

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing



Supervisor: John Christiansen
Hand in Date: 11th Oct 2013
No. of pages: 80 (191 755 Characters)

Author: Vincent Myers

Master Thesis
MSc Strategic Market Creation
Copenhagen Business School 2013



The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Abstract

Crowdfunding is a rapidly growing phenomenon whereby entrepreneurs are able to obtain a new form of venture funding by reaching out to the crowd rather than reaching out to exclusive investor groups such as venture capitalists or business angels.

Crowdfunding is a recent phenomenon, with early initiatives taking place as late as 2006 and has only seen rapid growth in recent years. Despite this rapid growth, crowdfunding has received little attention in academics. No research has been done whereby researchers have interacted with the crowdfunders themselves, and little is therefore known about how these individuals act and how they choose which ventures receive funding and which are left unfunded. This research is the first attempt, to the best of the authors' knowledge, of turning to the users of crowdfunder platforms in an attempt to shed light on what drives these individuals in their capital allocation among ventures. The research focuses on the reward-based crowdfunder decision-making process in capital allocation among ventures. This is also compared to the general theory on venture capitalists and business angels.

The research was carried out by conducting interviews with crowdfunders who have backed at least three products through pre-orders, where at least one was backed within the last six months. These interviews were then analyzed to construct a model of crowdfunder decision-making.

Finally, these results were discussed in light of theoretical perspectives relating to venture capitalists and business angels. This further leads to a discussion on how the reward-based crowdfunding system is expected to fit with current capital allocation systems.

The results broadly present that crowdfunders on reward-based platforms are far more product-oriented in their decisions to allocate capital than are venture capitalists and business angels, who generally show a very high focus on the team behind the venture. This research further functions as a base on which future research on crowdfunding can continue in order to develop the academic field of crowdfunding further.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Table of Contents

ABSTRACT	2
1. INTRODUCTION	5
1.1 BACKGROUND	5
1.2 WHAT IS CROWDFUNDING	8
1.2.1 A DEFINITION OF CROWDFUNDING.....	9
1.2.2 CROWDFUNDING INDUSTRY DEVELOPMENT	10
2. THEORETICAL BACKGROUND.....	12
2.1 NEW VENTURE FUNDING.....	12
2.2 VENTURE FUNDING GAP	14
2.2.1 <i>The Funding Level Gap</i>	15
2.2.2 <i>The Geographical Gap</i>	16
2.2.3 <i>The Information Gap</i>	16
2.3 INVESTOR DECISION-MAKING	17
2.3.1 <i>Venture Capitalist Decision-Making</i>	18
2.3.2 <i>Business Angel Decision-Making</i>	21
2.4 ACADEMIC DEVELOPMENT OF CROWDFUNDING.....	23
3. PROBLEM FORMULATION	24
3.1 RESEARCH QUESTION	26
3.2 THESIS DELIMITATION.....	27
4. RESEARCH PROCESS & METHODOLOGY	27
4.1 INDUCTIVE VS. DEDUCTIVE REASONING.....	27
4.2 QUALITATIVE RESEARCH	30
4.3 RESEARCH METHODS & TECHNIQUES	31
4.4 QUALITATIVE INTERVIEWS	31
5. RESEARCH DESIGN	32
5.1 SAMPLING & SAMPLE BIAS	32
5.2 CROSS-REFERENCE SAMPLE	34
5.3 INTERVIEW DESIGN & IMPLEMENTATION.....	35
5.4 METHOD OF ANALYSIS	37
6. ANALYSIS RESULTS	38
6.1 PHASE 1: THE CROWDFUNDER MENTALITY	38
6.2 PHASE 2: PROJECT POOLING.....	44
6.3 PHASE 3: CONCEPT EVALUATION.....	51
6.4 PHASE 4: PROJECT EVALUATION	55
6.5 PHASE 5: FINAL PRODUCT EVALUATION	61
6.6 THE MODEL AS A LINEAR PROCESS	63
7. DISCUSSION	63
7.1. CROWDFUNDERS, BUSINESS ANGELS, AND VENTURE CAPITALISTS	63
7.2 CROWDFUNDING AND VENTURE FUNDING GAPS	70
7.3 CROWDFUNDING AS A MARKET SIGNALING SYSTEM.....	75
7.4 RESULTS IN LIGHT OF EXISTING CROWDFUNDING THEORY	79
8. CONCLUSIONS AND FUTURE RESEARCH.....	81

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

<u>BIBLIOGRAPHY</u>	83
BOOKS	83
ARTICLES	84
BLOGS	89
PDF	90
HOME PAGE	91
DICTIONARY	93
<u>APPENDICES</u>	94
APPENDIX 1. CROWDFUNDING PLATFORM TYPES	94
APPENDIX 2. KICKSTARTER AS A MODEL FOR REWARD-BASED PLATFORMS	95
APPENDIX 3. QUALITY OF RESEARCH	98
<i>Appendix 3.1 Credibility</i>	98
<i>Appendix 3.2 Transferability</i>	99
<i>Appendix 3.3 Dependability</i>	99
<i>Appendix 3.4 Confirmability</i>	99
APPENDIX 4. RESPONDENT INTERVIEW RESPONDENT INFORMATION	100
APPENDIX 5. PROJECT BROWSING PAGES ON KICKSTARTER	101
<i>Appendix 5.1 Kickstarter Starting Page</i>	101
<i>Appendix 5.2 Kickstarter Filtering by Category</i>	102
<i>Appendix 5.3 Kickstarter Project Page</i>	103
<u>APPENDIX 6. IMPLICATIONS FOR ENTREPRENEURS SEEKING CROWDFUNDING AND PLATFORM MANAGERS</u>	104
<i>Appendix 6.1 Implications for Entrepreneurs</i>	104
<i>Appendix 6.2 Implications for Platform Managers</i>	107
<u>APPENDIX 7. INTERVIEW TRANSCRIPTIONS</u>	108
APPENDIX 7.1 INTERVIEW #1 (RESPONDENT #1)	108
APPENDIX 7.2 INTERVIEW #2 (RESPONDENT #2)	116
APPENDIX 7.3 INTERVIEW #3 (RESPONDENT #3)	123
APPENDIX 7.4 INTERVIEW #4 (RESPONDENT #4)	132
APPENDIX 7.5 INTERVIEW #5 (RESPONDENT #5)	139
APPENDIX 7.6 INTERVIEW #6 (RESPONDENTS #6, #7, #8)	145
APPENDIX 7.7 INTERVIEW #7 (RESPONDENT #9)	166
APPENDIX 7.8 INTERVIEW #8 (RESPONDENT #10)	180

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

1. Introduction

1.1 Background

In 1865, a French sculpture by the name Frédéric-Auguste Bartholdi had a vision of building a statue of which the French would finance the statue and the Americans would finance the pedestal it would stand on. This was meant to be a kind gesture from the French in commemorating the United States on their first centennial, which would occur in 1876. However, as the predicted date of completion ran closer, Frédéric and his colleagues found difficulties in raising the capital required to build the statue. With few other options, the only way to raise the capital was by turning to the French public for funding. In 1880, it was decided to hold a lottery, authorized by the French government, to raise the money from the French citizens in order to secure the finalization of the statue. Models of the statue were issued as prizes in the lottery to incentivize donations. The Americans were facing similar issues as the government cut funding for the construction of the pedestal. Joseph Pulitzer, the publisher of the New York World, decided to turn to his reader base in a call for funding to complete the base for the statue. A \$1 donation would give the donor a reward in the form of a 6-inch model of the statue and a 5\$ donation would give the donor a 12-inch model reward. The reward-based crowdfunding effort finally led the statue to be completed and erected in Manhattan, New York, and is of course known as the Statue of Liberty. (Lawton & Marom, 2013)

The funding of the statue of liberty demonstrates that crowdfunding (CF) is not an entirely new phenomenon. However, the area of CF has seen many changes within recent years. The utilization of crowds has never been more prevalent due to the connectivity that the Internet and Web 2.0 has brought with it. (Ordanini, et. al., 2011) Although part of the same principal field, the CF example above and CF as we see it evolving today are very different. What we can call the “new” era of CF can be traced back to 2006 and a homepage called “Sellaband.com”. (Agrawal et. al., 2011) The model of Sellaband was quite simple. The founders of the site wanted to allow music fans to fund their favorite artists, rather than record labels deciding what music should reach the market. They saw record labels as the gatekeepers between musicians and their potential audience. Since then, CF has expanded to a variety of categories far beyond music to include other arts, technology, design, gaming and much more.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

CF has seen rapid growth over the past years. (Sekhon, 2013) Web 2.0 changed the dynamics of CF by allowing individual entities to much more efficiently reach out to large groups of people. (Buysere, et. al., 2012) This phenomena has been seen through several crowdsourcing activities such as wikis, open source coding, and now also through CF. (Budhathoki & Haythornthwaite, 2012) Several homepages have arisen to facilitate this connection between people with ideas and the crowd, including Kickstarter, Indiegogo, Quirky, Crowdcube, and many more. In the same sense that Sellaband attempted to bypass the gate-keepers of the music industry (Ordanin et. al., 2011), other forms of CF initiatives now have the potential to bypass gate-keepers of innovation commercialization such as venture capitalists, banks, and business angels. Some authors go so far as to claim that the new era of CF may have the opportunity to cause significant changes in the venture capital industry as we know it. (Lawton & Marom, 2013)

The CF industry has seen tremendous growth the past years. The industry grew from a market size of \$1,5bn in 2011, to \$2,7bn in 2012, and projected to reach a \$5,1bn market in 2013. (Massolution, 2013) One of the biggest platforms, Kickstarter, has to date raised over \$749 million alone by connecting entrepreneurs and the crowd, thereby funding over 47 000 entrepreneurial projects since its launch in 2009. (Kickstarter, 2013). CF is thereby a rapidly growing means for entrepreneurs to obtain capital to realize their ideas. The industry is still far from the size of traditional venture capital, where the U.S. market size alone accounted for \$32,6bn in 2011(Wilmerhale, 2012). However, with its rapid growth and particular characteristics, CF is a phenomenon that deserves further academic attention.

Venture Capital, a market previously signified by the fact that venture capitalists are in power of innovation selection, is now being somewhat challenged by this utilization of the crowd for the funding of entrepreneurial projects. Lawton & Marom (2013) claim that *“Until this moment in our history, capital allocation was largely the province of a relatively small and entrenched minority”*. Through the process of CF, it is easy to imagine that there is a distribution of power, where the crowd gains more control of what products reach the market, rather than venture capitalists or business angels deciding which ventures should gain funding and which should not.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Where Sellaband took the power of the record labels and distributed it amongst the music fans, CF has become much more general and now involves a wide variety of product fields.

But what happens when we give the general public the possibility to decide which ventures survive and which ventures die? Can the crowd in fact make intelligent decisions as a collective group? What implications will such a diffusion of power have on a societal level and how will CF fit in with our existing venture funding systems? The fact is that as of today, we simply do not know. CF is still unexplored as an academic field, and with its rapid growth it becomes viable to attempt to gain an understanding of what it could potentially mean for our society and how the market may evolve. Behavior among CFs is almost totally unexplored, leaving most of these questions unanswered.

In 2005 James Surowiecki published a book titled "The wisdom of the crowds". In it, he claimed that large crowds of people possessed a sense of collective intelligence when it came to making various predictions. This belief is supported by the fact that organizations now look to tap into the wisdom of crowds which is evident through activities such as open innovation programs (Tidd & Bessant, 2009), open source technology, and more recently through the act of CF. Throughout this paper we will look at how CFs make their decisions to invest in certain projects while rejecting others. Due to its rapid growth, and due to its accumulation of significant interest over the past years, it is a perfect time to explore CF as an academic field, to further explore what implications it may have on seed and venture capital. The reward-based CF market, which will be thoroughly explained below, has had a few years to grow and evolve. It can be argued that there is no more exciting time to explore the field of reward-based CF than right now.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

1.2 What is Crowdfunding

Before we start exploring the effects of CF, it is important that we give a proper definition to the field. CF also carries with it a certain vocabulary, which is presented in Table 1, below.

Term	Definition
Project Initiator	An individual or team reaching out to the crowd for capital to realize their project.
Backer	An individual who has made a pledge, either by donating money, lending money, acquiring shares in a venture, or by pre-ordering the product of the project
Platform	The homepage that connects entrepreneurs and the crowds, such as Kickstarter.com
Backing or Investment	A sum of money transferred from an individual into a project or company, via the CF platform. The term investment is used primarily in equity-based CF and does not quite give justice to what occurs on other platforms. On other platforms the term backing is used as it is disputable whether for example pre-orders should be seen as proper investments or not.
Project	Project initiators start projects, which are then posted on platforms for potential backers to see. A project has a definite finish, such as running the first round of production, whereas ventures signify the creation of a company and is therefore more in line with the language of equity based platforms.

Table 1 – Crowdfunding Terminology

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

This chapter will define CF as well as look at where CF is today with regards to both industry development and academic research.

1.2.1 A definition of Crowdfunding

Before we start digging deeper into CF, it is important that we give a thorough presentation of what CF actually entails. A good point to start is by looking at the definition given to the word CF. According to the oxford dictionary, CF is;

“The practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet.” (Oxford English Dictionary, n.d.)

With the definition above, the main focus is on the fact that instead of raising money from a small group of investors, such as venture capitalists or business angels, CF looks to obtain it from a larger audience where each individual provides a small amount. (Belleflamme et. al., 2013) It has also been described as a process whereby entrepreneurs reach out to the general public to provide start-up capital. (DeMaria & Steinberg, 2012) The fact that CF, in our definition, is carried out over the Internet also adds the aspect that the “new” era of CF is an Internet phenomenon. (Buysera et.al, 2012)

CF is a close relative of crowdsourcing, and can be described as a subset of crowdsourcing. (Howe, 2008; Kleemann et al., 2008) Where crowdsourcing has generally been seen as an information market through initiatives such as wikis and collaborative software, CF adds a financial perspective of raising capital by utilizing the crowd. In a sense, it is crowdsourcing, where the object being sourced is capital. (Bonabeau, 2009)

Generally, the CF system is made up of three actors; the project initiator (entrepreneur), the crowdfunders (investors, also known as backers), and the CF platform (the homepage), which connects the two previous actors. The classification of CF platforms is often done with regards to what the crowdfunder gets in return for his or her financial participation. (Buysera et. al., 2012; Ingram & Teigland, 2013) With this categorization we can distinguish four different types of CF platforms; *Donation-Based platforms, Rewards-Based platforms, Lending-Based platforms, and Equity-Based*

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

platforms. (Buysere et. al., 2012; Ingram & Teigland, 2013) The reward-based platform is the only platform considered in this thesis and therefore warrants a significant introduction. Descriptions of the remaining platforms can be found in Appendix 1, in the event the reader is unaware of the business models behind these platform types or is simply interested to learn about these.

The *Rewards-Based* platform differs from the other models in that a financial contribution can result in a tangible return, known as a reward. These rewards vary substantially from project to project and are decided by the project initiator. It has become very common that the product or result of the project is offered as a reward for a certain financial contribution. This effectively offers consumers a pre-order option for products that are at a concept stage of development, which adds an interesting dimension that will be of large importance in this thesis. This pre-purchase option has in fact become so common that Trendwatching.com has identified pre-sumerism (consumption at concept stage) and pre-tailing (retailing concepts or prototypes) as a major consumer trends of 2013. (Trendwatching, 2013) Important to note is that rewards in this model are non-financial. The backer will never, through this model, receive a financial return as they would in an equity-model. (Buysere et. al., 2012) An example of a rewards-based platform is the current industry leader within CF, Kickstarter. Kickstarter will be the central platform of analysis in this research and is thoroughly described under Appendix 2. It is recommended that the reader refer to this appendix if they are not familiar with how Kickstarter functions and looks. The full understanding of this thesis is reliant on an understanding of the platform design and the information available to CF. Some reward-based platforms also offer the option of pure donations in the cases where a participant wants to contribute without receiving a reward.

1.2.2 Crowdfunding Industry Development

With one of the earliest successful CF platforms, Sellaband, being established in 2006 and the current market leader, Kickstarter, being established in 2009, the industry is still quite young. It is also an industry seeing a lot of activity and experimentation, especially with regard to the emergence of equity platforms. (Collins & Pierrakis, 2012) When looking at the development of the CF environment, one intuitive place to start looking is at industry reports. However, where many fields may be able to draw fairly accurate information from industry reports dating back a year, CF cannot.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

The CF field is changing at such a rapid pace that although an industry report or research from 2011 may be helpful in describing developments within the field up until the date it was published, it will not be able to account for the potentially vast changes that may have occurred after this date. As we saw earlier, using data from a 2011 industry report rather than a 2012 source would give an error in market size of \$1,2bn. This is a large error in a market that totaled at \$2,7bn in 2012. It is therefore also relevant to look at more recent secondary sources even if they do not hold the same credibility as industry reports do. The priority here is to present the CF industry as accurately and up to date as possible.

The CF industry has seen a 452% growth in the number of platforms between 2007 and 2011 (Crowdsourcing.org, 2012; Sekhon, 2013) and showed 800 individual platforms in June of 2013 (Ingram & Teigland, 2013). According to Deloitte, reward-based platforms alone are projected to raise \$700 million in 2013. (Deloitte, 2013) It is also the most common platform across Europe and North America, which are continents that together generated 94% of the money raised through CF in 2012. (Sekhon, 2013) The fact that it is such a large platform type in dollars, the most common platform in Europe and North America, and has existed at least since 2009, when Kickstarter was founded, makes it an interesting platform type to conduct research on. It has reached satisfactory consolidation and adoption, finally making it viable for research. The risk with studying small, new, but rapidly growing platform types such as equity-based platforms is that the industry norms have not yet been set and the level of adoption is still low. These platforms are most likely to be subject to significant changes during the coming years. Deloitte further supports this notion by labeling equity-platforms as the 2013 CF wildcard. (Deloitte, 2013)

With the information presented above, we can see that CF is a rapidly growing means for new ventures to receive funding. The pre-order option that reward-based platforms offer essentially allows entrepreneurial teams to get an influx of capital from consumers, even before the venture has reached a production stage. This capital is often vital for new ventures to achieve rapid growth and there are currently systems in place to achieve such early venture funding such as venture capital, business angels, and banks. (Lehner, 2013) It is therefore important that we continue the CF discussion by looking at the theoretical background on venture funding; what options exist to entrepreneurs, how

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

these systems work, and how actors within these systems behave. It is still uncertain what function CF will fill in venture funding and whether it will carry with it significant changes to existing venture funding systems. Critics to CF have for example voiced a concern that venture quality signals are much less important in CF than in more traditional funding. (Bogost, 2012) The focus of this research will in fact be on actor level, whereby the CF is the object of study. It is therefore necessary that we also consider actor behavior within existing systems, as comparisons between actors such as business angels and venture capital have created valuable discussions in earlier research on venture funding. (Sudek, 2007)

2. Theoretical Background

2.1 New Venture Funding

New ventures often require funding that stretches beyond the internal funding available to the entrepreneur. This requires that many start-ups look for external funding to start and grow their business, especially if the venture aims to accomplish rapid growth. (Tybjee & Bruno, 1984; Histrich & Jankowicz, 1990; Freear et. al., 2002) Venture financing is acknowledged as an important societal system due to the fact that new ventures create the majority of new jobs in many developed countries. Discussions on how new ventures can obtain funding is therefore seen as important on a societal level and warrants that we look closer at the current venture funding landscape. (Oujala, 2002; Colombo & Grilli, 2003)

The ways in which venture financing can be accomplished are currently many. (Haislip, 2011 ; Larralde & Schweinbecher, 2010) Among the most well known of these is funding through internal funding, friends and family, bank loans, venture capitalist investments, and business angel investments. (Lehner, 2013) Each of these actors function in a somewhat different manner and can be available to entrepreneurs in different stages throughout venture growth. (Lehner, 2013) A classification is usually done with regard to if the influx of capital is done for equity in the company or with a debt model. To get an understanding of some of the most common of these actors, we turn to Lehner (2013) who gives a good overview of how these actors function and at what stages of the ventures life these capital sources may be viable.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Actors that supply capital for equity in a company include friends and family, business angels, venture capitalists, and finally stock markets through IPO's. Although we can conveniently cluster these under equity claims, the way in which these different functions operate have implications for entrepreneurs in attaining capital. Financing from friends and family is often a viable option early on in the entrepreneurial process, but may be quite limited and therefore rarely reaches the significant amounts of capital that is often necessary for rapid growth (Lehner, 2013).

Business angels (BA) are instead a set of individuals with a high net worth who invest their own money in ventures, and are often referred to as “informal investors” (Aernoudt et. al., 2004; Freear & Wetzel, 1991). These are individuals who often have operational experience within the industry and are therefore more involved in the ventures that they finance than most other actors (Freear & Wetzel, 1990; Sudek, 2007; Mason & Harrison, 1995). These actors also invest their own money, which makes them somewhat different from venture capitalist firms who manage funds and therefore investor capital as opposed to their own. BAs' are usually open to investing in early stage ventures but will often require some initial proof of the concept in order to invest (Lehner, 2013; Sudek, 2007). The amount of capital they invest is often much lower than even the minimum amount considered by venture capitalists, meaning that they are able to fund firms at earlier stages than those considered by venture capitalists, since these require smaller investments (Mason & Harisson, 1995). Due to their higher numbers, this investor group invests the highest aggregated capital in the highest number of ventures and is therefore the most prevalent form of external financing to entrepreneurs (Freear, Sohl, & Wetzel, 1992).

The way in which venture capitalists (VC) operate has changed somewhat since the late 1970's and early 1980's, which was brought to light by Mason & Harrison (1995). Although initially targeting early ventures similar to those described for the BA investors, VCs' are today quite focused on much later stage deals and therefore invest significantly higher amounts of capital in each venture than do BA (Lehner, 2013; Sudek, 2007; Mason & Harrison, 1995).

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

This naturally means that these ventures must warrant a higher investment than in the case of BA investment, which in turn usually means that these ventures are valued higher and are therefore often at later stages of growth than those invested in by BAs'. VCs' are professional investors that manage funds and usually look for a clear exit strategy whereby they maximize their return on investment. (Mason & Harrison, 1995; Murray, 1991a). Contemporary VCs' therefore rarely target early stage ventures, as these carry significant risk, are not valued high enough to warrant high enough investments, and may not have an exit strategy within their horizon. Instead they work to identify further developed venture deals that are in a stage of rapid growth (Lehner, 2013).

At a much later stage, the venture has the opportunity to initiate a public offering for investments in the company, which according to Lehner (2013) is at a venture stage of globalization and high scaling. This option is usually not open to smaller ventures due to high fixed costs associated with this activity and is therefore much less relevant to discuss when considering seed capital and early stage funding (Mason & Harrison, 1995).

Debt claims mainly include bank loans, but can also include government agencies (Lehner, 2013). Bank debt can be obtained throughout all stages of a venture, but are dependent on the amount of risk the entrepreneur is willing to take. Bank debt increases the debt-equity ratio of ventures giving them higher risk profiles. Influx of outside equity has a reverse effect and may instead encourage even more equity capital to flow into the venture, warranting more rapid growth (Cressy, 2002). Bank loans and other forms of credit have also become somewhat restricted in the aftermath of the financial crisis, making this option more restricted to entrepreneurs as a means of obtaining seed capital (Ingram & Teigland, 2013).

2.2 Venture Funding Gap

One interesting aspect of venture funding is the fact that the actors mentioned above are not static over time. Banks can change loan policies and VC firms can shift strategy over time, essentially impacting the overall market for new venture funding (Mason & Harrison, 1995). The VC market has seen certain changes since the early 1980's, especially with regard to the level of funding provided by VC firms, the number of ventures they invest in, and at what stages of a venture they choose to invest in.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Whereas they used to invest in deals more resembling those currently targeted by BA, they now tend to invest more money in fewer, later stage, ventures. This shift in VC strategy essentially created a gap in the market for venture funding and made it more difficult for early stage ventures to receive funding (Mason & Harrison, 1995). However, gaps in early stage funding cannot be explained entirely by this one occurrence. When reviewing the literature on gaps in venture funding, one can identify three different themes of venture funding gaps; a funding level gap, a geographical gap and an information gap.

2.2.1 The Funding Level Gap

The availability of finance naturally plays a crucial role in the formation and growth of new ventures (Mason & Harrison, 1995). Up until the 1980's VC firms had a focus on investing in early stage businesses. What later occurred was a shift in focus from early stage ventures to the extent where the industry focus was on much later stage deals in the form of management and leveraged buyouts (Mason & Harrison, 1995). This meant that VC firms would rather buy out the existing equity from owners at a much later stage than investing in brand new ventures (Mason & Harrison, 1995). Therefore, the VC role in providing capital to early stage ventures became close to marginal (Murray, 1994). The significant fixed costs involved in evaluating ventures, the lower risk of investing in businesses that are already somewhat established, as well as the fact that these businesses have a projected future and exit strategy, were all driving forces behind this change in focus (Mason & Harrison, 1995; Freear et. al., 2002). Naturally, this created difficulties for new ventures to obtain seed capital, which is acknowledged by several authors and governments who started initiatives to try and bridge this gap (See Mason & Harrison, 1995; Colombo & Grilli, 2003, Cressy, 2002). At this time, was also noticed that a significant amount of venture capital was unaccounted for by traditional funding mechanisms, which led to the realization that some other source of finance must exist on this market (Mason & Harrison, 1995). This "black hole" of venture capital was found to originate from informal investors, later termed business angels, who were found to be contributing with a substantial amount of capital to early stage start-ups (Mason & Harrison, 1995). These investors were also seen by Mason & Harrison (1995) as potentially being able to minimize the capital gap between internal funding and VC firm funding due to the fact that they typically make much smaller investments than the ones considered by VC firms. Mason & Harrison (1995) acknowledged the potential of BA investors to bridge this gap, but

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

also found other gaps that affected the BA propensity to invest. Interestingly, more recent research on BAs' also states that these actors look to invest in later stage deals, thereby not entirely solving the gap of early stage financing (Gulbranson & Audretsch, 2008). Because both VCs' and BAs' require proof of concept, this is also an issue in the discussion of funding gaps (Gulbranson & Audretsch, 2008). Between the \$100 thousand usually being the upper cap of internal funding, and the \$2 million often making up the lower limit of investment for VC's there is therefore a notable gap in funding, making it difficult for venture to move from internal investment to VC funding (Freear et. al, 2002).

2.2.2 The Geographical Gap

Mason & Harrison (1995) also identified a geographical gap with regard to venture funding. Because VC is closely related to the finance industry, these firms were usually located close to finance districts. This was seen as problematic due to the fact that VC firms get their information from networks within their regions, leading ventures in the VC firms close vicinity to have greater opportunities of receiving funding, thereby creating a geographical bias in funding (Mason & Harrison, 1995). VC firms also saw it as necessary to invest somewhat close to home in order to efficiently be able to monitor the firms they invest in (Mason & Harrison, 1995). This leaves entrepreneurs in regions where VC firms are not clustered disadvantaged, essentially creating a geographic gap in funding (Mason & Harrison, 1995). This geographical gap was also argued to diminish on account of informal investors, as these were more widely dispersed geographically, although still seen as being more prevalent in regions with large SME sectors (Mason & Harrison, 1995).

2.2.3 The Information Gap

Although the higher dispersion of BAs' compared to VCs' presented the potential to dampen both the funding gap and geographical gap, this BA dispersion and fragmentation also led to certain issues. In fact, Mason & Harrison (1995) merely presented the potential that informal investors could minimize the overall funding gap, but still pointed out that the gap was still very pronounced for various reasons. Among these was the fact that matching entrepreneurs and informal investors was seen as highly problematic (Mason & Harrison, 1995). Most informal investors are very passive in identifying deals, putting the majority of the search work on the entrepreneurs. At the same time, many informal investors strive to preserve their anonymity, making it difficult for entrepreneurs to locate these individuals (Mason & Harrison, 1995; Gaston, 1989).

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Gaston (1989) describe that finding a match between entrepreneur and informal investor can be both time consuming and expensive for both parties, essentially leaving a large funding gap for ventures looking for seed capital in spite of the existence of BAs’.

To conclude, we can see that funding gaps have been observed within venture capital funding. When these gaps started coming to the attention of academics, informal investors were seen as the potential solution, but issues of connecting entrepreneurs and informal investors somewhat dampened the potentially positive effect these informal investors can have on closing the funding gap. Furthermore, the literature on funding gaps cannot be seen as very recent, with the main article by Mason & Harrison dating back to 1995. However, Buysere et. al. (2012) argue that this gap is still very prevalent due to the fact that the leap from a business angel investments of 100 – 500 thousand Euros to a venture capital investment of a minimum investment slightly below 2 million Euros is so significant that many ventures will fail in attempting to breach this gap. Contemporary funding gaps are further supported by Earnst and Youngs Globalizing Venture Capital Report from 2011 (Earnst & Young, 2011) as well as by Streletzki & Schulte (2012). The notion that CF may be able to fill this gap is also presented by Buysere et. al. (2012) and will be considered throughout this thesis, as we attempt to look at how CFs’ invest capital and the implications this may have for the overall system of venture funding.

2.3 Investor Decision-Making

In order to gain an understanding of what role CF may play in overall venture capital systems, it is important that we look at how existing investors decide on what ventures to invest in. In the previous section, we saw how informal investors were seen as having the potential to solve funding gaps in Mason & Harrisons article from 1995. CF can be seen as taking the term informal investor even further, opening venture capital to ordinary citizens. The biggest difference between CF and traditional systems may therefore be the people that control the capital. We therefore need to gain an initial understanding of how existing investors choose which ventures to invest in in order to be able to compare this to CF decision-making later on. VC decision-making is by far the most developed form of investor decision-making theory with regards to new ventures (See Klonowski, 1995; Sudek; 2007; Musyka et. al., 1996; Knight, 1994). We will therefore start by evaluating this. However, because BAs’

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

are the biggest source of venture funding, we must assess these investors as well, although the literature on BA decision-making is far less developed than VC (Sudek, 2007).

2.3.1 Venture Capitalist Decision-Making

In this section we will look at some of the factors that influence VCs' in their decision-making process when investing capital in ventures. The main purpose of this section is to present a general overview of VC considerations rather than a detailed account of all VC processes, since a general overview is seen as sufficient in order to evaluate potential differences between CF decision-making and venture capitalist decision-making.

We begin by addressing the overall motives of VC firms. Their business model generally evolves around investing large amounts of money in few ventures for an equity stake in the venture. They manage funds, and are therefore not investing their own money. Their prime goal is to maximize the return of investment (ROI) on their partners' investment. (Ingram & Teigland, 2013; Sudek, 2007; Klonowski, 2010) To accomplish this, VCs' attempt to identify ventures that show high potential future profits, above average growth potential, and are able to sustain this profitability through strong competitive advantages within their industry (Klonowski, 2010).

VCs will typically start their process by deciding where to invest, often starting with various industry analyses to persuade their partners to invest capital. In such analyses, the VC firm will look at various market trends such as economic, demographic, social, industry, and government trends (Klonowski, 2010). This means that venture capitalists take into consideration the industry in which to act, as they want to locate deals in high growth industries (Muzyka et al., 1996). VCs' will also consider their investments in a portfolio perspective, as this allows them to diversify risk. Because of this, the deal acceptance is somewhat contingent on the existing portfolio. In line with the theory in the previous section, VCs' look for deals in certain stages. For example, when accepting a minority stake in the venture, VCs' will generally look for a pre-evaluation of at least five million dollars (Klonowski, 2010).

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

VCs' are generally in contact with an abundance of venture deals and will give limited attention to each deal proposition. VCs' need a healthy inflow of deals in order to survive and may therefore more actively utilize a network strategy whereby they participate in entrepreneurial networks as a means to be exposed to deals and entrepreneurs (Klonowski, 2010).

The VC firm will go through a series of venture evaluations to decide whether or not the deal is worth further consideration and finally an investment. Throughout the VC process, less than five percent of the business proposals will receive funding (Klonowski, 2010). Klonowski (2010) illustrates several criteria that he claims are important to venture capitalists, and should therefore be a part of the entrepreneurs' presentation to maximize the chances of receiving funding. This initial presentation is where detailed information is conveyed to the potential investor for the first time. This is also where we can gain an understanding of the VC logic.

Venture capitalists generally want to get a good overview of the venture early on in a business presentation, which means that entrepreneurs need to be quick in describing the business model, concept, and the value to the market. (Klonowski, 2010) Because VCs' have to go through many deals in the pursuit of finding one worth investing in, it is important that a good overview of the business is established quickly (Klonowski 2010).

Venture capitalists find the *team* behind the venture to be a key aspect and will heavily consider whether they are well suited to run the venture (Klonowski, 2010; Robinson, 1987; Knight, 1994; Fried & Hisrich, 1994; Bachher, 2000). The teams past experience and accomplishments are seen as critical by the venture capitalist and they tend to be reluctant to invest in inexperienced entrepreneurs (Klonowski, 2010). They also prefer to see teams consisting of members with backgrounds in various fields such as engineering, marketing, finance etc. (Klonowski, 2010). In short, they look for a balanced team where the skill sets of the members' complement each other to ensure that the team is capable of running the venture. (Klonowski, 2010) The team behind the venture should be considered as a vital part in whether a VC will consider an investment or not. This can be seen through the famous quote by Bygrave & Timmons (1992) stating that VCs' would rather invest in a grade A team with a grade B idea than a grade B team with a grade A idea. Many VCs' claim that management is by far the

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

most critical factor, making this factor even more critical than the idea or concept itself (Klonowski, 2010; Robinson, 1987; Knight, 1994; Fried & Knight, 1994; Bachher, 2000).

In order to identify that the problem being solved by the entrepreneurs is real and significant, venture capitalists will want to look at *market* data such as statistics on potential market size, expert feedback, and customer research (Klonowski, 2010; MacMillan et al., 1985; 1987). The entrepreneur should quickly address the problem and why other actors are not pursuing the market space (Klonowski, 2010). Venture Capitalists are also concerned with how the entrepreneurial team will defend against other potential entrants in the market. Generally, venture capitalists tend to be more inclined towards working with proven business models that have been carried out successfully in the past (Klonowski 2010).

Venture capitalists generally want to see plans on how the strategy is to be executed (Klonowski 2010; MacMillan et al., 1985; 1987; Muzyka et al., 1996). The venture capitalist is naturally concerned with this since they look for a viable business strategy that will be profitable in the long run as well as further assessing the competence of the team by seeing what plans they have developed. Financial evaluations are naturally an important factor for venture capitalists (Klonowski, 2010). They will therefore often expect to see financial projections for the next three to five years, looking at profit margins, in order to get a notion of whether the business will be profitable enough for their investment and when the venture will break even. (Klonowski, 2010) These usually involve revenue growth, profitability and cash flow (Klonowski, 2010). The entrepreneurial team must also justify why they need the investment and what the money will be used for. A milestone plan is therefore required to show what actions will be taken and where the investors' money will be spent as well as how long this funding will last, also known as the burn rate (Klonowski 2010). Furthermore, VC firms will look at the potential exit strategy where they will realize their ROI (Lorenz, 1989; Mason & Harrison, 1991; Murray, 1991a; Tyebjee & Bruno, 1984; MacMillan et al., 1985).

What we can see from VC decision making, these investors utilize a selection system that takes into consideration the sourcing of successful businesses, where ideas and concepts are just one of many parts that must be attractive for an investment to occur. In fact, the team is so important that if the team

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

is not seen as capable and functionally balanced, 80% of VC firms would dismiss the investment opportunity according to research by Macmillan et al. (1985). The process of properly evaluating ventures is quite rigorous, expensive and may last for several months. This is also a part of the reason why they look to invest large sums in later stage deals, in order to make it worth the expensive and time-consuming evaluation. (Klonowski, 2013; Mason & Harrison, 1995) VCs' will therefore generally try to look for ventures that can be valued at five to fifteen million dollars already. (Klonowski 2010)

Important criteria to a VC can therefore be said to be the management team behind the project (Klonowski, 2010; Robinson, 1987; Knight, 1994; Fried & Knight, 1994; Bachher, 2000), the market potential of the product (Klonowski, 2010; MacMillan et al., 1985; 1987), and the business strategies developed by the team (Klonowski 2010; MacMillan et al., 1985; 1987; Muzyka et al., 1996). Considerations with regard to product and concept have also been found to factor into the VC decision-making with regard to differentiation (Muzyka et al., 1996), level of development (MacMillan et al., 1985; 1987), and superiority (Fried and Hisrich, 1994; Zacharakis and Meyer, 1998). What should be noted on VC decision-making is that this chapter is merely the tip of the iceberg with regards to the depth at which these evaluations occur. For example, a VC firm will traditionally conduct two phases of due diligence prior to any money switching hands. (Klonowski, 2010)

On a final note, Klonowski (2010) states that VCs' will also look at if the business has some form of orders or even sales to date. VCs' will also be concerned with how entrepreneurs plan to protect their market space from potential competitors (Sudek, 2007). Among the main "turn offs" for VCs' are first time entrepreneurs and incomplete management teams. (Klonowski, 2010; Knight, 1994; Robinson, 1987)

2.3.2 Business Angel Decision-Making

Theory on business angel decision-making is far less developed than VC decision-making due to the fact that this type of investor was recognized much later in academics as well as their fragmented nature. (Sudek, 2007) In fact, the first article addressing business angel assessment criteria seems to date back as recently as 2007 (Sudek, 2007). Many aspects of VC decision-making turn out to be

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

similar for business angels, and it is therefore a good strategy to highlight their differences rather than their similarities (Sudek, 2007).

One major difference in the processes of these two types of investors is the fact that BA perform less due diligence than does a VC. Where 71% of VCs' utilize three or more references, only 8% of BAs' would do this (Van Osnabrugge, 1998). Furthermore, BA due diligence are generally less professional and therefore rely more on instinct leading to more opportunistic investment behavior (Timmons, 1990; Baty, 1991; Mason & Harrison, 1995; Van Osnabrugge & Robinson, 2000). Where VCs' often have entire departments to perform due diligence, BAs' usually do not.

BAs' often have motivations that stretch beyond ROI such as supporting a fellow entrepreneur, thereby supporting the entrepreneurial community. (Benjamin & Margulis, 2000; Van Osnabrugge & Robinson, 2000). The role of emotion and instinct are generally seen as higher in a BA investment than in a VC investment. (Sudek, 2007)

Both VCs' and BAs' see the team as absolutely vital in an investment decision, and that these are in fact factors that attract them to most deals that receive investments. (MacMillan et al., 1987; Van Osnabrugge & Robinson, 2000) However, BAs' tend to be more lenient with regards to market factors (Sudek, 2007; Klonowski, 2010) This was also seen with regards to exit plans, where BAs' seem to find exit plans less critical than do VCs'. (Mason & Harrison, 1995) BAs' are also seen to perform less rigorous due diligence than VCs', and will thereby look at fewer references before investing in a venture. (Van Osnabrugge & Robinson, 2000)

Overall, BAs' seem to differ in their decision-making by being more influenced by softer variables, basing their investments more on instincts than extensive facts. However, what becomes incredibly prevalent is the fact that both VCs' and BAs' heavily evaluate the team behind the venture as a critical part of the decision to invest or not. In fact, according to Sudeks (2007) findings, the quality of the concept or innovation comes up on rank 7, beaten by entrepreneur enthusiasm, entrepreneur trustworthiness, sales potential, expertise of entrepreneur, personal connection, and market growth.

2.4 Academic Development of Crowdfunding

The academic literature on CF is quite limited and many of the papers in this category are still working papers. In fact, the earliest paper found during the literature review dated back to 2010, which illustrates how recently CF became seriously considered in academics. This is further supported by two of the early authors within the CF space, Larralde & Schweinbacher (2010), who claim that there is virtually no research dating back earlier than 2010.

Certain critics to CF have raised the concern that project quality may be unclear and possibly have less of an impact on CFs than on investors presented in the previous section (Bogost, 2012). Larralde & Schweinbacher also discuss the notion of whether CF can in fact contribute with the sourcing of good innovations, connecting CF to the idea of wise crowds. This idea was popularized by James Surowiecki (2005) in his book "The Wisdom of Crowds" and describes how large crowds may prove to make better decisions than a few experts within their fields. Through this reasoning, Larralde & Schweinbacher (2010) illustrate that while CF investors may lack the knowledge of industry experts, the size of the crowd may result in quite qualified decisions due to their aggregated knowledge. Because CF is a new field, it is difficult to prove this notion empirically as it would require that data on projects to be collected many years after they were successfully crowdfunded. Such data simply does not exist yet. However, a good place to start is by understanding how the CF decides on which projects to back.

