

Venture Financing by Crowdfunding

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Studienarbeit aus dem Jahr 2011 im Fachbereich BWL - Investition und Finanzierung, Note: 2,3, Technische Universität München, Veranstaltung: Seminar in Finance and Management Accounting, Sprache: Deutsch, Abstract: What are the similarities of a garden that can be hung with magnets on the wall, a fleet of pollution collecting sailing drones and a bracelet which merges with the iPod touch to a watch? All three have made the leap from an idea to a real product. And all three were financed by crowdfunding. In theory, before the discovery of crowdfunding, individuals have been indirectly financed projects by their savings. In doing so, banks acted as an

intermediary between them who need the money and those who have it. The innovation in crowdfunding process is in comparison to other financing methods that it doesn't need an intermediary, because the entrepreneurs seek their investors by themselves. The typical communication takes place via the internet. Crowdfunding is an option of financing which is especially used for artistic projects. It is also used to finance startups in information and communication, design, fashion or trade industry. The special thing about crowdfunding is the collection of small amounts of money from many people by using the internet. Every amount is just a small part of the fund they need to achieve the project. If a project is successful, the investors might even receive interests on their deployed capital, but mostly they receive another form of reward. Crowdfunding is not just to raise funds, it is also the collection of information. Moreover, it is often advantageous for the project that it passes through the crowd the process of funding a higher level of awareness. This is essential for the future commercialization. Furthermore, one gets the investors' feedback that can be incorporated in the development. Since investors usually slip into the role of the customer, it can be seen as an exchange of information between the organization and the customers. Often it is not only a pure crowdfunding financing. It can be a hybrid financing, in which a certain proportion of the required funding is obtained via crowdfunding, and the other part is obtained by usual forms of financing.