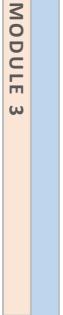




CROWDSTREAM TRAINING GUIDE

MODULES 1-6 | BASIC, ADVANCED & BSOs TRAINING

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TU 1. INTRODUCTION

This training unit addresses the concept of crowdfunding from a broader perspective, starting with its beginnings and covering its development in the recent years, which goes hand in hand with the growth of internet usage.

Starting with the basics, **crowdfunding** could be defined as “the practice of getting a large number of people to each give small amounts of money in order to provide the finance for a business project, typically using the internet” [1]. When assessing the word “crowdfunding”, a reference to the concept of “crowdsourcing” is needed. The latter, being composed of the words “crowd” and “outsourcing”, describes the process of contracting out competencies to one anonymous crowd of people. Thereby the cornerstone for crowdfunding – which represents the outsourcing of raising capital to the crowd [2] – has been laid down. The appeal for funds made to the general public in support of a project or company is known as **crowdfunding campaign**. It is typically conducted through a **campaign page** launched on an intermediary internet platform, called **crowdfunding platform**.

Crowdfunding is regarded as an alternative form of financing, standing beside the classical bank financing or financing through professional investors such as business angels and venture capitalists. The main differences between these types of financing can be found in the following table, whereby a further specification between crowdinginvesting (which aims at achieving profit) and crowdfunding (primarily coming in support of a good cause and/or interesting product or service) is made [3]:

			
<p>Bank financing</p> <ul style="list-style-type: none"> • The bank is not willing to take high risks. • Interest charge is often high. • Several guaranties are expected from the borrower. 	<p>Venture capital</p> <ul style="list-style-type: none"> • High growth rates are required. • Close liaison with investors, who are entitled to have a say. • “Hardcore business” • Relies on the exit option. 	<p>Crowdinvesting</p> <ul style="list-style-type: none"> • Both idea and growth are important. • Investors have no say in the business. • Exit option is not mandatory. 	<p>Crowdfunding</p> <ul style="list-style-type: none"> • Enabling and/or supporting a good cause or interesting product/service is most important. • Contributors have no say in the business.

Table 1: Financing models (own translation) [3]

However, the concept of crowdfunding existed long before the internet was established, although back then it wasn't labelled this way. One of the oldest examples is represented by medieval Cathedrals across Europe (like e.g. St. Elisabeth in Kosice, Slovakia) where wealthy local citizens helped financing its construction at the end of the 14th and beginning of the 15th century [4]. Another crowd-based financing approach which was wide-spread during the 17th and 18th century is represented by the subscription business model, which was mainly used for financing the production of books. The "reward" for those willing to invest was an ideal one – for example their names were printed in the book. [5]



Figure 1: Cathedral of St. Elisabeth in Kosice, Slovakia [6]

By far the best-known example of a crowdfunding initiative in the pre-internet era is represented by the Statue of Liberty, at the end of the 19th century. Conceived as a gift from France to the US, the statue had to be built on a pedestal. However, the American Committee for the Statue of Liberty was missing about half of the needed capital in order to finalise the pedestal, when the newspaper editor Joseph Pulitzer initiated through his newspaper "The World" a call for donations. This action involved more than 120.000 persons who managed to collect approximately \$ 102,000 (which today is equivalent to EUR 1.7 million), whereby most of those willing to invest contributed with far less than one dollar per person. [7]

As already pointed out through the aforementioned examples, crowdfunding did not start with the internet, although it owes its expansion and success in the recent couple of years to this network of networks. A simple glimpse at the results provided by a search engine confirms this aspect: in July 2018, at the time of writing this compilation, the number of articles reached about 16.500.000 (*note*: the exact search was based on the English version "crowdfunding platform"). Furthermore, the search of the word "crowdfunding" returned approximately 30.300.000 articles, leading to the conclusion that the heterogeneous online community became more and more interested in the mechanism of crowdfunding.

Whilst the pioneers in the field of online crowdfunding mainly came from the artistic-creative scene, nowadays projects from different backgrounds – such as technology, social entrepreneurship, energy – are being initiated and financed through crowdfunding. Also, the number of platforms rose in the recent period of time, from about 700 in 2012 to more than 2.000 worldwide in 2016 [9] and they still find themselves on an ascending trajectory. According to the research conducted by the CrowdStream project team, a total of



Figure 2: Crowdfunding for the Statue of Liberty [8]

60 crowdfunding platforms are based in the countries which build the consortium, to which accrues a number of internationally active platforms (for detailed information see the Regional Market Analysis [10]).

However, besides the platforms (and the people behind them – owners, respectively operators) and the project initiators as well as the contributors, there are also other relevant actors, who offer their support in different phases of the project (before, during and/or after the campaign). These aspects will be covered in the following training units.

TU 2. TERMINOLOGY, CROWDFUNDING MODELS AND FINANCING MECHANISMS

As previously stated, crowdfunding represents an effort from many individuals, which materialises in offering a (small) contribution to support a project or a company in raising capital [11]. In this respect, following two basic models can be identified:

- non-financial return crowdfunding
- financial return crowdfunding

In the case of **non-financial return crowdfunding models** individuals support a project because they are emotionally attracted to the campaign (donation-based) or because they receive a symbolic gift (reward model), which is, however, not proportionate to the actual donation [12]. The main advantages of the latter model can be the attraction of first customers and a fast feedback on the commercial potential of the respective product or service.

The two types of crowdfunding can be defined as follows [13]:

- **Donation-based crowdfunding:** This is the original and most popular form of crowdfunding. The contributors support social, political, academic or cultural projects with different amounts. The donors don't receive anything in return.
- **Reward-based crowdfunding:** Similar to donation-based crowdfunding, contributors are motivated in this case by the topic and not by expectations on yield. The main difference is that they receive a non-financial symbolic reward in return. The value of this material or immaterial reward is not proportionate to the actual financial contribution.

Another type of crowdfunding which falls into this category is the **pre-selling model**, where the project initiator promises to offer a prototype or the finished product or a service for a certain period of time to those contributing to the campaign [14].

On the other side, the **financial return crowdfunding models** provide an opportunity for the public to invest in start-ups or to offer loans with the expectation of a financial return while taking into account certain risks.

The crowd could invest in early-stage companies (equity-based) or offer loans to SMEs under specific legal conditions (lending-based).

The particularities of these two types of crowdfunding are [15]:

- **Equity-based crowdfunding:** Small investors acquire shares in a company, which is often a start-up or a SME with an innovative project. The investment sum can be very low (often starting from 100 Euro per project). Crowdinvestors (as contributors are called in this case) bear the risk: in case of a successful business, yields can be very attractive, the counterexample is, however, loss of the investment. This type can be also found under the title *crowdinvesting*, especially in German speaking countries.
- **Lending-based crowdfunding:** It covers private microloans for projects in form of secondary loan funds. This means that contributors lend their money to a certain person directly or through a crowdfunding platform. In addition to the principal sum, which is paid back in a certain period of time, the lender receives interest payments agreed in advance. The amount of interest rate is individual for each project and depends on supply and demand. This kind of loans fall within the category "mezzanine capital"¹ as in case of insolvency all other creditors have priority for receiving their money. In some countries, especially in German speaking ones, this model is also called *crowdlending* or *peer-to-peer-lending*.



Figure 3: Overview of non-financial return and financial return models [16]

According to the aforementioned crowdfunding models, there are different, more specific terms for the individuals who make up the **crowd**. While some of the words used are intuitive – such as **donors** in the case of **donation-based** or **lenders** within the **lending-based** model, others are not so explicit – for example **backers** when it comes to the **reward-based** type or **investors** for **equity-based** crowdfunding. Apart from that, the word **supporters** can be used, like **contributors**, when not specifically referring to a certain model. Further information regarding this collective actor can be found in Module 3, especially dedicated to "Crowdfunding Actors".

¹ Mezzanine capital is an alternative financing instrument, representing a combination between equity and borrowed capital. This type of long-term financing provides profit-related interests and no guarantees. It is a subordinated capital (in case of insolvency it will be served after the borrowed capital e.g. credits), being suitable for established companies in a growth or expansion phase or in case of a change of ownership. For detailed information see Wikipedia: https://en.wikipedia.org/wiki/Mezzanine_capital

The concept of crowdfunding can be subsumed under **alternative financing** forms, which refers to all types of finance not intermediated by a bank. Another crowdfunding-related term is that of **online fundraising**, which is a rather broader one and describes the process of using online tools in order to generate funds for a certain cause or project.

Before going into detail in the crowdfunding process and discussing the main phases, a clear picture about the campaign-related vocabulary is needed [17]:

- **Campaign** refers to all efforts and activities of the crowdfunding project in order to reach out to and activate potential contributors.
- **Campaign owner** is either a person or a team who/which initiated the project in the attempt to raise money for it through crowdfunding. An alternative term would be **campaigner(s)**.
- The **campaign page** is the online presence of a project (campaign) in form of a subpage launched on a crowdfunding platform.
- The **funding goal** is the sum of money envisaged by the project owner. In some cases, two other values can be defined: a threshold, which represents the minimum funding goal, and a maximum or limit.
- The **campaign length** refers to the period in which the funding goal shall be reached. However, some projects may have no deadline, which means that the campaign runs for an undetermined period of time.
- **Rewards** are symbolic items, material or immaterial nature, offered to the contributors in the case of reward-based crowdfunding.

TU 3. PROCESS AND PHASES

Before starting a crowdfunding campaign, one fundamental aspect has to be clarified: if the idea is suitable for this type of (alternative) financing at all. As explained before, although crowdfunding currently enjoys popularity, it is important to acknowledge that some ideas are less likely to be supported by a crowd. In order to be able to better assess the suitability of the idea, detailed information on the process and contributing factors for a successful campaign is indispensable.

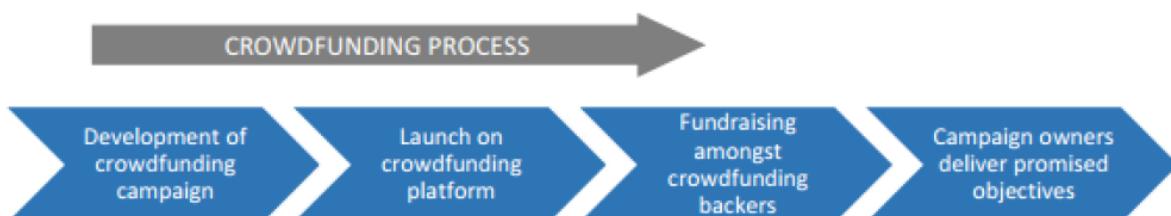


Figure 4: Crowdfunding process [18]

The process of initiating, launching, conducting and finalising a crowdfunding campaign can be structured in three main phases:

- **Planning or pre-campaigning** – starting with the further elaboration of the idea in order to become a crowdfunding project, this phase is dedicated to all the necessary activities for the preparation of the campaign. It includes setting up the team representing and/or standing behind the project owner – involving external experts if and when needed, conducting research on similar projects and existing crowdfunding platforms and choosing the suitable platform. In most cases, at this point there is also a preliminary assessment undertaken by the crowdfunding platform in question, in order to ensure that the project is eligible and prepared for the entire process, since the platform also has a certain image to communicate to the public. Further actions include defining the campaign parameters (length, goal and, if applicable, rewards) according to available resources, developing and writing a business plan as well as a communication plan, clarifying the relevant legal aspects, preparing the online presence of the project on the campaign page (including descriptions, video, pictures/graphics), identifying and pre-activating the crowd.
- **Campaigning** – being the most visible part of the whole process, this phase revolves around the online presence on the crowdfunding platform, the campaign page. It implies a lot of activities and sustained efforts, most of them in regard to the implementation of the already planned measures during the pre-campaigning phase, where a significant number thereof takes place offline. Besides the actual launch of the campaign and the general promotion of the project, the owner has to invest time and resources in answering all incoming questions or requests, regularly updating the contributors and attracting new ones. Especially the crowd and the efforts put into identifying and activating it must not be underestimated, since it's not only the three F's "Family, Friends and Fools" which make up a crowd.
- **Post-campaigning** – the actual work starts after a successful campaign with the implementation of the crowdfunded project. However, there still are some aspects to be taken care of, such as issuing bills, communicating the success to the supporters, thanking them and, if applicable, sending the rewards and informing them of the next steps. At this point, reflecting on and doing an assessment of the finalised campaign is highly recommended, since initiating a further campaign in the future should also be taken into consideration.

Labelling a crowdfunding campaign as successful also depends on the approach followed by the respective platform, here two distinct models being used: "Keep it all" vs. "All or nothing". In the first case, the defined funding goal is not binding and therefore, all the money raised through each and every contribution is transferred to the project. In the latter model, which is also the most common one, it is foreseen that only after meeting the target in terms of funding the money actually gets to the project, otherwise being refunded to the contributors.

Even though not desirable, the case of not achieving the funding goal has to be considered as well, since the rate of successful campaigns lies only between 50-65%, depending of the platform [19]. Experts recommend communicating in a transparent manner with the contributors and explaining

them why the campaign ended being unsuccessful. This way, a relationship of trust and a network of contacts can be built, which could be fruitful in case another campaign somewhere in the future is being considered, but also in order to improve the concept of the product/service developed. Furthermore, the received contributions will be refunded to the supporters, thus no money being lost in the process.

Each of the three phases requires a certain amount of time as well as investing specific resources, as illustrated in the following figure:



Figure 5: Investing for the campaign [20]

TU 4. ADDITIONAL FUNCTIONS

Crowdfunding's growing popularity is also due to the benefits coming along with a successful campaign. For example, especially in the field of crowdinvesting, a campaign can also be used as a **market research** or a **market launch tool**, the entrepreneur being able to receive immediate feedback ("**proof of concept**") from potential customers on his business idea, but also to make publicity for it among the relevant target groups even before launching it on the market [21].

Apart from that, the attention given by the media as well as the **advertising value** of the campaign can bring later on positive effects, such as interview requests, online reputation and a general good public image [22].

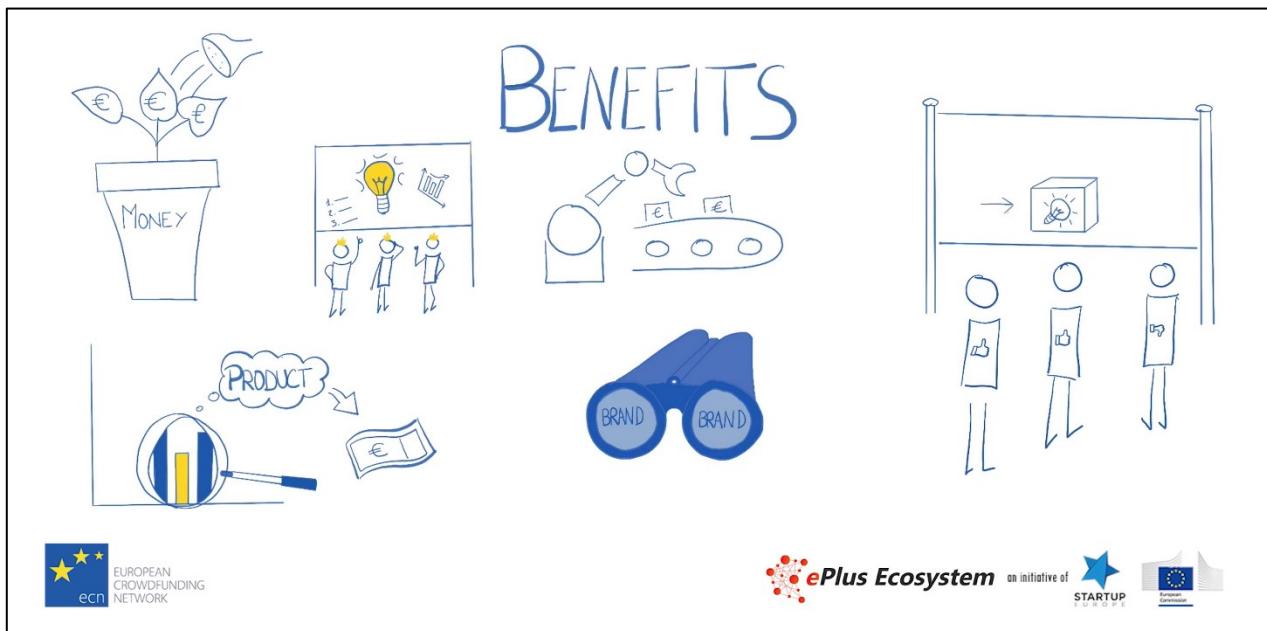


Figure 6: Benefits of Crowdfunding [23]

Among the contributors of a campaign there are always multipliers, who spread the news about the action, making thus other supporters and/or investors aware about it. This can lead to **community building**, since the crowd gathers different people having the same interest in the crowdfunding project idea.

Further, project initiators can also use the “wisdom of the crowd” and engage their supporters beyond collecting their feedback. Through **crowdsourcing**, the contributors can give a variety of tips and suggestions on the development of the company as well as the product or service for which the campaign was launched [24].

The pronounced innovative content of the projects chosen to be funded through crowdfunding is another important factor when referring to the additional functions of a campaign. This way, crowdfunding “operates as an **open innovation model** where the middle part of the innovation funnel is open to providers of funds or funders that are involved in all stages of a new product” [25].

However, besides all the aforementioned benefits that come along with a (successful) campaign, there are also some risks which could bring rather negative effects. In this regard, not reaching the funding goal set or not receiving enough interest from the envisaged target group can have a broad public impact associated with failure and/or a loss of image quality.

Nevertheless, such situations can be bypassed with a clear picture of how crowdfunding works, what it implies as well as with an objective assessment of the project idea and its potential for this type of alternative financing.

TU 5.LEGAL FRAMEWORK: NATIONAL AND EUROPEAN FRAMEWORK

The EU market for crowdfunding is underdeveloped as compared to other major world economies. One of the biggest hurdles faced by crowdfunding platforms seeking to offer their services across borders is the lack of common rules across the EU. This raises compliance and operational costs and prevents crowdfunding platforms from expanding.

In March 2018, as part of its Fintech action plan, the European Commission presented a proposal for a regulation on crowdfunding service providers. Once adopted at EU level, the new regulation will allow platforms to apply for an EU passport based on a single set of rules. This will make it easier for them to offer their services across the EU.

The new rules will improve access to this innovative form of finance for small investors and businesses in need of funding, particularly start-ups. Investors on crowdfunding platforms will benefit from a better protection regime and a higher level of guarantees, based on:

- Clear rules on information disclosures for project owners and crowdfunding platforms;
- Rules on governance and risk management;
- A coherent approach to supervision;

The Commission proposal only applies to those crowdfunding services entailing a financial return for investors, such as investment and lending based crowdfunding. [26]

The initiative of the European Commission will ease the way for young entrepreneurs, business founders and creatives to receive funding more easily. While a European crowdfunding regulation is still not within reach the following paper is analysing the current legislations within the alternative financing sector throughout Europe. It provides information about legal frameworks, developments, contents and obstacles within the law.

5.1 AUSTRIA

5.1.1 Recent developments in the market of Crowdfunding in Austria

The Austrian crowdfunding market is slowly turning from a small market niche to a serious alternative in the financial system. The change owns its development to the introduction of a new legal framework, which came into effect in Austria on 1 September 2015. Since then, the number of crowdfunding projects and crowd based business models have increased rapidly, but Austria still hasn't reached its's full potential. Experts state that the mid-term potential for the crowdfunding market in Austria can be estimated on €65 million per year. [27]

5.1.2 Recent developments regarding Crowdfunding regulations in Austria

Due to the impact of crowdfunding in Austria, and the ongoing trend in using this alternative financing model, the Austrian legislation had to adapt its legal framework to the new conditions. Just with regulations transparency and legal certainty for businesses, platforms and investors can be provided. In the future the crowdfunding market will continue growing like in the past two years. With increasing professionalization of the alternative financing industry, crowdfunding will establish as a real alternative to traditional financing. Especially for SMEs crowdfunding will become an important source of financing, due to the rigorous regulatory frameworks for banks. [27]

5.1.3 Current regulations of Crowdfunding in Austria

5.1.3.1 Alternative Financing Act

During the last years, crowdfounding and crowdfunding have been subject of broad public discussion in Austria. Starting point was the case of a SME whose founder got prosecuted and fined by the Financial Market Authority after raising money to increase his production capacity. This debate led to passing of a specific crowdfounding act, so called Alternative Financing Act (Alternativ Finanzierungsgesetz - AltFG) and to an alteration of the existing Capital Market Act (Kapitalmarktgesezt - KMG) in summer 2015. The Alternative Financing Act specifically addresses crowdfounding. The Austrian Alternative Financing Act established the legal basis for the financing of SMEs (small and medium-sized enterprises) through Crowdfunding and citizen participation models. In addition, it created a legal framework for the operators of Crowdfunding platforms. The aims of the Alternative Financing Act and the Capital Market Act are to increase the innovative potential of crowdfounding for start-ups and to protect the investors.

The Alternative Financing Act applies to SME's which have fewer than 250 employees and either generate annual turnover of no more than EUR 50 million or with an annual balance sheet totalling not more than EUR 43 million. The new law significantly increased the maximum issue volume currently admissible without issuing a capital markets prospectus, raising it from EUR 250.000 to EUR 1.5 million, thereby enabling the financing of larger investment projects.

According to the Alternative Financing Act, investments over EUR 5 million raised over a seven-year observation period will trigger the need to publish a prospectus. The new law covers shares, bonds and business shares in capital companies and cooperatives, as well as profit participation rights and silent partnerships. Donations do not fall under the new law. Shares and bonds offered to the public with a total consideration of no less than EUR 250.000 and no more than EUR 1.5 million are covered by special rules, namely the prospectus obligation "light". In order to improve investor protection, individual investments are generally limited to a maximum of EUR 5.000 per project, only professional investors are exempt from the limitation.

The new law also implemented broad information requirements vis-à-vis investors including disclosure of information on the business, the alternative financing instrument, the current annual accounts

and the business plan. This information must be verified by an expert, for example an attorney or notary, as the Financial Market Authority does not have any competence of verification. In order to reduce the high risk investments related to Crowdfunding, the Alternative Financing Act implemented new regulations for operators of a Crowdfunding platform. Operators must either hold trade licences entitling them to act as financial advisers for investment transactions or investment service providers (for transactions in alternative financing instruments under the Securities Supervision Act (Wertpapieraufsichtsgesetz - WAG) or be in possession of a licence issued by the Financial Market Authority. Furthermore, operators are obliged to take out third party liability insurance. [28]

AIMS OF THE LAW:

- Creating a clear legal framework for crowdfunding to increase the use of this form of financing;
- Ensuring an adequate level of investor protection;
- Preventing the misuse of crowd-financing for criminal purposes;
- Enabling low-cost crowd-financing in line with the government program.

CONTENT OF THE LAW:

- The law gives a clarification of the legal framework of crowd-financing
- Introduction basic information and publication requirements
- Preventing the misuse of crowd-financing for criminal purposes
- Enabling low-cost crowd-financing in line with the government program [29]

CHANGES:

- With the law the obligation to publish a complete capital market prospectus will first apply starting with an issue volume of EUR 5 million. Before this the limit was EUR 250,000;
- The requirement to put together a prospectus for issue volumes between EUR 250,000 and EUR 5 million has also been changed. In the future, only a simplified prospectus (prospectus requirement light) is required for an issue volume of between EUR 1.5 million and EUR 5 million;
- One investor can invest up to EUR 5,000 per project;
- This EUR 5,000 limit can be surpassed if the investor earns a net salary of more than EUR 2,500 per month. In this case, the investor is allowed to invest double his net monthly earnings.
- One option is for investors to invest ten percent of his or her financial assets if this amount exceeds EUR 5,000;
- Similar to the Consumer Protection Law, investors have the right to withdraw within two weeks;

- Issuers may not raise more than EUR 5 million in capital over a seven year period, less the amounts already paid back to investors. If this threshold is exceeded, the company is required to issue a capital market prospectus;
- The investment is made with the issuing SME or via crowdfunding platforms. [30]

5.1.4 Summary

Austria	
Recent developments in the CF-market	<ul style="list-style-type: none"> • Austrian crowdfunding market is slowly turning from a small market niche to a serious alternative in the financial system; • This change was possible because of the new legal framework; • Since then the projects financed by Crowdfunding got more and more, but Austria still hasn't reached its full potential; • Crowdfunding will be real alternative to traditional financing in future; • Especially for SMEs crowdfunding will become an important source of financing, due to the rigorous regulatory frameworks for banks.
Recent developments in CF-regulations	<ul style="list-style-type: none"> • Alternative Financing Act was implemented on the 1st of September 2015; through the implementation the general licencing requirements became clearer; • Situation regarding the allowance of issuing subordinated loans to customers remains unclear as they may provide a severe disadvantage. [31]
Current regulations of Crowdfunding in Austria	<ul style="list-style-type: none"> • If Crowdfunding platforms provide alternative financing products, they have to be licenced as a security service provider by the Federal Law; • Alternative Financing Act: • Creates a clear legal framework for crowdfunding to increase the use of this form of financing; • Ensures an adequate level of investor protection; • Prevents the misuse of crowd-financing for criminal purposes; • Enables low-cost crowd-financing in line with the government program.
Local Platforms	<p>www.respekt.net (donations) www.conda.eu (equity and lending) www.1000x1000.at (mixed model) www.greenrocket.com (investing) www.homerocket.com</p>

5.2 CZECH REPUBLIC

Crowdfunding has become very popular in the Czech Republic and vast majority of the projects supported by Crowdfunding platforms is in the cultural and social area. The donation- and reward-based model is still the most used Crowdfunding model. The lending model has been established in the area of peer-to-peer lending and recently a new platform focused on the loans to small and medium-sized businesses become active. [32]

The Czech Republic raised 9 million euro with crowdfunding in 2015. Currently, the most common form is reward-based crowdfunding, which has existed in the Czech Republic for four years now and is growing every year. For example, the Hithit platform raised 80% more money in 2015 than in 2014. The second most used form of crowdfunding in the Czech Republic (that is actually not publically perceived as a form of crowdfunding), is P2P consumer lending. It started to accelerate during 2015 when Zonky.cz was launched. This platform has built its public recognition on the emphasis that people who do not match the criteria of banks should nevertheless have a chance to get a loan. SymCredit and Pujcmefirme represent Czech P2P business lending. These platforms are slowly gaining the trust of the public Equity crowdfunding, which has not been an active form of financing in the Czech Republic so far. Just one campaign has been successfully funded. [33]

5.2.1 Recent developments in the market of Crowdfunding in Czech Republic

Crowdfunding is becoming increasingly popular in the Czech Republic with a first crowdfunding platform launched in 2011, followed by a marked rise in platform establishments in 2012 onwards. Whilst national Crowdfunding programmes are perceived as effective alternative finance mechanisms for small-scale projects, larger aspirations would typically turn to international crowdfunding platforms with a potential to fund a large-scale ventures. Overall, as per October 2014, the sums raised via crowdfunding in the Czech Republic reached 24 million CZK (approx. 890,000 euros), whilst the support and interest of backers remains positive (Staszkiewicz, et al. 2014). Considering the number of effectively operating platforms and successfully funded projects, crowdfunding demonstrates its potential in bridging the funding gap between concept design and later-stages of innovation development.

5.2.2 Recent developments regarding Crowdfunding regulations in Czech Republic

In the past year the main regulations relevant to Crowdfunding remained mostly stable and unchanged. We understand from unofficial contact with public bodies that the current extent of Crowdfunding regulation is viewed as sufficient and that, therefore, no specific regulatory changes directly affecting Crowdfunding are expected in the near future. Recently there have been the following significant developments in the Czech Republic regarding Crowdfunding:

5.2.2.1 *Equity Model*

While there is still no working equity Crowdfunding platform in the Czech Republic, we perceive an increased interest in creating such a platform. This development may be partly attributable to new legislation governing corporations (Act no. 90/2012 Coll., the Corporations Act, which took effect on 1 January 2014). The Corporations Act enables more flexibility in setting up the corporate governance structure of target companies, thereby making equity Crowdfunding projects more viable in the long term. There have been some announcements with respect to new equity platforms however as at 1 December 2015 no equity Crowdfunding platform has been operational yet.

5.2.2.2 *Lending Model*

There has been a significant development in the Lending Model, mostly regarding peer-to-peer lending. New platforms with business loans are also becoming active in the market. Business loans still continue to be outnumbered by loans to private individuals. Some of the newly created lending platforms are established by financial institutions (including banks).

5.2.2.3 *Donations or Rewards Model*

Crowdfunding platforms based on the Rewards Model continue to be the most successful and popular in the Czech Republic. As in the past, social and cultural projects still form a majority of funded ventures, along with a smaller number of start-up companies and projects. [34]

5.2.3 Current regulations of Crowdfunding in Czech Republic

General regulations:

- A Project company or Crowdfunding platform acting under an Equity Model can be qualified as an Investment Fund under AMCIF
- A licence from the Czech National Bank is required. - Alternatively, a Crowdfunding platform may, to a limited extent, act as intermediary in the direct purchase of shares by investors
- Hence, a licence from the Czech National Bank is required. - A project company or crowdfunding platform acting under a Lending Model is not a regulated entity, therefore no licence required. - A Project company or Crowdfunding platform acting under a Donations or Rewards Model enjoys an exemption under AMCIF and cannot be qualified as an Investment Fund (no licence required). There is a general prospectus requirement for offering investment securities. Exemptions apply under the threshold of EUR 1,000,000 per issuer, for investment securities offered in any Member State of EU within 12 months. [35]

Prospectus requirement:

- General prospectus requirement for offering of investment securities. Exemptions apply under threshold of EUR 1,000,000 per issuer, for investment securities offered in any Member State of EU within 12 months. [35]

5.2.4 Summary

Czech Republic	
Recent developments in the CF-market	In the past year the main regulations relevant to Crowdfunding remained mostly stable and unchanged
Recent developments in CF-regulations	<ul style="list-style-type: none"> • No new developments in applicable regulations; • New Corporations Act enables more flexible structure of target companies using Equity Model; • No new regulation is expected in the near future.
Current regulations of Crowdfunding in Austria	<p>General:</p> <ul style="list-style-type: none"> • Project company or Crowdfunding platform acting under Equity Model can be qualified as an Investment Fund under AMCIF → licence from the Czech National Bank required; • Alternatively, Crowdfunding platform may to a limited extent act as intermediary in direct purchase of shares by investors 106 → licence from the Czech National Bank required; • Project company or Crowdfunding platform acting under Lending Model is not a regulated entity → no licence required; • Project company or Crowdfunding platform acting under Donations or Rewards Model enjoys an exemption under AMCIF and cannot be qualified as an Investment Fund → no licence required. <p>Prospectus requirements:</p> <ul style="list-style-type: none"> • General prospectus requirement for offering of investment securities; • Exemptions apply under threshold of EUR 1,000,000 per issuer for investment securities offered in any Member State of EU within 12 months.
Local Platforms	<ul style="list-style-type: none"> • Zonky.cz is a P2P consumer lending platform launched in 2015. • Hithit.com is a reward-based crowdfunding platform that launched its operations in 2013. • Startovac.cz is the second biggest reward-based crowdfunding platform. It was launched in 2013. • SymCredit.com is a P2P business lending platform that was launched in 2014. • Benefi, a P2P consumer lending platform, started operating in 2014.

