

Crowdfunding - Loyalty and Commitment

Keywords: Crowdfunding, Loyalty, Commitment, Consumer behavior

Abstract: *Crowdfunding is an important and interesting phenomenon in today's digital economy. It uses the masses for funding new projects and offer small rewards in return to supporting funders. There is a trend where consumers desire to become more involved in the innovative process held by producers. At the same time, lack of funding is one of the main reasons for startup failure. These are two of the many reasons why crowdfunding is significant. This thesis aims to investigate if crowdfunding creates loyalty and commitment among funders. An experiment was carried out, to investigate this, by simulating scenarios both with and without crowdfunding. The results showed that one of the main aspects related to crowdfunding, to fund instead of buy, increased loyalty and commitment. In a wider perspective, the study suggests that this funding method is favorable to engage in from a marketing perspective. Startups can come across funders that are loyal and committed, and even pay to be it.*

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Published:

2012

Thank you!

Micael Dahlén

Karina Töndevold

Magnus Söderlund

Terry Kleinsmith

All the participants in the experiment

Without your help and knowledge, this thesis would not have been possible.

“This is the moment when we must build on the wealth that open markets have created, and share its benefits more equitably. Trade has been a cornerstone of our growth and global development. But we will not be able to sustain this growth if it favors the few, and not the many.” – Barack Obama

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1. INTRODUCTION

Crowdfunding is an important and interesting phenomenon with high relevance right now. It is relevant by four main reasons: Firstly, there is a trend that consumers desire to become more involved in the innovative processes held by producers. Secondly, it is a new way for many startups to solve their funding issues, an issue that is one of the main reasons that startups fail. Thirdly, there are many platforms that facilitate crowdfunding and the largest mediated approximately funds to a value of \$100 million in 2011. Fourth and last, crowdfunding has exploded in media and become a widely discussed concept.

Crowdfunding is all about to use the masses for funding new projects. Each individual funder offers a smaller amount of capital to a certain project, and the funder is then promised a reward in exchange for the support. The aim for this thesis is to answer whether crowdfunding increase loyalty and commitment among funders. This will be attempted to answer by conducting an experiment. An experiment that simulates scenarios related to crowdfunding and compare these by arranging scenarios where respondents do not experience aspects related to crowdfunding.

1.1 BACKGROUND

“The party’s over but the adventure has just begun!” The quote is taken from the news section at *Double Fine Adventures* homepage (Double Fine, 2012). *Double Fine Adventure* is the name of a point-and-click adventure game estimated to be completed and available before October 2012 (Kickstarter, 2012 a).

On March the 13th 2012 the production company, *Double Fine Productions*, completed their funding of this new game. Altogether they managed to raise \$3,336,371 from 87,142 funders using an online funding platform. These funders, with origin from most parts of the world, together posted impressively 10,023 comments. This is from only looking at *Double Fine Adventures* profile on the used funding platform (Kickstarter, 2012 a). At the same time 8479 members followed their *Twitter* (Twitter, 2012) profile and 9212 their *Facebook* page (Facebook, 2012).

A Google search of the game's title generates 1,820,000 hits and when combining this with *Google Trends*¹ it is reasonable to claim that significant hype is created from their funding activity (Google, 2012). According to *Google Trends*, searches of "Double Fine Adventure" barely existed before mid January 2012. Closely after they started their funding campaign the search activity skyrocketed and remained on significant levels up to the time when the funding was completed.



Figure 1.1.1 Showing the data of searching "Double Fine Adventure" on Google up to 28th of April (Google Trends, 2012 a).

The funding of *Double Fine Adventure* was made possible through the online funding platform *Kickstarter*. To date *Double Fine Adventure* is also the largest game project funded in *Kickstarter's* history (Reilly, 2012). *Kickstarter* is the world's largest online funding platform for creative projects (Kickstarter, 2012 b). It was founded in 2008 and has recently been growing fast. In 2011 a total of \$99,344,382 were pledged using the *Kickstarter* platform. This amount resulted in 27,086 projects being successfully funded, which equals a rate of 46% of all started projects.

	2010	2011	Δ
Launched Projects	11,130	27,086	+ 143%
Successful Projects	3,910	11,836	+ 203%
Dollars Pledged	\$27,638,318	\$99,344,382	+ 259%
Rewards Selected	322,526	1,150,461	+ 257%
Total Visitors	8,294,183	30,590,342	+ 269%
Project Success Rate	43%	46%	+ 7%

Figure 1.1.2 Showing Kickstarter data (Kickstarter, 2012 c).

Kickstarter's business concept is to enable project starters to use the crowd for funding projects. They do not claim ownership for providing this service but they charge 5% of all the funds raised (Kickstarter, 2012 d). A central condition for using

¹ a tool to analyze statistical data on words searched on Google

Kickstarter is that they apply an all-or-nothing policy. In practice this means that creators must pledge a certain amount of money, and if the pledge is not raised within a given time frame, no money change hands (Kickstarter, 2012 e). Anyone can seek funds to their project through *Kickstarter*, as long as their project's is in a creative field (Kickstarter, 2012 f).

Since *Kickstarter* is using *Amazon's* payment system for collecting funds, they are only able to offer their services to people that are permanent US residents (Kickstarter, 2012 g). This has fueled the advent for many similar platforms like *Kickstarter* but target other markets. An example of this is *Funded By Me*, the Swedish alternative to *Kickstarter*. Other funding platforms have chosen to diversify their service by only focusing on specific project categories. An example of this is *PledgeMusic* that helps artists to fund new records. In recent time a large number of online funding platforms have appeared. Max Valentin, an expert within the field, recently stated, "There are more crowdfunding sites than there are mushrooms in the forest" (Hellekant, 2012).

The phenomenon, that these platforms facilitate to fund projects using the masses, is called crowdfunding. Crowdfunding can be seen from a larger perspective as a part of crowdsourcing. Crowdsourcing is when companies and organizations solve problems and co-create by tapping the masses. Virtual strangers can offer their knowledge, expertise, time, or resources in exchange for smaller rewards. Recent research shows that there is a general trend in the market, moving from a producer-oriented relationship to one, which is consumer-oriented (Moreau et.al, 2012).

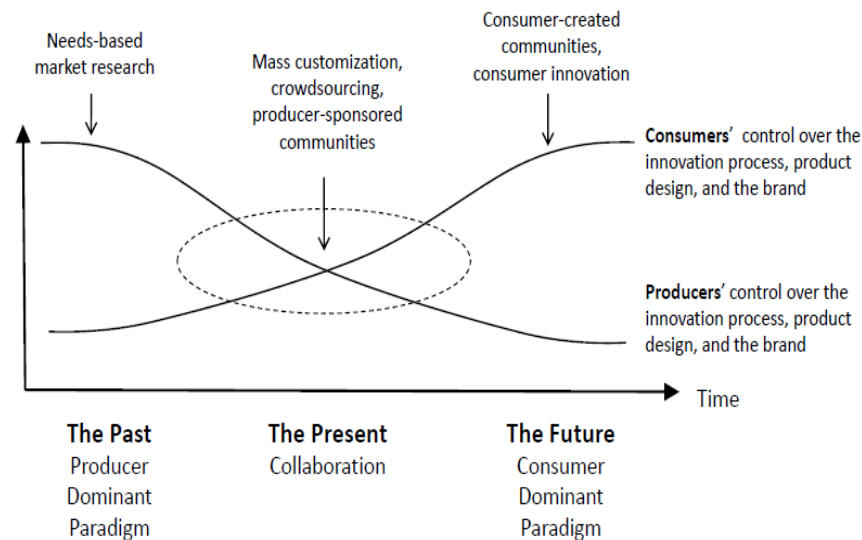


Figure 1.1.3. The paradigm shift from producer to consumer innovation (Moreau et.al, 2012).

The figure 1.1.3. above sheds light on the present and the future importance of paying more attention to the consumers. One way to act upon this trend is by letting consumers become funders to the projects they believe in.

