



UNDERSTANDING SUCCESS ACCORDING TO CROWDFUNDING PROJECT'S INITIATORS

Susana Costa e SILVA*

Católica do Porto Business School, Porto, Portugal

Ana Isabel Tavares VIEIRA

Católica do Porto Business School, Porto, Portugal

Abstract: Over the past few years, a large number of projects related to entrepreneurship ideas have appeared daily in the media, due to the fact that they were sold as new solutions for companies or gave origin to new companies. These projects were mainly created by individuals who were students, unemployed persons or working people and, consequently, did not have a company of their own and, in most of the cases, also did not have the means to finance their idea. In some situations, the creation of a crowdfunding project presents itself as a convenient and riskless option for funding and this is frequently the reason why some project initiators decide to launch a campaign. The assessment of each campaign depends on the expectations of the project creator, who is in the best position to decide whether it was actually successful. Untangling how a project owner can assess the performance of its project is of major importance, namely when projects are launched by individuals who ultimately carry all the tasks involved in the initiative. This is a field of research within crowdfunding that remains, to the best of our knowledge, under researched. We propose a framework for the analysis of the success of these projects and we test it on six crowdfunding projects launched in Portugal. Our goal is to shed light to the factors that can be used by project creators in the assessment of the performance of their initiatives.

JEL classification: O22

Keywords: crowdfunding, project owners, success, goals.

* Corresponding author. Address: Católica do Porto Business School, Rua Diogo Botelho, 1327, 4169-005 Porto – Portugal, phone: + 351 22 619 6200, E-mail: ssilva@porto.ucp.pt

1. Introduction

According to Howe (2006), crowdfunding is a concept derived from crowdsourcing that regards tasks that were formerly performed in-house and that are outsourced to a large unknown group of people in a form of an open call. Over the last years, crowdfunding has been gaining visibility as an alternative financing tool in relation to traditional methods, in a time where entrepreneurship and new ideas are increasingly a means to create businesses. Crowdfunding campaigns bring together a unique community of people who share an interest and are willing to donate their own money to support an interest. There are currently several platforms that assist in this goal. Some are reward-based platforms (such as Indiegogo and Kickstarter), which are the most well known. However, we can also have equity-based ones such as Seedrs and GrowVc, which are becoming popular as well, especially after President Obama used it in the JOBS act of 2012. At the end of 2017, Kickstarter reported to have in its track record over than 137,171 projects and 3.5 billion dollars pledged (Stemler, 2013).

In this scenario, these platforms appear as good alternatives for raising the funds necessary to turn an idea into reality. Obtaining financing from a bank or using personal or family savings to fund a project may involve risks that crowdfunding initiatives don't bear (Schwienbacher & Larralde, 2010). For a bank loan, it is necessary to provide some type of guarantees that sometimes do not exist and using own savings may also be unreasonable if no savings exist. There are alternative ways of financing: one way involves dealing with crowdfunding. Although this method is not new, with the development of Web 2.0, which is characterized by greater interactivity and cooperation on the part of users, more pervasive network connectivity and enhanced communication channels, it became visible for a larger number of users. In a first approach, we can say that what makes crowdfunding exciting and appealing is its riskless impact (Calvo, 2015) and inherent advertising (Golić, 2014). However, other outputs from these initiatives should be put forward by project owners, which deserve investigation. The main goal of this paper is to understand the factors which contribute to the success of the phenomenon crowdfunding from the point of view of the project owner. In other words: we want to understand the meaning of realization when crowdfunding is used and which factors contribute to explain its success.

Considering that before presenting and discussing crowdfunding as a method for financing projects or ventures it is advisable to understand how the crowdfunding phenomenon has been dealt with in a scientific context, an interlinked brief literature review is organized and discussed in the next section. After this, we will present the methodology followed. In the next section, the sample group and the approach to the study are discussed and the rationale behind the chosen methods is assessed. The result of interviews, motivations and the meaning of realization for the project creators are presented after, with special focus on some points in common which contribute to and enrich crowdfunding studies, namely the impact of communication and market tests in the definition of success and the long-term benefits of crowdfunding. This is the backbone of our conclusions. Finally, all the major findings are discussed and summarized, and the limitations of this study are identified.