There are a few authors driving the field of CF forward in academics. Agrawal et. al. (2011) for example showed that funding on CF platforms is generally highly skewed, leading 0,7% of the projects accounting for 73% of the funds raised between 2006 and 2009. On Kickstarter this number was slightly lower where 1% of projects accounted for 36% of the funding (Agrawal et. al., 2013). We therefore see evidence that many of the projects seeking CF capital are somewhat untouched, while a few received quite significant funding. Naturally, this points towards the fact that there is some kind of project selection process in place.

Mollick (2013) further looked at factors that may lead to project success and found that the network size of the project initiator had positive effects on whether the project would be successfully funded or

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

not. He also found that avoiding spelling errors on the project page, as well as having a video, were positively related to a project becoming successfully funded. He described success as linked to product quality, the social networks of founders, and professionalism of the project video and text.

Other authors have studied the topic of which platform type entrepreneurs should choose. Belleflamme et. al (2013) argue that pre-ordering was a better option when the initial capital invested by the funder was low. In other cases equity-CF would be a better fit. Motivations of funders have been somewhat researched through interviews with entrepreneurs who have completed successful CF projects.

Ordanini et. al. (2011) interviewed successful project initiators on the sites Sellaband, Trampoline (which was an independent company raising funds off-platform), and Kapipal, to uncover motivations that might pertain to project backers. The results revealed primarily novelty seeking motives and altruistic motives for supporting entrepreneurs and causes. These novelty-seeking motives were mainly derived to the use of a new type of platform, thereby finding novelty in the utilization of the tool CF offers. (Ordanini et. al., 2011)

We can see that although CF is a relatively new field within academics, some basic research has still been carried out. Ordanini et. al. (2011) specifically call for research on the consumer side of CF. When looking at reward-based platforms, there is currently little theory to deductively test. Furthermore, there is no evidence (to the best of the authors knowledge) that any type of research has been conducted whereby the researcher interacts with the CFs' themselves. Research up to date has dealt with data collection from platforms as well as interviews with platform managers and project initiators, leading to a somewhat scattered collection of results. (See Ordanini et. al., 2011; Belleflamme et. al., 2013; Mollick, 2013; Agrawal et. al., 2013) Therefore, it can be argued that the voices of the CFs themselves are highly underrepresented in the academic field of CF, which leads us to the purpose of this thesis.

3. Problem Formulation

As CF is a relatively new and rapidly growing phenomenon, there are still many directions in which research can go to uncover what is really occurring on CF platforms and what implications this may

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

have on a larger societal scale. One aspect that caught the authors' attention within reward-based CF was the fact that very little has been done to understand how the users of such platforms behave. There are two main reasons why CF behavior may be significantly different to existing venture capital funding. The first reason is that the individuals making up the CF system are very likely significantly different from existing actors within venture funding with regards to their process of sourcing ventures. The second reason is that the CFs' overall incentives for providing start-up capital to a venture are most likely also different from existing investors. Because the reward-based CF system is designed in a way significantly different from VC or BA systems, where investments are a function of pre-orders and donations rather than equity, the logic behind providing capital will likely be different for reward-based CFs'.

Following the academic development, research on CF behavior is important both to continue the discussion on the extent to which CFs' are efficient at sourcing ventures as well as attempting to understand the CF in relation to existing venture funding systems. When we look at fields such as VC behavior, the individuals making the capital allocation decisions have gotten attention in academic writing by the study of their decision-making processes, as seen in our theoretical background. It is therefore viable that we do the same for CFs'.

We should however also look into why the CF decision-making process is important to disclose in the first place. CFs' are the individuals who inherently control the capital and choose how to allocate it among various innovation projects. The purpose is therefore to analyze the CF on individual level to create a discussion on the broader meaning of CF. Research on the behavior of CFs' can lead us closer to understanding how to place this new system in a web of our existing systems. For example, we can start considering how CF fits together with systems such as VC/BA and if this new system is here to replace VC/BA or complement it. It can be argued that the biggest potential differences between VC, BA, and CF systems are the people who make the decisions on capital allocation, thereby warranting that we focus on the behavior of these individuals first. It therefore makes sense to set a foundation for understanding CF behavior. If we can understand how the individuals in the system make decisions, we are able to compare actor behavior in different systems and thereby spark discussions on a more general societal level.

Furthermore, a study on CF behavior can be useful to many parties in the CF system. There is no current research that has made CF logic explicit. There are certainly projects, notably the huge successes, that seem to have understood certain dynamics of reward-based CF, which has led to their success. However, a study such as this one makes this information available to the entire community, hopefully leading to better decision-making for platform managers, project initiators, as well as for the CFs' themselves.

3.1 Research Question

Having considered the purpose of this research, certain research questions have been put in place to allow for focus. Because of the explorative nature of this research, some of these research questions can be seen as quite broad, but serve to guide us in laying a base for CF research on which later research can build. The main research questions for this thesis are as follows:

Q1: How do users of reward-based CF platforms, in the categories of technology and design¹, source projects to evaluate and how do they evaluate which projects to back?

Q2: On which parameters does the evidence from Q1 differ from Venture Capitalists and Business Angels?

Since the first research question is a quite broad area of study, this question has been broken down in the following sub questions:

*SQ1: How do reward-based CFs, in the categories of technology and design, **source** projects to consider for backing?*

*SQ2: How do reward-based CFs, in the categories of technology and design, **evaluate** these sourced projects in their decision to back a project?*

¹ The focus on Technology and Design is derived from the sample, which almost exclusively dealt with these categories.

SQ3: *What influence is imposed on the reward-based CF, in the categories of technology and design, throughout the process of deciding which projects to back (Both in SQ1 and SQ2)?*

3.2 Thesis Delimitation

The following research looks specifically at the decision-making process of reward-based CFs and the logic on which they base their decisions to back projects. The word CF is from this point onwards synonymous with the reward-based CF platform. The research does not intend to analyze the CFs' personality traits or backgrounds. It does not necessarily intend to address the success factors of a CF project on a specific level, although the research findings may contribute to a better understanding of these. The research deals specifically with the steps taken by the CF from the point where he/she knows nothing of the project to the point where he/she has backed a project. This means that any occurrence linked to innovation and the adoption of innovation occurring after backing the project, such as the use of the product or the confirmation of the innovations benefits (Rogers 2003), is not within the scope of this thesis. The focus is on understanding the CFs' logic and the CFs' process of sourcing and evaluating projects and information. Other actors discussed in this thesis are limited to VCs' and BAs' and does not involve banks, government funds or other actors that can supply capital to new ventures, which should be compared in subsequent research. This research deals specifically with the Kickstarter platform. It further focuses exclusively on the categories of technology and design for reasons brought up in 4.1 Sampling.

4. Research Process & Methodology

In this section we will look at the logic behind the chosen research methodology with respect to the purpose of this research.

4.1 Inductive vs. Deductive Reasoning

In order to gain an understanding of the nature and objective of this research, a good starting point is to consider the discussion on how far research within the field of CF has come as of today. Both Peecher & Solomon (2001) and Haeffliger et. al. (2009) give us a perspective on the research development within a given field. Peecher & Solomon (2001) argue that research can be classified into three levels. The first level of research is labeled *exploratory research*, where research focuses on the gathering of

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

initial observations on a phenomenon. Haeffliger et. al. (2009) also propose a similar stage where the focus is on generating insights through exploratory research, which focuses on research with the objective of informing further research. This is described as an attempt at first making sense of the phenomenon. The next level deals with *descriptive research*, where the researcher builds on the patterns found in the exploratory research. The final stage, *explanatory research*, deals with testing and adaptation of the theory. (Peecher & Solomon, 2001)

One vital question is whether the research will have a theory driven approach or not. In the authors view it is hazardous to try and fit the CF within an already existing concept frame. This would potentially create a research design whereby the CF is pushed to fit within an existing theoretical framework, potentially missing aspects that make the CF unique. Haeffliger et. al. (2009) further illustrates this line of thought with the fact that a theory-driven approach will usually result in a better understanding of the established theory but not necessarily of the phenomenon that is being studied. If we choose to let, for example, VC decision-making theory drive data collection, VC theory will become richer. However, CF theory may not, because it is already characterized within a VC context. A hypothesis-testing approach based on existing theory simply is not efficient at generating new knowledge about the phenomenon. (Haeffliger et. al., 2009) Edmondson & McManus (2007) further argue that qualitative research is the most appropriate way of uncovering new phenomenon that are not well understood, further describing that quantitative research on poorly understood phenomenon likely leads to the search for ambiguous relationships where variables that by chance are co-related are over interpreted.

If we instead consider research where we initially treat the CF as a separate case from consumers, venture capitalists, and traditional crowdsourcing, we are able to allow for CFs' to establish themselves as a separate entity. Following this discussion on CF as a field in an exploratory research stage, an inductive approach to theory is better suited to the purpose of this research. The inductive reasoning places more focus on theory creation rather than theory testing and is common in exploratory research. (Edmondson & McManus, 2007; Haeffliger et. al., 2009; Bell & Bryman, 2011; Daymon & Holloway, 2011) The theory thereby becomes a result of the data collection and is generated on the basis of the collected data. (Daymon & Holloway, 2011) It is also a process whereby we move from the specific to

the general by collecting data from the specific respondents and generalizing this data by generating theoretical frameworks. These theoretical frameworks can then be deductively tested by future researchers, through further data collection that is able to determine the generalizability and strength of these theories. (Bell & Bryman, 2011) Although this research will develop a first suggestion of a theoretical framework for CF decision-making, it will also discuss this framework in relation to existing theory on VCs' and BAs'. The most important aspect here is that previous theory does not drive the data collection.

There are several reasons why a deductive approach to theory would be difficult with a research purpose such as this one. Deductive reasoning involves the testing of existing theory through hypothesis development. As opposed to inductive reasoning, deductive reasoning moves from the general to the specific, by collecting data on how well theoretical frameworks hold up to empirical data. (Bell & Bryman, 2011; Edmondson & McManus, 2007) Within the field of CF, we have seen that there is in fact little theory that can be deductively tested. It can be argued that CF is not at a stage in its research where it is optimal to start digging deeper into the few concepts that currently exist within the field. Instead, there is much more value in providing a base for CF as an academic field, whereby research serves to propose several aspects that future research can build on. The outcome of such research is also quite particular. The outcome of explorative research, or nascent research as Edmondson & McManus (2007) term it, is *"tentative answers to novel questions of how and why"* and *"suggestive theory of the phenomenon that forms a basis for further inquiry"* (Edmondson & McManus, 2007). Most often, this research leads to suggested theoretical connections and thereby not absolute truth as sought after by quantitative studies. This again points towards theory generation as a base on which further research can build.

Although this research is exploratory by nature, it is fully possible that it may also contribute to a better understanding of the observations found in previous CF research, thereby also contributing in a more descriptive fashion. Edmonson & McManus (2007) argue that research development should be seen as a continuum rather than clear stages, meaning that at a certain point, there will be research representing hybrids of these stages. Although this is not the primary goal of this research, it would be unwise not to connect back the little existing theory within CF post analysis.

All these arguments build a case for the use of an inductive approach, whereby we treat CFs' as their own entity. The less we know about a field, the more open data collection methods need to be (Edmondson & McManus, 2007). The approach to data collection will therefore be as open as possible to allow for the CF to tell his or her own story, rather than previous theory setting certain directions of what this research is to uncover.

4.2 Qualitative Research

Because of the exploratory nature of this research, the methodology of data collection needs to be considered as appropriate with the research objective and purpose described above. In a general sense, a quantitative methodology is often employed when the research is of deductive nature. Quantitative research also thereby often involves the testing of various hypotheses and testing the generalizability of existing theory to larger populations, which we have argued is not the main goal of this thesis due to the nascent nature of CF as a field. Qualitative research, on the other hand, is often tied to an inductive view of the relationship between theory and practice and is also considered appropriate with regard to explorative research. (Haeffliger et. al., 2009; Edmondson & McManus, 2007; Bell & Bryman, 2009) This research will therefore utilize a qualitative research methodology in line with the arguments carried thus far. Furthermore, had we known the specific factors utilized by CF in their decision-making, a quantitative study may have been possible. However, because there is little current research on these, it is difficult to even isolate such factors to test quantitatively. Therefore this research aims at identifying what factors may influence CFs', which makes a qualitative methodology more appropriate.

This is however not the only reason why a qualitative methodology is preferred in this research. Rogers (2003) and Bell & Bryman (2011) bring up the very valid point that we are in fact researching a process, CF decision-making, which requires that certain process properties be taken into account. In process research we require data-gathering that can determine a sequence of events with respect to time. Quantitative research can be good at determining an occurrence, but has great difficulties at determining the logical sequence of events in a process, how events influence each other, and the underlying reasons for these occurrences (Rogers, 2003). Rogers (2003) therefore argues that data-

collection methods need to be less structured and qualitative in nature when researching processes, which is an argument taken into account during this research.

4.3 Research Methods & Techniques

The tools chosen to conduct this research have been chosen with the focus of gaining an understanding of occurrences through the eyes of the social actor, the CF (Bell & Bryman, 2011). In our research setting, the CF is an important actor in the overall function of the CF system as his or her actions and behavior is seen as contributing to the role CF is to fill in our society, much like we saw that VC/BA decision-making can affect venture funding mechanisms in our society. As we saw earlier, when VCs' change their behavior and strategies, the whole system in fact functions differently (Mason & Harrison, 1995). Similarly, we expect that understanding the CF logic is important in understanding the contribution, if any, that the CF system can bring to venture funding. In order to gain an understanding of these actors' logic and actions in a CF setting, qualitative interviews have been chosen as the main data collection technique.

4.4 Qualitative Interviews

Although qualitative research, and explorative research especially, often focuses on several ways of collecting data, this research will place its main focus on in depth, open interviews with respondents (Bell & Bryman, 2011; Haeffliger et. al., 2009). Edmondson & McManus (2007) highlight that the less we currently know about a field, the more open the data-collection must be. This is due to the fact that whereas mature research fields can draw on existing literature to structure variables, nascent research fields cannot due to the fact that such variables have yet to be uncovered (Edmondson & McManus, 2007). Open interviews allows for these variables to be unveiled during data collection, which is far more appropriate when dealing with nascent fields (Edmondson & McManus, 2007). Open interviews also allow for the focus to be on the respondents' own perceptions and the actions that arise from these. This allows for the interest to be directed towards the respondents' viewpoint as opposed to more structured interview forms where the research may be more of a reflection of the researchers fields of interest or existing theory (Bryman & Bell, 2009). Cross-references through online chats were also used to confirm or deny themes brought up during interviews. An online setting was here seen as sufficient as it was merely a way to get further CF input on already established themes that arose through face-to-face interviews. These were not meant to be used as quantitative tests of the interviews,

but were rather used to ensure that the researcher had analyzed the content of the interviews in a sufficiently objective way to hold true even for individuals who the researcher had not had a personal face-to-face interview with. For a discussion on the quality of research involving areas of credibility, transferability dependability and confirmability, refer to Appendix 3.

5. Research Design

In this section we discuss the specifics regarding the sampling method, such as the sampling process and the characteristics of the total sample. This is all in line with providing clarity in how the research was conducted and further contributes to the dependability of the research.

5.1 Sampling & Sample Bias

Because of the nature of the research and the in-depth understanding required, one main requirement for the sampling of respondents was the fact that they were close enough to allow for a face-to-face interview. This would allow for a richer data-collection that was considered necessary when dealing with a nascent research field such as CF decision-making (Bell & Bryman, 2011; Edmondson & McManus, 2007). This led to an initial sample biased towards people residing in the Scania region of Sweden.

The overall requirement in order to be eligible to participate in the research was the fact that the individual had used a reward-based CF platform, and backed at least two projects within the past three months, where at least one resulted in a product pre-order. This was to avoid respondents who had backed projects several years ago or only donated one or two dollars to a project. Furthermore, the pledges and pre-orders were to have been made to projects of which the respondent did not know the project initiator personally to avoid respondents who had found and pledged to projects simply because the project initiator was an acquaintance or friend of the CF. These selection criteria were based on the notion that CFs who had not backed CF projects within three months would have difficulties in recalling and describing their decision-making process in an interview. Furthermore, CFs that had only donated a very small amount or knew the project initiator personally were seen as potentially having different decision-making processes from CFs' who had pre-ordered products. However, it is important to note that research on whether the majority of the money on Kickstarter comes from donations or pre-

orders does not exist. With a quick calculation on some successful projects on Kickstarter including the 3D doodler (Kickstarter 3D doodler, 2013), Form 1 3D printer (Kickstarter Form 1, 2012), Oculus Rift (Kickstarter Oculus Rift, 2013) and the Precision Gyroscope (Kickstarter Precision Gyroscope, 2013), it was found that the level of funding that came from pre-orders was in fact 95,5%, 98,6%, 93,6% and 94% respectively.² This hints towards the fact that in highly successful projects, pre-orders account for the largest influx of capital within the categories of this research. Which portion of this money came from people who knew the project owner personally is however unknown and difficult to find data on, but with the projects above having backer numbers in the thousands or even tens of thousands it is unlikely that the majority of backers know the project initiator personally. Because research on the field is not available on these points, the plausibility after conducting simple calculations as above were used in order to determine the sampling criteria.

To locate potential respondents a Facebook app search was used, whereby it is possible to filter out individuals within a specific region who utilize a certain Facebook app. From this the researcher ran two searches, one on individuals in the Scania region (Sweden) who used the Kickstarter App and one on individuals in the same region that used the IndieGoGo App on Facebook. From this search, messages were sent to 96 potential respondents. Many of these messages were never read as they were filtered as junk mail (“other mail”) by the Facebook inbox. Of the ones who did answer, a majority claimed that although their Facebook account was connected to a Kickstarter or IndieGoGo account, they had actually never backed anything on the platform, and therefore did not fit the profile. Many of these respondents would actively browse the CF platforms but had never mustered up the courage to actually back anything. Out of the remaining responses, nine individuals were interested in meeting for an interview. Once the initial respondents were interviewed, they were asked if they knew anyone who fit the sampling profile who may be willing to participate. This only resulted in one more interview, resulting in a total of 10 interview respondents. The sampling of respondents was therefore a mix of a convenience sample and a snowball sample (Bell & Bryman, 2011). To note is that one interview was done in a focus group consisting of three respondents as they were on vacation from UK and only had one hour to spare amongst the three of them. The interview for this group looked the same and the only

² Calculations are done by adding the total number of money collected from backers who have pre-ordered and dividing this by the total funding amount.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

difference was that three respondents were interviewed at the same time with an open discussion around the interview questions.

All of these individuals were users of Kickstarter, except one who had backed on both Kickstarter and IndieGoGo. Furthermore, none of the respondents who were willing to meet for an interview were female, and there is therefore a strong gender and Kickstarter bias in the research sample. Fundable states that there is an overall gender biased in CF towards men, which may explain this bias. (Fundable, 2013) Furthermore, there was not an even spread among the categories where products had been backed. This was extremely oriented towards technology and design, with a few of the respondents having backed in some other categories as well as technology and design. The research question therefore had to be altered as to only study CFs' from these categories.

The sample was quite homogeneous with regard to age, where the youngest participant was 21 and the oldest respondent was 35. This is in fact also quite close to Fundables' statistics on CF usage where it is claimed that individuals in the ages 24-35 are much more likely to participate in CF campaigns. (Fundable, 2013)

The sample consisted of four students, one aviation technician, one graphic designer, two consultants, one programmer, and one sound technician. For more factors relating to respondents, turn to Appendix 4.

5.2 Cross-reference Sample

Some respondents did reply to the initial Facebook message but were not willing to participate in an interview due to lack of time or other reasons. Some of these individuals were still willing to actively discuss the research in Facebook conversations. These individuals were later used as a cross reference of the findings that came up from the interviews to get their input during the analysis of the data. This led to a total sample of 10 interviews and five Facebook-only respondents, thereby involving 15 respondents in total.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

The gender bias was very strong within the cross-reference sample as well, leaving only two of the eight respondents female. The age range was also quite similar to the interview sample with the youngest respondent being 20 years old and the oldest being 38. Most of these respondents were also from Sweden, although one was Norwegian.

The bias towards technology and design was high in this sample as well. This category bias in both samples leads to recommended caution in applying the results from this research to other categories that may differ substantially, such as art or theater. Finally, like the interview sample, all of the respondents were users of the Kickstarter platform. The two most important sample biases should therefore be stated as the fact that this research has a strong Kickstarter focus and a focus on the categories technology and design.

5.3 Interview Design & Implementation

Interview design was seen as quite difficult with regard to the level of openness required in a study such as this one. As the author is an inexperienced interviewer, the task of conducting entirely open interviews was rather daunting and the researcher therefore decided to have three sets of activities planned during the interviews. The first was a very open conversation about CF, the respondents experience with CF, and his view of the system. The second planned activity was an exercise carried out on the respondents' computer (the researchers computer was used in cases where respondent did not bring his own). This exercise involved asking the respondent to locate interesting projects for further evaluation, as he would do on his own, with the instructions that there was no time pressure. This was done while the researcher and respondent sat side by side, which created a somewhat different atmosphere than when the respondent is alone. All respondents seemed relaxed and unstressed during this task, but the situation is still somewhat different from when the respondent is browsing on his own, which should be noted. Once this task was completed, the researcher and the respondent together took notes on the actions that had been taken and these were later used to spark discussions on project sourcing throughout the interview. The exercise was merely done to have a clear clickstream to discuss with the respondent to reflect on why these actions were taken on a deeper level.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

The respondents had also informed the researcher which projects had been backed prior to the interview taking place. This allowed the researcher and respondent to refer to and discuss projects that had previously been backed by the respondent in order to probe deeper with respondents as to why these projects were seen as worthy of backing at the time. After this discussion, the set of projects chosen in the earlier exercise were discussed with regard to evaluation and the respondent was asked if this was a project he could consider backing. This logic was then compared to the logic provided from the projects the respondent had actually backed in order to see if the line of thought was similar or different than what was stated earlier.

The remaining parts of the interview were open to directions that would naturally occur while discussing any of these three main areas. Each respondent was willing to dedicate 45 minutes to the interview, but some interviews lasted for around an hour.

The venue chosen for all interviews was a café in central Malmö, Sweden. The author had chosen a specific table to conduct all interviews in order to not allow other people in the café to distract the conversation. This table was available for each interview. A central location close to the café was chosen for the researcher to meet the respondent to allow for an initial conversation on the way to the café, thereby minimizing the tension before the conversations about CF had even begun. It should be noted that all participants had a very excited and positive view on CF, which led to very little criticism of the system emerging naturally from the respondents.

Analysis was carried out successively throughout the interview period, meaning that content that was singled out from one interview could be incorporated into following interviews. Although the activities described above were all carried out in each interview, later interviews also incorporated a discussion of content that emerged in previous interviews to get further input on whether this content held true for other respondents as well. This meant that later interviews also had elements of a more semi-structured interview form, built on previous findings, as recommended by Daymon & Holloway (2011).

Noteworthy is that one interview in fact more resembled a focus group, consisting of three respondents in one interview session. This was done due to these three individuals time schedule as they only had

time to conduct and interview of 1 hour and 15 minutes among the three of them. It was seen as more logical to include all three in an interview than focus on one and not interview the other two at all.

5.4 Method of Analysis

As mentioned above, analysis was conducted successively after each interview as recommended by Bell & Bryman (2013) and Daymon & Holloway (2011). The method of analysis was based on *meaning coding* (Kvale & Brinkmann, 2009; Daymon & Holloway, 2011), where each interview transcription was manually coded for discussions and statements that evolved around a certain theme. More specifically an *open coding* technique was used whereby the data was broken down into segments that could be compared across interviews (Kvale & Brinkmann, 2009; Edmondson & McManus, 2007; Daymon & Holloway, 2011). Segments that consisted of discussions on similar themes were highlighted and then compared in order to see if the discussions were supportive of each other or contradictory of each other. A concrete example of this can be seen when the author started realizing that the level of project funding came up as a discussion throughout several interviews. Once these segments could be labeled as “*level of funding in project search*” they could be compared across interviews, thereby looking at if there were similarities or differences with regard to the effects of level of funding on the CFs’ behavior. The collections of these discussions were used as a base on which the researcher wrote a concise text on the understanding of the influence of funding levels. This text was then relayed back to the respondents as well as to individuals in the cross-reference samples in order to get their input on whether this text was representative of their own behavior or not. A segment was seen as sufficiently accurate when all but one or two respondents agreed that this was representative of their behavior, unless these remaining individuals provided significant information that could lead to further discussion. This was iteratively done until the texts relayed back to the respondents were very close to what is presented in the results below.

As analysis was conducted and brought over to later interviews and while segments were cross-referenced among all respondents willing to comment, the theory was created and altered dynamically, which is in line with recommendations by Daymon & Holloway (2011). What are presented below are the final results of this process. The results presented to the reader below are further distilled into 18 themes, which extract the core of that specific result section. These are also used to refer back to the

results in later discussion chapters. The logical sequence of events was determined mainly by the data from face-to-face interviews, as well as clarifying comments by these respondents throughout the analysis. However, due to platform design, the sequence of events somewhat steers respondents to go through a certain sequence, making it unlikely that other CFs deviate drastically from the process stages presented in the resulting model below. Quotes were chosen on their level of explanatory value. This means that if many respondents had similar quotes, the ones perceived as most clear by the author were used.

6. Analysis Results

During this chapter the results of the analysis above will be presented in a five phase model of the decision making process for CFs'. The empirical evidence will be worked through in chronological order to ensure that we are actually depicting a process. We will look at the entire process from the potential backer having entered the CF platforms homepage through to where a project is backed or rejected. To make it easy for the reader to follow, the model will be built progressively as the results on the stages are presented.

6.1 Phase 1: The Crowdfunder Mentality

Crowdfunder Mentality

In order to fully understand the CF decision-making process, it is important that we start by considering the state of mind in which the CF is in upon entering a CF platform. Here the focus is on aspects that were brought up that had an explanatory value with regard to decisions made throughout the process of deciding which projects to back.

6.1.1 Crowdfunding as a mode of consumption

The respondents were very similar in their reasoning for using CF platforms and how this would differ from their normal purchase activity. From the interviews it was possible to isolate certain themes that were relevant to almost all participants.

6.1.1.1 Novelty is entertaining

The novelty aspect of CF was by far the most prevalent reason for the participants when frequenting the platform. This is in line with previous research on CF, as presented by Ordanini et. al. (2011), stating that novelty seeking is in fact a motivator to utilize CF as it is a novel system. It is still regarded as a new, exciting, system to utilize and therefore the system carries novelty in and of its own. However, where Ordanini et. al. (2011) found primarily novelty seeking behavior in utilizing the new system, the interviews of this research found novelty seeking motives beyond simply utilizing the CF system, as the information obtained on the platforms was also seen as novel. In the respondents' opinion, corporations that dealt with novel products would keep information on these secret meaning that little information would be available to interested consumers and enthusiasts until launch. Corporations are described as keeping product information highly secret to consumers prior to launch. In general, the use of Kickstarter is a way for these individuals to get in contact with products and ideas whose novelty was entertaining and educational, thereby not having to lag behind the producers (corporations) with regard to information. Kickstarter was described as a homepage carrying more novel information than could be found through most other channels, such as other stores or online shopping homepages. All of the participants therefore found a novelty value and upon entering the platform had novelty seeking motives. In short, Kickstarter is a place where you go to be exposed to novelty for entertainment as well as educational purposes.

Theme #1: CFs' enter the platform in search of novelty. CFs' do not want to lag behind traditional producers (corporations) with regard to the newest information on products. Novelty pertains both to the use of the new system and the projects/products available through this system.

6.1.1.2 Blog with a built in retail channel

This theme builds on the previous theme of novelty seeking behavior but extends it beyond what Ordanini et. al. (2011) found on system novelty as a motivational factor. At a first glance, reward-based CF platforms can seem quite purchase centric to observers, where CFs go only to pre-order novel products. Therefore it was surprising to hear that CF platforms are in fact not a place where the participants mainly go to purchase novel products. In fact, a majority of their consumption on CF platforms is information based. One participant described his view of Kickstarter as follows:

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

“For me, personally, its because I think it’s fun to come in contact with new things. It’s a similar need that I satisfy by reading tech blogs and stuff like that. I want to stay on top of what’s new. It’s far from often I actually buy stuff on Kickstarter and I certainly don’t go there just to shop” – Respondent #2

This statement was supported by many cross-references hinting towards the fact that Kickstarter is not initially a place to support projects or purchase products. The primary reason for visiting the CF platform is to take part in the information that these products and projects carry with them. This could also be the reason why many of the individuals initially contacted during sampling in fact visited Kickstarter frequently, but had never backed any project. It is a way for the respondents to stay on top of new and interesting information within their field of interest, as some respondents even described it as similar to a blog. In fact, all respondents see Kickstarter as an informational source first and a potential for product purchase second. The default mentality when entering the platform site is therefore informational consumption. In a sense, when looking at the CF decision-making process to back a project, we seem to be essentially looking at a process whereby the motive of informational search, which is there upon entering the platform, is transformed into the motive of funding a project or pre-ordering a product.

Theme #2: CFs enter platforms as information consumers, not as product consumers. Most Kickstarter visits are not motivated by the opportunity of purchasing products, but instead motivated by the search for information.

6.1.1.3 Openness, Transparency, and Involvement

The sense of involvement in projects was brought up as an attractive aspect of Kickstarter. This is stated as a “sense” of involvement as opposed to active involvement because the respondents showed very little signs of actively being involved in the project through any type of co-creation activity. Although such involvement is very visible on many project comment pages, little evidence was found within the sample of respondents giving feedback to project initiators in this research. Instead, the transparency in projects and their development process gave a sense of involvement whereby the CF can take part in information regarding many of the activities involved in developing the product to

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

where it was today and what needed to be done in the future. The transparency was appreciated because of the informational focus of CFs, where transparency allows full information sharing between producer and consumer. This transparency was seen as uncommon in the corporate world, where consumers are less involved and informed of the product development process.

Some respondents sensed it as a leveling between consumer and producer, where both are equals and transparent. To the CFs, this seemed to create a sense of being a part of a project.

Products were seen as produced by someone who is almost equal to the consumer. This does not mean that the product was being created by someone as uninformed as a regular consumer, but rather that CFs, as consumers were looking to become almost as informed as a producer would be on the products they were viewing. The products found on Kickstarter therefore carried a story and transparency that was much less common to see in the corporate products. The respondents got the chance to see the process behind the prototype, learn how the product concept was thought of, and how their pledge could take the project to the next level of getting closer to delivering to the market.

Theme #3: CF is seen to level the field between consumer and producer. High transparency leads to a sense of involvement generating high informational exchange, which in turn puts the producer and consumer on a level whereby both are seen as equal. Corporations do not cater to this and supporting a corporation is thereby seen as less humbling than supporting a crowdfunded project. CF seems to be fueled by a mix of altruism and novelty search.

6.1.2 Attitude Towards Products

Another aspect that could have potential implications further down in the CFs decision-making process is the respondents' attitude towards products on platforms. What is interesting here is if the specific environment that a CF platform sets often affected the participants' perception of the products, projects, and their attitude towards novelty. Several participants claimed that the CF setting does in fact make them more open to learning about new solutions than they would be in their regular lives and that they expect products on CF platforms to be novel. These expectations on products also affected the perceptions of the products found on platforms. One of the participants made the following statement:

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

“I think it affects how open I am to new stuff. I mean after all, I am actively seeking new things when entering Kickstarter, it’s what I’m there for... Also, for some reason, if you saw a lot of the stuff on Kickstarter in like a tacky gadget store you would immediately disregard it.” – Respondent #8

The first part of the sentence above is the fact that the respondents on Kickstarter are actively searching for novel information and are therefore expecting novel information. The second part of the sentence illustrates that if we were to take the products out of the platform setting, and place them in a different environment, they may be perceived very differently. This got support from almost all participants when cross-referenced. This also illustrates why it is so important to uncover the mentality of the CF upon entering the site and not simply looking at their actions while on the site.

Theme #4: Upon entering the platform the CF expects to be in contact with novel information and products. The platform seems to change the perception of the products presented. If the same products are placed in a different setting, the attitude towards them may change and be seen as less attractive.

6.1.3 The thrill of being first

All respondents argued that there was certain value in getting involved in projects and products before the rest of the market was on board, which can be connected to their novelty seeking motives leading them to the platform in the first place. In part, this was what made CF so attractive. While the novelty factor earlier dealt with passively accepting novel information, this aspect seemed to be more project or involvement oriented. The participants saw it as an opportunity to get involved with a project or product before the rest of the market had the chance to adopt it. However, this was discussed on two levels. The first level was finding attractive projects and products before the rest of the market had a chance to adopt it. One respondent was proud to show me his Pebble Wrist Watch, which he had bought off Kickstarter and which had the text “Kickstarter Edition” printed on the bottom. This was generally accomplished every time a respondent backed a project on Kickstarter, since these products have yet to reach the bulk of the market and are usually simply prototypes. Furthermore, owning crowdfunded products was a way for the respondents to express their life-style as innovative early adopters of products within these categories.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

The second level, however, was the thrill of identifying and backing great projects before the rest of the Kickstarter community had identified them. Although all respondents acknowledge certain value in being first on the platform to find an attractive project, the lengths at which they would go to be first varied, which will be discussed when looking more closely at how the participants browsed for potentially interesting projects. Generally, being first to back on the Kickstarter site, as in investing in new and almost totally unfunded projects, was seen by most as involving too much effort, which will become clearer when looking at the respondents browsing activity and how they utilize social cues in their searching behavior.

Theme #5: CFs' find it exciting to get involved with products before the bulk of the market. CF products are a way of self-expression as a an early adopter. Most do, however, find it too time consuming to be among the first in the CF community to identify a great project.

6.1.4 Corporate vs. Crowdfunded Products

As a final note on what the respondents stated about their mindset once entering a CF platform is their view on what type of products they generally consume through CF platforms and what products are generally consumed through regular consumption channels. It was seen that when the product carries a significant risk in the form of the requirement of a certain set of attributes/functions, and/or if the product involves a higher financial risk to the consumer (being more expensive), the respondents tended to turn to products made by larger corporations where brands, warranties, and trials made the decision seem safer. These also seemed to be products that were important that they worked in a certain way because they played an important role in the respondents' current lives. This can be seen as somewhat supporting Belleflamme et. al. (2013) findings that products with a high initial financial investment to back are better suited for equity-CF than reward-based CF. However, this could not entirely explain why some respondents were still investing in \$300+ backings, which was seen as a significant amount of money to the respondent. When these large amounts were used in pre-orders, it was due to the fact that the product did not replace an absolutely vital product in the respondents' daily lives and it therefore was not a disaster if the product did not live up to expectations entirely. One respondent for example claimed that when picking a new tablet computer to replace his current computer, he would never use CF because there would be serious consequences if that product does not

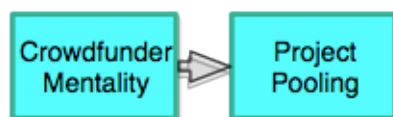
The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

function as anticipated. It would require him to buy a second computer device to replace the CF product if it did not work as anticipated, which was seen as too high risk. In these cases a 200\$ backing had the potential to turn into a 400\$ investment, which increased the perceived risk for these types of products significantly.

Respondents were generally more positive towards procuring products via CF that currently did not make up an integral part of their daily lives, describing their CF consumption as the purchase of products you want but really do not need. This can be seen through examples of what was pre-ordered by respondents; Video Game Goggles, Skateboard Wheels, all-round sensors for plants, smart watches, glasses with built in cameras, and more. These are not products that necessarily replace existing products. Many products found on Kickstarter are in fact so novel that they have no equivalent product in the respondents' regular life, and therefore do not replace anything vital.

Theme #6: Products that are complex, expensive, and created to replace important products in the lives of CFs' will find it difficult to receive pre-orders. CFs' seem to want to avoid a situation whereby they spend a significant amount of money through CF to replace a vital product, only to find out that it does not entirely fill its function. Needs are rarely satisfied through CF products, but wants are.

6.2 Phase 2: Project Pooling



This stage, project pooling, deals with how CFs source their projects for further evaluation. This stage usually starts at the time when the respondent enters the CF homepage and ends when the respondent enters the project page of a project. However, projects can also be directly sourced through blogs and social networks, which will also be discussed.

The pages on the platform being discussed in this section can be found in Appendix 5.1 and Appendix 5.2. The reader should take a look at these appendices if there is any doubt as to the structure of the project browsing pages while reading. Throughout this section we will look at the clickstream of the

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

respondent, but more importantly on the respondents reasoning behind the sourcing of projects to be considered further. One important aspect that is being considered here is how the selection of projects is handled with regard to factors that may influence the respondents to give some projects attention over others. At its simplest, this stage is a way for the CF to narrow down the large number of projects available on the platform to a select few for further review.

6.2.1 Determining where to look

When entering the Kickstarter site, the start page presents the CFs' with one specific project, picked out by the Kickstarter staff from a random category (As seen in Appendix 5.1). Although this project has gotten what seems to be the prime location on the site, none of the respondents ever consider evaluating projects that get this spot. It became apparent that the respondents are extremely category driven when it comes to selecting a starting point to source potentially good projects and give very little attention to projects falling outside of these categories, even if these projects are on the front page of Kickstarter.

Upon reaching the platform homepage, all respondents would move directly to the categories that interested them the most, and claimed that the other categories get no attention due to the fact that they are outside of their field of interest. One respondent stated the following:

“Usually I skip most of the categories completely. I don’t even skim through those. Some categories simply don’t interest me, like Film and Art. It’s a little bit like reading a newspaper, you skip some parts and read others depending on your interests” – Respondent #3

This quote was presented to the cross reference sample to see if they felt the same way and all claimed that this fit in well with their perspective on browsing for projects. The reasoning can be drawn back to what was discussed earlier, that Kickstarter is not primarily a place to purchase needed products but rather a place to primarily consume information. This seems to play an important role in why respondents tend to turn to certain categories for their project pooling. They turn to categories in which they find it interesting to consume information, not necessarily to purchase products they need. This inherently makes CF different from regular product consumption. One respondent describes it as the following:

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

“For example, I skip the fashion category for the same reason I do not read fashion magazines or blogs. I still consume fashion products every time I purchase a new pair of jeans in a store, but I am not interested in it in the same way that I am in technology or design” – Respondent #6

Respondents are not utilizing CF to purchase products they need, such as clothes. The fact that the primary product of consumption on Kickstarter is information leads respondents to visit only categories that are of high enough interest to generate entertainment value through the consumption of information. A respondent will not necessarily visit the fashion category because they need clothes. However, they might visit the category if they are interested in fashion as a field. This category specific behavior should also be seen as the CFs’ first screening at weeding out a wide array of projects that they will not give any attention at all.

Once having entered the category of interest, it was common to begin the search by looking at the projects under “Popular this week” and secondarily “Staff Picks”. All but two of the respondents entirely trusted the community to filter out the best projects for them, by utilizing these filters, so that they could place their focus on the most interesting projects as opposed to filtering through all the projects on the site in the pursuit of the best ones.

Theme #7: CFs’ are highly driven by categories in their project pooling, due to their search of information rather than need fueled product-purchase orientation. CFs’ initially turn to projects that have received attention by the community by prioritizing “Popular this week” and “Staff Picks”. Most CFs’ do not want to put in the effort required to locate good projects that are unnoticed by the rest of the community.

6.2.2 Conceptualization while Browsing Projects

One of the aspects that came up during several discussions was the appreciation for the fact that Kickstarter is designed in a way as to give a good overview of many projects at a time as can be seen in Appendix 5.2 Kickstarter Filter by Category. For the CF, it is a matter of covering as much information as quickly as possible while still comprehending enough to develop an attitude towards the project.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

When scrolling through this wide array of projects with respondents, an attempt was made to understand what would generate an interest for a specific project on the browsing page as well as understand which information was considered in this evaluation. Noteworthy here is that the process we are about to consider has some elements that are likely subconscious and that respondents were asked to reflect on. This leaves some room for error, due to the fact that the process below occurs fairly quickly. However, most respondents gave similar answers leading me to believe that there is certain reliability in the data.

The small picture displayed for each project tended to be the first piece of information processed by the respondents. However, this information alone was rarely enough to generate enough interest to move on to the project page and was in many cases not even enough to understand what the concept behind the project was. It was often simply enough to grasp the CFs' attention to evaluate other informational cues regarding the project. In order to gain an understanding of the project concept, the information conveyed by the image would be coupled with the information given in the title of the project. The reason for this, many respondents claimed, was that they could process the images more quickly than they could process the text, and they could thereby more rapidly pick out the projects that interested them. This is supported by research conducted by Xue et. al. (2008) who claim that images are processed as fast as one or two words, but convey information similar to an entire passage of text, and that text "snippets" are often coupled with image "snippets" to effectively take in information. (Xue et. al., 2008) In many cases, the image and the title would allow the respondent to have some idea of what the concept of the project entailed. This information was then coupled with a series of social cues, which are described below.