When searching the word crowdfunding on *Google* it results in 53,6 million hits. Looking at *Google Trends* the word has increased multiple times in popularity since late 2008 when people started to type it (Google Trends, 2012 b).

Crowdfunding, as a phenomenon, has exploded in the media. Only regarding Swedish articles and news published during 2011, all the larger news providers represented them. Some of these medias are: *SvD* (Hellekant, 2010), *DN* (DN, 2011), *DI* (Stockholm TT, 2010), *SR* (Cederberg, 2011), *SVT* (SVT, 2012), *Nya Affärer* (Sannesson, 2011) and *Nyheter 24* (Adolfsson, 2011). International medias that have written about crowdfunding are: *The New York Times* (Waananen, 2012), *TIME Magazine* (Dell, 2008), *The Washington Post* (Vargas, 2008), *BBC News* (Prentice, 2010), *CNN* (Pepitone, 2012), *Bloomberg BusinessWeek* (Tozzi, 2012) and *The Huffington Post* (Nelson, 2012).

This research paper has so far underscored some of the many reasons that crowdfunding is of importance. A final example demonstrating its great significance is that one of our world's superpowers is currently ruled under a crowdfunded African-American president. Barack Obama managed to raise over \$500 million from

3 million online donors. The average donation was \$80 and the average donor donated more than once (Vargas, 2008).

1.2 PROBLEM

There is an entrepreneurial trend in society, where more people engage in entrepreneurial activities (KIEA, 2011). From studies it has been acknowledged that the biggest challenge for startups to succeed, is mainly related to funding (Ernst & Young, 2012). This raises the interest of evaluating traditional alternatives to fund startups.

- 1) **Banks** offer loans with little intention to influence or govern the clients' businesses. Their focus is to receive interest and make sure their borrowers are creditworthy. As a financier they offer modest know-how to their clients' businesses. On the other hand the borrowers can pay off their debt later on and still own 100% of their companies' shares. Since recent financial crisis, banks are more restricted than before and put higher demands on terms of collateral, cash contribution, and so forth.
- 2) **Venture capitalists**, together with other forms of risk capital, does sometime require extensive contact-networks to become an available alternative. These financiers demand ownership, which means that they reserve a share of dividends and payouts. Some financiers can provide useful advice, contacts, and mediate specific know-how to the project they invest in. The flipside factor of this is that they limit the project's freedom and autonomy.
- 3) **Borrowing from oneself or family** implies very large and concentrated financial risks for these persons. It requires that oneself or one's family have savings that are sufficient to fund the startup.

The three mentioned funding options have a common factor. Mainly, they have little or no connection with the larger share of end users/customers the startup will target. More limited knowledge about the end user/customer creates greater uncertainty regarding the viability of the startup and also greater risks. Greater risk increases the difficulty of raising enough funds even further and creates a catch-22 scenario. From above-mentioned funding alternatives, crowdfunding is a very good option.

1.3 PURPOSE & RESEARCH QUESTION

The purpose with this thesis and the research question to answer is:

“Does crowdfunding create loyalty and commitment among funders?”

More specific, it is interesting to have a closer look at if “fund” of a product in contrast of “buying” that product increases consumers’ loyalty and commitment. This thesis will continue research that has already been done within the field of crowdfunding. Though this funding method is of large importance in a pure financial aspect, the main interest of this study will lay within a marketing perspective. How much uncertainty is reduced from tapping the crowd and by reaching the end users? To quote Timo Vuorensola² when he was asked how much crowdfunding that is self generating PR – “It is all about that in the end. I would say that it is maybe even the most important part of the whole crowd financing and crowdsourcing” (SVT, 2012).

Regarding crowdfunding, some aspects are significantly more interesting than others. This has made it necessary to investigate past research within the subject and then choose the main features to address in this work. As rather new phenomenon, crowdfunding has limited previous research available. Four previous have been selected, out of the small number of performed studies, to draw the landscape of existing theories describing crowdfunding. The studies were selected after evaluating their connectedness to the subject together with the level of quality they represented. Following is a short summary of the perspectives these articles present.

- 1) “Crowd-funding: transforming customers into investors through innovative service platforms” (Ordanini et.al, 2011) is an article that focuses on two main questions. Firstly, how and why do consumers turn into crowd-funding participants? Secondly, it asks how and why do service providers setup a crowd-funding initiative. The questions of this article were examined and answered, using qualitative methods. The article focuses on what mechanisms drive consumers and project initiators to get involved with crowdfunding. Thus, it is a research of the stage before consumers or project initiators engages in crowd-funding activities.

² The director of a crowdfunded Finnish-German-Australian science fiction comedy film called *Iron Sky*.

- 2) “Crowdfunding: tapping the right crowd” (Belleflamme et.al, 2011) has investigated different questions relating to crowdfunding, but from a project initiators viewpoint. One perspective the article examines is an own-developed model, that associates crowdfunding with pre-ordering products and practicing price discrimination. Another question regarded is, when is crowdfunding preferred?
- 3) “A Snapshot on Crowdfunding” (Hemer, 2011) has a very broad perspective on the phenomena crowdfunding. It concerns many questions on the subject but without exploring the depth within these questions. Their approach is predominantly studying crowdfunding from a financial perspective.
- 4) “Crowdfunding the next hit: Microfunding online experience goods” (Ward and Ramachandran, 2010) is written about how peer effects drive demand for crowdfunded projects. Much focus is on which factors affect if a project can succeed in its funding drive.

1.4 DELIMITATIONS

The title of the thesis is “Crowdfunding - Loyalty and Commitment”, and that is also the delimitation of the work. It will look closer at how these two factors are affected by crowdfunding. This approach is different from previous studies, since it focuses on the funders, and it goes deeper into their minds, in an attempt to understand the underlying psychology. In contrast it will also take a marketing perspective rather than a financial perspective, by looking at the changes in behavior as a result of crowdfunding.

1.5 EXPECTED CONTRIBUTION

The expected contribution is primarily to add new insights for the research within the field of crowdfunding. It will bring forward results that view the phenomenon from a marketing perspective and more precisely regarding loyalty and commitment. The hope and expectation is that this research paper can be used as a future reference or as a springboard for further studies. If such new insights are found, this research will be a positive input for startups or other stakeholders who can benefit from knowing more about crowdfunding’s effect on funders.

1.6 DEFINITIONS

Fund – To engage in crowdfunding

Funders – Are the ones engaging in crowdfunding

Buy/Buyers – Are in this thesis referred to the opposite of fund/funders

1.7 DISPOSITION

This thesis is divided upon five chapters with the introduction as chapter one. The following chapter will describe relevant and existing theories regarding both crowdfunding and different ways to describe loyalty and commitment. These theories will lead to several hypotheses that will be examined and tested. The third chapter explains the method used to test the hypotheses. It will go through the scientific approach and design of the experiment. In chapter four the results of the experiment will be presented and analyzed based on the hypotheses with respect to the theories and hypotheses. The last and final chapter will have a general discussion about the results and the implications of these. Critique and suggestions for further research are also included in this section.

2. THEORY

In this section theories are presented as a foundation to build relevant hypotheses for this study. Different hypotheses will be constructed to answer the research question:

“Does crowdfunding create loyalty and commitment among funders?”

Research has shown that satisfaction has a strong positive relationship with both commitment, trust and word-of-mouth. Satisfaction is also the most important driver for loyalty (Curtis, et.al, 2012). This relationship surrounding satisfaction, clarifies that loyalty and commitment are closely related with diffuse delimitations. This thesis will therefore treat loyalty and commitment as two closely related factors.

Before engaging in the theories that explain loyalty and commitment it is necessary to look at theories about crowdfunding. This thesis will interpret crowdfunding as consisting of three parts. First and the most important aspect of crowdfunding is that funding is a binary contrast of buying. Without the funding factor it has little to do with crowdfunding. Secondly, crowdfunding is as the name states based upon using the crowds for funding. If the number of funders were few it would be closer to traditional funding, via investors or business angels rather than crowdfunding. Finally, time is a distinguishing factor related to crowdfunding. The word funding reveals that the matter to fund is yet to come, that it has not been realized yet. These three factors are illustrated by the figure 2.1.1 and are the cornerstones of how this thesis interprets crowdfunding.

