Perspectives on turning around Kickstarter for long-term growth

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Meet Our Team

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Agenda

Kickstarter is a public benefit online crowdfunding platform for creative projects

COMPANY OVERVIEW

Value Proposition

Project creators use the platform to raise money for their creative goals, while backers support creators by investing in projects. Creators choose what backers get in return for their contribution (e.g., a handwritten note).

Profit System

Using an all-or-nothing model, Kickstarter captures 10% of total funds raised for successful projects (5% from backers, 5% from creators).

Critical Resources

Kickstarter has technology expertise across development, design, and customer support. They also have a strong brand reputation and vast backer network - 22,304,080 total backers since their launch in 2009.

Kickstarter also falls within the financial services industry

# Over half of all Kickstarter projects fail, which impedes growth and brand reputation

59% of Kickstarter projects fail, which may lead to:

Decreased satisfaction and trust among backers, making them less likely to re-use the platform in the future.

Frustration and potential defection from creators who spent a lot of time, effort, and personal funds on their projects.

Increased risk of creators choosing to work with competitors* (e.g., Indiegogo, WeFunder) on future projects.

Lost revenue for Kickstarter, since the platform captures 10% of total funds raised for successful projects.

59%

41%

■ Failure   ■ Success
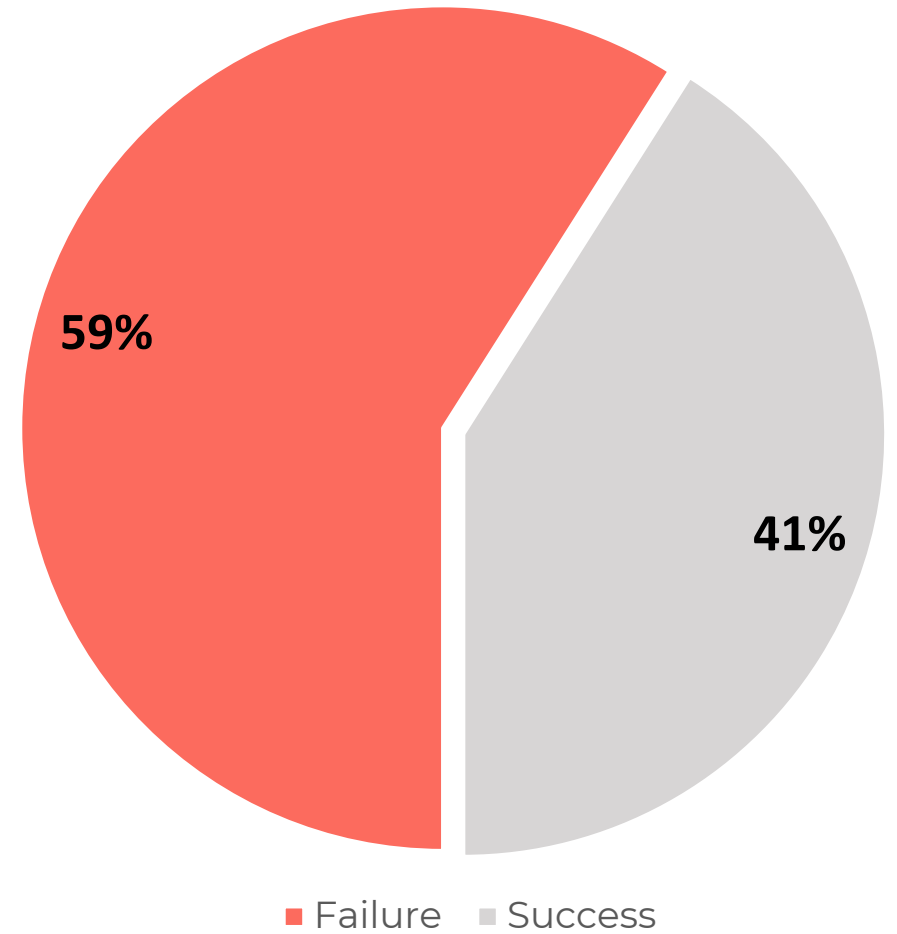
*see appendix for detailed competitive analysis

Kickstarter leaves ~$4.2M in revenue on the table every year due to failed projects

WHY IT MATTERS

$41,785,714 × 10%

average annual unsuccessful pledged dollars   Kickstarter's share

= $4.2M

missed annual revenue opportunity

Understanding what impacts failure can help Kickstarter with value capture

KEY QUESTIONS

KEY QUESTIONS

What factors impact **project failure**? How can Kickstarter leverage this information to increase project success and achieve long-term growth?

