

REWARD-BASED CROWDFUNDING FOR CREATIVE PROJECTS

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## **Management summary**

Crowdfunding is an emerging phenomenon that is taking the idea of investment into a new and never before seen level. Organizations and individuals find themselves achieving successful results by relying on widely dispersed individuals rather than professional investors.

The main aim of this thesis centers on potentials for non-professional creative individuals to use reward-based crowdfunding. The theoretical framework defines crowdfunding practice and gives an overview of how it emerged from another nascent term - crowdsourcing. Reward-based crowdfunding, as the focus of this study, is explained in greater detail by observing one of the most popular platforms for creative projects called Kickstarter. In addition, this chapter highlights that the crowd is playing a leading role in crowdfunding initiatives. Participating individuals are part of a community where convergence and collaboration take place. Furthermore, theory suggests that reward-based crowdfunding is not solely focused on economic aspects, as social attributes are shaping the scope of activities and goals.

Conducted qualitative research confirms that several potentials are current for non-professional creative individuals to use reward-based crowdfunding model as researched on Kickstarter. Not only can they raise funding, but also gain significant public attention for their projects presented on Kickstarter. An appealing and transparent communication approach should be implemented, such as defining goals using S.M.A.R.T. model, in order to achieve successful results. Moreover, non-professional creative individuals are observed to satisfy their personal needs by presenting their projects to a wide audience of people. Therefore, they are advised to use video presentations and learn from others in the community in order to achieve desired results. Detailed results and recommendations are presented further in the thesis.

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# 1 Introduction

*“A musician must make music, an artist must paint, a poet must write, if he is to be ultimately happy. What a man can be, he must be.” (Maslow, 1943, p. 8)*

Artists, musicians and entrepreneurs are not surprised anymore when, trying to obtain funding for their ideas, they find themselves in front of firmly shut doors. Venture capitalists and private investors fail to acknowledge individuals and their small-scale projects when the economy is turning up and down with each day.

However, these dismissive attitudes towards attaining funding for projects and business startups have stimulated a breakthrough phenomenon called ‘crowdfunding’. Not restricted by geographical borders or professional experience, crowdfunding helps organizations and individuals raise needed funding from a crowd of people on the Internet. While traditional business models of investment and funding supplies large monetary contributions from a few professional sources, crowdfunding operates by enabling small monetary contributions disbursed by a large audience of ordinary individuals.

In the business sector, crowdfunding is growing in popularity among entrepreneurs and business startups allowing individual investment. In the creative sector, crowdfunding is used based on donation model and focuses on financing films, music, and creative projects alike. Therefore, the nascent term of crowdfunding does not only entail metamorphosing economic activities. It signifies a trend of social activity between individuals that is now occupying much space and time within society.

## 1.1 Problem definition

Crowdfunding is becoming one of the fastest growing trends on the Internet that is transforming the socio-economic environment of today’s society. It allows creative and innovative individuals to target a crowd on the Internet in order to develop products and create business start-ups with acquired donations or investments from widely dispersed individuals within a crowd (Belleflamme et al., 2010). In 2011 more than 31,000 projects sought online donations from crowdfunding, whereas in 2010 the number was only reaching 12,000 (Burke, 2012). Organizations and individuals around the world are slowly turning away from traditional brick-and-mortar organizations and professional investors. This signifies that crowdfunding is tapping in to become a major alternative to traditional business models, where individuals have, for the first time, the power to shape their success solely by themselves (Beer & Badura, 2012).

What is more, individuals are discovering crowdfunding as an easy solution for generating funding for their creative endeavors. One of the most popular crowdfunding platforms for creative projects is Kickstarter (Crowdsourcing.org, 2012). It is a reward-based crowdfunding platform that attracts both professional and inexperienced creators worldwide. Looking at the top ten most funded projects of Kickstarter (found in Appendix B), all of those projects are created by companies or individuals with professional experience and background in the creative category of that certain project. This signifies, that experienced creators have higher chances for receiving successful funding and even exceeding the funding goal tremendously. Projects by inexperienced creators do not ap-

pear among the most successful projects of Kickstarter to date. Kickstarter platform is presented and observed in more detailed in the theoretical framework of this thesis.

The problem, therefore, is as follows. Individuals with professional experience have accumulated knowledge and understanding on how to position their creative project pitches in order to attract attention of target audiences. Individuals without professional experience or background lack this significant advantage. The steps they take in order to create awareness around their creative projects are led entirely by their personal conceptions. As crowdfunding phenomenon has not been extensively researched yet, there is an evident lack of professional guidance for non-professional individuals when relying on crowdfunding practice in order to achieve creative goals.

Presenting creative projects on reward-based crowdfunding platforms is a challenge for non-professional individuals. Therefore, an established framework, constructed with qualitative research findings, observations and examples, is needed for non-professional creative individuals. To determine if and how non-professional creative individuals can benefit from using a model of reward-based crowdfunding, qualitative research on one of the most popular reward-based platforms worldwide - Kickstarter - will be conducted.

## **1.2 Justification**

Crowdfunding has not been studied and researched to a large extent as this phenomenon emerged only recently. Economists and social science researchers have not yet created a stable and reliable framework for understanding the implications of crowdfunding, and how it should be perceived and applied for attaining successful results. Moreover, the concept of crowdfunding is still evolving and continues to identify new forms and activities within its practice. Research that is currently available and has been conducted addresses mainly the economic intricacies of crowdfunding. Recently, crowdfunding has been greatly used for creative projects by organizations and individuals. This signifies a growing demand for both creative project utilization and the potentials that crowdfunding can provide.

The overall idea for this thesis emerged in the beginning of 2012. The massive media attention was emphasizing a new era for creative people being shaped by the rise of online crowdfunding. Individuals who have utilized their creative projects by entirely relying on a wide audience of people were spotlighted. Consequently, it made me wonder how, especially in these difficult economic times, individuals manage to achieve their goals by relying on geographically dispersed and unacquainted individuals, and their support. Moreover, I began to think about possibilities that crowdfunding could bring to creative individuals without professional experience and whether it is an effective alternative for raising funds for creative projects.

Therefore, the main purpose of this study is to improve the overall understanding of crowdfunding as a socio-economic phenomenon, explain how crowdfunding functions within creative project utilization, based on qualitative research and investigation of a crowdfunding platform specializing in creative projects.



### 1.3 Advisory and research question

#### Advisory question

Which aspects do non-professional creative individuals need to take into consideration before and during the process of using reward-based crowdfunding platforms in order to successfully achieve desired goals?

#### Research question

What are potentials for non-professional creative individuals for using crowdfunding platform Kickstarter?

#### Sub questions

In order to comprehensibly answer the main research question, the following sub-questions that outline the central topic have to be examined:

***SQ1:** What motivates individuals to present their ideas on Kickstarter platform?*

***SQ2:** What is the relationship between creators and backers on Kickstarter based on?*

***SQ3:** What are the success factors of successfully funded Kickstarter projects?*

***SQ4:** What are the drawbacks that creative individuals face when using Kickstarter platform?*

### 1.4 Operationalization

This thesis is written in American English language. The font used throughout this entire paper is Arial, with font size 10. The spacing used between lines is 1,15. Exceptions apply to some headings, figures, tables and graphs, regarding font style, size and line spacing. References to all sources and materials used are made according to the American Psychological Association style of citation, and can be found in the Bibliography chapter of this thesis.

The recentness of the topic of crowdfunding suggests the need to define the nascent terms used throughout this thesis. The main research study conducted is focused at one crowdfunding platform - Kickstarter - that will be introduced further in this paper. The most important terms regarding crowdfunding are explained below:

- Crowdfunding platform - a crowdfunding website on the Internet that enables monetary exchange between people who ask for funds and people who give those funds.
- Crowdfunding project/campaign - presenting an innovative or creative idea on a crowdfunding platform.
- Creator - an individual presenting a project on crowdfunding platform Kickstarter requesting a specific amount of monetary fund from the general public, also called the 'crowd', or 'backers'.

- Backer - an individual donating, also called 'pledging', money for a project on crowdfunding platform Kickstarter.
- Successful funding - the final result of a project when the exact or exceeding amount of requested money is pledged from backers before its time deadline.
- Unsuccessful funding - the final result of a project that does not meet its funding goal on time.
- Crowd - general audience of individuals on the web, not defined by geographical borders, ethnicity, age, sex and other demographical features.
- Potentials – in this study, potentials are referred to the possibilities that provide beneficial results.

## **1.5 Restrictions**

Although research was constructed attentively, I am nevertheless aware of its limitations. First of all, due to crowdfunding being a relatively new socio-economic phenomenon, there is an evident lack of prior research studies on this topic. Consequently, the amount of relevant and valid sources available on crowdfunding is exceptionally limited. Therefore, my observations and research findings were interpreted with a finite number of sources.

Second restriction regarding the research of this dissertation was the availability of individuals to conduct interview. Due to crowdfunding activities taking place on the Internet, the individual interviewees were addressed using the Internet as well. Eventually I contacted more people than the actual number that agreed to carry out with an interview. Some of the individuals addressed, who did not respond to my inquiry, were creators of highly successful projects on Kickstarter. However, due to these individuals receiving a considerable amount of attention, and other inquiries, or due to their personal reasoning, I did not succeed in approaching them.

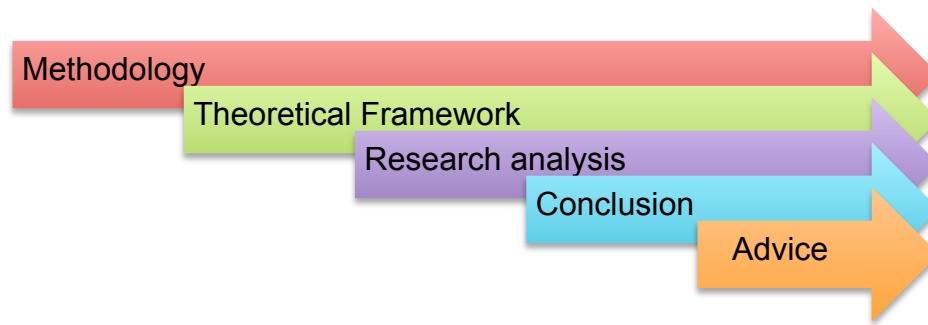
Overall, I am satisfied with my research findings and believe that they contribute to the developing framework of crowdfunding subject. However a longer time span would have allowed me to approach more individuals for interviews providing a more distinct variety of crowdfunded projects.

## **1.6 Purpose and rationale**

The purpose of this thesis is to extend the knowledge and understanding on potentials for non-professional individuals to use crowdfunding platform Kickstarter. Moreover, this paper will augment the general understanding on reward-based crowdfunding and its social setting. In addition, it will offer advice for non-professional creative individuals for using reward-based crowdfunding in order to achieve desired goals. Last but not least, with the findings obtained from conducted qualitative research, this thesis will stimulate further research about crowdfunding.

## 1.7 General structure of thesis

This thesis is organized in the following way: detailed explanation of methodology, presentation of theoretical framework, analysis of research results, outline of conclusions and construction of advise/recommendations.



*Figure 1 Structure of thesis*

## 2 Methodology

*This chapter discusses in detail the qualitative research methods used for this thesis in order to answer the main research question and additional sub questions. Explanations and introductions are given for specific subjects that each research method is focused on. Moreover, the choice for all research methods is thoroughly justified.*

The research methods conducted for this dissertation are entirely based on in-depth qualitative research. The research methods consist of three methods:

- Desk research
- Exploratory case study
- Qualitative semi-structured one-to-one interviews

The body of research findings examines and explains the main motivations, the relationship between its main actors, the success factors, and drawbacks for using crowdfunding platform Kickstarter. Furthermore, gathered findings contribute and build on a better understanding of social aspects and setting of crowdfunding in general, with a focus of creative project utilization.

### 2.1 Desk research

Desk research was carried out to examine the literature and web resources available and related to the phenomenon of crowdfunding. The main subject of crowdfunding is considerably new, that is why literature is limited almost entirely to online sources. Examination and observation of journal articles, research and working papers, as well as web pages dedicated to crowdsourcing and crowdfunding practice make up the biggest part of the theoretical framework, presented in chapter three.

### 2.2 Case study

*A case study on one of the pioneering and successfully funded Kickstarter projects in Europe, called **Newsgrape**, was conducted as one of the research methods for this thesis. This case was selected for its accurate representation of the research topic, for I am examining the potentials for non-professional creative individuals to use crowdfunding platform Kickstarter. The creators of Newsgrape reflect the target audience - non-professional creative individuals - of my final recommendations for this thesis.*

#### 2.2.1 What is Newsgrape?

Newsgrape is a business startup of a community of text-sharing news on the web created by then-students Felix Häusler and Leo Fasbender based in Vienna, Austria. It is a free to join web-platform that allows access to news articles available from multilingual sources. The main purpose of Newsgrape is to share and organize articles online into special libraries and subscriptions that allow easy and fast access to information. Users can connect by sharing articles with each other, and collaborate by publishing articles together. Newsgrape aims at revolutionizing blogging and online-journalism with new standards of reading and publishing texts.



**Figure 2 Newsgrape logo**

*The vision* of Newsgrape is an intelligent, free and open-minded society; *the mission* is to make online and offline knowledge and opinion available globally; *the main values* are focused on personal opinion and its creation. As of May 2012, Newsgrape is undergoing major improvements regarding the functionality of its Internet platform. More detailed information about *Newsgrape* and its development is presented in research findings and analysis chapter, as well as in Appendix C of this thesis.

### **2.2.2 Reasons for a case study**

A case study method was chosen as one of the qualitative research methods because of its exploratory nature in investigating a real-life phenomenon (Yin, 2009). As already mentioned earlier, crowdfunding is a new socio-economic phenomenon that has emerged only recently. Even though it has been generating a great deal of attention from the media, the long-term sustainability of its practice has not yet been substantially documented.

A case study method was used instead of a survey, for it permits a more detailed examination on this subject, which findings contribute to the comparatively little research about crowdfunding in general. This choice satisfies my aim to understand the social settings of crowdfunding on a chosen crowdfunding platform Kickstarter and crowdfunding in general. The case study approach has a strong advantage over a survey, as it uncovers complexities for the subject of focus (Denscombe, 2007)

Furthermore, this study focuses on reward-based crowdfunding model, which is associated with philanthropic motivations and personal aims. Therefore, in order to understand and denote the social setting of this model of crowdfunding I have reserved to focus on qualitative in-depth research.

### **2.2.3 Why Newsgrape?**

In the end of 2010, the founders of Newsgrape ran a crowdfunding campaign (also referred to as 'project' further in this study) on Kickstarter crowdfunding platform to seek for funding needed for launching a beta version of Newsgrape platform. The project was set to reach a funding goal of \$12,500 within 45 days. On January 16, 2011 Newsgrape project on Kickstarter successfully raised its funding goal, accumulating a total of \$16,066 pledged. Shortly after its successful funding, Newsgrape started gaining momentum in Europe.

An important requirement of Kickstarter platform is that project creators hold a permanent citizenship of USA with a local bank account. That is why, at the time that Newsgrape was launched as a project on Kickstarter, not a great number of European projects have tried seeking funding on this platform. However, the creators of Newsgrape overcame this challenge by registering the projects' transaction information on a friend's name and bank account in USA. Therefore, Newsgrape project became one of the pioneers in Europe.

Therefore, the choice to conduct a single case study of *Newsgrape* is based on three significant reasons:

1. Newsgrape project presents a **unique characteristic**. It was one of the first successfully funded Kickstarter projects in Europe;
2. Newsgrape project represents a **typical case**. All projects on Kickstarter undergo the same set of regulations and steps for presenting a creative project. Observations gathered from Newsgrape case, therefore, provide insight information and example to processes that creators encounter on this particular platform.
3. Creators of Newsgrape are non-professionals, which is the **target audience** that my final advise of this study is focused on.

#### 2.2.4 Collection of data

The case study of *Newsgrape* involves four data collection methods:

- In-depth one-to-one unstructured interview with CEO and co-founder of Newsgrape Felix Häusler;
- One-to-one semi-structured interview with Katrin Derler, a backer of Newsgrape project on Kickstarter;
- Documentation of emails, personal documents and notes, news clippings and other articles in the mass media, newspapers, websites, blogs and social media websites.;
- Direct observations of *Newsgrape* and its practice in general.

The findings gathered from the case study will be defined and analyzed in chapter four of this thesis. Interview transcripts and additional information on Newsgrape is available in Appendix C.

### 2.3 In-depth semi-structured one-to-one interviews

*Semi-structured in-depth one-to-one interviews were conducted as one of the qualitative research methods for this dissertation. Interviews were chosen in order to gain insight information highlighting motivations, success factors, social relationships and drawbacks*

*of crowdfunding. Interviewees provide this information based on their experience with crowdfunding platform Kickstarter.*

### **2.3.1 Reasons for interviews**

As discussed earlier, crowdfunding is complex in nature and it presents an unexplored area for research. Interviews were chosen, as part of the qualitative data collection of research, for their attribute of providing explorative data on subtle phenomena (Denscombe, 2007). The aim of this dissertation is to investigate the social settings of crowdfunding practice in order to answer the main research question. Interviewees provide insight information and serve as informants to a complex subject such as crowdfunding is (Yin, 2007).

In order to gain insights concerning feelings, emotions, opinions and experiences of individuals (Denscombe, 2007), interviews were chosen to provide more in-depth data for research findings. The information collected is not simple, but rather complex. Therefore, a questionnaire method would not have been sufficient to investigate crowdfunding phenomenon in-depth with a focus on social aspects.

### **2.3.2 Type of interviews**

Semi-structured one-to-one interviews were conducted in order to let interviewees develop and broaden their ideas while keeping a clear focus on the subject. A list of open questions regarding the main sub-questions of this research topic was used, allowing space for the 'snowball effect' of ideas, opinions and thoughts to be discussed, and thus provide insight information on the phenomenon of crowdfunding.

The majority of interviews were conducted one-to-one using live Internet-video software Skype, due to interviewees residing in different countries. One-to-one approach was used for it allows to identify and elaborate on specific ideas of interest, mainly the sub questions addressing motivations, relationship between individuals, success factors and drawbacks for using Kickstarter platform.

### **2.3.3 Interviewees**

A total of six individuals were interviewed for this study. Interviews took place in the period from March 2012 to May 2012. All interviewees had been project owners of their creative projects on crowdfunding platform Kickstarter. Interviewees were chosen for their experience in running a project campaign on Kickstarter and the privileged information they possess. All interviewees allowed disclosing their real name for this thesis.

Interviewees, the most important facts about their crowdfunding projects, and justification for the choice, are presented below, while additional information regarding interviewees' projects and interview transcripts are found in Appendix E.

- *Interviewee 1 - Ladd Mitchell*

Ladd Mitchell is a free-time musician from USA, who ran a musical project on Kickstarter. His project, titled *Tiger Tank EP*, received a successful funding in December 2011.

- *Interviewee 2 – Danny Ghitis*  
Danny Ghitis is a freelance photographer from USA, who ran a Kickstarter journalism project in Poland. Titled *Life in the Shadow of Auschwitz*, his project received a successful funding in June 2010.
- *Interviewee 3 – Bonnie Kate Wolf*  
Bonnie Kate Wolf is a freelance graphic designer and illustrator from London, United Kingdom. She ran a graphic design project on Kickstarter titled *Knitting the World Together*. Her project received successful funding in February 2012.
- *Interviewee 4 – Julia Blaukopf*  
Julia Blaukopf, a freelance photographer from USA, ran a photography project on Kickstarter in Enschede, the Netherlands, in August 2011. Her project, titled *Creatives Working*, did not receive successful funding.
- *Interviewee 5 - Ivana Horvat*  
Ivana Horvat ran a documentary film project on Kickstarter behind her and her partner's video production company LlamaMama Productions, based in USA. The project, titled *Finding Bosnia*, received a successful funding on May 2012 and will be realized in Bosnia and Herzegovina. At the time that this interview took place, the project was still actively running on Kickstarter platform.
- *Interviewee 6 – Kejia Zhu*  
Kejia Zhu is a creative strategist working at Mint Digital, a company based in London, United Kingdom. He ran a product design project titled *Foldable.Me* and received successful funding in April 2012. This project gained much attention on Kickstarter platform, as the funding goal was exceeded by 1,014 percent.



