



NEW INSIGHTS FOR BRINGING CROWDS INTO CROWDFUNDING

[www.crowdnavigator.com](http://www.crowdnavigator.com)

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Master Thesis  
Media Management 2012



KTH Royal Institute of Technology



Stockholm School of Economics

- 1. Executive Summary**
- 2. Research Introduction**
- 3. Crowdfunding**
- 4. Competitor Analysis**
- 5. Industry Analysis**
- 6. Technology**
- 7. Conclusion**

**:: :: Executive Summary :: ::**

## Executive Summary ::

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- ✓ Concepts like group-buying and crowdfunding have ensured a fundamental power shift to the crowds. Crowdfunding in particular, by being listed among 10 Emerging technologies for 2012 by MIT Technology Review is a sign of technologists taking note. While US President Barack Obama's recent signing of the JOBS Act, conveniently known as the crowdfunding bill, is a sign of economists and policy-makers too taking note.
- ✓ The research explores the technology further through a website developed, called "Crowd Navigator - First Crowdfunding Matchmaking Cross-Platform Site", in order to explore and share aggregated crowdfunding information from a multitude of crowdfunding websites and with the involvement of industry experts.
- ✓ The thesis seeks to answer the fundamental question on crowdfunding - What steps can bring crowdfunding to the masses? - as the crowdfunding audience is yet to reach the levels of popular social media websites.
- ✓ The recommendation includes three aspects to be pursued by crowdfunding players, namely "educate", "engage" and "entertain" users in order to amplify the impact, as big as Facebook, viral videos and World of Warcraft (WoW) kind of gaming traction. The framework also suggests extending online activities in a fun and purposeful way offline - through the concept of "Gamification".

:: :: **Research Introduction** :: ::

## Research Question ::

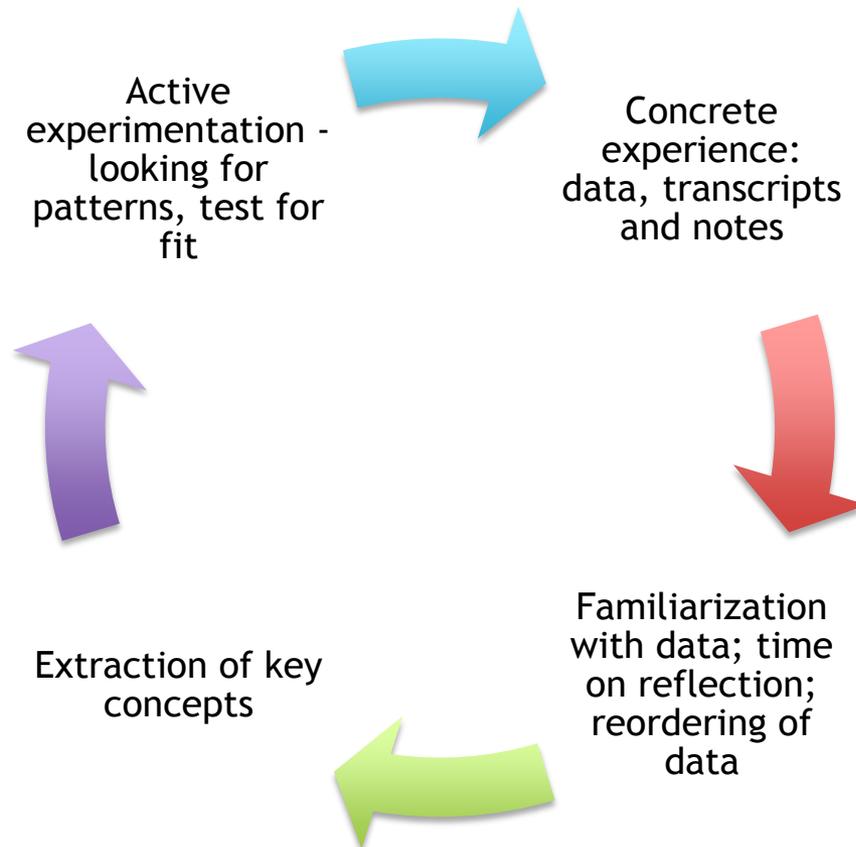
- ✓ What steps can bring crowdfunding to the masses?

Sub-questions:

- ✓ What drives users to be part of crowdfunding?
- ✓ What do crowdfunding companies offer?
- ✓ How do social media platforms impact crowdfunding?
- ✓ What are the emerging trends in crowdfunding?