SEASONALITY

Does seasonality play a role in project failure?

BACKERS

Does number of backers have a significant impact on a project's likelihood of failure?

FUNDING GOALS

Are projects with higher funding goals at an increased risk of project failure?

*We identified these three sub questions after proving/disproving several hypotheses (failure rate by category, duration of projects, and backer tipping points) using a LightGBM model and seasonal decomposition

Agenda

Company Background, Problem Statement, and Key Questions

Classification Methodology and Model

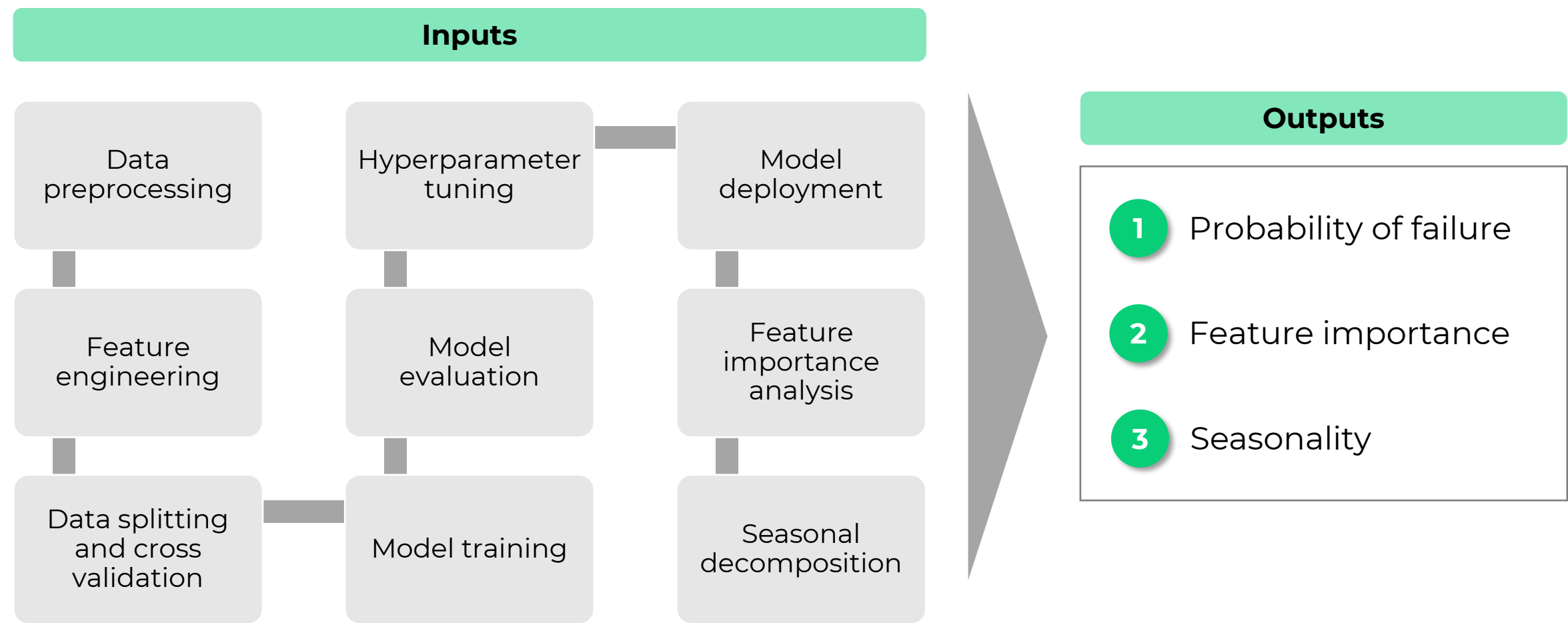Key Findings and Strategic Implications

Recommendations and Next Steps

To answer our key questions, we leveraged Kickstarter Data to understand project failure

CLASSIFICATION METHODOLOGY

Inputs

- Data preprocessing
- Feature engineering
- Data splitting and cross validation
- Hyperparameter tuning
- Model evaluation
- Model training
- Model deployment
- Feature importance analysis
- Seasonal decomposition

