Crowdfunding: Tapping into the Wisdom (and Wealth) of Crowds

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Foreword

This IBIT Report  Crowdfunding: Tapping the Wisdom (and Wealth) of Crowds examines a new application of crowdsourcing focused on the generation of funding for ideas initiated by others. While news articles and reports on crowdfunding have cited the success of numerous campaigns, the majority of efforts have actually failed. But we believe a thorough understanding of the concepts of crowdfunding including the design of campaigns and the management of the required platform can result in significant financial and innovation assistance. Our report discusses these opportunities, benefits, and pitfalls and demonstrates how the crowdfunding marketplace has the potential to be an innovation hub and improve upon open innovation practices. The report also provides suggestions on how businesses can leverage crowdfunding concepts, how to conduct a crowdfunding campaign, and how to influence contributor behavior.

Bruce Fadem
Editor-in-Chief
January 28, 2013
Introduction

Crowdsourcing is now a well-established concept – there are many examples of companies that have drawn on the insights, experience, expertise, creativity, opinions and knowledge of the crowd. Dell’s IdeaStorm allows customers to suggest and vote on ideas for product improvements; Threadless’ design contests encourage customers to submit new t-shirt ideas for a chance at prize money; and Wikipedia’s massive network of editors populates and curates an extensive encyclopedic repository, contributing and maintaining thousands of articles on a daily basis. As these types of examples have grown more prevalent, it has become easier for academics to conduct research on crowdsourcing. Thus, in the last decade, scholars have expended much time and effort to develop a better understanding of collective processes; how they should be organized and what sorts of tasks they are best geared toward performing.

More recently, however, an interesting new application of crowdsourcing has emerged, termed ‘crowdfunding’. This phenomenon, which has received very little academic attention to date, is a particularly novel form of crowdsourcing. This is because the crowd is not asked to contribute its creativity or effort. Instead, it is asked to open its wallet, to support the ideas and projects of others. In a sense, the crowd is being invited to put its money where its mouth is, and it has responded on a massive scale.

A recent industry report indicates that crowdfunding drove nearly $1.5 billion in contributions in 2011, and that this number is expected to double in 2012. Major media outlets like the New York Times and the Wall Street Journal have reported on the enormous, seemingly unpredictable success of numerous crowd-funding campaigns. Journalists have covered everything from entrepreneurial efforts like the Pebble Watch1, which raised more than $1 million in a little more than a day and ultimately drew over $10 million, to charitable campaigns like the one for bullied bus monitor, Karen Klein, which garnered more than $700,0002. Yet, these success stories are by no means the norm. Recent academic work has shown that the bulk of crowdfunding campaigns fail, often miserably (Mollick 2012). It therefore seems that no one truly has a handle on how these things work.

Crowdfunding, as an industry, has progressed so rapidly and in so many directions that many business owners remain in the dark about its most basic aspects. As practice and policy continue to move forward, an understanding of what crowdfunding is, how to conduct a successful campaign, and how to design or manage a crowdfunding platform, is of paramount importance. Luckily, a number of recent studies, including our own, have begun to shed light on these very questions. Here, we summarize the most important findings.

2 http://www.indiegogo.com/lovehorkarenklein
What is Crowdfunding?

Crowdfunding is defined as a collective effort by consumers who network and pool their money together, usually via the Internet, in order to invest in and support efforts initiated by other people or organizations. In crowd-funded marketplaces, any individual can propose a project, and anyone else can then provide funds to support it. Once an individual decides to provide support, how much or how little to give is completely at his or her discretion. Depending on the type of crowdfunding platform, a contributor will have different expectations about what they will receive in return. This is the key difference between the four different types of crowdfunding platforms (Figure 1), which we refer to here as i) donation-based, ii) lending-based, iii) reward-based and iv) equity-based (Burtch et al. 2013).

