



LUND UNIVERSITY
School of Economics and Management

An Empirical Study into the Field of Crowdfunding

Supervisor:

Per Magnus Andersson

Author:

Yi Zhang

Abstract

Title:	An Empirical Study into the Field of Crowdfunding
Supervisor:	Per Magnus Andersson
Authors:	Yi Zhang
Programme:	Accounting and Auditing
Keywords:	Crowdfunding, motivations of crowdfunder, platform, upgrade of crowdfunding framework, reciprocity & cross-investment
Purpose:	The purpose of the master thesis is to describe and analyze the financing phenomenon crowdfunding and investigate the relation among the crowdfunder, the project creator and the crowdfunding website.
Methodology:	Case studies based on three crowdfunding websites including <i>IndieGoGo</i> , <i>Kickstarter</i> and <i>SellaBand</i> , nine crowdfunding projects derive from the three websites and forty-five crowdfunders. Structured interviews are with crowdfunders and project creators.
Conclusions:	There are some developments of crowdfunding websites in terms of business model. IndieGoGo and SellaBand have already expanded its crowdfunding circle and upgraded its crowdfunding business model through adding more functions on the website and incorporating the external partnership into initial model. Moreover, the partnership is an important tool in the promotion of crowdfunding. Secondly, there are five motivations of crowdfunders including (1) the opportunity to support an attractive idea or the producer they know; (2) the altruistic intentions for funding the project; (3) the opportunity to help others realize dreams; (4) the reward-oriented intentions of crowdfunders; and (5) the reciprocity and cross investment between project creators and crowdfunders.

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1. Introduction

This chapter starts with the background of crowdfunding with earlier practical application cases, and follows by the purpose of the study. After presenting research questions, the author outlines the structure and the delimitations of the thesis.

1.1 Background

After Barack Obama winning the initial presidential election in 2008, the campaign fundraising way which collecting all of the funds from private individual donors instead of using public campaign funds has attracted a great amount of attentions. Barack Obama's campaign which raised more than \$750 million within 21 months broke previous records for presidential primary and general campaigns, as well as the number of donors in history. It is worthy to notice that, the campaign raised much of its money over the internet in small donations coming from donors who contribute \$200 or less.¹ The crowdfunding method not only made an unexpected funding record, but also widened the range of potential voters because this fundraising way made people who are willing to donate voluntarily understand Obama's political policies. As a matter of fact, the idea 'crowdfunding' has emerged for years but the Obama's presidential campaign undoubtedly has made a great success in terms of the cash as well as the impact.

On one hand, one of the earliest crowdfunding campaigns could date back to 1997. Fans of the British rock group Marillion raised \$60,000 through a fan-based internet campaign which was conceived and managed without any involvements of the band.² Marillion's later albums *Anoraknophobia*³, *Marbles*⁴ and *Happiness Is the Road*⁵ were also funded through this method with great success. On the other hand, the company ArtistShare (2000/2001) which aiming to support artists' albums is documented as the first crowdfunding website and several crowdfunding sites are founded in the following decade, such as *Pledge Music*, *RocketHub*, *Sponsume* and *Peerbackers*. Until August 12th 2006, the word 'crowdfunding' was cited for the first time by Michael Sullivan in fundavlog.⁶

The prosperous trend of crowdfunding foresees a vast potential and a rapid growing prospect. On August 25th 2009, the article "Using Kickstarter to Fund a Small Business" was posted in the New York Times website. In the beginning of the article, the Kickstarter is described as "*a web*

1 <http://abcnews.go.com/Politics/Vote2008/story?id=6397572&page=1>

2 <http://news.bbc.co.uk/2/hi/entertainment/1325340.stm>

3 <http://guitartabsexplorer.com/marillion-reviews/B00005CC5A-Anoraknophobia/>

4 <http://www.musicomh.com/albums/marillion.htm>

5 <http://www.marillion.com/preorder/>

6 <http://www.wordspy.com/words/crowdfunding.asp>

*site that helps connect aspiring artists with patrons who finance their projects and often receive some tangible memento in return”, and “some small businesses and entrepreneurs see it as a way to raise money to supplement and support their business in new ways”.*⁷ The author illustrates how one of Kickstarter’s earliest successful cases, the *Polyvinyl Record* reached its business goal. The initial purpose of the company is to solve the storage problem and cut down the loss of destroying albums as much as possible, so the company set \$1,000 as the original target. But the amount climbed up in a short time and eventually the company sold \$15,000 of inventory. However, only sixteen months later, Kickstarter ushered its biggest success at that time: the LunaTik and TikTok Wristbands which converting the Ipod Nano into a watch raised nearly \$1 million within one month from 13,512 backers (according to Kickstarter’s record).⁸ The unexpected popularity of the product on Kickstarter completely surprised the designer, which turned out 21,120 units were sold on Kickstarter and roughly 20,000 more went on to be sold through its direct sale website. Moreover, the overwhelming success caught retailers’ attention, even including the most prestigious company Apple Inc.

However, the growing interests on crowdfunding could not only focus on the prosperous perspective, there are also some areas about this new financing way worthy to research. For example, the practical use of crowdfunding is much more than political campaign, so how people having other ideas fundraise their various projects through crowdfunding and protect their intellectual property at the same time? Since the role of the donor is quite complicated in the crowdfunding, what are the motivations of their behaviors and participations? As a platform connecting numerous invisible donors and project-creators, how could a crowdfunding website attract more people to raise money for own projects and to donate for others on the platform, meanwhile how could the crowdfunding website also maintain its own business in the model? In this master thesis, most attentions are paid on the three main participants of crowdfunding: 1. **Crowdfunder**: the person who has contributed financially, especially in small donations to other’s projects; 2. **Project creator**: the person or the subject that has an idea and launched a project on the website; 3. **Crowdfunding website**: the website provides a platform to link various creators with different projects and tremendous crowdfunders. So the author not only would like to analyzes the crowdfunding from the above three perspectives, but also makes comparative analysis from both horizontal and vertical visions respectively.

⁷ <http://bits.blogs.nytimes.com/2009/08/25/using-kickstarter-to-fund-a-small-business/>

⁸

<http://www.fastcodesign.com/1663858/kickstarters-biggest-success-ever-nano-wristbands-raise-1m-jump-to-apple-store>

1.2 Purpose

The purpose of the master thesis is to describe and analyze the financing phenomenon crowdfunding and investigate the relation among the crowdfunder, the project creator and the crowdfunding website.

1.3 Research questions

- 1) How does a project creator fundraise own projects through crowdfunding?
- 2) What are the motivations of crowdfunder's participations in the crowdfunding? What are the motivations of project creator's participations in the crowdfunding? What is the role crowdfunding website plays and what is the function it exerts in the crowdfunding?
- 3) What are the factors related to a project could influence the campaign result?

1.4 Thesis outline

The first chapter is the introduction which states the background of crowdfunding, the purpose of this thesis, the outline of thesis and the delimitation. The second chapter is theoretical frameworks. In this chapter, the author reviews theoretical development related to crowdfunding and collects the theoretical supports to crowdfunding. The third chapter is methodology. In this chapter, the author introduces main methodologies that are used in this master thesis, including research reviews, case study, structured interviewing, qualitative data analysis and comparative analysis. The fourth chapter is case presentation which contains the choices of cases and the design of the case study. The fifth chapter is empirical results derive from the case study and structured interviews. The sixth chapter is the analyses of findings in the fifth chapter. And the last chapter is conclusions with a summary of key insights, and proposal for further research.

1.5 Delimitations

In this thesis, delimitations mainly include three points. Firstly, compare to huge amount of crowdfunders, the sample that used in the structured interviews seems to be inadequate to investigate the entire motivations behind their behaviors. This delimitation also exists in the research with the project creators' sample. Secondly, since there are multiple themes of crowdfunding projects, the cases used in the thesis is too limited to cover most themes of projects. Therefore, there might exist some bias among the results derive from the cases. Thirdly, the effect of structured interviewing as a research method in the paper might be weakened since the author does not have sufficient experiences of designing well-structured interview questions.

