Team

KICKSTARTER

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Meet Our Team

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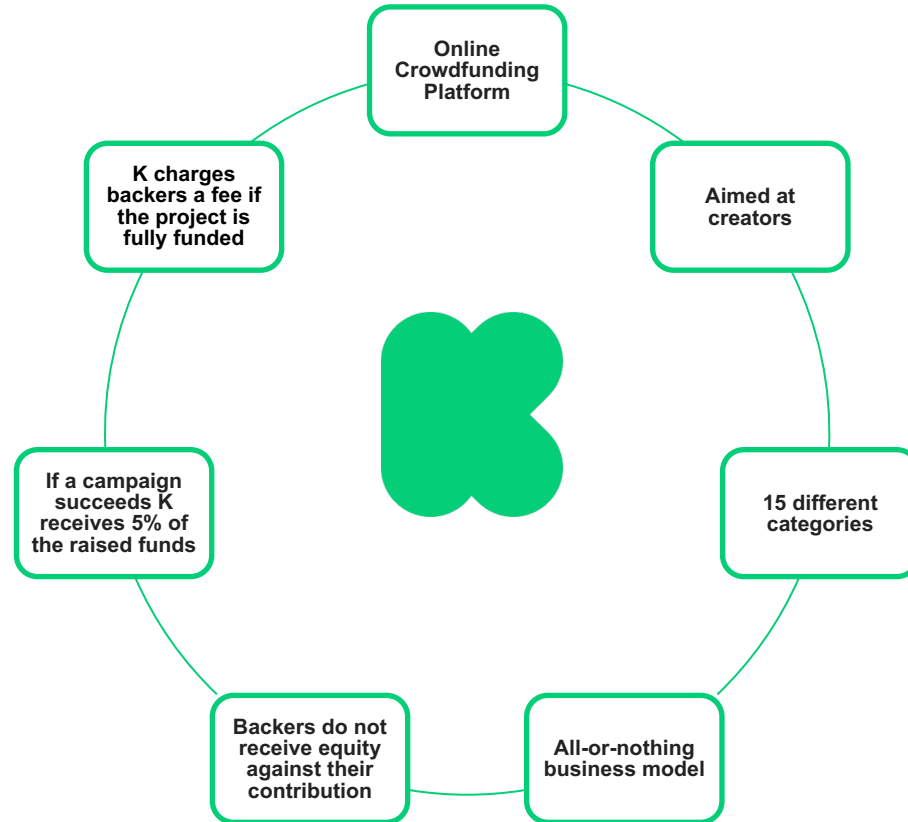*Global Lead Buyer, IT Procurement @ Hunter Douglas, Inc.*

Executive Summary

- **Most of Kickstarter's projects are failing. Despite platform's growth, successful projects have remained stagnant.**

- **After executing an in-depth analysis, we identified 4 key aspects that the organization can focus on to improve success rates and profits across the board:**

  - Increasing the number of organic backers in the platform to increase the effect of social proof.

  - Guide creators to find the optimal goal for their project.

  - Implement marketing tactics to avoid seasonality effects.

  - Encouraging backers to pledge more every time they back a project.

- **The findings were obtained using the following machine learning models and statistical methods: Logistic Regression, Decision trees, LightGBM, ANOVA, and Tukey's HSD Test.**

  - Logistic Regression, Decision trees, LightGBM, ANOVA, and Tukey's HSD Test.

- **Our initial recommendations are:**

  - Develop strategic partnerships with social media outlets and influencers to enhance awareness and generate more growth at a platform and project levels.

  - Share the goals set by successful projects that are similar to the one the creator is launching.

  - Use the seasonality valleys to focus on growth and awareness campaigns and recommend creators to avoid this months for launches.