2. Theoretical Background

2.1. Web 2.0 and Crowdsourcing

The evolution of the networked world at the beginning of this century led to the emergence of *Web 2.0* in replacement of web 1.0. Basically, with the appearance of *Web 2.0*, web-based applications began to rely on and be influenced by content generated by users instead of being rigid, which consequently involved market changes. Constantinides & Fountain (2008) define *Web 2.0* as a collection of open-source, interactive and user controlled online applications expanding the experiences, knowledge and market power of the users as participants in business and social processes. *Web 2.0* applications support the creation of informal users' networks, facilitating the flow of ideas and knowledge. This promotes efficient generation, dissemination, sharing and edition/refinement of informational content. It is based on three main principles: focus on service-based, simple and open-source solutions in the form of online applications; continuous and incremental application development requiring the participation and interaction of users in new ways: not only consuming but also contributing, reviewing and editing content; and new service-based business models and new opportunities for reaching small individual customers with low-volume products.

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

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

Crowdsourcing is a matching between knowledge, talent and those who need it to continue to upgrade their ideas and business (Howe, 2008). The crowd could be asked to contribute with new ideas for products and services, to develop solutions to a specific problem or even to use their own money to finance the development of a new business. One of the best examples of crowdsourcing is the Innocentive Platform, where companies such as NASA and The Economist launch challenges to a network of millions of problem solvers. These companies partnered with InnoCentive to rapidly generate innovative new ideas and solve problems faster, more cost effectively and with less risk than ever before. Innocentive describes its methodology, Challenge Driven Innovation, as an "innovation framework that accelerates traditional innovation outcomes

by leveraging open innovation and crowdsourcing along with defined methodology, process, and tools to help organizations develop and implement actionable solutions to their key problems, opportunities, and challenges”¹.

2.2. What is crowdfunding?

As claimed by Jeff Howe in his 2008 article, “(...) crowdfunding isn’t new. It’s been the backbone of the American political system since politicians started kissing babies. The Internet so accelerates and simplifies the process of finding large pools of potential funders that crowdfunding has spread into the most unexpected nooks and crannies of our culture” (p. 7). As Howe mentioned, the Internet has been the facilitator, so this practice became more than an informal act.

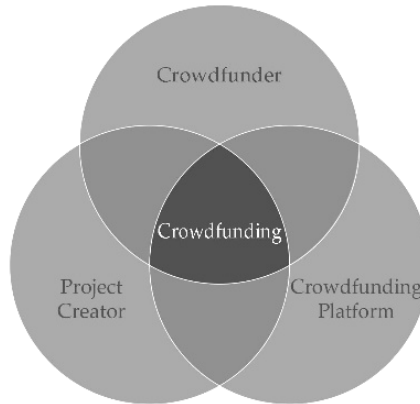
Ordanini (2009) refers to crowdfunding as a collective effort by people who network and pool their money together, usually via the Internet, in order to invest in and support efforts initiated by other people or organizations; Schwienbacher & Larralde (2010) suggest a rather similar definition: it involves an open call, essentially through the Internet, for the provision of financial resources either in form of donations (without rewards) or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes. Whitla (2009, p. 15) propose a similar idea: “Crowdsourcing is a newly developed term which refers to the process of outsourcing of activities by a firm to an online community or crowd in the form of an ‘open call’. Any member of the crowd can then complete an assigned task and be paid for their efforts.” These definitions call our attention to the importance of open innovation (Chesbrough et al., 2006) and there are in fact authors that study the connection between both phenomena (see, for instance, Hopkins, 2011 and Carpenter, 2011).

The amplitude of areas in which the crowdsourcing and crowdfunding phenomena can be applied is vast, no matter what definition is used. In fact, all definitions converge to a method of financing projects through a public appeal, via the Internet. Although this definition is consensual and used by many researchers in this area, Gerber & Hui (2013) consider that the definition is too focused on the exchange of funds. When studying motivations from both creators and crowdfunders, evidence was presented strongly suggesting that participants exchange resources with the goal of learning from and connecting with others; therefore, we cannot explain this phenomenon only in relation to monetary contributions.

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

¹ In <https://www.innocentive.com/new-book-by-innocentive-executives-unveils-the-challenge-driven-enterprise/>, retrieved in 29/12/2017.

