Crowdfunding: Insights Into The Motives That Influence Entrepreneurs When Launching A Successful Campaign

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Abstract:

Crowdfunding has witnessed growing interest within academia in recent years, despite the underlying motivations for entrepreneur engagement in crowdfunding activities receiving little attention. The purpose of this study is to explore the motives that influence entrepreneurs when using crowdfunding and how these motives are related to each other. This will then provide a deeper understanding of how entrepreneurs can develop a successful crowdfunding campaign. Comprehension of these motives is important, given crowdfunding's growing role and popularity as a viable alternative to traditional sources of finance. It will also be of interest to crowdfunding platform operators who will be able to offer more tailored and comprehensive crowdfunding solutions. The study adopted a qualitative research approach, investigating three Swedish technology companies who had prior crowdfunding success on the Kickstarter crowdfunding platform. Given the empirical findings, it was concluded that entrepreneurs are particularly inclined to form new connections as part of the process of finding new customers in order to pre-sell their products; this appears to be the catalyst for obtaining the necessary funds to commence production. Entrepreneurs are further motivated to use crowdfunding for a range of inter-related purposes including expanding awareness of work via pre-selling and gaining approval through market validation. By encompassing these motives, the broader concept of inclusion via an edited narrative, and the consequential psychological impression of honesty and openness, can be viewed as a meta strategy which consequently bolsters the chances of success. Our major contribution is to present this finding as a dynamic conceptual framework building upon and thereby extending previous studies in this field by the Human and Computer Interaction scholars, Gerber and Hui. Entrepreneurs considering the use of crowdfunding should be aware that it can constitute more than just raising funds and that planning and managing a campaign requires considerable effort. Daily campaign management is an arduous task and should not be undertaken lightly.

Key Words: Crowdfunding, motivations, campaign success, storytelling, Kickstarter

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1.0 Introduction

1.1 Background

Traditional debt and equity financing options are difficult for entrepreneurs to access in the early stages of their business (Berger & Udell, 1998; Cassar 2004), given their informational opacity and nascent nature. To overcome these constraints, entrepreneurs have little choice but to rely on their own personal savings, funds provided by family and friends or other bootstrapping methods (Winborg & Landström, 2001, p. 238; Ebben & Johnson 2006, p.856). A novel source of financing for new ventures that has gained popularity in recent years is crowdfunding. This involves appealing to the general public or 'the crowd', in order to fund their ventures (Kuppuswamy & Bayus 2013, Mollick 2014), and is usually conducted by:

> 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. (Lambert & Schwienbacher, 2010, p.7).

Due to its simplicity, we will adopt Tomczak and Brem's (2013) definition of crowdfunding as being:

> *The act of acquiring third-party financing from the general public via an intermediary, generally in the form of a web-based platform*, (p.339)

Crowdfunding can therefore be viewed as an extension of the wider area of crowdsourcing. This involves outsourcing different business activities via an open call (Howe, 2006; Kleemann, Voß, Rieder, & Gissendanner, 2008). Pivotal for the crowdsourcing movement has been the development of Web 2.0 (Brabham 2008, Kleemann et al., 2008), which is defined as large networks of people easily being able to share information and user-generated content via social networks (Lee, DeWester, & Park, 2008).

As pointed out by Kuppuswamy and Bayus (2013), crowdfunding has witnessed growing interest within academia in recent years but there still remains limited peer-reviewed published work about the subject (Mollick 2014). Several studies have sought to identify various uses of crowdfunding other than as a means to raise funds for entrepreneurs, for example, generating product hype, (Lambert & Schwienbacher, 2010; Schwienbacher & Larralde, 2010; Frydrych, Bock, Kinder &

Koeck, 2014; Mollick, 2014). However, the underlying motivations for entrepreneur engagement in crowdfunding activities, from both the entrepreneurs' and backers' perspectives have received little attention. (Gerber, Hui & Kuo 2012; Gerber & Hui 2013).

1.2 Aim and Objectives

The aim of this study is to gain a deeper understanding of the motives that influence entrepreneurs when using crowdfunding. We are especially interested in how these motives are reflected in entrepreneurs' actions prior to and during the crowdfunding effort. Additionally, we aim to seek whether there are further contributing factors that lead to crowdfunding success. In order to fulfil these aims, the following research question is posed:

What are the motives that influence entrepreneurs when using crowdfunding and how are they related to each other?

To pursue the aims and address the research question of this study, the main objectives are:

1. To identify strategies used by entrepreneurs when planning and running a crowdfunding campaign.
2. To examine how entrepreneurs communicate with their supporters and backers prior to and during a crowdfunding campaign.
3. To determine the critical success factors entrepreneurs perceive as necessary for a successful crowdfunding campaign in terms of their relative importance.
4. To observe whether the motives for crowdfunding success are independent from one another or whether they exist as part of an overall set of motives.

Comprehension of the motives that influence entrepreneurs when using crowdfunding is important, given its growing role and popularity as a viable alternative to traditional sources of finance. As more entrepreneurs jump on the crowdfunding bandwagon, looking to potentially raise vast sums of money in a relatively short time, knowing their motivations for participation will help contribute to a more in-depth understanding of campaign design, planning and management. This thesis will build upon and thereby extend existing research conducted by the Human and Computer Interaction scholars, Gerber and Hui, (2012; 2013), who set out to identify the primary motives that influence creators in using crowdfunding. This will enable a more concise understanding of how these motives are related to one another, how some motives predominate over others and how the motives

can be viewed as a set of motives or *meta-strategy* for overall campaign success.

Our major contribution is to present the above finding as a dynamic conceptual framework to be used by scholars as a basis for further related research and as a blueprint for entrepreneurs seeking an overall crowdfunding strategy. Additionally, findings from this thesis will not only indicate how and to what purpose entrepreneurs interact with their backers and supporters, but also raise awareness of what crowdfunding success means from the entrepreneurs' perspective. This ultimately has ramifications for entrepreneurs new to crowdfunding yet contemplating its usage as part of their company's strategy. Additionally, platform operators will be able to offer more tailored and comprehensive crowdfunding solutions in order to better facilitate such things as backer-funder interaction and overall campaign success.

To make the above contribution, our research will examine the crowdfunding experiences of 3 Swedish technology-focused companies using qualitative, in-depth, semi-structured interviews. All companies had participated in a successful campaign on the Kickstarter crowdfunding platform within the past 12 months. The main assumption in this study is that entrepreneurs use crowdfunding for reasons other than just raising funds. Throughout our thesis, we will use the terms *entrepreneur* and *creator* to mean the party who has initiated the crowdfunding campaign.

1.3 Outline

This thesis is divided into five chapters. Chapter 1 provides a background of the thesis and introduces our research aims and objectives. Chapter 2 reviews the current crowdfunding literature and presents a conceptual framework used as the basis for our research, paying particular attention to the various motivations of entrepreneurs in utilising crowdfunding. Chapter 3 describes the research methodology used in our analysis. Following that, Chapter 4 discusses the major findings and analysis linking them to the conceptual framework. Lastly, Chapter 5 presents the key points and practical implications emerging from our thesis followed by limitations and areas for future research.

2.0   Literature Review and Theoretical Framework

2.1 Defining Crowdfunding

The term 'crowdfunding' was first used by Jeff Howe, an editor in Wired Magazine (Howe, 2006). Crowdfunding can be viewed as a subset of crowdsourcing, which involves outsourcing internal business activities to the crowd (Howe, 2006; Kleeman et al., 2008; Schwienbacher & Larralde, 2010). Fundamental in reaching out to the crowd has been the development of Web 2.0 (Brabham, 2008 & Kleeman et al., 2008), which facilitates easier interaction between entrepreneurs and networks of investors or consumers (Bellaflamme, Lambert & Schwienbacher, 2010). Crowdfunding platforms rely on Web 2.0 due to its importance in enabling large groups of people to openly collaborate and participate (Lee, et al., 2008).

Crowdfunding is a multi-disciplinary, emergent field and therefore has remained difficult to define in broad terms (Mollick, 2014). Further, Bellaflamme, et al., (2010) describe the process as "entrepreneurs tapping the crowd" (p.586) obtaining funds directly from amateurs rather than pitching to professional investors (Frydrych et al., 2014). As Tomczak and Brem (2013) note, capital seekers may also include new ventures, fundraisers and other individuals who wish to fund their ideas or projects (Ordanini, Miceli, Pizzetti, & Parasuraman, 2011).

