Crowdfunding, is money just the tip of the iceberg?

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Declaration

I, Lucas Zimmer, declare that this research is my original work and that it has never been presented to any institution or university for the award of Degree or Diploma. In addition, I have referenced correctly all literature and sources used in this work and this work is fully compliant with the Dublin Business School’s academic honesty policy.

Signed:

Date: 21/05/2018
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The completion of this study and the MBA program is a great achievement for me. The accomplishment was challenging but remarkably rewarding and would not have been possible without the support and guidance of many people.

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Abstract

The need for financing has always been a key issue for entrepreneurs. Hitherto, entrepreneurs mainly used banks and private equity to finance their business, such as Bank loans, Business Angels or Venture Capital. However, the financial crisis of 2008 has made difficult for entrepreneurs to be competitive and to find financing. As a result, they began to look for alternatives to traditional financing. With the arrival of the internet, crowdfunding is emerging as a credible alternative for entrepreneurs.

The process of crowdfunding is fundamentally different from those of the traditional ways of financing, which leads to non-financial added values that could create a sustainable competitive advantage for entrepreneurs. Hence, the aim of this study is to determine if the non-financial added value of crowdfunding create a sustainable competitive advantage for entrepreneurs. In addition to the academic contribution, since this study includes several recommendations, it can be used by entrepreneurs as a guide to take full advantage of crowdfunding and as a tool to use crowdfunding to create a sustainable competitive advantage.

The nature of this study is exploratory and takes a qualitative methodological design. The author conducted four interviews with people directly involved in crowdfunding and entrepreneurship to gather valuable primary data. Secondary data come from reliable sources, such as academic papers, books, newspaper, and official reports. The purpose of the literature review is to have a comprehensive understanding of the key concepts needed to implement this study.

The results show that entrepreneurs can gain a sustainable competitive advantage through the non-financial added value of crowdfunding. However, according to this study, this depends on two key factors that are the business environment and the manner entrepreneurs use crowdfunding.
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List of Abbreviations

BA: Business Angel
Backers = Crowdfunders: Donators/individual investors
B2C: Business to Consumer
EU: European Union
e.g.: exempli gratia = for example
i.e.: Id Est. = that is to say
MBA: Master of Business Administration
SEC: Security and Exchange Commission
SME: Small and Medium-sized Enterprise
UK: United Kingdom
U.S: United States of America
VC: Venture Capital
1. Introduction

Crowdfunding is presented as something really new, but obviously it’s wrong. If the tools and the level of development we have nowadays are new, the “concept itself is far from new and has been embedded in human culture since its early days. Historically, people have been raising money to achieve certain objectives for the common good.” (European Commission, 2014). A famous example is the newspaper-led campaign in 1885 that attracted donations from 160,000 donors to finance “the unfinished pedestal” of the Statue of Liberty in New York.

In less than one decade, crowdfunding has become a significant tool for companies to raise funds, especially for the start-ups. In a nutshell, “Crowdfunding is defined as the process of taking a project or business, in need of investment, and asking a large group of people to supply this investment” (Forbes & Schaefer, 2017). There are three main distinct forms of crowdfunding: the first is the donation-based crowdfunding, backers get nothing in return for their investments and one of the most famous platforms for this kind of crowdfunding is “GoFundMe”. The second form is the reward-based crowdfunding: in return for the investment from backers, the business gives some incentive for participants (like the pre-order product for example). This form is the most popular form with platforms such as Kickstarter or Indiegogo. The last form is the equity-based crowdfunding, which is the offering of private securities to the “crowd” for investment. The number of projects launched, and the amount of capital raised thanks to crowdfunding skyrocketed, the crowdfunding market was estimated over $34 billion dollars in 2015 and it will, according to Crowd Expert (2016), reach $90 billion by 2020.

Furthermore, if an entrepreneur has attracted a lot of investment by crowdfunding, it means that the “crowd” and the market have validated the project and that, by definition, the market already knows the project (European Commission, 2017). This is not the case through the traditional sources of funding like banks, angel investors or venture capitals, who are individuals (for Business Angels) or formal institutions (for Venture Capitals) who buy shares of a start-up in order to generate future profits (OECD, 2015). Nevertheless, a crowdfunding campaign requires a lot of work and a wide range of skills. To attract investors
and succeed the “reality check”, the project must be worked out in many aspects and must be well presented. Indeed, crowdfunding is not an easy way to raise funds, according to Kickstarter (2017), only 35% of entrepreneurs reach their funding objective.

However, the mechanism used to raise capital in a crowdfunding process (the crowdfunding campaign, the access to the crowd, business plan, marketing) can lead to non-financial added value. The European Commission (2017) states that the non-financial benefits of crowdfunding are the proof of concept and validation of the product, the help with other forms of financing, the access to a crowd and a powerful marketing tool. In similar lines, previous research show that crowdfunding can be used as a marketing tool (Sayedi et al, 2017), as a tool to test a project (Jordana Viotto Da Cruz, 2016), as a tool to raise funds without losing decision control or as a tool to create a community around the project (Julie S. Hui et al, 2014).

The survey conducted by E. Mollick and V. Kuppuswamy (2014) shows that (in the video game and technology industry) a high percentage (more than 90%) of successful projects remained ongoing ventures 1-4 years after their campaign. The investigation also suggested that crowdfunding provided many potential benefits beyond the crowdfunded money itself. This implies that once the project has passed "the reality test" of crowdfunding, it is likely to remain in business and therefore suggests that it could be a source of competitive advantage.

Kimberly Amadeo (2017) states that “a competitive advantage is what makes you better than the competition in your customers' minds.” According to Michael Porter (1985), there are two underlying factors which can lead to a competitive advantage. The first factor is corporate identity, which is the way a company presents itself to the public. The other underlying factor concerns the core competencies which are defined by Schilling (2013) as “a harmonized combination of multiple resources and skills that distinguish a firm in the marketplace”. In addition, the theory of Michael Porter (1985) also highlight that there are three strategies that can be used to create and improve competitive advantage over competitors. The three strategies are the cost leadership strategy, the differentiation strategy, and the focus strategy. These approaches can be employed for all companies, from
multinationals to entrepreneurs. As crowdfunding mainly involves entrepreneurs, it is critical to understand the entrepreneurship. The newspaper report of The Economist (2014) defines and distinguishes two distinctive views of entrepreneurs, “the first is the popular view: that entrepreneurs are people who run their own companies, the self-employed or small-business people. The second is Joseph Schumpeter’s view (1949), cited by Nayab (2011), that entrepreneurs are innovators: people who come up with ideas and embody those ideas in high-growth companies.

On the one hand, according to Forbes (2015), one out of two entrepreneurs fail within five years; in addition, a study of Fortune (2014) reported that the main reason, 42% of the failure, is the “lack of a market need for their product”. On the other hand, Mr. Ringelmann, the co-founder of Indiegogo argues that "There is not a better indication of the market than people actually voting with their dollars" cited by (Clifford, 2013).

Given this background, a relevant research question emerges:

➢ Does the non-financial added value of crowdfunding create a sustainable competitive advantage for entrepreneurs?

This research question raised sub-research questions that allow the researcher to develop the research objectives:

➢ Define the general characteristics of crowdfunding, trace its history, define crowdfunding and analyse the main models and actors of crowdfunding.
➢ Examine the non-financial added value of crowdfunding.
➢ Evaluate the advantages and disadvantage of crowdfunding versus traditional methods of financing
➢ Find what gives competitive advantages for entrepreneurs, critically discuss the theories provided by experts and authors, and determine the links between crowdfunding and competitive advantage.
The literature review contains some specific information but provides only a partial response to these research objectives. Indeed, existing literature focuses mainly on the angle of the investor and the studies related to the entrepreneurs concentrate mostly on a short period of time which is the crowdfunding campaign, such as the study of Alessandro Cordova et al (2015), Crosetto et al (2014) and the study Hannah Forbes et al (2017) for instance. Contrary to previous research, this thesis tries to assess the effect of crowdfunding non-financial added value on the entrepreneurs’ competitiveness, which is linked to the long term. The literature review consists only of secondary data such as academic studies, official institutional website, specialised blogs, magazines, and books.

Since the angle of the research is new, the researcher will conduct a qualitative research on collecting primary data through in-depth interviews with successful crowdfunded entrepreneurs and experts in this area. As there is no research regarding the relationship between crowdfunding and competitive advantage, this study will add to the research body on this topic and contribute to complete previous research. In addition to the theoretical advances, having an accurate knowledge of those relationships might be relevant for any entrepreneur who is willing to raise funds while gaining a competitive advantage.
2. Literature Review

2.1 Literature Introduction

Saunders, Lewis and, Thornhill (2009) argue that the literature review helps to develop a good understanding and insight into relevant previous research and trends that have emerged. It provides the foundation on which the research will be built.

The literature review was conducted following the guidelines above. Furthermore, the literature review explains all the terms and concepts employed in the thesis through the support of existing secondary information such as published research papers and academic journals.

The first section of the literature review defines the general characteristics of crowdfunding, from the history to the main types and actors of crowdfunding. The second part concentrates on the advantages and drawbacks of crowdfunding and put into light the non-financial added value of crowdfunding. The third section focuses on traditional modes of financing. Theories of the competitive advantage for entrepreneurs are discussed in the fourth part; moreover, in this section the researcher has highlighted similarities with the non-financial benefits of crowdfunding. In the following chapter, the researcher defines entrepreneurship and examines key success factors for entrepreneurs. Finally, the last part is the conclusion of the literature review.

2.2 General characteristics of crowdfunding

Definition

One of the most common definitions of crowdfunding comes from Schwienbacher et al (2010) who define crowdfunding as “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”.

By the same token, the Oxford dictionary (2018) defines crowdfunding as “The practice of funding a project or venture by raising many small amounts of money from a large number
of people, typically via the Internet”. The European Commission gives a similar definition, adding that it is an “emerging alternative form of financing” and emphasizing on the fact that people are “directly” interconnected.

**History**

Crowdfunding already has a long history, which probably began in Ireland back in the years 1700. However, the researcher focuses only on recent history. The modern spiritual father of crowdfunding is Mohammed Yunus, who created the concept of microfinance and received the Nobel Peace Price in 2006 for his bank “Grameen”. Microfinance is banking that provides low-income population access to financial services to start a business and become a “self-sufficient” entrepreneur. The technical father of crowdfunding is crowdsourcing. Crowdsourcing is “the process of using an open call contest or a 'crowd' of people to get something done” (Jeff Howe, 2006) cited by Alec Lynch (2010). As it is depicted by Alessandro Cordova et al (2015), the only difference is that crowdfunding does not pool labors, but another type of resources, the capital.

Crowdfunding has fully emerged in the aftermath of the financial crisis of 2008 that paralyzed traditional financing system and by a “snowball-effect” put entrepreneurs in serious difficulties to raise funds. In addition, it also forced entrepreneurs to gain a competitive advantage to stay in business. This is explained in the study of the World Bank (2013) “Crowdfunding’s Potential for the Developing World”. Indeed, politicians are increasingly attracted by crowdfunding and Barack Obama signed the Jumpstart Our Business Startups (JOBS) act in 2012 (SEC, 2012). This act allowed the “equity crowdfunding” and lessened regulation on small businesses. As a result, it has enabled crowdfunding to develop itself and to be considered today as a reliable and credible source of funding.

**A Big Global trend**

There is no institutional body methodically collecting data on crowdfunding.

The numbers the author was able to find rely on the work of private companies and academic research, but both are based on surveys. The numbers presented here come from
The Massolution 2015CF Crowdfunding Industry Report. Since the report is not free-of-charge, the author presents the numbers given by intermediaries, such as the World Bank or Forbes. Unfortunately, the most recent and reliable figures that the author has found, date from 2015.

The graph below is made with the figures given by Forbes (2015) and shows the evolution of the total volume of crowdfunding worldwide from 2012 to 2015:

![Total Funding Volume](image)

**Figure 1: Total Funding Volume - Source: the author**

As it can be seen from the figure above, crowdfunding is growing at a very fast rate; the volume doubles every year from 2012 to 2015. In addition, according to the World Bank (2013), it could reach 96 Billion $ in 2020 and Crowdexpert (2016) estimates the market at over $300 billion in 2025.
To put this into perspective, according to Forbes (2015), business angels invest around $20 billion a year worldwide and venture capitals invest an average of roughly $40 billion a year worldwide:

The figure above demonstrates that crowdfunding is becoming an important source of funding that fundamentally changes the traditional financing landscape and provides new opportunities for entrepreneurs. If crowdfunding continues to grow at the same pace, it will outpace venture capital in the coming years as a leader in entrepreneur financing.

However, even if the upward trends are impressive, it is pertinent to take a step back to these figures and being aware that the forecasts are by definition only predictions (which could be made under political pressure) and there is no guarantee concerning future growth. This is outlined by David Pricco (2015), quoted by crowdexpert (2016) who stated that “Investment Crowdfunding, like any industry, has a tendency to parade around exaggerated statistics. Everyone likes a big number. [...] The Massolution number includes Peer-to-Peer/Marketplace lending in their aggregate figures, which account for $25 billion of the $35 billion, and the world bank number is a best-case-scenario argument showing what could happen if countries were to implement recommended policies.”

Indeed, is it essential to analyze the figures in greater depth to know in detail where and what type of crowdfunding is the most used (in term of funding volume)
The figure below shows the total funding volume in 2015 according to the types of crowdfunding:

![Total Funding Volume](image)

**Figure 3: Total Funding Volume - Source: Forbes (2015)**

As highlighted by David Pricco (2015), cited by crowdexpert (2016) lending-based crowdfunding count for 71% of the total crowdfunding volume.

The figure below shows the volume and growth of crowdfunding per region:

![Crowdfunding per region](image)

**Figure 4: Crowdfunding per region - Source: Crowdexpert (2016)**

This proves that crowdfunding is a world phenomenon, even though most of the regions depicted above have a clear champion that significantly impact the figures. Indeed, the UK, the United States, China and Australia are the clear leaders in their region (Morgan Stanley, 2015).
Regarding entrepreneurs, according to a study cited by Arthur (2015) realized in France by the Institut Think (2015), conducted for l’Ordre des Experts-Comptables and the crowdfunding platform Lendopolis, 76% of French entrepreneurs know about crowdfunding. However, only 3% of them already used it, but more than 33% of French entrepreneurs declare themselves ready to finance their business through crowdfunding. This suggests that the entrepreneurs’ interest in crowdfunding is high and that the growing potential of crowdfunding is real.

**The Crowdfunding process**

An online platform is usually the intermediary between the entrepreneur and the funder. Although the modalities and the relationship between the actors vary from one platform to another, the European Commission (2016) detected a recurring pattern:

Crowdfunding platforms received requests from entrepreneurs who intend to raise funds via the online platform. There are no fixed rules regarding access to the platform, some platforms accept all entrepreneurs whereas others make a pre-selection (verification of the feasibility of the project and the background of the entrepreneur).

Once the project has been accepted by the crowdfunding platform, entrepreneurs are in charge of establishing a funding goal over a marked period of time and creating an online “pitch” (it is often a short video) where entrepreneurs showcase the project to potential crowdfunders. During the campaign, entrepreneurs are often still very involved in social networks and keep the crowdfunders informed about the following process and challenges.

If the entrepreneur has reached its funding goal within the allotted time frame, he/she receives the funds. Some platforms pay the funds collected to entrepreneurs even if the funding goal is not reached; these are the “keep-it-all model” platforms. However, most platforms are “all-or-nothing model” platforms and entrepreneurs only receive the funds if the funding goal is reached 100% or more. Crowdfunding platforms generally apply a fee rate on funds successfully raised.
After the campaign, some funders remain involved in the business. This is often the case in equity crowdfunding (but not only) where funders may have voting right.

**Types**

As discussed earlier in the introduction, there are three main types of crowdfunding: reward/donation crowdfunding, lending-based crowdfunding and equity crowdfunding. However, it is also important to consider the other types of crowdfunding that are the royalty crowdfunding and the hybrid crowdfunding.

- **Donation-based Crowdfunding**
  Donors provide funding to individuals, projects or companies based on philanthropic or civic motivations with no expectation of monetary or material return

- **Reward-based Crowdfunding**
  Backers provide finance to individuals, projects or companies in exchange for non-monetary rewards or products.

- **Equity-based Crowdfunding**
  Individuals or institutional funders purchase equity issued by a company.

- **Loan Crowdfunding**
  Loan crowdfunding is a model where participants lend money to entrepreneurs (expecting an interest rate depending on the risk and duration). The main platforms are Lending Club and Zopa.

- **Royalty Crowdfunding**
  In Royalty crowdfunding model, entrepreneurs receive funds from “backers” and, in return, offers royalty fees or a certain percentage of the future sale.

- **Hybrid Crowdfunding**
  The hybrid crowdfunding model is a mix or a combination of crowdfunding models.

**Actors**

Crowdfunding is based on the close relationship between three actors: investors, intermediaries and, entrepreneurs.
➢ Investors
Investors are a large group of people, called “backers”, who participate in a project with a small contribution (usually from 1 to 1,000€). Depending on the type of crowdfunding, investors may receive something in return, it can be a reward (for instance a book, a personalized product, etc), an interest rate (on a loan), or securities of the companies. In addition, a research conducted by Andrew A. Swartz (2015) shows the non-financial benefits of crowdfunding for the investors and demonstrates that investments are often perceived as expenses by backers. According to him, investors can be considered as “buyer”, therefore, it suggests that any investment could be considered as a validation of the market.

➢ Intermediaries
Intermediaries are the platforms that connect “the crowd” (the investors) to entrepreneurs. As discussed earlier, there are two types of platforms, one type gives entrepreneurs the funding only if the needed amount is reached (the all-or-nothing model), the other type gives entrepreneurs the money in all cases (the keep-it-all model). Platforms evolving in the USA must be registered at the Securities and Exchange Commission (SEC). According to the European Commission (2015), in most EU countries, platforms must be register as brokers and comply with broker-dealer’s regulation. This shows that although crowdfunding is a recent phenomenon, it is well regulated, which reduces the legal risk to entrepreneurs.

➢ Entrepreneurs
Entrepreneurs are those who try to find funding through crowdfunding. There are different types of entrepreneurs with different characteristics and objectives. In this thesis, the researcher focuses on the Joseph Schumpeter’s (1949) views of the entrepreneurs, cited by Nayab (2011), an “Innovating Entrepreneur” with the goal of establishing a lucrative organization.

2.3 The non-financial added value of crowdfunding

As stated by Lisa Walls-Hester (2016) "Crowdfunding not only raises start-up capital, but it also brings non-financial benefits to businesses such as product validation, a gauge for
pricing and demand, leads pre-sales and provides a defined shareholder structure.” This is as well outlined by the platform Kickstarter (2017) and by the European Commission (2017). In a nutshell, the crowdfunding process, which is fundamentally different than the process of the traditional ways of financing, creates non-financial added values that cannot be achieved by traditional sources.

