

The experience matters: participation-related rewards increase the success chances of crowdfunding campaigns

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Success chances of reward-based crowdfunding campaigns

- Plenty of evidence about project-level success determinants
 - Quality signals like the project's communication with pledgers
 - Creator's social capital
- We analyze the role played by the type of reward
 - self- and social-image enhancing rewards and to what extent they determine project success
 - Community/identity aspects
 - Our data consist of the pledges to 346 projects hosted by Startnext

Our experimental design systematically varies image concerns

- Reducing the role of self-image concerns
- Increasing the role of social-image concerns

paper contributes to the literature on the motivation driving pledgers in reward-based crowdfunding

Community feelings, identity and the reward levels

- Prior insights about crowdfunders' motivation to pledge
 - Material returns
 - Non-monetary factors as drivers of pledges
- Community feelings
 - Funders motivated by feelings of connectedness to a like-minded community (Gerber et al., 2012)
 - Belleflamme et al. stress that "the crowd must identify themselves as such."
- Concept of identity
 - Akerlof and Kranton (2000): identity economics
 - Behavior in line with one's identity results in positive utility
 - Behavior in contrast with it has negative effects

Community feelings can be supported by rewards that strengthen the relationship between crowd and creator

Our dataset: Startnext

Biggest reward-based crowdfunding platform in Germany

- Threshold pledge model
- Fully anonymized database dump from Startnext
 - All transactions on the platform from the date of its launch in October 2010 to February 10th, 2014
 - 2,254 projects, 1,139 successfully funded
 - Detailed analysis in Crosetto & Regner, RP 2018
- Reward level structure not part of the data dump
 - Manually gathered from individual web pages
 - 346 randomly picked projects, roughly 15% of the total sample
 - All reward levels and corresponding amounts
 - Average project offered 9.73 levels (st.dev. 7.26, minimum 1, maximum 115, median 9)
- Startnext also allows to support a project via a donation
 - 32.4% of the total amount pledged through donations

Categorization of reward levels

- Self-image only
 - Help pledgers remember supporting the project
 - Limited public visibility, and to be tangible/physical
 - Examples: postcards or stickers
- Social-image
 - Announcement of name in a situation with public exposure
 - Being mentioned as supporter in booklet/credits, on a social media platform, the project web site
- Both self- and social-image appeal
 - Merchandising (e.g., t-shirts, bags) conveys pledgers' support to the public
 - Participation
 - Being publicly part of the project
 - Gives pledger an enhanced sense of community/participation
 - Extra in the movie, after show backstage access, meet&greet

Summary statistics by reward level type

	Product/Service only	Thank you	Self-image only	Social-image only	Participation	Merchandising
Amount requested (€)	230.3 (655.1)	16.57 (128.5)	104.8 (369.6)	463.8 (1061.3)	592.6 (3620.7)	216.9 (457.9)
Actual supporters (N)	3.223 (11.18)	4.434 (18.83)	4.288 (9.921)	2.432 (5.011)	3.353 (9.453)	3.887 (10.53)
Revenue generated by one level (€)	126.7 (380.5)	47.64 (236.1)	132.4 (360.0)	131.9 (381.1)	273.2 (678.4)	211.0 (633.3)
<i>N</i>	779	136	1330	391	842	417
Share of total levels	21.4%	3.7%	36.6%	10.8%	23.2%	11.5%

Note: The shares of total levels do not add to 100% since levels can be nested, i.e., one level can consist of rewards of different categories.

Share of different types within a project, by project success

For each of the reward level types we compute its relative importance among all reward levels that one project offers.

- Self-image only rewards account, on average, for 36% of the levels within a project



Hypotheses (1)

- Motivations behind crowdfunding (Gleasure and Feller, 2016)
 - Financial/material benefits
 - Social benefits
 - Participation
- Recent economics literature acknowledges other-regarding behavior \Rightarrow social preferences
 - Outcome-based models of altruism/fairness
 - Andreoni, 1990, Fehr and Schmidt, 1999, Bolton and Ockenfels, 2000
 - Distributional preferences: individuals get positive utility from giving to others
 - Identity, respectively image concerns
 - Akerlof and Kranton (2000) introduce the concept of identity into utility function
 - Subsequent models distinguish between focus of individuals' image concerns (self or others)

Hypotheses (2)

- Social-image concerns

- Bénabou and Tirole, 2005, Ellingsen and Johannesson, 2008, Andreoni and Bernheim, 2009
- People care about monetary payoffs but also consider that some of them enjoy appearing generous to others
- Concerns for social reputation
- Support more likely, if audience they care about is able to observe their decision

- Self-image concerns

- Bodner and Prelec, 2003, Bénabou and Tirole, 2011, Tirole et al., 2016
- Replace outside observer with a dual self
- Allows the signaling of being a pro-social type by own generous actions

Hypotheses (3)

Hypothesis

Project success is positively correlated with the extent of reward levels that trigger self-image concerns.

Hypothesis

Project success is positively correlated with the extent of reward levels that trigger social-image concerns.

- Pro-social concerns a relevant driver of pledgers' motivation

Hypothesis

Project success is positively correlated with the extent of donations that a project attracts.