The crowd receives some kind of promised reward, either monetary or non-monetary (Bellaflamme et al., 2014) for their monetary contributions whereby they bear a risk but expect a certain pay-off in return (Ordanini et al., 2011). Recently, a number of crowdfunding platforms have appeared worldwide with the U.S. being home to more than 50 of them (Gerber et al., 2012). These platforms act as the third party or intermediary between entrepreneurs (or those seeking funds) and funders (or those representing the crowd). Well-known crowdfunding platforms include Kickstarter, RocketHub, IndieGoGo (Gerber et al., 2012) and Sellaband (Bellaflamme et al., 2010).

2.2 History Of Crowdfunding

Instances of crowdfunding have occurred throughout history. The 17th century Scottish poet, John Taylor, asked his readers to fund a journey to Scotland for the purposes of writing a new book and in return promised to give these pledgers copies of his work (Qiu 2013; Poyntz 2011). Kuppuswamy and Bayus (2013) describe crowdfunding as "an activity that has a rich history" (p.1), highlighting this with the examples of how Mozart and Beethoven financed concerts and new music

compositions using donations from patrons as well as the funding of the Statue of Liberty via small contributions from French and American citizens (Hemer 2011). Over the past few years, the use of crowdfunding can be seen in the political realm with President Obama revolutionising campaign financing, raising a record $600 million via small donations from millions of prospective voters (Huang 2008).

From these examples, it is obvious that crowdfunding is not a new phenomenon; however, new technologies in the form of the internet have brought it into the mainstream enabling the industry to boom. Today, there are 1,250 active crowdfunding platforms worldwide raising a combined total of $16.2 billion in 2014 (Crowdsourcing.org 2015). North America remains the largest market but rapid growth in Asia, particularly in peer to peer lending, has seen it overtake Europe to become the second largest region by funding volume (Crowdsourcing.org 2015). Emerging trends include real-estate equity crowdfunding as a viable alternative to conventional real-estate investment trusts (Clifford 2015), growth in hybrid platforms such as Fundable.com, which combine different types of crowdfunding, and crowdfund marketing, whereby large companies allow members to crowdfund purchases on specialised sites such as Microsoft's WindowsChipIn.com (Lee 2015).

2.3 Crowdfunding As An Area Of Scientific Research

Initial research focused on legalities of crowdfunding under US Law in the music industry in 2009. From 2010, scholars led by Schwienbacher, Bellaflamme, Lambert and Larralde began discussing venture finance in terms of crowdfunding looking at such things as the structure of the crowdfunding process. The first qualitative-empirical studies focused on definitions, and it was not until crowdfunding platforms gained in popularity that quantitative research was conducted (Moritz & Block 2014). More recent selective areas of study within the crowdfunding landscape have included: analysis of the role geography plays with crowdfunding efforts (Agrawal, Catalini & Goldfarb 2011; Mollick, 2014); an investigation of the drivers of entrepreneurial legitimacy in reward-based crowdfunding (Frydrych et al, (2014); the creation of a conceptualized crowdfunding investment model (Tomczak & Brem 2013); and the specific motivations why people participate on crowdfunding platforms (Gerber et al., 2012).

2.4 Types Of Crowdfunding

The literature suggests different types and classifications of crowdfunding. Bellaflamme et al, (2014) stresses the importance of understanding why an entrepreneur chooses a specific type given the different forms available. Kuppuswamy and Bayus (2013) and Mollick (2014) similarly

identify 4 different models: equity-based (profit sharing), lending-based, reward-based (pre-ordered) and donation-based. Under equity-based, funders receive voting rights and shares of future revenues or profits of a company, in other words, treating funders as investors. This has gained in popularity since the U.S. passed the *Jumpstart Our Business Jobs Act* in 2012 thus making this form legal (Mollick 2014). Reward-based enables the funder to pre-purchase the product acting as an early consumer, or to receive some kind of non-financial reward such as credits. On-the-other-hand, funders in lending-based crowdfunding adopt the role of lenders, expecting a return on their capital invested or be interested in the social benefits of the project. This is common with micro-financed loans. With donation-based crowdfunding, funders act as philanthropists, donating to art or humanitarian causes and expecting no direct compensation (Mollick, 2014). It should be noted that reward-based and equity-based are the two dominant forms of crowdfunding in use today (Bellaflamme et al., 2014).

Taking a different approach, Schwienbacher and Larralde (2010) use the structure offered by Lambert and Schweinbacher (2010) in grouping crowdfunding models according to the rewards offered to the participating crowd. These are characterized as being either donations, passive investments by the crowd, in which entrepreneurs regard the crowd solely as fundraisers rather than active consumers, or active investments by the crowd, in which investors take an active role in the project such as giving product feedback. Tomczak and Brem (2013, p.342) make the important distinction between direct and indirect crowdfunding, describing the former as being when the fundraiser uses their own platform to directly appeal to a specific audience, for example via their own website or own supporters. Conversely, indirect crowdfunding occurs when an appeal is made to the crowd using an intermediary platform. The difference is important as it implies that entrepreneurs have a choice in how they make contact with potential crowd-funders (Bellaflamme et al, 2010).

2.5 Motivations Of Entrepreneurs

In order to gain deeper insight into the motivating factors for entrepreneurs for developing a successful crowdfunding campaign, it is necessary to first examine the specific goals or motivations they have for using crowdfunding as well as identifying strategies used for achieving these goals. In Gerber's et al., (2012) preliminary findings into the motivations of participants in using the popular reward-based platform, Kickstarter, five motivations of creators (entrepreneurs) were identified. Chief among these is that creators are motivated to raise funds in a democratic way,

reflecting their core values. Establishing relationships is another motivation as this facilitates collaboration with funders via long-term interactions. By receiving validation, entrepreneurs' perceptions of ability can be raised and can lead to increased confidence and therefore expanding capabilities. Replicating the success of others not only further gives confidence but also provides social proof that anyone can launch a campaign on a crowdfunding platform. Lastly, the authors describe how creators are motivated in using crowdfunding as it can expand awareness of their work through social media, raising online profiles, for example increased numbers of Twitter followers.

Mollick (2014) suggests that entrepreneurs' crowdfunding goals are not just limited to funding efforts but can be used to validate potential market demand and or marketing purposes such as generating hype (Lambert & Schwienbacher, 2010) and receiving press attention. Similarly, entrepreneurs use crowdfunding as a means to gain insights into the market potential of a product, and by allowing collaboration with funders, can shorten new product development times and gain better customers' acceptance (Schwienbacher & Larralde 2010); Frydrych et al., 2014). Frydrych et al., (2014) highlight that crowdfunding may help in building organizational legitimacy which "may facilitate faster and efficient capital acquisition", (p.251).

An awareness of activities and strategies implemented by entrepreneurs in achieving the above goals and motives will therefore assist with gaining deeper insights into how a successful crowdfunding campaign is conducted. One way to explore this is to examine what types of work are undertaken by entrepreneurs when engaging in crowdfunding. From their study into the role of community in crowdfunding work, Hui, Gerber and Greenberg (2014), found that entrepreneurs engage in a variety of tasks as part of five main categories of work. These categories include: preparing the campaign material, testing the campaign material, publicising the project to potential supporters, following through with project goals, reciprocating resources. Other researchers have sought to identify more specific strategies. Frydrych et al., (2014) explored how organizational legitimacy is created during crowdfunding. They identified the importance of having a visual pitch in the form of a video to persuade potential backers, and that team composition is important for success – projects with an individual entrepreneur are more likely to fail than those with pairs or teams. Finally, Li & Duan (2014), in their study into the time effects of setting targets and deadlines in a crowdfunding campaign, researched different seeding strategies, that is, attracting potential backers; and advertising strategies available to entrepreneurs during their crowdfunding campaign. Their findings highlight at what stage of their campaign entrepreneurs should advertise on social media such as Facebook and Twitter - early seeding is a better grantee of success overall

than later seeding.

However, in light of the above-mentioned strategies, what specifically motivates people to participate on crowdfunding platforms has received little attention by researchers. In their ground-breaking work, the HCI (human computer interaction) researchers, Gerber and Hui (2013) were able to validate and extend their 2012 preliminary findings, as well as previous research (Lambert & Schwienbacher, 2010; Schwienbacher and Larralde, 2010). Recent research has shown the specific factors that motivate or deter participation by creators and backers on the Kickstarter platform. Gerber and Hui (2013) found that there are 6 motivations for a creator to participate in crowdfunding: Raise funds, expand awareness of work, form connections, gain approval, maintain control, learn new fundraising skills. The following presents these motivations in order of prevalence:

2.5.1 Raise Funds

Creators perceive crowdfunding as being an efficient method to raise funds quickly, especially if they are unable to obtain financing from traditional sources. Moreover, they explain that some creators have the perception that crowdfunding is less time consuming than other funding methods such as grant applications as there is less waiting time to receive the funds.

