INSTRUMENTAL CROWDFUNDING AS A COMMUNICATION INNOVATION: WHEN A BANK, A NON-PROFIT ORGANIZATION AND A HOTEL PROJECT MEET THE CROWD

Mathieu-Claude Chaboud, Cornelia Caseau

De Boeck Supérieur | « Journal of Innovation Economics & Management »

2018/2 n° 26 | pages 89 à 111
ISBN 9782807391895

Article disponible en ligne à l'adresse :

Distribution électronique Cairn.info pour De Boeck Supérieur.
© De Boeck Supérieur. Tous droits réservés pour tous pays.

La reproduction ou représentation de cet article, notamment par photocopie, n’est autorisée que dans les limites des conditions générales d’utilisation du site ou, le cas échéant, des conditions générales de la licence souscrite par votre établissement. Toute autre reproduction ou représentation, en tout ou partie, sous quelque forme et de quelque manière que ce soit, est interdite sauf accord préalable et écrit de l’éditeur, en dehors des cas prévus par la législation en vigueur en France. Il est précisé que son stockage dans une base de données est également interdit.
Instrumental crowdfunding as a communication innovation: When a bank, a non-profit organization and a hotel project meet the crowd

Mathieu-Claude CHABOUD
CEREN, EA 7477, Burgundy School of Business
Université Bourgogne Franche-Comté, France
Banque Populaire Chair in Microfinance
mathieu-claude.chaboud@bsb-education.com

Cornelia CASEAU
CEREN, EA 7477, Burgundy School of Business
Université Bourgogne Franche-Comté, France
Banque Populaire Chair in Microfinance
cornelia.caseau@bsb-education.com

ABSTRACT
This paper examines the implications of the theories and practice of crowdfunding. An in-depth literature review discusses relevant work on crowdfunding, its business models, and the type of actors. Next, a qualitative study focuses on an online campaign that assembled actors from the tourism, charity and banking worlds in Austria in 2015. Through this review and case study, the article analyzes the parameters linking actors, projects, and online crowdfunding operations. This analysis indicates that the practice of crowdfunding exists inside the increasingly blurred lines between e-commerce and financing, outside of the need for funds and the communication parameters that are conventionally viewed in the academic literature as an additional advantage to the use of crowdfunding. The case project exemplifies an instrumental version of crowdfunding centered on communication rather than on financing. These results provided further insights on the extant literature in the field of crowdfunding business models.

KEYWORDS: Crowdfunding, Innovation, Communication, Charity, Tourism, Business Models, Bank

JEL CODES: G32, M37, G21, L83, L31
Crowdfunding, while an outsider to the classical financing systems by nature, is nonetheless quickly becoming an important part of the entrepreneurial ecosystem in the Western world. While crowdfunding is increasingly accepted as a way of financing innovative ventures, it is more and more taken for granted and less and less considered in its own innovative dimensions. Nonetheless, although most current studies are still focused on the gathering of funds in itself, this phenomenon is not limited to the raising of capital in small amounts from a large group of people (Gerber, Hui, 2013). Still, paradoxically, even if an entrepreneur or a company engages in a crowdfunding campaign to test the market or gather input from prospective customers (two key secondary reasons why crowdfunding may be desirable), the heart of the success or failure of the operation is still the gathering of capital to meet the goal of the campaign (Lambert, Schwienbacher, 2010). Similarly, most ventures resorting to such campaigns suffer from conditions of information asymmetry between themselves and potential investors, are too small or young to demonstrate their cash flow capacity, or are too costly to assess (Cosh, 2009; Johnson et al., 2010). From this standpoint, research on crowdfunding has mainly focused on factors of success and campaign principles (Mollick, 2014; Xu et al., 2014), areas and typologies of funding (Agrawal, 2014), and motivations of project leaders (Schwienbacher, Larralde, 2012) and contributors (Gerber et al., 2012). Seen as a side effect of crowdfunding, communication outcomes of campaigns have been less investigated. However, research has shown (e.g., Schwienbacher, Larralde, 2012) that many entrepreneurs attach significant importance to the communication effects of their campaigns. Conversely, entrepreneurs can be discouraged from engaging in a crowdfunding campaign (or may scale down their funding ambitions) because of the disastrous reputational and communicational effects of a potential failure. In some cases, this can make communication a reason not to engage in crowdfunding (Gerber, Hui, 2013). Despite these findings, crowdfunding has been almost exclusively studied as a mean of financing a project, with communication seen only as a (potentially positive) byproduct of the campaign.

As such, most studies have focused on aspects of the area of operations related to funding and the type of rules enacted by the crowdfunding platforms where projects take place (Cumming et al., 2014). Nonetheless, some academics have taken a different direction, choosing to investigate the organizational elements involved in the arrangements created to both enable and create value through (and not only for) crowdfunding. Assadi (2016) has notably devised a typology of business models of crowdfunding by surveying the relationships and value creation models of dedicated online-based crowdfunding platforms. This typology includes four components: the customer value proposition (CVP), the structure of revenue streams, the infrastructural
technologies and capabilities, and finally the governance of relationships and transactions among participating parties.