### 3 Theoretical framework

*Theoretical framework covers the observations and understandings generated from the conducted desk research. This chapter defines and explains the phenomenon of crowdfunding as well as other phenomena that have influenced its development. In addition, reward-based crowdfunding platform Kickstarter, on which research of this thesis is based, is presented and explained in detail.*

#### 3.1 Crowdfunding

*Crowdfunding is a new socio-economic phenomenon catching massive media attention lately. It allows individuals with entrepreneurial, innovative and creative ideas to seek for funding from ordinary individuals for these ideas to be realized. Individuals around the world are discovering this new business model and utilizing it for creative, innovative, technological, philanthropic and many other ideas.*

Crowdfunding (or crowd funding, crowd-funding) is defined as “an open call, mostly through the Internet, for the provision of financial resources either in the form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes” (Lambert & Schwenbacher, 2010, p. 6). Crowdfunding is made possible through the advancement of Internet technology and features, otherwise referred to as Web 2.0 (Belleflamme et al., 2010; Kleemann et al., 2008), and also the advent of widely used social networks such as Facebook and Twitter. The main objective of crowdfunding is to collect money needed for investment from a large audience of individuals, otherwise called ‘the crowd’ (Lambert and Schwenbacher, 2010). It differs from traditional business model for it allows individuals to generating investment for creative and innovative ideas not from professional and specialized investors, but by small donations from individuals within the crowd.

There are four types of crowdfunding models: equity-based, lending-based, reward-based and donation-based crowdfunding (Crowdsourcing.org, 2012). Equity and lending-based crowdfunding focus on financial returns. Platforms that specialize in these crowdfunding types enable project owners to ask for donations from the crowd, for which they grant equity in exchange (Daily Crowdsourc, 2012). These projects are usually focused on entrepreneurial motives and business start-ups as final result.

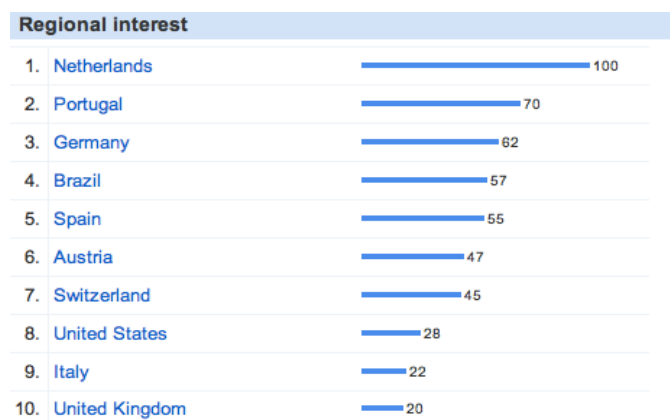
Donation and reward-based crowdfunding is based more on philanthropic motives. In donation-based model individuals are purely donating and receiving nothing in exchange, whereas in reward-based model individuals receive a non-monetary tangible reward (Daily Crowdsourc, 2012; Crowdsourcing.org, 2012). Donation-based crowdfunding has been mainly exploited for charitable causes. For instance, The Amsterdam Museum has recently collected a much needed funding for the restoration of Matthieu van Bree painting using crowdfunding (Volkskrant, 2012). Reward-based crowdfunding is mostly used for creative projects like film, music, design etc. and innovative technological projects. These crowdfunding models signify different scope of activities and project types. As already discussed in the introduction, this thesis is focused on reward-based crowdfunding model.

Over the past two years, crowdfunding has been attracting a great deal of people's attention all over the world. In fact, it is becoming a widely used term in society at large. To illustrate this fact, Google Insights for Search<sup>1</sup> was used to examine the popularity of the word 'crowdfunding'. The generated results present a significant rise in worldwide search volumes. Figure 3 illustrates how the demand for 'crowdfunding' rose from 2010 to 2011. The percentage of growth (seen on the right side of the graph) is measured and illustrated according to the first date seen on the graph.



**Figure 3** Google Insights for Search engine shows rising search volume for 'crowdfunding' 2010-2012  
Source: Google Insights for Search, 2012

According to statistics (retrieved on May 29, 2012) of web search interest for crowdfunding measured by Google Insights for Search, arts and entertainment is the most popular category of crowdfunding that was searched to date (Google, 2012). Looking at the regional interest, Figure 4 depicts that the highest interest for crowdfunding is registered in the Netherlands, followed by Portugal and Germany. This signifies that awareness and interest in crowdfunding is rapidly growing in Europe.



**Figure 4** Regional interests in crowdfunding by top ten countries generated by Google Insights for Search engine Source: Google Insights for Search, 2012

According to Crowdsourcing.org (2012), which is the biggest online community for crowdsourcing and crowdfunding news; as of April 2012 there are 452 crowdfunding plat-

<sup>1</sup> Google Insights for Search is a web facility of Google Inc. that shows popularity of an entered search term along in relation to a particular time period, different world regions, languages and other properties. Similar to

forms worldwide. Platforms are active and are based on equity, lending, reward or donation-based models of crowdfunding. Even though the mass usage of crowdfunding initiatives began only recently, several platforms have been operating long before the term 'crowdfunding' has even been defined. Therefore, the following platforms that influenced the development of crowdfunding are presented:

- *ArtistShare*, launched in October 2003 in USA, is among the first crowdfunding platforms for artists online. It is based on a "fan funding" model, where fans can fund musical artists and their creations, and in exchange receive some form of access to the creative process (ArtistShare, 2012). According to *ArtistShare*, the platform's projects have received five Grammy awards and 15 Grammy nominations (ArtistShare, 2012).
- *Sellaband* is a crowdfunding platform launched in 2006 for undiscovered musicians, who seek to get funded by fans. Based in Munich, Germany, it is a popular platform for musical artists all over the world, with over \$4,000,000 already invested to independent musicians (Sellaband, 2012). According to Sellaband's funding model, artists have 100% freedom of rights to create the music they like and pertain all the copyrights. Individuals and fans that invest into a music project on Sellaband, have the ability to withdraw their money anytime before the project's funding goal is reached (Sellaband, 2012). Sellaband is often referred to as the granddaddy of crowdfunding" (Agrawal et al., 2011, p. 5).
- *Kiva*, founded in 2005 and based in San Francisco, California, is a non-profit organization with a mission to "connect people through lending to alleviate poverty." (Kiwa, 2012) This crowdfunding platform is based on philanthropic intentions (Agrawal et al., 2011) and is categorized as a donation-based crowdfunding platform. According to *Kiva* website, the platform has already collected more than \$308 million in loans (Kiva, 2012).
- *Kickstarter*, founded in 2009 is a reward-based crowdfunding platform based in USA. It operates on an "all-or-nothing" business model, where project creators do not receive money unless the project reaches its funding goal on time (Kickstarter, 2012). Kickstarter specializes in creative projects related to music, film, design, food, video games and other. The platform charges five percent for successfully funded projects, along with additional charges from Amazon Payments (Kickstarter, 2012). Kickstarter is regarded as the most popular reward-based crowdfunding platform today (Crowdsourcing.org, 2012)
- *IndieGoGo*, based in San Francisco, California, is a reward-based crowdfunding platform launched in 2008 that enables funding for any type of campaign, be it film, charity or business (IndieGoGo, 2012). It is based on two types of funding models: individuals can choose, if the project is not successful, to either keep the generated funds and pay nine percent fee, or withdraw from taking the money (money is transferred back to people who funded the project) without any additional fees (IndieGoGo, 2012).
- *RocketHub* is a reward-based crowdfunding platform for creative projects launched in 2010. It is based on an "all & more" funding business model that enables project owners to collect the pledged money even if a project does not

reach its complete funding goal on time; when the project does reach its goal, project owners receive an additional bonus (RocketHub, 2012). RocketHub charges a four percent fee along with additional three to five percent charged by credit card companies for transactions (RocketHub, 2012).

- *Sponsume*, launched in 2010 is a reward-based crowdfunding platform for creative individuals and organizations based in London, UK and operating worldwide. It operates on a similar funding model to *RocketHub*, where project creators are allowed to keep the accumulated pledges even if the target goal is not reached on time. The platform charges a four percent fee for successful projects and a nine percent fee to projects that do not reach the funding on time (Sponsume, 2012). Sponsume offers funding in four different currencies (US dollars, Euros, UK pounds and Australian dollars) (Sponsume, 2012). This differentiates it from other international platforms that are operating activities only in US dollars.

All of these platforms operate internationally and attract individuals from all over the world. This fact substantiates the entire concept of crowdfunding practice – borders do not limit crowdfunding activities. In fact, Agrawal et al. (2011, p. 1) acknowledge that distance-related frictions are overcome by crowdfunding platforms, and highlight three properties that crowdfunding platforms have in common:

- 1) they provide a standardized format for entrepreneurs to present their project in a comprehensive manner to anyone with internet access,
- 2) they allow for small financial transactions (e.g., USD\$10) to enable broad participation with limited downside risk,
- 3) they provide investment information (i.e., cumulative amount raised to date and the online identity of current investors) as well as tools for investors to communicate with each other.

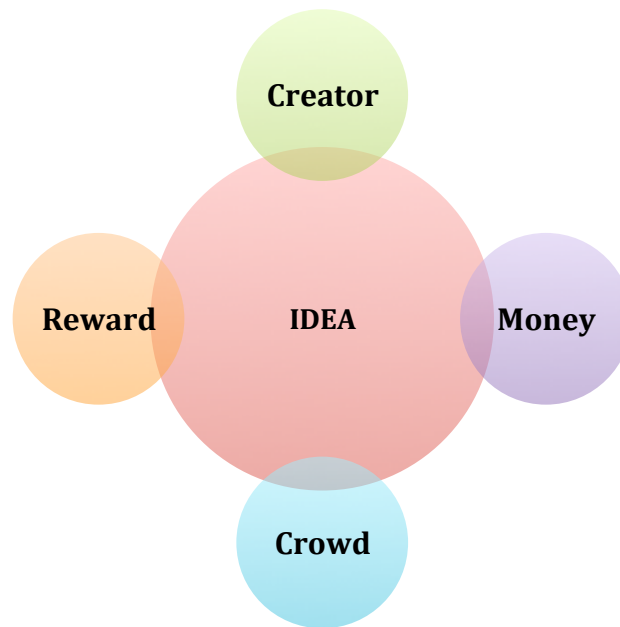
To illustrate how crowdfunding works in practice, a case study will be presented in the results and analysis chapter of this paper.

### **3.2 Reward-based crowdfunding**

Belleflamme et al. (2010), who were among the first researchers to investigate the economic model of crowdfunding, identified crowdfunding initiatives to be greatly based on rewards. Today, reward-based crowdfunding accounts to the largest number of all crowdfunding platforms (Crowdsourcing.org, 2012). In 2011 individuals worldwide collected more than \$85 million on reward-based crowdfunding platforms (Burke, 2012).

Reward-based crowdfunding is based on providing rewards in exchange to monetary donations. Individuals from the crowd, who donate money for a project, receive tangible, non-monetary rewards as a compensation for their money. For example, t-shirts, CDs, books and stickers are among the most popular rewards. Pre-orders of the final product copy are also popular among reward-based crowdfunding platforms.

Initial research suggests that reward-based crowdfunding is based more on ideas or contents of projects (Beer & Badura, 2012), rather than monetary inputs as individuals do not receive shares in projects. This model is, therefore, the core focus of qualitative research of this thesis. The figure below presents the main components of reward-based crowdfunding:



**Figure 5 Main components of reward-based crowdfunding**

*NOTE: The terminology for crowdfunding-related terms varies from platforms to authors. In this thesis I will be using terminology that is applicable for one crowdfunding platform in particular, which will be described in more detail in the next section of this paper. Further definitions are explained in the Operationalization part.*

### 3.3 Kickstarter

*I have handpicked Kickstarter as the main crowdfunding platform for my research due to two reasons. First and foremost, Kickstarter platform is based on a donation model of crowdfunding. This means that money is donated to creative projects, and no product investment or business ownership takes place. As opposed to investment-based crowdfunding platforms, where people donate money for the exchange of equity, Kickstarter signifies a phenomenon of a more pure social activity. The overall aim of this study is to analyze and understand the potentials of reward-based crowdfunding for non-professional creative individuals by examining projects on Kickstarter platform.*

*Secondly, Kickstarter platform has been attracting significant attention from media, as donations for creative projects are escalating to immense figures. According to Google Insights for Search service, the term 'crowdfunding is associated with the word 'kickstarter' most frequently by Internet users worldwide (Google, 2012). Thus, by analyzing crowdfunding within a popular platform, such as Kickstarter, accurate and relevant results as presented that provide an understanding of reward-based crowdfunding.*

Kickstarter is a crowdfunding website founded on April 28, 2009 by Perry Chen, Yancey Strickler and Charles Adler, that facilitates online fundraising. Based in Brooklyn, USA, it started as a platform for filmmakers and artists, today it is one of the largest crowdfunding platforms worldwide for creative projects, such as film, music, design, art, video games, comics, journalism, publishing, fashion, food, photography, technology and theater (Kickstarter, 2012).



*Figure 6 Kickstarter logo. Source: Kickstarter, 2012*

The platform focuses on creative project crowdfunding. According to co-founder Yancey Strickler, creativity can be allotted in many different ways (Ryssdal, 2012). This is why there are 13 creative categories that projects have to fit in. Kickstarter is based on a reward-based crowdfunding model - collecting monetary funding from a general audience of people in exchange for a reward. This facilitation stands as an alternative to traditional methods of investment (Schwienbacher & Larralde, 2010). Instead of specific professional investors providing large sums of money to projects or business start-ups, Kickstarter is a platform where ordinary individuals fund projects of other individuals by donating small sums of money.

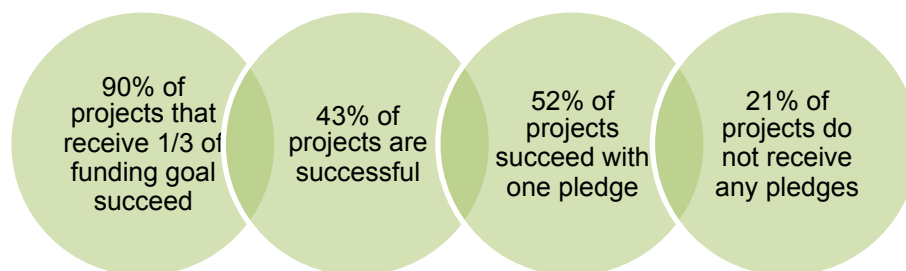
On Kickstarter, project owners are called 'creators' while individuals who pledge money to projects are referred to as 'backers'. These terms used by Kickstarter will be used throughout this paper. Every project has a funding goal and a time deadline. Creators have to choose to run their project between one and 60 days, and define the funding goal in dollars to a sum they need to realize the project. According to Kickstarter statistics, the most successful project campaigns run for 30 days or less (Kickstarter, 2012). After the deadline of a project is reached, it is classified as 'funding successful' or 'funding unsuccessful' project. Successful projects are those projects that reach their funding goal on time, thus creators receive the pledged money. If projects do not reach their funding

goal on time, they are thus unsuccessful. When this occurs, project creators do not receive any donations pledged prior to the project's deadline as all the money is transferred back to backers' credit cards. This is called an all-or-nothing business model.

Furthermore, all proposed projects on Kickstarter platform are closely monitored. Projects have to surpass a quality control evaluation from Kickstarter, examining if criteria and guidelines are met, before they are presented to the public. The platform disregards any projects that favor a personal aim or goal, the so-called 'fund-my-life' projects (e.g. money for learning a new language, taking a trip, etc.). This **curatorial behavior** is one of the most significant characteristics differentiating Kickstarter from other crowdfunding platforms alike. Other notable guidelines and prohibited projects of Kickstarter are found in Appendix A. Moreover, Kickstarter (2012) helps promote projects that are favored by the staff on its blog (Projects We Love section) and on the front page (Staff Picks section, Curated Pages).

Kickstarter holds no ownership in the projects. All projects are stored in Kickstarter's data and are open to public view. Kickstarter takes 5% of the money raised for a project, while Amazon withdraws additional 3%-5%, as all the money transfers are carried out by Amazon Payments. What is more, investing into project equity is prohibited on Kickstarter. It operates purely on exchange of rewards for the donated money.

Kickstarter appeals to a worldwide audience of individuals. Although, creators of projects have to hold a U.S. bank account, it does not restrict European project owners from using the platform. My observation of the platform concludes that individuals either find friends, family members or acquaintances that are willing to process the U.S. based payment system of a project. Backers of projects, however, are only required to have a credit card, no matter where it is issued.



**Figure 7 Kickstarter statistics. Source: Kickstarter, 2012**

To date, 20,000 projects have been successfully funded on Kickstarter since April 2009, with more than 1.8 million backers and \$200 million dollars pledged (Kickstarter, 2012). Figure 5 above represents the approximated statistics of projects success on Kickstarter. What is remarkable is that 90% of all projects receive successful funding once they reach 1/3 of their final goal (Kickstarter, 2012). According to Kickstarter 75% of all proposed projects are accepted for presentation (Kickstarter, 2012).

A great number of creative projects that acquired funding via Kickstarter have received widespread recognition. For instance, a film project by filmmaker Matthew Lessner made Kickstarter history in the beginning of 2011 as the first successfully funded film that was screened in the internationally acclaimed Sundance Film Festival in USA (Time, 2012). In total, the year 2011 set significant milestones for Kickstarter with more than 30 million visitors to the platform. However, this year has been setting more records than ever before. In the beginning of 2012, a video-game project titled *Double Fine Adventure* accumulated a record amount of pledges. It raised more than three million dollars, significantly exceeding the funding goal of \$400,000. While the media attention for the project was roaring, less than two months after, another project managed to collect an eight-figure record sum. The *Pebble E-Paper Watch*, a watch that synchs with a smartphone, raised more than \$10 million of initial goal of \$100,000 on May 19<sup>th</sup>, making it the most funded project of Kickstarter (Kickstarter, 2012; Milian, 2012; Chang, 2012; Wortham, 2012).

To sum up, Kickstarter is about giving creative individuals the opportunity to be recognized by connecting them to ordinary individuals around the world. It is not solely focused on funding and money. Co-founder Yancey Strickler summed up the main idea of Kickstarter in a recent interview:

*One of the notions behind Kickstarter is that if you change the question behind funding from 'Will this make money?' to just 'Do I want this to happen?' – a lot more things become possible. There's a lot about Kickstarter that is very similar to patronage, and that is a model that is a meshing of patronage and commerce. Old forms of patronage were about the elite being able to just incentivize people to create the art that they wanted. And now you have anyone, anyone can be a patron of the arts. Anyone in the world. (Ryssdal, 2012, para. 28)*

### 3.4 Crowdsourcing

*Crowdfunding cannot be fully understood and interpreted without looking at the initial act that it derives from, and that is crowdsourcing. This neologism has become a popular term and widely used activity for the population of the digital age. Moreover, it has fruited the development of other phenomena, including crowdfunding. In this chapter crowdsourcing is explained from a historical perspective, defining its relation to crowdfunding. In addition, common examples of crowdsourcing are described.*

The term crowdsourcing was acknowledged and defined in 2006 by Jeff Howe. It was published in an article in *Wired*, a monthly American magazine reporting technology, culture, politics and economy based news. He defined that crowdsourcing meant that individuals can do the work once done by companies and take it into their own hands (Howe, 2006). On his personal website, Howe (2010) coined the definition more extensively. It states “crowdsourcing is the act of taking a job traditionally performed by a designated agent (usually an employee) and outsourcing it to an undefined, generally large group of people in the form of an open call.” (Howe, 2010) Schenk and Guittard (2010) address crowdsourcing as “a form of outsourcing not directed to other companies but to the crowd by means of an open tender (open call) via an Internet platform.” (Schenk, Guittard, 2010, p. 3) Figure 2 shows how the process of crowdsourcing takes place.



