



SCHOOL OF
ECONOMICS AND
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The True Benefits of Crowdfunding

How do entrepreneurs perceive the benefits of reward-based crowdfunding and what unexpected benefits do they experience after a successful campaign?

by

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Abstract

Over the last decade, crowdfunding has become an important tool for entrepreneurs as an alternative source of funding. Defined as a method for entrepreneurs to raise funding from a group of individuals in return for an incentive, reward-based crowdfunding is the main focus of this study and particularly how entrepreneurs perceive the benefits of this form of crowdfunding and the unexpected benefits that they experience after completing a successful campaign. The authors used a qualitative approach and conducted eight in-depth, semi-structured interviews with entrepreneurs in the product design industry in Europe who used the crowdfunding platform Kickstarter. The results reveal that the benefits of crowdfunding go way beyond the financial aspect. The combination with benefits such as receiving attention, validation of the idea as well as putting pressure on the venture can make this form of funding unique and help ventures to get started.

Keywords: Reward-based Crowdfunding, Kickstarter, Benefits of Crowdfunding, Financing

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Table of Contents

- 1 Introduction 1**
 - 1.1 Introduction to the Research Topic 1
 - 1.2 Purpose and Research Question 2
 - 1.3 Outline of the Thesis 3
- 2 Literature Review..... 4**
 - 2.1 Introduction to Crowdfunding..... 4
 - 2.1.1 Reward-based Crowdfunding..... 5
 - 2.2 Post-campaign Crowdfunding..... 6
 - 2.2.1 Firm Outcomes 6
 - 2.2.2 The Delivery of Rewards 7
 - 2.3 Benefits of Reward-based Crowdfunding 8
 - 2.3.1 Funding..... 8
 - 2.3.2 Interaction and Relationship with Backers..... 11
 - 2.3.3 Public Attention and Marketing 12
- 3 Methodology 14**
 - 3.1 Research Approach 14
 - 3.2 Data Collection Method 15
 - 3.3 Sampling..... 16
 - 3.4 Data Analysis 18
 - 3.5 Limitations 19
- 4 Presentation of Findings 20**
 - 4.1 Financial Influence 20
 - 4.1.1 Low Financial Risk 20
 - 4.1.2 Limited Financial Resources 21
 - 4.2 Market Approval 22
 - 4.2.1 Validation of Idea and Product..... 22
 - 4.2.2 Interaction with Backers and Co-creation 22
 - 4.2.3 Community and Network Building 24
 - 4.2.4 Building Awareness 25
 - 4.3 Venture Launch 26
 - 4.3.1 Pressure Forces Progression..... 26
 - 4.3.2 Underestimating the Workload 27

5	Analysis and Discussion	29
5.1	The Impact of Finance.....	29
5.2	The Impact of Feedback.....	31
5.3	The Impact of Marketing.....	34
5.4	The Impact of Pressure.....	36
6	Conclusion.....	39
6.1	Limitations	40
6.2	Implications and Future Research	41
	References	42
	Appendix A	46
	Appendix B.....	48

List of Tables

Table 1: Sampling Criteria	16
Table 2: Overview of Interview Details	18

1 Introduction

1.1 Introduction to the Research Topic

While financing is essential for the survival of new ventures and small businesses, it has historically been one of the most difficult challenges to overcome (Cassar, 2014; Cosh, Cumming & Hughes, 2009; Evans & Jovanovic, 1989; Landström, 2017). The past decade has seen a rapid growth of crowdfunding as an alternative financing option for startups as a result of the digital transformation of society and especially after the financial crisis in 2008, when it became increasingly difficult for small and medium-sized enterprises to obtain external financing (Mollick, 2014). Crowdfunding can be defined as an “open call” to receive financing through the internet (Belleflamme, Lambert & Schwienbacher, 2014, p.1) as well as a method for entrepreneurs to raise funding from a group of individuals, in return for an incentive (Mollick, 2014).

Despite the novelty of crowdfunding as a form of financing for entrepreneurial ventures, there has been a large increase of interest in this field, resulting in a large pool of potential capital (Belleflamme, Lambert & Schwienbacher, 2013). This increase in popularity has also boosted reward-based crowdfunding, one type of crowdfunding in which the backers receive a reward in the form of a product (Mollick, 2014). Reward-based crowdfunding expanded from €24 million in 2012 to €159 million in 2017 in Europe (Statista, 2020). Increased interest from the public has made this form of financing a very popular method, especially for young startups with limited financial options, which can be identified in the average venture age of 1.5 years for crowdfunded ventures (Belleflamme, Lambert & Schwienbacher, 2013). Given the success of business models that benefit from utilizing the resources of a larger crowd, it seems that crowdfunding will continue to strengthen its place as a funding option for entrepreneurs and small businesses (Macht & Chapman, 2019).

Apart from financial reasons, there are many other reasons why crowdfunding is appealing to entrepreneurs. For example, receiving public attention through marketing (Gerber & Hui, 2013) and creating relationships with the backers, which allows for collaboration in the form of co-

creation and information exchange (Gerber, Hui & Kuo, 2012). These factors ultimately lead to a unique way of validating business ideas (Belleflamme, Lambert & Schwienbacher, 2014).

While most existing crowdfunding literature focuses primarily on achieving the funding goal and the reasons for choosing crowdfunding (Gerber & Hui, 2013; Mollick, 2014; Belleflamme, Lambert & Schwienbacher, 2013), less research has focused on what benefits successfully funded entrepreneurs truly experience. Considering the young age of these ventures in combination with this modern way of financing, it would be of essential value for entrepreneurs to learn about the variety of benefits that reward-based crowdfunding provides.

1.2 Purpose and Research Question

The purpose of this paper is to shed light on the entrepreneurial perspective in order to understand the true benefits of reward-based crowdfunding. We will do so, by researching what beneficial aspects the entrepreneurs have experienced from a successful campaign. The primary aim is to contribute novel insights into academic literature on the beneficial outcomes experienced by entrepreneurs who have succeeded in a reward-based crowdfunding campaign. While prior research has mainly focused on the success of such campaigns, the authors of this paper find it of high relevance to research what these successful entrepreneurs themselves experience and value as beneficial from their campaigns, not only limiting this to the achieved financial goal. On the practical side, the authors aim to contribute to the academic field of reward-based crowdfunding and to provide future entrepreneurs with valuable insights from the wide range of knowledge on benefits received from the interviews with entrepreneurs who have successfully experienced reward-based crowdfunding first-hand.

To do so, the authors focus on understanding the reasons why entrepreneurs engaged in crowdfunding in the first place and what benefits they have experienced throughout and after the campaign. Therefore, this study aims to answer the following research questions:

How do entrepreneurs perceive the benefits of reward-based crowdfunding? And what unexpected benefits do they experience after a successful campaign?

The study is based on interviews with eight different entrepreneurs from successfully funded campaigns in 2018 and 2019. The ventures selected all used Kickstarter, the largest platform for reward-based crowdfunding (Agrawal, Catalini & Goldfarb, 2011).

1.3 Outline of the Thesis

The paper is split into six different parts. Starting with the introduction, it then proceeds to the literature review. The second part starts with an introduction to the field of crowdfunding and reward-based crowdfunding, continues with relevant post-crowdfunding literature and ends with a collection of previous findings on benefits for using reward-based crowdfunding. In the following methodology part, the authors describe the methodology for this research by explaining the research approach, data collection, sampling, data analysis and limitations. After that, the findings are presented in part four, which will then be analyzed and discussed in the fifth part, leading to the conclusion in the last and sixth part of this paper and providing suggestions for future research.

2 Literature Review

In this section the authors focus on existing crowdfunding literature and research. First of all, this will be done by defining crowdfunding and giving a brief background on the topic. After that the authors will provide an overview on the most essential contributions to the research field of post-crowdfunding literature that exists today and end this literature review with an overview of benefits that have been researched and have relevance for this paper.

2.1 Introduction to Crowdfunding

Crowdfunding is a relatively new financing method and can be defined in many different ways. Early definitions of the topic by Belleflamme, Lambert and Schwienbacher (2014, p.1) describe this financing method as an “open call” to receive financing through the internet. For academic purposes, the authors of this paper will work with the definition which characterize crowdfunding as:

Crowdfunding refers to the efforts by entrepreneurial individuals and groups 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, p.2).

This definition provides an outline for the scope of this study and investigates the impact on a specific focus group, the entrepreneur. While this interpretation of crowdfunding is limited to entrepreneurs using it to finance their venture, it is important to observe that there are still a variety of different crowdfunding forms which according to Mollick (2014) can be categorized into four groups. As he suggests, the first group of crowdfunding is the patron-model which is based on donation with no direct return to the financier. The second group is the lending-model, which is similar to traditional debt financing from banks, in that there is a return in form of interest rate on the provided financial capital. Then there is the third group, equity-based form, which can be compared to stocks, where the backer acts as an investor and receives stakes of

equity in return for their investment (Hemer, 2011; Mollick, 2014). This form has long been restricted to many regulations in several countries, but has been gaining more traction with its legalization in 2012 in more countries (Mollick, 2014). Lastly, the fourth group is the reward-based model in which backers receive a reward in form of a product or service that the venture offers (Bi, Liu & Usman, 2017; Mollick, 2014).

2.1.1 Reward-based Crowdfunding

This paper will explicitly focus on the form of reward-based crowdfunding, which is the most used form of crowdfunding (Bi, Liu & Usman, 2017). In this form, the entrepreneur uses crowdfunding as a pre-sale of the product in order to finance the production in advance (Belleflamme, Lambert & Schwienbacher, 2014). In a reward-based crowdfunding platform, individuals contributing to a project do not receive any financial incentives, returns, or repayments in the project in return for their funds. Instead, backers receive a reward for backing a project (Bi, Liu & Usman, 2017).

