



UNIVERSIDADE CATÓLICA PORTUGUESA

# Crowdfunding projects: what makes project creators feel successful?

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# Resumo

Ao longo dos últimos anos, o crowdfunding tem vindo a ganhar notoriedade enquanto ferramenta de financiamento alternativa aos métodos tradicionais, numa altura em que o empreendedorismo e as ideias inovadoras são cada vez mais uma fonte de criação de negócios. As campanhas de crowdfunding permitem uma aproximação entre o criador da ideia e os consumidores finais, levando a que estes últimos possam participar na transformação da ideia em realidade através de contribuições monetárias. O método mais popularizado é aquele em que, em troca de uma contribuição para o projeto, o contribuidor recebe uma recompensa, podendo esta ser, por exemplo, um exemplar do produto final, um agradecimento, um desconto. Além da evidente aproximação criador-consumidor final, são de salientar as vantagens inerentes a este tipo de interação: o produto é testado mesmo antes de ser produzido em grande escala, obtendo-se feedback e permitindo que sejam feitas melhorias ainda numa fase inicial; e ao fazer-se a apresentação da ideia/produto para apelar à contribuição monetária, comunica-se e publicita-se o produto, podendo este ganhar notoriedade. Associados a cada campanha existem objetivos definidos do seu criador, que podem passar apenas por atingir o objetivo monetário ou beneficiar também das outras vantagens inerentes. A avaliação de cada campanha depende sempre das expectativas pelo seu criador, e é este que a pode considerar ou não um sucesso.

Palavras-chave: crowdfunding, sucesso, objetiv



# Abstract

Over the last years, crowdfunding has been gaining visibility as an alternative financing tool in relation to traditional methods, in a time where entrepreneurship and new ideas are increasingly a means to create businesses. Crowdfunding campaigns make it possible to bring project creators and final consumers closer, giving these consumers the opportunity to participate in turning an idea into reality through monetary contributions. The most popular method is the one in which, in exchange for monetary contribution to the project, contributors receive a reward, which may be for example an article of the final product, an acknowledgement, or a discount. Besides the evident connection between creators and final consumers, it is important to point out other advantages associated with this type of interaction: the product is tested even before being produced on a large scale, being possible to obtain feedback and make improvements at an early stage; and when presenting the idea/product for raising monetary contributions, the product is disclosed and advertised, thus there is a chance of increasing the visibility of the product. Associated with every campaign, there are objectives defined by each creator, which may simply be achieving a monetary goal or also taking advantage of other inherent benefits. The assessment of each campaign always depends on the expectations of its creator, the person who is best able to decide whether or not it was actually successful.

Keywords: crowdfunding, success, goals.



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# Introduction

Over the past few years, a large number of projects related to entrepreneurship ideas have appeared daily in the media due to the fact that they were sold as new solutions for companies or gave origin to new companies. These projects were mainly created by individuals who were students, unemployed persons or working people and consequently did not have a company of their own and, in the majority of cases, also did not have the means to finance their idea.

In this scenario, how can someone raise the funds necessary to turn an idea into reality? Obtain financing from a bank? Use personal or family savings? In the first case it is necessary to provide some type of guarantee and in the second it is necessary to have sufficient funds to support the project. One way to deal with this issue is the use of crowdfunding. Although this method is not new, with the development of Web 2.0, which is characterised by greater interactivity and cooperation on the part of users, more pervasive network connectivity and enhanced communication channels, it became visible for a larger number of users. In a first approach, we can say that what makes crowdfunding exciting and appealing is its riskless impact and inherent advertising. The main goal of this Master's thesis is to understand the factors which contribute to the success of the phenomenon crowdfunding from the point of view of the project creator. In other words: we wish to understand the meaning of success when crowdfunding is used and which factors contribute to explain its success.

Considering that before presenting and discussing crowdfunding as a method for financing projects or ventures it is advisable to understand how the crowdfunding phenomenon has been dealt with in a scientific context, an

interlinked Literature Review is organised and discussed in chapter one for the aforesaid purpose.

After the Literature Review, the basis for our study and the methodology followed are presented. In chapter two, the sample group and the approach to the study are discussed and the rationale behind the chosen methods is assessed.

In chapter three, as a result of our interviews, motivations and the meaning of success for the project creators are presented, with special focus on some points in common which contribute to and enrich crowdfunding studies, namely the impact of communication and market tests in the definition of success and the long-term benefits of crowdfuning.

