in the Nordics, it has not been covered enough in corporate brand building literature. The scope of this research was to shed light on the yet relatively undiscovered area of equity-based crowdfunding as a corporate brand building tool. A case study approach was chosen in order to produce in-depth information about a start-up's corporate brand building process. Accordingly, ten semi-structured in-depth interviews with the start-up Virtuous Spirits' creators, investors, non-investors and the intermediary of the equity-based crowdfunding campaigns were conducted. The results suggest that through equity-based crowdfunding, the start-up can find the right brand ambassadors leading to positive word-of-mouth and feedback which is crucial for its corporate brand building. This is possible due to the pre-targeted audience provided by the intermediary. The importance of the intermediary is further highlighted through its positive effect on the start-up's credibility. The study therefore concludes in the proposition to use equity-based crowdfunding as a channel of corporate communication, aligning the corporate image with the corporate identity in order to build the start-up's corporate brand.



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Table of Contents

1	Introduction	6
1.1	Background	6
1.2	Aim and Objectives	8
1.3	Outline of the Thesis	9
2	Literature Review	10
2.1	The Characteristics of a Start-Up	10
2.2	Importance of Branding for Start-Ups	11
2.3	Definition and Characteristics of a Corporate Brand	12
2.4	Corporate Brand Building for Start-Ups	12
2.5	Characteristics of Crowdfunding	15
2.6	Equity-Based Crowdfunding	16
2.7	Attracting the Right Investors	18
2.7.1	The Importance of Attracting the Right Investors	18
2.7.2	Trust in the Team and Identification with the Brand	19
2.7.3	Sense of Belonging to a Community	21
2.8	From Loyalty to Engagement	21
2.8.1	Loyalty and Engagement	21
2.8.2	Word-of-Mouth	22
2.8.3	Feedback	24
2.9	Chapter Summary	25
3	Methodology	26
3.1	Abductive Research Approach	26
3.2	Research Strategy: A Qualitative Instrumental Case Study	27
3.3	Data Collection Method	29
3.3.1	Semi-Structured In-Depth Interviews	29
3.3.2	Sampling within the Case	30
3.4	Data Analysis Method	31
3.5	Ethical Considerations	33
3.6	Chapter Summary	34
4	Case Presentation	35
4.1	Virtuous Spirits	35
4.1.1	Background	35
4.1.2	Virtuous Vodka	36



4.1.3	Marketing Strategy	37
4.2	Equity-Based Crowdfunding Campaigns	37
5	Analysis and Discussion	39
5.1	Importance of Branding for Start-Ups	39
5.2	Virtuous Spirits' Corporate Brand Building Process	40
5.3	Corporate Brand Communication through an Equity-Based Crowdfunding Campaign 43	
5.4	Attracting the Right Investors	47
6	Conclusion.....	52
6.1	Closing Discussion	52
6.2	Theoretical Contribution	54
6.3	Practical Implications	54
6.4	Suggestions for Further Research.....	55
	References	56
	Appendix 1 – Interview Guides.....	63
	Appendix 2 – Statement.....	67



List of Tables

Table 1: Categorizing table of interviewees.....	31
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List of Figures

Figure 1: Outline of the thesis	9
Figure 2: Simplified version of Narayanda's (1998) BCR-ladder, combined with Jones and Sasser's (1995) behavioral spectrum extremes.....	22
Figure 3: Chapter summary of literature review	25
Figure 4: Components of data analysis: Interactive model (Miles & Huberman, 1994, p.12)	32
Figure 5: Overview of methodology chapter	34
Figure 6: Virtuous Spirits logo.....	36

1 Introduction

This chapter describes the background of the study and presents existing research in the area of branding and crowdfunding. It furthermore introduces the aim and objectives of the research along with the research questions. An outline of the thesis concludes the chapter.

1.1 Background

"If no one's ever heard of your company other than a handful of friends, you're not going to have much success in the market." – David Feinleib (2011, p.42)

Branding has a pivotal role in order to get the market's attention and spread awareness. This calls for every company, but perhaps even more for the fairly unknown start-up. In fact, according to Harvard Business School, 75 percent of all start-up companies fail (Blank, 2013), which, according to entrepreneurs, is often a result of poor marketing – out of sight, out of mind (Griffith, 2014). As start-ups usually lack resources, scale and power (Weiblen & Chesbrough, 2015), they need a low-cost and wide-reach alternative to place themselves on the market map. Going online provides the young company with many innovative and cost-effective promotional activities and communication channels (Bresciani & Eppler, 2010; Feinleib, 2011) whereof crowdfunding is one.

Crowdfunding started in the U.S. in the early 2000s and has cultivated and spread to various parts of the world (Gerber & Hui, 2013). A study conducted by the University of Cambridge and EY shows that the Nordics are overall a thriving region for the alternative finance market, whereof Sweden places among the top five countries in Europe (Wardrop, Zhang, Rau & Gray, 2015). Crowdfunding in general, and equity-based crowdfunding in particular has grown exponentially. Since 2012, the average growth rate of equity-based crowdfunding – where investors buy shares in a company – has been 1389 percent in the Nordic countries, which makes it the fastest growing crowdfunding model (Wardrop et al. 2015). FundedbyMe was the first platform introducing crowdfunding in Sweden in March 2011 (Ingram & Teigland, 2013), and in 2012, they added equity-based crowdfunding to the scope of their

services (Daboczy, 2012). The platform has over 52,000 users as of May 2015, which represents a growth of over 20,000 users in one year and a duplication since 2013 (FundedbyMe, 2015a). The total amount raised through equity-based crowdfunding in Sweden between March 2011 and April 2013 equals 19 million SEK across all platforms (Ingram & Teigland, 2013), which is more than twice of other crowdfunding models. Daniel Daboczy, CEO and co-founder of FundedbyMe, truly believes in crowdfunding as a game changer, expressing the fact that the world gets more ubiquitous and accessible. The ways of establishing a start-up on the market change with it, so that nowadays, *“through a crowdfunding site like FundedbyMe, the entrepreneur can pitch their idea to a bigger mass of people, a large crowd”* (Daboczy, 2013).

Ingram and Teigland (2013) have thoroughly looked at crowdfunding in Sweden and paint a big picture. Besides financial reasons to use crowdfunding, they found the following incentives: “1) to test the market, 2) to attract skills and experience, and 3) to create brand awareness” (Ingram & Teigland, 2013, p.28). By using crowdfunding properly, start-ups can expand awareness for example through word-of-mouth (WOM) and gain feedback (De Buysere, Gajda, Kleverlaan & Marom, 2012; Belleflamme, Lambert & Schwienbacher, 2014; Gerber & Hui, 2013). In this sense, Ordanini, Miceli, Pizzetti and Parasuraman (2011) believe equity-based crowdfunding has revolutionized the role of the consumers, linking entrepreneurship and marketing participation. According to Reichheld (2003), having these individuals onboard benefits the company’s growth.

According to Rode and Vallaster (2005), current discussions about corporate brand building issues are mainly concentrated on well-established corporations. Nevertheless, previous research connecting branding and start-ups has recognized corporate branding as a powerful tool for start-ups to establish themselves in the market, while at the same time pointing out that it can be costly (Inskip, 2004; Merrilees, 2007; Abimbola & Vallaster, 2007). Nonetheless, Juntunen, Saraniemi, Halttu and Tähtinen (2010) and Bresciani and Eppler (2010) unite over the fact that it is vital for the start-up to begin defining and building the corporate brand already from a very early stage – and to do it right from the start. Bresciani and Eppler (2010) even claim that the start-up simply puts the company at stake if they do not take this action.

1.2 Aim and Objectives

Several studies have documented the importance of corporate brand building and its relevance for start-ups (Juntunen et al. 2010; Bresciani & Eppler, 2010; Rode & Vallaster, 2005; Juntunen, 2012). Despite this, very little branding research addresses the issue of how scarcely resourced start-up entrepreneurs can build and maintain a corporate brand (Juntunen et al. 2010; Rode & Vallaster, 2005). To the authors' best knowledge, this existing research has not been connected to the crowdfunding context yet. On the side of crowdfunding research, Ingram and Teigland's (2013) study merely touches upon the findings related to branding and does not go into detail about start-ups and entrepreneurs in their recommendations. Thus, it becomes evident that there is a gap in the knowledge of the relation between corporate brand building for start-ups and equity-based crowdfunding.

The scope of this research is to contribute to the excessively developed academic field of branding, as well as shedding light on the yet relatively undiscovered area of crowdfunding as a brand building tool. In order to reach this aim, the researchers conducted ten (10) semi-structured in-depth interviews in the framework of a qualitative instrumental case study with the start-up Virtuous Spirits which were then analyzed through Miles and Huberman's (1994) components of data analysis.

The research was guided by the following questions:

Can a start-up's corporate brand benefit from using equity-based crowdfunding as a brand building tool?

If yes, how?

1.3 Outline of the Thesis



Figure 1: Outline of the thesis

2 Literature Review

This chapter presents the characteristics of a start-up and the importance of its branding. After the corporate brand is defined, the chapter proceeds to explain corporate brand building for start-ups. The illustration of equity-based crowdfunding is then followed by the importance and potential outcome of attracting the right investors and their motivations. The chapter concludes with the process from loyalty to engagement.

2.1 The Characteristics of a Start-Up

Although there is much talk about start-ups these days, it is difficult to find a unifying academic definition for the term. In addition, the terms *small business*, *start-up*, and *new venture* are often used interchangeably. For the sake of this paper, the characteristics of a start-up are outlined as follows.

Start-ups do not have the resources or power as corporations do, although they have “promising ideas, organizational agility, the willingness to take risk, and aspirations of rapid growth” (Weiblen & Chesbrough, 2015, p. 66). Ashkenas (2011) emphasizes the fact that a start-up is innovative and fast-moving as well as adding a focus on the employees’ attitude who are willing to take more risks and go the extra mile. Abimbola and Vallaster (2007) add that start-ups often deal with budgetary restrictions and a general lack of resources. Blank (2013) further sets them apart by saying that start-ups seek “repeatable and scalable business models” (p. 67) whereas established companies execute a proven business model. This is supported by Weiblen and Chesbrough (2015) who state that start-ups do not have the scale or routine required to resourcefully run an established business model. All of these characteristics finally lead to a comprehensive picture of a start-up. Since there is confusion in the literature about the terminology however, literature about small and medium enterprises (SMEs) will still be taken into consideration for this paper.

2.2 Importance of Branding for Start-Ups

Studies show that the ratio of young companies failing is high (Ouimet & Zarutskie, 2014; Blank, 2013), potentially resulting from a lack of corporate brand building (Bresciani & Eppler, 2010). Weiblen and Chesbrough (2015) explicitly point out that what large corporations have in terms of routine, capital, scale and power, start-ups lack completely. Often younger companies, such as start-ups, suffer from what can be called *liability of newness*, indicating that the likelihood of failure decreases with the increased age of an organization, thus a company in an early stage of organizational emergence is more likely not to survive (Carroll & Khessina, 2005). In order to survive, it is important for young companies to develop routines and problem-solving skills, as well as trying to establish positional advantages such as a higher status and market power (Carroll & Khessina, 2005). In relation to procedures and abilities to solve problems, the prior start-up experience of the team matters (Muñoz-Bullona, Sanchez-Buenoa & Vos-Saz, 2015). The fact that team members have faced similar challenges before has an effect on the ability to control resources (Muñoz-Bullona, Sanchez-Buenoa & Vos-Saz, 2015). By investing ideas, skills and commitment that will pay off in a firm structure and ability to develop the product or service, the likelihood of profitability and being established in the market increases (Muñoz-Bullona, Sanchez-Buenoa & Vos-Saz, 2015; Braunerhjelm & Henrekson, 2013).

Young companies, such as start-ups, have a higher growth potential than more mature firms and the ability to disrupt industries and open up new markets (Ouimet & Zarutskie, 2014; Weiblen & Chesbrough, 2015). In Europe, 99.8 percent of all companies are SMEs, meaning that the economy depends heavily on them (Juntunen, 2012). According to a study by the European Commission (2013), SMEs are important for the Swedish economy, employing 65 percent in the private sector and representing 57 percent of the value added to the market demand, thus being financially necessary for the country. Since small companies are very significant for the market, it is important for start-ups as new players to differentiate themselves and heighten their chances of surviving and getting established on the market. Corporate branding is a powerful tool to do this (Merrilees, 2007; Inskip, 2004).

Inskip (2004) argues for the importance of branding for small companies explaining its usefulness in order to build long-term value far beyond the visualization of the brand. Although building a brand is essential, Inskip (2004) comes to the conclusion that these companies do not realize this fact yet. More recent scholars, on the other hand, argue that

start-ups are well aware of the importance of corporate brands (Juntunen, 2012; Bresciani & Eppler, 2010). Start-ups need to think about their corporate branding long before they actually start selling a product or service (Juntunen et al. 2010). According to Bresciani and Eppler (2010), start-ups might even put their company at stake if they refrain from defining and building their corporate brand at an early stage. The right branding is therefore mandatory since it can differentiate an SME and provide an important value for the company.

2.3 Definition and Characteristics of a Corporate Brand

The concept of the corporate brand is difficult to grasp due to its variety and vagueness. For the sake of this paper, we will stick to Balmer and Gray's (2003) definition of the corporate brand laying in the communication of the core values, as a differentiation strategy on the market, and as a way to positively influence stakeholders.