According to Gerber and Hui (2013), reward-based crowdfunding platforms employ two different funding models: all-or-nothing or all-and-more. The all-or-nothing funding model, applied by Kickstarter for example, requires all funds to be returned to the backers if the creators do not reach their stated goal (Kickstarter, 2020a). The all-and-more, employed by Indiegogo for example, allows creators to keep all funds even if their funding goals are not achieved (Indiegogo, 2020a). Platforms like Kickstarter and Indiegogo charge a service fee of 5% to 8% of funds raised and a payment processing fee between 3% and 5% of the funds raised to an established online payment processing system (Indiegogo, 2020b; Kickstarter 2020b). Crowdfunding platforms provide dedicated project pages, analytics and project monitoring, and tutorials prior to and throughout the campaign. Creators also rely on additional social media platforms like Facebook and YouTube to publicize their request for funds from backers (Gerber & Hui, 2013).

Findings by Belleflamme, Lambert and Schwienbacher (2014) show that reward-based crowdfunding is mostly used in markets that are large in the extent to which they cover a wide interest group of potential backers. Furthermore, according to them, this method of crowdfunding is mostly used by entrepreneurs when the needed financial amounts are lower, since higher amounts of funding require a larger support crowd.

2.2 Post-campaign Crowdfunding

When investigating articles and papers related to the crowdfunding phenomenon, the authors noticed that a major part of the current research on the topic has focused on the factors that determine funding success on crowdfunding platforms (e.g. Belleflamme, Lambert & Schwienbacher, 2014 and Mollick, 2014). However, research focused on the post-campaign, that is, what happens after a crowdfunding campaign is more limited. One relevant paper on post-campaign literature is from Vanacker, Vismara and Walthoff-Borm (2018). In their study, the authors investigated ventures or projects after they had successfully raised funds (or failed to raise funds) on crowdfunding platforms. In their analysis they focused on two different criteria: firm outcomes and promises made by entrepreneurs to the crowd, which will be further explained in the following parts.

Along similar lines, Signori and Vismara (2018) explored a sample of successful firms that raised equity crowdfunding through Crowdcube, the largest equity-based crowdfunding platform in the United Kingdom. Likewise, Mollick and Kuppuswamy (2014) investigated successful and unsuccessful projects that raised funding on Kickstarter to examine the long-term implications of crowdfunding.

2.2.1 Firm Outcomes

To examine the impact of crowdfunding on firm outcomes after the campaign, Vanacker, Vismara and Walthoff-Borm (2018) provide evidence from academic research based on the failure and follow-on fundraising of crowdfunded firms. One of the main contributors in the research of firm failure for reward-based crowdfunding is Mollick and Kuppuswamy (2014). According to their survey, over 90 percent of the successfully-funded projects remained in operation, whereas only 60 percent of the projects that failed to raise funding continued to exist. In terms of the factors related to a higher probability that projects remain active post-campaign, the most significant factor is the entrepreneurs' assessment on their pre-campaign financial plan, which showed how the capital would be used. Based on their study, it can be concluded that startups using reward-based crowdfunding are more likely to succeed if their crowdfunding campaign is successful compared to failed ones, which could be related to the quality and signaling of the project to backers.

When assessing firm outcomes through the literature on follow-on fundraising, Mollick and Kuppuswamy (2014) highlight that in their sample of projects that completed a reward-based crowdfunding campaign on Kickstarter, many projects received additional funding after the campaign, but a considerable amount of projects also did not raise any further funds. In their data, they found that more than 20 percent of the projects were self-funded, more than 15 percent received funding from family and friends, around 15 percent raised capital from business angels, more than 5 percent continued with a second campaign and venture capital was raised by less than 5 percent of projects. As expected, the data of their study show that entrepreneurs tend to combine different sources of funding and rarely use crowdfunding as the only financial source for their projects.

In a similar study focused on equity-based crowdfunding projects, Signori and Vismara (2018) discovered that a significant portion of equity crowdfunded ventures obtain further capital, since follow-on funds are essential for ventures to achieve their growth goals. Moreover, it can be challenging for ventures to achieve the planned growth without the infusion of extra capital (Signori & Vismara, 2018). Mollick and Kuppuswamy (2014) further show that there are three factors which increase the likelihood of attracting additional external funding from venture capital, business angels and banks after a crowdfunding campaign: projects with larger and overfunded goals, projects with a detailed funding plan and project creators with industry knowledge. Projects with these features were three times as likely to receive external funding compared to those that did not have such a background.

2.2.2 The Delivery of Rewards

In reward-based crowdfunding, entrepreneurs offer a reward to their backers in return for funding (Vanacker, Vismara & Walthoff-Borm, 2018). Mollick (2014) reports that fraud is quite rare in this form of crowdfunding, a finding that is endorsed by more recent research of Cumming, Hornuf, Karami and Schweizer (2017), who examine the factors that can unveil fraud cases. Mollick (2014) presents that in only 3.6 per cent of the campaigns are there signs of fraud. He further shows that the vast majority of ventures seem to fulfill their obligations, although many deliver later than expected.

Overall, the reward-based crowdfunding market seems to be fraud-resistant and most entrepreneurs manage to provide the promised rewards, but generally with delays. Mollick (2014) and Mollick and Kuppuswamy (2014) show that these delays are correlated with project

goal and to the extent it was overfunded. In addition, a thorough planning before the campaign launch by the entrepreneurs can also be linked with reduced delivery delays (Vanacker, Vismara & Walthoff-Borm, 2018).

2.3 Benefits of Reward-based Crowdfunding

Previous research on crowdfunding by Brown, Boon and Pitt (2017) states that entrepreneurs can acquire supplementary and non-financial benefits by joining a crowdfunding campaign. Their research also suggests that the non-financial benefits could be the main goal for some entrepreneurs. Despite the reasonably wide range of topics that have been studied in the existing crowdfunding literature, many aspects of crowdfunding, particularly those relating to non-financial contributions that backers can provide to entrepreneurs, are still significantly under researched (Viotto da Cruz, 2018). The authors divided the crowdfunding benefits found in the literature into 3 categories: Funding, Interaction and Relationship with Backers and Public Attention and Marketing

2.3.1 Funding

While funding is an essential part for newly-founded companies, ventures that are small in size and therefore have little tangible assets are often faced with a limited choice of financing opportunities (Cassar, 2014; Cosh, Cumming & Hughes, 2009). According to Landström (2017), one major problem for obtaining traditional financing for small and new ventures is the difficulty evaluating the venture due to information asymmetries, which include differences in the knowledge between capital providers and entrepreneurs. Another factor limiting entrepreneurs in their funding choices is the aspiration of non-financial aspects, like freedom and control, and the resulting avoidance of external investors (Landström, 2017).

As Landström (2017) states, a major problem for entrepreneurial ventures in obtaining any kind of financing lies in the risk that these ventures represent, which is based on the high probability of failure. He discusses that newly established entrepreneurial ventures are faced with the previously mentioned information asymmetry between the entrepreneur and investor. He states that since there is a lack of history and information, the entrepreneur usually has a lot more information about the venture, however if the information is not communicated in the right way,

this can lead to problems and misunderstandings. On the other hand, the investor tends to have more experience in and knowledge of financial elements compared to the entrepreneur (Landström, 2017).

In this regard, Gerber and Hui (2013) discovered that crowdfunding is especially interesting for entrepreneurs who have no possibility of receiving other traditional forms of financing, such as banks, business angels or venture capital. Another reason why crowdfunding can be financially beneficial, found by Baumgardner, Neufeld, Huang, Sondhi, Carlos and Talha (2015), is due to the general accessibility and low entry barriers that crowdfunding provides compared to the traditional financing sources mentioned earlier. They also reported in their paper that the growth of crowdfunding as a financing source has seen a huge increase after the financial crisis in 2008, when it became difficult for SMEs (small and medium-sized enterprises) to receive financing for bank loans, for instance. Brown, Boon and Pitt (2017) mentioned how crowdfunding is not as time-consuming than other options, due to the fact that there is no legal inconvenience as well as approval needed to get started. Gerber and Hui (2013) observed that certain entrepreneurs appreciated the benefit of being able to raise money in a fast way because they do not need complicated approval and applications.

Besides that, Baumgardner et al. (2015) also discusses the reduced costs of carrying out a background check, also known as due diligence, and diversification, which refers to a crowd of small investors taking the lending risk compared to a bank taking the entire risk that the investment provides. According to Baumgardner et al. (2015), crowdfunding allows entrepreneurs to connect to a global network of capital providers compared to a bank that is bound to locational restrictions. Furthermore, their paper also mentions aspects like feedback and marketing valuation, which also reduces the costs and adds benefits.

The decision for choosing reward-based crowdfunding, in contrast to other crowdfunding forms, is not only a financial but also an operating decision because this directly affects sales and production decisions (Belleflamme, Lambert & Schwienbacher, 2014). Other research by Belleflamme, Lambert and Schwienbacher (2013) revealed that while raising money is a strong motivation in crowdfunding campaigns, these campaigns tend to generate small amounts of funding in comparison to other financial sources. This is exemplified in their study with the median amount raised of €6,400, where entrepreneurs often combine more financial sources than just crowdfunding. According to them, the most common other sources are their own financial sources, family and friends, business angels and governmental funds. Belleflamme,

Lambert and Schwienbacher (2013) point out that other aspects and motivations, like receiving public attention and product feedback from the campaign are also very important for the decision to engage in crowdfunding.