2. Theoretical Framework

This chapter aims to present the theoretical framework of crowdfunding which shows theoretical supports and development. Begin with two theoretical fundamentals of crowdfunding, followed by the definition of crowdfunding and other related theories.

2.1 Two theoretical fundamentals

2.1.1 Where is the 'crowd'?

2.1.1.1 Web 2.0 & Geographic dispersion

Undoubtedly speaking, the crowdfunding would not emerge without a great amount of the 'crowd'. Namely, the existence of the 'crowd' is a conglomeration of countless individuals sitting behind the computer, and it is believed that individual of the 'crowd' is connected by the Internet. Therefore, the rapid development of crowdfunding benefits from the widespread of the Internet and a prerequisite to the development of crowdfunding is Web 2.0. It can say that Web 2.0 provides individuals a platform to collaborate and combine own knowledge and resources. Moreover, it offers an open opportunity to different projects which people would like to take part in and contribute freely. Next, the proliferation of the Internet and computers has largely increased the online involvement. For example, a research conducted by Schwienbacher and Larralde (2010) found that Web 2.0 especially broadens the capabilities of small firms by allowing user content to inflow and create value for the company.

Since Web 2.0 is a significant prerequisite of crowdfunding, geographic dispersion of investors is a striking feature of the 'crowd' and crowdfunding. An empirical study conducted by Agrawal et al. (2010) not only found that crowdfunding largely overcomes the distance-related economic frictions usually associated with financing entrepreneurial ventures, such as acquiring information (e.g., local reputation, stage presence), monitoring progress, and providing input; but also found that the timing of distant investments is very responsive to the investment decisions of others rather than the local. Because local and distant investors clearly display distinct patterns, for example, distant investors' propensity to invest rises as the entrepreneur accumulates capital, whereas local investors' propensity does not.

2.1.1.2 Crowdsourcing & Crowd's efficiency and wisdom

Before the booming of crowdfunding, the Web 2.0 as a prerequisite has been boosting the development of crowdsourcing. The fact was confirmed by several authors including Brabham (2008a) and Kleemann et al. (2008), who argue that its structure facilitated the networks between companies and consumers. As the concept of crowdsourcing, Kleemann et al. (2008) pointed out

that “crowdsourcing takes place when a profit oriented firm outsources specific tasks essential for the making or sale of its product to the general public (the crowd) in the form of an open call over the internet, with the intention of animating individuals to make a [voluntary] contribution to the firm’s production process for free or for significantly less than that contribution is worth to the firm.”

Lévy (1997) pointed the fact that the more individuals share, the more important knowledge becomes, because “no one knows everything, everyone knows something, [and] all knowledge resides in humanity” which namely the interpretation of ‘collective intelligence’. In the book ‘wisdom of crowd’, Surowiecki (2004) claimed that the crowds’ solutions seem like the ones average out from aggregating individual intelligence. Or, the members of crowd combine own solutions and others’ advices thereby producing better solutions. Moreover, probably crowds are considered to be more efficient and wiser at times than individual talent and small group of experts (Howe, 2008). Brabham (2008b) also stated that the more diverse the members of crowds are, then the higher efficiency of crowds in solving problems. Practically speaking, crowdsourcing and crowdfunding and can be used as an instrument to reveal valuable signals on the market potential of an aiming product. (Schwienbacher and Larralde, 2010)

2.1.1.3 Social network & Attraction of crowd’s attentions

Despite of the Internet, the crowdfunding could not proliferate without the rapid development of social networks. From the application of various social network tools, it is obvious that social network has a powerful influence in widening the scope of prevalence and improving the efficiency of proliferation. Take a recent event “KONY 2012” as an example. The campaign “KONY 2012” which aiming to arrest Joseph Kony (the head of a Ugandan guerrilla group - Lord’s Resistance Army) got global impact within only one week! The main reason of the fast spread is that the video named “KONY 2012” which was uploaded on YouTube has been watched more than 50 million times during the first five days (according to the statistics on YouTube⁹), and meanwhile has also been shared thousands of times through other social networks such as Facebook, Twitter and Chinese Sina Weibo. According to the example, it is apparent that the social network which facilitating active participation of sharing information, knowledge and suggestions in online communities assists the fast prevalence of an idea under the era of information.

Schwienbacher et al. (2010) consider that attracting crowd’s attention is one of strong advantages of crowdfunding. For the entrepreneur, this form of financing assists not only in fundraising, but also in increasing crowd’s attentions on his/her project or company. For those entrepreneurs

⁹ <http://www.youtube.com/watch?v=Y4MnpzG5Sqc>

need to present their talents and pursue artistic creation, such as artists, musicians and filmmakers, the attentions can become a vital asset for projects due to it also attracts future potential customers.

2.1.2 What is the 'funding'?

Concerning to the 'funding', it is believed that the crowdfunding is not the pioneer of fundraising through individual contributions in small donations. In terms of non-profitable purpose, the tradition that ordinary disciples donating to the church for the religious purpose started from the earliest stages and the public began to contribute for the Red Cross since the modern society. Until now, it is very common that many small and medium-size charitable projects raise funds through individual contributions in small donations; even some large campaigns such as Wikipedia also utilize this method. Therefore, the concept of crowdfunding was initially regarded as a branch of charity since the behaviors of crowdfunders share some similarities with the donor behaviors. The literature related to donor behaviors suggests that the motivations of people's charitable contribution can be divided into altruistic causes and self-interest causes. From an altruistic perspective, people donate for charity because humans have the basic, deep-seated need to help others (Guy and Patton, 1989), and also due to the joy-of-giving (Ribar and Wilhelm, 2002). From a self-benefit perspective, people's donor behaviors are motivated by public recognition, satisfaction of expressing generosity of one's own wellbeing, and relief of feeling guilty (Hibbert and Horne, 1996). Moreover, being a beneficiary and tax advantages are also confirmed as major motivations. (Cermak, File and Prince, 1994)

On the other hand, the crowdfunding is neither an innovation of for-profit financing application. With the development of financing ways, the emergence of 'business angels' appears some features related to the crowdfunding. The phenomenon which is mainly economic-driven and dominated by a few affluent individuals with considerable business expertise and substantial net worth, aims to provide funding for entrepreneurial ventures. (Freear et al., 1994) One of characteristics of business angels is that these investors are well-educated, middle-aged and with a lot of business experience, because the entrepreneurial venture is high-risk and high-return, the activities of business angels require stricter for investors. Therefore, the cost per investor in the traditional venture-capital-funded projects is greatly higher than the cost per crowdfunding has in a crowdfunding project. (Ordanini, 2000)

In a later period, there emerged another phenomenon 'microfinance' which is also related to 'crowd' application. But the difference is that the microfinance focuses more on a social meaning through helping crowds maintain small projects and/or business. (Rutherford, 2000) There is a quite famous example about the application of microfinance. Muhammad Yunus was rewarded the Nobel Peace Prize in the year 2006 for his contributions to local entrepreneurs through

microcredits. The Grameen bank of Yunus gives microcredits to those entrepreneurs who are not qualified to get a loan from a regular bank, and assists them to get rid of poverty and to live a life on their own. According to the case, there observes a clear trend that social finance obtains public recognition.

