

## Crowdfunding as an Alternative for New Ventures Funding in Emerging Countries

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**Abstract:** There are numerous ways to raise capital to finance a company or idea such as bank loan, stock market, private equity, venture capital and angel investors. Considering the context of seed and startups companies, the range of possibilities is limited for few options. As an alternative in the last years, crowdfunding which derived from crowdsourcing and capital funding, appears as a relevant option to raise money from crowd. This exploratory research will consider crowdfunding as an alternative means of financing for new enterprises and its objective was identifying the main economic areas of the successful projects and describe the characteristics of the most successful crowdfunding projects. In order to achieve this goal, our research analyzed the bigger Brazilian platform of crowdfunding, named Catarse. The results analyzed the ten more successful crowdfunding projects in this platform using indicators from literature.

**Key words:** Crowdfunding, success factors, startups, angel, context

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### INTRODUCTION

There are several ways to raise funds in the market such as bank loan, stock market, private equity, venture capital and angel investors. The companies' size (micro, small, medium, large), the nature of the ownership (open or close), the maturity level (seed, startup, intermediate, mature), the type of market (e.g., high technology, agribusinesses, industry) and others factors influence the means to find credit to execute the companies' projects. Despite these available means, raising funds is especially challenging for seed and startup companies (Mashburn, 2013).

Ouimet and Zarutskie (2014) says that differential dynamics between young and old firms raise important questions. Young firms are often associated with an up or out dynamic. Young firms have high failure rates but conditional on surviving, young firms exhibit higher average growth rates as compared to older firms. They believe that young and small firms are startups.

Crowdfunding emerges as a good alternative for raising funds in certain contexts. Mollick (2014) defines it as the effort of individuals and business groups cultural, social and non-profit to finance their ventures by relying on small contributions from a large number of people who use the internet without financial intermediaries. Either, the "process of outsourcing tasks to a large", often anonymous number of individuals, a "crowd of people"

(the internet community) and drawing on their assets, resources, knowledge or expertise (Ibrahim, 2012).

In 2012, worldwide crowdfunding platforms raised US \$2.7 billion from over 1.1 million campaigns. Eight hundred and thirteen platforms are estimated worldwide. US \$5.1 billion was expected to be raised in 2013. In the same period, crowdfunding platforms in the aggregate reportedly raised approximately US \$2.8 billion worldwide. This huge amount of money explains the increased interest in this issue (Mashburn, 2013). The possibilities of expansion of crowdfunding in Brazil is promising and it is becoming more popular every day. Nevertheless, in view of the results in others countries, may be crowdfunding, it is a viable source of funding for Brazilian startups and new ventures.

However, a problem arises: will companies in any area of expertise be able to use this source of funding as the best source? or there is a tendency of certain economic segments explore more intensely this form of financing? another question that arise is: what are the critical success factors of the most successful projects in the use of these platforms, i.e. which are the characteristics of the projects that grossed more than asked?

Thus, this exploratory research will consider crowdfunding as an alternative means of financing for new enterprises, trying to identify the areas where this kind of funding is more utilized; besides, we will choose the most well succeeded project to analyze and identify

possible critical success factors. In order to do that it was chosen the bigger Brazilian platform of crowdfunding, named Catarse. We used literature review and secondary data to support this investigation. The measurement of success as understood here refers to the achievement of targets set by the crowdfunding platform in an ex post facto analyzes.

### **Theoretical background**

**Possible sources of startups funding:** Entrepreneurs from startups in general, need external financial resource to develop their companies from an initial to a mature stage (Zachary and Mishra, 2013). Despite their willingness to find some source of financing, the lack of credibility and the historical failures of startups play against them. Since, over than 90% of startups fail and 5-7 years after their foundation, just 30% are well successful, it is difficult to raise funds (Cusumano, 2013).

The limited availability of capital is common for startups and new enterprises. These companies do not have significant cash flow that ability them to access banking financing. Furthermore, it is more complex to make decisions about financing for startups since there are little reliable data and a high risk related to the finances of the owners and the company (Gartner *et al.*, 2012). Although, they have high potential of return on investment, almost time they do not have financial and managerial resources to do it. The most traditional and known source of financing available for startups are: the owner's capital; the family and friends' capital, venture capital, angel investors and the government (Gartner *et al.*, 2012). Probably, in a new enterprise, this is not very different. Now, we will briefly describe the concepts behind venture capital and angel investors.

