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# Crowdfunding and Online Community: Maximising Mutual Benefit

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**Advisors:** I gratefully acknowledge the input and support of my supervisors Dr. Leonor Barroca (l.barroca@open.ac.uk), Dr. Shailey Minocha (s.minocha@open.ac.uk) and Mr. Dave Roberts (dave@stocktonroberts.me.uk).

**Research Area:** crowdfunding, online community, qualitative research

**Research Description:** My research explores the relationship between crowdfunding and online community. My research hypothesis is that association with an online community can impact the success of crowdfunding projects. In the case of my research, success will be defined in financial terms, such as funding of projects by deadline, as well as in non-financial terms, including networking, collaboration and feedback. Furthermore, I'm investigating the reverse hypothesis suggesting that crowdfunding projects and platforms could help establish, grow, or sustain online community. My research will use qualitative research methods involving crowdfunding stakeholders, including funders, creators and platform managers.

## 1 Research Problem

Crowdsourcing is, at its most basic, a process through which individuals create value together through sharing knowledge [1], [4]. Examples such as Kickstarter (kickstarter.com), Mechanical Turk (mturk.com) and Innocentive (innocentive.com) suggest many different variations on the participants, the process, the context, and even the output of crowdsourcing [1], [13]. This diversity has prompted the specification of crowdsourcing sub-types, which include crowdwisdom (aggregating crowd information to yield average conclusions), crowdcreation (producing content via the crowd), crowdvoting (gathering opinion of the crowd) and crowdfunding (funding projects collectively through a crowd). Crowdfunding is the specific focus of my research, defined as:

“a collective effort by people who network and pool their money together, usually via the Internet, in order to invest in and support efforts initiated by other people or organizations” [10]

Since the popularisation of the term – first documented in 2006 by Michael Sullivan on fundavlog<sup>1</sup> as “funding from the ‘crowd’” – much focus has been given to crowdfunding’s value as a tool for financing. Indeed, crowdfunding provides an alternative to funding from banks, venture capitalists and foundations [3]. However, an annual industry report suggests that online crowdfunding sites are growing not just in terms of revenue, but also with regard to project type and need addressed [8]. For instance, crowdfunding has recently helped promote the cause of Turkish Democracy in Action<sup>i</sup>, to bring awareness to underfunded cancer research<sup>ii</sup>, to match infertile couples with funding sources for fertility treatment<sup>iii</sup>, and to support design and sale of new products<sup>iv</sup>.

Crowdfunding illustrates a broad scope of advantages for creators as well as for funders beyond the financial, such as expression of shared interest, knowledge exchange, collaboration, and networking. These characteristics are consistent with elements of online community, defined as

“any virtual social space where people come together to get and give information or support, to learn, or to find company.” [11]

Through reviewing 97 online crowdfunding platforms, I have documented many illustrations of the presence of online community. However, the links between social elements such as community and crowdfunding are just beginning to be made explicitly [3], [5], [9], [12]. Some sources mention the importance of online social community to crowdfunding platforms [3], whereas others discuss the value of features such as shared knowledge, not just funds, to crowdfunding projects [5]. Other research looks at crowdfunding within specific communities, such as a company’s intranet [9], or specific applications, such as urban sustainability [12]. However, there is a dearth of research using either online community terminology or literature to explore definitions, commonalities, and characteristics at the intersection of crowdfunding and online community.

## 1.1 Research Questions

Having identified gaps in existing research, my overarching research question asks: how does online community influence the success of crowdfunding projects and, conversely, how does crowdfunding help forge, grow or sustain online community?

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<sup>1</sup> Fundavlog is no longer in existence, though credit to Michael Sullivan is given here: [www.wordspy.com/words/crowdfunding.asp](http://www.wordspy.com/words/crowdfunding.asp) [accessed 21 May 2013]

Related sub-questions include:

- how does online community influence the success of crowdfunding projects?
- how does crowdfunding help forge, grow or sustain online community?
- what are the non-financial success criteria of crowdfunding projects, and how do they impact on the understanding of project success and failure?
- how can design of crowdfunding platform and process influence the usage by various stakeholders, such as funders, creators and platform managers?

My research aims for both theoretical and applied contributions, including:

- to add to the understanding of success factors for crowdfunding projects
- to contribute to the understanding of online communities within the context of crowdfunding
- to help a diversity of individuals, organisations and causes harness the power of online interactions for both funding and support
- to advise how crowdfunding could be more explicitly supportive of both projects and online community; this will touch on structure of platform and on process

## 2 Methods Used or Proposed

To obtain a well-rounded understanding of online community and crowdfunding I am looking to interdisciplinary sources (HCI, social sciences, management) as well as to existing online examples. My approach is comparative and employs mixed qualitative methods, beneficial especially as I'm capturing rich, descriptive data with input from various stakeholders (creators, funders, platform managers) [7].

