



# CROWDFUNDING – AN ALTERNATIVE TO FUNDING CUTS?

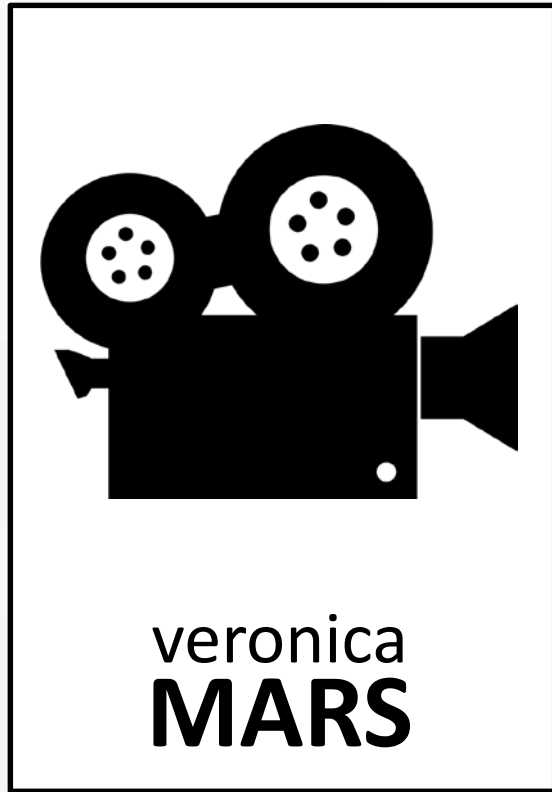
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Matias Partanen, University of Helsinki

EARMA Annual Conference 2017  
Malta, Temi Zammit Hall



<http://www...>





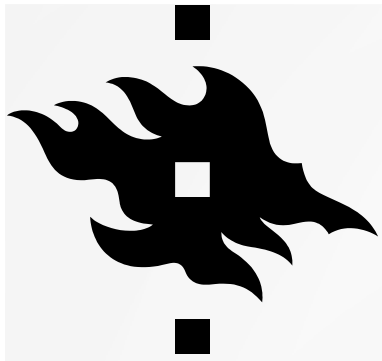
movie  
5.7 million US\$



smart watch  
10 million US\$  
(1 M US\$ in 28 hrs)



Azolla genome  
7 160 US\$



# CROWDFUNDING TYPES

## EQUITY CROWDFUNDING

- funders expect return on investment
- shares, revenue, product, service

## LENDING CROWDFUNDING

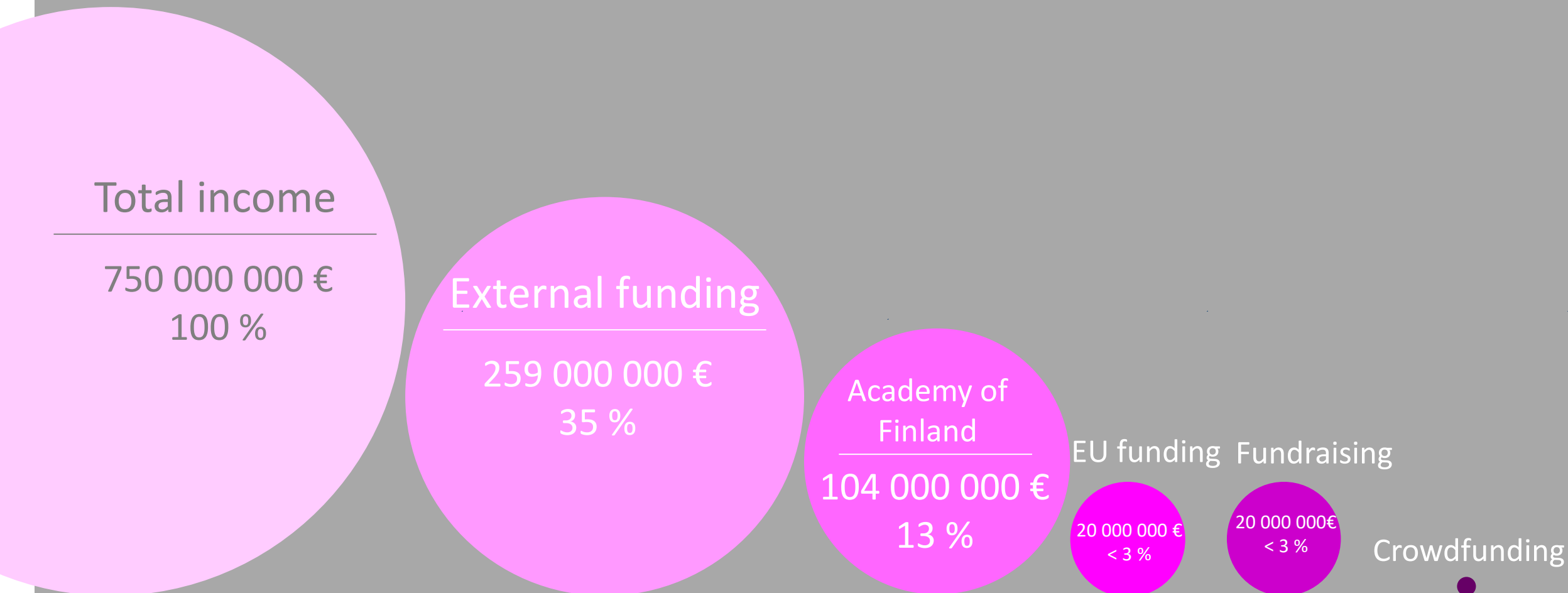
- funders expect repayment (with interest)
- peer-2-peer consumer lending
- peer-2-peer business lending