Theme #8: CFs' look for the quickest possible way of browsing projects on the browsing page. Therefore the first attention is drawn to the project picture, which is then coupled with information in the title in an attempt to understand the concept.

6.2.3 Social Cues and the Influence of the crowd in project selection

Information given to CFs' at this stage of project selection includes how much funding each project has gotten (in percentage funded and absolute dollars) and how much time is left until the project meets its

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

deadline (As indicated by a red arrow in Appendix 5.2). These pieces of information are especially interesting because they give the CF an idea of what the rest of the crowd is doing. It was found that information on percentage funded could have quite large effects on whether the project gets chosen for further review or not. This information was usually added to the already existing information gathered from the picture and the title. One powerful outcome was when gaps in the respondents understanding would occur. To illustrate this, two examples have been picked out from interviews where this occurred. These two examples involve the following two products:

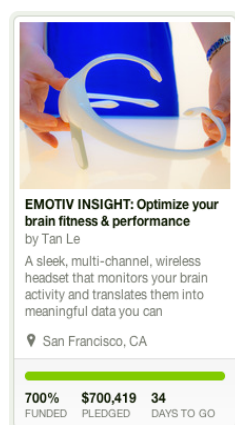


Figure 1, Emotiv Insight (left)
(Kickstarter Emotiv, 2013)

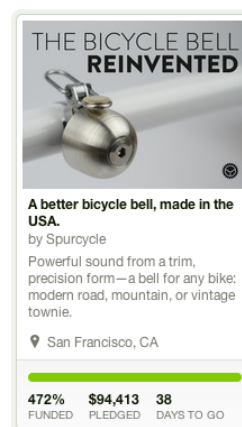


Figure 2, A better Bicycle Bell (right)
(Kickstarter A better Bicycle Bell, 2013)

The first example involves the Emotiv Insight, which is a product that monitors your brain activity and translates it to meaningful data that is then presented to the user, thereby assessing mental activity (Seen in Figure 1, left). During more than one interview this was described as an image that immediately caught the respondents' attention. One of the respondents described it as follows:

"It has like a nice sleek design... I have no idea what the hell this thing does but it looks really cool... Then I see that it has 700% funding... It seems to be extremely popular and I don't even know what it is... It sort of irritates me and makes me curious at the same time, so I have to find out more." – Respondent #6

What seems to occur is that an information gap arises that the respondent needs to fill, which then draws him to the project page. This is very similar to what Loewenstein (1994) argues when stating that

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

curiosity can occur when an individual becomes alerted by the existence of an information gap in a certain knowledge domain. This notion was later applied by Menon & Soman (2002) in research on curiosity in web advertising strategies, leading to a similar effect of creating gaps in understanding. At this point, the respondent in our research had no intention of actually purchasing the product. In fact he did not even know what it was. He entered the project page to consume information and not necessarily with any intention of procuring the product at this point.

The second example involves Figure 2, which is a bell for your bicycle, and illustrates how gaps in understanding can occur due to high funding, even with products that are not as revolutionary as the Emotive. The respondent who came in contact with Figure 2 initially got caught by the word “reinvented” in the image, then read the title which he found somewhat uninteresting, and finally looked at the level of funding. He describes his logic as follows:

“It looks like a simple product, a simple bicycle bell. If it had gotten 5% funding I would assume that it’s a normal bicycle bell and move on. But now I see that it has gotten 472% of its funding and I instantly start wondering... there must be something different about it... and I need to figure out what.”

– Respondent #3

This line of thought was very common while watching the respondents sift through projects and questioning the reasoning behind picking some projects while skipping others. Importantly, impressive funding percentages could solicit the thought that something extraordinarily important was at play with regards to that specific project. We are now getting closer to unveiling the reasons why 0,7% of all CF projects account for 73% of the funds raised, as presented by Agrawal et. al. (2011). It may have to do with the fact that once the community shows initial interest, other CFs’ will be more prone to evaluate these projects over others.

Theme #9: CFs’ turn to the project picture, the title, and finally the level of funding percentage when browsing projects. These three pieces of information can be coupled to create gaps in understanding that spark curiosity. High funding percentage was far more frequently used than absolute funding as a means of social proofing.

6.2.4 Recommendations from social networks and Blogs

6.2.4.1 Recommendations from social networks

Although all but one respondent would actively browse the CF platform to find projects as described above, it was also common for respondents to find other ways of selecting projects for further evaluation. Many respondents claimed that they would share projects with other people in their social network. However, because of the high interest and category-orientated behavior found on the CF site, the sharing of projects would very rarely be targeted at their entire network such as sharing a project on your Facebook status. Instead, it was very precisely targeted at the people in their network who shared a common interest for the category and who were expected to find the project particularly interesting. Naturally, this is a reciprocal process whereby they will also have projects recommended by friends in their network in a similar fashion. In fact, one respondent claimed that he had never actually browsed the platform as a part of his project pooling. Instead he would rely entirely on an inflow of projects from his social network as well as from blogs. Interestingly, this was also the respondent who had backed the most projects and had backed the projects in the highest price ranges with two backings of more than \$300. All of the respondents had experienced receiving projects from members within their social networks, although to different extents depending on their own and their networks level of interest in the category.

When projects had been endorsed in this way, they were always further evaluated, as the respondents would always visit the project page as a consequence of a recommendation from someone within their network. These recommendations seem to be highly personal instead of shared to the masses and therefore had a high probability to strike the specific area of interest of the respondent. Viewing these project pages therefore more often than not did provide interesting information to the respondent.

Theme #10: The interest driven approach to project pooling is further enforced through social networks, where recommendations are not shared by mass, but rather shared to specific individuals whose interests match the information contained in the project. Social network recommendations therefore seem to always lead to project evaluation.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

6.2.4.2 As seen on Blogs

All respondents but one followed blogs related to their fields of interests. Many of the respondents claimed that blogs were in some cases involved in how they ended up on a project page on Kickstarter. The respondents claimed that blogs would endorse projects that bloggers saw as worthy of special attention, which had a strong impact on respondents, often leading them to visit these project pages. They were however not as strong as the endorsement from someone in the respondents' social network. Blogs were seen as mass communication whereas social networks were seen as highly personal, thereby more frequently striking matching interests. If a project showed up on more than one of the blogs they frequented, they would find it difficult not to look for further project information. In some cases, project initiators had even sent out products and prototypes to the bloggers to have them evaluate the product and then write about it on their blog. The testing of prototypes on blogs had an even stronger impact on later stages in the decision-making process, which will be further discussed in Phase 5, Final Product Evaluation.

Theme #11: Recommendations from blogs have a similar effect to recommendations from the social network, although seen as slightly weaker. Prototype placement in blogs through trials did occur, but not very frequently according to the respondents.

6.3 Phase 3: Concept Evaluation



The concept evaluation phase starts when the CF has entered the specific project page (As seen in Appendix 5.3). The previous stage, project pooling, influences the behavior in this stage with regard to if the CF was led there by actively searching the platform, through a member of their social network, or through a blog. We will therefore comment these behavioral differences throughout this process. Furthermore, we look at what types of information are considered while evaluating the concept.

6.3.1 Attention Span while on Project Pages

To get a better understanding of how CFs behave on project pages, we can start by looking at their attention span while visiting project pages. With attention span we refer to the length of time the respondent is able to concentrate on a particular activity or subject, in this case the project. (Oxford Dictionary, n.d.) In general, the attention span while on a project page was surprisingly short. One respondent described the following:

“If I haven’t gotten any interesting information within 15 seconds on the project page I will often close the project right away. There just isn’t time to look at non-interesting things and technical issues (such as videos not buffering). Show the product early! I have to know instantly if this is going to be worth my time or if I should just move on to the next project” – Respondent #3

This was a very common comment from respondents. In fact, this may not be entirely confined to CF. A study by Herder et. al. (2008) presented a study on individuals attention spans when online, which showed that the percentage of online page visits below four seconds was as high as 17%. Furthermore, only 4% of page visits lasted more than 10 minutes. The percentage of words read on average on a 593 word web page was found to be 28% (Herder et. al. 2008). When drawing a quick average of the number of words on ten randomly selected project pages we get an average of 1634 words per page, which simply serves to support why CFs’ seem to show a low attention span while on project pages.

The only respondent who could not identify with this line of thought was the one who always received his potential projects either from blogs or from his social network. This was intriguing and a decision was made to probe deeper with other respondents as to whether it made a difference if the project was sourced through their own search on the platform, through a their social network, or through a blog. It became quite clear that the endorsement from a friend, acquaintance, or a blog significantly changed the attention span while on the project page. The logic behind this was that if a friend recommended a project it was usually because this friend knew that it would interest the respondent, either through the product or through the information that the project conveyed. When it came to blogs, the respondents usually saw a potential for a large information value in the project and this was the prime reason they would visit the project page, again highlighting the informational perspective of CFs’. In these cases,

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

the respondent would usually be more patient than in the case where the respondent sourced the projects on their own, and would therefore give the project a longer frame of attention before being closed due to lack of interesting information further on. The same seemed to hold true for projects that had already received a lot of funding, whereby the respondents seemed to have more patience with the hopes that the project did in fact contain interesting information, since other backers had obviously found the project interesting. Further research could test how significant this increase in attention span may be for these different variables, as they may further support Agrawal et. al. (2011) findings on why a few projects account for a large part of the funds in CF settings since highly shared or highly funded products get a longer time-frame to explain their concept.

In all project cases brought up in the interviews the project page consisted of a video followed by more detailed text descriptions of the product and the project, usually consisting of titles, text, and pictures, as seen in Appendix 5.3. It varied between participants whether they would actually view the video or scroll down the page immediately. One participant would even start the video and then start scrolling down the page while listening to the video. Although the respondents' behavior differed at this point, their reasoning behind their behavior was the same. It was a matter of as quickly as possible getting an overview of the project concept. Some found the video to be a better mode of accomplishing this and some found that scrolling down the page and looking at pictures and titles was the best means of getting an overview. However, as seen in the quote above, respondents would want to get an overview of the product concept usually within the first 15 seconds of visiting the project page or very early on in the video.

Some respondents claimed that they perceived the problem as being that some projects treated their project page as though they were the only project on Kickstarter. The respondents' first intention was to understand the product, not the entire team or the story of how the idea was conceived.

Theme #12: When entering a project page, the CFs' attention seems to be on understanding the product concept. The attention span for this is significantly short for each project, but will be extended if the project has been sourced through the CFs social network, a blog, or if the project has received a high amount of funding.

6.3.2 Initial Concept Evaluation

As seen above the respondents generally tried to as quickly as possible get an overview of what the concept entails. It is difficult to pinpoint exactly where throughout the process the information oriented mindset goes over to a more product purchase oriented mindset. However, it was common that upon understanding a concept, a strong want (as opposed to a need) for the product could be generated. Because Kickstarter is a place where novel products are presented, the respondents had no previous need for most of the products found on the platform. In fact, as we saw earlier, Kickstarter seems to be better suited for “Want” products than “Need” products, since “Need” products carry the risk of also having to purchase a new product if the pre-ordered one does not deliver on functionality. Need generation therefore has to be somewhat referred to as a *want* generation in a CF setting. This wording also more precisely resonated with the feeling described by the respondents.

Want generation could occur upon understanding the concept, which entailed an understanding of how the product was to be used in the respondents’ current life situation. However, this initial want was usually followed by further evaluation of the concept and later on the project as it often did not lead to a pre-order instantly, due to the fact that respondents often felt irresponsible if they were to impulse purchase items they do not need. Attention is thereby diverted to factors that confirm if a pre-order is a viable option or not.

The product could resonate with respondents on different levels. On one level, the product could resonate with the respondents’ current life situation. This involved them gaining an understanding of to what extent the product is applicable to their current or near future life situation. They would ask themselves if this is a product that they will actually use actively and if it is compatible with existing systems in their lives. On a second level, the product can still evoke informational benefits if it is seen to carry with it interesting information regarding their interests or a sneak peak of what the future may offer. The product can therefore remain interesting even if the CF does not see compatibility with their current life situation or if they see a pre-order as an irresponsible purchase. Since this latter resonance did not lead to backing, further analysis of this observation will be left out. However, it is included as a note to future researchers that could investigate why CFs’ may choose to follow projects they have no intention of backing.

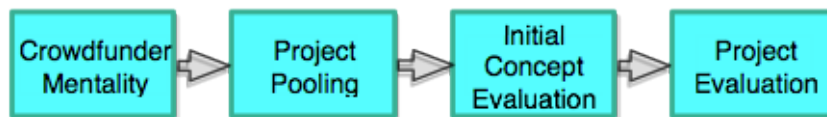
The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Upon generating a strong want, some respondents would check the price of the pre-order to determine if they should seriously consider a pre-order. Other respondents chose to look at price much later, in stage 4: Final Product Evaluation. The information taken into consideration at this point was limited to the Kickstarter project page, as well as the previously held knowledge of the CF. External information was very rarely collected or assessed. All respondents claimed that while evaluating the product or concept, they were no longer influenced by the number of previous backers or level of funding.

As mentioned, gaining more information on the product can further aid the CF in selling the idea of pre-ordering the product to themselves, which was seen as more difficult and time consuming in the case of expensive, complex, pre-orders. This again highlights Mollicks (2011) findings that more expensive products may in fact be better suited for equity platforms than reward-based platforms as our results show that it is time consuming to reduce risk with expensive CF products. This can be explained by the lack of heuristics such as well known brands on Kickstarter.

Theme #13: Concept evaluation happens directly after visiting the project page and needs to be quick and clear. A resonance with the CFs current life situation can generate a strong want for the product, leading the CF to evaluate the project. Showing the product in use therefore seems important. In the case of evaluating a pre-order possibility, the CF tries to sell the idea of a pre-order to himself as a responsible purchase, as many of the products on CF sites are products that the CF strongly wants, but doesn't necessarily need. Level of funding does not affect the final decision of the CFs'.

6.4 Phase 4: Project Evaluation



When the product itself generates a strong want, or resonates with the interests and information sought after by the CF, the CF has the opportunity to get in contact with aspects regarding the project on a broader level than simply the product. Here it becomes interesting to see what parts of the project actually contribute to the decision to back a project and to what extent this information is considered.

6.4.1 Attention to the story and the product development

Stories around products seemed to add value to products. One respondent stated the following:

“The story of the Oculus (his gaming goggles) was so fun to follow. Some 20-year-old web school kid who did it in his garage. It was awesome to follow how this idea had evolved into the product they were showing me and that I could potentially own it if I wanted to! I have a very different relationship with my Oculus than I have with most of my other gadgets.” – Respondent #8

Many respondents, within regard to both technology and design categories, showed that presenting information on the development process in an entertaining and transparent story was fun for them to read because it had an educational and entertaining value that further immersed them in the project. One respondent claimed that we live in a world where we rarely know where our products come from or even how they work, but that with Kickstarter you can see everything regarding the product. Respondents saw an addition in the value to the product when they were in contact with information such as how the product had been sourced, how it has been designed, how it was to be produced, see the people who have created it and many other aspects of the development process. In the most extreme cases, these respondents knew surprisingly much about how the product was developed, the technology behind it.

The story seemed to be able to add to the sense of involvement with projects and the feeling CFs' could generate of being a part of the initial phase of a promising product. This can be reconnected with one of the motivations for using CF, namely that it levels the field between consumer and producer thereby inviting the CF to be a part of the project by being transparent in all information. Project initiators are also generally seen as open for discussions on the products, although there was little evidence in the sample to support such conversations. One respondent had in fact e-mailed the project initiators in order to offer to help them in initiating shipping to Europe. However, looking at comment pages on projects shows that discussions between CFs' and project initiators are very much alive on CF platforms. CFs' seem to find value in getting as close to the product and producers point of view as possible, understanding exactly where the product came from as can be seen through a respondent who claimed he had a very special relationship to his Oculus Rift gaming goggles.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

This is possible due to the transparency in information sharing between producer and consumer. The CF is put in contact with a wide array of information on various aspects of the project, and we now want to see if, and how, these pieces of information play into the overall decision-making process and backing decision. The fact that so much product information is available to CFs' make it possible to potentially make very informed decisions on the product aspects.

Theme #14: Project involvement adds to the value of the product by knowing exactly how the product is sourced, created, as well as seeing the developers behind the project. Further project evaluation is usually initiated in an attempt to reduce risk for a product the CF wants and to satisfy the CFs' need for information in selling the products to themselves. Stories can thereby act to help the CF sell the idea of a pre-order to themselves. Transparency in information leads to a higher involvement giving further value to the product itself and allows the CF to evaluate several aspects of the product such as production and development.

6.4.2 Project Presentation

It is important to note that the evaluation of a story always followed the understanding of the concept. If the story preceded the understanding of the concept, the respondents patients seemed to quickly run low, unless the social proof discussed under attention span were present. We will now look at variables pertaining to how the project is presented. These conversations did not always occur naturally and were sparked when discussing videos.

Respondents claimed that creativity, in the form of good quality and professional videos, as well as music, were usually a sign of quality projects, worthy of further attention. These qualities also had somewhat of a spill over effect on products, as low quality videos led to an expectation that the product was still in very early development, especially for technology products, and therefore not of great quality and carrying a higher risk. The logic behind this was often that if a team has managed to design a complex or creative product, they should be able to present this with a professional video, whereas if the product is very simple this was less obvious. Furthermore, enthusiasm and a sense of passion for the cause and product also had a rub off effect on the product leading to higher quality expectations. An interesting aspect was that signs of passion were interesting even in areas that were not overly exciting.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

For example, one respondent claimed that showing strong enthusiasm for your product area, regardless of what it was, was a sign that the project initiator would execute the creation well, even if the product was as simple as a pen or a keyboard. This was further supported by most other participants when cross-referenced, although passion was never stated as enough in order to back a project. The respondents claimed that this could never compensate for a bad concept, but could enhance their trust in an already great concept.

An initial attempt was made to understand if there is any geographic bias in CF. However, since most respondents did not have the option to invest in venture in their home country, this question was seen as somewhat irrelevant. However, when this thesis was written, Kickstarter had just launched in the UK, and some of the British respondents did in fact claim that they may be slightly more inclined to support British entrepreneurs due to the fact that they identified more with these, but that the product would ultimately decide where their money goes.

Theme #15: Creativity, in the form of well-executed high quality videos signaled to CFs' that the entrepreneurs were capable, creative and professional at creating a good product. Passion and enthusiasm also signal to CFs' that the entrepreneur is more likely to deliver a quality product. Stories, and professionalism come secondary to concept evaluation. These factors can thereby influence the level of trust put in the entrepreneur to deliver the product, but will not be considered unless the product is seen as great to begin with. CFs' may show a slight tendency to invest close to home, but ultimately evaluate the product.

6.4.3 The Team Behind the Project

The discussion on teams was not a factor that was naturally brought up by the respondents, but had to be initiated by the researcher. The extent to which the CF would look at the team behind the project varied. It did not vary between respondents but did show to vary between the situations the CF was in, with regard to whether the product was still eligible to be pre-ordered or if a donation was instead considered. If donations were a consideration rather than a pre-order, the CF would attempt to get an idea of who their money would go to if they were to donate money to the project. The interesting aspect here was that the CF would be more inclined to do a quick background check on the project initiators if

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

they were to donate money than if they were to pre-order the product. Noteworthy is that pre-orders were far more common than donations in our sample.

This seemed to be because when money was donated, it was a more altruistic process whereby you wanted the right people to get your money. These respondents also claimed that they would try to evaluate if the team really needed the money that was being donated or if they would manage to complete their project without their funds, thereby considering their level of funding. Some respondents would rarely donate to a project that had already reached their goal.

However, when considering a pre-order, the CF would not actively search information pertaining to the team behind project. They claimed that it was fun to see who was behind the project in the video, and that this could add value to the product if it was a passionate and excited team when they spoke of the product. Generally, respondents claimed that there is a lot of trust on Kickstarter. The respondents claimed that they rarely look for concrete facts on the team behind the project. They were receptive to it when it was presented to them, but never sourced this information actively. It was common that CFs making pre-orders would miss this information completely but in certain cases this information would be a bi-product of skimming through the project page.

In total, the attention given to entrepreneurs and teams in the decision-making was seen as minimal and based on gut feeling rather than hard facts. Competence was, as mentioned, mainly sourced through how professional the project looked and not through the entrepreneurs credentials or other qualities. None of the respondents actively did background checks to see what the entrepreneurs had done previously or what experience they had. At a few points the respondents had come in contact with vague information on the entrepreneurs while watching the vide such as university affiliation or years within an industry, but still then claimed that they would not thoroughly incorporate this into their decision to back or not, especially when the backing took the form of a pre-order. At the same time, we cannot determine if it does subliminally affect their decision to back, which would have to be tested through other methods than asking the respondents themselves.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Theme #16: Team credentials seem to be neglected by CFs'. The team behind the project is evaluated to a greater extent when a donation is considered than when a pre-order is considered. The CFs' seem to often neglect facts such as previous experience, or earlier entrepreneurial efforts. Concept and product evaluation seem to strongly outweigh team evaluation.

6.4.4 Project Plans, Financial Plans & Venture Strategy

Like teams, venture strategies were not brought up naturally in conversations with respondents. Instead, the researcher had to start this conversation to see what the respondents thoughts on such strategies were. With regard to information on project plans such as milestone and financial plans most respondents were somewhat puzzled as to why these question were brought up. Although milestone plans were sometimes viewed by respondents (usually only to see when they would receive their product), financial plans were only of any interest at all when a donation was to occur. These respondents again claimed that they wanted to know what their money was going to. However, these even these respondents claimed that they rarely looked at financial plans simply because they could not find them. Furthermore, the review they did make when these were located was simply to make sure that their money was not going to anything unethical. It was not a matter of determining whether the financial plans were elaborately thought through or smart. An attempt was made to probe deeper as to why this was the case with a donation but not with a pre-order. The response received from all respondents with regard to pre-orders was that they thought the question had an evident answer. They were very satisfied with the fact that the money from their pre-order would simply go to the production of the product they pre-ordered, and therefore were not as concerned with looking at financial plans as they were already comfortable with where their money would be going.

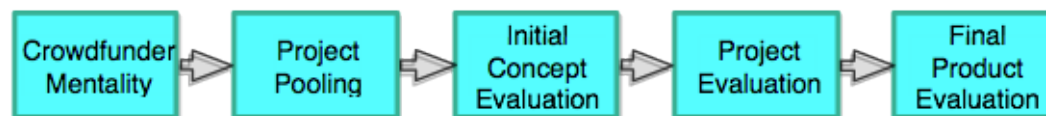
To conclude on project plans, the amount of influence this seems to have on the CFs decision to back seems to be quite minimal, especially when pre-orders are considered. Although trying to probe deeper in some other aspects that would resemble the background checks using various information such as future market potential and market adoption, these where the only two aspects that led to any type of discussion. For example, an attempt was made to probe deeper into whether respondents consider market characteristics and whether it matters if the project is profitable in the future but none of the respondents seemed to actively take market dynamics, future profits, or industry dynamics into

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

consideration. Respondents claimed that they did not care much about monitoring the venture post-backing. They claimed that the product concept was by far the most important part and that they were evaluating the product for themselves and not for the rest of the market. They also showed little interest in protecting the concept from other entrants.

Theme #17: Financial plans, milestone plans, and other strategic information are rarely considered by the CF. When donations are considered, financial plans will be considered to the extent where the CF can see that their money is in fact going to a good cause and not something unethical. When pre-orders are considered, milestone plans will be checked only to see delivery date, but venture strategy seems to be highly neglected by CFs'. CFs' do not consider market dynamics, future profits of the business, and did not show an interesting in monitoring the venture after backing. Therefore they do not consider adoption within the market. Protection of concept was not seen as important by CFs'.

6.5 Phase 5: Final Product Evaluation



If the initial concept evaluation (Phase 3) led to a resonance with the CFs' current life in that they could consider pre-ordering the product, and had considered the project to be something worth backing through a pre-order (Phase 4), the final step taken by respondents was to evaluate product specifics. This involved the respondent looking at as many attributes of the product as possible and was mainly a way for the respondent to reduce the risk involved with the pre-order. The extent to which these attributes are considered depends partly on the existing knowledge of the CF, partly on what information is given by the project initiators, and finally the price of the pre-order. Expensive products were claimed to get more careful evaluations as the risk was seen as higher.

As mentioned earlier, the point at which price was considered did in fact vary. Some respondents checked price earlier on in the process while evaluating if a pre-order is possible, directly after the concept evaluation (Phase 3). Others looked at price once having gotten significant information on the project (Phase 5).

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Furthermore, project initiators can choose how much information on the product to share. One respondent had an example of backing a car adaptor for the phone. In this project the project initiators had simply stated that the product was compatible with most phones, whereby the respondent had trusted this information only to find out that the product was not compatible with his phone, again illustrating that there is a sense of trust on CF platforms that may not always be beneficial to the CF. However, many respondents had pre-ordered products that they were not satisfied with and where they felt the project initiator had not been transparent enough. All these participants claimed that they would be more vigilant in the future and only order if enough product information is available. CFs' therefore seem to learn from their mistakes and become more vigilant after having a negative CF experience. This vigilance would usually be channeled into this final phase, where respondents claimed that they would exercise more vigilance when looking at product specifics.

Because trials are impossible in a CF setting, the backers have little more to go on than what has been argued thus far in the process in determining whether the product will fill the anticipated function or not. However, some respondents claimed that prototypes had sometimes been sent to bloggers and then evaluated for the readers. In these cases, the risk was seen as much lower, as a third party had evaluated the prototype. This led to a lesser felt need to evaluate the product on specifics level as it had been inspected by a third party prior to the respondent having to decide on backing.

On a final note before completing the model, pre-orders often led to a high evaluation of the concept and product specifics, because it was important to the CF that the product functioned when a pre-order was made. With regards to donations, product specifics were only considered if it held entertainment value for the backer.

Theme #18: CFs' review product specifics as a form of risk reduction. Compatibility with existing systems is a major concern of CFs'. Bad CF experiences make CFs' more vigilant in future pre-orders and creates a higher focus on product specifics. CFs' will look less at product specifics if reviews from third parties exist. Product specifics are more closely considered in a pre-order than for a donation.

6.6 The model as a linear Process

A note needs to be made on the model with regard to its linearity. The linearity of intake of information can be altered depending on where information is placed in the project by the project initiator. The trend was seemed to be moving from big picture to specifics, such as understanding the concept, then development processes, and finally specifics. The argument here is that if project initiators consider the linear path of the CF above, the chances of soliciting a backing along the way are higher than if this order is reversed or otherwise altered.

7. Discussion

In this section we will discuss our findings in the light of three main areas. First we will consider CFs' as compared to VCs' and BAs' with regard to their decision-making and discuss to what extent differences and similarities may lead us to believe that CF will be different or similar to these funding systems. Secondly we will look at how the results above contribute to a further understanding of existing theory within CF. Finally, we will discuss what we may expect from a system such as reward-based CF in terms of societal impact and implications for existing actors within venture funding systems.

7.1. Crowdfunders, Business Angels, and Venture Capitalists

We will now connect our findings on CFs to the existing research on VC and BA decision-making. Important to note here is that we will look specifically at the decision-making process, and leave the discussion of CF societal impact for its own section. What we will see throughout this discussion is that certain elements of the decision-making processes are similar enough to warrant direct comparisons while other elements of the CF decision-making processes have little counterpart in the processes of VCs' and BAs' (and vice versa).

We should begin by addressing the underlying motives for the different actors. As presented in the theoretical review, VCs' and BAs' invest for equity in the venture, which gives them part ownership of the business (Sudek,2007; Lehner, 2013). Where the motives of VCs' were seen to be largely based on maximizing ROI (Sudek,2007) , due to the fact that they manage funds, BAs' showed motives beyond ROI such as supporting the entrepreneurial community within their fields (Benjamin & Margulis,

2000). Our results show some support for the fact that CFs' will, similarly to BAs' show some altruistic motives of helping entrepreneurs (Theme #3). However, this only seemed to account for a small part of the decision-making, which becomes evident when discussing the totality of themes where the product and concept is the main focus of evaluation of a CF (Themes #5, #12, #13, #14, #16, #17, #18). We will now further discuss why this overriding difference seems to be the case.

Reward-based CFs' do not obtain any ownership in the venture for their monetary input, which in turn seems to affect their decisions throughout the entire process as will be discussed below. They are therefore not ROI seekers in any sense, while BAs' and VCs' are, albeit to varying degrees. It seems that VCs' have the purest focus on ROI (Sudek, 2007), BAs' have a split focus of ROI and supporting entrepreneurial communities (Benjamin & Margulis; Sudek, 2007), and CFs' seem to be completely disassociated to the concept of ROI (Themes #16 & #17). Although this is quite self-explanatory due to the fact that CFs' will never get a share of the profits, it is a point that needs to be made explicit as it carries a high descriptive value to the rest of the discussion.

With this in mind, we can start looking at what determines how the various actors allocate capital. On a first level, we have seen that VCs' will perform industry analyses (Muzyka et. al., 1996) in an initial attempt at deciding where to allocate their capital, whereas BAs' are more prone to invest in industries where they have operational experience (Fear & Wetzel, 1991; Sudek, 2007). Because of the lack of ROI focus and the drive to locate information within certain fields of interest, CFs' make this initial decision on where the boundaries of investment go with regard to their fields of interest (Theme #2, #7). The capital allocation mechanism of the CF system is therefore somewhat different, as it does not directly allocate capital based on industries that are objectively seen as rapidly growing, as do VCs' conducting industry analyses (Muzyka et. al., 1996). Nor do CFs necessarily set the boundaries based on their operational experience within an industry, as do BAs' (Fear & Wetzel, 1991; Sudek, 2007; Mason & Harrison, 1995). Instead CFs' base their investment decisions on whether they want the product or not. It would seem strange to see a VC or BA basing a hundred thousand or million dollar investment based mainly on the fact that the actor wants to own the product, making the underlying logic different between these actors. What can be seen is that VCs' tend to look for more objective information of where to invest, BAs' look for industries relating to their personal operational experience, and CFs' look for industries relating to their personal interests, making the CF very

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

subjective in their decision of where to invest. This also makes sense because CFs' do not have to justify to others why they invested in a certain industry in the same sense that a VC has to justify it to their partners (Sudek, 2007). Their pooling mechanisms are therefore argued to differ to the degree that they are interest driven and not profit driven, which may give them a different set of alternatives in turn influencing where the capital is finally allocated. We will therefore move on to a discussion of the main criteria involved in the overall evaluation projects to try and understand how capital is in fact allocated within this boundary.

If we turn to the logic of deciding what ventures to invest in, the weighted importance of the various factors seems to be a key differentiator between CFs', VCs', and BAs'. If we again start by considering the VC, we can see that the team (Klonowski, 2010; Robinson, 1987; Knight, 1994), strategies/financials (MacMillan et. al., 1985;1987; Muzyka et al., 1996) and market potential (Klonowski, 2010; MacMillan et al., 1986;1987) are vital factors considered to drive investment decisions heavily. BAs' showed to consider the team (Macmillan et. al., 1987; Van Osnabrugge & Robinson, 2000) to be the main driver of investment as four of the top five criteria pertain to the entrepreneur (Macmillan et. al., 1987). The team heavily outweighs the product with regard to both VCs' and BA's (Klonowski, 2010; Sudek, 2007, Van Osnabrugge, 2000). This is where the CFs' seems to significantly deviate from VCs' and BAs', due to the fact that the concept and product seems to be the absolutely highest priority of CFs' when deciding where to invest (Themes #5, #6, #12, #13, #14).

Through our results we saw that understanding the concept is of prime important for CFs' early in the process (Theme #13). Furthermore, the value added through involvement by seeing development processes and sourcing of the product seems to rub off on the product, giving the product more value in the eyes of the CF (Theme #14). Finally, CFs' seem to focus on product specifics as a risk reduction activity, in order to evaluate compatibility (Theme #18). Furthermore, products came up in far more themes (Themes #5, #6, #13, #14, and #18) than did traditional investor factors such as the team (Theme #16) and strategic plans (Theme #17). Furthermore, the themes on teams and strategic plans spoke against a CF focus on such factors. This balance of themes illustrates the product focus, which was inherent in all interviews. Importantly, the team was never seen as a decisive factor on whether backing would occur or not.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Interestingly, where the team is one of the most decisive factors for both VCs' and BAs' as seen above, CFs' seem to strongly favor evaluating the product over the team and their experience. When we reduce these factors into a single statement it seems that we get the exact opposite of what Bygrave (1992) argued is true for VCs' and BAs'. CFs' highly prefer to back a grade A idea with a grade B team than a grade B idea with a grade A team, which is quite a large revelation. Furthermore, financial evaluations were seen as important factors for VCs' causing heavy due diligence activities (Klonowski, 2010; MacMillan et al., 1985), but were seen as less rigorously considered by BAs' although still prevalent (Van Osnabrugge, 1998). With regard to CFs', financials do not even seem to enter the mind of the CF (Theme # 17). We can get additional support for these statements by looking at phrases that differ between VC theory and our CF findings. Because both VCs' and CFs' seem to be in an environment where deals are in abundance, they both want to get good overviews quickly. However, the sentence described in the theoretical background states that VCs' will want to get a good overview of the venture early (Klonowski, 2010), whereas the sentence describing CFs' in our findings (Theme #12) states that the CF attention is on understanding the product concept early in the decision-making process. Both seem to show little patience, but in turn are interested in different pieces of information. There seems to be a product focus in CF that is far more heavily valued in relation to other factors in comparison to both VCs' and BAs'.

To get an understanding of why this may be the case we refer back to the initial discussion of this chapter regarding the differing motives of the actors. As mentioned, the VC looks to maximize the ROI of their investments and BAs' also tend to focus on ROI, but also look to support entrepreneurs and the entrepreneurial community. Both these actors have motives that will drive them to look for and invest in potentially successful businesses, rather than simply great product ideas. This requires them to look for strong management teams that can run a venture and have developed great strategies to run the venture profitably. In contrast, CF motives pertain to information search, where a lot of the information of interest to these actors is found primarily through the concept and product (Themes #1, #12). This information search can lead to a generation of a strong want for a product (Theme #13). Our findings point towards the fact that that never throughout the CF decision-making process is the mind of the CF on the sourcing of a successful business, but rather on products and product information, making their

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

motives primarily short term as opposed to the longer term motives of VCs' and BAs'. If the sourcing of a successful business is not prioritized, then the management team drastically loses value as a factor to be considered and evaluated prior to an investment. At most, it can be argued that CFs' need only to worry about whether the team is able to deliver the one product that has been pre-ordered backed. However, even this worry did not seem to be highly prevalent among CFs' in their decision-making.

Another interesting aspect was that VCs' and BAs' both saw proof of concept as a criteria that would reflect positively on whether they would invest or not (Lehner, 2013; Sudek, 2007; Gulbranson & Audretsch, 2008). If we try to break down the term "proof of concept" to its basic constituents, the term can be seen to reflect other actors' interest in the concept through market tests or client orders. Having argued that the main factor evaluated by CFs' is the product, it is warranted to take the discussion on how proof of concept may be translated into the CF setting. Do CFs' seem to consider proof of concept in their decision-making process? In fact, we saw that CFs' seem to be influenced by a similar mechanism, namely the percentage funded (Theme #9). It is unclear whether VCs' and BAs' factor in proof of concept in their venture pooling or if they factor it into their venture evaluation at a later stage. However, CFs' seem to heavily rely on proof of concept mechanisms in their "project pooling", giving projects attention based partly on their level of funding (Theme #9). Although the percentage funded was not claimed to affect "project evaluation" (Theme # 13), it seems to have an impact on where capital is allocated since it draws their attention to the project in the first place. A project that cannot get CF attention will naturally not be funded. Therefore, proof of concept is also heavily factored into the CF final investment, as the pre-orders of other CFs' draw further CF attention to a project. This has implications on various levels and will be further discussed later on. But we see similarities in that CFs' look for proof of concept by looking at how much money the project has gotten already in relation to its funding objective (percentage funded). However, what will be argued further down is that the CF system both seems to look for proof of concept, as described above, as well as create a proof of concept to later investors. This creates a hurdle for entrepreneurs using CF as they need CF to create proof of concept but also need proof of concept within the CF setting to get sufficient CF attention.

VCs' were also seen to consider market dynamics and market data into their decision to invest or not. (Klonowski, 2010; Macmillan et. al., 1987; Muzyka et. al., 1996) BAs' showed to be more lenient in

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

their evaluation of such factors and also showed less of an interest in defending against potential competition than VCs'. (Sudek, 2007; Klonowski, 2010) CFs', however, seem to take this even further than do BAs'. Never throughout the process do CFs' seem consider the overall market dynamics or potential of the project they are about to supply with capital (Theme #17). They are therefore not only more lenient towards market dynamics, market data, and competitive strategy. In fact they do not seem to consider it at all. What value the product may bring to the market and how the team will capture the market value was seen to a large extent uninteresting to CFs'. (Themes #17) This requires that we further discuss why this may logically be the case.

Turning back to the initial motives of the CF versus VCs' and BAs' again helps us in understanding why this may be the case. Motives to maximize ROI may drive the actor to consider the market potential of a venture due to the fact that this information is critical in evaluating the chances of reaching the goal that justified the investment in the first place, namely getting a healthy financial return on investment. For a VC, where the primary motive is in fact maximizing ROI (Ingram & Teigland, 2013; Sudek, 2007), these factors are of high importance often warranting expensive and rigorous processes of evaluation. If the market is not large, or if the market is perceived to neglect the product, there will be no ROI, making the investment unjustifiable. If we instead turn to the BA who has a shared motive of reaching a high ROI as well as softer motives of supporting entrepreneurs, these factors are considered more instinctively than on hard facts (Benjamin & Margulis, 2000; Van Osnabrugge & Robinson, 2000). ROI is still on the mind of the BA, but to a seemingly lesser extent than the VC (Van Osnabrugge & Robinson, 2000). If we finally turn to the CF, who entirely lacks motives of ROI, the importance of such factors becomes marginal. The CF is not looking for a high ROI, and therefore does not consider if the market is large or if adoption will occur. (Theme # 17) Capital is primarily allocated by CFs' with regard to the value the product presents in the CFs' own life, and not in the value provided to the rest of the market (Theme #13). There therefore is no real justification for CF to consider factors relating to market dynamics and this factor is therefore of little importance in CF evaluation, as seen throughout our results.

CFs' seem to find value in obtaining products early (Theme #4) and look for applications of the actual product in their own lives (Theme #13). This changes the investment picture from what is inherently

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

the VC view of “will the market want this product” to “do I want this product at this point in time”. (Theme #13) Although the difference can be difficult to grasp at first, a review of the factors considered by the three actors throughout this chapter make it evident that these two questions warrant very different methods of evaluation. The first requires extensive sources of objective data, while the second requires nothing but the individuals’ own subjective evaluation. This line of thought can be extended by the fact that the initial search for information within fields of interest translates to a behavior of filtering by categories (Theme #7), which in turn leads to a capital allocation system based on “what am I interested in” rather than the traditional question “what is the market interested in”, as asked by VCs’ and answered through industry analysis.

The same line of argument can be used when discussing the evaluation exit plans of ventures. We see that VCs’ will consider exit plans as important, whereas BAs’ seem to find exit plans less critical (Mason & Harrison, 1995). CFs’ again have little incentive to consider exits at all, as it does not relate to their motives of taking part in product information or pre-ordering novel products. This is an important factor as it is somewhat determinant of the stage of development relating to the ventures the actors’ source. This area, pertaining to the stage of investment interesting to CFs’, is in fact significant enough to warrant its own section and will be further below. For now, we can conclude that CFs’ quite logically are mostly concerned with matters relating to the product and concept.

CFs’ enter platforms in the search for novel information within fields of interest (Themes #1 & #2). Because of this interest driven information search, CFs’ seem to value project transparency with regard to product development product characteristics (Theme #3, #18). Interestingly, the CFs’ can therefore be seen to indirectly value a factor that may be entirely opposite of VCs’. Where VCs’ look for strategies on how ventures will protect against competition (Sudek, 2007), CFs’ value a transparency (Theme #3), which inherently requires entrepreneurs to disclose certain proprietary information, thereby making the concept easier to copy for competitors. If such a factor as transparency turns out to be highly valued by CFs’ in future research, the CF system is inherently a capital allocation system that rewards ventures that are willing to break down their protective walls, which seems to be contrary to what existing systems reward. It is too early to tell exactly what effects this might have on the

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

competitive environment in which successfully CF projects are placed, but a discussion on this is still interesting and will be carried out in the next section where we discuss funding gaps.