Furthermore, Belleflamme, Lambert and Schwienbacher (2014) discovered that depending on the amount the entrepreneur needs to raise, there are different choices between types of crowdfunding. While reward-based crowdfunding is mostly used for smaller funding amounts, equity-based crowdfunding or profit-sharing crowdfunding is used if the entrepreneur is seeking larger amounts. This is connected to the fact that larger amounts in crowdfunding need more backers to fund the campaign and therefore the entrepreneur needs to lower the price to attract more backers (Belleflamme, Lambert & Schwienbacher, 2014). They conclude therefore that if the fixed-costs for a venture are too high, the needed funding increases, which leads to a limited ability for the entrepreneur to charge a higher price and results in a reduction of profitability.

Connected to this price setting, Nocke, Peitz and Rosar (2011) explain that ventures can make use of different pricing for customers pre-ordering products compared to buying products at a later stage on the market. They refer to this different pricing strategy as price discrimination. Their study shows that through pre-purchase, customers who see a higher need and value for the product buy it in advance for a lower (discounted) price, while others with less need and valuation will wait until the product has proven itself and is available on the market for the regular higher price.

Contradictory to this, Belleflamme, Lambert and Schwienbacher (2014) argued that reward-based crowdfunding allows the entrepreneur to use price discrimination the other way around, by taking a higher price for pre-ordering. Their results differ from Nocke, Peitz and Rosar (2011), who state that even though the product is not on the market yet, there are no information asymmetries which would force a lower price due to higher risk for the backers. This means that entrepreneurs can earn more for their product during the crowdfunding campaign due to extra benefits certain backers receive. These could be community benefits, a higher utility for the product or a benefit for those who value the product more than others. These backers therefore profit from early consumption and would not have to wait until the product is on the market for a lower price (Belleflamme, Lambert & Schwienbacher, 2014). They also point out that in order for this higher price discrimination to be able to take place, the crowdfunding venture needs to build a community that supports the product.

2.3.2 Interaction and Relationship with Backers

One major contribution of crowdfunding defined by Viotto da Cruz (2018, p.1) is crowdfunding as a “valuable source of information” in the market potential of the product. In her research, she identified four mechanisms of information that crowdfunding campaigns provide entrepreneurs with. In the first mechanism, the number of backers of a campaign provides information on a market interest. A higher number of backers increases the chances of bringing the product to the market (Viotto da Cruz, 2018). The second mechanism consists of how much individuals are ready to spend on the product, which provides entrepreneurs with information on the product’s price point. The third mechanism relates to how much funding overall is collected, which shows an overall appreciation of the campaign and the final mechanism is the comparison between the collected amount and the goal indicates the campaign's potential.

This is also supported by earlier findings from Belleflamme, Lambert and Schwienbacher (2014) and they state that crowdfunding is a unique way to validate original ideas in front of a specifically targeted audience and can provide insights into the market potential of a product or service. In a study by Shahab, Ye, Riaz and Ntim (2019), backers are the key to the success of projects and the feedback obtained from them can significantly assist in investment decisions from new backers and potential investors. All these mechanisms highlight the importance for entrepreneurs to obtain feedback that potential backers leave as comments on the campaign, which improves the original idea (Viotto da Cruz, 2018).

Furthermore, Gerber, Hui and Kuo (2012) also found that entrepreneurs in reward-based crowdfunding value the establishment of relationships with the backers, which allows for direct collaboration in the form of co-creation and information exchange. For them, the main difference from normal transactions is that the entrepreneur and the backers are in a relationship that lasts longer than just the transaction time, which seems to be one of the key benefits for using crowdfunding platforms. Besides this relationship, the entrepreneur can also receive valuable feedback in form of validation through a successful campaign that can boost the entrepreneurs’ confidence in the product and in their own entrepreneurial abilities (Gerber, Hui & Kuo, 2012). This finding is also supported in a later work by Gerber and Hui (2013) on motivations for participation in crowdfunding campaigns, in which they describe that entrepreneurs are inclined to engage in crowdfunding to connect with customers on a long-term basis that extends further than a single financial transaction. Since crowdfunding platforms

collect backers' data, entrepreneurs have a convenient way to communicate with backers and provide project updates (Gerber & Hui, 2013). Shahab et al. (2019) validate this idea and report that it is important to build long-lasting relationships with backers, who can become potential investors in the ventures.

Macht and Weatherston (2014) also support these findings and argue that ventures can obtain non-financial benefits directly, by requesting support and comments from backers, or indirectly, by interpreting the level of interest from backers, for example. Reaching similar conclusions, Macht and Chapman (2019, p.175) focus their study on the topics of human-, social- and psychological-capital and argue that entrepreneurs and ventures who participate in crowdfunding platforms may have the opportunity to acquire information from their backers and in turn “develop their human capital in conjunction with their financial capital”. Crowdfunding also facilitates the building of networks, communities and trusting bonds (Kang, Gao, Wang & Zheng, 2016), as well as enables ventures to tap into their backers' networks through referrals and promotions (Brown, Boon & Pill, 2017). Lastly, entrepreneurs can benefit from building psychological capital (self-efficacy, optimism and resilience) through support or criticism by backers, particularly if these methods involve no additional costs (Macht & Chapman, 2019).

2.3.3 Public Attention and Marketing

While the financial benefit is the most obvious reason for using crowdfunding, Belleflamme, Lambert and Schwienbacher (2013) pointed out that receiving public attention was the second biggest reason for ventures to participate in crowdfunding campaigns. Similar results were also presented by Gerber and Hui (2013), who argued that other non-financial aspects like marketing can be seen as equally important as, if not more important than, financial aspects.

This idea is also supported by a more recent paper by Brown, Boon and Pitt (2017) who researched the non-financial advantage of crowdfunding as a marketing tool. In their paper they discovered that crowdfunding campaigns have multiple advantages that they can be used for. They point out that the different types of advantages an entrepreneur can have from crowdfunding depend on the stage the campaign is in. Considering the gain of public attention through marketing, Brown, Boon and Pitt (2017) discovered that it is essential to have a finished product that backers are willing to pre-order. They then indicate that if the product is not ready yet, the venture can use other crowdfunding advantages in order to receive feedback and collect

ideas to support the product launch subsequently in a reward-based crowdfunding campaign. If only funding and no marketing attention is necessary, they recommend using other financing forms like equity crowdfunding. Lastly, they identified that ventures can also use crowdfunding platforms as a sales channel connected to branding, if funding is not needed.

Another major aspect discussed by Brown, Boon and Pitt (2017) is that crowdfunding is gaining interest not only from start-ups, but also from established firms. While they point out that this leads to more profit and publicity for the crowdfunding platform, it can also hinder success for start-ups as they have to compete with experienced companies, who have more financial resources to market their campaign. This could result in a negative development of crowdfunding, where young start-ups that initially profited from these platforms by having a financial alternative will not be able to compete long-term with firms that have more financial possibilities (Brown, Boon & Pitt, 2017). In their paper they further discuss that backers are not only interested in rewards. However, Gerber and Hui (2013) discovered that backers are also financing projects in order to help and support ventures that they connect to in a personal way, which would be an argument against established firms receiving support on crowdfunding platforms.

In terms of informing potential backers about the new campaign, Gerber, Hui and Kuo (2012) discovered that crowdfunding campaigns raised awareness through social media to an extent that other traditional financing methods do not. Gerber and Hui (2013) shared similar findings that the entrepreneur can create extra attention by using different social media channels to increase attention toward the campaign. Gerber, Hui and Kuo (2012) discovered that this happened by both receiving more followers as well as earning attention from more traditional media channels like television and newspapers. Gerber and Hui (2013) supported the finding that a crowdfunding campaign can also serve as a good way to receive recognition from traditional press media. These channels allow the entrepreneur to connect and reach out to the general public outside of the entrepreneurs' network reach (Gerber & Hui, 2013). Gerber and Hui (2013) describe the marketing attention as: crowdfunding is a tool that everyone has access to, and it is a very visual platform on the internet for potential customers and backers to receive information about the company and product through video and description.

3 Methodology

In this section the authors explain the research methodology of the study, including the research approach and design that supports this research. The methodology incorporates data collection, data sampling and data analysis. The chapter will provide justification of the use of certain methods for data sampling, collection and analysis and it will conclude with a brief discussion of its limitations.

3.1 Research Approach

The main goal of this study is to carry out exploratory research and investigate how certain benefits are experienced by the entrepreneur after successfully completing a reward-based crowdfunding campaign. Most research done on crowdfunding has focused on a quantitative approach (Belleflamme, Lambert & Schwienbacher, 2013; Mollick, 2014; Signori & Vismara, 2018), which are limited in detail and in terms of practical application for entrepreneurs to make use of (Bryman, 2016). Another aspect is that quantitative research builds on research methods such as structured interviews and surveys to fill in by the interviewees themselves, which are used in a controlled environment (Bell, Bryman & Harley, 2019). In this regard, Cicourel (1982) questions in what way the researcher can make sure that the interviewees possess the required knowledge or experience to answer these posed questions.

Given that the aim is to obtain a deep understanding on how the benefits are experienced after a successful campaign as well as discover new findings, the authors of this paper believe that the qualitative research method is suited best, since this method allows for an intimate interaction with the interviewees and provides a better understanding of their actions and thought processes (Bell, Bryman & Harley, 2019). Experienced benefits of reward-based crowdfunding by entrepreneurs are also difficult to quantify and should therefore be obtained through interviews, since they can be particular and novel from company to company.