# Research Methodology ::

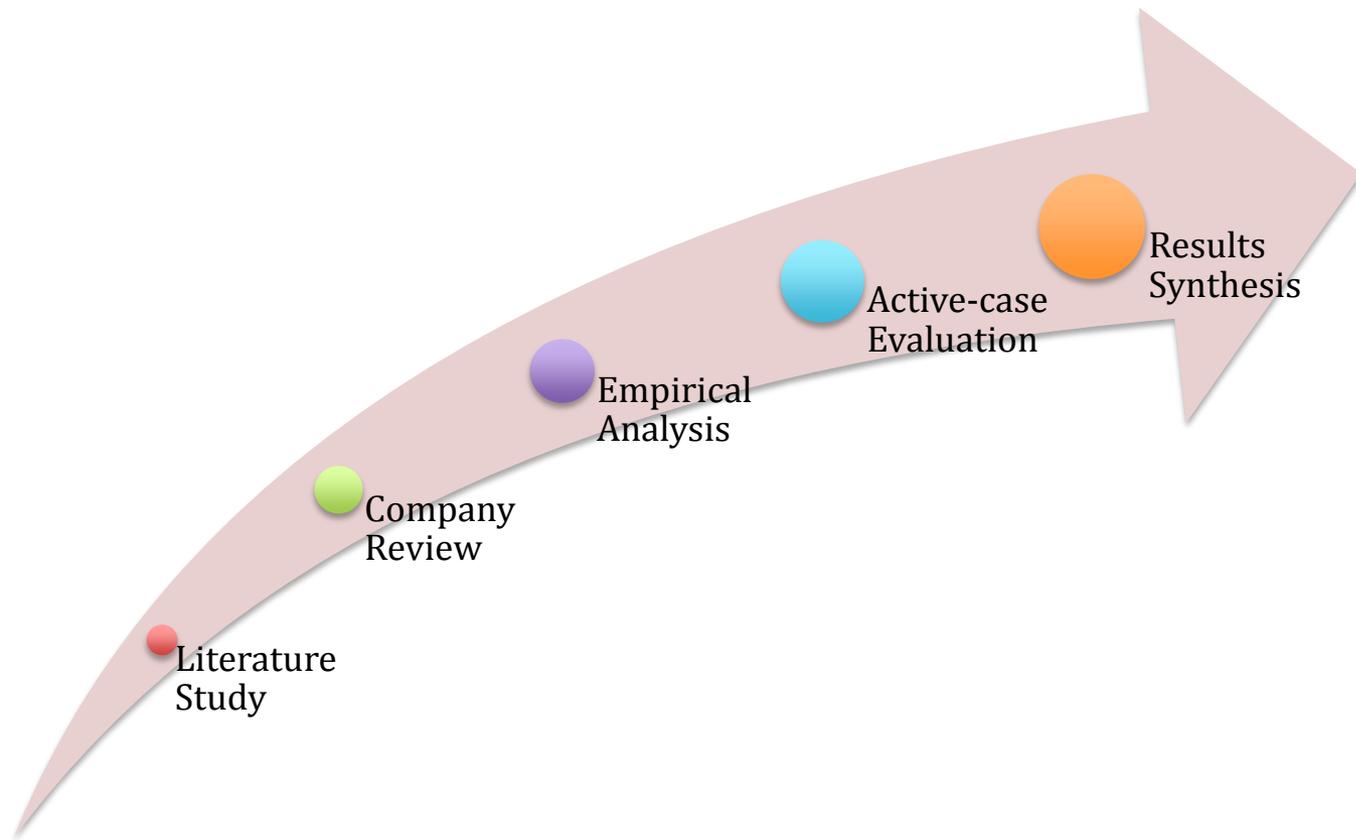
## Iterative model: Research process flow



Source: Emerald Insights

# Research Methodology ::

## Research Steps: Main elements in research



:: :: Crowdfunding :: ::

## Definition ::

“Financial contributions from online investors, sponsors or donors to fund for-profit or non-profit initiatives or enterprises. Crowdfunding is an approach to raising capital for new projects and businesses by soliciting contributions from a large number of stakeholders following three types of crowdfunding models: (1) Donations, Philanthropy and Sponsorship where there is no expected financial return, (2) Lending and (3) Investment in exchange for equity, profit or revenue sharing”