This paper investigates a campaign conducted as a part of a hotel project in Vienna, Austria, led by the non-profit organization Caritas and organized on Crowdfunding.at (the crowdfunding platform of Bawag P.S.K., a leading Austrian bank). Through this investigation, the paper aims to contribute to the literature on crowdfunding business models, as well as extending it to include situations where crowdfunding is subordinate to communication. This case study is happening in a specific context, the tourism business linked with a non-profit charity goal, and features an interplay of unusual stakeholders. As such, it allows the authors to devise new instrumental elements to the range of business model components, and notably the existence of crowdfunding as principally related to the communication needs of already funded projects. This situation creates crowdfunding campaigns that do not formally require either a crowd or funds for the success of the project; however, it is necessary for both to be gathered in a reasonable proportion to legitimize the existence of the campaign itself and offer communication advantages to the whole project. Therefore, our questions are as follows: Does the Magdas case demonstrate that crowdfunding campaigns can exist for purposes other than fund raising? If so, what does this mean in terms of the components of crowdfunding business models and, notably, the notions of value and value appropriation?

This paper begins by reviewing the crowdfunding literature, including the relationship between non-funding-related goals and business models. It explores the relationships between crowdfunding and the main stakeholders involved in our empirical setting (i.e., banking, tourism industry, and charity players). We then present the research methodology and philosophy, followed by our empirical setting and a description of the crowdfunding campaign. The article then discusses the implications of the communicational nature of this specific campaign in terms of the crowdfunding business model. Finally, implications of our findings for theory and future research are discussed.

**Literature review**

The forms, parameters, and reasons for the use of crowdfunding have been of great interest to researchers. To offer more satisfactory definitions and descriptions of this phenomenon, recent studies have notably highlighted the reasons to use crowdfunding outside of an exclusive focus on the funding aspect (see, e.g., Gerber, Hui, 2013), and have proposed new lenses through which to explore this practice, particularly through the notion of
business models (Assadi, 2016). The case analyzed in this paper was selected as it presents a rare combination of actors, potentially offering interesting new insights on crowdfunding. After a short overview of crowdfunding, with a focus on crowdfunding outside of seeking funds, this section presents an introduction of the notion of business models and the application of this concept to crowdfunding in the current academic literature. As the empirical setting of this study presents an unusual collection of stakeholders, this section also reviews current research on crowdfunding in the context of banking, tourism, and charities.

Crowdfunding

Rooted in crowdsourcing (i.e. the act of outsourcing a function once performed inside a company or institution to a network of people in the form of an open call; Howe, 2008), crowdfunding generally involves raising capital in small amounts from a large group of people. Crowdfunding can be used as an alternative to seeking funds from traditional channels: banks, venture capitalists, investment funds and other companies. The principal reasons for entrepreneurs of all kinds to engage in crowdfunding operations are related to information asymmetry between potential investors and the ventures seeking funding, the ventures’ lack of demonstrable cash flows, and the cost to financial institutions of appraising relatively small loans (Cosh, 2009; Johnson et al., 2010).

One of the core definitional components of crowdfunding is, therefore, a focus on the financial need of companies. This focus is reflected in the seminal definition by Lambert and Schwienbacher (2010, p. 5), broadly depicting crowdfunding as “an open call, mostly through the Internet, for the provision of financial resources, either in the form of donation or in exchange for the future product or some form of reward and/or voting rights.” In the same way, most definitions of crowdfunding presented in the academic literature (see, e.g., Schwienbacher, Larralde, 2012; Belleflamme et al., 2013) are related to the idea that the fund seekers (e.g., individuals, start-ups, and small firms, who often lack collateral) are limited in their ability to reach venture capital and bank support. Whereas these authors source the principles of crowdfunding in crowdsourcing, they nonetheless tend to limit its goal to financial matters.

Crowdfunding Outside of Solely Seeking Funds

This focus on funding is sometimes less pronounced in the research efforts of scholars who are working on the assumption that crowdfunding remains
merely one specific version of crowdsourcing, as defined above. This broader view takes into account the fact that the phenomenon of crowdfunding is mainly happening thanks to the power offered by Web 2.0 and often requires the recourse to social media (Lu et al., 2014). As such, it allows for definitions that take into account a wider diversity of practices. For example, Gerber and Hui (2013 p. 34) proposed to define crowdfunding as “the online request for resources from a distributed audience often in exchange for a reward,” noting that it is more than just a way to raise funds. Indeed, they have found entrepreneurs’ motivations behind the recourse to participatory funding to be linked not only to the fulfillment of a financial need but also to a desire to communicate and raise awareness, connect with others, gain approval, maintain control, or learn (Gerber, Hui, 2013). Still, previous studies on crowdfunding have shown that such non-financial outcomes are considered instrumental to funding success. They remain a marginal output of campaigns that are by and large mainly motivated by capital requirement (Schwienbacher, Larralde, 2012; Gerber, Hui, 2013). Nonetheless, these findings confirm the strong link between crowdfunding and crowdsourcing, as people involved on both sides of such projects may seek more than just funds or financial rewards. Indeed, they may seek a relatively large range of resources and benefits, notably in the form of social capital (Chaboud, 2016).

**Business Models**

The term “business model” was first used in an academic article in a paper by Bellman et al. (1957). It was not present in the title and abstract of an article before 1960 (Osterwalder et al., 2005). Although the concept gained acceptance in the late twentieth century, it did not become highly prevalent in the business and academic worlds until the early 2000s, as the Internet and ICT advanced the need for immaterial capital development (de Montmorillon, 2001). Although different articles on business models tend to operationalize this notion differently depending on their focal field (Zott, Amit, 2010), research seemed to agree on a few central elements of the concept. Business models are chiefly used as a way to understand how a company or a specific business area creates value, what are its internal sources of competitive advantage, and how it manages to appropriate value. As a theoretical tool, the notion of business model is used to describe with standardized categories the elements at play in the business offering and relationships present in a specific business or business area. This concept allows various stakeholders to more easily understand a given business arrangement in commonly framed terms, potential funders to take
more informed and supposedly neutral investment decisions, and scholars
to decipher organizational frameworks outside of their idiosyncrasies. All
of this is possible thanks to a lens focusing on operational elements (Zott,
Amit, 2010).

