



# What characteristics of crowdfunding platforms influence the success rate?

An empirical study into relevant determinants in order to explain  
differences in success rates between crowdfunding platforms  
world wide

Master thesis Cultural Economics & Entrepreneurship

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## **PREFACE**

Here it is then: the time has come to conclude a project I had signed up for two years ago: the test of my skills and abilities. Needless to say I am happy to finish, though I feel I am still not ready or willing to say goodbye. I am excited but anxious of what is going to happen next. It has been a long and difficult period, so much time was lost in the decision making process. I changed my topic drastically from museums and curatorship to crowdfunding - from a dinosaur-like topic to something so new and with such underdeveloped theories: merely a curious hatchling. It feels like this process took months, but nothing has taken more time than the endless battle I fought with myself. Being stressed out apparently is my way of getting things done in the end, but it is not a pleasant journey like that. Though my family and friends have always expressed their faith in my game and skills, I have only really accepted it and taken this for true from those that will judge me for it: my professors. Still, I thank you all for continuing to believe in me at all times, and it even feels as though I have been the only one who did not. But by far the most gratitude goes towards the love of my life, who must almost have suffered as much as me under my insecurities.

## **ABSTRACT**

Crowdfunding platforms are emerging all over the world offering their services as neutral facilitators to crowdfunding projects. A high success rate reasonably can be assumed as favorable for both the platforms and the project owners. But large differences can be noticed between platforms and their success rates. How is this constituted? In a quantitative analysis with data gathered from content analyses and a survey this master thesis aims to find those determinants that influence this success rate.

## **KEYWORDS**

Crowdfunding; crowdfunding platforms; success rate; success determinants; international perspective

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## 1 - INTRODUCTION

In the past decade crowdfunding has found its way into the status quo and the academic literature. Unsurprisingly crowdfunding is especially present in the creative and cultural industries, an area where the principle of funding in many different ways has been long known. Though research and literature on crowdfunding is still slim, so far, it is acknowledged that in order for a project to succeed in its funding by a crowd, it largely depends on the networking skills and efforts of the project initiator. The person, group or organization needs to employ its network to mobilize people to donate and mobilize themselves new networks and convince them of donating as well. In short, if you have a small networks or ‘no friends’, your chances of succeeding are zero. However, the overall success rate of a crowdfunding platform - the number of successfully financed projects vs. unsuccessful – may also depend on the efforts of the platform itself. By creating a buzz it too can attract potential funders and enthusiasts who may be persuaded to fund a project they had not heard of before.

Success rate of crowdfunding platforms and the parameters that affect this has not been researched at large; the available literature is limited to several master theses. The academic focus is especially towards motivations and structures of the funders and project initiators. The functioning of the crowdfunding platform seems to be taken for granted, for it is merely a tool that provides in an amazing new development. However, some peculiar occurrences can be noticed when we change our focus to the platforms structures and look at their figures. Notable and well known platform Kickstarter.com mentions an “incredible success rate of 44%” on their own website. Slightly under half of the projects that have been online succeed in the funding, that is, reaching the goal of 100% or more of the desired amount of money within the set time limits. Now this seems relatively high at first, but we can’t say much about this number yet, since there are too many factors depending on it. However, when we compare Kickstarter with a Dutch crowdfunding platform that also focuses on the cultural industries and has similar terms and conditions, we see an entirely different picture. March 17<sup>th</sup>, 2013: a total of 417 projects have been on the platform, including the 86 currently running. Of the total, 269 have been financed successfully. This is not entirely accurate, because of the 86 currently running, 4 have already reached the critical financing level but are still open to

donate to. This means that of a total of *closed* projects (331), 265 were successfully financed, which comes to a success rate of an actually incredible 80%.<sup>1</sup>

The difference between Kickstarter.com's success rate of 44% and Voordekunst.nl's success rate of almost 80% is tremendous. How is this constituted? Presumably, project owners will all do their best efforts to make the funding successful, regardless of which platform they chose. Several other differences may be of mild influence for the success rate, such as locational differences; though platforms mainly operate online, the targeted audiences' nationality and culture, and tradition of giving can result in a difference in success rate. This does not explain a difference between the previous mentioned crowdfunding platforms; therefore, this thesis will stay closer to the basis of crowdfunding, namely the platform itself and its efforts towards its clients and their projects. Two types of efforts can be identified at this point: (1) passive efforts e.g. layout, design, accessibility of the online platform, and (2) active efforts e.g. social involvement, overall visibility including offline, and partnerships with financing foundations.

## 1.1 - Research question and objectives

As mentioned, this thesis will stay closer to the crowdfunding basis and focus on the crowdfunding platform and its own role in the success rate, therefore the externalities for a project owner's chances in reaching successful funding. This focus results in the following research question: *What characteristics of crowdfunding platforms influence the success rate?* The objectives are to map several significant success factors of a crowdfunding platform that will lead to a certain success rate. The results may be of influence for future and past research in crowdfunding. For instance, motivation and the willingness to contribute to a project can be affected by the crowdfunding platform, which results in an additional variable within such research. Furthermore, it also in the interest of the platforms to establish what constitutes higher success rate, for usually in

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<sup>1</sup> This calculation is based on the figures that were available online for the researcher at that time. In the course of this thesis a different and more accurate success rate is provided by platform Voordekunst.nl itself: 75%

the terms and conditions it is stated that the platform receives a percentage of the funding as fee, usually only in cases of 100% funding or more.

## **1.2 - Motivation**

The motivation for the topic of crowdfunding is twofold. The first motivation - and the driver actually - is not as integer as I would have wanted it to be. My initial desire to take my studies to the next level in the form of a promotion trajectory made me choose for a niche in the field of research. There is still much to gain in this unexplored territory. However at this point - months later - I am not too certain anymore about that dream anymore. But the second motivation is that overtime I have taken a shine to the crowdfunding industry and its structures and possibilities. It is the illustration of a new era, as long as it is not taken out of context by a 'million dollar investment industry'. That is where the interest for the crowdfunding platforms comes in. They facilitate the gross of the industry and will play a large role in the development of an integer image towards the general public. All too often in media coverage the size and importance of the industry is described in its monetary value: how much already is invested and donated. I strongly feel this does not grasp its essential function and possibilities, and takes the focus off the value it can have for the cultural industries. The height of the success rate of a platform says nothing about its total monetary value, but everything about the opportunities it offers towards creative workers. And that's truly valuable and what motivates me to research this industry.

## **1.3 - Academic and social relevance**

The academic relevance of this research is omnipresent. With this particular topic and focus (success rate of crowdfunding platforms) this thesis really covers a niche within a niche. To my knowledge, the functionality, the success rate and success factor of crowdfunding platforms has not been researched at all. In no case I want to claim that I contribute substantially to the academic library, however because the lack of any thorough information on crowdfunding platforms this thesis will at least try to provide an explorative base for future research – which is possibly conducted by myself.

Social relevance can be found in the explorative nature of the thesis. Whereas the students of the master program all are aware of what crowdfunding and crowdfunding platforms are, surprisingly many people outside the field are still very unaware. There is still much to gain in the actual crowd and they too need to find their ways to the crowdfunding platforms so they can consider contributing in the funding of great projects.

#### **1.4 - Structure of the thesis**

The thesis is built up as follows: firstly, in chapter 2 the current situation will be described in a theoretical framework with reference to the available literature where possible, complimented by the available content via blogs and platforms in the online sphere. Next the methodology will be described in chapter 3, which includes a description of the measures that had been taken to form a decent sample according to the standards of the unit of analyses. This process ended up not being as easy and flawless as initially was thought of. The chapter also includes an extensive description of the variables and concludes with the operationalization which describes the consequences of the difficulties encountered regarding the sample and data gathering process. Chapter 4 will describe all tests conducted with every variable, and then chapter 5 will conclude with the results, implications and ideas about further research.



## **2 - THEORETICAL FRAMEWORK**

Almost all literature that is available states that there has little to no research been done in the field of crowdfunding. Crowdsourcing and crowdfunding are relatively new phenomena, and indeed the academic resources are still young, undeveloped and academically crowdfunding is no heavyweight yet. The first serious publication may be *The Wisdom of the Crowds* by Surowiecki, 2004. Literature with keyword crowdsourcing emerges approximately around 2006 (e.g. Jeff Howe), and on crowdfunding the first articles emerge in 2007 by Harms after crowdfunding starts to leave the closed scene (Hemer, 2011). An increase is seen from 2010, but the majority dates as of 2012: at the point crowdfunding and crowdfunding platforms are becoming mainstream. Still there are not many well developed theories to start from and there are roughly a dozen of articles that have formed the core of the theoretical framework and are frequently referred to by the academic world. At this point however there is enough literature available that allows for an academic discussion and a decent reflection on the topic. The much read phrases “there is no literature available on crowdfunding” or “little has been done in this area” therefore are not valid anymore for this thesis.

As mentioned, there are roughly a dozen articles identified that are suitable for reflection and forming theories, and already even some contradictions can be found. Next to the relatively scarce academic literature, there is also tons of information available online. Information on crowdfunding is easy accessible, and entrepreneurs involved in crowdfunding as owners platform (facilitators) or advisory agents are eager to talk about what they feel that is going on and post blogs. These blogs give novel insights in the actual practice. This chapter will continue to describe the phenomenon of crowdfunding by also reflecting on crowdsourcing. What are the triggers that helped the industry develop and grow; who are the players in the field, what are their motivations, and what makes it successful are generally the topics that will be discussed.

### **2.1 - The emerging of a phenomenon within a changing paradigm**

Indisputably our times are changing. We cannot ignore the current circumstances and changes that are perceptible on a daily basis, especially in the entrepreneurial spheres as

well as in the cultural sector. Without going in depth into the much discussed economic and financial crisis, it needs to be acknowledged as one of the strongest triggers that helped the crowdfunding industry grow. People are forced to break with traditional structures and established methods, and crowdfunding illustrates this fantastically. Small but ambitious startups find no luck looking for loans from the banks and find no support from business angels or venture capital funds. Ventures remain unfunded because these traditional investors are not as easy to convince of the potential value (Lambert & Schwenbacher 2010). Meanwhile, the amount of investors is declining and they seem anxious to take risks, for they need to protect their capital. But then a new pool of funders and investors emerges, which is found much closer to the venture's supply and demand, and finds its roots in the broader concept that is known as *crowdsourcing*.

The exact origin of the concept of crowdsourcing is difficult to track back, though the term itself emerges in 2006, e.g. Howe (2006), who refers to *outsourcing* to contrast with crowdsourcing in his opening sentence: "Remember outsourcing? Sending jobs to India and China is so 2003. The new pool of cheap labor: everyday people using their spare cycles to create content, solve problems, even do corporate R & D" (p. 1). Outsourcing labor to a third party - not rarely abroad – is done by companies in order to decrease costs or time, or to improve quality. This concept is known for a longer time but especially around the beginning of the 21st century. According to the Merriam-Webster Dictionary, *crowdsourcing* is "the practice of obtaining needed services, ideas, or content by soliciting contributions from a large group of people, and especially from an online community, rather than from traditional employees or suppliers". The difference with *outsourcing* here is that the involved third party is an undefined public, or crowd, rather than a specific company. Furthermore, crowdsourced labor or information is often obtained at relatively little costs, however not without efforts. Sources need to be convinced of the value of their contribution, however, people are eager to show their abilities and contribute their specialties and like to be a part of a bigger whole. The *wisdom of the crowd* and the willingness to contribute is omnipresent in the online and free encyclopedia Wikipedia. Jeff Howe (2006) describes several cases where (creative) entrepreneurs are working on a project but lack a part to fulfill it. Crowdsourcing is illustrated by networking, meeting the rightly motivated people and

asking for their contribution in order to complete a potentially amazing project. Often, the involved crowd comprises the potential customer. Kleemann et al. (2008) claim that typically companies that make use of crowdsourcing do this for commercial reason and this builds and expands on the former trend of involving consumers in the productive processes. In 2005 already Voss & Rieder described this phenomenon as the *working consumer*, which in two words comprises the whole phenomenon very well.

The second important trigger that helped to develop crowdsourcing and the subsequent crowdfunding is the emergent Web 2.0. The world wide web<sup>2</sup> has developed from just another static information medium to a strong interactive communication medium. It plays a key role in the crowdfunding industry, and is a “critical ingredient that has facilitated the access to the ‘crowd’” (Lambert & Schwienbacher 2010, p. 5). No other medium but the web allows for the cheap distribution of information to - and the interaction with – thousands, potentially millions of people. The social lives of people more and more takes place online, through the available social media, blogs, discussion panels, and the lot. The web is a medium that within a relatively short period has settled itself indefinitely in the structure of our daily lives. Due to the strong social, communicative and community essentials of crowdsourcing and crowdfunding, it is no surprise that Web 2.0 is a very strong inducement that allowed the development of crowdsourcing towards its current state. Lee, De Wester and Park. (2008) identify three qualities of Web 2.0 that help to enhance the practice of entrepreneurs: openness, collaboration, and participation.

Though crowdsourcing and crowdfunding can easily be categorized under the same topic, and the definition needs only small adjustment to fit the other, they can also differ greatly. Where in crowdsourcing the organizations that ask for labor, ideas, or time are more commercially and target oriented, in crowdfunding the organizations that are asking for money are often operating in the non-profit sphere. The available literature more than once relies on the definition of crowdsourcing by

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<sup>2</sup> Deliberately the term *Web* is used and not *Internet* to refer to the webpages we can view online. The internet is the technology that allows the web to exist, but the internet goes back further and has allowed interaction through email already for a much longer time. This however is another kind of interaction than that we can see on the web nowadays, and therefore a distinction is necessary. The thesis attempts to be consequent, though much of the referred literature uses the term *internet*. This however illustrates how mainstream the current use of internet being the web has become.

