



School of Business

Finance

Master's Thesis

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**CROWDFUNDING AND ITS UTILIZATION FOR STARTUP FINANCE
IN FINLAND**

Factors of a successful campaign

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ABSTRACT

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This thesis studies crowdfunding with qualitative methods to introduce the phenomenon as well as provide guidance to those interested in its utilization. Knowledge and ideas were gathered from several sources, from academic literature to commercial media and expert interviews. Crowdfunding has already demonstrated its ability to impact the startup scene but is still far from being utilized to its full extent, especially in Finland, where even its legality has been questioned. Crowd financing can provide capital to entrepreneurs who might not otherwise be able to obtain funding as well as enable crowdsourcing the funders in several ways. A successful campaign, however, requires a wealth of knowledge on the subject, careful planning and hard work on the implementation. The thesis will provide most benefit to entrepreneurs who are considering the use of this new form of finance, but should also be of value for investors, academics, politicians and everyone else interested in the subject.

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Tutkielma tarkastelee joukkorahoitusta kvalitatiivisin menetelmin, esitellen sen ilmiönä sekä tarjojen opastusta niille, jotka ovat kiinnostuneita metodin hyödyntämisestä. Tietoa ja ideoita on kerätty useista lähteistä, akateemisesta kirjallisuudesta kaupalliseen mediaan ja asiantuntijahaastatteluihin. Joukkorahoitus on jo osoittanut voivansa muuttaa aloittavien yrittäjien rahouskenttää, mutta sitä ei ole vielä hyödynnetty lähellekään täysimittaisesti, erityisesti Suomessa, jossa jopa sen laillisuutta on kyseenalaistettu. Yhteisörahoitus voi tarjota pääomaan yrityjille, jotka eivät ehkä muutoin pysyisi hankkimaan rahoitusta ja mahdollistaa rahoittajien käyttämisen joukkoistamiskorttikortissa monin tavoin. Onnistunut kampanja vaatii kuitenkin runsaasti tietoa aiheesta, huolellista suunnittelua ja kovaa työtä toteutusvaiheessa. Tutkielma tarjoaa eniten hyötyä yrityjille, jotka harkitsevat tämän uuden rahoitusmuodon käyttöä, mutta tuottaa arvoa myös sijoittajille, akateemikoille, poliitikoille ja kenelle tahansa aiheesta kiinnostuneelle.

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Jirka Härkönen

*“While all our ancient beliefs are tottering and disappearing,
while the old pillars of society are giving way one by one,
the power of the crowd is the only force that nothing menaces,
and of which the prestige is continually on the increase.
The age we are about to enter will in truth be the era of crowds.”*

Gustave Le Bon

1 INTRODUCTION

The financial crisis started spreading around the world over half a decade ago and since then financing for firms, especially small and midsized, has gotten significantly more difficult. However, during tough times new ways of thinking may gain foothold and start challenging established players. As it is changing the role of investors, consumers, entrepreneurs as well as financial intermediaries, one of the more visible representatives of this creative destruction is crowdfunding. (De Buysere, Gajda, Kleverlaan and Marom 2012)

Crowdfunding or crowd financing is “the collective effort of individuals who network and pool their money, usually via the Internet, to support efforts initiated by other people or organizations” (Ordanini, Miceli, Pizzetti and Parasuraman 2011). The scope of crowdfunding projects is very diverse: development and catastrophe aid, scientific research, entertainment such as videogames, movies and music, political campaigns, utilities and many other targets have gotten the necessary funding from a broad audience’s small individual contributions.

Although crowdfunding, as it is known now, has developed only in the last few years, it has existed in various forms throughout history. Some examples of this are the praenumeration (pre-ordering) business model for books and magazines, funding of the English translation of Homer’s Iliad and Mozart concertos in the 18th century, the Statue of Liberty in New York in the 1800’s (Harris 1985) and the age-old collections in our churches as well as many different charity efforts through Red Cross and other similar organizations. Different collective investment schemes such as mutual funds (albeit requiring registration) could also be included in the broader definition of crowdfunding. Before computers and the Internet, campaigns were usually smaller and more personal, such as a musician asking for money for a tour

from his fans (Gerber, Hui and Kuo 2012) or an author going from door to door pre-selling an unpublished book (Barabas 2012).

According to McFedries (2013), the earliest mention of “crowdfunding” is from the year 2006. Michael Sullivan used the term to describe his website fundavlog.com, which strived to be an incubator for projects and events related to videoblogs (Castrataro 2011). However, crowdfunding really came to prominence a few years later in 2009, with the launch of Kickstarter, an American platform. A significant change is the exponential rise in reachable funders thanks to the Internet (Griffin 2012). Especially the explosive growth of social media, with Facebook and Twitter at the forefront, as well as the affordable payment transfer services such as Paypal have raised crowdfunding to another level. The more scarce financing supply from traditional sources due to the financial crisis and later the broader economic downturn has also played its part in the success of crowd financing (Agrawal, Catalini and Goldfarb 2011).

Crowd financing is becoming a true, and in the right circumstances even a preferable, alternative and addition alongside traditional bank loans and venture capital. Internet-based crowdfunding is a forerunner of financing for smaller companies and is poised to revolutionize funding for startups (Griffin 2012). At best, crowdfunding can reach an immense audience: In 2012 there were already 2.4 billion Internet users in the world (Internet World Stats 2013), the 2013 estimates are closer to 2.8 billion (International Telecommunications Union 2013) and Google chairman Eric Schmidt has even forecasted total penetration by 2020 (Gonzales 2013).

Internet culture has also evolved towards a more interactive form. Tim O'Reilly first introduced the term “Web 2.0” in 2004, describing the development of World Wide Web to a direction where people discuss issues and take actively part in operations with companies (Salmenkivi and Nyman 2007). This has enabled services we now take as granted such as Wikipedia, YouTube and Google. In the end it is all about bringing people together

and encouraging creativity (Mäki 2008), thus also facilitating crowdfunding and other forms of crowdsourcing.

Rubinton (2011) compares the development of the financial markets to that of the media field in the recent years. Similar to how the traditional newspapers and other publishers have suffered as news and magazine content have gone to the Internet, the traditional savings and investment banking is working on outdated processes. Rubinton has made a list of the qualities that in his eyes make crowdfunding superior: efficiency, scalability, price discrimination, wisdom, distribution of risk, and democratization of access to capital markets. Benkler (2007) also has already a few years ago envisioned us moving towards an information economy where production is dispersed to a substantially broader group than today. In the core of this change would be the technical and economic qualities of information networks. It can be stated that in a short amount of time, as phenomena such as social media and crowdfunding are becoming more daily, this scenario is one step closer to becoming a reality.

Lehner (2013) conducted meta-research on existing crowdfunding literature. He drafted research themes which could benefit academics, politicians and practical appliers. Lehner sees crowdfunding for now as a complicated, undefined and debated field and to fully utilize it, thorough and strict research is needed. Giudici, Nava, Lamastra and Verecondo (2012) observe two special features in crowdfunding research. Firstly, it combines many different fields of scientific study such as economics, sociology and information technology. Secondly, the research is developing both in the academic realm and outside of it as scientific studies as well as unscientific books, articles and web material complement each other.

Three stages can be recognized when absorbing a new phenomenon into the realm of scientific study: the embryonic phase, growth phase and mature phase (von Kogh, Rossi Lamastra and Haefliger 2012). Crowdfunding can

be seen as progressing into the growth phase, where it gets broader visibility and its special features start to integrate with existing terminology and theoretical frameworks. A small circle of interested academics broadens to form their own scientific community. The research on this topic is still scarce and especially in Finland almost nonexistent. This thesis with a Finnish view will also contribute to the development of the field.

There are many opportunities as well as challenges related to crowdfunding and crowdsourcing in the broader sense. The potential is immense, but utilizing this method successfully requires expertise, consideration of many things and a lot of activity from the entrepreneur. This thesis will provide a broad overview of the different forms and qualities of crowdfunding and combining knowledge from expert interviews, academic research and the media, it will offer valuable information for an entrepreneur considering the utilization of crowdfunding as well as for researchers and decision makers of the society trying to gain an understanding on this topic.

1.1 Theoretical Framework

In this chapter theories from economics as well as behavioral sciences are presented as they pertain to crowdfunding. Each one of them has a background effect on crowdfunding. As Giudici et al. (2012) mentioned, crowdfunding is at the crossing of many scientific fields, but the scientific framework presented in this context is focused on economically important theories.

In his seminal work, Banerjee (1992) analyzed a decision-making model where a person observes other peoples' actions to support his own decisions. Individuals portrayed herding: instead of independently utilizing the information offered by others, the individuals just acted similarly to the rest. Burtch (2011) tested Banerjee's conclusions empirically in a crowdfunding

setting. He noticed that the amount of observable participants at the market place increases herding behavior. Inexperienced participants have only little private information, so as their numbers increase, the average level of knowledge decreases. Another observation by Burtch was that the herding behavior negatively affects the optimality of investment decisions. Funders relied on other participants' and their actions, causing their own knowledge to be left secondary. Therefore, herding can be considered a negative externality. From the entrepreneur's point of view, however, herding can be positive if it leads to a virtuous cycle and "snowballing" thus helping achieve the funding goal. People are more prone to fund a project that has already been funded by others and visibility grows as participants market the project in their respective networks.

In conjunction, the term information cascade is used in situations where people observe the actions of others and make the same action abandoning their own private information signals (Bikhchandani, Hirschleifer and Welch 1992). Dotey, Rom and Vaca (2011) stated that in social networks information flows in cascades and Sgroi (2002) has shown that early public purchasing decisions by "guinea pigs" appointed by a firm can kick-start an information cascade. The theory is clearly pertinent to crowdfunding campaigns going viral.

Akerlof (1970) described asymmetry of information using the example of used car sales where the seller usually has better information on the product. In crowdfunding, the receiver of funds knows more about the project than the funder which creates uncertainty in the funder's mind. Asymmetric information also has a great impact on many other economic theories, such as the principal-agent problem, signaling and adverse selection.

According to Eisenhardt (1989) in the principal-agent problem, the principal giving some of his decision making power to the agent, gives his permission to do something for him. If both parties rationally maximize their own benefit, conflicts of interest may occur. It is difficult for the principal to supervise that the agent is making decisions for the best of him. It can also be stated that

the agency theory also describes the relationship between an entrepreneur utilizing crowdfunding and the funder, where the members of the funder community are principals and the collector of funds is the agent. When it comes to crowdfunding, it can be asked how the audience can make sure that their money is properly used towards the promised goal.

Signaling refers to the situation where one party sends messages to the other giving information about themselves. The problem of asymmetric information can be alleviated when the party holding more information signals the other party (Spence 1973). Thus, by signaling, the signaling party tries to alter the recipient's behaviour more advantageous for himself. For example, in an initial public offering, the owner of the company can send good signals to the markets by keeping a large portion of the stock to himself (Leland and Pyle 1977). In crowdfunding, the project creators try to get the audience to participate by their signaling. They portray their earlier achievements and themselves as well as share as much information as possible on the project at hand in order to win the trust of potential funders.

Krugman (2009) has described moral hazard as a situation where one party decides on the risks taken and the other party bears the financial responsibility. A crowdfunded entrepreneur has the power to do what he will with the money with no significant financial risk of his own. Moral hazard may be present for example when a lot of high risk decisions are made in a crowdfunding project as the entrepreneur is trying to gain personal gain with the funders' money. Adverse selection is easily illustrated with the classic example of insurance: the buyer of a health insurance policy is more knowledgeable on his own medical problems compared to the insurance company and a sick person more likely to make the purchase compared to a healthy one (Mankiw and Taylor 2011). Adverse selection becomes a relevant issue for example when an entrepreneur decides to try crowdfunding after other possible sources of funding have, for a good reason, turned the project down.

The pecking order theory suggests that the preferred source of funding for a company is internal funding. If it is found to be insufficient, loans are used and only as the last option, equity is used. Since information is asymmetric, funders have reason to believe that at the time of an IPO the management knows better the value of the company and they are overpricing the stock (Myers and Majluf 1984). Reward-based crowdfunding produces revenues for the company and as such it is internal funding. Therefore, according to the pecking order theory, crowdfunding in this form would be preferable to loans and equity offerings.

Other forms of crowdsourcing are also used with crowdfunding and an important part of the process is consumer innovation. Many companies have seen the advantages of crowdsourcing and actively utilize it in their operations such as product development and marketing (Salmenkivi and Nyman 2007). As examples, in Lego's Cuusoo service any adult can design a new Lego product and if it gets enough votes from the audience, it can go all the way to production (Cramer 2012). Nokia has its own department for taking advantage of consumer communities in problem solving (Halonen 2011). Ordanini et al. (2011) found lead user type consumers among crowd-funders. They are people who have noticed the need for a product earlier than the masses and can also be exceptionally innovative and useful in product development (Von Hippel 1986).

1.2 Goals and delimitations

At the time of writing this thesis, there is a lot of confusion around crowdfunding in Finland. Members of the Finnish Parliament are gathering names for a legislative initiative to "make crowdfunding legal in the country" (Kettumäki 2014), while it seems that neither the politicians involved or the media reporting this realized that only the donation form is currently against the law (without a license). Even Mikael Jungner (2014), a member of the

parliament, who normally has a good grasp on new phenomena such as this, publicly announced that Finnish entrepreneurs have to resort to using foreign services such as Kickstarter since crowdfunding does not work in Finland and later commented that many entrepreneurs are confused about the legislation, have no time or desire to consult an expert on the subject and therefore rather use foreign platforms that are seen as more safe. This goes to show that crowdfunding still has ways to go in being properly understood and reaching mainstream in Finland.

One goal of this thesis is to show that crowdfunding is in fact completely legal and effective in Finland and after finishing the paper an entrepreneur should also have a very good idea on how to go about utilizing the method in practice. One of the interviewees (Arponen 2014) mentioned that more information could have been useful when they were making the choice of employing a crowdfunding platform for their company. This further strengthens the belief that this type of research is in demand.

The chosen research method is mainly a qualitative and descriptive collection of expert interviews complemented with a literature review. Thus the research is both theoretical as well as very practical with its numerous cases and examples from the real world. In this thesis crowdfunding is described in its many forms and using several illustrative examples from Finland and abroad. A phenomenon-based research strategy is very well suited for the subject which is new and to a great extent thus far unexamined (von Krogh et al. 2012).

The thesis includes commenting from Finnish crowdfunding experts: entrepreneurs who successfully went through a crowdfunding campaign, developers of Finnish crowdfunding platforms as well as lawyers specialized in the field. Along with introducing these people, the crowdfunding projects and crowdfunding platforms attached to them are introduced in a brief case study fashion.

In the fourth chapter of the thesis, utilizing the interviews as well as the literature review, there is a guide in which in a normative matter a checklist of things to consider when planning a crowdfunding campaign is presented. In order to enable expert guidance, the thesis finds answers to several sub-problems which help form the answer to the main research problem.

Main research problem:

- How can a Finnish startup entrepreneur utilize crowdfunding?

Subproblems:

- Is crowdfunding legal in Finland?
- When should an entrepreneur choose crowdfunding?
- What are the pros and cons of crowdfunding?
- How to choose the most suitable form and platform for funding?
- How to promote the product and company?
- How can the funders be utilized for crowdsourcing?

The research is focused on obtaining funding from the perspective of a Finnish entrepreneur, but the crowdfunding markets are mainly on the Internet and thus broadly international. Finnish perspective is relevant due to the nationality of the author, and the Finnish legislation which is globally quite unique, partially making funding more difficult, also adds an interesting twist. Table 1 on the next page summarizes the subject and perspective of this thesis.

Table 1. Summary of the research subject

Topic	Funding a startup
Phenomenon	Crowdfunding
What is known	Method on the rise globally
What is not known	Things to consider in and the practical reality in Finland
Research problem	How to utilize crowdfunding
Goal	Produce useful information on crowdfunding for entrepreneurs and other parties
Perspective	Finnish entrepreneur

As far as the timeframe is concerned, the focus is on the last few years, the 2010's. The company to be guided can be thought of as a modern, creative Finnish startup such as a mobile game developer. These perspectives can be argued for since Internet-based crowdfunding is a new phenomenon and most projects are based on intellectual property. When it comes to size, small, non-listed companies are examined, since it is the startups and growth companies that have the most problems obtaining funding and crowd financing can offer the needed support for a good idea.

1.3 Structure of the thesis

The second chapter is a literature review, where first the funding of a startup is examined on a more general level, next reviewing crowdfunding and finally we look at other more traditional funding alternatives. Chapter three introduces the experts and projects or platforms related to them. In the fourth chapter, both the expert knowledge and the literature review are used to provide guidance for the entrepreneur planning to utilize this method on how to go through with a crowdfunding campaign. The fifth and final chapter

offers conclusions including condensed answers to research questions, discussion on the paper's limitations and implications as well as crowdfunding's future in Finland.

2 LITERATURE REVIEW

In this chapter we first examine startup companies' funding on a general level. After that we take a brief look at both the commercial literature and other media visibility as well as the academic research on the field of crowdfunding. Finally, for contrast, an overview of other sources of finance for a starting company is presented.

2.1 Funding a startup company

There is a chronic lack of funding in the startup scene and this is the most significant bottleneck for developing new businesses (Mäkelä 2013). The most important source of funding for a company is revenue or positive cash flow and other sources only support this (Elo 2008). However, as outflows occur before inflows, starting a company requires startup capital. Often the only sources for an entrepreneur who has not yet gained merit and established himself, have been personal savings, family, friends and for example credit card loans (Barabas 2012). These informal funding sources (Lam 2009) are often still not enough to begin business and the entrepreneur must turn to the financial markets.

Loans are often provided by a bank. As debt is less risky to the creditor in comparison to equity (regular payments of interest and principal as well as the better treatment in a case of bankruptcy), the demanded return is lesser. Of course, the funder will look at the client and their ability to cope with the loan on an individual basis and adjust the interest rate accordingly. As a positive, debt financing is quite effortless and enables leverage which raises the return on equity. Another noteworthy benefit is the tax shield, the ability to deduct interest payments from taxable profits. On the other hand, the regularly paid interest and principal payments reduce profits and the financial risk of the company is increased with leverage. (Elo 2008)

The most important source of long term financing is stocks (Madura and Fox 2011). Equity benefits from its flexibility: no interest has to be paid and it does not have to be paid back (Elo 2008). Shareholders, however, usually demand a higher return compared to loans, considering the worse situation in a bankruptcy. Offering stock to outsiders causes its own costs and with new owners the entrepreneur's power diminishes.

Obtaining funding is one of the most important questions for a starting company and it has thus been studied plentifully. Financing structure is especially important since it affects business operations, performance, potential for branching out and risk of failure. Naturally, the attributes of the company have a significant effect on choosing a financing strategy. Bigger companies have proportionally more debt and other external funding. Companies whose capital is mainly intellectual seem to have worse possibilities for bank loans, for example, and therefore a greater need for informal finance. Startup companies use mostly short-term funding and entrepreneurs their own savings. (Cassar 2004)

When lacking credibility and collateral, finding investors is difficult and there is a chronic lack of funding among new projects (Belleflamme, Lambert and Schwienbacher 2012). Ley and Weaver (2011) noticed in their study that even though globally during the last decade the amount of venture capital companies and the capital they manage have grown, investors offer funding in ever later stages of the startup company's development, causing a funding gap in the initial phase. In light of research, therefore, the demand and supply of funding do not match when it comes to young companies.

There is, however, new hope for those struggling with finance in the beginning. Thanks to the internet and social media, geographical limitations for collecting funds have been eliminated to a great extent. A remote entrepreneur can get funding for a business idea his local banks have no interest in (Gelfond and Foti 2012). As an example, Anni Yli-Lonttinen, an aspiring entrepreneur, feels that with her digital product that is distributed through the

internet and financed with crowdfunding, she is on the same line with an entrepreneur from London or New York even though she lives in rural Finland (Kinnunen and Remahl 2014). In addition, crowdfunding poses a challenge for current funding sources as it diminishes the middleman's role in the allocation of funds (Eyers 2013).

2.2 Crowdfunding

As the Internet has become more widespread around the world and social media has experienced explosive growth, a new level of crowdfunding has become available. In the last few years, new crowdfunding services have been born at an ever increasing pace and the scope of successful projects is broadening all the time. Crowdfunding is a subcategory of crowdsourcing, the others being, according to Howe (2008), crowd intelligence, crowd production and crowd evaluation. In line with this, Gerber and Greenberg (2012) define the main aim of crowdfunding as the crowdsourcing of gathering capital. Table 2 below presents the different types of crowdsourcing, the main attribute of the audience utilized in them and an example of a service in each category.

Table 2. Types of crowdsourcing

Type	The attribute utilized	Example platform
Crowd intelligence	Knowledge of the crowd	Innocentive
Crowd production	Creations of the crowd	Digitalkoot
Crowd evaluation	Thoughts of the crowd	Threadless
Crowdfunding	Funds of the crowd	Kickstarter

Crowdsourcing is a form of production comparable to community work, some notable examples being the free and crowdfunded (Wikimedia Foundation 2013) internet encyclopedia Wikipedia and the computer operating system Linux (Lawton and Marom 2013). Corporate managers also use the collective opinion of investors as they plan acquisitions and mergers (Luo 2005) and television audiences take part in making TV-shows by voting with text messages or via the internet. The constitution of Iceland was renewed partially with crowdsourcing in 2011 (Aitamurto 2012), NASA uses crowdsourcing in their research (Gustetic 2014), a missing Malaysia Airlines plane was sought after using crowdfunding technology (Ralston 2014) and in May 2014 the Finnish Ministry of Transport and Communications (2014) announced it is preparing a review of the future with crowdsourcing, inviting anyone interested to take part with their inputs.

