Crowdfunding for more than money?

A study on crowdfunding from a marketing viewpoint

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Abstract

Research question: How can Crowdfunding be used as a marketing tool?

Purpose: The purpose of this paper is to explore the anomalies and trends in crowdfunding in order to explain how crowdfunding can be used as a marketing tool.

Method: This research is exploratory with an inductive research approach. Primary data was collected with qualitative techniques. Semi-structured interviews was used when interviewing the participants in order to withdraw data.

Findings: The empirical data showed that crowdfunding can be used for marketing and creating a buzz or awareness. These findings lead us to create a proposed model for how crowdfunding most effectively can be used as marketing.
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Zlatan Bajric
1. Background

When talking about crowdfunding (CF), an immediate connection to capital is made in our heads, that is after all what it is for, or is it? The phenomenon of crowdfunding is quite new and thus very hard to find studies that shed light on other aspects than the monetary/financial view of crowdfunding.

Joseph Pulitzer wrote an article in New York World 1885 urging the American public to donate money in order to ensure the completion of the Statue of Liberty. $100,000 was raised within the course of five months and anyone making a contribution had their name published in the newspaper (National park service, 2016). Flash forward to 2011 and Barack Obama is running for his re-election. On his homepage, supporters can contribute with funds in any size towards his campaign. $118.8 million was raised, enough to ensure Barack Obama the economic boost to not rely purely on donations from large corporations (Crowdfund, 2016). These events are limited to the United States, but several similar events have occurred in Sweden, such as the attempt to rescue Saab when they hit their financial crisis in 2009. Rescue-Saab made a failed attempt to gather a crowd of supporters large enough to be able to contribute with the economic power to force the financial reconstruction and preserve the company (Rescue-Saab, 2016).

These are few examples of some more complex crowdfunding events. In recent years it has been more accessible for just about anyone to start their own crowdfunding campaign through internet-based platforms. This is something that Flippin’ Burgers did in 2011. They used the platform FundedByMe and offered two meals for the price of one in exchange for 150SEK. The campaign went live September 2nd and on November 1st the goal of 30,000SEK was met (FundedByMe, 2016).

These examples ranged in size and time, but strived for the same goal, to gather enough funds to execute a project. A question that comes up is “Why did they turn to crowdfunding?” Was it the only goal to collect funds? In some cases, definitely, but in other crowdfunding campaigns the goal seems to be something else. What can make a person start doubting that the capital is the only goal is for example, if campaigns have a very low goal set or if the campaign is created by a large and well funded company.

Why set a goal too low or why would a big company ask for funds when they clearly have the economic muscles to finance their project by themselves. This behaviour has become more common as the Crowdfunding platforms evolved and started to reach out to more and more people.

The internet-based CF phenomenon has been around since the 1990’s as a result of the advancement of computer technology, but the CF phenomenon or grassroots fundraising has been around historically as shown above. It is the advancement of technology that has made it possible for entrepreneurs to reach out to a broader audience with less effort.
The entrepreneurs can launch their ideas on websites that act as an intermediate between the entrepreneur and its investors. It is also this interaction between investor and entrepreneur that lead to the increased popularity of CF (Belleflamme et al., 2013). The intermediates are spread over the world and have gained increasing amounts of attention in later years. There are numerous web based platforms out there. Kickstarter, FundedByMe and Indiegogo are a few examples on what the market holds.

These intermediates in this research will from now on be referred to as platforms. It is through platforms like these that entrepreneurs can present their ideas in an attractive way in order to attract new investors (Belleflamme et al., 2013). This approach on CF is generally presented as the main one, that CF is purely for attracting investors and gathering funds. Even though the mainstream ideas of CF is that it is used for gathering funds. There are signs that CF can be utilized primarily as a marketing tool. So far little research has been conducted that focuses on the marketing aspect in CF.

1.1 Problem

Crowdfunding platforms have come up with different ways of reaching the same goal, mostly when it comes to different ways of rewarding the backer. This has opened up a new universe of creative thinking combined with classic crowdsourcing economics. The fundamental purpose of digitalising crowdfunding is to make it more accessible, and offer more people the possibility to invest in startups and new ideas. The focus from this perspective is generally connected to capital. There is a constant increase among entrepreneurs that are aiming at starting a new business to launch their idea at CF platforms (De Buysere et al., 2012).

Generally CF is marketed as a way of attracting capital and investors, at the same time there is a pattern when looking at the most successful campaigns, often they are created by experienced entrepreneurs and have low goals and create large amounts of hype and buzz. One of the most crucial things when starting a new business is to build a core of loyal customers. This is important since it ensures the spread of word of mouth. (Cholakova & Clarysse, 2015). Thus making “how CF can be used for marketing" very interesting for companies and entrepreneurs seen from a marketing perspective.

When comparing CF campaigns to each other a clear trend can be highlighted, well funded campaigns are professional in their design, layout and communication (Appendix 2). Poorly funded campaigns that do not reach their goal often tend to be less professional, even if the idea is of good quality. Another trend is that larger and well established entrepreneurs and companies use CF platforms, often with a very low goal set and that is interesting behaviour compared to the general perception that CF is primarily used as a financial tool. Considering that most of the larger companies can fund their development themselves, this strengthens the suspicion that the campaigns are not primarily for financial goals.
Often campaigns are created at a stage when the product is almost finished and ready to launch. Both anomalies brings us to the question of how some of the campaigns are setup for marketing related activities and thus attract more customers. By officially using and marketing a campaign for the sole goal of capital but actually setting it up for marketing related purposes, brings us to the dilemma if this is made consciously and structured or is it just a random result.

1.2 Research question

*How can Crowdfunding be used as a marketing tool?*

1.3 Purpose

The purpose of this paper is to explore the anomalies and trends in crowdfunding in order to explain how crowdfunding can be used as a marketing tool. By doing so, this research sheds some light on the topic and potentially creates a discussion around it. This paper identifies key aspects to successfully using crowdfunding primarily for marketing and summarises them and tries to explain and analyse the identified concepts.

The purpose is not to shed more light on the phenomenon around crowdfunding as a way of attracting capital but to explore the thought around using crowdfunding platforms primarily for hyping and marketing a brand and thus attracting brand loyalists and retaining them and how this can be done.

1.4 Delimitation

The focus of this research will be on the Scandinavian crowdfunding platforms and crowdfunding climate. Thus, the eventual conclusion may not be applicable in other parts of the world. The research will include all variations of crowdfunding that are available on Scandinavian platforms.
Methodology

In this chapter a presentation on what methods and approaches that were used when conducting this research. The collection of data is presented together with the interview questions and an explanation as to what was the purpose when asking them. An introduction to what research methods that were used throughout this research in order to reach an answer to our research question. The chapter ends with a reliability and validity and an ethics sub-section to show what measures that been done in order to assure the participants confidentiality. CF is a relatively unexplored phenomenon so there is at the time of writing a lack of theories and models that can be used and analysed on the subject. In the conceptual framework CF is explained so no confusing of CF and crowdsourcing is made. Relationship marketing and tribal marketing is explained and will be used as an analytical tool when analysing the primary data. During the analysis the authors will gather information that can be converted into a model that will be presented in the end of this research.

2.1 An inductive research approach

There are three main approaches when conducting a research and those are inductive, abductive and deductive reasoning. A deductive approach which also is called the top-down approach, is when theory is narrowed down to hypotheses. These hypotheses are then tested and observations are used to address the hypotheses (Saunders et al., 2009). Inductive approach or bottom-top approach is the opposite of deductive. Inductive is when data and observations are collected and used by the researcher as a source in developing a theory (Bryman and Bell, 2007). Since observations and data is collected in order to understand why something is happening it can be argued that an inductive approach allows a deeper understanding of the problem (Saunders et al., 2009).

