More Than Just the Money: Psychological and Behavioral Consequences of Participating in Crowdfunding

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The novel findings from a longitudinal experimental study indicate that participating in crowdfunding increases the extent to which customers identify with the underlying venture, which is further demonstrated to trigger more pronounced engagement activities such as increased subsequent consumption of the venture’s products and more positive word-of-mouth behavior.

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EXTENDED ABSTRACT
Pebble Time is a successful example of “reward-based crowdfunding”. In 2012, the venture received a total of more than $10 million in funding from thousands of individuals on the crowdfunding platform Kickstarter in return for the promise of delivering the watch once it became available in marketable quality. Since then, the venture has grown into a sizable company with 130 employees. More generally, Kickstarter reports to have helped raise more than $2 billion for almost 100,000 projects crowdfunding by more than ten million individuals since its launch in 2009 (Kickstarter 2016). Across platforms, the worldwide volume of crowdfunding in 2015 is estimated at more than $34 billion (http://reports.crowdsourcing.org/). Crowdfunding has thus emerged as a potentially effective complement to standard financial intermediaries which seems to have broad appeal for money seekers and providers alike.

Only recently, the phenomenon’s practical significance has also stimulated growing interest among researchers across disciplines. Mollick and Kuppuswamy (2014), for example, studied the long-term implications of crowdfunding and discovered that more than 90 percent of the successfully funded projects on Kickstarter survived the first year after funding, with a third of them generating sizable revenues of more than $100,000 per year. At the same time, Agrawal, Catalini, and Goldfarb (2011) find that almost two thirds of the money-seeking ventures do not succeed in raising funds. Research has consequently started to look into antecedent factors of successful crowdfunding, including the dynamics and success factors of the crowdfunding process (Agrawal, et al. 2011; Burtch, Ghose, and Wattal 2015; Mollick 2014; Kuppuswamy and Bayus 2015) and the motivations of individual consumers to engage in crowdfunding in the first place (Boudreau et al. 2015; Gerber, Hui, and Kuo 2012; Ordanini et al. 2011).

In this research, we take a different approach and aim to contribute to the emerging crowdfunding literature by offering a first empirical exploration of the potential consequences of crowdfunding participation from a consumer behavior perspective. Specifically, we ask whether participating in a crowdfunding project, as opposed to merely buying the underlying product, increases the extent to which consumers can personally connect to and identify with the venture. In this research we take a different approach and aim to contribute to the emerging crowdfunding literature by offering a first empirical exploration of the potential consequences of fundraising participation from a consumer behavior perspective. Specifically, we ask whether participating in a crowdfunding project, as opposed to merely buying the underlying product in a classic market exchange setting, increases the extent to which consumers can personally connect to and identify with the venture. Second, we find that in aggregate significantly more scoops of ice cream were actually consumed in the fundraising versus coupon condition. Third, it is found that crowdfunding participation, via elevated levels of self-venture connections, is positively related to managerially important downstream variables such as increased subsequent consumption of the venture’s products and more positive word-of-mouth behavior. The findings thus suggest that crowdfunding might indeed trigger more pronounced engagement activities among participating consumers; after the initial “treatment,” they might simply wish to stay closer to their project and, in doing so, exhibit greater demand for the direct and indirect fruits of the venture.

REFERENCES