5.3 SLOVENIA

5.3.1 Recent developments in the market of Crowdfunding in Slovenia

The decision of the Ministry of Economy to make it easier for businesses to access funds had particular consequences on crowdfunding in Slovenia. In a report dated 2013, it is stated that Slovenian projects raised over 1 million euros through crowdfunding platforms like Kickstarter. This is mainly due to the lower administrative complications and burden. What is even more interesting is that one of the top reasons for Slovenia's success in this case is due to innovative minds that were able to create products which attracted a variety of backers and in some cases more than the amount set to reach the goal. [36]

There is no particular data on the trend that crowdfunding is following in Slovenia, but it is reported to be positive in the entire area of Central and Eastern Europe. Project co-funded by the European Union funds (ERDF, IPA, ENI). According to the 2nd European Alternative Finance Industry Report, the crowdfunding volume in 2015 corresponded to €0.8M. [37]

5.3.2 Recent developments regarding Crowdfunding regulations in Slovenia

The Alternative Investment Fund Managers Directive (AIFMD) has been recently implemented in Slovenia through the new Act on Alternative Investment Fund Managers (Zakon o upraviteljih alternativnih investicijskih skladov), valid and effective as of 23 May 2015 and an amendment to the Investment Trusts and Management Companies Act (Zakon o investicijskih skladih in družbah za upravljanje), valid and effective as of 19 May 2015. Both the new Act on Alternative Investment Fund Managers and the amendment to the Investment Trusts and Management Companies Act follow the text of AIFMD. Apart from the legislation implementing the AIFMD there have been no other developments regarding Crowdfunding regulation in the last year. [38]

Positive results were recorded for Slovenian projects based on crowdfunding, but at the same time a set of obstacles have been identified. First of all, stakeholders were mainly attracted by the level of innovation in the country, the clear communication and the personal involvement. At the same time, there is a lack of relevant information and a lack of communication knowledge. Stakeholders are in fact much more willing to support crowdfunding if the project has a wide coverage, especially when available on international based platforms. The people behind the projects should be very much interested in it to the point that they can identify themselves in their own campaign. Fraud and lack of relevant information are ordinary fears faced by the stakeholders who demand for very clear information to be stated. This means clear terms and conditions, procedures for investment and any possible risk warning. Another factor that can push crowdfunding even further is the possibility of the people behind the projects to update regularly the interested users on how the project is going. At the same time and transparency are needed when it comes to understand who is behind it. Finally, a good business plan seems to be a major plus. [39]

5.3.3 Current regulations of Crowdfunding in Slovenia

The regulation framework that is active in Slovenia poses some obstacles to entrepreneurs. Unlike in Croatia where simple limited liability company with a starting budget of 100 euros is required to create a start-up, in Slovenia this is not possible in the first place because the Slovenian Enterprise Fund is involved. This means that although entrepreneurship is stimulated through their subsidies, it still poses a limit to freedom in this field because the subsidy requires a return commitment. Generally, young entrepreneurs in Slovenia establish a multi-person liability company, meaning that the minimum starting budget is at least 7500 euros, a big difference compared to the situation in Croatia. Plus, the presence of the notary is required in all the possible legal changes that the company decides to undertake. The positive side of this choice is that the regulatory framework makes it easier to apply the law, so it is mainly about overcoming the first steps. Although there is no specific regulatory framework for what concerns crowdfunding, in Slovenia there are, in fact, some laws to be respected when it comes to equity, in which only licensed banks and brokers can perform financial services, lending, donations and reward-based models. [40]

Crowdfunding is not per se a heavily or specifically regulated business in Slovenia, but various regulatory and compliance issues might arise based on existing regulation of the financial instruments and markets, banking and payment services industries. In addition, the operation and investment through a Crowdfunding platform may have tax, consumer protection, game of chance and other legal implications that require attention. [41]

General regulations:

- Financial services and transactions related to offerings of transferrable securities provided by a Crowdfunding platform trigger requirements for a licence by Securities Market Agency
- Intermediary services with respect to consumer credit and other loan agreements require a licence from the Bank of Slovenia or a Securities Market Agency.
- Donations and Rewards Crowdfunding Models would likely have tax, game of chance and consumer protection legal implications, amongst others.

Prospectus requirement:

- Prospectus requirement for offer of securities Threshold: EUR 100,000 in EU within 12 months.
- Other most relevant exceptions: (i) offering of securities to sophisticated investors only, or (ii) offering of securities to up to 150 natural or legal persons, who are not sophisticated investors.
- Simplified prospectus possible for offerings of securities below or equal to EUR 5,000,000 in EU within 12 months. [35]

5.3.4 Summary

Slovenia	
Recent developments in the CF-market	<ul style="list-style-type: none"> The Alternative Investment Fund Managers Directive (AIFMD) has been recently implemented in Slovenia through the new Act on Alternative Investment Fund Managers (Zakon o upraviteljih alternativnih investicijskih skladov; effective as of 23 May 2015); Amendment to the Investment Trusts and Management Companies Act (Zakon o investicijskih skladih in družbah za upravljanje, effective as of 19 May 2015); Both the new Act on Alternative Investment Fund Managers and the amendment to the Investment Trusts and Management Companies Act follow the text of AIFMD.
Recent developments in CF-regulations	<ul style="list-style-type: none"> AIFMD was implemented (applicable since 23 Mai 2015); Zakon o upraviteljih alternativnih investicijskih skladov; Admentment to the Investement Trusts and Management companies Act was implemented (19 Mai 2015); Zakon o investicijskih skladih in družbah za upravljanje;
Current regulations of Crowdfunding in Austria	<p>Act on Alternative Investment Fund Managers: Amendment to the Investment Trusts and Management Companies Act.</p> <p>General regulations:</p> <ul style="list-style-type: none"> Financial services and transactions related to offerings of transferable securities provided by a Crowdfunding platform trigger requirements for a licence by Securities Market Agency; Intermediary services with respect to consumer credit and other loan agreements require a licence from the Bank of Slovenia or a Securities Market Agency; Donations and Rewards Crowdfunding Models would likely have tax, game of chance and consumer protection legal implications, amongst others. <p>Prospectus requirement</p> <ul style="list-style-type: none"> Prospectus requirement for offer of securities Threshold: EUR 100,000 in EU within 12 months; Other most relevant exceptions: (i) offering of securities to sophisticated investors only, or (ii) offering of securities to up to 150 natural or legal persons, who are not sophisticated investors;

	<ul style="list-style-type: none"> • Simplified prospectus possible for offerings of securities below or equal to EUR 5,000,000 in EU within 12 months. [35]
Local Platforms	<ul style="list-style-type: none"> • Adrifund, which is reward based; • CONDA Slovenija, which is equity and lending based.

5.4 SLOVAKIA

5.4.1 Recent developments in the market of Crowdfunding in Slovakia

In the last 6 years, there has been a significant increase of start-up investment in Slovakia. There are a notable number of funds, investors, incubator & co-working platforms and business angels in the Slovak start-up community. Previously, Slovak start-ups and businesses preferred to use well-established foreign Crowdfunding platforms (e.g. Kickstarter or Indiegogo) or newly established Crowdfunding platforms in the Czech Republic (e.g. HitHit) while at the same time Crowdfunding as such was not a common sight in Slovakia. [42]

5.4.2 Recent developments regarding Crowdfunding regulations in Slovakia

Crowdfunding itself is not explicitly regulated in Slovakia. Different available Crowdfunding models are recognized under several different legal regulations; however, there is no single source of law that would give the Crowdfunding a definitive legal status and legal certainty².

5.4.3 Current regulations of Crowdfunding in Slovakia

Non-specific regulation that may affect crowdfunding includes the following acts:

- The Public Collections Act for publically beneficial purposes only – ‘easy’ regulatory regime, non-profit basis only;
- The Collective Investment Act for licence and prospectus requirements, Possible exception of financing regular business activity with half of the funds being collected from own resources. The Securities and Investment Services Act as well for license and prospectus requirements. [43]

5.4.4 Prospectus requirements

1. Prospectus requirement for offering of securities or investment products;

² Crowdfunding itself is not explicitly regulated in Slovakia. Different available Crowdfunding models are recognized under several different legal regulations; however, there is no single source of law that would give the Crowdfunding a definitive legal status and legal certainty.

2. General threshold: EUR 100,000 per issuer within 12 months;
3. No explicit exemption from prospectus for Crowdfunding. [44]

5.4.5 Possible additional regulations

- Act No. 162/2014 Coll. on public collections, as amended;
- Act No. 455/1991 Coll., on trade licencing, as amended;
- Act No. 297/2008 Coll., on protection against legalization of crime proceeds and against financing of terrorism, as amended (AML regulation);
- Act No. 129/2010 Coll., on provision of consumer credit, as amended; [¶] Act No. 483/2001 Coll., on banks, as amended;
- Act No. 122/2013 Coll., on protection of personal data, as amended.

5.4.6 Conclusion

In conclusion, currently both Slovak and EU regulation pose a barrier for Crowdfunding to evolve and positively impact the business environment in Slovakia. The main regulatory barriers stem from the Securities and Investment Services Act and the Collective Investment Act while the national regulator under both regimes, the NBS, does not have any practice or policy established in respect of Crowdfunding platforms. We agree that the increasing fragmentation of the European Crowdfunding regulation due to the introduction of national Crowdfunding regulation may even aggravate the barriers for cross-border Crowdfunding. A need for a harmonized European Crowdfunding regulation is in our opinion justified.

5.4.7 Summary

Slovakia	
Recent developments in the CF-market	<ul style="list-style-type: none"> • In the last 6 years, there has been a significant increase of start-up investment in Slovakia; • In the last two years Slovakia witnessed the arrival of both domestic as well as foreign Crowdfunding platforms as Crowdfunding is becoming more popular.
Recent developments in CF-regulations	<ul style="list-style-type: none"> • Crowdfunding itself is not explicitly regulated in Slovakia; • Different available Crowdfunding models are recognized under several different legal regulations; however, there is no single source of law that would give the Crowdfunding a definitive legal status and legal certainty; • New corporate legal form – simple joint stock company; • Number of new Crowdfunding platforms in Slovakia.

Current regulations of Crowdfunding in Austria	<ul style="list-style-type: none"> • The Securities and Investment Services Act – licence and prospectus requirements. • The Collective Investment Act – licence and sale prospectus requirements – possible exception of financing regular business activity with half of the funds being collected from own resources; <p>Prospectus requirements:</p> <ul style="list-style-type: none"> • AIFMD; • Payment service regulation; • Other relevant ones, please see 3.5
Local Platforms	<ul style="list-style-type: none"> • www.crowdberry.com • www.conda.sk • www.zltymelon.sk • www.zinceuro.sk • www.hithit.com/sk/home • www.startovac.com • www.marmelada.sk • www.dobrakrajina.sk • www.dakujeme.sme.sk • www.darujme.sk • www.wellgiving.sk <p>Ideasstarter has terminated operations.</p>

5.5 CROATIA

5.5.1 Recent developments in the market of Crowdfunding in Croatia

The Croatian crowdfunding market is recovering after drops in the amounts collected in 2015 (750.000 USD) and 2016 (300.000 USD) setting a new record in 2017 with 2.350.000 USD, but remains underdeveloped, especially in the field of equity and lending models. The change in 2017 owns its reasons to some very popular movements such as “micro:bit STEM revolucija” which has the largest number of supporters in Croatia to date (2.364) [44]. Crowdfunding in Croatia is based almost exclusively on the Donations or Rewards model and appears to be too small a market to develop significant platforms of its own. The greatest challenge remains a small overall awareness of the possibility of crowdfunding, low use of Internet poor development and mistrust of e-business. But the change evidenced in 2017 shows positive signs for the future of crowdfunding as it gains visibility through successful campaigns that are covered by the media.

5.5.2 Recent developments regarding Crowdfunding regulations in Croatia

Due to the low level of crowdfunding in Croatia, there is no special notice by Croatian authorities to provide special guidance in the area of crowdfunding. Croatian regulation in the field of crowdfunding are encompassed under the Capital Market Act, the Open-Ended Investment Funds Act and the Alternative Investment Funds Act.

5.5.3 Current regulations of Crowdfunding in Croatia

During the last years, Croatia has not provided any special additional guidance in the field of crowdfunding, relying instead on the existing regulatory framework, including EU Directives which provide sufficient guidance as stated by the Financial Services Supervisory Authority (HANFA).

In terms of crowd donating and crowd sponsoring, there are no special legal obstacles in Croatia. In Croatia, in case of donations through Croatian crowdfunding platforms, the platform is obligated to pay a 5% tax. Since most funds are collected through foreign crowdfunding platforms, they are exempt from this provision.

Crowdlending is strictly regulated by the Capital Market Act. Public authorities cannot use this model for any type of projects – this is the official standpoint of the Ministry of finance. This makes the whole procedure complicated and expensive.

The Croatian Tax Administration also issued an opinion on crowdfunding defining the tax obligations with regard to the type of crowdfunding. [45]

5.5.4 Capital Market Act and Open-Ended Investment Funds Act

Under the Croatian Capital Market Act [46], anyone intending to provide “investment services” and conduct “investment activities” in Croatia requires a written licence from HANFA, or from the Croatian National Bank (“CNB”) if a credit institution is at hand.

The Equity model is not frequently (if at all) used in Croatia. Depending on the Crowdfunding model used, there is the possibility that the fund seeker or the platform could in fact be considered as operating an open-ended public collective investment fund (scheme). This interpretation could arise taking into account that the “investment fund” can refer to a body corporate or a collection of assets and that typically the investors would not have day-to-day oversight of management decisions. In such case, the applicable rules mandate both obtaining requisite approval from HANFA and registering with the relevant registry.

On the other hand, where a campaign would seek finance only through stakes not transferable on capital markets (e.g. shares in private limited liability companies, or stakes in a cooperative or silent partnership stakes) such regime would fall outside Croatian capital markets regulation, and no licence from securities regulator would be required. Since there is little to no investment in this regard, there has also been no settled practice on licensing issues.

The lending model in Croatia is also used sparsely if at all. When used, the model would require a proper licence from the Ministry of Finance or the CNB for certain types of lending activity.

Prospectus requirements is mandated for a public offering of securities on the territory of Republic of Croatia. However, as a rule this refers only to offering of “transferable securities” (those transferable on capital markets), such as stock corporation shares. Therefore, if an Equity Model campaign would offer only stakes not transferable on capital markets (e.g. shares in private limited liability company, stakes in a cooperative or silent partnership stakes), it appears that there would be no prospectus requirement.

5.5.5 Alternative Investment Funds Act 2018

Under the Alternative Investment Funds Act [47], an alternative investment fund is defined as an investment fund established for the purpose of: (i) raising assets through public or private offer; (ii) investing these assets into different types of property in accordance with a strategy and investment targets defined upfront; and (iii) exclusively for the benefit of investors in such AIF. A Crowdfunding scheme where a non-standard profit sharing arrangement is provided might be construed as involving an investment fund in form of AIF. But in principle, Crowdfunding platform operators do not qualify as AIF's given that they do not raise capital from investors themselves but only provide a technical facility for capital-raising by the fund-seeker.

5.5.6 Summary

Croatia	
Recent developments in the CF-market	<ul style="list-style-type: none"> • Croatian crowdfunding market is slowly growing but is still hampered by small awareness, lack of internet usage and distrust toward e-business; • In 2017, crowdfunding received significant public awareness through a single crowdfunding campaign but continues to struggle as a serious alternative to conventional models of financing; • Croatia still has not reached its full potential, and certain models such as equity and lending models are close to non-existent.
Recent developments in CF-regulations	<ul style="list-style-type: none"> • Croatia introduced the new Alternative Investment Funds Act in March 2018, with no special emphasis on crowdfunding.
Current regulations of Crowdfunding in Austria	<ul style="list-style-type: none"> • Under the Capital Market Act, crowdfunding platforms must register in case of equity or lending model • Donations and sponsoring require no special licences and are not specially regulated • Alternative Financing Act – in principle platform operators do not qualify as alternative financing funds

Local Platforms	<ul style="list-style-type: none"> • Croinvest (http://croinvest.eu/) – this platform combines five models of financing (donations, awards, loans, ownership participation and profit participation) customized to domestic law; • Croenergy (http://croenergy.eu/) – donation based crowdfunding platform exclusively for sustainable energy and environmental protection projects; • ČINI PRAVU STVAR (www.cinipravustvar.hr) – donations for Humanitarian work; • Registry of humanitarian aid of the Republic of Croatia (http://croinvest.eu/rhp/); • Funderbeam SEE, blockchain equity based platform, (https://www.funderbeam.com).
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5.6 MONTENEGRO

5.6.1 Recent developments in the market of Crowdfunding in Montenegro

Montenegro has not established its own crowd funding industry yet. At present, only foreign crowd platforms are used to finance potential projects. The only exception is a UNDP funded project for 3 types of projects: bicycle paths, solar benches/smart bus stops and solar boats. Crowdfunding remains a novelty in Montenegro, support is limited and intermediaries are needed to help in promoting campaigns. Most crowdfunding campaigns in Montenegro are Indiegogo and Kickstarter, and the most common types are Donation and Reward based.

5.6.2 Recent developments regarding Crowdfunding regulations in Montenegro

Crowdfunding is not explicitly regulated by legislation in Montenegro and there has not been any recent development specifically dedicated to crowdfunding in Montenegro.

5.6.3 Current regulations of Crowdfunding in Montenegro

Montenegro has no specific crowdfunding regulation but instead relies on other legal Acts. The most important is the Law on Obligations which is primarily oriented on obligatory legal relations. Other relevant laws include the Law on enterprises, the Law on property relations, Law on collateral security claims, Law on prevention of illegal business, and the group of tax laws and regulations.

The Law on Obligations is relevant for reward crowdfunding as a form of financing in the form of collective purchasing of goods and services by citizens with the predetermined time at the

Beginning of the crowdfunding campaign. The award should not be taken jargon and equate it with the legal institute of public promise of reward. In this case, the holder of project sets a deadline for delivery of products. However, the relationship between the buyer and the seller in respect of mutual rights, obligations and protection of the same can be regulated by the relevant agreement. Most often, in practice, that would be contracts of sale with a specific delivery time, and the buyer can provide contracting contractual penalties in case of non-fulfilment of obligations by the seller, but also a number of other ways, which again points to the principle of disposition in these relations. Many types of collaterals such as a contracting pledge on movables objects can be used.

The lending model is implemented through the Law on Obligations. The Law allows contracting interest in the legal framework. As providers of loan funds provide cash for a specific purpose so this is a loan that is dedicated for purposes and other than the contract cannot be used. The law does not provide the mandatory form of this contract and it may be concluded informally but in terms of legal certainty is not recommended so the written form with the certified signatures of the contracting parties at the court or notary would be desirable.

The investing model with the aim of replacement with the owner share or share of the profits isn't developed. Assets under crowdfunding are solely financial and can be invested in a variety of legal forms. This could be an agreement on the establishment of the company or an agreement on the transfer of shares. So, depending on the type (joint stock company, limited liability company and limited partnerships) depends the participation in the invest project. In practice this is complex and expensive bearing in mind the necessary legal procedures as well as lawyers, notary, judicial and other administrative costs that are imposed.

5.6.4 Summary

Montenegro	
Recent developments in the CF-market	<ul style="list-style-type: none"> • No new developments in the crowdfunding area; • Classic platforms are not available except for specialised types, reliance is on foreign crowdfunding platforms.
Recent developments in CF-regulations	<ul style="list-style-type: none"> • No new or specific crowdfunding regulations have been enacted recently.
Current regulations of Crowdfunding in Austria	<ul style="list-style-type: none"> • Reliance is on the Law on obligations (2008), Law on enterprises (2011), Law on property relations (2009), Law on property relations (2009) and various tax laws and regulations.
Local Platforms	<ul style="list-style-type: none"> • No local crowdfunding platforms, except for UNDP financed project for “Towards Neutral Carbon Tourism Project”;

5.7 HUNGARY

5.7.1 Recent developments in the market of Crowdfunding in Hungary

The Hungarian crowdfunding market remains underdeveloped, since neither the Equity model, nor the Lending model have any presence in the Hungarian market. The same is true in relation to “Real Estate Crowdfunding” and “Renewable Crowdfunding”, i.e. none of these Crowdfunding models has any presence in the Hungarian market.

The first CF initiatives started in 2012: www.creativeselector.hu and kezdheted.hu. Both of these portals have shortly ceased operation with no real investments and no running projects available and no reply for contact attempts. Currently the most important CF platform is “Let’s add it together”: www.adjukossze.hu. They host campaigns mainly in education, sport, health, social, and cultural topics. Most of the campaigns are social responsible donation based, partly reward-based. As of April 2017 they have concluded 184 successful campaigns, achieving a total investment of 244.000 euros. Based on these figures it can be seen that the average investment is 1.325 euros. Beside the national initiatives, foreign crowdfunding platforms (e.g. Kickstarter, Indiegogo, GoFundMe etc.) are commonly used.

5.7.2 Recent developments regarding Crowdfunding regulations in Hungary

No new legislative changes have been implemented in Hungary in relation to crowdfunding in recent year.

Therefore, crowdfunding in Hungary relies through the existing general legal framework. The only recent development that has relevance in connection with Crowdfunding is that the National Bank of Hungary has issued and made publicly available, non-binding guidelines on its interpretation of the Hungarian financial regulatory laws that may apply to certain Crowdfunding structures, i.e. Lending Model and Equity Model. Under these non-binding guidelines, the National Bank of Hungary has made it clear that given that there is no legislation specifically applicable to Crowdfunding, any Crowdfunding structure has to be assessed based on the currently applicable financial regulatory and investment regulatory laws of Hungary without any specific exemption applicable to Crowdfunding in general.

5.7.3 Current regulations of Crowdfunding in Hungary

At the moment no specific legislation exists for Crowdfunding in Hungary, therefore all crowdfunding type financing has to be examined through the existing general legal framework.

5.7.3.1 The Equity model

If the online Crowdfunding platform facilitates the offering of financial instruments in a business-like manner, such activity of the platform operator is likely to qualify as a licensable investment service under the Hungarian Investment Services Act. “Financial instruments” under the Hungarian Investment Services

Act include, *inter alia*, transferable securities, such as stocks in public limited companies and private limited companies and debt securities. Therefore, if the platform operator offers securities held in companies seeking Crowdfunding or bonds issued by such companies, such platform operators would very likely have to obtain an investment services licence from the Hungarian regulator.

However, the National Bank of Hungary has confirmed in its non-binding public guidelines that if a given Crowdfunding structure does not involve securities, bonds or other financial instruments (e.g. the individual investors are not offered and, cannot acquire, securities, bonds or other financial instruments), such Crowdfunding structure will likely not constitute an investment service and, as such, will not trigger licensing requirements under the Hungarian Investment Services Act.

5.7.3.2 The Lending Model

Lending is a regulated financial service under the Hungarian Banking Act. Therefore, a licence is required for the purposes of providing such regulated lending activities in Hungary in a business-like manner. Such licensing requirements apply to both legal entities and private individuals. It follows that if the activity of a private investor using the Crowdfunding platform qualifies as a lending activity conducted in a business-like manner, such activity would trigger licensing requirements in Hungary. In such case, the activity of the Crowdfunding platform operator may likely qualify as an intermediary activity, which would, in turn, likely trigger regulatory requirements in Hungary applicable to agents and intermediaries. However, the Crowdfunding platforms using the Lending Model could possibly structure their services so as to eliminate or limit the risk of triggering Hungarian licensing requirements in relation to the deposit taking element.

5.7.3.3 Donations or Rewards Model

Donations or Rewards Models do not raise any specific Hungarian regulatory issue. However, depending on the structure used by the Crowdfunding platform, the Hungarian payment services requirements and custodial services requirements could also apply to platforms applying the Crowdfunding Donations or Rewards Model in Hungary and the tax obligations (VAT or TAO) should be taken into account, although this is primarily for donations paid by business entities.

5.7.3.4 Prospectus requirements

Equity Model Structures in which the platform operator is involved in the offering/placement of securities may require the publication of the prospectus/notice and approval by the Hungarian regulator in connection with such offering/placement, provided that no exemption is available under the Hungarian Capital Markets Act.

5.7.3.5 Hungarian Collective Investment Schemes Act

The European Union Alternative Investment Fund Managers Directive has been implemented under the Hungarian Collective Investment Schemes Act. The Collective Investment Schemes Act is applicable in general to all collective investment schemes, including alternative investment funds. An 'alternative

investment fund' is defined under the Collective Investment Schemes Act as a collective investment scheme which does not qualify as 'Undertakings for Collective Investment in Transferable Securities' (UCITS). Therefore, if a Crowdfunding undertaking wants to structure its operation as an alternative investment fund (or manager thereof) it must comply with the requirements under the Collective Investment Schemes Act.

5.7.4 Summary

Hungary	
Recent developments in the CF-market	<ul style="list-style-type: none"> The Hungarian crowdfunding market is growing slowly and relies on foreign crowdfunding platforms in addition to national ones; Hungary has not reached its full potential in the field of crowdfunding.
Recent developments in CF-regulations	<ul style="list-style-type: none"> No new developments have been achieved in the field of CF regulations; The Hungarian National Bank has issued non-binding public guidelines on crowdfunding.
Current regulations of Crowdfunding in Austria	<ul style="list-style-type: none"> If the Crowdfunding platform facilitates the offering of securities, the operator of the platform may be subject to investment services requirements → licence from the Hungarian supervisory authority required; If the Crowdfunding platform facilitates and/or intermediates the granting of loans to the crowdfunded business, such activity may trigger financial services requirements in relation to the platform operator, crowdfunded business and/or individuals granting loans → licence from the Hungarian supervisory authority required; Crowdfunding under both the Equity Model and Lending Model could be structured so as to eliminate/limit the risk of triggering licensing requirements but must be communicated with the relevant authorities The Donation or Rewards Model do not raise any specific Hungarian regulatory issues; Prospectus requirement for the offering of securities and certain other financial instruments (e.g. shares, bonds, certain derivatives) hold a threshold of 100.000 EUR aggregated issue value for securities offered in all member states of the European Union within a period of 12 months.
Local Platforms	"Let's add it together": www.adjukossze.hu

5.8 SERBIA

5.8.1 Recent developments in the market of Crowdfunding in Serbia

In Serbia there are 2 local CrowdFunding Platforms: Donacije.rs and Fandrejzing. Besides them, people from Serbia can use also an international platform Indiegogo, while there are also many Serbian campaigns on Kickstarter, but it is not available from Serbia, so Serbian people open companies abroad and start their campaign there.

In Serbia via CrowdFunding to date was collected 653.134 USD. The total number of Serbian campaigns is 570, with 41 successful (7,2%) campaigns. The most numerous projects are in the field of art (32%). The percentage of success on Indiegogo is 3%, and 37% Kickstarter due to its all-or-nothing model. Number of CF campaigns has grown 400% since 2012, while the number of campaign backers in 2016 was 3148, accounting for 0.03% of the population. [48]

5.8.2 Recent developments regarding Crowdfunding regulations in Serbia

Due to the low level of crowdfunding in Serbia, there is no special notice by Serbian authorities to provide special guidance in the area of crowdfunding. Serbian regulation in the field of crowdfunding are expected to be further defined through the announced Law on Venture Capital.

5.8.3 Current regulations of Crowdfunding in Serbia

Serbia has no specific crowdfunding regulation but instead relies on other legal Acts. The most important is the Law on Investment Funds which regulates:

- 1) Organizing and managing investment funds,
- 2) The establishment and management of closed-ended investment funds,
- 3) The establishment and management of private investment funds,
- 4) Establishment, operating and managing of institutions that are managing investment funds,
- 5) The duties and responsibilities of the custodian bank, in terms of this law,
- 6) The responsibility of the Commission for Securities
- 7) Other issues relevant to the field of investment funds.

Also, in the preparation is the Law on Venture Capital which is supposed to further regulate different types of investments in Serbia.

Considering that there are donation based (Donacije.rs and Fandrejzing), reward based (Indiegogo and Kickstarter) and equity based (Indiegogo) crowdfunding platforms, the Serbian legislative regulation is not defined in the field of crowdfunding.

The donation and reward based crowdfunding does not fall under any special regulation and remains mainly exempt, although tax regulations must be taken into account for private persons and legal entities.

Equity based crowdfunding remains underdeveloped and is covered under the Law on Investment Funds which could require registration as required under the law.

5.8.4 Summary

Serbia	
Recent developments in the CF-market	<ul style="list-style-type: none"> • Serbian crowdfunding market continues to develop steadily but remains weak compared to traditional models of funding; • Equity and loan-based funding remain underdeveloped and lack specific legal regulation.
Recent developments in CF-regulations	<ul style="list-style-type: none"> • No new development were made in the area of crowdfunding in Serbia.
Current regulations of Crowdfunding in Austria	<ul style="list-style-type: none"> • Law on Investment Funds, regulates crowdfunding platforms must register in case of equity or lending model in case they satisfy the defined criteria; • Donations and sponsoring require no special licences and are not specially regulated.
Local Platforms	<ul style="list-style-type: none"> • Donacije.rs (http://fandrejzing.rs/) • Fandrejzing (https://www.donacije.rs/)

5.9 BULGARIA

5.9.1 Recent developments in the market of Crowdfunding in Bulgaria

During the last several years, several platforms have been developed in Bulgaria and the field has grown significantly with constant growth in crowdfunding. As a result, there are numerous crowdfunding platforms which allow for various types of crowdfunding.

5.9.2 Recent developments regarding Crowdfunding regulations in Bulgaria

There have been no relevant developments in terms of recent regulation in Bulgaria. The Public Offering of Securities Act of 2016 stipulates that it will not apply to crowdfunding thereby emphasising the need for special legislation in the field of crowdfunding since it shall not apply to commercial offers for securities issued by companies whose purpose is the collective investment of funds raised through a public offering of securities which operates on the principle of risk spreading.

5.9.3 Current regulations of Crowdfunding in Bulgaria

There are no explicit legal regulations for Crowdfunding. As a result, some of the current legislation should be applied by analogy, namely – Credit Institutions Act; Law on Payment Services and Payment Systems; Public Offering of Securities Act; Markets in Financial Instruments Act; Law on the activities of collective investment schemes and other collective investment undertakings; Commercial Law; Law on Measures against Money Laundering; Currency Act.

The operator of the platform may be required to be licensed / registered either as a financial or a credit institution by the Bulgarian National Bank in accordance with the Law on Credit Institutions, respectively with the Law on Payment Services and Payment Systems.

For donation and reward based crowdfunding there are no special regulations that require special registration or licensing but attention must be given to tax provisions.