In the same vein, for Goldman Sachs (2015) “Crowdfunding […] is potentially the most disruptive of all of the new models in finance”. For the Harvard Business Review (2013), it has a “Big-Bang Disruption” potential. The disruptive potential comes from the specific process of crowdfunding that leads to the non-financial added value of crowdfunding.

Information on the disadvantages and advantages of crowdfunding comes from many sources, the main sources one being the investigation on crowdfunding of the European Commission (2017), the study of Loreta Valanciene et al (2014), the research paper of Crosseto et al (2014) and the study of the World Bank (2013). The advantages and disadvantages of crowdfunding, listed below, only relate to the point of view of entrepreneurs.

**Advantages**

- Entrepreneurs keep the right to make company’s decisions themselves.
- Accessibility of capital.
- Help with other forms of financing.
- The existence of information society (social networks for promotion, possibility to couple with crowdsourcing)
- A chance to test the marketability.
- A demand measurement.
- Creating a community around the start-ups.
- Test a project/idea.
- Receiving feedback from the market.
- A powerful marketing tool.
Disadvantages

- Administrative and accounting challenges.
- Only internet-based, lack of advice
- Ideas and business models presented to the public can easily be stolen.

Analysis of the non-financial added value of crowdfunding

All the advantages show that crowdfunding goes beyond the field of financing. It is crucial for the researcher to have a clear understanding of the benefits, as this could be beneficial for entrepreneurs in the long run. Indeed, this could be a competitive advantage over a competitor who mobilizes capital in a traditional way.

However, the non-financial added value of crowdfunding is not guaranteed (European Commission, 2016); it depends on how the entrepreneur involves his investor during and after the crowdfunding campaign. In addition, the drawbacks of crowdfunding could give an advantage to an entrepreneur who funded his company through traditional financing instruments.

2.4 Entrepreneurship traditional external financing instruments

There are two main types of funding available for entrepreneurs: debt financing or equity financing. Both types of funding offer advantages and threats for entrepreneurs. The choice of the type of funding depends on the type of investment (fixed or variable costs for instance), the company development stage (debt is perceived as more dangerous in the early stages of a business) and the preferences of the entrepreneurs (Parker, 2012).

Debt financing

According to the OECD (2015), bank loans remain the most common source of financing for entrepreneurs and they typically use traditional banks to finance their cash-flow and investment needs. However, the report highlights that debt financing may be poorly suited
to a specific stage of the business’ life cycle and to entrepreneurs with a high risk/return profile.

As explained by Tim Parker (2012), the general features of traditional debt are that these are unconditional claims against the entrepreneur, who must pay interests to the bank at fixed intervals, regardless of the financial strength of the entrepreneur and the return on investment.

Tim Parker (2012) and the OECD report (2015) point out the advantages and disadvantages of debt financing for entrepreneurs, which are described below:

**The advantages of debt financing are:**
- Retain control: lenders have no control over your business
- Tax advantages: interests are tax deductible. In other words, this means that interest paid reduces the taxable income, whereas dividends are not tax deductible.
- Easier planning: capital and interests are agreed in advance, so it is easy to forecast expenses and cash-flow.

**The drawbacks of debt financing are:**
- Repayment: the main obligation is to make repayments on time, regardless of the financial strength and cash flow of the company.
- Qualification: the entrepreneur and his company must have acceptable credit ratings to receive financing.
- Collateral: Lenders usually require collateral, it can be business assets or personal guarantees (the entrepreneur’s own assets)

Debt financing has very similar features compared to lending-based crowdfunding. However, the European Banking Authority (2015) highlights the risks for entrepreneurs regarding the viability of the platform (entrepreneurs could not receive the fund collected, the data may be stolen or misused, entrepreneurs might face liquidity issue if the platform has technical issues, entrepreneurs might be uncertain about their rights and obligation vis-à-vis the parties involved).
Thus, all the potential problems related to the lack of regulation and the platform make traditional debt financing less risky than lending-based crowdfunding. Moreover, DAFmag (2018) shows that the average interest rate of lending-based crowdfunding is about 7%, which is much higher than the 2% of the average bank interest rate.

On the other hand, lending-based crowdfunding allowed entrepreneurs to benefit from the non-financial added value of crowdfunding. In addition, DAFmag (2018) demonstrates that lending-based crowdfunding can be used to finance working capital or Research and Development, which is generally not the case with bank loans. Moreover, the paper points out that the time required to obtain the loan is shorter by crowdfunding (from 1 to 5 days) than by banks (from 1 day to 3 months).

**Equity financing**

According to the OECD (2015), private equity encompasses a wide range of external financing instruments through which entrepreneurs receive funds from private sources (business angel, ventures capitalists, etc) in exchange for an ownership stake in the business. Moreover, as Tim Parker (2012) points out, when compared to the debt financing, investors accept more risk but expect higher returns.

Just like debt financing, equity financing poses advantages and drawbacks that depend on the sources used, however, there are general principles. Tim Parker (2012) and the OECD (2015) highlight the general advantages and disadvantage of equity financing, which are depicted below:

**The general advantages of equity financing for entrepreneurs are:**

- No repayment: the biggest advantage is that the entrepreneur is not bound to pay back the amount invested. Therefore, more cash is available since there are no interests and loan repayments. In addition, the investor takes all the risks, if the company fail, he loses all his investment.
➢ Better corporate governance: Investors have a long-term vision and understand that a business takes time to develop. Moreover, the entrepreneur can benefit from knowledge and experiences of investors.

➢ Good credit rating: having investors involved in the company and having a high equity base improve the credit rating of the company.

The general drawbacks of equity financing for entrepreneurs are:

➢ Loss of control: entrepreneurs must share control of the company. If investors have more than 50%, then they have the power over the strategic decisions of the company.

➢ Share profit: investors expect a share of the company’s profit, which is higher than a bank loan as they took more risk.

➢ Potential risk of conflict: Since investors have control of the firm, this can create tension with the entrepreneur if there are differences in management, vision and interests.

➢ Lifetime commitment: investors have right to stay and to take their share of profit forever, which is obviously not the case with debt financing.

Sources of equity financing

There are many sources of traditional equity financing available to entrepreneurs. There are no “a best sources of financing” since each entrepreneur’s investment needs are different and each source has different characteristics.

Bootstrapping and Love money

According to Small Business Trends CEO Anita Campbell (2016) “bootstrapping is the act of starting a business with no money — or, at least, very little money. It certainly means starting a business without the help of venture capital firms or even significant angel investment”. In other words, bootstrapping is when the entrepreneur uses his own personal savings to finance his business. Bootstrapping is the only type of equity financing where the entrepreneur maintains control over all decisions and keeps all the profits, given that he invests his own money. The downside is the huge financial risk, indeed the entrepreneur can potentially lose everything, from his business to his personal savings.
Love money is very close to bootstrapping, except that the investment comes from the entourage of the entrepreneur. The investment of families and friends is based on trust; however, it is necessary to be clear in order to avoid conflict.

Last but not least, bootstrapping and love money can be used with crowdfunding to create a business. Moreover, love money and bootstrapping investment can be used to run a crowdfunding campaign.

**Business Angel**

Business Angels are individuals who invest their money in companies that have the potential to generate a high profit in the future (European Trade Association for Business Angels, 2015). Business Angels exchange money for shares in the company. Besides, Business Angels often bring their skills, knowledge, operational support, network and experiences to the business in order to foster growth in the long run.

In addition, according to the European Trade Association for Business Angels (2015), typical angel investment is around 20.000 €, however, business angels can form groups in order to invest much more significantly.

**Venture capital**

Venture capital involves “formal” and “professional” partners, which generally are affluent investors, investment banks or any other financial institutions. The OCDE (2015) report highlights that “venture capitalists often invest in companies that have already received one or more rounds of angel finance. They typically intervene after a business idea or product has been successfully test-marketed, to finance full-scale marketing and production”.

The table of the OECD (2015) summarizes the potential investors for entrepreneurs depending on the business’ stage.
Moreover, such as for the Business Angels, the OCDE (2015) points out that “Besides the funding, venture capitalists bring in technical and managerial expertise and provide new firms with a bundle of services. These include general business strategy advice, development of a marketing strategy, support to hire key staff, a financing plan and design for an exit, as well as advice for scenarios in which the business does not succeed”

In the same vein, the table from Boué (2007) quoted by Susanna Bertilsson (2016) depicted the value added from venture capital:

<table>
<thead>
<tr>
<th>Active value adding vehicles</th>
<th>Passive value adding vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring / Controlling</td>
<td>Risk reduction</td>
</tr>
<tr>
<td>Advice</td>
<td>Planning certainty</td>
</tr>
<tr>
<td>Information</td>
<td>Branding / Provision of positive image</td>
</tr>
<tr>
<td>Networking / Contacts</td>
<td></td>
</tr>
<tr>
<td>Coaching / Motivation / Sparring</td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Value added from venture capital - Source: Susanna Bertilsson et al (2016)

Analysis

It is interesting to analyse the differences between the value added of traditional equity funding and crowdfunding. It is clear that investors such as business or venture capital not only bring capital but also many services (business strategy consulting, etc). These services clearly help entrepreneurs to be more efficient and potentially create a sustainable competitive advantage. For its part, crowdfunding allows entrepreneurs to test marketability, receive feedback, create a community, and so on. This cannot be achieved by traditional investors, and therefore create a real benefit for entrepreneurs. However, it does not replace the benefits of traditional investors. In fact, the benefits and drawbacks of crowdfunding investors and traditional investors seem to be very complimentary. This is emphasized by Paige Craig, a partner of a Venture Capital firm quoted by the newspaper Forbes (2015), “When you combine the stability and expertise of a VC firm with the
enthusiasm and rich experience of the crowd you get a powerful new force in the funding ecosystem”. In the similar vein, the famous Business Angel Tim Draper states that “crowdfunding gives entrepreneurs access to a new group of investors who might be great assets to their business. I welcome investing in crowdfunded companies. It means that a company has a large number of promoters before I even invest”.

Last but not least, the study of Susanna Bertilsson et al (2016) highlights that crowdfunder investors can offer similar benefits as professional investors. The paper put in light three factors needed to take advantage of these benefits, which are the relationship with investors, the nature of the business and the nature of investors. According to this research, there is a strong indication that the non-financial added value of professional investors can be achieved from crowdfunding investors by actively involving them in the business, which can “lead to the acquiring of specialized competencies and skills without sacrificing ownership and control, which is usually associated with traditional sources of equity funding”.

2.5 Competitive advantage

Definition

The concept of competitive advantage was first brought to light by Michael Porter with two famous publications in 1980 and 1985. Nowadays, this concept is widely used, and many authors and researchers added new theories.

Hence, there are many definitions of competitive advantage, but all very similar. Investopedia (2018) explains that competitive advantage provides an “edge” over competitors and an ability to create greater value for the business. In addition, the more the competitive advantage is sustainable, the more it is difficult for competitors to neutralize the advantages. In similar lines, Porter (1980) argued that “competitive advantage is anything which gives the organization an advantage over its rivals in the products it sells or the services it offers.” In other words, Grant (2002), quoted by UK essays (2017), stated that “When two or more firms compete within the same market, one firm possesses a
competitive advantage over its rivals when it earns (or has the potential) to earn a persistently higher rate of profit”.

**Porter's Theory**

As outlined in the introduction, Michael Porter (1985) highlights three forms of “generic strategy” competitive strategy that can lead to a sustainable competitive advantage.

The three forms are:
- the cost leader strategy: to be the lowest cost producer in the industry
- the differentiation strategy: products or services that are believed to be unique in the industry. This strategy can be amplified by crowdfunding. For instance, given that crowdfunding can be used as a tool to test innovative product, it can create differentiation. In addition, using crowdfunding can positively affect the corporate identity, so to be perceived as different.
- the focus strategy: targeting a narrow segment of the market. Due to the specific characteristics of crowdfunding, entrepreneurs could use crowdfunding to enhance this strategy.

The figure below illustrates the relations between the three generic strategies, the competitive scope (broad and narrow target) and the competitive advantage:

![Diagram](image)

Figure 5: Three generic strategies - Source Johnson et al (2011)
**The VRIN characteristics**

In addition to Porter’s theory, McKinsey’s (2015) report stresses that company’s capabilities are the basis of sustainable competitive advantage and long-term profits. Unlike resources, which are “money-derived” (John Borwick, 2013), capabilities are “things” that entrepreneur developed over time. In other word, capabilities are “how” a company uses its resources and competencies. The theory of Barney (1991) demonstrates that there are four key criteria by which capabilities can provide a basis for achieving a sustainable competitive advantage. The four criteria are Value, Rarity, Inimitability and Non-substitution.

The figure below shows the four criteria and the relationship with a sustainable competitive advantage:

![Figure 6: VRIN characteristics - Source: Johnson et al (2011)](image)

In addition, Barney (1991) highlights the importance for small medium-size enterprises (SMEs) to build dynamic capabilities to gain a sustainable competitive advantage. According to Strategic Management (2013) “dynamic capability is the ability of an organization to renew and recreate its strategic capabilities to meet the needs of changing environments”.

Concerning crowdfunding, the capacities and core competencies needed to run a campaign (such as the communication capabilities for example) could form the basis for acquiring a sustainable competitive advantage. However, crowdfunding may increase the risk of Imitation and Substitution, posing a threat to the competitiveness of the entrepreneurs.
Value Chain Analysis

The value chain is a business management concept developed by Michael Porter (1985) in his book “Competitive Advantage”. The value chain is the set of steps (when transforming inputs into outputs) that determine an entrepreneur’s ability to gain a competitive advantage. The value chain analysis is the process where an entrepreneur examines the internal operation and identifies how the business adds value its final product.

The figure below describes the categories of primary and support activities within an organization which, together, create a product and / or a service while creating a margin:

The value chain describes both primary and supportive activities within an organization that creates a product or a service. Moreover, sources of competitive advantage can be analysed in these activities. In addition, the competitive advantage can be derived from “linkages” within the value network.

To put this in perspective, crowdfunding allows entrepreneurs to sell directly to customers (with the reward model for instance) which can reduce the cost of the retail and distribution activities. This can theoretically make the “value chain” of crowdfunded start-ups more efficient than a competitor financed by traditional financial services.
2.6 Entrepreneurship and key drivers of entrepreneurial success

Theories of entrepreneurship

It is critical to distinguish entrepreneurs from managers and capitalists. According to Faltin (1999), “the manager [...] must operate under normal conditions and in routine business, while for successful entrepreneurship exactly the opposite qualities are needed”. Regarding the differences between capitalists and entrepreneurs, Joseph Schumpeter (1993), quoted by Faltin (1999), stated that “the entrepreneur creates jobs, the capitalist opens them up. The entrepreneur has an idea, founds a business, employs people. The capitalist has money, buys into an enterprise and tries to increase the return on his capital.”

The entrepreneurship is the willingness and ability to create and manage a business venture with all the risks involved in order to make profits. The theory of Israel Kirzner of entrepreneurship and its model (1973) cited by Nayab (2011), showed the process of entrepreneurs:

- The entrepreneur subconsciously discovers an opportunity to earn money by buying resources or producing a good and selling it.
- The entrepreneur finances the venture by borrowing money from a capitalist. (with crowdfunding “a capitalist” become “the crowd”)
- The entrepreneur uses the funds for his entrepreneurial venture. (crowdfunding could help entrepreneurs to use it in a more efficient way)
- The entrepreneur pays back the capitalist, including interest, and retains the "pure entrepreneurial profit." (some forms of crowdfunding allow the entrepreneur to skip the step of “paying back the capitalist, included interest”)


On the one hand, Max Weber, cited by Nayab (2011), holds social culture as the keys to entrepreneurship, while, on the other hand, Joseph Schumpeter (1949) distinguishes three major characteristics of an entrepreneur: innovation, foresight, and creativity. Crowdfunded
entrepreneurs are most likely driven by a mix of “social culture”, “innovation”, “foresight”, and “creativity”.
Although economists differ on what drives the entrepreneurship and its general characteristics, they all remain unanimous on the importance of entrepreneurs for the development of the global economy.

**Definition of entrepreneurs in the context of the study**
The research question of this study is “Does the non-financial added value of crowdfunding create a sustainable competitive advantage for entrepreneurs?” where the author stresses his research on entrepreneurs. However, crowdfunding can be used for all types of projects and business’s stage. Therefore, the author includes both small companies already in business and entrepreneurs looking for funding capital to launch a start-up.

**Key drivers of entrepreneurial success**
It is essential to understand that the factors of entrepreneurial success differ from those of multinational companies. This is highlighted by Curran and Blackburn (2000, p33) who point out that “What may be important for larger enterprises may not be for smaller firms”. In addition, Johnson et al (2011) argue that critical success factors depend on the industries and markets in which entrepreneurs compete.

However, there are some common points and similarities between entrepreneurs. Lynch, cited by Johnson et al (2011), states that the critical success factors for entrepreneurs are quality, keen prices, prompt service, personalised service, and local availability.

The Resource-Based theory of Barney (1991) points out that since most entrepreneurs usually start with a little capital, critical success factors are based on other resources such as the social network, for example. This is clearly the case for crowdfunding where entrepreneurs use their intangible resources in order to raise funds. Entrepreneurs must align their strategic objectives with their resources and adopt a balanced strategy between opportunities and risks.
2.7 Literature Conclusion

The sentence of Bygrave (2003) summarizes the literature review very well:
“Entrepreneurs are the engines that drive new companies and financing is the fuel that propels them”. Indeed, the emergence of crowdfunding gives entrepreneurs the opportunity to change fuel, the literature review tries to assess whether the new fuel gives a sustainable competitive advantage to entrepreneurs. However, since the literature review provides only a partial answer, the researcher conducted primary research to answer the research question.
3. Methodology

3.1 Introduction

The third chapter of this dissertation is dedicated to the description of the applied research methodology, which contains all the information on the research design, sampling, data collection and data analysis, the research ethics and the limitations of the methodology. Given this context, the research methodology is the cornerstone to make the thesis valuable and accurate.

The author followed a research methodology in order to answer research question and objectives. Moreover, by following a research methodology, the researcher organized his time for research, data collection, and data analysis. According to Somekh et al (2005), research methodology is not only “the collection of methods or rules by which a particular piece of research is undertaken but also principles, theories and values that underpin a particular approach to research”.

