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How can projects be successful on crowdfunding platforms?

An empirical study into the relationship between the success rate of crowdfunding projects and Marketing theory

Master thesis Cultural Economics & Entrepreneurship

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ABSTRACT

Crowdfunding allows entrepreneurs who need to raise capital to start up their businesses by receiving funds from funders who are willing to support those entrepreneurs' creative and novel ideas. Crowdfunding is often used for cultural industries. This research reports on empirical research regarding the relationship between crowdfunding for cultural industries and marketing strategies used for crowdfunding. Previous research normally looked at the motivation of funders based on donation theories which considered funders as donors. However, this research considers funders as consumers and investors and it focuses on marketing perspective that can increase the success rate of crowdfunding. Specifically, the aim of this research is to find elements related to marketing that can increase the chances of success of crowdfunding.

Accordingly, this research reports (1) positive effects on limited edition rewards, tangible rewards and intangible rewards promised during the crowdfunding campaigns; (2) evaluation of marketing strategies used for crowdfunding such as prosumer marketing and viral marketing; (3) basic findings on the influential marketing related elements on crowdfunding platforms; (4) positive relationship between social exchange theory and success rate of crowdfunding.

These empirical results give insight into crowdfunding and can contribute to the development of crowdfunding as a source of raising capital. Furthermore, this research discusses the limitations of marketing strategies currently used for crowdfunding and gives recommendations on launching a successful crowdfunding campaign in the future.

KEYWORDS

ACKNOWLEDGEMENTS

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1 – INTRODUCTION

"Right now entrepreneurs are already using crowdfunding to raise hundreds of thousands of dollar in pure donations- imagine the possibilities if these small-dollar donors became investors with a stake in the venture" (Barack Obama, 2011, www.sprowd.com).

1.1 – PROBLEM STATEMENT

In the last couple of years, entrepreneurs who need to raise capital to start up their businesses have benefited from the crowdfunding system to realize their creative and novel idea. An entrepreneur who looks for monetary support can use a crowdfunding platform to publish his idea, which can also serve as a public relations campaign. Through crowdfunding, he can check the early validation of his idea and receive pre-orders from potential customers. Crowdfunding is also financially attractive compared to loaning money from a bank. It is a useful tool for entrepreneurs and seems a very encouraging system that can support them. However, according to Kickstarter (a well known American crowdfunding platform) statistics the probability of being a successful project is much lower than the probability of failing (www.kickstarter.com). Moreover, Mollick (2014) said, "Among crowdfunded projects, failures happen by large amounts, successes by small amounts (p.6)." This means, large amounts of projects failed to reach their pledged amounts and small amounts of project succeeded to reach their goal.

When crowdfunding is properly used, it can serve as an effective tool for entrepreneurs. Despite the current view of crowdfunding as a risky tool for entrepreneurs, there are great possibilities for the future. This leads my research to investigate the potential success rate of crowdfunding. Previous research studied mostly funder's motivation based on donation related theories; this research will investigate the use of marketing strategies in crowdfunding. Based on the current marketing strategy, this research aims to find the most effective strategy for entrepreneurs to succeed.

1.2 – RESEARCH QUESTION AND OBJECTIVES

As mentioned, crowdfunding is created for entrepreneurs who need money so that they can materialize their product ideas. In order to help them reached their goal amounts, one must find effective marketing strategies and learn how to motivate funders to donate

money for the project. This study systematically reviews the data about the success rate of crowdfunding in cultural industries. Several studies (Youkin,P., & Kashkooli,K, 2013; Wechsler, 2013; Lee & Shin, 2014; Mollick, 2014) considered a goal achievement project as a success of project. The current study also considers the meaning of success based on a goal achievement of a project. When a project's goal amount is reached the project is considered as a successful project, while the project failed to reach the goal amounts it is considered as an unsuccessful project. This study aims to provide clarity surrounding the role of different marketing elements related to and their effectiveness in crowdfunding for cultural industries. Therefore, we will investigate the following research question in this study:

RQ: Are there any marketing related elements on crowdfunding platforms that affect the success rate of reward-based projects in the cultural industries?

Previous researchers (Youkin & Kashkooli, 2013; Remoundou, Drichoutis & Koundouris, 2013) try to understand a funder's motivation based on donation theory, but this research is built on marketing perspective that sees funders as consumers. Funders, who contributed to projects, usually refer to the transaction as 'buying', 'giving', and 'getting' (Gerber, et al., 2012) which, complicate the definition of funders as donors or investors. There are contradictions within how a funder defines crowdfunding transactions. The word 'giving' presents crowdfunding transaction as a donation, but the word 'buying' and 'getting' is more related to consumption. Although previous research considers crowdfunding participation as donation behavior, this contradiction suggests that some crowdfunders consider their behavior as consumption behavior. Thus, this study considers crowdfunding transactions as part of consumption behavior. The goal of this study is to find ways to increase this 'rate of consumption', so that crowdfunding projects can become more successful.

Since marketing is directly related to company's image and profits, successful marketing should have an important role in crowdfunding as well. The major objective of this study is to investigate the relationship between marketing related elements on crowdfunding platforms and success rate of crowdfunding projects in the cultural industries. Therefore this research looks for a way to support entrepreneurs who plan to launch crowdfunding project, so the sub question for this research is:

SQ1: Which marketing strategies influence the success rate of crowdfunding projects for cultural industries?

1.3 – ACADEMIC AND SOCIAL RELEVANCE

The use of marketing strategy in crowdfunding seems very obvious but it has not been researched thoroughly. To my knowledge, the interrelationship between the success rate and success factor of the crowdfunding page description (Lee & Shin, 2014; Mollick, 2014) has been researched but the success rate and successful marketing strategies for crowdfunding has not been researched at all. Since marketing strategies are applied in diverse situations in our daily lives, such as television advertisement, using social network service, conversations with friend about certain products, etc., it appears many times in human lives. It follows that marketing strategies can easily be extended and applied to crowdfunding. Therefore, I want to explore this topic and expand the research on crowdfunding in the academic world. Unfortunately, crowdfunding is in a developing stage so it has not been researched much. I believe this research will give a direction for future research on crowdfunding and marketing strategies.

Moreover, crowdfunding is an important topic to discuss from a societal perspective. First, the awareness of crowdfunding to the public is still comparably low. People who have an interest in entrepreneurship or students who study business are aware of this concept. However the general public is not familiar with this particular form of fundraising. This research is expected to contribute to increasing the awareness of crowdfunding and contribute to the success of crowdfunding projects.

Secondly, crowdfunding can provide entrepreneurs with novel ideas a chance to contribute and develop society. However, the probability of project being a success is lower than the probability of failure. It shows the need of researching effective marketing strategy to increase the percentage successful projects and support entrepreneurs who have a novel idea that can contribute to the development of society. Finally, this research can give valuable advice to entrepreneurs who plan to launch a crowdfunding project.

This thesis has five main chapters: introduction, literature review, methodology, analysis and conclusion. After this introduction, chapter 2 will review the main concepts of this research paper by reviewing the academic literature; the methodology for this research will be introduced in chapter 3. Then, chapter 4 shows the results of the research and

analyzes the result. In the end of this chapter, the recommendations for entrepreneurs who wish to use crowdfunding will be discussed. Finally, chapter 5 will give the conclusion of this research and the limitations of this research with suggestions for future research.

2 – LITERATURE REVIEW

A few years ago, some researchers (Howe, 2008; Kim, 2012; Willems, 2013) suggested that both crowdfunding, a developed version of crowdsourcing (Howe, 2008), and micro-finance (Mollick, 2013) are new emerging concepts in entrepreneurship. Micro-finance is related to small firms, while crowdfunding refers to a group of funders donating money for a common aim (Rossi, 2014). Michael Sullivan used the word 'Crowdfunding' firstly in 2006. This shows the short history of crowdfunding. The related literature is limited, so the research into crowdfunding has not been fully developed.

Recently several researchers have studied crowdfunding such as *Crowd Sourcing* by Jeff Howe in 2008, *Crowdfunding* by Hye-Sung Shin in 2014, *Crowdfunding Advice* by John P. Apple in 2014, *Crowdfunding 67 Success Secrets* by Gloria Bullock in 2015, etc. The first academic article regarding crowdfunding was written by Harms in 2007, so it is still in developing stage. So far, the relationships between crowdfunding and donation theories have been put forward. However, there has been very little research looking at the relationships between crowdfunding and marketing. Above mentioned, Marketing is directly related to the business's success because it includes the role of advertising, public relations, research and development, promotions and sales. Crowdfunding requires a crowd to yield a successful project. Successful marketing strategy attracts potential funders by introducing and promoting the project effectively. Therefore the goal of this section is to understand crowdfunding based on marketing perspective to find a new approach to explain the success rate of crowdfunding projects.

To deliver a new perspective on understanding crowdfunding, this research will refer to prosumer marketing, viral marketing, celebrity endorsement, testimonial marketing, and social exchange theory. These four marketing strategies and one marketing theory are part of the current crowdfunding platform. However, crowdfunding is an online fundraising system so there is no face-to-face meeting between the creators and funders. Therefore, funders want to investigate the credibility of the project and the creator in order to determine whether it is worth investing in. Prosumer and testimonial marketing are effective forms of marketing because funders can see proof of success through real-life testimonies, which builds trust. Viral marketing and celebrity endorsement marketing strategies help to increase the awareness about projects by using social networking services and celebrity endorsements that appeal to mass amounts of people and therefore double as a public relations campaign. Social exchange theory explains the economical side of a funder's motivation and his or her reasons

to support the crowdfunding. More details about each topic will be discussed in the coming sections starting with the definition of crowdfunding.

This literature review will cover definitions and theories related to crowdfunding. The first section will define crowdfunding. This definition of crowdfunding will introduce the history of crowdfunding from around the world, crowdfunding in terms of fundraising and types of crowdfunding. The second section is a comparison of crowdfunding between the US and South Korea. This part includes current market size of crowdfunding in each country, different legal systems and different levels of donation. The third section will show the relationship between crowdfunding and donation theories. It will report how previous studies explain crowdfunding by donation theories, like the 'warm-glow giving theory' and 'pro-social behavior'. The last section will introduce the relationship between crowdfunding and marketing.

2.1 – WHAT IS CROWDFUNDING?

Crowdfunding is used to collect money from donors or investors to start a business or project (Ordanini, et al., 2011). The funders gain an emotional connection and sympathize with a creator's idea. While a variety of definitions of the term crowdfunding has been suggested, this paper will use the definition suggested by Schwienbacher and Larralde (2010) who defined it as, "An open call, essentially through the internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes" (Schwienbacher and Larralde, 2010, p.4). As this definition shows, the Internet is an essential part of crowdfunding. Internet can make one person an investor for a novel idea through crowdfunding.

The Internet takes an important role in promoting the concept of crowdfunding. Micheal Sullivan is an American blogger who coined the word crowdfunding in 2006. Although he is the first person who recorded the word crowdfunding, ArtistShare started the idea of crowdfunding in 2003. They introduced themselves as follows:

> "ArtistShare, founded by Brian Camelio, is a platform that connects creative artists with fans in order to share the creative process and fund the creation of new artistic works. ArtistShare created the Internet's first *fan funding* platform (referred to today as "*crowdfunding*") launching its initial project in October, 2003."
> (www.artistshare.com)

Since 1990, online donation and philanthropy has become more and more popular and accessible due to the development of the Internet as a part of our everyday lives. While the success of ArtistShare inspired more crowdfunding websites. EquityNet (2005), Sellaband (2006), IndieGogo (2008), Kickstarter (2009), Fundly (2009), Microventures (2010), SeedInvest (2011), etc; at least one crowdfunding website was started each year. According to the Crowdsourcing's report on 2012, 454 crowdfunding platforms existed worldwide (www.crowdsourcing.com). Through the increase of online donations, social funding has developed. This phenomenon has lead to the use of social network service (SNS) for promoting crowdfunding. For example, many crowdfunding websites such as Kickstarter, IndieGogo, Tumblbug, etc., are linked to SNS websites such as Facebook and Twitter.

Crowdsourcing's report on 2012 also said, that the crowdfunding industry grew by more than 60% in 2012 and Forbes, in America, estimated that the value of this industry was 500 billion USD. South Korea already has 30 crowdfunding platforms (Tumblbug, 101Bucket, yes funding, etc.) since 2012. It is becoming increasingly difficult for entrepreneurs to ignore the potential opportunities that crowdfunding presents.

The core idea of crowdfunding is asking for money from people that want to support a project, which is the same as fundraising. Fundraising is receiving donations from donors who support the program or the organization. Chong said, "Fundraising is an instrument to engage and energize donors who can develop an emotional tie to the organization" (Chong, 2002, p.114). Building up an emotional relationship with funders is important for project creators. The creator needs to evoke funders' sympathy to encourage them to donate. Stanley Weinstein writes strategies for successful fundraising in his book *The Complete Guide to Fundraising*, "Successful fundraising is the right person asking the right prospect for the right amount for the right project at the right time in the right way" (Weinstein, 2009, as cited in Byrnes, 2009, p.379). He puts special emphasis on the word 'Right' in his strategy. Market analysis is necessary to find the right person, right prospect, right amount, right project, right time and right way. The marketing plan and fundraising plan are both integrated into the overall strategic plans (Byrnes, 2009). Since crowdfunding and fundraising are linked to each other, a successful crowdfunding strategy is finding the right crowds, introducing the right information, and asking for the right amount in the right way.

Crowdfunding has two main ways to raise funds, 'All-or-Nothing' or 'Keep-it-All'. The goal of both is collecting money for initiating a project, but All-or-Nothing returns the money if the project does not achieve its stated goal amounts while Keep-it-All retains the money regardless of goal achievements. Crowdfunding also has four different types of

compensation for supporting a project. Donation-Based crowdfunding is like helping starving people. This type of project provides intangible compensation such as philanthropic emotions to donors. Reward-Based crowdfunding is mainly used in cultural industries for supporting artists or musicians. Donors receive tangible products such as postcards or CDs. Lending-Based crowdfunding is the largest crowdfunding market in America and Europe (Shin et al., 2014). "Lending based crowdfunding allows entrepreneurs to raise funds in the form of loans that they will pay back to the lenders over a pre-determined timeline with a set interest rate" (www.fundable.com). Equity-based funding is similar to rewards-based crowdfunding however instead of receiving rewards from the company, funders will receive share of the company and they will become shareholders. Usually this crowdfunding is used for companies that are not listed on stock market, once the company makes profits, the funders will become one of the owners in that company.