**Crowdfunding Business Models**

Basing his study on Internet crowdfunding platforms, Assadi proposed a
set of components linking the traditional notion of business models to the
specificities of crowdfunding (Assadi, 2016). His model is composed of four
elements: the customer value proposition (CVP), the structure of revenue
streams, the infrastructural technologies and capabilities, and, finally, the
governance of relationships and transactions among participating parties.

While the traditional vision of business models is relatively easily matched
with the first component of this model, CVP, supporters tend to look for
something beyond a mere market relationship. Often, they are even wary
of profit incentives, which may foster undesirable outcomes from the point
of view of supporters who value the non-contractible outcome of the entre-
preneurial venture (Glaeser, Shleifer, 2001). In this sense, the reciprocity
element allowing the rise of social capital has to be considered outside of
purely pecuniary and even economic rewards. This is the case because some
backers favor the quality or features of the product over potential cost reduc-
tions and other profit-enhancing actions, which may conflict with their ini-
tial reasons for supporting the project in the first place. Using the notion of
the business model and its operationalization at the level of a business activ-
ity (here, crowdfunding), rather than at the level of a single company, allows
for deciphering the interactions taking place between the stakeholders of
that activity. Classically, crowdfunding CVP is considered to be centered on
the notion of reward and reciprocity. However, this relationship may be less
clear in the case of unusual actors. Moreover, while the CVP may be main-
tained, the appropriation of value (called the structure of revenue streams
in Assadi’s framework) may be completely disrupted by a specific context.

It is interesting to note that this very notion of value is globally understood
(and specifically understood in the case of Assadi’s work on crowdfunding
business models) as solely related to revenues. Most organizational endeavors
may have to be considered to be related to the necessity of securing suffi-
cient inflows of money, either to allow the projects to exist (in the case of
charitable organizations) or as a result of the success of the project (for most
businesses). However, the peculiar conditions existing for crowdfunding
operations related to the specific actors described below may create widely
different metrics of value and success.
Crowdfunding and Unusual Actors

As mentioned above, the most classical setting of crowdfunding operations today is that of small, for-profit ventures seeking seed funding. Nonetheless, a wide variety of situations can be encountered on crowdfunding platforms. For example, many specialize in either markets (e.g., Mymajorcompany.com specializes in art-related projects, while Makeachamp.com is entirely focusing on sport sponsoring), publics (e.g., Causes.com gathers people interested in funding non-profit operations) or geographical locations. Outside of the case of generalist platforms serving as intermediaries (Bouncken et al., 2015), some crowdfunding platforms are also supported by specific actors from the general related business ecosystem, including content producers or publishers (e.g., Steam is both a videogame marketplace and public vetting/funding platform). Moreover, project bearers themselves can also organize individually and use their own Internet presence to base their crowdfunding campaigns in what is called direct crowdfunding (Lambert, Schwienbacher, 2010).

Crowdfunding and Banks

Banks are in a favorable position in terms of legitimacy for developing lending-based crowdfunding operations. However, despite their historical move toward the consumer world (e.g., phone subscription offerings), they are far from being seen as natural providers of products, which are the most typical form of rewards in crowdfunding campaigns. Nonetheless, while crowdfunding may be seen as an alternative to bank lending in situations in which the lending market is under stress, having to resort to funding outside of banks still gives mixed indications to funders about the risk and opacity of new ventures using crowdfunding (Blaseg, Koetter, 2016). Still, banks are in a peculiar position with regard to crowdfunding, including (and maybe especially) cooperative or mutualist banks (Assadi, Ashta, 2014). By nature, projects that require alternative sources of funds are unable to raise seed money through classical channels, particularly banks. This situation is placing banks in a situation where new business opportunities increasingly escape their reach. One of their main issue is to be unable by nature to assess projects which are better organized outside of them. To further complicate this equation, crowdfunding is far from being a simple phenomenon in itself, as distinctions exist between equity, donations, lending and reward crowdfunding (Bouncken et al., 2015).

To resolve the question of legitimacy and the visible paradox of the involvement of banks asking others actors (funders) to finance what they would not finance themselves, banks are able to use various strategies. The first of these is the participation in, and even direct acquisition of, existing crowdfunding
platforms, which will continue to operate under their own names most of the time. The second is to create their own crowdfunding platform, usually operating under a different name but often indicating the affiliation to the bank. This approach follows the idea that such labelling will offer potential funders additional confidence in the proposed projects, in line with findings from the academic literature linking customer loyalty toward a platform (or website stickiness) with parameters of trust and commitment (Li et al., 2006). Finally, some banks, particularly online banks, directly offer crowdfunding as a service under their own name, mostly specializing in socially oriented projects (Wright, 2015). The underlying motives of these three ways for banks to engage in crowdfunding might be to offer the image of a modern and benevolent actor that is close to small entrepreneurs and communities, as well as to access a market that is growing in significance and volume. Clearly, crowdfunding is posing a fundamental problem, or at least a challenge, to banks. It can be seen as a disruptive innovation from actors enjoying a fresh approach to risk management inside a simple product offering, for small business which positioning is easy to understand and have the sympathy of the public as well as much lower operating costs (BBVA, 2013; Assenberg van Eysden, 2015).

