Success in the Management of Crowdfunding Projects in the Creative Industries

Purpose - Crowdfunding has become a significant way of funding independent film. However undertaking a campaign can be time consuming and risky. This paper aims to understand the predictors likely to produce a film campaign that meets its funding goal.

Design/Methodology/Approach - This study analyses 100 creative crowdfunding campaigns within the film and video category on crowdfunding website Kickstarter. Campaigns were analysed in relation to a number of variables, followed by a discriminant analysis to highlight the main predictors of crowdfunding success.

Findings - This study finds key predictors of crowdfunding success and investigates differences between successful and failed crowdunding campaigns. The attributes of these predictors lead us to question the long-term ability of crowdfunding to aid companies poorer in terms of time, financial and personnel resources, and therefore arguably in the greatest need of crowdfunding platforms.

Practical Implications - The findings provide insight to practitioners considering the crowdfunding approach and offers knowledge and recommendations so as to avoid what can be naïve and costly mistakes. The findings highlight that crowdfunding should not be considered lightly and can be a considerable investment of resources to be successful.

Originality/Value - The analysis of crowdfunding campaigns provides details on the significant predictors of crowdfunding success particularly relevant to creative campaigns. The findings provide a critique of previous claims about the benefit of crowdfunding for creative SMEs.

Keywords: Crowdfunding, Creative industries, SME growth, Crowdsourcing, Community, Engagement

Introduction

Small to medium sized enterprises (SMEs) within the creative industries have a critical role to play in UK economic growth. In the UK 84% of creative companies employ fewer than 10 people, yet the industry as a whole accounts for 1.5 million jobs and 10.6% of the UK's export earnings, making it the third highest contributing industry (Skillset, 2012). Despite their economic importance, such SMEs struggle to access resources (Tucker and Lean 2003; Hussain *et al.*, 2006; Boyles, 2011), making it difficult for them to bring original content to market (

De Buysere *et al.,* 2012; Kenny and Broughton, 2012), and forcing them to focus on immediate commercial imperatives rather than creativity (Powell and Ennis, 2007). These structural problems have been worsened by the 2008 financial crisis that led to more conservative attitudes from banks regarding SMEs (De Buysere *et al.,* 2012). One result is that the 'crowd' has become regarded as a valuable source of surplus energy (Howe, 2008; Brabham, 2008) and in the form of 'crowdfunding' a potential new source of finance (Belleflamme *et al*., 2012; De Buysere *et al.*, 2012).

Aims

This paper considers what makes crowdfunding successful, focusing on film campaigns as representative of the creative industries, and a dominant category on crowdfunding platforms. Crowdfunding is now a significant way of funding independent film, with 10 percent of 2012's Sundance selection comprising of Kickstarter backed projects (Kickstarter, 2012a). However, with 60% of film campaigns failing (Kickstarter, 2013), we also aim to understand how small and medium sized production companies might achieve success with this approach.

Our aim is to explore the predictors that lead to a successful campaign and to investigate differences between successful and failed campaigns, but in doing so we end up questioning the long-term ability of crowdfunding platforms to aid those poorer in terms of time, financial, and personal resources, and therefore arguably in the greatest need of these platforms. Our analysis leads to a paradox: the companies that might gain most from such funding, may be the least likely in the long term to benefit from it.

We firstly review the literature on crowdfunding and include a discussion on virtual communities, as crowdfunding is a practice related to 'monetising' online networks. Next we describe our data collection and analysis. Data is then presented to cover the key predictors of success identified. We conclude by presenting implications, both practical and theoretical as well as limitations and possibilities for future research.

Understanding Crowdfunding

Jeff Howe (2009) coined the term "Crowdsourcing" to describe the phenomenon of utilising the crowds' surplus energy. The term defines the practice of initiating an open call (usually online) to an undefined network of people, for the provision of needed services, ideas or content. The basic premise is that the small input of many is better than the large contribution of a few (Howe, 2009). Following crowdsourcing we have witnessed the rise of crowdfunding, which utilises similar characteristics to collect small financial contributions, thus tapping the crowd's surplus finances rather than energy (Howe, 2009).

Crowdfunding is in many ways not new. It can be seen as early as the 1700s in the concept of microfinancing, such as the Irish Loan Fund that provided credit to the country's poor (Hollis and Sweetman, 2011). Politicians and charities also have a long history of soliciting small financial donations in ways that mirror crowdfunding. Internet based crowdfunding however, is relatively new. One of the first examples occurred in 1997 when fans of British rock group Marillion raised $60,000 to finance a U.S. tour. Since then we have seen a wealth of start-ups, products, and original creative content come to market via crowdfunding. There are now over 450 online crowdfunding platforms (Massolution, 2012) taking contributions in different forms, including equity purchase, loans, donations or pre-orders (Belleflamme *et al.,* 2012). We therefore have a system in flux, where little is known about how best to make it work and for which types of projects, and that might be confusing and/or intimidating for the unfamiliar. SMEs in particular risk wasting their limited resources on approaches that may not work for them.