To sum up the foregoing discussion, crowdfunding intends to raise money from people who are emotionally connected to a project. The history of crowdfunding is short but research trends show the growth of the crowdfunding industry globally, largely based on the development of the Internet. Since crowdfunding has become one way for entrepreneurs to raise funds for projects, strategies for crowdfunding need to be developed. Crowdfunding shares concepts with fundraising, so strategies for fundraising can be converted to crowdfunding strategies. As fundraising stresses the importance of market research to gain donors, crowdfunding also needs to do market research to attract funders. For that reason, the last section in this current literature review will relate marketing side of crowdfunding. The main purpose of this literature review is to develop an understanding of rewards-based crowdfunding for the cultural industry. Therefore, the next section will discuss the rewards-based crowdfunding for the cultural industries in America and South Korea.

2.2 – CROWDFUNDING IN U.S AND SOUTH KOREA

The first crowdfunding platform was ArtistShare, operating in America. According to Crowdsourcing's Massolution report, America has the largest number of crowdfunding platform websites in the world (www.crowdsourcing.com). Since America is a leader of the crowdfunding industry; many countries make crowdfunding platforms based on the American model. South Korea is one of the countries that has adopted the idea of crowdfunding from North America. Although the idea of crowdfunding is the same, the crowdfunding market is very different economically, culturally and legally.

The magazine *The Economist* has written about the astounding economic growth of crowdfunding platforms. They have increased by $16.2 billion USD in 2014. The highest growth was in Asia, where it increased by 320% to $3.4 billion USD. It has become the second-largest crowdfunding region after America. "Regulatory reform, international expansion and cross-border deals have helped boost the industry, as has a tide of investors seeking rewards or equity in return for their cash" (The Economist, 2015, http://www.economist.com). North America still maintains the highest number of successful projects, but *The Economist* forecasts Asia's growth of crowdfunding to be more than double the rate in North America in 2015. Figure.1 show the growth level of crowdfunding from 2013 to 2014. It shows a positive trend in crowdfunding; the business and entrepreneurship category shows the highest rate of growth. The cultural industry, films and performing arts, music and recording arts and arts categories, also show growth (The Economist, 2015, http://www.economist.com).
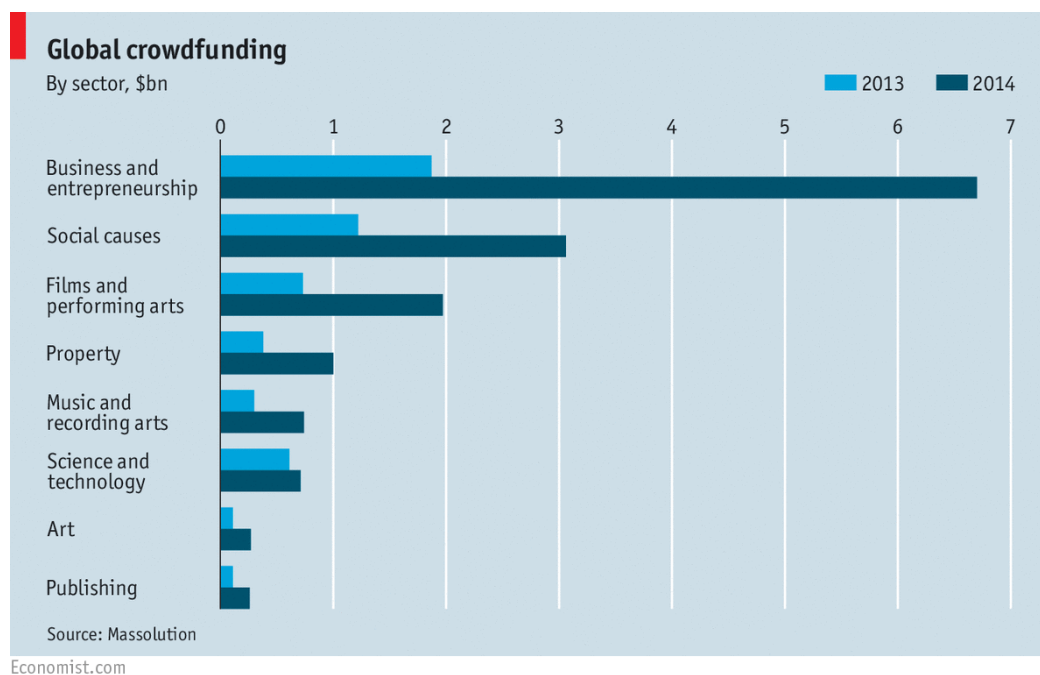
Figure.1 Global Crowdfunding

Source: www.economist.com

Aforementioned, crowdfunding originated in the US and many countries mimic their crowdfunding platform, so it is important to understand crowdfunding as an economic, social

and cultural phenomenon in the US. As for Asia, South Korea shows high growth level of crowdfunding in the cultural industries. One of the crowdfunding platforms in South Korea, Tumblbug, is similar to the America's crowdfunding platform Kickstarter. Both are reward-based crowdfunding platforms that support cultural industry projects such as arts, film &video, games, fashion, etc. Tumblbug's origin model was Kickstarter, so these two websites will be used as sources of data. Section one introduced four different types of crowdfunding, but this paper will focus on only reward-based crowdfunding in the cultural industries and specifically in the US and South Korea. According to the Crowdsourcing's report on 2012, reward-based crowdfunding has the highest number of crowdfunding platforms in the world. In 2012, 62 reward-based crowdfunding platforms existed and the growth rate of crowdfunding platform was 79% (Figure. 2) (www.crowdsourcing.com). Rewards-based crowdfunding mainly works for cultural industries in both America and South Korea. Especially during the early stages of crowdfunding in South Korea, people understood crowdfunding as donating money to the cultural industries (Kim, 2012).
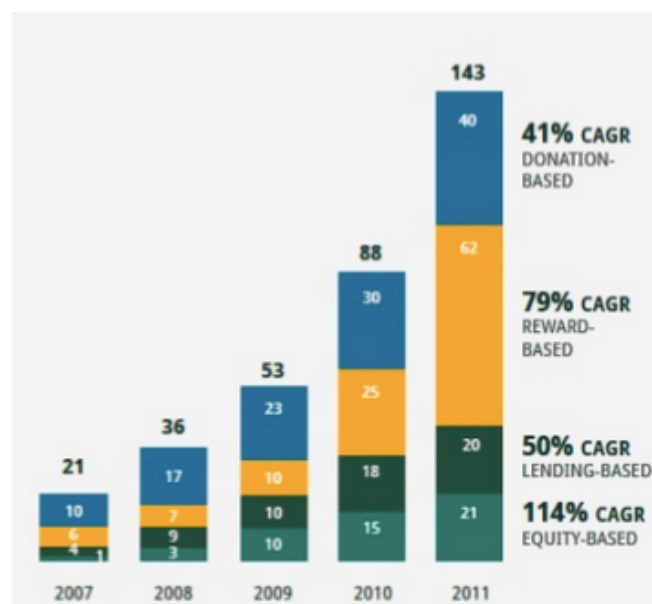
Figure. 2 Growths of Crowd Funding Platforms

Source: www.crowdsourcing.com

The crowdsourcing's report, in 2012, also shows statistical data regarding financial

versus non-financial returns depending on different genres of projects. These results show the cultural industries such as film and the performing arts, music and the recording arts, fashion, art (general), journalism, publishing, photography and publishing arts all have a higher percentage of success than science or technology, when operating as either donation based or rewards based crowdfunding (Figure. 3) (www.crowdsourcing.com).

Financial versus Non-Financial crowdfunding activities.
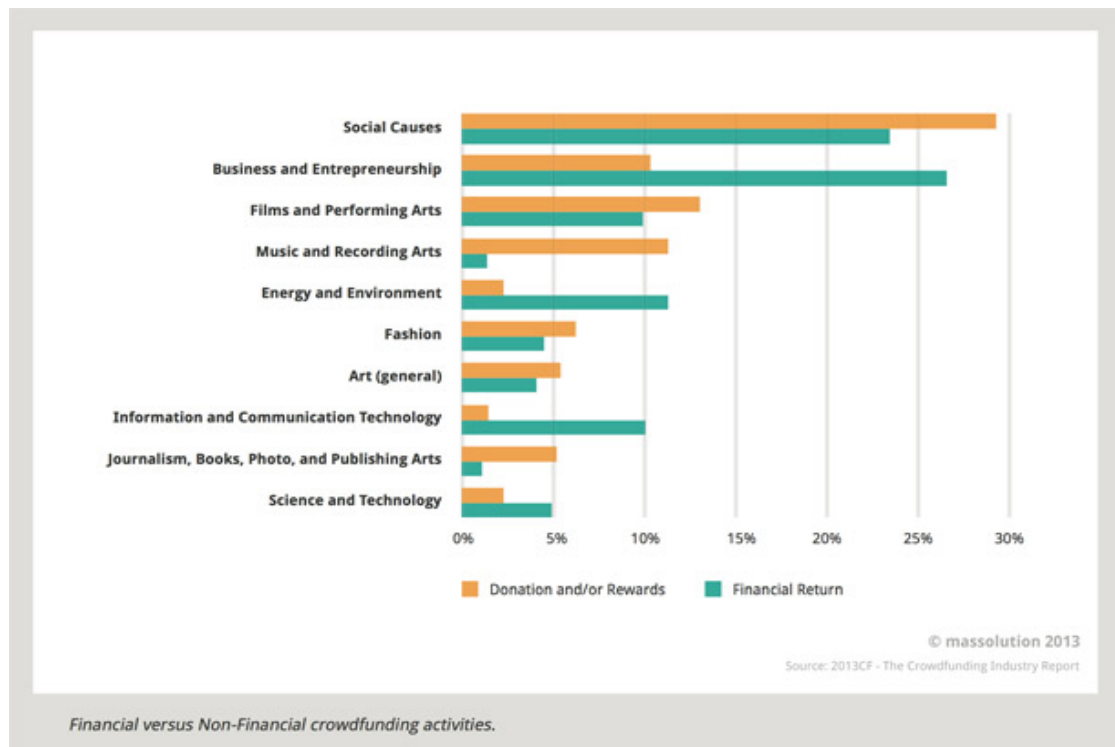
Figure. 3 Financial VS Non-Financial Crowdfunding Activities

Source: www.crowdsourcing.com

The market size of crowdfunding in the US is the largest in the world. The number of projects launched in the United States was 191 in 2012 (www.crowdsourcing.com). The organization Crowdsourcing predicted that this number would increase year by year. Unlike South Korean crowdfunding websites, American crowdfunding platforms allow foreigners to become a project creator as well as a funder. Perhaps this is why the American market remains the largest and the fastest growing. Another factor that explains the expanding market in the US is that the US government actively supports entrepreneurship through

crowdfunding. Since crowdfunding is an online system, it was exposed to fraud. Some project creators abused the system by taking the donations but never sending out rewards. President Obama stated that crowdfunding will be beneficial for start-ups and small businesses (Mollick, 2014). The U.S government created the 'Jumptstart Our Business Startups Act' (JOBS) on January 1st, 2013 to legally protect donors and project creators who use crowdfunding. The JOBS Act Title III explains crowdfunding as fundraising from private investors or donors, who are not professional capitalists, by use of an online community (Kim, 2012). Carl Esposti, the CEO of Massolution, said the effect of the JOBS Act will be positive " As large sums can be raised via crowdfunding, it has become a viable alternative for capital formation for new commercial ventures, projects and both social and community-based initiatives." (www.crowdsourcing.org). The JOBS Act is symbolically named in honor of 'Steven Jobs' to emphasize the importance and value that entrepreneurs and creative ideas contribute to society and the economy.

The first crowdfunding platform for South Korean cultural industries was started in 2011 (Kim, 2012). On May 1st 2012, the South Korean government announced that South Korea also planned to set up a crowdfunding law in 2013. Finally, on April 30th 2015 South Korea has established a crowdfunding legal system that includes limitation of pledged amounts and limitation of funding amounts. According to the new legal system, business in South Korea are allowed to pledge up to 7 hundred million (WON) for a business and enterprise in a year and private funders are allowed to fund up to 500 thousands (WON) per year. Currently South Korea has 37 crowdfunding platforms.

Crowdfunding is fundraising, so project creators look for funders and donors who can support their ideas. According to the good country index[1], the level of donations are different for each country. The United States of America ranked 21st in the world for overall donations made. Looking specifically at donation rankings for the cultural industries, the US ranked 41st, which is much lower than its overall ranking (Figure 4). The good country index explains Americans donate large amounts to health and wellbeing projects. Additionally, Americans donate money for religious projects; this often explains the difference between their overall ranking in donation level and their cultural industries donation ranking. The good country index shows America needs to promote donations to the cultural industries and develop

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[1] The Good Country Index (GCI) is a company where measures each county's contribution level to the common good of humanity (www.goodcountry.org).

strategies to create interest in the cultural industries from potential donors.

The donation levels in South Korea are different from America. The good country index presents South Korea's overall donation ranking is 47th in the world. It is 26 places lower than America. However South Korea's donation level for the cultural industries is higher than United States of America. The US is ranked 41st while South Korea is ranked 34th. After the science and technology fields, the cultural industries have the second highest levels of donations in South Korea (Figure 4).