Crowdfunding and Tourism

Crowdfunding is becoming an increasingly important means of financing tourism, with dedicated platforms such as Travelstarter (mostly for small projects justifying the call to alternative funding) or Garupa (a platform mixing sustainability and tourism). These platforms operate in a domain where the legitimacy of a call toward a large crowd, as will be presented in the next section, makes the most sense.

Empirical studies have indeed demonstrated that elements such as national proximity are very important to fundraising success. In turn (and more counter-intuitively for an industry like tourism where communication has traditionally been seen as a key to success), Internet communication led by entrepreneurs has appeared to have a lesser impact (Beier, Wagner, 2015). Some authors have noted a similarity between tourism, cultural heritage, sustainability and the funding roles of philanthropy and charitable foundations (Rhisiart et al., 2013; Li et al., 2016). Still, in this context, while tourism is seen as an important economic activity for the greater local good by funders, the difference between tourism and the world of non-profit and charities is still large. Notably, despite this obvious link between the nature, size, or social goal of projects and this financing model, more and more funders are looking at crowdfunding, specifically in this context, as chiefly a form of investment (De Maupéou, 2015). One may additionally wonder whether the tourism
sector can use crowdfunding as a tool to conversely ‘uberize’ its operations (by opening them to cheaper alternatives led by self-organized actors), especially in the case of a relationship to prosocial goals (Lee, 2016). However, the most common form of organizing crowdfunding in such cases remains the offering of rewards. This is the case because, contrary to the case of banks, crowdfunding operations linked to tourism are in a better situation to offer future stays or discounts at the funded accommodation (Beier, Wagner, 2015). It is also interesting to note that because of the essentially ‘one-shot’ nature of crowdfunding operations, resulting mainly in the efforts needed to raise enough social capital to succeed and the risk of depletion of this social capital over time (Alijani et al., 2016), the use of this tool as a commercial method seems ill-adapted to the needs of the daily conduct of accommodation businesses.

Crowdfunding and Charities

As noted above, the similarity of charity calls for financing and crowdfunding operations makes this form of financing a natural candidate for non-profit organizations aiming at linking socially oriented projects and their potential supporters using the power of Internet-based mobilization tools. It is therefore not surprising to see organizations such as the Red Cross, for example, being the most apt to virtuously employ crowdfunding (Hemer, 2011). It is not rare to observe organizations creating their own dedicated crowdfunding spaces in one form or another in other sectors (Belleflamme et al., 2013); however, non-profit operations mostly occur through dominant crowdfunding platforms (e.g., Kickstarter or Indiegogo) or specialized platforms (e.g., Firstgiving or Causes). This can be explained by the fact that non-profit organizations see in crowdfunding, as well as in the existence of well-established platforms, an occasion to outsource what was once a core function for them. This enables them to save both time and money while keeping control of the campaigns themselves. It is estimated that charities raise around $1.5 billion a year through crowdfunding. The main risk of what may seem at first glance a win-win situation is that the use of crowdfunding may blur the distinction between charity and for-profit ventures. For example, some pharmaceutical companies have started to crowdfund clinical trials, appealing to donors for what will eventually both help to cure patients and generate money (Stockton, 2016). By nature, because crowdfunding is above all organized around the capacity to mobilize social capital (Chaboud, 2016), and because the social dynamics at play (which are notably linked to trust and confidence) are at the heart of this relationship (Alijani et al., 2016); this ambiguity is probably endemic of this phenomenon. The situation described in the next section is somewhat reminiscent of all these tensions, as it mixes the prominent presence
of a major charitable organization (Caritas), a well-known Austrian bank (Bawag P.S.K.), and a hotel project ultimately destined to be profitable.

**Methodology and empirical setting**

Our research strategy is based on an inductive qualitative research design. This strategy is associated with an interpretive philosophy (Denzin, Lincoln, 2011). We chose this approach because of the need to make sense of the reasons for the choice of crowdfunding by unusual actors—a topic where quantitative data would have lacked explanatory power and could even have been misleading. We chose the case-study method, because it allows researchers to work with new phenomena (Eisenhardt, 1989) and helps to determine “how and why” rather than “what” or “which” choices are made (Yin, 1994). The main objectives of using case studies are related to contextualizing phenomena (Yin, 1981), generating insights and theory building (Eisenhardt, 1989, Bonoma, 1985), or deciphering relationships between actors (Yen, 1993). By allowing researchers to consciously select and problematize specifically chosen peculiar or anomalous cases that are not satisfactorily explained by current theories, the case study approach is also invaluable as a process of collecting initial data and paving the way for further survey investigation (Galunic, Eisenhardt, 2000; Ulaga, Reinartz, 2011). In this sense, as our study deals with an original question using an exploratory approach, the use of a single case can be sufficient as long as its peculiar nature offers new insights (Yin, 1994; Wacheaux, 1996). As shown in the sections above, the unusual stakeholders of this particular crowdfunding operation offered such conditions. Exploring an unusual case involves limitations, notably the impossibility at an early stage to establish either the prevalence or the significance of the observed phenomena. Moreover, when analyzing emergent processes under original lenses, the researcher does not know exactly what she or he is looking for. This point is underlined by Yin (2014, p. 109): “the analysis of case study evidence is one of the least developed and most difficult aspects of doing case studies. Too many times, investigators start case studies without having the foggiest notion how the evidence is to be analyzed.” Therefore, to ensure this case study approach will be fruitful, we have chosen to confront elements from multiple sources, as described below, and to include in our data set interactions with informants and actors. Consequently, our analysis consists of in within—case and cross—case analyses (Patton, 1990), using statistical evidence from other cases. These include reports on the crowdfunding industry (Husain, Root, 2015), crowdfunding economy-related literature (e.g. Agrawal et al., 2014), up-to-date statistics from the industry itself (see
Kazmark, Nichols, 2016), and quotations from interviews to justify conclusions about the differences between typical crowdfunding campaigns and the case under scrutiny. Hypotheses were then formulated using analytic induction (Znaniecki, 1968).

