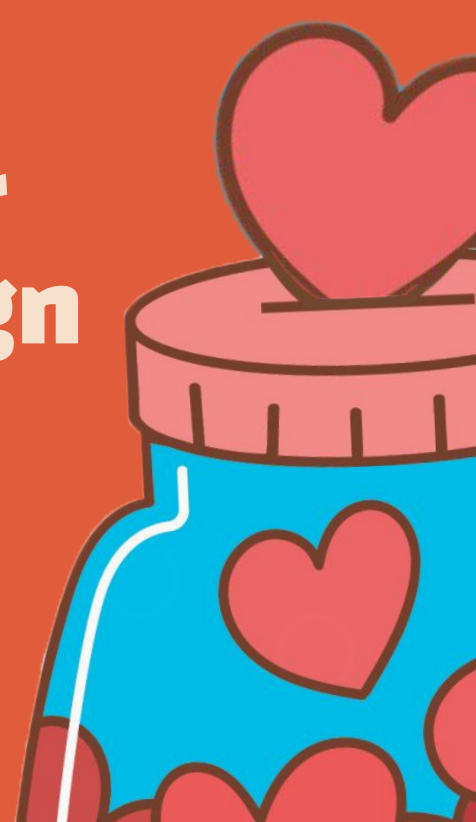


A stylized illustration of a hand holding a heart, located in the top left corner. The background features a large yellow starburst shape in the center, surrounded by red and orange geometric shapes and white circles.

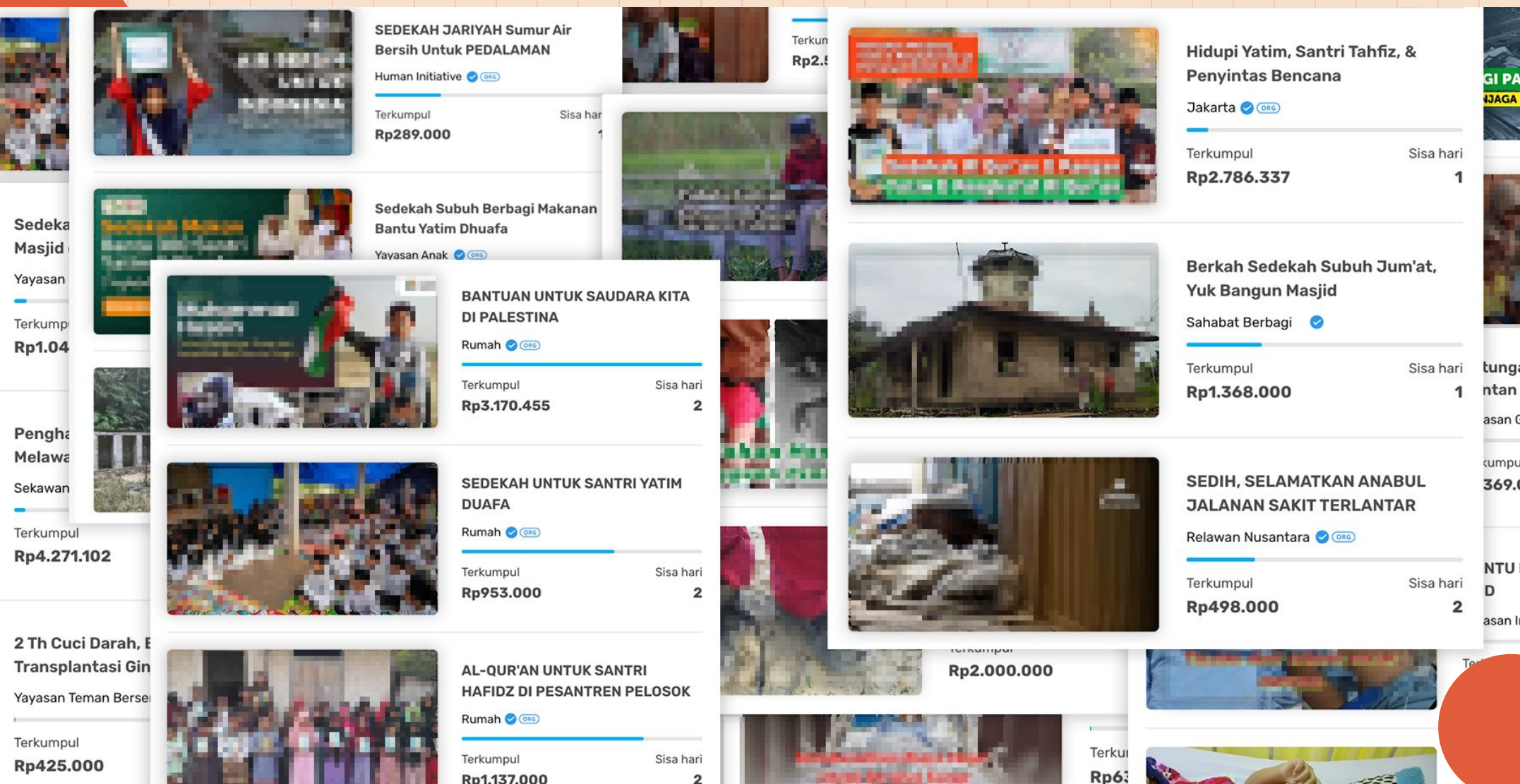
Can Seed Money Secure Donations?

