

Investor Behavior in Crowdfunding

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Petteri Jalonen

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ABSTRACT

Tämän pro gradu – työn aiheena on sijoittajakäyttäytyminen joukkorahoituksessa. Joukkorahoituksessa suurelta määrältä ihmisiä kerätään vapaasti valittavia rahasummia jonkin projektin (useimmiten konkreettinen tuote tai palvelu) toteuttamiseen. Tässä rahoitusmuodossa yksittäinen sijoittaja palkitaan hänen antamansa summan perusteella tietyillä palkinnoilla (esim. varsinainen rahoitusta keräävä tuote, oheistuote, osakkeita yrityksessä, jne.). Aiheesta on olemassa melko vähän akateemista tutkimusta, koska ilmiö on verrattain uusi, mutta sen suosio on kasvanut todella voimakkaasti varsinkin Yhdysvalloissa. Erityisesti luovien alojen projektit keräävät enenevässä määrin varoja tätä rahoitusmuotoa hyödyntäen.

Tämän työ tutkii, mikä saa ihmiset sijoittamaan tiettyyn joukkorahoitusprojektiin, minkälaisia piirteitä ja palkintoja he etsivät projekteista, sekä miten projektien omistajat voivat hyödyntää näitä piirteitä taatakseen paremman menestyksen projekteilleen. Työssä hyödynnettiin dataa 156 kaikkein menestyneimmästä Kickstarter -verkkosivun kautta varoja keränneestä projektista, sekä kyselytutkimusta joka tehtiin joukkorahoituksen tuntevien ihmisten parissa.

Tutkimuksessa selvisi, että ihmiset jakautuvat pääasiallisesti kahteen joukkoon: niihin joille materiaaliset palkinnot (tuotteet, rahallinen voitto, jne.) ovat tärkeimpiä ja niihin joille tunnepohjaiset palkinnot ovat tärkeimpiä (hyvänolon tunne auttamisesta, uuden luominen, jne.), kuitenkin siten että molempien tyyppiset palkinnot olivat jossain määrin tärkeitä lähes kaikille. Muita löydettyjä tehokkaita keinoja kerätyn rahasumman lisäämiseen olivat mm. alennusten käyttäminen verrattuna tulevaan myyntihintaan, tuotteiden erikoisversioiden tarjoaminen ja laajaa yleisöä aikaisemmin tuotteiden saaminen. Tutkimuksessa selvisi myös, että projektin omistajille on hyödyllistä jos he ovat aiemmin keränneet mainetta samalla alalla tai he voivat kertoa aiemmasta kokemuksestaan. Lisäksi luottamuksen rooli, sekä projektin omistajiin että itse joukkorahoituspalvelun tarjoajiin, todettiin erittäin keskeiseksi.

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1. INTRODUCTION

1.1. Background

In recent years, the phenomenon of crowdfunding has steadily gained attention and the amount invested through such initiatives has risen sharply. Favored especially by individuals, small companies, and startups for raising capital, this relatively new funding option has proven incredibly effective in some cases – and inefficient in others. Perhaps the most popular crowdfunding service provider, the website Kickstarter.com, reported that they alone funded 18,109 projects in 2012, gathering a total of 319,786,629 USD from 2,241,475 investors from 177 different countries, which is roughly 90% of the entire world (Kickstarter.com, 2012). The degree of internationality is staggering, something which can be a great asset when compared with traditional funding methods such as offering equity, taking a bank loan, or venture capital. A small (or even large) firm is highly unlikely to ever be able to acquire funds from such a varied and large pool through the more traditional methods. Furthermore, risky, technical, or creative ventures might not even be able to get funding from the more traditional sources since the people in charge of them usually have a business education and might not be able to understand these novel ventures and products well enough to gauge their profit potential. A good example of this is the Pebble smart watch, which was unable to raise venture capital funding but went on to raise over 10 million USD through crowdfunding (an incredible 10,300% of its original invest target!). Furthermore, for example art projects can be costly but the expected monetary profit from them (if there is any) might not be very high and thus receiving traditional investment is unlikely. In this sense crowdfunding might also perform a more philanthropic role.

Due to the aforementioned nature of the products and projects, and the huge diversity of projects seeking funding, crowdfunding investors' motivations can be very different from the motivations of investors utilizing the traditional methods. Return expectations are also probably very different as many crowdfunding projects offer the actual products they seek funding for (or other similar things), as a reward for the investment instead of shares or other monetary rewards. A few do offer equity as a reward, but it is very

restricted due to legislation controlling limited companies in most countries. Thus the behavior that drives these investments needs to be researched and understood if crowdfunding is ever to become a more mainstream and reliable option for acquiring investment. At the moment academic research, and thus deeper understanding of the field, is scarce. This thesis aims to contribute to deeper understanding of the subject by researching what drives crowdfunding investor behavior and what makes these projects succeed or fail – especially when it comes to projects where equity is not offered as a reward. Based on the findings, a recommendation when and how crowdfunding should be used (and when and how not) will be provided.

Although it would seem on the surface that the risk of fraud in these endeavors is high, crowdfunding has been surprisingly successful and relatively free of such misconduct, which has also led to a rapid increase in its popularity. Furthermore, most (but not all) crowdfunding platforms will return the individual investors their money if the project fails to reach its target amount, which reduces the risks for the individual further. Crowdfunding has found supporters especially in creative industries such as gaming and technology, where development expenses have made the power of providers of traditional funding excessive. In these industries any product that doesn't guarantee a high profit, or at least offer a chance for a very high profit, will only gain funding with very disadvantageous terms or will get no funding at all through these traditional channels.

1.2. Definitions of key terms

Crowdfunding (alternatively known as crowd financing or hyper funding) is a process where people in a network pool their monetary resources to fund a project proposed by an individual or a company. This is usually done online through an intermediary – usually a crowdfunding platform website such as Kapipal, Indiegogo or Kickstarter – and projects can be almost anything imaginable, e.g. starting a company, a charity project, creation of a product or service, or an art exhibit. Although some of these projects are purely philanthropic in nature in the sense that the investor receives no

reward in return for his money, most projects offer different types of rewards based on the level of investment. Like the projects, the rewards can be almost anything as well, from merchandising items to the physical product being funded, or even shares in the company – although this is currently restricted by the legislation concerning the sale of equity in most countries. The minimum investment amount and the rewards offered are determined by the project creator.

The *crowdfunding platform* – basically a website that acts as an intermediary between project owners and investors – usually makes a profit from offering their services by charging the company seeking funds a percentage of the money raised (discounts are usually offered to non-profits). Individual investors must register an account on the platform to be able to invest and are usually not charged any fees on their investment. Investments are collected via credit card payments, PayPal transfers and similar methods. Most of these sites also utilize social media integration so investors are able to promote projects they have invested in further.

People giving money to crowdfunding projects are referred to under various names on different platforms. Kickstarter refers to them as backers, Kapipal as kapipalists, etc. The more traditional term “investor” is perhaps avoided because they are not seen as traditional investors (and some people might even prefer not to be titled as such). In this thesis, the term *investor* is mostly used for simplicity’s sake to refer to all of these users of different sites.

For the sake of clarity, a collective term should also be used for the factions that seek funding from the crowd. Different terms have been used by different authors, but this thesis refers to them collectively as *project owners*. This concept includes individual people, companies, non-profits, etc. as all of them can seek funds using the crowdfunding model.

1.3. Research problem, questions & objectives

1.3.1. Research problem

Although crowdfunding can be an excellent way to raise capital quickly and internationally, the lack of understanding how investors choose which projects to invest in makes using it highly risky, and at least partially a gamble, for the organizations that choose to utilize it. It can even be questioned if crowdfunding is seen as investment or something else entirely (e.g. charity or preordering a product), or perhaps a mixture of several of these things. For example, according to Kickstarter, it is not charity but rather a channel for projects that are a mixture of “commerce and patronage” (Kickstarter, 2013). However, better understanding of what potential investors look for could improve marketing efforts and success rates drastically. The legal status of crowdfunding is also a grey area in many countries – especially if equity is offered as a reward. If the process was understood better, it could facilitate easing of the legislation and thus make crowdfunding easier and more accessible in many countries both to investors and organizations seeking funding. In addition, crowdfunding might not even be the best option for certain types of projects that are trying to raise capital through it at the moment. If these projects can be identified, the companies and individuals involved could save valuable time and resources by directly choosing to try to gain funding from other sources.

Crowdfunding is essentially an evolution of crowdsourcing and it is deeply connected with social media interaction, which also makes it vulnerable to changes in these technologies. If the social media boom ends sometime in the future, the popularity growth for crowdfunding can quickly turn into decline if it doesn't become more systematic and understood. Furthermore, this thesis can have implications for project owners that are essentially competing against other similar crowdfunding projects (or similar projects financed through other means). If they can understand how to differentiate better compared to competitors, they could enjoy increased success as well.

1.3.2. Research questions & objectives

To better understand the phenomenon, the following research questions were identified:

- (1) What driver or combination of drivers influences crowdfunding investor behavior?
- (2) How could these identified drivers be utilized by project owners to improve project success?

Based on these research questions, the objective of this thesis is to identify the key metrics that are responsible for driving investment into crowdfunding projects (i.e. what things different people look for in crowdfunding projects to determine if they want to give them money, or what things affect them subconsciously). From the metrics identified, the question of how project owners should utilize the identified drivers to increase the probability of succeeding in crowdfunding, and gathering additional financing after reaching the goal, is answered. Finding such key factors is critical if crowdfunding is to become a more common and reliable form of funding in the future. On the theoretical side, this thesis aims to develop at least a tentative framework that captures the phenomenon, and which could serve as a reference point for future research into the subject.

1.4. Research methodology and limitations

Two main research methods were chosen in order to answer the chosen research questions, namely a survey study of people familiar with crowdfunding and a quantitative analysis of investment data available from Kickstarter projects. They will be discussed in further detail in the methodology section, but these somewhat opposite methods were selected in order to explain investor behavior as accurately as possible. As it is hard to see crowdfunding purely as an investment with financial goals, quantitative analysis of investment data alone was deemed insufficient and thus a survey study was also chosen. This guarantees that investor motivations are covered as extensively as possible and non-financial considerations are also taken into account.

This research was restricted to Kickstarter simply because other crowdfunding platforms do not, at least at the time of writing, provide data as extensively as Kickstarter, and thus including these platforms would endanger the validity of the analysis and make for example numerical analysis difficult. Furthermore, as the focus of the research was clearly on investor behavior, the crowdfunding platform itself was put in a secondary role. Due to this, recommendations for how crowdfunding platforms should improve their operations were left out, but the platforms should certainly be able to utilize the findings of this thesis as well to better understand their clients.

2. LITERATURE REVIEW

The literature review is divided into five main parts. It begins with the limited direct research available in section 2.1, after which a potential conceptual model to better understand the phenomenon is proposed in section 2.2. After this theories that could be adapted to crowdfunding, and thus could provide potential influence factors for crowdfunding investors, are analyzed. These include literature from a wide variety of theoretical streams such as crowdsourcing, consumer and donor behavior, behavioral economics, role of trust and reputation in commerce, consumer pricing theory, and so forth. Section 2.3 discusses the main considerations investors are suggested to have, and section 2.4 deals with factors that could modify the investor's behavior further. Based on the conceptual model and the theories discussed, several hypotheses about what affects crowdfunding investor behavior are developed for further study. Finally, in section 2.4, a few other potential explanations not covered by the analyzed literature are looked at.

2.1. Crowdfunding literature

There are only a few items of direct research available on crowdfunding. Although limited in number and scope, these articles provide a good starting point for further analysis and also suggest potential literature streams that can be relevant to understanding crowdfunding investor behavior. Furthermore, they provide insight into a potential conceptual model that could be used to explain the behavior of potential investors (discussed in more detail in section 2.2).

Ordanini et al (2011) have written one of the few comprehensive articles available on crowdfunding at the moment. The biggest contribution from their article is perhaps that they offer a very extensive literature review of theoretical fields that could be applied to crowdfunding. This is also what they describe as their rationale for researching the subject: the phenomenon itself is becoming more popular every year, but academic articles on it are few in number. Furthermore, there is no conceptual framework that captures the phenomenon accurately; according to them it is not very well understood

why certain companies seek funds through crowdfunding and why investors put money into them. To fill this knowledge gap, they aim to develop a framework that captures the crowdfunding phenomenon accurately and answer the two research questions they identify: (1) How and why do consumers turn into crowd-funding participants? and (2) How and why do service providers set up a crowd-funding initiative? (Ordanini et al., 2011, pp. 449)

Ordanini et al. (2011) draw upon numerous theoretical areas in their research, some of which will also be analyzed further in this thesis. First of all, they discuss crowdsourcing literature as it is fairly close in concept to crowdfunding. In crowdsourcing, individuals outside the company are used as knowledge assets, for example to solve problems, provide information, and so forth, whereas in crowdfunding outsiders are mostly used to gain financial assets. However, they argue that some motivations for people to engage in both of these behaviors might be identical. This is most likely a very accurate assessment due to the closeness of the two phenomena (see section 2.4.3 for a further analysis of crowdsourcing). Second, they use service marketing literature, suggesting that there is always an extent of customer participation, and crowdfunding might simply be a further evolution of service marketing. The third theoretical topic they offer is lead user theory and open innovation literature that focus on customer involvement in developing new products and services (analyzed further in section 2.4.2). In crowdfunding this development aspect is mostly limited to choosing whether to fund a project or not. However, although the authors don't mention it, but for example some games offer the chance for investors to become beta testers before the actual release of the game and thus affect the content of the finished product much more. It could thus be said that some crowdfunding projects combine both crowdfunding and -sourcing.

The fourth theory they utilize is brand community literature. They argue that in line with the brand community concept, crowdfunding investors may form a shared identity of sorts (mainly via crowdfunding websites), which can drive investment. They also discuss donor behavior and micro-financing literature, which have found that people putting money into these projects are driven by certain non-economic benefits such as

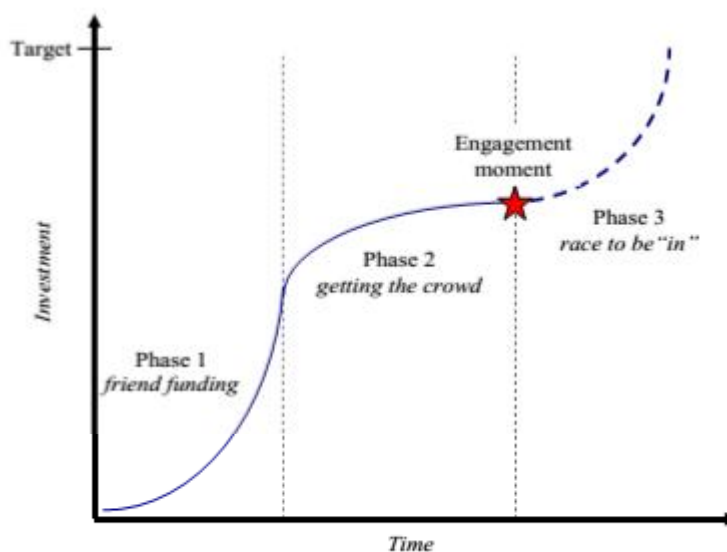
self-esteem, public recognition, or relief from feelings of guilt for example (Ordanini et al., 2011, pp. 447). However, Ordanini et al. (2011) do state that these theories do not explain crowdfunding success for projects that have or can have a monetary payoff. Another partial explanation offered is literature on network organizations, mainly in connection with understanding the structure of crowdfunding service providers. Lastly, the theory of service dominant logic is discussed. According to this theory, the role of consumers in service systems should be extended so that they can affect services offered more effectively (not just whether to use them or not). However, they note that this theory does not, at least originally, consider consumers also acting as investors.

Ordanini et al.'s (2011) study uses a qualitative, case-based approach. The data is collected from semi-structured interviews with three crowdfunding service platform providers: Kapipal, Cellaband, and Trampoline. Furthermore, the study uses secondary data from these service providers. What makes this approach seem a bit ineffective is that they only interview the service providers instead of actual project owners using the crowdfunding model or investors engaging in it. This results in the risk that they merely find what the service providers perceive the motivations to be, not necessarily what they truly are. This, in turn, can jeopardize the validity of the framework they seek to develop. Therefore, the greatest value this research offers is the extensive list of different theoretical streams, most relevant of which are also analyzed further in this literature review.

What is especially valuable for this thesis is that Ordanini et al. (2011) identify several possible motivations for investors to engage in crowdfunding. These include charity/philanthropy and the associated emotional rewards; financial reasons such as expected payoff or the desire to gain equity; and desire to be a lead user. What is a bit strange is that they completely ignore the possibility that an investor would invest in a project simply because they want the actual product being created (this could fit under expected payoff, but they consider it to be purely monetary). All in all, they divide the different types of rewards sought by investors as material and emotional with varying degrees of risk/return intensity (Ordanini et al., 2011, pp. 451). This categorization of rewards appears intuitively attractive and is also used as a starting point for forming the

conceptual model proposed in the next section. Although these findings are certainly useful, the authors also note that although they research both the consumer and company perspectives, their research does not include "data directly from consumers involved in crowd-funding" (Ordanini et al., 2011, pp. 461), and instead base their findings on perspectives offered by managers of crowdfunding service providers. This means that their findings of what drives crowdfunding investor behavior should only be accepted with some reservations. Perhaps the most useful finding of their research is that consumer investment via crowdfunding platforms usually appears to follow three phases: friend funding (phase 1), getting the crowd (phase 2), and race to be "in" (phase 3). In the first phase, initial capital is collected relatively fast from acquaintances, family members, etc. In the second phase, the investment growth slows down and this is found to be the critical point for many projects. It is found that if a project reaches a certain milestone in the amount of funding during this phase, it receives added credibility and thus reaches the third phase where a lot more people invest because of their desire to be "in" (Ordanini et al., 2011, pp. 457-458). Project failure occurs therefore most commonly in the second phase as projects that fail to reach a high enough percentage of their investment target fast enough will not apparently trigger the crowdfunding phenomenon (See figure 2.1. below for an illustration of these stages).

Figure 2.1: Three phases of crowdfunding by Ordanini et al. (2011, pp. 457)



Mollick (2013) also analyzes the dynamics of crowdfunding in his working paper. Drawing on a dataset of 48,500 projects with more than 237 million USD in funding, he looks at the potential causes of success and failure in crowdfunding projects. He finds that on average crowdfunding projects succeed by narrow margins or fail by large quantities. Second, signals of high quality (regardless of project type) and large numbers of friends on social media seem to increase the likelihood of success. Third, he finds that most (around 75%) of successfully funded products are delayed in the delivery stage – especially those that drastically exceed their funding targets. Fourth, what is also interesting is that being highly successful in gathering crowdfunding seems to fuel longer-term business success: Mollick (2013) mentions that of the 50 most funded projects on Kickstarter, 45 have turned into ongoing entrepreneurial firms. One potential weakness the paper has, although the sample is very large overall, is that it ignores all projects outside the US (3931 in total), as well as projects with large and very small goals. In total it ignores 25 projects with a goal more than 1,000,000 USD, although three of them actually ended up in the most successful projects of all time in the games category for example. However, despite these issues, the article provides valuable insights into crowdfunding investor behavior.

Related to Ordanini et al. (2011), further evidence of reception of (rapid) funding as a signal to other potential investors is found by Mollick (2013). He reports that, on average, failed projects only manage to collect 10.3% of their funding goal and only 10% of failed projects manage to gather more than 30% of their funding goal. He also finds that a longer investment collection period decreases the chances of success, and that increasing goal size is negatively associated with success (Mollick, 2013, pp. 20). All of these factors support the assumption that the more rapidly a project collects funding and gets closer (and over) its investment target, the higher its chances are of attracting even more funding. His findings also support the stage model of Ordanini et al. (2011) presented above as he analyzed cases where the project owners had their Facebook account connected to their Kickstarter account and found that the likelihood of success increased with the number of friends on Facebook.