Fig. 1. Crowdfunding parties



Forms of crowdfunding

Although this is a recent field of study, the crowdfunding phenomenon has been studied from different perspectives, in an attempt to understand its importance and impact. Two different approaches can be considered: one regarding what contributors are expecting to achieve with their contributions (funding's form) and another one regarding the moment when it occurs. Based on what supporters are expecting to achieve with their contributions, four types of crowdfunding can be identified, which are consensual and have been mentioned by many authors (e.g. Leite (2012); Rodrigues (2014); Santos (2015)):

- *Equity-based crowdfunding*: individuals who invest in this type of crowdfunding model expect, when the campaign achieves the desired final amount of financing, the right to detain a percentage of the company's equity.
- *Lending-based crowdfunding*: the amount of money invested by crowdfunders returns to them within a given period of time, established when the campaign was launched.
- *Reward-based crowdfunding*: crowdfunders receive a reward depending on the amount invested. The set of rewards is presented with the project and works, usually, according to different levels: the more you donate, the more you will receive. Sometimes it is a pre-sale of the product or service that is being created. This is the most common type used by crowdfunding platforms.
- *Donation-based crowdfunding*: the funds are collected by donation and consequently supporters are not expecting any return on that particular investment. This is usual when funding charitable projects or non-profit organizations.

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

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

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

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

Motivations

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

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

Success

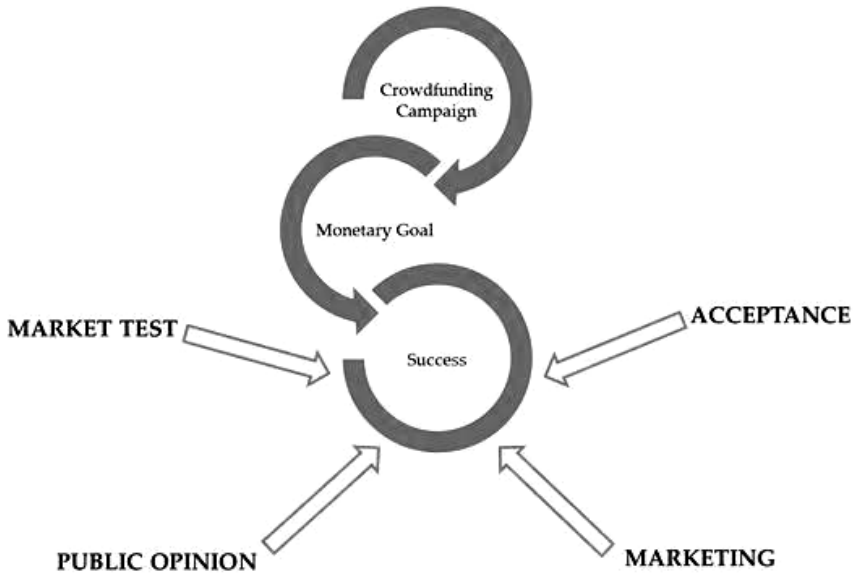
Although project owners have motivations to use crowdfunding to finance their projects and donors respond to the appeal to contribute, it is important to define some factors in order for a campaign to achieve success. For the purpose of this study, success is considered to the level of satisfaction project owners perceive in their projects. It is then a subjective measure, which is supposed to reflect the individual contentment with the project, after the crowdfunding campaign has taken place. Leite (2012) has identified some factors which contribute to the success of crowdfunding campaigns, such as planning the project properly and making sure that when it is presented to the public it is sufficiently clear and attractive. He also mentions the important role played by rewards as a motivational factor: rewards are normally the main reason that leads people to invest. This way, it is very important for successful projects to offer tangible rewards in exchange for contribution. Additionally the author also refers the importance of enrolling consumers: communication has crucial influence, being carried out by video means, by a written description of the initiative, and/or by updates provided during the process.

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

From the literature reviewed, it is possible to determine that, even if the majority of the first crowdfunding platforms were created for charity purposes and used the donations model (Matos, 2012), crowdfunding emerged and was spread out as a financing method. According to Gerber & Hui (2013), what drives project creators to initiate the projects is their motivation to use platforms due to its ease of use, and to its efficient and organized way to solicit and collect financial support from many people in a dispersed network (see Figure 2). The *need to collect money* and the achievement of the proposed monetary goal leads to the success of the online campaign. However, there seems to exist other relevant objectives that, once achieved also contribute for the overall satisfaction with the crowdsourcing experience by the project' creators. As a matter of fact, the need to communicate (the idea to the public) is also pointed out in the previous study – *Public Opinion and Marketing* – as well as the need for validation – *Market Test and Acceptance*. The fact that a significant number of people believe in a business to the point that they put their own “skin in the game” is a powerful sign that it will do well on the market (Matos, 2012).

