

# THE STRATEGIC BRAND MANAGEMENT: MASTER PAPERS

# SBM

STRATEGIC BRAND MANAGEMENT

MASTER PAPERS

*Kick-start your Brand through Crowdfunding*

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# Strategic Brand Management: Master Papers

The Strategic Brand Management: Master Papers is essential reading for brand strategists in both private and public sector organisations, and academics in universities and business schools.

The papers are written by master student groups and follow an international journal format. The student groups selected the topics of their papers and provided updated and relevant insights into the strategic management of brands.

The mission of Strategic Brand Management: Master Papers is to “present and develop useful tools and theories for the application in practice of managing brands, and to forward the academic field of strategic brand management.”

The intent of the series is to bridge the gap between academic teaching and research.

The series is a result of co-creation between students and teachers in the course Strategic Brand Management (BUSN21 – 7.5 University Credit Points; 8 weeks 50% study time), part of the master program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The published papers represent the result of the intellectual work of students under supervision of the heads of course. The content of the papers is to be read as student reports albeit the journal format. The papers are free to download and should be cited following international conventions.

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## ABSTRACT

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This study investigates how a company can kick start building a brand through a crowdfunding campaign. Crowdfunding has become a trend for innovative brands' building and strategy development. To begin with, this article examines the crowdfunding phenomenon and the process of co-creation. Additionally, it includes an entrepreneurship framework and focuses on brand building processes through Kickstarter's online platform. In order to gain in-depth information about a brand building's process with crowdfunding, a single case study approach was reviewed. This was achieved through conducting a semi-structured interview with Nikolaj Hviid, the CEO of BRAGI, which illustrates the most successful European crowdfunding campaign on Kickstarter "The Dash". The main findings combine and analyze the theoretical part with the case study. Furthermore, the analysis provides three new managerial implications for brand building through crowdfunding.

**Keywords:** Crowdfunding, Brand Building Process, Entrepreneurship, Kickstarter, Co-creation, Advantages & Disadvantages of Crowdfunding, Investor's typology

## INTRODUCTION

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Crowdfunding is an online rapidly developing system for capital sourcing in order to help entrepreneurial ventures and innovative concepts; hence, it is perceived as a possible alternative to the traditional models for fundraising (Hahn, 2013). Crowdfunding is a constantly evolving concept that can be perceived as a new business model, through which seven actors exchange values in a way that can be interpreted as a pattern of value co-creation innovation (Gervilla, 2015). In general, four different types of crowdfunding exist, i.e. reward, donation, debt or equity model, around which online platforms operate. The four models distinguish in the customer's motivation for funding an entrepreneur project (Meyskens & Bird, 2015). In depth literature examination reveals that four major investor typologies can be determined according to customer's backing frequency and category concentration - category enthusiasts, portfolio masters, focused supporters, and casual wanderers (Hahn, 2013).

Moreover, the study focuses on the field of entrepreneurship which has risen over the past decades. However, entrepreneurs should be aware of the challenges being faced when using a crowdfunding platform, i.e. finding the right and most trustworthy crowdfunding platform (Valančienė & Jegelevičiūtė, 2013). In addition, building credibility is a crucial part of the brand building process in order to build trust for the investors (Kickstarter, 2015).

Brand building includes processes that have to be taken into account, in order to stand out from competition and to become top of mind in consumer's recall and consideration phase of a purchasing decision. Brands should build awareness

and create relationships with consumers so as to generate trust (Grönholm, 2015). Above all, brands should establish a unique positioning to reveal brand's identity and proposition (Rosenbaum-Elliott, Percy, Pervan, 2011) and to determine the target segment and competitors (Kapferer, 2012). Crowdfunding is an additional marketing tool to support your brand in the early stage. Taking advantage of crowdfunding platforms' high reach, companies should create buzz about the brand and attract investors by presenting business' ideas and unique propositions (Barbara, 2015). Once established that, investors should be including in the building process and make them ambassadors (Rutkowski, 2014 & Barbara, 2015).

According to Golic (2013), research indicates that crowdfunding supports a number of benefits; it is a cost reduction solution for companies and it is ideal for market testing as products are presented to consumers and this way companies can measure investors' response. In addition, it is a high reach source (fundable, 2015) and a way to attract consumers across borders since it reduces physical distances (Golic, 2013). A company should look at both sides of the same coin in order to evaluate whether crowdfunding is ideal for the company; thus depending on company's business idea and approach it may cause risk of reputation (Nibusinessinfo, 2015) and prestige (Arora, 2012). In addition, it is ideal for reaching small funds goals but cannot guarantee speed of funds collection as it depends on project's characteristics and investors support (Arora, 2012).

