The practical use of Crowd funding

Two cases illustration

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Abstract

Title: The practical use of crowd funding-Two cases illustration

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Program: Accounting and management control

Keywords: Crowd funding, practical use, motivations of participation, time life cycle,

Future involvement.

Purpose: The purpose of this thesis is to analyze the application of crowd funding from four perspectives with the investigation of two cases.

Methodology: Two limited case studies based on Kickstarter and IndieGoGo. Selectively interviews with the crowd who have participated with the crowd funding activities.

Conclusions: According to the collected data and interview results: Both Kickstarter and IndieGoGo experienced an increasing growth for the past 2-3 years. As well as the definite answers for the future involvement of those interviewees all indicate that Kickstarter and IndieGoGo are so-called prime movers, as such they may have a bright future in the following years.

The motivations behind the crowds' participation in crowd funding activities are complex that involve with a multiple answers.

The time life cycle is relevant to the success of projects, the first and last period are tend to raise more money, while the project promotion should be concerned in the middle period

Acknowledgments:

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1. Introduction

In this chapter, the author will first present the background of crowd funding and then the purpose and limitation of this thesis will be given.

Try to imagine there is a new way for you to make your creative ideas into reality. Will you use it? Try to imagine when you log into an intensive crowd funding website, you are facing thousands of projects in different categories that all need to collect money. Are you going to reach to your pocket and back any of them? Which of them will you choose to contribute among the extensive choices? With the sophisticated development of crowd funding, a lot of people have been involved in the crowd funding activities. While since the application of crowd funding is just emerged for 3-4 years, many people still doubt that crowd funding is a flash in a pan, instead of an alternative fund raising means (Satorius& Pollard, 2010).

1.1. Background

The power of the crowd should never be underestimated (Le Bon, 1896). With the ever-changing market environment, the business world has been shifted a lot. One of the significant shaping forces is the engagement of the crowd (Belleflamme, Lambert & Schwienbacher, 2011). Wikipedia is a typical example of the crowds' involvement. According to wiki, the information on the web is co-created by the collection of crowds' wisdom (Albors, Ramos & Hervas, 2008). This kind of wisdom aggregation is defined by Jeff Howe as crowdsourcing in 2006[1].In the resent 3-4 years, a new way of financing tool has derived from crowdsourcing, named crowd funding (Belleflamme et al, 2011). In the practical use of crowd funding, it shares the common trait with crowdsourcing as "tapping the crowd" (Belleflamme et al, 2011). While the significant difference between crowd sourcing and crowd funding is that

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[1]http://en.wikipedia.org/wiki/Crowdsourcing

the former aims at gathering the wisdom of the crowd, the latter is more about getting financial support from the crowd (Kleemann et al, 2008).

The popularity of crowd funding can be explained as on the one hand the traditional methods of financing are far harder for business starters to access nowadays, this led many starters to seek alternative financing sources (Satorius et al, 2010). On the other hand, crowd funding is set to grow because it is a much easier and faster way of raising awareness or money of the crowd (Kozlowski, 2011).

Crowd funding first gained notice in Obama's 2008 presidential election (Wong, 2011).The traditional presidential elections were always gaining financial support by lobbying those wealthy, established political donors (Wrong, 2011). While Barack Obama, who has been able to raise vast sums over the internet from the crowd. Obama was supposed to raise $454 million for his election. At the end of the fund raising campaign, almost half of his financial amounts ($223 million) were contributed by small donations of the crowd[2]. This kind of fundraising not only helped him to reach his financial target, but also gained the popularity among the crowd by letting grassroots involve the process of financially support their future president (Wrong, 2011).

There is another typical use of crowd funding, named 'My Football Club', which is an online organization that works as collecting the crowd money to buy football clubs[3]. In February 2008, 26,000 people, responding to a web call (Ankit, 2010), each put in £35 as member fees into this organization and £700,000 was collected to buy a football club, Ebbsfleet United. Crowd funding here can be regarded as a way of allowing those previously seen as consumers to engage in the financing, production & distribution of products and services in which they have an interest. In this case, consumers are considered like fans of the projects and allowed to invest in projects in return of involvement in the production and management of the project, shared ownership (Murray, Mulgan & Grice, 2008).

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[2]http://www.meetup.com/
[3]http://www.myfootballclub.co.uk/

The above two cases shared the common characteristic as tapping the money of the crowd for a particular purpose. The motivations behind the crowds' contribution in either political support or football club were strong enough to get the crowd together. However, in real cases, the practical use of crowd funding is more than just political election and football clubs. Crowd funding has been intensively used in other fields as well: film production, education, etc (Lambert et al). Will the motivations for other campaigns are as strong as for their president and beloved football? Meanwhile, there are many professional crowd funding websites emerged for these years. They are working as platforms for the crowd and the projects. A few of them are particularly established for a specific purpose, like Catwalk genius, a design crowd funding platform aims at promoting designs[4]. Intensive platforms like Kickstarter, which contains a variety of project categories, are also available in the practical use of crowd funding[5].

1.2. Purpose & Research questions

In this thesis, people who have launched project on the website were defined as project producers, while the crowds who have contributed to the project financially were called project funders. After examing more than 10 professional crowd funding websites, the author starts to look into a general framework of the practical use of crowd funding from 4 perspectives. Crowd funding websites can be seen as platforms to manage two-sided markets. One side of the market is the "money needers" who are launching projects on the websites. They are responsible for the issues related to the project, including promoting the project, interacting with the crowd etc. The other side of the market is the tremendous crowd. In this case, the crowd is the funding sources for those projects. Finally, projects are a crucial component to the practical use of crowd funding. It is those projects that in need of money and will be "judged" by the crowd.

The purpose of this thesis is to analyze the application of crowd funding from four perspectives. Website (platform) perspective analysis, project theme perspective analysis, project funder

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[4]http://catwalkgenius.com/
[5]http://www.kickstarter.com/

perspective analysis and project producer perspective analysis. In the website and project perspective, the author aims to identify the more attractive crowd funding platform by a horizontal comparison between two intensive crowd funding websites: Kickstarter and IndieGoGo. After that, a vertical comparison within Kickstarter and IndieGoGo will be given respectively to identify the project categories issues.

1.2.1. Research questions

1). How Kickstarter and IndieGoGo developed for the first 2-3 years? Are detailed regulation embedded with either website influence project producers' website choosing preference?

2). What are the motivations of project funders and project producers' participation in crowd funding campaigns in Kickstarter and IndieGoGo ?

3). Is time period of raising money relevant to the success of crowd funding projects in Kickstater and IndieGoGo? If the time period can be divided into first period, middle period and last period. Which period is tend to raise more money?

1.3. Limitations

Limitations in this thesis include interviewing a small sample of participants. Comparing to the enormous crowd, the small sample cannot explore the motivation behind all the participants of crowd funding activities. In addition, the thesis is involved with a Chinese way of thinking and writing. Chinese view in the application of crowd funding, which means the 4 perspectives are divided by a macro framework due to the cognition of the author, instead of previous research. Moreover, the author does not give a specific answer to the question of why film-related projects are so attractive while others are not. Finally, the thesis is limited to only two cases: Kickstarter and IndieGoGo, which are not representative enough to explore the practical use of crowd funding in other cases.

2. Review of literatures and articles

In this chapter, a few of previous research and articles will be presented to address the various definitions, unique features, benefit to producers and funders, and also challenges emerged with the application of crowd funding. A summary will be available at the end of this chapter.