Outputs

1. Probability of failure
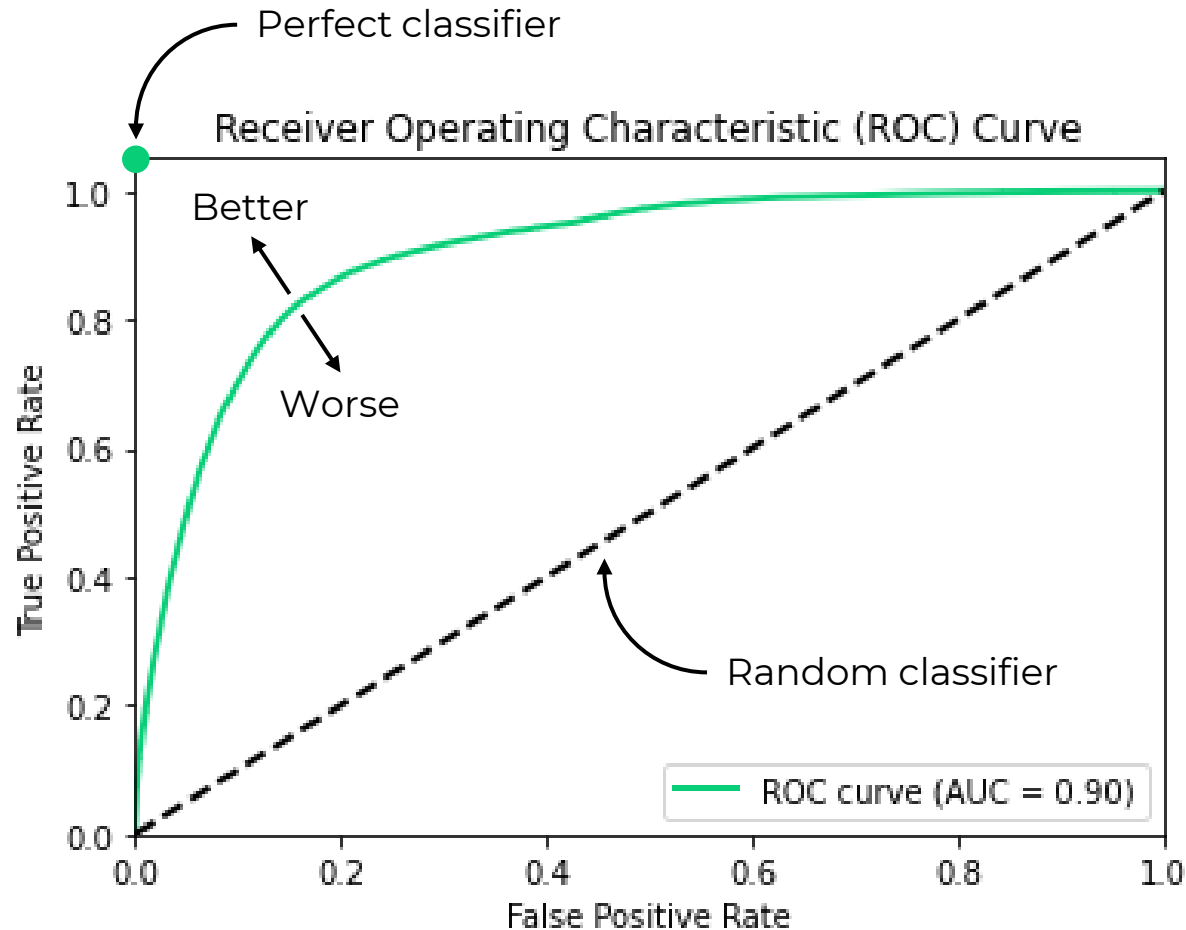2. Feature importance
3. Seasonality

We made the following assumptions: non-collinearity; features are relevant; data is non-biased and error-free after cleaning; externalities are accounted for;

We developed 3 models; LightGBM was the most performant

94% accuracy

Logistic regression and Decision Tree achieved 92% and 90% accuracy, respectively

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Company Background, Problem Statement, and Key Questions