Taking into consideration the theoretical implications mentioned above, a study of Europe's most successful crowdfunded brand "The Dash" was conducted. The aim is to assess how entrepreneurship and brand building processes are implemented through crowdfunding. How crowdfunding and brand building framework for entrepreneurs is perceived and applied

from a practical perspective and to what extent the case practices differs from the theoretical background.

## THE LITERATURE

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### Crowdfunding

#### *Defining crowdfunding*

Nowadays crowdfunding is a fast growing technology-enabled phenomenon that is changing the capital market space. The term was conceived for the first time in 2006 through a post in a blog by Michael Sullivan (Beaulieu, Sarker & Sarker, 2015). Since then crowdfunding is determined as: “The efforts by entrepreneurial individuals and groups—cultural, social, and for-profit—to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries” (Mollick, 2014).

The concept is continuously evolving and is used in a variety of creative ways. Normally it takes place on a crowdfunding website, where the founder exposes the idea or project to the potential backers, i.e. money contributor. In case individuals like the idea and are willing to support it, they can donate money via the crowdfunding website. Usually the earned amount of money is comparably small to the overall funding needs. However, the concept of crowdfunding encompasses the idea that if each one of the proponents donates a limited amount of money, this way a substantial amount of capital can be raised efficiently in short time. Additionally, individuals can support the project not only monetarily, but also increase its awareness by spreading it through social media and encouraging others to invest (Beaulieu, Sarker & Sarker, 2015).

There are four different types of crowdfunding: reward, donation, debt or equity model which differentiate how online platforms operate. Reward – based model is the one that stimulates individuals to invest in order to receive a product or benefit in return (Meyskens & Bird, 2015). Donation platforms have mainly social character and identify supporters as philanthropists because they do not receive material reward (Mollick, 2014). In the debt models individuals attempt to lend capital to another individual or group expecting to receive a repayment in return. Depending on the online platform, it is possible to be compensated with interests (Ramos, 2014). Through the equity-based platforms supporters have the opportunity to turn into shareholders in these ventures and to gain dividends or return on investment (Futko, 2014). However, in a research study from Forbes (2012) the crowdfunding world market can be divided in: 49% donation-, 22% loans-, 18% equity- and 11% rewards-based online platforms.

This paper focuses on reward-based crowdfunding from Kickstarter, which is a worldwide American-based online platform. Kickstarter is at present the leading crowdfunding provider not only for raising money, but also for the majority of financed projects (Colombo, Franzoni & Rossi-Lamastra, 2014). Over 9 million people in each continent of the world already have supported a Kickstarter project. It represents a global community, whose main mission is to successfully develop creative projects in a variety of different categories, including publishing, photography, technology, design, fashion, art, film, food, music, games, and theatre (Kickstarter, 2015). Kickstarter applies an “all-or-nothing”, “reward-based” business model. “All-or-nothing” approach means that if by the last day of the campaign the amount of donated money is equal or even greater than the aimed amount, it is cashed in by the backer. If the campaign happens

to be unsuccessful all pledges are cancelled (Colombo, Franzoni & Rossi-Lamastra, 2014).

### *Crowdfunding co-creation*

During the years the role of consumers has evolved along with the market evolution. Consumers are not only perceived as a source of information in the “market orientation” (Kohli & Jaworski, 1990), but also as co-producers in the “service marketing” (Fisk, Brow & Bitner, 1993). They become partners for innovative concepts in the “lead user theory” (von Hippel, 1986) and lastly, they are observed as key resources and value co-creators in the perspective of the “service-dominant logic (SDL)” (Vargo & Lusch, 2004). Recently, through the expansion of the crowdfunding concept, consumer’s role has increased by being associated with investment support of an innovative brand (Ordanini et al., 2011). Wieland et al. (2012) interpret crowdfunding as a new era of service (eco)system. Adapted to the general SDL crowdfunding can be perceived as a new business model, through which seven actors exchange values in a way that can be interpreted as a pattern of value co-creation innovation (Gervilla, 2015). Through an in depth literature review the seven actors can be characterized as follows: creative core, platforms, financing customers, non-financing customers (Ordiani et al, 2011), investors, experts (Quero & Ventura, 2015) and crowdfunding associations (Gervilla, 2015). From the perspective of service ecosystem, three levels of relationships can be determined, where actors co-create value at micro, meso and macro level (Frow et al., 2014). Therefore, crowdfunding can be perceived as a means of innovation through institutionalization, where platforms and platform associations are seen as institutions that lead the process of value determination, as it is presented by Vargo, Wieland & Akaka (2013). Consequently, platforms provide

value co-creation opportunities, which are framed at each stage of the ecosystem and for all the identified actors (Gervilla, 2015).