Finally, in chapter four, all the major findings are discussed and summarised, and the limitations of this study are identified.

# Chapter one

## Theoretical Background

### 2.1 Web 2.0 and Crowdsourcing

The evolution of the networked world at the beginning of this century led to the emergence of *Web 2.0* in replacement of web 1.0. However, although the *Web 2.0* concept was popularised in 2004 by Timothy O'Reilly in the first *Web 2.0* conference in San Francisco, it was firstly used by Darcy DiNucci in her 1999 article "Fragmented Future". Basically, with the appearance of *Web 2.0*, web-based applications began to rely on and be influenced by content generated by users instead of being rigid, which consequently involved market changes. Constantinides et al. (2008) define *Web 2.0* as a collection of open-source, interactive and usercontrolled online applications expanding the experiences, knowledge and market power of the users as participants in business and social processes. *Web 2.0* applications support the creation of informal users' networks, facilitating the flow of ideas and knowledge. This promotes efficient generation, dissemination, sharing and edition/refinement of informational

content. It is based on three main principles: focus on service-based, simple and open-source solutions in the form of online applications; continuous and incremental application development requiring the participation and interaction of users in new ways: not only consuming but also contributing, reviewing and editing content; and new service-based business models and new opportunities for reaching small individual customers with low-volume products.

The development of *Web 2.0* has been identified as an explanation to the quick proliferation of many phenomena in business, such as *crowdsourcing*. Indeed, some authors (e.g. Braham, 2008 and Kleemann et al., 2008) consider *Web 2.0* a prerequisite to the existence of crowdsourcing. In 2006, Jeff Howe introduced the term *crowdsourcing* to refer to the act of outsourcing a task to a crowd, for the purpose of explaining why several organisations have implemented online systems which gather ideas for new products and services from a large, dispersed “crowd” of non-experts. It is the act of taking a task traditionally performed by a designated agent (such as an employee or a contractor) and outsourcing it by making an open call to an undefined but large group of people (Howe, 2008).

Another term was used by Kleemann (2008) to refer to this emerged tool: *working consumer*. Although being quite similar to crowdsourcing, he emphasises a figure who actively takes part in the production process and replaces a former need for employees to perform specific tasks, creating value. These working consumers’ capacities, or consumers’ experiences, are valuable economic assets and are integrated into corporate structures, and their actions can be monitored as regular employees.

Crowdsourcing is a matching between knowledge, talent and those who need it to continue to upgrade their ideas and business. The crowd could be asked to contribute with new ideas for products and services, to develop solutions to a

specific problem or even to use their own money to finance the development of a new business. One of the best examples of crowdsourcing is the Innocentive Platform, where companies such as NASA and The Economist launch challenges to a network of millions of problem solvers. These companies partnered with InnoCentive to rapidly generate innovative new ideas and solve problems faster, more cost effectively and with less risk than ever before. Innocentive describes its methodology, Challenge Driven Innovation, as an “innovation framework that accelerates traditional innovation outcomes by leveraging open innovation and crowdsourcing along with defined methodology, process, and tools to help organizations develop and implement actionable solutions to their key problems, opportunities, and challenges” (<http://www.innocentive.com>).

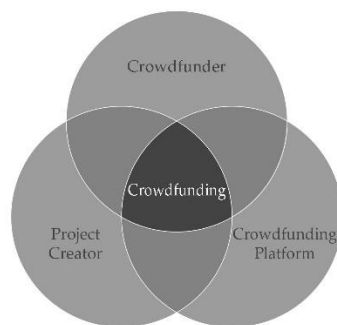
## 2.2 What is crowdfunding?

As claimed by Jeff Howe in his 2008 article, “crowdfunding isn’t new. It’s been the backbone of the American political system since politicians started kissing babies. The Internet so accelerates and simplifies the process of finding large pools of potential funders that crowdfunding has spread into the most unexpected nooks and crannies of our culture”. As Howe mentioned, the Internet has been the facilitator, so this practice became more than an informal act.

Ordanini (2009) refers to crowdfunding as a collective effort by people who network and pool their money together, usually via the Internet, in order to invest in and support efforts initiated by other people or organisations; Schwienbacher et al. (2010) suggest a rather similar definition: it involves an open call, essentially through the Internet, for the provision of financial

resources either in form of donations (without rewards) or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes. No matter the definition we use to explain this phenomenon, they all converge to a method of financing projects through a public appeal, via the Internet. Although this definition is consensual and used by many researchers in this area, Gerber et al. (2013) consider that the definition is too focused on the exchange of funds. When studying motivations from both creators and crowdfunders, evidence was presented strongly suggesting that participants exchange resources with the goal of learning from and connecting with others; therefore, we cannot explain this phenomenon only in relation to monetary contributions.