2.2 Definition of crowdfunding

In respect to the definition, Schwienbacher et al. (2010) gave an explicit definition that the crowdfunding is *“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”*. (2010) extended of crowdfunding that it involves an open call, mostly 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. Moreover, Schwienbacher et al. (2010) concluded that there are some key elements in understanding why crowdfunding is embedded in the definition of crowdsourcing:

- (1) The most significant element of both is tapping a general public, namely the crowd. Theoretically, ‘crowd’ of crowdsourcing can provide voluntary contributions besides financial help;
- (2) Web 2.0 is a critical instrument that has facilitated the access to the ‘crowd’ (Brabham, 2008a; Kleemann et al. 2008);
- (3) Brabham (2008a) confirmed that there are many practical differences between crowdsourcing and open-sourcing, some of which also exist between crowdfunding and open-sourcing.

2.3 Characteristics

2.3.1 Crowdfunders act more proactively than consumers in social network

Crowdfunding goes beyond conventional social-network participation by incorporating more proactive roles for consumers, such as selecting new initiatives to support and providing financial backing for them. Therefore, although the crowdfunding sharing some characteristics of traditional resource-pooling and social-networking phenomena, has some unique elements related to creating service platforms through which individual consumers can pool monetary resources to support and sustain new projects initiated by others.

2.3.2 Non-profit organizations tend to be more successful

The findings in the study (Schwienbacher et al., 2010) suggest that for-profit and non-profit organizations have different successful opportunities to raise the money through crowdfunding, and the latter one tends to be more successful. In addition, although organizations have a strong motivation to collect money by crowdfunding, it is not the only way of fundraising. It is also observed that other motivations for resorting to crowdfunding, such as getting public attention and obtaining feedback on the product/service offered are equally important. Moreover, it also affects the flow of information between the organization and its customers.

2.3.3 Help developing corporate activities

Furthermore, the crowdfunding insert a positive influence in corporate activities through the process of fundraising. In other cases, this form of financing allows entrepreneurs present original ideas in front of a specifically targeted audience, so that they can get insights of market potential about the product or service. (Belleflamme et al., 2010) From this perspective, crowdfunding may be viewed as a way strengthening interactions between customers and products.

2.3.4 Value-creation & cost-reduction

Firstly, crowdfunders improve the product quality and create value for companies by involving the design process and the development of product. As early as before the crowdsourcing spread, Prahalad and Ramaswamy (2003) stated that a new point of view is required, which allows individual customers to actively co-construct their own consumption experiences through personalized interaction, thereby co-creating unique value for themselves. From this perspective, what some existing crowdfunding projects are doing fulfill the application of this view point. Not only this, within the crowdfunding activities, it built a better customer acceptance and increased the customers' perception of product newness. (Schwienbacher and Larralde, 2010) Secondly, in any cases, cost is an essential factor cannot be ignored when organizations consider the method of raising funds. According to Kleemann et al. (2008), companies choose the 'crowd' method mainly due to cost-reduction reasons which permits the company to cut the timing cycle and costs of new product development.

2.4 Supporting theories

Despite of the aforementioned theories which could be related to the characteristics of the crowdfunding, the author reckons that there are two theories could provide support to the framework of crowdfunding. One of them is agency theory which concerns about the

relationship between the principal and the agent was raised by Jensen and Meckling in 1976. According to agency theory, the firm is viewed as a nexus of contracts among various economic agents who act opportunistically within efficient markets and aims to minimize inherent agency costs. (Deegan and Unerman, 2006) Since the principal and the agent have different interests and asymmetric information, there exists agency dilemma in motivating one party to act on behalf of the other. In terms of practical application, the author considers that the crowdfunding platform plays the 'agent' role while the gathering of 'crowd' can be regarded as the principal, so the framework of crowdfunding substantively contains the 'principal-agent' relationship as well as problems such as moral hazard and conflict of interest.

Compare to agency theory, the other one stakeholder theory interprets the crowdfunding in a broader way since the crowdfunding platform interacts more directly with its stakeholders. Stakeholder theory broadens the participants of corporate management from traditional four parties (investors, employees, suppliers and customers) to a wider circle also including governmental bodies, communities, potential employees, potential customers and the public. The ethical branch of stakeholder theory argues that all stakeholders should be treated fairly by the organization and the corporate reporting is assumed to inform how the organization fairly responds to its stakeholders' expectations. (Gray, Owen and Adams, 1996) Based on empirical observations, crowdfunding website generally has a blog to release not only media press about the website but also operating data and statistics. As far as I am concerned, the blog can be viewed as a dialogue between the principal and the agent, as well as between the crowdfunding website and its stakeholders.

2.5 Challenges

2.5.1 Lack of pre-resources

According to previous researches on other types of external financing support, manager's competencies also impose an influence on the need of additional managerial supports during afterwards processes, such as sales, marketing, distribution or other aspects. Generally speaking, equity investors (e.g., VC funds) are more popular with entrepreneurs who lack pre-resources than debt investors (e.g., the bank) (Ueda, 2004) because equity investors including VC funds, business angels and strategic investors enable to provide relevant knowledge and managerial experiences about the industry gained before. And innovative companies which benefit from external support from VC funds perform better than the average and have higher growth rates (Keuschnigg, 2004; Botazzi and Rin, 2001). Therefore, although crowdfunding is a form of financing resources from the public and without limitations of involving industries and the

capacity of projects, the basic requirements and knowledge about the entrepreneur's pre-resources are indispensable to question (Schwienbacher and Larralde, 2010).

2.5.2 Legal issues regarding equity issuance and multiple investors

For any organizations or firms have direct fundraising activities, legal issues on monetary regulations is one of the most significant challenges in front of them, especially when the fundraising activities take place between private companies and the public. According to Schwienbacher and Larralde (2010), due to the ambiguous nature of crowdfunding so far, namely the crowdfunding may be considered as a general solicitation of public saving, the crowdfunding activities of private companies may be limited under the regulation on equity issuance on both the type of crowdfunding as a viable financing source and the capacity of funding firms collect from the crowd. Specifically, in some countries, there are detailed regulations on the number of shareholders that some forms of business organizations are allowed to have. For example, US national regulations typically limit the extent to which companies can advertise security offerings to the public, limiting it often to qualified investors and people with whom the entrepreneur already has clear links. (Kappel, 2009) Therefore, a crowdfunder is treated as a member of crowd rather than a shareholder participating in crowdfunding activities, who offer investors part of the revenues without issuing shares. Furthermore, Schwienbacher et al. (2011) point out that the use of the Internet may improve the efficiency of crowdsourcing on one hand, but on the other hand it may bring more problems to crowdfunding, especially if it involves the offering of equity to the crowd.

2.5.3 Information asymmetry

Finally, information asymmetry is another issue in financing entrepreneurial initiatives. In the case of crowdfunding, this issue may be even more pronounced. (Schwienbacher and Larralde, 2010) Firstly, the participant in crowdfunding may not have adequate professional knowledge and experiences about the industry even the investment; therefore they have less information than entrepreneurs from the project to the industry. Secondly, for the entrepreneur it is also difficult to reveal detailed information to the large amount of crowdfunders who lack of professionalism. Thirdly, unlike traditional forms of fundraising, no one can guarantee the security of original ideas when the entrepreneur presents his/her project to a wider audience, thus the investor can only access to sensible but limited information.

2.5.4 Moral hazard

In addition, a special case of information asymmetry is moral hazard. Thus, a major issue of crowdfunding is various kinds of moral hazard when the issue of information asymmetry is also profound. Under traditional financing methods, equity investors escape from the moral hazard by

staging their investments in several rounds. Bergemann and Hege (1998) state that this enables investors to make decisions based on the achievement of milestones and the arrival of new information about the technological and market risk of the project. However, the main challenges are crowdfunding activities normally take place during initiative period and end up when entrepreneurs get funding or not, afterwards investors could not access and evaluate subsequent achievement of the project.