The authors make use of an abductive research process as suggested by Gioia, Corley and Hamilton (2013), that first looks at the collected results and then tries to draw conclusions with the assistance of relevant research (Bell, Bryman & Harley, 2019), which seems more suitable than deductive or inductive reasoning. The difficulty with an inductive process is the need for extensive amounts of empirical data to prove a theory and on the other hand a deductive process has the problem of being highly dependent on testing as well as disproving hypotheses (Bell, Bryman & Harley, 2019).

3.2 Data Collection Method

According to Bell, Bryman and Harley (2019), qualitative research allows for a broader research question because of the specific interest in the opinion of the interviewed person providing detailed and insightful responses to the question. Considering this, the authors opted for semi-structured interviews, where the researcher has the possibility to ask open questions in form of an interview guide that are of interest regarding the interviewed entrepreneurs' experienced benefits from using reward-based crowdfunding. This approach offers a flexible process and allows the respondents to provide as much data as possible in an informal environment.

Since this study focuses on entrepreneurs that have used reward-based crowdfunding, the authors contacted ventures who have already completed their crowdfunding campaigns and were successful in achieving their funding target between April/2018 and April/2019 (12 to 24 months before this research study) on Kickstarter. All the interviews were conducted using Zoom technology, since this format allows for an online face-to-face interaction (Bell, Bryman & Harley, 2019). This was seen as the most suitable approach for this paper, given that the authors planned to interview entrepreneurs located in different countries. This format of interview was also relevant during this period of time given the physical limitations due to the circumstances with an epidemic and having to avoid direct contact with interviewees.

The interview guide (Appendix A) was divided into three different sections (information of before, during and after campaign), which served the purpose of following a timeline structure to allow for a retrospective investigation. By applying an open question strategy, the aim was to obtain all necessary data on the experienced benefits for using reward-based crowdfunding

and to examine what the main benefits were. The collected information allowed the authors to contrast these to the literature review in chapter 2 without biases and to find out what entrepreneurs identify as the main benefits.

3.3 Sampling

The sample of this research is based on purposive sampling, commonly used in qualitative research, and the goal of this type of sampling is to sample cases/participants in a strategic way, so that those sampled are relevant to the research questions that are being posed (Bell, Bryman & Harley, 2019). Therefore, the authors reached out to a total of 50 ventures, all of which fulfilled the sampling criteria, received a total of 12 responses and lastly successfully conducted 8 interviews.

For the sample, the authors chose to focus on Kickstarter as a platform, since it is the largest platform for reward-based crowdfunding campaigns (Agrawal, Catalini & Goldfarb, 2011). Also, Kickstarter provides a larger amount of data about companies that used their platform in comparison to other reward-based crowdfunding platforms such as Indiegogo. The data provided in Kickstarter helped the researchers analyze and define the suitable companies for this study. In order to reduce the bias by the authors when choosing handpicked companies, the following sampling criteria was used:

Crowdfunding Platform	Kickstarter
Status of Campaign	Successfully Funded
Industry	Product Design
Location	Based in Europe
Goal and Raised Amount	USD \$10,000 - \$100,000
Time	Between April/2018 and April/2019

Table 1. Sampling Criteria

In this study, only successfully-funded campaigns were chosen in order to understand what these entrepreneurs who had achieved their campaign goals actually experienced besides receiving the intended funding goal. This allowed the authors to research further benefits and understand their importance as a whole. Using product design as an industry choice was based on the high applicability of this industry to the form of reward-based crowdfunding and due to having a tangible asset as a product. Furthermore, the selection of the European region was determined in order to limit the area of ventures and thereby have a sample with similar values. The criteria of choosing projects that had a goal of and raised USD \$10,000 to \$100,000 relates to the fact that the authors focused on ventures and not individual projects, therefore the raised amount of funding had to stand at a certain level to be seen as financially beneficial.

In order to research experienced benefits, the campaign must have ended in the past 12 to 24 months on Kickstarter. The selection of this specific timespan had three main reasons: first, the campaign had to be finished and the venture should have tried to deliver the products to its backers in order to provide viable information on the post-crowdfunding development, which were fundamental in answering the research question. Second, the campaigns should not have taken place over 24 months prior to the study in order for the interviewed entrepreneur to be able to recall all the details and the process that the venture went through before, during and after the campaign and provide as much relevant and detailed information as possible. Besides that, a more recent time research period allowed the researchers to also explore potential development in this fairly new financial form of reward-based crowdfunding over the recent years. Third, this timespan corresponds with previous reward-based crowdfunding literature, for example Mollick (2014) used a timespan between 2009 and 2012 while working on one of his crowdfunding studies in 2013.

Name of Company	Contact Person (Co-founder)	Amount Raised (USD) / Percentage of Goal	Campaign Period	Interview Date and Time
Beblau	Guido Charosky	\$91,406 / 705.73%	Feb 5-Mar 15 2019 (38 days)	22/04/2020 10:30 - 11:30
Botann	Michael Nicholson	\$37,638 / 121.72%	Mar 12-Apr 12 2019 (31 days)	23/04/2020 14:00 - 15:00
Iweech	Christophe Sauvan	\$79,979 / 494.01%	Mar 6-Apr 5 2019 (30 days)	20/04/2020 11:00 - 11:45
Mapuguaquen	Pablo Ocqueteau	\$40,347 / 373.82%	Aug 21-Sep 21 2018 (31 days)	24/04/2020 09:00 - 10:00
Norra	Jacob von Matern	\$44,670 / 157.22%	Oct 18-Nov 17 2018 (30 days)	20/04/2020 13:00 - 14:00
NYA- EVO	Jensen Pauwels	\$23,736 / 146.61%	Oct 2-Nov 21 2018 (50 days)	22/04/2020 09:00 - 10:00
Say Time	Selina Yanik	\$12,682 / 108.80%	Feb 5-Mar 7 2019 (30 days)	15/04/2020 14:30 - 15:30
William Walker Watch	Jared Steadman	\$29,929 / 120.99%	Mar 6-Apr 5 2019 (30 days)	15/04/2020 13:00 - 14:00

Table 2. Overview of Interview Details

3.4 Data Analysis

To analyze the data from the interviews, the authors of this paper followed the structure introduced by Gioia, Corley and Hamilton (2013), in which we structured the information into first order concepts, second order themes and aggregate dimensions (Appendix B). This approach enabled the authors to make an analysis while collecting the data from the interviews, instead of separating these parts.

After conducting the interviews, the work was split between the two authors and transcribed on the same day of the interview while the information was still recent. The transcription process allowed the authors to revisit the conducted data and make early interpretation of patterns and connection prior to the main analysis. Once the transcription was completed, all the relevant information was put into an Excel sheet, sorted into all the concepts discovered in the interviews and this information was listed as first-order concepts.

As the research progressed, the authors started seeking similarities and differences among the various categories, a process that reduces the appropriate categories to a more manageable number (Gioia, Corley & Hamilton, 2013). Once the authors were able to give these categories a label, they then defined the second-order themes according to the data structure. Coincident with the data gathering and after the initial stages of analysis, the authors also began shifting between emergent data, themes, concepts, and dimensions and the relevant literature, not only to see whether their findings had precedents, but also whether they had discovered new concepts (Gioia, Corley & Hamilton, 2013).

3.5 Limitations

Considering this paper and the answers obtained regarding the research question, the authors understand the limitations that this qualitative research faces. Regarding the setup of this study, the authors are limited considering the timeframe as well as being constrained to conducting interviews primarily using online resources due to the current pandemic situation. Therefore, the research conducted focuses on a relatively small sample of interviews, which compared to a bigger sample lacks in its generalizability (Bell, Bryman & Harley, 2019).

Furthermore, the authors were as precautious as possible to avoid biases that could occur from hand picking specific ventures by having a random selection within a set of previously established criteria. Considering this, the authors are aware that every crowdfunding campaign and venture is different and that this can have an impact on the results gained from this study. Another limitation in this study is that the authors have decided to only focus on reward-based crowdfunding campaigns within the field of product design who used Kickstarter as their platform, as opposed to picking projects from different industries or from other crowdfunding categories such as equity-based ones.

4 Presentation of Findings

In this section the authors present the findings of the conducted empirical research based on the order obtained from the analysis (Appendix B) according to Gioia, Corley and Hamilton (2013) framework. The first aggregate dimension presented is the financial influence of crowdfunding, followed by an overview of market approval and lastly the venture launch section is introduced.

4.1 Financial Influence

Here is a way for us to raise some capital to start the business (Botann).

4.1.1 Low Financial Risk

Data collected from the eight interviews suggest that financing was one of the entrepreneurs' initial reasons for engaging in reward-based crowdfunding, in which all ventures indicated that the financial aspect as well as risk aversion were main reasons for using crowdfunding. One of the interviewed ventures (Iweech) mentioned that the financial aspect was a secondary reason, but still of high relevance for them. In order to produce their products, most ventures needed a significant amount of orders to get started:

One of the reasons is obviously to get the funds to be able to produce. If you want to produce at this kind of level you need quite the minimum order and volumes are quite high ... You know so that's kind of one of the main reasons for doing a campaign since I didn't have the funds (Norra).

In line with this, a major benefit that was mentioned multiple times is that crowdfunding reduces the financial risk for the entrepreneur, by receiving commitment from the orders and the money prior to production. This can be represented by the following quote: "Main benefit of crowdfunding is you change supply and demand to demand and supply. Right, the demand first, and then you fill that demand with the supply" (William Walker). Many ventures like

Mapuguaquen and William Walker mentioned specifically not wanting to take personal financial risk and that crowdfunding offered them a good opportunity to not risk their own capital. “So was it really a sure way for us to start without risking so much” (Mapuguaquen).

