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# Crowdfunding Rhetorics

A quantitative study on rhetorics used in crowdfunding pitch videos

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ABSTRACT

Crowdfunding as a global phenomenon is gaining momentum and establishing its market role as a new source of funding. Both as a complement and a substitute to traditional funding. However, the market is still in its infancy, constantly evolving and little research has been done on the subject, especially on the Swedish market. Meanwhile, guides on how to successfully craft a crowdfunding campaign are emerging, where including a pitch video is commonly advised. Despite this, academic knowledge on how the content of the video affects the level of funding is still limited. This thesis is focused around one aspect of the video content, namely the rhetorics used by the entrepreneurs on the leading Swedish crowdfunding platform FundedByMe.

The study was conducted on a dataset containing 63 non-financial, i.e. reward and donation-based, campaigns. All financial forms of crowdfunding were excluded as different drivers, such as financial returns on investment, can be assumed to be motivating the funders. Three rhetoric themes in the campaign videos are studied as well as their effects on the funding level entrepreneurs receive. The rhetoric themes leveling, certainty and commonality are frequently used in and have been studied in other forms of crowdfunding situations, such as political fundraisers and microloan pitches. The video pitches were analyzed using the content analysis software application DICTION 7.0.

It was found that neither certainty nor commonality terms have any positive correlation with the funding level, while leveling terms have a significant positive correlation. This shows that the use of rhetorics that enhance identification and reduce perceived distances positively influence the crowd to invest. Results suggest that rhetorics can in general influence the crowd's funding decisions, why it is important for entrepreneurs to carefully consider their use of words in the pitch videos. Additionally, to put the research results into practice, a dictionary of leveling terms is provided. It can be used by crowdfunding platforms to offer further guidance to entrepreneurs on how to craft more efficient pitch videos.

**Key words: crowdfunding, reward-based crowdfunding, donation-based crowdfunding, funding rhetorics, pitch video**

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# 1. INTRODUCTION

All over the world, early stage entrepreneurs are facing the same challenge of attracting capital from investors. Entrepreneurs suffer from a lack of collateral, no cash flow guarantees and an information asymmetry between them and potential investors (e.g. Cosh et al. 2009, Schweinbacher & Larralde 2010). However, there is hope. The new phenomenon of online crowdfunding has revolutionized the way in which entrepreneurs can obtain funding for their business ideas (Massolution 2013). Now, entrepreneurs have the opportunity to substitute or complement traditional methods of funding, such as venture capital, bank loans and angel investors (e.g. Schweinbacher & Larralde 2010, Belleflamme et al. 2013). By asking a larger crowd for smaller amounts many of the challenges associated with typical funding can be avoided. Still, this method of obtaining funds differs in many ways from traditional fundraising methods.

Crowdfunding behavior has been around for a long time in many different forms. For example, when American politicians ask their supporters to help them with funding their political campaigns it is a form of crowdfunding. Barack Obama, who offered people the possibility to contribute with smaller amounts, raised $137 million through an online campaign in his run for presidency in 2008 (De Buysere 2012). Collecting money through charity fundraisers is also a form of crowdfunding.

Today, there are online platforms specifically designed for the sole purpose of facilitating fundraising from the crowd in its many different forms. The platforms help entrepreneurs in presenting, communication and coordination their funding initiatives. Online platforms today support four different types of crowdfunding models: reward, donation, credit and equity-based models. There is currently also a fifth model emerging, which is called royalty-based crowdfunding. All models offer different returns to the investors.

Through crowdfunding, consumers have gained a new role in the market, as funders. And along with this, they have also gained an entirely new power. Consumers can take part in deciding what new products and services that will be available on the market in the future by funding

projects in the start-up phase. Some scholars claim that crowdfunding has democratized the access to capital (Kim & Hann 2013).

Crowdfunding has created a new type of funders, a new type of entrepreneurs and a new type of intermediary. A "disruptive technology of financial intermediation" has revolutionized the market (De Buysere 2012).

*"FOR START-UPS AND SMALL BUSINESSES, THIS BILL IS A POTENTIAL GAME CHANGER"*

In 2012, the president of the United States famously stated: "For start-ups and small businesses, this bill is a potential game changer" while signing the JOBS Act (Jumpstart Our Business Startups Act) and legalizing equity crowdfunding (Whitehouse 2012). Unlike in Sweden, equity crowdfunding was not legal in the US in any form prior to the JOBS Act. According to FundedByMe, the largest Swedish crowdfunding platform, "crowdfunding is the future of business investment for both investors and entrepreneurs. It is the modern way to finance start-ups and expand smart business" (FundedByMe 2014c).

*"CROWDFUNDING IS THE FUTURE OF BUSINESS INVESTMENT FOR BOTH INVESTORS AND ENTREPRENEURS. IT IS THE MODERN WAY TO FINANCE START-UPS AND EXPAND SMART BUSINESS"*

The rapid growth of crowdfunding has changed the way people think of funding, and the wide impact of online crowdfunding can also be seen in the numbers. Only in the year of 2012 online platforms raised a total of $2.7 billion and funded over 1 million campaigns globally, and in 2013 global crowdfunding volumes were expected to pass $5 billion (Massolution 2013).

## 1.1 Problematization

Collecting funds from the crowd, such as charity campaigns and political fundraisers, is nothing new. However, the online crowdfunding platforms that enable funding of people's business ideas and projects are a relatively new phenomenon. As the market only has existed for a few years (De Buysere 2012), it is constantly evolving. In the meantime researchers are investigating the phenomenon. Are crowdfunders behaving like traditional investors? What is motivating the

funders and how can success be predicted? Agrawal et al. (2011) were able to show how important local funders, i.e. friends and family, are for successfully funding campaigns. Mollick (2014) investigated whether crowdfunders evaluate the quality of projects in the same way as traditional funders do. However, much of the existing research to date is focused on the funders and their behavior. Meanwhile, entrepreneurs and their own impact on the level of funding the project receives, has remained largely unstudied, why little guidance can be given to the entrepreneurs to better craft crowdfunding campaigns. One such understudied area is how the language affects crowdfunding outcomes.

The rhetorics used by fund seekers in more traditional funding situations have been researched. There are also a few studies on the rhetorics used by funders in traditional crowdfunding situations such as political fundraising and when entrepreneurs in developing countries seek funds from funders in developed countries, so called microloans (e.g. Bligh et al. 2004, Allison et al. 2013). A study was conducted on the rhetorics used in the written pitches on online crowdfunding platforms (Mitra & Gilbert 2014). However, there exists no research concerning the rhetorics used the video pitches on online crowdfunding platforms. Given this gap in academic knowledge, this is the area within which we decided to conduct our study.

Allison et al. (2013) found that using words indicating blame and present concern positively affected both how fast and to which extent entrepreneurs in developing countries were successful in obtaining microloans. A promise of being repaid was also found to motivate funders to support a cause. Further, studies on rhetorics used by American politicians have found that messages with a low variety of words and an extensive use of repetitive phrases were more efficient in capturing support from the crowd (Jerit 2006, Williams & Trammel 2005). Another commonly used rhetoric in American politics is leveling, where perceived individual and social differences between the speaker and the recipient are diminished, enhancing identification and building a sense of belonging (Bligh et al. 2004).

Although funds collected for political campaigns are donations with no direct promises of future returns, the funders are nevertheless assumed to be expecting some kind of return on investments. Funders are not acting purely on altruism, although returns does not necessarily have to be directly monetary; political influence, governance or community benefits are all

possible motivators. Other motivators for funders to engage in funding causes with no financial or tangible returns have also been identified. One such theory is the "warm-glow" theory, which helps explain why funders in developed countries engage in funding microloans to entrepreneurs in developing countries. It argues that what drives the funding is altruism and the "warm-glow" feeling that one can get from helping someone else – in this case the entrepreneurs living in desperate poverty (Allison et al. 2013).

Similarly, funders supporting donation-based crowdfunding projects do not receive financial nor tangible rewards for their investment. They often invest for altruistic reasons or receive reciprocity of some kind, which leads us to believe that the new kind of online crowdfunders will have some similarities to the funders in the case of microloans.

Meanwhile, as reward-based crowdfunding projects promise some soft or tangible or intangible returns, we also expect to find similarities with crowdfunding initiatives by US politicians. Just as political campaign donors cannot be assumed to be acting purely for charitable reasons, but rather because of future intangible benefits, the funders of reward-based crowdfunding campaigns are believed to be motivated by future returns, although not directly financial (Belleflamme et al. 2013).

So, how can entrepreneurs better motivate the crowd to fund crowdfunding projects with no promise of financial returns? These kinds of projects, donation and reward-based, span a variety of initiatives, from social causes to personal IT business ideas. They all offer a sales pitch to persuade possible funders to support their project, but even though online tips and guides for successful campaign designs are constantly emerging (e.g. Forbes 2014, The Washington Post 2014, TechCrunch 2013), there is still little guidance offered on the actual content in the pitches and how it should be presented. One such understudied research area is the language used in pitch videos.

Thus, this thesis seeks to answer the question: what kinds of rhetorics used in crowdfunding pitch videos are correlated with success?

## 1.2 Purpose

The purpose of this thesis is to highlight the area of rhetorics used by entrepreneurs in crowdfunding video pitches, specifically on non-financial campaigns, i.e. reward and donation-based campaigns, on the Swedish market. It is well known that different use of rhetorics can influence people in different ways. We have identified rhetoric themes frequently used by American politicians in their speeches to the people as well as rhetoric themes used by entrepreneurs in developing countries seeking funds from funders in developed countries. Further, we want to investigate how the use of recurring rhetorics in crowdfunding video pitches can influence the level of funding. Additionally, we hope our research can result in practical implications for the crowdfunding market, contributing to raising the overall quality of crowdfunding campaigns.

## 1.3 Research question

With this purpose, we focus our research on whether the kinds of language used in video pitches is correlated with the level of funding that crowdfunding campaigns receive, specifically in non-financial crowdfunding in Sweden. Thus, the research question is:

***Does the use of certain rhetoric themes in crowdfunding pitches have an impact on the level of funding campaigns receive?***

## 1.4 Delimitation

As crowdfunding is a global phenomenon, with different platforms operating in different geographical areas, one of the first delimitations that we had to do was a geographical one. Mollick (2014) and Agrawal et al. (2011) both argue that geography plays an important role in crowdfunding, and since the topic has mostly been studied in the US, it lacks coverage in the national market in Sweden.

In Sweden, there are a number of international crowdfunding sites present; most of which are not Swedish. The largest Swedish platform is called FundedByMe. It is sufficiently large to serve as a sample to represent the Swedish market, which is why we have limited our research to data received only from this platform.

Furthermore, there are many different types of crowdfunding, and FundedByMe hosts all of them. However, the mechanisms behind what drives success in the different types of funding projects are substantially different. As non-financial crowdfunding is the most common type of crowdfunding as well as the oldest one, this is the type of crowdfunding that we will be researching. Non-financial campaigns are also of the most interest to us, because of these funders' less rational decision-making process. Since in financial crowdfunding, investors focus on monetary rewards, they should be considered more like traditional investors. These investors are making calculated and rational investment decisions, as compared to non-financial campaign funders, that by their nature should be less interested in monetary rewards and more driven by emotions and less rational motives. There are also national legal and transactional issues and regulations when it comes to financial crowdfunding, which are not present in cases of non-financial crowdfunding (Massolution 2013). Therefore, our results will be more applicable internationally.

Including a video in your pitch will enhance the chances of success, according to both literature and crowdfunding sites. Over eighty percent of the reward-based projects found on the world's largest online crowdfunding website Kickstarter include a video and it is found that these projects succeed at much higher rates than projects without videos; 50 percent versus 30 percent (Kickstarter 2014). Moreover, projects that include a video generally enjoy a greater number of backers (e.g. Kuppuswamy & Bayus 2013, Mollick 2012, Mitra & Gilbert 2014). It seems that videos keep people on the project page longer and makes them 20 percent more likely to make a commitment to the campaign (FundedByMe 2014d).

*"VIDEO KEEPS PEOPLE ON THE PAGE LONGER AND THEY ARE 20 PERCENT MORE LIKELY TO MAKE A COMMITMENT."*

This further denotes the delimitation of this thesis. The projects that we are interested in researching further are the ones that have included a video on their campaign page. Since our research questions investigates the underlying rhetorics of crowdfunding pitching, we will only use the projects with videos that contain spoken voice. Moreover, because of the language requirements of this thesis and the software that will be used for analyzing transcriptions of these

video pitches, we have only been able to use the videos with spoken English voice.