To sum up this discussion, CFs' seem to be far more interested in the product and concept than the literature on VCs'/BAs' show. The question is what this may mean for the venture funding system. When we move from a focus on team and strategy to a focus on product and concept, it would be surprising to see that these two systems carry out the exact same function in the venture funding system. We will therefore continue by discussing what role CF may have in relation to the venture funding gaps theory.

7.2 Crowdfunding and Venture Funding Gaps

Thus far in this thesis, we have seen how CFs' allocate their capital through our results and how CFs' in a broader sense may differ from VCs' and BAs'. It is now interesting to take a more holistic perspective on CF role in the venture funding process. An interesting angle to take is to discuss CF in the light of theories on funding gaps as was presented under theoretical background. When looking at this theory, we may interpret a venture-funding system as a linear process whereby a venture needs to be able to logically move through different stages of funding to grow. If one level is missing, ventures may find it difficult to progress and grow, as was argued by Mason & Harrison (1995). This research alone cannot answer the overall question of exactly what role CF will have in venture funding, but by looking at our results in the light of funding gaps we are able to bring an interesting discussion to the field of CF.

One initial reaction to the comparison of VCs', BAs' and CFs' is that VC is presented as the anchor of the industry, and the other two actors are somewhat assessed in relation to this actor. When this is done we saw that VCs' are the most rigorous in their assessment of businesses and attempt to achieve an objective view of where capital is to be invested (Sudek, 2007; McMilan et. al., 1987). The BAs' were described as "informal investors", basing their decisions more on instinct, thereby for example performing less due diligence than do VCs' (Van Osnabrugge & Robinson, 2000). CF on the other hand can be seen as having even more "informal investor" tendencies focusing almost entirely on their subjective views of the projects they invest in (Theme #13). It was also theorized that BAs', as more

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

informal investors, had the opportunity to solve certain gaps within the venture funding industry. We will discuss the same three gaps in relation to our findings on CF decision-making in an attempt to see if CF has a natural place in the venture funding process or if it is simply competing with existing actors.

Let us start the discussion with the *funding gap* presented in the theoretical review. This gap emerged through the change in strategy of VCs' to focus on later stage deals, making it more difficult for early ventures to receive funding (Mason & Harrison, 1995). Therefore, we must pose the question of at which venture stages CF may be most efficient. As we saw in our results, CFs' do not pay attention to the financial valuation of the venture (Theme # 17), leading to a first notion that without an evaluation of the value of the venture CFs' cannot discriminate on the basis of venture development. However, there are other factors from our results that lead us to believe that CFs' most likely will favor investments in ventures in relatively early stages of development. First of all, CFs' look for novelty (Theme #1) in both information and products (Theme #3, #4). The CF also finds value in obtaining products that are currently not available to the rest of the market (Theme #5). Therefore, it seems that the CF will look to fund products that are at least perceived as very novel by the CF, which seems to lead them to back projects that are early start-ups thereby providing seed capital. It also seems as though there are some altruistic motives of helping smaller firms and entrepreneurs as opposed to purchasing products from larger corporations (Theme #3). Although very well known brands have yet to attempt to enter the Kickstarter platform (to the best of the authors knowledge), we have seen evidence of what happens when well established individuals try to utilize the platform to raise money. For example, Zach Braff (a famous actor) tried to raise money for a future film through Kickstarter but was highly criticized by the CF community for misusing the platform. (Klosterman, 2013) The community claimed that CF is not for people who already have the capital to complete their projects. (Klosterman, 2013) All these arguments point in the direction that CF is a mechanism currently used to fund early start-ups, and not quite ready to be utilized by larger companies. The subjectivity involved in CF decision-making poses difficulties for researchers to establish clear cut rules, as it seems that it will be difficult to establish the absolute stage of development where CF may fill a role. It seems to be mainly a product of the perceived stage of development by the community, and not on the absolute value. Still, we should attempt to dig deeper into this question.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

How early can the start-ups get funding through a CF platform? At the same time as we present all the arguments above stating that CFs' look for early stage ventures, our earlier discussions showed how strongly CFs' factor in the product in their decision to back a project. (Themes #5, #6, #12, #13) In the categories discussed throughout this thesis, the product seems to be the main focus of evaluation (Theme #12, #13). These results make it difficult to believe that an entrepreneur would gain substantial funding on Kickstarter without having a product prototype ready to show potential backers. So there are two main directions setting the stage of which a business can obtain CF capital. The first is the *perceived* early stage of a venture and the second is *prototype* development. CFs' look for novelty and look to fund early start-ups. However, it is the subjective view of the individual who determines the level of development of the start-up that seems to matter, and the span to receive capital on CF is therefore not set in the valuation of the business through due diligence activities, but at the perceived stage of development by the CF. Naturally, the subjective view of an individual is highly influenced by the way the entrepreneurial team chooses to present their project. A rather highly valued start-up could choose not to state their current success, whereby CFs' may interpret this as an unfunded idea. This can create a somewhat wide span of funding as the level between having a prototype and being considered a brand too well known for Kickstarter seems covers a very broad spectrum. When we look at the most well funded projects on Kickstarter we can see that the amount of money that can be raised ranges from a couple of hundred dollars to the \$10.3 million raised by the Pebble Smartwatch (FinSMES, 2013). However, the mean amount raised by successful projects in technology and design is \$70 thousand and \$47 thousand respectively (Kickstarter Statistics, 2013). This is an amount falling far below that invested by VCs' and falling closer to the level invested by BAs' (Mason & Harrison, 1995; Sudek, 2007). However, CF can potentially cover any span between the couple of hundred dollars up to the high amounts of the Pebble, making it a very dynamic funding system with few concrete limits. In the case of the Pebble, we see that CF is in fact funding amounts more similar to VCs'. As a final answer of what spectrum of funding CF can contribute with, we may claim that CF seems to require a prototype product, which requires that certain capital is already allocated to research and development, but can potentially reach as high amounts as many VC firms (although the mean falls far lower). Therefore, some capital for R&D needs to be acquired prior to CF being viable, most likely internally or through friends and family. From the funding gap perspective discussed in the beginning of this thesis, CF therefore presents a funding mechanism that can bridge the gap on the following levels:

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

1. Internally/Friends and Family → Business Angel Investment
2. Internally/Friends and Family → Venture Capital Investment

Our research findings also present a funding gap within the CF system. The gap from 0% funded to the level of funding enough to warrant attention from a majority of CFs' will likely present a serious obstacle for entrepreneurs attempting to utilize CF. Exactly where this threshold for percentage funding is should be researched quantitatively by future researchers. Kickstarter recommend that entrepreneurs get the initial influx of capital from people in their networks (friends and family) (Kickstarter School, 2013), which illustrates that CF is not an all round solution that will automatically boost a great idea from prototype to VC investment. The role of friends and family seem to extend into the CF system in an overlap. Thereby, CF does not present a stage after friends and family, but instead seems to incorporate friends and family in its system.

What has been described here is the CF systems role in venture funding solely based on the amount of money invested. We claim that from a funding perspective, CF could potentially raise amounts of money to compete with both BAs' and VCs'. From this discussion, it would seem that CF falls closest to competing with BA investments. However, other variables than absolute dollars have not been discussed here. There is little evidence in this thesis that CFs' would contribute with knowledge, and this could also be considered in future research with regard to VCs' and BAs'. This is a discussion separate from the one taking place in this thesis, but is worth mentioning to illustrate that CF may not compete with VC and BA simply because it can contribute with the same amount of funding. Furthermore, simply because similar amounts of money can be raised through BA's and CFs' does not necessarily mean that a venture cannot receive both. In fact, it seems that CF can rather function as the proof of concept required to get additional VC or BA funding, which will be discussed further in its own section.

The next gap discussed was the geographical gap which had its roots in the fact that VC firms tended to be located close to finance districts and that VCs' attempt to invest close to home in order to be able to

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

monitor the firms in which they invest (Mason & Harrison, 1995). Agrawal et. al. (2011) showed that CF was much less geographically biased than traditional investors. Our research did not uncover as much on this gap as on the funding gap. However, what was found through our results is that CFs' show no intentions of monitoring the ventures that would require them to invest close to home (Theme #16, #17). Furthermore, Kickstarter today exists only in Canada, the UK, and the United States. Therefore questions on geography are not relevant to the CFs' we have interviewed, as they have no choice but to invest far from home. The few British residents that participated did show a slight preference for backing British projects, but that this would not override the product evaluation (Theme #15). This area will have to be researched further when opportunities to invest exist within more countries, including the country of origin of interviewees. There may therefore be biases in geography that did not surface during this research. Nonetheless, CF shows promising potential to be less geographically biased in investment with regard to the research of Agrawal et al. (2011) as well as through our results that CFs' show no interest in monitoring the businesses they back and lack of focus on their future success (Trend #16, #17). The whole system is built around the notion that anyone can supply capital to start-ups taking making, giving CF the potential to be even more dispersed than even BAs'. The fact that almost all respondents had invested over-seas (since Kickstarter only allows certain nationalities to create projects) illustrates that investing across borders does not seem to be a problem for CFs'.

The final gap discussed in the theoretical review was the information gap, which stated that BAs' were in fact so dispersed that it was difficult to connect entrepreneur and BA in an efficient manner (Mason & Harrison, 1995; Gaston, 1989). CF naturally shows amazing potential here due to the fact that the platforms are so easily accessible as match makers between the public and entrepreneurs. However, the information gap from a CF perspective may lie in the fact that adoption needs to increase in order for CF to contribute with the same amount of total venture funding as do VCs' and BAs', as it is significantly lower today (Earnst & Young, 2011; Deloitte, 2013). Future research should research what the barriers to adoption of the CF concept may be, as a higher adoption is vital for the system to reach its maximum potential. Furthermore, connecting the entrepreneurs and CF stretch beyond what the platforms alone can accomplish. A connection can only occur when CFs' give a project enough attention to evaluate it, and as we saw through our results this is problematic when entrepreneurs

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

cannot get the initial capital to receive attention from CFs' (Theme #7, #9). This is again a gap that needs to be researched further. Naturally, the entrepreneurs' number of friends and family should not be determinant of whether an idea gets funding or not if we want to claim that CF is an efficient innovation selection system. This however, does seem to be the case, since CFs' require their own internal proof of concept in order to give projects attention (Theme #9).

7.3 Crowdfunding as a Market Signaling System

It is now time to address what part CF may play in relation to VCs' and BAs'. Do they compete for entrepreneurs or complement each other? Apart from the gaps presented above, there are other variables that may influence the current venture funding system. As we saw in the theoretical background, both BAs' and VCs' tended to look for what is known as a proof of concept (Gulbranson & Audretsch, 2008). This was often in the form of pre-orders from customers showing interest in the product or concept. CFs' on the other hand seem to be looking for products that other people did not own yet (Theme #5). This brings us to the argument that CF may in fact be an efficient market signaling system to other actors, which may lubricate venture transitions from internal funding or family and friend funding into VC and BA funding. What we have argued throughout this chapter is that CFs' show a product and concept focus and at the same time a lack of focus on factors such as teams, financials and other strategies. What we saw was that the sourcing of a successful business, as is done by VCs' and BAs', requires a complete package where the concept or product is only one of many parts in the overall evaluation (Klonowski, 2010; Sudek, 2007). This inherently means that VCs' and BAs' will have no problem killing a fantastic product idea if the other factors, such as the team, is not considered capable enough to run the venture and generate a high ROI. In light of this, it can be argued that the lack of focus on other factors than concept and product make the CFs' quite pure in the signals they send to the rest of the market. They are sending more or less pure signals with regard to the perceived attractiveness of the concept and product (Theme #13). Our results point towards the fact that it would be rare that CF as a system would kill great concept ideas due to the fact that other factors do not meet certain standards, essentially sourcing great concepts despite imperfections in other factors.

What does this mean for the venture funding system? On the one hand we have two actors, VCs' and BA's, who are looking for competent teams, satisfactory strategies and proof of concept (Klonowski, 2010; Sudek, 2007). CF may be a great way to solicit innovative concepts, first of all due to the size of

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

the crowd, but also because these individuals do not have many other criteria that would lead them to kill a great idea. CF has the potential to pick out great concepts, even when the teams, strategies, or finances are not always strong enough to solicit a VC or BA investment for equity. They do not give much thought to if the company is profitable in the future, but instead almost entirely focus on the concept and product. These are qualities that critics have claimed may make CFs' less capable of sourcing good ventures (Bogost, 2012). However, what we will argue here is that what the venture funding system may need is not another system attempting to source great businesses. It may be far more efficient to introduce a system that sources based on product innovation qualities rather than strategy or team qualities.

CF is still a young industry, but we already see evidence of how this market signaling system may be integrated into the overall system of venture funding. Arguments for this notion arise when we assess what happened to some of the CF success stories post-successful funding. In 2012, the Pebble SmartWatch received over \$10 million in funding from close to 70.000 backers on Kickstarter. (FinSMEs, 2013) In 2012 330.000 units of smartwatches were sold (Bostic, 2013). If we look at the predictions of smartwatches to be sold 2014, we get the staggering number five million watches (Bostic, 2013). Naturally all of these will not be supplied by Pebble. In fact, both Google and Apple are rumored to currently be developing smartwatches of their own to hit the market (Bostic, 2013). What's more is that Pebble, after receiving its funding from Kickstarter, received an additional \$15 million in series A funding from Charles River Ventures (FinSMEs, 2013). Another interesting aspect is that the Pebble team had in fact tried to obtain VC funding prior to their Kickstarter campaign without success. Without the help of CF, it seems that the Pebble team would have had great difficulties at getting their concept to market. For whatever reason, the VC community did not see the Pebble venture as something worth investing in until the proof of concept was established through their CF initiative. Therefore, the CF system to source the Pebble when the VC system did not, most likely due to many of the factors brought up in this research. We therefore argue that we have gotten a better understanding of why the CF system may fund a project that VC system would not.

It would be false to state that Apple and Google are solely working on these watches as a response to Pebbles success, as these watches have most likely been in the R&D pipeline of these companies for

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

some time. However, CF successes seem to send clear signals to the market on where resources need to be allocated as seen in the examples above. According to our research, the market rightfully integrates these signals into their activities, as they are quite pure proof that the CF community likes the product or concept. If CFs' in fact did value for example teams highly, the market could not always trust if the positive CF response was for the concept or the team, leading to more ambiguous signaling. Further it sends a message as to if the market is ready for these products or not. It may have come to many companies surprise that the market is already ready for a smartwatch. If there was any doubt to this, the Pebble initiative made it clear that the market is probably ready for a smartwatch product. The fact that CFs' seem to base their decision to back on their own subjective evaluations of whether the concept is attractive or not may not matter significantly because of the large number of people making this subjective judgment. Since the final evaluation is done individually (Theme #13), it must be argued that huge CF successes are more closely seen as objectively good ideas than one may first expect when realizing that CFs' make subjective evaluations. This is because so many people are simultaneously aggregating their subjective evaluations. Much in line with Surowieckis' (2005) idea that crowds can be smart because of their aggregated knowledge, CF may be able to source great concepts due to the fact that they are so numerous.

Further evidence of this is seen through the Oculus Rift, a set of video game goggles receiving \$2,5 million on Kickstarter who also later raised \$16 million in a series A funding from a co-led round of several venture capitalist firms (Palmer, 2013). The Oculus Rift and the Pebble are both special cases, receiving significant amounts of attention on Kickstarter. However, they serve to illustrate what part reward-based CF may play in venture funding systems in general. When CFs' show interest in learning about products, an interest in their development, and in many cases choose to pre-order novel products, they are sending signals to the rest of the market. The way this can further our innovation sourcing capabilities as a society is that other actors may pick up on these signals and incorporate these signals into their own systems. In this sense, it is in fact positive that CFs' seem to redistribute their focus in comparison to VCs' and BAs' because it more efficiently integrates the CF system into existing systems. Once a concept signal is sent out by the reward-based CF system, corporations may acknowledge the innovations importance and initiate, focus, or speed up research and development. Several new entrepreneurial teams may form in an attempt to fill the evident market gap in the event

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

the initial team would fail, and venture capitalists may either snap up the original CF team, as seen in the examples above, or locate one of the new teams that have caught on to the concept attention and invest in these. When a concept has demonstrated a market gap through reward-based CF, the market will likely find a way to get the concept to market as is seen by the examples above.

CFs' in the same sense do not care about the protection of the idea through patents or sustainable advantages (Themes #17). In essence, the founders may get one chance to carry out their project, or others will likely step in who are better suited at doing so. Most importantly, reward-based CF sends strong signals on what concepts are demanded by the market and at the same time do not necessarily specify who is to fill this gap. The interesting thing is that it allows for consumers to send signals to the market regarding products that are not a part of their lives yet, making it an innovation sourcing mechanism capable at sending innovation signals to other market actors who can then bring the concept back to the consumers on a much larger scale.

One issue did however arise that challenges the notion of reward-based CFs' as great market signaling system and must be addressed. The fact that some respondents felt as though the platform changed their perception of the concepts for the better presents the issue that the market may not adopt the innovations in the same way that the CFs' did (Theme #4). This needs to be researched further as this could lead to potentially false market signals, which would be detrimental rather than positive. At the same time, the market actors need to understand the mechanics behind CF as presented in this thesis. For example, it is dangerous for market actors to read the CF signaling system as a system that verifies and sources great ventures. In fact, this research leads us to believe that the only signal that should be read by market actors is with regards to CF is on product and concept level. CFs' do not seem particularly good at sourcing successful venture teams or ventures with great future strategies, at least not from this research which focuses on their verbal statements. Mistaking CF for a venture signaling system may therefore be dangerous.

Another interesting aspect is the capital allocation mechanism of CF. CF decision-making process is first of all incredibly interest driven. This may have further implications for resource allocation. In fact,

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

resources seem to be allocated primarily after the interest fields of CFs' on the platforms, whereas traditional venture capitalists will base their investments largely on industry growth projections.

If we look at current statistics of Kickstarter, we can see that film & video are receiving the most funding, followed by games, design, music, and technology (Kickstarter Statistics, 2013). Right now the focus seems to be somewhat on industries that otherwise would find difficulties to receive traditional funding. If proper adoption of CF occurs, it will be interesting to monitor how the industries receiving money on platforms are performing with respect to industry growth in general. Naturally, it seems that reward-based CF will be skewed towards consumer products (Theme # 13), but it will be interesting to see if an increase of adoption of CF as a means of consumption will in fact lead to efficient capital allocation to growing industries, simply due to the fact that it is interest driven. The alternative is that reward-based CF will continue to focus on industries where generating traditional capital is very difficult. Seeing where the interest driven approach of reward-based CF drives capital should be considered by future research, and should be compared to traditional capital allocation mechanisms such as venture capitalists.

In this section we have discussed our findings in a societal perspective. The results of this research do however also lead to several implications for specific actors within the CF system. For recommendations for project initiators and platform managers the reader should refer to Appendix 6, where these are presented. These findings may be of less interest to academics but may contribute to the strategizing capabilities of platform management and entrepreneurs looking to work with reward-based CF.

7.4 Results in light of existing Crowdfunding Theory

As we saw earlier, previous CF theory has identified certain characteristics within this new field. Our research further support many of the findings discussed by previous researchers, and therefore contributes to an understanding of their findings. One interesting finding within this research can be connected to Agrawal et. al. (2013) findings regarding funding being skewed on CF platforms, leading 0,7% of the projects to receive 73% of the total CF capital. The fact that the level of funding of a project seemed to played a large role in what projects are selected for further review (Theme #9) quite accurately explains this. The results present evidence of what can be described as a Matthew effect

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

(Merton, 1968) within CF, leading projects to gain significant inertia and gaining increasing attention due to increases in funding (Theme #9). This means that projects getting initial investments early will gain more CF attention, leading to further backing if the concept is seen as desirable, in turn leading to even more CF attention, and so forth.

Mollick (2013) also observed a positive relationship between the size of the CFs' social network and project success. This could point towards the fact that founders with larger social networks are able to generate a larger surge of money into the project quickly, leading other backers to give the project more attention (Theme #9) and increasing the chances of the project reaching its goal. Therefore, this research suggests that Agrawal et. al. (2013) research may in fact be connected to Mollick (2013) research findings since one seems to influence the other. On a broader scale, this suggests that the initial capital in a CF campaign comes from friends and family and is later supported by other CFs'. The role of family and friends in CF should therefore be studied further to gain a better understanding of their behavior and their contributions to projects early, as they would therefore play an important part in which projects get attention and therefore have bigger chances of being funded. Furthermore herding has been brought up by previous researchers and is very strongly supported by our research results with regard to the CFs "project pooling" (Theme #9), whereby we saw that if many previous CFs' have backed the project, further CFs' will be drawn to the project. However, social influence seems to play a much smaller role in the actual evaluation of projects (Theme #12, #13, #18).

With regards to Laralde & Schweinbacher (2010) suggestion that CF may be beneficial by constituting a wise crowd can also be commented on in the light of our findings. One of the main criteria for making a crowd smart is the fact that their decisions are based on each individual's own private information (Surowiecki, 2005). If this is not the case, the crowd may in fact be less intelligent than its individual constituents due to the fact that herding and information cascades may occur. Although herding was observed with regard to the projects that received attention (Theme #9), the results point towards the fact that the final decision to back or not is based on each CFs' private information and is therefore remarkably free from herding (Theme #13, #15). However, the CF ability to source good ventures should be seriously reconsidered due to the fact that we saw little evidence of CFs' sourcing a venture as much as sourcing a good product innovation concept (Themes #13, #16, #17).

Belleflamme et. al. (2013) also argued that pre-ordering was seen as more appropriate when investment capital for the CF was low. The results from this research generally support this notion, but adds to the discussion by illustrating that it is a combination of price, complexity, and if the product replaces another product that is vital to the CFs' everyday life (Theme# 13). At this point in time, the results from this research point towards the fact that expensive, complex products that replace vital products in everyday life are not optimal for reward based CF (Theme # 6).

We therefore argue that the results from this research generally support existing research as well as generating a better understanding of why previous researchers have found these relationships among data. However, further research is required to ensure that the observations in this research can be generalized to the larger CF population.

8. Conclusions and Future Research

The following research has studied the decision-making process of the reward-based crowdfunder. By studying the crowdfunder decision-making process, we have discussed what implications this new system may have on overall venture funding. What significantly separated reward-based crowdfunders from VCs' and BAs' was their prioritizing of criteria. Crowdfunders showed to be very subjective in their evaluations and heavily emphasized the product and concept that was being presented by the entrepreneur. They thereby showed much less of a focus on the entrepreneurial team, the venture strategies, and financials pertaining to the venture, which are seen as criteria outweighing concept evaluation by VCs' and BAs'. The crowdfunding system thereby seem to fund ventures with quite different characteristics than those sourced by VCs' and BAs'. Less than optimal teams and plans may be funded in the process, but this research leads us to believe that reward-based CF offers a concept sourcing system on a level that may be superior to many of the previous systems, simply due to the fact that other information is somewhat neglected. Throughout this research we have managed to tie together some of the previously existing research within the CF field. Crowdfunders do source projects based on the level funded by other crowdfunders. This leads to a Matthew effect which may be the reason why a few projects collect the majority of the crowdfunding capital.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

This research has merely been an exploration into the world of CF. There is still much that needs to be studied in order to gain a full understanding of the CF phenomenon. Although this thesis took the discussion on a level whereby we looked at CF decision-making in relation to VCs' and BAs', and how this would affect the venture funding systems in place today, the research results can lead to several directions of future research. The qualitative nature of this thesis does not allow us to generalize these results, and therefore each of the 18 themes found in the results should be tested separately using a quantitative methodology. We now have some base on which to find out what factors may be considered and which may be neglected, allowing for this research to take place in the future. Furthermore, we have established the sequence with regard to time as is required in a process, also allowing for a more quantitative focus in the future. Crowdfunding has only been assessed in relation to VCs' and BA's in this thesis, and must be compared to several other venture funding systems such as banks and government grants. Furthermore, other platform types need to be researched in a similar manner in order to lay a research base for these and spark a discussion within for example equity crowdfunding.

To conclude, the results of this research shows that crowdfunding may fill a vital part of venture funding systems by focusing on sourcing quality innovative products rather than great businesses. They thereby provide proof of concept to other actors, potentially alleviating the burden of bridging gaps for entrepreneurs. We now have some basis on which to quantitatively start testing crowdfunder criteria which will greatly influence the academic development of crowdfunding, as we can start understanding what will happen to venture funding in general if crowdfunding reaches higher adoption.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Bibliography

Books

Bell E., Bryman A. 2013. *Företagsekonomiska Forskningsmetoder*. 2nd ed. Stockholm: Liber AB.

Benjamin, G. A. and Margulis, J. 2000 *Angel Financing: How to Find and Invest in Private Equity* (New York: Wiley).

Bessant J. & Tidd J. 2009. *Managing Innovation*. 4th ed. Chichester: John Wiley & Sons Ltd.

Brinkmann S., Kvale S. 2009. *Interviews: Learning the Craft of Qualitative Research Interviewing*.

Bygrave W.D., Timmons J.A. (1992). *Venture Capital at the Crossroads*. Harvard Business School Press.

Bygrave, W.D., Zacharakis A. (2009). *The entrepreneurial process* in, *The portable MBA in entrepreneurship*. 4th ed. New York: John Wiley. Hoboken, NJ: JohnWiley & Sons Inc.

Gaston, R. J., 1989, *Finding Private Venture Capital For Your Firm: A Complete Guide*, New York: Wiley.

Daymon C., Holloway I. (2011) *Qualitative Research Methods in Public Relations and Marketing Communications*. 2nd Ed. New York: Routledge.

DeMaria R., Steinberg S. 2012. *The Crowdfunding Bible: How to Raise Mone for Any Startup, Video Game or Project*. [Kindle Edition] Overload Entertainment, LLC. Available at: Amazon.com website www.amazon.com [Accessed: 15 April, 2013]

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Guba, E.G. & Lincoln Y.S. 1994. *Competing paradigms in qualitative research*. Handbook of qualitative research. Thousand Oaks, CA: Sage.

Haislip, A. 2011. *The Essentials of Venture Capital*. Hoboken, New Jersey: John Wiley & Sons Inc.

Howe, J., 2008. *Crowdsourcing: Why the Power of the Crowd is Driving Future of Business*. New York: Three Rivers Press.

Klonowski, D. 2010. *The Venture Capital Investment Process*. New York: Palgrave MacMillan.

Lawton K. & Marom D. 2013. *The Crowdfunding Revolution: How to Raise Venture Capital Using Social Media* [Kindle Edition] McGraw-Hill. Available at: Amazon.com website <www.amazon.com> [Accessed 15 June, 2013]

Luckner, S., Schröder J., Slamka C. 2012. *Prediction Markets: Fundamentals, Designs, and Applications*. Weisbaden: Gabler Verlag.

Osnabrygge Van M., Robinson R.J. (2000). *Angel Investing: Matching Start-Up Funds with Start-Up Companies*. San Fransisco: Jossey-Bass Inc.

Rogers E.M. 2003. *Diffusion of Innovations*. 5th ed. [Kindle Edition] Simon & Schuster, Inc. Available at: Amazon.com website: <www.amazon.com> [Accessed 10 March, 2013]

Surowiecki J. 2005. *The Wisdom of Crowds: why the many are smarter than the few and how collective wisdom shapes business, economies, societies, and nations*. New York: Anchor Books.

Articles

Aernoudt R., Roure J., San José A. (2004) Business Angel Academics: Unleashing the Potential for Business Angel Investment. *Venture Capital* 7(2), pp. 149-165.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

- Agrawal A.K., Catalini C., Goldfarb A. (2011). *The Geography of Crowdfunding [Online]*. National Bureau of Economic Research working paper series no 16820. Cambridge MA 02138.
- Bachher, J. S. 2000. Venture capitalists' investment criteria in technology-based new ventures. Unpublished doctoral dissertation. University of Waterloo.
- Belleflamme P., Lambert T., Schwienbacher A. (2013) Crowdfunding: Tapping the Right Crowd. *Journal of Business Venturing, Forthcoming*; CORE Discussion Paper No. 2011/32.
- Budhathoki N.R., Haythornthwaite C. (2012). Motivation for Open Collaboration: Crowd and Community Models and the Case of OpenStreetMap. *American Behavioral Scientists* 57(5), pp. 548-575.
- Colombo M.G., Gilli L. (2003). Funding Gaps? Access to the loan market by high-tech start-ups. *Small Business Economics* 20(1-2) pp. 25-46.
- Cressy R. (2002). Funding Gaps: A Symposium. *The Economic Journal* 112 F1-F16.
- Edmondson A.C., McManus S. E. (2007) Methodological fit in management and research field. *Academy of Management Review*, 32(4), 1155-1179.
- Freear, J., Sohl, J. E. and Wetzel, W. E., Jr, 1990, Raising Venture Capital: Entrepreneurs' Views of the Process. N. C. Churchill, W. D.
- Bygrave, J. A. Hornaday, D. F. Muzyka, K. H. Vesper and W. E. Wetzel Jr (eds) *Frontiers of Entrepreneurship Research* (Wellesley, MA: Babson College), 223 – 237.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Freear, J., J. E. Sohl and W. E. Wetzel, 1992, *The Investment Attitudes, Behaviour and Characteristics of High Net Worth Individuals*, Paper presented at the 12th Babson Entrepreneurship Research Conference, INSEAD, Fontainebleau.

Freear J., Sohl J.E., Wetzel W. (2002). Angels on Angels: Financing technology-based ventures – a historical perspective. *Venture Capital*, 4(4), 275-287

Fried, V. H. and Hisrich, R. D. 1994. Toward a model of venture capital investment decision making. *Financial Management*, 23: 28 — 37.

Gulbranson C.A., Audretsch D.B. 2008. Proof of Concept Centers: Accelerating the commercialization of university innovation. *Journal of Technology Transfer*, 33(3) pp. 249 - 258

Haeffliger S., von Krogh G., Lamastra C.R. (2009). Phenomenon-Based Research in Management and Organizational Science: Towards a Research Strategy, ETH Zurich [doc].

Herder E., Mayer M., Obendorf H., Weinreich H. (2008). Not Quite the Average: An Empirical Study of Web Use. *ACM Transactions on the Web* 2(1).

Hisrich, R. D., A. D. Jankowicz. 1990. Intuition in venture capital decisions: an exploratory study using a new technique. *Journal of Business Venturing*, (5): 49-62.

Kleemann, F., G.G. Voß and K. Rieder. (2008). Un(der)paid Innovators: The Commercial Utilization of Consumer Work through Crowdsourcing. *Science, Technology & Innovation Studies* 4, 5-26.

Knight, R. M., 1994, Criteria used by venture capitalists: a cross cultural analysis. *International Small Business Journal*, (13): 26 — 37.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

- Larralde B., Schweinbacher A. (2010). Crowdfunding of Small Entrepreneurial Ventures. *Handbook of Entrepreneurial Finance*, Oxford University Press, Forthcoming.
- Lehner O. (2013). Crowdfunding social ventures: a model and research agenda. *Venture Capital: An international Journal of Entrepreneurial Finance*.
- Loewenstein G. (1994). The Psychology of Curiosity: A Review and Reinterpretation. *Psychological Bulletin* 116(1) pp. 75-98.
- MacMillan, I. C., Siegel, R. and Subba Narasimha, P. N. 1985. Criteria used by venture capitalists to evaluate new venture proposals. *Journal of Business Venturing*, (1): 119 — 128.
- MacMillan, I. C., Zemann, L. and Subba Narasimha, P. N. 1987. Criteria distinguishing successful from unsuccessful ventures in the venture screening process. *Journal of Business Venturing*, (2): 123 – 137.
- Mason C.M., Harrison R.T. (1995). Closing the Regional Equity Capital Gap: The Role of Informal Venture Capital. *Small Business Economics* 7 pp. 153-172.
- Merton, R.K. 1968. *The Matthew Effect in Science*. *Science*, new series 159(3810). pp. 56-63.
- Menon S., Soman D. (2002). Managing the power of curiosity for Effective Web Advertising Strategies. *Journal of Advertising* 31(3).
- Mollick E. 2013. The Dynamics of Crowdfunding: An Exploratory Study. *Journal of Business Venturing*, Forthcoming.
- Murray, G., 1991a, *Change and Maturity in the UK Venture Capital Industry 1991-95*, Coventry: Warwick Business School.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Murray, G., 1994, The Second 'Equity Gap': Exit Problems for Seed and Early Stage Venture Capitalists and their Investee Companies, *International Small Business Journal* 12(4), 59-76.

Muzyka, D., Birley, S. and Leleux, B., 1996, Trade-offs in the investment decisions of European venture capitalists. *Journal of Business Venturing*, (11): 273 – 287.

Ordanini A., Miceli L., Parasuraman A., Pizzetti M. (2011). Crowd-funding: Transforming customers into investors through innovative service platforms. *Journal of Service Management* [E-Journal] 22(4), pp 430-470.

Peecher M.E, Solomon I. (2001) Theory and Experimentation in Studies of audit judgments and decisions: Avoiding common research traps. *International Journal of Auditing* 20(3): 193-203.

Robinson, R. R. (1987). Emerging strategies in the venture capital industry. *Journal of Business Venturing*, 2: 53-77.

Streletzki J.G., Schulte R. (2012). Which Venture Capital selection criteria distinguish high-flyer investments? *Venture Capital: An International Journal of Entrepreneurial Finance* 15(1) pp. 29-52.

Tyebjee, T.T., and A.V. Bruno. 1984. “A model of venture capitalist investment activity.” *Management Science* 30 (9): 1051–66.

Osnabrugge, Van M. (1997) A Comparison of Business Angel and Venture Capitalist Investment Procedures: an Agency Theory-based Analysis (Cambridge, MA: Harvard Business School).

Sudek R. 2007. Angel Investment Criteria. *Journal of Small Business Strategy*, 17(2)

Woolley, A.W. 2011. Response to Adversial Situations and Collective Intelligence. *Journal of Organizational Behavior* 32(7). pp. 978-983 Available Through: Copenhagen Business School

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Xue B.X., Zhang Suny Z. Zhou Z.H. (2008). Improving Web Search Using Image Snippets. *ACM Transactions on the Internet* 21(8).

Blogs

Bogost, I., 2012. Kickstarter: Crowdfunding Platform or Reality Show? Fast Company. [blog] 18 July. Available at:

<<http://www.fastcompany.com/1843007/kickstarter-crowdfunding-platform-or-reality-show>>

[Accessed: 24 July 2013]

Bostic, K. 2013. Smartwatch Shipments to hit 5M units in 2014 as Apple, others rumored to enter market. Apple Insider. [blog] 16 July. Available at:

<<http://appleinsider.com/articles/13/07/16/smart-watch-shipments-expected-to-hit-5m-units-in-2014>>

[Accessed: 28 July 2013]

FinSMEs. 2013. Pebble Receives \$15M in Series A Funding from Charles River Ventures. FinSMEs.com [blog] 16 May. Available at:

<<http://www.finsmes.com/2013/05/pebble-receives-15m-series-funding-charles-river-ventures.html>>

[Accessed: May 24 2013]

Palmer. 2013. VR gets VC. Oculusvr [blog] 17 June. Available at:

<<http://www.oculusvr.com/blog/vr-gets-vc/>> [Accessed: 1 July 2013]

Sekhon, S. 2013. Crowdfunding Statistics and Trends [Infographic]. GoGetFunding.com [blog] 1 May. Available at:

<<http://blog.gogetfunding.com/crowdfunding-statistics-and-trends-infographic/>> [Accessed: 12 May 2013]

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

PDF

Bonabeau E. 2009. *Decisions 2.0: The Power of Collective Intelligence* [pdf]. MITSloan Management Review 50(2). Available at:

<http://www.worldwideopen.org/uploads/groups_bull/files/30/decision%202.0.pdf>

Buyser K.D., Gajda O. Kleverlaan R., Marom D. (2012). *A Framework for European Crowdfunding* [pdf]. Available at:

http://evpa.eu.com/wp-content/uploads/2010/11/European_Crowdfunding_Framework_Oct_2012.pdf

Collins L., Pierrakis Y. 2012. *The Venture Crowd: Crowdfunding Equity Investment into Business* [pdf]. Available at:

< http://www.nesta.org.uk/blogs/assets/features/the_venture_crowd>

Crowdsourcing.org. 2012. *Crowdfunding Industry Report: Market Trends, Composition and Crowdfunding Platforms* [pdf]. Available at:

<<http://www.crowdfunding.nl/wp-content/uploads/2012/05/92834651-Massolution-abridged-Crowd-Funding-Industry-Report1.pdf>>

Earnst & Young. 2011. *Globalizing Venture Capital: Global Venture Capital Insights and trends report 2011*. Available at:

<[http://www.ey.com/Publication/vwLUAssets/Globalizing_venture_capital_-_Global_venture_capital_insights_and_trends_report_2011/\\$FILE/Globalizing_venture_capital_Global_venture_capital_insights_and_trends_report_2011.pdf](http://www.ey.com/Publication/vwLUAssets/Globalizing_venture_capital_-_Global_venture_capital_insights_and_trends_report_2011/$FILE/Globalizing_venture_capital_Global_venture_capital_insights_and_trends_report_2011.pdf)>

Ingram C., Teigland R. 2013. *Crowdfunding among IT entrepreneurs in Sweden: A qualitative study of the Funding Ecosystem and IT Entrepreneurs' adoption of crowdfunding* [pdf]. Available at:

<https://www.iis.se/docs/Crowdfunding_among_IT_Entrepreneurs_in_Sweden.pdf>

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Wilmerhale (2012). *2012 Venture Capital Report* [pdf]. Available at:

<http://www.wilmerhale.com/uploadedFiles/WilmerHale_Shared_Content/Files/Publication/2012_VC_Report.pdf>

Homepage

Deloitte, 2013. Let's get together: crowdfunding portals bring in the bucks.

[Online] Available at:

<http://www.deloitte.com/view/en_GX/global/industries/technology-media-telecommunications/tmt-predictions-2013/tmt-predictions-2013-technology/06a4e716bfcd310VgnVCM3000003456f70aRCRD.htm#.Uh3bgOBR65c>

[Accessed: 25 July 2013]

Fundable, 2013. Crowdfunding Statistics. [Online] Available at:

<<http://www.fundable.com/crowdfunding101/crowdfunding-statistics>>

[Accessed: 20 March 2013]

Kickstarter 3D Doodler, 2013. 3D Doodler. [Online] Available at:

<<http://www.kickstarter.com/projects/1351910088/3doodler-the-worlds-first-3d-printing-pen>>

[Accessed 8th Aug 2013]

Kickstarter A better bicycle bell, 2013. A Better Bicycle Bell. [Online] Available at:

<<http://www.kickstarter.com/projects/139160027/a-better-bicycle-bell-made-in-the-usa>>

[Accessed: 10 Aug 2013]

Kickstarter Emotiv, 2013. Emotiv Project Page. [Online] Available at:

<<http://www.kickstarter.com/projects/tanttle/emotiv-insight-optimize-your-brain-fitness-and-per>>

[Accessed: 8 Aug 2013)

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Kickstarter Form 1, 2012. Form 1: An affordable, professional 3D printer. [Online] Available at:
<<http://www.kickstarter.com/projects/formlabs/form-1-an-affordable-professional-3d-printer>>
[Accessed: 2 Aug, 2013]

Kickstarter I+Case, 2013. I+Case. [Online] Available at:
<<http://www.kickstarter.com/projects/1791911961/i-case-iphone-4s-and-iphone-4-bumper-case/comments>> [Accessed: 25 Aug 2013]

Kickstarter iFetch, 2013. iFetch: The Ball Launcher for Dogs. [Online] Available at:
<https://www.kickstarter.com/projects/299675463/ifetch-the-ball-launcher-for-dogs/pledge/new?clicked_reward=false> [Accessed: 24 Jun 2013]

Kickstarter Kapture Project Page, 2013. Kapture: The audio-recording wristband. [Online] Available at:<<http://www.kickstarter.com/projects/1483824574/kapture-the-audio-recording-wristband?ref=category>> [Accessed: 2 Sep 2013]

Kickstarter Oculus Rift, 2013. Oculus Rift: Step Into the Game. [Online] Available at:
<<http://www.kickstarter.com/projects/1523379957/oculus-rift-step-into-the-game>>
[Accessed: 3 August 2013]

Kickstarter Precision Gyroscope, 2013. Precision Gyroscope. [Online] Available at:
<<http://www.kickstarter.com/projects/manukamakers/precision-gyroscope>>
[Accessed: Sep 14 2013]

Kickstarter School, 2013. Kickstarter School. [Online] Available at:
< http://www.kickstarter.com/help/school#building_your_project> [Accessed: 20 Aug 2013]

Kickstarter Statistics, 2013. Kickstarter Statistics. [Online] Available at:
<<http://www.kickstarter.com/help/stats>> [Accessed: 27 July 2013]

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Kickstarter Tech. Category, 2013. Kickstarter Discover Technology Popular. [Online] Available at: <http://www.kickstarter.com/discover/categories/technology/popular?ref=more#p1> [Accessed: 2 Sep 2013]

Klosterman, 2013. Was it Ethical for Zach Braff to Take to Kickstarter? [Online] Available at: http://www.nytimes.com/2013/05/26/magazine/was-it-ethical-for-zach-braff-to-take-to-kickstarter.html?_r=0 [Accessed: 3 April 2013]

Massolution, 2013. 2013 CF Crowdfunding Industry Reports. [Online] Available at: <http://research.crowdsourcing.org/2013cf-crowdfunding-industry-report> [Accessed: 2 July 2013]

Trendwatching, 2013. June 2013 Trend Briefing: Pretail. [Online] Available at: <http://www.trendwatching.com/trends/pretail/> [Accessed: 29 June 2013]

Dictionary

Oxford English Dictionary, 2013.