Venture capital firms are important intermediates in financial market who provide capital for new businesses that have difficult to raise funds (Dos Santos *et al.*, 2011). There is no strict regulatory definition of the venture capital industry but Amit *et al.* (1998) speaking that venture capital firms provide privately held "entrepreneurial" firms with equity, debt or hybrid forms of financing, often in conjunction with managerial expertise. A common question among venture capitalists is that they bring much more than money for new business, provide experience, expertise, an extensive network of relevant contacts and usually a great successful business history (Mashburn, 2013).

Angel investors are individuals or groups of individuals with previous background as executives and generally with large experience in (dis) investments in

private equity and venture capital which who traditionally fund seed and startups business with little amounts. They are also a rich source of knowledge for management, coaching, networking and raising funds. Angel investors are a relevant link between startups and venture capital funds since the companies evolve for a mature stage (Mashburn, 2013). Despite this opportunity for both funders and owners, recent data demonstrate that angels are changing their investments for more mature companies, avoiding seed companies (Mashburn, 2013). Similary with venture capitalists, angels investors monitor the progress of their portfolio firms and contribute value-adding services in addition to merely providing financial resources (Vanacker *et al.*, 2013).

Crowdfunding allows startups to close a funding gap that often occurs after tests have proven a minimum viability of an idea. In order to conduct some initial tests of the idea, relatively low funding is sufficient which can still be raised through donation-based or reward-based crowdfunding. A new opportunity to raise funds for new businesses is emerging with a form of collective financing. Crowdfunding emerged as a new source of financing to fill some financing gaps for startups (Mashburn, 2013). The next study will described in detail on crowdfunding, especially about possibilities to found the startups and new ventures.

**Crowdfunding:** The practice of raise money from a crowd for the benefit of a particular member dates around the middle of 19th century. It was observed in rotating savings and credit associations and credit cooperatives. The crowd was composed main of people who know each other such as families, friends and neighbors (Attuel-Mendes, 2014). This new form of capital formation emerged in an organized way in the wake of the 2008 financial crisis largely because of the difficulties faced by artisans, entrepreneurs and early-stage enterprises in raising funds. With traditional banks less willing to lend, entrepreneurs started to look else where for capital. In the last years, the role of creates an opportunity for communication and creates a real community is becoming increasingly important and is presented as an alternative financing system to traditional modes of financing (Sannajust *et al.*, 2014). This study will discuss the concept of crowdfunding and the four types of return currently offered. Moreover, we will see some of the reasons to avoid and/or join the crowdfunding appointed by some researchers.

**Concept and typology:** Recently, companies use the internet openly to address several problems still

unanswered for those interested in solving them been them experts, scientists or curious, independent of their cultural or educational level. Monetary amounts usually are paid as a reward for those who reach the expected results by firms. To the open outsourcing of a task commonly performed by an employee to a large group of unknown people it calls crowdsourcing (Howe, 2006, 2008). In case of crowdfunding, the crowd is asked to contribute capital as opposed to labor to the project in crowdsourcing (Schwartz, 2013).

In the wake to find solutions with a large mass of people, rises the concept of crowdfunding which goal is to collect money to invest in a new idea, using mainly social media and social networks on internet. It means looking for different sources of funding for traditional bank loans, investment funds, private equity, venture capital and sophisticated investors. The focus is rise money openly from a large public in which each individual contributes a small portion in the form of loan, profit sharing, share of capital, donation or advance purchase of the product to be developed. Furthermore, crowdfunding uses web-based technology and the knowledge and wisdom in communities to determine which projects should receive funding and how much funding they should receive as well as providing real time feedback on start-ups and small businesses. It leverages the power of technology, particularly social media to market the idea, raise funds and hold entrepreneurs accountable.

According to this definition, it is possible to identify three actors: the funders who provide money, the creator who receive money and the on-line platform who intermediate this transaction (Belleflamme *et al.*, 2014).

There are four types of crowdfunding according to the return offered to the funder: donation, reward/pre-ordering, lending and equity. Some crowdfunding platforms may work with more than one type simultaneously (Attuel-Mendes, 2014; Mollick, 2014). Table 1 illustrates each one and their main definition.

The complexity of the process will vary gradually, starting from the simplest (donation) to the most complex

shapes and highly regulated (equity) (Ibrahim, 2012). In regard to these types, the right of property and financial legislation are important to be evaluated. In general, the right of property is assigned to the creator instead of the funders. Each country has its own legislation about lending money and acquiring securities but almost all don't cover crowdfunding (Attuel-Mendes, 2014).

