Crowdfunding - Startups' alternative funding source beyond banks, business angels and venture capitalists.

Master’s Thesis

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Abstract

Entrepreneurship is the ‘lifeblood’ of every economic development. It is a process of identifying ideas and launching a venture, allocating and organising the needed resources and facing the risks and rewards of it. As a research field entrepreneurship is one of the most researched subjects in entrepreneurial finance. Entrepreneurial finance has mainly focused on formal financing sources, like business angels, banks and venture capitalists. Since 2008, crowdfunding appeared as a financing source and become very popular. Many people – the crowd – can fund different ideas, which they think are worth to get realised. The global scale surpasses $ 5,1 billion in industry revenue by the end of 2013. Compared to traditional financing, crowdfunding allows not only to get debt and equity-based financed. Also donation- or reward-based financing is possible. This thesis involves crowdfunding in a debate if it is an appropriate tool for ventures. Beyond the obvious financial benefits, the motivations of entrepreneurs, who opt for crowdfunding, is going to be researched. That thesis uses an explorative approach, meaning qualitative method will be used. In order to get in-depth information, 60 entrepreneurs in Germany have been asked to participate in interviews. The results out of 5 interviews were used. The outcome of this thesis, crowdfunding is perfect to attract attention and to market ideas or projects. It is an opportunity to sell products or services to early adopters. Additionally, crowdfunding is ideal to get funded quickly and can bridge financing gaps. The research is meaningful for the field of entrepreneurial finance. Still, crowdfunding has its pitfalls, which should not be underestimated. These findings inspire other scientists to further the analysis on entrepreneurial finance and motivation by including crowdfunding.
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1 Introduction

Entrepreneurship is the ‘lifeblood’ of every economic development. It is a process of identifying ideas and launching a venture, allocating and organising the needed resources and facing the risks and rewards of it. As Schumpeter (1934) says entrepreneurship is a dynamic approach that does not invent anything, but it rearranges and converted existing business models into new innovations. It is characterised by identifying and developing market opportunities, their implementation and turning them into profit. Within the entrepreneurship research field entrepreneurial finance takes a major role and is one of the most investigated part. Entrepreneurial finance deals mainly with making financing decisions and investing in new projects. It studies ways to gather resources and identifies the venture’s advantages and disadvantages for each financing source at the beginning of its life cycle. It is highly connected to the fields of venture capital, private equity and innovation. Research on entrepreneurial finance is related to the question ‘where can startups raise capital?’

When realising an idea or setting up a startup the question how to finance it comes up automatically. Starting a business is always related to a high risk of losing money or even failing. Basically, a startup is a business proposal (Sandler, 2012). There is no proof of concept so far and the idea on which a new business is built has to be proven by the market. This risk is the reason why raising money is extremely difficult for ventures. Not so very long ago entrepreneurs could only go to business angels, venture capitalist, banks or loan giving institutions for financing their business ideas. These potential financing partners were the only ones who could believed in the idea – financing the project – or not – denying the money (Sandler, 2012). If the financing partners did not recognise the whole potential of the idea there were not many alternative financing solutions left. Since the financial crisis “there has been a sharp fall in the availability of bank lending to new and small businesses” (Harrison, 2013, 283). Crowdfunding could filling this gap and has changed the funding side for startups fundamentally (Belleflamme, Lambert, Schwienbacher, 2013). It is a synonym for diversity of structures under which funding for startups or projects can be gathered from a large number of individual investors. “Crowdfunding in the venture capital context as a source of start-up equity capital pooled via small contributions from supporting individuals collaborating through social media” (Ley, Weaven, 2011, 86). In today’s difficult economic situation, crowdfunding is attracting the interest of investors and startups by seeing it as an alternative method of funding. Many people believe in a certain idea and become investors. Crowdfunding platforms offer an alternative or a complementary type of funding in smaller
volumes, addressed to startups or freelancers. The investors lend money and mostly do not acquire any shares of the business model. They receive alternative compensation (Dapp, 2013).

The crowdfunding project *PonoPlayer* by Neil Young for example broke the $ 5.0 million line within 20 days. The smart watch project *Pebble* raised $ 10.3 million in total and is still the highest funded project so far. Even the non-technological idea *The Veronica Mars Movie Project* could gather $ 5.7 million. Another notable fact is that all mentioned projects overreached their set goals – *Pebble*: $ 100,000, *Veronica Mars*: $ 2.0 million or *PonoPlayer*: $ 800,000 (kickstarter.com, 2014). This shows clearly that with this method of raising money new projects, products or business ideas can be realised by the crowd. After the cancelation of the television series *Veronica Mars* by the television network the fans wanted the series to continue. 91,585 people donated for an additional season. 68,929 people saw a need of a smart watch and 18,220 people longed for a better portable music sound than mp3.

For startups, crowdfunding seems to be the rising star within the sources of financing. “Crowdfunding has now emerged as a viable, scalable alternative to public and private finance” (Massolution, 2013, 7). The latest research “has shown that small ventures are turning to innovative routes of resourcing that largely exclude the support of banks and traditional external equity financing” (Malmström, 2012, 27). Crowdfunding came up in the US ten years ago and became popular there very fast. In the last years, the number of funds on crowdfunding platforms increased and not only in the US the potential of private equity funding is huge. For the year 2013 it was predicted that crowdfunding platforms would raise $ 5.1 billion (Massolution, 2013). Crowdfunding is different to other financing sources. It is mainly using the Internet and its social media for acquiring finances and the success is highly depending on the engagement of the crowd.

1.1 Background

For any entrepreneur, one of the most difficult tasks is to raise enough seed capital. Lavinsky (2010) says, “the vast majority of entrepreneurs have failed to raise venture capital. There are two key reasons for this. First, most entrepreneurs don’t qualify for venture capital since they can’t scale fast enough, nor do they have the potential for a large enough exit. And second, there are too few venture capitalists versus the masses of entrepreneurs who need money.”

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1 Pono's mission is to provide digital music. It comes with a player and download portal. The player is using the flac codec instead of mp3 and it is offered and distributed by the portal. The audio codec flac delivers a better sound feeling to the audience by using higher bit rates.
According to a study by the Dutch bank ABN AMRO, startups have difficulties to gather funding’s between € 35,000 and € 150,000 (Voorbraak, 2011). The study of the U.S Federal Reserve emphasises, that the denial rate for loans of less than $ 100,000 is more than twice as high as for bigger loans (Pagliery, 2012).

The motivation behind this thesis is to show that crowdfunding is a relative new financing source. Therefore, there is a lack of articles in current academic journals about crowdfunding. As already mentioned above there is a need for new financing sources for startups and the author of this thesis wants to outline in what way crowdfunding is an appropriate tool for startups to get funded. An analysis of the different research sources, like e-journals or working papers, will be undertaken, to find out how crowdfunding can be used in the future and if crowdfunding can fill gaps in capital for new ventures.

1.2 Problem Discussion

The financial situation for startups and how they gather funds has changed over the years and is becoming more attractive to researcher. Each financing instrument brings advantages and disadvantages to startups. In the field of entrepreneurial finance asymmetric information and agency costs are major issues and affect the entrepreneurship scene significantly. Venture capital firms have extensively decreased their involvement in early-stage financing and have increased their focus on companies that are already in the strong growth phases (Engeln, et al., 2012). This results in the added value only being provided to a limited set of industries. Business angels are still more open to new ideas and ventures, but due to their limited number not all ideas can be realised. At the same time they have to believe in the venture’s idea and see future potential, otherwise they will deny the fund as well. Commercial banks seem to invest in a lot of new ventures. And yes they do, but even so it is still quite hard to get financial funded. 80% of all business plans are denied. If the investment is below € 50.000 the bank will normally show no interest in the venture’s business plan (Dapp, 2013). From the standpoint of the potential founders it is a key problem and especially for entrepreneurs with limited financing resources it can lead to projects being cancelled before they reach the early stages. In that stage they typically do not appeal to external investors to get funded, since the startups are between a stage of potential failure or success (Tomczak, Brem, 2013). Crowdfunding can be provided as seed money when “friends and family finance may be unavailable or insufficient, and [the] amounts required are too small for business angels to get involved [and] [...] also the gap above the level where business angels [sic] are usually active, but where the capital required is too small for venture capitalists to get involved” (Collins,
Pierrakis, 2012, 18). Crowdfunding does provide an additional benefit for possibly raising seed money for very early stage startups and can also fill funding gaps until liquidity is increasing (Tomczak, Brem, 2013). The idea of crowdfunding has extensive potential to support small, young ventures because the current financing options available to them are insufficient to overcome the funding difficulties they face. Furthermore, crowdfunding is able to attract new people, who show an interest in funding of attractive ideas with private savings.

Crowdfunding offers also pitfalls. Besides asymmetric information between startups and investors, crowdfunding can change the capital structure of ventures, which effects the future funding. Many investors are the baggage of the venture when it comes to additional funding rounds (Stocker, 2012). The expectations can differ and can become to misunderstandings. Crowdfunding attracts frauds also. Various studies and tests have shown that the general public is mostly financial illiterate (Siegel, 2013). The illiterate investor is not able to estimate the risks and uncertainties. Crowdfunding can create unwanted negative impacts to both – startups and investors. That affects the crowdfunding community completely.

1.3 Purpose and Problem Formulation
Due to the mentioned above arguments, it will be more précised. The lack of motivation of entrepreneurs to use crowdfunding results from to a lack of understanding crowdfunding and its beneficial characteristics compared to other sources. The motivations issues among startups to use crowdfunding will be identified while keeping the focus of this thesis on building a theoretical foundation by beginning to include crowdfunding as an entrepreneurial financing source and to see if it can fill the funding gap for startups. The thesis will outline the ideal phase to get funded through crowdfunding and how startups can deal with pitfalls. All these considerations affect startups most and end up in the problem statement:

How can crowdfunding be used by startups?

1.4 De-limitation
The field of entrepreneurial finance is huge. When it comes to finance startups, there are many different sources available. This thesis will put the focus of the most common ones – banks, business angels and venture capitalist firms. Recently, crowdfunding appeared as a serious financing source. Crowdfunding will be introduced and descripted in detail. Several familiar terms are used for crowdfunding, such as crowdfinancing and crowdinvesting. However, in this thesis the term ‘crowdfunding’ will be used exclusively. Crowdfunding for business ventures rather than creative projects will be investigated. Here, for later research
only equity-based crowdfunding will be considered. In this thesis only entrepreneurs and startups will be studied. Small medium sized or bigger companies are excluded.

1.5 Structure

In this thesis the entrepreneur will be involved in a debate on financing sources. The literature review will give the reader an overview of existing research within the scope of this thesis. It will start to highlight the importance of startups as a field of research. Followed by a presentation of the entrepreneurial motivation and its financing, including a selection of different existing sources of finance. Traditional forms, like banking and venture capitalists versus crowdfunding and its platforms as an alternative for startups will be analysed. Consequently, it will be analysed the latest published literature and give an introduction to this new subject crowdfunding. All literature review will end up in the theoretical framework. In the methodology chapter, qualitative research is used in this thesis in order to study the problem formulation. A deeper focus on the subject Germany will be made by a case study. Interviews with experts were conducted and bring empirical results. In the results chapter, the outcomes will be presented and finally discussed in the analysis section.

The conclusion chapter will give a brief overview of the thesis. At the end, the limitations and future research chapter admits the restrictions of that work and gives suggestions for future research.

Figure 1. 1: Chapter overview of this thesis
2 Literature Review

In this chapter the relevant background literature will be outlined. This chapter will start with entrepreneurship and its finance sections. Theories of different financing sources and their applicability to startups will be presented. The analysis of advantages and disadvantages of crowdfunding will give the reader a first insight into the subject and will determine the suitability to different startup situations.

2.1 Entrepreneurship

In recent years, entrepreneurship is increasingly recognised as a major element of the domestic industry and has become an important factor for the modern economic development. Entrepreneurship drives innovation and technical change, and therefore generates economic growth (Schumpeter, 1934). The entrepreneurial process is the action through which supply and demand are equilibrated (Kirzner, 1997). Although the research of entrepreneurship is still regarded as being in its infancy, the continuing academic’s interests in that subject are remaining on a high level (Brazael, Herbert, 1999). It is not surprising that entrepreneurship brings economical and social benefits and drives development of the economy. Until relatively recent, the research of entrepreneurship focused mostly on the analysis of individual motivation and behaviour but reasons for being startups were mostly not considered (Bolton, Thompson, 2000). It has become an important vocation and it needs to understand its role in the development of human and intellectual capital (Zahra, Dess, 2001). Furthermore, since the 1980s the importance of contacting and networking got more attention regarding on entrepreneurial performance. Since economic activities are embedded in the daily social life, the entrepreneur develops social capital by building up networks that provide sources of information and support. An entrepreneur’s network is based on experience, which not only determines the range of contacts, but may also influence perceptions of opportunities and courses of action (Cope, Jack, Rose, 2007). Entrepreneurship is an important manner by which new knowledge is converted into products and services. This thesis adopts the definition of entrepreneur as a process by which “opportunities to create future goods and services are discovered, evaluated, and exploited. […] [N]ew goods, services, raw materials, and organizing methods can be introduced and sold at greater value than the cost of their production” (Shane, Venkataraman, 2000, 220). As these authors explained, entrepreneurs are not necessarily viewed as founders of new organisations. This definition shows by recombining resources in a new way, entrepreneurship is a creative process. People’s
willingness affects the entrepreneurial process (Shane, Locke, Collins, 2003).

2.1.1 Entrepreneurial Motivation

Shane, Locke, Collins (2003) proposed that entrepreneurship is a procedure that begins with the identification of an entrepreneurial opportunity and is followed by the development of an idea. This idea can be realised and assembled and will be provided to customers. In common views, entrepreneurs strive for money and engage in profit making to secure an income. These rewards can be seen as salary. However, it is not the only driver and startups certainly do not just work for money. They rather want to solve problems, perform better or just improve things. However, the following human motivations will influence the entrepreneurial activities.

- Need for achievement
- Locus of control
- Vision
- Desire for independence
- Passion
- Drive
- Other, like risk, self-efficacy

The above mentioned motivations are some of the most common ones identified by McClelland’s (1961) research. However, they are only a small selection of the human motivations. Startups, also influenced by human motivation, try to satisfy these needs as well. The reasons and motivations to setup a startup can be different for each individual. On the one side all motivations matter but on the other side only a few are concisely. Of course the entrepreneurial motivations are also related to external factors such as

- Political factors (legal restrictions, political stability, currency changes)
- Market forces (structure of industry, technology regime, entry barriers)
- Resources (capital, labour market, knowledge, infrastructure)

Most researchers either explicitly or implicitly agree that these categories of factors influence the entrepreneurial process significantly and need to be controlled to measure the effect of motivations on the entrepreneurial process (Shane, Locke, Collins, 2003). As the main focus of this thesis is on finding out if entrepreneurs are motivated to use crowdfunding, the entrepreneurial finance must be examined.
2.1.2 Startup

*Success consists of going from failure to failure without loss of enthusiasm.*

Winston Churchill

As a major contributor to innovation, startups have been the subject of academic research (McDaniel 2000; Osnabrugge, 2000). Furthermore, the growth of economies around the world has shown to largely depend upon the impact of small firms to employment and national Gross Domestic Product (GDP) (Cumming, 2007; Gans, et al., 2002; Osnabrugge 2000). A society can benefit from entrepreneurs of all ages. Young people, also called ‘born-digitals’ often have fresh ideas and have received more education than their parents in some regions. They do not yet have mortgages or families, which generally make individuals more cautious and risk-averse. Older people are more capitalised because of relevant experience, contacts and financial resources that they have built over long times (Global Entrepreneurship Monitor, 2013). This chapter will analyse why startups exist and how they have an influence on society.

To define startup as a term is not very easy and the literature gives not a clear hint. For this reason the concept of startup will be introduced. An idea that can be used to fulfil a commercial purpose can be called a business idea. These business ideas can be services or items that can be sold for money. It is the first milestone on the path to found a new venture. A business idea usually focuses on customer benefits. It can create a totally new industry or just an improvement of another. However, it has to capture the value and bring it to the customers. The business idea has to be addressed to interested parties by creating a business model. A business model describes the motivation of how a venture creates, delivers, and captures value in business contexts. It constructs a business strategy (Osterwalder, Pigneur, Smith, 2010). A business model is used for a variety of informal and formal descriptions to a certain core aspect of a business purpose, target customers and operational processes. It is the design of an organisational structure to commercialise the business idea. A startup is an organisation formed for a repeatable and scalable business model (Blank, 2010). If the customer behaves as the founder has forecasted the business model is perfect and the startup fulfilled another milestone on the way to a successful venture. Typical startup goals are to generate revenues or profits and to attract users or customers. It is very common that startups change their business model multiple times (ibid.).

When it comes to financing the startup, usually the first favoured option is to turn to family members. If the FFF (family, friends, fools)-seed investment does not work out, entrepreneurs
can also go to business angels, venture capitalist or banks for financing its business ideas. For these investment sources one needs to provide a business plan – a detailed description about the business idea and its commercialisation. That is the last milestone on the way to a successful venture. Depending on the idea and its model a release could be money consuming. Therefore, to bring the business idea to the market it has to be transformed into a business plan. The business plan can be seen as a decision making tool to convince the investor to believe in one’s idea and to fund or to support. Formulating a business plan involves the knowledge from many different business disciplines: finance, human resource management, intellectual property management, supply chain management, operations management, and marketing, among others (Siegel, Ford, Bornstein, 1993).

Startups are young and growth-oriented ventures in search for a sustainable and scalable business model. According to Bundesverband Deutscher Startups (BVDS) startups have a significant growth in key indicators such as sales or customers, have a high level of innovations and are less than 10 years old. They are influenced by many factors, uncertainties and risks. However, they have the faith in their idea. In 2013 entrepreneurs who are involved in founding a business – also called the entrepreneurship rate – in the USA conducted 9.2%, in Sweden 5.9%, in China 5.1% and in Germany 3.1% of economic development. Motivations to setup businesses differ vastly across the globe. The Global Entrepreneurship Monitor framework captures the contrast between necessity-driven motives and opportunity-driven motives. The result indicates that most people found a venture because they want to improve something. In a certain way they see potential in making things better, cheaper or even smarter. Startups play a significant role in the generation of innovative ideas. They are innovation-driven and have ideas developed for a new activity. It is a good economical sign, many ventures survive the conceptual, pre-seed or seed phase and reach the early-stage of entrepreneurial activity. The early stage can be defined as where the startups reach their break even point, which is usually within 42 month. In the USA 12.7%, in Sweden 8.2%, in China 14.0% and in Germany 5.0% of the early-stage entrepreneurial activities drove the economic development. In all regions the typical age of entrepreneurs is 25 – 44 years. Women are starting a venture for mainly the same reasons as men do, such as to improve their lives with careers, to support their family and to attain financial independence (Global Entrepreneurship Monitor, 2014). Policymakers and governments all over the world see the importance of entrepreneurship for the economic growth of their countries. They set out different support

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2 The description of the financial sources will be presented in the later chapters.
3 Federal Association of German Startups
programs in order to increase their international competitiveness. The European Commission “is focusing on encouraging unemployed people to start businesses; on improving the sustainability and quality of work of self-employed businesses; and on supporting social entrepreneurs.” Therefore in its ‘Europe 2020’ program the European Commission has planned to promote startups and self-employment (European Commission, 2012).

