


Chapter 1

An Empirical Study on the Determinants of Success of Crowdfunding Projects: Kickstarter

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ABSTRACT

Crowdfunding is a way to finance a project in a short time, but it is not easy to develop a successful project. In this study, the authors investigated success determinants of crowdfunding projects by focusing on different categories and the interaction effect of staff pick and video. The authors used econometric analysis for investigating projects of the crowdfunding platform Kickstarter. They found that the funding goal has a negative influence on the probability of success of the crowdfunding project, but the pledged money has a positive influence on all data and by category. The effect of video for staff pick projects is greater than for non-staff pick projects, in art and comic projects. However, the effect of video for staff pick projects is less than for non-staff pick projects, in craft, fashion, food, games, music, photography, and publishing models. These findings are of high interest for practitioners and researchers in the field and extend the knowledge on crowdfunding platforms in several categories and on interaction effects.

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INTRODUCTION

In recent years, crowdfunding has become a possibility for funding new projects and ventures that have increased on the Internet. Crowdfunding platforms offer an infrastructure that facilitates the founder to publish his/her project, allowing fast diffusion, because it can be available 24 hours a day and reach very high numbers of views. However, developing a project successfully is not easy. According to Nguyen (2019), Kickstarter is the best overall of the eight best crowdfunding sites of 2019. Its Web site was founded in 2009 and to July, 2019, it has 452,256 launched projects, but only 166,592 successfully funded projects, while 282,136 projects were unsuccessfully (Kickstarter, 2019). “Very little is known about the factors driving crowdfunding project success and the associated implications for developing crowdfunding platforms and communities” (Kuppuswamy & Bayus, 2018a, p. 370). Therefore, this chapter addresses the following research question: what influences the success of crowdfunding projects? The chapter aims to analyze the determinants for the success of crowdfunding projects by categories and the interaction effect of staff pick and video. In order to reach these goals, the authors propose an empirical study on the crowdfunding platform Kickstarter, in several categories. It is important to know which determinants support the success of crowdfunding projects, both the platform operators, as well as for project founders and funders or bakers, because they reveal what can attract the most backers and allow to achieve the funding goal. The authors use a holistic understanding of the crowdfunding phenomenon based on a multidisciplinary approach. This paper seeks to contribute to scientific research on crowdfunding, giving determinants of crowdfunding projects including in several categories and the interaction term of staff pick and video. To address the relative lack of knowledge about success factors, we focus on Kickstarter crowdfunding platform in several categories.

This chapter is structured as follows: Subsequent to the introduction, the second section presents the theoretical background and literature review on crowdfunding; the third section describes methods and data analysis; the fourth section provides the results and discussion; finally, the fifth section concludes the chapter and provides a summary of the authors’ main findings, the limitations of this study, and future research directions.

THEORETICAL BACKGROUND AND LITERATURE REVIEW

The research into success covers different terms that have been used to refer to this phenomenon in different disciplines. “Success” is a broad term and therefore conceptualized in different forms. Success is “a matter of opinion and may be related

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