Prosocial Goal Pursuit in Crowdfunding

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September 30, 2019
Reward-based Crowdfunding

• A popular financing mechanism

• Kickstarter, the largest reward-based crowdfunding website
  • 459,222 launched projects
  • ~$4.5 billion funding from ~17 million backers

(Kickstarter 2019)
A Typical Kickstarter Project

Campaign Launch

Creator

- Create a project page
- Set funding goal & rewards
A Typical Kickstarter Project

- Decide whether and when to back the project
- Select a reward (and contribution amount)
- Can back a project *after* its funding goal has been met

Campaign Launch

Campaign Deadline

Backers

JUICED - Charge everyone's phone wirelessly.
by JUICED Team

JUICED wireless group charging stations use pocket-sized phone battery packs with an extra 50% boost. Fast, convenient, indispensable.

Myrtle Beach, SC

99% $29,851 22 funded pledged hours to go
A Typical Kickstarter Project

If funding goal is met, campaign succeeds:
- Backers pay contributions
- Creators receive funding and deliver rewards later

If funding goal is not met, campaign fails:
- Backers pay nothing
- Creators receive $0 funding (All-or-nothing policy)
Research Questions

• Do backers only care about the benefits they will receive or about the creator’s goals too?
• How do these two opposing forces affect people’s helping behaviour?
• Which types of projects are more likely to elicit backers’ desire to help creators?
What Would Happen IF Backers Only Cared About Their Own Benefits?

Backers are more likely to contribute if:

- Other backers’ contributions are higher (Herding)
- A project has reached its funding goal (Certainty)

BUT...Social Preferences May Also Matter

- Backers may want to help creators with their ventures
- People are more willing to help when they believe that their actions have a greater impact
- Creators’ funding goals may be salient reference points to backers
- Backers may feel that their funds can make a bigger impact on a project *before* than *after* it meets its funding goal

Competing Predictions about Funding Speed

Social preferences

> Economic considerations (herding and success certainty)

?
Our Prediction

Desire to help creators reach their goals > herding and success certainty
→ Funds are collected faster before rather than after funding goals are met
How Do We Test Our Prediction?

- Scraped funding progress of 28,561 projects that existed 2016/9/10 – 2017/8/27
- Analyzed 5,592 projects that progressed from 95% to 105% of funding goals
- Compared hours they took to progress from 95% to 100% vs. from 100% to 105%
Finding 1: Funds Are Collected Faster Right Before (vs. After) Goal Achievement

After controlling for other factors (e.g., creators’ updates), it takes 140% more time to progress from 100% to 105% than from 95% to 100%.

Pre Goal (from 95% to 100%): 17.61
Post Goal (from 100% to 105%): 33.03

t-test: p < .0001; Wilcoxon test: p < .0001
Finding 2: The Effect Is Driven by Both Contribution Rates and Amounts

We observe:

• **84% more time to gain 1 new backer** during the 100-105% period, relative to the 95-100% period

  → Contribution rates are higher before (vs. after) goal

• **19% smaller contribution size** during the 100%-105% period, relative to the 95%-100% period

  → Contribution amounts are higher before (vs. after) goal
Finding 3: Robust Patterns Across Project Categories While Large Variance Exists

How much more time does it take to progress from 100% to 105% (relative to from 95% to 100%)?

*\( p < 0.05 \); **\( p < 0.01 \); ***\( p < 0.001 \)

Project Category
Finding 4: Effect Grows Stronger When Projects Trigger Stronger Prosocial Motivation

Effect size largely correlates with the extent to which people back projects in a category out of a prosocial motive.

*p<0.05; **p<0.01; ***p<0.001
Finding 4: Effect Grows Stronger When Projects Trigger Stronger Prosocial Motivation (ctd.)
Finding 4: Effect Grows Stronger When Projects Trigger Stronger Prosocial Motivation (ctd.)

How much more time does it take to progress from 100% to 105% (relative to from 95% to 100%)?

- With Mention "help": 219%
- W/O Mention of "Help": 136%
Finding 5: Single-Person Creators Show Larger Effects

- People offer greater help when a specific person (vs. a large, vaguely defined group) is in need (Jenni and Loewenstein 1997; Galak et al. 2011)
- 2,882 online respondents viewed creator info. and coded if each creator was a single person (vs. multiple people/an organization)
Finding 5: Single-Person Creators Show Larger Effects (Ctd.)

How much more time does it take to progress from 100% to 105% (relative to from 95% to 100%)?

- Single-person Creators (N=2,795 Projects): 164%
- Non-single-person Creators (N=1,868 Projects): 97%
Summary

• Funding speed from 95% to 100% is 140% faster than from 100% to 105%
• Such speed difference is driven by changes in contribution rates and amounts
• It is amplified when:
  • A project category tends to elicit prosocial motivation
  • A project’s description triggers prosocial motivation
  • A creator is a single person (vs. multiple people/organization)
Potential Implications & Tests

• People care about their impact on a fundraising project
  → Concretely display how donors benefit the project
  → Create transparency about fund usage

• Others’ goals are a salient reference point
  → Take this into account in platform design
  E.g., Allow donors to search based on goal proximity; Alter timing of
  new projects to reduce competition between projects close to
  funding goals and new projects

• Simple words like “help” can mobilize action when
  people are expecting personal benefits

• People are more willing to support a single person
  → Single-person help requesters emphasize their status
Thank You!

• Coauthor: Dennis Zhang
• Cindy Cryder, Andrew Knight, Katy Milkman, Melanie Milovac, Brad Staats, Oleg Urminsky, and attendees of the Anderson’s BDM lab meetings for their helpful comments on the paper.
• Research assistants: Mikaela Hassenzahl, Claire Li, Benjamin Lu