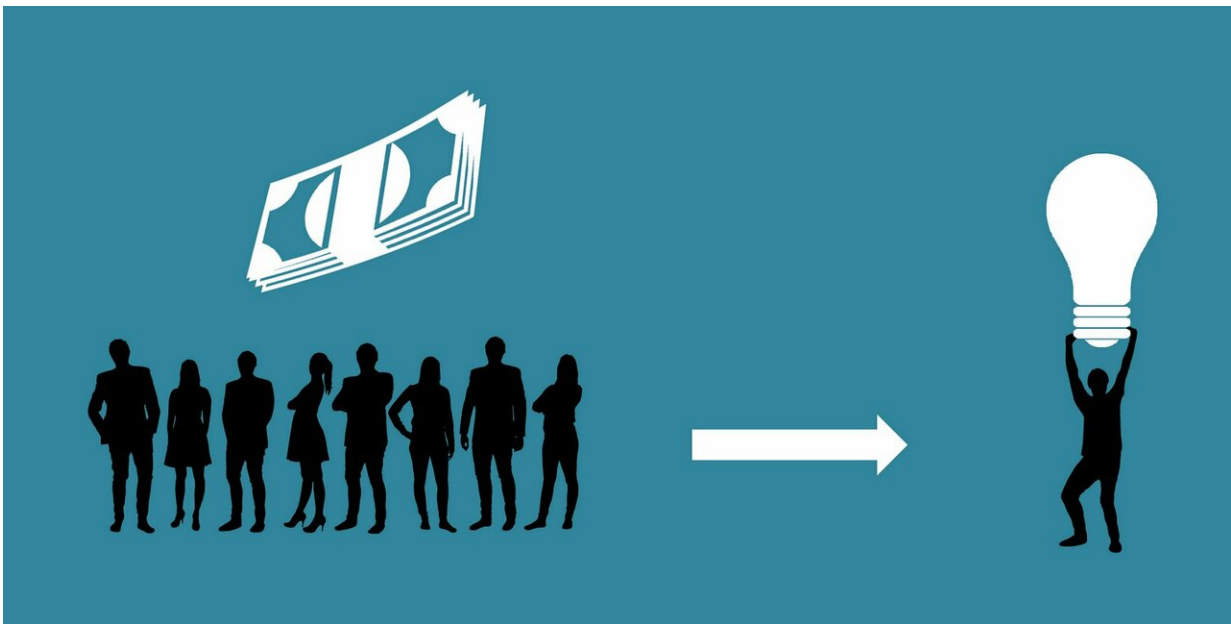


Crowdfunding can affect consumer product choices—especially when the products do good

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When it comes to introducing new products to the market, crowdfunding has become a hugely popular way for sellers to attract customers.

A new study from the UBC Sauder School of Business shows that people will pay far more for social good items when they're crowdfunded.

Hundreds of thousands of [start-ups](#) have successfully pitched their offerings to millions of prospective buyers on sites like Kickstarter and Indiegogo; in fact, according to data from the Pew Research Center, by 2016, 25 percent of Americans had contributed to a crowdfunded project.

But according to a new study from the UBC Sauder School of Business, crowdfunding not only draws attention to new ventures: it can influence what people buy and how much they'll pay—in particular, for items that offer an element of social good.

For the study, titled *Making the World a Better Place: How Crowdfunding Increases Consumer Demand for Social-Good Products*, researchers recruited an associate to sit outside a university coffee shop and invited passersby to try a new line of pens made from reclaimed, sustainable materials, then fill out a short survey in exchange for \$2.

Each hour, the research associate switched the type of transaction: one hour they told passersby the pen was available for traditional purchase; the next hour they said it was part of a crowdfunding effort. Either way, the customer got to determine whether they would buy the pen and how much they would pay.

Surprisingly, even though it was the exact same pen, buyers who thought it was a crowdfunding effort were more likely to buy and were willing to pay significantly more for the pen (\$1.49) than those who were offered a traditional purchase (\$1.05).

Published in the *Journal of Marketing Research*, the paper also shows it isn't only the act of crowdfunding that's drawing consumers in. The researchers performed the same exercise, but also alternated the merits of the pen: some people were told about its performance quality, while others were told about how it contributed to the social good—namely,

that it was made from reclaimed, sustainable materials.

In a separate experiment, online customers were offered sunglasses: some were told they were made from recycled fishing nets (a social good benefit), while others were told they adjusted to sunlight (a performance benefit). Notably, people paid substantially more for the crowdfunded product when it was combined with the social good element.

According to UBC Sauder professor Katherine White, study co-author and academic director of the Peter P. Dhillon Centre for Business Ethics, participating in crowdfunding spurs people's interest in the collective good—and those buyers are especially drawn to products that have a broader social benefit.

"Crowdfunding activates feelings of working towards a goal with other people, and what we find is that it activates an interdependent mindset. So, it makes you feel more interconnected with other people," says White. Because of that, she adds, people prefer products that give back in some way.

"When you're in the that state of mind, you're going to be more responsive to the goals of others—and goals that help others. So, if you're being offered this product that helps people or the planet, it has this matching effect—people prefer social good options when they are in an interdependent state of mind."

The effect was so strong, in fact, that the research assistant who was performing the experiments—and was not told what the researchers were studying—felt the need to speak up.

"She said, 'I don't know what's going on. They're all responding a certain way. I swear I'm not doing anything to influence them,'" says White with a laugh. "It's just a very consistent effect."

There is one key exception, however. If the crowdfunded project has already been funded and the product released, the effect is significantly diminished—even if buyers can still contribute. "People think, 'I want to be part of this process,'" says White, who co-authored the study with Bonnie Simpson at Western University and Martin Schreier and Sally Bitterl at WU Vienna—"And I want to make something come to fruition with other people."

In the future, White hopes to examine whether there are other notable outcomes of crowdfunding. Crowdfunding might also activate thoughts of innovativeness, for example. Because of this, crowdfunding might work particularly well when promoting products in categories where innovation is valued.

But for now, she says people who are developing products that have a social good side may want to launch their wares on a crowdfunding site before hitting the shelves—and emphasize their collective benefits.

"If you have a product or service that has this kind of social good element to it, a good strategy might be to do some kind of [crowdfunding](#) as a promotional activity that gets attention and buy-in from customers," she says.

"And even if it is being offered for purchase, perhaps you could word promotions in ways that activate that collective or interdependent mindset."

More information: Bonnie Simpson et al, EXPRESS: Making the World a Better Place: How Crowdfunding Increases Consumer Demand for Social-Good Products, *Journal of Marketing Research* (2020). [DOI: 10.1177/0022243720970445](https://doi.org/10.1177/0022243720970445)

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