**Exploring Strategies for
Fundraising Site Campaign
Success**

A study by Taufiqur Rohman



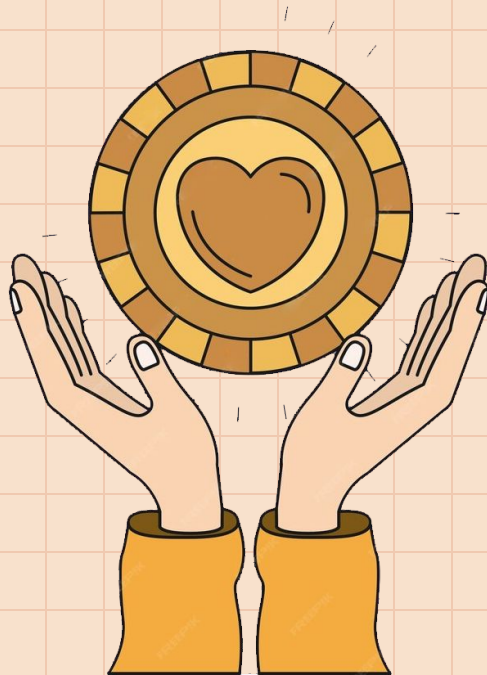
How can I get people to donate to my charity project?



Imagine you're launching a fundraising campaign online on a **fundraising site**. Then, you realize you're one among countless others vying for attention. **How do you make sure your campaign stands out** and attracts generous donors?

**A lot of past studies
found one way to
achieve this, by using
what they call as...**

Seed Donation



What does it mean by Seed Donation?

It simply means as **putting an initial amount of money to your project**.
Let's say there are two charity projects, both aiming to raise \$100k.

Project A (without seed money)

100k left to collect

Project B (with seed money)

20k

80k left to collect

Project A launches straight to the public, while project B's organizer decides to **contribute \$20k of their own money as a seed donation** before announcing it. Many past studies from academics have shown that when people were asked to choose between the two projects...

Project B attracts a greater number of donors than Project A because of the signaling effect of the seed money, which indicates the Project B's high quality.

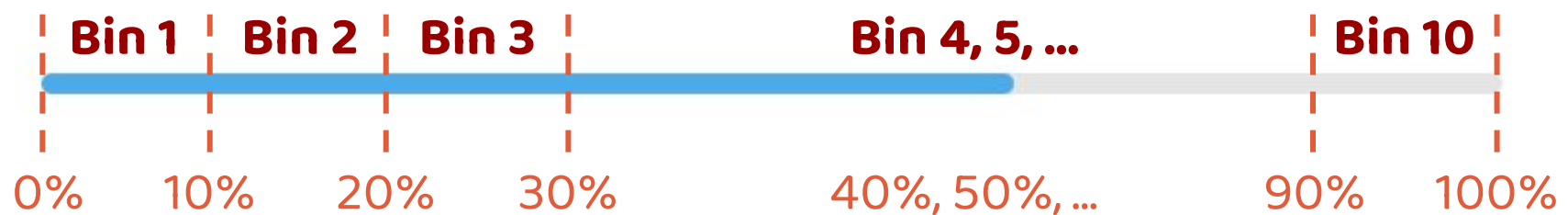


But, does this apply in real-life situations?