More specifically, the researcher followed the process of the research onion model developed by Saunders et al (2009), presented in the Figure 8 below. There are 6 layers of the onion that must be covered one by one by the author to obtain best possible results for the research. The first step is defining the research philosophy, the second step describes the research approach, and then the third step is adopting the research strategy. The fourth step concerns the choices of the method, the fifth step identifies the time horizon and the sixth represents the stage at which the data collection and analysis methodology is identified.
The aim of the thesis is first to provide a comprehensive understanding of the non-financial added value of crowdfunding, then to analyse the links with the competitive advantage for entrepreneurs, and finally, to define whether the non-financial added value of crowdfunding creates a significant competitive advantage for entrepreneurs.

Through the study the researcher defined every choice with respect to the main research question:

Does the non-financial added value of crowdfunding create a sustainable competitive advantage for entrepreneurs?

3.2 Research Design

3.2.1 Research Philosophy

According to Saunders et al, (2009) “Research philosophy is an over-arching term relating to the development of knowledge and the nature of that knowledge”. In addition, Saunders et al (2009) states that research philosophy “contains vital presumptions, these presumptions
will support your research strategy and the techniques you pick as a major aspect of the procedure”.

Furthermore, Saunders et al. (2009), point out that a paradigm is “an interpretive framework “or “basic set of beliefs that guides action”. The philosophies are mainly characterized by three key paradigms, those of positivist, interpretivist, and realist:

- The positivist philosophy: it is mainly adopted for testing of hypothesis developed from existing theory through measurement of observable social realities. Positivism is based on values of reason, truth and validity and there is a focus purely on facts, gathered through direct observation and experience. In addition, positivists believe that the best data are the quantitative data and therefore measure empirically using quantitative methods (surveys and experiments) and statistical analysis.

- The interpretivist philosophy: it is the belief that individuals and groups make sense of situations based upon their individual experience, memories, and expectations. Therefore, interpretivists use mainly qualitative data.

- The realist philosophy: it evolved from critics of positivism (too deterministic) and interpretivism (too contextual) and is, therefore, a mix of both philosophies. It is based both on real facts and “feelings”.

On the one hand, the subject of this thesis is based on scientific theories, since competitive advantage, investment and funding (crowdfunding) are part of economics science with financial models and quantitative data. Hence, in some sense, it fits together with the positivist philosophy of the scientific approach.

On the other hand, the non-financial added value of crowdfunding could differ from one entrepreneur to another, but also to the beliefs and behaviour of the investors, called “crowdfunders”. In addition, there is certainly a multitude of various competitive advantages, which depends on every single situation. This is close to the interpretivism philosophy as it focuses on human behaviour with subjective opinions.
In this context, the interpretivist philosophy is perceived as the most relevant because it allows the researcher to consider the subjective viewpoint of experts regarding the new phenomena of crowdfunding. As a result, the author chose to apply the interpretivist philosophy. Due to the subject of the thesis, the best way to carry out the primary research is to use a qualitative method. Indeed, the researcher needed crowdfunding experts and successful crowdfunded entrepreneurs’ views and opinions on the subject.

3.2.2 Research Approach

The next layer of the onion adopted for the thesis is the research approach. According to Saunders et al (2009), there are two types of research approaches namely inductive and deductive approach.

The figure below shows the two main types of research approaches:

![Figure 9: Research Approaches - Saunders et al (2009)](image)

- The deductive approach is a scientific approach which is closely linked to the positivist philosophy. It helps to explain causal relationships between variables and to establish controls for testing hypotheses. It is about developing hypotheses based on existing theories. Therefore, in this approach, data collection is used to evaluate propositions or hypotheses related to an existing theory.
The figure below shows the deductive process in research approach, indeed, a dissertation with deductive approach follows the route below:

![Deductive process in research approach](image)

- The inductive approach is building a theory by understanding the way human build their world. It is related to the interpretivism philosophy and works from qualitative data (observations, interviews etc.) to build a theory. Unlike the deductive approach, it does not imply hypotheses or formulations. The inductive approach begins with research objectives and a research question that is answered during the research process.

Dissertations with inductive approach obey the following path:

![Inductive process in research approach](image)

As the present work concentrates upon the competitive advantage for entrepreneurs created by the non-financial added value of crowdfunding, the researcher has taken the inductive approach, i.e. building a new theory with the collected qualitative data. Indeed, the existing literature mainly focuses on what makes a crowdfunding campaign successful and on the investor’s motivations. Only few researches focus on the non-financial benefits of crowdfunding and there is no existing theory regarding the link with a competitive advantage for entrepreneurs. Moreover, the dissertation starts with a research question
and research objectives that are achieved during the research process. The data are used to explore the phenomenon of crowdfunding, to identify themes and patterns and to create a conceptual framework, but not to evaluate propositions or hypotheses related to an existing theory. Finally, the aim of this dissertation is to build and generate a theory, which is suited to the inductive approach.

### 3.2.3 Research Strategy

There is no “best research strategy”, but, the research strategy should match the given research question. According to Saunders et al (2009), there are many research strategies that can be used, and some are best suitable with a quantitative approach, while others favour a qualitative approach: Experiments (usually quantitative), Surveys (mix of quantitative and qualitative), case studies (mix of quantitative and qualitative), action research (can be quantitative and qualitative), grounded theory and ethnography (mostly qualitative), and three research designs: exploratory (qualitative), descriptive and explanatory (mix of quantitative and qualitative).

Quantitative research, as the name suggests, is concerned with quantitative data (Flick, 2011). According to Goddard and Meville (2004), it needs a certain number of validated statistical standards for the acceptance of the approach, for example, the number of respondents that are required to build up a statistically significant result. Moreover, they explain that the purpose of the quantitative research is to test hypotheses and to explain/predict a phenomenon through the collection of numerical data.

Qualitative research is described by Creswell et al (2009) as "a mean for exploring and understanding the meaning individuals or groups ascribe to a social or human problem; this process involves emerging questions and procedures, data typically collected in the participant's setting, data analysis inductively building from particulars to general themes, and the researcher making interpretations of the meaning of the data".

To meet the research objective, the researcher used secondary data he has found when establishing the literature review. As the literature review does not answer the research
question, the researcher adopted an exploratory strategy with a qualitative approach. The researcher needed to collect qualitative data to answer the research question but also to build a new theory. Indeed, the researcher needed successful crowdfunded’ entrepreneurs and crowdfunding experts’ views and opinions on the subject. With the data collected from interviews, the author was able to find new insight and to determine the links between the non-financial added value of crowdfunding and competitive advantage for entrepreneurs.

### 3.2.4 Research Choice

After the research philosophies, approaches and strategies, the next part of the “onion research” concerns the research choice. The research choice refers to the method used for the collection techniques and analysis procedures.

![Image of research choices diagram](source: Sander et al (2009))

As shown in figure 12, the researcher has three research choices for the technique of data collection and data analysis:

- **Mono-method**: a single method is used to gather and analyse quantitative or qualitative data.

- **Multi-methods**: at least two methods are used to gather and analyse qualitative or quantitative data. The multi-methods allow to analyse both types of data, but with the same point of view.
➢ Mixed-methods: it is a combination of the two previous methods that incorporate collecting both quantitative and qualitative data. This method could allow the researcher to create a complementarity, to take advantage of both quantitative and qualitative data while offsetting the limits of these methods.

As the present work concentrates upon the non-financial added value of crowdfunding and competitive advantage, the method considered by the researcher is a mono-method. The author is convinced that this is the best way to answer the research question and research objectives, which requires to select participants and experts within the crowdfunding and entrepreneurship area. Thereof, this method is suitable with the nature of this research. More specifically, the researcher chooses the mono-method qualitative study, that’s why the author conducted his study by interviewing people closely related to crowdfunding. Moreover, the data were analysed following “the thematic analysis” (Braun and Clarke, 2006).

On the contrast, there are several reasons for not choosing multi-methods or mix-methods. First, for this dissertation, choosing multi-methods or mix-methods does not seem to create a complementarity that better answers the research question and objectives. Besides the appropriateness for the research question, the author was limited in time and is not familiar with both schools of research, so it would have been delicate to combine them appropriately without biasing the results of the research.

3.2.5 Time horizon

The last layer of the research onion, before reaching the core, focuses on the time horizon over which the author conducted his research. There are two types of time horizons, longitudinal studies and cross-sectional studies. Longitudinal research requires a certain amount of time for observation and is generally used to measure change and development during this period (Saunder et al, 2009). The cross-sectional study is a “snapshot”, according to Saunder et al (2009), it concerns the “study of a particular phenomenon at a particular time”. Moreover, the cross-sectional study seeks to describe the incidence of a phenomenon.
Although sustainable competitive advantage is framed in the long-term and evolves over time, the cross-sectional study seems to be more appropriate for the realisation of this dissertation. Indeed, the aim of the dissertation is to determine the incidence of a phenomenon. The phenomenon is crowdfunding, and the incidence of this phenomenon could be the creation of a sustainable competitive advantage for entrepreneurs. Moreover, the time restrictions for the research do not fit longitudinal study definition.

3.3 Sampling - Selecting Respondents

According to Saunders et al (2009), sampling is a mean of identifying and selecting respondents to get relevant primary data. The author selected a small sample to obtain in-depth understanding of the topic. According to Saunders et al (2009), this type of selection, called “the self-reflection sampling” is applied “when the author allows each case, usually individuals, to identify their desire to take part in the research”. All samples were not randomly selected since the goal was to gather as much valuable information as possible. Indeed, for this dissertation, a random sampling does not seem to be appropriate since the purpose is not to have a sample representative of the population or to find what the views of some people are.

To find a consistent sample, the author called and sent email to crowdfunding platforms (Kickstarter, Indiegogo, MyAnnona, KissKissBankBank, LUMO), crowdfunding and entrepreneur experts (Ms Béril Bès, Mr. Olivier Houdaille, Mr Patrice Tassart, Mr Julien Coussot) and successful crowdfunded entrepreneurs (Mr Roland Harper, Ms Anna Galley). Moreover, he published announcements on social networks, such as Facebook and Linkedin.

The researcher distinguished two specific groups for sampling:

- the successful crowdfunded entrepreneurs: entrepreneurs can have specific experiences and opinions on the subject that help the author to answer the research question. They might know in their specific case whether crowdfunding gives a competitive advantage. The author defined a successful crowdfunded entrepreneur...
as an entrepreneur who raised funds through crowdfunding and who is in business for at least one year.

➢ the crowdfunding experts: crowdfunding experts might help answer the research question through their own experiences and research.

In order to increase the sample size, the researcher created a "snowball effect" thanks to the current contacts. The sample consists in four high-quality interviews.

3.4 Data Collection

The collection of the data comes from both secondary and primary sources.

Secondary data:
Secondary data is the data available in public domain. Secondary data can be classified into three categories (Saunders et al, 2009): documentaries, multiple sources, and surveys. The secondary data used in this study are both quantitative and qualitative and based on reliable sources. The researcher has monitored Twitter for any public tweet containing the keyword “crowdfunding”. Secondary data also provide the basis needed to conduct qualitative research.

Primary data:
Primary data are the new data were collected through in-depth interviews in order to answer the research question. The data were collected with semi-structured “one to one” interviews. The researcher conducted face-to-face interviews as much as possible, and by Skype otherwise. No interviews were done over the telephone to avoid the lack of personal touch. As the researcher recorded the interviews, due to ethical issues, all participants completed the written consent according to the DBS format.

The chosen collection technique of the primary data seems to be consistent with the nature of the subject, indeed, this method allows to explore the topic deeper and to collect a wider
range of qualitative elements. On the contrast, unstructured interviews appeared to be too large for this subject and the author needed a general guideline for conducting interviews. On the other side, structured interviews do not fit with the subject because it is an exploratory study and all participants have different backgrounds, skills, and experiences. Whereas for this study, semi-structured interviews enabled the author to take advantage of the structured and unstructured interviews characteristics and to offset the limits.

The participants and their links with crowdfunding and entrepreneurship are listed below:

- Mr. Roland Harper, the founder of MOVA, a start-up which produces cycling jackets and raised more than 250,000 € thanks to crowdfunding in three Kickstarter campaigns.
- Mr. Patrice Tassart, he was a consultant in management, development, communication of SMEs, for managers who want to develop their company, to value it, to sell better or to raise funds. In this context, he helped entrepreneurs to run crowdfunding campaigns.
- Mr. Julien Coussot, a crowdfunding expert and CEO of SIA Conseil, a business development consulting firm.

### 3.5 Data Analysis

The data analysis must be made appropriately to achieve the best possible result. In order to analyse the qualitative data from the interviews, the approach used is the Data Display & Analysis:

The three important steps are:

1. Data reduction (transcribing, summarising and condensing the interviews)
2. Data display (develop the analytical thinking about the interviews, total immersion in the data)

3. Drawing and Verification of Conclusion (interpretative and narrative)

The researcher outlined the relevant points that experts wanted to highlight. Moreover, the author compared the data between the interviews to depict the similarities and to emphasize differences. In addition to the Data Display & Analysis approach, the data were analysed using the thematic analysis. The author followed the six-phase process of the thematic analysis defined by Braun and Clarke (2006), which are “familiarising yourself with your data”, “generating initial code”, “searching for themes”, “reviewing themes”, “defining and naming themes” and “producing the report”.

Indeed, the author started by getting familiar with the data, generated an initial code, searched and reviewed themes, and defined themes within the data in order to pinpoint and record patterns. The themes defined by the author are the general characteristics of crowdfunding, crowdfunding versus traditional ways of funding, the non-financial added value of crowdfunding and the links between crowdfunding and competitive advantage. Moreover, each theme enabled the author to answer the research objectives and the research question.

3.6 Research Ethics

According to the dictionary of sociology (1998), research ethics is “the application of moral rules and professional codes of conduct to the collection, analysis, reporting, and publication of information about research subjects, in particular active acceptance of subjects’ right to privacy, confidentiality, and informed consent”.

Since the study involves semi-structured interviews, there are ethical issues to take into consideration. This is crucial even if the participants are not considered as “vulnerable” and not part of a specific category that requires an ethical approval, as requested by the Dublin
Moral and ethical concerns are considered during the investigation. All the participants gave their consent to be part of the thesis. The consent is written according to the DBS format. The nature of participants consent is "Informed consent", which means that consent is given freely and based on full information about participation rights, use of data and potential risks associated with the research (Lane, 2018).

The author took care not to harm the participants and to protect them. He ensures to maintain the confidentiality and anonymity of the participants when requested. As interviews were recorded, the participants were aware of the recording before the beginning of the interview. The interviews are recorded in an external drive protected by a password. The author respects the legal obligation under the EU Data Protection Act to keep personal information private.

In addition, the author will send this dissertation to all participants as a form of thanks for the participation in this study.

The author tried to keep the best ethics research possible to not affect the results and the findings of the interviews. The author analysed the data in a manner that, as far as possible, avoids misstatement and misinterpretation.

3.7 Limitations of Methodology

The researcher faced several limitations.

The most challenging limitation is the time span, since the research was done in a short period of time, the author was able to interview only one successful crowdfunded entrepreneur. Having a bigger sample of successful entrepreneurs could bring more valuable data for the dissertation. However, the author had three interviews with
crowdfunding experts, who closely work with crowdfunded entrepreneurs, which enabled him to have different perspectives on the subject.

In addition, as the author conducted qualitative research, a certain degree of subjectivity can be found. The conclusion is drawn from the interpretation of the data the author has collected. The interpretation can be affected by the researcher’s point of view and experiences. To limit the miss-interpretation, the author tried to step-back by exposing the reality of the collected data and to be as objective as possible.

Furthermore, the interviews are translated from French to English, the difference between languages could lead to a “loss of meaning”, which can be considered as a limit. To minimize this impact, the author recorded all interviews and translated the interviews very carefully.

Finally, as the crowdfunding is still a recent phenomenon, the existing academic literature review is limited, particularly on this specific subject. Thus, in addition to the academic research studies, the author has relied on secondary sources such as internet sites, specialized blogs, and magazines. However, the author only took credible and reliable sources for the dissertation.
4 Data Analysis and Findings

The purpose of this section is to present and illustrate the findings of the interviews. As explained in the research methodology, the author conducted semi-structured interviews, with a general guideline for the four interviews. All four interviews were translated into English and transcribed in written (see appendices 1, 2, 3, 4).

The four participants are:

- Mr. Roland Harper, the founder and CEO of MOVA, a start-up that is producing cycling jackets; he has raised more than 250.000 € in three Kickstarter campaigns.


- Mr. Patrice Tassart, was a consultant in management, development, communication of SMEs, for managers who want to develop their company, to value it, to sell better or to raise funds. In this context, he helped entrepreneurs to run crowdfunding campaigns.

- Mr. Julien Coussot, crowdfunding expert and CEO of SIA Conseil, a business development consulting firm.

As each participant has different specialties, the author adapted his questions according to the specialty of each participant to better answer the research question which is:

- Does the non-financial added value of crowdfunding create a sustainable competitive advantage for entrepreneurs?
The responses were scanned and inspected into themes in order to meet the research objectives. The themes are:

- General characteristic of crowdfunding
- Crowdfunding versus the traditional ways of financing
- The non-financial added value of crowdfunding
- Links between crowdfunding and competitive advantage.

4.1 General characteristics of crowdfunding

The author wanted to know more about the general characteristics of crowdfunding, therefore he asked questions in order to get a better understanding of crowdfunding.

Awareness of the phenomenon

Question: When did you hear about crowdfunding for the first time?

Since crowdfunding is a recent phenomenon, the author wanted to know when participants first heard about crowdfunding.

It is interesting to notice that all participants heard from crowdfunding the first time between 2007 and 2011, which corresponds to the literature review that put to light that this phenomenon starts after the financial crisis of 2008.

Moreover, two participants, Mr. Harper and Ms. Bès, first heard about crowdfunding for the arts component. In addition, Ms. Bès emphasized that she did not directly realize the use of crowdfunding for entrepreneurs, but only during a crowdfunding forum in 2014. This shows that, in the minds of people, crowdfunding is more of an artistic tool than a tool to do business.

However, Mr. Coussot heard the first time about crowdfunding in 2011 at the “caisse des dépôt et consignation” when he was an Investment Manager, which shows the early awareness of the business side of crowdfunding of major institutions.
Advice for a successful crowdfunding campaign

**Question:** *What are the key factors for a successful crowdfunding campaign?*

There are indications and tips on how to make a successful crowdfunding campaign in the literature review. However, the advice given in the literature review are very general and the author wanted to know tips “less obvious” and/or “unofficial” from professionals.

The author was expecting more or less similar answers from all the participants, but as the participants came from different positions (CEOs of a crowdfunding platform, successful crowdfunded entrepreneurs and crowdfunding experts), the answers were quite different.