This part explores the case of a campaign created to raise funds for a hotel project based in Vienna, Austria. Involving a series of actors from the non-profit, tourism, and banking sectors, the crowdfunding campaign around the Magdas Hotel project is exemplary of practices and dynamics that offer interesting insights for the question of business models in this sector. The study originated from an in-depth exploration of the empirical setting between July and October 2015, consisting of primary sources in the form of on-site visits to the hotel itself (Caritas, Bawag P.S.K.) and several of its branches in Vienna, as well as face-to-face interviews with multiple actors and an extensive gathering of secondary sources, notably an interview video of Cloed Baumgartner (Gumpelmaier, 2015). The interviews each lasted about one hour and were all recorded and transcribed. The interviews are listed as [I1] to [I3] in the sections below, using only the initials of each interviewee to preserve source anonymity. Specifically, the following interviews were conducted:

[I1] M. O. and P. Z., Bawag P.S.K., initiators of the crowdfunding.at project, July 17th 2015 interview at the headquarters in Vienna.


[I3] S. S., interlocutor for crowdfunding.at in one of the branches of the bank in Vienna city center, October 22nd 2015 interview in Vienna.

The sections below offer accounts of the history of the project, the actors involved, the crowdfunding platform created by the bank, and finally the parameters and outcomes of the campaign itself.

**History of the Project**

The opening of Magdas hotel in February 2015 began with an initiative of the Austrian branch of the Catholic relief organization Caritas, more specifically Caritas Services GmbH, a service running as a limited company since 2012. It is in charge of six social business departments working under the general brand name Magdas, with the purpose of trying to solve social problems through an economic approach. It is committed to help people who lack opportunities to find a job and connects individuals from different cultural backgrounds, professional capacities and social origins. The declared values of Magdas are meaningful working, quality, pleasure and team spirit (Caritas, 2015). Magdas’ six social business projects include Magdas Hotel
(a hotel in Vienna), Magdas Kantine (a restaurant in Vienna), Magdas Services (facility management of institutions of the Caritas of the archbishopric of Vienna), Magdas Essen (two canteen kitchens preparing the catering for the nursing homes of the Caritas of the archbishopric of Vienna), Magdas Recycling (collection of 470,000 used mobile phones, generating a €800,000 turnover), and finally Magdas Market (a low-price supermarket for people in need in Lower Austria) (Magdas, 2015).

In German, the brand name Magdas refers to both the female first name Magda (the nickname of Saint Mary Magdalene, one of the most faithful disciples of Jesus) and the sentence ‘Ich mag das’ (I like that).

The specific operation focused on in this study, Magdas Hotel, aims at offering a solution to young people with immigrant backgrounds who have difficulty finding jobs in the Austrian labor market. For the general secretary of the Caritas archbishopric of Vienna and social business project leader, Klaus Schwertner, men and women living legally in Austria should be given a chance to work there legally. The hotel project reflects this orientation, with refugees, volunteers and professionals from the hotel business working together. The ancient nursing home of Caritas has been transformed into what is referred to as a Grand Budget Hotel, situated near the famous Viennese amusement park Prater and the exhibition center of the Austrian capital city.

Considered a social enterprise connecting cultures, the hotel has 80 rooms, a garden, a cafe, a lounge, an artist-in-residence and a library, serving as a cross-cultural meeting center. The ancient nursing home building was upcycled by using existing resources and donations in conformity with the general way Caritas conducts its operations. To foster interaction between the employees of the hotel and the surroundings, inhabitants of the neighborhood were integrated in the upcycling process. Among the first employees of Magdas hotel were about 25 refugees and asylum seekers under 25 years of age from 14 countries (e.g., Afghanistan, Syria, Somalia, Iraq, Nigeria and Guinea-Bissau). While working at the hotel, they have the opportunity to meet businessmen, families and tourists. One of Caritas’ hopes is that this project will be emulated throughout the world [I2].

**Actors**

As mentioned earlier, Caritas Services GmbH was at the origin of the project, which intuitively arose from the idea of offering a workplace for refugees in a hotel, because of the permanent need for workforce in the tourist sector. Initially, the project was intended to be carried out at the new Viennese Central Railway station, but the lack of available space there prevented this
A solution from being adopted [I2]. The alternative solution was the transformation of the already existing Caritas building in the Laufbergergasse, in the second Viennese district. Therefore, actors for the renovation and its financing had to be found. Matching with the general idea of social responsibility endorsed by Caritas, the Austrian architecture firm *Alles wird gut* ("Everything will be all right") worked *pro bono* to remodel the ancient nursing home. The architects were supported by the Academy of Fine Arts of Vienna for the shaping of the facade and the furnishing of the hotel rooms. An artist from the Viennese Akademie der Bildenden Künste undertook the upcycling process. A consulting firm, PKF (international hospitality consulting), specializing in the field of hotel, tourism and leisure consulting, contributed its expertise. Cloed Baumgartner from the agency PRISCILLA & PAT, who is also ambassador for the Austrian office of the German crowdfunding platform Startnext, was responsible for the crowdfunding part of the project. The Austrian postal savings bank Bawag P.S.K. was involved in the first crowdfunding initiative (which is investigated here), while Startnext was involved in the second one.

