

# **Underlying Benefits and Drawbacks of Crowdfunding from the Perspective of Entrepreneurs in Germany**

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**Crowdfunding represents a novel method for entrepreneurs of receiving funding via the help of the crowd in the internet for their new projects or businesses. This study examines the underlying benefits and drawbacks of crowdfunding from the perspective of crowdfunding and traditional funding entrepreneurs in Germany. In order to explore this topic, a survey was sent out to both groups of entrepreneurs in Germany, containing questions regarding the general characteristics of the entrepreneurs and their perception regarding the benefits and drawbacks of crowdfunding. Results of the questionnaire show that both types entrepreneurs have essentially similar opinions about the benefits and drawbacks, however investigating the data more strictly, it reveals that there is a huge diversity in the accompanying statistics. The highest concern among all entrepreneurs regarding crowdfunding is the costly investor management. However, the most relevant benefit for crowdfunding entrepreneurs is getting public attention, whereas traditional financing entrepreneurs state that fundraising is more relevant to them than public attention.**

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## **Keywords**

Crowdfunding, benefits, drawbacks, internet, entrepreneurship, alternative/ traditional financing

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## 1. INTRODUCTION

Over the last several years, crowdfunding emerged as a new and innovative way for both investors and entrepreneurs to invest into startup companies or projects. According to Mollick (2014), it developed into a vibrant new topic in the field of finance. Crowdfunding offers a unique, novel and trendsetting system for funding a great variety of new ventures and businesses (Belleflamme, Lambert & Schwienbacher, 2014; Mollick, 2014). It connects potential investors and project owners, and facilitates information flow and transactions (Zvilichovsky, Inbar & Barzilay, 2014).

Belleflamme, Lambert and Schwienbacher (2014) define crowdfunding as: "Crowdfunding involves an open call, mostly through the Internet, for the provision of financial resources either in the form of donation or in exchange for the future product or some form of reward to support initiatives for specific purposes." (p. 4)

The importance of crowdfunding in modern day business life is undoubtedly of a high relevance, since countries like the United States and Italy are about to pass laws about it (Esposito, 2012; Giudici, Guerini, & Rossi Lamastra, 2013; Karabell, 2013;). However, due to the novelty of this topic, it has not yet received much attention in the world of science (Hemer, 2011; Mollick, 2014).

A basic problem of any entrepreneurial initiative is to attract outside capital from venture capital funds, banks or business angels (Cosh, Cumming & Hughes, 2009). Consequently countless investors, company owners and founders use crowdfunding as a method of financing because it is an easy, plain, fast and simple approach to fund their enterprise or venture. Due to this new path of funding, basically every person, with a valuable idea or invention, can participate in crowdfunding. A high increasingly number of web services offers these crowdfunding opportunities (Hemer, 2011). Some of the most famous internet crowdfunding platforms nowadays are Kickstarter.com, RocketHub.com, gofundme.com and indiegogo.com. Moreover, Wash (2013) points out that there are already crowdfunding platforms in existence which target at particular kind of project types such as "entrepreneurial" or "creative".

Many scholars (among others, Belleflamme et al., 2013; Belleflamme, et al., 2014; Kleemann, Voss & Rieder, 2008; Schwienbacher & Larralde, 2010; Wash, 2013;) identified various benefits of crowdfunding compared to traditional equity and debt funding methods.

In this paper, emphasis will put on the four central benefits of crowdfunding. These, then, are: Firstly, the overcoming the barrier of funding. Secondly the communication with potential customers. Thirdly the public attention around the new projects and lastly the test of the market demand. Furthermore the three main drawbacks will be investigated as well. That are the disclosure of the idea, non- professional investors and the costly investor management.

The main benefits and drawbacks are well elaborated in the current literature, yet there might be differences in the perception of these benefits from the perspectives of various entrepreneurs. Moreover, a closer look will be provided to examine the potential drawbacks of crowdfunding as well. There are three crucial drawbacks identified by researchers (Agrawal, Catalini & Goldfarb, 2011; Hsu, 2004) regarding crowdfunding. First of all, the initial idea has to be disclosed by the founder. This opens up the opportunity for the competition to imitate the product or service. Secondly, most of the people who invest in crowdfunding projects are not professionals in this field. Consequently, they do not have the same knowledge

and connections as professional investors would have. Lastly, the investor management is far more costly, due to the high number of investors. While participating in crowdfunding, the founder has to deal with far more people, as if he or she would use traditional financing methods like bank loans.

Thus, the overarching research question is as follows: "*How are the benefits and drawbacks of crowdfunding perceived by diverse entrepreneurs in Germany?*"

In other words, this paper aims to explore the perceived value of the additional benefits and drawbacks of crowdfunding from the perspective of entrepreneurs who used crowdfunding and entrepreneurs who worked with traditional funding and wants to reveal potential differences in this perception.

This study builds upon previous research in this area, which has been conducted by Belleflamme et al. (2013) in their paper "Individual Crowdfunding Practices". In their study, Belleflamme et al. (2013) issued a survey to various entrepreneurs to investigate several characteristics and motivations from funders who used the crowd to finance projects. They found out that entrepreneurs mainly used crowdfunding to raise money, to get public attention for the company or the project and to validate the product or service before selling it (Belleflamme et al., 2013).

Since this paper will be an explorative study, the relevance is primarily academic, albeit it intends to reveal recent and new information about this emergent phenomenon. Besides, it can provide a more definite view on the differences of the perception of benefits of crowdfunding from the perspective of entrepreneurs.

The structure of the remaining parts is as follows: The next section will provide a literature review on crowdfunding and its benefits and drawbacks as well as other currently existing financing possibilities. Afterwards a survey among entrepreneurs will be conducted and the results will be discussed. Finally, the paper will finish with a conclusion, limitations of the study and further research.

## 2. LITERATURE REVIEW

By using existing academic literature, this section of the paper takes a more detailed look on crowdfunding and alternatives ways of funding methods. In the beginning, alternative ways of financing, like equity and debt financing methods, will be shortly reviewed. Afterwards, a clear definition of crowdfunding is provided. Then, the four main benefits, that are 1) the financing statement, 2) the communication with potential customers and the feedback about the product/ service and 3) test of the market demand and the public attention and 4) the access to user innovativeness will be discussed. Ultimately, already revealed drawbacks such as the disclosure of the idea, non- professional investors and the costly investor management will be included in the literature review.