For equity based crowdfunding, it could fall within the legal framework of the Public Offering of Securities Act or the Markets in Financial Instruments Act.

5.9.4 Summary

Bulgaria	
Recent developments in the CF-market	<ul style="list-style-type: none"> The In recent years several platforms of the type Peer-to-Peer (P2P) have been developed in Bulgaria. These platforms use different types of funding and a different pattern of action. For example, some of them use originators – i.e. financing by borrowers from a non-banking sector. The other types of platforms are characterized by lending money first and then looking for projects through which to repay the money.
Recent developments in CF-regulations	<ul style="list-style-type: none"> The Public Offering of Securities Act of 2016 stipulates that it will not apply to crowdfunding thereby emphasising the need for special legislation in the field of crowdfunding since it shall not apply to commercial offers for securities issued by companies whose purpose is the collective investment of funds raised through a public offering of securities which operates on the principle of risk spreading.
Current regulations of Crowdfunding in Bulgaria	<ul style="list-style-type: none"> There are no explicit legal regulations for Crowdfunding. As a result, some of the current legislation should be applied by analogy, namely – Credit Institutions Act; Law on Payment Services and Payment Systems; Public Offering of Securities Act; Markets in Financial Instruments Act; Law on the activities of collective investment schemes and other collective investment undertakings; Commercial Law; Law on Measures against Money Laundering; Currency Act. The operator of the platform may be required to be licensed / registered either as a financial or a credit institution by the Bulgarian National Bank in

	<p>accordance with the Law on Credit Institutions, respectively with the Law on Payment Services and Payment Systems</p> <ul style="list-style-type: none"> • The provisions of the Commercial Law can be applied to the Crowdfunding as regards the legal form of the companies; the governing bodies; the distribution of profits and many others
Local Platforms	None

5.10 OVERVIEW EUROPEAN REGULATIONS

Directive 2000/31/EC on certain legal aspects of information society services, in particular electronic commerce, in the internal market (platforms charging money for successfully financed projects may engage in e-commerce);

Directive 2006/114/EC concerning misleading and comparative advertising, which provides minimum harmonisation for misleading marketing practices in a business-to-business context;

Directive 2005/29/EC concerning unfair business-to-consumer commercial practices in the internal market, which protects consumers against misleading and aggressive crowdfunding practices; and

Council Directive 93/13/EEC on unfair terms in consumer contracts, in case the standard terms and conditions used by crowdfunding operators contain unfair clauses. In addition, crowdfunding activities may also be subject to EU state aid and competition rules. Specifically for lending- and equity-based crowdfunding, the communication notes that further EU rules that may apply include provisions from **Directive 2003/71/EC** on the prospectus to be published when securities are offered to the public or admitted to trading,

Directive 2007/64/EC on payment services in the internal market,

Directive 2004/39/EC on markets in financial instruments,

Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms,

Directive 2011/61/EU on alternative investment fund managers,

Directive 2008/48/EC on credit agreements for consumers,

Directive 2002/65/EC concerning the distance marketing of consumer financial services,

Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms

Regulation (EU) No 345/2013 on European venture capital funds and

Regulation (EU) No 346/2013 on European social entrepreneurship funds. [49]

5.11 CONCLUSION

CrowdFunding develops rapidly and the national legislators counteracts this development with individual legislation in each member state. This leads to a fragmentation of the legislation on Crowdfunding in Europe and makes international Crowdfunding very difficult even within the European Union. [50]

Seeing this status quo, as there is no European Crowdfunding legislation and the legislation in the finance sector (irrespective of whether they are based on legal acts of the European Union or not) is already very concentrated, cross border Crowdfunding will become more and more difficult in all its types. In some cases, due to the applicability of single legal acts and rules, the legal situation remains highly unclear even on national level and additional international aspects increase the complexity of cross-border Crowdfunding. Since the member states have implemented individual regulations – which may simplify national Crowdfunding matters – international Crowdfunding is often made more difficult. [51]

On that account, Crowdfunding still remains relatively small in the EU, however it is developing rapidly and could be a key source of financing for SMEs in the near future. Given the predominately local nature of crowdfunding, the Commission considers that there is no strong case for EU level policy intervention at this junction. However, given the sector's dynamism and the potential for cross border expansion, it will be important to monitor the sector's development and the effectiveness, and degree of convergence of national regulatory frameworks. The European Commission will continue to assess the development of cross-border business and in particular the investor protection aspects so as to ensure that it is able to respond in a timely manner if further steps are needed to support the convergence of regulatory approaches. [52]

Moreover, the EU has long been considering the establishment of harmonised crowdfunding legislation. The European Banking Authority ("EBA") as well as the European Securities and Markets Authority ("ESMA") have proposed a series of measures to reduce risks connected with crowdfunding, including the possibility of introducing specific registration and regulation of operators of crowdfunding platforms.

It is expected that future EU legislation, which should be presented by the European Commission later this year (2018), will resemble the system in the UK, where crowdfunding platforms need to be licensed by the British Financial Conduct Authority. [53]

TU 6. INTERNATIONAL FRONTRUNNERS

The European crowdfunding map presents itself quite colourful according to the total market volumes of alternative finance transactions in 2015: Whilst UK can be identified as a clear frontrunner, the next significant countries according to the highest total market volumes are France (€ 319m), Germany (€ 249m), the Netherlands (€ 111m), Finland (€ 64m) and Spain (€ 50m).

In terms of platform distribution, the situation is slightly different with the highest concentration of platforms in the UK (94), France (49), Germany (35), Italy (30), Spain (29) followed by the Netherlands (27), while Finland, one of the top five volume-driving countries, registers only a number of 6 crowdfunding platforms in 2015, at the time the quoted study has been conducted. In comparison, the total number of platforms in Central and Eastern European countries (summed up: 47) lies slightly behind the second ranked country, France, but is constantly on the rise. [54]

Although at the moment of writing these materials the aforementioned numbers are the most recent ones on European level, they ought not to be taken for granted now because the crowdfunding market has a very dynamic character and is, therefore, in constant change. One paramount example is the crowdfunding industry in Estonia, which has been growing significantly in the recent couple of years – being mainly boosted after the launch of the first local equity-based crowdfunding platform “fundwise” back in 2015. Apart from that, the further growth in popularity of existing platforms and crowdfunding in general had a positive contribution as well. [55]

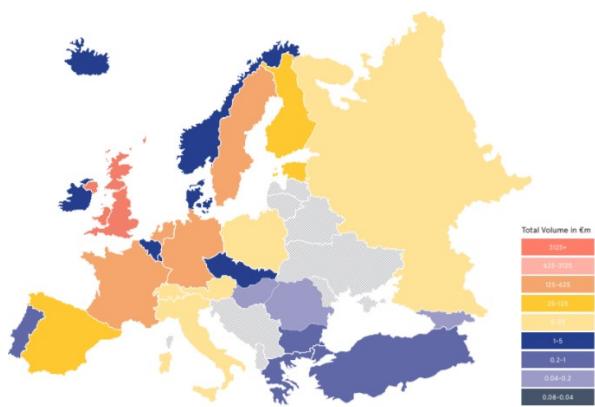


Figure 7: Comparative Market Volumes of Alternative Finance Transactions [56]

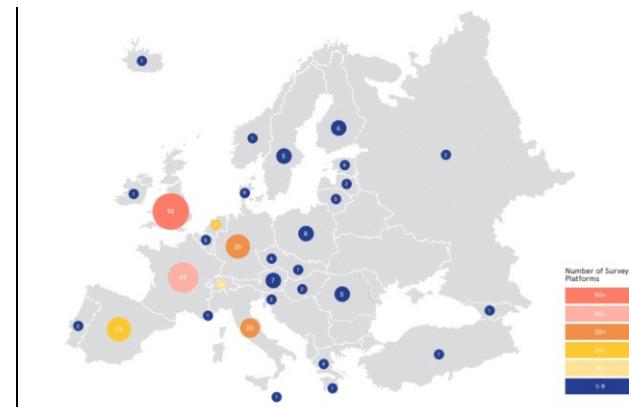


Figure 8: Geographical Distribution of Surveyed Platforms [57]

Roughly the same picture of the front runners can be identified when looking at the number of research and innovation (R&I) projects per country made possible through crowdfunding: The UK holds a share of more than three quarters (78,1%) of all projects on European level, whereas the Netherlands, Germany, France and Italy each amount for 2% to 5%. [58]

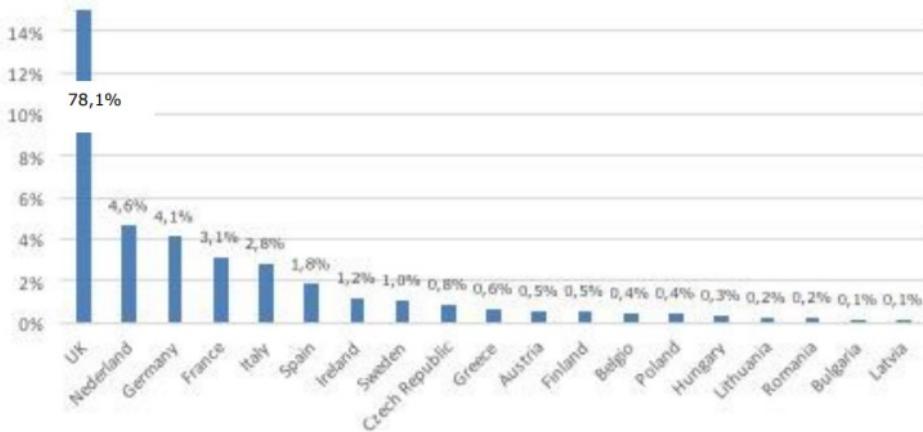


Figure 9: Number of European projects by country [59]

In terms of selected crowdfunding models, crowdlending proved to be the most widespread one, covering about 72% of the total number of projects, whereas donation-based and equity-based crowdfunding models each make up approx. 7%. However, these are only aggregated values and, when taking a deeper look into these numbers, significant regional differences can be observed, which are to a great degree influenced by the legal framework conditions existing in each country: While the UK almost perfectly fits into the average values mentioned above, Denmark, Finland, Iceland and Norway – subsumed here under the term “Nordics” – hold a share as high as 90% of lending-based crowdfunding projects. At the opposite end of the frontrunners’ spectrum is Spain, with a proportion of only 22% lending-based to 58% donation-based crowdfunding initiatives. [60]

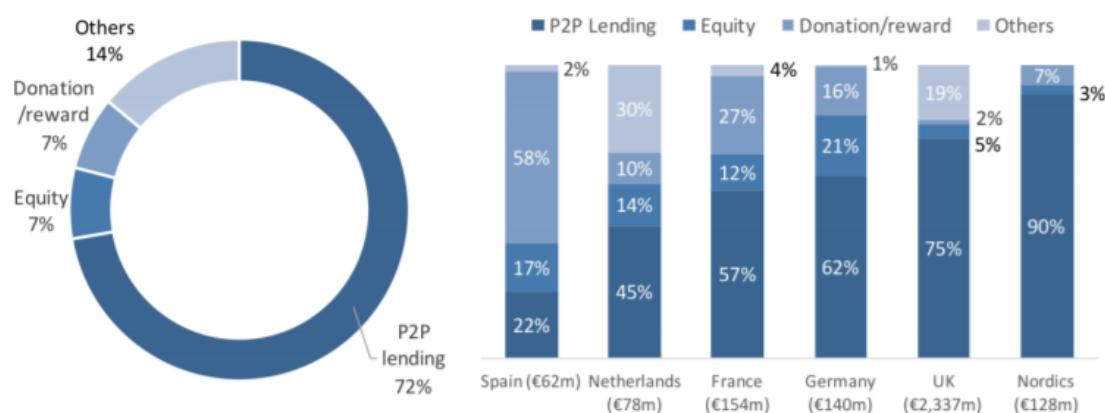


Figure 10: Breakdown of the European alternative finance market by model in 2014 [61]

Even though the aforementioned European frontrunners in terms of crowdfunding can be labeled as strong national economies and although there is – to a certain degree – a correlation between the GDP per capita and the total online alternative finance volume per capita in most of the assessed countries, some results tend to be surprising. For example, Estonia and Latvia indicate both a high contribution of alternative finance per person in contrast to the GDP value for 2015, lying considerably above the line of the best fit (see Figure 11). Set in relation to the well-known affinity of the Baltic countries for e-services, this could suggest that the existing advanced digital skills within the society might positively influence the degree of citizens' implication in crowdfunding projects.

Looking at the Danube Region representation in the picture below – especially at CrowdStream partnership countries – the diagram shows that some countries, like Slovenia, Czech Republic or Slovakia, are progressing in line with international market development paths, while e.g. Hungary lies below the average line which indicates a significant potential for enhanced exploitation of the crowdfunding market. [62]

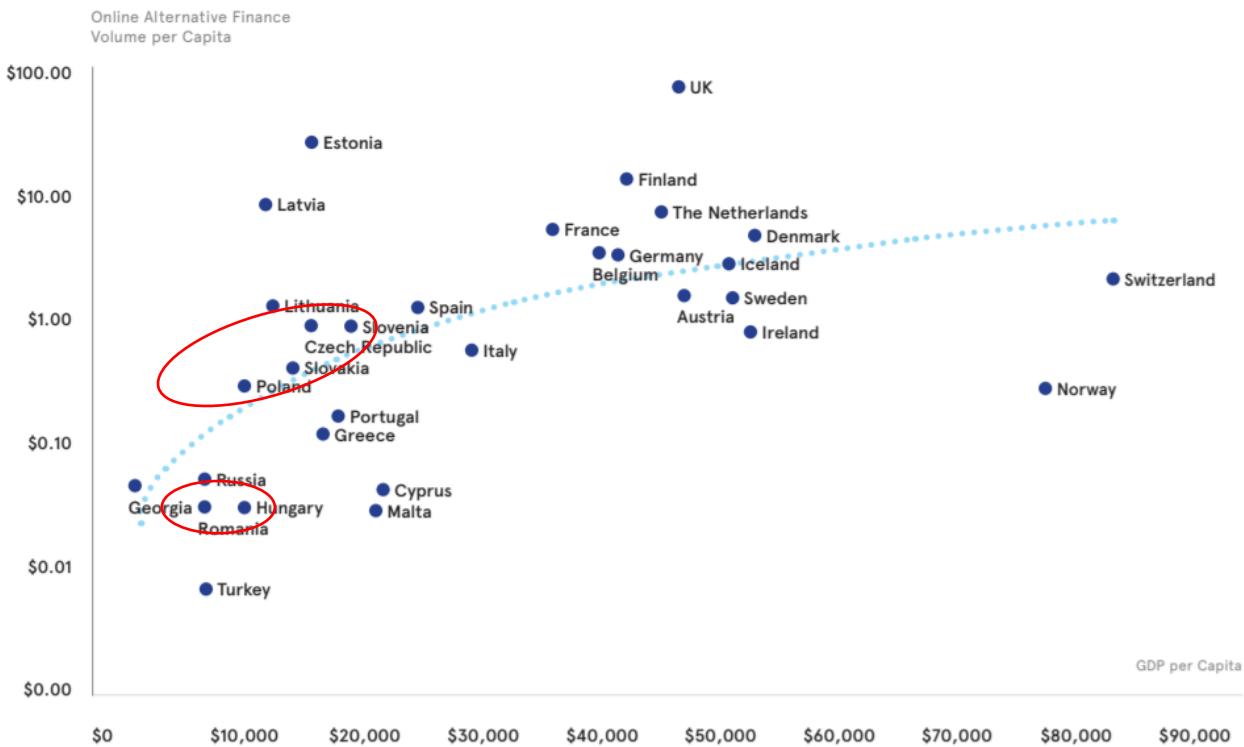
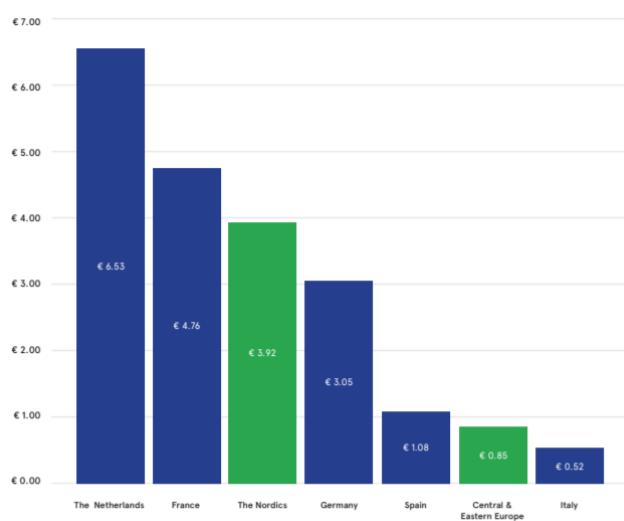


Figure 11: Total Online Alternative Finance Volume per Capita vs. GDP per Capita in USD [63]



Clustering the countries represented in the above diagram (Figure 11) by their geographical distribution, a well contoured, economically and especially crowdfunding-related strong region with the Netherlands, France, Germany and Belgium, complemented by the Nordic countries Finland, Denmark and Iceland can be identified. In terms of alternative finance market volume per capita, the Central and Eastern European region displays significant potential to surpass the market volume registered back in year 2015.

Figure 12: Market Volume per Capita by Region (excl. UK) [64]

Despite of the crowdfunding enthusiasm across Europe, various experts from well-established platforms have recently expressed their view that a market adjustment is to be expected in the near future within developed crowdfunding markets and also among those countries where crowdfunding has just begun to gain a foothold. Main reason for this kind of development perspective is the constantly growing number of platforms which compete for a still limited market volume. As far as the crowdfunding platforms are concerned, a trend towards specialisation on certain topics and/or target groups can be observed both concerning the frontrunners and the other European countries.

After this brief overview of the current situation of the European crowdfunding pioneers and forerunners, the next part focuses more on the countries within the Danube Region, in an attempt to describe the status of the crowdfunding industry from a macro-regional as well as single-country perspective.

TU 7. CENTRAL AND EASTERN EUROPEAN CROWDFUNDING MARKET IN FIGURES

The most recent overview analysis of crowdfunding markets in Central and Eastern Europe was conducted by Cambridge University et al. [65] The Central and Eastern European online alternative finance market analysed in this study includes transaction volumes from the following countries: Albania, Armenia, **Austria**, Belarus, Bosnia & Herzegovina, **Bulgaria**, **Croatia**, **Czech Republic**, Estonia, Georgia, **Hungary**, Kosovo, Latvia, Lithuania, Macedonia, Moldova, **Montenegro**, Poland, Romania, **Serbia**, **Slovakia**, **Slovenia** and Ukraine – the highlighted countries being part of the CrowdStream consortium.

Crowdfunding as a specific type of online alternative finance registered a continuous progress with 11 million EUR raised in 2013 and 33 million EUR in 2017, which represents a year-on-year growth rate of 191%. Subsequently, from 2014 to 2015, the pace of growth in the Central and Eastern European region as defined in the above study accelerated by 167%, reaching approximately 89 million EUR (see Figure 14).

Within the overall European alternative finance market, the market share of online alternative finance of Central and Eastern Europe was only 9% back in 2015. However, a bit surprising might be the fact that the cumulated data from the countries within this region was comparable to the Nordics at that time – as a regional block, the Nordic area registered € 104m whilst Central and Eastern Europe recorded € 89m [67] (see also Figure 14). Having in mind the dynamic development of alternative finance markets thereafter, the picture would probably look more biased today.

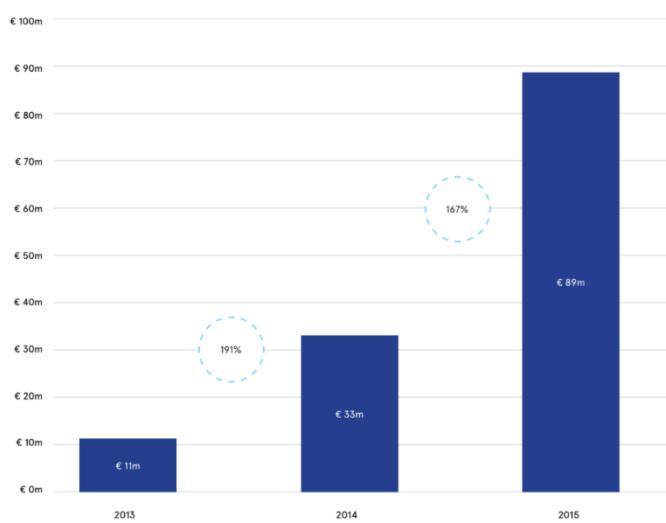


Figure 13: Online Alternative Finance Market Volumes in Central and Eastern Europe 2013-2015 [66]

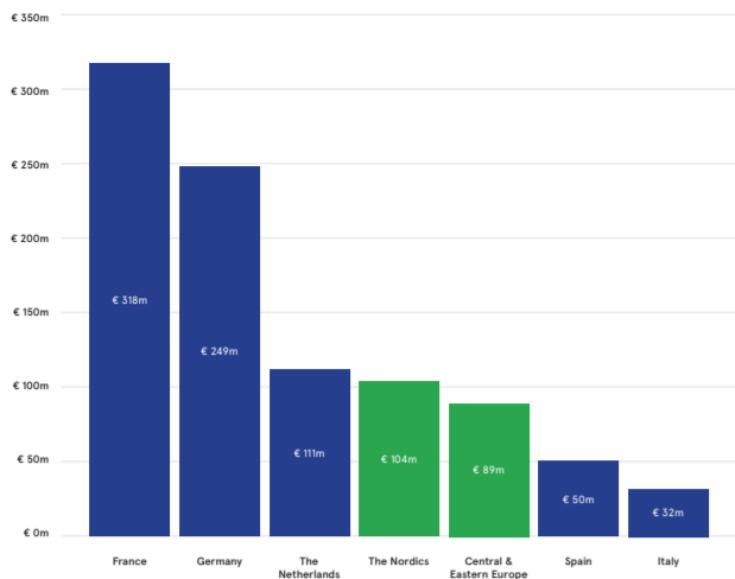


Figure 14: Online Alternative Finance Volume by Country and Region [68]

TU 8. REGIONAL CONTEXT OF DANUBE AREA COUNTRIES

This chapter addresses the current situation with regard to crowdfunding market development in the wider regional context of the Danube Region, focusing on the countries within the CrowdStream partnership – Austria, Bulgaria, Croatia, Czech Republic, Hungary, Montenegro, Serbia, Slovakia and Slovenia.

A SWOT analysis [69] conducted during the first phase of the CrowdStream project identified that there is still a lot of untapped potential on one hand and a number of possible critical factors for the sustainable development of crowdfunding in this macro-region. Although, as mentioned in the first training unit (see Module 1 “Crowdfunding Basics”), crowdfunding is growing in popularity and thus an increased public interest as well as a constantly growing number of crowdfunding-related activities can be observed, there is a relative reduced level of knowledge regarding this type of alternative finance and its potential among the general public. Additionally, aspects such as lack of digital skills, distrust in digital payment, deficiencies in the legal framework or the lack of local platforms and insufficient access to international ones are not the most favourable prerequisites for crowdfunding market deployment and therefore need to be accordingly addressed and overcome.

Detailed information concerning the strengths and the rather weak points as well as the opportunities and risks facing the Danube Region as identified by the CrowdStream project team can be found in the following figure:

Strengths

- Growing public interest in CF + increase in CF activities
- Qualified, creative human capital + emerging start-up communities
- High-potential innovative companies in regional specialisation sectors
- Developed innovation infrastructure and business support organisations
- AT: legal framework in place

Weaknesses

- Low level of knowledge about CF and its potential in the general public and in public authorities
- Lack of regulatory framework on CF
- Low awareness and information of potential campaigners (start-ups, academia, innovators)
- Missing digital skills and distrust in digital payment
- Lack of local CF platforms and insufficient access to international CF platforms

Regional success stories on CF

- Identification of target sectors that would benefit most from CF
- Strengthening support for innovative CF target groups
- Clarification of legal framework conditions
- Establishing national/Danube region CF platform(s) and related CF communities

Opportunities

- Failure to improve legal framework
- Lack of understanding from the CF stakeholders / lack of experts / distrust of business community
- Brain Drain effects
- Low interest of potential campaigners/weak response of potential investors
- Regional focus turns out infeasible for CF approach

Threats

Figure 15: SWOT Analysis for the Danube Region [70]

When referring to each of the countries being part of the CrowdStream partnership, the concept of crowdfunding can be found at different development levels. Detailed information on the current status on crowdfunding-related developments in each of the countries within the CrowdStream partnership can be found in the Regional Profiles as well as Regional Market Analysis, publicly available under: <http://www.interreg-danube.eu/approved-projects/crowdstream/outputs>.

Among the CrowdStream partnership countries the national crowdfunding market is already well established in Austria which shows a dynamic development since 2015 when a reliable legal base for alternative finance mechanisms was adopted. Crowdfunding is also becoming more and more popular in the larger economies of the Danube region, like e.g. in Czech Republic or Croatia. Still, in other Danube region countries, e.g. in the pre-accession partner countries of the CrowdStream project, the level of activities of the local crowdfunding community is still low and the services offered by platforms are rather limited which is due to insufficient framework conditions for the implementation alternative finance mechanisms.

Another relevant indicator for the development level of local crowdfunding markets can be seen in the number of crowdfunding platforms with headquarters located in one of the Danube area countries. In some of the smaller markets there is even no local platforms at all, potential campaigners need to find a way how to place their projects on international platforms.

Finally, different situations can be observed with respect to the number of existing (public and private) business support organisations (BSO) within the regional innovation system of the partner countries. BSOs include such different organisations as funding institutes, incubators and accelerations, business agencies, chambers, associations or other intermediary organisations alongside with further specialised service providers, for example video production or marketing agencies. Each of these different types of BSOs plays a specific role at the level of regional innovation eco-systems which allows these organisations to offer a wide range of crowdfunding-related services, their density being directly proportional to the size of the local crowdfunding community.

Detailed information regarding the current crowdfunding-related situation in the Danube Region in general as well as the CrowdStream countries in particular can be found in the project documents as stated in the following table:

CrowdStream output documents and description of available information	
Regional Profiles	<p>For each country within the CrowdStream partnership:</p> <ul style="list-style-type: none"> • General information about the regional characteristics and economic situation, general investment situation, status of innovation financing • Analysis on existing crowdfunding actors (platforms, initiatives, intermediaries etc.), types of crowdfunding available, volume of investment and existing regulation framework • SWOT analysis on regional crowdfunding potential • Analysis of regional development demand concerning the investment and business environment, existing regional innovation strategies and regulation framework fostering innovation • Collection of good practice examples
Regional Market Analysis	<p>For each country within the CrowdStream partnership:</p> <ul style="list-style-type: none"> • Detailed overview of crowdfunding-relevant stakeholders (platforms, finance stakeholders, public and intermediaries) • Status quo of crowdfunding activities and existing networks • Collection of success stories
Baseline Study	<ul style="list-style-type: none"> • Aggregated overview of the current crowdfunding situation in the CrowdStream countries • SWOT analysis for the Danube Region • Overview of the existing national legislation in the Danube Region

Table 2: CrowdStream documents and information available

TU 9. PLATFORMS

Platforms are crowdfunding actors that intermediates between campaigners and contributors connecting them via internet, allowing the financial support and the information flow.

These crowdfunding platforms have gradually appeared over the last 10 years and nowadays they can be found by hundreds. More than 800 crowdfunding platforms online worldwide [74] and more than 360 of them operating in Europe, according to the 2nd European Alternative Finance Industry Report of 2016 [71].

This extended amount of available platforms, each one with different coverage areas. Their features and targets are criteria to be taken into consideration when choosing which platform is most suitable for a CF project. For it, it is necessary to understand the main features first.

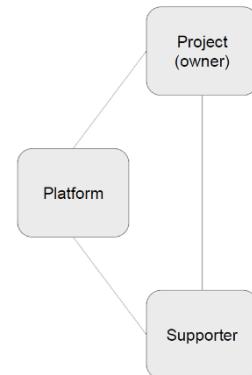


Figure 16: Connections in CF project [71]

Platforms can be distinguished and classified based on:

- **CROWDFUNDING MODEL:** this is, if they are a **donation-based**, a **reward-based**, a **loan-based** or an **equity-based** crowdfunding platform;
- **GEOGRAPHICAL COVERAGE:** the most important ones such as Kickstarter or Indiegogo are global platforms. However, there are multiple **regional** and **local platforms** too which can provide a better service for specific missions or topics, even if they cannot reach big crowds. Most of the European platforms only cover regional areas;
- **TOPICS:** any kind of project can be crowdfunded, from art, charity or creative ideas to science, renewable energies or health. Since one of the key factors is that the project is addressed to investors interested in the project's topic, the selection of a platform where most of them are located seems as crucial.

In this training unit it has been summarised some of the most known global platforms as well as European regional ones too. On it, it can be found platforms such as Kickstarter or Indiegogo, the two largest worldwide platforms that hold the biggest competition of the sector, but also other interesting global ones and some regional ones focused on environmental problems, start-ups financing, etc. covering all Danube Region [73].

9.2 Global crowdfunding platforms

Basic information				Crowdfunding models					Additional information	
Name	Homepage	Head Office	Founding year	Donation -based	Reward-based	Loan-based	Equity-based	Geographical coverage	Topics/targets	
Kickstarter	kickstarter.com	Brooklyn (USA)	2009		x			Global	Creativity, Culture, Art	
Indiegogo	indiegogo.com	San Francisco (USA)	2008		x		x	Global	Technologies and Innovation	
FundRazr	fundrazr.com	Vancouver	2009	x	x	x	x	Global	All, non-profits, businesses, etc.	
Crowdfunder	crowdfunder.com	Los Angeles (USA)	2016				x	Global	Technologies, SMEs	
Rockethub	rockethub.com	NY (USA)	2009				x	Global	Science, Music, theatre, etc.	
Gofundme	gofundme.com	Dublin	2010	x	x			Global	Education, medical, charity	
CrowdCube	crowdcube.com	UK	2011				x	Global	UK's community of equity investors	
Fundable	fundable.com	USA	2012		x		x	Global	Small businesses	
Kiva	kiva.org	San Francisco (USA)	2005			x		Global	Female-owned businesses, green loans, education	

Table 3: Global crowdfunding platforms [71]

Indiegogo is the platform which raises the most with 37.000\$ on average. *Fundrazr* is the one with the highest success rate with 40.9%. Finally, *Kickstarter* is the most popular platform with 113 backers per project on average and with the highest amount of completed projects overall with 270.684 projects from January 2014 to June 2018. [75]

9.3 Local crowdfunding platforms

Basic information				Crowdfunding models					Additional information	
Name	Homepage	Head Office	Founding year	Donation-based	Reward-based	Loan-based	Equity-based	Geographical coverage	Topics/targets	
Invesdor	invesdor.com	Helsinki	2014				x	FI, DE, SE, NO, UK	Industry, Businesses, etc.	
CONDA Crowdinvesting	condaeu.com	Vienna	2013			x	x	AT, DE, SI, SK	Finance, IT, food, construction, etc.	
Green Rocket GmbH	greentocket.com	Graz	2013				x	AT, DE	Start-ups, sustainability, energy, nature	
Startnext	startnext.com	Dresden	2010	x	x			AT, DE, CH	Creative ideas, Start-ups, education, etc.	
Cleantech Bulgaria	cleanteach.bg	Sofia	2011		x			BG, HR, BA, EL, RO, RS, MD, ME	Green Business	
HltHit.cz	hithit.cz	Prague	2012		x			CZ	Theatre, music. Films, entertainment	
Croinvest.eu	croinvest.eu	Zagreb	2014	x	x	x	x	CR	Entrepreneurs, Socially useful campaigns	
FUNDERBEAM SEE	funderbeam.com	Zagreb	2016				x	CR, SI, SE	SMEs	
Creative selector	creativeselector.hu	Hungary	2012	x	X			HU	All	
Adjkirály	adjkiraly.hu	Hungary	2015	x				HU	Donations	
IZRACUNAJC O2	izracunajco2.me	Macedonia	2014	x				ME	Economy and Environment	
Donacije.rs	donacije.rs	Belgrade	2014	x				SE	Humanitarian projects, social	
Zlty melon	zltymelon.sk	Slovakia	2012			x		SK, CZ	People	
ADRIfund	adrifund.com	Lesce	2012		x			SI	Entrepreneurs, Creative	
CONDA Slovenija	condasi.si	Ljubljana	2015				x	AU, DE, SW, SI, SK	Business campaigns	

Table 4: Regional crowdfunding platforms [72]

TU 10. SUPPORT ORGANISATIONS

Support organisations are yet another main actors involved in crowdfunding projects, especially if the project is much desired to be successful. Launching a crowdfunding project does not suppose a large quantity of problems, but trying making it a success definitely does. Only a third of the CF projects on Kickstarter are successful [76].