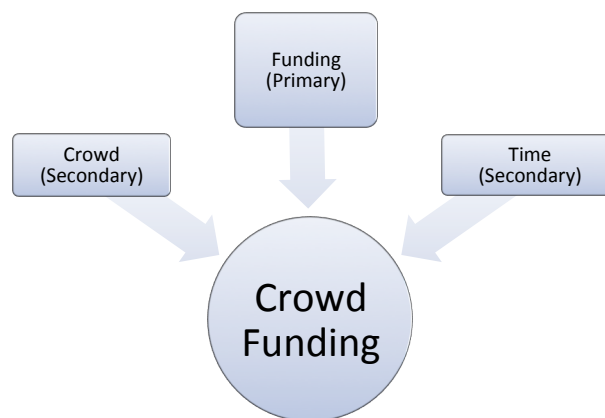


Figure 2.1.1. Three factors regarded as the fundament of crowdfunding

2.1 FUNDING

According to a qualitative research, why consumers turn into crowdfunding participants, may be explained by three main reasons. Firstly, it is to interact with firms and other consumers. Secondly, it is the social identification with the project. Social identification creates a desire to take part of an initiative. The last motivation is to acquire the rewards promised from a project. The way funders involve themselves is by acting as agents of the project they are interested in. By participating in crowdfunding, many of the funders initiate some form of word-of-mouth activities (Ordanini et.al, 2011). A second study has shown that peer effects are the main driver of demand for crowdfunded projects (Ward and Ramachandran, 2010). A third study claims that social reputation and private benefits are the main drivers for crowdfunding (Belleflamme et.al, 2011). Funding in the sense of crowdfunding is

different from the conventional ways of funding. Funders give their money to projects mostly without demanding ownership or monetary compensation. Thus funders will not have legal mandate to influence the operations of these projects. It is clear that this funding does not have the character of a traditional investment. At the same time, funds should not be regarded as pure donations in the context of charity. Funders do receive rewards and gratitude for supporting a project. They are probably also pleased if they can enable a project to get launched.

Even though the amount funders provide varies greatly, it is still a large risk that the project will not succeed according to plan. This might prevent the funders from receiving both the rewards promised, but also missing out on the purpose that the project was started for. Looking at it objectively, the only difference between funding a project now, indirectly pre-purchasing the product or service of it, and buying the product later when introduced, is risk. The risk involved in crowdfunding is more precisely the funders' perceived risk of a project. There are several aspects of risk. Five commonly used aspects are financial, performance, physical, psychological and social (Jacoby and Kaplan, 1972). Among these characteristics, the financial and performance are most relevant to crowdfunding. Since the projects have not been realized yet, in other words there are no existing products or services, there is much uncertainty if the performance of the project will match the funders' expectations. Since funders support the projects with money, without any actual guarantees, there is also a financial risk involved.

Risk implies that there is uncertainty regarding whether funders will receive the rewards they have been promised. Uncertainty is strongly linked to the consumer's perception of risk (Arndt, 1968). To reduce uncertainty and to handle perceived risk, consumers seek information from different sources such as word-of-mouth activities and from the service/product provider (Bauer, 1960). Theories explaining how risk affects funding should be considered carefully. By looking at crowdsourcing where people commit themselves with providing knowledge, information and expertise, mostly without demanding any monetary awards, the theories can be questioned. The participation intention of those who help companies that crowdsources tasks is in other words not related to gaining money according to research. Instead it is the motivation to gain recognition that is the real driver (Zheng, 2011). This is valuable

information for companies since it allows them to optimize the rewards in order to maximize the involvement from the problem-solving crowd. In crowdfunding, this can be used by for example giving the funders honor and credit for their support, instead of money.

2.1.1 COMMITMENT

The above section has described funding as a main aspect behind crowdfunding. Since the purpose of this thesis is to study how crowdfunding affects loyalty and commitment, it is necessary to define what loyalty and commitment are. Commitment is defined as to be highly involved with something (NE, 2012 a). Involvement in this thesis will be divided into two parts, where the first is involvement in general, such as how emotionally connected a funder is to a project. The second part will be more specific and treat involvement related to word-of-mouth.

Involvement

In crowdfunding the involvement, apart from the funding, lies within the project or product. According to research the strongest reasons for people to have strong product involvement are self-congruence and emotional brand attachment (Malär et.al, 2011). Self-congruence is referred to as how much the product is in line with personal attitudes and beliefs due to social identification. It is most likely, that funders participate in projects they have a genuine interest for. Thus they should have a strong brand attachment. In turn, this should result in self-congruence and thereby be one explanation to a high product involvement.

Psychological ownership is a driver for involvement. It can be described as when individuals are in a state of mind in which they feel that either a piece, or the whole ownership target, belongs to them (Pierce, Kostova, and Dirks, 2001). There are three main routes leading to psychological ownership: investing the self into the target, coming to intimately know the target, and finally controlling the target (Pierce & Rodgers, 2004). Funders both invest themselves into the target when supporting a project and they most likely get to intimately know the target by following it closely. They do not have any legal rights to control the project but with high product

involvement from self-congruence, it is likely that in their state of mind, they believe they are affecting the target in some way.

H1: Funders believe to a greater extent that they can affect the outcome of a project

When psychological ownership is present, the project's outcome is more important to funders since they believe that they own a piece of it. By choosing projects that are in line with the funders' interests, they probably also develop a feeling of social belonging. Social belonging is one of the most powerful desires and motives among humans (Baumeister and Leary, 1995). Studies have even claimed that to feel lonely may predict an early death as much as smoking (Cacioppo and Patrick, 2008). Social belonging increases the willingness to be involved, affect, and reach mutual goals. To reach a mutual goal can be connected to crowdfunding in the sense that the outcome, the launch, of a project is most likely important among funders.

H2: Crowdfunding increases the importance of a product launch

Word-of-mouth

More money than ever is spent on marketing and advertising (Bournay, 2006). When people were asked why they bought a specific product, approximately four out of five answered that the reason was a recommendation from a friend. (Dichter, 1966). To recommend a product can be seen as part of viral marketing and word-of-mouth. Word-of-mouth is the major influence when making a purchase decision (Brooks, 1957). It is also an informal channel to investigate products and services. This informal channel has a friendly approach, which builds trust and security. Consumer-initiated communication is perceived as more reliable, credible and trustworthy compared to company-initiated communication (Schiffman and Kanuk, 1995; Arndt, 1967). Word-of-mouth also reduces consumers' concern about being fooled by the deceptive sales-oriented advertising that firms pursue. What is relevant in the context of this study are the motives behind word-of-mouth. According to an early word-of-mouth study, there are four main categories of what motivates people to talk about products and services. Among these, two were interesting to bring forward for the subject of this work.

The first one is product-involvement, in the sense of talking about it. Here, the product is a central for motivating word-of-mouth. Product involvement occurs when a strong experience of a product or service makes the consumer overwhelmed, and talks about it. By talking about the experience the speaker relives the pleasure derived from using the product or service (Dichter, 1966). An example of this might be when a person who has recently skydived, retells the event to others and by doing so experiences more pleasure afterwards. Other reasons for product involvement are when the speaker has a desire to state ownership and joy of a product, or if the speaker has discovered it. Regarding crowdfunding, it is interesting to look at since funders probably are genuinely interested in the projects they fund. Talking about their participation should create larger levels of joy and satisfaction, which in turn increases the pleasure of funding. This reasoning characterizes the motives and drivers behind product-involvement and should result in funders being more eager to recommend the project to others.

