CROWDFUNDING – AN ALTERNATIVE TO FUNDING CUTS?

Pasi Sihvonen, University of Helsinki
Matias Partanen, University of Helsinki

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movie
5.7 million US$

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

Azolla genome
7 160 US$

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CROWDFUNDING TYPES

EQUITY CROWDFUNDING
• funders expect return on investment
• shares, revenue, product, service

SYMBOLIC CROWDFUNDING
• symbolic reward
• no fundraising permit
• all-or-nothing model common

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

FUNDRAISING
• donations, gifts, endowment
• fundraising permit
Total income

750 000 000 €
100%

External funding

259 000 000 €
35%

Academy of Finland

104 000 000 €
13%

EU funding

< 3%

Fundraising

< 3%

Crowdfunding
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

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

OWN

- 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  
www.kickstarter.com  
www.indiegogo.com

experiment  
K  
GO

www.mesenaatti.me  
www.gofundme.com  
https://scifundchallenge.org/

Top 10 crowdfunding sites http://www.crowdfunding.com/
HUNGRY FOR MORE?

• Nordic Crowdfunding Alliance
• Cambridge Centre for Alternative Finance Publications
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pasi.sihvonen@helsinki.fi
matias.partanen@helsinki.fi