Crowdfunding projects may need support in several ways; some of them involve creative ideas or social causes that need information and counselling. Others require investment and financial support.

10.1 Types of Support Organisations

Support organisations are divided into finance stakeholders and public and intermediary organisations, depending on their aim of providing either funds or advice.

- **Finance Stakeholders** are organisations which might be interested in joining the campaign as an investment project, performing a specific job or function on it and expecting to make a profit upon the project completion. Relevant **financing institutes, business angels, investment companies and public authorities** are involved in this way of finance support;
- **Public and intermediary organisations** are entities that contribute to the development of the project in different aspects. Most of them are non-profit organisations and they can be differentiated between **funding institutions, incubators and accelerators, business support agencies and chambers/associations**. These kinds of organisations as well as other intermediary organisations within the regional innovation system are included in this section.

See Annex II for examples of each kind of both Finance Stakeholder and Public and intermediaries in the different countries of the Danube Region.

A wider list can be found at the following link: <http://www.interreg-danube.eu/approved-projects/crowdstream> [77]

10.2 Finance Stakeholders

There are also differences among finance stakeholders. The different types of organisations depend on the structure of the company or its goal.

- **Financing Institutes**, companies (as Banks) which operate with money transactions such as deposits or loans, obtaining a profit from them;

- **Investment companies**, corporations whose main operation is, as a collective of people, to invest and make profit of trading shares and different assets of the possible supported projects and companies;
- **Business angels**, individual investors who operate as investment companies expecting to obtain a future profit of their venture, but also usually willing to become involved into the project (sometimes as mentors).

10.3 Public organisations and intermediaries

Campaigners and their crowdfunding projects may need also support from the public sector or intermediaries or vendors:

- **Funding Institutions**, agencies that contribute to the technological and educational development of certain regions through financial instruments and funding;
- **Incubators and Accelerators**, corporations that offer support to companies and projects during the early stage of their business and establishment in the market. They offer mentoring and helping services as well as providing the companies with a suitable working space for developing their ideas;
- **Business support agencies**, offering counselling and innovative support to SMEs, providing with incentives and free services, and rising business development activities. They also facilitate access to finance;
- **Chambers and associations**, usually non-governmental organisations that represent a large quantity of workers and students, as well as members of the different associations providing with advisory and information services. For example: National Chambers of Commerce, Universities, etc;
- **Others organisations**, such as international vendors who offer certain services for Crowdfunding projects as surveys, statistics or promotion.

TU 11. CAMPAIGNERS

Campaigners, also called creators or founders, are the initiators of the fundraising campaigns, the main actors on the projects. They are the creators of an idea or initiative, which needs investors in order for it to be developed. Anyone with a good idea or a good network can launch a crowdfunding campaign since these are considered as the main factor for success.

Accordingly, most of the founders of crowdfunding projects are creative, innovative and young people, who have access to limited networks and resources [88]. Crowdfunding let these creators avoid the geographical and financial barriers.

11.1 Different ideas

Campaigners can crowdfund almost any kind of project, from artistic and cultural initiatives (which are the most common ones), to solidary campaigns for either collectives or individuals, new-tech ideas, start-ups, commercial activity plans, etc.

The common node of all these type of projects is that they are usually crowdfunded since the early stages of the project, so the campaigners can connect with ‘their crowd’ obtaining their support. The wide range of options for crowdfunding is such, that campaigners who desire to be successful must have something different. Be creative!

11.2 Benefits for the campaigners

The first goal is, therefore, to reach the backers. These last ones should have similar interests to increase the probabilities of raising money. In order to attract a larger number of funders, the founder is highly recommended to build and develop a network through social media.

Even though the main objective of a crowdfunding project is to obtain funds, crowdfunding offers different benefits to the creators too. Here it can be seen some of the main ones:

- **Testing marketing channels and target audience**, so the entrepreneurs will be able to check if they are having the correct approach to specific audiences;
- **Promoting** their different products, crowdfunding is based on marketing;
- **Connecting new audience** for future projects since backers have been attracted to this one;
- **Obtaining market validation** from a specific sector of products;
- **Understanding consumer's motivations and expectations**, and so, grow according to that.

TU 12. CONTRIBUTORS

Usually called funders or backers, contributors are people or associations that offer funds for a crowdfunding project. All of them use to have different profiles and expectations, but they are all interested on it in some kind, either in the project’s idea as a fan, donor or consumer; or in the project as an investment.

12.1 Key Factors of Success

Most of the backers are interested in the topic of the campaign, but others fund it for solidarity reasons. Some others, instead, support it because of the rewards or the eventual future profit. There is also a possible emotional connection to the founder reason (which is indeed the main cause of backer’s support in the beginning phase of the project). There are 4 Key Factors that can play on the backers’ motivation [86]:

- **Quality ideas:** since they are the main reasons for launching the crowdfunding project, the best the idea, the easiest to obtain backers and success;
- **Marketing campaign:** sharing, disseminating and informing about the project are another crucial factor. The wider the audience, the better. A good marketing campaign is, therefore, much needed;
- **Enticing rewards:** backers support the project because they usually obtain a reward. Tangible or intangible, rewards are a nice opportunities to create added value for donors and increase attractiveness;
- **Strength of your network:** social and working networks provide a large amount of possible contributors, who can be filtered based on the project's topic.



Figure 17: Key factors of success [86]

12.2 Contributors behaviour

Studies confirm that contributors have a specific behaviour; they do not join and support the project linearly throughout the campaign. Typically, there is an initial and an ending phase where most of contributor are most likely to contribute.

- **Launching phase:** generally, founders decide to enrol their friends, family and personal network for a first important percentage of donations. These can highly contribute to the successfulness of the project;
- **Closing phase:** there is usually just a small amount of funding to raise left and the 'sense of urgency' appears. This is the so called *goal gradient effect*: the propensity for engaging new people increases while the time of the project left decreases. Backers tend to wait until the end of a campaign to support it because they are afraid of initial risks and changes [88]. Campaigners transform this final stage into a marketing tool to pressure new and old supporters to reach the goal.

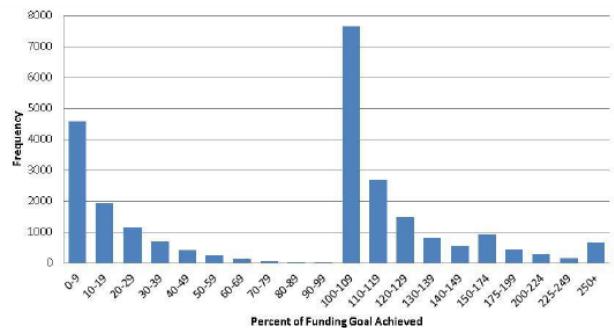
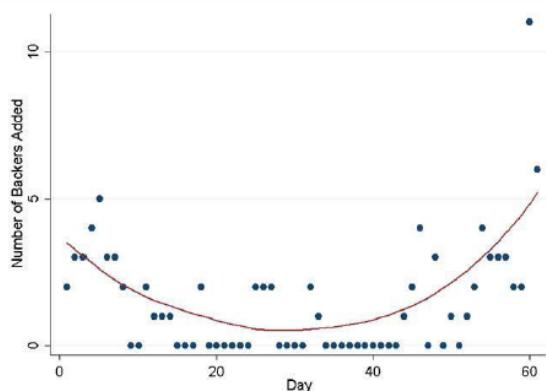


Figure 18: Dynamics of Backer Support on a project [90] Figure 19: Distribution of project funding outcomes [87]

According to statistics, the degree of funding goal to be achieved is a critical factor because it affects the rest of the backers' behaviour. Most of the projects that are able to pass the 5-10% of initial funding level are predicted to be successfully reaching 100% of the funding goal, if not more. Only in rare cases, projects end up with a 10-90% of the funding level. For instance, just 2% of the projects that overpass the 50% of their funding goal are not successful. [88]

TU 13. MY CROWD

Before starting a campaign, a deep look into the crowd of backers who will support your campaign is a fundamental step. Establishing a good relationship with your backers and understanding which kind of people will you target on your campaign is at the basis of every successful campaign.

13.1 Your Digital Identity

Nowadays, the digital world has taken over many ways of doing business. This also applies to crowdfunding, which was born as a new digital way of accessing capital. That said, when it comes to launching your campaign, it is very important that each campaigner takes some time to do some Google searches and check about their status on the internet. Reading feedbacks and comments can help you to decide whether to take the road of the crowdfunding campaign or not.

If your status is not positive and, for example, your name is associated with unlawful situations or cases of fraud, your backers will surely get to it and your efforts to win their support will be almost vain.

At the same time, it is important not just to have a good standing status, but also to give a professionally looking impact. This is one of the most powerful tools, which is completely in the hands of the

campaigners. Proving that there is some kind of history behind what you are doing and that you are qualified enough to handle it successfully will win their trust towards you and your campaign.

13.2 Your Target Group

Target groups are one of the baselines when it comes to planning, launching and, most importantly, to succeed with your crowdfunding campaign. The strength of the connection and relationship with your backers will determine how successful you will be. A process takes place throughout all of the phases of your project.

Understanding your crowd, therefore, becomes extremely important; addressing people who do not know much about your business field can be tricky; some might totally understand, but some others might not even bother trying. What is true here is that you will most likely gain more support with much less effort if you address people who work in the same industry and business field in which you are. They will know what you are actually talking about and possibly be interested into what you are planning to offer with your campaign.

Social networks can increase your impact on the number of possible investors, i.e. LinkedIn. This allows building some kind of relationship with them, which will function as a booster for your campaign. Therefore, it is definitely true that a crowdfunding campaign launched without any supporting network requires much more effort from your side.

13.3 Your Type of Crowd

Once your campaign's target group is clear and settled, it is advisable to proceed to further segmentation of the crowd into *A*, *B* and *C* investors [90]:

- *A investors* are those who will most probably fund your campaign. These can be friends, family, but also former colleagues, anyone working in your same field or people involved in the leadership of associations and organizations.
- *B investors* are those people who might fund your campaign based on their trust on you. They will try to get to know you more before supporting you.
- *C investors* are those people who most likely will not fund you, unless you show them that your campaign is being successful. Also if you are able to create a sort of buzz around it, for example making the news or becoming popular on social networks.

Needless to say that, once you have made your mind up about your crowd, the rest relies totally on your communication skills and certainly on your business idea. Taking into consideration the crowd is fundamental; campaigns are successful especially when they create something people actually desire.

TU 14. FINDING THE RIGHT PLATFORM

Finding the right platform for your crowdfunding campaign can be a difficult and a time-consuming decision. At first look, crowdfunding platforms look somehow the same, which does not make things easier. With a clear mind on which kind of crowd you will be addressing, there are generally three steps when making such decision.

14.1 First Step: Your Business Stage

The type of crowdfunding platform you need correlates directly with the status/level of your business and with the amount of capital you need to develop your idea.

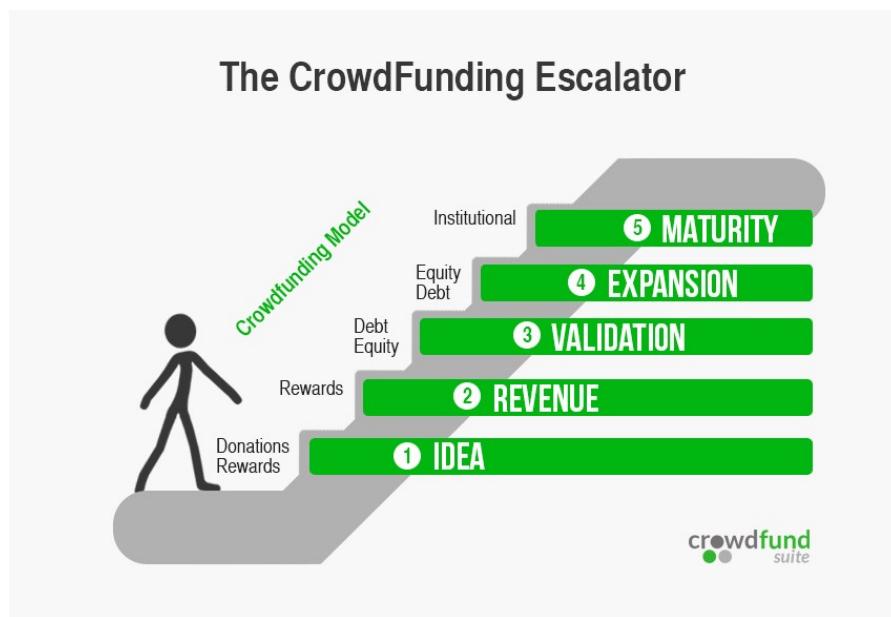


Figure 20: The CrowdFunding Escalator Concept [92]

14.1.1 Level 1: Idea

At this early stage, a donations campaign might be the best option. This would allow having support from your backers and at the same time, it is a way to raise awareness regarding a second upcoming crowdfunding campaign. Instead, if the demand or pre-orders for a product/service already exist, rewards are more effective.

14.1.2 Level 2: Revenue

Within this stage, the rewards option is all about gathering a cash infusion to support your innovative product and to raise awareness. This is usually reserved for established businesses, especially those involved in fields like movies and hardware.

14.1.3 Level 3: Validation

This level is commonly reserved for established businesses, which have been working on their own business model for a few years and that are stable enough / have positive credit to consider lending. This would benefit everyone involved; in the first place, there would be lower rates compared to those provided by banks. Moreover, it would create a network of local investors.

14.1.4 Level 4: Expansion

In the phase of expansion of a business, whether this occurs due to a new location or because of an increase of staff, there are two options for a crowdfunding campaign. Equity is the first good option. Because your business is already well established and you can give proof of what you can do, your backers would definitely consider your references and support you within the campaign. Debt might also be a second option by traditional bank lending or business angel investments.

14.1.5 Level 5: Maturity

If your business is mature enough, then there are many options to be taken into consideration. A mature business means that there is generally some comfort in funding a new product / service; entering new markets, for example, is a smart choice if done through a crowdfunding campaign.

14.2 Second Step: Your Business Sector

Generally, the most popular platforms for crowdfunding allow campaigns from any kind of business sector by simply letting the user choose the right category. At the same time, there are some platforms which are much more suitable for some campaigns rather than others.

According to data provided by InvestNextDoor Research Center on crowdfunding in 2015, rewards types of campaign are generally more successful within specific business sectors like arts, charity and new technology products. Equity type of campaigns instead had much more support when it came launching start-ups, which were able to attract business angels.

Geographical coverage of the launched project is also an important feature to consider before selecting between international or regional platforms too because it can affect drastically to the impact of your project.



Figure 21: Types of Business Crowdfunding [93]

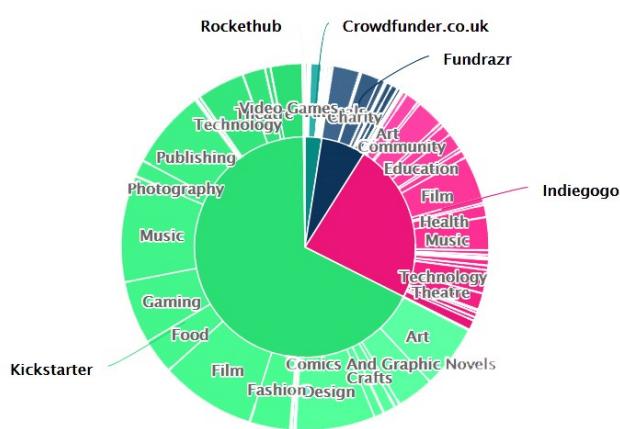


Figure 22: Fully Funded Projects by Platform [94]

14.3 Third Step: Platform Record Tracking

The third step within choosing the right platform for your campaign is to do a research on the internet. Platforms have different characteristics indeed, but it is very important to look at the financial side of them. Apart from checking how many funds similar projects have raised, it is fundamental to understand how each platform works when it comes to fees; some do not have any, some others go from 1 to 8% for repayments received and from 18 to 20% for interest earned.

At the same time, some platforms require a minimum investment which clearly forces the campaigners to choose one instead of another only based on how much capital they have available in that moment. Generally, this goes from \$100 to \$1000, but equity crowdfunding campaigns can also reach \$5000 and require that investors to be accredited [94].

TU 15. MY CAMPAIGN

Building a cutting-edge crowdfunding campaign is a challenge, which should not be underestimated. Most of the time, campaigners do not give the appropriate attention to the appeal of their campaign, that is to say how it appears to potential backers. Although the layout and structure are most of the times already defined, the content is totally up for customization.

Ideally, a **title** should be clear, straightforward and at the same time attractive for those who read. This will push them to read the typically included **sub-title**, which gives a secondary hint to the reader.

After this first step, the reader will turn to the first piece of content, which is usually a strategically chosen **image** or, even better, a **video**. This last one is a very powerful tool, which can contribute either

positively or negatively, depending on the approach. Video strategies will be discussed in the following pages.

At the same time, the **main details** of your campaign such as the number of backers, your goal and days left should be very visible and clear to the users. This can play a major role; be careful, if the number of backers is very low it will not give a good impression to potential backers.

Next, the **description** of your project must be included; here you will give more details, but sticking to being very precise and direct as for the titles. You can also give some information about yourself, your background and the risks and challenges that you have been facing. Be sure to include some data and results which you expect to achieve with the gathered funds. Including **infographics** and other type of data is an extra which can give your campaign a certain image of professionalism.

Usually, crowdfunding platforms allow campaigns to have pre-defined tabs for **comments and updates**. The communication with the backers is fundamental; responding to comments and posting updates on the steps you have been taking within your campaign is a sign of transparency that your contributors will definitely appreciate.

15.1 Video Strategies

According to Indiegogo, crowdfunding campaigns that include a pitch video raise **114% more money** than those without one. The data came out in 2011, but it is still valid as of today for a good portion of the campaign's success. A video is a powerful tool that can represent your whole project in just a few minutes. Platforms, like Indiegogo, report that campaigns with videos are also more likely to be among the "featured" ones and therefore to get more impact and visibility, with a contribution which is **12% higher** than the campaigns without a video [96]. However, making a video is not always a simple task; in fact, there are many factors to be taken into consideration.

- **Video concept:** the idea behind your pitch video should be based on giving a straightforward explanation of your project to the viewer, keeping in mind that your potential backers might not read the textual content. This should be done in a short manner of time considering that the duration is usually between **2-4 minutes**. Therefore, your video needs to engage the audience quickly;
- **Tell a story:** make sure that your video tells a story, what you have been doing, how you have come up with this project and what you expect to achieve by the end of the campaign. It should be interesting and attractive;
- **The audience:** as with campaigns, videos must address specifically viewers by first explaining how they will contribute to the project, what they will get and finally asking them to take action.

- **Technicalities:** the simpler, the more successful the campaign is. The use of video effects should be limited and strictly related to the purpose of the campaign itself, not excessive, but still be professionally made. The music in the background plays a major role as it can influence the viewer positively;
- **Extras:** your video should include major information on your project, but most of all it should include you as a person. It gives a sign of transparency and willingness to be totally involved into the campaign. Even better if other teammates join in. Finally, a good option to gather more contributions would be to include testimonials that can give positive feedback on what you can do and on what you are trying to achieve.
- ...and of course, do not forget to **thank** your viewers!

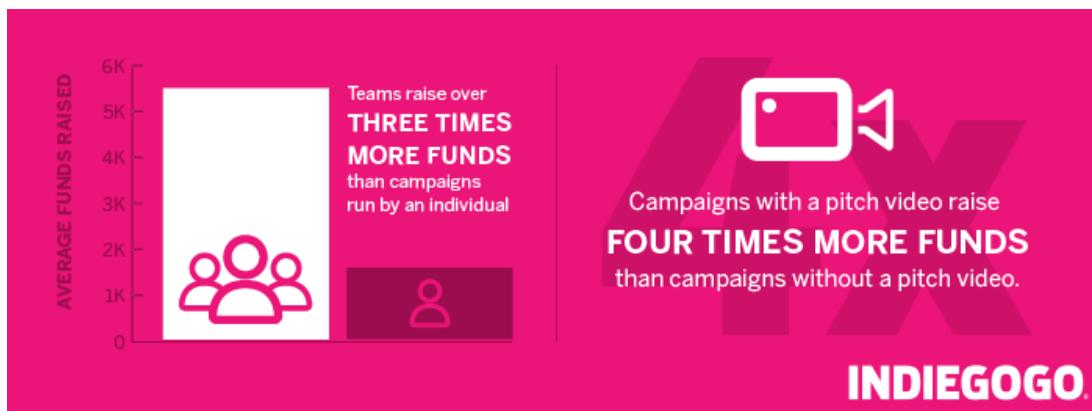


Figure 23: Pitch Video Infographics [97]

15.2 Rewards

Projects, which include **rewards**, are among the most successful types of crowdfunding campaigns, with **22% increase in success rate**, 3.3% increase in amount raised and 2.8% more of backers compared to non-reward campaigns [4]. According to the latest data provided by *Statista*, the value of transactions for this kind of campaign has been increasing in Europe starting from 2012 until 2016 [98].

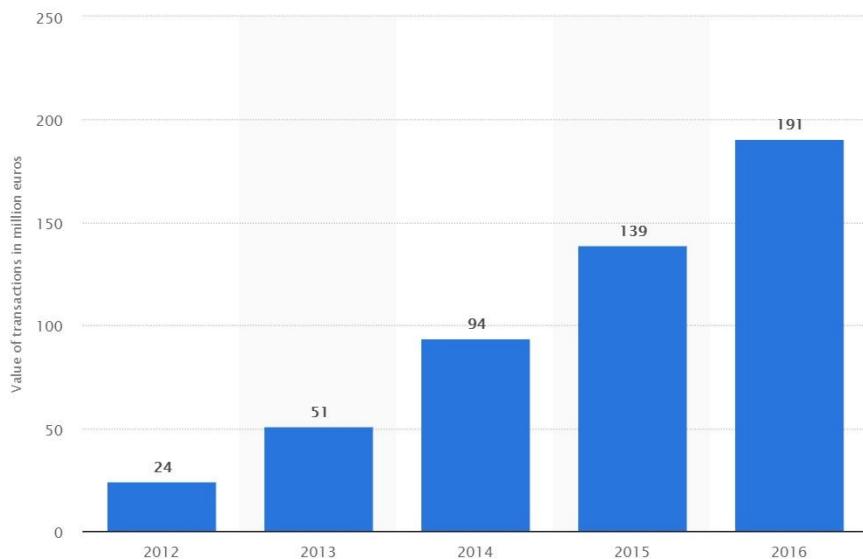


Figure 24: Reward-based crowdfunding transaction value in Europe (million €) [98]

It seems clear then that learning about how to set the optimum number and type of rewards is a major point on crowdfunding since reward-campaigns have such significance in crowdfunding platforms. Do not forget that these rewards can become a direct reason of why people support your project.

- There can be many different types of rewards in your campaign. Try to offer a wide choice; from **recognition** rewards where backers can have their name in the credits to physical **items** such as t-shirts or the products themselves. But also **services** such as trainings, phone calls or being part of some of the creative processes or different **experiences** as VIP meetings or activities with the campaigners;
- Be aware of the influence of the **number of rewards** set too! This number must be selected based on the particular possibilities of each creator, but there is a positive correlation between the number of rewards and the total amount raised;
- Select appropriately the **price** of your rewards; nobody wants to pay in excess for a simple reward. A €50 t-shirt would not incentivize many backers. Generally, the four main levels in successful reward-campaigns are **10, 25, 50 and €100**, but you should always ensure that basic participation is available, such as the typical €1 donation, which can contribute highly to reach your final goal (and also **increase the number of backers** of your campaign, which would make your campaign more attractive). Do not be afraid to set hundreds or thousands reward prices too since it increases the possibility of someone backing at a high level;
- Finally, use different reward strategies to **add a certain value** into all each of your rewards. You can follow different marketing tactics, for example limiting the number of available rewards, adding new ones during the campaign, including amusing titles or grouping different of them to incentivize higher

investments. Adding pictures of the reward and clarifying shipping dates and costs is greatly recommended.

TU 16. MY TOOLS & RESOURCES (INCL. LINKS)

The following is a short database of resources and tools that can contribute to reaching a greater audience, organize your teamwork and reach out to your backers in any campaign phase.

MANAGEMENT TOOLS	PURPOSE	LINKS
ASANA	Tracking your team's work and results.	https://asana.com
BASECAMP	Project management tool for teams.	https://basecamp.com
DOODLE	Appointments/Meetings scheduling.	https://doodle.com
CROWDBOOSTER	Analysis of performance on social networks.	http://crowdbooster.io
SLACK	Organizing tasks, communicating with your team.	https://slack.com
EVERNOTE	Workspace for notes, data, information, to do's.	https://evernote.com
FRANZ	Multi-messenger software tool	https://meetfranz.com

COLLABORATION & SHARING	PURPOSE	LINKS
GOOGLE DRIVE	Collaborative sharing and files storage.	https://drive.google.com
DROPBOX	Collaborative sharing and files storage.	https://www.dropbox.com
WETRANSFER	Files sharing platform with download receipt.	https://wetransfer.com

COMMUNICATION TOOLS / SOCIAL MEDIA	PURPOSE	LINKS
MAILCHIMP	Online newsletter tool with a variety of functions.	https://mailchimp.com
BOOMERANG	Online email scheduling service through Gmail.	https://www.boomeranggmail.com
FACEBOOK	Status/content sharing (photos, videos) network.	https://www.facebook.com
TWITTER/INSTAGRAM	Updates and content sharing social network.	https://twitter.com / Instagram.com
LINKEDIN	Professional social platform for network creation.	https://www.linkedin.com
KORECONX	Keeping your investors informed.	https://www.koreconx.com

TRACKING/SEARCH TOOLS	PURPOSE	LINKS
GOOGLE IMAGES	Engine with reverse image search functionality.	https://images.google.com/imghp
BIT.LY	Shortening service for urls with info tracking.	https://bitly.com
GOO.GL	Shortening service with analytics tool.	https://goo.gl

OUTSOURCING	PURPOSE	LINKS
FREELANCER		https://www.freelancer.com
FIVERR	Searching platform to assign tasks to freelancers from different fields of work.	https://www.fiverr.com
UPWORK		https://www.upwork.com

WEB CONTENT CREATOR/EDITOR	PURPOSE	LINKS
WORDPRESS	Very popular platform to create websites.	https://wordpress.com
WEEBLY	Website & Blog platform creator.	https://www.weebly.com
GODADDY	Company providing domains/hosting.	https://godaddy.com
REGISTER	Company mainly providing domains.	https://www.register.com
KROWDSTER	Landing pages to collect email addresses.	https://www.krowdster.co

CHARTS CREATOR/EDITOR	PURPOSE	LINKS
CANVA	Online design creator for team and brands.	https://www.canva.com
INFOGRAPHM	Online tool to create infographics and reports.	https://infogram.com
VISUAL.LY	Online content maker (infographics, video etc.)	https://visual.ly
PIKTOCHART	Online tool for infographics, flyers and designs	https://piktochart.com

ADVERTISING	PURPOSE	LINKS
KICKBOOSTER	Backers earn by sharing your link.	https://kickbooster.me
KICKTRAQ	Analytics tool for Kickstarter campaigns.	https://www.kicktraq.com
JELLOP	Marketing agency operating on Facebook.	https://jellopcrowdfunding.com
GREENINBOX	Advertising via email to social media contacts.	http://www.greeninbox.com

CAMPAIGN MANAGEMENT	PURPOSE	LINKS
CROWDOX	Survey and identification of backers' needs.	https://www.crowdox.com
BACKERIT	Managing pledges, delivering the rewards.	https://www.backerkit.com
CROWDPILOT	Surveys and delivery of rewards.	https://crowdpilot.com
SHIP	Shipping platform for rewards.	https://www.producthunt.com/ship

TU 17. MY BUSINESS PLAN

Companies, including start-ups, are required to pay great attention to planning their crowdfunding campaign, clarifying what exactly they are going to do and how they will proceed before, during and after. Here comes the importance of writing a business plan.

A good plan typically includes a **business summary** of your company, your intentions and internationalisation, and a **description of the product or service** that you are planning to offer. It is very important to understand that especially when it comes to crowded fields of markets, you should make sure your product is either **superior or something people really want**. Once your ideas are clear, it is necessary to identify your **target market profile** and to make a careful analysis of your company's internal environment, while at the same time keeping into consideration the external actors operating in the industry.

Typically, every business plan also comes with a **SWOT analysis**, which helps you highlighting strengths, weaknesses, opportunities and threats in the market. The next step is to brainstorm about what you will need to handle and manage your crowdfunding campaign successfully. A major focus here is on the **financial conditions**; think about what each platform requires, if you need to make some commitments, for example, and about how much money you will actually need to gather from your backers to keep up with the whole process of your product or service. This of course includes a **marketing plan**; ideally, it would be appropriate to use the **4P's**; Product, Pricing, Promotional and Place (Distribution) strategies.

Finally, an appropriate analysis of **possible scenarios and exit strategies** would be a good way to keep everything under control. The more rational and the more you make sense out of your business plan, the better. Overestimating yourself is not good; what is good instead is to keep in mind that you are making plans that might as well not go accordingly.