2.2 Entrepreneurial Finance

One big issue for startups is their ability to access financial assets, since they were formed recently, have no recorded history and are not profitable yet. That is why debt financing is usually not a suitable option. Consequently, ventures tend to rely on three primary sources outside of equity financing: venture capital funds, angel investors, and corporate investors. “Venture capital funds refer to limited partnerships in which the managing partners invest on behalf of the limited partners. Angel investors refer to high net worth individuals that invest their own funds in a small set of companies. Corporations invest on behalf of their shareholders, for financial and/or strategic reasons” (Denis, 2004, 304). Although it is not easy to precisely quantify the dollar amounts of capital coming from each funding source, since there are minimal or no reporting requirements, reliable information on venture capital financing is available because venture capital companies have to make their investments public (MIT Entrepreneurship, 2000). According to the Centre for Venture Research at the University of New Hampshire the angel investor market increased by 1.8% to $ 22.9 billion between 2011 and 2012. In that time a total of 67,030 ventures received angel funding (Sohl, 2013). According to the MoneyTree Report by PricewaterhouseCoopers LLP and the National Venture Capital Association, venture capitalists invested $ 29.4 billion in 3,995 deals in 2013. This represents an increase of 7% compared to 2012. Crowdfunding with its investment of $ 2.7 billion (2012) and a predicted growth to $ 5.1 billion (2013) has not reached these dimensions yet and is rather small when comparing it to the larger investments by venture capitalists.

When reviewing entrepreneurial finance literature, it can be seen that researchers put a lot of attention on that topic. It is connected to the most critical decision entrepreneurs have to make at the beginning of their business, how to finance their venture, and is therefore one of the main parts of this thesis. Generally sources of financing can be clustered into formal versus informal finance and equity versus debt. Formal finance includes lending money from, either financial institutions such as banks and credit unions or from non-financial institutions, subject to state supervision and regulation. On the other hand informal finance includes
lending money from sources outside the formal financial sector like own saving, loans from family members, friends and informal banks (Degryse, Lu, Ongena, 2013). Equity financing can be seen as an exchange of capital for ownership. Equity includes funds secured through bootstrapping, angel investors, venture capitalists and investment banking firms. Taking on debt comes in form of a loan. Debt financing is acquired from a commercial bank (Denis, 2004). Fundamentally, the founder of startups must select if the business will use outside equity funds or if the venture can be bootstrapped. When startups bootstrap, they do not access external equity capital at all. Table 2.1 shows the opportunities available for entrepreneurs to fund their startups. Usually if there is a need for market growth rapidly, entrepreneurs will seek outside capital (MIT Entrepreneurship, 2000).

<table>
<thead>
<tr>
<th>Bootstrapping</th>
<th>Equity Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Early Sources</strong></td>
<td><strong>Early Sources</strong></td>
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<tr>
<td>Founders’ Capital</td>
<td>All Bootstrapping Early Sources</td>
</tr>
<tr>
<td>Savings</td>
<td>Capital also from:</td>
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<tr>
<td>Credit Cards</td>
<td>Friends and Family</td>
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<td>Second Mortgage</td>
<td>Angels</td>
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<td>Venture Leasing</td>
<td>Angel Groups</td>
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<td>Sales Revenue</td>
<td>Early Stage Venture Capital Firms</td>
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<tr>
<td><strong>Later Sources</strong></td>
<td><strong>Later Sources</strong></td>
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<tr>
<td>Lines of Credit</td>
<td>All Bootstrapping Sources</td>
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<tr>
<td>SBA Loans</td>
<td>Venture Capital Firms</td>
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<tr>
<td>Asset Backed Lending</td>
<td>Corporate Venture Funds</td>
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<tr>
<td>Accounts Receivable Factoring, etc.</td>
<td>Private Equity Firms</td>
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<tr>
<td>Corporate Strategic Partnerships</td>
<td>Private Placement Firms</td>
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<tr>
<td>Banks That Lend To Start-Ups</td>
<td>Mezzanine Financing Firms</td>
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<tr>
<td>Government Grants (SBIR, DARPA, etc.)</td>
<td>Investment Banks</td>
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<tr>
<td>Company Earnings</td>
<td>Public Markets</td>
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</tbody>
</table>

Table 2.1 Funding Options for Startup Companies  
(Source: MIT Entrepreneurship, 2000)

Academic research on the financing choice and ownership structure is implemented in entrepreneurial finance and also in the field of corporate finance. In both fields asymmetric information and agency issues are two major factors that affect the choice of financing. “Funding at this early stage tends to be characterised by greater levels of information asymmetries and risk” (Ley, Weaven, 2011, 87). Asymmetric information deals with the theory of decisions in transactions where one party has more or better information than the other. This creates an imbalance of power in transactions that can sometimes cause the transactions to go fail (Aboody, Lev, 2000). The main idea, a manager (agent) normally has deeper insights than an outside investor/ shareholder (principles) into the firm’s perspective and its risks and values. Between the shareholder and the chief executive officer/ manager there exists information asymmetry and can be seen as a principle - agent problem. Agency
costs come up due to the manager’s contract costs, the conflict of loosing the control and the separation of ownership and control of the different objectives (Jensen, Meckling, 1976). Entrepreneurs know they business better than potential investors. Funders have to believe and trust. Due to that startups do not have any business history there is a higher risk of asymmetric information in startups than in companies that are listed on the stock exchange or well known. The model premises that the cost of financing will increase because the investor wants to get paid for unknown risks. To reduce the impact of information asymmetry all parties need to cooperate dense and everyone will leverage its benefits.

In corporate finance companies priorities their finance and businesses remain to a hierarchy of financing sources and prefer internal financing when available. In a next step debt is issued and when it is no longer reasonable to get any more debt, new equity is raising as a last resort. Taking on debt can therefore be seen as a signal that a firm requires external financing (Myers, Majluf, 1984; Paul, Whittam, Wyper, 2007). From this perspective the usage of internal funds minimise the freedom of action because it will not be much equity left. Taking on debt has little affects on the controlling but using equity affects the most regarding on agency costs (Jensen, Meckling, 1976). According to the study of Paul, Whittam, Wyper (2007) startups should see their loss of independency as a trade-off when external finance is required. Investors can add new value and substantial advantages to the business. When looking at startup this only applies partly since a ‘bridged’ pecking order theory that skips debt is preferred. Startups “use their own funds first but when external finance is required, equity is preferred ahead of debt” (Paul, Whittam, Wyper, 2007, 8).

This clearly shows that crowdfunding is not often considered as a financing source. The scope of this thesis is therefore to find out why crowdfunding as a new form of financing with different characteristics should be considered as a financing tool for startups. The entrepreneurial classification will be analysed in a later chapter.

2.2.1 Financing Sources

This chapter examines how firms can access capital from the investment world. Generally, financing methods are tied to a firm’s life cycle. Startup firms are often financed via venture equity. When it comes to seeking money for setting up a new venture two central question normally appear. How should entrepreneurs value their startup and how do investors value a prospective entrepreneurial firm? According to their empirical research about ‘early stage ventures’ Miloud, Aspelund, Cabrol (2012) suggest both parties, investors and entrepreneurs, value of any asset, value of venture’s future cash flows and the startup performance are the
most important factors for the validation and should be considered in the investment amount. It was indicated that these factors are “[…] useful to explain venture capitalists’ valuation of early-stage new ventures” (ibid.).

Based on the literature there are different stages and financing round offered in venture capital, which roughly correspond to the ventures' development stage. Within the seeding stage, new ideas need to be proved, often financed by equity and FFF-seed. The startup is bootstrapping itself. After a certain time, once the venture gets started and grows it needs additional funding for its expenses. Within that early stage ventures are still too small to raise capital in public markets or to secure a bank loan. Because of its stage of growth, wealthy individuals are now willing to invest in small projects that fit their intrinsic values and agenda. This makes also angel investors more attractive to ventures with limited history but proven establishment in the market. The growth stage of the venture starts once sales are increasing and manufacturing has to be funded (Series A round). During this stage, more specialised venture capitalists emerge to support the business. Once the venture hits the break-even point and raises its market share, it becomes more attractive to venture capitalist firms. The venture starts the expansion stage once revenues and profit increase. The venture reaches its last stage once it intends to go public and realise an initial public offering (IPO). Usually at this point venture capitalist get paid out and exit the venture (Lehner, 2013). Figure 2.1 shows the typical financing cycles of a startup.

![Startup Financing Cycle](https://example.com/startup_finance_cycle.png)

Figure 2.1: Stages of entrepreneurial firm development (Source: Cumming, Johan (2009))
The authors Ross, Westerfield, Jaffe (2013) use a slightly different classification scheme. They see the following categorisations of financing stages:

1. Seed money stage: A small amount of financing needed to prove a concept or develop a product.
2. Start-up: Financing for firms that started within the past year. Funds are likely to pay for product development expenditures.
3. First-round financing: Additional money to begin sales and manufacturing after a firm has spent its start-up funds.
4. Second-round financing: Funds earmarked for working capital for a firm that is currently selling its product.
5. Third-round financing: Financing for a company that is contemplating an expansion.
6. Fourth-round financing: Money provided for firms that are likely to go public within half a year.

No matter what categorisation one looks at, they all have one thing in common: At the beginning the founders have an idea and a relatively small amount of equity. In the last stage the venture has the possibility to go public and to collect more money for future projects. Although previous literature hints that crowdfunding may be an especially appropriate tool in the start-up phase, the research about its funding growth and expansion potential is in its ‘infancy’ (Firth, 2012; Lambert, Schwienbacher 2010; Ward, Ramachandran, 2010).

Existing literature that focuses on the comparison of financing sources has examined the different costs and benefits of each one. The most commonly used initial funding by startups is bootstrapping. In context of setting up a venture bootstrapping refers to starting of a self-sustaining business, which is supposed to progress without external financing or other input factors, e.g. knowledge (Lam, 2010). That initial funding suffices for a certain period than startups has to acquire external funding. When it comes to external financing one also talks about seed money, seed investing or seed funding. All terms have in common that investors purchase parts of a business. The term seed means, that this is a very early support to a business until it is able to generate cash on its own. In some cases seed money is needed as a bridge until the venture is ready for further investments (Hollow, 2013). The most common external financing sources are banks, business angels and venture capital firms. They all have individual benefits and disadvantages. The next section will compare different financing sources and will give their definition in order to get a better understanding.

The business model of a **bank** consists of accepting deposits and turning those into lending
activities. It is a financial institution, which links clients with capital deficits and clients with capital surpluses. Both parties will never get in direct contact with each other. The bank gives out the loan to the lender and the interest to the borrower. Banks are highly regulated by the government and therefore have the legal right of repayment of the capital and interest on a loan (McLeay, Radia, Thoma, 2014). According to the Bundesbank\(^4\) statistics (2012), traditional banks have outstanding loans to German corporates and entrepreneurs amounting to nearly € 1.4 trillion – € 1.0 trillion to corporates and € 385 billion to entrepreneurs (Dapp, 2013). For the following financing sources it is different. The return of the investment is depending on the ventures profitability and growth and is only earned once the exit is successful.

A **business angel** (also known as angel or angel investor) is an individual that is interested in a certain idea and provides seed-money. Usually, this can be seen as an exchange of convertible debt or ownership. In his study on how entrepreneurs raise seed capital, Wetzel (1978) began to use and established the term ‘angel’ to describe the support of these kinds of investors. Business angels are often retired entrepreneurs, who are interested in mentoring another generation of entrepreneurs. They want to make use of their experience and network. For startups, in addition to funds, business angels provide valuable management advices. There were roughly 460 business angels in Europe in 2012 and the amount invested by them accounted to around € 509 million, which only equals 30% of the same activity within the USA. Angel investors normally provide their services in the early stages of a venture, where the benefit is the greatest (European Commission, 2013).

**Venture capitalists** on the other hand are normally firms that are acting as a consultant and manage individual’s or institutional’s money. They are very selective when it comes to the decision what to invest in. As a result, they are looking for innovative technology with potential growth and well developed business models. By financing a venture they expect a successful exit within a timeframe of three to seven years and invest in ventures mostly in the growth stage. In the year 2012 venture capitalist invested roughly € 36.5 billion in European ventures (European Commission, 2013a) and $ 27.4 billion in North-American businesses (PricewaterhouseCoopers, 2014). Normally, venture capital firm funds invest in 10 – 12 or so total but despite getting hundreds or even thousands of investment proposals each year (McKaskill, 2009).

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\(^4\) Federal Bank of Germany
2.2.2 Comparison of Finance Sources

Bank versus Venture Capital

Although venture capitalists are often recognised in the public eye, bank loans are still the most common financing source for startups. Banks generally provide their funds in form of loans, whereas venture capitalists involve mainly equity. However, both parties also have similarities. They have to deal with a high level of uncertainty, are required to monitor the money taker carefully and try to restrict them by obligations (Winton, Yerramilli, 2008). There are also many differences between the two financing entities. Banks fund a wide variety of firms, whereas venture capital firms only provide investments to specific areas such as life science/biotech, computer & software or energy & environment. These three industries receive more than half of the total venture capital investment worldwide (European Commission, 2013a; Ross, Westfield, Jaffe, 2013). Once banks give out loans they constantly monitor their investment in order to avoid and minimise bad effects. They observe convent violation, deteriorating performance or worsening collateral quality, which might jeopardise their outstanding’s. Banks are relatively passive investors without any detailed insights and can therefore only determine on formal information if startups should be financed or not. By contrast, venture capital firms can determine if a safe or risky continuation strategy is the best. They play a more active role and hold voting rights, which influence the cash flows or the replacement of the entrepreneur with a new manager (Kaplan, Stromberg, 2001; Landier, 2003).

A startup normally seeks investments from one of the two institutions – a bank fund or a venture capitalists fund. According to Winton, Yerramilli once ventures are funded two conflicts arise between the startups and the ‘investors’. First, the entrepreneurs desire to keep control or the institutions desire to liquidate poor performing investments. Second, the question of if the startup should expand aggressively or conservatively. Shall the venture strive for an initial public offer or remain in the founder’s hands? Only through intensive monitoring the startup’s optimal continuation strategy can be found out. History has shown that venture capital firms are better than banks at evaluating the venture’s strategic situation because they are more specialised and have more expertise at running firms. Investors normally expect a higher return on their investment than banks do, since they are more affected by failures or shocks, due to their specialisation on certain industries. To avoid illiquidity, venture capital firms enforce liquidity restrictions as a shield. This means that the compensation increases as the amount of uncertainty increases. Banks are more diverse and able to spread the risks of failure better. Shocks do only affect a part of their portfolio and
they therefore have a lower required return rate (Lerner, Schoar, 2004; Winton, Yerramilli, 2008). The desirability of venture capitalists to fund highly depends on the ability to add value to the venture. This implicates that startups always prefer venture capital as long as the added value is higher than through bank financing (Bettignies, Brander, 2007).

However, deciding on a financial source is not always related to the added value. It is also closely linked to the risks and uncertainties. For startups, where uncertainties might be low or for entrepreneurs who are not willing to grow aggressively, bank financing and passive monitoring is optimal. Also, if the risk to fail is high, startups tend to take debt to leverage their own risk. For startups that deal with high strategic uncertainties or for entrepreneurs who expect fast compensations by going public or selling the venture, venture capital funds and active monitoring are optimal. The venture can benefit from the venture capitalist’s knowledge. If the associated failure is low, startups tend to get funded by venture capital firms as well (Landier, 2003; Winton, Yerramilli, 2008).

**Business Angel versus Venture Capital**

Most of the academic literature about entrepreneurial finance keeps its focus on venture capital as a financing source. It seems that angel investors are not recognised as an important source of startup funding. Nevertheless, an *Organisation for Economic Co-operation and Development* (OECD, 2011) report notes “[w]hile venture capital tends to attract the bulk of the attention from policy makers, the primary source of external seed and early-stage equity financing in many countries is angel financing not venture capital”. The report also evaluates that the angel market is roughly the same size as venture capital markets. However, for startups both financing instruments can bring value. On the one hand startups get funded to realise a certain idea. On the other hand business angel or venture capital firms bring experience. Venture capital firms mostly invest in ventures where the potential of adding value is the greatest. Meaning, they tend to fund technological driven startups and knowledge intensive areas, while angels tend to fund projects with less sophistication in technology (Chemmaur, Chen, 2006). Business angels tend to offer their support in the early stage. They offer an entourage of people and provide a successful network and enjoy more informal and relational partnership with their ventures, based on trust and empathy. In comparison, the venture capital firms are used to enjoy a more formal and distant relationship to their ventures. They invest a higher amount of money and bring specialised knowledge. They process more value-adding ability than business angels (Fairchild, 2011). Business angels fund smaller
amounts than venture capitalists, which lead to Startups seeking venture capital investment if they require larger amounts (Wong, 2003).

An interesting insight feature of the Fairchild’s research shows that when entrepreneurs choose angel as financing source, they are affected by the level of empathy relative to the venture capital’s value adding abilities. Empathy means, that the startup is more welcoming for a business angel, which further induces it to choose the angel over the venture capital. Angel financing has an attractive quality since it promotes mutual trust, which reduces the asymmetric information problem during the startup’s development. Startups make an inefficient choice and ignore the value creating potential of venture capital firms. Behavioural beats economic factors here (Fairchild, 2011). Angel investors appear to startups until the company is established enough for venture capital firms. But, according to Wong’s research, there is a likelihood that venture capital firms may not like to co-invest with angels. A dynamic interaction of both types could have negative effects. Hellmann, Schure, Vo (2013) or Goldfarb, et al., (2012) argue that the results are driven by split control rights, where neither business angels nor venture capitalists have firm control over the companies’ board of directors. The decision making process is intermitted due to different partial interests. Angels and venture capital firms are substitutes. Only 7% of all financing rounds went successful while syndication between both parties were involved (Hellmann, Schure, Vo 2013; Goldfarb, et al., 2012).

Investors can secure certain projects by providing capital that will be partly spent by the entrepreneur, thus signalling commitment to the entrepreneur and providing more effort in order to secure the return. Which funding source will be the most appropriated for startups depends on how much equity the founder already has. If there is only a small amount, it can be very beneficial to get funded by a business angel. Through their extensive knowledge and network a startup can increase its business very fast. After a successful raise of the market share, the venture is already within the growth stage and the consideration of venture capital can be useful. According to Massachusetts Institute of Technology (MIT) Entrepreneurship (2000) report angels normally have more operating experience than many venture capital firms and their guidance and support will impact the company growth between 1 - 18 months whilst venture capitalists provide guidance for 18 - 36 months and usually bring strong expertise in financial strategies, but are often found to have little operating experience in new ventures. If a founder already got sufficient equity to bridge the early stage without major
problems, the realisation of growth or new projects can be made through venture capitalists directly.