Kleemann et al. (2008), and then redefines it to suit the crowdfunding industry better. This thesis will follow that development towards a unified model:

“Crowdfunding involves an open call, essentially through the internet, for the providing of financial resources either in form of donations (without rewards) or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes” (Schwienbacher & Larralde 2010; Belleflamme et al., 2010; Lambert & Schwienbacher, 2010; Hemer, 2011).

Hemer (2011) explains that crowdfunding already emerged in the late 1990s and operated in the Internet community mainly serving the creative industries e.g. music, film and video, independent writers, journalists, publishers, creators of performing and visual arts, games, and theatres. But the development of the last years is that it makes use of the powerful tools of social networks and other new assets of Web 2.0, especially the function of ‘viral networking and marketing’, “which enables the mobilization of a large number of users in specific Web communities within a relatively short period of time” (Hemer 2011, p. 8).

Though crowdfunding started mainly within the cultural industries, in the last years it has widened its scope towards other entrepreneurial sectors. Social and charity initiatives raise money through crowdfunded donations, and entrepreneurs in consumer products and services are trying to fund their startup through crowdfunded investments. The spectrum of the parties, people, initiatives and categories is widening but also becoming more complicated and fuzzy. Hemer (2011) has identified several categories in order for crowdfunding projects to be classified in an organized table. They will be described below, closely following his example (p. 11-12). Firstly, the earnings model needs to be established. Three subcategories are available:

- *Not for profit*: the project is intended to be non-profit with societally important goals for instance in the area of public health care, public infrastructure [...] foreign development aid, general charity, public research projects, open source software, etc.
- *For profit*: the initiative pursues clearly commercial (for-profit) goals like setting up a company, funding a commercial project within an existing company, promoting new private goods (e.g. the installation of a wind farm by a utility),

an R&D project within a company, the funding of a commercial film or a music album etc.

- *Intermediate*: the commercial background is not clear yet for it may change over time. Examples of such organizations are novelties that can become a hype, like Facebook or Whatsapp, and events that find only a temporary market.

Next, the original organizational ‘embeddedness’ can be classified, also three categories are available:

- *Independent and single*: The initiative has no background in an institution or organization and is set up by individuals.
- *Embedded*: Projects originally initiated by or from within an incumbent private or public organization [...] and originally intended to remain part of such an organization.
- *Start-up*: These are projects that may start as independent ones but are intend to lead to the foundation of an organization (private or public) with unlimited scope: when a temporary project decides to transform into firm or foundation.

Table 1: Mapping crowdfunded projects. (Source: Hemer 2011).

Original embeddedness of the initiative	Commercial background of the initiative		
	Not-for-profit	Intermediate	For profit
Independent, single	Solar impulse	Lynch three project	Pebble watch
Embedded	Reduce the cost of energy in Africa	Racing shares	Media No Mad
Start-up	Tesla Science Center & Museum	The independent collective	Outvesting

The relationships between funders and founders are different in crowdfunding than in other types of funding, varying by context and nature of the project to be funded (Belleflamme et al. 2012). Patrons and philanthropists are those that fund social, art, and humanitarian projects, early customers are the funders that are allowed to taste the product of the project before an official release to the general public, and finally

investors, now also legalized in the US since the JOBS act<sup>3</sup>, are those funders that invest in a startup in return for equities or shares.

Belleflamme et al. (2012) argue that the status of the firm – commercial or non-profit - does not affect its technological opportunities and has the same chances of success. The only impact is that a non-profit organization cannot allocate its profits to itself. However, as will be evident from the next topic about the motivations of the funders, its status should affect the willingness to contribute by individuals. In addition, its status may affect the motivation and perhaps also the passion of the platform's owner and organization. This is put forward by Roy Cremers – owner of non-profit platform Voordekunst.nl: “A commercial platform (like Kickstarter, ed.) wants to earn money fast, it is more about quantity than quality” (appendix III). It is arguable which firm's status is more successful, and what in fact is success.

## 2.2 – Motivations of funders

The issue that dwells in much of the literature is the ‘why’: what makes people give to crowdfunding projects? It is recognized that those people that give aren't necessarily the wealthiest (Hemer, 2011), and therefore certainly must be committed. But Hemer does make an incorrect assumption is the question he poses: “What drives individuals who are not wealthy people to give away part of their earnings to ventures they have little personal connection to?” (p. 3). People do *not* have *little* personal connection. Pim Betist, crowdfunding expert and original creator of one of the oldest platforms: Sellaband, tries to counter the often thought of motivation of funders. It is easily thought that - in agreement with Maslow's pyramid - people want to belong to a community and individuals contribute to projects they would like to identify themselves with. However, Betist (2011) argues in his blog on website Sprout.nl that in crowdfunding this is precisely not the case. People do not give because they want to become part of a community, but because they already *are* part of that community and thus have a personal connection. They are more or less related to the project owner and

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<sup>3</sup> The Jumpstart Our Business Startups Act passed in April 2012 by the US government, intended to encourage funding for small business by allowing the general public to receive company equity for their investments.

fund the ideas because they feel he or she deserves it. This first wave of funders that is closely related to the project will encourage a second wave of funders, and a third one, until the project is completely funded.

Many times, motivations of funders are linked to the return they will get for funding a project. Are they tangible and extrinsic, or intangible and intrinsic? Perhaps a bit of both? These questions are related to the type of project and its reward system - to which this thesis will come back in depth later. To put it simply however, projects either reward their funders with thanks or a tangible non-monetary reward, or a monetary reward by means a percentage of the revenue or the interest on the loan that was given to the project. Lambert and Schwienbacher (2010) expect that rewards and control are substitutes of each other: when a project is more investment-like, a funder may have the desire to have influence in decision making processes in order to protect the investment. When this is not possible, a higher reward will be needed to satisfy the funder.

But when it comes to revenue sharing, crowdfunding becomes a very complicated and administrative process. In addition, such projects need to spend extra energy in trust building. Therefore, according to Lambert & Schwienbacher (2010), most of the past crowdfunded initiatives are either project-based or based on donations. Often, the financial return is not the main concern of funders, which according to the authors “suggests that crowdfunders care about social reputation and/or enjoy private benefits from participating in the success of the initiative” (p. 12). Also Hemer (2011) wants to emphasize motivations other than material rewards. (p. 14):

- Personal identification with the project's subject and its goals
- Contribution to a societally important mission
- Satisfaction from being part of a certain community with similar priorities
- Satisfaction from observing the realization and success of the project funded
- Enjoyment in being engaged in and interacting with the project's team
- Enjoying contributing to an innovation or being among the pioneers of new technology or business
- The chance to expand one's own personal network
- The expectation of attracting funders in return for one's own crowdfunding project

Though the scientific level of a master thesis may be questionable, Harms' (2007) master thesis' research has been referred to in many academic articles and therefore must be acknowledged as a valuable contribution. He investigated 10 principal motives that make potential investors become real funders. They are divided over five value categories and tested:

- Financial value which comprises the motivations *economic value*, *certainty effect*, and the *lottery effect*. Receiving economic value and the guarantee of receiving a tangible outcome (certainty effect) are both proven to be actual motivations of funders.
- Functional value comprises the motivation *personal utility* which is a strong predictor for funders to engage in a project.
- Social value with the driver *self-expression* which is significant, and (joining a) community, which is surprisingly not significant. This however is in line the earlier mentioned arguments in the blog of Pim Betist (2011).
- Epistemic value is proven to have no influence on the supporters to invest.
- Emotional value with the motivations *enjoyment*, *involvement*, and *supportiveness*. Of these three only *enjoyment* had significant impact on the intention to support.

The outcomes of Harms' tested motivations sometimes are counterintuitive and contradict some of the motives mentioned by Hemer (2011). Hemer's non-material motivations are all very likely, beautiful and eligible; however, they may not be all that significant. Even more so, gaining economic value was one of the motivations with the strongest significance in the results of Harms' research (2007).

Agrawal, Catalini and Goldfarb (2011) too investigate the motivations of funders, but from a geographical point of view. And they also mention that while funders may not be intentionally be looking for actual economic return, "they are focused on some type of return on their investment and therefore are motivated to select wisely amongst many projects competing for their donations" (p. 6). The proneness of funders to invest in a project shows different patterns according to the distance they are away from the project. Funders are not specifically more interested in projects closer to them, however they do have different funding patterns. Distant funders' motivations will increase when a project is already on the way of reaching the funding goal. For local



funders however this does not make such a difference. Agrawal et al., (2011) also suggest that these economic frictions between projects and long-distance funders can be resolved by well-functioning online mechanisms, such as platforms.

### **2.3 - Motivations of project owners**

In one sentence, Hemer (2011) describes one of the two best motivations a project owner can have: “Crowdfunding is on the verge of also becoming a substitute seed financing source for entrepreneurial ventures [...] that appear too exotic, too innovative to be understood, too complex, too crazy, too risky or which are, simply, poorly presented” (p. 2). On the one hand loans and funding organizations like venture capital and business angels are decreasing amounts of funding and becoming more careful, on the other hand artists have always had difficulties to find the money they need to fund themselves and their ‘crazy projects’.

Raising money may be the first reason to think of when someone wants to crowdfund, however, a very important second reason is the possibility of testing a product in a public setting. When a project is placed online, very likely on a platform, it has the ability to reach thousands to millions of viewers. This is an amazing way of marketing on the one hand, and getting feedback from potential customers on the other hand. Results from the research by Lambert & Schwienbacher (2010) clearly show this: “Raising money was a strong motivation for all respondents, getting public attention was relevant (or highly relevant) for over 85%, and obtaining feedback for the product/service offered was still relevant (or highly relevant) for about 60% of the respondents” (p. 9). Belleflamme et al. (2010) describe this as an information flow going in both directions: a firm is able to gather information about the perception of their product and how willing potential consumers are to pay for it. The other direction of the flow creates a buzz around the product and provides consumers with information about the product and increase consumer awareness. However, these theories are all very focused on (commercial) production, and ignore the niche of social and goodwill crowdfunding.

## 2.4 – Relevance in the cultural sector

It is believed that crowdfunding emerged and developed in the cultural industries, especially for those that use the digital media as an important medium (film, music). Crowdfunding as seen in the cultural sector “confirms with the century-old tradition of private sponsorship and donations to culture and the arts” (Hemer 2011, p. 26). Entrepreneurship is a relatively new phenomenon among artists and still needs a lot of development and awareness, also outside the sector from the perception of the public. Artists are characterized by their one-man businesses, a free but meager labor of love working from project to project. Therefore, according to Hemer (2011) it is no surprise that crowdfunding found fertile ground among the artists: they share characteristics. “Case-by-case funding of single projects which may be of limited scope but are compelling and attract many individuals. Funders are often peers from the same scene with similar problems, and thus, empathy with anyone trying to finance a project” (p. 27).

So especially in the cultural industries crowdfunding has found grateful market for two specific reasons (Barabas, 2012). Firstly, a well-known and much discussed difficulty within the arts is that ‘nobody knows’ (Caves, 2000): audience’s taste and demand within the arts is hard to predict, resulting in high uncertainties for producers of creative products. Crowdfunding can circumvent this issue because while attempting to gather the necessary funding the product simultaneously is tested in the market. When the project owner - despite of his attempt to reach an audience – does not reach complete funding, to some extent he can conclude there is no interest or market for his product or service. But when for instance the project is a live performance and the funding is completed, the project owner can count on an audience, especially when funders are rewarded with tickets to the show. Attendance by funders may generate more visitors by the word of mouth. Funders take pride in what they helped to establish and will want to share this with others. In addition, independent contributors are not bound to public relations and corporate conflict concerns that may otherwise be reticent towards supporting nontraditional, unorthodox or e.g. politically critical oriented (Barabas 2012).

The second reason why crowdfunding is a resourceful means to get the necessary funding is that like small start-ups it is getting increasingly more difficult to

find a body to provide financial means, e.g. a loan from a bank, or more relevant for the arts: the governmental grants or subsidies (Barabas 2012), or corporate funding. This has always been the case in the cultural sector. Furthermore, turnover from sales of artworks or services is generally low and private equity or VC funds have so far not been attracted into the cultural sector (Hemer, 2011).

## **2.5 - Determinants of success**

In this section the draft article by Mollick (2013) on the determinants of success and failure will be leading. He tries to define why many projects fail and little projects succeed in their funding process and reach their funding goals. When projects reach their goal they do so by small margins, meaning that they reach their exact amount or just over 100%. Two arguments are given that may explain the amount of failure versus success. However, the first is a very vague one that involves the lacking of the ability to self-fund on Kickstarter. If a project would reach a 90% funding, in theory the project owner could try to fund this last 10% by himself in order to be able to collect all the funding. Since Kickstarter applies the All or Nothing method which only allows the project owner to collect any money if 100% is reached, this could be a valid reason for a project owner to do so. But Kickstarter uses mechanisms to discourage this way of self-funding. Furthermore, only in the example described above one could understand why a project owner would decide to do so. If he or she could self-fund more than 10% the motivations to use crowdfunding methods are questionable. In addition, projects are not likely to lack such small amounts of funding. Therefore, this first argument put forward by Mollick (2013) does not really hold ground.

More credible is the second argument which lies in the nature and quality of the project themselves. Funders evaluate projects on the quality and likelihood to succeed, which can be done in two ways: will the funding succeed, and will the project itself succeed? From this perspective funders show many similarities with venture capitalists (Mollick, 2013). Being perceived as a project of high quality has all the benefits as opposed to being of mediocre or low quality. When funders start backing a project they feel is good, they will inform their peers via social media and thus the quality signals

are magnified. Receiving funding – which usually is publicly displayed on the platform – gives potential funders a sense of trust: the quality is already been acknowledged by others. This is a very important aspect of crowdfunding, and to help this effective process of peer effects (Ward & Ramachandran, 2010) project owners need to employ their social network in an early stage, in order to create this favorable image. Another signal of quality is preparedness (Mollick, 2013), which can be communicated through the projects' description and business plan which is displayed on the platform.

