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# KNOW YOUR CROWD: THE DRIVERS OF SUCCESS IN REWARD- BASED CROWDFUNDING

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## ABSTRACT

**Title:** Know your crowd: The drivers of success in reward-based crowdfunding

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**Keywords:** Crowdfunding, crowdsourcing, fundraising, online communities, motivation, incentives

**Thesis Purpose:** This study investigates projects and users of the popular crowdfunding platforms Indiegogo and Kickstarter, in order to advance the insight into what makes a successful crowdfunding campaign and understanding what drives the behavior of contributors. Furthermore, the research evaluates the cost and price structure of rewards and how supporters perceive the material and emotional values of the latter.

**Theoretical Perspective:** The study is grounded on the limited theories surrounding crowdfunding and crowdsourcing, as well as relevant theories in the neighboring fields of intrinsic and extrinsic motivation, consumption value, consumer behavior, and marketing appeals.

**Methodology:** An extensive literature and desk research led to the development of 12 hypotheses. Quantitative data was gathered by means of two web-based questionnaires: one for creators and supporters each. The survey was distributed directly via Facebook, Twitter and e-mail to successful and unsuccessful crowdfunding project initiators. In a second step the creators forwarded the link to their supporters.

**Analysis:** The data of 230 respondents in total was analyzed. Among others, the statistical methods of correlation, Cronbach's alpha, Anova, T-tests, and Pearson chi-square test were used to test the hypotheses and detect patterns that prove or contradict the elaborated theoretical framework.

**Conclusions:** The findings suggest that the social network of founders play an important role and that funds from friends and family add up to a substantial part of the pledges. Furthermore, supporters do not seem to follow consumer behavior and are more intrinsically rather than extrinsically motivated when participating in crowdfunding. Finally, rewards are perceived to be of rather of emotional value. However, products are the most popular kind of rewards which also have the highest material built-in value.

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# 1. INTRODUCTION

The last two decades have been dominated by a technologically-driven revolution that has transformed our society in all aspects. The Internet's ubiquity in daily life connects human beings like never before. Every aspect of life is being rewired by modern technology, from the way we communicate, consume and now, how we allocate and invest capital. The development of sophisticated web 2.0 technologies and the emergence of online communities are the cornerstones of a new alternative socio-economic system of production<sup>[1]</sup>. Separated by distance but not by interest or passion, large groups of individuals can now cooperate remotely in a digitally-networked environment (CAETANO&CARDOSO, 2011). This development has led to the paradigm shift that has facilitated the emergence of open-source, crowdsourcing and crowdfunding. This phenomenon is a collective effort by people who network and pool their money together, usually via the Internet, in order to invest in and support efforts initiated by other people or organizations (ORDANINI, 2009).

In the last couple of years we have experienced a veritable boom of this novel crowd financing method. Amplified by the success of crowdfunding services like *Kickstarter*, more and more specialized crowdfunding platforms (CFPs) have started to emerge all over the globe. According to the *Crowdfunding Industry Report* (2012) there are now more than 450 active platforms worldwide <sup>[2]</sup>. In 2011 alone, these websites raised almost \$1.5 billion, and successfully funded more than one million campaigns of every imaginable kind and dimension. The spectrum covers everything from a couple hundred dollars to promote a local theater show, to granting micro loans for people in need, to multi million dollar investments for startup companies. The same study predicts worldwide funding to almost double this year to \$2.8 billion. This, and the broad field of possible application of crowdfunding, illustrates its enormous potential for true economic and social impact (LAWTON&MAROM, 2010). By passing the JOBS Act<sup>[3]</sup>, the US government recently adapted this piece of legislation to the grow-

1 Some authors like Yochai Benkler and Michel Bauwens (BENKLER 2006, BAUWENS 2005) name it commons-based peer production

2 As of April 2012, based on Crowdsourcing.org's Directory of Sites, the most complete database of crowdfunding sites, there were 452 crowdfunding platforms active worldwide. The majority of them are in North America and Western Europe. (Crowdfunding Industry Report (2012), page 11. The 9th of July retrieved from <http://www.crowdsourcing.org/document/crowdfunding-industry-report-abridged-version-market-trends-composition-and-crowdfunding-platforms/14277>

3 Jumpstart Our Business Startups Act



ing influence and need for crowd financing methods. This new set of laws includes a provision to allow for a wider pool of smaller investors with fewer restrictions to contribute and participate in equity-based crowdfunding for startups and small businesses (HART, 2012).

It is especially branches that traditionally depend on established financing organizations can benefit from crowdfunding. CFPs can flatten existing hierarchies, by cutting the middleman and directly connecting people with money to the people who need it (HOWE, 2008). The effect of this has perhaps been most noticeable in the creative arts. According to Yancy Strickler, cofounder of Kickstarter, around 10 percent of the movies shown at the Sundance and Cannes festivals last year were crowdfunded (THE NEW THUNDERING HERD, 2012).

This paper mainly focuses on the domain of crowdfunding that can be summarized as “creative” projects. This particular area represents one of the most powerful and dominant fields of crowdfunding today. About half <sup>[4]</sup> of all CFPs are serving this domain, and amongst them are some of the most popular players like *Kickstarter* and *Indiegogo*. With the increasing popularity of the financing concept, more and more campaigns try to allocate capital directly from the crowd. Today, less than half of them are expected to reach their funding goal<sup>[5]</sup>. For this reason, it is not surprising that initiators have a vital interest in the process and methods on how to capture the support of the crowd. Numerous entries in blogs, magazines and on crowdfunding platforms deal with the subject, using different approaches. This paper aims to tie in with these efforts and to provide insights into how to run a successful crowdfunding campaign. The roles and motivations of the crowd are especially subject to investigation. However, the research also includes numerous other factors believed to be crucial for the successful outcome of crowdfunding projects. Behind the simplicity of the crowdfunding model hides a complex set of written and unwritten rules, the former defined by the crowdfunding services and the latter being continuously elaborated by the community of contributors and creators (CAETANO&CARDOSO, 2011). But what are the elements of a successful project? What does it take in terms of promotional efforts and reward promises to achieve the self-set funding goal? What drives the engagement of consumers as investors and which functions does the crowd fulfill?

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4        49%, According to an infographic created by Sandfishdesign.co.uk commissioned by Pleasefund.us. Retrieved July 14, 2012 from <http://www.pleasefund.us/projects/strength-in-numbers>

5        For Kickstarter the success rate was 44% in July, 15th 2012. Retrieved from <http://www.kickstarter.com/help/stats>

To answer these questions the thesis follows a quantitative approach. Conducting an online survey was found to be the most suitable data collection method. In order to achieve a holistic view of our subject of investigation, both sides, the creators and supporters, were invited to take the survey.

The literature about crowdfunding in particular is limited. As the topic is relatively novel, works about other Internet applications, for instance crowdsourcing, often only mention crowdfunding in passing. In December 2010 the first book about the subject, *The Crowdfunding Revolution* was released (Lawton&Marom, 2010). As crowdfunding contains many related components from other disciplines, such as economics, sociology, media and computer science, this study repeatedly refers to corresponding literature and studies. Crowdfunding is a web-borne phenomenon; therefore data and information from CFPs, blogs and online magazines are serious sources of information that are taken into account as well.

The first part of the thesis deals with the concept of crowdfunding in general and is complimented by a literature review about crowdfunding and closely related scientific fields. As a result the first hypotheses are formed. In the second section the theoretical framework mainly based on motivation and consumption theory is presented. On these grounds additional hypotheses are introduced step by step. The data is collected via online questionnaires addressed to crowdfunding project initiators and supporters. In the next chapter the results of the surveys will be presented individually. Subsequently the findings are critically discussed and the hypotheses tested. Finally, the conclusion will bring this thesis to an end.

## 2. WHAT IS CROWDFUNDING?

The goal of this section is to answer following questions: (i) What is crowdfunding and what is it not? (ii) Which players are involved in crowdfunding? (iii) What are the characteristics of crowdfunding in general and crowdfunding platforms in particular?

### 2.1 CONTEXT AND DEFINITIONS

The origins of crowdfunding, both practically and etymologically, derive from its superior concept known as crowdsourcing, which itself resulted from the greater interactivity that the spread of the Internet has enabled<sup>[6]</sup>. Jeff Howe coined the term “crowdsourcing” in an article in the June 2006 issue of *Wired*, an American magazine centered on high technology. In said article he explains a new method that is similar to the process of outsourcing, but uses an open call format to harness the collective intelligence and creativity of a large undefined group of people that are referred to as the crowd (BANKER, 2011). Kleemann et al. (2008) emphasize that “*crowdsourcing takes place when a profit oriented firm outsources specific tasks essential for the making or sale of its product to the general public in the form of an open call over the internet, with the intention of animating individuals to make a contribution to the firm’s production process for free or for significantly less than that contribution is worth to the firm.*” This definition is a good starting point but is arguably too restrictive, as it excludes not-for-profit ventures. Well-known examples like *Wikipedia* or *reCaptcha*<sup>[7]</sup>, prove that crowdsourcing is not limited to the corporate world or to certain fields of applications. The latest research in this field suggests that in fact, any non-trivial problem can benefit from crowdsourcing and therefore can be regarded as a “general-purpose problem-solving method” (DOAN et al., 2011).

In the case of crowdfunding, the main objective is to collect money. This is generally done by using social networks, particularly through the Internet. In principle crowdfunding uses the proven mechanisms of crowdsourcing but while the later focuses on pooling labor resources, the former pools another factor of production: capital (HARMS, 2007). From this perspective, crowdfunding is a subset of crowdsourc-

6 Strictly speaking, crowdsourcing and crowdfunding have existed before modern technology. However the mass-adoption and advent of the Internet drastically increased the potential and scope of applications of the two concepts (RUBINTON, 2011).

7 reCaptcha is a free anti-bot service that helps to digitize books, newspapers and old time radio shows, by asking users to enter words seen in distorted text images on screen. <http://www.google.com/recaptcha/learn-more>

ing, since the crowd can volunteer to provide input to the development of a project, but more specifically, in the form of financial help. In other words, instead of raising capital from a small group of sophisticated investors, the idea of crowdfunding is to obtain it from a wider public, where each individual contributes a small amount (BELLEFLAMME et al., 2011). However, creators relying on crowdfunding may combine the two principles. A founder of a crowdfunding campaign could, for instance, make an open call and, in addition to monetary support, ask for feedbacks and suggestions to improve the project.

Similar to its preceding concept, the method of crowdfunding, itself, is almost universally applicable. The spectrum ranges from charity to venture capital investment and everything in between. Definitions of crowdfunding are usually taking this circumstance into account, by settling on the highest common denominator and, as a result, are very general. Crowdfunding can be described as *“the process of one party financing a project by requesting and receiving small contributions from many parties in exchange for a form of value to those parties”* (RUBINTON, 2011). A more refined and precise definition is the one provided by Belleflamme et al. (2011): *“Crowdfunding involves an open call, mostly through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights.”* What is striking in these definitions is the highlighted importance of the rewards or payback in return for contributions. These compensatory measures, are discussed in detail later, offer incentives to become a backer of a project or to raise the pledged amount of money. This notion distinguishes but not necessarily excludes crowdfunding from purely charitable concepts like donations. Whereas in charity the act of giving is the main purpose, in crowdfunding the “receiving in return” component, is a crucial part as well. Crowdfunding therefore resembles in many aspects traditional investments. Usually the projects that seek financing from the crowd are in the middle of the starting phase and their realization depends vastly on the amount supporters that are willing to pledge. From this point of view backers sometimes act like investors; they place money in a venture whose outcome is uncertain, in the hope the promised reward fulfills their expectations.

## 2.2 CROWDFUNDING COMPARED TO RELATED CONCEPTS

There are many ways to use the power of the crowd via an open call format on the web. Sometimes these methods blend into one another, which makes their distinction somewhat fuzzy and debatable. To understand the subject of investigation in more detail, this section addresses the most important concepts related to crowdfunding and points out their commonalities and differences. The particular relevance and relation of crowdsourcing has been underlined well enough in the previous passage, and therefore is not listed in the following.

### 2.2.1 OPEN SOURCE

Open source is a concept, having its seeds in the realm of software development, in which the members of a community share their knowledge and pool their efforts to create new products. Open source is often associated with crowdsourcing. However, the two concepts differ in many ways and some of these differences can also be transposed to crowdfunding. An important distinction is that, in the case of open source, the idea belongs to the community who is then free to exploit it as they wish. In the case of crowdsourcing, on the other hand, the idea resulting from the collaborative process belongs ultimately to the venture that holds the exclusive right to make use of it (CAETANO&CARDOSO, 2011). Belleflamme et al. (2011) point out that: *“this distinction with open source practices becomes even more obvious when related to crowdfunding, since capital cannot be shared. Unlike an idea or a software code, capital is not a public good in the economic sense that assumes non-rivalness and non-excludability”*.

### 2.2.2 MICROFINANCE

Microfinance is another emerging concept in the realm of finance that has recently been expanded to the online world. The term stands for a broad category of financial services that are mainly provided to the underprivileged and poor. Muhammad Yunus pioneered the concept of granting micro credits to entrepreneurs in developing countries and later received the Nobel Peace Prize for his commitment. Advocates believe that, by empowering low-income people who usually don't qualify for a loan from a regular bank, they will be able to help them achieve positive returns and lift themselves out of poverty. The best-known example of micro financing via the Internet is *Kiva*<sup>[8]</sup>, an online micro-lending service that allows regular web users to offer small loans to

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8      <http://www.kiva.org>

people in developing countries who need them. *Prosper*<sup>[9]</sup> is a similar platform, but not so much focused on philanthropy, rather, more on the business aspect of lending. The service claims that, by cutting out the middleman and connecting the people who need money with those who have it, borrowers get better rates and investors, better returns for their loans.

While micro finance platforms are widely regarded as one of many forms of crowdfunding, some authors suggest excluding them systematically. Caetano and Cardoso (2011) argue that, "*Sites like Kiva and Prosper can be better placed within the finance sector than crowdfunding projects. That is because lenders charge interest rates*". Although the methods of microfinancing and other forms of crowdfunding can differ, they also share commonalities: Both explore the possibilities of what can be achieved when a large number of people each contribute a small amount. The two concepts also share the fact that they sidestep traditional financial institutions and instead give members of the crowd the power to decide what deserves to be funded.

### 2.2.3 SOCIAL PAYMENT

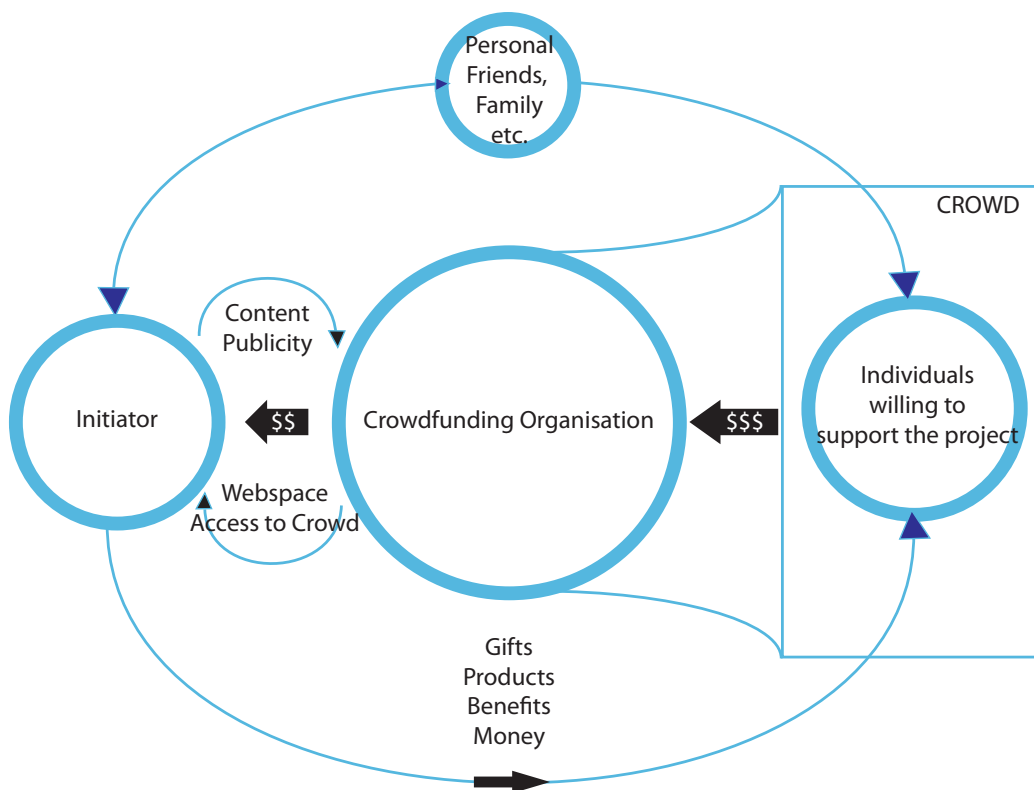
The term, often also referred to as *micro-donations*, describes a small voluntary charge for mostly immaterial goods on the Internet. Social Payment is a form of Paid Content approach that tries to challenge the prevalence for free mentality on the web. Consumers of typically free-of-charge online content, like blogs, podcasts, music, games and so forth, can choose to support creators via Social Payment systems. *Flattr* is the most prominent example and can be compared to an Internet tip jar (INGRAM, 2011). It enables creators of online content to install a *Flattr button* on their websites. Consumers who are willing to pay a small amount every month can then click on these buttons to share their money. Like Social Payment, the crowdfunding principle is based on voluntary financial contributions. But in contrast to the former, the capital allocated via crowdfunding is usually enabling the production of a specific product in the first place, while social payments are directed to creators of content already available for free on the web (HUBER, 2011). Social payment is not to be confused with *ex-post facto crowdfunding*, where financial support is offered in *exchange* for a completed product. Kappel (2009) distinguishes this form, from *ex-ante crowdfunding*, where financial support is given on the front end to assist in achieving a mutually desired result.

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9 <http://www.prosper.com>

### 2.3 ACTORS INVOLVED IN CROWDFUNDING

Usually there are different actors involved in current crowdfunding models. First, there are the initiators who propose a project, business model or product, and who also seek capital to fund their idea. Then there is the large audience, the crowd that decides to financially support these projects, bearing a risk and expecting a certain payoff. This payoff can, but does not have to, be of monetary nature. The emergence of crowdfunding platforms established the third player, an in-between that acts as an intermediary to bring the two sides together: on one end, those who want to deliver new initiatives using crowdfunding systems, and on the other, those who may wish to support these projects through their investment efforts (ORDANINI et al., 2009). Therefore, a distinction can be made between *direct* and *indirect crowdfunding*, because more and more initiators make use of CFPs instead of seeking direct contact with the crowd (BELLEFLAMME et. al, 2011). In the following we have a closer look at the different players and their characteristics.



**Figure 1:** Crowdfunding actors: Initiators, Crowd and the crowdfunding platform



### 2.3.1 THE PROJECT INITIATORS OR CREATORS

Project initiator, also often referred to as creator or founder, is a collective term that includes everybody that uses crowdfunding to raise money for his or her idea, project or venture. This may among others be: entrepreneurs, musicians, filmmakers, designers, artists, writers, philanthropists and the CFPs themselves<sup>[10]</sup>. In short, it could potentially be anybody with an idea but not necessarily the capital to realize the campaign. In reality, a substantial part of crowdfunding activities nowadays revolve around projects that can vaguely be described as “creative”. This is also a consequence of crowdfunding’s origin in the music scene (HEMER, 2011). This trend is confirmed by the fact that reward-based crowdfunding platforms, which are especially suitable for “creative” projects, are currently the most popular on the web and continue growing with at a high rate (CROWDFUNDING INDUSTRY REPORT, 2012). Jeff Howe already recognized this tendency back in 2008: *“Crowdfunding has spread into the most unexpected nooks and crannies of our culture – such as music and movies”*. Realizing that through the Internet plenty of potential customers can be reached, crowdfunding was picked up by artists, and spreading itself into the creative industry with the idea that, *“no amount of focus grouping or test marketing – which the studios and labels engage in aggressively – can change the essential difficulty of discerning what separates a hit from a dud”* (HOWE, 2008). Belleflamme et al. (2011) also stress the importance of music and film and underline that crowdfunding is primarily used in the entertainment industry. However it is important to acknowledge that crowdfunding is being adapted by other industries as well, including scientific research (Open Genius)<sup>[11]</sup>, sporting clubs (MyFootballClub)<sup>[12]</sup> and Journalism (SpotUs)<sup>[13]</sup>. The latest success of multimillion-dollar projects like Pebble<sup>[14]</sup> or Ouya<sup>[15]</sup>, illustrate that crowdfunding projects can be more diverse and in the best case even enable innovative high-tech ventures. Google’s chief economist Hal Varian stresses that crowdfunding is par-

10 In the case of Kiva for example, it is tricky to determine who the project initiator is. That is, because local microfinance organizations screen the possible micro credit recipients according to the standards and requirements of Kiva.

11 Retrieved August 13, 2012 from <http://www.opengenius.org/>

12 Retrieved August 13, 2012 from <http://www.myfootballclub.co.uk/>

13 Retrieved August, 13, 2012 from <http://spot.us/>

14 Pebble is a watch that displays messages from the wearer’s smartphone. Retrieved August 13, 2012 from <http://www.kickstarter.com/projects/597507018/pebble-e-paper-watch-for-iphone-and-android>

15 Ouya is a new kind of open-source video-game console. Retrieved August 13, 2012 from <http://www.kickstarter.com/projects/ouya/ouya-a-new-kind-of-video-game-console>



ticularly well-suited for industries that create intellectual property: *“Instead of today’s approach of restricting access to content using copyright, crowdfunding facilitates an alternative, whereby the creator agrees to provide content if enough people commit themselves to paying for it. Mr. Varian argues that this overcomes the free-rider problem, a particular pain for makers of online content because it can often be reproduced at zero cost”* (THE NEW THUNDERING HERD, 2012).

Many initiators ask the general public for financial aid because their projects would not find funding from traditional resources like bank loans, venture capitalists, investors, state promotion and cultural foundations. This may be because their ideas are misunderstood, too exotic, too complex, too risky, too unprofitable or sometimes simply, poorly presented (HEMER, 2011). Using the crowdfunding technique, initiators can bypass gatekeepers entirely and pitch projects straight to everyday Internet users. Besides allocating capital, there are a variety of reasons why creators turn to this new way of raising funds online. Founders are under less pressure to make compromises for profit-oriented investors and maintain greater control over the business side, all while keeping their creative vision intact as well. By exposing the idea to a wider public and finding funding from truly interested supporters, initiators gain early validation of project concepts and a good understanding of the scope of the target market (STEINBERG&DEMARIA, 2012). Crowdfunding also allows initiators to forge early and strong relationships with committed customers and supporters, who eventually become advocates that help to promote the project.

### **2.3.2 THE CROWD**

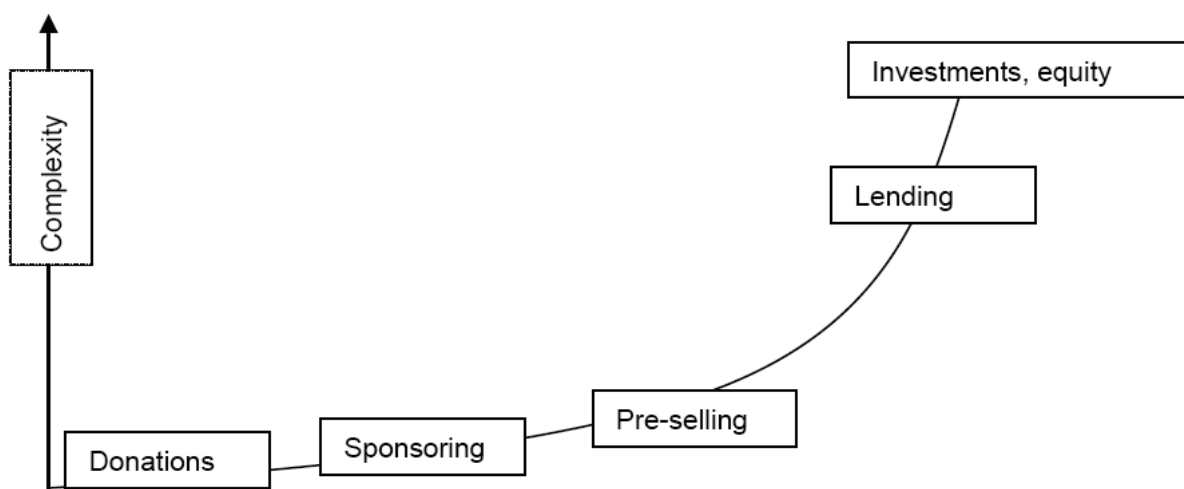
The large, often anonymous number of individuals addressed by the open call format, which is typical for crowdfunding, constitutes the “crowd”. The term is relatively loosely used. Sometimes it refers to online communities, Internet users in general or the people who financially back a project. In this paper we distinguish the crowd, the total number of potential contributors that could receive an invitation to engage in the crowdfunding campaign, from the *supporters*, the ones who actually pledge for a pitched project. This, again, can potentially be anybody with Internet access and some money to spare. With the minimum investment often set as low as \$1 or \$5 dollars, participating in crowdfunding is made accessible to the majority of common consumers in developed countries (VAN WINGERDEN&RYAN, 2011).

The role of supporters and their motivations is a popular subject of investigation in the small but growing field of crowdfunding research. However, the point of

view from which they are examined may vary widely. Some studies view backers as consumers who can “volunteer to provide input to the development of the product” in form of financial help (LAMBERT, 2011). Furthermore, the crowd can also be a part of the production in terms of giving inputs, ideas or requests. Many projects place their backers in the position of *early customers*, allowing them, in return for their contribution, to access to the product at an earlier date, better price, or with some other special benefit (MOLLIK, 2012). Supporters of crowdfunding initiatives, such as art or humanitarian, projects on the other hand, are more viewed like *patrons* or *philanthropists*, who expect nothing in return for their money. Finally, supporters can also act as *investors*, which is often the case when they receive equity stakes as compensation for their funding. In some countries the legislation forbids this type of remuneration. In the U.S. for instance, this practice was legalized only just recently by the JOBS-Act in April 2012 (MOLLIK, 2012). This paper expects to deal mostly with supporters, who, according to the aforementioned scheme, may fit best into the “patron”, and “early customers” category. Nevertheless, this study also concurs with the broader view of authors suggesting that, “all crowdfunders may be thought of as investors, making decisions about which projects to support based on their expectations for success and the underlying appeal of the project” (AGRAWAL ET AL., 2010, as cited in MOLLIK, 2012).

### 2.3.3 CROWDFUNDING PLATFORMS

In the past 3 years, alongside the development of crowdfunding, hundreds of services called “crowdfunding platforms” have emerged to act as an intermediary between the public and the funding projects, with the aim of facilitating transactions.



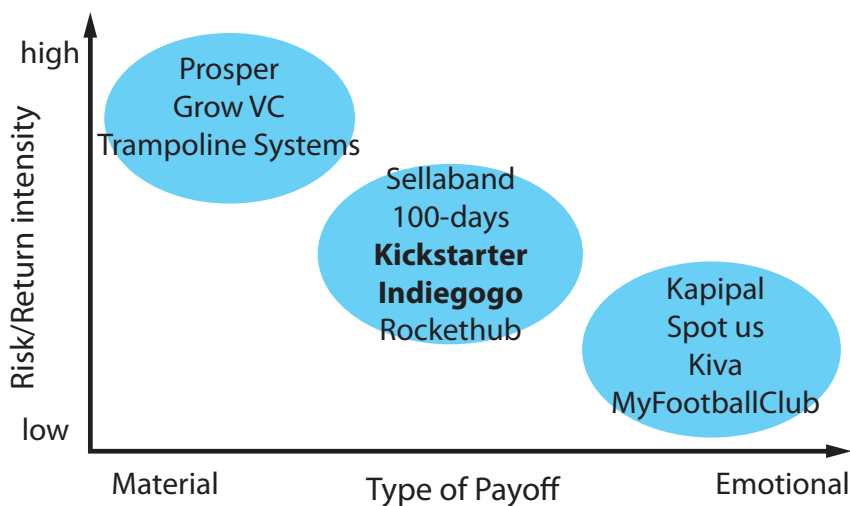
**Figure 2:** The major forms of capital provision ranked by process complexity (HEMERS, 2011)

Hemer (2011), points out that the complexity of transactions can vary greatly depending on their form. To highlight the differences between them, he suggests establishing delimiting terms for (crowd) donations, (crowd) sponsoring, (crowd) pre-ordering or pre-selling or (crowd) lending and (crowd) investments.

According to Agrawal et al. (2011), “*Crowdfunding platforms are purposefully designed to overcome distance-related frictions*”. Most of them have three properties in common: 1) they provide a standardized format for initiators to present their project in a comprehensive manner to anyone with Internet access, 2) they allow for small to medium sized financial transactions that enables broad participation and keep risks within bounds, and 3) they provide investment information (i.e., cumulative amount raised to date and the online identity of current investors), as well as tools for investors to communicate with each other (AGRAWAL, CATALINI & GOLDFARB, 2011). All the sites operate under the same underlying principal of pooling several smaller investments from a crowd in order to fund a project that requires a larger investment. In addition, some platforms go one step further and offer advice, organize public relations, make arrangements with micro-payment providers and many more value-adding services. This way, CFPs can share the experience and professionalism they develop through their routine work with project initiators, who usually go through a crowdfunding process only once or a few times in their lifetime. In such manner, all actors involved in crowdfunding benefit: Initiators are able to raise more funds, supporters profit from better, more appealing projects and rewards, and CPFs get more traffic and subsequently earn more money. The usual business model of CFPs is to take a cut of the funded money as compensation. Hemer (2011), underlines the importance and roles of CPFs: “The rapid emergence of such platforms is logical and crucial for this new market to function properly”. Crowdfunding platforms also set the rules concerning what kind of projects are accepted and therefore can assume the role of *gatekeepers*. This can sometimes affront users who perceive the guidelines as too restrictive and unclear. However, the policies vary from site to site. *Indiegogo* for instance is one of the less regulated online crowdfunding services. Cofounder Slava Rubin thinks this relative openness is elementary: “*Some other players out there decide whether or not your project deserves to be on there and we think that fundamentally goes against the reason the Internet was created and how to best use an Internet platform. {...} The whole point of the Internet is to allow for it to be supply of demand, democratic determination of what deserves to be funded*” (BELL, 2010). *Kickstarter*, on the other side, represents a CFP that is well known for its rather restrictive guidelines, which

even if laid out somewhat inconsistently, assure that potential backers can expect to find projects with a certain quality on the platform (CARVER, 2012).