**Bawag P.S.K. and Crowdfunding**

Historically, Austrian banks are aware of the importance of offering crowdfunding services to their customers. However, until very recently, they mostly worked with existing crowdfunding platforms. Bawag P.S.K. was the first Austrian bank to create its own crowdfunding platform, in a country where this form of financing is still very weakly developed. Bawag P.S.K.’s willingness to be present in the world of crowdfunding was probably due to a need to clarify and legitimize its existence as a prosocial bank after some scandals and a subsequent acquisition by an American private equity firm, Cerberus Capital Management. This situation probably explains the emphasis placed by the Austrian bank on crowdfunding, entrepreneurial projects and social projects. In terms of national context, Austria is considered a country of savers, with a large prominence of ownership saving schemes and fixed-interest savings accounts. Austrians are still rather skeptical about new forms of financing such as crowdfunding, but new regulations like the crowdfunding law of 2015 may help to change such attitudes [II].

The platform of Bawag P.S.K., called *Crowdfunding.at*, has existed since 2014 as a part of the “Es geht” (“it is possible”, “it works”) initiative of the bank. With ‘Es geht’, the postal savings bank declares that it wants to encourage people-originated initiatives by connecting individuals and communities and empowering them to create and contribute to Austria and its people (Bawag, 2016). The initial supporters of the project were collaborators of the bank,
who were willing to use part of their working hours for ‘a good idea’ [II]. The initiative ‘Es geht’ was created to support social and cultural projects. It was not intended to initiate new projects but rather to help private and public people to clear hurdles, set up networks and collect the money necessary for the implementation of new ideas. Every project is judged by Bawag P.S.K. experts, who make decisions regarding the volume and kind of financing. Crowdfunding initiatives are selected according to their conformity with the image of the bank [I]. Two weeks after the submission at the latest, the project initiator gets a qualified feedback, indicating whether or not the project is accepted. The bank does not assume the responsibility for the success or failure of a project, and its risk is essentially limited to its reputation [I].

The origin of the bank’s dedicated platform, Crowdfunding.at, goes back to the final project of two trainees of Bawag P.S.K., who have since become the project/human resources manager and campaign manager at the headquarters of the postal savings bank in Vienna. As the bank has a very centralized management, these two individuals remain the main-interlocutors for crowdfunding projects in Austria [I]. While branch employees are supposed to be familiarized with this type of financing, most information can be found on the website of the bank. The backer financing amount for any given project can range from €15 to €3,000, with rewards playing an essential role. The choice of this platform for Magdas Hotel was rather natural, as Bawag P.S.K. has always had good relations with Caritas. Being emblematic of the orientation chosen by the bank, Magdas Hotel was one of the flagship projects for the launch of the crowdfunding platform.

Magdas Hotel, the Crowdfunding Project

To transform the former nursing home into a hotel, Caritas invested €1.5 million, obtained through credit from a Viennese bank. The amount sought in the campaign was very small compared to the total investment (around €20,000 against €1.5 million). However, the organizers of the crowdfunding campaign insist the initiative became necessary because the amount turned out to be insufficient for achieving the project [I]. The first crowdfunding campaign was therefore undertaken together with Bawag P.S.K. at the end of 2014, collecting about €25,000, which was designated for the furnishing of 5 hotel rooms. The campaign mainly offered stays as rewards for funding, with each funding step associated with further reduction on the official price of nights booked this way. Interestingly, the campaign initially gathered only around 100 supporters (while the campaign ended with 104 individual backers, around 30 more people backed the project after completion, as pledging was left open for some time) (Crowdfunding.at, 2016). More precisely, chosen
rewards ranged from thanks in the form of a post card from Madgas Hotel for €20, to one night in a double room for €100 (chosen by the vast majority of funders), to 10 nights in a double room including breakfast for €1,000 (chosen by only nine backers). The ultimate reward level, intended for companies, offered offering 30 vouchers for a double room and a display of the funder's logo in the hotel lobby; however, this option was not chosen by any of the backers. In addition to these pledges, to support the action, the bank's CEO, Byron Haynes, gave Caritas a supplementary amount of €5,000.

The former Caritas project leader of Magdas hotel, Clemens Foschi, also hired Cloed Priscilla Baumgartner, a consultant in innovation and creative industries. Baumgartner used her own crowd and social media channels (i.e., Facebook, Twitter and Instagram) to build a community (Gumpelmaier, 2015). The interaction with fans who responded favorably to her initiative facilitated funding, and the whole campaign was accompanied by a permanent presence in all Austrian media. In the end, a lot of people in the country had heard about Magdas Hotel and the project was well received by the general population (Gumpelmaier, 2015). The whole crowdfunding campaign was considered a huge marketing machinery (Gumpelmaier, 2015) and was completed by ‘Baustellenmarketing’ (marketing operations at the construction site), such as a flea market or a dinner and party at the occasion of the refugee day of the UNHCR. The hotel reservation agency Booking.com supported the idea of exchanging one day in the office for one day on the construction site. Two Viennese partner hotels facilitated the training in the field of the hotel business of Magdas collaborators for one month. Baumgartner continuously posted photographs of the hotel with the text ‘Ja, ich mag das Hotel’ (Yes, I like the hotel), in order to keep people in a good mood throughout the campaign.