The most recognised crowdfunding model, and our concern here, is the reward-based model (Belleflamme *et al.,* 2012; Massolution, 2012), used by prominent platforms like Kickstarter. This enables campaigners to present their idea in the form of an online pitch, accompanied by tiered rewards in exchange for contributions. Campaigners then have a set period of time (usually 4-8 weeks) to meet their target financial goal. The popularity of such platforms has been accelerated by a number of standout successes, such as OUYA, an Android powered game console that raised $8,596,474 in a month from 63,416 backers (Kickstarter, 2012b).

Kickstarter claim that nearly half their hosted campaigns successfully meet their goal (Kickstarter, 2013), promoting the approach as low risk and highly attractive compared to other types of financing. However, for Kickstarter "serious" campaigns that raises $10,266,845 [1] bears the same weight as "joke" campaigns that raises $16 [2]. Further, Mollick (2012) also found that few projects deliver on time, and even OUYA faced backlash from backers after failing to deliver all consoles as promised (MacManus, 2013). Despite these caveats, our interest is in how to manage campaigns to meet financial goals.

Although the figures presented by Kickstarter suggest an attractive, almost 50:50 chance of success this likely masks very different odds for different types of project. In a previous study of *Kickstarter* Mollick (2012) uses data from nearly 47,000 projects of all types to identify determinants of success, with project quality and size of networks shown as key factors. However, these may seem of limited value to potential campaigners who might already assume that a good project and lots of "fans" would be beneficial, yet lack knowledge of the complexities of what might work for their specific campaign. So whilst our study also proposes an analysis of Kickstarter data, we aim to review campaigns in more detail. Mollick's (2012) study for example, uses the mere presence of video in a campaign pitch to determine higher quality. However, this disregards the quality of the video and ignores other possible quality signals. We also specifically focus on filmmaking campaigns, recognising that by narrowing the focus, characteristics unique to each category may be identified.

Crowdfunding and network management

In comparison to other sources of funding, crowdfunding is said to generate small amounts of capital and as such contributions tend to stem from a campaigners family and friends (Mollick, 2012), or what is known as the First Degree Network (RocketHub, 2011). Recently however we have seen campaigners targeting larger amounts of capital, requiring campaigners to utilise wider networks, defined as the Second (friends of friends) and Third (strangers) Degree Networks (RocketHub, 2011). This combination of networks is akin to the balanced composition of strong and weak ties in a start-up's social capital that is argued to aid its innovation and performance (Pirolo and Presutti, 2010) and so represents a key factor in gaining financial support. The transition through networks is also similar to how financing (Hussain *et al.,* 2006) and advice (Peltier and Naidu, 2012) are obtained through an SME lifecycle. In early stages SMEs rely heavily more on immediate networks (friends and family) before transitioning to external sources as the firm ages. Thus we may argue that newer companies are likely to find accessing the wider networks more difficult.

Transition through networks in crowdfunding is identified by Ordanini *et al.* (2011) and modelled as a three-stage process. Phase one is described as "*friend funding"* where there is an initial quick flow of investment from those directly connected to the campaign. Friend funding therefore stems predominately from first-degree networks, where the trust of personal connections accelerates initial funding. The second phase is described as *"getting the crowd"* and is argued to be the most challenging phase, where the responsibility is on the campaigner to move visibility beyond the First Degree Network, or risk stagnation. For campaigns that are able to maintain momentum a third funding phase begins, described as the *"Race to be in"*. This occurs when individuals with no original connection to the campaign see the project is close to reaching its goal and are motivated by a fear of missing out.

Kuppuswamy and Bayus (2013) find a similar funding pattern in their study, arguing that crowdfunding campaigns suffer from a bystander effect, where a drop in support follows initial excitement as backers assume others will provide the support. Bystander effect, they argue, is somewhat counteracted by a deadline effect as a campaign nears its the end, but they still advocate that campaigners must work to overcome stagnation in the middle phase. An implication here is the need to manage this temporal process throughout the campaign.

Existing crowdfunding literature therefore focuses on and argues for the importance of social networks and their management (Mollick 2012; Hui *et al.*, 2013), which is also echoed by findings in the entrepreneurial literature (Molina-Morales and Martinez-Fernadez, 2010; Durkin and McGowan 2013; Sigmund *et al.*, 2013). Thus, in crowdfunding the engagement of a 'community' is seen as vital, although details about the form of engagement remain unelaborated. For SMEs however engagement can prove difficult due to resource poverty, which means their execution of, and ability to manage social networks is haphazard and informal (Gilmore *et al*., 2001; Franco *et al*., 2014), and lacks purpose (Durkin and McGowan, 2013). This may then lead to their ability to reach sufficient networks being reduced.

Existing literature on community marketing is consistent with that of crowdfunding here, suggesting that by allowing consumers to connect with others, producers can develop trust and loyalty (Aurora 2009), particularly when the community maintains shared interests and passions (Cova and Cova 2002; Keller and Lehmann 2009). The loyalty this drives is then argued to enable producers to command a premium price (Ancarani 2002; Verhoef *et al.* 2009).