One benefit of crowdfunding is the ability to combine it with other types of crowdsourcing. In addition to funding, other valuable inputs can be gained from the audience when it comes to product development. Investors can chip in with their own experience and business networks, new people can be recruited to the company and so on (Tannerkoski 2014). The crowd's knowledge and skills can be put to use through a form of outsourcing, transforming the users to significant contributors and the project takes on a nature of co-creation. According to Ogawa and Piller (2006), approximately half of new product launches fail because the needs of clients were not understood. So, getting feedback from customers as the product development is still in process can yield significant benefit. Also, the basic assumptions of a business plan can be tested out among the consumers before sinking in resources (Ries 2011).

2.2.1 The most important crowdfunding types and platforms globally

Crowdfunding can be used to support very different projects: movies, games, music, books, magazines, radio shows, Internet sites, design products, science, technology, events, charity, startup companies and so forth – examples are nearly limitless. Thus, it is only natural that also the variety of different financing models and service providers is broad. In this subchapter we present the most important crowdfunding types and some of the most significant crowdfunding platforms.

Crowdfunding can be categorized into four different main types: reward-based, equity-based, lending-based and donation-based. Table 3 below lists a description and an example platform of each category.

Table 3. Types of crowdfunding

Type	Description	Example platform
Pre-sales/other compensation	Crowdmembers get the product or other reward	Mesenaatti
Equity/other returns	Crowdmembers become shareholders	Invesdor
Lending	Crowdmembers gain interest on the loan principal	Lainaaja
Donation	Crowdmembers support a cause without any returns	GoFundMe

Crowdfunding can be divided into two parts according to the point in time: ex ante funding happens when the product development is still in the making and in ex post facto funding a finished product is brought in to the markets (Kappel 2009). Schwienbacher and Larralde's (2010) division in active and passive investments is similar. Ex ante is the more interesting of the two,

since in it the audience can be more broadly utilized in developing the product and in this thesis the perspective is mostly focused on a still unfinished product.

Individuals and not-for-profit organizations collect donations for different purposes. In the crowdfunding context this is also known as micropatronage, a term popularized by blogger Jason Kottke (Rettberg 2008). GoFundMe is one of the biggest services in the industry and by some (Orloff 2012) considered the best. Money can be collected for example for treatment of illnesses or injuries or payment of tuition fees and the platform offers three types of collecting methods (GoFundMe 2013a). The first and most popular type is a personal campaign, which goes on until further notice and the donated funds are immediately usable by the recipient. The second method is a charity campaign, where the received funds are monthly given to the chosen organization. The third method is a fundraising focused on a specific project or idea. The party needing funding will set a goal amount and timeframe and no transactions are made until both are met. Funds are stored in an escrow account until the campaign is finished and then handed over to the entrepreneur or back to the funders depending on the outcome. This all-or-nothing campaigning is a very common way of acting in traditional reward- and equity-based crowdfunding. Although GoFundMe is mainly known for charity, it also enables support for business and has many entrepreneurs in need of help with beginning cost on its lists (GoFundMe 2013b). For the Finnish entrepreneur, however, donations are not a viable option due to the Finnish law. More information on this is presented in chapter 4.1.1.

Microloans were the first form of crowdfunding to gain a broader recognition. The Grameen Bank, founded by Muhammed Yunus (Nobel Peace Prize in 2006) has been active for 30 years and it can be considered a modern day pioneer in the field. The biggest player of the Internet era is Kiva Microfunds which was inspired by a lecture given by Yunus (Flannery 2007). It brings

together entrepreneurs in third world countries with first world lenders interested in charity (Martínez-Cañas, Ruiz-Palomino and del Pozo-Rubio 2012). The lending occurs through local partners and the loans are interest-free (Barabas 2012). This activity, also known as social lending, is similar to development aid. Zidisha is the first microloan service where the middle men are eliminated between lenders and borrowers. This enables a lighter cost structure and the interest rate level of Zidisha loans is about half of more traditional micro loans services such as Kiva.

The market leader of peer-to-peer lending is US-based Prosper, which has 1.6 million customers (Prosper 2013). Loans have been granted in total value of 400 million dollars, individual sums ranging between 2 000 and 35 000. Borrowers give the service provider confidential information concerning their identification and wealth. They then publicly display the sum they are asking for, the offered interest rate, personal income level and a description of monetary need, payment plan and trustworthiness. Prosper calculates a personal credit rating for each applicant, helping investors gauge the riskiness of the loan. In Finland, peer-to-peer lending is offered by service providers such as Lainaaja.fi and Fixura, enabling individual persons the opportunity to ask for and provide loans among themselves. These services can be seen an alternative to traditional quick loans, but not really an effective solution for business needs.

It can be noted that almost all of the biggest microloan platforms are designed towards entrepreneurs in developing countries or for an individual person's needs. There are, however, more and more platforms on the market offering peer-to-company crowdloans and this branch of the business seems to be gaining traction. Tannerkoski (2014) notes that on the peer-to-peer markets, crowdlending has exploded and believes that the loan type crowdfunding will continue to grow significantly in the future. Crowdfunding loans are not currently a threat to big banks, but the field seems to be going through change. The popularity of crowd lending has been on the rise as banks have tightened their requirements for giving out loans. Borrowers get

by with lower interest rates and investors gain higher returns in comparison to bank deposits. An indicator of future developments might be seen in the example of John Mack, the ex-CEO and board member of Morgan Stanley moving to Lending Club (Avery 2012), a crowdfunding platform focused on loans.

In presales or other compensational financing, the person taking part in the campaign gets either the fundable product itself or another reward but not money. The creator of the project can define different compensations for different amounts of money so better prizes lure participants into giving more. Presales and other compensation are often used together. For example, a band financing their album can, in return for a certain sum, offer their CD (presale) as well as a t-shirt and a ticket to their concert (rewards).

Kickstarter is the best-known platform in reward-based funding and in crowdfunding overall (Giudici et al. 2012). Its focus is on creative projects and it does not enable funding for movements, awareness campaigns, charity, grants, personal things or services. The funding is all-or-nothing, which means that the fundraiser gets the money if the monetary goal is reached or surpassed in the timeframe set at the beginning of the campaign. Supporters make a commitment to pay but the money does not move unless the goal is met and then the delivery of promised rewards can commence. The fundraiser currently needs to be a citizen of the United States, Canada, the United Kingdom, Australia or New Zealand (with a local social security number), so a Finnish person needs a contact in one of those areas to utilize Kickstarter. (Kickstarter 2014a,b) During its time in operation, since April of 2009, the service has provided funding for over 60 000 projects by over 6 million people. On March 3, 2014, the money pledged exceeded one billion US dollars (Kickstarter 2014c) of which over half came in during the previous year. In 2013 alone, 3 million people from 214 countries or territories pledged 480 million dollars (Kickstarter 2014d), so the growth is extremely rapid. The 480 million dollars, which translates to roughly 350 million euros, can be compared to the 577 million euro budget of Tekes (2014), Funding

Agency for Innovation, which is the most important funding source for technology companies in Finland. In the first quarter of 2014, 4 497 projects were funded on Kickstarter and pledged sums averaged over 1.24 million dollars a day.

Notably large individual sums have been gathered, in projects such as Pebble E-Paper Watch (10.3 million USD), open source game console Ouya (8.6 M), computer game Double Fine Adventure (3.3 M) and FORM1 3D-printer (2.9 M). As of May 2014, there are already 65 projects that have gathered over one million US dollars (Kickstarter 2014e). The biggest Finnish success story in Kickstarter to date is Hello Ruby, a children's book that teaches programming fundamentals. It far exceeded the 10 000 dollar goal and ultimately raised over 380 000 US dollars (Liukas 2014).

Another big player in the market place is Indiegogo, where the system is similar but rewards are known as perks. Unlike Kickstarter, Indiegogo enables charity, meaning funding without corresponding compensation. People outside the US can receive funding via PayPal but they pay an additional 25 dollars for money transfer. A Flexible Funding (commonly known as keep-it-all) option is available where the money is usable despite failing to reach the monetary goal. For this, Indiegogo takes a higher, 9 percent provision. (Indiegogo 2013a,b,c) To mention one of the more famous and significant campaigns, the funding of Tesla Science Center at Wardenclyffe was organized by the leader of this not-for-profit organization, Jane Alcom and the creator of the Internet comic Oatmeal, Matthew Inman. The 1.7 million dollars that was gathered with the "Let's Build a Goddamn Tesla Musem" campaign were used to purchase a property and renovate facilities for use as a science center and a museum honoring the inventor Nicola Tesla. (Frum 2012)

Equity crowdfunding or crowdinvesting offers a stake in the company in return for the investors input. Thus, the investor has a chance for financial profit should the product become a success. Globally, one of the most

revered equity based crowdfunding sites is EarlyShares, of whose one of the founders and CEO is Heather Schwarz-Lopez, an ex-executive of the financial conglomerate Wells Fargo (EarlyShares 2013). Worth, a magazine aimed at wealthy Americans and specializing in wealth management, listed EarlyShares as the third most interesting crowdfunding service after Kickstarter and Indiegogo. Although the leading form in Finland, globally equity crowdfunding is still quite small. According to Mäkelä (2013), the market was at 116 million dollars in 2012 and set to reach 170 million in 2013.

A great deal of the relatively weak position of equity funding can be explained by the legislation in the US, the biggest crowdfunding country in the world, as the JOBS Act is only just beginning to enable equity crowdfunding for the broad audience. In the spring of 2012, the Jumpstart Our Business Act was written into law in the United States. This law enables, with certain conditions met, the investment type of crowdfunding without registration with the Securities and Exchange Commission (SEC). Under Title II, investment crowdfunding was available, but only for accredited investors, not the general population. Title III in turn enables utilization by the general public. The full application is still in the process and implementing legislation is always an arduous and time-consuming process as has been evident with the Dodd-Frank Act, for example.

In September 2013, CoFounders Lab CEO Shahab Kaviani claimed their company would be the first to take advantage of the new, more lax regulation and the lifting of the ban on general solicitation (Kolodny 2014). This allowed them to market their equity crowdfunding campaign publicly to everyone instead of just the accredited investors. At the end of the year Kaviani announced that their fundraising minimum target had successfully been met (Kaviani 2013).

Among others, Griffin (2012) and Johnson (2012) opposed the JOBS Act based on the lack of sufficient investor protection. A certain type of adverse selection and risk for outright fraud is real in crowdfunding as well and the asymmetry of information can be seen as rising with this new legislation.

The problem is emphasized by crowdfunding enabling investments for totally unexperienced people who probably have no ability to evaluate the characteristics and risks of the target company. Hazen (2012) as well has expressed worry for investor protection as the JOBS Act gives privileges to crowdfunding, especially as social media enables more fraud. He, however, sees the new legislation as a necessary compromise which incentivizes funding beginning entrepreneurs.

In Finland, the law allows equity financing with certain assumptions and the service is provided by FundedByMe, Grow VC, Invesdor, PocketVenture, Vauraus Suomi and Venture Bonsai. Grow VC, Invesdor, PocketVenture, Vauraus Suomi and the partner of Aalto University (Aalto University 2013) Venture Bonsai are Finnish companies, FundedByMe has expanded here from Sweden. In most Finnish platforms, the sums have so far been quite small: for example in Invesdor, during its first year the investments were about 350 000 euros in total and one of the more notable early projects, Climbstation, raised 64 000 euros (Talouselämä 2013a). A thing to notice is concerning the inputs provided by the investors: the sum for developing the wall and marketing networks was collected from 46 people, bringing the average investment to about 1 400 euros. This is a small number in comparison to regular venture capital investments, but compared to reward-based crowdfunding (presales or other compensation), it is a large sum.

In addition to the aforementioned four main types (donation, loan, reward, stock) there are of course other ways to reward the audience. For example in the Sellaband platform, bands or artists get funding for albums or other musical projects and in exchange the supporters can get a matching portion of the sales revenues (Rubinton 2011) or other, more special thank yous such as an invitation to the recording studio. It can be stated that entrepreneurs are only limited by their imagination on one hand and legislation on the other.

2.2.2 Crowdfunding platforms operating in Finland

In addition to the aforementioned equity-based players, the first Finnish service providing reward-based funding options, Mesenaatti, has been in action since the end of 2012. While the crowdfunding markets are estimated to have totaled approximately five billion in the US (Fundable 2014) and one billion in Europe (European Commission 2014a) last year, in Finland, by looking at the sums raised on the different platforms, it can be roughly estimated that the crowdfunding market has provided only approximately 20 million euros of capital to entrepreneurs so far. Crowdfunding is, however, clearly becoming more common and specialized as one of the newest entries to the field is Kiririnkinki, a service focused on supporting athletes, which started in April of 2013 (Yle Uutiset Suora Linja 2013). Both Mesenaatti and Kiririnkinki utilize the online banking services of Holvi. Holvi itself is a Finnish company deemed in the top 100 hottest startups in Europe by Wired magazine (Cheshire 2013a) and part of the third wave of digital banks (The Economist 2013).

On the following page, Table 4 presents seven of the biggest and, from the entrepreneurial perspective, most important platforms (in alphabetical order) operating in Finland. They all at the moment of writing offer either equity- or reward-based campaigns, which are seen as the most pertinent forms of funding for most companies.

Table 4. Crowdfunding platforms operating in Finland

	Type	Notes	Founded
FundedByMe	Equity/Re-wards/Loan	Swedish origins, in Finland since 2013	2011
GrowVC	Equity/Loan/Donation	GrowVC Group includes different operative units	2010
Invesdor	Equity	In the future, will offer first CF secondary markets	2012
Mesenaatti	Rewards/Donation	The only reward-based Finnish platform	2012
PocketVenture	Equity/Pre-sale	Run by Business Angels Finland	2013
Vauraus	Equity/Loan	Consultants do marketing via calls and meetings	2011
Venture Bon-sai	Equity	In co-operation with Aalto University	2010

The incurred costs and services provided for the entrepreneur differ from one service provider to the next. Commonly the platforms take a mix of percentage and fixed sums in exchange for the publicity provided by their site as well as help in pitching, marketing, legal issues and so forth. As an example, Jänicke (2013a) tells that Mesenaatti takes 7 percent of the raised money and Holvi takes transaction costs that differ depending on the payment method (3 percent of credit card payments and 90 euro cents per online bank transfer). If the campaign fails to reach the minimum target, the entrepreneur has to return all the raised money and pay the transaction fees.

2.2.3 Crowdfunding in the media

As the phenomenon has gained attention and even hype in the last few years, much has been written and talked about crowdfunding. On Amazon one can find over 300 books with the search “crowdfunding” and the number seems to be rising almost daily. Most of the works are different guides on utilizing crowdfunding, as examples Steinberg’s “The Crowdfunding Bible: How To Raise Money For Any Startup, Video Game or Project” from 2008 and a newcomer, for preorder, to be published in the spring of 2014, Dresner’s “Crowdfunding: A Guide to Raising Capital on the Internet (Bloomberg)”.

Financial press, among others The Wall Street Journal (Ordanini 2009) and The Economist have delved into the subject in numerous articles since 2009. A search on YouTube finds innumerable presentations, seminars and news clips on the subject. There have been lectures on crowdfunding in Tedx conferences and television news programs in the US, CNN among them, have reported on the subject. In the Finnish media, one of the most noteworthy early crowdfunding cases was Wishbone, the headphone cord manager, which was present in the biggest newspaper Helsingin Sanomat, its monthly appendix Nyt and the computer and technology magazine Mikrobitti. Mesenaatti, as the first Finnish versatile crowdfunding platform gained visibility in radio and TV, for example. The Swedish language learning book Senja opettaa sinulle ruotsia was in the headlines after clashing with the Finnish law on money gathering. These, and several other cases that were featured in media, are introduced in chapter 3.

2.2.4 Crowdfunding in academic literature

Although crowdfunding is coming towards the mainstream, notably few academic studies have been published on the subject and it can be seen to

be in a budding phase (Burtsch, Ghose and Wattal 2012). A handful of academics form the core of research literature (Gerber, Hui and Kuo 2012).

Agrawal et al. (2011) studied the role of geographical distance in crowdfunding of music albums on an Internet-based platform. The researchers found that even though online mechanisms reduce the friction traditionally caused by long distances and distance in itself loses meaning almost completely, offline networks – friends and family in particular – still have a significant role in initial phases of funding. Conti, Thursby and Rothaermael (2010) reached similar conclusions. Investments from those close to the entrepreneur in the initial phase might encourage others to take part in the project later as well.

Ahlers, Cumming, Günther and Schweizer (2012) studied equity crowdfunding success and saw among others financial planning (initial public offering and acquisitions as exit strategies), risks such as the capital offered, economic forecasts and the collective experience in the board of directors as the more impactful factors. Mollick (2013) also looked at the dynamics of success and failure in crowdfunding with a broad data set (over 48 000 projects). Personal networks, the attributes of the project and geographical location were seen to have significant roles. The study also found that despite the entrepreneurs' struggles most of the products were delivered to customers later than scheduled.

Belleflamme, Lambert and Schwienbacher (2012a) compared preorders of the product and a monetary investment yielding a share of the future profits as forms of funding. When smaller sums are needed, entrepreneurs prefer the preorder. With larger sums, they prefer distribution of profit. In another study by the same authors and from the same year (Belleflamme et al. 2012b) they reached the conclusion that when collected independently (as opposed to a funding platform) not-for-profit organizations are notably more successful in reaching their goals.

Microlenders can form groups led by group leaders. The group leaders acquire investments for the group and some of them also help loan applicants make more appealing applications. Hildebrand, Puri and Rocholl (2011) researched the effect of the perks given to the group leader on the group's investing behavior. When the group leader did not get a fixed fee for each investment made by the group, the investments were more conservative and more of the loans were profitable. Increasing the group leader's share of the loan principal had a similar effect. This can be seen as a clear indication of the effects of moral hazard and the need to create effective incentives for financing.

Ordanini et al. (2011) posed two opposing views in their research problems: Why do consumers fund projects and why do entrepreneurs utilize crowdfunding? The results say that the crowd wants to show their support, belong or get financial gain; motivations are many. For the entrepreneur, crowdfunding is a way to reach and engage people in social networks and virtual communities. The more precise goals naturally vary with each funding platform.

Aitamurto (2011) represents Finnish research in studying the effect of crowdfunding through the Spot.us service on journalism. Reporters felt that a strong bond and a sense of responsibility were formed between them and the donators. They did not want to disappoint the supporters who were seen as investors. Donators on the other hand were interested in promoting the common good and supporting social change.

2.3 Alternative funding sources for a startup

Crowdfunding is a viable choice for many startups but of course only one of the many alternatives. In this subchapter we briefly review other, more traditional funding sources, thus providing the opportunity to compare the pros

and cons of each one. First the attributes of bootstrapping, then bank loans, thirdly venture capital and finally governmental support are introduced.

2.3.1 Bootstrapping

Bootstrapping refers to “a collection of methods used to minimize the amount of outside debt and equity financing needed from banks and investors” (Ebbena and Johnson 2006). The entrepreneur runs a company with little capital, resorting to his personal finances and operating revenues of the company as well as other methods such as trade credit, factoring and leasing. If the entrepreneur uses only his own money, he does not lose any control over decisions but on the other hand, the financial risk is completely his to bear as well.

Bootstrapping does not of course have to be just a beginning phase that the entrepreneur leaves behind as soon as possible. Stretching resources can be of benefit to any businessman trying to maximize the use of their limited means and ensure positive cash flow. This is probably the most common way of initially funding a company, but for most entrepreneurs, external finance becomes a must as the operations require investments.

2.3.2 Bank loans

The most dominant source of external funding for the majority of entrepreneurs is a loan granted by a bank or another institution. Especially in Finland, bank funding has an emphasized status in global comparison. Banks, however, see credit first of all as risk and a significant problem can also be them not understanding the product. Although a carefully crafted business plan acts as a basis when applying for funding (Bangs 1998), for example

mobile game companies might still struggle in convincing a bank employee who could be completely oblivious to the business.

Paired with little or no previous merits of the entrepreneur, the lack of knowledge can cause the bank to back off because without expertise on the field, it cannot independently recognize the potential for success. Asymmetry of information is highlighted in technology and creative projects, with the notion enforced by Hogan and Hutson's (2005) research. Over half of the programming business entrepreneurs taking part in the survey estimated that banks did not understand their business and therefore were not willing to offer them long term loans. Almost 80 percent of the entrepreneurs also thought that banks highly appreciate fixed assets.

Fixed assets can in some cases be good collateral, but immaterial capital firms usually have little of it. Thus, lack of collateral often becomes an issue for startups. The most common forms of collateral are personal collateral also known as guarantor backing or asset-based collateral as property attachments or apartment shares (Viitala and Jylhä 2008). As asset-based collateral, the entrepreneur's personal wealth is often insufficient or the apartment, for example, has already been pledged.

It can be stated that the combination of high risk and little collateral leaves most entrepreneurs without loans. Even when loans are available, they are often not attractive for entrepreneurs either. New entrepreneurs struggling with finance and pondering whether their product will work, see loans as a risk (Kinnunen and Remahl 2014). In the beginning phase, large cash flows are not to be expected, so paying high interest on non-collateral loans and paying capital reductions according to schedule raises concerns with good reason. A lot is also happening on the regulation front and with Basel III among other frameworks stepping into effect, capital requirements were raised and banks became ever more reluctant and fastidious in giving out loans.

In comparison to loans, crowdfunding offers a cost advantage, in essence the lack of interest payments (Virtanen 2014). For entrepreneurs Asikainen (2014) and Perälä (2014) a bank loan was never an option, reasons being that Asikainen did not want to have anything to do with banks and Perälä thinks good ideas will always be funded by investors.