### 2.1 Alternative Ways of Financing

Since this paper is concentrating on the underlying pros and cons of crowdfunding, only a short summary of alternatives ways of financing will be provided. Schwienbacher & Larralde (2010) created a clear and sufficient overview for this purpose. In table 2 from Schwienbacher and Larralde (2010) all major entrepreneurial finance investors are listed next to a short description (see table 1 in the appendix for the full table). Broadly, alternative sources of financing can be divided into two main groups: equity and debt. On the one hand, if the founder uses equity as a way of financing her or his enterprise, shares will be issued to the investors and hence, the investors acquire some control over the company. On the other hand, if

the decision favors towards debt financing methods, no control has to be given out to third parties. Nevertheless, a detailed contract has to be signed with the new partner, which in most cases are banks. However, especially for small start-ups or new projects, attracting debt capital can be rather difficult due to the uncertainty of future cash flows (Berger & Udell, 1998).

Evidently, it is possible to engage in crowdfunding and in other additional financing methods together. By participating in more than one financing channel, the funder uses the so called 'bootstrapping technique' (Bhide, 1992; ; Ebben & Johnson, 2006; Winborg & Landstrom, 2001). 'Bootstrapping' implies that the founder tries to use as many as possible alternative resources like personal finances, instead of work with traditional investors (Schwienbacher & Larralde, 2010).

## 2.2 Crowdfunding – Origin and Definition

The idea of crowdfunding is derived from the broader concept of crowdsourcing which invokes the usage of the "crowd" to collect solutions, feedback and ideas (Belleflamme et al., 2014). Yet, in the past the idea of crowdfunding was already in usage, however in a slightly differentiated way since the people did not have the advancements of today. Examples are the Statue of Liberty, which was financed through money donations from French and American people or the concerts of Mozart and Beethoven which were also funded with money from interested individuals (Hemer, 2011; Kuppuswamy & Bayus, 2014). Nowadays, websites which offer crowdfunding possibilities to entrepreneurs resemble social network platforms (Wash, 2013). Accordingly, these platforms facilitate notably the communication and information flow between founders and funders.

A great number of scholars simply define crowdfunding as receiving little amounts of funding from various anonymous people in the crowd (Giudici et al., 2013; Hemer, 2011; Schwienbacher & Larralde, 2010; Wash 2013; Wheat, Wang, Byrnes & Ranganathan, 2013). However, it does not fully belie its expectations. Moreover, the novelty of crowdfunding as an emergent field in academic literature still limits complete and well-defined explanations (Mollick, 2014). Nevertheless, Belleflamme et al. (2014) and Schwienbacher and Larralde (2010) provide a definition which is adopted by most researchers: "Crowdfunding involves an open call, essentially through the internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/ or voting rights in order to support initiatives for specific purposes." (p. 4)

Nonetheless, this broad and extensive definition lacks of examples that are also defined "crowdfunding" such as internet based peer-to-peer lending (Lin & Viswanathan, 2013) or funds being raised by supports of a music band (Burkett, 2011). Therefore, it is almost impossible to give one correct definition of crowdfunding at the moment. Additionally, since crowdfunding is just in the beginning of its existence, in future it will be used across many other unexpected areas as well. Mollick (2014) argues that a more precise explanation of the termination is needed, since crowdfunding is especially noticeable in entrepreneurial finance and new ventures. Hence, "Crowdfunding refers to the efforts by entrepreneurial individuals and groups – cultural, social and for-profit – to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries." (p. 2) The objective of the crowdfunding effort and the ambition of the investors are purposely left out in the previous definition, because these two aspects allow the greatest variations in the different definitions.

In this particular paper, the previously mentioned definition from Schwienbacher and Larralde (2010) will be adopted, since it provides the most broad and precise definition available in current scientific literature.

## 2.3 Crowdfunding and its Benefits

Two categories of advantages of crowdfunding are identifiable in the current literature. Various scholars like Agrawal, Catalani and Goldfarb. (2013), Kleemann, Voß and Rieder (2008) and Schwienbacher and Larralde (2010) argue that all the advantages ultimately lead to the cost argument. Other authors (like: Belleflamme et al., 2014; Mollick, 2014 and Wash, 2013) state that the advantages are not implicitly connected to costs but rather to communication and incorporation with potential stakeholders.

It is apparent that crowdfunding includes a wide range of other benefits, like other forms of venture finance (Ferrary & Granovetter, 2009), that go further than solely the financing aspect (Gerber, Hui & Kuo, 2012; Mollick, 2014). Agrawal et al. (2013) provide two elementary incentives why founders choose to finance their projects through crowdfunding rather than through traditional means. Firstly, crowdfunding can lead to a lower cost of capital due to two reasons: better matches, which means that the inventors are matched with those funders, who are actually willing to pay for the project and since the search occurs worldwide on a global scale, rather than a localized pool of potential funders, there are no country barriers for the matches. Furthermore, an increasing number of funders rate the participation in a new venture's community of supporters, recognition for discovering innovations, early access to products or other non-financial rewards higher than a return of their investment (Gerber et al., 2012). Secondly, crowdfunding is more admirable than traditional financing methods because of the access to more information in the initial phase of the project. This means that during the funding stage, a lot of information, such as ideas for modifications and extensions from potential users (innovative users) or interest from other investors, is already available. This additional knowledge might boost the eagerness to provide money for a new project and consequently lowers the cost of capital.

The main inducement of cost reductions is recognized by other authors as well (Kleemann et al., 2008; Schwienbacher & Larralde, 2010). However, Kleemann et al. (2008) affiliate the decline of costs to the increasing field of self-service via the web, or in other words the crowdfunding website. Ergo, costs will be diminished when internal work procedures, namely in the product design and improvement, are being moved to the potential customer (Schwienbacher & Larralde, 2010). Due to this additional activity from the customers, value will be created for the company without any expenses (Schwienbacher & Larralde, 2010). Additionally, the length of new product development will be decreased, while the customer acceptance and the customers' perception of the novelty of the product or service will be increased (Schwienbacher & Larralde, 2010). Ultimately, Franke and Klausberger (2008) claim that due to the originality of crowdfunding, it still is a 'working concept', though if more enterprises would engage in it, the supply of the 'crowd' would become scarce.

To the present day, only a few scholars examined the underlying benefits and drawbacks of crowdfunding. Belleflamme et al. (2014) have identified three essential advantages for engaging in crowdfunding: the financing statement, the public attention which arises around the project and the feedback about the product/ service offered. Further,

Gerber et al. (2012) extended the analysis by determining five categories of motivation: fundraising, establishing relationships, receiving legitimacy, replicating successful experiences and increasing awareness about crowdfunders' work through social media. Baldwin, Hienerth and Von Hippel (2006), David and Shapiro (2008) and Von Hippel (2005) added the access to user innovativeness as another advantage of crowdfunding.

Drawbacks encompass the risk of the copy of the initial idea (Agrawal et al., 2011), to be funded by non-professional investors (Agrawal et al., 2013; Hsu, 2004) and the costly investor management (Macht & Weatherston, 2014).