2.5.2 Expand Awareness Of Work

Crowdfunding motivates creators to market their projects to the general public through social media, news media and popular press thereby raising awareness beyond their social network. In particular, some creators are motivated to expand awareness of their work using crowdfunding in order to pre-sell their products.

2.5.3 Form Connections

The crowdfunding process enables long-term relationships to be built as a direct result of the long-term interactions inherent in the funding process. Connections with supporters and other creators can be formed by platform communication, social media and face to face.

2.5.4 Gain Approval

Through satisfying a desire for approval for themselves and for their work, creators can increase their confidence levels in themselves and their projects. This is achieved from community support

and funds raised. Some creators desire approval more than their desire for funds while others seek public recognition of their success. Approval can be considered positive feedback which then strengthens validation.

2.5.5 Maintain Control

Creators are motivated to use crowdfunding over other forms of funding in order to maintain control over their work. Autonomy enables a creator to undertake their project as they see fit, giving confidence in their personal ability to complete work on their own.

2.5.6 Learn New Fundraising Skills

Crowdfunding forces creators to learn new business and communication skills in order to engage different and bigger audiences. Having completed campaigns, creators were motivated to participate in crowdfunding again to further improve skills in areas such as marketing, communication and management.

The above findings by Gerber and Hui (2013), demonstrate that creators are motivated to use crowdfunding for a wide range of purposes in addition to overcoming financial constraints.

2.6 Conceptual Framework

For the purpose of this study we propose the following conceptual framework based on Gerber and Hui's (2013) findings in order to analyse the motivations for participation in crowdfunding from an entrepreneur's point of view as depicted in Figure 1 below. These findings show the relative importance of the motivations with 'Raising funds' being most prevalent and 'Learn new fundraising skills' being least prevalent.
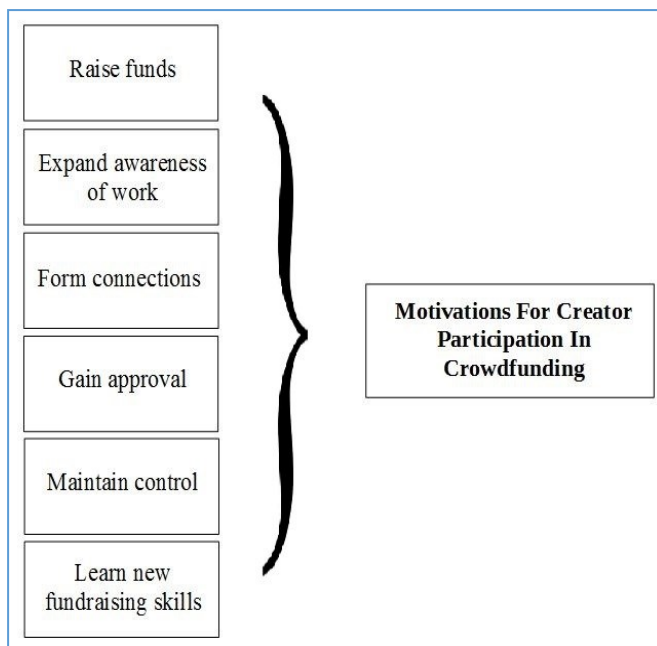
Figure 2.1 – Conceptual Framework

This framework is used in the data analysis as a guide to pinpoint the motivation factors that influence entrepreneurs when launching a crowdfunding campaign. Although Gerber and Hui (2013) point out these contributing categories, this study will also explore what relationships occur between them and if there are further categories that need to be taken into consideration such as story telling or honesty when aiming for success when launching a crowdfunding campaign.

2.7 Chapter Summary

Previously, scholars had sought to identify goals and motives of entrepreneurs in using crowdfunding. Being aware of the strategies and tasks in crowdfunding work can help gain deeper insights into how a successful crowdfunding campaign is conducted. However, the first in-depth research into entrepreneurs' specific motivations remain a recent development. Gerber and Hui (2013) identified six motivations for creator participation in crowdfunding and it is these that we have adopted as our conceptual framework for our study.

3.0   Methodology

3.1 Research Approach

This section begins with an overview of our research approach which aimed at shedding light on the research question: *What are the motives that influence entrepreneurs when using crowdfunding and how are they related to each other?*   Our study is therefore explanatory in nature. Saunders, Lewis & Thornhill (2007, p.133), describe explanatory studies as being particularly useful in providing deeper understanding of the relationships existing between variables and it is in this light that we seek to address the above research question.

Our research adopts an inductive approach which is often associated with qualitative studies and therefore will be theory-generating from its empirical data (Bryman & Bell, 2011). This implies that we are attempting to view a situation from our respondents' perspectives. Furthermore, a qualitative study emphasizes words to create an understanding of a social phenomenon, instead of numbers, which is characteristic of the quantitative approach (Bryman & Bell, 2011). However, qualitative research is criticized for this because it is considered too subjective. Critics point out that the results are based on a large extent on the researcher's perceptions of what is important (Bryman & Bell, 2011). However, we believe that this approach is the most suitable when we examine our respondents' view of reality in order to gain a deeper understanding for the motives that influence entrepreneurs when using crowdfunding.

We are aware that it is not possible to delete all the information and theories we learned. All our experience, previous research and learning cannot be ignored (Rennstam & Wästerfors, 2011. Researchers should be open to parse and analyse things in different ways and in the extent possible, try to be open to different interpretations and analysis of the empirical material.

Conversely, a deductive approach is another way to proceed with the investigation of the empirical material (Bryman & Bell 2011) and is used for creating an understanding of the relationship between theory and practice (Lewis & Thornhill 2007, p.117). When using deduction, existing theory is assumed (Bryman & Bell, 2011), and hypotheses are tested against empirical examinations for a given context. This emphasises among others, the "moving from theory to data" and "the collection of quantitative data", (Lewis & Thornhill 2007, p.120). We have, however, rejected this approach on the grounds that we want to start from the collected empirical data and thereby gain a

better understanding of the meanings and importance that entrepreneurs attach to crowdfunding success, rather than from a hypothesis, given the newness of crowdfunding research as a whole.

3.2 Research Design

The study is based on semi-structured interviews to gain understanding about what motivates entrepreneurs to participate in crowdfunding. These types of interviews were chosen over more structured and unstructured interviews as we felt they could better be used to understand the relationships between the motives for crowdfunding participation and how entrepreneurs plan and manage a successful crowdfunding campaign (Lewis & Thornhill 2007, p.314).

3.3 Data Collection Method

3.3.1 Locating Suitable Participants

In order to locate suitable participants, we contacted Minc, which runs an incubator in Malmo, Sweden, as well as a tailored search on the Kickstarter website for similar companies. Minc referred us to a local crowdfunding adviser who in turn provided suitable leads. We felt it relevant to interview this advisor and subsequently discovered that he had been a part of Company A's campaign team. It is for this reason that Company A was interviewed on two different occasions (see Sub-section 3.3.3 below). Our respondents were specifically chosen as we were looking for consistency in order to validate our studies, especially given Kickstarter's high degree of strictness concerning funding goals and meeting deadlines. In addition, given the time constraints of our research, respondents were also chosen according to availability and this is a feature of convenience sampling (Bryman & Bell 2011).

3.3.2 Sample

Our sample consisted of 3 Swedish technology companies who all had participated in a successful crowdfunding campaign on the Kickstarter platform within the past 12 months. Kickstarter was chosen as the common crowdfunding platform given its popularity (Gerber & Hui 2013). Respondents' projects were listed on Kickstarter under the categories of: Hardware, Robots, Sound.

By successful campaign we imply that the stated funding goal was achieved. When using Kickstarter, entrepreneurs must set a funding goal and the funds are only received if the goal is reached within a pre-determined deadline. In order to comply with anonymity we have referred to each respondent as Company A, Company B and Company C. An overview of each company's crowdfunding campaign is described below in Table 3.1:

Table 3.1 - Campaign Overview

	Company A	**Company B**	**Company C**
Kickstarter project description	A non-invasive electronic house sensor	A toy allowing children to create and program their own robots	Digital Signal Processing wireless headphones
Funding period	4th Nov 2014 – 4th Dec 2014 (30 days)	20th Jan 2015 – 19th Feb 2015 (30 days)	4th Oct 2014 – 3rd Nov 2014 (30 days)
Number of backers	2,005	670	900
Amount raised	$238,366	$72,190	$114,815
Funding goal	$50,000	$55,000	$25,000

3.3.3   Interview Management

According to Bryman and Bell (2011), interviews are preferred for a qualitative study. A total of 3 semi-structured personal interviews were undertaken using a combination of Skype video calls and on-site visits to collect data. Company A was interviewed by Skype video call and on-site visit respectively. Company B and Company C were interviewed by Skype video call. Each interviewee was informed that collected information would remain confidential and that no personal information would be revealed in our findings. An interview question guide established from the Pilot Study (see Section 3.6) was followed which allowed space for follow-up questions in order to prompt more in depth responses. This provided greater flexibility and control of the interview, enhancing our ability to capture our respondent's perspectives. A copy of the interview guide can be found in Appendix A.