Concluding, the research area of this thesis are all non-financial crowdfunding campaigns that include a video with spoken English voice, posted on the Swedish crowdfunding website FundedByMe.


## 1.5 Expected knowledge contribution

For scholars, this thesis aims to describe the effects of rhetorics used in video pitches on the funding level of non-financial crowdfunding projects. Greenberg et al. (2013) present a model to predict the chances of a project being successfully funded. Acknowledging that certain factors might have been ignored, they suggest the content of the pitch might be such a factor. Building on this, we further investigate how the pitch content can affect the chances of a crowdfunding project being successfully funded.

For entrepreneurs, this thesis aims to offer some insights on the importance of rhetorics in pitch videos and most importantly, guidance regarding what rhetorics to use in their pitch videos in order to maximize the potential funding of the crowdfunding campaign. Hopefully, the study can result in a new set of tools on crowdfunding sites that can help entrepreneurs. The aim of the study made by Mitra and Gilbert (2014) was to present a toolset for crowdfunding sites, in the shape of a dictionary containing specific phrases that are proven to either motivate or discourage funders. In that same manner, we strive to present a set of rhetorical themes, rather than specific words or phrases, which can guide entrepreneurs when formulating crowdfunding video pitches.

# 2. LITERATURE REVIEW

Crowdfunding is still a relatively new phenomenon, why the market is constantly evolving and changing, and there is still not much research on the subject. The articles that have studied the topic and its many aspects are reviewed and used in this thesis. However, much of the research is very general and often based on case studies. Thus, we have also included theory on the wider area of crowdsourcing, from which crowdfunding is initially derived. The area has been studied to a greater extent and offers a good insight into crowdfunding as well.

Not much research has been conducted around the area that this thesis is focusing on, i.e. what drives the crowd to fund projects on crowdfunding platforms. The area of rhetorics used in the context of crowdfunding is limited to a few articles. One article studies the written pitches on Kickstarter and one article studying the very special case of micro-lending in developing countries. Given the scarcity of academic research within the field of how rhetorical content influences investor funding in crowdfunding projects, we have also looked at literature discussing rhetorical content in political fundraising, which has several similarities to crowdfunding.

In order to form a foundation for our theoretical framework, we have looked at general theory around traditional funding. We have also examined its shortcomings and tried and explain the emergence of crowdfunding, and compared the two. To deepen our theoretical framework further, we have studied what motivators that drive funding in these traditional funding methods.

We start with an introduction to the subject of crowdfunding by defining it. Then, we introduce the broader concept of crowdsourcing as well as present research on traditional funding. Further, we move on to a broader, in-depth presentation of crowdfunding research. We move on to the subject of rhetorics used in funding situations and lastly, some general research on rhetorics. From the theoretical background, we deduce our hypotheses.

## 2.1 Crowdfunding definition

According to Belleflamme et al. (2010), "crowdfunding involves an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in

exchange for some form of reward and/or voting rights".

Mollick (2014) offers an updated definition; "Crowdfunding refers to the efforts by entrepreneurial individuals and groups – cultural, social, and for-profit – to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries."

According to FundedByMe, the largest crowdfunding website in Scandinavia, crowdfunding is "The financing of a project, business or campaign by raising many small amounts of money from a large number of people via the Internet and social media" (FundedByMe 2014 c).

It is also important to define the two different crowdfunding platform users and their roles. Mollick (2014) denotes them as founders and funders. Founders are defined as "all individuals who are seeking funding for a cultural, social or for-profit venture" (Mollick, 2014), Massolution (2013) refers to them as "campaign owners". Funders, or "the crowd", are the ones investing or donating in the crowdfunding projects. Founders and funders are the definitions that will be used from now on.

Further, we need to define the different types of crowdfunding models. Crowdfunding campaigns are categorized into four main types, namely: equity, credit, reward and donation-based crowdfunding. Royalty-based crowdfunding is a new, currently emerging type of model. Equity, credit and royalty-based are all financial crowdfunding models, while donation and reward-based are referred to as non-financial models (e.g. Massolution 2013, De Buysere 2012). These models will be further defined and explained in the in-depth parts of the crowdfunding literature review.

## 2.2 Crowdsourcing

The word 'crowdsourcing' was first used in an article in Wired Magazine in the summer of 2006. The article presented four different business cases were traditional ways of doing business were replaced by user-generated content from something the author Jeff Howe called 'the crowd'; "The labor isn't always free, but it costs a lot less than paying traditional employees. It's not outsourcing; it's crowdsourcing" (Wired Magazine 2006). Thus, a new word was born.

*"THE LABOR ISN'T ALWAYS FREE, BUT IT COSTS A LOT LESS THAN PAYING TRADITIONAL EMPLOYEES. IT'S NOT OUTSOURCING; IT'S CROWDSOURCING."*

Later, in an article in The New York Times, Howe said that the words original definition was: "The act of taking a job once performed by a designated agent (an employee, freelancer or a separate firm) and outsourcing it to an undefined, generally large group of people through the form of an open call, which usually takes place over the Internet" (The New York Times 2009).

Kleeman et al. (2008) introduced the concept of "the working customer", taking part in the different activities that are normally performed by professionals. They proposed the following definition; "Crowdsourcing takes place when a profit oriented firm outsources specific tasks essential for the making or sale of its product to the general public (the crowd) in the form of an open call over the internet, with the intention of animating individuals to make a [voluntary] contribution to the firm's production process for free or for significantly less than that contribution is worth to the firm" (Kleeman et al. 2008).

The evolution of Web 2.0 is also considered a prerequisite for crowdsourcing, facilitating the consumer involvement (Kleeman et al. 2008). Lower costs is the main reason behind why companies engage in crowdsourcing activities according to Kleeman et al. (2008), while the people in the crowd are motivated both intrinsically (feeling better about themselves) and extrinsically (social status, monetary reward) (Brabham 2008). Crowdfunding was later derived from the broader concept of crowdsourcing (Belleflamme et al. 2013).

## 2.3 Traditional funding

Prior to the advent of crowdfunding, there were mainly two kinds of traditional sources of financing, debt (banks) and equity (venture capital and angel investors) (Ingram & Teigland 2013). Debt financing is when one party (the creditor) lends money to a second party (the debtor). The creditor, most often banks, tries to limit its risk by demanding collateral, through contractual agreements and by having a first-hand right to claiming equity. Usually, the debtor is extrinsically motivated to take on risk by the debtor having to pay interest on the loan. However, lending can also be charitable and motivated by either pure altruism or the warm feeling received

by helping others (Allison et al. 2013).

Equity funding, on the other hand, is when capital is invested in return for equity stakes in the company. Hence, investors both gain control and risk. Here, investment is motivated by monetary returns in the form of dividends and future value gains. Investors could be the entrepreneurs themselves, their families, friends, or more sophisticated funders such as the public through the stock market, companies through acquisitions, business angels or venture capitalists. Equity funding obtained from business angels and venture capital is considered "smarter", since it comes with support and guidance as compared to "stupid" money that banks offer, that offer no complementary support (Schweinbacher & Larralde 2010). Bottazzi and Da Rin (2002) show that especially creative companies who enjoy support and funding from venture capitalist perform better and have better growth rates than the average.

The start-up investment decision processes differ between angel investors and venture capitalists (Sudek 2006). Since angel investors invest their own money (Benjamin & Margulis 2000), they are less accountable than venture capitalists, and this lack of rigor can lead to poorer investment decisions. Research shows that venture capitalists perform more extensive business analyses than angels, while angels perform less professional due diligence, invest more opportunistically, do not calculate on internal rates of return and rely more on their own instincts (Sudek 2006). Angel investors also usually invest in startups in very early stages, within close geographical reach and typically for smaller amounts than venture capitalists do (Ingram & Teigland 2013).

Venture capitalists and angel investors also differ in their motives, their entrepreneurial experience and their expected involvement in the startup (von Osnabrugge and Robinson 2000). While angel investors enjoy helping another entrepreneur build a business and giving back to the entrepreneurial community, venture capitalists are in the business to return a profit on their partners' investment (e.g. Benjamin & Margulis 2000, von Osnabrugge & Robinson 2000). Generally, venture capitalists are more objective with regards to financial return, more interested in ROI and less emotionally attached (Sudek 2006).

Some entrepreneurs can turn to friends and family for smaller amounts, given as interest free loans or donations. However, most early stage startups and entrepreneurs lack the sufficient

collateral and guarantees of stable future cash flows required for these traditional funding methods (e.g. Schweinbacher & Larralde 2010, Cosh et al. 2009). For many, this barrier of startup capital funding may very well kill the business idea before it ever had a chance to prove itself.

In a sense, this financing market is inefficient, as many promising business ideas may never make it. Here, crowdfunding plays a role in lowering the barriers to funding, spreading the risk over large groups of people, facilitating and possibly democratizing the access to capital (Kim & Hann 2013).

## 2.4 Traditional funding vs. crowdfunding

An important benefit that crowdfunding holds, is the marketing and pre-sales aspect that few professional investors can comparably offer. But it can be argued that the crowd is not as smart, experienced or rational when it comes to financial decisions as professional, sophisticated investors such as business angels or venture capitalists. This may affect the efficiency of the market, resulting in the "wrong" startups being funded.

The crowd does not have the industry knowledge or the experience of running a business either, benefits that come with the use of professional investors. Ingram et al. (2013b) show how important support from professional investors is when it comes to funding decisions made by Swedish entrepreneurs, being one reason why crowdfunding has not been more successful in Sweden. However, Mollick (2014) shows that the crowd assesses quality signals much similar to professional investors, meaning there crowd is maybe more rational than one might expect. Also, the argument of "the wisdom of the crowd" suggests that the crowd can sometimes be more efficient than professionals, or even more intelligent than the smartest person in them; "...groups can be remarkably intelligent. And they can actually often be smarter than even the smartest person within them." (TED 2005). Schweinbacher and Larralde (2010) agree that crowds can be more efficient than individuals or teams in solving problems, why crowdfunders would be more efficient than a few equity investors alone in making the right funding decisions.

*"...GROUPS CAN BE REMARKABLY INTELLIGENT. AND THEY CAN ACTUALLY OFTEN BE SMARTER THAN EVEN THE SMARTEST PERSON WITHIN THEM."*

Professional investors may not know the market as well, and crowdfunding can be used as a market validation test. Ultimately, it is the crowd that will constitute the eventual future market for the product or service.

## 2.5 Crowdfunding

### The Market

Globally, there were approximately 800 crowdfunding websites that together had raised $2.7 billion, by May 2013. North America and Europe comprise almost 95 percent of the market as both markets separately raise more than all other markets combined. Between 2012 and 2013, the number of successfully funded campaigns did not increase significantly, while the amount raised nearly doubled. Growth reached over 80 percent in 2012, compared to 64 percent in 2011 (Massolution 2013).

Crowdfunding as a source of funding can generally be used for different kinds of purposes, and projects can be of varying kinds, e.g. art projects, business ideas, product prototypes, charity fundraising or personal fundraisers such as birthday gifts or trips. According to Massolution (2013), social causes is the most active category, based on the number of successfully funded campaigns and the total funding volume. Business and entrepreneurship is the second most active category, followed by films and performing arts and music and recording arts.

### Crowdfunding models

The five different models of crowdfunding are hereafter defined and further explained; equity, credit, reward and donation as well as royalty-based crowdfunding.

Equity crowdfunding treats funders as investors, similar to more traditional types of funding such as angel investors, giving them small equity stakes in return (Mollick 2014). These types of projects are still rare, the market is continuously evolving, and there are many regulations in this type of funding (e.g. Heminway & Hoffman 2010, Massolution 2013 or De Buysere 2012). In the US for example, equity crowdfunding was just recently legalized (Whitehouse 2012).

FundedByMe (2014c) defines it as; "Funding a company by selling a large number of small shares or equity to investors who receive shares. Equity crowdfunding investors are entitled to dividends from future revenues and receive a share of the value when shares are sold".