The concept behind donation- and lending-based crowdfunding models is relatively self-explanatory. A crowdfunder proffers funds to an entrepreneur with no expectation of anything in return, or with the expectation of repayment at some later date, respectively. Well-known examples include Kiva.org, founded in 2005, and Prosper.com, founded in 2006. While you may question the usefulness of donation-based platforms for business ventures, think again. Donation-based crowdfunding has seen great success with campaigns or projects that people can identify with or benefit from (e.g., causes or public goods). It can therefore be a great way to engage in projects intended to further corporate social responsibility, goal or purpose of what an organization is trying to achieve, this form of crowdfunding can be extremely successful.

The reward-based model presents an interesting twist, as crowdfunders provide funds in exchange for small “perks”. These perks are typically valued in accordance with the size of the contribution though they vary in form quite a bit. A project organizer might offer units of a proposed product in presale, they might offer swag, or they might offer exclusive participation in focus groups. In essence, the structure of the rewards offered is entirely at the mercy of the campaigner’s creativity. These reward-based platforms have only come to the fore in the last couple of years, but they have seen massive growth and success. Kickstarter is the poster child for this style of crowdfunding, have facilitated more than $100 million in project contributions in 2011, and another $300 million expected to arrive in 2012.3

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3 http://venturebeat.com/2012/04/20/kickstarter-funding-growing-explodes-crowdfunding/
Opportunities, Benefits and Pitfalls of Crowdfunding

The crowdfunding model offers an array of opportunities to entrepreneurs, charitable organizations and even big business. While the number one advantage of crowdfunding is clearly that it provides a relatively low-cost approach to raising capital (the primary reason crowdfunding has gained so much attention from legislators of late), it has the potential to offer so much more. In this section, we summarize some of those opportunities, beginning first with some of the untapped opportunities for larger organizations and enterprises, and subsequently discussing the benefits and pitfalls for crowdfunding for campaign organizers more generally.

Open Innovation: Scanning & Monetized Idea-Evaluation

The crowdfunding model presents a number of opportunities for large enterprises and organizations. It is important to remember that crowdfunded marketplaces effectively act as an innovation hub; these markets are generally inundated with pitches for innovative ideas, typically issued by a diverse group of individuals (or small businesses). The success of these pitches is a good indicator of an idea’s market-ability, not just to the campaign organizer, but also to others. With that in mind, it would be prudent for larger, incumbent organizations to monitor relevant crowdfunding marketplaces to stay abreast of new developments in a given industry. Many industry-specific crowdfunding platforms are already beginning to emerge. Some examples of industry-specific crowdfunding platforms in operation today include: Mosaic, which focuses on solar-energy projects (solarmosaic.com), Sellaband, which focuses on musical artists (sellaband.com), Spot, which focuses on journalism (spot.us), Mobcaster, which focuses on television programming (mobcaster.com), Property Peers, which focuses on Real Estate (propertypeers.com) and Apps Funder, which focuses on mobile software development (appsfunder.com) – and the list goes on.

Crowdfunding also offers an opportunity for the improvement of open innovation practices. At present, the most successful examples of crowdsourced
ideation marketplaces (e.g., Dell Idea Storm\(^5\) or My Starbucks Idea\(^6\)) rely on the crowd to propose ideas (see Figure 2, above, for a depiction of My Starbucks Idea). Importantly, however, those ideas are also then subjected to crowd-based evaluation, via a voting mechanism, to establish demand or popularity. A vote, however, does not entail any potential loss for the evaluator. As such, rigorous consideration of the idea by the voter is not a given, as they have less reason to be concerned over an idea’s true value or feasibility.

The concepts underlying crowdfunding lend themselves to improving upon this model. Rather than simply voting on ideas, crowdfunders could be asked to pledge dollar support behind an idea or innovation they truly value and would like to see implemented. This might be an idea for improving a product or service, supported by existing customers, for example. Alternatively, one can imagine a scenario in which people support the creation of new contests (e.g., TopCoder) with personal funds. The prize amounts awarded for successful implementation of the innovation might then grow in relation to the market’s desire for that innovation. This application of monetary incentives can facilitate the identification and resolution of the most important customer requests. In fact, in 2010, Innocentive.com, one of the world’s largest innovation contest markets, implemented this very model to identify important world issues and to fund innovation contests targeted at resolving them. This concept was implemented in partnership with Global Giving\(^7\).