2.1. Funding

Funding is to provide resources, usually in form of money (Financing), or other values such as effort or time, for a project, a person, a business or any other private or public institutions. The main sources of funding consist of debt, donations, grants, savings (Wang & Shapira, 2011). For new startups, launching a new business venture can be done in more than one way. The method chosen will usually depend upon knowledge, prior experiences, or goals, etc (Humilton, 1991). Actually, different money sources have different characteristics and different motivations for providing funds.

2.1.1. Funding alternatives for start-ups

There are three primary funding mechanisms for startups: self-funding from the entrepreneurs' personal resources and "friends and family", or angle investors; funding from larger corporate and governmental agencies; and funding from venture capital firms (Humilton, 1991).

Traditionally, a lot of startups get their initial stage funding on their own or from their friends and family. This is because friends and family are easy to find and access. Although getting money from friends and family is a cost saving means of funding, there are two main

disadvantages refer to this: Firstly, it is easy to mix together the entrepreneur's' business with their personal lives, which may result in unnecessary troubles in the future relationship with friends and family; Secondly, friends and family will probably not be as well as connected as angels or venture firms (Humilton, 1991).

Angel investors are individual rich people, who potentially support the entrepreneurs by a certain amount of money (Mckaskill, 2002). The amount that angels put in are usually small compared to the venture capitals. Angels are being considered as rigorous investors, who perceive entrepreneur's related experiences as an important factor when they are doing investment. They may not invest on an entrepreneur even if the entrepreneur has a fascinating business model but with scare experiences. One of the dangers of taking investment from individual angels, rather than through larger corporate or investment firm, is that they have less reputation to protect. Angles invest to have fun, for the challenge, to get involved in doing deals and to give back. Like the above funders, angles only invest where they see a high potential return on their money (Mckaskill, 2002).

Venture capital originated from the United States and now gains a large popularity among entrepreneurs. Venture capital usually plays an important role in an entrepreneur's primary business. In the recent years, venture capital has been used for small and medium sized companies to access to finance, which would not qualified to get bank loans or governmental assistance. In most cases, venture capital tends to come later in the life of a startup, it characterized by high risk and high level of uncertainty. In fact, venture capital firms prefer to invest on those startups, which are featured by technology or high level of market potential.

In real cases, start-up funding regularly comes from more than one source. Self-funding occurs early on in a business's lifecycle, while venture capital funding comes later after a business has proven its worth. An angel investor usually acts as a bridge who supports the business after the "self-funding" stage and before the venture capitalists invest. Most startups are not able to pursue corporate investment (Mckaskill, 2002).

2.2. Fundraising

Basically, when a request for funding is made then fundraising is being attempted. Fundraising or fund raising is the process of soliciting and collecting contributions or donations as money or other resources from governmental agencies, charitable organizations, businesses and individuals (Wang et al, 2011). In most cases, funds were collected with the purpose of supporting those non-profit organizations. However, with the sophisticated development of capital market, fundraising is being used to attract investors or other sources of capital for for-profit organizations (Seongho & David, 2010).

Traditionally, fundraising was most about asking for door-to-door donations or getting contributions on the street. This kind of fund raising involves a strong sense of face-to-face communication (Seongho et al, 2010).

2.2.1. Grassroots fundraising

With the high cost of face-to-face fundraising, new forms of fundraising such as online fundraising have emerged in recent years.

Grassroots fundraising is one of the new fundraising methods, which was first applied by political candidates. The Obama's presidential election was previously named as grassroots fundraising. Grassroots fundraising is an Internet-based funding mechanism which helps the political candidates to get large media exposure as well as gain more support from the grassroots.

2.3. The impact of Internet

Internet has changed the traditional way of business trading to some extent. To date internet serves as a communication platform for people to share ideas and experiences (Schwienbacher et al, 2008). Owing to this kind of virtual social networking services, the interactions among

people are getting much closer (Castle, 2011). Moreover, as a result of this flexible online communication, the traditional investment preferences of investors who were prone to giving money on local investment have been eliminated in the case of Internet-based crowd funding (Agrawal, Catalini & Goldfarb, 2010).

In addition, Internet has changed both the traditional funding and fundraising by influencing two sided market. Traditional two sided market, are economic platforms that have two distinct user groups to provide each other with network benefits. Members of one group need members of the other group realize some value (David, 2006). A two-sided platform helps members of these two groups to come together and capture the value that they pursue (David, 2006). With the assistance of Internet, two sided market were accelerated by reaching a large amount of consumers. The traditional means of funding are thus being shifted by letting entrepreneurs to access to far more individual strangers rather than just family and friends. Moreover, Internet has changed the traditional means of fundraising by offering online interaction, which reduces the time and effort of door-to-door or face-to-face soliciting.

2.4. Internet-based crowd funding

2.4.1. The concept of crowd funding

The concept of crowd funding can be explained in several ways. Murray et al describe the actual application of crowd funding both in social economy and market economy. In social economy, crowd funding is more about philanthropic giving money to people or projects that people care about or have great compassion. In the case of market economy, the definition of crowd funding can be interpreted as customers who show great interest in specific project are allowed to invest on the project. These customers are being considered as fans of projects. In this case, fans are not only perceived as financiers of the project, but also the shareholders of the project who are potentially engaging in the production and management of the project (Satorius et al, 2010). Kozlowski gives an integrated depiction in his article that crowd funding is used as new

fund raising mechanism which collects many micropayments from customers. Customers are thus defined as micro-investors, who give money or ideas in the form of donating or investing to the project (Kozlowski, 2011).

While Ordanini does not give a clear definition of crowd funding, but a general description of the changing role of customers is given. He claims that customers are acting like investors other than traditional customers in the case of crowd funding. Schwienbacher & Larralde depict the definition of crowd funding in a totally different way, which shows the intimate connection between crowd funding and crowd sourcing. He states that crowd funding can be seen as a part of crowd sourcing, which allows customers to make contributions to the project either with monetary or non-monetary property in exchange of rewards/products.

2.4.2. The characteristics of crowd funding

Several studies explore the main characteristics of crowd funding. One of them is that crowd funding is highly dependent on the use of Internet (Schwienbacher et al, 2008). In real cases, social media, online community, blogs, websites and other Internet-based forums are getting involved to raise money for some specified projects and work as tools for promoting those projects (Castle, 2011).

The other significant characteristic of crowd funding is the motivation of contributors are slightly different from traditional donations and investment. Those contributors who participate in crowd funding are not merely out of obligation but a mixture of interest, compassion even moral consciousness (Schwienbacheretal, 2008). Larade et al also divide the participation of entrepreneurial crowd funding into 3 categories. The first category is donation, which means contributions without physical rewards or payments. The second category is passive investment by the crowd, this category is most about "investors/donors "who are provided with relative rewards after contribution. The last category is active invest by the crowd which means "investors "are motivated to be active (e.g. Feedbacks) in the participation

of crowd funding as well as get relative rewards after contributions. Apart from the above striking crowd funding features, a report of CinemaReloaded states that although individuals usually contribute a small amount of money, their expectation of interaction is far higher than what they contribute. While Satorius et al give a controversial perspective on the issue of the crowds' involvement, they claim that participants of crowd funding may play the role of promoters of projects, thus their contributions are much more valuable than the money they contribute.

