

Reward Based Crowdfunding: Barriers and Borders for Female Entrepreneurship in Northern Ireland

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- The Northern Ireland context
- Gendered barriers to women's entrepreneurial activity
- Crowdfunding – the big story!
- Why might this offer a solution to barriers and borders?
- Study objectives
- Research Approach
- Key findings
- Overarching recommendations
- Implications



Unstable political context hampered Foreign Direct and Inward Investment for decades

High levels of disadvantage – poverty, health etc. resulting in high levels of EU financial support.

Peace dividends with inward and FDI have increased significantly and ambitious growth plans for the region.

Gendered barriers

- Self-confidence (McAdam, 2013)
- Risk aversion (Hindley, 2000)
- Double burden, maternity and childcare (Rouse and Kitching, 2006)
- Access to Finance (Coleman and Robb, 2009; McAdam, 2013)
- Sexism and sex-based discrimination (Bradley, 2013)

Finance

- Historical reluctance to approach lending institutions (Carter & Shaw, 2006; McAdam, 2013)
- Bias on behalf of lenders (Brush, 1992)
- Gendered pay and access to finance (Marlow & Patton, 2005)
- Typically under-financed at start-up (Carter & Jones-Evans, 2006)
- Higher interest rates due to smaller loans (Treichel & Scott., 2006)
- Perception of discrimination – discouraged borrower (Coleman, 2007)
- Lack of transparency in criteria problematic (Cowling et al., 2012)
- Women still access small percentage of funds (Brush et al., 2017)

Crowdfunding inverts typical lending (a large amount from one institution to many people) whereby many people offer small amounts to one person usually through an online platform.



- It makes use of virtual and traditional networks
- Flexible finance option
- Suited to all sectors, business types and growth stages
- Small in comparison to traditional funding instrument



- Raised over €34 billion in 2015, (Massolution, 2015)
- €4.2 billion raised on Crowdfunding Platforms in Europe in 2015, (European Commission, 2015)



- Globally \$738.9 million raised by organisations between 2014 to 2016, (Statista, 2018)
- Types of Crowdfunding methods, (Vulkan et al., 2016)
 - Donation-based crowdfunding (DBCf) – funder plays philanthropic role by providing capital with no investment return
 - Reward-based crowdfunding (RBCf) - backers secure a reward ranging from a newsletter, to tickets, to a cup of coffee/dessert, to a new product or service – most commonly used by start-ups and SMEs and most prevalent CF due to its flexibility (Mollick, 2014)
 - Lending/Debt-based crowdfunding (LBCf) – funders provide micro-loans and receive principal and interest return
 - Equity-based crowdfunding (EBCf) – funders provide finance in exchange for equity (shares) or debt (bonds) in the company

Women are engaging as project leaders on Kickstarter at higher rates than women in entrepreneurship generally in US (Marom et al., 2016)



Challenges:

- Taste-based discrimination (Marom et al., 2016)
- Gender congruence
- Lack of awareness & technical know-how, (Loane et al., 2015; Fraser et al., 2015)

Women more successful in securing funding online

Women more likely to seek funding when BP well developed and longer track record (Coleman & Robb, 2012)

Women backers: 83% invest to support the person (Marom et al., 2016)

Increasingly same gender investors and backers, (Marom et al., 2016)



- Explore women entrepreneurs in Northern Ireland use of crowdfunding for finance
- Explore the barriers and drivers regarding crowdfunding
- Explore attitudes and experiences of NI women entrepreneurs



- Phase 1: Initial Online Survey

Sample recruitment - Women in Business NI, online platforms namely LinkedIn and Twitter, snowball sampling and researchers networks
Sampling frame - Women Entrepreneurs based in Northern Ireland

- Phase 2: Face-to-face Interviews

Sample recruitment – Self-selection through survey of users and non-users of crowdfunding



- Demographics
 - Broad range
 - 54% minimum bachelors degree or higher
 - No trends or impact on propensity to engage with crowdfunding
- Organisation Profiles
 - Private sector (76%) and Social sector (10%)
 - Activity areas (3) – business and professional services (17%), hospitality and leisure (15%) and technology (12%)
 - Early start up aged 1-3 years (30%) and established (3-5 years and 5-10 years) (55%)
 - Micro to small firms (74%) have less than 3 employees
 - No trend regarding technology activity and being more or less inclined to engage in crowdfunding



- Organisation Technology Use
 - All except 2 use social media on variety of platforms
 - Those with no social media did not use or considering crowdfunding
 - 54% minimum bachelors degree or higher
 - Social media activity not a useful indicator/measure of likelihood of engaging with crowdfunding
- Finance Priorities
 - Personal savings
 - Loans from family and friends
 - Secured bank loan
 - Unsecured bank loan
 - Credit cards
- Finance is a top 3 priority for female entrepreneurs – customers (33%), finance (16%), costs (13%) and competition (11%)



- Crowdfunding
 - 5 respondents used crowdfunding
 - Low usage levels
 - High levels of awareness with only 1.3% having never heard of it
 - Appetite for learning (n=7) requesting short courses and training
 - Clear barriers to moving from awareness to use of crowdfunding with barriers being operational with 83% having not used crowdfunding
- Types of crowdfunding
 - 100% used RBCF
 - 0% DBCF, LBCF or EBCF
 - Small company size, smaller funding needs, small market offerings and lower levels of expertise and confidence
- Crowdfunding use
 - 75% wholly or partially successful
 - 25% failed



- Crowdfunding Success Measures
 - Not only pounds and pence with raising funds (33%)
 - Build and increase brand awareness (44%)
 - Gather customer insights (11%)
 - Validate and gauge business audience response (11%)
- Drivers of future use
 - More targeted research (30%)
 - Online support by platforms to develop campaigns (20%)
 - Training and workshops (15%)
 - Chasm regarding education and awareness with misperceptions:
 - * Crowdfunding is only suitable in some sectors
 - * Perceived as an unprofessional way to secure funding



- Crowdfunding Barriers and Challenges:
 - Insufficient guarantee of success (36.67%)
 - Limited control over outcome (30%)
 - Lack of knowledge/skills (30%)
 - Contrary to understanding preference for traditional funding sources does not discourage crowdfunding use (3%)



- Lack of awareness of crowdfunding value
- Under-represented as a finance source
- Poor experiences and skills to develop successful crowdfunding campaigns
- Dispels misconceptions regarding demographics and tech-savvy entrepreneurs
 - Multimedia approach to disseminate information about different funding sources and strategies
 - Desire for short courses, training and workshops on crowdfunding
 - To include alternative finance sources such as RBCF
 - 'How to' skills development (online and offline)



SO

- Inform government organisations
- Inform wider curriculum and skills agenda
- Support regulation development and advancement



Thank You