Efficient communication and networking are crucial components during the funding process, as is highlighted by Schwienbacher & Larralde (2010). But even though communication technology is widely spread and virtually accessible by anyone anywhere, in reality only those project owners who have a big enough network supporting them offline, may eventually reach their funding goals. Friends and family have an important role in this (Agrawal et al. 2010).

Projects that try to fund a product and reward that particular product tend to attract larger amounts of capital than those projects offering a service. However, this may be a result of the larger amounts needed for such projects, as argued by Lambert & Schwienbacher (2010). But regardless of the targeted amount, all projects generally need to reach the funding goal in order to claim the funding, thanks to the commonly used 'all or nothing' model. But a second reason put forward by the authors is that funders may be more tempted to invest in a project that has such a tangible outcome.

## **2.6 - Reward systems**

In addressing crowdfunding and its characteristics, the thesis will give priority to fully treating all the different rewards systems and business models that stimulate backers to fund a project. This approach is unusual in comparison with some of the available literature, where it is mentioned in the mid or end section, or not even at all. For this thesis however it is necessary to address the different crowdfunding systems because it helps to specify and narrow down the scope of the topic.

In a relatively recent article, Belleflamme, Lambert, and Schwienbacher (2012) compare two - according to them - dominant forms of crowdfunding, based on the

reward systems: (1) pre-ordering and (2) equity based. In short: the first form crowdfunding projects are characterized by the production of tangible goods that a funder can purchase before it is taken into production. A form of price discrimination for those early consumers increases the incentives to pre-order or ‘fund’. In the second form the funder provides the project owner with money in return for shares in the company. This usually is characterized by start-up entrepreneurial activity. This categorization by Belleflamme et al. however is far too generalizing to grasp the crowdfunding rewards systems that are available, and gives no credit to the enormous amount of small initiatives. Firstly, though many crowdfunding projects thank their funders by giving them a sample of their project or product, this is often not the rewards system that is understood as pre-ordering – even when a funder knows beforehand what he can receive for a specific amount of funding. Secondly, a short review of the listed crowdfunding platforms in the database of [crowdsourcing.org](http://crowdsourcing.org)<sup>4</sup>, only 7.4% (177 out of 2405) are specifically categorized in the subcategory *Investing* (equity, profit or revenue sharing). This can hardly be called a dominant figure, and can be confirmed by the research of Lambert & Schwienbacher (2010), sure enough available at the time Belleflamme et al. (2012) wrote their analysis: “much of the funds provided are either donations or are to receive a final product created by the project, rather than equity or cash payments” (Lambert & Schwienbacher 2010, p.1). Again, receiving a final product as a reward for a donation does not necessarily equal a pre-purchase system.

In principal four types of crowdfunding can be recognized: *donation*, *reward*, *lending*, and *equity based* (De Buysere et al., 2012; Barabas 2012). These categories sometimes go under different names but come down to generally the same idea.

The context of this thesis is primarily within the cultural sector which determines a lot of the theory. The cultural sector is characterized by its non-profit status, thus business models rarely include the possibility of having shares and are rarely suitable for lending money. Therefore, two out of the four available crowdfunding reward models, namely the equity based and the loan based model, are largely considered to be irrelevant. However, in describing the phenomenon of crowdfunding, they cannot be neglected and therefore all will be described.

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<sup>4</sup> [www.crowdsourcing.org](http://www.crowdsourcing.org) visited June 12<sup>th</sup> 2013

*Donation based* reward systems are the most straightforward among the reward systems. An individual provides a project with an amount of funding. The project owner does not owe the funder anything part from a proper execution of the plan, the project that is being funded. The next logical step is the *reward based* reward system. A project owner may thank the funder with a gift, usually related to the project like tickets to the performance, being listed in the CD booklet, or a guided tour through the exhibition by the artist. The rewards may differ with the amount of money funded, and this is also a method used to attract funders or stimulate them to fund higher amounts. The pre-purchase model is common within this donation based reward system. Commonly used in the reproducible creative industries, but also for technological products or gadgets. The individual ‘purchases’ the product from the project owner before it is produced. Simultaneously, the project owner knows there is already an offset market. When enough products are pre-sold the production can begin and the individual can receive the product. With this reward model some of the most extraordinary and world famous projects are produced, some that exceeded the targeted amount of funding largely. For instance ‘smartwatch’ Pebble: a ‘watch’ that displays the messages that your smartphone receives, inspired on Dutch people dangerously reading their phones while riding a bike in the city. The targeted amount of funding needed to take this watch in production was \$100.000. But the project sky rocketed to an incredible \$10.266.845, pledged by 68.929 funders within a period of five weeks.<sup>5</sup> The Pebble project is cited by Belleflamme et al. (2012) too, and this may account for why they have categorized this particular reward system as one of the two most dominant forms of crowdfunding. Although the success stories can dominate the stream of information, they give a distorted image of reality.

In the *lending based* reward system the funder receives the amount that was funded back including interest. An alternative is long-term lending based that has similarities with the revenue sharing model. The funder does not collect interest but at a predefined moment in time a percentage of the earnings of the project or company. In the case however when there is no revenue, the funder receives nothing. The *Lending*

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<sup>5</sup> www.kickstarter.com visited June 10<sup>th</sup> 2013

subcategory covers less than 3% (71 out of 2.405) of the crowdfunding platforms in the database of [www.crowdsourcing.org](http://www.crowdsourcing.org)<sup>6</sup>.

An even more risk-bearing reward system is the *equity based* model. Not uncommonly used, however the most administrative complicated reward system within the crowdfunding industry (see figure 1). A funder in this case is an investor and invests in equity, often in start-ups or industrial production and rarely in the cultural sector. The funder receives share and the level of reward is based on the performance of the project. As a funder usually there is little possibility to influence this success, though ‘right of say’ can be part of the reward in the highest funding regions. This however is the only opportunity in any of the reward systems for a funder to pledge *active* investments, whereas most of the project owners receive *passive* investments from the crowd and “do not offer the possibility for investors to become actively involved in the initiative, such as voting for selected characteristics of the final product or providing working time to the company” (Schwienbacher & Larralde, 2010 p. 381).

## 2.7 - Intermediaries and business models

In this relatively new industry, numerous intermediaries start to emerge online that act as neutral facilitators in the crowdfunding process. These intermediaries are known as the crowdfunding platforms and moderate between entrepreneurs and potential funders, but their practice is widely ranged, depending on their own ambitions. Many platforms have emerged in the past couple years as websites, and coming from all different continents. However the phenomenon hasn’t found its way into the literature at large and most information provided comes from pure observation.

The existence of these platforms allows for a distinction between direct and indirect fundraising, where direct fundraising means that project owners seek direct contact with their potential crowd, while in indirect fundraising a facilitating platform to some degree assists the project owners in their funding process. Because most project owners will only go through this crowdfunding process once, rarely several times, they will not have the time to gain the knowledge and experience that an intermediary could

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<sup>6</sup> [www.crowdsourcing.org](http://www.crowdsourcing.org) visited June 12<sup>th</sup> 2013

have. Therefore it is also evident that this indirect fundraising is the most commonly used method of crowdfunding.

While some platforms only offer their ‘physical’ platform to use by the project owners to present their projects on, others provide a wide range of activities and services. They can provide the option of interaction between funders and project owners, which will enhance the learning of a product’s quality and content. Another possibility for interaction is the publicly displaying of the contributions.

Crowdfunding platforms may guide project owners from the beginning till the end of the process by giving advice, organizing public relations and team up with network partners. Of course, these services are not for free, and platforms differ greatly in the amounts they ask. Some will only demand 4% of the funded amount – but only when the targets are reached. Some on the other hand want 10% if the target is not reached, and 7% when the funding is successful. Often, paying a registration fee is mandatory, of which the amounts are also widely spread, and may or may not function as a kind of deposit.

Platforms may differ in their target market, meaning that some platforms focus for example only on social entrepreneurship or goodwill. People may post their very personal ‘projects’ like the funding of medical treatment or a trip to volunteer in a third world country. Though crowdfunding platforms operate especially within the cultural and creative sector, they are best known for the entrepreneurial projects and start-ups. This is for the same reason as mentioned in the previous section: some entrepreneurial projects (and subsequently the platforms) become world famous because of reaching enormous amounts of funding and media coverage. For the viewer however, those platforms focused on the cultural industry may be the most interesting. They can reach gallery like levels and status, allowing artists to showcase a sample of their product, their stories and their business plans. This way they are really helping to reduce the economic friction between long distance funders and projects, as mentioned by Agrawal et al. (2011).

Besides the facilitating crowdfunding platforms, another intermediary is making its way into the industry: the crowdfunding consultancy. Dutch Douw&Koren is a consultancy that gives lectures, training, assists projects in their crowdfunding process, and meanwhile does research and writes reference books and publications. It exists of



two young men (hence the name) that were the cofounders of Dutch crowdfunding platform CrowdAboutNow, one of the first and leading platforms focused on entrepreneurs.

Following Hemer's (2011) identification, this section will continue to describe several business models used by crowdfunding platforms. Firstly, the *threshold pledge model*, but best known as the 'all-or-nothing' model, is probably the most commonly used model among crowdfunding platforms. It can also be tracked back in most of the following business model but it is especially the case in the Reward and Donation based reward systems. The platform and the project owner agree on a certain time constraint or pledging period, and within this period a set amount of funding has to be raised (or threshold) in order for the project owners to have it at their disposal. This happens in two ways: either the backers pledge an amount funding, or the funding is already transferred and parked. The progression of funding should be completely transparent in such a way that the process is fully visible online. The platform itself does not have this funding at its disposal, but is usually deposited at a partner bank of the platform. When the targeted amount of funding is not completely raised within the time period, it is returned to the backers or funders – or the pledges are cancelled. In some cases a crowdfunding platform offers the possibility to funders to decide themselves if they wish their funding back, or still want to back the project. When a project is successfully funded within the targeted time period, it often may continue to receive pledges and exceed the 100%.

The second model is the *(micro) lending* model. Typically, this model shows how banks can be avoided by using the crowdfunding platforms. The platform facilitates as a broker for peer to peer lending. For example, a project owner proposes a project for a certain budget, which even may be a private project. When enough people are reached to provide the loan, the borrower receives the loan which is similar to the threshold pledge model. Over time the borrower will pay the interest to the platform, which in turn forwards a part of the interest to the lenders. A critical note here however is that many of such facilitating platforms ensure an anonymous relationship between the lenders and the borrowers. This is in contrast with the strongest features of crowdfunding, namely the community. The next model however is very similar but does

contain the values considering a community, sense of ownership and entrepreneurialism:

The *investment or equity model* is a business model that is widespread among the entrepreneurial projects, and in the creative industries that create reproducible products like film, recorded music, and mobile applications. A project sets its target amount of funding, divides this into equal shares and sells those to the individual pledgers. When all shares are sold and the project lifts off, the investment phase begins. A well-known example of this model is one of the oldest crowdfunding platforms: Sellaband. The investment business model can be supplemented with what Hemer (2011) calls the *holding model*. Here, for every project the platform owner creates a subsidiary company as an individual holding. “Each holding owns the above mentioned shares of ‘its’ venture and sells them to the crowd. It acts as a single investor in the crowdfunding venture, alongside other potential investors from the conventional capital market” (p. 16).

The last business model discussed is the *club model*. This however is not very known among the crowdfunding platforms for several reasons. Firstly, it differs little from the business angel clubs, a group of investors and is in contrast with the definition of crowdfunding: a large group of individuals (the crowd) each providing small amounts of money instead of a small group of sophisticated investors, each providing a large sum (Belleflamme et al. 2010, p. 1). Secondly, there are numerous legal constraints to this business model. “The public offering of investment opportunities (securities) is highly regulated and restricted” (Hemer 2011, p.17). This is because in many countries funding individuals are protected by a legal system, and a platform will need to publish a sales prospectus that in turn needs to be accepted by supervisory authority. In the form of an investment club, a close circle, individuals are regarded as ‘qualified investors’ and a lot of bureaucracy, paperwork, and time can be saved.

## 2.8 - Entrepreneurialism

The development of crowdfunding is thought of as a way to induce entrepreneurialism and to develop entrepreneurship. However, when an entrepreneur of cultural worker

wants to fund his / her project by means of crowdfunding via the crowdfunding platform, we can see examples of even reduced entrepreneurship. For example: a fine arts graduation class that needs to organize its own graduation exhibition. Such an event requires organizational skills, including arranging facilities such as space and curating materials (moveable walls, wall paint, floors). Instead of than contacting relevant providers of material directly and arranging a deal in form of sponsorship, or even by raising the necessary funds by selling homemade food or auctioning your older art works, such graduating classes now have the ability to launch a crowdfunding project on an online platform and let their social network do the work. It is debatable to what extent this is more entrepreneurial than making the ‘offline’ and ‘traditional’ entrepreneurial efforts like the above mentioned examples of raising funds and materials through traditional sponsorships and networking skills. What is evident though is that crowdfunding is a *new* way of raising funds, which perhaps in time will learn us if it fits better in the contemporary economy. It can very much depend on the efforts of key players like for example the requirements a platform asks of the project owner. This is confirmed by Roy Cremers, founder of platform Voordekunst.nl in a conversation that was held (see appendix III). He explains that when a project wants to register at his platform, the owner will have to prepare a kind of business plan. He needs to design a budget plan and a communication plan, explain how they will get the necessary funding and potentially from whom, he’ll have to think about what the rewards will be, and most of all make a good presentation to explain the project online. All this preparation helps the project owner think their project thoroughly through and at the point it will go ‘live’ online he is well prepared.