In addition, Castle indicates another characteristic of entrepreneurial crowd funding that most participating investors in crowd funding efforts are non-wealthy, non-institutional individuals, who have faith in the management, objectives or intentions of the offering projects. According to Agrawaletal's research, family, friends and fans are crucial for entrepreneurs' early-stage of investment because they tend to know the entrepreneurs well and are more likely to contribute to the projects in the first beginning. Castle also states in his research that crowd funding is a grassroots' approach that offer contributors an opportunity to directly participate in the profitability of potentially successful ventures. There are almost no price barriers to entry and no high risks inherent in every investment because everyone has a chance to participate by means of offering creative ideas or small amount of money (Castle, 2011).There is another interesting trait of crowd funding is that a lot of strangers are being connected with its enthusiasms to a specific purpose (Kozlowski, 2011).

2.4.3. The advantages derived from crowd funding

Crowd funding can be perceived as a win-win game both for project producers and financial supporters (project funders). For financial supporters, they can benefit from getting involved in the process of financing, distributing and even operating the project. In addition to that, in some practical cases, physical reward can be offered after each small amount of contribution.

For project producers, crowd funding can be served as a tool to help start-ups getting their

early phase funding by collecting small investment from the crowds and better diversifying the investment risk (Castle, 2011). Satorius et al conclude four beneficiaries of crowd funding to project producers. They claim that the biggest advantage of crowd funding is that if the arrangement is properly structured, the funds raised by the crowds may not need to repay and donors may be able to treat the donation as tax-deductible charitable gift.

Moreover, Successful fundraising efforts can be seen as a demonstration of the prosperous of a project (Satorius et al, 2010). By involving many people in the development stage, a producer can make the use of the crowds' contributions to build awareness and forward momentum (Satorius et al, 2010). Finally, the process of seeking the support of the crowd may also serve as a project's promotional strategy (Satorius et al, 2010). This beneficiary can be particularly enjoyed by artists, as they can leverage a powerful distribution channel with no costs with the help of internet-based social media (Ordanini, 2009).

2.4.4. The challenges face to crowd funding

A lot of merits of crowd funding have been discussed. However, there are still some challenges with the actual application of crowd funding. As crowd funding is most about raising money from the crowd, there can be skepticism over kinds of revenue models (Wong, 2011). Schwienbacher et al also shed light on this issue that the tangibility of the fund use is considered to be a big question for crowd funding. In addition, the young industry also risks exhausting the generosity of donors who are roped with constant fundraising projects (Wong, 2011).

Besides, the true willingness of the audience to actively contribute is always another challenge for the application of crowd funding (Cinema reloaded report, 2011). Although many governments would support the development of startups since startups can help to promote economic growth as well as creating new job opportunities (Castle, 2011). There are still many legal issues related to soliciting investment from the general public and regulatory limits on

micro-giving in most of the countries (Castle, 2011). Soliciting investment opportunities, rather than in donations, places legal obligations on site owners which vary from country to country (Cinema reloaded report, 2011).

Moreover, in some countries there is a limit on the number of shareholders (Schwienbacher et al, 2008). Whether financial supporters should gain the right of having a say on the management of the project can be a concerned too. This issue deals with the legitimacy of such investors to control a company. Indeed, there might be quite numerous shareholders who have brought only a small amount of money into the project but with high expectation of getting involved with the operation of project (Schwienbacher et al, 2008). The above challenges can be seen as constrains that confront with the development of crowd funding.

2.4.5. Summing up

The characteristics of crowd funding	(1). Highly depend on the use of Internet (2). The motivations of contributors are slightly different from traditional donations and investment. (3). The expectation of interaction in crowd funding is far higher than what they contribute. (4). Almost no price barriers to entry and no high risks inherent in every investment (5). A lot of strangers are being connected with its enthusiasms to a specific purpose
The advantages of the application of crowd funding	Benefit to Project funders (1) .They can benefit from getting involved (2) .Getting physical reward Benefit to Project producers (3) .To help start-ups getting their early phase funding (4) .Could be a demonstration of the prosperous of a project (5) .The process of seeking the support of the crowd may also serve as a project's promotional strategy. (6) .Could be a powerful distribution channel
The challenges face to the application of crowd funding	(1). Skepticism over kinds of revenue models-- the tangibility of the fund use (2). The true willingness of the audience to actively contribute (3). Legal issues related to soliciting investment from the general public and regulatory legitimacy

3. Methodology

3.1. Case study method

As Yin states in his book that case study is preferred when the researcher is going to explore "how" and "why" the real-life phenomena happened. In this thesis, the author aims at explaining how people engage in the crowd funding activities as well as the motivations behind the crowds' involvement. Thus, case study method is chosen as the main clue for this thesis.

3.2. A combine of Quantitative and Qualitative approach

Quantitative approach is used when large number of data is needed. The objective of quantitative approach is to explore the relationship between the quantitative data and the exact phenomena (Miles & Huberman, 1994). Using quantitative methods, it is possible to give precise and statistical expression of documents (Bryman & Bell, 2007).

Qualitative approach aims to gather an in-depth understanding of human behavior and the motivators that drive such behavior (Punch 2005). Qualitative methods can be used to understand the meaning of the numbers produced by quantitative methods (Hyndman, 2008).

Good case studies should not be limited to a single evidence, but on a combination of various sources (Yin, 2003). In this thesis, both quantitative and qualitative methods are being used to analyze the two cases. The documents collected on the websites led to quantitative information to give a general description of how activities develop in the context of crowd funding (Yin, 2003). While the semi-structured interviews with a group of engaged crowd led to qualitative information, which gives a further analysis of why crowd funding could work (Yin, 2003). In this case, the case studies' findings are based on the convergence of information from different resources, not quantitative or qualitative alone.

3.3. Choice of cases

The author chose Kickstarter and IndieGoGo, two professional crowd funding websites as study cases in this thesis. The reason behind the choice can be explained as on the one hand, comparing to other scatted single websites, Kickstarter and IndieGoGo are both intensive crowd funding websites that contain a large number of single projects. These single projects can be found in scattered single websites. On the other hand, both Kickstarter and IndieGoGo have around two years' backgrounds, which can be seen as a relative long history comparing to other crowd funding platforms.

3.4. Two Cases presentation

3.41. Case 1-Kickstarter

Kickstarter has launched more than 20,000 projects since it started in 2009. In Kickstarter crowd funding can be perceived as a new way of funding and following creativity[6]. Kickstarter

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[6] http://www.kickstarter.com/

is a web-based crowd funding platform mainly for encouraging creative activities[7]. It is working as an intermediary to help creative person to make their creation into reality by collecting microgivings from the crowd. If a creator is going to launch a project on Kickstarter to raise funds, she or he has to introduce her/his project in general on the webpage, which includes the content involve from the value of the project and also a target amount of funds within a time period. For most of the projects, a set of rewards are usually offered for each micro giving, which ranked from "a big Thank" to a physical product (e.g. signed DVD). The crowd can selectively choose their preferred project to support by staring it or contributing it financially.

The first two website and project perspective studies are supported by quantitative data analyses of Kickstarter, which were delivered by email from a responsible person who worked in Kickstarter. Those analyses are especially made to celebrate the two years' birthday of Kickstarer. For now, the analyses chart can also be found in the archive webpage in Kickstarter.