Even though the most relevant objective in a crowdfunding project is the achievement of a monetary goal, we can also expect other objectives attainment to be part of the overall satisfaction with the project at the end. This way, we propose a model in which, after the monetary goal, project owners perceive their satisfaction on the basis of four other pillars relating non-monetary objectives, as proposed in the model of the following figure (Figure 2).

Fig. 2. Project owners' factors for assessing satisfaction



3. Methodology

Considering that the goal of this study was to identify and understand individual's perception of success, we decided to use a case study as a method; and, to obtain data, a qualitative approach was considered to be the more suitable approach. According to Yin (1994), qualitative data analysis can play an important role in understanding and resolving business problems: according to that author, qualitative data analysis can be especially helpful in the areas of initial discovery and preliminary explanation of the marketplace as well as in assessing customer behavior and decision processes. The main goal of our interviews was to understand, through the experience of the project creators, how different motivations should be interwoven to achieve success.

The use of in-depth interviews was the chosen technique since, when used properly, this method allows for the interviewee to detail any given topic as much as possible. Interviews enabled us to obtain unrestricted and detailed comments, including feeling, beliefs and opinions, which enrich the analysis (Yin 1993).

Sample and procedure

We interviewed six subjects whose campaigns have already ended; when the subject was an organization, the interview was made to a representative of that organization. More details about projects are shown below (Table 1). The following discussion topics have been addressed: a) reasons for choosing crowdfunding, b) the meaning of success, c) how the campaign was assessed and, when the monetary goal was not achieved, what they would change.

The interviewees were chosen from both the PPL and the Massivemov Platforms, since these two platforms represent the majority of the population of Portuguese crowdfunding campaigns. Projects were chosen taking three criteria into consideration:

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

The first contact with the interviewees was made by email; fifteen project owners were contacted. In this first contact, the main goal of this study was explained and, after their acceptance, the interview was conducted, in Portuguese, by phone or via Skype call. Each interview lasted for around 45 minutes.

Table 1. Interviewees Information

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

4. Results

Motivations to use crowdfunding

The reasons presented by the project initiator for using crowdfunding are in line with the motivations already described by previous research, namely, as we can see next, collect money, communicating the projects and its underlying ideas, test the market for the products/services or ideas, and respond to existent contests.

Collect money

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

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

Online campaigns are normally based on monetary goals, which mean that during the time frame in which the campaign is online, it is supposed to appeal to contributors to achieve those goals. In order to have a successful campaign and develop their projects, project creators need to raise a certain amount. It is important to point out that crowdfunding seems to be an easy way for projects in an early stage to collect money, which is normally the primary objective of the campaign. As this objective is set in a shape of a certain figure, its achievement is normally easy to confirm.

Communicate the project

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

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

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

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

A long-term impact, that highlights the existence of positive unexpected impacts, was also identified in our sample. The level of advertisement achieved during the crowdfunding campaign sometimes lead to regular contacts with third parties, namely new business partners, which is obviously an interesting outcome as well.

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

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

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

Test the market

Crowdfunding campaigns allow for a low risk or even riskless market test. The feedback is, at this stage, a powerful tool to enhance the project and can be used to minimize long term risk. A positive feedback is considered an approval by potential customers and the number of supporters and amount of money raised are often seen as a quantification of the commercial value of the project.

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

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

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

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

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

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

Respond to contests

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

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

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

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

Some competitions use crowdfunding as part of the evaluation, so contestants are encouraged to do their best improving and promoting their campaign. When crowdfunding is part of a competition, project owners are highly motivated to use it. Thus, besides the need to collect money, to advertise the project and to test the market, the desire to win these competitions is also a strong motivation to use crowdfunding.

The meaning of success

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

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

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

Hindrances to crowdsourcing

During the interview process, our interviewees mentioned other issues, thus revealing their perceptions on crowdfunding. In particular, they mentioned the differences between the use of this tool in Portugal and in other countries they know about, as well as their unexpected impacts. It is important to point out that most of them consider that there is a lack of awareness about crowdfunding in Portugal, which is referred to as an obstacle. This financing tool depends on the general population, which means that if people do not know what crowdfunding is and how it works, it will not work properly and its benefits will not materialize. Project owners reminded that the requested amount should be small in order for the campaign could be successful.