However, the relationships that form successful communities are ones that are built over time, rather than through one off encounters (Bowden 2008; Gambetti *et al.* 2012). Multiple encounters with a producer builds trust and knowledge required to determine value in a goal object (Bowden 2008).

Therefore, we can see a need for pre-existing audience engagement in order for a crowdfunding campaign to successfully motivate a willingness to pay. Again, this may lead to those with greater resources and an already established audience being better positioned to gain from crowdfunding.

However, Kozinets (1999) further notes that consumers may not be loyal to a particular community or producer, but to a form of consumption itself. For example a consumer may have a series of 'casual' relationships with a different film producers, which combine to form a larger relationship with independent film consumption. These smaller relationships then enable them to identify and communicate with likeminded individuals in a community of independent film fans. This means producers *may* be able circumvent the need for a pre-existing audience who are specifically interested in their work by targeting consumers engaged in their particular niche with an appropriately interesting campaign.

Crowdfunding and campaign management

It seems clear that the management of the campaign is therefore also important. For example, Agrawal *et al.* (2011) suggest that understanding both the mechanisms of crowdfunding and how to reach networks are key to crowdfunding success. However, effective knowledge of online mechanisms is missed (or possibly assumed) by many campaigners and a recent study suggests that the time and commitment required is often underestimated (Hui *et al.,* 2013). This is encapsulated by the crowdfunding approach being misunderstood as "free" (Buysere et al., 2012), and perhaps part of a broader 'utopian' view of the power of crowds (for example see Surowiecki, 2005). However, Hui *et al.* (2013) warn against this perception arguing that a campaign is a one to two year process, during which campaigners are often overwhelmed by the various commitments involved that are often outside their area of expertise including publicist, accountant, project manager, and engineer. Crowds can't simply be expected to pick up on good ideas on their own.

Other studies confirm the complexity of campaigns. Research from entrepreneurial literature (Cardon *et al.*, 2009; Payne *et al.,* 2009) suggests that domain expertise and track record are important criteria in investment decisions as they help develop trust in the entrepreneur's capabilities. Providing evidence of a track record can however be difficult for SMEs, who may be new to market and so lack the content precedence evidence that is required to access resources (Tucker and Lean, 2003). Thus, first time projects may be more difficult to fund than those from experienced filmmakers.

Chen *et al.* (2009) further argue that the preparedness of entrepreneurs can positively impact funding decisions by presenting higher impressions of quality. Alongside preparedness, 'passion' helps potential investors gain a more positive impression (Elsbach and Kramer 2003; Cardon *et al.,* 2009). Here we see funders considering the people behind the project when the project itself remains ambiguous. Preparedness and passion towards the idea are also argued to be important traits required in order to successfully carry out new ventures (Alstete, 2008). Campaigns that provide more updates may also raise greater sums of money (Labovitz, 2010) and updates are seen as an important part of campaign management (Kuppuswamy and Bayus, 2013; Xu *et al.,* 2014). So skill in managing a campaign and a commitment to it are recognised as necessary.

Finally here, Belleflamme *et al.*, (2013) highlight the exchange nature of Crowdfunding. Rather than a “free” donation, the practice usually involves making specific offers of goods and services in addition to the project offered, in return for funds. In addition, Gerber *et al.* (2012) also suggest that backers are discerning when it comes to judgements of rewards in crowdfunding activity. From interviews they identify “getting” and “buying” as words used by backers to describe their transactions, leading them to suggest crowfunding is motivated by consumer as well as philanthropic behaviour. From a campaigner perspective, offering value may seem difficult, as the overarching need is to profit from the rewards in order to have remaining funds to meet the projects purpose and again we see the range of skills required to manage a campaign.

Our review presents something like the accepted conceptual basis for crowdfunding as recognised in specific research and broader discourse on online communities and SME funding issues. Hype and enthusiasm about the potential of crowdfunding may under-emphasise resource costs for the time and effort involved, including previous experience and enthusiasm, and skills that include the management of content, and of developing attractive rewards. The exact nature of both campaign and network management issues remains unclear and so becomes our focus here. From an SME crowdfunding project may push their workload possibly beyond the limits of their resources, something that the use of crowdfunding is supposedly attempting to circumvent. Thus, we recognise another potential reason for failure to deliver is the need for SMEs energies to be diverted away from work and towards the crowdfunding project itself.

Methods and data analysis

Our study aims to determine significant predictors of success in crowdfunding campaigns and to investigate differences between successful and failed campaigns.

