



Aalto University

Equity crowdfunding investors:

Who are they and why do they invest?

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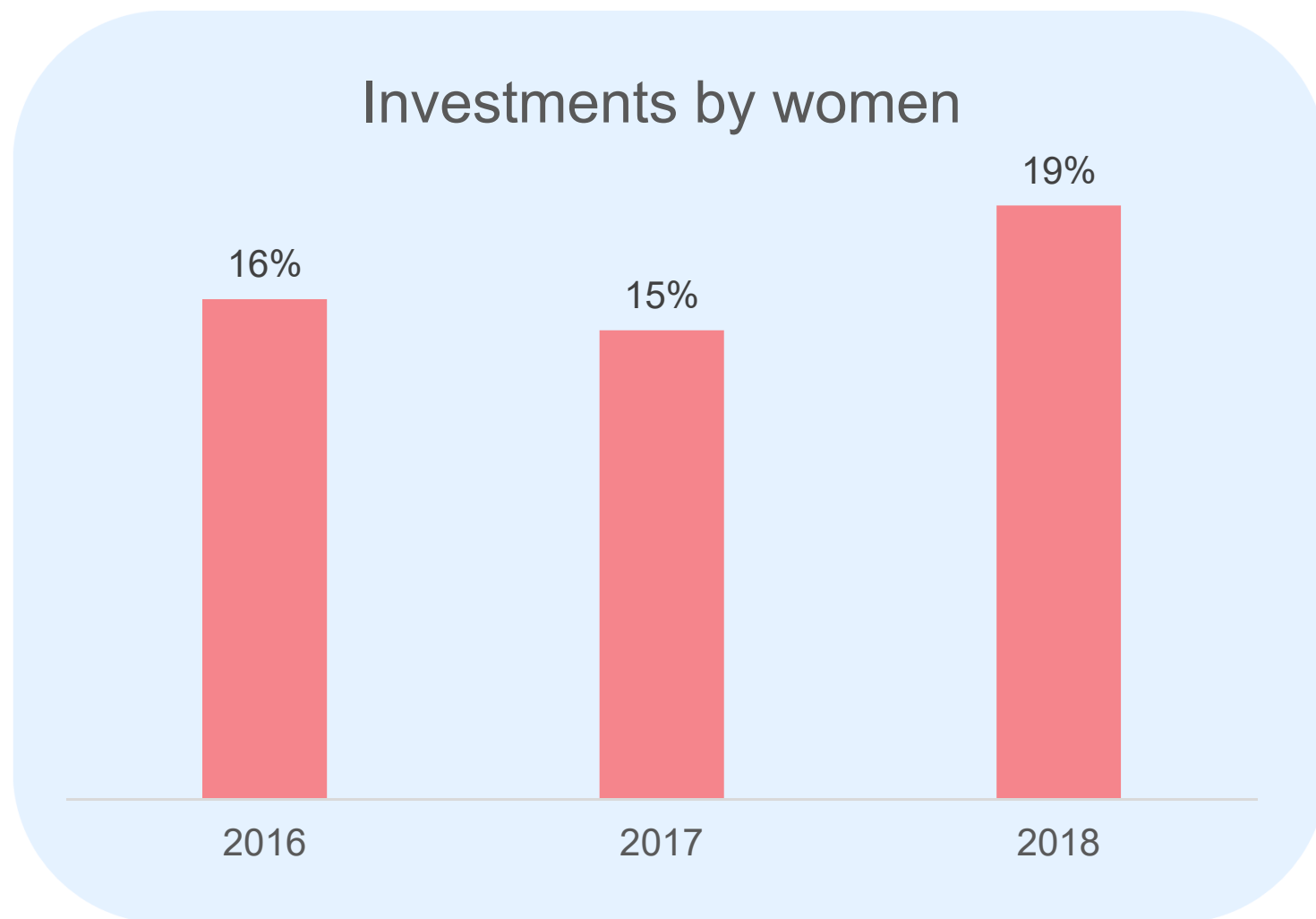
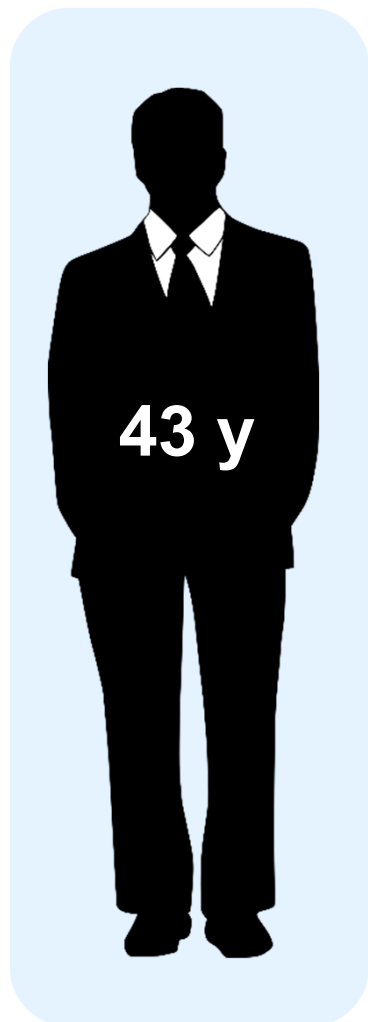
September 5, 2019