In the last couple of years a variety of different CFPs have appeared on the market with a wide range of services that specialize in different sorts of branches, like music and film, charity projects or raising venture capital for start-ups. Ordanini et al. (2009) identified three types of crowdfunding platforms: 1) models characterized by high levels of risk/return with predominantly material payoffs for consumers, whose activity is close to that of venture capitalists; 2) models characterized by a low-to-medium risk/return ratio with a broader set of potential payoffs for customers, including emotional rewards; 3) models with little or no risk for customers who expect only non-material payoff and which are closer to charitable activities (ORDANINI et al., 2009).



**Figure 3:** Risk/Payoff chart of several crowdfunding platforms (ORDANINI et al., 2009)

This classification characterized by the type of return funders will receive (i.e. rewards, equity or micro credit), corresponds with other established categorizations. The Crowdfunding Industry Report (2012), for instance, distinguishes four different kinds of CFPs: *Equity-based*, *Lending-based*, *Reward-based* and *Donation-based crowdfunding*. Castrataro (2012) suggests a slightly different, more refined classification system, which will be discussed in the following.

### Reward-based Models

As the name already indicates, reward-based crowdfunding happens when supporters make donations or pledges towards a project with the expectation of a certain reward. This return can be either material (i.e. a product pre-order) or more intangible

(i.e. a thank you card) (CASTRATARO, 2012). According to the Crowdfunding Industry Report (2012), most CFPs nowadays are of this type and the trend is unbroken as this category also shows a high growth rate of 79% CAGR (Compound Annual Growth). Reward-based crowdfunding models can be split further into two sub-categories: The “all or nothing” model and the “keep what you raise” model.

The main characteristic of the “*all or nothing*” model is the fact that the targeted sum of money must be reached within a previously set period of time. If the funding goal is not met within this time limit, the fundraising is regarded as unsuccessful and no money will change hands. In this scenario the pledged amounts, which are sometimes deposited on escrow bank accounts, will be transferred back or simply stay in the pledger’s bank account. This method helps to protect backers, since the money is only transferred when the required amount to realize the pitched project is funded successfully. Project initiators can also profit from the practice, as potential supporters are more likely to contribute even when the outcome is unclear. Projects are usually allowed to exceed the original funding goal. The most popular example of the “all or nothing” model is *Kickstarter*, which only pays out to successfully funded projects.

The “keep what you raise” model, on the other hand, intentionally dispenses of this security measure. In this model, the raised funds are paid immediately to the project initiators, regardless of whether or not the project reaches its funding goal by the end of the dead line. *IndieGoGo* and *RocketHub* are two popular examples of this category. Most CFPs of this type have established incentives that aim to motivate initiators to reach their self-determined funding goals any ways. If creators reach or exceed their financial target, they can profit from certain benefits, for instance lower submission fees (CASTRATARO, 2012).

### **Equity-based Models**

*Sellaband*<sup>[16]</sup>, specialized in the music business and as one of the first crowdfunding platforms in general, introduced equity-based crowdfunding to a wider public. This particular model of crowdfunding, allows Internet users to invest even small amounts of money in projects and in return, receive a small piece of ownership of the project. This can be compared to buying stock in a company without a broker (PEAVLER, n.d.). According to the Crowdfunding Industry Report, equity-based is the fastest-growing category by net year-on-year growth and is especially suitable for digital goods, such as applications or computer games, films, music and literature. It also raises the largest sums of money per campaign. In 2011, more than 80% of the campaigns in this cat-

egory raised above \$25'000 and 21 percent of the funds raised by equity-based crowdfunding platforms were pledged for projects that drew in at least ten times more in funding. The ability to raise large sums of money makes equity-based crowdfunding a viable alternative for raising capital to fund small businesses and start-ups. However, the legislation in many countries, make this form of crowdfunding somewhat difficult. The legal procedures are often complicated and would prohibit equity-based crowdfunding for smaller projects. To prevent this, CFPs have found ways to bypass such rules and cumbersome procedures. Castrataro, identifies two main methods that have evolved in the past couple of years: the *club model* and the *cooperative model*.

In the club model, backers become member of a closed “investment club”. This way, the offer is not being made directly to the public and hence not illegal. A popular example of this kind is *Crowdcube*, an English equity-based business crowdfunding site. The *cooperative model* functions on a similar basis. Here the platform creates a cooperative vehicle to collect the individual contributions and pool it into many single legal entities, which invest in the projects running on the platform. A suitable example of this kind is the popular platform *Grow VC* (CASTRATARO, 2012).

### **Microfinance**

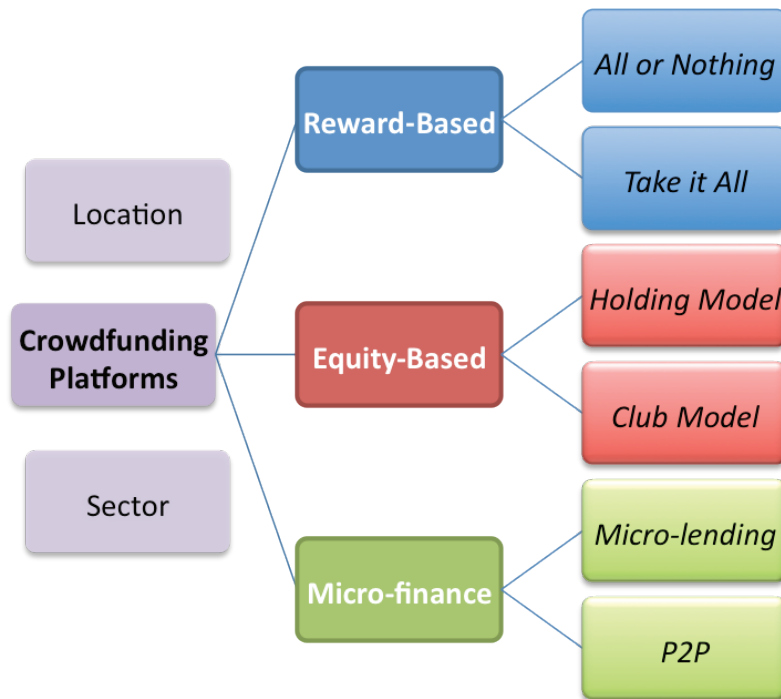
The main characteristics of microfinance have already been pointed out in the previous chapter (2.2.2). The proposed classification model distinguishes between two sub-models: *Microlending* and *Peer-to-Peer lending*.

The popular microfinancing platform *Kiva* represents the archetype of the *micro-lending* model. In this context *microlending* means the provision of financial services, especially granting microloans to low-income clients, who usually lack access to banking and related services. The capital is pooled from a crowd of people and managed by a local intermediary (CASTRATARO, 2012).

*Peer-to-peer lending* on the other hand occurs when individuals lend and borrow money directly to each other without the intermediation of a traditional financial institution. Online platforms like Prosper and Zopa<sup>[17]</sup>, act as interfaces that set the rules and connect the borrowers and lenders directly. To reduce risk, lenders usually contribute only a relatively small chunk to individual borrowers.

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17      Founded in 2005, Zopa was the first peer-to-peer lending service. Retrieved from <http://uk.zopa.com>



**Figure 4:** Classification proposed by twintangibles (cc) by nc-sa 2011

To further refine the aforementioned classification model, Castrataro (2012) suggests the possibility to distinguish between CFPs by sector and location. Sectors could be for instance, creative, charity, science, music, film, video games etc. This even more sophisticated classification takes into account that worldwide, more and more highly specialized platforms start to emerge, each serving only serve a certain target group or market. This trend is also true for geographic or linguistic areas. For instance, In Switzerland alone two platforms, 100-days<sup>[18]</sup> and WeMakeIt<sup>[19]</sup> have been established in 2012, both of them practically only serving the narrow Swiss market. The focus of this thesis is reward-based crowdfunding platforms.

18 Retrieved August 17, 2012 from <http://www.100-days.net>

19 Retrieved August 17, 2012 from <https://wemakeit.ch>



### **3. LITERATURE REVIEW**

This section is devoted to the emerging stream of research that has examined crowdfunding markets and related fields, which are pertinent in answering the research question; *what makes a successful crowdfunding campaign?* As this thesis primarily focuses on “creative” crowdfunding projects, literature about reward-based crowdfunding is considered more important. Nevertheless, research about other types of crowdfunding is included as well. The aim of this chapter is to offer an overview and critical evaluation of the latest data and research. The review is organized as follows: First, general findings about crowdfunding are introduced. Second, we focus on the motivations of creators and supporters to participate in crowdfunding, followed by more detailed findings about the typical process of a crowdfunding campaign. A whole section is devoted to the findings of Mollick’s (2012) paper about Kickstarter, as this research is particularly relevant for this thesis. Subsequently, several less-closely related studies are presented. A brief discussion and proposition of a first set of broad hypotheses end this chapter.

#### **3.1 GENERAL FINDINGS ABOUT CROWDFUNDING**

##### **3.1.1 THE RISE OF CFPs**

In a 2010 study, Lambert and Schwenbacher provide an early overview of the still fledgling concept, based on an empirical study. The authors analyzed results from a questionnaire taken by 21 entrepreneurs and activists, only 3 of whom used an online platform, while the remaining 18 used personal websites and other online social media tools to raise funds. Since then, however, the face of the industry has radically changed. Specialized crowdfunding services of all kind have emerged, taking into account the different and distinct needs of crowdfunders. Extraordinary events like the passing of the US Crowdfunding legislation further fueled the global boom of crowdfunding platforms. Although, there is no data available for direct crowdfunding, the numbers provided by the Crowdfunding Industry Report (2012) is an indicator that the vast majority of project initiators nowadays raise their funds through CFPs.

##### **3.1.2 THE ROLE OF GEOGRAPHY**

Agarwal et al. (2010) examined *Sellaband*, a crowdfunding service for musicians, to evaluate the influence of proximity on individual investment behavior. The study re-evaluates “the flat-world theory”, which postulates a global market where geographical



divisions are becoming increasingly irrelevant. The authors suggest that crowdfunding platforms can reduce economic frictions associated with investments over large distances. The average distance between artists and their supporters in the sample was 5000 kilometers, suggesting a “reduced role of spatial proximity”. However, in the case of investors with personal connections to the fundraiser (i.e. friends and family), distance remains a considerable factor. The researchers underscore the important role of friends and family (F&F), who are typically among the earliest investors. The support from F&Fs is likely to have a strong signaling effect for following investors. This is because this particular group is expected to possess more information about project initiators due to their spatial and social proximity and possibility to conduct due diligence. The authors conclude that although, crowdfunding platforms seem to remove most distance-related economic frictions, they cannot eliminate social-related frictions like search costs.

Mollick (2012), whose research will be discussed later in detail, also argues that geography still plays an important role. By comparing the success rate of Kickstarter projects based in “micro statistical” and “metropolitan” areas, the researcher found that project initiators who are living in a city with a high density of “creative individuals” are more likely to achieve their goal, than creators from the countryside. Furthermore, the researcher observed that successfully funded projects tend to reflect the cultural products of the area, in which the founders are based. Los Angeles for instance, has a high number of film related projects, Nashville is dominated by music and San Francisco is home to more technology and game-related products. Mollick, argues that this clustering effect has a positive outcome on crowdfunding projects: “having a local community of artists and creative individuals, seems to increase the quality of nearby initiators” (Mollick, 2012). The author concludes, that although, these results require further study, they suggest that geography does still play an important role in crowdfunding.

### **3.2 MOTIVATIONS OF PARTICIPANTS**

Understanding the participatory motivations of the actors involved in crowdfunding becomes an increasingly popular subject on investigation in this still young field of research. A handful of studies have already been conducted in regard of this issue. Schwienbacher and Larralde (2010) were the first ones who stated that there is more to crowdfunding than just the money. The authors find that the main motivation of entrepreneurs, besides fundraising, is to get public attention, obtain feedback

and expand their network. Contributors, on the other hand, are driven by the desire to take part in the “exciting adventure of building a startup” and to expand their network with other supporters. They also highlight the community and social aspect of crowdfunding: *“In many cases, the financial return seems to be of secondary concern of those who provide funds. This suggests that crowdfunders care about social reputation and/or enjoy private benefits from participating in the success of the initiative”* (SCHWIENBACHER&LARRALDE, 2010). Their findings also illustrate that reward and donation-based crowdfunding dominate the field. Moreover, non-profit projects tended to be significantly more funded than other ventures. The authors put their findings in context with theoretical arguments developed by the contract failure literature, which postulates that not-for-profit organizations may find it easier to attract money for initiatives which are of interest for the general community due to their reduced focus on profits. (SCHWIENBACHER&LARRALDE, 2010).

### **3.2.1 ROLES OF SUPPORTERS**

Ordanini et al. (2011), whose findings have been partially presented in the previous chapter (2.3.3), conducted interviews with founders and managers of the three European crowdfunding platforms, Sellaband, Kapipal and Trampoline. The researchers identified several purposes and characteristics of crowdfunding participants. Those can be summarized in three typical roles played by supporters: 1) *Agents*, select and promote projects and artists of their choice and in return are being rewarded with a royalty on future sales; 2) *Shareholders*, support the growth and development of the venture and receive ownership and or voting rights in return for their investment. This way they can contribute to the future decisions of the company; 3) the primary role of *Donors*, on the other hand, is to help and support the project, without expecting any monetary or material reward for their contribution.

### **3.2.2 CREATOR MOTIVATIONS**

Gerber, Hui & Kuo (2012) performed semi-structured interviews with 39 participants, most of whom have both created and funded projects, to find out why they participate in crowdfunding. The researchers focused specifically on crowdfunding through online platforms like Kickstarter, Indiegogo and Rockethub, as they represent the most popular way for crowdfunding today. According to the authors, six creator and four supporter motivations were uncovered, which are summarized in the following:

1) *Raising funds for their projects.* Crowdfunding platform facilitate this process by providing a legitimate and efficient way to pitch ideas and accept small payments from a large number of people. Creators perceive the method as fair to people in their network, who can freely decide if they want to contribute or not.

2) *Expanding awareness of work.* The creators of projects that seek funding through CFPs wish to raise attention and attract interest for their work to a wider general public. This does not only include family and friends and weak ties, who learn about their work through friends of friends, but also can sometimes even reach out to popular press. Creators benefit, as individuals who learn about their project become more likely to contribute financial resources and, additionally, may spread the word about the campaign.

3) *Connecting with other people.* A motivation to participate in crowdfunding for creators is, to connect with their supporters and other creators. CFPs can bring together like-minded people, facilitate social interaction through online communication channels and allow for online engagement. Creators connect through their work and share collaborative experiences, which may include receiving support, informal learning and mentoring of other projects.

4) *Gaining approval.* The findings of the study suggest that project Initiators are also motivated to participate in crowdfunding in order to gain approval for themselves and their work. Monetary support and public recognition can strengthen validation and boost the confidence and motivation of the fundraiser. According to the authors, CFPs therefore provide the unique possibility to satisfy several motivations for initiators, which is not necessarily the case with traditional funding mechanisms, such as grants and venture capital funding.

5) *Maintaining Control.* Allocating capital through crowdfunding gives project initiators, to a wide degree, the liberty to define the terms and conditions and the rewards for a financial contribution, on their own. This is an important motivational factor for creators who want to maintain control about their work and keep their creative integrity intact. CFPs enable more autonomy and competence and subsequently allow creators to execute their projects true to their vision.

6) *Learning new skills.* To successfully run a crowdfunding campaign, project initiators are eventually confronted with a wide variety of challenges that are outside of their field of expertise. Respondents indicated, that they enjoyed learning new skills like making a project video or writing an appealing text for the target group. Crowdfunding also offers hands-on business experiences and immediate feedback on ideas

and pitches. This is stimulating and beneficial for creators that are motivated to learn and improve their skill set.

### 3.2.3 THE MOTIVATIONS OF SUPPORTERS

1) *Collecting a reward.* A crucial motivation for supporters to financially contribute towards a crowdfunding project, is receiving a reward in exchange for the money. This payoff may come as an acknowledgment, a tangible product or an experience. From this point of view, supporters exhibit consumer behavior. However, the fact that contributors are willing to pay prior to reward creation and wait weeks or months without knowing if the reward will fulfill their expectations, makes this type of transaction different from formal consumer transactions.

2) *Helping others out.* Supporters express the desire to help creators when they are strongly or weakly tied. Be it through friendship or shared interests. The authors suggest that, when a project gets successfully funded, the creators and the supporters share the success together. In this case, the motivation of supporters seems to be philanthropically, as the promised reward is, if at all, of secondary concern.

3) *Being Part of a Community.* Analogical to the creators who are motivated to get in contact with like-minded individuals, supporters express the desire to play an active role in the creation of exciting projects. Creators often support this notion, by rewarding contributors with having a say in the outcome of the final product. Contributors also appreciate visual evidence of being part of a selected community. CFPs endorse this, by having publicly viewable listings that display which user supported what project. Additionally, creators often honor their supporters on their project websites. The authors argue, that these interactions through CFPs foster trust between the two parties and build the basis for monetary transactions.

4) *Supporting a Cause.* Contributors are motivated to support crowdfunding projects that are congruent with their personal beliefs. Through the financial support and participation of a like-minded community, contributors can express their beliefs, whether it is for the creator or the project cause. The authors point out that “*supporters prioritize motives differently. Although some people are motivated to collect a reward, others are primarily motivated to support a cause. Some creators consider allowing the creator to maintain project control as one worthwhile reason to participate in crowdfunding.*” (GERBER, HUI, & KUO, 2012).

### 3.2.4 INTRINSIC VERSUS EXTRINSIC MOTIVATION

The motivations and behavior of crowdfunders was also the subject of investigation of a degree project written by Van Wingerden and Ryan from the Lund University (Ryan & Van Wingerden, 2011). The researchers conducted a survey and collected data from 124 respondents via an online questionnaire. Overall, crowdfunding participants tended to be motivated intrinsically rather than extrinsically. The majority felt that being involved in the process is important which the researchers argue supports the findings by Baty and Sommer's (2002), Ibrahim (2008), and Duxbury et al.'s. (1996) that joy is a motivator for (angel) investors. Their findings also suggest that backers of crowdfunding projects are either driven by intrinsic or extrinsic motivations. This dichotomy is reflected by the type of projects, rewards and platforms that were chosen. The researchers point out that in regards to the fact that contributors are free to choose what kind of crowdfunding they want to engage in, a higher number would have been expected to engage in crowdfunding activities with the possibility of earning monetary rewards. This assumption is based on the premise set by several authors (AMABILE ET AL. 1996; RYAN&DECI, 2000) who argue that intrinsic motivation declines after extrinsic motivators are introduced. Applied to crowdfunding, this means that once it is made possible to earn a monetary reward the desire to contribute for intrinsic reasons consequently will decline. However, this notion, was not as strongly developed as the authors anticipated. Only about 60 percent of the respondents engaged in crowdfunding that offers monetary rewards. The researchers argue that this finding could imply that other factors, like funding to support a family member or friend, a concept introduced by Agrawal et al. (2010), are more influential than the possibility to earn a monetary reward. Furthermore the data also shows that crowdfunders who participate for intrinsic reasons, such as "being involved with a project" and "for the fun of it", do so more frequently than the ones who are in it for the monetary reward.

#### **Digression in the field of crowdsourcing**

Similar research studies have been conducted before in the broader theoretical context of *crowdsourcing*. Lakhani, Jeppesen, Lohse and Panetta (2007), identify "having fun" as the single most important motivator for participants of crowdsourcing. However they point out that the desire to win award money or "bounty" plays a significant role as well. Other intrinsic motivations like "involvement, fulfillment and feelings of competence", were identified in a research project that revolves around crowd sourced idea generation competitions (LEIMEISTER, HUBER, ET AL., 2009). Other researchers however, have shown that it is not intrinsic motives but extrinsic motives

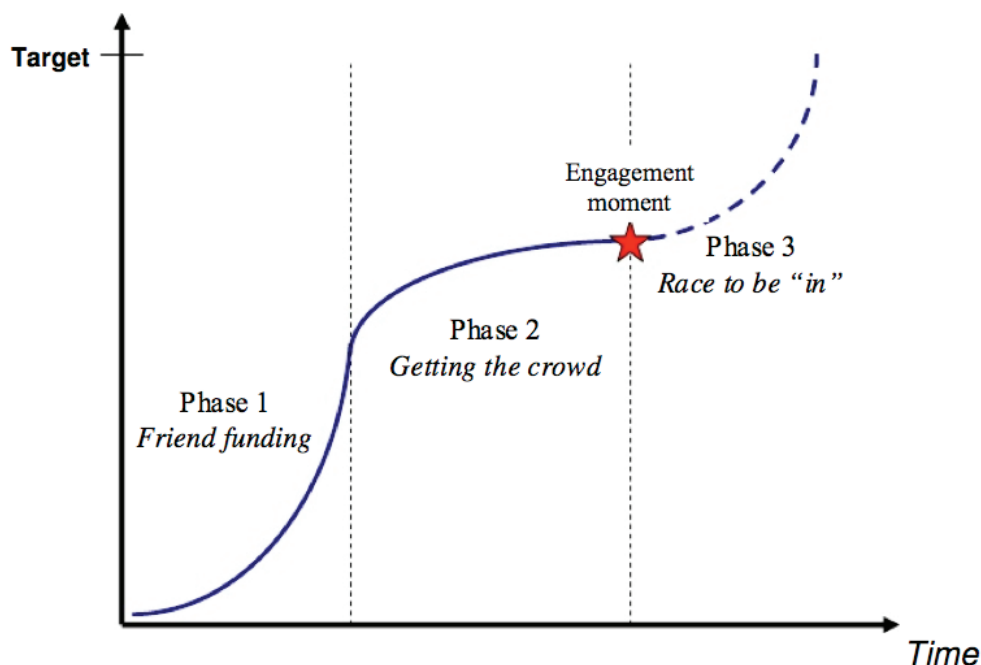
that are the underlying reason for individual engagement in crowdsourcing activities. Brabham (2008b) for instance, finds that extrinsic motivators like “the opportunity to earn or make money”, play the most important role for the active crowdsourcers within the iStockphoto community. Kaufmann et al. (2011) find that a variety of extrinsic motivational factors like “immediate and delayed payoffs and social motivation” have a strong positive effect on the time “workers” spent on the crowdsourcing market Amazon Mechanical Turk. However, they also point out that for many of the respondents intrinsic motivations seemed to be more important. In particular, different forms of enjoyment based motivation like “task autonomy” and “skill variety”, were reported to be important for this group.

### 3.3 ELEMENTS OF A TYPICAL CROWDFUNDING CAMPAIGN

In this section some general findings are discussed that are considered to be characterizing for the process of typical reward-based crowdfunding campaigns.

#### 3.3.1 INVESTMENT BEHAVIOR

Ordanani et al. (2011) proposed an archetypical pattern that reflects the investment behavior of supporters over time.

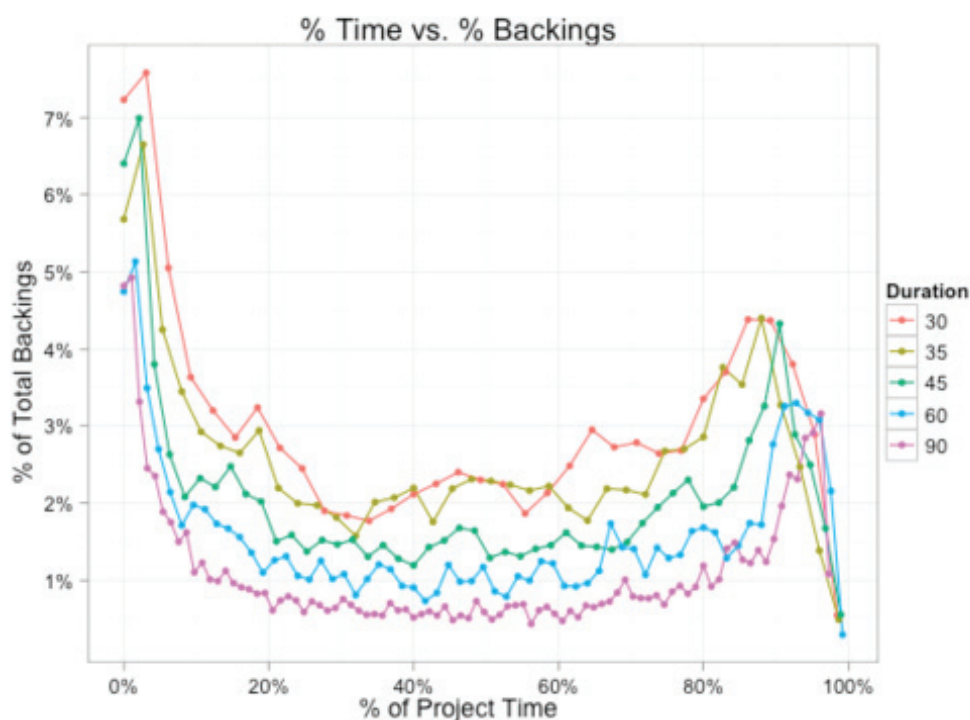


**Figure 5:** Typical Path of Consumer Investment via a CFP (Ordanani et al., 2011)

The authors distinguish between three different phases of the cumulative investment process. In the first phase, which are in line with the findings of Agrawal et al.,



friends and family account for the preliminary substantial contributions. This quick flow of investment comes from people directly connected to the project initiator and can raise up to approximately half of the funding goal. The second stage is characterized by a slow-down in investment growth. In this phase the wider social network of initiators gets involved and new funds only start to flow in when word-of-mouth and motivating other people can trigger a cascading process of investments. This “getting the crowd” phase is the most delicate and many projects are reported to get stuck on this level as they fail to adequately tap into the crowd. Moreover a vicious cycle can set in when too much time goes by without significant growth of funds, making it less attractive for potential supporters to contribute to the project (Ordanini et al, 2011). Only a few of the projects will set the last phase off with a so-called “engagement moment”. This event triggers a chain reaction, and facilitates rapid growth towards the end of the funding process. Supporters acquired in this stage are usually not directly connected with the project initiator but got somehow got wind of the project with its growing publicity. Close to the end of the funding cycle, after the engagement moment, another fast growth of investments can be observed when last-minute investors hop on the bandwagon to seize the last opportunity to invest in the promising venture.



**Figure 6:** *Pledge Distribution over Time: Source (Benenson & Strickler, 2010)*

Official data from Kickstarter seems to support the suggestions of the researchers. The plotted graph with different classes of successful projects shows a uniform curve

independent of their duration or height of funding goal. Successful projects experience immediate funding activity right after the launch, as creators start promoting. During the middle of the campaign there is a drag of activity and new funds pour in less consistently. As the project nears its deadline another spike of funding activity is observed. Benenson and Strickler from Kickstarter explain this by increased promotion by the creators and backers who want to make sure that the project is getting funded or that their peers get in before the end. Finally, the supporters who first preferred to observe how the project will perform, jump in before the end.

### **3.3.2 DURATION**

Burtch, Ghose and Wattal (2012) find that the duration of funding and, more importantly, the degree of exposure that a pitch receives over the course of the funding process, are positively associated with awareness and attention-building. This does not mean, however, that longer projects are more likely to receive funds. On the contrary, Mollick's research on Kickstarter shows that longer duration coincide with decreasing chances to successfully reach the funding goal. The researcher argues that this might be because potential backers interpret long durations as lack of confidence. Official data and articles published by Kickstarter (Strickler, 2011) and Indiegogo (Xing, 2012) support this findings. Kickstarter Cofounder Yancey Strickler points out that: *"More time does not create more urgency. Instead it makes it easier for backers to procrastinate, and sometimes they forget to come back at all."* As a measure Kickstarter promotes to set the duration on 30 days and even shortened the maximum amount of time a creator can choose for their project from initial 90 days to 60 days (BENENSON & STRICKLER, 2010, STRICKLER, 2011). Indiegogo also recommends shortening project duration. According to their data, campaigns that run for less than 40 days are 6% more likely to reach the funding goal than those who go longer (XING, 2012).

### **3.3.3 PRICING OF THE REWARDS**

Both Kickstarter (BENENSON & STRICKLER, 2010) and Indiegogo (XING, 2012) have published data about the pricing structure and rewards tiers of successful projects. Regardless of their different rounding techniques, the data of both platforms represents a similar structure. Both services report that the most commonly chosen rewards are those priced at \$25, representing about 25% of all rewards that are selected (XING, 2012, CHENG, 2011). The second most popular rewards go for \$50. Other frequently selected tiers are \$10, \$100 and \$20, which complete the top five list. While the lower-value rewards attract more total contributions, higher-priced rewards raise a higher



percentage of total funds. Therefore Indiegogo recommends creators to offer desirable rewards priced at \$25, \$50, \$100, \$500 and \$1000. On both Platforms the \$100 and \$50 rewards are the most valuable ones, as both of them together account for about 45% (Indiegogo) 37%<sup>[20]</sup> (Kickstarter) of total raised dollars. The popular \$25 reward however is only responsible for raising about 10% of total funds. Reward tiers under \$25 that constitute over 35% of the combined pledges account for another 10% of total dollars raised. The lowest-priced rewards for \$1 and \$5, while also among the 10 most popular contributions, make up for only about 2% percent of total funds raised. Therefore some creators recommend avoiding lower tiers, as they are statistically insignificant (MOD, 2012). Kickstarter officials on the other hand point out that lower-priced rewards might increase involvement, which can lead to more momentum and higher awareness, as additional supporters not only fund but also promote the project (BENENSON & STRICKLER, 2010).