The corporate brand gives the company "a clear and publicly stated sense of what it stands for" (Inskip, 2004, p.358) and can consequently be regarded as the "face of the organization" (Balmer & Gray, 2003, p.991) as it "makes it known to the world through the use of a single name, a shared visual identity, and a common set of symbols" (van Riel & Fombrun, 2007, p.107). It will ideally serve as a strategic source and a competitive advantage for growth and sustainability and is aimed at multiple stakeholders (Balmer & Gray, 2003; Kapferer 2008; Urde, 2013; Wallström, Karlsson & Salehi-Sangari, 2008). According to Urde (2013), the term *corporate brand* suggests the involvement of a company which is internally expressed through the pronoun *we* and externally through the pronoun *they*. In order to build positive associations and reputation with all stakeholders, companies commence with a set of activities, which can be seen as the process of corporate brand building (van Riel & Fombrun, 2007).

2.4 Corporate Brand Building for Start-Ups

Building a brand is a continually adapted dynamic process which can influence a start-up's success immensely (Kapferer, 2008; Gregory, 2007). As a first criterion, Balmer and Gray (2003) state that the brand identity needs to be defined in order for the corporate brand to be established. According to Wallström, Karlsson and Salehi-Sangari (2008), the brand identity is the sum of the core identity and the extended identity, reflecting the way the organization wants the corporate brand to be understood. The extended identity completes the brand

through significant associations made with other parts of the brand such as the product or the personality while the core identity is described as “the timeless essence of the brand” (Wallström, Karlsson & Salehi-Sangari, 2008, p.42). Since the core identity is made up of the start-up’s core values and affects all parts of the corporate brand, the corporate brand building process starts with defining the core values of the company (Urde, 2003; Gregory, 2007). Core values can consequently be regarded “as guiding lights for the brand building process” (Urde, 2003, p.1017), providing “continuity, consistency and credibility in a value-creating process” (Urde, 2003, p.1036).

According to Merrilees (2007), corporate brand building can serve as a focusing tool for start-ups, saving them time and effort at a point further along in the new venture process. Juntunen et al. (2010, p.127) support this by saying that “the corporate brand can be used as an orientation when refining the core values and strategies, to maintain the intended corporate brand”. In order to keep a reflective perspective on the corporate brand, the start-up needs to sustain the corporate identity and corporate image (Juntunen et al. 2010). For the sake of this paper, the identity involves corporate design, internal communication as well as the corporate personality, and the image is the way all stakeholders interpret it (Rode & Vallaster, 2005; Roper & Fill, 2012; Wallström, Karlsson & Salehi-Sangari, 2008). Corporate culture and behavior are interweaved since the former relates to the way an organization behaves both internally and externally. Hence, how a start-up’s team behaves and portrays the brand towards investors, customers, and other parties affects the experience of external stakeholders (Juntunen et al. 2010; Roper & Fill, 2012; Rode & Vallaster, 2005).

The entrepreneur can be seen as part of the brand (Roper & Fill, 2012; Merrilees, 2007). For a start-up in a developmental premature stage, the managing entrepreneur has a great impact on the corporate image since the corporate identity is often closely related to his or her identity (Juntunen et al. 2010). Corporate communication is essential and involves an alignment of behavior and symbolism, where the credibility of the sent message is determined by the perceived expertise, trustworthiness and likeableness of the source (Balmer, 1995; Roper & Fill, 2012). Solomon, Bamossy, Askegaard and Hogg (2010) add to this stating that the source affects the impact on consumers, whereof one factor is credibility. If the communication results in positive brand credibility, it affects the overall brand image and, eventually, revenues (Roper & Fill, 2012). Therefore, argue Roper and Fill (2012), it is important to be

associated with the organizations that can reflect positively on the own company, the so-called *halo effect*.

Balmer (1995) divides communication into planned and unplanned, where planned communication is controlled by the company and can be referred to as traditional marketing activities, such as public relations (PR), and social media marketing. Unplanned communication includes WOM between third parties (Balmer, 1995). According to Bresciani and Eppler (2010), start-ups benefit from developing innovative and promotional brand building activities in the form of events and fairs, creating online campaigns, and actively working to generate WOM between third parties. Research shows that PR is a beneficial activity for small businesses, but many start-ups do not make use of it as a brand building tool (Bresciani & Eppler, 2010). This might be the case since it is hard for start-ups to invest in PR as traditional marketing and advertising is costly (Silverman, 2001).

Corporate brand building – although necessary – can be quite expensive for scarcely resourced start-ups (Abimbola & Vallaster, 2007; Bresciani & Eppler, 2010). Hence, it is important for start-ups to make an informed decision in their brand building activities (Bresciani & Eppler, 2010). Juntunen et al. (2010, p.117) classify six (6) functions in order to build a corporate brand: Defining the corporate personality, brand-oriented strategic planning, creating and maintaining the corporate identity, creating consistent brand communications, assuring employees' involvement, and creating the corporate image. They categorize the functions in three (3) different phases: the pre-establishment stage, early growth stage and effective growth stage. The first two functions are initially formed and developed in the pre-establishment phase, which according to Bresciani and Eppler (2010), includes defining the brand strategy, mission and philosophy. During the early growth stage, more functions are developed so that when the start-up reaches the effective growth stage, the corporate brand is already established. Throughout the process, it is important to uphold and occasionally revise functions in order to adapt the corporate brand (Juntunen et al. 2010).

In the early growth stage, the brand's functions increase. By revising strategies, creating corporate image, identity and consistent brand communications, assuring employees' involvement and monitoring feedback, the start-up can attain revenues, and start growing (Juntunen et al. 2010). To be effective in their brand communication, the start-up should decide on the choice of traditional or innovative branding activities, wherefore the Internet provides good opportunities for innovative, low-cost and wide reach branding opportunities

(Bresciani & Eppler, 2010). It is therefore in the early growth stage, when start-ups can benefit most from choosing an innovative way of corporate brand building: Crowdfunding.

2.5 Characteristics of Crowdfunding

Over the past ten years, the phenomenon of crowdfunding has received extensive attention as an alternative finance model (De Buysere et al. 2012; Wardrop et al. 2015). Sprung from the model of social cooperation, crowdsourcing, crowdfunding extends beyond this model by expanding the role of the consumers to include investment support (Ordanini et al. 2011). Crowdfunding can be seen as a network providing a collective effort of individuals pooling money together to invest in projects initiated by other people (Ordanini et al. 2011). Worldwide, there are many different crowdfunding platforms designed for the sole purpose of providing a secure public space online for crowdfunding projects (Gerber & Hui, 2013; Ingram & Teigland, 2013).

Research on crowdfunding is an emerging field, thus limiting complete definitions (Mollick, 2014). Schwienbacher and Larralde (2010, p.4) define crowdfunding as *“an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes”*. In line with this, Belleflamme, Lambert & Schwienbacher (2014) and Ingram and Teigland (2013) offer similar definitions, which both contain the essential parts of an open call online, targeting anyone who hears the call, and a crowd providing monetary support (Crowdfunding Industry Report, 2013). However, crowdfunding entails more than the financial aspect, the return on investment can be intangible and benefit for example the start-up's status, identification and social esteem (Ordanini et al. 2011).

Generally speaking, crowdfunding involves three parties: The creator, the investor, and the intermediary (Hemer, 2011). The creator is the person or organization who initiated the project and needs support (De Buysere et al. 2012). This support is often financial, although many creators are also eager to get feedback on their idea and new insights in general (Gerber & Hui, 2013). The intermediary is the platform, where the process takes place; it is the neutral facilitator for both the creators and investors (Hemer, 2011). The third party is the investor, who according to Ordanini et al. (2011), is the main character in crowdfunding and cannot only be seen as a financier, but also as a consumer. Scholars label family and friends as a separate category of investors; family and friends are the early stage supporters and an

important source of capital for start-ups (Agrawal, Catalini & Goldfarb, 2011; Kuppuswamy & Bayus, 2013).

There are various incentives for creators to partake in crowdfunding such as achieving public attention and expanding brand awareness, connecting with like-minded people, obtaining feedback and getting access to competence and skills that might be helpful for further development (Belleflamme, Lambert & Schwienbacher, 2014; Gerber & Hui, 2013; Ingram & Teigland, 2013; Tillväxtverket, 2013). Ingram and Teigland (2013) mention crowdfunding having an international reach, which is good for start-ups in order to network across borders. It can also serve as a market research tool since the start-up can get to know what the market wants and/or thinks about already existing products (Belleflamme, Lambert & Schwienbacher, 2014; Tillväxtverket, 2013). This knowledge can help the company save time through cutting costs in development and marketing (De Buysere et al. 2012).

2.6 Equity-Based Crowdfunding

Under the crowdfunding umbrella, different types of crowdfunding can be found: lending-based, donation-based, reward-based and equity-based. Lending-based refers to people lending money to a creator; donation-based collects and earmarks money for a specific project; reward-based refers to collecting money for a project and giving non-financial, symbolic rewards in return; and equity-based crowdfunding offers equity – shares – in return for funding, where the investor has the contractual right to the entitled payoff. (De Buysere et al. 2012) Ahlers, Cumming, Günther and Schweizer (2012, p.8) define equity-based crowdfunding as “a method of financing whereby an entrepreneur sells equity or equity-like shares in a company to a group of (small) investors through an open call for funding on Internet-based platforms”. Small investors can be seen as individuals investing relatively small amounts of money, and in return receiving a fairly small share of the company while also bearing the same amount of risk (Ahlers et al. 2012; Belleflamme, Lambert & Schwienbacher, 2014; Schwienbacher & Larralde, 2010).

Equity-based crowdfunding is a growing trend in Europe, focusing on small companies in general and technical businesses and consumer-faced products in particular (De Buysere et al. 2012). Zooming in on the Swedish market, companies doing equity-based crowdfunding face challenges as it is a tough market to penetrate (Ingram & Teigland, 2013). As Swedes rely heavily on the government and traditional institutions when it comes to financial means,

rendering the tradition of direct and private owner investments weak, it is hard to break the power of tradition and establish a trustworthy enough alternative (Tillväxtverket, 2013). It is consequently even more important to have the right skillset and resources to run a successful project (Schwienbacher & Larralde 2010; Gerber & Hui, 2013).

In order to create and execute an equity-based crowdfunding campaign, start-ups have to go through a certain procedure depending on which platform they use. In a pre-selection, the platform begins with an initial screening, conducting a background check and reviewing the crowdfunding plan. Thereafter, if the idea is accepted, the creators decide on a funding goal to fill over a period of time and create a presentation. In this stage, interested investors can apply for shares in the company. Thereafter, the creators approve of or reject the applicants (Hemer, 2011). Throughout the whole process, the creators decide for themselves how to handle the communication with potential investors. (De Buysere et al. 2012)

Ordanini et al. (2011) illustrate the cumulative process of equity-based crowdfunding, where the consumers' investment can be seen as a path divided in three phases: friend-funding, getting the crowd and race to be in. The first phase, *friend-funding*, is rapid and significant, and involves investors connected to the creators' network. Agrawal, Catalini and Goldfarb (2011) speculate that early investment may signal entrepreneurial commitment, which in turn can increase the amount of investors in a later stage. As investors from the non-family and friends category are the majority, an early visible support plays a big role (Kuppuswamy & Bayus, 2013). Ordanini et al. (2011) emphasize that during the next phase, *getting the crowd*, is when it gets challenging as the investment growth slows down, which makes it vital to involve and motivate other individuals to invest. If the creators manage to get through this phase successfully, they reach the *engagement moment*, where a chain reaction generates rapid growth. During the last phase, the *race to be in*, there is a good flow since people speed up the decision-making process due to the fact that the opportunity to invest will not exist any longer once the target is reached or deadline has passed (Ordanini et al. 2011).

Reaching beyond the friends and family network is difficult and unfortunately many projects never leave this stage due to their inability to boost the process (Ordanini et al. 2011). As previously discussed, start-ups have scarce resources (Weiblen & Chesbrough, 2015), which makes it important to not only get the crowd but, as phrased by Belleflamme, Lambert and Schwienbacher (2014), *tap the right crowd*. For the creators this means building the right community of investors according to the creators' needs (Belleflamme, Lambert &

Schwienbacher, 2014), which in the case of start-ups can be to make use of promotional and innovative branding activities in order to continuously build and grow their corporate brand (Bresciani & Eppler, 2010).

2.7 Attracting the Right Investors

2.7.1 The Importance of Attracting the Right Investors

For a start-up company, it is important to be compelling and exciting, possibly communicated through an equity-based crowdfunding campaign. This channel provides the opportunity to generate social media exposure and WOM recommendations, which can be seen as an act of engagement. (Hemer, 2011; De Buysere et al. 2012) This is essentially determined by the attitudinal and emotional relationship with the brand, the perceived relevance of the campaign, and communication (Van Doorn, Lemon, Mittal, Nass, Pick, Pirner & Verhoef, 2010; Solomon et al. 2010; Porter, Donthu, MacElroy & Wydra, 2011). Engagement has different levels, where a lower level ties more to a functional aspect and the extensive kind is emotionally connected (Zaichkowsky, 1985). A very engaged peer is, according to Reichheld (2003), someone who is willing to make an investment or personal sacrifice in order to strengthen a relationship, which is a sign of loyalty (Van Doorn et al. 2010). Gregory (2007) argues that the more engaged a stakeholder is, the more impact he or she has on the brand. Reichheld (2003) adds that a company's growth depends on its ability to convince loyal customers to become part of the extended marketing department. In crowdfunding, this investment refers to buying a share in a company, and personal sacrifice bearing the risk that comes with it (Ordanini et al. 2011).

