Haaga-Helia

Advantages and Disadvantages of Crowdfunding for a Small Company

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Bachelor of Business Administration

Thesis

2024

Abstract

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Degree Bachelor of Business Administration	
Thesis Title Advantages and Disadvantages of Crowdfunding for a Small Company	
Number of pages and appendix pages 48 + 0	

This thesis investigates the topic of early business capital acquisition, exploring the viability and efficacy of three distinct financial strategies: Crowdfunding, Debt Funding, and Equity Funding. The study conducts a holistic examination of the strengths and weaknesses associated with each method, aiming to provide valuable insight into early financial business development for entrepreneurs and startups navigating the complexity of fund raising.

Through an extensive literature review, the research seeks to illuminate the unique characteristics and implications associated with crowdfunding, debt funding, and equity funding. The analysis highlights the diverse opportunities and threats faced by each method, with intent to facilitate decision making regarding financial implications, ownership structure, and social aspects of funding.

Besides the delve into previous literature, the other central point of this study is a comparative analysis of cost-effectiveness of crowdfunding compared to debt funding. By constructing a hypothetical scenario of what a crowdfunding campaign may result in, calculations of total costs can be made and compared to assess the viability of crowdfunding. By understanding what costs to expect in running a crowdfunding campaign, entrepreneurs can make more informed business decisions.

Furthermore, the study acknowledges the evolving field that is crowdfunding, recognising potential changes in costs, taxation, and legal compliance due to new regulations in the legal framework surrounding donation-based funding methods. This fluctuating environment highlights the need for entrepreneurs to be observant of the economic politics when strategizing their funding methods.

Ultimately, the findings of this thesis offer valuable guidance for startups and small companies seeking alternative ways to fund their business venture, providing a holistic understanding of the benefits and challenges associated with each funding method covered. By granting entrepreneurs practical insights, this research aims to facilitate well informed decision-making while opting for a particular funding strategy to increase the chance of success in a critical stage in a business’ development.

Key words
Crowdfunding, Startup, Finance, Entrepreneurship, Business

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1 Introduction

This is a research-based bachelor's degree thesis for International Business Administration at Haaga-Helia University of Applied Sciences. This thesis is orientated towards finance and early business startup. In this chapter, the author will present the topic of advantages and disadvantages of crowdfunding along with its background, research questions, and a brief description of the commissioning company.

1.1 Background

The Miniboutique, a Swedish startup specializing in dog accessories and equipment, is in its early stages of development and actively seeking funding avenues for upcoming projects. With the surge in popularity of crowdfunding in recent years (Statista 2024a), the author identified an opportunity to collaborate with The Miniboutique, aiming to explore the advantages and challenges inherent in crowdfunding. Instead of resorting to more traditional methods such as bank loans with attached interest rates or selling off parts of the company for capital which have their own set challenges, together, they embark on a journey to investigate crowdfunding as a promising funding method for the startup's forthcoming releases in comparison to the traditional methods.

As finance can be the deciding factor for the survival or demise of a startup company, understanding all the available options for funding one’s project may provide a significant edge in the company’s growth. For startup companies, financing sources can be extremely limited. Founders typically must dip into their own pocket or ask for support from family and friends, and even these sources can prove insufficient. Consequentially, startup companies must seek other way to fund their operations to keep the business alive.

Despite having great growth potential, startups remain high-risk investments for the traditional funding methods (Mustapha & Tlaty 2018). As for bank loans, if the entrepreneur does not put up anything as collateral, then banks may be hesitant to give the loan as they cannot assure a return on their lending. While equity investment, such as stocks or venture capital investments, are taking on part of the risk with the entrepreneur, they expect a percent of the profit in return which can exceed the interest paid for a bank loan in the long run.

For instance, the somewhat enigmatic crowdfunding success story of Duncan Rhodes launching his product line “Two Thin Coats” as a crowdfunding projects is an interesting case. Initially seeking to raise $50 000, the campaign ended up generating $1.2 million, showcasing the potency of crowdfunding. However, this case also highlights the unpredictable nature of crowdfunding costs, which are calculated based on the total amount raised. While a bank loan might incur $5 000 to upward to $10 000 in interest payments on a $50,000 loan, Duncan Rhodes' crowdfunding campaign ended up costing more than $60,000 in platform fees alone. (Kickstarter 2024g)

Recognizing the challenges that come with the traditional methods of funding for a startup, exploring the avenues of crowdfunding as an alternative will be very beneficial. As crowdfunding does not require a huge investment to start a campaign and its community-driven nature, it may fill an interesting gap in The Miniboutique's search for funding. But, will it be the answer or does the solution lay somewhere between the different methods?

1.2 Research Question, Objective, and Investigative Questions

In this section, the research scope will be explained in detail. Additionally, the research question, objective, and investigative questions will be justified.

Research Question: Is crowdfunding a viable funding method for a small company launching a new product?

Research Objective: The objective of the research is to find out how beneficial crowdfunding can be based on the expected sales of the new product.

IQ 1: What crowdfunding platforms are on the market and what makes them unique?

IQ 2: What are the strengths and weaknesses of crowdfunding?

IQ 3: How does crowdfunding compare to traditional methods, such as bank loan and equity funding?

IQ 4: How could a crowdfunding campaign turn out for the commissioning company based on expected sales?

Table 1. Overlay Matrix

Investigative Question	Theoretical Framework	Research Method	Results
IQ 1: What crowdfunding platforms are on the market and what makes them unique?	Modern-day Crowdfunding Platforms	Literature Review	2

IQ 2: What are the strengths and weaknesses of crowdfunding?	Advantages of Crowd-funding, Disadvantages of Crowdfunding	Literature Review Comparison	2, 5
IQ 3: How does crowd-funding compare to traditional methods, such as bank loan and equity funding?	Equity Funding, Debt Funding	Literature Review Comparison	2, 5
IQ 4: How could a crowd-funding campaign turn out for the commission company based on expected sales?	Funding Goals and Set Up, Calculations and Financial Forecasting	Exploratory Calculations	4

1.3 Commissioning Company

The Miniboutique, currently in its developmental stages, is about to enter the market for dog equipment and accessories, including harnesses, leashes, bowties and more tailored specifically for small breeds. To ensuring not only the well-being of the dogs that wear the product but also to reduce the environmental consequences of production, sustainability and ergonomic design are the main focuses of the brand. The idea began in 2020 when the founder started handcrafting accessories for her own dogs as a hobby. Encouraged by positive feedback and questions about them from strangers, she turned her hobby into a business idea and started selling her handcrafted items. Further inspired by the lack of suitable options available in the market, the founder wanted to expand her business idea to incorporate more types of equipment. Facing challenges of finding appropriate equipment for small breeds, the founder wanted to investigate how to design products specifically tailored to their needs, thus establishing the brand's core value proposition: to offer ergonomic and sustainable accessories and equipment for small breed dogs. However, gaining traditional funding, such as bank loan or investor partnership, proved difficult due to personal constraints, prompting the founder to explore alternative methods. When the author presented the opportunity to collaborate on crowdfunding, she gladly accepted to be part of the project of investigating crowdfunding as a funding method in hopes of make her entrepreneurial vision come true.

The Miniboutique aims to be a staple brand in the pet accessories industry, it draws inspiration from the founder's own challenging experiences and desire to improve the health of small dog breeds. After identifying that she was not alone in an unsatisfied group through market research and numerous conversations with fellow dog owners, the brand wants to provide dog owners with premium-quality gear that prioritizes both functionality and comfort. From innovative harness designs featuring clutch mechanisms for easy leash attachment to care-fully calibrated size tiers ensuring a perfect fit, all product upholds The Miniboutique's commitment to enhancing the well-being of pets and their owners.

1.4 Delimitation

This thesis will focus on the characteristics and dynamics of different funding methods, such as crowdfunding, equity funding, and debt funding. It aims to conduct a comparative analyse of their strengths and weaknesses, with focus on cost-effectiveness, risk-reward, and accessibility.

Given the recent increase in crowdfunding's popularity, the time relevance for this thesis will be particularly vulnerable to changes in laws and regulations. As no laws and regulations directly targeted the rising types of crowdfunding, laws restricted crowdfunding disproportionally due to a variety of factors. During the last couple of years new legal guidelines have been implemented to make crowdfunding more possible. That shows how the legal foundation of how crowdfunding works are still being refined and may change in the upcoming years, impacting costs, taxation, and other fees. Consequently, this thesis' relevance may be impacted by these elements and potential changes in the future.

Furthermore, the efficiency of different funding methods will vary as the company grows. Therefore, this thesis will specifically focus on financing startups and small companies, limiting the scope of the research.

Moreover, pricing models of the different funding methods may vary from what is presented in this study. Costs associated with each method are highly dependant on financial policies push on local levels, thus are subject to change and may skew results if these calculations are copied without thorough consideration.

Finally, other platforms that were excluded from this study may produce different results.

1.5 Benefits

This research-based thesis provides fundamental information regarding crowdfunding and covers essential information about traditional funding for comparison. It also explores the demands of a hypothetical crowdfunding campaign based on the market research provided by the commissioning company. The results of the calculations will allow The Miniboutique to plan a financial road map and measure the progress throughout the campaign. Furthermore, both the information and the calculations can be used by other entrepreneurs preparing to launch a crowdfunding campaign.

For the author, this project provides great insight into how to strategize early startup financing and what the demands are for using crowdfunding as a funding platform. Additionally, the process of the literature review, data analysis, and writing provides valuable academic skills.