In a 2001 blog post, Cheng examined pricing effects of Kickstarter campaigns and how they affect donations. He looked at all successful projects that offered a reward priced at one dollar, and compared the number of donations at 1 dollar with the number of donations at the next lowest reward. He found that in the cases where the second cheapest rewards is priced under 21 dollars, a higher proportion of backers choose the second reward over the cheapest reward. After this point however, the proportion decreases and the cheapest (1 dollar) reward was chosen more often. The researcher therefore advises that, “if you’re going to price your lowest reward at 1 dollar, your next reward should cost roughly 20 dollars” (CHENG, 2011). However he points out, that it remains unclear if rewards lower than \$20 can help to merit higher donations.

### 3.4 CROWDFUNDING WITH KICKSTARTER

The popular crowdfunding platform Kickstarter is the subject of investigation of arguably the most extensive study on the topic today. In this paper, Ethan Mollick (2012) examined a data set of nearly 47’000 projects with a combined funding over \$198 M. The work offers an initial description of the underlying dynamics of success and failure among a wide variety of projects that are seeking funds via *Kickstarter*. By analyzing the empirical dynamics of successful and unsuccessful initiatives the study offers the first large-scale understanding of how crowdfunding works in the U.S.

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20 To make the data more comparable, the raw data provided from Kickstarter was converted the same way as the aggregated data provided from Indiegogo was.

### **3.4.1 PATTERNS OF SUCCESS AND FAILURE**

Mollick's data illustrates that Kickstarter projects either fail by a large margin, or succeed in reaching their funding target by a relatively small amount. For instance, just one out of ten failed initiatives could raise one third of their funding goal and only about 3% could raise half of the target. On the other hand, overachievers, - projects that raise more capital than they initially asked for - usually do so within a comparatively small margin. Only half of the initiatives that succeed raise about 10% more than their target, and only one forth allocate up to 3% more than their funding goal. Mollick interprets this phenomenon as a result of Kickstarter policies that successfully discourages Initiators from self-funding. Another considerable reason could be that high quality projects are identifiable by potential funders and subsequently only those initiatives can allocate enough capital.

### **3.4.2 FACTORS FOR RAISING THE FUNDING GOAL**

The study points out several key factors that have a significant effect on the success of crowdfunding ventures. These factors are: the size of the social networks of founders, the visible quality of the projects (based on whether a project offers a Kickstarter video or not, and if it the campaign was being featured on the website), duration and geography (3.1.2). While strong social networks, having a project video, and being featured on the website considerably increases the likelihood in reaching the funding goal, longer time slots surprisingly decrease the chances of success (3.3.2).

### **3.4.3 LATE BUT NOT FAKE**

Additionally, the paper offers some first answers to the question on whether or not successful crowdfunding leads to the successful development of goods and products. In order to do so the author evaluated successful projects that promised to deliver products or giveaways as a reward for contributors. The direct failure rate (i.e. projects issue refunds, stop responding or other clear indicators of failure) was reported to be below 5%, implying that initiators take their obligations seriously. This is remarkable considering the fact that Kickstarter has no specific mechanisms to prevent con-artists from using the platform to raise funds for fake projects. However, since many projects were still delayed at the time of analysis, the final proportion of projects that failed remains unknown. Another interesting fact is that when it comes to punctuality, 75 % of design and technology-related projects on Kickstarter, most of which involve physical products, failed to meet their promised deadlines. In particular larger projects and the ones that exceeded their goal the most, are prone to delays.

### 3.5 USER BEHAVIOR IN OTHER CROWDFUNDING MARKETS

Every crowdfunding market place has its own rules and follows its own logic. While this thesis is mainly interested in reward-based CFPs like Kickstarter and Indiegogo, a handful of studies have been conducted on other services as well. These research studies have the fact they examine the investment behavior of the crowd in common, with most of them interested in peer effects. Although these findings cannot be applied one-to-one to reward-based crowdfunding, they still offer interesting insights into different investment behavior and the forces that drive them.

#### 3.5.1 INFORMATIONAL CASCADES AND PEER-EFFECTS

Though the literature on crowd-funded markets is still limited, there exists a wide body of related work. Particularly relevant is the stream of research that has examined the effects of popularity indicators on adoption and consumption decisions. An often-cited work of this kind is the theory on “informational cascades” by Bikhchandani, Hirshleifer and Welch (1992). In their trendsetting article the researchers introduce and explain the concept like this: *“An informational cascade occurs when it is optimal for an individual, having observed the actions of those ahead of him, to follow the behavior of the preceding individual without regard to his own information”* (BIKHCHANDANI et al. 1992). A popular example of an informational cascade is when, for instance, a worker is not hired because of poor job interview performances. Knowing this, an employer approached afterwards may not hire the worker even if he made a good impression and his assessment was favorable. (ANDERSON & HOLT, 1996). Bikhchandani and his colleagues point out that the conformity of followers in a cascade contains no informational value, and in the worst case can result in patterns of mistakes. This scenario, called “reverse cascade”, occurs when the initial decision maker receives private, incorrect informations and a large number of followers join in, ignoring their own private information that might have formed a basis for a better decision. Moreover, Welch (1992) argues that, *“as the number of investors,  $n$ , increases the probability that the last investor is still using his own information decreases rapidly with  $n$ ”*. This suggests that a rapid increase in the number of investors or the amount invested can cause a “momentum” that leads individuals to increasingly disregard their own information in favour of “going with the herd”. This quickly “snowballs” into similar investment behavior. (VAN WINGERDEN & RYAN, 2011).

Chris Ward (2010), whose paper examines data of the famous Sellaband platform, also stresses the importance of momentum: *“Projects quickly go out of favor*

*with the investment community unless the projects are able to maintain momentum in their funding drive. This provides one explanation for why so few projects are able to complete funding*” (Ward, 2010). The goal of his paper is to examine to what extent demand for crowdfunding projects is driven by *peer-effects*, a term that Ward defines as, “*any social process where group behavior (thought, action, consumption, communication) influences individual outcome (thought, action etc.)*”(Ward, 2010). Hence “herding behavior” can be seen as a specific form of peer-effect. In his work Ward finds evidence that the latter is the main driver of demand in crowdfunding projects. The researcher argues, that this is due to “information overload” and “low knowledge about the goods”. Potential backers are overwhelmed by the many projects that one can choose of on CFPs and therefore orient themselves on the behavior of others. The same applies for the judgment of quality: it is difficult for investors to evaluate a project prior to its funding, as the respective the search costs are too high. (Ward, 2010).

Burtch (2011) argues that the “popularity indicators” (e.g. other investments, timing of investment etc.) in crowdfunding markets are deeply rooted in their settings and therefore herding behavior is expected to more likely occur. In his paper about a CFP specialized in the funding and selling of T-shirt designs, the author indeed finds evidence that herding behavior can manifest in crowdfunding contexts. Furthermore, Burtch states that a growing number of observable decision makers within a marketplace drives an increase in herding, “*because a greater number of inexperienced deciders will lower the average level of private knowledge in the market*” (BURTCH, 2011). Additionally, the author bases his theory on preliminary work that has found evidence that herding behavior has negative consequences for consumers’ decision-making. Dholakia and Soltysinski (2001), for instance, have shown that bidders in online auctions often herd to their disadvantage, as they overlook more attractive auctions merely because alternatives have received greater numbers of bids. The researcher therefore suggests that herding behavior constitutes a novel form of “negative network externality”.

### **3.5.2 PROSPER**

The well known peer-to-peer lending site *Prosper* was subject to the investigation of two independent studies. In order to get insights into how lenders decide whom they commit their money to, Lin et al. (2012) and Zhang & Liu (2012) have examined user behavior on said marketplace. The data collected by Lin and his colleagues shows that the likelihood of a credit being granted increases when borrowers dispose of high

social capital, such as a large following on Twitter or Facebook. Lenders seem to interpret this as evidence of trustworthiness and credibility. The findings of Zhang and Liu on the other hand suggest that lenders are more likely to display herding behavior when borrowers exhibit characteristics of low quality. The authors explain this behavior as a rational reaction to asymmetric information by lenders who assume that others possess some valuable information about a borrower that they are themselves not in-the-know about. In the opposite case, lenders are less likely to join a herd when borrowers exhibit signals of high quality, presumably as they perceive the herd solely as a reflection of the borrower's apparent quality.

### **3.5.3 DIGITAL JOURNALISM**

Aitamurto (2011) explores the behavior of contributors in the Spot.us marketplace, which helps journalists to pitch article ideas to the crowd and then raise the money necessary to research and publish them. The findings of the qualitative analysis, suggests that these funders perceive that they are contributing to a greater public good. Another research team (Burtch, Ghose& Wattal, 2012) evaluated crowdfunding of digital journalism from a public goods perspective. The work examined a not further specified crowd-funded marketplace to gain a better understanding of contributors' behavior under social influence. The key factors that can influence consumer behavior are "information on prior contributions behavior", including the "amount and timing of others contributions". Furthermore, the paper evaluates the applicability of two competing classes of economic models that explain private contributions toward public goods in the presence of social information: substitution models and reinforcement models. The authors find evidence in support of a substitution model, which suggests a partial crowding-out effect, where contributors may experience a decrease in their marginal utility from making a contribution as it becomes less important to the recipient. Moreover, the authors find that the duration of funding and, more importantly, the degree of exposure that a pitch receives over the course of the funding process, are positively associated with readership upon the story's publication. This appears to validate the widely held belief that a key benefit of the crowd-funding model is the potential it offers for awareness- and attention-building around causes and ventures.

### 3.6 CONCLUSIONS AND RESEARCH GAPS

In the last five years there has been an increasing number of studies about CFPs and crowdfunding in general. Overall researchers tend to focus their efforts on one CFP, taking into account that every system has its own rules and properties. As a result many findings are limited to a specific platform, which makes them less applicable for creators and supporters of other platforms. To the best of my knowledge, the motivational study conducted by Gerber et al. (2012) and Ordanini et al. (2009) has so far been the only cross-platform research. This thesis is filling this methodological gap by collecting data from Kickstarter and Indiegogo users, with the aim of discovering valuable findings that can help creators of reward-based crowdfunding in general. Despite the awakened interest of researchers in the subject, there still remain many unexplored areas. Apart from Mollick's recent Kickstarter study there have been few papers determined to find factors for successful reward-based crowdfunding. This thesis builds on these efforts and is furthering the research in this field.

Based on the findings presented in the previous literature review, the first set of hypotheses that are explored in this thesis include:

**H1:** *The social network of founders plays an important role.*

**H2:** *Friends and family contribute a substantial part of the pledges.*

**H3:** *As the respective size of the project increases, it becomes more important to go beyond funding from F&Fs.*

## 4. THEORETICAL FRAMEWORK

The following section contains a collection of concepts that guide this research study, and determine the measured items implemented in the online survey.

### 4.1 MOTIVATION THEORY

Exploring the factors that drive people to take an action is the main idea behind motivation theory. The latest scientific research agrees that individuals reflect different motivational states that can be distinguished by the level of motivation and furthermore the underlying goals and attitudes that give rise to action (RYAN & DECI, 2000).

According to the popular Self-Determination Theory formulated by Deci and Ryan (1985), we can distinguish two main types, intrinsic and extrinsic motivations.



When an individual is stimulated by the fulfillment generated by the activity itself, intrinsic motivations are assumed (e.g. doing something for the fun of it). In the opposite case of extrinsic motivation, taking action is just an instrument to achieve a certain desired outcome that comes with the completion of the task (e.g. doing something for money). Extrinsic and intrinsic motivations are not to be confused with internal and external motivation, which form a different category. Only intrinsic motivation can clearly be classified as internal, while in the case of external motivation a smooth transition between internal and external motivation seems to exist (RYAN & DECI, 2000). In some cases it is hard to draw the lines between extrinsic and intrinsic motivation, making the practical differentiation arguable in the first place. Lindenberg (2001) for instance states, in contrast to Ryan and Deci's Self-Determination-Theory, that actions taken on the basis of principles have to be considered intrinsically motivated, because the actor follows a rule that has to be respected for its own sake.

#### **4.1.1 MODEL DEVELOPMENT**

As outlined in the literature review, some research studies, with the goal to examine the motivations of consumers to financially contribute in crowdfunding ventures, have already been conducted. In the following, a model based on established motivation theory is proposed with the aim to structure and advance these findings. The model is also intended to assist in the comparison of different crowdfunding platforms. Kaufmann, Veit and Schulze's (2011) work in the field of the motivation in *crowdsourcing* serves as the basis for the model developed in this thesis. Following the approach of previous researchers (LAKHANI & WOLF, 2005; OSTERLOH ET AL., 2002), Kaufmann et al. make an initial distinction between extrinsic and intrinsic motivation. These classes are then further separated into the categories "Enjoyment-Based Motivation", "Community-Based Motivation" on the intrinsic side, and "Immediate Payoffs", "Delayed Payoffs" and "Social Motivation" on the extrinsic end. To adjust the model to the crowdfunding context, a new subcategory "Philanthropy Based Motivation" is added, which belongs to the intrinsic motivation. The motivation components identified from the crowdfunding literature are presented in Table 1. They are categorized according to the overall structure of the model, which will be explained in the next section.

**Table 1:** *Intrinsic and extrinsic motivations mentioned in scientific literature*

Paper	Intrinsic Motivation			Extrinsic Motivation		
	Enjoyment-Based Motivation	Community-Based Motivation	Philanthropy-Based Motivation	Immediate Payoffs	Delayed Payoffs	Social Motivation
(GERBER, HUI & KUO, 2012)		<p><i>“Provides a way to feel part of a community”</i></p> <p><i>“To have a say in the design of the final product”</i></p> <p><i>“Unique opportunity to interact with and contribute to a like-minded group of people”</i></p>	<p><i>“Motivated to Help Others”</i></p> <p><i>“Motivated to Support a Cause”</i></p> <p><i>“Make a meaningful impact”</i></p>	<p><i>“Desire to see evidence of being part of a select group. Crowdfunding Platforms achieve this by listing who has supported a project on the project supporter page”</i></p> <p><i>“It provides a visual form of acceptance”</i></p> <p><i>“Supporters exhibit consumer behavior, expressing interest in receiving a reward in exchange for giving money”</i></p>	<p><i>“Desire to collect external rewards”</i></p> <p><i>“The fact that they are willing to pay prior to reward creation and wait weeks or months sets this type of transaction apart from formal consumer transactions”</i></p>	<p><i>“Strong desire to help creators with whom they have a personal or extended connection”</i></p> <p><i>“A lot of friends and family that wanted to support”</i></p> <p><i>“Supporters are also willing to support people with whom they are weakly tied”</i></p> <p><i>“I’ve funded projects where I have a personal connection to the person making the appeal.”</i></p>
(VAN WING-ERDEN & RYAN, 2011)	<p><i>“The majority of participants crowdfund for the fun of it”</i></p>	<p><i>“The majority feels that being involved in the process is important”</i></p>	<p><i>“The majority indicated that they view funding a project as if it was like giving a donation.”</i></p> <p><i>“Helping someone reach their goal is more important than receiving a reward”</i></p>			
(HARMS, 2007)	<p><i>“The emotional feeling of enjoyment is a significant driver of the intention to invest”</i></p>	<p><i>“There is no relationship between the value derived by joining a crowdfunding community of peer-investors and the intention to invest”</i></p>	Society Utility	<p><i>“Personal utility is a strong predictor variable on intention to invest”</i></p>	<p><i>“The impact of economic value (of the investment) on intention (to invest) is the strongest of all predictor variables”</i></p>	<p><i>“Self-expression presents an important value”</i></p>
(ORDANINI ET AL., 2009)	<p><i>“experience investors”</i></p> <p><i>“participants are attracted by the novel way to use the underlying technology platform, particularly in the context of social networking.”</i></p>					



## Intrinsic Motivation

Within the group of intrinsic motivation, three categories can be differentiated which are explained in the following. *Enjoyment-Based Motivation* contains factors that are experienced as fun and exciting by the supporter, which are operationalized by the constructs *Enjoyment* and *Novelty*. Research shows that enjoyment-related intrinsic motivations, are important drivers to participate in crowdfunding activities (VAN WINGERDEN & RYAN, 2011; HARMS, 2007). Other findings (ORDANINI ET AL. 2009) suggest that backers may participate in crowdfunding services because they like the experience of engaging in innovative behavior: “Although interested in the content of the crowdfunding initiative, these participants are attracted by the novel way to use the underlying technology platform.” Harms (2007) underlined the “consumers’ desire for novelty seeking” in another context. He argues that crowdfunding campaigns usually are conducted to create something new and therefore provide new experiences. However, the author did not find evidence that novelty (epistemic value) has a direct influence on the intention to invest in a crowdfunding project.

**Table 2:** *Intrinsic motivational drivers*

	Definition	Example	Sources
<i>Enjoyment Based Motivation</i>			
Enjoyment	Something that provides joy or satisfaction	Supporters of crowdfunding projects are financially contributing because they are enjoying it and not solely because they want to receive a reward.	(HARMS, 2007) (VAN WYNGERDEN & RYAN, 2011)
Novelty	Desire of an individual to seek out novel stimuli	The crowdfunding participant is motivated by the novel way to raise funds or/ and the new idea and outcome of the project	(HIRSCHMAN, 1980) (HARMS, 2007) (ORDANINI ET AL., 2009)
<i>Community Based Motivation</i>			
Involvement	The extent in which a person is participating with a group or organization	When a supporter is motivated to contribute towards crowdfunding projects because she can contribute and interact with other like-minded members of the crowdfunding community	(GERBER, HUI & KUO, 2012)
Identification	The extent in which a person perceives to be part of a group or organization	A supporter who backed a crowdfunding campaign may feel proud to be among the group who made this project a reality or to be a crowdfunder in general	(BHATTACHARYA ET AL., 1995) (HARMS, 2007)
<i>Philanthropy Based Motivation</i>			
Helping Others	Covers the motivations that derive from supporting somebody or something which is in line with the person’s individual beliefs	The supporter wants to do something good with his financial contributions	(GERBER, HUI & KUO, 2012)

*Community Based Motivation* covers the motivational factors that derive from being part of the crowdfunding community. The construct *Involvement* is measur-

ing the motivation associated with participating in a project and interacting with the community around it. The interrelated construct of *Identification*, is established to see to what degree supporters perceive that they are part of this community. Finally, the newly added category of *Philanthropy-Based Motivation* takes into account the altruistic motives of crowdfunding supporters. The construct of *Helping Others* covers the motivations that drive backers when they are pledging money to help other people or a cause, based on their personal beliefs.

### **Extrinsic Motivation**

Three motivational categories are counted to the class of extrinsic motivation: Immediate Payoffs, Delayed Payoffs and Social Motivation. *Immediate Payoffs* designate the rewards or other incentives a supporter may receive immediately after he backs a project. This can, for instance, be an intangible stimulus, like a listing on the project page, but also a tangible reward provided by the project initiator.

The main reward, however, will usually be a *Delayed Payoff*, as it is a common practice in crowdfunding to reward contributions with products and services that are linked to the successful outcome of the fundraising process. Again, delayed payoffs can, but do not, have to be tangible. A backer might, for instance, also participate in crowdfunding with the intention to learn how to run a successful crowdfunding campaign on his own and in order to show presence and advance his chance of being noticed by possible supporters in the future.

*Consumer Behavior* expresses if a supporter financially contributes towards a crowdfunding project with the expectation of entering a legal commitment similar to buying or preordering a product. Additionally, this factor could arguably be a form of *Immediate Payoff*.

The *Social Motivation* category is the “extrinsic counterpart of intrinsic motivation by community identification”. It contains all the factors that may lead to a financial contribution towards a crowdfunding project as a consequence of “values, norms and obligations from outside the platform community” (KAUFMANN ET AL., 2011). In particular, the constructs *Peer-Pressure* and the wish to express ones personality are examined. The latter concept factors the tendency of consumers to express “one’s self-concept” increasingly via social online networks (HOUSTON & WALKER, 1996; SCHARM & GILLY, 2003). Harms (2007) proposed, therefore, that *Self-expressiveness* could be a motivator to engage in crowdfunding activities.

**Table 3: Extrinsic motivational drivers**

	Definition	Example	Sources
<i>Immediate Payoffs</i>			
Listing on Profile page	A visual form of evidence of the contribution listed on the personal profile, crowdfunding or private website of a project	A supporter may get motivated to contribute on a crowdfunding platform because of the listing on the project page.	(GERBER, HUI & KUO, 2012)
<i>Delayed Payoffs</i>			
Reward	A form of remuneration in return for the financial contribution	A supporter is mainly contributing to crowdfunding to receive a reward in return for his money.	(GERBER, HUI & KUO, 2012)
Consumer Behavior	Consumer understands the contribution like a payment that results in a legal obligation similar or exactly like when buying or preordering a product	A supporter is expecting a shopping experience by supporting a product.	
<i>Social Motivation</i>			
Peer-Pressure	Social norm to financially support a crowdfunding project created by friends, family and acquaintances	A person backs a crowdfunding venture mainly because he knows the creator of the project	(GERBER, HUI & KUO, 2012)
Self-expressiveness	The degree to which consumers perceive an investment in the corresponding crowdfunding project as suitable for expressing their emotions and social personal identity	A backer participates in a crowdfunding project to express his personality.	(HARMS, 2007) (NYVSEEN ET. AL., 2005)

### The final model

The proposed model (see Table 4) is composed of motivating factors, which can be classified either intrinsic or extrinsic. Each category is influenced by at least one construct. Those factors affect the overall motivation of supporters. The breakdown into intrinsic and extrinsic motivation is just a theoretical classification. Additionally I propose to organize the model in a way that indicates where each kind of motivation comes from. Therefore three points of views are suggested: On the macro level the supporters' motivation to contribute mainly originates from the *act of crowdfunding itself*. On the micro level, on the other hand, the motivation arises from the specific crowdfunding project itself. In-between, on the meso level, the motivation is enhanced through the specific crowdfunding platform itself. The proposed categories are not mutually exclusive and once more just theoretical in nature. Their goal is to add structure to the model and give project creators a tool to see which kind of motivations they are more likely to influence than others.

**Table 4: Proposed motivational model**

	Intrinsic Motivation			Extrinsic Motivation		
	<i>Enjoyment-Based Motivation</i>	<i>Community-Based Motivation</i>	<i>Philanthropy-Based Motivation</i>	<i>Immediate Payoffs</i>	<i>Delayed Payoffs</i>	<i>Social Motivation</i>
<i>Motivation deriving from the act of crowdfunding itself</i>	Novelty Enjoyment					
<i>Motivations enhanced through CFP</i>	Enjoyment Novelty	Involvement Identification		Listing on Profile page	Consumer Behavior	Self-expressiveness
<i>Motivations originating from the particular project and their Initiators</i>	Enjoyment Novelty	Involvement Identification	Helping others	Immediate Reward	Reward Consumer Behavior	Peer pressure Self-expressiveness

#### 4.1.2 IMPLEMENTATION IN THE THESIS

The motivational model described above serves as a theoretical construct to identify different types of supporters. As this thesis in many ways is of exploratory nature, the following presented hypotheses serve merely as a guideline for the research.

**H4:** *Supporters are intrinsically and extrinsically motivated to participate in crowdfunding.*

**H5:** *Reward Motivation is a strong extrinsic motivator to contribute to a specific crowdfunding project.*

**H6:** *Individuals of the crowd are more likely to be motivated to participate in crowdfunding by the possibility of interacting with fellow crowdfunders, and displaying their efforts on publicly visible profiles.*

**H7:** *Supporters that are strongly or weakly tied to creators are more likely to support their campaign than others.*

## 4.2 CONSUMPTION VALUE THEORY

One aim of this research is to understand what drives supporters to participate financially in crowdfunding projects. Another goal is to offer applicable concepts for creators to help them improve their crowdfunding campaigns. In this chapter the development of such a theoretical model is presented. As outlined in the chapter before, rewards and perks are believed to belong among the most important motivational drivers of supporters to contribute towards a crowdfunding project. From

this point of view, backers exhibit consumer behavior, expressing interest in receiving something in exchange for giving money (GERBER, HUI & KUO, 2012).

The framework elaborated in this section aims to shed light on the relation between contributors and their rewards. The theory of consumption value (SHETH et al., 1991) offers an interesting approach to answer this question and has been successfully applied to crowdfunding before (HARMS, 2007). In the first step the concepts that form the theoretical background of our model are explained. In the second step, the consumption value theories get adapted to analyze the emotional and material value of rewards, a concept first proposed by Ordanini et al. (2009). Finally, the different views are merged into a new model.

#### **4.2.1 CONSUMPTION VALUE THEORY**

The consumption value theory is based on the idea that consumers are “value-driven” (Levy, 1999), as they are critically evaluating what kind of value they will get in return for their money. Zeithaml (1988) defined perceived value as “consumer’s overall assessment of the utility of a product (or service) based on perceptions of what is received and what is given”. This assessment of the “get” and “give” components are suitable in the context of reward-based crowdfunding, where a contribution is usually remunerated with some kind of return. The theory of consumption value as developed by Sheth et al. (1991) assumes that consumers’ choices and decisions are based on how they discriminate between five elements of value: functional, social, emotional, conditional and epistemic (ANDREWS et al., 2012) (See Appendix 1). Harms (2007) found in his master thesis that all but the epistemic values dimension were significant drivers of the intention to invest in a crowdfunding project.

Customer-perceived value is viewed as construct with distinct and additive concepts that arises from the multi-dimensional aspects of consumer value (SÁNCHEZ-FERNÁNDEZ & INIESTA-BONILLO, 2007). This relative openness leaves room to include an *experiential view of consumption* (HOLBROOK & HIRSCHMAN, 1982). A consumer may, for instance, prefer a product or service for its symbolic meanings, hedonic benefits and social practices associated with the consumption object and its setting (HOLBROOK & HIRSCHMAN, 1982). In order to explain “how individuals understand, evaluate, appreciate and use consumption objects in particular contexts”, Holt (1995) furthers the experiential view of consumption by introducing a typology of four practices, namely: consuming as experience, consuming as integration, consuming as classification and consuming as play (ANDREWS et al., 2012) (See Appendix 1 for descriptions). The

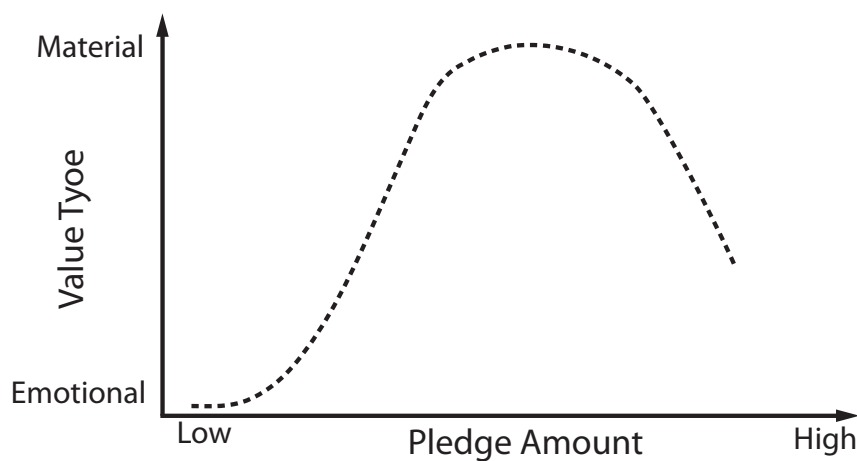
experiential view also acknowledges that consumers' anticipation of consumption is important, such as how the product can improve their social status (RICHINS, 1999). In line with this, consumers' experiences may already begin before the consumption with the valuing of an idea of a product or service" (Flint, 2006). Andrews et al. (2012) suggest to combine the two theoretical frameworks in order to get a more holistic view: "*Holt's theory articulates varying practices of consuming an object for different outcomes*", while the theory of Sheth and his colleagues "*complements these consumption practices by permitting researchers to identify not only the different elements of value within these practices (e.g. social or functional), but their relative importance to the consumer.*"

#### 4.2.2 EMOTIONAL VS. MATERIAL VALUES

While the consumption value theories introduced above propose five different levels of value and four distinct consumption practices, the model of Ordanini and his colleagues reduces complexity and emphasizes just two levels of value: *material* and *emotional*. Their model suggests that payoffs in favor for crowdfunding contributions can be plotted along a bipolar scale, whose extremes are either a completely material or emotional payoff. The concept is intuitively understandable: on the material tip of the scale, the payoffs converge to be of pure material, respectively monetary nature, while on the emotional tip of the scale, no (tangible) product is expected at all. Everything in-between can be considered a mix between the two. Furthermore the Y-axis is indicating the level of risk involved in "investing" in different types of crowdfunding. The model suggests that high levels of risks are expected for material payoffs to low level of risks for emotional payoffs. For our subjects of investigation, reward-based CFPs like Kickstarter and Indiegogo, one can expect mediocre levels of risk and mixed payoffs (see Figure 3). The fact that reward-based crowdfunding, per definition, excludes monetary payoffs, does not compromise the bipolar-scale between material and emotional value.

The original model by Ordanini and his colleagues was meant to classify different kinds of CFPs according to their levels of risk and kind of payoffs. In the following, we apply the same approach to analyze the rewards and their prices on an individual level and eventually compare them and identify patterns. In order to measure the material and emotional levels of reward tiers of specific crowdfunding projects, the original model gets slightly adjusted. The y- and x-axis switch positions, in order to obtain improved readability. The risk level (now on the x-axis) is measured relatively easily and now corresponds to the price the backer paid for his reward. This assumption

is grounded on the idea that the risk of an individual grows with the amount of money invested in reward-based crowdfunding project. However, the question of how to measure and determine whether a reward was perceived to be of more material or emotional value, poses a bigger challenge. Even more so as Ordanini and his colleagues leave it open to define what exactly material and emotional payoffs are and how to distinguish them. To address this issue we fall back on the consumption value theory as explained in the chapter about measurement development.



