

Fine tuning your campaign: Scientists conduct research into crowdfunding

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Platform ecosystems are a key focus of the research carried out in the Information Systems & E-Services Group headed by Professor Alexander Benlian in the Law and Economics Department at TU Darmstadt. Ferdinand Thies and Michael Wessel decided to dedicate themselves just over a year ago primarily to the study of crowdfunding - the collective financing of social, creative or commercial projects by a community of internet users. Crowdfunding campaigns generated around five million dollars of investment in 2013 and the market is set to grow further. These types of campaign are mostly organised by online platforms such as "Indiegogo" or "Kickstarter" that are currently also becoming established in Germany. The dynamics of what is happening on these platforms is a central field of research for Wessel and Thies.

They have been studying, for example, the relationship between activities on social networks (social buzz) and financial contributions made on crowdfunding platforms and presented one of the first major studies about these types of information flows. Thies and Wessel followed 6,340 funding projects over their complete lifecycle from the launch of the campaign until its funding deadline. The researchers documented both the behaviour of the backers on these platforms as well as the posts on Facebook and Twitter relating to the campaigns. In the process, they concentrated on reward-based crowdfunding, in which the backer receives the developed product or something of immaterial value, such as a guest appearance in a film, as a reward for their investment in a successful campaign.

The study demonstrated that: Electronic word-of-mouth (eWOM) is a decisive factor in the success of crowdfunding campaigns and a wave of social buzz will deliver sustainable support for the campaign. It was, however, possible to observe a difference between unidirectional and bidirectional social networks. "Facebook works significantly better than Twitter", says Thies. Wessel explains: "Recommendations are based on trust and this is more pronounced on Facebook due to the closer social connections between Facebook users." Anybody who recommends a crowdfunding campaign to friends via Facebook wants to either garner the opinion of others or benefit from the positive image of the respective product. Trust plays a central role in this process.

Wessel and Thies have concluded from the data gathered that creators of crowdfunding campaigns should actively participate in social networks and also encourage their backers to share the campaign with their friends. Furthermore, it is highly advisable to encourage any friends and relatives who are willing to back the campaign to participate at an early stage.

Launch phase is critical

Thies and Wessel explain how critical the launch of the campaign is in their publication, "Erfolg von Crowdfunding-Kampagnen frühzeitig erkennen: Erfolgsprädiktoren auf Kickstarter und Indiegogo" ("Recognising the success of crowdfunding campaigns at an early stage: Predictors of success on Kickstarter and Indiegogo"). "Three-quarters of those campaigns that raise one quarter of the funding goal within the first week of the campaign are also able to achieve their final target. Only 10 percent of those campaigns that fail to clear this hurdle prove successful", says Wessel.

The researchers also identified differences between the two leading platforms on the market, which can be traced back, amongst other

things, to their relevant financing models. In the case of Kickstarter, one rule is that the collected pledges are only paid out if the funding target has been reached, otherwise any pledges are returned to the backers. In contrast, this rule does not apply on Indiegogo. If the idea for a project requires a certain level of basic capital then the Kickstarter platform is more suitable. "Campaigns on this platform also attract higher funding on average", according to the researchers. However, if the campaign is seeking to raise additional financial support, the Indiegogo platform is recommended because all pledges are always paid.

And not everything that sounds like a good crowdfunding project proves to be one. "Creative projects - film, photography or music projects - work well", says Thies. "The users of social networks are happy to share them so that they also benefit a little from the positive image." In contrast, social projects experience a sort of "bystander effect" based on the motto: "They already seem to have collected a good amount, I no longer need to pledge any money."

Ferdinand Thies and Michael Wessel are currently completing their doctorate studies in the field of platform ecosystems with a focus on crowdfunding. And they have not yet fully exhausted this theme; a theme that focuses on the diverse range of dynamic factors that govern these types of platforms. "There are many parameters that can be fine tuned to influence the success of a campaign", says Wessel. "And there is still more than enough subject matter for further [research](#) in this area."

Background: Recommendations for crowdfunders

... The following have a positive influence on a campaign: large social sphere of the project creator, selection of the right platform, integrating a video into the description, regular updates, integrating social media, reference to the project on the homepage of the platform, starting the campaign on a Monday or Tuesday, a good forecast for the required

resources, encouraging backers to talk about the project on social media even after making their pledge

... The following have a negative influence on a [campaign](#): Spelling mistakes in the description of the project, overly long project lifespans, artificially low funding targets

More information: Thies, F., Wessel, M., and Benlian, A. 2014. "Understanding the Dynamic Interplay of Social Buzz and Contribution Behavior within and between Online Platforms - Evidence from Crowdfunding," in: International Conference on Information Systems (ICIS 2014). Auckland, New Zealand.

Stadler, M., Thies, F., Wessel, M., and Benlian, A. 2015. "Erfolg Von Crowdfunding-Kampagnen Frühzeitig Erkennen: Erfolgsprädiktoren Auf Kickstarter Und Indiegogo," Wirtschaftsinformatik Proceedings 2014.

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