When characterising the crowdfunding phenomenon, it is important to identify its participants: 1) Crowdfunder: someone who contributes financially to the projects of others; 2) Project creator: someone who creates a project/has an idea and wants financial support; and 3) the Crowdfunding platform: online site where information is available and promoted for all the parties (Figure 1).



*Figure 1 - Crowdfunding parties*

### *Forms of crowdfunding*

Although this is a recent field of study, the crowdfunding phenomenon has been studied from different perspectives, trying to understand its importance

and impact. Two different approaches will be presented here: one regarding what contributors are expecting to achieve with their contributions (fundings' form) and another one regarding the moment when it occurs.

Based on what supporters are expecting to achieve with their contributions, four types of crowdfunding can be identified, which are consensual and have been mentioned by many authors (e.g. Leite (2012); Rodrigues (2014); Santos (2015)):

*Equity-based crowdfunding*: individuals who invest in this type of crowdfunding model expect, when the campaign achieves the desired final amount of financing, the right to detain a percentage of the company's equity.

*Lending-based crowdfunding*: the amount of money invested by crowdfunders returns to them within a given period of time, established when the campaign was launched.

*Reward-based crowdfunding*: crowdfunders receive a reward depending on the amount invested. The set of rewards is presented with the project and works, usually, by levels: the more you donate, the more you will receive. Sometimes it is a pre-sale of the product or service that is being created. This is the most common type used by crowdfunding platforms.

*Donation-based crowdfunding*: the funds are collected by donation and consequently supporters are not expecting any return on that particular investment. This is usual when funding charitable projects or non-profit organisations.

Although it is not used by any platform, a fifth type has been proposed by Leite (2012), which enhance another important viable solution. It will be included here, regarding to its relevance.

*Hybrid-based crowdfunding*: it results from a combination of one of the previously mentioned types with another financing method. This source of financing (e.g. personal savings, bank loan) provides a substantial percentage of the total amount needed in combination with one of the other types of *crowdfunding* (Leite, 2012).

Each project creator should analyse which one matches the project goals and understand whether the crowdfunding platform that he is planning to use operates in the way sought. In Portugal, the law only permits two types of crowdfunding to be operated: donation-based and reward-based. However, the two main Portuguese platforms (PPL and Massivemov) only use the reward-based system, because it has been proved that reward has an important role in individuals' motivations to contribute.

Regarding the contributors' objective when donating money to a crowdfunding campaign, Kappel (2009) has introduced two kinds of crowdfunding: *ex-ante* and *ex-post* crowdfunding. He distinguishes them as follows: *ex-post crowdfunding* occurs where financial support is offered in exchange for a completed product; *ex-ante crowdfunding* happens when financial support is given on the front end to assist in achieving a mutually desired result. This second type assumes that it is necessary to achieve a goal for launching or not launching the project.

### *Motivations*

Another topic that raises researchers' interest is the motivation to use crowdfunding as a financing method. As crowdfunding is composed by project creators and donators, it is important to separate what motivates each party to participate. Our Literature Review enabled us to find some relevant studies on what drives both funders and project creators to participate in crowdfunding.

As regards what drives crowdfunders to participate, Harms (2007) considers that it seems necessary to merge social, economic and psychological perspectives to achieve a comprehensive understanding of consumers' motivations to invest in a crowdfunding project. Gerber et al. (2011) argue that funders are motivated to participate in order to seek rewards, to support creators and causes, and to strengthen connections with people in their social networks. Generally, participation may have a significant effect on the economy by encouraging a more diverse set of people to start small entrepreneurial ventures, influencing the ideas that are introduced into the world. Extant research shows that contributors desire to collect external rewards, such as an acknowledgment, a tangible artefact, or an experience. They are also motivated to increase their funding amount to get a desired reward (Gerber et al., 2013).

With regard to what drives project creators to use crowdfunding as a financing method: creators are motivated to participate for raising funds, receiving validation, connecting with others, replicating successful experiences of others and expanding awareness of their work through *social media* (Gerber et al., 2013). The crowdfunding itself is based on constant feedback and incentives that can determine the future directions of the project. Rodrigues (2014) highlights the evident advantages in cost-efficiency and learning processes of using crowdfunding.