3.42. Case 2-IndieGoGo

IndieGoGo, another crowd funding platform that starts running since 2008, which has got approximately 27500 projects to date. The purpose of IndieGoGo is to help people create

campaigns and create ideas[7]. In the homepage of each project, besides the vivid short video introduction of the story, a vision as well as the potential impact of the project is given to attract the crowd. In IndieGoGo, there is also a requirement for project producers to address how much money they need to collect on the web. In this thesis, most of the data related to IndieGoGo were gathered on IndieGoGo's website, in which there is a special webpage that used for presenting successful cases. All the successful cases since the beginning of IndieGoGo started can be found in this option. The author calculated the total number of successful projects as well as each category of successful cases, and draws the percentage pie chart of successful projects in IndieGoGo.

3.5. Interview process

The interview for both project funders and project producers were based on Kickstarter and IndieGoGo between April 2011to May 2011.

3.51. Interview of Project funders

The interview participants were categorized into two groups. Funders are distinguished by one-time funders and repeated funders. Those people who funded only one time so far were considered as one-time funders, while people who have funded more than 5 times were perceived as repeated funders in this thesis.

In the first beginning, the author Facebook messaged 105 funders both from Kickstarter and IndieGoGo. Finally 10 of them gave a response and showed their interest of participating with the interview. According to participants requirements, 3 of the interview were processed by email with interview guide which contains 8 opening questions; 1 is by skpe call for about 14 minutes; while 3 of the 10 results were gathered by instant conversation through Facebook; the least 4 participants were being interviewed by Facebook through interview guides.

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[7]http://www.indiegogo.com/

3.52. Interview of Project producers

Both Kickstarter and IndieGoGo have provided the message sending functions to project producers. 224 interview requests were delivered by messages through Kickstarter and IndieGoGo to project producers. Among them, 100 of the project producers are successful project creators and 124 of 224 are popular cases owners. In fact, most of the interview acceptances were coming from the latter 124 popular cases owners. This is because successful projects are mainly past campaigns which were not running currently thus the creator are not active enough for the interactions with the crowd. While popular cases are those projects that are still running, thus the producers are tend to be more active to read the messages from the crowd. At last, 60 producers were selected as the sample base for this interview, in which all of the interview results were gathered through message sending on Kickstarter and IndieGoGo.

4. Case study and Interview outcomes

In this chapter, the results based on Kickstarter and IndieGoGo will be divided into 4 perspectives: Website perspective, Project theme perspective, Project funder perspective and Project producer perspective.

4.1. Website perspective

4.11. The development of Kickstarter and IndieGoGo

The study from website (platform) perspective aims at 1) Describing the development of Kickstarter and IndieGoGo for resent 2-3 years, which based on data analysis. 2) Making a comparison between two intensive crowd funding websites to identify whether detailed regulation within Kickstarter and IndieGoGo affect producers' website choosing preferences.

The website is a crucial component for the application of crowd funding. There are kinds of crowd funding websites available to date. The author has addressed some application models of single websites in the application model section, while most of the single project categories can be found in either Kickstarter or IndieGoGo.

The development of Kickstarter for the past 2 years can be seen in the following line chart. It shows that Kickstarter has experienced a relatively steady growth since it started in April 2009. These growths can be explained in two aspects. On the one hand, there is an incredible increase on the number of projects launched each month, which from around 100 projects per month on April 2009 to 2200 projects per month nowadays. On the other hand, the amount of money raised each month has increased a lot from $ 0 per month in the beginning to $ 7000,000 until last month.
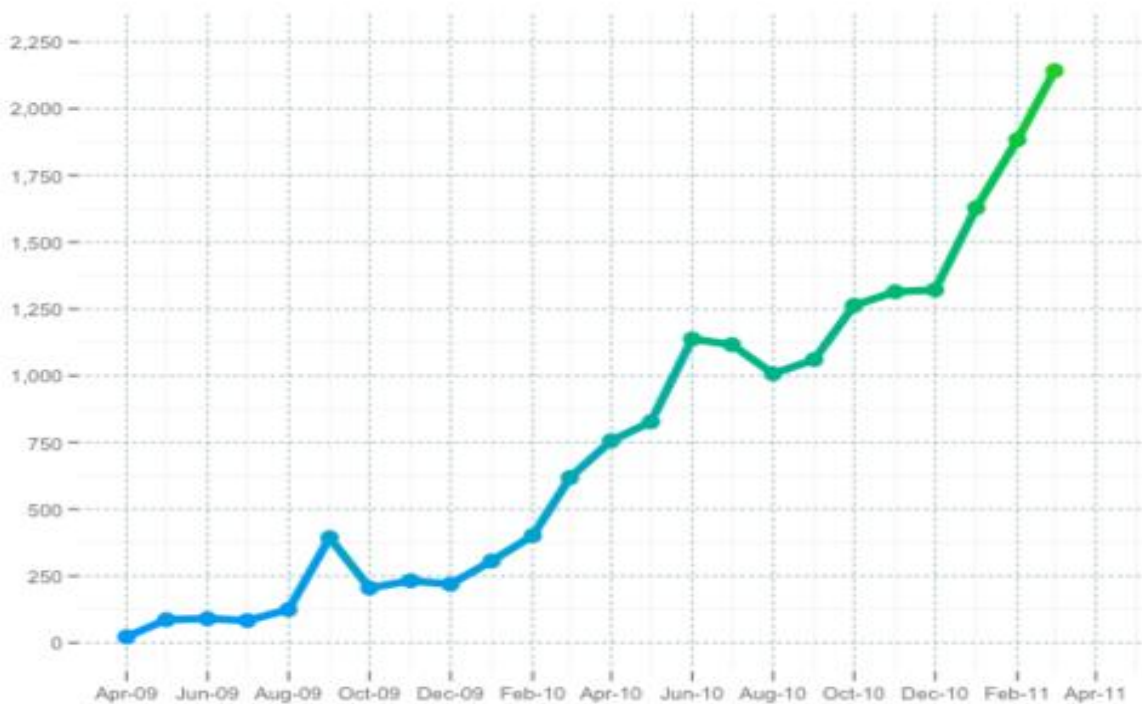
Table 4.1.1. (1): Project launched by Month (April 2009 - March 2011)[8]