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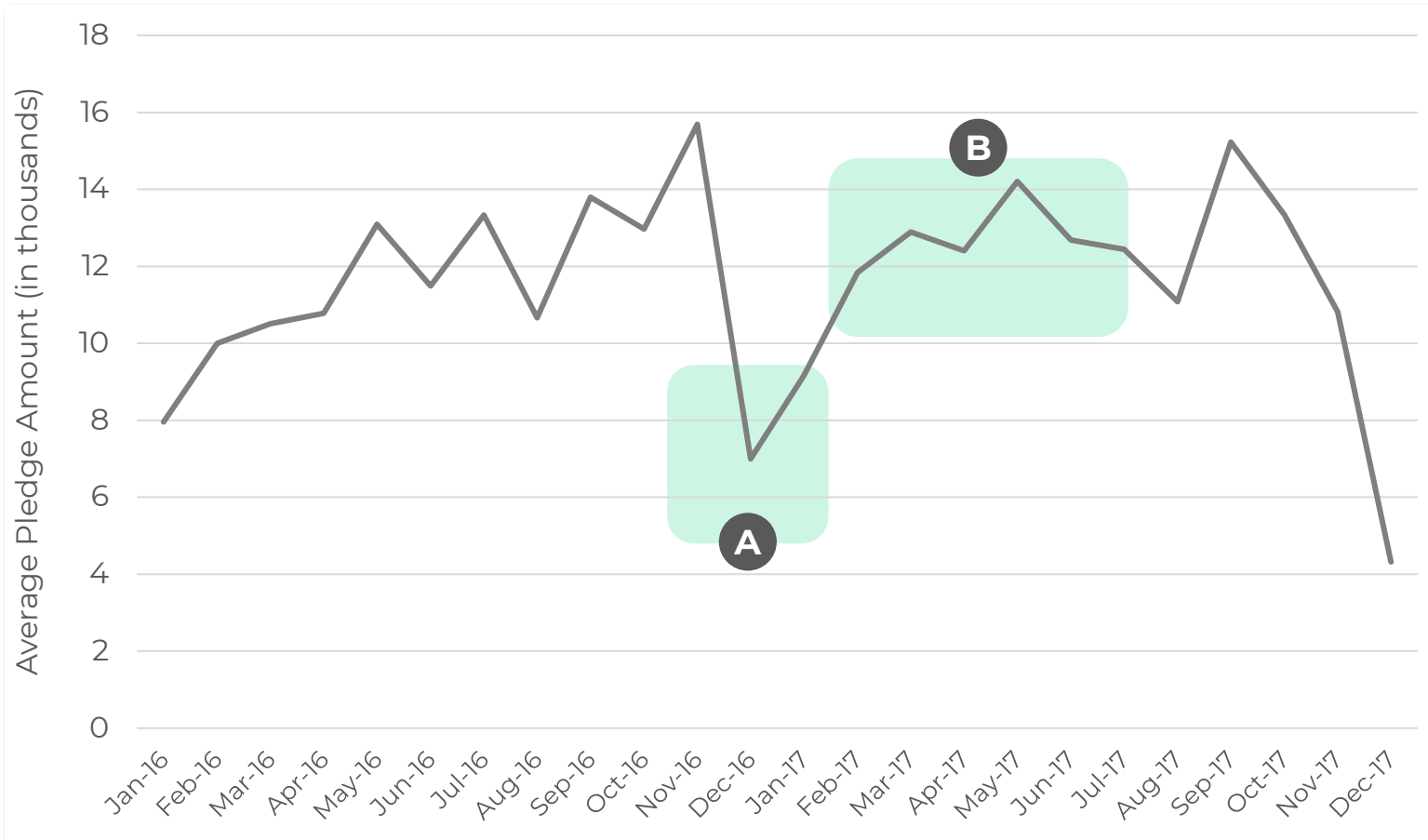Key Findings and Strategic Implications

Recommendations and Next Steps

Our analysis uncovered three main findings to guide Kickstarter's future strategy

KEY FINDINGS (1/3)