H3: Funders are more willing to recommend a project to others

The second part of word-of-mouth is self-involvement. Self-involvement is an explanation of why many try to overcome self-doubts and insecurity by speaking about products and services they have experienced. Possible motives relating to self-involvement is to gain attention, feel like a pioneer, and seeking confirmation of one's judgment (Dichter, 1966). An example in crowdfunding of gaining attention might be when funders have the need to inform others about their participation. This can be used as a method to introduce a conversation or simply having something interesting to say. Many crowd-funded projects are innovations, which might also trigger funders to promote them to their peers and get the feeling of being a pioneer. It was also found in the same research that "nobody will speak about products and services unless the talking itself, or the expected action of the listener, promises satisfaction of some kind – popularly speaking, unless he gets something out of it" (Dichter, 1966, p148). This can be related to crowdfunding since the funders engage in projects, which offer them rewards. Another fundamental factor is that the project needs to receive enough funding to get launched. Self-involvement may lead to funders paying more attention to projects, and there is also an incentive to engage in word-of-mouth since they often

have a promised satisfaction, e.g. a reward.

H4: Funders spend more time paying attention and talk about a project

2.1.2 LOYALTY

Customer loyalty is the strength of a relationship built upon attitudes and repeat patronage (Dick and Basu, 1994). In this work, focus will lie on attitudes since repeat patronage is not applicable to crowdfunding.

Attitudes

Early research focuses only on repurchase behavior when describing customer loyalty. Variables to explain loyalty were proportion of purchase (Cunningham, 1966), purchase sequence (Kahn et.al, 1986) and probability of purchase (Massey et.al, 1970). The problem with these theories is that they do not investigate the factors underlying repeat purchase. According to later research, it is shown that attitudes are major factors behind loyalty. Attitude is an association between an object and an evaluation (Dick and Basu, 1994). When a person evaluates an object as more satisfying compared to a competing object, then this person shows a high relative attitude towards that object. If crowdfunding leads to a funder perceiving a project as more satisfying than others, then this is a sign of high relative attitude as well. This leads to the hypothesis that crowdfunding affects the attitude towards a project positively among funders.

H5: Funders have a more positive attitude towards projects

There is much research that confirms satisfaction is not equal to loyalty (Curtis, et.al, 2012; Kurtz 2009). But still, satisfaction is the main driver to consider when addressing consumer loyalty (Zeithaml et.al, 1996). Satisfaction is a significant factor that influences consumer choice and consumer retention. The reason for this is that satisfied customers are more interested to continue their relationship with a venture, hence they are more loyal (Curtis, et.al, 2012). Since satisfaction is an important part of building loyalty it is interesting to look closer at the underlying mechanisms behind satisfaction. “Customer satisfaction is generally the sense of satisfaction that a

consumer feels when comparing his preliminary expectations with the actual quality of the acquired product. Thus, satisfaction is closely linked with the quality of the product (service)” (Krivobokova 2009, p565). In other words, crowdfunding might have an impact on perceived quality of a project.

H6: Crowdfunding increases the perceived quality of a project's product/service

2.2 CROWD

For crowdfunding to be fulfilled, a crowd is necessary. Crowd behavior and how group psychology works is therefore essential to investigate, because it may explain why the number of funders seems to have an impact on commitment and loyalty. The following theories describe relationships between crowds and behavior.

The bandwagon effect

“A bandwagon is a wagon, usually large and ornately decorated, for carrying a musical band while it is playing” (Dictionary.com, 2012).

The bandwagon effect on the other hand refers to the phenomena whereby people tend to adopt opinions that they believe is shared by a majority in their surroundings (NE, 2012 b). The term bandwagon effect connects to the expression “jump on the bandwagon”, which is equal to joining the “strong side”. Research also shows that the bandwagon effect frequently occurs in political voting. People who are uncertain of which party to vote for, tend to vote for the side which leads in the polls, since it has been shown that they would rather join the stronger party than no party at all (Sher, 2011). In other words, people tend to go with the flow. If the bandwagon effect also exists in crowdfunding, it would imply that the more funders a project has, the more funders will be attracted to join as well. It would also imply that a high rate of funders within in a project probably makes prospective funders perceive the project more positively.

Conformity and peer influence

Research was conducted in order to investigate group behavior and how people tend to replicate the behavior of others as an act of conformity. Within a group of individuals, norms and unwritten laws always tend to emerge. Conformity describes the behavior of changing beliefs, acts and attitudes in order to appeal to a group. It arises because people believe that if many others have an opinion or a certain behavior, it becomes legitimate (Burger, 1987). In the study the researchers let a person stand in a crowded square and look up in the sky, at nothing in particular. This resulted in that four percent of the people passing by, also started to look up at the sky. They then increased the amount of people looking up to fifteen and the outcome was that close to four out of five of these passing by copied the behavior and looked up as well (Milgram et.al, 1969). The conclusion was that an increase in crowd size changed the drawing power exponentially, which means that the “snowball effect” easily occurs when it comes to replicating others’ behavior. Peer influence or peer pressure is closely related to conformity and refers to a peer group greatly influencing individual behavior. According to a study it is shown that “when consumers have little or no experience with a brand or even with a general type of product or service, the uncertainty of the result will make them especially receptive to peer influence” (Griskevicius et.al, 2008, p86).

Conformity, peer influence and the bandwagon effect, are all part of group psychology. Since crowdfunding often consists of large groups these theories suggest that loyalty and commitment will increase when there are many funders.

H7: A larger number of funders will increase loyalty and commitment for a project

2.3 TIME EFFECTS

There is a time gap from when a project seeks funding, to the point in time a project is completed and available to the stakeholders. This is a motive to look closer at how time effects may have an impact on behavior, and thereby commitment and loyalty.

Nextopia

Nextopia is a theory that describes how consumers respond to advertising for future products. Today's society is highly characterized and built upon expectations regarding the future. People tend to look ahead and expect a better future, called a "nextopy", that the best experiences are still to come (Dahlén, 2008). This results in that an offering brings people higher value today if they are expecting to receive it in the future, compared to if it was available right now. Results show that there are substantial benefits from prerelease advertising. To advertise future products is an opportunity to create larger interest and purchase intentions, compared to post release advertising. "Marketing future products before their release – could have positive effects on consumer response overall, producing greater interest in and more positive evaluations of both advertisements and brands" (Dahlén et.al, 2011, p.33). The Nextopia theory is supported by three variables within psychology research; optimism bias, positive uncertainty and affective forecasting.

"Optimistic bias, in general, is when people are unrealistically optimistic about their future" (Dahlén et.al, 2011, p.33). The theory claims that people are biased when fantasizing about the future. These fantasies are mostly unrealistically positive and tend to overestimate the value of future events. Regarding crowdfunding, this could imply that funders believe the project they are supporting, will deliver superior products or services than the ones currently available on the market.

Most people regard the future as uncertain, a factor that consumers desire to reduce (Kahneman et.al, 1991). To reduce uncertainty, these consumers seek more comprehensive information about future products or services and observe it more carefully. Positive uncertainty arises if these products or services are positively framed. Then the uncertainty will bring more pleasure than certainty. The future time frame invites more consumer elaboration and makes the advertising both more

credible and likable (Dahlén et.al, 2011). Since crowdfunding involves uncertainty, it may increase a funder's interest to seek more information about a project. It can also imply that they will elaborate more and fantasize about a future product.

When consumers imagine about the future they tend to overestimate the duration of positive events (Ebert et.al, 2009). Consumers also tend to have incorrect beliefs about how perceived value changes over time (Loewenstein, 1987). Finally, they may also “experience affective misforecasting because they fail to incorporate largely correct beliefs at the moment of choice” (Dahlén et.al, 2011, p.34). These parts are the foundation of what is called affective forecasting. Perhaps funders enlarge the duration of project benefits and thereby have an overestimated perception of the project today. With respect to Nextopia it is likely that a future product release, which crowdfunding implies, will put funders in a more positive relation to the crowdfunded project. In turn it is likely that loyalty and commitment will increase.

H8: A long time to launch will increase commitment and loyalty for a project

3. METHOD

3.1 CHOICE OF SUBJECT

The first contact with the phenomenon crowdfunding was through the very successful online platform *Kickstarter*. After reading about all these projects that had gathered thousands of dollars from large crowds of consumers, a fascination for this new way of collecting risk free capital started to grow. More fascinating was that seemingly different projects triggered a lot of viral effects among the funders. Many of them were eager to spread the word about the project and they even pledged for other people to fund as well. Was it just a coincidence to see all these comments from dedicated funders, or might crowdfunding actually create some kind of loyalty and commitment among the funders? These were thoughts worth writing a thesis about.