Each interview lasted between 20 to 40 minutes. We began by asking general questions regarding professional background and crowdfunding usage before moving on to more Kickstarter-specific questions concerning campaign planning, design and management, such as:

How did you maintain momentum?

What does a successful campaign mean to you?

A fifth interview on the topic of branding of Company A was conducted in Swedish by other students and this was observed, recorded, translated and transcribed.

Completely eliminating the so-called interviewer effect, in which the interviewer influences the respondent to give a specific answer, remains a challenge and is referred to as social desirability Bryman and Bell (2011). The social context in which the interviews took place may have affected the responses we received especially as we were two graduate students from the University of Lund with diverse backgrounds (Alvesson 2003). Alvesson (2003) clarifies that social interaction affects the empirical data when the respondent's answer contains metaphors, images or other concepts that can only be understood in the given context. This was not noticed to any great extent but something we considered when analysing our empirical data. An example of the interview transcripts can be found in Appendix B.

3.4 Data Analysis

In order to deal with our volume of transcribed data, we grouped it according to the motivating categories depicted in the conceptual framework in Section 2.6 (Saunders, et al., 2007). Firstly, all the occasions where respondents' answers directly matched the motivation categories outlined in the conceptual framework (see Section 2.6) were identified. Through inferences we were able to further identify whether respondents answers were applicable or abandoned. Induction was further used when evaluating the relative importance of each motivation according to the conviction of the respondent's answers. Significant themes, which did not specifically match any of the motivation categories depicted in the conceptual framework were noted as issues for further research.

All interviews were digitally recorded and transcribed with respondents' approval. Transcribing each interview enabled easier data extraction and analysis, but a disadvantage is that respondents may have felt uncomfortable in speaking openly (Eriksson-Zetterquist & Ahrne 2011). It is impossible for us to know if this had any effect on our interviews.

3.5 Limitations

The study has a number of possible limitations. As it was conducted in one setting, the results

should not be generalised to other areas and therefore may not be indicative of the Swedish technology ecosystem as a whole, especially as the respondents operate in different sectors within the industry. Interestingly, our results did not reflect much usage of social media especially in helping to expand awareness of work. It is unclear whether this was an anomaly with our findings or representative of all companies. Given the subjectivity associated with qualitative research that adopts an inductive approach, it is possible that an element of bias exists in our results. We only examined companies who had launched a campaign on the Kickstarter platform. Motives for participation may be entirely different on platforms which adopt a different crowdfunding model, for example, equity based. Furthermore, this study did not examine the influence of specific motivational theories. Doing so would have been beyond the scope of our research. Finally, our results may have been different had we included ventures as part of our analysis which had experienced unsuccessful crowdfunding campaigns.

3.6 Pilot Study

A pilot study was conducted in order to gain insights into the type of questions and responses that could be expected in relation to the research question. From the semi-structured pilot interview, we found that we had to expect a variety of responses. We also found that the questions we asked provided validity and reliability for the main study and gave us an indication of some of the areas that would possibly need more prompting depending on the individual experience. The researchers had little experience with Skype interviews; therefore the pilot gave us confidence in the technology and ourselves.

3.7 Chapter Summary

This chapter provided an overview of our research explaining why we have adopted to use an inductive approach and highlighting how we designed our interviews. Following this was an explanation of our data collection method including information about how suitable participants were located and chosen, sampling and interview management including the types of interviews that were conducted. Our sample, consisting of three Swedish technology companies, who all had launched a successful crowdfunding campaign on the Kickstarter platform, was then introduced. Next we described how the volume of data was sorted and transcribed, as part of data analysis followed by limitations of our research. Finally, an overview of our pilot study was given which

helped formulate our interview guide.

4.0 Data Analysis and Discussion

4.1 Introduction

The purpose of this study was to explore the research question:

What are the motives that influence entrepreneurs when using crowdfunding and how are they related to each other?

In order to gain this understanding, we interviewed 4 participants from 3 different companies. Each company's Kickstarter campaign will be discussed separately in terms of whether their experiences support Gerber and Hui's (2013) motivations for participation in crowdfunding, as outlined below in Figure 4.1:
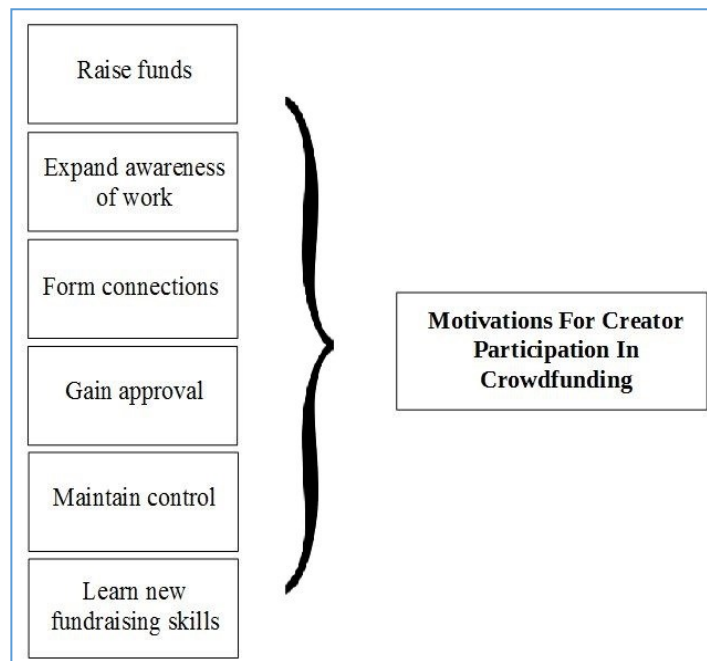

Figure 4.1 – Conceptual Framework

4.2 Company A

4.2.1 Raise funds:

It was found that crowdfunding did indeed provide a mechanism in order to pre-sell products and subsequently use the proceeds to go ahead with development, manufacturing and delivery. These activities were clearly part of Company A's long term plans as they revealed that the purpose of crowdfunding was to get a quality product in the market at minimal cost although receiving the money was not a primary factor for them. Although not stated during the interview, it can be inferred from the backer structure, which lists the different rewards a backer receives depending on how much they pledge, on their campaign website, that their main goal was to pre-sell, with all but one of the rewards equating to customer purchases.

4.2.2 Expand awareness of work:

The interviews revealed that expanding awareness of their work was quite important for Company A. Although there are various ways to accomplish this, reaching out to the news media was a priority. We can infer they did this in order to gain as much attention for their campaign as possible to gain momentum. When asked about the planning of their campaign, Company A responded:

"...and then of course a lot went into contacting journalists and trying to build some momentum..."

This momentum exists in the form of backers pledging funds in the first few days of campaign launch and was seen as a positive development that could then be leveraged further via news stories. However, Company A did not reveal any use of social media in building this momentum.

4.2.3 Form connections:

It was revealed that long-term interactions were important for Company A. It particularly helped them find new customers in order to pre-sell their products, as explained in the following quote:

"...but a lot of those people got there, they ended up purchasing the product so that tells me that if I get this product in front of a lot of eyeballs I will sell a lot of them ..."

Furthermore, long-term connections were sought as part of the crowdfunding process itself. Company A explained:

"...you have to be very involved with your backers, like there's a lot of time communicating with individual people, and that's part of, that's good you get that direct contact with someone who is thinking about or who

has purchased your product..."

Therefore, much of Company A's crowdfunding effort was centred on the activities associated with forming new connections.

4.2.4   Gain approval:

Our findings suggest that Company A was particularly concerned with gaining approval for their product, as indicated by the following statements:

"Kickstarter helps you test the maturity of your own ideas and work, a Litmus Test, a really good product development test for yourself"

"It's a very good way to validate the market without actually putting all the money into developing the product fully"

These sentiments were demonstrated through various customer feedback initiatives, for example, telephoning individual backers in order to receive "raw feedback" to better understand their concerns.