Overview of investors

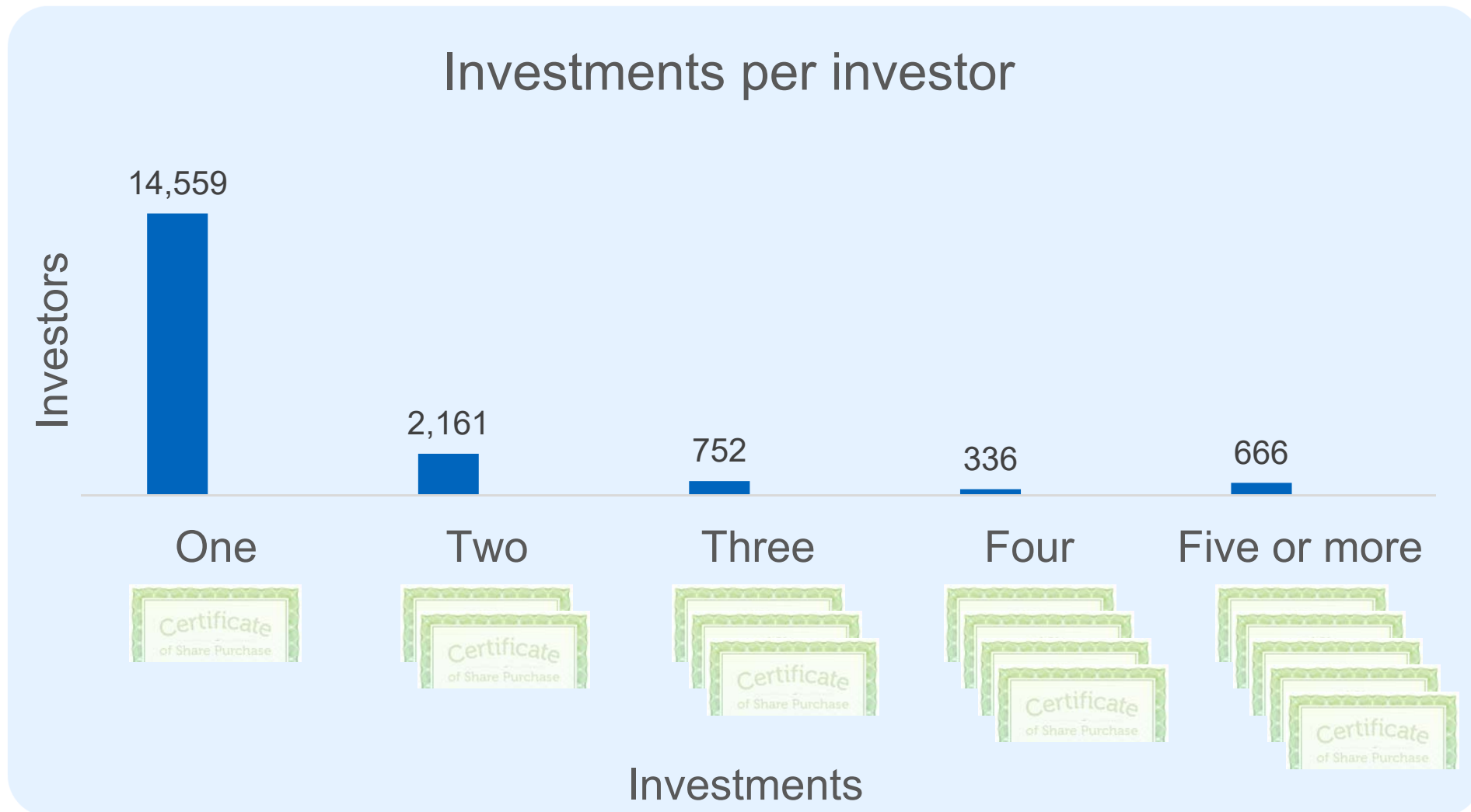
Survey highlights

Investor segments

Who are the investors?



How often do they invest?

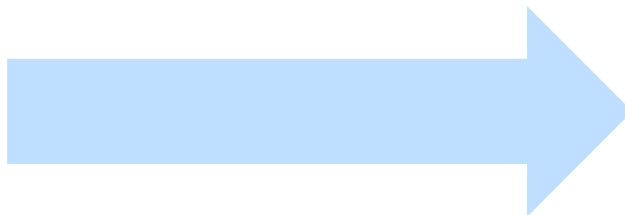


And how frequently?

1



300 days



2



Overview of investors

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Many uncertainties about equity crowdfunding investors

How much do they understand?

Why do they invest?

How do they decide?

We asked them directly...

INVEDOR
Equity crowdfunding investor survey 2018

Please think about the investment(s) you have made in equity crowdfunding. These can include investments in successful campaigns as well as investments in campaigns that did not reach their funding target.

1. How many investments have you made via Invesdor? *

0
 1
 2
 3
 4
 5
 6 or more

2. How many investments have you made via other equity crowdfunding platforms? *

0
 1
 2
 3
 4
 5
 6 or more

10% Completed

- 2018
- Only actual investors
- 1,343 full responses deemed reliable
- Response rate 8%

...twice

A?
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INVEDOR

Investor survey

Please think about your **most recent investment** via Investdor. This refers to the last time you clicked on the "Invest now" button on a campaign and proceeded to make a payment. The campaign in question can be one that was successful, or one that did not reach its target (in which case the funds were returned to you).

1. What was the size of your most recent investment via Investdor?

EUR

2. How did you first find out about the investment opportunity?

From the target company (e.g., website, social media, the entrepreneur)

From Investdor (e.g., website, newsletter, social media, Investdor representative)

From someone else I know (e.g., colleague)

Other – please specify:

Previous Next

20% completed

- 2015
- Only actual investors
- 911 full responses deemed reliable
- Response rate 19%

How much do they understand?

” Crowd investors, who are often unsophisticated, [...] have little expertise to evaluate business models [...]”

[3]

”...the crowd of investors is financially unsophisticated.”

[2]

”...an unsophisticated investor, who invested £500 and then rang [the] office to ask what he would get for his money.”

[3]

[1] Kleinert, S., Volkman, C. 2019. Equity crowdfunding and the role of investor discussion boards. *Venture Capital* 21:327–352.

[2] Barbi, M., Mattioli, S. 2019. Human capital, investor trust, and equity crowdfunding. *Research in International Business and Finance* 49:1–12.

[3] Estrin, S., Gozman, D., Khavul, S. 2018. The evolution and adoption of equity crowdfunding: Entrepreneur and investor entry into a new market. *Small Business Economics* 51:425–439.