In real-life scenarios, we often encounter this situation on crowdfunding platforms, where many charity projects are displayed simultaneously, indicating their progress towards funding goals, usually represented by a loading bar.

Since no studies have looked into this yet, I'm curious:
Could putting seed money into a charity project on a crowdfunding site be a good way to attract donors?

To get the calculation of this study, I divided the progress into several progress bins.



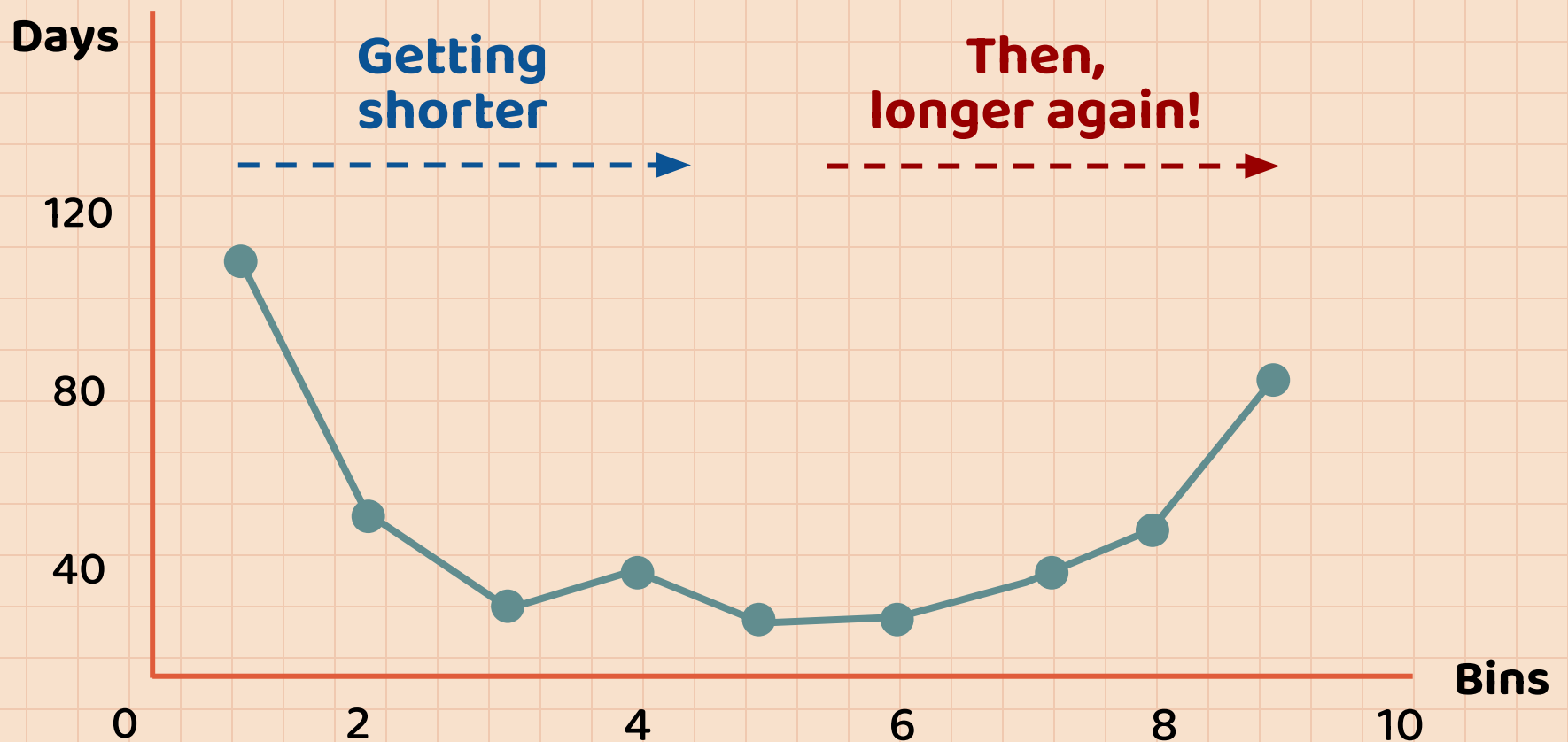
To infer if seed money would be effective, I studied a popular crowdfunding site in Indonesia. I gathered data on donors and their donations, including the time of each donation. Then, I looked at **how long it took to reach each 10% milestone of the fundraising goal to 100%** (we can call it as progress bins. e.g 0-10% as bin 1, 11-20% as bin 2, etc.) to draw a conclusion.

