

## **Ad Spending or Risk Investment? Digital Influencer or Angel Investor? A Systematic Literature Review on Media for Equity**

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### **Resumo**

Start-ups capitalize on getting resources to attract new customers and grow. Using media resources is one of the fundamental ways to reach new consumers. In this essay, when we mention risk investments made by corporations and angel investors, we argue, based on a systematic literature review that found 833 articles using several expressions, that there is a type of investment that is still not approached in the academic literature. Traditional media companies and digital influencers use their respective advertising spaces as a bargaining chip to invest in start-ups or scale-ups, in a mode called Media for Equity. These investors provide financial resources, including the equivalent value of their advertising space, as well as non-financial resources, like credibility, network of relationships, and especially marketing skills, essential to the proper use of media crucial for start-ups or scale-ups to expand their customer base. We surveyed the history of Media for Equity, made by traditional media companies, and more recently by digital influencers; we outline how this model fits into the risk investment literature made by corporate venture capital firms (CVCs) and angel investors; and we present a definition that addresses three research questions regarding the Media for Equity mode of relationship/investment.

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### **A Systematic Literature Review on Media for Equity**

#### **ABSTRACT**

Start-ups capitalize on getting resources to attract new customers and grow. Using media resources is one of the fundamental ways to reach new consumers. In this essay, when we mention risk investments made by corporations and angel investors, we argue, based on a systematic literature review that found 833 articles using several expressions, that there is a type of investment that is still not approached in the academic literature. Traditional media companies and digital influencers use their respective advertising spaces as a bargaining chip to invest in start-ups or scale-ups, in a mode called Media for Equity. These investors provide financial resources, including the equivalent value of their advertising space, as well as non-financial resources, like credibility, network of relationships, and especially marketing skills, essential to the proper use of media crucial for start-ups or scale-ups to expand their customer base. We surveyed the history of Media for Equity, made by traditional media companies, and more recently by digital influencers; we outline how this model fits into the risk investment literature made by corporate venture capital firms (CVCs) and angel investors; and we present a definition that addresses three research questions regarding the Media for Equity mode of relationship/investment.

#### **KEYWORDS**

Angels and informal investors; Venture Capital; Knowledge transfer, learning.

## INTRODUCTION

The COVID-19 pandemic has accelerated the adoption of digital technologies in our routine, and this has affected the way we consume media: in 2020, 19% of Brazilians said they watched paid video on demand; 11% mirrored content from their cell phones on TV; and 8% scanned a QR Code on TV (IAB, 2021). This has reflected in the distribution of advertising funds among the media. Media consumption habits were becoming increasingly digital, causing advertising investments, which were previously concentrated on open TV and other "traditional" media, to migrate more and more to digital platforms. Brazil has also experienced this movement: in 2017, free TV, which received 58.7% of advertising agencies' funds, against 14.8% invested on the internet, in 2022 retained 44.5% (between January and September), compared to the share of 32.4% for digital media (CENP-MEIOS, 2022). While in Brazil advertising investments on the internet are quickly approaching those on TV, in the US the shift toward digital media from traditional media already happened in 2019 (Shaban, 2019), when US\$ 130 billion were invested in that mode, compared to US\$ 110 billion for all other types of media. Globally, despite the expected growth rate of digital media is slowing down, this type of investment already accounts for two-thirds of all advertising budget, and is expected to reach almost three-quarters by 2026 (EMARKETER, 2022).

As a result, traditional media companies are looking for ways to occupy these increasingly idle advertising spaces. For some decades, large traditional media groups in Europe have traded these idle inventories to diversify their businesses, exchanging them for start-ups' equity, in an investment mode known as Media for Equity (MxE), Media for Growth, or Airtime for Media (GRAI, 2021; MFG, 2022). Today, there are more than 1,000 start-ups that have already "capitalized" using this model, and over 30 MxE funds spread around the world (MFG, 2022). Recently, digital influencers have also received shares in start-ups as payment for posts on their social networks. It is this type of capitalization and relationship, which has not received enough

attention in entrepreneurship, marketing, and venture capital literature, that we seek to define in this essay.