3.2 THE EXPERIMENT

3.2.1 PERFORMING THE EXPERIMENT

The survey was launched on the 2nd of April 2012 using a digital survey tool provided by Qualtrics.com. It was carried out during eight days through a survey that 615 people started to answer. 319 surveys were completed and of those 296 were valid. The 23 responses had to be removed since they failed the reliability questions³. The remaining respondents consisted of 163 males and 133 females, where the age distribution had an average of 24 years.

3.2.2 DISTRIBUTION OF THE SURVEY

It is important to have a homogenous group on respondents when performing an experiment (Skärvad and Lundahl, 1999). The choice was therefore to only distribute our survey among current students and alumni from Stockholm School of Economics. Since crowdfunding is mainly an online-based method to raise capital, it is necessary that possible funders have knowledge of how to use a computer. Some kind of computer skills are also necessary for the respondents to be able to relate better to relevant aspects regarding the questions in the experiment. That is a reason why the choice was also to distribute the survey through emails only, even though this would result in number the of non-completed surveys being higher. The Qualtrics software also enabled several important functions, such as limiting an IP address to only participate once.

3.2.3 SURVEY DESIGN

The whole purpose of the thesis was to examine if crowdfunding creates loyalty and commitment among funders. It was also interesting to look at if crowd effects⁴ and time effects⁵ had any impact on loyalty and commitment. The respondents were initially asked to come up with, and describe a project that they genuinely are interested about but had not started by themselves. Crowdfunding is all about funding a project within your interests and this first question was only asked to get the

³ answered high or low on both positive and negative questions

⁴ the number of funders

⁵ time remaining to launch

respondent in a correct mindset. A correct mindset is referred to that the respondent answers the following questions about loyalty and commitment with a realistic attitude towards a project.

After the initial question, the respondent was presented with one of the eight versions that were created in order to investigate the three factors that this thesis interprets as crowdfunding. Firstly, since it is the most central factor for crowdfunding, two versions were created in order to look at the difference between funding a project and simply buying it after the launch. Secondly, the theories also suggest that size of the crowd, when engaging in activities, has an impact on behavior. Thus the amount of funders also was a factor included in the survey. Finally, a time factor was included in order to investigate if the time remaining to launch changes perception and behavior.

The treatment and control group to manipulate stimuli for “fund” and “buy” were stated as *“You have the possibility to contribute money for the project to succeed, which will also give you the product on the launch.”* for the fund (treatment) scenarios, and *“At the time of the launch you will have the possibility to buy the product”* for the buy (control) scenarios. The manipulation for time and was stated as either *“The project will probably be launched in 30 months”* or *“The project will be launched within 30 days”*. Finally the amount of funders also consisted of two different scenarios: *“The project is currently financed by 2400 persons”* or *“The project is currently financed by 10 persons”*.

The versions created were randomly given to the respondents through a function in the Qualtrics software. This function changed scenarios without the respondent knowing that any other than their own scenario existed. One respondent was for example exposed to the scenario of the possibility to fund the project, which already has 2400 funders and will be launched within 30 days. The survey-taker then answered questions based on our research variables about project perception, loyalty and commitment. These questions were mainly constructed with a bipolar Likert-scale from one to ten, where one was “I do not agree at all” and ten was “I fully agree” (Malhotra, 2010). The survey ended with a few questions regarding demographic questions such as gender, age and occupation.

3.2.4 PRE-STUDY OF FACTORS AND PRE-TEST OF EXPERIMENT

Pre-study of survey factors

Before conducting the scenarios, a pre-study was performed to investigate what levels respondents perceived as much and little regarding time and amount of people, this in order to get the time and crowd effects correct.

Twenty persons were asked to openly elicit levels perceived as high vs. low and it resulted in an average opinion of the respondents. The average opinions were then used to set the values for short or long time and few or many funders. Since averages can be treasonable, they were exaggerated to make sure that low really is low and vice versa. With a performed pre-study it was more likely that the given scenario information in the experiment was perceived correctly.

Pre-test of experiment

After the pre-study and before launching the experiment a pre-test was also made. Ten persons were closely observed while they tested the experiment. They were asked to constantly explain their thoughts out loud during the test. This test enabled modifications to prevent misunderstandings and improve the quality of the questions.

3.2.5 RESEARCH VARIABLES

The research variables included in the survey were all based on the hypotheses in the theory section. There were mainly two to three questions regarding the same area, for example to recommend. The questions were then indexed and tested for Cronbach's Alpha. All the chosen groups of indexes passed the reliability tests. The intention was that the research variables, when put together, would explain loyalty and commitment in a comprehensive way. Therefore, the main categories consisted of: willingness to spread the word, willingness to involve, and finally the attitudes towards the project. A complete list of questions and the survey design is included in the appendix. These "loyalty and commitment" variables were then tested along with the eight different scenarios of the survey. The results are analyzed and presented in chapter four.

3.5 RELIABILITY & VALIDITY

3.5.1 RELIABILITY

All but one of the questions in the survey had one or more similar questions. This in order to ensure an internal consistency reliability (Malhotra, 2010). These questions were then put into indexes and made up the research variables for the thesis. To make sure that the indexes created also were internally consistent reliable, they were tested for Cronbach's Alpha.

Index	Cronbach's Alpha
Recommend project	0,8286
Influence project	0,9075
Perceived quality	0,9120
Importance of launch	0,9160
Attitude towards project	0,9267

Figure 3.5.1 Showing Cronbach's Alpha for the research variables

When calculating the Cronbach's Alpha, a rule of thumb is that it should be higher than 0,7 (Bryman and Bell, 2003). Since all indexes used in the survey exceeded the threshold, they could be regarded as reliable. To spend time paying attention and talk about the project, is the only research variable that was not indexed and calculated for Cronbach's Alpha. Instead a following reliability question was added in the survey: *"How certain are you about your answer in the previous question?"* The result, when performing a t-test for the reliability question, was accepted on a five percent significance level. Thus this question was to be seen as reliable as well. In order for the high/low values for "time" and "crowd" to be perceived correctly, a pre-study was made. Furthermore, the number of respondents in each tested group was above 30, all according to the central limit theorem (Malhotra, 2010).

3.5.2 VALIDITY

Validity, in general, implies that the chosen measurements within the thesis should measure what they are supposed to measure (Malhotra, 2010). With respect to validity, the research variables and questions in the survey, were chosen with precaution. Before launching the survey online, it was also tested among a few persons to ensure that the questions were perceived correctly.

Internal Validity:

In the survey, the respondents were exposed to the exact same information and questions, except from the manipulations. This was in order to ensure that there is a causal relationship between the dependent and, independent variable (Malhotra, 2010). Since performing an experiment, a rather homogenous group of people was used. This increases the internal validity since the respondents within the different versions of the survey had similar demographic characteristics. The respondents came up with their own project in the beginning of the survey, which minimized the skewness since no outer factors affected their following answers. The survey was only carried out during eight days for the same reason. Even though online surveying can be questioned, it allowed for the versions of it to be completely randomly distributed among respondents.

External Validity:

The external validity refers to how generalizable the results are, in other words, if the results may be applicable to a population outside the tested one. (Malhotra, 2010). When performing a quantitative study, as this is, the results are often more easily to generalize (Bryman and Bell, 2003). It is often hard to combine a strong internal validity with a strong external. The respondents in the experiment were rather homogenous with a fairly equal occupation, nationality, and within the same age category. This makes it difficult to draw the conclusion that the results are applicable for a much larger population. When looking at crowdfunding, the target group is though mainly within the tested age-span.