*(crowdsourcing.org)*

“Crowdfunding describes the collective cooperation, attention and trust of people who network and pool their money and other resources together, usually via the Internet, to support efforts initiated by other people or organizations”

*(Crowdfunding Law & Legal Definition US / Wikipedia)*

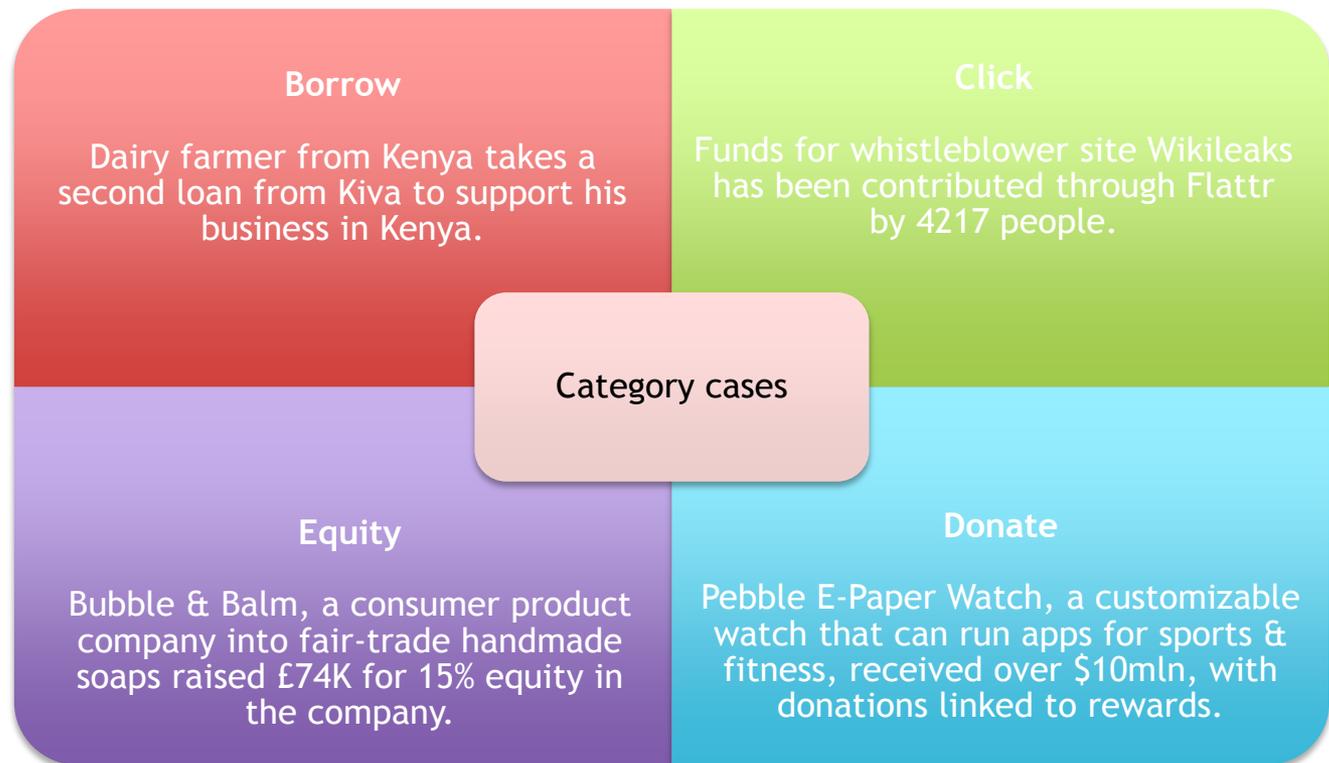
“Crowdfunding enables people to invest and contribute monetarily in various denominations to projects they wish to support. Crowdfunding is normally done via an online tool or platform”

*(Vinay Dora Kandiyallur)*

## Funding Categories ::

- ✓ “Borrow” Crowdfunding - funders’ microfinance projects in return for a small interest on the amount. E.g. Kiva, LendingClub
- ✓ “Click” or social button Crowdfunding - funders pay websites, blogs, videos, etc, through a social button added to the page. E.g. Flattr, Kachingle
- ✓ “Donation” Crowdfunding - funders pledge money in return for goodies or just goodwill. E.g. Kickstarter, Indiegogo
- ✓ “Equity” Crowdfunding - funders are offered equity stake in the company in return for capital. E.g. GrowVC, Crowdcube