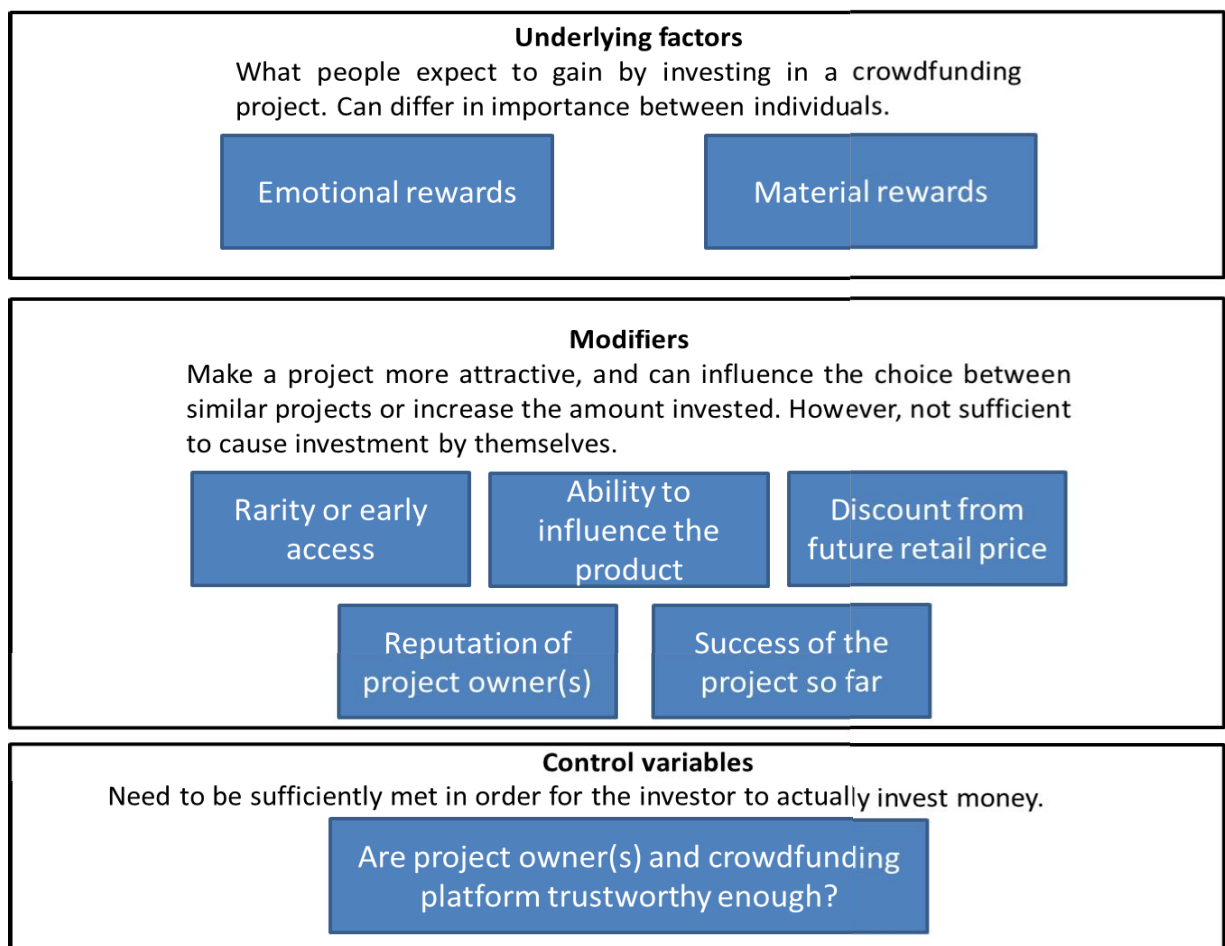
Ley & Weaven (2011) also present support for the signaling effect of investments in crowdfunding in their study which compares the agency dynamics of traditional venture capital investment and crowdfunding. They interviewed Australian venture capitalists and based on the interviews tell that “venture capitalists believed that one investor’s decision would likely result in additional like-decisions from the crowd.” (Ley & Weaven, 2011, pp. 94) However, the interviewed venture capitalists also regarded crowdfunding as a less credible form of raising capital. A lot of them thought that any entity looking for capital through crowdfunding must be somehow flawed if they cannot get money through more traditional channels, so there could be some bias in the interview results. According to Ley & Weaven’s (2011) interview results, venture capitalists saw that crowdfunding should become more organized, projects should be pre-screened, etc. (i.e. develop closer in form to venture capital) in order for it to become a more successful method in the future. When comparing with real-life development after the publication of this study, it is clear that such a thing has not happened at least yet but the popularity has grown regardless. However, the study does bring up some good points about a potential drawback of using crowdfunding. It suggests that when seeking capital via crowdfunding in order to produce physical products or expensive projects, further rounds of crowdfunding might be needed in the future as well in order to produce more or complete the project, and this can be very risky if long-term business success is a goal.

Although the crowdfunding research discussed above is certainly valuable, there are a few problems with it. First of all, Ordanini et al. (2011) propose several reasons for crowdfunding that fall into material and emotional rewards somehow, but offer no priorities between the different reasons. The other items of research look at numerical results, but do not propose reasons for why certain types of projects attract a lot of investors initially and then manage to trigger the signaling effect. To better research the topic, a conceptual model with more explanatory power should therefore be developed.

2.2. Conceptual model

A conceptual model that would better capture the crowdfunding phenomenon is proposed in this section. It adapts the direct research available and aims to more accurately identify factors of varying importance that affect crowdfunding investor behavior. This model is proposed to reflect how an individual investor chooses whether or not to invest in a certain project, or how the investor chooses between similar projects.

Figure 2.2: Initial conceptual model of crowdfunding investor decision factors



In line with Ordanini et al. (2011), the main reasons or *underlying factors* for investors is that they seek material and/or emotional rewards by participating in crowdfunding. However, in addition to these material and emotional aspects there are suggested to be other less important factors that can also influence the investment decision. These will be referred to as *modifiers*. Finally, there are also assumed to be certain *control criteria* in place that determine whether an investor trusts his money with the project owner and the crowdfunding service. In this case, the main material rewards include financial assets and rewards, and also the actual physical goods or services themselves that Ordanini et al. (2011) did not discuss. The main emotional rewards include charity/philanthropy, and the associated emotional rewards (feeling good about helping, etc.). The level of importance of each of these two main categories is proposed to differ between individuals, and projects that best fulfill the rewards being sought will result in the individual investing.

The modifiers are assumed to be added benefits in the sense that they will make investment more likely and might sway an investor in choosing between two similar products, but unless the main rewards being sought are sufficiently fulfilled they alone will not result in investment. These factors will be proposed in more depth later on, but they are assumed to include things such as the reputation of the owner, the opportunity to get a product/service earlier than the wider market, the chance to get a limited edition version of the product, the opportunity to influence the final product, and so forth. However, each individual will have particular preferences in terms of which underlying factors and modifiers they value the most, and how much risk they are willing to take.

The control factors are also very critical in crowdfunding. When compared for example with the stock market - where information is widely available, companies have strict requirements for listing, and have a very strong accountability to the owners – crowdfunding projects have a much lower trustworthiness because potential investors have to rely almost solely on the word of the project owner. Therefore there really aren't any absolute guarantees that the project will deliver what it promises. Thus, no matter how attractive the project and the offered rewards, the project owner has to be perceived as trustworthy enough for investment to happen, and by extension the crowdfunding service provider also has to be trusted to transfer the money to the project owner and not

allow many fraudulent projects on its platform. After a certain degree of trust is reached, the investor will feel confident about putting his money into a project.

This model is assumed to apply to an investor at any point during the time the project is open. Therefore, in terms of Ordanini et al. (2011), the stage at which the potential investor sees the project is irrelevant: the same consideration process will happen regardless. A thing that could differ depending on the stage is the valuation of certain modifiers. For example, if the person sees the project early on and it has already gained a lot of funding it might seem more attractive than if it's seen later on in the collection period and it still hasn't passed the goal. However, this will be discussed in more detail later on. The following sections of the literature review will discuss literature for the different types of factors/criteria and develops hypothesis associated with them.

2.3. Literature on underlying factors

The underlying factors, i.e. the main reasons why people engage in crowdfunding investment, are assumed to be material and/or emotional. In this section material rewards are discussed first, followed by emotional rewards. Different literature streams will be looked at in both cases in order to prove the supreme importance of these rewards types and, especially in the case of emotional rewards, theories such as donor behavior are used to show why purely economic/financial theories are not sufficient to explain crowdfunding investor motivation – whereas they can be sufficient in the case of other types of investment such as buying stocks.

2.3.1. Material rewards

In addition to what was discussed in section 2.1, there are certain economic theories than can be utilized to assess the importance of material rewards in crowdfunding. Expected utility theories and the so-called neoclassical economic view are often traditionally used for analyzing investment behavior and will also be discussed here. However, as already stated before, these theories largely ignore emotional aspects and

thus more evolved and better fitting literature streams are also looked at, namely prospect theory and mental accounting. Together, these different theories provide an overview of how crowdfunding investors value material rewards and see calculate financial gain.

The neoclassical view essentially sees that maximizing expected utility is always the main goal. However, there have been several studies that have shown that this perfect rationality and extensive information search rarely occurs (at least on the level of individuals). As this thesis presents many possible theoretical explanations for investor behavior in crowdfunding, a more evolved view that takes into account uncertainties and other possible explanations should be considered. In order to address the deficiencies of expected utility theories, Kahneman & Tversky (1979) developed prospect theory, one of the classic treatises of behavioral economics. There are two phases in any choice process according to prospect theory: editing and evaluation. Preliminary analysis of the offered prospects is done in the editing phase. This is done in order to reformulate the information into a format that is easier to process and thus comparisons between alternatives are easier to do. However, this reformatting is not completely rational and often the assumptions of expected utility theory are broken in this phase (they base this on previous studies which have proven it to be true). For example, certain losses are avoided in favor of larger but highly probable losses (where expected loss would be somewhat higher) and certain returns are favored over larger, highly probable returns (where expected return would be somewhat higher). In the evaluation phase these edited prospects are compared and the one with the highest perceived value is chosen. This concept of perceived value seems intuitively attractive for explaining crowdfunding in the sense that rewards are highly varied between projects and their monetary valuation might be difficult. Therefore, a potential investor has to format prospects in the editing phase to a form where he can make comparisons, and considering the ambiguous nature of crowdfunding projects it is quite likely that the assumptions expected utility theory are broken.

What also makes the theory relevant in terms of crowdfunding is that although the authors state in the paper that the theory was developed with monetary outcomes and

explicit probabilities, it could also be extended to more involved choices. Thus it fits well with some of the other hypotheses presented in this thesis: the weighing process could also very well happen consciously or unconsciously when seeking emotional rewards for example (see H₁ below). One way the theory might not be as strong in the case of crowdfunding is that it focuses heavily on how people behave towards the chance of incurring losses. Although losses are possible in crowdfunding – in the sense that a product doesn't work as promised or is never delivered in case of company failure – it is still unlikely that that this chance of losses is as a very significant consideration if the investment is not seen as purely financial (see H₂ below). This is also supported by previous research. Although Mollick (2013) found that late delivery is very common, he did not find any successfully funded projects that had (at least at the time of writing) completely failed to deliver. However, there have been further evolutions to prospect theory that deal explicitly with consumer behavior, and discuss non-monetary gains better and do not weigh the chance of incurring losses as heavily. One of these is Thaler's (2008) theory of mental accounting, which should also be analyzed.

Thaler's (2008) revised theory of mental accounting offers perhaps the best theoretical explanatory value. Originally presented by the author already in 1982, it suggests that economic utility theory does not fully explain consumer behavior, but rather uses Kahneman & Tversky's (1979) prospect theory to develop the concept of transaction utility. Transaction utility doesn't have to be financial, it can be any type of gain; the monetary aspect comes from comparing this gain to the price paid. In other words, *perceived* gains and losses from the actual price paid in relation to some *perceived* reference point are used to measure how much utility a transaction is thought to have (instead of "absolute" considerations of monetary value and wealth maximization in neoclassical economics). Furthermore, these perceived gains and losses fall into multiple mental "accounts" depending on what is purchased so that each person actually has several budget constraints based on which account they see a particular event belonging. The reference price is not only affected by the information about competing offerings and profit potential similar to utility theory, but also by things such as perception of the seller's cost structure (which affects how fair they think the asking

price is). The paper also explicitly deals with the convention of using suggested retail prices, and what is their effect on the perception of value; offering the product for a lower actual price than the suggested retail price actually raises the perceived transaction utility in most cases (Thaler, 2008, pp. 24).

Thaler's (2008) theory fits better into crowdfunding than pure neoclassical economic thinking and profit maximization goals of financial theories – for example those of expected utility theory where the goal is almost always maximization of monetary profit (e.g. Weintraub, 2002). As no equivalents to the project seeking crowdfunding are available in the market in many cases, perceived value and reference price are the only ones available to a potential investor, rather than absolute knowledge of competing offerings or the cost structure of the project. Furthermore, the paper offers an explanation on why it is sensible to offer several reward categories in crowdfunding based on invested amount (and why such a strategy works). Thaler (2008, pp. 23) finds that when selling a product, the reference price can be raised by tying the sale of the product to something else – and when the reference price rises, so does the willingness to pay the higher asking price as the perceived utility exists once again. He uses the example of holidays where selling a trip (hotel, plain tickets, etc.) as a package can increase the reference price. In the case of crowdfunding, this could easily be applied to items offered in addition to the actual product (such as limited edition t-shirts, in-depth information on the production, chances to customize, and so forth).

Ultimately, these theories show that people participating in crowdfunding will seek material rewards, but most often their value is based on a reference price that they form in their minds as no absolute value can be formed. This reference price could be formed for example on the basis of how much the investor expects to be able to sell the received reward for, the number of times he can use the product, the prize of some other at least slightly similar product, etc. The higher this perceived value is, the more likely a person is to invest in a particular crowdfunding project if he values material aspects. However, this perceived value also consists of emotional rewards that should be analyzed.

2.3.2. Philanthropic/fairness considerations and emotional rewards

Based on the crowdfunding literature discussed in previous sections and the nature of several highly successful crowdfunding projects, it is clear that purely financial/economic models cannot fully explain investor behavior in crowdfunding. Therefore, the other underlying factor is proposed to be emotional rewards (philanthropic and fairness considerations, and the associated emotions such as feeling good about helping). Section 2.3.2 discusses the case of charitable donations where people do not usually expect a financial gain in return for the money they give in order to show that emotional rewards are also relevant in crowdfunding, where potential financial gains are often minimal. In addition to the donor behavior literature, another theoretical stream that is useful here is known as consumer pricing theory, which deals with the effects of different pricing strategies. Most relevant of them for crowdfunding is a process known as pay-what-you-want pricing, where the customer can set the price themselves, because this is fairly close to donations where people can quite freely decide how much they want to give. These theories go to show that emotional rewards could play a considerable role in crowdfunding investment.

When it comes to crowdfunding investors' philanthropic and fairness considerations, Maslow's (1943) classic theory about the hierarchy of needs can be utilized to at least partially explain why they might be valid. In Maslow's theory, when the lower-level needs are satisfied sufficiently, significant further satisfaction will only result from fulfilling higher-level needs. The second highest level is esteem, which contains both self-esteem and esteem of others. Engaging in activity considered philanthropic by a person, i.e. admirable by others, will gratify his esteem needs. Thus a potential investor might be willing to engage in crowdfunding if he considers himself a fair person and feels that investing would be in-line with his self-image or he can perceive that others will hold him in higher regard due to his philanthropic activities. Most likely this will be subconscious, but the emotional reward can be substantial and thus might be a strong motivator for these investments. This could be identified in the survey by asking how much people value emotional rewards or if they consider crowdfunding to be

philanthropy. Similar findings have been made by Guy & Patton (1988) and Cermak et al. (1994).

Analyzing previous research on why people give to charity, Guy and Patton (1988, pp. 7) state that “--it appears that humans *do* have an inner drive to help others, and this drive is separate and apart from the drive suggested by the rationale of ‘economic man.’ This would suggest that people may help one another simply because they receive an internal self-reward from having done so.” They also identify several aspects of giving donations that match well with crowdfunding and offer potential explanations to the phenomenon. First, they note that ability to help and the action actually being helpful are important; even if a person wants to help but feels that his actions will not produce sufficient results or that he lacks relevant skills, he will in most cases not do anything. Second, people most likely help those who are similar to themselves at least to an extent. Third, feelings of urgency and immediacy make a donation more likely. Fourth, helping behavior is more likely when a person perceives that others are also helping. However, knowledge of how much others have helped can actually deter a person from helping (if he can assume that the help of others will be enough). If crowdfunding is perceived as charity, these characteristics could explain its popularity quite well. Since the number of investors, the amount donated, time left for donations, etc. is shown almost all of the aspects discussed are filled. There is a sense of immediacy as the collection period is limited; people have the ability to help as they are only asked for a freely-chosen amount of money; they can see the results of their donation as projects provide updates on their progress; they can see that others have also helped; and they can see that their help is still needed if the project is below its funding target. The project owners also usually identify themselves so potential investors can see if they are alike at least on some level.

Cermak et al. (1994, pp. 124-125) provide an analysis of the different benefits for donors of large amounts. They interviewed around 500 grantors of large trusts for their research and identify eight main motivations for trust donors: (1) family tradition, (2) being a beneficiary of the nonprofits activities, (3) social affiliation, (4) orientation of nonprofit, (5) humanitarianism, (6) tax advantages, (7) communitarianism, and (8)

being needed. In terms of this thesis, the most relevant ones are 2, 3, 4, 8, and in a more limited capacity 5 and 7. The others can be ignored because they do not fit into crowdfunding: there are no tax advantages (usually) to be gained from investing and the phenomenon is so new that family tradition is not possible. Charitable family trusts probably wouldn't even be able to invest in crowdfunding legally as it would go against their mandate. Although the study focuses on large donors, these motivations are fairly well in line with Guy and Patton's (1988) findings and could apply to crowdfunding even if donations there are smaller. Social affiliation also fits well into stage 1 of Ordanini et al.'s (2011) crowdfunding model.

Hibbert and Horne (1996) researched the donor decision process in the UK. They point out that roughly 80% of all donations to charities are given by individuals and therefore it is important to understand how consumer behavior theories can apply in donation situations. They discuss for example Guy and Patton's (1988) research discussed before above in this thesis and they also apply a so-called cognitive approach to consumer behavior. According to this cognitive approach, purchases are divided into extended problem solving (EPS) and limited problem solving (LPS) situations. In extended problem solving, the consumer is highly involved in the decision process and engages in extensive information search to limit the perceived risks of the purchase, whereas in LPS situations the information search is much more limited because the perceived risk of the purchase is lower. Most purchases fall into the LPS category, even in the case of expensive products, and purchase choice is strongly affected by reputation of the seller (Hibbert and Horne, 1996, pp. 8). They also find evidence that most donations also fall into the LPS category, and that people are more willing to give as a response to a request. This would suggest that if the potential crowdfunding investor sees crowdfunding at least partially as charity, his decision to invest in crowdfunding is also more likely to fall in the LPS category. If crowdfunding is indeed an LPS situation for the investor, it would mean that only a limited information search is likely to occur when considering a project. This would mean that the investor might not spend a lot of time analyzing the project or comparing it to others before deciding to invest. Furthermore, if the project owner has a strong positive reputation, the perceived risk

might be seen as lower and thus an extensive information search is not considered necessary. The role of reputation is discussed further in section 2.4.5.

Consumer pricing theory can also offer some insights into crowdfunding investor behavior. Of special interest is the concept known as Pay-What-You-Want pricing (later PWYW), as discussed for example by Jang and Chu (2012). This pricing concept means that customers, especially in online retail, can pay what they want for a product or service. It should be noted that most articles in the field deal with the profitability of such pricing compared to traditional methods, and crowdfunding is not purely a Pay-What-You-Want system as the rewards are often predetermined based on the level of investment, and the more you invest the more you get in return, so not all findings from the literature in the field are useful.

The first piece of literature Jang and Chu (2012) discuss is classic agency theory, which states that all economic actors will act opportunistically when given the chance. However, PWYW schemes clearly break this assumption so they also present theories contradicting it, such as the concept of interfirm trust and certain game-theoretical experiments conducted by Camerer and Thaler in 2005. To better cover the theories that relate to their research, Jang and Chu (2012, pp. 349) divide existing literature into three main groups: (1) why unfair exchanges occur, (2) do parties act opportunistically if the possibility presents itself, and (3) how one party responds to unfairness by the other party. Of most interest to this thesis is reason number two, especially because findings from it might explain why crowdfunding investors sometimes pay more than the minimum amount needed for a reward but do not pay enough to reach the next reward tier. Jang and Chu discuss literature that deals with unfair behavior of consumers toward companies. They mention that although there are only a few articles on the subject, research on untruthful product returns and shoplifting has found these behaviors to be shockingly common. Furthermore, they state that unfair behavior can also occur because of the company-consumer relationship being different from the individual-individual relationship (Jang and Chu, 2012, pp. 350). They mention for example Fiske's (1992) research on social relations which has found that peoples' concept of

what is fair behavior toward companies is often different than what they perceive as fair towards people (especially those they know). This could partially explain the success of crowdfunding; if people perceive the factions seeking crowdfunding as being “closer” to them (more akin to people they know than companies), they will treat them more fairly and thus be more willing to engage in funding the projects.

Jang and Chu (2012) also find that some consumers act fairly in such conditions because they want to think of themselves as fair and, more importantly, they can be influenced into taking action in such systems by showing others are taking action. Their key finding in terms of this thesis is that “when consumers believe that they can increase fairness with only a small additional cost, they are willing to pay that additional cost” (Jang and Chu, 2012, pp. 358). This supports the assumption that crowdfunding investors can be at least partially driven by philanthropic considerations and that the more investment is received, the more likely additional investment is (see hypotheses H₁ and H₃ respectively). This could find support if we can uncover behavior where investors are willing to invest more than the minimum amount to receive a specific reward but not enough to reach the next level – or in some cases invest on a level where no reward is offered, or the reward has no monetary value, or is worth less than the investment.

Based on the literature discussed in sections 2.1 – 2.3 above, the following hypotheses can be developed:

H₁: Crowdfunding investors are partially driven by fairness and philanthropic considerations, and associated emotional rewards.

H₂: Crowdfunding investors are partially driven by the expected payoff (either a monetary reward, or actual physical goods or services).

It is likely that these hypotheses are not mutually exclusive: it is assumed, for example based on Ordanini et al. (2011) that individuals can exhibit a combination of the above,

but the strength of each merely differs from person to person. However, although these two hypotheses propose the main reasons why people participate in crowdfunding, according to the proposed conceptual model, there are also additional modifiers and control criteria that could affect investment decisions and thus need to be analyzed.

2.4. Literature on potential modifiers & control criteria

Based on the conceptual model, potential modifiers are factors that are not sufficient to cause investment by themselves but can make a project more attractive, make an investor invest an increased amount, or make him choose a certain project over another. Several theories are used to propose potential modifiers in sections 2.4.1 – 2.4.5. These include consumer power, service-dominant logic, motivations identified from crowdsourcing, investment behavior of others and so forth. Control variables, on the other hand, are requirements the potential investor has that need to be met sufficiently for him to dare invest his money. These are proposed to be mainly trust considerations towards the project and the crowdfunding service provider. These control variables are discussed in section 2.4.5.

2.4.1. Power as a modifier

Crowdfunding investors have considerable power compared to for example people buying stocks in the sense that a project will not even receive funding if it doesn't reach its stated investment target. Therefore, it should be asked if having the option of using such power, or choosing to use it, could actually make investment feel more attractive (and thus be a modifier).

Rezabakhsh et al. (2006) provide insight into the potential importance of power for crowdfunding investors. The article deals with an increasing power shift from producers in what is referred to as the “old economy” to the consumers in the “internet economy” and the blurring of the boundaries of the roles of producer and consumer that follows from it. The article's main focus is on researching the extent to which this change has

already happened and will happen, and how it has affected prices, but its findings can be utilized for this thesis as well. In a way, crowdfunding could be considered to be the current ultimate form of this “internet economy”: a product or service will not even be produced if enough consumers do not contribute money to it and thus give it the needed consumer approval.