Additionally, customer feedback saved their campaign from being an initial failure. Very few orders were being placed by whom Company A thought was their main target customer.   By realising this early on, necessary campaign adjustments in the form of more-tailored marketing could be made allowing them to better target their ideal customer.

It was unclear from the interviews whether Company A sought approval for themselves.

4.2.5   Maintain control:

It was not evidently clear from the interviews whether maintaining control over their work or ceding control to an outside party was an important motivator for Company A in using crowdfunding. However, it was apparent that they felt the need to keep campaign-related tasks in-house. When asked about the use of outside help during their campaign they responded:

"We didn't have the money to get it. You could probably hire a PR Firm and get better results but that's a lot of money and the whole idea with the CF is you can do market validation without spending a lot of money."

This also shows the emphasis they placed on how crowdfunding can be used as a cost-effective tool for testing the market.

4.2.6 Learn new fundraising skills:

Although not a primary motivator, it was clear that Company A learned new fundraising skills such as marketing and communication management even if these were not fully applied during their campaign. When asked what they would have done differently, they suggested:

"...would definitely spend more time on PR,...would try to pre-launch a little bit, and try to build up some interest and momentum before the campaign."

This statement is interesting given that two months was spent in planning before campaign launch together with the above-mentioned effort in contacting news media to build pre-launch momentum.

4.3 Company B

4.3.1 Raise funds:

Findings from our interview with Company B also showed that raising funds was a major reason for participation in crowdfunding. The company acknowledged they required capital in order to start production but their liquidity problem made it "impossible to start selling now." Kickstarter was viewed as a means to avoid large investors and therefore directly linked to the motivation of maintaining control, as discussed below in Section 4.3.5.

4.3.2 Expand awareness of work:

The use of crowdfunding enabled Company B to expand awareness of their work, aiding in the success of their campaign. One of their primary reasons in using the Kickstarter platform was to reach out to the American market. During the interview, they emphasised the importance of good public relations and to be noticed by journalists. When reflecting on what campaign initiatives they felt were particularly successful, the company expressed:

"...PR outreach, the PR outreach is so essential, mailing journalists three weeks before launching a campaign."

The company was therefore able to receive significant exposure with many blogs and magazines talking about their product. This was helped by small social media initiatives including postings on Instagram and a Facebook presence with a direct link to their Kickstarter campaign page and subsequent campaign updates.

4.3.3   Form connections:

Finding more customers in order to pre-sell appears to be one of Company B's prime motives, thereby demonstrating that this is directly related to the motive of raising funds, in order to commence production. The volume of work involved with day-to-day campaign management and the intensity of running a 'live' campaign was highlighted. The following statement demonstrates the extent to which they engaged with their supporters:

"I think I mailed 2000 influencers so they can take a look, hey take a look at that, I'd like to hear your thoughts"

Crowdfunding enables an extended period of online engagement. As further stated:

"So I had to be thinking all the time to engage people, and at the same time we had to be thinking of the updates how to engage more people."

Furthermore, our findings reveal that Company B is still updating backers about their progress three months on since their campaign ended.

4.3.4   Gain approval:

We can infer from our findings that Company B was quite concerned with market validation of their product, especially whether it would be received positively. This was one of the major purposes in utilising a crowdfunding. In order to do this, they engaged with their supporters via mass emailing, as discussed in the preceding point and this appeared to take up much of their campaign effort. This demonstrates how their motivation to form connections was directly related to their motivation of gaining approval.

4.3.5   Maintain control:

It appeared that maintaining control was a prime concern for Company B. When asked in the early stages of the interview why they chose to use crowdfunding, they replied that seeking external investment from investors such as venture capitalists would be similar to "selling one's soul." This demonstrates the strong negative feelings they have towards losing autonomy. This is further amplified as it was found they also denied using the services of outside professionals to help plan and manage their campaign.

4.3.6 Learn new fundraising skills:

From the interview, it was revealed that crowdfunding enabled Company B to improve their communication and marketing skills, in particular they were able to hone their pitching skills. They also felt that having an effective tagline was necessary for success, as stated:

"...a tagline, I think a tagline is very important – it's two lines that explain your product, mini elevator pitch..."

Additionally, the findings also show that prior to campaign launch, considerable effort was spent by Company B in revising their story in order to best reflect their vision and mission.

4.4 Company C

4.4.1 Raise funds:

Company C was able to use crowdfunding effectively in order to raise more than 100% of their desired funds. Our findings suggest that raising funds was a major motive. They stressed that doing so was the only way they could then be in a position to start production. This implies the necessity of speed in raising funds of which crowdfunding is beneficial.

4.4.2 Expand awareness of work:

It was discovered that expanding awareness of work was significant. First of all, Kickstarter was the chosen platform in order to reach out to the market where most of their backers were from. Company C revealed:

"...because most of our backers or a big percentage of the backers have been from the US and that is where we want to expand more with our overall business."

Furthermore, when describing their main purpose for using crowdfunding, the company stated:

"...but for a small but still global company for us it's perfect to reach out with KS. I think most of the backers actually did not know about our brand."

Their motive can best be demonstrated by their response when asked about what a successful campaign means, apart from reaching their funding goal:

"But also to make people aware of our brand as much as possible."

Given this, the company stated they did not launch a social media campaign to support their crowdfunding effort but did mention that team members made relevant posts on their individual

Facebook accounts. This kept raising awareness of their work limited to friends and family.

4.4.3 Form connections:

Through their campaign, Company C was able to pre-sell their product and in doing so formed new connections. As stated:

"For us to be able to make this product we needed to have customers before starting to produce it."

They further elaborated:

"...we've also had much closer contact with our customers which we wouldn't have had if we just go through the regular channels."

The above statement was demonstrated via their daily interactions with backers when responding to messages posted on their Kickstarter campaign page.

4.4.4 Gain approval:

We can infer from our findings that Company C was concerned with a desire for approval of their work. When asked what they thought was important for their campaign success they responded:
"I think it's the product itself, that we emphasised...to show that here we have a really good headphone and we're gonna make it even better."

Undertaking a successful campaign demonstrated overall project approval thereby raising their confidence in their ability to repeat their success. As mentioned:
"Now we had a successful campaign with KS and because of that we feel we should go with KS again."

4.4.5 Maintain control:

We could not infer from our data whether maintaining control was an immediate motive for Company C in their crowdfunding choices. However, it was stated that no outside help was used with the campaign. This perhaps suggests a desire to keep activities in-house, thereby preserving autonomy.

4.4.6 Learn new fundraising skills:

As previously mentioned in Section 4.4.4, Company Cs success was a motivator for future

crowdfunding participation, however, it was acknowledged that some promotional functions would be done differently:

"I would have sent out the press release in the beginning and then I would do different Facebook promotions and then work continuously work with journalists."

This statement reflects that Company C did indeed learn new fundraising skills even if they were not employed directly in their campaign.

4.5 Discussion

This thesis set out to gain deeper insight into the motivating factors for entrepreneurs for developing a successful crowdfunding campaign using categories identified by Gerber and Hui (2013). It also explored whether there were any further categories that need to be taken into consideration. This section will proceed with a summary of our major findings followed by an examination of the results in relation to previous research and existing literature, in particular Gerber's and Hui's (2013) research. Succeeding this will be an analysis of the additional contributing factors identified during the study followed by a discussion of their significance. Finally, we present a revised version of the conceptual framework from Section 2.7 taking into account the results of our research.

4.5.1 Raising Funds And Forming Connections

The data is broadly consistent with the major literature that defines the financial difficulties faced by early stage entrepreneurs. We found that crowdfunding represented a means for technology companies to overcome these constraints in order to raise funds. Additionally, our results concur with Mollick (2014) in that entrepreneurs utilise a reward-based model of crowdfunding for the purpose of raising funds by pre-selling products to early customers. Pre-selling is highlighted by Gerber and Hui (2013 p.11) as an example as to why creators are motivated to form connections. Although their results showed that forming connections was not one of the more predominant motivations for becoming a creator, we discovered that finding new customers appears to be the catalyst for obtaining the necessary funds to commence production. Therefore, we feel that pre-selling should be given higher credence as it is intrinsically linked to the fundraising effort.

4.5.2 Expanding Awareness Of Work

Crowdfunding appears to be an effective method to market one's product. The results concur with the examples given by Gerber and Hui (2013 p.10) in that entrepreneurs are indeed motivated to

expand awareness of their work, however, we found it to be just as significant as the motivation to raise funds and a crucial factor for overall campaign success. To facilitate this, the evidence shows that considerable effort is put into engaging the media prior to campaign launch in order to build momentum. In addition, raising brand awareness was viewed as particularly useful for smaller companies aiming for a global reach, thus extending Gerber's and Hui's (2013) findings. The Kickstarter platform itself was found to aid in this endeavour as it enables entrepreneurs to connect with potential customers who live in a different but desirable geographical area such as America, in which the company hopes to expand to in the future. Project goals are listed in US dollars so as not to cause confusion with local currencies thus providing a more global reach. This demonstrates overlap between the motivation to expand awareness of work and the motivation to form new connections.