## Category Cases ::



**:: :: Competitor Analysis :: ::**

*“It is through cooperation, rather than conflict, that your greatest successes will be derived.”*

*Ralph Charell*

**:: :: Industry Analysis :: ::**

## Case I - Understanding the Target Audience ::

- ✓ Peer influence has major role in youth endorsing crowdfunding projects
- ✓ 75.6% of people do not fund for purely financial return  
(*Ralph Wingerden, Jessica Ryan*)
- ✓ Funders value being portrayed as altruistic, empathetic, socially responsible, agreeable, or influential person  
(*Roanne van Leijden*)
- ✓ Audience looking for clearer expectation of benefits, and instant gratification in interactions [sic]  
(*Willi Schroll*)
- ✓ Niche users like science researchers, explore crowdfunding to further connect with people directly, and educate them of their work [sic]  
(*Riccardo Guidi*)

Result: Dichotomy between intrinsic and extrinsic influences on audience

## Case II - Sense-Making of Service Offerings ::

- ✓ Most crowdfunding companies offer “donate” funding model, but with new regulation changes some offerings include “equity” funding option
- ✓ Majority of successfully-funded crowdfunding project are creative projects, however segments like charity and technology startups are catching up
- ✓ There are critical differences in business models of even those companies with similar categories
- ✓ Most crowdfunding companies take a small percentage, of the total amount funded for the project

*(...contd.)*

# Case II - Sense-Making of Service Offerings ::

Matrix indicates more companies in the 'Donation' category



Sample size: 50 companies

**Result: Crowdfunding offerings are undergoing a transition**

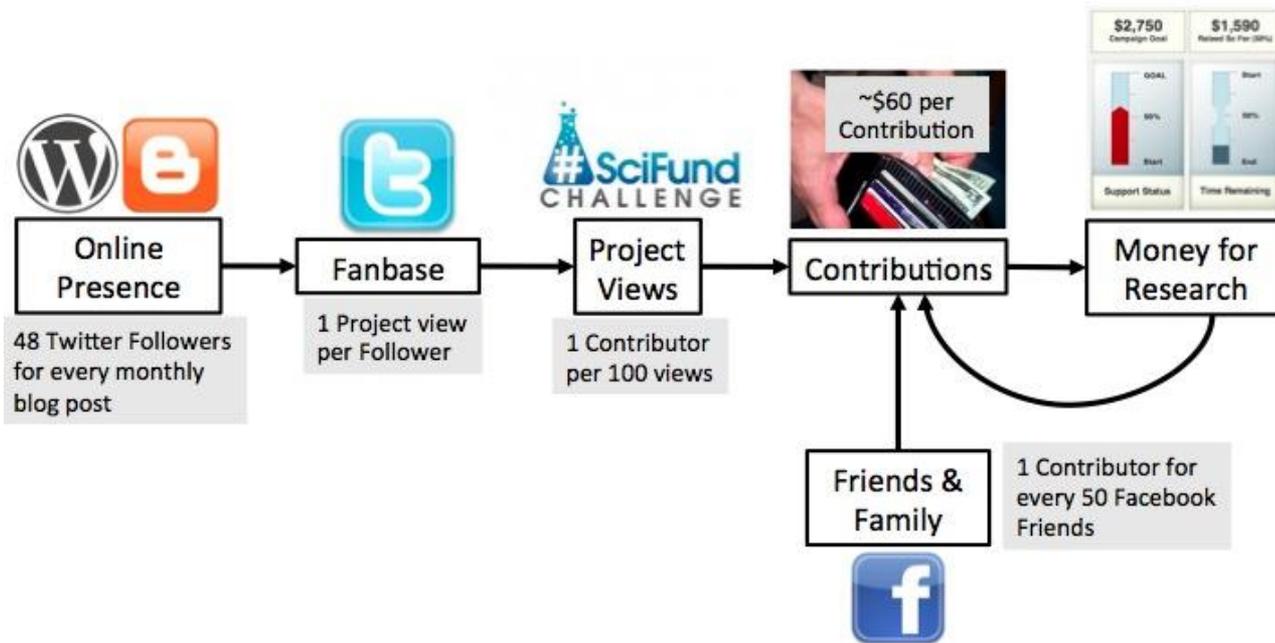
## Case III - Social Media Communication Review ::