The investor base seems knowledgeable

88% have invested in public shares



85% have studied at university



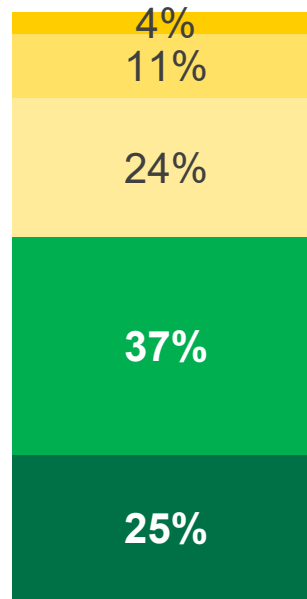
77% know the target industry at least moderately

61% are above-average risk takers

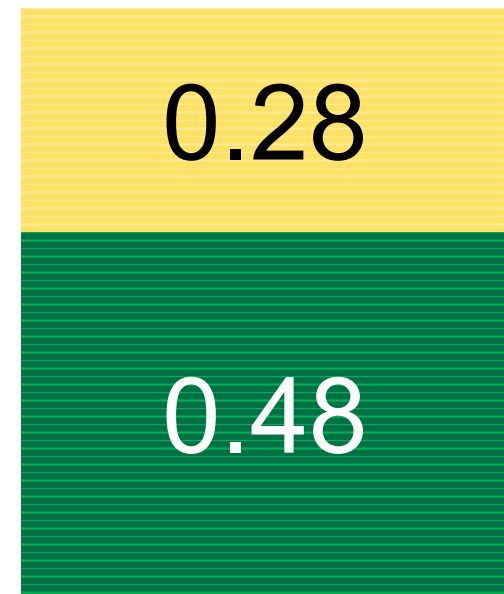
Investors value sustainability and act accordingly

Stated importance of environmental and ethical considerations when making investments

- Not at all important
- Not very important
- Moderately important
- Important
- Very important



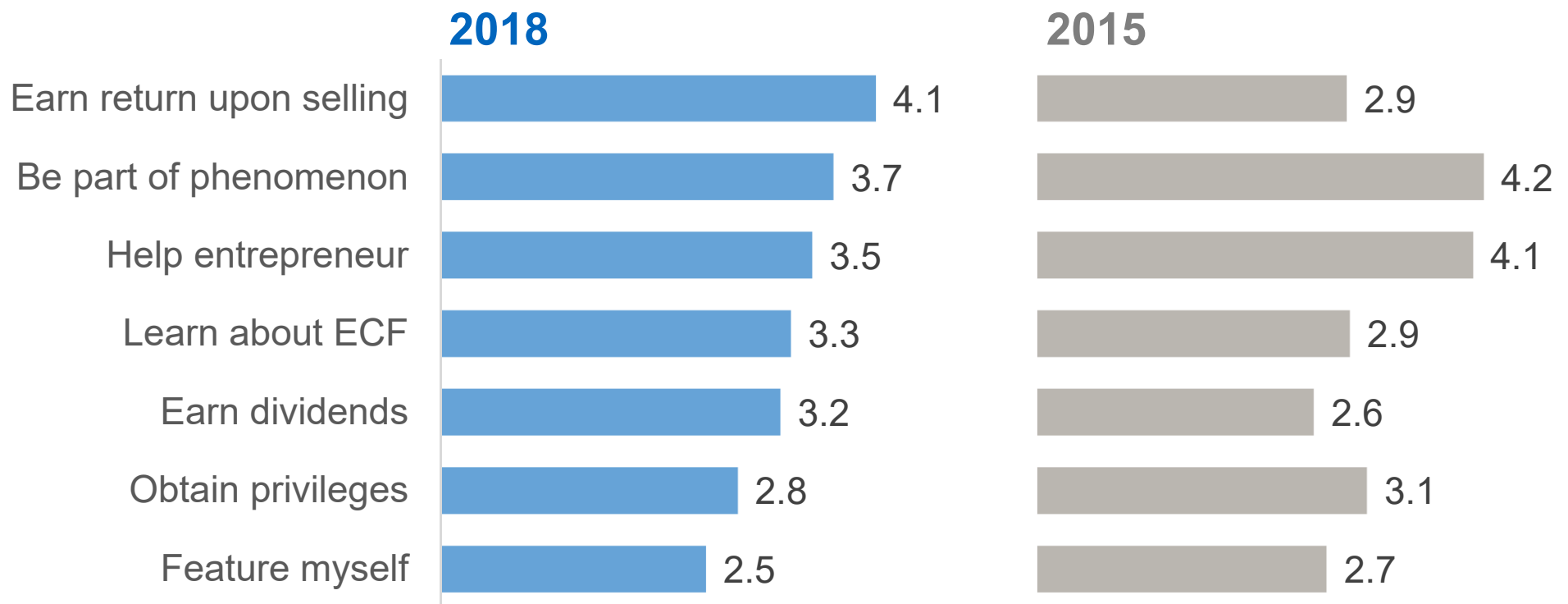
Number of investments in sustainability-oriented campaigns