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[8]http://blog.kickstarter.com/
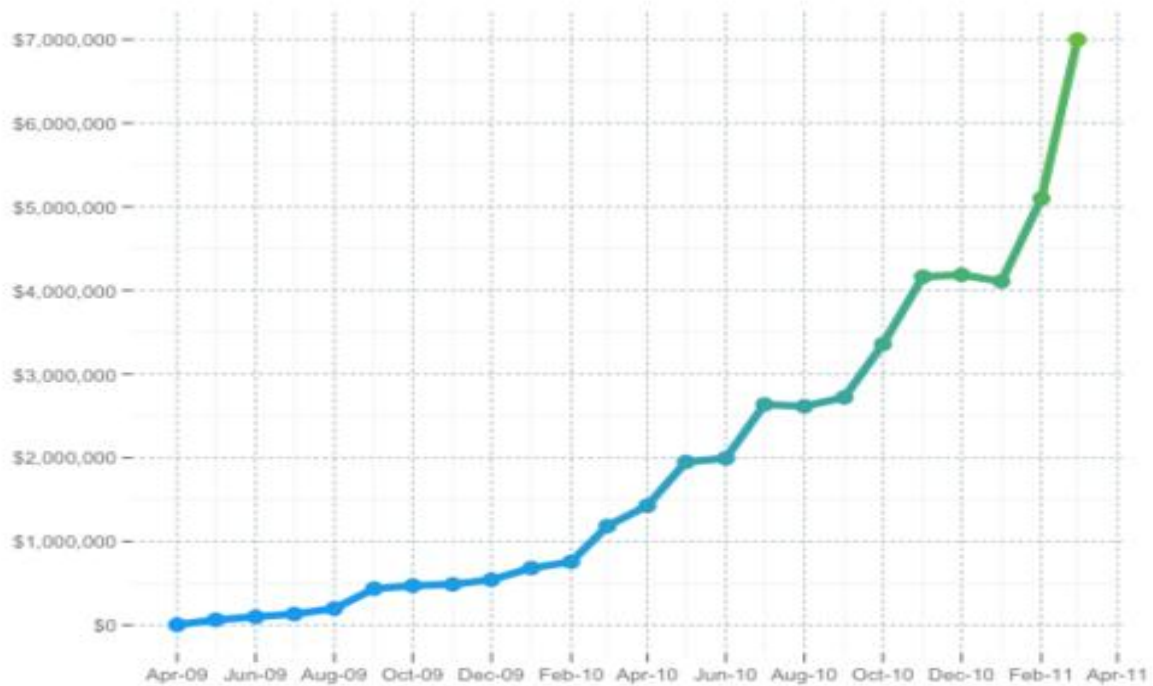
Tabel 4.1.1. (2): Dollars collected by Month (April 2009 - March 2011)[9]

With respect to IndieGoGo, the author is not able to access to the quantitative data of its past performance as Kickstarter. However, one of the responsible managers in IndieGoGo ascertained that IndieGoGo indeed in a growth tendency since it launched in 2008, which attract an increasing number of diversified projects as well as raising an increasing number of funds.

4.1.2. A comparison between Kickstarter and IndieGoGo

Table 4.1.2: The diverse details of Kickstarter & IndieGoGo

Intensive Website names	Kickstarter	IndieGoGo
Business model	All-or-nothing	All-or-more
Fees	9% / 4%	100 bucks
Payment	Any credit cards	PayPal or regular credit cards

[9]http://blog.kickstarter.com/

1). the main difference between Kickstarter and IndieGoGo is the All-or-nothing (Kickstarter) versus All-or-more (IndieGoGo) aspects of fundraising. With Kickstarter, you don't get any money unless you reach your goal. Whereas with IndieGoGo, whether or not you reach your goal, you still get to keep the money you did earn.

2). The second detailed distinction is the difference about the fees. Both Kickstarter and IndieGoGo take out fees for their services. In Kickstarter, you could fundraise for 100 days and be $100 bucks away from your deadline, and if you don't reach it, you get nothing. 100 days wasted! It's a risk. Whereas IndieGoGo is 9% of your total funds raised. But, with IndieGoGo, if you reach your goal before the deadline, then IndieGoGo rewards you by only taking 4% instead of 9%; so either way, you get your money, but it's in your best interest to make your goal because you get more money.

3). Kickstarter only allows credit cards to pay for the contributions. But IndieGoGo allows people to pay via PayPal or regular credit cards. With IndieGoGo, you can just use any credit card or even mail a check.

4). The other main difference is the fact that with Kickstarter, you have to pitch your idea to them and then they "invite" you to join their site and crowd fund your project. IndieGoGo doesn't do that, and believe in a more democratic approach to fundraising; let anyone raise money for anything. This is both a good thing and a bad thing, of course, since there are more "quality" projects on Kickstarter, but that may also be attributed to the whole "All-or-nothing" approach as well.

In order to explore what kind of crowd funding websites that attract more project producers, the author concludes the answers of 60 interviewed project producers. It is interesting to know that most of project producers (38) consider either Kickstarter or IndieGoGo is the most popular crowd funding website in the world. 26 of 38 project producers chose Kickstarter or IndieGoGo to present their projects because it was recommended by their friends.

12 out of 38 project producers claim that either Kickstarter or IndieGoGo is the most popular crowd funding website after analyzing several websites before launching their projects. Within the 12 who have done some homework before choosing a website, 7 of them influenced by the all-or-noting model in Kickstarter or all-or more model in IndieGoGo. For all-or-noting model, those project producers who prefer this model believe that no risk, no incentive. Some others think all-or-nothing model encourage people to give, and helps drive its user base to donate more often. For project producers themselves, it instills a bit of confidence that their money won't go to a project that is never finished. This model makes project producers more motivated to promote the project as opposed to just sitting around and hoping for the best. While for all-or-more models, project producers could still keep the money they raised whether they hit the goal, and they think that this will protect them from waiting in vain.

Only 2 of project producers actually acknowledged the fee regulation in either website and take the fee regulation into their consideration when choosing the website. 3 of the 12 chose either website because they think it has a more clear outline and thus easier to work. The other 22 of the total 60 project producers chose either Kickstarter or IndieGoGo due to it is the only crowd funding website as they know.

4.2. Project theme perspective

In this section, the author addresses the answer to which project categories/themes are more likely to attract the crowds' attention and as a result raising more money both in Kickstarter and IndieGoGo. In Kickstarter, projects were categorized in 13 groups: Films, design, etc. The following chart 10 is the calculation survey from Kickstarter. It is obvious to see that film-related projects is raising the largest amount of money in Kickstarter for the past two years, followed by music and design, while fashion got the least amount of money.

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[10]http://blog.kickstarter.com/
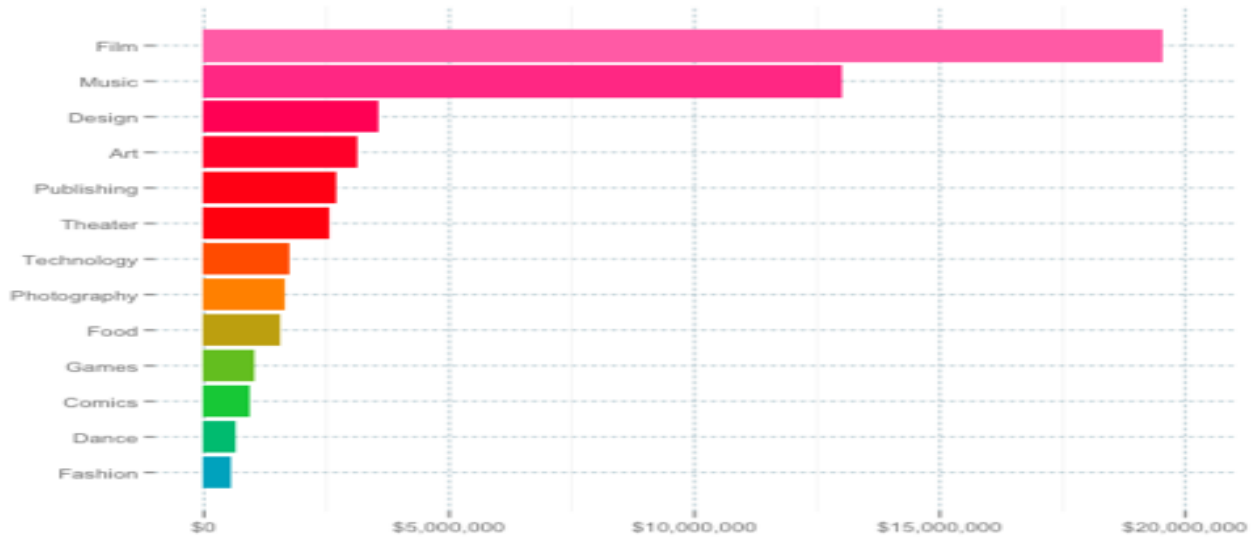
Table 4.2. (1):The raised money of each project theme in Kickstarter