1.6 International Aspect

According to Zhao and Ryu (2020, chapter 6), crowdfunding, especially reward-based crowdfunding, has become a global phenomenon over the course of the last couple of decades, and it seems to grow in popularity in the majority of the world. However, factors such as financial infrastructures, regulatory environments, and technological advancement cause crowdfunding to operate differently between regions. For example, although crowdfunding in China is very popular based on the number of participants, the vast majority of crowdfunding platforms in China are domestic reach only. Moreover, most platforms do not have international websites nor global brands and refuses to take foreign contributions. Although crowdfunding's popularity has decreased slightly in the UK and the US, it remains a strong alternative for raising funds in both regions. Furthermore, 75% and 80% of crowdfunding platforms operating in the UK and the US respectively have international operations and approximately half of all contributions towards UK based campaigns are made cross-border, but only 11% for the US. In Europe, crowdfunding is steadily growing with a 3.28% growth (Statista 2024b). Moreover, European crowdfunding campaigns generate 21% of transactions from cross-border backers. Both the Middle East and Africa lack sufficient economic infrastructural development to partake in international crowdfunding on a grand scale. Understanding which regions are internationally active can be a benefit when planning marketing strategies for a campaign and mapping out in which regions potential backers may live in.

1.7 Sustainability Aspect

As most of the crowdfunding campaigns are made by regular individuals for regular individuals, crowdfunding strongly reflects cultural interests and the growth in sustainability and environmental awareness is no exception. According to Maehle, Otte, and Drozdova (2020, 405), campaigns on Kickstarter incorporating some form of sustainability awareness or environmental benefit have a higher chance of reaching its goal or surpassing the campaign's funding goal. Moreover, as it is the public that supports an idea of product or service, consumers decide which products are suitable for the market, removing geographic, social, and economic boundaries of desired innovation. Consequentially, more and more environmentally friendly innovations are funded.

Since one of the core pillars of The Miniboutique's brand is sustainability, they can focus their campaign on how they choose their material from sustainable sources and collaborate with manufacturers who have environment friendly business practices. This will allow The Miniboutique to tap into the "green" market, gaining a higher chance to succeed.

2 Literature Review

In this chapter, the author will review literature regarding crowdfunding and traditional funding methods to build a foundation for the analysis of each funding method. As there are a lot of different crowdfunding platforms, the author will focus on four specific platforms namely, Indiegogo, GoFundMe, Fundable, and Kickstarter. These platforms are chosen thanks to their variety, size, and availability to Sweden to provide as a holistic view of crowdfunding as possible while limiting the number of platforms to analyse. To build foundational knowledge for comparison, the author will investigate details about debt funding, such as bank loans, and equity funding, different types of investor partnerships.

2.1 Introduction to Crowdfunding

Crowdfunding is the action of reaching out to consumers or cause-enthusiasts via online platforms to raise funds from a large number of people instead of large amounts from one, or a few, sources. (European Commission 2024).

2.1.1 Early Instances of Crowdfunding

In 1700s Ireland, Jonathan Swift, known as the forefather of microcredits, came up with the basic ideas that later would develop into what we now know as crowdfunding. He founded the Irish Loan Fund which offered interest-free loans to low-income families or people with lack of collateral to be granted a big bank loan. By the 1800s, over 300 loan agreements had been made which helped reduce poverty and raised discussions regarding economic policies in Ireland. (Kallio & Vuola 2020, 209)

When Muhammad Yunus founded the Grameen Bank in 1976, he drew inspiration from Jonathan Swift's Irish Loan Fund business model and desired to developed it further. Yunus' philosophy was that loans are better than charities to combat poverty. Therefore, he created payment plans to the classes of people who fell outside the normal economic environment e.g. the poor, women, illiterate, and the unemployed. This enabled these groups of people to use their skills to earn money in order to break their cycle of poverty. In 2006, Yunus' and the Grameen Bank's effort to create economic and social development from below earned them the Nobel Peace Prize. (Kallio & Vuola 2020, 222-223)

Another early example of crowdfunding comes from the US in 1885. The combined effort from the French and Americans to raise the Statue of Liberty ran into financial problems on the American side. As many attempts to raise funds for the statue failed, New York World publisher, Joseph Pulitzer, launched a six month long crowdfunding campaign to ask the public for financial aid. Within five months, the campaign had raised over $100 000, roughly $3.2M by today's currency value, from 160 000 donors. The majority of donations ranged from a few cents to one dollar. In exchange for the donations and as a gesture of gratitude, Pulitzer promised to publish the names of all contributors in his magazine, irrespective of the amount of their donations. (in2013dollars 2024; Kallio & Vuola 2020, 209-210; National Park Service 2024)

As these instances show, crowdfunding has been a powerful tool to push both small and large projects into flourishing. From Jonathan Swift's Irish Loan Fund that help people out of poverty to Joseph Pulitzer's Statue of Liberty that still stands tall in New York as a symbol of freedom, these examples demonstrate how the public are willing to support ideas that benefit the common good of society and advancing shared goals. As modern crowdfunding platforms continuously evolve and adapt to the changing needs of society, they share the same fundamentals of these early instances. Tomorrow's entrepreneurs can reap the benefits of reaching out to the public through these platforms and transform their ideas into reality.

2.1.2 Modern-day Crowdfunding Platforms

Due to the gradually increasing instability of the housing market in the US in 2007, and were about to collapse in the following year, the economic regulations underwent significant changes. Banks could no longer lend money at the same rate, investors became more reluctant to invest, and business activity slowed down (International Monetary Fund 2009). That was when the modern-day crowdfunding arose from a need to find alternative financial sources for businesses when traditional capital-raising methods became increasingly challenging.

Indiegogo

The first platform that hosted crowdfunding campaigns with a wide range of project categories and global reach was Indiegogo. Founded in 2008 by Danae Ringlemann, Eric Shell, and Slava Rubin, Indiegogo's initial idea was to let the creators and the people decide what projects come to life, not the big banks. Indiegogo has seen great success over the 15 years they have supported creators. Over 10 million people across 235 countries and territories visit their website each month and around 19,000 campaigns are launched every month. Furthermore, they promote equality and report that 47% of all successful campaigns are run by women. No matter where you are or what you want to create, Indiegogo is a platform that welcome all creators and projects. (Indiegogo 2024a)

Uniquely to Indiegogo, while setting up a campaign, it allows campaign runners to pick between Flexible Funding and Fixed Funding. The Flexible Funding option lets the campaigner keep all the funds raised even if the campaign goals are not reached. This is a suitable option for those campaigns that will progress toward the campaign's goal even if it did not reach its goal and that the campaigner will still be able to fulfil the donation perks to the backers. Indiegogo strongly advises campaigners that make use of the Flexible Funding option to regularly update and communicate with the backers. On the other hand, the Fixed Funding, or commonly known as the "all or nothing" system, option only lets the campaigner keep the funds if the goal is reached. This option is suited for campaigns that have a clear threshold where the campaigns' goal will or will not come to flourishing if the goal is met. (Indiegogo 2024b)

As for fees and pricing for campaigners using Indiegogo, there are three fees to take into account. They charge a 5% platform fee on the funds raised for the campaign. Note that the fee is not related to goals, but to the total funds raised. The second fee to take into account is the transaction fees, or payment process fee. This is a fee related to each contribution the campaign receives. Depending on the currency of the donation, the fee will be approximately 3%-4% plus a minor, fixed cost for each contribution. The final fee is the transfer fee, or the bank delivery fee which is a small fee that can vary depending on the bank. (Indiegogo 2024c)

Indiegogo offers a maximum campaign time of 60 days. However, the sweet spot for campaigns on Indiegogo are between 30-40 days. Furthermore, the campaigner who opted for a sub-maximum duration campaign may extend their campaign to the maximum 60 days at any point during the campaign. (Indiegogo 2024d)

Kickstarter

Kickstarter launched in 2009 by Perry Chen, Charles Adler, and Yancey Strickler. The trio wanted to promote art and creativity without involving banks and investors that may compromise the artist's ideas. They believed that artists reaching out to the public through their platform would create a healthy and vibrant society. Furthermore, they strive to level the playing field between indie developers and art world elites and entertainment executives to create a culture that reflects variance in the creative world. Since their inception, Kickstarter has helped raise $7.8 billion in funds for over 250.000 projects. Furthermore, Kickstarter reports that the most challenging part of running a campaign is getting through the first 20% of funding, after that failure rate significantly drops. As of 2024, Kickstarter reports a 41.23% success rate across the platform. (Kickstarter 2024a; Kickstarter 2024b)

The funding method used by Kickstarter is the fixed "all or nothing" system to protect creators and minimize risk for all parties. By withholding the funds until the campaign reaches its goal, both the campaigner and the backers can be assured that they get what they were promised. (Kickstarter 2024c)

Kickstarter charges a 5% of total funds raised as a platform fee. Additionally, there are two tiers for the payment process fee. If the donation is under SEK 100 the fee will consist of a 5% plus SEK 1.00 per donation, and if the donation is SEK 100 or higher, then the fee will be 3% plus a SEK 3.00 per donation. Having a low fixed cost for smaller donations reduces the impact of the fee which supports smaller donations and let the campaigner keep more of the donation. Only if the campaign reaches it goal, the fees are charged. Otherwise, there are no fees related to the campaign. (Kickstarter 2024d)

As for duration of campaigns on Kickstarter, they let the campaigner set any duration for a maximum of 60 days. According to Kickstarter, campaign success rate beyond 60 days is miniscule. Thus, they decided to limit campaigns to 60 days. Additionally, they have found that campaigns running for 30 days or less are the most successful due to the sense of urgency around the project. (Kickstarter 2024e)

GoFundMe

In 2010, Brad Damphousse and Andy Ballester founded GoFundMe as a means for charity organizations to raise money for various causes. However, as the platform grew, the vast majority of fund-raising campaigns were by individuals looking to fund personal causes and life events. The founders started investing in expanding the purpose of the platform and soon became one of the world's largest crowdfunding platforms in the world. In 2022, GoFundMe acquired Classy, a non-profit online fundraising platform, and together they have helped creators raise $30 billion in 19 different countries. (Stripes 2024; GoFundMe 2024a; GoFundMe 2024b)

GoFundMe's funding method is similar to Indiegogo's Flexible Funding method were the campaigner get to keep the donations whether or not the campaign reaches its goal. However, in case of GoFundMe, the campaigner does not have to wait until the end of the campaign to receive the donations. The campaigner can withdraw the donations after the donations have been processed by the banks which may take a few days.