This research is taking a inductive approach because of several reasons. Since the phenomenon of using CF as a marketing tool is relatively fresh and few academic papers concerning this subject are available the authors wanted to gain a deeper knowledge of the phenomenon. The inductive approach lets us during the course of this research to be open for changes during the process which for us is seen as an advantage since the phenomenon is relatively fresh. The possibility to change during the process was an invaluable advantage during the gathering of information and during the gathering of data, to ensure that the authors extracted the most essential information from the subject.

Together with the deeper understanding and greater knowledge that were gained from gathering information about the research, it also helped discover different alternative explanations to the research problem (Blaxter et al., 2006). Research contributions can be made while using the
inductive approach and through the process of collecting relevant data this approach was more suitable for this research.

2.2 Exploratory research

Saunders et al. (2009) argues that the purpose of research could be exploratory, explanatory, and descriptive. One of these don't have to be chosen exclusively, they could overlap each other during the research. An exploratory approach to research is used when an unexplored area is investigated and the researcher is striving towards creating alternative options for a solution and that can be used in further research. Explanatory research studies the relationship and causes in order to discover patterns with the related subject. Descriptive research, aims to describe and document a subject.

The purpose of this study were to research how CF could be used as a marketing tool and doing so an exploratory research design has been used. It is exploratory since we tried to get deeper knowledge on how CF works and what attributes it has as a marketing tool. Doing so we asked questions in order to gain a greater understanding of how the marketing aspect of CF worked and how it could be greater utilized (Saunders et al., 2009). The exploratory design made us open to complementary interviews during the process of this research, since new information and knowledge stimulated ideas and data that was for us valuable when trying to answer the research question. This was the case when conducting an interview with an expert in the field. That interview was made because during the interviews with some of the participants, new questions arose that needed to be answered.

2.3 Research method

Within the inductive approach a decision had to be made on how the collection of data was going to be executed. There are three ways in order to collect data and it is done through either a quantitative, qualitative technique or a combination of both, called triangulation (Bryman & Bell, 2007). Quantitative is most commonly associated with the data collection technique or data analysis procedure that generates or uses numerical data (Saunders et al., 2009). This method is usually used where a deductive approach is selected and the data collection technique of questionnaires is often chosen. Qualitative is on the other hand when data is collected and analysed that is non-numerical. The most common method of collecting data within the inductive approach is a qualitative method (Bryman & Bell, 2007). The qualitative approach also uses the collected data to describe in order to gain a deeper understanding through process of transforming the collected data into words.

In this research a qualitative approach when collecting data was used. Since this is an inductive research it is also the most natural path to take as earlier stated by Bryman and Bell (2007). It was
also because of the greater depth of knowledge that the qualitative technique can offer, that it was
selected for this research since it enabled us to perform interviews from a limited number of
individuals. The choice of keeping the number of interview participant to a limited number
together with holding interviews that were kept open in case if the opportunity of follow-up
question were to arise, was made due to the idea of getting an understanding of the individual
subject rather than draw generalizations (Saunders et al., 2009). This choice of research method is
supported by Saunders et al. (2009) as well as Bryman and Bell (2007), who argue that an
inductive approach usually is related to a qualitative research strategy and the researcher uses the
gathered information in order to make interpretations.

2.4 Collection of data

Kothari (1990), Bryman and Bell (2007) and Saunders et al. (2009) all divide data into two major
categories: Primary and Secondary. Primary data is information or empirical data that is gathered
for the first time, by the researcher himself and happens to be original in character. This data is
collected by conducting surveys, questionnaires, communication with respondents or through
personal interviews, that the researcher later analyses. Secondary data can be published or
unpublished data that already has been collected and analysed by someone else (Kothari, 1990).
The secondary data can be extracted from data that presents itself in the form of text (scientific
articles, books, reports, letters and newspapers) and through visual materials (videos,
documentaries and TV programs). It is common that secondary data is used in order to back up
information gathered using primary data and both primary and secondary data is often used in a
analysis. Kothari (1990) states that the researcher must be very careful in using secondary data
since the author might be biased or the information gathered might not be suitable for the context
of the problem which the researcher want to research.

In this research the gathering of primary data was made through semi-structured interviews,
because it offered a flexible approach while at the same times gives the researcher more in depth
material (Bryman & Bell, 2011). A structured interview approach could also have been used, but
the limitation to not be able to come with follow up questions made the semi-structured interview
the best choice for this research. Our research is based on material from secondary data such as
articles, literature and also primary data through interviews that was performed. Both secondary
and primary data choices will be discussed in the following chapters.

2.4.1 Secondary data

The secondary data is less time consuming than the primary, although some time must be spent
on analysing the data to make an estimation if it can be reliable or not. The collection of
secondary data has been collected through Google Scholar for articles through keywords such as
“Crowdfunding”, “Crowdfunding and marketing”. MDH Library provided with books and
scientific articles. DiVa Portal contributed with studies on the subject, although none answered the stated research question presented earlier.

2.4.2 Primary data

Primary data was collected through the use of five semi-structured interviews. The choice of the semi-structured interviews was made due to the opportunity to change the structure of the interviews and add follow-up questions. When conducting a structured interview you gain little social interaction with the participant and the answers tend to be pre-coded (Saunders, 2007).

The standardization of answers is not suitable for this research since it holds back the flow of the interview and limits the chance to ask follow-up questions (Bryman & Bell, 2011). A semi-structured interview is more suitable for this kind of research since it gives the researcher the ability to withdraw more information from the interviewees if the social interaction is handled correctly and the interview questions are of good quality.

Such flexibility was beneficial during some of the open discussions that occurred since during the course of the interviews new information were gained and statements were made that had to be explained and discussed. During the conducted qualitative semi-structured interviews the information and guidelines from Bryman and Bell (2011), Saunders et al. (2007) and Kothari (1990) worked as a compass during the process and helped conducting it with a positive outcome.

Saunders et al. (2007) among others argues that a structured interview is better when dismissing an interview to be biased and the authors tackled this issue by putting all the interview questions in an appendix further down in order to give the reader full transparency on the initial questions. Robson (2002) strengthens our decision to perform an semi-structured interview since in an exploratory research it helps the researcher to seek new insights and find out what is happening.

2.5 Design of interviews

Twenty three companies were contacted by phone, since it is more likely that the participant will agree to an interview than if the contact was made by e-mail (Saunders et al., 2007). When the call was made the participants were asked if they could partake in a short interview that later were to be used in this research.

In the first initial contact, a brief presentation of this research and of what this research would be about in order to make sure the companies knew what the motives were with these interviews. This step was essential since establishing personal contact with the participants often leads to more exhaustively answers (Saunders et al., 2007).

From the twenty three companies that was contacted five of them agreed to be interviewed.
Twenty three companies were contacted intentionally due to the fact that many would not have time with an interview or was just not interested to partake. One of the interviews was conducted with an individual from one of the CF platforms. Which platform will not be presented due to confidentiality, which will be discussed in the ethics section further down. That individual got similar questions that were modified in order to get his views and opinions on the same topics.

When the companies and participants agreed upon being interviewed, some more information on this research was presented to them in order for them to understand why these interviews were conducted. Then the dates for the interviews were set with each one of them.

It is essential to reason with the participants so that a time-slot where the most available time is chosen and that is done so the interviewee won’t feel any time pressure (Saunders et al., 2007). All interviews except one was carried out via Skype or phone while one interview was performed at the participant's work place and they lasted around 25-30 min. All interviews were scheduled as a morning interview so the participants could conduct the interview without any problems in their back head that arose earlier in the day. All participants agreed on being recorded in order for us to be able to review the interview.