17.1 BUSINESS PLAN TEMPLATE

CROWDFUNDING BUSINESS PLAN	
EXECUTIVE BUSINESS SUMMARY <i>Company strategic analysis and international involvement</i>	
PRODUCT / SERVICE ANALYSIS <i>Detailed analysis of product or service for crowdfunding</i>	
TARGET MARKET PROFILE & ANALYSIS <i>Identification of the targeted market's needs</i>	

ANALYSIS OF THE ENVIRONMENT*Both internally and externally***S.W.O.T. ANALYSIS***Strengths, Weaknesses, Opportunities and Threats*

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">■ ...■ ...■ ...■ ...■ ...■ ...■ ...■ ...	<ul style="list-style-type: none">■ ...■ ...■ ...■ ...■ ...■ ...■ ...■ ...
OPPORTUNITIES	THREATS
<ul style="list-style-type: none">■ ...■ ...■ ...■ ...■ ...■ ...■ ...■ ...	<ul style="list-style-type: none">■ ...■ ...■ ...■ ...■ ...■ ...■ ...■ ...

FINANCIAL CONDITIONS

Financial conditions to launch, manage the campaign and enter the market, use of proceeds

MARKETING PLAN: MIX STRATEGIES (4P's)

Detailed Program of your marketing objectives and strategies

EXIT STRATEGY & SCENARIOS

Analysis of possible scenarios and eventually exit strategies

TU 18. DOS AND DON'TS

WHAT YOU DEFINITELY SHOULD DO

- Have an established **digital presence** (social networks etc.) before your campaign starts
Communication with your backers is extremely important.
- Have a **clear objective** of your campaign and **action plan**
If your campaign lasts 45 days, then you should plan each single day from start to end.
- Be ready to **introduce your business** in a 30 seconds video
Describe yourself, your business, idea and plans.
- Have a **short** crowdfunding campaign
Recommended: keep it up for 30 days.
- Have **friends and family** support your campaign in the beginning
Best way to start is to have some backers with you already before going public.

WHAT YOU DEFINITELY SHOULD NOT DO

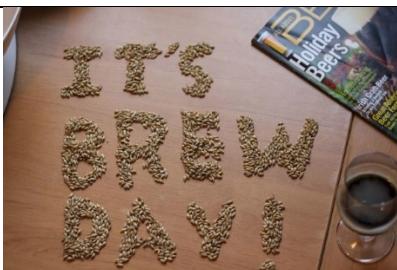
- **Ignore backers** supporting the campaign with small amounts
Every contribution is important; take time to thank each single backer.
- Keep your campaign **in the dark**
Transparency is one of the keys to a successful campaign.
- Have **no copyright protection** over your creations
You cannot protect ideas, but you can protect logos, materials, books, etc.
- Start **worrying** about not reaching your goal
According to statistics, 1/3 of the funds will arrive during the very last days. Keep it up!

TU 19. EXAMPLES

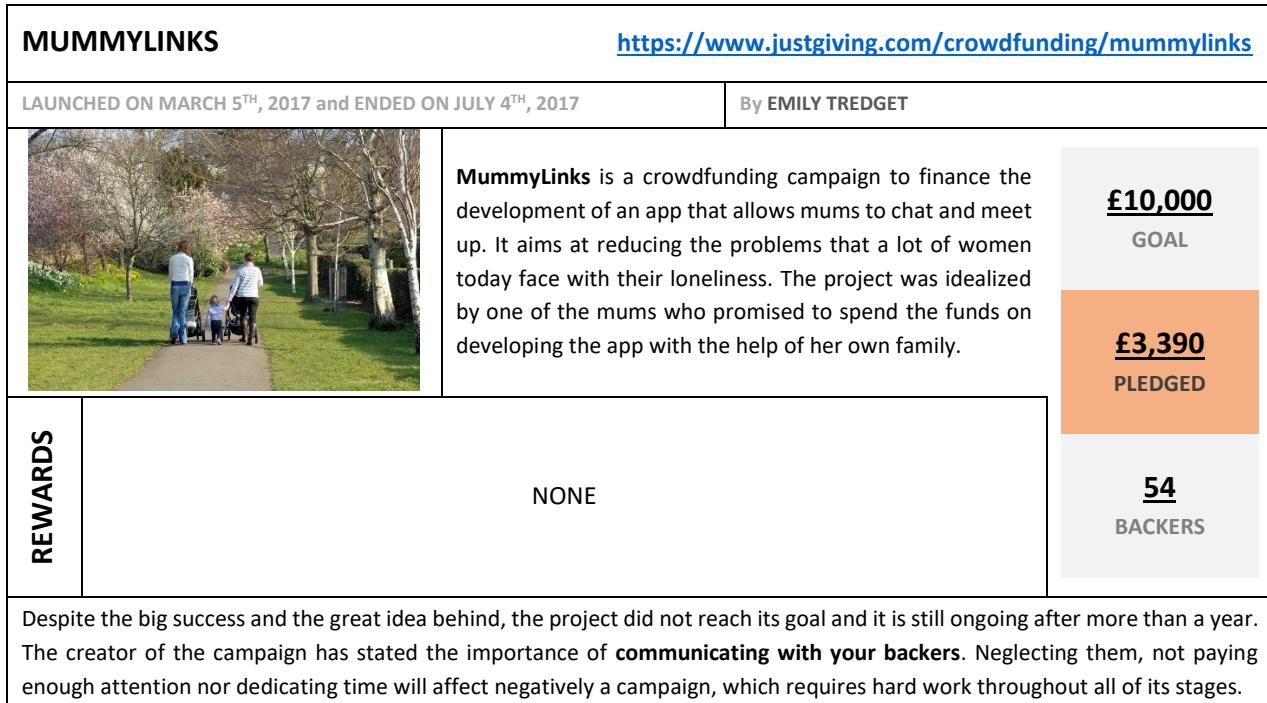
19.1 Example #1: PEBBLE

PEBBLE: E-PAPER WATCH FOR iPHONE AND ANDROID					
LAUNCHED ON APRIL 11 TH , 2012 and ENDED ON MAY 19 TH , 2012			By PEBBLE TECHNOLOGY		
			Pebble is an infinitively customizable smart watch , which can connect to the most popular mobile devices via Bluetooth technology. It allows running a certain range of apps, especially designed for fitness and sports by keeping track of records, as well as other functions like push notifications directly on your mobile device and music control. It is also waterproof.		
			<p>\$100,000 GOAL</p> <p>\$10,266,845 PLEDGED</p> <p>68,929 BACKERS</p>		
REWARDS	\$1+ EXCLUSIVE UPDATES	\$99 BLACK WATCH + FREE SHIP (US)	\$115 JET BLACK WATCH + FREE SHIP (US)	\$125 ANY WATCH + FREE SHIP (US)	\$220 2 JET BLACK WATCH + FREE SHIP (US)
	\$235 HACKER PACKAGE	\$240 2 WATCHES + FREE SHIP (US)	\$550 5 WATCHES + FREE SHIP (US)	\$1000 10 WATCHES + FREE SHIP (US)	\$1250 CUSTOM WATCH + FREE SHIP (US)
The Pebble Crowdfunding Campaign had potential enough to attract a wide range of backers with different interests. It allowed them to take part to the project even with a small amount like \$1 (2.615 people chose this option). However, the campaign was inefficient on financial terms because of information asymmetry. Moreover, it was based on the “financial” rationale.					

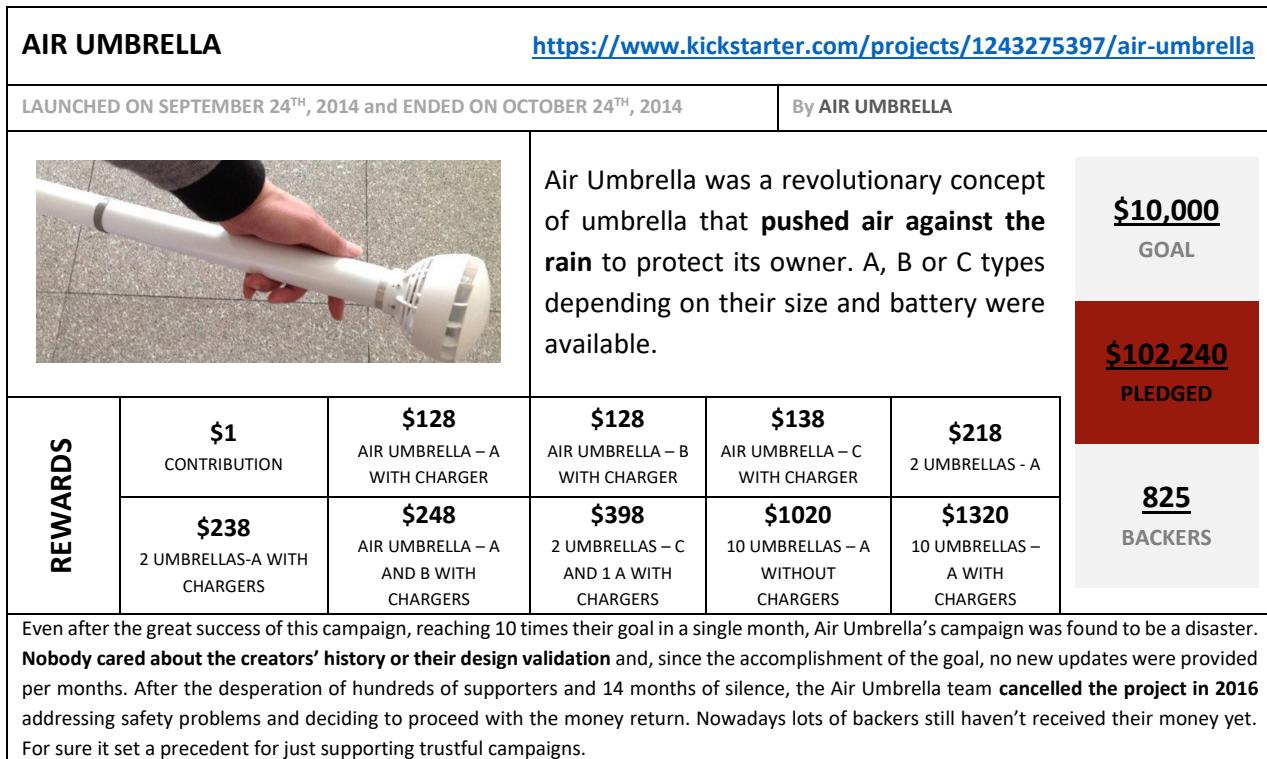
19.2 Example #2: VAGABUND

VAGABUND					
LAUNCHED ON APRIL 18 TH , 2013 and ENDED ON JUNE 21 ST , 2013			By DAVID SPLENGER		
			Vagabund is a crowdfunding project for supporting a brewery in Berlin where locally-crafted artisan beers would be brewed.		
			<p>€18,500 GOAL</p> <p>€21,295 PLEDGED</p> <p>186 BACKERS</p>		
REWARDS	€5 NAME ON WEBSITE	€15 FREE BEER IN TAPROOM + PREVIOUS	€30 PIN + BOTTLE OPENER + PREVIOUS	€50 T-SHIRT + PREVIOUS	€75 LIMITED EDITION BOTTLE + PREVIOUS
	€150 HOODY + PREVIOUS	€250 ALL MERCHANDISE + GROWLER BOTTLES + PREVIOUS	€750 2 KEGGERS OF BEER + PREVIOUS	€2,500 PRIVATE PARTY AT YOUR HOUSE WITH CREATORS + PREVIOUS	€15,000 KEG OF BEER IN ANY PLACE OF THE WORLD + PREVIOUS
Vagabund is a clear example of transparent campaign with a worthy goal and a good marketing plan behind. Launched at Startnext, largest crowdfunding community for German-speaking countries, it is showing the fact of how a good selection of platform is required if the projects are aimed locally or regionally.					

19.3 Example #3: MUMMYLINKS



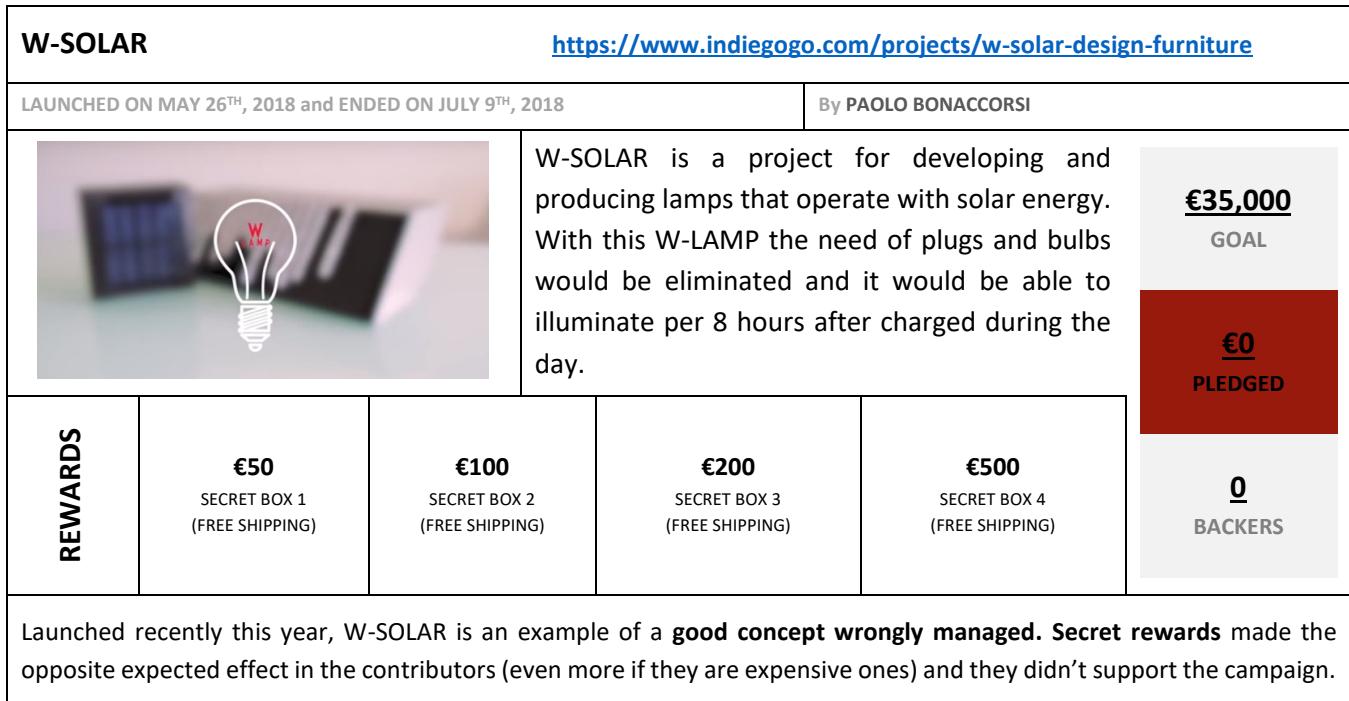
19.4 Example #4: AIR UMBRELLA



19.5 Example #5: EXPLODING KITTENS



19.6 Example #6: W-SOLAR



TU 20. LATEST TRENDS

Crowdfunding mechanism has grown drastically for the last decade. The number of launched projects and total amount of raised money have multiplied at least by 8 times in the last 10 years [108] and, as it can be supposed, the way people are supporting the projects has been changing during all these years accordingly.

To be aware of latest trends is a key point for either interested campaigners or supporters who want to be updated. These are the most noticeable trends as of 2018:

LATEST TRENDS

1. Boosting Start-ups

Business accelerators are one of the latest CF trends. They help start-ups in their early stages of development by generally launching their campaign, attracting investors, widening their network and developing their marketing campaign.

2. Equity Crowdfunding

Since the popular reward-based crowdfunding model cannot hold every kind of projects or start-ups, equity crowdfunding is emerging on the scene by supporting the ones that cannot return rewards straight to consumers. There were 2000+ funded equity campaigns in 2016 on Kickstarter and Indiegogo. [107]

3. Education for Investors

Some new projects have been developed in order to educate backers and clarify the 'scary' side of crowdfunding. Courses on fundamentals of crowdfunding, investments, financial strategies and techniques are leading businesses to a safer zone, avoiding frauds and user's lack of knowledge.

4. Non-profit crowdfunding

Charity and social causes are starting to have their own place in the global crowdfunding scenario. Many platforms for charitable projects are experiencing an increasing number of projects. Chuffed, Classy or CrowdRise are just some examples.

5. Blockchain technology

This booming data technology is being introduced in the Crowdfunding panorama by start-ups as Acorn Collective with the aim to decentralize and motivate tech development.

TU 21. MARKETING

As pointed out in the previous modules, crowdfunding can be a powerful marketing tool in order to promote the own project idea, concept or product, approaching in this way the envisaged target group(s), building a community around the campaign, receiving and benefitting from the first-hand feedback of the supporters. However, the other way around is also very important: without a comprehensive, but precisely tailored marketing strategy all along the campaigning phase (before, during and after launching), success might be hard – if not impossible – to achieve.

Before actually launching the campaign, investing time and putting efforts in activating people in supporting the project is crucial. Statistics show that the chances of achieving the target set are much higher if approximately 30% of the goal is already being reached during the first few days of campaigning [129]. Afterwards, all efforts should be directed towards keeping the momentum going.

Crowdfunding experts agree that the marketing strategy has to be specifically designed for the project community, constituting of:

- campaign team – people helping the project owner in running the campaign
- personal network – friends and family of the project owner
- project supporters – individuals interested in the campaign
- relevant groups – communities which share a common interest with the crowdfunding project and can be potential supporters

Accordingly, each of the above-mentioned categories can be activated through specific methods and tools of communication. While the first two ones are most likely to be reached in a face-to-face manner, personal messages or personalised e-mails that are straight forward, clear and simple can be less time intensive, yet very effective. Regular updates on social media channels are rather targeted to individuals interested in the campaign, without being necessarily acquainted with the project owner. Furthermore, social media can be an appropriate tool to reach multipliers that are part of other communities sharing an interest with the crowdfunding project in case. Another option can be represented by press releases in local publications, blog posts or subject-related websites. [129]

TIPS:

E-MAIL

- Formulate a straight forward, yet unique subject line
- Keep the message clear and short
- Give a personal touch to the message
- Add photo

SOCIAL MEDIA

- Design sharable content containing more than the link to the campaign page
- Keep in mind the target group(s)
- Add photos and short videos
- Be responsive

UPDATES SENT TO ALL SUPPORTERS AND FOLLOWERS

- Post regularly – once a week
- Keep the audience informed on progress, announce important milestones or events
- Encourage participation, ask for feedback
- Don't spam

Finding the right medium in order to reach the target group(s) is important, but the content published is also a key to success. Text, photos, video and a good story behind it have to be authentic and attract the interest of the audience and determine individuals to subsequently support the crowdfunding project. Following elements apply primarily for the campaign's own page on the crowdfunding platform, which can also be shared on and through other channels [112]:

- a short and to the point textual description of the project
- a catchy presentation (text and photo) of the team behind the project
- a good pitching video to express the story behind the project – according to statistics, having a video helps raising up to 115% more money than not investing in one
- a realistic business plan to underpin the target set

Even though crowdfunding is primarily about raising funds for a certain idea, concept or product, it is also as much as investing resources in the campaign, in order for it to be eventually successful. Specialised service providers come in help with writing text, shooting photos or producing videos – or a mix of everything, depending on the already existing skills and competencies within the project team. According to various articles on this matter, the most accessed services are very much focused around the video as follows [110]:

- *Production team* – in this case, the project team comes up with its own concept, script and storyboard and hires a team for professional video production. As a general tip, before starting shooting, a reliable feedback on the actual script is very valuable in order to see if the message is understood by others. This way, unnecessary costs for reshooting the video can be avoided.
- *Full-service video agency* – this option covers all elements constituting the crowdfunding video, both the storytelling and the production being managed by a specialised agency. In this case, the costs can be quite substantial.

(For information on self-made videos see page 83 "Budget")

Apart from the abovementioned “classical” elements (text, photos, video), there are also other relevant marketing materials that can be used in order to promote the project and the crowdfunding campaign. Such materials could be for example testimonials, customer reviews or interviews with team members.

Last but not least, if available, the rewards (perks) represent also a marketing tool, often influencing the decision of individuals to support a crowdfunding project. Ranging from souvenirs, finalised products, prototypes, experiences or digital goods, the catchier the rewards, the higher the marketing effect. One good practice example can be represented by LocoL, a fast food restaurant which chose to give away t-shirts as rewards. In case the supporters come into the restaurant wearing the t-shirt received, they also get a discount for their order. [129]

Further information can be found under:

<https://www.indiegogo.com/projects/locol-revolutionary-fast-food#/>

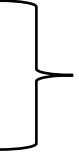
An introduction material to the topic is available at page 60.

TU 22. PITCHING

Each Crowdfunding campaign needs to introduce itself to the potential backers. This happens mainly by producing a pitch, which includes a video and a written introduction to the campaign. This module will look mainly at steps for creating a pitching video such as plan, structure, storytelling, do's and don'ts while examining some examples.

22.1 Pitching page

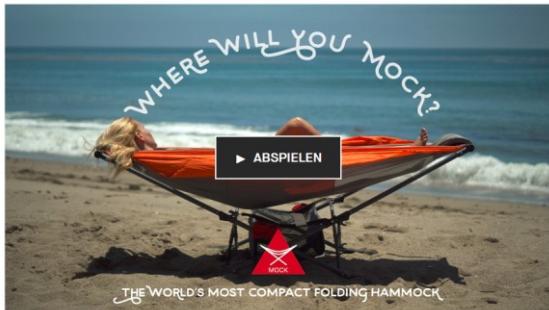
The pitching page situated on the Crowdfunding platform should present your product or service. (*Note: In this material the word “product” will be used in the meaning of “product” as well as of “service as a product”*). The more you reveal to your backers, the more they are inclined to trust you and support your project. The pitching video presents in a short and catching form the main contents, which you provide on this page. In the course of the campaign you can improve the page and add more details. Some points that you can include on the pitching page [126] are

- ✓ Branded header of the product name
 - ✓ Large image of the product
 - ✓ Product summary
 - ✓ Graphic explaining the product features
- 
- This is the place to get everyone's attention!*
-
- ✓ Press: it shows social approval
 - ✓ Use-case example: how can other people use it in the everyday life?
 - ✓ Explanation for the use of product
 - ✓ Rewards (perks)

- ✓ Timeline
- ✓ Story of the product: inspiration and motivation
if available, include prototypes
- ✓ Team: e.g. photos and a few sentences per person
- ✓ Technical details
- ✓ FAQ

Who are you? Why did you create this? What is background and why are you specially qualified to build/ create this?

For some good examples for a pitching page check Mock ONE [19], Flic [112] and Canary [128]. We will look below at the Mock One campaign. It covers some of the main points mentioned above.



(-1-)



(-2-)

Source: [127]

At the top of the page (-1-), there is a question, which should grab the viewers' attention ("Where will you mock?"). After that, the product is positioned with the statement "The world's most compact folding hammock". The picture chosen to appear before the video starts (-1-) gives already an idea about the message of the product (e.g. compact, portable, relaxing). This is followed by a short summary and photos (incl. short explanations) about the benefits (-2-). A graphic explains in a glimpse what the main features are (-3-). Two videos show how people use the product (-4-).



(-3-)

SETTING UP THE MOCK 'SQUITO NET'

1] Slide net onto frame bars; 2] Attach hammock bars inside net.
3] Insert fiberglass poles into corner brackets; 4] Attach net to poles.



(-4-)

Source: [127]

Rewards (-5-), technical characteristics (-6-) and timeline (-7-) are presented in a clear and understandable way (incl. tables and graphics). At the end, there is a reference to the risks and challenges connected to bringing a new product to the market.



SPECS		
Some technical details:		
	210T Parachute Nylon Steel frame	Weights: 14.5lbs. Holds: 250lbs.
	UPF 50+ 210D Polyester with UPF coating	Adjustable positions Folds away
	190T Polyester top and pillow 190T Polyester 3000mm waterproof outer	40° Poly fill
	190T Polyester top 190T Polyester 3000mm waterproof outer	40° Poly fill
	Lightweight no-see-um-mesh 210D Polyester with 3000mm waterproof outer	#8 Nylon Coil Zippers Reflective accents
	190T Polyester 3000mm waterproof	Reflective guy lines Requires "Squito Net"

(-6-)

TIMELINE

- July 2018 - Kickstarter Campaign Launch
- August 2018 - Campaign Ends
- September 2018 - Tooling Begins
- October 2018 - Material procurement
- October 2018 - Manufacturing
- Early December 2018 - Product Shipped to Backers

(-7-)

Source: [127]

22.2 Pitching video

A Crowdfunding video (Pitching video) is the first point of contact with possible backers. Therefore, it should deliver answers to a few basic questions from the customer's perspective: **What is your product? How does it make my life better? How will I use it? Do I trust you? Do I want it? Will you deliver?** [110]

Although these questions seem simple, they might be sometimes very challenging as some complex products are easy to understand for the project team, but not always for outsiders. Therefore, a pitching video should be carefully planned and executed. Most crowdfunding platforms recommend project owners to test the video with friends and acquaintance who don't know anything about the product. Modifications and improvements of the video are often the way towards a great pitch [112].

22.2.1 Planning a video

A video is the **most important element of a crowdfunding campaign**. As backers would like to know, whom they give their money and what to expect, it is essential to present yourself and your idea in front of the camera [111]. As most of the backers check as well the webpage of project, make sure that it is well-designed and conveys the main messages for your product. (See more in Training Module on Creatives)

Most successful videos are **less than 3 minutes long**. The shorter the video, the higher the possibility that people will watch it until the end. In addition to that, **the first 20 seconds** are crucial for people to decide if they will watch the whole video. Therefore, in the beginning you should grab the viewer's attention, introduce your product clearly and show users how they will benefit from the product [111] [109]. The focus in the video should be on the **benefits** provided by the product, then you can explain the **features** supporting this benefit [109].

22.2.1.1 Research

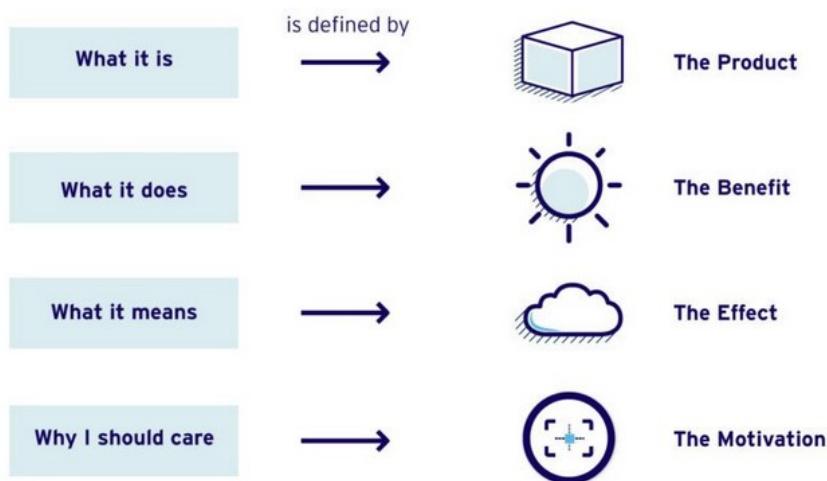
Starting with a **research** on videos from other successful (and unsuccessful) campaigns can help you understand what you like or you don't, what you should avoid, what the difference between successful and unsuccessful campaigns are or if there are any trends. An example of a successful video is the one for the

series *Con Man* on Vimeo On Demand. It raised over \$1 million in 24 hours (and over \$3 million overall) [116] [125].

22.2.1.2 Positioning Statement

Before you start building your concept, make sure that you have a product positioning. It should answer the question “**what does your product?**” from the customers’ perspective. Furthermore, it should provide users with an idea how they will benefit from it. Here are a few questions, which can help you explain the main value that your product gives to the target customer and the market.

Figure 1: From positioning to communication



Source: [114]

The following template with questions can help you create your positioning statement.

TEMPLATE FOR POSITIONING [114]

- **For** (target customer or market)...
- **Who** (have a compelling reason to buy)...
- **Our product is a** (product’s placement within a new or existing category)...
- **That provides** (key benefit that directly addresses the compelling reason to buy)
- **Unlike** (primary alternative source [that is, competitor] of the same benefit)
- **Our product** (key difference or point of differentiation in relation to the specific target customer)

An example for early positioning statement can be: Amazon → “**For World Wide Web users who enjoy books, Amazon.com is a retail bookseller that provides instant access to over 1.1 million books. Unlike traditional book retailers, Amazon.com provides a combination of extraordinary convenience, low prices, and comprehensive selection.** “[110]

22.2.1.3 Planning the story

Storytelling is a centerpiece of a pitching video. Presenting a challenge from your perspective or from the customer's perspective can help you build your story (e.g. team story about creating the product or your product solving a customer's problem). Successful storytelling includes mainly a powerful title, emotional introduction and a central character / place to focus on [109]. Indiegogo describes a few most used ways for storytelling in Crowdfunding [110].

- The **classic way** includes description of the product, team introduction, features description, examples of people using the product, background story of the team.

Table 1: Example / Classic way of storytelling

 <p>This video starts with an emotional introduction from customers, followed by the story of the team and product description. Showcases from people baking on different places run simultaneously. The description of product features and graphics convey a professional attitude. In the end, the project owner calls the viewers to action and explains the rewards.</p>	<p>Roccbox: The Portable Stone Bake Pizza Oven</p> <p>Authentic 930°F gas & wood fired cooking, made simple and affordable.</p> <p>PROJECT OWNER</p> <p> Tom Gozney Christchurch, United Kingdom 1 Campaign More</p> <p>\$1,234,525 USD total funds raised 1001% funded on April 14, 2016</p> <p></p> <p>Source: see [119]</p>
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- Another way to build a story is to present **a day in the life** of customers encountering everyday problems, which can be solved by your product. However, if your product is more complex and needs more explanations, the classic way may be more suitable for this type of product.

Table 2: Example / A day in life

	<p>TrackR bravo</p> <p>Lose Things? Relax, TrackR bravo has your back</p> <p>PROJECT OWNER</p> <p> Christopher Herbert Santa Barbara, United States 6 Campaigns More</p> <p>\$1,739,149 USD total funds raised 6331% funded on August 9, 2014</p> <p></p> <p>Source: see [120]</p>
---	--

TrackR Bravo's video starts with a positioning statement ("a small wireless device to help you keep track of your items using a smart phone"). It is then followed by product description and everyday challenges solved by it. The speakers explain what the funds will be used for, calls to action and thanks the future supporters.

- **Design-based products** are mainly connected to creating some emotion (e.g. sense of well-being, feeling of belonging etc.). Therefore, your story should connect to the viewer's desires and let them appreciate your design. For examples, some elements of the story can include description of inspiration to build the product, why the design is special and how your team came up with the story [109].