Appendices

Appendix 1. Crowdfunding Platform Types

Donation-Based platforms show the closest resemblance to traditional fundraising. Put simply, this type of platform can be seen as fundraising amplified by the potential reach of an online setting. As in all crowdfunding models, the platform acts as an intermediary between people who donate and people who are raising funds. These platforms are very broad in what you can raise money for, including anything from a business idea to surgery for a sick pet. The key signifier of these platforms is the fact that the person who invests their money in a cause receives no tangible return for their contribution. It is a simple donation to a cause. (Buysere et. al., 2012)

The *Rewards-Based* platform differs from the donation-based platform in that a financial contribution can result in a tangible return, known as a reward. These rewards vary substantially from project to project and are decided by the project initiator. Some examples of rewards are t-shirts, stickers, having your name in the credits of a game and more. It has also become very common that the product or result of the project is offered as a reward for a certain financial contribution. This effectively offers consumers a pre-purchase option for products that are at a concept stage of development, which adds an interesting dimension which will be of large importance in this thesis. Important to note is that these rewards are non-financial. The backer will never, through this model, receive a financial return (Buysere et. al., 2012). An example of a rewards-based platform is the current industry leader within crowdfunding, Kickstarter. Kickstarter will be the central platform of analysis in this research and is described in more detail in Appendix 2. Some reward-based platforms also offer the option of pure donations in the cases where a participant wants to contribute without receiving a reward, illustrating how certain platforms can create hybrids with regard to the categorization above.

Lending-Based platforms operate by allowing project initiators to borrow money from the crowd instead of turning to for example a bank for loans. The way these platforms operate can vary depending on if the platform itself takes responsibility for re-paying the investors or if it simply acts as a matchmaking sites between lenders and borrowers. (Buysere et. al, 2012) In essence, this is peer-to-

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

business (or peer-to-project if you prefer) lending where lenders often expect to collect interest from the loans they grant.

The *Equity-Based* platform is the fastest growing platform type driven by a high growth of European platforms. (Crowdsourcing.org, 2012) This platform type is built on the premise that investors receive shares (or shares of profit) in the venture, in return for their financial investment. This model is subject to some confusion as legal regulations differ across many nations. The rules regarding this platform are still somewhat evolving with the JOBS Act being signed in April of 2012. (Mollick, 2013) This act allows for individuals to invest a certain amount of their net worth into a privately held business, but the platforms must be SEC supervised. These regulations were to be put into action in 2013 and therefore equity crowdfunding is quite rare as of today, although it does exist in some countries. (Collins & Pierrakis, 2012)

Appendix 2. Kickstarter as a model for reward-based platforms

This thesis will primarily deal with crowdfunder behavior on reward-based platforms. It is therefore of uttermost importance that the reader knows exactly how this type of platforms functions. Reward-based platforms tend to be quite similar in their structure and design. Although some reward-based platforms differ in their categorization of projects, most sites are structured in a manner very similar to Kickstarter. Platform design will have large implications when looking at how decisions are made by crowdfunders, which is why the level of detail on Kickstarter in this chapter is of importance. Although it is entirely possible for individuals to donate money, the reward-based platform is signified by the fact that people can pay a certain amount of money to receive a reward, which often includes the actual product of the project through a pre-order. These platforms are often used to gain funding for the first round of production. Trendwatching.com has acknowledged the *Pretailing* trend in their June issue of 2013, showing that this is an early but growing phenomenon among western consumers. (Trendwatching, 2013) The easiest way to illustrate how the reward system works is by using a live example. Below we will look at how crowdfunders can search for projects and how specific project pages are designed. It is strongly recommended that the reader refer to the appendices indicated during this discussion to allow for full understanding of platform design, as this will have large implications throughout this thesis.

Browsing Projects:

Discover Projects

Passion, ideas, and ambition abound. Start exploring!

Staff Picks

Video mode

★ **Featured**

- Staff Picks
- Popular
- Recently Launched
- Ending Soon
- Small Projects
- Most Funded
- Curated Pages

📌 **Categories**

- Art
- Comics
- Dance
- Design
- Fashion
- Film & Video
- Food
- Games
- Music
- Photography
- Publishing
- Technology
- Theater

→ See more staff picks

Popular This Week

- OZOMBIE
- Create

Project Title	Location	Funded (%)	Pledged (\$)	Days to Go
A NEW YORK HEARTBEAT: A crime thriller & love story by Tjardus Greidanus	Los Angeles, CA	3%	\$1,800	28
Out of the Trees - A Suspenseful Feature Film by Dylan Tuccillo	New York, NY	25%	\$4,584	6
Preserve The Atlanta Symphony Orchestra's Legacy by Atlanta Symphony Orchestra	Atlanta, GA	105%	\$5,252	25

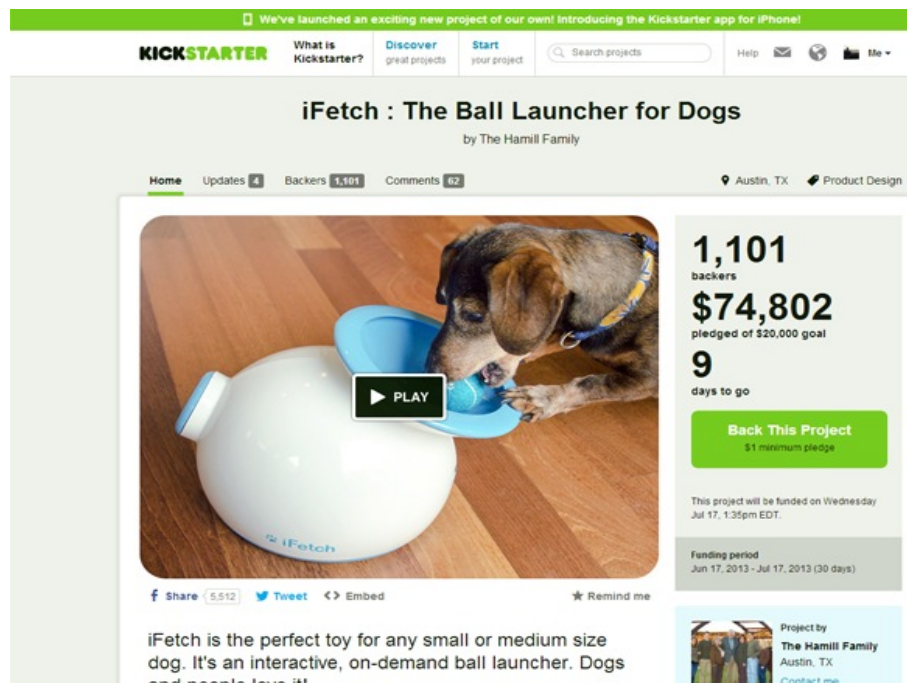
Appendix Figure 1 – Project Browsing page

Projects can be found on the site using various filters. The user can either filter according to his/her interests by selecting a specific category of products to browse which include Technology, Art, Comics, Dance, Fashion, Film & Video, Food, Games, Music, Photography, Publishing, Theatre and Design. The user can also choose to filter products by other factors such as projects picked by Kickstarter staff (Staff Picks), popular projects this week, recently launched projects, and more, as can be seen in Figure Appendix 1 (above). Note that with each project presented on this page follows the information on percentage funded, amount funded, and time left until the project deadline (seen below the project description in Figure Appendix 1). When selecting a category, projects within this category are displayed using the same system as above. This means that if a user clicks the “Technology”

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

category, technology products will be shown using the same filters (Staff Picks, Popular this week, etc.) but will only display projects in the technology category. The user can then choose to filter once more by selecting for example only Staff Picks and Popular this week, which will generate all the projects that fit this filter within the category of for example technology. Exposure on the site is thereby heavily dependent on the popularity of the project and the picks of Kickstarter staff.

Project Pages:



Appendix Figure 2 – Project Page iFetch

Appendix Figure 2 is a print-screen from a project called “I-Fetch”, an automatic tennis ball launcher, which allows your dog to play fetch without a human throwing the ball. (Kickstarter iFetch, 2013) Upon reaching the project page, potential backers will be presented with a video-pitch (if the project initiator has chosen to make a video) as well as information on the project in the form of titles, text, and pictures. It is entirely up to the project initiator to decide what information is shown in the project text, titles, and pictures. On the project page, the user can again see the level of interest that has been shown to the project by viewing the number of backers as well as the amount pledged so far (as seen in the top right corner of Appendix Figure 2). This particular project has passed its goal of raising \$20.000 by

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

\$54,802, reaching \$74,802 in total, and has nine more days until its project deadline. If the goal is reached within the deadline, the project is successfully funded and the rewards are then to be delivered to the backers upon the completion of production. The project is open for further funding until the deadline is reached, which means it can receive more money than initially asked for. However, if the project fails to meet its goal of \$20,000 within the deadline period, the project is unsuccessfully funded and the money is never drawn from the backers' accounts. In this type of model, known as an “*all-or-nothing model*” the project initiator keeps none of the money unless the project is entirely funded. There are variations to this model. Some sites, such as Indiegogo, offer a “Flexible Funding” option which allows the project initiator to keep whatever money is raised, regardless if the goal is reached or not. This thesis focuses entirely on the all-or-nothing model and not on flexible funding. If the user finds the project worthy of backing, he/she will continue by clicking “Back This Project” thereby being redirected to a page showing the different reward levels available. The user then selects a reward level and goes on to proceed with the payment and the backing process is complete. The reward will then be shipped to the user when the production is complete.

Appendix 3. Quality of Research

Appendix 3.1 Credibility

Because we often study the social reality of our subjects when conducting qualitative research, it becomes important to ensure that the researcher correctly understands the insights obtained throughout the research. (Bell & Bryman, 2011) When dealing with a fairly untouched area, such as crowdfunding, it becomes particularly important that the respondents are more involved in the process than simply participating in a one-time interview. For this reason, every subject involved in the research has received feedback throughout the analysis to ensure that the insights gained from their participation are accurate. Furthermore, insights have been shared with other interviewees to see their response to what previous interviewees have said. This was found to be important due to the fact that when using a fairly open interview structure, the respondent is free to steer the interview in whatever direction they find important and interesting. Participants may therefore not discuss the same topics whereby it becomes interesting to hear if they validate or dismiss what other participants have brought up. The researcher has, to the largest extent possible, attempted to avoid utilizing a strategy whereby a respondent was interviewed and then never contacted again. Many of the respondents have offered to

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

clarify or build on themes through Facebook conversations where themes were proposed for them to confirm, deny, or cooperate to attempt to build on to fit more precisely with their experiences.

Appendix 3.2 Transferability

With regard to qualitative research, there is often an issue of transferability between the research setting and other settings. It is a question of whether the findings from this research can be transferred to other settings than the one being researched. Guba & Lincoln (1994) recommend that the researcher keep a rich database of their interactions to allow other researchers to judge how transferrable the data is to another context. To satisfy this, transcriptions of the interviews have been done and can be found in appendix 7. Because many of the issues that arose during the research dealt with analyzing whether crowdfunders make good or bad decisions on crowdfunding sites, the respondents were kept anonymous. This was to solicit the respondents to share their experiences where they have acted irrationally or less intelligently than they thought they would. Furthermore, the sampling has been explicitly stated to maintain transparency in sampling process.

Appendix 3.3 Dependability

Dependability entails that the researcher ensures that there is a completeness and transparency in the phases of the research process. (Bell & Bryman, 2011) The logic behind the choices of methodology and research design has been explicitly stated in order for the reader to be able to follow the line of thought as to why a certain methodology was chosen with respect to the research objective and purpose, including information on how interviews were conducted. There is also section on the process of analysis prior to presenting the results, to allow the reader to fully understand the research process.

Appendix 3.4 Confirmability

When working with qualitative research methods it is often difficult to obtain full objectivity. Instead of striving for objectivity, which many authors claim is impossible, the researcher should understand that it is unlikely to succeed in being entirely objective. However, the researcher should do his best as to not allow his or her personal background or theoretical background affect the outcome of the

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

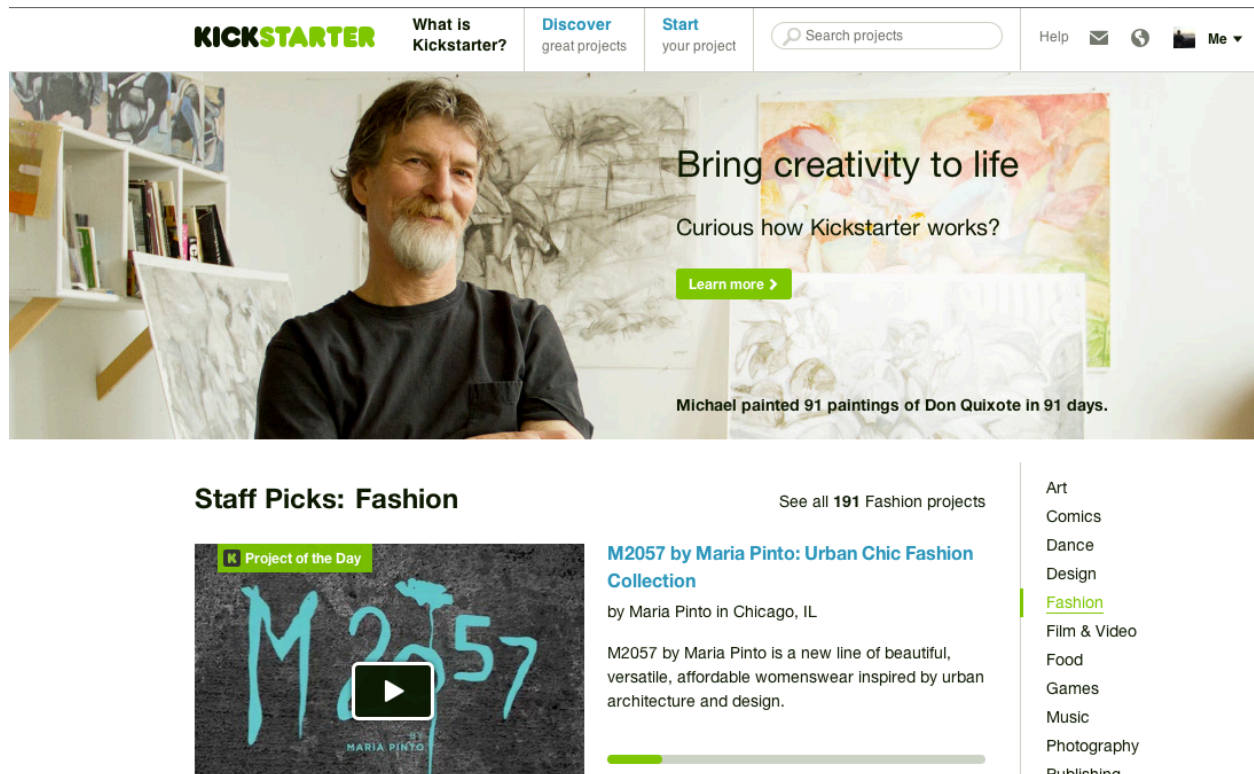
research. (Bell & Bryman, 2011) It has therefore been important that both respondents and discussion partners throughout this research do not share the theoretical background of the researcher. Throughout this thesis, various people have been involved in discussions on research structure and analysis to ensure that there is at least some diversity in thought processes. The results from the data collection have been discussed with peers with various backgrounds ranging from services marketing, finance, and economics. Furthermore, the choice of methodology have been discussed with individuals who have conducted similar research as well as individuals who work with a variety of methods in their line of work, such as consultants. Many respondents have also been brought in as a part of the analysis of the data.

Appendix 4. Respondent Interview Respondent Information

Respondent #	Age	Occupation	Country of Origin	Country of Residence	Years Utilizing CF	# Projects Backed	Interview Language
# 1	25	Student	Sweden	Sweden	2 Years	5	Swedish
# 2	35	Programmer	Sweden	Sweden	2 Years	3	Swedish
# 3	27	Aviation Technician	Sweden	Sweden	1+ Years	3	Swedish
# 4	25	Student	Sweden	Australia	1.5 Years	4	English
# 5	24	Sound Technician	Sweden	Sweden	2-3 Years	4	Swedish
# 6	24	Consultant	Great Britain	Great Britain	1 Year	3	English
# 7	25	Student	Denmark	Great Britain	1.5 Years	3	English
# 8	28	Consultant	Great Britain	Great Britain	2 Years	6	English
# 9	29	Graphic Designer	Sweden	Sweden	1 Year	4	English
# 10	25	Student	Sweden	Sweden	1 Year	3	English

Appendix 5. Project Browsing Pages on Kickstarter

Appendix 5.1 Kickstarter Starting Page



Appendix Figure 3. Kickstarter.com Startpage (www.kickstarter.com, 2013)

This is the starting page of Kickstarter.com. As can be seen, one staff pick is presented on the front page. Respondents can filter by category directly by clicking their category of choice on the right. They can also click on discover at the top of the page to find various filters that can be seen on the right hand side of Appendix Figure 4 (below).

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Appendix 5.2 Kickstarter Filtering by Category

KICKSTARTER

What is Kickstarter?

Discover great projects


Start your project

Search projects

Help

Me

Discover / Technology / Popular




Precision Gyroscope
by Manuka Makers

A mysterious object that appears to defy gravity, this precision gyroscope is beautiful to behold and will amaze you

London, United Kingdom

518% FUNDED \$98,449 PLEDGED 35 DAYS TO GO




Lima: the brain of your devices
by The CGC team

Lima makes your computer bigger. Make your devices one. Keep your content private. Meet instant file sending.

Newark, DE

1,737% FUNDED \$1,198,615 PLEDGED 21 HOURS TO GO



Micro Phone Lens: Cell Phone Based Microscope
by Thomas Larson

Turn your cell phone or tablet into a microscope with this amazing lens! Help turn this project into a product.

Seattle, WA

1,483% FUNDED \$74,171 PLEDGED 3 DAYS TO GO

Video mode

★ Featured

Staff Picks

Popular

Recently Launched

Ending Soon

Small Projects

Most Funded

Curated Pages

Categories

Art

Comics

Dance

Design

Fashion

Film & Video

Food

Games

Music

Photography

Publishing

Technology

Hardware

Open Software

Theater

Tags


Arctic

Bikes

Burning Man

Cats

Civic




The Easy-Macro Smartphone Lens
by Adam Hicks

Easy-Macro is already the most-convenient close-up lens for every smartphone. Now, we're making it even better.

Newport, NH

82% FUNDED \$32,932 PLEDGED 21 DAYS TO GO




Hex: A copter that anyone can fly!
by Benjamin Black

Hex is the world's first personalized smartphone controlled nanocopter that lets you see the world from a

Los Angeles, CA

2,564% FUNDED \$256,488 PLEDGED 32 DAYS TO GO



Kapture: the audio-recording wristband
by Kapture

Talk. Tap. Share. Our always-on wristband allows you to save & share the last 60 seconds so you never miss a moment.

Cincinnati, OH

31% FUNDED \$46,618 PLEDGED 25 DAYS TO GO

Appendix Figure 3. Kickstarter.com Technology Category Filter (Kickstarter Tech. Category, 2013)

An example of the project page for Popular this Week within the category of technology. The red arrow indicates the information presented to backers on percentage funded (which is also represented by the green bar), absolute money pledged, and time left until project deadline.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Appendix 5.3 Kickstarter Project Page

The screenshot shows the Kickstarter project page for 'Kapture: the audio-recording wristband' by Kapture. The page features a video player at the top left, a funding progress bar on the right, and a detailed description of the product. The funding progress bar shows 473 backers, \$46,767 pledged, and 25 days left. The product description includes a 'Hello Kapture.' image and a 'Why We Need Your Support.' section. The project is led by Mike Sarow, Co-founder & CEO.

KICKSTARTER What is Kickstarter? Discover great projects Start your project Search projects

Help Me

Kapture: the audio-recording wristband
by Kapture

Home Updates 0 Backers 473 Comments 29 Cincinnati, OH Hardware

473 backers
\$46,767 pledged of \$150,000 goal
25 days to go

[Back This Project](#)
\$1 minimum pledge

This project will only be funded if at least \$150,000 is pledged by Thursday Oct 3, 12:52pm EDT.

Funding period
Sep 3, 2013 - Oct 3, 2013 (30 days)

Project by
Kapture
Cincinnati, OH
[Contact me](#)

First created · 1 backed
Mike Sarow 833 friends
[Website: kaptureaudio.com](#)
[See full bio](#)

Pledge \$5 or more
17 backers
STAY CONNECTED: Give a little support and stay connected to all of our updates and progress.
Estimated delivery: Oct 2013

Pledge \$35 or more
10 backers
SWAG BAG: Get a sick Kapture T-Shirt AND a Limited Edition Poster OR Laptop Decal. FREE SHIPPING to US. Add \$15 for international shipping.
Estimated delivery: Nov 2013
Add \$15 USD to ship outside the US

Pledge \$75 or more
250 backers All gone!
EARLY SUPPORT: (1) Kapture device in Black or White with App for \$75 when you support us now. Hurry, limited quantity. FREE SHIPPING to US.
Estimated delivery: Mar 2014
Add \$15 USD to ship outside the US

WHY WE NEED YOUR SUPPORT.
First, welcome to our little project. Together Matthew and I have spent two years developing **Kapture**. To take our idea from prototype to production requires two things - validation and money. Validation via pledge support shows we have an idea worth scaling, and raising our funding goal of \$150,000 allows us to start the production line for the very first time. Chicken and egg stuff. **We can accomplish these two goals (and many more) with your generous support. Thanks!**
- Mike Sarow, Co-founder & CEO

PRODUCT

Hello Kapture.

Choose from one of our five hip colors: Black, White, Seafoam, Hot Orange, or Hard Yellow.

Today there isn't a good way to capture all of the quotable moments in life- as they happen and in context. Those amazing conversations with friends, epiphanies on a long drive, and all of the crazy things kids say. Many are **you-just-had-to-be-there moments** you could never replicate.

How It Works:
The Kapture always-on wristband records audio in a 60 second buffered loop. The buffered loop continuously overwrites itself until the user taps the device to save a clip of the previous 60 seconds. The saved file is

This is an example of a project page on Kickstarter. The video is presented first on the page. To the right of the video, the crowdfunder can see how many other people have backed the project (473) and the amount pledged so far (\$46,767). The crowdfunder can also see that the project has 25 days left until its deadline.

Below this information is a picture of the project initiators, where they are from, and if they have created other projects on Kickstarter. It is very rare to see a project creator who has created more than one Kickstarter project. It is also possible to see how big the project initiators social network is (833 friends in this case.)

By clicking on “See full bio” in the bottom of the blue box, the crowdfunder can find out more about the project initiator. Below the blue box are the different pledges that a crowdfunder can make, as well as the rewards he will receive for the pledges. For this project, a 75\$ pledge will allow you to pre-order the product. The project page is much longer than this picture but has been cut to fit this page.

Appendix Figure 4. Kapture Project Page
(Kickstarter Kapture Project Page, 2013)

Appendix 6. Implications for Entrepreneurs seeking Crowdfunding and Platform Managers

Appendix 6.1 Implications for Entrepreneurs

Research on CF decision-making may naturally be most useful to project initiators. Through the process presented in the results, and through each of the trends identified, project initiators can strategize around their campaigns in order to increase their chances of successful funding. The results presented above may carry different meanings to different products, but a few things can be said in general regarding the categories of technology and design.

One of the overriding trends that need to be acknowledged is the fact that CFs look to level the playing field between producer and consumer, essentially creating a peer-to-peer production climate. Whether this is absolute truth or not on CF platforms can be argued, but the meaningful part here is that CFs perceive this leveling as real and significant. Project initiators need to consider this when developing their campaigns. Treating the CFs as a crowd that is transparently communicated with rather than to, will be important in establishing a fit with the current CF community as they want to be perceived as equals. Although quite self explanatory, because CFs are novelty seekers, the starting point for a project initiator is to consider the extent to which the product being offered is in fact novel to the CF community. In the areas of design and technology, novelty seems to outperform altruism, and CFs will therefore not fund projects that play simply on altruism. Therefore, a call for collaboration from the project initiators will more likely be efficient than pleads for donations. CFs generally are not looking for extraordinary people doing extraordinary things, but will rather look for normal people doing extraordinary things. Maintaining a humble attitude in your communication to CFs should therefore be important. CF may be less fruitful for complex, expensive products that replace vital products in the CFs everyday lives. If your product does in fact replace a vital product, such as a phone or computer, risk reduction in functionality should be targeted as high priority.

CFs look for transparency, which can be linked to the leveling of producer and consumer. When considering CF as a means of attaining capital, the project initiator must be prepared to reveal significant amounts of information on their product and project in order to carry high informational benefits to the CF. CF allows for an escape from corporate products that are kept secret until launch,

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

and this is in fact what seems to generate the informational motive. CFs want to be a part of the products development up to date and transparency in information is therefore important. This of course may be a concern with regard to proprietary technology. However, if proprietary technology is important to initiators, CF may not be the right forum to raise capital unless proper protection is in place. This transparency is inherently what makes CF such a strong market signaling system and the entrepreneur may in fact only get one shot at getting to market before the rest of the market reacts to a CF success.

Because CFs are primarily information consumers, they need to find informational value in the project. A good idea for project initiators is to consider to what extent their product is newsworthy and what pieces of information about their product are more newsworthy than others. These are the parts of the product that should be highlighted on a project page after a concept understanding has been evaluated.

CFs take pride in being early adopters of products. Rewards that illustrate their early adoption to the market, such as early adopter editions, can be utilized to play on this characteristic. However, most CFs seem to lack the motivation to be ahead of the CF community. Project initiators should therefore avoid putting projects on platforms with the hopes that the community will locate great ideas on their own. This is most likely why Kickstarter recommends that project initiators raise as much money as possible through family and friends to give the project momentum. (Kickstarter School, 2013) The dynamics behind this have been presented in the results.

Categories are everything to CFs in their browsing process. Initiators need to consider which category their product belongs to, and communicate accordingly. A wallet can, for example, fall under either fashion or design and will therefore reach completely different crowds depending on which category they are placed under. These audiences may be different and the campaign needs to be developed accordingly. The project initiator should also consider the fact that they may want to be in a category that turns over the most funds, but must also realize that since projects compete within categories, during project pooling, the market for attention may be tougher in these.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

The percentage funded played a large role in selecting projects for further review. There are ways in which initiators can utilize this to their advantage. Because percentage funded gets attention over absolute funding, project initiators should avoid setting higher goals than they need. Instead, initiators can set their goal at the minimum required to complete their project, and leave the rest of the money in stretch goals. Stretch goals are goals that can be set up by initiators to state that once the goal is reached an additional amount of money will warrant an upgrade in the product. Not only does the initial lower amount lead to 100% completion more rapidly, but the stretch goals can be used as an incentive to drive the funding far over 100% thereby warranting significantly more attention from the CF community. Note, however, that this is a profit maximizing tactic and may not be a good strategy to promote the overall intelligence of the crowd. It may also affect the amount of donations given since CFs often choose not to donate to projects that have already reached their funding. Furthermore, lower prices for the first backers can incentivize a quick surge of money into the project thereby increasing the percentage funding early.

CFs show little patience until the concept is properly understood. Project initiators should test whether a concept understanding occurs within ca. 15-20 seconds of someone reaching their project page. Regardless of how great the story is, the CF will show little interest in this until the concept is understood, because CFs utilize concept evaluation as a measure of if the rest of the project will be interesting or not. Showing the concept and function early is therefore vital.

Pictures and titles are noticed before text and must therefore contribute to concept understanding, as some CFs in fact do not watch the video until much later. It can be beneficial to show the products application in real life as this can create a resonance with the CFs own life situation, generating a strong want for the product. Project initiators should see their role as helping the CF sell the concept to themselves, rather than simply selling the concept to the CF. This can again be efficiently done by running a transparent project where the CF feels involved, which generates a more valuable product in the eyes of the CF. Risk reduction cues such as professional videos, passionate entrepreneurs, and cues towards experience and background can be used as well. However, noteworthy is that the CF will not look at the initiators background actively, but will accept this information if it is presented to them.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Product specifics and compatibility are also risk reduction factors that are usually considered right before backing. Lack of such information may be detrimental to the amount of pre-orders made.

Appendix 6.2 Implications for Platform Managers

The bulk of this research is useful for academics and project initiators. However, there are factors that should be considered by platform managers as well. Platform managers need to balance a long-term strategy with a short-term strategy. Short-term strategies may involve the maximum influx of money into projects, regardless if these are of quality and regardless if it harms the decision-making ability of the crowd. This is because the platform usually charges a percentage fee of whatever money is funded to the project. However, it has been shown that novelty, trust, and quality of information may be factors that may determine the value of visiting a platform. A long term strategy would involve making the crowd as intelligent as possible as this would lead to the best projects surfacing and getting funding, making the platform more trustworthy, novel, and fair in the eyes of both CFs and project initiators. Products such as the Pebble and the Oculus Rift drive up the notoriety of the Kickstarter platform, and ensuring that the best projects surface is therefore in the long-term interest of the platforms.

In order to ensure that the best projects do surface, platforms should attempt to design their platforms to increase the number of scouts looking for brand new, untouched, projects. This would create an effect more similar to that of the bee-hive and would ensure that more quality projects gain attention. The filtering system should therefore be further developed by allowing recently launched projects to be filtered by category, as the category filter is vital to CFs. As of today, the recently launched filter will not allow for a filter of categorization, meaning that CFs can not filter out recently launched within the category of their choice. Knowing that CFs are extremely category specific, it becomes important that this is possible if the platform wants CFs to also locate projects that do not have significant funding already. Platforms should consider research to reveal what portion of their platform act as foragers (following the signaling system) and what portion of the CFs act as scouts (generating the signaling system). Increasing the number of scouts would most likely solicit a higher quality of projects reaching the bulk of the users, as the current system seems to be utilizing family and friends who are likely biased in their decisions to contribute.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Furthermore, Kickstarter needs to consider the fact that it is difficult to bet against projects. Reward-based platforms cannot factor in all information in one price, as would an efficient betting market, and secondary channels should be set up to solicit information from skeptics. As of today, backers are the only ones able to comment on comment pages. This allows for an influx of information from supporters while neglecting skeptics, in the same way that banning short-selling may interrupt a stock market, thereby creating bubbles. Silencing sceptics is a good short-term strategy as it gets more CFs to invest in projects regardless if they are not worthy of the backing. However, as a long-term strategy this will harm the image of the platform as it allows projects with serious flaws to receive funding that could otherwise have gone to fully functional projects.

On a final note, it was shown that CFs look for efficient ways of browsing that allows for them to cover a large amount of projects in the quickest way possible. This should also be looked into by platform designers.

Appendix 7. Interview Transcriptions

Appendix 7.1 Interview #1 (Respondent #1)

V: Hur länge har du varit på KS? År, månader dagar?

Respondent #1: Det kan vi ju kolla på KS. Jag tror uppemot 2 år. Jag hittade det när det var ganska nytt.

V: Hur gick det till?

Respondent #1: Jag fick tips från en kompis faktiskt.

V: Är du en sån människa som gillar att vara på framkanten med nya saker?

Respondent #1: Ja det får man väl säga... Nu sitter jag med mina jobb-mobiler och dator men jag har precis köpt en Htc one och har precis skaffat mig en chrome-book.

V: Vad är en chrome book?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #1: Det är googles egna och man kan bara surfa på den. Den går på typ 3000kr för premium modellen. Den är riktigt rolig och väger inget. Är en 11 tums skärm. Jo men jag är väl en gadget person... Tycker det är kul med prylar. December 2011 gick jag med.

V: Vad är anledningen att du är på KS?

Respondent #1: Jag tycker att det är ett häftigt ställe att hitta nya idéer och prylar på. Om man ändå ska skaffa någonting så kan man lika gärna stötta de små individerna. Man är del och stöttar de mindre. Om jag ändå ska köpa den här prylen... Det kanske inte ens är så att jag vill ha den men jag hittar den. Då kan jag antingen leta reda på den stora corporate modellen eller så kan jag hitta någon som har hittat en smidig lösning som jag inte riktigt visste om. Titta på min plånbok till exempel.. Världens sämsta plånbok (Visar Plånboken). Den har fungerat sedan jag var 12 år och köpte den för en tjuga på HM. Jag tänkte inte på det men sedan hittade jag den här (Visar plånbok på KS.), den är gräslig men den täcker behoven och är inte större än den jag har. Det kändes som ett bra köp och betalade typ 40 dollar.

V: Har du någonsin ett behov när du kommer in på kickstarter?

Respondent #1: Nej det är väldigt sällan. Man vet ungefär vad man ska leta efter efter ett tag men det är aldrig specifikt. Jag är heller aldrig där enbart för att köpa saker, jag är mest där för att se vad som är nytt. Det är roligt. Men jag hittade inte KS själv så man kan säga att jag är en early adopter men jag är inte spjutspetsen.

V: Jag förstår. Du använder inte indiegogo eller andra crowdfunding platformer?

Respondent #1: nej, mest för att jag inte vet om dom.

V: Innan du kom in på KS, var du redan en gadget person?

Respondent #1: Ja det var jag!

V: Vi tar en titt på KS tillsammans och använder din dator för att titta.

Respondent #1: Javisst!

V: Det jag vill är att du browsar som om du var ensam. Och ta god tid på dig, jag vill att du väljer ett par projekt du tycker är intressanta. Så försök bete dig så nära som möjligt som du vanligtvis hade gjort.

Respondent #1: Ok!

(Respondenten browsar projekt i ca 5-6 minuter)

V: När du kommer in på hemsida... vad gör du?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #1: Jag scrollar ner och slänger ett öga på de bilder som är på framsidan, men jag bläddrar inte (höger och vänster). Jag har inte integrerat mitt konto med facebook för att jag vill se mina nätverk som skiljda. Jag vill vara bryggan i det hela, inte att hemsidan är det. Sen går jag ända ner till botten och får hela sidan. Driftar oftast in på teknik eller design. Jag brukar börja på teknik men jag är inte särskilt kategorikänslig.

V: Ok.

Respondent #1: Jag har ju ett teknikintresse men det är framförallt inom mjukvara. Hade jag haft plats och råd hade jag ju investerat i en sån här. Sen så är det mycket, eller det fanns tidigare i alla fall, en related projects längst ner. Här! Där om man är inne och browsar så skapar den sig en uppfattning om vad du tycker är ball (roligt) och sen så fixar den till dig.

V: Tror du att den är ärlig eller tror du att KS buffrar upp projekt på related projects som dom VILL att du ska investera i?

Respondent #1: Jag tror den är ren och jag tror inte dom trixar med summan till exempel. Däremot tror jag att dom har någon algorithm för att hitta när ett projekt är funded till en viss % så är det mer troligt att den hamnar i related.

V: Påverkar det dig om det är hög funding till exempel?

Respondent #1: Jo men det är ju så man får upp intresse. Man vill ju bara titta på intressanta saker så om andra har tyckt det varit intressant och backat så är ju chansen stor att det är bra grejjer.

V: I det förra exemplet sa du att om produkten inte hade varit så dyr så hade du kunnat tänka dig köpa den?

Respondent #1: Ja men sen hade jag fått köpa den och sen ett par glasögon. Dessutom kom jag för sent in i det så alla dom här early birds, dom snabba, var borta. Sen bor jag på 18 kvadrat i ett korridorrum så jag har inte fysiskt utrymme för den heller. Men hade den gått för 200dollar inkl. allt hade det varit en annan grej men för 800 dollar är den lite dyr. Jag vill ju ha den, jag ser framför mig hur jag spelar med den med mina polare, men tyvärr så går det inte med denna. Jag har inte plats.

V: Men på framsidan. Vad fångar blicken? Vi har några element, men vad är det som fångar dig? När du scrollar igenom.

Respondent #1: Jag brukar kolla bilden och om titeln fångar mina ögon.

V: Ser du någon skillnad i om dom är staff picks eller most popular?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #1: Som sagt, det är lättare att hitta bra saker om man använder most popular och sånt.

V: Tittar man någonsin på den här (amount of funding bar)?

Respondent #1: Ja det gör man absolut.

V: Varför? Vad är logiken?

Respondent #1: Det här är ju också en plånbok, typ som den jag köpte. Om jag tittar på hur mycket funding den har, så vet jag hur pass säkert det är att jag kommer få igenom min produkt. Denna är till exempel redan funded, så då blir det ett rent produktköp. Dom har redan nått sitt mål så jag vet att den kommer att gå i produktion. Då går det från att stötta något till ett rent köp. Då går jag in och kollar vad den kommer att kosta, ja 13 dollar.

V: Lockas man av hög funding om vi tittar t.ex. på den här?

Respondent #1: Självklart. Jag vill ju veta varför den har fått 344% funding. Vad är det som är så bra med den egentligen?

V: Spelar det någon roll hur många backers där är?

Respondent #1: Det beror på vad det är för projekt. I större projekt vill man gärna se att det har en bred spridning. Om dom har ett mål på 1 miljon så får dom gärna ha hög funding i alla fall.

V: Är detta en gyllene regel att den måste vara funded?

Respondent #1: Nej inte alls! Om jag hade hittat den här plånboken istället för den andra, och denna redan hade blivit backad (den andra var inte helt backad när jag hittade den, utan det var en ball grej så kan vi se om det blir någonting). Hade jag inte supportat den och hade kommit in här, så hade jag förmodligen skaffat den här. Just för att jag vet vad jag får och jag vet delivery dates.

V: Hade du någonsin varit den första som backar? Typ under recently launched?

Respondent #1: Den kategorin visste jag inte ens om.

V: Om vi tittar här... Dessa lanserades liksom igår...

Respondent #1: Det hade varit kul, men frågan är hur länge jag hade orkat hålla på så. Jag kan ju inte dela upp på mina kategorier här heller.

V: Ser du mycket risk i att köpa på kickstarter?

Respondent #1: Jo... Men jag satsar ju inga pengar egentligen. Antingen får jag det jag betalar för eller så får jag ingenting alls. Så risken är inte så hög egentligen. Jag hade absolut kunnat vara den första att backa någonting.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: Vi tittar vidare på tv-spelsmaskinen. Vad är det första du tittar på? (Vi browsar runt för att hitta den, han går till discover och sedan popular.)

Respondent #1: Jag tycker sällan att videon är särskilt intressant att titta på utan jag brukar trycka igång den och sedan skumma vad man får. Jag tittar på vilka rewards jag kan få. Någonstans sätter det tonen för hur mycket jag ska betala.

V: Har det någon betydelse hur många det finns kvar?

Respondent #1: Man är mer benägen att fatta ett snabbt beslut men jag hade fortfarande tittat igenom det.

V: Läser du igenom allt på deras framsida?

Respondent #1: Ja, jag läser ofta igenom allt om jag ska backa.

V: Varför?

Respondent #1: Dels för att jag vill veta vad jag betalar för men även för att jag vill veta vem jag betalar till. Samtidigt så tycker jag att det är kul. Vart tillverkas den? Hur tillverkas den. Vart går pengarna?

V: Kollar du på om de är kompetenta att klara projektet?

Respondent #1: Nej inte riktigt, jag kollar mer på om jag tycker de är bra människor egentligen. Kollar inte så mycket på konkret fakta kring de som gjort den, mest bara kul att se dom.