Participants also had the choice to perform the interview without their name or company being given away, they were informed of this in the initial contact and this was yet again clarified before the start of the interview in order to make the participants feel more relaxed about the situation, not having to think on if their answer could harm the business they were associated with in any way (Saunders et al., 2007).

2.6 Interview participants

Five participants were interviewed, four of them were either on a managing position or the CEO of a the company. What all participants had in common is that they all have first hand experience with CF, either by being creators of a campaign themselves or by being involved in the creation of one.

The fifth person is an individual that represents one of the CF platforms. None of the participants wanted to have their name published for various reasons that is understood and respected. This will be discussed more in the ethics section further down. The conclusions drawn is dependent on the personal viewpoints of the participants and the analysis of the observations.

2.7 Interview questions
Ten interview questions were created. The decision to only have ten questions was made in belief that the participants would give more in-depth answers instead of giving short answers than if added more questions to the interview. The participants all received a list with what themes the questions would have, one day prior to the actual interview in belief that they would give them some thought (Saunders et al., 2007).

The ten questions presented here are the main questions, but since it is a semi-structured interview, some follow-up questions were asked when opportunity showed itself. These questions are open in order to get the participants to give more information and to get the interviews flowing. The interview that was conducted in person was done in a conference room at the employers office in order to make this process convenient for the participant and to make them comfortable with the situation (Saunders et al., 2007).

The three initial questions were created in order to gain basic information on why the CF approach was chosen over other options. In the first question, some initial information on why the CF option was chosen and if it was combined with any other. From the first question the interview moved on so the participants could explain what preparational work was done before the campaign went live, if any marketing of the campaign or the product/service was done. In the second question “How did you prepare your CF campaign?” some additional follow up questions were asked in order to gain more information on how much resources (time/money) that was spent on the layout of the campaign. The third question was asked in order to gain information on what goals were set on the campaign, what the participants thought they would achieve with it. All these three questions was chosen so the participant would feel confident on his/her knowledge about the subject (Saunders et al., 2007).

- What affected your choice of funding option?
- How did you prepare your CF campaign?
- What direct and indirect goals did you set up?

Furthermore in the three questions that followed the focus was put on what marketing aspect was made during the campaign. How many hours was put in before and after the campaign and what was done prior to the start of the campaign. The participants then gets to talk about what they thought made their campaign successful or not successful and why?

Then the discussion moves on to what media channels were used in order to market the CF campaign that at that stage was live. If some media channels were used, the follow-up question was to why just those media channels had been chosen.

- Did you start to market the CF before it started, if yes, for how long?
- What made your campaign successful/not successful according to you?
Lastly four questions were asked in order to understand what the benefits and outcomes of the campaign was for the creator. If the funds collected through the campaign was the most valuable outcome or if any indirect value had been created, if that was the case the authors wanted to know what that value consisted of and how long it lasted. In the end of the interview the participants get to talk freely about what was done before and after the campaign and if those activities were planned.

- What channels did you use to spread awareness of your CF campaign?
- What provided more “value” - the collected funds or the indirect value?
- If you could redo the campaign, what would you have done differently?
- How long did the indirect effects last?
- What activities did you perform before and after, were they planned?

These ten questions were the one that were used when interviewing participants and they can also be found listed in Appendix 1.

### 2.8 Reliability and validity

This research strived to be produced with high validity and reliability and doing so, much of the focus was put on the structure of the interview questions. Validity is connected to how accurate the findings are, while reliability is connected to how consistent the tool for measuring is (Bryman & Bell, 2007).

To achieve high validity, the authors chose to always be two persons during the interviews to make sure that any information wasn't misinterpreted. Each interview started with brief information about CF and if the participant had any questions that needed to be answered. This step made sure that the participant understood the terms used in the questions and/or the questions in question (Saunders et al., 2007).

Since the authors conducted a qualitative research, the authors got more personal contact with each participant and doing so they could ensure the validity of this research and high credibility of the participant (Saunders et al., 2007). The use of two people during the interviews proved to be good to assure that the interviewee wasn't pushed to answer in a particular way, this together with the open questions that made the participant to give more in depth answers helped this research getting a high validity.

The interview questions was also pilot tested on Adnan Berberovic from British Telecom. Adnan was used as a test pilot to see if the questions were leading to give certain answers, from the test
and thus making sure that they did not. to make sure it wasn't leading the interviewee into answering in a particular way. The interviews were also recorded so that focus could be put on sticking to the subject and following the original interview plan. The recording of the interviews was also positive since any result wasn't misinterpreted or manipulated during the course of time.

2.9 Ethical issues

Ethics has been considered throughout the entire research process and taken in account how the participants in this research could be affected by it less (Saunders et al., 2007). When contacting the participants of the interviews, the conversation started with an introduction of ourselves and the main idea of what this research would be about.

Some individuals refused to be interviewed and the choice of not participating is respected. Those who agreed on being interviewed was then informed and got a more in depth view on what was trying to be researched and how it was conducted. Everyone who agreed to participate in an interview was informed that it was fully acceptable to withdraw from the research before, during or even after the interview to ensure they participated voluntarily (Bryman & Bell, 2011).

The participants could then agree or disagree to be recorded: everyone that was interviewed agreed. After the interviews a summary of what information and what answers had been gathered was sent out to the participants. This was made in order to fully receive their consent in order to avoid stress to the participant that something will be posted that he/she is a bit unsure about (Saunders et al., 2007). The participants could then agree to if it was correct or discuss if anything had been misinterpreted. All participants got the chance to choose if they wanted their answers to be treated with confidentiality in this research. If that was the case they are going be treated nameless and their interview will not be transcribed so that no association with their original name or gender can be made in order to ensure the participant total confidentiality (Saunder et al., 2007).
3. Conceptual Framework

In this chapter a presentation of the conceptual framework that have been used to analyse the collected and empirical data in order to answer the research question:

*How can CF be used as a marketing tool?*

To be able to answer this relevant question it is crucial that a greater understanding of CF is acquired together with its associated models. Further down a brief information section on what crowdfunding is and that will be followed by the four different CF models available. This information gives a deeper understanding to what CF and its models consists of, this is essential for this research in order to be able to examine what main marketing aspects that could be drawn from it and how they can be utilised.

3.1 Crowdfunding

Crowdfunding (CF) is a descendant from crowdsourcing (CS) and in order to understand the phenomenon of CF, it is necessary that CS first is explained. The Cambridge Dictionary (2016) explains CS in the following way:

“the act of giving tasks to a large group of people or to the general public, for example, by asking for help on the internet, rather than having tasks done within a company by employees.”

The idea of CS is that a company takes a task that usually their employees can do and outsourcing it to a network of individuals. Distributing a task to a network of individuals with resources such as funds, ideas or even feedback. The concept of crowdfunding is narrowed down. The main concept of CF is trying to gather as large amount of money from a large amount of individuals. What distinguishes crowdfunding from other types of fundraising models is that the fund gathered usually comes from people contributing with a small sum and acting like a crowd, rather than people acting as professional investors (Belleflamme et al., 2013). Another aspect that is specific to CF is that companies often use the CF campaign as a way to raise awareness of the company and product and in that process gets the chance to communicate with the potential customers. When communicating with customers, companies also have the possibility to test the market and the idea, since the success of the campaign will give a fair idea of how good it is.

In CF three different participants can be defined; creators, backers and platforms.
- **Creators** - Those who choose to raise funds on CF platforms. Typically a company or project owner that need funds.

- **Backers** - Different individuals that seeks to invests in projects proposed on CF campaigns.