Rezabakhsh et al. (2006, pp. 6) identify three main types of power that consumers possess, namely sanction power, expert power, and legitimate power. Sanction power is the ways a consumer can discipline the firm’s behavior to protect consumer interests; expert power refers to knowledge of prices and quality in the wider market; and legitimate power includes the ways a consumer can directly influence a company’s marketing, especially pricing and product policies. Sanction power includes a positive and a negative side. Customer loyalty is the positive side, whereas exit (terminating a business relationship) and voice (complaining or giving negative word-of-mouth) are the negative side. Sanction power is perhaps at its strongest in crowdfunding as the exit phase occurs even before the product or service is actually made if a sufficient amount of investors do not back the project. Legitimate power is given in some cases in crowdfunding when investors are offered the chance to have an effect on the final product, for example through beta testing of a game. Furthermore, crowdfunding platforms also provide a discussion section where potential investors can communicate with the project owner directly, which gives them limited options of discussing these policies. Legitimate power can be strong in some cases, but it is assumed that sanction power is much stronger. The final dimension, expert power, can have mixed strength in crowdfunding. In the case of projects that are new innovations, it is likely that expert power is fairly weak because there are no existing or comparable equivalents. However, there is some expert power possessed by potential investors in some cases. For example, it could be assumed that games are unlikely to gain individual investments exceeding the average price of games in general if the reward is merely the final product itself.

Although the article doesn’t directly discuss the phenomenon, the findings carry certain implications that might be relevant for crowdfunding. First, it could be that reaching funding targets faster (as discussed by Ordanini et al., 2011) is seen as positive word-of-

mouth information, which has been shown to affect purchase behavior according to the article. Second, crowdfunding might bring the project owner and potential investor closer on a mental level due to its utilization of social media, etc. which in turn might mean that the crowdfunding pitch/project proposal is actually perceived to be word-of-mouth communication from a peer and not just one way marketing communication from a company. If this proves to be true, the implications on for example marketing efforts can be extensive. Third, the article identifies the possibility of interaction and better access to information as important to consumers, but doesn't consider whether the opportunity to actually use the increased consumer power is intrinsically a motivator to make purchases. It could certainly be assumed that this is a motivator to an extent when the enormous growth of online retail in past years is taken into consideration. In crowdfunding, this behavior can be demonstrated for example if investors rate the ability to be more involved in the production and planning process highly (thus investing will give them the option to utilize the increased power they are offered).

2.4.2. Ability to influence the project

Crowdfunding projects are often customizable in the sense that the investor can influence the final product or reward he receives, for example by choosing a design/color scheme, participating in beta-testing of a game before the final version is released, etc. Furthermore, the reward received is usually tied to the amount of money given: investors can freely choose the amount but the rewards will also differ. Therefore, how these opportunities to influence the product might affect investor behavior should be analyzed. Service-dominant logic is a theory which provides a strong potential explanation of this. The theory sees that service provision, not physical goods, is becoming the central element of marketing and thus also an important consumer motivation. This service provision includes for example product customization and fits very well into crowdfunding.

Vargo and Lusch (2004 and 2008) discuss service-dominant logic (or S-D logic for short) as a marketing strategy in two articles. Although all of their findings are not applicable, they do present a few key concepts that can be applied to crowdfunding:

consumers are increasingly becoming co-creators of value and increasingly also determine the value of the offering. Crowdfunding fundamentally reflects these aspects, although at times the offering is a product instead of a service. They also propose, based on previous literature, a wider definition for services, for example quoting Gummesson (1995), who states that “Customers do not buy goods or services: [T]hey buy offerings which render services which create value...” (Vargo and Lusch, 2004, pp. 2). This proposed broad view is certainly beneficial for understanding crowdfunding, even when it comes to crowdfunding of physical goods, because the opportunity to be involved in the project financially (and potentially in other ways as well) could itself be considered a service. Although they mainly discuss the co-creation of value from the perspective that customers can customize the product or service and provide feedback (options that are sometimes, but not always, offered in crowdfunding projects), it could apply to funding the project as well. This reflects a very good point they make that “[w]hat precedes and what follows the transaction as the firm engages in a relationship (short- or long-term) with customers is more important than the transaction itself.” (Vargo and Lusch, 2004, pp. 12) Therefore, in addition to the product or service itself, a motivator for people to invest in crowdfunded projects could be the actual opportunity for co-creation offered. The second article revises some wordings of the original key assumptions for clarity, but the idea remains the same. However, the newer article adds a further clarification to the theory, stating that “Value is always uniquely and phenomenologically determined by the beneficiary” (Vargo and Lusch, 2008, pp. 9). This assumption fits perfectly into the topic of crowdfunding: each investor determines the amount of money, and thus the reward they receive, when investing in a project – both of which are certainly contained in the concept of value.

Merle et al. (2008) also discuss the effects of co-creation. They look at it from the point of mass-customization and use a sample of almost 500 individuals. These individuals were offered the chance to customize their own running shoes in the Nike online store and this customized product was compared to the standard one. Although the product category is very specific, it can be assumed that a lot of the findings will have validity for other types of products as well. Merle et al. (2008, pp. 40) find that 73% of their

respondents were willing to pay a premium for a product they customized compared to a standard product, and also preferred a product with customization in 86% of the cases when the customized product was offered at the same price as the standard product. These findings suggest that co-creation does indeed create added value. The reason why co-creation brings added value according to them is that it provides so-called creative fulfillment value that standard products cannot provide. The customized products themselves also offer an increased opportunity for interpersonal differentiation, which can be desirable in the case of clothing for example.

Another relevant finding Merle et al. (2008) make is that the customization experience has only an indirect value on overall perceived value because a customized item is seen as more valuable than a standard one; however, the customization experience by itself is not seen as valuable. Therefore it seems unlikely that co-creation and opportunity to customize the product would be the sufficient motivations for investors in crowdfunding by themselves. It is more likely that if customization opportunities are offered in crowdfunding, the end product itself is seen as more valuable but will have to be desirable to the investor in any case – thus customization and co-creation are more likely to be added benefits.

2.4.3. Crowdsourcing

Crowdsourcing is a similar concept to crowdfunding, the latter having in fact evolved from the former. Therefore it is crucial to analyze what motivates crowdsourcing participants as similar motivations could be found in crowdfunding investors as well. Crowdsourcing is a process where an organization uses a pool of people external to the organization to solve particular problems, come up with plans, and a variety of other types of activities. Where crowdsourcing differs from service-dominant logic literature and product customization by the customer is precisely the focus on problem solving; it is not merely about changing aspects of an already existing product for the individual customer. A reward is sometimes offered to the people for their contribution but that is not always the case. Although in crowdfunding the main activity is the provision of funds instead of intellectual input, it is possible that it gives the investor a sense of co-

creation, and sometimes activities similar to crowdsourcing are used – for example by providing investors the opportunity to become beta testers for games.

There has been some research on why people engage in crowdsourcing even if they are not given a financial reward, and this literature could prove useful in understanding crowdfunding as well. Gan et al. (2012) look at why people engage in crowdsourcing activities. They divide the reasons into three main categories: motivation, opportunity, and ability. Out of these three categories, motivation is especially relevant to this thesis. According to them, motivation consists of four factors of intrinsic motivation and two factors of extrinsic motivation. They encompass some of the same motivations identified by Merle et al. (2008), but also extend the range of alternatives or partial motivators further.

According to Gan et al. (2012, pp. 383), the intrinsic motivators are learning benefit, social integrative benefit, personal integrative benefit, and hedonic benefit. Learning benefit means that people are willing to engage in crowdsourcing because they can have access to the information the community already has, as well as gain better understanding of a specific product/problem by working on it. Social integrative benefit means that users share similar interests and perceive an overlap between their own identity and that of other group members, and thus feel a general sense of belonging. It was also shown to increase the quantity of knowledge sharing in crowdsourcing. Personal integrative benefit means that the individual is rewarded with, among other emotional rewards, feelings of recognition, status, reputation, and the feeling of being valued when their contribution is used by a company. Hedonic benefit means that sometimes the problem solving done in crowdsourcing can actually bring about a flow-state, which is pleasing especially psychologically. Out of these intrinsic motivators, especially social and personal integrative benefit could also apply to crowdfunding. Furthermore, learning benefit could also be present in some cases, although most likely in a more limited role as the products are usually almost ready and fairly problem free when the projects are launched. Social integrative benefit could for example be caused by investing into a project with a lot of other contributors. Related to H₁, personal integrative benefit could be considerable as people could gain significant emotional

satisfaction from investing into specific projects. In the case of Kickstarter a mechanism for increasing this benefit is actually provided: after making an investment the platform offers the chance to share a message about the project and that the person has invested in it through social media. This could result in increased feelings of recognition, reputation, etc. and could actually make it more likely for the person to take part in another project later on in order to gain similar rewards again.

Extrinsic motivators are tangible rewards and career opportunities. Tangible rewards are money, products, merchandise, etc. Gan et al. (2012) note that these rewards have been shown to be a factor in participating in crowdsourcing for example by Brabham (2010) and Füller (2010). Career opportunities mean that especially in company-hosted crowdsourcing environments great performance might lead to job offers, consultation and so forth. Out of these extrinsic motivators, related to H₂, tangible rewards will certainly play a role in crowdfunding as well. It can be assumed that career opportunities from crowdfunding are almost non-existent, and thus are unlikely to be a motivation factor.

Batistella and Nonino (2012) research crowdsourcing dynamics in open innovation web-based platforms (OIPs). They point out that motivations differ between individuals both in reason (type of motivations) and quantity (how much motivation is required for the individual to act), and present a framework that captures the most important types of motivations. They divide the motivations for engaging in crowdsourcing into intrinsic and extrinsic ones based on previous literature. Intrinsic motivations are divided into two main groups (individual and social intrinsic motivations) and extrinsic motivations into three main groups (economic, individual, and social extrinsic motivations). These motivators are essentially the same as those identified by Gan et al. (2012), with the addition of the social extrinsic motivations that include individual accountability and social capital such (e.g. recognition and reputation) (Batistella and Nonio, 2012, pp. 560). The authors research how each of these motivations affects participation and come up with findings relevant to crowdfunding. They find that, although important, intrinsic motivations (such as a sense of cooperation) are rarely used alone, and will not be

sufficient for attracting a high number of participants by themselves – they should instead be used in combination with extrinsic motivations. As crowdfunding is merely an extension of crowdsourcing, it can reasonably be assumed that a similar case will exist in crowdfunding – at least for some investors. Furthermore, Batistella and Nonino (2012, pp. 567) find that monetary rewards and free final products increase participation on the crowdsourcing platform, although their sample only contained Wikipedia and Linux as examples of free final products. The importance of extrinsic motivations also appears to increase as the innovation phases become more concrete (they present three innovation phases from least to most concrete: foresight, creativity, and design). Based on this, it could be assumed that extrinsic motivators are very significant in crowdfunding as it is a very concrete stage; production begins if funding is successful.

However, there have also been studies where findings appear to, at least partially, contradict Batistella and Nonino's (2012) findings. For example, Zheng et al. (2011) research crowdsourcing contests in China and find that motivation to gain money is not a significant external motivation factor for participating in these contests. However, they also find that motivation to gain recognition (i.e. an emotional reward) is a significant external motivator. Their study also finds that intrinsic motivators (such as collaboration) are in fact stronger than external motivators (Zheng et al., 2011, pp. 76-77). However, they do not discuss whether external or intrinsic motivations are sufficient by themselves or if a combination of both needs to be present if motivation is to result in action. They do note that this difference in findings could be due to the fact that the sample consists of Chinese people who have exhibited similar preferences in previous studies, valuing recognition and intrinsic motivators highly, whereas utility and external rewards have been preferred by Americans in similar studies. They also state that their sample consists mostly of idea competitions, which would probably fall into the "creativity" phase of Batistella and Nonino's (2012) research where the importance of extrinsic motivation is not as strong as in the actual design phase. Therefore, it could be said that economic rewards might not always be as important as Batistella and Nonino assumed, but external motivators in general are significant, and intrinsic motivators are also powerful especially when combined with external ones.

Combining Zheng et al.'s (2011), and Batistella & Nonino's (2012) findings with previously presented literature (such as donor behavior), it would seem likely that some type of reward will be central to potential participants in crowdfunding (refer to H₁ and H₂) and that other drivers will only be significant when combined with them. Therefore, this article supports the proposition that reasons outside of rewards (either emotional or economic) are likely to serve as added benefits or serve a control function.

Based on the articles in sections 2.4.1-2.4.3, the following hypothesis can be developed:

H₃: Some crowdfunding investors are influenced by the success of a project; the faster a crowdfunding project approaches the funding target, the more and faster it will receive additional funding.

H₄: Some crowdfunding investors are influenced by the opportunity to influence the final product/service; the higher the degree of influence, the higher the likelihood of receiving investment.

Related to the discussion above, H₃ and H₄ serve as modifiers rather than underlying factors. They could for example be a reasons based on which a person chooses between two similar projects, but it is unlikely that the opportunity to influence the final product or the fact that other people have given money alone would make a person invest in a particular project – the project must also be desirable in and of itself.

2.4.4. The role of special edition versions, discounts, and early access

As discussed before in this thesis, it is a fairly common practice to offer the finished product or access to the service being created as a reward. To make it more attractive, this is often done by offering a discount on the retail price that will be charged later on, promising that the product is received before it comes available elsewhere, or by offering some sort of premium to the investors compared to regular customers e.g. in the form of a special/collector's edition product. Therefore, relevant theories need to be looked at to understand why these options would be attractive to crowdfunding investors. Related to material rewards discussed in section 2.3.1, these aspects could for

example raise the reference price in a person's mind. However, these aspects are probably modifiers whereas the actual product/service is an underlying factor: they might make the project more attractive, but if the main offering itself is not attractive, investment is not going to happen.

Especially when it comes to the discounted price, what is actually being sold to the investor is a simple forward contract; by investing now you are likely to gain an increased benefit when your investment actualizes. In its simplest form this would for example mean a situation where a potential investor sees a crowdfunding project to develop a product, which he would be willing to buy in any case when it becomes available, and chooses to invest in the project because the reward for a 100 dollar investment is the actual end product, which will retail for 150 dollars according to the project description. Some risks carried in this forward contract would be for example that the delivery is delayed or that the company becomes bankrupt before production starts and thus the product is never received. A third risk could be that they have to price the product below the initially promised price because there is insufficient demand at the price point, and thus the crowdfunding investor who bought the forward actually ends up paying more than what the item goes for in retail. Delayed delivery is perhaps the most likely of these risks, as delays were identified by Mollick (2013) in about 75% of all successful projects (mostly minor, but major delays had also occurred). However, even if the delivery is delayed, the product is still ultimately received before it becomes publicly available in most cases so the perceived advantage from it most likely remains.

When it comes to earlier delivery or access to a special edition version, prestige of having a rare product or having a product earlier than the wider market could also be a decision factor to some investors. This could be a significant emotional reward (similar to the feelings received from engaging in philanthropy, etc.). Furthermore, receiving a "special edition" of sorts at a lower price might also be an incentive to some investors as they might think of reselling the item at a premium once it has been received. This behavior can easily be linked to neoclassical economic thinking where individual consumers with income constraints will always seek to maximize utility on the basis of (full and relevant) information they possess (Weintraub, 2002). In the case of

crowdfunding, this means that knowing that the product will most likely retail at a higher price or that their version will be rarer and thus more valuable will result in maximized utility and thus result in a decision to invest. However, unless the only consideration is reselling, it is unlikely that this purchase happens unless the product/reward itself is attractive to the potential investor (see H₂).

Some consumer pricing theory literature, namely Pay-What-you-Want pricing, is also useful for understanding the effects of discounts on crowdfunding investors. Flagan (2012) researches PWYW pricing mechanisms in a situation where an online store sells packages of games utilizing PWYW pricing (the minimum purchase price being 0.01 USD). He finds that using PWYW pricing in an online context can eventually attract more buyers. However, the price is usually lower than what the regular retail price would be although the people willing to buy the product via a PWYW pricing scheme might not do so if only the retail option were available. He doesn't discuss crowdfunding where there are additional considerations besides just paying for a product, and in his research the minimum payment for actually receiving the item is actually much lower than in most crowdfunding projects, but the results do have validity for this thesis as well.

Of further interest is also that he identifies certain framing methods, which can have an effect on the actual price received. He finds that a higher reference price (i.e. what the items would cost normally in retail), the offering being available for less time, and anonymity of payments resulted in the highest sales (Flagan, 2012, pp. 42). This fits well into the crowdfunding concept: the more of a potential profit can be perceived from engaging in a forward contract, the more likely it is for a potential investor to invest. This would also mean that a higher difference between the investment required for getting the product and what it will retail at might result in more or higher investments. However, as the offering is not available immediately elsewhere and since it is hypothesized that integrity, and trustworthiness are important in crowdfunding, the advertised future retail price should be quite truthful or perceived to be realistic. Going back on these promises later when the product becomes widely available could thus

result in a lot of negative reactions, both from investors and people who choose to wait until availability through retail. This could in turn jeopardize continued success if the purpose of the crowdfunding project is to fuel entrepreneurial efforts. When it comes to anonymity, Kickstarter lists how many investments at each level have been made in a project and shows the usernames of people who have invested, but the amount a particular user invests cannot be identified. It is possible that this practice can also attract further investment as people who are only willing to contribute a small amount to a project can receive an emotional reward from being a backer, but at the same time be free of guilt more easily if the quantity of their investment cannot be identified by others.

Based on section 2.4.4, the following hypotheses can thus be developed:

H₅: Some investors choose to participate in crowdfunding because it presents an opportunity to get the product/service cheaper than when it becomes available publicly.

H₆: Crowdfunding investors are influenced by the rarity of or earlier access to the product; the rarer a product is or the earlier it is received compared to the wider market, the higher the chance of receiving investment.

H₅ and H₆ are assumed to be modifiers because rarity or early access is unlikely to be a main factor, but could result in a person perceiving that the value for money is higher. Furthermore, if a discount is offered it is likely to make the product more desirable but not offering one is unlikely to result in rejection of the project.

2.4.5. Reputation, background, and trust considerations

Due to the fact the crowdfunding platform itself is not selling potential projects to investor but only provides a platform for individuals and companies to do so,

crowdfunding can be seen as fairly risky. There are no guarantees of successful reward delivery and project completion during the fund gathering stage, even if the project reaches its investment target, and therefore it is likely that the better the project owner can demonstrate trustworthiness and experience, the more likely the project is to be successful in raising funds. Many successful projects have had very experienced people behind them, but as many successful projects were also run by inexperienced people it is quite likely that background and experience serve only as modifiers. To better understand the roles background, experience, and perceived trustworthiness of project owners (and by extension crowdfunding platforms) play, related literature must be analyzed. In this regard, literature on the role of trust in online purchases is especially relevant.

As Mollick (2013) found out in his working paper, the higher the perceived quality of the product, the higher the chance of success. He shortly mentions that this quality could include how the project owners are perceived for example based on their background – i.e. a person who has created a quality product in the past might be more likely to create another quality product. Urban, Sultan, and Qualls (2000) discuss this effect of trust more extensively in their article analyzing internet purchases. They focus on ecommerce websites that sell directly to customers (e.g. Amazon.com) and find that perceived trust is of great importance in online sales. Crowdfunding doesn't fit perfectly into this category as crowdfunding websites are mostly facilitators of the transactions, not the actual sellers. However, fraudulent projects or projects that leave investors otherwise dissatisfied could potentially damage the reputation of the facilitating site and lower the perceived trustworthiness of the site and the individual projects on it. They state that establishing customer communities that present user feedback reduces the customers' perception of risk (Urban, Sultan, and Qualls, 2000, pp. 3). Although they consider this feature more along the lines of product reviews, the same could also be applied to crowdfunding projects: most crowdfunding sites offer the investors the option to comment on the project and for project owners to respond. This is potentially a powerful tool to reduce uncertainty and perceived risk that would-be investors might have.

Cofta (2006) provides findings that can be used to gauge the potential role of trust in crowdfunding. The article goes quite deep into the technical aspects of trust (such as encryption), but also discusses the role of perceived trust in ecommerce in general and these findings can be applied to crowdfunding quite easily. He states that identification of the parties involved is important for building trust. As project owners are usually individuals or owners of the company seeking funds, and the social media integration is deep, the connection potential investors perceive is probably much more personal than when dealing with most companies via other methods. Therefore it might be fairly safe to assume that truthful identification is easy. Cofta (2006, pp. 215) states that “[t]rust is associated with individuals or properly identified groups. It can be reasonably believed that the reliable, usable and unobtrusive identification of all parties will greatly benefit the creation of a long-term trust relationship.” He goes even further and states that if there is no trust, a commercial transaction will not even happen even if the technology being used is extremely convenient. I believe this goes to show that the high (perceived) trustworthiness of project owners will be an important factor for at least some crowdfunding investors.

The role of trust and perception of risk in ecommerce has also been researched by Comegys et al. (2009) who analyze previous literature in the subject and determine that electronic commerce is in general seen as more risky than traditional commerce – although the difference usually decreases with the number of online purchases. The paper finds that risks that are especially relevant for online shoppers are concerns about delivery, inability to physically inspect the product, risk of fraud, and worries about computer viruses (Comegys et al., 2009, pp. 296-297). The most common way to reduce these perceived risks is choosing an online vendor the customer believes can be trusted or one that has a familiar brand. They use four separate samples of students from Finland and the United States (over 700 people in total) gathered from 2002 to 2005 in order to determine the effects of trust in online purchases. Although ecommerce developed rapidly during this study in both countries (and has continued to develop rapidly) it was found that the perceived risk of online shopping wasn’t reduced much from the earlier to the later samples, and thus the findings can be assumed to have

validity. Furthermore, the under the study period, the willingness to take risks in online purchases didn't increase. The study also looked at differences between men and women and didn't find much evidence of gender differences (it was only present in one sample from Finland). When it comes to purchase volume, Comegys et al. (2009, pp. 306) find no evidence that the amount of risk-taking has an effect. However, it was found that the group of people with the highest trust towards online shopping was also the group spending most online in general. In terms of crowdfunding, this could indicate that a certain threshold of perceived trustworthiness has to be surpassed by the project in order for an individual to choose to invest in it, but further trust past this threshold doesn't necessarily increase the amount the person is willing to invest in a single project – they might simply put more money into crowdfunding in general. It is therefore likely that trust in crowdfunding serves more in a control capacity.