**Benefits & Pitfalls of Crowdfunding Campaigns**

From the campaigner’s perspective, crowdfunding allows one to simultaneously tap into the crowd’s “wisdom” and to garner significant word of mouth for a new venture or project idea. In short, crowdfunding can help to drive sales early on, while simultaneously helping to reduce the costs of new

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\(^6\) [http://mystarbucksidea.force.com/apex/ideaList](http://mystarbucksidea.force.com/apex/ideaList)

\(^7\) [https://www.innocentive.com/ar/landing/global-giveback.gsp](https://www.innocentive.com/ar/landing/global-giveback.gsp)
product development by getting customers involved very early on, potentially eliminating costs associated with rework.

Crowdfunding platforms essentially provide projects and ideas with early exposure to the marketplace. By engaging directly with customers, end-users or stakeholders who can advocate on the campaigners behalf, a fundraising campaign that is executed well can lead to huge volumes of buzz. Crowdfunding platforms can also put businesses in direct contact with potential customers, to tap into their feedback and input early on in the development lifecycle. Campaigners can establish a rapport with customers at very little cost, to refine plans or designs, to expand upon them, to assess concept feasibility and to estimate potential value. Thus, entrepreneurs, for example, can perform an early evaluation of their idea and change course as necessary, well before designs have been finalized or large sums of cash have been sunk into the venture. Figure 3 provides a graphical representation of the typical product development lifecycle, and the associated increases in investment/cost over its course. This figure helps highlight the distinction between crowdfunding and traditional investment. In short, the investors get involved much earlier and they can act as a sounding board to iron out some of the major kinks early on.

Early customer interaction also need not be just about drawing on the “wisdom of the crowd” to refine one’s idea. In the case of reward-based platforms, the crowdfunding process can also be leveraged for the purposes of presale, allowing businesses to develop a solid pipeline of purchases before actually entering into production. A perfect example of this was the Pebble Watch project on Kickstarter, noted earlier. This established pipeline of sales could then feasibly be leveraged as evidence of market potential, making it easier to convince larger investors to sign on to the project.

Of course, there is always a flip side to the coin – crowdfunding, if poorly executed, can be the entrepreneur’s bane. Word of mouth and customer feedback can easily become detrimental to new ventures should they spiral out of control. This is particularly likely to happen if the expectations of crowdfunders are not met. This can become a problem if projects are pitched too early, before they are fully formed and well thought out, as campaigners may advertise unrealistic outcomes or poorly considered deliverables. Mistakes such as these can easily halt a campaign in its tracks. Similarly, if delivery timelines are not met, if the quality of the deliverable is lacking, if supporters are not kept abreast of the project’s progress or if the proposer fails to heed or respond to the crowd’s suggestions, crowdfunders can quickly turn.

It is also important to bear in mind that the crowd’s responses are not always reflective of the broader marketplace. It is a well-known fact that the crowd is not always wise and that it is often fickle. The crowd’s occasional “stupidity” results from various systematic errors in judgment and decision-making that can arise within group decision-making processes. Psychologists and behavioral economists have been researching and reporting on these effects for years; concepts like pluralistic ignorance, false consensus, decision heuristics and biases in judgment can all lead to poor decision-making outcomes\(^8\). As a result, the crowd’s input may not always be reliable or representative, and thus extremely good or poor outcomes in the crowdfunding process should probably be looked upon with a healthy dose of skepticism. If the crowd’s initial support for a project is not the result of well-considered or well-informed deliberation, a campaigner may receive a false indication that the market potential is much larger than is truly the case, the crowd may easily become dissatisfied.

with project outcomes, and downstream decisions the campaigner makes based upon these outcomes may be suboptimal.

Supporting this notion, some recent studies have noted the crowd’s tendency to occasionally herd around certain “popular” projects in settings where there is the expectation of monetary return (Burtch 2011; Zhang and Liu 2012); namely lending- and equity-based platforms. However, importantly, we have found just the opposite in donation-based platforms (Burtch et al. 2012b). There, we have observed crowding out effects, where contributors shy away from campaigns that have already received sizeable sums. This effect serves to counteract any herding behavior that might take place, thus any extreme results that might occur in such markets are more likely to be legitimate.