Hence, tapping the right crowd is not only about the creators' needs, but also includes offering the investors adequate participatory community benefits (Belleflamme, Lambert & Schwienbacher, 2014), as this can lead to loyal individuals being engaged in brand building in the long run. These community benefits are reflected in the motivations of investors, which can be quite complex and heterogeneous (Mollick, 2014). This is supported by Solomon et al. (2010) who have found that levels of motivation can be seen as a spectrum of extremes between inertia, low involvement, to passion, high involvement. Usually the consumers' involvement level with products falls somewhere in the middle (Solomon et al. 2010). Ideally however, the start-up speaks to one or multiple investors' motivations: It is possible that the investor perceives a cause as important or feels the need to personally support the team

(Mollick, 2014), wants to help others, be part of a community, and support a cause (Gerber & Hui, 2013). In equity-based crowdfunding in particular, the motivation is a combination of financial and emotional benefits, whereas the latter can be seen as non-financial (Hemer, 2011; De Buysere et al. 2012). De Buysere et al. (2012) pinpoint personal interest and emotional engagement as main motivations. The latter entails, amongst others, the perceived brand connected to the project (De Buysere et al. 2012).

By working with all functions, from creating identity and image to monitoring feedback and using diverse types of communication, the start-up can begin to build its corporate brand at an early stage (Juntunen et al. 2010). If the corporate brand is beneficially built, the start-up succeeds to differentiate and establish itself on the market (Merrilees, 2007; Inskip, 2004). Taking this action does not only affect the appeal of the mass market, but also the potential investors on the platform. The next part will therefore explain how the start-up can work with investors' motivations in order to finally create positive WOM and feedback.

2.7.2 Trust in the Team and Identification with the Brand

WOM and feedback can only be created through engagement. This is partially determined by how it is communicated and how relevant an individual perceives the campaign to be (Van Doorn et al. 2010; Solomon et al. 2010). Solomon et al. (2010) furthermore explain that a person is considered motivated, when he or she feels inspired to act toward an end; this exists in different levels and has various orientations. Specifically for crowdfunding, Younkin and Kashkooli (2013) found a reason for the participants' decision to invest to be based on project quality and creators' behavior. Supporting and being part of the success of a project is consequently appealing to investors (Ordanini et al. 2011; Gerber & Hui, 2013). Hemer (2011) adds that it is important for certain investors to feel that they can make a meaningful impact as they look upon their financing in the project as a "contribution to a societally important mission" (Hemer, 2011, p.14). Social participation of this kind is a way of getting visual recognition as a pioneer (Hemer, 2011) and by being able to say "I did that!", the investors can get personal satisfaction and feel excited about observing the realization of an idea and building a start-up (Schwienbacher & Larralde, 2010; Hemer, 2011).

Nevertheless, the *liability of newness* (Carroll & Khessina, 2005) plays into the investors' reflection process as the perceived risk and chance of failure is excessive (Agrawal, Catalini & Goldfarb, 2013; Gerber & Hui, 2013; Lovett, Peres & Shachar, 2013). As Swedes are of a

risk-averse nature, this and the fact that crowdfunding is not a mass activity can be a moral hazard (Hofstede, Hofstede & Minkov, 2010; Ingram & Teigland, 2013; Agrawal, Catalini & Goldfarb, 2013). In order to feel comfortable and make the decision to capitalize a project, it is important for investors to be convinced that the creators will use the investment wisely (Gerber & Hui, 2013). They may therefore look at the information provided, evaluate the risk of the project and examine the creators' track record (Gerber & Hui, 2013; Agrawal, Catalini & Goldfarb, 2013). Exemplary, Ahlers et al. (2012) conducted a study where they found that the educational level among team members and a high number of board members in the company matters, as it signals innovation and motivation to succeed. Therefore, the perceived credibility and potential of a product as well as the creators' competence and ability to deliver promises affects the consumers' belief and commitment to invest (Schwienbacher & Larralde, 2010; Gerber & Hui, 2013; Solomon et al. 2010).

If an individual perceives a team's social values, mirrored through for example physical appearance or personality, to be similar to theirs, it becomes attractive (Solomon et al. 2010). In a start-up, the team and especially the entrepreneur is closely connected to the brand itself (Roper & Fill, 2012; Merrilees, 2007). Supporting a company therefore becomes a consequence of feeling a "personal or extended connection" with the team (Gerber & Hui, 2013, p.15). We listen to people who are like us, thus individuals are likely to form emotional connections with a brand that allows them to express themselves, and if they perceive a brand as personally relevant they are more likely to get involved (Solomon et al. 2010; Malär, Krohmer, Hoyer and Nyffenegger, 2011; Pierce, Kostova & Dirks, 2001; Aaker & Akutsu, 2009). Malär et al. (2011) state that activities like supporting a team or idea may strengthen the individuals' relationship to a brand. Both approaches will lead to a rather long-term commitment due to an emotional connection created with the brand. This behavior is, according to Agrawal, Catalini and Goldfarb (2011), one factor that may separate investors of the friends and family category from the others, since only the former invest due to their personal connection to the brand, more precisely, the team. Aaker and Akutsu (2009) do not agree to this separation of the investor groups, but mention that identification with the project is a crucial factor determining if individuals will invest or not. Hemer (2011) supports this, stressing personal identification with the project goals as a motivation to invest.

2.7.3 Sense of Belonging to a Community

When potential investors feel like they trust the team and can identify with the brand, they will feel that they belong there. Baumeister and Leary (1995) state social belonging as one of the most powerful motives and desires among human beings. In order for a community to exist, members must have a mutual feeling of belonging (Weber, 1978). It is stated that social identification (Lee, Kim & Kim, 2011), need for affiliation (Solomon et al. 2010), and similar experiences or interests (Baumeister & Leary, 1995) are motivations to engage in communities. In addition, Porter et al. (2011) point out that people can feel a sense of attachment and shared purpose with a community despite lacking personal relationships with its members. It is consequently not surprising that many investors see crowdfunding as a social activity and an opportunity to interact with a like-minded group of people (Agrawal, Catalini & Goldfarb, 2013; Gerber & Hui, 2013). Investors can connect with a community and even expand their own network by doing crowdfunding activities (Schwienbacher & Larralde, 2010). Additionally, the network does not only include other investors with similar interests and priorities, but also the team behind the supported idea or cause (Hemer, 2011).

2.8 From Loyalty to Engagement

2.8.1 Loyalty and Engagement

All aforementioned motivations for individuals to support the start-up will then lead to an investment in the crowdfunding campaign if the timing is right. According to Reichheld (2003), someone who is willing to make an investment or personal sacrifice in order to strengthen a relationship is a loyal individual. In equity-based crowdfunding, this investment refers to buying a share in a company, and personal sacrifice bearing the risk that comes with (Ordanini et al. 2011). This support can result in recommendations via WOM, and is determined by the attitudinal relationship with the brand, which essentially can be seen as loyalty (Van Doorn et al. 2010).

One theory related to loyalty is the Benefits of Customer Retention ladder (BCR-ladder; figure 2) originally introduced by Das Narayandas (1998), where customer loyalty is divided into different levels represented by the different steps in the ladder. The highest step indicates enthusiastic advocacy and the lowest represent less patronage (Narayandas, 1998). The steps in the BCR-ladder can be tied to Jones and Sasser's (1995) categorization of consumers on a behavioral spectrum from *loyalist* to *defector* in different combinations of loyalty and satisfaction. *Loyalists* are very satisfied, dedicated and supportive, while the low to medium loyalty and satisfaction of *defectors* results in them leaving or having left (Jones & Sasser, 1995). Reichheld (2003) argues that focusing on the advocates, the ambassadors, and nurturing the loyalty of these individuals is one of the most important drivers of growth. This is essential since loyalty supported by positive feelings, satisfaction and experiences leads to positive WOM (Dick & Basu, 1994; Solomon et al. 2010; Lovett et al. 2013). In crowdfunding, this loyalty leads to engagement and positive WOM, rather than repeat purchase (Reichheld, 2003). This is in fact the ultimate indicator of faithfulness as this type of personal involvement puts the individual's own reputation at stake (Reichheld, 2003).

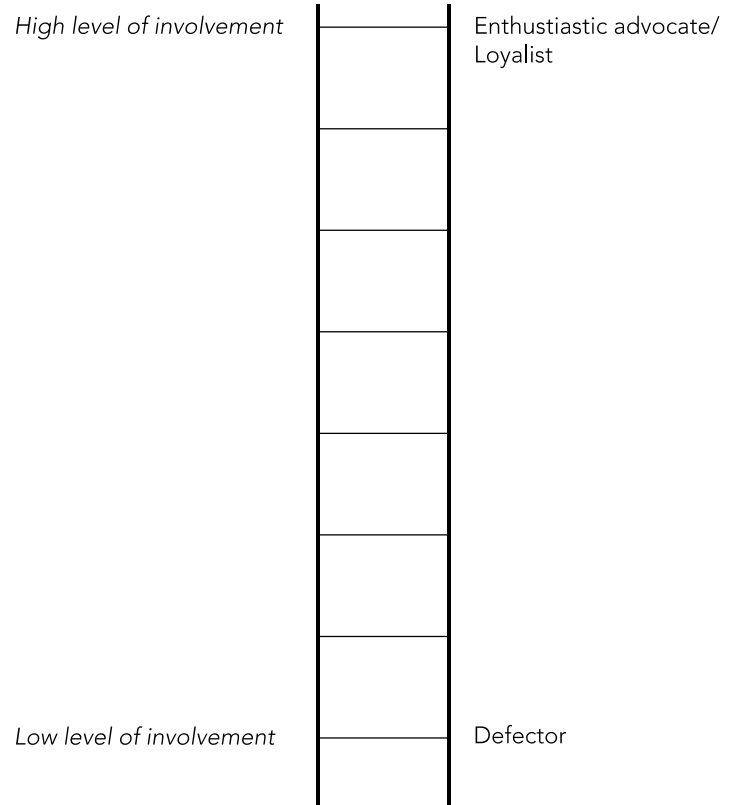


Figure 2: Simplified version of Narayanda's (1998) BCR-ladder, combined with Jones and Sasser's (1995) behavioral spectrum extremes

2.8.2 Word-of-Mouth

The ultimate achievement for the start-up is the positive WOM which is driven by engaged individuals. Ordanini et al. (2011) stress that by participating in crowdfunding, many of the funders initiate some sort of WOM activities. Using planned communication as seen in a crowdfunding campaign in the right way may therefore affect the outcome of the unplanned communication, as positive WOM is a result of satisfaction and positive experiences with the brand (Dick & Basu, 1994).

According to Silverman (2001), WOM is a powerful force in the marketplace. It is perceived as credible, persuasive, trustworthy, and authentic as it is information provided by peers whom consumers know or talk directly to (Villanueva, Yoo & Hanssens, 2007; Solomon et al. 2010; Silverman, 2001). Dichter (1966) pinpoints the reason as to why WOM is effective as the non-material reward of the recommendation, and Silverman (2001) argues that its credibility springs from the fact that it is custom-tailored and independent. This makes the listener feel that the advocate is trustworthy and sincerely interested in his or her wellbeing (Dichter, 1966). WOM is more effective than formal communication and can originate from a single source or a small number of sources (Schwienbacher & Larralde, 2010; Silverman, 2001). WOM has a higher positive effect on the decision-making and likelihood to adapt a product than traditional marketing communication (Solomon et al. 2010). To further emphasize the power of WOM, Villanueva, Yoo and Hanssens (2007) conclude that customers acquired through WOM generate almost twice as many new customers compared to customers gained through traditional marketing, since the former generate more future referrals. WOM can be a success factor in crowdfunding campaigns because many investors learn about the project in their social networks (Thies, Wessel & Benlian, 2014). Considering WOM's cost-effectiveness (Silverman, 2001), it is even more useful for start-ups.

It is included in the crowdfunding model that investors, besides the financial investment, play a promotional role to support the project (Ordanini et al. 2011) and act as a salesperson for the company (Villanueva, Yoo & Hanssens, 2007). As WOM is a double-edged sword since potential negative buzz affects the corporate brand more heavily than positive (Solomon et al. 2010), it is important to keep the consumers happy. Nevertheless, it is not only important to keep them satisfied, but even more to have the right investors in the first place (Belleflamme, Lambert & Schwienbacher, 2014). This increases positive, effective and reliable WOM (Ordanini et al. 2011). Silverman (2001) argues that WOM is extremely dependent on the source, and that companies should try to find the leveraged influencers able to spark a chain reaction. One way to do this can be to find what Solomon et al. (2010) refer to as the *opinion leaders* – influential individuals trusted in their own network, whose recommendations carry more weight than those of others. Effective opinion leaders tend to be socially active and respected in their own community, which is why they can have an influence on a brand's popularity (Solomon et al. 2010). The traits of opinion leaders can be tied to early adopters as they also have influence on other consumers. Early adopters are quick to adopt innovation, are less concerned with risk, usually engage in advertising via WOM and provide feedback

(Solomon et al. 2010; Kumar, Scheer & Kotler, 2000). Essentially, the creators should know what skills they can benefit from and look for these talents in potential investors (Schwienbacher & Larralde, 2010).