The goal was to determine **if the time to finish each bin decreased as the fundraising progressed, which would indicate that seed money could be effective** in attracting more donors. Otherwise, then seed money won't be effective.

How's the result?

**Average Days to Complete Each Bin (y-axis)
for each Progress Bin (x-axis)**

Sample (n) = 1,2 million donations across 64 charity projects



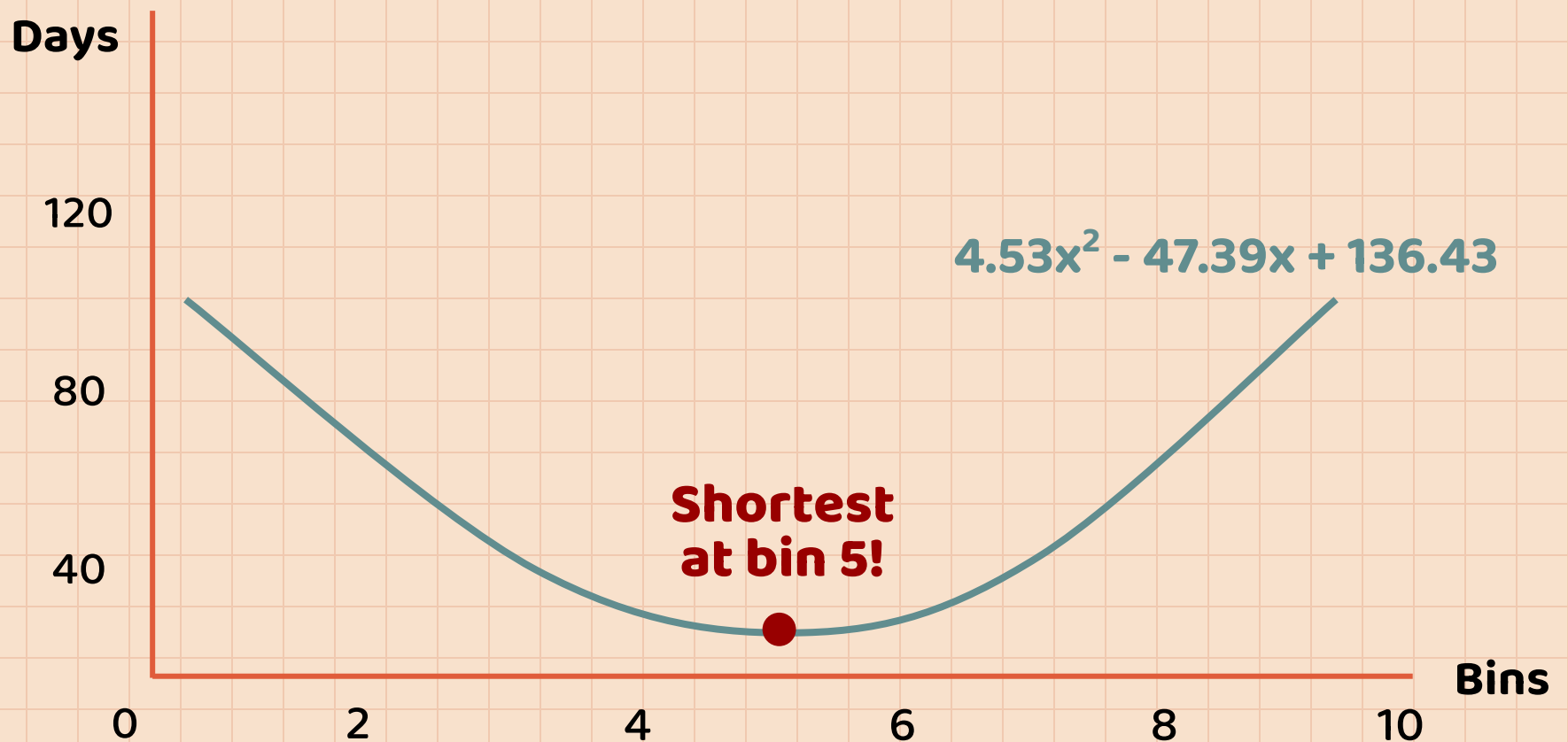
As the **charity project moves forward**, it's taking less time to **complete each percentage bin**, which is what I expected.