3. Methodology

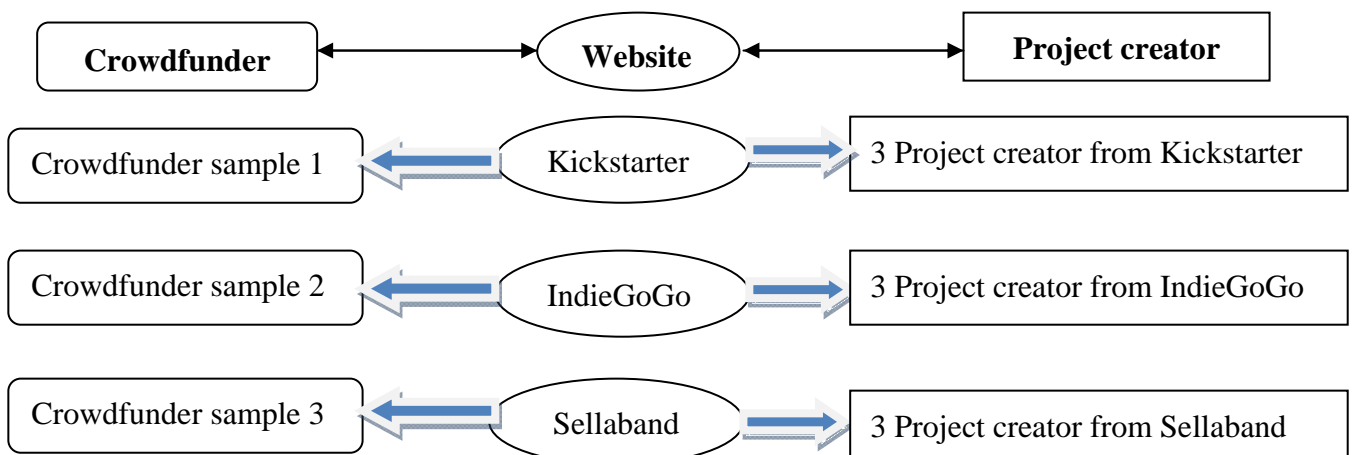
This chapter introduces the main research methodologies used in the master thesis, including Research review, Case study, Structured interviews, Qualitative data analysis and Comparative analysis.

3.1 Research review

No matter which type of the study is, reviewing the literatures in the chosen project area is one of the most important and indispensable tasks in carrying out a research project. (Bryman and Bell, 2007) Thus, although the whole study has stronger characteristics of descriptive research, the first part of this thesis is considered as the part gives the basic information about the crowdfunding. In order to understand the crowdfunding more comprehensively, the author divides the ‘crowdfunding’ into two main components ‘crowd’ & ‘funding’ and respectively analyzes how they develop to be the fundamentals. Moreover, the author attempts to give a definition of crowdfunding, sum up its characteristics and raise the challenges of it. From the literature reviews, it is a fact that although there is still no one specific theory could fully interpret the operation of crowdfunding, there are some theories could supply theoretical support to the development of crowdfunding.

3.2 Case study

Case study is one of the most popular methods which use to investigate the question in form of how and why, or when the researcher focuses on a contemporary phenomenon within real-life context. In this master thesis, the case study method is the main research method. Among actual case study designs, multiple-case design are likely to be more powerful than a single-case study, because the former way could avoid putting ‘all the eggs in one basket’. (Yin, 2003) Therefore, the author designs matrix as follow which containing crowdfunding websites, crowdfunding projects and crowdfunders.



The author chooses Kickstarter, IndieGoGo and SellaBand as the website sample. Kickstarter and IndieGoGo are large-scale and comprehensive crowdfunding websites which containing various themes but SellaBand is only designed for music projects, the three websites have been launched for several years and supported thousands of projects. It is believed that the two kinds of platforms could represent most trends of crowdfunding website. Respect to the project, three projects from each aforementioned website namely nine projects in total are picked up. Initially, filtering out fully-funded projects is the first step because the author reckons that partially-funded projects are not qualified. Secondly, in order to increase the diversity of sample, the author chooses projects with different themes and sizes from Kickstarter and IndieGoGo (SellaBand is single-theme platform). In addition, since there are many features in a project can be regarded as the indicator of size, such as the number of crowdfunder or the pledged amount, the author sets the goal of project as the indicator of size and \$2,000 as the standard line. In terms of crowdfunder, in total forty-five crowdfunders from above three websites (fifteen per each) are selected as the sample. Since this study aims to investigate the motivations of crowdfunder, the sample includes one-time and repeated crowdfunder who contributed more than five projects.

3.3 Structured interview

In social science's study, the research interview is one of a variety of methods to collect the first-hand data and materials in survey research. And the structured interview is also one of the most commonly-employed forms in research interview which can be applied in both quantitative and qualitative research. Normally the interviewees in a structured interview will be given the exactly same context of questions. Researchers choose to use the structured interview because it apparently can advance the standardization of both asking of questions and the recording of answers. The goal of the structured interview is to minimize the differences among respondents in any research project, at the same time, to make sure that the respondents' replies which are in response to identical cues can be aggregated. (Bryman and Bell, 2003)

In order to establish a sense of trust, the author registers in the three websites and even uploaded a profile picture. Although the seeking process is troublesome and difficult, the author still insists on sending the participant solicitation wording first and it should be informal and friendly, in line with the general attitude and our study aim, so it does not seem like a spam or an outsider intruding the personal space. The thesis conducts a series of interviews via social tools including Skype, Facebook, internal message and email. It is important that online studies do not burden participants (Kaye and Johnson, 1999) and that they do not violate an online community's expectations for topical relevance (Swoboda et al., 1997) or its sense of privacy, tact, or politeness (Wright, 2005).

3.4 Qualitative data analysis

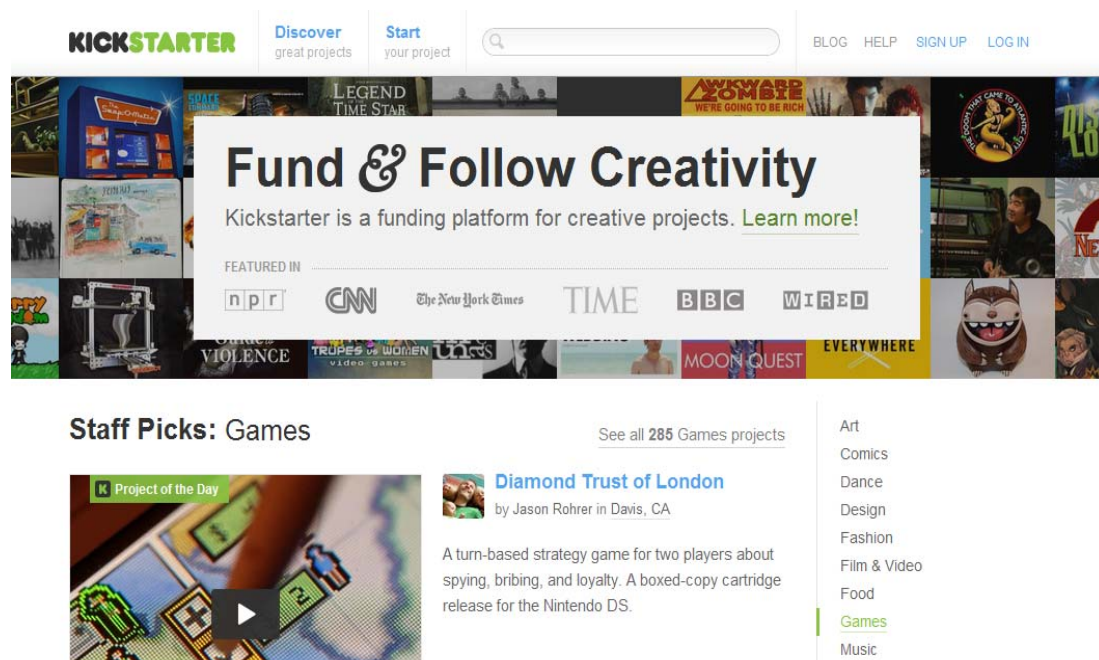
Since the research mainly uses case study and structured interview, the research sources tends to be non-numeric data which are quite suitable for qualitative data analysis. And qualitative data analysis is also a good method to research open-ended questions. Due to the lack of study sample, the author believes that good qualitative data analysis could make up the inadequacy of quantitative data. In addition, the qualitative analyses of empirical results are mainly based on comparative analysis. The study will firstly compare findings of crowdfunders, project creators and websites respectively, and then compare empirical results of the above subjects vertically and horizontally. From vertical direction, the thesis analyzes crowdfunding website, project creator and crowdfunder respectively. From horizontal direction, the thesis analyzes the interactions among individual website, project creator and crowdfunder.