4.1.2 Limited Financial Resources

The findings show that the received funding as well as the intended target for campaigns were often aimed at covering the first production costs instead of aiming for larger profits in the campaign. Norra and William Walker, for example, had a financial goal that allowed them to cover the cost of the first batch of products where they would break-even and have extra product capacity for after campaign sales.

Besides the funding from the crowdfunding campaign, all of the interviewed ventures, except for Iweech, were self-financed by the entrepreneurs. Three entrepreneurs specifically mentioned family and friends as a financial source, besides the campaign. The only ventures that received other financial sources apart from the aforementioned were Iweech, which received funding from a business angel and government subsidies, as well as Say Time, that secured a bank loan as part of a governmental subsidy for small ventures. Something that Nya-Evo especially mentioned was the wish to start his venture independently without being tied to external investors: “We wanted to start in the Nya-Evo and have and try to do it financially independent” (Nya-Evo). Ventures such as Norra and Mapuguaquen mentioned as well that they did not have other financial possibilities than to crowdfund: “We did it another way because we didn't have money. And we didn't have contacts.” (Mapuguaquen).

Many of the ventures that had financial motivations as the primary reason for engaging in crowdfunding discovered later that other benefits were equally important if not more. For example, Say Time realized during the campaign that the financial aspect was less beneficial and that marketing was of more importance. In similar order, other ventures such as Nya-Evo and Botann were mainly focused on the financial benefits before the campaign and discovered over time multiple other benefits.

4.2 Market Approval

4.2.1 Validation of Idea and Product

When asked about the main benefits for using crowdfunding and what attracted the respondents into this form of financing, the majority of respondents (Beblau, Botann, Iweech, Mapuguaquen and Nya-Evo) indicated the opportunity to validate the idea and ensure that a market exists for such a product before making further investments as a key benefit. This response was elicited directly right after mentioning the financial benefit of crowdfunding, as can be inferred from the quotes below:

I mean, of course it brought money to the company. But it was also very good for us to understand that the product has an audience so to be complete (Iweech).

I did use Kickstarter to prove a product is liked, it worked (Nya-Evo).

The possibility to discover their first audience and provide the company with legitimacy was also mentioned by some of the respondents (Nya-Evo and Botann) as a form of idea validation and can be seen in the quotes: “Well, the second main expectation is that we felt it was a good way to reach out to our customers that don't know us” (Nya-Evo) and “But it definitely gave us just that legitimacy you know, so validation that we had an idea that people wanted to get behind” (Botann).

4.2.2 Interaction with Backers and Co-creation

The possibility to interact with backers through the crowdfunding platform (Kickstarter) was seen as a powerful tool to validate the idea. This was mentioned repeatedly in six of the eight interviews (Beblau, Botann, Iweech, Mapuguaquen, Norra, William Walker). The relationship between companies and backers in a crowdfunding campaign was also described as quite unique, due to the constant flow of communication both during and after the campaign. This finding is well captured in the following quotes:

So that kind of gave, you know, they gave me a window to put my stuff in and say, Okay, look here. Here's my stuff. And then that obviously generates a lot of connections and contacts around the world, people being interested in and I'm kind of blown away how many people want to help for free (Norra).

So that's another benefit of using a platform like that, is the communication not just during the campaign, but post-campaign (William Walker).

Some project creators (Botann, Say Time and William Walker) also realized the importance of interaction with backers after the campaign and they wished they had communicated better with the crowd and paid more attention to them. This observation can be assumed from the following quotes:

We could have communicated maybe a bit more during the campaign. I think that was a bit due to our own inexperience of social media and interacting with people (Say Time).

So I would say one of the things that if we were to ever do a crowdfunding campaign again, it would be that we would pay more attention to the crowdfunding audience (Botann).

Another interesting finding was related to co-creation with the campaign's backers as a way to improve and adapt the product based on the backers' valuable insights. In the interviews, it was interesting to see that only three of the companies (Nya-Evo, Say Time and William Walker) developed and iterated the product and the campaign according to the feedback received from backers. This finding can be inferred from the quotes below:

So that interaction, immediate interaction, pre-manufacturing, pre-production is also another benefit of the Kickstarter campaign because you'd say, right, I'm happy to invest in this product. To change, one tiny thing, you know, and work it out and a lot of people went for that as well (William Walker).

On the other hand, most companies (Beblau, Botann, Iweech, Mapuguaquen, Norra) did not adapt their products during the campaign since their prototypes were already finished and production changes required planning as well as long production time. The following quote

clearly expresses this result: “We didn't change anything ... I mean, it's pretty complicated to change anything in the product and then you deliver the product, which is a second phase” (Iweech). Some of these companies mentioned instead using the feedback to improve future generation products.

4.2.3 Community and Network Building

Three of the interviews (Botann, Norra, Nya-Evo) revealed that one of the positive consequences of the interaction between companies and backers was the possibility to build a community and a long-term relationship with backers. It is relevant to note that this benefit was not mentioned as a reason for using crowdfunding by the respondents at first, however building a long-lasting customer relationship was brought up in the conversations about additional and unexpected benefits of crowdfunding, which can be seen in the following quote:

It's a neat and a nice way to start to build up your own community. I think a lot of people are interested in following something from the start, from the scratch and understand you get kind of a special relationship with your customers (Norra).

Another aspect related to long-term relationships through the crowdfunding campaign, which was mentioned in three of the interviews, is that the campaign helped them establish themselves in their markets and build connections with retailers and distributors. Two of the interviewed ventures (Beblau, Nya-Evo) mentioned how crowdfunding helped them in this aspect:

Of course some retail shops also find you know, they're also checking Kickstarter for new products. And some retail shops are finding their way like that (Nya-Evo).

Another finding related to network building and new opportunities was pointed out by Mapuguaquen, as they were invited to join an accelerator program. Similarly Say Time received the opportunity to showcase their products in a gallery.

We got invited for this residency first for an accelerator program ... So, that's a great step for our company and product because what we had been missing before is like this, the credibility (Mapuguaquen).

4.2.4 Building Awareness

Marketing and receiving public attention was, for most of the ventures, mentioned as another major benefit for choosing crowdfunding. While most ventures expected these benefits, there were also ventures like Botann that did not know of the marketing benefits and identified this as a key asset of their crowdfunding campaign in hindsight.

I don't think they really understood the sort of you know how great a marketing tool is and how good it is for reaching your audience and all that kind of stuff (Botann).

The major advantage mentioned by the entrepreneurs regarding marketing was the large reach and visibility that the crowdfunding platform provided during the campaign in order to obtain new and first customers. This was also a leading reason for using the platform Kickstarter for most ventures interviewed, since they described it as the largest and most well-known platform for reward-based crowdfunding with a vast reach in terms of number of users and connections. The ventures described it as: "... a huge advertising platform" (William Walker) and "... a very good PR producer for us" (Iweech).

Regarding the efficiency of certain marketing tools, half of the ventures (Botann, Iweech, Mapuguaquen, William Walker) mentioned traditional press as being useful in adding traffic to their campaign. This happened through different news articles, magazines or even influencers that approached them through Kickstarter, as expressed in the quote below:

And that is the thing that Kickstarter has is like, if you want to start and you write to the media and you say, Look, I'm doing that and then the people want to support you. I mean, for free, it's like a free press in some way (Mapuguaquen).

Some ventures (Beblau, Iweech) invested in marketing advertisements or even hired marketing agencies (Nya-Evo) before and during the campaign in order to build awareness. They expressed that if you do not invest, people will not see your campaign. The results also show that two ventures managed to raise attention through writing on a blog one year prior to product release (Norra) as well as precisely planning and managing their own social media activities (Botann) without any financial investments. In regards to this, Botann and Nya-Evo mentioned the importance of having a constant feed of marketing on a weekly or even on a daily basis to

receive the attention from the crowd during the campaign. Other ventures with inexperience in social media, such as Say Time, realized afterwards that not investing enough time or money into marketing was experienced as a deficit for them. “You have to put money into this campaign at the beginning to get something out in the end” (Say Time). This shows that even though crowdfunding is seen as an easy and low cost way of receiving funding, it might have higher costs than ventures expect in the beginning.

In regards to the post-campaign advantage of receiving attention, mixed results were produced in this study. While a majority of the ventures expressed not feeling any big impact from the Kickstarter campaign afterwards, one of the companies, Nya-Evo, still perceived the benefits of having the completed campaign page available on Kickstarter through which customers found their way to him. However the majority of ventures, such as Botann, felt that the campaign did not give them enough significant marketing attention or sales after the campaign: “Most benefit was from, like, traditional press coverage and from other people” (Botann). Others described the attention after the campaign as insignificant or of minor interest: “So someone saw our campaign and wrote to us, but it's not that much anymore. And it's smaller things that are not that interesting for us” (Say Time).

4.3 Venture Launch

4.3.1 Pressure Forces Progression

Having a focus generally was a huge benefit. I mean, I don't believe we would have launched our company in March 2019 (Botann).

Through the interviews, the authors learned that crowdfunding often serves as a mechanism to put pressure on the venture by having a defined goal as well as a time to start and complete the campaign, which enabled entrepreneurs to develop faster. One of the interviewed ventures, Botann, described how this pressure helped them progress:

To be honest doing the crowdfunding actually, you know, accelerated it all that side of things because we had a date, because in the time before that there was no date,

you know, we were meeting up for coffee, it was all very relaxed. It was easy, you know, all of a sudden there was a deadline (Botann).

The same approach was used by Iweech as they mentioned putting pressure on their company as their main motive for starting the crowdfunding campaign. While this allowed their venture to develop the product faster, it also according to them helped to put pressure on their collaborators and can be exemplified by the following statement: “We have saved I think a good 8-10 months compared to a normal cycle between the prototyping and the final product launching” (Iweech). This pressure allowed them to reduce the time to put the product on the market. They also mentioned that while their launched product was not the finished version, they look at every sold example as a prototype to help them learn.