Motivations have shifted (1/2)

Motivations for investing

5 = strongly agree, 1 = strongly disagree

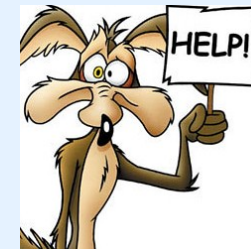


Motivations have shifted (2/2)

2018



2015



Target company features, too, have shifted

Top five Investor campaigns...
Number of investors

...in 2018

...in 2015



Logos for NAAVA (green box with white text), sharetribe (red icon and text), and yepzon (red circle with white 'Y' and text).



Logos for RADIO 98.5 HELSINKI (black box with yellow and green text), a stylized duck head (yellow, black, and red), and HRB (brown circle with black text).



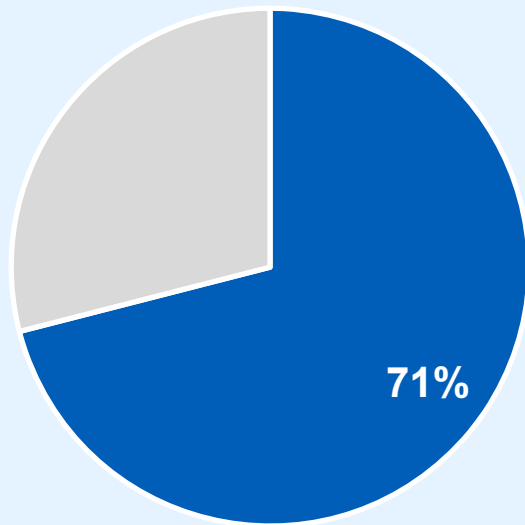
Logos for FAFA'S (black text with red underline) and WE ECOS (black circle with white text).



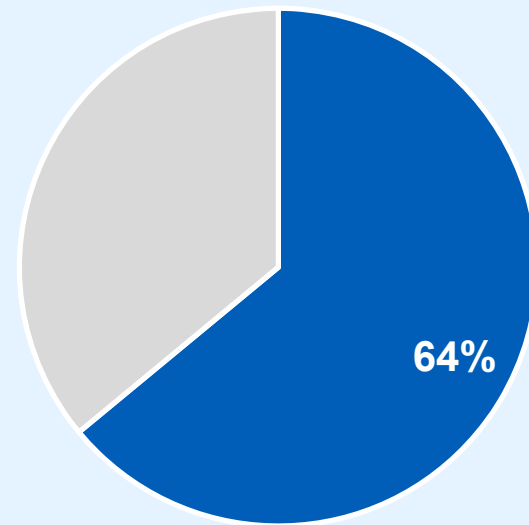
Logos for A (black text) and AL LAS SEA POOL (blue box with white text).

How large a return do investors expect?

"The investment offers me a reasonable chance of earning a moderate financial return when I sell my shares."



"The investment offers me a (small) chance of earning a very high financial return when I sell my shares."