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

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

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

Managing a crowdfunding campaign is an interactive process that requires full-time dedication, which is sometimes impossible, since most project creators have other occupations. Firstly, it is necessary to prepare the project presentation according to the platform requirements; after its approval, and while the campaign is online, the project initiator needs to manage the comments, respond to people's questions and promote the campaign. Having the necessary time to complete these tasks may be a problem. Thus we believe time constrains to be another relevant obstacle.

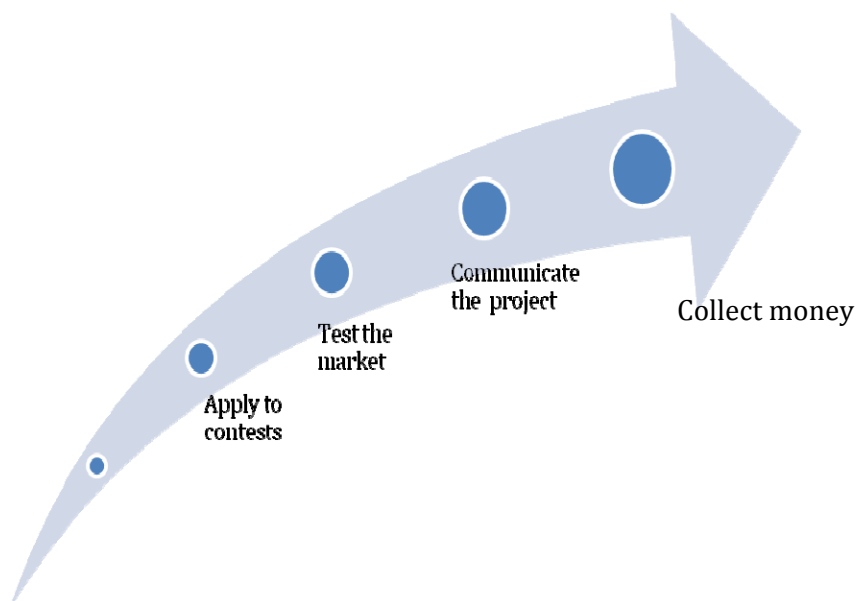
“The crowdfunding campaign happened while I was in an international conference in China for seven days. A crowdfunding campaign needs to be advertised, has to be promoted within the social media. And in that period we really could not do it. We did not have the chance. We were focused on the fair, which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

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

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

From the above we can conclude that, even though monetary goals are the most relevant ones, there are other measures to infer about the success of such projects which include the communication of the project, the market test of its underlying ideas, the reasons that drive people to use crowdfunding seems to be about collecting the money, plus communicating the project, testing the market and also, in some situations, apply for existent contests (see Figure 3).

Fig. 3. The main factors for assessing a crowdfunding campaign



This does not mean that all components need to be together so that the campaign can occur and be successful; it means that people use crowdfunding as a means to obtain (sometimes all of) these results. For example, the interviewee from LusiTiny project states that their main objective was communication, since they can rely on other financing sources.

“Most of all, [we needed] the promotion and not so much the financing. We could manage financing, given that we have some partners. It was a question of promoting public awareness of the project”; LusiTiny states, “In our situation, for example, one [goal] was not achieved, while the other was. We did not increase our sales significantly, but we created awareness, which is extremely positive.”