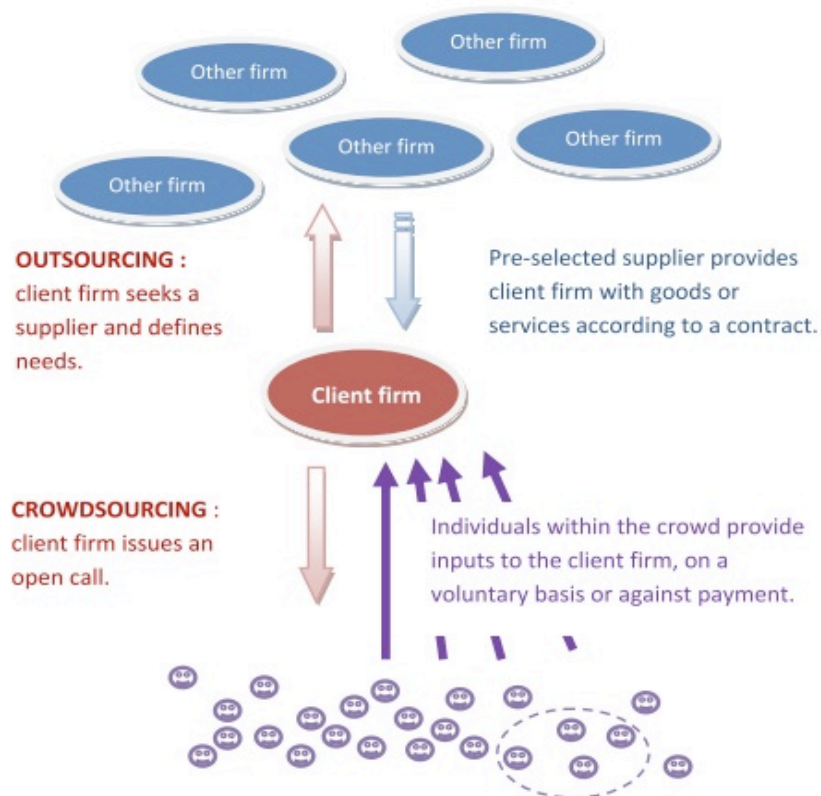


Figure 8. Crowdsourcing explained by Schenk & Guittard (2010)

Therefore, to put it into simple words, crowdsourcing takes place when companies use the input of consumers to create value. Taking above definitions into consideration, it is evident that crowdsourcing is focused and based on two important aspects – *the crowd* and *the open call*. Kleemann et al. (2008, p. 9) interpret the crowd as a “working consumer”, signifying three main characteristics: working consumers become valuable assets to the production process of a company; they provide economic advantage; and they become integrated into the corporate structure of a company.

It can be concluded that crowdsourcing practice implies a very diverse set of activities and tasks. Schenk and Guittard (2010) denote that crowdsourcing tasks can be categorized by routine, complexity and creativity. Creativity-driven crowdsourcing initiatives are regarded to give rise to the phenomenon of crowdfunding. Schwienbacher and Laralde (2010) identify the connection of crowdsourcing practice to crowdfunding, noting that it can be interpreted as an **element of crowdsourcing**, as it supports its main activities: **product design, community reporting and consumers’ support**.

Moreover, it is important to denote and understand what ‘*the crowd*’ stands for in crowdsourcing and crowdfunding practice. Surowiecki (2008), best known for coining the term ‘wisdom of crowds’, explains the crowd to consist of a very broad group of people. However, he highlights one distinctive feature: “These groups are all different, but they have in common the ability to act collectively to make decisions and solve problems – even if the people in the groups aren’t always aware that’s what they’re doing.”

(Surowiecki, 2008, p. XVII) Given this observation, the crowd stands as a powerful and inevitable participant in crowdsourcing activities. A closer look at the significance of the crowd will be examined in the further in this chapter.

The core that makes crowdsourcing feasible is, what many authors identify, the development of Web 2.0 (Brabham, 2008; Kleemann et al., 2008). Web 2.0 is strongly connected with computer technological advancement, which is defined as: “[...] Internet applications that make possible new forms of interactive communication that go beyond conventional sender-receiver models.” (Kleemann et al., 2008, p. 10) These applications are based on interactive communication, information sharing and collaboration. Social media networks (such as Facebook, Twitter), blogs, video-sharing applications (e.g. YouTube) are all examples of Web 2.0. Schwienbacher & Larralde (2010) substantiate the development of Web 2.0 from the sociological perspective, noting that it enables people to share their common interests while connected to networks.

#### **3.4.1 Examples of crowdsourcing**

It can be argued that crowdsourcing is still a relatively new phenomenon in today's society. However, many authors, technology and information enthusiasts would argue that crowdsourcing has, in fact, developed into a powerful apparatus. It is responsible for shaping the current business environment bringing consumers closer to producers. Howe (Wired, 2006) stressed that crowdsourcing creates multiple possibilities for ordinary individuals in the corporate world. These possibilities can be observed from some early examples of crowdsourcing initiatives. For instance, giant companies like Converse, Sony and Chrysler are popular brands among consumers on the global scale. They have been among the first to utilize crowdsourcing activities, allowing consumers to submit user-generated content, such as homemade commercials that contribute to the marketing of these brands (Brabham, 2008). What is more, they reward consumers with respectable sums of money, proving that the exchange of value is mutual.

Crowdsourcing activities do not reserve to only international and existing companies. Companies like Threadless and iStockphoto are operating on fully crowdsourced practices online. For example, Threadless is a free web-based community of creative individuals who create t-shirt designs and submit it for an ongoing online competition on the website (Brabham, 2008). The creative community online votes for best designs that are later picked and sold on the website. Started in 2000, Threadless was identified as a pioneering crowdsourcing initiative by Howe (Brabham, 2008). Today it is a popular community of creative individuals worldwide. Stock photography giant iStockphoto is known for becoming the largest royalty-free photography community for both amateurs and professionals.

### **3.5 Crowd wisdom**

*The presence of the ‘crowd’ in crowdsourcing practice is inevitable and irreplaceable. The crowd proves to solve problems by coming together and forming a strong collaborative force. However, how the crowd manages, being widely dispersed, to produce tangible and successful results that sometimes outperform professional business units, is worth examining.*

The definition of the crowd varies greatly from author to author. Observations from authors and scholars known for their work investigating crowdsourcing practice, however, identify common features. Kozinets et al. (2008, p. 345) identify the crowd as “large, organized, groups who gather or are gathered together specifically to plan, manage, and/or complete particular tractable and well defined projects.” Schenk and Guittard (2010) define the crowd as individuals or communities, while Howe (2009) describes it as a generally large group of people. Given these definitions it can be said that the crowd is very diverse, made up of individuals, who collaborate to execute certain projects. As already mentioned earlier, Surowiecki (2008) points out that the most important characteristic of the crowd is their ability to make decisions and solve problems.

Surowiecki (2008) has coined the term ‘wisdom of crowds’ to explain how it is shaping the current societal setting where ordinary individuals are becoming important assets to corporate activities. Based on empirical examination surrounding various well-known cases, such as the space shuttle Challenger disaster, the author suggests that a large group (the crowd) of people is, in fact, wiser in right circumstances than the smartest people of the crowd acting alone (Surowiecki, 2008). Therefore, Surowiecki (2008, p. 10) categorizes these wise crowds into four conditions:

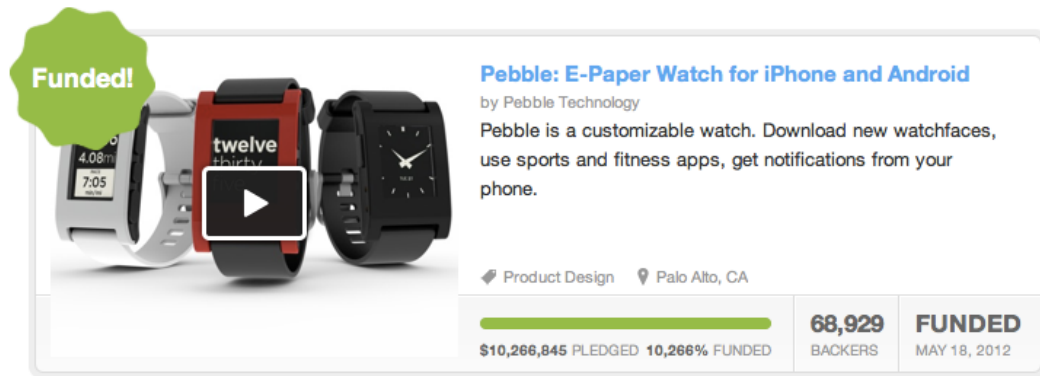
**diversity of opinion** (each person should have some private information, even if it's just an eccentric interpretation of the known facts), **independence** (people's opinions are not determined by the opinions of those around them), **decentralization** (people are able to specialize and draw on local knowledge), and **aggregation** (some mechanism exists for turning private judgments into a collective decision).

Taking the process of crowdfunding into account, it is important to highlight that the crowd's input into projects provide a tangible and clearly visible output. Moreover, this output directly benefits the project owner and the project itself.

The role of the crowd in reward-based crowdfunding model is based on two main factors, as highlighted by Kozinets et al. (2008) study of crowdsourcing initiatives: collective innovation is spread out between large number of contributors, and these contributors are focused in the collaboration of particular projects. For projects on Kickstarter platform, which is the main focus of this study, the presence of crowd wisdom is comprehended from the amount of money pledged to a project and the number of backers contributing to it. To illustrate this, it is best to look at the most successful project on Kickstarter. *Pebble: E-Paper Watch for iPhone and Android*, is a concept for a watch, which synchs with a smartphone via Bluetooth and displays messages on its screen. On May 18<sup>th</sup> 2012, this product design project officially became the most funded project to date, collecting a total sum of \$10,266,845 (out of \$100,000 initial funding goal) by 68,929 individuals around the world (Kickstarter, 2012). After only six days of being launched on Kickstarter, it outshined the *Double Fine Adventure*, a video game that was the most funded project at the time<sup>2</sup> with over \$3 million pledged in total. The Pebble watch signifies an enormous interest from the public, given its record amount of money pledged. Even though the watch is still in a prototype phase (Wortham, 2012), the attention that it is drawing is immense.

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<sup>2</sup> Note: During the period of writing this dissertation (March-May 2012) the most funded project of Kickstarter changed two times.



**Figure 9 Pebble project on Kickstarter. Source: Kickstarter, 2012**

However, what is more interesting is that Pebble's success was less than record-breaking before its concept was launched on crowdfunding platform Kickstarter. Eric Migicovsky, the creator of Pebble, had been rejected by venture capitalists, which did not want to invest into the product (Milian, 2012). Migicovsky is 25 years old and has recently graduated in engineering from University of Waterloo in Canada (Wortham, 2012). The success that he is now achieving with his soon-to-be real product Pebble is undeniably made possible because of Kickstarter and ordinary individuals who believed in his idea. This example substantiates Surowiecki's (2008) argument that the crowd is sometimes smarter than even the smartest individuals acting alone. The authors propose the idea that instead of investing time and individually searching for a solution, people should turn to the crowd and trust their collective intelligence (Surowiecki, 2008).

Given all the observations mentioned, it can be concluded that the crowd's role and input in crowdsourcing and crowdfunding activities is undeniable. Taking the observed example of the most funded project on Kickstarter, the power of the crowd signifies to keep increasing. Kickstarter currently harbors six projects that have exceeded the \$1 million pledge, and all six of these projects were funded this year. Surowiecki (2008, p. XIX) proposes that the crowd wisdom has "[...] a far more important and beneficial impact on our everyday lives than we recognize, and its implications for the future are immense." Fink (2012, p. 5), who examined crowdfunding through the recently passed JOBS Act law in the United States<sup>3</sup> (Gerber, 2012; Huhman, 2012), summarizes that: "the crowd has created an entirely new paradigm from which to view the world: it has overcome oppressive governments, produced new industries, and shaped the social and commercial avenues in which we interact." Crowdfunding is one of those social avenues that the crowd and its wisdom enable to function and aggregate remarkable results.

<sup>3</sup> JOBS (Jumpstart Our Business Startups) Act is a law that enables small businesses and startups in the United States to raise funds, especially by using online crowdfunding. The President of the United States Barack Obama signed this law on the 5<sup>th</sup> of April 2012. It may revolutionize the way for equity- and lending-based crowdfunding.

### 3.6 Creative tasks within crowdfunding

*This thesis focuses on creative crowdfunding projects. My final advice, furthermore, is addressed to a creative audience of non-professional individuals. It is important to highlight the presence of creativity in crowdsourcing initiatives, including crowdfunding as the major focus, and how the crowd is able to utilize this creativity.*

The development of Internet and Web 2.0 technologies has enabled a way to unleash individual creativity (Kleemann et al., 2008). In crowdsourcing initiatives creativity is used not only for the definite goal achievement. Schenk and Guittard (2010) highlight that the crowd utilizes its creative power in crowdsourcing practice and, what is more, creates value.

Kickstarter platform focuses on creative project crowdfunding. This suggests that the crowd that participates on Kickstarter platform is therefore creative. Kozinets et al. (2008) identify that the crowd is able to harness not only collective intelligence, but collective creativity as well. The authors define this factor as online collective consumer creativity, and note that it is triggered and made possible by four closely related activities: seeking for help, giving help, strengthening behavior and reframing (Kozinets et al., 2008). Given the terms by Kozinets et al. (2008), Schwienbacher and Larralde (2010) build on this study by identifying what 'online consumer' entails. They signify that an online consumer may belong to both face-to-face communities and other non-consumer communities online, specifically communities of crowdsourcing initiatives (Schwienbacher, Larralde, 2010). Therefore, the role of the crowd is one of the most important prerequisites for reward-based crowdfunding. What is more, the intensity and span of collaborative practices of the crowd are observed to outreach offline collective creativity (Kozinets et al., 2008).

Furthermore, what is important to highlight is that the crowd is not a specific and defined group of individuals. The crowd is highly diverse, dispersed and not defined by race, gender, age or professional qualification (Surowiecki, 2008). Brabham (2008), based on his research and studies of scholars, suggests that individuals forming the crowd are under 30 years of age, or even under 25, as this generation is exposed and active in Web 2.0 technologies the most. Taking crowdfunding initiatives into consideration, the age of participants has no significance at all (Milian, 2012). The final advice of this thesis, as already mentioned, gives recommendations on reward-based crowdfunding focusing on a target audience of non-professional creative individuals.

### 3.7 Convergence

*The crowd and individuals within the crowd are acting together in crowdsourcing initiatives. They can solve problems and even unleash their collective creativity to create value. These roles signify that the crowd is strongly connected. Moreover, as discussed earlier, this connectedness is enabled by Web 2.0 and Internet technologies. However, crowdfunding phenomenon suggests further implications on how the crowd holds power in their hands. Both human and media convergence are significant factors.*

Crowdsourcing and crowdfunding comprise a crowd that is highly diverse, and not defined by any regular determinants usually required to narrow down target audiences. Bikhchandani et al. (1998, p. 2) explain the cause of human convergence by highlighting that “individuals face similar decision problems, by which we mean that people have similar information, face similar action alternatives, and face similar payoffs”. This explains how the crowd manages to come together and achieve tangible results. As highlighted earlier, the crowd has the power to make decisions, solve problems and create value. It also signifies that the crowd therefore belongs to a greater identity – a community - of shared attitudes, interests and goals. The convergence of a community is reinforced by the media, and is critical for crowdfunding practice.

The convergence of media in crowdsourcing and crowdfunding initiatives is evident. These phenomena are not only based online, using Internet as the main medium. Social media largely taking over and is interconnected within the medium of Internet, from which it is almost irreplaceable today. Participants to crowdfunding initiatives utilize various social media, which strengthens the role of the crowd even more. For instance, all projects on Kickstarter are connected to social networking services Facebook and Twitter, and can be linked by users themselves, allowing for a bigger outreach to community. Jenkins (2004) explains media convergence to be triggered by consumers’ (meaning individuals consuming media) convergence. He highlights that consumers today are active, instead of passive, connected socially, and, most importantly, having the power in their hands to control media and show it publicly (Jenkins, 2004).

Active convergence within crowdfunding practice also implies that the crowd is not only creating value. Jenkins (2008, p. 3) underlines that “convergence occurs within the brains of individual consumers and through their social interactions with others.” These social interactions enable individuals within the crowd to share, cooperate and support each other in order to achieve substantial results.

It can be concluded that convergence within crowdsourcing and crowdfunding practice is relevant to both individuals and the media. The relationship is interdependent. While human convergence strengthens media convergence, the media convergence strengthens human convergence. Moreover, by connecting to different media and converging, individuals within a crowd are able to focus on personal outcomes, thus supporting self-actualization. These factors will be discussed in the following section.

### **3.8 Community and mass collaboration**

*The spread of Internet and communication technologies have enabled a massive spread of online social networks. On these networks today, individuals not only communicate with each other, but also indulge in activities such as sharing and collaborating. What is more, the results of these actions are producing tangible results. Crowdfunding is also based on collaboration. This part explains how mass collaboration built up to influence people’s behavior and produce. Moreover, the role it plays in crowdfunding practice is explored.*

Individuals actively indulging in communicating with each other form communities. Rheingold (2000, Introduction Section, para. 24) depicts this action of individuals sharing common interests and doing it in the virtual space, and defines it as virtual or online

communities, which are “social aggregations that emerge when enough people carry on those public discussion long enough, with sufficient human feeling, to form webs of personal relationships in cyberspace.”

Factors that influence and signify the community feeling on crowdfunding platform Kickstarter are most accurately interpreted with the studies of Hemetsberger (2006), who is known for her research of communities in open source systems. Hemetsberger (2006, p. 7) highlights that while there are many definitions, three most important factors that communities have in common are:

- 1) Community members share “**intrinsic connection**” with each other;
- 2) Community shares “**rituals and practices**” that continue its “**tradition and history**”;
- 3) Community bears “**responsibility**”, “**duty**” and “**obligation**” within.

As it will be highlighted in main research findings of this thesis, individuals that use Kickstarter crowdfunding platform belong to communities, in which they communicate, share, and collaborate for the creation of a final output – the creative project. As Rheingold (2000) observed, communities on the Internet indulge in the very same activities that communities in real life do. Sharing within communities online has seen a massive rise due to social media. Not only have social media networks facilitated communication to be easily accessible within widely dispersed members of communities, it has also allowed individuals to enhance sharing and indulge in collaborating.

Collaboration is, in fact, one of the most important features differentiating crowdfunding from other nascent activities. Panchal and Fathianathan (2008) define that communities online that work together in order to create new products, services and systems are indulged in what is called mass collaboration. One of the most well known examples of a mass collaboration product, that is used by millions of individuals everyday, is Wikipedia (Panchal & Fathianathan, 2008).

Looking at a general practice of crowdfunding, the mass collaboration vehicle is clearly recognizable. The crowd, as already discussed earlier in this thesis, plays a significant role in crowdfunding initiatives, as it enables the overall practice to function. Kickstarter platform, which specializes in creative projects, allows project creators to collaborate with their crowd of potential backers. For instance, project creators are obliged to offer rewards for donations. When creating these rewards, many creators offer a chance to backers to contribute to their final product or service of the project. Therefore, Kickstarter enables mass collaboration, as both the creator and the backers often shape the projects’ final result. An example how creators collaborate with their backers will be illustrated in the research findings chapter.

