EQUITY CROWDFUNDING

Will equity offering bring crowdfunding one step further?

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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
Research question

Is equity offering changing the behaviour of crowdfunders?

- Equity offering
- Crowdfunders' behaviour
- Funding speed
- Number of funders
- Pledge amount
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

- 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

<table>
<thead>
<tr>
<th>Pledge</th>
<th>Amount</th>
<th>Backers</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>€35.00</td>
<td></td>
<td>24</td>
<td>Get Mohu Leaf 50 Antenna as a reward. Want to test Over-the-Air (OTA) TV at your location? Backers receive an award-winning Mohu Leaf antenna at an insider price. Plus, we'll keep you in the loop on Mohu Channels. Includes free shipping.</td>
</tr>
<tr>
<td>€70.00</td>
<td></td>
<td>10</td>
<td>Mohu Channels: Get SPECIAL EARLY BIRD PRICING! The full Mohu Channels product with the keyboard remote and tuner, ready to connect to your existing antenna and HDTV. Includes free shipping.</td>
</tr>
<tr>
<td>€185.00</td>
<td></td>
<td>5</td>
<td>Mohu Channels: Get the full Mohu Channels product with the keyboard remote and tuner, ready to connect to your existing antenna and HDTV. Includes free shipping.</td>
</tr>
<tr>
<td>€210.00</td>
<td></td>
<td>2</td>
<td>Get Mohu Channels + Mohu Leaf 50 Antenna: SPECIAL EARLY BIRD PRICING! The full Mohu Channels product with the keyboard remote and tuner, PLUS our award-winning Mohu Leaf indoor antenna, ready to connect to your HDTV. Includes free shipping.</td>
</tr>
<tr>
<td>€245.00</td>
<td></td>
<td>0</td>
<td>Get Mohu Channels + Mohu Amplified Leaf 50 Antenna: SPECIAL EARLY BIRD PRICING! The full Mohu Channels product with the keyboard remote and tuner, PLUS our award-winning Mohu Leaf indoor antenna AND 50 mile amplifier, ready to connect to your HDTV. Includes free shipping.</td>
</tr>
<tr>
<td>€350.00</td>
<td></td>
<td>2</td>
<td>Get Mohu Channels + Mohu Amplified Leaf 50 Antenna: The full Mohu Channels product with the keyboard remote and tuner, PLUS our award winning Mohu Leaf indoor antenna AND 50 mile amplifier, ready to connect to your HDTV. Includes free shipping.</td>
</tr>
<tr>
<td>€700.00</td>
<td></td>
<td>3</td>
<td>Get Mohu Channels + Mohu Sky Outdoor Antenna: The full Mohu Channels product with the keyboard remote and tuner, PLUS the Mohu Sky Outdoor Antenna. The Sky Antenna can provide uncompressed HD broadcast to multiple televisions in a home with a range of 60 miles. Includes free shipping.</td>
</tr>
<tr>
<td>€1,400.00</td>
<td></td>
<td>6</td>
<td>Get Mohu Channels + Mohu Sky Outdoor Antenna: The full Mohu Channels product with the keyboard remote and tuner, PLUS the Mohu Sky Outdoor Antenna. The Sky Antenna can provide uncompressed HD broadcast to multiple televisions in a home with a range of 60 miles. Includes free shipping.</td>
</tr>
</tbody>
</table>

- 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?