2.3.3 Venture Capital

A venture capitalist invests in a private company that has good prospects for development, primarily in the form of equity or mezzanine funding and with the intention of exiting the company according to plan, thus gaining profit from the rise in value. In addition to monetary input, the venture capitalist brings his own expertise and networks to the company and by his presence creates credibility and makes it easier to obtain funding from other sources. (Suomen pääomasijoitusyhdistys ry 2013a)

A venture capital company usually works with several target companies in the same field, thus being able to efficiently peruse its expertise. The funding usually happens by buying (preferred) stock and monitoring the company through a seat in the board of directors. Venture capitalists usually have better understanding than banks of the company's operations therefore reducing asymmetry of information. The potential profits for a venture capitalist are in essence limitless, so at best their motivation to work towards the company's success is very high. Examples of utilizing the VC's know-how and help offered in addition to the money, are creating a strategy, budgeting, hiring new employees and marketing.

Individuals investing in growth companies are often called business angels. They might have a background in entrepreneurship or a long career in the field behind them. For new technology entrepreneurs, the on average high age and therefore possibly lack of knowledge in relation to modern products

can be seen as a problem. The location of the company also plays a crucial role for the angel, with a close proximity making it easier to take part in the operations. Naturally, the investments made by business angels are smaller and made in an earlier phases compared to institutional investors. They are thus filling the funding gap left by venture capital companies and funds. Business angel networks working Finland are the not-for-profit Finnish Business Angels Network (FIBAN) as well as the stock companies Ledi and Business Angels Finland (BAF).

The venture capital field in Finland seems to be incapable of providing for growth companies' funding needs which often turns views abroad. One example of this was the 42 million euro investment Rovio, famous for their Angry Birds games, got from foreign venture capitalists in 2011 (Rovio 2011). More recently, co-founder of Supercell (of Clash of Clans and Hayday fame) Ilkka Paananen has said (Miettinen 2013) that the problem in Finland is our lack of people with enough money to invest in seed-stage companies. The head of Finland's first business angel fund, Petri Lehmuskoski, says that angel investing in Finland is still in beginning stages and estimates that there are less than ten professional angel investors in the market (STT 2014). The lack of funding can also promote the owners willingness to sell their company as growth cannot be achieved independently. Acquisitions are an actual option to fund operations while at the same time gaining from the buyer's know-how, synergy and benefits of scale.

According to entrepreneur Vanamo (2014) venture capital companies seem to expect a lot from the startup company: good numbers, concrete growth forecasts and several good references are needed to get further in negotiations. He also notes that VCs and angels are not usually interested in refining product development or getting visibility in international events and would rather invest larger sums in a later phase where there is more evidence of the idea working.

Some of the venture capitalists seem to live up to their nickname “vulture capitalists”. They often are greedy in their terms, as verified by the experiences of some of the interviewed entrepreneurs (Keränen 2014, Perälä 2014). Perälä says that, compared to the level in other countries, excluding Lifeline Ventures there are no good VCs in the Finnish scene. According to him, crowdfunding offers by far the best terms for a seed round in Finland or all of Europe. Valuations are approximately 5-10 times to those that could be obtained from Finnish VCs.

Raising funds from the venture capital market can be very complicated and time consuming; negotiations with several potential partners, each with their own demands, lasting for two years are not unheard of (Mäkelä 2013). Crowdinvesting, on the other hand, simplifies this process as all the investors are presented with the same terms and valuation.

The venture capitalist’s desire to influence the company’s operations can of course become a problem as well. On one hand, the know-how brought in by the VC can supplement the lacking in the entrepreneurs own skills, on the other hand the entrepreneur might feel like he is losing control. According to venture capital company Lifeline Ventures founder Timo Ahopelto, “Good investors cannot make a company, but bad investors can destroy it” (Hämäläinen 2013). For the Virtanen (2014) and his company Lekane, in comparison to angel investors and venture capital companies, crowdinvestors were a passive option and they do not even partake in shareholder meetings. This crowdfunding model would not of course suit companies that need advisories and other benefits in addition to the capital but Lekane has taken care of this with an extensive advisory board. Vauraus Suomi platform’s Tannerkoski (2014) says the most important distinguishing factor between angel investors and crowdinvestors is the lesser involvement in the company of the latter. Target companies that apply for crowdfunding may, however, already have several angel investors and angel investors also invest through crowdfunding. As a funding round is nearing the 1.5 million euro threshold, most angels are not able to handle it by themselves.

Overall, the significance of private sector venture capital investment has been quite low in Finland. In 2012, the investments made by Finnish venture capital companies were in total 497 million euros and the governed capital 5.6 billion euros (Suomen pääomasijoitusyhdistys ry 2013b). The lacking is not limited only to money, since private venture capitalists in Finland do not often have enough of the experience needed for operations. Crowdfunded entrepreneur Arponen (2014) thinks that the Finnish venture capital field is very small in comparison to the quantity and quality of the entrepreneurs, which is why crowdfunding is a good addition and investors can get in on the action even with small sums. Venture capitalists themselves have varying reactions to crowdfunding: some think of it as a good addition, some have a more hostile attitude, seeing it as undesirable competition (Mäkelä 2012).

2.3.4 Public sources of funding

The public sector has, especially in Finland, a great role in funding starting businesses. Startups involve high risk, which many banks are not willing to bear and the venture capital field is in our markets insufficient in relation to the demand. There are monetary grants as well as loans with more lax conditions, guidance and other auxiliary services available from different government units.

Elinkeino- liikenne- ja ympäristökeskus ELY (Centre for livelihood, traffic and environment) works around the country to promote local business life. The growth and development of each area's small and midsize companies is on the agenda of these 15 centers. The available funding options differ between areas. The role of Finnvera, working under the Ministry of work and livelihood, is to complement the financial markets and promote the development of Finnish business and exports. It is a special funding and official exports guarantee organ owned fully by the Finnish government. Finnvera

offers loans, guarantees and funding for exports. Keksintösäätiö (Invention Foundation) helps cultivate innovation into profitable business. It looks for and looks at innovative ideas through its national Tuoteväylä (Product way) service. Promising inventions are transformed into business plans or licensing projects together with experienced business experts. Suomen itsenäisyyden juhlarahasto, Sitra (The Festive Fund of Finland's Independence) has the goal of promoting growth and competitiveness of Finland. It is funded by the initial outlay donated by the Bank of Finland and the profits from its investments. Suomen Teollisuussijoitus Oy (Finnish Industrial Investment Ltd.) promotes business, economic growth and employment. It invests both directly and through funds into rapid growth and internationalization as well as mergers, acquisitions and ownership or industry arrangements. The biggest supporter of startups among the government organs is Teknologian ja innovaatioiden kehittämiskeskus Tekes (Finnish Funding Agency for Technology and Innovation). It funds research, development and innovation in companies, universities and other higher education institutions and research institutions. No equity shares are taken in return for investments and Tekes matches foreign investors' pledges into Finnish companies. Their services are available also through the ELY centers. (ELY-keskus 2013; Finnvera 2013; Keksintösäätiö 2013; Sitra 2013; Suomen Teollisuussijoitus Oy 2013; Tekes 2013) Table 5 on the next page sums up these most important public sector funding units available for the beginning entrepreneur.

Table 5. Sources of public support for a Finnish company

Unit	Types of funding	Other services
ELY-keskus	Startup money, development aid	Guidance in the beginning phase practicalities such as registrations and hiring employees as well as education and development
Finnvera	Loan, guarantee, investment, export guarantee	-
Keksintö-säätiö	Funding for building a prototype, testing, patents and development	Help with developing innovation to business idea (business, marketing, technical descriptions, manufacturing a prototype)
Sitra	Investment into company or equity fund	Networking
Suomen Teollisuussijoitus Oy	Equity investment	-
Tekes	Aid, loan	Expert services

In addition to the aforementioned, there are several combiners of the public and private sector working in Finland. These include the accelerator program Vigo and the game and media brands equity fund Mediatonic Fund.

Vigo company accelerators have invested their capital and know-how into nearly 90 companies to develop them to a state where they are investable for risk investors (Vigo 2013). There are currently ten different accelerators specialized in different fields such as clean technology and Asia-oriented companies. One of the accelerators, ICT innovation focused Gorilla Ventures, made headlines (STT 2014) as it launched the first business angel

fund in Finland in January 2014. Out of all the accelerators, Lifeline Ventures has raised the most money.

By the end of 2013, Vigo target companies had raised over 220 million euros of private capital, 160 million of it from international venture capital companies and angel investors. In addition to this, 70 million euros of public funds were directed to these companies through Tekes and Finnvera. The most famous target company is game developer Supercell, which raised its value from zero to over two billion euros in three years. The accelerators have also gathered over 40 million euros into funds, which shall be used in funding rounds that follow the accelerator phase. Some of the accelerators are also poised to become venture capital companies. In 2013, 30 percent of the Nuoret innovatiiviset yritykset (Young Innovative Companies, a Tekes program for growth and internationalization) funding was directed to Vigo target companies. (Tikkanen 2014; Työ- ja elinkeinoministeriö 2014)

Mediatonic tries to fill the funding gap between the very earliest phases of companies' funding and the later phases of venture capital millions with its investments of a few hundred thousand euros. Gaming and media companies with products that have potential for international markets and branching out, obtain assistance in growing revenues while retaining their intellectual property. (Mediatonic 2013)

Despite the variety of supply, one problem in public funding is the slow processes and uncertainty brought by bureaucracy (Mäkelä 2013) as well as the possible opposing of the support granter against the idea. As the entrepreneur is filling out forms and waiting for decisions to be made, his good ideas might go to waste.

3 INTRODUCTION OF THE INTERVIEWED EXPERTS AND CASES

Fourteen Finnish crowdfunding experts were interviewed for this thesis. They were chosen in the course of background research to represent different sides of crowdfunding. Among the interviewed there are entrepreneurs from companies that had a successful crowdfunding campaign, founders or employees of crowdfunding platforms and representatives of auxiliary functions, namely attorneys familiar with crowdfunding. The experts and the projects related to them are briefly introduced in this chapter and their ideas and opinions utilized further in the next. Unless otherwise noted, the information presented in this chapter is provided by the interviewees themselves.

3.1 Entrepreneurs

In this first subchapter, we introduce eight people and their companies who have successfully raised money via crowdfunding. One of the campaigns was done independently on Facebook, the rest utilized different Finnish or foreign platforms, namely FundedByMe, Invesdor, Kickstarter and Vauraus Suomi.

3.1.1 Elina Arponen, Tribe Studios

Elina Arponen is the “Chieftain” (CEO) and one of the founders of Tribe Studios. Previously she worked at Digital Chocolate, a Finnish-American mobile game company, where she last held the title of Technology Team Manager. She has a Master’s Degree in Computer Science and a Special Vocational Degree in Leadership.

Founded in 2010 and winner of Startup Sauna competition, Tribe Studios's product on the market, Dramagame, is a gaming engine that enables creating multiplayer interactive stories. The company is constantly looking for new partners that are interested in making products with the technology and also open for the option of licensing the engine for others. They have teamed up with Altonova to create a Dramagame that teaches skills needed in future working environments and previously co-operated with others such as BRIIM Center and Muutostaito. Their first entertainment game, Velvet Sundown, is currently in closed beta and to be released soon.

In the very beginning the entrepreneurs bore the risk, putting in their own money to the company. Since then, they have looked into all the funding options available and Tribe has gained several angel investors as well as a few corporate investors, of which Frontier is the largest. They have also had several Tekes projects.

In 2012, Tribe raised almost 100 000 euros in two months with the Vauraus Suomi crowdfunding platform. There are numerous platforms on the Finnish market, but the entrepreneurs did not conduct an extensive comparison and rather went with what felt good. According to Arponen, crowdfunding via Vauraus suited them very well, since the platform took care of the marketing and selling. At the time, Tribe did not have the resources to do this themselves and internet-based crowdfunding always takes a lot of activity. Since they did their campaign with an active platform, the entrepreneurs did not do much promoting of their own and thus the campaigning process was not very laborious for them. The entrepreneurs discussed the project beforehand with the platform personnel and then answered any of the consultants' questions as the need arose.

3.1.2 Tommi Asikainen, Cacao Flow

Before starting out as a restaurant entrepreneur, Tommi Asikainen had studied all things related to health, including western and eastern medicine, anatomy, biochemistry, nutrition and optimizing physical performance. After experimenting on himself, he gave some advice to his family and friends who also noticed the positive effects. Thus, he was inadvertently starting to give out consultations. Eventually he and some friends started importing a variety of products now known as superfoods.

In 2009, Asikainen registered the Cacao Flow name, made raw chocolate, held nutrition coaching events and had raw chocolate parties in co-operation with health food company CocoVi. But there was no permanent place. When he came home to Finland for Christmas in 2011 with his wife, they made the decision to start a business and began planning.

Founded by Asikainen and his wife in 2012, Cacao Flow is a Lappeenranta restaurant focused on natural vegan foods. The furnishing and equipment was mostly obtained as donations and from recycling, the furniture partly built by themselves. Only a few items such as a blender and kitchen utensils were bought new.

The same core group that was building the restaurant started putting in small amounts of cash to the project and the idea arose to make this funding public on Facebook. Asikainen talked to his lawyer friend and asked around to find out how it could be done legally. The reward system was set as such: donate any amount of money and become a “Flow Member” with your information and the sum listed at the restaurant. When the restaurant is opened, you shall be eligible to buy food and drinks with the same amount. This type of reward can be seen as a way of engaging the customer to use the company’s services continually in the future (Jänicke 2013a). In essence they were pre-selling their products. The funding campaign had no set funding goal or timeline as they raised money until the restaurant opened, over a

period of approximately one month. Of the thousands that saw the online campaign, 40 previously unknown people joined in for a total sum of around 5 000 euros, with which they could buy some food items and paints, pay the security deposit, the first rent and so forth.

Initially, they were thinking about several different funding options. Asikainen quickly dismissed bank loans as he does not want to have anything to do with banks. Crowdfunding was basically the first and last option and they had no backup plans. They just decided to do it and succeed. Had something gone wrong, they would have just done something differently until it would have been a success. The basic premise was to use creativity: one does not have to pay for everything as things can be arranged with the community and its connections.

Cacao Flow is run as a co-op with 14 members. According to Asikainen, a crowdfunded co-op is good for anyone who wants to be an entrepreneur without risk, as all they could lose is the initial co-op input. Ikävalko (2013) notes that co-ops work when doing something as a group and with relatively stable conditions as far as products, capital and so forth. It may, however, prove to be troublesome if additional money as investments or loans are needed.

Asikainen travels around for work, but most of his time is spent on the internet where he updates the web sites, does health consulting and keeps in touch with different partners in Skype meetings. There are around 15 different Flow groups on Facebook for discussion among different partners and the social media site is also good for asking for favours. For example, Asikainen might ask if anyone is in Berlin at the moment and if they could pick up and bring some document when they come back to Finland. The connections also provide means of transportation and accommodation around the world. The community seems to provide endless opportunities: everyone does whatever they are good at and likes to do, which is encouraged and was the plan from the start.

The Flow Family (which the Lappeenranta Cacao Flow restaurant is only a part of) is constantly growing in several directions. They are setting up a restaurant in Bali, where the co-op will be one of the three owners. They are moving to a bigger location in Lappeenranta with another crowdfunding campaign run on Facebook and Holvi (2014) as well as planning to open up new places in other cities with franchising. They have also been in talks with some organic product shop chains who would like to add Flow products on their shelves. New people come to talk to the co-op members and want to become part of it. All kind of talent has joined in from coders to photographers and musicians. They even have a music and photography/videography studio, owned by one of the co-op members, at their disposal and are starting different music projects.

3.1.3 Samu Keränen, Minus Degree

Samu Keränen is a partner and board member in Minus Degree Mobile. Keränen is also the founder and CEO of SingOn, a browser-based karaoke service. He has over 15 years of experience in the ICT business and has been an entrepreneur for 8 years.

Minus Degree Mobile is a mobile application developer. Their focus is on personal communication and expression apps. The company's first product is Melod.io, an iOS and Android app for easy creation and social media sharing of music messages.

In the beginning, in addition to the entrepreneurs' own money, the needed capital came from several public sources: Finnvera, ELY and Tekes. This first injection of money provided the product and showed the market's interest in it.

As the product was not yet commercially complete, before going to the markets they needed more product development and partnerships. Minus Degree negotiated with several Finnish venture capital companies, but even the best candidates were either too slow in their actions or greedy in their terms.

In the spring of 2013, Minus Degree started gathering capital for rapid internationalization. Their market validated product and advanced developmental stage enabled them to utilize the Kansalaisrahoitus service of Vauraus Suomi. Vauraus was chosen because of their broad and knowledgeable networks as well as good references. In four months, they gathered over half a million euros but also feedback on their product and new talent among their board of directors and consultants.

3.1.4 Markus Lehtonen, Wishbone

Markus Lehtonen is one of the founders and shareholders of Wish Bros, a Helsinki based company founded in 2012. His main responsibility in the company is marketing. Lehtonen graduated as a Master of Business Administration from Aalto University majoring in marketing and a Master's thesis titled "Using crowdfunding in early stage co-creative startup business development - A case study".

The first and so far only product of Wish Bros is Wishbone, a headphone cord arranger. The idea for the mobile accessory stemmed from an Aalto University product development course and was thought up by the two other founders, Tappi Honkavaara and Jarkko Tiainen (Sirkiä 2012). Lehtonen tells that the motivation for Wish Bros to choose crowdfunding was primarily to test demand. Compared to a loan or venture capital – if either of those could have even been obtained – it was also risk-free and the decision making power stayed with the founders.

The mold needed for production was funded in Kickstarter at the turn of 2011-2012. The campaign was a great success: in 40 days 1450 supporters funded the product with nearly 30 000 dollars, surpassing the 10 000 dollar goal almost twofold. The project site offered different compensation options. For one dollar, the supporter got his name on the Wish Bros website and a thank you message in Twitter. For ten dollars, in addition to the aforementioned, the supporter got one unit of the product. The more expensive options ranging up to 130 dollars were packages of several units of the product with different color schemes.

During the campaign and after it, Lehtonen and the other founders updated the projects development, delivery schedules, answers to frequently asked questions, videos on the background and other things to Kickstarter. The company and its shareholders were also active in social media sites such as Facebook, LinkedIn, Twitter and YouTube. Wishbone and the campaign gained publicity both in Finnish (ArcticStartup, Elle, Helsingin Sanomat, HS Nyt-liite, Kauppalehti, Yle) and international media (Five Free Apps, GigaOM, Wired).

In 2012 Wish Bros sold about 8 000 Wishbones to over 1 800 customers, across all continents. The company had 9 retailers in Finland, Iceland and the United States and sales revenues of 60 000 dollars. (Wish Bros 2013)

3.1.5 Jukka Peltola, Goodio Cools

Before co-founding Goodio, Jukka Peltola produced games for Rovio. He is also a health and health food enthusiast and a footbag Hall of Famer.

Goodio Cools is the newest product line of Eatiful, a Helsinki based company that has previously produced hand-made raw chocolate and berry mixes. The Goodio Cools brand includes four flavors of organic, non-dairy, vegan ice cream without sugar or additives. In the beginning, in addition to

their own savings, the founders of Eatiful took a bank loan for the machinery investment for the production plant they just could not afford. They also got governmental support from the Center for Economic Development, Transport and the Environment (ELY) in the form of developing aid.

Crowdfunding came up when they decided to bring the ice cream line to the markets. The decision to go with crowd financing was very quick and influenced by not just money but also it sounding like a fun project. At the same time they would get a signal from the markets whether their product idea was attractive. Entrepreneurship is about constantly evolving, so instead of feeding fear they fed belief. Had they not raised the money, they would have just turned the page. In addition, they wanted to attract people who were acting more on an idea and value basis, rather than venture capitalists and angel investors thinking about maximizing profits, although Peltola admits that the division is not that black and white. They looked into several platform alternatives but decided to go with FundedByMe since it had already has similar successful projects such as Virtuous Vodka, Eggs Inc and Beibamboo. Their campaign in January 2014 raised 50 000 euros in 25 days from 28 investors, of which 40 percent were non-Finnish (FundedByMe 2014).

Peltola explains that in their case the majority of work seemed to have been done as the campaign was created, with the texts, calculations, pictures and so forth. After going live, with a little nudge the campaign seemed to start rolling on its own in the social media and there it propagated so much that they got attention elsewhere as well. For marketing, social media was the main stage, but they also went to a Startup Sauna event and gave an interview on Radio Rock. In addition there was a discussion about them on the morning radio show Aamulypsy.

The founders used their own network and the campaign's engaged supporters worked independently spreading the word, genuinely wanting to promote the cause. The final culmination point was when the Safkatutka Face-

book community (over 40 000 members sharing an interest in nutrition) published a short story on them, which got almost 700 likes, 30 comments and 150 shares. After that things started speeding up. Throughout the campaign, FundedByMe was active and helpful. The platform also spread word on the campaign in different social media, gave tips, put out a press release and so on.

The Goodio community is not organized or dense but it does exist. Before the campaign they had 700-800 Facebook fans and one and a half months after launching their campaign they had doubled that number. They want to give their fans the opportunity to have a say in choosing new tastes, retailers and many other things in the company's development. As an example of the community's importance, they posted their advert for a job exclusively on their Facebook wall.

Goodio is a young company and in its beginning phases, but according to Peltola they can now say that the challenging and notorious new company "valley of death" has been passed. Now they are expanding their product portfolio, developing their corporate culture (production, management, sales and marketing) and opening up new markets while trying to enjoy and learn from this adventure.

Peltola saw the transparency of crowdfunding as a strength. He envisions that in the future Goodio will be known internationally foremost for their products but also for their way of acting transparently and according to their values. Opening up the project in a detailed manner supports their goal of bringing transparency to the food industry.

3.1.6 Vesa Perälä, TribaLearning

Vesa Perälä is a Lappeenranta University of Technology alumni, serial entrepreneur and investor with a background in international business development of large companies as well as internet startups. He is also the founder and chairman of TribaLearning.

TribalLearning is an open, personal learning environment and Smart Learning Data solution. Their vision is to grant access to learning for everyone, even outside formal education. Triba makes learning content interactive and social: discussing, asking for help and solving problems together with other students and teachers is enabled. Triba gathers data about the learner's behaviour, interaction with others and experience with education materials; it learns how you learn and supports you with your studies by recommending more relevant digital content.