Related to the trustworthiness of the project owners, since the project will only be completed after the crowdfunding campaign is a success, it might also be important in the case of physical goods to show a prototype/finished item in the project proposal, for example in the promo video, in a picture, etc. Such visual “proof” that the project owner can actually provide what he is seeking funding for could be a critical factor to some potential investors due to the inability to physically inspect the offering (and it is in fact required in some of Kickstarter's project categories). Similar findings have been made for example in the online sales of clothing (which can be risky as the customer cannot try the clothes on prior to purchase), where it was found that visual information and pictures reduced the sense of risk and increased the willingness to purchase the product (Park et al., 2005).

Based on these articles, the following hypotheses can be developed:

H₇: Some crowdfunding investors are influenced by the reputation and background of the project owner seeking crowdfunding; the more positive the reputation and background the higher the likelihood of receiving investment.

H₈: The investor must perceive the project and crowdfunding site as trustworthy enough for the investment to happen. Therefore, the higher the perceived trustworthiness of the project owner and the site is, the higher the likelihood of the project receiving more investors is.

H₇ is assumed to be a modifier: a positive reputation is likely to be an advantage in gaining additional funding, but it is not required (this can clearly be seen from projects that did well even with experienced project owners). In other words, the lack of reputation might not hinder project success but having a positive one might be an added benefit. H₈ is the so-called control criterion: a certain level of trust towards the project owner and the crowdfunding platform has to exist in order for a person to invest in a project at all. However, related to Comegys et al. (2009), trustworthiness by itself is unlikely to have an effect on *how much* each individual investor is willing to contribute.

2.5. Other Considerations

Although not explicitly discussed in literature analyzed above, there are some other considerations that could have an effect on investment. For example, although crowdfunding is assumed to be more social, and thus communication between the project owners and potential investors bilateral, traditional marketing tactics can still have validity and marketing messages can be persuasive. For example, some projects on Kickstarter include a marketing video where the project owner tells about the product, some prototype version of the product is shown, etc. No matter how good the product is, what the background of the project owner is, etc., if the benefits and functions are not presented to potential investors properly they might never invest in the project. This is supported by Kickstarter's information page which states that projects that have a video have a success rate of around 50% whereas projects without a video only succeed 30% of the time (Kickstarter, 2013).

Furthermore, it should be kept in mind that the hypotheses developed above are not mutually exclusive. This thesis assumes that crowdfunding investors each have a set of motivators that affect their investment decisions – most of which will probably be

captured by the hypotheses above – and the strength of each of these motivators can naturally differ from investor to investor. This applies to all different types of criteria: underlying factors, modifiers, and control factors. It is for example possible for a crowdfunding investor to seek both emotional and material rewards, and value limited edition versions of products but not value customization options. On the theoretical side, similar findings about differing motivations between individuals have been presented in crowdsourcing by Füller et al. (2012), which supports the assumption that these differences exist in crowdfunding as well. The following methodology section will discuss in further detail how the hypotheses on the different underlying factors, modifiers, and control criteria will be researched, and how these different types of people will be identified.

3. METHODOLOGY

This thesis used both a survey and secondary data (mostly quantitative data but also some qualitative information was looked at) to answer the research questions. Although quantitative data is readily available, crowdfunding's nature makes it an insufficient source of data by itself. As discussed in the literature review, other characteristics besides the economic considerations are suggested to affect crowdfunding participants, and these factors cannot be found reliably from quantitative data (such as philanthropic considerations or emotional rewards). Furthermore, quantitative data is unlikely to explain why other rewards beyond the actual products and services also sell. Therefore, to accurately analyze crowdfunding participant behavior, a survey of people who have invested in or have knowledge of (and thus could invest in) crowdfunding was also utilized. Quantitative data was also used to analyze motivations investors might not be aware of themselves, and also to control for questions they might answer in a biased way – for example people might be inclined to inflate estimates of their average investment if asked about it in a survey. The survey results and secondary data were also used to see if particular types of crowdfunding investors could be identified, i.e. if there were clear tendencies for some people to prefer emotional rewards over material rewards or vice versa, etc. This was done by analyzing individual survey respondents and seeing how people who rated certain types of factors highly also rated other aspects. Secondary data was also used as support for this analysis. Identifying the existence of these groups was deemed important, because people with different preferences might need different tactics from the project owners' side if they want to attract a wide variety of investors.

3.1. Survey methodology

The complete set of survey questions can be seen in Appendix 1. To test the hypotheses and conceptual model presented in the literature review, the survey asked respondents to answer 24 questions on a five-point Likert scale (1 = not important, 2 = only a little important, 3 = moderately important, 4 = very important, 5 = extremely important)

about what are the most important issues for them when they think about putting money in crowdfunding projects. Factors include things such as charitable contribution, getting a discount on the product, getting a product/service previously unavailable, etc. Table 3.1 below presents the hypotheses and the survey questions used to verify them. Because respondents were expected to have at least some familiarity of crowdfunding, “do not know” responses or the option of leaving an answers blank were not offered. Furthermore, the midpoint score was not marked as neutral or no preference, based on Garland’s (1991) analysis of several previous studies. Further questions are also asked about whether people prefer to put money in a particular project category (art, games, books, etc.), and do they compare between similar projects prior to giving money. They were also asked to mention other significant factors to their decision to invest in a particular project in an open-ended text field. To determine how the respondents perceived crowdfunding, they were also asked on a five-point Likert scale (1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree) how strongly they consider crowdfunding to be purchase of a product, an investment, philanthropy, or supporting a small business. In the last section, demographic information about gender, age, and education level was collected. This information was placed in the last section in line with recommendations from Lietz (2008), who found from previous studies on survey design that they are best placed at the end to avoid negative feelings about asking for personal information and thus causing bias in other answers. In terms of the proposed conceptual model, the survey questions related to the underlying factors (H_1 & H_2) should receive average scores close to 4 or above for them to be considered critical – or at least on the level of individual respondents at least one of them should – and modifiers (H_3 - H_7) should have average scores around 3 to have validity. Questions on control criteria should also receive average scores around 3 or above for H_8 to have validity. However, there can be variation in these results from respondent to respondent.

The survey link was distributed via the author’s Twitter, Facebook and LinkedIn accounts with a request that people share it onwards. It was also posted on Kickstarter’s Facebook page that has around 770,000 followers and two global student groups on Facebook for business students that in total have around 4000 followers. The survey

gathered 46 answers in total. Out these, 30 were men and 16 women. Crowdfunding also appears to be heavily favored by younger age groups as 21 of the respondents were 25 years old or younger, and 25 were 25-34. Although the survey was distributed through multiple channels where it also reached people of very different backgrounds, this result is not in fact very surprising. All respondents also had some sort of higher education background (they were either studying or had completed a bachelor's, master's, or doctorate degree). The more specific results will be discussed under each relevant hypothesis. However, due to the limited sample size, these demographic factors might not reflect the full reality. The full list of survey results and the answer distributions can be seen in Appendix 2.

H₃ was not researched in the questionnaire because there is a strong possibility of bias if respondents were asked how the amount of money gathered by the project affects their investment decisions. Furthermore, numerical daily data is available on Kicktraq and it can be seen from that data how projects behave prior to and after reaching the goal for example. These numbers are more likely to provide objective findings for the hypothesis.

Table 3.1: Hypotheses and related survey questions

#	Hypothesis text	Questions ("How important are the following factors to you when choosing a project to put money on?")
1	Crowdfunding investors are partially driven by fairness and philanthropic considerations, and associated emotional rewards.	The project owner is starting a new business; The project owner would probably NOT be able to get funding from anywhere else; I feel good about helping the project succeed; The money I give helps create something new; To me, crowdfunding is supporting a small business; To me, crowdfunding is charity/philanthropy
2	Crowdfunding investors are partially driven by the expected payoff (either a monetary reward, or actual physical goods or services).	The product/service seeking funding is given to me as a reward for my investment; The project offers some other product/service that I find attractive as a reward; I can benefit financially from giving money to the project (selling the received reward, etc.); the product is of high quality
3	Some crowdfunding investors are influenced by the success of a project; the faster a crowdfunding project approaches the funding target, the more and faster it will receive additional funding.	Survey questions will not be used for this hypothesis due the strong possibility of bias. Numerical daily data gained from Kicktraq will be used instead.

4	Some crowdfunding investors are influenced by the opportunity to influence the final product/service; the higher the degree of influence, the higher the likelihood of receiving investment.	I have the opportunity to influence the final product (beta testing, choosing a design, etc.); The money I give helps create something new; To me, crowdfunding is a joint project between owners and backers
5	Some investors choose to participate in crowdfunding because it presents an opportunity to get the product/service cheaper than when it becomes available publicly.	I will receive the product cheaper by giving money now than buying it when it becomes publicly available; I will receive a lot of value for my money
6	Crowdfunding investors are influenced by the rarity of or earlier access to the product; the rarer a product is or the earlier it is received compared to the wider market, the higher the chance of receiving investment.	I will receive a special/limited edition version of the product; I will receive the product before it comes available publicly; Nothing comparable to the product/project is currently available
7	Some crowdfunding investors are influenced by the reputation and background of the project owner seeking crowdfunding; the more positive the reputation and background the higher the likelihood of receiving investment.	The project owner has a good reputation; I'm familiar with the project owner's previous work; I know the project owner(s) personally; The project is based in my home country or country I currently live in; The project is based in my home town or where I currently live.
8	The investor must perceive the project and crowdfunding site as trustworthy enough for the investment to happen. Therefore, the higher the perceived trustworthiness of the project owner and the site is, the higher the likelihood of the project receiving more investors is.	The project owner seems trustworthy/reliable; The crowdfunding site seems trustworthy/reliable; The actual product/prototype is shown somehow in the project description (video, picture, etc.); A friend had given money to the project or recommended it to me.

3.2. Secondary data

Quantitative data was collected from Kickstarter.com and Kicktraq.com (a Kickstarter analysis site) where statistics are publicly available. In order to have a large and diverse enough sample, the 12 most successful projects of all time (i.e. those that raised the most money) were chosen from each of the project categories identified by Kickstarter: Art, Comics, Dance, Design, Fashion, Film & Video, Food, Games, Music, Photography, Publishing, Technology, and Theater. This resulted in a sample of 156 projects. Quantitative data that was collected from these projects included for example

funding target, final collected amount, percentage collected vs. target, number of backers, average investment per backer, and time required to reach the funding goal. The complete list of all the projects and statistics can be seen in Appendix 3.

These projects were chosen first of all because they present a large amount of investors and investments: 970,008 investors and 89,126,545 USD in total (based on the total amounts of Kickstarter's history, this is around 19% of all Kickstarter investors and 10.3% of all the money successfully invested up until the time of writing on November 11, 2013). Second, these projects were selected based on the assumption that if common characteristics could be found in the most successful projects of all time, even across different project categories, utilizing these characteristics knowingly would be highly likely to result in increased success in future projects as well, and would thus answer the research questions of this thesis well.

The collected quantitative data was then subjected to multiple regression analysis, in line with Winston, Albright, and Zappe (2010), in order to determine if the amount of money a project raises has a relationship with how many people it attracts as investors, the amount of money it raises early on, the speed with which the it reaches its funding target, how big the initial target is, etc. The analysis of early success was thus based on the first three days of project performance. This information was also used to analyze the validity of the stage model proposed by Ordanini et al.'s (2011). Regression was also used to assess if performance of the project in the first three days could be used to forecast its success until the end (using linear regression as discussed for example by Field, 2005). In other words, it was analyzed if the amount of money gathered in the beginning of the project has a linear relationship with the amount collected in the entire period or if the number of backers acquired early on can forecast the total number of backers (and do these factors have a relationship with each other). By looking at graphical distributions of the sample projects, the first three and last three days of the projects were found to be the ones where funding was most often received greatly above the average.

Qualitative information was also collected from Kickstarter. It included factors that relate to the questions asked in the survey in order to verify and link with its results, e.g. if the project owner had experience in the industry or a strong reputation, if the actual product was offered as a reward, was a special/limited edition version of the product offered, was the investment required to get the product less than the retail price at public release, etc. This information was found looking at the individual project descriptions of the sample projects, their Q&A sections, the comments made by backers and project owners, and so forth. The average investment and standard deviation received by projects that had one or multiple of these characteristics were also compared with projects that didn't have them in order to find indications of how much they affected funding received.

The different hypotheses were analyzed based on these different sources of information, and it was determined whether they found support fully, partially, or not at all. Furthermore, it was estimated whether the findings supported the initial framework proposed in section 2.2 in order to see if it matched reality and if it has value for better understanding of the crowdfunding phenomenon. After evaluation of each hypothesis, suggestions on how to utilize the findings in furthering project success were also given.

3.3. Limitations of the chosen methodology

There are a couple of limitations related to the choice of research methods and sample. First of all, although the survey required respondents to be quite familiar with crowdfunding for them to be able to answer, the final number of responses was fairly low. Answers were quite well normally distributed, but this low number of respondents makes drawing generally applicable conclusions dangerous based on survey answers alone. Luckily, a lot of secondary data was available to back up the survey answers. However, the second limitation relates to this data: although it represented a very nice amount of total funding on Kickstarter, the fact that the projects that were looked at were the most successful of each category might make them somewhat inaccurate when

it comes to projects that perform closer to the average of successful projects in general. However, when it comes to identifying best practices for future projects, they are the most natural choice and the ones most likely to lead to effective suggestions. The final limitation is the platform choice itself. This thesis focuses on Kickstarter, which is the largest and most popular crowdfunding platform, but not the only one. Some of the findings made about Kickstarter might not be applicable to crowdfunding projects and investors that operate on other platforms. However, because Kickstarter is so large and the projects so diverse, it is quite likely that it can accurately reflect different types of investors that take part in crowdfunding in general.

4. FINDINGS

The findings are divided similar to the literature review and the proposed conceptual framework. Overall statistics from the project data that was analyzed is presented first (e.g. average amount of money raised, average investment per backer overall and per category). This is followed by findings on the hypotheses related to the proposed underlying factors of the conceptual model (H_1 & H_2), then findings on the hypotheses related to modifiers ($H_3 - H_7$), then the control criteria (H_8), and last other potential factors that were found from the open-ended question of the survey are discussed. Under each section, the validity of the hypothesis is evaluated and evidence potential investor groups which particular preferences are also presented when found based on the analysis.

4.1. Overall statistics

In the sample of 156 projects that acquired the most funding in each category, the average of the funding sought was 128,601 USD and the average achieved 571,324 USD (standard deviations of 245,414 USD and 1,252,273 USD respectively). Based on these numbers, and taking into account the incredibly diverse nature of the projects, it is fairly clear that there is no “optimal amount” that should be set as the funding target. However, ranking the projects based on the amount of money collected, there is a clear trend in project types that are most successful; out of the 25 most funded projects 12 are games (1 miniature tabletop game, others are videogames), 4 design projects, 6 technology projects (of which one is a gaming accessory), 1 music project, 1 film & video project and 1 comic project. The list of these can be seen in table 4.1 below. The survey respondents were also asked which categories they have given or would consider giving money to. The most popular categories among the respondents were technology (87% of respondents) and design (39.1%), which also have a lot of projects overlapping in nature (for example the Pebble smart watch was officially a design project although it is a high tech product as well). Games were also fairly popular among the respondents (37%), but, somewhat surprisingly, it was tied with film & video and music. These

results combined offer some indications of the fact that certain types of projects, especially technological products, are more likely to succeed and/or attract more funding – at least when it comes to Kickstarter. Furthermore, at least in the games category, 8 of the most successful projects have people behind them with extensive industry experience and reputation from previous successful titles. This would suggest that H_7 holds and thus reputation of the project creator plays a significant role.

Table 4.1: 25 of the most successful projects of all time from Kickstarter (Please see Appendix 3 for the full list of most successful projects)

Project	Category	Description	Funding target	Achieved amount	Percentage funded	# of backers
Pebble: E-Paper Watch for iPhone and Android	Design	Smartwatch	100 000	10 266 845	10267 %	68929
OUYA: A New Kind of Video Game Console	Games	Android gaming console	950 000	8 596 474	905 %	63416
Project Eternity	Games	Videogame	1 100 000	3 986 929	362 %	73986
Reaper Miniatures Bones: An Evolution Of Gaming	Games	Miniatures	30 000	3 429 235	11431 %	17744
Double Fine Adventure	Games	Videogame	400 000	3 336 371	834 %	87142
FORM 1: An affordable, professional 3D printer	Technology	3D printer	100 000	2 945 885	2946 %	2068
Wasteland 2	Games	Videogame	900 000	2 933 252	326 %	61290
Homestuck Adventure Game	Games	Videogame	700 000	2 485 506	355 %	24346
Elite: Dangerous	Games	Videogame	1 940 125	2 449 704	126 %	25681
Oculus Rift: Step Into the Game	Technology	Virtual reality goggles	250 000	2 437 429	975 %	9522
Planetary Annihilation - A Next Generation RTS	Games	Videogame	900 000	2 229 344	248 %	44162
Star Citizen	Games	Videogame	500 000	2 134 374	427 %	34397
Kingdom Death : Monster	Games	Board game	35 000	2 049 721	5856 %	5410
Shadowrun Returns	Games	Videogame	400 000	1 836 447	459 %	36276
Elevation Dock: The Best Dock For iPhone	Design	iPhone dock	75 000	1 464 706	1953 %	12521
LIFX: The Light Bulb Reinvented	Technology	WiFi controlled lightbulb	100 000	1 314 542	1315 %	9236
The Order of the Stick Reprint Drive	Comics	Comic book	57 750	1 254 120	2172 %	14952
SmartThings: Make Your World Smarter	Technology	Cellphone remote control app for varios devices	250 000	1 209 423	484 %	5694
Amanda Palmer: The new RECORD, ART BOOK, and TOUR	Music	Album, artbook and concert tour	100 000	1 192 793	1193 %	24883
Pathfinder Online: A Fantasy Sandbox MMO	Games	Videogame (MMO)	1 000 000	1 091 194	109 %	8732
TikTok+LunaTik Multi-Touch Watch Kits	Design	iPod Nano watch	15 000	942 578	6284 %	13512
Hidden Radio & Bluetooth Speaker	Design	Wireless speaker	125 000	938 771	751 %	5358
Parallella: A Supercomputer For Everyone	Technology	Cloud-accessible supercomputing	750 000	898 921	120 %	4965
Printbot: Your First 3D Printer	Technology	3D printer	25 000	830 827	3323 %	1808
Video Game High School: Season Two	Film & video	Web/tv-series	636 010	808 341	127 %	10613

Among the sample of 156 projects the average investment was 131.72 USD per backer, which was surprisingly high taking into account that according to Kickstarter the most common investment is 25 USD and the average for all projects is around 70 USD. However, the standard deviation of the sample was 143.13 USD, which indicates that

there is fairly strong polarization among even the most successful projects; some people donate considerably less than the average and some considerably more. A similar trend is clearly visible throughout the categories. The results for each category can be seen in table 4.2 below. These results appear to suggest that hypotheses outside of H_2 (material rewards) have validity as pure economic considerations cannot explain these numbers in all categories. For example, in music and games the average investment among the most successful projects is far higher than the retail price of a game or album in general. Coupled with the high standard deviation, this suggests that non-monetary considerations are important to at least some backers as they are willing to invest considerably more than the product itself would be worth.

Table 4.2: Average investment and standard deviation in each project category (in USD)

Category	Avg investment	Standard dev.
Art	94,66	61,12
Comics	66,67	23,56
Dance	200,97	118,35
Design	208,82	148,30
Fashion	87,25	39,63
Film & video	82,73	35,42
Food	160,46	118,06
Games	111,11	96,24
Music	88,11	71,63
Photography	106,79	60,47
Publishing	73,05	37,14
Technology	314,94	376,96
Theater	116,77	52,25

4.2. Findings on the importance of emotional rewards

Emotional rewards and fairness considerations were found to be important to crowdfunding investors. A significant amount of respondents found crowdfunding to be emotionally rewarding. The average score was 3.76 with a standard deviation of 0.85. In fact, only three people rated emotional rewards as only a little important or not important at all. They also felt that it was very important they felt good when helping the project to succeed (average score of 3.89, standard deviation of 1.08). People considered crowdfunding to be an act of supporting small businesses and the sense of creating something new was very important to respondents. It was also seen as beneficial if the project helped start a new business, although to a lesser extent as people also appreciated experienced project owners. Somewhat surprisingly, respondents were highly divided in whether they considered crowdfunding to be charity/philanthropy or not; both opinions received almost the same number of answers. Considering that the scores for supporting a small business were higher, it could also be that people perceive charity as something negative, and do not thus think that they are engaging in it (even though they value helping when the target is worded as a “small business”). The scores and standard deviations of the relevant survey questions can be found in table 4.3 below.

Table 4.3: Survey results on questions related to H₁

Question	Mean score	Standard deviation
To me, crowdfunding is emotionally rewarding	3.7609	0.8481
To me, crowdfunding is charity/philanthropy	2.9130	1.0714
To me, crowdfunding is supporting a small business	3.9348	0.9522
The money I give helps create something new	4.1304	0.8847
I feel good about helping the project succeed	3.8913	1.0797
The project owner would probably NOT be able to get funding from anywhere else	2.8261	1.1982
The project owner is starting a new business	3.0652	1.2720

Based on the conceptual model, emotional rewards can be seen to be a significant motivator in conjunction with the material rewards – and in some aspects even by themselves. Furthermore, when looking at people who rate crowdfunding as highly emotionally rewarding (giving it a score of 4 or 5, in total 32 people), they give slightly higher average scores on all the questions above (around 0.05–0.3 higher than overall mean score), and value material rewards slightly less than the average (around 0.05–0.3 lower than overall mean score). Vice versa, those respondents that do not value emotional rewards very highly (giving a score of 1 to 3, in total 14 people) rate material rewards and value for money more highly than average. Similar results are found when looking at how strongly people consider crowdfunding to be charity/philanthropy. Because there are only slight differences between the groups, this suggests that even though people value emotional rewards, they alone are not sufficient in most cases and material rewards are also needed at least to some extent for all people. Furthermore, two groups of investors can clearly be identified: those that value material rewards more and those who value emotional rewards more, the latter being in the majority. The differences between groups on average are quite minor, but there were a couple of respondents who demonstrated more extreme differences in both cases.