### 3.9 Self-actualization

*Conducted desk research suggests that individuals participate in reward-based crowdfunding not only for seeking funding or realizing their creative projects. With more power in their hands, individuals also highlight to receive personal validation. Personal motives are explained and related to theory of human motivation of Maslow (1943).*

As already discussed earlier, widely dispersed individuals who engage in crowdfunding initiatives are part of active communities that not only share information, but also collaborate to produce tangible outcomes. What is more, this proves to be successful and achieved completely without interference of professional middlemen. A crowdfunding platform allows individuals to self-regulate their activities and interaction. Therefore, creators are taking the power into their own hands to achieve results. "Creators themselves can be the leaders, attracting new audience and taking them on the journey without asking permission from gatekeeper corporations." (Beer & Badura, 2012, p. 5)

Having the ability to shape their own success, individuals are motivated by more personal goals when participating in crowdfunding initiatives. According to Castells (2007) the rise and rapid development of mass communication that is supporting self-actualization is enabling individuals to resist the established norms of society's institutions, and independently construct their reality. He recognized the cultural shift to individuality through the emergence of "market-driven consumerism", "new pattern of sociability based on networked individualism", and "desire for individual autonomy based on self-defined projects of life" (Castells, 2007, p. 240). Therefore, the expanding utilization of crowdfunding projects proves that individuals acknowledge these abilities and use it to their own advantage. Individuals voluntarily chose to rely on other individuals like themselves in order to reach self-fulfilling goals.

The self-actualization has been regarded by Maslow (1943) as one of the ultimate human needs. It satisfies self-fulfillment as individuals actualize themselves into what they already are or could potentially become (Maslow, 1943). Initial observation of creative projects on Kickstarter suggests that individuals use the platform to achieve certain self-fulfilling goals. Although the need for self-actualizations differs from individual to individual, however creative individuals usually experience it in the form of a creative urge (Maslow, 1943). This will be discussed in more detail and proven with conducted research in the results and analysis chapter of this thesis.

### **3.10 Crowdfunding explained by theory of Grunig**

*This part explains the reward-based crowdfunding model based on the symmetrical worldview of organizations by Grunig (1992). Using all the variables highlighted by Grunig (1992) of organizations with a symmetrical worldview, the concept is relevant for understand how reward-based crowdfunding is organized.*

James Grunig (1992) is known for his extensive studies and theories on public relations practice. The reward-based crowdfunding model, as present on Kickstarter platform, can be viewed from the perspective of what Grunig (1992) defined as organization with symmetrical worldview on communication. He identified organizations that are organized according to a symmetrical worldview as having certain presuppositions that are shaping their culture. Based on the overall understanding of reward-based crowdfunding practice accumulated through desk research and conducted qualitative research on projects on Kickstarter, a relation with Grunig's (1992) symmetrical worldview is seen in these variables: interdependence, open-system, moving equilibrium, equity, autonomy, innovation, decentralization of management, responsibility, conflict resolution, interest-group liberalism. The succeeding is explained taking Kickstarter reward-based crowdfunding platform into focus:



**-Interdependence.** The main actors of crowdfunding practice on Kickstarter involve creators, who target the crowd on the Internet for the achievement of funds; and backers, who provide these funds in the form of small donations. Creators and backers are interdependent, as without the presence of either of the two, crowdfunding practice would not be possible.

**-Open system.** Kickstarter emphasizes transparency to projects' details. Detailed information about projects is available for anyone who accesses Kickstarter page and includes projects' overviews, names and biographies of its creators, funding goals, currently pledged amounts for projects, total amounts pledged after the deadline, time left until the projects deadline, rewards for backers set by creators, number of backers, names of backers, updates and comments by backers and creators.

**-Moving equilibrium.** Crowdfunding is a nascent term in nowadays society. It is a recent phenomenon, thus the concept of crowdfunding keeps evolving and shaping itself. Projects on Kickstarter are creative, thus ideas are unique. Changes in crowdfunding laws and regulations, such as JOBS Act in the USA, can present a change to platforms like Kickstarter in the future.

**-Equity.** Kickstarter is free to join. It does not limit accessibility to individuals on account of their geographical location, education, gender or age.

**-Autonomy.** As pointed by Grunig (1992, p. 44) "people are more innovative, constructive, and self-fulfilled when they have the autonomy to influence their own behavior, rather than having it controlled by others." Autonomy is one of the most important factors differentiating crowdfunding practice from traditional way of investment. Individuals who seek for funding on Kickstarter (as well as other crowdfunding platforms) are tapping a general public, otherwise called the crowd (Belleflamme et al., 2010) instead of professional investors. This enables individuals to have full autonomy of their projects. Moreover, Kickstarter does not keep ownership or intellectual property rights to projects presented on its platform, as creators hold 100% ownership for their projects (Kickstarter, 2012).

**-Innovation.** Kickstarter is focused on creative projects in the categories of film, music, design, art, video games, comics, journalism, publishing, fashion, food, photography, technology and theater signifying that new ideas are strongly encouraged.

**-Decentralization of Management.** Grunig (1992) highlighted the power of collective management and its coordinating rather than dictating duties. Kickstarter is a crowdfunding platform that does not push individuals to make decisions or actions that they themselves do not wish to make. Kickstarter curates projects and provides feedback to project creators when launching a project (Kickstarter, 2012). Only 25% of projects that are proposed on Kickstarter are rejected (Kickstarter, 2012).

**-Responsibility.** Creators of projects on Kickstarter are fully responsible for fulfilling their promises, claims, and rewards for their backers. Kickstarter helps project owners, but does not fulfill their duties. This also supports the previous characteristic of decentralized management.

**-Conflict resolution.** Grunig (1992) highlighted the importance of negotiation, communication and compromise in resolving conflicts. Kickstarter supports this notion as the platform is based on open and honest communication. This encourages transparency within the concept of crowdfunding on Kickstarter platform, which will be highlighted in research findings and analysis chapter of this thesis.

**-Interest-Group Liberalism.** This characteristic substantiates the entire focus of crowdfunding and its differentiating feature from traditional funding means. Grunig (1992) acknowledged that symmetrical systems exclude corporate structures that are usually unresponsive and close-minded. Crowdfunding targets ordinary individuals instead of specific and professional investors for raising funds. The number of individuals successfully realizing their goals on Kickstarter platform is increasing every day.

## 4 Research results and analysis

*This chapter concentrates on the analysis of results obtained from the qualitative research using methods of desk research, case study and one-on-one semi-structured interviews. The qualitative research was carried out in order to answer the main research question: potentials for non-professional creative individuals for using crowdfunding platform Kickstarter. In order to be able to answer the main question of this study, the research methods focused on obtaining results from both non-professional and professional individuals to the following sub-questions supplementing the main question:*

- *What motivates individuals to present their ideas on Kickstarter platform?*
- *What is the relationship between project creators and backers on Kickstarter platform based on?*
- *What are the success factors of successfully funded individual Kickstarter projects?*
- *What drawbacks do project creators on Kickstarter encounter?*

The obtained research findings and observations conducted by desk research (refer to theoretical framework), Newsgrape case study and qualitative interviews with five non-professional individuals and one professional contribute to the main answer of the research question, which is defined in the conclusion chapter. Moreover, the findings from the entire qualitative research, as well as the examination of the theoretical framework, serve as a foundation for my final recommendations for non-professional creative individuals for using reward-based crowdfunding model in order to successfully achieve desired goals is presented in the last chapter of this thesis.

Only the most important and relevant information that supports the main findings of the research topic will be revealed in this chapter. Supplementary information about the case study, interviewees and additional theoretical observations is included in Appendices C, D and E.

### 4.1 Extrinsic and Intrinsic motivations

*Existing studies and research suggests that individuals use crowdfunding in order to raise funds from targeting a general public, also called the crowd (Belleflamme et al., 2010). The research findings gathered from a case study of Newsgrape and individual interviews, who used Kickstarter platform for their creative projects, justify this statement and also present new evidence and perspectives about other motivational factors influencing creators. Extrinsic and intrinsic motivations are discovered from direct answers to interview questions, and also by observing and interpreting given answers. Extrinsic motivations result in obtaining a reward, recognition or satisfaction for the work done, while intrinsic motivations highlight taking up an activity for fun or one's own sake (Kleemann et al., 2008).*

#### 4.1.1 Seek for funding

The main extrinsic motivation was identified as **seeking for funding** when running a project on Kickstarter platform. This finding is confirmed by six out of six interviewees, who ran a crowdfunding project on Kickstarter, as well as by Newsgrape case study.

Interviewees indicated that finding investors who would be interested to invest into creative idea projects is extremely difficult, and the results are rarely positive. As one interviewee notes: *“Having a full time job, a marriage, and two children did not present me with a lot of opportunities to seek professional investors like a record label or what-not.”* (Mitchell, L., personal communication). Newsgrape project and five out of six interviewees received successful funding for their project on Kickstarter, which confirms the high success rate for campaigns run on Kickstarter platform. According to statistics, 43% of all projects on Kickstarter receive successful funding (Kickstarter, 2012).

#### 4.1.2 Seek and generate public attention

Another extrinsic motivation observed from both the case study of Newsgrape and individual interviews is **seeking for public attention** for presented projects on Kickstarter. This motivation proves to bring awareness to projects regardless the success of the funding result on Kickstarter platform. One interviewee noted that she gained public attention for her photography project although her project on Kickstarter did not receive successful funding. Creator received personal checks, as philanthropic donations from strangers after her project had been unsuccessful on Kickstarter. This finding signifies that creators not only gain momentum while their projects are actively running the campaign on Kickstarter, but also **attract attention** and **bring awareness outside the crowdfunding platform**.

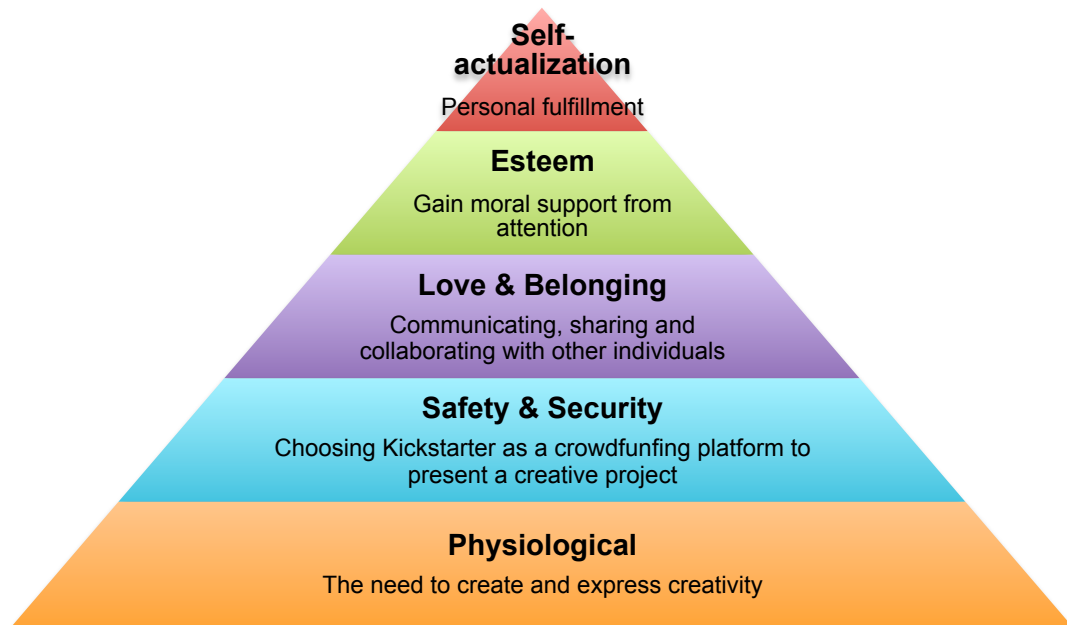
Newsgrape gained public attention from various media outside their home country Austria. For instance, German quality newspaper *Die Zeit* acknowledged Newsgrape and its project on Kickstarter, and brought awareness to its creators (refer to Appendix D for further information and link to article). The CEO of Newsgrape approximated that the overall public attention that Newsgrape gained due to the success on Kickstarter platform is approximated to a value of at least 100,000 euro. Therefore, Kickstarter platform is also used for promotion, public attention and awareness generation, and not only for generating funding. Authors Belleflamme et al. (2010), at the time of their study of economic implications of crowdfunding, already acknowledged that crowdfunding could serve as a promotional tool.

Moreover, interviewees and CEO of Newsgrape noted that once awareness is achieved and a project is successful, the crowd continues to donate money even though the project has already reached its funding goal. This finding suggests that crowdfunding model on Kickstarter has the ability to influence a **self-generating model of bringing attention and awareness to projects and their creators**.

#### 4.1.3 Personal needs

The majority of interviewees identified that Kickstarter was used to satisfy a personal need. Four out of six individuals who ran a creative project on Kickstarter highlighted different personal self-actualization goals that they anticipated to achieve. Therefore,

this confirms that individuals are also driven by an intrinsic motivation for self-fulfillment. This finding directly relates to Maslow's (1943) categorization of human needs based on different motivations. Self-actualization is part of social needs that are positioned at the top of the pyramid, signifying that individuals realize personal potentials by presenting projects on Kickstarter crowdfunding platform. Figure 8 highlights motivations for using Kickstarter crowdfunding platform explained with Maslow's human needs motivations.



*Figure 10 Crowdfunding on Kickstarter Hierarchy of Needs, explained using Maslow's (1943) foundation of hierarchy of needs*

This intrinsic motivation was not interpreted in the case of Newsgrape. The reason for this can be interpreted in the type of Newsgrape project. Although this project fits the category of technology on Kickstarter, the main aim of Newsgrape was to receive funding for its startup. Thus, the ending result was not a project or a product.

Therefore, a conclusion is drawn based on these findings. It is suggested that individuals are able to support personal needs when projects are not startup-driven, but focused on a tangible project or product creation. For instance, one interviewee noted that her documentary film project was very personal. Her main goal was not to raise money, but actually connect to her family that she has not seen in many years and document it on film that would be available for the public. This project highlights an aim for personal fulfillment depicted in the tangible product intended for the public.

Moreover, two interviewees acknowledged that improving **self-esteem** was also among the most important motivations. One interviewee confirmed to have gained moral support for the project, even though she did not manage to successfully achieve the funding goal on Kickstarter. Therefore, individuals who create projects on Kickstarter express the need for self-fulfillment.

## 4.2 Relationship

*The main actors on crowdfunding platform Kickstarter are creators, who are owners of projects, and backers, individuals who pledge money to projects. Initial research evidence suggests that there is a relationship between creators and backers that emerges on Kickstarter platform. Qualitative research findings from interviews and Newsgrape case study substantiate and identify the existence of a relationship, and define what it is based on.*

### 4.2.1 Belonging to community

When asked how, if so, the interviewees communicated with backers of their projects on Kickstarter, all interviewees referred to taking certain measures, such as writing project updates to backers, composing personal emails, creating videos to express gratitude and encourage others to join and contribute to the project. All of these measures confirm that projects on Kickstarter connect creators and backers into a community. As already discussed in the theoretical framework of this study, individuals gather into online communities where self-actualization is taking space and time (Rheingold, 2000; Castells, 2007).

Self-presentation on video is identified from the research findings to have a strong effect of connecting potential backers and making them part of the projects' community. One backer of Newsgrape project highlighted feelings of attachment to a project due to project owners' appealing video. In 2011, 80% of all projects on Kickstarter were launched with a video (Kickstarter, 2012). Moreover, desk research findings suggest that the use of social media networks such as Facebook and Twitter have an effect on projects. However, interviewees did not signify the use of these social networks to enhancing their relationship with backers.

Furthermore, interviewees and the CEO of Newsgrape highlighted that a large number of strangers (not family, friends or acquaintances of project owners) donated money to their projects. This confirms that Kickstarter **enhances peoples' connectedness** by uniting them into a strong community, where they share **intrinsic connection, rituals and practices, tradition and responsibility** (Hemetsberger, 2006).

### 4.2.2 Unbiased collaboration

From a variety of questions discussed with interviewees, observations point out that crowdfunding model as that of Kickstarter platform is based on unbiased collaboration between creators and backers. Two out of six interviewed individuals who used Kickstarter to present their projects directly collaborated with backers, who shaped the ending results of their project. In both projects, the ending result was successful. This collaboration is proved to be unbiased because of two reasons. Firstly, backers are not pressured in any way to make the collaboration happen. They donate money on their own will and as little or as much as they want. Secondly, both the creator and his/her backer are benefiting from collaborating with one another. The collaboration is mutual, as a creator supplements the project while a backer is acknowledged for the monetary funding, and becomes part of the community of the project. Therefore, collaboration is observed to strengthen the relationship between a creator and a backer.

### 4.3 Success

*Initial research results suggest that success of creative projects on crowdfunding platform Kickstarter depend on the mutual exchange between creators and backers. In this study the success of a crowdfunding project on Kickstarter refers to a project reaching its funding goal on time. Findings from the case study of Newsgrape and individual interviews confirm that two-way exchange is significant for the achievement of positive results. This exchange is powered by a reward system on Kickstarter - backers donate money voluntarily, anticipating tangible compensation (Belleflamme et al., 2010). This study identifies that success of projects on Kickstarter is based on rewards, the power of word of mouth and realistic goals.*

#### 4.3.1 Part of the process with rewards

Research findings from interviews and Newsgrape case study conclude that rewards given to backers for funding projects on Kickstarter are strongly influencing the success of a project. The findings verify that the main function of rewards is to involve backers into the process of a project. When asked about their opinion about why other people donate money to projects and why some projects fail on Kickstarter, interviewees referred to the importance of **involving backers into projects via rewards**. When rewards offer an opportunity for backers to participate, they feel part of the community of that project and influence its success. For instance, one interviewee noted the significance to give people a chance to participate. Although she was creating a unique one-piece object (a hand-knitted world map, with different colors demonstrating the epicenters of contemporary art production worldwide within 100 most populated cities) one of her rewards offered allowed backers to interact and directly influence the final result of the project (refer to Appendix E). A direct link between the success and rewards is observed in Newsgrape case study as well. The project offered a reward that was giving backers a voucher to advertise on Newsgrape worth the sum donated.

#### 4.3.2 Power of word of mouth

Word of mouth effect on Kickstarter platform signifies to bring a great deal of attention to projects, create awareness and eventually influence the success. The case study of Newsgrape confirms that the effect of word of mouth generated by Kickstarter influenced the success of the project (as it achieved its funding goal in time) and also generated awareness to the startup of Newsgrape in the long run. One interviewee noted that word of mouth attracted a large number of people to familiarize with his project and, in the end, make it successful. In fact, he identified knowing approximately only 10% of people who donated to his musical project. In addition, findings from Newsgrape project confirm that once the project was running as a campaign on Kickstarter, the generated attention came from geographically dispersed individuals, with no relation to project owners whatsoever. This finding confirms that, as already identified in the theoretical framework, Kickstarter platform attracts the attention of international audience. Therefore, all findings signify that word of mouth has a strong feature of influencing the success of projects, as it spreads to networks of widely dispersed individuals, who are not related to project owners.

In addition, as Kickstarter platform encourages creators to use online social networks Facebook and Twitter (Kickstarter, 2012), findings gathered from interviewees and Newsgrape case study identify that all interviewees connected their projects with one or

both social networks. However, it is impossible to approximate the amount of word-of-mouth brought by these social networks. Neither the interviewees, nor the CEO of Newsgrape emphasized it to have a strong effect for the overall success of their projects. This finding substantiates a previously mentioned research finding of generating public attention and awareness. Kickstarter platform itself enables a self-generating effect of word of mouth.

