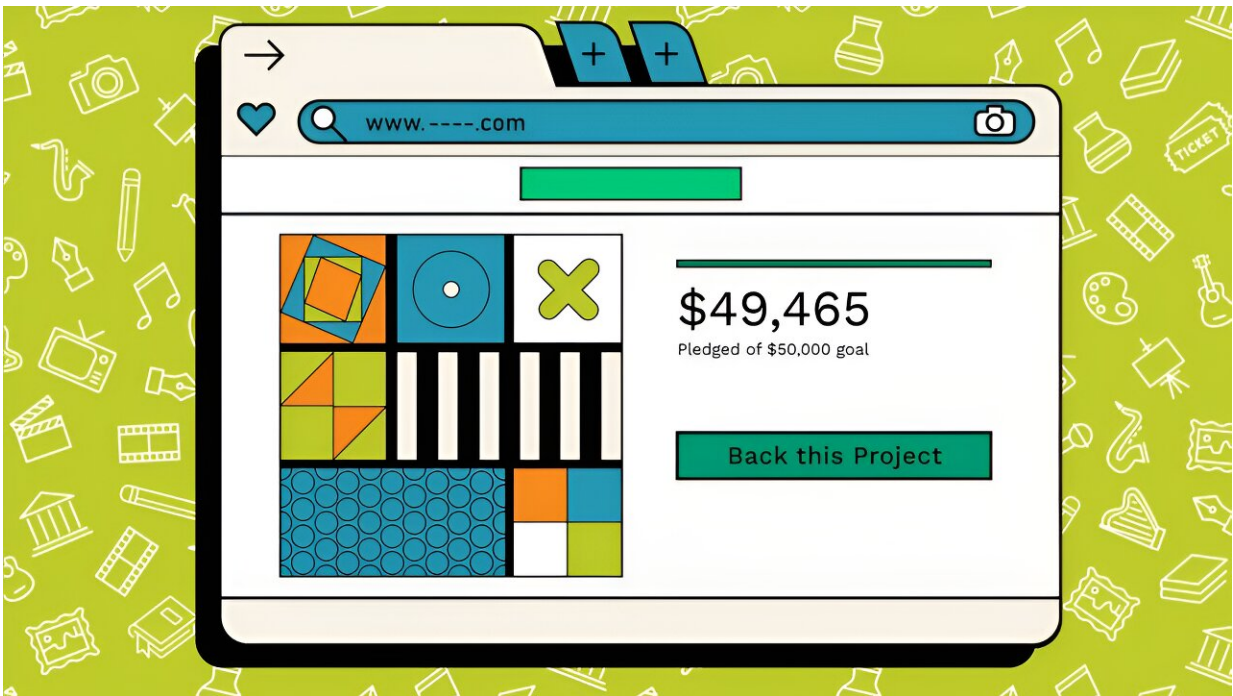


Givers to crowdfunding campaigns enjoy vicarious success, says study

October 24 2023, by Kristina Jackson



A recent study has found that contributors to crowdfunding campaigns give, in part, to enjoy a vicarious sense of success and feel part of something bigger than themselves. But despite its framing, crowdfunding is "just not as democratic as it seems," the researchers said. Credit: Kristen Labadie, University of Nebraska–Lincoln

Why would someone decide to give their money to help a stranger bring a creative project to life? [Recent research in the *Journal of Consumer*](#)

[Research has found](#) that backers of crowdfunding projects participate, in part, because of a sense of indirect success and the feeling that they are contributing to something bigger.

Crowdfunding—raising money for a new venture by collecting small amounts from many people—is most often done online, and messaging on the most popular sites reinforces the perception of a more democratic market.

But the reality is a bit more complicated, the researchers said, because backers tend to come from similar groups of people and give to certain categories of projects.

"They tend to give money to projects they find cool," said Andre Maciel, assistant professor of marketing at the University of Nebraska–Lincoln. "That limits the democratizing potential of crowdfunding... In the aggregate, there's this effect that specific project categories tend to be more funded than others."

Maciel and his co-author, Michelle Weinberger of Northwestern University, wanted to examine why [ordinary people](#) would give interest-free money to businesses and to understand the culture of crowdfunding.

Unlike traditional investing, people giving to crowdfunding campaigns do not have any legal guarantee that the money—usually less than \$50—will be used as promised. And they usually get no return on their investment beyond something like a mug or T-shirt.

"People could essentially run with their money, and nothing would happen to them," Maciel said. "Maybe their reputation would get bruised, but there's no legal contract there. So we started wondering: What's the social contract that binds all those different parties together?"

The researchers made a distinction between reward-based crowdfunding and charity donation, with their study looking at projects such as a music album, cookbook or toy, rather than the type that would help pay for medical bills. Maciel said it's an important phenomenon to understand because it's a relatively new funding model for businesses, and one that is rapidly growing in scale.

"In 15 years, we're talking about 200,000 new innovations coming to the market only through Kickstarter," he said. "If you look at all the platforms together, it might be more than half a million."

Maciel and his Weinberger interviewed a sample of all involved stakeholders: platform representatives, producers and consumers. They then analyzed the platforms' websites and their messaging on what crowdfunding is. The duo also visited the offices of a leading crowdfunding platform. Finally, they became backers themselves, giving to eight campaigns from a variety of categories on two platforms.

The researchers found that crowdfunding platforms create a narrative of a more democratic process, enabling people to decide which products enter the market. Platform websites do this in part through language, such as referring to a "project" instead of a "business" or to a "pledge" instead of a "payment." The websites also employ idealistic messaging about a higher purpose and collective action.

The study concluded that people who give to campaigns get a vicarious sense of success. When a campaign succeeds, contributors feel they are part of something bigger than themselves and gain a sense of ownership of the product, the researchers said.

"You're not going through the pains of developing an idea, the emotional costs," Maciel said. "And yet, even though they give, usually, small amounts of money, many consumers feel thrilled when a project comes

to life."

Backers also reported they liked getting behind-the-scenes information and some insider knowledge about the process, including explanations about delays in the project and information about how producers are tackling hurdles.

The study additionally found that a [negative experience](#) with a [crowdfunding campaign](#) doesn't necessarily deter people from backing others in the future. Consumers view projects individually and don't assume that a delayed or unsuccessful [campaign](#) will translate to others. If this happens repeatedly, however, they might be more likely to stop giving.

The team also determined that the campaigns attract a certain kind of consumer, meaning the model often falls short of its promise of a more democratic market. The researchers discovered that backers tend to be people who work in creative fields, such as web designers, fashion designers and writers, and that they give to projects that match individual interests rather than ones that address collective societal needs. The result is that campaigns in areas such as music, film, publishing and gaming are more likely to succeed.

"Crowdfunding does expand access to the market, but it's just not as democratic as it seems," Maciel said. "It is democratic because people get to choose, but it's not egalitarian."

Having focused on the relationship between [platform](#) and consumers, the team intends to shift next to the relationship between platforms and producers. Maciel and Weinberger will look at what keeps producers from misusing funds and the benefits of choosing [crowdfunding](#) over a loan or other source of funds.

More information: Andre F Maciel et al, Crowdfunding as a Market-Fostering Gift System, *Journal of Consumer Research* (2023). [DOI: 10.1093/jcr/ucad052](https://doi.org/10.1093/jcr/ucad052)

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