In total we analysed 100 recently ended crowdfunding campaigns ensuring a sample that represented *all* the campaigns started. To do this we equally included those that met their target financial goal (‘successful’, by Kickstarter criteria) and those that did not (‘failed’ according to Kickstarter). You may recall that approximately half of Kickstarter’s campaigns are ‘successful’, i.e., meet their target, although those targets vary greatly. Our study initially included 24 ‘successful’ and 24 ‘failed’ filmmaking campaigns undertaken on Kickstarter between December 2012 and February 2013. A further 26 ‘successful’ and 26 ‘failed’ filmmaking campaigns were selected between December 3 and December 7 2013, bringing the total to 100 (50 ‘successful’ and 50 ‘failed’). The second set of campaigns was selected to ensure a sample size of 100 cases that is considered adequate for exploratory factor analysis (Fabrigar et al., 1999; Wesley et al., 2006). There is no difference in how the two datasets were collected and there were no changes to the structure of the site in that time.

The selection of the most recently ended campaigns ensured that data relating to the campaigners’ networks accurately pertained to the time the campaigns were run. Although half the campaigns started ‘fail’ (Kickstarter, 2013), Kickstarter and other crowdfunding platforms make failed projects difficult to find (Pi, 2012). Again, our selection criterion for ‘failed’ filmmaking campaign is whether the campaign has reached its target or not. Whilst Kickstarter display a browse-able directory of ‘Recently Successfully Funded’ campaigns, there is no similar function for ‘Recently Unsuccessfully Funded’ campaigns. Thus without prior knowledge or access to a failed campaign’s URL they can be difficult to view. Campaigns in this study were therefore selected from the most recently *ended* campaigns by monitoring the end of active campaigns within the “Film & Video” category; selecting an equal number of those that met and did not met their financial target. Unlike previous studies (Mollick, 2012) we *individually* examined the available information on each campaign relating to both the available networks, and the details of the campaigns themselves.

Analysing campaign quality

Analysis of campaigns was undertaken based on, *reward quality* and *pitch quality*. Analysis criteria for *reward quality* included level of choice and the tangible and intangible value offered (Table 1). Alongside this, the rewards’ value for money, geographic vulnerability (rewards tied to a location), and influence of content precedence (for example a consideration of a rewards offering a phone call with an established versus and unknown filmmaker) were considered with ratings adjusted accordingly.

In identifying the *pitch quality* (Table 2) we looked for evidence of passion and preparedness. For passion we looked for visual cues in pitch videos along with evidence of time already invested in the project. Preparedness considered the level of detail within pitch documents to give a coherent understanding of the project and considered the following: pitch video, evidence of content precedence, descriptive text about the project, explanation of fund use, consideration of the risks involved with the project, number of project updates or impressions of quality. In both cases the criteria were independently applied to a sample of campaigns to ensure consistent application.

Discriminant analysis

All campaigns were then analysed in relation to a number of variables (Table 3). We considered the target set by the campaign organisers and the total amount raised as a result of the campaign (in $US). This also gives us the goal percentage (Kickstarter allows campaigners to continue funding even after their goal has been reached, so this figure may exceed 100 percent). We considered the networks reached by campaigns, starting with the direct network size (DNS); a sum of those individuals directly connected to campaigners via personal social networks. We also looked at Social media connected to the campaign, including the number of "shares" on Facebook. We were then able to compare these networks with the number of campaign backers and financial goals of the campaign. We also looked at campaign search engine performance. Alongside the variables directly related to the operation of a campaign's network management and financial issues, reward quality and pitch quality were included in the analysis.

A *discriminant function analysis* was conducted to identify predictors of success and to identify differences between successful and failed campaigns. Predictor variables included were: number of updates; search results; Facebook shares; total amount raised; number of backers; reward quality; pitch quality; number of rewards; campaign length; number of campaigners; Facebook friends; Direct Network Size, and; campaign goal. Table 4 presents descriptive statistics for successful, failed and the total set of crowfunding campaigns. Table 5 highlights the equality of group means and provides statistical evidence of significant differences between the successful and failed campaign groups (e.g., high values of F tests and $p<0.000$ for several predictors). While the log determinants were quite similar (successful campaigns=119.12, failed campaigns=99.47, pooled within groups=119.26), Box's M indicated that the assumption of equality of covariance matrices was violated (Box's M=976.62, F=9.22, df1=91, df2=30100.01, $p<0.000$). However given that we have a large sample (n=100), this is not considered problematic (Stevens, 2009).

The discriminate function (eigenvalue=0.85, canonical correlation=0.67) revealed a high association between groups and all predictors, accounting for 46% of between group variability, although closer analysis of the structure matrix revealed the following significant predictors: pitch quality (0.58); total raised (0.56); shares (0.53); updates (0.47); backers (0.47), and; reward quality (0.33), and also poor predictors such as: search results (0.23); number of rewards (0.18); Facebook friends (0.155); DNS (0.11); campaign goal (-0.07), and; campaign length (-0.06). Group means differ significantly (Wilks' Lambda=0.54, chi-square=56.31, df=13, p<0.000). Just like factor loadings, 0.3 is seen as the cut-off between important or less important items. The sign indicates the direction of relation.