The founders have used their own money to get the company going and received a R&D loan of 670 000 euros from Tekes. They are also looking at Horizon 2020, the EU Framework Programme for Research and Innovation. To aid internationalization and further product development, in March and April of 2013, TribaLearning raised approximately 1.5 million euros with equity crowdfunding. The campaign was done on the Vauraus Suomi platform and spanned a little over six weeks.

Perälä says crowdfunding would suit any seed phase company that has a simple enough idea to be sold to the broad audience and while TribaLearning is not the simplest of products, the combination of "Finland" and "education" worked tremendously well.

Perälä notes that crowdfunding is a new and delicate type of investment opportunity, further emphasizing the importance of credibility. Thus, TribaLearning felt that face-to-face meetings and active selling would work much better and Perälä personally met potential investors along with the

consultants of Vauraus. This type of selling would not have been possible had the choice of crowdfunding platform been one of the internet-based ones. If the entrepreneur so chooses, an active platform such as Vauraus can take care of everything and make funding very easy and fast, says Perälä. He however felt that it would be easier to sell more if the founder was physically present. In the best case, this yielded 150 000 euros in 15 minutes from a single investor.

Behind the scenes, most effort was put into preparing and iterating the material and educating the consultants so that they understood what they were selling. As far as getting attention in the media, nothing special was done. A PR campaign was prepared to be used if necessary, but left unutilized. TribaLearning was not looking for any crowdsourcing benefits from the campaign. The main thing was obtaining capital with the best possible conditions and this is what they got.

TribalLearning has been piloting their product in 35 Finnish schools, Helsinki University, Helsinki University of Applied Sciences and several foreign universities in countries such as England, Saudi-Arabia and Indonesia in early 2014. There is significant interest towards the innovative solution internationally among several different target customer groups as well as end-users. Product development is continuing but at the same time the company is shifting to a phase of strong international growth. Since the crowdfunding campaign, the company has laid low and prepared for launching the solution in June 2014.

3.1.7 Kaarle Vanamo, ClimbStation

Kaarle Vanamo is the inventor, CEO and creative designer of ClimbStation. Traveling around and seeing the world, he realized the existing climbing

walls on the market did not fully capture the idea of climbing, were not suitable for sports centers and could not be easily moved around for short-term use in various events. The demand for a better climbing wall product was clearly there.

Vanamo founded Joyride Games in 2004 and a 350 000 euro loan from Tekes for product development started the journey towards what would become ClimbStation. ClimbStation was featured in Discovery Channel's "Beyond Tomorrow" series in 2005 and was one of the finalists in the Brand-New-Brand competition in 2009. Total private sector funding for Joyride Games is around 750 000 euros and currently the company has 54 individual shareholders.

In 2013, ClimbStation ran a campaign on Invesdor, gaining 64 000 euros and 46 additional shareholders. In addition to money, the crowd also provided Joyride Games two new members of the board and good advice to some technical and challenging details in product development. Vanamo saw the funding process as quite laborious but also meaningful. Communication was of the essence and he believes that the demands for material quality are getting higher all the time, especially with campaign videos. Vanamo credits some of their success to the product being easy to understand and many wanting to try it. This is a crucial component for anyone aspiring to utilize crowdfunding and the claim is backed by platform founders such as Jänicke (2013a) and Mäkelä (2013).

Vanamo had a lot of marketing material ready before contacting Invesdor, but it was still iterated for a long time and it took over three months from the first contact to the launch of the campaign. He told about the campaign to people he knew and had the campaign link on his website. Some of the investors came from abroad and Vanamo believes the international publicity Climbstation had already gained probably helped.

Good timing may also have played a role. The company was founded in 2004 and Vanamo is still building trust and working towards the same goals, which might also affect investment decision. Some may think that maybe now there is enough experience and the time is ripe. On the other hand, time can be seen negatively: even though Vanamo himself sees the development in startup stage and when everything clicks the growth may begin, some do not see the company as a startup anymore. They may opine that since it has already been so long, nothing is ever going to come out of it.

Last year the climbing wall went through a lot of development. A more affordable version, for even private use, alongside the current high-end model is in plans. Currently there are ClimbStations in ten countries but a lot of potential is still left untapped. The cheaper version in development could be the key in growth. The company is testing their new version of the wall and a new service concept in the facilities of their partner, Boulder Center Isatis, in Helsinki. After the new product line is settled upon, the planning for further funding is next ahead.

Most likely the company will open a new round of crowdfunding and broaden the owner base. The larger group will also help in marketing the product, which is why Vanamo prefers crowdfunding. Their goal is to offer a wider variety of products and put greater efforts into marketing and sales and this requires a larger organization which in turn requires additional funding.

3.1.8 Marko Virtanen, Lekane

Marko Virtanen is the CEO of Lekane. He has two decades of sales and marketing experience in the ICT industry at companies such as IBM and Microsystems.

Lekane is a software company founded in 2006. Their product, Dialogue, is an online sales boosting service. It recognizes the most potential customers or those needing help among website visitors and offers them the option to contact the company. It also records customers' paths through the site and segments them by their user profiles.

At first, the entrepreneurs began with zero-pay and got a Tekes product development loan. Then they got into the Funding for young innovative companies (Nuoret Innovatiiviset Yritykset) program of Tekes. With the program they broadened their business to new fields and began internationalization. They got more and more turnover, but for more rapid expansion to international markets, they used crowdfunding on Vauraus Suomi.

The crowdfunding model offered by Vauraus seemed to suit the company perfectly: it was very clear, fast and most of all light on the bureaucracy side. Especially Vauraus taking responsibility of the bureaucracy and sales made it an easy choice for a platform. They were the second customer of Vauraus and campaigning simultaneously with the first one, raising 120 000 euros in approximately three weeks.

Lekane convinced Vauraus and it was the platforms task to convince the investors. The company was told this was not difficult as they already had customers, cash flow and a plan for internationalization. The company's own networks played no role as the platform's consultants used their own established networks and made the campaign really swift. As the company works in the business-to-business market, Lekane did not see maximizing publicity as that important.

Lekane is experiencing annual revenue growth of over 50 percent. The internationalization effort is off to a good start as 15 percent of the going fiscal year's revenue is from abroad and the forecast for the next year is between 30 and 40 percent. They are constantly investing into growth and internationalization, so for the next few years they are aiming to make no profits,

rather putting everything back into developing the business. If all goes well, they will start returning capital to the owners and investors after two or three years. As far as future funding, they have for the last year been able to fund the internationalization investments with their revenues, but might have another crowdfunding campaign.

3.2 Platforms

The second subchapter introduces four crowdfunding platforms and people working in them. These men and women work on the platforms as an analyst, country manager, founding producer and founding board member, respectively.

3.2.1 Andrea Di Pietrantonio, Invesdor

Andrea di Pietrantonio is the resident business analyst at Invesdor. He holds an MSc degree in Economics and Management of Innovation and Technology and a BSc degree in Business Administration from Bocconi University, Italy. His Master's thesis focused on motivations for crowd engagement and how the financial and the emotional motivations co-exist in the crowd.

Launched in 2012, Invesdor was the first open equity based crowdfunding platform in the Nordic region and in 2014, as the only crowdfunding platform, was chosen by the media company Red Herring as one of the top 100 most promising growth companies in Europe (Yrittäjäsanomat 2014). The platform is Finnish in origin but currently also operates in Sweden, Denmark and Estonia. Investors can participate in the campaigns from all around the world if their local legislation allows it. Invesdor chairman of the board Lasse Mäkelä (2012) notes that Invesdor has had no difficulties acquiring customers. Since getting funding is so difficult, there is an abundance of businesses

applying to the platform and they work with various industries, from IT to fashion and retail. As of March 2014, 260 companies had applied to the site of which 50 went through with a campaign and of those 12 have been successful (Mäkelä 2014). Most of the investments are from the Nordics but more and more investors come from other regions, especially in other European countries.

Invesdor offers three types of campaigns: open round, private round and hidden round. In open round the company information is visible on the Invesdor website for everyone and anyone can reserve shares. In private rounds, only a teaser version with limited information is presented and further information requires requesting it from the entrepreneur. Hidden rounds are not at all visible at the website and instead conducted completely behind the scenes. Crowdfunding consultant Lauri Pitkänen (2013a) has however argued that a private or hidden form of crowdfunding such as utilized by gTie, a neckwear company, is not true crowdfunding.

Invesdor labels itself as a matching service, but they also have a network of independent consultants that entrepreneurs can use with their pitches. Other value added services include partnerships with KPMG and Fondia for legal advice, accounting, due diligence and brokerage firm services, electronic shareholder lists and a two way communication channel between the entrepreneur and investors. As an investment based platform, they provide professional service and expertise in the finance environment to their client as well as partnerships with more traditional financial institutions.

Basic steps for the entrepreneur are as follows: fill out a form to apply for the site, get contacted by Invesdor, create a pitch and marketing plan in co-operation with the platform and finally, launch the campaign. Before starting, the company's credit status and legal documents are required to be submitted and are reviewed by Invesdor's partner and payment provider Suomen Maksuturva. Moreover, as Invesdor wants to deliver investors a pitch with all the information needed to perform due diligence and decide whether to

invest or not, they require the entrepreneur to provide a logical and clear business plan. The planning process lasts around three weeks on average, with many exceptions. On a pre-round the target company can test its investor appeal before the campaign is published. If the round is successfully subscribed, the entrepreneurs can decide which of the investor candidates they want to accept in the company and then registers them with the Finnish Patent and Registration Office.

Invesdor's fees for the entrepreneur are a fixed sum of approximately one thousand euros plus 6 percent of the capital raised with the value added tax added on top of each payment. Supporting services in auditing, valuation, marketing, branding and so forth are available from Invesdor's partners with discounted prices.

Invesdor realized that as poor liquidity of the stock hinders the growth of crowdfounding, secondary markets should be provided to solve this problem. They are, in fact, the first crowdfunding platform in the world to offer a secondary market for the equity sold through their service (Invesdor 2014a). Di Pietrantonio sees this as a strong competitive advantage for Invesdor. The market place is created in co-operation with Privanet, a Finnish exchange company specialized in unlisted stock.

Mäkelä (2012) states the overregulated stock exchanges are not doing what they are supposed to do, which is to provide capital for growth companies. He sees Invesdor's mission as bridging the gap between traditional investing and venture capital investing. Investing just a mere one percent of the money laying around on regular peoples' bank accounts would give a significant growth spurt to startups. This seems to gather interest from the more traditional financial institutions as well, as shown by the partial acquisition of Invesdor by Taaleritehdas and Alexandria, both Finnish investment companies.

Invesdor and Mesenaatti are also taking part in the Nordic Crowdfunding Alliance project. Other participants include Fønd, Karolina Fund and Boomerang, all crowdfunding platforms from Norway, Iceland and Denmark, respectively as well as the University of Adger in Norway. It is meant to promote the funding possibilities of Nordic growth companies through co-operation in crowdfunding. The project is funded by the Nordic Council. In the project, a new international crowdfunding platform is created and funding will be raised for 180 Nordic companies. Other goals include gathering information to develop crowdfunding processes and lobbying for unifying crowdfunding legislation. (Invesdor 2014b)

3.2.2 Kristiina Pääkkönen, FundedByMe

Kristiina Pääkkönen is the country manager of FundedByMe in Finland. She holds Master of Social Science and Master of Business Administration degrees and has been working in social media, business coaching and corporate communications for more than a decade.

FundedByMe is a great example of a rapidly growing crowdfunding platform: with Swedish roots and originally concentrating on reward-based funding, in a timespan of one year they have set up shop in Finland, Denmark, Norway, Spain, Germany, Italy and Singapore. Equity funding was added earlier and as of April 2014, they are also offering lending based crowdfunding. In 2013, FundedByMe was the winner of the White Bull Bully Awards and one of Wired UK's Top 100 Startups in Europe (Cheshire 2013b). One of the early success stories of FundedByMe was Virtuous Vodka. The company raised over one million Swedish crowns for their product and perhaps more importantly the aggressive marketing of their supporters forced the Systembolaget (Swedish national alcohol store chain) to bring the product to their shelves (Airaksinen 2013). In May 2014, FundedByMe was the first platform in Finland to launch a campaign that combined both equity- and

reward-based funding. They also won the Nordic Startup Awards as the best service provider in Sweden and began co-operation with the Swedish Inventors' Association (Mohr 2014).

CEO Daniel Daboczy (2012) describes the platform's business model as retaining a percentage from each successfully raised sum, offering extra features such as marketing support for additional fees and also providing services for governments and other public organs. The basic fixed fee of 500 euros plus 6 percent of raised money provides the entrepreneur the access to a marketing plan, visibility on the main site, blog, newsletter and pitching event as well as the access to media and other established networks. FundedByMe tries to differentiate by being a truly international platform (most of their equity campaigns raise funding from several countries and often half of the investments flow from abroad) that offers equity, pre-sale and loan forms of crowdfunding. One additional way of differentiating from its competitors for FundedByMe, is offering a pre-round in which startup entrepreneurs have the opportunity for testing out the investors' interest before any actual money raising. Following enough "likes" the company can then prepare a sales pitch, decide on the share price and continue with the process.

So far, FundedByMe has accepted only around 8 percent of all the target companies that have applied to their site. They do not do actual due diligence, but look at the entrepreneurs' digital track record and history. Yet the most important thing is the crowd of 10 000 people who look at the projects daily and determine whether the idea is fresh, the valuation reasonable, the team competent and so forth. The ones who are not accepted often work in an unsuitable industry, lack necessary documents or answer questions posed by the platform in an unconvincing manner. 90 percent of rejections come down to formal matters and the need for the entrepreneur to upload more official documents. (Daboczy 2014a, 2014b)

On average it takes one to three months from the first contact between the entrepreneur and FundedByMe to going live. Companies are chosen or rejected by the platform's international committee, which poses a long list of demands. The company's valuation, business plan and other parameters are important, but the campaign is looked at as a whole, especially its potential and the team's capability for marketing. Before going live, the entrepreneur is coached about the process and necessary marketing activities to the degree that is needed and possible.

In March 2014, FundedByMe launched their own campaign on the platform, trying to raise 2 million Swedish crowns but as the crowd showed great enthusiasm, they eventually raised the sum to 6 million and offered oversubscriptions on top of that. Ultimately, they gained over 350 new shareholders who now have their private discussion group on Facebook. Daboczy (2012) has forecasted consolidation of crowdfunding platforms in the future and posed merging FundedByMe to another platform as an exit strategy.

3.2.3 Pauliina Seppälä, Mesenaatti

Pauliina Seppälä is one of the three founders of the crowdfunding platform Mesenaatti. In addition to Mesenaatti, she is involved in several other projects, such as Refugee Hospitality Club, Siivouspäivä (Cleaning Day) and Yhteismaa (Common Ground). Seppälä has worked as a writer for several publications and for example as a researcher in the National Institute for Health and Welfare. She is writing her doctoral thesis on social structures in popular culture for the Helsinki University department of sociology.

Mesenaatti (Patron) is the first Finnish crowdfunding platform open for everyone, offering several different types of funding for a 7 percent cut on the raised amounts. It has been in action since August 2012 (Jänicke 2013b) and has since then provided funding for variable projects with a wide array

of compensation methods. Non-compensational fundraising is also possible, if the gatherer of funds has a proper license. If the entrepreneur gets successfully funded, he may keep raising money by selling the compensational products in Mesenaatti's own post-funding shop.

Seppälä (2012) noticed how word spreads in social media and money was going around in charity campaigns, for example, but always abroad. Thus, the need to enable the same for Finnish targets became evident. The internet site published in August of 2012 was meant to be just for publicizing the plans and the actual funding was meant to start around a year later. During the first 24 hours, however, the high demand for the service became obvious, with over 40 funding applications and over 2 000 Facebook likes. When the crowdfunding campaign for the textbook *Senja opettaa sinulle ruotsia* gathered attention in the media as the National Police Board interpreted it to be against the law, Mesenaatti launched a test campaign to alleviate the illegality rumors. This pilot was a success and others who had signed up also wanted their campaigns to go live, so Mesenaatti decided to start promoting new projects. (Sarle 2013)

As is customary, Mesenaatti is present in Facebook and Twitter. It has been dealt with in, for example, Varainhankinta.net, Helsingin Sanomat, City, Arctic Startup, Etelä-Suomen Sanomat, Suomen Laki, several Yle (Finnish National Broadcasting Company) television programs and dozens of radio shows. They have also talked to the Standing Committee of Future in the Finnish Parliament and in the House of the Estates for a crowd consisting of parliament, National Police Board and Ministry of Internal Affairs members.

The significance of Mesenaatti as a Finnish crowdfunding pioneer and promoter of a positive public image seems to have become significant already during its very short time in action. In 2013, 88 percent of the campaigns were successful and 38 projects received a total of over 200 000 euros from 5400 supporters with the most popular genre of projects being music

(Mesenaatti 2014). In March 2014, it was announced on their Facebook page, that 240 000 euros had been pledged on successful projects and the goal for the year was set at one million. They have established their own closed Facebook sparring group where campaign initiators can discuss with each other and the three founders of the platform. Mesenaatti is looking for not only individuals but also companies and other communities to pitch in and hoping to possibly funnel some public funds through their site in the future (Seppälä 2014).

3.2.4 Olli Tannerkoski, Vauraus Suomi

Olli Tannerkoski is one of the founders and board members of Vauraus Suomi. Since starting as a Director of Human Resources in the Alexandria Consulting Group in the late nineties, he has amassed extensive experience from the financing field in several positions and companies.

Founded in 2011 and supported by Tekes, Vauraus Suomi is a financial company that offers companies and private persons a market place for investments and finance. The concept includes two types of services: equity crowdfunding (called Kansalaisrahoitus, Citizen Funding) and crowdfunded loans (Kansalaislaina, Citizen Loan). By crowdfunding standards, the amounts of money invested are relatively large as the minimum for equity investments is set at 3 000 euros and typical funding goals reach the 500 000–1 499 000 euro range. The loans promise to offer annual returns as high as 10–20 percent. According to Tannerkoski, Vauraus target companies typically possess a mix of experienced entrepreneurs, traditional venture capital, business angels and international know-how in advisory or board member positions.

Tannerkoski considers the most important distinguishing factors between Vauraus and other crowdfunding platforms the strict screening process

(only 17 of over 600 companies have been accepted in the last year) as well as creating networks and contacts for the target company among the investors and previous target companies. Vauraus is distinct in the Finnish crowd-funding scene in that they utilize consultants that cold call and meet clients from both the companies as well as among regular people. The platform also takes an equity stake in the target companies. Another important thing for the target companies is that thus far all the companies have had successful campaigns and received the needed funding. Most of the raised capital has come from Finland, but also from other countries such as Italy and the United States.

The funding process starts with face-to-face meetings and only the best companies will be chosen for the platform. When the company has provided all the necessary material and due diligence has been conducted, the company will be under scrutiny by the advisors and executive team. The timespan of the preparations for a campaign is totally dependent on the target company and how far they have already come themselves. Only after all the materials and facts are set straight can the campaign go live.

3.3 Auxiliary – Antti Hemmilä and Samuli Simojoki, Borenus

As crowdfunding is gaining traction around the world, different types of supportive services such as Prefundia and Kicktraq are popping up. This third and final subchapter introduces two men whose work supports crowdfunding.

Attorney Antti Hemmilä has since 2011 been a Specialist Partner in Borenus, one of the most prestigious law firms in Finland. He has specialized in risky investments, corporate arrangements and capital markets and advices in questions related to corporate law in general. Hemmilä has broad expe-

rience in consulting in corporate and financial arrangements with both company and financer perspectives. He has written about the legal pitfalls of crowdfunding on, among others, ArcticStartup and acted as a coach for beginning entrepreneurs in Startup Sauna, an organization created by the Aalto Entrepreneurship Society.

Attorney Samuli Simojoki has been a Partner in Borenus since 2010 and helping Finnish startups with matters of law since the late nineties. He advises clients on questions related to intellectual property and strategies utilizing them, technology legislation, media and transactions. Simojoki leads the Borenus Media and Entertainment practice and has specialized in technology, IPR sales and licensing. He has vast experience in commercializing technologies and utilization models of intellectual property in different areas of business and technology. In addition, he deals with cases related to privacy and electronic communication networks. He is also a coach in Startup Sauna.

Borenus attorneys are some of the leading experts when it comes to crowdfunding in Finland. They are often quoted in related news stories and Borenus is in co-operation with several Finnish platforms such as Venture Bonsai. Borenus was involved in the second round of crowdfunding for the book Senja opettaa sinulle ruotsia.

Senja Larsen taught Swedish to readers on her column in the biggest newspaper of Finland, Helsingin Sanomat, and in the year 2011, she branched out to Facebook (Sirkia 2012). Soon the idea of a real, printed Senja opettaa sinulle ruotsia (Senja teaches you Swedish) textbook was born in the community (Böhm 2012). Crowdfunding was used to get a feel for the level of demand and it seemed to be high. The National Police Board (Poliisihallitus 2012a), however, saw attributes of money gathering in the project and sent a statement query to Larsen. In her statement, Larsen's attorney Paasonen (2012) described the project as conditional presale of the book and compensational product sale, which however, in hindsight, used misleading

terms such as “tukisumma”, support sum. Poliisihallitus (2012b) stuck to its original view. The good efforts therefore failed after officials deemed it to be against the money gathering law. The project was taken out of Kickstarter and the promised books were delivered with revenue from orders made by Suomen Messut (Conventions of Finland). The decision of the National Police Board had to still be faced and on the second funding round things were done right. This time, instead of a book, an iPad application was successfully and lawfully funded.