## SYMBOLIC CROWDFUNDING

- symbolic reward
- no fundraising permit
- all-or-nothing model common

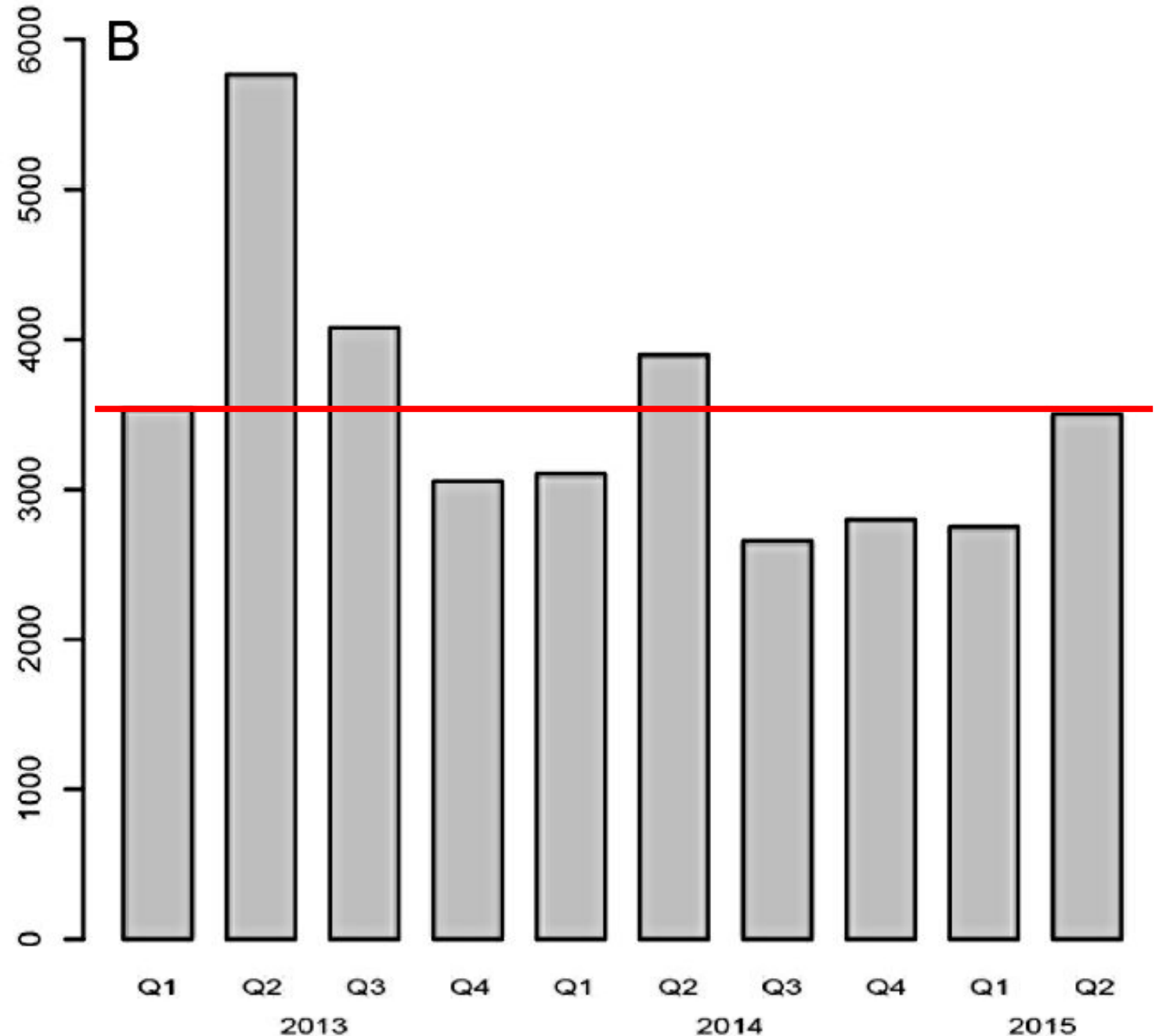
## FUNDRAISING

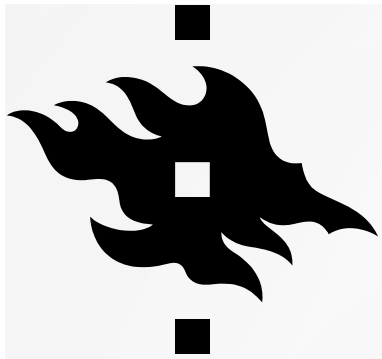
- donations, gifts, endowment
- fundraising permit



# CROWDFUNDING ON EXPERIMENT.COM

- median 3500 US\$/ project
- median 35 backers/ project
- average 100 US\$/ project