**Figure 7:** *Model of supporters value perception in relation to pledged amount*

#### 4.2.3 IMPLEMENTATION IN THE THESIS

**H8:** *Rewards not only have a material but also an emotional value dimension.*

**H9:** *Very low and high-priced rewards tend to be of emotional value.*

**H10:** *Experienced-based rewards are more expensive and have rather emotional value.*

**H11:** *The most popular rewards tend to be products, which have higher material value and therefore also higher production costs and lower gross margins than other reward types.*



### 4.3 SELF-BENEFIT VS. OTHER-BENEFIT APPEALS

Fueled by the growing need of donations in nonprofit organization markets, researchers increasingly make efforts to explore the conditions under which people are inclined to donate to charity (BENDAPUDI et al, 1996; REED et al., 2007). Usually marketers use two different ways to appeal to charitable support: egoistically, by emphasizing the benefits for the donor, or altruistically, by underlining the benefits for others. Fisher et al., (2008) title the former as “self-benefit” appeals and define them as appeals that highlight that the main beneficiary of support is the donor. Accordingly, White and Peloza (2009) designate the latter “other-benefit” appeals. Self-benefit appeals may vary in terms of the types of benefits they offer: at times the incentives are tangible (e.g., a tax receipt or a gift), other times they may be intangible (e.g., feeling good about oneself). For their research however, all appeals that promote any benefit to the donor were regarded as self-benefit appeals. In reality charities often simultaneously highlight benefits to both the donor and the recipient. In order to see under what circumstances each appeal is most efficient, other- and self-benefit appeals were examined separately from each other. Across five experiments, White and Peloza showed that other-benefit appeals generate more favorable donation support than self-benefit appeals in situations: that heighten public self-image concerns<sup>[21]</sup>, public accountability<sup>[22]</sup> and public self-awareness<sup>[23]</sup>. In contrast, self-benefit appeals are more effective when consumers can decide in private settings. The individual level of public self-consciousness and norm salience (the desire to behave consistently with normative expectations) were found to have a moderating effect on aforementioned observations. The findings, therefore can be regarded in line with the impression management theory, which posits that, in general, people are motivated to make a favorable impression on others and to present themselves in a positive light (GOFFMAN 1959; LEARY and KOWALSKI 1990; SCHLENKER 1980).

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21 Public self-image concerns refer to the degree to which a person is motivated to present a positive self-image to others (WHITE & PELOZA, 2009).

22 When the decision a person makes will be visible to the public. It is therefore factor that increases public self-image concerns.

23 The tendency to become aware of the overtly observable, publicly displayed aspects of the self (i.e., a person’s awareness that he or she is the object of an external observer; Orive 1984) (WHITE & PELOZA, 2009).

#### 4.3.1 SOCIAL EXCHANGE THEORY

The context of reward-based crowdfunding however, asks for a more diverse theory, which is not only limited to charitable support, but also takes into account more commercial interests. The social exchange theory has been successfully applied to marketing in general (BAGOZZI 1975; GUNDLACH & MURPHY 1993), and also to explain charitable contributions in particular (e.g., MATHUR 1996; WILSON 2000). This concept suggests that people invest in relationships on the basis of comparative levels of costs and rewards (BLAU, 1964). Self-benefit appeals are believed to be particularly effective in increasing consumption, as consumers are more likely to spend their money when personal benefits outweigh the costs. Consistent with this notion, Holmes et al., (2002) demonstrate that people tend to increase financial contributions in a context where the donation is egoistically positioned versus altruistically positioned. The researchers reason that although people may be willing to help others, they are often tentative to do so unless they can justify to themselves and others that their action serves their own self-interest (WHITE&PELOZA, 2009). From this point of view, self-benefit appeals are more likely to lead to financial contributions because they are offering a “psychological cover” for engaging in an altruistic act (HOLMES ET AL., 2002).

#### 4.4 SUMMARY HYPOTHESES

Given the previous discussion, the hypotheses that are explored in this thesis include:

- H1: The social network of founders plays an important role.*
- H2: Friends and family contribute a substantial part of the pledges.*
- H3: As the respective size of the project increases, it becomes more important to go beyond funding from F&Fs.*
- H4: Supporters are intrinsically and extrinsically motivated to participate in crowdfunding.*
- H5: Reward Motivation is a strong extrinsic motivator to contribute to a specific crowdfunding project.*
- H6: Individuals of the crowd are more likely to be motivated to participate in crowdfunding by the possibility of interacting with fellow crowdfunders, and displaying their efforts on publicly visible profiles.*

*H7: Supporters that are strongly or weakly tied to creators are more likely to support their campaign than others.*

*H8: Rewards not only have a material but also an emotional value dimension.*

*H9: Very low and high-priced rewards tend to be of emotional value.*

*H10: Experienced-based rewards are more expensive and have rather emotional value.*

*H11: The most popular rewards tend to be products, which have higher material value and therefore also higher production costs and lower gross margins than other reward types.*

Finally, the 12th hypothesis was formed:

**H12:** *Successfully funded crowdfunding projects make use of self-benefit appeals.*

## **5. RESEARCH METHOD**

### **5.1 KICKSTARTER AND INDIEGOGO COMPARED**

The subject of investigation of this thesis is centered on creative crowdfunding projects that raise capital via reward-based crowdfunding platforms. To achieve a representative sample, the paper focuses on projects from the two most popular CFPs: Kickstarter and Indiegogo. It is not the aim of this paper to compare these platforms in the first place, but rather to offer a more holistic perspective that can help crowdfunding in general, no matter what platform they are using. However, Kickstarter and Indiegogo have different policies and market share, which are expected to be reflected in the data and thus also the results of this study. The following table addresses the most important differences between the two platforms and their implications on this research study.

**Table 5: Kickstarter and Indiegogo compared**

	Kickstarter	Indiegogo	Implications on thesis
<b>Funding Model</b>	All-or-nothing: If the funding goal is not reached in time, the campaign fails, and no money changes hands. As a result creators tend to set their goals at the minimum they need and backers are more likely to invest as they only pay if project reaches its goal	Flexible Funding: Creators can choose between “All-or-nothing” and “Flexible Funding”. The latter option, allows them to keep any amount raised. As a result, the funding goal acts more as an orientation and supporters face higher risks when contributing as they get charged even when the funding goal is not even remotely reached.	Different funding behavior on the two CFPS Differences between the structure of successful and unsuccessful projects.  Relativization of failure and success for Indiegogo Projects. Failed projects with “Flexible Funding” models may not have reached their goal, but can they be called “failed” when a project raised a respectable sum of money.  Flexible Funding Projects are more likely to have troubles delivering their promised rewards. Less urgency for “Flexible Funding” projects
<b>Campaign durations</b>	1-60 days (all or nothing)	1-60 days (All-or-nothing) 1-20 days (Flexible Funding)	Indiegogo project will be longer online
<b>Platform Fee</b>	5% if successful	4% if successful 9% if unsuccessful and “Flexible Funding”	Flexible Funding Projects that fail, have even less chance to deliver their perks, as they need to pay more.
<b>Additional Fee</b>	3-5% (Amazon)	Around 3% credit card processing	
<b>Focus</b>	Creative	Creative Causes Entrepreneurial Partners	None, as only “creative” projects were invited to take part in the survey.
<b>Region</b>	USA, UK	International	Different population, may have a influence
<b>Popularity</b>	By far the most popular CFP	Second most popular	Popularity means more traffic, more backers and creators and more extraordinarily successful projects.

## 5.2 QUESTIONNAIRE DESIGN

All the data for this research thesis were collected through a questionnaire hosted by the online survey platform *www.soscisurvey.de*. Screening questions at the beginning of the questionnaire filtered the supporters from creators. Each group was presented with a separate set of questions. Respondents who qualified for both groups were only asked about their experience as creators. This is because there are fewer people who have created a crowdfunding campaign, therefore it was assumed that it would be harder to obtain data from creators rather than from supporters, who in contrast are relatively numerous. In order to respect the indicated time of 10 to 15 minutes to complete the survey, it was ruled out to ask corresponding respondents to fill in both questionnaires.

Although there are more supporters than creators, it turned out to be harder to

reach out to former group. This is because supporters of crowdfunding campaigns remain to a large extent anonymous and usually cannot get contacted directly via e-mail or Facebook, as opposed to creators, who in general display directions in order to ask questions about the project. Delivering the questionnaire by means of Kickstarter and Indiegogo turned out to be an ineffective way to recruit survey respondents, due to the platforms restrictive policies that forbid sending too many messages in a short amount of time. For the same reason, sending the survey via Twitter was given up. Finally the survey was delivered mainly through the means of e-mail, Facebook messages and Facebook wall-posts. As it was difficult and inefficient to contact supporters directly, the creators were asked to forward the survey to their backers. In order to improve the response rate and making a more convincing case, a short Youtube video was made available, in which I explained the purpose of this thesis and asked for the help of the audience. This way, creators who were willing to inform their supporters would have a convenient way to do so, as they would only have to forward the self-explanatory video. Furthermore, I assumed that crowdfunders would react positively to the medium in general, as it is common for creators to a video themselves to promote their project and ask the crowd for financial contributions.

### **5.3 DATA COLLECTION**

The data were collected by means of convenience sampling. However, it must be underlined that the sampling strategy strongly favored extraordinarily successful projects that were listed under the “most funded” section on Indiegogo and Kickstarter. It was expected that the responsible factors for the success of crowdfunding campaign are more strongly marked in cases with outstanding performance and subsequently would be easier to identify and more revealing. Hence, the results of our sample are not representative in the sense that it allows us draw conclusions for the total of crowdfunding projects on Kickstarter and Indiegogo. If anything, the sample represents the most successful campaigns. However, this bias is relativized to a certain extent by the circumstance that participants were encouraged to forward the survey to their fellow crowdfunders. Thus, all kinds of projects, not only the most funded ones, should find its way into the data.

In the case of Indiegogo, even most of the projects that didn’t meet their funding goal come from the “Most Funded“ category. This is due to the *Flexible Funding* model of the service that allows creators to keep the raised funds, even if the funding goal is not met before the deadline. In this case it is somewhat debatable if these proj-

ects should be considered to have failed or not. With Kickstarter on the other hand, unsuccessful projects get no money at all and, therefore, even projects that just missed their funding goal by a narrow margin are not indexed on Kickstarter. Failed projects are tricky to find on Kickstarter altogether, an aspect which has been criticized by researchers before (BUTCHER, 2012). In order to avert this problem and get some data from unsuccessful Kickstarter projects, some randomly chosen projects, that were either close to their deadline or found by searching for random terms on Kickstarter<sup>[24]</sup>, were selected. However the fundamentally different policies of Indiegogo and Kickstarter, as indicated in Table 5, are expected to skew the results, making them hard to compare in the first place. The following table gives an overview about the way the sample was collected.

**Table 6: Different sampling methods**

	Successful	Unsuccessful
<b>Kickstarter</b>	Mostly projects listed in the most funded category.	Failed projects that show up on Kickstarter’s own search results Recruiting projects close to their deadline, that were unlikely to reach the funding goal.
<b>Indiegogo</b>	Sampling exclusively <i>creative</i> projects from the most funded category. Due to the flexible funding option, highly funded “failed” campaigns automatically are included. No efforts were made to find other, more “average”, failed projects.	

In total a direct request to participate in the survey was sent to about 1500 creators and the instructional Youtube video reports 637 views.

## 5.4 MEASUREMENT DEVELOPMENT

This chapter discusses the scales and items that were used to measure the different variables. The term “item” refers to a single question or a statement that needs to be rated, while a “variable” can consist of a combination of items that are measuring different characteristics of the same superior concept. Scales in turn are used to categorize and quantify variables. Many of the scales and variables outlined in the following are based on existing models that were established by other researchers. However, most of the time the questions needed to be adapted in order to make sense in the crowdfunding context. Also a fair share of new variables and items were developed in

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24 Projects that failed to meet their goal are only available in Kickstarter’s search results and on creator profiles. Retrieved 2, April 2013 from <http://gigaom.com/2012/05/30/kickstarter-explains-why-failed-projects-are-harder-to-find/>

cases where no established appropriate measures could be found. The questionnaire was developed freely by screening surveys of other researcher that measured similar concepts and without pretesting. In the following, the most important variables, their sources and, when indicated, their coefficient of internal consistency, are displayed. The complete survey for supporters and creators can be found in the appendix.

The scales were checked for inter-item-correlations, item-to-total correlations and Cronbach's alpha, based on the common standard minimum values. To ensure reliability of the scales, Cronbach's alpha needs to have a minimum of 0.7 to be deemed reliable (GLIEM & GLIEM, 2003; PALLANT, 2010) although several authors argue that an alpha of >0.6 or even >0.5 is sufficient for research that is exploratory in nature (e.g. HAIR ET AL., 2005, PETERSON, 1994). When variables consist of just two items, the bivariate correlation is used to measure the relationship between them. The following rules of thumb were applied: When Pearson's coefficient ( $r$ ) is bigger than absolute value 0.3 there is a acceptable internal consistency between the items while values bigger than 0.5 implies a strong correlation. However values higher than 0.8 signify that the two items are measuring the same and one of them is redundant. In general, the more items there are to measure a concept and the stronger the correlation between the variables, the more reliable the measurement is.

This chapter is divided into three sections. The first is motivation-oriented and addresses supporters' intrinsic and extrinsic motivational factors to engage in crowdfunding. The second outlines how the scales to measure the emotional and material values of the rewards are constructed. Finally, the third section explains how self- and other benefits are operationalized.

#### **5.4.1 MOTIVATION MEASURING**

The variables on motivation are adapted from different studies about crowdfunding, and other fields of research. In some minor cases the items could be copied one to one, as it was for instance the case with the variable "Enjoyment" that was developed by Harms (2007). The majority of the variables however were newly developed and, the indicated corresponding research merely served as an inspiration in the item development process. This is the case with studies that themselves have not developed any scales to measure the motivation, such as the qualitative study from Gerber and her colleagues (2009). All scales were measured on 7-point Likert scales, where 4 signifies the neutral point, and 1 strongly disagree and 7 strongly agree. The participants were not forced to rate all statements. An overview of the scales used in the questionnaire and the values of internal consistency are shown in the following table.



**Table 7: Variables incorporated in the questionnaire**

Variable	Adapted from:	Used Items	Cronbach's Alpha
<i>Intrinsic Motivation</i>			
<i>Novelty</i>		One reason why I supported my last project is because I was curious to find out about crowdfunding The project(s) I supported intrigued me because it was something different and new for me.	r=0.272 (Pearson's r)
<i>Enjoyment</i>	Intrinsic Enjoyment Harms (2007) based on Mathwick et al. (2001)	I enjoy supporting crowdfunding projects, not just for the things I receive in return I invest in crowdfunding projects for the pure enjoyment of it	r= 0.384 (Pearson's r)
<i>Involvement</i>	Harms (2007) Involvement (social) Wilkes (1992)	I like to be involved with other people that participate in crowdfunding projects Taking part in communities related to such crowdfunding projects and activities is important to me I like the possibility to interact with the creators and fellow supporters of the project I appreciate receiving exclusive up-to-date information and taking a look behind the scenes about recent developments of the project	0.779
<i>Identification</i>	Bhattacharya et al. (1995)	Overall the users on my crowdfunding platform seem to share the same values like me I feel there is a sense of community on Kickstarter/Indiegogo If I started a crowdfunding campaign on my own, I would certainly do it on the CFP I'm currently using When you support a crowdfunding project you feel like you become a part of it	0.700
<i>Helping Others</i>	Helping Others Gerber Hui & Kuo (2012)	I want to make a meaningful impact with my contribution I like to help (creative) people that I feel have authentically good ideas and maybe would not get mainstream support from the public	r=0.311 (Pearson's r)
<i>Extrinsic Motivation</i>			
<i>Reward</i>	Crowdfunding Motivations Gerber, Hui & Kuo (2012) Self-benefit White&Peloza (2009)	Getting a reward as an outcome of such a project is important to me I only contribute to a crowdfunding project if I get something in return When I fund a project I tend to view it more as a donation than as a way of receiving a reward (inverted scale) I have chosen my reward carefully	0.842
<i>Consumer Behavior</i>		My contribution entitles me to receive a reward I anticipate my reward to be delivered in a timely manner	r=0.366 (Pearson's r)
<i>Personal Profile</i>	Public self-awareness White&Peloza (2009)	I like talking to others about the project I supported I am proud of the projects I support and like to display them on my publicly visible crowdfunding profile I mentioned in my online social network that I support the project (Facebook, Twitter, XING etc.)	0.732

Variable	Adapted from:	Used Items	Cronbach's Alpha
<i>Peer Pressure</i>		If the creator of a project is a friend or acquaintance I would prioritize to support his project When a friend of mine asks me to support her crowdfunding campaign, I would do so because of our friendship I kind of feel obliged to support a project of a friend or acquaintance	0.800
<i>Self-Expressiveness</i>	Expressiveness Harms (2007) based on Nyvsveen et. al (2005)	Supporting a project is a part of how I express my personality You can really tell about a person when you have a look at the projects he/ she supported <del>When I back a project I am aware that others can see this.</del>	r=0.414 (Pearson's r)

For intrinsic motivation, the items for *Enjoyment*, *Involvement* and *Helping Others* reported sufficient correlation values and therefore could be aggregated to a construct. The *Novelty* variable reported values below their critical values of Pearson's  $r$  0.3 and therefore should not get aggregated to a construct. As it is expected that all of the values are positively related, the bivariate correlation were tested one-tailed ( $p < 0.05$ ). After excluding two items from the construct *Reward* and one item in *Self-expressiveness*, all of the extrinsic motivation constructs reported sufficient alphas respectively Pearson coefficient values.

#### 5.4.2 MEASURING EMOTIONAL AND MATERIAL VALUE

In order to measure how supporters perceive the emotional and material values of a reward, a reliable instrument was needed. Sweeney et al. (2001) developed a multiple-item scale "for use in a retail purchase situation to determine what consumption values drive purchase attitude and behavior." The scale is based on Seth's consumption value theory, holds 19-items and proved to be reliable and valid for pre- and post-purchase situations. The authors distinguish between four distinct value-dimensions that are named *emotional*, *social*, *quality/performance* and *price/value for money*. In order to adapt the scale for our purposes it needed to be significantly simplified and reduced. First and foremost the four perceived value dimensions were broken down into just two: emotional and material value.

**Table 8: Adaptation of Sweeney et al.'s model**

Perceived Value	Definition (Sweeney et al. 2001)	Transformed into:
<b>Emotional</b>	"The utility derived from the feelings or affective states that a product generates"	Emotional Value
<b>Social Value (enhancement of social self-concept)</b>	"The utility derived from the product's ability to enhance social self-concept"	Ignored
<b>Functional Value (price)</b>	"The utility derived from the product due to the reduction of its perceived short term and longer term costs"	Material Value
<b>Functional Value (quality)</b>	"The utility derived from the perceived quality and expected performance of the product"	

The emotional value, which according to the definition provided by the Sweeney and his colleagues "is derived from the feelings or affective states that a product generates", can easily be transposed. In order to respect the length of the questionnaire the originally five items were reduced to only three. Also the wording of the items had to be adjusted to the crowdfunding context, taking into account the fact that rewards take many forms other than tangible products, ranging from services to experiences. A fourth item based on the adjective "exciting" was added. It serves as representative of the arousing aspect of emotion (RUSSELL, 1983) and has already been used as a single item to measure the emotional or affective side of involvement (ZAICHKOWSKY, 1987).

The perceived material value is measured with four items in total. Two items each are merged from the originally distinct "Functional Value" dimensions *price* and *quality*. As indicated above, the *Social Value* dimension did not find its way into the scale. The scale was a 7-point scale identical to the one used to rate the motivational statements. A control question where the respondents were asked to classify if their reward was rather emotional or material was operationalized with a word-pair 7-point scale. One end was representing emotional value and the other material value, the middle point was neutral. As the nature of the questions might be unsuitable for some rewards, respondents could choose the "I don't know" option or simply not answer the question.

**Table 9: Emotional and material value construct**

Variable	Adapted from	Used Items	Cronbach's Alpha
<i>Perceived Emotional Value</i>			
Emotional	Perceived Emotional Value Sweeney et al. (2001) Russel 1983 (affective side of involvement)	Is one that I would enjoy Makes you want to have it Would give me pleasure Is exciting	0.921
<i>Perceived "Material/Functional" Value</i>			
Material Value	Perceived Functional Value Price & Quality Sweeney et al. (2001)	Is reasonably priced Offers real value for money Has consistent quality Would last a long time	0.849
<i>Control question</i>			
Perceived Value		Material - Emotional (word-pair)	

The alpha levels of both of the constructs *Material* and *Emotional Values* are high and can therefore be aggregated by calculating the average of the four items.

#### 5.4.3 MEASURING SELF AND OTHER BENEFIT

A new scale was developed to examine the use of *Self* or *Other Benefit* appeals to attract funding. Three items each operationalize the two variables. The alpha values are sufficient and therefore the variables can be aggregated by calculating the mean.

**Table 10: Self- and Other Benefit Items**

Variable	Adapted from	Used Items	Cronbach's Alpha
Self Benefit	White & Peloza (2009)	I underlined the benefits backers would get in return for their contribution I called attention to the cool rewards available I focused on pointing out the positive effects a supporter could expect for his/her money	0.756
Other Benefit	White & Peloza (2009)	I appealed to the crowd to help make the project become reality I focused on advertising the cause of the project and how much contributions are appreciated I underlined how much the realization of the project depended on the support of the crowd	0.779

## 6. RESULTS

The goal of this chapter is to examine the data and present the results in relation to the theoretical framework. First, the general characteristics of the samples are evaluated and the adjustments to integrate some outliers are explained. Second, the results of the data gathered via the creators' and supporters' surveys will be discussed separately.

### 6.1 SAMPLE CHARACTERISTICS

During a period of two months 125 creators and 127 supporters answered the survey. After excluding<sup>[25]</sup> the cases with too many missing answers or extremely fast completion, a final sample of 118 creator and 124 supporter interviews remained. When we assume that all of the 251 participants first watched the Youtube video, the conversation rate from viewers to those participants taking the survey would be roughly 40%. It is noticeable that the two-step strategy to recruit supporters indirectly via creators resulted in an equal amount of supporters and creators participations. However, when we have a look at where those 125 supporters come from, it is striking that almost three times more Kickstarter backers took the survey than their Indiegogo counterparts. This is even more remarkable as the two crowdfunding services are equally represented in the creators' sample. An explanation for this difference is the fact that extraordinary successful Kickstarter projects not only tend to raise a higher amount of money, but also have significantly more supporters than their most successful colleagues from Indiegogo.

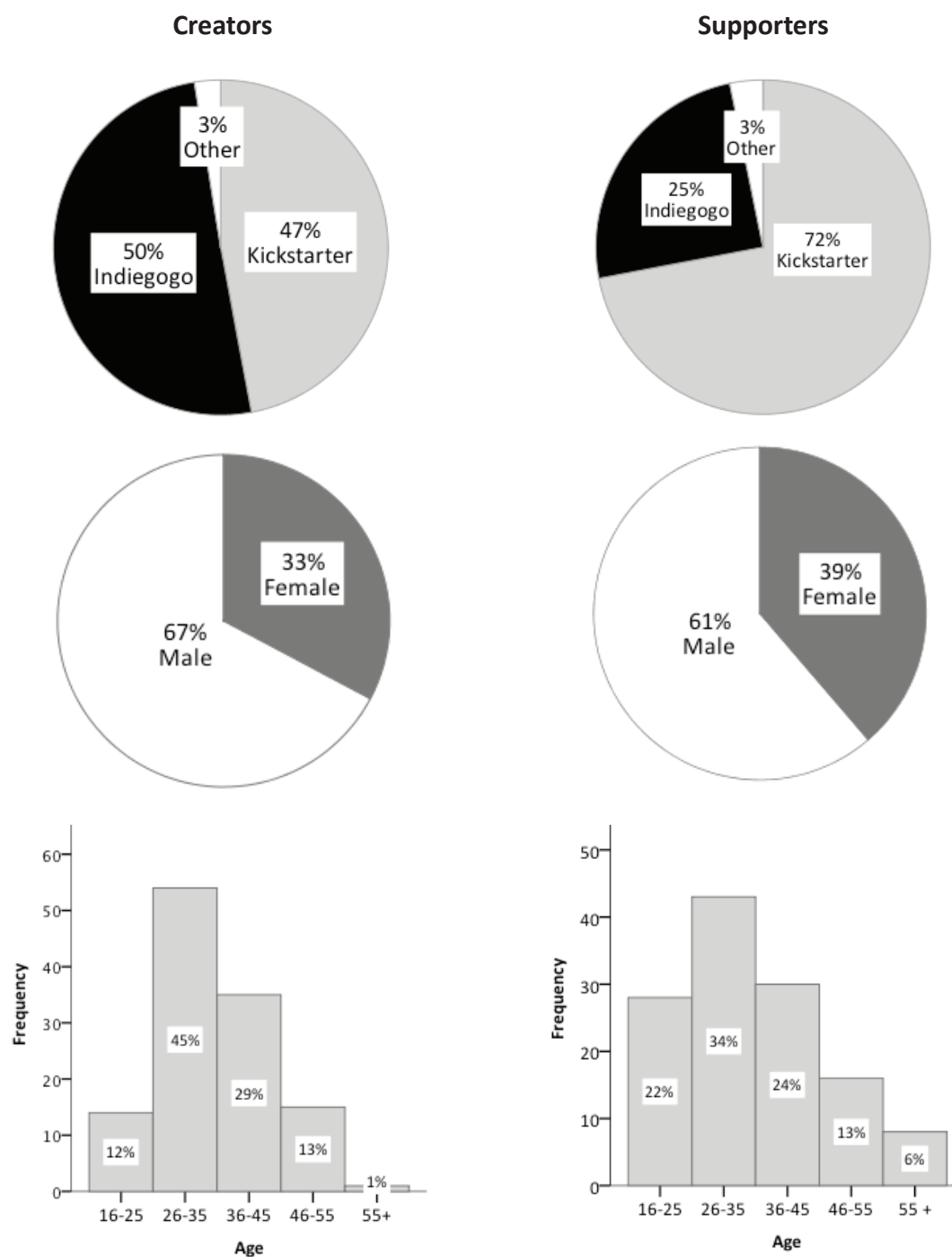
#### 6.1.1 GENERAL CHARACTERISTICS

The genders of both groups are similarly distributed, with roughly one third of the actors female and the other two thirds being male. The male dominance is less distinct in the supporters' sample, where almost 40% are women. Around 57% of supporters and creators are under 36 years old. Creators tend to be older than supporters, two thirds of them are between 26 and 45 years old and only 12% of the sample is younger than 26 years. The supporter sample on the other hand, has almost twice as many young supporters but also six times more people who are older than 55, as opposed to only 1% of the creators who account for this age group.

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25      Soscisurvey.de automatically includes quality indicators in the data set. Negative points are incurred for missing answers and extremely fast completion. In this study, cases with more than 130 negative points were excluded. For more information visit: [www.soscisurvey.de/help/doku.php/en:results:variables](http://www.soscisurvey.de/help/doku.php/en:results:variables).

**Figure 8:** *Creators's and supporters' sample compared*



### 6.1.2 INTEGRATION OF OTHER CPFs IN THE SAMPLE

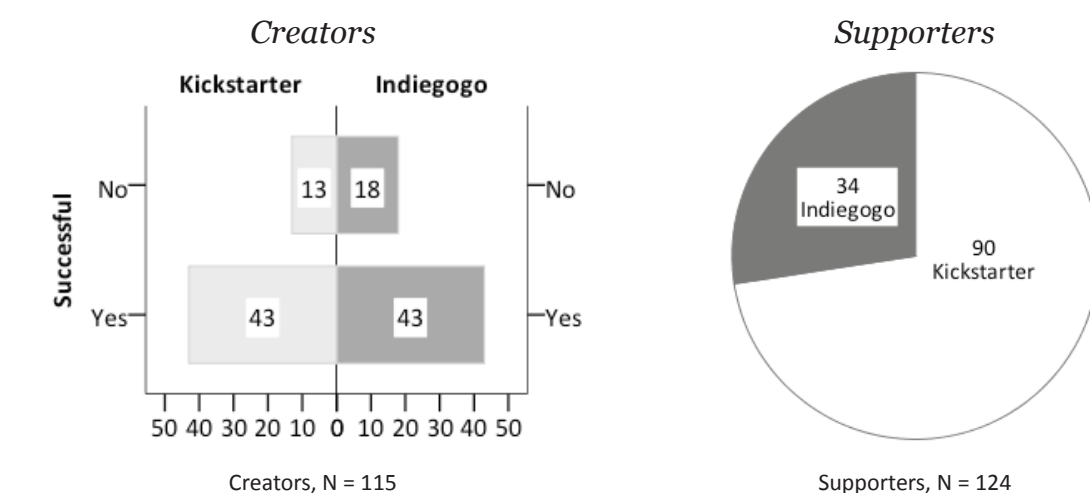
Out of the total 118 creator projects, two are from crowdfunding services other than Indiegogo and Kickstarter. A quick online search yielded that both of the interviews were likely to be not suitable, as one service hosts mostly projects of “non creative” nature and the other platform went out of service. Therefore, the two cases were excluded from the following analysis as precautionary measure. One participant

reported to use both sites, Kickstarter and Indiegogo. In order to balance the sample, the data was treated like a project of the latter CFP. Additionally five Indiegogo projects reported to raise funds for a cause and therefore should be excluded from the sample, as the research study focuses on creative endeavors. However, four of them did not reach their funding goal and were kept in order to have at least 30 unsuccessful projects. This is due to the central limit theorem, which postulates that a sample size greater or equal to 30 is expected to be approximately normally distributed. This is an important assumption required for many statistical tests. The remaining cause-related, successfully funded Indiegogo case, was excluded from the analysis.