Table 3: Example / Design-based product

	<p>Tropic - The Ultimate Travel Shoe Made for exploring everything, from New York City to the Galapagos: Quick Drying Anti-Odor</p> <p>PROJECT OWNER Tropic Team Barcelona, Spain 3 Campaigns More</p> <p>\$3,170,135 USD total funds raised 17124% funded on June 14, 2018</p> <p style="text-align: center;"></p>
<i>Source: see [121]</i>	
<p><i>Tropic connects with customers' travel experience (e.g. emotional introduction/ catching a train; travelling with light luggage, suitability of clothes for different weather conditions). Benefits for customers and additional features are explained. The speaker addresses wide target groups (e.g. "city lovers, adventurers and explorers").</i></p>	

- For more **complex products** it might be useful if a speaker (e.g. the founder or a celebrity) talks directly to the camera and explains the benefits from the product. However, you would need here an experienced and charismatic speaker.

Table 4: Example / Complex products

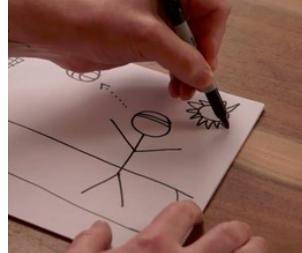
	<p>Flic: The Wireless Smart Button The wireless button that creates a shortcut to your favorite actions on your phone.</p> <p>PROJECT OWNER Shortcut Labs Stockholm, Sweden 3 Campaigns More</p> <p>\$965,307 USD total funds raised 801% funded on January 17, 2015</p> <p style="text-align: center;"></p>
<i>Source: see [122]</i>	

Co-founders of this button explain the product, its benefits and features in a creative and understandable way.

All four storytelling types have in common that they end with a call for action. This means that you should directly invite your backers to support you. (e.g “If you believe in our idea, please support us!”, “Let us grow together, support our project!”). Other important points are to explain what the money will be used for and to show how much you appreciate a donation (thank your bakers!) [113], [112].

22.2.1.4 Idea layout

Lay out your idea so that you can have a clearer vision how you will present your project to the market. Writing a script can help you present your vision to the pitching crew. It should include information about the scene and settings, action taking place and a dialogue (incl. character names). When writing your video script, consider letting a **native speaker** review it [110]. Another useful technique can be **storyboarding** [117], [118].

Table 5: Storyboarding	
<p>Storyboarding can help you lay out your ideas for shooting a pitching video. You can divide a sheet of paper in 4-6 panels. Each panel should represent a shot. The drawings should be simple (e.g. stick figures) and should focus on the main questions: Who is in the scene? What is he/she doing? Where does this happen?</p> <p>Source: see [117]</p>	

22.2.1.5 Additional aspects

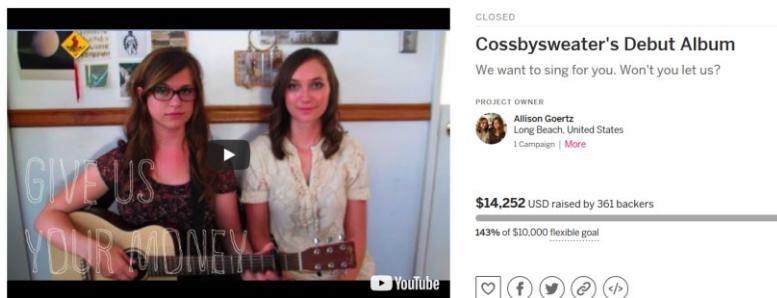
- **Wording:** The choice of words and tone of voice should correspond to your sector and your idea. Take into account as well non-specialist backers, who are interested in your campaign, but don't have expert knowledge in your sector [113].
 - A short and powerful **title** can catch the audience's attention
 - Consider the characteristics of your target groups, when choosing the tone of your brand: (e.g happy, smart, serious) [110]
 - Depending on the topic the formal term of addressing your backers or being on familiar terms with the audience can be more suitable (take into account language specifics) [113]
- **Images:** Eye-catching pictures and screenshots can be more effective and quicker in presenting your project. However, they should be connected to the key messages that you are trying to convey [112].
- **Sound:** Make sure that the audio sound is good by choosing a quiet place for the video shooting. If this is not possible, consider using subtitles [110].
- **Notable Personalities:** For reinforcing your message you can include commentaries from people coming outside your project, who have influence on your target group. Inserting a video of credible persons explaining why they believe in your project can build more trust in your project [112].

22.2.1.6 *pitching*

Usually production quality should match the brand image that you are aiming at. If this is a project by students who created a product in a garage, a video with lower quality would match the product. Quite the contrary, if you are a high-tech company, then a professional video would be more suitable. Depending on your budget and needs you can make the video yourself or hire a production team or a full-service agency [110] (read more on this in Chapter 1 Marketing)

Making a video on your own may cost less or nothing but it needs your time. Consider as well that some additional costs might incur if you need to rent some equipment such as microphone, camera and lighting. Skills in storytelling, photography, video and sound editing, production (finding a location, set and actors) can be very useful [110].

Here is creative way of making a video on your own. These project owners created a song named “**Give us your money**” in which they explain the album content, their motivation, use of funds and planned rewards. At the same time, they show their style and type of music.



Source: [123]

22.2.2 Content points in a pitching video

Basic content components of a pitching video

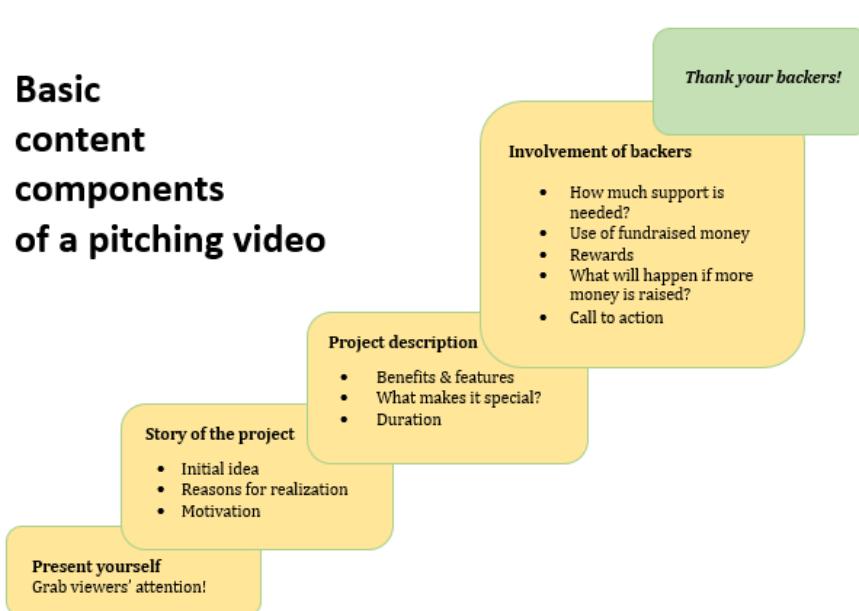


Figure 25: Basic content points for pitching videos [111 & 112]

22.2.2.1 Example timing of content points

An example for a good structure is the video of FLX: Electric bikes with attitude. Indiegogo underlines that project owners had to modify the video a few time in order to refine it [109].



CLOSED
FLX: Electric Bikes with Attitude

High performance mid-motor. Powerful battery. 3 models to dominate any terrain. Called "Best eBike"

PROJECT OWNER

 **FLX Bike**
 From Shanghai with Love, China
[1 Campaign](#) | [More](#)

\$1,711,295 USD total funds raised
3203% funded on May 29, 2016

Source: [124]

Timing	Content
0-15s	Product introduction
15s-30s	Team story
30s-50s	Product and benefits for customers (biking without pedaling)
50s-1:30m	Features (e.g. motor, gearing, battery)
1:30m-1:50m	Showing mountain biking by describing the features
1:50m-2:45m	Call to action
2.45m-3:01m	Showing people using the product

Table 5: Example timing of content points [109]

22.2.3 Video equipment and editing

A pitching video doesn't always have to look professional. Sometimes good ideas are better than a big budget. However, a video shouldn't be choppy, poorly lit or with a bad sound. If a self-made video is suitable for your type of project (see 'Budget', page 83), you can shoot it with a small camera, a webcam or a smart phone [111], [112]. You can buy video editing programmes (e.g. Microsoft, Apple) or you can search for free software [115] such as:

- ❖ DaVinci Resolve (free version under:
<https://www.blackmagicdesign.com/uk/products/davinciresolve/>)
- ❖ Hitfilm express (<https://fxhome.com/express>)
- ❖ Shotcut (<https://shotcut.org/>)

A suitable background music creates the right mood. License free music is available, for example, under:

- ❖ Wikimedia Commons: <https://commons.wikimedia.org/wiki>

- ❖ ccMixter. <http://ccmixter.org/>
- ❖ Free music archive: <http://freemusicarchive.org/>

As some users can watch the video directly on other platforms (e.g. Youtube, Facebook, Vimeo) you can link your pitching page on the Crowdfunding platform with them [111].

22.2.4 Do's and Don'ts

DO'S

- Video's duration should be about 2 to 3 minutes. The key messages should be short, concise and suitable for non-specialists
- Rewards: people are more inclined to support a campaign if they receive something. You can be creative: a dinner cooked by the campaigner, a day on the set (for film campaigns), receiving the first products etc. [116]
- Be yourself: this can build trust to you and your product. It can be reached by speaking directly to the camera, being honest (not misrepresenting the product) and showing some passion about the product. A personal and authentic video can be more powerful than a video that was shot on different places including numerous cuts. Putting the connection on a human level can make backers feel that they help you realise your dreams [109], [111].
- Rehearse your pitch and pay attention to expressing yourself concisely with a positive and a passionate attitude [112].
- Make sure that you use licensed music or license-free music [111].

DON'TS

- Avoid blanket statement, repetitions and exaggerations, when they don't correspond to your product (e.g. "worldwide best product in..."). Use instead emotive words (e.g. growth, success, future), simple words and sentences [113].
- A pitch video should not be confused with a trailer or a teaser. If you already have a trailer, you can insert it in your video after a personal introduction [111].
- Don't beg for money instead call to action: Explain what the money will be used for and show how much you appreciate a donation. Then directly invite your backers to support you. (e.g "If you believe in our idea, please support us!", "Let us grow together, support our project!") [112], [113]
- Don't ignore technical characteristics of the video:
 - ❖ Pay attention to the surrounding (e.g. light and sound conditions). Consider if you need a microphone or additional lightening.
 - ❖ Take into account that smart phone videos are played in landscape view [111], [112].

TU 23. CULTURAL AND CREATIVE INDUSTRIES

23.1 Definition

Crowdfunding campaigns are often launched by companies coming from the cultural and creative industries. At the same time, such companies play an important part in the preparation, implementation and follow-up of a Crowdfunding campaign. The European Commission defines cultural and creative industries in a Green paper as it follows [130]:

"Cultural industries" are those industries producing and distributing goods or services which at the time they are developed are considered to have a specific attribute, use or purpose which embodies or conveys cultural expressions, irrespective of the commercial value they may have. Besides the traditional arts sectors (performing arts, visual arts, cultural heritage – including the public sector), they include film, DVD and video, television and radio, video games, new media, music, books and press. This concept is defined in relation to cultural expressions in the context of the 2005 UNESCO Convention on the protection and promotion of the diversity of cultural expressions [131].

"Creative industries" are those industries which use culture as an input and have a cultural dimension, although their outputs are mainly functional. They include architecture and design, which integrate creative elements into wider processes, as well as subsectors such as graphic design, fashion design or advertising.

Cultural and creative sector companies are involved in different fields connected to crowdfunding campaigns (e.g. from (digital) marketing services to building a prototype and visualization of products and services). The following paragraphs represent an overview over some main activities performed by companies from the culture and creative industries related to a Crowdfunding (CF) campaign.

23.2 (Digital) Marketing

Digital marketing plays an important role in crowdfunding campaigns: it means marketing of products or services by using digital technologies. CF platforms can offer such in-house services or specialized marketing agencies can provide tailored services. Due to the different legal situation in countries in Europe, some CF agencies offer additional services for starting a CF campaign. Before starting to use marketing tools, make a plan what part of your budget will be dedicated to such activities.

(Note: In this material the word "product" will be used in the meaning of "product" as well as of "service as a product"). Main topics connected to a successful CF campaign is to build your own audience [112], [132]. Below you can find some areas, in which marketing agencies, CF platforms / agencies or web developers can give you some useful tips.

- ❖ **Building an email list** helps you get people interested in your product on board. You can start by contacting friends, and personal contacts or interested bakers. "Friends & family" discounts can be an

additional motivation for people to get interested in your campaign and for giving you an email. A common mistake here is buying an email list, which is in most cases ineffective, as it is not clear if people on this list are interested in your product [133].

- ❖ **Use of social media** can keep you connected to your backers. On average, in crowdfunding campaigns 22% of raised funds comes from social media [132]. For example, you can use LinkedIn, Facebook, Twitter, Instagram, Google+, YouTube. However, having thousands of followers on social media is not a pre-condition for success. Experts say that it is even more important to have an email list for contacting interested backers directly [133].
- ❖ **Communication during as well as after the end of the campaign** is important. Campaigns that regularly post updates raise 286% more than campaigns than those that don't do this. After the end of a campaign keeping a contact with backers can ease delivery and shipping issues. Indiegogo stresses that it is important to deliver on time and to even over-communicate with your backers [132]. Making a plan on shipping prices (e.g. inland, abroad tariffs, pricing for perks) and on product release (e.g. coordination with the designers and manufacturers) can be useful here.
- ❖ **Online advertisement:** Most of CF campaign happen online, therefore, online instruments can be very powerful for acquiring first-time customers. Here are just a few ideas. For example, Google AdWords provide you with an opportunity to insert target keywords or negate keywords (not showing your ad if a certain word is typed). Facebook Business account might be useful in case you designate agencies / advertisers to work on your project. Facebook Power editor can help you create audiences, upload ads and monitor budgets [133].
- ❖ **Analytical tools** can help you better understand your audience. For example, pixels can show you page views (e.g. on Facebook). If you work with a web developer the code for the pixels can be created in a way that it can provide you with an opportunity to track visitors' actions on your page. Other instrument can be Google (e.g. Analytics or Ad Tracking), which can help you track data such as page views, new and returning sessions, page low time and clicks [133].
- ❖ **Rewards:** There is a higher chance that people will support your campaign if they receive something as a reward. Depending on your product and campaign you can offer perks such as CDs, dinners with creators, a day on the filming scene and early access to the product. Secret perks for early supporters, bloggers, and event attendees can be as well attractive [135].
- ❖ **Pitching page and a homepage**
Creating an understandable pitching page (see Chapter 2 on Pitching) or a good homepage can increase your chances to gain trust from your backers. Usually CF platforms provide some in-house services for the creation of the pitching page, which is on the CF platform. Contacting webpage developers can be useful for drafting your own product homepage [112].
- ❖ **Gaining unknown people as contributors** [132] might need a few actions, for example:
 - contacting bloggers or influencers (individuals who have large communities relevant for you) and asking them to try the product or to promote your campaign

- drafting a press release for relevant publications
- street sales and participation at specialized conferences

23.3 Creating a prototype

Most often products in the Tech & Innovation field are physical products. Therefore, it is recommendable to have a prototype. This means a working version of your physical product, which successfully shows the key features and functions of the final product. If backers can see a prototype, they would know that your idea really works in practice. According to Indiegogo [135], campaigns that shows a working prototype raise 186% funds compared to campaigns that don't use one. In addition to that, a prototype can support your marketing strategy (e.g. media coverage, advertising opportunities). Some of the steps towards planning a prototype include expert knowledge in the area of engineering, mechanics and web design: e.g. using schematics for the initial design (typically, a computer aided design), making a board layout (describing how your product will look like in 3D space) and testing the prototype. When you have completed planning the prototype, you should find someone to manufacture it. Contract manufacturers are often helpful in producing the prototype and in giving you information about the availability of parts for your product. Take in mind that the costs for a prototype are usually higher than the final product as the prototype might go through a few stages until best practice is reached [135].

23.4 Visualisation

Storytellers, designers, video and photo agencies can be useful for visualizing your product. For your pitching page, homepage or your video, you will need a story for your product. It should answer the main questions: Who are you? Why did you create this? What is your background and why are you specially qualified to build/ create this? Marketing agencies can help you here to draft a strategy for relating your product to the target groups. There are many opportunities for making your own homepage (e.g. wix, wordpress). However, depending on the character of your product and your budget, you can work with professional page developers who can design the website according to your needs. Eye-catching pictures and screenshots of your product on your website can be more effective and quicker in presenting your project. Schemes of your product and infographics of your rewards can help backers feel more comfortable with a complicated product (See 'Pitching', page 76).

23.5 Creative clusters

Contacting creative clusters in your region can help you find suitable Creatives companies, which can support you on your CF campaign. The European Cluster Observatory (see [136]) can be a good starting point as it among others provides a mapping tool (European Cluster Panorama [137]) for clusters in the EU. Another initiative, which can be a starting point for your search can be European Creative Industries Alliance. Its "aim is to shape a community in Europe that actively supports creative industries as a driver for competitiveness, job creation and structural change by developing and testing better policies and tools for creative industries"

[138]. Contacting professional associations can bring you as well to the right partners for your Crowdfunding campaign.

TU 24. SOCIAL ENTREPRENEURS

24.1 Operational eu definition of social enterprises

In 2013 the European Commission launched a Mapping Study as a follow-up to the Social Business Initiative which delivered an overview of social enterprise activity and eco-systems in EU28 and Switzerland using a common research methodology based on an “operational definition”. According to this definition which was not new but based on widely accepted notion a social enterprise incorporates three key dimensions:

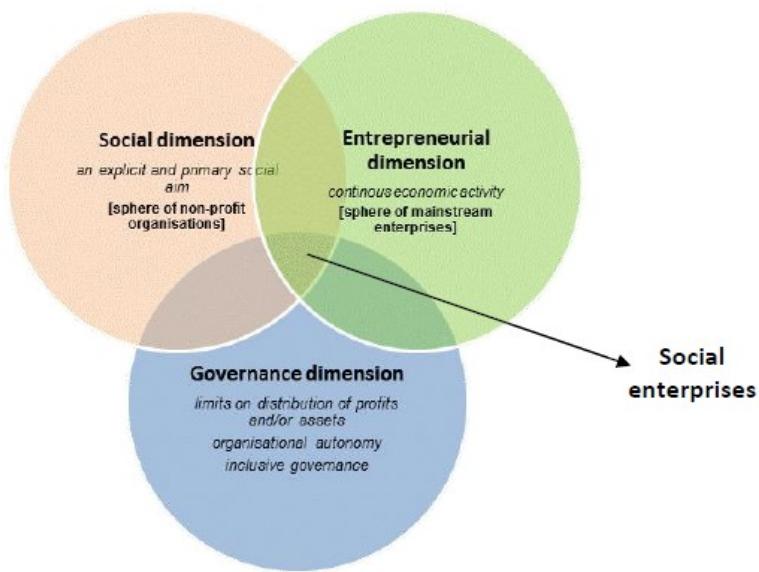


Figure 26: The three dimensions of a social enterprise [139]

Based on these three key dimensions, a set of core criteria was developed that an organisation must meet in order to be categorised as a social enterprise under the EU definition:

- The organisation must engage in economic activity, i.e. in a continuous activity of production and/or exchange of goods and/or services;
- It must pursue an explicit and primary social aim; a social aim is one that benefits society;
- It must have limits on distribution of profits and/or assets, i.e. the social aim is to prioritise over profit making;
- It must be independent, i.e. have organisational autonomy from the State or other for-profit organisations; and;
- It must have inclusive governance; i.e. characterised by participatory and/or democratic decision-making processes.

This operational definition, however, represents the “ideal type” of social enterprise which is shared by most, but often not all, national definitions in EU member states.

The mapping study suggests that the level of social enterprise activity (based on the estimated number of organisations that meet all the criteria set by the EU operational definition) relative to the number of "mainstream enterprises", is small. But the social enterprise sector is growing in visibility with view to the on-going withdrawal of public agencies from supplying social services of general interest, increasing pressures on traditional non-profit organisations to diversify their income sources and rising interest in social innovation among mainstream enterprises.

24.2 Fields of activity of social enterprises

There is a lack of consistent classifications of social enterprise activity. The table below presents a comparison of the typologies of social enterprise activities from different European sources:

	SOCIAL ENTERPRISES FIELDS OF OPERATION		
	COM(2011) 682 final, Social Business Initiative	http://ec.europa.eu/growth/sectors/social-economy/enterprises_en	European Commission (2014), A map of social enterprises and their eco-systems in Europe
Services and goods with a social objective incl. for disadvantaged or vulnerable persons	Labour market * access to employment and training * social inclusion and professional integration via access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems but whose activity may be outside the realm of the provision of social goods or services. * inclusion of vulnerable groups	Work integration * training and integration of people with disabilities and unemployed people	Social and economic integration of the disadvantaged and excluded such as: * work integration * sheltered employment
	Health * assistance for elderly or disabled persons * dependency management * health care * child care	Personal social services: * professional training, education, health services	Social services of general interest such as: * education and child care * employment and training services
	Housing * access to housing		* social housing
Public services			Other public services such as: * community transport * maintenance of public spaces, etc.
Democracy			Strengthening democracy, civil rights and digital participation
Environment		recycling, environmental protection	Environmental activities such as: * reducing emissions and waste * renewable energy
Local development		Local development of disadvantaged areas * social enterprises in remote rural areas * neighbourhood development/rehabilitation schemes in urban areas * development aid/development cooperation with third countries	Practising solidarity with developing countries such as: * promoting fair trade
Sport & culture		sports, arts, culture or historical preservation	
Innovation		science, research and innovation	
Consumers		consumer protection	

Table 6: Social Enterprises - Fields of Operation (own illustration based on EU documents)

An alternative categorisation presented by a specialised finance service provider [140] for social enterprises links social entrepreneurship activities with the 17 Sustainable Development Goals (SDGs) proclaimed by the UNO – for a better overview about the diversified operational fields of its social enterprise portfolio.

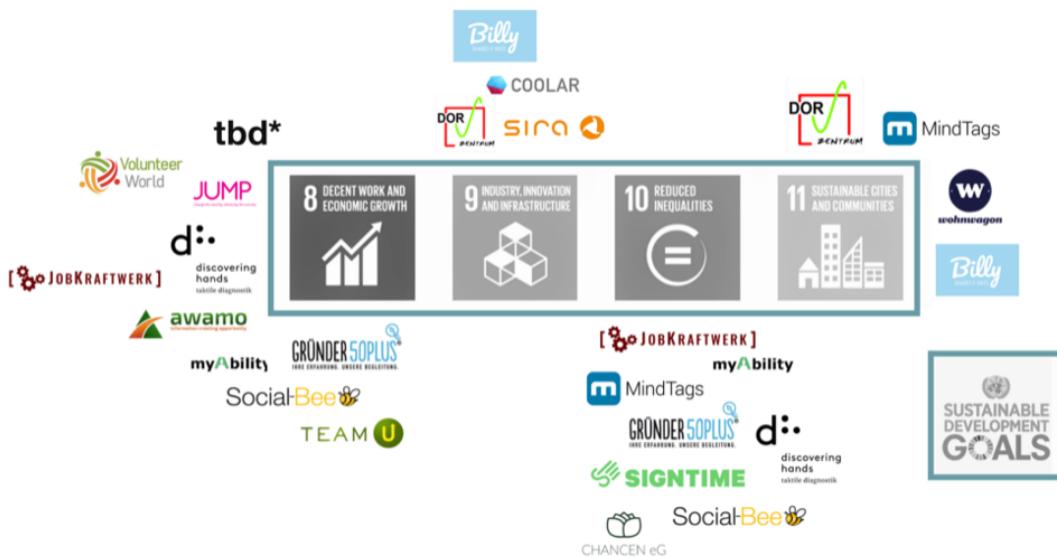


Figure 27: Social Enterprise Activities und SDGs (example) [141]

24.3 Creation of social enterprises

Different modes of social enterprise creation can be found across Europe which are mainly shaped by national framework conditions and the existing ecosystem for social enterprise. Grouping of individual paths can be done based on three drivers:

- Citizen led organisation
- Transformation of a traditional non-profit organisation into a social enterprise
- Public sector spin-out

There is also a growing expectation of businesses to contribute to the social and public good as a part of the enterprise's business model and a growing dynamic through such activities, as social impact investment or new business models that connect "corporate and social value creation".

24.4 Business models & sources of revenue of social enterprises

While for-profit enterprises usually generate revenues through trading activity, social enterprises typically adopt a "hybrid" business model. That means that they rely on a mix of revenues derived from a combination of market sources and non-market sources.

The main revenue streams come from the following sources:

- Revenues derived from public contracts

- Direct grants / subsidies
- Market-based revenues through the sale of goods/services to businesses and final customers
- Membership fees, donations and sponsorship
- In-kind revenues: non-monetary donations, volunteering time

The following picture gives an overview of the main revenue streams of social enterprises and shows where crowdfunding comes in as an additional mechanism to generate funds.

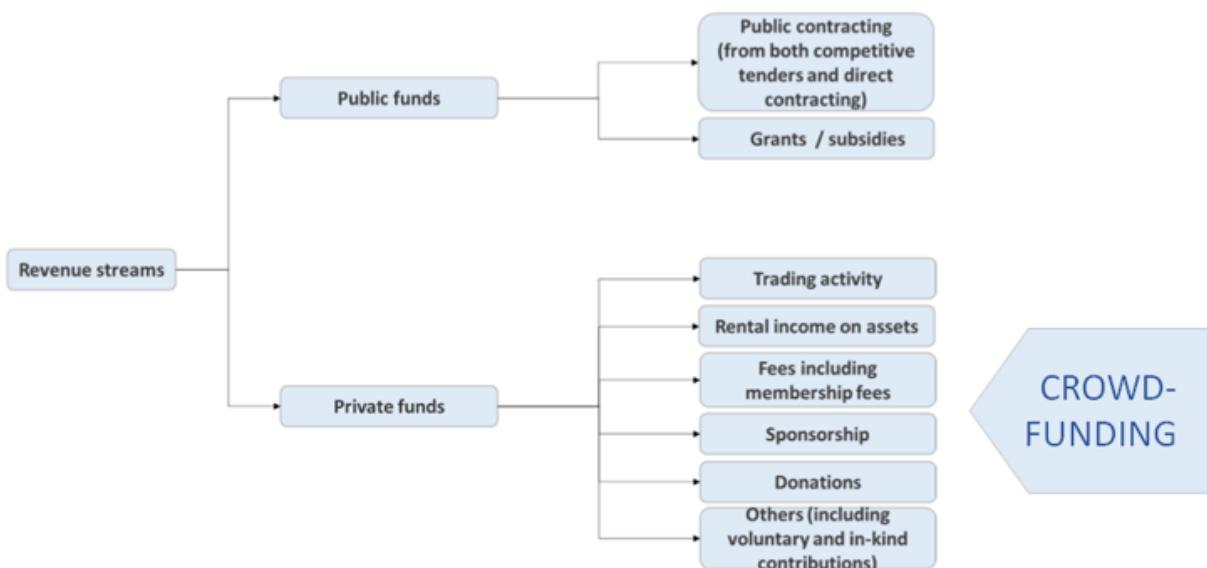


Figure 28: Revenue Streams for Social Enterprises
 (adapted from Spiess-Knafl 2012 and European Commission 2014) [142]

The mix of revenue sources varies by country. Overall, public sector funding dominates the revenue streams of social enterprises, reflecting in large part their missions and activity focus such as work integration and provision of social and welfare services. The high reliance of social enterprises on the public sector has, however, also raised concerns about the long-term sustainability of their business models in times of economic crisis.

Crowdfunding, therefore, is not only understood as mechanism of raising funds. The involvement of civil society in terms of financial donations, in-kind donations and/or voluntary support in this context is an important element of motivation and value creation which is very close to the initial idea of crowdfunding: to contribute and show solidarity for a joint undertaking of common benefit.

24.5 Finance mix of social enterprises

Data on the financial situation of social enterprises are rare and not available for the countries of the Danube area. Nevertheless, interesting insights can be gained from a recent study on the finance of civic societies in Germany [143]: A small number of financially robust civic society organisations, mainly in the field of social services, can count on substantial annual incomes in the six-digit range, these are social organisations of

labour market relevance which employ the majority of “third sector” employees. On the other side, approx. half of civil society organisations incorporate an average of 100 members and exist on a core volunteer group of approx. 20 committed individuals. Membership contributions and donations are the main source of revenues for many of those small social initiatives. There is a growing trend to source income through market revenues, ranging from fees to events, charges for services and/or marketable products.

The figure below depicts the financing requirements and relevant sources of funds in relation to the phases of social enterprise development.

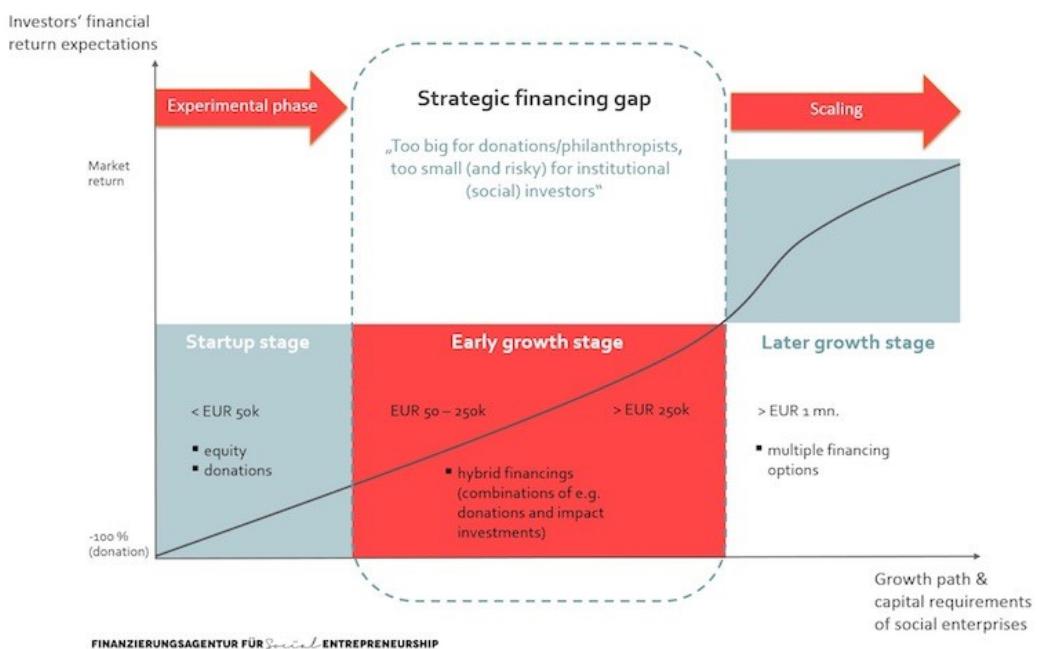


Figure 29: Financing requirements and sources of funds [144]

In the early “experimental” phase of social enterprise development, financial and non-financial donations have the highest relevance, followed by hybrid financing modes that incorporate donations together with other revenue sources which is the predominant mix of finance in the early growth phase.