3.6 PREPARATION FOR ANALYSIS OF COLLECTED DATA

First, the data from Qualtrics was downloaded and imported to the statistical software STATA 11.0. Secondly, all the questions in the survey were divided into indexes to represent each research variable. The experiment was built upon eight different scenarios, based on the three factors explicit for crowdfunding. Since funding was the only non-excludable factor, it was tested first. Independent group mean t-tests were then made on each research variable and the groups of fund versus the groups of buy. The next step was to create sub groups to examine added effects of time and number of funders. These are secondary aspects, thus only significant results will be presented

among these. A ten percent significance level was accepted for all the t-tests since some groups were considered to be smaller, just above 30.

4. RESULTS AND ANALYSIS

4.1 RESULT AND ANALYSIS OF HYPOTHESES

4.1.1 PERCEIVED INFLUENCE ON PROJECT

The purpose of this research variable was to examine whether funders, to a greater extent, believe that they can affect the outcome of a project. The index consisted of the belief of affecting the project in general and the belief of affecting its success. Results below show the mean difference between groups “buy” and “fund” with respect to perceived influence.

4.1.1 *Perceived Influence on Project*

Group	Obs.	Mean	Std.	Sign.
Buy	156	4.990385	2.472084	
Fund	140	5.371429	2.504939	
Combined	296	5.170608	2.490752	
Difference		-.381044		
Pr(T < t) =				0,0946
				ACCEPT ON 10%

Since the p-value above is 0,0946, the mean difference between “fund” and “buy” is significant ($p < 0,1$). In other words, data supports that funders believe that they can affect the outcome of the project they fund to a greater extent. This result is in line with the presented theory. A possible explanation is that the people who participate in crowdfunding have a strong self-congruence, and when a person experiences self-congruence towards a project, this leads to a high product involvement. According to the definition of commitment, it is to be highly involved with something. Thus in this research variable, funders may be seen as relatively more committed to projects. Since funders have a high product involvement they might assess the perceived risk, in case of bad performance, more severely. A way to reduce the perceived risk is to reduce the amount of uncertainty. Searching further information about the project can

reduce uncertainty and that will in turn increase the involvement even more. A parallel explanation to why funders seem more involved can be that they experience a psychological ownership. Funders have invested their money and involvement in the project, and they have sought information due to risk and self-congruence. Finally as the results show they believe that they can influence the project. In other words it is shown from this test, that all the criteria for defining psychological ownership, can be seen as fulfilled.

H1: Funders believe to a greater extent that they can affect the outcome of a project Accepted

4.1.2 IMPORTANCE OF LAUNCH

In the survey, the willingness to make an effort, and the personal importance of a successful project launch made up the index. The variable was included since the theory suggested that a high involvement leads to importance of reaching “mutual goals”, which could be translated into “the launch”.

4.1.2 Importance of Launch

Group	Obs.	Mean	Std.	Sign.
Buy	156	5.472222	2.470168	
Fund	140	5.904762	2.709573	
Combined	296	5.676802	2.590779	
Difference		-.4325397		
Pr(T < t) =				0,0759
				ACCEPT ON 10%

With a p-value of 0,0759 the mean difference was significant when testing for fund only. The conclusion is therefore that funding increases the importance of a product launch. By looking at it objectively this may seem obvious since funders have put money into the projects, and this is also probably one factor of the result. The result is in line with the theory of social belonging. It is a relevant factor since funders gather around a project because they have similar interests. An important driver of social belonging is the willingness to reach a mutual goal and the whole purpose of funding is to help the project to succeed.

H2: Crowdfunding increases the importance of a product launch

Accepted

4.1.3 RECOMMEND PROJECT TO OTHERS

To recommend is a crucial factor of commitment, and also a driver in word-of-mouth theories. Willingness to recommend and recruit were asked to answer this research variable, and below are the results.

4.1.3 Recommend Project to Others

Group	Obs.	Mean	Std.	Sign.
Buy	156	7.464744	1.955235	
Fund	140	7.107143	2.260695	
Combined	296	7.295608	2.109208	
Difference		.3576007		
Pr(T < t) =				0,9272
				REJECT

With a p-value of 0,9272 data does not support that fund increases the willingness to recommend the project to others. This outcome opposes the applied theories. With fund as the only treatment, the perceived risk should take a central role. It would suggest that funders ought to seek information through word-of-mouth to reduce risk. This was not the case, in a rejected hypothesis. In other words, the theories presented did not support how fund affects willingness to recommend a project. The performed t-test even suggests that people are more willing to engage in word-of-mouth if they buy a product. It is hard to find an explanation to this that is confident, but people might be willing to engage in word-of-mouth in general if they are interested in something. Theories suggested an increased word-of-mouth to reduce risk. This may still hold, but only in a one-way direction, that funders ask others and receive word-of-mouth to lower their uncertainty, but without a mindset of talking and recommending others.

H3: Funders are more willing to recommend a project to others

Rejected

4.1.4 PAY ATTENTION TO PROJECT

It was interesting to look at time spent involved, since it is a way of showing commitment. The underlying question was to appreciate how much time one would spend paying attention to the project in the near future, and the means represent appreciated values in hours. This is the only among research variables that was not indexed. Instead a reliability question was used.

4.1.4a Pay Attention to Project

Group	Obs.	Mean	Std.	Sign.
Buy	156	2.910256	3.040314	
Fund	140	3.835714	7.461759	
Combined	296	3.347973	5.595143	
Difference		-.9254579		
Pr(T < t) =				0,0779
				ACCEPT ON 10%

As shown above, with a ten percent significance level and a p-value of 0,0779, the mean difference between groups is accepted. This implies that funders are more willing to spend time paying attention and talk about. To rely on the answer, the following reliability question was added:

“How certain are you about your answer in the previous question?”

4.1.4b Pay Attention to Project - Reliability Question

Group	Obs.	Mean	Std.	Sign.
Buy	156	4.653846	2.718287	
Fund	140	5.235714	2.794163	
Combined	296	4.929054	2.765103	
Difference		-.5818681		
Pr(T < t) =				0,0353
				ACCEPT ON 5%

According to the answers in the survey even the reliability question for the research variable, gave a significant result as well. With a p-level of 0,0353 the result is

significant on a five percent level. Thus the funders were certain about that their answer in the main question was correct. Combining the two questions, data support a difference with ten percent significance. In other words, data support that funders believe that they will spend more time paying attention and talk about to the project. Self-involvement is the underlying theory that probably best explains a higher willingness to spend time with a project. Firstly, they expect to receive a reward if the project realizes. By spending time with the project, the funders increase their knowledge about it, which reduces uncertainty and thereby risk. Uncertainty and risk are always factors when engaging in funding, and something that returns in most research variables. Talking about a project may, on the other hand, also be important because the funders expect to derive pleasure from telling about it to others. Telling about it might make them appear as pioneers, since they have knowledge about a new and innovative project. Or perhaps, they simply need something interesting to get a conversation going with.

H4: Funders spend more time paying attention and talk about a project

Accepted

4.1.5 ATTITUDE

An attitude towards a brand, product, service, or in this case, a project, is one important factor to describe a part of loyalty according to theory. In order to investigate whether crowdfunding has an impact on loyalty this research variable was included in the analysis. The attitudes “fun”, “positive” and “like” were used to create the attitude index.

4.1.5 Attitude Towards Project

Group	Obs.	Mean	Std.	Sign.
Buy	156	8.380342	1.438064	
Fund	140	8.559524	1.302563	
Combined	296	8.46509	1.376252	
Difference		-.1791819		
Pr(T < t) =				0,1321
				REJECT

The t-test on attitude gave a p-value of 0,1321 when comparing the means for “fund” and “buy”. It is larger than 10 % and therefore rejected. In other words, data does not support that funders have a more positive attitude towards a project, than buyers. The theory suggested that attitude was the underlying factor to repeat patronage, which in turn is a cornerstone of loyalty. First, notable is that in both the treatment and the control group, the levels of attitude were high, 8,46 combined. This is an indicator that regardless of funding or not, the attitude towards a project is extremely high. The high levels might be explained by the fact that the respondents might have “fallen in love” with the project they suggested in the beginning of the survey, and thereby gaining highly positive attitudes. According to theory the high relative attitude, when compared to other projects, should have increased by funding a project. A reason why it did not may be due to risk proportion. There is more risk involved with funding, and when evaluating the project this may have decreased the level of attitude towards it, even though it is still higher than within the control group.