4.3. Findings on the importance of material rewards

Benefiting financially from investing in a crowdfunding project was fairly polarized as a priority: it received an average score of 3.00 and standard deviation of 1.28, which means that some valued it highly, and some gave it a very low priority (18 respondents gave it a score of 4 or 5, 17 a score of 1 or 2). This was also reflected in whether or not respondents felt crowdfunding was preorder/purchase of a product, the average being 3.13 and standard deviation 1.22 (20 people gave a score of 4 or 5, and 18 a score of 1 or 2). However, people did appreciate that they get value for their money, that they ultimately receive the product/service the project is seeking funding for – or that they get some other material reward they find attractive – and that the product is of high quality. This seems logical, especially in conjunction with the emotional rewards: people appreciate getting new and innovative products and services through

crowdfunding but only some consider the possibility of benefiting from them purely financially, selling them onwards, etc. The results for the relevant survey questions can be found in table 4.4 below.

Table 4.4: Survey results on questions related to H₂

Question	Mean score	Standard deviation
I can benefit financially from giving money to the project (selling the received reward, etc.)	3.0000	1.2824
To me, crowdfunding is preorder/purchase of a product or service	3.1304	1.2222
I will receive a lot of value for my money	3.6522	1.0998
The product/service seeking funding is given to me as a reward for my investment	3.4348	1.1672
The project offers some other product/service that I find attractive as a reward	3.3696	1.1027
The product is of high quality	3.9348	0.9044
To me, crowdfunding is investment	3.5870	0.8838

It can therefore be said that H₂ holds, even in non-equity crowdfunding projects. However, projects offering only pure equity were not looked at in this research and results might differ there and people would probably rate these financial considerations higher.

Related to section 4.2 above, people that strongly value benefitting financially (with a score of 4 or 5) value emotional rewards somewhat less than people who do not consider financial rewards that important. However, the difference in average scores is only around 0.05-0.30 for these questions (for example, only three people gave a score of 1 or 2 on the question whether crowdfunding is emotionally rewarding for them), which means that the difference is not that drastic. Similar scores are found when looking at how strongly people consider crowdfunding to be investment. Therefore it can be said that even for investors who prioritize material rewards, emotional rewards are in most cases at least somewhat important and should not be neglected. However,

out of the whole sample, there were also 8 people who rated both benefitting financially and emotional rewards highly (a score of 4 or 5), out of which 5 rated both equally and 3 who rated benefitting financially more highly. Therefore, there also appears to be a minority of investors who can be said to be highly involved individuals, i.e. they value both types of rewards very highly.

An interesting split is also found when looking how strongly people consider crowdfunding to be investment vs. purchase/preorder of a product or service: for most people the scores are very close (a difference of 0 or 1), but there are 18 respondents for whom the difference in scores is 2 or greater. Out of these 18, 6 respondents considered it more strongly as a purchase of a product/service and 12 more strongly as an investment. This seems to indicate that in addition to people who prefer

4.4. Findings on the stage model and the role of quick project success

H₃ and the stage model proposed by Ordanini et al. (2011) find at least partial support from the data. On average, the 156 projects raised their funding goal in 41.87% of their collection period (the average collection period being 37.27 days). When analyzing the total funding collected in terms of percentage, this trend and the effect of meeting and exceeding the goal (Ordanini et al.'s stage 3 – the race to be in) demonstrate their importance: of the 25 projects that collected the most funding as percentage of their original goal, only 8 needed more than 10% of the total collection period to meet the original goal. A similar trend is found when looking at the 25 projects that collected the most money in total; only 9 of them required more than 10% of the total collection period. Similar patterns are found when the whole sample is divided into ten categories based on the percentage of total collection time needed to reach the goal. The results can be seen in table 4.5 below. More than a third of the sample reached their target in 10% or less of their total collection period (and 20% or less consists of almost half the sample). Interestingly, 35 projects needed almost all of their collection period to reach their target. This category includes some very large projects, and also theatre, art, and dance projects where the main rewards are mostly very local (e.g. the opportunity to see

a play in one specific city). This appears to be in line with Mollick's (2013) findings in the sense that the larger the stated goal is, the harder it is to meet it. These findings also support the hypothesis that the material rewards are important (H₂); people that do not have a realistic chance to enjoy the full rewards of their investment are not as likely to invest in a project when compared to those who do.

Table 4.5: Count of projects divided by percentage of total collection time needed to reach funding target

Time needed	Number of projects	% of total sample
0-10%	56	35,90 %
10-20%	21	13,46 %
20-30%	6	3,85 %
30-40%	7	4,49 %
40-50%	4	2,56 %
50-60%	5	3,21 %
60-70%	5	3,21 %
70-80%	9	5,77 %
80-90%	8	5,13 %
90-100%	35	22,44 %

When a regression analysis is conducted, contradictory findings to H₃ appear. Using a stepwise regression analysis with the amount of money collected as the dependent variable, some other interesting findings are made. The amount of time needed to reach the goal, both in days and as a percentage of the total collection time, have extremely low R square values (less than 0.1), which means that meeting the goal early on doesn't in fact explain the changes in the amount of money raised. Percentage of original target has a slightly better, but still low, R square. However, the number of backers, regardless of the average contribution, seems to have the best explanatory value. Similar results are found when running a multiple regression (see table 4.6. below): p-values of both time-

related factors are high and t-values are low, suggesting that they do not hold explanatory power, further suggesting that H₃ only holds partially. This means that although successful projects tend to reach their targets extremely quickly, it is more likely to be an effect rather than a cause: it doesn't affect the amount of money collected that much. However, success early on could serve to attract more investors, which *does* affect the amount of money raised (e.g. because Kickstarter highlights projects on the site that have recently met their goal).

Table 4.6: Multiple regression results (95% confidence level)

Regression Statistics								
Multiple R	0,87641912							
R Square	0,76811048							
Adjusted R Square	0,76038083							
Standard Error	612999,257							
Observations	156							
ANOVA								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	5	1,86704E+14	3,73408E+13	99,37195048	8,44351E-46			
Residual	150	5,63652E+13	3,75768E+11					
Total	155	2,43069E+14						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95,0%</i>	<i>Upper 95,0%</i>
Intercept	-290333,42	102477,8089	-2,833134571	0,005243878	-492819,8721	-87846,9742	-492819,872	-87846,9742
Percentage funded	13858,0791	2788,240167	4,970188476	1,8047E-06	8348,780537	19367,3778	8348,780537	19367,37776
Days required to reach target*	2197,46057	6777,573321	0,324225275	0,74621916	-11194,38268	15589,3038	-11194,3827	15589,30383
Goal reached, % of collection time	-53898,899	306435,8888	-0,175889644	0,860617872	-659387,2058	551589,407	-659387,206	551589,4069
Number of backers	74,1454047	3,816859078	19,42576426	8,58032E-43	66,60365247	81,6871569	66,60365247	81,68715687
Avg. contribution per backer	1963,3481	349,6218697	5,615632981	9,23284E-08	1272,528386	2654,16782	1272,528386	2654,167818

This could mean that what actually matters most is not reaching the actual funding target faster. Rather, what needs to be achieved as fast as possible, regardless of the original monetary target, is a large number of crowdfunding participants who in turn spread the word and serve as proof of project quality and reliability. This also means that a few large contributors might be less effective than many smaller contributors. This would also be in line with Ordanini et al.'s (2011) stage model, where they assume that friend funding has to be successful in order for the project to get the needed crowd: the more people the project gets in their model's first phase, the more likely it is to succeed. It should also be noted that the standard error of the sample is also very large

(612999.257 USD). However, the funding amounts the projects themselves received range from 17,102 USD to 10,266,845 USD so this is understandable.

Of the 156 projects observed, 117 had daily data available on Kicktraq.com (39 older projects did not have daily data). Looking at these projects, Ordanini et al.'s (2011) stage model finds strong support as 91 of the 117 projects received investments significantly above the daily average in the beginning and 95 near the end of the project – in the first and last three days of the collection period respectively. This was found by looking at the graphical distributions of the daily funding amounts the projects received. Based on these daily distributions, it was also observed that some projects also had spikes in funding received in other time periods but this was much rarer. Therefore, stage three (the race to be in) seems to trigger only at the very end of the project, regardless of when it reaches its actual funding target. The daily data was also looked at to determine whether reaching the funding target increased funding received. Here the results were somewhat hard to interpret: of the 117 projects with daily data, 89 received significantly more investment than the daily average in the day the goal was reached and/or the next day. For projects that didn't meet their goal on the first day, the amount was also higher than on the previous day even if it met the goal in the first three days. However, the boost to funding didn't persist longer than the next day at most. Furthermore, many of the cases where this increase was observed were projects in which the funding goal was reached in the first or the last three days. This makes estimating which reason caused the boost problematic, but in general it can be said that contrary to H₃, meeting the goal only temporarily increases the funding received per day.

Because the role of the first three days of fund gathering seemed to be important, a further regression analysis was conducted on these 117 projects in order to find better predictive models of the amount of money and number of backers a project is likely to raise. On the monetary side, the total amount of money achieved was used as the dependent variable and the total amount collected in the first three days as the explanatory variable, whereas on the backer side the total number of backers was the dependent and the total backers in the first three days the explanatory variable. Here the

results were more robust. The results for the monetary amount were quite strong and even stronger for the amount of backers achieved, but there is still some unexplained variation. A regression was also run where the independent variables were reversed and lastly a multiple regression where both independent variables were used was conducted. The statistics of these regressions can be seen in table 4.7 below.

Table 4.7: Regression results for projection of total money and backers achieved (95% confidence level)

Dependent variable		Independent variable		
		First 3 day total USD achieved	First 3 day total backers achieved	First 3 day total USD & backers achieved
Total USD achieved	Intercept	217587,579	316229,3119	217888,1204
	Coefficient (x)	2,494605988	159,8471754	-
	R-square	0,809495808	0,530716221	0,809499846
	Std. Error	61241,71547	95857,93443	61812,21165
	t-Stat	3,55293083	3,298937264	3,525001202
	P-value	0,000553603	0,00129222	0,000610793
		First 3 day total backers achieved	First 3 day total USD achieved	First 3 day total USD & backers achieved
Total backers achieved	Intercept	2282,762098	3159,375123	2267,603693
	Coefficient (x)	2,260925611	0,023302297	-
	R-square	0,898087954	0,597450643	0,898143981
	Std. Error	485,7089529	967,9606444	491,4428482
	t-Stat	4,699855921	3,263949977	4,614175791
	P-value	7,27843E-06	0,001447288	1,04047E-05

These results show that a fairly useful model about project performance can be made based on how the project performs early on. However, these numbers do not answer the question of *what* actually attracts people to a project, just what happens when they are successfully attracted. Therefore, further analysis must be conducted. In addition, the intercepts are fairly large for both the amount of backers and USD achieved, which indicates that the model might only be viable for projects that receive large amounts of backers and money (the average backer amount for the sample of 117 projects was 2341,85 backers) early on.

4.5. Findings on the role of customization and influence

The opportunity to influence the final product seems to be a fairly desired function as 50 of the 156 projects offer customization and co-creation options. These options are usually offered at higher investment levels of hundreds or thousands of dollars (32 cases out of 50). However, some projects offer custom colors and other such options for only a slight increase in contribution. Furthermore, customization options are offered in all project categories. Further evidence of the effectiveness of customization and co-creation options is found when looking at the average funding received by these projects: the average for projects offering customization is 980,838 USD whereas the average for the whole sample of 156 is 571,324 USD and 378,157 USD for projects that do not offer these options. This strongly suggests that customization should be offered in crowdfunded projects if it is possible, especially at higher contribution levels as it can have a very strong effect on the amount of funding achieved.

This hypothesis (H₄) also finds support from the survey results. A fairly large number of respondents consider crowdfunding to be a joint project between the project owners and the investors (35 respondents gave a rating of 3 or higher) and the opportunity to influence the final product is also appreciated by roughly half of the respondents (24 people gave a rating of 3 or higher). The fact that the crowdfunding investor's money is a part of creating something new was also very highly rated. The results for the relevant survey results are in table 4.8 below.

Table 4.8: Survey results on questions related to H₄

Question	Mean score	Standard deviation
I have the opportunity to influence the final product (beta testing, choosing a design, etc.)	2.8478	1.2287
The money I give helps create something new	4.1304	0.8847
To me, crowdfunding is a joint project between project owners and backers	3.2174	0.9408

Considering the answer distribution of these questions, it seems logical that these customization possibilities are an added benefit for some, but not all, crowdfunding investors, and should thus be included as a way to attract further investment, which is in line with the proposed conceptual model. In fact, when looking at the people who consider crowdfunding as a joint project most strongly (i.e. gave it a score of 4 or 5), the average of their score on the opportunity to influence the product by beta testing, etc. was only slightly higher (3.3158). Similar results are found when the question about the respondent's money being part of creating something new is filtered for people who gave it a score of 4 or 5: the average score of the influence/customization question is 2.9473. Furthermore, the average score for getting the actual product as a reward is only 0.07 higher for these people than the average of the entire sample. This indicates that most crowdfunding participants appreciate being able to help create and get new and innovative products, but not all of them want to get more involved than that.

4.6. Findings on the effectiveness of discounts

Discounts do not appear to be as commonly used as initially assumed in the literature review. Only 28 of the 156 projects explicitly state that the reward will be cheaper than if bought from retail later on. However, they do appear to have some efficacy as 10 out of the 25 most funded projects of all time offered a discount from the promised future retail price. Furthermore, the practice of offering discounts appears to be most common in the Design-category as 11 out of 12 most successful design projects offered discounts. Offering even a minor discount can also be an effective strategy for more expensive products as the average investment per backer is around 20 dollars more for the projects that offer discounts than for all projects. What is even more surprising considering that stated discounts are not used more is that they appear to be extremely effective in attracting more investment: the average investment for projects that offer discounts from the future retail price is 1,396,467 USD whereas it is only 390,824 USD for projects that do not offer a discount from future retail price. This is also in line with Flagan's (2012) findings where he found that in Pay-What-You-Want pricing models stating a reference (i.e. retail) price, boosted sales quite well. However, it should be

noted that some of the projects are not products that will become available for purchase later on (such as limited edition reprints of books, etc.) or the price offered in the crowdfunding stage might be less than in the future but merely not mentioned. It could also be that the project creators simply do not know what the final price will be, especially if they haven't already created prototypes of the product. However, considering that the project owner should have some idea of how much it will cost to produce the rewards via crowdfunding, he should at least be able to give a range estimate on the future retail price, if not the actual spot-on dollar amount. As these stated discounts were found to be extremely effective, this is definitely a procedure that should be recommended to almost all projects, assuming that they can provide at least a somewhat realistic estimate of future retail price.

The survey indicates that getting a discount is highly individual in importance as the answers were almost perfectly in a normal distribution with "moderately important" (3) receiving the most answers (15 in total). This goes to show that getting a discount is an added benefit that some crowdfunding investors value, and thus fits in the suggested conceptual model. Furthermore, it is possible that some respondents are unaware of how much they are affected by these stated discounts just by looking at the average investment mentioned above. It could also be that if the future retail price is not explicitly given, the potential crowdfunding investor will simply have to make an assumption about the future retail price, and might end up assuming that it will be roughly the same as getting the product/service via crowdfunding. Be that as it may, these results clearly show that using stated discounts will not at least be a disadvantage to project success. The results for relevant survey questions are found in table 4.9 below.

Table 4.9: Survey results on questions related to H₅

Question	Mean score	Standard deviation
I will receive the product cheaper by giving money now than buying it when it becomes publicly available	3,0867	1.1319
I will receive a lot of value for my money	3.6522	1.0998

Discounts appear to be more important to people who strongly consider (giving a score of 4 or 5) crowdfunding to be preordering/purchasing a product or investment. The average score for discounts to people who strongly consider crowdfunding as a purchase is 3.5 and 3.2592 for people who consider it mostly as an investment. Similar results are found for the question about getting value for money where the score is 4.0 for both of these groups. Therefore, it can be said that people who value material rewards more highly are also more deal-prone and further differentiates them from the people who are oriented towards emotional rewards (their average score for discounts is nearly identical to the sample average, and the value for money score 0.09 lower than sample average). These findings also indicate that more emphasis should be put on explicitly stating good value for money and showing the discounts when it comes to projects that offer a product as a reward (and, in the case of offering equity, the company's growth projections should probably be offered).

4.7. Findings on the effect of rarity and early access

Earlier access or offering limited edition versions of the product are a fairly common practice in crowdfunding as 84 of the 156 projects offered such rewards. Furthermore, the practice is also fairly effective as average investment achieved for products offering limited edition rewards or early access is 753,104 USD, whereas it is only 359,247 USD for projects that do not offer these options. In addition, limited editions and early access as part of the rewards appear to be even more effective when discounts compared to future retail price are also offered in at least in some reward categories. There are a total

of 18 projects in the sample that offer them both, and they have an average achieved amount of 1,802,835 USD.

The survey results also support these numbers: it was seen as fairly important that the crowdfunding investor gets the product or service earlier than the wider market. Special/limited edition versions were appreciated by the majority but a large portion of the respondents also saw them as only slightly or not at all important (17 of 46 respondents). This supports the findings discussed above and shows that offering limited edition versions and earlier access compared to the wider market are valuable strategies for attracting additional financing. The relevant survey questions can be seen in table 4.10 below.

Table 4.10: Survey results on questions related to H_6

Question	Mean score	Standard deviation
I will receive a special/limited edition version of the product	2.9565	1.0532
I will receive the product before it comes available publicly	3.3478	1.0998
Nothing comparable to the product/project is currently available	3.5870	0.8838

Similar to the data, where a combination of discounts and early access and limited editions was found to be especially effective, the survey also found that people who value discounts also value factors of H_6 more highly. Special/limited editions got a score of 3.3529, nothing comparable being available a score of 3.8235, and getting the product before it became publicly available a score of 3.9411. Similar increase in scores was found for people who strongly considered crowdfunding as a purchase of a product. However, there was almost no change for people who strongly considered crowdfunding to be an investment. These results from the data and the survey strongly indicate that if at all possible, early access, limited editions, and discounts should all be used in conjunction to gain the biggest boost to funding. It also presents an interesting split in the people who prefer material rewards over emotional ones: some of them seem

to be more investment oriented (i.e. want to get monetary gain), and some of them seem to be more focused on getting the product/service for their own use.

4.8. Findings on the role of trust and project owners' reputation & background

Indications that the reputation and background of the project owner play a role can be seen from the data set, although it appears to be highly category-specific. As previously mentioned, crowdfunding success seems to be linked to the reputation and background especially in the games category: project owners that have been part of making a successful game earlier seem to be able to gather radically more financing (8 out of 12 projects have people experienced project owners). Similar indications can be found in some of the other categories as well. In the music -category all of the 12 most successful projects are by bands or individuals who have prior, often extensive, experience and earlier releases. In the comics -category, 11 of the 12 projects have experienced people with prior published works behind them. In film & video, at least 8 projects have experienced project owners (including Oscar nominees for example), in photography 10 out of 12, in publishing 11 out of 12, and theater (9 out of 12). Categories where the role of experience seems to be weaker are art (2 out of 12 projects had considerably experienced project owners), dance (4 out of 12), design (1 out of 12), fashion (3 out of 12), food (2 out of 12), and technology (5 out of 12). However, it should be asked whether their reputation itself causes these projects to succeed or if this is merely because experienced people know how to make better products or can understand unmet demands better and because of that are more likely to succeed (and thus the product considerations of H_2 are fulfilled for example). For example, the Pebble smart watch which is the most successful Kickstarter project of all time (it collected over 10 million USD) didn't have experienced people behind it so reputation and background cannot fully explain the phenomenon. The survey results also show that people appreciate being familiar with the project owner's previous work somewhat.

The survey results support H₇ and H₈. The results for the relevant questions can be seen in table 4.11 below. Especially trustworthiness is seen as critical both for the project owner and the crowdfunding platform itself. A further indication of this was that more than 80% of the respondents rated it as very or extremely important that the actual product or its prototype is featured in the project description. As previously discussed, this is most likely due to the fact that a lot of projects deliver late and because there really isn't an absolute guarantee that the project will be completed even if the funding is successful. Therefore crowdfunding investors seek indications that the project owners are actually capable of delivering on their promises.

People also appreciate it if the project owner has a good reputation and if they are familiar with the project owner's previous work, although this isn't as strong of a factor as the trust. It might be that being familiar with the project owner's previous works improves trust as well (i.e. makes the investment seem more risky because the project owner is experienced), but even people without prior experience can seem trustworthy. This also connects with the fact that people appreciated it if the project owner was starting a new business and that many considered participating in crowdfunding to be a way to support small businesses. Knowing the project owner personally and the project being located in the respondents' current/home country or town didn't receive strong support either, perhaps due to fact that crowdfunding is so international in nature. Furthermore, a larger geographically larger sample would be needed to analyze this more accurately as there could be variation between countries for example.

Table 4.11: Surveys results on questions related to H₇ and H₈

Question	Mean score	Standard deviation
The project owner has a good reputation	3.5652	0.8857
I'm familiar with the project owner's previous work	3.1739	1.1412
I know the project owner personally	2.6087	1.3077
The project owner seems trustworthy/reliable	4.2609	0.9294
The crowdfunding site seems trustworthy/reliable	4.5000	0.8097
The project is based in my home country or country I currently live in	2.3478	1.0998
The project is based in my home town or where I currently live	1.8913	0.8227
A friend has given money to the project or recommended it to me	2.6739	1.0761

All in all, H₇ finds some support and people see it as beneficial but not extremely important. It thus serves a modifier just like the conceptual model developed in chapter two suggests. H₈ finds strong support and therefore the project and crowdfunding platform have to appear trustworthy for people to consider giving a project funding. Especially when it comes to physical products, showcasing the final product or its prototype is also extremely crucial for reaching this trust. Therefore the control function suggested in the conceptual model exists. In terms of the different types of investors identified so far, those who see crowdfunding mostly as an investment or emotionally rewarding (giving a score of 4 or 5) are slightly more demanding in terms of trust (average score about 0.1 higher than the sample average for both the project owner and crowdfunding platform in both cases). Those who consider it mostly as a purchase require slightly less trust from the project owner (average score of 4.05), but require the same amount from the crowdfunding platform. Therefore it can be said that no matter what type of reward an investor mainly seeks, trust is always very critical. This also proves that the control criterion proposed for the conceptual model holds.