GoFundMe's pricing model is very straight forward. There is a 2.9% plus a minor fixed cost per donation that covers the platform fee and the payment process fee. On top of this mandatory fee, there is an optional donation to GoFundMe where donors can choose to donate any amount to the platform, but it is never required. (GoFundMe 2024c)

There is no set time limitation for a campaign on GoFundMe. If the campaigner wishes to hit a target goal before a specific date, then the campaigner has to communicate that desire via the campaign description. Furthermore, even if the goal is reached, the campaign will continue. It is up to the campaigner to close the campaign whenever they see fit. However, GoFundMe suggests having a 30-day campaign to push an urgency in the campaign. (GoFundMe 2024d)

Fundable

Fundable is a US based crowdfunding platform created by Wil Schroter and Eric Corl in 2012 to help entrepreneurs all over the world launch their businesses (Fundable 2024a). On this platform entrepreneurs can connect with investors and interested individuals. As Fundable is aim towards businesses ideas rather than product ideas, campaigners will have to pitch a business idea were fact and numbers may play a more significant role than on other crowdfunding platforms. Fundable has helped raise over $700 Million in funds for entrepreneurs and small businesses (Fundable 2024b).

On Fundable, there are two types of campaigns, the reward-based campaign, and the equity-based campaign. For a reward-based campaign, Fundable has opted for the fixed “all or nothing” fundraising method. Meaning that the campaign must reach or surpass the goal set up at the beginning of the campaign. Campaigns that use the reward-based systems typically aims to raise $50,000 or less and the campaign can be supported by anyone. This goal is reached by offering pre-orders or other value incentives to attract supporters. Similar to the reward-based campaign, the equity-based campaign uses the “all or nothing” method. However, the equity-based campaign typically aims to raise more than $50,000 and uses equity stake in exchange for investments. With this type of campaign, only accredited investors can invest. (Fundable 2024c)

The pricing model on Fundable is a subscription fee of $179-$699 per month of campaigning. Fundable lets its users create accounts and company profiles for free. The entrepreneurs and small businesses are allowed to market their company profile as they see fit without any costs. When the entrepreneur or business decides to launch their campaign, the monthly subscription fee starts. Furthermore, there is no success fee related to either campaign type. However, for the reward-based campaigns, a payment process fee of 3.5% + 30 cent for each donation. (Fundable 2024d)

As Fundable runs with a subscription-based pricing model, campaigns run for 30 days at the time. Each campaign can be extended for another month at the end of a subscription cycle. Typically, a campaign runs for 30-90 days. For equity-based campaigns, investors have to renew or withdraw their support every 90 days in case the campaign goes on for an extended period of time. Fundable clams that having the 90-day renewal will let investors rethink their commitment after a period in case the cause does no longer align with their investment interests which create flexibility for the investors. (Fundable 2024c; Fundable 2024e)

Table 2: Crowdfunding Platform Summery

Platform Name	Campaign Model	Money Collecting Method	Cost of the Platform	Campaign Time
IndieGoGo	Reward-Based	Fixed, Flexible	5% Platform Fee, 3%-4% Contribution Fee, Bank Delivery Fee	Maximum 60 Days
Kickstarter	Reward-Based	Fixed	5% Platform Fee, 3%-5% Flexible Contribution Fee, Bank Delivery Fee	Maximum 60 Days
GoFundMe	Donation-Based	Flexible	2.9% Contribution Fee, Optional Donation, Bank Delivery Fee	No Limit
Fundable	Reward-Based, Equity-Based	Fixed	$179-$699 Monthly Subscription Fee, 3.5% Contribution Fee, Bank Delivery Fee	No Limit

As summarized in table 1, IndieGoGo and Kickstarter are relatively similar. Where IndieGoGo offer flexibility in money collection methods, Kickstarter supports backers who makes small donations. GoFundMe has the lowest costs, with no platform fee like IndieGoGo and Kickstarter has and no subscription fee like Fundable. However, GoFundMe seem to focus on charity and life-style campaigns and less on business development which may make it less suited for launching a product.

Finally, Fundable offers a unique subscription fee model which lets the campaign runner predict the cost of the campaign easier. Furthermore, its flexibility in using either reward-based or equity-based makes in an interesting platform. However, it is relatively small compared to the other three which might make it hard to reach a large enough crowd.

2.1.3 Advantages of Crowdfunding

To successfully launch and reach the goal of one's campaign, companies must navigate the growing field of crowdfunding platforms carefully and strategically. As one mistake or miscalculation can lead to the abrupt end of a campaign or product line, preparing the campaign from multiple aspects will be necessary to avoid costly complications or failing to meet one's goal. To minimize the weaknesses and threats of crowdfunding, one must understand and leverage all the strengths and opportunities to their maximum potential. Therefore, investigating the advantages and disadvantages of crowdfunding is of utmost importance.

According to Dannberg (2017), Cichy & Gradon (2016), and Hornuf & Schmitt (2016), there are four standard methods to run a successful crowdfunding campaign, and Cichy & Gradon (2016) also argues that there are three additional methods. Each of these methods have their advantages and disadvantages, and different crowdfunding platforms only host specific methods. Thus, understanding which method is most suitable for the company's need is essential. The first four methods are:

- **Reward-Based Method** – This method gives the backers the choice to donate to the project in exchange for a material or immaterial reward, such as the product once it is finished, essentially making the donation into a pre-order purchase, or a thank you in anyway. Furthermore, it is common to have different tiers of donation and a corresponding reward to the amount donated. Usually, the backers get a proportionally bigger reward the more they donate.

  For the campaigner, this method is very easy. When creating the campaign, they get to decide what they want to give in return for the donations without having to negotiate with the backers. However, there is a balance to be struck when deciding on rewards as give too little may detract backers, and giving too much will increase the costs of the campaign.

  For the backers, they can freely browse the different tiers and decide if any of the rewards are worth their donation making it a low stress and potentially fun shopping experience for them.

  Thanks to the simplicity of this method, it has become the common one and also has the highest success rate out of all the methods.

- **Debt Method** – This method is similar to taking a bank loan. The loan is legally binding and carries the same obligation as any other official loan, such as payments in case of bankruptcy, etc. However, since it is a peer-to-peer(P2P) lending, terms and conditions may be agreed upon by the backers and campaign runner. To attract lenders, the campaigner can offer a variety of repayment terms, such as interest-based payback or any other creative way that both parties deem fitting.
  This method can be more complex than the previously mentioned, reward-based, method as the process involves making a legally binding contract between the parties that also may need a third-party witness to validate the contract.
- **Equity Method** – In exchange for donations with this method, the backers become an owning partner in the company. Much like the Debt Method, the parties can agree on different terms and conditions of the partnership, such as the backer becomes a partner of the whole company or having limited partnership with only the product line the backers donate to.
  As this method involves contract making, similar to the Debt Method, it can be equally as complex and comes with unforeseen complications if not carefully considered.
- **Donation Method** - Although this method may seem the simplest out of the four methods, the challenge in this method is to attract backers. As this method does not involve any reward or safety net for the backers, the backer will donate the funds out of the goodness of their heart with no expectation of any returns. Whereas Dannberg (2017) and Hornuf & Schmitt (2016) argues that the donation-based method encompasses all crowdfunding that do not ask for anything in return, Cichy & Gradon (2016) argues that this method leans into charity, social causes, and non-financial donations, such as expertise and manpower.
  Most likely, the backers believe in the entrepreneur's cause on a grander scale than simply just the product. Whether it is for a greener environment, providing financial assistance to a medical intervention for an individual, or pushing something culturally important, only the backer knows their reason.

The three methods that are not universally accepted as crowdfunding methods are (Cichy & Gradon 2016):

- **Fundraising** – Raising capital for any personal desire would be considered fundraising instead of the previously mentioned donation method. Due to the similarities between the two methods, some argues that it warrants more confusion than clarity when separating them from one another. Fundraising is strictly raising money, whereas donations can involve donation expertise or manpower.
- **Experiment Crowdfunding** – This method is only present in the science field and involves raising funds for scientific research. Much like the reward-based model, this method

exchanges financial assistance for access to their results. Due to the niche field of this method and how, most commonly, the method relays on giving the results in exchange for the funds, some argue that it does not need to have its own category and will not accept it as different to reward-based crowdfunding.

- **Real Estate Crowdfunding –** The purpose of this method is to buy and sell real estate property as part of a crowd. Investors will financially support the purchase of a real estate property in exchange for a proportional ownership of the property. The terms and conditions of the agreement may vary, but the investors will at least get their money back when the real estate is sold thanks to their partial ownership. One of the reasons this method is not a universally accepted crowdfunding method is that is only available to accredited investors which the average crowdfunding user might not know anything about. Furthermore, it has strong similarities to the equity method which further reduce the acceptance as its own crowdfunding method.

With so many different methods of running a crowdfunding campaign, companies can tailor the campaign to fit their product or goal for the company which makes crowdfunding very flexible. Furthermore, a company can utilize multiple different campaigns and different methods at any given time. For example, a company can launch a new product line with the reward-based method and have another campaign running using the equity method to expand their operations. Creative use of crowdfunding can further benefit the company by leverage each method's internal strengths.

As launching a crowdfunding campaign on most platforms is free and very simple, putting a product launch through a crowdfunding campaign can be a great way to see how well the market is going to receive it for very little cost (Cichy & Gradon 2016). If the campaign reaches its goal fast, then one can see the product was exciting and filled a need for the consumers. Furthermore, the success can encourage company to further develop the idea. On the other hand, if the product barely reached the goal or fall short of the target of the campaign, then perhaps the product was not as unique or desired as expected. By analysing how well the campaign went, the campaigner can save money on expensive market research (Manchanda & Muralidharan 2014).