In order to conduct a feasible investigation, this paper will concentrate on the following benefits: fundraising, public attention, feedback/communication via the customer and access to user innovativeness, and the following drawbacks: the disclosure of the initial idea, the non-professional investors and the costly investor management.

### *2.3.1 Overcoming the Barrier of Funding*

The most important advantage and primary goal of crowdfunding is obviously to help founders to overcome the barrier of funding (Belleflamme et al., 2013; Kleemann et al., 2008; Macht & Weatherston, 2014; Mitra, 2012; Valanciene & Jegeleviciute, 2013; Wash 2013; Wheat et al., 2013). There is no doubt that (start-up) companies are confronted with enormous problems when it comes to the attraction of external capital such as equity capital or bank loans (Berger & Udell, 1995; Cassar, 2004; Cosh et al., 2009; Kuppuswamy & Bayus, 2014). Hereby, financing is the most crucial resource to be obtained by new ventures (Gompers and Lerner, 2004; Gormann and Sahlman, 1989; Kortum and Lerner, 1998). During the last years, crowdfunding emerged as a new approach of overcoming this obstacle. Due to this new development in the field of financing, new companies do not need to search for traditional venture capital like funds from banks, venture capitalists, angel capital, state promotions or foundations anymore (Gerber et al., 2012; Hemer, 2011; Mollick, 2014). Kuppuswamy and Bayus (2014) point out that crowdfunding contains two substantial differences to the traditional way of financing new ventures. First, instead of a few big contributors with a huge amount of venture capital, crowdfunding provides funding from the crowd, i. e. a lot of small individuals with limited contributions. Second, the level of support is visible for any person and potential funders can analyze the timing of the project. This implies that social information (others' funding decisions) will influence the eventual success of the project.

### *2.3.2 Communication and Feedback with Potential Customers*

An additional advantage is the ability to communicate with potential customers via the crowdfunding platforms and receive valuable feedback about the product or service offered. Crowdfunding websites, in a sense, merge with social network platforms (Wash, 2013). Through this "merger" the founder can receive helpful and valuable feedback from all kind of different people including future customers, investors and even suppliers.

To have those contacts already in an early stage of a company or project, can help the founder to launch their company or product successfully. Additionally, she/he can use this platform as a marketing tool to share her/his future products or services. Therefore crowdfunding can be of extraordinary value as an extra promotion device, which additionally enables the founder to further collect more detailed knowledge about its customers' preferences (Belleflamme et al., 2014). To efficiently interact with the crowd, id est with potential customers and supporters,

entrepreneurs use different interactive communication methods such as Facebook, Twitter or specialized blogs.

Zvilichovsky, Inbar and Barzilay (2014) add that crowdfunding internet pages adopted similar characteristics that are typical on social media websites for instance allowing other people to publish comments on the entrepreneurs' progress or maintaining a profile page for her/his personal project. These communication tools facilitate and stimulate a straightforward and personal connection between the entrepreneurs and the general mass (Schwienbacher & Larralde, 2010).

Furthermore, Belleflamme et al. (2014) point out that this deep interaction with potential customers can lead to user-based innovation. Since this specific advantage is revealed by a huge amount of other researchers as well, it will be further evaluated in a later part of the literature review. However, especially important is the marketing aspect for projects in the early stages of their development where it is necessary that those ventures establish ecosystems of complimentary products such as a video game console (Mollick, 2014).

In addition, Gerber et al. (2012) found out, that the social interaction with other crowdfunders, for example through feedback, can increase the commitment to the project and the integration to a society of people with related principles and interests. Although, this advantage is exclusively a motivation for the crowdfunder herself/himself, it should not be neglected. Moreover, through the crowdfunding platforms and through the satisfaction of motivational needs, a more varied number of individuals might be eventually encouraged to launch their ideas as well (Gerber et al., 2012).

### *2.3.3 Public Attention and Test of the Market Demand*

Another factor, next to fundraising and communication/feedback with the potential customer, which makes crowdfunding extremely attractive for start-ups and new ventures, is the test of the market demand or the public attention which can arise around the project (Valanciene & Jegeleviciute, 2013). According to a survey from Schwienbacher and Larralde (2010) entrepreneurs state that fundraising is the most important reason for engaging in crowdfunding, however other motivations are derived from the public attention, which the founders could receive from the audience and the accompanied followed validation for the new product or service pre to the market launch.

First of all, public attention shows if funders are curious and interested in the creation or invention and if there is enough market potential (Schwienbacher & Larralde, 2010). Assuming, the founder receives no money at all from potential investors, most likely her/his idea would not be profitable due to the lack of interest from future customers. Moreover, crowdfunding reduces the risks for both funders and founders. As already mentioned earlier in this paper, without interest from investors, there will be probably no affection for the idea from customers either. Thus, the idea will not be realized and the founder does not need to go to banks or other institutions to apply for additional loans or credits (Belleflamme et al., 2014). These financing instruments are not necessary anymore, since there is no interest in his/her product or service anyway. As a result of minor monetary contributions to the project, the funder diminishes her/his risks concerning the investment as well (Kuppuswamy & Bayus, 2014).

Furthermore, demonstrating the idea on a crowdfunding platform does offer the unique opportunity to do so in front of a specifically addressed public and possibly reveal its eventual market potential (Belleflamme et al., 2014). After confirming

that there is an actual demand for the new product or service, subsequently the entrepreneur could be ultimately able to receive a funding from more traditional sources like bank loans or business angels (Mollick, 2014). Additionally, such an online platform serves early stage entrepreneurs enormously in getting public attention, since they are able to display prototypes of their new inventions, publish the preliminary business plan, expenditure of the future funds and being able to pitch their project to the crowd of online investors (Agrawal et al., 2011). Certainly more commercial applications are available if the entrepreneur incorporate the use of Web 2.0 in her/ his marketing strategy (Kleemann et al., 2008).

An extreme use of the public attention function in crowdfunding was observed by Lambert and Schwiendach (2010). Lambert and Schwiendach (2010) argued that especially bands and artists on the crowdfunding platform Sellaband.com create a massive hype around their new music or product in order to design a marketing campaign in which the participants are the potential consumers. Likewise, this affiliation to the crowd can be beneficial to other projects as well. For instance it has the ability to connect society and science in a dynamic new form as well (Wheat et al., 2013).