4. Case presentation & interviews

In this chapter presents three crowdfunding websites including Kickstarter, IndieGoGo and SellaBand, interviews with project creators and interviews with crowdfunders.

4.1 Crowdfunding websites

4.1.1 Kickstarter

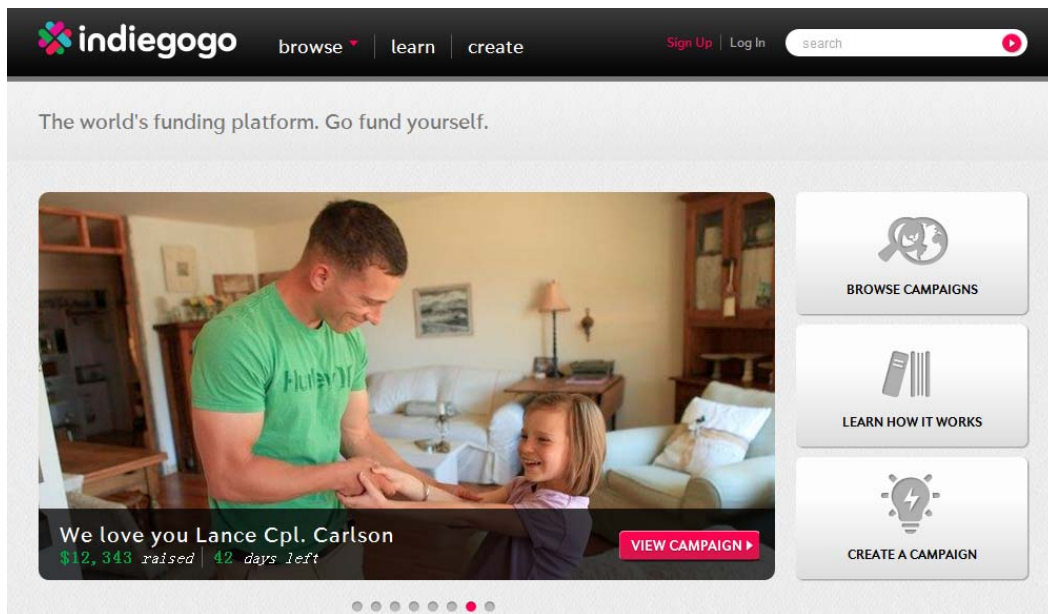


The New York-based crowdfunding website Kickstarter was founded in 2008 with a clear aim - to fund creative projects (everything from traditional forms of art such as theatre and music, to contemporary forms such as design and games). After four years' development, it has grown up from a small endeavor to a sizable business, which has backed up more than 27,000 projects, has hit \$270 million pledged overall and now raises \$1 million per week in pledges. Until now, the largest successfully completed Kickstarter project is '*Pebble: E-paper watch for iPhone and Android*' which has pledged \$10,266,845 by 68,928 backers.¹⁰ At the time when the author collects data, over 3,800 projects being actively fundraised and about 250 to 300 new projects come to set up per day through Kickstarter with the aim of constructing a pool of supporters in possession of more than 600,000 people. In one word, the achievement Kickstarter received during such a short period has proven that it is a powerful tool in helping ideas bloom.¹¹

¹⁰ <http://www.kickstarter.com/projects/597507018/pebble-e-paper-watch-for-iphone-and-android?ref=category>

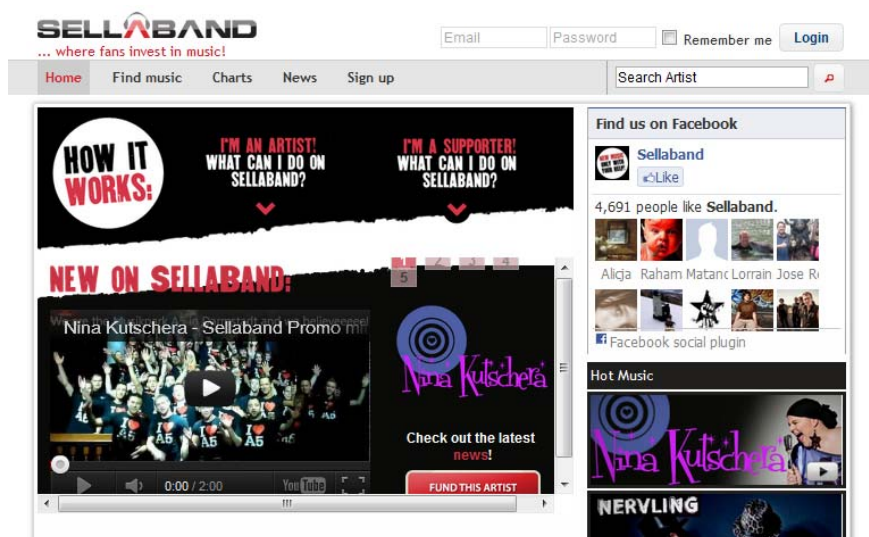
¹¹ <http://gigaom.com/2011/02/18/kickstarter-crowd-funding-hits-1m-a-week/>

4.1.2 IndieGoGo



IndieGoGo is an international crowdfunding website that was founded in San Francisco 2008. There are more than 9,000 projects from over 134 countries on their site. It was born with the belief: the crowdfunding solution that empowers ideas and enables people to donate funds easily.¹² As of 2012, it has launched over 100,000 funding campaigns belonging to three main categories raising ‘million per month’.¹³ In February 2012, President Barack Obama's Startup America partnered with IndieGoGo to offer crowdfunding to entrepreneurs in the U.S.¹⁴

4.1.3 SellaBand



12 <http://www.indiegogo.com>

13 http://online.wsj.com/article/SB10001424052970204528204577007781568296346.html?mod=googlenews_wsj

14 <http://blogs.wsj.com/in-charge/2011/04/22/%E2%80%98startup-america%E2%80%99-embraces-crowd-funding/>

SellaBand self-defining as a fan-funded music crowdfunding website based in Munich and Berlin. Since its launch in August 2006, there are over \$4,000,000 have been invested in independent bands and more than 80 artists or acts have been funded by their fans.¹⁵ There are over 700 artists currently registered on SellaBand raising funds. SellaBand announced that the lead currency would be changed from US dollar to euro from 1st September 2010 on. So far, Public Enemy was the first major artist that signed up on SellaBand and reached the highest target of \$75,000 on 28th October 2010.¹⁶

4.2 Interviewing with project creators

In this part, the author conducts 9 interviews with projects creators from the aforementioned crowdfunding websites. And the underlying condition is all of these projects are fully funded and they all reached a minimum goal of \$2000. In order to collect more various experiences and opinions about the crowd-fundraising, the author attempts to widen the theme variety of crowdfunding projects as much as possible. So the author selects a design project, a fashion project and a photography project from Kickstarter while a film campaign, a community campaign and a small business campaign from IndieGoGo. Since the SellaBand is only designed for music-relevant projects, the author chooses two singers and one band projects to interview. Compare to searching crowdfunders, it is easier to contact project creators because all of project creators on crowdfunding sites leave contact methods such as email, homepage, Facebook or Twitter on the project page. Base on interviews, the author mainly discuss with these project creators about experiences and issues relevant to crowdfunding websites which will be presented in the next chapter.