2.8.3 Feedback

The investors' engagement does not only go from internal to external as is the case with WOM, but also results in bringing external information to the attention of the management team. This feedback can be of utmost importance for the start-up. As seen by Day and Schoemaker (2005, p.135), "the biggest dangers to a company are the ones you do not see coming", and to understand the threats and opportunities requires strong peripheral vision. To learn from the past, examine the present and envision the future is essential to interpret peripheral signs, market trends and consumer insights (Day & Schoemaker, 2005).

The advantages of a successful crowdfunding project go beyond the financial aspect and WOM since they also lay in gaining feedback from potential investors and customers (Belleflamme, Lambert & Schwienbacher, 2014). In this respect, equity-based crowdfunding has revolutionized the role of the consumers, linking entrepreneurship and social network participation (Ordanini et al. 2011). Crowdfunding can be seen as a networking activity since investors participate in online communities to share knowledge and information about a cause and/or brand (Ordanini et al. 2011). These types of communities can be important sources of information for marketing research and are a chance to get real-time access to the "voice of the customer" (Kim, Choi, Qualls & Han, 2008, p.426). In the pre-round for instance, the creators can test the concept with the crowd (Ordanini et al. 2011), which is an effective way to measure if a product or idea has a mass appeal (De Buysere et al. 2012), and get validation for their product before launching it to the market (Schwienbacher & Larralde, 2010).

2.9 Chapter Summary

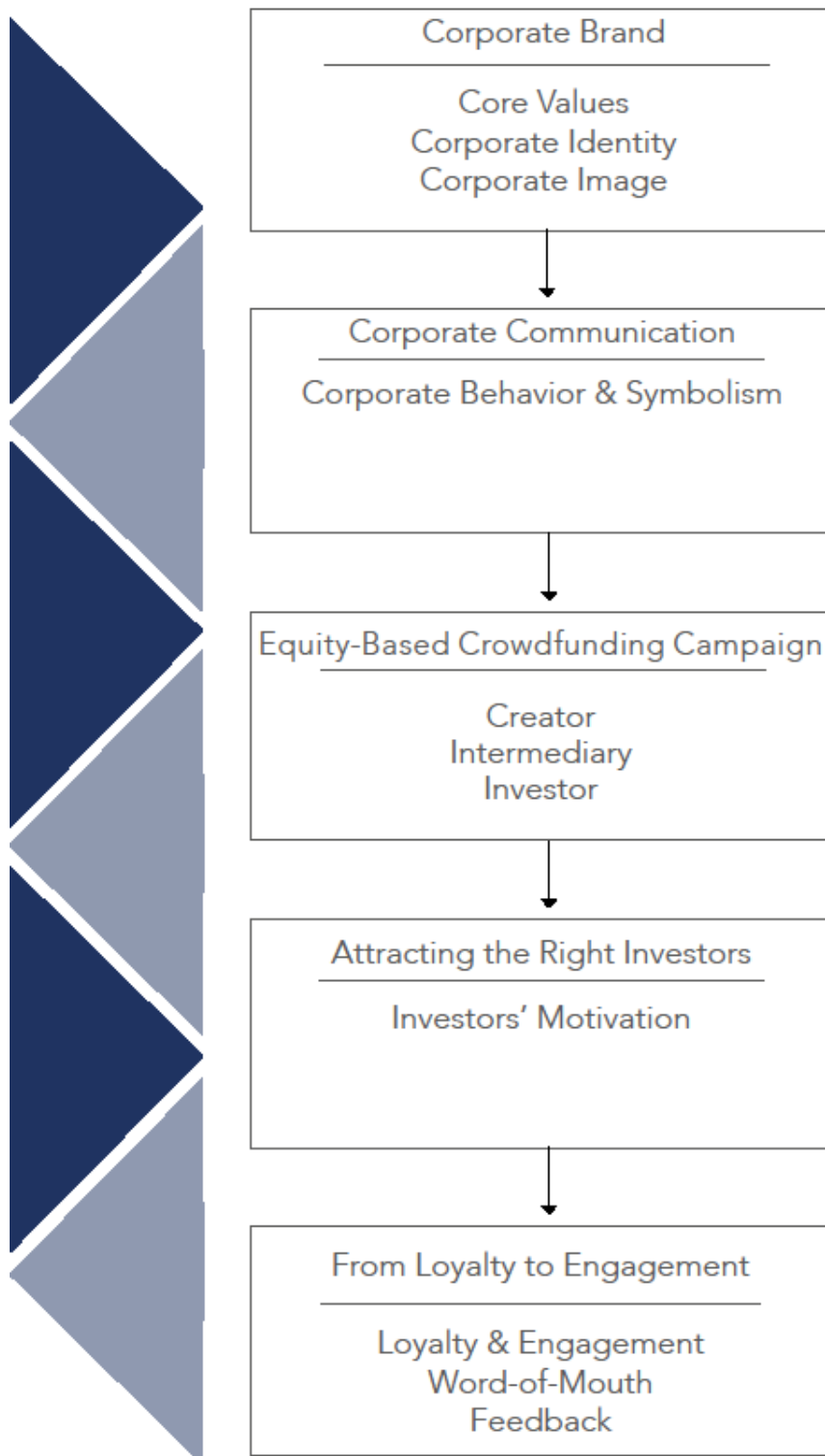


Figure 3: Chapter summary of literature review

3 Methodology

The chapter describes and justifies the research design applied for the study. It explains the chosen abductive research approach, continues with the qualitative instrumental case study leading to semi-structured in-depth interviews and describes the data analysis before concluding with the ethical considerations.

3.1 Abductive Research Approach

Saunders, Lewis and Thornhill (2007) suggest that a research study often combines both an inductive and a deductive approach. This approach, called abduction, intends to produce new propositions and theories “based on surprising research evidence” (Timmerman & Tavory, 2012, p.167). It is mostly used to find patterns and uncover deep structures (Alvesson & Sköldbberg, 2000), therefore it begins with the consequences of the studied object or field and proceeds with revealing the underlying reasons (Timmerman & Tavory, 2012).

Timmerman and Tavory (2012) suggest the process of abductive research to lay in explanations “which were then formalized into deductions, while induction confirmed them through empirical testing” (p. 171). Accordingly, the researchers first looked at existing crowdfunding theory in order to find a research gap. After this was done successfully, a pilot study interview was conducted with a representative of the start-up in order to get to know the company and its crowdfunding campaigns (Yin, 2011). This pilot study disclosed the opportunity of building the start-up’s corporate brand through equity-based crowdfunding campaigns. More theory on both crowdfunding and start-up branding was then read in order to get a more thorough understanding of the topic. Derived from the pilot study as well as the literature read, the interview guides for the different parties were composed. The data analysis was done iteratively as suggested by Miles and Huberman (1994) and will be further explained in chapter 3.4.

3.2 Research Strategy: A Qualitative Instrumental Case Study

Case research is closely connected to the abductive research approach, as “one follows the line of thought in the case, the process, and after that sees how it relates to theories” (Fylkesnes, 2006, p.186). This needs to be done regarding existing research literature, not the particular circumstances of the chosen case (Yin, 2011). This has been done in this study and will be further explained in chapter 3.4.

The aim of this study is to investigate if and how a start-up’s corporate brand building process can benefit from doing an equity-based crowdfunding campaign in Sweden. Since this has not been investigated thoroughly in branding literature, a deep understanding through a thick description is required. Due to the study’s exploratory nature, a qualitative approach is applied which Bryman and Bell (2011) consider mostly relevant for “who, what, when, where and how” questions.

In order to ensure a thick description, the researchers decided to conduct an instrumental case study (Stake, 1994). Bryman and Bell (2011) state that a case study can be conducted for a single location, person, event, or organization, and therefore has boundaries (Punch, 2005). To explore a contemporary phenomenon within a real-life context, the Swedish start-up Virtuous Spirits was selected for this study (Yin, 2011). The instrumental case study was chosen due to the goal of gaining insights into the matter and enhancing theory, therefore comprehending a more extensive issue (Stake, 1994; Bryman & Bell, 2011). Unlike the intrinsic case study, the instrumental case study is a means to comprehend the bigger picture of branding for start-ups (Stake, 1994). Since the focus rests within the case, it is considered a single-case study (Yin, 2011; Punch, 2005). The case of Virtuous Spirits was selected due to the researchers’ expectations of advancing the theoretical and practical knowledge of start-ups building corporate brands in Sweden (Stake, 1994; Eisenhardt, 1989).

The researchers looked for a promising case on FundedbyMe, Sweden’s biggest crowdfunding platform and an important player in the European crowdfunding market (Tillväxtverket, 2013). The specific case of Virtuous Spirits was then chosen due to multiple factors: Virtuous Spirits were the first equity-based crowdfunding campaign on FundedbyMe. The intermediary, FundedbyMe, listed Virtuous Spirits’ first crowdfunding campaign among its top three (3) success stories (FundedbyMe, 2015b). Virtuous Spirits were furthermore one

of the few companies doing more than a single crowdfunding campaign which points to their experience and expertise with crowdfunding campaigns. Claes Stenmark, co-founder of Virtuous Spirits, stated on FundedbyMe that *“the bigger motivator [for doing the crowdfunding campaign] was getting this captive audience who tasted our product during the process when we invited them to tasting events, who became shareholders in our business and who would, today, move heaven and earth to help us succeed”* (FundedbyMe, 2015b). This clear approach to doing equity-based crowdfunding for other than monetary reasons points precisely to the objective of this study.

Since the chosen start-up had conducted two (2) crowdfunding campaigns which were regarded on different levels of perceived value for the corporate brand building process, more insights were gained than with just a single campaign. This provided an opportunity for comparison within one company which was fortunate for the researchers due to the time frame of ten (10) weeks and the limited budget of this thesis. Through adding all perspectives – creators, intermediary, investors, and non-investors – a broader, more thorough picture was created (Stake, 1994). This was needed in order to explore the significance an equity-based crowdfunding campaign can have on the corporate brand building process of a start-up. This specific case therefore provided the context-dependent complexity needed to reach the aim of the study (Flyvbjerg, 2006) and was found to be a good opportunity to learn (Stake, 1994; Punch, 2005). The contribution of this study is thus a new concept – start-up brand building through equity-based crowdfunding – adding on to the already existing theoretical and practical field of corporate branding (Eisenhardt, 1989; Yin, 2011). Due to the research purpose being an extension of theory and an improved understanding of start-up branding, the case was considered highly relevant to the researchers (Eisenhardt, 1989; Yin, 2011).

The ever-discussed disadvantage of qualitative research in general, and case studies in particular, lays in its limited generalizability (Bryman & Bell, 2011; Easterby-Smith, Thorpe & Jackson, 2008). However, both Flyvbjerg (2006) and Stake (1994) emphasize the importance of particularization, the power of a single case. The researchers propose Virtuous Spirits to be different from other start-ups engaged in equity-based crowdfunding, since their goal was always to build their corporate brand through the campaigns, and money was merely regarded as positive side effect. They therefore seemed to follow a different pattern which the researchers aimed to explore (Punch, 2005). By developing the proposition of using equity-based crowdfunding in order to build a start-up’s corporate brand, the outcome of the study

can potentially be applied and transferred to other cases. Further qualitative or quantitative methods can subsequently be used to test the proposition which this study results in, heightening the analytical and theory-connected generalizability as well as the external validity (Punch, 2005; Stake, 1994; Eisenhardt, 1989). Nevertheless, the aim of this research was to generate a deep understanding and conceptualization of a new research field, which can best be created through a case study (Punch, 2005).

3.3 Data Collection Method

3.3.1 Semi-Structured In-Depth Interviews

In order to create a deep understanding of the issue, the collection of in-depth information was essential. This was done through primary data, since no suitable secondary data already existed due to the fact that equity-based crowdfunding in relation to start-up branding is still understudied. Further, to get rich descriptions and a full understanding of the studied issue, the researchers came to the conclusion that all parties involved in the case were needed as research units (Yin, 2011). We therefore sought answers from the investors of the campaigns, a non-investor, a representative of the intermediary, as well as the creators behind the project.

The interviews were conducted in order to get a holistic picture of the underlying procedures and motivations (Punch, 2005). The researchers collected the empirical material for the study in semi-structured in-depth face-to-face interviews (Bryman & Bell, 2011; Easterby-Smith, Thorpe & Jackson, 2008; Saunders, Lewis & Thornhill, 2007). This allowed for alterations throughout the data collection process (Eisenhardt, 1989). A romantic approach was applied throughout the interviews in order to fully understand the interviewees' experienced reality (Alvesson, 2003). It was of utmost importance for the research to capture the interviewees' different points of view in order to be able to formulate a proposition at the end of the study (Yin, 2011). This included verbal and non-verbal communication, such as gesturing and was therefore done in person or via Skype (Easterby-Smith, Thorpe & Jackson, 2008; Saunders, Lewis & Thornhill, 2007). The generated evidence was then used to create a deep understanding for the subject (Eisenhardt, 1989).