### *Investor Typology*

Having discussed the different type of actors involved in the co-creation process it is vital to analyze what is the profile of people who invest in crowdfunding projects. Before developing an investor typology it is essential to identify, what are the motives that drive customers to invest in a crowdfunding project. Ordanini et al. (2011) present through his research study a number of traits that are present in every category of crowdfunding projects. Some people invest because they are seeking for innovative products and acknowledge the concept of crowdfunding. Others identify themselves with the introduced product and are willing to help realize the project that they believe in. However, some bakers not only desire to participate in the product creation, but also want to be in charge of the success of others. i.e. intrinsic motivation. The last, but not the least important motivation factor for investors is to receive a monetary reward, i.e. extrinsic motivation (Ordanini et al., 2011).

In order to illustrate more accurately the investor typology in the examined case analyzed further in the article, this paper conceptualizes an investor typology based on explanatory analysis of Kickstarter according to two main baking characteristics: baking frequency and category concentration (see Figure “Investor’s Typology”). Baking frequency points out how often individuals back different products, whereas category concentration defines whether an individual focuses his/her fundings on one or diverse categories. Both dimensions can influence other individuals in their backing decisions by analyzing baking history through data regarding the customer. Data relates to when individuals joined the

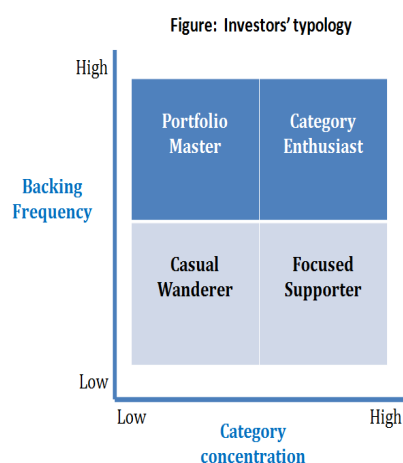
online platform and how their donation history looks like. In addition, their knowledge and experience in different categories is tracked and it is identified whether individuals are specialists or generalists (Hahn, 2013). As a result of the two main Kickstarter investor characteristics, four types of individual backers can be distinguished: category enthusiasts, portfolio masters, focused supporters, and casual wanderers. Category enthusiasts support many products, but in one or a few categories only. They are seen as specialists because they are able to develop certain knowledge in a few categories. On the other hand, portfolio masters are those who back a wide range of projects in variety of categories. However, both types consider crowdfunding as a serious and relevant opportunity to support creative ventures. Focused supporters invest in a few projects in one or few product divisions. The last type, the casual wanderers, donates in a limited number of products, which are spread in a wide range of product groups. A common characteristic for focused supporters and casual wanderers is that they both do not perceive crowdfunding as an essential platform for investing (Hahn, 2013).

## Entrepreneurship

### *Defining entrepreneurship*

The area of entrepreneurship has increased prominently over the past decades. Nowadays even more people decide on becoming their own bosses, so small businesses are set up and owned by the average person (Bradley III & Luong, 2014). Entrepreneurship means building a business by developing an idea of a product or service. Successful and profitable entrepreneurship though needs a plan to realize a concept effectively. According to the University of Illinois Center for Economic and Financial Education, successful entrepreneurs have specific characteristics, i.e. the ability to plan, communication skills, marketing skills or leadership skills (Brooks, 2015). One can argue that new business owners have to be eager to take risks (Thompson, 2015). To pursue their business venture entrepreneurs need financial resources. One of the toughest parts is to raise the missing capital to fund their business ideas (Wu, Wang & Li, 2015).

As presented earlier, crowdfunding is the most common new funding business model for entrepreneurs to raise the needed capital. In 2012, a total of 2.7 billion US dollars was raised from more than 600 crowdfunding platforms all over the globe (Wu, Wang & Li, 2015).



Source: (Hahn, 2013)

### *Challenges of crowdfunding for entrepreneurs*

Even though it can be very successful for entrepreneurs to use crowdfunding as a tool for raising capital, they might as well face some challenges. To begin with, entrepreneurs who incorporate crowdfunding in their business venture should be aware of the administrative and accounting challenges that are going to occur. A large number of investors make protocolling contributions and sending

rewards tough and sophisticated (Valančienė & Jegelevičiūtė, 2013). Furthermore, Bechter, Jentsch and Frey (2011) argue that entrepreneurs using crowdfunding can be confronted with the risk of their idea being stolen by other entrepreneurs or large corporations. In addition, finding the right and most trustworthy crowdfunding platform can be a problem for both the investors and entrepreneurs (Valančienė & Jegelevičiūtė, 2013). Finally, entrepreneurs face the risk of not reaching the right target group if they choose the wrong platform.

### *Building credibility*

In order to face the various challenges discussed, entrepreneurs should focus on building credibility so that the so-called “backers” build trust and invest. According to Kickstarter, this can be achieved in various ways (Kickstarter, 2015). To create an emotional connection to the potential investors it is vital that campaigns’ creators, share information about the company, the team behind and share products’ mission. A great video telling a story about the product or service helps being authentic; thus build credibility and increase success (Stephens, 2015).