H5: Funders have a more positive attitude towards projects

Rejected

4.1.6 PERCEIVED QUALITY OF PROJECT

Perceived quality of a project was measured through questions regarding the product in general, compared to similar, and compared to average projects. Quality was included in the research variables since it is a crucial factor of satisfaction, which in turn is a cornerstone of loyalty.

4.1.6 Perceived quality of project

Group	Obs.	Mean	Std.	Sign.
Buy	156	7.538462	1.405965	
Fund	140	7.601786	1.722653	
Combined	296	7.568412	1.561374	
Difference		-.0633242		
Pr(T < t) =				0,3641
				REJECT

When comparing the means between “fund” and “buy”, the result was a p-level of 0,3641, and thereby not significant. In other words, data does not support that the perceived quality increased within the treatment group, “fund”. Since there is no significant difference between funding and buying, regarding perceived project quality, the sixth hypothesis is rejected. According to the theory the perceived quality of a project might increase when funding, due to that quality perception is closely related to satisfaction, which in turn is the main factor of loyalty.

H6: Crowdfunding increases the perceived quality of a project's product/service

Rejected

4.1.7 CROWD EFFECTS

The table below shows the significant result when adding crowd effects to the t-tests. In other words, when a subgroup of “fund” and “many funders” was created. Out of the six indexes tested, only the importance of launch was significant.

4.1.7 Importance of Launch - Many Funders

Group	Obs.	Mean	Std.	Sign.
Other	230	5.555072	2.573822	
Fund/Many funders	66	6.10101	2.62465	
Combined	296	5.676802	2.590779	
Difference		-.5459376		
Pr(T < t) =				0,0658
				ACCEPT ON 10%

With a p-value of 0,0658 the mean difference was significant on a ten percent level. The conclusion is therefore that “many funders” is a factor when added, has an impact on the importance of a launch. The crowd theory suggests that the bandwagon and peer effects increase social belonging and psychological ownership, because of influence from others. Even though a large crowd increases the importance of a launch, it is still only one out six variables accepted. Thereby it is not enough to draw the conclusion that a larger crowd increases loyalty and commitment as a whole. Thus the hypothesis is rejected. One explanation, to why many funders did not have an impact, might be that some people crowdfund a project because they feel that it is a

personal and peculiar choice. The crowd effect may in this case have a negative impact, since choosing an underdog project with few initial funders is preferable.

H7: A larger number of funders will increase loyalty and commitment for a project Rejected

4.1.8 TIME EFFECTS

4.1.8a Importance of Launch - Long Time

Group	Obs.	Mean	Std.	Sign.
Other	227	5.568282	2.561459	
Fund / Long time	69	6.033816	2.672876	
Combined	296	5.676802	2.590779	
Difference		-.4655345		
Pr(T < t) =				0,0958
				ACCEPT ON 10%

When testing the importance of launch for the sub group fund/long time the difference between means was significant. The p-value was 0,0958 and can be accepted on a 10% significance level. In other words, the factor “long time” has an impact on importance of launch.

4.1.8b Perceived Quality of Project - Long Time

Group	Obs.	Mean	Std.	Sign.
Other	227	7.486784	1.512793	
Fund/Long time	69	7.836957	1.695488	
Combined	296	7.568412	1.561374	
Difference		-.3501724		
Pr(T < t) =				0,0514
				ACCEPT ON 10%

Above is the t-test for perceived quality of a project, with the subgroup of “fund” and “long time”. When adding the time factor into the comparison of means, the result

was now completely different, compared to when testing for “fund” alone. With a p-value of 0,0514 (nearly 5%) the difference is significant. In other words, long time is an important factor to describe perceived quality of a product. One of the most important drivers of Nextopia is that consumers value non-existing and coming products to a greater extent. Thus the realization of the project is crucial to be able to consume the product in the future, which is equal to a successful project launch. It is also proven that the promotion of future products increases product demand dramatically. Funders also seem to believe that the quality will be substantially better for a product if it is to be launched further ahead. People tend to believe that the future products will have higher quality and bring more pleasure. Data supports that a long time to project launch increases the perceived quality of a project, and the importance of launching it. Still these are only two significant results out of the six tested variables. In other words, there is not enough evident data to conclude that a long time to project launch increases loyalty and commitment.

H8: A long time to launch will increase commitment and loyalty for a project

Rejected

4.2 SUMMARY OF RESULTS

Hypothesis			
	Fund	H7* Many funders	H8** Long time
H1: Funders believe to a greater extent that they can affect the outcome of a project	Accept		
H2: Crowdfunding increases the importance of a product launch	Accept	Accept	Accept
H3: Funders are more willing to recommend a project to others	Reject		
H4: Funders spend more time paying attention and talk about a project	Accept		
H5: Funders have a more positive attitude towards projects	Reject		
H6: Crowdfunding increases the perceived quality of a project's product/service	Reject		Accept
H7: *A larger number of funders will increase loyalty and commitment for a project			
H8: **A long time to launch will increase loyalty and commitment for a project			

5. DISCUSSION AND IMPLICATIONS

“Does crowdfunding create loyalty and commitment among funders?”

The research question of this study is rather broad. First, it is hard to define what the main drivers for loyalty and commitment really are. In other words, how to capture the most explanatory variables of loyalty and commitment is a challenge. Secondly, it is also difficult to assess how many significant results that are required to draw the conclusion that crowdfunding creates loyalty and commitment. It is also important to keep in mind that commitment and loyalty are closely related and that much scientific research suggests that they even affect one another

According to the results from this study, crowdfunding does clearly have some impact on loyalty and commitment. As predicted, fund is the main factor when connecting crowdfunding to loyalty and commitment. By funding people get involved, spending time with projects, and have high hopes of a successful launching. It is though hard to explain why it not had any impact on recommending and attitude. More surprisingly was that the added time and crowd effects only resulted in a few significant outcomes. Especially a crowd is a central cornerstone within crowdfunding, and a larger crowd should have positive effects on the tested research variables according to theory and empirical evidence.

Previous research about crowdfunding has focused on why people participate in crowdfunding, how companies tap the right crowd, and what drives demand for crowdfunded projects. Another study described crowdfunding from a broad and general perspective. What though distinguishes this work from earlier is mainly the perspective of the phenomenon. Crowdfunding has here been studied in a marketing perspective from a funder's view, with the purpose to examine effects on behavior, perception and attitudes. This study is though still in line with previous research of crowdfunding, mainly because no differences or opposing views have been detected. What have more or less been added to the research though, is that crowdfunding initiates word-of-mouth effects, and that funders become highly involved in projects. According to the results, funders also tend to believe that they can affect the outcome of the projects.

What this work contributes to research of crowdfunding as a whole, is to establish that crowdfunding in a sense creates loyalty and commitment. A long time frame affects commitment positively by increasing the perceived quality of project and the importance of launch, is something previous research has not proven. This contributed knowledge could for instance be useful for startups. According to the results, startups should not fear presenting a project too early due to anxiety and/or uncertainty, even though there is a long time before the project can become reality. In other words, it might be beneficial to initiate crowdfunding in an early phase of the project. This is in contrast from seeking investments from other sources, where mostly a later stage in the startup pay off. From a marketing perspective this has great implications since large marketing costs can be reduced. Word-of-mouth is regarded as a trustworthy and efficient way of advertising a project, and it also creates an ideal basis of marketing research since people give their judgment and shows their true behavior. This behavior is partly to fund the project but also being loyal and committed.

The results in this study are also valuable since they tell us that companies have an opportunity to find funders that are prepared to become involved, not only financially, but also with their knowledge and social networks. They are willing to do this without demanding ownership, legal power or compensation for their involvement. Such conditions characterize voluntary work for non-profit organization. But the difference is that funders even pay to offer their effort and be involved in the projects, which in most cases strive to become profitable.

