

Crowdfunding among IT Entrepreneurs in Sweden

Do IT entrepreneurs see crowdfunding as a viable source of funding?

When it comes to donation- and reward-based crowdfunding, entrepreneurs have largely said yes, but not on a Swedish platform. They believe that there is not enough money to be raised on a Swedish platform. Many suggested that it would make more sense for an IT entrepreneur to try to crowdfund through an American platform like Kickstarter.

Entrepreneurs seem to be more open to equity crowdfunding in Sweden ; however, they did say that they had reservations about bringing on a large number of unknown investors. The chief reasons for this were concerns about the complexities of decision-making with numerous strangers as well as the belief that shares would be harder to sell at a later stage due to a large number of early stage investors.

What uses do IT entrepreneurs see in a crowdfunding platform?

Entrepreneurs see crowdfunding platforms as potentially providing two things:

1. Funding *from crowdfunders*
2. Ambassadors or public exposure

However, most of those interviewed thought that they would have greater success in obtaining the above through more traditional means of financing. Moreover, they believed that other kinds of investors, e.g., angel investors, VCs, would invest their skills and experience in addition to their money in the venture, which crowdfunders would not.

What uses do crowdfunding platforms promote?

The crowdfunding platforms interviewed saw themselves as providing an intermediary-like service, whereby entrepreneurs could use crowdfunding to test the market for their product or service and get feedback.

They also said that obtaining crowdfunding could be used to signal market readiness and competence to funders outside of crowdfunding, e.g, VCs, banks, from whom they could get larger investments.

Moreover, platforms thought that crowdfunders were likely to share their skills, experience and connections with entrepreneurs, much like other investors do.

Are there other reasons crowdfunding may not be taking off?

Many entrepreneurs either expressed nervousness about trying crowdfunding and “putting themselves out there” or observed that Swedes in general were not very good at marketing themselves, indicating that there is insecurity about pitching to a crowd.

Entrepreneurs expressed concern that their ideas might be stolen if they were to post their venture on a crowdfunding platform and failed to raise the amount of money they targeted.

What can be done to promote crowdfunding?

Crowdfunding presents entrepreneurs with the opportunity to tap a new source of funding for their early stage start-ups, and yet they are apprehensive about using it. Their hesitation stems from uncertainty around whether crowdfunding is a good idea for their particular project as well as how to sell both their ideas and their skills to potential crowdfunders.

Swedish entrepreneurs are uncertain and insecure about both the benefits and the uses of crowdfunding. They understand the Kickstarter model far better than any Swedish platform and do not believe that the Swedish platforms are likely to draw the same kind of crowd as Kickstarter. Crowdfunding platforms and other actors, therefore, need to do more to distinguish themselves from Kickstarter as well as to showcase their own strengths.

One of these strengths is that the crowdfunding platforms are increasingly modelling themselves as a complement, rather than a substitute, for existing funding. This change in business model has not been fully recognized by entrepreneurs, and crowdfunding platforms would do well to convey this information.

More could be done by both crowdfunding platforms and other interested parties to teach entrepreneurs how to pitch to a crowd and provide mentorship for start-ups at this early stage of the funding search. Entrepreneurs themselves should also seek this guidance as it would improve their chances of obtaining funding and market validation through crowdfunding.

Swedish entrepreneurs believe that receiving VC or angel investment signals the value or quality of their project, where crowdfunding does not. More information, including publicity around success stories, may assist in altering this perception.

Those who had used crowdfunding suggested that better communication between entrepreneurs and funders through the crowdfunding platform would be useful. It could encourage more participation and allow for better public recognition as well as encourage skills and experience sharing. Crowdfunding platforms could also do more to explicitly encourage the sharing of skills and experience through their platforms.

Building a pan-Nordic platform could also limit the perception that “there isn’t enough money in Sweden” or that “Swedes don’t invest”, by giving entrepreneurs access to a larger number of potential funders from several different countries.

The entrepreneurs’ concerns about idea theft, as well as risk and fraud more generally, could be broached by platforms and other interested parties in order to give the crowdfunding platforms more credibility in the eyes of entrepreneurs. Although it is hard to tackle these concerns directly, transparency in these matters may prevent future backlash.



Dr. Robin Teigland
Robin.Teigland@hhs.se

Claire Ingram
Claire.Ingram@hhs.se

Department of Marketing and Strategy
Stockholm School of Economics
PO Box 6501, SE-113 83
Stockholm, Sweden