On the one hand, Mr. Harper and Mr. Coussot both stressed that there is no “magic recipe” that would work for all projects and that it depends on several factors. On the other hand, Mr. Tassart pointed out two main factors, which are the product and the network. Moreover, for Roland Harper, what really matters it to sell a vision, a story but not only a product, whereas Mr. Patrice Tassart emphasized the importance of the attractiveness of the product itself.

Mr. Harper stressed that even if the crowdfunding campaign is online, the project must work first in real life, and if an entrepreneur is not able to sell the product in real life, he will not sell it online. Hence, even if crowdfunding validates the market need, entrepreneurs must first be able to sell their project in real life before going on crowdfunding.

In addition, Mr. Harper pointed out the importance of the press articles, the online paid advertising, the preparation and the planning of the campaign. Moreover, he highlighted the prominence of the audiovisual support, which was as well outlined by Ms. Bès.

In the similar vein, Mr. Julien Coussot pointed out the need to popularize the project in order to be understood and attract customers. And the best way to popularize a project is to have a good audiovisual support.
All participants agreed about the importance of entrepreneurs’ involvement, network and the communications skills.

**What to avoid during a crowdfunding campaign**

**Question:** According to Kickstarter, only one out of three projects succeed. What are the reasons for the failures?

This question is similar to the previous one, but with the opposite view. Therefore, this question helped the author to have an overview of what to do and what not to do during a crowdfunding campaign.

According to Mr. Tassart and Mr. Coussot, the lack of involvement of entrepreneurs is the main reason for the high rate of failure. They also pointed out that many projects are not really serious. This is as well underlined by Ms. Bès, who said that most of the projects she receives on her platform are “weak projects in distress” and are not “crowdfundable”.

For Mr. Harper, the biggest and most common mistakes that lead to failures are having a project that doesn’t solve any problems, launching the project alone in a room, communicating only with word-of-mouth and to have a poor campaign planning.

The lack of marketing and communication was as well described by Mr. Coussot as one of the main reasons for failures.

**Crowdfunding Platform - MyAnnona**

**Question:** What are the criteria required to be accepted in your platform?

This question helped the researcher to understand how a crowdfunding platform works and what entrepreneurs have to achieve in order to present their project on a crowdfunding platform.

To be accepted on the platform MyAnnona, entrepreneurs must meet with many criteria. According to the CEO of MyAnnona, entrepreneurs must have a good “first degree” network, which is the starting point. Then, the project must match with the ethical value of
the platform. The project must also be ambitious, the project will only be accepted if it has the potential to enhance the entrepreneur’s business. This assumes that the entrepreneur must be willing to spend a lot of time and wants to make a difference. Last but not least, once the viability of the project is verified, Ms. Bès always makes a financial analysis of the project.

**Question:** On your platform, the success rate is over 70%, how do you manage to be more effective than the key players? (like Kickstarter for example)

The high success rate of the crowdfunding platform MyAnnona is due to the selecting process and to the support provided by the platform. The lack of advice is often described as one of the main downsides of crowdfunding for entrepreneurs. The business model of MyAnnona demonstrates that with a better selection and support process, entrepreneurs are much more likely to succeed in their campaign.

### 4.2 Crowdfunding versus traditional ways of funding

In this section, the author compared crowdfunding and the traditional ways of funding to extract differences, correspondences, advantages and disadvantages.

**The reasons that drive entrepreneurs to conduct a crowdfunding campaign**

**Question:** Why did you choose crowdfunding instead of banks to raise funds? What attracted you to this concept?

Knowing what drives entrepreneurs to conduct a crowdfunding campaign can provide valuable indications about the advantages of this method of financing in comparison to the traditional methods.

The main reasons that led Mr. Harper to run a crowdfunding campaign were the need of cash inflow and clients. Clearly, crowdfunding was the only to achieve these goals.
Moreover, he also took advantage of the feedback from end-users to improve the product. In addition, as he started with just an idea and a prototype of the product, banks would most likely have rejected the project and the loan.

In sum, Mr. Harper used crowdfunding to bypass banks entry barriers and to take advantage of the non-financial benefits of crowdfunding.

**The issue of the lack of the non-financial benefits of traditional funding instruments for crowdfunded entrepreneurs**

**Question:** Other forms of financing, such as business angels can provide entrepreneurs non-financial benefits (access to its network and industry expertise for example). How do entrepreneurs fill this gap with crowdfunding?

The traditional method of funding provides non-financial benefits that are not provided by crowdfunding. It was therefore essential for the investigator to know how crowdfunded entrepreneurs manage this lack of benefits and to what extent this is problematic.

Mr. Coussot and Mr. Tassart both agreed that this lack of non-financial benefits from traditional forms of funding is usually a problem for entrepreneurs who use crowdfunding.

However, Mr. Coussot outlined that entrepreneurs can find the same advantages by engaging crowd-investors in the project and, as a result, benefit from their skills, network and knowledge.

He also pointed out that there are other ways to benefits from these advantages without the traditional method of funding. According to him, there are networks and associations that can help entrepreneurs and bring the same benefits as Business Angel for example.

In addition, he said that entrepreneurs can fill this gap thanks to state aid (region or department assistance). This is as well highlight by Mr. Harper who stated that “We are using our position as a small independent start-up to get access to government-financed programs to enter those personal and knowledge networks.”
The limits of crowdfunding

**Question:** What are the limits of crowdfunding for your company "MOVA"? Do you think of moving towards a traditional means of financing?

Like all funding sources, crowdfunding has limits. These limits can be reflect the limits of competitive advantage created by crowdfunding. Knowing if entrepreneurs want to switch to traditional methods also give information about the limits of crowdfunding.

According to Mr. Roland Harper, the limits of crowdfunding is that it is bounded in time. As the crowdfunding campaign is a one-shot, once it is over, entrepreneurs have to start over and over again, so it does not give a constant cash-inflows. This makes crowdfunding risky because there is no safety margin, and a delay or something unexpected can lead to the failure of the project. This is the reason why Mr. Roland Harper is developing other strategies to upscale the e-commerce and distribution. In order to develop these strategies, they are thinking to move towards a traditional form of financing.

For Mr. Coussot, the limits of crowdfunding are the amount raised. According to him, crowdfunding is a perfect tool to launch a project, but once launched, the amount raised by crowdfunding is not sufficient. However, this issue could be solved thanks to cryptocurrencies crowdfunding, which could potentially allow to raise much more money and therefore remove this limit.

The impact of crowdfunding on profitability

**Question:** Do you think that entrepreneurs financed by crowdfunding are more sustainable than entrepreneurs financed by the traditional instruments? More profitable?

For many experts, having a competitive advantage is reflected in a better profitability than competitors. Hence, the author wanted to know the impact of crowdfunding on profitability in order to determine if crowdfunding creates a competitive advantage.
According to Mr. Tassart, the sustainability and profitability of an entrepreneur depend on many factors. It is therefore difficult to say that crowdfunded entrepreneurs are more profitable and sustainable than entrepreneurs financed by traditional instruments. In similar lines, Mrs. Bès said it depends on many factors, including the business model, but she also said that crowdfunding can improve the profitability and the sustainability of thanks to non-financial benefits (validation of the market needs, creating a community, etc.)

For his part, Mr. Coussot stated that to be as much sustainable and profitable as possible, entrepreneurs must move to the traditional way of financing after the crowdfunding campaign.

**Crowdfunding is often defined as an alternative, but is it more complementary?**

**Question:** *Do you think that crowdfunding is complementary or an alternative to the traditional way of financing?*

All participants agreed that crowdfunding should be used as a complement, not as an alternative. As noted earlier, Mr. Coussot considers crowdfunding as a tool for the early stages of a business and then advises to move to the traditional form of funding. Regarding Mr. Harper, he first used crowdfunding as an alternative, but he is now looking for traditional means of financing to complete his business model.

For Ms. Bès, crowdfunding is 100% complementary; she highlighted the need to use all sources of financing to take advantages of the benefits of each source. Moreover, she pointed out that for now, crowdfunding is only a small part of the total financing market, so it would be a shame to be stuck on crowdfunding.

**4.3 The non financial value added of crowdfunding**

The literature review gives some indications about the non-financial value added of crowdfunding. However, the author wanted to gather more information from different points of view and know how effective these benefits are for entrepreneurs.
The non-financial value added of crowdfunding

**Question:** *What are the non-financial benefits of crowdfunding?*

It is important to have an accurate knowledge of the non-financial benefits of crowdfunding. Indeed, the competitive advantage could come from these benefits, which are different from those of traditional financing.

Marketing is the most cited benefit of participants. Indeed, Mr. Harper said that “it helps a lot to create a community around the brand” whereas Ms. Bèsli stressed the attractiveness for media and the high visibility brought by crowdfunding. This is due to access to the community of the crowdfunding platform and the crowdfunding process itself, which forces entrepreneurs to communicate a lot. Moreover, a great advantage for marketing is also the crowdfunding-based communication that makes it possible to tell a story in a way that other established companies cannot. In addition, crowdfunding helps to federate around the project, to have brand ambassadors, which is really important for marketing.

In addition, Mr. Harper stressed that it allows to launch a project and create a better product through feedback and “participatory design”. He also highlighted that it is less risky for entrepreneurs if the project does not work.

The fact that crowdfunding helps to find other sources of funding and to validate the market need was highlighted by Mr. Tassart.

On his side, Mr. Coussot said that the main non-financial benefits of crowdfunding are to avoid the banking obligations. It makes it possible to circumvent banks and all the issues related to the traditional instruments, such as the need for collateral and minimum capital. He also underlined that crowdfunding platforms allow entrepreneurs to sell worldwide and thereby significantly increase the size of the market.

The long-term benefits of crowdfunding

**Question:** *Do entrepreneurs take advantage of these benefits in the long-term?*
It is critical to know if the benefits of crowdfunding regard only the short term of the campaign or if they last in the long term. The answer to this question is essential to determine whether crowdfunding creates a sustainable competitive advantage.

In the case of MOVA (the company of Mr. Harper), there is no doubt that they are taking advantage of these benefits in the long term. For this question, Mr. Harper answered “100% We never stopped filming and communicating in a crowdfunding way, and thanks to that, we kept our clients (we call them our “cycling family) loyal”. In addition, he highlighted that crowdfunding allowed them to have “brand-ambassadors” who recommend their products and that MOVA feels the positive impact of the brand-ambassadors in the long term.

In the same vein, Mr. Tassart and Mr. Coussot both believe that the network, the notoriety and the communication established during the crowdfunding campaign do not disappear after the campaign and that this result in significant advantages in the long term.

**The disadvantages of crowdfunding**

**Question:** What are the drawbacks of crowdfunding for entrepreneurs?

Since crowdfunding is different from other forms of financing, it also poses drawbacks that should not be neglected by entrepreneurs. These drawbacks can adversely affect the competitiveness of entrepreneurs.

For Mr. Harper, the biggest drawback is to give information to potential competitors. He explained that it is really important to be transparent to run crowdfunding campaign effectively. Therefore, the crowdfunding process that pushes entrepreneurs to communicate publicly on the project can be a threat. Obviously, giving information about the idea, the business model or the product increases the risk of being coping.

Legal risks are as well outlined by Mr. Harper, who stated that in some countries, the legal grey area of crowdfunding can make it difficult to manage the bookkeeping and to stay in the cost.
The fact that crowdfunding opens up the entire international market is first interpreted as an opportunity offers by crowdfunding. However, shipping can be much more difficult and expensive than expected, and the shipping logistic can become a huge issue.

**More for the money or for the non-financial benefits?**

**Question:** Would you advise an entrepreneur to use crowdfunding only for the non-financial benefits?

Knowing that experts advise entrepreneurs to use crowdfunding solely to take advantage of non-financial benefits demonstrates the strength of these benefits. Therefore, this question was relevant in determining the impact of crowdfunding on the competitiveness.

All participants would advise entrepreneurs to use crowdfunding only for the non-financial benefits. Mrs. Bès has already done so, demonstrating the importance of the non-financial benefits of crowdfunding for entrepreneurs. The non-financial benefits that led her to advise entrepreneurs to use crowdfunding are: do a market study, test the product, have a vision of the community, go faster, be more efficient, spend less time and to give a “modern” perception of the company.

For Mr. Coussot, it really depends on the projects. According to him, conducting a crowdfunding campaign solely for non-financial benefits is only worthwhile if the project is innovative. Moreover, he added that as banks are frightened to finance innovative projects, crowdfunding is the best tool for these kinds of projects.

The answer of Mr. Tassart was quite similar; he would advise conducting a crowdfunding campaign solely for the non-financial benefits for entrepreneurs who want to launch a new product on the market. In this case, the fact that crowdfunding validates the market need and help for marketing are the main reasons entrepreneurs should use crowdfunding to launch a new product. So, for those reasons he would recommend conducting a crowdfunding campaign, even if entrepreneurs do not need money.
4.4 Links between crowdfunding and competitive advantage

The main research question of this dissertation is whether the non-financial added value of crowdfunding creates a competitive advantage for entrepreneurs. In this section, the author wanted to determine the links between crowdfunding and competitive advantages and whether crowdfunded entrepreneurs benefit from a competitive advantage.

Is crowdfunding part of a global strategy?

**Question:** Do entrepreneurs come to your platform with a comprehensive strategy and the goal to increase competitive advantage?

This question helped the investigator to find out how crowdfunding is perceived by entrepreneurs. Knowing whether entrepreneurs perceive it as a simple fundraising tool or as a tool as part of a comprehensive strategy to gain a competitive advantage, is very important for the author to answer the research question.

For the CEO of MyAnonna, Mrs. Bès, “crowdfunding is a business and financial strategy tool that should be part of a global corporate strategy, for example, a strategy for developing a new product or even developing team building”. However, most of the projects she received do not match with her definition of crowdfunding. According to her, too many entrepreneurs use crowdfunding as a tool of the “last hope”, without trying hard to make it work or to take advantage of the non-financial benefits. This explains why she rejects so many projects and why the success rate of the major crowdfunding platforms is so low.

**Question:** Have you entered your crowdfunding campaign into a more global strategy to achieve a competitive advantage? To what extent is your business model based on crowdfunding?

Contrary to most projects Mrs. Bès receives, Mr. Harper has entered the crowdfunding campaign into a global strategy. Crowdfunding was part of the “launch strategy”, which was part of a broader strategy. For MOVA, the crowdfunding was intended to create the
momentum for launching the product and improve the product during the campaign. Moreover, crowdfunding was also part of the distribution strategy; it allows to sell products all around the world. However, they develop other distribution channels to diverse and not to be dependent solely on the crowdfunding platform. Crowdfunding is also part of the marketing strategy, the communication of MOVA is crowdfunding-based that allows selling a story, which is more valuable than a product. Hence, they use crowdfunding to optimize their capabilities into a global strategy.

Crowdfunding and Michael Porter’s competitive advantage theory

Question: Michael Porter (1985) highlights three forms of “generic strategy” that can lead to a sustainable competitive advantage.

The three forms are:

- the cost leader strategy: to be the cheapest producer in the industry
- the differentiation strategy: products or services that are believed to be unique in the industry.
- the focus strategy: target a narrow segment of the market.

Which strategies can be boosted by crowdfunding?

Michael Porter’s theory highlights three “generic strategies” that can be used by entrepreneurs to enhance their competitiveness. This question allowed the investigator to know which strategies can be amplified by crowdfunding in order to achieve a sustainable competitive advantage.

The strategy of differentiation is highlighted by all participants as a strategy that can be amplified through crowdfunding. For Mr. Harper, this strategy can be improved because crowdfunding makes it possible to present the project/product in a short video, and so entrepreneurs can easily show how the product/project is different and better than the competitors. According to Mr. Coussot and Mr. Tassart, as crowdfunding enables to do better innovations, it improves the differentiation. Moreover, Mr. Tassart stressed that since crowdfunding is a new phenomenon, entrepreneurs who use it benefit from its
positive image. In the same vein, Ms. Bès stated that it increases the differentiation strategy because it makes the company “perceived as young with modern value”.

Although this seems less obvious, crowdfunding can enhance the focus strategy. According to Mr. Harper, this strategy is easy to implement thanks to online crowdfunding platforms that open the worldwide market and advertising methods that allows targeting a specific segment. For Ms. Bès, this strategy can be amplified by crowdfunding because it enables entrepreneurs to know exactly who participates in the campaign and to gather information about them. Therefore, entrepreneurs have a sharper segmentation based on their customer profile, which improves their targeting and adapts their offers to the demands.

With respect to the low-cost strategy, only Mr. Harper believes this can be amplified by crowdfunding. He explained that for entrepreneurs having good infrastructure, crowdfunding can cut all the intermediaries and therefore enable them to be cheaper than competitors. On the contrary, Mr. Tassart explained that to follow this strategy, companies must generally be able to produce a lot in order to achieve an economy of scale, which is not a suitable strategy for crowdfunded entrepreneurs. In similar lines, Mr Coussot does not believe that crowdfunding can work with a low-cost strategy.

**The impact of crowdfunding on the value chain.**

**Question:** According to the theory of the value chain, the sources of competitive advantages come from the so-called basic activities of the company.

This theory assumes that the benefit comes from the core activities that are:
- inbound logistics
- production process
- outbound logistics
- marketing and sales
- services

Does crowdfunding allow entrepreneurs to be more effective than their competitors in these core activities?
It is essential to know which activities of the company can be affected by crowdfunding. If crowdfunding enables entrepreneurs to be more effective on the core activities, this could be the source of competitive advantages.

For the first three core activities: inbound logistics, the operations and the outbound logistics, there is no (or a marginal) impact of crowdfunding. According to Mr. Harper, crowdfunding can help for the production process, as entrepreneurs produce only what they have already sold. This was as well outlined by Ms. Bès who highlighted the positive effect of selling before producing on working capital. However, this advantage offered by crowdfunding only works for the first production, so it doesn’t help for the long term.

Regarding marketing and sales activities, all participants agreed that crowdfunding can help entrepreneurs to be more effective. Mr. Coussot, who helps entrepreneurs to develop their business, has clearly felt the difference in efficiency on these activities between non-crowdfunded entrepreneurs and crowdfunded entrepreneurs. According to him, on the one hand crowdfunded entrepreneurs “have already communicated, they already have a project that is well presented, they already have a method of financing, they have already seduced people” which give them a “huge advantage for the future commercialization”. On the other hand, non-crowdfunded entrepreneurs usually don’t know how to sell because they focus mainly on project development, on financing but often neglect the selling part. And even when they pay attention to the selling part, it is generally less effective than the crowdfunded entrepreneurs.

For Mr. Harper, crowdfunding helps marketing and sales activities through the structure of the campaign page, with video and graphic representation, which gives the opportunity to present more information or sell arguments. Moreover, as crowdfunding is always "new and innovative", it can enable entrepreneurs to get free press articles.