This additional correction yields a sample that consists of 42 successful Kickstarter and Indiegogo projects each. Unsuccessfully funded projects are represented by a total 31 cases, out of which 13 are Kickstarter and 18 Indiegogo projects. As underlined before in Chapter 5.3 the ratio of successful and unsuccessful projects in this sample is not representative by any means and hence no conclusions about the likelihood to reach the funding goal on Kickstarter or Indiegogo can be drawn from this data. As a matter of fact, Kickstarter success rate is about 44%<sup>[26]</sup>. Indiegogo does not provide up to date statistics.

For the supporter sample just minor additional corrections had to be made. Two respondents reported to use other crowdfunding services than the CFPs of our interest. However as the two platforms seemed to follow similar concepts, both interviews were found to be suitable and are treated in the following like Indiegogo cases. A third respondent who reported to have used both platforms is also treated like a Indiegogo case.

**Figure 9: Final Sample**





### 6.1.3 DEALING WITH OUTLIERS

As outlined above the sample data by tendency consists of outstanding successful projects. Nevertheless the data is highly diversified and even among the extraordinary successful campaigns, extreme differences can be observed. This is mostly due to outliers, which are very different from the rest of the values. When these differences are too extreme, they can induce bias in the validity of the statistic and therefore need to be taken care of. As described above, one way to deal with this problem is to transform the data. In the case of our data, mostly log transformations are appropriate as they can correct for positive skew and unequal variances. If this procedure does not improve the results, sometimes it is better to remove the cases. By discarding a certain percentage at the higher and lower end of the distribution we get what is known as a *trimmed mean*. Comparing the original mean and the trimmed mean reveals if the more extreme scores are having sizeable influence on the data. In some cases it is better to use trimmed values, because by trimming the ends of the distribution we remove outliers and skew that bias the mean (FIELD, 2009). In the following it is always declared if the distribution was transformed or trimmed.

## 6.2 CREATORS

### 6.2.1 WHAT KIND OF PROJECTS ARE INCLUDED

The sample is vastly dominated by projects that aim to develop a product. This category does include tangible outcomes but also goods such as films and games. Only a minority of the campaigns (13%) that took part in the survey aim to develop an event, or service.

**Table 11:** *Type of projects in the sample*

Type of Project	Successfully funded	Unsuccessfully funded	Total
Development of a <b>product</b> (Games, film, music, tangible objects etc.)	73	23	96
Development of an <b>event</b> (Experience-based, Shows, Theater, Dance etc.)	5	2	7
Development of a <b>service</b> (Utility-based, educational, online platform, Weather-App)	6	2	8
Raising funds for a <b>cause</b>	0	4	4

### 6.2.2 EXTRAORDINARY SUCCESSFUL PROJECTS

To get a first impression of the sample data, I refer to the official stats provided by Kickstarter<sup>[27]</sup>. The following numbers are drawn from the raw data of every project ever launched on the popular crowdfunding service at the time of retrieval. Hence, these numbers should give a sound impression of all creative crowdfunding campaigns on Kickstarter. As no other data is available, we assume, that these numbers also represent creative projects on reward-based crowdfunding platforms in general. Based on the *central limit theorem*, one may would expect that the Kickstarter projects are approximately normally distributed. However, when we imagine the pledge amounts, plotted on a metrical scale, it becomes obvious that the distribution is not normally dispersed. The curve would be very steep at the beginning, peaking somewhere around \$5000 and then decline slowly. The positive skew of the distribution is an indicator that successful crowdfunding projects could be log-normal distributed.

**Table 12:** Comparison of successfully funded projects of Kickstarter and the sample

	Success- fully funded projects	Less than \$ 1000 raised	\$1000 to \$9'999 raised	\$10,000 to \$19'999 raised	\$20'000 to \$99'999 raised	\$100k to \$999'999 raised	\$ 1 Million and more raised
Kickstarter Data	N=39'700	11.7%	66.62%	12.26%	8.14%	1.22%	0.06%
Sample	N=84	1.2%	11.9%	19%	48.9%	15.4%	3.6%

It is striking that the vast majority of Kickstarter projects (about 78%) raise less than \$10'000. So far, only about 12 percent raised between \$10k and \$20k and just about 10% raised more than that. To allocate more than \$100k in capital is very unlikely and only about 1.3% achieve such stunning amounts. A comparison with the successfully funded projects of our sample (see Table 12) illustrates the concentration on highly-funded cases. Almost half of the campaigns raised \$20'000 to \$100'000 and roughly one out of five projects raised even more. The sample even holds three campaigns that have raised more than one million dollars. The funding level (raised amount divided by funding goal) for successfully-funded campaigns is on average of 471%. However, if we trim the mean and ignore the 5 highest values the average funding level succeeds the set goal only about 1.93 times. The pledge amounts of successful crowdfunding campaigns, represented in our sample, were both not normally distributed. Log transformations yielded better results for successful projects  $D(84) = 1.28, p < .05$  and unsuccessful projects  $D(30) = 1.25, p < .05$ . Therefore log transformations

are used when indicated.

A similar tendency towards outstanding successful campaigns can be observed for projects that failed to raise their funding goal. The main reason for this circumstance is the fact that the sample includes many relatively well funded “flexible” Indiegogo campaigns as outlined in section 5.3. The Indiegogo projects report a mean funding level ( $M$ ) of 52% and a standard deviation ( $SD$ ) of 24, while unsuccessfully funded Kickstarter ventures are significantly<sup>[28]</sup> less funded and reach on average about 22% of their funding goal ( $SD = 20$ ). Therefore the sample distribution (see Table 13) exhibits two peaks, the first one lies between 1% to 20% and mainly consist of unfunded Kickstarter projects, while the second peak represent the failed, but nevertheless highly supported, flexible funded Indiegogo projects.

**Table 13:** Comparison of unsuccessfully funded projects on Kickstarter and sample

	Unsuccess- fully funded projects	0% Funded	1% to 20% Funded	21% to 40% Funded	41% to 60% Funded	61% to 80% Funded	81% to 99% Funded
Kickstarter Data	N=50'869	19.85%	62.21%	11.71%	4.27%	1.40%	0.56%
Sample	N=31	9.7%	22.6%	16.1%	25.8%	19.3%	6.5%

### 6.2.3 DIRECT FACTORS OF SUCCESS

Appendix 11 shows a table with the results of the most interesting correlations. The variable “Success” stands for *successfully funded*. All values that are correlated with the *Success* variable use the *biserial correlation coefficients* ( $r_b$ ). This particular coefficient is utilized when a (nominal) variable is a continuous dichotomy, which means a variable that has underlying continuum like for instance passing or failing an exam (FIELD, 2009). Arguably, reaching a funding goal fulfills this condition, as one can almost reach the funding goal, just barely make it, or even exceed it. Unsurprisingly *success* is strongly related to the *funding level* (log, 5% trimmed funding levels),  $r = .97$ , the *number of backers* (log)  $r = .38$ , and the amount *raised* (log)  $r = .38$ . Having a lot of (log) *Facebook* friends is also related to *success*,  $r = .38$ ,  $p < 0.1$  and the (log) number of backers,  $r = .42$ , all  $ps < 0.1$  (one-tailed). Having a higher (log) *funding goal* is slightly negatively related to the variable *success*, however not significantly, which is also due to the fact that above-average successful projects are overrepresented and failed projects are underrepresented in our sample.

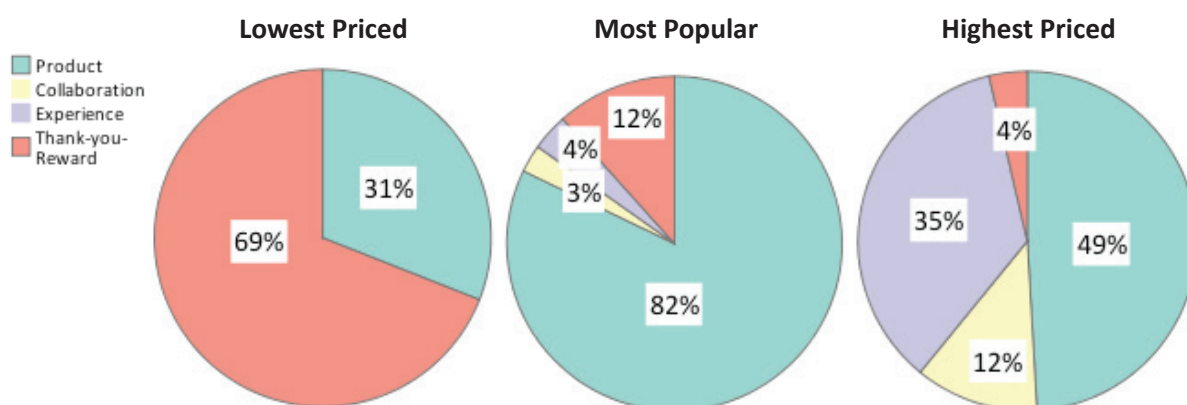
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28  $t(29) = -3.625, p < .05$

#### 6.2.4 REWARDS - COSTS AND PRICES STRUCTURE

Creators were asked about the prices, production cost and gross margin of the most popular, lowest and highest-priced reward tiers. Note that the survey explicitly inquired after the lowest and highest reward tiers that supporters actually have chosen and not what rewards they have offered.

**Figure 10:** Comparison of different reward classes



	Mean	SD	Mdn	Mean	SD	Mdn	Mean	SD	Mdn
Prices	\$11.4	(18)	\$10	\$82	(292)	\$32	\$ 2159	(2494)	\$1000
Costs	\$ 3.3	(12.2)	\$0	\$ 35.52	(217)	\$7	\$ 346	(569)	\$100
Cost/Price Ratio	12.1%	(2.1)	0%	24.69%	(21.5)	20%	20.06%	(20.3)	16.6%
Gross margin	\$ 7.6	(9.7)	\$5	\$ 42.13	(80)	\$22	\$1643	(2161)	\$800
Gross/Price Ratio	83.2%	(28)	100%	74.61%	(21.5)	80%	79.93%	(20.1)	84%

The results show that the lowest-priced reward levels, sometimes as little as \$1, are predominantly so called *Thank-you-rewards*, which offer things like, thank-you cards, listing as a supporter or a public expression of gratitude. These *creative mementos*<sup>[29]</sup>, as Kickstarter calls them, constitute 69% of the lowest-priced reward levels in our sample. The other 31% consist of low-priced products. One characteristic of Thank-you rewards is their low production costs (mean 77 cents ). With an average price of \$7.45, these kinds of rewards have the highest gross margin rate. For each contributed dollar, 89 on average cents go towards the realization of the project and only about 12 cents are expended to produce the reward. The lowest-priced prod-

29 Retrieved 4, April 2013 from [http://www.kickstarter.com/help/school#creating\\_rewards](http://www.kickstarter.com/help/school#creating_rewards)

ucts in comparison are on average significantly higher-priced (mean \$20.5) and cost about \$9.3 to produce. The mean grossing rate for these products is about 70 cents for each contributed dollar. Together, the lowest-priced rewards have the highest grossing margin per dollar, more than 83 cents go towards the project. However, official data shows (see Chapter 3.3.3) that lower-priced perks account only for a relatively small percentage of the total pledged amount. Nevertheless, official data also shows that lower-priced tiers are important and should not be ignored. Kickstarter points out that: “projects without a reward of \$20 or less succeed 28% of the time, while projects with a reward of \$20 or less succeed 45% of the time”<sup>[30]</sup>.

Official Indiegogo and Kickstarter data shows that the most popular pledge amount is \$25 (see Chapter 3.3.3). The same is the case in our sample, about 24% of all projects reported that the \$25 reward is the single, most often chosen (Mode<sup>[31]</sup>) reward by supporters. Around one out of five of the most popular rewards is priced lower than \$21. The \$32 tier marks the median (*Mdn*), separating the higher-priced half from the lower-priced half of the projects. The sample mean of \$80.6 and the standard deviation of around \$290 indicate that many perks are notably higher-priced. The prevailing strong reward tiers, \$50 and \$100 come out to 13% and 11% respectively the second and third most popular reward tiers of our sample. The \$10 measures at 8.3% the fourth most often chosen reward. Two projects reported unusually-high priced (\$690 and \$2999), popular rewards, and may have skewed the standard deviation and means. When it comes to the type of rewards, *products* are by far the most-favored choice of backers. 82% of all popular rewards are products, which seems to emphasize that backers want something tangible in return for their contribution. Creators commonly reward contributions with the products being developed by the founders, in which case, the CFP acts as a pre-ordering system. Considering the fact that the majority of the sample projects’ aim is to develop a product, it is not surprising that this category is so popular. Products also have the highest cost-price ratio: on average more than one quarter of the pledges are used to produce the reward itself and in reverse roughly three quarters go to the realization of the project.

The highest-priced rewards of the sample have a mean of \$2159, and the mode and median are both \$1000. The standard deviation of \$2494 and a range of \$9980 indicate the big dispersion within the data. Some of it can be explained by the fact that unsuccessfully-funded projects tend to struggle “selling” their highest priced rewards.

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30 Retrieved 4, April 2013 from [http://www.kickstarter.com/help/school#creating\\_rewards](http://www.kickstarter.com/help/school#creating_rewards)

31 The mode is the value that appears most often in a set of data (FIELD, 2009)

As displayed in Appendix 11, the value of the highest priced reward is significantly related to the amount of how much money a project was able to raise,  $r = .55$ ,  $p$  (one-tailed)  $< .01$ , the number of backers,  $r = .47$ ,  $p$  (one-tailed)  $< .01$  and the variable log (goal)  $r = .63$ ,  $p$  (one-tailed)  $< .01$ . Nevertheless, the mentioned variable does not significantly correlate with *success*.

The type of reward in highest-priced segments is characterized by an increasing number of experience-based, or emotional rewards. While *products* are still the single most dominant reward type (49%), *experiences*<sup>[32]</sup> and *collaborations*<sup>[33]</sup> account for the vast majority of the other half. This reflects the common practice, wherein generous contributors are rewarded by having the chance to be involved in the project, which offers dedicated believers a more personal experience. The mean cost-to-price ratio is lower for collaborations (13.5%) and for experiences (18.8%) than for products, which on average consume about one quarter of the price for the production. However, an Anova analysis did not expose a statistically significant difference between the different reward types.

#### 6.2.5 INCENTIVES

In addition to rewards, creators use other incentives to attract contributors. Some commonly seen practices are offering: discounts or other benefits for early investors, customizing rewards, rights to have a say in the project, multiple quantities of a single product for higher contributions<sup>[34]</sup>, limited rewards and setting new stretch goals when the originally set funding goal is reached before the end of the deadline. The survey also allows for creators to add *other* incentives into a designated box if they felt something was missing. A T-test revealed that successful projects ( $M = 2.49$ ,  $SE = .15$ ) used more incentives than unsuccessful ones ( $M = 1.84$ ,  $SE = .17$ ). This difference is significant  $t(113) = 2.32$ ,  $p < .05$ , and represents a small-sized effect  $r = .21$ . One out of four successful projects use at least three incentives to attract more funds, compared to just 6.5% of failed projects. The most often used incentives of all projects are displayed in the following table.

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32 Creative experiences: a visit to the set, a phone call from the author, dinner with the cast, a concert in your backyard.

33 Creative collaborations: a backer appears as a hero in the comic, everyone gets painted into the mural, two backers do the handclaps for track 3. Both, retrieved 4 April, 2013 from [http://www.kickstarter.com/help/school#creating\\_rewards](http://www.kickstarter.com/help/school#creating_rewards)

34 Offering multiple quantities of a product is prohibited on Kickstarter since september 20, 2012. Retrieved 5, April, 2013 from <http://www.kickstarter.com/blog/kickstarter-is-not-a-store>



**Table 14:** *Reward based incentives used in funded and unfunded projects*

	Funded Projects, N=84	Unfunded Projects , N= 31
Customized rewards	64.3%	58.1%
Limited rewards	61.9%	48.4%
Multiple quantities of product	39.3%	25.8%
Discounts & other benefits for early birds	32.1%	32.3%
New Stretch Goal	28.6%	0%
Right to have a say in the project	13.1%	19.4%
Other	9.5%	0%
Mean number of incentives used	2.49	1.84

### 6.2.6 REACHING OUT TO THE CROWD

Signing up to a crowdfunding service does not automatically result in pledges or publicity. While in some exceptional cases, projects go “viral” and attract funds from all over the web, most projects rely on the support from within their own networks. The chances of success have been proven to be largely driven by the networks of founders (MOLLICK, 2012). Unsuccessful projects reported a mean of 1173 ( $SE = 247$ ) Facebook friends and 560 ( $SE = 150$ ) Twitter followers, while successfully funded campaign creators have more than three times more Facebook friends ( $M = 3672$ ,  $SE = 885$ ) and over six times more ( $M = 3665$ ,  $SE = 911$ ) Twitter followers. Log-transformed Facebook and Twitter follower values are approximately normally distributed and on average showed significantly<sup>[35]</sup> higher mean values for successful projects than unfunded projects. However, the sizes of the effects are rather small,  $r = .28$  (Facebook) and  $r = .27$  (Twitter). Additionally, funded projects also have on average larger e-mail address lists and networks over all (sum of contacts from Facebook, Twitter and e-mail), compared to their unsuccessfully-funded counterparts. However, only the mean difference of *total network* is significantly bigger for funded ( $M = 10423$ ,  $SE = 3192$ ) than for unfunded campaigns ( $M = 4811$ ,  $SE = 2172$ ),  $t(54) = 1.88$ ,  $p < .05$ ,  $r = .25$ . A corresponding T-test for e-mail contacts yielded no significant mean difference.

Facebook is by far the most popular instrument for initiators to spread the word about their crowdfunding campaign, and is used by 96% of the respondents. This is followed by Twitter, which is called into action in over 80% of the cases. Around three out of four initiators even built a website specifically for the project but only roughly half have their own blog. This could also be the case since the crowdfunding platforms themselves serve as blog where initiators can post updates to keep in touch with supporters and share the progress.

35 Facebook:  $t(93)=2.741$ ,  $p<.05$ ; Twitter:  $t(76)=2.496$ ,  $p<.05$



Many founders reported to go even one step further and use other type of means to gain momentum. About 30% of successfully-funded and almost 20% of the unfunded projects stated to have used different than the above-mentioned ways to spread the word about the project that go beyond their own social networks. The majority of them intended to reach a greater publicity through media sites like Internet magazines, forums, like-minded blogs and the press. Other creators relied on making more personal appeals and getting in contact with potential supporters via fundraising events, phone calls, word of mouth, letters and postcards. Additionally a few project initiators followed a more traditional marketing approach and promoted their campaigns via means of online advertisement, like banner ads.

**Table 15:** *Means used to make publicity for the campaign*

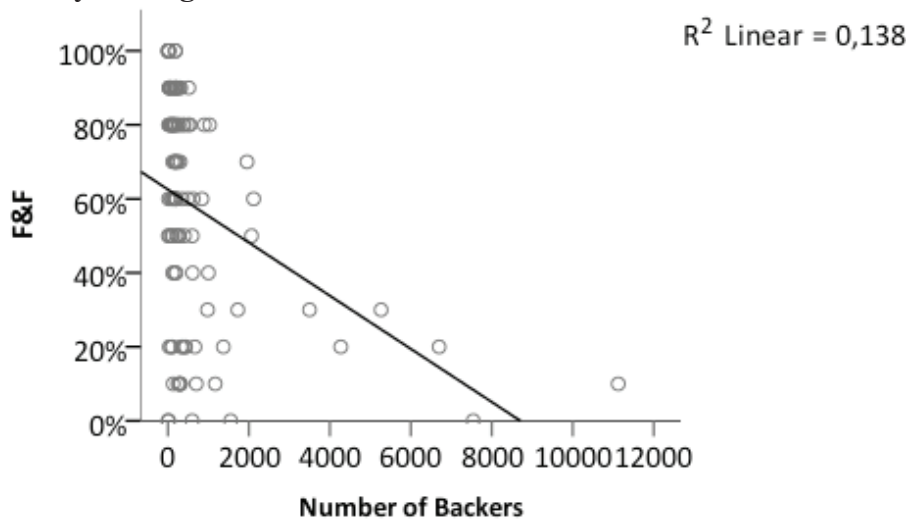
	Funded Projects	Unfunded Projects
Facebook	95.2%	96.8%
Twitter	82.1%	77.4%
Website	78.6%	71%
E-Mail	72.6%	71%
Blog	54.8%	45.2%
Other	29.8%	19.4%
Mean number of channels used	4.13	3.81

### 6.2.7 FRIENDS AND FAMILY ARE NOT ENOUGH

To get an impression about the influence of funds coming from friends & family, creators were asked to estimate the percentage of supporters belonging to their wider social network. The F&F distribution is left-tailed, with the median measuring at 60% and the mode at 80%. Overall, crowdfunding ventures tend to rely strongly on the support of their social environment. On average successfully-funded projects report a mean of 55% ( $SD = 31$ ) F&F members among the supporters and unsuccessful ones 64% ( $SD = 30$ ). The difference between the two means is statistically not significant. As the majority of the projects have raised relatively large sums of money, one might expect that more backers are strangers from the crowd. The F&F ratio is significantly correlated with pledged amount ( $\log \text{raised}$ ),  $r = -.32$ , and the number of contributors ( $\log \text{backers}$ ),  $r = -.46$  (both  $ps < 0.01$ , one-tailed). As you can see in Figure 11 the ratio of funds coming from F&F members vary extremely between projects with smaller numbers of supporters and declines only after a certain level of backers is reached.<sup>[36]</sup>

36 Note that the numbers of backers in Figure 11 is not log transformed, while the reported correlation refers to the variable  $\log(\text{backers})$ .

Half of the sample's projects that have 60 percent or more Friends & Family among their supporters raised smaller sums of money ( $M = \$31553$ ,  $SD = 56336$ ), than the other half composed of less than 60 percent F&Fs ( $M = \$111228$ ,  $SD = 183802$ ). This difference was significant  $t(107) = -2.5$ ,  $p < .05$ . The numbers illustrate that the support of friends and family undeniably accounts for a substantial part of the pledge amounts for crowdfunding projects up to a certain seize. However, founders of bigger projects additionally rely on support that goes beyond their own personal network and therefore need to tap into the unfamiliar part of the crowd in order to raise enough money. Interestingly, the size of an initiators' social network, in terms of the number of Facebook friends, Twitter followers and number of e-mail addresses all together, does not significantly correlate with the F&F ratio of backers. This could mean that respondents understood the concept of friends and family in the same way, and uniformly distinguish between real-life connections and online network.



**Figure 11:** *Correlation F&F ratio and number of backers*

#### 6.2.8 OTHER OR SELF-BENEFIT APPEALS

The vast majority (around 60%) of respondents agree or strongly agree to have used other-benefit and self-benefit appeals to increase support from backers. Only about one out of five creators are neutral or tend to disagree that they used self-benefit appeals and only about 16% stated the same for other-benefit appeals. In general other-benefit appeals are slightly more popular than self-benefit appeals. Successful campaigns on average used more other-benefit ( $M = 5.7$ ,  $SD = 1.45$ ) and self-benefit appeals ( $M = 5.1$ ,  $SD = 1.4$ ) than unsuccessful ones ( $M = 5.4$ ,  $SD = 1.56$ ;  $M = 5$ ,  $SD = 1.6$ ). However the differences are statistically insignificant. Self-benefit correlates significantly with the variable  $\log(\text{backer})$ ,  $r = .16$ ,  $p < 0.05$ , (one-tailed) and F&F

percentage,  $r = -.18$ ,  $p < 0.05$ , (one-tailed). This could be an indicator that self-benefit appeals are more convincing to attract more supporters than other-benefit appeals, which do not correlate with the number of supporters. Also, it could be that the initiators who mostly bank on friends and family members, do not underline the benefits their supporters can expect as much as creators that expect less support from their social circle. However, the size of these effects are minimal and can only explain 2,5% ( $R^2 = .025$ ) of the variability of (log) number of backers and 3.2% ( $R^2 = .032$ ) of the F&F's variable. Self and other-benefit appeals, however, are mostly correlated with each other,  $r = .34$ ,  $p < 0.01$ , (one-tailed). Overall it is hard to evaluate the rather small effects of self- and other-benefit appeals on the outcome of a crowdfunding campaign, and perhaps the distinction is difficult in the first place as the two appeals mostly seem to be used together.

#### **6.2.9 WHY PROJECTS FAIL ACCORDING TO CREATORS?**

According the Steinberg (2012), common characteristics shared by unsuccessful ventures include: *“Lack of a trusted brand, brand identity, well-known personality, and/ or lack of a compelling vision; Failure to clearly explain and illustrate projects’ core value proposition and/or benefits; Lack of differentiation and the inability to define and communicate unique sales points; Failure to generate awareness or engage potential backers; Setting campaign funding goals too high.”*

Surveying the unsuccessfully-funded projects revealed that out of the majority of the creators, 77% found that they failed to generate awareness or engage potential backers. Half of them also agreed that they set the project goal too high. According to 32%, lack of a trusted brand, well-known personality or compelling vision, was also a factor that led to the failure of funding the project. Only a minority of 14% thought, that they failed to clearly explain and illustrate the projects’ core values and benefits. Nobody agreed that a lack of differentiation or failure to communicate the project’s unique sales points was an issue with their campaign.

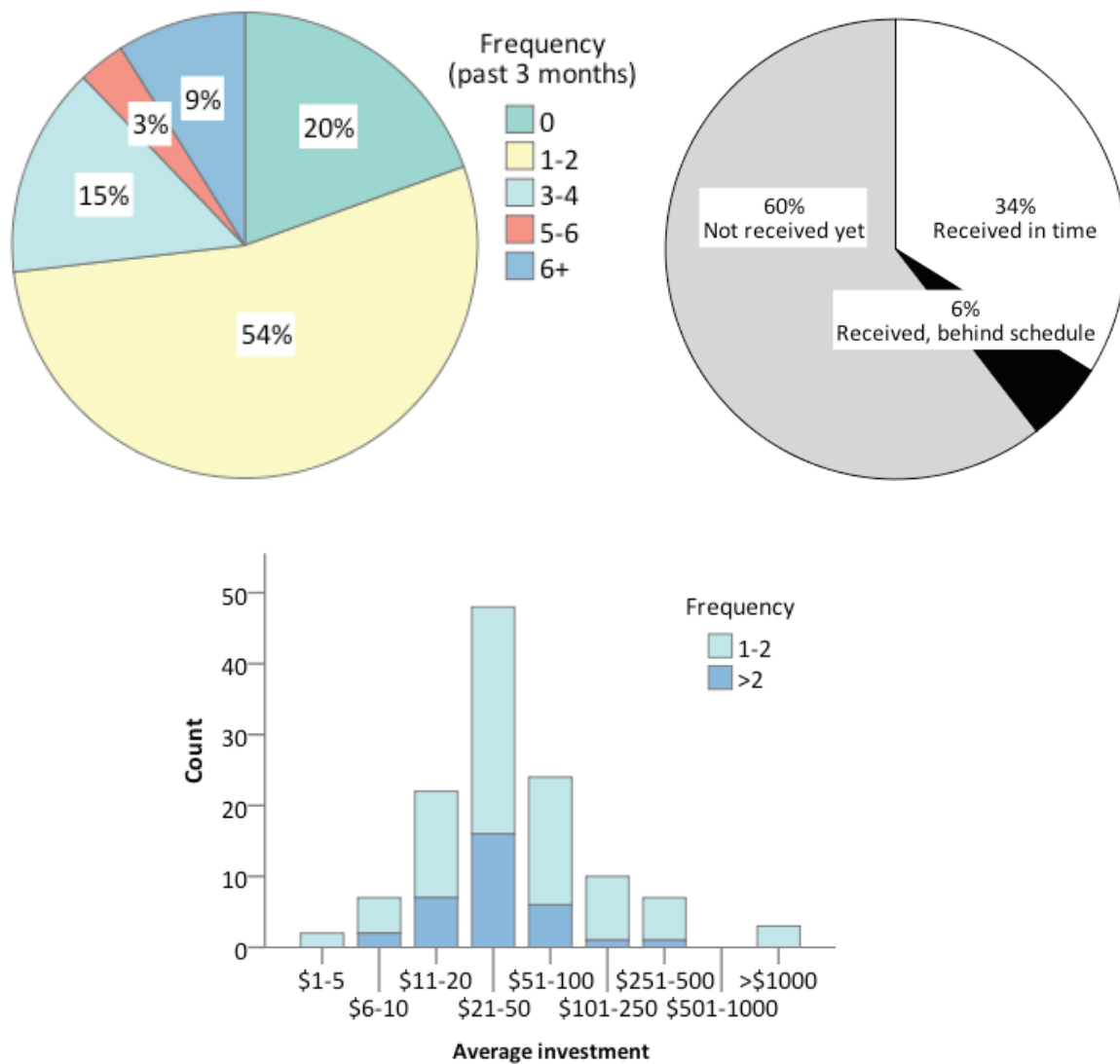
## 6.3 SUPPORTERS

In the following the results from the survey of the supporters will be presented.

### 6.3.1 GENERAL CHARACTERISTICS SUPPORTER SAMPLE

The supporter sample consists mainly of sporadic crowdfunders. Roughly two-third of the backers have supported no more than two projects in the 3 months preceding the survey. One out of five survey takers even reported to support less frequently crowdfunding projects. In the same period of time, 18% of them have supported between 3 to 6 projects, with 9% supporting even more than 6 projects.

