Chapter 6
The Crowdfunding Market, Models, Platforms, and Projects

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ABSTRACT
The changing structure and intensity of competition on one hand, the ongoing pressure on creating differentiated offerings lead to seek out new ways to improve technology as well as new ways to perform business. Technological developments enable market participants or other interest parties to engage in the process of both innovation and production, resulting with an online social network market model of co-creation. This chapter focuses on describing different aspects of recently developing crowdfunding market models where new projects are offered and funded by large number of individuals from general public. The current extent and dynamics of the growing crowdfunding market, various models of crowdfunding, crowdfunding platforms and the projects that are crowdfunded are analyzed through the chapter by giving examples and comparative comments. The analysis of the market is concluded by the foreseen future trends.

INTRODUCTION
Crowdfunding is a rapidly emerging system for funding a wide variety of projects from art-based campaign to technology related initiatives. Although, artistic and social projects have become successful in the earlier period of crowdfunding, recently campaigns concerning small and medium sized start-up companies, software programs, real estate and other kind of business have become popular (Review of Crowdfunding Regulation, 2014). Crowdfunding enables individuals to actualize their original ideas and social-based projects that they cannot find capital easily from other kind of financial sources. That

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is why it is defined as “funding escalator” for start-up companies and support to form democratic and collective financial system (Unleashing the potential of Crowdfunding in the European Union, 2014). Today, crowdfunding market includes profit and non-profit projects in the area of business, technology, art, film, music, publishing, journalism, real estate and social cause (Milosevic, 2015; Martínez-Canas et al., 2012). Business and entrepreneurship remained as the most popular crowdfunding category, collecting $6.7 billion in 2014, which represents 41.3% of total crowdfunding volume. Social causes at 18.9% ($3.06 billion), films and performing arts at 12.13% ($1.97), real estate at 6.25% ($1.01 billion), and music and recording arts at 4.54% ($736 million) rounded out the top five categories. (Massolution’s 2015 CF Industry Report, 2015).

This chapter focuses on the recently developing crowdfunding online communities, as free basis, open communities for innovative co-creation, that the new projects are offered and funded by large number of individuals from general public. Beugre and Das (2013) define the term “crowd” to include a group of people or a community, a social entity organizing resources to exploit an opportunity that adds economic or social value. Crowdfunding mainly consists of collecting funds through small investors in return for tangible or intangible benefits (Ordanini, Meceli, Pizeli, & Parasuraman, 2011). Currently, 1250 crowdfunding platforms operate in the world. The crowdfunding market size rises from $6.1 billion in 2013 to $16.2 billion in 2014, increasing by 167%. It is expected that it would reach $34.4 billion in 2015 which is almost two times more than the existing volume (Massolution’s 2015 CF Industry Report, 2015). The chapter sheds a light to the current extent and dynamics of the growing crowdfunding market, introducing different models of crowdfunding, crowdfunding platforms and the projects that are crowdfunded. The analysis of the market is concluded by the foreseen future trends.

THE CROWDFUNDING MODELS

In crowdfunding, participants of the crowd benefit through different motivations such as getting free products, experiencing the pleasure of the process, participating an action group, etc. which bring different models of crowdfunding into the scene. The landscape of crowdfunding models is mainly grouped into two major categories as the nonfinancial return models and the financial return models, each comprising two types (Crowdfunding Final Report, 2014). These crowdfunding models that the funders are engaged are described as donation-based, reward-based, lending-based, and equity-based, respectively (Buysere, Gajda, Kleverlaan, & Marom, 2012; Bretschneider, Knaub, & Wieck, 2014). Even though these are currently well accepted models based on the basic definition of Crowdfunding’s Potential for the Developing World Report (2013), this chapter will also include a newly emerging crowdfunding model as civic crowdfunding. Table 1 refers to the general characteristics of the models analyzed.

Typology of Crowdfunding Models

Donation-Based Crowdfunding

Donation-based crowdfunding is aimed at supporting projects where contributors do not expect any financial or non-financial return (Kuti & Madarász, 2014). The projects can range from pure charity-based projects to personal ones or from academic or research based projects to art related ones. This type of model ties the donors to the project without getting any direct return for their donations, nor any