Additionally, to show people that creators are reliable, accessible and bound to the project they should always be available for answering questions and concerns should be handled thoroughly (Kickstarter, 2015). It is essential to communicate every phase of the project and to engage the investors in the decision-making process. Furthermore, being transparent regarding projects’ challenges contributes to build trust. Having an online presence will help creating credibility when people are seeking for information about the project (Kickstarter, 2015).

## **Strategic Brand Building**

Economic recession and immense competition levels have increased the need to establish brands and to offer unique products or services that are linked to consumers’ needs. Entrepreneurs’ activity has grown enormously the last years, giving existing or new firms the ability to oppose the aforementioned threats by leading the path of innovation and transforming consumers’ habits, needs and attitudes (Zwilling, 2013). When there is an opportunity, competition arises and makes brand building essential from an early stage; as a result companies are able to differentiate from competitors and succeed in the market.

### *Brand building process*

The question to be answered is how a brand is built? There are two brand building models for introducing a new brand to the market that work simultaneously: one is focusing to the features and physical elements (i.e. the functional part) of the products and the other is focusing on the personality traits and benefits linked to that brand (i.e. the emotional part) (Kapferer, 2012 & Grönholm, 2015). The majority of brands in the beginning are known for their innovative proposition. Time by time they create awareness, become known and liked; consequently they form relationships with consumers and generate trust through their unique values and credibility (Grönholm, 2015). Moreover, a very crucial part of branding is positioning. Consumers make choices from a wide variety of brands they are exposed to everyday. It is essential for a brand to enter the consideration set of consumers’ selection process. Therefore, it is vital to build a strong positioning that communicates the benefits. The general model of brand positioning answers two questions: “What the brand is” - referring



to all the associations that are connecting the brand and the need – and “what does it offer” linking the brand with its benefits (Rosenbaum-Elliott, Percy & Pervan, 2011). Lastly, according to Kapferer (2012), there are two additional important elements for constructing positioning: identify the direct competition and also describe the target audience you are addressing.

### *Brand building through crowdfunding*

As discussed in the beginning of this paper, crowdfunding is “a business financing technique that uses online social networks linked to a Web-based platform to obtain investments and raise money” (Cunningham, 2012). In addition, it helps companies gain valuable consumer input during the creation and development process of their products (Barbara, 2015). This part will examine how to build a brand through crowdfunding and specifically how Kickstarter platform helps launching a product.

Crowdfunding consists of three areas: the owners which are the brand/ product creators, the portal which refers to the web-platform chosen to use in order to fund your product and the third essential element are the investors who represent the people who will support and pledge the product (Kickstarter, 2015 & Cunningham, 2012). How can an entrepreneur use it successfully for brand building? In the pre-launch state of the product, entrepreneurs should create WOM about their brands and invite their initial community to share the product’s page in order to increase awareness and attract more consumers to get informed about the product (Barbara, 2015). By providing investors with a concrete business plan and an expertise on the field, companies can convince consumers about brands’ potential profitability. Moreover, the rationale behind product’s creation along with the benefits and reasons to believe in the brand

should be shared. This way, companies will prompt them to fund on their brand rather than competition (Barbara, 2015). Finally, crowdfunding generates brand awareness. By involving investors’ feedback throughout the development process, companies first create a product that best meets their needs and wants and secondly they create ambassadors. The people who contributed in raising money for a project will potentially become brand ambassadors. They will be the ones who will eventually buy, use and recommend the product since they have participated in its development (Linderholm, 2014 & Barbara, 2015).

### *Kickstarter – a valuable asset of your brand*

Kickstarter, one of the most successful crowdfunding platforms, can be a valuable tool for the brand building process. Based on Boitnott (2014), Kickstarter not only helps raising funds for businesses but also advances the brand in many ways; the four main ones are indicated below. First of all, it is a tool to present an innovative product and generate trial since Kickstarter’s community is interested in innovative and modern products. A second point is that by collecting a large amount of people who like the brand, a valid proof for potential future investors is generated. This proof shows that the product is worth investing and thus decreasing the doubtfulness levels from their side. Thirdly, Kickstarter works as a communication medium since it offers a campaign that will facilitate brand’s communication goals for building awareness of a new product in combination with all other brands’ owned communication mediums. Finally, company’s profile on Kickstarter is a unique opportunity to show your business idea and persuade people to invest. Using visual content attracts consumer’s attention since investors are more engaged with brands that use their profiles creatively by incorporating videos and

pictures showing consumer's benefit (Boitnott, 2014).