### *Success*

Although project creators have motivations to use crowdfunding to finance their projects and donators respond to the appeal to contribute, it is important to define some factors in order for a campaign to achieve success. Leite (2012) has identified some factors which contribute to the success of crowdfunding campaigns, such as: planning the project properly, making sure that when it is presented to the public it is sufficiently clear and attractive; rewards have an important role as a motivational factor, they are normally the main reason that leads people to invest and for successful projects to offer tangible rewards in exchange for contribution; enrolment of consumers: communication has crucial influence, being carried out by video means, by a written description of the initiative, and by updates provided during the process; and *crowdfunding* is best suited for ideas that are not very expensive.

Some types of crowdfunding have been proved to be more successful. Matos (2012) analysed the relationship between the type of incentive that a platform chooses to incite users to invest and the impact that it has on the total amount of money raised by that platform. Prizes are the most popular form of incentive on platforms; however, platforms which use this type of incentive raise, on average, less money per year than interests, donations and equity platforms. Despite the huge contribution of these studies, there is a lack of investigation concerning the connection between project creators' motivations and the success of campaigns.

Crowdfunding emerged as a financing method, even if the majority of the first crowdfunding platforms were created for charity purposes and used the donations model (Matos, 2012); but when analysing what drives project creators to participate (see Figure 2), Gerber et al. (2013) stress that project creators are

motivated to use crowdfunding platforms because it provides an easy, efficient, organised way to solicit and collect financial support from many people in a distributed network. The *need to collect money* and the achievement of the proposed monetary goal leads to the success of the online campaign, but the need to communicate (the idea to the public) is also pointed out – *Public opinion and Marketing* – as well as the need for validation – *Market test and Acceptance*. The fact that a significant number of people believe in a business to the point that they put their own “skin in the game” is a powerful sign that it will do well on the market (Matos, 2012).

If project creators are looking for more than money, how does this impact on their evaluation of the success of the project? At this stage, the answer to this question is not clear and therefore this study will try to contribute to assess the impact of non-monetary goals on the overall assessment of success.

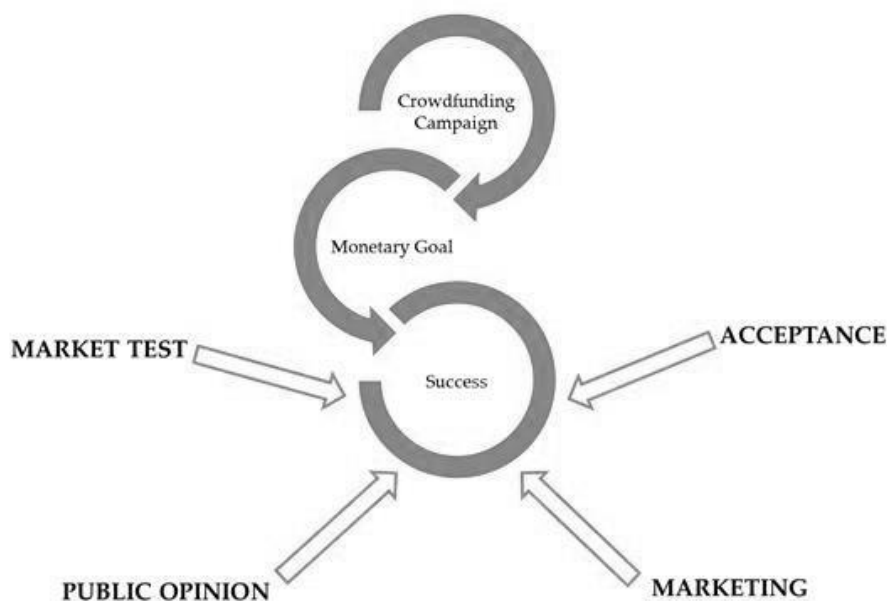


Figure 2 - Project creators' motivations. Source: our own.



# Chapter two

## Methodology

Considering that the goal of this study was to identify and understand people's perception of success, it was decided that in order to use a case study and to obtain data, a qualitative approach was more suitable since, according to Lukas (2004), qualitative data analysis can play an important role in understanding and resolving business problems; according to that author, qualitative data analysis can be especially helpful in the areas of initial discovery and preliminary explanation of the marketplace as well as in assessing customer behaviour and decision processes. The main goal of our interviews was to understand, through the experience of the project creators, how different motivations should be interwoven to achieve success.