The subject crowdfunding is both important and interesting. It is important in the terms that it is in line with the mentioned paradigm shift of consumers getting more involved in creating products. It is also important since it has been proven to enable a lot of entrepreneurial people to get going with their ventures. The number of reports and articles about crowdfunding is increasing rapidly, and this is another proof of its relevance.

Is crowdfunding the solution to create freedom and favorable conditions for enterprising?

Only the future will tell...

5.1 CRITIQUE

First of all, the experiment performed was the most critical part in this work. The intention was to create scenarios where the stimuli were as realistic as possible. In other words, the intention was to explain how the essence of crowdfunding works in reality from a funders' perspective. The problem was to manipulate the experiment without having different risk proportions within the different factors. Even though "fund now, and perhaps buy the product later" compared to "buy the product later if launched" describes the reality, it is still obvious that the first alternative carries risk when the second alternative is rather risk-free. This is a factor that probably has had an impact on the collected data. In the experiment, the Swedish word "bidra" was used in the treatment groups of fund. The word translates into "contribute", but in Swedish it is strongly connected to donate, which may have caused unwanted associations to charity. This may in turn have distorted the answers in the survey since charity is excluded from counter performances, in other words, rewards. It was hard to find a correct Swedish translation of fund since it is not connected to owning nor is it a pure investment.

For stimuli to be as realistic as possible an experiment was wanted where the respondents answer questions about a fictive project they actually have a genuine interest for. This may have led to the classical trap of "falling in love with your own idea", even though it was stated explicitly that it was someone else who started the project. The implication from this "trap" is that the following manipulations of the survey probably lost effect. In other words that the respondents became generally positive towards the described project. In reality funders are aware of the fact that their participation actually has an impact on if the project realizes or not. This was a motivational factor hard to interpret into the experiment. Another general difficulty when it comes to survey distribution through e-mails is that the "loyalty and commitment" among respondents is questionable. How eager they were to think through all questions and answer realistically is hard to assess. The conditions to examine the time and crowd perspective were limited, and these levels may not have been optimal. To assess better levels, a test could have been executed where people were exposed to projects and manipulations of the crowd and time perspective. For

example, six months might have been perceived a long time but still apprehensible. Since a rather homogenous group of students and alumni from Stockholm School of Economics were selected for the experience, makes the external validity questionable. This in turn makes it hard to generalize the results for a larger population.

To sum up, the experiment was the most crucial part of this thesis, but it was also the most difficult part to build and design in a realistic way. This way of researching is also only based on people's beliefs, and not any actual behavior, also makes it more difficult to assess the reality. A significance level of 10 % was accepted in all t-tests. Even though a lower level would have been preferred, 10% is still an acceptable level when especially handling smaller groups (just above 30 in some cases).

5.2 SUGGESTIONS FOR FURTHER RESEARCH

Since this thesis is within the bachelor program, it is already limited with respect to time and complexity. Suggestions for future studies might perhaps be to perform a qualitative study in order to understand the core psychological behavior among funders. It would be interesting to find out what really motivates people to become loyal and committed when crowdfunding. Is the main factor rewards, self-congruence, or perhaps the willingness for the project to become reality?

Another study might be to look at what types of projects that is optimal for crowdfunding, regarding how much loyalty and commitment they create in their essence. Could it be that smaller (in terms of retail price) products suits better since a lower fund would reward in a product? Or is it the innovativeness of the product that has the biggest impact?

Future studies may also focus on whether the crowdfunding platform affects loyalty and commitment. Is for example Kickstarter optimal, where all kinds of project can be posted, or is it optimal to create a niche and focus on videogames or perhaps music? Or is it only the legitimacy of a website that is essential?

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7. APPENDIX

7.1 APPENDIX 1 – THE SURVEY

Marketing thesis survey

Vänligen markera ett område som STARKT intresserar dig

- ☐ Musik
- ☐ Film
- ☐ Konst
- ☐ Teknik
- ☐ Design
- ☐ Mat
- ☐ Träning
- ☐ Hälsa
- ☐ Ekonomi
- ☐ Mode
- ☐ Internet

Vänligen läs detta stycke noggrant!

Utifrån det område du nyss valde ska du nu beskriva ett projekt vars syfte är att ta fram en tjänst eller produkt.

Projektet ska vara något som **genuint** skulle intressera dig om någon **ANNAN** startade det. Det får inte vara något du själv uppfunnit!

Här kommer några **exempel** på hur en sådan beskrivning kan se ut:

EXEMPEL 1 "Jag beundrar en artist som brukar lägga upp musik på Youtube. Om denna artisen ville göra ett album skulle detta intressera mig mycket"

EXEMPEL 2 "Jag är otroligt trött på alla papperskvitton. Om någon annan kommer på en lösning så att jag får dem digitalt skulle detta intressera mig mycket"

EXEMPEL 3 "Jag älskar pepparkakor och mögelost! Om någon annan tillverkade pepparkakor med grönmögelost ovanpå skulle detta intressera mig mycket"

OBS: Det finns inga rätt och fel, ditt svar behandlas anonymt, det viktiga är att du starkt intresserad av projektet

Beskriv kortfattat projektet:

EXAMPLE ONE (OF EIGHT) VERSION EXPOSED TO THE RESPONDENT

Föreställ dig nu att någon ANNAN har startat projektet!

ERBJUDANDE: Vid lanseringen kommer du få möjlighet att **KÖPA** produkten/tjänsten!

- Projektet finansieras just nu av **2400 personer**

- Produkten/tjänsten kommer förmodligen att lanseras **om 30 månader**

☐ Jag har läst ovanstående punkter noggrant och kommer ihåg dem

Hur känner du inför att få ta del av produkten/tjänsten vid en lansering?

	Instämmer inte alls	2	3	4	5<<<	>>>6	7	8	9	Instämmer helt
Kul	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Positivt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Negativt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tycker om	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ogillar	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Spännande	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bra	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	Instämmer inte alls	2	3	4	5<<<	>>>6	7	8	9	Instämmer helt
Jag vill berätta om produkten/projektet för andra	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jag kommer förmodligen samtala om produkten/projektet med andra	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	Instämmer inte alls	2	3	4	5<<<	>>>6	7	8	9	Instämmer helt
Jag vill rekommendera projektet för andra	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jag skulle försöka värva andra människor att också utnyttja möjligheten	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Hur många timmar tror du att du kommer uppmärksamma projektet de nästkommande två veckorna?
(Uppmärksamma = Prata om, skriva om osv)

	Osäker	2	3	4	5<<<	>>>6	7	8	9	Säker
Hur säker är du på ditt svar i föregående fråga?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Hur många tror du att du skulle rekommendera produkten/projektet till? (Muntligt, Facebook, Twitter osv) givet kvarstående tid till lanseringen

	Osäker	2	3	4	5<<<	>>>6	7	8	9	Säker
Hur säker är du på ditt svar i föregående fråga?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Stämmer inte alls	2	3	4	5<<<	>>>6	7	8	9	Stämmer helt och hållet
Produkten/tjänsten kommer att ha hög kvalitet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Produkten/tjänsten kommer att ha bättre kvalitet än genomsnittet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Produkten/tjänsten kommer att vara bättre än liknande produkter	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mitt allmänna intryck av produkten/tjänsten är positivt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Dina tankar kring projektet

Projektet är:

	Stämmer inte alls	2	3	4	5<<<	>>>6	7	8	9	Stämmer helt och hållet
Innovativt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Framgångsrikt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Unikt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Värdeskapande	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Genuint	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Genomförbart	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	Instämmer inte alls	2	3	4	5<<<	>>>6	7	8	9	Instämmer helt
Jag upplever att jag kan påverka projektet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jag tror att jag kan påverka projektets framgång	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Instämmer inte alls	2	3	4	5<<<	>>>6	7	8	9	Instämmer helt
Det är viktigt för mig att lanseringen blir lyckad	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jag är beredd att anstränga mig för att lanseringen ska bli lyckad	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jag känner mig personligt engagerad i lanseringen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>