- **Platforms** - CF platforms are participating for profit business. Contributing with the webpage that contains the CF campaigns. Works as an intermediate for the Creator and Backer.

What each one of these three participants has as incentives and disincentives is discussed further in the incentives chapter further down. Understanding why these three groups choose CF and what incentives they have is used when analysing the marketing aspect that can be found.

### 3.2 Crowdfunding models

There are four major CF models and all of them are relevant to this research because although they appear in different nature they can all contribute to give information that will later help answer the research question.

#### 3.2.1 Equity-based crowdfunding

Equity-based crowdfunding is a kind of classic investment with purchases of shares in a company. Every backer will get shares and becomes a shareholder of the company as a token of gratitude in exchange for the investment. The size of the shares contra the size of the donation is preset by the creators of the campaign. The security to invest is that if the campaign goal is not met within a certain pre-set time, all donations will be paid back to the backers. This kind of CF model is attractive to backers since the possibilities to strike a great deal is present if the company the backer has invested in is making a profit. The downside is if the company is doing poorly or if the product/company idea is conducted in a fairly good way, there is a risk the investment will fail. Due to security regulations and laws varying in different countries this has resulted in making the development of this model limited (Dresner, 2014).

Some parallels can be drawn to Angel investors. Angel investors are either companies or an individual that can contribute with a larger capital or knowledge in how to conduct business. They make investments in a business ideas in order to make a profit. Yet again with CF is that this model is seeking for several small capital business contributors and the Angel investors is usually someone contributing with a large capital.
This kind of CF model is the model where creators are seeking the most capital through their campaign and the campaign goals is usually set around $550,000 (Beaulieu et al., 2015). Both the contributions from investors is usually also larger and the success rate is also higher than in the other CF models and it is one of the fastest growing model. One must bear in mind that this type of campaign can be online and available to receive investments during several months.

There are several benefits to this kind of CF for both the entrepreneur and the investors and according to Belleflamme et al. (2014) this model can be used as a marketing tool for the entrepreneurs and as an opportunity for investors to influence the business activity. It is also regarded as an easy way to get the opportunity to invest in several new and exciting projects (Belleflamme et al., 2014).

3.2.2 Lending-based crowdfunding

Also called debt-based or loan-based crowdfunding, is when entrepreneurs apply on a CF platform. The application is reviewed by the automated system that determines the credit risk and interest rate (Crowdfunding, 2016, 2th april). Investors then buy securities in a fund and that money is then redistributed as loans to one or more borrower (in this case, entrepreneurs). The investors earns money from the interest and it is repaid by the company that has borrowed it. The money is repaid when the borrowers company becomes profitable and it is done by a in advance determined schedule. The platforms usually make money by taking a percentage of the loan and taking a loan fee (Crowdfunding, 2016). The lending-based CF is mainly used by secure companies since there is a process where your business is being reviewed in order to be granted a loan-campaign. This kind of CF model has become one of the most popular ones (Dresner, 2014)

3.2.3 Reward-based crowdfunding

This model is based on the idea that in return for investing, the backer will get a reward of some sort instead of the kind that is purely financial. This reward can come in the shape of a tangible product where the investor receives a pre order copy of the product. The reward can also come in the form of something intangible, just as in the case with the statue of liberty mentioned before, where the donators got their name in print in exchange for capital. What kind of reward depends on how much the backer chooses to invest and the entrepreneur decides how much a backer must donate in order to receive a specific reward. Some companies chooses to set different levels of donations and the standard reward-based campaign usually consists of at least three levels of rewards, ranging from small donations that act as a symbolic sum to keep up the good work. Or bigger sums where the investor can get the finished product before anyone else and this works just as preordering except there is some uncertainty since there is no guarantee the product will get into the market. Or the investor can get a special deal as Flippin’ Burger did in 2011, offering two meals for the price of one in exchange for 150SEK (FundedByMe, 2016).
Reward based CF is most actively used by entrepreneur, artists and business since they can pre-sell a product/service to launch a business concept without incurring debt or sacrificing equity/shares (Crowdfunding, 2016). Due to the many new and exciting projects that are launched and due to the nature of the reward, these kind of projects get most of the media attention (Dresner, 2014).

The reward-based CF is usually divided into two groups; “Keep it all” and “All or Nothing”.

3.2.3a Keep it all

Keep it all (KIA) is when the entrepreneur sets a fundraising goal and whether or not that goal is reached within the pre-set time they will keep that entire fund. This model is popular with project owners since the resources they spent on marketing their project on the CF platform will not be total in vain. This approach is usually used when a project can be divided into different phases and each phase will take the project to the next level. If it is important that the whole amount of funds is raised at the same time, the other version, All or nothing is a more suitable approach.

3.2.3b All or nothing

All or nothing (AON) is when a goal is set and the entrepreneur will only keep the funds raised if that goal is met within a specific time. This version of the two is more likely to be successful is usually pledging for a larger sum of capital (Crowdfunding, 2016, 2th april). The AON version is much more popular with the investors since the security of receiving their investments if the projects won't reach enough funding within that period. The idea of the project not going to be funded gives a motivation to some investors to engage like minded people into the project.

3.2.4 Donation-based crowdfunding

The particular idea of the donation-based CF is that investors do not claim anything in return, such as rewards or shares in the company for investing. The investors contribute with relatively low donations, around $25. In this kind of CF the investors is often driven by philanthropic or sponsorship motives. Even though this kind of CF usually gather small donations at a time from investors it is estimated that donation-based CF will soon mark over $1 billion yearly. Donation-based CF aims at raising funds towards various charitable causes through platforms like GiveForward and YouCaring. These platforms usually take a service charge in the range of 5-10% of all donations. This kind of CF model is particularly successful for social causes such as disaster relief campaigns (Dresner, 2014).
3.3 Incentives - What is the motivator?

The CF phenomena is relatively new and extended research is lacking, many are considering CF just as a mean to raise funds. This phenomena's motivations is to obtain public attention, testing the product and its market, creating a dialogue between backers and creators to receive feedback and learning the backers preferences (Belleflamme et al., 2013). In this section a presentation of what the main incentives and disincentives are for CF through two of their three participants (Creators and Backers) views. The third part, platforms incentive and disincentive isn’t relevant when examining how the marketing aspects in CF can be used and that is why they have been left out in this section since it will not bring any interesting data that will help when answering the research question.

3.3.1 Creators

If used the right way, CF can be used as a cheap and effective way to market a product or to create a buzz around it (Lambert & Schweinbacher, 2010). In that way it can be used as an alternative to traditional raising of capital through banks or angel investors and with CF it can grant access to capital at a lower cost. The reasons for this is because creators can match with backers that are willing to pay for early access of a product and the backers are often global and not local which usually is the case when launching new products.

Most creators that campaign on a CF platform use some sort of communication tool such as blogs or social media (Facebook, Instagram or Twitter) to reach out to active or potential backers in order to keep an dialogue with them. This means that CF can be used to engage and inspire backers in doing viral-marketing (Gorshkov, 2011). When a backer is investing in a project, it usually leads to them being involved in the project in such a state that the backer wants to spread the word and make others join the campaign in order to make sure it gets out on the market or make awareness of the product. When spreading awareness about the product, the backer automatically involves individuals close around him, expanding the network community and increasing the chance of a successful campaign (Gorshkov, 2011).

On most CF platforms the backers can get in touch with the creator or the manager of the project in order to ask questions or give feedback on the product and this is one of the reasons that creators use CF (Belleflamme et al., 2013). This gives the creator new ideas and approaches on the product so that it appeals to a larger crowd.

When a CF campaign is successful it can be seen as a market test, since enough people are willing to pay for an unfinished product in a certain amount of time. This acts as a validation of
the market and it also helps the creator to show banks and angel investors there is a demand for the product and in that way receive bigger funds from them.