Studies on venture capital increased in the 1980s (Drover et al., 2017), and until the turn of the 21st century have focused on Venture Capital (conducted by investment fund managers). From 2000 onwards, scientific production has emphasized Corporate Venture Capital [CVC] (risk investment done directly by companies that seek to diversify and increase their business portfolio) and Angel Investors [AI]. However, there are no specific studies that group media companies and digital influencers as a cutout of CVCs and AIs, respectively. Our central argument is that, by analyzing these two types of investors, we can understand similarities that explain: (P1) why some start-ups search these specific types of investors, who provide media in exchange for equity participation; (P2) how the partnership between investors and start-ups develops after closing the deal; and (P3) what are the metrics of success used.

To prepare this essay, we observed the need to carry out a systematic literature review (SLR) on it and we identify ourselves as prospectors (Breslin & Gatrell, 2023), stepping out of the conventions of our field, ensuring that we set the stage for the development for the innovative “media for equity” concept, a new practice in management and business. We surveyed the main journals on entrepreneurship, venture capital, and marketing. We examined articles from journals ranging from Finance to Marketing, including Strategy and Entrepreneurship. This was our main challenge - trying to make a specific cut across so many different fields. We searched the literature to answer the three questions (P1, P2 and P3), and to do so we explored the relevance of non-financial contributions for the success of an invested company. And among these non-financial investments, which in the jargon of the entrepreneurship ecosystem are called "smart money", we saw that marketing capabilities (MC) are one of the central issues for venture success. In addition, we looked for white papers and examined websites of media groups that already work with MxE, to collect the model's history in the business literature.

This article proposes a definition of the Media for Equity investment/partnership model, which covers not only the identification of the actors involved in obtaining media for the invested company's growth, but also the development of marketing capacities and other non-financial resources. However, the main contribution of this article is to draw the attention of academia and business practice to a phenomenon that has been going on for years, involving large media groups and start-ups, and that recently included digital influencers, but has been under-researched and underutilized in these environments. We fill this gap by suggesting a definition for Media for Equity, based on three research questions that address the model's motivations, practices, and metrics. By fostering new studies on MxE, we contribute to strengthening the model, by helping new ventures not only to seek new sources of capitalization, but especially to develop marketing capabilities that allow them to make efficient use of media resources. For the academia, this study provides a basis for identifying antecedents and results of this alternative capitalization model, as well as the reasoning to design it.

## METHODOLOGICAL APPROACH

Our investigation into the emerging concept of "Media for Equity" necessitated a systematic literature review (SLR), pivotal in synthesizing existing knowledge in new or under-researched areas (Denyer & Tranfield, 2009). This approach is critical in management research, allowing for comprehensive understanding and conceptual development, particularly pertinent to nascent concepts like "Media for Equity." This method aligns with established frameworks in management literature reviews (Simsek et al., 2023) and adheres to principles ensuring systematicity and integration of multiple research streams, informed by the principles of transparency, coverage, saturation, connectedness, universalism, and coherence (Heavey et al., 2022).

### *Literature Search Strategy*

Our SLR involved a meticulous search across three major databases: Scopus, Web of Science (WOS), and EBSCO. These were selected for their extensive coverage in management and business literature. Our search was conducted in "all fields" and without a specific time selection, as our aim was to capture the entire scope of existing literature on this emerging topic, irrespective of publication date.

### *Search 1:*

The initial phase of our literature search focused on identifying works directly mentioning or related to "Media for Equity". We employed a broad array of search terms to encompass various facets of the concept: "Media for Equity", "Ad for Equity", "Airtime for Equity", and related permutations, aiming to capture all possible variations and cognates of the term.