A similar conclusion was achieved after studying with IndieGoGo. In IndieGoGo, projects are divided into 25 groups. The following pie chart describes the percentage constitution of each project category in the whole successful project amounts. It is obvious to see that in IndieGoGo, film-related projects are taking the largest percentage of the whole successful projects. Music is also the fourth category which takes 7% of the whole successful projects.
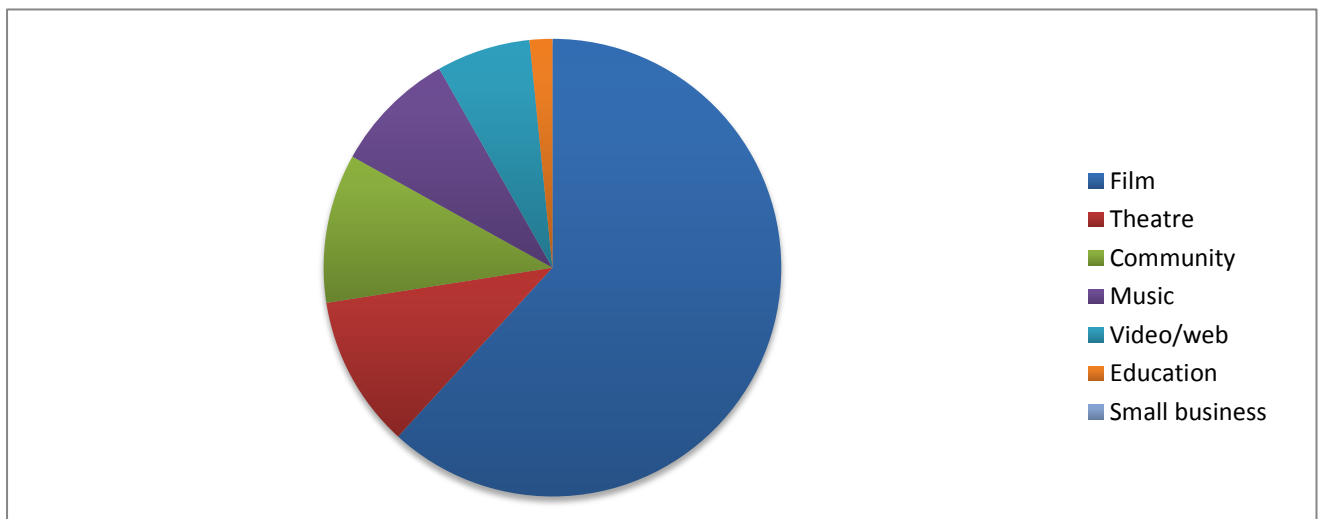
Table 4.2. (2): The percentage constitution of each project theme of project quantities.

4.3. Project funder perspective

In this section, the author explores the project funders-related issues 1).The motivation that drives the funder's participation in the crowd funding campaigns. 2).The influence of time period to the success of crowd funding projects. 3).The future involvement of project funders. Of the 10 project funders, 6 of them are repeated funders who have contributed more than 5 projects during the past 5 month, while 4 of them are one-time funders who backed only once for now. Among the 10 interviewees, 2 of them have produced 1 project on the website themselves.

2 themes emerged from the interview results, which covered both of the above questions. For the former question, the reasons behind the funder's participation can be explained as: (1).the appreciation of creative ideas; (2).the driven force of helping people; (3). the driven force of rewards/products; (4).the driven force of promoting their own project/website; (5). happy to be involved.

4.31. Motivations of project funders

(1).The appreciation of creative ideas

The appreciation of those creative ideas that presented on websites was a strong motivator for funders to contribute. In response to the question of why make contributions to crowd funding projects, Martin, a one-time funder from Denmark replied:

"Awesome ideas!"

"I'm totally interest in those ideas created by people, especially for the vivid film images."

Daniel, a passionate funder himself, has backed 50 projects to date. He confirmed that he loves new things a lot; he even can't wait to see the new creations to come true.

Zachary, an artist and engineer inseparably wired to be both, creating art based on engineering and engineering based on art, who is a project producer by himself, he wrote,

"I'd love to support people who have great ideas."

(2).The driven force of helping people

Although crowd funding cannot be perceived as a traditional charity activity, it indeed shares the same value with charitable donations as arising the compassion imperative of "donors"/"funders".

Alex, a one-time funder from PA, although he has only contributed once for now, he claimed:

"I always have a deep belief as people should help each other."

Olga, a funder from Sanfrancisico, who replied with a multiple answer.

"I'm not sure about my involvement, partly because I want to support friends or because I really want to help."

Mert, a repeated funder who have backed more than 20 projects because he know how hard it is for new starters to raise amount of money within a short time.

"I would of contributed in any way possible, no matter what rewards were offered."

She further claimed that:

"It also can be very difficult to get started on some types of creative projects, and getting a large amount of seed money from one source is also difficult. But getting 20 people or 100 people to give a little bit is less difficult, and allows me to support multiple projects too."

(3).The driven force of rewards/products

The temptation of rewards/products can be a good explanation for the crowds' contribution, Jack, who have fueled more than 10 projects, he stated through the conversation:

> *I would say that some of those products are pretty cool, and I think I can have one of them. There was a movie on Kickstarter that I really wanted to see, so I contribute. I also got interesting books and presents cards as rewards for contribution. I love them."*

Olga also claimed that the prerequisite for his contribution is the product/reward offered by projects has to be useful to him.

> *"I am looking for things that are not already on the market, or that the creator is taking in a totally new direction. Projects have to be useful to me to get my backing."*

Jannifer, who is a project funder by himself, like the idea of buying products in this way, he considered:

> *"For me the involvement is a kind of pre-ordering the new stuff that I really want....Well, you know, you have to contribute to get what you want."*

Jim, living in LA, when he gave the answer to the question of 'will you contribute if the project does not offer any rewards.' he replied:

> *"No and Yes. Did I do it for the reward? No, but it is nice to see what I've backed."*

Andy, an outdoor activity lover replied as following:

"Rewards are secondary. I don't do it for the rewards, but if they are offered, cool. Occasionally, a reward might cause me to donate 20 vs. 10 etc."

(4).The driven force of promoting their own project/website

There are also some funders who present their own website on their page. One of them, Zachary mentioned that he would promote their websites by all kinds of means, not only by crowd funding website. He stated:

"To be honest, I have some kind of private heart as promoting my own website and knowing more people."

There is also a funder who has launched their own projects on IndieGoGo, he totally into getting more people know about the existence of his own project.

"Actually I have launched my own project on IndieGoGo too, I wish I could attract more people, and getting in by giving out."

8 funders interviewed mentioned that reward was a motivating factor for their contributions. 6 of the 8 claimed that they would still contribute even there is no reward offered. But the project itself has to be something worth the money.

(5).Happy to be involved

Three funders specifically mentioned that they enjoy the process of participating with crowd funding activities.

Jim stated

"well....Kickstarter allows me to feel as though they are contributing meaningfully to the execution of an idea, and feel as though I am part of the community who brought it to life."

Daniel saw participating as a way of communicating with people, and he wrote:

"I always talk with people on Kickstarter who embrace the same interest with me. I found it is a good platform to know new friends. I got so much fun when I chatting with them."