Based on Kickstarter's recent data (2015), "over 9 million people, from every continent on earth, have backed a Kickstarter project", proving that its community is getting bigger and bigger. Facing competition among other innovative business ideas, a task for a brand is to attract investors to its benefit. Brands need to inspire people through claims and information that will make them want to support their business purpose and goal (Business, 2014). Another important aspect for companies is to stick to what they have promised to investors. Investors should be rewarded within agreed time frames since brands do not want to make them feel neglected. Last but not least, brands need to constantly show its unique selling proposition and business benefits to reassure community about their investment (Business, 2014).

## **Crowdfunding Advantages & Drawbacks**

Before drawing conclusions on whether brand building can begin with online crowdfunding, the paper evaluates crowdfunding's advantages and possible drawbacks.

### *Advantages*

The main reasons companies use crowdfunding are to identify consumers' needs, wants and preferences, to collect capital investment in order to implement their idea and finally to promote their business initiative and increase awareness of their product (Golic, 2013). More specifically, the most beneficial assets of online crowdfunding are examined below.

- *Increase Reach*

Using a well known online platform for crowdfunding like Kickstarter, brands come in direct contact with potential customers. Consumers who are authorized investors will be exposed to brand's business idea, collaborate with them by providing their input and promote them (fundable, 2015).

- *Reduce physical distances*

Crowdfunding has shown that investors are not discouraged from being far away from the product's country of origin they support. Although a business idea might focus on a nation's needs it seeks funds worldwide (Golic, 2013).

- *Reduce Costs*

By actively participating in brand's creation process, investors help to develop attractive products. This way they prevent entrepreneurs from spending money researching and developing different products to match consumer's needs. Crowdfunding is the capital source for product development, promotion and "market research" (Golic, 2013).

- *Test your product's market potential*

Crowdfunding works as a unique marketing tool to examine "market's potential" and consumer responsiveness related to the product. Since investors represent future customers, testing their positive reactions on the product and their support levels, will indicate segments' demand (Golic, 2013).

### *Disadvantages*

Online crowdfunding has been the cornerstone for a lot of companies during the launch phase of their innovative project by assisting them in the brand building process through investor support in capital generation. However, there are a few risky parts to draw the attention.

- *Reputation risk*

As a consequence of an unmet funds collection objective, companies may lose trust. First not only from people who have invested in them but also from the general public because entrepreneurs didn't manage to convince people about its unique proposition (Nibusinessinfo, 2015).

- *Ideal for small amounts of capital*

Seeking to collect a large amount of funds can be visible but at the same time may not be easy to achieve. Raising funds depends on many factors on which brands cannot be assured since it relies on the way people perceive the business idea and how much they are willing to support it (Arora, 2012).

- *Lack of prestige*

Consumers nowadays are used to experience entrepreneurs' online promotion and marketing activities. Although they are used to this new way of brand's communication they might be skeptical when they see a brand trying to collect money online to fund its business. For some consumers this may lead to lack of trust and prestige (Arora, 2014).

- *Low speed in fundraising*

The speed of collecting capital for your project is not as fast as expected because it depends on awareness levels, target group

reach and investors' reaction on the product. This might be an obstacle for a company which needs to collect funds as soon as possible to support its activities (Arora, 2014).

## **METHODOLOGY**

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The aim of this paper is to investigate how an entrepreneur can successfully build a brand with a crowdfunding campaign during its launch phase.

It explains from a theoretical point of view why crowdfunding is an important cornerstone for brand building. Additionally, an in depth review of the related advantages and disadvantages of the innovative phenomenon were studied through literature review. For those reasons, the article has an explanatory and descriptive nature as it connects the three interrelated concepts of crowdfunding, entrepreneurship and strategic brand building processes and examines the cause and effect of their relationship (Yin, 2014).

Moreover, the paper has an inductive approach by analyzing specific parts of the theory and then proceeding to a broader perspective on how brands are launched through crowdfunding reviewing as well a best practice case (Saunders, Lewis & Thornhill, 2009).

For this research a case study was chosen, which is defined as a strategy to explore a contemporary phenomenon within a real-life context. Furthermore, a case study is mostly considered for "how and why" questions (Yin, 2014). Although, Yin (2014) argues that multiple case studies may be preferable and more powerful than single case studies to generalize from findings, this paper however focuses on a single case study. A single case study is often conducted to illustrate an extreme or unique case (Saunders, Lewis & Thornhill, 2009).

The German start-up BRAGI LLC. represents with its project “The Dash” a very remarkable crowdfunding campaign and therefore this company was chosen. The project has proved of being very successful on Kickstarter due to multiple reasons. Firstly, the campaign pledged \$3,390,551 in 50 days with the help of 15,998 backers, which overreached by far their goal of \$260,000 (Kickstarter, 2015). Secondly, according to Forbes Online (2014) “The Dash” has been ranked number four among the Top 10 business crowdfunding campaigns of all time. Finally, “The Dash” is said to be the most successful European crowdfunding campaign ever and won the Innovation Award “Best of Innovation 2015” in the headphones product category at the International Consumer Electronics Show (CES) (Bragi, 2014).