The potential for poor decision-making by the crowd will be greater in some marketplaces than others, depending on how the process is designed and managed. Scholars in the field of collective intelligence have noted a number of factors that can skew or impede the outcomes of crowd decision-making, including social influence (Lorenz et al. 2011), a lack of diversity and a lack of uniformity in contribution (Woolley et al. 2010). In short, the success of a campaign is more likely to be sustainable when contributors’ decisions have been arrived at independently, when the pool of contributors is diverse, and when the crowd is uniformly supportive of the idea. Thus, it is important to do your homework before selecting a crowdfunding venue (good platform design can go a long way to addressing these factors), and it is important to consider who has supported your campaign and why, before making any inferences. In fact, some larger campaigners may even wish to implement their own platform if undertaking a big crowdfunding effort.

Intellectual property issues are also important to consider. If entrepreneurial projects are proposed too early, there is the potential that others will capitalize on the proposed ideas. Though certain measures do exist to prevent this from taking place (e.g., patent, trademark, copyright), they are not without cost. Further, the long-term goals of the project also need to be kept in mind when deciding whether to engage in crowdfunding. The involvement of numerous crowdfundingers may impede the acquisition of larger, later stage financing, from angel investors or venture capitalists, who may prefer to simply avoid potential headaches from dealing with tens, hundreds or thousands of other stakeholders. This last notion should make clear that a fair amount of due diligence should be undertaken before engaging in crowdfunding.

Table 1, above, summarizes these important pros and cons of the crowdfunding model, which we discuss in more detail below. Of course, once the decision has been made to enter the fray, the due diligence does not end there. A number of other details need to be considered, in terms of strategizing and planning for the crowdfunding campaign.

### Structuring a Successful Campaign

Beyond the aforementioned variation in the types of crowdsourced marketplaces, there are also stark differences in operating policies. Most crowdfunding platforms earn their profits by charging project fees, typically between 3% and 9% of the amount raised. Some purveyors, such as Kickstarter, require that the funding target be met before a fee is charged and any funds are paid out, while others, such as IndieGoGo,
do not. This funding threshold is one of a number of campaign characteristics that a project proposer is required to specify when submitting their project to the crowdfunding platform. Other examples of adjustable campaign characteristics include the campaign duration, description (e.g., the objective, timelines) and rewards offered to contributors. These configurable aspects of the fundraising campaign are exceedingly important. Our work has identified a number of significant relationships between these aspects and the success of a crowdfunding campaign.

Excessive fundraising durations have been found to have a detrimental impact on the likelihood of a fundraising goal being met, as these preclude urgency or excitement. Yet, at the same time, longer funding durations can also lead to greater attention and awareness in the marketplace, and thus greater consumption of the project output in turn. It therefore seems that a careful balance needs to be struck in this regard and that balance will likely depend on the type of venture being considered. For a big-name brand with an established customer following, hype and attention may be the primary goal of the campaign, whereas a small startup may be primarily concerned with obtaining the funds necessary to remain afloat.

Lofty fundraising goals can also have a negative influence on fundraising success because crowd-funders may perceive excessive goals to be unreachable or unrealistic. As many crowdfunding platforms do not necessitate that the funding process cease when a target is met, setting a lower funding target can be a good strategy, as this does not imply that lower levels of contribution will ultimately be obtained. That being said, “urgency” can again play a role here. When the target threshold is surpassed, contributions may fade, as crowd-funders may perceive that the funding gap has been filled. As such, a reasonable strategy to combat this problem might also be to stress in the pitch that the campaign will address only a portion of the overall project budget.

In terms of positive influences, it should come as no surprise that social engagement is key. Positive relationships have been found between social network size and crowdfunding campaign success, broadly supporting the notion that both social media (as an advertising medium) and social capital are important. This is likely the case for two reasons. First, by tapping into social capital, a project proposer can help build steam in the funding process, drawing attention to the project and creating buzz. Second, a broader social network can also add credibility and legitimacy to the fundraiser.