The use of in-depth interviews was the chosen technique since, when used properly, this method allows for the interviewee to detail any given topic as much as possible. Interviews enabled us to obtain unrestricted and detailed comments, including feeling, beliefs and opinions which enrich the analysis (Lukas 2004).

### Sample and procedure

We interviewed six subjects whose campaigns have already ended; when the subject was an organization, the interview was made to a representative of that organization. More details about projects are shown below (figure 3). The following discussion topics have been addressed: a) reasons for choosing crowdfunding, b) the meaning of success, c) how the campaign was assessed and, when the monetary goal was not achieved, what would they change.

The interviewees were chosen from both the PPL and the Massivemov Platforms, since these two platforms represent the majority of the population of Portuguese crowdfunding campaigns.

Projects were chosen taking three criteria into consideration:

- 1) the nature of project – we wanted to include as many areas as possible, in order to introduce a variety of ideas;
- 2) their timing - projects had to be online between 2014 and 2015 (recent projects, so it was easier to obtain contacts);
- 3) the availability of the project creators to cooperate with the present study.

The first contact with the interviewees was made by email; fifteen project creators were contacted. In this first contact, the main goal of this study was

explained and, after their acceptance, the interview was conducted by phone or via Skype call. Every participant was informed that the discussion was being recorded and that the information would be exclusively used for this master thesis.

Campaign (Platform)	Area	Contact Person	Monetary Goal	Achieved Amount	Supporters	Facebook page
Quase um Doutoramento (PPL)	Science/Technology	Silvia Lino	750 €	1.136 €	52	facebook.com/PPLquasedoutoramento.mar
BeeSweet (MassiveMov)	Innovation	Ana Pais	10.000 €	1.375 €	40	facebook.com/www.beesweet.pt
Lusitiny (PPL)	Entrepreneurship	Carolina Marques	3.150 €	3.255 €	18	facebook.com/upwooding
Pictomed (PPL)	Social	Romina Fernandes	1.000 €	1.095 €	34	facebook.com/Pictomed
Liquen Boards (MassiveMov)	Sports	Paulo Pinheiro	8.000 €	1.400 €	14	facebook.com/LIQUENBoard
BeeRural (PPL)	Entrepreneurship	Raquel Alves	3.000 €	3.099 €	53	facebook.com/BeeRural.PT

*Figure 3 - Interviews Information*



# Chapter three

## Results

### 4.1 Results analysis

#### a. Motivations to use crowdfunding

The reasons presented by the project creators for using crowdfunding are in line with the motivations already described by previous research, namely:

#### **Collect money**

*“We had the idea of developing a crowdfunding campaign because our project was in an initial stage and needed financing. In Portugal, there are few options for financing projects in earlier stages, such as ours.” – Pictomed*

*“Our finances were compromised and, according to an online research we made, crowdfunding was the only way available to collect the money we needed in order to participate in InvestJovem...” - BeeRural*

Online campaigns are based on monetary goals, which means that during the time frame in which the campaign is online, it is supposed to appeal to contributors to achieve those goals. In order to have a successful campaign and develop their projects, project creators need to raise a certain amount. It is important to point out that Crowdfunding seems to be an easy way for projects in an early stage to collect money.

### **Communicating the project**

*“We did not increase our sales significantly, but we created awareness for our project which was extremely positive.” - Liquen Boards*

*“We decided that it would be an interesting way to advertise our project; it also made us think more seriously about the presentation of the project and how we should present our principles and our ideas; so we proceeded with the crowdfunding campaign. (...) Through the platform we were able to be interviewed a few times, namely with journalists and certain magazines. We even had a magazine we did not know about sending us a copy of an article they wrote about us, the project and the crowdfunding campaign” - LusiTiny*

*“Since it is a public appeal, it is also a way to advertise. It reaches more people. The difficulty [of financing the printing of PhD thesis] does not affect me alone; a lot of students, like me, had [their grants] cut. I thought that it was a way to cause a stir” – Quase uma tese Doutoramento*

Project creators benefit from the public exposure of the online campaigns. This supports the findings of previous research, which revealed that crowdfunding creators are given the opportunity to market their projects to the general public through social media and popular press (Gerber, 2013).