Donation-based crowdfunding is the main model used for funding art and humanitarian sciences, putting funders as philanthropists (Mollick, 2014). Reward-based is the most used nowadays (Mollick, 2014). While donation-based crowdfunding does generally not provide any material return, reward-based crowdfunding offers the chance to earn a small reward. These rewards can occur in many different forms delivery as a book, a film or a music album of an earlier version of the product.

Equity-based is a recent form of crowdfunding and is considered illegal in countries that do not have regulation yet. Najjarian criticized equity-based since he believes that it is easier to capture savings on internet without any cost to register or supervision to capture, compared to capital market and stock market. Ebert and Schondorfer say that this type provides investors with compensation in the form of some type of equity or profit share predominantly of a start-up.

Belleflamme *et al.* (2014) suggested that crowdfunding allows for price discrimination with pre-ordering as an instrument. To implement it, it is necessary to consider the amount of capital to be raised to cover the initial costs to produce the new product in relation to the numbers of pre-ordering consumers and others consumers. There is a boundary among raising money between traditional funding and crowdfunding. Creators prefer pre-ordering if the initial capital required is relatively small if compared with the market size. Otherwise, they prefer profit sharing when the principal amount is large. Funders expect to be consumers of the product in the future or in some way benefit, the community created around the product.

The increases of platforms that emerge each year enforce creators and funders to take more time searching

Table 1: Types of crowdfunding

Types	Definition
Donation	Funders give money for a charitable cause. They also can finance non-profit organizations. This is not related to microfinance since, it not relies on credit
Reward/pre-ordering	Funders receive something for their funds such as a gift, a free sample of the product, their names added to credits of a movie, the opportunity to meet the creators, etc. It does not include any kind of financial return such as interest or profit sharing
Lending	Funders lend money waiting receive it back plus interest or fee. In the case of micro-loan, they may be more interested in social well promoted by the company than returns
Equity	Funders give money waiting profit sharing and/or share of capital. In this case, it is essential to have a regulatory legislation

Mollick (2014) and Attuel-Mendes (2014)

them. They are willing to find a trustful platform that provide the tools, resources and projects that best meet their needs and expectations. To deal with this challenge, Attuel-Mendes (2014) suggest the creation of a brokerage platform that centralizes information of many crowdfunding platforms. He believes that it will help creators and funders make better decisions.

**Reasons to avoid or to adhere crowdfunding:** Funders and creators have different motivations to engage in crowdfunding. Creators participate to following: raise funds almost time quickly. Establish online and sometimes off-line connections with funders and other creators for long-term. Gain approval for themselves and their research. Learn new fundraising skills gaining experience in other areas such as marketing, communication, management, risk taking and financial planning. Expand awareness of research through social media, just not to publish but to dialog to general public too. Maintain control over their research instead of losing control to the investor (Mashburn, 2013).

Funders participate in crowdfunding to the following: seek rewards such as an acknowledgement (e.g., movie credits), a tangible artifact (e.g., a CD) or an experience (e.g., a dinner with the creator). Support creators with whom they are connected by friendship, kinship or common interest. Engage and contribute to a trusting and creative community being part of it. Support causes that are consistent and compatible with their beliefs. Ebert and Schondorfer believe that consumers, citizens and people like to play a larger participating role using web 2.0 technologies. This environment of technology and the will of more democratic participation as well as the need for alternative access to capital in the creative industry has become a fertile ground for crowdfunding. Saxton and Wang (2013) propose that apply resources to develop a social network or fluid website is an additional channel with great potential to attract fans and donors to campaigns, i.e., there must be synergy between the campaigns. In case of media industry, the potential campaigns of crowdfunding are sustained based on emotional and creative investments of fans (Scott, 2015).

On the other hand, funders and creators have different reasons to avoid crowdfunding. Creators avoid because: they believe that they cannot achieve the target audience or offer any adequate reward to funders. They want to avoid a public failure that could threat the chance to raise future investments and harm their reputation and having the idea stolen. They do not have the time and resource to deal with a large audience. Founders avoid because they don't trust creators regarding the effective

use of funds. But according World Bank, the biggest concerns regarding risk are business failure and execution or fulfillment challenges. Failure may result from poor management decisions, lack of funds or miscalculations of market demand. Execution or fulfillment challenges may occur in some successful crowdfunding campaigns when a company is not ready with for instance, the necessary logistics and manufacturing capacity to meet the demand generated by their campaign.