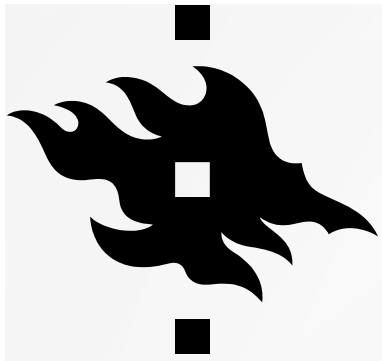




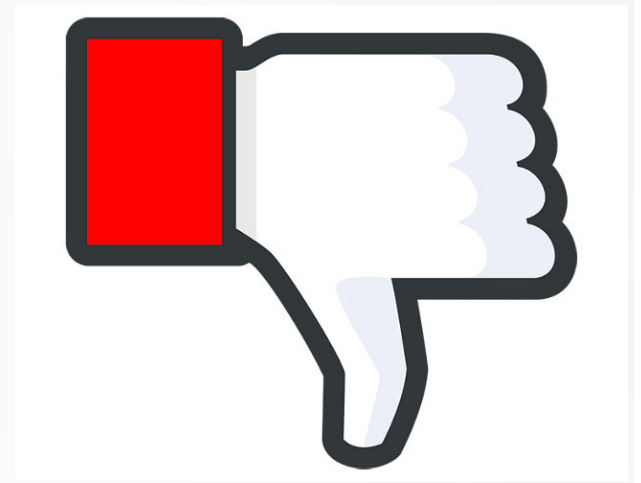
# PROS

- Might meet new collaborators and private investors
- Build unexpected bridges for your research
- Connect with the general public in a direct and interesting way
- Visibility
- Opportunity to create initial customer base and promoters
- Diversifies funding portfolio (seed money)
- Success rates 30-70%