Jacqueline, a one-time funder who wrote,

"I didn't get any reward from contribution, but it doesn't matter, I feel really good to get involved and be part of them."

4.32. The relevance of time period

When the 10 participants were asked to answer the question of" which period do they contribute? Three of them states that it depends on how much that they want the reward/product. 2 of them would make some contribution to the producers to hit the goal before the projects' deadline. 2 of the participants claim that if the producers are someone they know, they would fuel the projects in the first period to help their friends attracting more attention.

Daniel wrote:

"It depends on when do I need the product, if I want to have it in a hurry, I would giving money immediately"

Andy said:

"Well, I' m not sure, sometimes I would back them without hesitation. um…. I would say it mostly depends on how much I want a product/reward on Kickstarter, I would contribute the minute I saw it if I really want the reward. But I also help those projects which almost hit the goal. You know, in Kickstarter, they have the kind of all-or-nothing model"

"I generally review the tech projects on KickStarter once or twice a week to see if there is something that is interesting to me. If I really like the project, I back it right away… if I am on the fence, I may look through the rewards to see if there is some limited / special reward and take that into account."   Stated by Olga.

Jacqueline said since she only backed for once, it was when she moved by the project, she contributed.

"I have no idea about that, I would fuel the minute I determined"

Jim said:

"I would contribute in the first period if they produced by someone I know, family, friend"

Jannifer

"I often won't back a project if it's already fully funded, but other than that - timing is not something I focus on much."

4.33. Future involvement

When 10 of the interviewed funders were asked about whether they will continually contribute to projects by means of crowd funding. 8 of 10 gave a absolute "Yes", 1 of them addressed that

he would continue if he was not short of money. 1 of the 10 said he would continue only if he got time with it.

"Absolutely Yes"

Andy answered without hesitation

Jannifer

"Why not, it's really cool and I got so much fun"

4.4. Project producer perspective

Project producers is an indispensible composition of crowd funding due to Project producers are the original sources of project ideas as well as project producers are crucial to the promotion of projects by levering kinds of online Social Medias. In this section, the author selectively interviewed 60 project producers both from IndieGoGo and Kickstarter. Of the 60 interviewees, most of them involve in the crowd funding campaigns for the first time, only a few of them have launched projects more than once. The interview results address3 issues referring to project producers: 1). the motivation for project producers' participating in crowd funding activities. 2). the influence of time period to the success of projects. 3). The future involvement of project producers.

4.41. Motivations of project producers

The first impression of project producers' engagement with crowd funding campaigns is raising the crowd money for their projects. It is interesting to know that there are more than just money that attracts producers to participate. (1).Fund raising alternative; (2).Products promoting; (3). Curiosity

(1).Raising money

More than 50 of the 60 interviewed project producers admitted that they consider crowd funding as a fund raising means.

Houle said:

"Everyone could have a chance to make their creative ideas into reality"

Zach Crain:

"You know, I've never think about getting my creation to the market, and now I can "borrow" the money form people and sale them with a physical product."

(2).Promoting products

5 of the interviewees mentioned that besides collecting money, they would also see crowd funding as a way of promoting their stuff: films, music, video games, etc.

The owner of APE Gamer claimed like this:

"I did Kickstarter not only to raise money for the project, but also to a) raise awareness in the gaming industry that the product is coming and b) gauge the level of interest before committing to the project. My goal was to get 300 supporters."

The owner of APE further stated:

"I also want to know whether the game is worth to launch in the future."

(3).Curiosity

Sometimes it is the idea of "giving a try" that drive producers to participate. 2 interviewees said it is curiosity that drives them to launch project on crowd funding website.

Kirsten Hively mentioned:

> *"I'm a man of curiosity; I'm crazy about new things!"*

FortNinety pointed out:

> *"I'm curious about whether my idea will get any support, so I give a try."*

4.42. The relevance of time period

According to project producers' answers, there is a contributing convergence of project funders on the selection of contribution time. If the time period of raising money can be divided into three phases, then the

first period and the last period are tend to raising more attention and as a result getting more money.

Jeff Rowberg concluded from his success:

> *"The majority raise is the first and last 5 days."*

FortNinety

> *"folks get more exciting during the beginning and end phases... one has to keep the word alive during the middle phase, and do it for too long and your risk annoying folks"*

Moti Mark Zemelman also got the similar conclusion during his money collection:

> *"I noticed for one thing that the trend is that people pledge a lot at the beginning and the end of the time-period"*

He further suggested:

> *"It seems important to promote a project especially through the middle slump."*

4.43. Future involvement

When the 60 project producers were asked about future involvement, 55 of them give a big Yes.

5 of 60 said they would participate only if they have time to do that.

4.5. Summary of study results

4 perspectives	Results outline
Website perspective	Kickstarter:　an increasing growth since it started in 2008. IndieGoGo:　and increasing growth since it started in 2009.
Project theme perspective	Kickstarter:　Film-related project raising the largest amount of money IndieGoGo:　Film-related project taking the largest percentage of successful projects.
Project funder perspective	Motivation of participation (1).the appreciation of creative ideas (2).the driven force of helping people; (3). the driven force of rewards/products; (4).the driven force of promoting their own project/website; (5). happy to be involvement Time period: Selectively Future involvement: most "Yes"
Project producer perspective	Motivation of participation (1).Fund raising alternative; (2). Products promoting; (3). Curiosity Time period:　First period and the last period tend to raising more money. Future involvement:　most "Yes"

5. Discussion

In this chapter, the author will discuss the above results and further analyze the results.

5.1 Website perspective

In the practical use of crow funding, websites are playing the role of intermediary which bridges the interaction between "money needers" and "money funders". With respect to the analysis of two intensive websites, the author describes the past performance of two intensive crowd funding websites: Kickstarter and IndieGoGo, which are both featured by incredible increase with the last few years as attracting project producers' launching projects as well as "making" the crowds to fund for those projects.

After the comparison between Kickstarter and IndieGoGo, it is interesting to find that the specific regulations that embedded with two websites do not have a strong impact on project producers. Because so far when project producers are launching their projects, they do not concern that much on detailed regulations in each website. Not even comparing with other crowd funding platforms.

Within the specific regulations, the all-or-nothing (Kickstarter) and all-or-more (IndieGoGo) is the most influential regulation details that impact project producers' website choosing comparing to other details. That can be explained as people care more about whether they can keep the funds they raised in case they do not reach the target. The other specific regulations within websites are not so important to project producers' website preference.

5.2. Project theme perspective

According to the project theme analyses, with numerous project categories available on Kickstarter and IndieGoGo, film-related projects are overwhelmingly in the first place as raising amount of money and numbers of successful cases. This can be interpreted as 1).there is a high amount of film projects available on websites; 2). film theme projects are more attractive than the other project categories/themes; 3) people are more likely to choose those projects which they could benefit from contribution.

5.3. Project funder perspective

There appears to be a number of reasons for why crowds do what they do. However there is no definitive set of motivators that works for all crowd funding cases. As far as the author explores, the motivation of funders' contribution can be concluded as (1). the appreciation of the creative ideas; (2).the driven force of helping people; (3). the driven force of rewards/products; (4).the driven force of promoting their own project/website; (5). happy to be involved.