Table 2.2 summarises the three major financing sources for startups and outlines the advantages and disadvantages of each one.

<table>
<thead>
<tr>
<th>Source of Finance</th>
<th>Type of Finance</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>Loan</td>
<td>· No agency costs</td>
<td>· No added value</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Lowest cost of capital</td>
<td>· Risk-averse in selection</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· No equity dilution</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Diversify industries</td>
<td></td>
</tr>
<tr>
<td>Business Angel</td>
<td>Equity</td>
<td>· Operating experience</td>
<td>· Lack of time/resource</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Trusting Relationship</td>
<td>· Limited funds</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Added value</td>
<td>· Agency costs</td>
</tr>
<tr>
<td>Venture Capital</td>
<td>Equity</td>
<td>· Added value</td>
<td>· Moral hazard on effort</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Shared risk</td>
<td>· Equity dilution</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Financial strategy experience</td>
<td>· Agency costs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>· Lack of operating experience</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>· Expecting high returns</td>
</tr>
</tbody>
</table>

Table 2.2: Differences of financing and its pros and cons

This thesis specifically aims at presenting a framework of crowdfunding benefits, which supports startups to understand the advantages and disadvantages of this source of investment. This will help their decision making when considering crowdfunding.

2.3 Crowdfunding

There are many different definitions of crowdfunding; however, there is no one accepted or universal definition. There are several different terms used for crowdfunding, such as crowdfinancing and crowdinvesting. However, in this thesis the term ‘crowdfunding’ will be used exclusively. The constant rise of the Internet and its social media have made it possible to aggregate and connect many people, often called ‘the crowd’. Companies, platforms or individuals approach these crowds to raise money for a certain project, business idea or venture (crowdfunding). Formally, crowdfunding can be seen as the process of raising capital through the pooling of numerous individuals with small financial contributions. The contributions of the individuals in the crowd cause the crowdfunding process and affect the value of the outcome. Usually, the investment will be made via the Internet. Crowdfunding has its roots in the concept of crowdsourcing, which is a wider concept of an individual reaching a goal by receiving and leveraging small contributions from many parties (Belt, Brummer, Gorfine, 2012; Massolution, 2013; Macht, Weatherston, 2014). Besides traditional funding sources, like loans, business angels or venture capital, crowdfunding platforms are
offering an alternative form of investing. It enables startups to prepare their market entry and to require micro investments. There are three user roles when it comes to crowdfunding.

First, the intermediary serves as a matchmaker between promoters and funders. Intermediaries are also known as the platforms where the fundraising is taking place.

Second, there are the startups. They are the fundraisers who use the intermediaries to get direct access to the financial market.

And third, there are the investors themselves, also named crowd, who bear risks and decide to support ideas. Usually, they expect a certain payoff (Tomczak, Brem, 2013).

Principally, everyone can call for funding for its project or idea using an Internet campaign. As with the other financing sources crowdfunding is based on the principle of trust, since funding occurs in the seed or early stage. The project categories for which that money can be raised reach from films, music, gaming, journalism, fashion to web-based technologies and many else (Dapp, 2013).

In 2006, the pioneer in this crowdfunding context was the portal Sellaband, a fund raising website for musician, which allowed individuals to financially support their campaigns in order to tape a record. In return, the investors got rewards like a free copy of recorded music or a small proportion of the sales revenue. Over the years, the number of platforms increased, where people could support their favourites. At the same time, the crowd-based fundraising model extended to businesses, resulting out of the amount of startups, which aimed at raising funds. The term ‘crowdfunding’ derived from the application of the Internet crowdsourcing concept, for both creative projects and ventures (Kappel, 2009; Schwienbacher and Larralde, 2010; Ordanini, et al., 2011; Macht, Weatherston, 2014).

In the crowdfunding context, the startup is the owner of a campaign and the individuals of the crowd, who has decided to fund the campaign, is the recipient. The startup is placing its campaign on a crowdfunding platform and proposes for an open call. An open call is understood as a call for support to fund certain projects. The crowdfunding platform is providing the place where startups offer their open calls and where the crowd can fund. In 2012 the total funded amount was $ 2.7 billion worldwide, where 59% were collected in North America and 35% were raised within Europe. The rest goes to Africa, Asia and Australia (Massolution, 2013). Compared to the above mentioned financing sources, the amount of funds within the crowdfunding industry is rather small. However, this it is also not
the essence of crowdfunding, since in general it is there for the ‘peewees’ and allows one to realise its projects or ventures. However, according to the Crowdfunding Industry Report (2013) the previous growth rates are phenomenal. The worldwide volumes grew around 64% (2011), around 81% (2012) and a predicted growth rate of an additional 88% in 2013. Worldwide, more than 1.1 million campaigns were successful funded (2012) and it can be expected that is only the beginning of an additional serious financial source. As of 2012, there were 813 crowdfunding platforms estimated (ibid.).

Also from crowdfunding, investors cannot expect that their money will be well invested. According to Shikhar Ghosh, a senior lecturer at Harvard Business School, even the best investors do not have a great success rate. Three-quarters of U.S. startups that get venture capital investments do not return their investors' money. 25% - 30% of ventures that receive venture funding do fail (CNBC, 2013).

2.3.1 Role of the Crowdfunding Platform

Crowdfunding is classic paradigm of a two-sided market. According to Eisenmann, Parker, Van Alstyne (2006), a two-sided market links together two individual user groups in a network. In order to perform well, they have to run on a crowdfunding platform. A platform could be either a digital marketplace or a certain web page for exchanging funds. It could also be an intermediary or a broker who introduces investees to investors (Tomczak, Brem, 2013). This thesis will not present the technology behind platforms and it will not outline the web programming either, that is out of the scope of the work. For further readings, there are some sources such as Aparicio, Costa, Braga (2012) and Franklin, et al., (2011) available, which describe the technological architecture and the programming of crowdfunding platforms.

The role of the intermediary is to bring together the ideas and the money side. For operating and providing that service, crowdfunding platforms charge fundraisers a fee from the total project funding. For example, Kickstarter (2014a) will apply a 5% fee and Seedmatch (2014) is charging 5 - 10% of successfully funded campaigns. Therefore, the entrepreneur, here the fundraiser, has to pay the fee while the subsidised side pays no fees on their investment. Furthermore, “[t]he platform creates value by facilitating interactions between the different groups” (Osterwalder, Pigneur, Smith, 2010). This value creation attracts more users, who will also join the network. This phenomenon is known as the network effect. An increase in the number of investors leads to an increase in the number of potential fund raising startups and vice versa. This is important to crowdfunding platforms, as “they require a sufficiently
large crowd from which to draw investment from and enough crowdfunding projects posted to attract an adequate number of investors” (Tomczak, Brem, 2013, 341). The two areas with the highest crowdfunding activity in the world, accounting for most of the crowdfunding campaigns, are Europe and the United States of America. The following table shows a small selection of crowdfunding platforms, their model and their origin.

<table>
<thead>
<tr>
<th>Crowdfunding Platform</th>
<th>Crowdfunding Model</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>crowdaboutnow.com</td>
<td>debt-based</td>
<td>Netherlands</td>
</tr>
<tr>
<td>crowdcube.com</td>
<td>equity-based</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>indiegogo.com</td>
<td>reward-/ donation-based</td>
<td>United States of America</td>
</tr>
<tr>
<td>kickstarter.com</td>
<td>donation-/ reward-based</td>
<td>United States of America</td>
</tr>
<tr>
<td>seedmatch.de</td>
<td>equity-based</td>
<td>Germany</td>
</tr>
<tr>
<td>startnext.de</td>
<td>reward-based</td>
<td>Germany</td>
</tr>
</tbody>
</table>

Table 2.3: Selected Crowdfunding Platforms

To get a better understanding of the different crowdfunding models, the next chapter will explain them in more detail.

2.3.2 Crowdfunding Model

Depending on the kind of reward the startups agree to receive upon giving money, one can distinguish between at least four established crowdfunding models – donation based, reward based, lending based and equity based. Additional there is a new royalty based model emerging. Each of the models has different features which suite different needs of the campaign owner. The following definitions are introduced by the Crowdfunding Industry Report and point out these differences:

**Donation Based**
Crowdfunders donate money to campaign owners and do not expect to receive a tangible benefit from the transaction.

**Reward Based**
Crowdfunders support campaign owners and receive some kind of reward in return for their contribution.

**Equity Based**
Crowdfunders invest in campaign owners and receive equity or equity-like shares in return for their investment.

**Lending Based**
Crowdfunders lend money to campaign owners and expect the future repayment or a principal with or without interest.

**Royalty Based**
Crowdfunders invest in campaign owners and receive a share of revenue earned in return for their investment.

The individual advantages and disadvantages must be balanced by the startup individually in accordance to what method suits the business model most. Not all crowdfunding platforms provide the whole service portfolio. Many of them are specialised in a certain way and have
their own focus group. That makes crowdfunding a very special tool. Due to these five models, it is unique in comparison to other financing sources that are basically only used to give out equity or debts. The crowdfunding growth was almost solely driven by lending based and donation based funding. As Figure 2.2 shows lending grew to a total volume of $1.2 billion and donation based lending grew to a total volume of $979 million. “The path from prototype to marketplace drastically shortens for products and services that can appeal to the crowd” (Massolution, 2013, 26). The typical average crowdfunding campaign size across the different models $1,400 for donation based, $2,300 for a donation-reward mixture, $2,300 for reward based, $4,700 for lending based and $190,000 for equity based in 2012. As Figure 2.2 outlines, donation based crowdfunding has smaller funding goals but 62% of all successful campaigns used that model. A reasonable explanation why equity-based funding is less popular could be closely related to the JOBS Act by the USA and Securities Prospectus Act by the EU. Indeed, applying for equity offering is mostly limited to public listed equity only. Companies and startups cannot do a general request, unless they received prior authorisation from their national securities regulator. In many countries, there is also a restriction as to how many private capitalists a company may have (Larralde, Schwienbacher, 2010).

**Pay-out**

Many crowdfunding platforms provide the ‘all-or-nothing’ funding model. For crowdfunding, the startups have to calculate the amount of money they need and set the minimum sum they

---

5 Legal basis:

**USA:** In order the change the way of new funding sources, the Securities and Exchange Commission (SEC) had to revise its Jumpstart Our Business Startups (JOBS) Act. Business startups have always been able to raise money from accredited investors. After to come in operations startups do not have to verify individual investors as long as they support its campaign on registered platforms. Additionally, via crowdfunding, non-accredited investors can put in $2,000 and 5% of their annual income if they make less than $100,000 a year (Graf, 2014).

**Germany:** According to Section 2(3) of the Vermögensanlagengesetz (Capital Investment Act) the law assumes that the investor does not require special protection if the issuance volume does not exceed €100,000 in twelve months. With financing via crowdfunding platforms the volume limit of €100,000 is usually not exceeded, i.e. a sales prospectus does not have to be produced. This provision is also to be found in the Securities Prospectus Act in keeping with the EU Prospectus Directive (Dapp, 2013).
are attempt to gather. This projected funding goal has to be reached. The goal is vacate unless the minimum amount is met before deadline. No money will be paid out when then minimum amount of money is not funded. In that case, the money returns to the investor’s (Tomczak, Brem, 2013; Belleflamme, Lambert, Schwienbacher 2010; Collins, Pierrakis, 2012). Generally, the money, which is funded for different campaigns will be “transferred to and parked in an escrow account, which is managed by either the platform or by a partner bank” (Hemer, 2011, 15). That all-or-nothing condition brings startups calculate appropriate realistic project goals. It protects the startups for their own improvidence and overreaching could end up that the goal will fail (Bradford, 2012). To avoid fraudulent campaigns by entrepreneurs the required minimum funding goal is self-adjustment system. The idea here, the crowd will identify the fraudulent proposal (Collins, Pierrakis, 2012).

**Direct versus Indirect crowdfunding**

According to Tomczak, Brem (2013), there are two different types of fundraising in crowdfunding – direct and indirect. Direct crowdfunding is when the entrepreneur makes a request to a specific audience to their own platform or to its specific supporters (e.g. a band is gathering money from its fans). Indirect crowdfunding is when the entrepreneur makes a request to an unknown group of investors or to the crowd. Typically, this is accomplished via a crowdfunding platform. This distinction between direct and indirect crowdfunding is important because “at times entrepreneurs make use of [...] crowdfunding platforms instead of seeking direct contact with the crowd” (Belleflamme, Lambert, Schwienbacher, 2010, 5). If an entrepreneur chooses the direct crowdfunding way, it has to make sure a large enough crowd is available to get funded from. Although there is no established averaged minimum number in successful crowdfunding found, the British crowdfunding platform Crowdcube (2014) asserts 71 investors.

**Ex post facto and ex ante**

The two general models of funding at the core of crowdfunding are ex post facto and ex ante. According to Belleflamme, Lambert, Schwienbacher (2010) ex post facto funding is when a product is offered after financing. The crowdfundee plans to give the investor a projected product in exchange for his/ her investment. That could be an existing prototype, a blueprint or sample in place of the finished product. The initial seed funding can be used toward production costs. The other type of funding is ex ante. The investor finances an uncompleted project. The way Kappel (2009, 375) sees ex ante is that “financial support is given on the front end to assist in achieving a mutually desired result”. The crowdfundee has not passed the stage of creating his/ her product or service. Money will be raised in order to fully fund
the project. Due to funding before a product is accomplished, investors have a direct connection with the realisation of the product as opposed to ex post funding where an outcome or trial product has already been finished in advance of getting funding (Tomczak, Brem (2013).

**Modes of investment**

When it comes to an investment, the money giving person can choose between three different modes of crowdfunding investments – passive, active or donations (Metzler, 2011). Passive investments are described as the investor giving money to a startup but not actively deciding about the venture in general and about the activities that the venture performs, meaning there is no seeking influence of the business. Therefore, any startup that is seeking out passive investors is “solely interested in raising money but not using the crowd as active consumers or giving up some control” over the product” (Schwienbacher, Larralde, 2012, 13). In their study of Larralde, Schwienbacher (2010) state that passive investments account for around 60% of all crowdfunding campaigns.

Through active investments, in contrast to the passive investment, the investor gets the ability to affect the outcome of a startup’s idea. The investor owns a portion of the company he/she invested in and might attains voting rights. Active investments account for around 30% of all crowdfunding campaigns (Lamert, Schwienbacher, 2010).

The last mode of the investment is donation based and as the name implies, the investor is placing a donation to a crowdfunding campaign. The investor is giving money without expecting monetary or tangible rewards (Rubinton, 2011). It can be suggested that this kind of crowdfunders care about social reputation or enjoy the success of the campaign. They do not look into business plans, but at the core values of the ideas (Lehner, 2012). Unsurprisingly, the majority of donation campaigns are for charity and non-profit organisations. Compared to passive or active investing, donation based funding is seen as not being as attractive. Around 20% of all crowdfunding campaigns are pure donations (Lamert, Schwienbacher, 2010).

According to Tomczak, Brem (2013) it may be possible that not all options are covered in the literature. They say that there is the opportunity for hybridisation. Meaning, a donation can be turned into an active involvement. The fundraiser allows the investor to determine project decisions. They also mentioned that there is crowdsponsoring, a way for sponsorship with non-financial returns. To explain both in more detail would be out of focus for this thesis. For further reading the papers of Hermer (2011) or Kaltenbeck (2011) are recommended. After the crowdfunding models have now been discussed in detail, the next section describes the entrepreneur’s motivation to choose crowdfunding.
2.3.3 Motivation
Crowdfunding works best if there is engagement, which means that relational and social capital is being transformed into financial and innovation capital. Compared to the more established financing sources crowdfunding is different. The setup differs and basically it has no limitation of rewards. Campaigns stand and fall with the motivation, mobilisation and engagement of the crowd (Iske, 2010). Successful crowdfunding is depending on the presentation of the campaign and the integration in social media, where it gathers people’s attention. Investors in a crowdfunding process are not investors in a traditional sense. They receive alternative compensation and mostly do not expect financial returns. According to study of Stiernblad, Skoglund (2013, 27), almost 50% of all asked people invested in crowdfunding “[b]ecause I liked the project and wanted to support the idea”. Therefore, funding campaigns are mainly related to hopes and faith of certain future product deliveries, public recognition and even positive psychological returns. What they receive in return for their investments is often intangible (Belt, Brummer, Gorfine, 2012; Dapp, 2013). According to Dapp (2011) the reward for the crowd in form of tangible goods offers the chance to interact in the value creation process of the startup. The crowd can support the campaigns with ideas for design, blueprints or branding. Thereby, crowdfunding acquires a type of open innovation component (Macht, Weatherston, 2014).
Crowdfunding is still a young fundraising mechanism and research about motivation for crowdfunding has mostly focused on the interests of the investor. In order to investigate the motivation of startups to use crowdfunding, one can consider the motivations of the very close crowdsourcing, a specific form to help the company carry out certain tasks except financial inputs (Macht, Weatherston, 2014). Therefore, to research the motivations of startups to use crowdfunding one can start from a similar point. The motivation for crowdsourcing is explained on being based on enjoyment, autonomy and creativity of the task (Kleeman, Voss, Rieder, 2008). Additionally, motivation can be involvement or fulfilment to a certain task, enjoyment and contributing of own competences. Social proof and social responsible investments drive the motivation more than money returns. According to the research of Isky (2010) the results showed return of investments as less important than affinity with the entrepreneur and his/ her project. Startups can also test their product or service to a closed cycle of audience. If startups have compelling projects they can boost their reputation (Canada Media Fund, 2012). Startups do not only use crowdfunding platforms for funding. Some of them use it for promotion, market testing and networking with potential partners (Rubin, 2011). However, the main motivation is still to get funded. The research of
Lamberdt, Schwienbacher (2010) emphasises that the motivation is strongly money driven. Besides raising money by a crowd getting public attention was relevant for 85% and gaining feedback for the product or service was relevant for 60% of all survey participants. In a survey about the motivation of crowdfunding conducted by Belt, Brummer, Gorfine (2012), US-American startups named the lack of access to angel, bank or venture capital, frustration about the costs and the burdens of raising ‘traditional’ capital as a motivation to get crowd funded. Startups also might consider crowdfunding as a financial source without giving up ownership. This is often one of the main reasons for entrepreneur’s decision to reject funding offers from business angels or venture capitalist, if they are deemed to request too much equity (Mason, Harrison, 1996). Furthermore, entrepreneurs turn to crowdfunding when the involvement of external players becomes overwhelming and the founder’s concerns are increasing about investors in their business (De Noble, 2001). Hermer (2011) argues that crowdfunding will not replace traditional sources of entrepreneurial finance, particularly in later stages. In later stages, where high amounts of money will be needed, no investor would spend money without having rights of co-determination. Crowdfunding can however complement these other funding sources.