### *String search one:*

*"Media for Equity" OR "ad for Equity" OR "advertise\* for Equity" OR "Airtime for Equity" OR "Growth for Equity" OR "Brand for Equity" OR "Marketing for Equity" OR "Capabilit\* for Equity" OR "Budget for Equity" OR "Media for Share\*" OR "Ad for Share\*" OR "advertise\* for share\*" OR "Airtime for Share\*" OR "Growth for Share\*" OR "Brand for Share\*" OR "Marketing for Share\*" OR "Capabilit\* for Share\*"*

Despite the specificity of our terms, the search did not yield any articles explicitly mentioning "Media for Equity" in the exact phrasing but returned a substantial number of articles (Scopus: 369, WOS: 10, EBSCO: 589) containing at least one of the words from our search queries. Upon removing duplicates, we narrowed the results down to 833 articles. Our initial literature search, though broad and inclusive in its scope, resulting in a diverse array of articles that, upon closer examination, did not align with our core objective of exploring "Media for Equity". The initial corpus included studies on various tangentially related topics: the impact of social media on brand equity, advertising and its influence on brand equity, funds advertising promising returns, and the growth of investment funds. While these subjects intersect with our area of interest, they did not directly address the specific concept of "Media for Equity".

### *Search 2: Expanding the Search: Non-Financial Investments*

Acknowledging the innovative nature of the concept of "Media for Equity" as a non-financial investment, we proceeded with a second phase of the literature search specifically aimed at gathering literature on various types of non-financial investments. This helped contextualize "Media for Equity" within the broader spectrum of non-financial contributions in business and Startup contexts. Key search terms included "non-financial investment\*", "non-financial resource\*", and "smart money". The search spanned the same databases, yielding additional records (Scopus: 302, WOS: 80, EBSCO: 33). After excluding the duplicates, the search yielded 338 results.

### *Screening and Conflict Resolution*

Studies were independently screened by title and abstract by the first and second authors, using specific criteria to gauge relevance to "Media for Equity." Conflicts in selection were resolved by a third author, using predetermined criteria to ensure consistency. This process was facilitated using rayyan.ai software, a specialized tool for systematic literature reviews, enhancing our screening efficiency and accuracy.

### *Analysis of Final Sample*

The final sample of 150 documents underwent a detailed analysis to answer the three research questions and construct the new concept of "Media for Equity." This analysis involved extracting relevant data, identifying patterns, and synthesizing information to form a comprehensive understanding of the topic.

## THEORETICAL BACKGROUND

Studies on venture capital expanded in the 1980s (Drover et al., 2017). This was the beginning of the third innovation era, according to Anthony (Anthony, 2012). The first "era" was at the turn of the 19th to the 20th century, when inventors, working alone, created innovative solutions that were sold or given to companies to exploit, as was the case with Santos Dumont's airplane. The second era lasted around 60 years and was the one of large corporate laboratories that created the big innovations of the 20th century. As these laboratories became bureaucratic, baby boomers "rebelled" against the hierarchy of these giant companies and began to set up their own businesses, with risk investors supporting and financing these ventures.

Equity (or risk) investors are those who exchange their capital for a fraction of ownership of a start-up company, generally in emerging industries. In the literature, we find three main types: Venture Capital (VC), Corporate Venture Capital (CVC), and Angel Investors (AI). Recent articles discuss other forms of investment, such as Equity Crowdfunding and Start-up Accelerators (Drover et al., 2017). Venture Capital (VC) are risk investment funds that raise resources, usually from pension funds, and builds an investment portfolio of young innovative firms. They usually invest in companies that have already tested their business model and are in the growth phase, between the intermediate and advanced stages. This model led to the emergence, in the 1970s and 1980s, of today's giant companies in Silicon Valley, and has drawn a lot of attention in academic literature.

Until then, the three "eras" focused on technological innovations as catalysts for change. Currently, we are in the fourth era, that of business models (Anthony, 2012), where large corporations are investing again in innovations, not just within their laboratories, but through Corporate Venture Capital, in search of both technology and business models, which are being tested by start-ups (Blank, 2013). Individual investors, known as angels, are also investing in innovative firms. We detail these profiles of new investors below.