5. Discussion and conclusions

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

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

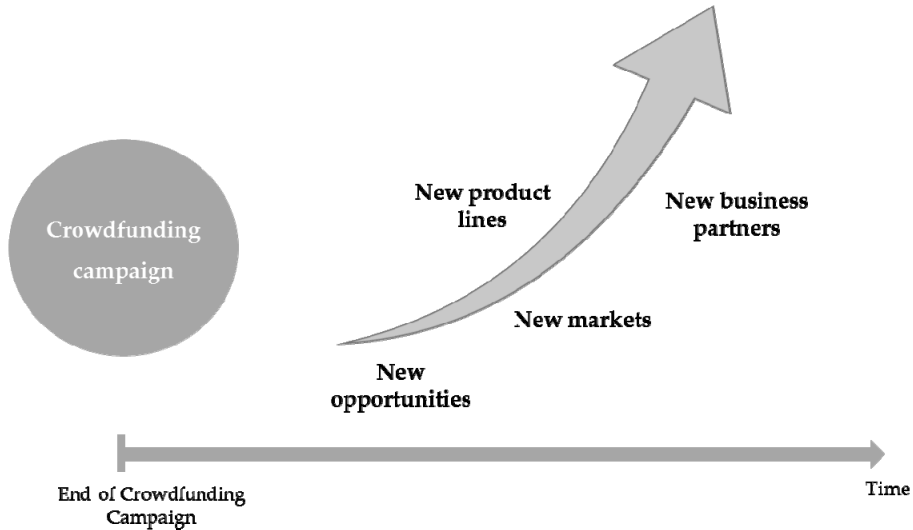
Communication/Advertisement: the business idea or product is promoted in the platform as a new campaign. Not only the platform publishes it but the project owner, as well as their friends, colleagues and others, who spread the word so that it reaches as many contributors as possible, also publicizes it. As in viral marketing, the propagation of the message is fostered because it is communicated within a network of contacts that trust the sender and open it; and also because it tends to be spread on the Internet, which makes its dissemination free and easy. Because of this process, the project is given a lot of promotion that would not happen otherwise.

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

Respond to contests: currently there are more and more initiatives, shaped as contests. Project initiators are invited and stimulated to participate in these contests. There are cases in which these contests are launched to establish initial partnerships between ideas' creators and investors, who are interested in getting to know about ideas, in many cases associated to new business models. In some cases, just the information and the exposure to other people's creativity or new ideas is enough to promote a contest. Contests are also means to channel public funding to projects that need to be sealed as valid and promising. As these contests can normally count with the participation of an expert jury, applicants submit their projects to their assessment. This way, besides an eventual prize, they can also benefit from knowledgeable feedback.

Overall, the benefits of this tool are suggested to have a long-term impact on the project. In a certain way, it extends the benefits of participating in a crowdfunding campaign to the lifetime of the campaign itself. The evaluation of the success of a given crowdfunding campaign is not a process that ends with the end of that campaign; the crowdfunding dynamics require several evaluations, according to the opportunities that appear. We can say then that it is possible to infer about the impact of crowdfunding in a business development, even after the end of the online campaign (see Figure 4).

Fig. 4. Crowdfunding campaign long-term benefits



It was also possible to conclude that there are, as it would be expected, some aspects that could limit the use of crowdfunding. Project owners feel that there is a lack of awareness about crowdfunding in Portugal, which hinders the interaction between creators and donors. In this respect, the use of this tool in contests and challenges is beneficial, since it has the potential to improve crowdfunding awareness and use in the general population. Project owners also expressed their opinions concerning the availability of the donors to contribute. In Portugal, people are still more likely to donate when they are somehow related to the project initiator. Therefore a project might benefit more from a large social network than from an exceptionally developed campaign.

During our empirical work, we were also able to observe that the most popular method of crowdfunding in Portugal is the one in which, in exchange for monetary contribution to the project, contributors receive a reward, which may be for example an article of the final product, an acknowledgement, or a discount. Besides the evident connection between creators and final user/investors, it is important to point out other advantages associated with this type of interaction: the product is tested even before being produced on a large scale, being possible to obtain feedback and make improvements at an early stage; and when presenting the idea/product for raising monetary contributions, the product is disclosed and advertised, thus there is a chance of increasing its visibility. Associated with every campaign, there are objectives defined by each project owner, which may simply be achieving a monetary goal or also taking advantage of other inherent benefits, such as the three types we identified: communicate the product /service/idea, test the market and apply to existent contests. These factors allow us to respond our initial research question, which had to do with the identification of the factors, which contribute, to the success of the phenomenon crowdfunding from the point of view of the project owner.

In this paper, limitations regard mainly the following points: firstly, only the Portuguese cases are analyzed. Crowdfunding is a global phenomenon, but it is still underdeveloped in Portugal when compared to other countries, such as the United States, for instance. This fact hindered the selection of a larger sample. Secondly, the themes of crowdfunding projects are so heterogeneous that the sample used is too limited to cover and represent the majority of them. This point could be tackled by enlarging the empirical study to other realities, namely in countries where this phenomenon is already at place for longer time; where the process is more well known among individuals and therefore more prone to be used at other stances/projects.