Name of Country	Overall Ranking (Good Country Index)	Science & Technology	Culture	International Peace & Security	World Order	Planet & Climate	Prosperity & Equality	Health& Wellbeing
United States of America	21	20	41	114	28	39	53	7
Republic of Korea	47	30	34	119	45	71	60	65

Figure. 4 Donation level of the United States of America and South Korea

Source: www.goodcountry.org

The difference in donation between the US and South Korea explains the crowdfunding for cultural industries in each country. Although the donation level of the U.S. is larger than the donation level of South Korea, Koreans show more interest in cultural projects. Koreans have more potential to use crowdfunding strategies for cultural industries because of their popularity. It shows South Korea needs to develop strategies to increase donations from potential donors by utilizing cultural industries.

This section introduced the differences between crowdfunding in the United States of America and South Korea, based on market size and history of crowdfunding. America is the leader in crowdfunding industry. However the rapid growth of crowdfunding in South Korea showcases the potential of the industry in other parts of the world. Previous crowdfunding literature (Schwienbacher & Larralde, 2010; Kim 2012; Mollick, 2013; Rossi, 2014) studied

the motivation of crowdfunding projects' funders. This literature concluded crowdfunders for creative project are donors rather than investors. Therefore, the next section will review donation theories that explain the motivation of donors and how these theories can be used to explain crowdfunders' motivations.

2.3 – CROWDFUNDING & DONATION

The previous section showed the difference between crowdfunding market size and growth of donation levels in the US and Korea. The primary aim of this section is to review previous studies and understand crowdfunding funders' motivations based on donation theory. Previous studies into crowdfunding (Mathur, 1996; Wilson, 2000; Youkin & Kashkooli, 2013; Remoundou, Drichoutis & Koundouris, 2013) have shown motivational similarities between traditional donating for non-profit organizations and crowdfunding projects. This section will specifically review warm-glow giving theory and pro-social behavior theory.

2.3.1 – WARM-GLOW GIVING THEORY

Warm-glow giving theory explains the donor's motivation for giving and the funder's motivation for donating through crowdfunding (Read, 2013; Wash, 2013; Youkin & Kashkooli, 2013).) The warm-glow giving's theory accentuates utilities of an act of giving. Andreoni (1989) said, "When people make donations to privately provided public goods, they may not only gain utility from increasing its total supply, but they may also gain utility from the act of giving" (Andreoni, 1989, p.473). Under the pure altruistic motivations, donors' greatest concern is a beneficiary's happiness; while donors, under the impure altruistic motivation, looks for utilities of donation behavior. James Andreoni (1990) studied the relationship between impure altruism and donation to public goods. He found warm-glow giving could occur because of social pressure, guilt, or even sympathy, so donations might be an impure altruism behavior with the goal of achieving respect and a good reputation from others. Altruism is giving consideration to others by taking care of others before oneself. This motivation is considered as a pure emotion when people try to help each other and fulfill their social responsibility.

The debate on donor's motivation as a form of pure altruism or impure altruism is continuing up to today. Crowdfunding is not a regular donation such as giving money for

charity; funders give money in order to receive something in return eventually. The expectation of a reward therefore implies an impure form of altruism. However, crowdfunding is explained by warm-glow giving by the emotional satisfaction donors receive from supporting the project that they like and the tangible rewards of the project. Therefore, the motivation of the donors can be unclear in crowdfunding. Another complication in finding the motivation of donors is that donor's intrinsic motivation decreases when they see extrinsic motivators such as a gift (Ryan and Deci, 2000). It is difficult to measure the motivation of crowdfunders due to these confounding issues. The question that arises from this research is whether donations only occur as pure altruistic, impure altruistic behavior or both.

Crowdfunding is one format of fundraising, so it can be expected that the motivations of the project funder can be either purely altruistic or impurely altruistic. Falk (2004) studies the behavior of charitable giving and he said, "Warm-glow is the internal satisfaction that arises from helping others" (Falk, 2004, p.2). He also commented empirical studies find warm-glow plays a large role in somebody's decision to donate (Falk, 2004). Falk studied the effect of giving a gift to donors after they have donated. His study's result is clear: "Compared to the no gift condition, the relative frequency of donations increased by 17 percent if a small gift was included and by 75 percent for a large gift" (Falk, 2004, p.1). He found the donors react strongly when a gift was included in the letters, so he recommends charitable organization to give a small gift to their donors. Although extensive research has been carried out on warm-glow giving, measuring motivation for donating is under studies.

The Falk's research results show the potential growth for crowdfunding as a source of capital. Some people do have pure altruistic motivation when donating money to others, but even then a small gift increases the amount level of the donations. It shows that these people also have impure altruistic motivations for donating as; donors expect to receive at least a small gift of appreciation.

2.3.2 – PRO-SOCIAL BEHAVIOR

People live in a family unit; they live communally and with a sense of community. These community groups constitute a human society. People, who live in the human society, have reciprocal relationships, so they offer aid to each other. The word reciprocity is "The exchange of something between people or groups of people when each person or group gives or allows something to the other" (Collins Cobuild Advanced Learner's English Dictionary,

6th Edition, 2009). According to Oliver, "Motives of reciprocity emphasize cooperation, collaboration, and coordination among organizations, rather than domination, power and control" (Oliver, 1990, p.244). One form of these behaviors is that people make donations to support each other and society. People put effort into building a harmonized society by cooperation, collaboration and helping each other.

Pro-social behavior explains the behavior of those who help others in order to contribute to the public good and to benefit to society as a whole. There are many examples of pro-social behavior such as helping, sharing, cooperation, consolation, altruism, and public morals. Youkin and Kashkooli (2013) used this theory to examine what draws donors to donate to crowdfunding projects. They found people have mixed motivations; they can be philanthropic, economic, or seeking status and reputation. Crowdfunding is an activity that relies on both the creators and donors for success, collaboration and cooperation are required for a project to be successful. People who collaborate and cooperate on projects in crowdfunding are partly motived by reciprocity. Wash (2013) said, crowdfunding is imploring project contributors to give monetary help in order to materialize the project creator's novel idea. The definition of crowdfunding denotes collaboration and cooperation, and a reciprocal relationship between the project creator and the project supporters. The reciprocal relationship is required to have a successful crowdfunding project. Without the funder's monetary support, the creator cannot realize his creative idea. In the end the funder also gains emotional satisfaction that he helped others and contributed to society's development. Langeveld, Belme & Koppenberg said, "Voluntary collaboration is based on the idea of gift and reciprocity" (Langeveld, Belme & Koppenberg, 2014, p.4). Project contributors and creators have a mutual motivation to finish the project, but no one imposes a price on contributors to participate in the project. They donate money voluntarily when they sympathize or take an interest in a project. Reciprocity guides the project supporter's pro-social behavior.

Section 2.3 elucidates donation theories used most frequently in the current crowdfunding literature (Kim, 2012; Wechsler, 2013; Youkin & Kashkooli, 2013; Mollick, 2014) to understand funders' motivation. These studies considered funders as donors who support a project based on philanthropy, like supporting a charity organization. Since crowdfunding is one of the formats of fundraising, this approach helps to understand the motivations of giving money to projects. However, there is a specific difference between regular donating and fundraising via crowdfunding. Regular donating and fundraising attracts donors who superficially donate money with no incentives or those who are looking for tax

reductions. With crowdfunding, except donation-based crowdfunding, funders expect some tangible or intangible rewards after the donation or investment. Charity fundraising and donation organizations also give small gifts of appreciation to donors and funders. However the purpose of sending these gifts is very different from crowdfunding.

Crowdfunding project creators make a promise to donors and funders that they will send rewards when the project is successful, like a contract between the creator and funders. When the creator is unable to fulfill a contract, the creator becomes an offender who is an impostor. This is one reason why the government enacts specific laws regarding crowdfunding to protect funders from imposters. On the other hand, charity fundraising organizations send gifts as a proof of gratitude and these acts are focused on building long-term relationships with donors for the future. For these organizations, sending gift is not required. Additionally fundraisers decide the type of gifts based on what the donors will like while in crowdfunding the project creators send gifts that funders choose when they donate money to the project.

Crowdfunding is another way of fundraising, so it has intersections with charity organization's fundraising. This is one reason that many previous researchers (Kim, 2012; Wechsler, 2013; Youkin & Kashkooli, 2013; Mollick, 2014) applied donation theories to explain donor motivation. However crowdfunding is different from regular charity fundraising, therefore it suggests that crowdfunder motivation is not fully explained by other donation theories. Psychological and emotional feelings such as altruism, reciprocity and philanthropy can be one reason to donate money for society, but for crowdfunding it seems there are additional reasons, which trigger people to donate money to the projects. Crowdfunding is essentially a contract between the project creator and the funder, creating a relationship similar to that between a businessman and consumer. The next section will present the use of marketing strategies and theory in current crowdfunding.

2.4 – CROWDFUNDING & MARKETING

As we have seen, the focus of the literature has been on funders' motivation and was explained by donation theories. Many fundraising theories assume that donors want to contribute to society and integrate into a community. Crowdfunding can be one way to satisfy the desire to communicate and support society. Gerber, Hui & Kuo (2012) studied the motivation of people who post projects on crowdfunding platforms and those who fund the

projects. Gerber, et al., say, "While creators seek funds, funders seek rewards, often in the form of tangible products and/or services" (Gerber, et al., 2012, p.6). They found a correlation between the project creators and funders based on an individual's aim about the project. According to Gerber, et al., (2012) Creators have five different aims: raising funds, establishing long-term relationship with funders, receiving validation of their ideas, replicating successful experience of other and expanding awareness of work through social media. Funders' aims are seeking rewards, supporting and causing creators by confirming value and engaging and contributing a community. Those different aims make reciprocal action possible, which satisfies both creator and funder's expectations from crowdfunding. Crowdfunding participators, both creators and funders, want the creator's idea to be materialized. The difference is that project creators focus on amount of funds, while project funders are more interested in the rewards from the project. Gerber, et al., (2012) conducted one-on-one semi-structured interviews with eight crowdfunding project funders. The results show funders consider the exchange of value between the amounts of funding and rewards from the project. Moreover they found that funders consider this funding as "buying," "getting," and "giving." (Gerber, et al., 2012). The transaction is similar to purchasing and consumption behavior from online shopping such as an Amazon or E-bay. Additionally Gerber, et al., (2012) said, "Funders consistently reported being motivated to give to get the product first to get a limited edition rewards of the work (p.7)." This research proposes another way to understand crowdfunding motivations. It suggests that funders' behavior shares commodities with consumer purchasing behavior. They said, "The words which funders use to describe the transactions suggest that crowdfunding is motivated by both consumer as well as philanthropic behavior" (Gerber, et al., 2012, p.7).

In this section, this research considered crowdfunding as consumption behavior instead of donation. It will introduce crowdfunding as one of transaction based on marketing perspective to understand funders' behavior. Following sections will use prosumer marketing, viral marketing, celebrity endorsement, testimonial marketing, and social exchange theory to understand the crowdfunding system.

2.4.1 – PROSUMER MARKETING

Previously, the distinction between producers and consumers revolved around consumers being excluded in the creation or production of a product. Companies take the role of producing and creating under a slogan of innovation and try to provide the best products to

their customers. In this process, consumers take only a limited role. However as time passes, scholars suggested the consumers' role needs to be changed and consumers need to be more engaged in the production process. This is the origin of the prosumer idea. Toffler (1980) introduced the word prosumer in his book *The Third wave*. He said, " Consumers exercise much more control over the creation of the products they consume, becoming a mix of producers and consumers, in a word: "prosumers" (Toffler, 1980, as cited in Moutinho & Leite 2013, p.12). Since the word prosumer is a mix of producers and consumers, a prosumer not only participates in consumption but also joins in the product development and distribution.

Specifically, a prosumer is a consumer who becomes involved in the design and manufacture of products and services. This ensures that they have made an individual contribution to the project. Prosumers way not a passive market upon which industry dumps consumer goods, but are a viable part of the creative process. According to Knoszal (2008), the number of prosumers has increased globally. This led him to prosumerism, "Prosumerism is powered by connectivity and interactivity, and in turn drives developments to extend both (Knoczal, 2008, p.4)." The Internet and other technologies have connected the whole world. This has increased the possibilities for consumers to become prosumers. Consumers get a chance to share their desires and to participate in the production of a product.

Crowdfunding is an example that shows how prosumers can participate in the production stage of project. In the crowdfunding process, the funder, who supports crowdfunding project, is a prosumer. Gerber, et al., (2012) said, "The project creators are motivated to raise funds, but they are motivated to raise funds in a democratic way" (Gerber, et al., 2012, p.5). Funders participate in the project spontaneously; no one pushes them to join a project when they do not like the project. This is the first step in participating in a project as a prosumer. Many crowdfunding platforms present themselves as more than just a website that collects money. They emphasize that the website is a community between creators and funders. For example, "Kickstarter is about more than just money. A Kickstarter project is a great way to connect with your audience and spread the word about your work" (Kickstarter.com, as cited in Gerber, et al., 2012, p.5). In this community, the creators look for prosumers who have the willingness to participate in the creation of the project. Prosumers choose a project and participate in the project with monetary support, offering ideas and by giving their opinions. These prosumers also market the project voluntarily by sharing the project with their social network or introducing the project to their family and friends. Crowdfunding is a work of collaboration that cannot be successful without prosumers'

help. Once funders give money to the original project creator, they become one of the creators who actualize the project. When a project is successful, the funders make a presumption.

The role of prosumer in crowdfunding is important because without prosumers' active involvement the project cannot be realized. Prosumers take the role of marketer who advertises, provide public relation for the project and also take a role as financiers all voluntarily to realize the project successfully. A project creator asks for help from a large number of prosumers, who see the value of the project. When the funders join the project they have a stake in it as one of the creators. This ownership stake encourages funders to play an active role in the marketing of a crowdfunding project. Funders spread information about a project spontaneously because they also wish to realize the success of the project.

To raise funds for a project, funders invite other potential funders from their own network to join the project. Therefore, active prosumers play a very important part in the success of a project. Viral marketing is one of the strategies often used to spread information about a project to draw other funders.