Online platforms of crowdfunding can support early stage entrepreneurs regardless the distance between them and investors that is a common concern when providing funding in traditional market. The early support of friends and family plays an important role to boost the investment of others investors distributed geographically. Friends, family and social network followers are the main funders and are doing it for the first time. They are more likely to fund in the first and last week of the project's funding cycle compared to the middle period. This is even more important in reward-based crowdfunding compared to the others types (Kuppuswamy and Bayus, 2014). Individual social capital has a significant positive impact on the probability to reach the target funding while territorial social capital has no significant effect.

Kuppuswamy and Bayus (2014) also found that the potential funders are influenced by how much of the goal has already been achieved; the creators tend to increase the posting updates to draw attention to their projects as the deadline is approaching for reward-based crowdfunding, there is no evidence that funders use other's supporter decisions to infer project quality and the contribution fall drastically when the creators reach their goals. Wash (2013) found that people tend to donate more to complete a project goal in a donation crowdfunding context. Funders are also more likely to return and donate large amount of money in the next donation. In addition to the cost of capital is much lower than in other fundraising methods, there is a low cost to promote the project via the internet, providing a good range of people (Schwartz, 2013).

**Crowdfunding success factors:** The factors that lead traditional fundraising projects to achieve success have been of great interest in literature (Baum and Silverman, 2004; Kirsch *et al.*, 2009). As the investments are uncertain and information is diffused, investors often decide based on partial information on certain projects, so called "potential quality indicators". The idea is that these indicators reveal the projects quality and ensure that higher quality projects are in fact the most likely to receive funding (Mollick, 2014). However, in the virtual financing configuration, the way as investors assess the quality

indicators and legitimize the project is much less defined and more prone to fraud compared to traditional risk settings.

This fact occurs because the quality indicators are not as clear or influential in this type of configuration, among other factors (Mollick, 2014). Nevertheless, these indicators continue to play a role in predicting the quality and performance of business initiatives as in a scenario where amateurs are making decisions about which projects to fund, the effect of these indicators is unexpectedly large. The main quality indicators of crowdfunding projects reported in the literature are:

**The timing:** Burtch *et al.* (2013) found that awareness for a financing project is more positively associated with the degree of exposure that the project receives in a given time than with the funding duration. The more increases the exposure time, the less likely these projects reach their funding goals. This fact occurs because the potential supporters interpret long periods as a lack of confidence in the project. Yancey Strickler, Kick starter co-founder, state that “More time does not create more urgency, instead, makes it easier procrastination by supporters and sometimes they forget to return to the project to effectively make the contribution”. The official data and published articles by the platforms Kick starter and Indiegogo support these findings.

**Project preparing:** It is the project introduction for potential financiers. It is determined by the degree of time and effort that entrepreneurs take to ensure that all project fields being developed according to success standards designated by crowdfunding platforms.

Project preparation is evaluated by two criteria: a short video and a project narrative. Both are used to outline the proposed project: if the entrepreneur is excited about his project, the public is more likely to engage in contribution. The video is usually the most important crowdfunding appeal: it is a minimum sign of preparation, its lack is a disservice to the project. The narrative is responsible for providing essential project information and thus the lack of basic review that can generate errors as the spelling, for example, indicates missing of readiness and reduced quality of the project (Mollick, 2014).

**Frequent updates:** Entrepreneurs are encouraged to post update information about their projects during and after the fundraising period. These updates are used to add more contents and provide progress reports. These updates represent the entrepreneur efforts to reach the current and potential investors and they serve to

inform about the project evolution. The updating velocity should indicate that the entrepreneurs are well prepared. Summarizing: frequent updates are related to greater success chances (Mollick, 2014).

**The social network size:** Social network influences the success of an enterprise funding efforts, once they provide connections to lenders and endorse (Shane and Cable, 2002). Social media (for example, Twitter, Facebook, blogs) provide a platform that enables the appeal to potential lenders once they connect these individuals to the online proposal. However, traditional forms of communication (e.g., public lectures, print media) can also be implemented as many public are not familiar with online projects like crowdfunding (Wheat *et al.*, 2013).