V: Vi tittar på ett exempel här. Detta är ett mobilskal i aluminium. Problemet var att när man sveper in en telefon i aluminium så dör teckningen nästan helt.

Respondent #1: Ja någon borde ju ha insett det, men det finns ju inget forum där du kan varna folk om du mot förmodan skulle komma på det. Man kan titta på FAQ.

V: Kollar du någonsin comments sidan?

Respondent #1: Nej jag har faktiskt aldrig varit inne på en comments sida. Det verkar vara ganska grötigt. Där ser jag också en begränsning att bara backers får skriva comments. Detta gör ju så att bara folk som redan gillar projektet får skriva om det.

V: Det har jag faktiskt inte tänkt på. Väldigt bra att du tog upp det. Vilka signaler letar man efter för att se att ett projekt är bra kvalitet?

Respondent #1: En bra produkt först och främst! Eller bra idé kanske man ska säga... Någon form av ödmjukhet också. Om vi förutsätter att alla här gör någonting för första gången så bör man vara ödmjuk inför att det inte kommer att gå som man tänkt.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: Tycker du att denna ödmjukhet saknas på KS?

Respondent #1: Inte egentligen. Inte bland dom jag har backat. Dom ber om hjälp. Man ska ändå vara insiktsfull nog att be om hjälp. Jag mailade lite med dom som gjorde espressomaskinen jag supportade. Jag pratade lite med dom.

V: Kunde du den underliggande teknologin bakom produkten?

Respondent #1: Nej det var väl snarare deras sales. Hur dom tänkte. Jag frågade lite om den europeiska marknaden och hur deras tankar och planer var kring det. Sen så hade jag inte så mycket för mig då så jag erbjöd mig att kunna hjälpa till om dom ville komma till europa. Det tackade dom däremot nej till, vilket kan vara förståeligt. Men...

V: Kickstarter är ju ett ganska nytt forum. Man tänker ju efter hur dessa produkter hade kommit till marknaden utan kickstarter?

Respondent #1: Ja det hade väl varit genom VC's och business angels.

V: Hur skiljer sig detta från Kickstarter?

Respondent #1: Man tittar ju nästan inte på entreprenören. Relationen blir ju nästan som att jag investerar i entreprenören. Men eftersom jag inte har någon stake i det så är mitt intresse i entreprenören slut sekunden då jag får min produkt levererad. Och är jag väldigt nöjd köper jag kanske mer men det är fortfarande så att jag agerar köpare.

V: Kollar man någonsin i syfte att se om entreprenören faktiskt har förutsättningarna att klara av det dom lovat?

Respondent #1: Nej man baserar nästan bara på magkänsla och då enbart på produkten. Det rör sig sällan om mycket pengar. Det mesta jag har backat för är 50-60 dollar och det är bara ett par hundra kronor och det kan man ju förlora. (50 är det mesta han har pledgat)

V: Finansiella detaljer då? Om företaget?

Respondent #1: Nä inte speciellt mycket. Jag är däremot intresserad av omvärlden och vill se att dom inte gör något oetiskt.

V: Har du hunnit få någon av produkterna?

Respondent #1: Ja jag har fått min GPS poster och den är jag väldigt nöjd med. Jag har även fått halva denna, en tröja och en poster men postern var trasig.

V: Dom flesta av dessa projekten du har backat har ungefär 400 backers.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #1: Ja... kanske...

V: Är det ingenting man tänker på hur många backers det är?

Respondent #1: Nej, jag ser det som ett köp. Det kan vara något som är häftigt som jag vill stötta men då är det egentligen bara ”bananas”.

V: Man känner inte att det minimerar risken?

Respondent #1: Nä. Det är ingenting jag reflekterar över. Jag förutsätter att om man är inne på KS och vill få igång en produkt och har klarat av den screeningen jag gör så är man nog så pass hederlig så att om 600 beställer så tillverkar man 600. Det är ju det enda man kan avgöra om man tror att dom kommer göra det. Jag gör ju inga större transaktioner.

V: Om det hade varit ett säkrare system så att man visste att man fick dom produkterna man vågade backa, hade man vågat satsa mer pengar?

Respondent #1: Det tror jag inte. Inte för min del. Jag tänker som sagt köpa en chrome-book men vill inte betala 3000kr utan att få prova någonting först. Jag vill ta mig ut till elgiganten först och hitta ett display-ex så jag kan testa. Man kan ju inte heller få feedback från andra. Därför ligger min gräns på typ 1000kr... mer än så tänker jag inte pledgea. Om det inte vore något exceptionellt, men det är inte mycket pengar över det som jag hade kunnat tänka mig lägga.

V: När man sållar ut projekt. Det är inte SÅ kategoribaserat för dig. Är det populär eller staff picks du tittar på eller vart hittar du din pool av projekt?

Respondent #1: Javisst och related projects. Om jag nu går in på discover så brukar man titta på till exempel recently successfully funded för att skapa sig en uppfattning om ”är det här någonting jag vill köpa liksom”?

V: Är sannolikheten större att du köper något där än från någon annanstans på sidan?

Respondent #1: Nä egentligen inte. Jag ser ju mig själv som en early adopter och jag gillar inte att titta på andra för mycket. Jag finner ju glädjen i att söka informationen. Sen kanske jag browsar kickstarter 1-2 gånger i månaden. Så det är ganska sällan ändå. Kanske har att göra med att jag inte är gjord av pengar och man blir ju lätt sugen på att köpa saker när man är inne på sidan.

V: När du köper produkter, vad är då din tidshorisont? Är det allt i ett flöde eller funderar man på det ett par dagar? Tar man en paus?

Respondent #1: Till exempel med plånboken så var det nog en process på en och en halv timme. Hade igång browsern, läste igenom det, jag tror jag satt på jobb när jag gjorde det. Tittade igenom det, gjorde

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

någonting annat, kom tillbaka och tänkte ”jo men det här ska jag ha”. Men det är fortfarande ett ganska snabbt.

V: Är man någonsin orolig över sina köp?

Respondent #1: Nej... men jag behöver ju ingenting från KS utan det är ju bara leisure products. Det är inte akut på något vis...

V: Innan vi slutar vill jag dela mina tankar med dig om hur teorin bakom ser ut. Är det ok om jag e-mailar dig om det är någonting jag har glömt?

Respondent #1: Javisst... annars kan vi ta en fika till om du kommer på någonting mer!

V: Det låter utmärkt. Jag ska berätta hur teorierna ser ut idag. Det här har potentialen att totalt revolutionera hur produkter kommer till marknad. VC's idag letar egentligen efter ganska färdiga produkter och det skapas därför ett credit gap där såna här småprojekt sällan får funding. Samtidigt finns det teori på att vi som en crowd kan vara extremt intelligenta i att fatta våra beslut. Det som inte fungerar är om folk börjar hoppa på ett tåg. Folk måste ta med sig sina egna kunskaper och läser igenom produktspecsen. Så länge fattar beslut utifrån det dom kan så finns det bra potential i crowdfunding i ett rewardbaserat system. En del i det jag letar efter är om folk faktiskt använder sin kunskap och på så sätt ser till att rätt projekt får pengar.

Respondent #1: Jag tror att crowdfunding är ett bra sätt att hitta finansieringar till ”sido-projekt”. Om man någon gång blir stormrik så är det ju intressant att hitta entreprenörer som är duktiga och hjälpa dom, men jag tror aldrig att jag kommer nyttja crowdfunding till någonting annat än den överflödiga lyxkonsumtionen. Medans om det är något med högre insatser och aktiekapital så vill jag träffa människan och prata med människan för att skapa mig en uppfattning. Då tycker jag att dragons den formatet är betydligt bättre, för att då får man ändå en bättre bild. Där på dragons den utvärderar dom ju allt, inte bara produkten.

V: Vad tror du kommer bli av crowdfunding?

Respondent #1: Jag hoppas att det kommer att ligga och puttra där det är. Det är människor som brinner, förmodligen med någon annan huvudsysselsättning, som vill göra någonting. Slänger upp ett projekt på KS, och gör det. Men jag hoppas inte man kommer se equity i särskilt stor utsträckning. Jag hoppas också att folk inser att det finns en inbyggd risk i att du inte har någon kontakt med människan alls. Att betala för mycket pengar är ju inte smart.

V: Ja precis, det blir en informationsasymmetri.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #1: Ja speciellt när informationen är begränsad också. Om man tittar på espressomaskinen. Den skulle levereras i april och de har fortfarande inte lyckats få ut sina produkter.

V: Letar du någonsin information utanför KS för projekt som du har hittat på KS?

Respondent #1: Nej! Nej jag gör det enkelt för mig. Det är ju en fara. Eftersom jag har en teknikbakgrund och ändå hjälper projekt framåt utan att veta allt om det så ger ju jag också legitimitet till andra. Vilket också är ett problem. Samtidigt måste man våga sig lite utanför sin comfort zone. Det kanske till och med är nyttigt att vissa saker floppar för att folk kanske lär sig att söka mer information. Då blir det ju utbildning. Jag tror desvärre inte att folk lär sig på det sättet, men det hade varit bra.

V: Varför tror du att kickstarter visar hur nära ett projekt är sitt funding goal?

Respondent #1: Det sätter ju folk i rullning och då tjänar KS mer eftersom mer människor hoppar på.

V: Ja det finansiella perspektivet från platformen kanske inte helt enas med samhällsnyttan.

Respondent #1: Jag ska rätta det jag sa tidigare. I fallet med espressomaskinen var jag nog snabbt inom wikipedia för att kolla upp en sak. Det är ju inte produkten eller entreprenören jag är ute efter då. Då är jag mer intresserad av verktygen eller hur tekniken fungerar.

V: Tror du att det är den med störst nätverk som vinner?

Respondent #1: Absolut. Kommer man på algorithmen som pushar upp dig till staff picks eller rent av betalar för det så är det ju inte bra heller. Det är ju problem om folk investerar i produkter av fel anledningar som att de tycker om entreprenören och därför inte gör det för produkten.

Appendix 7.2 Interview #2 (Respondent #2)

V: Hur länge har du använt KS?

Respondent #2: Över ett år. Sen har jag bara smårotat runt på det när jag har tid över?

V: Hur ofta brukar det bli?

Respondent #2: Typ en gång i månaden sitter jag och kollar på teknologidelen.

V: Köper du något oftast när du är där eller?

Respondent #2: Nej väldigt sällan haha. Man har inte råd att göra det. Men det är kul att läsa och titta vad som är nytt.

V: Hur hittade du sidan?

Respondent #2: På endgadget var det nog. Jag kollar endgaget varje dag.

V: Är du tekniskt intresserad? Vad följer du mer för bloggar?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #2: Ja väldigt. Jag följer i princip alla teknikbloggar och sajter. Dom jag jobbar med är tekniskt intresserade och håller på med utveckling.

V: Är du kategorispecifik på KS?

Respondent #2: Ja bara teknik.

V: Varför bara teknik?

Respondent #2: Det är det enda som intresserar mig på sidan. Vill inte läsa om annat.

V: Läser du bloggar och så också?

Respondent #2: Ja jag gillar att komma i kontakt med nya saker. Anledningen jag är på kickstarter är faktiskt liknande det jag får från bloggar och sånt. Jag vill hålla koll på vad som är nytt. Det är inte ofta jag faktiskt köper saker på Kickstarter och jag går verkligen inte till hemsidan bara för att shoppa.

V: Ok, vi ska gå in på hemsidan sen och titta runt lite tillsammans. Du har inte backat projekt med tillräckligt för att få hem produkten ännu?

Respondent #2: Ja ett par stycken.

V: Var de dyra?

Respondent #2: Det varierar men jag brukar titta på hur mycket jag tror att dom behöver för att nå sitt mål. Men det blir oftast inte jättestora summor.

V: Varför har du inte backat fler?

Respondent #2: Det är en inkomstfråga. Jag och min sambo köpte lägenhet för ett halvår sedan så jag kan inte kasta pengar på alltför mycket sånt.

V: Hade det varit någon skillnad om produkten hade varit i en riktig butik?

Respondent #2: Jag köper grejjer från kina hej vilt så det har inte att göra med säkerheten bakom köpet så mycket. Däremot är det annorlunda på dom sakerna man hittar på KS och hur produkterna kommer att se ut när dom är färdiga för butik. Det man köper på KS är inte helt färdigutvecklat.

V: Ok så det ändrats om du hade hittat den i typ en gadget affär?

Respondent #2: Ja haha. Där hade jag inte tyckt de var speciellt kvalitativa produkter. Det är mer hur jag ska lyckas sälja den ekonomiska delen till mig själv och övertala mig själv att jag har råd med sånt som man hittar på KS. Det är ju inte livsnödvändiga produkter direkt.

V: Jag ska bara springa ner och sno ett wifi-lösenord så ska vi sätta igång och titta på KS.

V: (I see his phone when i get back with the wifi password). Vad är det för telefon?

Respondent #2: Det är en Nexus 4.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: Är du sån som ofta uppgraderar dina tekniska prylar?

Respondent #2: Ja jag har haft andra nexus och sen hoppade jag över till HTC ett tag men det var ett misstag. Men det är roligt med uppdateringar. Det ska gå snabbt.

V: vad är det som är så kul med kickstarter?

Respondent #2: Det roligaste är att folk kommer med nya roliga idéer och att det inte är företagsstyr. Det är styrt av vad som efterfrågas av personer och vad folk vågar satsa på. Sen är alla mer öppna på KS så jag kan kolla på allt vad gäller produkten. Mycket roligare.

V: Är du en sån som är ute efter att hitta det nyaste?

Respondent #2: Ja jag letar alltid efter det allra nyaste jag kan hitta.

V: Lever KS upp till det?

Respondent #2: Ja det är mycket intressant och mycket idéer. Dom vågar flyta ut på ett sätt som företag inte vågar. Vi satsar då på saker som annars inte hade fått en chans bara för att företagen inte vågar satsa eller för att företagen inte tror att det kommer att sälja. Min bror har också varit på KS och köpt dataspel för 1000kr. Det är liksom en öppen marknad.

V: Vi ska in och titta på kickstarter. Du ska få browsa lite själv som om jag inte var här. Ta god tid på dig och plocka fram ett par projekt och gör det så likt som möjligt som du gör om du är själv.

(Respondent browses)

V: Så nu har vi ett par stycken, vi ritat ner det du gjorde. Först klickade du på discover, sedan direkt in på teknologi, sedan popular this week?

Respondent #2: Ja det stämmer.

V: Varför hoppar man över framsidan till exempel?

Respondent #2: Här på framsidan tittar jag sällan. Jag går in på technology direkt. Det har hänt att jag klickat på discover någon gång. Det är bra att man kan välja kategori. Sen brukar jag kolla igenom staff picks och sedan kollar jag **popular this week**.

V: Varför kollar du popular this week?

Respondent #2: Det är där det bästa finns. Man kan se vilka som kan bli stora projekt och så.

V: Vad spelar % funded och number of backers för roll för dig?

Respondent #2: Jo men klart det påverkar, man vill ju veta till exempel varför denna är så högt funded. Måste vara något värt att se.

V: Hur skummar man igenom?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #2: Jag kollar bilderna läser rubrikerna och sitter och skummar en halvtimme då och då på jobbet. Det är på arbetstid som jag sitter och gör sånt här. Jag vill ha det serverat till mig med en bra och tydlig rubrik. Ser det intressant ut så klickar jag vidare på det.

V: När kollar man funding då?

Respondent #2: Kollar man nog typ samtidigt, så om jag fattar exakt vad produkten är, ser att den inte är jätteintressant och sedan ser att ingen annan heller tycker det så skiter jag i det. Men om det är något som har jättehög funding så tittar jag nog på det lite snabbt om det inte är något som jag är helt ointresserad av.

V: Vad hade du till exempel tänkt när du såg den här?

Respondent #2: Den hade jag helt sktit i för jag ser direkt att det är iphone.

V: Varför gör det den irrelevant för dig?

Respondent #2: Den är inte intressant för mig för jag har inget från Iphone. Det finns helt enkelt inget jag kan göra med dom produkterna. Kan jag inte använda det så...

V: Så hur mycket bryr man sig om hur många andra som har backat?

Respondent #2: Det blir faktiskt viss psykologisk skillnad. Men jag kollar ju stapeln här mest. Den är lättast att läsa!

V: Kollar man någonsin på målen?

Respondent #2: Är det för små mål så blir jag fundersam på om det faktiskt kommer att gå.

V: Företagsmålen då?

Respondent #2: Haha nej, jag är mer intresserad av produkten än det faktiska företaget.

V: Vad gör man sen?

Respondent #2: Jag brukar börja med att läsa.

V: Vad är det som är viktigt i den informationen?

Respondent #2: Jag är oftast intresserad av produkten och området kring produkten. Jag vill kunna lära mig något under projektets gång. Vill jag använda produkten och tycker om det, så bryr jag mig inte om någonting annat.

V: Tänker man mer i termerna av det här är någonting som jag kommer att använda snarare än det här är någonting som marknaden/andra kommer att gilla?

Respondent #2: Ja det är helt och hållet styrt av det jag är intresserad av och vilka produkter jag vill ha.

V: Tittar man någonsin på människan/människorna bakom projektet?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #2: Jag gör inte det. Man borde kanske göra det, men jag gör faktiskt inte det. Jag tycker att det hade varit intressant nu när du nämner det, men hittills har jag faktiskt inte tänkt mycket på det. Jag hade faktiskt velat veta vad dom har gjort utanför

V: Brukar man kolla på vad det är dom ska genomföra. Typ en milstolpe plan eller hur pengarna ska spenderas?

Respondent #2: Har jag kommit till den nivån att jag vill ge pengar till produkten så kollar jag på det lite grann innan jag lägger in några pengar. Annars kollar jag inte på det.

V: Har du några projekt som du funderar på att backa nu?

Respondent #2: Ja, 3d skrivare. Jag har använt 3d skrivare på jobbet och det hade varit kanon att få ha en själv. Jag känner ofta när saker går sönder att det hade varit fantastiskt att kunna skriva ut sina egna delar istället för att behöva köpa helt nya saker. Sen när man ser att privata varianter börjar dyka upp på kickstarter så blir man skrämmande nära att backa dom. Den biten jag behövde... Hade jag inte kunnat skriva ut den hade jag fått kasta själva armaturen för den görs inte längre.

V: Den här sensor produkten som du backade, är det någonting du har sett förut, på samma sätt som du har sett en 3d skrivare?

Respondent #2: Nej men jag har letat efter det, men det har inte funnits. Jag vill bara ha den. Det som jag hade använt den till har jag faktiskt ordnat själv och det är för att mäta ute på balkongen och botanik som hobby. Men det har jag redan byggt system för själv. Det här är mer en sån grej man kan ha med i knippan.

V: Hur beskriver du konsumtionen på kickstarter?

Respondent #2: Det är egentligen ren lyxkonsumtion. Man kan säkert hitta saker man behöver också.

V: Vid vilket tillfälle kommer man på att man behöver en produkt egentligen?

Respondent #2: Behovet finns ju oftast inte där när jag går in på kickstarter. Jag går ju inte in för att hitta en specifik lösning på ett specifikt problem, då är det bättre att jag googlar det. Behovet kommer ju oftast när man ser produkten på deras projektsida. Så man får reda om produkten och så utvecklas behovet för den samtidigt när man kommer på allt man kan göra med den. Det är många företag som missar det och det är därför kickstarter är så annorlunda.

V: Om vi tänker vidare på behov, vilket behov är det som drar en till kickstarter?

Respondent #2: För mig personligen är det att jag tycker det är kul att komma i kontakt med nya saker. Det är samma behov som fylls genom att jag läser teknikbloggar och liknande. Alltid leta efter det

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

nyaste och nu på kickstarter så kan jag då även köpa det nyaste i samma veva. Det blir som en jättespännande butik där jag kan få se jättemycket nytt och samtidigt få möjligheten att påverka om saker kommer att klara sig eller inte.

V: Så på det finansiella planet så sa du att du ändå slänger en tanke kring om projektet är genomförbart. Finns det andra finansiella tankar man har kring projektet innan man backar?

Respondent #2: Jag brukar inte kolla på det. Jag däremot intressant att titta på olika delmål. Med delmål känns det också som dom har tänkt igenom vad saker och ting kommer att kosta.

V: Varför backar man produkter utan att köpa hela produkten? Är det av ideell karaktär?

Respondent #2: Nej egentligen inte. Jag vill ha produkten så på så sätt är det fortfarande rätt själviskt. Jag är villig att lägga hela summan i framtiden, men kanske inte just idag. Ibland kan jag till och med lägga en mindre summa bara så dom får en till backer för att markera att jag vill se den på marknaden. Det gör jag mest när jag har lite för ont om pengar för att lägga några större summor.

V: Ser man projekten som företag eller som en produkt?

Respondent #2: Jag ser det absolut som en produkt. Läger inte så stor tanke kring att ett företag ska skapas kring produkten för att kickstarter är så pass produktorienterat känner jag. Men en sak med spel också är att dom är digitala och då är risken mycket mindre när man köper det eftersom dom kan få ut produkten direkt.

V: Tror du att om det finns aspekter med en produkt som gör att produkten inte kommer att fungera som den ska, och man kommer på detta innan projektet nått sitt slutmål, finns det möjlighet att flagga för sådana problem?

Respondent #2: I dagsläget finns det inte, och det är faktiskt ett stort problem. Till exempel så är det många som jobbar inom kategorierna som finns på KS som kan sina grejjer, och dom borde kunna varna om dom hade hittat problem i konceptet. Däremot vet jag inte om folk hade gjort det, man kanske bara hade hoppat över projektet.

V: Vad hade du gjort?

Respondent #2: Jag vet faktiskt inte, är det ett stort problem och jag är tillräckligt intresserad inom området så kanske jag hade gjort det.

V: Är det en liknande känsla du har för KS och open source?

Respondent #2: Ja, jag kommer ju att börja programmera open source och det som lockar mig är att det jag gör kan andra få nytta av och jag kan få nytta av deras. Det är ett bra system. Det är väl lite samma

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

på kickstarter att jag vill att det i slutändan ska bli så bra som möjligt utan att någonting ska bestämmas av folk på företag som inte har samma koll som vi entusiaster. Men egentligen så borde det med att flagga problem kunna fungera som open source fungerar. Det är klart folk kan försöka sabbotera och sätta käppar i hjulet, men det uppmärksammas ju av ditt community om du håller på så. Precis på samma sätt hade det säkert fungerat på kickstarter. Det är ju viktigt att skapa diskussioner kring produkten så att såna problem kan komma till ytan. Samtidigt så är det så att gör man misstag på kickstarter, så kommer man att lära sig att det inte alltid är så att man kan lita på allt och alla. Efter det kommer man vara mer försiktig och kolla runt mer på projektet och därmed bli mer välinformerad. Jag brukar också sitta och surfa nu på företag också för att se om större företag kommer att släppa något liknande. Det var samma med sensorn, jag sitter och letar på det mesta jag gör. Det är bara att googla runt och göra sig lite informerad.

V: Har du andra exempel på produkter du var nära på att backa men inte gjorde?

Respondent #2: Ja den här ouya till exempel. Jag älskar du konceptet bakom och var nära på att backa men när jag sökte runt så var det just det att den inte var kompatibel med t.ex. netflix och en massa annat. Hade det funnits från början hade jag haft den. Sen när projekten väl är uppnådda så brukar jag inte slänga in mer faktiskt. Om dom är klara så tror ju jag att dom kommer lyckas med sitt ändå. Då kan jag lika gärna vänta på att den finns i färdig butik sen. Om det inte är så att det är en produkt jag verkligen vill ha nu. Som Ouya har jag följt riktigt nära. Men först av allt vad dom helt backade när jag hittade dom, och sen så var deras mål för lågt. Att utveckla en hel spelkonsol för 6 miljoner kronor är för lågt.

V: Delar man aktivt saker från KS med vänner?

Respondent #2: Ja dom som jag vet är aktivt intresserade av det.

V: Men inte typ FB status och så?

Respondent #2: Nej men jag delar aldrig så mycket på facebook sådär. Skickar det i så fall till de som är intresserade.

V: Men skulle du säga att det är viktigare för dig att produkten kommer ut till marknaden eller att du får den i handen så snabbt som möjligt.

Respondent #2: För mig är det att den ska ut på marknaden som är det viktigaste för det innebär mer i slutändan. Till exempel med Ouya, om jag hade fått hem produkten och den sen inte hade slagit

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

igenom på marknaden. Då hade ingen utvecklat spel till den. Så med såna produkter är det viktigaste att dom faktiskt når marknaden.

V: Kollar man nånsin på vilka andra projekt dom gjort innan på kickstarter?

Respondent #2: Jag gör faktiskt inte det. Det är mest att jag inte känner till alla dessa funktioner. Men jag hade gärna kunnat tänka mig att det finns en del på sidan som är en företagsdel där företag kollar intresse för produkter som ska komma ut. Då hade man ju kunnat se en massa koncept och så behöver inte företaget lägga ner massa pengar på projekt som sedan visar sig att folk inte vill ha.

V: Men du brukar ofta vilja stötta och vilja vänta till butik?

Respondent #2: Ja jag vill att den ska komma ut på marknaden. Jag vill inte investera i saker som redan finns. Och jag vill ofta stötta tillräckligt för att produkten ska få uppmärksamhet så att det blir en marknad av den och då kan jag välja mellan olika färdiga varianter när väl folk hoppar på tåget.

Appendix 7.3 Interview #3 (Respondent #3)

V: Alright, Då sätter vi igång med intervjun. Hur länge har du använt kickstarter?

Respondent #3: Hmm frågan är när jag backade mitt första projekt. Det måste varit ett år sen ungefär. Men jag har varit på siten innan det, så jag bara kollade runt på sidan. I början ville jag kolla mest vad som var up and coming. Kollade mycket på E-bay också men det var mest varianter på samma sak där. Till exempel var det kanske någon nånstans som hade gjort en smart plånbok. Ja då fanns det tio likadana projekt där man ändrade en liten gummi snodd eller något sånt litet. Jag hade ju hoppats på att kickstarter skulle vara revolutionerande. Men nu känns det mer som att dom vill starta befintliga idéer, som att det är 10000 olika t-shirt märken som kör samma race.

V: Vad är det som gör KS unikt? Vad är det som gör det så roligt?

Respondent #3: Mycket av det finns inte. På vissa kategorier som teknologi så finns det faktiskt nya grejjer som 3d printers och sånt. Så det är att man hittar nya smarta saker som gör att det är roligt. Det är mycket svårare att hitta samma mängd nya saker om man letar runt i vanliga butiker.

V: Jag förstår.. Hur ofta är du inne på kickstarter?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #3: En gång i veckan eller tre gånger i månaden. Jag slösurfar mycket på jobbet. Har jag backat ett projekt så får jag också 50 updates på varje projekt så då går man ofta in på sidan.

V: Är det dåligt eller bra med mycket updates.

Respondent #3: Det kan bli för mycket ibland. Ibland uppdateras det bara för att det ska uppdateras. Mycket är om shipping.

V: Så söker man sig till det nya? Att kickstarter är nya fräscha produkter?

Respondent #3: Ja jag tycker absolut att det är det som gör KS speciellt och det är därför jag är på KS över huvud taget. Det är ofta unika grejjer som inte finns och så får man det ofta billigare för att man tror på det redan då. Nu är det också krav på färdig prototyp vilket dom inte hade innan så kan man se vad man kommer få sen. Sen vissa produkter, som brädspelen är det ju inte jättemycket som kan gå snett. Där är det inte att du köper något och så funkar det inte. Det är ofta säkrare köp. Jag kollar också på pledge levels för många kör att dom måste nå ett visst mål innan produkten blir värd för mig att köpa. Då kanske jag bara vill ha produkten om dom får en viss funding för att då kan det bli en helt annan produkt.

V: Är man mer öppen för innovation när man är på KS?

Respondent #3: Går du in i en butik så kan man ju snacka med dom som är där, men på kickstarter kan du ändå göra research. Du ser vad folk har kommenterat och du ser vilka updates som har gjorts och du ser framför allt hur många som backar projektet. Går jag in bara en kort stund så går jag in till exempel på popular och kollar vad det är som är nära målet. Du går kanske inte och backar ett projekt som har varit uppe i 30 dagar och fått 5% funding. Då finns det inget syfte med att backa det för att då vet man att det inte kommer nå. Folk lockas nog lite med att det inte är ett färdigt projekt och man vill vara med från början. Det känns som jag har varit med och hjälpt från början.

V: Vi öppnar KS och surfar runt och kollar.

Respondent #3: Presentation är viktigt för mig. Dom som lyckas är ganska duktiga på att sätta upp mål som lockar folk, information som lockar folk, och en film som lockar folk.

V: Är det viktigt att man får en proffsig känsla kring projektet?

Respondent #3: Det hjälper ganska mycket faktiskt. Jag måste vara underhållen annars kommer dom inte ens få min uppmärksamhet. När dom har min uppmärksamhet så utvärderar jag ju produkten i sig själv, men för att jag ska ha ett intresse i början måste jag ju vara underhållen och det hör ofta ihop med

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

att det är proffsigt gjort och är ett seriöst projekt. Det känns mindre riskfyllt om dom har lagt ner tid på att få projektet att se seriöst ut.

V: När du kommer in på framsidan... Visa mig hur du brukar surfa hemsidan och hur du väljer dina projekt. Förklara gärna hur du tänker kring varje steg du tar.

Respondent #3: Här på första sidan bryr jag mig inte så mycket. Det är för att det finns bara ett projekt där och sannolikheten att det ska slå rätt är ganska liten. Det gäller lite att få en bra överblick över många projekt, och framsidan fyller inte detta syfte. Jag kollar vad där står men sällan det leder till något. Jag brukar gå till discover direkt. Jag kollar först staff picks för att den ligger överst. Det är det första du får upp. Jag vet att det är lite vägt när man tittar på staff picks. Det är lite synd för dom andra som inte hamnat där. Men det tar mig verkligen mindre än en sekund att utvärdera dom 3-6 projekten som hamnar under staff picks så det är klart att om något tilltalar mig där så kanske dom får mer attention. Jag brukar göra så att medan jag browsar runt så öppnar jag flikar för allt som intresserar mig. Jag kollar först vidare på projekten när jag har samlat en 6-7 intressanta saker.

V: Är man kategorispecifik i sitt sökande?

Respondent #3: Ja absolut. Vanligtvis skippar jag de flesta kategorierna helt och hållet. Jag skimmar inte ens igenom dessa. Vissa kategorier intresserar mig helt enkelt inte, typ film och art. Egentligen är det lite som att läsa en tidning, man skippar vissa delar och läser andra beroende på vad man har för intressen.

V: Litar man på staff picks och att "staff" kan sälla ut bra projekt?

Respondent #3: Det gör man indirekt men innerst inne vet man ju att bara för att det är staff picks så kan det gå rent åt helvete ändå. Det skapar ingen garanti men av någon anledning tittar jag på det ändå för att det ligger högst upp och tar mig väldigt kort tid att sälla igenom.

V: Ok så du kollar mest för att det råkar finnas framför ögonen på dig. Hur går du vidare sen?

Respondent #3: Jag kollar populär. Kollar om där är någonting och så kollar jag successfully funded. I populär går jag direkt till kategorierna jag tycker är intressant. Många kategorier hoppar jag alltid över helt, skummar inte ens dom.

V: Är man mer trogen vissa kategorier.

Respondent #3: Ja, jag brukar titta på design, fashion, games och technology.

V: Vad är anledningen?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #3: Det är bara det som intresserar mig. Det andra har jag inget intresse för. Jag har varit inne och kollat vad dom kategorierna innebär innan men fattat att det inte är något som intresserar mig. Det är lite som att läsa tidningen, man hoppar lite till dom delarna man gillar och hoppar över andra. Sen kollar man rubrikerna och letar efter någonting som låter spännande. Sen lägger jag upp dom i flikar. När jag tappar intresse så kollar jag igenom dom jag har hittat.

V: Ok vi kollar en kategori som du har intresse för. Vad gör du sen?

Respondent #3: Jag kollar popular.

V: Vad kollar du på på den här sidan (popular sidan)?

Respondent #3: Det som fångar ögat är ofta mätaren som visar hur långt det har gått.

V: Hur påverkar det dig?

Respondent #3: Jag kollar på bilden och beskrivningen.

V: Är den viktig för dig?

Respondent #3: Ja Den här till exempel. Den ser ut som en väldigt simpel produkt, en enkel ringklocka. Om den hade haft 5% funding hade jag tagit för givet att det bara är en vanlig ringklocka och skitit i den. Men nu ser jag att den har fått 472% funding och jag börjar direkt undra... det måste vara något med den som är annorlunda. Och jag måste ta reda på vad.

V: Kollar man på hur många backers det finns?

Respondent #3: Nja, jag kollar mest pengamässigt och days to go. Ser man att det är ett projekt som har väldigt många dagar kvar men som ändå har hög backning så är det verkligen något som fångar ens attention.

V: Om vi säger att det är många dagar kvar, fast produkten har fått väldigt lite backning, vad säger det?

Respondent #3: På den första sidan, när man har överblick, så är det inte så stor chans att jag kollar på den. Men är jag redan inne på produkten så läser jag. Då slutar det spela roll. Det är mest vid överblicken som det är intressant hur mycket den har nått. Det är just när jag ska sälla ut bland flera hundra projekt som sånt intresserar mig. När jag väl är inne så spelar det inte roll längre. Det funkar lite som appstore, så finns kategorier som popular, så slipper jag skrolla. Det hänger ju då på att många hittar dig snabbt så att man får dom siffrorna så att man sedan får uppmärksamhet. När man väl fått uppmärksamhet så utvärderar folk det på riktigt, men för att ens få uppmärksamheten så krävs det nog att man får lite momentum. Som detta projektet (a framing projekt), har nu fått mycket backing. Men

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

jag tror ärligt att det lika gärna hade kunnat få 100 kronor om det inte var så att deras popularitet ledde massa folk till sidan. Nu har dom fått 25 tusen dollar.

V: Finns det andra saker som kan påverka så att du ger uppmärksamhet åt projekt? Typ andra informationskällor?

Respondent #3: Ja det är många som hänger på andra sidor också. Nu hänger jag mest på teknikrelaterade sidor. Men feber (blog) kan slänga upp länkar till KS när det är intressanta grejjer. Så har du en bra produkt så kan man ju vända sig till andra sidor. Om någon tycker det är intressant så delar folk med sig.

V: Är du teknikintresserad generellt?

Respondent #3: Ja jag är ju arbetsskadad.

V: Om man ser det på feber? Hur påverkar det dig?

Respondent #3: Det ger någon slags trygghetskänsla. Jag tror inte att man blint följer, men om man är precis på gränsen ska jag, ska jag inte, så kan det vara tillräckligt för att tippa över dig till en sida. Det känns mer betryggande om man tvekar. Det ger mer info också. Det finns ju ett kommentarsfält också, men där kan bara dom som redan har backat projektet säga saker om produkten och ställa frågor.

V: När man kommer in på projektsidan, vad gör du då?

Respondent #3: Det är en viktig grej här. Först så har jag en väldigt kort attention span när jag är på kickstarter. Projekt måste fånga mitt intresse snabbt om jag ska ge produkten en chans. Till exempel så blir jag galen på deras videospelare ibland. Jag har haft problem med att spola fram i den, och många projekt tenderar att ha ett intro där det inte kommer information snabbt. Jag vill kunna spola fram, det ska gå snabbt så att jag hinner utvärdera många projekt. Om då videospelaren inte funkar som den ska så kan jag enkelt bara skita i projektet, oavsett vad jag vet om produkten vid det laget. Det är extremt lätt att få mig att falla bort från ett projekt, det krävs inte mycket. Har dom en lång film på 5-10 minuter så måste jag vänta tills den har buffrat upp innan jag kan spola, och det ska krävas mycket om jag ska palla vänta. Har jag inte fått någon intressant information inom 15 sekunder så stänger jag ofta ner projektet. Det finns liksom inte tid att hålla på med icke viktiga saker och tekniska problem. Man måste visa produkten tidigt, jag måste veta direkt om detta kommer vara värt min tid eller om jag ska flytta till nästa...

V: Varför är det så tror du?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #3: Jag tror att varje projekt skapar sin projektsida som om dom var det enda som fanns. Dom glömmer att dom är en fisk i ett hav av projekt och att man inte har tid att slösa på ett intro som inte är underhållande från sekund 1. Youtube gjorde ju en undersökning och där var det att om det inte hänt något intressant efter fem sekunder så har du redan förlorat hälften av användarna. Det går snabbt på internet och man gör att vi inte har tid att slösa. Vi vill bli informerade om det viktigaste DIREKT. Dom förstör lite för projekten om dom har tekniska problem.

V: Investerare brukar ju ofta vilja se att man kan förklara sin ide på 30 sekunder i det som kallas en elevator pitch. Är det samma koncept?

Respondent #3: Det är nog liknande, men det jag menar är att du kommer inte ens få 30 sekunder av mig. Jag kommer att ge dig fem sekunder på att förklara något vettigt, sen kommer jag att börja spola fram. Kan jag inte det så skiter jag i ditt projekt, så enkelt är det. Har dom bra med cash, bra beskrivning, och jag är lite fångad av en annan site som länkar så kanske mitt tålamod kan dras ut lite. Har du redan något som fått mig att tro att just detta projektet är speciellt, så kanske jag har lite mer tålamod. Är jag det minsta tveksam, och filmen sedan inte säger mycket i början, så fimpas jag den direkt. Det är ofta att projekt har FÖR mycket information. Igen, dom behandlar sin projektsida som om deras projekt är det enda på KS.

V: Vad tittar man på utöver produkten? Bryr man sig om vem entreprenören är eller teamet bakom produkten?

Respondent #3: Nä, jag tror inte det så mycket.

V: Kollar man på det finansiella?

Respondent #3: Det beror faktiskt på hur mycket pengar jag funderar på att lägga. Är det en 100 kronors investering så bryr jag mig inte. Det är inte värt för mig att titta på sånt. MEN! Om det är en 500-1000+ investering så börjar jag bli lite nyfiken på vilka dom är och hur dom ska få ihop projektet. Är det ett komplext projekt så blir det ännu viktigare. Sen avväger jag också om jag har tillräckligt med kunskap för att själv kunna se om deras plan är bra eller inte vad gäller produkten. Om jag inte vet någonting om produkten, om det finansiella eller liknande, så är det inte lönt att jag tar in information som jag ändå inte kan utvärdera. Det är så man gör med vanliga produkter också, förutom att här kan vi inte bara lita på att produkten kommer att finnas ens en gång. Då förlitar man sig kanske mer på varumärken och produktattribut. Ska man lura folk på pengar, så är det nog smartast att ha en produkt

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

som verkar bra och som inte kostar särskilt mycket. Då kommer folk inte kolla så noga vad det är som händer, och ännu bättre, dom pallar inte bråka om det när väl dom inte får sin produkt.

V: Har du någonsin haft sådana problem med några produkter du backat?

Respondent #3: Ja jag köpte ju en adaptor som dom lovade skulle stötta alla produkter. När jag fick hem den stöttades inte min iphone och då börjar man ju undra vilka produkter dom faktiskt supportar.

V: Varför fattade ingen att det inte skulle funka?

Respondent #3: Det är ju ingen som testat produkten. Så det är ingen som kan utvärdera den. Jag ser gärna i videon att dom applicerar produkten i det område den är ämnad för.

V: Har du någonsin backat ett projekt utan att köpa produkten?

Respondent #3: Nej. Jag tror iden bakom KS var sån att man finansierar iden. Då var det nog mer ideelt, nu är det mer kommersiellt.

V: Hur utvärderar man en bra produkt? Är det främst: jag vill ha den. Eller är det mer: Marknaden vill nog ha en sån här.

Respondent #3: Det är lite så man utvärderar. Jag tänker främst ”intresserar det mig”. Sen om jag backar utan att andra backar så börjar jag undra om marknaden vill ha det. Men man sätter nog alltid sig själv först.

V: Spelar det dig någon roll om marknaden vill ha det?

Respondent #3: För mig spelar det inte någon större roll om det inte är en produkt som påverkas av att andra har den. Har man en spelkonsol till exempel så måste den gå till marknaden för att spel ska utvecklas. Då måste jag börja tänka utifrån hur många andra som vill ha den och om det faktiskt kommer bli något av den i framtiden. Jag har ju inget finansiellt intresse av att marknaden tar emot produkten men när det gäller detta att jag vill ha varit med och skapat något så är det mycket mycket roligare om jag var tidig påhoppas på något som blev stort än någon som bara försvann.

V: Men till exempel med den produkten du köpte som inte riktigt fungerade. Hur gick det till?