**Figure 12:** General characteristics of supporter sample



### 6.3.2 DELAYED - SO WHAT?

In total only 40% of the supporters have already received their reward, of which around 15% were delivered late. On average the projects were five and a half weeks behind schedule. Out of the 7 late projects the longest delay was two months and the shortest two weeks. However, most of the supporters are very understanding about delays. When asked about the longest, still-acceptable delay, the majority of respondents reported to be willing to wait several months. Only 4% found that waiting one month is too long. Half of the respondents stated that a delay longer than 4 months is still acceptable and 28% would even bear waiting longer than half a year. There was no significant difference between Kickstarter and Indiegogo supporters.

### 6.3.3 SUPPORTERS ARE SATISFIED AND HAPPY

The 49 respondents who already received their reward unanimously reported to be very satisfied with it. There was not a single person who was disappointed with the reward or its quality. Twenty respondents even stated that it exceeded their expectations and 56% reported that the quality was excellent. Two negative votes concerning the price were the only negative remarks.

This same positive tone continues when the entire sample of 124 respondents evaluated their overall happiness with the crowdfunding project they have backed. Only one person would not recommend the project to his/her peers and another backer thought that the project creator should have kept them more informed about the project.

### 6.3.4 MOTIVATIONAL DRIVERS

#### Assumption Testing

As outlined in chapter 5.4.1 all items were measured on 7-point Likert scales, where 4 represents the neutral point, 1 means strongly disagree and 7, strongly agree. After the scales were tested on their reliability via Cronbach's Alpha and Pearson's Bivariate analysis, the following constructs were aggregated: *Enjoyment*, *Involvement*, *Identification*, *Helping Others*, *Reward*, *Consumer Behavior*, *Personal Profile*, *Peer Pressure* and *Self Expressiveness*. The items that were foreseen to measure *Novelty* did not meet the requirements and therefore was not aggregated. A Kolmogorov-Smirnov (KS) - Test proved that all constructs besides *Helping Others* and *Self-Expressiveness* are approximately normally distributed. According to the central limit theorem, a normal distribution can be assumed when the sample is greater than 30. Therefore, all of the constructs are comparable regardless of their outcome in the KS-test. Overall the

intrinsic motivations tended to report higher mean values and smaller standard deviations than extrinsic motivational drivers.

**Table 16:** 7-point Likert-scale

<i>Strongly disagree</i>	<i>Disagree</i>	<i>Somewhat disagree</i>	<i>Neutral</i>	<i>Somewhat agree</i>	<i>Agree</i>	<i>Strongly Agree</i>
1	2	3	4	5	6	7

## Results

*Helping Others* reports the highest of all means (5.9) and the lowest standard deviation (1.0). This reflects that the vast majority of supporters tend to strongly and uniformly agree that helping others is an important motivational factor. Small standard deviations seem to result in higher mean values in general. *Identification*, for instance has the second highest mean value (5.2) and also the second smallest standard deviation (1.1), followed by *Involvement* with a mean value of 5.0 and standard deviation of 1.3. *Enjoyment* is the only intrinsic motivational driver with a mean of 4.8 that is lower than the mean of the highest extrinsic motivational factor (*Personal Profile*, 4.9). Simultaneously, it reports the highest standard deviation (1.4) for the intrinsic motivations. Extrinsic motivations not only report lower mean values in general than their intrinsic counterparts, but the constructs *Reward* and *Self-Expressiveness* also exhibit even means below 4 and hence are rather disagreeing or at best neutral. The construct of *Reward* not only reports the lowest of all means (3.7) but also the highest standard deviation (1.7). Around 61% of the respondents are either neutral or disagree that the reward is a motivation to support a crowdfunding project while about 39% tend to agree that it does.

Overall *Reward Motivation* exhibits the most dispersed distribution of supporters who agree and disagree that receiving a reward is a motivational driver to participate in crowdfunding (See Appendix 6). This is especially interesting, as rewards are widely believed to be among the most important drivers behind crowdfunding investment. According to the sample data, the constructs *Personal Profile* ( $M=4.9$ ) and *Peer Pressure* ( $M=4.8$ ) are the most important extrinsic motivations, with both exhibiting a relatively high standard deviation of 1.6. A look at their distributions (see Appendix 8 & Appendix 9) reveals that while their standard deviation is rather high, only about 30% of the respondents do somewhat disagree or are neutral. Therefore, dispersion is mostly due to differently pronounced levels of agreement.

The items measuring *Consumer Behavior* report a rather neutral mean of 4.2 and

a standard deviation of 1.4. A look at the distribution (see Appendix 7) shows that the levels of agreement is approximately bell-shaped, with the majority of the respondents being close to the neutral point, splitting the sample into two approximately equal groups.

**Table 18:** *Supporters' motivational drivers*

<i>Intrinsic Motivation</i>			<i>Extrinsic Motivation</i>		
Variables	Mean	Std. Deviation	Variables	Mean	Std. Deviation
Enjoyment	4.8	1.4	Reward	3.7	1.7
Involvement	5.0	1.3	Consumer Behavior	4.2	1.4
Identification	5.2	1.1	Personal Profile	4.9	1.6
Helping Others	5.9	1.0	Peer Pressure	4.8	1.6
			Self Expressiveness	3.9	1.5

The motivational drivers do, in general, not significantly differ between supporters from Indiegogo and Kickstarter. The motivator *Personal Profile* constitutes the only exception, with the variable reporting on average significantly,  $t(112) = -2.47$ ,  $p < .05$ , higher values for Indiegogoers ( $M=5.43$ ,  $SE=0.27$ ) than Kickstarters ( $M=4.63$ ,  $SE=0.17$ ). However, there is no theoretical reason that would explain this divergence, especially when considering that every other variable exhibits similar mean values and the size of the effect is rather small,  $r=.22$ . An additional independent samples T-test revealed that supporters who are somehow acquainted with the project initiators perceive receiving a reward less important ( $M=2.95$ ,  $SE=0.23$ ) than the ones who have no personal connection to the founders ( $M=4.15$ ,  $SE=0.18$ ). This difference was significant,  $t(112) = 3.82$ ,  $p < .01$  and it represented a medium-seized effect,  $r=.34$ . Comparing the motivations by gender revealed that for female supporters receiving a reward is less important than for their male counterparts. The corresponding mean value of *Reward* for women is 2.88 ( $SE= 0.21$ ) and hence exhibits a clearly negative orientation, while men are rather neutral about the importance of perks and rewards ( $M= 4.1$ ,  $SE=0.19$ ). This difference was significant  $t(112) = -4.25$ ,  $p < .01$  and it represented a medium-seized effect,  $r=.36$ . The rest of the constructs do not significantly differ between genders. An Anova analysis yielded that motivational drivers are homogenous among the different age groups.



## Correlation analysis

All of the intrinsic motivational drivers are significantly correlated to each other. In the following the most important values are presented: for the complete correlation table see Appendix 12. The dominant motivation *Helping Others* is related to *Enjoyment*,  $r = .39$ , *Involvement*,  $r = .52$ , and *Identification*,  $r = .43$ ; the two latter variables are also strongly interrelated,  $r = .62$ . *Reward motivation* is negatively correlated to all of the *intrinsic motivational drivers*, though only significantly with *Helping Others*,  $r = -.32$ .

Among the extrinsic motivations *Reward motivation* is only significantly correlated with *Consumer Behavior*,  $r = .44$ . The strongest extrinsic motivational driver, *Personal Profile*, is strongly related to *Involvement*,  $r = .59$ , *Identification*,  $r = .51$ , and *Self Expressiveness*,  $r = .42$  (all  $ps < 0.01$ , (2-tailed). The second most pronounced extrinsic motivation, *Peer Pressure*, is only related to *Self Expressiveness*,  $r = .22$ : however less significantly than the rest of the presented values,  $p < 0.05$ , (2-tailed).

Additionally the scales *Level of Acquaintance* (See Figure 17) and the scale measuring if the reward was perceived rather to be emotional or material yielded interesting results (See Appendix 13). Increasing *Reward Motivation* is significantly negatively correlated with *Level of Acquaintance*,  $r = -.35$ ,  $p < 0.01$ , (2-tailed). This means that contributors who are not tied to creators tend to be more motivated by the receiving of a reward. Or taken from another perspective, the closer a supporter is tied with a creator, the less important receiving a remuneration tends to be. Another significant correlation was also detected between increasing importance of the reward and the perceived value of the reward,  $r = .40$ ,  $p < 0.01$ , (2-tailed). As the scale operationalizing the perceived reward value starts with 1 = emotional and ends with 7 = material, a positive correlation means that *increasing material value* of the reward is associated with increasing *Reward Motivation*.

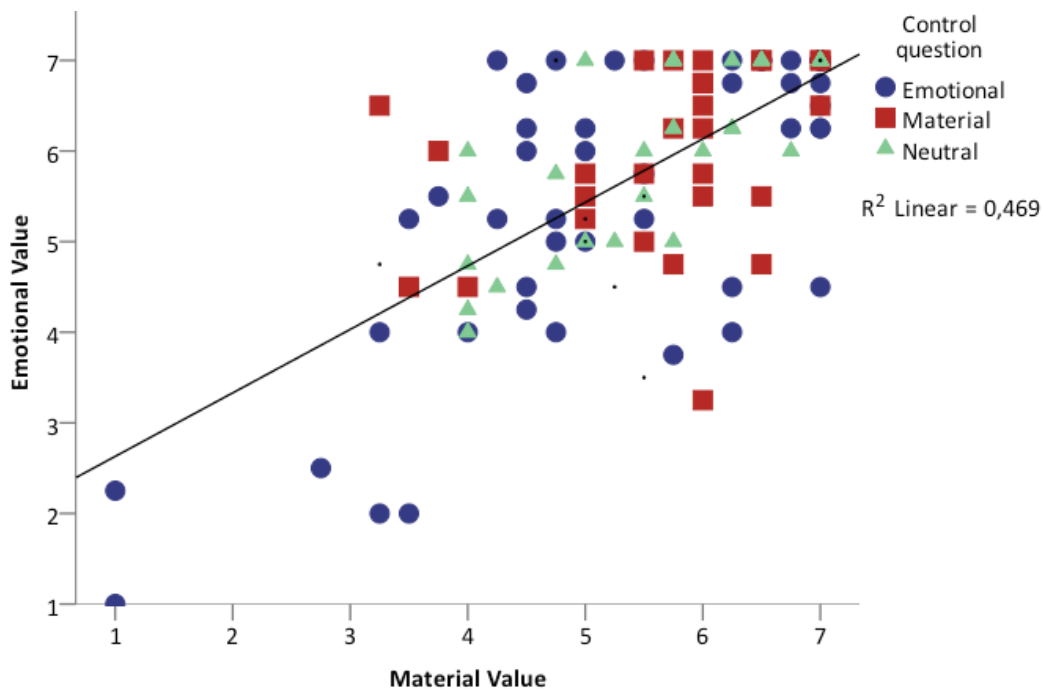
### 6.3.5 REWARDS AND THEIR EMOTIONAL AND MATERIAL VALUE

#### Test of the proposed measurement scale

As outlined in Chapter 4.2.2 we start from the premise that rewards have a material and an emotional value dimension. In the same section two constructs were introduced that aim to quantify the peculiarities of these values. Additionally, a bipolar scale serving as a control question was implemented, wherein respondents could explicitly indicate if they perceive the reward to be of particular material or emotional value. Figure 13 illustrates the relation between the quantified values of

the constructs plotted on the x- and y- axes. The answer of the control question is denoted by the symbols in the corresponding legend. The cluster on the upper-right corner indicates that the majority of the rewards have well-marked material ( $M=5.5$  ,  $SD=1.3$ ) and emotional ( $M=5.8$  ,  $SD=1.3$ ) values, which, on average, lie substantially above the neutral point. Hence, according to the proposed instrument, most remunerations exhibit substantial emotional and material values. This could be indicating that the two value dimensions are highly interrelated and not opposed as Figure 7 & Figure 3 imply. Indeed, the perceived emotional and material value of the rewards tend to be strongly related,  $r = .69$ ,  $p < .01$ . The *coefficient of determination*,  $R^2=.47$ , shows that one value-type accounts for 47 percent of the variation of the other value. This is a rather large effect, however it cannot be used to infer casual relationships. Therefore, it remains unclear, if the material values influences the emotional value-dimension or if it is the other way around. Additionally, 53 percent of the variation remains unknown.

Another interesting point is that the measured variables and the control question seem to be unrelated to each other. Ideally the cases laying above the regression line should show more emotional value (blue circles), while the points underneath the line should preferably denote material value (red squares). However the sample data does not obey this rule nor does it show signs of regularity at all. This shows that the proposed construct is not useful to predict how supporters perceive their value. However, it does not mean that the construct is invalid per se. After all, according to the construct, in the majority of the cases both value-dimensions are very well developed and may not differ enough to make a clear decision. Only around 30% of the respondents stated on a scale from 1 (emotional) to 7 (material) that the reward was clearly emotional or material. Most respondents reported that the reward was *rather* of emotional value for them (46%), followed by 30 supporters (24.2%) who were neutral and finally 29 respondents (22.6%) stated that the value was *rather* material, 8 people did not know how they should answer the question. As the two scales do not generate matching results, the answers of the control question serve as basis for the analysis in the following section.



**Figure 13:** Grouped scatter graph of material and emotional values of rewards

#### Type of rewards

In accordance with the results from the creators' survey, *products* are the single most important reward category. 73 percent of the respondents have chosen a product, 14.8 percent a *thank-you-reward*, 9 percent an *experience*, and 2.5 percent a *service*. Nobody has chosen a *collaboration*, the last type of possible rewards. Table 19 summarizes the kinds of rewards and how supporters perceive the value to be either material or emotional. The neutral values were excluded from the table in order to perform a more expressive Pearson chi-square test.

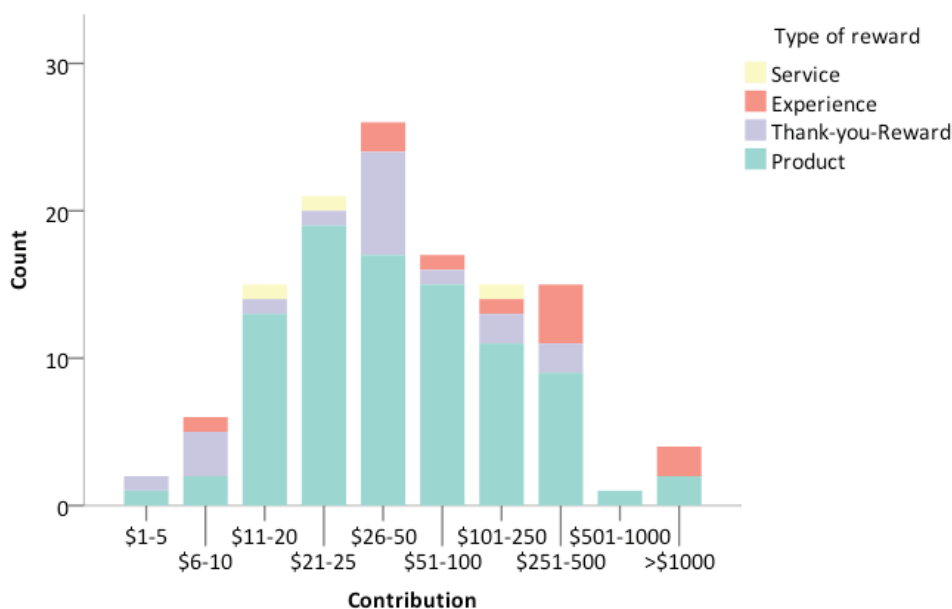
**Table 19:** Pearson Chi-Square test of reward type and perceived value

	Material	Emotional	Total
<i>Thank-you-Reward</i>	0	13	13
<i>Product</i>	28	35	63
<i>Service</i>	0	1	1
<i>Experience</i>	0	7	7
	28	56	84

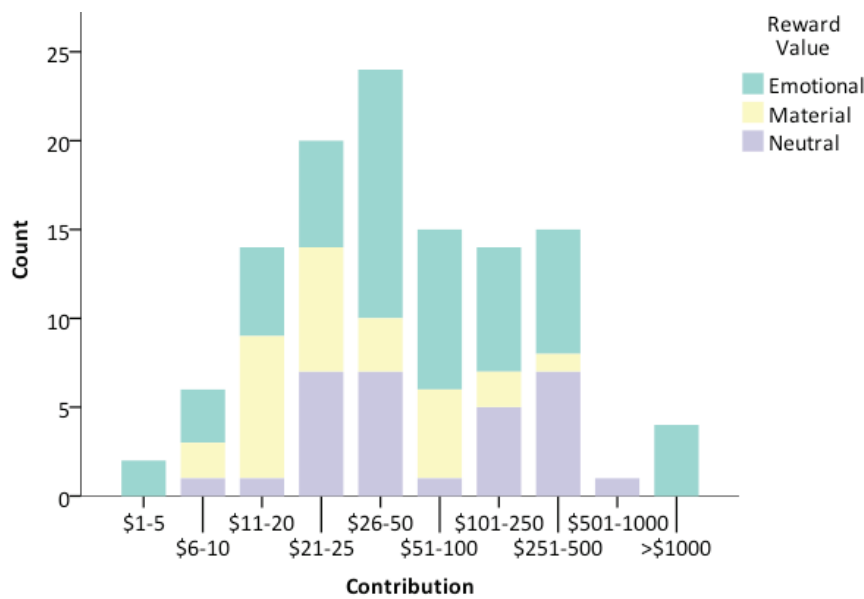
Pearson Chi-Square Test:  $df(3) = .003, p < .01$

Thank-you-Rewards and Experiences are regarded as exclusively emotional payoffs. Products, on the other hand, are balanced between material and emotional. Material values only appear in the product category. Figure 14 and Figure 15 illus-

trate the levels of contribution and the kind of reward received in return for their money, and the perceived type of value. Among the perks that cost under \$11, the emotional Thank-you-Rewards tend to dominate, which is in the nature of these kinds of rewards. Interestingly, this type of perks is not forcefully restricted to the lowest-priced contributions. Thank-you-Rewards seem to randomly occur in almost every price segment. This finding is in line with the results from the creators' survey, where Thank-you-Rewards appeared from the lowest to highest-priced tiers and also among the most popular rewards. Products rapidly become the ruling category of remuneration, starting at \$10 and continue until the highest-priced tiers up to \$500, where the influence of the experienced-based, emotional rewards start to increase. Concurrently to the products, the material value of the perks rises rapidly between \$6 and \$25, although they only dominate in the relatively low-priced segment between \$11 and \$25. Interestingly enough, the material values start to plunge with increasing prices, which seems counterintuitive. However, if it is true that material and emotional values are strongly correlated, this could mean that the growing material value of the reward is nullified by the concurrent growing emotional value. Taking into consideration of the bipolar setup of the scale this could also explain the sharp increase of neutral votes around \$21 to \$25.



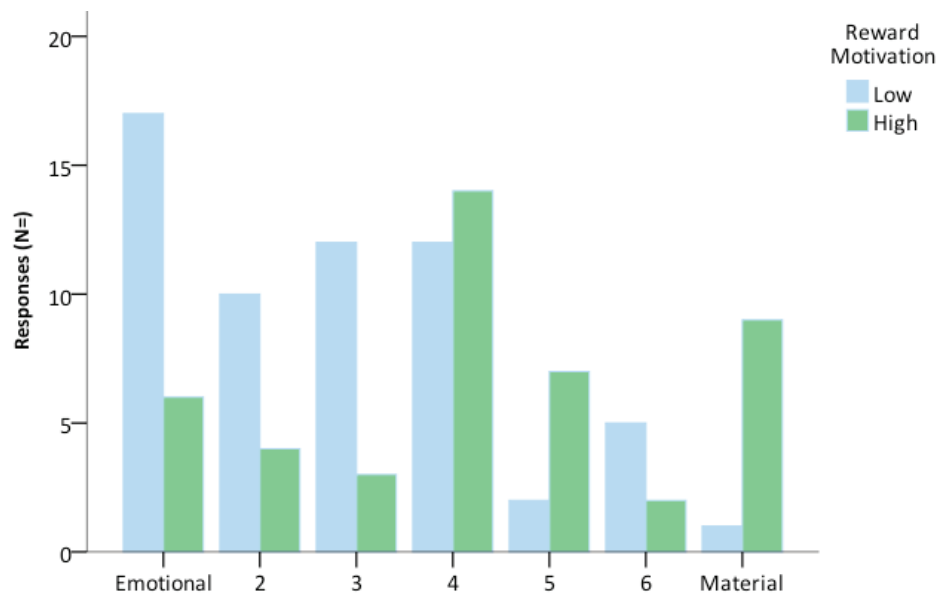
**Figure 14:** *Stacked histogram of pledge amount and reward type*



**Figure 15:** Stacked histogram of reward value and pledge amount

### Chi-square test of independence

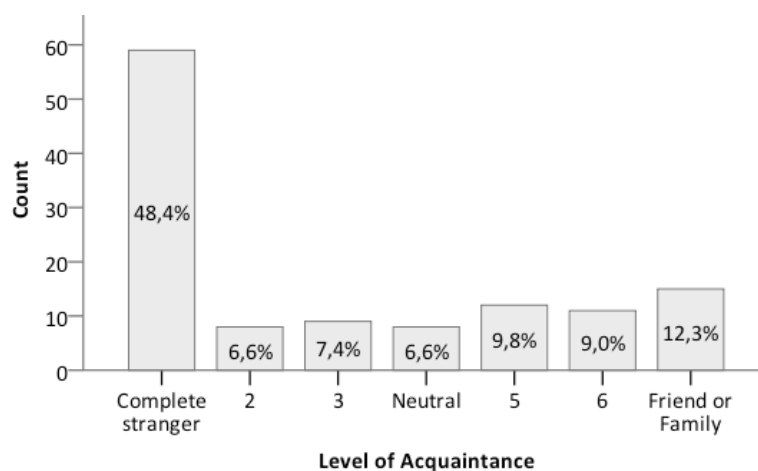
Supporters who tended to participate in crowdfunding because they wanted to receive a reward (*Reward Motivation* value higher than 4.2,  $N=45$ ) and the ones that were not (values lower than 3.8,  $N=59$ ) were compared with respect to how they perceive the value of the reward. The 20 neutral supporters were excluded from the cross-table analysis and *Chi-square test of independence*. The results indicate that supporters, who agreed that the reward played a role in their participation in crowdfunding, consider their rewards to hold more material value, while, their more altruistic counterparts perceive the rewards to hold more emotional value. The associated probability value of the Pearson chi square test,  $p = .001$  is highly significant,  $p < .05$  (2-sided). The same test with the variable *Consumer behavior* did not yield significant results.



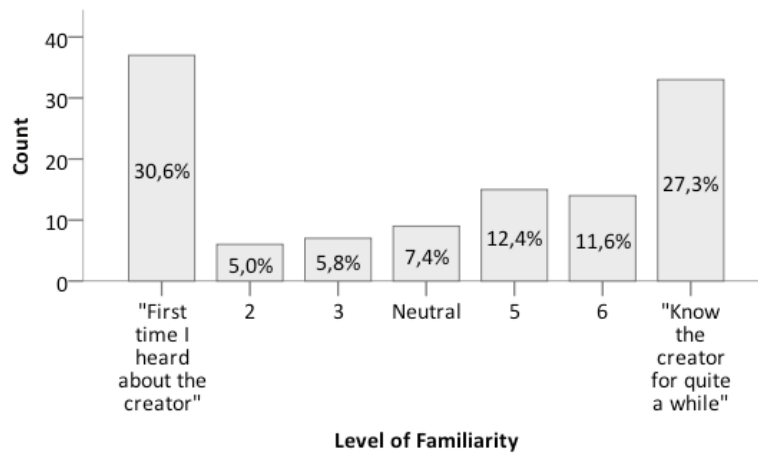
**Figure 16:** *Influence of Reward Motivation on perceived reward value*

### 6.3.6 DO STRANGERS CONTRIBUTE DIFFERENTLY THAN F&Fs?

In the previous chapter 6.2.7 we examined the particular influence of friends and family in the success of a project from the founder point of view. In this section, those insights are complemented with the results from the supporter survey. Two variables, expressed by 7-point likert scales, were implemented in the survey to evaluate a supporter's familiarity with the project creator. The variable *Level of Acquaintance*, is quantified if a creator is a complete stranger (1) or on the contrary *friend or family* (7). The variable *Level of familiarity* on the other hand, asks supporters if they have heard the first time about the founder (1) or on the opposite end, "had known the creator for quite a while" (7).



**Figure 17:** *Level of acquaintance*



**Figure 18:** *Level of familiarity*

The majority (48%) of the sample have no connection to the creator(s) of the project and state that the latter are complete strangers to them. Figure 18 illustrates that in total 62.4% of the values are below the neutral point (4), thus these supporters tend to have no connections to the founders of the project. On the other hand, in all, 31% tend to be at least weakly-tied to the social network of the project initiators. Only 12.3% of respondents claimed to belong to the strongly-tied circles of friends and family. When it comes to the reputation, it becomes apparent that more than half of the supporters tend to be at least somewhat familiar with the founders they supported. Obviously the respondents that belong to the friends and family of the creator also know them very well. However, F&F only account for two out of three backers with high levels of familiarity. To summarize, in total about 20% of the backers have no personal connections but know the creator somehow, 40% are total strangers and were unfamiliar with the creators before the crowdfunding campaign, 30% are F&Fs and 10% are neutral.

#### **Financial and non-financial contributions**

In the following, we analyze if the groups outlined above exhibit different investment behaviors and motivations. In order to find out if one group spent more or less money, a metrically-scaled variable needed to be put in place. This is because, most of the respondents only indicated their pledge by choosing among a set of predefined classes (e.g. \$21-26). While it was possible to indicate the exact amount, only a minor number of supporters choose to do so. Therefore, the nominally-scaled *Contribution* variable needed to be transformed into a metrically-scaled variable, required for correlation analysis. The following rules were applied: If available, the exact amounts were used, although in most of the cases the categorical mean was incorporated (e.g. \$23,



when option “\$21-\$25” was selected). In the cases when contributions are reported to be higher than one thousand dollars, the amount of \$1500 was assigned. Hence, the variable *contribution* is rather an approximation than an exact figure. Next to giving money, supporters can also help a project with *non-financial contribution*, or more precisely, *making publicity*. Spreading the word for a project and maintaining the momentum can be crucial for its success. Therefore get it was also surveyed if backers, in addition to giving money, helped with creating publicity. Respondents were asked to choose between the options displayed in the Table 20.

The level of acquaintance is positively-related to how much money a supporter contributes. The closer a backer is to the creators’ social environment, the higher the contribution tends to be,  $r = .31, p < 0.01$ . The same is also true for non-financial support, or more precisely, spreading the word and creating publicity for the crowd-funding project. Proximity to the founder is related to the amount of methods used to spread the word about the project (e.g. using Facebook and Twitter)  $r = .28, p < 0.01$ . The same effects could be observed for level of familiarity, although weaker. However, it would be a fallacy to conclude that backers with a high level of familiarity tend to support the project more, be it financially or non-financially. This is because the two variables, *Level of Acquaintance* and *Familiarity* are strongly interrelated. Obviously, members of the F&F group are also very familiar with the creator. A partial correlation, which controls the effect of one variable (Level of familiarity) on *Contribution* and *Creating Publicity*, while controlling the influence of another variable (Level of acquaintance), did not show significant results (see Appendix 13). Hence, it turns out that supporters, who simply know a project creator (e.g. follow him/her on Twitter) and who are not F&Fs, do not contribute significantly more money or create more publicity than backers that were not familiar with the creator prior to the campaign.

**Table 20: Non-financial support: Making publicity**

Spreading the word via:	Total N=124	Strangers N=75	F&F N=38	Pearson chi-squared test ( $\chi^2$ )
Facebook	55.3%	29	31	.000
Twitter	33.3%	21	16	NS
Other (Word of mouth)	21.1%	20	3	.019
E-mail	16.3%	6	8	.047
Blog	2.4%	1	2	NS
No support	20.5%	28	5	.008

NS = not significant ( $p > .05$ ), colored cells highlight the significantly ( $p < .05$ ) higher numbers

The comparison between supporters that consider themselves as a part of the social network of founders and the ones that do not, showed that on average, the former group used more means to spread the word about the project, ( $M=1.58$ ,  $SE=0.16$ ) than the latter ( $M = 1.03$ ,  $SE= 0.12$ ). This difference was significant  $t(111) = -2.72$ ,  $p<.05$ ; however, it did represent a small-sized effect,  $r=.25$ .

Table 20 shows which ways to make publicity are the most popular and a *Pearson Chi-squared-Test* indicates if there are structural differences between the compared groups. Facebook and e-mail are more often used to make publicity by supporters who are friends with creators than by backers that are not. The latter group on the other hand, spread the word more frequently by word of mouth compared to F&F members, but did also significantly more relinquish to promote the crowdfunding campaign.

### **6.3.7 HOW TO REACH YOUR SUPPORTERS**

In the same spirit as the chapter above, we compare the two groups of F&F and backers outside of the social network of creators. This time supporters were asked through which media they first learned about the project. Multiple replies were possible. Facebook, again, has a very important role and is the single, most often used and arguably most efficient, instrument creators can use to create publicity for their project. Unsurprisingly, it is especially suitable in recruiting the people that belong to the social network of creators. About 28% of the supporters, again, mostly F&Fs, were contacted directly by the creator, which shows the importance of making an effort and appeal to the own social network. The crowdfunding platforms themselves and project websites, on the other, do a very good job at attracting support from random individuals and really tap into the crowd. Almost every third supporter and mostly individuals that are unfamiliar with the project initiator get to know the project via the CFP. To what extent, being featured on Kickstarter or Indiegogo, is influencing these numbers remains unclear, as the survey did not collect the appropriate data. Twitter also belongs to these top four instruments and is not significantly more suitable for one particular group.