**Reward:** It shows how the contributions are paid. In some crowd sourcing processes no remuneration is offered: in this case, proponents rely entirely on other mechanisms to motivate contributors.

The most common types of reward are classified into fixed remuneration and success-based compensation (remuneration paid depending on the individual value of the contribution made).

**Previous entrepreneur behavior:** Koch and Siering state that “creating more projects leads to a learning effect which means that the founder gains skills of how to present the project best and how to be successful in the funding process”, it means that previous experience in other projects can be understood as positive aspect to be valued. Corroborating this fact, Zvilichovsky conclude that the number of projects previously created has influence in the project success.

## MATERIALS AND METHODS

Crowdfunding is a reasonably new concept and its use as a funding practice is in its beginnings. As a consequence, an exploratory, descriptive and qualitative approach using secondary data was chosen. The unit of analysis of this study is the crowd funding platform Catarse. Catarse was chosen as a crowdfunding platform for analysis because it is the first and largest crowdfunding platform in Brazil. This platform offers several categories of projects like music, theatre, education, science and technology, sports, etc. In almost 4 years passed by Catharsis 2,700 projects of which 55% achieved the funding target. The >180,000 people have contributed US \$8 million to these initiatives. Only in 2014 were 1,140 completed projects of which 605 met the

target. The platform of growth in 2014 represented the contribution of 88,500 people who have contributed 48% of all money in the busy story deck, average US \$0.3 million per month.

The method of fund-raising is “all or nothing”: if the project does not reach at least 100% of the amount requested within the stipulated period, it will not receive the amount already deposited at the end of the period or credit to apply in others projects. To be accepted on the platform the project must have a finite term have a clear objective, present a realistic financial goal that includes the maximum term funding with in 60 days. All projects must also offer rewards in return for the investor support for example, copies of the research, music discs, innovations, limited editions, exclusive benefits. Any type offinancial return is prohibited. Achieving a good quality video detailing relevant aspects of the project is also a must for projects over BRL 5,000.

The Catarse platform charge 13% of the amount collected if the entrepreneur reach the goal. It is remarkable that in this research, the success factors are conditioned to the fact that the project has attained at least 100% of the amount requested within the period determined by Catarse crowd funding platform.

We analyzed all 1.508 projects collectively funded by Catarse since, its launching in January 17, 2011 until December 31, 2014. We noticed that the average amount requested was US \$3,800. In order to refine the sample, we selected projects that overcome by at least 30% the required value and have requested at least BRL 12.000 (US \$3430) what resulted 79 projects. Then, we chose ten projects inside these ones. The main features of the ten designs are shown in Table 2. We use collection of secondary data available on the platform Catarse (www.catarse.me) and data analysis was done through content analysis.

Table 2: Average exceeded, average supporters and average value support per area

Areas	Average exceeded (%)	Average supporters	Average value support (US\$)
Comics	57.84	583	16
Art	51.53	381	46
Games	168.40	912	39
Literature	68.56	362	24
Music	132.57	939	29
Science and technology	75.28	621	27
Film and video	100.32	553	33
Community	42.04	274	56
Education	665.49	716	62
Events	100.09	1364	14
Architecture and urbanism	77.14	380	27
Design	44.34	520	19
Photography	37.95	437	18
Journalism	93.12	630	22

Research data obtained in Catarse company site

## RESULTS AND DISCUSSION

This study show successful projects Catarse since the launch on 17 January, 2011 to 31 December, 2014 with respect to areas that have had greater support for amount requested during the reporting period. Also in this study will be presented in greater detail one successful projects in this same period in Catarse platform.

**Successful projects:** Since, the launch of Catarse fourteen areas had higher values highlighted by exceeded the amount originally requested to be supported. There are twenty four possibilities areas in platform. The comics was the area that stood outwith 19 projects supported from the sample of 79 (24%) followed by Art and Games with 16.46% each. Periods when these campaigns were in the air were between 1 and 60 days, an average of 53 days (Fig. 1).

Although, projects in the area of comics are the most successful in absolute numbers, their average rate of sustained value is the second lowest of the group. On the other hand, the education area which had only three projects supported in this sample had the highest average individual contributions in the group. Areas of comics, arts and games were the ones that had a higher number of successful proposals in addition to the amount requested in these three areas are larger the sample but the average amount of revenue that showed better public adherence was in education. This can clearly be seen in Fig. 2.