### 2.3.4 Access to User Innovativeness

Scholars acknowledge the extensive innovative ability of an online community (Baldwin et al., 2006; David and Shapiro, 2008; Von Hippel, 2005). Crowdfunding portrays a solid approach in which online communities can have an impact of the creation of new ventures and projects (Mollick, 2014). Consequently, crowdfunding empowers the user to be innovative as well. This development could ultimately lead to novel entrepreneurship due to the radical innovations which might be originated from user innovators (Franke and Shah, 2003; Shah and Tripsas, 2007). There were already successful previous attempts to include consumers into the process of value creation, however it occurred in the related field of crowdsourcing (Kleemann et al., 2008). As stated by Kleemann et al. (2008): Crowdsourcing represents the most explicit form of the integration of users (or consumers) in internal processes of value creation; it enables the direct utilization of consumer work for commercial purposes. (Kleemann et al., 2008)" (p.19). Four aspects which are directly contributing to the company profits due to the integration of consumers in the value creation mechanism are identified by Kleemann et al., 2008): contribution to the product innovation whereas the consumer acts as a 'co- designer', contribution to the product improvement whereby the user serves as a 'beta- tester, evaluation of the customer service and the participation in the configuration of a product or service or its actual production. Additionally, Howe (2008) ascertain that a large group of diverse people can be more efficient than small teams or a singular human person. Brabham (2008) further commented that the more diverse the crowd is, the more capable they are to solve problems of companies. Surowiecki (2004) affirms that the crowd has some distinct advantages as compared to individuals. He states that the participants in the crowd build upon proposals from other members in the crowd and thus ultimately end up with superior solutions.

Levy (1997) goes even further and coined the term 'collective intelligence'. The concept behind 'collective intelligence' is that a single person cannot know everything, though everyone knows something. Therefore, all the knowledge exists in the human race. This implies that information become more valuable and substantial as the public shares it.

## 2.4 Drawbacks

To get a full picture of the concept of crowdfunding one does not have to neglect the disadvantages. All those advantages in favor to crowdfunding do apparently not stand alone. Certainly, there are also some drawbacks regarding crowdfunding.

Usually, if the amount of contributions for funding the endeavor is not reached, any money, which was raised during that time, will usually return to the investors. This leaves the founders without any other possibilities than going to banks and request a loan to accomplish their ventures.

Though, the biggest threat for inventors by participating in crowdfunding is the risk of the disclosure of ideas by other people than the founder (Agrawal et al., 2011; Valanciene & Jegeleviciute, 2013). Traditional financing sources like angel investors, family members, friends or home- equity loans permit to keep the project as a secret endeavor in front of the general public, including competitors, but as an inventor, one must convince investors to contribute money into the project. In most cases a necessity for this is to grant admission to the project and reveal its details. To allow access into design and structure of the projects bears the risk of being copied by someone else.

Another disadvantage involves the opportunity costs of raising capital via crowdfunding, rather than from angel investors or venture capitalists. Professional investors most likely already have existing relationships in the branch, specific industry knowledge and a special status in this area and therefore contribute with their qualities additional value to the project (Agrawal et al., 2011; Hsu, 2004). Frequently, non- specialized crowdfunders lack of those fundamental abilities, and because of the small level of investment the efforts to transfer those capacities is rather limited due to the low expected returns. Nevertheless, in order to successful launch an idea an already existing network of suppliers, investors and later also customers is crucial (Macht & Weatherston, 2014).

Finally, another obstacle with crowdfunding is 'investor management'. Usually, the funder receives small amounts of money from a large crowd. Therefore, a huge amount of investors needs to be managed considerably by the funder. However, this procedure might cost substantially more, than managing the established channels of financing (Macht & Weatherston, 2014)

## 3. METHODOLOGY AND DATA

To answer the research question "*How are the benefits and drawbacks of crowdfunding perceived by diverse entrepreneurs in Germany?*", an explorative study is recommended.

Therefore, in accordance with Mollick (2014), instead of strict hypothesis testing, this paper will examine and explore the key benefits and drawbacks precipitated by crowdfunding from the mindset of variant entrepreneurs in Germany. Considering this research as an exploratory empirical study, the main objective of this paper is to reveal original information about the awareness of further benefits and drawbacks of crowdfunding from the point of view of traditional funded and crowdfunded entrepreneurs.

Aldrich and Baker (200), Busenitz, West, Shepherd, Nelson, Chandler and Zacharakis (2003) and Cornelius, Landstroem and Persson (2006) recognize this approach as appropriate for an emergent theme in the field of entrepreneurship. Furthermore, the data gathered can be used to provide a sound base for future research in this field (Eisenhardt, 1989). Consequently, in order to explore the potential differences of the perception of additional advantages and drawbacks of crowdfunding from the perspective from entrepreneurs, surveys have been send out via e-mail to various entrepreneurs. The survey entails several

questions regarding financing methods, project category, industry branches and questions concerning the additional underlying pros and cons of crowdfunding. Due to the reason that this study is concentrated on German companies and projects, the questionnaire will be in German language. Participants in the study will be entrepreneurs with traditional financing as well as entrepreneurs who chose crowdfunding as their main funding source.

To guarantee the widest possible perspective on crowdfunding, contact details from entrepreneurs, who financed their enterprise with the help of crowdfunding, will be retrieved from the two biggest crowdfunding websites in Germany themselves: [www.startnext.com](http://www.startnext.com) and, [www.visionbakery.com](http://www.visionbakery.com). Both crowdfunding platforms offer identical services and provide a great variety in project and start-up categories. For a more detailed description of the two websites, please see the texts 1 and 2 in the appendix of this paper. Additionally, databanks with contact details from traditional funded companies, which were provided by a local municipality administration, can be used to reach out to the traditional financing entrepreneurs. To work sufficiently responses of at least 50 entrepreneurs are expected.

Gerber et al. (2012) used a one-on-one semi-structured interview with funders as well as founders to find out different motivations for engaging in crowdfunding. However, this paper wants to explore the differences in perception of the various benefits and drawbacks on a wider range as well, therefore a survey will be conducted. Furthermore, due to the time limitations, one can reach out to more potential participants via a survey than by interviewing entrepreneurs.

The survey will contain questions to receive general information like the educational level, age or the current financing method of the questioned entrepreneurs. These answers could help to reveal where potential differences in the perception might stem from. Moreover, the respondents have to rank the underlying pros and cons accordingly to their relevance. The main part of the following discussion will be built upon these data. To view the survey along with the German translation in detail and inspect its results, please see the text 3, table 2 and table 3 in the appendix.

## 4. RESULTS

In order to answer the main research questions, a survey was sent out to 292 entrepreneurs. 57 entrepreneurs out of the 292 entrepreneurs responded, which leads to a response rate of 19.5%. In the beginning, the characteristics of the participating entrepreneurs will be presented. Later a distinction between entrepreneurs who used crowdfunding and entrepreneurs who financed projects with traditional means will be made to reveal potential differences between them. Emphasis will be put especially on the perception of benefits and drawbacks of crowdfunding from the perspective of the entrepreneurs. For the results in detail, please see table 2 for general information and table 3 for specific information about perceived benefits and drawbacks in the appendix. A summarized view of the perception of benefits and drawbacks is provided in table 3. Table 4 contains average percentages of the benefits and drawbacks of crowdfunding.