4.3.2 Underestimating the Workload

The results show that many of the entrepreneurs underestimated the work of a crowdfunding campaign. One insight that we gained from the interviews was that 7 out of 8 interviewed ventures (Botann, Iweech, Mapuguaquen, Norra, Nya-Evo, Say Time, William Walker) mentioned that more time preparing for the campaign would have helped them in achieving a more successful campaign. The main arguments to postpone the launch were to further work on the final product, build up a bigger base of backers and prepare the actual campaign better.

I’m sure that if we have been more prepared ahead, especially with pre marketing campaign and fan database construction, we would have probably doubled or tripled the sales (Iweech).

Furthermore all ventures experienced the crowdfunding process as an intensive period of time with a lot of work. Many mentioned the preparation as stressful, but especially managing the campaign during the live period was described as unexpectedly a lot of work. “I probably would have thought you just launched a page. And if it was a great idea, people would magically, you know, migrate to it and it would become a success, but obviously, that's not how life works is it?” (Botann). This stressful time forced the ventures to put in more effort and time than expected and this was also described as a learning process by half of the ventures. ”So being my first crowdfunding campaign, a lot of it was learning” (William Walker).

While ventures like Beblau and Mapuguaquen mentioned that the interaction and management of the crowd through the platform required a lot of work, others like Botann and Nya-Evo described the work as difficult, having to expose themselves and trying to get constant attention from the crowd.

Another insight gained from the interviews mentioned by Nya-Evo and Say Time was that crowdfunding has become very competitive and that many established brands are present on the platform. “But anyway, there's a lot of brands pre Kickstarter, they're in the industry and you're competing with them. They're good products” (Nya-Evo). This is something that Say Time found out during the campaign as a disappointment, especially realizing that many watchmakers use crowdfunding to advertise and sell their products.

Lastly, all of the interviewed ventures besides Say Time had at least partly problems with delays in their delivery of the products. Some ventures had delays for certain countries compared to others which contributed to different delays in customs and by secondhand delivery services which according to them was out of their control. For example, Mapuguaquen managed to deliver 40% products before the set date while the remaining products to countries like the US had a few months delay. Overall most ventures had a delay of up to two months. The latest delivery was seven months late by William Walker due to problems with the current pandemic as well as delays in receiving money from Kickstarter. Say Time was the only venture that managed to deliver all products in time, as they were the only venture that produced all of their products in-house.

5 Analysis and Discussion

In this section, the authors will analyze and discuss the results presented in the previous chapter. The first section elaborates on the impact that crowdfunding finance represents for entrepreneurs. The following section focuses on the impact of backers feedback to the respective campaigns. The third section discusses the role that marketing plays during and after the campaign. Finally, new findings related to pressure are presented in the last section.

5.1 The Impact of Finance

The in-depth interviews with the 8 ventures showed that financing was a strong aspect for all of them to engage in crowdfunding. These findings are in line with earlier studies on the subject for example by Belleflamme, Lambert and Schwienbacher (2013), that financial benefits are highly relevant for all ventures engaging in crowdfunding.

Even though this was one of the main benefits why entrepreneurs engaged with reward-based crowdfunding, another interesting finding was the low level of profit that many of the entrepreneurs experienced. Here we can draw parallels to literature that discusses reward-based crowdfunding being more relevant for small amounts of money (Belleflamme, Lambert & Schwienbacher, 2014). The results showed that the intended target amounts of funding in multiple cases (Botann, Norra, William Walker) were aimed at covering the costs for production which needed a certain volume, which is also mentioned by Belleflamme, Lambert and Schwienbacher (2014). While all of the ventures interviewed reached their target amount, the finding that many of them experience the campaign to be low in profitability could be linked to multiple reasons. One possibility could be that the expectation of the amount to raise was much larger than the set goal amount in the campaign, expressed by Beblau and Mapuguaquen who indicate that the actual expectation was higher than the target set. Another possible reason influencing this perception could be the inexperience by the first time entrepreneurs in calculating low or incorrect profit margins.

In the sample we focused on ventures that raised more than \$10,000 which can be seen as reasonably high amounts for a crowdfunding campaign compared to the median amount mentioned by Belleflamme, Lambert and Schwienbacher (2013) of €6,400. Considering this, one reason for the low profitability could be that, as Belleflamme, Lambert and Schwienbacher (2013) mention, the raised amounts from crowdfunding campaigns tend to be small and entrepreneurs often need various financial sources. Another explanation connected to this would be that when raising larger amounts of funding, ventures need to find more backers. To achieve this they have to lower the price and are thereby not able to use as much price discrimination, which leads to lower profit margins (Belleflamme, Lambert & Schwienbacher, 2014).

Considering that the target goal of the selected ventures of this study are reasonably high, the limited ability to use price discrimination could be an explanation for the low profitability described by some of the entrepreneurs as a disappointment. Furthermore, it could be argued that crowdfunding leads to a negative price discrimination as Nocke, Peitz and Rosar (2011) explained, in form of a discount received for the risk perceived by the backers. This would on the other hand suggest that the results of Belleflamme, Lambert and Schwienbacher (2014) do not apply to this study's sample. Considering the statements of Iweech who classify all their products as prototypes, and do not see them as fully finished or developed products and who sell them under the price intended to charge on the market, this supports the argument for a discount when pre-ordering on crowdfunding.

The authors of this paper found support that most of the interviewed ventures were self-financed. Here it is once again possible to relate to the previous literature on entrepreneurial financing by Belleflamme, Lambert and Schwienbacher (2013), who described in their research that crowdfunding tends to generate small amounts of capital and usually has to be combined with other financial sources. Considering that most ventures only used self-financing shows the difficulty as discussed by Landström (2017), that is, to obtain outside funding due to the high risk that entrepreneurial ventures represent. This can be seen by ventures like Norra: "I knew my financial limitations and that wouldn't have made it possible to do it any other way". Even ventures like Say Time that received a bank loan could only receive this due to a governmental subsidy program for small ventures. In line with Landström (2017), we could also see that some ventures like Nya-Evo mentioned the importance of being financially independent and not wanting to use external investors as another reason for using crowdfunding.

Considering the sample of ventures, we can see that most ventures are self-funded and have mostly used their own financial sources as well as close networks like friends and family in combination with crowdfunding to finance their venture. The exceptions were Iweech as the only company that had raised business angel capital before the campaign as well as receiving governmental support and Say Time, who managed simultaneously with the campaign to receive a bank loan. In comparison to the results by Mollick and Kuppuswamy (2014), it can be seen that while the findings show similar financial sources, most of the additional investments were done before or during the campaign. This is due to the fact that these campaigns finished very recently and therefore the ventures might not have been able to raise or consider additional funding after the campaign. The results showed on the other hand that most firms used all of their funding as well as additional funding to invest into the venture in order to grow, which is in line with findings by Signori and Vismara (2018). In contrast to Mollick and Kuppuswamy (2014), the results indicate that half of the ventures considered doing another crowdfunding campaign in the future, indicating a higher percentage than around 5% from their study that did another campaign.

5.2 The Impact of Feedback

As discussed in 5.1, entrepreneurs are attracted to crowdfunding primarily due to its financial benefits as it provides them with the ability to receive funds before committing to production. However, in a platform like Kickstarter, where an all-or-nothing funding model applies (Kickstarter, 2020a), this financial aspect can only be attained if the crowdfunding campaign is successful. Besides having a successful campaign and receiving the target funding amount, achieving this milestone is also a validation of the entrepreneurs idea and projects by confirming the interest through the crowd. In this respect, the interviews indicate that entrepreneurs (Beblau, Botann, Iweech, Mapuguaquen, Nya-Evo) use crowdfunding as a way to validate their idea and to determine whether there is a market for such a product. These findings are supported by Belleflamme, Lambert and Schwienbacher (2014) as they state that crowdfunding is a unique way to validate ideas in front of a targeted audience and it provides understanding of the market potential. This is also supported by Macht and Weatherston (2014) who argue that entrepreneurs can obtain non-financial value by interpreting the behavior of backers as market success for the project, for example through the number of backers and the amount raised in the campaign.

Given that all of the interviewed ventures had a successful campaign, we could often see that different aspects like the engagement of backers as well as achieving the goal were experienced as a form of validation and confidence boost. Ventures like Botann mentioned how receiving confirmation from people outside of his network gave him confidence in another way than receiving feedback from friends and family. These are similar findings to that of Gerber, Hui and Kuo (2012), in which the entrepreneur receives valuable feedback in the form of validation through a successful campaign that can boost the entrepreneurs confidence in the product and own entrepreneurial abilities. Viotto da Cruz (2018) also states that successful fundraising shows a recognition for the idea and the comparison between the amount reached and the goal indicates the campaign's potential. However the interviews also revealed that some entrepreneurs mentioned lowering the funding goal in order to reach the target and to have the possibility to achieve a highly overfunded campaign. This in turn would lead to exposure on Kickstarter's main page due to their algorithm, a finding that the authors have not identified in previous literature studies. While all the campaigns finished recently, they are all still ongoing which is similar to the finding of Mollick and Kuppuswamy (2014) about survival rate of crowdfunded ventures.