Hemer (2011) argues that “most of the crowdfunding projects in the past had no to little entrepreneurial ambition” (p. 16), and for long crowdfunding has not been seen as a serious financial instrument for start-ups. Most crowdfunded projects are a onetime thing only, a temporary project. Though this viewpoint has changed overtime, unfortunately it does still seem quite true. As mentioned before, the database of crowdfunding platforms at crowdsourcing.org shows that only a 7.4% of all crowdfunding platforms are specifically categorized in the subcategory *Investing* (equity, profit or revenue sharing). Presumably, this subcategory is the one that undoubtedly is connected to (long term) entrepreneurial activities, for only then is a

project owner or entrepreneur able to repay the loan or rewarding investors – unlike temporary projects in the creative or social area. Admittedly, these figures are not entirely accurate, since projects that are operating within the more philanthropic areas may have entrepreneurial ambitions too. The potentially high entrepreneurial projects involving pre-ordering are not included in this percentage. Simultaneously, non-profit does not equal non-entrepreneurial, but it does add to the notion that crowdfunding is still mostly present and relevant in the nonprofit sphere.

## **2.9 - Economic relevance of crowdfunding**

In discussing the economic relevance of crowdfunding, it is necessary to refer back to the motivations of the project owners. Crowdfunding is often thought of as an easy solution, but it has proven to be just as costly as any other financing tool. It will take enormous amounts of time and energy to reach enough people: many are funding a little each, creating loads of transaction costs (Lambert & Schwienbacher, 2010). But as a marketing tool it is any commercial organization's dream to have such an interaction with the crowd. "In this sense, crowdfunding can be used as a promotion device, as a means to support mass customization or user-based innovation, or as a way for the producer to gain a better knowledge of the preferences of its consumer" (Belleflamme et al, 2012).

It is not clear if crowdfunding will replace traditional ways of funding, it seems more likely that they will exist together. Another possibility is that crowdfunding will cease to exist as a funding mechanism, when the crowd has had enough. The market may become saturated with all those projects demanding the attention of the crowd. For the early adapters and trendsetters the novelty already has worn off (conversation with Roy Cremers, appendix III).

If crowdfunding would take the direction of being solely a marketing tool, the power and relevance may be lost for the cultural industries, but Belleflamme et al. (2012) still see the potential for artists, as a way to present talent and products to the crowd. "From this perspective, crowdfunding may be viewed as a broader concept than purely raising funds: it is a way to develop corporate activities through the process of

fundraising” (p. 28). Unfortunately, when crowdfunding is covered in news items or blogs today, people like to describe the relevance of the industry by mentioning its size in terms of currencies, for example in a part of the blog written by Pim Betist (2013) on online magazine Sprout:

The Netherlands is placed in the top ten of exporting countries and belongs, measured according to GNP, in the top twenty largest economies while in terms of surface it is one of the smallest countries in the world. When we look at the amount of crowdfunding platforms in the Netherlands, we cover a beautiful third place after the US and the UK. No less than 6 percent of all crowdfunding sites in the world were established by Dutchmen. Unfortunately, the impact of these platforms is less impressive. Only 0.5 % of the 1.5 billion euro that has been collected by crowdfunding last year (2012) came from Dutch investors. When we subtract the 7 million that was collected by ‘De Windcentrale’ (wind energy project, ed.), it leaves us with an amount of merely a 2 thousands of the world’s total amount. *What’s going wrong?*

A lot of emphasis is put on the hard monetary figures and the supposedly unreachd goals and unused potential. But such absolute numbers explain nothing about the actual impact on the public, on the entrepreneurs, or on something like the unemployment rate. Talking in monetary terms also does not reflect the figures of unsuccessfully funded projects, or how many project owners failed to fulfill their dreams. The relevance for the creative and cultural industries can be enormous - and may be more than for entrepreneurial projects and start-ups - but such artistic projects usually do not need huge amounts of money to reach their goal. Referring to the crowdfunding industry by mentioning the worldwide “1.5 billion” (and is that really much?), the share of the creatives must be nil but the impact and relevance for them may precisely be the largest. This is not visible from such of numbers, and such information is rarely covered by the media.

### 3 - METHODOLOGY

In order to answer the research question, the thesis will conduct a quantitative analysis into the features of online crowd funding platforms. Quantitative research allows the analysis of large amounts of data, which in turn is necessary to determine the significance of potential success factors of crowd funding platforms. In this analysis the success-rate is the dependent variable.

The data will be collected from the online crowd funding platforms itself in a content analysis, using the website *crowdsourcing.org* as a starting point. Crowdsourcing.org is a Los Angeles based organization that has created an enormous database of the worldwide available crowdfunding websites and “is the leading industry resource offering the largest online repository of news, articles, videos, and site information on the topic of crowdsourcing and crowdfunding” ([www.crowdsourcing.org](http://www.crowdsourcing.org)). Their mission and company’s description are described as follows:

Founded in 2010, Crowdsourcing.org is a neutral professional association dedicated solely to crowdsourcing and crowdfunding. As one of the most influential and credible authorities in the crowdsourcing space, Crowdsourcing.org is recognized worldwide for its intellectual capital, crowdsourcing and crowdfunding practice expertise and unbiased thought leadership.

And:

Crowdsourcing.org’s mission is to serve as an invaluable source of information to analysts, researchers, journalists, investors, business owners, crowdsourcing experts and participants in crowdsourcing and crowdfunding platforms.

#### 3.1 - Unit of analysis

The sample will be gathered according to several requirements, using well-known platform Kickstarter.com as an example. The first requirement is that it considers a crowdfunding platform as opposed to e.g. ‘crowdsourcing’, ‘crowd creativity’, or an ‘open innovation’ platform. Within the crowdfunding category, a platform should be of the subcategory - or reward system - ‘*Donation, Philanthropy and Sponsorship*’, or ‘*Investing (Equity, Profit, and Revenue Sharing)*’, and therefore exclude the category

*'Lending'*. Secondly it should allow for viewers to see what projects are currently in need of funding, and what projects have been online in the past, whether successful or not. This means that the entry level for viewers and possible investors or donators should be low by not needing to subscribe to the website, or make a digital account before being allowed to enter. Thirdly, the platform should allow more or less creative projects or cultural entrepreneurial activity within the cultural industries. This eliminates those platforms that are solely focused on charity, goodwill or education. Cultural industries in this context are defined according to the definition described by Caves (2000). This definition contains a diverse range of cultural and creative production: from the more traditional creative production like theatre or music, to the contemporary digital products like the development of applications for mobile devices. As a last criterion for the sample, it necessary that a crowdfunding platform's content should be possible to be read in either English or Dutch regardless of its country of establishment.

The database of crowdsourcing.org has many crowdfunding platforms listed. It provides a screenshot of the homepage and a short description of the content of each one. Using that information the sample was gathered according to the requirements mentioned before. All the listed websites in the Donations subcategory and the Equity subcategory (720 in total) were shortly reviewed using only the information on crowdsourcing.org. Those that matched the requirements of the unit of analysis were listed and this resulted in a shortlist of 102 platforms. This potential sample then needed to fill out a survey containing 12 short questions (see appendix I) in order to provide information that is not possible to extract from their websites itself. This survey was sent using the platforms' email addresses that are listed in the short description on crowdsourcing.org. In some cases the actual website or even a Facebook page needed to be visited in order to get an email address, and 93 surveys could be sent at this point. Unfortunately, several platforms only provide a kind of contact form on their website, and this was used to request an email address in order to be able to send the survey. This however resulted in only 1 more sent survey.

Already in the first hours after the survey was sent enthusiastic replies came back. The first 20 were received after the first email, after 4 days a reminder was sent and this resulted in 7 more responses. Another reminder 7 days later resulted in only 1

response. Eventually out of the 94 sent surveys 30 were opened, and of those 30 only 26 were partially to properly completed and useable. This means a response rate of less than 30%.

Platforms were eventually deleted from the shortlist because they did not fit the sample requirements after all. For instance, they were more focused towards charity than initially thought, and had little to no cultural projects. Some didn't have clear deadlines for the projects financing period which makes a success rate difficult to establish. Several platforms seemed fake or failed and the website was taken offline which. This also explains some of the nonresponse. Among 'fake' platforms there are also some that are not really live yet, but have only example projects online to show what it is supposed to become. Strangely, several reported a starting date on crowdsourcing.org of longer than a year ago. Some only had a so called landing page that shows a message there is currently maintenance being done, but that took already some weeks.

One particular platform was removed for entirely different reasons. Upon the sent survey it replied that they receive 10 of such survey a day, but because they are working on their community they kindly requested to donate 10pund and in turn they would fill out the survey. A response was sent that this was not possible, upon which they replied exactly the same request. It is understandable that they receive more than one survey, thanks to the image they try to build which connects a world-famous entrepreneur to them, however the platform itself shows that it has only had a handful projects online so far and this contradicts the claims of receiving '10 surveys a day'. The level of integrity is too low and therefore it was also taken out of the sample.

Unfortunately some of the best examples had to be left out of the sample, because they didn't complete the survey and didn't provide the information on the dependent variable online. Many of the larger and established platforms remove the failed projects of their website (e.g. Mymajorcompany, Pledgemusic, Indiegogo, Sponsume, Wefund), and this denies the ability to calculate their success rate. Sometimes it is mentioned in their company's description, and one was found on Wikipedia, however, this information was over 2 years old and is not reliable. These platforms were sent another personal email but this resulted in only one reply.



Eventually, after analyzing the entire list of 102 platforms only 48 platforms were left as the final sample. The amount of available information on each platform differs, and of only 20 of them there is detailed information on several important variables thanks to the survey. An overview of the sample can be found in appendix IV.

### 3.2 - Variables

In order to map the crowdfunding platforms and to identify the significant success factors, a number of variables are identified. An unstructured interview was held with the owner of Dutch crowdfunding platform Voordekunst.nl to help develop and test them (appendix III). An overview of the variables can be found in table 3.1.

Platform basics:

- *Continent* of establishment: This is required for the tradition of giving is proven to differ between for example the US and Europe. (source) This can affect the success rate. Secondly, the tradition of start-ups is proven to be different between the same continents. Bankruptcy in Europe is considered as failure in Europe, while in the US the community is more supportive towards such events. An entrepreneur may feel less pressure in its start-up and therefore sooner take the chances. This can result in busier crowdfunding platforms and lower success rates.
- *Months active*: in the start-up phase of a platform itself it is unlikely that it has a realistic success rate. For example, it had only two projects live so far, and they both succeeded in their funding. A success rate will then be 100%. But there is also a god chance that both of those first projects did not succeed and then the success rate is 0%. A second reason to include the age of the platform is because a young platform is likely to attract only super motivated projects, also after those first two. These projects will help towards an established platform. Over time, when a platform reaches a more mature state, it will also attract projects of fortune seekers that are less motivated but want to give a shot at success and free ride in the slipstream of successful projects.
- *Scale* means how big the focus of the platform is. This can be local, national or international. It influences the capacity of the platform and the amount of personal

attention and counseling it can give to the projects. It also influences the geographic dispersion of the funders, and subsequently funders' motivations (Agrawal et al. 2010).

- Different *reward systems* may attract different projects and a different kind of funder. The equity and shared based platform generally are not suitable for the cultural sector and artistic projects. Rather they serve entrepreneurial activity and technological projects like can be found on platforms focused on gaming or mobile applications.
- The *content of platform* may also attract different types of funders and projects. Some platforms are solely focused on one single discipline; others have a wider scale of projects ranging from creative to entrepreneurial products and start-ups.
- *Business model*. Though most of the platforms involved in the sample use the threshold pledge model, there is a difference between a strict all-or-nothing policy, and a flexible one. It will influence the success rate when project that has reached only 80% funding will still be considered as successful.
- *Financial model*, whether a crowdfunding platform is commercial or not is hardly visible from the outside, ergo for funders. However, it may influence the platform owners' attitude towards accept rate of projects. For example: Kickstarter is a commercial organization and simultaneously will accept any project. If its successful it will receive a percentage of the funding, if not successful it will lose nothing. This variable may correlate with entry level of the platform.

The variable topic 'social engagement of the platform' tries to map the online visibility of the crowdfunding platform. As discussed in the theoretical part, web 2.0 is a major factor in crowdfunding. The influence of the visibility of the platform itself on its own success rate is difficult to establish. The visibility of the projects is certainly more important, however, the platform may also attract potential funders that weren't aware of the live projects.

- *Facebook 'likes'*: how many people follow the platform's Facebook page
- *Twitter followers*: how many people follow the platform's twitter account
- *Tweets*: because twitter is a less comprehensive medium than Facebook and a twitter account is only interesting when tweets are posted, this information is also recorded.

- *Google hits* on platform name will show how visible the platform is on the web, and how much it is being discussed or recorded in other websites.
- Having an active *blog* shows that the platform wants to engage with its funders and helps to improve online activity and visibility
- When well executed, a *newsletter* pre-eminently seems like an ideal way to interact with funders and interested individuals. It could potentially be a powerful tool to pursue funders to fund again, perhaps even more when newsletters are personalized to the receivers, for instance to geographic dispersion or the personal interest.

The variable topic ‘results’ comprise the history of results of the platform and includes also the dependent variable:

- *Total amount of projects successful*: the absolute amount of successful projects that have been live. This is necessary because of what is explained in the ‘months active’ variable
- The *success rate* is the heart of the research, the dependent variable. The success rate is the percentage that derives from amount of successful projects versus by the total amount of projects.

The variable ‘project engagement’ of the platform:

- *Network partners* may help the visibility of the platform towards potential new pools of funders and may bring certain interesting projects to the attention of new networks. They may enhance the stability of a platform
- *Financial partners* may influence the success rate, for instance by giving live projects a head start by providing the first 10% of the funding, or the last 10%.
- *Entry level* for projects. A platform could allow all projects and with that potentially allowing bad ideas in that have a hard time completing the funding. A platform could raise the entry level by judging projects on their quality or on their ‘fundability’.
- *Counseling* offered may differ strongly between the platforms. This correlates also with ‘scale’. Personal attention and giving advice to the project owners may help them in the funding process. Advising in the writing of a business plan, creating a short introduction movie, etc. may all lead to more funders.