Credit-based crowdfunding, peer-to-peer lending or crowd-lending makes it possible for people to lend each other money, often at rated better than banks offer (De Buysere 2012). Credit-based crowdfunding is much like microloans, where funders offer the founders loans in exchange for a return on their investments (Mollick 2014). This is the crowdfunding model with the highest probability of successful funding (Massolution 2013). FundedByMe (2014c) defines it as; "Funding a company by offering yearly interest in exchange for a loan to many lenders. Loan crowdfunding lenders are entitled to a yearly interest and, depending on the company and the terms they offer, may also be entitled share of the company's profit".

Reward-based crowdfunding is the most prevalent model of crowdfunding today (Mollick 2014), where the funders are offered rewards of different kinds, instead of financial returns. Rewards can be anything, such as t-shirts with a logo, post cards, a personal mention or previews and early launches of new products i.e. pre-ordering (e.g. Mollick 2014, Belleflamme et al. 2103). FundedByMe (2014c) defines it as; "Funding a campaign by garnering the financial support of many small backers who receive a reward in exchange for early-stage backing" or "Funding a campaign by securing the financial support of many backers in exchange for a reward".

Royalty-based crowdfunding: This is the newest type of model, where funders invest in campaigns, to receive a share of possible, future revenue streams (Massolution 2013). Massolution (2013) describes it as: "Crowdfunders invest in campaign owners and receive a share of revenue earned in return for their investment".

Donation-based crowdfunding follows a patronage model, offering nothing in return to the funders. This type is often used for charity and humanitarian projects (Mollick 2014). According to Massolution (2013), donation and lending-based are the most popular crowdfunding models, with donation-based campaigns accounting for 62 percent of all successfully funded campaign in 2012. Massolution (2013) describes it as: "Crowdfunders donate money to campaign owners and do not expect to receive a tangible benefit from the transaction".

Reward- and donation-based approaches are often used for smaller campaigns, with smaller amounts to fund, and for environmental or societal issues like education, the community and religion (Massolution 2013). Donation and reward-based crowdfunding are in most aspects the same, the only difference being that the reward-based campaigns offer some kind of reward, while donation-based do not offer anything in return. All other models offer some form of financial return, why these two models are referred to as non-financial. As some projects offer rewards only from a certain level of donations, and nothing in return on smaller levels of donations, some projects are difficult to categorize. Others offer such small rewards that they could be considered pure donations, again making it difficult to recognize the category (Mollick 2014). Donation-based campaigns are often combined with reward-based and many crowdfunding websites do not separate these two types in different categories.

Some platforms use an "all-or-nothing"-approach, where the funding goal has to be reached, or all the collected funds are returned to the funders. This is called a threshold-pledge system and is used in 54 percent of all crowdfunding platforms, most often applicable when the project cannot be downscaled. In donation-based campaigns for social causes, this kind of threshold is rarely used. Platforms that do not use this threshold system will pay out any amount that has been raised, whereas on some platforms the threshold is optional (Massolution 2013).

Because of the many different models of crowdfunding campaigns available, Belleflamme et al. (2013) investigate in their article the mechanism that determine funders choice of campaign models, comparing reward-based campaigns (with pre-ordering product options) and equity- or profit-sharing. They offer some general suggestions on how founders can achieve the optimal crowdfunding campaign design. Results show that if the capital required is small, founders prefer giving the funders the opportunity to pre-order products. If not (i.e. the capital required is a large amount), founders prefer sharing potential future profits or equity (Belleflamme et al. 2013). The authors further assume that "crowdfunders enjoy 'community benefits' that increase their utility" i.e. some additional benefit compared to regular consumers. These "community benefits" differ between the two types of crowdfunding; pre-ordering is associated with consumption experience benefits while profit sharing is associated with investment experience benefits. These different forms of benefits that the funders experience prove to be crucial in the founders' choice of

crowdfunding type (Belleflamme et al. 2013).

## The different motivators

Mollick (2014) discusses the different goals and motives of founders and funders. Founders can engage in crowdfunding because of many different reasons. Some founders seek to raise only small amounts of capital to fund one-time projects, as a substitute or complementary to acquiring funding from family and friends. While others seek large amounts to start new ventures and for seed capital, which is traditionally done by venture capital or angel investors (Mollick 2014).

However, there are also other aspects of crowdfunding, where the platforms and their funders are used as a market validation for a product or a service. Being able to demonstrate a demand for your business idea can lead to additional funding from other traditional funders. On the other hand, discovering a lack in demand early can be just as valuable to aspiring entrepreneurs. Insights can help in either improving the initial idea, or accelerate "quick fail" - killing unfeasible ideas early to avoid investing time and money into projects that will fail. It can also serve in marketing purposes, creating interest among future consumers and drawing press attention. Thus, crowdfunding offers benefits to entrepreneurs that go beyond those of pure funding (e.g. De Buysere 2012, Burtch et al. 2012, Mollick 2014).

As for the funders, several different drivers and motivators have also been found. These vary more in crowdfunding than in more traditional funding situations, as there are more different forms of projects on different levels and with different funding efforts required (Mollick 2014). Basically, there are three types of motivators: financial, social or material (De Buysere 2012). In charity projects, funders do not receive nor expect to receive monetary or material returns. The money funded is donated, following a patronage model where the funders act like philanthropists. Belleflamme et al. (2013) found that funders who donate without expecting neither material nor monetary returns, might engage in funding because they expect to be consumers in the future (i.e. when the product is launched on the market), or only to enjoy what they call "community benefits". These findings contradict earlier research, where only non-profit organizations enjoy pure donations as donors are assumed to be altruistic (Belleflamme et al. 2013). Kleeman et al. (2008) recognize two types of motivators in their study on crowdsourcing:

intrinsic and extrinsic motivations. The intrinsic relate to the pleasure of engaging in the activity, while the extrinsic relate to a specific reward such as a product, recognition, social benefits or monetary rewards.

In many reward-based projects smaller amounts of donations do not entitle the funder to any returns, like in donation-based projects where the funders are philanthropists or donate just to support a project, while larger sums could grant them various rewards such as new product pre-releases or previews of an art-project. Funders could therefore be motivated to fund reward-based campaigns in order to, for example, be first to receive the new product or be first to experience the art-project. In both equity and credit-based crowdfunding projects, the expectations of the funders are more of a monetary kind. In the cases of equity-funding, funders are given equity stakes or shares of potential future revenues, where they hope to make a profit from the investment. In credit-based projects, there could either be expectations on some return on the capital invested or in the case of micro-financed loans there could also be a philanthropic aspect to it (Mollick 2014).

Belleflamme et al. (2013) conclude that, what they call the "community benefits" i.e. the social aspects of crowdfunding, is what makes crowdfunding an appealing option. Without these benefits added, crowdfunding would yield much the same results as more traditional fundraising, why tying a sizeable social network around the crowdfunding initiative is crucial (Belleflamme et al. 2013).

Mollick (2014) concludes that the motives of founders as well as funders are heterogeneous. Funders may engage in crowdfunding in order to support those projects that are of personal interest, to support the project founders, for political reasons, for personal amusement or a number of other imaginable reasons as well as purely financial.

## Drivers of success

Research done on more traditional fundraising, such as how VCs and angel investors asses startups that seek funding, shows how quality signals, such as how well prepared the founders are, drive investments (e.g. Cardon et al. 2009, Chen et al. 2009). But, since crowdfunding, and

in particular non-financial crowdfunding, is in its nature in many aspects different from more traditional forms of fundraising, the drivers of success, such as quality signals, could also substantially differ.

Mollick (2014) observes that most projects either succeed with small margins, or fail by large amounts. This is consistent with Lee and Lee's (2012) theories on herding behavior among funders, however, these effects seem to decrease over time as the campaign reaches its end. This, on the other hand, is consistent with Kuppuswamy and Bayus' (2013) theories on bystander effects among funders. The study on Kickstarter projects studies the effects of social information in crowdfunding situations, concluding that funders are less willing to support projects that have already received great support, as they expect others to contribute. The marginal benefit decreases, and past backer funding is negatively correlated to additional backer funding in late stages of the campaigns (Kuppuswamy & Bayus 2013).

Mollick (2013) investigates what factors crowdfunders respond to compared to professional funders, and concludes that they both similarly assess entrepreneurial signals of quality. Meanwhile, crowdfunding mitigates some of the gender and geographical biases associated with the selection process of professionals. Mollick (2013) finds that 21.1 percent of crowdfunded projects included a female funder, which is fifteen times higher compared to ventures funded by venture capital.

Further, Mollick (2014) also discusses the questioned ability of the crowd to identify and choose the best projects as well as the entrepreneurs with the highest potential, compared to more traditional forms of fundraising. If the crowd is less rational in its decision making process, and less able to identify high quality projects, it might suggest that crowdfunding as a new form of fundraising is not efficient. Mollick (2014) investigates this, using the preparedness of the entrepreneurs as a signal of quality, as defined by Chen et al. (2009). Preparedness is further defined by several factors, such as having a video, frequently posting updates and spelling errors. Mollick (2014) finds that these signals of quality drive funding, concluding that the success of crowdfunding projects seem to be depending largely on the quality that the project signals.

Mollick (2014) also connects these finding on quality signals to the pattern of funding levels,

success seem to happen by small amounts and failure by large amounts, as the effect of the quality signals also seem to be enhanced by the social features of the crowdfunding platforms. Funders encourage each other to fund projects by sharing them as quality projects are identified by funders and then promoted to other potential funders (Mollick 2014).

Another factor that seems to be driving success in crowdfunding projects is the size of the entrepreneurs' social network (Lin et al. 2012). This is also consistent with the findings of Mollick (2014), who also suggests the size of the social network enhances the effects of the quality signals; "In a setting where amateurs are making decisions about which projects to finance, and taking into account the social networks that would tend to be sources of both funding and endorsements, the effect of these signals of quality and preparedness is unexpectedly large".

Geography has also proven to be of importance. Just as in more traditional forms of capital fundraising, geographical distance plays a role in crowdfunding (Mollick 2014). Mollick (2014) finds that the distribution of crowdfunding projects is uneven, just as the successfully funded projects. Further, the projects seem to reflect their cultural and geographical context (e.g. Nashville is dominated by music projects and Los Angeles presents an outsized number of film projects). The proximity to funders is shown to have an impact on crowdfunding success (ibid).

Agrawal et al. (2011) agrees; local funders tend to invest earlier, are less sensitive to other investors funding decisions and often have social connections to the entrepreneurs, even though crowdfunders generally tend to be less sensitive to geographical distance than traditional investors. The geographical effect is mostly driven by social connections, as entrepreneurs tend to have friends and family is a geographical proximity. This effect cannot be mitigated by the online crowdfunding platforms. Meanwhile, platforms seem to mitigate most of other distance related problems such as monitoring, input and information gathering, issues prevalent in traditional funding situations. Agrawal et al. (2011) further show that investors tend to invest in projects as the funds already raised are accumulating at the later stages of the campaign. Local funders do not follow this pattern, as they are more prone to investing in early stages of the campaigns. These local funders are mostly consisting of friends and family in the local area. Mollick (2014) also finds that the underlying talent and creativity of the population of a

geographical area can impact its creative productivity, and thus greater chances of successful funding.

Lambert and Schweinbacher (2010) also finds that non-profit projects seems to generally perform better in raising funds from the crowd than for-profit projects, which is consistent with the report from Massolution (2013) stating that social causes, although not environmental causes, perform high success rates. This suggests that the organizational form may play an important role. Another finding by Mollick (2012) shows that in general, projects with longer duration as well as projects with higher funding goals tend to perform worse in terms of funding level.

In a study done by Greenberg et al. (2013), the authors create a model using several factors that are suggested to influence the chances of a project being successfully funded. The model can predict if a project will be successfully funded with an accuracy of almost 68 percent. Currently, the model is not considering the project content at all, nor age, gender, audio quality, past experience, network connectedness or location. Factors that are included are the funding goal, the project category, number or rewards available, length of campaign, sentiment, grade level, number of sentences in project description and Twitter or Facebook connectedness as well as number of Twitter followers and Facebook friends of the founders (Greenberg et al. 2013).

The information asymmetry, inherent between founders and funders, is investigated by Belleflamme et al. (2013). Founders cannot initially determine the funders' willingness to contribute, but is it shown how founders can use the pre-ordering mechanism to "reveal their [the founders'] willingness to pay by self-selecting for pre-ordering" (Belleflamme et al. 2013). Further, it is shown that the funders' uncertainty of the product quality, which cannot be determined before production, results in qualitatively similar outcomes. Information asymmetry also arises when the founders know more about the quality of the product to be produced, than the potential funders. Concluding, information asymmetry and uncertainty in general favor founders using an equity-based type of crowdfunding campaign (Belleflamme et al. 2013).