Corporate Venture Capital (CVC): a unit within a large corporation that has another main business, that invests in innovative companies (Drover et al., 2017) but wants to diversify its portfolio to place itself in new businesses. It seeks long-term value for the company and usually invests between the early and middle stages. For decades, large corporations were the driving force behind innovation, and they are back in the game by financing not only technological but also business model innovations (Anthony, 2012). In fact, investments in R&D and CVC by a company are complementary, as investment in CVC grows as firms can absorb the innovations brought by start-ups (Dushnitsky & Lenox, 2005). And this absorption capacity depends on internal research. In addition, there is a positive correlation between innovative performance and CVC investments in related sectors (Keil et al., 2008). In other words, CVC creates value for the investing company when it does so for strategic reasons, such as searching for technologies to exploit (Dushnitsky & Lenox, 2006). This is less likely to occur when the decision to invest is only guided by financial goals.

Angel Investors (AI): these are usually former entrepreneurs who invest their own capital in innovative businesses, usually run by young entrepreneurs. Angel investors actively seek risky decisions, as they believe these have the best chance of extraordinary profits. Two conditions must be met (Huang & Pearce, 2015): the promise of extraordinary profits and small relative amounts at each decision stage. For this reason, they invest in the early stages of start-ups because, despite volatility, there is a great promise of profitability, and usually in sectors where they have some experience. Sarasvathy (Sarasvathy, 2001), when presenting the processes of causation and effectuation, defined the first as the logic in which decision-making occurs about the choice of means for a given end (effect); the second is the opposite: based on the available means, the decision focuses on potential ends. This theory was applied in a study of angel investors (Wiltbank et al., 2009), which concluded that those who decided through the causation process, that is, in a predictive way, selecting firms through their existing resources and

capabilities, tended to make larger investments than angel investors who followed the effectuation process. In this second case, investors that focused on non-predictive control had fewer investment failures, without reducing the number of successes.

### *Non-financial resources*

An investor, whether VC, CVC, or angel, doesn't just contribute financial resources to the invested company. The subject of non-financial contributions has been addressed since the early 1980s, and entrepreneurs seeking this type of investment choose VCs with a reputation for their non-financial contributions (Timmons & Bygrave, 1986), such as: helping to find key management professionals; credibility among suppliers and customers; and helping to set up the company's strategy while entrepreneurs are overwhelmed with the daily pressure of getting the business off the ground. It is as if, for a start-up founder, it was more important to know the money's origin than its amount. Once chosen the VC that can add more value to the business, in addition to capital, the entrepreneur needs to keep communication channels open to the investor, because the greater the involvement with him/her, the greater the chance of success for high-innovation ventures (Sapienza, 1992; Sapienza & Manigart, 1996).

However, the professionalization that VC brings to the invested company can have two sides (Hellmann & Puri, 2002): one "soft", when VC helps to develop human resources within the company, and one "hard", when VC has control over the investee by replacing the CEO and even the founder. However, whether in a "soft" or "hard" way, there is a transfer of credibility from the VC to the young company, which enables doing a faster IPO and with better ratings than other companies that did not receive this type of investment (Stuart et al., 1999). The main contributions from VC that are positively assessed in an IPO are the ability to select good companies for its portfolio, and the provision of value-added services to these firms (Nahata, 2008). Comparing firms that received only financial resources with others that received

financial and non-financial support from VCs, the second group showed annual increases in new jobs, total assets, and sales (Quas et al., 2020).

In another survey at the same year, this time with CVC, with companies from Europe and Latin America, Riepe and Uhl (Riepe & Uhl, 2020) identified 7 dimensions of these non-financial demands: business connections; fundraising; marketing; legal advice; product development; contact with other start-ups; and human resources. The authors also observed that the demand for marketing increases when the business model is B2C, when the firm has no financial constraints, and as the company grows.