Overview of investors

Survey highlights

Investor segments

Three motivation-based segments in 2018

Moneymaker

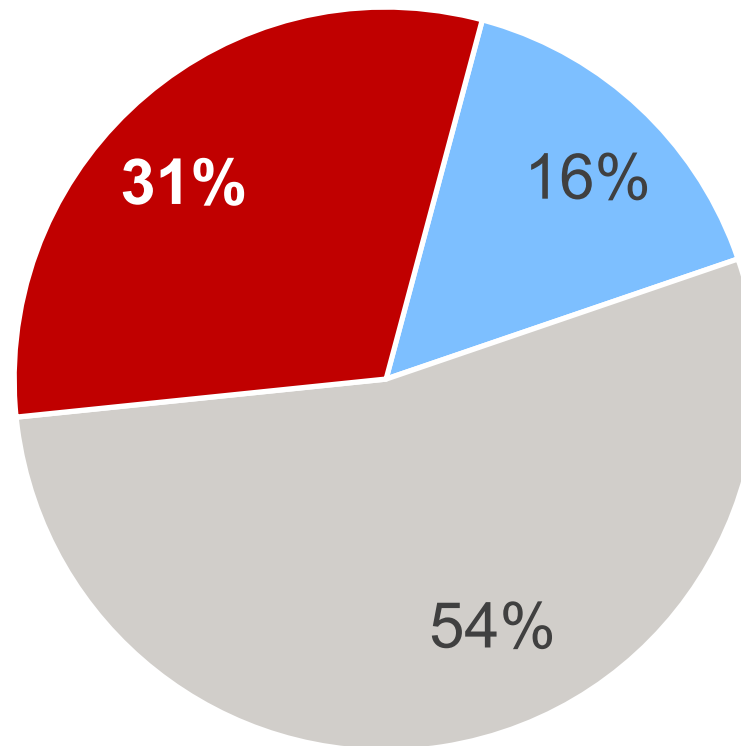


Display my interests

Supporter

Everything

Helper



Three motivation-based segments in 2015

Moneymaker

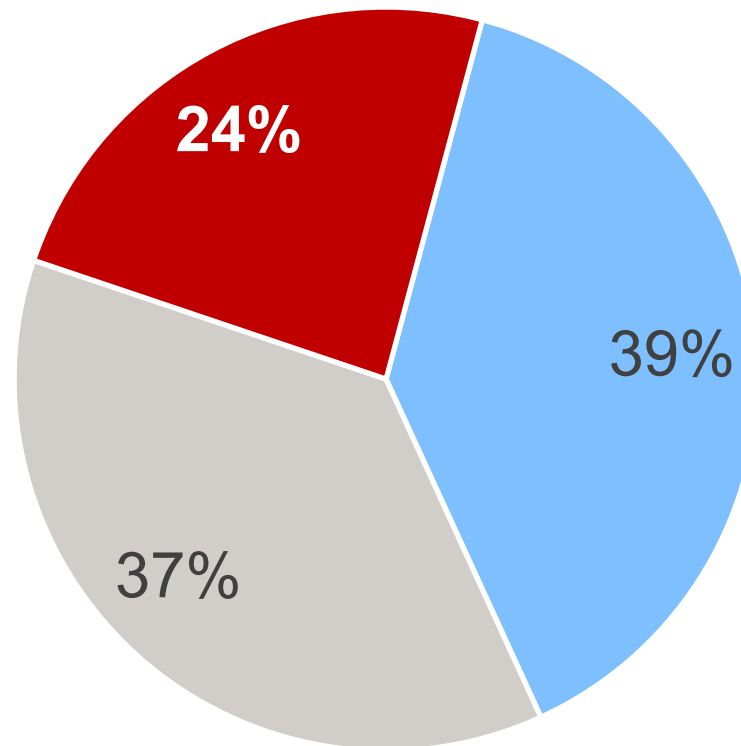


Display my interests

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Everything

Helper



Similar clusters by others

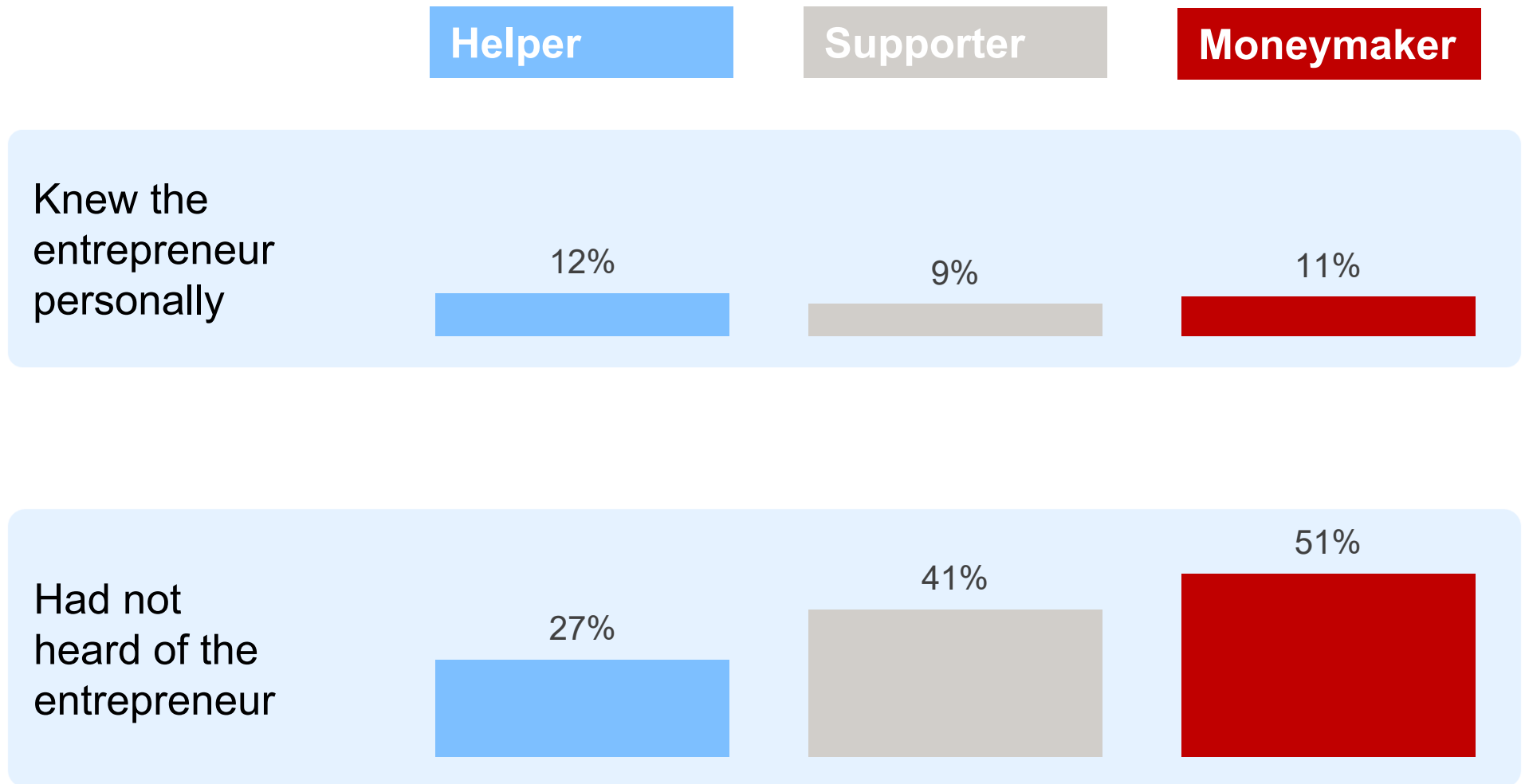
Motivations	ECF investors [here]	Business angels [1]	RCF sponsors [2]	ECF investors [3]
Help and support	Helpers	Altruistic investors	Angelic backers	Social dreamers
Physical payoffs Being part of phenomenon Help	Supporters	Hedonistic investors	Avid fans, tasteful hermits	Crowdfunding technicians
Physical payoffs	Moneymakers	Economic investors	Reward hunters	Venture trustful, financial investors

[1] Sullivan, M. K., Miller, A. 1996. Segmenting the informal venture capital market: economic, hedonistic, and altruistic investors. *Journal of Business Research* 36:25–35.