## The Swedish market

Since crowdfunding only has been around in Sweden for short period of time, the amount of

research on crowdfunding in Sweden is limited. Ingram et al. (2013a, 2013b) studied Swedish ICT entrepreneurs and found that despite several crowdfunding platforms available, the community did not embrace the phenomenon at the same pace as other geographical markets. Considering Sweden being top ranked in the world in terms of ICT networked readiness and also regarded as the second most entrepreneurial country in the world, this was particularly surprising (Global Economic Forum 2012, Ingram & Teigland 2013).

To explain this, Ingram et al. (2013b) investigates the institutional norms and logics around funding prevalent in Sweden. Different countries have different institutional logics and norms, and this national context affects the perception of crowdfunding affordances. Their findings show that three institutional logics are important for the entrepreneurs; namely funding, partnership and legitimacy. This suggests that receiving the funds needed is only one out of three important parts that funders must deliver on. Partnership, and tangible resources, is also important, where investors are expected to offer advice and guidance as well as provide expertise, although the inherent tensions in this kind of support form. Legitimacy and intangible resources are signals of approval; one big and well-known investor will inevitably draw attention among and could attract other investors. Swedish entrepreneurs did not perceive the Swedish platforms as being able to perform well on these three crucial parts (Ingram et al. 2013a, 2013b).

Something that differed in the view of crowdfunding in Sweden from that in the US, was for example that crowdfunding in the US was often argued to have the potential to disrupt traditional funding sources such as angel investors, venture capitalists and bank loans. Capital from the crowd was argued to substitute the capital from traditional funders and crowdfunding was thus presented as a modern substitute for capital rather than a compliment. Meanwhile, Swedish platforms saw themselves as not only substitutes, but as both intermediaries between the entrepreneurs and the traditional funders as well as intermediaries between the entrepreneurs and the crowd (Ingram et al. 2013a).

*"I THINK IT'S MUCH MORE DIFFICULT TO LAUNCH A CROWDFUNDING SERVICE IN SWEDEN BECAUSE THERE IS A MUCH SMALLER CRITICAL MASS OF PEOPLE WHO CAN USE IT COMPARED TO THE US. THE US IS 350 MILLION PEOPLE. SWEDEN IS 9 MILLION."*

Among Swedish ICT entrepreneurs, there was also a widespread belief that Swedes do not invest or donate, and that the market in simply too small, as one entrepreneurs stated: "I think it's much more difficult to launch a crowdfunding service in Sweden because there is a much smaller critical mass of people who can use it compared to the US. The US is 350 million people. Sweden is 9 million." This made several entrepreneurs unwilling to invest the time and effort needed to start a crowdfunding campaign (Ingram et al. 2013a).

The flat Swedish society and Swedes' belief in government policies are considered acting as constraints on Swedish crowdfunding as well (Ingram et al. 2013a). Ingram and Teigland (2013) present possible solutions to this problem, such as building and promoting a pan-Nordic platform, better market success stories and encouraging crowdfunding platforms and other interested parties to teach entrepreneurs how to better pitch for a crowd.

## 2.6 Rhetorics in funding

Mitra and Gilbert (2014) have studied pitch texts from the American crowdfunding site Kickstarter, and found a surprisingly predictive power in the language used by the founders, showing how the language plays a major role in driving the success of the project. Except from offering some more general research around what drives the crowd to fund projects, the authors present a dataset with phases that both drive funding and have a negative impact on funding success.

The phrase "project will be" most significantly signals that the project will be successfully funded. Also, phrases promising offers to the funders predict success, such as "also receive two", "pledgers will" and "we can afford". These phases are used to promise a reward in return for the favor or donating. Authors argue that these positive predictors signal reciprocity, based on persuasion literature, suggesting a tendency to return a favor after receiving one. "Good karma" and "used in" are other phrases of reciprocity predicting success, while less attractive offers, such as "dressed up" and phrases signaling negativity or insecurity, predict failure; "Not been able to" and "Hope to get" (Mitra & Gilbert 2014).

Scarcity is another rhetoric theme identified by the authors. They argue that people are attracted

to rare and limited offers, why phrases signaling exclusivity predict success e.g. "given the chance". The authors introduce that the idea of social proof, presented by Cialdini and Goldstein (2004), is also important as people are influenced by the actions of other people. This can be signaled using the right rhetorics such as the phrase "has pledged" or "as people", as proof that the project has already received attention and funding. Another theme on the social aspect is social identity, as people seek to belong in social groups. People are also inclined to comply with someone if they like them, why liking is another theme that has a positive effect on funding success. Authority signals the expertise of the founders and also predicts success, just as forward-looking and positive sentiment phrases (Mitra & Gilbert 2014).

By integrating work on the resource acquisition process with research and theory on narratives, Martens et al. (2007) found support for the claim that successful entrepreneurs also were effective storytellers. The authors found that effectively constructed stories help entrepreneurs acquire the needed money to exploit identified opportunities. Moreover, Martens et al. (2007) argue that storytelling is influential to a firm's ability to secure finance from external sources and identify ways in which entrepreneurs can work with narratives to enhance resource acquisition. By constructing unambiguous identities for entrepreneurial firms, elaborating how the proposed means of exploitation will reduce risk and using familiar elements to contextually ground those that are less familiar, entrepreneurs were able to influence resource providers in a way that went above and beyond the effects of more purely factual information about a firm's financials (Martens et al. 2007).

Allison et al. (2013) build on these studies by examining how the rhetorical content of entrepreneurial narratives influences investor funding and showing that use of different political rhetorics in these narratives has a significant effect upon how quickly a venture is able to raise funds. The authors study crowdfunding rhetorics used in the special case of micro-lending. The data is collected from the crowdsourced micro-lending platform Kiva, where entrepreneurs in developing countries pitch to lenders in developed countries (Kiva 2014). By extending the logic of warm-glow theory, Allison et al. (2013) propose that individual investors will feel better about themselves by helping entrepreneurs living in desperate poverty by funding their loans.

Specifically, the narratives where entrepreneurs use language conveying their confidence and

accomplishments, as well as language higher in tenacity and variety are associated with slower funding, whereas language conveying blame and emphasizing the present are associated with faster funding. Narratives where the entrepreneurs use language highlighting the innovativeness of their product or venture are also associated with slower funding. The study suggests that several characteristics of political rhetorics influence entrepreneurs' success in securing microloans and that the language used in entrepreneurial narratives may influence investors' decision to invest in a new venture. Therefore, the authors state that presentations of investment profiles should be carefully crafted to maximize the likelihood of the projects being funded (Allison et al. 2013).

Although politics and crowdfunding at first may seem different, political rhetorics are carefully crafted to convey information in a manner that encourages the crowd to support a candidate or cause (Hart 1984), which has similarities with how entrepreneurs use rhetorics in creating entrepreneurial narratives for crowdfunding projects to influence individual investors to fund their project. In similar ways as in which entrepreneurs creative narratives to influence investors to fund their projects, politicians use rhetorics to help raise money for campaigns and to garner their constituents' support for elections and other initiatives (Allison et al. 2013). There are several ways in which politicians do this. One commonly used technique is repetition, which is also referred to in politics as staying "on message" (i.e. using the same or similar phrases to describe a problem or emphasize the importance of a point) (Jerit 2006). In her study of press independence in the realm of problem definitions, Jerit touches upon the subject of repetition and writes that political discourse teaches people to associate certain concepts with one another by repeatedly mentioning phrases together. According to Heritage and Greatbatch (1986), who look at and develop the idea that certain rhetorical devices are consistently effective in evoking positive reactions to political speeches from the audience to which they are addressed, repetition of a term can serve to strengthen, underline or amplify almost all kinds of messages and is commonly used also outside the domain of political persuasion. Additionally, messages with less variety are regarded more effective in persuading the audience to take desired actions (Williams & Trammel 2005).

Another political rhetoric strategy presented in literature is the use of so called "leveling terms", defined by Roderick P. Hart (Diction 2014) as words used to "ignore individual differences and

to build a sense of completeness and assurance". Bligh et al. (2004) analyze how George W. Bush used, among other, leveling rhetoric to speak on a common rather than an elevated level in order to come across as a more familiar and charismatic leader. The author suggests that leveling terms enable followers to identify with their leader and shows that the former president was more likely to engage in rhetoric content referencing leader-follower similarities after the attacks. Likewise, Williams & Trammel (2005) show in their study of email messages in the presidential election in 2004 that creating a culture of partnership is a commonly used communication strategy when gathering political support. The authors state that, for example, by addressing peers as "we" political candidates can emphasize a sense of partnership - a feeling that the candidate and the receiver of the message can make a difference together - which is a key communication strategy when communicating with potential supporters (Williams & Trammels 2005). Moreover, Levine et al. (2002) writes in their study on self-categorization that the depersonalization that takes place when people engage in group behavior where one's unique characteristics fade from awareness leads to a perceived similarity of needs, goals and motives, and a mutual and shared perception among the group members of regarding their interests as similar. Thus, identifying with an individual or a group increases the likelihood that one would act on that person's behalf (Levine et al. 2002).

## 2.7 Rhetorics

Pennebaker et al. (2003) write in their study of the psychological aspects of natural language use that many narrative researchers assume that language is, by definition, contextual and therefore phrases, sentences or entire texts must be considered within the context of the goals of the speaker and the relationship between the speaker and the audience. However, an alternative perspective is that one can statistically analyze features of language or word use. This quantitative approach to text analysis has gained increasing popularity over recent decades and can be categorized into three broad methodologies (Pennebaker et al. 2003).

Judge-based thematic content analysis involves judges who, on the basis of empirically developed coding systems, identify critical thematic references in text samples (Smith 1992). Thematic content analyses have been applied for studying a variety of psychological phenomena such as explanatory style (Peterson et al. 1992) and levels of thinking (Pennebaker et al. 1990).

Word pattern analyses, an approach emerging from the artificial intelligence community, mathematically detect how words co-vary across large samples of text (Foltz 1998, Popping 2000). Traditionally, word pattern strategies have been used to determine whether two texts are similar in terms of their content (Pennebaker et al. 2003).

Word count strategy is the third general methodology commonly used in quantitative text analysis. Word count strategies are built on the assumption that the words people use convey psychological information over and above their literal meaning and independent of their semantic context. Although this assumption may be regarded as problematic by some language researchers, others see it as holding unique potential in analyzing word choice due to judges' inability to monitor word choice (Hart 2001). The most commonly used word count strategy approaches are computer-based (Pennebaker et al. 2003).

One example of computer-aided text analysis software is DICTION. DICTION was first developed in 1984 and the communication researcher Roderick P. Hart (1984) has since spent three decades on refining the program. DICTION was first designed to reveal the verbal tone of political statements and did this by characterizing text on five statistically independent master variables: activity, optimism, certainty, realism and commonality. The rationale behind using these five master variables is that if only five questions could be asked of a given passage these five would be the ones that provide the most robust understanding (Hart 2001). The five master variables are composed of 33 different linguistic subfeatures (e.g. commonality: centrality, cooperation, rapport, diversity, exclusion, liberation) (Diction 2014) The DICTION approach is style focused and tries to cover a wide range of linguistic aspects (Pennebaker et al. 2003).

## 2.8 Hypotheses

In our thesis we have adopted a deductive research approach. This means that we, on the basis of existing academic theory and knowledge, deduced our hypotheses and subsequently tested them empirically (Bryman & Bell 2011). Drawing on the theoretical background we formulate the following hypotheses:

## Leveling rhetoric in entrepreneurial narratives

Leveling terms are frequently used in political discourse to overbridge and mitigate perceived individual and social differences (Bligh et al. 2004, Diction 2014). Leveling rhetorics is used to enhance similarities and identification, over-bridging social differences as well as creating bonds and understanding to garner support (Mitra & Gilbert 2014).

Leveling terms are also regarded to enable followers to identify with their leader (Bligh et al. 2004) and identification with another individual has been shown to increase the chances of people acting on that person's behalf (Levine et al. 2002). Allison et al. (2013), in their study on the effect of entrepreneurial narratives in peer-to-peer lending, failed to find support for the effect of leveling rhetoric on the funding success level of microloan campaigns. However, this was believed to be due to the leveling effects having countervailing influence on the perceived neediness of the entrepreneur as he or she came across as less desperate and thus less worthy as a loan recipient. Since the relationship in crowdfunding is of a different kind, we instead believe that crowdfunding holds many of the same characteristics as political fundraising. Thus, leveling terms should have a positive effect on crowdfunding success.