2.4.2 – VIRAL MARKETING

The development of technology has made the possibilities for communicating to anyone across the globe limitless. As such, it provides opportunities to share information quickly and easily. Viral marketing is one of the marketing strategies, which uses existing communication networks such as E-mail, Facebook, Twitter, etc. The main value of this specific marketing strategy is that the consumer has the ability to share information about certain products or advertisements through online social sites in an instant. Montgomery explained the word viral as 'A type of marketing that infects customers with an advertising message which passes from one customer to the next like a rampant flu viruses' (Montgomery, 2001, p.93). The viral marketing strategy has similarities to word-of-mouth advertising where consumers pass along information about products and advertisements through conversation. This type of marketing was quite popular as the main driving force behind products and services before the Internet came into existence. Since its' inception, the Internet has paved the way for new methods of marketing like viral marketing and spread all over the world.

However, Modzelewski (2000) argues that true viral marketing is not the same as word-of-mouth advertising. He mentioned that the information and message of the advertisement could be changed by word-of-mouth, as one person's viewpoint changes the original message, not a skewed one. To encourage viral marketing the, "share" buttons were created. This allows the consumer to easily copy the information to their social network of choice, removing the concern that incorrect information is shared. Therefore, viral marketing can deliver better quality information, which does not exaggerate any aspect of the product like word-of-mouth advertising has been prone to do.

Viral marketing targets people who use social media and therefore is potential limitless. This potential brings forth a substantially wider reach through a consumers support and promotion of a their company and its assets. According to Parka, Pousttchi and Wiedemann (2009), viral marketing has many positive effects. One of which is a reduction in distribution expenses, because the marketing's main tool is distribution through social networks. Viral marketing is less expensive for the company and generates an effective advertising campaign for the company (Parka, Pousttchi and wiedemann, 2009).

Another positive side of using viral marketing is honesty and openness. Phelps, et al., (2004) studied consumer responses and motivations to pass along an email. They said, "A key tenet of viral marketing is the belief that consumer-to-consumer communication is open and honest" (Phelps et al., 2004, p.346). Many traditional marketing and advertising focused solely on generating profits or attracting new customers to their business. This caused some companies to release false and exaggerated advertisements to attracts financiers but lost consumer confidence in these companies. Consumer based interaction and communication from viral marketing gives consumers confidence and trust in a company. For example, a blogger posted a review on her social media and in the review she states her unbiased experience with her product, describing both positive and negative aspects. Visitors to her blog will read her post and evaluate the information about the product. People who trust her review will purchase the product and these people will share their opinion about the product on social media. Consumers are no longer trusting sponsored reviews that tell a skewed viewpoint but rather choose to seek and share consumers' opinions about the product. Some crowdfunding platforms also use this type of marketing, for instance Kickstarter and YouFundMe.

The crowdfunding project creator often uses viral marketing to increase awareness of their project, utilizing the power of social media. On June 18th, 2013, a new eMarketer report said, "In 2013, Nearly one in four people worldwide will use social networks. The number of

global social network users will total 2.55 billion by 2017" (www.emarketer.com). The crowdfunding platform allows social network users to share the projects on their personal websites. For example, Kickstarter provides service to share the creator's project to Twitter, Facebook, and Tumblr. It also gives users an option to embed project videos and information specifically to each website. When shared, the project creator can reach the most users with little to no effort and generate interest to provide potential funding. Additionally, the activity on social media, which is basically free publicity, allows these project creators to run a strong advertisement campaign, which would otherwise be impossible for a small company. Since these avenues of information and communication are crucial for our life today, most people are, at one point or another, going to be exposed to some form of advertising or crowdsourcing. This has provided much more transparency in company-to-consumer communication.

As mentioned, crowdfunding works online, so viral marketing is one effective strategy that can increase awareness of the project. Increasing awareness of project is very important for successful crowdfunding. Celebrity endorsement is one way that awareness can spread quickly. Celebrity endorsement is commonly used strategy in many different business sectors such as daily goods, foods, public service, and politics. Especially in the cultural industry, celebrity endorsement is often used and works very well. Therefore the next section will introduce how crowdfunding uses celebrity endorsements and what the benefits and weak points of using celebrity endorsement are in crowdfunding.

2.4.3 – CELEBRITY ENDORSEMENT

Some new trends in crowdfunding show star marketing and celebrity endorsement as an increasingly popular form of marketing. Celebrity endorsement is a very frequently used strategy in all areas of marketing and advertising. Crowdfunding has also started using celebrity endorsement. According Khatri (2006)

> "Celebrities are people who enjoy public recognition by a large share of a certain group of
> people whereas attributes like attractiveness, extraordinary lifestyle are just examples and
> specific common characteristics cannot be observed though it can be said that within a
> corresponding social group celebrities generally differ from the social norm and enjoy a high
> degree of public awareness" (Schlecht, 2003, as cited in p.26).

The celebrity endorsement attracts people's attention and creates a halo effect. The halo effect is when the audience can associate the qualities of a star with a brand or product. People evaluate the value of the product or brand with the celebrity's image or how much

they like the celebrity. Fans, who love their star, trust their star is advertising a good product. Cultural industries especially film industry use stars' influence to generate profits in their business. For example, one of the movie magazines clearly shows the effect of star in the movie industry. A guy stranded on an island without Tom Hanks is not a movie. With another actor, [the movie *Cast Away*] would gross $40 million. With Tom Hanks it grossed $200 millions. There's no way to replace this star power (Bill Mechanic, former chairman of Twentieth Century Fox, qtd. in *Variety*; see Bing 2002). According to Desai and Basuroy, "On the basis of this concept of stars as brands with strong equity; and in Hollywood it is almost axiomatic to say that stars are key to a film's success" (Desai & Basuroy, 2005, p.207). A star's influence works the same way in the movie industry as it does in the crowdfunding industry. Stars are strong brand equity and more so when they have a popular.

Two types of celebrity endorsement exist in crowdfunding. The first one is a celebrity who becomes a creator and who manages the project. Barnett (2015) wrote in *Forbes magazine* about celebrities that became founders of crowdfunding projects in Kickstarter or Indiegogo. The celebrities leveraged their influence to gather attention from the target audience and fans. Compare this to the creator who has no awareness from the audience, celebrities can easily advertise their project with their name. These stars are taking advantage of their status to garner more attention to the project. For example, Levar Burton's Reading Rainbow[2] revamp is 8th most funded project in Kickstarter. This project raised $5,408,916, which is 540% over the funded amounts in Jun 3rd 2014 (www.kickstarter.com). Another example from Kickstarter is The Veronica Mars Movie project by Kristen Bell in April 13th, 2013. This project raised $5,702,153 that was 285% over funded. This project is very famous because it managed to raise $ 2million in 10 hours. This project has 91,585 backers that include fans from the Veronica Mars TV show.

Since stars have such influences on the success of projects, many celebrities try to use their star power for crowdfunding. However, star power does not guarantee the success of a project. For example, Baxter wrote in *The Guardian* about the celebrities' crowdfunding phenomena. He writes about one of the projects that was started by celebrity but failed. Zosia Mamet, daughter of the film director David Mamet, Kickstarter project asked $32,000 in order to produce one music video. She offered rewards such as the honor of starting as an extra in her music video to funders, but her project did not attract funder's attention. Only

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[2] Reading Rainbow is a crowdfunding project created by Levar Burton. This project was launched on May 28, 2014 and aims to increase literacy rate in America by teaching many students how to read (www.kickstarter.com).

Eighty people supported her with $2,783, so this music video never became a reality (Baxter, 2013). This example clearly shows that celebrities have the ability to garner attention which helps to increase the awareness of projects based on their name, but that does not always lead to the success of the project.

The second type of celebrity endorsement is when a celebrity becomes a supporter of the project. These stars, having a huge social media fan base, communicate with their fans to spreads awareness about their projects. They hope to acquire the necessary revenue to bring the project into fruition. The word endorsement is defined as "Celebrities often lend their names to ads for product or services for which they may or may not be the experts" (Khatri, 2006, p.3). According to Domino (2003), "The underlying knowledge upon which celebrity endorsement theory hypothesizes that celebrities are effective is their 'symbolic aspirational reference group association'"(Assael, 1984, as cited in Domino, 2003,p.43). Celebrities have the power to get attention from people. Khatri (2006) introduces the benefits of celebrity endorsements: they build awareness, connect quickly and emotionally, create a means of brand differentiation, and better brand image. Awareness is built when a star appears in the advertisement material, there by heightening the interest fans show in the project. Fans also have an emotional relationship to their stars, when their star appears in the video to introduce the project, a relationship between the fan and the project is built. People feel a sense of familiarity when they see stars because these stars often appear on their favorite TV shows, magazines, and films. This makes people feel connected to the project faster than when an unknown project creator presents the products. The star's power brings a halo effects to the project that makes it trustworthy. Since stars support the project, people have an image that the project is unique, which distinguishes it from the rest of the projects floating around on social media.

Nevertheless, celebrity endorsement increases credibility and attractiveness, but it does not itself to guarantee sales (Khatri, 2006). The risks of a celebrity endorsement are that the celebrity will overshadow the brand. The image of a celebrity can conflict with the image of the project through multiple endorsements or influence of celebrity scandals on brands (Khatri, 2006). The original literature (Khatri, 2006) says: "Multiple Endorsement: The poly endorsement have led to a celebrity clutter. Celebrity endorsing multiple products and multiple brands in a category have left the customer confused and have led to dilution in the celebrities value (p.35)." When one celebrity appears for too many brand or product, it gives confusion to the customers to build up specific brand image in their mind. They also have difficulty to remember the brand's identity because this celebrity uses his image to represent

too many brands and products. When the star is accentuated more than the project, the project can be obscured by the overarching attention drawn to the star. Although the original purpose of using a star is increasing the awareness of a project, people do not pay attention to the project and only focus on the star. Another consideration is that the star adds to the cost of supporting the project, it hurts the original purpose of using crowdfunding. The purpose of crowdfunding is to help project creator by supporting projects financially from crowds who share their ideas. Crowdfunding works by keeping low so that the project can be financed by small contributions.

Additionally, Khatri (2006) said, "Celebrity endorsement can create a buzz and make a consumer feel better about the product (p.12)." First, customers are happy because the creator keeps the promise that they will deliver the rewards. Therefore, when funders receive rewards they feel vindicated because the transaction between the project creator and funders worked very well. At the same time, when celebrities are involved in the project, consumers can think that the celebrity keeps the promise and creates a close bond between fans and star. This study shows celebrities have influence on funders' decision to support projects, but it cannot guarantee that it is a positive or negative influence. Crowdfunding is not only using celebrity endorsements for the advertising but also using customer and peer testimonials to attract funders. Khatri (2006) says, people intend to put more creditability about the information that is introduced by competent, rational, knowledgeable customers. Therefore the next section will introduce the use of testimonial marketing to attract funders in crowdfunding.

2.4.4 – TESTIMONIAL MARKETING

Testimonial marketing aims to persuade consumers by allowing them to be a trustee in their products and projects. Schweitzer (2009) said, "Testimonial advertising represents consumer experience, giving prospective purchasers an opportunity to hear directly from their predecessors in the marketplace" (p.3). Testimonial marketing also uses celebrity endorsement. In crowdfunding, a celebrity appears in the demo video and makes a testimony. When the celebrity gives a testimony of the product or project, it increases awareness of the project and credibility of the project. This marketing aims to deliver credible messages to audiences. People give more credit when the endorser is a trustworthy person (Martin, Wentzel & Tomczak, 2008). Therefore when the endorser delivers one's experience of using

product, people trust the message. Martin, Wentzel & Tomczak, (2008) said, "Testimonials offer informational influence where the endorser is an expert and similar to the target consumer" (p.30). In crowdfunding, testimonial marketing also delivers information by using a creditable endorser, such as a person who has taken part in the project.

Two types of testimonial marketing appear in crowdfunding. Testimonial marketing in the promotion video often include two kinds of people, the star or the consumers. The video that includes the star combines testimonial marketing and celebrity endorsement. Crowdfunding project creators use the celebrity as an endorser of the project and as a form of testimonial marketing to increase awareness of the project. People trust and feel close to a celebrity because they are a part of their everyday lives, whether that is on the radio, on television, etc. However, star testimonial marketing only influences people who love that star. This strategy is risky for people who do not like the star. People can even deny the credibility of a project because of a dislike of the celebrity.

The other type of video includes consumers who relate to the project. For example, in the film genre, consumers introduce their personal experience related to the topic of film. The film project in Tumblbug, 'Avarice Empire' is a movie about the Korean electronic company Samsung, and the workers who manufacture semiconductors. This movie is a documentary that reports on the problematic working condition in Samsung's semiconductor factory. The documentary includes people who suffer these working conditions and also make a testimonial to support the film project. Since the endorser is spoken with a look of anguish about their experience in Samsung's semiconductor factory, it stimulates people to support the project. Another project is 'Semiconductor Girl.' This project is a play that has already been performed in 2010, but in 2014 the circumstance of Samsung's semiconductor factory did not change. Many people got serious diseases and died because of a toxic substance from semiconductor factory. The demo video includes audiences who already watched the play in 2010 and persuade potential funders to support this project. These endorsers have the power to persuade future funders because they already experienced the project and recommend it based on their personal experiences.

Crowdfunding websites include a lot of information but funders do not know which information is to be trusted. Before deciding to support the project, funders pay attention to the idea of the project. Once they like the idea, they check up on creator's credit records and history to avoid a swindle. However, funders can still have doubts about the project because they have no experience with the product. Testimonial marketing gives credible information about projects. However, funders want to make a wise decision based on evidence, theory,

and consumption value. Although crowdfunding is donation, funders still measure the value of supporting project. When the value of the product and donation are balanced, funders support to the project. This theory will be explained in the next paragraph, to understand how funders make a rational decision based on one's sense of values.