4.5.3   Gaining Approval Through Market Validation

Gaining approval for one's self and one's work, especially via feedback, is a motivator for participation in crowdfunding (Gerber and Hui 2013). Involving the crowd to validate market demand not only minimizes long term risk but enables the receipt of constructive feedback regarding such things as product design considerations. Our results are consistent with the usages highlighted by Schwienbacher and Larralde (2010) and Frydrych et al., (2014) in that crowdfunding is used to gain insights into the market potential of a product, and by allowing collaboration with funders, can lead to better customer acceptance.

The findings show that entrepreneurs communicate with large numbers of backers through a range of communication channels in order to receive feedback leading to market validation. Therefore, this motivation is directly linked to the creator motivation of forming new connections. Although Gerber and Hui (2013) found that gaining approval was not one of the more significant motivators for crowdfunding participation, our study shows otherwise. The desire to gain approval through market validation appears to be a major motivating factor in crowdfunding participation by entrepreneurs.

Finally, we observed little evidence that entrepreneurs seek approval for themselves. This finding suggests that self-confidence is pre-existing in non-nascent ventures in lieu of the combined experiences of team members. However, we did find that the approval of one project in terms of it being successful is a motivator in launching another in the future, which is consistent with similar findings by Gerber and Hui (2013).

4.5.4 Additional Contributing Factors – Telling The Story and Honesty

In addition to the 6 motives identified by Gerber and Hui (2013), our findings suggest two further contributing factors which greatly influence entrepreneurs in their crowdfunding effort, therefore leading to success. We have broadly termed these 'telling the story' and 'honesty'. What follows will be an overview of the specific empirics from each company concerning these themes followed by a discussion of their significance.

4.5.5 Telling The Story and Honesty – Company A

Specifically, Company A felt that telling the story was vital to the campaign. Getting the "right message" across to supporters and backers while communicating their vision was viewed as critical to success. They reflected on seeking out the "core story" and making it as clear as possible. In order to accomplish this, extensive interviews were conducted beforehand with their target customers. They further elaborated on the need to convince journalists to write stories (about the campaign) as part of campaign management.

Additionally, the initial huge campaign momentum (in the form of visitors to their campaign website) was leveraged as a story in itself by encouraging people to talk about it as their campaign progressed. Finally, a campaign video was seen as an important story-telling tool. Company A drew parallels with previous experiences of producing and then sharing videos with potential customers to see if there was any traction. They regarded Kickstarter projects as working in a similar way. Company A also revealed the importance of being honest with the story. They suggested:

"A fake story is the wrong way and people see through that. You have to live up to the story you sell"

Company A was adamant that a fake story would make cause significant damage to their good reputation and trustworthiness.

4.5.6   Telling The Story and Honesty – Company B

Company B similarly pointed out the role that story-telling plays as part of campaign planning and management. In particular, they highlighted the difficulty in writing a story that was well-related to their perceived abstract product. Company B further elaborated, stating:

"...you can have a good product but you're not going to sell it if you don't get the story right..."
Company B organised an intensive 2-day workshop prior to campaign launch in which they produced a video as part of their overall pitch. Additionally, they sought media attention by contacting journalists 3 weeks before campaign launch but acknowledged that there was no guarantee a story would be written. Furthermore, issues of honesty in relation to the story were raised. As said by Company B:

"You have to know well your audience and your product – you can't fly, I think people can understand when you're telling an honest story and you're being true to yourself as well"

Stipulating an 'honest' funding goal was a prime concern for Company B and something they believed critical to their campaign success. They felt it essential to state exactly how much funding a venture requires especially when taking into account future expenses.   It was felt that this shift towards asking for "a bit more" is common practice now with regards to projects listed on Kickstarter compared with a few years ago.

4.5.7   Telling The Story and Honesty – Company C

Our findings reveal that telling the story was an important aspect of Company C's desire to raise awareness of their work. It was stated during the interview how significant it was in presenting the story in the right way, especially using humour, in order to keep backers happy. When discussing the role that stories play in crowdfunding campaigns, Company C explained:

"...it is very important because that is how you sell your product, how you ensure your customers buy a product they have never seen. To really assure them that we have a unique product so of course the story is everything."
Having a video was seen as a necessary part of telling the story. Company C explained:

"...to have a funny video is just as important as having good information because you don't want to lose the customer because they are bored."

Issues of honesty remained a common theme in the interview. When discussing interactions with backers, Company C maintained:

"It's always hard because you can promise so much. But of course always to in the best way keep whatever promise you make to the backers. That's Rule No. 1 or they'll get very upset."

Company C wanted to be viewed as a trustworthy company. When describing overcoming issues with delivering products on time to backers, they said:

"But we've proven ourselves to be a legit company."

4.6 Summary

As previously discussed, Gerber and Hui (2013 p.10) found that, for entrepreneurs, generating awareness of their project through written descriptions and videos, as well as sending emails to friends, family and the media, all contributed to a positive reception of their work. Underpinning our results, however, was the finding that two themes predominated in the motivation of entrepreneurs. These were *the broader concept of inclusion* and the consequential *psychological impression of honesty and openness* which entrepreneurs saw as bolstering the chances of success for their project. Specifically, entrepreneurs sought to *include* their supporters by providing an edited narrative detailing their vision and progress of their project, and thus implementing a marketing strategy by creating an *impression of inclusiveness, honesty and openness*. This notion of an edited narrative validates findings by Frydrych et al., (2014) regarding the usage of a visual pitch and the role of narrative in establishing crowdfunding legitimacy.

We suggest that, by using this approach to marketing, value was added to the project at an early stage. Firstly, interest was generated in its progress. Secondly, participation from others was encouraged, and thirdly the sense of a community, centred around the Kickstarter platform, sharing a common purpose, motivation and goal, which would support the project and drive it forward, was created. More broadly, we suggest that telling the story serves a social and ethical purpose that sees creating trust and transparency in the crowdfunding arena as an end in itself, not simply as part of a conventional marketing strategy aimed solely at maximizing profit.

Stories are vital in communicating a brand's values to a given audience (Salzer-Mörling and Strannegård 2004 p.229), and this was evident in our study. Our results indicate that telling the

story was critical to campaign success, and comprised a central part of campaign planning and management. It was demonstrated that getting the right message across to potential customers, backers and the media is a requirement for expanding overall product awareness as well as generating sales. Communicating this message is done through telling the story both in written form and via the use of a video. Additionally, storytelling can be used to foster hype around the campaign as our results have shown. This is consistent with Lambert and Schwienbacher (2010) who state that hype can be generated around new products in order to create a marketing campaign with customer participation. Furthermore, entrepreneurs are also adamant in telling an honest story. This suggests a need to appear as legitimate as possible, given that crowdfunding participation places a company on the global stage.
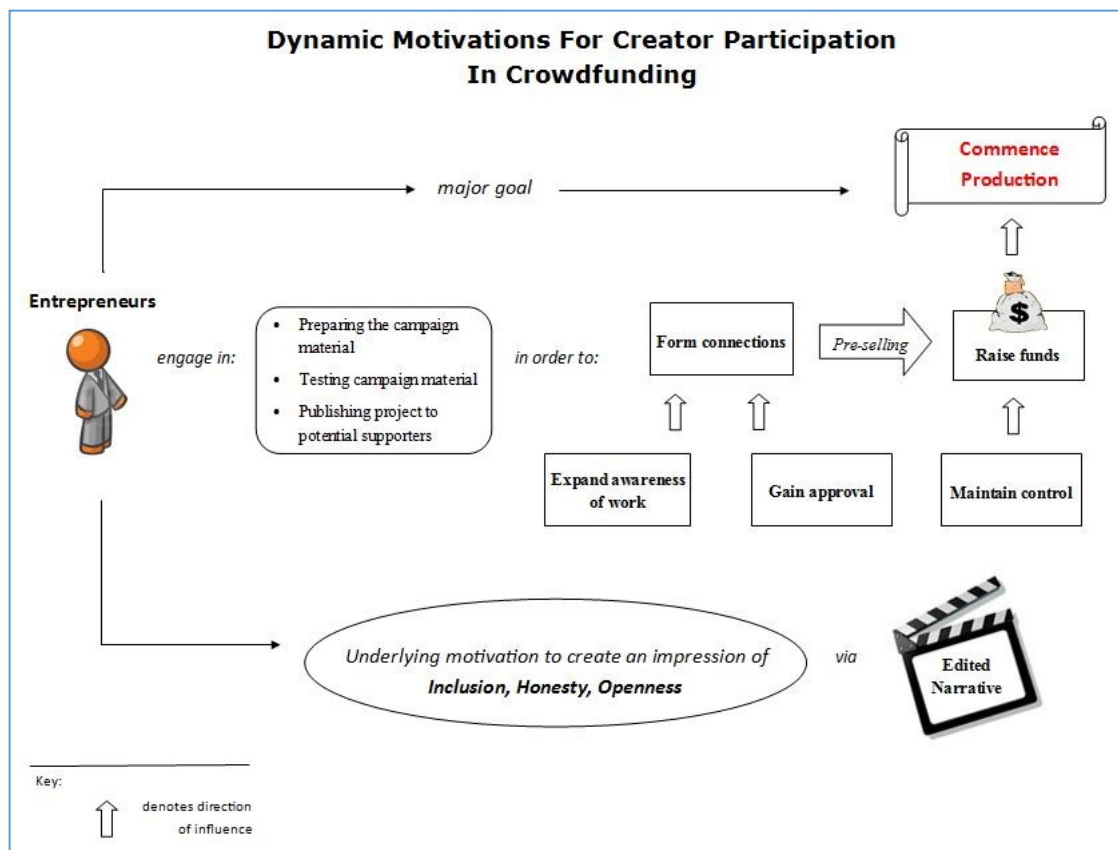
4.7 Revised Conceptual Framework

