

CROWDFUNDING AS A FUNDING MODE : LEVERAGE OR IDEOLOGY?

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A multiple context :

- Present economic context: a lasting financial crisis, a real credit crunch phenomenon
- Present empirical context: crowdsourcing is an emerging heading for extended microfunding practices
- Present research context: poor and scattered literature, absence of consolidated concepts

A multiple context leading to:

- A question: is **crowdfunding** a leverage or an ideology as a funding mode?

Ambiguities and paradoxes of virtual social facts: the case of Crowd

□ **Syncretism** of the crowd can be observed:

□ Crowd is **wise** but also **impulsive**

The “wisdom of the crowd” is probably one of the first ideas that come to minds when referring to crowdfunding... but for example, Le Bon (1895) represented the power of crowd as an exclusively destructive one

□ Crowd is **free** but can be **dominated**

Giving the power to the mass of ordinary people guarantees freedom for each of them...but for example, consultancies do insist on the importance of sourcing *thought leaders* as factor of success in crowdfunding projects

□ Crowd is **generous** but also **indifferent**

Generosity is commonly attached to the concept of crowd, particularly when valuing funders is at stake... but for example, long lasting fundraising projects end up anaesthetizing funders

Ambiguities and paradoxes of virtual social facts: the case of Crowd

- Are online crowds **tangible**?
 - Crowd seems to be far more **virtual** than **physical**

Success of flashmobs should not obscure the fact that such demonstrations are one of the very few examples of embodied crowds aroused by internet practices...IT crowds may just be an image to depict online groups of people contributing at the same time on a same project

- Crowd is said to be **universal** but seems to be **exclusive**

Addressing to the crowd conveys the image of universality: everybody can access projects they would not even be aware of under former circumstances... but management tools developed around crowdfunding turn the practice into an exclusion process (“*tapping the right crowd*”)

Crowd as leverage or ideology?

- Crowd as **leverage**: some pieces of evidence?
 - ▣ There exists an **extreme variety** and **originality** of crowdfunding projects

From the opening of a hotel for cats thanks to crowdfunding (donation) to the use of crowdfunding (loan) by a French student H elo ise to get money till she receives her scholarships

- ▣ **Power of words** and **success stories** are everywhere

“Crowdfunding, the new citizen power”, “Crowdfunding, a new way to reinflate Economy?”, “Crowdfunding: a way to finance (all) your projects without a bank”

A French TV web-series called “Noob” pulverised the European record, 8 days before the end of the call for donation, the producers had collected over half a million of euros, while they had considered 35000 euros

Crowd as leverage or ideology?

- Crowd as **leverage**: some pieces of evidence?
 - ▣ **Growing economic and financial data** are real but remain **modest** compared to other funding modes

Crowdfunding platforms collected 2.7 billion dollars in the world in 2012. The money collected in 2013 could be close to 5.1 billion dollars (American consulting firm Massolution)

In 2012, SMEs received close to 100 million dollars in donation (with or without compensation), 650 million dollars in loans and close to 40 million in equity

But at the same time 35.8 billion euros of consumer credit were granted in France in 2012!

Crowd as leverage or ideology?

- Crowd as **ideology**: is crowdfunding the solution to firm's problems?
 - Crowdfunding as the ultimate solution for funding problem

Just of numerous similar words: “we even had to use crowdfunding, because we failed settling an agreement with our banks”

□ Financial crisis and pushy public authorities

1-French SMEs do not have enough equity which slows down their development and makes difficult bank fundings,

2-SMEs should take advantage of both the fast and broad development of IT and social networks,

3-Saving from French people is abundant, represents 3600 billion €

...This saving should therefore be oriented towards the funding of SMEs, which creates jobs and growth

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Crowd as leverage or ideology?

□ Crowd as **ideology**: is crowdfunding the solution to firm's problems?

▣ Crowdfunding as a free resource for firms

Investors are not only supplying money but are also in a constant dialogue with the company, helping for example in designing features, testing products, suggesting paths for the company and supplying their network scope and individual expertise...

A French engineer who developed an application for tablet computers thus tells: “in accordance with demands, functionalities were reworked, this relationship with consumers is far more precious than any market study to improve your product”

Conclusion: leverage or ideology?

- Crowd and crowdfunding are **2 ideologies with strong leverage**
 - ▣ Crowd is **much more leverage as a term** than it is as reality
 - ▣ Crowdfunding is **providing funds where institutional financing does not operate or stopped operating!**
 - ▣ ... there lies the real leverage of crowdfunding!

And reluctance of banks and financial markets in France towards crowdfunding is nothing but innocent...

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