### *Expanding the scope of Marketing*

If, on the one hand, poor marketing is one of the main causes of new ventures' failure (Homburg et al., 2014), on the other hand, the evolution of digital technology and companies' digital transformation have led to the emergence of new digital business models (Bower & Christensen, 1995; Christensen et al., 2015; Verhoef et al., 2021), and expanded the scope of marketing in organizations (Shah & Murthi, 2021). All these external forces, arising from digital evolution, demand capabilities to generate insights for the decision-making process, using data and analysis tools; and these decisions must produce measurable results of value creation for the company, and perceived value for the customer (Gupta et al., 2020). Although some capacities of marketing management can be imitated, in a practice-based view (PBV), management practices in general are likely to generate sustainable competitive advantage (Bromiley & Rau, 2014). What influences performance variation between companies is not having or not this type of capacity (management practice), but rather their degree of development, and how they deal with the barriers that prevent this development (Brito & Sauan, 2016).

However, there is a growing pressure from companies' finance departments on the marketing department, to track and justify their investment/expenditure decisions (Berger et al., 2006; Gupta et al., 2020; Gupta & Zeithaml, 2006; Kumar & Reinartz, 2016; Markey, 2020; Rust et al., 2004; Seggie et al., 2007). Marketing efforts (investments or expenses) generate outputs not directly observable by the company, which regard consumer perception, and results directly observable, related to consumer behavior; the former (non-observable) affect the latter (observable), thus generating results for the firm (Gupta & Zeithaml, 2006). Hence, marketing professionals need to simultaneously create perceived value for customers, through their marketing mix, and capture exchange value for the organization (Brandenburger & Stuart, 1996; Gupta et al., 2020; Kumar & Reinartz, 2016). Metrics to measure perceived value are part of the Brand Equity construct, although there are also behavioral metrics in this construct, and those that measure exchange value for the consumer are mostly in the Customer Equity construct, which also includes Brand Equity metrics (Seggie et al., 2007).

## **MEDIA FOR EQUITY**

In this section, we present two types of investors in the Media for Equity (MxE) mode: media corporations and digital influencers.

### *Media Corporations*

The Media for Equity (MxE) model emerged between the late 1990s and the beginning of the 21st century. It offers start-ups space in media (mainly traditional, but also digital), as well as different capacities (marketing, relationship), in exchange for equity stakes in the ventures (GRAI, 2021). Thus, in addition to surveying scientific journals to find a theoretical basis for the concept of MxE, we examined websites of several VCs and CVCs that use MxE as one or the main investment model, to show how the practice has progressed over the last decades.

The pioneers were a VC in Sweden and a CVC in Germany. The Stockholm Aggregate Media, which operates in the Nordic countries, and Media Ventures, based in Colonia, with a focus on Germany, were the first to use the model. The former is a VC that trades the media inventory of Sweden's 12 largest media outlets. The owner of Media Ventures, on the other hand, also owns the out-of-home (OOH) media company Ströer SE & Co. KgaA, working with its inventory.

The model grew in Germany, and in 2009 Seven Ventures was founded, a CVC linked to Seven. One Entertainment Group, is a media group that owns 12 open TV channels in three German-speaking countries, in addition to closed TV channels, streaming platforms, and several mobile apps. As published on the company's website, in 2019 they provided more than 1,000 hours of advertising space on their channels to 70 start-ups, through the MxE model. Following the growth of Seven Ventures' deals, in 2011 a new VC fund using the MxE model was created in Germany - the German Media Pool. It combines print media inventory, OOH media from giant JC Decaux, radio stations, and open TV channels, such as RTLZWEI, which also covers Austria

and Switzerland by cable or satellite, and the channels Sport1 and Deluxe Music. In 2012, AddInvest was created, a VC based in Stockholm. In Austria, the first VC to use MxE was launched in 2013 in Vienna, the Media4Equity Invest, backed by the inventory of country's media giants such as RTL-group, Austria's largest TV group, and the newspaper holding company Mediaprint, which owns Kurier and Kronen Zeitung, among other titles.