Research also shows that geographical, and thus cultural, distance generally affect the outcomes of funding negatively (Mollick 2014), why the use of leveling rhetoric should be able to mitigate some of these effects as well. Stated formally:

**Hypothesis 1:**
*There is a positive correlation between the use of leveling rhetoric and the level of funding that crowdfunding entrepreneurs receive.*

## Certainty rhetoric in entrepreneurial narratives

In political rhetoric, clarity of purpose is regarded as vital to make a convincing argument. This is often referred to as staying "on message", thus repeating certain phrases and themes in order to emphasize the importance of a point (Jerit 2006). Using repetition rather than variation reinforces the importance of these themes in the minds of the audience (Heritage & Greatbatch 1986). Accordingly, messages with less variety are generally more effective in convincing the audience

to take desired action to support the speaker (Williams & Trammel 2005). One example of this in political discourse is how Barack Obama as presidential candidate used the often repeated campaign slogan "yes we can", which served as a simple, unifying message that is often associated with his successful presidential campaign (Los Angeles Times 2008).

In crowdfunding, entrepreneurs use certainty rhetoric to portray the expertise of project creators. Allison et a. (2013) found that a variety of words and failure to reinforce key themes through repetition made it less likely for micro-lenders to lend money to entrepreneurs in developing countries. As micro-lending holds many similarities to crowdfunding, it is likely that this applies to crowdfunding as well. Furthermore, when studying what phrases that predict success on the American crowdfunding platform Kickstarter, Mitra & Gilbert (2014) showed that predictive phrases used to portray the expertise of founders increased the chance of successfully funding crowdfunding projects. Consequently, a use of certainty rhetoric indicating resoluteness will help convince the audience, making investments more likely. Thus, stated formally:

**Hypothesis 2:**
*There is a positive correlation between the use of certainty rhetoric and the level of funding that crowdfunding entrepreneurs receive.*

## Commonality rhetoric in entrepreneurial narratives

Commonality rhetoric is used to highlight the agreed upon values of a group and reject idiosyncratic modes of engagement (Hart 2014). In political discourse, commonality rhetoric has been used by presidential candidates to create a sense of partnership and to enhance the feeling that the candidate and the potential supporter could make a difference together (Williams & Trammel 2005).

Furthermore, commonality rhetoric can be used in language to create a sense of belonging and benefit from social proof. Social proof is the idea that people depend on others for signals on how to act, and persuasive tactics can use this principle to make people aware of what others are doing and thereby increase the likelihood of them following along (Cialdini & Goldstein 2004). In crowdfunding this is an often-used tactic to highlight the attention and support that the project

has received by other funders, and Mitra & Gilbert (2014) show that founders on Kickstarter that used language signaling the attention project had already achieved were more likely to see their projects being funded. Further, Lee and Lee (2012) showed that herding behavior, when an individual's decision making is highly influenced by the decisions of others, is prevalent in peer-to-peer lending. This indicates that decision-making in reward-based crowdfunding also may be highly influenced by the decisions of other funders. Thus, using rhetoric themes that highlight the agreed upon values of a group should increase the probability of succeeding with funding crowdfunding campaigns. Stated formally:

**Hypothesis 3:**

*There is a positive correlation between the use of commonality rhetoric and the level of funding that crowdfunding entrepreneurs receive.*

# 3. RESEARCH CONTEXT

## 3.1 The Swedish crowdfunding market

In Sweden, the crowdfunding market is still rather limited. Reward and donation-based models are the most popular since the equity model is under financial supervision and subject for extensive regulations. The Swedish platforms that currently support equity-based campaigns, does not have any license or permits. They can act strictly as investment brokers and are not allowed to provide any advice on investment nor handle any transfers of funds between the funders and the founders company. Equity-based crowdfunding is only allowed as a stand-alone business, with investments offered only to a closed group of maximum 200 investors. In other cases, a financial license is required from the Swedish Securities Market Act, regulation financial trading. Platforms using only the reward and donation-based models are not subject to the Swedish Securities Market Act as no financial returns on investment are offered (European crowdfunding network 2013). Despite a limited market and extensive regulations, crowdfunding is getting a lot of attention in Sweden (ibid.).

## 3.2 Swedish crowdfunding platforms

In this section we briefly present some of the crowdfunding platforms operating on the Swedish market, to highlight the differences between the platforms.

## Crowdculture

Crowdculture is a Swedish niche platform focusing on cultural, non-financial projects, where founders also have the opportunity to seek financing from public funds. The platform is backed by public entities and funds can thus be raised from both private and public money, from members and from the public cultural funds (Crowdsourcing 2013, Crowdculture 2014a). The platform works as a substitute or complement to the usual application process for public financing of cultural projects. Members vote for projects, and it is the members' votes that determine to which projects the public funds go (Crowdculture 2014b). Crowdculture made Stockholm the first city to use this kind of hybridized crowdfunding that lets the citizens decide the distribution of public funds for cultural projects (Daily Crowdsource n.d.).

## Polstjärna

Polstjärna is a Swedish non-profit, niche platform, supporting donation-based campaigns. Projects are focusing on kids and youth, preventing and helping young people in social exclusion. All projects are controlled, reviewed and followed-up by Polstjärna. Funders can choose to either fund specific projects or to donate directly to Polstjärna (Polstjarna n.d.)

## CrowdCube

Also present on the Swedish market is CrowdCube, which is an English crowdfunding platform focusing only on equity-based campaigns. CrowdCube has since their start in 2011 raised almost £24,000,000 and in February 2012 they started a local office in Stockholm, Sweden (CrowdCube 2014a). Through their Swedish website, Swedish funders and founders are able to engage in crowdfunding activities, as well as to offer mentorship and advice for aspiring entrepreneurs (CrowdCube 2014b).

## Invesdor

This platform is originally Finish, with its headquarters in Helsinki, but is now also available to the Swedish market. Invesdor was the first equity-based crowdfunding platform in Northern Europe and still it is supporting only equity-based campaigns. Companies need to be registered in either Sweden, Finland, Estonia or Denmark but investments can be made from anywhere in the world (where local regulations allow) (Invesdor 2014a). Certain criteria must meet by all companies, why all campaigns are evaluated. (Invesdor 2014b). Just recently, Invesdor was recognized by Red Herring as one of Europe's Top 100 startups in 2014 (CrowdfundInsider 2014).

## ManyMade

ManyMade is a crowdfunding platform run by a collective, focusing on art, culture and creative technologies. The aim is to "create new opportunities that will increase the realization of the creative growth potential in the Nordic region". The collective aspire to help cultural entrepreneurs and artists who know the creative parts but not business, by curating projects and co-developing crowdfunding campaigns (ManyMade 2014).

FundedByMe

FundedByMe is the largest and most well-known platform operating in the Nordic region (Ingram & Teigland 2013) and the subject of our research. By March 2014, The Swedish crowdfunding platform holds offices in eight countries: Sweden, Finland, Denmark, Norway, Spain, Germany, Italy and Singapore. The Stockholm-based team consists of ten employees and another seven employees are based outside of Sweden (FundedByMe 2014a). Since the start, FundedByMe has raised more than $4,500,000. The platform supports three types of crowdfunding models; equity, credit and reward-based campaigns (where donation-based campaigns are included). An all-or-nothing approach is used, where all funds up to either the minimum funding goal or the funding goal needs to be raised, or all the funds are returned to the funders (FundedByMe 2014c).

FundedByMe charges six percent from successful projects on the total amount of money raised, while unsuccessful projects that do not reach their minimum funding goal are not charged at all (FundedByMe 2014c). Since its start in 2011, FundedByMe has helped fund famous projects such as the popular Stockholm-based hamburger restaurant Flippin' Burgers (Mynewsdesk 2014).

## 3.3 The crowdfunding process

On crowdfunding platforms, entrepreneurs create campaigns where they describe their business or project idea. Each campaign page consists of a title; a short description and a descriptive pitch text as well as a funding goal. Some projects also have a minimum funding goal. To better illustrate the business idea, many campaigns include either pictures or a pitch video. The entrepreneurs then have a limited number of days to raise the funds needed; on FundedByMe the number of days is maximum 45. Meanwhile, the funders can simply browse through the available campaigns, deciding which ones they would like to support.

Often both founders and engaged backers share campaigns on social media, encouraging their social network to either take part in the funding or to keep sharing in order to spread the word

about the campaign. On the campaign site funders can see information on how much funding projects have received as well as how many backers they have attracted so far.

## 3.4 Project examples from FundedByMe

Here we provide an example of a currently active project on FundedByMe, to better illustrate what a crowdfunding project, with all of its features, can look like (two more campaigns can also be found in Appendix III). We have included the project title, the short description, the minimum funding goal, the funding goal and the minimum pledge as well as the current number of backers, days left and the funds raised so far (the data on the number of backers, days left and funds raised are from May 11, 2014). Included is also a list of reward levels and corresponding rewards (screenshots, the longer pitch text as well as all other features of the campaign pages can be found in Appendix II).

Since our analysis is based on closed campaigns, and active campaign pages look different from closed ones, the example provided here is not from our sampled data.

### MarmeladMakeriet

*"Too much fruit is thrown away because it isn't unripe enough to be sold in grocery stores. We want to take care of this fruit and make something delicious with it. So we're starting with marmalade"* (FundedByMe 2014e).

**Table 1: MarmeladMakeriet descriptives**

| | |
|---|---|
| **Minimum funding goal:** | 0 SEK |
| **Funding goal:** | 50 000 SEK |
| **Minimum pledge:** | 200 SEK |
| **Backers:** | 87 |
| **Funded:** | 31 950 SEK |
| **Days left:** | 11 |

**Table 2: MarmeladMakeriet rewards**

| Reward levels: | Reward: | No. of backers: |
| --- | --- | --- |
| **200 SEK** | MARMALADE. Back us with 200 SEK and you will get 3 jars of marmalade in different flavors! | 54 |
| **250 SEK** | MARMALADE. Back us with 200 SEK and we will send 3 jars of marmalade as a gift to someone you like! | 7 |
| **400 SEK** | MARMALADE. Back us with 200 SEK and you will get 6 jars of marmalade in different flavors! | 16 |
| **600 SEK** | SUBSCRIPTION. Back us with 600 SEK and you will be among the first to try a three months subscription of marmalade! | 6 |
| **1000 SEK** | CHEESE AND MARMALADE TASTING. Back us with 1000 SEK and get not only our eternal gratitude but also an enjoyable evening with us in Helsingborg where will be trying cheese, marmalades and perhaps some wine. | 3 |
| **5000 SEK** | CORPORATE OFFER. The perfect gift for your customers, employees or members! Back us with 5000 SEK and we will provide you with 75 jars of marmalade branded for your company or organization! | 1 |

# 4. DATA & METHOD

In the following chapter we will describe the thesis process and the methodological choices we made when we carried out the thesis work. We start off with a short description on how we came up with our purpose. Secondly, we explain our scientific approach as well as the experimental design that we used for our investigation. We then describe the data collection process. Lastly, this part is concluded with a discussion on the validity, reliability and replicability of our research design.

## 4.1 Scientific Approach

As we tested specific hypotheses and investigated relationships between variables, our research design was conclusive in nature (Malhotra 2010). Furthermore, we adopted a cross-sectional research design for our study. According to Bryman and Bell (2011) "a cross-sectional design entails the collection of data on more than one case (usually quite a lot more than one) and at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables (usually more than two), which are then examined to detect patterns of association".

Cross-sectional research designs are often associated with quantitative research. According to Malhotra (2010), quantitative research seeks to quantify data and apply some form of statistical analysis. In quantitative analysis, a large number of representative cases are needed and the data collection has to be structured. Using quantitative research was appropriate for our purpose since it enables us to delineate fine differences in characteristics between different crowdfunding campaigns.

It was also appropriate to choose a quantitative approach in our study given that previous research indicated that our chosen narrative themes had positive effect on the level of funding entrepreneurs' reach. However, the literature review also indicated that these finding did not hold, that these themes had no effect at all on crowdfunding success. Thus, we were of the opinion that quantitative research was needed to bring clarity to this and other differences of

opinion as qualitative research with a small number of non-representative cases was unlikely to move academic knowledge forward within the area.