Many experts including Åbo Akademi professor of leadership and organization Alf Rehn, Aalto University professor of marketing and consumer behavior Jaakko Aspara, University of Turku professor of Business Saara Talas and University of Turku dean, professor of civil law Jukka Mähönen have had the view that the crowdfunding of Senja opettaa sinulle ruotsia did not meet the qualities of money gathering that requires a license (Senjaopettaa.fi 2012). The case spurred a lot of conversation and showed the way of working within the boundaries of law in Finland.

4 IMPLEMENTING A CROWDFUNDING CAMPAIGN

Mark Cuban (2008), the famous businessman and investor, also featured in the Shark Tank television series, has said: "Sweat equity is the best start up capital". One funding option for the startup entrepreneur is of course to keep bootstrapping. If the business is able to generate cash flow with minimal investments, growth can be obtained organically. After all, at worst, bringing in investors is like adding cooks to the kitchen – and hands in the pie. Crowdfunding, however, seems to allow the entrepreneur to keep the reigns to himself better than just about any other alternative.

There are a lot of opportunities and responsibilities involved in a crowdfunding project and understanding them is the initial step towards success. The first thing an entrepreneur planning to utilize this method is to ask himself whether crowdfunding is the best alternative for the product or company. There are many good reasons to choose crowdfunding but also several sound arguments against it. Tipping the scale are on one hand, for example, the opportunity to get a feel for the audiences interest in the product and keeping the decision-making power, on the other hand the amount of effort and time the campaign demands as well as the possibility of a public failure.

Although at best crowdfunding has been used to gather millions of dollars in a day, a successful campaign takes time and a wide variety of skills, in significantly larger amounts than a person unfamiliar with the method might imagine (Gerber, Greenberg and Hui 2012). From the pre-preparations until the delivery of the last compensations, a project can take as long as two years and during this time the creators of the project might need skills in marketing, accounting, managing and engineering. In addition to the activity behind the scenes, good relations must be maintained with the funder community which might consist of thousands of people. Naturally, the required efforts depend on the sum of money set as the goal; a few thousand euros could come almost by themselves, especially if the entrepreneur already has broad networks which might be interested in the product. On the other

hand, a project of hundreds of thousands or millions is completely on another level demand-wise, throughout the whole process.

Seppälä (2013) notes, that the need for very large sums of money or the small number of potential funders (for example when customers are other companies) can be an obstacle for using crowdfunding. Very expensive products are ill-fitted for crowdfunding presales as the price is too high for the larger audience. Since crowdfunding is internet-based, it can naturally be deduced that the potential for success for a product aimed at older audiences is smaller, since the demographic group in question includes relatively less internet users with knowledge of social media and crowdfunding. This intuition is backed by statistics which state that the typical browser of Kickstarter is a highly educated male under the age of 24 (Alexa.com 2013). The user demography of Indiegogo is similar but more populated by females. It is also noteworthy that almost ten percent of visits to Kickstarter originate from Facebook.

Overall, crowdfunding is very open. As an example, supporters of Godus, a video game project, had the opportunity to watch an around-the-clock web camera feed from the developer's studio (22cans 2012). With the Holvi banking service, Mesenaatti enables total transparency for budgets, meaning that if the entrepreneur so desires, he can put all of the cash flows involved in the project for the audience to see. Seppälä (2013) suggests that if the project, a feature of it, the production method or for example the sales margins are to be kept secret, the entrepreneur might want to consider some other alternative. Intellectual property can of course be protected with the usual methods such as patents. On the other hand, just the act of presenting the idea in public can be enough to prevent a competitor from stealing the plan. It can also be argued that non-disclosure agreements are unnecessary since even brilliant ideas by themselves are worth nothing but the brilliant executions is what truly creates value.

Crowdfunding is a way of testing out an idea directly with the consumers before putting in capital to the project. If the demand is there, it is possible to attach the funders to the project right from the start, making them at the same time into customers as well as marketers. In a matter similar to anyone being able to bring their musical talent to the knowledge of a broad audience with a YouTube video, for example, completely independently and without a record company, the entrepreneur can also get the necessary funding for his great idea via the internet, without banks or other institutions. With crowdfunding one can thus eliminate the middlemen between the producer and end consumer of the product.

The entrepreneur's personal networks, the attributes of the project and its geographical location were seen to be significant factors of successful campaigns in the research paper by Mollick (2013). Companies do competitive bidding between different suppliers of financing and as the awareness about crowdfunding increases, more companies apply for it, Tannerkoski (2014) believes. He thinks crowdfunding would suit any company that has an interesting concept that speaks to the audience, a brilliant team, scalability and no need for a traditional business angel or accelerator. In Pääkkönen's view (2014) companies that are striving for international growth as well as have an engaging mission, perhaps for common good, or an orientation towards communication and marketing fare well in the crowdfunding arena. Peltola (2014) believes crowdfunding fits any entrepreneur whose product or service can make people excited, whether the targeted market segment is broader or narrower. The product should also show market potential, whether it is a solution to some problem or a good story in the background. Perälä (2014) thinks crowdfunding would suit any company that is in a seed phase and has a simple enough idea to be sold to the broad audience. Vanamo (2014) also credits some of their campaign's success to Climbstation being a simple product that people can understand and are eager to try. Starting a business with crowdfunding suits an aspiring entrepreneur who

wants to minimize financial risk and it provides a significant advantage compared to a bank loan that needs to be paid back, for example (Asikainen 2014; Seppälä 2013).

In this chapter we first take a look at Finnish legislation which sets the framework for crowdfunding and then discuss some of the funders' motivations. After that, in a somewhat chronological order, we progress from the preparations made before publicizing the project to the activities throughout the campaign and finally the time after the funding process. Finally in chapter 4.6, a SWOT analysis is applied to sum up the strengths, weaknesses, opportunities and threats of crowdfunding.

4.1 Crowdfunding and the Finnish legislation

Crowdfunding is becoming more known for the general audience but it creates confusion. Attorney Hemmilä (2013a) tells he gets almost weekly queries about crowdfunding and unfortunately often the asker is doubtful about crowdfunding's legality. Seppälä (2013) tells that Mesenaatti has in co-operation with a funding expert, attorney office and National Police Board made sure that their operations are in line with the Finnish law. However, when using a foreign service, a Finnish entrepreneur cannot be sure about this, since different countries have differing legislations and for example the funding types offered by a US platform can be against the Finnish law.

4.1.1 Donation-based funding

In general, donations can be utilized only by non-profit communities for purposes of common-good. There are certain exceptions to the rule, but in practicality donations have to be ruled out for a company. According to Finnish money gathering law (31.3.2006/255) 5§, money gathering is allowed only with a collection license which according to 7§, a private person or a

commercial company cannot obtain. 3§ describes money gathering as activity in which by persuading the audience money is gathered without compensation. The law's 4§ defines the audience as a group of persons that is not limited or defined beforehand. Persuasion can be oral, written or occur in other ways as a plea to give money for the gathering. Thus, donations may be given to companies by both other companies and private persons and it is also possible to ask for donations, but persuading the audience publicly, in essence gathering money from a group that is not defined beforehand, whether it happens as a box collection at a street corner or as crowdfunding on the internet, is not allowed (Simojoki 2013).

Supercell employees donated 34 million euros to build a new children's hospital. Supercell project leader Lasse Louhento notes that crowdfunding is a familiar method in the gaming industry and close to the Supercell corporate culture. They wanted to fund the clinic without government intervention and bureaucracy. (Talouselämä 2013) In Finland, this type of altruism is unfortunately hindered by the legislative requirement of compensation for the funding. Whether immaterial rewards such as being included in a thank you -list on the pages of a scientific journal would pass the strict interpretation of Finnish Police remains untested. (Heino 2013)

In global comparison, the Finnish money gathering law is in its limiting nature quite rare. It can be considered an outdated "box collection law" whose value has been primarily in the needs of the third sector charitable organizations and in prohibiting conmen going from door to door (Hemmilä 2013a). In most countries, including our western neighbor Sweden, there is no comparable forbidding of citizens' free action and control imposed by the government (Kajander 2011). As an example, this has allowed the University of Uppsala to use crowdfunding platforms in financing their cancer research. The need for change in the law has been discussed on several occasions such as the citizen society policy negotiation group seminar (Kansalaisyhteiskuntapolitiikan neuvottelukunta KANE) in January 2013 (Otakantaa.fi 2013). Approximately 60 people were present, among them

representatives from the Ministry of internal affairs, National Police Board, Rahankeräyläksi uusiksi (Renew the money gathering law) campaign, Vastuullinen lahjoittaminen (Responsible donating) registered association, Kallio movement and Mesenaatti.

Although in June 2012 a parliament working committee declared that no change was necessary (Böhm 2012; Sisäasiainministeriö 2012), in the fall of 2013 the Ministry of Internal Affairs published their long awaited proposal for renewing the money gathering legislation. The goal was to make the law clearer concerning the prerequisite for common-good and delete the requirement for a community or a fund applying for collection license to be exclusively for common-good (Sisäasiainministeriö 2013). The rule has proven to be debatable and the goal for the change is to make license consideration more flexible for those not practicing common-good.

As expected, churches and universities would gain the right to implement money gathering campaigns, but entrepreneurs would not be allowed to do so. Further attempts by a group of Finnish Parliament members to include entrepreneurs in the renewal have been trumped by the National Police Board and Ministry of Internal Affairs (Laiho 2014, Räsänen 2014). The decision to exclude entrepreneurs seems to be in stark contrast with the common man's thinking, as 85 percent of citizens who took part in the Ministry of Internal Affairs survey on the otakantaa.fi discussion forum in February-March 2013 thought that money gathering should not be restricted in this way (Otakantaa.fi 2013).

It seems that in the Police Board, the power has been concentrated to hands that are not willing to promote legislative change that would make crowd-funding easier. The only hope seems to be the changing of the leading people or a strong political guidance towards the civil servants. The promotion on crowdfunding's visibility and bettering its reputation can thus have a significant effect on its applicability in the future.

As of February 2014, a group of parliament members is trying to gather the required 101 names for a legislative initiative that would disable the old license system and instead announcing the gathering would suffice (Oksanen 2014). People could register a funding effort online for a purpose of their choice, using methods of strong identification. This would allow citizens to go and see for themselves what a certain funding is about, see information about the fundraiser and their history of possible previous campaigns. Thus, quality could be controlled by the crowd and public officers would no longer possess the power of deciding what people are allowed to use their money on. The ministry is looking at whether the current fundraising legislation needs further adjusting and a report should be finished by the end of 2014 (Turun Sanomat 2014).

In February 2014, the National Police Board sent the administrator list of Finnish language Wikipedia a request (Laiho and Salmi 2014) for comment, regarding their method of asking for donations on the site and doing this without the pertinent license. Clearly, Wikipedia is violating the Finnish law as they actively request donations and do not offer any compensation in return. In 2008, Electric Frontier Finland, a registered association faced similar charges, but was eventually acquitted unanimously (Niemelä, Rantanen and Nikkarinen 2008) since they did not actually ask for donations, they just announced that according to their rules they can accept donations and provided directions with a bank account number visible on their website (Oksanen 2014). For Wikipedia, the case is different since they are explicitly asking for money. As for the compensation, Wikipedia staying free of advertisements cannot be considered compensation since this would benefit all the users, not just the one making the donation. Another thing completely is whether Wikipedia as an US-based but international website (Finnish volunteers have translated the donation requesting text and so forth) is deemed to be working under the Finnish law or not.

In any case, the final verdict remains to be seen. With protests around the social media from members of the parliament to the common people, this case is just another example of the restrictive and globally extreme nature

of the Finnish law considering money gathering and the strict interpretation of it by the National Police Board. The data (Wikimedia 2014) seems to point to the direction that Finns struck back, donating exceptional sums, around 100 000 dollars or 75 000 euros, in less than two weeks around the National Police Board request for comment being published (Linja-aho 2014).

4.1.2 Loan-based funding

In Finland, the loan based form of crowdfunding is still in the very early stages. Domestic services such as Lainaaja and Fixura allow individuals to lend money to each other but these peer-to-peer transactions are comparable to quick loans with a maximum sum of 10 000 euros and do not serve the entrepreneur group very well. Vauraus is the only Finnish crowdfunding platform to offer companies the opportunity of raising capital from several individual investors in the true crowdlending form with its Yrityslainat service. FundedByMe has also started offering the crowdlending option, but as of May 2014, it is piloting only in the German markets.

As it pertains to the Finnish law, crowdlending poses no difficulties and falls within the confines of current legislation. In the case of Vauraus, agreements are made between the investors and the loan applicant, Vauraus is delegated the proxy for the investors and takes care of the deals and investors pay tax on their gained interest in the normal manner.

4.1.3 Reward-based funding

Compensationary funding can be problematic and prone to much interpretation in terms of legality. To avoid trouble, words should be chosen wisely and at no time should donation, support or money gathering be mentioned. In Finland, the boundaries for law-abiding compensation are still forming,

with Mesenaatti's projects at the forefront (Hemmilä 2013a). In order for the funding not to be comparable to a donation, the reward and the sum of money should be of equal value. Pins and other small presents cannot be considered true compensation, but merely a show of gratitude for taking part in the fundraising (Simojoki 2013). However, there is clearly a lot of room for interpretation. For example, getting your name to a supporter list on the entrepreneur's web site in compensation for a 10 euro funding sum can be considered more like a donation. On the other hand, for example a handwritten thank you note by an author in exchange for 10 euros could be considered worth the money. Of course, the first thing to ask is whether we need an official body to estimate the value brought to the consumer on his behalf (Hemmilä 2013a; Simojoki 2013).

Rap artist Steen1 (Seppo Lampela) failed in his own crowdfunding campaign for legal reasons. Lampela announced that he was making a new album and would put it on the internet for everyone to freely listen if he gets 10 000 euros (Jänicke 2013b). If the full sum would not be reached, he would keep the money and there would be no album. The campaign was against the law because no compensation was offered for the funding. As the music would be freely listenable by anyone, the funder would be in no better position despite his input and therefore no true compensation would be received.

Legally, one of the safer ways of offering the funder compensation worth the price is presale. The funder gets the actual product targeted by the campaign in exchange for the sum given. Just like when offering other forms of compensation, the price and the offered product must be sufficiently similar in value. Overpricing would make the sale donation-natured, so it is forbidden. The price must also be fixed which means the product cannot have varying prices nor can the buyer be offered an opportunity to define it themselves. The Finnish legislation once again shows its uniqueness, because out in the big world, for example many artists such as Radiohead (Pareles 2007) have let buyers of their music decide how much they pay for it (the

pay-what-you-want model). Thus, The National Police Board thinks a flexible price can be equated to money gathering, a view Simojoki (2013) sees as worth challenging. In Finland, one way of enabling varying prices for essentially the same product is when for example music is offered in both a cheaper downloading option and a physical CD or a package including several units of the product.

As far as taxation is considered, the existing legislation applies to crowdfunding (Hemmilä 2013a). If revenues exceed 8 500 euros per fiscal year, the company must register for value added tax and VAT is paid normally on a presales campaign, with the percentage determined by the nature of the product. On the other hand, costs associated with using the crowdfunding platform such as provisions of the service provider and payment transfer arranger as well as delivery costs of the products are, like other business costs, tax deductible. When selling to customers outside the European Union, the sales are usually value added tax free. Export taxes and customs fees are paid instead. (Pohjola 2013)

4.1.4 Equity-based funding

Crowdfunding has come to mainstream quite quickly and legislators around Europe are trying to keep up. Equity finance is at least at the moment legal, as proven by the several Finnish crowdfunding platforms providing it. Officials in the Finnish Financial Supervisory Authority have so far concluded that the platforms do not need operating licenses or monitoring since they are not offering financial services but rather are marketing tools. According to the Financial Supervisory Authority Head of Office Esa Pitkänen (2013), no particular crowdfunding regulation exists in the EU area, but other clauses are applicable and need to be assessed case by case.

It is, however, good to know about the general principles of stock offerings and get acquainted with, among others, limited liability company law and financial markets law, which apply in a regular matter also to crowdfunding. In developed nations, selling financial instruments is quite strictly regulated and nowadays, in the European Union, largely cohesive. In Finland, a company can sell stock without a brochure that meets the EU brochure directive standards, if the offering is less than 1.5 million euros. If shares are marketed internationally, other countries' possibly lower limits must be considered. For example, in Norway the limit is one million and in Estonia only 100 000 euros. No brochure is necessary also if the stocks are offered only to professional investors or less than 150 non-professional investors per country. Regulation of securities' marketing of course pertains regardless of a brochure or not: the marketing may not be untruthful or misleading and sufficient information shall be provided to enable assessing the stock (Airaksinen 2013). This is case dependent but at the very least it could comprise of things such as the newest financial statements, business model, personnel's information including their resumes and so on (Hemmilä 2013b).

Crowdfunding is still new to Finns but it is to be expected that as it becomes more common, also informational standards and monitoring will be considered by the regulators (Hemmilä 2012; 2013a). Authorities have a keen interest in crowdfunding and the possible need for regulation is under scrutiny, both nationally as well as in the European Union (Pitkänen 2013). Finnish crowdfunding platforms would also welcome rules and direction, say Lasse Mäkelä from Invesdor and Antti Suosa from Vauraus Suomi (Meriläinen 2014). However, lawyer Marianne Luotio thinks that no crowdfunding specific legislation is to be expected anytime soon and the projects largely remain influenced by securities market and consumer law as well as self governance (Airaksinen 2013).

4.2 Funders' motivations

Four basic types of funders can be distinguished. First one consists of friends and family who have a personal interest in supporting the entrepreneur. The second group is those who support the general idea, cause or movement. The third group of people is interested in owning the product and the fourth group is interested in making money of the product. These classes naturally have overlap and are not mutually exclusive. Ordanini et al. (2011) studied why consumers fund projects and differing motivations such as showing support, belonging to the group or getting financial gain came on top, which goes to show that there is a wide array of motivations among the crowd.

There are many risks involved in crowdfunding, and especially those interested in equity or lending types of crowdfunding may not understand them completely. FundedByMe investor of the year 2013, Jarkko Huttu, equates himself to an entrepreneur, noting that as a crowdfunder he bears a similar risk and can very well lose his investment in full (Okkonen 2014). Companies seeking loans may have been rejected in banks for a good reason but them offering higher interest rates may make the investors forget about this and the fact that these loans are non-collateral. A crowdfunder's ability as a shareholder to monitor the company and its spending is limited compared to venture capitalists or angel investors. Realising potential profits may also pose problems. The company may decide not to pay out dividends and if it stays private, it can be hard to sell the stocks at profit (if at all) either.

Investing in startups is inherently risky, but equity crowdfunding platforms try to do their part in reducing the risks. According to chairman of the board Lasse Mäkelä, Invesdor conducts strict due diligence in terms of reasonability, ethicality as well as legality and so far has accepted less than a quarter of the proposed companies to their site. As another example, Vauraus Suomi takes a significant portion of its fees in target companies' shares, thus becoming an owner and peer to the other investors. Another way of

mitigating the riskiness of crowdinvesting is the limited liability company legislation which secures the minor stockholder's equal status with others. The platforms often offer discussion boards for equal distribution of information among stockholders. Companies may also make shareholder agreements and for example define conditions for repurchases. A major factor of lessening risk may be a so called anchor investor, a venture capital company or business angel that takes an active role in the development of the company. Invesdor, for example, always presents its new projects to Taaleritehdas, an investment company, which then may decide to join in (Airaksinen 2013).

Peltola (2014) thinks crowdfunding may not be so much about investing for profit as it is about voting for better things and also group dynamics. He believes that many of their investors are in for the long haul and strongly for the values and "good thing". There are probably also traditional investors among the crowd, but most of them are regular folk wanting to support a good cause and take part in an "adventure". He imagines that for many, crowdinvesting is almost a game-like experience. In addition to the thrill and mental pleasure, there is a what-if element due to possibly great rewards.

Di Pietrantonio (2014) sees the investor type change according to the target company's business. For more technology focused companies, Invesdor acquires bigger angels, who also provide knowledge, together with smaller investors, while for breweries, for example, it is more common to see consumers or passionate individuals wanting to become part of the company. In general, startup investors are more driven by intrinsic motivations rather than purely financial ones.

In the Lekane case, the investors seemed to be wealthy individuals who are "buying lottery tickets" by putting in money into companies in which they see potential (Virtanen 2014). They had no time or interest in becoming involved in the development of the company. Pääkkönen (2014) thinks that on one hand, crowdinvestors differ from regular stock investors or angel investors and might, for example, put more emphasis on supporting a good cause

instead of just going for the financial returns. On the other hand, these regular investors are also starting to utilize crowdfunding and thus becoming crowdinvestors.

Arponen (2014) sees the sums as the biggest difference between crowdinvestors and more traditional investors. As an example, a crowdfunder might put in 100 euros to a company, whereas an angel investor might consider sums no smaller than 5 000 euros. Reflecting on his own attitude towards life, Vanamo (2014) believes that the attitude of helping others may be more prominent in crowdfunding compared to regular investors. Investors put in smaller sums out of curiosity and supporting good causes is important to them. Also, general interest in the subject and being able to be part of it are factors that affect the decision. It is about networking and learning new things. He thinks that some of his investors are in with this type of attitude, wanting to see how it goes.

A product or service with social responsibility is more interesting for the crowd but especially as larger sums are invested, success of the target company and the returns that follow become more important (Tannerkoski 2014). Investors are likely to be more interested in companies that have a very good and very scalable product or service. A local restaurant for example is very unlikely to yield great returns if the owner has no plans of branching out the business. An old angel investors' rule of thumb suggests that about nine out of ten startup companies will not be profitable for the investor.

Fiva Head of Office Esa Pitkänen deems crowdinvesting as more risky than buying regular stock since there is less information on the company available (Meriläinen 2014). Therefore it is crucial to look into both the company and the funding platform. If the crowdfunding platform is reliable, as it should be, Arponen (2014) thinks that the investor should be able to trust that the platform has investigated the companies and that they are indeed real.