- ✓ Facebook outreach is not as effective for receiving funds as a personal touch via email, phone-call, etc [sic]  
*(Karl Lindqvist)*
- ✓ Facebook Likes & Twitter Retweets cannot be an indicator for actual site usage popularity, especially for more complex funding marketplace [sic]  
*(Markus Lampinen)*
- ✓ For niche crowdfunding websites, plan to extend beyond online channels, leverage national TV for instance [sic]  
*(Colin Mutchler)*
- ✓ Expert online networkers, technology analysts and crowdfunding project-owners have more positive view of social media's impact

*(...contd.)*

# Case III - Social Media Communication Review ::

Conversion based on social media traction for 'SciFund Challenge 2011'



Result: Perception of social media's impact on crowdfunding varies.

## Case IV - Industry Trends Influencing Crowdfunding ::

- ✓ More segments of people can be added, those like startups looking for early-stage recruits, incubators, universities, bootcamps, angel networks, followers of new innovations and trends like journalists [sic]  
*(Markus Lampinen)*
- ✓ Value through better quality and sorting of video content [sic]  
*(Colin Mutchler)*
- ✓ Exponential growth in knowledge-building and sharing [sic]  
*(Bert-Ola Bergstrand)*
- ✓ Exciting stories of self-expression
- ✓ Extending online activities in a fun and purposeful way offline [sic]  
*(Willi Schroll)*

Result: Non-linear Trendspotting for future of crowdfunding.

# Forces of Change ::

## Political

- US JOBS Act, easier for small businesses to attract big investors
- Complexities in regulatory bodies in other blocks (EU for example)
- More lobbying needed in EU & other emerging world markets
- US policy decisions, like JOBS Act, followed closely by many nations

## Economical

- Funding landscape- players in “Donate” to move into “Equity” model
- Economic crisis leading to innovative solutions for job creation globally
- Alternative funding for ventures as banks become risk-averse