Education was the area where we found the largest exceeding targets: 665% of surplus collected, distantly followed by games area with 168 and 132% in music area. Already, the event area was the most supporters brought on average perproject, 1364 followed by music with 939 supporters on average and games with 912 supporters on average, considering the average of 53 to the project in the air. The average value in that supporters participated in the campaigns ranged on average between BRL 55.87 (US \$16) and BRL 216.60 (US \$62). The projects that received the highest average volume of funds from supporter were education (US \$62), community (US \$83) and Art (US \$46). Further, details can be seen in Table 2.

**Projects description:** In 4 years Catarse brought to gether 2,700 projects (42% of them only in 2014) of which 1,480 (55%) achieved the funding target. Over 180 thousand people contributed over US \$8 million for these initiatives (88,500 people contributed, 48% of all money in the busy story deck only in 2014, an average of US \$285 mil per month.

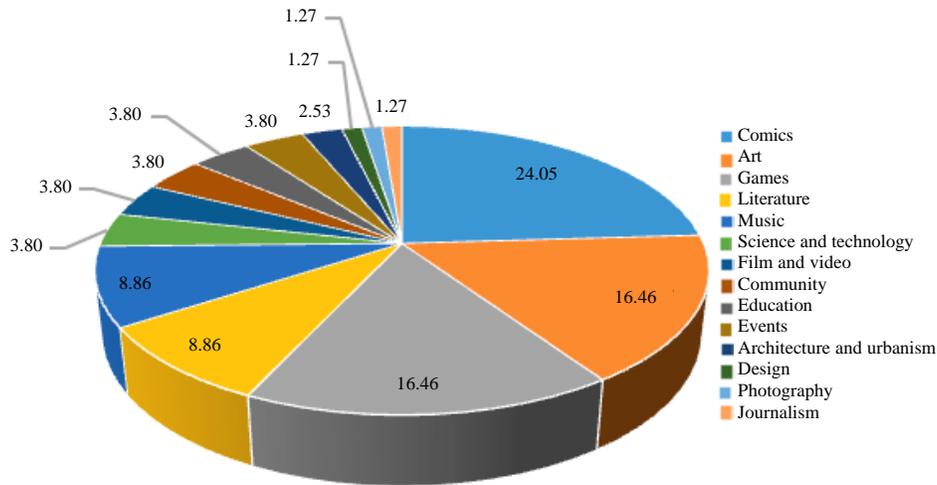


Fig. 1: Proportion of support by area in the sample (research data obtained in Catarse company site)

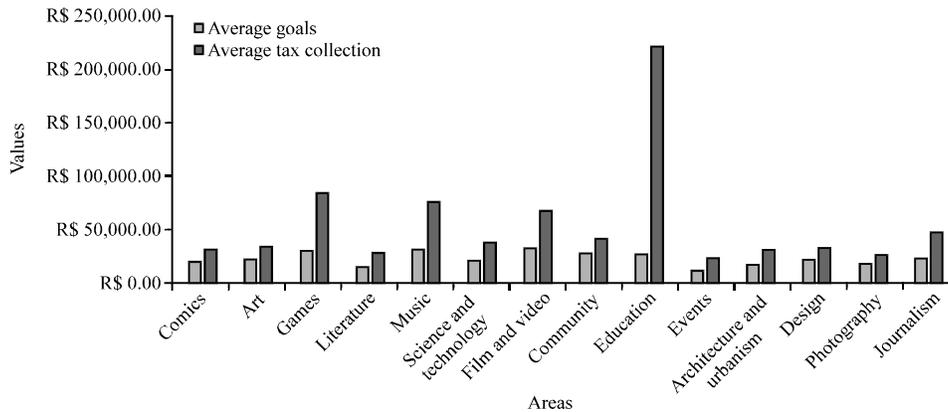


Fig. 2: Average goals and tax collection per area (research data obtained in Catarse company)

Now, we show with more detail some projects in our sample that were considered highlighted in Catarse and why. In order to characterize such projects, the quality indicators discussed in the literature section were used (Mollick, 2014). The indicators are:

**Category:** The projects are categorized into various categories, according to Fig. 1.

**Project goals:** Catarse follows the model of “all or nothing” that is the money is collected only if all the funding target is reached and otherwise all supporters receive the money back. Thus, there is a strong incentive for entrepreneurs to set realistic goals.

**Funding level:** It is the target percentage of a project that is actually raised by entrepreneurs. Projects that earn a higher value than the goal are considered surplus projects.