Table 3.1 – Overview of variables (Source: own elaboration)

<b>Variable topic</b>	<b>Variable</b>	<b>Category</b>
Platform Basics	Continent	<i>Europe</i> <i>N-America</i> <i>Other</i>
	Months active	
	Scale	<i>Local</i> <i>Small country</i> <i>Normal country</i> <i>Large country</i> <i>Global</i>
	Reward system	<i>Donation</i> <i>Equity</i> <i>Both</i>
	Content	<i>Single discipline</i> <i>Cultural / Creative</i> <i>Cultural + Entrepreneurial</i>
	Business model (threshold)	<i>All or nothing 100%</i> <i>Flexible (~80%)</i>
	Financial model	<i>Commercial</i> <i>Non-profit</i>
Social Engagement	Facebook likes	
	Twitter	
	Tweets	
	Google hits	
Social Engagement	Blog	
	Newsletter frequency	<i>More than once a month</i> <i>Once a month or less</i>
	Newsletter content	<i>Organizational updates</i> <i>Featured projects</i> <i>New projects</i> <i>Sector news</i> <i>Successfully funded projects</i>
Results	Success rate	
	Total amount funded projects	
Projects engagement	Network partners	
	Financial partners	
	Selection (entry level)	<i>All projects allowed</i> <i>Feasible</i> <i>Quality</i> <i>Feasible and quality</i>
Projects engagement	Counseling	<i>Email</i> <i>Telephone</i> <i>Thorough preparation</i> <i>Optional training</i> <i>Enough info is on the website</i> <i>Nothing</i>

### 3.3 - Operationalization

For this research ideally a multiple regression analysis would be conducted to see what variable and category would have the strongest impact on the success rate. Many variables had to be computed into dummy variables, and that combined with merely a small sample gave very bad results. Conducting a multiple regression analysis with the variables continent, social media, amount of projects, business plan (threshold), platform's content, blog, and scale, proved to be of no real use. R Square resulted in that only 21% of the variance of Success rate to be accounted for by the independent variables. The significance level of the model was a  $p = 0.72$ , and in addition none of the independent variables reached statistical significance in the t-test. Lastly, the multicollinearity did not help the results either. For no other reason than to show what has been done an example of the output of the tables is nevertheless presented in the appendix (II).

Eventually, the entire multiple regression analysis is left out of the research and results, and instead each individual variable is analyzed and tested with the dependent variable Success rate. The different variables required for different measures: the one-way between subjects ANOVA, the independent-samples t-test, and a correlation test using Pearson's  $r$ .

### 3.4 - Validity and limitations

As mentioned in the operationalization, some problems needed to be overcome during the gathering of the data and construction of the methodology. This will definitely have consequences for the representativeness and generalizability of the results. Validity issues are that the information has not been gathered in a single way. Some information comes directly from the source in the form of the platform itself, some comes from the survey. Presumably the success rates gathered from the websites are not entirely correct, as was already noticed from platform Voordekunst.nl: the success rate calculated from the online available information was ~80% however the reported success rate was 75%.

Unintentionally this can give misleading figures in the results. In this case the 75% is used, because it is reasonable to assume a website has no intention to lie, especially considering that the reported rate is lower.

Though this will be especially problematic for the dependent variable – which will run through every test - this could also be the case for the different independent variables. Where it was possible, data has been double checked between the survey answers and content analysis data, and except for the mentioned example nothing has come out thus far. Unfortunately however, this cannot be checked for those platforms that did not provide a filled out survey, which entails approximately half of the entire sample.

## 4 - ANALYSIS

Often platforms seem huge, due to the amount of media coverage and their own efforts of using phrases like “Realize your dream today!” or “The world’s most / first / only ...”. For example: “*FringeBacker is the world's first multimedia showcase of its kind*” which sound very promising. But upon second look the success of such platforms can be a façade. For instance, the success rate is 0%, or the total amount of projects funded doesn’t exceed a number of 10 (for the example of FringeBacker this is 79% with in total 7 funded projects). For this reason the platforms that have a 0% success rate were initially included in the sample, because it does not have to mean any significance that a platform has a very beautiful website with a lot of visitors or media coverage, or that it has an active blog: a success rate can still be zero.

Unfortunately those platforms with 0% success rate were difficult to include in the analyses, because while analyzing data SPSS automatically removes the cases with a 0% success rate. However, on second thought it was decided that regardless of SPSS’ interference they do create a distorted and skewed image of the data and no further efforts were taken to let SPSS include the 0% data. Therefore, N in descriptions of the sample may differ from the actual statistical results. The mean success rate of all platforms - meanwhile excluding these 0% platforms - is 50,7% with N = 44.

### Continent

The variable continent was designed to perhaps show the differences in the culture of giving. Seven different world categories were identified: Europe (27) is the first and biggest with many cases in the Netherlands, several British, Italian and Spanish, an Irish, and several in Eastern European platforms; North America (10) which includes some Canadian platforms; South America (4) which consists of Brazilian, Mexican, Chilean and a Cuban platforms; Oceania (1) is a single Australian platform; East Asia (3) includes China and Singapore; West Asia (2) is an Israeli and Arabic Emirates platform, and Africa (1): a single South African platform. These numbers are from the data *before* SPSS takes out several for their 0% success rate.

As is evident from the figures, some categories are too small to give meaningful results. Therefore, instead of seven, three categories were established. Because of its

historical connection the Australian platform was included in the European category (28), the North American category stayed the same (10), and the third one was formed as a 'rest' category: non-Western (10).

To establish the effect of the continent of establishment (IV) on the success rate (DV), a one-way between subjects ANOVA was conducted. Though large differences between the three groups can be seen, they are not significant at  $p < .05$  level for the three categories:  $F(2, 41) = 2.56, p = 0,09$ . It is therefore not allowed to conduct and report a post hoc test. However, an overview of obtained mean success rate is reported in table 4.1. European countries have the highest success rate percentage of almost 57%.

Table 4.1 - Mean success rate per continent (Source: author's elaboration)

Continent	N	Mean success rate
Non-Western	10	38.50 %
Europe (+Australia)	25	56.88 %
N-America	9	47.00 %

### Months active

During an informal conversation a project owner expressed that only the super motivated projects will take their chances with a platform in its early development stage. As soon as the platform reaches a certain amount of stability and trust, more randomly motivated projects and fortune seekers will post their projects online. Projects with less motivated owners have less chance on reaching the funding target and thus lowering the overall success rate of the platform. This leads to think that the older the platform gets the lower its success rate. However, the maturity of a platform has to be also taken into account. Platform owners should learn over time what works and what not. A correlation test using Pearson's  $r$  was conducted to assess the relationship between Success Rate and Months active. There was a *weak negative* correlation between the two variables,  $r = -0.27, n = 44, p = 0.08$ . The negative nature of  $r$  helps towards these assumptions, however it is weak.

For the sake of curiosity a correlation test was done to assess the relation between months active and success rate for solely commercial and solely non-profit platforms. There was no difference noticed: a *weak negative* correlation using only



commercial platforms:  $r = -0.25$ ,  $n = 29$ ,  $p = 0.19$ , and also a *weak negative* correlation using only the non-profit platforms:  $r = -0.25$ ,  $n = 12$ ,  $p = 0.43$ .

### Scale

The target public of the platform results in its scale, and its potential community. The platforms were categorized under one of five categories: focused locally, on a small (< 30 million inhabitants), medium (< 120 million inhabitants), or large country (> 120 million), and globally focused. It proved to be difficult to establish if a platform was focused locally or on the entire country. Locally would mean that they focus on a home town. But eventually only two platforms were suspected of doing so, and this would not give meaningful results. In addition, the sizes of cities may differ enormous; therefore they were categorized according to the country they are situated in. To establish the effect of scale (IV) on the success rate (DV) a one-way between subjects ANOVA was conducted. Differences could clearly be seen between the means of the different categories, however not significant at  $p < .05$  for four categories:  $F(3, 40) = 0.90$ ,  $p = 0.45$ . With this level of significance there cannot be conducted a post hoc test. An overview of obtained mean success rate per scale category is reported in table 4.2. The small scale category – e.g. a country like the Netherlands or Ireland - has the highest mean success rate: 56% while the large scale countries – e.g. US, China – fall under the lowest mean success rate of 41,3%.

Table 4.2 – Mean success rate per scale (Source: author’s elaboration)

Scale	N	Mean success rate
Small	9	56.00 %
Medium	19	54.42 %
Large	8	41.25 %
Global	8	45.25 %

### Reward system

For the rewards system variable three categories were established: Donation (including reward), Equity (including shares), and a combination of both. However, the division of the platforms among those categories resulted in only  $N = 2$  in the Equity category.

Because most platforms in the combined category have relatively more ‘equity projects’ online, these two categories were added together. Because now only two categories were available, rather than ANOVA an independent-samples T-test was conducted to compare success rate (DV) in Donation and Equity (combined) conditions. There was significant difference in the scores for Donation (M = 54.47, SD = 21.50) and Equity (combined) (M = 37.80, SD = 25.20) conditions;  $t(42) = 2.07$ ,  $p = 0.04$ . This suggests that platforms solely focused on the Donation (including rewards) reward system have higher success rates. Specifically, the Donations category has a mean success rate of 54.5% while the Equity (combined) category has a mean success rate of 37.8%. An overview of the mean success rates per Rewards system category is presented in table 4.3 in order to give a clear overview.

Table 4.3 - Mean success rate per reward system (Source: author’s elaboration)

<b>Reward system</b>	<b>N</b>	<b>Mean success rate</b>
Donation, Reward	34	54.47 %
Equity, Shares, Combined	10	37.80 %

### Content

The information on the content could easily be extracted from the platforms itself and was not asked for in the survey. However one platform that filled out the survey made an additional note of it at the end of the questionnaire: “We believe by targeting a niche market we can provide a community where we help promote their projects through social media ads and niche publications” (by Philamthropy). Three categories were established. According to the unit of analysis requirements all platforms should more or less contain cultural oriented and creative projects. This however comes in different degrees:

1. Single creative discipline (e.g. only photography or dance)
2. Focused only on cultural projects
3. Multiple focus on cultural, creative and entrepreneurial projects.

To establish the effect of content (IV) on the success rate (DV) a one-way between subjects ANOVA was conducted. There was no significant effect of Content on Success rate at the  $p < .05$  for the three conditions:  $F(2, 41) = 0,12$ ,  $p = 0.89$ . This means there is

no difference in mean success rate between the different content categories. With such a high p-level there is no possibility to reject that H0 and therefore no post hoc test will be conducted; however the mean results are presented in table 4.4.

Table 4.4 - Mean success rate per content category (Source: author's elaboration)

<b>Content</b>	<b>N</b>	<b>Mean success rate</b>
Single discipline	14	49.00 %
Cultural / creative	9	49.00 %
Multiple focus	21	52.52 %

### Business model

The variable business model represents the option a platform may offer to allow flexible funding. This means that next to the 'all or nothing' principle when money is only transferred when 100% is reached, a project may also collect e.g. 80% funding and is also considered successful. An independent-samples T-test was conducted to compare success rate (DV) in All or Nothing Model and Flexible Model conditions. There was *no significant* difference in the scores for All or Nothing (M = 49.69, SD 24.04) and Flexible model (M = 54.56, SD = 20.31) conditions;  $t(42) = -.56, p = 0.58$ . Of course a minor difference can be seen in both the mean success rates: 54.6% of Flexible model versus the 49.7% of the straightforward 100% model. This is in accordance with the expectations about the Flexible model, because a project seems to have a slightly better chance of (artificially) reaching the 'successfully funded' status. However - as the literature also suggests - only a small number of projects fail by the lacking of a small amount of funding, say at 80-90%. The difference is very small and far from significant.

### Financial model

This variable represents the type of organization of the platform: commercial or non-profit status. This variable too has only two answers, therefore an independent-samples T-test was conducted to compare success rate (DV) in Commercial and Non-profit conditions. Because of the expectations of higher success rates on platforms with non-profit status, the significance level is not 2-tailed but directional. There was *no* significant difference in the scores for Commercial status (M = 46.69, SD 24.11) and

Non-profit status ( $M = 58.17$ ,  $SD = 21.18$ ) conditions;  $t(39) = -1.43$ ,  $p = 0.08$ . However, with that particular significance level of 0.08 we may strongly *assume* that the financial model of a platform affects its success rate. Non-profit platforms' mean success rate scores quite higher with 58%, versus the platforms with a commercial status mean success rate of 47%.

### Social media

The social media variable consists of a combination of the four variables Facebook-likes, Twitter-followers, Tweets, and Google hits on platform name. This proved to be a difficult variable because of the strong extremes in the results. To create a normal distribution they were converted into logarithms, and then constructed into the one variable Social Media. A correlation test using Pearson's  $r$  was conducted to assess the relationship between Success Rate and Social Media. There was a *weak positive* correlation between the two variables,  $r = 0.14$ ,  $n = 42$ ,  $p = 0.36$ . A slightly higher correlation would have been more welcome; the online visibility of the platform itself apparently has not so much influence on its success rate.

### Blog

Having a blog, especially an active blog, could be thought of to have an impact on the amount of visitors to the platform and perhaps also the success rate. The variable has only two options: yes or no. Therefore, an independent-samples T-test was conducted to compare success rate (DV) in blog and no blog conditions. There was *no* significant difference in the scores for Blog ( $M = 49.41$ ,  $SD = 23.42$ ) and No blog ( $M = 52.71$ ,  $SD = 23.38$ ) conditions;  $t(42) = 0.46$ ,  $p = 0.65$ . Though the significance level is far from reliable and no statements can be made, the category 'no blog' has a slightly higher mean success rate: 53% versus a 49% of the platforms with a blog.