A long-term impact, that highlights the existence of positive unexpected impacts, was also identified; long term contacts generated by the campaign are an example of this. The level of advertisement achieved during the crowdfunding campaign sometimes lead to regular contacts with third parties, namely new business partners.

*“... Some articles were published. The magazine, which was published this month, mentions the campaign, and the campaign already ended last month. It cannot help the campaign anymore, but it helps promoting the product.” – LusiTiny*

*“Even yesterday I received an e-mail from a beekeeper, saying that he was interested in being a partner of our project.” – BeeRural*

As referred by BeeRural and LusiTiny creators, some advantages appear after the online campaign has ended. It is important to highlight that long-term benefits are sometimes created because of the online exposure, even after the end of the campaign.

### **Market test**

Crowdfunding campaigns allow for a low risk or even riskless market test. The feedback is, at this stage, a powerful tool to enhance the project and can be used to minimize long term risk. A positive feedback is considered an approval by

potential customers and the number of supporters and amount of money raised are often seen as a quantification of the commercial value of the project.

*“It was a market test, we wanted to understand the receptiveness and the acceptance of the general population” - LusiTiny*

*“It was a matter of promotion and communication of the project itself; understanding the acceptance and the curiosity it arouses...” - LusiTiny*

*“It was very important to receive the feedback from the people. We got a lot of appreciation messages for our project, its image, and it is very significant for us to have that kind of validation.” – BeeRural*

*“We even thought that if our campaign did not raise the money we needed, that we would send out a survey asking people why they did not support it: to know whether it was due to lack of money, whether there really was no interest or whether the project was not promoted correctly. Even when crowdfunding campaigns do not succeed, people need to be questioned.” – Pictomed*

Analysing these quotes, we realise how project creators can also use crowdfunding in order to obtain feedback for their projects, test their ideas and their market acceptance. It allows them to *“understand the receptiveness and the acceptance”* of potential consumers, so it works as a market test.

Leite (2012) considers that the use of crowdfunding allows for people to test the market by giving visibility to ideas before actually making an investment; it promotes the image of the brand and the creation of a fan base before its formal constitution, with low agency costs and without any costs of market research.

## **Boosted by contests**

Several interviewees mentioned that they were challenged by entrepreneurship contests to use crowdfunding as a financing method. In these contests there were business partnerships between the company or institution responsible for the competition and the crowdfunding platforms, allowing the contesters to use their tools.

*“We turned to crowdfunding through a competition, “Aveiro Empreendedor”. The City Hall of Aveiro created a contest which would involve a crowdfunding campaign through MassiveMov. Since we needed funding... so it happened.” – LiquenBoards*

*“We used Bet24’s channel, which promoted the finalist projects; that was great, because it gave our project some credibility. On the other hand, Bet24 awarded a prize to all finalists who wanted to create a crowdfunding campaign; even when the goal amount was not achieved, they could still keep the raised sum, - Pictomed*

*“At the time, we were applying to “Aveiro Empreendedor” and our goal was to develop our business idea. The product was not on sale yet and we were precisely trying to launch it, doing a pre-sale. We were developing the business plan and the business idea while applying to “Aveiro Empreendedor”. The better developed finalist projects would have the possibility of creating a crowdfunding campaign.” - BeeSweet*

Some competitions use crowdfunding as part of the evaluation, so contestants are encouraged to do their best improving and promoting their campaign. When crowdfunding is part of a competition, project creators are highly motivated to use it. Thus, besides the need to collect money, to advertise the

project and to test the market, the desire to win these competitions is also sometimes a strong motivation to use crowdfunding.

b. The meaning of success

Regarding success, almost everyone has a personal definition of its meaning. The same happens within the crowdfunding campaigns; every project creator has his or her own definition of success, depending on their expectations. Sometimes it is evaluated gradually within a certain time frame, and sometimes at a specific point in time; it can be influenced by one or by many factors; it can vary depending on the feedback.

*“In my particular case, I would say [success means] to achieve the pleaded monetary goal. But perhaps I could also mention a second aspect – the exposure/impact we had on social media, within our target community. The monetary goal was not achieved. We fell short of meeting our expectation. But regarding exposure, we had a very positive feedback.” - LiquenBoards*

*“It’s a sequence of consequences. In our case, success has to do with product innovation, with the passion we have for our company and the business idea, and with the capacity we have to be resilient and perseverant, and to not give up – not in the first try, not in the second try... and so on!” – BeeSweet*

### Hindrances to crowdsourcing

During the interview process, other issues were mentioned, revealing the perceptions of project creators about crowdfunding, in particular the

differences between the use of this tool in Portugal when compared to other countries, as well as their unexpected impacts.