There is also some disincentives for CF and the one that raises the most concern is that creators put their product out to the public before it is finished. Competitors or imitators might get their product out on the market before the initial creators and thus gaining a bigger market share. When financing through a bank or angel investor, information about the product is usually kept a secret until or right before the product is being launched. If the competitor got bigger capital or resources in getting a product out on the market, it might be that the initial creator won't get their product out on the market.

Giving away too much information before the start of production can also backfire on a company. Since the transparency of the company during the campaign can give manufacturers leverage in negotiation. There has been some cases when a company has been looking for manufacturers after a successful CF campaign, but since the manufacturers know exactly how much the creator made on that campaign, they have used it against them and forced the margins down on that product. Shortly after, the creators have found it not to be profitable to produce that product anymore (Bederoff, 2016).

When getting numerous donations from several different backers and it is promised that the backers will get something in return, which might be a problem. Max Salzberg raised $200,000 on a project that was aiming to create an alternative to Facebook. The initial targeted sum to raise was $10,000 so the company got both more capital and more shareholder to please. This meant that not much time could be spent on the actual project since t-shirt had to be printed and e-mails had to be answered (Wortham, 2012).

The difference from angel investors and banks compared to CF is that CF do not provide any professional resources except from capital. Both angel investors and banks can contribute with additional value and that might come in the form of market knowledge, status and even a network of potential buyers (Hsu, 2004).
<table>
<thead>
<tr>
<th><strong>Incentives</strong></th>
<th><strong>Disincentives</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective and cheap way of marketing</td>
<td>Imitations and competition might get out on the market first</td>
</tr>
<tr>
<td>Lower cost to grant capital</td>
<td>Manufacturer leverage</td>
</tr>
<tr>
<td>Reach out to an international market</td>
<td>Too many shareholder to maintain</td>
</tr>
<tr>
<td>Engaging backers</td>
<td>No professional added value</td>
</tr>
<tr>
<td>Testing the market</td>
<td></td>
</tr>
<tr>
<td>Receive feedback</td>
<td></td>
</tr>
<tr>
<td>Creating a network or community of backers</td>
<td></td>
</tr>
</tbody>
</table>

*Table 2.1 “Creator incentives and disincentives.”*

### 3.3.2 Backers

One of the major benefits for the backers is that CF grants easy access to investment opportunities. If a creator choose to finance their idea through an angel investor or a bank, it would be inaccessible for the “ordinary” individual or sometimes just to expensive to contribute with capital. CF gives ordinary investors the opportunity to get early access to invest in the next big idea (Gubler, 2013).

Creators can in an attempt to gather large capital, offer limited editions or customized products and this will work as a benefit for the backer as well. The backer will get early access to new products and or even limited editions at a lower price than retail, that if the project is successful can turn out to be valuable.

Friends and family that want to contribute to the project, but are not willing to risk their money can contribute as backers. Backers that contribute to a campaign will donate money that will be taken care of by the platforms. This money will be handled by the platform that works as an intermediary. Doing so means that financial contracts between family and friends would be improved and does not have to risk social relationships (Lee & Persson, 2012).

The drive force for many backers is to be able to support a project or product and to feel being a part of it. If a backer also can get recognition from the creator for funding the project it acts as a motivational factor for them. Being apart of that community can include getting updates or direct communication from the creator and discussing with fellow backers. Schweinbacher and Larralde (2010) suggests that they can derive consumption value from the feeling of knowing that they are a part of a new project.
Three major disincentives can be found for backers in CF and they are creator incompetence, fraud and project risk. The general idea that businessmen and women make campaigns about their ideas on CF platforms, but creators has in many cases little experience with business related tasks such as dealing with suppliers and manufacturers. This can lead to a delay in the product launch or even to no delivery at all.

Fraud can be conducted by creating a realistic looking homepage for the company and present an idea about something truly interesting that might seem too good to be true. These kind of campaigns are platforms trying to filter out so they don't reflect upon the platforms image and don't harm the backers. Since the investments usually are of a small sum it seldom leads to any legal charges (Bederoff, 2016).

The project risk depends on what experience the creator possess and what kind of project it is, but since the majority of backers are non-professionals it is hard for them to assess the potential risk in any particular projects. Sometimes the failure of a project might not be because of fraud or creator incompetence it can be about sheer misfortune.

<table>
<thead>
<tr>
<th>Incentives</th>
<th>Disincentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy access to investments</td>
<td>Failed project</td>
</tr>
<tr>
<td>Early access to new products</td>
<td>Creator Incompetence</td>
</tr>
<tr>
<td>Less risk for family and friends</td>
<td>Fraud</td>
</tr>
<tr>
<td>Being a part of a community</td>
<td>Project risk</td>
</tr>
</tbody>
</table>

*Table 2.2 “Backer incentives and disincentives.”*

### 3.3.3 Summary - Incentives

This brings out a whole new view on CF, it goes from being purely a method of gathering funds to something more complex. According to the views of the creators, gathering fund might not be the priority of CF and that supports the trend identified, that CF can be used as a marketing tool.

The initial information, points out some interesting aspects such as a cheap way to market, reaching out globally (or at least regionally), testing the market before a product launch, receiving feedback on the product, engaging the backers and creating communities with the backers. The last two aspects is of great importance since both of those has a lot to offer to a company in the view of marketing and value creation for the brand. Creating communities and engaging backers in order to maintain a relationship with them and even retain value in form of word of mouth and other spontaneous value creating activities brings us to two main concepts.
that have been identified being relevant for this research Relationship Marketing and Brand tribalism/Tribal marketing.

3.4 Relationship Marketing

The concept of relationship marketing is based on the idea to establish, maintain and enhance relationships with customers and other partners (Grönroos, 1994). This kind of marketing differs from the transactional marketing which is usually represented by the 4P’s (Product, Price, Place and Promotion) (Nickels et al., 1997; Brodie et al., 1997). The transactional marketing approach with the 4P’s can’t effectively be applied to all the areas within marketing (Li & Nicholls, 2000). Relationship marketing on the other hand consists of a theory that is investigating in the relationship between company and customer, meaning building trust and commitment between the parties, which is one of the foundation in engagement in a good relationship (Gumnessson, 2002).

Usually some methods such as marketing campaigns that are promoting the company, the products and the brand are used in order to attract new customers. Acquiring new customer is also one of the most most difficult and expensive tasks that a company can face. The road to acquiring a new customer can be costly both in time and resources and the importance to retain customers becomes greater.

"Acquiring a new customer can cost five times as much as retaining an existing customer" - Murphy & Murphy, (2002)

This above mentioned dilemma usually presents itself for companies sooner or later since resources usually are limited and thus the importance to maintain the customers already acquired will be important in order to focus on long term profitability. The retaining of old customers is a step in that direction since a 2% increase in customer retention can decrease costs by as much as 10% (Murphy & Murphy, 2002). In order to retain the current customers, companies always work with some kind of relationship marketing strategy, but does not always know it.

These strategies can take its form by enhancing the quality of products, competitive prices, customer service or/and the customer satisfaction. It is not only the reduction of costs that is a benefit in retaining customers because customer profitability tends to increase over the life of a retained customer (Murphy & Murphy, 2002). One of the most important parts of relationship marketing is to fulfill promises, it is just as important to have satisfied customers as it is to be profitable in the long term (Grönroos, 1994). That is why companies changes their way of thinking and adapt their orientation from conducting transaction-based marketing to a more custom fitted relationship based marketing strategy in order to build relations between customers.