All interviews were conducted on a voluntary basis. The participating investors were contacted through Virtuous Spirits, so that the researchers only learned their identity, when they had already agreed to be part of the study. The purpose of the research was explained to

each interviewee in order to gain trust (Alvesson, 2003) and reduce the possibility of “fake or exaggerated information” (Easterby-Smith, Thorpe & Jackson, 2008, p.166). Through listening to the same story, a real-life event, coming from different perspectives, the researchers hope to have minimized the subjective perceptions and heightened validity (Yin, 2011).

The researchers had tailored different interview guides for each interviewee group in order to get a deep understanding of each perspective. Common questions included “if Virtuous Spirits was a person, how would you describe him or her?”, “why did you choose equity-based crowdfunding?” or “why did you decide to invest in Virtuous Spirits?”(see Appendix 1).

3.3.2 Sampling within the Case

After having chosen the case, judgmental sampling was applied with the team members as well as the intermediary (Bryman & Bell, 2011). The researchers spoke to the team members involved in creating the crowdfunding campaigns as well as to the representative of the intermediary involved in these specific equity-based crowdfunding campaigns on the platform.

Due to the time restraint of ten (10) weeks as well as to respect the investors’ privacy, these interviewees were contacted through the start-up, therefore through snowball sampling (Yin, 2011). The researchers were not personally connected with the interviewees in any way (Yin, 2011). To increase the validity of the study, attention was paid to having a great variety in the interviewees such as to have representatives of the friends and family pre-round as well as both campaigns (Stake, 1994).

A pilot study with a representative of Virtuous Spirits as well as ten (10) interviews were conducted in total, out of which one (1) was with a representative of the intermediary, three (3) were with representatives of Virtuous Spirits, three (3) were with investors in one or both crowdfunding campaigns, two (2) were with investors who got involved in the company after having invested, and one (1) was with a non-investor. Participants from every interacting group were chosen in order to get the full picture. Ideally, there was more than one participant/representative of each group. The researchers also paid attention to interview investors from both campaigns as well as the family and friends pre-round. Therefore, Elsa and John were selected from the friends and family pre-round, and Bill and Martin from the

first campaign. Olaf had invested in both the first and the second campaign. Christoff was interested in investing, but never actually did. Arno, co-founder and CTO of FundedbyMe, though being a representative of the intermediary for this study, also personally invested in the first campaign. An overview of the interviewees and their role in this study can be found in Table 1.

Virtuous Spirits	Investors	Investors involved in company	FundedbyMe	Non-investor
Claes	Elsa	Martin	Arno	Christoff
Johan	Bill	John		
Mario	Olaf			

Table 1: Categorizing table of interviewees

Due to this study being a case study, the sample size is relatively small rendering external validity more difficult. Since this specific case was carefully chosen for multiple reasons, the study's outcome might have a higher generalizability. The investors were contacted through the company ensuring their privacy and voluntariness to participate in this study. Nevertheless, this selection was then driven by the company and could be biased regarding its representativeness (Stake, 1994; Bryman & Bell, 2011). Regarding the researchers' strict time and budget frame, this was seen as the best alternative. Furthermore, the interviews were conducted in English and not in Swedish – the mother tongue of most participants. This could have had an effect on the outcome (Yin, 2011).

3.4 Data Analysis Method

The data analysis iterated between data collection, data reduction, data display, and drawing and verifying conclusions, as suggested by Miles and Huberman (1994) (figure 4). After each interview, the researchers talked about their respective impression, summarized it in accordance with both perspectives and compared it to previous interviews (Eisenhardt, 1989). Important points that had come up during the interview were noted in order to question the next interviewee about them as well.

In order to reduce data, all interviews were transcribed and coded both descriptively and interpretively based on literature (Miles & Huberman, 1994; Punch, 2005). The research questions served as a guide through this process. After having done a thorough literature review then, pattern codes were developed from the data (Miles & Huberman, 1994). Since the insights changed through examining both the empirical data and the existing literature, the codes were revised, where some of them were found irrelevant and some were given meaning in the new context (Miles & Huberman, 1994). This process of abstraction ensures the focus on the topic, not the individuals interviewed (Yin, 2011). Nevertheless, individual statements were preserved and included in the final paper in order to illustrate the abstract points made.

This process of making sense of the data was constantly accompanied by displaying the data through mind maps, matrices, flowcharts and other illustrations (Miles & Huberman, 1994). Throughout the whole process of data collection, reduction and display, the researchers recorded their thoughts and shared them with each other. These creative memos finally connected the systematic codes to the proposition (Miles & Huberman, 1994; Punch, 2005). The iteration between different theoretical fields and the empirical data led to a proposition rooted in empirical validity which can be regarded as more generalizable due to its abstract nature (Eisenhardt, 1989; Stake, 1994). The final result was the proposition of using equity-based crowdfunding as a channel of corporate communication in order to build the start-up's corporate brand.

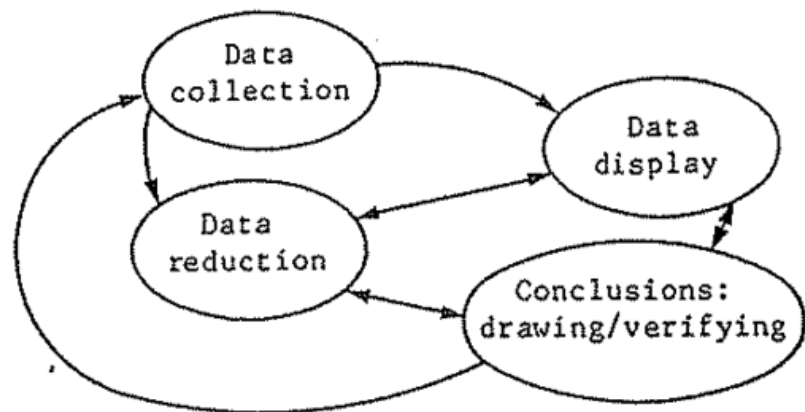


Figure 4: Components of data analysis: Interactive model (Miles & Huberman, 1994, p.12)

3.5 Ethical Considerations

The Academy of Management (AoM) Code of Ethics has been followed throughout the entire research process (Bryman & Bell, 2011). Accordingly, no emotional or physical harm has been done to any interviewee. As mentioned by Stake (1994), the researchers had no right to invade the privacy of the interviewees. All interviews were therefore recorded only with the explicit consent of each interviewee. To ensure reliability, these recordings are available on request. Having recorded the interviews, the researchers felt comfortable quoting the interviewees directly and indirectly (Yin, 2011). All investors' names have been changed in order to protect their identities and respect their anonymity and privacy (Stake, 1994; Bryman & Bell 2011). The identity of the company as well as its members has been revealed with their explicit consent. To ensure research integrity, the researchers went to great lengths to present the case truthfully while refraining from publishing any confidential information obtained (Yin, 2011). The researchers conducted every interview jointly to increase the chances of being "perceptive and sensitive to events, so that lines of inquiry can be changed and adapted" (Easterby-Smith, Thorpe & Jackson, 2008, p.146). The cause of the study as well as the researchers' affiliation with Lund University was disclosed to each interviewee in order to lower risking a conflict of interest and to be as transparent as possible (Bryman & Bell, 2011). A representative of the company studied has approved of all references of the empirical material obtained before publication (Stake, 1994).

Due to the fact that this study included multiple parties, reciprocity is important (Bryman & Bell, 2011). The theoretical as well as managerial implications obtained from this research will hopefully serve as a benefit for any start-up including Virtuous Spirits to build their corporate brand through equity-based crowdfunding.

The researchers are aware of the fact that we both had an influence on each other. Further potential influences include the supervisor of this study, Lund University, and the interviewees (Easterby-Smith, Thorpe & Jackson, 2008). Nevertheless, the researchers are not financially dependent on any party signaling relative neutrality.

3.6 Chapter Summary



Figure 5: Overview of methodology chapter

4 Case Presentation

This chapter introduces the studied company, Virtuous Spirits. It presents a background, the product Virtuous Vodka as well as their marketing strategy. The procedure and outcome of the two equity-based crowdfunding campaigns end this section.

4.1 Virtuous Spirits

4.1.1 Background

Claes Stenmark grew up in a family with a long tradition of homemade foods and is very passionate about the subject. One day he simply had enough of the fakeness that the food industry had become, and he was not alone. When meeting Mario Löfendolk, they united over their common passion for fake-free food and founded Virtuous Spirits in 2011. Together with Johan Ranstam, chairman of the board, they constitute the senior management of the company.

Today, the team consists of five (5) active members taking care of everyday business as well as 280 shareholders out of which 30 originated from the friends and family round. Thereafter, the remaining investors invested in the first and/or the second crowdfunding campaign or joined the company through other minor issuances. Further, some of the investors in the second crowdfunding round were already shareholders. The competence within the management team is as follows: Mario, an entrepreneur since the 1980s and a former management consultant, has an education in mathematics, engineering and economics. Claes' education and entrepreneurship has been mirrored in both the food, film and advertisement industry. Johan, having an academic background in economics, philosophy and marketing, has worked as risk manager, business developer, strategist and copywriter. (Virtuous Vodka Business Plan, see Appendix 2) For the sake of this study, it needs to be mentioned that two investors got more involved with the company. Martin helps out with PR and communication expertise, while John gives legal advice and supports with logistics.

Virtuous Spirits are a small player with big vision as they seek to be “recognized as the alcohol industry trendsetter, the market-driving force, and the supplier of the greatest tasting flavored vodka in the world” (Virtuous Vodka Business Plan). If they were to describe Virtuous Spirits as a person it would be “a taste loving, goodhearted stuntman” and team members pinpoint the value words of the brand to be *real, genuine, responsible, and surprises you in a good way*, as expressed through the brand logo (figure 6) (Virtuous Spirits, 2015). In a competitive, regulated and brand oriented market, Virtuous Spirits’ strategy is to “provide organic and natural flavored vodka with love for the genuine and craftsmanship” (Virtuous Vodka Marketing Plan, see Appendix 2).



Figure 6: Virtuous Spirits logo

4.1.2 Virtuous Vodka

Virtuous Spirits offer six (6) different kinds of flavored vodka, in addition to a blond basis, calling this variety of products *Virtuous Vodka*. The vodka is organic and without any preservatives added, therefore, as the slogan suggests, “flavored by nature” (Virtuous Spirits, 2015). The targeted customer is a drink-loving person seeking a premium experience to an affordable price and wanting to make a statement of purity (Virtuous Vodka Marketing Plan).

Currently, the primary market segments are the Swedish HoReCa market (hotels, restaurants/bars/nightclubs and catering/events/conferences) and the products are sold through the Swedish alcohol monopoly Systembolaget. The Swedish market is a tough market for branding and marketing hard liquor since the alcohol law is very restrictive and it is prohibited to market liquor over 15 percent. It is not allowed to market or promote alcohol in a way that is persuasive or encourages consumption, nor can advertisements be connected to certain people, attributes or lifestyle choices. The advertisements can only show the products and the commodities it is made of. This is mandatory for both printed and online media. Companies cannot market towards individuals below 25 years since they are considered children/youngsters. (Havermann, 2015; IQ Rapport, 2012)

4.1.3 Marketing Strategy

To be able to sell an alcoholic product in spite of these restrictions, a company needs a convincing marketing strategy. Virtuous Spirits do this by having a thorough marketing plan, using both online and offline channels (Virtuous Vodka Marketing Plan). Providing information through the website and frequently engaging in conversations on social media will expand awareness and connect with users and customers. Virtuous Spirits aim to be “a part of the customers’ identity project, and are generously contributing to it” (Virtuous Vodka Marketing Plan). PR and events are part of the offline marketing mix, where the latter seek to convince people to try the product in order to increase the likelihood of future purchase and engagement. This is a key part of the strategy. (Virtuous Vodka Marketing Plan)

To build the brand, Virtuous Spirits plan to internally educate the management team through workshops, arrange events with strategic targeted bars and fairs, spread awareness through PR and social media, and push engagement campaigns in order to build a strong network of ambassadors and form an understanding of how the brand is perceived within the target group. (Virtuous Vodka Marketing plan)

4.2 Equity-Based Crowdfunding Campaigns

The Swedish crowdfunding platform FundedbyMe began offering equity-based crowdfunding in 2012. The first campaign launching the product Virtuous Vodka was launched in 2013 and constitutes the first equity-based crowdfunding campaign on FundedbyMe (Daboczy, 2013). The second campaign, aiming to increase sales and develop the brand Virtuous Vodka, was launched in 2014 (FundedbyMe, 2014). This makes Virtuous Spirits one of the three (3) percent of companies who have launched more than one crowdfunding campaign, according to Arno Smit, co-founder and CTO of FundedbyMe.

A campaign goes through three phases: Pre-Round, Open Round and Closed Round (FundedbyMe, 2013a), all after passing an initial screening made by FundedbyMe itself. After being reviewed by FundedbyMe, Virtuous Vodka entered the Pre-Round. There, they modified their presentation, received feedback and tested the concept with the crowd (Daboczy, 2013). As Virtuous Spirits proceeded with their campaign to the Open-Round, investors signed up for shares and actively got involved. After the pre-set time of eight (8) weeks had passed, Virtuous Spirits entered the Closed Round where they decide themselves



how to keep in touch with the investors, now shareholders of the company (FundedbyMe, 2013a).

