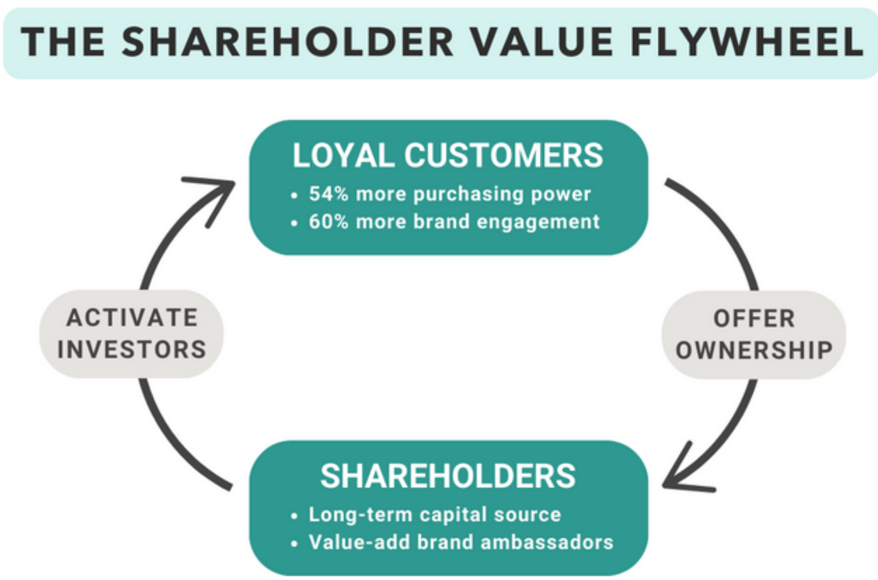
WHITEPAPER:

The Bottom-Line Value of Turning Customers into Shareholders

How giving your community a seat at the table boosts revenue, creates new opportunities, increases customer LTV, and more

Turning customers into shareholders is one of the most powerful capital raising strategies available to companies with large communities. By giving your customers, followers, and fans a seat at the table, you create a value-generating flywheel that benefits all stakeholders and creates a renewable source of growth capital.



An equity crowdfunding raise offers a unique opportunity to connect and collaborate with customers and fans. Numerous studies have also found that stock ownership acts as a behavior modifier for customers–positively impacting their lifetime value as customers and their engagement with brand content. Let's dig into some of those findings.

Key Takeaways

Customers who become shareholders drive 54% more value into the brand

Shareholders show 60% more brand loyalty & engagement

The network effect: How activating your community can help steer your company toward success

Your investor community is a powerful insulator against market volatility

CASE STUDIES

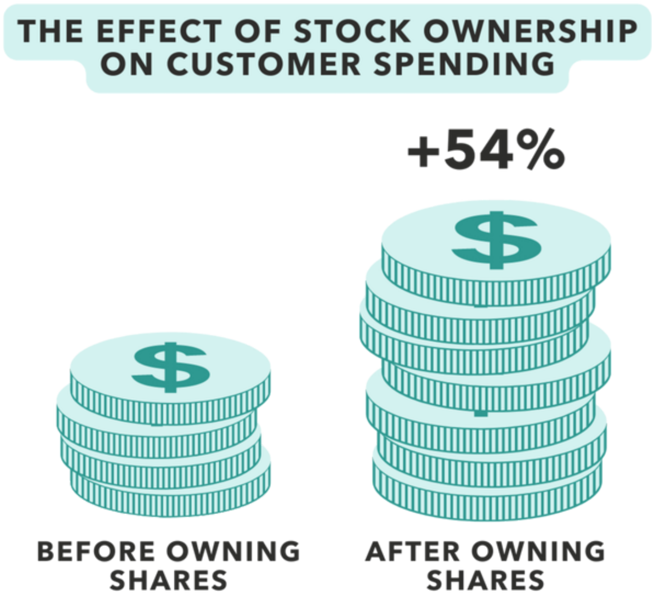
BrewDog's 150,000-investor community

Fan frenzy: The Green Bay Packers

Customers spend 54% more when they become shareholders

When a customer becomes a shareholder in a business, a powerful connection is forged. What was previously a purely transactional relationship becomes much stronger, as both parties now share a financial interest in the company's success.