**Table 21:** *How supporters learned about the crowdfunding project*

	Total N=122	Strangers N=76	F&F N=38	Pearson chi-squared test ( $\chi^2$ )
Facebook	39.3%	17	26	.000
Crowdfunding platform	32.7%	34	5	.001
Website	30.3%	31	4	.001
Contacted directly by creator	27.8%	4	26	.000
Twitter	26.2%	24	7	NS
Word of mouth	20.5%	18	5	NS
Blog	15.5%	16	3	NS
E-mail	9%	0	8	.000
Press (TV, Radio, Newspaper)	5.7%	5	2	NS
Other	8.2%	8	2	NS

*Ns* = not significant ( $p > .05$ ), colored cells highlight the significantly ( $p < .05$ ) higher numbers

## 7. DISCUSSION

The aim of this study was to get further insights into reward-based crowdfunding, which is commonly used to realize creative endeavors. Twelve hypotheses were proposed that serve as corner stones to guide the research and the thesis evaluation.

In order to look at crowdfunding at its entirety, two comprehensive surveys were developed, one each for the project creators and backers. Both perspectives, the creators' and supporters' view, provide distinct pieces of information into the composition of extraordinary successful crowdfunding campaigns. The initiator side gives firsthand insights into the price structure of rewards, the influence of social networks, and ratio of support coming directly from acquaintances and anonymous individuals of the crowd. Supporters, on the other hand, supply either complementary knowledge to what creators have reported, or completely new discernments such as what drives backers to participate in crowdfunding. In the following the results of this research study will be discussed and the hypotheses tested.

## 7.1 IMPACT AND LIMITATIONS OF THE SOCIAL NETWORK

*H1: The social network of founders plays an important role.*

The first hypothesis explored in this study was supported. Successfully funded projects had on average significantly more Facebook friends, Twitter followers and overall more contacts (Sum of *Network*). These findings are in line with Mollick's study (2012) about Kickstarter in which he proved that the social network, namely Facebook, plays an prominent role for the successful outcome of a crowdfunding campaign. The results of this study refine these insights by including other media to connect with the social network of the creator. The findings suggest that some means are more efficient than others when it comes to recruiting potential supporters. The number of Facebook friends and Twitter followers play an outstanding role as they have a direct impact on the successful outcome of a project, contrary to the number of e-mail addresses. An explanation for the dominant position of online networks could be based on the inherent qualities of the medium. Tweets and Facebook posts are interactive and can conveniently be shared with a simple click, which can potentially increase the range of the message substantially over the border of the originators own network. I speculate, that due to their passive nature Twitter and Facebook, as opposed to sending e-mails, might be perceived as less outright and therefore could be used more frequently.

In terms of reaching out to the crowd, Facebook is the most utilized and arguably the most efficient tool. Among the project initiators, 96 percent of the sample used Facebook to make promotional efforts, and around 40 percent of the supporters reported to be introduced to the crowdfunding project via said social platform. However, Facebook is especially suitable to get in touch with F&Fs, who admittedly have been proven to play a key role for many crowdfunding campaigns. Nevertheless, and as detailed hereinafter, it is essential for more ambitious crowdfunding projects to reach out to the unknown individuals of the crowd. The crowdfunding platforms themselves carry out this task very well. Almost every third supporter of the sample, typically individuals unrelated to the solicitant, are introduced to the project directly via the crowdfunding platform. This makes CFPs the most efficient way to attract funding outside of the creators own social network. However, in light of the fact that the campaigns represented in our sample are mostly outstanding successful and assumingly high quality projects, it is more than likely that many of them were featured on the corresponding platforms. This is an advantage that is strongly associated with successfully reaching the funding goal (MOLLICK, 2012). As the survey did not include

this question, it remains unclear to what extent this particular effect influenced the results. Getting mentioned on other websites results in similar success rates in gaining attention outside the own social network as being represented by the crowdfunding platform. Twitter, again, is a good way to spread the word to F&F's and strangers alike.

*H2: Friends and family contribute a substantial part of the pledges.*

The results of the creators' questionnaire shows that on average 55 percent of the supporters are F&Fs <sup>[37]</sup>, and many projects report even higher values. Hence hypothesis H2 was supported, which underlines the importance of the first hypothesis. Since this sample mainly consists of above-average successful campaigns, it is expected that in reality the majority of reward-based crowdfunding projects receive substantially higher support from friends and family, which is typical for smaller campaigns. This puts some misconceptions into perspective about 1) how crowdfunding works for most of the projects and 2) the exact identity of this noble crowd of allegedly anonymous benefactors who provide the capital. The outcomes by Agrawal and his colleagues (2011), who proposed that the importance of geography in crowdfunding is mainly driven by investors who have a personal connection with the solicitant, combined with the findings of Mollick (2012), who found a connection between the size of the local creative community and the successful outcome of a crowdfunding campaign, underline the major role of the "offline" network a creator maintains. While web-technologies theoretically enable creators from anywhere to access capital globally the reality is that only those with a sufficient base of offline support may be able to do so.

To the best of the authors' knowledge this is the first research study to investigate the role that F&Fs play in reward-based crowdfunding. Furthermore, the outstanding influence of F&Fs manifests with the finding that individuals of this group tend to contribute more money and put more effort into creating publicity for the projects they are supporting than their unacquainted fellow contributors.

*H3: As the respective size of the project increases, it becomes more important to go beyond funding from F&Fs.*

As important the contributions of benevolent acquaintances may be, the support from personal networks has its limits. As the number of backers and capital raised increases, the ratio of support coming from F&F gradually decreases. High levels of friends and family ratios appear very often in campaigns that did not manage to reach their funding goal. Typically, when projects fail, they can not appeal to the crowd or

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37      55 percent for successfully funded, 60 percent for unsuccessfully funded projects.

generate enough publicity and momentum in order to obtain funds from beyond the initial support of the personal network.

Agrawal and his colleagues (2011) suggested that F&F play an important role in generating early investment in entrepreneurial ventures due to their possibility to conduct due-diligence with the creators. Thereby the generated initial support is assumed to have a signaling effect, proving the commitment of the founders and subsequently attracting investment from more distant investors. However, this study does not provide evidence that a similar effect exists in the context of reward-based crowdfunding. Receiving financial support from acquaintances is not related to the successful outcome of a crowdfunding campaign. In light of the results concerning the motivational drivers, as detailed hereinafter, it is more likely that friends and family quasi guarantee at least some initial support to their peers, regardless of the quality of the project.

Consistent with the typical path of crowdfunding investment (see Figure 5) proposed by Ordanini et al (2009), the results of this study confirm that the crucial point is to surpass the phase of *friend funding* and get the crowd on board. All of the financially successful projects managed to tap resources that go beyond contributions from the own personal network. In line with this notion is the finding that successfully-funded projects, made significantly more efforts in advertising their project to the wider public than the ones that did not meet their funding goals.

## 7.2 MOTIVATIONAL DRIVERS DISCUSSION

*H4: Supporters are intrinsically and extrinsically motivated to participate in crowdfunding.*

The results of the survey confirmed that supporters are extrinsically and intrinsically motivated to participate in crowdfunding. Besides *Reward Motivation* and *Self-Expressiveness*, all of the of the presented motivational drivers yielded positive mean values. Overall, intrinsic motivations seems to be more important for contributors to participate in crowdfunding than extrinsic motivations. This finding is in line with other crowdfunding research (RYAN & VAN WINGERDEN, 2011) and partially also with the neighboring fields of crowdsourcing (KAUFMANN ET. AL., 2011), as well as open source (LAKHANI & WOLF, 2003), where intrinsical motivations are generally acknowledged to play an important role. In particular the philanthropy-based notion of *helping others* was a motivational driver supporters could uniformly agree with. The sheer enjoyment of participating in crowdfunding is also a motivator.



*H5: Reward Motivation is a strong extrinsic motivator to contribute to a specific crowdfunding project.*

Surprisingly, participants in this study were largely not driven by the prospect of receiving a reward. Out of the 124 respondents only a minority of 20 percent at least somewhat agreed that getting a reward was important for them. Hence, hypothesis H5 was not supported. This is especially interesting given the rising trend towards capital-intensive crowdfunding ventures, where the outcome of the project is essentially identical with the reward (FLEISHMAN, 2012). A partial explanation for this result provides an examination of the supporters who belong to the conceptual group of friends and family (F&F). Members of this particular circle reported significantly less often that receiving a reward is a motivator to contribute to a crowdfunding project than supporters who are not associated with the creators of the project. However, even backers that are not F&Fs were on average rather neutral about the reward. Women also reported to be less interested in the reward than men. However, the causality of this finding may not be given, as female contributors also account for around 73 percent of the F&F members. I infer that it is rather the level of acquaintance than the gender that accounts for the difference in reward motivation among the supporters. However, it is also plausible, that the predominantly male crowdfunding sphere is more appealing to male interests in general, and therefore backers of the opposite gender are very often inclined to participate in crowdfunding if they have a personal connection to the solicitant. In line with the low levels of *Reward Motivation* is the finding that supporters exhibit rather dispersed *consumer behavior*. While around half of the respondents were disagreeing or neutral, only a minority of 22 percent felt that they were at least somewhat entitled to receive a reward and that it was expected to be delivered in a timely manner. These findings surprisingly contradict the widespread conception that crowdfunding shares some elements with consumer experience and that supporters exhibit some sort of consumer behavior (GERBER ET AL. 2012), a notion that developed concurrently with the increasing popularity of crowdfunding among entrepreneurs, using it as a launch pad for new gadgets and gizmos (SEGALL, 2012). Kickstarter took a clear stance against this trend by tightening the rules on hardware makers and publicly announcing in a highly noticed blog post that “Kickstarter is not a store” (CHEN ET AL., 2012). It may well be the case that this measure had the desired effect in raising awareness about the issue in the crowdfunding community and could explain the dispersed and low levels of reward motivation and consumer behavior.



*H6: Individuals of the crowd are more likely to be motivated to participate in crowdfunding by the possibility of interacting with fellow crowdfunders, and displaying their efforts on publicly visible profiles.*

Hypothesis H6 was supported. Individuals indeed are motivated to participate in crowdfunding when they can be involved in the crowdfunding process and display their efforts on their personal profiles. Both of the motivational drivers showed on average similar levels of agreement and were highly correlated to each other. *Identification*, which is closely related with *Involvement*, has a big influence on both of the variables as well. Users who identify themselves with the crowdfunding platform, project, creators and fellow crowdfunders, feel more inclined to take an active role in the community and use the instruments of communication and gratification provided by the crowdfunding platform. Through the participatory notion of crowdfunding, consumers become more involved, which can be interpreted as consumption as an experience as defined by Holt (1995) and his typology of consumption practices.

*H7: Supporters that are strongly or weakly tied to creators are more likely to support their campaign than others.*

Hypothesis H7 was supported. Individuals with a personal connection to the creators are more likely to financially support the project than others. This, can be deduced both by the fact that substantial amounts of the pledges are coming from F&Fs and that *Peer Pressure* is reported to be the second most accepted extrinsic motivation. Respondents unanimously agreed that knowing the solicitant would increase their intention to support the campaign.

### **7.3 DISCUSSION: REWARDS**

*H8: Rewards not only have a material but also an emotional value dimension.*

The idea that payoffs can be classified according to their degree of emotional and material value is based on a notion introduced by Ordanini et al. (2009). According to their proposed model (See Figure 3), the payoffs of participating in reward-based crowdfunding are expected to be a mix of material and emotional value. The results of this thesis support their prediction: Half of the respondents reported that they view the reward's value to be rather emotional, roughly 25 percent inclined towards material value, and the same portion of respondents chose the neutral midpoint. This

evaluation is based on a bipolar scale characterized by a continuum between the two opposite end points, where 1 signifies emotional and 7 material value. Only 8 backers made use of the “I don’t know” option provided by the survey. I therefore infer that the respondents did not reject the concept of evaluating the rewards’ emotional and material value per se. The diverging results of this item indicate that hypothesis H8 was supported and rewards indeed have a material and emotional value dimension.

However, it is questionable if the concept of material and emotional being positioned as *opposing* values is sustainable, considering that some results of this study indicate the exact opposite. As detailed in Chapter 5.4.2, a scale consisting of four items each was developed in order to evaluate the material and emotional values of crowdfunding payoffs independently. An analysis of the data gathered with the mentioned instrument indicates that the material and emotional values are highly positively correlated. The more developed one value is, the higher the other one tends to be as well. In a bipolar setup one might expect that the values would be rather negatively correlated to each other. Furthermore, it turned out that those “measured” values did not match with the values of the bipolar scale. This raises serious doubts about the usability of the proposed instrument.

The motivational driver *Reward Motivation*, by contrast is a better indicator of how the respondents perceived their reward. The few individuals who were highly motivated by this particular motivational driver, more often evaluated their reward to have material value, compared to backers, who were not motivated the prospect of receiving a remuneration.

*H9: Very low and high-priced rewards tend to be of emotional value.*

*H10: Experienced-based rewards are more expensive and have rather emotional value.*

This hypothesis follows the premise that the lowest-priced segment is dominated by Thank-you-Rewards and the highest-priced segments by personalized experience-based perks. Participants of this survey, uniformly perceived Thank-you-and experience-based rewards to be of emotional value. This was expected, as both of the reward categories are inexpensive to produce and have in relation to their price a high gross margin, which are indicators that the material value cannot be very high. Supporters who choose these reward types want to help the project to succeed and expect a more emotional payoff rather than something purely material. The creator survey additionally proved that the lowest-priced rewards indeed tend to be Thank-you-rewards,

however only about half of the highest priced rewards are experience-based. Therefore hypothesis H9 was only partially supported. Hypothesis H10 was supported.

*H11: The most popular rewards tend to be products, which have higher material value and therefore also higher production costs and lower gross margins than other reward types..*

The survey data of the interviews with creators and supporters confirmed that products are not only the most common but also the most attractive reward type. Over 80 percent of the most popular rewards are products. From the traditional consumer point of view this should not be surprising. Crowdfunding is built on the premise that backers need compelling incentives in exchange for their contributions and “few will pledge money simply to provide support” (STEINBERG, 2008). Products, which can be anything from perks like T-shirts or a signed CD, to a copy of the item in question, are the most crowd-pleasing type of rewards for two reasons. I contend that this type of payoff is so popular because they are convenient and offer a balanced “material” value in return for their financial contribution. In line with this argument is the finding that products are the most costly to produce and, thus, arguably have a higher built-in value than other types of payoffs which are relatively cheaper to produce. Additionally, one out of three supporters reported that their product-reward was of material value. All of the other reward categories were perceived to be exclusively of emotional value. Therefore hypothesis H11 was supported.

In view of the fact that the supporters of this sample overall stated to be not very interested in receiving a reward, they did not observably differ in their reward choice from how consumer-driven supporters are expected to act.

#### **7.4 DISCUSSION: SELF- AND OTHER BENEFIT APPEALS**

*H12: Successfully funded crowdfunding projects make use of self-benefit appeals.*

Successfully funded projects used more, self- and other benefit appeals than unsuccessfully funded projects. Another notable outcome is that the commitment of more self-benefit appeals is positively correlated with the number of backers, though also negatively correlated with the ratio of supporters being friends and family. This outcome can be interpreted in line with the experiments of White and Peloza (2009), which showed that the egoistic self-benefit appeals are more effective when consumers can decide in private settings. In the case of F&Fs it can be argued that the mentioned

effect is somewhat inverted, as knowing the creator is a situation that increases the public self-image concerns, as the solicitant and other crowdfunders know who supported the project. However, the mentioned effect was rather small and the causality is not necessarily given, as many other variables are also expected to have a much higher and more direct influence on the number of supporters and contributions coming from F&F's. Hence, hypothesis H12 was partially supported.

## **7.5 LIMITATIONS**

Some of the limitations of this research have already been covered in the chapters before. Namely, the fact that the sample is not representative of the totality of reward-based crowdfunding projects, as it consists mainly of extraordinary successful projects. However, considering that the range between the smallest and largest crowdfunding campaigns is enormous, it is arguably preferable to have a clearly positioned, highly successful sample, than a very diverse and representative but less conclusive set of projects. Additionally the sampling strategy might also have influenced the supporter sample. This is because the method depended on the participation of creators who were willing to redirect the survey to their backers. Assumingly, initiators of successfully funded ventures who feel positive about delivering their projects in time and who are in good terms with their supporters are more inclined to redirect the survey than the ones that do not. Furthermore, although the anonymity of the survey was guaranteed, supporters could have been influenced simply by the circumstance that they were contacted by the creator of the project and not by an unrelated third party.

Another limitation is the fact that not all of the known factors of what makes a successful crowdfunding projects could be incorporated in the survey. Especially the quality of a project, which without doubt plays an outstanding role for the success of a crowdfunding campaign, was left out. Other researchers have made efforts to quantify this variable. Mollick (2012) checked if a project had a pitch video, which he interprets as sign of preparedness associated with the quality of project. However, given the limited sample size, the already extensive survey, and the fact that the vast majority of projects nowadays have video pitch anyway, this idea was dismissed. In light of the „nobody knows principle” as proposed by Caves (2000), it is incredibly difficult to determine why a project in the “creative sector” will be or has been a success. This may be even more the case in crowdfunding, which gives exactly such projects a platform that by the standard of traditional investors are not obvious successes.

## 7.6 THEORETICAL AND MANAGERIAL IMPLICATIONS

On a theoretical level, this study contributes to the broader agenda on of *motivational crowdwork*, which Gerber and her colleagues (2012) defined as the investigation of motivations related to work online with the crowd. Understanding what drives individuals to participate in crowdsourcing and -funding is gaining popularity, as indicated by the growing scientific research in this domain. The outcome of this study refines and expands on these efforts in the context of reward-based crowdfunding. Furthermore, the study proposes new models that are especially geared to this particular form of crowdfunding. The motivational model (see Table 4) adapted the crowdsourcing-based framework (KAUFMANN ET AL., 2011) that distinguishes between extrinsic and intrinsic motivations. In addition, the proposed model indicates on which level the corresponding motivational needs can be satisfied - by participating in crowdfunding, the CFP, or by the specific project. This concept implies that creators may not be able to manage and satisfy all demands of the crowd directly. While the specific project is, without doubt, the most important factor, choosing the right crowdfunding service is crucial as well, as it is the CFP that provides the underlying structure viable for building a community around a crowdfunding campaign.

This thesis also contributes insights from the perspective of consumer behavior and consumption value theory. Based on a model by Ordanini and his colleagues (2009), the concept of material and emotional value of crowdfunding remunerations was introduced and expounded on. The findings suggest that the rewards in crowdfunding are of emotional rather than material value. However, some indices were detected that the emotional value grows alongside with the material value or the economic value of the reward. In the view of Holt's typology of consumption practices (1995), crowdfunding may be characterized best as consumption as an experience.

A declared goal of this research study was to offer practical knowledge of crowdfunding that benefits founders to improve their campaign. As a first step, the literature review provides an extensive and up-to-date summary of the subject of investigation. Furthermore, the results of this research can lead to a number of managerial implications. When setting up a crowdfunding project, initiators should carefully elaborate on the realistic support they can expect to come from their own personal network, as most of the contributions typically will come from them. Additionally, founders are advised to evaluate the attractiveness of their project and develop a strategy to spread the word outside of their own network. Crowdfunding campaigns that put in an extra efforts to create publicity are more successful in reaching their goal. Getting featured

on other websites and being in the media can particularly make a huge difference. Crowdfunding platforms are very efficient in attracting funds from strangers. However, this seems to be mainly the case for high quality projects, which according to Mollick (2012), benefit from a Matthew effect<sup>[38]</sup>, which in turn multiplies the impact of project quality. The pronounced intrinsic motivations that drive backers naturally favors some projects over others. Contributions are more likely to flow to ventures where backers feel that they can make a meaningful impact. This are often projects that would not necessarily get mainstream support. Hence, not all kinds of projects are suitable for reward-based crowdfunding. Solicitants who can not credibly state why they need the support of the crowd to fund their project, will most likely fail.

While, most of supporters report to be not particularly driven by the reward itself, the ‘get’ components should nevertheless stay in a healthy relation to the ‘give’ components. Most of the extraordinary successful projects offer very attractive rewards, which supporters genuinely want to have. From an outside perspective, therefore crowdfunding sometimes resembles regular consumer transactions. However, the findings of this study affirms that the motivations that drive backers to participate in crowdfunding go well beyond the formal consumer role. Backers enjoy being involved in the whole process, getting exclusive glimpses behind the scenes and regular updates, which can already be some sort of reward in itself. Creators are therefore advised to take these motivational drivers seriously by creating a great personal experience not only during the funding period, but also while the project is in progress. This can be quite time consuming and enough resources should be devoted to keep the community informed and satisfied. Nevertheless, the final outcome in the form of the reward must not be underestimated. Delivering the promised remuneration on time, proves that the initiators take their obligations seriously and value their supporters. However, in the case of delays, contributors are in general very sympathetic, as long as creators transparently inform their followers and convincingly state the grounds for this circumstance.

Finally, the study also provides some managerial implications for reward-based crowdfunding platform operators. The results show that many supporters proudly display their crowdfunding efforts on their personal profiles on the CFP of their choice. However, this profile is usually only visible for fellow crowdfunders that are using the same site. At the same time, spreading the word, recruiting and retaining more support-

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38 “The initial advantage tends to beget further advantage, and disadvantage further disadvantage, among individuals and groups through time, creating widening gaps between those who have more and those who have less” (RIGNEY, 2010).



ers is a crucial point for nearly every crowdfunding campaign. As many of the creators and supporters use social networks like Facebook to create publicity for their project, a united integration of the two worlds could offer new possibilities to harness the social network of founders and supporters. A Facebook application, could for instance allow supporters to make their crowdfunding efforts visible by connecting the data from the crowdfunding profile to Facebook and at the same time said backers would help create publicity for the latest campaign they are currently supporting. Additionally, this could also help to prevent fraudulent behavior and indicate the support coming from the solicitants' social network. When online identities are increasingly tied to Facebook or similar networks, with identified individuals, the crowdfunding community could more easily detect individuals attempting fraud. Also the support coming from the founders' social network could be incorporated in the project page as an indicator of safety and commitment of the project owner.

## **8. CONCLUSIONS AND FUTURE RESEARCH**

This study deals with reward-based crowdfunding that is commonly used to realize creative endeavors. In the last couple of years, crowdfunding platforms have proven to be a viable alternative for innovators to fund ventures in a wide variety of branches ranging from film, publishing, video games, arts, technology and more. The idea of bypassing traditional money sources and putting the funding in the hands of the crowd, while keeping control over the project, constitutes a paradigm shift in the financing world. While crowdfunding may not render traditional ways of fundraising redundant any time soon, it has established a fully-fledged economic system following its own rules and standards. The aim of this study was to contribute towards the understanding of this new way of raising capital online.

This research followed a holistic approach to examine the composition of successful crowdfunding campaigns. As such the supporters and creators point of view was equally taken into account via a quantitative online survey. The resulting interplay between the two inquiries forms the findings of this thesis. The leitmotif in this process was the crowd, its motivations, the incentives and conditions under which supporters are inclined to contribute towards a crowdfunding project. This also includes the question of who the crowd exactly is, how these individuals can be reached out to, and if they act differently. This paper provides contributions and insights to all of the aforementioned issues and more. One of the most surprising findings to emerge from



this research is that backers are not so much driven by the reward, but see themselves rather in the role of helpers and enablers. The present study also provides additional evidence with respect to the influence the founders' social network has on crowdfunding success. Correlation analysis revealed that the number of Facebook friends and Twitter followers are significantly related to reaching the funding goal. The conceptual group of friends and family was found to be an important source of financial and non-financial support for most of the crowdfunding ventures. However, creators are well-advised to increase promotional efforts in order to tap the crowd, as the contributions coming from F&Fs are limited. Additionally, the research also contributed first insights into the economic structure of the rewards, their prices, costs and how supporters perceive their value. Along with this, the research proposed several novel concepts and theoretical frameworks to the crowdfunding literature that can guide both managerial practice and future research of the subject.

Further studies might investigate additional drivers of crowdfunding success to the ones this paper has given account of. Such a study could for instance track and analyze how promotional efforts spread through social networks. Possible metrics for this purpose could be the number of Facebook-likes and Retweets. It would also be insightful to develop variables that take into account the reputation of the founders and the quality of the project pitch. Another direction of investigation could explore the ways of how crowdfunding campaigns are marketed. After watching a couple of crowdfunding videos it becomes apparent, that many founders use distinct stylistic devices such as storytelling, originality and humour in their project pitch, that differ from mainstream marketing means. It would be interesting to investigate the influence of such techniques and their impact on online fundraising success.

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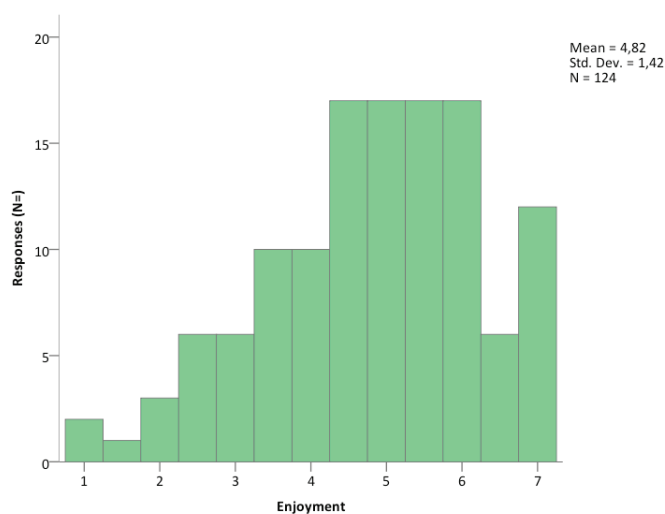
## 10. APPENDICES

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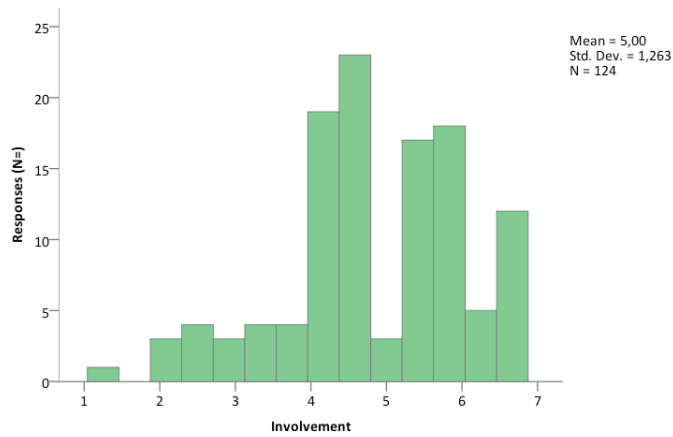
## Appendix 1: Summarized consumption value theories of Seth et., al (1991) and Holt (1995)

<b>Theory of Consumption Value</b> (Sheth et al., 1991) A typology of different types of value in consumer choice situations, such as to buy or not buy a product, or to use or not use a product	
Functional	the capacity for functional, utilitarian or physical performance. An alternative acquires functional value through its salient functional, utilitarian or physical attributes
Social	an alternative acquires social value through association with positively or negatively stereotyped demographic, socioeconomic and cultural-ethnic groups. Choice involves highly visible products and which are shared by others arising from interpersonal communication and information dissemination. Products are considered to possess symbolic or conspicuous consumption value in excess of their utility.
Emotional	an alternative acquires emotional value when associated with specific feelings or when precipitating or perpetuating those feelings
Conditional	the alternative acquires conditional value in the presence of antecedent physical or social contingencies that enhance its functional value or social value. Thus its value depends on the situation and some products have subtle conditional situations such as anticipated situations and unexpected events.
Epistemic	the perceived utility acquired from an alternative's capacity to arouse curiosity, provide novelty and/or satisfy a desire for knowledge. New experiences provide epistemic value, and people may be driven through needs of stimulation or arousal.
<b>Four Metaphors of Consumption</b> (Holt, 1995) A typology to explore how individuals experience the consumption of a product or service.	
Consuming as experience	where consumption objects are embedded in the consumers' social worlds and serve to impart shared definitions of reality, or "the way things are" within that socially constructed world. It also captures consumers' subjective, emotional reactions to consumption objects, termed the experiential, hedonic, aesthetic, autotelic and subjective dimensions of consuming.
Consuming as integration	that is how the consumers use the object to constitute elements of their identity or self concept, such as assimilating, where the consumer becomes a competent participant in the social world of the consumption object.
Consuming as classification	where the consumption object is used to classify oneself against others, leveraging their experiential and integrating practices to communicate with other consumers which may involve displaying the product to others.
Consuming as play	how consumers use the object to interact with fellow consumers in a playful way, not only through instrumental actions, but autotelic actions where the playful interaction is for interaction's sake.