References

- Calvo, S.S. (2015) Funding characteristics of an established crowdfunding platform, *Michigan Journal of Business*, Vol. 8, no. 1, pp. 11-46.
- Carpenter, H. (2011) Motivating the crowd to participate in your innovation initiative. In: Sloane P (Ed.), *A guide to open innovation and crowdsourcing. Advice from leading experts*. Kogan Page Limited, London, pp. 76–84
- Chesbrough H. W., West J., Vanhaverbeke W. (2006) *Open innovation. Researching a new paradigm*. Oxford University Press, Oxford
- Constantinides, E. and Fountain, S. (2008). Web 2.0: Conceptual foundations and marketing issues. *Journal of Direct, Data and Digital Marketing Practice*. Vol. 9, No. 3. pp. 231-244.
- Harms, M. (2007). *What Drives Motivation to Participate Financially in a Crowdfunding Community*. Master Thesis in Marketing Strategy. Vrije Universiteit Amsterdam, Amsterdam.
- Gerber, E. M. et al. (2011). *Crowdfunding: Why People Are Motivated to Post and Fund Projects on Crowdfunding Platforms*. Working Paper. Northwestern University.
- Gerber, E. M. and Hui, J. (2013). *Crowdfunding: Motivations and Deterrents for Participation*. *Journal ACM Transactions on Computer-Human Interaction (TOCHI)*, Volume 20, Issue 6, Article n. 34.
- Golić, Z. (2014). *Advantages of crowdfunding as an alternative source of financing of small and medium sized enterprises*. *Proceedings of the Faculty of Economics in East Sarajevo*, 8, 39-48. doi:10.7251/ZREFIS1408039G.
- Hopkins, R. (2011) What is crowdsourcing? In: Sloane P (ed) *A guide to open innovation and crowdsourcing. Advice from leading experts*. Kogan Page Limited, London, pp 15–21.
- Howe, J. (2006). *The Rise of Crowdsourcing*. *Wired Magazine - Issue 14 - June 2006*.
- Howe, J. (2008), *Crowdsourcing: Why the Power of the Crowd Is Driving the Future of Business*, Crown Publishing Group, New York, NY.
- Kappel, T. (2009). *Ex Ante Crowdfunding and the Recording Industry: A Model for the U.S.* 29 *Loy. L.A. Ent. L. Rev.* 375.
- Kleemann, F., Voß, G. G., and Rieder, K. (2008). *Un (der) paid innovators: The commercial utilization of consumer work through crowdsourcing*. *Science, Technology & Innovation Studies*, 4, 1, 5-26.

- Leite, Pedro (2012) Crowdfunding: critical factors to finance a project successfully. Tese de Mestrado em Economia e Gestão da Inovação. Faculdade de Economia - Universidade do Porto, Porto,.
- Matos, Henrique (2012). Crowdfunding: Material Incentives and Performance. Tese de Mestrado em Business Administration. Católica Lisbon – School of Business & Economics, Universidade Católica Portuguesa Lisboa.
- Ordanini, A. et al. (2009). Crowdfunding: Transforming Customers into Investors Through Innovative Service Platforms. *Journal of Service Management*, Vol. 22, No. 4, pp. 443-470.
- Rodrigues, João Filipe Escalda (2014). The Social Impact of Crowdfunding: PPI and BES Crowdfunding. Tese de Mestrado. Católica Lisbon – School of Business & Economics, Universidade Católica Portuguesa Lisboa.
- Santos, João Vieira (2015). Crowdfunding como forma de capitalização das sociedades. Tese de Mestrado em Direito e Gestão. Universidade Católica Portuguesa, Porto.
- Schwiebacher, A., & Larralde, B. (2010). Crowdfunding of small entrepreneurial ventures. *Handbook of Entrepreneurial Finance*. Oxford University.
- Stemler, A. R. (2013). The JOBS Act and crowdfunding: Harnessing the power and money of the masses. *Business Horizons*, Vol. 56, No. 3, pp, 271-275.
- Whittle, P. (2009), Crowdsourcing and Its Application in Marketing Activities, *Contemporary Management Research*, Vol. 5, No. 1, pp. 15-28.
- Yin, R. (1993), *Case Study: Applications*, Sage, California.
- Yin, R. J. (1994). *Designing case studies*. In R. K. Yin (Ed.), *Case study research: Design and method*, 2nd Ed., Thousand Oaks, CA: Sage Publications.