According to research from Bain[1], that paradigm shift has a significant impact on the lifetime value (LTV) of those customers; they spend 54% more money on average than non-shareholders (and refer twice as many new customers). So, while stock ownership is perceived as mainly being a benefit for the customer, it is in fact an even better deal for the company they own stock in.



Another study[2] from Columbia investigated the impact of stock ownership on individual spending. Users were given access to a fintech app, Bumped, which opened a brokerage account for its users and rewarded them with stock when they shopped at specific stores.

The result? Bumped's users spent 30-40% more per week at elected brands—and the effect lasted three to six months on average.

> Crowdfunding is more than another way of raising funds… It transforms the opaque and oligarchical for early-stage fundraising into a more democratic, open one. Crowdfunding acts as a platform, matching innovators with those who need innovation, and thus is reshaping which ideas come to market.
>
> — Ethan Mollick, Harvard Business Review[3]

Offering customers a seat at the table is also a way brands can differentiate themselves from competitors. It sets the company apart and can attract new customers who are interested in owning a stake in the brands they support. In addition, raising capital from the crowd sends a signal to potential new customers that a brand really cares about the input, opinions, and experience its customers can offer—which can be a powerful driver for brand loyalty and customer acquisition alike.

[1] Korn, Bill. "Turning Clients into Shareholders (NASDAQ:CCLD) | Seeking Alpha." Seekingalpha.com, 8 Sept. 2016
[2] Medina, Paolina C., et al. "The Effect of Stock Ownership on Individual Spending and Loyalty." SSRN Electronic Journal, 2021
[3] Mollick, Ethan. "The Unique Value of Crowdfunding Is Not Money — It's Community." Harvard Business Review, 21 Apr. 2016

CASE STUDY: BrewDog

BrewDog is an international craft beer and pub chain originally based in Scotland. The company was an early adopter of the equity crowdfunding model, and has raised capital from the crowd several times, starting with a £2 million round in 2011.[4]

Today, BrewDog has raised nearly £80 million from close to 150,000 investors worldwide. They have over 700 employees, 100+ bars, and a branded hotel—making them one of the largest and most successful companies to leverage equity crowdfunding as a main part of their long-term funding strategy. By raising multiple rounds of capital from their followers and fans, BrewDog created a massive and loyal community of brand ambassadors who are directly involved with the company's business development. They've helped BrewDog make, test, and bring new beers to market; to open new storefronts around the world; and to identify new opportunities for the business.

> "Whatever type of business you are in, you need to start building a community and start turning customers into fans. Without a community and without fans, a brand of a business is destined to be all too short-lived. Even with a small tight-knit core of passionate fans, you can change the world." — *James Watt, co-founder & CEO of BrewDog*[5]

This is a perfect example of the power of an equity crowdfunding raise; by welcoming hundreds of thousands of investors to the cap table, BrewDog was able to capitalize on the cumulative benefits of having a massive global network of business partners.

CASE STUDY: Green Bay Packers

The Green Bay Packers is the only fan-owned team in the NFL—and it has one of the most dedicated fan bases in pro sports as a result. The team has more than 537,000 shareholders, and has sold out every seat in the home stadium for every single game since 1960.[6] Their most recent offering in 2021 was powered by DealMaker; the franchise sold roughly 3,500 shares (totaling $64.8M) in just four months, with an incredible $30 million flooding into the raise in the first 24 hours.[7] That capital will be used to fund stadium improvements at Lambeau Field—and the pride of ownership will continue to further solidify the Packers' fan base as the most engaged and loyal in pro sports.

[4] Sabia, L., Bell, R., & Bozward, D. (2023). Using equity crowdfunding to build a loyal brand community: The case of Brewdog. The International Journal of Entrepreneurship and Innovation.
[5] BrewDog (2021) Equity for Punks tomorrow. Tomorrow starts today. Share offer information. Securities note.
[6] McGee, Brooke. "Green Bay Packers Home-Field Advantage; Lambeau Breeds Champions in Titletown." Bleacher Report, 28 Aug. 2011
[7] DealMaker. "Case Study: Turning Customers Into Shareholders." 2022. Available at: https://www.dealmaker.tech/fans-into-shareholders-casestudy

Stock ownership doesn't just drive sales—it creates an army of loyal customers who engage with more brand content and drive more referrals for a business.