With this variable the section on online visibility is concluded. There are no real significant results that may account for the success rate of a platform. This is however in line with the expressions of Roy Cremers in our conversation (Appendix III). The visibility of the projects themselves is obviously more important.

### Newsletter

Not having a newsletter is very uncommon therefore this variable wants to focus on the *content* of the newsletter. This question was posed in the survey and 5 different types of content were given and more than one answer was possible: Organizational updates, Featured projects, New projects, Sector news, Successfully funded projects. Since the low response rate and the many possible combinations it was closely impossible to conduct a proper test for this variable. This forced to compute a different variable which best can be interpreted as “*diversity of content of newsletter*”, where 1 is only one type of content, and 5 means all types of the options. Because of its new numerical nature, a correlation test using Pearson’s r was conducted to assess the relationship between Success Rate and Newsletter Content. There was a *weak positive* correlation between the two variables,  $r = 0.13$ ,  $n = 22$ ,  $p = 0.59$ . There were no expectations about this variable and there is little explanation about it now the qualitative / categorical content is invisible in the results. This is very unfortunate but due to the low response on the surveys.

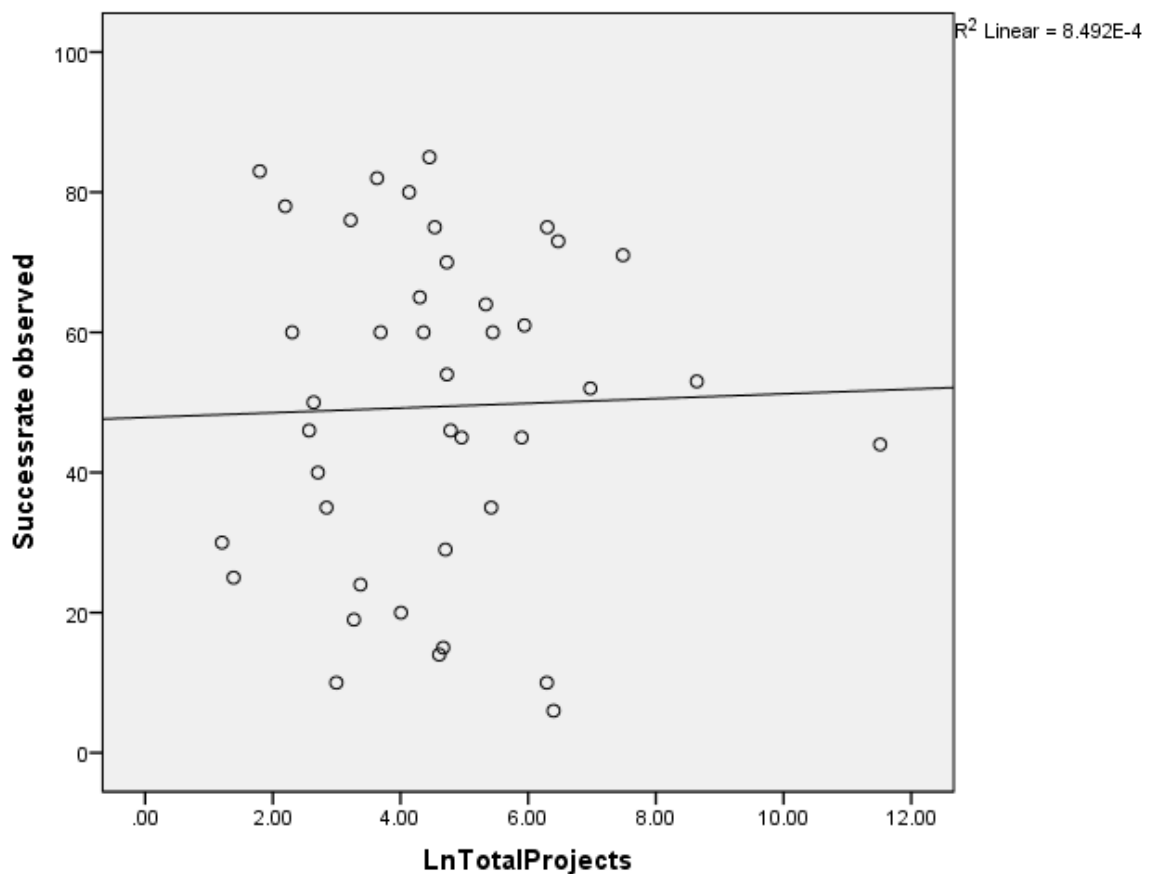
The frequency of the newsletter was also tested. There were very different answers, but they could be categorized under two options: once a month or less (onceM), and more than once a month (moreM). An independent-samples T-test was conducted to compare success rate (DV) in onceM and moreM conditions. There was *no* significant difference in the scores for onceM ( $M = 61.29$ ,  $SD = 18.85$ ) and moreM ( $M = 45.44$ ,  $SD = 27.25$ ) conditions:  $t(21) = -1.65$ ,  $p = 0.11$ . There is however a higher mean success rate for platforms that send newsletters once a month or less 61%, over the mean success rate of platforms that send newsletters more than once a month: 45%. This is quite a big difference, and the level of significance allows for making strong assumptions. These results are very interesting and allow more questions to rise. Could keeping close contact with your subscribers be counterproductive?

### Total projects

This variable was included because better than Scale it says something about the size of the platform. The data obtained in the research were – like Social media - had strong extremes and were therefore skewed distributed. It too needed to be converted into a

logarithm. Initially the total amount of successfully funded projects was used, however total amount of projects online worked better, thanks to the more meaty figures. A correlation test using Pearson's r was conducted to assess the relationship between Success Rate and Total projects. There was a (very) *weak positive* correlation between the two variables,  $r = 0.03$ ,  $n = 41$ ,  $p = 0.86$ . Expectations were unclear, but these figures are very vague and provide with no answers other than size is not proven to matter. To help visualize the randomness of the cases a scatterplot is created, see graph 4.1.

Graph 4.1 - Scatterplot of correlation between Success Rate and Total Projects



(Source: own elaboration)

### Network partners

This variable opens the variables category that involves the active efforts of a platform towards the projects and the connecting of them with the outside world. Network partners help the visibility of the platform towards potential funders and may bring

certain interesting projects to the attention of new networks. It proved to be difficult to analyze this, for not all information is available on the platforms. If there are no partners mentioned online this does not exclude the possibility for them to have any. This question was posed in the survey which provided with some data. Because of the large spreading of the figures the variable was constructed into a logarithm. A correlation test using Pearson's  $r$  was conducted to assess the relationship between Success Rate and Network Partners. Because of the expectations of a positive relation, a one-tailed significance was used. There was a *weak positive* relationship between the two variables,  $r = 0.14$ ,  $n = 28$ ,  $p = 0.24$ . This is somewhat disappointing.

### Financial partners

There were some hopes for this variable, e.g. in the case of a non-profit platform that works together with foundations to either get a funding process started, to provide the last few percent, or to use it strategically during the funding period of a project. However, because this information could not reliably be extracted from the platforms themselves and there were so little answers on the survey - also because several times platforms reported to have zero financially contributing partners - that there is no possible way to do a test. The available data will be shortly presented in table 4.5:

Table 4.5 - Amount of financial partners (Source: author's elaboration)

<b><i>N</i> financ. partners</b>	<b><i>N</i> platforms</b>
10	1
4	4
3	2
2	2
1	1
0	9

### Entry level

A door policy could help the overall success rate by declining entrance to e.g. projects that may not be so serious about their plans, or projects that seem hardly feasible to finish the funding process. Two platforms that filled out the survey made a note of this at the end of the questionnaire: "We carefully select projects of which we feel they have merit. Although we cannot guarantee the outcome of any project, we believe that by

posting quality projects our site will be known as such” (by Philanthropy) and another: “Overall, we think everything is ‘crowdfundable’. We make a selection though, based on the enthusiasm of the filmmaker(s) and whether they are willing to spend time on a good campaign” (by Cinecrowd). The conducted survey provided the majority of the data; however some content analysis helped to increase the numbers. Four possibilities were provided:

1. All projects are allowed (provided that they meet the general terms and condition or style of the platform)
2. The platform refuses infeasible projects regarding the funding process
3. The platform refuses projects of lower quality
4. The platform refuses on infeasibility *and* low quality

To establish the effect of the entry level (IV) on the success rate (DV), a one-way between subjects ANOVA was conducted. Large differences can be seen between the mean success rates of the different categories, but there was no real significant difference between the effect of entry level on the success rate at the  $p < .05$  level for the four conditions:  $F(3, 33) = 2.65, p = 0.07$ . This does not allow for a post hoc test, but because the p level is so close to significance ( $p = 0.065$ ) and the differences between mean success rates are quite high, assumptions can be made. As is visible from table 4.6, the highest mean success rate can be found in the category that selects projects on feasibility *and* quality: 69%. The difference between it and the category ‘all projects allowed’ with a mean success rate of ~43% is huge. The category that only selects on feasibility also has a high mean success rate, which lends to think that a door policy on feasibility may be a good way to help success rates of platforms increase.

Table 4.6 – Mean success rate per selection (Source: author’s elaboration)

<b>Selection</b>	<b>N</b>	<b>Mean success rate</b>
All projects allowed	16	42.94 %
Feasibility	5	67.80 %
Quality	12	50.00 %
Feasibility + Quality	4	69.00%



## Counseling

This variable was one of the more important ones, since Roy Cremers mentioned in our conversation (appendix III) that the assisting of projects according to him was one of the important differences that one can make. This was also expressed by one of the platforms at the end of the survey: “We spend lots of time assisting them in creating one and during the campaign itself. That's why so many projects succeed!” Unfortunately this variable encountered the same problems as the variable ‘mailing content’ did. The data for this variable was extracted by means of the survey because it is insider information and not really available on the web pages of the platforms. The small response and the many categories (6) resulted in too many possible combinations to do proper testing. Available by telephone (1), by e-mail (2), thorough preparation (3), optional training (4), plenty information on website (5), and last choice (6) was there is *no* counseling. In this variable too the answers were simply added so a scale from 1 to 5 was created. No platform answered with category 6. This variable now can be interpreted as ‘diversity of counseling’, with a soft tension towards ‘amount of counseling types’ however that cannot really be assessed from this non-categorical numerical data.

A correlation test using Pearson’s *r* was conducted to assess the relationship between Success Rate and Counseling. There was a *weak positive* correlation between the two variables,  $r = 0.15$ ,  $n = 19$ ,  $p = 0.55$ . This means that having more different types of counseling is weakly related to higher mean success rates.

## A case of fraud

The analysis will be concluded with the description of a recent case of one of the first and biggest scams in crowdfunding in June 2013. Due to its size, Kickstarter has little personal contact and connection with the projects that are online. Of course, projects need to meet certain requirements but apparently some things can be faked. This particular case involved a project that claimed to be taking a special kind of expensive Japanese beef to the US<sup>7</sup>. With phrases like “*FOR THE FIRST TIME EVER, ANYWHERE, 100% JAPANESE KOBE BEEF JERKY INFUSED WITH GOURMET FLAVORS!*” and claimed reviews that were supposedly sent by text message to the

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<sup>7</sup> <http://www.kickstarter.com/projects/kobered/kobe-red-100-japanese-beer-fed-kobe-beef-jerky/> last visited July 14 2013.

projects owners during festivals where they handed out samples, they tried to achieve their funding goal of a small \$2,500, for them to fund their fridges to store the beef. But the project somehow skyrocketed and reached a whopping \$120,000.

Strangely, on their project's page there was only a short film showing only sentences and words and no actual footage of the Japanese farm or they owners themselves, and those exciting testimonials and screenshots of the supposedly people that had tasted the beef. Funders started to ask questions in the open comments section, but every time someone expressed something critical or slightly negative, or when someone showed the research he did on the project and the owners (e.g. "[...] And this is the funniest part, just a curious thing I found. The Facebook page for Kobe Red Jerky is *Louis Friend* which is an anagram for *iron sulfide* or more commonly known as *fool's gold*. Funny, isn't it?!"), a dozen people with 'new' profiles would boo them as ruining it for the rest, and stressing their enthusiasm: "*5 hours to go! Great jobs guys. The new flavor sounds boss!*"

Meanwhile, Kickstarter must have started to question the case and demanded explanations from the project owners or at least footage with their faces on it. But the owners managed to stall this process. It took some time till the project eventually was suspended in the last minutes of the deadline. In retrospect, it is unbelievable how people could have been fooled. Its integrity and authenticity is already questionable by the way it's praised by themselves, and by the many 'new profiles' which as such is also a way to track a fake. Those new profiles must have been the project owners themselves, trying to create a buzz. Later, none of the festivals they claimed to have been handing out free samples and asking for reviews remembered them or could confirm they had hired a booth. It is a good development for the industry that this event of fraud has taken place, because it may help the platforms to freshen up their level of skepticism and terms & condition.

A clear overview of all results can be found in appendix V.

## 5 - CONCLUSION

What influences the success rate of crowdfunding platform, what determinants have significant effect on it? Thus far and to my knowledge this has not been researched before. The available literature and theory limits itself mainly to how the phenomenon crowdfunding has come to be and how it is being used and can be used. When crowdfunding came to my attention it was in a pure artistic setting, and therefore it was sometimes surprising and also difficult to see econometric models being developed in order to use crowdfunding in the best possible way (see Belleflamme et al. 2012). Such models seem to be especially focused on - and useful for - the start-up and (non-cultural) entrepreneurial projects. It takes a lot of the creativity and social dynamics away from crowdfunding, and it was therefore no surprise that specifically these articles make erroneous statements about what the most dominant types of crowdfunding are. It is to be hoped that either the tendency of the literature on crowdfunding will remain towards the cultural industries (or at least not ignore it), or that clear bifurcations will take place.