## 4.2 Data collection

To ensure high-quality data we contacted FundedByMe, Sweden's largest crowdfunding platform. Since our research topic is of interest for the company, they decided to assist us in our data collection by giving us access to a data file containing of 817 non-financial crowdfunding projects starting with project no.1 (started in April 2012) and ending with project no 817 (started in February 2014). The file included data on all the projects' names, descriptions, minimum funding goals, total funding goals and number of backers. Furthermore, it also included pitch texts and optional attached images and links to pitch videos. All projects were sorted according to ID number. The total funded amount the projects were able to reach by the end of the campaigns were not included in the file, but since this information was available on the website we were able to insert this manually (see Table 3).

**Table 3: Crowdfunding campaign descriptives**

| | |
|---|---|
| **Project ID:** | All projects are identified by a unique ID number |
| **Name:** | All projects have a name or a title |
| **Description:** | All projects have a short description |
| **Written pitch:** | All projects have a longer pitch text |
| **Category:** | All projects belong to certain categories (e.g. Food, Education, Technology) |
| **Country:** | All projects list in what country the project is based |
| **Minimum funding goal:** | Some projects have a minimum goal in addition to their funding goal, the threshold. This is the least they have to collect in order to get any money at all. Some projects set the minimum funding goal to zero. |
| **Funding goal:** | All projects have a funding goal, stating how much funding they need in order to realize their business idea or project. If there is no minimum funding goal, the funding goal is the amount that has to be collected by the end of the campaign in order for the entrepreneurs to get any money at all. |
| **Funded:** | The amount of funds collected by the end of the campaign. |
| **Funding level:** | The percentage of the funding goal that has been raised. |
| **Number of backers:** | The number of funders that donated or invested in the project. |

When going through the data we started by eliminating all projects that did not include a link a video pitch, which resulted in 427 deleted projects. Next, we had to delete another 72 projects where the video had either been deleted or where the video link was broken. Lastly we removed an additional two projects, where the funding goal was zero and the aim of the crowdfunding project was not serious, thus leaving us with a total of 316 crowdfunding projects including pitch videos.

Furthermore, out of the 316 videos 127 included no voice or words whatsoever. Out of the pitch videos including rhetoric content, another 125 videos were in other languages than English, such as Swedish, Norwegian or German. Therefore, after a careful quality control we ended up with 63 pitch videos with rhetoric content that was possible for us to analyze (see Table 4).

**Table 4: Sample projects selection**

| | |
|---|---|
| **Initial number of projects:** | 817 |
| **Deleted entries, no video:** | 427 |
| **Deleted entries, page/video gone:** | 72 |
| **Deleted entries, funding goal 0:** | 2 |
| **Deleted entries, no voice:** | 127 |
| **Deleted entries, other language:** | 126 |
| **Deleted entries, total:** | 754 |
| **Total number of projects analyzed:** | 63 |

Our sample of 63 crowdfunding projects represented a wide set of different project categories such as art projects (photo, writing, music), charity projects (education, rehabilitating child soldiers), internet and technology (gaming, internet startups) and other projects such as events and consumer products.

In the next step, we took the videos of the 63 remaining crowdfunding projects and manually transcribed these. In order for us to be confident about the quality of the transcriptions, in a second round we controlled each other's transcriptions to perfect the text and eliminate any potential minor errors. The transcriptions were then analyzed using software application called

DICTION, coding the transcribed pitches according to different rhetoric themes. For the coding of rhetoric themes we used a quantitative approach, meaning we only considered explicit words, excluding any potential implicit message. This method was chosen because of its objectivity and the concrete suggestions it yields for future crowdfunding entrepreneurs.

## 4.3 Content analysis using DICTION 7.0

We used DICTION to measure levels of political rhetorics in our sample of transcribed crowdfunding pitch videos. DICTION is an advanced computer-aided content analysis program that compares the text in narratives to a set of thematic dictionaries composed of over 10.000 words to measure different aspects of political discourse (Diction 2014). The DICTION software was developed to analyze the verbal tone of political narratives such as presidential speeches and political advertising (Hart 2001) but has since also been used broadly outside the political science literature. Scholars have used DICTION to examine the influence of narrative content on phenomena of interest in strategic management (Short & Palmer 2008), behavioral researchers have noted its potential for leadership studies (Bligh et al. 2004), and accounting researchers have started applying DICTION to the fields of image management (Rogers et al. 2005) and communicative action (Yuthas et al. 2002). DICTION has also been used to analyze narrative content in the fields of marketing (Zachary et al. 2011) and entrepreneurship (Short et al. 2010). More recently DICTION has been receiving attention in the field of crowdfunding where Allison et al. (2013) used the software to examine characteristics of entrepreneurial narratives and how these relate to how quickly entrepreneurs receive funding.

We chose to use computerized content analysis since it is highly systematic and reliable, allowing researchers to guard against the bias that often results when words are being analyzed by something as volatile and emotional as a human being (Hart 1984). Additionally, due to the software's microscopic nature, the program is ideal for uncovering aspects of language that even the trained human eye may not readily perceive.

By default, DICTION uses 31 different dictionaries, containing over 10,000 search words, to analyze a passage. All of the dictionaries contain individual words only, and homographs are explicitly treated by the program through statistical weighting procedures to partially correct for

context (Diction 2014). In addition, DICTION automatically generates scores for each 500-word passage of text for each of its variables for ease of comparison across passages. This is done to ensure that the scores generated by the software means the same thing to all users at all times regardless of the length of the text being analyzed. 500 words were used as the textual norm since research has found that it takes around 500 words to get a rough sense of a person's or an organization's overall style and general language habits (Diction 2014).

## 4.4 Analytic tools

Our first step in our analysis was to determine whether any other factors than our independent variables influenced our dependent variable. By looking at Pearson's correlation coefficient we could control for covariation between the large number of control variables and the dependent variable.

Secondly, when we conducted our analysis, we were interested in whether our independent variables showed any correlation with our dependent variable. This was examined by looking at the point-biseral correlation coefficient. The point-biseral correlation is a correlation coefficient that is used when one variable is dichotomous (categorical) and the other one is continuous (interval/ratio). Since the point-biseral correlation is mathematically equivalent to Pearson's product moment correlation, we used Pearson's correlation coefficient to determine if there was dependence between the independent and dependent variables.

For the further analysis, we chose to conduct logistic regression to see if we could draw any more conclusions about the relationship between the dependent and independent variables. Logistic regression is suitable for us since our dependent variable is categorical while our independent variables are continuous. Logistic regression allows categorically and continuously scaled variables to predict a categorically scaled dependent variable (Osborne 2008). Moreover, since we have a dichotomous dependent variable the numerical variable is arbitrary, a matter of convenience, and thus not intrinsically interesting (Menard 1995). What is intrinsically interesting is rather whether the classification of cases into one or the other of the category of the dependent variable can be predicted by the independent variables, e.g. if it is possible for us to predict whether or not the entrepreneurs will reach their minimum funding goal. Thus, instead of

trying to predict the arbitrary values associated with a category, we regard it to be more useful to reconceptualize the problem as trying to predict the probability that a project will be classified into one as opposed to the other of the two categories of the dependent variable, and therefore a binary logistic regression is conducted (Menard 1995).

Logistic regression does not require many of the assumptions of linear regression and general linear models, that are based on ordinary least square algorithms such as linearity, normality, homoscedasticity and measurement level, to be met. However, when conducting binary logistic regression some other assumptions still apply. These assumptions and how they were fulfilled in our study are presented in Table 5.

**Table 5: Binary logistic regression assumptions**

| **Assumption 1** Binary logistic regression requires the dependent variable to be binary and coded so that 1 represents the desired outcome. | **Fulfilled** - Our dependent variable is measured binary (minimum funding goal reached = 1, not reached = 0). |
|---|---|
| **Assumption 2** The model should be fitted accordingly and only the meaningful variables should be included. | **Fulfilled** - A bivariate correlation analysis was conducted and only the independent variable(s) that showed significant correlation with the dependent variable were included in the regression. |
| **Assumption 3** The independent variables should be independent and have little or no multicollinearity. | **Fulfilled** - Only 1 independent variable was used and thus no risk for multicollinearity. |
| **Assumption 4** Binary logistic regression requires quite large sample sizes, at least 10 cases per independent variable. | **Fulfilled** - Our sample contains more cases than 10 per independent variable (n=63). |

## 4.5 Independent variables

Our independent variables were operationalized using standard dictionaries from DICTION (Diction 2014). Table 1 presents the DICTION (2014) definition, of each of the dictionaries and DICTION variables we use, along with an excerpt of a narrative from our sample of transcribed crowdfunding video pitches. In each of these narrative excerpts, words appearing in the corresponding dictionary are bolded to show how the dictionary captures the rhetorical content.

We measured leveling rhetoric using DICTION's leveling word list. The leveling word list measures references to totalization, permanence, and resoluteness in narratives (Diction 2014). Words indicative of leveling include 'everybody', 'altogether', and 'unquestionable'. We measured certainty rhetoric using DICTION's certainty master variable. The certainty master variable measures language indicating resoluteness, inflexibility, and completeness and a tendency to speak ex cathedra. The certainty master variable is built by summing up the standardized dictionary scores from the tenacity dictionary, leveling dictionary, collectives dictionary and insistence dictionary and subtracting the scores from the numerical terms dictionary, ambivalence dictionary, self reference dictionary and variety dictionary. We measured commonality rhetoric using DICTION's commonality master variable. The commonality master variable measures language highlighting the agreed-upon values of a group and rejecting idiosyncratic modes of engagement. The commonality master variable is built by summing up the dictionary scores from the centrality dictionary, cooperation dictionary and rapport dictionary and subtracting the scores from the diversity dictionary, exclusion dictionary and liberation dictionary (see Table 6).

**Table 6: Dictionaries explained**

| Dictionary / Master variable | Description (Diction 2014) | Excerpt from projects in our sample |
| --- | --- | --- |
| Leveling | Words used to ignore individual differences and to build a sense of completeness and assurance. Included are totalizing terms, adverbs of permanence and resolute adjectives. | "By working **together** and changing our small habits we can make a big impact for **everyone**, challenge yourself and in this way you can help **everybody** else." |
| Certainty | Language indicating resoluteness, inflexibility, and completeness and a tendency to speak ex cathedra | "This means the temple **will** have wheels and **we'll be** able to reach so many more people." |
| Commonality | Language highlighting the agreed - upon values of a group and rejecting idiosyncratic modes of engagement. | "An international **network** of **partners** across the continents is very valuable and very useful, there's always an open door to the world. |

## 4.6 Dependent variable

In our statistical analysis we use minimum funding goal as our dependent variable. The variable is categorical, or dichotomous, which means that the variable only can take on two values: 1 (yes) or 0 (no).

We recognize funding success as the campaigns reach their minimum funding goal. We argue that the minimum funding goal, and whether it is reached, denotes if the projects were successfully funded since this threshold denotes whether the founders get to keep the funds collected and don't walk away empty-handed. Another way of defining successful funding would have been to only consider fully funded campaigns, i.e. where the funds collected reached the full funding goal. This is also common practice in literature since most previous research is based on data from crowdfunding sites that do not have a minimum funding threshold (the entrepreneurs only receive funding if their projects are fully funded). Although in our case, FundedByMe does have a minimum funding goal option, unlike some other previously studied platforms. Also, such a definition would be problematic. For example, suppose a project has a funding goal of SEK 10 000, a minimum funding goal of SEK 7 000 and eventually raises SEK 9 900. Since SEK 9 900 is above the minimum funding goal the entrepreneur gets to keep all of the money raised. According to the latter definition of success, this project is considered unsuccessful. We would rather regard it successful; the entrepreneurs get the funds they need except for SEK 100. Therefore, we define the projects in which the entrepreneurs get to keep their raised money as successful crowdfunding projects.

## 4.7 Control variables

We take a broad approach to control for alternate explanations concerning the determinants of crowdfunding success. First, in order to make sure that other narrative themes than the three we tested (leveling, certainty, commonality) do not have impact on our dependent variable we controlled for the remaining 37 narrative themes provided in the DICTION-software. As previous research show that non-profit projects and projects stating social causes generally perform better (e.g. Lambert & Schweinbacher 2010, Massolution 2013) we controlled for project categories by using four dummy variables (Art & Culture, Charity, Internet & Technology, Other). Further, previous research also show that certain project characteristics such

as geographic distance, pitch length and funding goals can influence the outcome of crowdfunding project (Agrawal et. al 2011, Mollick 2012, Greenberg et. al 2013). Thus, we added the control variables geography (dichotomous, coded 1 for Sweden and 0 for other), pitch length (continuous, measured in amount of words) and minimum funding goal (continuous, measured in SEK).