From the beginning of the project, Baumgartner's wish was to be present on a big international crowdfunding platform to gain higher publicity and address international tourists. Whereas crowdfunding.at was used for financing five hotel rooms, Startnext helped to find the necessary money for household equipment (e.g., mattresses). The collected amount was similar to the amount gathered the first campaign.

The magdas case and crowdfunding business models

What is interesting to observe in the case described above is both the compliance with results and observations present in the current academic literature on crowdfunding and the deviations from taken-for-granted ideas about crowdfunding. Additionally, this case allows us to supplement the business
model framework of Assadi (2016) presented in the literature review section above.

Banks’ current organization and legitimacy models are more or less in line with the notion of crowdfunding operations based on lending, allowing them to serve as a normal intermediary for such operations. However, donations or reward-based crowdfunding would place them at risk of being accused of making risk-free money (as, in most current models, project funding is simply cancelled if the goal is not reached) on projects they would not otherwise choose to fund. Still, reward-based crowdfunding models and banks are not as alien to one another as one might think, as banks are routinely offering rewards for investment in the form of interest. The range of rewards and benefits for funders is indeed potentially very large, as the intervention domain of banks under competitive pressure continues to widen.

As discussed in the literature review, the bank in this case began crowdfunding under a specific name, not using its main brand (Bawag P.S.K. and Crowdfunding.at in this case), while also wanting the operation to benefit from the positive umbrella and reassuring image of the bank. Another similarity with situations observed previously is the specific social orientation of crowdfunding operations endorsed by banks (Wright, 2015). Bawag P.S.K., in fact, is offering a semi-separated platform for entrepreneurial projects and social projects, with different pricing levels depending on the nature of the funded venture (i.e., social projects are subjected to lower administrative fees than entrepreneurial ones). It is also worthwhile to note that the interest of the bank does not only reside in the success of projects, as any campaign started through Crowdfunding.at generates the opening of an account with the bank, which will generate inflows for the duration of the campaign). This gives the bank access to money that would otherwise escape its reach and enables it to automatically enjoy the creation of beneficiary-only accounts (even if these accounts are only temporary). The local effect presented in the literature review above (Beier, Wagner, 2015) also seems to be at play in this context, as most funders were either Austrian or located in Austria for this operation centered on social needs located in Austria’s capital city. In this sense, the Magdas Hotel case may seem to be an extremely symbolic case, summarizing many settings through the intricate interplay of the specificities of the banking, tourism and charitable organization parameters and requirements.

Where this case study contributes is in exemplifying one aspect of crowdfunding operations: communication. Although communication is a well-known part of success parameters, side effects, or goals in the literature, it is particularly central in this project. The difference in the amounts between
the global cost of the project (€1.5 million) and the crowdfunding goals and results (around €20,000), as well as the limited number of participants (only around 100)—despite the huge efforts made on the social networks and partnerships with companies such as Booking.com—makes this a case of crowdfunding in the absence of both a formal need and a formal crowd. The 100 backers received by this project arguably represent a very small group for a funded project; while the average number of backers per project on the popular Kickstarter platform is only 66, this figure encompasses both successful and failed projects. Funded projects average more than 90 backers, and most backers fund many projects, making funded project likely to have in reality several hundred backers (Kazmark, Nichols, 2016).

The elements presented above show the peculiarity of such a project for its main organizers. The project was endorsed and supported by the bank and organized by a charity that were not strictly in need of the amount represented by the total pledges (Caritas), the fees generated by the project (Bawag P.S.K.), or the support of the small number of backers. However, this is not to say that these two actors are in a position to ignore and disregard such support.

Assadi’s framework on crowdfunding business models, as presented in the literature review above, offers four fundamental components: the customer value proposition (CVP), the structure of revenue streams, the infrastructural technologies and capabilities, and finally the governance of relationships and transactions among participating parties. These four components are chiefly oriented toward projects that feature actors who want to see the project succeed. This is true in the present case, but under slightly different terms. There is no doubt that the ‘crowd’ gathered to support Magdas Hotel wishes to see the project completed, nor that both the project organizer (Caritas) and the crowdfunding platform mother company (Bawag P.S.K.) are interested in its success, just as any other entrepreneurs and crowdfunding platform would be. However, the metrics of this specific campaign, its timing and use as a showcase by Crowdfunding.at, and the focus placed on communication (both as a success condition and as a goal by its organizers, notably Baumgartner) show that the governance of the relationship element is steered toward instrumentality, rather than the classical elements presented by Assadi. This is further shown by the additional funding offered by the bank to the project.

In this specific case, the cooperation between the platform and the project bearer seem to have inverted the positions of communication and crowdfunding success. In standard crowdfunding situations, communication is seen as key to the success of the crowdfunding operation, which is
designed primarily to gather funds. This campaign demonstrates that the opposite can also be true, with the success of funding being instrumental to a different fundamental goal—in this case, communication. Indeed, the number of backers and the amount gathered are, in this situation, a key success condition for organizations wanting to demonstrate the social nature and support of their venture (the hotel project for Caritas and the crowdfunding platform for Bawag P.S.K.). Under such conditions, the crowdfunding campaign must be tailored to succeed in order for these actors to be able to promote a much greater endeavor. This new set of success conditions makes this focus on the communication side shift the dangers and rewards of such an operation toward reputation, both as a risk as well as a benefit depending on its success. The relatively modest chosen target in this case, in conditions where achieving funding is more important than the amount itself, matches the findings of academic research on crowdfunding that indicate that campaign success is greatly influenced by the scale of targets and the likelihood of meeting them (Gleasure, Feller, 2016). Being able to demonstrate goal achievement, without discussing the scale of the operation, then becomes the real metric of crowdfunding success. Therefore, the limited nature of the crowdfunding campaign may be considered in itself as a parameter of feasibility of such a communication-centered operation.