**Timing:** The number of days when a project accepts funding. In Catarse, projects can choose the length between 1 and 60 days to conduct his campaign in search of supporters.

**Backers:** The number of donors who support the project.

**Pledge/backer:** The individual contribution is not known. This variable is the amount of money raised divided by the number of supporters or the average revenue by supporters.

**Facebook Friends of Founders (FBF):** Since, many accounts in Catarse are connected to Facebook, it is possible to determine how many connections each Facebook founder has. Because of data collection limitations, FBF is recorded from the time of data collection, rather than at the beginning of the project. This suggests that the project success could lead to FBF increases.

**Updates:** This variable is measured by the amount of project updates made since its beginning on the platform.

**Comments:** Funders and potential funders can post comments on the projects, often expressing enthusiasm or contempt for the project. Data on the comments include details about the number and timing of these posts.

**Reward:** Rewards with higher values are an important signal for showing the quality of the project. This is because the reward is the value that a creator can offer to supporters. Moreover, rewards with very low values can leave a poor image to the supporters.

**Number of projects created:** It is the number of projects already created by the entrepreneur, except for the project being evaluated. This information is in Catarse page and has been recorded at the time of data collection.

**Number of supported projects:** It is the number of projects already supported by the entrepreneur. This information is in Catarse page and has been recorded at the time of data collection. Table 3 presents a sample of well succeeded Catarse projects: projects that had the highest average daily revenues were selected.

The rewards vary according to the percentage of support for that reason we have not included the column in Table 3. The cases presented in Table 3 are some examples that show that it is possible to raise funds from the crowd without even offer a financial return as in equity crowdfunding. Three of the ten cases are presented in details.

Molaisan education project that sought a new way to study and teach the behavior of architectural structures using tactile and visual form. The result was an interactive model that simulates the behavior of real structures. The campaign in Catarse was allocated to start production of commercial-scale model in a “Structural kit” Mola format. The amount requested to support the project were

between US \$6 and \$160. The supporters received a thank (donation) from the small value and there rewards or preordering to higher values. The Mola project exceeded expectations in 1107% gain of the requested amount and was available in platform for 45 days and received daily an average of 35 supporters a day.

In the area of science and technology, we can talk about Metamaquina 3D. This project raised 30% more resources than requested and received 160 support in 60 days. The idea of the project was to popularize 3D printers in Brazil. To do this, they needed resources to produce low-cost and easy to use printers. The function of a 3D printer is to apply melted plastic, layer by layer to form a massive, three-dimensional object. Once ready, you can handle the object and use it for the purpose for which it was created as it was made in a factory. Who supported the project with approximately US \$5 received a gratitude and support values and values above US \$8 receiving rewards or parts to assemble your own 3D printer.

The project “Desculpe, mas nao ouvi!” (sorry but I have not heard!) belongs to the literature area and it came about because of the researcher reports on a blog that had on the experience of recovering their own hearing. Blog followers began to constantly ask for it to be published a book based on reports of this blog. The money raised paid the printing of books (1,500 units), production and delivery of rewards, the launch event and 13% of the Catarse site committee. The project was in the air on the platform for just 1 day and collected 39.42% of US \$3.845 requested. All ten outstanding projects exceeded the target set by the founder.

**Analysis:** The duration of the collection period varies between 1 and 60 days. Interestingly, even having the option of remaining with the campaign within 60 days, only two of the ten projects opted for the maximum duration period which is consistent with the (Burtch *et al.*, 2013) recommendation: they state that awareness campaign is more important than the project duration time itself.

Table 3: Indicators description of selected projects

Project	Category	Goal (US\$)	Funding level (US\$)	Overcoming (%)	Duration	Backers	Pledge/ Backers (US\$)	FBF	Updates	Coments	No. of created projects	No. of backed projects	English site
Sorry, I did not hear! The Book Mola	Literature	3,845	5,360	39.42	1	183	29	1648	7	9	0	1	No
Dead Fish@New Disk	Education	14,285	172,500	1107.53	45	1583	122	4155	16	135	0	6	Yes
The hero legend the game	Music	19,223	82,906	331.28	45	3210	26	157000	2	201	0	0	No
In master steps	Games	40,049	82,849	106.87	60	6112	14	44000	11	863	0	4	No
Lost kids: seeking samarkand	Filmand video	12,816	38,263	198.57	46	907	42	4308	15	32	0	0	No
You fiscal to monitor the election and ensure your vote	Comics	9,612	14,566	51.55	20	848	17	5769	50	119	3	30	
The evasion of Glogo	Science and technology	9,612	20,998	118.47	30	1148	18	25000	4	146	0	3	No
Pimpmy wagon	Journalism	8,010	15,469	93.12	40	630	25	138000	0	8	4	1	No
New guide Brasilia	Art	3,845	5,360	67.41	60	792	29	19000	14	4	27	6	No
	Architecture urbanism	16,019	19,344	105.29	45	572	122	9648	6	23	0	1	No