The first campaign offered 9.98 percent of company's shares and raised 1,000,140 SEK with 93 investors (FundedbyMe, 2013b). According to co-founder and CEO of FundedbyMe, Daniel Daboczy (2013), it was *"a bullet-proof campaign with a personal touch, and [Virtuous Spirits] succeeded in closing their round by being dedicated and able to engage a large number of potential investors. By hosting weekly tasting sessions, inviting their investors to spread the word and taking the time to speak with every investor they quickly gathered a crowd of engaged investors"*. The second campaign raised 2,065,440 SEK, and had 208 investors which gained 4 percent of the company's shares (FundedbyMe, 2014).

5 Analysis and Discussion

This chapter presents the empirical findings in comparison to the theory underpinning the research. It emphasizes the importance of gaining popularity for the start-up to grow, explains Virtuous Spirits' corporate brand, their communication through the equity-based crowdfunding campaigns and concludes with the significance of involving the right brand ambassadors.

5.1 Importance of Branding for Start-Ups

At the early growth stage, a start-up will have established the first parts of its corporate brand (Juntunen et al. 2010). In order to grow further, it is important to gain popularity, so that potential customers know about the company and its products. The main issue is that too few people know the start-up exists at this point. Even if people know about it, they might be reluctant to take the risk of exploring something new. This is especially true for the Swedish market due to its high risk-averseness (Hofstede, Hofstede & Minkov, 2010). It might also be difficult for persons to leave their routines. As explained by Claes, Sweden does not have a history of small businesses and entrepreneurs, but successful big companies (Tillväxtverket, 2013). This established trust in large corporations makes it difficult for potential Swedish customers to take a leap of faith with a start-up. This renders the Swedish market incredibly difficult for start-ups (Ingram & Teigland, 2013). Although it might be difficult to get a start-up up and running in Sweden, it is also the ultimate test for the company and its products. In Mario's opinion as a former management consultant, a product will not succeed in any country if it does not succeed in Sweden. Claes furthermore emphasizes that one does not usually have relationship with a business owner, but that he believes it to be possible to grow in Sweden since running businesses is increasingly accepted.

This is when the significance of the crowdfunding platform comes into play. Arno states FundedbyMe's mission and achievement to lay in helping companies build a long-term sustainable business at a very early stage when “*no one else actually believed in them*”, which essentially is a result of what is labeled the *liability of newness* (Carroll & Khessina,

2005). Arno explains that FundedbyMe has been able to identify that banks only reluctantly grant small loans, so that the intermediary now uses this knowledge to help the small players getting financing. The intermediary provides a database filled with individuals with specific characteristics and therefore provides a ‘distillation’ of all the people out there. Many people who are already participating or interested in crowdfunding are genuinely interested in supporting start-ups. This mission and pre-targeting is especially helpful for a resource-lacking start-up needing support establishing itself on the market (Weiblen & Chesbrough, 2015; Carroll & Khessina, 2005). Consequently, according to Arno, crowdfunding has grown from being the last resort to being the first option.

The members of the targeted group are willing to support something new and leave their routines, do not necessarily have to follow someone to be convinced of good quality, and are not afraid to take risks, which is why they can be perceived as early adopters (Solomon et al. 2010). The start-up then needs to find its relevant target group within this database and add on their personal network. Elsa believes the family and friends give an initial stability when you are new in the market, whereas John just calls them supporters - implying that the stability does not only come from the personal network. Reaching beyond the closest circle and being able to invest the right skills and commitment into every decision is of Claes’ firm belief (Braunerhjelm & Henrekson, 2013): He explains that one has to get people involved that have knowledge of subjects lacking in the start-up to be successful.

Claes, Mario and Johan point out that getting brand ambassadors for Virtuous Spirits was the foremost goal of both crowdfunding campaigns, which in combination with the solid experience of the team can be interpreted as a deliberate choice in order to build the brand early on (Juntunen, 2012; Bresciani & Eppler, 2010; Juntunen et al. 2010). Thus, it appears that the previous start-up and marketing experiences of the team are reflected in the understanding of branding being a powerful tool when establishing a start-up on the market (Merrilees, 2007; Inskip, 2004; Muñoz-Bullona, Sanchez-Buenoa & Vos-Saz, 2015).

5.2 Virtuous Spirits' Corporate Brand Building Process

The core values are the foundation of every corporate brand building process and guide the start-up through it (Urde, 2003). Virtuous Spirits' core values have been evident ever since the foundation of the company due to the fact that the two founders, Mario and Claes, have the

same passion for organic and fake-free food. As the team grew, this was also true for the other team members.

Connected to the theme of organic and fake-free food, the team members describe the core values to lay in being *real, genuine, honest, responsible, adventurous, courageous* and *full of surprises*. According to Mario, the essence of Virtuous Spirits therefore stands for being yourself, which is reflected in their products (Inskip, 2004; Wallström, Karlsson & Salehi-Sangari, 2008). Johan takes this even a step further by explaining the corporate culture and behavior (Rode & Vallaster, 2005): *"We don't lie, we say exactly what's in our bottle, we try to do so in our marketing, in our accounting, in the way we manage the company, how we act towards employees."* The usage of 'we' in this context underlines that Virtuous Spirits are in fact a corporate brand and not a product brand (Urde, 2013). Furthermore, it becomes evident that the core values as an overarching conceptual framework summarizing the identity of the corporate brand are in fact used as "guiding lights for the brand building process" (Urde, 2003, p.1017), affecting all parts of the corporate brand (Wallström, Karlsson & Salehi-Sangari, 2008). Lead by the chairman of the board, Johan, Virtuous Spirits have started to use their core values to embark on a common strategy with the focus on a long-term, credible goal (Merrilees, 2007; Juntunen et al. 2010). This shows that Virtuous Spirits have developed their corporate personality as part of the corporate identity (Juntunen et al. 2010; Wallström, Karlsson & Salehi-Sangari, 2008). In addition, the brand-oriented strategic planning approach shows that Virtuous Spirits are currently in the early growth stage of their corporate brand (Juntunen et al. 2010).

The successful establishment and communication becomes visible when stakeholders describe the brand: Arno describes it figuratively as ants – a community working together towards a common goal. Although the investors' descriptions differed a little, the most common words used were *genuine, caring, outgoing, hipster* and *a little bit crazy in a good way*. Since this description is so similar to what the team members say about themselves, it can be concluded that Virtuous Spirits have successfully established and communicated their core values to external stakeholders through the corporate brand image (Juntunen et al. 2010; Rode & Vallaster, 2005). This in turn shows the credibility, consistency and continuity of the corporate brand (Urde, 2003).

Being genuine and being yourself gives room for each person's own thoughts which is the reason why Claes describes the team to be diverse. Mario adds on to this saying that different

trains of thought make the group very good (Rode & Vallaster, 2005). This is connected to the tension resulting in uniqueness of the brand described by Johan. According to him, this is what makes Virtuous Spirits interesting and appealing to different kinds of people. Olaf agrees with this, describing them as having all different elements of a good team, but still being able to have a conflict enabling them to make smart rather than quick and lazy decisions (Schwienbacher & Larralde, 2010). Bill expresses his belief in the team through stating that the person that is Virtuous Spirits “*will become very successful and wealthy. Not at the moment but it’s going the right way.*” Due to the fact that the team’s behavior plays an essential role in the start-up’s brand, this externally perceived expertise and trustworthiness of the team underpins Virtuous Spirits’ positive brand credibility (Balmer, 1995; Rode & Vallaster, 2005; Roper & Fill, 2012). Since crowdfunders base investment decisions on creators’ behavior, Virtuous Spirits are wise trying to work out a long-term strategy through positive brand credibility (Younkin & Kashkooli, 2013). This groundwork of corporate brand building helps the start-up save time and effort throughout the new venture process (Merrilees, 2007).

As part of the corporate brand, one of the most important team members is the entrepreneur (Roper & Fill, 2012; Merrilees, 2007). In the case of Virtuous Spirits, the core values seem to be mirrored through Claes, who is looked upon as a symbol for the brand (Juntunen et al. 2010). This shows already in the description about his persona in the company: *flavor stuntman and charismatic front figure*. He is one of the founders of Virtuous Spirits, and has expertise in the food industry as well as the advertisement industry. Claes states that “*food came with the mother’s milk, and when it came to flavoring vodka, I started doing that as a five-year-old with my grandfather. I was around five when I was allowed to start picking the right kind of flowers and stuff from the fields.*” The team members support this credibility as for example Johan describes him to be “*a very charismatic person. He looks good and he doesn’t mind being seen or being the front figure. It was also easy for people to remember and create a personal connection.*” Elsa, Martin, and Olaf even go so far as to describing Claes as the personification of Virtuous Spirits. Martin expresses this through referring to the core values as follows: “*Claes is really genuine, real and he is himself all the time. He is honest with a good heart.*” Due to the same value words used by individuals with an external and an internal perspective, it can consequently be perceived that Claes’ personal identity is not only closely related to the corporate identity, but also has a mentionable effect on the corporate image and subsequently all stakeholders (Juntunen et al. 2010; Roper & Fill, 2012;

Rode & Vallaster, 2005). Correspondingly, this effect can be seen in the team: Martin, who is part of the team, states that although someone might not be like Claes, “*when you come into the organization and work with him, you kind of become that a little bit*”. This shows how the core values established and communicated by the start-up, especially through Claes, penetrate all aspects of the corporate brand and create credibility and consistency in the value-creating process (Wallström, Karlsson & Salehi-Sangari, 2008; Urde, 2003; Solomon et al. 2010). The consistency between corporate identity and corporate image is therefore ideally created through the core values spread through corporate brand communication.

5.3 Corporate Brand Communication through an Equity-Based Crowdfunding Campaign

Corporate brand communication is planned communication (Balmer, 1995). It is the ultimate goal of the company to reach positive unplanned communication, which Virtuous Spirits aim to do via online communications and offline events. As equity-based crowdfunding is a low-cost, wide-reach online channel with opportunities to develop innovative brand building activities (Bresciani & Eppler, 2010), it was a good channel for Virtuous Spirits’ corporate brand communication. Claes is an enthusiastic advocate for crowdfunding: “*I think that’s quite revolutionary when it comes to crowdfunding that you don’t need to be a millionaire to start a business*”.

Arno describes equity-based crowdfunding as being an option throughout the lifecycle of a company; it can be done to validate the concept, get more investors or grow once the company is more established (Inskip, 2004). Virtuous Spirits were convinced that equity-based crowdfunding was a good brand building tool. The monetary benefits were seen as a positive side effect since it is difficult to get capital and establish a start-up in the market in an early phase (Juntunen et al. 2010). As the start-up grows, the opportunities to connect beyond borders become more important (Ingram & Teigland, 2013). In connection to Virtuous Spirits’ campaigns, Arno explains the usefulness of expanding through crowdfunding due to the fact that “*the international people were able to open up more doors and get them some distribution contracts, open up better production facilities*”.

To facilitate a successful crowdfunding campaign, it is important to think about the presentation of the product and team, as well as the valuation of the company (Younkin & Kashkooli, 2013). Some investors emphasize the financial valuation as critical, as it signals if

the campaign is a good investment opportunity or not. According to Bill, an unfortunate valuation reflects negatively on the team's ability to manage the company. This influences the potential investors' trust in the team (Schwienbacher & Larralde, 2010; Ahlers et al. 2012). Olaf thinks that if a company *"gives away too little for too much, then they have delusions of grandeur or they have a successful company, then they don't really need the money, they just want to capitalize because there is a trend now."*

This strengthens Martin's argument that a company needs to communicate realistic and credible goals. Johan additionally emphasizes the importance of honesty towards individuals interested in investing in the start-up. Another crucial aspect is to get potential investors to understand the start-up's concept which is facilitated through a high quality presentation on the platform (Younkin & Kashkooli, 2013). Claes explains the need to *"put on the investor glasses"* in order to be able to make a good presentation. While some interviewees believe any company can crowdfund, Johan and Arno believe tangible, consumer-facing products are easier to explain and therefore more likely to succeed. Arno states that it is important for investors to be able to relate to the product or idea. Bill adds to this explaining that if it is too complex, people will not understand it, resulting in the campaign being a waste of time (Solomon et al. 2010).

It is important for a start-up to be compelling (Hemer, 2011), thus it is crucial be able to explain the product and have a representative team (Roper & Fill, 2012; Rode & Vallaster, 2005; Merrilees, 2007). Arno believes that offline activities, such as meeting investors face-to-face, are important. He does not perceive crowdfunding as a sole online activity, but describes it to be an initial touch point and the virtual location where the involved parties close the deal. This online/offline combination was something Virtuous Spirits lived by; as they also believed crowdfunding is not solely an online activity (Ordanini et al. 2011). Bill thinks this was a good initiative by Virtuous Spirits and it is something he prefers also since *"it is not so common for some reason"*. Fairs, follow-up events such as dinners with investors and tasting events served as offline marketing opportunities, which are in line with what Bresciani and Eppler (2010) call innovative, promotional brand building activities. The creators emphasize that the tasting events were crucial for the campaigns' success, although Johan is convinced that they could have gotten better results by traveling around Sweden, rather than only having tasting sessions in Stockholm. The investors talk about the offline activities as a decisional deal-maker. Some investors knew they were going to invest when

they went to one of the tasting events and ended up investing more afterwards, while others claim they would have pitched in with more, if they had known how good the product was before actually placing their investment. Martin calls this the *Taste-Like strategy*: “*If you taste it, you’re most likely going to like it*” (Ordanini et al. 2011; Gerber & Hui, 2013).