1 **Average pledge amount and number of backers follows a seasonal pattern**

A **December consistently shows the lowest average pledge amount and backer count**, indicating a less favorable time for campaigns.
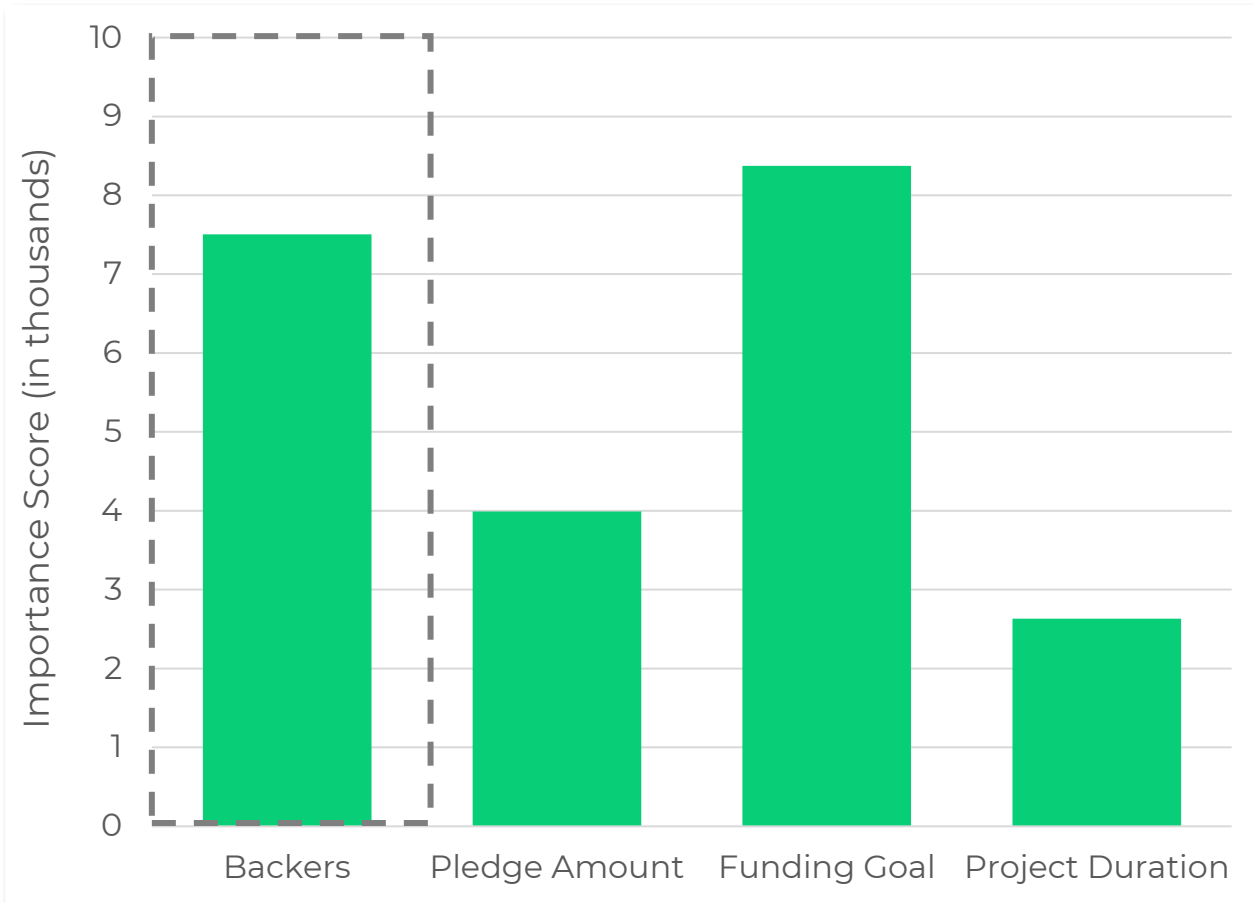
B **Average pledge amount and backer count sees a strong uptick in January** and remains relatively stable throughout the following months.

*Number of backers not shown on slide, but seasonality was proven using seasonal decomposition and monthly seasonal subplots

2 **Number of backers is one of the most important drivers of success**

More Organic Backers

Kickstarter should pursue strategies that attract and engage **more organic backers** to their platform.