But **here's an interesting twist**: as the donations are nearing the goal, it's actually taking longer and longer to reach each milestone. Why is this happening? We'll explore this shortly!

How's the result?

Regression Plot of Days to Complete Each Bin for each Progress Bin

$R^2 = 0.08$



Furthermore, the regression model revealed that **compared to other bins, bin 5 is completed most quickly**, typically within less than 20 days.

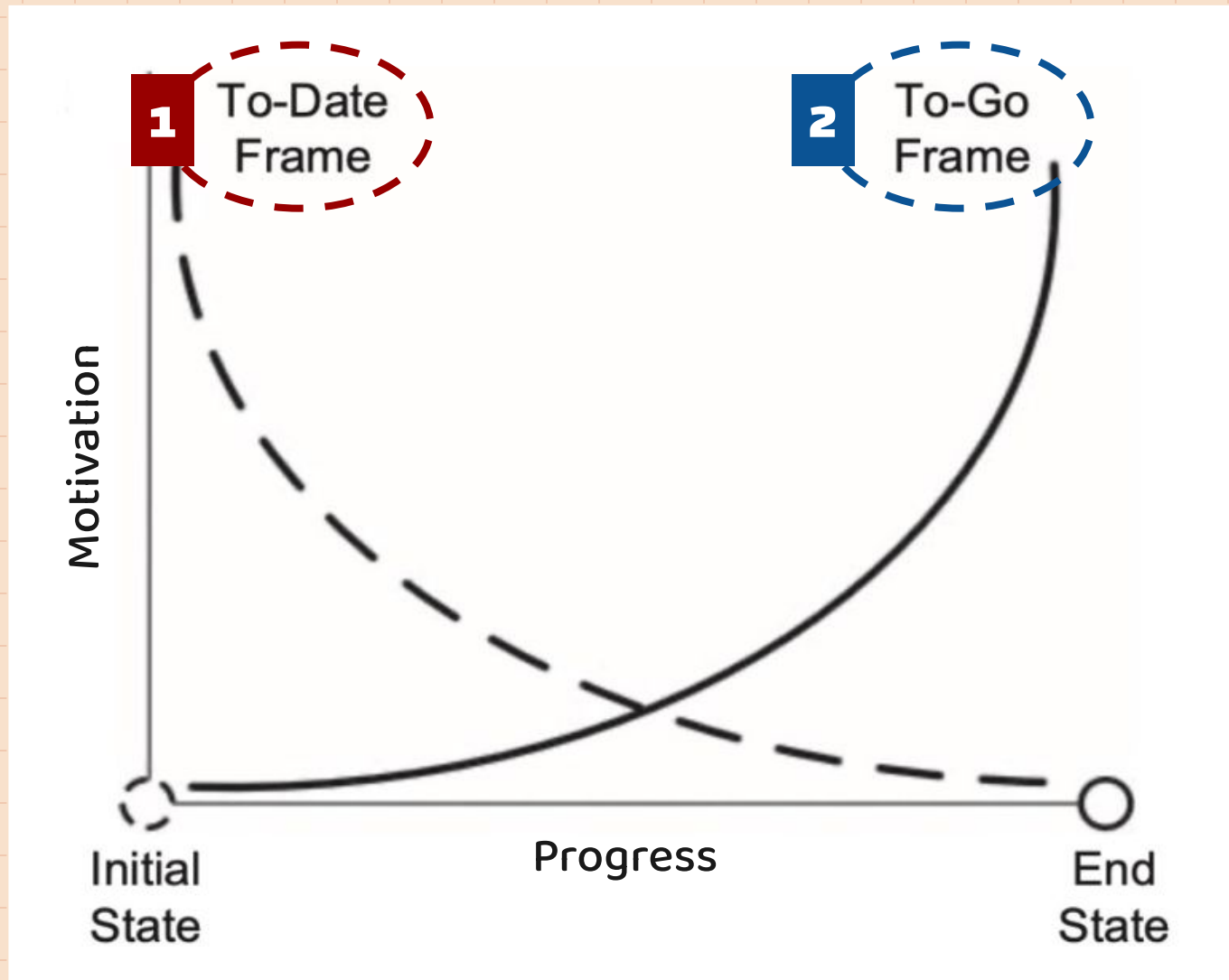
Despite this, the R^2 value was low, indicating that the effect of the progress bin is relatively small compared to other variables not included in this study. Nevertheless, the model remained significant at the 95% confidence level, suggesting that the progress bin does have effect to some extent.