Arponen (2014) and Di Pietrantonio (2014) remind that startups are always risky investments and one can easily lose their money. Diversification among several companies is advised and platforms such as Invesdor and Vauraus also notify the investors of the risks involved (Di Pietrantonio 2014; Perälä 2014). As for the very risky nature of crowdinvesting, Keränen (2014) notes that any investments in startups are inherently risky. Of course, the product, the team and the potential for scaling must be good for the company to entice investments. In reality, one should accept both sides of the potential: you could lose everything or gain 40 times your input. Most individual investors utilize diversification: 30 percent in listed companies, 30 percent in real estate, 20 percent in funds, 18 percent is kept and cash and only 2 percent is put into risky ventures such as startups, for example. Peltonen (2014) also admits that in general crowdinvesting is more risky. On the other hand, the possibilities are also superb. There is a chance that over the years their company grows to be an internationally known brand and then the return on investment percent could have quite a few numbers. The odds are slim, but the possibility is there.

Gaining the trust of investors is getting easier as the time goes on. In Finland the situation is good as success stories of startups have induced a desire in investors to become part of these companies (Perälä 2014). Successful exits are, of course, needed on the funding platforms in the next few years to sustain trust. When it comes to liquidity risk, investors thinking about bigger sums usually contact the entrepreneur before making the decision trying to assess this risk (Vanamo 2014). Invesdor is the first crowdfunding platform in the world to offer secondary markets for the equity sold in its campaigns. Di Pietrantonio (2014) sees this as important in the market as it creates an exit opportunity for investors that otherwise would suffer a higher liquidity cost.

4.2.1 Survey by the European Commission

In the end of 2013, The European Commission (2014b, c) held a consultation with the title “Crowdfunding in the EU – Exploring the added value of potential EU action”. 909 answers were received, almost half of them actual or potential campaign contributors, the rest entrepreneurs, platform managers, associations, interest representatives, academics, banks, business angels, venture capitalists and national regulatory authorities, from almost all the countries in the European Economic Area, excluding only Malta and Norway.

Among the respondents, the most well known form of crowdfunding was the donation model, closely followed by rewards, profit sharing and selling equity, with lending being the least known form. Three quarters of the potential and actual contributors had already funded one or more projects, one quarter of them across borders. Over 80 percent were willing to fund a foreign project. More than two thirds of the funders were satisfied with their experience, a little less than a third said it was too early to tell and less than a percent had had bad experiences. 85 percent of contributors saw the ability to choose projects worth financing as the most important benefit of crowdfunding and majority of them also valued direct involvement in the project. Doing good, helping the community or friends and investing was the main motivation for a little less than half of the funders.

More than a fourth of the contributors deemed the liquidity risk involved with equity crowdfunding as too high and over a fifth thought similarly of the legal risks such as dilution or not being able to act on their shareholder rights across borders. As for lending-type campaigns, one in three contributors saw the credit risks and almost half thought the financial risks associated with borrowers as unacceptably high.

4.2.2 Survey by the Ministry of Employment and the Economy

The Ministry of Employment and the Economy surveyed the state of crowd-funding in Finland at the end of 2013 and published a report on the results in March the following year (Valtiovarainministeriö 2014). The goal was to get a broad overview on the phenomenon to support future policies. The 36 respondents were from several organizations working in the Finnish crowd-funding scene, both private and public.

Respondents thought that Finns are eager to fund projects they see as important or invest directly into young domestic companies and crowdfunding offers a new tool to achieve these aspirations. Crowdfunding encourages investing but also offers an opportunity to be part of the development of society, independent of the existing institutions.

For professional investors, crowdfunding is another way to diversify and co-operation with the platforms was seen as a mutually beneficial endeavor, instead of a competitive situation. The investors gain a transparent and easily understandable method of investing in unlisted companies, in a responsible way and thus supporting employment in Finland. On the other hand, professional investors already had enough investment opportunities before and they might prefer investing in companies directly instead of using a platform as an intermediary. They might also be looking for a more active role in the company than acquired through crowdinvesting.

When asked about the most important factors for an investment decision, familiar criteria emerged: competent people behind the target company, good idea or product, trustworthy and high quality information as well as high enough expected returns. Some respondent pointed out that it is not about charity but rather making profit, while others accentuated ethics, taking and being part of something and the company's reason for its existence. A professional investor putting in a significant sum into a campaign was seen as creating credibility in the eyes of non-professional investors. This

anchor investor could also, later on, represent the investor group's interests and act as a spokesman.

4.2.3 Survey by Uusi-Kartano

Uusi-Kartano (2013) researched crowdfunding as an opportunity for creative projects from the perspective of cultural creation. She surveyed 353 people via an online answer sheet. The paper was ordered by Finnish reward-based platform Mesenaatti.

Many of the respondents were not familiar with crowdfunding but it piqued their interest. There seemed to be demand for crowdfunding and people were willing to finance all types of projects. Main motivations were listed as the product itself (75 percent of respondents), the desire to be involved in something interesting and important (74%), exclusive rewards (35%), fun experiences (21%), the project having personal ties to the funder's friends or family (20%), possible financial profits (20%) as well as gaining recognition with a public mention (9%).

Some hoped that by funding other projects they would raise more money with their own campaign in the name of solidarity. 61 percent were willing to promote a campaign they funded to their peers. 86 percent thought crowdfunding offers them an opportunity to get involved in interesting projects. Unfortunately, close to a fourth of those surveyed were afraid that they might lose their money and not get the product they paid for. Almost two thirds had false knowledge of the legal position of crowdfunding but almost 80 percent thought crowdfunding should be promoted with legislation.

Less than half of the respondents had taken part in crowdfunding in any form, but almost 90 percent said they could fund a project. Over two thirds did not see the country of origin as important as long as the project was interesting. 22 percent admitted that how popular the campaign seemed, in

terms of money raised so far, would affect their willingness to fund it. Respondents showed interest and disinterest in each of the presented categories of projects and contrary to the survey by Venture Bonsai, games also were found attractive by 42 percent of people. The category found to be least interesting was peer-to-peer loans.

4.2.4 Survey by Venture Bonsai

In November 2013 the Finnish equity crowdfunding platform Venture Bonsai conducted a survey (Joukkorahoitus 2013) called Suuri Suomalainen Joukkorahoitustutkimus and aimed at experienced business angels as well as regular private investors in Finland. The study concerned investors' interest in crowdfunding and its future possibilities.

78 percent of the respondents were willing to invest in suitable growth companies and almost 65 percent had already used some crowdfunding service. Over half of them wanted to invest sums in excess of 5 000 euros. The best known services were Kickstarter, Venture Bonsai, Invesdor and Indiegogo. The greatest motivator for investors was supporting growth companies (30%), followed by going for great returns (27%) and the opportunity for diversification (22%). Most (67%) wanted to choose the target companies themselves and only two percent wanted to outsource the decisions to a fund, for example.

Technology products and services were seen as the most interesting segment, likely due to scaling potential. Consumer services came in second as the investors can in these cases also be consumers. Surprisingly, games gained relatively low interest. A really interesting product or service was deemed the prime reason for investing by 61 percent of the respondents. Convincing management was the reason for only 22 percent of investors. In the investment process, receiving adequate and clear information was seen

as crucial. Looking at platforms, investors valued good asset management with escrow accounts as well as carefully chosen, quality target companies.

4.3 Before the campaign

In order for the project to have chance of succeeding, careful planning is necessary and many important decisions need to be made. Preparing in advance has a highlighted role in going through a campaign and most platforms also offer their own tips for those planning on utilizing crowdfunding. Arponen (2014) reminds us that it might be down to small details whether the campaign takes flight and the end result can be truly improved with one's own efforts.

In Di Pietrantonio's (2014) experience, the companies most likely to succeed are the ones with a clear business plan and a great communication plan to market their shares. Good company image and campaign pitch are also factors that predict success. According to Seppälä (2013), active marketing, an established audience, as well as a unique product and campaign are the most important keys to success. The proximity of the funder and the project can also be a significant factor – the band of a friend or a Finnish magazine are funded more easily than something that is far from the persons own life (for example development aid). This is supported by a research on the geographical aspect of crowdfunding (Agrawal et al. 2011; Conti et al. 2010). The researchers concluded that although for unknown funders distances have due to Internet lost their meaning, the effect of close peers, family and friends is notable as funds gather from close-by areas. Di Pietrantonio notes that whether the geographical location of the entrepreneur in relation to investors is important, depends on the target company type. Local activities such as breweries naturally have a majority of local investors since they build social value in the nearby community and more internet-based companies also receive investments from abroad.

4.3.1 Choosing the type of compensation

A fundamental choice is the type of funding, in essence what the entrepreneur can and wants to offer for the audience in exchange for their input (already assuming the exclusion of donations). As we recall, the general alternatives are loans with interest, presales or other rewards and equity offerings.

According to research by Belleflamme et al. (2012a), entrepreneurs in general prefer to use reward-based funding for smaller sums and equity-based funding when larger amounts are needed. In Pääkkönen's view (2014) crowdfunding is especially good for launching consumer products. Presale campaigns require the company to be able to provide good compensations and equity campaigns suit companies that are going for rapid growth. Arponen (2014) thinks that reward-based crowdfunding best fits consumer products that can be sold in advance. In the equity form, she thinks crowdfunding would suit just about anyone who is considering raising venture capital. Compared to selling equity, a presale type crowdfunding campaign might provide better market validation as the funders put their money towards the product itself instead of future expected returns of the company (Pitkänen, L. 2013b). In Tannerkoski's (2014) opinion the loan type of funding would fit a company that has stabilized itself and has the cash flow to pay back the interest and principal whereas offering equity suits startups and growth companies. Venture Bonsai Chairman of the Board Antti Hannula says that the equity form of crowdfunding is best suited for growth companies that have more than ideas to show and have made enough progress to convince regular individual investors on their business's growth potential (Meriläinen 2014). When it comes to deciding between reward- and equity-based funding, according to Keränen (2014), finished physical products go very well with pre-sales and hype. An equity type funding model similar to theirs is best suited for a company with low technology risk and high potential for scaling, which in turn necessitates large sums of money.

As mentioned previously, at present loan type crowdfunding seems to be somewhat ill-fitted for business and the needs of a Finnish entrepreneur, even though it has gotten at times good results in development aid type microloans to third world small entrepreneurs and it is due to lower interest levels a recommendable alternative to quick loans. The researched loan focus platforms like Lending club and Prosper do offer money but there is no formation of a community like in general in crowdfunding. The interest rates are also relatively high, from around six to all the way up to 35 percent depending on the credit rating. The payments also need to be paid monthly. New players like Mosaic, a company focused on funding solar energy industry, constantly enter the field, but so far from the Western entrepreneurs' point of view, the activity is still in premature stages. In Finland, Lainaaja and Fixura offer the loan service among individuals and Vauraus is piloting crowdloans from people to companies by the way of their Kansalaislaina service, but since it is still in the beginning, results remain yet to be seen.

The most common and very practical compensation for support is the funded product itself, which can be referred to as a presale. Legality-wise it is safe for the Finnish entrepreneur and most funders are also very happy to receive the product they are interested in exchange for their participation. The product can be sold in packages of several units or in different versions enabling a wider range of funding sums. Presale is effortless in the sense that it requires no additional activity of rewarding the audience with special prizes.

In addition to the product itself, other physical prizes or experiences can be offered, ranging from t-shirts to meetings. These exclusive prizes can be used to entice the audience to invest larger sums to the project, but on the other hand, producing or arranging them causes both monetary and timely costs. A wide enough selection of compensation options with fitting pricing should be offered, starting from as low as one euro, even if the product itself is more expensive. An important part of crowdfunding is the possibility of not getting your moneys' worth. The smaller the minimum sum required for

support, the easier it is to accept that risk. This way an enthusiastic fan can help more and a less interested or financially less capable person can give at least a little. It may also be a good idea to add an outlying expensive perk that acts as foil, contrasting and making the cheaper options more appealing (Mod 2010). Nevertheless, if the contributor is offered too many different options, he may leave without contributing anything at all (G.F. 2010). This is of course the phenomenon known as paradox of choice.

Especially when collecting larger sums, it is good to offer something special to the audience. For example, a portrait of the funder by a game studio's concept artist or lunch with the lead designer are unique experiences and an enthusiastic fan might be willing to pay thousands for these types of things. As long as the law is obeyed, the biggest restricting factor to coming up with forms of compensation is the entrepreneur's imagination. As an example, the first Finnish commercial talk radio, Radio Rapu, raised money on FundedByMe and one of the rewards they offered was a weekly 16-minute radio show for three months (Uusi-Kerttula 2014).

If the funding platform enables only one input from each funder, it might be a good idea to include the lower level rewards to the higher levels. This way the higher level is always more appealing (dominates). The buyer will not face a difficult situation of choosing between different product packages as the relation between the offered sum and the reward gained is clearly positive.

Presales and other goods, however, do not interest people who are looking for financial returns on their input. The potential for success entices investors and with equity crowdfunding the company can gain new shareholders which can be utilized in decisionmaking as well. On the other hand, there is new type of responsibility for results and lessening of the entrepreneur's own profits as they are dispersed to these new owners. The funders can also be offered return potential without selling them stock. For example in Sellaband, another music-oriented crowdfunding site, the artist who has

funded his album, after deducting the platform's share, gives half of the record sale revenues to their supporters.

4.3.2 Budget, timespan and platform

In terms of the budget there are two choices: "All-or-nothing", where the money is available for use only if the goal sum is reached or exceeded and "keep-it-all", where all the money invested in the project is usable regardless of the campaign's outcome. "All-or-nothing" is good in the sense that it is prone to increase motivation for the funders to market the project to their peers so that the goal can be reached and the project will not be canceled. The entrepreneur will also not be facing the difficult situation where the budget is not met but the customers are waiting for their product. Then the options would be to go forth with an incomplete budget (possibly getting the missing part from other sources), to return the money or keep them and gain a reputation of a con-artist.

People want to know where their money is going so it is good to clearly and with sufficient detail tell how much of the budget goes to each area of the product. To win the trust of the audience, a somewhat tight cost approximation which consists of only the absolutely necessary items should be presented. Smaller budget projects have a bigger probability of succeeding and the audience also often understands if the budget is overreaching due to greed or ignorance.

Many people put money into projects only after they are successfully funded. They like to jump into the winner's bandwagon. This should be considered in budgeting as it might be a good idea to set the initial goal a little lower so it will have a higher chance of being reached and then hopefully surpassed as the following wave of people notice the successful project. (Mattila 2013) This way the funding seems to gain speed faster and the

potential funders' thought of not wanting to fund a project that will not reach its high-set goal anyway, is avoided.

Naturally, the budget must be big enough in order to keep the promises and deliver the compensation. Precise calculations should be made on how much it will cost to produce and deliver the rewards. Small things such as postage fees cause great costs when there are many receivers scattered around the world. The percentage taken by the funding platform has to also be taken into account as well of course.

Reaching a bigger budget goal requires more marketing so the entrepreneur should assess his resources and not set the goal too high. Seppälä (2013) says that a significant factor in calculating a realistic budget is the broadness of the current fan base, in essence the more supporters, the more one can reach for. On the other hand, she thinks that for an excellent, new idea with many people interested in the end result, a lot of money can be requested even without pre-existing vast networks.

As a general rule, a bigger sum requires a longer funding time. According to research by Burtsch et al. (2012) a longer funding time is more likely to lead to a success, but on the other hand Seppälä (2013) has noticed that the sums seems to gather in the beginning and the end of the project so spreading out the timeframe might not give a significant advantage. Mod (2010) noticed similar results with his campaign, noting that people seem to engage when the project is new and when it is nearing its deadline, leaving a dead zone in between. He pondered that he could have achieved a similar total sum in a shorter time period. Companies as funders (and larger sums) might need a longer time for consideration, so a longer timeframe can be argued for in those cases. Seppälä says that about a month is common for a project and deemed quite good. A longer time might leave the potential funder pondering and eventually forgetting about the thing altogether.

It is important to also consider which funding platform is the most applicable for the project in question. The selection is broad and each service provider different in their qualities. For Di Pietrantonio (2014), a crowdfunding platform is a tool. It is like a mall, where a shop can rent space and open up activities; the shop owner can then reach out to clients in different ways using social media, other internet means, events and so on. Ultimately, it is up to whatever the entrepreneur wants. Of course, for example Kickstarter offers a very different visibility internationally compared to Mesenaatti, but on the other hand the platform being Finnish is no object for reaching foreign fans (Seppälä 2013).

The types of target companies vary between different platforms and how they are profiled (Tannerkoski 2014). The platforms profile themselves both actively (like the game-oriented Gambitious) as well as with successful projects. In order to reach the right audience, it is worth studying what types of projects have been funded in each platform and go where there are people interested in similar projects. Using a platform in the target audience's own country can also be reasonable since people have a common tendency to place more trust on companies they see as more familiar and to prefer domestic services (home bias). Different platforms have different levels of processes for choosing the projects. Some accept almost anything and they let anyone try without prejudice, while others want to keep up their reputation and demand a detailed briefing, taking in only projects they themselves see potential in. There is also variance in the forms of compensation accepted, whether the set goal has to be met and how the communication between the giver and receiver of funding has been arranged.

One can of course freely combine different funding types and utilize numerous platforms. This method has been used by the production team of Iron Sky. The sci-fi comedy gathered most of its budget from traditional sources such as the Finnish Movie Association and the European Council Eurimages Fund as well as normal presales to movie theaters, but also utilized numerous crowdfunding platforms gathering almost 700 000 euros (Iron Sky

2012). The upcoming sequel is also partially funded by crowdfunding and in May 2014, the production company sold equity on Invesdor.

A crowdfunding campaign can also be implemented independently without a platform, for example through the entrepreneur's own website or a social media site such as Facebook, as did Cacao Flow. This saves the money taken by the middleman; the common earnings logic of crowdfunding platforms is to take a single-digit percentage of the gathered funds and the arranger of money transfers, for example Amazon, PayPal or Holvi depending on the home country of the entrepreneur, takes their own couple of percents. Still, an independent campaign does not usually get the same kind of visibility and attention, especially from people who are browsing through platforms and actively looking for targets. There might also be more problems gaining credibility and the trust of the audience, since no pre-selection of any sort has been passed.

Bugbear entertainment, a Finnish gaming company of racing game franchise FlatOut fame, decided to by-pass publishers who tried to make their new game more appealing to the mass market. They opened a website for pre-ordering the game in order to fund its development and the customers were given an opportunity to give feedback based on an early version exclusive to them as well as receive extra perks such as soundtrack and wallpaper downloads. The reason for going independent instead of the initial plan of a Kickstarter campaign was the need for the project initiator to be either US or UK based at the time. (Bugbear 2013) Jolla, the Finnish phone company founded by ex-Nokia workers, used Invesdor technology when they ran their independent pre-sale crowdfunding campaign on their website from May to July 2013, receiving tens of thousands of orders from 136 different countries (Sarle 2013). As yet another Finnish example, the founders of Theory Interactive thought about doing the campaign for their game, Reset, on their own without a platform, but considering their small team they

eventually decided to distribute the workload by utilizing a platform. Indie-gogo, in fact, contacted them first, before they had even gotten started. (Oksaharju 2014a)

4.3.3 Creating the campaign page

First the creator of the campaign puts in the service the project introduction with text, pictures, videos, descriptions of different reward alternatives, equity prices or interest rates as well as all other required and optional elements such as financial statements. The project should be strictly defined and communication clear, so that the audience understands right away what it is about and can better assess the project's possibilities. Attention should be based on naming the project and the thumbnail picture so they evoke interest at first sight when presented amidst all the other campaigns running on a platform.

Alleviating problems of asymmetric information, the principal-agent problem and moral hazard as described by Akerlof (1970), Eisenhardt (1989) and Krugman (2009), respectively, is a key component in the information presented on the campaign page. The entrepreneur can give a more trustworthy image of himself by linking the project with his own home page, Facebook and other social media accounts and by appearing in the introduction video or pictures. The audience should be encouraged to ask questions and the entrepreneur to actively answer them. Once again, the importance of the people closest to the entrepreneur is visible: if the entrepreneur can gain the trust of people he knows and it shows as investments on the project page, other people's trust in the project increases.

Maybe the single most important thing on the campaign page is the video. The demands for material quality are getting higher all the time, especially with videos (Vanamo 2014). The video should be condensed enough so that

an Internet age person with a short attention span can watch it all the way through; already the first seconds are critical in creating the first impression. It is important to convince the potential supporter that he is going to get his money's worth. In equity financing, the funders' motive might be closest to cold rational forecasting of return potential, but in a reward-based campaign it is crucial to evoke positive feelings. It is good to tell about yourself, the background of the project, its developmental phase and the rewards and of course ask the people to support the campaign. Personally appearing in the video usually helps in creating a connection and gaining trust. Creating a story helps get people aboard as the entrepreneur's own vision has to be conveyed to the audience. Showing one's aptitude by either highlighting previous achievements or a first-timer's fresh perspective is beneficial. The supporters should be advised on what they can do for the project by funding, giving feedback and telling friends.

Preparing and testing the material before the campaign is important. Compensation ideas, introduction videos and all other related things should be shown to close peers. Feedback is very valuable when putting the finishing touches on the material for publishing. It is also a good idea to seek advice from those who are more experienced, in essence people who have already gone through with a crowdfunding campaign.

4.3.4 Pre-campaign marketing

Mäkelä has analyzed reasons for failure and said that the companies' investor-oriented marketing is even more important than they initially think (Heino 2013). With Climbstation, Vanamo (2014) had a lot of marketing material ready before contacting Invesdor, but it was still iterated for a long time and it took over three months from the first contact to the launch of the campaign. The entrepreneur should create a thorough marketing plan with the goals, target groups, channels and resources listed. The funding campaign

may have several objectives in addition to raising money. These goals could be identified as market validation, increasing future negotiation power, and PR, for example, and the marketing adjusted accordingly (Pitkänen, L. 2013b). As an example of conflicting goals, Theory Interactive, a Finnish video game developer that utilized crowdfunding on Indiegogo, realized that they were simultaneously pitching and marketing to the crowd (Oksaharju 2014b). This is problematic, since in pitching everything is usually laid down explicitly, whereas marketing would aim to reveal just enough to arouse interest, but not too much to spoil the fun.