As a relatively new approach for sourcing incomes, donation-based crowdfunding mechanisms can be used. This model of crowdfunding can be applied both for financial and non-financial donations on specialised crowdfunding platforms.

24.6 Social enterprise projects on specialised crowdfunding platforms

Based on the typical fields of activity of social enterprises, some crowdfunding platforms have specialised their services on financing projects launched by social enterprises and citizen-led initiatives.

The following table shows the social topics that are addressed by campaigns on two specialised platforms in this field (betterplace.org, one of the largest CF platforms for social entrepreneurs, based in DE, respekt.net, a platform focused on civil society initiatives and social projects, AT).

The analysed platforms cover the whole range of social entrepreneurship topics according to the before mentioned operational definition. Single social campaigns are also handled by less specialised platforms.

Besides the specific target group of social entrepreneurs and citizen-led initiatives, platforms that offer donation-based crowdfunding models operate on a fee-based business model and offer additional services, like preparation of campaigns and online marketing support based on their specific experience in social business support.

Wherever a social enterprise offers products or services to its social business clients, there is a potential for designing and launching a crowdfunding campaign. The emotional involvement of crowds for a social initiative can be a strong asset which needs to be skilfully communicated.

ACTIVITIES OF SOCIAL ENTERPRISES	SOCIAL PROJECT CATEGORIES ON CROWDFUNDING PLATFORMS	
	repekt.net	betterplace.org
Services and goods with a social objective incl. for disadvantaged or vulnerable persons	* poverty and welfare state * education & training / disadvantaged groups * immigrants, refugees * access to employment and training	* fighting poverty * immigrants and refugees * services for vulnerable groups * social inclusion * emergency aid (crisis regions)
	* projects for elderly people * single parents	* services for elderly people * projects connected to health issues * projects for women with special needs
	* projects for homeless people	* projects for homeless people
Public services	* community gardens	maintenance of public infrastructure (e.g. gardens, hospitals)
Democracy	* democracy and civil rights * equal and women's rights * respect and civil rights * social engagement	defending democracy, human rights
Environment	environment protection and sustainability	* combatting climate change * disaster protection
Local development	* education & training / disadvantaged groups * immigrants, refugees * neighbourhood development	* education: developing countries * neighbourhood development * development aid
Sport & culture	sport	* culture, music * religion
Innovation	start-ups and social enterprises	technology (e.g. application development, training courses for children, technical renovations)
Consumers		
Animals	animals	animals (e.g. shelters, preservation)

Table 6: Social Project Categories on Crowdfunding Platforms

However, a social entrepreneur that considers to launch a crowdfunding campaign, like any other potential campaigner, should keep in mind that the key factors for a successful crowdfunding campaign are universal across the world of crowdfunding, most of all: A campaigner needs to bring along and address its own crowd! -> Please refer to Modules 3 and 4 for further information.

TU 25. SERVICE DEVELOPMENT FOR BSOs

25.1 Introduction

This training module on the crowdfunding (CF) related service development for business support organisations is meant to complement the thematic set of training materials developed by the CrowdStream project. While other training materials in the CrowdStream training programme focus on different aspects of crowdfunding mechanisms and market actors in this field with the aim of raising the awareness and building capacities of potential project owners and CF campaigners, the perspective of BSOs is substantially different: For a BSO, success in the field of crowdfunding means to identify and cover the demand for support of their target groups - which may range from enterprises and start-ups to individual persons - in a specific phase of developing their entrepreneurial intentions. BSO services consist in implementing demand-driven support measures or support instruments in the most efficient way to ensure the crowdfunding success of projects promoted by target group members.

The basic approach of this training section is, firstly, to address the specific framework conditions, institutional goals and operational instruments that enable BSOs to provide effective and efficient support services for their respective target groups. And secondly, on this basis, to present and discuss innovative innovation support instruments that could be implemented in the crowdfunding context. The capacity building material should therefore provide a strategic input for service development for BSOs that operate in different innovation eco-systems with different levels of crowdfunding market development, as it is the case in the countries of the Danube macro-region.

The following module should be used as complementary material for BSO sessions and basis for strategic discussions that will follow basic and advanced capacity building sessions presented in previous sections of this training curriculum in which the specifics of crowdfunding mechanisms and alternative finance markets will be addressed. Whenever appropriate, reference will be made to other modules within this set of training materials that prepare the thematic foundation on which strategic discussions of service development in business support organisations should be based.

25.2 Business support organisations and their role in regional local crowdfunding potentials

In this module the term of “Business Support Organisation (BSO)” is used in a broad understanding for a wide range of mostly publicly financed institutions whose mission is to implement measures related to research, technology and innovation policies or with an economic or labour market focus, many of them operating in a regional development context, such as:

- Innovation agencies, start-up support agencies, innovation funding institutions
- Technology centers, academic technology transfer and spin-out support offices
- Chambers of commerce, industry associations, cluster organisations

- Entrepreneurship programmes incl. relevant programmes of labour market institutions
- Regional development agencies and regional agencies with thematic focus (e.g. on energy)

All these BSOs have in common that their operation 1) is embedded in a wider (national, European) policy context, 2) is implemented in a concrete local market environment and 3) that their activities will be performed within a network of collaborating and interdependent institutional actors at local, regional and national level. Therefore, an adequate choice of support measures and instruments for each BSO will be key for gaining maximum impact in terms of enhanced deployment of CF mechanisms in their field of operation and increase of successful CF campaigning activities in the addressed target groups.

The selection of adequate and support instruments and effective interventions with view to specific target groups will always depend on a wide range of contextual factors which have to be considered in the different phases of service development. Therefore, the following considerations and inputs for BSOs willing to further develop their support services for potential crowdfunding actors will be presented along the following “service development phases”:

- | | |
|---------|---|
| Phase 0 | Assessment of local crowdfunding market environment and existing service offers |
| Phase 1 | Basic support activities to develop CF awareness and educate CF target groups |
| Phase 2 | Developing crowd communities: services for campaigners and crowd motivation |
| Phase 3 | Developing BSO-managed financial support mechanisms |
| Phase 4 | Institutionalisation of crowdfunding-related BSO services at RIS level |

25.3 Phase 0 – assessment of local crowdfunding market environment and existing service offers

The analysis of the recent stage of development of local CF market environment is a prerequisite on which the definition of effective support service offers for BSOs in their regional context should be based. In the assessment of local CF status two angles of view are taken into consideration:

Demand-side crowdfunding market potential:

- level of internet literacy and e-commerce activities in the region
- Existing interest in innovation and “crowdfunding awareness” in local population
- Target audience (potential campaigners, investors) with knowledge about CF mechanisms
- Number of realised crowdfunding campaigns from the region (successful / not successful)
- Existing potential of innovation projects and crowdfunding campaigners

Assessment results of demand-side CF market conditions mainly serve as a basis for identifying support demand related of the two main actor groups that will directly interact in the realisation of specific crowdfunding campaigns which are: “crowds” and “campaigners”.

While the focus of attention of crowdfunding platforms and professional services providers often lies on the identification of campaigners (being their potential customers), BSOs have an ampler perspective: In order to develop sustainable CF market conditions at regional level, support needs to reach out not only for potential campaigners but also for wide public audiences as potential crowd campaign supporters or investors ("crowds") in an attempt of creating a local "crowdfunding climate" or "crowdfunding community" in which both actor groups that make up a successful crowdfunding project will be co-developed simultaneously.

Supply-side crowdfunding market potential:

- Access of local project owners to international crowdfunding platforms
- National legal framework conditions for alternative finance mechanisms
- Existence of nationally or regionally based crowdfunding platforms
- Interrelation between crowdfunding platforms and national banking system
- Development of regional CF support environment: support offers from public institutions and/or specialised consultancy businesses

The analytical results of the CrowdStream project in this context are published in a number of research reports on the Interreg project webpage in the library section <http://www.interreg-danube.eu/approved-projects/crowdstream/outputs>. These studies offer a comprehensive basis for the assessment of the abovementioned questions for the partner countries in the Danube area.

Based on a balanced view gained through of demand-side and supply-side CF market analysis, BSOs can follow different strategic approaches for integrating crowdfunding support services in their local innovation eco-system.

Approach 1: In case of prevalence of well-developed supply-side markets with existing support offers provided by CF platforms, service provider businesses, finance sector institutions or other public organisations

➔ Development of specific complementary services for enhancing the deployment of crowdfunding activities for the benefit of local SMEs, start-ups and/or social businesses. BSO services will be implemented in close interaction with existing market actors and other support organisations.

Approach 2: In case of absence of or underdevelopment of CF market activities in the region

➔ Development of a knowledge and service hub to raise awareness in wide audience groups, educate potential crowd-campaigners, contribute to the development of national and regional framework conditions and represent regional crowdfunding initiatives at national/EU level.

A description of proposed service offers for CF knowledge hubs which have been defined on basis of CrowdStream partner workshops and expert discussions is presented in the chapter on Phase 4.

In between of the two basic strategic approaches there are, of course, wide-spread options for defining the service development strategies for a specific BSO, depending on its organisational mission, internal resources and positioning in regional institutional networks. A selection of appropriate support services for a single BSO can be developed on the basis of the proposed measures and instruments for Phase 1, 2 and 3.

25.4 Phase 1 – basic support activities to develop cf awareness and educate cf target groups

Discussions with representatives of CF associations and CF platforms from countries with well-developed CF markets showed that there is a continued need for awareness raising and explaining crowdfunding basics everywhere, even in such market environments where crowdfunding mechanisms seem to be mainstreamed as a means of promoting and financing innovative projects.

The buzzword “Crowdfunding” is often perceived as the promise of hassle-free money flows for any kind of progressive ideas or, on the contrary, as a pitfall without safety net for naïve citizens that put their savings on castles in the air. At least this is the impression one could get when reading the numerous media articles on this topic.

Eliminating wide-spread misconceptions and providing basic information for public audiences and potential campaigners to educate these target groups about the concept and functions of crowdfunding, therefore, must be “step number one” and a permanent concern for any BSO that wants to support the development of local CF communities, independent from the status of CF markets in the respective region.

At the same time, BSOs also need to be aware of the misconceptions and lack of information about CF basics on the part of existing financing and funding institutions. Efforts to overcome scepticism and to establish a fruitful dialogue with key stakeholders of business finance will be crucial in this phase. The main message to be conveyed is that crowdfunding mechanisms are not competing against existing instruments of business finance but will deploy full potential only if they are integrated as a complementary instrument. It will be important to point out the different functionalities of the CF mechanisms that go far beyond the mere financing aspect, e.g. as an instrument of market communication and early involvement of potential client groups in open innovation settings.

Additionally, BSOs should involve educational institutions and academia in the discussion how to integrate CF training in existing curricula or training offers from the very beginning. Preparing easily available inputs (online and offline) for workshops or lectures as an add-on to existing entrepreneurial education programmes or curricula on business finance will support the introduction of CF-related topics for high-school and university student groups.

Recommendable BSO activities and useful instruments:

- Integration of thematic inputs/interactive discussions on CF basics in existing event formats
- Involvement of external experts from CF business and practitioners sharing their experience
- Wide use of online channels to present good practice and experience of local actors
- Preparation of easily available information inputs for workshops and/or teachings

In this context, an adaptation of the “Crowd Tuesday” event format (as developed and promoted by the European Crowdfunding Network ECN) has been successfully tested by the CrowdStream partnership – see <http://www.interreg-danube.eu/news-and-events/project-news/2642>

25.5 Phase 2 – developing cf communities: training of potential campaigners and motivation of crowd networks

As mentioned before, the perspective of a business support organisation is substantially different from the position of commercial crowdfunding platforms that mainly target owners of “crowdfundable” projects as potential clients. BSOs that operate in a certain business environment or industry network will always have a wider view on innovation potentials within their target groups. Instead of narrowing their support offers very quickly to a small number of identified potential crowd campaigners a broader portfolio of entrepreneurial initiatives that will develop over a longer period by means of a range of support activities will better suit the mission of a typical BSO. This, again, underlines the importance of addressing CF as one option that should be integrated in a larger mix of financing and marketing instruments.

CF trainings for potential campaigners

Regarding entrepreneurs, start-up teams, and existing SME that plan for innovation projects, individual service offers nowadays are already in place in many regional innovation eco-systems in terms of incubator programmes, entrepreneurship trainings or intensive business planning courses. These programmes can be used for integrating crowdfunding education as they reach out for the most relevant target groups in this topic.

The most efficient way for BSOs to enlarge their service offers to potential crowd-campaigners, therefore, will be to intensify their cooperation with existing innovation and entrepreneurship programmes and support these programmes by introducing CF industry experts and practitioners that will cover this topic in specific training sessions on crowdfunding that will be integrated in the existing curricula.

Sometimes also locally based crowdfunding platforms organise open training sessions for small groups of interested project owners to trigger self-assessment and self-selection of CF candidates and motivate for better preparation of future platform projects. These trainings could also be integrated in BSO-managed training programme or offered for the relevant BSO networks on a neutralised basis. Experience from

CrowdStream pilot trainings underlines that potential project are reluctant to lock in with a specific CF platform in the early phase of developing their project.

Of course, a BSO can also decide to come up with its own “Special CF training”. In this case the relevant expertise needs to be provided from inside the BSO or from external experts. Experience from CrowdStream training sessions has once more shown that beyond the knowledge of CF basics - due to differences in the legal framework conditions for alternative finance and various CF models offered by different CF market participants - a high degree of specialisation is needed to keep an overview of ongoing developments in the CF sector. It’s up to the specific BSO to decide to which extent these capacities should be built up internally and on which sub-topics it will be useful to cooperate with external specialists (see also Phase 4).

Recommendable BSO activities and useful instruments:

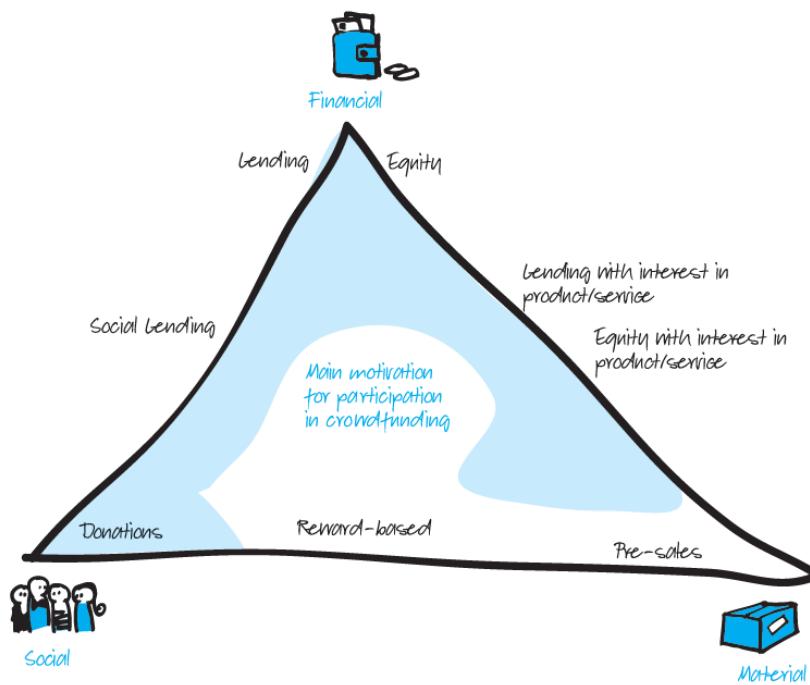
- Preparation of easily available knowledge inputs on CF (offline and online material)
- Integrated training sessions in cooperation with existing entrepreneurial programmes
- Involvement of external experts on CF in special trainings and/or BSO-managed courses

Motivation of local “crowds”

It is one of the key messages that should be told to anyone who wants to launch a crowdfunding campaign: “To do successful crowdfunding, you need to bring along your own crowd!”

Nevertheless, BSOs own an almost unique position as a central network node when it comes to the motivation of potential “crowds” from their target networks, meaning those private persons or corporate entities that would be interested to step up as backers or crowd-investors for crowdfunding campaigns that will be realised in the BSO’s field of operation. By activating their networking capacities, BSOs can help promoting single crowdfunding initiatives, and – what is even more valuable in the long run - they can stimulate a positive attitude towards and a general motivation of local people to contribute to the realisation of innovative projects from their region as backers of local crowdfunding campaigns.

The following figure illustrates the different sources of motivation of crowd networks to become active in crowdfunding.



A FRAMEWORK FOR EUROPEAN CROWDFUNDING | KRISTOF DE BUYSERE, OLIVER GAJDA, RONALD KLEVERLAAN, DAN MAROM | 2012

Figure 30: Sources of motivation of crowd networks [145]

As shown in the picture, social, material and financial motivation of “crowds” go hand in hand, although differently balanced for different models of crowdfunding (explanation of CF models – see in Module 1). Actually, the pyramid basis is formed by those CF models (donation, reward-based CF, pre-sales) on which first crowdfunding campaigns will probably be based in those economic environments where CF business is just about to start. Non-financial CF models are well known by crowd-funding aspirants as they are offered by the most frequented international CF platforms and even newspaper readers come across such names as “Kickstarter” or “Indiegogo”.

As indicated by the white curve in the figure, for many people crowdfunding is more about having the good feeling of supporting someone in the realisation of his/her dreams or about receiving a small gift as an incentive, in other words, it’s much more about becoming part of a great innovative project than about making big money. This is where BSOs can step in!

Typical support activities that BSOs can initiate to gain the attention of potential crowd communities are often linked with some kind of voting option. It’s not necessary to relate that kind of competition with a monetary prize. Addressed voters show interest and have fun when they are asked about their opinion to select from a list of projects the most interesting, promising, innovative, exciting, etc. idea which they would like to see happen.

Certainly, promoting a regional competition or award of that kind means a lot of marketing work for the organising BSO, but such an initiative can become the starting point of a local crowd community that will be eager to discuss and select proposed innovation projects later on.

Another issue that should be continuously addressed by a BSO in preparation to future CF activities concerns the elimination or at least mitigation of the “internet barrier”. Although the use of internet as a means of communication has tremendously increased in the last years, there is still a high level of reluctance and/or ignorance regarding any kind of e-commerce or other internet-based business activity that can be observed in large parts of Europe, including the Danube area. [146] Although changes of mindsets and internet skills of wide population groups will take a long time it’s important for a BSO to get in touch with its target groups and stakeholder networks through online channels, e.g. via new social media, and keep on going online interaction with potential crowd networks. On this basis, preparatory actions for platform-based crowdfunding activities can be organised and promoted.

On the other hand, regular networking activities and events that are normally organised by BSOs offer a great opportunity to switch from online promotion of innovation projects to their visible and interactive presentation in a real context. Meeting the people that stand behind a business idea is a key promotion activity which could be used much wider than only in the context of investor pitching events. A large field of format innovation opens for BSOs that would like to take up creative and innovative methods of interaction between project proponents and local people. There exist several proven instruments such as “innovation labs”, “speed dating sessions” or popular TV pitching formats that could be adapted for local audiences. External innovation experts can be assigned to develop interactive sessions that will be attractive for BSO networks and raise the capacities of local communities to give input, share feedback and become part of innovation ideas – which is the attitude needed to get involved in crowdfunding activities as a project supporter.

Recommendable BSO activities and useful instruments:

- Organisation of project idea competitions / awards (not obligatorily linked to monetary prizes)
- Intensive use of online media for the promotion of innovation projects in BSO networks
- Introduction of interactive and creative formats, such as “innovation labs” or “pitching events” to facilitate meetings between project proponents and local audiences in a real setting

25.6 Phase 3 – developing bso-managed financial support mechanisms

Before discussing different approaches how to develop and introduce financial support mechanisms to boost CF that can be directly managed by BSOs, it needs to be explained why the establishment of a crowdfunding platform that will be operated by a BSO on its own will hardly become a realistic option:

The technical set-up of a crowdfunding platform is complicated and often underestimated, even by newcomer CF platforms that try to enter the CF market. It would be an option to use a platform (under the BSO label) which will be hosted by a professional CF platform organisation in the background.

For any CF procedures, there occur financial management requirements related to the collection, depositing and transfer of money that need to be managed acc. to regulated procedures. Professional

crowdfunding platforms normally cooperate with specialised payment management agencies in this context. In the case of so called “financial CF models” (crowd-lending and equity-based crowd-investing) money management must even be compliant with banking transaction rules and is therefore subject to a banking license. And finally, if other issues are solved, the operation of a CF platform and generation of constant activity flows continuously requires substantial staff resources at the operating organisation. A break even can only be reached if a critical mass of CF projects will be realised. (Hard to achieve on relatively small national CF markets, causing intensive competition among CF platforms.)

All above arguments make it reasonable for a BSO to consider cooperating with existing CF platforms or partner banking institutes. Cooperation with finance industry players, moreover, is logical with view to the complementarity of the CF instrument within the overall picture of business finance instruments in different phases of development of entrepreneurial projects.

CROWDFUNDING AS A COMPLEMENTARY INSTRUMENT IN THE INNOVATION FINANCE MIX

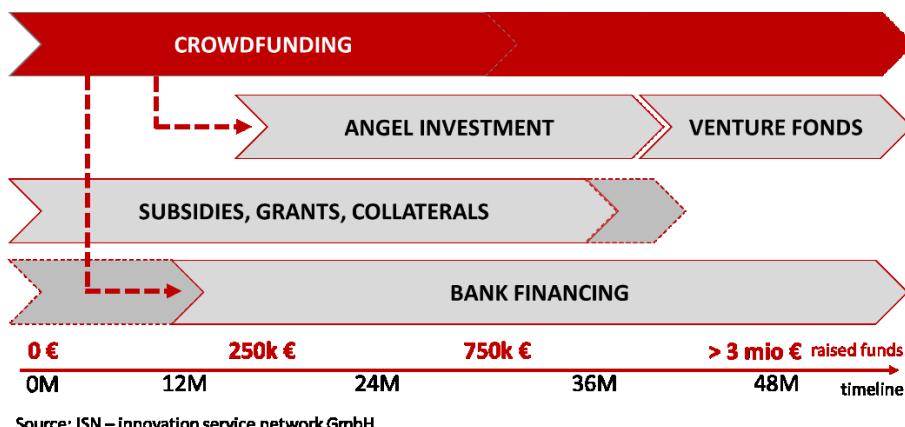


Figure 31: Crowdfunding in the innovation finance mix [147]

Despite these limitations, there are several financial instruments that could be implemented in different types of BSOs within their regional innovation eco-system. The CrowdStream partnership has developed the following suggestions for innovative financial support instruments:

Vouchers for potential campaigners to finance external support (creatives, online marketing, etc.)

Vouchers are a well-established innovation support instrument that is frequently managed by BSOs to support their target group networks. Extending existing voucher schemes to potential CF campaigners to finance external support for project development (e.g. from creatives, pitching and/or online marketing experts, or by involving a specialised “crowd campaign manager” who will lead the complete procedure of internal and external preparation for a CF campaign) could improve the quality and success of crowdfunding campaigns and at the same time strengthen local creative industries and high-quality B2B services.

Special BSO funds to pilot crowd-voting as a complementary step in funding decisions

Crowd-voting could be implemented as a preparatory step within the application process for innovation funding. A balanced evaluation that involves an additional element of “crowd-based project scoring” would be an innovative step within the funding decision process making funding decisions more orientated toward actual market response. For piloting this approach, the respective BSO will need a special budget to establish a crowd-selection procedure and do promotional activities in its relevant stakeholder networks that will be targeted as “crowd voters”. This approach could be used to gain stronger citizen commitment for the allocation of public innovation funding budgets and increase the funding chances of projects with high market attractiveness.

Matching fund schemes

In this case, funding budgets, bank loans or investor funds would be allocated for a certain innovation project under the condition that the respective project will succeed in collecting certain amounts of crowdfunds in a CF campaign. For instance, in the case of reaching an agreed funding threshold, the collected CF amount could be doubled by a public funding institution, a bank or a private investor. Interlinking crowdfunding success with the release of additional public or private funds could become a strong incentive to foster CF market development on one side and to strengthen cooperation links between different stakeholders in the field of innovation finance, on the other side.

In an ideal case, the proposed financial support services of BSOs could be combined in one comprehensive financing approach that would involve CF elements at different stages of project preparation and allocation of financial resources.

25.7 Phase 4 – institutionalisation of crowdfunding-related bso services at ris level

Several external factors must be considered to answer the question how to institutionalise BSO support services in the most efficient way in a real regional innovation system to open access to alternative finance for local start-ups, SMEs and social enterprises and to improve the cooperation between the relevant stakeholders and institutions for the benefit of local innovation projects.

An important aspect in this context is the level of development of local CF markets and the status of existing service offers for potential campaigners that are already provided by existing market stakeholders (CF platforms, public service providers, experts/consultants, etc.). In developed CF markets, e.g. basic support activities to develop CF awareness and educate CF target groups are, to a wide extent, covered by educational and promotional activities of crowdfunding platforms for those potential campaigners who are actively searching for information to advance their project. Other target groups whose potentials rather lie in the future, like students or participants of entrepreneurial training programmes, are less addressed and can rather be reached by institutions that offer basic information beyond market conditions. Several possible support activities in the so-called Phases 1 to 4 where BSOs can play a special role were discussed in the previous chapters.

The final chapter of this training module on crowdfunding-related service development for business support organisations is mainly about the potential role that BSOs could have in such regions where CF mechanisms are just slowly starting to gain momentum, not to mention the low dynamics of local CF markets as a whole.

After more than two years of analysing CF market conditions and piloting interventions in their regional innovation eco-systems, CrowdStream project partners, representing different types of BSOs from several regions across the Danube area, came together to discuss the concept of a “Crowdfunding Knowledge and Service Hub” with the idea of designing an ideal support and service unit to provide potential campaigners with relevant services and develop local crowd communities at the same time.

The suggestions resulting from this strategic workshop are summarized below as a basis for further discussion about the appropriate design of crowdfunding-related support services and action planning depending on the characteristics of a specific innovation eco-systems.

VISION OF A CROWDFUNDING KNOWLEDGE AND SERVICE HUB

- Purposes:** Help local start-ups, SMEs, social enterprises with their CF campaigns
Training / quality assurance for local CF trainers and service providers
Involvement in local innovation policy making
Interconnected at European level
- Organisation:** Could be virtual hub with strong online presence,
but at least one physical contact person will be needed as the main contact
- Hub competences:** Own expertise on CF markets and active platforms, CF mechanisms and available CF models, legal conditions, quality criteria, etc.
Strong online media presence + organisation of events and workshops
Own training competences (in cooperation with external experts)
Implementation of open innovation and creativity methodologies
Pool of certified CF service providers
- Main service offers:** As described in Phases 1 to 4
with two main service packages for potential campaigners on
1) marketing/communication, 2) business planning /financial planning
in combination with additional support offers in:
3) open innovation / product development and management

Organisation of competitions, innovation labs, and further activities to involve and motivate local communities

Network node to provide successful campaigners with required infrastructure and support for implementing their projects
(in cooperation with other organisation within local innovation system)

Meeting point for network of local CF platforms

Networking capacity: Addressing and motivating local key stakeholders from different sectors (local government, banks, academia, local opinion-leaders, etc.)

Facilitator of local advisory body of recognized stakeholders

Participating in relevant associations at EU level

TU 26. **QUALITY CRITERIA FOR CROWDFUNDING SERVICES**

Even though crowdfunding has gained momentum in the recent couple of years, the industry is yet to reach its highest potential in Europe. Apart from the frontrunners (see also Module 2 on “Crowdfunding Markets”), in other countries many platforms are start-ups or very young companies which engage in competition with one another in a growing market both on nationally and on transnational level. The processes taking place on this market have been long defined by informal instead of formal rules, which brought the involved stakeholders to initiate a broad discussion on the necessity of generally available and applicable quality guidelines or a Code of Conduct for crowdfunding service providers.

The German Crowdfunding Network (Bundesverband Crowdfunding e.V.) identified following reasons for introducing a Code of Conduct in this industry [148]:

- Nudging – by initiating a public debate on the private behaviour and business conduct of actors engaged in the crowdfunding scene as well as displaying examples of good conduct and misbehaviour, positive effects on others could be expected, thus having benefits for the whole community;
- Reducing transaction costs – by standardising information made available to project owners and supporters/investors, raising the security level for all stakeholders and creating certain standards for entering the market in order to avoid possible irresponsible companies, unnecessary transaction costs can be avoided;
- Avoiding unnecessary regulations – by defining a clear, generally available and applicable set of rules, overregulation and contradictory rules can be avoided; however, these are meant rather as guiding principles, allowing for a dynamic self-regulatory framework.

26.1 Existing initiatives and their aims

The most recent activities regarding the definition of quality standards for crowdfunding services have been undertaken by the European Commission in March 2018 by elaborating a **Proposal for a Regulation on European Crowdfunding Services Providers for Business** [149]. Focusing on investment- and lending-based crowdfunding platforms, this proposal establishes a European label which aims at scaling up crowdfunding services within the internal EU market and, by doing so, increasing access to finance for entrepreneurs, start-ups and SMEs. Furthermore, the proposal seeks to enable cross-border activity in the field of crowdfunding and to deal with possible risks in an appropriate manner.

Starting point for engaging into this discussion were the differences in regard to the regulatory standards and the legal framework in each of the EU Member States, leading to barriers for crowdfunding platforms seeking to scale their operations across the Union. Ranging from no regulation whatsoever to strict rules concerning investor protection, from national bespoke regimes for crowdfunding to requirements of getting licensed and operating under existing EU frameworks (such as MiFID II, PSD and AIFMD [150]), these aspects are not favourable to the dynamic nature of business models in the crowdfunding-related field. Due to different regulations, especially in the area of marketing and consumer protection, high costs, bureaucratic complexity and uncertainty for crowdfunding service providers lead to a certain market fragmentation, lack of economies of scale as well as lack of transparency associated with financial risks. [151]

In order to address these issues, the proposal initiated by the European Commission opts for the possibility of introducing an EU label for crowdfunding service providers. The procedures of authorisation and supervision would take place at EU level, according to the regulations in force. However, the proposal sees this as an option, allowing service providers to freely choose for either the European label or to remain under national regulations – both options simultaneously being not accepted. In the first case, the regulations applicable for the EU label are not intended to replace national rules, if and where these exist. An important benefit which comes alongside this European statute is the fact that it would allow both the provision of services in a single Member State, across all EU countries and/or in a cross-border constellation – all in a cost-effective way, with minimum regulatory uncertainty and administrative burdens. [152]

Important to mention in this context is, however, the fact that this proposal is rather aimed at crowdfunding platforms as service providers: “‘crowdfunding service’ means the matching of business funding interest of investors and project owners through the use of a crowdfunding platform” [153]. Nevertheless, the proposal of the European Commission received a positive echo from the European Crowdfunding Network (ECN), which estimated that it would bring transparency, offer customer protection and secure platform operations. [154]

The **ECN** itself has been very active in regard to the promotion of the highest ethical and professional standards within the crowdfunding industry in Europe, setting best practice principles by developing already 2013 its own Code of Conduct, which has been later on, in 2015, updated. Although this Code of Conduct does neither constitute a court-enforceable regulation, nor is it meant to overrule the imposed national guidelines of good practice, it aims at setting certain standards for ethical crowdfunding-related business

behaviour. Being in many cases less comprehensive than existing national standards, the ECN Code of Conduct tries to achieve synergies between these regulations. [155] As far as possible contradictions are concerned, there are also attempts to harmonise any possible uncorrelations, ECN engaging itself in regularly checking the status of the existing documents. [156]

Among the further objectives of this Code of Conduct following aspects can be mentioned [157]:

- avoiding conflicts of interest between different stakeholders
- fostering transparent and open business practice
- maintaining confidentiality, especially in regard with sensitive information received from other crowdfunding market participants
- setting a minimum of information standards on various crowdfunding-related data
- using adequate and appropriate human and technical resources

The ECN Code of Conduct applies to all members, representing a wide range of crowdfunding industry actors across Europe. Especially the platform members have to commit on annually sending a report to the Executive Board, containing several key performance indicators on transparency standards. Furthermore, audits on compliance procedures may also be carried out by ECN representatives or assigned third-party auditors. [158] The platform key performance indicators, bidding for platform members as of 2018, can be found under: <https://eurocrowd.org/2017/03/04/platform-key-performance-indicators/>. Compliance members are awarded the ECN's golden badge (see **Error! Reference source not found.**).