# CONS



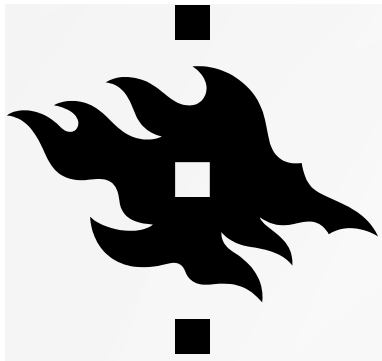
- Crowdfunding environment is grey area
- Setting up university-level processes very time-consuming
- Setting up crowdfunding campaigns can be as time-consuming as a traditional grant application
- Requires significant investment of time and effort “*a constant marathon of social media networking*”
- < 4% of platform visitors fund projects. Must stand out (platform, marketing, topic, timing etc.)



# HELPFUL TIPS

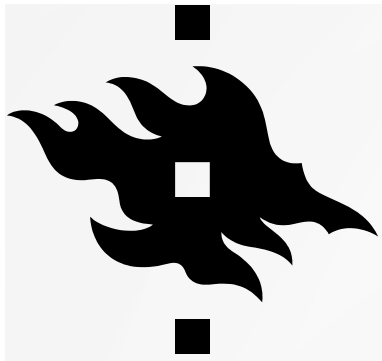
- Proactive social networking – mobilise all your connections before launching
- Social media is essential (Facebook, LinkedIn, Twitter)
- Communication: clear and passionate, video recommended
- Meaningful rewards
- Explain how money is used: concrete thing is better than salary (book, device or instrument, field work, expedition)





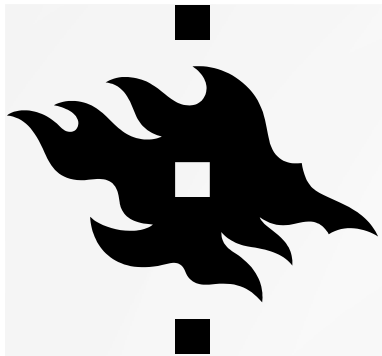
# INTRO TO UH CASE

- University of Helsinki started to look for crowdfunding possibilities in 2015
- In 2016 first crowdfunding case was launched by a research group within the faculty of veterinary
- This was done in collaboration with local crowd funding platform provider
- Legal environment did not give direct answers
- Local business environment had built its own operational logic within the undefined business area
  - Funding provided against a small symbolic rewards and value added tax paid as in normal business
- Tax authority or Police Board (in charge of money collecting permits) did not support crowdfunding without money collecting permit
- Authorities: If behind the reward is real reason for collecting funding then it is not business but money collecting. No VAT. Requires money collecting permit.
- Money transfers and bank accounts within the university were difficult to handle due to inner bureaucracy



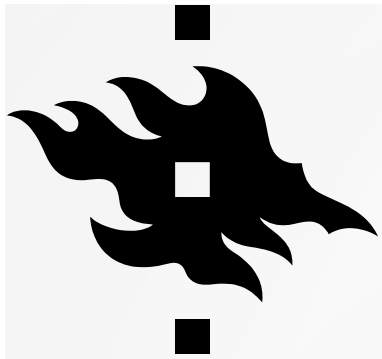
# LEGISLATION AND OTHER ISSUES

- Finnish crowdfunding law does not apply to philanthropic crowdfunding (the law is about offering financing services for companies searching for funding)
- Legal aspects (VAT, income tax and money collecting permit)
- University's own rules and policies
  - Limitations regarding university's bureaucracy and who has right to represent university
  - Bank account matters, management's attitude



# LESSONS LEARNT 1

- Tax authority: 'philanthropic' crowdfunding VAT free ->
  - VAT-based crowdfunding is not possible in universities
  - Needs fundraising permit
- National Police Board: 'philanthropic' crowdfunding needs always fundraising permit
- Authorities: crowdfunding is not considered business but fundraising