Marketing should begin well before publishing the campaign and social networks broadened beforehand, for example by creating the company its own Facebook and Twitter accounts and by being personally active in social media. The upcoming project should be pitched to potential investors well in advance of the launch. Pääkkönen (2014) suggest that a company should have thousands of followers at their disposal through email lists and social media in order to expect better results. On its Facebook page, FundedByMe has also recommended that in addition to this, one should have 5-10 partners who have similar networks. Mäkelä (2012) suggests that 25-40 percent of the offering should be subscribed before starting, for greater chance of success. Etter, Grossglauser and Thiran (2013) were able to achieve relatively accurate predictions of a campaign's success based on early numbers. For example, the development of gathered sums and amount of backers in the first 15 percent of the campaigns's timespan could predict the ultimate success or failure of the project with 85 percent accuracy. Adding in social parameters, such as the amount of tweets related to the campaign, the accuracy could be further improved: even the first four hours can tell whether the goal will be reached with 76 percent accuracy.

According to the crowdfunding report conducted by the Finnish Ministry of Employment and the Economy (Työ- ja elinkeinoministeriö 2014) in co-operation with the Ministry of Finance, 84 percent of the respondents thought that the presence of an anchor investor was a significant factor in making

the investment decision. Logically, if the investors see that a bigger investor has faith in the project, it is easier for them to get in on it as well. For the entrepreneur, this means that getting a big player in at the beginning significantly raises their chances of success. The notion is further supported by research, as Sgroi (2002) showed that early public purchasing decisions by “guinea pigs” appointed by a firm can kick-start information cascades observed in social networks (Dotey et al. 2011) and Burtch (2011) revealed potent herding behavior in crowdfunding.

Especially in a small market like Finland, there are few people and in order to get the campaign going, it can take a lot of marketing in existing networks, among relatives and acquaintances. These people can act as a catalyst and with their own inputs give the campaign the needed first push. Musician Mika Vanhanen funded his debut album in the platform Mesenaatti. The campaign took a lot of time and energy, Vanhanen describing the four weeks as “damn laborious” (Kononen 2013). 90 percent of the supporters were friends or friends’ friends. Vanhanen says he personally contacted each funder spreading information which then was passed on by these “network marketers”. Relations should be established also with other entrepreneurs utilizing crowdfunding. Seppälä (2013) advices that crowdfunding enables also cross-advertising. Often entrepreneurs want to help their funders in a reciprocal manner by marketing their projects or by participating in them with money.

When planning a campaign, some entrepreneurs already have a network, some need to build one, but the important thing is to communicate with people, advices Di Pietrantonio (2014). If possible, it is well to gain reputation beforehand and ask all previous customers or other supporters to do their part right at the beginning, thus encouraging others. For example, the adventure game Double Fine Adventure exceeded its funding goal clearly, with a significant factor being lead designer Tim Schafer’s (cult) reputation. The money pouring in led the development team to make the game bigger and better than initially planned and the first half of the game, now known as

Broken Age, was released on the online digital distribution platform Steam. The Double Fine company has since then successfully gathered funds for another game, Massive Chalice, once again exceeding the goal by a large margin.

On the other hand, one of the high profile failures was the Kickstarter funding of Icelandic singer Björk's Biophilia, an album application (Dredge 2013). The project was discontinued already after ten days because the funding goal was clearly nowhere near of being met. In addition to the product only being a platform translation, the compensations not being particularly interesting and communication with fans being scarce, one factor was the fame and great wealth of the singer. People were wondering what does Björk need their money for (Masnick 2013). Other famous project originators such as Zach Braff, Rob Thomas and Spike Lee have been met with similar criticism.

One must not forget the more traditional media. An Internet newsstory or an article in a local paper can be of great help in reaching the potential audience. Reporters should be contacted well beforehand, so that the stories can be timed optimally at the beginning of the campaign. To gain engaged users, media should be approached thoughtfully, appealing to relevant communities instead of spamming the project everywhere (Mod 2010). In Finland, we are still at the early stages, but in the United States some reporters are already tired of entrepreneurs trying to get their campaigns featured. In any case, the product or service should be the main focus and the campaign only mentioned on the side. Being present in the media might not transfer directly into new supporters, but it could make the entrepreneur more believeable in the eyes of those who are considering investment (Mattila 2013). Seppälä also (2013) reminds us that it is possible to for example print and hand out flyers.

Crowdfunding is still a new thing and seen as an interesting story subject, as witnessed also by Wish Bros. The funding received by Wishbone spiked

clearly as the endeavor received visibility in social media and Finnish newspapers. Through the ArcticStartup newssite, knowledge of the project spread to Kauppalehti and Helsingin Sanomat. This initial push led to Wishbone getting into Kickstarter's 'Popular this week' section, which further grew the snowball effect and from this point on, support was received in a steady manner all the way to the finish line. With news reports, Wishbone got visibility in media where advertising would have cost tens of thousands of euros, Lehtonen (2013) estimates. He credits the visibility Wishbone received to them being active, their networks as well as luck. (Lehtonen 2012)

Live events have also proved to be useful. Minus Degree launched a pilot version of their application in an event hosted by Venture Beat, a technology news site, tells Keränen (2014). He estimates that their partners' positive feedback of the product's functionality in their technology environments and the hype created at the event were good signals that could then be further marketed to their future investor crowd. Keränen believes that when it comes to gaining the necessary trust of potential investors, the key thing is personal chemistry; one needs to be trustworthy. Public appearances and openness along with background information support this. Finland is a small country, and on the financial market basically everyone knows everyone. Without real contacts, investments are very unlikely to happen, whether from the crowd or angel investors for that matter. As another example of meeting people in the real world, before the restaurant was opened, the Cacao Flow crew organized five Sunday brunches where they offered people the opportunity to try their foods and drinks (Asikainen 2014). This way dozens of new people learned about the restaurant and the funding campaign.

Of course, not all of the responsibility has to rest on the entrepreneur's shoulders. The platform may ease the burden in varying ways and degrees. Invesdor has done quite a bit of sparring with the entrepreneurs to crystallize their business ideas and offers them a network of consultants with different

competencies (Mäkelä 2013). Mäkelä (2012) tells that in Invesdor, new target companies are marketed through a mailing list and subscribers often recommend campaigns to their acquaintances, which then may become investors. Vanamo (2014) was not previously familiar with crowdfunding and Invesdor made it easy to get to know it. CEO Mäkelä was active and communicated a lot with him, which made it easier to get on the site and begin campaigning. With the bureaucratic side, Vanamo got help from the law firm Fondia, whose services could be obtained through Invesdor. Marketing was done independently by Joyride Games, but Invesdor also advertised the campaign through its channels. Vanamo believes that the effort from the platform was crucial in succeeding. As another example, Perälä (2014) tells that Vauraus was a very active platform, taking care of all the bureaucracy and had the entrepreneur so desired, would have handled all the marketing as well. As the crowdfunding ecosystem is growing and new services become available, recruiting expert assistance from a third party is also an option; in Finland, the first company to offer help in marketing a crowdfunding campaign is Presales.

4.4 During the campaign

Not just a good pitch, but continuation and following up with updates throughout the campaign is important (Mäkelä 2012). Research by Ward and Ramachandran (2010) shows that if a project is unable to keep up momentum, it quickly loses visibility and popularity among the audience. Most campaigns' success depends on whether those thrice removed from the entrepreneur are reached and become attracted to the project. This means expanding the network beyond friends and friends' friends and is known in crowdfunding as third-level survivorship.

4.4.1 Marketing by the entrepreneur

Entrepreneurs often have hopes of the campaign going viral, with word spreading fast and powerful, through the grapevine and social media. According to Mesenaatti's Jänicke (2013a), only around 10 percent of campaign visits are via their platform's main page, the rest are from links on social media. She adds that the same ratio seems to apply to Kickstarter, for example. Therefore, marketing efforts should go on harder than ever throughout the campaign – the entrepreneur should not expect the campaign to take care of itself.

Oksaharju (2014b) deemed effective communication, through all possible channels, as vital. He says one must keep vocal about the campaign for an extended period of time and make enough noise to stand out from all the other noise. The product should actively be brought up in different media, so people from a broader field can be guided into becoming supporters. Seppälä (2013) suggests updating the project very actively: it would be good to remind people of its existence about once a day and ask for funding. Mesenaatti also urges to provide a link to the project for anyone who might be interested and keep providing the link all the time so people do not have to go back and look for something they saw a day before. One should be wary of going overboard, though – too much of active, even aggressive marketing (spamming), may even lead to boycotts.

Crowdfunding relies heavily on the internet and social media, but especially in equity crowdfunding being present in live events and meeting potential investors is important, advises Pääkkönen (2014). Perälä (2014) and Vanamo (2014) note that as crowdfunding is seen as risky, credibility is very important and giving potential funders the opportunity to meet the entrepreneur in person is beneficial. During Perälä's TribaLearning campaign, one face-to-face pitch yielded 150 000 euros in 15 minutes from a single investor. Vanamo also notes that his company was founded in 2004 and he has been working towards the same goals and building trust for the last ten

years, which might also have affected people's positive investment decisions. Simojoki (2013) sees the equity crowdfunding business model still being under construction and facing the challenge of the investors and the entrepreneurs not knowing each other. The importance of portraying competence is supported by research, as Ahlers et al. (2012) saw the experience in the board of directors of the target company as one of the more impactful factors in equity crowdfunding success.

4.4.2 Marketing by the crowd

Mäkelä (2013) believes crowdfunding turns the investors into brand ambassadors. Investors who may not directly contribute to the company's operations can be a great asset for marketing purposes, visibility and product endorsement (Di Pietrantonio 2014). Theory Interactive, for example, organized a competition on most referrals to their campaign page, where the top three won different editions of the offered perks (Oksaharju 2014c). Another case of an enthusiastic crowd was the Ubuntu Edge project. Some of the supporters organized their own mailing lists, social media strategies and online ads, reached out to their local media and even created entire websites to gather information and help promote the product (Shuttleworth 2013).

New supporters often tend to come in at the beginning and end of the campaign, thus following a U-curve. This naturally leads to the total funding raised to follow a S-curve, where most money flows in at the beginning and end with a slower period in between. Supporters should be actively encouraged to share the project within their own networks and an interesting YouTube video, for example, is something to present to the crowd for sharing out on Facebook and Twitter. Video updates as well as images and text can be used to keep up the interest of current supporters and lure in new ones. Some may follow the campaign's progress in terms of updates and

amount raised all the way to the last moments and only then make their decision. Telling of the strength of peer effects is for example the efficacy of getting on a platform's featured list. In 2012, on Kickstarter, getting featured raised a project's chance of succeeding from 30 to 89 percent (Pi 2012). As the network filters content, the positive visibility a project receives is signaling its value to audience members who are considering funding.

4.5 After the campaign

The entrepreneur's struggles are not over as the campaign finishes. Then begins coming through with the promises made to the customers or investors. In equity or loan finance, the raised money must be put to good use in order to develop the company and raise the value for shareholders. For reward-based campaigns, creating and delivering the product or service to the funders is naturally just as important. At this point, careful planning beforehand and detailed budget calculations pay off.

Failing to reach the set goal of a campaign may not be as serious as one might assume. A crowdfunding campaign can offer valuable experience despite being unsuccessful (Mäkelä 2012). Mari Salonen tried to fund her book on Indiegogo but the sum gained fell short of the goal (Kinnunen and Remahl 2014). She, however, gained valuable lessons and visibility from the process.

Even a successful campaign does not still guarantee that the product sells outside of the funder group. Wish Bros have been disappointed with the sales numbers of Wishbone, even with their several retailer contracts (Lehtonen 2012). Despite the positive publicity, buyers outside the campaign have apparently not discovered the product. It is thus worthwhile to give a thought to how the product could later be ushered into a broader audience's shopping carts.

Much like help can be sought before the campaign, auxiliary services are available for the post-funding period as well. Having launched in 2013, Shopstarter is one of the first post-crowdfunding support systems that helps entrepreneurs with fulfilling the made promises, managing the backers and transitioning into a real business. Management tools enable processes such as setting up an online shop, communication with backers and promoting the product further to a wider audience. Another significant market place for crowdfunded products is Outgrow.me. (Grant 2014) In Finland, Mesenaatti is the only exclusively rewards-based platform and it has set up its own shop for the products that have been successfully funded in the service.

4.5.1 Redeeming the promises

For reward-based campaigns, in addition to the main product, the entrepreneur needs to take care of the exclusive prizes such as meetings and customized products to the funder group. As much as possible should be thought of beforehand, thus “preparing for success”. If the designer of a technical product starts wondering how to realize his idea after getting the money, trouble is to be expected. Wish Bros tested its product’s functionality with model pieces for long before publishing the campaign, but with the experience from their first funding project, Lehtonen (2013) would still prepare more time for fulfilling the promises next time. Delays in product shipments are not uncommon: some three quarters of Kickstarter’s technology and design projects (Grant 2013) and most products in Mollick’s (2013) research of over 48 000 projects were delivered late. In addition to getting the product on the market, relations must be managed with the at times impatient supporter group. Just answering their questions can be surprisingly cumbersome if dozens, hundreds or even thousands of funders were obtained.

According to Seppälä (2013), information has been received from the crowdfunding field that funders are not usually angry when problems emerge. They understand the risk that is associated with crowdfunding and giving help in a phase where in some cases everything is still unfinished. If the situation is presented honestly, there is no reason to expect claims from the funders. Openness about the misfortunes is absolutely important and usually supporters are sympathetic in the situation. If the project fails so miserably that the compensations cannot be delivered even with delays, it is good to come up with a way to make up for it for the supporters, either monetarily or otherwise, so as not to completely lose their trust.

At worst however, not coming through with the deal can lead to legal action from the funders' side. Presales are normally in the realm of consumer protection legislation (*Kuluttajansuojalaki*) (Hemmilä 2013a; Jänicke 2013c; Simojoki 2013). According to KSL 5 chapter (5.1.1994/16) 8 § if the delivery of the product is delayed, the buyer has the right to demand the seller to fulfill the agreement and 9 § enables canceling the sale. Simojoki estimates, that in principle, a very strict control and responsibility for the project's realization cannot be expected of the funding platform and the matter is mostly between the seller and buyer. This is, however, not completely unambiguous. In the United States, disappointed Kickstarter funders have sued the platform which has since then tightened its rules (Hemmilä 2013a; Lehtonen 2013). In Finland, we have not yet seen significant failures but in the future here as well the platforms' responsibility is poised to be under question. Additionally, presales in internet crowdfunding are similar to distant marketing and sale of products (Hemmilä 2013a). Therefore, the buyer has the usual right to cancel his order in two weeks and get his money back (Simojoki 2013). The funding platform does not usually enable this, so the responsibility for returning the money is with the entrepreneur.

4.5.2 Crowdsourcing

In many circumstances it has been observed that a group can together make better decisions than any of its members on their own. A number of people who are as diverse as possible (Lawton and Marom 2013) produce group intelligence (Aitamurto 2012). Surowiecki (2004) presents four prerequisites for utilizing “wisdom of the crowd”: heterogeneity, independence, distribution and coordination. The interaction among the supporters and the project creator fulfills the prerequisites quite well. Members of the audience differ in terms of knowledge, skills and preferences. Among them there is no hierarchy and in principle everyone’s opinion is equal. The project page gathers together comments and a type of aggregate can be formed of them. The demand of independence is realized worst since most of the feedback (forum discussions) is publicly on display and thus inevitably affects other funders’ thinking as well (herding behaviour). As Hayek (1945) has back in the day reminded in his essay for diversified decision making: “...practically every individual has some advantage over all others because he possesses unique information of which beneficial use might be made, but of which use can be made only if the decisions depending on it are left to him or are made with his active cooperation.”

Maintaining relations with the funders is useful after a successful project. The community is a potential customer base for future products (Mollick 2013) and great help in marketing if the interaction stays warm after the delivery of the products. Funders of an earlier project can be informed about new endeavors and campaigns, similarly to mobile game producers advertising new games to their old customers through downloaded games or other applications. Contacts can be sustained in social media or in the crowdfunding platform itself. For example, the Finnish equity crowdfunding platform Invesdor, in exchange for a monthly fee, offers entrepreneurs a service similar to Facebook where they can keep in contact with the shareholders (Anderson 2012).

Crowdfunding can form a true community around the product which can be utilized in both reaching the funding goal and in developing the product. Kuo and Gerber (2012) have seen crowdfunding as new kind of creativity supporting tool which promotes co-operation of community members and bringing together different resources. Customers can be taken into part of the value chain and this way gain integration benefits: more detailed information is gotten about consumer preferences and due to more direct interaction, their loyalty towards the entrepreneur grows (Piller, Mösllein and Stotko 2004). The customer has an opportunity to partake in the production process and work alongside the entrepreneur (Kleeman, Voß and Rieder 2008).

The community can best itself tell what it wishes from the product and it can also have valuable ideas and know-how. The entrepreneur can present his own ideas for further development by the crowd. The audience discusses the topic, offers valuable feedback and can also have special talents or other than monetary resources (Mollick 2013). Keränen (2014) felt that the ideas and contacts gained from the vast investor crowd surpassed those that could have been obtained from angel investors. For Vanamo's (2014) Joyride Games, in addition to money, the crowd also provided them two new members to the board of directors and good advice to some technical and challenging details in product development.

Not every entrepreneur is looking for crowdsourcing benefits, though. For example (2014) Perälä did not want actively partaking investors and Arponen (2014) felt that even though she does consider all the investors to be of the same “tribe” now, with their campaign being handled mainly by the platform, the crowd effect was quite small.

4.5.3 Future finance

The positive publicity and interest shown by the supporters that comes with the campaign can help validate the product or business idea in the eyes of VCs and business angels and gain partners; people want to take part in a success story. As an example, the Pebble E-Paper Watch was initially declined by venture capital investors but later, after the successful Kickstarter campaign, they embraced it. Oculus VR had a very successful Kickstarter campaign, raising 2.4 million dollars for their Oculus Rift virtual reality headset and since then they gathered an additional 75 million dollars from venture capitalists (Stark 2013). Eventually they announced facing the positive problem of having sold out on the developer kits and running out of components (Laine 2014). An Oculus spokesman posting updates on reddit, a social media service, under the alias cybereality (2014) credited the progress to the community's support and enthusiasm. Eventually, Facebook bought the company for two billion dollars.

Another example is the upcoming Star Citizen PC game, dubbed the most successful crowdfunding project in the world (Cloud Imperium Games Corporation 2013; Makuch 2013). The creators collected a relatively modest 2 million dollar sum in Kickstarter but have since then continued raising money from individual gamers on their own website, for a total sum of over 40 million as of April 2014 (Cloud Imperium Games Corporaton 2012; Cloud Imperium Games Corporation 2014a). They are also actively utilizing crowdsourcing: the players vote on the game's developmental directions and take part in development themselves. As an example, the company has set up a competition called The Next Great Starship, where the players can individually or in teams design a starship in the game. The best candidate will be included in the final game and the designer or designer team wins a 30 000 dollar cash prize (Cloud Imperium Games Corporation 2014b).

Ubuntu Edge was supposed to be a mobile phone with two operating systems and comparable to a desktop computer in its features. The developer

Canonical's Indiegogo campaign, however, failed as only 13 million of the ambitious 32 million dollar goal was achieved. Still, it was the biggest crowd-funding campaign thus far and Canonical declared crowdfunding a brilliant way of giving a voice to the customers as well as create more innovations and transparency in the industry. They accrued a lot of press coverage and introduced Ubuntu to vast numbers of new people. CEO of Canonical Mark Shuttleworth stated that the support and publicity has continued to drive their discussions with major manufacturers. They also said they are considering taking everything they learned from the campaign and trying again. (Anthony 2013; Halonen 2013, Rigg 2013) Despite the rocky road, in February 2014, after a year in developing the operating system, Canonical announced having signed agreements with two hardware manufacturers and plans of bringing the first Ubuntu phones to the market within the year (Hynninen 2014; Canonical 2014).

Among the interviewees, at least Asikainen (2014), Lehtonen (2014) and Vanamo (2014) are planning to utilize crowdfunding for future needs as well. It can also be considered that a presale campaign gives good merit to start collecting additional funding from the equity side of crowdfunding, for example (Hemmilä 2013a). On the other hand, Hemmilä reminds that crowdfunding, with its special features, should be considered with additional funding in mind: how willing is a venture capitalist to come in to a company where there is already a herd of crowdfunders as shareholders? Would a couple of expert venture capitalists or business angels possibly be more pleasant and useful partners than a couple of hundred equity crowdfunders?

When it comes to future funding and possible venture capital investors in relation to equity crowdfunding, Arponen (2014) thinks it might be easier for an entrepreneur if he raises the needed capital from one or two bigger angels, who can help the company with their contact networks. This would be especially true if the company was focused on the business-to-business markets. If one decides to take the crowdfunding route, she advices to con-

trol the situation with a good shareholder's agreement and possibly the utilization of several different classes of shares. Power should not be dispersed into too small parts. Pääkkönen (2014) urges entrepreneurs to hire a lawyer who can govern the company according to their wishes. The entrepreneur must decide on the terms he is willing to offer the new shareholders and for consecutive funding rounds, shareholder agreements are needed to secure the positions of different owners. Daboczy (2012) has suggested solving the problem of a large group of shareholders by making all of them non-voters, who can be easily bought out. A proxy that represents the interest of the crowdfunders as one person could also be set, perhaps sitting in the board of the company. Governing the numerous shareholders could also be made more feasible by utilizing an intermediary holding company (Mäkelä 2013).