Further, as we had alluded to earlier, it does not pay to take a campaign to the crowd too early. Beyond issues of intellectual property, it is also quite likely that the crowd will shy away from projects that do not appear polished or ready for prime time. However, project proposers can do a number of things to convey such signals of quality: strive to craft a detailed, thoughtful pitch, offer a reasonable array of perks or rewards, and set out a clear timeline and budget specifying how the money will be used (Mollick 2012). These important factors and their effects, discussed above, are summarized in Table 2.

<table>
<thead>
<tr>
<th>Crowdfunding Factor</th>
<th>Influence on Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Longer Description</td>
<td>+</td>
</tr>
<tr>
<td>Detailed Description</td>
<td>+</td>
</tr>
<tr>
<td>Media (e.g., Photo, Video)</td>
<td>+</td>
</tr>
<tr>
<td>Keep Contributors Informed</td>
<td>+</td>
</tr>
<tr>
<td>Leverage Social Media</td>
<td>+</td>
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<tr>
<td>Lofty or Unrealistic Targets</td>
<td>–</td>
</tr>
<tr>
<td>Lengthy Funding Durations</td>
<td>–</td>
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</table>

**TABLE 2.**

The Dos and Don'ts of Campaign Success
Design and Management of a Crowdfunded Platform

The first important step in pursuing a crowdfunding campaign is the choice of platform. Each of the crowdfunding models is more or less amenable to a given type of project. A recent industry report suggests that crowdfunding platforms that most closely resemble financial markets (e.g., equity- and lending-based platforms) are particularly amenable to crowdfunding for information goods (e.g., games, software, books, music) and these approaches also appear to draw the largest amounts of funding per project. In contrast, donation- and reward-based crowdfunding appear to be best suited to public good initiatives and pursuits that appeal to individuals’ social identity or ideologies, such as charities, causes, environmental conservation or community projects.

In donation-based platforms, we have found that crowdfunders’ contribution behavior parallels that observed in charitable contexts.

Of course, it is also feasible for a larger organization that has access to ample resources to host their own crowdfunding platform for a targeted purpose. Doing so would allow greater flexibility in terms of managing all aspects of the process, though of course this would make it impossible to benefit from the existing user base of a well established platform.

There are a number of insights we have gleaned from our research that can inform the design of a crowdfunding platform. Our work has explored numerous important factors, including social influence, culture and geography.

In donation-based platforms, we have found that crowdfunders’ contribution behavior parallels that observed in charitable contexts (Burtch et al. 2012b). We have found that earlier contributions generally offset later contributions. This is because crowdfunders believe that their donations are less valuable to the campaign, when they see that much of the gap has already been filled. The question then, is what sorts of steps can you take to overcome this problem? Our research suggests a number of opportunities in this regard.

First, one approach that has been found to be effective in offsetting this “crowding out” effect in charitable settings is the subsidization of individual contributions (i.e., matching). Strategically doing this can increase the perceived value of individuals’ contributions to the public good. This can therefore increase the likelihood of individuals’ contributing, as well as the amount they contribute. Of course, this approach is only effective insofar as contributors are aware that subsidization or matching is taking place, thus this strategy needs to be communicated quite clearly to potential contributors.

Second, it seems that crowding out is more likely to emerge when crowdfunders are anonymous (and, related to this, when they are unable to determine the identity of other contributors). This is because concern for social norms can decline in such scenarios, since a given contributor cannot be observed and because it is difficult for a potential contributor to compare their own relationship with the campaigner to that of other contributors (i.e., is that other donation really comparable to mine, given my relationship with the campaigner?). Making contributors more identifiable is therefore a good place to start. Related to this, it is important to remember that recognition and reputational gains can also offer benefits or value to contributors. If contributors know that they will receive recognition for their assistance, they may therefore be more likely to increase the size of their contributions. Campaigners should therefore make an effort to give recognition to large donors. At the same time, marketplace purveyors can consider incorporating greater levels of detail into crowdfunder profiles, as well as indications of past campaign contributions.