Respondent #3: Nej dom hade skrivit att den skulle vara kompatibel med det mesta och eftersom det var en av dom första produkterna jag köpte så litade jag på dom. I framtiden kommer jag inte lita på något som dom säger utan kommer kolla upp allt själv om det är dyra, mer komplexa produkter.

V: Kommer man vara mer försiktig i framtiden? Lär man sig av misstaget?

Respondent #3: Ja då absolut! jag kommer vara mer försiktig vid andra köp och det kommer antingen leda till att jag kollar upp produkten extra. Sen är det säkert också så att vissa projekt kommer jag skita

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

i att backa om jag är osäker och inte pallar leta upp informationen. Detta är speciellt för dyra produkter över 200-300kr. Jag kommer alltid ha det i bakhuvudet.

V: Om det hade funnits möjlighet att varna communityt om du hade haft aningar om att någonting inte fungerar, hade du gjort det?

Respondent #3: Ja det hade jag pallat. Såvida det inte uppmärksammats av andra direkt. Ibland kan det bli sån bystander effekt att man tar för givet att någon annan kommer att göra det och att man därför skiter i att göra det själv. Sen måste dom som skapar projektet också vara ärliga med den risken som finns. Om dom lovar att någonting ska fungera som inte fungerar, så är det för jävligt och då blir jag riktigt förbannad. Men hade dom istället sagt, vi är inte säkra på att detta kommer att funka, då väger ju ja in det i mitt beslut och för den risken jag är villig att ta, då är det helt ok. Slutskedet kan vara densamma, att produkten inte gör det jag vill, men det är ändå väldigt skilda sätt att lämna ut informationen.

V: Samlar man information om sånt här från andra källor innan man backar? Googlar man till exempel projektet eller använder man bara infon på KS?

Respondent #3: Bara om det är en större investering eller om infon är oklar. Dyker det upp på en site kanske jag skiter i projektet, men börjar det dyka upp på 2-3 sites så är det svårt för mig att inte titta på det. Det blir verkligen starkare när det är mer än en site som rekommenderar eller skriver om projektet.

V: Vad påverkar dig när du ska utvärdera projektet?

Respondent #3: Det är massa faktorer, dels hur mycket cash dom redan har och det vi pratat om, sen också hur proffsig deras video är och liknande. Har dom lagt ner mycket krut på en video så tycker jag det känns mer seriöst direkt. Sen spelar intresset man hade innan man kom dit mycket roll. Det ska träffa rätt på mig som person. Om det är en produkt som är dyr och ingen annan har backat så känns det direkt lite mer risky.

V: Varför det? Det spelar ju egentligen ingen roll hur många andra som har backat den, den kommer antingen gå ändå eller inte.

Respondent #3: Om jag ska vara ärlig så handlar det lite om att inte känna sig dum också och känna sig som den enda som blåstes på detta. Om bara fem personer backar med 20 tusen var, då är du en av dom dumma. Annars är du bara en i mängden som blev lurade och då är det inte lika mycket ditt fel.

Respondent #3: KS från bröjan tror jag var mer ideelt, typ som mikrolån.

V: Finns det något element av att man hjälper en annan människa på KS som det finns i mikrolån?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #3: Det beror mycket på vem det är som ligger bakom och hur dom presenterar sig i videon. Är det två fattiga grabbar som har en bra ide så är det i bakhuvudet att det känns bra. Oftast är det faktiskt så att man känner att man stöttar dom, men inte på samma nivå som mikrolån. Sen tror jag generellt att folk förväntar sig annat än det som faktiskt säljs på KS. Första gångens användare tror att dom kommer få riktiga produkter, men det dom får är sällan riktiga produkter. Men man lär sig av det lite som med en varm spis. Man måste bli bränd någon gång innan man fattar hur systemet fungerar.

V: Tror du att man håller sig borta from områden man inte riktigt har full koll på?

Respondent #3: Nej, jag har till exempel tittat på arduino switches. Jag tycker dom ser spännande ut, men jag har verkligen ingen aning hur eller vad jag ska använda dom till. Jag vågar inte riktigt backa dom ännu, men jag tycker dom är roliga och jag vill att dom ska utvecklas mer men eftersom jag inte förstår dom så vågar jag inte köpa kits. Det är alltid i bakhuvudet att hur fan ska jag använda detta. Det är också att det kanske ser kul ut nu, men det kanske innebär att man får sitta 18 timmar för att få en robot att röra på en arm.

V: Hur är det med behov. Var utvecklas själva behovet under processen?

Respondent #3: Med adaptorn är det ett behov som har funnits länge, jag visste att det fanns potentiella lösningar också men då hade jag fått slita sönder min bil för att få dom installerade. Jag har ju gått och tänkt på det. Man tänker att det skulle funnits någon enklare lösning och det sätts igång igen när jag man ser produkten på KS. Även om det inte är därför jag var på kickstarter. Jag gick ju inte in där för att hitta den specifika produkten. Det är ju inte ett problem som var tvunget att lösas just NU direkt! Det är något man inte riktigt paltar ta tag i men som stör sig på ändå.

Sen vissa andra produkter är det inte alls så. Jag skulle nog vilja säga att med dom flesta produkterna skapas behovet så fort jag börjar fatta vad produkten gör. Det händer faktiskt nästan alltid på kickstarter. Behovet kommer ofta upp samtidigt som jag vet att det existerar. Med adaptorn är det likt, det var inget jag aktivt tänkte på hela tiden utan det väcktes till liv när jag såg lösningen och då blev behovet riktigt.

V: Vet man om risken?

Respondent #3: Ja, men ibland glömmar man den när man blir overexcited. Man vill heller aldrig känna sig dum eller lurad. Så verkar allt bra, och projektet sen skiter sig så tycker man mer det är synd. Man blir inte arg. Ärlighet är jätteviktigt om communityt ska gå runt. Jag måste tyvärr sticka nu! Men vet du

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

vad, du kan kontakta mig när du vill. Om du vill kan vi till och med ta ett telefonsamtal någon gång och snacka mer. Spännande grejjer det här

V: Tack så hemskt mycket för din tid. Uppskattas enormt.

Appendix 7.4 Interview #4 (Respondent #4)

V: How long have you been using KS?

Respondent #4: Maybe a year or year and a half?

V: Is it the first platform you have used?

Respondent #4: Yes

V: Whats the difference from using KS and just purchasing in a normal store

Respondent #4: I love the fact that there is new stuff on Kickstarter that I haven't seen before. I can see all kinds of crazy things that people are building. Especially technology stuff I mean people build some amazing things.

V: It sounds to me like you are a technology enthusiast.

Respondent #4: Yes that is correct. ☺

V: Is a part of the fun the process? Not only the final product? Is it fun to be involved in the process?

Respondent #4: Yeah its fun to be involved but I mean the product is the main thing. Then I think the product becomes more valuable when you know more about it and have been involved.

V: Out of the products you backed have you gotten any?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #4: Yeah a couple of them.

V: When you enter KS as a homepage... do you know what your looking for?

Respondent #4: I usually don't look for anything but I love looking for new things. Im tired of all products that are already out there. These are also products that don't get into the spotlight so you wont get into contact with them in any other way and theres no way I will miss out on them. There is nothing specific I am looking for when I go there. Sometimes I get specific links from friends though. I go there mainly to check whats new. I don't even buy that often I just go there to check it out. If I bought every time I went there I would be broke a long time ago. I just go to check things out.

V: Oh so Kickstarter isn't where you go to buy stuff? Like you wont look to buy a product and go to kickstarter?

Respondent #4: No exactly. It happens that I buy stuff but its because I go there to read about stuff. Then I get excited and then I just buy stuff.

V: Lets open the KS page so we can look at it together?

Respondent #4: Sure!

V: Ok so what I want you to do is browse around and pick a couple of projects as if I wasn't here. Take your time and do just like you would if I wasn't here.

Respondent #4: Alright sounds good.

(Respondent Browses)

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: Ok seems like you have gotten a couple of projects up here, let's write down what you did.

Respondent #4: Well first I went to discover, then I went to design, but it might as well have been technology, I look at both those. Then I go to popular this week if I find anything interesting. Then I just browse the page until I find something interesting.

V: Are you ever on the site just browsing around.

Respondent #4: Yeah that's usually what I do.

V: Ok we're gonna try to get some idea of how you would browse the site...

V: Ok so you go into discover...

Respondent #4: I always check if there are any cool things so I browse stuff quickly. The reason I focus mostly on tech is because I am mostly interested in these, they are cool. I have watched videos of other projects too though, but it's rare.

V: What price range are the products you have backed in?

Respondent #4: 30 Dollars, then if it tickles my interest I will just click it. 50 dollars then it gets steeper but if it looks really cool I will back it but it has to be special.

V: Ok so when you are in on technology...

Respondent #4: I really don't care about staff picks. Because then it's just a few select individuals and their interest and I don't really care about their interests. Usually it's artsy crap.

V: What about funding and days left?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #4: If the picture was interesting or the title, then I will throw an eye on the little green bar down there. Sometimes your like.. hmm this project has so much funding that it has to be awesome.

V: So you go to popular...

Respondent #4: Yes most funded and popular are what I look at mostly. I don't really trust the KS staff but I do look what others have looked at.

V: But you trust the rest of the community?

Respondent #4: Yeah, they are many, so you can see where the cool projects are by looking at where others have placed their money. You have to be smart!

Respondent #4: Technically what I do is not to scroll and click. I use my middle mouse button to open a new tab for each game I think is interesting. I try to look for something that reminds me of something else and then make up my mind.

V: Out of all these projects, you opened a couple, lets look at those. What about Emotiv did you like?

Respondent #4: I love that picture, I don't really know what it is. It looks futuristic. It has really high funding percentage so I suspect theres something interesting and crazy going on there that I need to check out.

V: Ok lets look closer at the emotiv. What now.

Respondent #4: I go to the tab and look at it.

V: Tell me the process of what you do to evaluate the project...

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #4: Well I check out the video or skim the text. I need to get an idea of what the product is right away otherwise I will get impatient. So if im browsing text for example I don't read everything at first. I look at pictures and the titles because that will go faster. Once I know what the product is and if I like it then I can move on to looking more specifically at the text.

V: What do you look for in a video.

Respondent #4: I personally like videos that have some effort in them. Like high quality, music, that kind of stuff. Then I mean they have to present their product nicely. If they are excited, then I will get excited. Well at least there is a better chance.

V: What next if the video was interesting?

Respondent #4: I would scroll down and read..Now i might think its worth reading all this stuff because the video got me interested in the product. I dont want to waste my time reading if its not going to excite me. It depends on how excited I am if I would read the whole text. I would probably read it before I buy it though. I research more in depth afterwards though further videos and such. Mostly because i get excited afterwards.

V: Is your decision to buy decided before you start reading?

Respondent #4: Yeh most times. I decide to buy and then there must be reason to get me out of buying rather than them convincing me to buy. Give me a reason why NOT to buy it and I may change my mind but my default is on purchasing it. Then I also have to justify putting my money in this product. Like its not really something I need, but I want it. But you know when I read more about the product I get excited and then woops ive bought it.

V: Do you do it for the less extreme price tiers?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #4: Yeah i can check them but usually the first one is nothing.. You get stuff but not the game... I dont want that. Second is usually the best and sometimes the third one so i can get beta access.. I read that and look for the digital copy.

V: Here it shows how many backers are on each level. Do you look at that?

Respondent #4: I look at it but i don't think it really affects me. Then after that its just punching in your credit card number.

V: What about the top right... there you can see number of backers the amount backed and stuff..

Respondent #4: Sure ill look at how many days left so I know if i have to pay now or can casually look thorough it.

V: Does the number of backers matter? Have you ever backed a project that nobody else has backed for example?

Respondent #4: Well unfortunately that aspect isnt too relevant to me because i always look at popular. So i have never given it a thought that this product wont make it. So i dont look at the actual numbers but indirectly they have gotten to popular for some reason. I don't like sifting through shit... So I trust that others have found it first and then i can only get the exciting ones.

V: Does it matter to you who the developers are or what their actual plan to get the product ready is?

Respondent #4: Well... i wouldnt give it much thought on KS because they are all small entrepreneurs, I don't know or recognize any of them anyways so it would matter to me. So ive probably never heard of them before so i dont really pay much attention to them.

V: Are you ever concerned that they wont be able to pull it off?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #4: Actually now that you mention it I have never considered that risk. All projects I have supported have managed to be delivered at least what I pledged for. Then again you have to trust that they manage... Another interesting thing is that i do come back to KS often to look at the page so i can look at the total amounts they get, how many backers they have. I love that, it was super awesome. I think I've seen somewhere that I really liked..

V: What about comments and updates?

Respondent #4: I look at updates and comments. But comments would just be a quick scroll...

V: Do you ever talk to developers?

Respondent #4: I have been interested to but I haven't ever done it so far.

V: Do you ever check information outside of KS?

Respondent #4: I sometimes do a quick google check but very rarely.

V: I think that's about it for now. Would I be able to contact you if I think of further questions?

Respondent #4: Yeah of course! You can call me if you want and we can discuss whatever, its really fun I think.

Respondent #4: Thanks a lot!

Respondent #4: Hope you got something you needed and you were looking for!

Appendix 7.5 Interview #5 (Respondent #5)

V: Hur länge har du använt KS?

Respondent #5: Säkert sedan 2-3 år tillbaka.

V: Det är ganska länge.

Respondent #5: Men jag har inte alltid varit jätteaktiv.

V: Dröjde det länge innan man backade sitt första projekt?

Respondent #5: Ja jag surfade sidan rätt länge faktiskt. Till slut backade jag ett projekt

V: Varför surfar man sidan om man inte köper saker?

Respondent #5: Man är ju där för att läsa om saker! Det är sällan man köper saker men där finns massa kul att titta på!

V: Hur kom du i kontakt med KS?

Respondent #5: Det var en kompis som rekommenderade något projekt som han tyckte var coolt och när jag kollade runt på det så tyckte jag det var coolt och så...

V: Vad var det som var coolt med det?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #5: Det var just sånt här. Jag är sucker produkter som är nya och coola och som inte alla har. Sen är det kul att de drivs av folk som inte är enorma företag också.

V: Känner man det behovet att man vill hjälpa ”the little guy”?

Respondent #5: Ja lite grann, samtidigt många som har väldigt bra idéer som inte kommer få funding på andra sätt.

V: Du skiljer på projekt och produkt. Vad är det för skillnad för dig?

Respondent #5: Projekt är snarare att kanske starta upp en restaurang eller starta upp en gård eller något sånt. Till exempel var det någon som ville öppna en affär där dom skulle växa allt i affären.

V: Coolt. Hur ofta är du inne på hemsidan?

Respondent #5: Det är nog en gång i månaden eller någonting sånt. Jag kollar in lite då och då.

V: Kommer man in för att skumma igenom saker eller vet man mer eller mindre vad man är ute efter när man kommer dit?

Respondent #5: Nej, jag skummar bara. Jag kollar vissa kategorier ganska bra mycket mer än andra. Ska jag backa en produkt så ska det vara något jag verkligen vill ha eftersom frakten kostar också.

V: Vad är det som lockar dig till siten kickstarter innan du går dit?

Respondent #5: Allting där är så pass nytt och fräscht och det finns massa nya idéer och det är sällan någon som vill sälja något som redan finns.

V: Är man mer öppen för innovation när man är där?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #5: Ja absolut. Jag är ju där för att söka nya produkter så även om man bör ha viss skepticism mot produkterna eftersom dom är så pass nya så släpper man det lite och det blir mer excitement att nu ska jag hitta nya grejjer. Då är man också mycket mer öppen för det nya eftersom man själv sökt sig till det. Det är ju en idé databas där du kan köpa ideerna. Det är ett litet fönster till framtiden.

V: Är det en del av kickstarter produkten?

Respondent #5: Ja absolut. Att få ta del av all produktprocessen är ju definitivt en del av det roliga. Bara det att man känner att man bidrar är ju en del av det hela.

V: OK vi öppnar kickstarter tillsammans så surfar vi runt lite tillsammans och går igenom hur du brukar göra. Jag kommer låta dig surfa först och gör det som om jag inte vore här. Hitta ett par projekt och ta den tid du vanligtvis hade tagit så var inte stressad. Vill att det ska vara så likt ditt vanliga beteende som möjligt.

Respondent #5: Alright!

(Respondenten surfar)

V: Ok det verkar som du har hittat ett par. Vi ritar ner lite vad du har gjort. Du går direkt in på kategorierna?

Respondent #5: Jag klickar egentligen mig direkt in på kategorierna.

V: Kollar du inte på framsidan?

Respondent #5: Väldigt sällan. Det är inte saker som intresserar mig oftast. Fan inte van vid mac...
sorry

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: Det är lugnt jag guidar dig.

Respondent #5: Jag brukar gå in på design och teknologi.

V: Ok vi tittar på en av dom.

Respondent #5: Sen brukar jag skumma runt på popular this week.

V: Varför?

Respondent #5: Det är väl lite utvalt för att dom tror på ideerna. Generellt brukar det vara ganska bra grejjer där i den kategorin.

V: vad lägger man märke till först här?

Respondent #5: Jag brukar först få en basic uppfattning om vad det är för något genom att kolla på bilden och rubriken. Sen kollar jag hur mycket som har blivit pledged för att se vilka som fått hur mycket.

V: Vad tänker du på det?

Respondent #5: Är det ett stort projekt så blir jag impad för att det är just ett stort projekt. Jag kommer sannolikt hitta något intressant om jag klickar på de som fått mycket

V: Hur tänker du kring projekt som ligger på 0% funded? Hade du backat ett sånt projekt?

Respondent #5: Jo kanske, det hade varit kul. Samtidigt vet jag inte om jag hade orkat. Det är väldigt många projekt att gå igenom och man har väldigt lite att gå på då.

V: Tänker man någonsin att ”bara för att många andra har lagt in pengar så måste det vara något bra”?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #5: För mig är det inte så att jag inte vill röra ofundade projekt, jag orkar bara inte leta igenom dem. Det är väl mer att jag kanske ger dom attention som jag annars inte hade givit dom. Även om det inte slår 100% rätt för mig så kanske jag ger projektet en chans bara för att se vad det är alla är så impade över.

V: Ok, så det har mest att göra med att dom får mer uppmärksamhet av dig?

Respondent #5: Ja.

V: Vad gör du sen?

Respondent #5: Sen klickar jag på projektet om jag tycker det verkar intressant.

V: Vad tittar man på på den här första sidan och hur tänker man?

Respondent #5: Jag kollar först på produkten då jag försöker fatta vad den verkligen innebär. Jag skrollar typ igenom eller börjar kolla på videon eller så.

V: Är produkten det viktigaste att fatta först?

Respondent #5: Det är ju typ det viktigaste i helhet, jag vill ju veta om jag vill ha den.

V: Bryr man sig om de bakom projektet?

Respondent #5: Inte så mycket egentligen. Jag vill ju se att de är trevliga och verkar sjyssta, men annars inte.

V: Använder du KS mer av god vilja än att få något tillbaka för det?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #5: Det är lite blandat, mest är det för produkternas skulle faktiskt.

V: Bryr man sig om deras kompetens eller vad är det man tittar på?

Respondent #5: Det har jag inte tänkt på förut, men så länge dom verkar vara bra människor som kommer att göra det dom säger. Jag tycker inte det bidrar så mycket att veta vilka de är och så, bryr mig inte så mycket, vill bara ha produkten och veta så mycket som möjligt om den. Är roligare så.

V: Är du annars en gadget människa som måste ha allting försT?

Respondent #5: Nej egentligen inte. Brukar vara ganska sen.

V: Sharear du ks projekt på FB?

Respondent #5: Jag brukar länka till dom jag vet kommer gilla det. Men jag lägger inte upp det som status bara för att skryta liksom. Sen har jag själv funderat på att starta eget och det är också en del i det hela.

V: Hur har dina erfarenheter varit hittills?

Respondent #5: Ofta har det varit väldigt långsamt och när jag t.ex. köpte en plånbok för alla kort och så och den tog tid. Mindre produkter brukar gå snabbare.

V: Är det en rationell process eller är den emotionell?

Respondent #5: Det är nog blandat och jag tror att det inte är så rationellt speciellt med projekt. Med produkter blir det nog mer rationellt för då förväntar du få något tillbaka. Det är inte ideellt. Folk här har inte heller samma kompetens som någon som ska skapa något större företag. Dom har liksom bara en ide och då blir det en platform för att skjuta fram idéer.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: Generellt, tror du att KS kommer att leva vidare?

Respondent #5: Jag hoppas det. Det bygger väldigt mycket på trust. Man måste lita på dom man ger pengarna till och man kan inte hela tiden heller gå och tro det värsta om människor. Det känns bra när människor kan hjälpa andra utan att vara livrädda för bedrägeri och eftersom summorna oftast är ganska små så vågar man ge det till människor som behöver det utan att behöva göra en lika stor bakgrundscheck som du säger att venture capitalisterna gör. På samma sätt måste man lita på att personen ska kunna klara av det.

Respondent #5: Det är så personligt med KS också, Man kan kommunicera med människorna och dom tycker att det är så coolt att någon från sverige vet om deras produkt. Det är kul att man kan förgylla någons läge. Folk hjälper varandra och det känns bra.

V: Jag tror att thats it. Kommer du på något nu så får du jättegärna höra av dig. Jag vet att vissa frågor kanske man behöver lite tid för att smälta och om man kommer på att man gör på ett annat sätt så får du jättegärna höra av dig.

Respondent #5: Ja men hör av dig om du behöver mer eller om du behöver bolla idéer och så.

V: Tack, det kommer jag säkert att göra!

Appendix 7.6 Interview #6 (Respondents #6, #7, #8)

V: Ok guys, I have started recording. So guys, dont be afraid to join in on any conversation even if you didn't start that line of conversation yourself. I would love to see a discussion where as many people give their input on each subject we discuss as possible.

V: So what products have you guys backed?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #6: My most recent backing was of a set of square skateboard wheels, and I have backed some other smaller projects as well such as a wallet and a few other smaller things.

Respondent #7: I have also backed the skateboard wheels actually and then donated some money to other projects.

Respondent #8: I have backed quite a lot of things but the biggest ones were the oculus rift (gaming goggles) and the pebble watch. I have also backed some stuff on Indiegogo, among them a button you put on your stuff in order to be able to locate it if you lose it. I was going to attach it to my dog since he runs away all the time. I've backed some cardgames too.

V: Oh so you have been on Indiegogo as well. Do you treat the two sites differently at all?

Respondent #8: I think KS demands like a bit of a premium so it's a bit of a classier place to go. Certain projects will not get to kickstarter since it is very popular and therefore Indiegogo is where I can find even more weird stuff. Its more street, anyone can come in. But the sites are almost identical. On indiegogo you can also back without using the all or nothing model.

V: So why would you not just stick to kickstarter? Why do you go to indiegogo?

Respondent #8: Its just to get a broader set of projects and get a full view.

V: How long have you guys been using kickstarter?

Respondent #6: I have known about it for a long time like a couple of years but I hadn't backed anything until a few months back.

Respondent #7: Yeah I am even fresher than that and have only been using it for a couple of months.

Respondent #8: I have been using it for like two years or so.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: How did you find it?

Respondent #8: There was one big project that kicked it off but I can't remember which one it was right now. It was about the time of the pebble. I think we started talking about it in the office. I think generally through lots of tech word of mouth and tech blogs.

Respondent #6: When we would get bored in the office we would just scan KS over and over so it started at work.

Respondent #8: I've also backed a podcast, an app – a one second everyday thing, and yeah that gps thing for the dog. Well I made it for the dog it was an all round gps.

V: So what's so fun about kickstarter? What's so great about using it?

Respondent #8: Because you get shit that isn't there anywhere else.

V: Are you more open for innovation when you're on the site than you would perhaps be in a normal store?

Respondent #8: I think it affects how open I am to new stuff. I mean after all, I am actively seeking new things when entering Kickstarter, it's what I'm there for... Also, for some reason, if you saw a lot of the stuff on Kickstarter in like a tacky gadget store you would immediately disregard it..

Respondent #6+ Respondent #7: Yeah Agreed...

Respondent #8: It feels more like an innovative serious project on kickstarter than when you see the final product in a tacky gadget store.

V: Are you a gadget guy? Are you early at adopting products in general?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #8: Im generally early at adopting products I would say.

Respondent #6: I wouldn't say that I am. Only if I find weird corky things that I find interesting would I back.

V: Lets have a look at kickstarter and ill let you guys go through your process of selecting projects, and you guys can compare. And don't be shy, you all know each other a little bit so just be honest with how you decide on what to back.

V: Ok, how often are you guys in on KS?

Respondent #8: I don't think I have ever actually browsed the site from scratch. I just go through links. Someone will be like "check out this thing..."

V: Do you generally have a network that uses KS a lot?

Respondent #8: Yeah most of my friends do. We are all readers of a lot of tech stuff so stuff surfaces among my group of friends and then we send them around.

V: What about the rest of you?

Respondent #7: I don't get it delivered to me like that, although I wish I did.

Respondent #6: The only person I know who does kickstart is Chris actually. You have sent me some links sometimes but not often. So when I go in on the site I don't really look at the front page. I go to discover and then I just browse through the front page first, but really quick over the areas I'm generally not interested in.

V: Which ones of these functions do you use?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #6: I go first into categories, there are a lot of things like art, comics and dance that I am not interested in at all. I would go to design and tech. Those are the only ones I look at.

Respondent #8: I think most people do the exact same thing and if I where to browse the site I would do the exact same thing. Those are the two categories that would interest me as well.

V: Why don't you like categories like fashion? I mean everyone needs clothes right?

Respondent #6: For example, I skip the fashion category for the same reason I do not read fashion magazines or blogs. I still consume fashion products everytime I purchase a new pair of jeans in a store, but I am not interested in it in the same way that I am in Technology or Design.

V: What about you BC?

Respondent #7: I do the same but I sometimes get stuck in food as well but I also look at tech and design.

V: Ok so since you all seem to have tech as a common denominator, why don't we look at the tech category for a while. And Chris, you will have to wait a bit since it seems that you would just drop into the project page directly through a link from a blog or your friends.

Well actually we can start with you there chris. How do you assess a project when you end up on the project page?

Respondent #8: Well, I guess the first thing I look at is how much they are asking for and looking how much they have earned and the time the project has been up. Like if I look here, they're obviously very fresh but already way over their funding.

V: And what does that tell you? What do you think?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #8: It makes me want to see why! Why have they gotten this much attention?

V: Do you ever look at how many other backers the project has? Would that affect your decision?

Respondent #8: I'm actually always amazed at how small the backer numbers are. That seems like a hell of a lot of money for just that number of people. Then I'm like what the hell... that's amazing.

V: But its not something that has a similar effect to the thing you said about the money they have gotten?

Respondent #8: No I really don't consider the number of backers too much apart from the thing I told you earlier that I can be surprised that there are so few backers.

V: What happens next?

Respondent #8: I usually just go for the video and hope that that will give me a quick understanding of whats going on here.

Respondent #6: I usually scan the text first to see if there are interesting pictures. The video takes too long for me I don't have the attention to let someone else tell me whats important. Let me look at what I find important first. If someone recommends something to me I think I will watch the video. Then I assume the person who sent it got at least something that he thinks I will find interesting.

Respondent #7: I also check the video because im to lazy. I want it served to me.

V: So give me an understanding of your attention span here. Your mentioning words like lazy and short attention span.

Respondent #6: 20 seconds. Show me the product within 20 seconds or I get really antsy. "Why are they talking about this without showing me important stuff."

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #7: I'm the same there, I really don't spend a lot of time for each project and I can be very quick at saying this is not worthy of my attention. If the project has lots of funding, then my attention span may be a little higher because I assume something awesome will happen shortly, but otherwise you have to entice me right away.

Respondent #8: Because most of my friends recommend me project or because I almost always find the project through an external source, I usually give those projects a bit of attention, well anyways more than these guys are saying. At the same time, the amount of project I give attention too is less than what these two are saying. Its easier to get S or BC to your project, but you will lose them quick. With me its hard to get me to your project but once I'm there you have my attention at least for a little bit of time.

V: Ok I understand. So lets have a look one step back for you two (BC and S) and see how you even get to the project page and what you consider. (Picks up the categories page for tech.) What do you look for here?

Respondent #6: Here I would just... Wow this one caught me right away.

V: Why?!

Respondent #6: It has like a nice sleek design... I have no idea what the hell this thing does but it looks really cool... Then I see that it has 700% funding... It seems to be extremely popular and I don't even know what it is... It sort of irritates me and makes me curious at the same time, so I have to find out more.

V: Ok I see we instantly got into the picture here without me even mentioning it. Is this the first thing you guys look at?

Respondent #7: Yeah the picture is important. Its kind of like im window shopping, the picture is the first thing that needs to entice me and its actually quite good that I don't know exactly what this is

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

because it makes me curious. Some projects I know exactly what it is and I will almost at that point know if I need the product or not. But this is just looks so innovative that I need to check it out.

Respondent #8: If I was to browse I think the picture would be my first focus as well, I would probably read the title as well to see if I can further understand what it is.

V: What else would you look at? Would the picture be enough for that one we just saw?

Respondent #6: Well the picture would be enough for this one... This one is a little special though, the picture is fantastic. Also I see that it has a lot of cash... then that shows that something is going on.



Respondent #7: See you can also see the % funded here and this one is at 700%. This for me could be really cool.

Respondent #6: It's a genius picture. Good colors too.

V: If it was the same thing, but only 13% funded, would it be enough for you to check it out?

Respondent #6: Yes, because of how long it has been on there. However, If I knew it had been on there for long and it hadn't received much funding, then I would probably disregard it completely.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: What about this one? It is first up there but you skipped to the second project directly. Why did you skip this one?

Respondent #6: Well the design isn't very interesting at all. Off pocket doesn't tell me anything at all so the title doesn't give me any more information. I don't even know what that means. I might still click on it quickly.

V: Why would you click on it if you have no idea what it is?

Respondent #8: Well to me it seems less sexy.

Respondent #6: Its definitely less sexy. The fact that it says " A privacy accessory does interest me a little, I don't really know what that is but it sounds like a term that I would like to know what it is."...

Respondent #7: Well to me it looks like it essentially does the same thing as turning off your phone. But because I know that turning off your phone is not worth all that money, I would check to see whats going on there...

V: Whats your view of staff picks and popular this week. Do they affect you?

Respondent #6: Its just that they have already been sifted through. If you look at all of them, its just too daunting. It depends how much time I have. If I have been in on staff picks and popular the day before I will dig into the next layer. But right now I haven't been on KS in weeks so I would go to staff picks and popular.

Respondent #7: Yeah me too. Same logic.

V: Is it correct to say that you two use the sites functions to sift through projects and get a project pool and you, chris, use your own personal network to sift through projects. Is that correct?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

All: yeah that's about right.

Respondent #8: Occasionally I get e-mails and click through that as well.

V: Lets take a look at one of the projects that you guys backed and we will start with the rift (occulus rift) because that's one that is especially interesting for my research.

Respondent #8: By the way how do you guys feel because this is in pounds? Because I automatically thinkg, this is a british project, I would give it more attention just because of that (He is british).

Respondent #6: I would just convert it in my head. But I would just times it by ten to get it in SEK. When your on the verge of pledging then I would check how much it would be on the crown. I would NEVER pledge to get a t-shirt or anything I would always go for the product.

V: Not even if you donate?

Respondent #6: I would probably not donate.

Respondent #8: I'm not sure, I might if the project was right and the product was wrong. Or not wrong but wrong for my current situation. Part of it your investing in the process, that's part of why its attractive. So I find it cool backing a tech project and getting the e-mails like "Hey we've just visited a factory in china and we've got the molds up!" and im like that's awesome I feel like im part of that... This was the case with the occulus but I loved the product idea as well.

Respondent #8: But did you know that if a project doesn't get funded, you cant search for it any more and they remove googles ability to index the site. So if the project doesn't get funded it wont come up any more.

V: What are your feelings behind that?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #8: Its just a clever way for KS to hide failures.. Its sneaky... but I mean... I understand it...

V: Do you remember anything about what you did with regard to the occulus rift.

Respondent #8: This was endorsed by John Carmack, he basically like founded doom. So I found it through a blog. A company as well... and hes massive in the game world. He was like throwing this out to a lot of people. Immediately there was a social proof aspect, this guy supported this therefore I should probably check it out! And I think what really did a lot for this is within this video they have got all the big players within the video game industry saying like “this is awesome, you should back this”.

V: So how do you respond to stuff like that? Endorsements as they are?

Respondent #8: Well if I buy it and it turns out not to be a success then it wont be adopted by developers. It needs to be taken in by developers.

V: How much did you pay?

Respondent #8: 300 dollars + shipping like 60 dollars.

V: Ok so if we take all of these famous people out of the video, no developers, no doom guys... would you?

Respondent #8: Probably not.. because it needed that. They where very clever because they showed exactly what was needed to take off. They where absolutely open in stating that you need certain things in place for something like this to become successful. You need the games behind it...

Respondent #6: So was the question whether they could develop the actual kit or was it more of a risk that they could not develop enough games to make a success?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #8: It was the latter. Without the content the device is meaningless. They were very clever at putting that stuff forward and had that not been in there it would probably not have been nearly as successful.

V: How long did it take for you between you found the product and you actually backed it?

Respondent #8: Yeh it was like 20 days.

V: Wow... Did you follow it for that time or what happened during those 20 days?

Respondent #8: The hype for it built up and people kept talking about it and then they raised 2.5 million which was like the highest ever.

V: Do you remember what it was that pushed you over the edge to say dammit... im doing this...

Respondent #8: I think just hype...

Respondent #6: Where you concerned they would run out?

Respondent #8: No not really... Then with backer numbers... large backer numbers create problems... That's what I experienced with the pebble. Because they were so many it was soooo delayed. Many backers creates many problems.

V: Does it have a social proofing aspect?

Respondent #8: I think that you get a sense of security that, now that we talk about it, is kind of dumb... Like I wouldn't want to be one of very few to invest in something that fails because then I will feel like a sucker all on my own. I want other people to have invested as well so that im not all alone.

Respondent #6: I feel pretty anonymous.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #8: Yeah but its still a part of it, everyone wants to be a part of the winning team...

V: Ok so we isolated the developers before. Lets isolate and remove the number of backers... without the backer numbers, would you have invested? If it had like 10% funding too?

Respondent #8: Yeah that was still a part of it because then I knew they had the funding to pull it off. The fact that I had funded it, for that same reason that you don't want to feel like an idiot alone, also makes you so involved in it and you want it to succeed so you don't feel like an idiot. You feel like a part of the project.

V: So it still took 20 days... what kind of information did you find during those 20 days?

Respondent #8: I thik they managed to get out prototype kits to blogs and stuff so they could review it for us and said "This is the most amazing thing" and stuff...

V: What about product specs?

Respondent #8: They were pretty open about what products would look like. They were open with the fact that this is NOT for consumers. This is for people who develop games. So I was well aware of that. This is the developer kit, not the consumer product.

V: So why did you want the dev. Kit and not the consumer product later?

Respondent #8: Because I got wrapped up in the hype. :D and I PANICKED!

Respondent #6: You also have a lot of friends who would think it was really cool that you had the occulus rift so you would get a lot of social cred for having the dev. Kit.

Respondent #8: Yepp... haha

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: Did you get the response you were hoping for? Like you're a cool guy for having it...?

Respondent #8: I don't think the word cool is the correct word! :D (more like nerdy) They were excited by the fact that I was a part of it. I was really only ok to get this because I got a raise at work. My friends were jealous that I could just blow away this money.

V: Are KS products a luxury products?

Respondent #6: Yes...

Respondent #8: Yes!

Respondent #6: Because none of it is crucial to your actual lifestyle...

Respondent #7: Yeah I agree, I mean I could live without all the stuff I got at KS... I get it for fun... not for any other reason...

Respondent #8: But this kind of thing is so perfectly tailored to me who is an early adopter and always want like the latest greatest thing and next upgrade. KS caters to that personality sooo well..

Respondent #6: I don't mind not owning the latest greatest thing, I just think its fun knowing about it. To me im happy enough to wait until they get a fully functioning product for me as a consumer.

V: What about donating money to get it to market?

Respondent #6: Only if it was a very specific product.

Respondent #8: Oculus just got series A funding, 16 million now...

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: Would that have happened without KS?

Respondent #8: I don't think so. But they do have an incredible team. John Carmack joined their team last week which is like sick...

V: What about pebble?

Respondent #8: Pebbles interesting... I don't feel nearly as connected to my pebble as I do my oculus. Im not really sure why?

V: Are they worse at giving updates or what?

Respondent #8: Well the story of the Oculus was so fun to follow. Some 20-year-old web school kid who did it in his garage. It was awesome to follow how this idea had evolved into the product they were showing me and that I could potentially own it if I wanted to! I have a very different relationship with my Oculus than I have with most of my other gadgets.

Respondent #6: This is something they have been trying to do since the 80's (occulus)... So its been going on for looong now and its about time it gets done!

Respondent #8: I mean also when the entrepreneurs are really enthusiastic you know they will give you a good product. Like I saw some dude who was like freakishly into pens and had made a pen, and someone who had made a keyboard and like really loved keyboards.

V: But its interesting C because you seem to know a lot about the background of the two projects. Do you usually look at that and would that be more for fun or for the projects sake and if they will make it work in the future?

Respondent #8: Their pedigree comes into my decision of whether or not I should back it because I want to know if they can pull it off or not. So with these guys, fair enough they did it for blackberry they can probably do it again.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: Could you have backed the rift without the background of the people? Do you care?

Respondent #8: I need the background. I want to know if they will be successful.

V: What about plans?

Respondent #8: If I was really responsible for my KS purchases I would also look at their plans and stuff.. But at the same time I don't want to be weighed down by... like I don't want to know about the project management... I probably should If I want to make sure its REALLY going to be successful but part of me wants to keep it fun... theres a limit of how deep I want to get into it.

V: But have you invested in any cheaper products because both the pebble and the rift are quite expensive products.

Respondent #8: Umm.. The indiegogo thing was like 30 dollars.

V: Can you compare those two processes?

Respondent #8: Yeah the indiegogo thing was pretty awful. It looks like its come off a shelf in china. The box was all squashed and it looked tacky. It works, but...

Respondent #7: What was it you got?

Respondent #8: A Bluetooth jacker... its like a pound coin... Its for anything, you can put it in your wallet or whatever.. I thought it was cool for dogs because my family was worried my dog would disappear into the forest and stuff..

V: So the rift took 20 days... This one couldn't have taken 20 days to decide...

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #8: No because I wanted a thing for years I thought it would be a really good product to have so I said.. finally... im just going to get it.... The reason I was so quick to jump the gun there was because I had been thinking about it for a longer time but it wasn't the kind of product that I would die if I didn't get right away.

V: So with that project... did you care about the story or the people behind it and all that stuff?

Respondent #8: No not nearly as much... That was a much more functional purchase.

V: Like a normal product purchase?

Respondent #8: Yeah and it was on indiegogo... theres something less sexy about indiegogo.

V: How aware are you of the risks of crowdfunding? A lot of people seem to be treating it as a normal product purchase without realizing that there are risks.

Respondent #8: Again, part of me doesn't want to know that there are risks.. Somehow I still know though... Theres the whole issue of the "Kickstarter is not a store..." However, you think you are buying this thing as a pre order whereas it really is not. Experience will teach you this however... start backing some projects and soon you will realize that there are risks of delays and more.

V: What about fraud?

Respondent #8: Not with the KS ones but indiegogo I was.

V: Did you take any action when you felt that?

Respondent #8: To me it was only 30 bucks so I was like fine... Because the concept is only a couple of years old we are still learning exactly what this thing is.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #6: But this is also more open products that can develop in many ways but the indiegogo ones is what it is... its so simple.

V: Do you ever check if the products exist anywhere else? Like with the pebble?

Respondent #8: Good question... im not sure...

Respondent #6: I assume it is all novel... I assume that its got enough credibility on KS that everything they post will be developed but maybe not on time. I am completely treating it as a store. But I would treat equity crowdfunding very differently. There I would look at plans and backers and stuff.

V: So what is this really? Are we going to replace venture capital? What are we actually doing when we back projects?

Respondent #6: This is showing that there is demand for the product. Its more or less just market testing.

Respondent #8: yeah that's exactly what it is

Respondent #6: This is placing pre order on a product.

Respondent #8: This is allowing the early adopters to gauge the interest and then you can get proper VC funding later. I always get amazed that people don't know what kickstarter. Noone has heard of kickstarter.

Respondent #6: The biggest problem we have is explaining to the person on the street what crowdfunding is. It's a pretty simple concept, and we have done it for thousands of years through churches taxes and stuff... But its still a big problem.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: Do the best projects actually surface because they are the best or are we just jumping on board hypes?