It is important to keep customer satisfaction high even when things do not go as planned. Ikea changed their font in their catalogue back in 2009 from Futura to Verdana and this stirred some
anger with loyal fans (Garfield, 2009). These fans aired their frustrations through several media outlets and rather than not listening to their most loyal fans, they listened. The font had changed back to Futura in the catalogue that was released the following year.

Within relationship marketing, the customer is regarded as a resource to cooperate with in order to create solutions rather than convince to consume (Grönroos, 1994). Grönroos also discusses that the increased flow of media might have made it more difficult to stand out in a crowd and differentiate from other products and brands. He also stresses that a relationship marketing based strategy has its advantages since customers of today not only demand a product, they want a service package that complements the product in question.

According to Grönroos (2008) a relationship can only grow or be created when all or at least a few of the companies contacts with customers is relationship based. It isn't only repeated purchases that gives a sign of a relationship, it emerges when the customer has an emotional connection to the company or the brand. Successful relationship marketing is driven by the ability to create commitment and trust and when those two are achieved, they create a result that stimulates efficiency, effectiveness and productivity (Morgan & Shelby, 1994)

Technology plays an important role in relationship marketing since the advancement of technology such as the internet has made it more easy to access information for customers. Looking at the other side of the coin, this technology advancement has made it easier for companies to store, track and analyse data about their customers. This means that companies can personalise ads, offers and services to their customers. In recent years, companies has started engaging with customers on social media sites in an informal way. Internet has gone from being a media that was used for publication to a media more aimed towards communication (Manovich, 2008). Technology makes it easier for companies to automate their marketing, Bosch for instance offers a longer warranty on the motor in selected washing machines, in exchange for the customer to register the purchased product on their website (Bosch, 2016). This way they'll get information about their customer and what product they bought in what price range.

Branding is also a part of relationship marketing. The formation of a long-term relationship can happen when a customer feels that the brand in which they have purchased, reflects on them as a person. It basically reflects who they are and who they want to be. This long-term relationship results in the customer being less willing to switch to another brand since it reflects upon their identity.

3.5 Tribal marketing & behaviour

As described above, traditional marketing (transactional marketing) argues that a company offers goods that a consumer then can use or deplete. (Nickels et al., 1997; Brodie et al., 1997) In the traditional view of marketing, each consumer is seen as an individual, isolated and often passive. In reality consumers are increasingly more active and interact with each other, in other words,
joining “tribes”. Consumers tend to value goods for their ability to link them together, thus also often protecting the brand or “the tribe” (Veloutsou, Cleopatra/Moutinho, Luiz, 2009).

The group of consumers that are brought together around a brand is named the brand tribe or brand community. In some cases this phenomenon can also be called brand subcultures. (Cova & Cova, 2002).

Early academic relationship marketing literature fails to recognize the value of brands as relationship builders, arguing that brands primarily are transaction facilitators (Grönroos, 1996). It was later that the academic world recognized that the relationship between a consumer and a brand brings the company and the consumer together and that a brand can have their own personality that consumers can relate to. (Schultz and Schultz, 2004). This brings us to the fact that consumers also can contribute, develop and deepen each other's relationships with the product/service or brand (Saren and Tzokas, 1998; Lye, 2002).

Today it is widely acknowledged that consumers create bonds with specific brand and thus also create bonds to a group of similar loyal consumers, “Think-alikes” (Daskou and Hart, 2002). Consumers that bond to the same brands often tend to be in similar social och professional groups, categories and classes, for example working in finance. This encourages the formation of informal societal micro-groups (tribes) where consumers share strong emotional links and vision of life. This creates an urge to recruit more “believers” for the cause. Giving the tribe/community members a greater belonging to each other (McGee-Cooper, 2005).

Managers nowadays often try to create communities because of the power they have and the benefits they possess. In some cases managers even try to involve tribes in the early stages of a product or service launch to create a “buzz” (Cova & Cova, 2002). Apple product launches are great examples of this, for example the publicity when revealing a new version of the Iphone.

As the society gets more and more interrelated and the individual more socially involved in brand tribalism the more the consumer tends to base their choice on symbolic attributes. For example: The brand choice is determined by the degree of trust the individual feels towards the brand rather than the evaluation and comparison of features, benefits and value (Cova & Cova, 2001). Members of a tribe that are devoted to the cause are ready to sacrifice time and money to be a part of that community, even being a part of the brand-voice (Badot & Cova, 2003).

3.6 Conceptual theory discussion

From the different CF models and from the phenomenon different views of CF have been gathered. The main idea surrounding it is that the model is constructed in a way that allows the user to gather funds. It wasn’t until why creators and backers turned to CF that another viewpoint was considered. It opened up the possibility for the creator to use CF as something more than just a tool to gather capital. A more complex possibility to utilize CF for marketing in different ways
was presented. Among those possibilities, building communities, engaging backers and testing markets was uncovered. And to understand how those attributes could best be utilized, relationship marketing and tribal marketing was presented in order to understand the relationship between CF and those marketing possibilities.

The two main concepts that is used are Relationship Marketing and Tribal Marketing. Both are very related to each other but they describe two specific and distinct applications and physiological aspects of the same topic, creating a bond between a consumer and a brand. The concept of relationship marketing is based on the idea to establish, maintain and enhance relationships with customers and other partners (Grönroos, 1994). While Brand Tribalism/Tribal marketing is more oriented around the “group of consumers” or “community” that are brought together around a brand (similar cause). Hence the name “brand tribe” or “brand community” (Cova & Cova, 2002).

Both focus on the relationship between brands and humans in one way or another. One theory describes it in a more broad viewpoint and the other focuses on narrowing it down and conceptualizing the state of mind that some consumer can fall into.
4. Empirical Findings

In this chapter the data collected from the interviews will be presented. Five participants were interviewed, four of them were either on a managing position or the CEO of a the company. What all participants had in common is that they all have first handedly experience with CF, either by being creators of a campaign themselves or by being involved in the creation of one. Presenting the finding from the interviews and these findings will be interpreted and analysed in the following chapter.

The purpose of this research was to explore the research question: How can Crowdfunding be used as a marketing tool?

4.1 Background - Why crowdfunding?

The first part of each interview focused on analysing if the participant had a well thought plan of how and why they used CF. A clear pattern emerged through the interviews, all of the campaigns were well planned from the beginning, a lot of energy was put into creating enough activity and value so a “story” could be created. As one of the participants expressed it:

“Main goal was to spread the word, find out about ambassadors commitment and build a case towards media.”

Similar formulations tended to appear during the interviews, some of the participants did not directly want to confirm that they intentionally planned the campaigns in such a way that the main goal was not to collect funds, but neither did any of the participants want to deny the fact.

One of the participants asked us “How do you think our backers would react if we told them that we did not need the funds, we just wanted their commitment”, a good question, CF is after all a tool built on the idea to make it easier for everyone to invest in good ideas and not the companies marketing.

The way the campaigns are set up seems to be very similar and not dependent on the type of CF the participant used. When analysing the answers that were related to what goals the participants choose and how they measured them, it becomes clearer why they have chosen CF over other funding methods, as one participant said:

“For us, the indirect effects were of greatest value, that was also the goal.”

Another explained how they funded their idea:
“Final funding consisted of bank loan and bank credit plus 10% equity from a friend. CF was not really a part of the funding.”

All participants did not create a campaign purely because to market their brand or product as one of the participants needed money to start up their business:

“We chose CF because we had no money in our pockets, and knew that with good enough advertising, we could really get people excited.”

The empirical findings points to the fact that the participants intentionally planned their campaigns to focus on creating other value than capital. The topic seems to be a bit taboo as most of the participants did not directly want to share why they used CF.