2.4.5 – SOCIAL EXCHANGE THEORY

The social exchange theory can be applied not only for the donation side of crowdfunding but also for the commercial side of crowdfunding. This theory explains the real motivation behind a funder's support and might be different to what is perceived on the outside. Wechsler (2013) said, "The context of reward-based crowdfunding is not only limited to charitable support, but also takes into account more commercial interest" (p.24). The social exchange theory integrates a way to understand the funder's behavior from both a marketing and donation perspective.

The research about social exchange theory has been studied from both the field of marketing (Bagozzi 1975; Das & Teng, 2002; Morgan & Hunt, 1994) and donation (Harbaugh, 1998; Izuma, Saito & Sadato, 2010). The social exchange theory originated as a cost-benefit perspective (Gefen, 2002). It is similar to the exchange of money for rewards that have the same value. During shopping, consumers look for a product of a reasonable price, and expect to have some tangible rewards for their consumption. However, social economic theory contains more interaction than economic theory. Gefen (2002) has said, "Social exchange theory deals with the exchange of intangible social costs and benefits (such as respect, honor, friendship, and caring) and it not governed by explicit rule or agreements" (p. 50). Unlike economic theory, social exchange theory contains intangible value, and therefore is used to understand not only consumption behavior but also donation behavior. The discrimination between the exchange theory and social exchange theory is important because unlike economic exchange social exchange includes intangible value that gives difficulties to evaluate its' value (Blau, 1964).

As a giver one expects to gain something from the giving behavior; a receiver has the obligation to pay back the giver (Homans, 1958). Although compensation is not required in certain exchange processes, people feel a pressure to give something back. When a giver gives positive aid to a receiver, the receiver thinks that he needs to show his appreciation, gratitude, and trust. In crowdfunding, the reward of a project fulfills the expected

appreciation that the creators owe to the funders. The more interaction between giver and receiver makes durable relationship between those two people based on confidence of the relationship (Blau, 1964). In crowdfunding strong credible relationships between funders and project creators can be one way to make a successful project. When creators offer tangible or intangible rewards to funders, the funder's willingness to support the project can be increased based on the expected reciprocity.

The social exchange theory appears in crowdfunding decision-making. Human beings try to minimize loss and to maximize their profits during the exchange process (Homans, 1958). During the decision-making process, funders show their preference for a project and evaluate the value of the project before they give money. According to Wechsler (2013), "Self-benefit appeals are believed to be particularly effective in increasing consumption, as consumers are more likely to spend their money when personal benefits outweigh the costs" (p.42). Projects are not supported when they do not win the sympathy of the to be funders. When people decide to pay money for the project, they expect to have tangible and intangible self-benefit. One intangible reward can be the feeling of being a part of something new or cool. This feeling allows them to be trendsetters if the project becomes popular.

Chapter 2 reviews previous academic literatures that investigated crowdfunding. It introduced definition of crowdfunding and shows comparison of crowdfunding in the USA and South Korea. Additionally it explained how previous researches studied crowdfunding using donation theories and presented some marketing strategies and theory that are used in current crowdfunding. The next chapter is concerned with the methodology used for this study.

3- METHODOLOGY

To clearly find the answer to the research question: "*Are there any marketing related elements on crowdfunding platforms that affect the success rate of reward-based projects in the cultural industries?*" an empirical study will be conducted. This research will use a quantitative analysis to verify the relationship between some marketing related variables and the success rate of projects on the crowdfunding website Tumblbug. The data for this research will be collected from 'Tumblbug' (South Korean crowdfunding platform). Specifically it will focus on crowdfunding projects belong in the 'film and movie' category. The purpose of this research is to give practical advice to entrepreneurs who plan to launch a crowdfunding project in the future.

This research will use binary logistic regression, to verify the existence of relationship between dependent and independent variables. The success-rate of a project will be the dependent variable, which will be related to the marketing related elements (independent variables) present on the crowdfunding websites. Overall this research has a total 22 variables, selected based on their relationship with the 4 marketing strategies and 1 theory (Testimonial marketing, Viral marketing, Social exchange theory, Celebrity endorsement and Prosumer marketing) discussed in chapter 2. The specific variables will be introduced in a later section.

The next section will discuss the data for this research, which includes sources of data and data collection. The second section is operationalization that will explain the design of this study and research methods of this study. The third section is variable and the last section will introduce hypotheses that will be tested in this research.

3.1 – DATA

The information for the research will be collected from *tumblbug.com*. Tumblbug provides data about all the previous projects that they launched, both successful and unsuccessful projects. The original idea was to collect data from Kickstarter and Tumblbug for universality. However, Kickstarter de-indexes projects whose funding was unsuccessful. Kisckstarter's statistic data shows 43,579 projects were successfully funded in 2014, while 137,517 project were unsuccessfully funded. As mentioned, this research aims to find the most effective marketing strategy to increase the success rate of crowdfunding projects. Since Kickstarter does not provide data for unsuccessfully funded project in cannot be included.

The next section introduces sources of data and the collection of the data with the specific criteria used to select the sample for this research.

3.1.1 – SOURCES OF DATA

Tumblbug is a South Korean crowdfunding website. This company is well known in South Korea as a part of the cultural industry because many artists launched their cultural projects on this platform and it is a business that focuses on rewards-based crowdfunding. Tumblbug was created in 2011, and in 2013, a total of 955 projects received pledged and 659 projects reached or exceeded their monetary goal. The website introduces its vision in paving the way for finding creative ways to fund projects by supporting communication between crowdfunding creators and funders (www.tumblbug.com). This website promotes an individual cultural project's creator from various, creative, industries such as design, film, music, architecture, photography, fashion, art, performing art and technology. The characteristics and structure of crowdfunding system is very similar to Kickstarter, but this website only targets the Korean domestic market while Kickstarter targets the global market.

The table 3.1 shows many different crowdfunding platforms in South Korea. This thesis chooses to collect data from Tumblbug. Among the other crowdfunding platforms in South Korea, Tumblbug has the largest amounts projects with the highest success rate. The main purpose of this study is to develop an understanding of success rate in crowdfunding for cultural industry. Again the table 3.1 shows Tumblbug's main field is 'Art and culture' which is suitable to collect data for this thesis.

Moreover this study specifically choose crowdfunding project for the cultural industry. The arts bring a positive energy to the life of human beings across the globe. Many people easily get stresses from their work, study and relationship with others. It causes people to become depressed which is very dangerous for their health. Art is one of the solutions that can help to them to release their stress and to maintain health. People make time for enjoying art. They go movies, listen music, visiting galleries, enjoying concerts, etc. It relaxes people and it is part of our daily lives. The cultural industry is therefore an important sector that needs to be developed and studied more. When we look at history, from prehistoric age, art and a cultural industry existed. Before the dawn of history, when people did not have knowledge of math or science, people draw their daily life on the wall of cave and they also sing a song and dancing with their tribal. Although the form or styles of art are changed in each century, art never disappeared in human lives. This fact shows cultural industries were developed continuously and this research also want to supports the cultural industry. The next

section will explain data collection for this thesis.

Platform	Fundingtype	Launched projects	Raised funds	Success rate	Main field
Ucanfunding	All or Nothing	173	1,338,038,200	unknown	Art and culture, Non-profit business
tumblbug	All or Nothing	347	1,321,329,749	65.7% (cumulative)	Art and culture
Ohmycompany	Keep it all	31	467,683,961	12.5%	Non-profit business
Goodfunding	All or Nothing, Keep it all	91	216,968,200	14.0%	Non-profit business, film
Wadiz	All or Nothing, Keep it all	39	101,422,955	51.3%	Various
Total		681	3,445,443,065		

Table 3.1 Reward-based crowdfunding platforms in South Korea
(Mar/2013 – Feb/2014) (Source: Yoo &Choe, 2014, p.215).

3.1.2 – DATA COLLECTION

The data is collected from 'Tumblbug' website which is mainly focused on crowdfunding for art and culture. Tumblbug has 13 different categories: art, comic, dance, design, fashion, film & video, food, games, music, photography, publishing, technology, and performing arts. This research specifically chooses to collect samples from the 'Film & Video' categories. According to Yoo & Choe (2014), "Commonly, music, movies, and publishing made up the most part of the whole creative industries sector." (p. 215). The popularity percentage of Film & Video category between 2013 and 2014 was 13.3%, which is the third highest percentage category next to music (18.4%) and comics (15.0%) (Table 3.2).

Category	Percentage (%)
Music	18.4%
Comics	15.0%

Film & Video	13.3%
Publication	12.7%
Design	11.5%
Art	9.2%
Theater	8.4%
Games	7.2%
Photography	2.0%
Food	0.9%

Table 3.2 Tumblbug project percentage by sector (Mar/2013 – Feb/2014)

(Source: Yoo &Choe, 2014, p.216).

This research collected data from the start of the Tumblbug to May 1, 2015. On May 1st 2015, the total number of projects was 191 movies. However this paper will exclude 2 projects that do not fulfill the four selection criterion.

1. Proejct was launched in Tumblbug .
2. The creation of the project is between the starting point of the website up to May 1, 2015.
3. Projects need to be categorized under the 'Film & Video' category.

Projects need to provide at least basic information: name of the project, the creator's name, rewards information, and pledged amounts. Finally, this research collected 189 movie projects that were finished and recorded in Tumblbug.

3.2 – OPERATIONALIZATION

Previous research about crowdfunding used both qualitative and quantitative methods to understand funder's motivation. In general, qualitative analysis took interviews and case studies to provide an in-depth perspective about specific cases. This qualitative method is often used to study new areas and explain new phenomenon for creating a new theory. These qualitative methods were used in a previous study (Gerber, et al., 2012) to analyze a funder's motivation for funding a crowdfunding project. Although qualitative research helps to

understand individual's personal experiences and viewpoint of crowdfunding, it is difficult to generalize. Additionally, this method has a possibility to occur researcher's personal biases during the research process. To avoid discussed problems, this research uses quantitative research that can make a quantitative predictions based on the tested hypotheses.

This research will use a 'Logistic Regression Analysis' to find which elements of a marketing campaign on crowdfunding platform have the strongest influence on a project's success rate. This method uses variables for predicting categorical outcomes (success vs. failure of the project). This analysis "predicts which of two categories a person is likely to belong to be given certain other information" (Field, 2005, p.265). Binary logistic regression will have two categorical outcomes; the dependent variable will be either success or failure of the crowdfunding project. Based on logistic regression analysis, this paper aims to find the elements of a marketing campaign, which predict the probability of success of crowdfunding projects.

3.2.1 – METHODOLOGY

There are previous studies that used logistic regression to find factors associated with a successful crowdfunding project. Mollick (2014) " To offer an assessment of the role of quality, I conducted logistic regression of the odds of successful funding and controlled for the log of goal of project, project category, fundraising duration, and whether the project was featured by Kickstarter on their home page" (Mollick, 2014, p.7). Mollick reported, "The amateurs are making decisions about which projects to finance; the effect of these signals of quality and preparedness is unexpectedly large" (Mollick, 2014, p.8). As mentioned, my research question is "*Are there any marketing related elements on crowdfunding platforms that affect the success rate of reward-based projects in the cultural industries?*" I aim to find marketing related elements in crowdfunding project that might be associated with their success.

I will use the stepwise regression method (Backward: LR) for this research. The stepwise regression method will be used to test the hypotheses that were introduced in section 3.1.3. The dependent variable for this research is the success or the failure of the crowdfunding project. A successful project is coded as '1' and a failure is coded as '0.' The independent variables will be introduced in the following section. Since this research has a total of 22 independent variables, I choose to do backward elimination to do the stepwise

regression. It will start with all candidate independent variables that will be introduced in next section.

Previous research on crowdfunding success rate (Mollick, 2014; Lee & Shin, 2014) investigated many variables such as video, social media and rewards. This research also follows the previous research (Mollick, 2014). However, different data sources are used from different crowdfunding platforms. In addition, this research included some other variables such as the use of a slogan, music, celebrities, YouTube links, marketing events, audience participation rewards, and limited edition rewards. These variable all measure mechanisms that, according to marketing theories, should be effective marketing strategies. An overview of the variables is introduced in table 3.3.

Testimonial Marketing:
- The number of demo videos: The number of demo videos is counted as one of the variables that introduces crowdfunding project. Crowdfunding projects use a demo-video to arouse a funder's interest in the project and each video of a crowdfunding project contains different information. For example, some have a creator's testimonial, a preview of the movie, the director's previous work or even a message to the audience. This variable is coded from 0 for no video to the maximum 5 videos.

- Previous work in video: Some crowdfunding project demo videos include the directors' previous work because it shows the directors ability to realize the project. This research coded when the demo-video shows previous work in demo-video it was coded 1 and 0 for no previous work in demo-video.

- Type of testimonial: Three types of testimonial appear on crowdfunding project demo videos: 'Creator testimonial', 'Celebrity testimonial' and 'Audience testimonial.' The use of audience testimonials can show the funders that the product has credibility. This research coded no testimonial as 0, 1 for project creator, 2 for audience testimonial, and 3 for celebrity. It also made combination option that 4 for project creator+ audience, 5 for project creator+ celebrity, 6 for audience+ celebrity and 7 for

everyone that project creator, audience and actor.

- Slogan in demo video: In crowdfunding projects, slogans can increase awareness for a project and help to construct an image of a project. When the crowdfunding project video has a statement which includes the words 'Let', 'Help', 'Support', 'Aid', 'Give', 'Donate', 'Backing', it is considered as a slogan in the crowdfunding demo video. When project used a slogan in demo video it code 1 and when there is no slogan it was coded 0.

- Music: "Music is used often in advertising to enrich the key message and may be the single most stimulating component in a commercial" (Hecker, 1984, as cited in Morris & Boone, 1998, p.518). This research coded 1 when the demo video has background music in it and coded 0 when the demo video has no music in it.

- Preview: The previews (trailers) are often scenes taken from the actual movie so that people will have an idea of what genre and characteristics the movie has (Jadon, 2006). Some crowdfunding projects in film & video category asked monetary help so that one can make a revision to the film, such as revising the tone of color or editing the audio in the video. These projects show a short minute preview of their film shooting as a preview of the real project. When demo video includes preview it coded 1 and when it has no preview it coded 0.