It is difficult to tell the significant driven force behind those funders' contributions. Most of the participant interviewees give a multiple answers to the questions. Reward/product is a strong motivator for the crowd to fuel in most of the cases, but it is not a necessary requisite under all the circumstance. It is more appropriated to consider rewards as extra incentives for some funders.

In real cases, the mindsets of funders are always motivated by more than one driven forces. For example, it could be a mixture of the kind-hearted helping people with getting a product or a reward. In this case, there is a big difference between crowd funding campaigns with the charitable donations. For donations, people contribute mostly because they have compassion with the "suffers". While in the case of crowd funding, most of the projects offer a reward either in physical or spiritual. Thus crowd funding is more than just philanthropic giving money out,

but getting reward as contribution according to this interview. However, comparing to the previous crowd sourcing study, there is an obvious difference between the motivation of participation in crowd sourcing application and in crowd funding application, which can be perceived as crowd funding exerts more about helping people than crowd sourcing.

There is no instinct motivation difference between one-time funders and repeated funders. While it could be possible that a few of one-time funders contribute once because it is a specific project which they show great interest that drives them to does a one-time shot. They love the essence of the project instead of the essence of crowd funding.

5.4. Project producer perspective

The motivations of project producers are not merely raising money for their projects as we know, testing products as well as getting supports from the crowd are all taken into producers' consideration. Moreover, some of the project producer consider crowd funding as a product promoting means. Finally, the author finds that for a few project producers, the purpose of launching projects on crowd funding websites are just satisfying their curiosity. Some of project producers have the mentality of giving a try on new stuff.

Additionally, crowd funding is not merely considered as a fund raising alternative for project producers. Crowd funding can be used as a way of promoting products and getting feedbacks from customers. In this case, funders can be seen as lead users of those products. Crowd funding can also be perceived as a pre-ordering "business" in some cases, which presenting great ideas by producers first on the Internet and pre-sale to the crowds who show great interest. After collecting enough money or gaining enough support, the product can be promoted to the market. Comparing to the traditional means of fundraising, crowd funding is a good way of integrating funds collecting, customer targeting, product promoting as a whole to create new things. Crowd funding can also be seen as a series of testing and judgments. It is only those projects that could arise people's interest or benefit the crowds can target its goal

and be perceived as successful projects.

Finally, the time period of fund raising is relevant to the success of a project. The first and last period tend to get more attention, it is important for producers to focus on the middle period of its fund raising.

6. Conclusion

In this chapter, a conclusion will be given for the whole thesis.

With the increasing amounts of projects and steady growth of money raised for the last few years in both websites, as well as definite answers to the future involvement both from funders and producers all indicate that crowd funding may have a bright future in the following years. Crowd funding is not a flash in a pan, but emerging as a new way of fundraising and business.

However, there are some extra constrains may limit the development of crowd funding. The first constrain is the emerging regulations in response to the popularity of crowd funding in different countries (Schwienbacher et al, 2008). For example, the previous application model of buying football club by the crowd. In order to avoid unnecessary debates, My Football Club outlined some specific articles (Murray et al, 2008): 1). One member one vote, which means no matter how much money they donate, each member in the organization only has one vote right. 2). According to the regulation stressed by the SEC, there will be no distributed profit for the crowds. Thus in the application of crowd funding, it is important to states a clear boundary with each project, not to harm the crowds' interest as well as staying away from illegal activities.

Second of all, in some cases, funders may have more expectation than what they contribute. Since the projects arise their curiosity and interest for new things, it can be possible for them to

track to the future development of the project. In some cases, some of the funders may even want to know the every detail of the project. This will result some troubles to project producers. There is another problem for project producers. Although interacting with their backers is a good way to get feedbacks, it is difficult to "take care" every supporter in the community. It seems that the producer have to deal with all the work involve with project development, marketing and interact with customers. It is a real tough work for individuals. It is not the traditional fundraising means, which deal with some important shareholders. It is the enormous crowds that you have to take care.

Finally, in the practical use of crowd funding, the 4 aspects should not be separated, instead, the 4 perspective should work interpedently on each other to facilitate/fuel the application of crowd funding. Although almost every person can be a project producer by themselves in the crowd funding world, if someone thinks they can just post a project and get funding without doing any work to promote it, it's very unlikely to succeed. You need to really connect to your own community and spread the word. In one word, the projects have to worth every penny from the crowd.

6.1. Future research

This study has demonstrated that crowd funding is not a flash in a pan. Whereas crowd funding as a new fundraising mechanism has not came up to a steady business model. It still has controversy in its feasibility from the crowd. Based on this study, the author gives four suggestions for crowd funding studies in the near future. It seems that crowd funding as a new fundraising means has a long way to go.

For website (platform): In this study, the author states that for now the detailed regulation embedded with each platform do not have a strong influence on its popularity. It is the popularity itself of important. In this case, advertising is in particular significant for the

development of a crowd funding platforms. In fact some crowd funding platforms have already got connection with mess media to advertise themselves through the Internet. It would be interesting to investigate in the future how crowd funding platforms propaganda or advertise with those mess media. As well as which kind of media means will be more effective for the propaganda of crowd funding platform.

For projects: The author has mentioned in the limitation part that there is an unanswered question for this study. It is "why film-related projects are more popular than other themes of projects" As a matter of fact; this question is more like a physiological question. But it is crucial to the application of crowd funding.

For project funders: The author has generally given five diversified answers to the motivations of participation. However, each answer has quite different influence to the crowds' participation. This is matter to the orientation of crowd funding in the future. For example, if the kind heart motivator dominates the participants' phycology, then the future crowd funding activities will be more like charity donation instead of business trading. Hence the research of project funders' motivation seems crucial in the future.

For project producers: The author has addresses three suggestions for project producers according to the study. It would be interesting to see that there will be more research on the Interesting points of the crowd. Since how to arise the crowds interest to participate is something matter.

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Interview guides—Funders

Questions for repeated project funders:

1. Could you give some information about you? Like your hobbies.

2. Are you family, friends of the project producers? If not skip to NO. 3 question.

3. Why did you back those projects? What is your motivation for participating with crowd funding campaigns?

4. Which period do you usually contribute? Why did you choose that period?

5. What do you think of your involvement? Is there anything else you want to share with me about this experience?

6. Do you care about rewards? If the project doesn't offer any reward, would you contribute?

7. When you chose a project to back, what is the point of the project that you care most and would influence your contribution?

8. Are you planning to fund any other projects in the future?

Questions for one time funders:

1. Could you give some information about you? Like your hobbies.

2. Are you family, friends of the project producers? If not skip to NO. 3 question.

3. What project did you fund? Why did you fund the project? What is your motivation for participating with crowd funding campaign?

4. Which period did you prefer to contribute? Why did you choose that period?

5. What do you think of your involvement? Is there anything else you want to share with me about this experience?

6. Do you care about rewards? If the project doesn't offer any reward, would you contribute?

7. When you chose a project to back, what is the point of the project that you care most and would influence your contribution?

8. Are you planning to fund any other projects in the future?

Interview guides—Producers

1. How many projects did you launch by means of crowd funding?

2. What kind of project did you launch?

3. Why did you choose crowd funding to raise money? What do you expect from the participation of crowd funding activities besides raising money?

4. Which period do you think is more important to raise funds?

5. Why did you choose this website (Kickstarter and IndieGoGo) to launch project?

6. Do you know the detailed regulation about the website you chose (Kickstarter and IndieGoGo)?

7. Are you going to raise money by means of crowd funding in the future?