### 4.1 Characteristics of the Entrepreneurs

A broad range of entrepreneurs has been reached by issuing this survey. Out of the 57 respondents, 30 entrepreneurs used traditional financing, whereas 27 used crowdfunding to fund their company. This enables a great possibility to compare the two entrepreneurial ways to finance projects. The respondents are currently involved in a wide range of industry branches and

project categories. For the means of this research, no specific branch or category is required. In addition to the high variety of branches and categories, the amount of different financing methods used by the entrepreneurs is widespread as well. As already stated in the table 2, nearly half of the entrepreneurs utilized crowdfunding for their businesses, however the most common financing method is the founder's own money with 63.6%, followed by bank loans with 29.1% and contributions from family/ friends with 25.5%. As already assumed, most entrepreneurs are 36 years or older (83.2%) and mainly male (68.5%). A university degree is obtained by 44.6% of the participating entrepreneurs. Before considering crowdfunding as a method of financing, almost 70% of the participating entrepreneurs did not consider about other ways of financing. Furthermore, nearly 70% would think about launching a project solely via crowdfunding, which stands in contrast to approximately 50% who would launch their next enterprise with exclusively traditional financing like bank loans or own monetary reserves. However, this number increases to a bit more than 60%, if there is the opportunity to fund the project with crowdfunding and one additional traditional financing practice.

#### 4.1.1 Characteristics of Crowdfunding Entrepreneurs

Almost 50% of the entrepreneurs, who already used crowdfunding, tried to receive other forms of financing antecedent to the engagement on a crowdfunding platform. However, in retrospective all respondents stated that they would use crowdfunding again for their current projects. Practically the same answer was given (96.3%), when asked, if they would participate in crowdfunding with one additional financing method. To finance solely with traditional methods like bank loans or own money, is not preferred. Only 11.1% would consider to finance a project only with these approaches. Next to crowdfunding, the founder's own money with 59.3% was the main source of financing, followed by contributions from family and friends and government subsidies with each 22.2%. 70% of the entrepreneurs are between the age of 26 and 45 and above 70% of them obtained a university degree or are still attending the university.

#### 4.1.2 Characteristics of Traditional Financing Entrepreneurs

Traditional entrepreneurs are more cautious about launching a project with crowdfunding. Among them, only 40% would finance a project with crowdfunding. Strangely, question 4 in table 2 shows that this number decreased to 30% when asked if crowdfunding plus one additional traditional form of financing would lead to a launch opportunity. In fact, the vast majority (83.3%) still favors to finance projects with traditional means of financing. This is also reflected in the financing composition of their current businesses. Own money to finance the business was used by 67.9% and bank loans were used by 53.6% of the entrepreneurs. Nearly half of the traditional finance users are older than 46 years and 62.1% did not obtain an university degree.

### 4.2 Benefits and Drawbacks of Crowdfunding

Panel A in table 4 shows, that the disclosure of ideas and the costly investor management is perceived as high relevant or at least as relevant to more than half of the surveyed entrepreneurs. Surprisingly, nearly 45% of entrepreneurs stated that non-professional investors are perceived as somewhat relevant or not relevant at all. With regard to the advantages, fundraising, public attention and the possibility to communicate with the customer are seen as high relevant or relevant to over

50% of the asked entrepreneurs. Only the access to user innovativeness is of less relevance. However, it is still perceived as relevant to approximately 45% of the entrepreneurs.

#### *4.2.1 Crowdfunding Entrepreneurs – Benefits and Drawbacks of Crowdfunding*

Table 3 shows that in general, the drawbacks on average are recognized as neutral to not relevant at all by over 75% of the entrepreneurs. However, the aspect of non- professional investors is standing out, since 63% of the entrepreneurs said that this drawback is not relevant at all for them. Panel B in table 4 reveals that fundraising (92.6%) and getting public attention (96.3%) are the major advantages of crowdfunding. Communication and feedback via the potential customer is still seen as high relevant or relevant for 62.9% of the respondents. An aberration is observed by the feature of the access to the user innovativeness. Here, 37% ranked it as somewhat relevant or not relevant at all.

#### *4.2.2 Traditional Financing Entrepreneurs – Benefits and Drawbacks of Crowdfunding*

The most relevant drawbacks regarding crowdfunding was the costly investor management, followed by the disclosure of the idea and the non- professional investors. According to panel C in table 4, roughly all advantages are perceived as high relevant or relevant by approximately 55% of the respondents. However, an exemption is the communication and feedback via the potential customer. This advantage is seen as somewhat relevant or not relevant at all by 38.5% of the traditional financed entrepreneurs.

#### *4.3 Differences in the Perceived Benefits and Drawbacks of Crowdfunding from the Perspective of Entrepreneurs*

Distinctions of the preferences regarding financing methods of the entrepreneurs can already be observed while examining the results of the general information of the survey. Apparently, the traditional entrepreneurs are very cautious when it comes to financing projects and prefer rather the traditional approaches than the new practice of crowdfunding. However, both kind of entrepreneurs financed their current business with approximately the same financing methods that are bank loans, contributions from family and friends and own money. Another tremendous difference between the entrepreneurs is the age. While crowdfunding users are mostly between 26 years and 45 years, entrepreneurs with traditional financing are often are 36 years or older. In addition, there is a huge dissimilarity in the educational background between the entrepreneurs. On the one hand, 63% of entrepreneurs with crowdfunding engagement are holding a university degree, whereas on the other hand, only 27.6% of entrepreneurs with traditional financing obtained a degree from a university.

The most striking differences are, however, in the perception of the benefits and drawbacks. Table 4 discloses that, whereas crowdfunding entrepreneurs do not evaluate the drawbacks as high relevant or relevant (on average only 13.6%), traditional investors do view the disclosure of ideas, non- professional investors and the costly investor management as high relevant or relevant (on average 65.1%). Conversely, the advantages are of more relevance to crowdfunders than to traditional entrepreneurs. On average, 72.2% of crowdfunders, in contrast to 54.6% of traditional entrepreneurs, ranked the advantages high relevant or relevant.

In order to further reveal more details regarding the differences in perception of benefits and drawbacks of crowdfunding from the viewpoint of entrepreneurs in Germany, the sums of high relevant/ relevant and somewhat relevant/ not relevant at all, will be calculated (see table 4 for more information). Due to the small sample, a statistical test with these inputs would not attain any validity. Therefore solely the summed percentages will be used to reveal original information.