  - Implement reward system driven by Kickstarter; currently the reward system is defined by the creators. Create a "Super-backer-badge.
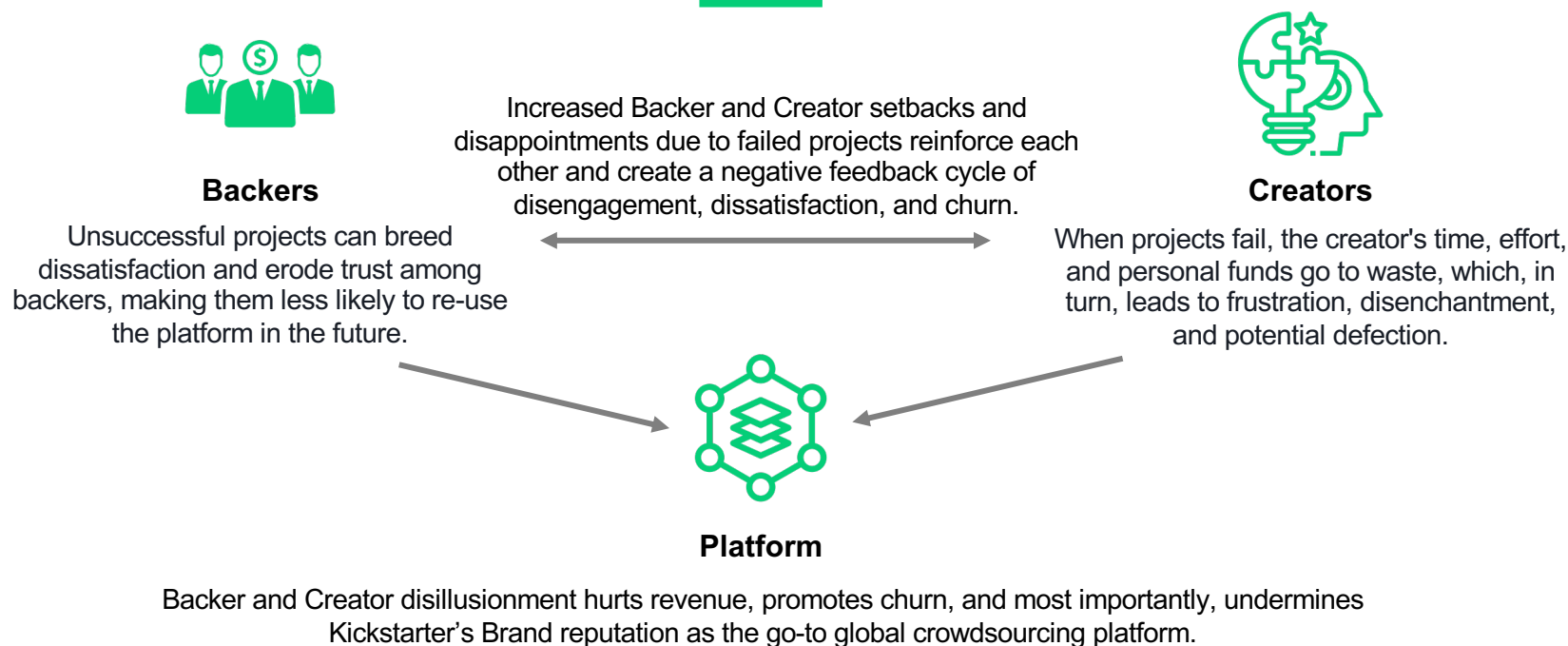
Background

Online Crowdfunding Platform

Aimed at creators

K charges backers a fee if the project is fully funded

15 different categories

If a campaign succeeds K receives 5% of the raised funds

Backers do not receive equity against their contribution

All-or-nothing business model

Kickstarter has a Growing Reputational Problem: 52% of Projects Fail

Backers

Unsuccessful projects can breed dissatisfaction and erode trust among backers, making them less likely to re-use the platform in the future.

Increased Backer and Creator setbacks and disappointments due to failed projects reinforce each other and create a negative feedback cycle of disengagement, dissatisfaction, and churn.

Creators

When projects fail, the creator's time, effort, and personal funds go to waste, which, in turn, leads to frustration, disenchantment, and potential defection.

Platform

Backer and Creator disillusionment hurts revenue, promotes churn, and most importantly, undermines Kickstarter's Brand reputation as the go-to global crowdsourcing platform.

Hypotheses and Approaches

Key Hypotheses

1. The most popular categories have the highest success rates
2. High backer count on a project acts as social proof, increasing the likelihood of individuals backing the project, regardless of funding goal status
3. A higher funding goal commands more pledges
4. There are certain times of year where pledge amounts are higher
5. As the platform grows, Kickstarter has failed to increase the average pledge per project

Proposed Approaches

1. Look at descriptive statistics to see if the categories with the largest number of projects also have the highest proportion of successes
2. Research whether the number of backers has a strong impact on a project's likelihood of success
3. Determine if there is a correlation between pledge amount and a project's goal
4. Look at average pledge amount by month throughout the year
5. Find the number of pledges per project for every month since Kickstarter's inception (2009) to see if there has there been an increase over time
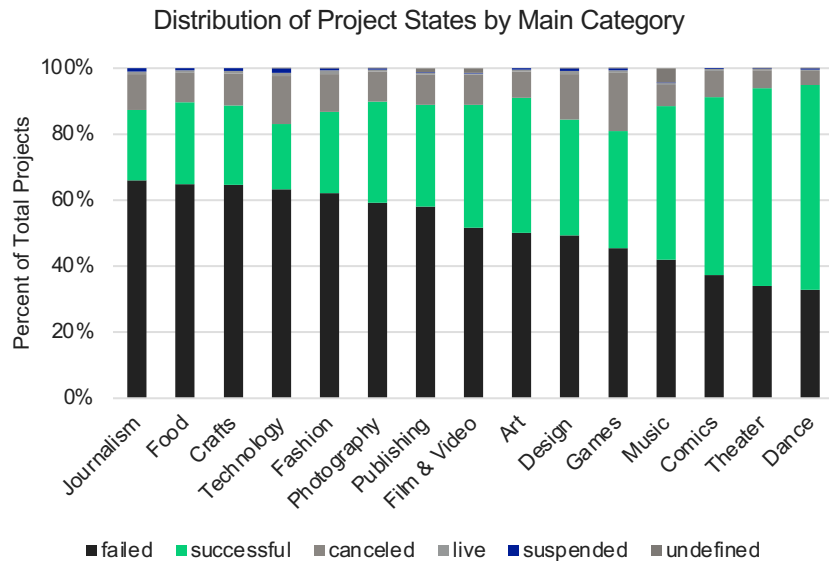
Current Findings