The importance of feedback as a benefit can be seen throughout many interviews. The founder of William Walker for example mentioned: "One of the other benefits of running a Kickstarter campaign is immediate feedback on your design from potential customers" and similarly expressed by six other ventures (Beblau, Botann, Iweech, Mapuguaquen, Norra and Nya-Evo) was the importance of being part of a crowdfunding platform, which allows entrepreneurs to receive a great extent of feedback and interact with potential backers throughout and after the campaign. These findings are similar to that of Shahab et al. (2019) who state that backers of crowdfunding are key to the success of projects and the feedback obtained from them can significantly assist ventures in further investment decision-making. From the interviews we discovered that some ventures underestimated the value of receiving feedback and communicating with backers, which was perceived as a deficit by ventures like Botann who, looking back, would have wanted to engage more with the crowd and use their feedback. This is an important insight that entrepreneurs can use for future crowdfunding campaigns.

In cases such as Nya-Evo, Say Time and William Walker ventures used this feedback as a process to co-create with their first backers and improve their final product. These findings are in line with the arguments of Gerber, Hui and Kuo (2012), who express that entrepreneurs in

reward-based crowdfunding value the establishment of relationships with the backers, which allows for direct collaboration in a form of co-creation and information exchange. Macht and Weatherston (2014) further argue on this topic and refer to it as direct support from backers. The results are also similar to that of Gerber and Hui (2013), who states that entrepreneurs have a convenient way to communicate with backers and provide project updates during the campaign. This was experienced firsthand by William Walker, when many in the audience commented on his campaign and desired for improved water resistance, which therefore was later incorporated.

Despite finding proof on previous literature showing that crowdfunding enables co-creation, the ventures in the sample revealed that these changes were mostly of minor character and most of the interviews show contrary results. Most ventures (Beblau, Botann, Iweech, Mapuguaquen, Norra) did not change the product during the campaign. The co-founder of Iweech for example mentioned that it was quite complicated to make changes during the campaign. This due to the fact that prototypes were already completed before the campaigns started and adaptations would only be accounted for in the next generation of products, since these changes have to be made months before production and short notice changes were not possible.

In terms of community building and the formation of long-lasting engagement with backers, results show that half of the interviewed entrepreneurs (Botann, Norra, Nya-Evo, Say Time) stated this as an important and unexpected positive aspect of participating in a crowdfunding platform. Norra for example was positively surprised about how many backers wanted to help and engage with the campaign for free besides purchasing the product. This result agrees with Macht and Chapman's (2019) study in the building of human- and social-capital, which is crucial for newly-founded ventures, especially for those without previous industry connections. Four of the interviewed ventures (Beblau, Mapuguaquen, Nya-Evo, Say Time) not only gained access to their first customers, but also built a relationship with relevant partners in the industry, which can be very difficult to achieve without a network within the industry. These findings correspond with Kang et al. (2016), who indicate that crowdfunding facilitates the building of networks, communities and trusting bonds.

Macht and Chapman (2019) have also been validated more recently by Shahab et al. (2019) who emphasized the importance of building long-lasting relationships with campaign participants. Gerber and Hui (2013) described that entrepreneurs are inclined to engage in

crowdfunding to connect with customers on a long-term basis that extends further than a single financial transaction. Although previous literature indicates the benefit of community building, in this case the advantage was only perceived by the entrepreneurs in retrospect and not as an initial motivation.

5.3 The Impact of Marketing

Just like Belleflamme, Lambert and Schwienbacher (2013) and Gerber and Hui (2013), the authors discovered that building awareness and marketing were identified as one of the main benefits by entrepreneurs for engaging in crowdfunding. An interesting aspect was that a lot of the ventures did not know and realize from the beginning how important and relevant this benefit actually was. This was for example the case of Say Time, who initially only saw the financial aspect as being most relevant. During the campaign they shifted their focus to building up awareness around their venture upon discovering the great opportunity Kickstarter provided them with, as well as realizing that the financial gains were lower than initially expected.

Considering the fact that Kickstarter, as the largest crowdfunding platform (Agrawal, Catalini & Goldfarb, 2011), can provide the best possible reach for entrepreneurs, it is no surprise that all of the ventures selected this specific platform. This is something Gerber and Hui (2013) also mention in their research as they consider the benefits of accessibility and reach that such platforms provide. Platforms like Kickstarter offer a rare opportunity for entrepreneurs to connect with a crowd outside of their network and to gain new customers. Since all of the interviewed ventures launched their company and first product via their campaigns, it is understandable that they chose the most well-known reward-based crowdfunding platform in order to build up initial traction and attract first customers.

Besides the use of social media and advertising, traditional press was also discovered as a very effective tool for many of the interviewed ventures in terms of marketing, thus corresponding with Gerber and Hui's (2013) findings. The interviews revealed that most ventures received attention through traditional press and discovered this to be one of the most efficient ways to gain traction during the campaign. Interesting to note here is that two ventures that had done a follow-up campaign discovered it to be significantly more difficult to get traditional press coverage on their second campaign, since the novelty of the company's story and product were

no longer present. When looking at this form of media, one major reason for the effectiveness of traditional press could be that it can be seen as more trustworthy to a wider audience compared to advertisements, especially for customers with no prior connection to these ventures.

One of the most interesting insights gained from the interviews regarding building awareness and marketing, a factor the authors did not discover in previous literature, was the need to invest either a lot of time or money into marketing the campaign before launching the Kickstarter. Most previous literature only points out the positive side of receiving attention from the crowdfunding campaign. While the literature findings are partly true considering the mentioned benefits of receiving attention during the campaign, this pre-campaign investment and engagement is a new aspect that has not yet been extensively covered. The need for ventures to market their campaign over a long period of time in order to build up traction and have a chance to succeed was in this regard new to the authors. A paper that touches upon this aspect is by Brown, Boon and Pitt (2017), who discuss the difficulty of increasingly having to compete with established ventures that have more financial possibilities to invest into marketing their campaign. Interesting in this study's data is also the aspect that the two most successful companies in the sample, regarding the amount of funding they received compared to their target, is that they are the only ones who invested into paid marketing ads prior to the campaign. This seems to be supported by the perceived needs of investing into marketing mentioned by ventures like Say Time.

The need for constant engagement in marketing activities via social media is something that has not been discovered by the authors in prior academic literature. While Gerber, Hui and Kuo (2012) mention that crowdfunding raises a lot of attention to the campaign via social media compared to other funding forms, a recurring theme mentioned by the entrepreneurs during the interviews, which they did not know before that the campaign required so much engagement with the audience through the actual platform and social media and in the end, all disclosed how much effort they had to put into crowdfunding. In line with that, we discovered that this is a very important aspect for the success of a crowdfunding campaign nowadays, as the study showed the results for investing into advertisement seemed to have led some companies to successfully overfund campaigns. The ventures that actively engaged in marketing activities also expressed being able to profit from building up a crowd and attracting backers outside of their networks.

When looking at the long-term benefits of marketing in a crowdfunding campaign, there has not been much discussion in the literature. The findings of Gerber, Hui and Kuo (2012) and Gerber and Hui (2013) focus more on crowdfunding as a marketing tool and its advantages with social media and publicity during the campaign than analyzing the benefits of marketing after the campaign. The reason could be that the benefits of the post-campaign phase is not so relevant and similar to this study's findings have little impact on most ventures. Nya-Evo was the only company that specifically mentioned gaining customers and interest through the campaign afterwards, while multiple other ventures indicated that little to no relevant attention was further received after finishing the campaign. Therefore the authors can in this study consider the relevance of gaining attention after a campaign on Kickstarter as of minor importance, considering the benefits that entrepreneurs receive. On the other hand, a more relevant aspect in the post-campaign phase is that ventures mentioned using the campaign as a reference of success. This was done to show that there is a demand for their product, for example, when talking to potential retailers and investors. In this respect the successful campaign helped them gain credibility and prove interest in the product.

5.4 The Impact of Pressure

The benefits of putting pressure on the venture and thereby progressing faster, leading to saving time, was an often mentioned aspect in the findings, an aspect the authors had not discovered in previous literature. While it might seem clear that forcing a fixed deadline and having certain obligations in terms of delivering the rewards put a different kind of pressure and seriousness on these newly-founded ventures, it was surprising to see how much of a difference this makes and that it would become a major benefit. Besides the negative aspect of creating stress for the entrepreneur, it became a benefit, leading to saving a lot of time in the venture's development. What this research shows is that most ventures discover this to be a beneficial aspect after using crowdfunding and as something that they did not actively incorporate in their planning beforehand. This is also shown in the fact that some entrepreneurs did not mention this specifically as a benefit, but throughout the interview indicated that the crowdfunding indeed helped them to get started and as well as provided them with a large amount of knowledge. The only venture that had this mindset from the start in a conscious way, that is, to put pressure on the venture and speed things up, was Iweech, who mentioned this as being their main reason for engaging in crowdfunding.

Compared to other financing methods, the pressure in crowdfunding is especially large, since the entrepreneur and venture receive their funding as a payment after a successful campaign and subsequently have to deliver the reward within a timeframe that they committed themselves to in their campaign. While pressure exists even if a venture uses more traditional financing methods, like bank loans, business angels or venture capital, there is a different and precise goal in crowdfunding which is more focused and short-term. For example, a company has to pay back their bank loan, but do not get forced immediately to produce, market and sell their product. In crowdfunding on the other hand, there is an urge to deliver what the venture has promised in their campaign and that within a certain time frame that has been communicated beforehand.

As a result of this pressure, another beneficial aspect is that the venture saves a lot of time due to the fact that they have committed to date when they have to deliver the described product. Ventures like Iweech mentioned that this process has saved them multiple months in terms of the date of release of their product to the market. On the other hand this might in many cases also come with a few drawbacks. The downside of this can be that companies are forced to produce too fast without enough research and quality control. For example, William Walker, delivered a product that turned out to be different from what the company and its backers had expected, which led to a recall of the watches. The downside of pressure can also be seen in comments from the interviews where most entrepreneurs mentioned they needed more preparation time before launching in order to be more successful and to deliver a better product. Despite these drawbacks, it can always be said that more time in preparation is needed; however, data from this study shows that all of the ventures managed to deliver and this brought them to successfully starting their ventures.