According to these data, the most relevant drawback as reported by crowdfunding entrepreneurs is the costly investor management (37%). The same result is observable at the traditional investors, however the percentage has more than doubled to 78.2%. Public attention is the most relevant advantage for crowdfunders, closely followed by fundraising. This outcome is noticed for traditional entrepreneurs in reversed order, that is first fundraising and secondly public attention. For both entrepreneur parties, the least relevant drawback are the non- professional investors. However, again, the percentage between crowdfunding entrepreneurs (70.4%) and traditional entrepreneurs (19.1%) does vary greatly. The least relevant advantage according to crowdfunding entrepreneurs is undoubtedly the access to user innovativeness. It scored the lowest for relevant advantages and the highest for not relevant advantages. Though, for traditional financing entrepreneurs the feedback and communication with customers is stated as the least relevant advantage.

This comparison points out that there are actual differences in the perception of benefits and drawbacks regarding crowdfunding from the perspective of entrepreneurs. However, there are no great dissimilarities in the type of benefits or drawbacks. Several benefits and drawbacks are recognized in the same way by crowdfunding and traditional entrepreneurs. Merely some benefits and drawbacks are more considered than others. Nevertheless, there is a huge diversity in the percentile range of answers given by the entrepreneurs.

These differences might stem from the other characteristics of the entrepreneurs. Traditional entrepreneurs were according to the survey of advanced age. Consequently, they have accumulated more experience than younger entrepreneurs and therefore have another perception of the advantages and drawbacks of crowdfunding. Another factor influencing these results might be the educational background. While most crowdfunders visited an university and there possibly encountered crowdfunding during lectures or other study related topics and activities, traditional investors did not yet know about this kind of financing method. This might as well be the reason for the hesitation and cautiousness to use crowdfunding to finance projects. Another possible factor explaining these distinctions could be the industry or branch in which the entrepreneurs are currently working. Some projects might be of a more risky nature regarding future returns for the funders, than others and therefore might not get its financing as easily as other projects.

## **5. CONCLUSION**

This paper has researched the rise of a new kind of funding method, called crowdfunding. Crowdfunding represents a novel way to entrepreneurs and start- up companies to fund projects or even entirely new businesses. However, due to the rapid rise of crowdfunding especially in the recent years, it did not receive much attention in the field of science. Therefore, this study wants to shed light on the perception of the underlying benefits and drawbacks, which are associated with crowdfunding from the perspective of entrepreneurs in Germany. In order to give an answer to this investigation, a survey has been send to various entrepreneurs in Germany. Clearly, there is a difference of the

recognition of those benefits and drawbacks between entrepreneurs who already used crowdfunding and entrepreneurs who prefer to use traditional financing methods. Traditional entrepreneurs identified the advantages as not as relevant compared to crowdfunding entrepreneurs. However, the drawbacks are seen as not as relevant to crowdfunding entrepreneurs in comparison with traditional entrepreneurs. This perception is also visible in the willingness of using crowdfunding for future projects. Whereas entrepreneurs who used crowdfunding in the past, would finance projects with it again, traditional entrepreneurs are more circumspect about this practice. They still prefer the traditional financing with bank loans and contributions from family and friends.

## 6. FURTHER RESEARCH

Concerning further research, it is suggested to expand and replicate this investigation into other countries as well. This might reveal the influence of country-specific factors regarding the perception of benefits and drawbacks of crowdfunding from the perspective of entrepreneurs. Furthermore, a more profound analysis of the differences between industry groups, gender and/or educational levels has the capability to expose additional insights.

## 7. LIMITATIONS

Regarding this paper, the following limitations are worth mentioning. First of all, there is the possibility that not all words, which are used in the survey, are known by the various entrepreneurs. The entire terminology was not explicitly explained in the questionnaire. Therefore a few questions might not be fully understandable for every entrepreneur and consequently those questions might be answered wrongly by the respondent. Moreover, the sample size was rather small and did not provide much space for sophisticated conclusions. Ultimately, due to the different language (German) in which the survey was issued, minor translation errors are unavoidable.

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## 10. APPENDIX

### Text 1

#### Short description of startnext.com

Startnext was the first crowdfunding website which entered the German market. It was established in 2010 and developed quickly to the biggest platform for crowdfunding ventures in Germany. Meanwhile, they employ 10 people to further enhance their system and offer a better service to the people who use their website. To become a founder or a funder, Startnext offers three possible options on their website. The first option (Basic) is for free and entails the essential functions such as a page- link or a page- description. The second option (Pro) costs about 209 Euro per month and additionally offers opportunities such as administration of members of the 'page' and being able to participate in cofounding (awarding of subsidies). The last option (Premium) is solely for curated partners of the website and offers every kind of support, for instance branding and a yearly evaluation. In 2014 Startnext had 950 successful projects with about 100,000 supporters. It generated in total 8,000,000 Euro from the crowd. This implies an increase of 63% as of 2013. Ultimately, with a success rate of 62%, Startnext is the most successful crowdfunding website internationally.

### Text 2

#### Short description of visionbakery.com

Visionbakery, headquartered in Leipzig, was established in 2010. Nowadays, it is the second biggest crowdfunding platform in Germany. Their business model somewhat differs from the one of Startnext, however, both platforms do offer the same service. Instead of a membership payment, Visionbakery receives a commission of 11.9% on top of the total funding target. Yet, the payment is only compulsory if the funding

target will be reached. If this is not the case, no commission has to be paid to the crowdfunding platform. Up to today, Visionbakery supported over 300 projects, whereas 57% of them finished successful.

### Text 3

#### Survey- questionnaire with German translation

1. Did or do you currently use crowdfunding to finance new projects?  
*Benutzen Sie, oder haben Sie in letzter Zeit Crowdfunding genutzt, um Projekte zu finanzieren?*
  - a. Yes/ Ja
  - b. No/ Nein
2. If you already financed or if you are currently financing a project with crowdfunding, did you try to receive other forms of financing antecedent to crowdfunding? (If not, would you try to receive other forms of financing antecedent to crowdfunding?)  
*Falls Sie schon einmal Crowdfunding genutzt haben, oder es zurzeit nutzen, haben Sie vorher versucht eine andere Form von Finanzierung zu erhalten?(Falls nicht, würden Sie vorher versuchen eine andere Form von Finanzierung zu erhalten?)*
  - a. Yes/ Ja
  - b. No/ Nein
3. In case you have not used crowdfunding by now, would you consider to launch a new project via crowdfunding in the future? (In case you used

crowdfunding before, would you consider to do it again?)