#### 4.3.3 Realistic funding goal

Research findings derived from five successfully funded projects of interviewees and Newsgrape project, as well as one unsuccessful project, indicate that the funding goal of projects influences the overall success. Projects with a realistic funding goal, appropriate for the creative category that it matches, prove to have a strong effect to reaching the funding goal on time. The CEO of Newsgrape stressed that the funding goal should not be regarded to cover the entire costs for project owners. His personal experience with coaching individuals, interested in running a Kickstarter campaign (refer to Appendix D for further details), addressed the noteworthiness of lowering the funding goal in order to attract attention, and consequently achieve success. He highlighted that individuals donate money when the funding goals are not too high, but fall into the realistic frame. He also added that this might even help a project reach an exceeding monetary goal.

In addition, some interviewees felt it was important to lower their expectations of money only to reach an unanticipated final result. **Paradoxically, while their funding goals were considerably low for the type of project being created, the final amounts donated were exceedingly larger.** For example, one interviewee's product design project was finally funded by more than 1000%. The initial funding goal was set lower and backers soon reached the successful funding, and continued to fund it regardless. Therefore, research findings and observations indicate that having a realistic funding goal can influence projects to receive a higher funding goal, and thus bring success to both the project and its owner.

#### 4.3.4 Transparency

Research findings from interviews with creators and examination of their projects on Kickstarter indicate that clear communication from project creators' side describing the **what, where, who, when** and **why** is crucial. Project owners generally referred to clearly communicating about these factors of their projects: what the project is and what it entails, who is involved, how it will be created, why the money is needed. Conducted research confirms that creators who clarify their projects' goals and communicate it transparently to the crowd have a higher chance of achieving their goal.

### 4.4 Drawbacks

*Individuals highlighted that one of the most common problems project creators face when using reward-based crowdfunding model, as that of Kickstarter, is lack of initial preparation. This also causes projects to be unacknowledged and therefore left unfunded. In addition, asking for too much money from the crowd also proves to have disappointing results.*



#### **4.4.1 Lack of preparation**

Interviewees emphasized that although it was not difficult to monitor the project once it was launched on Kickstarter, the initial step required extensive preparation. Projects on Kickstarter are required to have a very definite goal. Therefore, projects have to be presented accordingly. Majority of the interviewees pointed out stumbling upon a minor difficulty of setting up the rewards. The CEO of Newsgrape identified a difficulty for being approved by Kickstarter to launch the project. Newsgrape was rejected the first time that the project was submitted. Creators received a feedback form from Kickstarter representative, stating that the result of their project was not clear. After having improved their proposal, the creators of Newsgrape were allowed to launch their project on Kickstarter. The CEO of Newsgrape noted that the initial negative feedback received from Kickstarter gave more validity to the project when launching it for the big audience - the crowd. This curatorial behavior of Kickstarter platform assures projects from encountering major difficulties once projects are launched.

#### **4.4.2 Funding goal is soaring**

All except one interviewee had successfully funded projects on Kickstarter. Newsgrape also received successful funding. However, interviewees noted that when setting up the monetary goal of a project is important not to ask for too much money from the crowd. People shy away when the figures are soaring. Therefore, funding goals have to be appropriate for the category that a project is in. This confirms a previous finding, stating that goals have to be realistic in order to achieve successful funding. Interviewees and the CEO of Newsgrape repeatedly stressed that once backers are pledging for a project, potential backers will join and donate even after the funding goal has been met.

## 5 Conclusions and recommendations

*This last chapter clarifies the main conclusions of this study based on conducted qualitative research. The principal question regarding potentials for non-professional individuals to use crowdfunding platform Kickstarter is answered and defined. In addition, several recommendations are given to non-professional individuals for using a reward-based crowdfunding model, as that observed on Kickstarter platform, to successfully utilize creative projects and achieve desired results.*

### 5.1 Conclusions

The objective of conducted desk research, exploratory case study and qualitative interviews was to observe and define whether there are potentials for non-professional creative individuals to use crowdfunding platform Kickstarter. Overall, research findings confirm that there **are potentials** for non-professional creative individuals to use crowdfunding platform Kickstarter. Main potentials are highlighted as follows:

- Kickstarter reward-based crowdfunding model is an easy and attainable solution for non-professional individuals to generate funding for creative projects;
- Kickstarter platform influences a strong word of mouth effect that brings public attention and awareness to creative projects of non-professional individuals. Created attention and awareness can extend past the local borders;
- Non-professional creative individuals can create connections with other widely dispersed individuals using Kickstarter platform. This connection can be beneficial in the long run;
- Kickstarter platform generates validity to non-professional individuals and their creative projects, and enhances their self-actualization and self-esteem;
- Non-professional individuals have a higher chance of achieving their goals when clearly communicating about their project goals with potential backers, involving backers into the process of the creative project, setting realistic goals and using video to present the project.

Belleflamme et al. (2010, p. 26) suggested that crowdfunding might prove to be widely used, as:

This can become a vital asset [...] especially for artists and entrepreneurs in need to present their talent and product to the “crowd” (as potential customer). In other cases, it is a unique way to validate original ideas in front of a specifically targeted audience.

This predication has already come to existence. Regardless the volatile economic climate of today, crowdfunding model used by Kickstarter platform proves that non-professional creative individuals have the ability to shape their own success with the opportunities granted by reward-based crowdfunding model.

## 5.2 Recommendations

*The conclusions of this study confirm that non-professional creative individuals have several potentials for using reward-based crowdfunding platform Kickstarter. This section pinpoints certain aspects that need to be taken into consideration by non-professional creative individuals when using reward-based crowdfunding model to achieve desired results. Individuals with professional experience can also find these recommendations to be useful.*

### 5.2.1 Bring people together

After conducted desk research, qualitative interviews and exploratory case study, it is identified that creative projects on Kickstarter are not only based on monetary goals. Individuals creating and backing projects are part of a community. After observing several projects of interviewees, which were created by both non-professionals and individuals with some professional experience, it is observed that project creators are likely to achieve their goals when individuals donating become involved in the project. Therefore, non-professional individuals not only have to create projects for themselves, but find ways how to **include their potential backers into the process**. Specific steps can be taken:

- **Create communication** with potential backers by continuously posting information about a project's updates on Kickstarter page;
- **Communicate** with actual backers by sending personal emails and thanking for donations. People will appreciate to receive a 'thank you', as after all they are the ones making the project realizable;
- **Introduce rewards** by which potential backers could **give feedback** and/or **collaborate with creator** for the final result of a project.

**TIP:** Acknowledge your audience and show that you appreciate their input by offering useful rewards. Do not offer something they cannot use or that is offered by the majority. Think from the perspective of a potential backer. What would you like to receive as an interesting and useful reward? **Think outside the box.**

### 5.2.2 Set realistic goals

One interviewee pointed out that the main reason why her photography project on Kickstarter was unsuccessful was because she was trying to raise too much money in a short period of time (30 days). In fact, all interviewees stressed the importance of setting realistic funding goals. The CEO of Newsgrape, based on his experience with coaching creative individuals how to attain successful results on Kickstarter, stressed that projects fail because inexperienced individuals ask for too much money. Therefore, it is highly recommended to:

- Take time and **measure the expenses** needed for the realization of a creative project. Lack of preparation has been found to be a common mistake that non-professional individuals make.

- Understand that funding donated by individuals on Kickstarter usually does not cover the entire costs of a project. If a project is a start-up, the funding donated will certainly not finance it the fully. As observed in Newsgrape case study, the creators did successfully receive the funding, but it did not cover all the costs of the startup. However, it generated a great deal of attention, which brought an investment deal to Newsgrape after the Kickstarter era. Therefore, reward-based crowdfunding model should be **regarded as an initial boost**, which encourages performance.
- Research findings proved that **funding goal paradox** exists on Kickstarter platform: when projects' funding goal is appropriate for the creative category of a project, the total funding generated tends to be exceeding the goal. Therefore, non-professional individuals should set their goals lower rather than higher.

**TIP:** Use a **S.M.A.R.T.** method to set specific, measurable, attainable, relevant and time-bound goals to understand main objectives of your project. Answer the following central questions:

**S:** What do I want to achieve with my project?

**M:** How much money do I need for this project?

**A:** How much money can I actually ask from the crowd?

**R:** Does my project appeal to the crowd?

**T:** When do I want to realize my project?

### 5.2.3 Combine transparency and storytelling

As already discussed in the theoretical framework, as well as the research results and analysis chapter, the crowd plays a significant role in crowdfunding practice. The crowd enables projects to be realized, as it provides the monetary funding. Therefore, non-professional individuals are encouraged to explain and clearly communicate about the **'Five Ws'** – *who, what, when, where, why* – of their project to the crowd. In addition, I also propose that creative non-professional individuals should identify the *how* aspects, in particular how the donated money will contribute to the final result of a project. This transparency is also beneficial to project creators for it can help them outline the most important aspects of their project.

**TIP:** Create a **mind-map** and/or **moodboard** of ideas to visualize the main points of your project.. Visuals have the positive tendency to evoke a more thorough understanding of a problem. This easy technique can help understand and pinpoint which aspects of a project have to be emphasized considerably.

Furthermore, the presentation of a project should also be regarded. A pattern is observed from interviewees' projects, suggesting that successful results are attained when project creators **combine transparency and storytelling** to present their projects on Kickstarter. Presenting the project as a story can be beneficial and appealing to the crowd. Authors on corporate communication strategies identify that content that is emotional builds consumer trusts and also gives authenticity and power to a story (Barnes, 2003).

Therefore, first and foremost it is advised to **construct language** that is appealing to different audiences when presenting a project. This does not mean that one should use only professional wording. In fact, I recommend using simple language that individuals alike can associate with. Emotional appeal constructed through language can have a great effect.

**TIP:** In order to understand how to create an appealing story to a wide audience of people, construct **personas** – examples of people's characters that you think your project would interest. This will help sketch the appropriate language and tone to use. Also, **explore** Kickstarter and other popular reward-based crowdfunding platforms to see how other individuals present their projects. This technique proves to help creators get started with their projects. When asked how interviewees became acquainted with Kickstarter, many indicated that they have seen their friends or heard about other creators raise funding for their creative endeavors. This indicates, that looking at real project examples can encourage individuals to present their own projects on Kickstarter. Do not hesitate to **learn from others**.

#### 5.2.4 Combine media

Research findings indicated that video presentation was popular among creators and had a strong influence for the success of their projects. Moreover, Kickstarter platform indicates that projects presented with a video have a 50% chance of receiving successful funding (Kickstarter, 2012). Therefore, non-professional creative individuals should invest time to make a **video presentation** for their project. This should not be difficult given the technological capabilities of today.

Although research findings did not prove that social media networks have a strong effect on interviewees' or Newsgrape projects, the word of mouth effect was identified to lead to attaining successful results. Taking into consideration how easy and fast word of mouth can spread on social networks such as Twitter and Facebook, non-professional individuals will not risk anything by promoting their projects on these widely used networks.

**TIP:** Use a **personal blog** as well. Nowadays social networks are over-popularized and it is difficult to differentiate from personal to professional information presented. Having your own web platform gives you more freedom to express yourself. Moreover, a personal portfolio can be uploaded to a blog to showcase your creative ideas and projects.

#### 5.2.5 Be unique

Today Kickstarter is among many reward-based crowdfunding platforms that help individuals around the world realize their projects. More than a year ago, Newsgrape was presented as a project on Kickstarter and managed to attract a great deal of public attention apart from the successful funding. The project was unique, creative and appealing to the crowd on Kickstarter.

**TIP:** A project does not have to be as innovative and unique as the currently most funded project of Kickstarter *Pebble watch*, mentioned earlier in this thesis. However, it is important to **find at least one characteristic or feature that differentiates** your project

and, therefore, makes it stand out. Combine all the techniques discussed earlier and be on your way to achieving your goals!

#### **5.2.6 Conclusion**

To sum up, non-professional creative individuals need to take certain aspects into consideration before and during the process of using reward-based crowdfunding platforms in order to successfully achieve desired goals. First of all, non-professional creative individuals have to set S.M.A.R.T. goals before launching their creative project campaign in order to understand which goals are realistic and how their potential backers will interpret them. Secondly, non-professional creative individuals have to combine transparency and storytelling that is appealing to a wide audience of people when presenting their project. In addition, ongoing communication has to be fostered between creators and backers in order to support the interdependent relationship. Last but not least, non-professional individuals should not hesitate to combine their knowledge of different media and utilize it to prove their qualities. Although every creative project is unique, the given recommendations and communication tools mentioned can bring non-professional creative individuals one large step closer to achieving their goals.

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## Appendix A: Kickstarter Guidelines

Kickstarter has clearly defined project and community guidelines that all projects and their owners have to follow. This is a significant characteristic that differentiates Kickstarter from other current crowdfunding platforms available. According to Kickstarter, 75% of projects submitted by individuals are accepted; while 25% are declined for they do not comply with project guidelines (Kickstarter, 2012). All guidelines are retrieved from Kickstarter website.

### Project guidelines

**Funding for *projects* only.** A project has a clear goal, like making an album, a book, or a work of art. A project will eventually be completed, and something will be produced by it. A project is not open-ended. Starting a business, for example, does not qualify as a project.

**Projects must fit Kickstarter's categories.** We currently support projects in the categories of Art, Comics, Dance, Design, Fashion, Film, Food, Games, Music, Photography, Publishing, Technology, and Theater.

**Design and Technology projects have a few additional guidelines.** If your project is in either of these categories, be sure to review them carefully. Kickstarter requires additional information from Design and Technology projects so backers can make informed decisions about the projects they support. These requirements include detailed information about the creator's background and experience, a manufacturing plan (for hardware projects), and a functional prototype. Additionally, not everything that involves design or technology is permitted on Kickstarter. While there is some subjectivity in these rules, we've adopted them to maintain our focus on creative projects.

**Projects, projects, projects.** As in all categories, Kickstarter is for projects that can be completed, not things that require maintenance to exist. This means no e-commerce sites, web businesses, or social networking sites. (Yes, this means Kickstarter wouldn't be allowed on Kickstarter. Funny, but true.)

**D.I.Y.** We love projects from the hacker and maker communities (weekend experiments, 3D printers, CNC machines), and projects that are open source (hardware and software). Software projects should be run by the developers themselves.

**Form as well as function.** Kickstarter is a place for products with strong aesthetics. Think something you would find in a design store, not "As-Seen-On-TV" gizmos.

**Prohibited uses: No charity or cause funding.** Examples of prohibited use include raising money for the Red Cross, funding an awareness campaign, funding a scholarship, or promoting the donation of funds raised, or future profits, to a charity or cause. **No "fund my life" projects.** Examples include projects to pay tuition or bills, go on vacation, or buy a new camera. **Prohibited content.** There are some things we just don't allow on Kickstarter.

**Prohibited items:** Alcohol (prohibited as a reward); Automotive products; Baby products; Bath and beauty products; Contests (entry fees, prize money, within your project to encourage support, etc); Cosmetics; Coupons, discounts, and cash-value gift cards; Drugs, drug-like substances, drug paraphernalia, tobacco, etc; Electronic surveillance equipment; Energy drinks; Exercise and fitness products; Financial incentives (ownership, share of profits, repayment/loans, etc); Firearms, weapons, and knives; Health and personal care products; Heating and cooling products; Home improvement products; Info-

mercial or As-Seen-on-TV type products; Items not directly produced by the project or its creator (no offering things from the garage, repackaged existing products, weekends at the resort, etc); Medical and safety-related products; Multilevel marketing and pyramid programs; Nutritional supplements; Offensive material (hate speech, inappropriate content, etc); Pet supplies; Pornographic material; Projects endorsing or opposing a political candidate; Projects promoting or glorifying acts of violence; Projects using Kickstarter simply to sell existing inventory; Raffles, lotteries, and sweepstakes; Real estate; Self-help books, DVDs, CDs, etc.

### **Community guidelines**

- Spread the word but don't spam. Spam includes sending unsolicited @ messages to people on Twitter.
- Don't promote a project on other projects' pages.
- Be courteous and respectful. Don't harass or abuse other members.
- Don't post obscene, hateful, or objectionable content.
- Don't post copyrighted content without permission.
- If you don't like a project, don't back it.

### **Regulation for creators**

Payments of funding are carried out by Amazon Payments on Kickstarter. In order to start a project, one must meet these requirements:

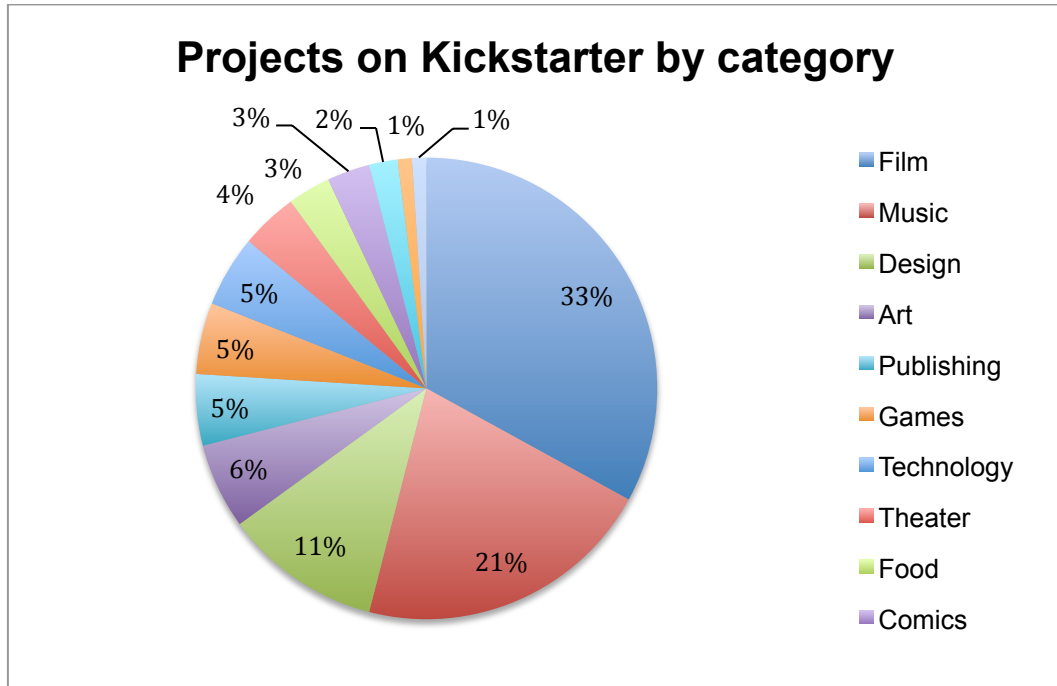
- be a permanent resident of US
- be at least 18 years old
- have a Social Security Number (or EIN – Employer ID Number)

NOTE: A person who is not a permanent US citizen can still create a project, if he finds a person who is a US citizen and is able to set up the account via Amazon Payments. Then, the money transfer (funding) would only go through that account, while the original project owner keeps his/her name for the project.