Third, contributors may latch on to an easily accessible point of reference when deciding how much money to provide (this is a notion similar to anchoring in willingness to pay). If a potential contributor

can identify a benchmark by looking at the prior contributions of others, they are likely to try and achieve a similar threshold. A useful “anchor” in this regard would be the maximum donation to date. Observing this value may spur contributors to surpass it, for the sake of recognition, or, at the least, this baseline should result in larger donation levels than other, alternative reference points (e.g., average donation to date). GiveForward.com provides an excellent example of this mechanism (Figure 4).

In addition to social influence, it is important to note that a positive association between contribution and geographic distance from the project location has also been found, within multiple types of crowdfunding markets. There are a number of reasons that this might occur. Many crowdfunding campaigns are locale-specific, such as those that have a geographic focus (e.g., a theateric play, an urban development project) or that are tied in some way to the availability of complementary goods, services or physical infrastructure (e.g., electric vehicle charging stations, product maintenance centers). If a campaign will be primarily focused upon a particular location, it is likely that crowdfunders located in that area will be significantly more likely to offer funds.

Of course, other recent work has noted that friends and family often comprise the bulk of contributions for crowdfunding ventures, and such contributors also tend to be colocated (Agarwal et al. 2011). It is therefore important to keep in mind that other, unobserved associations can sometimes drive these geographic contribution trends. Regardless, an implication of these findings is that campaigners would do well to focus on nearby crowdfunders and, similarly, marketplace purveyors would do well to facilitate interaction between crowdfunders and those campaigners that are nearby. This fact is obviously not lost on some of the larger crowdfunding marketplaces, as Kickstarter and IndieGoGo already engage in this practice, providing a site visitor with easy access to campaigns or projects in his or her vicinity. Figure 5, below, depicts the IndieGoGo interface, where potential contributors are afforded a number of search mechanisms, including one based on location (i.e., city).

In addition to these geographic effects, our ongoing work has also surfaced evidence of a negative effect from cultural differences, between contributors and campaign organizers (Burtch et al. 2012a). This is particularly relevant in scenarios where contributions are being solicited on a global scale, as some popular platforms allow, given that stark cultural contrasts can arise between participants. While these factors may not be immediately visible to a contributor via a campaign description page on a crowdfunding platform, our work suggests that crowdfunders

Figure 4: Top Contributors

Figure 5: Filtering by Geography
may still attempt to infer them based on the location or profile of the campaigner.

There is also a fair amount of anecdotal evidence that suggests contributors in globalized crowdfunding markets do, in fact, focus upon cultural differences. Recent work suggests that three of the major reasons that micro-lenders choose to support a borrower are: i) religion, ii) empathy and iii) “group-specific” altruism (Liu et al. 2012). Further, when it comes to Kiva, there are a number of third party tools that have surfaced that allow lenders to filter borrowers based on various characteristics, including things like country of residence and gender (e.g., kivaalerts.com, kivalens.org). Thus, crowdfunders appear to prefer supporting campaigns by similar others; those with whom they can best relate. Bearing these things in mind, we would suggest that campaigners should focus on raising funds amongst communities that are most similar to their own, or those that have stronger ties to their own. Similarly, when an individual visits the platform website, purveyors might highlight those campaigns that have been organized by “similar” others by matching visitors with campaign organizers along observable demographics.

Lastly, a fairly lengthy stream of research in offline settings has suggested that cultural differences can impact economic behavior because they impede trust formation. Based on this, we also suggest that purveyors (or campaigners) should consider the incorporation of institutional trust mechanisms, to support the funding process, as these sorts of tools can help to set the contributor’s mind at ease. Examples of such tools include third party payment systems, like PayPal, and escrow services. Alternatively, campaigners might seek to establish their legitimacy in other ways, by offering evidence of past successes, or by gaining third party endorsements, such as those at Kiva Zip (http://zip.kiva.org). Each of the above strategies is summarized in Table 3, along with the associated objective.