Another huge benefit of crowdfunding is to leverage it as a marketing tool. Creating a sense of urgency around the product and a unique opportunity to participate in the crowdfunding process can be exciting for customers and trigger a fear of missing out (FOMO) due to limited time and offers of a campaign. According to Sajikumar and Sreedharan (2020), FOMO plays a significant role in a customer's purchase decision-making process and can be used to generate more sales.

Starting a company or launching a new product can be a very personal endeavour. Crowdfunding enables the campaign runner to share their passion directly with the customers through the campaign (Dannberg 2017; Cichy & Gradon 2016). Depending on how much effort the campaign runner puts into developing a close bound to their backers, the customer can become a very supportive and loyal customer. According to Stan, Caemmerer, & Cattan-Jallet (2013), loyal customers are more likely to be active consumers for the company over time, and this will reduce customer turn over, marketing expenses, and yield higher revenue. Thus, using crowdfunding as a means to establish a good brand image and a good relationship with the customers can grant multiple benefits.

Since crowdfunding is publicly accessible, there is a wide range of people using it and they do not need any financial knowledge or certificate to support campaigns. Dannberg (2017) tried to identify who the most common users of crowdfunding in Sweden are. The results of the research showed that women are more frequent users of crowdfunding than men. The most common age group for users is 31-45 years old, living in middle-sized cities, and earning an average salary. The purpose why people use crowdfunding was found to be too wide to narrow down which means that people use it for a multitude of reasons. However, the research found that people tend to use large and well-known platforms for their security. Furthermore, the large and well-known platforms also attract more first-time backers due to their size and reliability.

Finally, once a company has successfully launched a crowdfunding campaign, they can use the success as an indicator of competence while applying for traditional funding later, increasing their chances of getting more favourable deals with banks or investors. (Cichy & Gradon 2016).

2.1.4 Disadvantages of Crowdfunding

While crowdfunding offers numerous benefits for entrepreneurs trying to raise funds for a project, it also comes with several challenges and drawbacks that must be considered to succeed in reaching the target goal of the campaign. Understanding the disadvantages will allow the entrepreneur to strategize and overcome these challenges and decide if crowdfunding is the correct funding method for them. In this section, the focus will be to review the disadvantages of crowdfunding and what the current literature suggests how to address them in order to minimize the negative impacts of these challenges.

As crowdfunding projects are generally still in the early stages of development and maybe even in the concept stage, the idea of the product can be vulnerable to being copied by competitors (Cichy & Gradon 2016; Manchanda & Muralidhara 2014). Exposing a unique idea to the market without any guarantee that it will not be stolen can be discouraging, as the value of the product often stems from a unique design or innovative solution to a problem, which may diminish if the idea is replicated. While protecting the product from theft can be challenging, there are ways to reduce the risk of it occurring. By obtaining intellectual property (IP) protection, such patent, trademark, or a copyright, the campaign runner can increase the security of idea. However, IP protection can come with a high cost and further legal expenses in case the campaign runner seeks to take legal action to enforce the protection.

Another challenge of crowdfunding is that the costs of running a crowdfunding campaign can be ambiguous and difficult to predict. As summarized in Table 1, there are many different fees that need to be taken into account when running a crowdfunding campaign, for example the platform fee and the transaction fees. One should especially pay attention to the final platform fee, which is a fee related to the final funds raised. When the platform fee is deducted at the end of a successful campaign, the fee can potentially disrupt the production. For example, if the campaign runner needs 100 000 SEK to start the production and set the goal for the campaign as 100 000 SEK, assuming the campaign just reached the goal, then the platform fee will reduce the final sum available to the campaign runner to 95 000 SEK assuming the campaign is hosted on IndieGoGo, Kickstarter, or a similar platform. Therefore, it is crucial set the right amount as the target goal in case there is a specific threshold for the production.

Due to the nature of crowdfunding, the close connection to the customers can be a double-edged sword. If the campaign runner does not uphold good communication with the backers throughout the campaign's process, the backers might lose faith in the company as a whole and will not support any other products produced by the company (Cichy & Gradon 2016). Furthermore, if the campaign runner neglects to update the description of the campaign with new necessary information throughout the process, then potential new backers may be reluctant to support the campaign fearing the campaign runner's seriousness in the project. Therefore, being communicative and transparent with the backers will increase the odds of succeeding in a crowdfunding campaign (Singh 2024). One good strategy is to publicly schedule updates and cover all progress, in strategic detail, to imbue confidence in the backers. Because gaining a bad reputation in the early stages of a company can be hard and costly to recover from.

The legal framework for crowdfunding is still developing. Therefore, it is possible to breach guidelines and laws unintentionally (Cichy & Gradon 2016). Furthermore, laws and regulations regarding consumer protection may be different between the campaign runner's home country and the country where the crowdfunding platform is hosted. Therefore, careful consideration should be given to which legal framework takes precedence in case of legal disputes and act accordingly.

Finally, since crowdfunding generally is selling an idea of a product, marketing can be extremely challenging and time consuming (Manchanda & Muralidharan 2014). On top of all the challenges that are presented with selling any product through any method and platform, crowdfunding campaigns should tap into human psychology and create a compelling story about the product to garner backers (Singh 2024). Furthermore, the campaign runner caries sole responsibility for all the marketing and traffic the campaign receives. To minimize and overcome the challenges posed by the marketing process, one should carefully plan who the target audience is, where they can be reached, and how one can engage them in the campaign. It can even be a good idea to start marketing before officially launching the campaign.

2.2 Overview of Traditional Funding Methods

To assess crowdfunding's potential as a funding method for a small company, it must be compared to other funding methods. Therefore, investigating the traditional methods of equity and debt funding will provide a holistic picture of how crowdfunding can work in real life. In this subchapter, the author will cover both equity and debt funding to a basic degree.

2.2.1 Equity Funding

Equity funding is the act of selling company shares in order to raise capital, with buyers becoming partial owners of the company (The Economic Times 2024a). While owning shares in a company may not yield immediate rewards for investors, the shares can increase in value as the company grows or decrease if the company faces losses, resulting in investors taking on the business' risks. To attract investors, companies dealing in equity trading may pay dividends to their investors. Dividend is a reward, cash, or similar, that a company gives its shareholders (The Economic Times 2024b). However, the company is not obligated to do so. In situations where the company is facing a shortage of cash, then the company may decide to not pay dividends at all. If the company abstain from rewarding investors for a long period of time, then the investors may lose faith in the business and leave the business by selling their shares in the secondary market.

To acquire equity funding, the company needs to identify and establish a relation with the investors in some way. According to CFI Team (2024a) there are 5 types of investors:

- **Angel Investors –** Where crowdfunding is generating many small donations or contributions from a large crowd, angel investing typically entails large investments, ranging from tens of thousands to millions of euros from a single private individual. Both funding methods fall under private people funding and are in essence very similar in their goal to support startup ideas. However, angel investing involves specifically high-net-worth individuals who offer to financially assist startups in exchange for equity or debt, most commonly angel investors do not acquire more than 25% stake in a company (O'Connell & Curry 2022). Additionally, they often take the role of a business mentor and provide the startup with industry connections and other essential business tools to see the startup succeed and grow.

While crowdfunding backers face little to no financial risk due to the smaller contribution and lack of equity or debt involvement, the angel investor takes on a huge risk supplying startups with their in-vestments and potential equity or debt stake in the business. These risks are accompanied with great rewards if the startup manages to grow to a profitable business. Due to the risk-reward paradigm that angel investors must carefully consider, this type of investing is relatively rare compared to other forms of funding. The process of finding angel investors can be challenging for startups, as it requires identifying and persuading high-net-worth individuals to invest in the venture. It, nonetheless, plays an essential part in early-stage startups that mange to attract an angel investor.

- **Crowdfunding Platforms** – Platforms such as, previously mentioned, Fundable are perfect examples of how crowdfunding platforms can be utilized to build relations between businesses and investors through equity trade.
- **Venture Capital Firms** – These firms are groups of investors who specializes in early-stage startup companies with little to no operating history, but with significant potential to grow (Baldridge 2023). The firm invests large sums of money into the startup in exchange for a large stake in the company. Typically, the investors insert themselves into the management, assists the startup in decision-making to foster as much growth as possible (Baldridge 2023). As the startup founders have tremendous expertise in their field of business, and venture capital firms have a deep understanding of growing a company and expanding operations to generate significant profit, the collaboration between the two parties can yield astonishing results.
- **Corporate Investors** – Corporate investors are typically large companies providing funding for smaller firms to support their growth and development. These investors often aim to foster a strategic partnership between the two companies to benefit both.
- **Initial Public Offerings (IPOs)** – Company's listing their shares on the public market to exchange shares for capital for the first time. Acquiring early shares in a growing company can be very beneficial for investors as the share can quickly raise in value. Furthermore, according to Ljungqvist (2007, 378), it is common practice companies to underprice their shares in the beginning to attract more investors as startups and young companies are a risky investment. By doing so, the issued shares generate less funds than what they are worth, making it more expensive for companies to issue shares.

As the investors take part of the risk with the company they invest in, all these methods require careful consideration from both parties. Investors are primarily concerned about making profit and safeguarding their investments against poor business practices. To attract investors and gaining favourable deals, entrepreneurs must thoroughly analyse and articulate the strengths and weaknesses of their business plan. A thorough business plan, which is essential for all funding methods but particularly crucial in equity funding due to the absence of safety nets such as collateral or legal obligations for the investors, should address a variety of topics, with a classic business model canvas covering (CFI Team 2024b):

- **Key Partners** – Companies and people that the company have that will enable their business. Examples include suppliers and distributors.
- **Key Activities** – What specific activities are essential for the business to operate, such as manufacturing goods.
- **Key Resources** – What company assets are necessary for the business to operate, such as certain machinery or licenses.
- **Value Proposition** – What the company offers to its customers. Example, ergonomic dog equipment to improve the well-being of the customers' pet.
- **Customer Relations** – What strategy the company will employ to maintain good customer relations.
- **Customer Segments** – What the different kinds of target demographic is for the company.
- **Channels** – What the different structures and methods the company utilize to deliver the product to the customer. Examples include generic postal services, Amazon, physical stores, and marketing platforms.
- **Cost Structure** – How the company spends its resources in its operation.
- **Revenue Stream** – Outline the cash inflow of the company. Through which means the company generate revenue.