4.3 Interviewing with crowdfunders

Of the 45 participants interviewed, the age range is quite wide, from college student to retired writer, and the oldest up to 57-year-old. According to their profiles on website, 24 interviewees had contributed to at least five different projects, not including their own project(s) in the past. The other 21 crowdfunders had backed up only one project until the interview conducted, though they might have funded on other crowdfunding platform. Furthermore, although the 21 participants only had backed up one project, there still have evidences showing their active participations in the crowdfunding activities. For example, they have posted comments to other crowdfunding projects or have tagged interested projects as the favorite. In fact, 32 of participants indicated that they do not have families or friends started any crowdfunding projects,

¹⁵ https://www.sellaband.com/en/pages/about_us

¹⁶ <https://hiphop.sellaband.com/en/news/213-congratulations-public-enemy>

those interviewees who had supported their friends' and families' projects also have contributed to other irrelevant projects. Therefore, it is believed that the research information collected from the interviews is based on their own experiences and reflections, and neither largely influenced by the family & friend factor.

5. Empirical results

In this chapter, the author summarizes the empirical results through case study and structured interviews.

5.1 Empirical results of crowdfunding websites

Table 1 Comparison of Kickstarter, IndieGoGo and SellaBand

	Kickstarter	IndieGoGo	SellaBand
Business model	‘all-or-nothing’	‘all-or-nothing’ & ‘keep-it-all’	‘all-or-nothing’
Fee	<ol style="list-style-type: none">1. 5% of fully-funded price2. 3-5% credit card processing fee by Amazon	<ol style="list-style-type: none">1. 4% of fully-funded price or 9% of partially-funded price2. 3% credit card processing fee3. \$25 wire fee for non-US projects	<ol style="list-style-type: none">1. No direct fee from successful projects2. online shopping transaction costs3. But more Parts at the same time, pay less transaction costs4. A fixed fee for bank and credit card
Payment	credit card	PayPal	PayPal
Blog & Data statistics	Have blog and data release	Have blog but no systematic data release	No blog or data release
Category	13 categories, 36 subcategories	3 main categories, 24 subcategories	Only for music products
Prohibition	<ol style="list-style-type: none">1. charity or cause funding project2. ‘fund my life’ projects3. Other prohibited contents	No	No
Partnership	No	16 partners	9 partners
Restraint	Only open to US campaign	Open to global campaign	Open to global campaign

First of all, Kickstarter, IndieGoGo and SellaBand all claim no ownership over the projects and the products but the public can access the launch site after the deadline. And another requirement is that they all refer to project-oriented which means a “product” will be made, it requires project creator to set a deadline and a minimum funding goal. According to the author’s observation, the three websites attempt to provide sufficient information to project creators and crowdfunders but not all of them set a specific blog and release related data. Kickstarter set a blog which cover tips for project creators, media press about the website and also systematic data release while IndieGoGo only has a blog with promotion of projects, media press and relevant features but no data release. And SellaBand does not have a blog and data release.

In terms of business model, they all use the “all-or-nothing” model which means projects must be fully funded during the funding period, otherwise no money is collected. It is worthy to mention that IndieGoGo at the same time adopts the “keep-it-all” model which means the project creator could keep the money even the project did not reach the funding goal. But IndieGoGo cuts half of fee on cooperative projects with partner Startup America. Unlike Kickstarter and IndieGoGo, SellaBand gives crowdfunders the right that before the music project has reached the funding goal they can withdraw the money from an escrow account and move to another project. Under almost the same business model, three websites charge different fees. Once the project is successful, Kickstarter will take 5% of the funds and Amazon will apply 3-5% credit card processing fees. Meanwhile, IndieGoGo applies 4% fee for successful campaigns but unsuccessful projects can choose flexible funding model means keeping what projects got with 9% fee or fixed funding model means returning all money back at no charge. At the same time, a third party applies 3% fee for credit card processing and \$25 wire fee for non-US campaigns.¹⁷

Although Kickstarter and IndieGoGo are large-scale comprehensive crowdfunding websites, the categories they cover vary a lot. Projects on Kickstarter must fulfill one of 13 categories and 36 subcategories and need to follow the guidelines. It is important to notice that the charity or the cause funding project, “fund my life” projects and projects refer prohibited contents are not allowed to be raised in Kickstarter. Not like Kickstarter, IndieGoGo opens to cause and entrepreneurial projects.

5.2 Empirical results of project creators

In this thesis, the author does not plan to study project creators separately but use this as supportive evidence of crowdfunding website. So the interview questions with project creators

¹⁷ <http://www.indiegogo.com/learn/pricing>

are designed according to the website which the project belongs to. Since there are only 9 interviews with project creator, it is clear to present the interview results according to the website and the theme.

- **Project creator from Kickstarter**

Design: *“Kickstarter is a large crowdfunding website and has good performance on various themes. The idea of Kickstarter is to fund creative projects, so I believe crowdfunders on the site are fond of creative works. My project is design work, so I hope to test the market response before production and get some opinions of future consumers through the comments.”*

Fashion: *“I also raised the same project on IndieGoGo. Of course, I expect to increase the fund and also promote the popularity of my work. One of the reasons I chose Kickstarter is its clear aim of supporting creative projects.”*

Photography: *“I knew Kickstarter because my friend successfully raised a project there, so I did not do much research work before the campaign, only studied the business model. After I started the campaign, I researched the site, especially the blog in detail. I think this is a good platform to fundraise project. There are many articles about how to raise a successful project and many reports on the statistics of the site.”*

- **Project creator from IndieGoGo**

Film: *“IndieGoGo is a really good platform to fundraise an independent film because it opens to the globe. I knew this fundraising method before starting the case. And I noticed that there are many big records of independent film projects on IndieGoGo and they summarized successful experiences. Before creating the case, I studied the tips and its business model. In my opinion, these tips are really helpful and the combination of ‘all-or-nothing’ and ‘keep-it-all’ provides a flexible option.”*

Community: *“The reason to raise project on the site is simple, because IndieGoGo is one of few crowdfunding websites could accept non-US campaigns, in particular with the theme of community. So I read many articles on the site about how to increase the success possibility. By the way, I think more data and statistics on previous projects could increase the confidence of project creator”*

Small business: *“I knew IndieGoGo until I read the news that IndieGoGo starts to cooperate with Startup America initiative and discounts 50% of the fee. Until now, I think the*

IndieGoGo did a good job on small business and the instruction assists me in the crowdfunding process.”

- **Project creator from SellaBand**

Singer 1: *“I know SellaBand is a professional crowdfunding website aiming to support music projects, so I believe these fans (that) have common interests easily get together. Then there is bigger possibility to get fully-funded. But I really do not appreciate their website design, because I cannot find some information before I started the project.”*

Singer 2: *“Actually this project is raised by my management company. We decided to raise a campaign (on SellaBand) because we think the crowd of fans really has great potential. They contribute money to artist’s album and also increase the popularity of the singer and the album. Before raising the project, the company compared different crowdfunding websites and found SellaBand provides a good business model. They won’t get fees directly from projects and the money pledged by believers (crowdfunder) is managed by the third party.”*

Band: *“We expect to have a large pool of long-term fans, so we believe the website with specialty like SellaBand is much better than other ordinary crowdfunding websites. More importantly, SellaBand and its partners provide services for other phases of making an album at reasonable price. It is really convenient for me.”*

5.3 Empirical results of crowdfunders

According to all answers of crowdfunders’ interviews, five motivations emerge from the interview data which could inform the research question that why crowdfunders participate in crowdfunding activities: (1) the opportunity to support an attractive idea or the producer they know; (2) the altruistic intentions for funding the project; (3) the opportunity to help others realize dreams; (4) the reward-oriented intentions of crowdfunders; and (5) the reciprocity and cross investment between project creators and crowdfunders. Moreover, there also summarized some significant issues relevant to how they evaluate their decisions in crowdfunding participation.