As research pertains exclusively to communities and crowdfunding online, and participants are familiar with online communication, it is appropriate that the majority of my research will be conducted online [6].

My research to date has featured “non-participatory observation”, defined below, across examples of online collaboration and crowdfunding, as well as two semi-structured online pilot interviews. This early-stage research has suggested the importance of themes such as incentives to participation, and has illustrated the value of community morale to various crowdfunding stakeholders. This research has also provided examples to complement literature, has helped to hone my research questions, and has validated feasibility of research method.

As my research progresses, methods proposed for future stages of research include:

- **‘Non-participatory’ observation:** a term adapted from Spradley’s use of “nonparticipation” [15], ‘non-participatory observation’ is used to describe

the least invasive form of observation, featuring no involvement in activities and no interactions with people. This method allows for observation of public online communities, and the consideration of the explicit rules of crowdfunding and conventions of interaction within and across platforms.

- **Semi-structured online interviews** will be conducted at various stages across the research process with project creators, funders, and platform managers. Interviews will be on the flexible end of the semi-structured spectrum, with more open than closed questions [14]. Interviews conducted online will be done synchronously via instant messenger and, through this method, will also immediately generate textual transcripts.
- **Offline participant observation:** to gain perspective on the strategy behind crowdfunding, platform details and specifics of process, a crowdfunding platform has been identified as a possible site for offline observation. This platform is particularly committed to community through specific engagement with users and a focus on cultivating repeat visits. Observing and interacting with team members in real-time could particularly inform the HCI element of research and both direct and validate research about tools and strategies. This on-site observation would enable questions about success and failures, strategies, any other platforms being used as models.
- **Participant workbooks:** inspired by consumer workbooks used as a marketing method, participant workbooks will use tailored exercises to capture ‘in the moment’ reflections by creators and funders at specific points along the crowdfunding project process [2]. In some cases, workbooks will be paired with semi-structured interviews for follow-up and further probing.
- **Case studies** will be used across the course of research to provide longer-term regular engagement with four platforms. These case studies illustrate the diversity of crowdfunding: local vs. global, general interest vs. specific, established vs. newly established, financially successful vs. less financially successful [16]. Longer-term engagement with case studies will allow for the notation of features such as macro trends and any changes in features, structure or communication on crowdfunding platforms. In some cases, case studies will be paired with follow-up interviews with platform managers, funders or creators.

### 3 Expected Contributions

Although at this stage of my research outcomes and their impact are evolving, the expected output of my research makes both an applied and a theoretical contribution.

In the case of the former, there is an opportunity to identify the existence of online community alongside crowdfunding and to research the extent to which they have a positive co-relation with each other. The significance of research will lie in gaining deeper understanding of the relationship between online community and crowdfunding, as well as in impacting success rates of crowdfunding. There is much room for financial improvement with crowdfunding successes; Kickstarter (kickstarter.com) reports a project funding rate that hovers around 45%, and this number is much lower for smaller, less established platforms such as CrowdfundSW1 (crowdfundsw1.com)<sup>2</sup>.

However, I am also interested in challenging the definition of success that relies exclusively on funding by deadline. Alternative success factors have not been fully identified or defined by research to date. Although funding is significant to the purpose of crowdfunding, my research will explore non-financial success factors such as feedback, relationship-building and networking. Expanding the parameters of crowdfunding project success could also impact on research investigating social media tools and strategy, as well as on crowdfunding platform details.

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<sup>2</sup> Kickstarter publishes some of its own statistics ([www.kickstarter.com/help/stats](http://www.kickstarter.com/help/stats)). Information for both sites current as of 10 July 2013.

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<sup>i</sup> <http://www.indiegogo.com/projects/full-page-ad-for-turkish-democracy-in-action> [accessed 16 July 2013]

<sup>ii</sup> <http://icancer.org.uk/help-crowdfund-the-anti-cancer-virus-that-could-save-thousands> [accessed 16 July 2013]

<sup>iii</sup> <http://www.krowdkidz.com> [accessed 16 July 2013]

<sup>iv</sup> <http://www.kickstarter.com/projects/597507018/pebble-e-paper-watch-for-iphone-and-android> [accessed 16 July 2013]