By offering part ownership of a company in exchange for capital, equity funding significantly reduces immediate financial pressure for their company. This flexibility not only relieves financial pressure for the company but also facilitates growth, which makes equity funding a strong consideration for many business owners. Additionally, the acquired funds can be utilized in a more flexible manner to support various aspects of business operations and expansion. (CFI Team 2024a; Francisczok 2023; Scottish Enterprise 2024; The Hartford 2024b.)

Investors taking part ownership of a company through equity trading align their interests with the company's success. Therefore, as the company grows, so does the value of the investment for the investor. This shared interest encourages the investor to lend the company their expertise, industry connections, and resources to see the business flourish. The partnership can lead to more profitable decisions, valuable networks, and a more solid foundation for the company to growth off. (CFI Team 2024a; Francisczok 2023; The Hartford 2024b.)

Compared to a bank loan, equity funding does not require business history nor a good credit score. Investors’ primary concern is the potential of the business and the growth of the company. Therefore, even early-stage companies that does not get have a business track record can still attract investors with a good business plan. This accessibility to funding can be particularly advantageous for startups and early-stage companies. (The Hartford 2024b.)

On the other hand, equity funding also presents some important disadvantages to account for. First and foremost, as a company sells off shares of their ownership, they gradually lose control over the direction and decision-making within the company. Therefore, it is wise for founders strive to maintain majority ownership (at least 51%) of the business. However, even with majority ownership, the founders may feel compelled to accommodate to stakeholders’ interest to prevent conflict. Moreover, if there are multiple major stakeholders with different views in the company, then conflict regarding the company’s direction and interests can occur. While founders may prioritize the positive impact of their product has, investors may emphasize profit maximization and business expansion to achieve higher returns on their investments. These different objectives can create tensions between founders and investors and between different investors, complicating strategic decision-making processes and potentially slowing down business growth. (CFI Team 2024a; Francisczok 2023; The Hartford 2024b.)

Additionally, equity funding may result in dilution of profits and escalating costs as the company expands. With investors entitled to a share of the profits, the company's overall profitability may be reduced, affecting returns for founders and existing shareholders. Furthermore, as the business grows, the costs associated with managing and accommodating investors can increase substantially, potentially outweighing the initial benefits gained from the investment. These escalating costs can erode the financial benefits of equity funding and pose challenges to the company's long-term financial sustainability. (Franciszok 2023.)

2.2.2 Debt Funding

Debt Funding is capital that is generate from external sources which are to be repaid i.e. loans or other legally binding agreements such as trade credits. They can be divided into short-term and long-term liabilities depending on the length of the repayment agreement. Short-term liabilities are typically paid within one year, whereas long-term liabilities are longer than one year. For a small business, taking a business loan is a viable option to increase their cash flow when they need to expand their operations or sustain business growth. (Creddo 2024; Creamer, Dobrovolsky, Borenstein, Brenstein 1960)

The process of acquiring debt funding requires careful provision of specific information to the lender. The essential items lenders tend to consider are the company and business model, as outlined in the previous chapter, purpose of the loan, the company's current financial situation, the ownership of the business, and potential collateral (Nordea 2024; SEB 2024; Swedbank 2024). As some of the documents that are required for a business loan is previous year's income statement and budget statement, it may prove difficult to provide adequate documentation for small business that have not yet conducted business for a year. Thus, it is crucial to provide as much credible information as possible. According to Brown (2023), there are 5 essential steps that must be fulfilled.

Step 1. Specify Why You Need Financing

Deciding which kind of business loan is needed, the first step is to define the scope of the loan. The most common reasons for business loans for a small company is to establish a business, buy new equipment, and paying of day-to-day operations. In any case, providing a scope for the lender and a timeframe for when you need the funds will give the business owner credibility.

Step 2. Check Your Eligibility

One of the things that lenders will access is the credit score of the loan seeker. It is important that both the personal and business credit score is in order for the business owner to get the loan approved. Additionally, preparing collateral and guarantees will significantly increase the chances that the loan will be approved. Brown (2023) points out that how long the business has been in operation is important. The longer the business has been running the better chances the lender will trust the business to be able to repay the debt.

Step 3. Compare Business Lending Options

There are different options to consider when picking an applying for a lender. Banks' main advantages and disadvantages are its regulations it operates under. It provides a save environment to borrow funds through and it offers lower rates than other types of lenders such as online lenders and microlenders. On the other hand, due to the regulated field, there is also a heavier burden on the applicant to prove that they can afford the loan. Furthermore, different banks offer different conditions to the loan, and it is important that one researches the conditions and pick the best fit for one's purpose.

Step 4. Gather the Required Documents

Once the business has picked a lender to apply to, the entrepreneur has to prepare a range on business information for the lender. Typical items asked from a business are business licenses, articles of incorporation, personal and business bank statements, income statements, financial statements, business plan, and building lease agreements. Futhremore, it is worth communication with the lender beforehand to see which items they need specifically.

Step 5. Submit Your Application

After having gathered all the documents and finalized all preparation, contacting the chosen lender and submit the application is the last step. For a first-time loan seeker, it is advisable to do it in person to avoid unnecessary trouble. Furthermore, it may be easier to present all the items in person were one also have the chance to explain everything if anything is unclear. It is a very detailed focused process and getting everything right the first time may be challenging.

Debt funding offers several noteworthy advantages to the businesses opting for this method of funding. Firstly, Companies with debt funding may reduce their tax obligations as the interest payments are a tax-deductible expense. This helps relieving the financial pressure that comes with a bank loan. Furthermore, opting for debt funding allows companies to retain full ownership and control of their operations, leading to a smoother decision-making process and less external influences regarding the direction of the company. Moreover, debt funding comes with a clear payment plan which enables the company to strategize their budget to keep up with the payments. These advantages make debt funding a good option for entrepreneurs especially interested in maintaining full ownership of their business. (Francisczok 2023; The Hartford 2024a)

However, debt funding also presents certain disadvantages that a company must consider carefully. Regardless of the company’s performance, the repayment terms of the debt must be met, meaning even during times of financial difficulty, the company must at least pay the interest portion of the loan, adding further financial strain on the business. Additionally, the repayment obligations demand companies to set aside funds for the interest and potentially amortization payments, resulting in restrictions on liquidity and growth opportunities. Furthermore, to reduce the risk of the lender, they may require collateral to secure the loan. This means that in case the company cannot pay the loan as agreed upon, the lender is entitled to take ownership of the collateral. This relieves the pressure on the lender but poses a threat to the company. Lastly, meeting the lender’s demand for extensive documentation to gain credibility can be time-consuming and resource intensive. (Francisczok 2023; The Hartford 2024a.)

While the interest rate is the main cost associated with bank loans, and it does represent a large portion of the total cost, it is not the only cost that comes with a bank loan. There are several fees that must be considered to prevent unexpected expenses. These fees may include application fees, prepayment penalties, and late payment fees, among others. Understanding these additional costs is very important to accurately assessing the grand total expense of a bank loan and making informed financial decisions. (Garrison 2023.)

Furthermore, repayment term for a small business loan can be agreed upon from case to case. However, the interest payment will significantly increase the longer the repayment terms are. For example, a business loan of 10 000€ with a one-year repayment term the total interest pay may end up around 500€, whereas a repayment term of 5 years on the same loan would end up around 2500€ of interest (Swedbank 2024a). The shorter the repayment terms are, the higher one's monthly payments will be. On the other hand, longer repayment terms will allow the business to pay smaller instalments over a longer time.

Additionally, some banks, such as Swedbank, may have a floor limit on how little they allow a business to borrow (Swedbank 2024b). For small businesses who are looking to raise a small amount of capital, this limit may cause them to look else-where for funding or risk taking on a loan that will incur unnecessary cost.

When opting to finance a business through debt via a bank loan, the company will face several risks. As debt is a liability for a company, the company has an obligation to repay the loan even if the business is not making any profit. Furthermore, if the business takes on a personal loan and fails to repay the loan, then the loan owner may have to pay with personal assets to cover the debt. Additionally, if the company takes on a loan that they fail to repay, then their credit rating will decrease, making it harder for the company to get loans at a low interest rate in the future. In certain cases, where the loan is used for the purchase of assets, then the asset becomes the collateral. Consequently, if the business fails to uphold the repayment agreement, then the lender can seize assets to pay off the loan. (Sleight 2023.)

3 Research Methods

This chapter will outline the methods used to investigate the research question, “Is crowdfunding a viable funding method for a small company launching a new product?”.

3.1 Research Design

The literature review serves as a gateway into any topic and plays a vital role in building the foundation for all types of research thanks to providing a holistic overview of existing knowledge (Snyder 2019). Therefore, in this study, the literature review will serve as the backbone, aimed to establish a strong foundational understanding of startup financing methods, with a special focus on crowdfunding, but also cover debt funding and equity funding. By compiling information from a variety of sources, such as articles, websites, and reports, the author will create a SWOT analysis to outline the advantages and disadvantages of each method from the perspective of a small company. This approach gives a valuable and easy to digest comparison for entrepreneurs to assess the benefits and challenges associated with crowdfunding as a funding method for company looking to launch a new product. Ultimately, this research seeks to give entrepreneurs the ability to make informed decisions regarding the suitability of crowdfunding for their business endeavour.