**Hey, let's get back
to this first!**

**Why suddenly
does it take longer
to complete a
progress bin as
the end goal
approaches?**

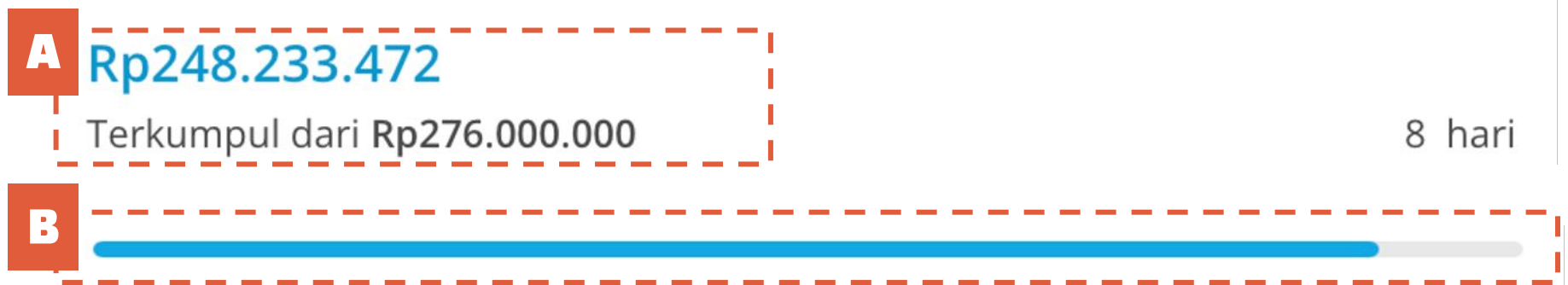
This could be due to how people perceive the progress bar on the crowdfunding site



Study by Bonezzi in 2012 shows that **people's motivation to finish a task** turns out can be influenced by how they view the task progress.

- 1. To-date frame:** Motivation decreases when a person monitors progress relative to the initial state.
- 2. To-go frame:** On the other hand, motivation increases when an individual monitors progress relative to the end state.