#### *Semi-structured Interview*

In order to create a deep understanding about the issue, primary data from the company Bragi needed to be collected. This was achieved by a semi-structured interview with the CEO of Bragi. This type of interview is referred to as “non standardized” method. Therefore, this structure allowed following a list of themes and questions but also to be more responsive and flexible and ask additional questions to gain an even deeper knowledge (Saunders, Lewis & Thornhill, 2009).

Due to the fact that the company’s headquarters is located in Germany and in order to save time and costs, the interview was conducted via the online video chat program Skype. This method allowed to obtain a relatively similar level of interactivity as face-to-face interviews (Saunders, Lewis & Thornhill, 2009). The respondent gave us the permission to record the interview. Furthermore, all interview questions are attached as *Appendix 1*.

## CASE ANALYSIS

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### *“The Dash” Case overview*

“The Dash” is the world’s first completely wireless in-ear headphone system. It plays music through a Bluetooth connection or the embedded music player. In addition of being earphones, The Dash allows people to communicate through the embedded ear bone microphone. Furthermore, the body vitals such as steps taken, distance travelled heart rate and oxygen saturation levels are measured and recorded. It illustrates a very innovative multi-functional product that combines three essential features in one product (Bragi, 2015).



The Dash (Bragi, 2015)



Nikolaj Hviid, CEO of Bragi  
(Bragi, 2015)

Nikolaj Hviid, a Danish entrepreneur and former CEO of an award winning design agency, designed the concept for “The Dash”. He had an idea of creating a discrete assistant that would entertain, take care of someone and help to understand the body. The original team of Bragi consisted of 15 international design,

software and engineering specialists. The team members have an average of 21 years of experience in the field of designing and manufacturing (Bragi, 2014).

The Munich-based company launched “The Dash” on Kickstarter on February 9, 2014 and successfully raised, as already mentioned \$3.4 million after 50 days (Kickstarter, 2015).

According to the interview with Nikolaj Hviid (interview, October 7, 2015), he chose Kickstarter as a platform because he did not want people to participate as equity in the company. However, the initial choice why he preferred crowdfunding, was to verify and identify the brand concept. Additionally, it would have been very difficult to find funds from venture capitals for this kind of project.

#### *“The Dash” Case Analysis & Results*

As mentioned in the theory, crowdfunding can be used as a funding tool. However, according to Nikolaj Hviid (interview, October 7, 2015) crowdfunding is not a financing method for most entrepreneurs – it is just a “kick-start”. It is very rare that companies can realize their project with only the money they receive through Kickstarter. That is why companies need to find additional capital i.e. venture capital. “The Dash” received \$3.4 million, which was spent only for the production line, meaning the tools and testing equipment. For producing the earphones, Bragi needed and have received ten times as much money from venture capitals or investors as they have earned through Kickstarter (N. Hviid, interview, October 7, 2015).

As presented earlier in the paper, building credibility with investors is an important part for entrepreneurs (Kickstarter, 2015). Nikolaj Hviid (interview, October 7, 2015) mentioned that investors should be treated as friends. Complete strangers have invested in “The Dash” and supported the

project, that is why Nikolaj Hviid (interview, October 7, 2015) announced “I owe them respect”. Being in continuous dialogue from the very beginning is therefore very important to show them that you are taking them serious. Furthermore, having the creator or the founder be the respondent is very crucial. “On Kickstarter’s page all the responses are written by me”, added Nikolaj Hviid (interview, October 7, 2015). People know and appreciate that even more than having a customer support answering for you. When an entrepreneur wants to create a dialogue and build a relationship with its investors it is crucial to first identify and analyze the investor’s profile so as to better understand its audience.

#### *Investor’s profile*

As presented in the beginning of the paper there are four main types of investors in crowdfunding projects of Kickstarter: category enthusiasts, portfolio masters, focused supporters, and casual wanderers (Hahn, 2013). After the information, provided through the interview with Nikolaj Hviid (interview, October 7, 2015), it can be concluded that there are two dominant kind of these investors, who has contributed to the “The Dash” success. The first type is the so called portfolio masters, who invest money in a variety of innovative products like “The Dash”, which belong to different categories. Portfolio masters decide to donate money for “The Dash” not only because they perceive funding as a hobby, but also because they have gained knowledge about the product in advance and have assured themselves that this will be a profitable investment opportunity. The other crowdfunders are those, who do not consider Kickstarter as a relevant source of investment, but they still decide to support different projects in diverse categories (N. Hviid, interview, October 7, 2015). It is a challenge for “The Dash” to keep these bakers, because they assume Kickstarter as