4.9. Other valued factors identified in the survey

The survey asked the respondents to also identify other potential factors they consider when putting money into crowdfunding projects. These answers were highly varied, and a lot of them merely stated factors included in the survey in other words. What emerged from these responses was the appreciation for new and innovative ideas and several respondents identified that there was a certain “cool factor” in owning these items and contributing to these projects.

Related to the trust factors discussed above, a couple of respondents also identified that they wish to see realistic and clear schedules about what will happen and when once the project succeeds, and that the waiting time for the actual items is not too long. Two respondents also identified budget considerations as important: no matter how innovative or cool the product/service is if the contribution required to get it is perceived as too expensive, they are not interested in participating. Another answer related to the survey questions was that one respondent mentioned that a project being featured in another credible source or being recommended by an expert in the field affected him/her quite a lot and made investment much more likely. Although the survey asked how much a recommendation from a friend affected the investment decision, this role of visibility was not looked at more extensively. However, it could be a factor that adds substantially to the credibility (and thus lowers perceived risk) as well as makes the product seem more desirable and thus makes possessing it more emotionally rewarding. This role of “press coverage” is definitely one potential field for future study in the field of crowdfunding. However, in terms of this thesis, it could simply be said to be a potential added benefit but further estimation is unfortunately not possible at this point.

The last thing that was asked in the survey was how often people compare the project they are considering putting money into with other similar projects that are running. The average score was 3.3696 and standard deviation 0.9743 (the scale was 1=never, 2=rarely, 3=sometimes, 4=often, 5=always). This indicates that on average crowdfunding investors are not very diligent about looking at alternatives and it is likely

that once an interesting project that provides rewards the investor is looking for is found, he only sometimes look for more rewarding options. This also supports that suggestion that it is important to get as large a number of investors as fast as possible: they will spread the word further and so the chance of potential investors seeing an attractive project also increases. It also means that marketing efforts are important in order to gain more visibility. When looking at investors who prefer different rewards, there are some differences in these scores. Investors who highly value emotional rewards and actual products are slightly less diligent in comparing between projects (average scores of 3.1875 and 3.1 respectively), and those who consider crowdfunding as investment slightly more (average score of 3.4444).

4.10. Identified investor groups

Based on the analysis above, three distinct groups of investors were found. These are the emotionally and materially oriented investors, and the smaller group of highly involved investors who value both highly. Furthermore, those with preference for material rewards can be divided into two separate groups: the people seeking monetary gains and the people interested in products/services. However, the difference between these groups was not extremely strong in the case of most individuals. People that value material rewards more, be it products or financial gain, also value the emotional side (e.g. creating something new, feeling good about helping a project succeed, etc.) – just not as much. The same goes for people who perceive crowdfunding as mainly emotionally rewarding or charity/philanthropy: they value creating something new and supporting a small business and rate these slightly higher than those who prefer material rewards, but even for them project quality, getting some sort of reward, value for money, and other such things are also at least somewhat important. The investors who value material rewards, either products or monetary gains, are also more deal prone and thus value discounts more highly than those that prefer emotional rewards. They also appreciate value for money more highly. Furthermore, those investors that see crowdfunding mostly as a purchase also appreciate limited/special edition items, the fact

that nothing comparable is available, and that they can get the product/service earlier than the wider market more highly than the other groups.

This goes to show that most crowdfunding participants do not fit in the classic definition of profit-maximizing investors (e.g. as identified by Weintraub, 2002) and cannot be treated as such. It also shows that both the emotional and material side should be stressed when promoting projects to potential investors. It was also noteworthy that the people who valued emotional rewards were in the majority in the survey. However, due to the limited number of respondents, general conclusions about their prevalence over investors who value material rewards might not be accurate and a similar study should be conducted with a larger number of respondents in order to see if this trend exists more widely. These results are also encouraging because if the differences between groups are not very strong, promotional efforts stressing either side will have at least some effect on all potential investors.

5. DISCUSSION

Overall, the findings supported the initial hypotheses very well, but there were some differences. To better understand these results, the discussion chapter is divided into three sections. First of all, because the findings were analyzed in an order based on the conceptual model and the relevant hypotheses, the validity of the conceptual model and each hypothesis is discussed first. Second, because the role of Ordanini et al.'s (2011) stage model was very critical for this thesis, its validity will be looked at. This section also covers the role of gaining funds rapidly more extensively and is thus closely related to H₃, because this is where the findings differed the most from what was initially assumed and what previous theory proposed. Finally, based on the factors identified, recommendations are given to answer research question 2, i.e. how these factors can be utilized by project owners to improve the chances of success in their crowdfunding projects.

5.1. Validity of the conceptual model

The conceptual model was found to be quite accurate as the proposed underlying factors – emotional and material rewards – were seen as most important and received strong scores in the survey. As expected, there was variation from respondent to respondent, but it was clear from the results that at least one of these underlying factors was always most important to each respondent. This is also in line with what Ordanini et al. (2011) proposed. However, somewhat surprisingly, even people who preferred material rewards also appreciated emotional rewards at least moderately and some even strongly. Therefore it would appear that crowdfunding is in most cases quite emotionally involving for the investor, much more so than traditional investment. In line with Guy and Patton's (1988) findings, the perceived ability to help and seeing the results of helping make giving money attractive in crowdfunding as well. Where the results differed from the initial hypothesis was that although emotional rewards in general were found to be really important, people viewed crowdfunding much less as

charity/philanthropy than initially expected in this thesis. However, this could partially be a perception issue or a question of semantics as sometimes the effects of funding a project are almost the same as giving money to a charity, but people merely do not wish to see it as such. In addition, Kickstarter for example says in its official communication materials that it should not be considered as pure charitable donations in most cases. The findings on the underlying factors also support the notion that crowdsourcing participants and crowdfunding investors have many motivators in common. As found by Gan et al. (2012), Batistella and Nonino (2012), and Zheng et al. (2011) in crowdsourcing, a combination of material and emotional rewards, the ability to help, and getting recognition are also important for crowdfunding investors. All in all, it can be said that H_1 and H_2 are valid.

The modifier factors also received support in the survey, and the scores were more moderate than for the underlying factors (with average scores around 3). This supports the suggestions that they are an added benefit, not the main reason for participating in crowdfunding. Based on the survey results, the most effective modifiers were found to be uniqueness of the product compared to other similar offerings and the opportunity to get the project earlier than the wider market. Based on the numerical data, a combination of discounts from the stated retail price and offering a limited edition product was found to be the most effective for raising funds. Both were also found to be quite effective separately, although the survey respondents didn't value these aspects as highly. It should be noted though that they might not be fully consciously aware of the effects of such tactics on their behavior. Therefore, findings on Pay-What-You-Want pricing schemes made by Flagan (2012) find strong support in crowdfunding. This is especially the case when it comes to framing by stating a retail price in conjunction with offering the opportunity for making a customized payment, and in general it can be said that consumer pricing theories seem to apply to crowdfunding quite well. The opportunity to influence the final product was more polarized than what was expected on the basis of theory. For example, Merle et al. (2008) found in their research that most people are willing to pay a premium for a product they customize or that they prefer customized products over standard ones, whereas only some people appreciate customization in crowdfunding based on secondary data and the survey results. This

also means that increased involvement in value creation is not important to all potential investors and therefore the theories of service-dominant logic proposed by Vargo and Lusch (2004 and 2008) are not quite as valid in crowdfunding as what was initially expected in this thesis and suggested by Ordanini et al. (2011) for example. However, customization options clearly brought added investment to projects, which could be seen from projects that successfully attracted some investors on higher investment levels that offered customization.

All in all, modifier factors were all seen at least as moderately important on average, although different people valued different modifiers to different extents. These findings clearly go to show that utilizing the modifier factors as widely as possible in projects is a viable strategy because different crowdfunding investors look for different things in the same projects. Only H_3 produced more conflicting results, but these will be discussed in more detail in the next section. To summarize, $H_4 - H_7$ hold and are in fact modifiers for crowdfunding investors – merely with different levels of importance between individuals.

Control factors were also found to exist as the model suggested, but what was perhaps slightly unexpected was that the trustworthiness of the crowdfunding platform was seen as even more important than the trustworthiness of the project owner. This high trust requirement towards the platform is in line with Urban, Sultan, and Qualls' (2000) analysis of ecommerce websites, but since their article did not discuss crowdfunding sites where the “seller” is not the site itself, it was quite unexpected that the trust towards the project owner was not the higher scoring one. This strong trust requirement towards the platform also suggests that Comegys et al.'s (2009) findings about customers of ecommerce websites requiring high perceived trust are also applicable in crowdfunding when it comes to the service/platform provider. This could also suggest that if investors perceive a platform as trustworthy, they could be more inclined to trust the projects within that platform as well. Recommendation or investment of a friend and the project being located in the respondent's country or city also scored surprisingly low in terms of trust considerations. However, this could be due to the limited sample, and

since most projects are from the United States, the scores might be different if there were a lot of US respondents.

To summarize these findings, the conceptual model proposed in section 2.2 was found to be fairly accurate and describes the factors people look for in crowdfunding projects well. Combining this with the fact that on average investors only sometimes compare a project they find interesting with similar projects, the consideration process of the conceptual model happens most often on a project by project basis.

5.2. Role of gaining funds rapidly, and the stage model of Ordanini et al. (2011)

Based on the analysis of the numerical data, success at the start of the project was found to be a strong predictor of project performance overall. This means that if a project performs strongly in the first three days of the project, it can be fairly safe to assume that the funding goal will be met and even exceeded. If the project fails to attract numerous investors in these first few days, the project owners need to work much harder in order to reach the goal. This means that when the project is launched, and perhaps even prior to it, promotion/marketing efforts need to be carefully planned and effectively executed in order to improve the chances of project success. Although he didn't identify exact numbers of days, these findings support and add to Mollick's (2013) finding that raising a lot of money right from the start will improve project performance. In addition, stages one and two of Ordanini et al.'s (2011) model, friend funding and getting the crowd, are found to be critical especially in the beginning: as many investors as possible should be attracted right from the start and the number of investors is more important than the average amount invested. However, these findings partially contradict Mollick's (2013) findings that increasing project duration decreases project success: as long as the project performs well in the first three days, the total collection period is not as important. However, without a larger sample including less successful and failed projects it cannot be said with certainty how a longer collection period would affect a project that is not very successful in the beginning.

What differed from initial assumptions was that reaching the actual project funding goal only provided a temporary boost to funding received per day (for a day or two at most), although this was somewhat difficult to analyze due to the fact that the boost to funding existed both in projects that reached the goal in the first three days and those that reached it later. Therefore, the signaling effect discussed for example by Mollick (2013) and Ley & Weaven (2011) can be said to exist, but it is not as strong as they proposed. This also means that the project funding goal should be realistic for meeting what the project owners aim to achieve. It is not a good strategy to put the funding target lower in the hopes of attracting excess funding by easily bypassing the goal but rather setting the goal as realistic right from the start. It also means that H_3 only holds partially: project success doesn't feed itself, except temporarily in the beginning and when meeting the goal, and the pace of funding received does not increase indefinitely. This also means that success of the project so far seems to be a persuasive modifier only at these specific times.

The stage model of Ordanini et al. (2011) was found to be fairly accurate when it comes to project performance. However, especially for the highly successful projects studied in this thesis, it seems unlikely that the rapid funding in the first ("friend funding") phase comes only from people who know the project owner (it was not rated very important in the survey either). The funding received and the amount of backers in these first few days was in most cases so significant that the name of this phase should perhaps be changed "early funding" or something similar. Overall, the graph of funding received follows the shape they suggested quite accurately, but the effects especially in the beginning of the project appear to be more dramatic than what Ordanini et al. (2011) proposed. It should also be asked how this stage model works with the conceptual model describing an investor's choice on what project to invest in that was proposed in this thesis. It doesn't in fact matter at which point of the stage model (i.e. at which time of the collection period) the investor encounters the project: the consideration process is essentially the same. What differs is the effect of H_3 : the sense of immediacy and the need to take part in the success of the project is most likely a strong modifier only in the beginning, the end, and on the day the project meets the goal (and possibly on the day after).

5.3. How to utilize the identified factors

As emotional rewards were found to be a considerable decision factor among all different investor groups, the projects should very clearly stress the fact the received investments make a true difference, and the project description should explicitly mention things the backers can feel good about, take pride in, and so forth. It would also be beneficial to include a mention in the promotional material why the project has been unable (or the owners' are unwilling to) raise money through more traditional investment methods and it should be stated clearly if the project is run by a small or recently launched business. One very significant emotional aspect was that the money an investor gives helps create something new, and this should clearly be demonstrated. The project owners should clearly explain in the project description how the project is different from current offerings in general, how it solves a specific problem that hasn't been solved before, why is it unique and so forth. This can be framed most effectively to the potential investor by presenting these aspects as opportunities or requests for help (e.g. "be a part of creating something unique", "get a truly groundbreaking new product for yourself", "help us launch our business", etc.).

On the material side, there are two important things to consider derived from the two types of main interest that materially oriented investors have: the product itself and the opportunity for financial gain. All of the three identified investor groups valued product quality and value for money highly. These things should be demonstrated in the project description as well if possible. This can be achieved through for example stressing that the product uses quality materials – or in the case of services that the people providing them are highly skilled. Value for money could, and should, actually be used as an explicit term in the project description. It can be demonstrated even further by comparing the project to available commercial alternatives, or at least slightly similar offerings that are available. Things that should be stressed here are (1) how the project is better or different from current options (in terms of functionality) and (2) the price should be focused on especially if the existing alternatives cost more. Stating a future retail price and giving a discount from that should also be used whenever possible (i.e. if the project will be sold to a wider audience later on) as it was found to be very

effective in raising the reference price people have in their minds and thus effectively increases the investment received. This works for both materially oriented groups because it makes the project seem more valuable for the person who wants to keep the reward, and also makes the investment oriented investor think that they can sell it for a better price in the future for example.

When it comes to physical products, if it is possible in terms of production, at least a few limited edition versions of an item should be offered at a higher investment level. For creative projects such as movies, these higher level rewards could include things such as a visit to the set, a chance to meet the actors, have a small role in the movie, a mention in the credits, etc. Another tactic that can work well for product oriented investors would be that the product gained through giving money to crowdfunding is somehow different than the one that will be sold in the future (for example, some products on Kickstarter are “Kickstarter editions” that have a specific color scheme the retail version doesn’t have). The same strategy applies to the opportunity to influence the final product: it was found to increase funding received and was important to some investors, but not all. Therefore, it should be a reward that is offered at a higher investment level than the basic offering because those that highly appreciate these aspects are willing to invest at least somewhat more. This should also be based on the level of customization or investor involvement: e.g. the chance to choose a custom color for a physical product should not require a much higher investment level than the basic product, whereas the chance to comment on a movie script or participate in the actual design and beta testing of a game could require even a dramatically higher contribution. This is a sound strategy also in the sense that the more involved individuals can be with a project, the more time it’s generally going to take to actually fulfill these custom rewards; if it is too easy and too cheap for an investor to become strongly involved with a project, the project owners might get into trouble with actually delivering the project on time because they have to deal with these special investors in a time consuming manner, and thus the extra dollar amount gained doesn’t cover the opportunity cost.

A more category specific thing is the reputation and background of project owners. Although this might seem irrelevant to the project itself in some cases, earlier

achievements of the project owner should be mentioned and showcased in the project description especially in the categories where experience was a common factor among successful projects such as games, comics, film & video, photography, publishing, and theater. If project owner's themselves lack experience, a good strategic move could be to hire an experienced person to the team, whose earlier accomplishments can then be showcased. For example, a games company seeking crowdfunding could hire an experienced game designer who has worked on a successful title in the past. This can also contribute to the trustworthiness of a project because potential investors might assume that an experienced professional knows how to evaluate deadlines better and thus is more likely to deliver on what is promised.

The role of trust was also found to be very significant, both in terms of the crowdfunding service provider and the project owner. Although it can be hard, an attempt to demonstrate trustworthiness should always be undertaken, because if the perceived trust is not at a high enough level, a potential investor will not give money, at least not substantial amounts, to the project no matter how interesting or groundbreaking it is. Methods that could be used for example are linking the project owner's social media profile to the project so people can actually view personal information and thus verify the owner is who he claims to be, getting recommendations from friends who are active on the crowdfunding platform already, and trying to get featured in respected publications in the relevant field (for example, tech magazines, major newspapers, etc.). Because the trust for the crowdfunding platform was also seen as so critical, it means that more known, reputable service providers should be favored. In terms of physical products, trust in the project owner can be strengthened considerably by showcasing a prototype product (this is actually even required for some physical products on Kickstarter), showing a video where the product is being used, etc. As was found from the information on Kickstarter, videos in general have a positive effect on project success. This is probably because they also increase perceived trust because you can actually see the project owner talking confidently about the project – and you can also verify at least to an extent that the project owner is who he claims to be. Therefore it is recommended that videos should be utilized for almost all projects.

The number of backers achieved early on was also found to be very important, in fact even more important than the monetary amount. In line with the findings of Ordanini et al. (2011) and Mollick (2013), there should be a strong focus on getting the maximum amount of backers early on. Based on the analysis conducted on the Kickstarter data, especially the first three (and last three) days of the project are most crucial. This means that right at the start of the project, promotion and marketing efforts should be done with the aim of reaching as large a number of potential investors as possible. Furthermore, in connection to the trust, project owners should ask their friends to invest in the project and share it onward to their own friends as this increases the reach, and also provides a recommendation that increases the trust. If the project doesn't manage to gather at least a large portion of its funding in the first three days, there is a strong indication that the project might not succeed. The situation can still be salvaged however. First of all, promotion efforts need to be increased even further, because there is an even greater need for potential investors to become aware of the project. In terms of budgets in general, this means that even before project start, the promotion/marketing budget of the project should have some flexibility past the initial push in the beginning because if strong results are not reached right at the start, more money will probably need to be used to get the reach that is necessary. Second, as the conceptual model was shown to be quite accurate, the current rewards and project description should be reassessed using the model in order to see if they could be altered somehow to make the project more attractive. Further suggestions on how to change to project could also be asked from current and potential investors through the communication tools provided on the crowdfunding platform, via social media, etc.

To summarize, every project being planned should first focus on four things: the emotional rewards, the core product/service, the trustworthiness, and getting the crowd. As proposed in the presented conceptual model, and supported by the findings, these things *have to be* in order if a projects wants to succeed. It should clearly be demonstrated that (1) the project is of high quality, (2) somehow unique compared to current offerings, (3) a potential investor will feel good about helping the project, (4) project success makes a real difference, and (5) that the investor can trust that if the project is successful he will actually receive the promised reward and that the project in

general will succeed. When the core issues have been taken care of, complimentary additional benefits should be added to the offering, including (but not limited to) offering a discount on the future retail price, giving access to limited edition rewards, and offering the investor a chance to influence the final product. When these features have been decided, the project will be launched and efforts should be made to get as large a number of backers as possible right from the beginning, the critical timeframe being the first three days of the project. After these three days, projections about the project success can and should be made to gauge how much additional promotion is needed in order to reach project success. Finally, if the project closes successfully, timely delivery and actually delivering on everything that was promised should be of utmost importance, especially if the project owner is planning to have continued business success or is planning to launch a new crowdfunding campaign in the future. By ensuring all these steps are taken, a crowdfunding initiative is far more likely to succeed. From a more general perspective, if more projects in general start doing these things, it will also increase the popularity and viability of crowdfunding in the eyes of the larger population, and thus result in an increasing number of success stories in the future as well.

5.4. Implications for practitioners

All in all, there is a wide selection of theoretical streams that can be adapted to crowdfunding and which can be used to partially help explain it. These partial explanations can be combined into models such as the conceptual model proposed in section 2.2 that provide a general explanation of the crowdfunding investors though process. However, this partial validity also goes to show that currently there is no single existing theory that is capable of accurately capturing the crowdfunding phenomenon. The conceptual model proposed in this thesis is a step in that direction, but there are also challenges in creating such a theory in the future. As discussed above, just like projects are highly varied in nature, crowdfunding investors are also highly varied when it comes to what they are looking for, even in the same projects. Some treat crowdfunding as a purchase, some as investment, some as charity, and so forth. This

means that creating a universal theory of crowdfunding investor behavior might be extremely difficult. In fact, in terms of getting more in-depth research results, it might be more reasonable to study these different types of activities separately. This could be achieved for example by applying investor behavior theories to those crowdfunding participants that mostly see it as investment, consumer and buyer behavior theory to those who see it mostly as a product purchase, etc.

Another key finding of this thesis for practitioners is that emotional rewards appear to play a far stronger role in crowdfunding than in other investment activities, and it has been largely ignored or valued far too weakly in the limited crowdfunding literature available so far. This means that practitioners researching crowdfunding should take emotional reward considerations into account much more strongly in the future, and cannot simply rely on existing, largely logic-based, investment theories. The importance of emotional rewards also means that purely quantitative research based on the financial performance of past projects might have weak explanatory power when it comes to crowdfunding. For example, some theories of behavioral finance, which also consider emotional aspects, might be very useful in analyzing crowdfunding investor behavior.