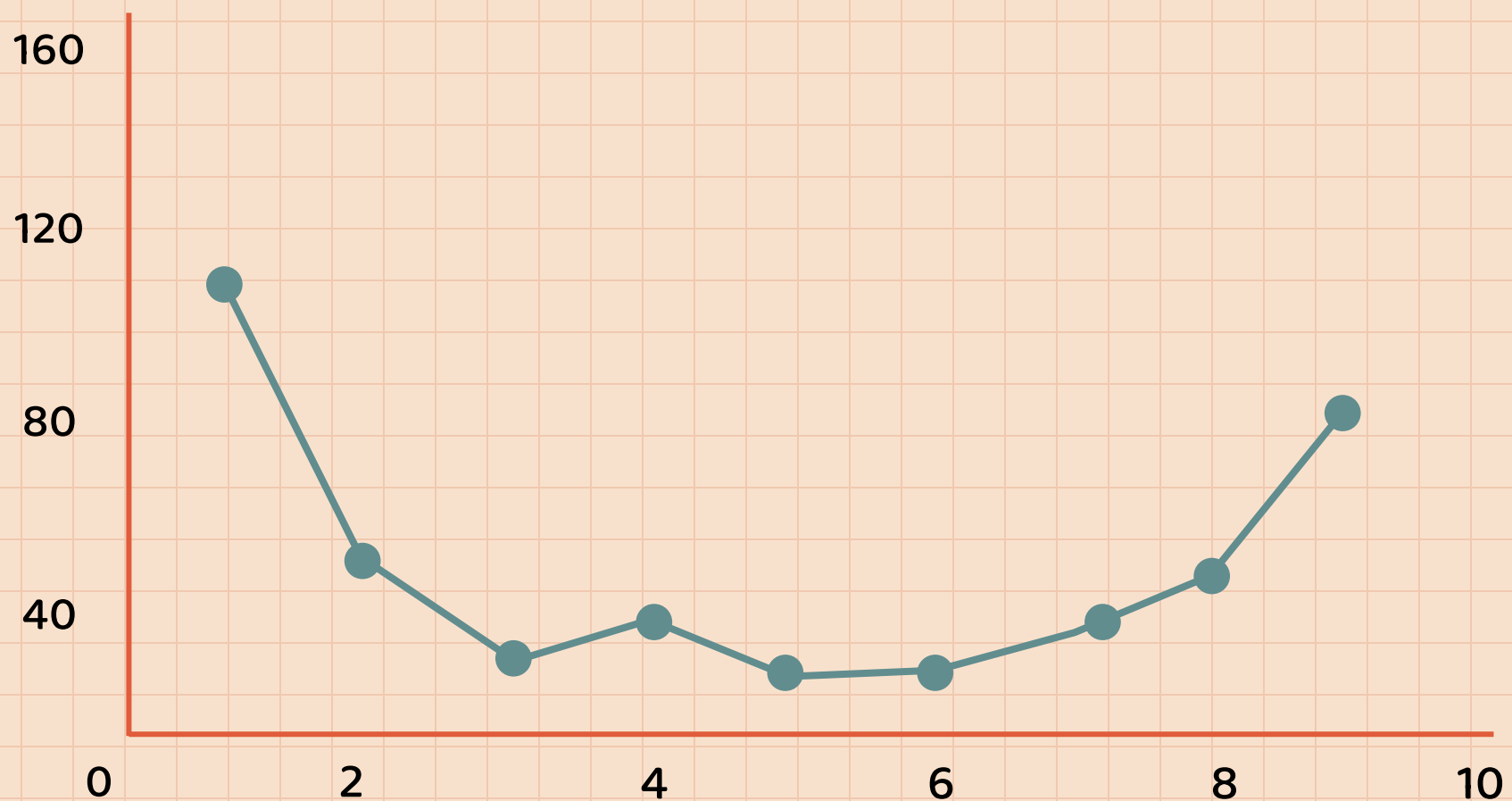
How does the progress bar affect people?



- A. The interface only shows how much money a campaign already collected (blue big text), rather than how much money a campaign should collect.
- B. The **progress bar shows how much money a campaign already collected in a blue colored bar (more salient)**, compared to how much remaining money a campaign should collect with a faint gray color.



Explaining the result with the theory, we understand that...



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In the beginning, **project attracts more donors** as progress increases, enhancing the project's **perceived quality signal**.

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Approaching the goal, **fewer donors to come**, because people are less motivated as they monitor **progress relative to the initial state**.

Thus, as a campaigner in a fundraising site, should we put seed donation to our campaigns?

Yes!



Things to be taken as a **note!**

Even though putting seed money is recommended, it is **not advisable to invest too much in seed money** because it might entice donors to other campaigns with lower progress percentage.

A **decent seed donation is between 10% and 30%** as the participation rate starts stagnant at around 30% to 50% before slowing down again after that.



Thank you!

Got something intriguing? Let's chat!

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