Viral Marketing:

- Number of Shared: This is the total number of shares on Facebook and Twitter. It represents a funder's interest in the project. When funders are interested in a crowdfunding project, they try to share this interest with others. By sharing the crowdfunding project information on Facebook and Twitter, it becomes viral marketing. This research coded 0 for no shared and 11739 times of shared was the largest number for this research.

- Number of Updates: "Updates represent efforts by founders to reach out to current and potential funders, and to inform interested backers about developments in a project" (Mollick, 2014, p.6). Through these updates, funders can follow progression

of a project by being informed of the progress of the project. Therefore this researched counted the number of updates from 0 for no update 101 to the largest number of updates.

- Number of comments: Funders can create conversations with each other about through project. Mollick (2014) said, "Funders and potential funders can post comments about projects, often expressing enthusiasm or displeasure. The data on comments includes details on the number and timing of these postings" (p.6). The conversation also exists on websites such as Facebook or Twitter, but this research counts comments only from the crowdfunding description page. The smallest number of comments was 0 and the largest number of comments was 103.

- YouTube: The main social network service (SNS) websites for Tumblbug project is Facebook and Twitter, but a number of projects have videos linked to YouTube. "YouTube is one of the most well-known and widely discussed sites of participatory media in the contemporary online environment, and it is the first genuinely mass-popular platform for user-created video" (Burges and Green, 2009, as cited in Yiğit 2014). YouTube is one extra SNS to shows the use of viral marketing in increasing awareness for a project. When project connected demo-video to Youtube and gives link to Youtube, it coded 1 and when it does not it coded 0.

- Links: Project descriptions that include hyperlinks to other webpages (except Facebook and Twitter) are recorded. For example, creator's personal blog link or news article introduces of the project. When project shows links to the other page it coded 1 and when it has no links to other page, it coded 0.

Social exchange theory:
- Limited edition rewards: Research shows that there is higher demand for limited edition rewards merchandise sold on the Internet than non-limited edition rewards merchandise (Becherer & Halstead, 2004). This research coded 1 when project includes limited edition rewards and 0 when there is no limited edition rewards.

- Intangible Rewards/ Tangible Rewards: Funders will receive tangible and intangible rewards. Lee & Shin (2014)'s study selected rewards as one variable that influences the success rate of crowdfunding. The current research coded the number of people who choose intangible and tangible rewards on a nominal scale. It coded intangible rewards and tangible rewards separately and put the exact number of people who choose either intangible rewards or tangible rewards. However some funder choose rewards option that offers both intangible and tangible rewards. In that case, this research put those funders under tangible rewards because still they look for a real and visible product as rewards. This research is coded 717 for the largest number of people who choose intangible rewards while 710 for the largest number of people who choose tangible rewards.

- Variety of rewards: A variety of rewards allow funders to pick and choose which rewards they want. This variable is coded as the number of options that funders can pick from the smallest 2 options to the largest 19 options.

- Audience Participation Rewards: Some projects encourage audience participation. This variable measures whether funders were given the option of participating in the production of the film. Audience members can become an actor in a movie or an assistant staff. This type of reward offers audience members the opportunity to directly participate in the project. This research coded 1 when the project offers audience participation rewards and coded 0 when it does not offer this rewards.

Celebrity Endorsement:
- Celebrity actor: This variable is indicates whether the main character in a movie is a famous celebrity. In this research, famous celebrities are defined as not only popular musicians, but also celebrities that have acted in popular movies or TV shows at least one time. So, when the project included celebrity as a main actor for the film it coded 1 and it has no celebrity in the film it coded 0.

Prosumer Marketing:
- Timeline: Crowdfunding projects have a risk of delays and the possibility of failure. Therefore, providing a timeline and plan for creating a project may give funders

confidence in the project. When project published timeline, it coded 1 when it has no timelines it coded 0.

- Use of the budget: Funders want to know how their money will be used to effectuate crowdfunding projects and make sure it is not a fraud. Therefore, the project that includes detailed information about use of the budget it coded 1, when it does not provide Use of the budget it coded 0.

- Image Process: As they say, one picture is worth a thousand words so an image of the project process is more influence than a long description of the project. This variable records whether the crowdfunding project has images of the product being made or developed.

- Synopsis: This records whether or not a project description introduces the synopsis of a film. For each movie project there is a brief synopsis of the movie that gives an idea of basic storyline as a brief summary of a movie. When a movie has a good plot, funders can formed an idea of the attractiveness of the film easily.

- Marketing Events: Projects provide concerts, parties, mentoring sessions and travel opportunities with project creator, all of which are recorded as marketing events. These events provide opportunities for funders to communicate in-person with project creators so that funders can better understand the project. When project has a marketing event such as concerts, parties, mentoring sessions and travel opportunities with project creator, it coded as 1 and when it has no those marketing events it coded 0.

Marketing Topic	Category	Variables
Testimonial Marketing	Video	Number of demo video
		Previous work
		Type testimonial
		Slogan
		Music
		Preview
Viral Marketing	Social network service (SNS)	Number of Shared
		Number of Updates
		Number of Comments
		YouTube Links
		Link
Social Exchange Theory	Rewards	Variety of rewards
		Limited edition rewards
		Intangible rewards
		Tangible rewards
		Audience participation rewards
Celebrity Endorsement	Information	Celebrity
Prosumer Marketing		Timeline
		Use of the budget
		Synopsis
		Image process
		Marketing events

Table 3.3 Overview of variables (Source: own elaboration)

3.4 – HYPOTHESIS

According to social exchange theory the crowdfunders are consumers who are looking to investing a project and are expect material and immaterial rewards. This requires the consumers to trust the creators of the project and the product itself. These relationships can be built using marketing strategies embedded in the project description, such as promotional videos and testimonials. The key research question of this study is "*Are there any marketing related elements on crowdfunding platforms that affect the success rate of reward-based projects in the cultural industries?*" Additionally, this research aims to answer the sub question, "*Which marketing strategies influence the success rate of crowdfunding projects for cultural industries?*" To answer the main research question and sub-question, this research created 22 hypotheses to identify significant factors present in crowdfunding platforms that can influence the success rate of crowdfunding projects. The 22 variables are introduced in table 3.3 in section 3.3.

The first hypothesis is that there is a relationship between testimonial marketing and the success rate of crowdfunding.

<Testimonial marketing hypotheses>
H1.1: The use of demo videos has an effect on the odds of success of a crowdfunding project.
H1.2: The use of previous work in the demo video has an effect on the odds of success of a crowdfunding project.
H1.3: The use of testimonial video has an effect on the odds of success of a crowdfunding project.
H1.4: The use of slogan has an effect on the odds of success of a crowdfunding project.
H1.5: The use of music has an effect on the odds of success of a crowdfunding project.
H1.6: The use of preview has an effect on the odds of success of a crowdfunding project.

In this case, I will look at the number of demo videos, the use of previous work in demo video, the type of testimonials, the use of a slogan, the use of background music and previews as elements that can influence the success rate of crowdfunding. Many crowdfunding projects have their own advertising demo videos to increase awareness of a project. Videos take an intermediary role in delivering information about products and

services to consumers (Wang, et al., 2010). Kickstarter, the worldwide crowdfunding platform, suggests making a video as the first rule for launching a project on their website (www.kickstarter.com).

<Viral marketing hypotheses>

H2.1: The use of shared has an effect on the odds of success of a crowdfunding project.

H2.2: The use of updates has an effect on the odds of success of a crowdfunding project.

H2.3: The use of comments has an effect on the odds of success of a crowdfunding project.

H2.4: The use of YouTube has an effect on the odds of success of a crowdfunding project.

H2.5: The use of links has an effect on the odds of success of a crowdfunding project.

The second sets of hypotheses are related to the use of social network service (SNS) for a crowdfunding project. In this case, I will look at the number of shares, the number of comments, the number of updates, the number of YouTube links and the number of demo videos linked to other SNS. SNS is a popular method for increasing awareness of a project among many people. The chapter 2-literature review introduced viral marketing theory, which is related to SNS. Viral marketing diffuses by E-mail, and creates honest communication among consumer networks (Phelps et al., 2004). Therefore, this research views the use of SNS as a tool of viral marketing to promote crowdfunding project.

<Social exchange theory hypotheses>

H3.1: The use of a variety of rewards has an effect on the odds of success of a crowdfunding project.

H3.2: The use of limited edition rewards has an effect on the odds of success of a crowdfunding project.

H3.3: The use of intangible rewards has an effect on the odds of success of a crowdfunding project.

H3.4: The use of tangible rewards has an effect on the odds of success of a

crowdfunding project.

H3.5: The use of audience participation rewards has an effect on the odds of success of a crowdfunding project.

Social exchange theory explains a consumer's motivation for consumption. According to this theory, the rewards, whether they are good or bad, tangible or intangible, influence funder's decision. People are sensitive to limited edition rewards products and first served basis product. Therefore, I will test whether intangible rewards, tangible rewards, limited edition rewards, and audience participation rewards, and a variety of rewards have an effect on the success of a crowdfunding project.

<Celebrity endorsement hypothesis>

H4.1: The endorsement of a product/project by a celebrity has an effect on the odds of success of a crowdfunding project.

Celebrity endorsement is a common strategy in Korean business for increasing the awareness of a specific brand and building an emotional connection to their customers. Chapter 2 introduced two strategies of using celebrity endorsement in crowdfunding. Currently there were no film and movie crowdfunding project launched by a celebrity in Tumblbug. Therefore this research will test celebrity endorsement as a celebrity's participation as a main character of the movie.

<Prosumer marketing hypotheses>

H5.1: The use of a timeline has an effect on the odds of success of a crowdfunding project.

H5.2: Information about the budget has an effect on the odds of success of a crowdfunding project.

H5.3: Including a synopsis of the film has an effect on the odds of success of a crowdfunding project.

H5.4: Documenting and sharing the production process has an effect on the odds of success of a crowdfunding project.

H5.5: The use of marketing events has an effect on the odds of success of a

crowdfunding project.

Prosumer marketing was introduced in chapter 2. Prosumer marketing shows how consumers no longer participate only in the consumption, but also want to participate in the creation part of the product. Crowdfunding projects provide consumer involvement activities such as festivals, concerts, and trip to increase a funder's interest in project. The activity gives funders a chance to participate in the project as one of the creators. It is good to use prosumer marketing because 'prosumers seem to enjoy, even love, what they are doing and willing to devote long hours to it for no pay' (Ritzer & Juggenson, 2010, p.22). Prosumers are willing to support a project for the purpose of developing their interest without compensation. As prosumers spread information they will attract more prosumers who want to become a part of the project. To test the effectiveness of prosumer involvement, I will look at the effects of publishing a timeline, a budget, images of the production process, a synopsis of the film, and marketing events.

Figure. 5 is a diagram depicting the above hypothesis. The marketing strategies are represented in four major categories. The fourth chapter presents the findings on the research, focusing on the answer of the main research question that have been identifies in analysis.
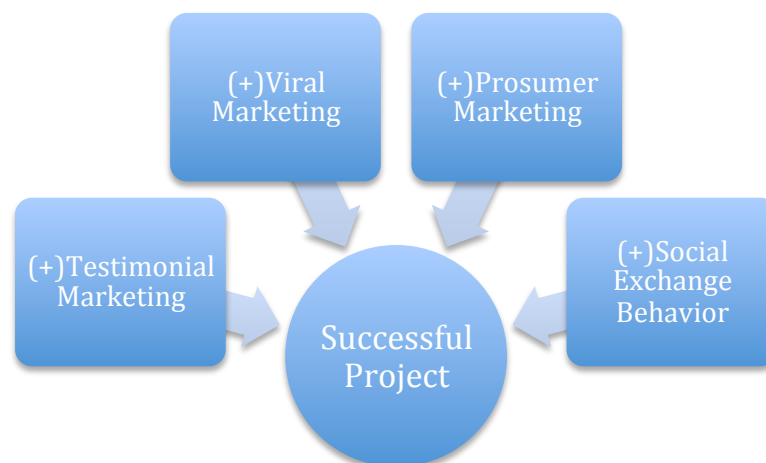
Figure. 5 Summary of hypothesis

4- ANALYSIS

In this chapter the results of this research will be analyzed and discussed. The previous chapter introduced methodology for this research and it came up with 22 different hypotheses. Firstly, this chapter shows all the statistical result from the SPSS. This research conducted a binary logistic regression in SPSS to test 22. Secondly, it will verify these hypotheses based on the statistical result after binary logistic regression test. Thirdly, it will interpret the meaning of the verified hypotheses and present the findings of this research. Finally it will discuss the validity and limitations of this research.

4.1 – RESULT

This section contains the results of the binary logistic regression in SPSS (Table 4.1). The total numbers of variables used in this research were 22, but after the backward elimination only 11 variables were left to support the model for this study.

Table 4.1 shows the results from a stepwise regression analysis and shows only variables after the backward elimination. The result of the logistic analysis shows, celebrity, slogan, use of the budget, the number of shares, Variety of rewards, limited edition rewards, intangible rewards and tangible rewards are statistically significant (p<.05) out of total 22 variables. Although the variables the number of demo videos, music and synopsis remained after backward elimination, the p-value indicates that they are not significant effects. The results of the regression indicated that eleven independent variables predicted the success of the projects correctly for 88,9% of cases (Hosmer and Lemeshow $X^2(8) = 9,51$, $p > 0.05$).

It is apparent from table 4.1 that the number of shares, and Variety of rewards decreases the odds of success. Only a slogan, limited edition rewards, intangible rewards, tangible rewards, celebrity and use of the budget increase the odds of success. Additionally, the number of demo video, music and synopsis are not significant and do not support the hypotheses. As table 4.1 shows, there are significant differences between five groups based on different marketing strategies. This finding suggests that use of celebrities has the highest effect on success rate of crowdfunding. Specifically, using a celebrity increases the odds of having a successful project by 7.450. The finding demonstrates an interesting point, that the number of shares is the variable that brings the weakest effect on the success rate of crowdfunding. For each additional time the project is shared, the odds of being successful for crowdfunding project decreases by 0.995. The single most striking observation to emerge

from this table is that variables related to social exchange theory are the strongest group to support for the study.