Amazon, where after they have paid, they expect their product to be delivered at a certain day. Therefore, to keep the investors, “Bragi’s” CEO was in a constant contact with them. He personally updated them with the product’s features and assured that the product will be released and they will be the first, who will enjoy the new technology. An essential characteristic for “The Dash” bakers is that they are intrinsically motivated. By being the first ones, who use the product, they feel not only proud to influence the future success of the project, but also self-esteem for helping someone’s creative idea to become reality. After analysing “The Dash” investor’s profiles it could be concluded that the majority of them are male because of their higher willingness to take risks in comparison to female representatives. This finding is based on the fact that investors in Kickstarter projects are mostly the so called primary buyers, who choose and purchase products and services by themselves without any recommendations from someone else or without a research in advance (N. Hviid, interview, October 7, 2015).

#### *How to make use of crowdfunding to build your brand*

The theoretical definition of entrepreneurship is to build a business by developing an idea (Brooks, 2015). Kickstarter is however only the first step of making a company. It is very unlikely that entrepreneurs can do it by themselves; it is not replacing the fact that a company needs to be built along with other methods. Therefore, it is essential and necessary to build a company with Sales and Marketing channels (N. Hviid, interview, October 7, 2015).

In the case of products like “The Dash” it is difficult and almost impossible to apply the framework of co-creation, presented earlier in the paper. “The Dash” concept is based on a hardware creative development,

where it is hard to involve the customer in the co-creation process, compared to software products. According to Nikolaj Hviidj (interview, October 7, 2015) the only possible option to make the customer feeling involved in the process is through continuous communication with them; thus being transparent is a crucial aspect when you want to attract investors to support your brand.

Investors look for innovative brands which present clear business plans, which share company’s info, goals, development status and respond to consumers questions. Treating investors as part of the team in developing the product and not as a source of capital is a way to build relationships with them and consequently build trust. Moreover, it is essential for entrepreneurs to support their crowdfunding campaign through all company owned and paid media of communication in order to attract investors and develop customer involvement.

Through the above process an entrepreneur will be able to create ambassadors who will be enthusiastic supporters of the brand and motivated to promote it. A successful campaign on Kickstarter shows that the product is liked and trusted by consumers thus creates a potential to build future synergies with bigger companies related to product’s category market.

#### *Crowdfunding Benefits*

As thoroughly examined in the previous part, there are both advantages and disadvantages of crowdfunding that should be taken into account before an entrepreneur decides to use crowdfunding for financial support in the beginning of its development. Through the interview with Nikolaj Hviid, it is indicated how a best practice company who successfully introduced itself through Kickstarters’ crowdfunding campaign, views platform’s benefits and possible risks.

According to Nikolaj Hviid (interview, October 7, 2015) Kickstarter crowdfunding is a great tool to finance your company in the introductory phase along with other traditional marketing methods; not a tool to be used throughout the brand building process and products' establishment in the market.

Moreover, although theory supports that Kickstarter is a cost effective option there is a contradiction to that view. Kickstarter may generate funds for a company but at the same time a company has other costs to handle (i.e. product development, transportation, communication etc); not a large portion of financial investment remains aside (N. Hviid, interview, October 7, 2015), which proofs that crowdfunding should not be the only source of capital.

Finally, this platform is a good opportunity for brands to find out within a few days if they gained investors' response (N. Hviid, interview, October 7, 2015) and thus identify future actions from an early stage.

### *Crowdfunding Risks*

Nikolaj Hviit (2015) appointed some potential risks of Kickstarter and crowdfunding that a company should be aware:

Firstly, it might be risky for an entrepreneur to set high financial goals either because investors will feel that this goal will never be reached and consequently will not invest in the project, or because company will fail to collect the funds.

In addition, if a brand makes unfulfilled promises of product development due to false capital calculations or malfunctions in product development, this may harm brand's reputation.

Last but not least, if a product is not innovative and distinctive, it is not suitable for crowdfunding through Kickstarter. Therefore, it will be a waste of capital and

time for the company, because people will not be eager to invest in the project.

“The Dash” single case study illustrates a unique example in the history of crowdfunding. Comparing the theory and the practical implications provided through the interview with Nikolaj Hviid, entrepreneurs, reading this article, have the opportunity to receive a better understanding of the intersection point where the three different concepts of crowdfunding, entrepreneurship and strategic brand building, correlate and how these interdependencies will affect their future decisions in the practice.