## 4.8 Data quality

According to Bryman and Bell (2011), it is important to evaluate quantitative research in terms of reliability and validity. Reliability refers to "the extent to which a scale produces consistent results if repeated measurements are made" (Malhotra 2010). A reliable study thus has results that are repeatable. Validity, on the other hand, "refers to the issue of whether or not an indicator that is devised to gauge a concept really measures that concept" (Bryman & Bell 2011).

## 4.9 Reliability

If valid inferences about the symbolic content of a message are to be drawn, the content analysis classification must be reliable in terms of consistency and reproducibility (Weber 1990). According to Morris (1994) reliability issues in text classification are typically due to the ambiguity of word meanings, category definitions or other coding rules. However, as we used the computerized software system DICTION to do the word count and text classification, we can minimize these issues of reliability. Simple, computerized coding systems like the DICTION software are considered superior due to their near-perfect reliability and cost effectiveness (Morris 1994).

## 4.10 Validity

When assessing whether a research design is valid, it is typical to evaluate two types of validity. These two types of validity are discussed below.

## Internal validity

Internal validity raises the question whether we can be confident that the independent variable actually is, at least in part, responsible for the variation that has been identified in the dependent variable (Bryman & Bell 2011). In order to state that inferences possess internal validity a causal relation between the two variables must be properly demonstrated (Shadish et al 2002). This is done by seeing that the cause precedes the effect (temporal precedence), that the cause and the effect are related (covariation) and that there are no other plausible explanations for the observed covariation (nonspuriousness) (ibid.).

The criteria of temporal precedence is in our case satisfied since the way that the observed crowdfunding platform is built, the potential contributor of a campaign is exposed to the funding video prior to making the funding decision, thus there should be no confusion about the order of events. Secondly, covariations between the independent and dependent variables are studied by using a point-biseral correlation coefficient, which is used to study covariation between a dichotomous dependent variable and a continuous independent variable. Lastly, to be able to claim internal validity all other possible factors that can have effects on the dependent variable must be ruled out. In order for us to rule out potential other explanations, we used a large set of dummy variables and controlled for if these had any impact on the dependent variable.

## External validity

External validity refers to the confidence for which an inference regarding a causal relationship can be generalized across different types of persons, settings, and times (Cook & Campbell 1979). When using content analysis in research, two key decisions should be carefully considered. The first decision regards the selection of what narrative texts to choose for analysis; appropriate document selection is critical for content analysis in order to ensure that the construct reasonably can be expected to be detected in a given narrative (Short et al. 2010).

The second decision involves choosing an adequate sampling frame. Sampling decisions are critical in order to establish generalizability of study findings. Regardless of the sample used, similar to the selection of the narrative text, researchers should be careful to select a sample that is guided by theory and provides an adequate match with the research question of interest (Short

et al. 2002).

As our sample equal all the campaigns in our dataset including an English video it can be regarded a representative sample for our crowdfunding platform and can be generalized across other similar platforms on other geographic markets. The videos presented on the FundedByMe-platform are similar to those presented on other crowdfunding platforms internationally, and since we chose only to use those with English as the spoken language the generalizability over geographic markets increase. As we were looking to investigate the effect of narrative themes on crowdfunding success, generalizability over other sorts of fundraising platforms were neither intended nor strived for.

# 5. RESULTS

In this chapter we will present the results of our study. The first section describes the DICTION-scores we received from our content analysis. We then analyze the effects of different rhetoric themes on the funding of crowdfunding projects, thus testing our hypotheses respectively. The final part of this section provides a summary of our three hypotheses.

## 5.1 DICTION-scores

First off we ran our transcribed texts through the computerized content analysis software DICTION to get a systematic and reliable word count. Our sample contained 63 transcribed video pitches including 26 488 words and 145 268 characters. DICTION divided these 26 488 words into 40 different groups based on the coded dictionaries and master variables provided in the software. Based on previous research, we chose to look at the three scores for rhetorics high in leveling terms, commonality and certainty. The scores for the rhetoric theme leveling are calculated by taking the raw scores (1 point for every leveling term) and then making a statistical accommodation for homographs, words that are spelled the same but have different meanings. The scores for the master variables (certainty and commonality rhetorics) are composed by converting all subaltern variables to z-scores, combining them via addition and subtraction, and then by adding a constant of 50 to eliminate negative numbers. The scores are shown in Table below.

**Table 7: Descriptive statistics**

| Rhetoric | Mean Value | Min | Max | SD |
|---|---|---|---|---|
| Leveling terms | 8.867 | 0.00 | 31.25 | 7.25830 |
| Commonality | 50.3892 | 42.90 | 63.19 | 3.49481 |
| Certainty | 46.3463 | 34.03 | 55.86 | 4.43749 |

n = 63

When reporting the scores, DICTION also reports the results from the analysis of the text passage against the "normal range of scores" with the purpose of trying to provide the user with a "snapshot" of the results compared to DICTION's normative database (Diction 2014). This range represents +1 standard deviation and -1 standard deviation from a mean that is derived

from analyzing some 50 000 passages drawn from a wide variety of the English language texts from different sectors such as business, politics, law, science fiction, media, etc. (ibid.). From these "normal range of scores" we can see that our entrepreneurs used a normal level of leveling rhetoric (5.02 < *8.87* < 12.76) and commonality rhetoric (46.86 < *50.39* < 52.28), while they were just below what was regarded as normal in certainty rhetoric (*46.35* < 46.90 < 51.96). However, since these ranges of scores are provided to give the user a quick snapshot, these scores as such were not given any more attention in our further statistical analysis.

## 5.2 Relationship between rhetorics and funding success

As none one of the 44 variables we controlled for showed any significant correlation with our dependent variable, we move on to our independent variables.

According to hypothesis 1, there is a positive correlation between the use of leveling rhetoric and the extent to which entrepreneurs' crowdfunding projects are successfully funded. Pearson's correlation shows that there is a significant dependence between the use of leveling rhetoric and funding success ($p = 0.017$). As shown in Table 8, the correlation coefficient is 0.299, which indicates a positive relationship between the independent and the dependent variable. Thus, Hypothesis 1 was found to have empirical support on a 5 percent significance level.

Hypothesis 2 states that there should be a positive correlation between the use of certainty rhetoric and the chance of a crowdfunding project to be successfully funded. To test this relationship, we looked at Pearson's product moment correlation coefficient. Pearson's correlation is a measure of the dependence between two variables, in our case the dependent variable funding success and the independent variable use of certainty rhetoric. The measure provides a value between +1 and -1 inclusive, where 1 is total positive correlation, 0 is no correlation and -1 is total negative correlation. As seen in Table 8, there is no significant correlation between the use of certainty rhetoric and the funding success of crowdfunding projects in our sample ($p = 0.384$). Consequently, there was no empirical support for Hypothesis 2 on a 5 percent significance level.

Hypothesis 3 also suggests that there is a positive correlation between the independent variable,

commonality rhetoric, and the dependent variable, funding success. However, Pearson's correlation shows no significant correlation between the two variables ($p = 0.798$). Therefore, there was no empirical support for Hypothesis 3 on a 5 percent significance level.
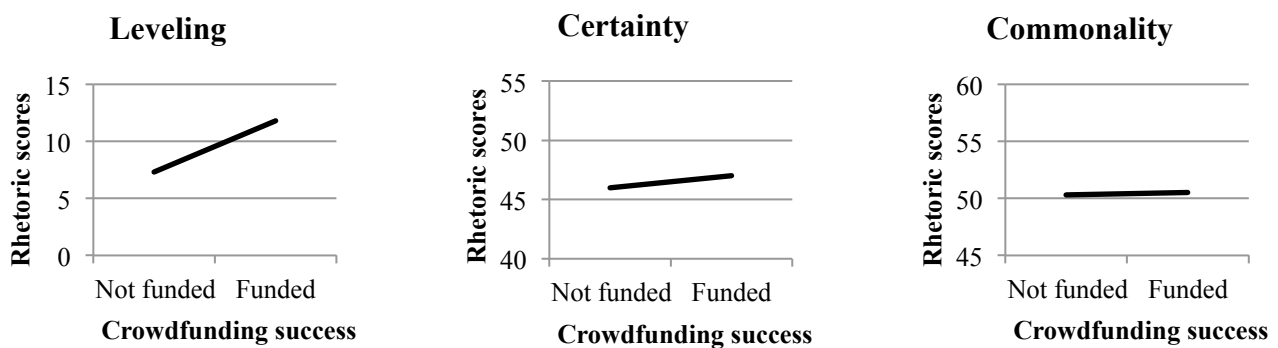
**Table 8: Pearson correlations with crowdfunding success**

| Rhetoric | Pearson Correlation | p-value |
|---|---|---|
| Certainty | 0.111 | 0.384 |
| Leveling terms | 0.299 | 0.017 |
| Commonality | 0.033 | 0.798 |
| n = 63 | | |

The three correlations are clarified through an illustration in the graphs below (see Figure 1).

**Figure 1: Rhetorics and crowdfunding success correlations**

**Leveling**

Rhetoric scores (15, 10, 5, 0) — Crowdfunding success (Not funded, Funded)

**Certainty**

Rhetoric scores (55, 50, 45, 40) — Crowdfunding success (Not funded, Funded)

**Commonality**

Rhetoric scores (60, 55, 50, 45) — Crowdfunding success (Not funded, Funded)

As can be seen in the graphs below, it becomes clear when portrayed in relation to each other that the use of leveling rhetoric has a significant correlation with funding success, while certainty shows a small, but insignificant dependence. It is also evident that the relationship between use of commonality rhetoric and crowdfunding success is close to none.

## 5.3 Regression analysis

The Pearson test presented in Table 8 shows that there is a significant correlation between the use of leveling rhetoric in entrepreneurial narratives and reaching the minimum funding goal for a crowdfunding project. However, the significant correlation between the dependent and the independent variable does not tell us anything about causation and therefore further analysis is needed.

Since our dependent variable is dichotomous while our independent variable is continuous, a binary logistic regression was conducted to see whether it was possible to build a model predicting funding success by knowing the use of leveling rhetoric. When conducting binary logistic regression it is important that there is little or no multicollinearity, that the independent variables are independent from each other. Since both commonality and certainty are master variables constructed out of several dictionaries, this independence cannot be guaranteed and thus only leveling terms was used in the regression analysis. As shown in Table 10, leveling rhetoric has significant predictive power in predicting whether or not a crowdfunding project will be successfully funded ($p = 0.027$).

**Table 9: Model summary**

| -2 Log Likelihood | Cox & Snell R Square | Nagelkerke R Square |
|---|---|---|
| 75.928 | 0.85 | 0.117 |

n = 63. Dependent variable: Crowdfunding success (1=yes, 0=no)

**Table 10: Variables in the equation**

| | B | S.E. | Wald | df | p-value | Exp(B) |
|---|---|---|---|---|---|---|
| Leveling terms | 0.089 | 0.040 | 4.874 | 1 | 0.027 | 1.094 |
| Constant | -1.453 | 0.471 | 9.514 | 1 | 0.002 | 0.234 |

n = 63. Dependent variable: Crowdfunding success (1=yes, 0=no)

**Table 11: Classification table**

| | | Predicted | | |
|---|---|---|---|---|
| | | *Crowdfunding Success* | | |
| **Observed** | | **Not funded** | **Funded** | **Percentage Correct** |
| *Crowdfunding Success* | **Not funded** | 39 | 2 | 95.1 |
| | **Funded** | 17 | 5 | 22.7 |
| Overall Percentage | | | | 69.8 |

n = 63.

The output from the logistic regression is shown in the Tables 9, 10 and 11. Nagelkerke R Square, ranges from 0 to 1 and shows us in our example that, roughly speaking, 11.7 percent of the variability in the dependent variable is accounted for by independent variables. This indicates that we can predict the dependent variable from the independent variable 11.7 percent better than we could without information about the independent variable. However, one should take into consideration that the Nagelkerke R Square is actually a pseudo R-square value. The predictive power of the model is further verified by the classification table provided above (see Table 11), where we can see that the about 70 percent of the cases are correctly classified (compared to 65 percent, which is the chance of predicting the right value if it predicts that all cases are going to fail).