To find some ‘success factors’ several aspects, structures and characteristics are scrutinized in order to establish their relevance for - or correlation with - the success rate. Of the fifteen variables that were tested, only one reached statistical significance with  $p < 0.05$ , but three other variables were able to reach  $p < 0.10$ . Of those that were tested for correlation, none reached any higher than a weak correlation, often with low levels of significance. This level is of course not enough to make statements, however tendencies can be observed and careful assumptions can be made.

The only tested variable that came out significantly is the type of reward system that is used by a platform. There exist approximately seven different types of reward systems that can be divided over three different main categories: Donation, Equity, Lending. For this research the lending category was left out completely for it involves a very different kind of crowdfunding that has more similarities with banking than with cultural entrepreneurship. The Donation reward system category comprises also the ‘Reward’-reward system which gives funders tangible goods like samples of the product or service that is being crowdfunded. The results show that platforms using the donation/reward-reward system have higher mean success rates: 54%. Platform using

the equity reward system have a lower mean success rate of 38%. This may be due to the typology of projects that can generally be found on such platforms. It is difficult to narrow this down to a particular discipline but equity based platforms often involve start-ups and software based product like gaming and mobile applications, which tend to need higher amounts of funding. In the donation rewards system, generally artistic projects can be seen which require amounts that rarely exceed €10.000.

The other three variables worth mentioning are *continent of establishment*, whether a platform is *commercial or non-profit oriented*, and what the *entry level* of the platform is. These three variables showed p-values of  $<0.10$ . Considering the continent of establishment, a tendency can be observed towards Europe. These platforms show higher mean success rates: 57%. This may be due to the culture of giving, but perhaps also because of the prudence of European projects: an entrepreneur or project owner is afraid to fail publicly and will only take start crowdfunding when e/she feels the chances of succeeding are high enough. Failing in start-ups is less being looked down upon in the more entrepreneurial US: “at least you tried, on to the next project”.

The financial model – being commercial or non-profit – of a platform also allowed for careful assumptions. Non-profit oriented platforms showed higher mean success rates: 58% versus the commercial platforms’ 47%. It is difficult to give reasons for this tendency without sounding prejudiced about ‘those solely profit oriented platforms’ but indications may be found in the platform owners’ personal mission, goals, and passion, and the possible connections between non-profit platforms and public bodies.

The last of the worth mentioning variables is the entry level of the platform, or the way there is being selected. Needless to say, denying the entrance to un-fundable projects is one of the best ways to increasing a platforms’ success rate. This however can create a wrong image of a platform, because in a success rate alone we cannot see the organization and real content. However, the platforms that claimed to select on feasibility show quite higher mean success rates than those that allow all<sup>8</sup> projects on their website: a mean success rate of 68% for those platforms that select on feasibility, and 69% for the category that selects on feasibility *and* quality. Platforms that allow all

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<sup>8</sup> ‘All projects’ provided that they meet the terms and conditions of the platform.

projects have a lower mean success rate: 43%. In addition, this is the highest difference observed between category means among all variables.

Unfortunately, none of the other variables can be described meaningful. There are some interesting distinctions between correlations being positive or negative, but all are weak to very weak. Although the *months active* variable showed significance at  $p < 0.10$ , the correlation resulting from Pearson's  $r$  was weak at  $-0.27$ . The direction however should be called interesting, because it is negative meaning that the older platforms get, the less well they seem to perform in terms of success rate. Also, the negative association with *mailing frequency* (more than once a month mailing category has a lower mean success rate) calls for more questions. An overview of significance can be found in table 5.1. An overview of all the results can be found in appendix V.

Table 5.1 – Overview of significance (Source: author's elaboration)

<b>Variable</b>	<b>p-level</b>
Continent	0.09
Months active	0.08
Scale	0.45
Reward system	0.04
Content	0.89
Business model (threshold)	0.58
Financial model	0.08
Social media	0.36
Blog	0.65
Newsletter frequency	0.11
Newsletter content	0.59
Total amount funded projects	0.86
Network partners	0.24
Financial partners	not tested
Selection (entry level)	0.07
Counseling	0.55

Referring back to the introduction where the comparison between Kickstarter and Voordekunst was made, strong conclusions cannot be made but some indicators can be observed. Kickstarter is located in the US, has a close to world-wide scale and a commercial organization. These three characteristics all score lower in the mean success rates of the results, as opposed to Voordekunst's European location, with a small focus in the Netherlands, and a non-profit organization. What has not come forth from the research and results is large personal guidance of relatively small amount projects that

Voordekunst operates, versus the enormous often unguided feed of projects on Kickstarter. The scam described in the analysis may also be a result of that. Though these are merely observations, interestingly another platform with almost exactly the same characteristics *and* corresponding success rate can be found in Ireland (Fundit), and Spain (Goteo).

### **Limitations of the research**

The limitations encountered are mostly due to the sample size. The sample was too small to be able to be of any real significance, even when statistical significance was observed in one of the tests. However, because the population itself is relatively not that large, it can still be representative to some degree. The second issue that comes forth of the small sample size is its relation to the relatively large amount of variables, even more so thanks to the extra variables that were constructed to be able measure categorical data. This results in not being able to conduct a decent multiple regression analysis in which the variables could be measured against each other. Now, all variables had to be measured independently without being able to take the effect they could have on each other into account.

### **Empirical contribution and further research**

Because of the small amount of theories on crowdfunding, let alone theories specifically focused on the population of crowdfunding platforms, there wasn't much to start from or to compare with thus far. The empirical contribution of the thesis and research can be found in the opening up of the topic and explorative nature of it. But this also immediately leads to the recommendations for further research. Future research should further develop the variables to scrutinize and perhaps despite of the small population focus on a more specific group of crowdfunding platforms like those described in the previous section: non-profit, smaller scale, and with a focus on cultural projects. More conversations should be held prior to any form of research with crowdfunding platform owners and different projects owners, in order to develop valuable variables and to observe real experience rather than the image seen on platforms which undoubtedly is carefully created. However, a qualitative research in the form of a comparative case

study may be of more value. Already in one conversation I've found more information than is available in most of the academic literature on crowdfunding. Personally I am very eager to do such a research, because I would still like to develop relevant and adjustable determinants that may help the success of a crowdfunding platform. Hopefully this way platforms located anywhere in the world can help the cultural sector even more.

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## APPENDIX I

Survey sent to platforms.

1. Please categorize your type of organization:
  - Commercial
  - Non-profit
  - Other:
  
2. Since when is your platform live? (month + year)
  
3. What is your overall success rate in percentage?
  
4. How frequently do you send a newsletter to your subscribers?
  - Never
  - Weekly
  - Monthly
  - Quarterly
  - Rarely
  - Other:
  
5. Is your newsletter ...:
  - Specified to a subscriber
  - All subscribers receive the same newsletter
  
6. What can we read in your newsletter? (more answers possible)
  - Organizational updates
  - Featured projects
  - New projects
  - Sector news
  - Successfully funded projects
  
7. To what extent do you counsel project owners in their process? (more answers possible)
  - We are available regarding any questions by email
  - We are available regarding any questions by telephone
  - Before any project goes live we prepare the project owners thoroughly
  - Optional training
  - We provide project owners with enough information through our website
  - Not

8. To what extent do you avert projects? (more answers possible)
  - We only accept quality projects
  - We only accept feasible projects (regarding the funding process)
  - We allow all projects
  
9. What reward system do you allow on your website? (more answers possible)
  - Investing (Equity, Profit & Revenue sharing)
  - Reward (including pre-purchase)
  - Donations, Philanthropy, and Sponsorship
  
10. What threshold model do you use:
  - All or nothing: 100% only
  - All or nothing but flexible from ... (e.g. 80%)
  
11. How many corporate partners do you have?
  
12. . How many partners are financially contributing to projects on your platform?
  
13. In case of any questions or remarks, feel free to state below. I thank you for your time and will keep you posted regarding the results of the research. Have a nice day!

## APPENDIX II

The multiple regression analysis, using variables continent, social media, amount of projects, business plan (threshold), platform's content, blog, and scale.

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.461 <sup>a</sup>	.213	-.086	24.218	.515

a. Predictors: (Constant), dLarge, LnTotalProjects, dEntrep, dBlog, dSmall, dTreshold, dummy north america, dCultural, dummy europe and oceania, dMedium, SocialMedia

b. Dependent Variable: SuccessRate

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4592.499	11	417.500	.712	.718 <sup>b</sup>
	Residual	17009.257	29	586.526		
	Total	21601.756	40			

a. Dependent Variable: SuccessRate

b. Predictors: (Constant), dLarge, LnTotalProjects, dEntrep, dBlog, dSmall, dTreshold, dummy north america, dCultural, dummy europe and oceania, dMedium, SocialMedia

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	32.102	20.102		1.597	.121		
dummy europe and oceania	17.961	11.974	.388	1.500	.144	.405	2.468
dummy north america	13.492	13.022	.233	1.036	.309	.537	1.862
SocialMedia	9.087	8.139	.338	1.116	.273	.296	3.383
LnTotalProjects	-3.123	3.466	-.270	-.901	.375	.302	3.314
dTreshold	.997	10.133	.017	.098	.922	.887	1.127
dCultural	7.130	12.961	.129	.550	.586	.497	2.012
dEntrep	10.352	10.188	.225	1.016	.318	.552	1.813
dBlog	4.522	8.915	.095	.507	.616	.776	1.289
dSmall	14.840	14.080	.268	1.054	.301	.421	2.374
dMedium	8.248	12.697	.178	.650	.521	.360	2.776
dLarge	8.128	14.858	.133	.547	.589	.458	2.185

a. Dependent Variable: SuccessRate

## APPENDIX III

Conversation with Roy Cremers, creator of crowdfunding platform Voordekunst.nl. At their office in Amsterdam, 30th May 2013.

Partners trekken projecten niet als zodanig over de streep. In een vroeg stadium wordt bijgedragen, bijvoorbeeld de eerste 10% door BKKC, en AFK maximaal 1/5 van de begroting, en dat wordt soms in het begin, soms halverwege ingezet. Strategisch. Fonds 1818 matched de bijdrage, onzichtbaar voor de buitenwereld.

Op Kickstarter staan gewoon veel meer projecten, ze hebben ook een veel groter publiek. Maar wij merken ook dat met meer projecten het minder goed is te monitoren. Het is nu nog allemaal handwerk, bijhouden hoe het loopt, en nu kijken of we dat meer kunnen digitaliseren. Probleem gevallen er uit halen en bij te sturen.

Wij proberen toch wel om met alle projecthouders te spreken en feedback te geven. Voordat het live komt is er contact, persoonlijk, telefonisch of per mail, en dat kan wel 4x gebeuren. Bij Kickstarter is dat veel meer geautomatiseerd en heb je als projecthouder eigenlijk geen contact met een levend persoon. Ik denk dat dat een verschil is.

De mentaliteit is in de VS anders. Vooral omdat het nieuw is, mensen hebben toch wel het gevoel dat ze bekeken worden hier in Nederland, en het is als een falen als je het niet haalt, en dat is misschien ook wel enerzijds motivatie om het bedrag lager in te zetten, of dat je extra gemotiveerd bent om er voor te zorgen dat het volgestort word (desnoods zelf).

Wij hebben een tussen weg – tussen 80 en 99% kun je alsnog je project uitvoeren. Als maker of aanvrager moet je laten weten hoe je dat gat gaat opvangen. Stel je hebt 10.000 nodig en 9000 opgehaald, je komt 10% te kort, over het algemeen kan je je project nog wel uitvoeren maar we willen wel weten hoe je die 1000 euro gaat opvangen. Wij vragen dat dan aan de projecthouder en dat plan wordt naar alle donateurs doorgestuurd, en dat iemand zegt “ik wilde het uitvoeren met 10 mensen, maar nu doen we het met 8, en 2 mensen doen vrijwillig”, of zoiets. Donateurs kunnen binnen 5 dagen bepalen om wat extra's te storten, terugtrekken of laten staan. Bijstorten gebeurt een enkele keer, terugstorten doet niemand. Vrijwel iedereen laat het geld staan voor de projecthouder. Uiteindelijk wordt het project dan ‘100% Voordekunst op basis van een aangepaste begroting’. Dit is gebeurd van de 340 keer ongeveer 60 keer. De meerderheid haalt wel 100%

Ronde bedragen werken beter, hogere bedragen werken niet zo zeer beter. Hoe hoger het bedrag, des te beter moeten je tegenprestaties zijn en aantrekkelijker. Het geven is dan namelijk niet meer voor de lol of voor de geef. Bij een publicatie is dat doorgaans al die publicatie, of een foto van de fotograaf, als je dus wat meer geeft. Je merkt wel dat bij hogere bedragen dat die tegenprestatie een belangrijkere rol spelen. En

bij kleinere bedragen is het toch meer voor de geef. Hoe professioneler een plan oogt, des te beter moet je je best doen om donateurs over de streep te krijgen.

Nee, er is niet zo zeer een verschil bij de projecten, maar je ziet wel dat bij die hogere bedragen dat hoe concreter je project is, en hoe meer je terug kan bieden, des te groter is de kans van slagen. Dus als jij voor een projectie in de openbare ruimte 10.000 euro nodig hebt dan moet je wel heel goed nadenken wat je mensen kan bieden. Want een projectie in de openbare ruimte is over het algemeen toch wel gratis toegankelijk en voor iedereen te zien. Waarom zouden mensen daar 50 of 100 euro aan geven. En dat soort bedragen heb je wel nodig om je doel bedrag te halen. Of je moet een sponsor vinden die in een keer 2000 euro betaald, die je op een of andere manier zichtbaar kan maken. Terwijl wanneer je bijvoorbeeld een publicatie of een voorstelling wilt gaan maken of een voorstelling waar mensen normaal een kaartje moeten kopen, en iets extra's krijgen, gaat dat wat makkelijker.