Mr. Tassart and Mr. Harper both said that it could have a positive impact on services activities. Indeed, they stated that crowdfunding allows entrepreneurs to have a closer relationship with customers, which is different from the classical relationship
entrepreneurs-customers. Therefore, it is easier for entrepreneurs to provide suitable services and, according to Mr. Harper, customers “treat” entrepreneurs better.

Last but not least, Ms. Bès pointed out that crowdfunding makes the marketing team, the communication team, the finance team and the IT/data team work together. Therefore, it enhances the team spirit and the links between activities, which is considered by this theory as essential to gaining a competitive advantage.

The effect of crowdfunding on Barney’s four key criteria

Question: The theory of Barney (1991) demonstrates that there are four key criteria by which capabilities can provide a basis for achieving a sustainable competitive advantage. The four criteria are: Value, Rarity, Inimitability and Non-substitution. Crowdfunding may increase the risk of Rarity, Imitation and Substitution, posing a threat to the competitiveness of the entrepreneurs. Are you not afraid of this issue?

As defined in this theory, there are four key criteria to take in consideration to gain competitive advantage. As a result, it is relevant to know if crowdfunding has a negative impact on the key criteria defined by Barney. Since the crowdfunding process implies to show publicly the project and the product, it may increase the risk of imitation and substitution. These risks may adversely impact the competitiveness of entrepreneurs.

According to Mr. Coussot, this does not represent a threat to competitiveness. He pointed out that entrepreneurs have tools to protect themselves from these risks. The tools he listed are International, European or national patents such as the “Enveloppe Soleau” in France that allows entrepreneurs to protect them easily and cheaply. Moreover, he stated that in any case, once the product is on the market, anyone can have access and copy it, whether it is crowdfunded or not. Last but not least, he argued that entrepreneurs should not be afraid of these risks and that being copying should motivate entrepreneurs because it proves that the product has a potential.

For Mr. Harper, it is clearly a threat. In order to mitigate this risk, they take care not to film or communicate about critical aspects and processes. However, crowdfunding allows them
to sell a story, not just a product. Hence, it makes it difficult for entrepreneurs to copy because they will have the same story. This was as well pointed out by Mr. Coussot.

This is as well considered as a significant threat for Mr. Tassart, who explained that multinational companies watch what is going on in the crowdfunding market. As a result, if multinational companies detect a new product and start to produce it, it will be very difficult for entrepreneurs to compete and to have a competitive advantage over a multinational company.

**Question:** *Do you think this increases the value perceived by customers?*

All participants concurred that it can increase the value perceived by customers, but not automatically.

On the one hand, Mr. Harper argued that it depends on the entrepreneurs. Crowdfunding can increase the value if the entrepreneur sells a project, a story, and not just a product. In his case, thanks to crowdfunding, his clients know they are helping young entrepreneurs and buying areal fair trade products, made in great social conditions in Colombia. According to him, this definitely increases the value.

On the other hand, Mr. Coussot stated that it depends on the clientele. He argued that not everyone is attracted by crowdfunding and, therefore, increases value only if the target is sensitive to this new phenomenon.

Last but not least, Mr. Tassart said that it creates notoriety, improves the brand image, corporate identity and, therefore, increases the value perceived by customers. However, he stressed the limits of the increase in value and argued that the fact that the project/product is crowdfunded does not allow entrepreneurs to sell the product much more expensive.

**Resources optimization with crowdfunding**

**Question:** *The resource-based theory assumes that competitive advantage comes from the way in which entrepreneurs use and optimize their resources (network,
know-how, plant etc.). Do you think that crowdfunding makes it possible to use resources (network for example) in an optimal way?

According to the resource-based theory, entrepreneurs must use their resources in the most effective way to gain a competitive advantage. For this reason, the investigator wanted to know if crowdfunding allows entrepreneurs to optimize resources, and thus helps to create a competitive advantage.

The network seems to be the resource that is the most optimized by crowdfunding. Indeed, both Mr. Harper and Mr. Tassart stated that crowdfunding helps to mobilize the network, enhances it (both in quantity and quality) and uses it to raise funds. In sum, the network is perfectly optimized by crowdfunding.

Regarding resources allocated to the supplier and production, Mr. Harper explained that crowdfunding allows entrepreneurs to have a perfect match between offer and demand, allowing them to use the resources really precisely.

For his part, Mr. Tassart argued that crowdfunding can optimize the intangible resources. He emphasized that the resources allocated to marketing are optimized by crowdfunding since the goal of marketing is not only to sell the product but also to raise funds.

For Mr. Coussot, crowdfunding can optimize the resources but it depends on the type of crowdfunding used. He explained that the funds raised by reward-based crowdfunding cannot be considered as debt or equity, but as turnover. According to him, it is a new method that enables to optimize the resources.

**Innovation and crowdfunding**

**Question:** Innovation is a key factor of competitive advantage; does crowdfunding allow entrepreneurs to make more relevant innovations?
There is a consensus among experts and economists that innovation is one of the key factors to achieve a competitive advantage. Therefore, the investigator wanted to know if crowdfunding helps entrepreneurs make better innovations.

Mr. Tassart and Mr. Coussot both believe that crowdfunding helps to make more relevant innovation. Mr. Coussot explained that thanks to crowdfunding entrepreneurs reach the community even before the product is produced, and thus the community guides entrepreneurs towards the best possible development. In the same vein, Mr. Tassart said crowdfunding helps entrepreneurs improve their innovations through feedback.

According to Mr. Harper, crowdfunding does not necessarily lead to more pertinent innovations. However, it forces entrepreneurs to show why their innovations are pertinent, so if it is not pertinent, entrepreneurs will quickly realize it.

**Creation of a competitive advantage through crowdfunding**

**Question: Did crowdfunding bring entrepreneurs a competitive advantage?**

For Mr. Harper, crowdfunding has given his company a competitive advantage. According to him, the competitive advantage created by crowdfunding comes from the fact that crowdfunding allows him to get a momentum, to create an active community and improve a prototype into a product that meets the needs of customers.

According to Mr. Coussot, it also brings a competitive advantage, but for other reasons. He explained that the competitive advantage created by crowdfunding comes from the fact that it allows entrepreneurs to develop the product more quickly and therefore to sell products that appeal customers before competitors, which is a significant competitive advantage.

On his side, Mr. Tassart argued that, overall, it provides a competitive advantage. However, he pointed out the limits of the competitive advantage created by crowdfunding and said it does not automatically create a competitive advantage. He also added that even if crowdfunding would be the “magic potion” to create a major competitive advantage, everyone would use it very soon, so the competitive advantage would disappear.
5 Discussion and conclusion

In this chapter, the author interprets the results and responds the research objectives and the research question. To this end, this chapter is reflective, critical, coherent and analytical, and integrates the theories and concepts raised in the literature review section of the research.

The chapter is designed that each research objectives has been answered separately and followed by answering the main research question of this dissertation:

➢ Define the general characteristics of crowdfunding, trace its history, define crowdfunding and analyse the main models and actors of crowdfunding.

➢ Evaluate the advantages and disadvantage of crowdfunding and examine the non-financial added value of crowdfunding.

➢ Evaluate the advantages and disadvantage of crowdfunding versus traditional methods of financing.

➢ Find what gives competitive advantages for entrepreneurs, critically discuss the theories provided by experts and authors, and determine the links between crowdfunding and competitive advantage.

As a reminder, the main research question of the dissertation is:

➢ Does the non-financial added value of crowdfunding create a sustainable competitive advantage for entrepreneurs?
1. General characteristics of crowdfunding.

Definition
The author retains the definition of crowdfunding of the literature review from the Oxford dictionary (2018) “The practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet”.

History
As explained in the literature review, the idea of crowdfunding is old and its origins remain unclear. However, the raise of crowdfunding as we know it today is due to the emergence of the internet and to the aftermath of the financial crisis of 2008. The findings of the qualitative interviews match with the literature indication since all participants first heard about crowdfunding between 2007 and 2011 and emphasized the importance of the internet.

Crowdfunding process
The European Commission (2016) demonstrated the process of crowdfunding. Moreover, the qualitative interviews enabled the author to find out the consequences of this process for entrepreneurs. Indeed, Mr. Harper pointed out that the process requires entrepreneurs to communicate a lot, which contributes to future commercialization. The fact that the crowdfunding process enables entrepreneurs to receive feedback from customers and thus helps to improve the product was also highlighted during the interviews.

Crowdfunding types
The first step for entrepreneurs willing to run a crowdfunding campaign is to choose the types of crowdfunding. As mentioned earlier, there are six types of crowdfunding, reward-based crowdfunding, donation-based crowdfunding, equity-based crowdfunding, loan crowdfunding, royalty crowdfunding and hybrid crowdfunding. As explained in the literature review, each type has its particularity but the overall process remains the same for any type of crowdfunding. Therefore, the author did not focus on a specific type but on crowdfunding in general. Moreover, it is important to underline that the author gathers mainly information on the reward-based crowdfunding. Indeed, Ms. Bès is CEO of a platform that is specialized in reward crowdfunding, Mr. Harper raised 250.000€ by reward-based
crowdfunding and Mr. Coussot and Mr. Tassart mainly advise entrepreneurs using reward-crowdfunding.

**Actors**
As defined in the literature review, there are three main actors involved in the crowdfunding: investors, intermediaries and entrepreneurs. Since the research question is about entrepreneurs, both the literature review and interviews focus on the entrepreneurship. The author retains the definition of Israel Kizner (1973) cited by Nayab (2011): an entrepreneur is a person or a group of person with the goal of establishing a lucrative business. As a result, the investigator interviewed participants who see or use crowdfunding as a tool for doing lucrative business, and not for the artistic component of crowdfunding.

**Conclusion**
The general characteristics demonstrate that crowdfunding goes beyond the funding area. The author decided to study the non-financial added value of crowdfunding to further analyse the potential of crowdfunding to determine whether it creates a competitive advantage.

2. **The non-financial added value of crowdfunding.**

Since crowdfunding is fundamentally different from other traditional sources of financing, the non-financial added value is also different. There are some indications of the non-financial added value of crowdfunding in the literature review.

According to the European Commission (2017), Ethan Mollick et al (2014) and the OECD (2015), the non-financial added values of crowdfunding are:

- Entrepreneurs keep the right to make company’s decisions themselves.
- Help with other forms of financing.
- The existence of information society (social networks for promotion, possibility to couple with crowdsourcing)
- A chance to test the marketability.
- A demand measurement.
- Create a community around start-ups.
- Test a project/idea.
- Receive feedback from the market.
- A powerful marketing tool.

The results of interviews showed, for the most part, similar non-financial benefits. However, participants added non-financial benefits, namely access to the worldwide market, getting a “momentum” to launch the product, and avoiding issues related to traditional financing methods.

Given that a sustainable competitive advantage regards by definition the long term, the author wanted to know what benefits would remain in the long run. According to participants, most of the non-financial benefits of crowdfunding help entrepreneurs in the long term. For example, they emphasized that the positive impact on marketing, communication, network and, notoriety helps entrepreneurs in the long run.

Last but not least, participants outlined that these non-financial benefits are very difficult or impossible to achieve without crowdfunding. In addition, participants agreed that these non-financial benefits alone (without raised funds) can be worthwhile to conduct a crowdfunding campaign, which is really time-consuming. This demonstrates the prominence of the added value of crowdfunding.

Besides the non-financial benefits, crowdfunding also has drawbacks, which are, according to the European Commission (2017), Ethan Mollick et al (2014) and the OECD (2015):
- Administrative and accounting challenges.
- Only internet-based, lack of advice
- Ideas and business models presented to the public can easily be stolen.

Again, the results from the interviews regarding the drawbacks and limits are quite similar to those in the literature review, but provide more information. Indeed, Mr. Harper highlighted the legal grey area of crowdfunding in some countries and added that
crowdfunding can result in unexpected costs due to the worldwide shipping. For his part, Mr. Coussot stressed the limitation of funds raised by crowdfunding. However, he added that crypto crowdfunding (crowdfunding in Bitcoin for example) can dramatically increase the funds raised by crowdfunding. Another limitation of crowdfunding is that it is more suited to the Business to Consumer model (B to C) and but less to the Business to Business model (B to B), which is a very big market.

**Conclusion**
On the one hand, the non-financial added value of crowdfunding gives entrepreneurs advantages that last in the long term, that are difficult to achieve without crowdfunding and that seem to have the capacity to significantly improve their competitiveness.

On the other hand, as demonstrated in the literature review, traditional methods of financing such as banks, business angels and, business ventures also bring non-financial added values for entrepreneurs.

Hence, the author compares crowdfunding versus traditional methods of financing in the next section.

### 3. Crowdfunding versus traditional methods of financing.

As explained in the literature reviews, there is no best source of financing, since each entrepreneur has different needs and each source has different characteristics. Therefore, the purpose of this section is not to find out if crowdfunding is better than traditional methods of financing, but to determine when and how entrepreneurs should use crowdfunding or traditional methods of financing to be as competitive as possible.

There are two main types of financing available for entrepreneurs, debt, and equity. Both traditional methods and crowdfunding allow entrepreneurs to finance either by debt or equity.
The traditional instrument for debt is bank loans, which is, according to the OECD (2015) the most widespread source of financing for entrepreneurs. The loan crowdfunding also enables entrepreneurs to finance with debt.

On the one hand, according to DAFmag (2018), lending-based crowdfunding is riskier due to the lack of regulation, because of the risk related to platforms. In addition, the platforms are more expensive, since the interest rate of crowdfunding platform (7%) is higher than the banks’ interest rate (2%). On the other hand, lending-based crowdfunding allows entrepreneurs to take advantage of the non-financial added value of crowdfunding. Therefore, entrepreneurs using lending-based crowdfunding must ensure that the non-financial added value of crowdfunding is worth the extra risks and costs.

Regarding the equity financing, the traditional sources available for entrepreneurs are bootstrapping, love money, business angel, and venture capital. Equity crowdfunding also allows investors (crowdfunders) to purchase equity issued by a company.

According to the OECD (2015), the non-financial benefits of traditional equity financing (business angel and venture capital) are:
- Monitoring, Controlling
- Advice
- Information
- Network/Contact
- Coaching/ Motivation/ Sparring

It is clear that the non-financial benefits of business angels and venture capitals are different from non-financial benefits of crowdfunding and seem complementary. According to the participants, the lack of these benefits for entrepreneurs using solely crowdfunding is an issue that can have an impact on competitiveness. However, as the study of Susanna Bertilsson et al (2016) shows, the participants point out that crowdfunded entrepreneurs can obtain these same benefits with crowdfunding. The ways to achieve these benefits are:
- engaging crowdfunders in the company.
-using entrepreneurs’ networks and associations
-asking for state aids (regional or departmental assistance)

However, having the non-financial benefits of traditional sources of financing with crowdfunding is not automatic and requires extra-works.

It is as well interesting to note that the reward-crowdfunding cannot be classified as debt or as equity funding. According to Mr. Coussot, the funds raised can be considered as turnover since crowdfunders are customers. This led Mr. Harper to use crowdfunding because he needed both cash-inflows and clients. He also took advantage of the non-financial benefits of crowdfunding to improve the prototype of a product that meets the needs of customers. Although he engaged crowdfunders in the company, use entrepreneurs networks and associations and ask for state aids, Mr. Harper is willing to move to the traditional ways of financing.

**Conclusion**

To be as competitive as possible, crowdfunding must be used with (and not versus) traditional modes of funding, since the non-financial benefits are complementary. Entrepreneurs should not be stuck on one method of financing, but use all available sources depending on needs and capacities to increase the competitiveness.

4. **Links between crowdfunding and competitive advantage.**

There is no literature review showing whether there is a link between competitive advantage and crowdfunding. In order to determine whether there is a link between crowdfunding and competitive advantage, the author has examined theories of competitive advantage and analysed how they are related to crowdfunding.

According to Grant (2002), quoted by UK essays (2017), “When two or more firms compete within the same market, one firm possesses a competitive advantage over its rivals when it earns (or has the potential) to earn a persistently higher rate of profit”.
When asked if crowdfunded entrepreneurs are more profitable than non-crowdfunded entrepreneurs, participants agreed that it is not that easy and depends on many factors. However, they also highlighted that the non-financial added value of crowdfunding can help entrepreneurs to be more profitable, even if it is not automatic.

**Part of a global strategy**

Most theories and concepts (Porter’s Theory, Barney’s Theory, VRIN characteristics, Value Chain analysis) imply strategies for achieving a sustainable competitive advantage.

Therefore, the author wanted to know if entrepreneurs include crowdfunding as part of a broader strategy or if they simply consider it as a tool to raise funds.

On the one hand, in the crowdfunding platform MyAnnona, most entrepreneurs consider crowdfunding as a fundraising tool, without taking into account the strategic aspect of crowdfunding. This explains the high rate of failure of entrepreneurs wishing to use crowdfunding to raise funds.

On the other hand, for the CEO of MOVA, crowdfunding was part of a global strategy. Indeed, he explained that crowdfunding was part of the “launch strategy”, the distribution strategy and the marketing strategy. As a result, he used crowdfunding not only to raise funds, but to take advantage of the non-financial added value of crowdfunding in order to gain a competitive advantage.

**Porter’s theory of competitive advantage**

As explained in the literature review, Porter’s (1985) theory demonstrates that there are three main “generic strategies” that can be used to achieve a competitive advantage.

The three strategies are:

- the cost leader strategy
- the differentiation strategy
- the focus strategy

According to all participants, crowdfunding can enhance the differentiation strategy and the focus and thus help entrepreneurs to gain a sustainable competitive advantage. For
example, the marketing strategy set up by Mr. Harper that is crowdfunding-based, enables him to be perceived as different from customers in a way that non-crowdfunded entrepreneurs cannot be, which increases its competitiveness.

Regarding the cost leader strategy, crowdfunding does not seem suitable for following this strategy. Only Mr. Harper explained that crowdfunding can be used to improve the low-cost strategy. However, he added that there are many factors that have to be met before using this strategy with crowdfunding (such as good infrastructure) and he does not use this strategy for his business.

In sum, crowdfunding can be part of the Porter’s “generic strategies” and enables crowdfunded entrepreneurs to be more effective on these strategies than non-crowdfunded entrepreneurs.

**Impact of crowdfunding on Barney’s four key criteria**

The theory of Barney (1991), which is complementary to the theory of Porter (1985), highlighted four key criteria by which capabilities can provide a basis for achieving sustainable competitive advantage.

The four criteria are: Value, Rarity, Inimitability and, Non-substitution.

Regarding the positive impact of crowdfunding on these criteria, the Value can be increased by crowdfunding. In order to increase value through crowdfunding, participants would advise entrepreneurs to:

- have a communication based on crowdfunding and marketing that allows entrepreneurs to sell a valuable story and not only a product.
- target customers attracted by crowdfunding
- use the modern image of crowdfunding to create notoriety, improve the brand image and the corporate identity.