The next section will approve or reject the hypotheses discussed in chapter 3. It will also discuss these results with marketing theory to find which marketing theory has the most relevance to increasing the probability of having successful crowdfunding project.

		95% CI for Odds Ratio			
	B (SE)	Lower	Odds Ratio	Upper	P-value
Included					
Constant	-2.033 (1.173)				
Video (Testimonial Marketing)					
Number of demo Video	.525 (.901)	.290	1.691	9.880	.560
Slogan	1.632 (.689)	1.324	5.115	19.759	.018
Music	-1.714 (.923)	.029	.180	1.100	.063
SNS (Viral Marketing)					
Number of shared	-.005 (.002)	.990	.995	.999	.027
Rewards (Social exchange theory)					
Variety of rewards	-.443 (.174)	.457	.642	.903	.011
Limited edition rewards	1.465 (.670)	1.165	4.330	16.091	.029
Intangible rewards	.950 (.029)	1.039	1.100	1.164	.001
Tangible rewards	.143 (.030)	1.088	1.154	1.224	.000
Celebrity (Celebrity Endorsement)					
Celebrity Main	2.008 (.987)	1.076	7.450	51.576	.042
Information (Prosumer Marketing)					
Use of the budget	1.406 (.616)	1.219	4.079	13.649	.023
Synopsis (1)	1.700 (.868)	.990	5.473	.999	.050

Note: R^2 = .53 (Cox & Snell), .72 (Nagelkerke). Model $X^2(11)$ = 143,03, $p < .001$.

Table 4.1 – Final result of the analysis

(*Variables that were not significant predictors: previous work video, testimonial video, preview, information timeline, updates, YouTube, image process, marketing events, link,

audience participation rewards, and the number of comments)

4.2 – VERIFICATION OF HYPOTHESES

The previous section showed the result of the binary logistic regression. This section will discuss the hypotheses that were set up in chapter 3. In chapter 3, this research created 5 different categories based on each marketing strategies and theory (ex. Testimonial marketing, Viral marketing, Prosumer marketing, Celebrity endorsement, and Social exchange theory). The influence of each marketing theory will be tested based on the marketing elements on the website. To find relationship between marketing and success rate of crowdfunding, this research created hypotheses based on each marketing strategies and theory. Overall there were 22 hypotheses that needed to be approved or rejected. This section aims to find which marketing theory has an effect on the success rate of crowdfunding projects, so it will compare the number of hypotheses belonging to each marketing theory. The theory that has the most number of approved hypotheses will be considered as a marketing strategy that influences the success rate of crowdfunding projects. First, it will start with hypotheses regarding testimonial marketing.

The six hypotheses were established to test the power of testimonial marketing's influence in crowdfunding. All of these hypotheses are related the demo video that appears on the project description. In crowdfunding, testimonial marketing usually appears on the demo video to the publicize project. Each hypothesis to investigates the effect of testimonial marketing with a different variable and corresponds to different features of the demo video. The results show that only video, slogan and music are factors that are related to this research after backward elimination. The hypothesis 1.4 '*The use of slogan has an effect on the odds of success of a crowdfunding project'* is approved. The finding provides evidence that testimonial marketing does not have strong influence on success rate. It is apparent from table 4.2 that only one hypothesis is approved. From this result, only a slogan can be used to increase the success rate of crowdfunding. Except the hypotheses 1.4, this study rejects all the other hypotheses that which did not remain after the backward elimination. Although the number of video and music remained after backward elimination, it has to be rejected because these two variables have no significant value. This result is in line with what Kickstarter recommended, which was making a video as the first rule for launching a project. However the present finding shows slogans in the video is important content that increases the success rate of crowdfunding. Based on the results, testimonial marketing with a demo video has influence when the demo video has a slogan statement in the video. The reason

why slogans bring a positive effect on the success rate will be explained in the following discussion section.

The second group of five hypotheses was postulated to test the power of viral marketing's influence in crowdfunding. All of these hypotheses are related to the use of social network service (SNS) for publicizing the project. Again stepwise regression was used to test all of these hypotheses and the result shows only one variable that 'Number of shared' has an effect on the success rate of crowdfunding. Therefore H2.1 '*The use of shared has an effect on the odds of success of a crowdfunding project*' becomes the only hypothesis that approved for this research and the other hypotheses are rejected for this research. It means the number of shares brings a negative effect on the success rate of the crowdfunding project. The interpretation of the rejected hypothesis will discuss in next section as well as the negative effects of some of the variables. After backward elimination the other variables did not remain essential to the model, so unfortunately all the hypotheses are rejected. The relationship between viral marketing strategy and the success rate of crowdfunding is interesting because this finding suggest that viral marketing brings a negative effect on the success rate of project. Although previous researches (Phelps et al., 2004; Parka, Pousttchi and wiedemann, 2009) reported the benefits of using viral marketing in online community, the findings suggest that viral marketing is not the most effective marketing strategy for crowdfunding.

The next hypotheses group is related to social exchange theory. To investigate the influence of social exchange theory in crowdfunding, this research set up six hypotheses based on the use of rewards. According to the social exchange theory, funders rationally consume, so funders decide the amount funds based on the value of rewards. After backward elimination, four variables that are related to rewards remained and all of them have significance in this model. The H3.1 '*The use of a variety of rewards has an effect on the odds of success of a crowdfunding project*' is approved. However, it brings a negative effect on the success rate of crowdfunding. The next hypothesis H3.2 '*The use of limited edition rewards has an effect on the odds of success of a crowdfunding project*' is also approved. The findings of the present study suggest that 'limited edition rewards' brings strong positive influence on success rate of crowdfunding project. The hypothesis H3.3 '*The use of intangible rewards has an effect on the odds of success of a crowdfunding project*' and H3.4 '*The use of tangible rewards has an effect on the odds of success of a crowdfunding project*' are both approved based on the result of the test. Both of the variables bring positive effects on the success rate of crowdfunding project. Hypothesis H3.5 is rejected because the

variables related to this hypothesis did not remain after backward elimination. The most striking result to emerge from the data is that social exchange theory has the most influential power to increase the success rate of crowdfunding. Interestingly, funders do care about rewards when supporting a project. They are aware of the exchanged value of their donation and the rewards. Consistent with findings by Wechsler (2013), this research also found that reward-based crowdfunding takes into account more commercial interest than charitable support.

The following hypothesis is created to test celebrity endorsement effects on crowdfunding project. In this model, celebrity endorsement shows the highest influential power towards becoming a successful crowdfunding project. Since this research collected sample from film and movie category, some projects include celebrities as a main actor or actress for their movie. This hypothesis aims to investigate the celebrity's power based on their fan's love and awareness of superstar. As mentioned before, using a celebrity endorsement increases the odds of success by 7.45. This increase in odds is the highest found in the model. The finding provides evidence that celebrity endorsement is strong strategy that has the biggest positive effect on the success of crowdfunding.

The last hypotheses group is related to prosumer marketing. These hypotheses were set up to check influence of prosumer marketing in crowdfunding. All of the elements that were tested for prosumer marketing are related to information of project. Once again, stepwise regression is used to investigate the hypotheses. After the backward elimination, only two variables were left Use of the budget and synopsis. Therefore hypotheses H5.1, H5.4, and H5.5are rejected. The hypothesis H5.2 '*The Use of the budget has an effect on the odds of success of a crowdfunding project*' is approved. The finding of hypothesis 5.2 is consistent with findings of past studies by Gerber, et al., (2012) where funders care of how the budget is used. One of the funders, who had an interview with Gerber, et al., (2012), said, *"Don't spend that money on making t-shirts, spend it on building software...I want to see, like, I know that my money is being used well (p.7)."* This interview shows funders wants to use their money directly related to the project. Hypothesis H5.4 '*The use of synopsis has an effect on the odds of success of a crowdfunding project*' is rejected because it was not significant. This finding revealed that prosumer marketing is not a strategy that has strong influence on success rate of crowdfunding.

Overall, three hypotheses H1.1, H1.5, and H 5.3 are rejected and H1.4, H3.2, H3.3, H3.4, H4.1 and H5.2 are approved with positive effect on the success rate. Additionally H 2.1 and H3.1 are approved but these hypotheses showed negative effects on the success rate of

crowdfunding project. Table 4.2 provides a summary of hypothesis verification that will help to understand the result of binary logistic regression for this research. The next section will interpret the research discussed in this section with hypotheses that are verified in this section. Some hypotheses show positive effects on the success rate of crowdfunding project while some hypotheses shows negative effects on the success rate of crowdfunding. Next section will discuss the reason why number of shared brings and variety rewards has possibility to bring negative effects. The elements that bring positive effects on success rate such as slogan, limited edition rewards, intangible rewards, tangible rewards, celebrity and use of the budget will be also discussed in the following section.

N°	Hypotheses	Marketing theory	Category	P-value	Odds Ratio	Results
1	*The use of demo videos has an effect on the odds of success of a crowdfunding project*	Testimonial Marketing	Video	0.560	1.691	Rejected
2	*The use of slogan has an effect on the odds of success of a crowdfunding project*	Testimonial Marketing	Video	0.018	5.115	Approved (+)
3	*The use of music has an effect on the odds of success of a crowdfunding project*	Testimonial Marketing	Video	0.063	0.180	Rejected
4	*The use of shared has an effect on the odds of success of a crowdfunding project*	Viral Marketing	SNS	0.027	0.995	Approved (-)
5	*The use of a variety of rewards has an effect on the odds of success of a crowdfunding project*	Social exchange theory	Rewards	0.011	0.642	Approved (-)
6	*The use of limited edition rewards has an effect on the odds of success of a crowdfunding project*	Social exchange theory	Rewards	0.029	4.330	Approved (+)
7	*The use of intangible rewards has an effect on the odds of success of a crowdfunding project*	Social exchange theory	Rewards	0.001	1.100	Approved (+)
8	*The use of tangible rewards has an effect on the odds of success of a crowdfunding project*	Social exchange theory	Rewards	0.000	1.154	Approved (+)
9	*The endorsement of a product/project by a celebrity has an effect on the odds of success of a crowdfunding project*	Celebrity Endorsement	Information	0.042	5.473	Approved (+)
10	*Information about the budget has an effect on the odds of success of a crowdfunding project*	Prosumer Marketing	Information	0.023	4.079	Approved (+)
11	*The use of synopsis has an effect on the odds of success of a crowdfunding project*	Prosumer Marketing	Information	0.050	5.473	Rejected

* '+' sign in parentheses indicates positive effect and '-' indicates negative effect.

Table 4.2 − Summary of hypothesis verification

4.3 – DISCUSSION

The discussion of the results begins with what are the influential elements regarding marketing strategy for a successful crowdfunding project. The initial research question was: *"Are there any marketing related elements on crowdfunding platforms that affect the success rate of reward-based projects in the cultural industries?"* After backward elimination, four variables regarding the rewards category remained: the variety of rewards, limited edition rewards, intangible and tangible rewards. According to the result of binary regression analysis, 'rewards (both tangible and intangible rewards)' are the most influential elements that increase the probability of being successful crowdfunding project for cultural industries. Both tangible and intangible rewards show 1% significance value to support this model, the odds ratio shows tangible rewards has stronger effect than intangible rewards. Tangible rewards has an odds ratio 1.154 while intangible rewards has an odds ratio 1.100, so the finding can concluded funders show more interest in tangible rewards compare to intangible rewards.

Variety of rewards is the only variable that decreases the probability of being successful crowdfunding project, while all other variables had a positive effect on the success rate of crowdfunding. It can be explained, as the more choices given to funders the more trouble they have to select an option. The maximum number for variety of rewards was 19, which gives 19 choices that funders need to consider before making the decision to crowdfund. Too many rewards options create confusion for funders. They have to decide on the value of each choice and compare it to the other choices, and weigh it against the value of their donation. This causes stress to the funder and makes it hard to pick a choice. In consequence funders may give up on making a choice and will not support the project.

Park and Lessig (1981) said, " In the choice selection, the consumer decides which alternative among those in the acceptable set is best (p.224). Park and Lessig (1981) studied the difference of decision makers' selection process based on familiarity of product. Park and Lessig (1981) found that a high level of familiarity with the products lets decision makers make decision very fast and moderate level of familiarity will let decision makers make a decision simpler at the choice selection stage, while with a low level of familiarity decision maker took the longest time to make a decision. Funders, who show interest in crowdfunding project, have a low level of familiarity because the project is in the initiative stage, so funders do not have a realistic idea of project. Since funders are not familiar with the product they

need more time to make their decision and a variety of choices makes the selection even more difficult.

The other element that shows a negative effect on success rate of crowdfunding is the number of shares. In this research, the number of shares is regarded as use of only Facebook and Twitters to share a crowdfunding project. Since Tumblbug is linked in only to Facebook and Twitters, this variable does not count the other use of social network service. De Bruyn and Lilien (2008) said, "Looking to design a viral marketing campaign that not all social networks are equally effective for harnessing the potential of peer-to-peer referrals" (p.161). Although Facebook and Twitter are the most famous social network service, the effectiveness of using social networks is not always the same. Networks of friends bring rapid and effective diffusion of peer-to-peer online referrals based on the awareness and trigger interest, compared to networks of professionals or colleagues (De Bruyn and Lilien, 2008). Finally De Bryun and Lillien (2008) concluded, "Attempts to initiate viral marketing mechanisms in the absence of close relationships among the actors in a network may be ineffective (p.161)." It is unclear that funders shared the project information to their network of friends or network of professionals and colleagues. Therefore based on the number of shares, it is possible that sharing a project does not bring a positive effect on the success rate of the project. Domingos (2005) said, "Customers who have high connectivity but dislike a product can have negative network value, and marketing to them should be avoided" (p.2). In viral marketing positive network value is very important. In crowdfunding, potential funders who received advertisements or recommendation of a project click on the link of the advertisement based on the trust placed in an advertiser. When an advertiser has negative network value, potential funders will receive bad feedback of the project and that can decrease the possibility of success. In fact, viral marketing is used as one of the main marketing strategies for crowdfunding; the finding provides evidence that viral marketing has no influence on the success rate of the project.