These events are not just promotional for an ongoing campaign, but when Virtuous Spirits attend fairs, they meet potential investors or customers. Claes therefore states: “*My recommendation to crowdfunding companies is to create events where you can interact in real life with the potential investors.*” Christoff is one of these potential investors. He liked the product and even though he ended up not investing due to situational reasons, he still keeps in touch with his contact at Virtuous Spirits and can consequently be regarded as a stakeholder. Virtuous Spirits also have offline follow-ups with investors such as dinners and events. Mario stresses the importance of doing regular follow-ups and talking to the investors directly, both online and offline. Virtuous Spirits make sure to send out newsletters to inform what is going on as well as inviting to occasional events; this professional way of handling communication also affects the perceived credibility (Solomon et al. 2010). The coherent brand communication shown is part of Virtuous Spirits’ success and is vital for start-ups in general (Juntunen et al. 2010). Being professional about the campaign has been a guiding star for Virtuous Spirits. Mario accentuates that they have always been very consequent with communication channels and the communicated content, such as how they position the product and brand in words (Rode & Vallaster, 2005; Roper & Fill, 2012). Martin, the PR responsible, expresses: “*Communication started before the campaign. We had workshops with messaging and how do we position our product and the company, what will we say in writing – communication strategy. USP. Sort that out first*”.

Martin did not only help with workshops, but also with the PR for the second campaign. He, Johan, Claes and Mario believe that PR was part of the success of both campaigns (Bresciani & Eppler, 2010). For Virtuous Spirits, it was more difficult to market the products, since the restrictive Swedish alcohol law prohibits many PR and marketing activities. John describes that from a legal standpoint, it was a challenge to make people notice and avoid breaking the law at the same time, although any issues of PR being too costly were not mentioned (Silverman, 2001). Virtuous Spirits need to ensure that they promote their product and events to a closed group.

This is the reason why friends and family played a big role especially in the beginning (Kuppuswamy & Bayus, 2013). Arno mentions that it is good to have a network to initially reach out to, which proved right in relation to Virtuous Spirits' tasting sessions, as Mario narrates: *"We had an event for friends and family who in turn invited their friends and family and so on. We had maybe 50 people per tasting, and we had perhaps five events or so. Then we got a lot of people who were actually engaged, they got the concept and why we do it and so on."* Just as stated by Agrawal, Catalini and Goldfarb (2011), the empirical material therefore confirms the fact that family and friends were important for the start-up's early stage support. However, the real challenge occurs when reaching beyond the own network to attain the so-called *engagement moment* (Ordanini et al. 2011). In order to do this, social media plays an important role: By offering the opportunity to reach out to a wider crowd, while still having the closed-group option, Facebook is a great source for Virtuous Spirits' advertising. The start-up communicated with people "liking" the Virtuous Vodka Facebook page and invited them to events.

Virtuous Spirits do not only use social media for promotion, but also to stay in touch with their investors and as a channel for continuous feedback (Gerber & Hui, 2013). It therefore also plays a key role in the corporate brand communication after the closure of each campaign. Nurturing the relationship with investors is important for the long-term sake of the brand. Comparable to Virtuous Spirits, many creators decide to move their post-campaign communication off the platform (De Buysere et al. 2012). Having witnessed good and unfortunate examples of this, Arno emphasizes the fact that it is important to facilitate the communication: *"You want to make sure that you keep your investors up to date because it is better to over-communicate rather than not communicating at all."*

In addition to the communication with the investors, Claes explains that Virtuous Spirits is maintaining a good relationship with FundedbyMe, the intermediary. FundedbyMe helped with PR for both Virtuous Vodka campaigns, which is part of their service. The expertise and experience of the intermediary can be very useful to guide start-ups (Schwienbacher & Larralde, 2010; Gerber & Hui, 2013). Arno describes his interaction with start-ups as follows: *"I've always just had coffee with other people, talking to them about what you need to do in order to attract investors, so we are very open with the information that we share."* As the intermediary is respected within their community, their recommendations carry a lot of weight and have a great impact on the brand. In this sense, the intermediary can be seen as an

opinion leader as well as projecting positively on Virtuous Spirits, where the latter is referred to as the *halo effect* (Solomon et al. 2010; Roper & Fill, 2012). Thus, it becomes visible that the platform plays an valuable role for the start-up.

5.4 Attracting the Right Investors

Virtuous Spirits had a main aim with the crowdfunding campaigns – to get brand ambassadors from the start (Belleflamme, Lambert & Schwienbacher, 2014). They were cautious about the people they accepted as investors, partially because the shareholder plays part in representing the brand (Juntunen et al. 2010). In order to get a product out on the market, the start-up needs not only money and a good product, but also the right people. As having the right investors also enhances the development of the brand, Virtuous Spirits conducted a background check and asked the potential investors what they could offer besides money, such as contacts and skills (Schwienbacher & Larralde, 2010; Tillväxtverket, 2013). Getting a feeling of the investors' potential this early enables the start-up to immediately build a corporate foundation of like-minded people, saving them a lot of money and effort during the new venture process (Belleflamme, Lambert & Schwienbacher, 2014; Carroll & Khessina, 2005; Baumeister & Leary, 1995). This is not only useful in short-term, but also in the long run, as it increases the likelihood of dodging a future reputational setback (van Riel & Fombrun, 2007). Johan therefore recommends to *“relate to an investor like you would relate to an employee. Pick them as good as you would pick an employee.”* Since investors in equity-based crowdfunding buy a share of the company, it can be seen as the ultimate sign of trust and belief, as expressed by Olaf (Ordanini et al. 2011). Hence, Arno points out that equity-based crowdfunding is about *“the team that you get on board, the people that want to pay to be on board”*.

In order to find these interested individuals, intermediaries provide a pre-targeted platform consisting of people who can be seen as early adopters (Solomon et al. 2010; Kumar, Scheer & Kotler, 2000). This is a beneficial stepping-stone for a young company. To build a relationship with these peers in order to earn their loyalty is beneficial for the growth of the company (Reichheld, 2003), and Virtuous Spirits have gained support from an enthusiastic crowd. Although the start-up's team had big expectations of engagement and due diligence, only about 10 to 15 percent turned out to be active shareholders, entailing participating in discussions or giving advice. The motivations of investors are heterogeneous (Mollick, 2014)

which brings about different levels of engagement (Solomon et al. 2010; Zaichkowsky, 1985). Therefore, it is unrealistic to expect everyone to be equally enthusiastic.

Claes and Mario believe that start-ups need to be able to enthuse their shareholders. Virtuous Spirits have gotten better at engaging the shareholders, which became evident during the promotion of the second crowdfunding campaign, when shareholders' engagement was an important part of the marketing strategy (Ordanini et al. 2011). This dedication and supportiveness points to a loyal crowd – a true sign of brand ambassadorship as illustrated by the BCR ladder (Narayandas, 1998; Jones & Sasser, 1995; Reichheld, 2003; Van Doorn et al. 2010). Accordingly, brand ambassadors can be placed higher up on the ladder, their involvement level pointing more toward passion (Solomon et al. 2010). For Virtuous Spirits, the ideal brand ambassador is a person or business who lives the concept, understands and loves the brand and tells its story – essentially generating positive WOM (Van Doorn et al. 2010; Thies, Wessel & Benlian, 2014; Dick & Basu, 1994).

Using planned communication effectively through a crowdfunding campaign may therefore affect the outcome of unplanned communication (Balmer, 1995). WOM is a persuasive and authentic communication tool essential in order to create a positive corporate image (Villanueva, Yoo & Hanssens, 2007; Silverman, 2001; Dichter, 1966). All investors state that they have recommended the product to their friends, asked for and recommended it in bars and spread the word online during and after the campaigns. These endorsements have a high positive effect on the likelihood of individuals to adapt a product and the quality of the customers acquired, since they are important factors for the *race to be in* (Solomon et al. 2010; Silverman, 2001; Villanueva, Yoo & Hanssens, 2007; Ordanini et al. 2011). Johan emphasizes that it is not only important to create a buzz during and after the campaign, but also to *“get attraction before the campaign. You have to get people talking about it. Otherwise you’re going to spend the first 4-6 weeks of the campaign telling people that you have a campaign, and that’s not what you want to do. You want to talk about the product and the investment possibilities.”* It becomes evident that it is crucial to nurture the relationship with the shareholders during all stages.

Through both online and offline events, Virtuous Spirits keep their previous investors in the loop and attract new customers as well as potential investors. Johan explains that Virtuous Spirits first *“made a plan for how to get the attraction needed, which included a lot of events with people coming and trying the vodka”*. Offline events are a good way for the investors to

meet the creators allowing them to make a personal connection with the characters behind the project (Solomon et al. 2010; Gerber & Hui, 2013). This showed to be important not only for the investors stemming from the family and friends segment as argued by Agrawal, Catalini and Goldfarb (2011), but also the other investors (Aaker & Akutsu, 2009). As expressed by Martin: *"Maybe I look like a typical PR-agency guy, but I'm sort of more like them in my mindset, so I like that."* Theories state belonging to a community as an incentive for investors to capitalize (Agrawal, Catalini & Goldfarb, 2013; Gerber & Hui, 2013), which, however, was not pinpointed as a major motivation among the interviewed investors. Some are not engaged at all, while others are more involved, but for the sake of professional network and skills. An interesting observation consisted in the fact that the investor who did not feel part of the community did not see herself as a typical crowdfunder either, which can then be connected to the identification with subsequent belonging to the crowdfunding community (Pierce, Kostova & Dirks, 2001; Weber, 1978). Other values shared by typical Swedish crowdfunders are, according to Arno, the appreciation of entrepreneurship and making a difference in society (Hemer, 2011).

Being able to interact with the individuals behind the online project and discovering their truthfulness was an important factor for the investors to trust in the team (Balmer, 1995; Roper & Fill, 2012; Solomon et al. 2010). It also affected the perceived capability of the team (Schwienbacher & Larralde, 2010; Gerber & Hui, 2013). Ahlers et al. (2012) argue that a high level of education is a determinant, which in this case did not apply, since it seemed to be more connected to the previous experience of the team members (Agrawal, Catalini & Goldfarb, 2013). One of Olaf's personal investment factors was to find out if the team was interesting, fun and able to deal with challenges. This was the case for Virtuous Spirits' team, whom he does not perceive as *"flat like beer without sparkles"*. John and Martin got involved in Virtuous Spirits because they liked the team and wanted to be a part of it, which is the ultimate sign of shared values and personal relevance (Malär et al. 2011; Solomon et al. 2010; Mollick, 2014).

Strong support like this was not only evident in the belief in the team, but also in the product (Gerber & Hui, 2013). The product appealed to all investors as its organic and genuine nature is coherent with their concern about the environment and the desire to be part of something world-changing (Hemer, 2011; Porter et al. 2011). The investors seemed to be aware of the risks included in investing, but did not seem bothered by it, which indicates that other

aspects had taken overhand (Ordanini et al. 2011). It might be because they want to brag, act out of pure interest in innovation or perceive emotional benefits of being part of an exciting project and, possibly, the next big market hit (Schwienbacher & Larralde, 2010; Hemer, 2011; De Buysere et al. 2012). In a nutshell, Olaf described this as follows: *“I have all these boring stocks that keep me safe at night and then I have the interesting stocks that keep me happy at day.”*

Yet, in order to succeed in being the next market hit, it is vital to be appealing. By expanding the network through the intermediary, equity-based crowdfunding can be used to do market research (Belleflamme, Lambert & Schwienbacher, 2014; Tillväxtverket, 2013). Johan states that *“generally, if you have a crowdfunding campaign and you fail, you don’t exist”* and explains the activity to be effective, as you can obtain ideas from shareholders as well as getting *“a vibe from people”* which ties to Kim et al.’s (2008) statement about social networks being a chance to get real-time access to the customer insights. Thus, the crowd can be helpful in coming up with good ideas helping creators interpret the market (Day & Schoemaker, 2005). The problem with start-ups is that there are often not enough resources, especially time, to follow-up (Abimbola & Vallaster, 2007) and obtain all information desired even after the campaign. This has been a problem for Virtuous Spirits as well, which they are trying to minimize through communicating via Facebook, sending out newsletters, organizing occasional shareholder events and regular shareholder meetings.

One aspect rendering equity-based crowdfunding to be a good market research tool even when lacking resources, is the opportunity to test the receptiveness of the crowd regarding the concept or product through the campaign (De Buysere et al. 2012; Schwienbacher & Larralde, 2010). Here, it is not only the investors that provide feedback: FundedbyMe as an intermediary serves a purpose as they conduct a comprehensive initial screening to decide if a start-up is ready to go or not. As they later help fashion the campaign and assist with communication, they are pivotal discussion partners for valid feedback (Younkin & Kashkooli, 2013). People registered on the platforms tend to have an understanding of the process which the campaign has to go through in order to be approved - therefore they trust that it is a good product, team and business in general. As expressed by Arno: *“it tends to take time for people to build up trust and see that something works [...] we have to feel that when we send out one of these cases to our investors, that we can make 100 percent sure that we believe in it at least before we send it out to them.”* Olaf, as a frequent investor, expresses this



established trust by saying that for him *“it is a policy that if it passes FundedbyMe’s screening, then at least I should have a tiny little stake in it”*. Hence, being approved by the intermediary is an essential criterion for credibility (Roper & Fill, 2012). Johan pinpoints the relationship with the founders of FundedbyMe as a strength of the campaigns. They assisted with the promotion and featured the first campaign as one of the top three success stories on the homepage; therefore they can be considered brand ambassadors.