The unstandardized coefficients create the following discriminant equation:

Discriminate function = (0.511 x *pitch quality*) + (0.000102 x *total raised*) + (0.000429 x *shares*) + (0.64 x *updates*) + (-0.001 x *backers*) + (0.066 x *reward quality*) + (0.000013 x *search results*) + (-0.70 x *number of rewards*) + (-0.000068 x *Facebook friends*) + (-0.00000017 x *direct network size*) + (-0.000068 x *campaign goal*) + (-0.02 x *campaign length*) -1.14

This function indicates the partial contribution of each variable to the discriminate function controlling for all other variables in the equation. Group centroids show that successful campaigns have a mean of 0.91 while failed campaigns produce a mean of -0.91. The cross validation classification showed that overall 85% of original grouped cases were correctly classified (Table 6). Pitch quality, total raised, shares, updates, backers, reward quality stand out as those that strongly predict allocation to successful or failed campaigns.

Here we see that successful crowdfunding campaigns effectively present a quality pitch, offer meaningful rewards and engage audiences throughout the campaign period. We first discuss aspects of network management in more details, then consider how the campaign itself is managed. We focus here on the significant predictors identified in our analysis.

Network Management

Number of Backers

Unsurprisingly, ‘successful’ campaigns attracted more backers than ‘failed’ ones but it makes sense to also consider the actual target against the required number of backers. Our data suggests that the number of backers should be equal to approximately one to two percent of the target goal, thus a $4,000 target goal would require between 40-80 backers. On average backers in relation to the target goal of successful campaigns was 1.7 percent compared to 0.4 percent for the failed. These figures may also allow us to suggest the network size required to reach a goal. Backers compared to DNS for all campaigns in this study were between 1-5 percent; therefore we can tentatively suggest a DNS of 2,400 would be required to meet the $4000 goal. If we then look at those campaigns with target goals close to $4,000 we can see that the failed campaigns had DNS's under this figure while the successful campaigns were in excess (Table 7). This may suggest that the failed campaigns were over ambitious in terms of what could be achieved with their existing network and would imply that they need to build that network before committing to a campaign, or accept a lower target.

Search Results

First Degree Networks can only carry a campaign for the initial period before the Second and Third Degrees are required to reach a funding target (RocketHub, 2011; Ordanini *et al.,* 2011; Kuppuswamy and Bayus, 2013). Campaigns may therefore fail due underestimating the need for campaign marketing (Hui *et al*., 2013). To determine the broader reach of a campaign the number of Google search returns were used. The successful campaigns search return *Mdn* = 123.5 were double the failed *Mdn* = 50.0. As well as emphasising the need to actively distribute a campaign beyond an initial circle of friends and family, these results may also allow us to suggest that the successful *campaigns* (and not just the project) were of higher quality. Blogs and news outlets are motivated by the need to offer content of value to maintain reputation and satisfy audiences (Jenkins *et al.,* 2013) and are therefore more inclined to share high quality campaigns. Information provided by such news sources are known to influence purchase intentions (Hus *et, al.* 2012).

Facebook Shares

Contribution to social networks is motivated by a need to establish identity, gain respect and publicise expertise (Shao, 2009). Thus individuals are also likely to share high quality campaigns that support these aims. The opinions of 'ordinary' consumers are found to be persuasive in the promotion of cultural offerings such as film and video that is discussed here (Chiou *et, al.* 2014), thus it becomes important to encourage the consumers to share and recommend campaigns. Our data shows that campaigners with a strong desire to get their campaigns "out there" are likely to share it multiple times through the campaign's duration and as a result Facebook shares for campaigns that met their goal overwhelm that of those that do not, with *Mdn* = 394 compared to *Mdn* = 75.

Total raised

In many cases successful campaigns exceed their goals, thus while total raised may appear as an obvious contributor of success, it is indicative of the factors outlined and further emphasises the importance of network management. It also helps illustrate that campaigners must balance setting goals that not only cover budgetary requirements, but that are also achievable. The *Mdn* value of the successful campaigns DNS in relation to their target goal was 46.53 percent, while the failed campaigns were only 14.87 percent, again suggesting the failed campaigns were over ambitious in terms of what their networks could achieve.

Campaign management

Pitch Quality

The filmmaking campaigns studied here are surrounded by ambiguity and uncertainness (Botti, 2000); being uncompleted entities mean potential backers can only go on ideas conveyed by the campaigner. Thus the passion and preparedness of a campaigner can help reduce uncertainty and risk by increasing the impressions of quality (Cardon *et al.,* 2009; Chen *et al.,* 2009; Payne *et al.,* 2009). From our pitch analysis we identified a number of common traits and difference amongst the campaigns.

Pitch Videos: The pitch video is becoming a common and advocated feature of crowdfunding campaigns (Rocket Hub, 2013). Pitch videos within filmmaking campaigns have a two-fold impact. Firstly they enable the campaigners to directly appeal to, and initiate relationships with their audience (Steinberg and DeMaria, 2012; RocketHub, 2013). However not every campaigner chooses to present a direct address within their pitch video. In opting not to address the audience campaigners loose the opportunity to express passion and emphasise why their creative vision must be fulfilled. From the campaigns we analysed, 15% of the failed campaigns choose not to present a direct address within the pitch video compared to 10% of the successful campaigns.

