EQUITY CROWDFUNDING

Will equity offering bring crowdfunding one step further?

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Investments in Seed Stage Start-ups

2009
VC - €8.7 billion
Angels - €5 billion
Crowd – €0.3 billion

€ 14 billion

2013
VC – €9 billion
Angels - €5.6 billion
Crowd - €2.7 billion

€17.3 billion
Why equity crowdfunding?

- Cover the equity gap
- Contribute to economic development & social wellbeing
- Inexperienced investors
- Money laundering
- Fraud
Is equity offering changing the behaviour of crowdfunders?
What do we already know?

• 3 types of motivations to participate in a crowdfunding project: **financial, material** and **social**

• Gerber E., 2013: main motivations of supporters to participate in a crowdfunding project are
  - collect rewards
  - help others
  - be part of the community
  - support a cause

• Harms M., 2007: Financial value has the strongest impact on the intention to participate in a crowdfunding project

• Ordanini A. et al., 2010:
  - Equity-based campaign participants are mainly motivated by financial returns
  - reward-based campaign participants want to encourage others and feel a part of the community.
Experiment on a crowdfunding platform

**Campaign:** Successfully funded Kickstarter campaign

**3 variations:** donation, reward, equity

**Duration:** 30 days

**Target group:** People who have participated or are willing to participate in crowdfunding projects: Students, Entrepreneurs, Employees, Investors
Results

• 156 participants
• 59 backers
• €9,835 raised during the experiment
**Donation-based**

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<th>Pledge</th>
<th>Backers</th>
<th>Donate</th>
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<td>1,400 euros</td>
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</table>

- 43 people viewed the campaign
- 33 showed interested in the campaign
- 18 pledged
- €980 raised
- 78% of funders did not have previous experience in crowdfunding
- 66% male, 34% female
- 61% students, 39% employees
- 39% would prefer to have a reward-based campaign
- 39% would prefer to have an equity-based campaign
Reward-based

- 59 people viewed the campaign
- 38 showed interested in the campaign
- 19 pledged
- €3,955 raised
- 73% of funders did not have previous experience in crowdfunding
- 48% male, 52% female
- 31.5% students, 68.5% employees
- 42% prefer having a reward-based campaign
- 52% would prefer to have an equity-based campaign
Equity-based

- 54 people viewed the campaign
- 46 showed interested in the campaign
- 22 pledged
- €4,900 raised
- 41% of funders did not have previous experience in crowdfunding
- 50% male, 50% female
- 33% students, 45% employees, 18% entrepreneur, 1 investor
- 18% would prefer to have a reward-based campaign
- 73% prefer having an equity-based campaign
Conclusion

• Equity-based campaign does change the behaviour of crowdfunders
• Conversion rate was highest in case of donation-based campaign (41.8% - 32.2% - 40.7%)
• Equity-based campaign generated more revenue
• The pledges for equity-based campaign are more equally distributed over the time
THANK YOU!

QUESTIONS?