Furthermore, along with the literature review, the author will conduct exploratory calculations based on market research provided by the commissioning company. With close collaboration with the company, relevant metrics and preferences are established to make the calculations as realistic as possible. Through these calculations, a potential financial roadmap will be created, assessed, and compared to the alternative funding methods, providing insight into how feasible and viable crowdfunding can be for a small company. As concluded by Crawford-Lucas (1992), companies that creates and adheres to a business plan are more likely to succeed. Although a business plan does not assure success, it drastically reduces the odds of failure. As a business plan is used to define the parameters of a company’s operations, and especially the financial portion in this case, hypothetical calculations will be highly beneficial to predict and plan for expenses and revenue for a small company (Hormozi, Sutton, McMinn & Lucio 2002).

Only the costs that are exclusive to the crowdfunding campaign will be taking into consideration. For example, shipping, marketing, and similar expenses that all methods incur will not be considered into the final cost.

3.2 Data Collection & Analysis

The data collected for the thesis was collected through extensive internet searches, primarily on Google Scholar but also other theses and well reputed websites. By collecting data from a variety of sources, one could gather a holistic view of the topic which serves as a crucial foundation of the thesis. It was important to investigate the previous literature on advantages and disadvantages of crowdfunding from many different angles such as financial, marketing, and users of crowdfunding to be able to compare the funding method to the traditional methods. The primary keywords used for the searches was “Advantages and disadvantages of crowdfunding”, “Users of Crowdfunding”, “Alternative Funding Methods”, and “Traditional Funding Methods”. While researching the traditional methods, the author also turned to relevant banks, investors, and a range of researchers who have investigated the subject from different points of view. To ensure the validity of the data gathered, the author strived to find at least one peer-reviewed source backed up by other sources for each point made. With the data collected, the author can answer IQ 1, 2, & 3.

To cover the final IQ 4, the author will conduct exploratory calculations based on the commission company’s expected sales. The calculations with be made through Microsoft Excel and analysed through each crowdfunding platform, taking their different cost structures into account. This will outline how a potential crowdfunding campaign would look from start to finish.

4 Commission Company's Hypothetical Crowdfunding Campaign Analysis

In this chapter, the author will outline the scope of the hypothetical crowdfunding campaign. Topics such as the company's preferences, reasoning for the funding goals, and the exploratory calculations will be investigated in greater detail. The results of this chapter will give insight into the financial practicalities of running The Miniboutique's crowdfunding campaign if the owner decided to opt for crowdfunding.

Note, after being presented with the information regarding the different crowdfunding platforms, the commissioning company has decided to go for Kickstarter as the platform of choice. Therefore, the calculations and goals will be using the cost structure of Kickstarter.

4.1 Funding Goals and Set Up

The commissioning company has decided to launch the crowdfunding campaign for the harness in three different colours and four different sizes to cover all small breeds. The manufacturer requires each size-colour combination to have a minimum of 50 items printed, which will end up with 600 harnesses printed. Furthermore, in case one size-colour combination harness sells more than 50 items, the company can order any amount on top of the initial 50 items. The costs of material and shipping will be 70 SEK per harness, resulting in 42,000 SEK in total. Additionally, the campaign goal will also need to cover the 5% platform fee to give the company the 42,000 SEK in hand after the campaign finishes. Thus, setting the campaign goal to be 44,500 SEK will be optimal as it will give the company 42,275 SEK in hand.

The Miniboutique decided to have the campaign running for 40 days. This decision was made based on the information from provided by all three platforms that offer reward-based campaign options that campaigns running between 30 and 40 days has the highest success rates. As the commission company is not in a rush to gather the funds, opting for the 40 days rather than the 30 days will give extra valuable time to market and advertise the campaign. Thus, to succeed with the campaign, The Miniboutique will have to gather 1112,50 SEK per day.

Kickstarter offers the campaign creator to have multiple different donation stages to give the backers multiple ways to donate and receive an appropriate reward. The original price of one harness is 350 SEK, but to attract backers The Miniboutique plans to structure these stages with an increasingly beneficial discount for the backers as follows:
Early Bird Single Harness: 280 SEK (~20% Discount)
Early Bird Double Harness: 525 SEK (~25% Discount)
Single Harness: 300 SEK (~15% Discount)

Double Harness: 560 SEK (~20% Discount)
Donation to the Campaign: 100 SEK (No reward)

The “Early Bird” options are exclusively available for 72 hours after the launch of the campaign. As the first 20% of the campaign is the hardest to get, the Early Bird serves as a strong incentive for backers to engage in the campaigns initial stage and get past the hurdle of the first 20%. Furthermore, the Double Harness stage is for backers that want to buy two harnesses as a bundle deal, in case they have two dogs or want different colours to swap between. To incentives Double Harness purchases, the campaign will give an extra discount for those backers who opts for the bundle.

According to Kickstarter (2024f), across all campaign launched on Kickstarter with donation stages ranging from $1 to multiple hundreds, the most common donation amount is $25 (~23 Euros or ~265 SEK). Therefore, aiming to have the single harness, which is expected to be the most popular stage, cost around the most common donation amount may help gather donations.

4.2 Calculations and Financial Forecasting

In this sub-chapter, the author will calculate how many units the Miniboutique has to sell to be able to reach the campaign goal. Additionally, the author will also calculate what the costs the campaign will incur, including the given discount on the products, contribution fee, cost of goods sold (CoGS), shipping from the manufacturer to the commission company’s storage, and platform fee. However, as marketing expenses are hard to predict and will be incurred by all funding methods, they will be excluded from these calculations.

4.2.1 Calculations for the Required Sales of the Crowdfunding Campaign

To start the calculations, it was important to account for the contribution fee. As the platform will take a small percentage of every purchase, only a certain amount of the purchase will count towards the campaign goal. To calculate the amount that counts towards the campaign goal, the contribution fee, which is 3% of the purchase plus a fixed 3 SEK, will be deducted from the previously mentioned cost structure of the campaign using the formula:

$X = \text{Price} * (1-3\%) – 3.$

X represents the amount of funds generated after deducting the contribution fee.

Resulting in:
Early Bird Single Harness: 268.6 SEK
Early Bird Double Harness: 506.25 SEK
Single Harness: 288 SEK
Double Harness: 540.2 SEK

Next, one must understand the popularities of the different donation stages. Based on The Mini-boutique's own market research, the owner expects the different stages popularity to be divided, as follows:

Early Bird Single Harness: 5% of all sales
Early Bird Double Harness: 2.5% of all sales
Single Harness: 65% of all sales
Double Harness: 27.5% of all sales

To find out how many of each stage The Miniboutique must sell, the author calculated how much a hypothetical number of 40 total sales would generate:

Amounts Sold out of 40	**Funds Generated out of 40**
Early Bird Single Harness: 5% / 40 = 2	2 * 268.6 = 537.2
Early Bird Double Harness: 2.5% / 40 = 1	1 * 506.25 = 506.25
Single Harness: 65% / 40 = 26	26 * 288 = 7 488
Double Harness: 27.5% / 40 = 11	11 * 540.2 = 5 942.2
	Total: 14 473.65

Selling 2, 1, 26, and 11 out of the respective stages would generate 14 473.65 SEK. Then, to scale the hypothetical numbers up to generate the goal of the campaign, 44 500 SEK, the author used the formula:

X = 44 500 / 14 473.65
X = 3.075
X representing the ratio which to scale with.

By multiplying the calculated ratio with the "Amounts Sold out of 40", the amounts that which are needed to sell to reach the campaign goal is found:

Sales Required (with appropriate rounding)	**Funds Generated**
Early Bird Single Harness: 2 * 3.075 = 6	6 * 268.6 = 1611.6
Early Bird Double Harness: 1 * 3.075 = 3	3 * 506.25 = 1518.75
Single Harness: 26 * 3.075 = 80	80 * 288 = 23040
Double Harness: 11 * 3.075 = 34	34 * 540.2 = 18366.8
Total Number of Backers: 123	Total: 44537.15
Total Units Sold: 160	

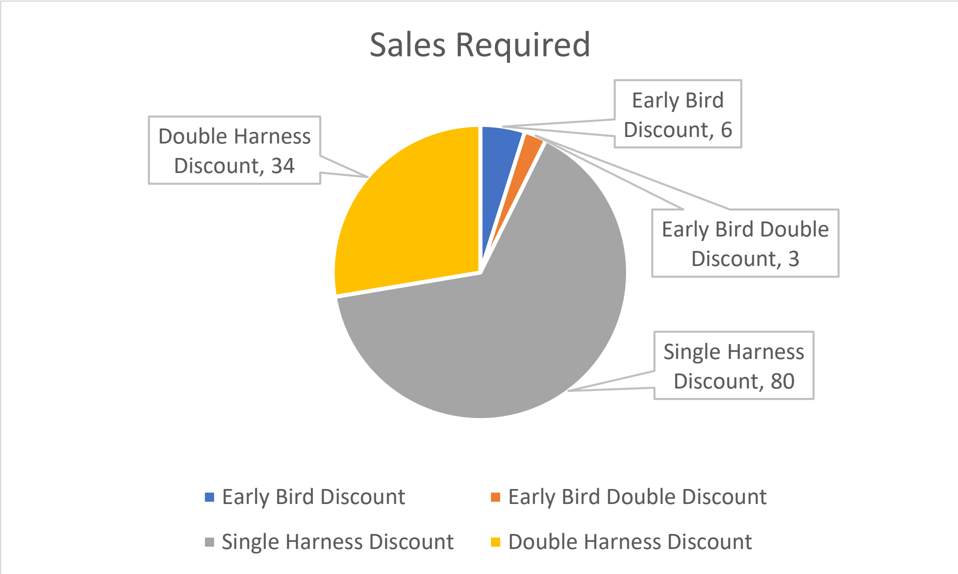

Figure 1. Sales Required.