It is important to point out that most of them consider that there is a lack of awareness about crowdfunding in Portugal, which is referred to as an obstacle. This financing tool depends on the general population, which means that if people do not know what crowdfunding is and how it works, it will not work properly and its benefits will not materialise. Creators note that the requested amount should be small in order for the campaign could be successful.

*“In Portugal [crowdfunding] is not at the same level as in other countries, which includes the support base... Even when we think that the campaign is good, people do not contribute...” – Quase um Doutoramento*

*“Crowdfunding platforms in Portugal are not well spread. The community is not informed about what it is and how it works. There is a lot of fear to invest. (...) And what we felt was that we had to explain what crowdfunding was, how it worked and what the advantage was of supporting the campaigns or projects on the platform. (...) Unfortunately, in Portugal the amounts requested have to be very small in order to achieve monetary success.” – Liquen Boards*

*“In Portugal, crowdfunding is still not very well developed. It is not a tool often used by start-ups or projects, precisely due to the fact that there is not much success and when there is, the amounts are quite small.” - Pictomed*

Managing a crowdfunding campaign is an interactive process that requires full-time dedication, which is sometimes impossible, since most project creators have other occupations. Firstly, it is necessary to prepare the project presentation according to the platform requirements; after its approval, and

while the campaign is online, the project creator needs to manage the comments, answer to people's questions and promote the campaign.

*"The crowdfunding campaign happened while I was in an international conference in China for seven days. A crowdfunding campaign needs to be advertised, has to be promoted within the social media. And in that period we really could not do it. We did not have the chance. We were focused on the fair, which was extremely important to us. There were many things happening at the same time..." – BeeSweet*

As previously mentioned, the projects subject to a crowdfunding campaign can vary; for instance, they can be scientific or artistic projects. However, the projects from social entrepreneurship seem to be easier to communicate and to be more likely to reach the proposed goals.

*"In Portugal [crowdfunding] works mainly for social entrepreneurship projects, that is, projects with a strong social impact, where sometimes rewards are not even material, but mainly acknowledgements... this kind of projects usually touch people's feelings!" – BeeSweet*

About the reasons that drive people to use crowdfunding, it is important to point out that:

Crowdfunding Campaign is about (=)

Collecting money, (+) Communicating the project and (+) Testing the Market

This does not mean that all three components need to be together so that the campaign can occur and be successful; it means that people use crowdfunding as a means to obtain (sometimes all of) these results. For example, the

interviewee from LusiTiny project states that their main objective was communication, since they can rely on other financing sources. *“Most of all, [we needed] the promotion and not so much the financing. We could manage financing, given that we have some partners. It was a question of promoting public awareness of the project”*; LusiTiny states that *“in our situation, for example, one [goal] was not achieved, while the other was. We did not increase our sales significantly, but we created awareness, which is extremely positive.”*



# Chapter four

## Discussion and Major Findings

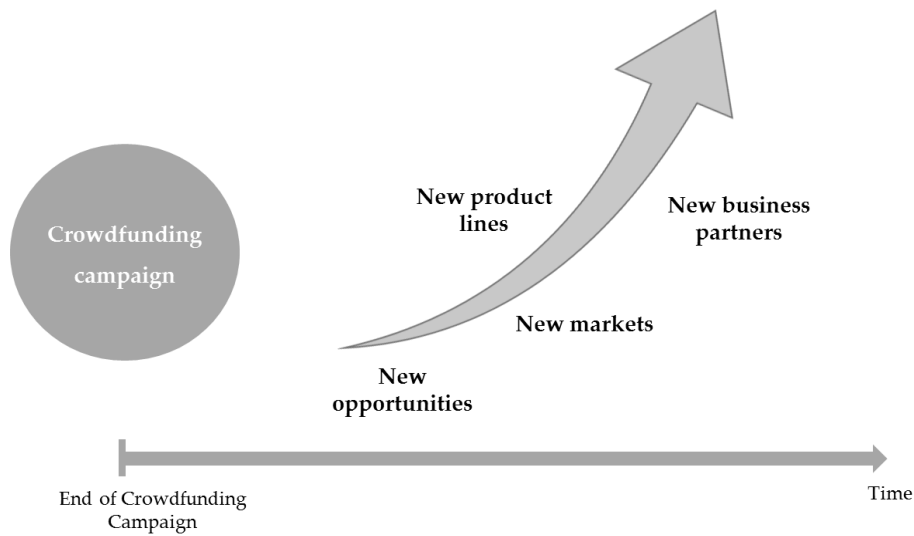
The emergence of crowdfunding allows for several business ideas to be transformed into real projects without financing being an obstacle. Regarding this matter, after the completion of the crowdfunding campaign there is a need to evaluate it. The first point to analyse is the amount collected; according to the attainment or nonattainment of the established monetary goal, it is described as **Successful** or **Unsuccessful**.