These observations and this case can make two contributions to the literature on crowdfunding and crowdfunding business models. Firstly, the potential alignment of the interest of a project bearer and the platform may add a specific configuration, offering success-enhancing conditions, to the standard features of the governance of transactions and relations among crowdfunding actors, where the expected behaviors are not related to potential opportunism but to aligned interests between the project bearer and the platform. Secondly, the inversion of hierarchical position between the campaign and the desired communication effect, without fundamentally changing the success desirability and parameters of such a campaign, posits the existence of a specific type of project in this funding mode world: instrumental crowdfunding projects. Such specific projects probably deserve a classification of their own in crowdfunding business model frameworks in the future. While this configuration does not change the four-component model from Assadi’s work on crowdfunding business models, it is interesting to note that the mere existence of communication-instrumental crowdfunding projects offers new possibilities in terms of considering what form value can take. Whereas Assadi’s framework offered a vision of value linked to money because of his choice of online crowdfunding platforms as focal actors, this case demonstrates that other stakeholders may focus on different forms of value. Far from being only the case for project bearers, this extension of
what form value can take inside crowdfunding operations also includes platforms and platform owners. In the case of Bawag P.S.K., as may well be the case for actors outside of the traditional (even if relatively recent) world of crowdfunding (e.g., banks), the reasons for entering this world may be found outside of immediate profit. At the same time, however, this instrumentality of crowdfunding based on the communicational power of crowdfunding may be a short-lived novelty. Only time, and the exploration of more cases, will tell whether the communicational innovation represented by the instrumental use of financing campaigns will maintain its usefulness and be included in the value-appropriation arsenal of businesses. In any case, the mere existence of this practice may promote a larger vision within the concepts of value inside business models, and notably crowdfunding business models. It may also induce research on the extension of the number and type of actors considered in the analysis of the components of crowdfunding business models.

Conclusion and Avenues for Further Research

This paper clearly shows a tendency for the research on crowdfunding to take for granted the main reasons for crowdfunding by treating many of its effects as mere outcomes or, at least, not as the center of the crowdfunding effort. Through its basic parameters and organization, as well as the words of its organizers themselves, this case demonstrates a different and more pragmatic (as well as inventive and innovative) use of crowdfunding by contemporary practitioners than that envisioned by researchers on the topic. As such, this case shows that the emergence of new actors (notably banks and charities) in the crowdfunding world opens a large range of questions about the reasons for as well as the impact of their presence. In this sense, it may be necessary to investigate whether the form of crowdfunding, and particularly the existence of equity- and reward-based crowdfunding, influences the acceptability and success of crowdfunding campaigns. This question is particularly salient when the focus is set on communication, as in the Magdas case. Indeed, while crowdfunding in itself seems not to be opposed to the notion of giving, as exemplified in this particular case, the relationship between charitable projects and a financial arrangement involving a specific return on investment may prove more difficult to legitimize than purely prosocial projects.

Even outside of the mere existence of instrumental crowdfunding as an instrument of charitable projects, it would be interesting to study the prevalence of crowdfunding projects of this kind, where the gathering of both the crowd and the funds is merely a condition of success for something else
(i.e., communication in this case). In this sense, outside of its intrinsic scale, the initial crowdfunding campaign for Magdas Hotel has been a success. Moreover, the press coverage of the campaign and the global operation have almost systematically mentioned the crowdfunding effort, thus demonstrating the current power of crowdfunding as a societal phenomenon. However, as this research has been conducted inductively, the number, significance, and geographical and application scopes of instrumentally communicational crowdfunding projects would be interesting to investigate. The absence of academic literature on this specific phenomenon to date seems to indicate that cases of this type probably remain relatively rare for the time being.

We have seen that major successes and failures, incapacity to deliver the promised rewards or, to the opposite, high-profile acquisitions by major companies of extremely successful crowdfunded ventures are starting to threaten the still-prevailing, somewhat naive vision of crowdfunding. In the same way, the potential multiplication of the instrumental use of this mode of funding may lead to its own demise. The increasing exposure of the public and media to crowdfunding operations may indeed create in the future a need for extreme conditions of success (in terms of funds or number of supporters) to allow the same communication effects to occur. As crowdfunding becomes more and more familiar in both the entrepreneurial and the general population, time will tell whether the generalization, and potential banalization, of crowdfunding will prevent such instrumentality or, at least, lower the potential impact of instrumental crowdfunding projects in the future. In other words, are communicational elements viable forms of appropriable value for crowdfunding campaigns, and can actors of this world base significant part of their business model on this type of value in the long run?

REFERENCES


ASSADI, D., ASHTA, A. (2014), Innovative Transposition of Trust Mechanisms in Social Lending Groups from Offline to Online, Strategic Change, 23(7-8), 461-480.


BLASEG, D., KOETTER, M. (2016), Friend or Foe? Crowdfunding versus Credit when Banks are Stressed, Institut für Wirtschaftsforschung Halle (IWH), IWH-Diskussionspapiere, 8, April.


LEE, C. (2016), To Uberize or Not to Uberize? Opportunities and Challenges in Southeast Asia’s Sharing Economy, ISEAS Perspectives, 33, 1-16.