## **CONCLUSION**

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This paper delivers an in depth analysis for entrepreneurs by providing them with information how to support their creative idea through crowdfunding and to build the basis for a successful innovative brand. However, in order to illustrate more concrete theoretical and practical implications, this paper focuses on a single case survey of Europe's most successful crowdfunding project through Kickstarter, “The Dash”. In this section the most essential results of the study based on managerial implications will be examined. The discussion will encompass questions, which led to the main findings of the study: Should an entrepreneur rely only on crowdfunding as a tool to develop a creative idea? Is it possible through crowdfunding to collect the whole amount of capital, needed to develop the product? What is the profile of the people who invest in a project? Is Kickstarter suitable for all types of products?

Below the most significant findings that were raised from the research are summarized.

First of all, co-creation is not applicable for all brands that choose to collect funds

to support their products' launch. As it is indicated, hardware products do not usually incorporate investor's input on the product development, in comparison with software products. Software products are more often developed, restructured, adapted or changed based on consumer's input.

Secondly, crowdfunding is a useful tool to kick-start ones business but not the main source of funding; this means that companies should rely as well on other means of financing.

Kickstarter's investor's record for product preferences and supported brands proved that crowdfunding is ideal for concepts that are innovative, different and modern; products that could not be developed in a normal business because they contain a high risk and thus would not be chosen as an investment opportunity.

Moreover, if a project is to be successful it will be depicted within three days or even a single day. This way companies can quickly identify the market's potential and response to their product and thus save capital and time by allocating marketing efforts elsewhere.

In addition, when companies set their financial goals on Kickstarter they should not set high fund raising goals since people will be hesitant to invest on them as they will understand that the possibilities of reaching the desired funds are narrowed.

Although Kickstarter has a high reach of subscribed investors, entrepreneurs should boost their campaign through other means of communication in order to increase awareness, spread the word about their product and eventually attract more investors to support the brand.

Furthermore, what characterizes Kickstarter's investors is the level of excitement and devotion they have for crowdfunding innovative ideas. Entrepreneurs are supported by actual strangers who are inspired by company's

idea and identify themselves with the product by constantly following the development process. In alliance to that, investor's motivations to support brands vary and can be intrinsic or extrinsic.

However, a company's communication towards investors should be transparent, continuous and authentic. When consumers are treated like partners/ friends in the overall process of bringing the product to life, they will eventually become ambassadors.

Creating brand ambassadors is a mean of promoting the brand and a verification of a brand's market potential to attract future synergies and expand the company.

## MANAGERIAL IMPLICATIONS

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The study and theoretical analysis of crowdfunding, entrepreneurship activity and brand building process through crowdfunding and Kickstater is mainly to give a clear view of how innovative brands can use crowdfunding during the introductory phase of their brand development.

Based on this analysis, in combination with an interview with Bragis' CEO and the examination of its successful business use of Kickstarter crowdfunding, three new managerial implications were developed for the brand building process of brands through crowdfunding:

- *Brand ambassadors*

Kickstarter gives a brand the opportunity to communicate with investors and potential customers. An entrepreneur who kick-starts its brand through crowdfunding, should present itself using a convincing and professional business plan while at the same time maintain transparency in its communication with



consumers. Transparency and investors involvement in the brand building process is a basis to establish trust in a brand. When consumers trust a company they easily become brand ambassadors which is the optimal goal for a brand since investors become supporters and will eventually promote it. Creating a brand community will be the basis for future synergies with companies as it will work as a proof for brand's market potential.

- *Crowdfunding framework*

One of the main purposes of this article is to provide a useful framework for crowdfunding projects' management. Therefore, an in depth understanding of crowdfunding concept is provided by introducing an investor typology based on two essential dimensions, i.e. baking frequency and category concentration. Through this frame four main types of investors arise, i.e. category enthusiasts,

portfolio masters, focused supporters, and casual wanderers. Hence, entrepreneurs have the opportunity to better assess their baker's profiles so as to be able to forecast what type of individuals will support their product and how much are they willing to contribute for their creative projects.

- *Financing tool*

The third managerial implication is that entrepreneurs should be aware of the fact that crowdfunding cannot be used as the only financing tool. It supports a brand to "kick-start" its project. Although, "The Dash" illustrates a very successful campaign on Kickstarter with reaching \$3.4 million, additional funds were still needed to be raised to realize the project.

In conclusion, it is essential to point out that "Crowdfunding is only a kick-start, not an entire brand building and financing tool" (N. Hviid, interview, October 7, 2015).

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## **APPENDIX**

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### *Questions of Case Interview with Bragi Company*

1. Why did you choose Crowdfunding (Kickstarter) as a tool for your campaign?
2. How did you manage to be transparent with the crowd?
3. How did you arrange to attract the investors/crowd within the campaign?
4. What are the advantages and disadvantages of crowdfunding?
5. What is the profile of investors on Kickstarter?
6. How did you manage the process of co-creation with the different stakeholders?
7. Which were the critical stages in the co-creation process?
8. What were the investors' motives to invest on your brand?
9. As a closure would you recommend Kickstarter for a new brand?