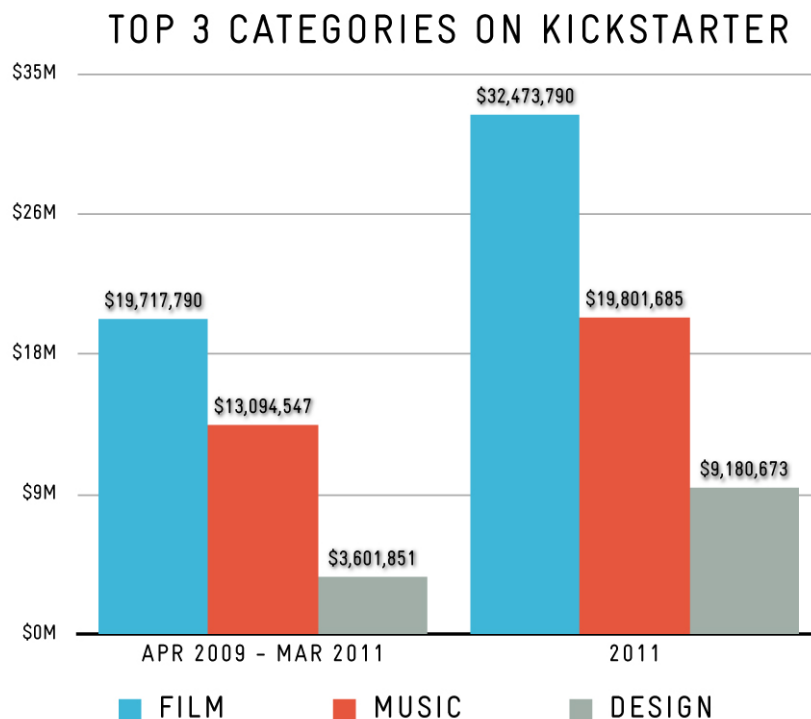
## Appendix B: Kickstarter statistics

R a n	USD goal	Total USD pledged	Project title	Author	Catego- ry	Per- cent funded	Back- ers	Dead line	Link
1	100,000	10,266,845	Pebble: E-Paper Watch	Pebble Technology	Product design	10,266 %	68,929	2012. 05. 18	<a href="http://www.kickstarter.com/projects/597507018/pebble-e-paper-watch-for-iphone-and-android?ref=category">http://www.kickstarter.com/projects/597507018/pebble-e-paper-watch-for-iphone-and-android?ref=category</a>
2	400,000	3,336,371	Double Fine Adventure	Double Fine and 2 Player Productions	Video games	834%	87,142	2012. 03. 12	<a href="http://www.kickstarter.com/projects/66710809/double-fine-adventure">http://www.kickstarter.com/projects/66710809/double-fine-adventure</a>
3	900,000	2,933,252	Wasteland 2	InXile Entertainment	Video games	352%	61,290	2012. 04. 17	<a href="http://www.kickstarter.com/projects/inxile/wasteland-2">http://www.kickstarter.com/projects/inxile/wasteland-2</a>
4	400,000	1,836,447	Shadowrun Returns	Harebrained Schemes	Video games	459%	36,276	2012. 04. 29	<a href="http://www.kickstarter.com/projects/1613260297/sadowrun-returns">http://www.kickstarter.com/projects/1613260297/sadowrun-returns</a>
5	75,000	1,464,706	Elevation Dock: The Best Dock For iPhone	Casey Hopkins	Design	1,952 %	12,521	2012. 02. 11	<a href="http://www.kickstarter.com/projects/hop/elevation-dock-the-best-dock-for-iphone">http://www.kickstarter.com/projects/hop/elevation-dock-the-best-dock-for-iphone</a>
6	57,750	1,254,120	The Order of the Stick Reprint Drive	Rick Burelew	Comics	2,171 %	14,952	2012. 02. 21	<a href="http://www.kickstarter.com/projects/599092525/the-order-of-the-stick-reprint-drive">http://www.kickstarter.com/projects/599092525/the-order-of-the-stick-reprint-drive</a>
7	15,000	942,578	Tik Tok+LunaTik Multi-Touch Watch Kits	Scott Wilson + Minimal	Design	6,283 %	13,512	2010. 12. 16	<a href="http://www.kickstarter.com/projects/1104350651/tik-tok-lunatik-multi-touch-watch-kits">http://www.kickstarter.com/projects/1104350651/tik-tok-lunatik-multi-touch-watch-kits</a>
8	125,000	938,771	Hidden Radio & Blue Tooth	John Vitor + Santa	Design	751%	5,358	2012. 01. 18	<a href="http://www.kickstarter.com/projects/2107726947/hidden-radio-and-bluetooth-speaker">http://www.kickstarter.com/projects/2107726947/hidden-radio-and-bluetooth-speaker</a>
9	25,000	830,827	Printbot: Your First 3D Printer	Brook Drumm	Technology	3,323 %	1,808	2011. 12. 17	<a href="http://www.kickstarter.com/projects/printbot/printbot-your-first-3d-printer">http://www.kickstarter.com/projects/printbot/printbot-your-first-3d-printer</a>
10	10,000	723,886	The Banner Saga	Stoic	Video Games	723%	20,042	2012. 04. 20	<a href="http://www.kickstarter.com/projects/stoic/the-banner-saga?ref=category">http://www.kickstarter.com/projects/stoic/the-banner-saga?ref=category</a>

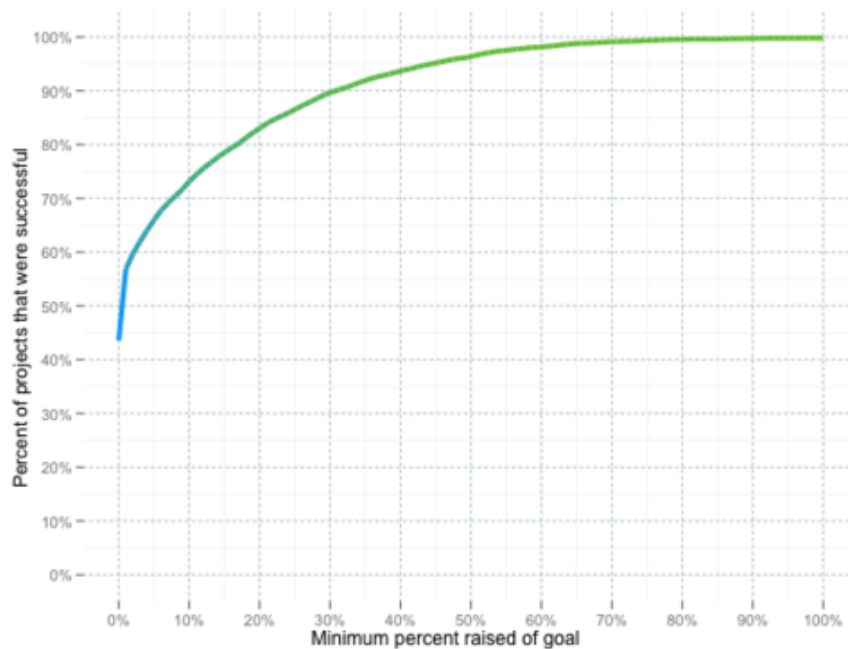
Top 10 successfully funded Kickstarter projects by total money pledged. Source: Kickstarter, 2012



Projects on Kickstarter presenting actual numbers in percentages.  
Source: <http://yancey.tumblr.com/post/18391152408/kickstarter-and-the-nea>



Top three most popular creative categories on Kickstarter and amounts raised to date.  
Source: [http://www.core77.com/blog/kickstarter/crowdfunding\\_revolution\\_should\\_i\\_do\\_this\\_21697.asp](http://www.core77.com/blog/kickstarter/crowdfunding_revolution_should_i_do_this_21697.asp)



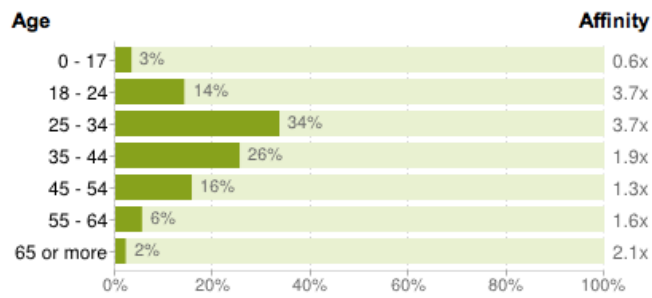
**Tipping point for funding. Source: Kickstarter, 2011**

When a project receives a single donation (pledge), the success chance for that project rises to 52%. Projects that manage to reach 30% of the overall funding goal are approximated to succeed more than 90% of time. The graph above visualizes this – as the line is becoming green, the project is most likely to receive its 100% successful funding. Out of a total of 20,000 that had been launched on Kickstarter between April 2009 and April 2011, only one project has not been successful after reaching the 90% funding goal (Kickstarter, 2011).

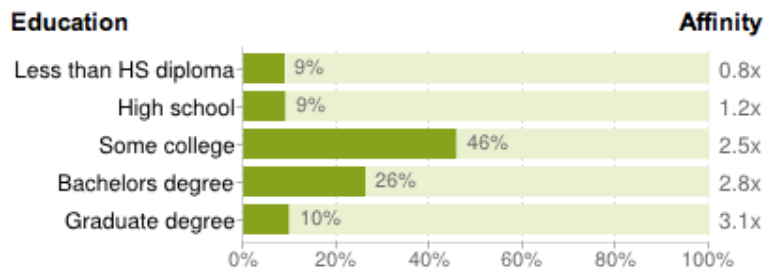
The following tables are generated by DoubleClick Ad Planner by Google service. It provides Internet ad services that are mostly used by advertising and media agencies to report on various data, like target audiences, traffic, income, gender of websites. Google users have the ability to log in with their accounts to check demographic statistics of websites. The following statistics are retrieved for Kickstarter.com, and depict the average number of visitors, their age, gender, education, and household income who browse and potentially participate on Kickstarter. Both groups are further referred to as users. All figures are only estimates.

Traffic statistics			All traffic statistics are estimates ?	
	Region	Worldwide		
Unique visitors (estimated cookies) ?	3.2M	6.1M		
Unique visitors (users) ?	1.1M	2.6M		
Reach	0.4%	0.1%		
Page views	18M	41M		
Total visits	3.7M	7.8M		
Avg visits per cookie	1.2	1.3		
Avg time on site	8:00	8:00		

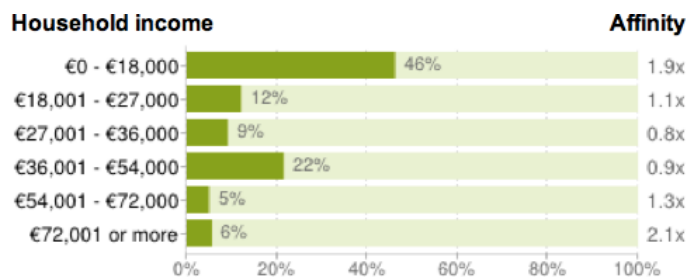
**Kickstarter.com traffic statistic estimates. Source: DoubleClick Ad Planner by Google (2012)**



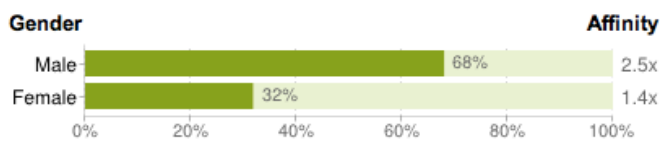
Median age of Kickstarter.com users. Source: DoubleClick Ad Planner by Google (2012)



Average level of education of Kickstarter.com users. Source: DoubleClick Ad Planner by Google (2012)



Average household income of Kickstarter.com users. Source: DoubleClick Ad Planner by Google (2012)



Average age of Kickstarter.com users. Source: DoubleClick Ad Planner by Google (2012)

## Appendix C – Newsgrape case study

### History of Newsgrape

Two students Felix Häusler and Leo Fasbender based in Vienna, Austria, who decided to create an online platform for news connecting readers and writers worldwide, started Newsgrape in January 2010.

At the time, the two friends were already running an online magazine called *Critics*. The magazine had 30 writers contributing to it and around 1000 fans on Facebook. For both Felix and Leo this signified a large number of people. However, the online magazine was nothing what they expected it to be. The harsh truth was realized, as people did not seem to show any interest in it. For the founders, this meant a big problem where something had to be changed.

After sitting together and brainstorming for hours on end the founders came up with a mutual conclusion that online magazines and blogs remind them of a small shop. The shop exists, but no one really recognizes it. People just don't care. The founders compared their online magazine to this exact prototype of a small shop. Therefore, after extensive amount of time spent wondering how to change it, they came up with an idea of a large mall, where everyone has his or her own little shop. Therefore, a new era for *Critics* was to be created. The founders decided to create a website where one can get together with all his/her friends and collaboratively share news and publish articles. Even though the idea was new and promising, the distribution problem, however, was not yet solved.

First of all, the founders agreed that the name had to be changed. They tried registering different domains online, however it proved to be harder than they thought, as popular names were already taken. One day, after brainstorming what could be a good name for their new project, Felix decided to call it Newsgrape. Pick your grape, pick your news. The name was exactly what the new online platform was all about. He called Leo and the name was finalized. There it was -the future of Newsgrape.

Therefore, the project seemed to be on the right path. The name was finalized, and in the meantime Felix had found a programmer who would develop the online platform. However, yet another challenge was on its way. Neither Felix nor Leo had the money to finance their new programmer. Both of them knew that good programmers charge around 6,000-7,000 euros and up.

At first, Felix was paying their programmer with the money he was earning from voicing advertisement spots. This way, both founders managed to get by with this model through the summer. But both Felix and Leo had high hopes and big plans. However, in order to produce something bigger, they understood that they needed much more money to realize all those ideas.

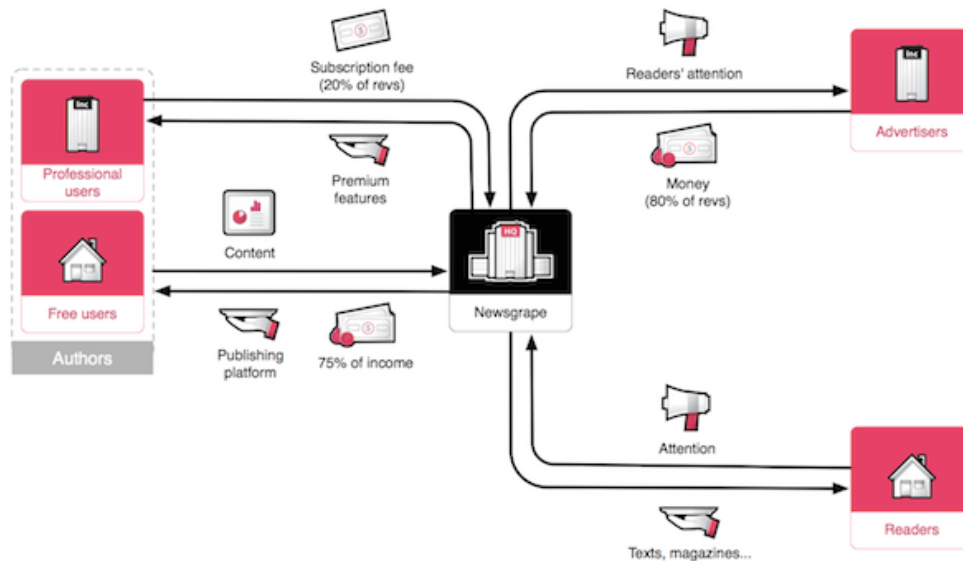
This is when Felix and Leo started focusing on investment. And soon after they realized how hard it actually was. Getting a pre-seed ticket for media funding was more difficult than expected. Securing an investment was fruitless. Both founders were meeting with potential investors and experts, but no one wanted to invest into two young students who might not even know what they are doing. Leo flew to London to seek for some financial support outside their home country only to realize that the economic crisis has left everyone empty handed.

One afternoon, after yet another disappointing meeting with potential investors, Leo came to Felix and introduced him a website. The website was called Kickstarter and Felix had never heard of it before. After explaining to Felix that it was based on a new business model called crowdfunding and that Newsgrape could raise some money on it, the found-



ers decided to take the chance. After not a lot of deliberation, the founders agreed to try it out.

*Newsgrape project was successfully funded on Kickstarter platform on January 16, 2011. In May 2012 Newsgrape completed its 150,000-euro investment deal that was created with the publicity gained on Kickstarter platform. The creators are continuing to build a central place for individuals to share articles and literary contributions. The main mission of Newsgrape is to publish information in groups of people under a shared name and make it a co-creation of magazines together. The online platform [www.newsgrape.com](http://www.newsgrape.com) is currently undergoing changes. It is expected to launch in early June, 2012.*



**The business model of Newsgrape prior to current change of June, 2012.**

**Source: Personal case study documentation**

No.	Pledge amount	Reward	Back-ers
1	\$5 or more	Pre-Beta Access Key – backers can help and influence the development of Newsgrape	41
2	\$10 or more	Pre-Beta access + 1 friend invitation	32
3	\$25 or more	Pre+Beta access + 3 friend invitations	18
4	\$50 or more	All of the above + goodies + personal mail support	9
5	\$100 or more	All of the above + icon on Newsgrape profile + name in Kickstarter Club contributors page credits + voucher worth the pledge to advertise on Newsgrape	21
6	\$250 or more	All of the above + Newsgrape t-shirts	3
7	\$500 or more	All of the above + sweaters + Viennese Sachertorte	2
8	\$750 or more	All of the above + private Q/A session	0
9	\$1,000 or more	All of the above + Executive Contributor status + Newsgrape poster signed by team	2
10	\$1,500 or more	All of the above + password for exclusive access to Newsgrape headquarters in Vienna	4

**Rewards of Newsgrape project on Kickstarter. Source: Kickstarter, 2012**

## Appendix D – Newsgrape interviews

### ***Interview with Felix Häusler about Newsgrape project on Kickstarter***

*Abbreviations are used for questions and answers.*

#### ***Q: What was the process like for presenting Newsgrape on Kickstarter?***

A: We applied, presented our concept, and followed all the required steps. Kickstarter assigned us a person in charge for their project, who was supposed to review it and give us feedback. We waited for around a week. But we didn't really put a lot of hope into it, it was more like 'ok, we can try this out'. We did not believe in it.

Meanwhile, Leo was trying to contact people in London for investment. That was very exhausting and fruit-less. He came back to Vienna and we met with one business guy. To say the least, he was suspicious and pushy, so we didn't want to risk it.

So after a week after submitting our project concept to Kickstarter, we finally got an email back. They rejected our idea. It was ridiculous. They were saying the project was too "techy", that they didn't understand the core message. I think they didn't like us, Austrians. We were one of the first people in Europe trying to get funded.

We didn't care that much back then, because we didn't anticipate much. We understood why too – Kickstarter was becoming a big crowdfunding community in America. The platform was very American-oriented back then. Plus, American way of doing business is different. There is a lot of business carried out there, of course they don't want to drive the money out of US. As Austrians, we are keener to invest abroad.

#### ***Q: Did you try to communicate back with Kickstarter?***

A: Yes, we wrote back in our own clumsy way. Like, common guys, you approved this and that project to get funding, and supported all these crazy ideas. As we were composing the email, we tried to find other reasons why they wouldn't let us do it, and we put down all our arguments. After three days we received an answer, saying – 'OK, you can do it, but you need an American Amazon account'.

After this response, our motivation was growing by the minute. We quickly called a father of our friend in USA, and asked him to create an account. I think he was on a holiday, so it took some time. We had to wait for one and a half weeks to set it up, and all that time we started to be very eager about it all. After the account was set up, we got on. We started believing it! It was the start of our Kickstarter era.

#### ***Q: What do you think about Kickstarter's initial feedback?***

A: Now I believe that Kickstarter was just testing us. I think they do it with everyone. It was very good for us actually. Americans are very good with feedback – they tell you exactly what is good, and what is bad. They are keen in telling you what they do and don't like. In Austria there is no feedback for start-ups, just as for musicians and politics. It's either yes or no. No explanations.

#### ***Q: You had to set up rewards for backers. Was this a challenging process, or rather easy?***

A: It was definitely hard. And stressful. The problem was all these other creators, who actually create tangible products as their projects, were giving away copies of the products as rewards for respectable sums of money donated. Those were filmmakers or designers. For us it was more difficult. Newsgrape is an online platform that brings readers and writers together. Something not as tangible can't create that much interest very fast.

#### ***Q: What did you do? What rewards did you offer?***

A: We gave pre-Beta access, icons on Newsgrape profile (to show reputation), personal letters expressing gratitude, t-shirts, etc. to pledgers, depending on the amount of money they donated. The rewards have to make sense, as people want to feel part of the process, part of the input of the product. Also, it cannot exceed the value of your end product, but the output generated by people will always have a greater value than the production of the product.