Besides its many benefits crowdfunding also has risks and limitations for the entrepreneur. Crowdfunding platforms provide non- or little intellectual property (IP) protection. If a startup sets up a campaign, someone else might copy the idea. As Rubin, founder of IndieGoGo platform said: “We get asked that all the time, ‘How do you protect me from someone stealing my idea?’ We’re not liable for any of that stuff” (Rubin, 2011). Due to concerns of plagiarism, many startups are reluctant to offer their ideas (Canada Media Fund, 2012). Another barrier is the negative publicity when a campaign fails. When a campaign is failing or for some reason the startup is unable to deliver a product or service, it can have an impact on the startup’s reputation. Another negative point is that crowdfunding investors can add value on a small scale only. The network and useful experience that could be provided by business angels and venture capital firms, does not exist. Their expertise can leverage up the success of a startup and will increase its business outcome. Startups should consider this in their choice of financing source.

2.3.4 Moral Hazard, Overfunding, Pitfalls
Crowdfunding has its disadvantages as well. Crowdfunders are confronted with the moral hazard problem and the crowdfunding has to deal with overfunding. Both handicaps will be presented in more detail. At the end, general pitfalls of crowdfunding will follow and its downside of crowdfunding will be outlined in more detail now.
**Moral Hazard**
On crowdfunding platforms the amount of information there are very limited. Investors get only a specific amount of information about the startup, the project and its valuation. The providers of crowdfunding platforms are believed that only sophisticated people capable of evaluating this information (Schwienbacher, Larralde, 2012). The lack of information will make it very hard for any crowd to determine the value of the startup. The appropriate successfulness of the idea cannot be estimated right. Due to the less amount of information the crowd is subjected to a moral hazard problem. According to Krugman (2009, 63) moral hazard can be defined as: “Any situation in which one person makes the decision about how much risk to take, while someone else bears the cost if things go badly.” From the lending point of view, entrepreneurs could take advantage and evaluate their equity inaccurately. They could use the allocating funds for other things. In order to the early stage and other external financing partners, investors have access to more insight information than what is presented to the crowd. The investors can do a better evaluation by themselves. With the crowdfunding, the crowd has only few opportunities to label the price of the startup. They have to rely on that one which is offered by the entrepreneur. Regarding to the less information, there is also a risk tolerance between the crowd and the entrepreneur. The entrepreneur cannot be monitored well; the crowd takes more risk than willing to pay actually. They have fewer incentives to govern the startup (Stiernblad, Skoglund, 2013).

**Overfunding**
It is possible that crowdfunding campaigns surpass their goals. In that case, the intermediate, the investor and the entrepreneur do benefit. For the intermediate it brings good publicity and its potion increase with every additional Euro above the target. The investor was able to buy more shares and the entrepreneur is happy about the fact the campaign was more successful than expected. That brings attraction to the startup as well. However, it might be “fatal to a project’s longevity” (Ibberson, 2013).

Regarding to reward-based campaigns, overfunding stands for more incentives. In such cases, startups fail to deliver their product on time, when they met too much capital. Due to the extra money, crowdfunders expect more advanced than the regular version, because the additional money should lead to extras. The number of failures increases when the project is still in beta, where the entrepreneur never projected to achieve that amount (ibid.).

Regarding to equity-based crowdfunding, overfunding faces similar risks. When it comes to overfunding, investors are in danger to spread their share too thinly (ibid.). Especially startups
might not handle to bring all investors to the table. Only experience can help to deal with much response (ibid.).

**Pitfalls**

On pitfall is that potential investors make gut decisions. According to Isenberg (2012), for equity driven crowdfunding, people do not spend much time on investment decisions. His study found out “people don't always do their due diligence to determine if it's a sound investment before investing”. So, popular and in media often presented campaigns are pulling new ‘fools’, people who are not really in the topic. They think that: ‘So many people who have decided to invest their hundreds and thousands, or more, cannot possibly be wrong, can they?’ (Isenberg, 2012). Startups, which use crowdfunding, are mostly interested to get funded successfully in the first place. But when it comes to growth and additional funding rounds, too many uninformed investors could become a problem. Potential business partners or investors will have to pay more for fewer shares, which could bring negative impacts to startups.

Another pitfall is, that crowdfunding leads to many shareholders, as already known. In some cases, entrepreneurs may be stuck with this unwanted baggage, because it creates a capital structure, which is unattractive to other sources for later stage financing. The later stage financing instruments aiming for key corporate actions, and if there is a crowd involved as shareholder than it can become to misunderstandings (Stocker, 2012).

Crowdfunding may also open the door for frauds. Various studies and tests have shown that the general public is mostly financial illiterate (Siegel, 2013). Like at the stock exchange crowdfund investing is having its risks as well. The illiterate investor is not able to estimate the risks and uncertainties. “Therefore, the combination of the average crowdfunding investor being naive and being ill equipped will facilitate higher levels of fraud” (Kantor, 2014). Many incorrect decisions or miss funding can cause that the investor might lose too much money. Thus, towards crowdfunding it may happen that a negative attitude arises. That could slop over and will affect the crowdfunding community.
3 Theoretical Framework

A framework is used to limit the scope of the theoretical data by focusing on specific variables and defining the specific point of view. The theoretical framework uses the introduced theory that explains why the research problem under study exists (USC, 2014). The theoretical framework of this thesis is about the motivation of being an entrepreneur. Besides considering Schumpeter’s interpretation where these individuals undertake and manage a venture while applying innovation, management strategies and setting up a business, will be included also the fact that entrepreneurs are not afraid to take risks and use their resources in a creative way. They are productive without losing the scope of their business (Casson, 2010).

What matters for an entrepreneur if its startup is valuable to others and in order to gather seed money for future growth? The initial assumptions must be confirmed in the first stages of the startup, as all the decisions and activities undertaken during the seed- and early stages will influence the path of the company after the startup period. Entrepreneurs are reliant on external financing mostly. Therefore, they should consider their financial background and their future funding sources in order to avoid negative impacts. The business model of traditional financing sources is to fund such entrepreneur. Due to the venture’s uncertainties and risks, venture capitalists reduce their insolvents in early stages. Their focus shifts away to later stages (PricewaterhouseCoopers, 2014). There is a gap for entrepreneurs to raise money (Lavinsky, 2010). Startups have difficulties to gather money between €35,000 and €150,000 (Voorbraak, 2011; Pagliery, 2012).

Recognising that there is no right stage to get funded from a specific financing source leaves room to declare that every source brings its advantages. After reviewing different financing concepts, crowdfunding is considered as a relatively new financing source and fits perfect in the early stage. However, over the last years crowdfunding has quickly become a popular path of funding for investment – seed money and start-up funding. The growth rates have been amazing over its short life span (Tomczak, Brem, 2013). For entrepreneurs crowdfunding seems to be an attractive and important source. It minimises the time consuming fundraising process so entrepreneurs spend more time where it counts, on their business. In the research, the motivation of crowdfunding has mostly focused on the interests of the investor. For investigation researcher considered the motivation of the very close crowdsourcing (Macht, Weatherston, 2014) The motivation for crowdsourcing is explained on being based on
enjoyment, autonomy and creativity of the task (Kleeman, Voss, Rieder, 2008). This thesis examines the motivators why young entrepreneurs opt for crowdfunding.

Business angels and venture capitalists are able to bring value to startups, besides financing. They have already networks, expertise and many experts, from which startups can only benefit (OECD, 2011; Stocker, 2012). Business angels bring more expertise than venture capitalist, but also fund smaller amounts. Startups that require larger amount will seek venture capital investment (Fairchild, 2011; Wong, 2003). Crowdfunding provides other values and cannot compared to the established funding sources. Feedback, valuable changes about blueprints or designs are useful information for startups in order to extend their market share (Macht, Weatherston, 2014). The crowdfunding campaign and the intermediation can be used for marketing purposes. It brings free publicity (ECN, 2014). This thesis examines the adding value of crowdfunding.

It is possible that crowdfunding campaigns surpass their goals. In that case, the intermediate, the investor and the entrepreneur do benefit. That brings attraction to the startup as well. However, it might be “fatal to a project’s longevity” (Ibberson, 2013). When it comes to overfunding, investors are in danger to spread their share too thinly. Especially startups might not handle to bring all investors to the table (ibid.). It creates a capital structure, which is unattractive to other sources for later stage financing. The later stage financing instruments aiming for key corporate actions, and if there is a crowd involved as shareholder than it can become to misunderstandings (Stocker, 2012) This thesis examines how startups deal with overfunding and other pitfalls.

In order to study the research question the following overview shows the stages, where crowdfunding is considered.

![Figure 3. 1: Venture stages and funding rounds](Based on: Cumming, Johan, 2009)
4 Methodology

Research is a way of gaining knowledge through experience or making observations. The results will be recorded and can be analysed quantitatively or qualitatively. Qualitative research is a method of inquiry employed in many different academic disciplines, traditionally in the social sciences, but also in market research and further contexts (Denzin, Lincoln, 2005). Qualitative researchers aim to gather a deep understanding of human behaviour and the reasons that control such behaviour. The qualitative method studies not only the where, when and what of decision making but the why and how. There are many main ways of collecting qualitative data relevant to economic research, like in-depth interviews, focus groups or online surveys (Starr, 2014). Smaller but focused samples are more often used than large samples. In qualitative research conducting interviews is the most common method of collecting data, but forms of data collection can also include group discussions, observation and reflection field notes, various texts, pictures, and other materials (Savin-Baden, Major, 2013). In the usual view, qualitative methods produce information only on the particular cases studied. Therefore, more general conclusions follow, which give only propositions. To seek empirical support for such research hypotheses, quantitative methods should be used. Quantitative research refers to the systematic empirical investigation of social phenomena via statistical, mathematical or numerical data or computational techniques (Given, 2008). Quantitative data is any kind of data that is in numerical form such as statistics, percentages, etc. (Hunter, Leahey, 2008). The objective of quantitative research is to acquire and use mathematical hypotheses, models and theories relating to a certain phenomena. The instruments and the process of measurement are essential to quantitative research because they provide the fundamental connection between empirical observation and mathematical expression of quantitative relationships.

In order to understand the motivation of using crowdfunding as a financing tool for startups in-depth information are needed. Therefore, the usage of quantitative research methods is considered and focus groups or interviews could be employed (Dholaka, Zhang, 2004). In focus groups, a set of people is asked about their thinking, attitude or opinion about a certain topic. Regularly, questions will be asked in the interactive group and all participants are free to talk. In the best case, a discussion between all members will come up. In focus groups, interviewers are also able to observe the members in their conversation, they can learn about their patterns of interaction and in what extend the members do contribute to the topic. The
interviewer gathers much information at the same time and can get results relatively fast. Focus groups less expensive compared to one to one interviews because one talks to people only once (Marshall, Rossman, 1999). Regarding to startups, group members describe similar experiences and discover a common situations how they dealt with. Focus groups are ‘one shot studies’ and they are hard to repeat. They can create several issues of external validity, because the group atmosphere is unique (Nachmais, Nachmais, 2008; Campbell, Stanley, 1963). Additionally, the participants may hold back on their responses because of personal characteristics. Also, they reply the moderator's questions with answers the participants’ feel that the interviewer or other group members want to hear. The lack of anonymity could become a serious problem; only the crowd behaviour is represented (ibid.). For that work, the individual startup’s situation and how the entrepreneurs used crowdfunding for their venture were needed. Therefore, common thinking and a discussion about crowdfunding in general were not useful. To gather information, interview as the data collection method was chosen. More detailed conditions of the selected method will be outlined after the definition of the case studies. The term ‘interview’ will be described more in detail afterwards in a data inquiry method.

4.1 Case Study

Case study research is a descriptive, exploratory or explanatory analysis of a person, group or event in order to find underlying principles. (Yin, 2009) Case studies are analyses of persons, events, or projects, which are studied holistically by at least one method. “The case is the subject of the inquiry will be an instance of a class of phenomena that provides an analytical frame […] within which the study is conducted and which the case illuminates and explicates” (Thomas, 2011, 513). Case study can also be seen as a research strategy, which investigates the ‘real-life’ context. It “involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence” (Robson, 2002, 178). According to Lamnek (2010) case studies are a research approach, situated between methodologic paradigms and concrete data taking techniques. Cases are defined as having strategic importance in relation to the general problem. In that work, the method made it possible gathering information of startups and to create generalisations out of it. The case study design allowed using interviews as research method, because it seemed to be particularly reasonable way for investigating a case in an in-depth way. It enabled to support a detailed insight into the group of startups. In the next section the data inquiry will be described.
4.2 Data Inquiry

For a data inquiry interviews are most one of the common methods. Generally, an interview is a conversation between people where the interviewer is asking questions and facts or statements are replied by the interviewee. Interviews are standard procedures of qualitative research to gather information and to understand the meaning of what the interviewee is saying. According to Cannell, Kahn (1968) an interview is “a two-person conversation, initiated by the interviewer for the specific purpose of obtaining research-relevant information, and focused by him on content specified by research objectives of systematic description, prediction, or explanation.” Interviews differ from other data collection methods in that they allow for more flexibility. For the implementation of interviews four instruments are identified which bring beneficial support: short questionnaire, guideline, audio recording of the conversation and a postscript (Witzel, 2000). The short questionnaire provides the determination of social data (age, sex, work experience, etc.) and it avoids the obstruction of the interview by questions in the question/answer scheme. It can be an enabler to get the interview conversation started. The guideline is a tool to improve the consistence of the data collection. It ensures that significant topics and issues are covered systematically and with some consistency, while still allowing flexibility to pursue the detail that is noticeable to each interviewee. An interview guideline can be seen as an instrument for navigation of the interview discussion. Certainly, a high degree of structure will narrow down the range in which the interviewer and the participation can interact. This could effect the empirical observation in a negative way. Therefore, an interview guide must be open and flexible structured and key words should cover the agenda of the interview. An additional tool that supports the interview process is the audio recording. In contrast to conversation protocols, the generally accepted audio recordings allows the authentic and precise detection of the communication process. The interviewer can be focused on the conversation as well as on the observation of situational conditions and non-verbal expressions. After finishing the interview a postscript is directly written. The postscript contains notes about the discussed topic, remarks about situations and non-verbal behaviour (Cicourel, 1974; Witzel, 2000; Arthur, Nazroo, 2003; Rubin, Babbie, 2010). In this thesis the expert interview is selected as the data-collection method and is described in more detail in the following chapter. That tool allows collecting more insight data and allowing for a significant higher degree of understanding with the participants.
4.2.1 Qualitative Interviewing

When selecting the interview as a method for conducting qualitative research, it is important to be diplomatic and sensitive in approach. Interviews allow for a significant higher degree of understanding with the participants compared to other research methods like a survey, because the interviews are often held in real time and face-to-face setting. This technique generates significant feelings and deals with the experiences of the interviewed person (Seidman, 1998). While having an interview, the interviewee can ‘paint a picture of what happened’, can provide his/ her knowledge and expertise or just tell his/ her perspective of a certain event. Additionally through voice, intonation, body language of the interviewee, the interviewer can get extra information that could be added to the verbal responses (Weiss, 1994). Interviews allow researcher to customize their question to their topic and to the respondent’s situation in order to get the needed information. According to Weiss (1994) interviews are a valuable source, through the process of voicing and sharing, and are very validated because of listening to someone very closely. “Interviews are collaborative efforts, involving interviews and interviewees in meaning-making work in progress” (Klenke, 2008, 121). They are not one-way information-gathering channels. Between both parties there is a dialogical conversation. To capture the value information of the interviewee there are different type of methods – open interviews, semi-structured interviews and structured interviews. These methods mainly differ in the degree of freedom to the interviewer and interviewee. The open interviews allow the interviewee to free text responses without any requirement. The semi-structured and structured interviews refer to the degree of freedom of the interviewer. In the following the mentioned methods will be described in more detail.

Structured Interview

A structured interview, also known as a standardised interview, is a way to gather information where the interviewer reads the questions exactly as they appear on the survey questionnaire (Clifford, French, Valentine, 2010). There are two kinds of question – closed-ended and open-ended questions. Closed-ended questions are question formats that restrict respondents with a list of answer selections from which they must choose their reply. Generally, these types of questions are used in the form of multiple choices, either with one answer or with check-all-that-apply (Dillman, Smyth, Christioan, 2009). In open-ended questions there is no answer choice to select from and the respondent must formulate the answer individually. It stimulates free thought and is most useful in exploratory questions (Taylor, no date). Closed-ended questions are more often used in interviews. The exclusive use of this form does arise because open-ended questions are more difficult and expensive to invent and to analyse afterwards.
than closed-ended questions. But the crucial thing is that open-ended questions provide deeper insights about opinions within a structured interview (Geer, 1991). For structured interviews, it is usually essential for researchers to develop an interview schedule that lists the wording and sequencing of questions. The aim of a structured interview is to confirm that each interview is presented with exactly the same questions in the same order to every respondent. This ensures that answers can be reliably aggregated and that comparisons can be made with confidence between sample subgroups or between different survey periods (Patton, 2002).

**Semi-Structured Interview**

Compared to the structured interview, semi-structured interview allows the interviewer to bring up new ideas during the interview as a result of what the interviewee says. “This form of interviewing has some degree of predetermined order but still ensures flexibility in the way issues are addressed by the informant” (Clifford, French, Valentine, 2010, 105). Generally, it can be seen as a framework where additional themes will be explored. For the interviewer it is very beneficial to have an interview guide prepared in order to group topics and questions that can be asked. Both, the interviewer and the interviewee interact about the subject and when the interviewee has difficulties “then the interviewer can move to the prompt which is more specific” (Klenke, 2008, 122 quoted from Smith, 1991). The guide helps also to be focused in the line of interview but without restricting the participations to a particular format. While having a semi-structured interview the researcher gets the freedom to adjust questions, to ask again for in-depth information or to lead the interview to a certain context (Klenke, 2008).

**Open Interview**

In comparison to the before mentioned methods an open interview (also known as an unstructured interview) is a way of conducting an interview where the questions are developed spontaneously. It is the opposite of structured interviews and prearranged questions are redundant. During that kind of interview important information which did not seem relevant before the conversation can appear or be discovered. This allows the interviewer to ask the interviewee to go further into the new topics. Even more complex issues or topics can be researched and answers can be clarified. Therefore, open interviews prioritise validity and allow in-depth responses, whilst losing reliability. It makes it also more difficult to draw patterns between interviewees' reactions. Due to no setting questions, unstructured interviews are very time consuming compared to the other methods. Elaborating the answers makes it difficult for data's generalizability and representativeness. The outcome is a less systematic
and comprehensive set of data that might make the analysis very hard. That kind of interview is very expensive and is practicable with small samples only (Klenke, 2008; Patton, 2002).

4.2.2 Expert Interview
An expert is someone who is a reliable source or a trained or skilled individual in a certain field. He/She requires qualification and is judging or deciding rightly or wisely. It is a person with extensive knowledge of a subject beyond that of the average person. People that become experts “are always made, not born” (Ericsson, Prietula, Cokely, 2007, 2). They have the ability to assess importance in work-related situations and have the capability to improve themselves and their self-confident in their knowledge (Germain, 2006). In this thesis, experts are the founders of a venture. Within this part of the thesis, the term startup is used as a synonym for these founders and therefore startups in general are defined as experts. Startups got educated and accumulated specialised knowledge. Out of their knowledge they create ideas and transform them into business models. Due to their expertise they are acting like professionals and are unique for their business. They are experts in their business and a part of a working network. Experts are the foundation for expert interviews.