Secondly the pitch video provides space in which campaigners can present example video footage from the project or from previous work, demonstrating content precedence and so building trust in their skills as a filmmaker. This idea of content precedence is discussed next.

Evidence Of Content Precedence: Cardon *et al.* (2009) suggest that domain expertise and track record are important criteria in investment decisions as they help develop trust in the entrepreneurs capabilities. Steinberg and DeMaria (2012) also argue that within crowdfunding campaigns evidence of established work is critical for backers to determine value. As argued earlier however, providing compelling evidence of track record can be difficult for SMEs and those new to market.

Of the campaigns studied, successful campaigns provided clear evidence of the their filmmaking capabilities demonstrating a strong professional or academic background. For example the “Lives In Transit” campaign run by the Global Lives Project, showed precedence with a set of 10 previous films which had achieved over 100,000 views, whilst the listed campaign founder David Evan Harris has previous precedence with institutes such as UC Berkley, Stanford, and Google.

Ambitious funding targets amongst the successful campaigns in particular were matched with more established and professional precedence and some campaigners also partnered with well-known personalities to provide extra credence. Filmmaker Aaron Lieber in his surf film campaign “Zero to Hero” for example, provides detailed background and examples of his previous surf films, but also partners with well-known surf personality Lakey Peterson. This gives the campaign that seeks to support the filmmaker’s first full-length film additional credibility and third-party certification (Agrawal *et al.,* 2013).

Content precedence for failed campaigns was more limited with a number of campaigners seeking to fund their first significant film. The campaign “Leatherbound: A Kings Gambit” for example was its creators first feature length film, yet, the campaigners offered little detail of previous experienceto help build confidence in their abilities to fulfil their project. This observation may cast doubt on crowdfunding’s ability to aid unknown, or upcoming talent, and suggests that crowdfunding might work once a filmmaker has already established their identity. This supports the idea that success in crowdfunding is often a long-term strategy.

Detailed Text Description: Text descriptions allow campaigners to further elaborate on their project proposal. A well thought-out pitch document shows the campaigner is well prepared and has taken time to invest in the project (Chen *et al.,* 2009). Overall we found successful campaigns provided greater detail over the failed campaigns. Those campaigns that offered the greatest detail covered all aspects of the project from story, production, cast and crew, rewards and reasons for choosing crowdfunding. Providing sufficient detail is a major element of creating trust, which is a key concept in online purchasing (Hsu *et, al.* 2014). Trust directly affects the perceived risk of the transaction, relevant and up-to-date information can thus address any consumer uncertainty (Chen *et al.,* 2009; Steinberg and De Maria, 2012, Hsu *et, al.* 2014).

Financial commitment is the key element of crowdfunding, thus a clear explanation of fund use becomes an important element of providing sufficient detail. Only 3 percent of successful campaigns *failed* to give an explanation of fund use, with a further 12.5 percent providing unclear explanations. This is in comparison to the failed campaigns where 11 percent gave no explanation and a further 17 percent were unclear.

Building trust and showing preparedness can also be seen in the 'Risks and Challenges', section of the pitch and our analysis found successful campaigns gave greater consideration to this section, openly expressing concerns and potential limitations of their projects, while offering reassurance and potential solutions.

Impressions of Quality: Through our analysis we also found successful campaigns gave higher impressions of quality, both in their pitch videos and the overall consideration of the pitch document and content precedence. Whilst we understand that such claims suffer from the risks of subjectivity and bias, we also find a higher number of successful campaigns provide evidence of external endorsement, either through an ambassadorial circle or press articles. This external endorsement may back up our claims of higher quality as they provide third-party backing (Agrawal *et al.,* 2013).

Reward quality

Reward Overview: Rewards are argued to be one of the most important motivations for participating in crowdfunding (Kuppuswamy and Bayus, 2013). In filmmaking campaigns rewards typically range from a simple thank you, to more exclusive rewards like cast roles. These, and other rewards that afford the consumer some control (e.g. script feedback sessions, re-naming characters) work as they enable the backer to become a co-creator of the project. Allowing such co-creation experiences enhances the consumer's engagement and relationship, and subsequently their intention to purchase and refer others (Blasco-Arcas *et, al.* 2013).

We find a common behaviour in the construction of rewards is to have each tier offer a subset of rewards as the tier levels increase. For example, a backer opting for the $25 price tier would receive the same as a $10 backer with one or two extra rewards to account for the additional expense. Kickstarter allows campaigners to offer rewards at any price point between $1-10,000, however we found the following tiers were most commonly used $10, $25, $50, $100, $250, $500, $1,000 and $5,000. The most commonly backed tier level is $25 and this is where we tend to see the introduction of tangible items, particularly DVDs. Of the 100 campaigns analysed 74 percent offered a DVD copy of the film, with the remaining 26 percent offering digital access (download/web link). Of this 74 percent, 72 percent offered DVDs between the $25-50 tiers.

