

Czech University of Life Sciences Prague

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Diploma Thesis

Abstract

**Comparison of different crowdfunding campaigns
according to selected criteria**

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Comparison of different crowdfunding campaigns according to selected criteria

Summary

The thesis is focused on research in the area of crowdfunding and on comparison of selected campaigns. The aim is to identify causes of a campaign's success or failure with the effort to create guidance and recommendations, which could increase the chance of new campaigns to succeed.

The first part presents the general definitions of start-up and its possible options of funding. Further, the thesis deals with crowdfunding and motivation, to participate in crowdfunding project either as author or backer. The following chapter contains a brief description of crowdfunding models and certain advantages as well as drawbacks are pointed out. Last chapter of theoretical part is focused on crowdfunding platforms with main focus on Kickstarter.

The second part is focused on the analysis of crowdfunding campaigns from the most well-known crowdfunding platform Kickstarter. Data collection on crowdfunding campaigns will be done, then dataset will be quantified. Thereafter the correlation analysis and econometric modelling will be done. Econometric modelling will be used to trace and quantify economic phenomenon or relationships between them. After the final model is verified, the results of the diploma thesis are presented.

Keywords: Kickstarter, start-up, financing, crowdfunding, campaign

Objectives and Methodology

Objectives of the diploma thesis

The main aim of the thesis is to explore the area of crowdfunding, in specific to compare selected startups and to identify, which factors and attributes are essential for the success of a startup campaign, and to verify their influence by process of econometric modelling.

Methodology

In the theoretical part a literature research on the selected subject will be done to determine, which attributes are essential to include in the practical part. For this purpose professional and scientific literature will be used.

The practical part will be focused on the analysis of startup campaigns. First the data collection will be done from a chosen source and all the data will be quantified. After that the correlation analysis and econometric modelling will take place. Econometric modelling is a complex method, which is used to trace and quantify economic phenomena or relationships between them. It is a combination of economical, mathematical and statistical methods. Altogether it can be used to analyse any phenomenon, to better understand it, to improve efficiency of some process or to predict the development of an economic indicator. The process includes the identification of variables, econometric model compilation and testing various forms of the model. The most accurate model will be selected and then submitted to economic, statistic and econometric verification. Once the resulting model is verified, conclusions can be evaluated and recommendations for new startup campaigns will be created.

Results and Conclusion

The process of econometric modelling has revealed, that there are many campaign's attributes that may increase or decrease the chances to succeed, in another words to gain 100 % of the target or more. These attributes were verified as significant.

The closest dependence of a campaign's success was revealed with the number of projects launched before, with the target amount of money and with the number of comments. As the comments are not only the reason of success, but also the consequence of it, and the number of projects launched before represents experience more than a direct influence on potential contributors, it is the target sum of money that was evaluated as the most important tool, which may be used to increase the chance to succeed. The model showed that the higher the target is, the lower percentage of it is raised. It means that many campaigns choose a target that is too high. Therefore the recommendation is to set an achievable lower target, because more than 100 % still counts, while when less than 100 % is raised, the campaign fails. Another close dependence was detected with the number of updates. It is a tool that is used to inform the real or potential investors and should be used to make a campaign successful. None or few updates are not effective and too many of them neither. The optimal number of updates is around 22 due to the model. Last significant attribute is the minimal contribution. Its influence is similar to that of the number of updates. Low minimal contribution is not effective and too high neither.

While attributes above were verified as significant, other attributes were evaluated as insignificant for a campaign's success. Those are the length of a campaign, whether it goes for 7 days, 10 days or 28 days, it has insignificant influence on the chances for success. The language of a campaign was also evaluated as insignificant, but there were only 3 of the campaigns in other language than English. The last insignificant attribute is whether a campaign uses video or not. In another words, there is not significant difference in chances to succeed between campaign with video and without it. That is because the attribute represented only the use of a video, but not the quality of it.

Due to the results of econometric modelling, comparison of successful and unsuccessful campaigns have been made. It was revealed, that it is mainly creators' first campaigns that not succeed, and the main reason is usually too high target, few updates or too low minimal contribution.

Recommendations for new campaigns

Based on the literature research and the econometric modelling where data from kickstarter.com were used, following recommendations can be used when starting a new startup campaign

1. IT IS IMPORTANT TO SET AN ACHIEVABLE TARGET AMOUNT.

One of the most common causes of a campaign's failure is that the target amount was too high. The unsuccessful campaigns, which raised less money than 100 %, have much higher target amount than the successful ones. One third of campaigns that had a goal higher than 10,000 USD fails. When setting a target amount, remember, lower is better.

2. If it is possible to start a campaign with someone who have launched a lot of campaigns before, it is worthwhile

The more projects someone launched, the higher chances to raise more money. It is both the experience which will help and also, people tend to support such a campaign more.

3. Minimal contribution is a tool to raise more money

It is one of the tools that can be used to raise more money in a campaign. Higher minimum should help to raise more money, but it is limited – around 560 dollars might be a point of maximal possible benefit. Higher minimum than that might be useless.

4. Updates are necessary, but too many of them is not.

Unsuccessful campaigns post few updates or none. Successful campaigns use the option to post updates and their chances to raise more money increase. People appreciate new information and campaign's active work. But it is limited again – approximately 22 updates might be optimal. More than that could be contra productive.

5. People's attention is essential

Successful campaigns have comments. If a campaign does not have any comments or only a few, it is a signal that people are not so much interested in it. Therefore it might be helpful to make the campaign more visible or maybe improve the promotional video. If there are no comments or few of them, it is likely that you will not achieve 100 %. If you have a lot of comments, it is likely that you will not only achieve your goal, but raise even more money than 100 or 200 %.

an be used when starting a new startup campaign.

The most important thing to prepare well before starting a startup campaign is definitely the purpose of it. Once the idea itself is created, a campaign can be started. The thesis was focused on the quantifiable attributes, through which the chances for a success can increase.

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