Unfortunately, crowdfunding also adversely impacts the others criteria defined by Barney (1991). Indeed, the process of crowdfunding pushes entrepreneurs to communicate a lot and to be as transparent as possible, which constitutes a threat to the imitation, rarity, and
substitution. This threat is even more significant since, according to Mr. Tassart, multinational companies are turning to the crowdfunding market and could become direct competitors to entrepreneurs. Therefore, entrepreneurs must take these threats into consideration in order to mitigate them and to minimize the impact on competitiveness. To mitigate these threats, participants advise entrepreneurs to:
- use existing tools to protect themselves, such as International, European or national patents
- take care not to communicate or film critical aspects and processes
- create a “story” thanks to crowdfunding that is perceived as unique and therefore really difficult to imitate.

On the whole, crowdfunding adversely impacts three out of the four key criteria defined by Barney. Even if there are means to monitor this impact, it still represents a threat to entrepreneurs competitiveness.

**The impact of crowdfunding on the value chain.**
According to the value chain theory, the sources of competitive advantages come from the so-called basic activities of the company.
This theory assumes that the benefit comes from the core activities that are:
- inbound logistics
- production process
- outbound logistics
- marketing and sales
- services

According to all participants, the core activities most positively affected by crowdfunding are “marketing and sales”. This is explained by the fact that crowdfunding:
- forces entrepreneurs to communicate and “seduce people”
- pushes entrepreneurs to take into consideration the selling process from the beginning
- enables entrepreneurs to get free press articles
- gives the opportunity to present more information and sell arguments thanks to the structure of the crowdfunding page (with video and graphic representation)
Although less obvious and the impact is not as direct as for the marketing and sales, services activities are also positively impacted by crowdfunding. Indeed, the fact that crowdfunding helps entrepreneurs to have a close relationship with customers makes the services activity easier for entrepreneurs to manage.

With respect to inbound and outbound logistics and to the production process, the positive impact of crowdfunding is limited in the short term. Indeed, crowdfunding enables entrepreneurs to produce only what they sell, and thus it allows entrepreneurs to have cash flow for the first production and to limit storage.

Last but not least, since running a crowdfunding campaign makes the marketing team, the communication team, the finance team and the IT/data team work together, the links between core activities are strengthened. This is considered by this theory as essential to gain a competitive advantage.

Overall, crowdfunding positively affects the value chain, enabling entrepreneurs to be more efficient and thus increase their competitiveness.

**Resources optimization through crowdfunding.**

Resource-based theory assumes that competitive advantage comes from the way entrepreneurs use and optimize their resources.

According to research findings, crowdfunding enables entrepreneurs to optimize certain resources that are:
- intangible resources (especially the network)
- the resources allocated to the supplier and production (thanks to the perfect match between demand and supply)
- the resources allocated to marketing (since the goal of marketing is not only to sell the product but also to raise funds)
Therefore, it is clear that crowdfunding helps entrepreneurs to use and optimize their resources in an efficient way, which allows them to be more competitive.

**Innovation and crowdfunding**

Innovation enables entrepreneurs to provide an “edge” over competitors, which is critical to achieve a sustainable competitive advantage.

The results of the interviews show that there are two main impacts of crowdfunding on innovation:
- Crowdfunding helps entrepreneurs improve their innovations through feedback.
- Crowdfunding helps entrepreneurs to avoid useless innovations.

Hence, the impact of crowdfunding on innovation is very positive.

**5. Does the non-financial added value of crowdfunding create a sustainable competitive advantage for entrepreneurs?**

This is the main research question of this study.

According to the secondary and primary data that the author was able to gather, the non-financial added value of crowdfunding can create a sustainable competitive advantage for entrepreneurs.

However, this depends on the business context and how entrepreneurs use crowdfunding. According to this study, the business contexts in which crowdfunding creates a sustainable competitive advantage for entrepreneurs are:
- for innovative products and projects
- for the early stage of the start-up
- for targets that are sensitive to this new phenomenon
- for the Business to Consumer model
Even in these business contexts, the competitive advantage created by crowdfunding is not automatic. To increase the chances of creating a competitive advantage through crowdfunding entrepreneurs must:

- enter crowdfunding as part of a more global strategy.
- engage the community and crowdfunders in the company.
- use all non-financial benefits of crowdfunding.
- have a communication based on crowdfunding that increases the value perceived by customers.
- use crowdfunding to optimize capabilities and resources.
- take care not to communicate or film critical aspects and processes and to use patents to protect themselves.
- take into account customer feedback.
- be ready to switch to traditional methods of financing when needed.

Finally, the concept of competitive advantage is complex and there is no “magic way” to achieve it. On the one hand, it is certainly wrong to claim as absolute truth that “the non-financial added value of crowdfunding creates a sustainable competitive advantage for entrepreneurs”. But on the other hand, it is true that crowdfunding helps entrepreneurs in many aspects, and it can be the basis for increasing competitiveness.
6 Recommendation

Crowdfunding is a new phenomenon with a wide range of possibilities for future research.

To complete this study, the author would advise future researchers to do quantitative research and compare and analyse the result (benefits, profit margin, market share) of crowdfunded entrepreneurs and non-crowdfunded entrepreneurs in the same industry over a long period of time.

Another interesting study could focus on the funds raised by reward-crowdfunding and analyse whether it can be considered as equity funding, debt funding or another type of funding, such as “turnover funding”, which is a new funding concept.

Finally, another in-depth study on the synergy between crowdfunding and venture capitals / business angels is interesting, that is to say, demonstrating how there are complementary and how entrepreneurs can benefit from this synergy.
7. Self-reflection on learning

“How live as if you were to die tomorrow. Learn as if you were to live forever.”
— Mahatma Gandhi

Introduction

This section covers a critical self-assessment of my experience in the dissertation and Master’s program as a whole. In this chapter, the researcher is going to “thinking about thinking”, a concept close to metacognition. According to Hacker (2009) “Metacognition allows people to take charge of their own learning. It involves awareness of how they learn, an evaluation of their learning needs, generating strategies to meet these needs and then implementing the strategies.” On reflecting on the teaching and the learning process, the researcher enhances his own learning capacity to learn. Honey and Mumford (2006) point out that “Learning is your most important capability simply because it is the gateway to every other capability you might wish to develop”.

In addition, this chapter has allowed the author to take a step back and highlight what he has achieved during his MBA, what he wants to achieve, and hopefully to set up the right strategy to achieve its objectives. As the British author Terry Pratchett stated “If you do not know where you come from, then you don't know where you are, and if you don't know where you are, then you don't know where you're going. And if you don't know where you're going, you're probably going wrong.”

The first part of this chapter is related to the researcher background, the second part focuses on the learning style and the last part is about the skills acquired through the MBA and the dissertation.

Researcher’s background

The researcher has a finance background and holds a Master in Corporate Finance, Audit & Controlling from the ISG Business School in Paris. Indeed, this MBA is part of a dual degree
from the ISG Business School and the Dublin Business School. The reasons that led to the decision to do the dual degree were multiple, but the desire to live an international experience while improving the English language was the main motif.

The researcher has worked as an intern in several global companies such as EADS Sogerma, Meridian Global Services, Schön-klinik and Sodexo. In addition, the researcher also had the opportunity to make two 10-month trips around the world. The interest in the research topic arises from discussion with entrepreneurs met during the researcher’s trip that used crowdfunding. As a result, the interest in the topic is old and the desire to improve knowledge in this area was strong.

**Learning Style**

**Training Circle**

“Learning is the process whereby knowledge is created through the transformation of experience” (Kolb, 1984, p. 38).

In 1984, David Kolb published a learning style model that is a good tool for students to better understand the learning process. Moreover, the researcher completed the learning style questionnaire from Honey and Mumford to establish his own learning style.

According to David Kolb (1984), learning is the process when a person goes through a four-step circle, in other words, any person should “touch all the basis” of the four-stage learning cycle in order to learn effectively. The learning cycle can also be interpreted as a “training cycle”.

The figure below shows the link between the four stages of the training cycle and the characteristics of the stages:
Indeed, the learning cycle consists of four stages that follow each other and have different characteristics:

- The first stage concerns the concrete experience; in this stage, the person faces a new experience, a new situation or reinterprets an existing experience.
- The second stage is related to the reflective observation of this new experience. In this stage, the person watches and observes an experience before making a judgment.
- The third stage is characterized by the abstract conceptualization. This stage is the formation of an abstract concept (analysis) and generalization (conclusion).
- The last stage is connected to the active experimentation. In this stage, the conclusion is used to test a hypothesis in a future situation to solve a problem which results in a new experience.

In addition, Edgar Dale’s (1969) “learning cone” theory is also relevant for the author to understand the learning process and learn more effectively.

According to this theory, we only remember:

10% of what we read,
20% of what we hear,
30% of what we see,
50% of what we hear and see,
70% of what we say and write and
90% of what we actually participate in.
The cone of learning can be summarized by the famous quote of Benjamin Franklin “Tell me and I forget, teach me and I may remember, involve me and I learn.”

During the dissertation, the researcher followed the Kolb’s (1984) learning cycle and was deeply involved in his work. Hence, the knowledge and skills gained during the dissertation and the MBA will help the author for his future career.

The author has noticed changes in his learning process. For example, the author started its research on reading a lot, but without organizing and summarizing its reading. In fact, he lost time in trying to remember the name of the articles or academics papers and certainly forgot about 90% of the interesting information. It is now a reflex for the author to summarize each reading and check the quality of the sources.

**Learning style**

To establish his learning style, the researcher completed the Honey & Mumford (1986) learning style questionnaire (see appendix). Honey & Mumford define four distinct categories of learning style that are activists, reflectors, theorists and pragmatics. By knowing his learning style, the researcher was able to orient the learning according to his preferred method and thus learned more effectively.

**Activists:**
Activists are “feeler-doer” who learn from hands-on experience and feeling. They are involved fully in new experiences. Their philosophy is “live for today” and “I’ll try anything once”. They tend to be busy and to act without considering the possible consequences. They tend to rely on other analysis and like to take risks.

**Reflectors:**
Reflectors prefer to watch rather than to do; they are able to look at things from different perspective. They are sensitive, imaginative and interested in people. They enjoy working in groups, brainstorming and gathering information.
Theorists:
Theorist learning preference involves a logical and concise approach. They are “thinker-watcher” and excel at gathering a wide range of information and organizing it in a logical and clear format.

Pragmatics:
Pragmatics want to know the practical use of the theories and ideas presented to them. Pragmatics are more attracted to technical tasks than to people and interpersonal aspect.

Before filling the questionnaire, the author would describe himself as a Pragmatics/Reflectors. The learning style questionnaire revealed that the researcher’s type of learning is “reflector”. The researcher agreed with this result since, in his everyday life, the author prefers to observe and to watch before giving his point of view. This is also true for the dissertation, the author started to collect information on different topics from various angles before choosing a subject. On one hand, this learning style allows the researcher to sort and to weigh information in order to highlight important points. On the other hand, the researcher took more time to observe and review the literature and, as a result, lost time for primary research.

Skills acquisition and learning

Interpersonal skills
The researcher enhanced his interpersonal skills during the MBA at the Dublin Business School. This was mainly due to the format of the courses, with many group projects (such as the group presentation in Operation and Governance of the financial market and the group assignment in Marketing Driven Performance for instance). During team meetings, the researcher learned to pay attention to other work styles and points of view and to negotiate to integrate the researcher’s knowledge and opinion on the subject. Moreover, according to Edgar Dale’s (1969) “learning cone” theory, the author’s active participation helped the researcher to better remember the lectures.
The set of interpersonal skills developed during the MBA will be useful for the researcher, both for personal and professional life. More than a set of skills, the character traits of the researcher has evolved, and he is now more extroverted and confident. As the researcher is more confident in his ability to argue and to join a team, he is even more confident for the next challenge and thus finds himself in a virtuous circle that will develop interpersonal skills in the years to come.

**Leadership skills**
Since the researcher was involved in his MBA, he decided to run for the election of the class delegate. The researcher took on the responsibility of being the intermediary between the students and the teaching staff.
In addition, during the MBA, the researcher had to manage group appointments with other students, organize events such as the “Halloween DBS party” and informal football tournaments (France vs India and Brazil). All these experiences during the MBA have enhanced the researcher’s leadership and management capabilities.

**Research skills**
This was the first time the researcher had conducted such a long-term study. The author faced a new experience and began learning “research skills” through the first stage of the Kolb’s (1984) learning cycle, which is “the concrete experience”.
The biggest challenge was to be well organized in order to meet self-imposed deadlines. By continually reviewing academic literature by organizing and categorizing all information, the researcher has learned how to spot valuable input in the ocean of information. He had to improve critical and analytic research skills to highlight key information and discard irrelevant information. Sourcing the literature review allowed the researcher to have a clear overview of the subject and to formulate the research question and the hypotheses, which constitutes the cornerstone of the dissertation.

**Personal management skills**
The personal management skill was the most challenging skill to develop during this MBA. Clearly, the biggest concern throughout this MBA was time management. The autonomous nature of the dissertation forced the researcher to gain in maturity and not to wait the last
minutes before starting working. The procrastination has always been the main weak point and “the student enemy number one”, but with the continuous deadline of assignments and a full-time job at Meridian Global Services, it was critical to solve this issue. Fortunately, the researcher has learned in Dublin a wise old Irish saying “You’ll never plough a field by turning it over in your mind”. Indeed, even if the dissertation was in the researcher mind for a long time, it was difficult to start the dissertation. The Honey & Mumford (1986) questionnaire defined the author as a “Reflector”, who prefers to watch rather than to do, which is not helpful to start working. In order to solve this issue, the author forced himself to develop some habits in order to spare time (planning, better organization, work on the bus, self-discipline, etc). Furthermore, he realized that improving the personal management skill helped him to relieve stress due to deadlines and to focus on the most relevant task.

**Problem solving skills**

Challenges and problem solving teach a person to become strong and to be more confident. The first challenge was to find a topic for the dissertation. This was a tough issue because the researcher is interested in many areas and, as a reflector learner, he began to gather a variety of information before choosing a topic and certainly waste valuable time. However, in doing so, the researcher had a clear picture of what could be the research question and how to conduct the research.

The next step of the dissertation, the literature review was also challenging due to the limited literature on crowdfunding (because this is a quite new phenomenon). Moreover, as it was the first dissertation, the author struggled to form a good structure for his literature review. To solve this issue, the author had many discussions with other students and above all followed the advice of his supervisor.

Later, another challenge was to find high-quality participants for the interviews. This task was really time-consuming and discouraging due to the refusal of the main actors to participate in the research (Kickstarter, Indiegogo, KissKissBank, etc). However, the researcher insisted and persevered and finally got high-quality interviews with famous experts.

Overall, the challenges the author faced during the thesis were hard, but with good time management and precious advice from his supervisor, the researcher overcame the issues.
**Professional skills**

During the MBA, the researcher really improved his professional skills. However, it is mainly thanks to his job at Meridian Global Services as a Travel & Expenses Analyst. His work was to audit the expenses of Airbus employees during their business trips, to check whether the expenses were reimbursable and then to report the audit on the SAP software. For non-reimbursable expenses, he had to send emails to the employees to explain why the expenses are not reimbursable and to explain the Airbus policy regarding the business trips. This experience was a real opportunity for the author to apply theoretical knowledge he learned in his lectures to real case studies. He quickly adapted to his work environment and learned about informal work rules.

**Intercultural skills**

As explained in the section on the researcher’s background, the researcher already had strong intercultural skills before coming in Dublin. As a result, the researcher did not face the classical student problem of being for the first time alone in a foreign country, with a new language, food, and culture. Furthermore, the previous trips helped the researcher make friends with people coming from other countries. Indeed, as classmates come mainly from India and Brazil, it was easy for the author to find a conversation topic given that he travelled to these countries.

**Conclusion**

On completion of the Master of Business Administration at the Dublin Business School and of the dissertation, the researcher realized that his decision one year ago to do this MBA was the right one. The overall experience of this MBA has been a step forward, both in terms of professional expertise and in terms of personal experience. The dissertation, which marked the end of the MBA, is a milestone for the researcher as it is the final stretch before entering the world of work.

This successful experience at the Dublin Business School has motivated the author to work even harder and he is now more determined than ever to achieve excellence through learning.
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Appendices:

**Interview with Roland Harper** (March 2018) Founder of MOVA, a company that raised 250,000 € through Crowdfunding.

**Question 1:** *Can you briefly introduce yourself?*

Sure, I´m Roland Harper, I´m 28 years old, French-American and I´m the founder and CEO of MOVA Cycling. We are a team of 5 persons based in Bogotá, Colombia. We all love urban cycling and create jackets and clothes that make cycling a better experience.

**Question 2:** *When did you heard of crowdfunding for the first time?*

I think it was in 2009, I was still at the university and a friend of mine started a crowdfunding to finance a new album of his music band. I gave like 20€ and received a nice album 6 months later.

**Question 3:** *Why did you choose crowdfunding instead of bank to raise funds? What attracted you in this concept?*

When we started MOVA, we were at a point where we only had an idea and a prototype of a product. We needed both a cash inflow and clients. Crowdfunding gave us this opportunity, as the investors and the clients are the same persons. Moreover, we saw the opportunity to improve the product during the campaign with the help of the end-users. Last, even if this was more a positive externality that a planned approach, crowdfunding forced us to communicate a lot about the project and the product, creating a strong and worldwide community.

**Question 4:** *What are the key factors for a successful crowdfunding campaign?*

We wouldn´t say that we have a recipe that would work for every project at any time but here is what we recommend to people asking for our advices:

-A campaign should be more than just a product, it´s a product that comes from a project, a vision or a story.
A successful crowdfunding project is a project that would also work in real life, without internet. We saw a lot of people thinking that interested people would magically appear through the internet, but were unable to close a sell with real people in front of them.

A successful campaign is the result of a successful pre campaign: you have to interest people in your project starting by the ones close to you, gather email addresses and keep telling a story.

As a campaign is a project, you have to plan and finance it as a project. Do your homework and leave place for unexpected delays, think about every taxes and hidden fees that could jeopardize the finances of the project.

To achieve a big campaign, you have to advertise. Press articles are really useful as they help to give trust in you project. Online paid advertising is a must as the payment is made on an online platform. But you have to know how much you are willing to pay to get a customer.

In our time of social media communication, you have to master a video communication to get attention and generate a community.

And to finish, if you want to be able to be successful launch more than one campaign, you have to care about your clients after the campaign ends. Keep them updated and they will return to a new campaign for the cost of an email.

**Question 5: According to Kickstarter, only one out of three projects succeed. What are the reasons for the failures?**

Same as for the previous question, we could probably talk hours about that. Let me try to summarize some of the biggest mistakes you can make.