In conclusion, the calculations provide insight into the financial aspect of The Miniboutique's hypothetical crowdfunding campaign. By accounting for the contribution fee and understanding the weight of popularity of each donation stage, the author has determined the ratio and number of sales needed to reach the campaign's goal of 44 500 SEK, as shown in Figure 1. These findings help the commission company's owner to prepare for how the financial side of running the crowdfunding campaign may turn out and it will facilitate further decision making.

4.2.2 Calculations for the Costs of the Crowdfunding Campaign

To access crowdfunding's viability, the author will present calculations for the costs that the hypothetical crowdfunding campaign will incur. These calculations will assume that the bare minimum of the campaign's goal was reached as calculated in the previous sub-chapter.

The costs that are shared across all donation stages are the CoGS and shipping. These costs are 50 SEK and 20 SEK respectively per harness. The CoGS will be calculated based on the number of harnesses sold during campaign, 160 units. The shipping costs will be calculated based on the total amount purchased from the manufacturer, 600 units. The costs that are unique to each donation stage are the loss the company makes by giving the discount and the contribution fee, which is 3% of the donation plus a fixed amount of 3 SEK. Finally, the platform fee will be deducted at the end of the final based on the final sum raised.

<u>**CoGS & Shipping Costs**</u>

CoGS: 50 * 160 = 8000 SEK

Shipping Costs: 20 * 600 = 12 000 SEK

Discount Cost per Purchase	**Total Discount Cost**
Early Bird Single Discount: 70 SEK	70 * 6 = 420 SEK
Early Bird Double Discount: 175 SEK	175 * 3 = 525 SEK
Single Harness Discount: 50 SEK	50 * 80 = 4000 SEK
Double Harness Discount: 140 SEK	140 * 34 = 4760 SEK
	Total Discount Cost: 9705 SEK

Contribution Fee per Purchase	**Total Contribution Fee**
Early Bird Single: 11.4 SEK	11.4 * 6 = 68.4 SEK
Early Bird Double: 18.75 SEK	18.75 * 3 = 56.25 SEK
Single Harness: 12 SEK	12 * 80 = 960 SEK
Double Harness: 19.8 SEK	19.8 * 34 = 673.2 SEK
	Total Contribution Fee: 1757.85 SEK

Finally, calculating the 5% platform fee based on the hypothetical final sum of the crowdfunding campaign of 44 537.15 SEK:

Total Platform Fee

44 537.15 * 5% = 2226.89 SEK

Adding the discount-, contribution-, and platform costs together, the crowdfunding campaign will cost approximately 13 689.7 SEK. Additionally, the shipping cost incurred will be 12 000 SEK. However, the shipping costs are not exclusive to the crowdfunding. Thus, keeping them separate from the other costs will provide a clearer picture of costs associated with crowdfunding. Furthermore, the CoGS will be immensely important to keep track of since the commission company will have to deduct that amount from the final inventory after sending the promised items out to the backers of the campaign. Note, the shipping costs from the commission company's storage to the customer has not been included and will further increase the costs.

4.3 Risk Assessment and Backup Plan

One significant risk in running a crowdfunding campaign with a wide range of different products is if one or more colour-size combinations end up very unpopular. For instance, if only one unit of a specific colour-size combination is sold, then The Miniboutique must still order the minimum order quantity of 50 units. In this hypothetical scenario, an unpopular combination could put unnecessary strain on the campaign by forcing a higher campaign goal. If these unpopular products were to be excluded before the campaign started, the campaign goal would be lower. This risk can be mitigated by splitting the campaign into three different campaigns, one for each colour. This would result in each colour carrying its own weight, the popular colour would succeed, and the unpopular colour would fail to reach the goal without jeopardizing the success of the popular ones.

In the case of one or more colour-size combinations would be unpopular, but still purchased by a few backers, the commission company will have to find ways to make use out of those products, so that they do not simply take up storage space. For instance, The Miniboutique can use those harnesses as marketing tools. One option is to reach out to relevant social media influencers and give them a free product to review. This may generate some publicity and traffic to the store. Another option is to give some of these harnesses to dog breeders, so that the breeders can provide newly adopted puppies with a functional harness and introduce new dog owners to the brand through that. Ultimately, making use out of unpopular, but still functional, products through a creative mean can reduce the negative impact those products may have.

Furthermore, the “Donation to the Campaign” tier can be used by anyone who want to help raising funds without any material reward in return. It has the possibility to act as a safety net in case the campaign is running out of time and is close to reaching its goal. That way, friends, family, and backers who are ready to give a little bit extra can push it to the final goal to launch the product.

5 Funding Method Analysis

Using the commission company's fund-raising requirements, this chapter will analyse the different funding methods to structure a SWOT analysis to compare which method may be best suited for the commission company. A SWOT analysis outlines the Strengths, Weaknesses, Opportunities, and Threats regarding the topic. By using this type of analysis, one can build a holistic understanding of how each funding method will work in practice. Furthermore, it facilitates preparation and planning to increase one's chances of success.

5.1 SWOT of Crowdfunding

Table 3: SWOT Analysis of Crowdfunding

SWOT	Positive	Negative
Internal	Strengths Flexible Campaign Methods. Wide Target Audience. Low Initial Cost. Crowdfunding as a Marketing Tool.	Weaknesses Requires Careful Consideration of Costs. Crowdfunding is Still Relatively Small. Only Reaching Digital Backers. Generally Only Suited for Small Business Projects. Requires Creative Marketing. Time Pressured.
External	Opportunities Testing Marketability of the Product. Foster Close Relation with Customers. Growing Ones Network. Successful Campaign as Leverage for Other Funding Methods.	Threats Exposing the Product to the Market Before its Launch. Demands Strong Commitment to the Backers.

Based on the literature review, table 2 summarizes the advantages and disadvantages of crowdfunding from the point of view of the commission company. Crowdfunding encompasses a wide range of advantages that makes it a strong contender for The Miniboutique as a funding method, while also presenting important challenges to overcome to maximize its efficiency.

Strengths

The most significant strength being the low initial cost. The crowdfunding campaign, itself, has no startup cost, and all costs will come at the end of the campaign if it is successful. Since there is no financial danger associated to starting a crowdfunding campaign, this strength alone makes it an appealing option.

Additionally, being able to choose a campaign method that suits the company's need let the company strategize and develop its own plan to succeed. In this case, The Miniboutique opted for the reward-based method to attract backers and leverages its products to achieve the campaign goals. As the owner values the full ownership of the company, the equity-based method was not an option. Being able to choose which method one use give control to each entrepreneur planning to try crowdfunding.

Lastly, as crowdfunding platform attracts a wide and diverse range of individuals, it is likely that, with a little bit of marketing effort, the campaign will reach the right audience. Furthermore, the social nature of crowdfunding encourages backers to pass on the campaign via word of mouth. Ultimately, it is in the backers' interest that the campaign reaches its goal too.

Weaknesses

The cost structure of crowdfunding platforms can be somewhat difficult to grasp at first and may deter people who are not comfortable with math. Miscalculating costs can be detrimental to the success of the brand. However, companies that are interested in crowdfunding can reach out to other people to assist them with the mathematical side of running a campaign. In some cases, this may incur further costs.

As crowdfunding is still relatively small and it may prove difficult to reach enough backers for a campaign to succeed. It is of utmost importance to prepare market research and an appealing campaign to draw the attention of enough people. Furthermore, crowdfunding platforms are limited to digital backer which add another challenge in finding enough backers. However, by engaging with the backers and encourage them tell their friends and families, this weakness can be mitigated to a degree.

Finding enough backers for small projects can prove challenging. Trying to find backers to large projects can be impossible. Therefore, crowdfunding is best suited for smaller project. However, crowdfunding can be a great way to test the marketability of a product or idea which one can later launch a larger project with other funding methods.

Moreover, the strict time pressure that comes with running a crowdfunding campaign can be hard to properly navigate. Creating a campaign and attracting enough attention to reach the funding goals demand robust marketing investments. Due to the limited time, it may be wise to advertise the campaign before launching it to generate awareness of the product and alleviate the time pressure.

Finally, while using crowdfunding, one must be creative with one's marketing. To sell a product one does not have can be a huge challenge. In the case of The Miniboutique, the owner opted for a discount on the products as it has proven a solid strategy for previous campaign runners. Furthermore, the use of social media and industry contacts will be vital for success while using crowdfunding.

Opportunities

The campaign runner has the opportunity to see how the market will receive the product without large financial commitments. It will also provide foresight into how well the product will sell after launch. If there is an overwhelming support during the campaign, then one can expect the product to continue selling well.

Throughout the campaign, it is important to communicate with the backers and express gratitude. By being open with the backers, backers may provide valuable feedback. Furthermore, by engaging with backers, the campaign runner can foster strong customer loyalty and give a good brand image. This will strengthen one's professional network and increase the chance of returning customers.

As touched upon previously, while looking to launch larger projects that requires more funds than what crowdfunding is suited to generate, companies can leverage a successful crowdfunding campaign as proof of competence and a merit while applying for the traditional funding methods.

Threats

The most significant threat a crowdfunding poses is that the company will have to expose their unique ideas, potentially losing the competitive advantage they have to competitors. This can cause already established brands to imitate the product and sell it as their own. While protecting unique ideas is possible thought trademarks and IP patterns, it can be very costly.

Lastly, as mentioned before, the social nature of crowdfunding and the close connection that is more relevant in crowdfunding demands a huge commitment from the campaign runner. If they fail to build a relationship with the backers, the brand may get a bad reputation, they can lose and repulse customers. Furthermore, the campaign runner has to devote a significant amount of time and resources to build a good report with backers. However, failing to do so, can be devastating for the business.