De belangrijkste factor van succes is eigenlijk de projecthouder. Als jij als maker er niet zoveel moeite er voor doet is de kans niet zo groot dat je het haalt. Wanneer je er wel gewoon goed je best voor doet is de kans gewoon veel groter dat het project zal slagen. We merken dat op dit moment op Voordekunst veel theater projecten staan, veel muziek, fotografie, film, en publicaties in de bredere zin. En relatief weinig dans, meer de actievare theaters en beeldende kunst blijven achter. Een schilderij realiseren is natuurlijk ... zal niet zo snel gaan, jij wilt je schilderij voor je zelf maken, en voor iemand die het uiteindelijk gaat kopen. Waarom wil je dat gaan crowdfunding? Uiteindelijk moet je er elf beter van worden, en is er maar 1 uitvoering en product van. Maar bijvoorbeeld een tentoonstelling zou dan wel weer kunnen, of stel dat jij een bijzondere wandschildering ergens kan realiseren, want je kunt er op een slimme manier over nadenken hoe je de donateurs er in kan verwerken. Of kun je met miniatuur iets geven of een klein object. Wat je wel ziet is dat het vooral te maken heeft met de mentaliteit. Ik denk dat de dansers en de wat meer traditionele danssector en de beeldende kunst sectororen zijn die meer in zichzelf gekeerd zijn en minder naar buiten toe, dat daar nog een slag te slaan is, en dat het met de mentaliteit te maken heeft. Al zie ik wel dat jonge dansers wel bezig zijn met de interactie met het publiek, maar dat dat minder vanzelfsprekend is om daar te crowdfunden.

We zien sowieso dat organisaties minder gebruik maken van crowdfunding dan individuele projecten, enerzijds is dat omdat bij individuele makers is de urgentie groter want die hebben geen reserves, en ook wel het gegeven dat het ook niet succesvol kan zijn, ja voor een individuele maker kan dat heel vervelend zijn maar het gaat door en je hebt ondernemerschap getoond, bij een organisatie hangt er een groter belang van af, wanneer het niet slaagt zien zij dat als reputatie schade.

Ondernemerschap is natuurlijk meer dan crowdfunding. Wat wij vragen aan jou als je een project aanmeldt op Voordekunst is om een concreet plan, om een communicatieplan, om na te denken over tegenprestaties, om te denken over de begroting, en doordat we die dingen allemaal vragen ga jij als projecteigenaar daar over nadenken, ga jij een goede propositie maken en verteld kort en bondig wie je bent en

wat je wilt. Waarom je daar een bijdrage nodig heb en je denk over wat je anderen kunt bieden. Voor 10 euro, voor 50, voor 5000. ? Op die manier ga je al nadenken, en hoe ga je die mensen bereiken want 5000 euro ga je niet aan je vrienden vragen, daar heb je een andere doelgroep voor. En vervolgens, stel dat ze hebben bijgedragen, hoe ga je daar mee om, en hoe zorg je er voor dat je die donateurs vasthoudt, en dat soort aspecten proberen we bij te brengen. Best wel belangrijke elementen voor ondernemerschap, want als jij wilt gaan fondsenwerven voor je organisatie of voor iets veel groters, dan komen al die vragen die bij crowdfunding ook aan bod komen. Je moet een duidelijk verhaal hebben een duidelijk doel voor ogen, en natuurlijk is het ook ondernemend als je gewoon maar de straat op gaat en waar maar kan geld vandaan haalt, maar dat is uiteindelijk minder houdbaar het is geluk, vluchtig, maar doordat je al beter heb nagedacht over wat je wilt en wie je bent en wat je gaat doen en waarom je daar geld voor nodig heb, kun je strategischer je financiering ... uiteindelijk moet je toch nog bij heel veel mensen langs maar je hebt wel een basis waar je op kan tergvallen. Het is geen oplossing, uiteindelijk zit ondernemerschap in jou, maar het helpt je wel om er over na te denken.

Hoe betrek je die mensen die wel die 5000 zouden geven? Wat doen jullie daar voor om die zichtbaarheid te vergroten? Die donateurs van 5000 euro krijgen wij ook nog niet massaal, maar we proberen wel om voordekunst onder de aandacht te brengen, door zichtbaarheid te genereren, publiciteit, daarnaast hebben we ook partners die projecten onder de aandacht kunnen brengen in hun netwerk, eventueel ook een bijdragen kunnen doen, we zijn achter de schermen ook bezig met bedrijven die structureler gaan bijdragen aan projecten op voordekunst, daar zijn we wel mee bezig maar het kost wel veel tijd. En dat is ook niet iets waar we standaard extra tijd voor hebben. Maar we willen hier wel echt meer bezig mee zijn en denken dat dit een meerwaarde kan zijn. Wat we wel zien is dat we steeds meer terugkerende donateurs krijgen, mensen die vaker lang s komen om projecten te ondersteunen, dus dat zien we wel.

Ik denk niet dat we in de toekomst alsnog gaan keuren op kwaliteit, naast haalbaarheid. Als jij een oké plan heb om je werk te financieren en ik denk “artistiek is het niet mijn ding”, maar als het jou lukt wie ben ik dan om te zeggen “dat mag niet”? Want dan ga je je als een soort fonds opstellen en dat zijn we niet, we geven zelf namelijk geen geld. Het is aan jou om dat geld bijeen te halen. Wat we wel meer zullen doen is projecten onder de aandacht brengen. Dus dat wel zelf meer projecten selecteren die we meer bij bepaalde doelgroepen onder de aandacht willen brengen. We zijn nu ook bezig met een onderzoek naar donateurs, wie zijn dat, wat voor type projecten willen zij ondersteunen. En dan vooral die terugkerende donateurs, dat is voor ons natuurlijk een hele interessante groep. Als wij een beetje weten wat voor typen projecten zij willen ondersteunen, dan zullen wij natuurlijk die, dat type projecten meer bij hen onder de aandacht brengen. Stel dat wij zien dat zij uitzonderlijk veel bijdragen aan jonge theatermakers en publicaties, dan zullen wij die meer bij hen onder de aandacht brengen en op die manier meer curator zijn.



We zijn nu ook aan het kijken of dat technisch mogelijk is want we merken dat mensen toch wel geven aan projecten die bij hen in de buurt zijn, dus de geografische afstand speelt een rol, dus als we daar handig op in kunnen spelen, dat zijn dingen die wel willen gaan doen. De projecten selecteren en een nieuwsbrief op maat is iets wat vrij makkelijk te realiseren is en de cookies staat op onze technische lijst om op te pakken.

De featured projecten, dat is nog te random. We zijn al bezig om de homepage te updaten, zodat we daar meer informatie op kwijt kunnen. Meer scheiding maken tussen donateurs en projecthouders (conversie) op de website, en zodoende donateurs meer bij de hand nemen en richting die doneer knop te brengen

De vaste groep donateurs is nog heel divers. Uit eerste onderzoek kwam nog een heel breed publiek. Over het algemeen wel hoog opgeleid maar dat lijkt de enige gemene deler. Zo'n 60% van de donateurs geeft om de beloning, 40% om de geef, ook dat is ook zo in de hogere marges.

Ik denk dat we op dit moment nog te weinig met onze blog en brief doen, af en toe word er wel wat in uitgelicht, daar doen we nog te weinig mee. Ook de blog gebruiken we over het algemeen alleen voor nieuwsberichten. Het kost echt tijd.

Bij crowdfunding is de sociale controle wel hoog, dan is de drang om het tot iets succesvol te maken wel sterk. Tot nu toe hebben we nog geen klachten gehad dat het project niet was naar de verwachting.

Crowdfunding speelt zich vooral online af, als jij geen idee hebt hoe dat werkt heb je ook moeite met crowdfunding. Mensen die daar wel in thuis zijn zullen op een andere manier nadenken, doordat ze zo actief zijn kunnen ze makkelijker zien en peilen wat wel of niet werkt. Je kan je omgeving tot ambassadeurs maken als je al voor de online launch samenwerkt. Mensen die niet erg thuis zijn in social media hangen vaker aan de telefoon bij ons.

Over het algemeen kan je wel stellen dat de eerste kennismaking met het platform komt via een bevriend project. Ik denk dat de minderheid via Voordekunst zelf binnenkomt en dan naar projecten gaat zoeken en heeft bijgedragen. De meerderheid komt binnen via het sociale netwerk rondom de projecthouder. Als je dan abonneert op de nieuwsbrief of Facebook pagina, en dan een warm gevoel krijgt en besluit om nog een donatie te doen. Hoe groter ons sociaal netwerk is, hoe interessanter we zijn voor potentiële partners en bedrijven. Toen we de 1 miljoen behaalden zijn er meer deuren geopend want men mocht ons serieus nemen. En dat weer met 2 miljoen.

Qua projecten zitten wij nu wel aan onze capaciteit, maar dat heeft met name te maken met de bezetting. Hoe gaan we de organisatie efficiënter inzetten, want ik vind het wel belangrijk dat we blijven coördineren en begeleiden. Maar misschien kunnen we een deel daarvan online ondervangen. We worden nu geremd in de groei doordat we met te weinig zijn. Online meer tools zodat we minder snel dichtbij betrokken zijn bij een plan. Wellicht een online traject met workshop waarin je projecthouders zelfstandig in kan sturen. En dat zij helemaal hun plan kunnen realiseren met een filmpje met tips & tricks, en dan zijn wij een paar keer per week beschikbaar voor een spreekuur / live

chat. Soms gaat de hele dag de telefoon nu, en soms niet. Als we dat kunnen structureren zou dat heel fijn zijn.

Voor de early adapters is crowdfunding nu al een beetje passé, maar dat is over het algemeen een kleine groep. Ik denk dat de massa, de crowd, dat we die hebben we nu wel bereikt, maar daar liggen nog wel veel kansen.

Een van onze doelen is het ondernemerschap in de sector vergroten, als dat doel bereikt is en crowdfunding niet meer nodig is, zijn wij ook blij. Wij hebben geen winstogmerk maar willen de sector verder helpen. Als er behoefte blijft willen wij dat wel faciliteren.

Een commercieel platform wil snel veel geld verdienen. Het gaat dan meer om de kwantiteit dan kwaliteit. Voorheen waren ze best streng maar dat is los gelaten, iedereen met een creatief idee kan er op. Kickstarters 44%, betekent dat meer dan de helft het niet haalt, en de pure kunstprojecten ligt de success rate nog lager. Projecten waar veel geld voor nodig is (en die hard gaan) worden flink gepromoot door een groot team. Er worden miljoenen ingestoken door investeerders. Voordeel is dat je als je veel geld hebt, je veel geld kan maken door middel van functionaliteit etc. Nadeel is dat de investeerders geld willen zien en je wel winst moet maken.

## APPENDIX IV

List of platforms used in the sample

Platform	Country
Aflamnah	United Arab Emirates
Appsplrit	USA
Appbackr	USA
Appstori	USA
Bandedd	Spain
Catarse	Brazil
Cinecrowd	The Netherlands
Crowdaboutnow	The Netherlands
Crowdcube	United Kingdom
Crowdculture	Sweden
Dancefunder	United Kingdom
Emphasis	USA
Eppela	Italy
Fondeadora	Mexico
Fondomat	Czech Republic
Fringebacker	Hong Kong
Fundit	Ireland
Funderhut	USA
Fundo	Canada
Gambitious	The Netherlands
Goteo	Spain
Hooandja	Estonia
Ideame	Chile
Inkubato	USA
Kickstarter	USA
Libros	Spain
Luckyant	USA
Mimoona	Israel

Mindfruit	Romania
Musicraiser	Italy
Nordstarter	Germany
Oocto	France
Philanthropy	USA
Plebs	Canada
Potlatch	Spain
Pozible	Australia
Projeggt	Spain
Sellanapp	The Netherlands
Share2start	The Netherlands
Starteed	Italy
Startme	South Africa
Togather	Singapore
Touscoprod	France
Verkami	Spain
Voordekunst	The Netherlands
Wayv	The Netherlands
Yagruma	Cuba
Zaozao	Hong Kong

## APPENDIX V

Overview of all results

Variable	Results	Mean	Significance
Continent	Europe	57%	No, with p = <b>0.09</b>
	N-America	47%	
	Non-western	39%	
Months active	Weak negative correlation at $r = -0.27$		No, with p = <b>0.08</b>
Scale	Small	56%	No, with p = 0.45
	Normal	54%	
	Large	41%	
	Global	45%	
Reward system	Donation	54%	Yes, with p = <b>0.04</b>
	Both + Equity	38%	
Content	Single	49%	No, with p = 0.89
	Cultural	49%	
	Multiple	53%	
Business model (threshold)	All or nothing 100%	50%	No, with p = 0.58
	Flexible (~80%)	55%	
Financial model	Commercial	47%	No, with p = <b>0.08</b>
	Non-profit	58%	
Social media###	Weak positive correlation at $r = 0.14$		No, with p = 0.36
Blog	Yes	49%	No, with p = 0.65
	No	53%	

Newsletter frequency	More than once a month	45%	No, with p = 0.11
	Once a month or less	61%	
Newsletter content#	Weak positive correlation at r = 0.13		No, with p = 0.59
Total amount funded projects	Weak positive correlation at r = 0.03		No, with p = 0.86
Network partners	Weak positive correlation at r = 0.14		No, with p = 0.24
Financial partners	Not tested		
Selection (entry level)	All projects allowed	43%	No, with p = <b>0.07</b>
	Feasible	68%	
	Quality	50%	
	Feasible and quality	69%	
Counseling#	Weak positive correlation at r = 0.15		No, with p = 0.55

# Categories are combined into numerical variable

## Variables are combined into one