Hypothesis 1

The more popular the categories, the higher the success rate

Using Logistic Regression
Despite indications from descriptive stats, it's likely that increased success among certain categories is driven by confounders.

Distribution of Project States by Main Category

Other Factors: Project success can be influenced by underlying factors like marketing effort, timing, or market size.

Category Diversity: Projects within the same category could have vastly different characteristics that fail to capture specific nuances that contribute to success.

Business Strategy and Innovation: Project success might depend more on the uniqueness of the idea or innovative approach rather than the project's category. Projects that bring novel solutions to the market might have higher chances of success, irrespective of the category.

Business Implication:
Kickstarter should not promote certain categories over others in order to increase their overall success rate.

Hypothesis 2

2

Higher backer count on a project acts as social proof, increasing the likelihood of individuals backing the project, and therefore project success.

Hypothesis Test 2: Higher Backer # Means Increased Success
Proved: Backers is a significant predictor and is one of the most important features to success

<u>Using Logistic Regression, Decision Trees, and LightGBM</u>
All models indicate that backers is a statistically significant predictor of success.

1. Higher Backer Count: When a project has a strong initial backing, it tends to gain momentum and attract additional support from potential backers. The rapid ascent acts as social proof, signaling to potential backers that the project has gained traction, credibility, and is projected to reach its goal.

2. Increased Likelihood of Backing: Driven by the perception that the project has gained popularity and credibility, making it a more promising investment.

3. Project Success: The success of a crowdfunding project is typically measured by whether it meets or surpasses its funding target. Higher backer count contributes to achieving this goal, as each backer's contribution moves the project closer to its funding target.

Projects with a strong initial backing tend to gain momentum and attract additional support from potential backers.

Business Implication:
Kickstarter needs to attract more organic backers to the platform to increase the success rate of projects.

Hypothesis 3

The higher funding goal, the more likely it is to result in project failure

Hypothesis Test 3: Higher Funding Goal Increases Project Failure

Proved: Projects with higher funding goals are more prone to not reaching their funding targets

Using Logistic Regression, Decision Trees, and LightGBM
All models indicate that funding goal is statistically significant (low p-val < 0.05).

Since the p-value is extremely low, we can reject the null hypothesis and conclude that there is a statistically significant relationship between usd_goal_real and project success/failure.

This finding highlights the importance of project creators setting realistic and attainable funding goals. Overambitious funding goals could lead to projects not reaching their targets, potentially disappointing backers and affecting Kickstarter's reputation.

Business Implication:
Kickstarter should help creators set appropriate funding targets to reduce the risk of project failure and enhance user satisfaction.

Hypothesis 4

There are certain times of year where pledge amounts are higher

Hypothesis Test 4: Seasonality and Pledge Amounts

Proved: Mean pledge amounts for different months are significantly different

Using ANOVA and Tukey's HSD Test
The results show that the mean pledge amounts for different months are significantly different (ANOVA p-value: 0.000000), which suggests that there are variations in pledge amounts across the months.

The month with the highest average pledge amount is September, with a mean pledge amount of 10353.75. Conversely, the month with the lowest average pledge amount is December, with a mean pledge amount of 6049.86.

Note: Correlation ≠ Causation. Month's pledge amounts differ significantly, but other factors may contribute to the variations.

Implications for Kickstarter:
The significant differences in pledge amounts across different months may indicate that certain months are more favorable for Kickstarter campaigns than others.

September seems to have the highest average pledge amount, suggesting that campaigns launched during this month may receive more significant funding support on average. On the other hand, December shows the lowest average pledge amount, possibly indicating a less favorable time for campaigns.