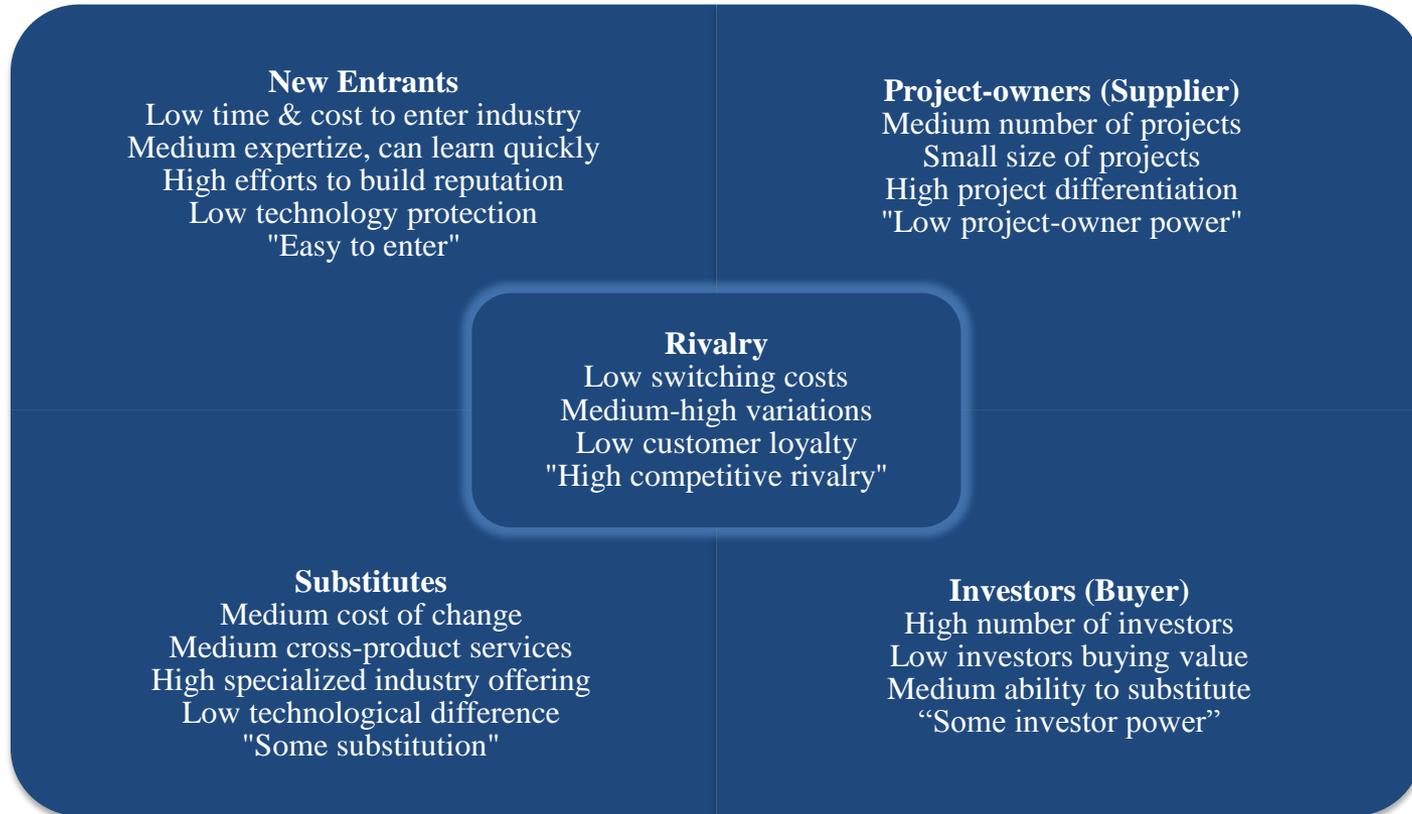
## Social

- Larger acceptance towards online payment mechanisms
- BRIC & Indonesia to have 1.2bn internet users by 2015, double of 2010
- Increase social content engagement & interaction

## Technological

- Mobile internet usage to overtake desktop internet usage in 2014
- Integration of apps with new secure payment & transactional systems
- Rise in disruptive technologies & web solutions companies

## Balance of Power ::



:: :: **Technology** :: ::

# The Mobile Revolution ::

## Changes

- Moving from desktops and laptops to smartphones is a challenge
- Responsive Web Design is used for many screen sizes
- Web sites must conform to both touch and non-touch screens

## Mobile

- Smartphone users are more eager to find content fast
- Apps must be functional, simple and elegant
- Multi platform usage is preferable

## Social

- Interaction and sharing is the new deal
- Learning from the customer is crucial
- Social Networks are crucial for information distribution

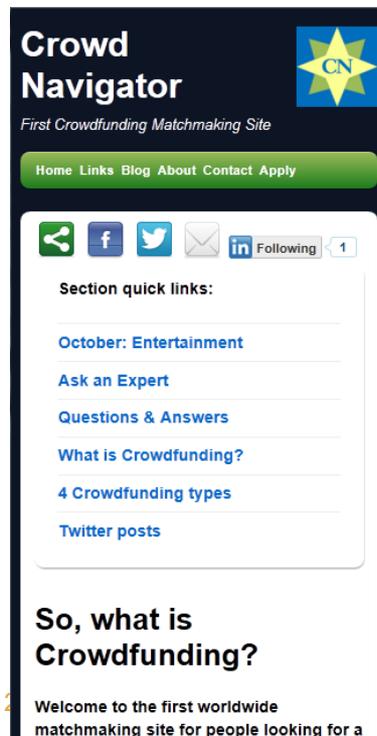
## Traditional

- Users and developers still keep one foot in the non-mobile world
- A site must also work on a traditional desktop with mouse
- Many users do not appreciate too fast changes