4.2 Marketing

In the second part of the interview, the aim was to explore to see if and what marketing attributes that was available within CF. There was an evident trend among the participants of the interviews, CF had a lot more to offer than just raising capital, which was strengthened during our interview sessions. All of the participants gave several answers of what CF had to offer. Building of communities, relationships, marketing and feedback was all mentioned and one interviewee said without hesitation that “Indirect value absolutely contributed more” when asked if the funds or the indirect value such as PR and marketing contributed more during the campaign. Another participant agreed that the funds collected was positive but the indirect effects was invaluable.

“The funds were great, but the relationships we created and the experience we gained is the most valuable.”

One expert in CF that was interviewed said that raising funds might not be the primary reasons when conducting a CF campaign:

“The goal tends to focus on hype, extended word of mouth, publicity and so on.”

All the participants had mutual ideas and answers when it came to building relationships and communities. These interviews and the insights obtained from them made us understand how closely linked relationship marketing is to CF. All the participants stated that they gained customers that acted like a community and how they interacted with them through different social media outlets.
“You get a kind of small community that just want the best for you and I can really see that some people can gather some useful information and feedback from that community”

As all said, the gaining of a community is one of benefits of CF, but in order to gain it, some focus had to be put on awareness of the project or some marketing through social media prior to the launch of the campaign. Many of the participants agreed to that in order for the campaign to be successful, some time should be spent prior to the campaign start in order to create awareness just as one participant says:

“We flooded Facebook and Instagram, and got several friends to do the same long before the campaign started”

Social media plays an important role in order to reach out to potential and current backers. The use of blogs, Facebook, Twitter and homepages is beneficiary in order to create awareness. The CF expert explains how to to prepare before a campaign launch in order to get the best conditions to succeed.

“Start a couple of weeks if not months before, we look for brand awareness and engagement, we build a romantic story around the brand, easy to understand and fall in love with. This is then communicated through all the channels”

These same social media outlets are then used in order to maintain the community gathered. The maintenance is described by one of the participant as important in order to generate that the community spread word of mouth and positive messages to relatives and friends. The findings in this sections points out how social media is important as a communication tool and that it can be used prior to the campaign launch in order to create awareness of the upcoming campaign and about the company. The campaign together with social media helps the creator in controlling and communicating with his/hers community. Furthermore the communication with the community maintains the relationship between creator and backer.

4.3 Outcome - What was the result?

Almost all of the interviewees had similar reasoning and answers to our questions regarding the outcome and the result of their campaign. The value of the indirect and soft results (PR, Hype, and so on) greatly exceeded the collected funds. Thats an interesting pattern that keeps recurring as the discussion went deeper with the participants.

Not only is it clear that the participants value the indirect aspects more than the collected funds, but when asked to evaluate if the indirect value was short term or consistent under a longer period they all reason and answer similarly, that it is hard to measure but definitely the indirect aspects have long term stickiness. As one participant expressed it:

30
“For months. They are still going on!”

When the participants were asked if they intentionally planned their campaigns in a way that focused more on the indirect value (not the funds) than as mentioned earlier, some of them did not want to directly confirm. But when talking about the results and what effect it has, all of the participants were more than happy to brag about how successful it was and that it still is creating value for them and their brand. According to our empirical findings it seems that the use of CF platforms gives credibility to the brand and its success, it seems that it prolongs the stickiness of the hype around the brand if it is well maintained after the CF campaign itself:

“People (like yourself) still asks about the campaign and it is now five years ago...”

When discussed with the participants about how they could have done their campaign differently to achieve a greater result, the answers vary a bit because of the differences in the way the campaigns were set up, executed and what form of CF was used. But still the answers tended to circulate around marketing activities and information. Having a greater story, being more transparent and trying to engage more people and creating stronger relationships by adapting the information to various formats (video, pictures, text). Polish the campaigns and put even more time and money into making them look appealing and getting the word out.
5. Analysis

In this chapter the authors aim to answer the research question “How can Crowdfunding be used as a marketing tool?” together with the empirical findings and the conceptual framework.

To date, people are generally regarding CF as something mainly economic and the marketing side of it has not been explored thoroughly. The buy/sell relationship between creator and backer has been the main topic amongst the majority of studies, this research tries to change that focus towards marketing in this research. The authors explored how CF could be used as a marketing tool and in order to do so the authors looked to the creators of the CF campaigns to see what they strived for during and after a campaign.

During the analysis of the collected data, the following discussion around the topic and subjects related to the identified trends and phenomenon could clearly distinguish two main theoretical areas that could be applied and used in this research to describe and conceptualize our findings, thus allowing us to make a broad generalization. It is clear that what the participants of our research are trying to reach and are referring to is a form of brand tribalism and in some cases also relationship marketing. This makes both the theories highly relevant as they explains some key physiological aspects and why this would be beneficial to a brand.

The main two are Relationship Marketing and Tribal Marketing. Both are very related to each other but they describe two specific and distinct applications and physiological aspects of the same topic, creating a bond between a consumer and a brand. The concept of relationship marketing is based on the idea to establish, maintain and enhance relationships with customers and other partners (Grönroos, 1994). While Brand Tribalism/Tribal marketing is more oriented around the “group of consumers” or “community” that are brought together around a brand (similar cause). Hence the name “brand tribe” or “brand community” (Cova & Cova, 2002).

Firstly, the investigated campaigns are not targeted primarily for gathering funds and our findings points towards that it is the indirect value of a campaign that is most valuable for companies and entrepreneurs. The majority of the interviews proved that the creators were looking for indirect value, while one of them looked to gain funds together with the indirect value. The so called indirect value is in many cases referred to “creating a community of think-alikes” (Brand tribalism/tribal marketing) (Daskou & Hart, 2002) or “getting in touch with my potential clients” (Relationship marketing), (Gummesson, 2002).

With that in mind it is important to understand how to use CF as a marketing tool. The indirect value such as PR, creating a community and so on, are outcomes from a campaign that is important to strive towards. In order to utilize the campaign, to gain those indirect values, resources such as time and money must be put on the campaign before, during and after. All participants explained that resources had been put on the campaigns to make the product and
brand appealing. Prior to the launch of the campaign, brand and product was marketed in social media to create awareness and hype around it. The publicity in social media was common for all the interviews made. The indirect values come from preparation and maintenance before, during and after a campaign. Preparations is key in order to create awareness and hype. Based on the empirical data, doing so through social medias, tends to generate a buzz.

When the campaign goes live and backers provide the creators with funds, this is when communities are created and during this phase of the campaign, relationship marketing and tribal marketing could be useful with focus to involve the backers (McGee-Cooper, 2005). Interacting with the backers, describing what is going on with the product or company, answering questions and continue to interact with social media. This step was explained during the interviews as something very important. Maintaining the communities created results in the spread of word of mouth. When the campaign is ended, starts the last phase and that is to continue to engage. If the buzz created during the campaign is maintained it can mean that stickiness of hype and awareness is enhanced. If more people has been made aware and continually are reminded of the CF product after the campaign is over, it results in people remembering it. Which results in people asking of a campaign or product even though the campaign ended five years ago, as hinted by one of the participants.

When the interviewees talk about marketing aspects of an CF, the discussion often leans towards getting to know their future customers and creating communities of brand loyalists and lovers. The concept of consumers being able to create bonds with specific brands and thus also create bonds to a group of similar loyal consumers, “Think-alikes” (Daskou & Hart, 2002) has in the empirical findings been one of the key drivers when talking about CF and marketing. Consumers that bond to the same brands often tend to be in similar social och professional groups, categories and classes, for example working in finance (Daskou & Hart, 2002). The creators want to encourage the formation of informal societal micro-groups (tribes) by providing them with the right information and special treatment if they back the project. This creates an urge to recruit more “believers” for the cause. Giving the tribe/community members a greater belonging to each other (McGee-Cooper, 2005).

