


## Chapter 8

# The Power of Words in Crowdfunding

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### ABSTRACT

*In this chapter, the authors first provide an overview of the crowdfunding phenomenon. Through the literature review of crowdfunding success factors in the four models, the authors then summarize that the current entrepreneurial research focused on success factors has failed to sufficiently examine how the power of words would affect crowdfunding. Therefore, the authors propose that non-verbal and verbal cues are crucial to entrepreneurial financing success. Based on the insufficient research related with those cues, especially the non-verbal ones, the authors open an area of study on non-verbal and verbal cues in the entrepreneurial financing process by conducting and writing this chapter.*

### INTRODUCTION

Crowdfunding has emerged in recent years as an alternative platform to traditional financing sources and it has caught the attention of many researchers (Mollick, 2014). So far, current crowdfunding literature has examined the phenomenon from two aspects. First, it has shown the key factors that may affect crowdfunding investment decisions. They include rewards (Gerber et al. 2012; Lee et al. 2015; Ryu

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& Kim, 2016), financial incentives (Cholakova & Clarysse, 2015), philanthropic and support causes (Amara et al. 2014; Gerber et al. 2012; Pearson et al. 2016), altruism (Gerber et al. 2012; Bretschneider et al. 2014; Steigenberger, 2017), interpersonal relationship (Amara et al. 2014; Vedantam, 2015), involvement (Steigenberger, 2017) in the community (Gerber et al. 2012), social media (Amara et al. 2014), fun (Bretschneider et al. 2014; Ryu & Kim, 2016), enjoyment (Lee et al. 2015; Pearson et al. 2016), curiosity (Bretschneider et al. 2014; Vedantam, 2015), recognition (Ryu & Kim, 2016) or identification with the team (Bretschneider et al. 2014) as well as familiarity (Lee et al. 2015).

Second, crowdfunding research has attempted to understand why certain projects are successful. Research has demonstrated that crowdfunding success is found to be related with number of backers and percent of early target capital pledged (Colombo et al. 2015), intellectual capital (Ahlers et al. 2015), individual social capital (Giudici et al. 2012; Colombo et al. 2015), entrepreneur's social network ties (Zheng et al. 2014), amount of highest bid (Wu et al. 2015), funding goal and project duration (Cordova et al. 2015), intrinsic motivation (Cholakova & Clarysse, 2015), national culture (Zheng et al. 2014), and founder investment and firm size (Eddleston et al. 2015). The authors intend to extend the success research stream by examining the impact of words and expressions (especially non-verbal and verbal communication) on crowdfunding success.

Non-verbal cues, which account for more than 60% of communication in interpersonal interaction, are particularly effective in evoking the perception of social presence in computer-mediated communication (Short et al. 1976). Language and message (Hosman, 2002) is a necessary factor in persuasion, and thus affects crowdfunding success (Allison, et al., 2015; Ciuchta & O'Toole, 2016). Entrepreneurs could potentially increase their crowdfunding performance and effectiveness by emphasizing several factors such as non-verbal or verbal cues, which impact their overall project attractiveness. Therefore, it is very important to conduct a study on the power of words in crowdfunding. In this chapter, the authors will do just that. The chapter is structured like the following. The authors first give an overview of the crowdfunding phenomenon. It is then followed by a literature review of crowdfunding success factors in the four models. Then the effect of verbal and non-verbal cues on crowdfunding is explored and summarized. Lastly, the chapter is concluded by discussions and future research directions.

## **BACKGROUND**

Crowdfunding has seen a tremendous growth over the past decade (Mollick, 2014). According to the crowdfunding industry statistics, the total amount of financial

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