In line with the drawbacks of putting pressure, the interviews also revealed that most of the ventures underestimated the amount of work that a crowdfunding campaign entails. Many ventures had false and almost naive perception of running a campaign. This could be attributed to the inexperience that the majority of these entrepreneurs had prior to founding their venture. In that way a crowdfunding campaign can have a very grounding experience and provide a valuable learning experience for young entrepreneurs. Another false image of seeing crowdfunding as an easy way to get started or to receive funding discovered in the interviews is that multiple ventures expressed the difficulty of competing with established and experienced larger ventures that also use crowdfunding to launch and sell their products. This finding can

be linked to the ones of Brown, Boon and Pitt (2017), who discussed similar thoughts in their paper.

Considering how ventures underestimated the workload of a crowdfunding campaign, the data is also in line with previous post-campaign literature by Mollick (2014) and Mollick and Kuppuswamy (2014) as we discovered major problems for almost all interviewed ventures regarding delays in the delivery of products. With the exception of Say Time, most ventures delivered within a few weeks up to two months later. Interesting here was the difference depending on which country the product was shipped to. As indicated by Mollick (2014) and Mollick and Kuppuswamy (2014), project size and overfunding correlate with delays, which the data confirms.

In terms of the planning of a schedule leading to reduced delays mentioned by Vanacker, Vismara and Walthoff-Borm (2018), the interviews showed that the only venture that delivered all rewards on time had planned out a schedule with a one-week margin, but even the venture with the longest delays had an estimated scheduled plan that did not workout. It should be noted that Say Time, the only venture to deliver on time, was also the only venture to produce their products in-house and thus did not rely on an external manufacturer. This could be a major reason for many of the delays in crowdfunding, that outsourced manufacturers do not live up to their estimations, which is something many ventures like Iweech and William Walker mentioned in their interviews.

6 Conclusion

The aim of this study was to explore how entrepreneurs perceive the benefits of reward-based crowdfunding and what unexpected benefits they experience after a successful campaign. To answer this question, we engaged with previous literature on crowdfunding, post-crowdfunding development and benefits, then conducted interviews with eight entrepreneurs from different ventures who all successfully completed a crowdfunding campaign. This allowed us to compare previous findings from academic literature with real life experiences in order to draw conclusions regarding similarities, differences and new findings. While the results confirmed previous findings from literature regarding the importance of funding, marketing and validation of ideas, the results of this paper show that there are differences to a certain extent to previous literature concerning the perceived benefits before and after a campaign, as well as unexpected benefits.

Starting with the funding aspect, the results of this paper indicate that the importance of financial benefits is overestimated by many entrepreneurs. While it is one of the main reasons for entrepreneurs to engage in crowdfunding and is essential for the start of production, the financial gains are in hindsight often perceived lower than expected by the entrepreneurs. Likewise, the other benefits that crowdfunding provides are perceived as more important in the end.

In terms of validation of the idea, the interviews revealed that, similar to the literature, it was crucial for most entrepreneurs to be able to test the market and interest in their product. On the other hand, this study discovered that while feedback was very valuable, co-creation and changes of the product were often not possible during the campaign and this feedback was instead incorporated into future versions.

When choosing crowdfunding, marketing was perceived as being highly important by most entrepreneurs; however, the possibility of receiving attention was underestimated by a few of the interviewed ventures. While crowdfunding provides a good platform to gain visibility, an important insight this study reveals is that entrepreneurs need to engage a lot more into

marketing activities in order to fully take advantage of this benefit. More financial investment and work engagement by the entrepreneur are needed than prior research points out and this might increase over time as crowdfunding evolves and becomes more competitive.

A new and unexpected finding of this paper was the use of crowdfunding to pressure the ventures, leading to fast progression as a major benefit. When engaging into reward-based crowdfunding, many of the ventures underestimated the amount of work and pressure this would bring. In hindsight, it accelerated the startup process and saved the entrepreneurs time to launch on the market. This is a benefit that the authors did not discover in previous literature on crowdfunding.

Concluding this paper, the discovery has been that reward-based crowdfunding provides many benefits to entrepreneurs, although it should not be underestimated as an easy way to finance a venture. Furthermore, crowdfunding should not be seen solely as a financing platform. Rather, it should be viewed with all the benefits it provides. Entrepreneurs should only engage in reward-based crowdfunding if they perceive more benefits than simply financial gains. With this paper, the authors hope to provide relevant and novel insights to the academic community and to future entrepreneurs in terms of: what entrepreneurs can expect, how they can benefit from a crowdfunding campaign and how they can manage their expectations accordingly.

6.1 Limitations

Considering the limitations that this paper is exposed to, the results should be regarded with certain care. The first aspect is that the authors of this paper have been limited, considering the timeframe of this research. Furthermore, the current pandemic situation in the world has further limited the research, in that all interviews had to be conducted online.

The authors presented and reasoned for the selection and focus of specific data of this study. Despite that, it is important to indicate that the study is first and foremost limited to the specific crowdfunding form of reward-based crowdfunding and does not include other crowdfunding financing forms. Neither is it applicable to any of the other forms due to specific differences that each form brings. In terms of the time limitation and the sample size, this paper only

researched ventures within the field of product design. Thus, the results' applicability and generalizability to other industries within reward-based crowdfunding cannot be guaranteed.

Furthermore the research only focused on ventures using the Kickstarter platform and therefore possible differences between platforms are not incorporated into the study. Another limitation was choosing only ventures in Europe, which might differ from other regions that have not been covered. Considering the campaigns' recent completion date within the past 24 months, it is possible that certain benefits resulting from a longer period of time after the campaign might not be considered in this study.

6.2 Implications and Future Research

Considering the aim of this study to further deepen the knowledge of experiences on crowdfunding benefits, it would be of interest in future research to expand this research. First of all, it could be of relevance to test and verify these findings with a larger sample size. Another future research approach could be to validate and test the findings using a quantitative research method. Considering the size of this study, it would further be of interest to conduct a more in-depth research covering multiple industries within reward-based crowdfunding in order to compare the results' applicability to other industries besides product design and receive deeper insights into overall applicable results. It would also be relevant to study other forms of crowdfunding and to draw comparisons

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Appendix A

Interview Guide Template

Our interview consists of 3 main blocks:

- Before campaign
- During campaign
- Post-campaign

Benefits of using crowdfunding: Before Campaign

Topic	Question	Mentioned?
Overview	How and when did you come up with the idea the first time?	
Overview	Can you give us an overview of the timeline from the idea until today with some key milestones?	
Reasons and Motives	What attracted you to crowdfunding in the first place?	
Reasons and Motives	What were your expectations of the crowdfunding campaign?	
Reasons and Motives	Before the campaign, what were the main benefits of using crowdfunding?	
Process	How was the process preparing for the campaign?	

Changes in the company: During the campaign

Topic	Question	Mentioned?
Reasons and Motives	How was the experience of the crowdfunding campaign?	
Changes	Did anything unexpected happen?	
Changes	Did you have to make any changes to your venture, campaign or product during the campaign?	
Feedback	How was the interaction with the crowdfunding community during the campaign?	
Feedback	Did you get any valuable feedback or help through the campaign? If yes from who?	

Marketing	How was the publicity of the campaign? And how long did it last?	
Marketing	Did you receive any special attention through the crowdfunding campaign?	

Achievements and impacts after the campaign: Post-campaign

Topic	Question	Mentioned?
Milestones and changes	What have been some major achievements for your venture after the campaign?	
Milestones and changes	How did crowdfunding impact your company after the campaign? Do you still feel any effects of it?	
Benefits	Reflecting back, did the expected benefits change during or after the campaign?	
Benefits	What new or other benefits did the crowdfunding campaign provide?	
Benefits	Did the campaign open new doors? Or close others?	
Reasons and Motives	What negative experiences did you have with crowdfunding? If any.	
Funding	Was the crowdfunding campaign the only financial source for your venture? If not, which others did you have?	
Funding	What did you use the amount raised for?	
Milestones and changes	Looking back were your expectations met after the campaign?	
Milestones and changes	Is there anything you would change in relation to your crowdfunding campaign? Do you regret any decision concerning the campaign?	
Process	How would you describe the work of a crowdfunding campaign?	
Reasons and Motives	Would you use crowdfunding again? (Why? Why not?)	
Overall	Is there anything else that you would like to share that wasn't covered in the previous questions?	

End of the interview

Appendix B

First Order Concept	Second Order Concept	Aggregate Dimension
Risk aversion Change of supply and demand Financial support Upfront investment for production	Low Financial Risk	Financial Influence
Self-financed No financial alternatives Covering production costs Break-even Less funding than expected	Limited Financial Resources	
Understand the audience Validating before investing Discover first audience Legitimacy Testing interest	Validation of Idea and Product	Market Approval
Communication with backers Feedback for improvement Lack of communication	Interaction with Backers and Co-creation	
Building a community Long lasting relationship Retail connections, Gain credibility Crowdfunding as a reference	Community and Network Building	
Huge advertisement platform, Visibility Marketing tool Large reach of customers Services tools offering Free press coverage and promotion Investment in advertisement before campaign	Building Awareness	

Pressure through deadline Accelerate idea Time saving Getting started Focus	Pressure Forces Progression	Venture Launch
Newness Inexperience Learning everything Very complex More preparation needed More work than expected Time optimistic planning Second-hand manufacturer Stuck in customs	Underestimating the Workload	