Meuser, Nagel (2009) discuss the expert interview as a specific form. The interviewees are of less interest as a person than their capabilities as experts for a certain field of activity. They are integrated into the research (Flick, 2014). The expert interview can be used for different aims. Such interviews can be used

(1) for exploration or orientation for giving the field or research a logical structure and to develop hypotheses.

(2) It can be used to gather context information to complement insights or

(3) to develop knowledge to fill gaps of target groups (Boger, Menz, 2009).

With the help of such interviews process and context knowledge can be reconstructed. It is the aim to require process knowledge. From these information context knowledge can be distinguished. In order to narrow the focus in application, the interview guide needs give a clear focus and exclude unproductive topics (Flick, 2014).

In the same way as other research methods, an expert interview can be used as a stand-alone method. Hereby, one has to select the relevant people, do enough sufficient interviews and analyse them. Often, it is not easy to identify the ‘right’ person as an expert. Additionally, expert interviews are very time consuming and it is therefore not easy to find a good time frame for having the interview.
Since the purpose of this work is to develop an improved understanding of how crowdfunding can be used by startups, the interview type applied was the systematising expert interview. This type was oriented towards gaining access to exclusive knowledge of startups. It aimed at knowledge of action and experience that had been achieved from practice and could be communicated spontaneously.

The goal of the interviews was to get as much in-depth information as possible. Regarding the research question, the semi-structured interview method was seen as the most appropriated one since it was most useful to gather wide-ranging information in a systematic way. An interview guideline in order to keep control over the conversation was developed. Additionally, without having restrictions only questions were used to frame the different parts of the interview. The exact questions arose during the interview to adjust the conversation and to cover the subject in order to be able to make generalisations afterwards. The interviewee was able to describe its individual situation in its own words. The interview was rounded off with a debriefing that gave the interviewee the chance to add information. Interviews, especially expert interviews, were defined; the following chapter will describe the sampling and the selection of the experts, followed by the presenting the interview design.

4.2.3 Sampling, Selection and Interview Design
This section will focus on sampling, interview design and selection. Sampling (random sample) is concerned with the range of a subset of individuals within a statistical population to estimate characteristics of the whole population. In order to collect the required data a sample survey was needed. This was “a partial investigation of the finite population, [which costs] less than a complete enumeration, is usually less time consuming, and may even be more accurate than the complete enumeration” (Särndal, Swensson, Wretman, 1992, 526).

Since gathering and analysis of qualitative data is resource-intensive, it was not possible to interview the entire population. Samples were constructed in a way that ensures that significant dimensions of variation in the population were present as well (Starr, 2014). According to Finch, Mason (1999) decisions about the sampling were made at various stages in the research process depending on the contextual information. The required minimum number of subjects was linked to the adequate answers for the research question. Usually, the amount of subjects reach its maximum if new findings stop emerging from data (Marshall, 1996). According to Marshall (1996) the judgment sample, also known as purposeful or purposive sample, is the most common sampling method. Here, the researcher gets the freedom to select the sample based on its judgement linked to the research question. Also,
Marshall identifies four different sampling variants – maximum variation sample, deviant sample, critical case sample and key informant sample. Different research studies pointed out when additional interviews do not contribute to any change in theory, one can speak of representativeness in terms of qualitative research (Marshall, 1996; Rubin, Rubin, 2012). This can happen when all four mentioned sampling variants overlap.

By definition, selections are principles and procedures used to identify, choose and gain access to relevant information. In order to study the problem formulation, experts needed to be interviewed. The expert acquired its knowledge either through observations or direct practical activities. This thesis aimed at the startup’s knowledge about its crowdfunding experiences. The population (N) in this thesis were all startups or all people who saw themselves as a startup within Germany. The selection of startups was narrowed down to all startups, which were already successfully set up at least one year ago. Additionally, they had to be funded through crowdfunding campaigns. The sample of that work was all startups, which got funded successfully at least month ago. The potential candidates were found on platforms *Seedmatch* and were asked to participate in the interview process. 60 requests were send out and the first 8 replies, where were available for an interview, were considered in that thesis.

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<th>Field</th>
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<td>Goods</td>
<td>Pre-Test</td>
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<td>Dr. Florian Elisaesser</td>
<td>Manager</td>
<td>Goods</td>
<td>Pre-Test</td>
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<td>Manager</td>
<td>Computing</td>
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Table 4.1: Introduction Interview Partners

The eighth interview was not being considered because the interviewee has withdrawn the interview. The results of the fourth interview were only allowed to use when it happened anonymised.

In general it can be assumed that the longer an interview lasts, the more data can be gathered. There are strongly differing opinions on the matter of ideal length. According to Labov (1984) an interview should ideally be one to two hours long. After one hour interviewees usually settle down and become more relaxed, even when speaking to strangers (Douglas-Cowie, 1978). The longer the interview takes, the more opportunities for studying the
Interview will be presented to the researcher. But interviews should not go longer than three hours as the informants tend to get bored after this time (Crowley, 2007). However, the situation is different with phonological interviews like telephone interviews. During a 20-30 minute telephone interview enough phonological data can be recorded (Milroy, Gordon, 2003). In order to achieve this, the interview has to be totally focused on the research questions. A telephone interview of 20 minutes may be too short to inquire valuable information. A pre-test will show what a realistic duration is on a case to case basis. In the course of this work, interviews were conducted by telephone and the voice-over-IP software Skype with the support of CallGraph, an application, which allowed taping of Skype calls. This allowed for an easy transcription and analysis of the collected data afterwards. An additional reason for this decision was the geographical distance. The interviewees were located in Germany and the interviewer in Sweden.

4.2.4 Pre-Test

In empirical social research pre-tests are a tool used for quality improvements of interviews, questionnaires and research design by trial and error before the interview begins. A small group of a target sample replies to the questions or guideline in order to find uncertainties, risks of failure and to find reasons for possible failures. A pre-test helps to determine logical order of questions and to detect wording issues. Are some questions unclear? Do they lead to misunderstandings? In general, interviews should be recorded because notes twist the form of the data (Burke, Miller, 2001). After pre-tests were run improvements can be made.

For the pre-test two Skype calls were conducted. It was shown; the only possible way to stay within the 20 minutes timeframe was when the interviewee was giving straight forward answers. When the interviewee needed too much time to explain itself and its startup situation, the 20 minutes were very hard to keep. During the phone calls the questions were reviewed. A thinking aloud protocol gave me the possibility to test the understanding of the guidelines. The pre-test confirmed that the six superior questions were qualified enough to get the needed information. After the two interviews, which affected the change the interview questions, the results had to be deleted; it was one condition of the interviewees. The results were not considered in that work.

According to Kvale (1996) there are seven stages in planning and implementing an interview-oriented research: thermalizing, designing, interviewing, transcribing, analysing, verifying and reporting. The first three stages were described in detail already, in the following section – data analysis – will focus on the other four points.
4.3 Data Analysis

In general, interviews can be structured in ‘pre-interview phase’, ‘interview phase’ and a ‘post interview phase’ (Burke, Miller, 2001). The characteristics of the pre-interview phase are all activities that have to be done before running the actual interview. These preparations were discussed specific already in previous chapters. The interview phase is when the actual interviews are taking place. Immediately after the interviews the post interview phase starts. It is connected to all activities, which are necessary to analysis the interviews. This chapter will present more detailed information about the post interview phase.

Lamnek (2010) presents a general scheme for the analysis of qualitative interviews, which can be customised to a specific research design. This scheme is separated into transcription and subsequent analysis of the data and divided in four phases (see Figure 4.1), which are presented now.

Since there is a growing use of computer technology to support qualitative research, special attention needs to be given to the collected data. Since interviews are recorded, data preparation, transcription and storage are becoming a very important part of having a good data analysis afterwards (McLellan, MacQueen, Neidig, 2003). After an interview, which has been audio-recorded, it has to be transcribed – phase 1. That means audio data is converted into textual data. The transcription is what actual serve as the primary data source for the researcher when he interprets and analyses the interview (Brinkmann, 2008). Due to time restrictions during this thesis, the entire interviews will be transcribed but only on a basic level. Breaks, tone of the voice, emphasis or laughter will not be transcribed (Lamnek, 2010). Also due to the rising of the computer technology, copyright of the words of the interviewee will be taken into consideration before the data will be analysed and reported.

Before the data analysis can be started the translation issue has to be solved. The thesis is about startups in Germany. In order to minimize misunderstandings of the questions and to get useful and valuable information about startups opinion of crowdfunding, the interview will be conducted in German. Afterwards the results need to be translated into English, because it is the working language of the thesis. When data has been translated it is not raw
data any more but “processed data” (Wengraf, 2001, 232). Esposito (2001, 570) notes that translation is “the transfer of meaning from a source language […] to a target language” and that the translator is “actually an interpreter who […] processes the vocabulary and grammatical structure of the words while considering the individual situation and the overall cultural context.” Processes and procedures, which have been used by the researcher, are most important to obtain meaning through multiple transpositions.

After successful transcription and translation the individual analysis of data can be started – phase 2. The individual interviews are read with the aim to compress the data (Lamnek, 2010). Data analysis is a process of inspecting, modelling and transforming data to determine useful information or conclusions. To analysis data, the method of qualitative content analysis will be used. Qualitative content analysis is defined as the subjective interpretation of textual data by applying a systematic process of coding in order to identify themes or consistent patterns (Hsieh, Shannon, 2005). While quantitative content analysis helps to answer ‘what’ questions, qualitative content analysis can help to answer ‘why’ question and analyse perceptions (Julien, 2008). Additionally, Schütze (1977) suggests separating results in concrete reference to ‘who did what, when, where and why’ and generalised statements (Bauer, 1996). Within the content analysis there are three distinct approached to interpret textual data:

(1) conventional content analysis,

(2) directed content analysis and

(3) summative content analysis.

The main differences between these approaches are coding schemes, origin of codes and its influence on the credibility. According to Hsieh, Shannon (2005), in the conventional content analysis, the researcher develops coding categories directly for the collected data. In the directed content analysis, the basis for the analysis is theory or relevant findings as a direction for initial codes. The summative content analysis is all about counting and comparisons, usually of keywords, followed by the interpretation of the main context. The level of detail of the available data decreases since unimportant passages are deleted from the text so that a greatly abbreviated text is created, which serves as a basis for further evaluation. It should be noted that this second stage already has a subjective-evaluative exclusion of data that are not processed in the subsequent process (Lamnek, 2010).
In the third phase of the analysis, the researcher is trying to discover the commonalities and the differences between the individual interviews. Therefore, Lamnek proposes to create a topic matrix showing all treated subjects in all interviews and the respective interviewee’s responses.

Table 4.2: Example of matrix of discussed interview topics

<table>
<thead>
<tr>
<th>Treated Subjects</th>
<th># of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Motivation</td>
<td>x</td>
</tr>
<tr>
<td>Crowdfunding</td>
<td>x</td>
</tr>
<tr>
<td>Pull Effect</td>
<td></td>
</tr>
<tr>
<td>Business Angel</td>
<td></td>
</tr>
<tr>
<td>(...)</td>
<td></td>
</tr>
</tbody>
</table>

The purpose of this topic matrix is to identify which topics were focused. Out of the results generalisations can be made. Analyses of the interviews’ phase one to three were connected to get a continuous reduction of the data, which is accompanied by an increase in risk of misinterpretation. According to supervisory phase – fourth phase – the results of the phase three will be verified in order to reconcile the problem formulation. If this is not the case, the researcher has to look for the causes of errors and improvements needs to be undertaken (ibid.).

Knowledge is generated based on the participants view and grounded in the data gathering. Content analysis can also have pitfalls. One potential pitfall could be that the research will not understand the context of the interview. Therefore, also failing to identify key categories and main messages. That can happen when the data gathering was not accurate. Another issue of content analysis is an intellectual process; the needed background knowledge has to be available. Otherwise the data of the interviews will be analysed in the wrong way and the results will not address the problem formulation. All pitfalls will lead to a lack of credibility. The advantages of the support of computer technology can also have negative effects. In order to collect as much interview data as possible the handling of that amount of data is only possible by computer support. So, research is depending on those high-tech tools, low-tech tools are only sufficient if additional notes are useful or if the amount of data is relatively small.

Two most important criteria to evaluate good quality and trustworthiness are validity and reliability. Reliability can be seen as the overall consistency of the measurement. A high reliability exists if measurements create similar results under constant conditions (Messick,
1990). Findings of interviews need to be reliable or reproducible. That means when using the same method and context the results will be duplicated exactly. Archiving high reliability can be hard for social scientists because the world is always changing which affects the results all the time. In order to still have a high consistency it would be tried to minimise any external impacts of variations. To have the same guideline for each interview and not to lose focus during the conversation semi-structured interview methods were used. The questions can be adjusted and asked again to generate in-depth information. The selected entrepreneurs for the interviews had a similar experience, had experienced about setting up a venture and got funded through crowdfunding (Cohen, Manion, Morrison, 2000). Validity is a judgement of the degree of the appropriateness based on the results. It gives a statement about the accuracy of a particular result (Messick, 1990). The researcher is making sure that only what is set to be measured is measured. Since the aim of this thesis is to make it appropriate for future research, it is excessively important to have valid results. To provide validity, evidence that demonstrates the trustworthiness of the results was included. In order to give the right meaning and provide fidelity to the research, the ability of interpreting the situation had to be exhibit; for this matter the data individually were coded to eliminate bias. To demonstrate the validity references and sources to explain facts were outlined (Cohen, Manion, Morrison, 2000).
5 Case
The following chapter presents Germany as a case. It will be started with an empirical overview to give the reader an insight about the startups’ situations there. In the second part there will be the presentation of the results to give a general overview about startups and their experience of usage crowdfunding in the particular country.

5.1 Startups in Germany – An Empirical Overview
The BVDS estimates that there are about 5,000 startups in Germany. Figure 5.1 shows the distribution of startups in Germany. It can be seen that compared to other cities Berlin holds the largest number of startups. It can also be seen that the number of startups are larger in the bigger cities, which shows that they are more attractive for entrepreneurs. Another finding is that many startups are located in the western part of Germany, which was the formal Federal Republic of Germany.

The Deutscher Startup Monitor (2013) shows, that startups are mostly founded by well-educated people, with 75% of them having acquired a university degree beforehand. Due to the raise of the possibilities and sales in the Internet for many ventures the mobility plays a major role and has a great importance to their business model. They are not restricted to a certain region they can network globally. They have access to a big amount of potential customers and can providing their products and services 24/7. Even ‘old-fashioned’ business models, which are not regarded to the Internet, benefits from it, because local blogs publish articles about local ideas. 13% of all founders are women. Unlike the rest of the world, German startups do not have easy access to venture capitalists therefore banks playing a major role. In Germany the volume of funds still remains negligible compared to the volume funded by traditional banks (Dapp, 2013). When it comes to financing their business idea, over 50% of all founders required more than € 50,000 and see banks as an important partner.

It is still common that banks give out loans since other financing sources are very limited. According to the Bundesbank statistics (2012), traditional banks have outstanding loans to German corporates and entrepreneurs amounting to nearly € 1.4 trillion – € 1.0 trillion to corporates and € 385 billion to entrepreneurs. Since 2005, the volume of loans increased by more than 10% (Dapp, 2013). At the beginning phases of startups, own savings and FFF-seed investments are the important source of financing (77%), followed by business angels, venture capitalists and incubators. “Business incubators nurture young firms, helping them to

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6 Federal Bank of Germany
After the early stage phase, German entrepreneurs normally require a large amount of cash. Thus, strategic investors or venture capitalists become attractive and gain on importance to the startups. Negotiation at that time is extremely difficult for startups also depending whether they are negotiating with public or private companies. Regular revenue streams, future cash flows, the basis of monthly repayments after a certain time, are very hard to predict. In
addition, raising venture capital is relative time consuming, with the average time between applying and passing the fund being 6.5 month (Ripsas, Schaper, Nöll, 2013). In 2013 the numbers of total crowdfunded investments increased rapidly to € 78 million and it can be expected that this upward trend will continue in Germany (Für-gruender.de, 2014).

The German Government faced those problems and introduced a variety of stimulating programs. Inter alia, KfW Mittelstandsbank, German government-owned, provides financing to commercial banks in order to be engaged in promotion with startups. The venture’s product or service as well as its branch are playing a key role to gather money successfully. Large shares of the investments go into information and telecommunications technology projects or into the life-science sector (Dapp, 2013). According to the Business Angels Netzwerk Deutschland the number of business angels are constantly increasing, which illustrates that there is a substantial growth potential. It was estimated that business angels invested between € 200 million and € 300 million per year while describing their business outlook as relatively well (ba-panel.de, 2014). The aversion to provide startups with venture capital is not only a phenomenon in Germany, since similar indications can be found in neighbouring countries. When looking at the investment ranking, with Germany being on the EU average level of 0.03% of GDP, only Sweden tops the ranking by investing 0.07 % of its GDP in entrepreneurs (Dapp, 2013).

Even the federal government of Germany has recognised that the financing situations for startups are not perfect in Germany. The entrepreneurial environment has to change that startups can grow in order to become larger and then they have to stay. The German chancellor Angela Merkel said Germany could not accept that the idea creation is taking place in Germany and when the venture wants to grow it goes somewhere else for having better initial funding’s. Germany needs a call for better conditions for new ventures. She thinks to achieve more innovation by startups immediate financing is more important than tax incentives for research. The next steps need to go to a brighter future for financing startups (Merkel, 2014).

5.2 Result
In this section the results of the conducted interviews will be presented without analysis or any comments. In order to represent the problem formulation some selected quotations will be

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7 Roughly translated as KfW small and medium enterprises bank; KfW stands for Kreditanstalt für Wiederaufbau (Reconstruction Credit Institute)
8 Business Angels Network Germany
The full interviews can be found in the appendix (B - F). Here, an evaluation of the statements and reconciliation with the theory will not be undertaken. For a better comparison and understanding the structure of the results will be the same as it was in the interview guideline.

### 5.2.1 Motivation

Crowdfunding is a financing method, which becomes very serious for startups. The easy availability and access to capital impressed all interviewed startups. They were surprised that their idea would find a ready market and the crowd also believed in their idea (4). For small (young) ventures crowdfunding was helpful to come along and to keep their business running. “Our venture was not interesting for VCs because we required small investment only” (6). For already established startups they used crowdfunding for bridging current financial constraints. They were already seeking for additional funding methods but the contracts with potential financial partners were not signed. Therefore, they needed capital to cover their costs. “To get a business angel was more time consuming and therefore we decided for crowdfunding” (4).

When startups consider to get funded through the crowd, to gather money is not the only motivation. Almost all interviewed startups said marketing is also one key driver to use crowdfunding. They used the tool to bring their idea to the market and to test how the people would react. “You can build up a range quite easily” (3). Crowdfunding campaigns carry out the product or service and help to become popular (6). “If we use crowdfunding we gain an awareness level and even a certain number of people will be already behind us. These could recommend us” (6). The crowd was able to give feedback and the ventures were able to modify their idea (4).