- Having a product or a project that doesn’t solve any problems is the assurance to go against the wall.

- Starting a project alone in a room is a bad idea. You have to tell people about the oncoming project to generate traction and gather ideas.

- Betting only on the word of mouth is risky. Paid advertising and press relations are a must to make a great campaign.
-With a bad planning of the project, you can have a successful fundraising and still put yourself in the worst position ever: explaining to your backers why they won’t receive the reward they pledged for.

**Question 6: What are the non-financial benefits of crowdfunding?**

Crowdfunding is perfect to launch products: you get direct feedback, can use participative design and take little risk if the project don’t work out.

It helps a lot to create a community around the brand: the crowdfunding platforms have communities of people that you can enter. On the other hand, the way it “forces” you to do things will help you create your own community. It is expected to make “actualizations” about the project. By doing that, you show how you work, and more importantly, why you work. If you do it right, people will follow you.

**Question 7: Do you take advantages of these benefits in the long term?**

100%. We never stopped filming and communicating in a crowdfunding way, and thanks to that, we kept our clients (we call them our “cycling family”) loyal. A big percentage of them joined other campaigns or bought other products through our online shop. And even more important, some of our clients became brand-ambassadors. They recommend and show our products, send us ideas to improve them and a lot of photos and love messages that motivate us more than anything else.

And last but not least, we’re confident that we can go back to crowdfunding at any time to test and launch a new product idea.

**Question 8: What are the drawbacks of crowdfunding for entrepreneurs?**

The big negative points for us are that you are giving a lot of information to potential competitors. The more transparent you are, the better the campaign. But on the other hand, you might be copied and understood more easily.

In some countries, crowdfunding is in a grey legal area, and this can make it difficult to manage the bookkeeping and stay in your costs.

Crowdfunding opens you the whole international market, and as you don’t know every country, you sometimes have bad experiences with the shipping.
**Question 9:** Have you entered your crowdfunding campaign into a more global strategy to achieve a competitive advantage? To what extent is your business model based on crowdfunding?

Off course, we see crowdfunding as the perfect platform to launch products, but once we’ve done that, we continue selling those products through other channels: distribution and online commerce. Crowdfunding helps us to create the momentum at the product launch and better the product during the campaign; the rest is covered by other strategies. A big advantage is also the crowdfunding-based communication that allows to tell a story in a way other established companies couldn’t.

**Question 10:** Michael Porter (1985) highlights three forms of “generic strategy” competitive strategy that can lead to a sustainable competitive advantage. The three forms are:

- the cost leader strategy: to be the lowest cost producer in the industry
- the differentiation strategy: products or services that are believed to be unique in the industry.
- the focus strategy: targeting a narrow segment of the market.

Which strategy can be amplified through crowdfunding?

I think in the three options: with a good infrastructure behind you, through crowdfunding you can cut all the intermediaries and go for the low cost strategy. As you present a project with a 3-5 minutes video, you can differentiate you easily from the competition, on the product or even on the project: how you create the product can be the only different thing to what exists and still be successful. And the segmentation strategy seems also easy to implement, as the online crowdfunding platforms open you a worldwide market and the advertising methods allow to target a very specific segment.

**Question 11:** According to the theory of the value chain, the sources of competitive advantages come from the so-called basic activities of the company. This theory assumes that the benefit comes from the core activities that are:
- inbound logistics
- operations
- outbound logistics
- marketing and sales
- services

Does crowdfunding allow you to be more effective than competitors on one of these core activities?

From the first three points, I only see the perfect demand-offer match that results from a crowdfunding campaign. Theoretically, you only produce what you already sold, and that gives a huge advantage on production. But seeing on the long term, you don’t want to make only one production and go home, so that doesn’t really count for me. It would be through the two last ones, and especially through marketing. As Crowdfunding is still something “new and innovative” it helps you to get free press articles. The structure of a campaign page – video and graphical representation – give you the opportunity to present more information or sell arguments. And as you are telling a story the whole time, it makes the service part easier. The customers know you well, and you get treated better by them.

**Question 12:** The theory of Barney (1991) demonstrates that there are four key criteria by which capabilities can provide a basis for achieving a sustainable competitive advantage.

The four criteria are: Value, Rarity, Inimitability and Non-substitution.

Crowdfunding may increase the risk of Imitation and Substitution, posing a threat to the competitiveness of the entrepreneurs. Are you not afraid about this issue?

Of course we are afraid of that. But we sell a product and a story. If the story is available to everyone and can be imitated in the big lines, it’s difficult to copy as it’s our specific story. And for the product, we are aware of this risk, so we make sure that we don’t film or communicate about critical aspects and processes.

*Do you think that it increases the value perceived by the customers?*
That’s not automatic if you only sell a product. But we also sell a project, a story. Our clients know that they are helping young entrepreneurs and buying a real fair-trade product, made in great social conditions in Colombia. And that definitely raises it.

**Question 14:** The resource-based theory assumes that the competitive advantage comes from the way entrepreneurs use and optimize their resources (network, know-how, plant etc.). Do you think that crowdfunding makes it possible to use your resources (network for example) in an optimal way?

Yes, as stated in the previous questions, if you just do a one-shot project, you will have a prefect demand-offer match and be able to use the resources really precisely. That’s more for the suppliers and production part. Concerning the network resources, I would also say that yes, you might be more efficient through crowdfunding, because you have a unique clear and defined goal: making a great campaign.

**Question 15:** Innovation is a key factor of competitive advantage; does crowdfunding allow you to make more relevant innovations?

I´m not sure that the structure of crowdfunding makes the innovation more pertinent. What´s sure, it´s that it forces you to show why it is pertinent and if it´s not, you will know it quickly.

**Question 16:** What are the limits of crowdfunding for your company "MOVA"? Do you think of moving towards a traditional means of financing?

The limits are that crowdfunding is bounded into the time. It´s a “one-shot”. Once you close the project, you have to start a lot over again. It doesn´t give you constant cash-inflows. And that makes it really risky: if the campaign isn´t good as planned, if the delivery is delayed or if anything unexpected happens, you can lose everything. That´s why we at MOVA are developing other strategies to sell. And yes, to upscale the e-commerce and distribution strategies, we are looking what the other options are.
**Question 17:** Other forms of financing, such as business angel can bring you non-financial benefits (access to its network and industry expertise for example). How do you fill that gap with crowdfunding?

We are using our position as a small independent start-up to get access to government-financed programs to enter those personal and knowledge networks.

**Question 18:** Did crowdfunding bring you a competitive advantage?

Yes it did. We were able to get momentum, create an active community and improve a prototype into a product that best solves the needs of our customers.

**Question 19:** Do you have any other comments?

No, thanks a lot Lucas. It was really interesting to speak with you and think about what we are doing everyday on a more conceptual level. I wish you luck for your thesis, and if you need any additional info, do not hesitate to call us again.

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**Question 1:** Can you briefly introduce yourself?

Of course, I am Béryl Bès and I am the founder of the MyAnnona, the first crowdfunding platform specialized in feminine entrepreneurship. I am also the author of the book “crowdfunding: le financement participatif” published by Eyrolles.

**Question 2:** When did you hear of crowdfunding for the first time? What attracted you to crowdfunding?

I would say 10 years ago. Notably, because I like music but I did not directly realize the use of crowdfunding for business. I was more interested in the artistic side. But four years ago,
so in May 2014, I participated in a crowdfunding forum and it really has been a revelation for me, “a love at first sight” and I decided to work in the world of crowdfunding.

Before I worked 20 years in banking and insurance, I resigned in 2009 and I founded my brokerage firm, and I still live off my brokerage firm. MyAnnona is not profitable enough for now, even though the platform attracts a lot of entrepreneurs, most projects are not really ambitious and hard-hitting.

**Question 3: Do entrepreneurs come to your platform with a global strategy and the goal to increase competitive advantage?**

Well, actually I think that this is the issue between my communication and the entrepreneurs who come on my crowdfunding platform. Because at the end of the day, for me crowdfunding is a tool for business and financial strategy that should be part of a global corporate strategy, for example, a strategy to develop a new product or even to develop team building.

However, most of the projects I received in my platform are unfortunately weak projects in distress, with an unsustainable business model, no cash for the communication etc. So most of the projects are not “crowdfundable”.

**Question 4: What are the criteria needed to be accepted in your platform?**

There are many criteria, at least 5 or 6 criteria; first of all, the size of the community, how significant is the first-degree network. And then, of course, the purpose of the business. The ethical values of the project and of the entrepreneurs should match the values of MyAnnona. The financial needs of the project, for example, entrepreneurs who want to be financed for 500 - 1000€ are not interesting, it is not enough. The project must be ambitious, both in terms of raising and in terms of involvement in the campaign. Because a crowdfunding campaign is really time-consuming, to prepare the campaign, depending on the team, it requires at least 2 - 3 months, and then there is the campaign animation for the duration of the campaign, at least two hours per day.

And then, of course, the viability of the project, for example, entrepreneurs who want to pre-sell dress for twenty euro, but the cost of production and the shipping cost is thirty
euro. So, I always check the gross-profit of the product, plus the VAT and the shipping cost. Make sure that the crowdfunding campaign does not lead to chapter eleven.

So, the same job as the bank somehow?

Not really, the bank checks the ability to reimburse a loan, what I check is the interest threshold of the campaign, I want to make sure that the entrepreneurs can deliver counter-part to the crowdfunder, whereas a bank will check if in 3 5 10 years the capacity to reimburse the loan or in fundraising what is the capacity of the development of the turnover.

The logic is fundamentally not the same.

Question 5: What are the key factors for a successful crowdfunding campaign?

I would say the involvement of the community, the network, the quality of the “support”, I mean the quality of the audiovisual and the animation.

Question 6: What are the non-financial benefits of crowdfunding?

I think it is a better visibility, a better communication with the media, for example, because crowdfunding interest people, so everything around marketing. And as well the notion of federation, you can achieve having project’s ambassador, and a federative project. For example, entrepreneurs did crowdlending campaign to allow the employee to lend money in which they work and therefore federate the team inside the company.

Question 7: Would you advise an entrepreneur to use crowdfunding only for the non-financial benefits?

Yes, of course, I have already done it. For example, it can help to do a market study, to test the product, to have the vision of the community regarding the operation, it affords to go faster, to be more efficient, to spend less time, it gives a “modern” perception of the company.

Question 8: For example, crowdfunding allowed entrepreneurs to sell directly to the consumers, it allowed to skip a part of the distribution cost, do you think it can bring a competitive advantage.
Yes, but it is more the project that matters, but the most important thing is to sell the product before it is produced, it helps for the working capital. For example, you can say I launch the production if I reach 500 pre-orders, so it is very important for the cash-flow, because the bank won’t finance your storage.

**Question 9: On your platform, the success rate is over 70%, how have you achieved to be more efficient than the key players (like Kickstarter for example)?**

I decided to focus on the quality and not on the quantity, I check the feasibility of the projects and I reject the project with a low probability of success. However, the downside is that the business model of my platform is not sustainable; I need more projects to be profitable. But the issue is the quality of the projects I received. Moreover, it is much more risky for me to have a project that failed than for Kickstarter.

*So, you really focus on the qualitative but not on the quantitative?*

Exactly, I am not looking for volume, a bit more today because I want my crowdfunding platform to be sustainable, but the aim is to have a relevant project, for instance, a project that collected 1500 euro doesn’t make any sense. I even have a campaign for 500 euro, but what can an entrepreneur do with 500 euro? That won’t change the feminine entrepreneurship.

**Question 10: Do you think that an entrepreneur financed by crowdfunding is more sustainable than an entrepreneur financed by the traditional instruments? More profitable?**

It depends regarding the business model of the company, but it ensures the entrepreneur to be sure of his potential market, it allowed to validate the market needs; for example, a Scottish brewery funded only by equity crowdfunding, and was very successful. They federate very quickly a community around the project which is a proof of the market need and allowed the entrepreneurs to invest more. In this case crowdfunding clearly gave a competitive advantage.
**Question 11:** Michael Porter (1985) highlights three forms of “generic strategy” competitive strategy that can lead to a sustainable competitive advantage. The three forms are:
- the cost leader strategy: to be the lowest cost producer in the industry
- the differentiation strategy: products or services that are believed to be unique in the industry.
- the focus strategy: targeting a narrow segment of the market.

*Which strategy can be amplified through crowdfunding?*

The crowdfunding can be used to enhance the strategy of differentiation, but also the strategy of segmentation.

The entrepreneur benefits from the perception of crowdfunding phenomenon, so creates automatically a differentiation with its competitor. The company is perceived as “young with “modern value”.

Moreover, the crowdfunding makes the marketing team, the communication team, the finance team and the IT/data team work together.

And what is awesome about crowdfunding is that you know who has participated and how much, knowing what has attracted the backers and you get feedback.

It also enables to have a better targeting of the offer/product, which is very helpful for a segmentation strategy. It allowed adapting the offer from the demands. For example, during a crowdfunding campaign, you can realize that your crowdpole (market age) is between 20 - 25 years old when you were expecting between 30 - 35. Therefore, it enables to have sharper segmentation depending on the client profile.

**Question 12:** Do you think that the crowdfunding is complementary or an alternative to the traditional way of financing?

It is really complementary; we really need to put all our strengths together, and to have a well thought out business development. Nowadays it is essential to use all the sources of
financing, knowing that in France the crowdfunding is 330 millions of financing and the bank loan to the company is 450 billion. So crowdfunding remains anecdotal.

However, it enables entrepreneurs which certainly couldn’t raise funds by the traditional way to benefit from the power of crowdfunding. We call it the power of the collective which allowed to give sense to his money and can change the direction of some company because the collective has decided something different.

**Question 13:** Do you have any other comments?

No, good luck for your dissertation!

**Interview with Julien Coussot** (April 2018) a crowdfunding expert and CEO of SIA Conseil, a business development consulting firm.

**Question 1:** Can you briefly introduce yourself?

I graduated from the ISEG School Paris, a Master in Audit and Controlling, and I have another Master in Corporate Finance, and by the way, I was valedictorian. I used to work for “caisse des dépôts et consignation” as Investment Manager Business. This fund was first held by “caisse des dépôts et consignation” but then it was managed by “BPI France”, which is the new name given to Oséo. So when that happens, my job has changed dramatically. As I did not have the management funds to distribute to companies, we launched an “investment club”, called “magicap” that allowed to reference different private or public investors to help companies to finance and to develop.

-I worked for the network “entreprendre aquitaine”, which is an association that helps business founders and business buyers.

-I also worked for the bank Courtois as a professional advisor and then I became the Chief Financial Officer of the Land Surveyors office “Geosat”. Today, I am the CEO of SIA Conseil, a business development consulting firm, so we help develop businesses, we also help for the banking organization and find financing solution, such as crowdfunding, for example.
Question 2: *When did you heard of crowdfunding for the first time?*

It was at the time that I worked for the “caisse des dépôts et consignation”, so in 2011 I think.

Question 3: *What are the key factors for a successful crowdfunding campaign?*

Well, it depends on who is the main target, in most cases they are individuals. So, if they are individuals, a huge popularization of projects and of the financial elements is needed. Then there are many crowdfunding platforms and many types of crowdfunding. But for example, in the reward model crowdfunding like Kickstarter, entrepreneurs need to find the right elements to reward funding.

So, what really matters is the popularization of the project so that everyone can understand and have a good reward system, which makes you want to invest.

Question 4: *According to Kickstarter, only one out of three projects succeed. What are the reasons for the failures?*

Very often, on Kickstarter or on other platforms, projects are not well worked out; many projects are still under development. In addition, once you have the validation of the platform and once your project is launched on a crowdfunding campaign, if you manage to collect 50% or 70% of the funding goal, banks can start to follow the entrepreneurs. On the one hand, this can allow entrepreneurs to be financed during its development. On the other hand, this sometimes leads to a stand-off because if the project is not profitable enough, it fails very quickly.

And then, the other main source of failure is when the project is not followed by the public. This happens when the project is badly referenced, with bad publicity. Marketing is very critical and very important for crowdfunding, which is unfortunately often neglected.

Question 5: *What are the non-financial benefits of crowdfunding?*
The main non-financial benefit of crowdfunding is to avoid the banking obligation. In a nutshell, banks will finance entrepreneurs only if they have sufficient resources, which means banks only lend “10” if entrepreneurs bring “15”, or “20”. Whereas crowdfunding can finance without the need for collateral in exchange. Thus, crowdfunders lend money or pre-buy a product solely on the good faith of the project and the entrepreneurs.

This is the benefice of crowdfunding, to go beyond the “radar” of the traditional way of financing and overcome more easily the difficulties encountered by entrepreneurs when they launch and develop a project with the traditional financing mode.

**Question 6: Would you advise an entrepreneur to use crowdfunding only for the non-financial benefits?**

Yes, but it really depends on the projects. Some projects don’t require to use crowdfunding while others really need. It all depends on what the contributions are, what are the difficulties of the project and the product. Having worked in a bank, I know that every project that is too innovating is frightening the banks. If there are no competitors, we cannot know if the project/product will work. If there are competitors, the bank can check the financial statement of competitors and decide whether to finance the project or not. This is where banks will be more or less appropriate.

Crowdfunding is intended for very innovative projects and I would definitively advise an innovative entrepreneur to use crowdfunding for the non-financial benefits.

**Question 7: Do you think that an entrepreneur financed by crowdfunding is more sustainable than an entrepreneur financed by the traditional instruments? More profitable?**

Well, I think that an entrepreneur financed by crowdfunding will then switch to traditional financing. The crowdfunding is perfect for the launch, but when the business is launched, the company has to work in a traditional way. In addition, I believe that the financing of the securitization and the long-term development will not be financed by crowdfunding. In any case not with the classical crowdfunding because the financing needs are too high to use crowdfunding.
However, nowadays, there is everything that is ITO/ICO (Initial Coin Offering), which is crowdfunding financed by bitcoin or other cryptocurrencies. This type of financing is very interesting for innovative projects that want to go to the next level. This is another development path with much higher financing possibilities than what we have now. For instance, there is a French company that raised 40 million in a few minutes by ICO. So the fundraising is very fast and is in cryptocurrencies. Moreover, some countries have validated the cryptocurrencies, more especially the cryptocurrencies market price, which facilitates the secure exchange of bitcoins in euros.

There are many people who have won a lot of money thanks to the cryptocurrencies, and who have a portfolio full of cryptocurrencies and don’t know what to do with all that money in cryptocurrencies, so they are willing to finance projects.

I think that the future of crowdfunding will be with cryptocurrencies.