An already fairly well-advanced example of national principles of functioning is represented by the case of the **UK Crowdfunding Association**. The Code of Conduct consists of 16 points formulated in a straightforward manner which apply for both businesses and individuals and represent a prerequisite for membership. [159] The UK Crowdfunding Association makes the distinction between “members” and “supporters” and, upon compliance, offers badges accordingly (see Figure 33 and Figure 34) [160]:

- *members* are fully operational and regulated crowdfunding platforms
- *supporters* can be individuals, businesses, organisations or institutions interested and/or involved in the crowdfunding industry across UK; apart from that, not yet operational or registered crowdfunding platforms can also apply for this status



Figure 32: ECN's golden badge [161]



Figure 33: Member of UK Crowdfunding Association [162]



Figure 34: Supporter of UK Crowdfunding Association [163]

In the Continental Europe the **German Crowdfunding Network** introduced a Code of Conduct for its members – platforms as well as other enterprises and/or private persons, this being regarded as fundamental for the professionalism of the crowdfunding industry. The nine defined principles are set as a framework in which crowdfunding-related processes happen, in order to ensure transparency so that this would subsequently lead to the development of trust between the involved stakeholders, regardless of the process stage. These principles cover both “soft” aspects, mostly related to human skills and competencies necessary in the broad field of crowdfunding, including communication and marketing-related ones, and “hard” elements such as technical resources and standards, including risk management and adjacent topics. [164] In another German-speaking country, Austria, ethical requirements and rules of practice for crowdfunding platforms have been defined and promoted by the Professional Association for Financial Services (Fachverband Finanzdienstleister) within the **Austrian Federal Economic Chamber**. Although these are on a voluntary basis – meaning no prerequisite for membership, the platforms that chose to opt for adhering to these principles have to guarantee their fulfilment. Apart from the aforementioned propositions such as transparency and risk management, a rather special aspect concerns the commitment of the platform operators to complete regular trainings to the extent of 40 hours within a period of three years. [165] Basis for this further education and training is represented by the syllabus developed by the Professional Association, which includes specialised knowledge – e.g. in the field of investment and financing – as well as general knowledge in relevant crowdfunding-related areas. [166]

Overview of existing Codes of Conduct	
European Crowdfunding Network	<ul style="list-style-type: none"> • act with integrity and in fairness • apply ethical business behaviour • avoid conflict of interest • foster data transparency and open business practices

	<ul style="list-style-type: none"> • maintain confidentiality • avoid potentially damaging practices for the industry, society and/or environment • use appropriate human technical resources • use standardised information sheet for projects • report on yearly basis using key performance indicators • allow being subject of audit
UK Crowdfunding Association	<ul style="list-style-type: none"> • differentiate between investment/donation money and business money • ensure transparency • ensure safety of user information • put in place processes for orderly winding down the business if necessary • offer investment advice only when authorised • provide “cooling-off period” for users to be able to cancel or redeem investment/donation • formulate and explain own terms and conditions • hire competent, professional, honest people • ensure secure IT systems and business processes • comply with laws and regulations • allow users to complain • promote healthy competition • avoid using or competing for each others' names, trademarks or other intellectual property • allow periodic audits and reviews to businesses • provide UK Crowdfunding Association with notice of issues that could negatively affect the industry • bare the consequences of breaching the Code
German Crowdfunding Network	<ul style="list-style-type: none"> • treat separately investment/donation money from internal business money • ensure transparency • ensure security of stored data • put in place processes for orderly winding down the business if necessary • provide “cooling-off period” for users to be able to cancel or redeem investment/donation

	<ul style="list-style-type: none"> • formulate and explain own terms and conditions • hire competent, professional, honest people • ensure secure IT systems and business processes • comply with regulations regarding own sales and marketing activities, set a fair, clear and transparent communication
Professional Association for Financial Services within the Austrian Federal Economic Chamber	<ul style="list-style-type: none"> • use standardised information sheet for projects • ensure impartial formal check of projects • get the commitment of project owners to inform potential investors about unfavourable developments • commit to keep project information online for min. three years after finalisation • commit to complete regular trainings • publish in a transparent manner risk notice • formulate and explain own terms and conditions • calculate and communicate costs in a transparent manner

26.2 Quality assurance efforts at the level of EU projects

Currently there are several ongoing or recently completed projects in different EU programmes which deal with various aspects of crowdfunding. Regardless if they focus on quality criteria for platforms or crowdfunding-related services in general, they all contribute to a certain extent to the broad topic of quality assurance as follows:

CrowdfundRes aimed at contributing to the acceleration of the renewable energy growth in Europe by unleashing the potential of crowdfunding for financing projects in this field. By assessing the public's perception of crowdfunding, analysing the possible challenges and developing guidelines for platforms interested in hosting such projects, for project developers as well as for investors, quality assurance measurements in order to support easier, more effective and wider accepted practices in crowdfunding renewable energy projects have been undertaken [167]. Results are available under: <http://www.crowdfundres.eu/>

Another project dealing with renewable energy and the financing of energy transition is **Sustainable Energy Financing Platform Austria** (SEFIPA). By involving stakeholders from the area of finance, sponsorship, administration and project development and together developing not only products, but also working on legal framework to trigger further investment in sustainable energy, the project raises awareness on quality

aspects among all the involved actors [168]. Regular updates on the project can be found under: <https://www.sefipa.at/en>

FIDIAS dealt with the topic of **Innovative Financial Instruments for Sustainable Development in Alpine Space**, aiming at improving transnational cooperation, in order to create an international network supporting the implementation of innovative services and thus raising awareness for professional standards in alternative financing [169]. Results are available under: http://www.alpine-space.org/2007-2013/projects/projects/detail/FIDIAS/show/index.html#project_outputs

Within the framework of the project **Crowd-Fund-Port** – which aims at improving the skills and competences of all relevant stakeholder groups in order to make them aware of and prepare them for crowdfunding – a Code of Conduct for Platforms has been developed as a living document, in order to spread the concept and make it available for a broader use [170]. The Code of Conduct can be found under: <https://www.interreg-central.eu/Content.Node/CROWD-FUND-PORT/CFP-D.T1.1.2-Code-of-conduct.pdf>

As can be seen from the aforementioned initiatives of developing and applying a Code of Conduct, quality services for crowdfunding are understood in a rather narrow manner, focusing mostly – if not solely – on crowdfunding platforms. **CrowdStream** project undertook a further step and identified and analysed quality criteria for crowdfunding service providers as a prerequisite for successful campaigns. Within this project, the objective is to define a quality label for services on broader aspects such as legal, pitching, marketing and financial issues concerning crowdfunding.

The relevant information was gathered via questionnaires within workshops with local stakeholders in each partner's region as well as through online/telephone survey and personal interviews in order to ensure the participation of a large number of stakeholders active and/or interested in crowdfunding. As far as the target groups are concerned, the focus lies primarily on start-ups, SMEs and social businesses seeking alternative financing. Secondary target groups are: crowdfunding platform managers, representatives of service providers, business support organisations and other relevant regional stakeholders. Therefore, feedback was collected on:

- relevance of services offered by crowdfunding service providers, including platforms (e.g. IPR, marketing)
- criteria for assessing quality of service providers
- relevant factors for (un)successful campaigns

As far as the quality criteria on crowdfunding services is concerned, following ranking resulted after aggregating the results in all regions constituting the CrowdStream consortium:

1. Number of successful crowdfunding campaigns
2. Success rate
3. Experience in crowdfunding campaigns

4. Positive feedback from other clients
5. General experience
 - Number of crowdfunding campaigns
6. Total value of successful crowdfunding campaigns
7. Total value of crowdfunding campaigns
8. Previous clients

When assessing solely the crowdfunding platforms, further criteria are considered to be relevant:

1. Number of successfully funded crowdfunding campaigns on the platform
 - Success rate
2. Interactions
3. Total number of backers
4. Payments
5. Frauds
6. Pre-screening of campaigns
7. Capital adequacy requirements
8. Data treatment
9. Additional services offered by the crowdfunding platform
10. Specific resolution plans
11. Data aggregation
12. Total number of launched crowdfunding campaigns on the platform
13. Form of regulation

Further results of the CrowdStream project regarding quality criteria on crowdfunding services will be soon publicly available under: <http://www.interreg-danube.eu/approved-projects/crowdstream>

26.3 Closing remarks

Although at the moment of developing this set of training materials there is no widely accepted Code of Conduct for crowdfunding service providers (including platforms), initiatives in this field are constantly emerging, as do legal frameworks. However, these two aspects do not mutually exclude, but actually reinforce themselves: "Code of Conduct cannot replace regulation, regulation cannot replace market-driven codes" [171].

TU 27. HOW TO APPROACH TRAININGS

The following short guide aims at providing trainers with general guidelines and suggestions on how to approach trainings. The **CrowdStream** guide identifies **three target groups**:

1. **BASIC** Beneficiaries;
2. **ADVANCED** Beneficiaries;
3. **BSOs** Beneficiaries.

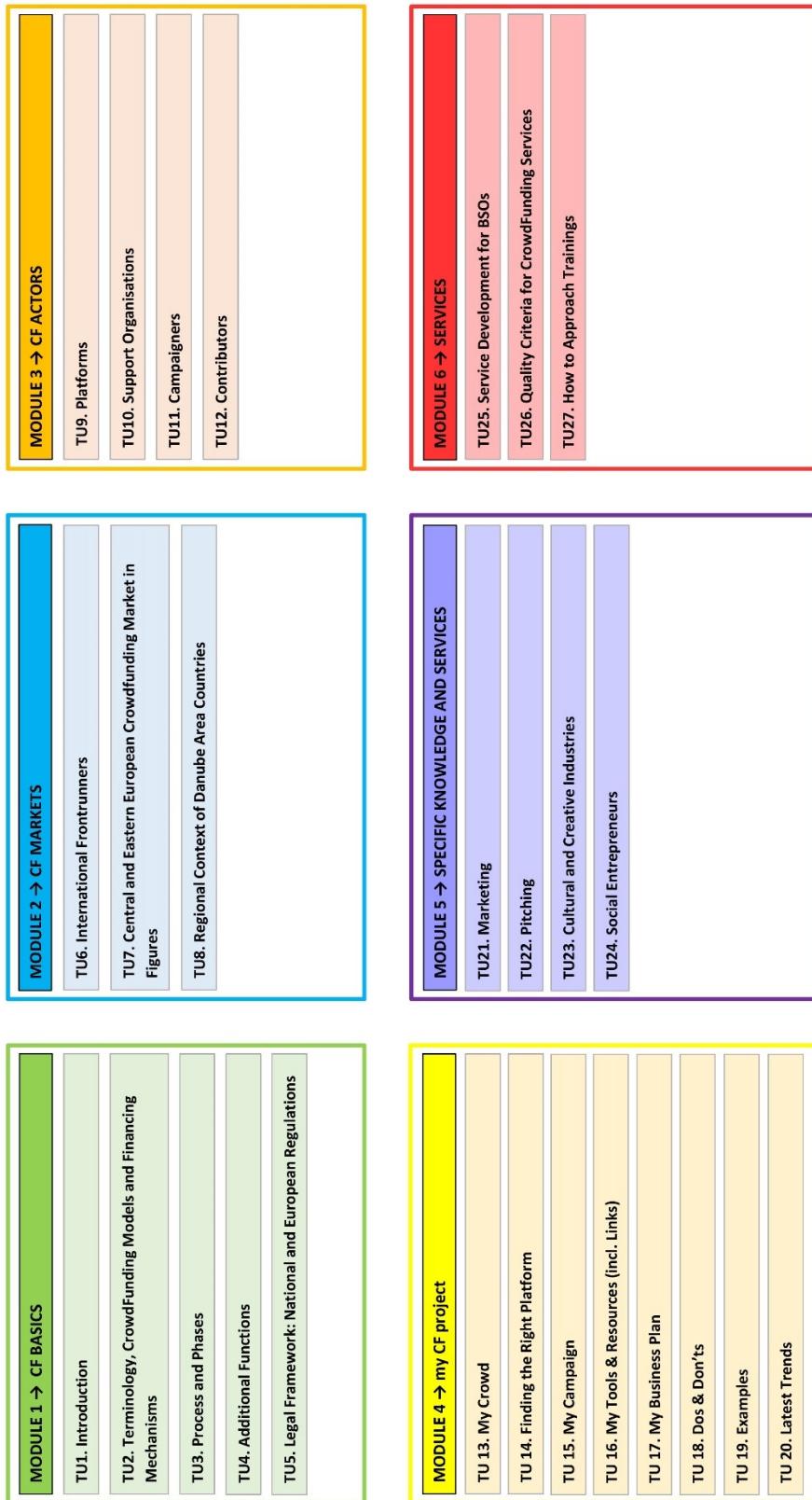
Six different training modules were developed, subdivided into several learning units.

- **Module 1** → a basic overview on the topic, including history, phases, as well as an insight into both strictly legal and financial terms;
- **Module 2** → an insight into the crowdfunding markets, including details on international frontrunners, and on the Danube region, while also providing concrete facts and figures;
- **Module 3** → a deep overview on all of the crowdfunding actors, including a broad description of available platforms and support organisations, as well as an analysis of the campaigners' attitude and the contributors' behaviour;
- **Module 4** → an extensive and advanced training on how to approach and successfully manage a crowdfunding campaign; from identifying the crowd, the appropriate platform and tools, to outlining an entire business plan based on dos and don'ts, instructive examples of previous campaigns and, to conclude, the latest trends from the market;
- **Module 5** → a deeper and more specific training on crowdfunding, including marketing, creativity and social entrepreneurship;
- **Module 6** → the trainer's guide aimed at orienting business organisations to approach the CrowdStream training material, including guidelines on the service development, quality criteria, formats, methods and recommendations.

The training modules are tailored, on one hand, to meet the requirements and the needs of the identified target groups. On the other hand, they focus on the regional context within the Danube region in which participants are operating. This helps to identify possible barriers and major differences between countries throughout the trainings.

Based on each target group, the CrowdStream training guide identifies **three different training paths**. The following image provides a complete overview on paths, modules and units. For each unit, an already prepared **PowerPoint Presentation** is also available.

**CrowdStream Training Modules and Units
Complete Overview**



27.1 BASIC BENEFICIARIES

The training for basic beneficiaries is intended for participants who are at their first experience with Crowdfunding in order to get an insight on the main features and characteristics.

27.1.1 OBJECTIVE, FORMAT & PROGRAM

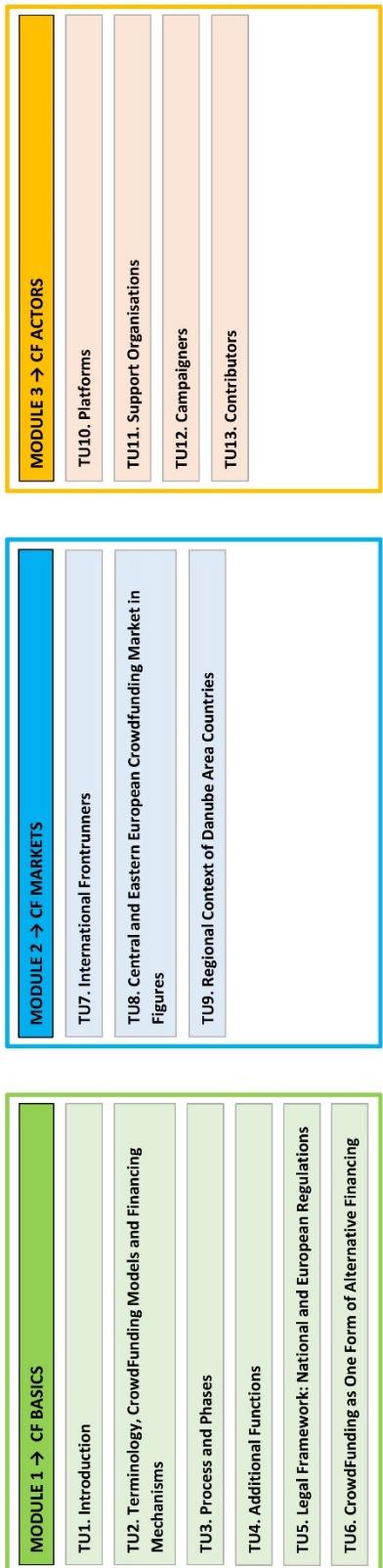
The **3-module** training path for **basic beneficiaries** aims at delivering all the main and essential information to understand the world of crowdfunding.

The **objective** is to explain to participants how crowdfunding was born and how it works, including the most important factors to take into consideration. On one side, at the end of the training participants will develop a good understanding of the main principles, functions, as well as the logic behind.

It is suggested to perform a half-day training targeting around **8-10 people**, with a maximum of 15 participants, to achieve better and more efficient results. Although trainers are free to adjust the schedule according to the participants' specific needs and elements of context (i.e. country of origin, especially for the legal side), an ordinary session can be articulated in the following way:

<p>8h45-9h00</p> <ul style="list-style-type: none">▪ Welcoming coffee for participants <p>9h00-9h30</p> <ul style="list-style-type: none">▪ Contact sharing among participants and introduction of:<ul style="list-style-type: none">○ Trainers;○ CrowdStream Project;○ Participants;○ Training Objectives;○ Training Schedule; <p>9h30-10h30</p> <ul style="list-style-type: none">▪ Module 1 → CF Basics: <p>10h30-10h45</p> <ul style="list-style-type: none">▪ Coffee Break	<p>10h45-11h15</p> <ul style="list-style-type: none">▪ Module 2 → CF Markets <p>11h15-12h00</p> <ul style="list-style-type: none">▪ Module 3 → CF Actors <p>12h00-12h30</p> <ul style="list-style-type: none">▪ Q&A▪ Half-day review<ul style="list-style-type: none">○ Participants' Feedback○ Distribution of CS Guide
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**CrowdStream Training Modules and Units
BASIC Beneficiaries**



27.2 ADVANCED BENEFICIARIES

The training for advanced beneficiaries is intended for participants who are partially or fully involved in the crowdfunding world, but would like to get an additional insight on how to build and launch a successful crowdfunding campaign.

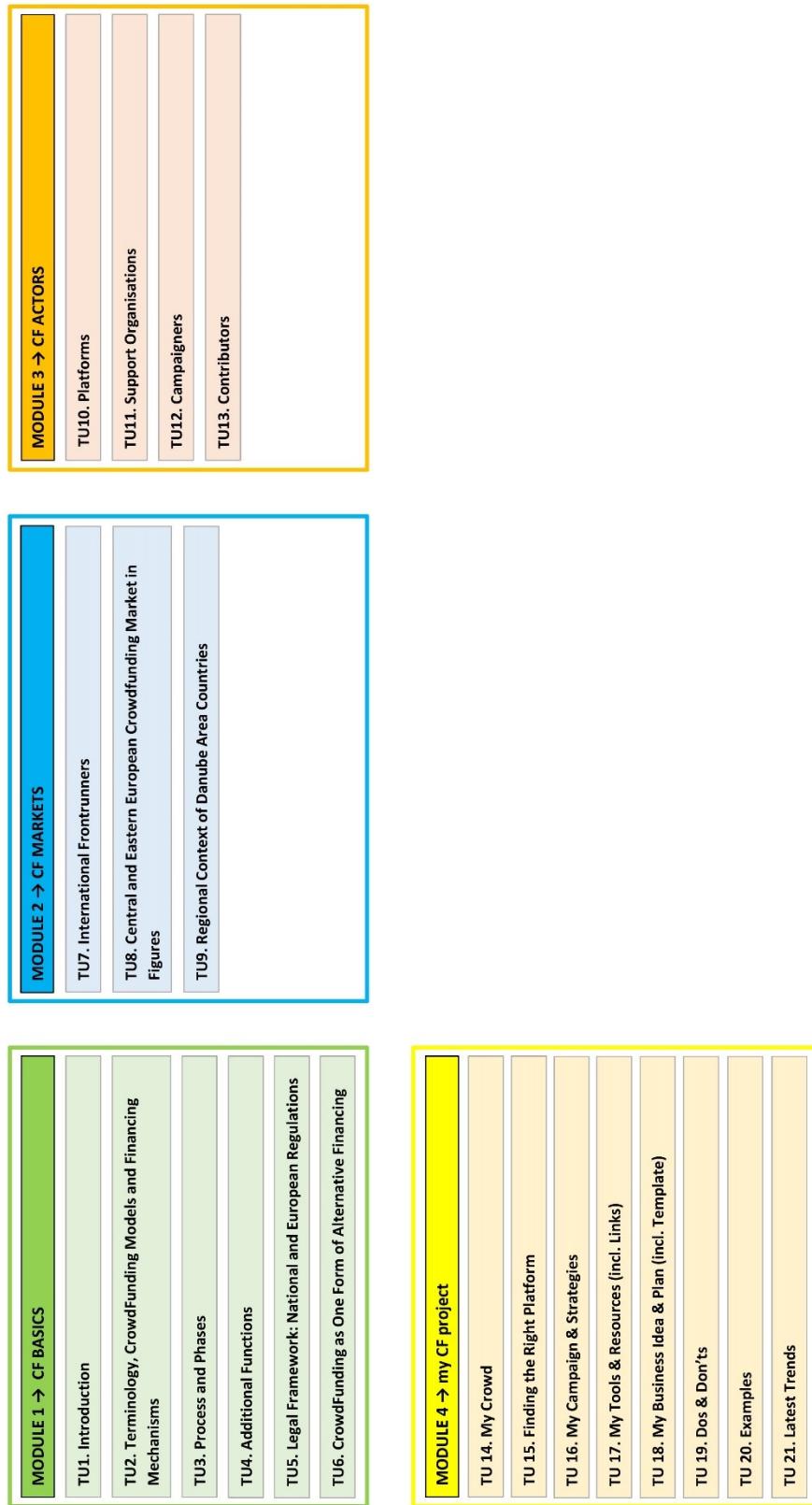
27.2.1 OBJECTIVE, FORMAT & PROGRAM

The **objective** of this 4-module training path for advanced beneficiaries is to deliver all the main and essential information on crowdfunding, clarifying doubts. Major focus is on building and launching a campaign, while understanding what the best means to reach the goal are.

It is suggested to perform a half-day training targeting around **8-10 people**, with a maximum of 15 participants, to achieve better results. Although trainers are free to adjust the schedule according to the participants' specific needs, an ordinary session can be articulated in the following way:

<p>8h45-9h00</p> <ul style="list-style-type: none">▪ Welcoming coffee for participants <p>9h00-9h30</p> <ul style="list-style-type: none">▪ Contact sharing among participants and introduction of:<ul style="list-style-type: none">○ Trainers;○ CrowdStream Project;○ Participants;○ Training Objectives;○ Training Schedule; <p>9h30-10h30</p> <ul style="list-style-type: none">▪ Module 1 → CF Basics: <p>10h30-10h45</p> <ul style="list-style-type: none">▪ Coffee Break	<p>10h45-11h15</p> <ul style="list-style-type: none">▪ Module 2 → CF Markets <p>11h15-11h45</p> <ul style="list-style-type: none">▪ Module 3 → CF Actors <p>11h45-12h00</p> <ul style="list-style-type: none">▪ Coffee Break <p>12h00-13h00</p> <ul style="list-style-type: none">▪ Module 4 → My CF Project <p>13h00-13h00</p> <ul style="list-style-type: none">▪ Q&A▪ Half-day review<ul style="list-style-type: none">○ Participants' Feedback○ Distribution of CS Guide
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CrowdStream Training Modules and Units
ADVANCED Beneficiaries



27.3 BSOs

The training for business support organisations is intended for participants who already have a quite solid knowledge of the crowdfunding world, but at the same time would like to get an additional insight and further guidelines on how to support entrepreneurs on planning, building and launching their own crowdfunding campaign.

27.3.1 OBJECTIVE & FORMAT

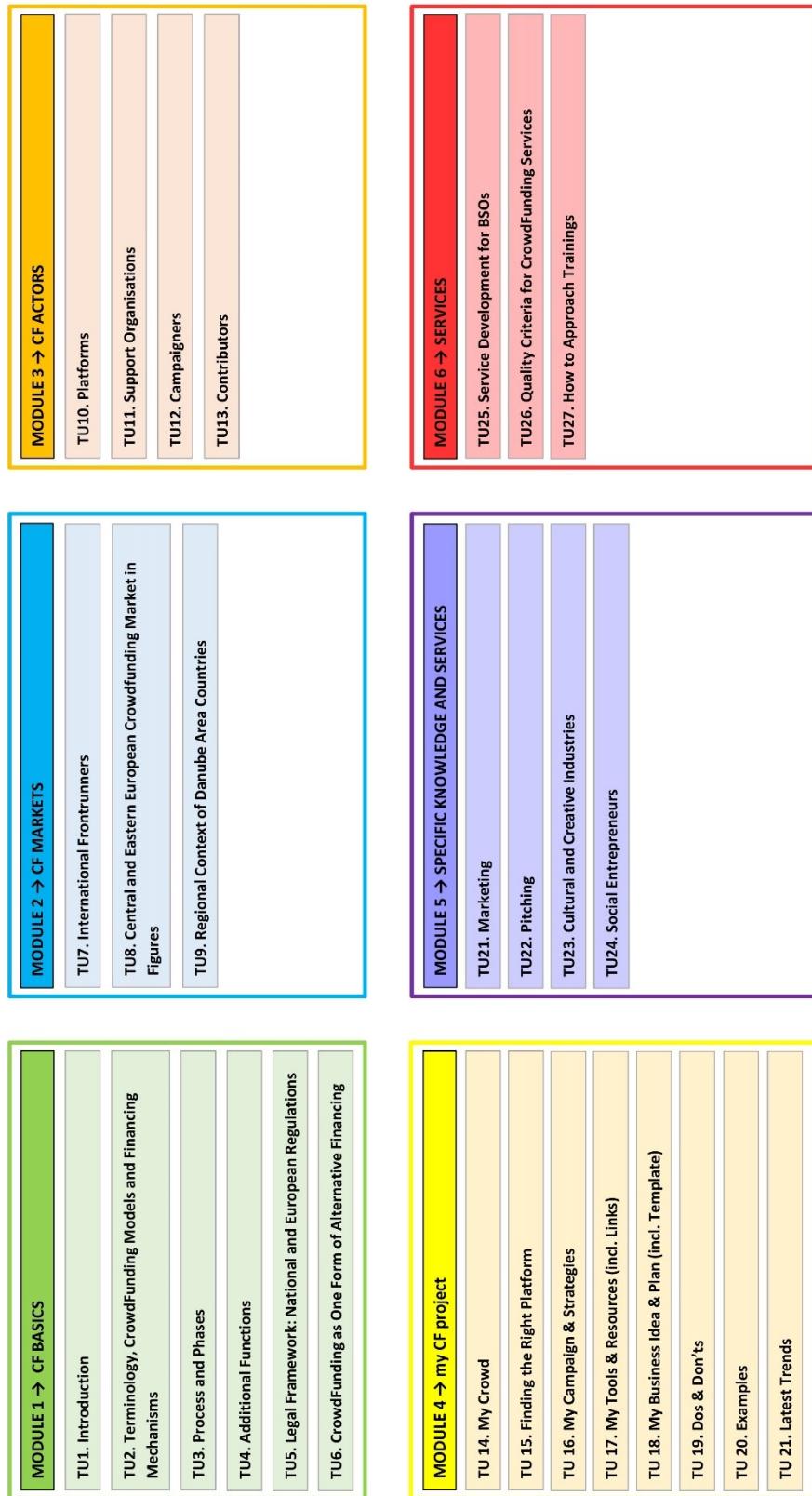
The objective of this 6-module training path for BSOs is provide with all the main and essential information on crowdfunding, focusing on clarifying possible doubts and providing with additional knowledge. It includes all of the content needed to be able to provide support to other entities, plus **Module 5**, with specific knowledge on pitching, marketing and social entrepreneurship, as well as **Module 6** on services for BSOs, quality criteria and more.

27.3.2 PROGRAM

It is suggested to perform a whole-day training targeting around 8-10 people/representatives of BSOs, with a maximum of 15 participants. Although trainers are free to adjust the schedule according to the participants' needs, an ordinary session can be articulated in the following way:

<p>8h45-9h00</p> <ul style="list-style-type: none">▪ Welcoming coffee for participants <p>9h00-9h30</p> <ul style="list-style-type: none">▪ Contact sharing among participants and introduction of:<ul style="list-style-type: none">○ Trainers;○ CrowdStream Project;○ Participants;○ Training Objectives;○ Training Schedule; <p>9h30-10h30</p> <ul style="list-style-type: none">▪ Module 1 → CF Basics: <p>10h30-10h45</p> <ul style="list-style-type: none">▪ Coffee Break <p>10h45-11h15</p> <ul style="list-style-type: none">▪ Module 2 → CF Markets	<p>11h15-11h45</p> <ul style="list-style-type: none">▪ Module 3 → CF Actors <p>11h45-12h00</p> <ul style="list-style-type: none">▪ Coffee Break <p>12h00-13h00</p> <ul style="list-style-type: none">▪ Module 4 → My CF Project <p>13h00-14h00</p> <ul style="list-style-type: none">▪ Lunch Break <p>14h00-14h45</p> <ul style="list-style-type: none">▪ Module 5 → Specific Knowledge <p>14h45-16h00</p> <ul style="list-style-type: none">▪ Module 6 → Services▪ Whole-day Review / Q&A<ul style="list-style-type: none">○ Participants' feedback○ Distribution of CrowdStream guide
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**CrowdStream Training Modules and Units
BSOs**



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