After careful analysis of the primary and secondary data, three patterns or steps are identified in the process of using crowdfunding as a marketing tool. All of the three steps involve implementing the concepts of relationship marketing and tribal marketing to be able to successfully conduct them.

1. Tell
2. Involve
3. Engage

Each step represents where in the process of the CF the project is. The concepts of both relationship marketing and tribal marketing can be broken down into pieces that fit each of the step. And all together giving the desired effect of creating bonds and relationship and at the same time growing a community of brand loyalists. The three steps represent “Before - During - After”
the CF campaign itself, mirroring the pattern about marketing and community building both in
the empirical findings but also in the used concepts and theories.

The empirical findings also show that the view on CF as primarily a marketing tool is widely
accepted and adopted. While the official presentation material from CF platforms contradict this
by only focusing on the financial aspects of CF. Being a platform, it would be hard to miss the
data about how their platform is used. No evidence was found of publicly showing that the
platforms investigated, actively promoted or partly described their platforms for marketing use.
This can be explained by the fact that most of the platforms take a percentage of the collected
amount, thus their goal is to make sure that the CF campaigns set at high monetary goals as
possible and reaching them. While our empirical data shows that when using CF primarily for
marketing, the monetary goals tends to be set lower (giving the CF platforms less revenue) than
in CF campaigns that are primarily designed to gather funds. Thus giving a possible explanation
to why the platforms are so reluctant to market and promote themselves as potential marketing
tools as this gives them negative financial impact.
6. Conclusion

The objective of this research was to gain knowledge and insight on how CF could be used as a marketing tool. Through the use of the conceptual framework and the empirical findings a few patterns and trends have been found. A great amount of effort has been put on analyzing the gathered data in a neutral stance.

In order to use CF as a marketing tool some preparations has to be made before the launch of the campaign. Resources such as time and in some cases money has to be spent on the campaign itself before it can be launched. Together with social media and word of mouth the awareness of the campaign, product and brand must be spread in order to assure building up a buzz. When the campaign goes live and backers fund the project, it is important to involve them in several ways and turn to relationship marketing and tribal marketing in order to be able to interact correctly with the community or tribe that has formed around the campaign, product or brand. Lastly when the campaign has ended, the creators should engage with the backers or formed communities in order to prolong the hype and awareness in order to enhance the stickiness.

During the process of this research and with the knowledge from the empirical data and conclusion, an applicable model has been created, that can be used when creating a CF campaign for the purpose of marketing. This model will make it easier for creators when creating new campaigns to adapt and optimize it to focus on marketing.

6.1 Proposed model - How CF can be used for marketing

Our findings show evidence that crowdfunding can be used as a marketing tool in more than one way and purpose. Our analysis of the findings show some clear patterns and similarities in all of the campaigns that have been mentioned and analysed during our interviews. The results of the analysis are summarised into three distinct steps or parts, based on the research made in this research, these steps are essential to the success of the CF campaign, not only to reach the set goal, but to maximize the indirect value that the CF generates. Summarized the concept/model to “Tell, Engage, Involve”. We present the “TIE Model”

Step 1 - Tell

The first step in every relationship is to introduce yourself, in this case, the brand or the product. This is even before the campaign has been launched. Based on our empirical findings, we identify that this step is maybe the most crucial of them all. This is where you tell your story for the first time, sometimes even weeks or months before the actual CF campaign is launched. This ensures that the early birds can be gathered, the very first members of the tribe. It is often at this step that
the outcome of the whole campaign is determined. Plan the tone and approach of the rest of the campaign based on the information and feedback you gather at this step.

**Step 2 - Involve**

The second step consist of continuous activities, often a mix between social media and real life events. It is at this step that the very early tribal members are gathered so that the brand can attract even more people, bonds are created and relationships are strengthened. This step is active during the campaign itself. Depending on what type of campaign, product or service, this step can be time and resource consuming. It is here that the financial goal is met, in other words, get the funds that have been asked for. It is crucial that this is achieved as fast as possible. The faster the funds are gathered, the more hype can be generated around the brand. Everyone loves a success story!

**Step 3 - Engage**

This step starts as soon as your campaign has reached the set financial goal. This is where you nurture the tribe, giving the brand loyalists the information and tools to successfully spread the word. It is also at this stage that the tribe gets some extra attention, gets the product before everyone else, maybe gets a special VIP treatment and so on. Most of the tribe members will also be the ones that have backed your project. This is when all of the available resources and tools are brought to make sure that the rest of the world sees and knows how successful your campaign was and how people love your brand and product. This is where the young tribe has the most potential, to spread the word and to build new relationships and bonds, potentially recruiting new loyalists and customers.
6.2 Further research

This research examined how CF could be used as a marketing tool. The empirical data and analysis resulted in the creation of a model that can be used when CF is used for marketing purposes. For further research it would be interesting to test this model in order to test its effectiveness both on small and large scale CF campaigns.

A suggestion for further research could also be to include more types of crowdfunding and also look at the international crowdfunding market as a whole. A quantitative research focusing on the backers would also contribute to this topic as it would test the conclusion of this research from the backers point of view.

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*Figure 6.1 “The TIE model.”*
Reference List

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Appendix 1

Q1 - What affected your choice of funding option?
Q2 - How did you prepare your CF campaign?
Q3 - What direct and indirect goals did you set up?
Q4 - Did you start to market the CF before it started, if yes, for how long?
Q5 - What made your campaign successful/not successful according to you?
Q6 - What channels did you use to spread awareness of your CF campaign?
Q7 - What provided more “value” - the collected funds or the indirect value?
Q8 - If you could redo the campaign, what would you have done differently?
Q9 - How long did the indirect effects last?
Q10 - What activities did you perform before and after, were they planned?
Appendix 2

Flippin Burgers - Asked for 30.000 SEK - Raised 35.000 SEK (Ready for production)
https://www.fundedbyme.com/sv/campaign/1061/flippin-burgers/

Pebble Time (Second generation) - Asked for 500 000 USD - Raised 20.000.000 USD (Ready for production)

Coolest Cooler - Asked for 50 000 USD - Raised 13.00.000 USD (Ready for production)

Flow Hive - Asked for 70.000 USD - Raised 12.000.000 USD (Ready for production)
https://www.indiegogo.com/projects/flow-hive-honey-on-tap-directly-from-your-beehive#

Pebble Watch (First generation) - Asked for 100.000 USD - Raised 10.000.000 USD (Ready for production)

Exploding Kittens - Asked for 10.000 USD - Raised 9.000.000 USD (Ready for production)
https://www.kickstarter.com/projects/elanlee/exploding-kittens

The Micro - Asked for 50.000 USD - Raised 3.500.000 USD (Ready for production)
https://www.kickstarter.com/projects/m3d/the-micro-the-first-truly-consumer-3d-printer

VS

Obduction - Asked for 1.100.000 USD - Raised 1.300.000 USD (Just an concept/idea)
https://www.kickstarter.com/projects/cyanince/obduction

Pathfinder online - Asked for 1.000.000 USD - Raised 1.000.000 USD (Just an concept/idea)
https://www.kickstarter.com/projects/1675907842/pathfinder-online-a-fantasy-sandbox-mmo

Restore the shore - Asked for 1.250.000 USD - Raised 1.000.000 USD (Just an concept/idea)
https://www.indiegogo.com/projects/restore-the-shore--29#

An Hour of code for every student - Asked for 5.000.000 USD - Raised 5.000.000 USD (Just an concept/idea)
https://www.indiegogo.com/projects/an-hour-of-code-for-every-student#