With regard to the amount of supporters, the design with fewer supporters (183) was “Sorry, I did not hear! The Book”, despite this, the project has a good average revenue per supporter, since managed to overcome in a single day, 39% of the target. The project with the largest number of supporters was “Dead Fish@New Disk” with 3210 supporters reaching the second highest percentage of overcoming the goal (331%).

Concerning the average revenue per supporter, the project that received the highest average funding was the “Mola” and it was also the one that had the highest overshoot of target (1107%) which may indicate that the average high collection is a good predictor of the success of fundraising projects.

As for the size of the network on Facebook, it wasn't noticed a direct relationship between projects with larger network and target overcoming. In relation to the amount of comments, it can be seen that the most supported projects are usually those who had higher amount of comments on the crowdfunding platform.

Taking in account the updates, the amount of projects supported and created by the project proponent, it was not possible to analyze any pattern in the ten cases examined.

However, it is important that some quality indicators are basic in the project development process as the presence of a video. In terms of reward, all of them are staggered, i.e., the higher the contribution of the supporter, the greater the reward offered by the proponent.

Summarizing, it was not possible verifying which quality indicators are the most related to the target overcoming in a qualitative analysis, recommending a quantitative analysis of these indicators in the future for all the sample of companies that have overcoming the target.

## **CONCLUSION**

In Brazil, the crowdfunding has not taken off as other countries, perhaps because the handled financial values are still small. But we can realize an enthusiasm of the new dynamics of access to resources. However, it is certainly impressive by local standards. We have experiences like Kickstarter American website, created in 2009 which has raised more than US \$1 billion for startups Kickstarter and Crowdcube, site created 3 years ago in England that is a prime example of this new modality. The Catarse is a Brazilian crowdfunding platform for success.

Using all the available period of publicly available information on projects funded by Catarse successfully, we realize that it is not possible to establish a typical

pattern of project support according to its segment. On the other hand, lenders are more likely to contribute to a project that offers some reward or pre ordering as Mollick (2014) says.

We found that there were 14 areas that exceeded the amount originally requested to be supported and the areas with the greatest number of projects were: the comics, Artand Games these three areas were responsible for 57% of all projects that were surplus. Although, projects in the area of comics are the most successful in absolute numbers, their average rate of sustained value is the second lowest of the group. On the other hand, the education area which had only three projects supported in this sample had the highest average individual contributions in the group. And the most successful project was “Mola” one project in the area of education that involved the preparation of a kit for architecture structures simulation. This project was in english (the only one) and showed the testimony of internationally renowned experts in the area of architecture and may be this could be a differential of this project site.

In terms of quality indicators listed in the literature (such as Facebook friends of founders (FBF), number of created projects, updates, comments) we couldn't identify any pattern that could explain their success but number of backed projects and the fact that the site was in english could explain the success of Mola project, the most well succeeded project in the area of education.

This research has practical and theoretical contributions. For practice, this research show some ways to support new enterprises and can help the enterprises to shape the best practice to do business. For theory, the body of knowledge will be extended by evaluating if crowdfunding is also suitable for any new enterprises. So far, crowdfunding platforms cover different areas in practice but it is not yet understood if there are limitations to certain application areas.

We suggest future research about how projects financed using crowdfunding have been launched and what were the alternatives adopted for investor capital return. Future, research also could understand other success factors in using crowdfunding, through quantitative analysis.

Now is the time for leaders in the developing world to engage in a spirited discussion and analysis regarding crowdfunding and how it should be utilized to benefit businesses and communities while providing prudent safeguards and investor protection. It may be possible for developing nations to use this new funding mechanism as a means to spur domestic innovation and create a larger number of high-growth

entrepreneurs. Innovative policies, technology, education and safeguards will be important in determining if this new financial tool can deliver on its promise.

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