*Falls Sie zum derzeitigen Zeitpunkt noch nie Crowdfunding genutzt haben, würden Sie es in Betracht ziehen ein Projekt in der Zukunft mit Crowdfunding zu finanzieren?(Falls Sie Crowdfunding schon benutzt haben, würden Sie es wieder in Anspruch nehmen?)*

- a. Yes/ Ja
- b. No/ Nein

4. Would you consider to launch a new project via crowdfunding plus one additional financing method (e.g. bank loans)?

*Würden Sie es in Betracht ziehen, ein Projekt mit Crowdfunding und einer zusätzlichen Finanzierungsmöglichkeit zu starten?*

6. Suppose you would finance a project via crowdfunding. Please rank the following drawbacks accordingly to the perceived significance. Please tick.

*Angenommen, Sie würden ein Projekt mit Crowdfunding finanzieren. Bitte stufen Sie die folgenden Nachteile nach ihrer dementsprechenden Relevanz ein. Bitte kreuzen Sie an.*

	High relevant/ <i>Sehr relevant</i>	Relevant/ <i>Relevant</i>	Neutral/ <i>Neutral</i>	Somewhat relevant/ <i>Etwas relevant</i>	Not relevant at all/ <i>Nicht relevant</i>
Disclosure of ideas/ <i>Offenlegung der Idee</i>					
Non-professional investors/ <i>Nicht professionelle Investoren</i>					
Costly investor management/ <i>Aufwendiges Investoren Management</i>					

7. Suppose you would finance a project via crowdfunding. What constitutes your main motivation for using crowdfunding? Please tick.

*Angenommen, Sie würden ein Projekt mit Crowdfunding finanzieren. Welche Vorteile sind für Sie relevant, beziehungsweise nicht relevant? Bitte kreuzen Sie an.*

	High relevant/ <i>Sehr relevant</i>	Relevant/ <i>Relevant</i>	Neutral/ <i>Neutral</i>	Somewhat relevant/ <i>Etwas relevant</i>	Not relevant at all/ <i>Nicht relevant</i>
Fundraising/ <i>Finanzierungsmöglichkeit</i>					
Getting public attention/ <i>Öffentliche Aufmerksamkeit</i>					
Communication/ feedback via customers/ <i>Feedback/ Austausch mit dem Kunden</i>					
Access to user innovativeness/ <i>Zugang zu Benutzerinnovationen</i>					

- a. Yes/ Ja
- b. No/ Nein

5. Do you prefer to launch new projects solely via the traditional financing methods (e.g. bank loans, contributions from family/ friends, business angels, own money, government subsidy)?

*Würden Sie es eher bevorzugen, Projekte nur mit traditionellen Mitteln (z.B. Kredite, Beiträge von Familie/ Freunden, „Business Angels“, eigene finanzielle Mittel, staatliche Subventionen) zu finanzieren?*

- a. Yes/ Ja
- b. No/ Nein

8. In which industry branch/ project category are you currently working?  
*In welchem Industriezweig/ Projektkategorie sind Sie derzeit tätig?*
- Comic/ *Comic*
  - Design/ *Design*
  - Film/ Video/ *Film/ Video*
  - Photography/ *Fotografie*
  - Food/ *Lebensmittel*
  - Craft/ *Handwerk*
  - Journalism/ *Journalismus*
  - Art/ *Kunst*
  - Literature/ *Literatur*
  - Music/ *Musik*
  - Technology/ *Technologie*
  - Social Projects/ *Soziale Projekte*
  - Theater/ *Theater*
  - Other/ *Andere*
9. Which sources of finance are used to finance your current business? Please specify which one(s):  
*Welche Finanzierungsform haben sie genutzt, um Ihr derzeitiges Unternehmen zu finanzieren?*
- Crowdfunding/ *Crowdfunding*
  - Bank loan/ *Bankkredit*
  - Contributions from family/ friends/ *Geldbeträge von Familie/ Freunden*
  - Business Angel/ *Business Angel*
  - Founder's own money/ *Eigene Finanzmittel*
  - Government subsidy/ *Staatliche Subventionen*
  - Others/ *Andere*
10. How old are you?  
*Bitte geben Sie Ihr Alter an.*
- 18-25
  - 26-35
  - 36-45
  - Older than 45/ *Älter als 45*
11. Gender  
*Geschlecht*
- Female/ *Weiblich*
  - Male/ *Männlich*
12. Do you hold a university degree?  
*Besitzen Sie einen Universitätsabschluss?*
- Yes/ *Ja*
  - No/ *Nein*
  - Still attending/ *Ich besuche zurzeit eine Universität*

Table 1

Retrieved from Schwienbacher and Larralde (2010) "CROWDFUNDING OF SMALL ENTREPRENEURIAL VENTURES"

The following table shows the different types of alternative/ traditional financing, grouped by debt and equity.

	Investor	Description
Equity	Entrepreneur and team members	The entrepreneur invests his own money in the company, or money he obtained through a personal loan
	Friends and family	The entrepreneurs' friends and family
	Business angels	Wealthy individuals willing to invest in small projects
	Venture capitalists	Specialized investors gathering money from non specialists and placing it into bigger projects for a period of 5-7 years
	Other companies/ strategic investors	Other companies can decide to invest in projects they believe have strategic importance to them
	Stock markets	Members of the public invest in the company through a public offering
Debt	Banks	Loans
	Leasing companies	Provide equipments and office space to entrepreneurs against lease payments
	Government agencies	Subsidy for particular projects
	Customers/ suppliers	e.g., trade credit
	Bootstrapping	Use of trade credit, credit card and other methods, including working capital management

Table 2, General Information

The following table shows the total results of each question of the survey.