5.3.1 Motivations of crowdfunders

(1) To support an attractive idea or the producer they know

First of all, the favor of projects is a strong motivator to crowdfunders. If take a look at those initial successful crowdfunding projects, it is easy to see that the attractiveness of projects is the

underlying motivator because most of earlier successful project are creative works. Also, all of the participants mention that they really think the project(s) they had backed up fulfill their interests, regardless of the interviewee's cultural background, job or educational level.

David Drexler, a 44-year-old musician noted that:

“I also like being able to support a lot of interesting projects with small donations, whether it's something unique that seems worthwhile, something with a local connection, or something where I know the people involved.”

Robert Clements, a man living in Chester Hill, Sydney, answered that:

“[...], generally-the idea has to amuse me in some way; & (more generally) needs to make some sense beyond the obvious.”

Justin Chung, a professional illustrator living in San Francisco, California, mentioned that:

“Most projects I back are the projects I finding interesting and would like to see completed or be a part of.”

Apart from the favor of appealing projects, the acquaintance with project creators is also another strong motivator of crowdfunders. 20 participants even indicated that they will start to contribute right away when they know their friends need help. In response to the question about why he has funded the crowdfunding project, Christopher, an artist man living in London, England, replied that:

“A musician's CD and a book by someone I met whose philosophy I like.”

Alison, a 29-year-old woman living in Hicksville, New York, also studying to be in film production, noted that:

“I am friends with a couple of people whose projects I have funded. Actually that is how I found out about crowdfunding in the first place. I had volunteered at a film festival in Dallas TX and happened to catch a film called ‘The Other Side of Paradise’. [...] That is where I met the writer and actors. That is also when I decided to like their film on Facebook. [...] After I saw the website I started to look at other projects that caught my eye. I saw what the projects were about and decided if I liked the concept enough to fund it.”

Joseph Huang Do simply stated that:

“Support peers.”

(2) Altruism

Actually, the pure philanthropy is also a strong motivator in crowdfunding. 22 interviewees' answers show their altruistic intentions when they response to the question. Ron, a one-time funder supported one project for both IndieGoGo and Kickstarter, noted that:

“I fund projects that I feel are creative and have the potential to make a difference in the world and/or are a great alternative to content produced through the Hollywood Studio System.”

Alana's answer showed her altruistic intention of repeated backed-up:

“IndieGoGo is wonderful because it enables change in the world. Many people have ideas but find too many obstacles in their way to implement them. I am proud to be a part of the fulfillment of these ideas.”

Frank, a one-time funder comes from New York even stated that:

“We are on this planet for a very finite period. In this period if we can foster positive change and social awareness, we have been productive.”

Although some crowdfunding websites like Kickstarter try to avoid those pure charitable projects, such as “campaigning for my dog got a cancer”, with the development of crowdfunding, the altruism enables the prevalence of non-governmental charitable campaigns through crowdfunding. A Canadian repeated funder said that he participated in crowdfunding for self marketing research, but he still contributed one philanthropy project for Haiti.

(3) The pride of helping people realize dreams

Eighteen crowdfunders specifically mention that they really enjoy the pride of helping others realize their dreams. Ron mentioned that:

“My motivation is to help others achieve their goals; [...]. I think independent producers often have great ideas and would like to see them expressed. I want to help anyone who boldly takes the independent path to produce their idea, there are too many talented people who are held back because of lack of funds or because a studio executive does not have the imagination to see their talent.”

Sheilagh noted with her personal experiences that:

“I funded the project because I remember being in art school and remembering how artistic supplies and materials cost so much. I just wanted to help out a young artist

achieve her goal for an art exhibit in school. [...], I would have been satisfied seeing the final outcome of what I funded. [...] it was more important to help her see her goal through to the end successfully.”

Alison stated that:

“The idea that I am helping someone or a group of some ones realize their dreams is something that gives me great pride. The feeling of helping make someone’s dream a reality gives me an overwhelming sense of joy.”

(4) Reward-oriented intention

According to interviews with crowdfunder, the first attitude is that some crowdfunders consider the reward as a perk not a goal, which means the reward is not a decisive factor. Even the project they like does not offer any reward, they still donate. For example, Ron noted that:

“I like the rewards, they are a good incentive. If I believe strongly in a project, I would contribute without rewards.”

Katie noted that:

“I don't really care about rewards. I don't donate in hopes of getting a reward. I do think it's nice when rewards are offered, as it shows that the group is trying to give you some perks for having donated, but it's not a deal breaker for me.”

Gary King answered that:

“I usually donate because of the person if I see they have passion for the project - the reward is rarely on my mind.”

The second attitude is that the crowdfunders want to get the reward which might be the product of the project. For those funders, they contribute for purchasing something interesting or unique rather than a donation. For example, Alison answered that:

“The projects I donate toward are comics, graphic novels or movies. If my funding helps them get produced then I would be able to purchase it later. So I guess in the end I still get my prize.”

David Drexler replied that:

“I do like the rewards, especially if it's something like a limited-edition CD, book, or video. Some projects I have contributed solely for the reward - it's more like

pre-ordering the item than making a charitable contribution. Others I might contribute more in order to get a preferred reward.”

Adam indicated that:

“I chose the amount of contribution based on the perks offered. If it offered no reward at all, [...] I would not have contributed.”

Furthermore, a repeated funder Alison specifically emphasized that acknowledgment from the producer afterwards is one of the most important aspects of the crowdfunding:

“Sometimes people send me messages through Facebook based on my likes or like you have seen my profile and know what I donate towards. I typically donate to them just because they took the time to reach out. [...] Sometimes a simple acknowledgement goes a long way. [...] It is so important for independent artists to get out there...and are always very thankful for the people who helped them get to where they are. That is the reason I volunteer for film festivals and THAT is the reason I donate to projects. Not just for the "free swag" but also for the opportunity to help showcase their projects.”

(5) Reciprocity & Cross investment

Finally, 27 out of all interviewees indicated that they have contributed to projects in order to get credits for their own projects in the future. There is even a repeated funder said he wants to gain the investment experiences for his future campaigns. Paul specifically explained that:

“My crowdfunding is not mainly philanthropy. It is mainly part of a marketing strategy, and a research project. I also wanted the ‘producer’ experience. To see how the guys on the other side of the investment decision felt. Someday I may want to seek such funds. And like investment banking, where a low percentage of projects pay for the whole stable of choices, I decided to have a large sample size for this aspect. I want to truly explore the new crowdfunding thing.”

Adam figured that:

“I wanted to get on the film set and get my first film credit. This was what influenced my decision.”

Joseph Huang Do explained the reason of crowdfunding:

“[...], also investment for support in the future on my own projects”

5.3.2 Evaluation issues

From the interviews with both one-time funders and repeated funders, the author also draws several issues relevant to how they evaluate the decision to any projects. Sheilagh explained how her own experiences influence her involvements:

“Any contribution I make to any cause or project is usually because it is something personal to my own life or background. For example, my mother has had breast cancer so I will likely make a donation to a breast cancer fund if asked. On the other hand, a young friend of mine was also diagnosed with it well before my mother - I donated to a cause devoted to helping young women with breast cancer because it was something personal to my friend. It also troubled me to know that so many younger women (under age 30) might be facing the same - and that just sounded scary. So I wanted to help.”

Katie expressed that:

“For me, it mostly has to do with how I have a connection to the project. I'm less likely to randomly fund something than I am to throw some money at a project whose leader I am acquainted with.”