In the same year, 2011, a Russian VC, Prostor Capital, was founded and announced working with the MxE model, but gave up the idea in 2015. Alexey Solovyov, the fund's executive director, mentioned in an interview to Firmma, the Russian venture capital and entrepreneurship website, the reasons for leaving: "We somewhat underestimated the scale of the effort needed to implement this practice, and, at the same time, overestimated the degree of market's readiness for this product, especially of media partners" (Plenin, 2015). While in Russia the market was not ready, the MxE model expanded across Western Europe over the next 10 years. In France, in 2012, VC 5M Ventures was founded, which works with MxE representing several media outlets – OOH, TV, radio, and print media; and CVC L'Express Ventures, linked to the L'Express print media group (former Groupe L'Express).

In 2013, Ad4Ventures emerged, a CVC of the Italian media group Mediaset, owned by Silvio Berlusconi, negotiating media on the group's channels in Italy and Spain.

In 2014, Media Digital Ventures was established, a VC based in Barcelona, which has different types of media in its inventory (OOH, Radio, Print, Internet, and TV), with emphasis on the TV channels of Atresmedia Televisión and Mediaset España, and the OOH media company Clear Channel. Therefore, in Spain a start-up can negotiate media on Mediaset directly with CVC of the Ad4Ventures group, or through VC with Media Digital Ventures.

Also created that year was Belgian Media Ventures, a VC linked to an advertising agency - Régie Media Belge (RMB) - which offers media assets from the Belgian media group RTBF (TV, Radio, and Internet). The model is simple: for each deal, VC provides a media campaign

worth 400,000 Euros, with a 75% discount. Hence, the firm receives 100,000 Euros, of which 30,000 the company pays in cash and 70% is paid through stakes in the business. To get the discount, the media spaces negotiated are those not sold by RTBF.

TVN Ventures CVC, linked to the Polish TV group TVN, also began operating in 2014.

In 2015, the MxE model crossed the English Channel and entered UK through the creation of CVC Channel 4 Ventures, linked to Channel 4, which offers a portfolio of 12 TV channels and the All 4 streaming platform to invested firms. And, in 2018, two new CVCs were launched in the country: UKTV Ventures, linked to the UKTV TV group (which belongs to BBC Studios), using the same model, but called Airtime for Equity; and N&S Ventures, of the Northern & Shell group, which owns the British newspapers Daily Mail and Sunday Express. In addition to MxE, the latter also works with Revenue Share in exchange for advertising.

The model arrived in Brazil in 2017, through investments from the Globo Group, which, in addition to the Globo open channel, the largest in the country, also owned Globosat's closed channels; the globo.com portal; the Globo Radio System, which includes important radio stations such as Rádio Globo and CBN; the newspapers O Globo and Valor Econômico, which belong to Infoglobo; and Editora Globo, with a series of printed and digital titles such as Época, Época Negócios, Quem (Who), Pequenas Empresas & Grandes Negócios (Small Firms & Big Businesses), among others. In 2020, the closed channels, the open channel Globo, the portal globo.com, and the streaming platform Globoplay merged into a new company called Globo. As part of this restructuring process, Globo Ventures, the group's investment division, was also created in December 2019.