Table 3. Platform Strategies to Facilitate Contribution

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Objective</th>
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<tbody>
<tr>
<td>Subsidies</td>
<td>Strategically Subsidizing Contributions Through Matching Can Increase the Value of Contributions to Campaigners, Boosting Altruistic Utility</td>
</tr>
<tr>
<td>Recognition</td>
<td>Recognizing Top Donors Can Increase Individuals’ Utility from Contribution</td>
</tr>
<tr>
<td>Social Information</td>
<td>Provide a Reference Point About the Relationships of Other Contributors to the Campaigner</td>
</tr>
<tr>
<td>Anchoring</td>
<td>Provide an Anchor Point for “Norms” About Contribution Amounts</td>
</tr>
<tr>
<td>Institutional Trust Mechanisms</td>
<td>Third Party Guarantees can Help to Establish Trust in the Presence of Cultural Differences</td>
</tr>
<tr>
<td>Focus on Similar Connections</td>
<td>Maximize Contribution by Focusing on Similar Others</td>
</tr>
<tr>
<td>Focus on Nearby Connections</td>
<td>Maximize Contribution by Focusing on Nearby Others</td>
</tr>
</tbody>
</table>
Summary

In this essay, we have provided an overview of a novel form of crowdsourcing, termed ‘crowdfunding’, in which the crowd is engaged not for the purposes of effort or ideation; instead, the crowd is asked to provide funds. The crowdfunding model is largely supported by dedicated platforms, in which an entrepreneur or organization can pitch ideas, projects or ventures to the crowd. We highlight that such pitches can draw a number of different inputs, beyond dollars. Most notably, crowdfunding offers the opportunity for early exposure to a target market, whether to generate word of mouth or to obtain feedback to refine the idea. However, we have also attempted to highlight that crowdfunding is not without its pitfalls. Ideas taken to market too early may be poorly received and they may be vulnerable to replication or copying. Given these contrasting considerations, the potentials and pitfalls of crowdfunding must be carefully weighed before a decision is made to make use of it.

In addition, we have also offered a number of useful insights for how big business can leverage the concepts that undergird the crowdfunding model (i.e., scanning and monetization of ideation platforms). Further, we have offered some practical considerations around the conduct of a crowdfunding campaign, and we have discussed a number of known influences upon crowdfunder contribution behavior. With respect to each, we have supplied recommended actions that campaigners and platform purveyors can accordingly take.
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**Gordon Burtch** is a Ph.D. candidate in Management Information Systems and a University Fellow at the Fox School of Business, Temple University. His research focuses on the drivers and economic implications of individual behavior in electronic markets and online communities. His work has been supported by funding from a variety of sources, including the Department of Education’s CIBER initiative and partnerships with numerous startups in the crowdfunding industry. He has previously held positions as a technology consultant, hardware design engineer and information systems auditor. He holds a Bachelor of Engineering and an MBA from McMaster University.

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Sunil Wattal is an Assistant Professor of Management Information Systems and Director of the Center for Business Intelligence Research and Programs at the Fox School of Business, Temple University. His research interests include human capital in technology industries, and personalization and privacy in online marketing. His recent work focuses on social media in varied contexts such as politics, crowdfunding and intra-organizational social networks. His work has been published in top academic journals including MIS Quarterly, Information Systems Research, the Journal of Management information Systems and IEEE Transactions on Software Engineering. His work has received or been nominated for several best paper awards, and he also received the Meritorious Reviewer Award from Management Science. He is currently on the Editorial Review Board for IEEE Transactions on Engineering Management, and has served as a Special Associate Editor for MIS Quarterly and an Associate Editor for the International Conference on Information Systems (ICIS). His research has been supported by grants from organizations such as Club Informatique des Grandes Entreprises Françaises and Centers for International Business Education and Research, as well as through partnerships with companies such as Lockheed Martin, Glaxo SmithKline and IndieGogo. He holds a Bachelor’s in Engineering from Birla Institute of Technology and Science Pilani (India), an MBA from the Indian Institute of Management Calcutta (India), an MS (Industrial Administration) and PhD from the Tepper School of Business, Carnegie Mellon University.

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