# LESSONS LEARNT 2

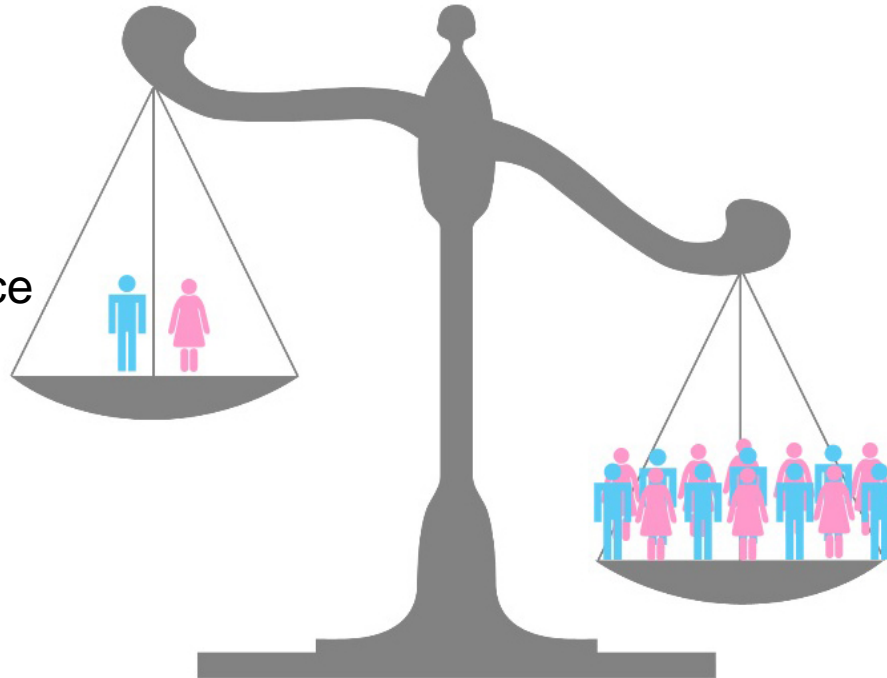
- Financial difficulties with external crowdfunding platforms
  - University's account cannot be used
  - If private campaigns -> money does not go through university's account
  - Online banks not established service providers -> reputation risk?
- Overhead?
- After experiences of the pilot, the University of Helsinki does not start crowdfunding campaigns until all issues have been solved
- We were asked to compare commercial vs own platform

# COMMERCIAL VS OWN PLATFORM

## COMMERCIAL

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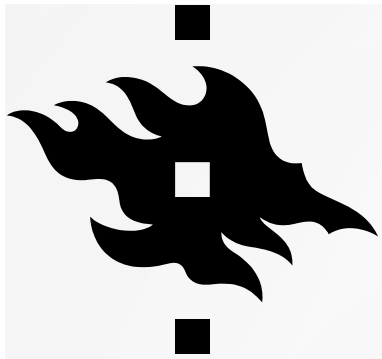
- + technology exists and works
- + fast pilots possible
- + cheaper (on short term)
- identity
- financial administration
- dependence on external service provider
- ? visibility
- ? marketing



## OWN

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- technology not available
- very slow to start
- more expensive (on short term)
- + identity
- + financial administration
- + independence
- + marketing cooperation
- ? visibility
- ? marketing



# (SCIENCE) CROWDFUNDING PLATFORMS

[www.experiment.com](http://www.experiment.com)

experiment

[www.mesenaatti.me](http://www.mesenaatti.me)

me  
se  
naatti  
.me

[www.kickstarter.com](http://www.kickstarter.com)



[www.gofundme.com](http://www.gofundme.com)



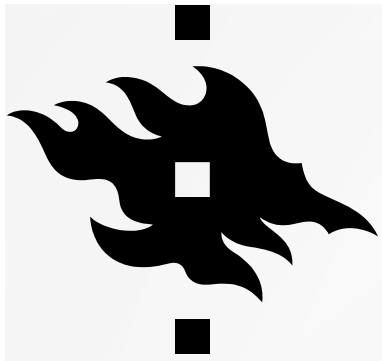
[www.indiegogo.com](http://www.indiegogo.com)

GO

<https://scifundchallenge.org/>



Top 10 crowdfunding sites <http://www.crowdfunding.com/>



# HUNGRY FOR MORE?

- [Nordic Crowdfunding Alliance](#)
- [Cambridge Centre for Alternative Finance Publications](#)
- Vachelard et al (2016) A Guide to Scientific Crowdfunding. PLOS Biology 14(2): e1002373



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