### *Digital Influencers*

The model where a traditional media company buys a stake in a start-up is present in Brazil since 2017, when Globo Group bought part of Órama Distribuidora de Títulos e Valores

Mobiliários (Securities Distributor), used it to diversify its business portfolio. However, if we look at this model more comprehensively, including influencers who use their networks as advertising space to leverage businesses in which they are partners, this model is much older in Brazil. Since 2010, presenter Luciano Huck's risk investment fund, Joá Investimentos (named after the neighborhood he lives in Rio), has invested in several companies that were driven by his capital, but, in some cases, also by his power as an influencer. For example, in January 2011, heavy rain in Rio's Mountain region left more than 900 people dead. Luciano, who was a partner in the company Peixe Urbano (Urban Fish), through his fund, used his Twitter account to launch a solidarity campaign for the victims by selling coupons from his company. -Luciano Huck on Twitter: "Do you want to help the victims of Rio de Janeiro mountains? Through @PeixeUrbano, you buy a coupon, and the donation is made." [Luciano Huck on X: "Quer ajudar, e muito, as vítimas da serra carioca. Via @PeixeUrbano, vc compra um cupom e a doação esta feita. <http://pes.ca/gZ2lbb>" / X \(twitter.com\)](#) By doing that, he not only made sales, but also strengthened brand attributes (even if this was ethically questionable).

## PROPOSAL FOR CONCEPTUALIZING MEDIA FOR EQUITY

As we saw in the literature, the discussion on what investors add to invested firms is old, but still very current in practice. In 2023, at the panel 'Brazil at Silicon Valley (BSV)', the mega-venture capitalist and co-founder of Sun Microsystems Vinod Khosla said that 90% of investors don't add value to start-ups. And worse, he also said that 70% reduce value by looking at the wrong metrics: "companies [...] say the same thing, this is my MRR [monthly recurring revenue], my ARR [annual recurring revenue]. But what fundamental assets are you building? Are you creating a business for three months, or one for five, ten years?" (Brigatto, 2023). When we talk about assets or resources that generate long-term competitive advantage, we are talking about innovative technology, but also of a brand that places the company in the market. The first question of this study is: "(P1) why do some start-ups seek these specific types of investors, which provide media in exchange for equity participation?". For a company to grow by attracting new customers, it needs a well-defined value proposition that they perceive (Brandenburger & Stuart, 1996; Gupta et al., 2020; Kumar & Reinartz, 2016). Therefore, we propose that, when entering a MxE contract, founders-entrepreneurs seek, in addition to capital for buying media, marketing capacities that will make their businesses grow, by taking their value propositions to the corresponding potential markets more efficiently. On the other hand, investors recognized as experts in certain marketing capacities, such as building strong brands for their advertisers, become more competitive in the venture capital market and can attract companies with a greater chance of growth to their portfolios if they can count also on a multi-platform media partner that provides specialized knowledge of media channels, as well as a database and data analysis expertise to boost the results of media efforts.

The second question (P2) sought to understand "how the partnership between investors and start-ups develops after the deal is closed". Invested companies that were born digital and have data analytics capabilities, when combined with marketing capacities and databases on results

of media actions by investors, develop data-driven marketing that enables exploring new and existing market opportunities more efficiently. At the same time, these data analytics skills and innovative technologies can also be transferred from the invested company to the investor (Kotler et al., 2017, 2021; Shah & Murthi, 2021; Sheth & Kellstadt, 2021).

Finally, the third question (P3) was "what success metrics do you use?". Start-ups are often under pressure from the finance department for a return on investment to the partners. Hence, they can end up evaluating marketing results from a short-term perspective, basically using customer metrics, but showing little interest in developing brand metrics, and focusing on observable results but ignoring those non-observable, linked to the perception of brand value (Aaker, 1996; Aaker & Press, 1991; Berger et al., 2006; Blattberg & Deighton, 1996; Gupta & Zeithaml, 2006; Keller, 1993; Keller & Lehmann, 2003; Kumar & Reinartz, 2016; Lemon et al., 2001; Markey, 2020; Rust et al., 2004; Seggie et al., 2007). However, by making a Media for Equity agreement, these invested companies begin to monitor not only metrics related to the client, but also those related to the brand. That is, they move from a short-term perspective to a medium or long-term.