One of the more successful rewards was a voucher worth the pledge to advertise on Newsgrape, once the system was fully running. It started with \$100 dollar pledge and up. It is an investment. Actually, this reward brought us a lot of attention and expanded the user base of Newsgrape. Our users are extremely loyal and dedicated.

***Q: Did you make a video presentation?***

A: Oh yeah, we actually asked Kickstarter to postpone the video and present it later. We asked our parents for money to make it. We got 2,500 euros. We wanted to make it very professional looking, like Apple commercials are, with a white background. So we made it, with a camera team, in a rented studio, spending all this money. The video ended up being over 7 minutes.

But the set-up was so wrong. As young individuals, we were trying so hard. But the video was a fail. Our friends were all saying that it is was too long, too little fun and no engagement at all. We now understand that it's all about authenticity, and not trying to be what you're not!

***Q: How did you communicate with your backers?***

A: We kept them up-to-date with the project, writing updates once in a while. Not every day though, you don't want to overexpose yourself and push the project too far. We did another thing-a video- halfway through the project's deadline, when we had around 70 backers already. We wanted to thank them and give them the feeling that we do care about each and single one of them. We wanted to make a song of thankfulness. We took our friends, a guitar, and went to the Danube at night. And singing we did. After this video, our pledges nearly perfectly doubled.

(video link:

[http://www.youtube.com/watch?v=VQOgDtNeJSs&context=C487f1ceADvjVQa1PpcFMxKqXYPql6vjPb8FL0w\\_nB\\_AleMPrNUd4=](http://www.youtube.com/watch?v=VQOgDtNeJSs&context=C487f1ceADvjVQa1PpcFMxKqXYPql6vjPb8FL0w_nB_AleMPrNUd4=)).

***Q: Did you try to raise awareness with this video? Did you rely on any social media to create awareness among friends?***

A: Well, we were more than thankful to all those people, who already pledged money for Newsgrape, so we wanted to make this video to show how we appreciate it. But, of course, we wanted to raise the awareness of our project that would spread more widely. We were actually emailing Kickstarter, asking them why our project was not featured on the homepage. They never gave us a good reason. So to raise our publicity we created a page on Facebook and also started Twittering. We saw that Kickstarter uses Twitter, so we were hoping to get recognized by them via Twitter, so that they would feature us on the home page. They didn't acknowledge us too much, even though we were one of the first projects in Europe.

***Q: What were your reactions when Newsgrape had been successfully funded, even exceeding the monetary goal?***

A: We were very happy. The funding - the momentum - was achieved, and now we were beginning Newsgrape's exposure. This is all thanks to Kickstarter. We got so much attention! Suddenly it became a big thing: journalists wanted to talk with us, these young individuals, who managed to finance themselves without any professional help. It was a new and cool story for everyone.

***Q: How did it raise the awareness for Newsgrape?***

A: German newspaper 'Die Zeit' called Newsgrape 'the YouTube for text' (<http://www.zeit.de/karriere/beruf/2010-12/debatte-gruender-journalismus-plattform>). I think it perfectly depicts what Newsgrape stands for. Receiving such a strong acknowledgement from an established media source is amazing! Kickstarter basically created this PR for us. We estimated that the coverage we received after being successfully funded on Kickstarter is worth at least 100,000 euro. This great attention is what I love about Kickstarter!

We actually refused a lot of good offers after Kickstarter. We were idiots. We had the money and we didn't want to think about the investments for the time being.

***Q: Was it all about receiving the money?***

A: Not at all. We started off with this intention, to get funding. But we are left with much more than that. Kickstarter, or this all-or-nothing business model of crowdfunding, is more about the idea itself, and not the transcendent concept of money.

***Q: So today you believe in the power of crowdfunding?***

A: Well, it does work. What it does best is creates attention on the Internet. You have PR professionals on one side, and you have crowdfunding on the other, where you can actually achieve that awareness and publicity by yourself, and get the exposure you need. But I do question the whole concept of crowdfunding in general. Is it really crowdfunding? Is it purely philanthropic? Yes, people around the world pledge money for your idea. It's insane. We had a guy from Mexico donating the highest sum available, and we have no clue who he is. We don't know the people, of course, and who cares?! We are more than grateful no matter if he is a businessman or a middle-class worker. However, people do expect something in return. That's why the rewards are there. Because everyone ALWAYS wants to get something back, and as a matter of fact they do deserve it. They give you the attention and the awareness in the long run. For you, as a creator, its not like you give a reward that is all 100% worth the money someone pledged. There's value for both sides.

***Q: Was there anyone, among your backers, who did not want/ask for the reward?***

A: It was very surprising, but yes. There were around 20 people who did not take a reward. Once you pledge a certain amount of money, you are able choose the reward. It depends, of course, if it is in the same category with the amount though. But 20 people did not want anything in return for their donations. They could have even chosen another reward, not just the exactly the same as stated for the appropriate sum. But I think they just liked and supported the whole of idea of Newsgrape.

***Q: What relationship does Newsgrape have with its initial backers now?***

A: The majority of these backers are already dedicated users of Newsgrape. We have a totally different connection with them that other communities do not have. These users have investments there and they are asking for superb delivery. This pushes us to work even harder, as we can't let them down. It's amazing to see how incredibly dedicated they are to the idea and the process.

***Q: How is Kickstarter beneficial to young non-professional individuals, who are motivated and creative?***

A: From my own experience, I can conclude that it removes one layer of stress building a start-up. First layer is customers, second – investors, and third is you, the creators. Crowdfunding on Kickstarter removes the investor part, and creates a direct connection and relationship between your product and your consumer. This also generates direct feedback, as you are creating exactly what customers want, need, and ask for. Thus, you have to engage and communicate with them. And when you are successful, they will love you! And they will be very loyal.

***Q: Why do you think some projects fail (don't get funded) on Kickstarter?***

A: People ask for too much money! This is the one and only reason. After receiving all that publicity I was coaching some people, who wanted to start their own projects on Kickstarter. The biggest problem that most of them were facing was not connected to the originality or creativity of their idea. The ideas, in fact, were great. They didn't understand the concept, however, how this type of crowdfunding works. It is supposed to give you the initial kick, which is of course the money, but this kick is to encourage your performance and put you on the right track

You have to be realistic when approximating how much money to ask. What people like and will support are projects that are demanding huge amounts of money. \$10,000, \$15,000, \$20,000 – that's the highest you can ask, if you want to be successful. People

love successful projects, they will be your loyal customers and they will bring you new customers. By reaching the goal of being funded on time, even if the funding goal does not cover all of your expenses, is what success is! That's where everything starts!

***Q: Can you give advice to those individuals interested in crowdfunding and Kickstarter?***

A: There are three types of people who catapult your project to success. First, there are people who are purely interested in the whole idea of your project, and the possible relationship they can acquire with you and your products. Second, there are those 'middle seekers'. When your project is halfway funded and they see that it is most probably going to be successful, they jump on the train and pledge money! These big jumps before the end are very exciting to see! Third category of people is both big jumpers and big believers. They believe in your idea and see that it is taking somewhere, so they want to be part of the success. They jump on the train ahead of everyone else, before the big mass, thus creating the magnetic aspect for those 'middle seekers'. It's so fascinating how people's behavior can create such a strong influence on your success. Marketers are all very much aware of these behavioral aspects of consumers. They target people by either a) giving them the feeling they are part of something original, something new, fresh; b) persuading that this is the big thing and everyone is doing it; c) persuading that this is the way to go.

***Q: Would you encourage young non-professional individuals (like yourself) to use Kickstarter?***

A: Absolutely! If you have the idea and you know what you want, you can achieve your goal. You have to grab it. Know what you want, and take it! Without the publicity generated by Kickstarter, we wouldn't have reached what we have today.

***Interviewee Katrin Derler, backer of Newsgrape project on Kickstarter***

***Q. What motivated you to donate money to Newsgrape?***

A: The Newsgrape team actually started out as the online magazine "critics", so I helped "raising this child" by attending creative sessions, brainstorming, etc. I spent some of my free time with the founders and watched and supported them while developing Newsgrape. I saw how much time they invested, and I had invested quite some time in this project, too, so I donated on Kickstarter.

***Q. Has donating money to Newsgrape make you feel part of Kickstarter community, or just to Newsgrape community?***

A. I don't feel related to the Kickstarter community at all, just to the Newsgrape team.

***Q. What do you think the relationship between creators and backers on Kickstarter is based on?***

A. I think it's based on word-on-mouth recommendation as a start off. You probably know the "thank you - song" (<http://www.youtube.com/watch?v=VQOgDtNeJSs>) from Felix, where he is thanking every single donor. I know quite a lot of the people mentioned there. But I think Newsgrape's fun way to present their ideas really helped to get other people to donate. I guess those points "tie" the potential backers to a project and make them donate.

***Q. Do you believe in crowdfunding idea in general?***

A. I think it's a great idea actually, because it helps turning good ideas into a functioning business. I can't think of a reason what might be bad about it. Probably unfair competition, but everybody is free to sign up at Kickstarter, so that's not a good point.

***Q. Do you think it was beneficial to execute their idea using Kickstarter and crowdfunding, instead of targeting professional investors?***

A. Well, it definitely didn't hurt them. It gave them the money they needed for their start-up and ensured some extra-publicity too, because Austrian media started reporting about it due to their success on Kickstarter. That also helped them getting investors.

## Appendix E – Individual interviews

### Interviewee 1 - Ladd Mitchel

Project: Tiger Tank EP

By: Ladd Mitchell

Type: Indie Rock

Location: Springfield, IL, USA

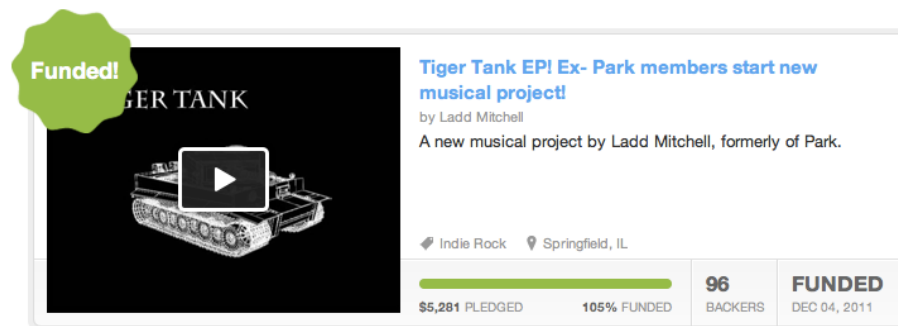
Funding goal: \$5,000

Funding received: \$5,281

Funded: 105%

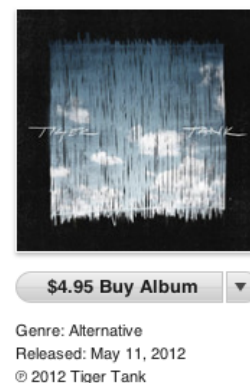
Backers: 96

Deadline: December 4, 2011



*Tiger Tank project on Kickstarter. Source: Kickstarter, 2012*

Ladd Mitchell is a free time musician. Apart from having a regular job, he is in a band called Tiger Tank, and had been a member of a successful rock band Park. His project on Kickstarter was a musical record of Tiger Tank. The project was successfully funded and was released on iTunes on May 11, 2012.



*Tiger Tank EP on iTunes. Source: Apple, 2012*

#### **Q: What is Tiger Tank project about?**

A: Tiger tank was formed roughly five years after the break up of my prior band *Park*. The music itself is basically a continuation of what *Park* was. It consists of myself, Miles Park Hill and Brandon Carnes.

#### **Q: How did you decide to use crowdfunding on Kickstarter?**

A: I had never heard of either one before. I saw some of my friends who were in bands and had utilized it to start their projects. Specifically *The Forecast* and *The Graduate*. It looked like a relatively some idea so I thought I would try it with the mindset that the worst that would happen is that it wouldn't be funded.

**Q: So, raising money was your main aim?**

A: I had received numerous emails from fans of *Park* wanting me to continue with music. Having a full time job, a marriage, and two children did not present me with a lot of opportunities to seek professional investors like a record label or whatnot. I really just wanted to provide my fans with a professional sounding product for them to enjoy and that was my main point of focus. All I really expected out of it was to give my fans some new music to listen to.

**Q: What was the process like for putting the project online? Was there communication between you and Kickstarter?**

A: I had to write a proposal, which was accepted. Then I created a video, which gave my audience an overall scope of the project and what they could expect from me rewards and such. The toughest part was **deciding what backer would get what reward**. I had some trouble getting my email verified but overall it was a smooth process. I have had some backers who have not replied to my emails, which I had to contact the Kickstarter staff about.

**Q: Did you receive any feedback from Kickstarter?**

A: Not so much. They pretty much let the system run itself. When I have asked for help I have received it in a timely fashion.

**Q: You mentioned that you encountered problems setting up the rewards. What in particular was difficult?**

A: The biggest issue I had was setting it up in a fashion so that I did not behoove myself and spend more money on providing rewards than on the project. That is the key to the whole thing. Giving good rewards without compromising the project. I just wanted to make sure people got the best deal and that I could deliver a good product.

**Q: How did you communicate with your backers during and after the project's deadline?**

A: The only way I communicated with backers that I did not know was email and through backer posts which kept everyone up to date on the progress of the project.

**Q: What was your relationship with backers?**

A: A lot of it was based on faith. I think I knew maybe 10% of everyone who donated. The rest were fans or philanthropists that donated on their own accord. For the most part I was surprised at the amount of people I did not know that donated. I was really touched but also thought that maybe they just wanted to help out. I think the **sense of community** is extremely important when implementing a project. I was surprised by how many people I didn't know who donated.

**Q: Did you rely on any social media to raise awareness for Tiger Tank?**

A: The only two sites I posted on were Facebook and Absolutepunk. The rest was just word of mouth.

**Q: Did Kickstarter help you with bringing awareness to Tiger Tank?**

A: I don't think so. It may have caused people to talk about it but for the most part it was *Park* fans being made aware of what was going on.

**Q: Why, in your opinion, some projects on Kickstarter do not receive successful funding?**

A: Lack of preparation would be my guess. I really had to crunch a lot of numbers before I even began. I still had to throw a considerable amount of my own money into the project, but I expected that. The other issue that people run into is that they are most likely under the impression that it is going to be free money. I put in a lot of man hours getting the rewards together and sending them out. In the end it was way more work than I expected but well worth it.

**Q: Do you believe in crowdfunding?**

A: If it is done properly and the project goals are clear and the line of communication between all parties is open ended then yes, I fully support it.

**Q: Would you run a project on Kickstarter again? And if so, would you do anything differently?**

A: I would, but I would conduct my expense research a bit more thoroughly. I had an overall good experience but I have heard some bad stories but most of those were because of poor preparation.

**Q: Where is Tiger Tank now?**

A: Tiger tank is getting ready to release the EP via iTunes, which will be available on May 11. We have no touring plans, but are going to record more songs for future release.

**Q: What would you advise individuals who are thinking of presenting their ideas on Kickstarter?**

A: State your project goals clearly and prepare your expenses prior to beginning the project.

**Interviewee 2 – Danny Ghitis**

Project: Life in the Shadow of Auschwitz

By: Danny Ghitis

Type: Journalism

Location: Gmina Oswiecim, Poland

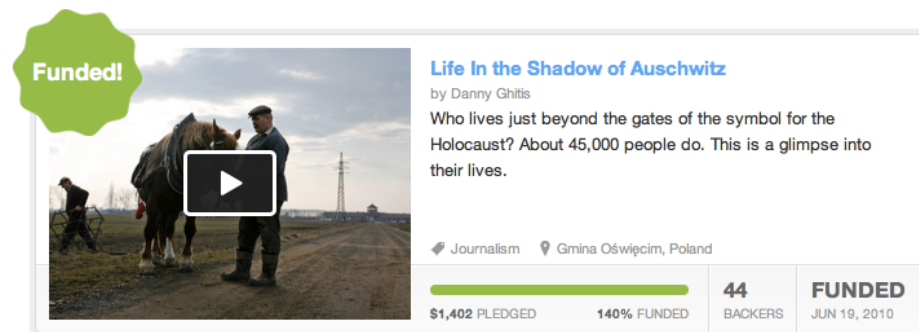
Funding goal: \$1,000

Funding received: \$1,402

Funded: 140%

Backers: 44

Deadline: June 19, 2010



**Life in the Shadow of Auschwitz project on Kickstarter. Source: Kickstarter, 2012**

Danny Ghitis is a freelance photographer based in Brooklyn, NY, USA. He graduated in 2006 with a B.S. degree in journalism. After having worked for several newspapers, he started his freelance career in 2008. In 2009 he received a Nikon Emerging Talent Award. Danny specializes in social documentary. His photography project centered in Poland was successfully funded on Kickstarter and allowed Danny to exhibit his photographs. His works can be viewed here:

1:<http://lpvmagazine.com/2010/09/from-the-inbox-danny-ghitis-land-of-os-transitions-poland/>

2: <http://www.bagnewsnotes.com/2011/03/ordinary-life-in-auschwitz/>

3:<http://www.npr.org/blogs/pictureshow/2011/02/23/133972872/auschwitz-the-memorial-oswiecim-the-living-town>



***Q. How did you start with the idea for crowdfunding your project on Kickstarter?***

A. This was my first time using crowd funding for a project. I had only heard about Kickstarter a couple of months beforehand. I heard about Kickstarter through a group of

***Q: What motivated you to use it?***

A. I used Kickstarter to help me pay for the project, help spread the word about the work, and give the project some legitimacy.

***Q. Did you receive any feedback from Kickstarter?***

A. My project was featured on the front page for a short time. Having the project promoted on the Kickstarter front page certainly drove up my hits.

***Q. Was it difficult to set up the rewards?***

A. The rewards system was a new and interesting thought process. I may have gone overboard in offering too many prints for contributions.

***Q. How did you communicate with your backers during the campaign?***

A. I posted updates through Kickstarter regularly throughout the project to show my progress in real time.

***Q. What was your relationship with backers?***

A. My relationship with backers was varied. Some were friends and family helping me out because they believe in my work, others found the project through Kickstarter or social media because they were interested in the subject matter and found the rewards a good incentive.

***Q. Did you rely on any social media to raise awareness for your project? What types?***

A. I promoted the Kickstarter campaign through Facebook and Twitter.

***Q. Why do you think people become backers and donate money to strangers?***

A. I think it's a combination of believing in a particular cause or medium and wanting to be part of a project at its origin. People like to feel like they're part of a success story.

***Q. Why do you think some projects fail on Kickstarter?***

A. Projects fail when they lack self-awareness. But it is also difficult to understand how successful a particular idea will be because some aspect is attributed to the randomness of the Internet. If the right person with the right connections sees your project at the right time it could make a huge difference.

I think crowdfunding is a modern version of a bartering system. Of course there is some money involved but there's purity in it as well. Good ideas rise to the top and people support ideas they believe in, not just the things they are told to desire by corporations.

***Q. Would you run a project on Kickstarter again?***

A. Yes

***Q. What could advice to others who are thinking of using Kickstarter?***

A. My advice would be to make sure there's a reason why someone should support your cause other than "I'm broke and want to do this thing." You've got to be giving back to the community in some way, whether it's direct or in the form of progressive ideas.

### **Interviewee 3 – Bonnie Kate Wolf**

Project: Knitting the World Together

By: Bonnie Kate Wolf

Type: Graphic Design

Location: London, United Kingdom

Funding goal: \$900  
Funding received: \$1,675  
Funded: 186%  
Backers: 85  
Deadline: February 21, 2012



**Knitting the World Together project on Kickstarter. Source: Kickstarter, 2012**

Bonnie Kate Wolf is a freelance graphic designer and illustrator living and studying in London, UK. Originally from San Francisco, California, Bonnie studies graphic design at the London College of Communication. Her project of hand-knitted map of the world was successfully funded on Kickstarter. Bonnie's final piece and her other works can be viewed on her blog and personal website:

<http://knittingtheworld.wordpress.com/>

<http://bonniekatewolf.com/>



**Hand-knitted world map in exhibition. Source: Knitting The World Together, 2012**

**Q: What is your hand-knitted project on Kickstarter all about?**

A: I hand-knitted a 2,5 meter by 1 meter world map demonstrating through color, epicenters of contemporary art production worldwide within the world's 100 most populous cities. I then mounted it on a handmade cylindrical cage and suspended it from the ceiling for my final major project at the London College of Communication.