Peltola (2014) identifies the legal matters and agreements with a larger group as the only downside of crowdfunding. Naturally, it would have been easier to make agreement papers with one investor instead of 28. With the new stock offering, they made minority shareholder agreements. They had no chance of looking into each investor and their background in detail so it was more reasonable to do it this way. Goodio were also approached by venture capitalists and business angels during their crowdfunding campaign. With their next funding round, in addition to capital, the goals will be the other added value factors such as investor experience, know-how and networks.

Di Pietrantonio (2014) mentions Playmysong as a company that, before doing two crowdfunding rounds with Invesdor, received investments from several angel investors and Lifeline Ventures, a venture capital company. The angels and VC had no qualms with the company going into crowdfunding because they understood the advantages coming from it. In these cases (and when companies need further big VC rounds), it is useful for the company to use a minority shareholder agreement, a simplified agreement for

small investors including tag-along and drag-along clauses and moving the voting rights from small investors to the board.

Keränen (2014) notes that as crowdfunding is experiencing explosive growth, VC companies with their term sheets, possibly demanding extreme rights, have to face this as well. Introducing venture capital to a previously crowdfunded company might require some additional adjustments in the company, but according to Keränen and their company's negotiations with a few VCs, it should be only a matter of arrangement. TribaLearning also has been in talks with over 50 venture capital firms and none of them see the previous crowdinvesting round and ownership structure as a problem (Perälä 2014). In their case the new shareholders gained only financial rights to the company, in essence no votes. For ClimbStation, all the stock in the company are of the same class and have equal voting rights, but only around 6.5 percent of the company was sold in the crowdfunding round, so it should not be a problem for venture capital companies, Vanamo (2014) says. For Lekane, a venture capital company could, if needed, redeem the stock from the individual investors as per the agreements (Virtanen 2014).

4.6 SWOT analysis of crowdfunding

In this subchapter we apply Albert Humphrey's (2005) classic, yet very versatile SWOT analysis that has its roots going back to the 60's. Table 6 can be seen below.

Table 6. SWOT analysis of crowdfunding

Strengths	Weaknesses
<ul style="list-style-type: none"> • Minimal risks • Testing market demand • Funders become promoters • Feedback of the crowd, interaction, development of ideas • Effortless in some situations • Swiftness of raising money • Role of middlemen is diminished • Openness • Everyone has a chance to fulfill their needs 	<ul style="list-style-type: none"> • Uncertainty of funding • Demanded openness • Possibly losing reputation if the funding or project fails • Often requires a lot of time, skill and work • Managing the customers or investors • Legal restrictions • Possibility of scams • Lack of international harmonization
Opportunities	Threats
<ul style="list-style-type: none"> • Spreading to an ever wider audience • More entrepreneurs and investors • Job creation • Efficient allocation of resources • Broad distribution of risks 	<ul style="list-style-type: none"> • Surplus of projects • Bubble and its burst • Corporate power • Centralization of platforms • Strictening of legislation

The upper part of the matrix depicts some of the positive and negative qualities of crowdfunding. In the lower part possible future developments, in both good and bad, have been pondered. The following four subchapters discuss each element of the matrix in relation to crowdfunding.

4.6.1 Strengths

In crowdfunding, financial risks are minimal compared to a bank loan, for example. Entrepreneurs Asikainen (2014), Lehtonen (2013) and Vanamo (2014) also considered crowdfunding a risk-free option. If the product shows no potential, the project is simply canceled without any significant losses for the entrepreneur or funder. Vesa Junkkari, an entrepreneur coach, says crowdfunding is a very good way of testing out a business idea on mass markets, with very little cost (Kinnunen and Remahl 2014). The entrepreneur can observe the demand for a product among the audience. Who better to evaluate consumers' preferences and decide on their consumption than the consumers themselves. If the interest is there, they can be immediately engaged as customers and for helping out in marketing and product development.

In addition to the crowd, platforms can also help in marketing. As an example of using crowdfunding platforms for gaining visibility and partnerships, CATALD, a Lappeenranta University of Technology project focused on exhaust pollution control technology and supported by Tekes, was posted on the PocketVentures platform in order to be seen and to gain access to pitching events, even though collecting actual funding is still far away (Kekäläinen 2013).

Just an idea can get one started if the crowd develops it further: the most significant benefit of crowdfunding is the funders' transformation to promoters of the project (De Buysere et al. 2012). At best, a tight community is formed around the product which can be utilized at present and in the future in many ways. Pääkkönen (2014) notes that when using the acquired group of funders for crowdsourcing, limits are set only by the entrepreneur's imagination, know-how and leadership skills. The whole company could be built by the funders and according to their wishes.

Positive feedback on a new product is of course encouraging, but even more valuable is when people start shooting holes in the concept, thus helping make it even better. The snowball effect is initiated when money starts flowing in and the funders market it to an ever broader group. Vanamo (2014) prefers crowdfunding since it broadens the ownership base and the larger group helps to market the product.

In some cases getting funding can be quite effortless, for example when asking for smaller sums from an existing customer base. For Vanamo (2014), crowdfunding was quite easy and there was no need for several separate negotiations with different people and then trying to settle for something everyone could agree on. Obtaining funding can be very fast in comparison to the more traditional alternatives and it almost eliminates the often unnecessary or even detrimental middlemen between the producer and consumer. In a survey by the European Commission (2014b), 75 percent of project owners felt that thanks to crowdfunding they were less dependent on traditional forms of financing and were interested in reaching more people as well as testing and validating the markets with it.

The openness enables sharing and a more personal relationship is formed between the entrepreneur and the customer. In Peltola's (2014) view, crowdfunding adds transparency and gives power to the people. So far it seems to be clean of lobbying and insider games. It can also be seen that the funder is protected by the openness, technology and social media; web

communities can quite efficiently find out about the online history of someone collecting money and his credibility through Facebook and questioning (Eyers 2013; Buysere et al. 2012). Borenius lawyer Johanna Rantanen (Uusi-Kartano 2013) also thinks that due to the openness of the internet, it is highly unlikely for a crowdfunding scammer to not get caught.

The funder gets the possibility of financial gain or a pleasant compensation; crowdfunding allows creativity in rewarding supporters. In addition, crowdfunding enables the consumer to take part in a project he deems important and belonging to a community. Crowdinvesting offers ordinary people the opportunity to get involved with startups, a product that has hitherto been missing from the market (Perälä 2014). A great idea enables success for previously totally unknown people and one does not have to be an established player with pre-existing networks.

4.6.2 Weaknesses

Sometimes there just is not enough audience to share the burden of funding, especially when the market is small. Gaining trust can be difficult especially if there is no close circuit to give a good initial boost and with their inputs invoke the interest of outsiders. Campaigns are short-lived, usually approximately a month in duration which means that some of the more considering audience members do not have enough time to make a funding decision.

The openness towards the audience generally associated with crowdfunding can be too much for some entrepreneurs when certain things are wanted to be kept secret. If the project gets little funding, it is displayed to others considering funding and may repel them as well. Failure in its entirety is very public. Then again, Arponen (2014) for one was not worried about losing reputation in case their campaign would have failed. It happens to many

people all the time and then one just tries again. A funding campaign in itself, whether it succeeds or not, can be a great tool in opening doors and creating new relationships with other players in the industry. Lindne (2012) has compared entrepreneurs to athletes and artists; whereas an entrepreneur is expected to excel straight from the beginning, athletes or artists go through years of training and losses before they might eventually make it.

Marketing can be cumbersome for an entrepreneur who is not used to aggressively bringing himself out. When it comes to negative qualities of crowdfounding, Keränen (2014) thinks that it might have been a bit more burdensome for management, as the campaign required active communication with both the consultants of the platform as well as the potential investors. A lot of questions were posed and required answers as people wanted to understand everything from the product's qualities to the company's future prospects. According to Keränen, crowdfunding could also slow down future VC rounds, if those are seen as necessary.

Certain expertise is required; it is easy to get in trouble with the law if one goes out asking for support or offering wrong types of compensation. Scams do occur or promises are not kept for other reasons. Di Pietrantonio (2014) sees huge potential for the industry in Europe but also a need for harmonized regulation on the European Union level. He sees the lack of harmonization as a major risk since it makes moving from one market to another expensive.

4.6.3 Opportunities

As has already been seen, crowdfunding is not a method just for small projects as it has potential for raising sums in the millions. The numbers of internet users, and therefore potential crowdfunders, is constantly on the

rise. According to Wharton School of the University of Pennsylvania assistant professor Ethan Mollick (2014) and his survey, even in the population of tech-savvy 20-year olds, only 30 to 40 percent have heard of crowdfunding. As the partaking group gets larger, it can bear bigger risks and enable ever greater projects. Crowdfunding is already global, but as its trustworthiness improves, it shall grow considerably (Tannerkoski 2014). Tannerkoski has faith in crowdfunding growing significantly and the markets reaching billions of euros. Maybe, one day, we will even see a billion dollar or euro project.

Crowdfunding can become a bigger part of the financial markets and mainstream. Maybe even some of the public support could be channeled through a type of crowdfunding, thus giving the people more say on the use of their tax money. Around 86 billion euros is laying around on Finnish peoples' bank accounts and in the future a larger share of these will be put to good use in investments to startup companies (Perälä 2014). Perälä also notes that gaining the trust of investors is getting easier as the time goes on and in Finland the situation is good as success stories of startups have induced a desire in investors to become part of these companies.

Angel investors could embrace equity crowdfunding and Hemmilä (2014) sees in it potential for facilitating private persons' investments into private companies. Jaakko Tannerkoski (2013) says that crowdfunding has brought the type of investments once exclusive to business angels and venture capital firms to regular people. Keränen (2014) believes that in the future crowdinvesting will be the most common form of investing. He thinks angel investors could evolve into superangels or angelgroups that put in sums in the half a million to one million euro range in Pre-A or A-rounds and venture capital companies would focus in the larger amounts in the 5 to 30 million range.

Many artistic projects are realized according to the artist's original vision as the commercial partners with their influences are left out (Barabas 2012).

Crowdfunding might also encourage ever more people into entrepreneurship because it is available in a new way and interest in products can be tested directly with the potential customer base without financial risk beforehand. If these new companies prosper, they can create new jobs. As an example, Ramos and Gonzalez (2013) estimated that in 2012, 7 500 new jobs were created in Spain through 2800 successful crowdfunding campaigns. Oksaharju (2014b) sees crowdfunding as a beautiful thing that cuts out the unnecessary middlemen, democratizes the playing field and most of all, cool projects get realized by the people instead of being shot down by a few individuals or companies.

Mäkelä (2012) forecasts that crowdfunding will radically change the funding scene of startups and companies in general. Arponen (2014) sees especially business-to-consumer product companies' funding going towards the crowdfunding model. It enables many concepts that would not be financed in traditional ways. Peltola (2014) is along similar lines, characterizing the possibilities in crowdfunding as "insane". According to him, crowdfunding is the current or at least a coming trend and even at this beginning stage, it will mold the way small businesses act, acquire funding, market and develop their communities. The opportunities are grand; especially for a company trying to go abroad from a country like Finland that is relatively poor in capital, crowdfunding is an outstanding tool (Virtanen 2014).

In Di Pietrantonio's (2014) view, crowdfunding is an emerging industry that will bring many benefits to the entrepreneurship landscape in Finland and worldwide. It gives various categories of investors the possibility to syndicate in growth companies, therefore distributing the risk and increasing capital flow both nationally and internationally. Pääkkönen (2014) says that crowdfunding has become a central form of financing companies in Europe. There are five to ten big international platforms in the region and a few local ones in each country. In her vision, small companies will get Europe on the growing path and with crowdfunding everyone can be part of creating growth, sound business ideas and new jobs.

Lawyer Lasse Vuola (2014) has regarded crowdfunding the best innovation of the web 2.0 development. He thinks that all mechanisms that lead to better allocation of resources benefit us all and is convinced that crowdfunding is still poised to achieve even greater mechanisms and innovations as well as reach new fields of operation. Vanamo (2014) believes that the greatest challenge in crowdfunding is to get regular people interested in trying something new, especially when they are asked to open up their wallets. At the same time, the greatest opportunity is if the masses get interested in crowdfunding as a worthy way of investing or doing good; just a few dozen euros from several people can truly alter one or more people's lives. Respondents to European Commission's survey (2014b) most praised citizens' engagement, community building, participation to innovation, democratization of finance, empowering funders and transparency as the benefits that crowdfunding can provide.

4.6.4 Threats

The crowdfunding industry may overheat when there are more and more platforms, entrepreneurs, funders and money on the field. Crowdfunding faces challenges with the motley crew on the markets now and in the future (Virtanen 2014). Peltola (2014) agrees that in the future the abundance of crowdfunding projects could be a problem, as it will be more difficult to get the right campaigns visibility. Too much is too much and even good projects start to get lost in the mass. There is a danger that popular platforms are filled with quirks and funny ideas, drowning out the actually good innovations and products among the noise. This phenomenon has already raised contempt and for example the Your Kickstarter Sucks site collects the most stupid crowdfunding ideas, ranging from pony-design collectable coins to infrared camera material of "invisible insects". Crowdfunding might at the

moment be enjoying novelty which dissipates as time passes. The bubble bursts and many players will diminish from the markets.

Big corporations could take over this form of funding as well, and with their big marketing campaigns, steer attention away from small entrepreneurs. As an example, CNBC and Bloomberg accused the famous film director Spike Lee of taking money from other creators. However, Kickstarter statistics seem to point to the contrary: blockbuster projects introduce new people to crowdfunding and they put their money to many other projects afterwards.

There might also be developments on the platform side towards oligopolies or even a monopoly if the biggest players buy the smaller competitors out of the market. Almost 1 000 platforms have been founded in the last five years (World Bank 2013) and it is likely that in the next few years we will see a lot of them dying out or being merged. This centralization could on one hand bring with it economies of scale and other gains which could benefit the audience as well as the entrepreneurs. On the other hand, less competition can be detrimental to both sides of the funding with higher provisions, for example. As the markets are taken ever further from perfect, it leads to inefficiency and aggregate losses.

Few things could stop the positive development of crowdfunding in Finland, says Perälä (2014), but one could be bureaucracy and new, hindering regulations. Discovered misuse would most probably lead to this. The Australian Securities and Investments Commission commissioner Greg Tanzer has said that the threat of scams is real and expressed his concerns of their effect on consumer confidence in the crowdfunding market (Eyers 2013). The funding platforms do what they can to prevent misuse by for example demanding a picture and a verified PayPal account in order to be as certain as possible of the collector's identity. In Finland, the possible legislation changes worry Hemmilä (2013a), Lehtonen (2013) and Tannerkoski (2014), among others. A single bigger scam could get a lot of negative publicity and

then politicians, seeing a populistic opportunity, could start demanding more restrictive legislation.

Catastrophic cases, where the company is fraudulent and does not deliver the promised product or service, could induce prejudice. Peltola (2014) expects some sort of misconduct to come up, but what kind, remains to be seen. Scammers or those not keeping their promises for different reasons may ruin the reputation of others as well (Lehtonen 2013). The biggest risk in equity crowdfunding seen by Perälä (2014) is that a few bad companies ruin the platform's portfolio and the reputation of all the other companies on it.

Peltola also notes that successfully crowdfunded honest companies might have a relatively low percentage of success afterwards. Eventually failing and media reporting on these failures could instill the belief in people that investing in these companies is like throwing money down the well. Since the biggest campaigns have been funded only recently and are mostly still in progress, the biggest disappointments as well are still ahead. If a big project fails, a massive group of people is left disappointed and can lose their faith. The hype diminishes and less money flows on the market.

5 CONCLUSION

The purpose of this thesis was to review crowdfunding which is still largely an unknown thing for many but still very much coming to mainstream. The perspective was a Finnish entrepreneur's possibility to peruse crowdfunding in launching a new product. In the introduction, we shed light on the background of this phenomenon and relevant economic and behavioral theories were presented as a framework. In the literature review, we went through different crowdfunding types and platforms as well as crowdfunding's visibility in commercial and academic literature. Other sources of funding for a beginning entrepreneur were also looked at. Next we introduced the experts interviewed for the thesis and the projects from the field related to them. The experts' answers, literature review and researcher's own ideas were used in the fourth chapter to put together things to consider and tips for the entrepreneur planning to utilize crowdfunding. In this last chapter, we first take another look at the research questions, give condense answers to them and evaluate the thesis's contribution and limitations. In addition, we ponder about possible topics for further research and the future of crowdfunding.

Subproblems:

- Is crowdfunding legal in Finland?

Despite all the confusion and publicized controversies, crowdfunding is completely legal and a real option for Finnish entrepreneurs. It is only the donation form that is illegal without a pertinent license, but this poses no problem for entrepreneurs who can offer different rewards, equity or loan payments to the funders. Reward-based funding, however, requires carefulness so as not to create room for interpretation and harmful repercussions. As for the equity and loan based forms, in Finland they fall under the current legislation and pose no problems, but harmonization of international

regulation is requested by all parties involved in order to ease facilitating investments across borders.

- When should an entrepreneur choose crowdfunding?

Crowdfunding can be an option even for the entrepreneur who does not get funding from other sources. It offers a lot that regular bank loans, share offerings or business angels cannot provide but on the other hand requires its own expertise and know-how. Devoted venture capital companies or business angels may offer “smart money”, in essence providing their expertise and networks to the company, but at the same time may demand a lot of decision power and big returns, at worst leaving the entrepreneur feeling like an employee working for a new boss. Further, venture capital usually flows to a company after it has validated itself in terms of market demand, traction being able to execute the vision.

- What are the pros and cons of crowdfunding?

There is a lot of good in crowdfunding: it is almost risk free but at its best enables big projects as well. It can be used to fund projects that traditional funders have no interest in and it eliminates middlemen. Especially valuable is combining funding to other forms of crowdsourcing and the formation of a community around the project. As bad sides, we can see the openness, effort required by the campaign and the uncertain end result of the project as well as the flipside of a tight community, the social pressure created.

- How to choose the most suitable form and platform for funding?

Presale might be the most obvious form of funding and for most products very usable. It is however good to support that with other kinds of compensation so as to offer the audience something unique and in return get access to a wider range of funding sums. A startup that needs capital for growth would on the other hand be better off choosing the equity model, since it requires no immediate compensation for the backers. Making the distinction between funding a product and funding a business is essential for the decision. The choice of platform is affected by the product itself and especially its target group: one should go where the customers are.

- How to promote the product and company?

The entrepreneur's own activity is the most important. In addition to a good product, clear communication and an engaging story are needed. Supporters should be engaged in the marketing action in order to get the campaign spreading along different social networks starting from one's own close circuit, extending beyond the friends and family group.

- How can the funders be utilized for crowdsourcing?

The feedback and suggestions given by the audience can be perused or even employees recruited among them. Consumers themselves probably know best what they want so the immediate connection to them is an immense advantage in forming the product or service the best it can be. The crowd is also very valuable as a marketing tool.

Main problem:

- How can a Finnish startup entrepreneur utilize crowdfunding?

Crowdfunding also needs a good and interesting product or service as the basis. If in addition to that, one has already broad networks or the ability to build them, desire for effort with the necessary research, planning and campaign implementation as well as maybe a bit of luck, a Finnish entrepreneur has good possibilities for getting his product on the market through crowdfunding.

Implications

The thesis attained the goals set in the beginning. Answers were found to the subproblems and based on those, an answer on the main research problem. In the literature review, crowdfunding was presented as a phenomenon and the latest and most significant research brought up. The gaps left by academic research, especially from the Finnish view, were filled with expert interviews. The insight gained from research was utilized in the instructional chapter aimed at those considering crowdfunding. It should provide a lot of answers, but also raise many questions the viewer might not have considered before.

This research paper has provided an extensive overview of crowdfunding and guidance to perusing it. Knowledge and ideas were gathered from several sources, from academic literature to commercial media and expert interviews. The thesis will provide most benefit to entrepreneurs who are considering the use of this new form of finance, but should also be of interest for investors, politicians and academics interested in the subject.

Limitations of the research

Crowdfunding has not yet been studied for many years and the researcher base is also quite narrow. Research from Finnish perspective is almost non-existing, but recently there have been some studies conducted in Finnish as well. Thus, material for the literature review was quite sparse but on the other hand fresh.

The relative lack of research material was to be expected so it was compensated with broad media coverage and expert interviews. The number of interviewed experts is somewhat low so it can be said that they represent individual opinions instead of the field as a whole.

In this Master's Thesis format we could not delve very deeply in to any of the subsections of crowdfunding and instead a broader overview was offered. As far as future research topics, it would be interesting to follow a real crowdfunding campaign from start to finish and relate it to the theoretical knowledge. It would also be interesting to hear from someone who failed in their campaign about the mistakes they made and things they learned. The motives of crowdfunders could be further studied. Research on social media as a crucial component in crowdfunding deserves more attention.

Thoughts on the future

In Finland there is a strong consensus – researchers, politicians and the so-called common folk included – that we want more entrepreneurs and growth companies. The need has been further developed in the last few years with the weaker economy, massive layoffs and many industries moving operations to countries of lower production costs. At present, one of the biggest challenges for Finns is our remote location in the European periphery and our relatively small domestic markets. Getting funding, however, is an enor-

mous challenge and even blocks many people interested in entrepreneurship from transforming their ideas into reality. Getting a loan from a bank is near impossible and public support also difficult to come by, especially for any projects more on the creative side. Exactly this gap could be in its part be filled by crowdfunding. It democratizes the allocation of funds and enables creating something of social significance from the idea of one person. Time shall tell whether successful projects and positive publicity will make crowdfunding more familiar to Finnish people and give a much needed refreshing injection to the business world.

The first big crowdfunding event in Finland open to everyone, Crwdpuisto, was arranged just as this thesis was nearing completion, on May 15th, 2014 in Helsinki. It brought together entrepreneurs and experts of crowdsourcing and crowdfunding. Influential people such as the parliament member Mikael Jungner were seen promoting the cause. It can be stated that the future of crowdfunding seems promising, and with crowdfunding, the future of Finnish entrepreneurship brighter as well.

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