The results concluded that 6 elements, slogan, limited edition rewards, intangible rewards, tangible rewards, celebrity and use of the budget have a positive effect on the success rate of crowdfunding projects. First it shows that slogans in the demo video which include the words 'Let', 'Help', 'Support', 'Aid', 'Give', 'Donate', 'Backing' have a positive effect on the success rate of crowdfunding. This significance highlights the power of persuasive messages in a demo video. The slogan is a statement that is concise and conveys by its message the essential quality of the product or service (Ştefan, 2009 p.246). People show strong reaction from a slogan and it appeals to the advertisement receiver's behavior.

Dumitru (2009) studied the influence of slogans as a particular type of persuasive statement, which evokes strong conversation between speaker and the speaker's audiences. According to Dumitru (2009), slogan or electoral message has persuasive power to convince or to seduce a virtual buyer in order to act in certain way such as making consumption for product or service. Finally Dumitru (2009) said, "Due to the fact that political discourse and Slogan, as one of its forms of manifesting, address both to the receiver's reason and emotions, they use persuasive strategies that rely on different linguistic levels (p.52)." As previous research (Ştefan, 2009; Dumitru, 2009) demonstrates, a slogan presented in demo-videos is persuasive and influenced funder's behavior positively.

The second element is a limited edition reward. Limited edition rewards are one of the marketing strategies that usually are used for luxury goods. For example, luxury handbag such as Louis Vuitton and Gucci targets niche market with scarcity of products. According to Shuey (2014), limited edition rewards evokes necessity in consumer's mind. Marketing professionals may choose to communicate scarcity by advertising an exclusive slogan "limited edition rewards," making the targeted product have a sense of value (Ku et al., 2012, as cited in Shuey 2014, p.10). Based on the scarcity principle, people have a desire to obtain a product that seems difficult to have and people put more value on a product which is not an everyday item that they can purchase (Choi, Lim & Hwang 2011). Since limited edition rewards has scarcity, it is no longer a product quite common in market and it gives cognitive value to consumers. Some people are attracted by limited edition rewards, so they put into effort to having one. The sales and advertising industry often use this limited edition rewards marketing strategy (Choi et al., 2011). Limited edition rewards marketing works positively in crowdfunding. People put more value on product that is scarce and funders also show positive attitude to limited edition rewards.

The third significant elements are rewards. Whether they are intangible rewards or tangible rewards, funders expect to receive a reward from the project creator for their support. Marketing exchange is more than a transfer of a product or service for money; it has three different types of exchange: utilitarian, symbolic and mixed (Bagozzi, 1975).

In crowdfunding, tangible rewards represents utilitarian exchange which is 'an interaction whereby goods are given in return for money or other goods and the motivation behind the actions lies in the anticipated use or tangible characteristics commonly associated with the objects in the exchange (Bagozzi, 1975, p.36).' Symbolic exchange is related to intangible rewards which refer to 'the mutual transfer of psychological, social, or other intangible entities between two or more parties (Bagozzi, 1975, p.36).' Since rewards show

significance in this research model, it indicates funders are more close to consumers instead of donors. Both utilitarian exchange and symbolic exchange appears in crowdfunding, so we need a change of perspective to understand funders based on marketing perspective.

The fourth element is celebrity. Celebrity endorsement strategy is commonly used in marketing and advertising as a long-term or a short-term strategy. While long-term celebrity endorsement strategy is used for brand image with product quality assurance, short-term celebrity strategy is related to market awareness of brand or product. In crowdfunding, celebrity endorsement is used for short-term strategy that increases the amounts of funds. Celebrity also has influence on the possibility of successful crowdfunding project. Gu (2005) said, "Celebrity endorsement attracts a large following of fan buyers who create a strong emotional linkage with the celebrity endorser and subsequently facilitates the product adoption through social networks via the information dispersion effect (p.34)." Obviously celebrity helps to increase the awareness of crowdfunding project, so using celebrity endorsement in crowdfunding marketing can be one strategy that increases the possibility to have successful projects.

The final element that increases the odds of a project's success is use of the budget. Crowdfunding has a possibility of a fraudster because the whole process is online. It also runs the risk of delays and failure of the project even if the creator successfully collects the goal amount of funds. This is because the project is a new idea that was never created before. No one knows the result of crowdfunding, so funders have a risk taking of supporting projects. The use of the budget notifies a funder about how the creator uses the funding amounts. For example, a project in the initial stage asks funds to negotiate a place for shooting a movie and for production cost for the movie. While the project is in the progression stage, the creator may ask funds for color compensation fees and image editing costs. Through clearly communicating the expenses to funders the creator will build trust. Funders have a right to know how the donated money is used.

Detailed information on the usage of funds gives trust to funders. Trustworthiness of a service provider has influence on consumer's decision-making process and consumers consider honesty and reputation of creator as a basic component of trust (Sloman, 2004). According to Maximilien (2004), "The trustworthiness of a service provider is, in essence, a predictor of quality values for some future usage of the provider's service (p.23)." To increase the trustworthiness of a project creator, provide Use of the budget is necessary. In general, many crowdfunding creators have no reputation as a success businessman or businesswomen because they are starting up entrepreneurs who desire to realize their creative

ideas. Therefore the trustworthiness of a project creator is very important for their credibility. Delivering information about the usage of funds to the funders is one method for the creator to increase their trustworthiness.

Overall, the result shows celebrity endorsement has the highest odds of a project's success. Using a slogan in demo video was the second, making a limited edition rewards option was the third and providing detailed information on the usage of funds was the fourth. Both intangible and tangible rewards have similar odds of project's success. Next section will be discussed validity and limitation of this research.

4.4 – VALIDITY AND LIMITATION

The research tries to generalize the results, so it used quantitative methods that give more reliable and representative results. Validity is "the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration" (Babbie, 2010, p.153). Validity issues with this study are that the data is collected from only one of the South Korea crowdfunding platform: 'Tumblbug'. Second, two samples under film and movie category in Tumblbug are excluded because they do not contain any variables to become a sample for this study. Third, the samples are under the film and movie categories, which have a strong relationship with celebrities. Therefore, the use of celebrity endorsement may not generalize to other categories such as art, publication, food, photograph and design. To avoid this, the analysis will test the other marketing strategies such as viral marketing, prosumer marketing and social exchange theory, which can be adapted to any crowdfunding project.

The research predicted that every funder would choose one rewards option that gave tangible or intangible rewards. However, during the data check process, results showed that the sum of funder who chooses intangible rewards and funders who choose tangible rewards did not match with the total number of backers. This shows that people still participate in this crowdfunding project as a donor, not a consumer.

The research tried to predict many variables but it could not conduct every element on the crowdfunding project description page. Crowdfunding project descriptions include a variety of information that was not introduced in this research. For example foreigners created the projects 'Dokdo' and 'Korea.' These projects provide English descriptions in order to attract foreign funders to support the project. Another limitation is that the variables conducted in this study cannot explain every project's reason for success. The project 'I am a

bullet' 'Island of waiting' and 'Su-seck station' launched the same project in Tumblbug twice. These projects failed in the first trial, but then they became successful in the second trial. However the project 'Perfect travel' did not succeed in neither the first trial nor the second trial. The projects that became successful in their second trial used the same video and the same scenario. The only thing they changed was the project launching date. One assumption about this phenomenon for the project's success is related to the understanding of crowdfunding. Fundraising through crowdfunding in South Korea is still in the developing stage. Previously, people had little recognition of crowdfunding. Now many people know about crowdfunding and for this reason the second trial project can become successful even when project creators used the same marketing methods as did in the first trial.

Finally, the next chapter is conclusion that gives a brief summary and critique of the findings. It will also include a direction for future research into this area and overall limitation of research.

5- CONCLUSION

The presented study was designed to determine the relationship between the success rate of crowdfunding and marketing related elements on crowdfunding platforms. Additional purpose of the current study was to find the most effective marketing strategy that can increase the success rate of crowdfunding projects. The rapid growth of crowdfunding gives more opportunities to entrepreneurs to present their novel ideas in society. To support development of crowdfunding, more dynamic studies of crowdfunding are required. Therefore this research tried to extend existing research about crowdfunding because it aims to contribute the development of crowdfunding system.

This paper shows some exploratory insights into the success rate of crowdfunding based on marketing perspectives. One of the more significant findings to emerge from this study is that the social exchange theory has the most influence on success rate of crowdfunding. This result indicates, that as a project creator it is good to understand social exchange theory. Creator should consider a reciprocal relationship between themselves and funders. Since funders make a decision to support the project based on a reciprocal relationship the creators should consider rewards. Specifically, limited edition rewards attracts the more funders who wants to be discriminated from other funders. Therefore conceiving a nice limited edition rewards is an influential strategy that increases the success rate of crowdfunding. According to the result of the analysis, rewards are associated with an increased chance of being successful project; and limited edition rewards, intangible rewards, and tangible rewards were the key to increase the success rate of crowdfunding project.

A slogan in the demo video is another element that predicts the chance to become a successful project. A slogan has persuasive power, so when a demo video shows a slogan statement it appeals to more funders. Celebrities help to increase awareness of the project. Trustworthiness of project creator is very important to make a successful project and information about use of the budget is one element that can increase credibility of project creator.

While this research found elements that can help crowdfunding creators make a better promotion strategy, it has number of limitations that will discuss in next section. Finally the last section of this research will propose several suggestions for future research of crowdfunding in order to overcome the limitation of this research.

5.1 – LIMITATION FOR THE RESERACH

This research proved the relationship between marketing strategies and theory, used in current crowdfunding, and the success rate of crowdfunding, but still contains limitations that need to be overcome. It is impossible to collect data for every project and exact every element that directly related to the success of the project. In order to overcome this difficulty, this research tried to set up specific standards to collect the data introduced in section 3.1.2.

However, the first limitation of this research lies in the generalization of the result to different project categories. The Available time made it impossible to collect all the data from Tumblbug to generalize the scope of the database, so we ended up collecting data only from the film & movie category. The Film & movie category involves more celebrities than other categories such as publication or art, so the effectiveness of celebrity endorsement can be different from other categories.

The second limitation of this research is its regional characteristic. Crowdfunding platforms are proliferating worldwide, but this research focused on only one crowdfunding platform in South Korea. However, since this research has to be finished within a fixed period of time; it was decided to focus on one platform. It also strengthens the validity of the research. One country with one platform has more objectivity because it decreases the possibility of biased what can be occurred when the data are collected from two different circumstances. As the chapter 2 already mentioned, Kickstarter's market size is a lot bigger than Tumblbug's market size. The total number of projects in these platforms is different and histories of platforms are different. Moreover, Kickstarter targets global funders while Tumblbug targets only domestic funders. Therefore it may causes biased when the research tests both platforms' data with the same methodology. Another problem may be caused because of regional characteristic is the funder's cultural background. For example, the reaction of funders to each marketing strategy can be different depending on the funder's cultural background. While Koreans show high engagement level with celebrity endorsement, people in the other nations possibly have less interest in celebrities.

The third limitation deals with the variables selected to test the use of marketing theory in current crowdfunding. This research chose the marketing related elements as independent variables, but it did not cover every element that may have influence on success rate. For example, the length of video, number of speakers in the video, contents of comments, etc., are the variables that need to be studied in future research. Previous research selected different variables such as project duration, project starting date and etc., there are

many variables needs to be covered. Therefore, further research in this field might investigate other elements would be very interesting.

The last limitation is funders' motivations. It is difficult to measure the funder's inner motivation. Each funder has their own motivation based on their own preferences and interest in the project, so it is difficult to generalize which specific element attracts more funders. Some funders care more for the credibility of a project while others have an interest in its rewards. Therefore, this paper can give a big picture of certain marketing strategy and their influence, but it has difficulty to adopt every type of funder.

Besides these four general limitations of the study, it probably contains other limitations. This research tested only five marketing strategies, but there is a possibility to explain crowdfunding with different marketing strategy. Therefore, the next paragraph suggests recommendations for future research.

5.2 – FUTURE RESEARCH

This research has demonstrated the relationship between crowdfunding and marketing. Because many previous crowdfunding research focused on the motivation of funders based on donation theory, this research is a meaningful contribution that suggests a new perspective to study crowdfunding. Crowdfunding has a rapid growth rate and an enormous number of projects are published globally. Since crowdfunding is still in the developing stage, it is recommended more research of crowdfunding in the future.

In order to overcome the first limitation discussed in the previous section, future research needs to expand the categories of projects for collecting data. This research used data only on film and movie- projects but there are many rewards-based crowdfunding projects for the cultural industry. To find generalized result the data needs to include more samples from different categories and needs to check the usage of these marketing strategies in the other cultural industries.

Secondly, this research only collected a sample from a South Korea crowdfunding platform. Further research should collect more data from different nations crowdfunding platforms. The original idea of this research paper was making a comparison of 'Kickstarter (US crowdfunding platform)' and 'Tumblbug (South Korean crowdfunding platform), but this idea was dispersed because it was not available to get data for the failed projects from Kickstarter. However future research can try to get data from both successful and failed projects from different nation's crowdfunding platforms.

A comparison can be made to see which marketing strategy has the most powerful influence on the success rate of crowdfunding.

Thirdly, this research picked 4 different marketing strategies and 1 marketing theory that are used in the current crowdfunding and selected variables to test these theories from the description page of the crowdfunding projects. It tried to put variables that show similarities to these 4 marketing strategies and 1 marketing theory, but the result presents many variables did not support this research. Therefore, future research can add more variables that bring more influence on success rate of crowdfunding. When this research coded the number of comments it did not concern the contents of the comments. There is a possibility that when the comments' contents are negative, it brings a negative influence on the success rate. Therefore future research should consider the contents of comments as well.

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