When customers become shareholders, they have a vested interest in the company's success—which means they are more likely to support the company's products or services to see a return on their investment, even beyond just buying more of them.

According to a UK study,[8] entrepreneurs that raise capital from the crowd are effectively tapping into their "social capital," due to what they call the "consumer/investor pledge" made to a company when someone feels they're becoming a partner to the founders themselves.

Consumer pledge (n.):

A feeling of partnership and personal involvement with a company that arises when a customer becomes a shareholder, i.e. by investing in it.

Customers who own shares are also more likely to become brand advocates; they have a personal interest in the company's success, which may lead them to actively promote the brand to others.

A study in the Journal of Consumer Marketing found that for 60% of individuals, becoming a shareholder in a company leads to "increased motivation to exhibit brand loyalty towards the company;" not just with regard to purchasing their products, but also by engaging in other brand-supporting behaviors, like referring friends and family members to buy from the company as well.[9]

In this perspective, equity crowdfunding is a powerful trigger of customer loyalty. In offering, first and foremost, ownership of a shared vision, as opposed to simply offering equity stakes to crowd investors, equity crowdfunding poses itself as a tool to increase the loyalty of the community around a project. Working together towards a horizon of shared values, project owners and backers get beyond the market value itself.[4]

[8]Brown, Ross, et al. "Start-Ups, Entrepreneurial Networks and Equity Crowdfunding: A Processual Perspective." Industrial Marketing Management, vol. 80, July 2019
[9]Aspara, Jaakko. "Stock Ownership as a Motivation of Brand-Loyal and Brand-Supportive Behaviors." Social Science Research Network, 2009

THE NETWORK EFFECT:

How a strong investor base can steer your business toward success

In addition to the positive individual-level impacts, converting a customer into a shareholder (and vice versa) is one way for a founder to build out a large and interconnected network of brand ambassadors. Some ways this can benefit the business include:

FEEDBACK & INSIGHTS

Shareholders often have access to more information about your company (such as annual reports and shareholder meetings). This transparency can foster trust and provide customers with insights into your company's operations and future plans, contributing to the shareholder value flywheel.

CUSTOMER-DRIVEN INNOVATION

While founders who raise via equity crowdfunding are not required or even obligated to offer voting or preferred shares (a major selling point in today's market), they have the massively beneficial opportunity to tap into their network of investors if and when they do want input, ideas, and so on. An army of brand ambassadors means having a huge and committed focus group to source ideas from, test ideas with, and more.

FINANCIAL STABILITY & PROTECTION FROM MARKET SWINGS

With a base of loyal shareholder-customers, companies may experience more stability during economic downturns or challenging times.[10] These customers are more likely to continue supporting the company during difficult periods. For example, in 2022, equity crowdfunding was the only market that saw growth; while VC deals sank 14%, ECF grew by 16%—giving those founders a critical lifeline of capital when traditional sources were scarce.[11]

A BETTER CUSTOMER EXPERIENCE

By engaging customers as shareholders, companies signal that they value their opinions and interests. This can result in an improved overall customer experience and a stronger sense of community around the brand.

REFERRALS & INTRODUCTIONS

Having a strong word-of-mouth or referral program drives down long-term customer acquisition cost (CAC)—and when you need to make a key hire, need an introduction to a manufacturer or partner, or need to be connected to an industry expert, you have a huge network you can tap into.

Offering your community the chance to share in the success of your business is one of the best ways a founder can drive value—no matter what growth stage the company is in.

In addition to the capital itself, a DealMaker-powered funding round can help generate publicity and brand awareness; increase the lifetime value of your customer base; drive twice as many referrals to your business; create a dedicated community of engaged shareholders; provide stability against market turbulence; foster a better, more collaborative customer experience; and much more.

READY TO GET STARTED ON A RAISE?

Click here or email us at info@dealmaker.tech to schedule a call!

[10] Szkutak, Rebecca. "Equity Crowdfunding Appears Immune to Market Volatility, on Track for Its Best Year Yet." TechCrunch, 3 July 2022

[11] DealMaker. "In 2022, Equity Crowdfunding was the Only Market that Saw Growth." Available here.