An additional driver was, that startups wanted to keep the control over their venture. They were not interested into losing their project in that early stage. One does not “lose any voting rights of your venture. You only share your profit. That means you always have full flexibility and control over your company” (3).

### 5.2.2 Other Financing Sources

To set up their venture, all startups financed their idea on different ways, besides using crowdfunding in the first place. One startup used equity to bring their idea to the market. “There was a small self-financing. It was not much, meaning in the four-digit range. We both

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9 The number in the parenthesis represents the number of the conducted interview referring to the information in table 4.1
[two founders] invested € 5,000 – € 6,000 together, bridging the first few months” (6). All other interviewed startups were able to use their academic network to acquire governmental subsidies. “The company was funded by the European Commission and the Beuth University” (4). Not only the network of the university can be helpful, specialised ideas which affects the strategies of the politics can also gain for grants. “We got grant from the Federal Ministry of Economic Affairs over € 100,000 […]” (3). Our constellation “allowed us to convince the Federal Ministry of Economic Affairs for € 1.2 million and from its partners € 800,000 into the development of […]” our product (5).

In their seed stage, some of the interviewed startups were already interested in business angels and venture capitalists. “We were able to win the T-Venture as a seed investor […]” (7). Business angels or venture capital firms contributes a better financial background and provides also knowledge and additional expertise. With such partners, a startup possesses good basic conditions for its future. “First of all, I managed to win an experienced technology guru and business angel as a partner and a funder” (5).

5.2.3 Crowdfunding Again

Every startup’s campaign went successful. They were able to acquire the before estimated amount of money or even more. Almost every campaign was overfunded. On the wave of success startups might consider crowdfunding for future financing rounds. “Definitely, if one has a good business idea, which will have a certain scope and is ideal to communicate [or to merchandise], than I see the benefits of crowdfunding” (7). However, it is quite clear that crowdfunding can reach into the mainstream of financing sources. “Now you can also absorb higher amounts on Seedmatch. If we would need money again then crowdfunding is definitely a good option” (6).

Still, crowdfunding is in its infancy. The amount of money, which can be funded by investors, is limited. For future venture stages and growth, the demand of capital will increase and therefore limitations are prejudicial to be attractive for additional financing rounds. “A capital requirement of € 2.0 million – € 2.5 million is very difficult to cover through crowdfunding. Already, if you go over € 1.0 million then you have to have a really good product” (3). Crowdfunding has to change. Startups should collect larger sums and investors should invest a larger amount of money. “Our [current] situation is still so that we are not interesting for VCs. Personally, I do not feel the necessity because I’ve experienced how well the crowdfunding worked” (6).
Crowdfunding does not always lead to positive experiences. “Under no circumstances will I do everything to avoid crowdfunding again” (4). It has to be clear to everyone, running a crowdfunding campaign also means that many potential investors obtain shares. The amount of inventors might have effects for future financing. The average number of investors was 356 (minimum amount: 95; maximum amount: 751). “Before we could raise new money, the old Seedmatch contracts had to be turned into new one. […] And if one person is not cooperative or sees that one as a medium for pressure, we couldn't image how expensive it could be for us at the end? The problem is, on the one side there is the investor, who is say with crowdfunding no investment, and on the other side there is the crowdfundee, who say you want to have me out than pay the price times ten. This was a quandary. Fortunately, due to long conversations we were able to convince individual investors to buy out or to exchange its Seedmatch contract.” (4)

5.2.4 Value Adding

The biggest value for startups to use crowdfunding is the funding itself. All interviewed startups said that they choose that financing method only in order to gather money. “The fact […] crowdfunding was only there to get new capital” (5). Here, the value was defined that they could bridge their financings and keep the business running. “We were looking for bridge financing in order not to run out of cash” (7). Regarding to value adding of crowdfunding – besides cash – all interviewed startups said they only saw additional value through feedback of the crowd. “Nothing additional, which we really benefited from it” (6). However, one thing all startups had in common: The crowd became their first or additional clients. That value cannot be estimated exactly, but in the fact that clients do talk about the product can increase the value of the brand and its popularity.

When it comes to value adding of business angels and venture capitalist, almost every startup said that they would not miss their expertise. “For us, it was just that we talked to investors and they offered a strategic value for us. And you will not have one on Seedmatch compared to investors, which you can really consult weekly, who is familiar with the business” (3). “Business angels can bring startups a significant advantage and for these reasons I would prefer to aim for them next projects. […] [T]here are really very, very many business angel meet ups, even for the pre-product phase” (4). So, when startups need more than just money they should consider business angels or venture capital firms in the first place. “Therefore, there is no 'shortage of capital' in the pre-seed round” (4). However, the value adding of business angels and venture capitalists has its limits as well. Startups cannot expect to get the
full attention of them, because they have many different firms in their portfolio. “First, one has to say VCs can bring expertise but only few do it really. So everyone is saying it the reality shows there is very less adding game changing or active relevant expertise to the team. Of course they have a high portfolio but they do not have the time to take care about your business in detail” (3).

5.2.5 Identifying ideal phase
In order to identify the ideal phase of crowdfunding usage, it can be said that all startups used crowdfunding for bridging their ‘financial valley’. Every startup is defining the term bridging and the appropriate stage differently. “Crowdfunding was the first step [after subsidies] to build up something to gather smart money later” (4). Crowdfunding suits better for business to consumer business models, because it is more tangible for the crowd. All startups were able to have at least a prototype, which could be shown to the crowd. Entrepreneurs should have more than just an idea on a paper. The crowd has to be convinced and that works well with results. “You can hold [something] in your hand so they can see progress of the product” (6). “This has less to do with the venture’s phase than with the product” (3). The startups should have created some facts in order to go to the market directly.

Crowdfunding is also ideal for product launch as a product marketing channel. “From the strategically view it makes totally sense because of the collective intelligence. If your [FFF] will invest € 50,000 they should do it online in order to attract other people to invest in your campaign also. Because, when other people see there are already € 50,000 – € 60,000 invested, then they notice there must be something special and will also invest” (3). The popularity of the product will increase and the crowd can be seen as additional customers.

Depending on the development of the startups crowdfunding is also an appropriate tool for funding later stages. “Crowdfunding should be applied on a solid basis. Startups should have achieved the stage of growth at least – later would be even better. […] A big investor in the background, there is the launch platform and already the first customers. That brings safety” (7). The crowdfunding campaign will end up more successfully.

5.2.6 Pitfalls, Fools and Image
Almost all campaigns went better than expected in the beginning. “If we only had € 50,000 collected, then we would not be able to work efficiently” (3). The ‘extra’ money was used for different things. “Basically, one can say that we really needed only € 50,000. From the rest, we started to pay us small salaries in order not longer to live on our savings” (4). For capital
intensive projects, the overfunding came at the right time and the progress went faster. “[W]e wanted to increase the production outcome and continuously expand our business step by step. The extra money helped us that we were able to drive this process faster” (5).

Crowdfunding is attracting many average people to invest in projects. That is good for startups, which are not attractive to well known financing instruments. The crowd is incited by the positive publicity of certain campaigns. Today, funding is so much easier than in the past and people do not spend much time for it. Therefore, also illiterate people invest in different campaigns. They make gut decisions. This distinguishes them from experts. “An investor, who wants to invest, is not investing immediately when it met the team at the first time, but rather it sees over the several months if the company is doing well” (4). Time is an important factor here. “[T]here are many things they [here: the crowd] cannot understand, for example, why an evaluation of a startup is important (4). The crowd has to learn how to deal with pitfalls. [I]t will be interesting to see how the crowd will be developed when the first major investments fail. Let's see how they act and if the crowdfunding gets a negative touch” (7).
6 Analysis

In this section the analysis of the interview results will be discussed and presented. The findings will be connected with relevant literature and compared with existing knowledge. Below is the study of the contributions of this group of people that with their experiences help to build up in the study of usage of crowdfunding.

6.1 Financing Sources

In order to get a venture funded not only crowdfunding is used. Other funding sources are attractive and mostly used before it comes to crowdfunding. When it comes to finance new ideas or ventures, startups can choose out of a wide range of sources. Within the seeding stage equity is provided by FFF-seed (Lehner, 2013). “We both two founders invested € 5,000 - € 6,000 together bridging the first few months” (6). The FFF-seed is needed for bootstrapping the venture and to let it grow. However, bootstrapping has its limits. It could happen that startups suffer from the financial gap. Savings are gone and new sources are insufficient available caused by market failure (Glancey, McQuaid, 2000). Governmental subsidisation has emerged as a strategic policy tool (Dreisler, Blenker, Nielsen, 2003). Subsidies are useful to assisting new ventures, especially for those that are very capital-intensive. The idea, startups cannot obtain seed money, and thus subsidies’ aim is to fill or reduce the financial gap to more wealthy ventures (Holz-Eakin, Joulfaian, Rosen, 1994). “The Federal Ministry of Economics Affairs gave us € 1.2 Million and additional € 800,000 from its partners to advance our development” (5). Such public grants are assumed to increase the supply of entrepreneurship. Their purpose is to help startups through the critical seed and grow phases (Holz-Eakin, Joulfaian, Rosen, 1994). In order to build first prototypes that grants are useful to bridge until the venture is ready for investments. Entrepreneurs should use their network to gather grants. Our “company was funded by help of the European Commission and the Beuth University” (4).

The governmental authorities may not identify all fundable ventures. Or even these authorities think that certain ideas are not fundable or hard to realise. In such cases, entrepreneurs need to find ways for gathering financing sources (Scholtens, 1999; Parker, 2004). External financing sources such as banks, business angels or venture capital firms provide a palette of services and financing sources. The best possible selection for entrepreneurs seeking investments,

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10 The number in the parenthesis represents the number of the conducted interview referring to the information in table 4.1
particularly at the earliest stages of their development, is through business angels. Regarding that easily stage ventures are to small to raise capital, business angels are willing to invest in small projects (Lehner, 2013; Tomczak, Brem, 2013). In addition to funds, they provide valuable management advices. We were able “to win an experienced technology guru and business angel as a partner and a funder” (5). Business angel meet-ups will bring together ventures and potential funding angels, even for the pre-product phase (4). Business angels tend to offer an entourage of people and provide a successful network (Fairchild, 2011). Therefore its significant advantages, “I would prefer to aim for them” again and again (4). Compared to venture capital firms, startups need to know that business angels fund smaller amounts. Capital-intensive ventures should apply for them and to adjust their strategy to get funded. Startups that require larger amount will seek venture capital investment (Wong, 2003). “We could acquire T-Venture for bridging until certain goals” (7). High growth ventures are a better fit for VCs (Kantor, 2014). Venture capital firms mainly invest higher amounts – average between $ 2.0 million and $ 10 million – that usually startups are gathering (Mashburn, 2013).

As easy as it sounds the drop out rate is remaining high. Startups cannot feel sure that they will find external funding source in an appropriate time. I have seen many ventures with great ideas that have gone bankrupt (4). Only in the fact, that they did not find further funding. Venture capitalists tend to fund technological driven startups and knowledge intensive areas while angels tend to fund projects with less sophistication in technology (Ross, Westerfield, Jaffe, 2013; Chemmaur, Chen, 2006). It is obvious that startups have their difficulties to get funded when their needed amount of money is between € 35,000 and € 150,000 (Voorbraak, 2011).

6.2 Motivation of usage Crowdfunding

Crowdfunding is a young fundraising method and the drivers of why entrepreneurs tend to use it are not well researched yet. However, published research considers the very close method of crowdsourcing to investigate the motivations behind using crowdfunding. In the interviews almost all startups used crowdfunding to make their idea public and to see how the crowd would react. They were testing the popularity and used their campaign also as a marketing channel. The startups used the Seedmatch platform as a tool to place their idea in everybody’s mind. “Through the crowd we hoped that there are people who [...] carry out our service” (6). Startups act like that in order to boost their reputation (Canada Media Fund, 2012). Due to the Internet, startups are not restricted to a certain geographical area. While they run their
campaign they will reach many people in Germany at the same time. “You can build up a range quite easily” (3). Through crowdfunding startups can capture a non-underestimated number of people during the seeding phase (6). It underlines the results of Iske (2010) that the investment is less important than publicity. Not only marketing advantages drive entrepreneurs to use crowdfunding. Startups, which tend to use crowdfunding, want to keep the control over their venture. Crowdfunding is also useful for those who are not interested in having external partners. “You don't lose any voting rights of your venture. [...] That means you always have full flexibility and control over your company” (3). Giving up ownership brings startups in an uncomfortable situation. Some even would reject funding offers from business angels or venture capitalist in order to keep the sovereignty (Mason, Harrison, 1996). The investor could have other plans with your business than you as the founder and you cannot simply act, as you want anymore (3). Crowdfunding gives the crowdfundee the possibility to gather money in exchange for a silent partnership (6). That means they get the money, they keep the control totally and the investors get return in form of money or goods (Belt, Brummer, Gorfine, 2012; Dapp, 2013). As already Lamberdt, Schwienbacher (2010) found out, the interviews also emphasise that, crowdfunding is money driven. This is one of the main reasons why crowdfunding is chosen as a funding source. After equity and savings are gone, crowdfunding provides an easy access to additional capital. The interviewees were surprised that gathering money was not that regulated and complicated. It was “the easy availability and the easy access to the money” that made them choose crowdfunding (4). It seemed to be a simple and quick method (5). Startups use that way of money funding for growth. They need crowdfunding to reach another stage and to become attractive for additional funding partners. “Crowdfunding was the first step to build up something to gather smart money later” (4).

6.3 Identifying the ideal phase

According to the MoneyTree Report by PwC since the rates of angel investing decreases the funding gap is increasing (2013). “Less than three percent of the thousands of entrepreneurs seeking funding from angel investors actually get funding” (Pope, 2011). The starkness of the early stage investment situation brings crowdfunding in the position to be the source to fill the gap (Bramczak, Brem, 2013). Crowdfunding can counter the low rates of angel investments and help startups to get bridged successfully – after the FFF-seed stage and before the external funding stage (Sohl, 2013).
Only one interviewed startup matches that specification. The entrepreneur used private savings first followed by crowdfunding. “We are a small venture and therefore we are not attractive for VCs, because of the requiring small amount” (6). All other interviewed startups used crowdfunding at their later business stages. For their seed-stage they used subsidisations, business angels or venture capitalists. They let their ventures grow without considering crowdfunding as a financing source. They emerge from the (pre-) seed-stage stronger to be flexible in requiring money than ever before. “When the governmental subsidisation was gone crowdfunding was our first choice. We said, we give it a try and if we succeed is it good and if not than we will look for a business angel” (4). The consideration of crowdfunding popped up when the money of the first or second financing round were almost exhausted. “The dialogue with an additional large-scale investor has been delayed. […] Therefore, we used crowdfunding for bridging that time” (7). They see crowdfunding as a valuable source to stay on track. “Crowdfunding was only there to get new capital […] for assembling” (5).

It is not easy to estimate to ideal phase for startups to consider crowdfunding. There is no proven definition about the business stages. Therefore, every new venture is defining its current stage differently (Lehner, 2013; Ross, Westerfield, Jaffe, 2013). All interviewed entrepreneurs had one thing in common. They had already a successful business model and were able to present something to the crowd. “On a platform where you only present an idea on the paper will end up in a ‘shit storm’” (6). “Crowdfunding should be applied on ventures with a solid basis, which have already emerged out of the seed- or maybe even the growth stage. […] It is important to have accomplished facts that can be brought to the market” (7). The crunch of external financing brings crowdfunding in the positions to be available for different funding rounds. Although it has been possibly fairly suggested that crowdfunding alone will not solve the funding issue of entrepreneurs. It does provide an additional opportunity for potentially raising (seed-) capital for ventures in every stage (Caldbeck, 2013).

6.4 Adding value

When it comes to adding value to a startup it is always spoken about business angels and venture capital firms. According to the OECD (2011) both instruments are beneficial for startups. On one hand startups get funded to realise a certain idea on the other hand business angel or venture capital firms bring experience. Business angels bring more expertise than venture capitalist, but also fund smaller amounts. Startups that require larger amount will seek venture capital investment (Fairchild, 2011; Wong, 2003). Except the financial investments, according to the interviews the value adding of theses both instruments is over rated. “Of
course business angels provide a network and know-how. If you set up your venture reasonable you create your own network and know-how” (7). The same goes to venture capitalists. “VCs can provide expertise but only few really do. […] they have a high portfolio but they do not have the time to take care of your startups” (3).

Crowdfunding can also bring value to entrepreneurs and its startups. The highest value brings the funding itself. It is an “[e]asy application in comparison to traditional investments” (ECN, 2014). The crowd and platform have a look into the financial business plans, but support standards will differ to the other financial sources (ibid.). Therefore, startups can realise their ideas, get their venture to grow and also receive planning reliability. Crowdfunding campaigns reduce the risk of failure. Before a startup launches its product or service, it can be proven to the crowd. When the crowd does not like it and the campaign will fail the entrepreneur have the time to improve (ibid.). Besides the funding, investors in crowdfunding process are not typical investors. They also get the chance to interact in the value creation process (Dapp, 2011). The startups acquire ideas from the crowd (Macht, Weatherston, 2014). That is happening while the campaign is still running or afterwards a knowledge transfer can be applied. While the campaign is running and afterwards a knowledge transfer is happening. Feedback, valuable changes about blueprints or designs are useful information for startups in order to extend their market share (ibid.). The crowdfunding campaign and the intermediation can be used for marketing purposes. It brings free publicity (ECN, 2014). Even the acquisition of new customers is possible for startups. “We were able to acquire new clients” (7). The clients are extremely loyal and they will spread the word (ibid.). Startups get the ability to pre-sell their product, which has not been released to the market. The customers are not able to check prices anytime or want to be the early adopters (ECN, 2014). “Our investors were able to buy vouchers. When it comes to launch the early birds are allowed to buy first” (5). These pre-sales gives security for the startups future.

Crowdfunding also provides ‘cheap money’. The intermediaries charge a fee of around 5 %, which is a low rate compared to other external financing sources (ECN, 2014). The investors mostly do not expect financial returns. What they expect in return of their investments is often intangible (Belt, Brummer, Gorfine, 2012; Dapp, 2013).

6.5 Crowdfunding second round

Pee Wee Herman rule: *if you like it, you might have to marry it.* For startups considering a second crowdfunding campaign, they may feel attracted to drive on the wave of success of
their previous fundraising (Ibberson, 2014). Mentally, the second round could become boring, because the entrepreneur expects the positive publicity of the first campaign. “[I]t’s important not to assume all of the work has already been done” (ibid.). People may know the first campaign. Therefore, the come back needs a fresh start, new elements to entice supporters once again. Since crowdfunding platforms extend the maximum funding level, using crowdfunding is getting attractive to more entrepreneurs. “Now that you can also absorb higher amounts on Seedmatch, if we would need money again then crowdfunding is definitely a good option” (6).