**Q: Why did you decide to use Kickstarter crowdfunding platform?**

A: When I decided to create a giant knit project, my original idea was to fund it myself, but I realized I wanted high quality yarn and, as I am a student, needed a better way to make it, rather than spending all my rent money. My parents told me about Kickstarter. So I decided to seek for funding on Kickstarter, not only to raise the funds for my project, but also to create two levels of art production on my piece. One is the original worldwide scale, measured through Google (essentially), and the other was using this incredibly powerful tool, called Kickstarter that allowed me to see where art thrived simply by where people were giving from, and this was later represented on the final piece. On a personal level, I wanted to expand my audience for who would see the piece, as well as promote my own art and knitwear, not to mention proving to the Internet that knitting is cool!

***Q: Was it easy to put your project on Kickstarter and did you receive any feedback from Kickstarter?***

A: It was really very simple. I submitted the project to Kickstarter and within a few days, it was accepted and I ran with it. After I posted the project, the Kickstarter blog posted about me, promoting the project. They seemed very supportive.

***Q: What rewards did you use?***

A: The rewards system was tricky, as I was producing a one-off piece. However, I realized that I could allow people to interact using my \$25 reward - a spot on the map - which was a great reward because it cost me nothing, but made my piece have more depth and gave people a chance to participate in the outcome. My other rewards were more difficult to come up with because they didn't relate as directly to the project. In the end, I believe I set up a wonderful set of rewards, most of which were very popular.

***Q: Did you engage in communicating with your backers then?***

A: I used the update feature on Kickstarter quite often, usually every 1-3 days, linking everyone to a blog post, as I was running updates through a blog started for the project ([knittingtheworld.wordpress.com](http://knittingtheworld.wordpress.com)) because I could post videos and pictures more easily and people could be easily directed there as well. I also posted videos on Youtube; video blogging was my main form of communication because people responded well to me talking.

***Q: What do you think the relationship between the creators and backers is based on?***

A: The relationship between backers and creators is based on a common love of art and design, or **creativity**. Backers want to contribute to a worthwhile art project, but more than that, **they want to be a part of a creative endeavor**. Some people can't knit, but they love how it looks, so they contribute a few dollars, to be a part of something bigger than any one person.

***Q: Did you rely on any social media to raise awareness for your project? If so, what types?***

A: I had a couple knitters (Stephen West and Stephanie Dosen) tweet about my project; they are both very successful and respected craftsmen. I also tweeted about my project, as well as setting up a Facebook page and sharing the link on Facebook. Knittyblog also posted about me, which was really cool.

***Q: Did Kickstarter help you with bringing awareness to your project?***

A: Kickstarter allowed me to raise my goal money (and over) because the Kickstarter community is full of creative people who want to support art! I had a great deal of Kickstarter members contributing whom I'd never met. Some people found me through other projects, some through searching. I feel like Kickstarter is part of me now. I've met such warm, kind, silly, fantastic people there and I would love to help out some other projects once I've completely finished my rewards.

***Q: What, in your opinion, motivates people to donate to projects?***

A: People become backers because they are creative and kind, but maybe don't have the time to make their own creative endeavors. Kickstarter allows them to be a part of a big artistic project.

***Q: In your opinion, why do some projects fail reach their funding goal on time?***

A: Some projects on Kickstarter fail for various reasons. Some fail because the rewards aren't "good" enough; people aren't getting enough for their money. Mostly, I think projects fail because people don't feel involved. Rewards allow people to be involved in the process, which is very important. Kickstarter projects bring creative people together, all over the planet.

Projects that involve the backers get the most funding. Projects where you can be a character in a novel or a name in a comic or a spot on the map make people feel valid and real; they aren't just donators or dollars; **they are part of the creative process.**

***Q: Why do you think led to your project being funded?***

A: My project was successful, in my opinion, because it is like nothing anyone has ever seen. This map was also a crazy thing to make, and I think people wanted to see if I could really do it. Also, I like to think I am personable and people wanted to help me out because I am a likable character.

***Q: Does this mean you believe in crowdfunding wholeheartedly?***

A: Crowd funding is **the way of the future**. Now that we have the Internet, and people can connect all over the planet, there is money to be spent by average Joes on excellent projects. **We don't need one big contribution; we creative types just need a bunch of small ones.** Plus, this technique is also great for promoting one's art.

***Q: Do you think you will ever run a project on Kickstarter again?***

A: I actually plan on running another project, probably a children's book, or a jewelry project. I loved being able to wake up and see that Jane from Michigan gave me \$5 and Mohammed from Morocco gave me \$20. Meeting these people was a great experience, and it makes it affordable for me to do art.

***Q: What could you advice other creative individuals when using Kickstarter?***

A: If you want to create a Kickstarter project, it needs to be special. These projects are not only about creating something amazing for now, but for the story backers will tell their kids and friends. I know my backers can tell their families "You know what I did in 2012? I helped an art student knit a giant world map about art". Projects with heart succeed. Most importantly, projects that bring people together will be successful.

Without Kickstarter I would never have made this project what it is. I wouldn't have had the press. I wouldn't have had the funds. I certainly wouldn't have made it as big or as detailed or as wonderful if it weren't for the people I was doing it for. **Kickstarter made it about the world and less about me.**

#### **Interviewee 4 – Julia Blaukopf**

Project: Creatives Working

By: Julia Blaukopf

Type: Photography

Location: Enschede, Netherlands

Funding goal: \$4,000

Funding pledged: \$410 (unsuccessful)

Backers: 12

Deadline: August 27, 2011



***Creatives Working project on Kickstarter. Source: Kickstarter, 2012***

*Julia Blaukopf is a photographer, designer and artist from Philadelphia, PA, USA. The focus of her work is on social aspects of art. She has photographed in Ghana for a women's empowerment organization, in Kenya for a restoration project. Also, she has been collaborating with organizations and artists from Lithuania, Denmark and United States. Julia launched an arts-products venture in 2010 called Julia Pearl Designs LLC. Her project Creatives Working was not funded successfully. However, Julia realized her project regardless.*

*Her photographs can be viewed on her personal webpage and blog:  
<http://www.juliablaukopf.com/gallery/creatives-working/>  
<http://juliablaukopf.wordpress.com/>*

**Q: What is Creative Working?**

A: I focus on a continuing series, entitled *Creatives Working*, to capture images of artisans working that exemplify the creative process of inventors, scientists, storytellers, architects, craftspeople and so on. My concentration is on innovators - those that transform ideas into creative form and implement them into the everyday. I photograph artisans at work in communities around the globe to build upon my growing body of work that include documentary photographs, as well as photo-based collages. The pictures center on settings of different people, including their living spaces and working environments, as well as the objects that they use. The goal is to convey true narratives through visual stories that will one day reach the public domain in open-air exhibitions.

**Q: How did you hear about crowdfunding on Kickstarter and what motivated you to try it?**

A: In an article in the *New York Times*, as well as fellow creatives using Kickstarter as a vehicle to fund raise for various projects.

The main reason I devoted time to create a Kickstarter campaign was to raise funds to document creatives working in Enschede, Holland, where I had a three-month residency. Creating the campaign was time consuming, but the funds were needed. Although this was the main drive, I also found that the campaign helped to market the project to gain greater moral support.

**Q: What was the process of getting approved like?**

A: As I remember, I submitted a brief description of the project. The staff at Kickstarter then sent an approval notice. From that point, I created an uploaded a video piece that involved a sequence of moving stills, along with a description and funders gifts.

**Q: What rewards did you offer to backers?**

A: I essentially used another projects rewards system to structure my own. I had simple rewards of prints at various sizes in tandem with the amount donated. In essence, I was pre-selling the photographs, offering images I produced in Holland as the end gift. Since I am a visual artist, the process is simpler -- I can offer my limited edition work as a natural reward.

**Q: Did you communicate with your backers?**

I only emailed my backers at the end of the campaign. I sent personal thank you notes to all those who contributed. This led to some direct checks, sent to my studio in the states.

During the campaign, I only sent messages to targeted individuals to insight excitement about the project and foster greater support. I only sent one email per person so as not to inundate anyone with emails.

**Q: What do you think the relationship between the creators and backers is based on?**

Kickstarter provides a great platform for funders who want to back interesting, unique, quality projects, but don't know how to find them. I believe that the backers need to have potential targets in mind for whom they can target during the campaign. Many funders feel uncomfortable sending someone a check. Kickstarter provides a neutral space in which funders can easily and quickly donate. All of my backers consisted of friends and

family. I do think that strangers to various projects donate because they feel a tie to the greater vision or goal of the creator.

***Q: Did you rely on any social media to raise awareness for your project? If so, what types?***

I marketed the campaign on Facebook, Twitter, and through my own personal newsletter. I paired past photographs of creatives working with a line that encapsulated the project goal.

***Q: Did Kickstarter help you with bringing awareness to your project?***

A: Kickstarter did not help to incite greater awareness. In my research, it seems as though Kickstarter selects a select number of projects to highlight on their website. There are a great number of campaigns, so this is naturally competitive and thus a long shot.

***Q: Why do you think your project did not reach its funding on time?***

A: I think timing is key. I asked for funding for a project that was already in progress. I needed money for materials, fees, and travel expenses in Holland, but, I was already in Holland. So, it was clear that I would accomplish the project with or without the donated funds. If I had created the project while still in the States a few months earlier, I am confident that I would have received more donations.

Moreover, I think that the creator should have a few targeted donors in mind that will contribute the main funds, along with the small donations. I didn't have secured donors who could have helped me to reach my goal. I also feel that my funding goal was **too large for a realistic sense** of what I could raise in just one month, considering I was many miles away from family, friends and colleagues.

I think that projects that have a sensible goal; a universal project that will relate to select communities (i.e. religious, genre, historic, etc); and an inroad to more substantial funders find the greatest success.

***Q: Do you still believe in crowdfunding?***

A: I do believe in the concept. Many small funders can make a huge difference. This structure allows those who aren't wealthy to have a voice, which is vital. In addition, the idea has increased the breath of marketing, as well as the ability of the project creator to take action in raising funds. Previously, grants and direct donations were the only resources - both of which can be far in reach. These tactics involve endless hours writing proposals and networking directly. Kickstarter is a great means of spreading a project and requesting funds without the hours otherwise dedicated to attending networking events, making phone calls, and meeting one on one with each potential donor.

***Q: Would you run a creative project on Kickstarter again?***

A: I would wait at least a year or two before launching another campaign for two reasons: It's timely to create a video, description and mount a project. Furthermore, it's important not to request money too frequently. Funders can experience fatigue when solicited too often, especially when the target is friends and family.

***Q: Did you manage to achieve the goal of your project without Kickstarter?***

A: I did achieve my goal due to the savvy ideas of a creative I photographed in Holland. German born jewelry/textile artist, Monika, spread my project to her colleagues throughout Holland, which consisted of alumni of the Rietveld Academie, a prestigious institution in Amsterdam. I charged each subject 50 euro for two high res images and inclusion in the international, continuing project. Over ten designers signed up for photo-shoots. A majority then recommended me to friends. Two such artists purchased extra photographs. This format helped me raise all the funds needed and more. I would do this again before Kickstarter because it led to interesting subjects and long-term sustainable work.

***Q: What could you advice individuals without professional experience who want to use Kickstarter?***

A: I would recommend non-professional artists to run their project by colleagues to make



sure the structure is clear and succinct. Also, keep the proposal simple, direct and short; and, allow enough time between the time the project begins and the campaign. Finally, choose a reasonable figure to request. If the project is popular, people will continue to pledge beyond the desired figure.

### **Interviewee 5 – Ivana Horvat**

Project: Finding Bosnia

By: Llamamama productions – Ivana Horvat and Adrian Hopffgarten

Type: Documentary film

Location: Sarajevo, Bosnia and Herzegovina

Funding goal: \$4,000

Funding received: \$5,963

Funded: 149%

Backers: 67

Deadline: May 9, 2012



***Finding Bosnia project on Kickstarter. Source: Kickstarter, 2012***

*Ivana Horvat and Adrian Hopffgarten met in college where they both studied media. Upon graduation in 2010, together they started a video production company called LlamaMama Productions. It focuses on making videos for local artists and businesses in Portland, OR, as well as for non-profit organizations.*

***Q: Tell me about your currently running project on Kickstarter. How is the idea about?***

A: My business partner and I are producing a documentary, *Finding Bosnia*, about the issues Bosnian refugees face when assimilating into a new culture including identity and intercultural childhoods. The film will follow me as I try to get a deeper understanding of what it means to be Bosnian by flying to Sarajevo this summer and staying with a family I have not seen for 11 years and have never had a strong connection with.

***Q: Did you know what crowdfunding and Kickstarter are, before you presented your project?***

A: Yes. From friends who are in the video field.

***Q: What motivated you to seek for funding on Kickstarter then? Was it all about receiving money?***

A: My main goal besides raising money was to include people in my life in what I'm doing because it *is* such a personal project. It is great to have such powerful support from people who I've gotten to know throughout my life and to have them be involved in this project.

***Q: Did you receive any feedback from Kickstarter when you were launching Finding Bosnia?***

A: Yes, once we submitted our project for review, it gave us feedback on our reward choices.

***Q: How did you find the setting up of rewards?***

A: It was a little bit difficult because it's such a foreign concept. At first I thought that it should be enough motivation for pledgers to see the project succeed that the rewards were useless and a pain. Now I believe that it is a way for pledger to feel connected to the project especially for rewards like postcards from me from Bosnia.

***Q: How do you communicate with your backers now?***

A: I've sent them each a thank you email and a Bosnian language lesson (in the same email). I also thanked each of them on our Finding Bosnia Facebook wall. I have not communicated with them other than these 2 times and methods.

***Q: Are you planning on approaching them before the project's deadline?***

A: Yes, I will send emails telling them the total we come away with and thanking them once again and also filling them in on what's next. Once the project is finished with the deadline, we will mostly communicate with them via Facebook. But for the people who don't have Facebook we may email.

***Q: What do you think the relationship between the creators and backers on Kickstarter is based on?***

A: This relationship is based on enthusiasm for a common project goal. Enthusiasm for art, for video, for education and wanting to see each other succeed.

***Q: Do you rely on any social media to raise awareness for your project?***

A: Only Facebook.

***Q: Did Kickstarter help you or is still helping with bringing awareness to your project?***

A: Not really. I think we've only had people from our networks fund our project.

***Q: Why do you think people become backers and donate money to strangers?***

A: If the project is by an inventor, I think a lot of anonymous people donate to get the finished gadget they are raising money to make. So they either do it for philanthropy or to get something in return. However, they could also donate to be part of a cause they believe in like gay rights etc.

***Q: Why do you think some projects fail on Kickstarter?***

A: Their goal is too big, their video sucks or their idea has no resonance with its audience.

***Q: What type of projects do you think usually get the successful funding? Why?***

A: The project that are successful are ones that are either working towards helping a cause like creating awareness on an important issue (aka people CARE about the issues surrounding the project), that are raising money for an ingenious technology gadget, ones that seem like they are run by professionals who know what they are doing and will get it done no matter what. You want to know that your money is actually going to go towards a project, which will be completed.

***Q: Do you believe in crowdfunding concept?***

A: Yes, wholeheartedly. It's amazing to how many people we all know and how many unexpected people are willing to support you in your artistic endeavors.

***Q: Would you run a project on Kickstarter again?***

A: Maybe. I feel a little uncomfortable asking the same people who already supported me once, for more of their money. It is always uncomfortable to ask people for money and doing it twice is a bit too much for me. It would be different if majority of our pledgers



were people who randomly found our Kickstarter and decided to support us.

**Q: Do you think you will manage to achieve your project's goal on Kickstarter?**

A: Yes, I hope so! Since it is a personal project a lot of people are going to want to see me succeed. It also helps that I have two big networks from high school and college along with my mother's network and my business partner's network.

**Q: What piece of advice could you give to all non-professional individuals who are thinking of presenting their ideas on Kickstarter?**

A: Make your video striking. Make your project unique. Be practical and make sure people know you are serious about accomplishing what you're setting out to do.

#### **Interviewee 6 – Kejia Zhu**

Project: Foldable.Me

Type: Product Design

By: Kejia Zhu

Location: London, United Kingdom

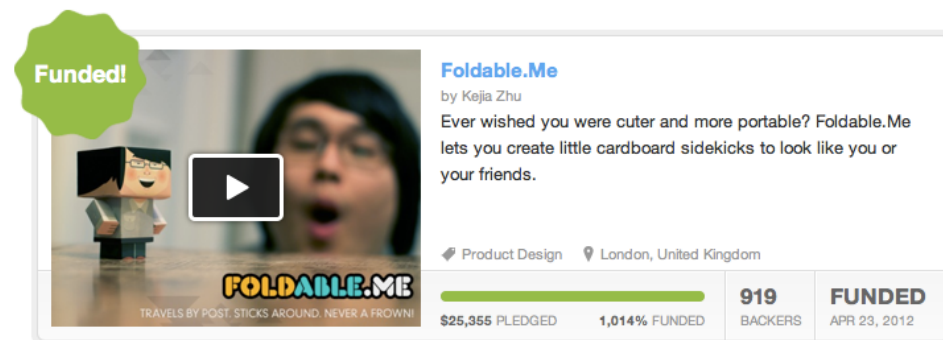
Funding goal: \$2,500

Funding received: \$25,355

Funded: 1,014%

Backers: 919

Deadline: April 23, 2012



**Foldable.Me project on Kickstarter. Source: Kickstarter, 2012**

*Kejia Zhu works as a creative strategist at a product design company Mint Digital in London, UK. He has recently created a product that gained a great deal of attention worldwide called StickyGram (<http://stickygram.com/>), which is a magnet printing service for Instagram application for smartphones. Foldable.Me project received an astonishing 1,0414% funding. At the moment, Kejia is very busy as the project raised a great deal of demand for the final product even though it is still in its developing stage. Although, the interview took considerably less time than with other interviewees, I am more than grateful to having the opportunity to interview Kejia about the project. Website for Foldable.Me product: <http://www.foldable.me/>*

**Q: What motivated you to turn to Kickstarter for Foldable.Me, as you are already working in a product design company?**

A: Before committing to the project we wanted to see if there was any demand for Foldable.Me. Kickstarter was exactly the kind of community we thought our service would appeal to.

**Q: What do you think the relationship between creators and backers is based on?**

A: Foremost it's trust that the creators will do the best they can with the funds they are given. Backers are motivated by more than just simply getting a neat reward. Involving backers at every step of the way creates a transparency and story helps ensure both sides are happy with the outcome even if delays and setbacks occur.

***Q: What, in your opinion, made your project so successful, as it exceeded the funding goal by more than 1000%?***

A: The mass customization element really helped us stand out. Giving backers the ability to create something with their own character makes this much more appealing than a typical paper toy.

***Q: What could you advise non-professional individuals who are creative and motivated and want to put their project on Kickstarter?***

A: Definitely. Be sure to come correct though. Create a compelling story and make the effort to shoot a good video. And be sure to think through your production costs.

***Q: Do you think it is more beneficial for individuals to use crowdfunding in order to realize their ideas, opposed to seeking for professional investors?***

A: For certain types of projects. If it's a standalone product then this can bypass the initial financing short fall, test demand and get to your first batch with less commitment. However if you're creating a startup with greater uncertainties, getting sophisticated investors is probably a better bet. You don't want 500 backers banging on your door wondering why your Facebook killer is taking so long.