Figure 4.7.1 – Revised Conceptual Framework

Based on the above findings, we present the below revised conceptual framework in Figure 4.7.1, which was first introduced in Section 2.6. The revisions take into account the inter-relationships between the motivations including the roles that telling the story and honesty play. Additionally, it

reflects the entrepreneurs' self-assessment of the relative importance of these motivations based on our results. We have included the crowdfunding work categories of preparing the campaign material, testing the campaign material and publishing the project to potential supporters identified by Hui, Gerber and Greenberg (2014), as we observed that these incorporate the various tasks that are undertaken in order to achieve the above-mentioned motives and additional contributing factors. This new framework is more elaborate and flexible than the previously proposed one as it changes the dynamic among the different motivating factors for entrepreneur participation.

Entrepreneurs are particularly motivated to form new connections as part of the process of finding new customers in order to pre-sell their products; this appears to be the catalyst for obtaining the necessary funds to commence production. Expanding awareness of work, largely through contacting the media and gaining approval by validating the market, helps in facilitating this crowdfunding effort of which is conducted largely through the activities of preparing the campaign material, validating the campaign material and publishing the project to supporters. By encompassing these motives and activities, the broader concept of inclusion via an edited narrative, and the consequential psychological impression of honesty and openness, can be viewed as a meta-strategy for ultimately bolstering the chances of campaign success.

5.0   Conclusion

In this study, we sought to find out what the motives are that influence entrepreneurs when using crowdfunding and how these are related to each other. Specifically, we wanted to gain a deeper insight into the motivating factors for entrepreneurs for developing a successful crowdfunding campaign. In order to facilitate our study, we investigated three Swedish technology companies who had all participated in a successful crowdfunding campaign on the Kickstarter platform within the past 12 months. For this purpose, we conducted semi-structured interviews based around the respondent's crowdfunding purpose and campaign planning and management. We analysed our results according to the creator motivations for crowdfunding participation identified by Gerber and Hui (2013). Upon completion of our research and analysis we have been able to answer our research question and reached our objectives. Specifically, we:

1. Identified strategies used by entrepreneurs when planning and running a crowdfunding campaign.
2. Examined how entrepreneurs communicate with their supporters and backers prior to   and during a crowdfunding campaign.
3. Determined the critical success factors entrepreneurs perceive as necessary for a   successful crowdfunding campaign in terms of their relative importance.
4. Observed that the motives for crowdfunding success exist as part of an overall set.

The motivations for participation in crowdfunding are diverse and more than just as a means to overcome the financial constraints imposed on capital-seeking nascent companies. Despite variations attached to the relative importance in some areas, such as the motivation to form new connections and the motivation to gain approval, our study generally validates Gerber's and Hui's (2013) findings in that creators are motivated to raise funds, expand awareness of their work, form connections, gain approval, maintain control and learn new fundraising skills. However, rather than static motives for participation, we observed that motives are dynamic and part of an overall set of motives which lead to the same over-riding goal which is to raise the necessary funds required to commence production. We discovered that motives can be overlapping: forming connections in an effort to pre-sell products is directly linked to the desire for raising funds. Additionally, expanding awareness of entrepreneurs' work is a priority before and during the campaign. This is largely done through contacting the media while also being an important way to reach out to new customers, particularly in America. The Kickstarter platform facilitates this in part

because of its popularity and ability to list funding goals in US dollars. Therefore expanding awareness of work is also linked to the motivation to form new connections.

Furthermore, our study indicates that entrepreneurs are highly motivated to use crowdfunding as a means of gaining approval for their work by testing the market. This is achieved by obtaining feedback from potential customers and supporters through a range of communication channels which also enables new connections to be formed. Lastly, we discovered that entrepreneurs create an impression of inclusiveness, honesty and openness which encompass the above motives and are necessary for engaging in a successful crowdfunding campaign. An edited narrative or 'telling the story', in both written and video form creates trust and transparency while communicating the values of the crowdfunding effort to a specific audience. By facilitating the raising of funds in a relatively short amount of time, crowdfunding is a comprehensive method for nascent companies to obtain the necessary capital required for commencing production given their difficulty in obtaining more traditional sources of finance.

5.1 Significance Of Findings

Our results are of direct practical relevance to entrepreneurs considering the use of crowdfunding and for crowdfunding platforms. Understanding the motives for launching a successful campaign will enable better campaign planning, design and management and ultimately success, as well as demonstrating that the crowdfunding effort can constitute more than just raising funds. In particular, it is an effective means to effectively test the market and receive useful feedback without having to invest large sums of money. By allowing for products to be pre-sold, an indication of demand is immediately known thus speeding up future production endeavours. Crowdfunding also enables new customers to be obtained and provides a platform for increasing overall exposure of the company and product. Our dynamic conceptual framework acts as a blueprint for entrepreneurs in visualising a meta-strategy for overall campaign success, highlighting the interacting roles that motives play when engaging in routine crowdfunding related tasks.

It is important to also emphasise the amount of time needed to plan and manage a live campaign. Our particular study showed that day-to-day campaign management including updating the campaign site and communicating with individual backers is quite demanding and very much a full time job. There is a clear need to have adequate numbers of staff to cope with daily campaign management especially in the period leading up to and subsequent first few days of the campaign

being launched. Additionally, telling the story about the company and product, including professionally filming a campaign video, are not tasks that should be done overnight. Crowdfunding platforms can benefit by providing better campaign management functionality, including open forums and feedback channels, to foster better communication between creators, potential backers and supporters.

5.2 Future Research

Further studies are required in order to determine whether motivations for entrepreneurs to participate in crowdfunding are comparable across similar platforms such as IndieGoGo and RocketHub as well as other types of crowdfunding models. Our focus has only been on companies whose campaign had been successful. It is necessary to examine companies whose funding goal was not achieved to see if their motivations differ in any way. Further, research could be made between the motives and strategies used by companies which have an established operational history and those which are nascent in order to observe what affect the development stage of the venture has.

Additionally, research should be undertaken on companies who had launched a successful campaign and included a video versus those that did not. Related quantitative studies could include examining the role of social media sites in helping to form new customers and expanding awareness of work. Similarly, as we focused primarily on the motives for crowdfunding participation leading to success, additional research could delve into the day to day tasks entrepreneurs undertake as part of campaign management including a comparison and analysis of the various ways one might go about publishing the project to supporters. Finally, further research on companies existing outside of Sweden could be conducted to determine whether there any element of cultural bias was at play.

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Appendix A – Interview Guide

Please introduce yourself – age, entrepreneurial journey, professional background, current roles.

What was your main purpose in using Crowdfunding?

Have any of your team used Crowdfunding in the past, how was this helpful?

What does a successful campaign mean to you?

Why Kickstarter in particular?

Please tell us about the planning of the campaign   (time spent, social networking, creating story)

How did you compensate professionals who helped with the campaign, assuming no prior sales of Point?

Your campaign was quite successful from the beginning of its launch. How did you manage it during the 4 weeks?

How did you maintain momentum?