Before the $25 tier level rewards tended to be limited to 'thank you' style rewards in various forms (e.g. via email, social media, or film credits). Other pre $25 rewards include behind the scenes access to production material, and in a few cases (22 percent) tangible visual rewards (prints/postcards/stickers). This study found successful campaigns on average offered a greater range of rewards and provided higher quality reward offerings. We will now discuss further the findings of our reward analysis.

Content Precedence in Rewards: As well as influencing pitch quality we find content precedence may also affect reward quality. In our analysis we identified a number of campaigns (particularly failed) that offered rewards that hold little value unless the proposed creative entity becomes a success, or, the filmmaker is already established. Rewards that fall within this bracket are those such as phone/Skype calls with the creators. If the director is an established personality the appeal of such rewards increases (Steinberg and DeMaria, 2012); the opportunity for aspiring filmmakers to have a one-to-one with Spielberg has inspirational value. Yet, when the offer is $45 for a 20 minute Skype call with a college student with little filmmaking experience we can question the rewards value.

Other rewards, which we may link to content precedence, include promotional links or sponsored credits. Such rewards are only valuable if the filmmaker can guarantee a large viewership, much like the value of an advert increases with higher exposure (Novak and Hoffman, 2000). Therefore the promotional link offered by "Mario Warfare" holds greater value over other campaigns that provide similar offers, as the campaigners can refer to viewer figures in excess of 1,000,000 based on previous content precedence.

Value for Money: By comparing the rewards offered at different tiers and observing the number of backers opting for these tiers, we believe backers may be approaching crowdfunding with a 'shopping mentality' as they seek out value for money in their purchase decision. This notion has also been found in previous research, Gerber *et al.* (2012) for instance suggest that backers are aware of the exchange of value when browsing campaigns. We found numerous examples of difference between the value offered by successful and failed campaigns. At the $150 tier level for example we can observe 'Mario Warfare' from the successful campaigns and 'Animal Justice League' from the failed. At this tier 'Mario Warfare' offers a host of rewards; A limited edition signed poster pack, An exclusive T-shirt, Signed DVD, Signed DVD of creators previous series, Exclusive online access to previews and behind the scenes footage and a website thank you credit. In comparison 'Animal Justice League' only offers a photo of the backer to appear on set in the final episode. The tangible items offered by 'Mario Warfare' alone have a value close to at least $100, while the single reward offered by 'Animal Justice League' has no tangible value for the backer and is also subject to the campaigners previous precedence. Successful campaigns placed greater emphasis on offering "real" value to backers, with thought and creativity placed into the construction of rewards. As stated earlier rewards are one of the most important motivations for contributing towards a campaign, thus their construction should be a high priority.

Geographic Vulnerability: Another factor we identified in rewards is "Geographic Vulnerability" (GV), which we use to describe rewards constrained by location, such as set visits or cast roles. While such rewards have a unique participatory element to them, they are constrained by the backer's locale, thus we must consider that GV potentially hampers the number of backers a tier may attract. We found both the successful and failed campaigns offered rewards hampered by GV, yet we also found the successful campaigns backed GV with tangible items and also sought to compensate for it. For example if we compare "Treasure Trapped" and "Love Demon" from the successful and failed campaigns respectively and look at the $400 tier, we find "Treasure Trapped" compensates for GV by offering to travel to the backer (within Europe). Whilst in "Love Demon" potential backers are required to travel to the films set location. The "Zero to Hero' campaign provides us with a further example of GV reduction. The campaign has GV present at every tier from $100 onwards, yet helps compensate in two ways. Firstly the filmmakers have a set date and location for the GV reward (film premiere), thus potential backers know at time of purchase whether travel is feasible. Secondly the film features a famous surfing personality, thus increasing the premiere's value when compared to campaigns where the filmmakers and actors are relatively unknown (Steinberg and DeMaria, 2012).

Updates

The updates section of a pitch allows campaigners to supply further project details and information on production progress. They also provide the impression of activity, showing the campaigners have the skill and commitment required to overcome risks of stagnation and push the campaign forward (Kuppuswamy and Bayus, 2013; Xu *et al.,* 2014). In our study we found only 3 percent of failed campaigns provided more than 5 updates during their funding time frame, with 29 percent not providing a single update. In comparison while 13 percent of the successful campaigns also did not provide any updates, 16 percent provided 5 or more.

Conclusion and recommendations

Filmmaking campaigns are often wrapped in ambiguity and uncertainness due to the various contingencies involved in the production process, for example a product specification is easier to imagine than the creative conclusion to a film. This means that approaches to film crowdfunding may be different from other successful campaigns. Our findings demonstrate the drivers of success, relevant to the filmmaking campaigns studied here, but with possible application to crowdfunding campaigns as a whole. We have identified the significance of a range of predictors that increase the likelihood of success. Here crowdfunding is presented not as a quick fix solution to funding shortfall, but a significant investment of time and resources, which are not dissimilar to those required in traditional sources of funding that crowdfunding is proposed to circumvent. Our findings have both theoretical and practical implications that add to the existing body of crowdfunding work.