On the down side, crowdfunding creates a capital structure that is unattractive to business angels and venture capital firms. Both, BAs and VCs, have less interest in conflicting and being partner with ‘retail’ investors. The amount of shareholders, which trigger voting requirements, leads to inconveniences (Mashburn, 2013; Stocker, 2012). Entrepreneurs are unaware of the fact that crowdfunding might prevent their venture “from being able to raise private funds from any other source” (Stocker, 2012). “You can’t believe how much trouble we had by calling for additional debt financing. The initial Seedmatch contracts have been done very badly. We had so many investors in the same boat and they had a so-called ‘anti dilution’. […] For the business angel it is giving more money for fewer shares and at the next financing round its part would be diluted” (4). Furthermore, the problem of funding will become more critical, when startups consider getting crowd funded again. The amount of shareholders will increase and the exclusivity for potential venture capitalists will decrease at the same time (Kantor, 2014; McKaskill, 2009).

There is another motive to rethink about crowdfunding as a second round. Venture capitalists or business angel see a reason why startups had to be funded through crowdfunding. The startup’s idea or business model is too risky or badly managed to attract larger early investments. In that situation selling share is like a hit in the mark, it weakens the company in the long run. The likelihood of future external funding through ventures capitalists or angels decline (Stocker, 2012).

6.6 Pitfalls, Fools and Image

Startups, which deal with crowdfunding in the first place, create an unintended signalling (Stocker, 2012). The more risky the startup’s project is, the more startups will seek crowdfunding. Family, friends and fools will deny the first investment (Rosenberg, 2013). Crowdfunding is being seen as the last solution to bring the venture on track. “[T]he process introduces only the riskiest of startup ventures to the investors least able financially to absorb
loss” (ibid.). To have more trustworthiness, platforms need to be diligent and should have more intensive background checks (Kantor, 2014). If they do so, they can turn crowdfunding to a reliable source of financing and give startups an additional solution.

When a crowdfunding campaign becomes very successful, it attracts publicity. That publicity will also reach people who are not really in the topic (Ibberson, 2014). Crowdfunding incite people to spend money without spending much time on investment decisions (Isenberg, 2012). The main argument sounds like so many people who have decided to invest money cannot possibly be wrong, can they? That investment must not be bad at all, but when something goes wrong than it affects the crowdfunding community. People also need to be aware, a gut decision must not always be wrong [...] but it's like stocks, you have to back the right horse, and more inexperienced people make faster negative experience (7). People should consider that venture capitalist also burn money. They invest in ten startups, nine of them will never return its investment and only one venture becomes so successful to bear the loss of the others (McKaskill, 2009). Venture capitalists deal with those risks and therefore they expect a high return of their investments. Crowdfunder, who make gut decisions, are not well brief in investment risks and evaluation of ventures (Kanter, 2014). When it comes to a lot of negative outcomes, e.g. the funded ventures gone bankrupt, people will blame the crowdfunding. “It will be interesting to see how the crowd will develop itself when the first major investment fails and how it will be addressed. In what extend will it affect crowdfunding in general?” (7)
7 Conclusion

In the following section limitations of the thesis will be outlined, followed by the conclusion. Implication and future research will end up the thesis.

7.1 Limitation

Here, the limitations of that work will be outlined addressed for future research. According to the research question, the focus was put on startups, which were located in Germany only. Additionally, all startups were contacted on the crowdfunding platform Seedmatch. 60 interview requests were sent out and out of the total number of requested interviews only 5 could be considered. The amount of interviewed people is too small to have accurate answers. The response rate represents only 8.3 %. The results might only represent a certain kind of ventures in Germany also. The chosen method interview was a qualitative tool. The interview guideline based on the literature review, but it cannot be ruled out that other research papers have been overlooked, which could have impacts of the guide. In order to increase improvements quantitative research methods could be more in the line and should considered for the future.

The relatively young state of crowdfunding makes research more difficult and a comparison is not possible yet. Results based on small amount of people with relatively little experience. Here, research in more countries, increasing the number of interviews and add more crowdfunding platforms will obtain a clear and unequivocal picture.

7.2 Conclusion

Prior studies have examined entrepreneurial choice of finance. Crowdfunding as a financing source is one of the latest methods and therefore not a well known topic in research yet. Since established financing sources shift away their focus from early stages to later stages a financing gap is remaining (PricewaterhouseCoopers, 2014). Typically, in the seed capital and early stage, startups are not developed enough to be on their own. In that stage they typically do not appeal to external investors to get funded, since the startups are between a stage of potential failure or success (Tomczak, Brem, 2013). The financing gap, which appeared for startups, can be bridged through crowdfunding. Crowdfunding can be a consideration for the first financing rounds. It matches perfect in combinations of other financings sources. It can be provided as seed money – the required capital is too small for venture capitalists to get involved – until liquidity is increasing (Collins, Pierrakis, 2012). Crowdfunding is considered as a new financing source but fits perfect to the early stages as well (Tomczak, Brem, 2013).
As long as startups can present something to the crowd, crowdfunding can be considered for entrepreneurs. It is an attractive and valuable source. It minimizes the time-consuming fundraising process so startups spend more time where it counts, on their business. Crowdfunding is perfect to attract attention and to market ideas or projects. It is an opportunity to sell products or services to early adopters. That is one of the main motivations, besides cash. Startups can test their products; the crowd will invest and gives also feedback. It brings free publicity. Even the acquisition of new customers is possible for startups. The clients are extremely loyal and they will spread the word (ECN, 2014; Kleeman, Voss, Rieder, 2008).

Business angels and venture capitalists are able to bring value to startups, besides financing. They have already networks, expertise and many experts, from which startups can only benefit (OECD, 2011; Stocker, 2012). Business angels bring more expertise than venture capitalists, but also fund smaller amounts. Startups that require larger amounts will seek venture capital investment (Fairchild, 2011; Wong, 2003). Crowdfunding provides other value and cannot compared to the established funding sources. Feedback, valuable changes about blueprints or designs are useful information for startups in order to extend their market share (Macht, Weatherston, 2014). Regarded to their stage, it can be more beneficial than the adding value of angel funding and venture capitalists. If entrepreneurs run their startup conscientiously, they are not dependent on external networks. They make it by itself and get along with their own and individual contacts.

Regarding to other financing sources and their interest rates, crowdfunding also provides ‘cheap money’. On the one hand the intermediaries’ fees are low (ECN, 2014) and on the other hand entrepreneurs keep the control over their venture – another main motivation considering crowdfunding. For startups considering a second crowdfunding campaign, they drive on the wave of success of their previous fundraising (Ibberson, 2014). People know already that product and will fund additional campaign. Therefore, crowdfunding can also be considered for later financing rounds, but startups should exploit traditional financing first. Indeed, additional crowdfunding has effects on future funding. It creates a capital structure, which is unattractive for other later stage financing. The later stage financing instruments aiming for key corporate actions, and if there is a crowd involved as shareholder than it can become to misunderstandings (Stocker, 2012). Crowdfunding incite people to invest money without spending much time on investment decisions (Isenberg, 2012). It attracts many people to be a part of something ‘special’. Crowdfunder, who make gut decisions, are not well brief
in investment risks and evaluation of ventures. When it comes to a lot of negative outcomes or the funding will turn to loss, e.g. the funded ventures gone bankrupt, people will blame the crowdfunding (Kanter, 2014). Illiterate people make negative publicity and that affects the crowdfunding community.

7.3 Implication and Future Research

Future research is needed, especially for that topic. Crowdfunding is still a young financing method, with enormous growth rates over the last years. Also, it is becoming very popular to entrepreneurs and investors slowly. However, it is not well researched yet. This thesis can be seen as a pre-study, because there are not much studies published. It helps to bridge the research gap and contributes to understand the practical world and its behaviour of startups. It underlines the motivations of entrepreneurs and how they think about getting funded – especially through crowdfunding. Further research should include a deeper and wider study on capital structure preferences of crowdfunding entrepreneurs and a deeper study on the desired functionality of crowdfunding as a financing tool and as a service. In this thesis, qualitative method was used because of the lack of understanding how crowdfunding is used. The aim was to gather in-depth information. Here, when other results will appear in the future, quantitative methods should verify the results. In the future, the scope should be extended. More countries and thus more crowdfunding platforms should be considered to draw a more detailed picture in what extend crowdfunding can bridge the funding gap for startups. A further interesting question would be the role that crowdfunding platforms have to decrease asymmetric information. Another interesting point would be what specific characteristics of startups or ideas are useful to get funded successfully.
References


## Appendix

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Appendix A – Interview Guide

Here, the interview guideline is presented. It is held in German and English.

1) Crowdfunding is seen as an alternative financing source. What constitutes your main motivations for using crowdfunding?

2) What other funding sources had to be used and in which order?

3) Your crowdfunding campaign went very successfully. To what extend would you consider crowdfunding as your funding source again?

4) Business angels and venture capitalists are able to add value besides the funding itself. What was the most value adding by your crowdfunding besides funding? What were other contributions?

5) Crowdfunding can lead to get “over funded”. How would you react when you collect more money than expected? Do you have additional projects to realise?

6) Crowdfunding attracts also ‘fools’. Therefore, crowdfunding can lead to the involvement of different shareholders, which spend not much time with funding decisions. How do you evaluate the fact that a large number of illiterate shareholders may be involved in your venture?
Appendix B – Interview #3

Protonet GmbH

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Crowdfunding wird zunehmend als alternative Finanzierungsmethode gesehen. Aus welchen Gründen hast Du dich für Crowdfunding entschieden? Was war Deine Motivation?


Dabei spielt es aber keine Rolle, dass zum Beispiel auf der Crowdfunding Plattform sich viele Leute tummeln, die über kein Experten-Wissen verfügen?

Das ist egal, man braucht kein Expertenwissen um, glaub ich, Crowdfunding zu machen. Es geht den Leuten darum, viele haben auch nicht den Grund und wollen ein Investor sein sondern sie wollen helfen eine coole Idee mit aufzubauen. Auch beim Crowdfunding sollte man eine Portfolio-Strategie verfolgen als Investor, also nur in ein Unternehmen zu investieren macht keinen Sinn. Man sollte halt versuchen, sechs, sieben, acht, neun, zehn Unternehmen zu investieren, damit man das Risiko auch streuen kann.

Also Du meinst, dass die Leute, die sich auf Crowdfunding Plattformen tummeln und Geld investieren, wollen das vordergründig machen um alternative oder neue Ideen zu fördern anstelle das Geld zu vermehren und reich zu werden?

Also klar, manche wollen damit auch reich werden und das ist natürlich auch möglich. Aber ich glaube nicht, dass das der Hauptgrundsatz der Leute ist. Es gibt viele Leute, die sagen, ich möchte...es kommt auch auf die Plattform an. Bei Kickstarter zum Beispiel geht es gar nicht ums reich werden. Es geht nur darum das Produkt als erster zu bekommen. Seemacht ist schon eher kommerziell ausgerichtet. Also wir, unseren Investoren wollen wir auch natürlich einen Return bieten, also die sollen, wir wollen natürlich alle die bei uns mit machen stinke reich machen. Das ist klar. Es ist natürlich sinnvoll, das Investoren überlegen sollten, in welche Sachen sie investieren und auch nicht wahllos in Sachen investieren.

Welche anderen Finanzierungsquellen haben Sie herangezogen und in welcher Reihenfolge?

Wir haben ein Exits Stipendium bekommen vom Wirtschaftsministerium über 100.000 €, dann noch ungefähr 35.000 € an Preisgeldern und nochmal 900.000 € an Seed-Finanzierung.

Das ist ja schon eine ganze Menge. Wurden die Stipendien und Förderungen zu erst herangezogen oder erst nachdem das Crowdfunding erfolgreich durchgeführt wurde?

Zu erst gab es das Exits Stipendium und ein paar Preisgelder, dann Crowdfunding und dann kam jetzt letzten Sommer noch zusätzliche Seed-Finanzierung.
Warum hat man sich danach noch für eine weitere Finanzierung entschieden? Hat das Geld nicht gereicht?


Genau, aber die Frage solle dahin gehen, wenn man sich schon einmal für Crowdfunding entschieden hat, wieso hat man sich dann bei nächsten Mal über andere Finanzierungsquellen Gedanken gemacht?


Business Angels und Venture Capitalists sind in der Lage, neben der Finanzierung auch noch anderen Nutzen einem Unternehmen anzubieten. Wieso hat man sich dann, überhaupt erst für Crowdfunding entschieden, wie ihr es getan habt beim ersten mal?

Also erstmals muss man sagen, können VCs auch Expertise mit reinbringen, aber die wenigsten machen das wirklich. Also jeder sagt, die wenigsten bringen wirklich Game changeing, active relevant Expertise mit rein ins Team. Weil sie natürlich ein hohes Portfolie haben, die kennen sie nicht die ganze Zeit darum kümmern. Natürlich ist es bei Business Angels noch ein bisschen anders, da ist es auch ein bisschen besser. Crowdfunding in dem Sinne, es wollte keine zu diesem Zeitpunkt in das Unternehmen investieren, weil das Produkt war noch nicht fertig und war es halt so, wir konnten das nicht so richtig kommunizieren und es wollte einfach keiner machen.


Wenn man so fragt, da standen die 50.000 € damit man den Einsatz erzielt, aber hätten wir nur 50.000 € eingesammelt, dann hätten wir nicht vernünftig arbeiten kennen.

Das versteh ich, aber es wurde vor ab doch kalkuliert...

...nee, da wird nicht wirklich viel kalkuliert. Da geht es darum, wie viel Geld könnte man einsammeln ungefähr und das erfolgt relative willkürlich.

Ahh ok, dann wurde schon gekuckt Crowdfunding wird als Finanzierungsquelle genutzt aber wir müssen neben Crowdfunding auch noch andere Finanzierungsquellen heranziehen.

Genau, wir haben halt geschaut, wie viel kennen wir, was ist das Maximum was wir herausholen können, ok, 200.000 € sollten machbar sein, aber wir wussten, damals 2012 Crowdfunding ist zwar schon Thema, aber nicht so wie es jetzt gerade ist zum Beispiel, und deswegen haben wir gesagt, 200.000 € sind machbar und deswegen machen wir das jetzt.

Venture Kapitalist sagen, dass Crowdfunding Plattformen "Fools" anziehen, Leute die sich mit einem bestimmten Thema nicht intensiver auseinander gesetzt haben. Denkt
du, dass Crowdfunding Plattformen sich dahingehend verändern werden, dass nur noch "Experten" sich dort tummeln?


Klar, aber das Crowdfunding steckt ja noch in den Kinderschuhen und kann sich dahingehend entwickeln...


Ich meine in den Kinderschuhen, vergleichen zu anderen Finanzierungsmethoden, wie Bank oder Venture Capitalists.

Ja, schon klar, aber Bank stirbt eh aus, also für kleine Startups. Wer sich einen Bankkredit hat irgendwas nicht ganz verstanden.

Das Crowdfunding per se, kann sich ja dahin gehend verändern, dass auch größere Summen investiert werden können.

Absolut, absolut. In Deutschland, auf Seedmatch, glaub ich, bis zu einer Million €, 1,2 Millionen € eingesammelt. Oder hier in Amerika, wo man 3 Millionen eingesammelt hat.

Richtig, aber das Crowdfunding per se, könnte sich ja dahin gehend verändern, dass auch Investoren nicht mehr nur 2.000 € investieren können, sondern gleich 50.000 € auf einmal.

Ja! Gut, ja vielleicht auch das. Kann sein.

Um das Gespräch zusammen zu fassen. Deiner Meinung nach, in welcher Stage werde Crowdfunding Sinn machen?

Also früh, frühe Phase auf jeden Fall. Vor der Seed-Finanzierung oder während der Seed-Finanzierung. Für mache Sachen, zu so ein Produktaus, als Produktvermarktungskanal etwas später auch möglich.

Also würdest du zu erste das Eigenkapital, was man sich zusammen gesammelt hat, aufbrauchen bzw. seine Familie fragen und dann direkt zum Crowdfunding übergehen?
Das kann auch miteinander kombiniert werden. Man kann auch seine Familie bitten, das über die Crowdfunding Campaign zu investieren. Strategisch macht das so gar Sinn, weil der Schwarm-Gedanke, wenn du dir 50.000 € durch die Familie holst, dieser Schwarmgedanke ist ja so, wenn viele Leute in irgendwas investieren und andere sehen, das Crowdfunding geht derbe ab, weil Leute schon 50.000 €, 60.000 € investiert haben, dann investiert man auch schneller in ein Unternehmen. Weil jeder merkt, da steckt irgendwas dahinter.

Siehst du Crowdfunding auch für spätere Finanzierungsrunden als attraktive Quelle?

Crowdfunding wird zunehmend als alternative Finanzierungsmethode gesehen. Aus welchen Gründen haben Sie sich für Crowdfunding entschieden? Was war Ihre Motivation?


Hatten Sie keine Bedenken, dass Sie die Finanzierungssumme nicht zusammen bekommen, weil vor 2 Jahren war Crowdfunding noch nicht so bekannt wie es heute ist?


Haben Sie sich einen Marketing-Effekt erhofft um zu gucken, wie die Leute am Markt auf Ihr Startup reagieren?


Mussten Sie nach dem Crowdfunding Ihr Geschäftsmodell nachjustieren? Wie ich gesehen habe, sind Sie aus dem Crowdfunding recht erfolgreich herausgetreten.


Welche anderen Finanzierungsquellen haben Sie herangezogen und in welcher Reihenfolge?


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insgesamt das klassische smart money ist so ein bisschen langwieriger, die Wirtschaftskette wird länger und dementsprechend haben wir uns für die Crowdfunding Variante entschieden und das hat auch ganz gut funktioniert. Nichts destotrotz ist es natürlich so, es war nur ein erster Schritt. Wir haben das Geld genutzt um etwas aufzubauen um später dann das smart money hereinzuholen über Venture Capital Firmen.

**Ihr Unternehmen ist in den letzten Jahren gewachsen. Sie haben sich erfolgreich über Crowdfunding finanziert. In wie weit würden Sie noch einmal Crowdfunding als Finanzierungsmethode heranziehen?**

Unter gar keinen Umständen. Ich werde alles daran setzen um Crowdfunding zu vermeiden. **Warum?**


**Das klingt nachvollziehbar. Wie würden Sie die Frage beantworten. Wenn Sie ein neues Unternehmen gründen, wie wollen Sie an frischen Startkapital kommen? Bei kleineren Beträgen bietet sich Crowdfunding regelrecht an.**

Naja, es gibt wirklich sehr, sehr viele Business Angel meet ups, auch für den Pre-Product Bereich. Daher gibt es keinen 'shortage of capital' in der pre-seed Runde. Somit ist Crowdfunding eine Möglichkeit, aber bei weitem nicht die Einzige für eine ganz frühe Finanzierungsphase.

**Das mein ich auch gar nicht, dass Crowdfunding die einzige Finanzierungs Methode ist. Allerdings, bei kleinen Summen, biete sich Crowdfunding an um es als Brückenfinanzierung zu sehen. Durch ihre Erfahrungen mit Crowdfunding, wie würden sie denn gern die Brückenfinanzierung übernommen wissen?**

Business Angels und Venture Capitalists sind in der Lage, neben der Finanzierung auch noch anderen Nutzen einem Unternehmen anzubieten. Brachte ihnen das Crowdfunding, neben der Finanzierung, auch einen Vorteil?