Statistics based on survey output Questions	Total		Crowdfunding		Traditional	
	Answers (%)	Nb. Obs.	Answers (%)	Nb. Obs.	Answers (%)	Nb. Obs.
<b>1. Question (Usage of Crowdfunding)</b>						
Yes	47.4%	27	100.0%	27	0.0%	0
No	52.6%	30	0.0%	0	100.0%	30
<b>2. Question (Other forms of finance antecedent)</b>						
Yes	38.8%	19	48.1%	13	27.3%	6
No	61.2%	30	51.9%	14	72.7%	16
<b>3. Question (Launch of project with crowdfunding)</b>						
Yes	67.3%	37	100.0%	25	40.0%	12
No	32.7%	18	0.0%	0	60.0%	18
<b>4. Question (Crowdfunding plus other form of finance)</b>						
Yes	61.4%	35	96.3%	26	30.0%	9
No	38.6%	22	3.7%	1	70.0%	21
<b>5. Question (Finance solely with traditional methods)</b>						
Yes	49.1%	28	11.1%	3	83.3%	25
No	50.9%	29	88.9%	24	16.7%	5
<b>8. Question (Industry branch, project category)</b>						
Comic	0.0%	0	0.0%	0	0.0%	0
Design	10.7%	6	14.8%	4	6.9%	2
Film/ Video	8.9%	5	18.5%	5	0.0%	0
Photography	7.1%	4	11.1%	3	3.5%	1
Food	14.3%	8	7.4%	2	20.7%	6
Craft	19.6%	11	7.4%	2	31.0%	9
Journalism	7.1%	4	14.8%	4	0.0%	0
Art	3.6%	2	7.4%	2	0.0%	0
Literature	7.1%	4	14.8%	4	0.0%	0
Music	10.7%	6	22.2%	6	0.0%	0
Technology	8.9%	5	11.1%	3	6.9%	2
Social Projects	10.7%	6	22.2%	6	0.0%	0
Theater	10.7%	6	22.2%	6	0.0%	0
Others	30.4%	17	11.1%	3	48.3%	14
<b>9. Question (Financing of current business)</b>						
Crowdfunding	49.1%	27	100.0%	27	0.0%	0
Bank loan	29.1%	16	3.7%	1	53.6%	15
Contributions from family/ friends	25.5%	14	22.2%	6	28.6%	8
Business Angel	7.3%	4	11.1%	3	3.6%	1
Founder's own money	63.6%	35	59.3%	16	67.9%	19
Government subsidy	20.0%	11	22.2%	6	17.9%	5
Others	10.9%	6	11.1%	3	10.7%	3
<b>10. Question (Age)</b>						
18 - 25	3.6%	2	3.7%	1	3.5%	1

26 - 35	23.2%	13	29.6%	8	17.2%	5
36 - 45	35.7%	20	40.7%	11	31.0%	9
Older than 46	37.5%	21	25.9%	7	48.3%	14
<b>11. Question (Gender)</b>						
Female	31.5%	17	25.9%	7	37.0%	10
Male	68.5%	37	74.1%	20	63.0%	17
<b>12. Question (University degree)</b>						
Yes	44.6%	25	63.0%	17	27.6%	8
No	46.4%	26	29.6%	8	62.1%	18
Still attending	8.9%	5	7.4%	2	10.3%	3

*Table 3, Specific Information about Perceived Benefits and Drawbacks*

*The following table shows specific and summarized information about the answers given to the perceived benefits and drawbacks of crowdfunding.*

<b>Total</b>					
<b>6. Drawbacks</b>	<b>High relevant</b>	<b>Relevant</b>	<b>Neutral</b>	<b>Somewhat relevant</b>	<b>Not relevant at all</b>
Disclosure of ideas	29.6%	18.5%	12.0%	9.3%	20.4%
Non- professional investors	16.7%	14.8%	24.1%	7.4%	37.0%
Costly investor management	29.6%	29.6%	20.4%	9.3%	11.1%
<b>7. Benefits</b>	<b>High relevant</b>	<b>Relevant</b>	<b>Neutral</b>	<b>Somewhat relevant</b>	<b>Not relevant at all</b>
Fundraising	37.0%	40.7%	7.4%	1.9%	13.0%
Getting public attention	27.8%	25.9%	14.8%	22.2%	9.3%
Communication/ feedback via customers	27.8%	25.9%	14.8%	22.2%	9.3%
Access to user innovativeness	15.1%	28.3%	22.6%	13.2%	20.8%
<b>Crowdfunding</b>					
<b>6. Drawbacks</b>	<b>High relevant</b>	<b>Relevant</b>	<b>Neutral</b>	<b>Somewhat relevant</b>	<b>Not relevant at all</b>
Disclosure of ideas	22.2%	11.1%	22.2%	14.8%	29.6%
Non- professional investors	0.0%	3.7%	25.9%	7.4%	63.0%
Costly investor management	18.5%	18.5%	33.3%	14.8%	14.8%
<b>7. Benefits</b>	<b>High relevant</b>	<b>Relevant</b>	<b>Neutral</b>	<b>Somewhat relevant</b>	<b>Not relevant at all</b>
Fundraising	81.5%	11.1%	3.7%	3.7%	0.0%
Getting public attention	51.9%	44.4%	3.7%	0.0%	0.0%
Communication/ feedback via customers	40.7%	22.2%	14.8%	22.2%	0.0%
Access to user innovativeness	11.1%	25.9%	25.9%	18.5%	18.5%
<b>Traditional</b>					
<b>6. Drawbacks</b>	<b>High relevant</b>	<b>Relevant</b>	<b>Neutral</b>	<b>Somewhat relevant</b>	<b>Not relevant at all</b>
Disclosure of ideas	32.0%	28.0%	24.0%	4.0%	12.0%
Non- professional investors	33.3%	23.8%	23.8%	4.8%	14.3%
Costly investor management	39.1%	39.1%	8.7%	4.4%	8.7%
<b>7. Benefits</b>	<b>High relevant</b>	<b>Relevant</b>	<b>Neutral</b>	<b>Somewhat relevant</b>	<b>Not relevant at all</b>
Fundraising	33.3%	29.7%	14.8%	11.1%	11.1%
Getting public attention	22.2%	37.0%	11.1%	3.7%	26.0%
Communication/ feedback via customers	15.4%	30.8%	15.4%	23.1%	15.4%
Access to user innovativeness	19.2%	30.8%	19.2%	7.7%	23.1%

*Table 4, Summarized Specific Information about Perceived Benefits and Drawbacks*

*The following table shows the summarized percentages for the benefits and drawbacks, divided into total results, crowdfunding entrepreneurs and traditional financed entrepreneurs.*

<b>Panel A</b>		
<b>Total Results</b>	<b>(High) Relevant</b>	<b>Somewhat/ Not relevant</b>
Disclosure of ideas	48.1%	29.7%
Non- professional investors	31.5%	44.4%
Costly investor management	59.2%	20.4%
Fundraising	77.7%	14.9%
Getting public attention	53.7%	31.5%
Communication/ feedback via customers	53.7%	31.5%
Access to user innovativeness	43.4%	34%

<b>Panel B</b>		
<b>Crowdfunding</b>	<b>(High) Relevant</b>	<b>Somewhat/ Not relevant</b>
Disclosure of ideas	33.3%	44.4%
Non- professional investors	3.7%	70.4%
Costly investor management	37%	29.6%
Fundraising	92.6%	3.7%
Getting public attention	96.3%	0%
Communication/ feedback via customers	62.9%	22.2%
Access to user innovativeness	37%	37%

<b>Panel C</b>		
<b>Traditional</b>	<b>(High) Relevant</b>	<b>Somewhat/ Not relevant</b>
Disclosure of ideas	60%	16%
Non- professional investors	57.1%	19.1%
Costly investor management	78.2%	13.1%
Fundraising	63%	22.2%
Getting public attention	59.2%	29.7%
Communication/ feedback via customers	46.2%	38.5%
Access to user innovativeness	50%	30.8%