[2] Ryu, S., Kim, Y.-G. 2016. A typology of crowdfunding sponsors: Birds of a feather flock together? *Electronic Commerce Research and Applications* 16:43–54.

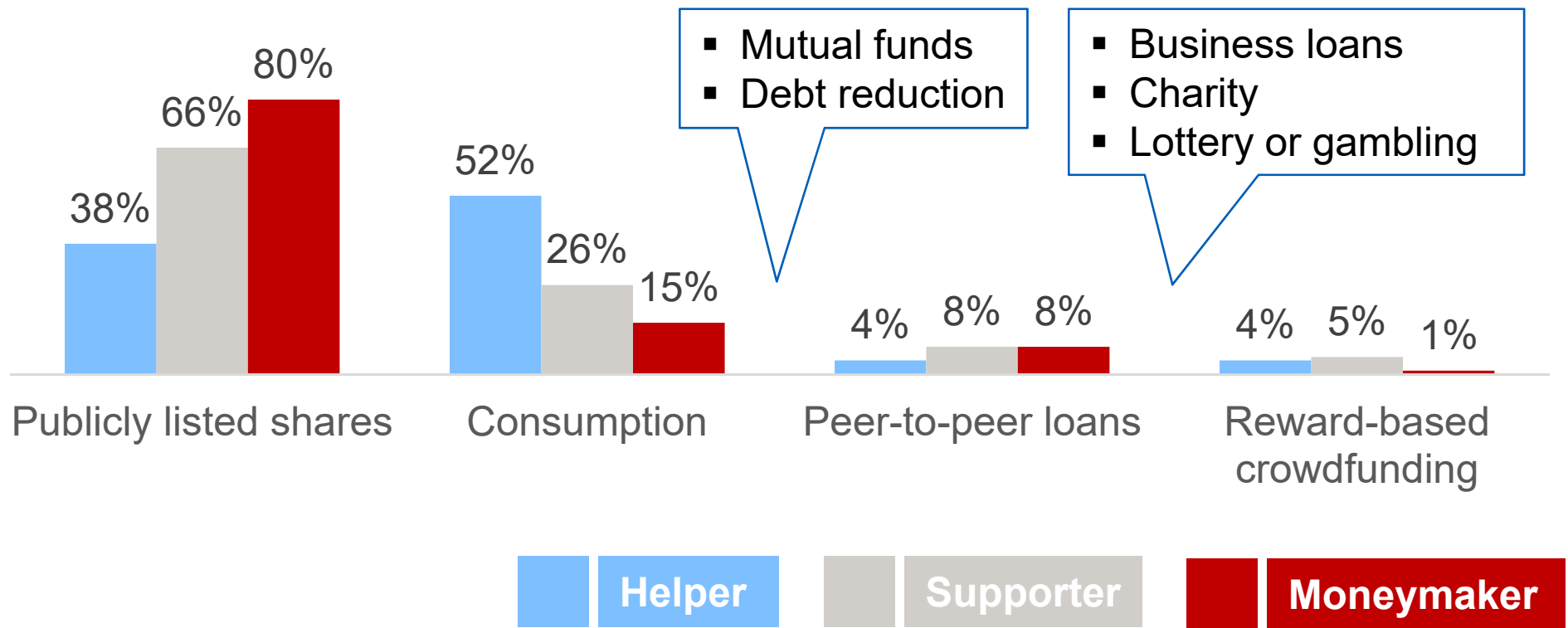
[3] Feola, R., Vesce, M., Marinato, E., Parente, R. 2019. Segmenting “digital investors”: evidence from the Italian equity crowdfunding market. *Small Business Economics*, forthcoming.

Is it really about the crowd?



ECF does not seem to compete with other forms of CF...

Alternative uses for the money invested in equity crowdfunding % of segment



...so we can all co-exist
peacefully.

Thank you!