However, according to the interviews conducted, despite the monetary goal being mandatory for the platforms, we conclude that there are, at least, two other dimensions that should be considered and integrated when defining a project as being successful or unsuccessful:

**Communication/Advertisement:** the business idea or product is promoted in the platform as a new campaign. Not only the platform publishes it but it is also publicized by the project creator, as well as their friends, colleagues and others, who spread the word so that it reaches as many contributors as possible. Because of this process, the project is given a lot of promotion that would not happen otherwise.

**Market test:** it offers creators the opportunity to put their idea or product directly in contact with potential buyers. It is possible to assess whether a sample of a product will sell and even improve it before it is produced in a larger scale. Therefore, we are able to conclude that crowdfunding is not exclusively about collecting money: the business idea can grow even without the monetary goal being achieved; the benefits of public exposure in crowdfunding platforms allow project creators to upgrade their potential or/and real business. Even when the monetary goal isn't achieved, these other factors could have a positive impact in the project and lead to success.

The interviews also allowed us to realize that crowdfunding has a great potential to help new business and ideas grow, working as a communication test and as a market test. The benefits of this tool are suggested to have a long-term impact. In a certain way, it extends the benefits of participating in a crowdfunding campaign. The evaluation of the success of a given crowdfunding campaign is not a process that ends with the end of that campaign; the crowdfunding dynamics require several evaluations, according to the opportunities that appear. It is possible to infer that the impact of crowdfunding in a business development does not stop after the end of the online campaign.



*Figure 4 – Crowdfunding campaign long-term benefits. Source: our own.*

It was also possible to infer that there are, as it would be expected, some aspects that could limit the use of crowdfunding. Project creators feel that there is a lack of awareness about crowdfunding in Portugal that hinders the interaction between creators and donators. In this respect, the use of this tool in contests and challenges is beneficial, since it has the potential to improve crowdfunding awareness and use in the general population.

Project creators also expressed their opinions concerning the availability of the donators to contribute. In Portugal, people are still more likely to donate when they are somehow related to the project creator. Therefore a project might benefit more from a large social network than from an exceptionally developed campaign.

### *Limitations*

In this master thesis, limitations regard mainly the following three points. Firstly, only the Portuguese case is analysed. Crowdfunding is a global phenomenon, but it is still underdeveloped in Portugal when compared to other countries, such as the United States. This fact hindered the selection of a larger sample. Secondly, the themes of crowdfunding projects are so heterogeneous that the sample used is too limited to cover and represent the majority of them. Thirdly, all the interviews and inquiries were conducted in Portuguese, since both the interviewees and the interviewer were Portuguese native speakers. All the information provided during the interviews had to be translated into English, which often creates problems, particularly when, as in this case, the language used is rather colloquial. The author hopes, however, that the integrity of information has been completely maintained.

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# Appendixes

## Appendix no. 1: Interviews' guideline

1. Porque recorreu ao crowdfunding? (Ex. Financiamento, comunicação, publicidade, testar mercado, possibilidade de novos parceiros.)
2. O que é para si ter sucesso? Essa definição de sucesso é aplicável ao crowdfunding? O que é sucesso neste caso? Caso não tenham resposta, generalizar.
3. Já depois da campanha concluída: Quais os factores que devem estar reunidos para considerar que uma campanha tenha sido bem-sucedida? É apenas uma questão de atingir o objectivo monetário?
4. A medição do sucesso pode ser imediata? Ou deve ser medida apenas ao fim de um dado período? Todos os factores podem ser medidos ao mesmo tempo? (ex. Factor monetário é imediato e os restantes não?)
5. Caso dos projectos que atingiram o objectivo monetário: e se não tivesse sido atingido?
6. Caso dos projectos que não atingiram o objetivo monetário: que causas identificam para tal? O que teria mudado em termos de percepção de sucesso?