Venture Capitalists sagen, dass Crowdfunding Plattformen "fools" anziehen, Leute die sich mit einer bestimmten Sache nicht intensiv auseinander gesetzt haben. Wie sehen Sie das, dass sich viele unwissende Investoren auf Crowdfunding Plattformen tummeln und dort kleine Beträge investieren. Bei einer erfolgreichen Campaign könnten dann viele Investoren an einem Unternehmen beteiligt sein und Einfluss ausüben.

Also ehrlich gesagt, ich glaube nicht, dass die ganzen Investoren Einfluss auf das Unternehmen ausüben. Wir haben viele Investoren und wir hören von denen nichts, überhaupt nichts – außer mal, wann kommen die neusten Zahlen, oder so ähnlich. Aber irgendeine aktive Einflussnahme ist 1) nicht möglich bei Seedmatch, nach deren Verträgen, sondern man erlangt nur Informationsrecht.

Also eine stille Beteiligung?

Was haben Sie mit dem Geld aus der Crowdfunding Campaign gemacht? Konnten Sie Ihr eigentliches Projekt größer aufbauen? Wurden weiter Projekte realisiert?

Nein, die 56.000 € konnten nicht wirklich viel finanzieren. Das floss natürlich nur in das eine Projekt von *** und außerdem haben wir noch einen privaten Kredit aufgenommen zu jeweils von 50.000 €. Mit 50.000 € allein kommen Sie nicht weit. Wir haben ein Marketingbudget was deutlich höher ist als das. Auch wenn wir wollten, wir konnten gar keine anderen Projekte finanzieren. Ich glaube insgesamt ist dieses ganze Moral Hazard Problem, wenn man es so nennen will, bei Startups weniger ausgeprägt. Ganz einfach, weil man so motiviert ist und man so dahinter steht, dass man wirklich sein Leben insgesamt in diese Geschichte investiert. Jeden einzelnen Cent, den man hat. Man leihst sich Geld, man geht ein privates Risiko ein. Auf die Gefahr der Privatinsolvenz hin, haben wir einen Kredit aufgenommen um die Firma aufzubauen. Dem entsprechend halte ich das Moral Hazard Problem für gering. Und natürlich, je höher die Summen werden, haben die Betreiber durch ihre Gebühren von 10% ein großes Interesse, viele Leute und hohe Summen zu erreichen. Das wird natürlich dazu führen, dass sich das Moral Hazard Problem ausbauen wird, aber auch andere Projekte werden finanziert. Zu unseren Zeit war das noch ein bisschen anders.
Appendix D – Interview #5

e-volo GmbH

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Crowdfunding wird zunehmend als alternative Finanzierungsmethode gesehen. Aus welchen Gründen haben Sie sich für Crowdfunding entschieden? Was war Ihre Motivation?

Wir erhielten ständig Anfragen, ob und wie man sich bei uns beteiligen könnte. Dadurch, dass wir noch ein kleines Unternehmen sind, schien uns der Schritt in Richtung Aktiengesellschaft viel zu früh. Daher war Crowdfunding eine ideale Möglichkeit für Interessenten, auch für Kleinanleger, in unser Unternehmen zu investieren. Banken hielten unser Vorhaben viel zu konservativ.

Wollten Sie durch Crowdfunding auch ihre Bekanntheit noch weiter steigern?


Welche anderen Finanzierungsquellen haben Sie herangezogen und in welcher Reihenfolge?


Sie haben sich erfolgreich über Crowdfunding finanziert. In wie weit würden Sie Crowdfunding noch einmal als Finanzierungsmethode heranziehen?

Unsere Crowdfunding-Kampagne lief wunderbar. Das brauchte uns eine neue Situation, die wir erst mal managen mussten. Unser Crowdfunding ist noch nicht so lange her, wir müssen nun erst mal schauen, was uns diese Situation gebraucht hat. Mein Team und ich werden die Sache bewerten und unsere Lehre rausziehen. In Zukunft wird unser Kapitalbedarf rapide anwachsen und wir müssen uns nach neuen Finanzierungsquellen umsehen, mit Sicherheit. Ob Crowdfunding wieder dazugehört, kann ich noch nicht sagen.

Wie ich gesehen habe, führte Crowdfunding zu einer Art “Überfinanzierung”. Was haben Sie mit dem zusätzlichen Geld gemacht? Konnten Sie ihr eigentliches Projekt größer aufbauen? Wurden weitere Projekte realisiert?

Nun, wir bringen den VC200 zur Produktionsreife und generieren mit den Verkäufen die ersten Umsätze. Danach wollen wir die Produktionszahlen kontinuierlich steigern und unser Unternehmen so Stück für Stück ausbauen. Das zusätzliche Geld hilft uns, dass wir diesen Prozess schneller vorantreiben können. Durch das über Seedmatch eingesammelte Geld

**Business Angels und Venture Capitalists sind in der Lage, neben der Finanzierung, auch noch anderen Nutzen einem Unternehmen anzubieten. Welcher Nutzen brachte ihnen das Crowdfunding, neben der Finanzierung?**


**Aus welchen Gründen haben Sie sich für diese Crowdfunding Plattform entschieden?**

Wir waren in diesem Jahr als einer der Finalisten im [...] Wettbewerb auf der CeBIT Messe eingeladen und dort hat Seedmatch einen Preis ausgelobt. Dadurch kamen wir sowohl mit den Preisträgern als auch mit den Betreibern von Seedmatch in Kontakt. Das hat uns sofort überzeugt, denn wir hatten im Rahmen unserer Überlegungen zur weiteren Finanzierung zuvor auch schon intensiv über Crowdfunding nachgedacht. Eine deutsche Plattform mit deutschen Ansprechpartnern und Sitz in Deutschland war für uns einfach die naheliegende Lösung.
Crowdfunding wird zunehmend als alternative Finanzierungsmethode gesehen. Aus welchen Gründen haben Sie sich für Crowdfunding entschieden? Was war Ihre Motivation?

Also unsere Motivation war, in erster Linie, dass unser Vorhaben nicht interessant war für VCs, weil wir ein kleines Investment benötigt haben. Daher waren wir für die nicht so relevant, weil die eher in Sachen investieren, die gewagter sind und wo es mehr um B2C Produkte geht und wo man das so richtig krass skalieren kann. Und auf der anderen Seite, das untere Ende hat uns auch nicht gefallen, also das wir nur mit einem Business Angel und ihm halt einen größeren Teil der Firma geben und das für rein relativ kleines Investment von 20.000 oder 30.000 €. Und da kam Seedmatch, also wir sind auf Seedmatch durch Zufall gestoßen und auch auf die Möglichkeit von Crowdfunding. Das war mir am Anfang nicht so bewusst und das halt sehr gut gepasst. Das hat in die Mitte reingespielt zwischen VCs und einzelnen Privatinvestoren. Ich habe halt die Vorteile gesehen, wenn wir das direkt darüber machen, dass wir auch Bekanntheit erlangen und das auch schon eine gewisse Anzahl an Leuten hinter uns stehen, die uns kennen und weiter empfehlen können. Und weitere Grund war auch die Bewertung von einem Unternehmen. Das wir halt für 20% stiller Beteiligung 100.000 € aufnehmen konnten. Das war für mich attraktiv.

Habt ihr euch durch die Crowdfunding Kampagne einen Marketing erhofft?

Ja! Durch die Crowd selbst haben wir uns erhofft, dass das Leute sind, die selbst ein Unternehmen haben oder eine relative gute Position in einem Unternehmen haben und die sich halt auskennen, sonst wären die nicht auf so einer Plattform unterwegs, wenn die das gut finden, die das auch weitertragen können. Und da war ganz klar dieser Marketing Effekt. Aber ich denke auch durch Seedmatch und durch diese Aktion, haben wir in der ersten Woche die ersten Kunden bekommen und dass das nur darauf zurück zuführen war. Bis dahin hatten wir noch gar kein Marketing. Wir hatten bis zu dieser Woche Userlike das erste Mal veröffentlicht und vorgestellt. Wir hatten davor eine Beta Phase und gleichzeitig mit der Seedmatch Aktion haben wir die Beta Phase beendet und jeder konnte anmelden auf der Website. Und dann haben wir prompt die ersten Kunden bekommen. Und das führ ich nur darauf zurück.

Aus welchen Gründen haben Sie sich für diese Crowdfunding Plattform entschieden?

Welche anderen Finanzierungsquellen haben Sie herangezogen und in welcher Reihenfolge?

Nee, gar nichts. Keine weiteren!

Hattet Ihre Eigenkapital um Ihre Idee anzustoßen und zu verwirklichen?

Es gab eine kleine Eigenfinanzierung. Die war nicht groß, Mittel im vierstelligen Bereich. Wir zwei Gründer haben so 5.000 - 6.000 € zusammen investiert und so die ersten Monate überbrückt. Wir haben das nötigste gekauft und das war es auch schon. Wir haben einfach blauäugig geguckt, wenn wir das jetzt veröffentlichen, dann bekommen wir Kunden, da wächst es. Aber hätten wir Seedmatch nicht bekommen, dann säßen wir schnell auf dem Trockenen.

Wann hat Ihr euch Gedanken gemacht, dass es Crowdfunding werden soll? Erst nach dem sich eure Ersparnisse dem Ende geneigt haben oder doch schon früher?


Sie haben sich erfolgreich über Crowdfunding finanziert. In wie weit werden Sie Crowdfunding noch einmal als Finanzierungsmethode heranziehen?


Wäre es nicht attraktiver diesen Kern als Angel Investoren zu betrachten und die also Finanzierende mit ins Boot zu holen?


Wenn das funktioniert, wäre das doch wunderbar. Business Angels und Venture Capitalists sind in der Lage, neben der Finanzierung, auch noch anderen Nutzen einem Unternehmen anzubieten. Welcher Nutzen brachte ihnen das Crowdfunding, neben der Finanzierung?

Nein! Bei diesem Mitstimm-Effekt halten sich alle ein bisschen zurück. Man muss Quartalsweise Berichte ausgeben und klar dann gibt es da einige Tipps aber meistens über
Sachen, über die wir auch schon selbst nachgedacht haben. Nichts originelles, wo von man wirklich profitiert.

**Also findet auch keine Teilnahme der Investoren statt?**

Nicht wirklich! Mit zwei, dreien habe ich regelmäßigen Kontakt via E-Mail wo ich eher berichte, was so gelaufen ist. Die können uns daher nicht so handfeste Tipps geben, was wir nun machen sollten, das den Verkauf ankurbelt oder so. Die haben auch nicht so das Interesse, wenn die 250 € investiert haben, dass die sich dann regelmäßig tief einbringen. Die haben ja selbst ihre Aufgaben, ihre Unternehmen, und da ist es natürlich nur eine Nebensache.

**Kennst du deine Investoren genauer? Sind es hauptsächlich Privatpersonen oder andere Startups oder Unternehmen?**

Bei uns sind es hauptsächlich Privatpersonen.

**Und die haben sich gedacht, eure Idee finde ich klasse, die will ich unterstützen?**


**Wie ich gesehen habe, führte Crowdfunding zu einer Art 'Überfinanzierung'. Was haben Sie mit dem zusätzlichen Geld gemacht? Konnten Sie ihr eigentliches Projekt größer aufbauen? Wurden weitere Projekte realisiert?**

Im Grunde genommen kann man sagen, dass wir wirklich nur 50.000 € gebraucht hätten. Von dem Rest haben wir dann angefangen und kleine Gehälter zu zahlen und nicht mehr vom Ersparten zu leben. Wir haben trotzdem nicht massiv eingestellt oder groß ins Marketing investiert. Wir waren relative sparsam. Das man sagen kann, wir haben die 60.000 € investiert und unter den Kontostand von 40.000 nie wieder gekommen sind. Im Gegenteil, wir haben den wieder aufgebaut. Das war so eine Art Puffer. Aber man muss schon sagen, dass wir bei dieser Aktion 100.000 € haben wollten. Es wird nur so ausgewiesen, also dieses Limit. Man muss 50.000 € erreichen, aber das Limit ist 100.000 €. Eigentlich will jeder, auch Seedmatch, dass man das Maximum erreicht.

**Das versteh ich von Seedmatch Seite total. Aber wie kalkuliert man die 50.000 €? Und was macht man mit den zusätzlichen 50.000 €?**

Für uns war relativ klar, dass wir die 50.000 € erreichen. Gerade, weil wir in einer Phase waren, wo auch andere Ideen, die man als nicht finanzierbar erachtet, mit mehr als dem Minimum finanziert wurden. Klar, es gab auch Pläne und bei 50.000 € können wir uns keinen Programmierer leisten, bei 100.000 € schon. So lief das dann auch, dass wir einen Programmierer eingestellt haben. Also wir haben schon zwei Pläne gemacht, was wir bei 50.000 € finanzieren und was bei 100.000 €.

**In welcher Unternehmens Phase würdest du Crowdfunding anwenden?**

Crowdfunding wird zunehmend als alternative Finanzierungsmethode gesehen. Aus welchen Gründen haben Sie sich für Crowdfunding entschieden? Was war Ihre Motivation?


Welche anderen Finanzierungsquellen haben Sie herangezogen und in welcher Reihenfolge?

Also Crowdfunding haben wir Übergangsfinanzierung und nicht Seed-Finanzierung gemacht. Ich glaube, dafür ist es auch wirklich geeignet. Quasi einen Zwischen- oder Endschritt um eine Unternehmung zu finanzieren, ab nicht um eine Initialfinanzierung zu machen, weil das Risiko dort eindeutig größer ist. Wir hatten als Seed-Investor bereits die T-Venture mit an Board, die sind 2012 eingestiegen, das Crowdfunding haben wir Ende 2013 betrieben. Unser Business Plan ging auch wirklich bis zum Crowdfunding, also die Summe , die wir durch T-Venture eingenommen haben, reichte auch nur bis dahin. Da kam uns die Frage, was machen wir als nächstes? Und die Gespräche mit einem anderen Investor waren noch nicht so fortgeschritten bzw. die Unterschrift war noch nicht unter dem Vertrag. Da haben wir gesagt, komm, warum machen wir jetzt nicht Crowdfunding? Dementsprechend war es eine Art Übergangsfinanzierung.

Ist denn der Seed-Investor ausgestiegen?

Ne, ne, ne! Der war mit dabei gewesen. Es hat sich schon länger abgezeichnet, das wir zusätzliches Geld brauchen werden. Und vor dem Crowdfunding haben wir mit verschiedenen Investoren Gespräche geführt, weil uns klar war, dass wir mindestens eine weitere Finanzierungsrunde drehen müssen. Und die ist nach dem Crowdfunding, im Januar,

Sie haben sich erfolgreich über Crowdfunding finanziert. In wie weit würden Sie Crowdfunding noch einmal als Finanzierungsmethode heranziehen?


Hättest du nicht die Bedenken, dass du in der kapitalintensiven Phase nicht das benötigte Geld zusammen bekommst?

Der Kapitalbedarf wird ansteigen, da hast du recht. Es gibt aber die Möglichkeit, dass man sich nicht komplett aus der Crowd finanziert. Wir haben als Feedback bekommen, also wir haben ja die Crowd verwässert, nach dem Einstieg von ... Venture und das hat bei einigen Kunden für Unstimmigkeiten gesorgt und es gab durchaus aus den Gedanken hier noch eine weitere Finanzierung in einer Crowd zu machen um den Leuten, die verwässern, die Möglichkeit zu geben, die sie hier noch einmal nachschieben können. Weil die Crowd ha nicht die Möglichkeit. Weil wenn wir hier noch einen Investor reinnehmen, dann hat er ja die Möglichkeit auch noch mal Geld nachzugeben um nicht zu verwässern. Das wäre eine Möglichkeit gewesen, aber du hast natürlich recht. Eine komplette neue Finanzierung würde sich schwierig gestalten. Muss aber nicht sein, wie man mittlerweile bei Seedmatch sehen kann, wo Projekte mit mehreren hunderttausenden finanziert werden. Aber bei unserem Geschäftsmodell gestaltet sich das eher schwierig.


**Gab es da Hilfe von Seedmatch?**

Seedmatch ist da schon hinterher, hier meine ich, dass die konkrete Vorgaben haben, wie das Crowdfunding abzulaufen hat und welche Unterlagen man einreichen muss. Die nehmen dir die Unterlagen und Filme auch ab und geben dir Feedback. Die geben die aber jetzt nicht das Filmstudio, da kannst du sicherlich auch Empfehlungen bekommen, von daher musst du dich schon selber einbringen. Du bekommst ja auch was zurück.


Das war so geplant, wir wollten diese Summe haben. Was viele Leute nicht wissen, ist, du hast verschiedene Fundingstufen. Die sind auch vertraglich festgelegt. Du sprichst mit den Seetmacht Leuten, mein Unternehmen ist gut, dann bespricht man einen gemeinsamen Wert, bei uns war das eine halbe Million und dann hast du drei Schwelben. Zum einen das Funding Limit, da wird festgelegt, was erreicht werden muss, damit jeder was bekommt und der Vertrag mit den Investoren zustande kommt. Erreichst du das Limit nicht, bekommt keiner was. Das war bei uns 100.000 Euro, wären die nicht zusammen gekommen, wäre nichts passiert. Das ist natürlich so ein Risiko Thema. Unser Ziel war 500.000 Euro, aber ich weiß von anderen Startups, wenn man die 500.000 Euro schnell erreicht hat, dann kann die Schwelle im nach hinein noch erhöhen. Das hängt sehr stark von der Dynamik ab. Aber im Grunde hast du da schon gewisse Limits, über die du dir vorher Gedanken machst.

**Crowdfunding erlebt zur Zeit einen regelrechten Boom, was auch „unerfahrene“ Investoren anzieht. Investitionen werden aus dem Bauch heraus getroffen. Wie ist Ihre Meinung bezüglich, dass Investoren an Ihrem Unternehmen beteiligt sein könnten, die sich mit ihrer Idee nicht intensiv beschäftigt haben? In wie weit hat das Auswirkungen auf Ihre Geschäft?**

Auf die Unternehmung haben die keinen Einfluss, allerdings kann das Crowdfunding als solches ein negatives Image bekommen. Für uns ist es vollkommen egal wer sich nun am Unternehmen beteiligt, für uns ist es einfach nur das Geld. Natürlich stellt jeder andere Fragen. Aber dadurch, dass die Leute kein Mitspracherecht haben, ist das wir nur eine Nummer. Das Problem was du hier anspricht, die Menschen müssen sich darüber bewusst sein, eine Bauchentscheidung muss nicht immer falsch sein, man kann ganz viele Business Pläne lesen und trotzdem nicht schlauer sein, aber es ist wie bei Aktien, du muss auf das richtige Pferd setzen. Aber ja, unerfahrene Leute machen schneller negative Erfahrung. Bei VC gehen 9

**Wo würdest du Crowdfunding einordnen? An welcher Unternehmensphase würdest du dich für Crowdfunding entscheiden?**