Increased Likelihood of Backing

A high initial backer count on a project acts as **social proof,** increasing the likelihood of additional backers.
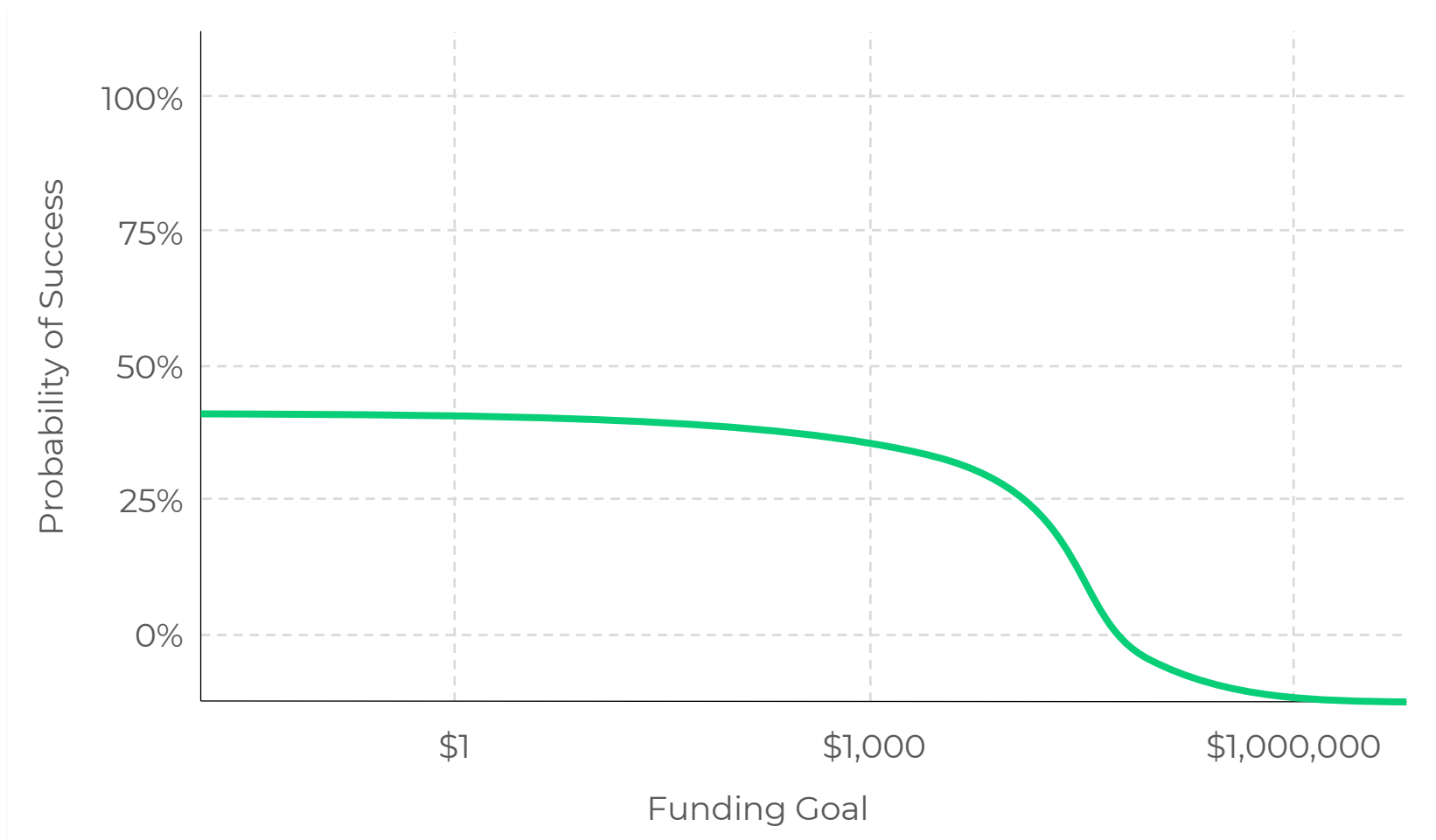
Project Success

Higher backer count contributes to achieving this goal, as each backer's contribution moves the project **closer to its funding target.**

3 **Projects with higher funding goals are less likely to succeed**

This finding highlights the importance of project creators setting **realistic and attainable funding goals.**

Kickstarter can modify their go-forward strategy to increase likelihood of success
STRATEGIC IMPLICATIONS

Where should Kickstarter be headed?

Use data to steer the platform experience to ensure the best possible project outcome and network effects under the optimal conditions

What will Kickstarter need to deliver?

| Attract more organic backers to increase overall success rate | Help creators set more realistic project goals | Adjust marketing activities based on seasonality trends |

How can Kickstarter make it happen?

- **Combat Seasonality** Attempt to defer high-risk projects until optimal months to increase likelihood of success and higher backer participation
- **Optimize Goals** Provide recommendations to creators to ensure project goals are structured toward successful outcomes
- **Increase Backers** Curate personalized marketing activities around high-value backer segments
- **Drive Engagement** Introduce incentives to creators to launch with Kickstarter marketing events

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Kickstarter has options to reduce their project failure rate

Limit Off-Season Projects
Combat seasonality

Given our model's level of accuracy, we propose to flag all projects at risk of failure and offer the creators 2 options:

☐ **Accept a 7% fee** if the project is successful in exchange for enhanced marketing

☑ **Wait until seasonality improves** to increase their likelihood of success in exchange for an incentive

Provide Goal Recommendations
Optimize goals

KICKSTARTER   ← Digital Art Project   Preview   Save

Funding goal

Set an achievable goal that covers what you need to complete your project.

Funding is all-or-nothing. If you don't meet your goal, you won't receive any money.

Goal amount

| $ | 50000 |

Consider lowering your goal amount to increase your likelihood for success using Kickstarter's goal optimization calculator.