**Question 8:** Michael Porter (1985) highlights three forms of “generic strategy” competitive strategy that can lead to a sustainable competitive advantage. The three forms are:

- the cost leader strategy: to be the lowest cost producer in the industry
- the differentiation strategy: products or services that are believed to be unique in the industry.
- the focus strategy: targeting a narrow segment of the market.

Which strategy can be amplified through crowdfunding?

I don’t think that crowdfunding can be part of a low-cost strategy. However, I think it can be interesting in term of differentiation, but of course it depends on the projects. But yes differentiation because it allowed to create something new, innovative, and this is where entrepreneurs position themselves. And then the price is/will be determined to see if the project is sustainable, but I don’t think that the low-cost strategy can work with crowdfunding. However, the differentiation of course and the focus strategy can be as well amplified by crowdfunding.
**Question 9:** According to the theory of the value chain, the sources of competitive advantages come from the so-called basic activities of the company. This theory assumes that the benefit comes from the core activities that are:
- inbound logistics
- operations
- outbound logistics
- marketing and sales
- services

Does crowdfunding allow you to be more effective than competitors on one of these core activities?

Yes, for the marketing and sales for sure. As soon as you start a crowdfunding campaign, you are already marketing, you are already selling your product. It is a huge advantage.

For example, in my consulting firm, we do business development. We have entrepreneurs with very innovative projects who have already succeed to finance their project, whether by bootstrapping or by crowdfunding. For entrepreneurs who are financed by bootstrapping, they don’t know how to sell, they work out how to develop, how to finance development but they don’t know no how to sell. Entrepreneurs who have made a crowdfunding campaign have a huge advantage for future commercialization. I mean they have already communicated, they already have a project that is well presented, they already have a method of financing, they have already seduced people because their crowdfunding campaign was a success. If they would not have done a crowdfunding and only develop their products in the garage, without communicating about the project, it would have been much more difficult to sell today.

**Question 10:** So they take advantage of these benefits in the long term?

Clearly yes, the network and the communication build during the crowd campaign give a real advantage in the long term.
In addition, the platform Kickstarter is now operating in Asia, notably in Japan and China, which are huge consumers of new technologies and innovative products. That gives a huge competitive advantage because by accessing a platform, you have access to almost the entire world. It is a huge advantage, and I said Kickstarter but there are many others. And there are also other platforms more specialized, but what really matters is to communicate on the social network, twitter, facebook, Instagram etc. It is an opportunity for cheap communication and provides a long-term advantage.

**Question 11:** The theory of Barney (1991) demonstrates that there are four key criteria by which capabilities can provide a basis for achieving a sustainable competitive advantage.

The four criteria are: Value, Rarity, Inimitability and Non-substitution.

Crowdfunding may increase the risk of Rarity, Imitation and Substitution (because entrepreneurs show their projects to the public and competitors) Does it pose a significant threat to the competitiveness of the entrepreneurs?

Well, entrepreneurs can protect their project, with International, European or National protection such as patents or “enveloppe Soleau”.

In addition, in any case, when you release and sell your products, other companies can imitate your products. However, every entrepreneur has different stories, different personalities, etc. So, I think no, it is not a threat to competitiveness.

Entrepreneurs shouldn’t be afraid of being copied; furthermore, I would say that if your product is copied, it means that the product is good.

**Question 12:** Do you think that it increases the value perceived by the customers?

It depends on the clientele, everyone is not attracted to crowdfunding and everyone is not in this culture. So, for a specific clientele yes, it increases the value of the products, at least emotionally. If the targets of the entrepreneur are young geeks, it really makes the
difference if it is funded by crowdfunding or not. By the way, that can be effective for the focus strategy.

However, I don’t think this is the case for all the potential customers. For example, a grandmother lost in the countryside will not be more interested in a crowdfunded product.

**Question 13:** *The resource-based theory assumes that the competitive advantage comes from the way entrepreneurs use and optimize their resources (network, know-how, plant etc.). Do you think that crowdfunding makes it possible to use entrepreneurs’ resources (network for example) in an optimal way?*

Yes, I think so; it certainly allowed an optimization of the resources. But again, it depends on the crowdfunding method used. For instance, the reward crowdfunding, where entrepreneurs pre-sale their products, is very interesting. This is very particular because the funds raised are not equity or debt but can be considered as turnover. This is a new, rather special method, and yes, I really think it helps to optimize resources.

**Question 14:** *Innovation is a key factor of competitive advantage; does crowdfunding allow entrepreneurs to make more relevant innovations?*

Yes, I think so, because entrepreneurs receive feedback directly from the market, which really helps to make pertinent innovations and to be aware of useless innovations. For example, Apple makes fake announcements of products or innovation on future projects to get feedback from the brand’s fan community.

And we have the same phenomenon with crowdfunding. So before the product is produced, you have already reached the community that is guiding you towards the best development possible. Hence, at the end of the crowdfunding campaign, you have the funds and certainty for a product that pleases.

**Question 15:** *Other forms of financing, such as business angel can bring you non-financial benefits (access to its network and industry expertise for example). How do entrepreneurs can fill that gap with crowdfunding?*
This is a bit tricky... During the campaign entrepreneurs are often isolated, however, you have access to the communication and to the community. As a result, a person who invests in form of crowdfunding may have knowledge and skills that can be useful to entrepreneurs.

Moreover, there are associations, like réseaux-entreprendre for example, that provide assistance to entrepreneurs. It is often business executives that help entrepreneurs to create or to develop a project. Aid is not an investment, but they share their skills, knowledge, and experiences.

In addition, there are other possibilities, for example, you can receive help from your region or department. There also are networks of business creators and business executors.

So yes, there are networks that can help crowdfunded entrepreneurs to fill this lack of advice and expertise.

**Question 16: Does crowdfunding bring a competitive advantage?**

Yes, thanks to the easy access to financing, it allows entrepreneurs to develop more quickly; and the faster the product is ready, the faster you will sell it. So it can enable you to be on the market before the competitor.

Because once a have a great idea, 10 other people already have it. Then, it’s all about who will shoot first. The crowdfunding makes it possible to raise funds quickly, and thus to produce first, and thus to be on the market first. It clearly brings an advantage over the competitor who gets the same idea at the same time but did not use crowdfunding.

**Question 17: Do you have any other comments?**

No.

**Interview with Patrice Tassart** (March 2018) Expert in entrepreneurship and crowdfunding.

**Question 1: Can you briefly introduce yourself?**
I am Patrice Tassart and I am 59 years old. At the professional level, I was commercial for many years. Then, from 2010 to 2014, I was the manager of R2ECO. So I was Consultant in management, development, and communication of TPE / TPI (abbreviation for entrepreneurs and SMEs in French), for managers who want to develop their company, to value it, to sell better or to raise funds. In this context, I helped entrepreneurs to run crowdfunding campaigns. Now I am independent as a commercial agent for water treatment system.

**Question 2:** *What are the key factors for a successful crowdfunding campaign?*

There are two main factors, the network and the product. Regarding the network, it very important to communicate regularly, or even on a daily basis. It is very important to involve the network in the project. Both the quality and the quantity of the network matter to raise money. However, if the product is not attractive, the network doesn’t help a thing! So the product must be eye-catching, this is very important.

**Question 3:** *According to Kickstarter, only one out of three projects succeed. What are the reasons for the failures?*

I would say the lack of involvement of entrepreneurs. Crowdfunding is not easy money; it is really time-consuming and demands skills that entrepreneurs may not have. There are a lot of projects on Kickstarter that are not really serious, that why the failure rate is so high.

**Question 4:** *What are the non-financial benefits of crowdfunding?*

The validation of a project by the market, the marketing, the access to the community... I forget maybe some benefits but crowdfunding is a lever, for sure! Often entrepreneurs do crowdfunding but in addition to that, they go to the banks to tell them “you see, I managed to raise funds from people I do not know at all!” Crowdfunding brings a kind of notoriety, that is useful for banks, but not only, it is also valuable to customers.

**Question 5:** *Do entrepreneurs take advantage of these benefits in the long term?*

It is difficult to answer because crowdfunding is a recent phenomenon. However, I think so, for example the notoriety of crowdfunding last after the campaign.
**Question 6:** Would you advise an entrepreneur to use crowdfunding only for the non-financial benefits?

Yes, definitively. However, it depends on the business of the entrepreneurs. But for an entrepreneur who wants to launch a new product, the non-financial benefits of crowdfunding really give an advantage. As I said, it helps to know if the market is interested in the new product, and once the product is validated by the market, it is easier to find other forms of financing. So even if an entrepreneur doesn’t need funding to launch a new innovative product, I will advise him to run a crowdfunding campaign to know if the new product attracted customers. Moreover, it helps for marketing, which is critical for any innovative product.

**Question 7:** Do you think that an entrepreneur financed by crowdfunding is more sustainable than an entrepreneur financed by the traditional instruments? More profitable?

Since crowdfunding is new, it is quite difficult to answer. And even if crowdfunding gives advantages, I don’t think it automatically leads to a highly profitable company. However, it would be very interesting to compare crowdfunded entrepreneurs with non-crowdfunded entrepreneurs in the same business to analyse the real benefits of crowdfunding. But I believe there are too many criteria to take into consideration to answer this question, and the funding component is only one of them.

**Question 8:** Michael Porter (1985) highlights three forms of “generic strategy” competitive strategy that can lead to a sustainable competitive advantage. The three forms are:

- the cost leader strategy: to be the lowest cost producer in the industry
- the differentiation strategy: products or services that are believed to be unique in the industry.
- the focus strategy: targeting a narrow segment of the market.

*Which strategy can be amplified through crowdfunding?*
The process of crowdfunding is fundamentally different from any other forms of funding we had before. So crowdfunding improves the differentiation of the entrepreneur, even if the product is not really different. In addition, as I said, it also allows entrepreneurs to test innovative product, which is by definition different than products already in the market. So yes, crowdfunding amplifies the differentiation strategy. Regarding the focus strategy, maybe but I don’t know. I never had entrepreneurs following this strategy. But for the cost leader strategy, usually the company’s size and the economy of scale really matter, so I don’t think that it is a good strategy for entrepreneurs and small businesses.

**Question 9:** According to the theory of the value chain, the sources of competitive advantages come from the so-called basic activities of the company. This theory assumes that the benefit comes from the core activities that are:
- inbound logistics
- operations
- outbound logistics
- marketing and sales
- services

Does crowdfunding allow you to be more effective than competitors on one of these core activities?

Yes, for the marketing and sales. As I said, it is a really effective marketing tool, and it allows entrepreneurs to pre-sell. This is very important for entrepreneurs, it brings cash-flow that is vital for business. Because even if the entrepreneur achieves to have a good profit margin, he needs cash to finance the working capital. The reward-based crowdfunding, which is often a pre-sale system, enables companies to have cash for the production. Perhaps crowdfunding can help to be more effective in terms of service, given that entrepreneurs are in direct contact with customers and this makes the relationship closer.

**Question 10:** The theory of Barney (1991) demonstrates that there are four key criteria by which capabilities can provide a basis for achieving a sustainable competitive advantage.

The four criteria are: Value, Rarity, Inimitability and Non-substitution.
Crowdfunding may increase the risk of Rarity, Imitation and Substitution (because entrepreneurs show their projects to the public and competitors) Does it pose a significant threat to the competitiveness of the entrepreneurs?

Yes, I think that this is the main threat of crowdfunding. For example, I know that some multinational companies watch what’s going on in the crowdfunding market. And clearly, if they detect a good innovation/product in their sector, they will produce it and it will be almost impossible for entrepreneurs to compete.

Question 11: Do you think that it increases the value perceived by the customers?

Yes, I believe that crowdfunding really creates a notoriety, it improves the brand image and the corporate identity. However, customers would not pay twice the price because the product is crowdfunded. And I’m sure because I participated in many crowdfunding campaigns as a buyer (for reward-based crowdfunding) and I only participate in projects if the product is worth the price, I am not ready to pay much more even if the product is crowdfunded.

Question 12: The resource-based theory assumes that the competitive advantage comes from the way entrepreneurs use and optimize their resources (network, know-how, plant etc.). Do you think that crowdfunding makes it possible to use entrepreneurs’ resources (network for example) in an optimal way?

For the intangible resources, yes. As you said, for the network it really helps. Basically, crowdfunding is the only way to use your network to raise funds, so you really optimize it. Moreover, entrepreneurs enhance their networks by conducting a crowdfunding campaign. In addition, crowdfunding enables to optimize the resources allocated for the marketing, since the marketing is used both to sell product and to raise funds, which is not the case for non-crowdfunding entrepreneurs.

Question 13: Innovation is a key factor of competitive advantage; does crowdfunding allow entrepreneurs to make more relevant innovations?
I would say that it helps entrepreneurs avoid unnecessary innovations or innovations that do not meet a market need. And yes, it can also help entrepreneurs to improve their products through feedback.

**Question 14:** *Other forms of financing, such as business angel can bring you non-financial benefits (access to its network and industry expertise for example). How do entrepreneurs can fill that gap with crowdfunding?*

It is true that entrepreneurs using crowdfunding don’t receive advice. However, in cases where the entrepreneur has been in business for a long time, he may not need it because he already has the network and the expertise of his industry. But for young entrepreneurs who launch their first business by crowdfunding, the lack of advice, experience, and expertise is a real issue. And it’s also one of the reasons for the high failure rate.

**Question 16:** *Does crowdfunding brings a competitive advantage?*

Overall yes. But doing a crowdfunding campaign alone is not enough to achieve a sustainable competitive advantage. As I told you, business is very complex and there is no “magic potion” to be more profitable than competitors. And even if crowdfunding were the “magic potion”, everyone would use it very soon, so the competitive advantage would disappear.

**Question 17:** *Do you have any other comments?*

No, I hope that I brought you valuable input for your dissertation. Don’t hesitate to call me back if you need more information or if you have forgotten a question!

**Honey and Mumford: Learning Styles Questionnaire**

There is no time limit to this questionnaire. It will probably take you 10-15 minutes. The accuracy of the results depends on how honest you can be. There are no right or wrong answers. If you agree more than you disagree with a statement put a tick. If you disagree more than you agree put a cross by it. Be sure to mark each item with either a tick or cross. When you have completed the questionnaire, continue this task by responding to the points that follow.

1. I have strong beliefs about what is right and wrong, good and bad.
2. I often act without considering the possible consequences.
4. I believe that formal procedures and policies restrict people.
5. I have a reputation for saying what I think, simply and directly.
6. I often find that actions based on feelings are as sound as those based on careful thought and analysis.
7. I like the sort of work where I have time for thorough preparation and implementation.
8. I regularly question people about their basic assumptions.
9. What matters most is whether something works in practice.
10. I actively seek out new experiences.
11. When I hear about a new idea or approach I immediately start working out how to apply it in practice.
12. I am keen on self-discipline such as watching my diet, taking regular exercise, sticking to a fixed routine etc.
13. I take pride in doing a thorough job.
14. I get on best with logical, analytical people and less well with spontaneous, "irrational" people.
15. I take care over the interpretation of data available to me and avoid jumping to conclusions.
16. I like to reach a decision carefully after weighing up many alternatives.
17. I'm attracted more to novel, unusual ideas than to practical ones.
18. I don't like disorganised things and prefer to fit things into a coherent pattern.
19. I accept and stick to laid down procedures and policies so long as I regard them as an efficient way of getting the job done.
20. I like to relate my actions to a general principle.
21. In discussions I like to get straight to the point.
22. I tend to have distant, rather formal relationships with people at work.
23. I thrive on the challenge of tackling something new and different.
25. I pay meticulous attention to detail before coming to a conclusion.
26. I find it difficult to produce ideas on impulse.
27. I believe in coming to the point immediately.
28. I am careful not to jump to conclusions too quickly.
29. I prefer to have as many sources of information as possible - the more data to mull over the better.
30. Flippant people who don't take things seriously enough usually irritate me.
31. I listen to other people's point of view before putting my own forward.
32. I tend to be open about how I'm feeling.
33. In discussions I enjoy watching the manœuvrings of the other participants.
34. I prefer to respond to events on a spontaneous, flexible basis rather than plan things out in advance.
35. I tend to be attracted to techniques such as network analysis, flow charts, branching programmes, contingency planning, etc.
36. It worries me if I have to rush out a piece of work to meet a tight deadline.
37. I tend to judge people's ideas on their practical merits.
38. Quiet, thoughtful people tend to make me feel uneasy.
39. I often get irritated by people who want to rush things.
40. It is more important to enjoy the present moment than to think about the past or future.
41. I think that decisions based on a thorough analysis of all the information are sounder than those based on intuition.
42. I tend to be a perfectionist.
43. In discussions I usually produce lots of spontaneous ideas.
44. In meetings I put forward practical realistic ideas.
45. More often than not, rules are there to be broken.
46. I prefer to stand back from a situation and consider all the perspectives.
47. I can often see inconsistencies and weaknesses in other people's arguments.
48. On balance I talk more than I listen.
49. I can often see better, more practical ways to get things done.
50. I think written reports should be short and to the point.
51. I believe that rational, logical thinking should win the day.
52. I tend to discuss specific things with people rather than engaging in social discussion.
53. I like people who approach things realistically rather than theoretically.
54. In discussions I get impatient with irrelevancies and digressions.
55. If I have a report to write I tend to produce lots of drafts before settling on the final version.
56. I am keen to try things out to see if they work in practice.
57. I am keen to reach answers via a logical approach.
58. I enjoy being the one that talks a lot.
59. In discussions I often find I am the realist, keeping people to the point and avoiding wild speculations.
60. I like to ponder many alternatives before making up my mind.
61. In discussions with people I often find I am the most dispassionate and objective.
62. In discussions I'm more likely to adopt a "low profile" than to take the lead and do most of the talking.
63. I like to be able to relate current actions to a longer-term bigger picture.
64. When things go wrong I am happy to shrug it off and "put it down to experience".
65. I tend to reject wild, spontaneous ideas as being impractical.
66. It's best to think carefully before taking action.
67. On balance I do the listening rather than the talking.
68. I tend to be tough on people who find it difficult to adopt a logical approach.
69. Most times I believe the end justifies the means.
70. I don't mind hurting people's feelings so long as the job gets done.
71. I find the formality of having specific objectives and plans stifling.
72. I'm usually one of the people who puts life into a party.
73. I do whatever is expedient to get the job done.
74. I quickly get bored with methodical, detailed work.
75. I am keen on exploring the basic assumptions, principles and theories underpinning things and events.
76. I'm always interested to find out what people think.
77. I like meetings to be run on methodical lines, sticking to laid down agenda, etc.
78. I steer clear of subjective or ambiguous topics.
79. I enjoy the drama and excitement of a crisis situation.
80. People often find me insensitive to their feelings

**Scoring**

Activist: 14  
Reflector: 20  
Theorist: 12  
Pragmatist: 16