5.2 SWOT of Debt Funding

Table 4: SWOT Analysis of Debt Funding

SWOT	Positive	Negative
Internal	Strengths Interest Payment as Tax Advantage. Predictable Payment Terms. Low Cost. Retain Ownership and Control.	Weaknesses Leverage Collateral. Demanding Requirements. Minimum Borrow Amount. Cashflow Limitations.
External	Opportunities Relationship Building.	Threats Payments Regard of Profit. Fluctuating Interest Rates.

Drawing on the gathered literature review, Table 3 highlights the advantages and disadvantages of debt funding from the perspective of the commission company. As The Miniboutique's owner is keen on retaining full ownership of the company, debt funding is certainly appealing. However, understanding the drawbacks and challenges are paramount to maintain a financially healthy business.

Strengths

The most significant strength based on The Miniboutique's company values is to retain full ownership and control of the company. By opting for a bank loan and fulfilling payment obligations, The Miniboutique maintain its independence and avoid diluting the profits amongst investors during its initial growth in the market.

Additionally, bank loans offer a reasonable cost when managed effectively. While a bank loan incurs a monthly cost throughout the repayment period, the interest portion is typically relatively low. For instance, if the Miniboutique secures a loan from a bank such as Swedbank, which uses 5.25% as an example rate, the interest expense on a minimum 50 000 SEK loan over 3 years would amount to approximately 4 000 SEK, roughly 8% of the initial loan. Compared to the costs of crowdfunding, as previously calculated, and the scaling costs of Equity Funding, bank loans of this magnitude are relatively low.

Additionally, bank require companies to agree to a structured repayment plan, outlining the size and the timing of each payment installation. The predictability eases the financial planning and budgeting for the company. Moreover, interest payments are considered business expenses which reduces the company’s overall profitability, consequently, lowering the tax obligations.

Weaknesses

As mentioned in the literature review, bank often require a safety net in the forms of collateral, something the bank can take possession of in case the company defaults on the loan. This collateral may be assets that are vital for the company’s continued operations. Thus, this demand for collateral can create a constant sense of pressure and stress for the loan owner, particularly if the business is not generating as much revenue as planned.

For a small company without any previous business history, securing a bank loan may prove very challenging. There is an extensive application process to go through to gain the trust of a bank which takes a lot of planning and resources that could be used elsewhere.

Whereas the predictable payment schedule can be considered a strength of debt funding, it can also be a weakness. The company must set funds aside in advance to make sure they can pay on time, in full. Therefore, the company must limit their cashflow to account for the loan payment which limits the spending on business driving investments.

Furthermore, for startups like The Miniboutique, which require a relatively small amount of capital, bank loans may lead to unnecessary expenses. Some banks impose a minimum loan amount, such as Swedbank requiring minimum 50 000 SEK, which results in higher than nessecery interest costs. The additional interest expenses from the floor limit, however minute, must be factored into the financial expenses.

Opportunities

Committing to a bank loan will give the company the opportunity to build a relationship with the banks, creating a payment history and proving as a reliable and responsible loan taker. Adhering to the repayment plan as laid out by the bank, the company will gain a good credit history which may lead to better offers and a wider range of financial services in the future. Furthermore, establishing a good relationship with a bank may reduce the difficulties of applying for a future loan.

Threats

Regardless of the profitability of the business activities, the company must always pay the bank loan on time. Unlike crowdfunding, where the costs come when the funds have been secured, and in equity funding where the risks are shared with the investors, bank loans come with a legally binding agreement regarding the payment, which put financial pressure on the company even when there is no inflow of cash.

Interest rates can fluctuate throughout the duration of the loan. As politics and regulations changes over the period, the interest may raise or fall, causing instability in payment. To reduce the threat of these fluctuations, the company has to follow the political climate to determine if there are going to be any swings in the interest rate. Alternatively, the company can pay a premium to secure a fixed interest rate, reducing the fluctuation at a cost, but increasing the costs.

5.3 SWOT of Equity Funding

Table 5: SWOT Analysis of Equity Funding

SWOT	Positive	Negative
Internal	Strengths No Repayment Obligations. Shared Risk. No Credit Score Required. No Need for a Financial History.	Weaknesses Loss of Ownership and Control. Conflict of Interest. Under-pricing Shares
External	Opportunities Strategic Partnerships. Brand Building.	Threats Dilution of Profits. Scaling Costs.

Sharing ownership of a business is a great way to grow the company through a wide range of new possibilities, such as capital, network, and expertise, but with too many people having different opinions, it may also prove challenging. Furthermore, taking on a partner early on in one's business venture, companies can quickly feel how demanding having investors can be. In Table 4, the literature review regarding equity funding is summarized and applied to The Miniboutique's needs.

<u>Strengths</u>

The most significant part of equity funding is to enter a partnership with another person. The person whom the company shares the ownership with will share both the risks and rewards of running the business, this incentivises the investor to put effort into growing the company, which benefits the founder. As the owner of The Miniboutique is new to running a business, having an investor who are more prominent in business development could be a huge advantage, letting the owner focus on creating and researching designs for the brand rather than spending time and effort on the business side.

Unlike debt funding or reward-based crowdfunding, the investor joins the business venture and as such there are no repayment obligations associated with equity funding. This will alleviate short-term financial pressure and gather very flexible funds. For The Miniboutique, if the owner could find an investor, then to have an investor financially assisting the new product line would simplify the process and start the production sooner without having to repay the funds. The revenue generated from the products could be reinvested into the company to make it grow further.

Finally, The Miniboutique only need to network with investors and make them interested in the company. This can be challenging. However, understanding the market, having a good business idea, and being confident in the future success of the company are good qualities to attract investors. Although it is beneficial, there is no need for a credit history or a business track record if the investor is interested in taking up a partnership with the company.

Weaknesses

In a partnership, one must consider the wants of each participant, otherwise risking to loss them. In some cases, this means that the founder must compromise on their initial idea of the company or product to satisfy investors. As The Miniboutique's focus is to provide a product that supports small dog breeds' posture and health, the desires of investors to get a good return on their investments can be challenging to navigate. Furthermore, to start with, The Miniboutique tries to keep business costs to a minimum to establish a sustainable business before committing to large expenses, investors may try to push the founder to make decisions prematurely to increase profits. Through a difference in business philosophies, there can grow frustration and conflict, making the business venture unfruitful. When looking for investors, The Miniboutique must make sure that what the intention of the business is clear and align the potential investors with that vision to reduce friction.

Furthermore, if The Miniboutique would issue shares, they would likely follow the common practice of under-pricing the shares to offset investment risks and increase attractiveness on the market. However, this method could result in raising less funds than the company's actual value, potentially incurring additional costs which can scale up as time goes on.

Opportunities

Securing investors can lead to more this than just increase in capital. Forming strategic partnerships can bring valuable connections in the industry, build a positive brand image, and more. These things can help a small company, such as The Miniboutique, to grow exponentially compared to other methods. Furthermore, since The Miniboutique focus on sustainability and well-being of animals, align with investors with similar value will validate and increase The Miniboutique's credibility in the eyes of the consumers.

Threats

The costs of opting for equity funding can be enigmatic. As mentioned in the strength section, there are no repayment obligations. However, as the company grows, the value of the investor's ownership grows with it, scaling up the cost of acquiring the initial investment. The more successful the business, the higher the cost will become. Depending on how much the company has replied on gathering capital through equity funding, the scaling costs may not be an issue. After all, for the scaling costs to become significant, the business will have had to grow substantially, which is only in the benefit to the founder. However, if the has issued shares multiple times, the dilution of profits will become more pronounced. Depending on the agreements, each owner have to give up a portion of their share of the company to take on another investor, further complication the business process with more visions of the business venture.

6 Conclusion & Discussion

The diverse options for startup funding each offers its own set of advantages and challenges. This final chapter will dissect the finds of this thesis and present a discussion, recommendations, and a conclusion how The Miniboutique can strategize their first financial footsteps into the goods trading market.

The investigation revealed distinct and unique opportunities and risks for each funding method. Crowdfunding, with its low initial costs and potential for market validation, presents an appealing option for The Miniboutique to test the product line's viability without posing a financial threat to the company. However, the associated costs of running a successful crowdfunding campaign must be carefully considered to ensure financial stability as they can be relatively high and enigmatic. Furthermore, revealing the unique designs of the harnesses may attract copycats, potentially hurting the profitability of the product.

On the other hand, debt funding, in the form of a bank loan, provides The Miniboutique with the opportunity to retain full ownership and control of the company. While this method generates flexible cash flow, securing a bank loan may prove challenging, and the requirement for collateral add another layer of complexity on top of having to follow a strict repayment schedule. Thus, debt funding collides with The Miniboutique's desire to have low liability related obligations.

On top of generating capital, strategic choice of equity funding offers access to additional expertise and resources through partnerships with investors. While this shared risk can be advantageous for the growth of the business, navigating and negotiating differing opinions and potential conflicts with investors does not align with The Miniboutique's current objectives.

Given The Miniboutique's focus on retaining independence and minimizing financial risks, crowdfunding appears to align well with these objectives. The ability to test the product's appeal on the market without compromising ownership of the company or creating financial pressure makes crowdfunding an attractive option for the company's initial funding needs.

Based on the findings of this thesis, pursuing crowdfunding is recommended. Furthermore, exploring a combination of crowdfunding and debt funding could eliminate some drawbacks of each method. Scaling up the initial order through a combination of crowdfunding and bank loan could lead to more favourable deals with the manufacturer, increasing profitability and ease the repayment process of the loan. This approach also minimizes the need for a significant increase in backers for the campaign while still securing substantial capital. Moreover, since crowdfunding leans towards a more expensive method compared to debt funding, a combination will drive down total costs.

In conclusion, the analysis of crowd-, debt-, and equity funding highlights the diverse funding options available to a startup such as The Miniboutique. By carefully consider the advantages and challenges of each method and exploring potential synergies within the different methods, the company can develop a financial strategy that supports its growth and success while upholding the company's values.

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