‹ Back to Basics   Save

Digital Marketing Campaign
Increase backers

Goal:
- Target potential backers to increase awareness and drive more traffic to the platform

Suggested tactics for acquisition:
- Highlight Kickstarter's mission/vision
- Provide creator testimonials
- Create tailored content depending on where backers are in the marketing funnel

DID YOU KNOW?

Kickstarter has helped fund 243,607 creative projects.
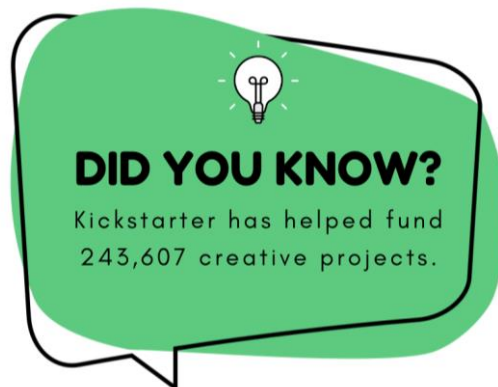
One Day Promotions
Drive engagement

Reduced Fees

Kickstarter takes a smaller share of money raised on a specific day

Enhanced Backer Rewards

Kickstarter contributes to more enticing backer rewards

Top Backer Highlights

At the end of the day, Kickstarter recognizes top backers

These tactics are based on reasonable assumptions

As an example, Kickstarter can attract more organic backers through digital marketing

Introducing Green Day!

A month-long digital marketing campaign in December culminating in a unique one-day "funding spree" known as Green Day

Our analysis uncovered important findings, there is an opportunity to delve deeper

POSSIBLE NEXT STEPS

Strengthen creator and backer **segmentation**

- Requires Kickstarter's internal data (creator/backer demographics, psychographics, behavioral, etc.)

Determine **"tipping points"** for project days, backers, and pledge amounts

- Daily project-level panel data could help achieve this objective

Reduce the effect of **confounders**

- Additional project details would help determine if there are other factors that contribute to failure

Conduct market research for creator/backer **incentives**

- Survey, experimental analysis, and consumer data is needed to enhance recommendations

Engage Kickstarter stakeholders to determine **how to operationalize**

APPENDIX

Our dataset had 13 total columns with 378,661 rows

ID: Internal Kickstarter ID
Name: Project name
Category: Project category
Main_Category: Main category of the campaign
Currency: Currency used for Kickstarter campaign
Deadline: Crowdfunding deadline
Launched: Launch date of the campaign
Pledged: Amount pledged by the crowd
State: failed, successful, canceled, suspended
Backers: Number of people backing the project
Country: Country where the campaign was created
USD_Pledged_Real: Pledged amount in USD
USD_Goal_Real: Fundraiding Goal amount in USD

Project States:

Failed: Projects that fail to reach their goal by the deadline.
Live: Active projects seeking funding.
Successful: Projects that have reached their goal.
Canceled: Projects canceled by the creator.
Suspended: Projects violating platform terms.

Other crowdfunding platforms have similar experiences but different target markets

COMPETITIVE ANALYSIS

	KICKSTARTER	**INDIEGOGO.**	**WEFUNDER**
All or nothing?	Yes	No	Yes
Fee model	• 5% fee from funding total if campaign is successful • 5% processing free from each pledge	• No set-up fees • 5% overall platform fee • 3% plus 30¢ per credit card transaction • 3-5% for PayPal transactions	• 7.5% of the total fundraise, only if successful
Generally used for	Projects pertaining to art, music, film, technology, etc.	Wide variety of industries with lower funding goals	Early stage startups that want to raise funds from unaccredited investors seeking to purchase equity

References
1) https://grasshopper.com/resources/tools/crowdfunding-platforms-kickstarter-gofundme-indiegogo/
2) https://help.wefunder.com/getting-started-for-founders/303756-how-does-wefunder-make-money

Limited causal insights, hidden population nuances, and unvalidated tactics

1 **Lack of temporal information and experimental design hinders the establishment of causal relationships**

The dataset is historical, capturing Kickstarter projects at a single point in time. It lacks temporal information, so it can show associations and correlations between variables, but cannot establish pure causal relationships.

2 **Population heterogeneity masks important distinctions that may influence the outcomes**

The dataset may overlook individual differences and variations across subgroups with the population, masking important distinctions that may influence the outcomes.