Regression analysis

Probit regressions of project success on its main determinants

- ① Full Startnext sample
- ② Our random 15% sample of reward level data
- ③ Supply-side analysis of the impact on project success
 - Variables reflect the share of each type of level
 - Irrespective of the amount of pledgers that chose them
- ④ Demand-side analysis
 - Variables reflect share of total amount raised due to that particular type of reward level
 - Project's share of donations among the total pledged amount

Regression results (1)

	Full Startnext sample		Project level analysis		Offered levels		
	Project success		Project success		Project success		
	coeff.	st.err	coeff.	st.err	coeff.	st.err	
Funding Duration	-0.0029***	(.0005)	-0.00202	(0.00129)	-0.00231*	(0.00132)	-0.0
Target amount (1000€)	-0.018***	(.0037)	-0.0257***	(0.00956)	-0.0266***	(0.00974)	-0.0
Featured on main page	0.7369***	(.0828)	0.639***	(0.196)	0.662***	(0.193)	.6
Word count (100)	0.0069	(.0043)	-0.00146	(0.0113)	-0.00299	(0.0115)	-0
Video count	0.0246***	(.0085)	0.0536**	(0.0269)	0.0488*	(0.0276)	0
Image count	0.0039	(.0034)	0.0249***	(0.00747)	0.0247***	(0.00756)	0.0
Blog entries	0.031***	(.0034)	0.0381***	(0.00947)	0.0399***	(0.00977)	0.0
Category dummies	Yes		Yes		Yes		
<i>Analysis of reward levels</i>							
Number of reward levels			0.00850	(0.00584)	0.00929	(0.00616)	0.0
<i>Offered levels</i>							
Simple thank you					-0.124	(0.487)	
Self image only					0.00180	(0.00160)	
Social image only					0.00297	(0.00247)	
Self+social: participation					0.00341**	(0.00168)	
Self+social: merchandising					0.00262	(0.00199)	
N	2,254		346		346		
pseudo-R ²	0.336		0.341		0.353		

Marginal effects; standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Regression results (2)

	Full Startnext sample		Project level analysis		Chosen levels	
	Project success coeff.	st.err	Project success coeff.	st.err	Project success coeff.	st.err
Funding Duration	-0.0029***	(.0005)	-0.00202	(0.00129)	-0.00294**	(0.00148)
Target amount (1000€)	-0.018***	(.0037)	-0.0257***	(0.00956)	-0.0362***	(0.0122)
Featured on main page	0.7369***	(.0828)	0.639***	(0.196)	.692***	(0.194)
Word count (100)	0.0069	(.0043)	-0.00146	(0.0113)	-0.0122	(0.0125)
Video count	0.0246***	(.0085)	0.0536**	(0.0269)	0.0508*	(0.0304)
Image count	0.0039	(.0034)	0.0249***	(0.00747)	0.0167**	(0.00775)
Blog entries	0.031**	(.0034)	0.0381***	(0.00947)	0.0358***	(0.0101)
Category dummies	Yes		Yes		Yes	
<i>Analysis of reward levels</i>						
Number of reward levels			0.00850	(0.00584)	0.0163**	(0.00770)
<i>% contribution to total funding</i>						
Share donations					0.00671***	(0.00125)
Share simple thank you					-0.461	(0.382)
Share self image only					0.000313	(0.00132)
Share social image only					0.00124	(0.00202)
Share self+social: participation					0.00399***	(0.00136)
Share self+social: merchandising					0.00135	(0.00161)
N	2,254		346		336 ^a	
pseudo-R ²	0.336		0.341		0.345	

Marginal effects; standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

^a. 10 projects are dropped since they collected zero pledges and shares cannot be properly computed.

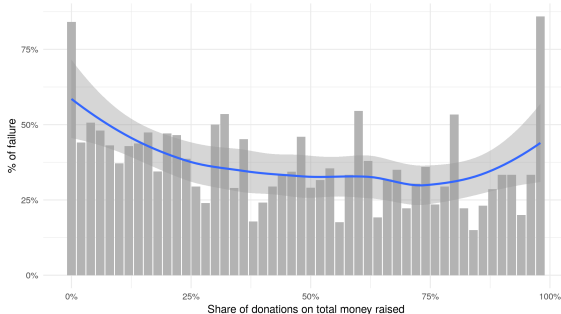
Overview of regression results

- Replication of main stylized facts from the literature
- Most of them translate to our smaller sample of 346 projects

⇒ Share of participation rewards is correlated with project success

- Giving the crowd more opportunities to be part of the project helps eliciting more crowd support
- Increases the probability of project success
- Adding one participation-related reward is predicted to increase the likelihood of success by 4%

Impact of outright donations



- ⇒ Projects that attract no/few donations *and* projects with a very high share of donations have the highest chances to fail
- ⇒ In line with findings of André et al. (2017): importance of being able to attract donations and transactions!

Summary and conclusions

Success factors of reward-based crowdfunding campaigns

- Structure of reward levels is important channel
- Providing enhanced participation possibilities \Rightarrow more success

Rewards offering the actual experience of being part of the project increase the likelihood of success

Moral emotions provide a sound psychological foundation

Thank you!