What is your status now, post campaign?

Is there anything you did with the Kickstarter Campaign you feel was particularly important for its success? What would you have done differently?

What key advice would you give to someone considering using Kickstarter?

How might Crowdfunding help a business obtain funding from a bank or angel investor?

What future developments do you anticipate in the Crowdfunding Industry?

Are there any other questions we should have asked?

Appendix B – Example Interview Transcript

Interview – Company C

Could you tell me your age, professional backgraound?

I'm 31 years old, I previousy worked 9 years at the computer company Asus, and I have basically all my career worked with PR.

Could you tell me about the CF campaign your were involved with, the DSP Speakers?

It was started before I started at this company but ive been handling it since but to start off we didnt really believe in the beginning that it was going to be as as successful as it became, we reached if I remember correctly 450% or something like that.

Why did you think it wouldnt be successful?

I dont know, we were humble, no, but you're never sure with this kind of product, which is quite technical, audio product, of course there are other successful campaigns out there but you can never be too sure and it was also priced quite high compared to many other projects and so we thought we were going to reach 100-150% at most.

So have any of your team used CF in the past?

Yeah, privately, not as a company, none of us had that kind of experience. We of course looked at other projects trying to get both inspiration and how theyve handled their campaigns. And we've really tried to do our best to handle the backers because you never know if there's going to be another product one day and so we want to make them feel that we really care about them and take care of their interests.

What was your main purpose in using CF?

Well of course we are not an entirely new brand as many at KS and similar, INDIEGO, but we're still not a big company and we saw it as a very good platform to reach out to new potential customers, which proved to be great. And I guess this is why bigger and bigger companies are going to KS to promote new products before they are finished and well personally I hope that they will make some rules so not too big companies can start a KS project because then I think it will hurt the whole CF community. But as long as they're not bigger than....well Pebble has grown a lot, I'm a Pebble fan, and I dont know if they got the most funded project now or at least they're up there now, maybe it's the bare icebox which is the biggest one I know, but Pebble was already big so thats where the limit should be but for a small but still global company for us it's perfect to reach out with KS. I think most of the backers actually did not know about our brand.

So this was more important to raise awareness for the backers?

Yes

Was raising finance a factor in using CF?

Both yes and no. For us to be able to make this product we needed to have customers before starting to produce it. And in the long run because this was our first project we had miscalculated on some of the costs like delivery because you need to have one price on the shipment and sometimes we've had customers where the price has been 3 times on the price we we were charging. And very few were actually below that. And so in the end we didn't really make any money on the campaign. But then we have the PR value which is really really good so it was definitely still worth it and we've also had much closer contact with our customers which we wouldnt have had if we just go through the regular channels so we know now much more what we're goping to do with the next product.

How have you maintained and managed contact with customers?

Well it's been through the KS page where we've replied to their comments and msgs of course and in the beginning we got tonnes of msgs each day and now maybewe get 1 or 2 a day and they don't seem that upset if it takes 2-4 days before we answer. But in the beginning if we did not answer them in time they got really worried of course because

theyve shipped a lot of money and want their product. But we've proven ourselves to be a legit company and shipped we've out to all the backers and there were at some point when we had only managed to order 1000 pieces but we had maybe 2000 pieces needed to be shipped out so some of the backers needed to wait and then we gave them compensation by being able to buy another ear inphone that we had at a really big discount.

Were there other things you did to make yourselves more legitimate during the campaign?

Not anything more than that we sent out press release to media. And we also had a mailing list with blogs we contacted. But we didnt do any facebook campaigns. Of course we made some posts but only on our facebook page which doesnt have that many likes, so we didnt really manage to reach out through Twitter or Facebook.

What does a successful campaign mean to you?

To reach about 100%.

To reach the funding goal?

Yeah of course. But also to make people aware of our brand as much as possible.

Why KS, and not another platform?

That's a good question. IGG is pretty big. There are advantages with IGG like you can have non stop funding.

What do you think the advantages of KS are?

I don't know, I dont know why we chose KS, and if we are going to make a new product like this, I'll look into whether KS is the right one. Now we had a successful campaign with KS and because of that we feel we should go with KS again because thats where we have our fans in a way, but im not too sure if we see that if IGG or any of the others can give us a more beneficial campaign and we might go with those.

Could you tell me about the planning of the campaign?

We didn't do that much planning – everything was kind of rushed. Why? Because our boss has not the longest patience. So we did what we could do with the little time and resources that we had. We spent more time on the product but the campaign itself, I cant imagine we spent much time, a couple of weeks.

Did you use any outside help with the campaign?

Nope, we did it all ourselves.

How important is it to tell the story of your product or vision during the campaign?

I believe it is very important because that is how you sell your product, how you ensure your customers buy a product they have never seen. To really assure them that we have a unique product so of course the story is everything. But i've also seen from a lot of other campaigns that to have a funny video is just as important as having good information because you dont want to lose the customer because they are bored.

What ways did you tell the story before the campaign and while it was running?

We didnt really expand our story during the campaign, it was mostly just updates because we had of course milestones where if we reached a milestone we would have better accessories and stuff like that. Before the campaign we wanted to show from a technical point of view how superior this one would be to other blue tooth headsets at the same cost.

How did you maintain the momentum during the camopaign?

We didnt send out the press release in the beginning which we should have done. I think the press release was sent out in the middle of the campaign and that made it so that we had a pretty steady flow of backers. I would have sent out the press release in the beginning and then I would do different facebook promotions and then work continuously work with journalists where we have sent out pre-engineering samples which we checked theyre in good enough condition to be reviewed so we could also have some of that momentum where they endorce the product. I'd do things a little bit different but everything went well so I cant complain.

Is there anything that you did that was particularly important for the success of your campaign?

That's a good question. It's not like something I can point out that this is the reason why we succeeded. I think it's the product itself, that we emphasised on the DSP to show that here we have a really good headphone and we're gonna make it even better, just to ensure that they're making a really good deal and I think that's good enough for most people to know that you're gonna make a good deal by buying this product.

Are there any skills that your team learnt from participating in the campaing?

Well we've learned that it's definitely not a good thing to not have enough samples at hand, to tell someone that they have to wait while others have received the product. I think we still managed it quite well by allowing them to choose between getting their money back or buying another product which is similar technology but In-ear but at a very reduced price and that worked out pretty well. We've also had some minor complaints the design as such and the APP but that's been mainly from a handful of people.

Were they backers?

Yes they were backers. You cant comment unless you're a backer.

Were there any other ways you received feedback from potential backers or exisitng backers?

Well now we've received feedback from journalists since we've started to ship them out a couple of months ago but it's been mainly from the backers, so that's really useful if we're ever going to make a product like this again then we already have on paper everything we need to fix to make the perfect headphone.

If you were going to do a KS campaign again, what would be the 3 most important things you'd do?

It's alsways hard because you can promise so much. But of course always to in the best way keep whatever promise you make to the backers. That's Rule No. 1 or they'll get very upset. Always be there and answer all questions, and the story of course is the most important. Of course the product needs to be awesome but to present it in the right way, I think that is the most important thing to get the backers and then to keep them happy.

How do you present the story in the right way?

That's always something that needs a nice touch. It also depends a little bit on the product but I think you need a little bit amount of humour in there without losing that they take you seriously and also that it's very clear to everyone what it is you're selling. Of course also to make them feel that they're making a great deal by backing us early, I think that is because we said that these headphones were going to be priced at $229 and if they were really early they could get it at $79, and that is something people always like. Ive seen other projects where the discount hasn't maybe been that big but then there's been other things with the product that it's so unique that they simply can't wait to get it and they want to be the first one just because of that.

Do you think you had a suitable funding goal?

Well it was calculated on the minimum what we needed to get started with the project. Then we can of course discuss if it should have been higher. I dont know, because for us that was what we needed and we didnt really make that much more money because that we got more backers, the only good thing was that we got good awareness. And that is always very valuable. We could see clearly that we had more visitors on our home page and also our other products started selling and I think it's mostly thanks to this KS campaign

Are there any improvements you can suggest for the KS platform?

Basically just to make sure.... i've read so many articles where the product has gone wrong because they have miscalculated on the cost for development and things like that. That is what they really need to be 110% sure about before they start a campaign like this because they're not only going to disappoint themselves they're also going to disappoint a whole lot of backers. And it's will be very hard for them to do a second project if they fail with the first one.

How could KS be improved as a platform?

I havent been missing anything from using it. I think it's a pretty good tool, it's easy to get the backers background

information when you're talking to them so you know who you're talking to. Everything work s well, I havent really seen any bugs. It's intuitive for me at least.