6. CONCLUSION

6.1. Main findings and theoretical contribution

As crowdfunding is a rapidly growing investment phenomenon that has received very limited attention in academic research, the purpose of this thesis was to contribute to the understanding of the phenomenon, especially from the side of crowdfunding investors. The aim of the study was to provide a better understanding of what affects crowdfunding investor behavior, what potential investors look for in projects, and how these factors could be utilized by project owners in order to increase the chances of succeeding in raising capital through crowdfunding. To answer these questions, the limited direct literature and numerous other theoretical streams that could be applied to crowdfunding were analyzed and a conceptual model about what motivates a crowdfunding investor was developed. The conceptual model was found to be valid and it was found that crowdfunding investors mainly seek two types of rewards: emotional and material, although to varying degrees from person to person.

In addition, it was shown that monetary success of the project can be forecasted fairly accurately from the performance of the project early on, especially if the project is very successful in those first three days. Gaining a large amount of contributions in the first few days increases the chances of the project meeting its goal. A strong positive relationship was also found between monetary performance and the number of backers a project manages to get. In fact, it was found that even if they are willing to invest less per person, it is more effective to try to attract a larger crowd of investors early on than simply try to attract only some investors who are willing to invest more per person. In terms of project owners, this means that it is vital that word about the project is spread as widely as possible, as quickly as possible, in order to attract larger numbers of backers. As performance in the middle of the collection period was found to be much weaker in most cases than in the beginning and towards the end, promotional efforts during this slower period should receive more attention and ways to increase performance in the middle of the project should be researched.

It was found that there is no one set way or method that guarantees project success, but what is most likely to attract more money and backers is giving a wide array of choices for potential investors. In addition to offering the product itself and related merchandise, added benefits such as stated discounts to future retail price, limited edition (and more expensive) versions of the products, and high-end specialty rewards were found to be fairly successful tactics. However, the research found that the actual product is expected to be of high quality and is also the most widely wanted material reward. Therefore, if the main product itself is not perceived to be of sufficiently high quality and generally desirable, these added benefits are unlikely to make the project succeed: the main product/service is always the key.

By understanding the decision model proposed in this thesis and utilizing the identified factors as effectively and widely as possible, crowdfunding project owners will be able to increase the chances of their project meeting, and even exceeding, the funding goal. Likewise, these identified factors will also serve academics in researching and understanding crowdfunding investor behavior further. This thesis also contributes to the academic research on crowdfunding by providing a conceptual model that helps understand the decision and valuation process of potential crowdfunding investors. Furthermore, the identification of different investor groups and proving that crowdfunding investors do not merely consider profit-maximization goals similar to investors in other mediums should have strong implications for further research. All in all, this study offers a solid basis on which further research on crowdfunding can be developed, leading to even better and accurate understanding of the subject.

6.2. Suggestions for further research

As mentioned in the findings, factors that affect success can be identified. Although a model was identified that could predict monetary success based on the first few days' performance, especially when it came to large projects, an accurate model that would predict the amount of money raised based on those factors prior to launching the project was not possible to develop based on looking at the most successful projects. Such a

model could perhaps be developed if all projects (or all successful projects) in the history of Kickstarter were looked at. Analyzing this larger sample and applying the findings to the model developed could therefore be a topic for further research.

Another thing that could be looked at in the future would be failed projects. This research only considered the most successful projects to identify common success factors and strategies. Although the findings here are quite strong, scrutinizing these to failed projects could be highly beneficial, especially because the failure rate of projects is quite high on Kickstarter. Another factor this study didn't consider was the role of visibility (i.e. if the project was mentioned in the news, featured on the Kickstarter front page on a specific day, etc.). It could merely be that increased visibility results in more investors, who simply react by investing when they see a project they find interesting and can't be bothered to engage in further information search or comparison of alternatives. Therefore, a study of how being featured in different mediums affects money and backers achieved, could also be conducted in the future.

Finally, although it is unlikely considering how diverse the project backers are on Kickstarter, it could be that particular types of crowdfunding participants are more heavily present on specific platforms (for example, artists could be present more on Kickstarter and technology enthusiasts on Indiegogo, etc.) and thus the findings of this study could be applicable to Kickstarter only and not as beneficial on crowdfunding as a whole. One field where specialized study should be conducted is purely equity-based crowdfunding (where the only reward is shares in the company), which is not available on Kickstarter. Therefore future studies should be conducted on the participants themselves and how they differ on the different, most popular crowdfunding platforms.

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APPENDIX

Appendix 1: Full list of survey questions

Page 1: Backer preferences

How important are the following things to you when considering putting money in a crowdfunding project? *

(1 = not important, 2 = only a little important, 3 = moderately important, 4 = very important, 5 = extremely important)

- The project owner is starting a new business
- The project owner would probably NOT be able to get funding from anywhere else
- I feel good about helping the project succeed
- The project owner has a good reputation
- I'm familiar with the project owner's previous work
- I know the project owner(s) personally
- The project owner seems trustworthy/reliable
- The crowdfunding site seems trustworthy/reliable
- The project is based in my home country or country I currently live in
- The project is based in my home town or where I currently live
- A friend has given money to the project or recommended it to me
- I can benefit financially from giving money to the project (selling the received reward, etc.)
- I will receive a lot of value for my money
- The money I give helps create something new

Page 2: Backer preferences (continued)

How important are the following product/service specific factors to you when considering putting money in a crowdfunding project? *

(1 = not important, 2 = only a little important, 3 = moderately important, 4 = very important, 5 = extremely important)

- The product/service seeking funding is given to me as a reward for my investment
- The project offers some other product/service that I find attractive as a reward
- I will receive the product before it comes available publicly
- I have the opportunity to influence the final product (beta testing, choosing a design, etc.)

- The actual product or its prototype is shown somehow in the project description (video, picture, etc.)
- I will receive a special/limited edition version of the product
- Nothing comparable to the product/project is currently available
- I will receive the product cheaper by giving money now than buying it when it becomes publicly available
- The product is of high quality

Are there any other important factors for you when choosing to put money into a crowdfunding project? (open-ended question)

Which project categories do you put money in (or would be interested to put money in)? *

You may choose any number of categories

- No particular preferences
- Art
- Comics
- Dance
- Design
- Fashion
- Film & video
- Food
- Games
- Music
- Photography
- Publishing
- Technology
- Theater

When considering putting money into a project, do you compare it with other, similar projects that are running? * (1 = never, 2 = rarely, 3 = sometimes, 4 = often, 5 = always)

Please answer the following statements: To me, crowdfunding is... *

(1 = strongly disagree, 2 = disagree, 3 = neither agree or disagree, 4 = agree, 5 = strongly agree)

- Charity/philanthropy
- Investment
- Preorder/Purchase of a product or service
- A joint project between project owners and backers
- Supporting a small business

- Emotionally rewarding

Page 3: Demographics

What is your gender? *

- Male
- Female
- I do not wish to answer

What is your age group? *

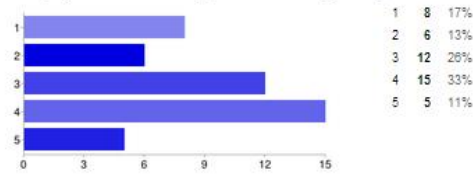
- -24
- 25 - 34
- 35 - 44
- 45 - 54
- 55 - 64
- 65+
- I do not wish to answer

What is the highest level of education you have completed or are currently studying? *

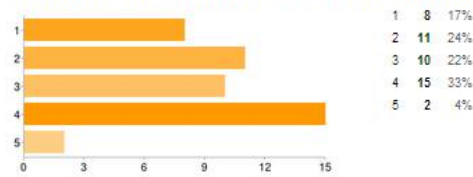
- Elementary school
- High school
- Vocational school
- University, bachelor's degree / undergraduate
- University, master's degree / graduate
- University, Doctorate / postgraduate
- Other (please specify)

Appendix 2a: Answer distributions of survey questions

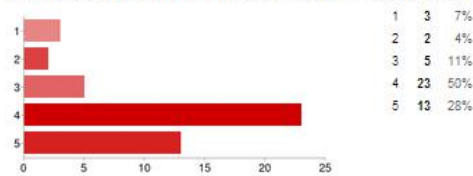
The project owner is starting a new business [How important are the following things to you when considering putting money in a crowdfunding project?]



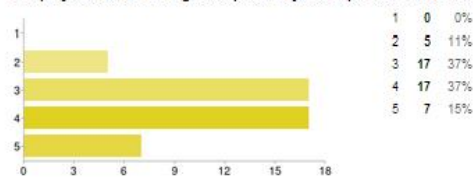
The project owner would probably NOT be able to get funding from anywhere else [How important are the following things to you when considering putting money in a crowdfunding project?]



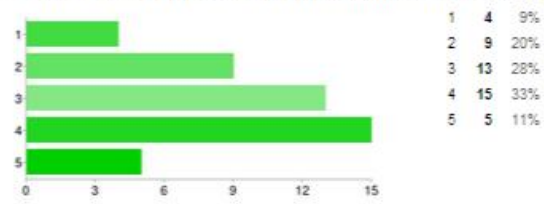
I feel good about helping the project succeed [How important are the following things to you when considering putting money in a crowdfunding project?]



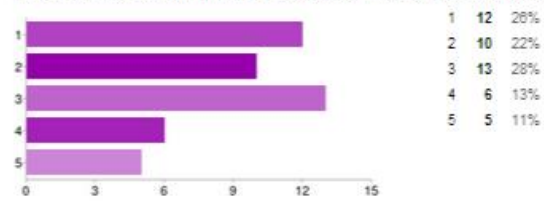
The project owner has a good reputation [How important are the following things to you when considering putting money in a crowdfunding project?]



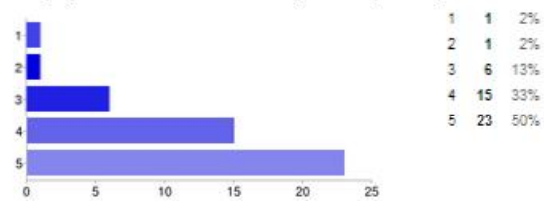
I'm familiar with the project owner's previous work [How important are the following things to you when considering putting money in a crowdfunding project?]



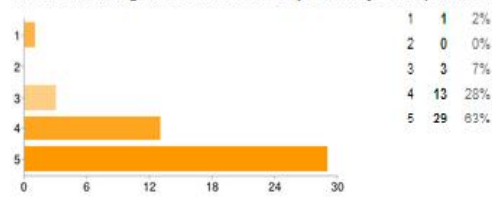
I know the project owner(s) personally [How important are the following things to you when considering putting money in a crowdfunding project?]



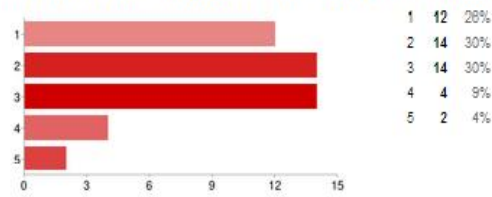
The project owner seems trustworthy/reliable [How important are the following things to you when considering putting money in a crowdfunding project?]



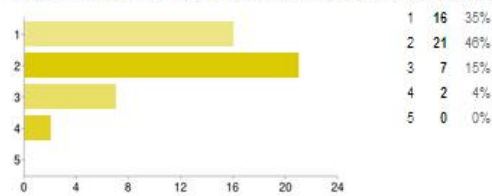
The crowdfunding site seems trustworthy/reliable [How important are the following things to you when considering putting money in a crowdfunding project?]



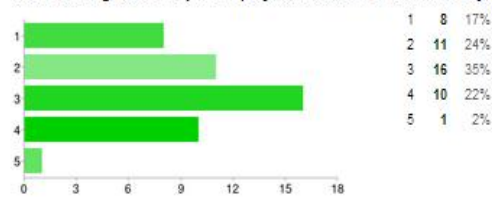
The project is based in my home country or country I currently live in [How important are the following things to you when considering putting money in a crowdfunding project?]



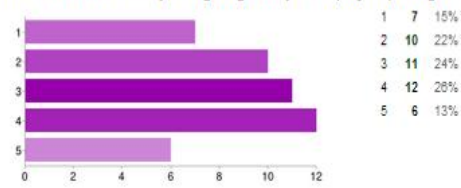
The project is based in my home town or where I currently live [How important are the following things to you when considering putting money in a crowdfunding project?]



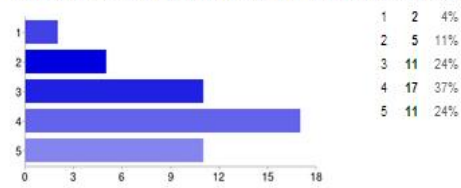
A friend has given money to the project or recommended it to me [How important are the following things to you when considering putting money in a crowdfunding project?]



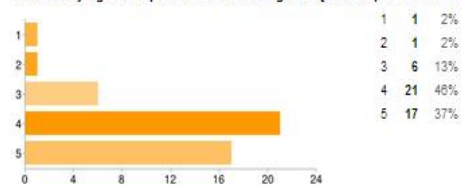
I can benefit financially from giving money to the project (selling the received reward, etc.) [How important are the following things to you when considering putting money in a crowdfunding project?]



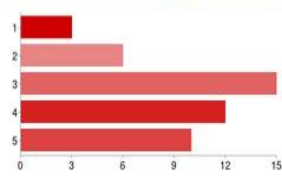
I will receive a lot of value for my money [How important are the following things to you when considering putting money in a crowdfunding project?]



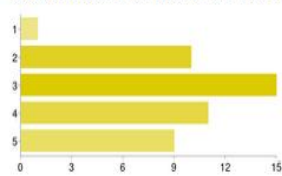
The money I give helps create something new [How important are the following things to you when considering putting money in a crowdfunding project?]



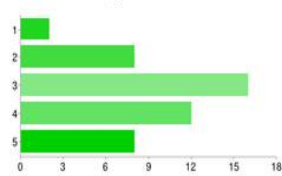
The product/service seeking funding is given to me as a reward for my investment [How important are the following product/service specific factors to you when considering putting money in a crowdfunding project?]



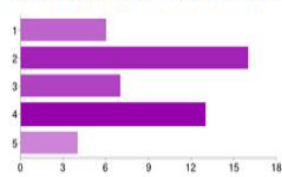
The project offers some other product/service that I find attractive as a reward [How important are the following product/service specific factors to you when considering putting money in a crowdfunding project?]



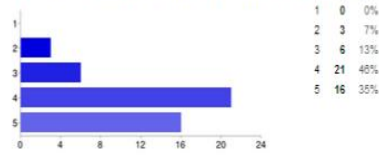
I will receive the product before it comes available publicly [How important are the following product/service specific factors to you when considering putting money in a crowdfunding project?]



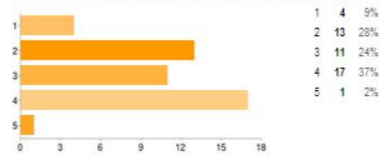
I have the opportunity to influence the final product (beta testing, choosing a design, etc.) [How important are the following product/service specific factors to you when considering putting money in a crowdfunding project?]



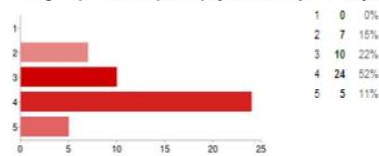
The actual product or its prototype is shown somehow in the project description (video, picture, etc.) [How important are the following product/service specific factors to you when considering putting money in a crowdfunding project?]



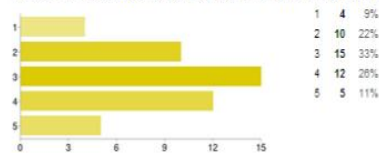
I will receive a special/limited edition version of the product [How important are the following product/service specific factors to you when considering putting money in a crowdfunding project?]



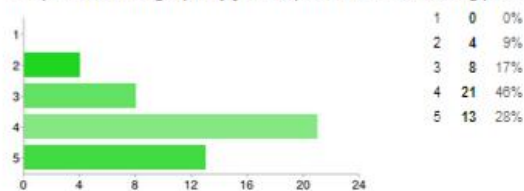
Nothing comparable to the product/project is currently available [How important are the following product/service specific factors to you when considering putting money in a crowdfunding project?]



I will receive the product cheaper by giving money now than buying it when it becomes publicly available [How important are the following product/service specific factors to you when considering putting money in a crowdfunding project?]



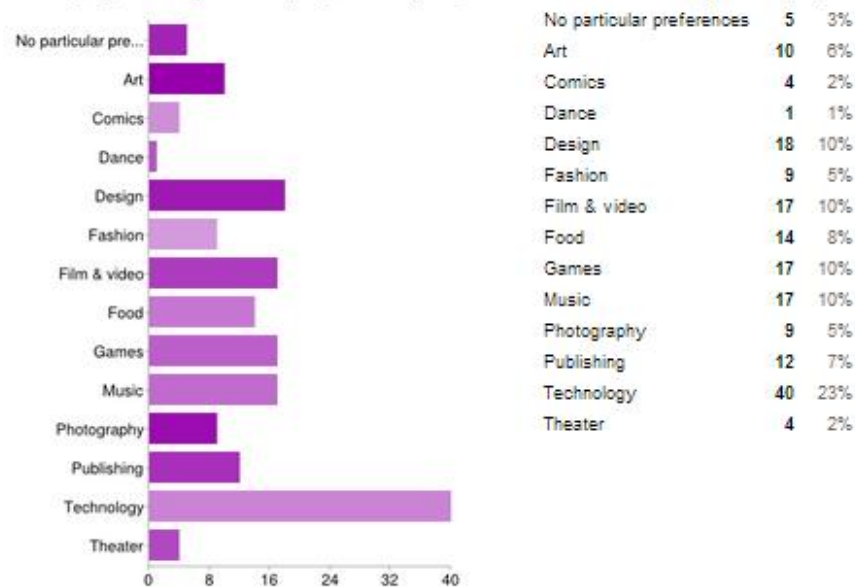
The product is of high quality [How important are the following product/service specific factors to you when considering putting money in a crowdfunding project?]



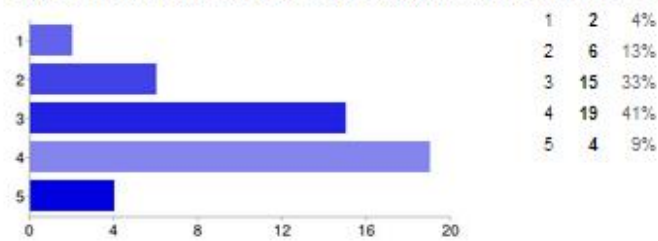
Are there any other important factors for you when choosing to put money into a crowdfunding project?

The purpose of the project (healthcare, education...) There are other interested in funding the project. The most important thing is that I like the product and think that it would be useful for many people. Really depends on the type of product or service, also the given answer would vary from type to type. It requires a manageable sum of my income. It is realistic that the project can be finished. I cannot think of any other. The project needs to be unique and the people behind the project need to be convincing in their vision. No. Transparent milestones about what is to be done every time a certain level of funding is reached. In general, how much am I expected to give money to the entrepreneur? 5€, 100€, 2000€? Sustainability considerations. The impact on the industry where you work yourself. If I will be helping a cause I care about by helping the campaign, that's extra points. The delivery time, I am not willing to wait over 6 months, maybe only in special cases. Cool product, niche or ego value. Creativity and innovation. I usually find cool projects, that I would consider financing, through links. So I think if a project "goes viral" or gets visibility on platforms, such as penny arcade (or a shoutout or a recommendation from a person, who I know is specialist in that area, even if I don't know the specialist on a personal level, just follow a blog for example), is a strong incentive for me to invest. Previous reputation, there are too many scams on kickstarter/indiegogo. the appearance (marketing/advertising/visuals)

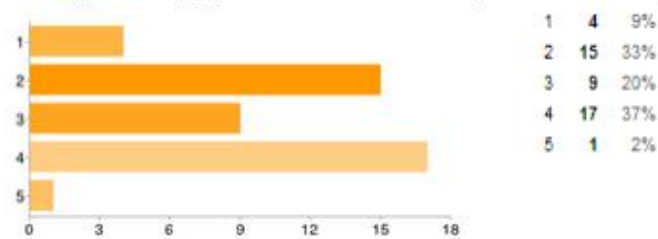
Which project categories do you put money in (or would be interested to put money in)?



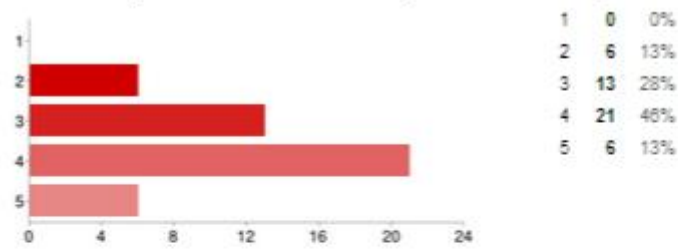
Unnamed Row 1 [When considering putting money into a project, do you compare it with other, similar projects that are running?]



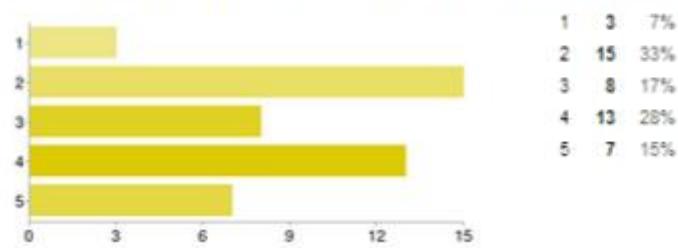
Charity/philanthropy [Please answer the following statements: To me, crowdfunding is...]



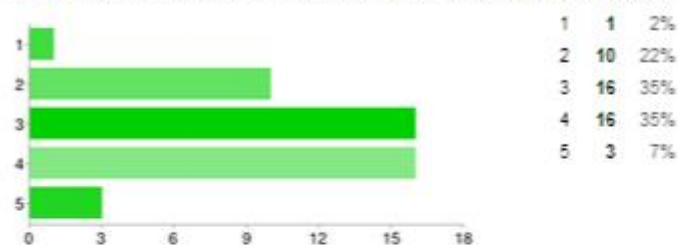
Investment [Please answer the following statements: To me, crowdfunding is...]