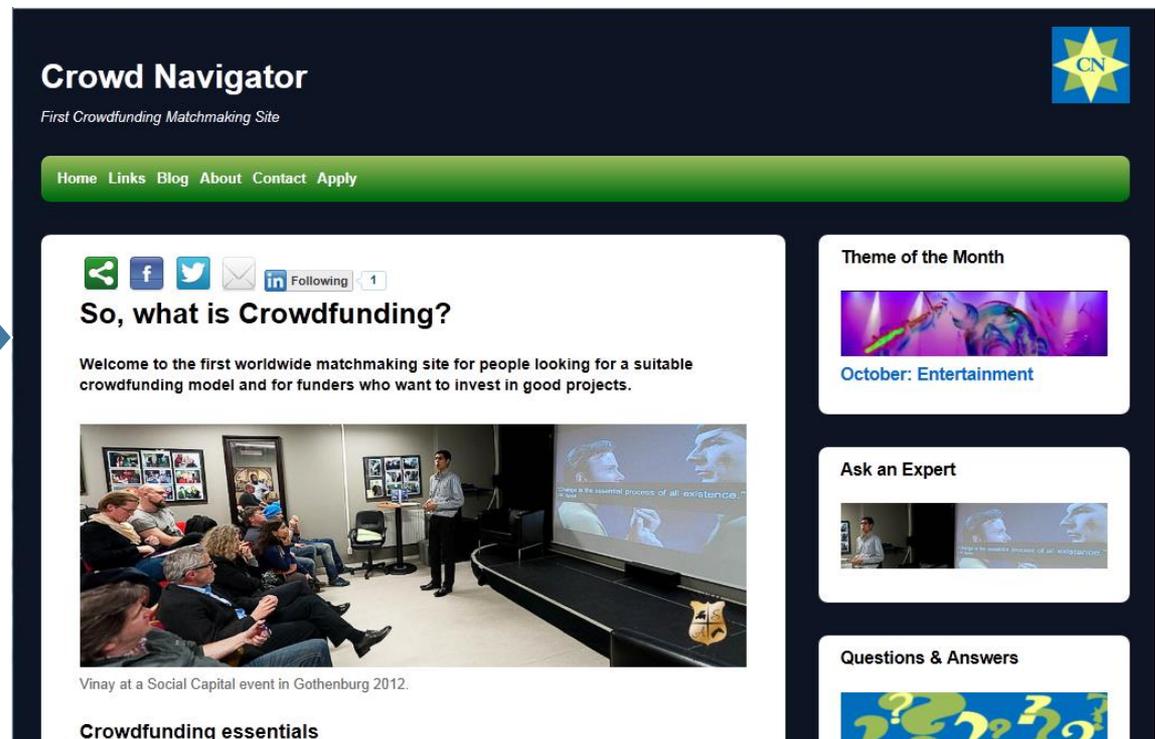
# The Live Site Experiment ::

- ✓ **Crowd Navigator**
  - ✓ Blogging with Wordpress
  - ✓ Social media interaction
  - ✓ Responsive Web Design
  - ✓ Cross-platform coding with HTML & JavaScript

Smartphone look



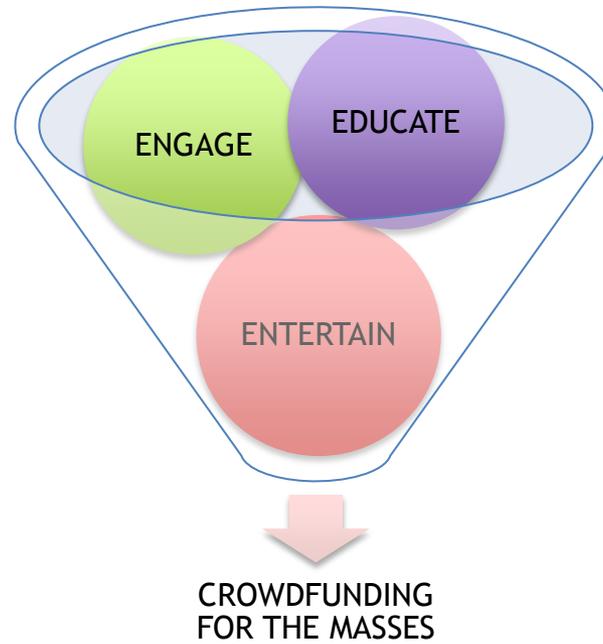
PC browser look



:: :: Conclusion :: ::

# Crowdfunding For The Masses ::

- ✓ Simplify information to educate the masses
- ✓ Engage users across popular social media channels
- ✓ Entertain audiences to increase user traction



## ✓ Interviews:

- ✓ Markus Lampinen - Co-founder, Grow VC
- ✓ Colin Mutchler - Founder, LoudSauce
- ✓ Karl Lindqvist - Founder, Polstjarna
- ✓ Riccardo Guidi - Research project-owner, Karolinska Institute
- ✓ Bert-Ola Bergstrand - Founder, Social Capital Forum
- ✓ Willi Schroll - Foresight Expert, Strategic Labs
- ✓ Philippe Greier - Founder, Playmakers Industries
- ✓ Michael Gawrys - Founder, Appagonia.com

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