Arno considers the greatest advocates to be the ones you feel that you created value for, which can happen in different ways depending on each investor. According to Olaf, the creators should engage and interact with the investors, and ask them questions. Comparable to Bill, he claims that he is ready to engage even more and can be a great asset in the future. As a result of communicating frequently and opening up doors for potential help, one can assure involvement benefiting both the creators and the investors (Belleflamme, Lambert & Schwienbacher, 2014). This has a big impact on the brand, thus is a vital part of building the corporate brand (Gregory, 2007; Juntunen et al. 2010).

6 Conclusion

This chapter answers the research questions through a closing discussion. Subsequently, it proceeds to the theoretical contribution as well as the practical implications. After reflecting on the limitations, the researchers propose future research opportunities.

6.1 Closing Discussion

The initial aim of this thesis was to investigate whether a start-up's corporate brand can benefit from using equity-based crowdfunding as a brand building tool. If the answer was to be positive, the study intended to investigate in which ways the corporate brand could benefit.

This study proposes that a start-up's corporate brand can benefit from using equity-based crowdfunding as a brand building tool in multiple ways. It becomes evident that equity-based crowdfunding is perceived as an option throughout the life-cycle of a company, although it is mostly cut out for start-ups in the early growth stage. By serving as a corporate communication channel, the start-up can communicate the brand in an attempt to establish itself in the market. The wide-reach and low-cost of an online channel are helpful since the start-up has limited resources. The crowdfunding platform furthermore provides a useful 'distillation' of a bigger audience with the desired mindset such as a genuine interest in innovation. These individuals can be regarded as early adopters.

One of the more significant findings to emerge from this study is that it is not only important to find the right investors, but the right ambassadors as they are valuable and essential in the start-up's brand building process by engaging in positive WOM and providing feedback. The study partially substantiates that ambassadors are not exclusively the shareholders, but also the potential customers on the market as well as the intermediary. Not only is the active promotion of the latter positive for the start-up, but also to be associated with the credibility of the intermediary. Hence it is important for the start-up to nurture the relationship with the intermediary even after the campaigns are closed.

One of the most difficult issues of a start-up is that they are relatively unknown in the beginning, rendering the early support of family and friends even more important. Equity-based crowdfunding, and subsequently the brand ambassadors, can support the start-up's expansion beyond its personal network. This is not only beneficial in order to spread positive WOM, expand awareness and get more investors for an ongoing campaign, but can also be useful for a long-term expansion strategy. Due to its nature of being an online activity, the company can create international connections, which can prove to be useful for its long-term strategy.

It became evident during the study that equity-based crowdfunding can be used as a market research tool. Feedback comes first from the intermediary in the initial screening process and later through the investors. The screening gives the investors reassurance about the credibility of the campaign. The right brand ambassadors do not only spread positive WOM both offline and online, but also provide useful personal and intermediated feedback that may bring insights of the market, construct the corporate brand, and help the start-up grow.

The research has moreover demonstrated that equity-based crowdfunding is not perceived, nor should it be, solely as an online activity. Offline activities are seen as a crucial part for the corporate brand building process since they create trust in the team and the product. This leads to an emotional connection and identification with the corporate brand through the team. Furthermore, parts of the study pointed towards a perception of Swedish crowdfunding as a Stockholm centric activity and thoughts about having offline activities in other cities were mentioned as a possible way of spreading the word even more.

The perceived credibility of the campaign and the start-up along with the pre-targeting of the platform attracts skilled and competent investors. In addition, having offline activities and being approachable evokes emotional connections, which lead to an identification with the brand and are more likely to result in engagement. By communicating frequently with the investors and following up after the campaign is closed, the start-up keeps them happy resulting in loyalty and positive WOM and feedback, which is subsequently integrated in the corporate brand, aligning corporate image and identity.

Taken as a whole, this study proposes using equity-based crowdfunding as a channel of corporate communication aligning the corporate image with the corporate identity in order to build the start-up's corporate brand.

6.2 Theoretical Contribution

Branding theory has a long track record, whereas crowdfunding theory has only recently been established. Crowdfunding theory has mentioned this field as connectable to branding, but to the authors' best knowledge, branding theory, especially concerning start-ups, has not looked at equity-based crowdfunding as an option of building a corporate brand yet. Based on our findings, we propose that equity-based crowdfunding can indeed serve as a brand building tool for start-ups in Sweden. By aligning the corporate image with the corporate identity, equity-based crowdfunding is handled as a channel of corporate communication in order to build the start-up's corporate brand.

6.3 Practical Implications

The findings suggest several courses of action for Swedish start-ups seeking to start building or maintaining their corporate brand. Especially since it is tailored for start-ups, equity-based crowdfunding is a viable option for this cause for multiple reasons: First, as it is not only the investors who can be considered brand ambassadors, but also the intermediary, it is important for the start-up to nurture the relationship with the intermediary even after the campaigns are closed. For a young company, it is useful to have the positive association and credibility of a trusted market player, so that the platform can serve as a mentor offering experience and expertise.

Second, after the start-up manages to attract and engage the right ambassadors, the company should keep an eye open for untapped potential such as shareholders' skillsets and networks. As investors in this study testified their knowledge and willingness to participate, it is likely that there are similar shareholders to be found. These skillsets can be used in order to further build the corporate brand.

Third, parts of the study indicate that crowdfunding in Sweden tends to be centered in the capital city. Combined with the fact that offline activities proved to be valuable for both investors and creators, it is therefore recommendable not only to use offline activities at the start-up's location, but also to travel through the country offering offline activities to potential investors.

6.4 Suggestions for Further Research

The marketing situation of Virtuous Vodka, as an alcoholic product in the strictly regulated Swedish market, is particular. Due to the fact that Virtuous Spirits is not a public company, the rules are even more restrictive regarding marketing, both online and offline, and PR. The product involved in the studied case is furthermore tangible and consumer-faced, wherefore the result could be different if a start-up crowdfunded an intangible product such as an IT-product, a product of the creative industry or a product based on intellectual property. It would be interesting to assess if the results would differ in a study involving another type of product, market or even both.

As the case focused on a Swedish and Stockholm-based start-up, further studies can attempt to determine if the results would be different in other cities or rural areas of Sweden or in other countries. For instance, the Nordic market is an emerging market for alternative financing; it could be interesting to make a comparison between the Nordic countries or in relation to other parts of the world.

During this study, it becomes evident that the start-up's relationship with the intermediary is most valuable, both due to a pre-targeted audience as well as the access to useful expertise. This is not yet thoroughly discussed in crowdfunding literature. As this mentorship has proven valuable for the investigated start-up on many levels, it is an area to be further looked into.

Since crowdfunding and the start-ups that have benefited from it are still very young, it has not become clear yet, if the halo effect that the platform has on the start-ups will mirror back as the start-ups gain popularity. A potential halo effect of a crowdfunded former start-up on the platform can become of interest in the future.

Since the financial side of equity-based crowdfunding was beyond the scope of this research, we propose future research to investigate whether an equity-based crowdfunding campaign can be used as a case for future venture capitalists and business angels.

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Appendix 1 – Interview Guides

This segment presents an excerpt of the interview guides used in the semi-structured interviews.

Pilot study – Virtuous Spirits

General

- You also had other strategies in order to get funding. Why did you choose crowdfunding twice?
- Why did you choose an equity-based campaign? (and not reward-based etc.?)
- Why did you choose the platform? Was it a good choice?

Campaign One and Two

- Please walk us through the process of creating the campaign
- What were your expectations? Were they met by the actual outcomes?
- What were your goals with the campaign? (Financial, branding)
- What was important for you when creating the campaign?
- What was challenging about creating the campaign?
- What are the strengths and weaknesses of the campaign?
- What could/would you have done differently?
- How did you make sure to reach your target group?

Comparing the two campaigns

- How were the campaigns different from another?
- Did the target group you had in mind before the first campaign match with the group who actually invested? How did that perception change (or not?) for the second campaign?
- Were you inspired by a certain crowdfunding campaign? Role model? Consultant?
- Are you considering doing a third campaign?
- Would you choose Fundedbyme.com for a third campaign?

Virtuous Spirits

Presentation

- What is your role in the company?
- Please introduce the company.



- If Virtuous Vodka was a person - how would you describe him or her?

Campaign One and Two

Preparation

- Please walk us through the process of creating the campaign
- What was your main motivation using crowdfunding?
- How did you decide on the right amount of money needed before each campaign?
- Were you inspired by a certain campaign/company/project?

During Campaign

- What was your target group?
- How did you create a buzz? (WOM) - blogs? social media?

Post-campaign

- What were your expectations? Were they met by the actual outcomes?
- What were your goals with the campaign? (Financial, branding)
- How do you stay in touch with your community?
- Do you have follow-up sessions?
- How involved are the funders after the campaign is over?

General Reflection

- What were the strengths and weaknesses of the campaign?
- Have you modified anything due to the comments of funders?
- What is the ideal brand ambassador for you?
- How can you motivate funders to invest more than money? (Time, expertise)

Other

- How were the campaigns different from another?
- Did the target group you had in mind before the first campaign match with the group who actually invested? How did that perception change (or not?) for the second campaign?
- Did you use crowdfunding for other purposes than monetary means?
- When looking at a crowdfunding campaign, which factors do you pay most attention to? What constitutes a good quality?
- Is crowdfunding an option for every company?
- What recommendations would you give to a first-time creator?



- Why do you think your campaign(s) appealed to a Swedish audience?
- Is Virtuous a risk-averse person?
- Is Virtuous a show-off? Did you show off more during the campaigns than you felt comfortable with? Or less?

Investors

Presentation

- Tell us about yourself and what you do.
- What is your relation to the Virtuous Vodka campaign(s)?

Virtuous Spirits

- How did you find out about the Virtuous Vodka crowdfunding campaign?
- If Virtuous Vodka was a person - how would you describe it?
- Has the fact that the product is alcohol ever bothered you?

Crowdfunding

- How did you start engaging in crowdfunding?
- Have you backed any other projects? Why?
- Please walk us through your process of evaluating a campaign.
- What motivates you to invest in a campaign? Do you consider anything specific?
- Do you look at how much a campaign is funded before you decide to invest yourself?
- What is it about a campaign that would make you less likely to invest in it?
- What convinced you to invest/not invest in Virtuous Vodka?
- How risky do you perceive crowdfunding to be in general?
- How risk-averse would you consider yourself to be?

Engagement

- Are you still engaged in Virtuous Vodka?
- Do you feel like a part of Virtuous Spirits? Why (not)?
- Do you feel like a part of the crowdfunding community? Why (not)?
- How important is the community for you?
- Why would you invest more than money in a campaign/project? (Time, expertise)
- Do you have the same personal values as Virtuous Spirits?
- Have you recommended the Virtuous products to somebody during or after the campaign?
- Have you recommended somebody to invest in the Virtuous campaign?



Miscellaneous

- Do you consider yourself to be a typical crowdfunder?
- Is crowdfunding only an online activity for you?
- Do you talk about crowdfunding? If yes, only on the Internet or offline too?

FundedbyMe

Presentation

- What is your role in the company?
- Please introduce the company.

Fundedbyme – The Company

- What is your value proposition?
- What is your part in each campaign?
- Who is the standard FundedbyMe user? What is the main demography of the members/funders of the platform?
- Why did you go more into equity-based crowdfunding?
- How do you work with the safety aspect? Fraud for example
- If FundedbyMe was a person - how would you describe him or her?
- Which people are your greatest advocates?

Crowdfunding and campaigns in general

- What is the platform's role? What is the creators' role? What is the funders' role?
- What is the advantage of an equity-based campaign in comparison with e.g. reward-based?
- What are the factors that make an equity-based campaign less successful?
- What are the factors that make an equity-based campaign successful?
- What do you consider a quality campaign? Do you have an example? Why?
- What are the most common questions equity based funders have?
- What are the most common questions equity based creators have?
- How many companies have more than one campaign? What is the motivation for this?
- Are some products/product categories in general more successful than others?

Virtuous Spirits

- What was your role in the Virtuous Vodka campaigns?
- What do you think made their campaigns successful?
- What made FundedbyMe promote this specific campaign so much?
- If Virtuous Vodka was a person - how would you describe him or her?

Appendix 2 – Statement



Statement

The content of the investment material of Virtuous Spirits AB is strictly confidential, and all potential investors have been required to be identified before taking part of the documents.

On behalf of Virtuous Spirits AB, I, Johan Ranstam, Chairman of the board, confirm that the information presented in this master thesis relating to our Business Plan and a Marketing Plan is correct.

Stockholm, 26 May 2015

A handwritten signature in black ink, consisting of a stylized 'J' and 'R' followed by a long horizontal stroke.

Johan Ranstam

Chairman of the Board, Virtuous Spirits AB