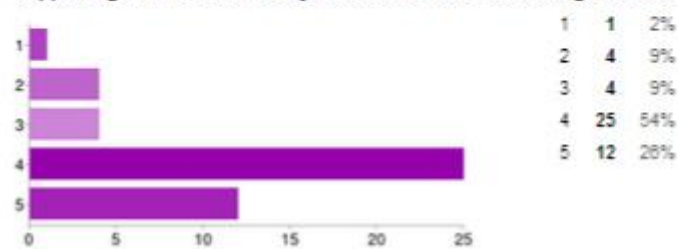
Preorder/Purchase of a product or service [Please answer the following statements: To me, crowdfunding is...]



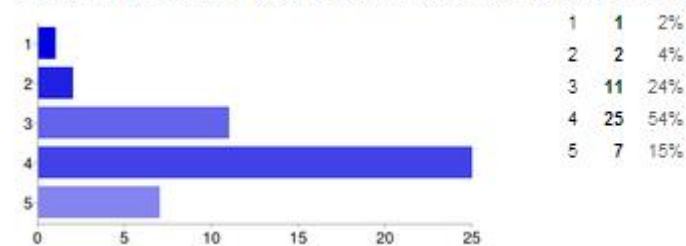
A joint project between project owners and backers [Please answer the following statements: To me, crowdfunding is...]



Supporting a small business [Please answer the following statements: To me, crowdfunding is...]

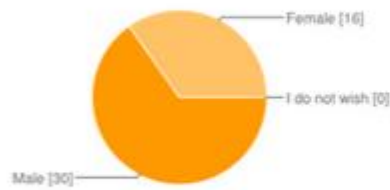


Emotionally rewarding [Please answer the following statements: To me, crowdfunding is...]



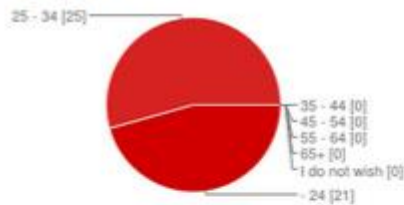
Demographics

What is your gender?



Male	30	85%
Female	16	35%
I do not wish to answer	0	0%

What is your age group?



18 - 24	21	46%
25 - 34	25	54%
35 - 44	0	0%
45 - 54	0	0%
55 - 64	0	0%
65+	0	0%
I do not wish to answer	0	0%

What is the highest level of education you have completed or are currently studying?



Elementary school	0	0%
High school	0	0%
Vocational school	0	0%
University, bachelor's degree / undergraduate	15	33%
University, master's degree / graduate	30	65%
University, Doctorate / postgraduate	1	2%
Other	0	0%

Appendix 2b: Survey statistics

Below are the summary statistics of the numerical survey results. The format of the full survey statistics (including individual responses) doesn't allow them to be added on paper, they can be accessed at <http://sdrv.ms/1a4hoEY>

Question	Average	St.dev.
How important are the following things to you when considering putting money in a crowdfunding project?		
The project owner is starting a new business	3,065217391	1,271956916
The project owner would probably NOT be able to get funding from anywhere else	2,826086957	1,198227354
I feel good about helping the project succeed	3,891304348	1,079676101
The project owner has a good reputation	3,565217391	0,885743226
I'm familiar with the project owner's previous work	3,173913043	1,141234182
I know the project owner(s) personally	2,608695652	1,307725096
The project owner seems trustworthy/reliable	4,260869565	0,929391261
The crowdfunding site seems trustworthy/reliable	4,5	0,809663853
The project is based in my home country or country I currently live in	2,347826087	1,099846278
The project is based in my home town or where I currently live	1,891304348	0,822685599
A friend has given money to the project or recommended it to me	2,673913043	1,076090616
I can benefit financially from giving money to the project (selling the received reward, etc.)	3	1,282358937
I will receive a lot of value for my money	3,652173913	1,099846278
The money I give helps create something new	4,130434783	0,884651737
How important are the following product/service specific factors to you when considering putting money in a crowdfunding project?		
The product/service seeking funding is given to me as a reward for my investment	3,434782609	1,16718415
The project offers some other product/service that I find attractive as a reward	3,369565217	1,102697614
I will receive the product before it comes available publicly	3,347826087	1,099846278
I have the opportunity to influence the final product (beta testing, choosing a design, etc.)	2,847826087	1,228682968
The actual product or its prototype is shown somehow in the project description (video, picture, etc.)	4,086956522	0,864769384
I will receive a special/limited edition version of the product	2,956521739	1,053175552
Nothing comparable to the product/project is currently available	3,586956522	0,883832235
I will receive the product cheaper by giving money now than buying it when it becomes publicly available	3,086956522	1,13188313
The product is of high quality	3,934782609	0,904364084
When considering putting money into a project, do you compare it with other, similar projects that are running?	3,369565217	0,974307632
Please answer the following statements: To me, crowdfunding is...		
Charity/philanthropy	2,913043478	1,071366458
Investment	3,586956522	0,883832235
Preorder/Purchase of a product or service	3,130434783	1,222178304
A joint project between project owners and backers	3,217391304	0,940757224
Supporting a small business	3,934782609	0,952241191
Emotionally rewarding	3,760869565	0,848129513

Appendix 3: List of the 12 most successful projects of all time from each category (as of 15.2.2013)

>	Project	Category	Description	Funding target	Achieved amount	Percentage	# of backers
1	Pebble: E-Paper Watch for iPhone and Android	Design	Smartwatch	100 000	10 266 845	10267 %	68929
2	Ouya: A New Kind of Video Game Console	Games	Android gaming console	950 000	8 596 474	905 %	63416
3	Project Eternity	Games	Videogame	1 100 000	3 986 929	362 %	73986
4	Reaper Miniatures Bones: An Evolution Of Gaming	Games	Miniatures	30 000	3 429 235	11431 %	17744
5	Double Fine Adventure	Games	Videogame	400 000	3 336 371	834 %	87142
6	FORM 1: An affordable, professional 3D printer	Technology	3D printer	100 000	2 945 885	2946 %	2068
7	Wasteland 2	Games	Videogame	900 000	2 933 252	326 %	61290
8	Homestuck Adventure Game	Games	Videogame	700 000	2 485 506	355 %	24346
9*	Elite: Dangerous	Games	Videogame	1 940 125	2 449 704	126 %	25681
10	Oculus Rift: Step Into the Game	Technology	Virtual reality goggles	250 000	2 437 429	975 %	9522
11	Planetary Annihilation - A Next Generation RTS	Games	Videogame	900 000	2 229 344	248 %	44162
12	Star Citizen	Games	Videogame	500 000	2 134 374	427 %	34397
13	Kingdom Death : Monster	Games	Board game	35 000	2 049 721	5856 %	5410
14	Shadowrun Returns	Games	Videogame	400 000	1 836 447	459 %	36276
15	Elevation Dock: The Best Dock For iPhone	Design	iPhone dock	75 000	1 464 706	1953 %	12521
16	LIFX: The Light Bulb Reinvented	Technology	WiFi controlled lightbulb	100 000	1 314 542	1315 %	9236
17	The Order of the Stick Reprint Drive	Comics	Comic book	57 750	1 254 120	2172 %	14952
18	SmartThings: Make Your World Smarter	Technology	Cellphone remote control app for varios devices	250 000	1 209 423	484 %	5694
19	Amanda Palmer: The new RECORD, ART BOOK, and TOUR	Music	Album, artbook and concert tour	100 000	1 192 793	1193 %	24883
20	Pathfinder Online: A Fantasy Sandbox MMO	Games	Videogame (MMO)	1 000 000	1 091 194	109 %	8732
21	TikTok+HunaTik Multi-Touch Watch Kits	Design	iPod Nano watch	15 000	942 578	6284 %	13512
22	Hidden Radio & Bluetooth Speaker	Design	Wireless speaker	125 000	938 771	751 %	5358
23	Parallella: A Supercomputer For Everyone	Technology	Cloud-accessible supercomputing	750 000	898 921	120 %	4965
24	Printbot: Your First 3D Printer	Technology	3D printer	25 000	830 827	3323 %	1808
25	Video Game High School: Season Two	Film & video	Web/tv-series	636 010	808 341	127 %	10613
26	Brydge + iPad: Do more.	Design	iPad keyboard dock	90 000	797 979	887 %	3266
27	The Porthole	Design	Infusion vessel	28 500	736 112	2583 %	4270
28	Galileo. Your iOS in Motion.	Design	iPhone robotic holder	100 000	702 427	702 %	5227
29	TAKTIK: Premium Protection System for the iPhone	Design	iPhone protector	150 000	680 568	454 %	4597
30	RoBo 3D Printer	Technology	3D printer	49 000	649 663	1326 %	1251
31	GameStick: The Most Portable TV Games Console Ever	Technology	Android gaming console	100 000	647 658	648 %	5691
32	Genie - Motion control time lapse device	Design	Time lapse photo device	150 000	636 766	425 %	978
33	Instacube: A Living Canvas for your Instagram Photos	Design	Digital photo frame	250 000	621 049	248 %	3434
34	Nomiku: bring sous vide into your kitchen.	Food	Sous vide machine	200 000	586 061	293 %	1880
35	To Be Or Not To Be: That Is The Adventure	Publishing	Book	20 000	580 905	2905 %	15352
36	Remee - The REM enhancing Lucid Dreaming Mask	Technology	Dream enhancing mask	35 000	572 891	1637 %	6557
37	MaKey MaKey: An Invention Kit for Everyone	Technology	Invention kit	25 000	568 106	2272 %	11124
38	Impossible Instant Lab: Turn iPhone Images into Real	Design	iPhone polaroid camera	250 000	559 232	224 %	2509
39	Twine : Listen to your world, talk to the Internet	Technology	Wireless sensor system	35 000	556 541	1590 %	3966
40	Memoto Lifelogging Camera	Technology	Miniature camera	50 000	550 189	1100 %	2871
41	Penny Arcade Sells Out	Comics	Funding for website	250 000	528 144	211 %	9069
42	CineSkates Camera Sliders	Design	Moving camera tripod system	20 000	486 518	2433 %	2019
43	GUSTIN: Redefining premium menswear, starting with	Fashion	Menswear	20 000	449 654	2248 %	4010
44	"The Goon" Movie... let's KICKSTART this sucker!!!	Film & video	Animated movie	400 000	441 900	110 %	7576
45	Ministry of Supply: The Future of Dress Shirts.	Fashion	Men's shirts	30 000	429 276	1431 %	2798
46	Charlie Kaufman's Anomalisa	Film & video	Animated movie	200 000	406 237	203 %	5770
47	The Gamers: Hands of Fate	Film & video	Movie	320 000	405 916	127 %	4311
48	BRIDEGROOM - An American Love Story	Film & video	Documentary movie	300 000	384 375	128 %	6508
49	SAVE Blue Like Jazz! (the movie)	Film & video	Movie	125 000	345 992	277 %	4495
50	BronyCon: The Documentary	Film & video	Documentary movie	60 000	322 022	537 %	2621
51	TGT (Tight) - A New Kind Of Wallet	Fashion	Wallet	20 000	317 424	1587 %	7521
52	Dick Figures: The Movie	Film & video	Animated movie	250 000	313 411	125 %	5616
53	Ukiyo-e Heroes	Art	Art prints	10 400	313 341	3013 %	2422
54	"Be Here Now" - The Andy Whitfield Story	Film & video	Documentary movie	200 000	302 810	151 %	5265
55	Larry Elmore: The Complete Elmore Artbook (Hardback)	Publishing	Artbook	17 500	299 914	1714 %	2097

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56	Flint and Tinder: Premium Men's Underwear	Fashion	Men's underwear	30 000	291 493	972 %	5578
57	THE ICARUS DECEPTION: WHY MAKE ART? New from Seth	Publishing	Book	40 000	287 342	718 %	4242
58	Video Game High School	Film & video	Web/tv-series	75 000	273 725	365 %	5661
59	Brand New Windowfarms- Vertical Food Gardens	Food	Indoor garden	50 000	257 307	515 %	1577
60	Home Aquaponics Kit: Self-Cleaning Fish Tank That	Food	Self-fertilizing flower pot and fish-tank	100 000	248 873	249 %	4097
61	LDRAW COMICS Sketchbook & Reference Guide	Comics	Drawing tutorial	10 000	245 870	2459 %	6466
62	Star Trek: Renegades	Film & video	Movie / tv-series pilot	200 000	242 483	121 %	2367
63	Medical Inc. The Movie	Film & video	Documentary movie	75 000	241 948	323 %	1417
64	The Art of Brom	Publishing	Artbook	12 000	235 319	1961 %	2374
65	Brand New Mindless Self Indulgence Record!	Music	Album	150 000	225 045	150 %	6927
66	New Five Iron Frenzy Album!!!!	Music	Album	30 000	207 980	693 %	3755
67	Twokinds Book Printing Drive	Comics	Comic book	25 000	197 512	790 %	2463
68	Fangamer Retrowear	Fashion	T-Shirts	20 000	196 604	983 %	2545
69	Thrilling Adventure Hour: The Graphic Novel... And Beyond	Comics	Graphic novel	55 000	192 783	351 %	2534
70	Murder By Death: New Album "Bitter Drink, Bitter Moon"	Music	Album	100 000	187 047	187 %	2618
71	enclave eyewear: twenty&twenty line	Fashion	Sunglasses	9 700	181 998	1876 %	3612
72	CreatureBox: THE MONSTER VOLUME	Comics	Art book	14 500	175 620	1211 %	2995
73	Turrican Soundtrack Anthology by Chris Huelsbeck	Music	Game soundtrack collection	75 000	175 534	234 %	2066
74	Rescue The Historic Catlow Theater From Extinction	Theater	Upgrading to digital tech	100 000	175 395	175 %	1394
75	99% Invisible: Season 3	Publishing	Radio show	42 000	170 477	406 %	5661
76	Save the Lyric!	Theater	Upgrading to digital tech	150 000	158 692	106 %	2324
77	Sunski Sunglasses	Fashion	Sunglasses	9 800	157 067	1603 %	3281
78	Forage Kitchen	Food	Co-working space for food	150 000	156 502	104 %	1605
79	San Diego Public Market: It's Time!	Food	Building a public food marketplace	92 244	146 121	158 %	1379
80	Tom Rush's Grand Finale to his 50th Year On Stage	Music	Concert	100 000	140 984	141 %	533
81	Benign Kingdom Fall 2012	Comics	Art book	15 000	140 616	937 %	2542
82	MATTER	Publishing	Online news site	50 000	140 201	280 %	2566
83	FlipBookKit - Mechanical Flipbook Art and Kit	Art	DIY flipbook	5 000	137 567	2751 %	1856
84	Saint Harriidan	Fashion	Women's suits	87 000	137 562	158 %	1108
85	Polyphonic Spree's Next Studio Album, Live Album &	Music	Live album, studio album, documentary	100 000	136 505	137 %	1338
86	The Bear - A first time parent's journey.	Publishing	Artbook	27 500	133 750	486 %	2470
87	An Evening With Neil Gaiman & Amanda Palmer	Music	Album	20 000	133 341	667 %	3873
88	TOME	Comics	Art book	18 400	132 538	720 %	1130
89	Pants by Bluff Works	Fashion	Men's pants	13 500	128 722	953 %	1181
90	Black Moth Super Rainbow NEW ALBUM COBRA JUICY	Music	Album	45 000	125 634	279 %	2032
91	The Rascals "Once Upon A Dream" Reunion Shows	Music	Concert series	100 000	123 300	123 %	617
92	Virtual Choir 4: Bliss	Music	Video concert	100 000	122 555	123 %	1938
93	LEAVING MEGALOPOLIS	Comics	Comic book	34 000	117 660	346 %	4194
94	Cyber Force Returns!	Comics	Comic book	75 000	117 134	156 %	1419
95	Naked Sea - Spencer Tunick Dead Sea Installation	Art	Art installation	60 000	116 270	194 %	706
96	Doug TenNapel Sketchbook Archives	Comics	Art book	18 000	116 144	645 %	1725
97	Womanthology; Massive All Female Comic Anthology!	Comics	Comic book	25 000	109 301	437 %	2001
98	TFK.....The End Is Where We Begin	Music	Album	40 000	105 294	263 %	2681
99	Kerfluffles Marshmallows: All-Natural ~ Handmade ~	Food	Handmade marshmallow business	2 023	104 667	5174 %	2632
100	A Better Life	Publishing	Photo book	95 000	103 538	109 %	795
101	Urban Air - Los Angeles	Art	Art installation /environmental project	100 000	100 772	101 %	1565
102	DecodeDC	Publishing	Internet radio show	75 000	100 724	134 %	1628
103	Retrospective collection of Kal cartoons from The Economist	Publishing	Artbook	20 000	100 219	501 %	1462
104	Socrates - The Most Clever Socks Ever	Fashion	Socks	10 000	94 279	943 %	1719
105	Wollstonecraft	Publishing	Childrens' book series	4 000	91 751	2294 %	2936
106	PARKE: Technologically Advanced Jeans. Made In NYC.	Fashion	Jeans (Women & Men)	50 000	90 535	181 %	634
107	NOW. HERE. THIS. Original Cast Recording	Theater	Cast album of a play	75 000	89 833	120 %	1248
108	Raise the Barn	Food	Educational farm	75 000	86 531	115 %	631
109	The Brotherhood of the Screaming Abyss!	Publishing	Memoir	80 000	85 750	107 %	874
110	Keep The Crescent	Theater	Upgrading to digital tech	75 598	84 736	112 %	848

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111	Designing Obama	Art	Art & design book	65 000	84 613	130 %	1312
112	Keep The Kress!	Theater	Upgrading to digital tech	80 000	84 217	105 %	564
113	Help Save The Blue Mouse Theatre	Theater	Upgrading to digital tech	75 000	84 194	112 %	1041
114	IT GETS BETTER - The Theater Project	Theater	Theater performance	75 000	78 340	104 %	548
115	Crania Anatomica Filigre: Me to You	Art	Sculpture	500	77 271	15454 %	955
116	Occupy Wall Street Media	Art	Print materials	12 000	75 960	633 %	1696
117	NYChildren Exhibit: Let's open Park51's doors to the world!	Art	Photo exhibit	70 000	70 722	101 %	301
118	Save CinemaSalem!	Theater	Upgrading to digital tech	60 000	68 895	115 %	1023
119	New Broadway Musical: ONE FOR MY BABY	Theater	Musical theater performance	50 000	67 605	135 %	374
120	Detroit Needs A Statue of Robocopl	Art	Statue	50 000	67 436	135 %	2718
121	The Olympic City	Photography	Photo book	45 000	66 162	147 %	1503
122	SATORI Soju	Food	Distilled spirit	60 000	66 106	110 %	142
123	Shell Game: An Art Show About the Financial Meltdown	Art	Art exhibit	30 000	64 799	216 %	701
124	The Versalette by {r}evolution apparel	Fashion	Multifunctional cloth	20 000	64 246	321 %	796
125	The Grenada Goat Dairy's School Project	Food	Goat dairy	55 000	63 160	115 %	368
126	Drawing a Drawing 365	Art	Painting collection & tutorial	10 000	62 736	627 %	479
127	Building Our Dream Kitchen Together at Hapa on Fillmore	Food	Restaurant kitchen	55 000	61 847	112 %	421
128	Keep the JPT: Digital Cinema Challenge Jane Pickens	Theater	Upgrading to digital tech	55 000	61 351	112 %	535
129	Hereafter Musical	Theater	Musical theater performance	60 000	61 250	102 %	264
130	Tell Em Steve Dave Vinyl-Cast	Art	Vinyl record	6 500	61 218	942 %	2040
131	Build DC Public School Kids a FoodPrints Teaching Kitchen!	Food	Teaching kitchen for kids	60 000	60 409	101 %	470
132	Fearless Project (LGBTQ Student Athletes)	Photography	Photo book	50 000	55 237	110 %	667
133	App/Cookbook from Lark & Chef John Sundstrom	Food	Cookbook, app & e-book	33 000	54 437	165 %	562
134	Save the Historic Patio Theater!	Theater	Upgrading to digital tech	50 000	54 079	108 %	804
135	REVERENCE	Photography	Traveling museum	50 000	50 015	100 %	210
136	A Photography Book About Vinyl Collectors - Dust &	Photography	Photo book	27 000	41 375	153 %	637
137	The Irish Light: A Book of Landscape Photographs	Photography	Photo book	11 000	39 383	358 %	341
138	YAGP's "Ballet's Greatest Hits" Gala	Dance	Movie	35 000	38 752	111 %	121
139	STILL MOTION presents "Moments Defined"	Dance	Dance performance	25 000	38 570	154 %	142
140	Portrait Alaska	Photography	Photo book	38 000	38 166	100 %	386
141)*(Publish "The People of Burning Man" Coffee Table	Photography	Photo book	25 000	36 830	147 %	521
142	562- A Photo Project Documenting Native America.	Photography	Publication & exhibition	30 000	35 428	118 %	556
143	Becoming Visible, portraits of homeless transgender teens	Photography	Portrait series	30 000	35 348	118 %	173
144	Bloodhoney* Seance - A Book of Photos and Stories	Photography	Photo book	15 000	34 431	230 %	491
145	A Portrait of America Through the Eyes of a Photo Booth	Photography	Photo book	30 000	32 645	109 %	219
146	American Ecstasy Photo Book	Photography	Photo book & memoir	25 000	32 268	129 %	407
147	Standard Time - The Workshop	Dance	Dance performance	12 000	31 028	259 %	153
148	How Philly Moves	Dance	Photo shoot	25 000	26 270	105 %	617
149	Bad Boys of Dance Return to Turks & Caicos	Dance	Dance performance	25 000	25 952	104 %	61
150	And lose the name of action	Dance	Dance performance	20 000	21 674	108 %	399
151	Surfing Waves with Menlowe Ballet	Dance	Dance performance	20 000	20 825	104 %	132
152	Kent Boyd presents "IT REMAINS"	Dance	Short film	12 500	20 821	167 %	152
153	Timo Nuñez FLAMENCO presents "Pasión"	Dance	Dance performance	20 000	20 616	103 %	163
154	Tuzina	Dance	Teaching dance	20 000	20 535	103 %	177
155	"grass and jackals"	Dance	Dance performance	18 000	18 258	101 %	54
156	Korhan Basaran and the Artists' Fall Season / 3	Dance	Dance performance	16 700	17 102	102 %	78