Respondent #8: Everything about KS is designed to maximize hype because you have no way to actually test this thing and know what the future will hold.

Respondent #6: Its as much about the campaign as the product itself.

V: To what extent are you making these decisions on your own as opposed to making the decisions based on lots of other people.

Respondent #8: Some people go to sites that will do a regression to say if a project will meet its goal or not and probably use that to base their decisions as well... The Ubuntu phone... which has today gotten almost 10 million dollars is something that I thought about jumping on board on. But the idiots asked for 32 million which is a sum that will NEVER EVER be reached by anyone. Therefore I already know that this project will not get the funding and therefore I will not back it. That for me was enough for me not to want to be a part of the campaign. I don't want to be a part of a failing campaign... Im not going to waste my effort.

Respondent #6: I think there are two separate stages and your influenced by others more in one of the stages than the other. When you narrow down the pool of projects and you sift through until you get maybe ten that you like. Then you go on each individual project and then it becomes your OWN decision. So when you pool projects you are influenced but less when you actually go to evaluate the project itself.

V: But is there ever this thing that you would buy without looking at any information? And is this information mostly from the KS site or do you actually go off the KS site to look for info?

Respondent #8: I go outside... definitely. If you look into the zach braff campaign you can see how many people were angry because that's not what this thing was for! It's for people who don't have the opportunity to get that kind of money.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #6: With the mind reading device... its just so far from me believing its actually going to work for me and that's why I wouldn't invest in it. But it got my attention as you saw. But its just to far ahead for me.

Respondent #8: The reason why the zach braff thing is interesting. When you really get down to it he said give me money because I am zach braff.. He wanted 30 dollars for his film. That was the lowest thing when you actually get something.

Respondent #6: When it comes to tech stuff.. Your expecting to pay almost marginal cost because your contributing to their future development. So Im taking some of the risk. If that's not the case, then I feel fooled. We are paying for their development...

V: Whats your role in the KS process? Are you a consumer, an investor? What are you?

Respondent #8: I don't think our role exists. Theres no name for it yet. You are part of the process. I don't feel like im buying it off a company. Um... I don't feel like im investing either. I do feel like an advocate... I don't know...

V: Do you ever feel as you're a part in the development?

Respondent #8: No I'm not a contributor... Advocate is a good word but its still not perfect.

V: Do you feel like you take part ownership in making the project possible?

Respondent #8: Um... Not the latter but I do feel some ownership for sure... It's a little hipster but I was there from the start.... Its like finding a band that no one else heard of and you heard it first.... Makes you feel like you are a unique snowflake?

V: What about geography?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #8: Same thing as I said before about the pounds. If its listed in pounds I will think “Oh hey.. they are british... I will go check it out...” A little bit... but only in the positive sense... I wouldn’t discriminate against the americans.

Respondent #6: yeah but some are US centric some don’t even want to ship to Europe....

V: Do you think we base the decision on our gut or is it a rational decision.. Is it a mix of both... what do you say?

Respondent #8: For me its generally being impuls..

V: are you smart in the process of doing it?

Respondent #8: I don’t know... we get wrapped up with the crowd and it is a hype machine.... Not a lot of this stuff would sell in a store to be honest... The products have to be really bad to disappoint me because part of me wants to see them succeed really bad.... I want it to be good...

V: One last thing before we stop... Are you more project than product oriented? What about projects that already have funding already. Do you still want to fund them?

Respondent #8: For sure... I might want to get in as early and possible so long as I feel safe with it. I want to jump on early so I get all the updates but I need to have reduced the risk to a comfortable level...

Respondent #6: Guys I think we better start moving towards the airport.

V: Oh yeah sorry, thanks so much for the interview! This was really really helpful and interesting.

Respondent #8: Thank you. It is interesting, really.

Appendix 7.7 Interview #7 (Respondent #9)

V: Alright lets get started. So how long have you been using Kickstarter?

Respondent #9: I've been using KS for a bit over a year now I think. But we can check it on the site. Yeah here it says since March 2012.

V: So what is it that made you turn to KS in the first place?

Respondent #9: Well a friend showed me a project through KS. We both are a bit of tech nerds and it was a technical project. Then I saw that there were lots of cool things on the site so I continued to use it.

V: Whats so great about it really?

Respondent #9:: It just so much fun to find all these new things. It feels like a really creative way for entrepreneurs to get money for their projects. For me peronsally its mostly because I love to browse around the site to see whats new. Its also a great way to help the little guy instead of the larger companies. People on Kickstarter are also really honest. Whereas big companies keep everything I want to know secret, the people on Kickstarter open up just about everything from product development to how its going to be produced and all that stuff.

V: What is it that corporations don't do that you appreciate about KS?

Respondent #9:: Well its just that bigger companies keep everything secret until their products are launched. They are just really secretive and people who are interested in technology, like me, cant get in contact with this type of information. All the technical stuff is awesome to take part in during development and not just afterwards. I get in contact with all kinds of information through kickstarter.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

All information around the product and I think that's really fun. Its fun and I learn things at the same time.

V: Is there any other place where you feel you get this opportunity?

Respondent #9:: Not really, I mean when I online shop, sure I can get specifications on products but not on the level I want. And I also don't know where those products come from or how they are made. I mean no-one in our society knows anything about their own products really, and then you don't feel connected to them in the same way. Its totally new stuff and I can get in contact with all the information about these new things so its just a place where I go to get new information. If I had to liken it to something it's a similar thing I get from reading blogs. It's a way to stay on top of what is new and find out about cool and exciting things that are happening in your field.

V: What about the aspect that you can actually buy these products. You cant really do that on a blog?

Respondent #9:: Well first of all, I never go to kickstarter to buy things. I think probably like 1% of all the times I visit kickstarter I will buy something. I go there to read and browse, not necessarily to buy. As I said, its more like reading a blog. Then occasionally I get so excited that I do in fact buy something, but its never the goal when I enter the site. Its fun to know that you can buy stuff though.

V: Aren't you nervous that the products aren't fully developed and stuff like that?

Respondent #9:: I don't want a fully developed product. I want to be able to follow the development! If the product is already developed, then why do they need my help. Here its about helping someone work through something interesting. The fact that the product is not fully developed and not on the market is what makes this system awesome. People who post on KS have to be open though, they have to give me information or I wont get excited. They have to let me into their development process 100%.

V: Does using Kickstarter make you feel better than buying say an Iphone?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #9:: Sure I mean I know these people need the money to get their product done. I don't think a lot of them will get the money from other places either. It feels good to help someone. In the end, I get the product anyways so I help him help me. It's a nice system I think.

V: But what kind of people are these project initiators in your eyes? Like are they similar or different to you?

Respondent #9:: I mean to me it feels a lot like its quite ordinary people. Its not this big question mark entity like a corporation can sometimes be. I mean I am a really interested consumer of electronics so I know quite a lot about it. So I mean the project people and I are not so different a lot of the time. Its just someone building something cool and playing around with tech stuff.

V: What about when you enter the site. Whats different from entering say an online store or a normal store. What do you expect of kickstarter when you go there?

Respondent #9:: Well I go to kickstarter to see new and fun things. I don't really always expect the same when entering normal stores. Its just exciting stuff presented in an awesome way.

V: One other respondent claimed that if some of the products on KS were placed in say a gadget store, he would see them as quite different. What do you think of this?

Respondent #9:: Gadget store?

V: Yeah like for example Cool Stuff in Central malmö.

Respondent #9:: Oh yeah I mean when you see it on KS you think its new and cool and you expect less because it is a prototype. When I enter cool stuff I don't even see those things as innovations, they are just tacky gadgets that are of low quality. But I see your point there, a lot of the products are in fact not so different. I guess what the major difference is is that the products in Cool Stuff are not products that I have had a chance to follow through their development. Then they turn out less interesting to me. I

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

have even seen some things from KS ongroupon, and thought to myself; This looked so cool on KS but now it looks pretty stupid.

V: So when you have backed projects... What has been fun about it?

Respondent #9:: First of all, I can get stuff that no one else I know has. Its awesome because I can show people what I got and they get really interested in the stuff I have. Then I can explain where I got it and they are always like “wow! That sounds pretty cool, send me a link” and stuff like that. I like having stuff that others don’t have and I like having it before others have it.

V: What about when you are on Kickstarter? Do you feel the same need to identify projects before everyone else has seen them?

Respondent #9:: How do you mean?

V: Well, like would you rather support a project that has 0% funded than a project that has lots of funding already?

Respondent #9:: I mean to me it doesn’t matter, but if I was to look at projects that no one else has noticed then I would have to read about each and every one of them, which is a hassle. Now I can kind of look at what other people seem to like and get the most interesting ones and read through those.

V: But what type of products do you generally buy on KS. Do you have any examples of what you would/wouldn’t buy on kickstarter?

Respondent #9:: I mean the things we find on KS are things we don’t need. Its fun new stuff that you just buy because they are cool and fun to play around with. But I don’t usually buy stuff I really need.

V: Can you give me an example of a product you would normally probably not buy on KS?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #9:: Well say if I was to buy a new laptop, I would not buy one on KS.

V: Why?

Respondent #9:: Because if it doesn't work im stuck there with a shitty laptop that doesn't work. I need a laptop that works so if the one from KS doesn't work I would have to buy a new one from a more well known brand. Then I would have paid the double price for a laptop. Its just too risky. Especially with expensive products.

V: Ok cool. Listen I thought we would do a little exercise. You have already seen that I brought my laptop and have kickstarter up on the screen. Can you just browse the site as you would on your own free time and maybe locate a couple of interesting projects that you would review if I wasn't here.

Respondent #9:: Sure. So you want me to just do whatever I do when I browse Kickstarter on my own or?

V: Yeah exactly, and don't feel any pressure, I will be looking at the screen with you but take all the time you need. Its really important that you don't stress through it and do stuff that you otherwise wouldn't.

Respondent #9:: Alright

→ Respondent browses.

V: Ok now you got a few projects that you are interested in. What we are going to do now is go through each of the stages and write up little bullet points and then we will discuss each one separately. That ok?

Respondent #9:: Sure.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: Ok so first I saw you clicked on the “Discover” button and then went straight into the tech category.

Respondent #9:: Yeah I always check Tech first.

V: What other categories do you check?

Respondent #9:: I only check Tech and Design basically, the other stuff doesn't really interest me.

V: Alright, then I saw you clicked on “Popular this week” and started scrolling through the projects, then clicked some of them.

Respondent #9:: Yeah that's right I usually check like Popular this week and staff picks mostly.

V: Ok cool! Ok so we have some basic things we can discuss here. Lets start with the front page. Do you consider the first project that pops up here?

Respondent #9:: No I rarely even look at that actually. I mean that's just a project that comes up and it rarely is in the right category that I like anyways. I don't care about fashion stuff popping up and stuff like that. It just never leads to anything interesting so I have stopped looking at it. Instead I go to the category that does interest me and I just check like popular this week so I just get the best projects.

V: Why not just browse the projects that are recently launched or something?

Respondent #9:: No I mean I go to popular this week so I can just browse the best projects. I don't have time or energy to filter through all the projects on the site. The quality is probably much higher among staff picks and popular this week.

V: But I mean you must need clothes and stuff like that too, why don't you check those categories?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #9:: I mean I just don't find fashion interesting. Sure I need clothes but I don't read like blogs on fashion and stuff so I don't care what is on the forefront in the fashion field. I care about Tech and Design. Design mostly because it usually has some cool tech stuff in it too. I need clothes too of course, but not from Kickstarter.

V: Would you ever use the recently launched function?

Respondent #9:: Not really because it doesn't let me filter by category, so then I have to filter through all kinds of projects that don't interest me.

V: Ok so once you start browsing, I see you scroll pretty quickly.

Respondent #9:: Yea I mean look how many projects there are, you kind of have to skim through them to find something. You cant read everything.

V: So what do you think about the design as it is now?

Respondent #9:: I mean it allows me to see many projects at the same time so I think its quite good.

V: So what do you look at when you browse?

Respondent #9:: I look at the pictures first mostly. But to be honest, the pictures don't always let me know what the project is about. They kind of just give me a hint. But these are what spark my first interest. Like this one (emotive) has a really cool picture. Catches my attention right away.

V: What about the text?

Respondent #9:: Well as I said, the pictures don't really show me exactly what the product is so then I read the titles. I mean the text under I rarely read. It takes too long. The titles usually tell me sort of

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

what the product is about. Then I must admit that I also look at the amount funded by other backers. I mean if a lot of other people seem to have liked it, then theres probably something interesting there as well.

V: Like you chose this one. What do you think this is?

Respondent #9:: Actually I have no idea. I guess something to do with your brain.

V: So how come you chose that one?

Respondent #9:: Well it has like 700% funding so theres got to be something there that's really interesting. I don't know what the interesting thing is but I want to know so that's why I chose that one.

V: So you look at percentage funding. Is that usually what you do?

Respondent #9:: Yeah I mean its presented in such a nice and easy way so that's why I look at that. Usually it shows me if theres something interesting there or if its uninteresting.

V: Do you get all your projects by browsing or are there other ways?

Respondent #9:: Well I read a lot of blogs and have friends who also use Kickstarter so they sometimes send me links and stuff. Usually I Browse myself but it does happen that people share projects with me.

V: So do you share projects too?

Respondent #9:: Yeah it happens.

V: And how do you do it? Do you like post something on your status update?

Respondent #9:: No no I don't really post it as a status update. I will send it to them in a personal

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

message. I mean you have to understand that not everyone is super interested in these projects so you have to be kind of specific.

V: But if someone shares stuff with you. Will you check it out or will you usually disregard it?

Respondent #9: I will always read up on the project if someone sends it to me. Usually it is stuff that I find interesting because these people know me and what I like.

V: So you would say that sharing projects is quite personal?

Respondent #9: Yes I don't think a lot of people just post it as status updates.

V: What about with blogs? Do you always check them?

Respondent #9: there is a high chance that I will check them because in the same sense that my friends know what interests me, the bloggers kind of know what interests their readers. So usually if I find it interesting in the blog post I will check it out. If it starts coming up on several blogs then I will have to check it out because then it's probably something really interesting. Sometimes the blogs even get the prototypes and test them in advance. Then I can see right there if it's interesting or not.

V: Ok so let's look at some of the projects you chose. Now I would like to discuss what parts of a project page you will look at and how you will decide on what to back and not back.

S: Ok cool.

V: So just to begin with, I see that you have opened five projects here. That's still a few projects if you're going to read through them all. Do you usually read through them or do you skim?

Respondent #9: I mean out of these, I bet that like 3 will be totally uninteresting and I will be able to decide within the first 15 seconds if I will be interested or not.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: So how would you describe your attention span? Do you have a lot of patience?

Respondent #9:: No really not at all. You have to show me the concept or product right away so I know if its worth finding out more about this concept. Sometimes you see projects where they start with a long story or some information that doesn't even show the product then I will leave real quick.

V: What about if a friend recommended it?

Respondent #9:: I mean ok... if a friend recommended it I will check it out even if its not super interested at first. At the same time if it had like a really high amount of funding then I will have to wait to see whats so interesting about this. But if it has none of these, they better be quick at telling me what the product does so I can see if I find it useful or not.

V: What about blogs?

Respondent #9: Yeah if I found it through the blog and they said positive things about it I would probably be more patient.

V: So do you usually check out the video or?

Respondent #9: No I don't really have time for that. I usually just scroll down and look at the pictures and the titles so I get an idea of whats going on. Then if I am interested I will check the video later.

V: What would you recommend that project initiators do to get your attention.

Respondent #9: Well show the product right away. I want to see it really fast and how its used. I think a lot of projects don't realize how people use Kickstarter. Like I have opened five projects now. They sometimes treat it as though I have half an hour just to look at their project. And obviously I don't. they have to entice me within a minute I would say.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: So what aspects of the product do you look at?

Respondent #9: Well I want to see what it does so I can start thinking if I can apply it to my life and how I would do this. So I mean show the product and show me how I can use it. What can I do with it. This isn't always as clear as you might think because these products are so new.

V: So if you can't use the product you will close down the project?

Respondent #9: I mean sometimes the project is interesting even if I can't like afford it or if it can't be shipped or something. So I might still want to follow it so I can learn about it. If I REALLY like it I might donate to it so I can follow it throughout the process, but that has only happened a few times and it never involves a lot of money.

V: Do you look at price as well here?

Respondent #9: Yeah I mean when I realize that I really want this product, then I will go look directly at if I can afford it or not.

V: So you say it can be a product you really want...

Respondent #9: Well actually, I think the reason I go crazy for some KS products is because first it can be an awesome product that I really think I can use in my life. But then I can follow the project and know EXACTLY how the product works, how they build it, where it came from and stuff like that. So then it becomes a product that is more valuable to me. I mean no one in society knows where their products came from and how they actually work, but with KS products you know all this. Its almost as though you built something on your own, it would be more valuable to you. So it's a similar feeling with KS, but maybe not as strong as if I built it entirely myself.

V: What about the guy who made the product.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #9: Well I feel quite similar to some of these people. They aren't this secret corporation, they are just normal people developing stuff. Its more fun than just buying something a company made actually. I mean you get in contact with the entrepreneur through the video a little bit.

V: So what do you look for in a video?

Respondent #9: Again looking at how the product works. But then there are some people who are really excited while others are really bored. So if they are excited then chances are I will be excited.

V: What about passion?

Respondent #9: I mean passion usually means that they have worked a lot on this product so it feels like they would do a better job if they were passionate, rather than if they sounded like they hated their job.

V: What about the production value of the video?

Respondent #9: That can actually help. Because I can get more excited if the video looks good. At the same time, if they have developed a good product, they should be able to make a good video. So I kind of expect them to make a good video. Sometimes its just some dude filming himself with his iphone in his basement. Then I think its probably not a brilliant product, but it could still be interesting because its just an undeveloped product from someone who doesn't have a lot of money.

V: Ok you mention the entrepreneur. What do you look for in an entrepreneur?

Respondent #9: I mean the entrepreneur is to me just the guy telling me about the product.

V: Do you ever look up information on these people?

S: No I don't really care what they have done before. Im interested about the products story, not the

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

entrepreneurs life story. Sometimes you run into information on the entrepreneur and that's fine, but it usually doesn't affect my decision. I look at the product, not at the entrepreneur or the people behind the project. Of course I don't want them to be immoral or something.

V: So you wouldn't care if the person had 10 years of experience or came right out of university?

Respondent #9: No not at all. I mean if they developed a great product then they are good right?

V: Is it the same when you donate?

Respondent #9: Well I may look to see that they really need the money if I donate. But no I don't really look to much into it.

V: What about their plans and strategies?

Respondent #9: What do you mean? Like how they will deliver the product?

V: Well more like business strategies. How they will work with your money and stuff.

Respondent #9: Im not sure I understand. What they will do to the product afterwards?

V: No more like how they will grow their business.

Respondent #9: No I don't really care what happens afterwards. I mean its fun if they make it huge, of course. But my decision to back or not is not based on if they are going to become the new apple or not. I just look at the product and what they do afterwards is up to them. I hope they make it, but I don't analyze if they will. If they have a great product I think they will be find.

V: So do you consider what the rest of the people will do like if others will like this?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #9: I mean I don't really think too much about it. Sometimes I will say like "wow this must be the next big thing". That's a part of why I browse kickstarter. But that stuff doesn't matter when I buy things because those are for me. I don't buy them because I know everyone else will buy them.

V: Ok so what else do you look at before you buy?

Respondent #9: I mean I have had problems where I have ordered things that didn't work. So Now I have to check product specifics like if I buy something for my phone, then I want it to be compatible for my Iphone. So I check product things like that before I actually send away my money.

V: So you have had problems with KS products before. How come you still use it?

Respondent #9: Well I mean you never know what your going to get. It's a hassle but a part of the fun too. But I learn from my mistakes and now I check everything on the product before I buy it. Sometimes I take a risk, sometimes I check it so thoroughly that I know it will work. Like if its really expensive then I really want to know that its going to work.

V: What about when you donate? Do you check the product then too?

Respondent #9: I mean only if I find it interesting for some reason. Its not important for me to check all the specifics in the same way when I am just going to donate. But I mean I haven't donated that often, only a couple of times.

V: Ok this was a great discussion, I think I have most of what I need.. Do you have anything you want to add?

Respondent #9: No I think its quite interesting and im curious to see what others are doing as well so please share when your done.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: Yeah I absolutely will. I can already tell you that a lot of the things you bring up are similar to what others also say. Thanks so much for your time and please let me know if you think of something. You have my facebook so just write something there if you think of anything.

Respondent #9: Yeah and feel free to write to me too if you have anything more you want to ask. Hope it helped.

Appendix 7.8 Interview #8 (Respondent #10)

V: Alright “Respondent #10”, are you ready to talk some crowdfunding?

Respondent #10: Yeah Absolutely!

V: So remind me, are you a user of any other crowdfunding sites than Kickstarter?

Respondent #10: No, I have heard of Indiegogo as well but I have never used it.

V: So how long have you been using Kickstarter?

Respondent #10: From the first day I started reading or from when I backed my first project?

V: Tell me both.

Respondent #10: Well I first got a project recommended by a friend, and then I thought that the system was pretty cool. I actually didn't back that project though, I just read through it and I thought it was a cool concept, so I continued to go on the site. This was probably about a year ago.

V: So when did you back your first project?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #10: Oh that took quite some time I think. It was probably like four months after I first came in contact with the site?

V: How come you waited so long before you backed? Do you think its like risky?

Respondent #10: Its not really that its just that it took me some time until I found something that I felt I really wanted.

V: So how come you found Kickstarter interesting enough to visit for several months without ever having bought anything. Isnt the cool thing about kickstarter that you can buy new cool things?

Respondent #10: Haha. If I bought something everytime I visited Kickstarter I would be a very poor man right now. I visit Kickstarter maybe twice a month, still I have only backed three projects. The thing is, I don't really go to Kickstarter just because I want to buy stuff, its just an interesting forum for me to check out some new and cool things.

V: Ah ok. So you kind of just go there to "window" shop or something like that?

Respondent #10: I guess you could call it window shopping. I would say its more like following people and projects. I love both tech and design, since I work with it, and I think its pretty cool to see what people are doing within that space. Like I always know whats going on with companies like apple and Samsung, but so does everyone else. Not everyone knows what other people are doing within the field so its an interesting way to also get updated on stuff that doesn't involve huge companies.

V: Do you think it's a good system? Like what do you like about it?

Respondent #10: Well as I said first of all its cool because I can read about all kinds of cool and kind of crazy projects. Yeah I think it's a really neat system, because its like by enthusiasts for enthusiasts if you know what I mean. Both me and the people making the projects are enthusiasts and we kind of

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

don't always need huge companies to make cool things, and I think Kickstarter allows us to do just that.

V: But what is the difference really between using Kickstarter and buying stuff from larger companies? Like there must be a reason why people turn to Kickstarter instead, and I'm kind of trying to find out what that difference really is.

Respondent #10: I mean its not like I don't follow big companies or buy their products, I do most of the time. But I like the fact that people are working together on kickstarter. You don't have to be a big company to make it. And at the same time, the people on kickstarter let me be much more involved in the project because they tell me everything. With bigger companies I often have to sit and guess, which is also fun because its fun to speculate a little bit, but on kickstarter its all on the table which lets me see just about everything about how the product is made and developed. Tech people love that stuff, so I think there are a lot of technies on Kickstarter. At least in the technology category.

V: Would you say its educational or just for entertainment?

Respondent #10: Well ill tell you that you learn something new everytime you enter kickstarter. Its not always that you learn something about the technology, but you will find new applications for that technology almost every time. Like for me, it's a mix I guess. Its not like I learn lots on the tech part but it definitely boosts my creative thinking because I see all these people making quite cool stuff from rather simple ideas. These are ideas that may not get taken into corporations because they are not a fit with the company or whatever, so we need to push those ideas through as well.

V: But don't you see it as risky? I mean you don't know the people you are buying from and at the same time the products aren't always very developed.

Respondent #10: I mean there is some risk, I don't think of it too often thought. But I guess a part of whats fun with Kickstarter is the risk. I mean the fun in the concept is the fact that products are at

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

prototype stage... like... I am not looking for a totally perfected product. If I was I would buy it from Apple.

V: But what part about the prototype stage is it that you like? Im trying to understand why people accept this extra risk.

Respondent #10: I mean a perfected product has no place to go but out on a shelf. Theres nothing for me to follow, and kickstarter is a site where you kind of want to be a part and want to follow. So its fun to see like “this is what we have done” – “this is where we are” – “this is where we need to go”. Then I have a process that I can follow.

V: What about if there was no prototype? Like if there was just an idea, would you support it?

Respondent #10: I mean I could, but then again I have little proof that these people will actually get it done. I mean if you have a prototype then I at least know you have already put in some effort. I think Kickstarter forces you to have a prototype and I think that’s good still. If you have a great idea, then I think you need to prototype it so you can show people that you are serious.

V: You said earlier that you think Kickstarter is good because it’s a shared enthusiasm. How important is it that the project initiators share their information with you?

Respondent #10: What kind of information are we talking about?

V: Like information on what they have done, how the product works and stuff like that that bigger companies maybe would not want to present to you unless they have protection in like patents.

Respondent #10: Well, when I am on Kickstarter, I will not trust people that what they have will always work. I need to make my own decision if its going to work or not and if I they don’t tell me how the product works, then I cant really know if its going to work at all. Like I guess it has to be plausible that their solution works.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: But in your experience, how are the products on Kickstarter that you have ordered? How well did they work and were you disappointed?

Respondent #10: I mean I wasn't disappointed really. I know that what I usually buy is a prototype, its new, and as I said if I wanted a completely ready product I would go to a bigger company.

V: But I was kind of surprised because another interviewee saw a product on kickstarter and then like a year later I found the same product in a gadget store. He said that the product seems so different when you really think of it coming from a store like that. Is this something you have noticed?

Respondent #10: I kind of see his point there because a lot of the things would actually fit in a store like that. But yeah he is right, it would be different, I wouldn't buy a lot of stuff from a store like that.

V: So why is this?

Respondent #10: I don't know it feels kind of cheap when its in a store like that. I mean on Kickstarter I accept worse quality because it's a prototype and I know I am helping someone. In a gadget store I feel like im just supporting some Chinese company that makes tacky gadgets. I guess I don't really think highly of where the gadget store products come from.

V: Are you generally an early adopter of products?

Respondent #10: Depends, like within technology I generally get stuff pretty early, but im not the guy who throws his iphone in the floor because there is a new one.

V: Is it a part of why you use Kickstarter?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #10: I mean I first of all find the products on Kickstarter really interesting. But I do admit that its nice to have something that feels more custom made. I mean look at the iphone. Everyone has a black iphone. Its cool to at least have some stuff that is different from others and that everyone doesn't have.

V: So part of the fun is having access to products that others don't?

Respondent #10: Well its not necessarily that others don't have them that makes it fun, but that they are new and different from what everyone else has. Well ok, its sort of the same thing I guess haha. Yeah I guess its also fun to be able to show that you supported something that made it big later.

V: Haha ok! Well I thought we would do a little exercise. I brought my laptop and we will open Kickstarter together and browse around a little bit.

Respondent #10: Sure!

V: Ok so heres the main page. I would like to find out more about how people chose projects so I thought I would give you some times to browse a little on your own first. So what I want you to do is just to browse Kickstarter as you would if I wasn't here. Find like 3-4 projects that you find interesting, but you don't have to read their project pages or anything. Just pick the ones you would probably want to read more about.

Respondent #10: Ok so I just pick 4-5 projects?

V: Yeah and don't feel stressed just because I'm here. Its important that you don't feel pressured to choosing stuff that you otherwise wouldn't. So if you don't find anything that's fine too.

Respondent #10: No I mean I always find stuff, its just a matter of that I don't always back them haha.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: HAha

(Respondent browses)

V: Ok I see you have quite a few there now. That's awesome.

Respondent #10: Is that enough for you haha? (The respondent has chosen like ten projects)

V: Haha yeah its perfect. So now we are going to analyze what you just did. So the first thing is that we agree on what you clicked on and then we can discuss why you did so later.

Respondent #10: Haha ok.

V: So you started by clicking here (Discover button).

Respondent #10: Yeah.

V: Then you went straight to the tech. category.

Respondent #10: Yupp.

V: And finally clicking on popular this week was it?

Respondent #10: Yeah, but I sometimes click on Staff Picks too but usually Popular this week.

V: Alright awesome then we have them down on paper so we can discuss each one. So, some of these questions may seem a bit weird and sort of self explanatory but I want to ask them anyway.

Respondent #10: Yeah sure.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: Ok lets start with the start page. There is always a project here. Do you ever click on that?

Respondent #10: I mean... no, I don't think I have ever done that actually?

V: Why not?

Respondent #10: Like its often art and stuff that I'm not generally to interested in so I just prefer to browse on my own.

V: Ok so how come you click on discover first and not just the category to the right?

Respondent #10: I don't really know, its just a habit. I don't even think about the fact that I can go directly to the category. Maybe ill start doing that.

V: So When you click on discover, do you usually check all the projects ont his page?

Respondent #10: Well I will skim them but as you saw, Im pretty quick on jumping in on my favorite categories.

V: You clicked on tech. Do you have any other favorite categories?

Respondent #10: I usually just check out tech and design. Don't really care about the others. I think ive checked fashion once.

V: Why didn't you like fashion?

Respondent #10: I mean its just that don't think its too interesting. I don't really understand it either, most stuff there just looks like normal clothes.

V: Well don't you need normal clothes?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #10: Haha yeah sure I do, but I don't want to use Kickstarter to get them.

V: Why not? Whats special about the stuff you get on Kickstarter and the stuff you would get elsewhere?

Respondent #10: Well I mean first of all, as I said earlier I don't always buy stuff on Kickstarter, I more read about things and if it happens to be awesome maybe I will get it. So I don't really want to learn whats going on in fashion but I want to know about tech. and design.

V: But what type of products would you buy? Like you like tech. Would you buy a new computer on Kickstarter?

Respondent #10: Hmm... Probably not. I need warranties and stuff if I buy a computer. I mean I can't live without a computer so if I use kickstarter maybe it wont work like I want.

V: I see. So you would trust a bigger company more?

Respondent #10: Yeah for stuff like computers and cell phones and stuff like that I don't think I would want some amateur making it for me so I would just get it from a bigger company. I also want to have the chance to try products that absolutely have to work, and I cant try Kickstarters stuff in advance.

V: So do you think that Kickstarter maybe isn't a place for products you absolutely need?

Respondent #10: I mean I rarely see anything on kickstarter I cant live without. Mostly its stuff that I'm like "I just HAVE to have that" because its cool. Like the 3D pen, I just wanted it to see how if it works. If it didn't work I would only have lost some money, but because I didn't need the pen for like my work or something it would have been ok.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: So then if we look back at the paper it looks like you clicked on popular this week. Why do you chose to look there?

Respondent #10: Well first of all, I can check only projects in the categories I like, which is good. And then I usually start by looking at popular this week so I can just get projects that are good.

V: Why are those projects good? Or I mean how do you know they are good?

Respondent #10: I mean I don't know for a fact that they are good. But its probably the ones that most other people like so then they are probably the best.

V: Why not go to like "recently launched" and check out those?

Respondent #10: I mean, first of all it looks like I cant filter by my category and I don't want to read lots of art or film projects. But also I want to see stuff that's like up and coming on Kickstarter. So I go to popular this week or staff picks because I think the best projects end up there ventually.

V: Alright got it. So when you actually entered popular this week, you started sifting through the projects I guess?

Respondent #10: Yep!

V: So what do you look for here?

Respondent #10: Hmm. I usually just look at the pictures first and the titles too. As you saw I browse them quite fast so I naturally don't read everything.

V: What part of the picture did you like for this one?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #10: I just saw a robot. Robots are cool haha.

V: I did notice something thought, and it may be by accident but I want to hear your input. All the ones you chose have quite a lot of funding already except this one that has 76%. Is there any particular reason?

Respondent #10: Well yeah, and its kind of similar to why I pick popular this week instead of browsing new projects. Like with this robot, I saw that it has already gotten a lot of money so I want to see why people are throwing money at it. Maybe its something really interesting.

V: OK but which one do you look at here? The percentage funded or the absolute funding?

Respondent #10: I mean I look at the green line (percentage funded) because its just so easy while I am browsing. But then sometimes I look at both but first of all this green line.

V: Ok so if that green line is high, what does that tell you?

Respondent #10: Well it tells me that a lot of other people liked the project. Like this one here, the picture tells me very little actually, but I mean it has so much money that a lot of people must like it, so maybe I like it too. Even if I don't like it, I want to know what all these other people found interesting about it.

V: That's really interesting. I mean I do the same when I browse, which is why I also ask you. And it also seems that a lot of other respondents look at percentage funded as well. So I mean is this the only way you find your projects, by browsing? Or do you also get recommendations from others?

Respondent #10: Well like I have other friends that send me stuff sometimes too. And I also send them projects that I think they will like.

V: But do you like post in facebook status updates?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #10: Nah I mean if its something really cool maybe I will. But usually Im more interested than a lot of my friends in tech stuff. Like I wouldn't post arduino stuff on facebook so I would just share it with my friends that I know also like that stuff so that we can discuss it.

V: When others send you projects, do you usually check them out?

Respondent #10: Of course.

V: Another respondent said he read about projects on blogs and stuff. Do you do that as well?

Respondent #10: Yeah sometimes, I mean kickstarter has become so big in tech that blogs do post about cool projects.

V: So do you check these out?

Respondent #10: Sometimes. I mean I read about it on the blog and then if its interesting I will go to read more. Again, blogs will pick it up and then others will find it interesting too so I want to check that stuff out.

V: What about testing prototypes? Ever seen a blog do that?

Respondent #10: Yeah I mean like the guitar one we were talking about on the way over, that one was tested on a blog.

V: Will it make you want to buy it if you saw it on a blog?

Respondent #10: Not just because of that, I mean I would have to want the product as well. But I guess you know more what you get and that it works if a blog has tried it first. Then I trust that it works.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: Ok I think we have discussed you browsing quite a lot now, lets move on to how you chose if you want to back something or not.

Respondent #10: Sure.

V: So when you enter a page, what do you do?

Respondent #10: I usually check out the video so I can understand more about what the project is about.

V: What the project is about? What do you mean?

Respondent #10: Like with the robot. I want to see what the robot can do.

V: So you mean you want to see what you can do with the product?

Respondent #10: Yes, I mean I need to understand what it is I have clicked on.

V: What if the founder wanted to say who they are and stuff like that? Is that a good strategy?

Respondent #10: Yeah sure they can say something about themselves but Im here most to see what they have built. So sure... they can say who they are but I want to see what the robot can do! haha

V: Would you say that you are impatient when on Kickstarter?

Respondent #10: Oh yeah, I mean as you saw I opened like ten projects here. I cant spend 25 minutes on each it would take me forever. I will first check out the video, sometimes fast forward through it to get to the good bits and if its not good then I will move on to the next one.

V: Like if you have gotten the project from a friend. Will you still fast forward through the video?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #10: I might... but probably no... I would watch the thing so that I can discuss it with him.

V: What about a blog?

Respondent #10: Well if the blog said good things about it I will probably not close the project right away. But still im a little impatient.

V: So you would say that your mostly interested in the product?

Respondent #10: Yeah for sure, I mean I want to know stuff about the product like how they build it, what it can do and stuff. I want to know how I can use this thing.

V: Like in your own life?

Respondent #10: Yeah like if I bought this thing (the robot)... could it like get me coffee? Or could I scare my friends or what can he do?

V: Ok I see! Here is the glasses you backed. What did you think the first time you saw their video?

Respondent #10: I thought of all the neat things I can do with them. I can wear them when I go snowboarding and stuff like that and then send the videos to my friends or have like live-feed. I just found so many ways to use them so I felt that I really want these.

V: Did you feel as though you really needed them?

Respondent #10: No of course not. I wasn't going to do anything important with them. Just for fun haha...

V: Is that generally the case with Kickstarter products? That you want them more than you need them?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #10: Oh yeah! I mean you don't really need any of this stuff. Its just cool stuff to have that are fun and interesting. I can live without everything on kickstarter, trust me. Sometimes its just an impulse you get when you see the product.

V: Have you ever donated money?

Respondent #10: No I don't donate. Maybe I will in the future but I still haven't found anything I just want to donate to. I'd rather buy their product if its that great.

V: When do you check the price?

Respondent #10: Hmm... I don't know really... Probably if I feel that I REALLY want this thing, then I have to go check the price before I get too excited.

V: Do you follow the projects?

Respondent #10: Well automatically you follow projects when you buy something, so yeah.

V: Is it fun?

Respondent #10: Most of the time yes its great. I mean that's why I am on kickstarter to begin with so I can see how things are made and stuff.

V: Does the product you get later feel more special than a normal product?

Respondent #10: Yeah I mean it feels like it was really made specifically for you. It doesn't feel as mass-produced.

V: Does it have to do with that you know how it was made and stuff?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #10: Yeah its that and then also that when I hold and look at the product I can remember all the things they told me in their update. That this thing was actually made and I was a part of it. Well I wasn't like a "part" of it, but I helped make this thing possible. It's a cool feeling. It's a more personal connection.

V: But you said you usually look at the video. What makes a good video?

Respondent #10: Well it has to be interesting to watch.

V: What makes a video interesting?

Respondent #10: Well if they tell me interesting stuff then also if its like professionally made then it feels like they know what they are doing.

V: What about creativity?

Respondent #10: Well yeah I mean it depends on the product but usually I would want them to be a bit creative and at least come off as creative people, otherwise what are they doing on Kickstarter?

V: What do you look for in the project initiators?

Respondent #10: Well I think its good if they are humble. They are asking me for money so its nice if they can show me why they need the money and stuff. I also want them to be excited about what they made. Of course they cant just say: Here we made a robot, do you want it or not? They have to engage me.

V: But how much do you really know about these people?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #10: Haha almost nothing, that's the brilliant part. I like the fact that we can trust each other like this. Usually they deliver, although even with my glasses they haven't yet. But I mean there's no way to know if people are good or not so either you accept that there is a risk or you don't use kickstarter.

V: Interesting. But do you try to minimize the risk by looking at like what they have done before?

Respondent #10: I don't. Some people might. But I mean how would I find out? Should I google them? It's just too much effort. If they have a prototype that is believable then that's enough for me. But that's also why I need them to tell me how the product works so I can see that it's real.

V: So again it seems that you're more concerned with what they have produced in terms of a product than who they are.

Respondent #10: Yeah I mean I want them to be nice and good people that seem to deserve this. But in the end, the thing they created is what matters.

V: Do you check ANY hard facts about the team?

Respondent #10: No... I wouldn't know where to look and it doesn't bother me that much. I mean for some weird reason, it seems like most projects deliver anyways so why would I spend hours looking at the people.

V: What about their future strategy? Like what they plan to do with their business?

Respondent #10: It could be interesting to know but no I don't check that either haha. I mean on kickstarter you are giving money to specific projects like making this product or for production or whatever. It's nice if they make it in the end and become huge, but it's not something I consider when I chose to back or not.

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

V: Ok last question about this kind of stuff. But what about finances?

Respondent #10: What kind of finances?

V: Like what the company is worth, how much money they hope to make?

Respondent #10: Again, its not interesting to me. It doesn't affect if I like their idea or not. I don't care if they say they will make a billion dollars, if I don't like their idea and don't want it, I wont buy it.

V: Ok, so now we have talked a lot about how you evaluate and it seems that the idea and product is the most important. Is this correct?

Respondent #10: Yeah Kickstarter is all about showing off your cool inventions to people who might like it. I don't see it as charity either.

V: Ok so before you would back a project, and think of the ones you have backed, what do you look for? Anything I have missed?

Respondent #10: Hmm I think we covered most of it?

V: What about specifics. Like if you want something for your phone, would you look at stuff to make sure its compatible?

Respondent #10: Oh yeah but I thought we already discussed some of that. The project initiators have to be totally open because I don't want to take risks any more. So show me all specifics so I can make up my own mind if the solution will work for me or not. So, definitely I will look at that stuff as well. I don't really trust amateurs to make all compatible stuff and I don't even trust them any more to state that it will work. I want to see for myself that it will work, especially if its something expensive.

V: And then what. You click back and put in your credit card details?

The Crowdfunder Story: Crowdfunder Decision-Making in Venture Financing

Respondent #10: Yep! I usually check the tiers a little bit but I mean I almost always go for getting the product and not like stickers and stuff. So its usually just one tier that interests me. But still I will check them.

V: Awesome... Were done! Thanks for the interview!

Respondent #10: Your welcome!