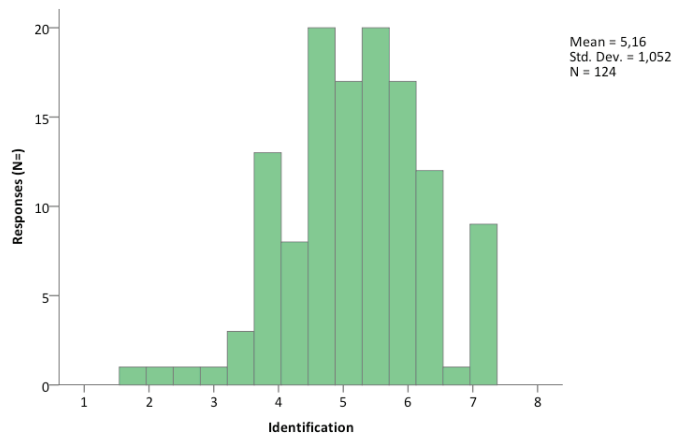
## Appendix 2: Intrinsic motivation: Enjoyment



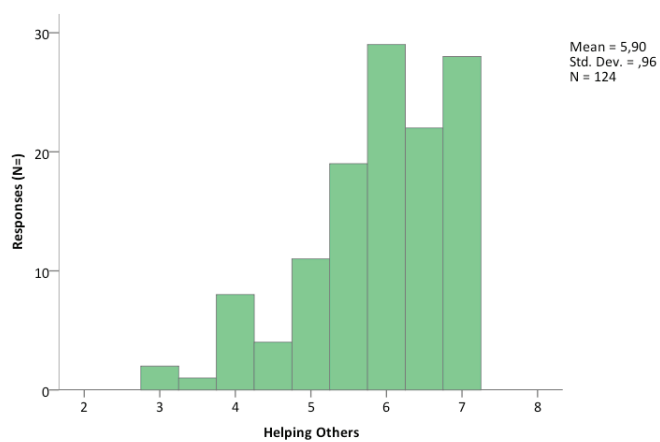
### Appendix 3: *Intrinsic motivation: Involvement*



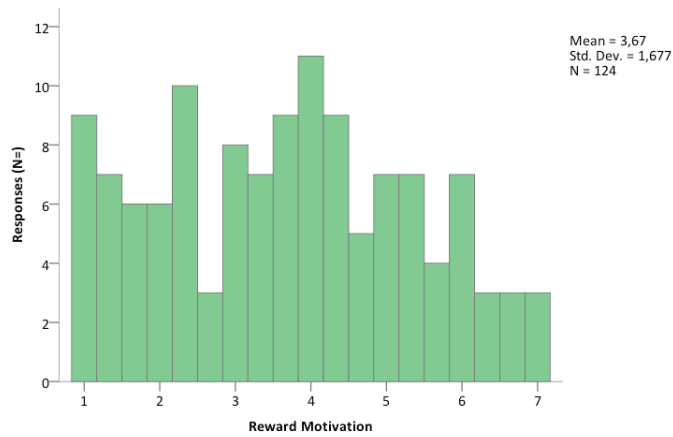
### Appendix 4: *Intrinsic motivation: Identification*



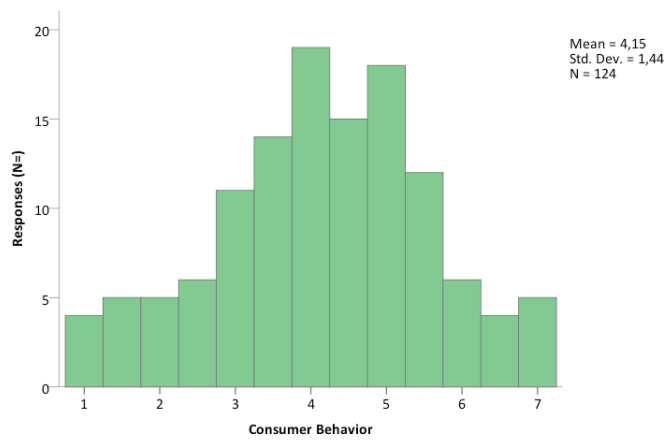
### Appendix 5: *Intrinsic motivation: Helping Others*



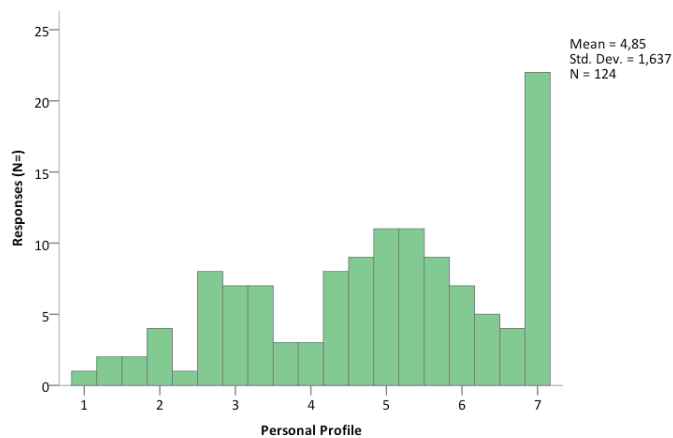
## Appendix 6: *Extrinsic motivation: Reward*



## Appendix 7: *Extrinsic motivation: Consumer Behavior*

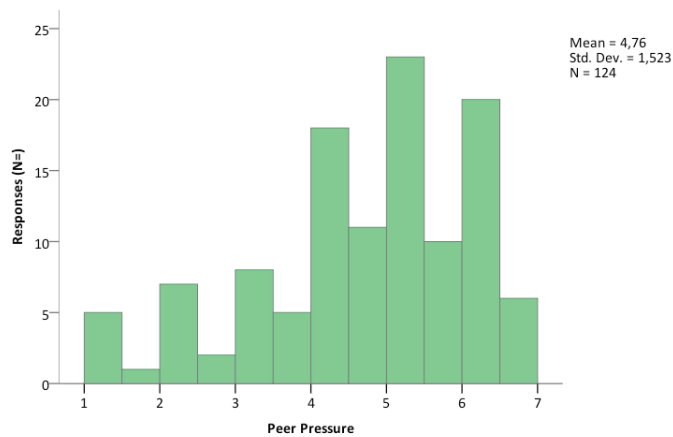


## Appendix 8: *Extrinsic motivation: Personal Profile*

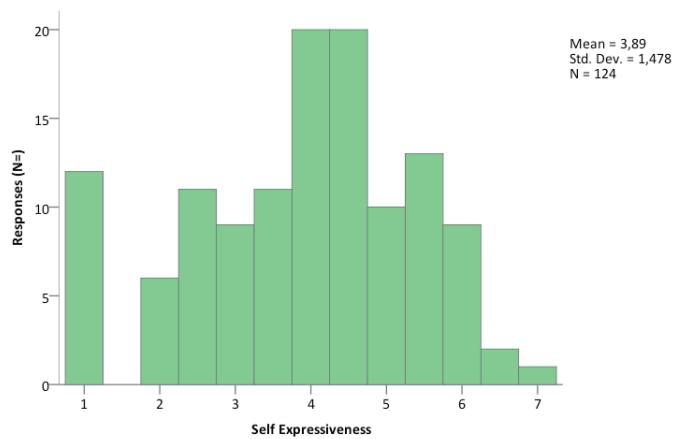




## Appendix 9: Extrinsic motivation: Peer Pressure



## Appendix 10: Extrinsic motivation: Self Expressiveness



## Appendix 11: Correlations creators

	Success ( $r_b$ )	Log Goal	Log Raised	Log Funding Level (tr)	Log Backer	Log Pledge / Backer	F&F percent- age	Log Face- book	Log Twitter	Log (E-mail)	Log (Net- work)	Highest priced Reward
Success ( $r_b$ )	1	-.04 <i>Ns</i>	.061**	.95 **	.61**	.26**	-.17 <i>Ns</i>	.38**	.37**	-.03 <i>Ns</i>	.25*	.14 <i>Ns</i>
Log Goal	114	1	.63**	-.00 <i>Ns</i>	.54**	.44**	-.01 <i>Ns</i>	.29**	.13 <i>Ns</i>	.37**	.38**	.63**
Log Raised	114	114	1	.53**	.92**	.61**	-.32**	.40**	.46**	.32**	.54**	0.55**
Log Funding Level (tr)	103	103	103	1	.52**	.18 <i>Ns</i>	-.28*	.29**	.27*	.02 <i>Ns</i>	.31*	.02 <i>Ns</i>
Log Backer	112	112	112	101	1	.23**	-.46**	.42**	.43**	.26*	.47**	.47**

	Success ( $r_b$ )	Log Goal	Log Raised	Log Funding Level (tr)	Log Backer	Log Pledge / Backer	F&F percent- age	Log Face- book	Log Twitter	Log (E-mail)	Log (Net- work)	Highest priced Reward
Log Pledge / Backer	112	112	112	101	112	1	.09 Ns	.16 Ns	.24*	.22 *	.36**	.34**
F&F per- centage	110	110	109	109	107	107	1	.06 Ns	-.04 Ns	.33**	.10 Ns	.05 Ns
Log Face- book	95	95	95	86	94	94	90	1	.60**	.43**	.81**	.29**
Log Twitter	78	78	78	69	78	78	73	75	1	.32*	.75**	.27*
Log E-mail	69	69	69	62	68	68	65	66	57	1	.76**	.26*
Log Net- work	56	56	56	52	56	56	52	56	55	55	1	.24*
Highest priced Reward	112	112	112	104	110	110	107	93	76	68	55	1

$r_b$  = biserial correlation coefficient, Ns = not significant ( $p > .05$ ), \* $p < .05$  (1-tailed), \*\* $p < .01$  (1-tailed), in the lower part of the table the sample sizes are reported, (tr) = 5% trimmed

## Appendix 12: Correlations Motivational Drivers

	Enjoy- ment	Involve- ment	Identifi- cation	Helping Others	Reward Motiva- tion	Consumer Behavior	Personal Profile	Peer Pres- sure	Self Expres- siveness
Enjoy- ment	1	.45**	.42**	.39**	-.14 Ns	.14 Ns	.25**	.02 Ns	.28**
Involve- ment	124	1	.62**	.53**	-.14 Ns	.29*	.59**	-.03 Ns	.33**
Identifi- cation	124	124	1	.43**	-.05 Ns	.03 Ns	.51**	-.06 Ns	.33**
Helping Others	124	124	124	1	-.32**	-.02 Ns	.38**	.02 Ns	.21*
Reward Motiva- tion	124	124	124	124	1	.44**	.02 Ns	.00 Ns	.01 Ns
Consumer Behavior	124	124	124	124	124	1	.19*	.15 Ns	.20*
Personal Profile	124	124	124	124	124	124	1	.05 Ns	.42**

	<i>Enjoy- ment</i>	<i>Involve- ment</i>	<i>Identifi- cation</i>	<i>Helping Others</i>	<i>Reward Motiva- tion</i>	<i>Consumer Behavior</i>	<i>Personal Profile</i>	<i>Peer Pres- sure</i>	<i>Self Expres- siveness</i>
<i>Peer Pres- sure</i>	124	124	124	124	124	124	124	1	<b>.22*</b>
<i>Self Expres- siveness</i>	124	124	124	124	124	124	124	124	1

$r_b$  = biserial correlation coefficient, *Ns* = not significant ( $p > .05$ ), \* $p < .05$  (2-tailed), \*\* $p < .01$  (2-tailed), in the lower part of the table the sample sizes are reported

### Appendix 13: Correlations supporters

	<i>Reward Motivation</i>	<i>Reward Value (1= emo- tional, 7= material)</i>	<i>Contribution</i>	<i>Level of Acquain- tance</i>	<i>Level of Familiarity</i>	<i>Making publicity</i>	<i>Level of Familiarity (controlled with Level of Acquain- tance)</i>
<i>Reward Motivation</i>	1	<b>.40**</b>	-.16 <i>Ns</i>	<b>-.35**</b>	<b>-.21*</b>	-.13 <i>Ns</i>	-.00 <i>Ns</i>
<i>Reward Value (1= emo- tional, 7= material)</i>	115	1	<b>-.20*</b>	<b>-.45**</b>	<b>-.35**</b>	<b>-.19*</b>	-.10 <i>Ns</i>
<i>Contribution</i>	124	115	1	<b>.31**</b>	<b>.21*</b>	<b>.28 **</b>	.009 <i>Ns</i>
<i>Level of Acquain- tance</i>	122	113	122	1	<b>.65**</b>	<b>.28 **</b>	
<i>Level of Familiarity</i>	121	113	121	119	1	<b>.19 *</b>	
<i>Making publicity</i>	123	114	123	119	121	1	-.04 <i>Ns</i>

$r_b$  = biserial correlation coefficient, *Ns* = not significant ( $p > .05$ ), \* $p < .05$ , \*\* $p < .01$ , in the lower part of the table the sample sizes are reported, The values in the last column on the right are the results of a partial correlation.

### Appendix 14: Questionnaire for creators

The first two questions are screening questions that separated the supporters from creators. In the course of the survey more filters were used when deemed necessary.

**Dear Fellow Crowdfunder,**

If you are reading this you have participated in crowdfunding. I invite you to share your insights and experiences by taking part in the following survey. It will only take about 10 - 15 minutes of your time and it will be completely anonymous.

The survey is part of my master's thesis and will be open for responses until February 28th.

Thank you very much for your help!

Jonas Wechsler

**Have you ever financially supported a crowdfunding project?**

☐ Yes

☐ No

**Have you ever created your own crowdfunding project?**

☐ Yes

☐ No

CREATOR

*Please note that the following questions address **CREATORS** of crowdfunding projects. If you have supported **AND** created crowdfunding campaigns, **please answer the following questions from your experience as a creator.***

**Which crowdfunding platform (CFP) did you use to raise funds for your project?**

*If you use multiple services choose the one that you consider your main CFP*

☐ Kickstarter

☐ Indiegogo

☐ Other:

☐ Wait, what? I never created a crowdfunding campaign

Let's talk about your crowdfunding **project** now.

*If you have created more than one crowdfunding project, answer the following questions with your **latest completed** crowdfunding campaign in mind!*

**Which category describes your crowdfunding project the best?**

*Please select one of the following options and avoid the "Other"-option if possible.*

- ☐ Development of a product (*Games, Film, Music, tangible Objects etc.*)
- ☐ Development of an event (*Experience-based, Shows, Theater, Dance etc.*)
- ☐ Development of a service (*Utility-based, Educational, Online platform, Weather-app etc.*)
- ☐ Raising money for a cause

**What was the time limit to reach your funding goal?**

About  days

**Is your project's funding deadline still running?**

- ☐ No, time is up
- ☐ Yes, there is still time

Notice:

- 1) All your answers are **completely anonymous!**
- 2) That's also the reason why I can't collect this publicly available information by myself

**Have you reached your funding goal?**

- ☐ Yes
- ☐ No

**Let's talk numbers now. Please fill in the gaps with the corresponding amounts**

*Be as precise as possible*

Funding goal:  \$ (*The amount you wanted to achieve*)

Pledged amount:  \$ (*The amount your project actually received*)

Number of backers:  (*Number of people that supported your project*)

**Why do you think the project didn't raise the required amount?**

- ☐ Lack of a trusted brand / well-known personality / compelling vision
- ☐ Failure to clearly explain and illustrate the projects' core values and/or benefits
- ☐ Lack of differentiation to other projects and the inability to define and communicate unique sales points
- ☐ Failure to generate awareness or engage potential backers
- ☐ Setting campaign funding goals too high

Think now about the REWARDS / PERKS your supporters would receive in return for their contribution.

**Which of the following categories describes your LOWEST priced reward tier most accurately?**

*Please remember that it has to be a reward somebody actually selected!*

[Please choose]

**Please think about the lowest priced reward and fill in the corresponding values**

*E.g: The lowest priced reward tier was \$5. The production costs were about \$1. The rest of the money, about \$4 went directly towards the project. All Values WITHOUT SHIPPING!*

If your project is, for example, a crowdfunded movie project, which would usually have quite high production costs, only take into account the costs of the physical copy (DVD) but not the total costs of producing the movie!

The lowest priced reward tier that somebody actually selected was  \$.

The production costs were about  \$.

The rest of the money, about  \$ went directly towards the project.

**Which of the following categories describes your HIGHEST priced reward most accurately?**

*Please remember that it has to be a reward somebody actually selected!*

[Please choose]

**Please think about the HIGHEST priced reward somebody "bought" and fill in the corresponding values.**

The HIGHEST priced reward tier that somebody actually selected was  \$.

The production costs were about  \$.

The rest of the money, about  \$ went directly towards the project.

**Which of the following categories describes your most POPULAR reward most accurately?**

[Please choose]

**Please think about the most POPULAR reward and fill in the corresponding values.**

The price of the most often selected reward tier was  \$.

The production costs (without shipping) were about  \$.

The rest of the money, about  \$ went directly towards the project.

**In regards to your reward tiers, which of the following incentives did you implement?**

- ☐ Discounts or other benefits for early birds
- ☐ Customized rewards
- ☐ Rights to have a say in the project
- ☐ Multiple quantities of single product
- ☐ Limited rewards
- ☐ New stretch-goals (when you reach funding goal before the deadline ends and you set an informal higher funding goal)
- ☐ Other:

**Which of the following means did you use to promote your project?**

*Please indicate the number of followers/friends in the corresponding blanks*

- ☐ Twitter:  followers
- ☐ Facebook:  friends
- ☐ E-mail:  addressees
- ☐ Website
- ☐ Blog
- ☐ Other:

**Which of the following means did you use to promote your project?**

*Please indicate the number of followers/friends in the corresponding blanks*

- ☐ Twitter:  followers
- ☐ Facebook:  friends
- ☐ E-mail:  addressees
- ☐ Website
- ☐ Blog
- ☐ Other:

**What percentage of the total number of supporters belong to your wider social network?**

*The number of supporters who got to know about your campaign directly through your initial promotion efforts. - Rule of thumb: All the backers that were in your mailing list, Facebook friends and Twitter followers etc.*

[Please choose] ▾



Congratulations, these are the last questions! Please read the statements carefully.

**Please think about how you motivated people to contribute to your crowdfunding campaign and rate the following statements!**

*Think not only about your project pitch but also about your video and calls over Twitter and Facebook etc.*

	Strongly disagree	Strongly agree
I underlined the benefits backers would get in return for their contribution	<input type="radio"/>	<input type="radio"/>
I called attention to the cool rewards available	<input type="radio"/>	<input type="radio"/>
I focused on pointing out the positive effects a supporter could expect for his/her money	<input type="radio"/>	<input type="radio"/>
I appealed to the crowd to help make the project become reality	<input type="radio"/>	<input type="radio"/>
I focused on advertising the cause of the project and how much contributions are appreciated	<input type="radio"/>	<input type="radio"/>
I underlined how much the realization of the project depended on the support of the crowd	<input type="radio"/>	<input type="radio"/>

**Gender**

- ☐ Female
- ☐ Male

**What is your age?**

- ☐ 16-25
- ☐ 26-35
- ☐ 36-45
- ☐ 46-55
- ☐ >55

**Thank you very much for your help!**

As a reward for your effort and support you have the chance to win some fine Swiss chocolate, directly from the factory next to my university.

- ☐ I would like to participate in the **chocolate lottery**. I agree that my e-mail address will be saved until the winners are drawn. My questionnaire will continue to be anonymous and my e-mail address will not be passed on to anybody.
- ☐ I am interested in **the results of this study**. Please send me an abstract by e-mail in accordance with the same rules as above.

**Feel free to write a feedback – it is appreciated**

## Thank you for participating!

In order to get a complete view of crowdfunding this study is interested in the opinions and experiences of creators and supporters alike. Unfortunately there is no realistic way for me to reach enough supporters all by myself. Therefore I am asking for your help.

## Please help me to make this research study a success by sharing this survey with your supporters.

The respondents' answers are completely anonymized and can not be identified with your project.

<https://www.soscisurvey.de/crowd/>

Thank you very much

Jonas Wechsler

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[Jonas Wechsler](#), Universität Fribourg - 2013

### Appendix 15: Questionnaire for supporters

Dear Fellow Crowdfunder,

If you are reading this you have participated in crowdfunding. I invite you to share your insights and experiences by taking part in the following survey. It will only take about 10 - 15 minutes of your time and it will be completely anonymous.

The survey is part of my master's thesis and will be open for responses until February 28th.

Thank you very much for your help!

Jonas Wechsler

**Have you ever financially supported a crowdfunding project?**

☐ Yes

☐ No

**Have you ever created your own crowdfunding project?**

☐ Yes

☐ No

**Which crowdfunding platform (CFP) do you use to back crowdfunding projects?**

If you use multiple services, please choose the one you consider your main CFP

☐ Kickstarter

☐ Indiegogo

☐ Other:

Please rate your level of agreement with the following statements

	Strongly disagree	Strongly agree
I like to be involved with other people that participate in crowdfunding projects	<input type="radio"/>	<input type="radio"/>
I want to make a meaningful impact with my contribution	<input type="radio"/>	<input type="radio"/>
I feel there is a sense of community on (Name of the CFP)	<input type="radio"/>	<input type="radio"/>
I invest in crowdfunding projects for the pure enjoyment of it	<input type="radio"/>	<input type="radio"/>
If I started a crowdfunding campaign on my own, I would certainly do it on the CFP I am currently using	<input type="radio"/>	<input type="radio"/>
The Project(s) I supported intrigued me because it was something different and new for me	<input type="radio"/>	<input type="radio"/>
Overall the users on my crowdfunding platform seem to share the same values as me	<input type="radio"/>	<input type="radio"/>
Taking part in communities related to such crowdfunding projects and activities is important to me	<input type="radio"/>	<input type="radio"/>
One reason why I supported my last project is because I was curious to find out about crowdfunding	<input type="radio"/>	<input type="radio"/>
When you support a crowdfunding project you feel like you become a part of it	<input type="radio"/>	<input type="radio"/>
I like the possibility of interacting with the creators and fellow supporters of the project	<input type="radio"/>	<input type="radio"/>
I enjoy supporting crowdfunding projects, not just for the things I receive in return	<input type="radio"/>	<input type="radio"/>
I appreciate receiving exclusive up-to-date information and taking a look behind the scenes about recent developments of the project	<input type="radio"/>	<input type="radio"/>
I like to help creative people that I feel have authentically good ideas and maybe would not get mainstream support from the public	<input type="radio"/>	<input type="radio"/>

Please rate your level of agreement with the following statements

	Strongly disagree	Strongly agree
I have chosen my reward carefully	<input type="radio"/>	<input type="radio"/>
I kind of feel obliged to support a project of a friend or acquaintance	<input type="radio"/>	<input type="radio"/>
When I back a project I am aware that others may see this	<input type="radio"/>	<input type="radio"/>
Getting a reward as an outcome of such a project is important to me	<input type="radio"/>	<input type="radio"/>
When a friend of mine asks me to support her crowdfunding campaign, I would do so because of our friendship	<input type="radio"/>	<input type="radio"/>
I anticipate my reward to be delivered in a timely manner	<input type="radio"/>	<input type="radio"/>
I only contribute to a crowdfunding project if I get something in return	<input type="radio"/>	<input type="radio"/>
I mentioned in my online social network that I support the project (Facebook, Twitter, XING etc.)	<input type="radio"/>	<input type="radio"/>
My contribution entitles me to receive a reward	<input type="radio"/>	<input type="radio"/>
Supporting a project is a part of how I express my personality	<input type="radio"/>	<input type="radio"/>
I like talking to others about the project I supported	<input type="radio"/>	<input type="radio"/>
When I fund a project I tend to view it more as a donation than as a way of receiving a reward	<input type="radio"/>	<input type="radio"/>
You can really tell about a person when you have a look at the projects he/she supported	<input type="radio"/>	<input type="radio"/>
I am proud of the projects I support and like to display them on my publicly visible crowdfunding profile	<input type="radio"/>	<input type="radio"/>
If the creator of a project is a friend or acquaintance I would prioritize to support his project	<input type="radio"/>	<input type="radio"/>

To answer the coming questions I ask you to think about the details of the LATEST crowdfunding project you supported. **Please answer the rest of the questionnaire with this specific project in mind!**

#### How did you get to know about the project?

Multiple selections possible

Contacted directly by creator: Only tick this box when you got to know about the crowdfunding project directly from a creator. You may specify how by selecting from the other options.

☐ Contacted directly by creator

☐ Crowdfunding Platform

☐ E-mail

☐ Website

☐ Blog

☐ Twitter

☐ Facebook

☐ Word of mouth

☐ Press (TV,Radio,Newspaper)

☐ Other

#### How well do you know the creator(s) of the project?

Complete stranger ☐ ☐ ☐ ☐ ☐ ☐ ☐ Friend or Family

First time I heard about the creator ☐ ☐ ☐ ☐ ☐ ☐ ☐ Had known creator for quite a while

The following part is dedicated to the REWARDS/PERKS of the latest crowdfunding projects that you supported.

**Please answer the following questions with the reward/perks in mind.**

#### Which of the following categories describes your latest reward the best?

☐ Product

☐ Service

☐ Experience (Meeting with creators, ect.)

☐ Thank-you-Reward (Card, Listing as a Supporter, Shout-out ect.)

**How much money did you pay/back/contribute for the reward?**

If you can't name the exact amount you can select one of the other options

☐ I paid \$  (without shipping)

☐ \$1-5

☐ \$6-10

☐ \$11-20

☐ \$21-25

☐ \$26-50

☐ \$51-100

☐ \$101-250

☐ \$251-500

☐ \$501-1000

☐ >\$1000

**Please remember now the moment when you selected the reward and rate following statements**

Keep in mind to focus only on your expectations at the "Moment of Purchase". Ignore the information and experiences after this point of time

The reward,	Strongly disagree	Strongly agree
is one that I would enjoy	○ ○ ○ ○ ○ ○ ○ ○	
makes you want to have it	○ ○ ○ ○ ○ ○ ○ ○	
would give me pleasure	○ ○ ○ ○ ○ ○ ○ ○	
is exciting	○ ○ ○ ○ ○ ○ ○ ○	
is reasonably priced	○ ○ ○ ○ ○ ○ ○ ○	
offers real value for money	○ ○ ○ ○ ○ ○ ○ ○	
has consistent quality	○ ○ ○ ○ ○ ○ ○ ○	
would last a long time	○ ○ ○ ○ ○ ○ ○ ○	

**When you think about your reward/perk how do you perceive its value?**

	Emotional	Material	I don't know
The value is rather	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○

**Have you received your reward yet, and if so did it get delivered in time?**

☐ Yes, on time

☐ Yes, but it was  weeks late

☐ No, not yet

Congratulations, these are the last questions! Please read the statements carefully.

**How do you feel about the delay of your project?**

This is unacceptable	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	No big deal	<input type="radio"/>	don't know
I was not aware of this possibility	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	I was fully aware that this might happen	<input type="radio"/>	

**How happy are you with the project overall?**

Please rate the following statements

Disappointed	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Exceeded my expectations	<input type="radio"/>	don't know
I wouldn't recommend this project to anybody	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	I would recommend this project to my peers	<input type="radio"/>	
The creators didn't inform us adequately	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Excellent communication	<input type="radio"/>	

**If a project had troubles delivering, what would be the longest acceptable delay?**

**Besides your financial support did you help the project in any other way?**

Multiple selections possible

☐ Yes, posted it on facebook

☐ Yes, tweeted it

☐ Yes, wrote about it on my blog

☐ Yes, emailed it to my contacts

☐ Yes, other:

☐ No, nothing

In the past 3 months how many times have you invested in a crowdfunding project?

☐ 0

☐ 1-2

☐ 3-4

☐ 5-6

☐ 6+

What is the average amount you invest into a crowdfunding project?

☐ \$1-5

☐ \$6-10

☐ \$11-20

☐ \$21-50

☐ \$51-100

☐ \$101-250

☐ \$251-500

☐ \$501-1000

☐ >\$1000

What is your age?

☐ 16-25

☐ 26-35

☐ 36-45

☐ 46-55

☐ >55

Gender

☐ Female

☐ Male

**Thank you very much for your help!**

As a reward for your effort and support you have the chance to win some fine Swiss chocolate, directly from the factory next to my university.

☐ I would like to participate in the **chocolate lottery**. I agree that my e-mail address will be saved until the winners are drawn. My questionnaire will continue to be anonymous and my e-mail address will not be passed on to anybody.

☐ I am interested in **the results of this study**. Please send me an abstract by e-mail in accordance with the same rules as above.

**Feel free to write a feedback – it is appreciated**



**Thank you for participating!**

**Please help me to make this research study a success by sharing this survey with your fellow crowdfunders.**

**<https://www.soscisurvey.de/crowd/>**

**Thank you very much**

**Jonas Wechsler**

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Jonas Wechsler, Universität Fribourg - 2013

## Appendix 16: Testing for Normality

Kolmogorov-Smirnov-Anpassungstest					
		Enjoyment	Involvement	Identification	Helping Others
N		124	124	124	124
Parameter der Normalverteilung <sup>a, b</sup>	Mittelwert	4,8185	4,9993	5,1606	5,9032
	Standardabweichung	1,42043	1,26290	1,05212	,95992
Extremste Differenzen	Absolut	,107	,075	,094	,177
	Positiv	,062	,070	,051	,127
	Negativ	-,107	-,075	-,094	-,177
Kolmogorov-Smirnov-Z		1,195	,834	1,049	1,974
Asymptotische Signifikanz (2-seitig)		,115	,490	,221	,001

Kolmogorov-Smirnov-Anpassungstest				
		Reward Motivation	Consumer Behavior	Personal Profile
N		124	124	124
Parameter der Normalverteilung <sup>a, b</sup>	Mittelwert	3,6720	4,1532	4,8522
	Standardabweichung	1,67666	1,44010	1,63703
Extremste Differenzen	Absolut	,094	,095	,095
	Positiv	,094	,061	,095
	Negativ	-,060	-,095	-,092
Kolmogorov-Smirnov-Z		1,048	1,055	1,055
Asymptotische Signifikanz (2-seitig)		,222	,216	,216

Kolmogorov-Smirnov-Anpassungstest				
		Peer Pressure	Self Expressivness	
N		124	124	
Parameter der Normalverteilung <sup>a, b</sup>	Mittelwert	4,7567	3,8911	
	Standardabweichung	1,52285	1,47824	
Extremste Differenzen	Absolut	,104	,134	
	Positiv	,070	,072	
	Negativ	-,104	-,134	
Kolmogorov-Smirnov-Z		1,156	1,494	
Asymptotische Signifikanz (2-seitig)		,138	,023	

a. Die zu testende Verteilung ist eine Normalverteilung.  
b. Aus den Daten berechnet.

## **DECLARATION OF ACADEMIC HONESTY**

Ich bestätige mit meiner Unterschrift, dass ich die Arbeit persönlich erstellt und dabei nur die aufgeführten Quellen und Hilfsmittel verwendet sowie wörtliche Zitate und Paraphrasen als solche gekennzeichnet habe.

Es ist mir bekannt, dass andernfalls die Fakultät gemäss der Entscheidung des Fakultätsrates vom 9.11.2004 das Recht hat, den auf Grund dieser Arbeit verliehenen Titel zu entziehen.

Freiburg, den 24. Juni 2013

Jonas Wechsler

## **ACKNOWLEDGEMENT**

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