Practical Implications

For those thinking about undertaking a crowdfunding campaign there are a series of practical considerations that are shown to be predictors of a campaigns' success. In order to build the trust necessary to bridge any ambiguity campaign management may be crucial to demonstrate the campaigners' capabilities and address quality uncertainty. Campaign management requires campaigners to address pitch and reward quality and ensure backers remain updated through the duration of the campaign. Pitch quality and updates provide evidence of both passion and preparedness, which aid in developing backer trust and confidence. Rewards are a key motivation for backer contribution; we find campaigners should consider the value for money, avoid or compensate GV and consider their content precedence in the construction of rewards.

We also find network management has an influence on success. Important predictors in might include number of backers, search results, social media shares and total raised. Within network management it is crucial that campaigners not only have an established audience they can reach out too, but also the skills and resources to reach outside there initial networks and spread their campaigns within wider circles. An implication here is that network management is required well before a crowdfunding campaign is even developed. It is also important campaigners understand the sums of money achievable in relation to their networks.

While crowdfunding is becoming increasingly popular as a way to circumvent traditional routes to market, as this study shows it should be approached with caution. Crowdfunding requires a greater amount of time, resources and effort than many realise, with work required not just during, but arguably more importantly before a campaign in order to establish many of the structures and drivers identified in this research. When taking this into account we begin to question whether crowdfunding can in the long-term, provide an effective and viable alternative to more traditional forms of financing. Whilst crowdfunding will undoubtedly work for some, we argue those with an established reputation will be able to make it work with far greater ease than those without, which parallels the situation in more traditional forms of financing which crowdfunding is proposed to circumvent.

Theoretical Implications

On a theoretical level our findings lend further support to previous studies (Mollick, 2012) that identify project quality and especially network sizes as important determinants of success, as well as studies that identify crowdfunding as a considerable investment of time (Hui *et al,* 2013). However the deeper individual analysis of each campaign provides greater details about what contributes to these predicting variables and in particular we note the importance of the ‘management’ of both the network and campaign, rather than merely the size of the network or quality of the project.

With crowdfunding put forward as a practice relating to community engagement our findings also show support for the notions that pre-existing community relationships can enable producers to gain more support. In this sense crowdfunding might usefully be seen as a community activity where once established, engagement with a community may leveraged to acquire funds, but where previous studies may fail to account for the time required to build such community support.

We also highlight the influence of Geographic Vulnerability and Content Precedence in the construction of crowdfunding rewards, which to our knowledge are not previously identified. More importantly we recognise the importance of value in crowdfunding rewards more generally. Here we see that despite claims of an altruistic motivation, reward quality is a significant predictor in gaining support. A problem here is that rewards must be paid for out of the finances raised, reducing the amount left to complete projects. Further, more established filmmakers may be able to offer better intangible rewards (personalisation or audience related, for example) allowing them to retain more finance for production.

Together these observations allow us to question the ability of crowdfunding to significantly aid upcoming or unknown filmmaking talent (one basis of its promotion). Establishing each of the outlined factors requires resources, (in terms of time, finances and skilled personnel) over a sustained period, which individuals and SMEs face a continued struggle to provide (Boyles, 2011). Thus crowdfunding can be argued to succumb to the Matthew Effect (Mollick, 2012), where those who are already richer both in terms of identity, resources and social capital are able to benefit with greater ease. As more people look towards crowdfunding and its platforms become crowded, this problem is only likely to increase, as those with greater resources are better equipped to differentiate themselves and stand out. Thus as a result those with a higher need for such platforms and fundraising practices may suffer.

Limitations and Future Studies

The data analysed within this study is relatively small and thus future work may consider testing the insight presented against a larger number of campaigns, which would also allow consideration of the differences that occur between the ‘Film & Video’ subcategories and genres. To our knowledge this is the first paper that analyses campaigns specifically related to filmmaking categories upon reward-based platforms. This study is however, also limited in its focus on

'Film & Video' campaigns, future studies may seek to investigate whether the predictors variables presented here are apparent in other categories or whether different predictors better highlight the differences between successful and failed campaigns. With the increasing prominence of crowdfunding this study is particularly timely in order to provide practitioners insight, so as to avoid what can be naïve and costly mistakes.

Notes

1. E-Paper Watch, the most funded *Kickstarter* campaign ever raised $10,266,845 from 68,929 backers. Accessed 30 January 2013. http://www.kickstarter.com/projects/597507018/pebble-e-paper-watch-for-iphone-and-android?ref=most-funded

2. A Campaign to raise funds for a pack of guitar stings. Given the affordability of the target goal, the campaign becomes a questionable use of *Kickstarter*. Accessed 30 January 2013 http://www.kickstarter.com/projects/354898629/no-strings-attached-get-it

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