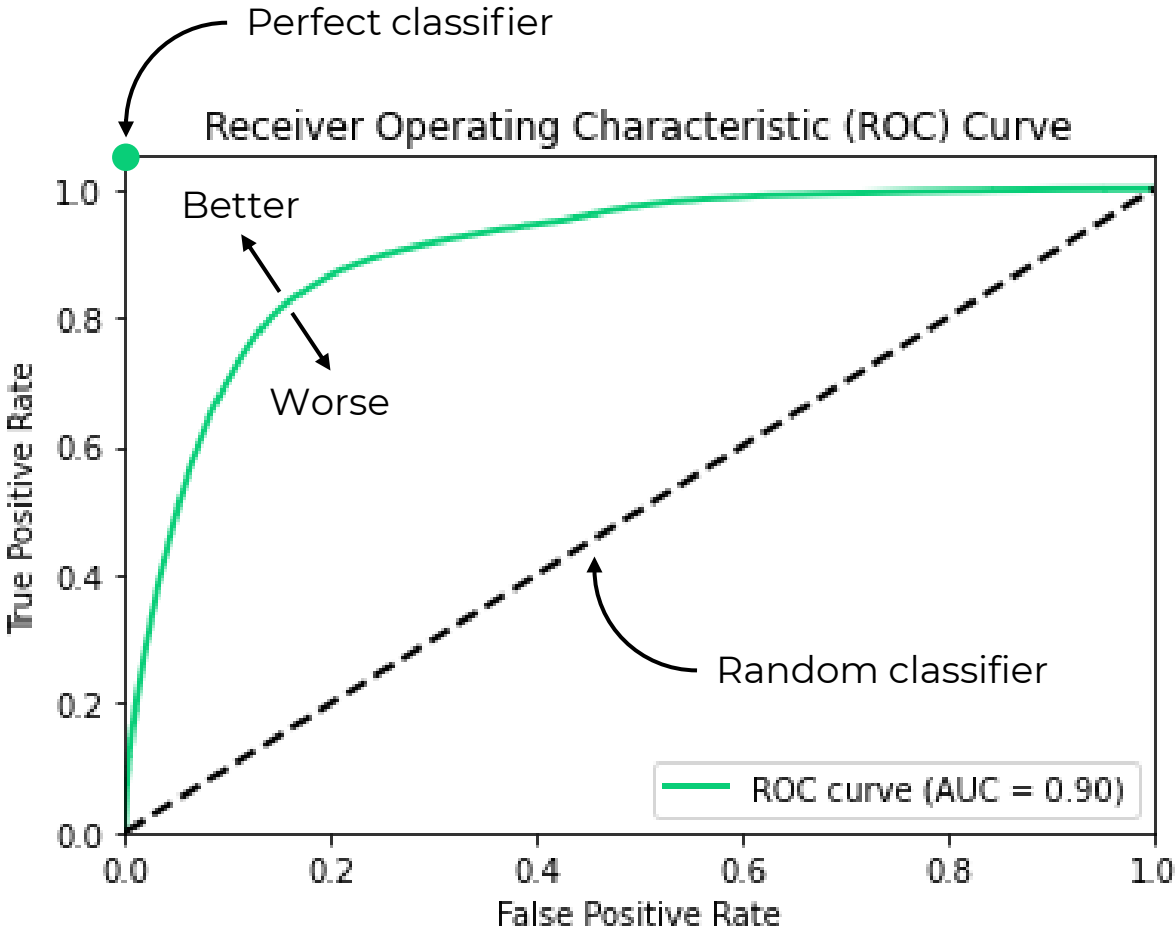**3** **More information is required to validate one day promotion tactics**

This recommendation uses reasonable assumptions to achieve increased engagement.
- Reduced fees: Creators & backers respond to an increase in purchasing power.
- Enhanced backer reward: Backers are motivated by better rewards.
- Top-Backer: Backers care about recognition.

We developed 3 models; LightGBM was the most performant

Receiver Operating Characteristic (ROC) Curve

- Perfect classifier
- Better
- Worse
- Random classifier
- ROC curve (AUC = 0.90)

True Positive Rate / False Positive Rate

94% accuracy

	Project Success	Project Failure
Precision	87%	99%
Recall	98%	91%
F1-Score	92%	95%

There are learnings from this analysis of Kickstarter that are extensible

FURTHER EXPLORATIONS

- How producers and consumers connect in platform models can apply to e-commerce, healthcare, and social media

- Seasonality plays a role in several industries and should not be disregarded

- Creating data-driven strategies can inform decision making and affect business outcomes

- Rapid analysis with limited information can still inform critical business decisions