Business Implication:
Kickstarter could adjust their promotion and marketing strategies based on seasonality trends to drive stronger engagement and revenue growth.
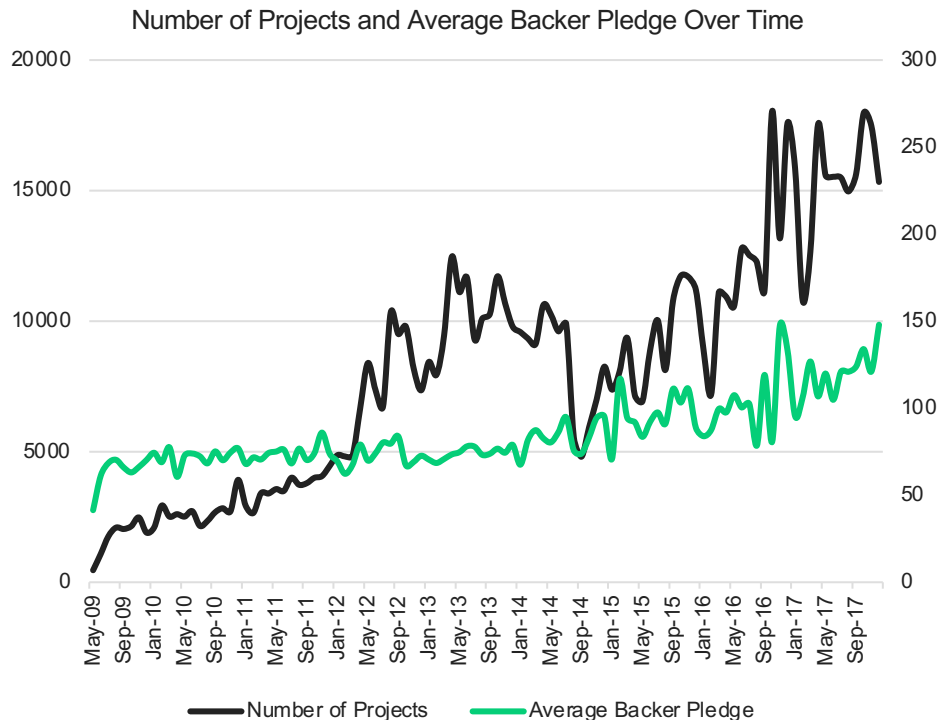
Hypothesis 5

5

As the platform grows, Kickstarter has failed to increase the average pledge per project

Hypothesis Test 5: Pledge per Project Over Time

Disproved: The average backer pledge increased year-over-year following 2012

Number of Projects and Average Backer Pledge Over Time

— Number of Projects　— Average Backer Pledge

Using Descriptive Statistics

	Average Backer Pledge	Y/Y Growth
2010	$72.40	-
2011	$74.30	3%
2012	$73.56	-1%
2013	$74.11	1%
2014	$83.49	13%
2015	$95.79	15%
2016	$101.55	6%
2017	$117.52	16%

Business Implication:
While Kickstarter has seen steady growth in pledge amount over the years, they should continue to pursue strategies that incentivize larger pledges.

Recommendations & Next Steps

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1. **Kickstarter should not promote certain categories over others in order to increase their overall success rate.**

   - No further analysis needed

2. **Kickstarter needs to attract more organic backers to the platform to increase the success rate of projects.**

   - Initial Thoughts/Recommendations:
     - Kickstarter should create strategic partnerships with social media outlets and influencers to create more active users.
   - Next Steps:
     - Identify the existing presence of Kickstarter in these mediums and determine if there are weaknesses that can be tackled.

3. **Kickstarter should help creators set appropriate funding targets to reduce the risk of project failure and enhance user satisfaction.**

   - Initial Thoughts/Recommendations:
     - Kickstarter could share the goals set by successful similar projects.
     - Kickstarter could charge an extra percent of the raised amount and provide active consulting services to the creators in order to increase the likelihood of success.

Recommendations & Next Steps

4. **Kickstarter could adjust their promotion and marketing strategies based on seasonality trends to drive stronger engagement and revenue growth.**

    - Initial Thoughts/Recommendations:
        - Kickstarter could use the valleys in the season to focus on marketing campaigns that raise awareness and increase the organic backer base.
        - Kickstarter should recommend creators to hold off on launching projects in order to avoid the existing dip in backers.
    - Next Steps:
        - Define a concrete strategy to translate this weakness into an advantage.
        - Research what marketing strategies other industries utilize to combat seasonality.

5. **While Kickstarter has seen steady growth in pledge amount over the years, they should continue to pursue strategies that incentivize larger pledges.**

    - Initial Thoughts/Recommendations:
        - Kickstarter could create reward system driven by the organization instead of creators.
        - The organization could also create backer awards in order to create an incentive for highly visible backers.
        - Kickstarter could collaborate with established news organizations to broadcast the biggest projects and backers.
    - Next Steps:
        - Define reward system.
        - Determine the functioning of backer awards.