Justin Chung stated how he evaluated interesting projects:

“I care most about the skills, competency and reliability of the people behind the proposed project. If I contribute or how much I contribute depends on what sort of quality I think the final project will be like.”

Sheilagh expressed that:

“I just feel passionate about helping a cause I believe in and something like this project touched my heart. I figured I have some resources/money to help someone who is struggling so, why not? Especially if I am passionate about it personally.”

6. Discussion

This chapter, the author discusses the empirical results derive from case study and structured interviews. Analysis of crowdfunding websites, project creators and crowdfunders will be given.

6.1 Analysis of crowdfunding websites and project creators

According to the empirical results, it is not difficult to find that the “all-or-nothing” is the most common business model in crowdfunding websites. The author reckons that the “all-or-nothing” model provides a sense of trust to crowdfunders. And most of crowdfunders mentioned that they felt good about the “all-or-nothing” model. On the other hand, as a large-scale crowdfunding website, IndieGoGo within both “all-or-nothing” and “keep-it-all” models provides flexibility to project creators, especially when it is open to global campaigns.

From the perspective of platform, Kickstarter is still quite a simple crowdfunding platform because it has geographic restraint that it only opens to US citizens and US campaigns as well as subject limitation to creative projects. Although there are 13 categories and 36 subcategories as well as a large amount of crowdfunders, the projects and the crowdfunders connected by the platform are respectively the same type. Kickstarter even prohibits some contents to be raised on the site, such as the charity or cause project, which are available on other crowdfunding platform. Since the crowdfunding website plays a role of platform, the author regards a blog as an active communication tool between crowdfunders and the platform as well as project creators and the platform. Therefore, the author believes that the website without a blog is not as effective as the website with a blog and data release.

From the point of partner, the author reckons IndieGoGo that and SellaBand have a more complicated framework than Kickstarter. Firstly, the cooperation with partners widens the crowdfunding field. For example, IndieGoGo launched the entrepreneurial as new category since it cooperated with Startup America initiative, so that small business projects could raise funds through IndieGoGo. Secondly, the partnership upgrades the crowdfunding framework through incorporating other services into initial model. For example, SellaBand offers other solution services (like promotion, CD printing) provided by a third party at lower prices. Thirdly, the partnership strengthens the impact of crowdfunding and may avoid some conflicts. Through the partnership, more projects can collect initiatives through crowdfunding while more potential funders can be attracted to crowdfunding activities. More importantly, it could avoid some conflicts when relevant regulation is absent. For example, raising business projects directly on the crowdfunding website may cause conflicts due to the absence of microfinance regulation, while the cooperation with business initiative gives the crowdfunding platform a legal validity.

6.2 Analysis of crowdfunders

As illustrate in the fifth section, the first three motivators including (1) the opportunity to support an attractive idea or the producer they know; (2) the altruistic intentions for funding the project; (3) the opportunity to help others realize dreams. As far as I am concerned, the above three motivators are all non-profitable to funders. Besides the intrinsic motivators, being part of the project is also an important factor some crowdfunders emphasized in the interview. Although the amounts of money that most of funders contributed are tiny, they still spent proper time and energy to surf the website and browse their interesting projects. Therefore, the interaction between the crowdfunders and the project creators is a kind of benefit-based relationship. However, the fast development of crowdfunding testified the experience innovation theory. According to Prahalad and Ramaswamy (2003), the experience innovation focus on the experience environments and the value is co-created by companies and consumers and their networks. From this point, the crowdfunding really fulfilled the characteristics of experience innovation, because the funders ranked the satisfaction of their non-profitable experiences and feelings as their main motivators.

Moreover, the fourth motivator “Reward-oriented intention” reveals that the reward plays an indispensable role in the application of crowdfunding. Generally speaking, any crowdfunding project will provide different rewards for different contribution levels, such putting on the name in the acknowledgement list or a limited version CD. With the prevalence of crowdfunding and more projects succeed through crowdfunding, especially after more successful projects broke the target price record again and again, the contributors’ attitude to rewards may also change at some extent. And it is sure that the perspective of reward could reveal variable motivators of funders.

But there are some crowdfunders mentioned that they paid more attentions on the project itself than reward. As far as I am concerned, there are possible reasons as following. Firstly, the reward is not accessible for them, such as Sheilagh said, or the cost of delivering the reward is overwhelming the money donated due to the geographic dispersion of crowdfunding. For those funders who care about rewards, the accessibility of rewards is one of the factors influencing their contribution decisions, either tangible reward or virtual reward. Then they might prefer to back up local projects which could easily deliver rewards or large projects which have perfect rewards unit. On the other hand, the author considers that what the crowdfunders really care about is whether the project creator expressed or had gratitude to the contributors rather than rewards. The reward is one kind of acknowledgment in its nature. Therefore, no matter whether the reward is expensive or not, it still impacts significantly on the crowdfunding. If a project provides an empty promise, then what it ruined profoundly is the crowdfunders’ infinite confidence.

Concerning to the motivator of cross investment, it is an emerging trend. Due to the regulation of microfinance, the crowdfunding was used as donations for the creative and art work. With more projects succeeding through crowdfunding, it triggered more potential producers' attentions to raise money for their own projects through crowdfunding. Thus, this emergent motivator turned up. The reciprocity and cross investment shows that great potentialities of crowdfunding could move to an entrepreneurial direction. It is easily observed that this emergent feature came out among the same kind of projects, such as movie or video, while project creators and most of people who keep following and updating the specific kind of projects are from the same circle in reality. Then they could easily collect together and also build external networks outside the crowdfunding website. For example, it is noticed that several interviewees the author contacted individually are doing the same job and also Facebook friends. From this point, the author believes that crowdfunding is successful especially in film field not only due to the positive attributes of the nature of crowdfunding, but also largely due to the momentum that has been created by the movie producers over the years. Based on the answers refer to evaluation, it is evident that most of issues relevant to how to evaluate conform to the above motivators. But another four new issues added to the evaluation: (1) the worth of project; (2) personal experiences relevant to projects; (3) the project creator's talents and competency and (4) the cost of crowdfunding. And the fourth one reveals that the crowdfunding has large potentials in applied for the business arena or is moving on the entrepreneurial direction.

7. Conclusion & Future research

This chapter attempts to summarize a conclusion and proposes some untouched areas for future research.

7.1 Conclusion

First of all, it is found that there are some developments of crowdfunding websites in terms of business model. And in the thesis, it is easy to find that IndieGoGo and SellaBand have already expanded its crowdfunding circle and upgraded its crowdfunding business model through adding more functions on the website and incorporating the external partnership into initial model. Moreover, the partnership is an important tool in the promotion of crowdfunding because it not only strengthens the impact of crowdfunding but also avoid some existing conflicts.

Secondly, the structured interviews with crowdfunders reveal that there are five motivations of crowdfunders which including (1) the opportunity to support an attractive idea or the producer they know; (2) the altruistic intentions for funding the project; (3) the opportunity to help others realize dreams; (4) the reward-oriented intentions of crowdfunders; and (5) the reciprocity and cross investment between project creators and crowdfunders.

7.2 Future research

Since the crowdfunding is developing at a rapid pace, all aspects of the crowdfunding are worthy to pay attentions on. More specifically, the author considers the following contents are interested to focus on in the future.

In terms of crowdfunding website, the author assumes the website design is an important factor could affect the efficiency of crowdfunding. As all well known, there are a large amount of projects covering various themes and many forums in a crowdfunding website, how to balance different information and allocate resources is worthy to further study. In terms of project creator, the future research can focus on how to improve the successful rate involving self-investment as well as how to design better crowdfunding plan. In terms of crowdfunding project, the author considers that how to borrow experience of those successful and popular projects and use it in other less popular projects.

8. References

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