#### *Proposal for defining Media for Equity*

Our search of the academic literature for definitions of MxE was unsuccessful, since it is a fairly new phenomenon, and perhaps because it has not expanded significantly in the US market yet. However, there are some definitions used by European practitioners:

Media for Equity is an alternative business model where companies trade shares to media companies in exchange for advertising space. This business model is recommended for start-ups and scale-ups that have a limited budget to develop their infrastructure, as well as for Internet-based start-ups. In simple terms, in a share-based media agreement, advertising is provided instead of money. The media conglomerate handles it to reach the

largest possible audience, so that the start-up succeeds and attracts customers (GRAI, 2021);

Media for growth (also known as 'media for assets' or 'broadcasting time for assets') is a funding option that provides advertising, such as television, print media, radio, and online, in exchange for an equity stake in a company (MFG, 2022).

However, if Media for Equity, as defined above, is a financing option for companies that need media to reach more customers, why don't these companies simply use the investment from other capitalization rounds to buy the media they need?

Therefore, in order to propose a wider conceptual model, we need to consider that the media outlet or digital influencer can act as an investor in start-ups that want something more than the reach that advertising space can provide. And, as widely discussed in the risk investment and open innovation literature, the investor contributes not just financial resources, but also non-financial (Chesbrough, 2006; Drover et al., 2017; Dushnitsky & Lenox, 2005, 2006; Hellmann & Puri, 2002; Huang & Pearce, 2015; Nahata, 2008; Pollock et al., 2010; Quas et al., 2020; Riepe & Uhl, 2020; Sapienza, 1992; Sapienza & Manigart, 1996; Sarasvathy, 2001; Stuart et al., 1999; Timmons & Bygrave, 1986; Tyebjee & Bruno, 1984; Wiltbank et al., 2009). This something else is what we call Smart Money and includes marketing capabilities. Just as the investor has a process for selecting a company to invest in, the company also has its process for selecting the media or celebrity it intends to use for its growth plan. The combination of these two logics - the investor that wants risk investment options and the firm that needs to grow and develop its marketing capacities - leads to the implementation of the Media for Equity investment model. Hence, we propose the following definition for MxE:

Media for Equity (MxE) is a risk investment model carried out by venture capital companies or angel investors, together with media companies or digital influencers, which combines, on one side, funding for start-ups/scale-ups and, on the other, diversification of the business portfolio of firms that own media spaces. In this model, the first offer a stake in their equity, in exchange for getting media spaces enhanced by marketing guidance, access to relationship networks, and increased reputation provided by the second.

## CONCLUSIONS AND IMPLICATIONS

The main contribution of this theoretical article is to shed light on the phenomenon of Media for Equity, which has operated for around three decades in Europe, involving large media groups, and has recently arrived in Brazil. This model of investment and partnership involves, on the one hand, two profiles of investors (media corporations and digital influencers), and, on the other, start-ups that need to leverage their growth. This type of partnership brings new alternatives to risk investment and marketing theories. The novelty is that these investors, who receive equity stakes in start-ups, provide much more than just media (traditional or digital); they also provide their own marketing capacity (designing marketing campaigns and appropriate use of advertising space), their network of relationships, and their credibility, which drives the growth of start-ups beyond what would be achieved simply by using media. In addition, these media owners don't just sell their space, but rather diversify their business portfolio. While media is more appreciated for bringing other non-financial contributions, the remuneration for this space (the valuation of shareholding in the start-up) depends on the success of the invested company - which fosters a mutual win-win effort.

As a contribution to management practices, the article uses theory to answer why start-ups seek this type of investment, how these firms use the acquired resources, and how they measure results. For future studies, we suggest examining in depth a group of start-ups that received MxE investments, in order to understand what were the antecedents that led companies to seek this type of capitalization; once the agreement is signed, checking how this relationship and the exchange of knowledge between investee and investor is structured in practice; and finally, how partnership results are evaluated. Another suggested study would be to structure a model for those who intend to invest using the MxE mode, including all five stages of the risk investment process: origin, screening, business assessment, business structuring, and post-investment activities.

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