The positive sign for the Beta-coefficient signals that there is a small, but significant ($p = 0.027$), positive relationship between the use of leveling terms and crowdfunding success.

# 6. DISCUSSION

## 6.1 Analysis

Leveling rhetoric

We found support for a positive correlation between the use of leveling rhetoric and the level of funding entrepreneurs receive. This narrative theme is widely used in political discourse (e.g. Bligh et al. 2004) but that same correlation could not be supported in the case of microloans in developing countries (Allison et al. 2013).

In the latter case, disadvantaged fund seekers find themselves subordinate and dependent on funders in developed countries (Allison et al. 2013). Using leveling terms, they try to make more advantaged funders aware of their urgent situation and create a better understanding. Trying to mitigate the distance has proven to be unsuccessful. Meanwhile, in the former case, politicians seem to be successful in adapting to the social level of the crowd, mitigating the effects of their superior position and power over the people. This suggests leveling only works in the case where the speaker can level him or her 'down' to meet the crowd - such as is the case of political leaders. It seems as if it is easier to adapt oneself rather than making funders identify and understand the more disadvantaged.

However, in the case of crowdfunding, fund seekers do not need to bridge the same scale of social distance as in the case of political fundraising or microloans. Both funders and fund seekers are on much more similar social and economical levels. Fund seekers and funders are much more similar in crowdfunding situations, why enhancing identification and similarities should not be as important. Fund seekers are not regarded as authorities or leaders, as in the case of political fundraising, nor are they portrayed or perceived as socially or economically disadvantaged. This suggests leveling rhetoric should not have the same effects in the case of crowdfunding.

It is also found that crowdfunders are less sensitive to geographical distances compared to traditional funders such as angel investors (Agrawal et. al 2011). This suggests that distance, both directly geographical and indirectly cultural, is of less importance in crowdfunding

situations, why leveling rhetoric mitigating distances should again not have the same effects in the case of crowdfunding.

Nevertheless, we can see how using leveling terms affect funding level, which might suggest there are indeed distances to be overbridged between funders and founders. Another possibility is that there are other aspects of leveling, such as identification and bonding, which are even more important, even in cases where there is small or no distance at all.

## Certainty rhetoric

We failed to find support for a positive correlation between the use of certainty rhetoric and the level of funding crowdfunding entrepreneurs receive. Although we still believe in the positive power of reinforcing key themes, signaling confidence in funding situations might not always have the positive effect that is suggested in literature (e.g. Mitra & Gilbert 2014). Using certainty terms too extensively could result in funders perceiving the entrepreneurs as over-confident. This would suggest that overly optimistic or self-confident entrepreneurs are thus less likely to receive funding. Possibly there exists a threshold, before which a certain amount of certainty has positive effects on funding, and after which the effects of additional certainty are negative.

There are also other aspects of certainty rhetoric than confidence that might not have the expected positive effects on funding. Certainty rhetoric can in many aspects be regarded as the opposite to leveling rhetoric. Just as leveling terms are used to mitigate perceived distances, to reinforce identification and to bring people closer to each other - certainty terms rather enhance authority, increasing perceived distance and dissimilarities (Diction, 2014). Certainty terms indicate resoluteness as well as inflexibility (ibid.). As leveling terms enable people to identify with a leader, certainty terms rather establish the leaders superiority. In the case of crowdfunding, the aspects that increase distance seem to mitigate the positive effects of reinforcement and confidence signals in certainty rhetoric.

If there are positive effects from leveling terms, it seems unlikely that there would be positive outcomes from certainty terms. However, literature suggests both leveling and certainty rhetoric should positively affect funding (e.g. Mitra & Gilbert 2014, Allison et. al 2013). Our results

contradict this, and we suggest that there is a need to distinguish between different situations; these two contradicting rhetorics cannot both have positive effects, as least not in the same situation.

Nevertheless, literature suggests that both certainty and leveling rhetoric positively affect political fundraising. The use of certainty rhetoric seems to have been successful in political situations, where there is an evident leader who wants to establish his or her superiority and authority. Meanwhile, leveling rhetoric has positive effects for political leaders who want to approach the crowd and make people identify with him or her (Bligh et al. 2004). Possibly both rhetorics work, but for different kinds of political leaders or for different crowds. Some people want strong authorities, some believe in leaders that are close to the people. This may also differ between cultures. People in Sweden, for example, may be more used to flat organizational structure and thus respond better to leveling rhetoric. Meanwhile, in the U.S., where people are used to a more hierarchical culture, certainty rhetoric may be more effective. Thus, in the same way that institutional logics influence the way Swedish entrepreneurs view the concept of crowdfunding and funders (Ingram et al. 2013a, 2013b), institutional logics may also affect the way funders view and evaluate crowdfunding entrepreneurs. This suggests both rhetorics could have positive effects in different situations, even though they contradict each other, as long as one is consistent in using only one of the two.

Our results suggest that crowdfunders in Sweden are not attracted by authorities and strong leaders, as enhanced by certainty terms, but rather by identifying with the fund seekers and by feeling a sense of belonging, as enhanced by leveling terms. This could be due to the flat Swedish society, as mentioned by Ingram et al. (2013a). Another possible explanation is the fact that the distances between funders and fund seekers are already small or non-existent, hence why an increase in distance is perceived negatively. Compared to political situations, there is already a difference in power and authority to start with, that distance can either be enhanced by certainty or mitigated by leveling. While in crowdfunding, a small or decreased distance always seems favorable.

## Commonality rhetoric

The last part of our purpose was to see whether commonality rhetoric had any impact on crowdfunding success. The result we found in relation to this question was interesting. Commonality rhetoric showed close to zero correlation with the funding success of the different projects in our sample, implying that there is no significant dependence between the two variables. Thus, it seems as if entrepreneurs should stress other narratives than commonality if they are looking to increase the chance of their crowdfunding projects to reach their funding goals.

This finding contradicts findings presented in previous research, especially those in Mitra and Gilbert (2014) where it was stated that people depend on others for cues on how to act and that the group they belong to influences the way they think and act. One way to explain this contradiction might be by looking at the diffusion of responsibility effects presented by Kuppuswamy and Bayus (2013) where they saw that many potential backers did not contribute to a project that had already received a lot of support since they assumed that others would provide the project with the necessary funding. In our case, this effect might be enhanced by the projects having a minimum funding level, since this lower goal might cause the effect to kick in at an earlier stage. Thus, focusing on narratives emphasizing the feeling of belonging to a group or a network that has already acted in a certain way might instead provoke the feeling that the potential backer does not need to contribute since the other people in the group already have that covered.

Our results are also interesting in connection to James Surowiecki's 'the paradox of the wisdom of the crowds'. He argues that a group of people, the crowd, can actually be smarter than the smartest person in it, however, this only happens when the people in it are as independent as possible (TED 2005). However, groups or networks usually makes independent thinking harder as they drive the attention to the things that the network value. Therefore, entrepreneurs perhaps should look to avoid using narratives focusing on commonality and group thinking and instead highlight independent thinking in order to be more successful in crowdfunding campaigns.

## 6.2 Conclusion

In this concluding part we sum up our findings in relation to our research question and the purpose of our study. Based on a literature review, we found that by using content analysis techniques it was possible to, to a higher degree, predict the outcome of crowdfunding projects. We applied these theories on crowdfunding pitch videos found on the Swedish crowdfunding platform FundedByMe to try to understand to which extent certain rhetoric themes in the videos affected the outcome of non-financial crowdfunding campaigns.

Our analysis showed that the impact, on the level of funding campaigns receive, differed between the different rhetoric themes we used as predictor variables. Commonality rhetoric, language highlighting group values, showed no correlation with funding outcome, and while there were some indications of a positive relationship when using certainty rhetoric, language indicating resoluteness, this relationship was insignificant and therefore not taken into consideration in the further analysis. However, using a language containing leveling terms, enhancing identification and shortening distances, showed to have a significant positive effect on the level of funding for crowdfunding projects. Our predictive model was able to show that using leveling rhetoric increased the possibility of funding success. Thus, suggesting that entrepreneurs should strive to use a language rich in leveling terms when addressing potential contributors in crowdfunding videos.

To conclude, we have found that a certain narrative theme, leveling rhetoric, has significant influence on the outcome of crowdfunding projects when used in videos. Moreover, we also found that commonality and certainty rhetoric did not show significant effects. These findings can have valuable practical implications for entrepreneurs, while they also raise interesting questions that can be addressed in further research.

## 6.3 Managerial implications

The findings of our study regarding narrative themes in crowdfunding videos provide insights that can help guide the actions of entrepreneurs and enhance their chances of gathering the needed funding for their entrepreneurial dreams to come true. Our results can also serve as valuable knowledge for crowdfunding platforms developers, knowledge that they can use to

increase the perceived value of their offering.

By using narratives rich on leveling terms entrepreneurs are able to significantly increase their chances of seeing their crowdfunding projects being successfully funded. Our findings show that small efforts such as including words like everybody, fully and completely when addressing potential contributors in crowdfunding videos can be the difference between the project being funded and the entrepreneur not receiving any money at all.

For developers of crowdfunding platforms, our study can be used to help entrepreneurs reach better results and higher funding levels, which in term will increase both the popularity of, and the profits generated from, the platform. Today, crowdfunding platforms provide the entrepreneurs with some general tips on how to make videos to increase funding success (Kickstarter 2014), with our finding these guidelines can be more specifically designed regarding actual narrative content and provide better support for the project founders.

On the other hand, it does not seem to matter as much for the funding outcome if the project founders use narratives emphasizing rhetorics containing words conveying certainty and commonality. This implies that entrepreneurs should make efforts to use a language that creates the feeling of being on the same level and focusing on similarities with the audience, but at the same time encourage independent thinking and not focus too much on engaging in group behavior.

To conclude, our study shows that by using a specific form of language rich in certain narrative themes one can increase the chances of reaching funding goals in crowdfunding projects. Therefore, entrepreneurs would gain from paying attention to not only making sure that there is a movie, but that the right things are being said in the movie. Likewise, crowdfunding platforms would benefit from letting the entrepreneurs aware of this and potentially even offer dictionaries with words that can boost the funding. In the appendix we provide a full list of all the words included in the rhetoric theme 'leveling'.

## 6.4 Limitations

The study is done on a Swedish crowdfunding platform, but in order for us to be able to use a valid software application to code for the rhetoric themes, only the videos with spoken English could be used. Since English is not the main language on the platform, there were more projects with Swedish voice than English, but since the number of English videos was still substantial, the sample is representative. Further, there might be differences between English and Swedish projects that will not be addressed, and the results from the study are mainly indicative for campaigns with English videos. However, Swedes are in general comfortable with and used to the English language why we do not expect any big differences and the results should be indicative for all non-financial crowdfunding campaigns in Sweden.

Further, since English is not the first language of the funders, we might expect a meager vocabulary, with less coloration and fewer portraying words. We might even encounter misuse of words. This will inevitably result in a weaker correlation, as the videos do not express as many numbers of rhetorical themes and fewer words per theme. Anyhow, the result of the study is expected to be weaker, but not misleading or wrong. One method that was discussed to overcome this issue was to translate the Swedish videos and thus make it possible to analyze both the Swedish and the English videos. This approach was eventually dismissed since an analysis of word use could easily be misleading or biased if we were the ones choosing the actual words, which would be the case to some extent if we were to translate Swedish transcripts to English.

Another weakness derived from the fact that we could only use English videos is the rather small sample of projects the selection yielded. Furthermore, some of the transcripts are rather short, containing few words, which may have influenced the outcome. However, DICTION does standardize all texts to a 500-words basis to make shorter passages comparative in order to decrease the extent to which this influences the results.

Concerning the method, there are obviously weaknesses with every method of research. For the coding of rhetoric themes we used a quantitative approach rather than a qualitative approach, mainly for the objectivity that a qualitative coding of text can not deliver. We are aware that a qualitative method includes implicit information that is lost when only considering exact explicit

words, but coding for exact words rather than an implicit message hidden in the narrative would inevitably result in a more concrete conclusion with implicit managerial implication. Since our aim with this thesis is to give future entrepreneurs more concrete suggestions on how to perform better pitch videos, we strive to produce conclusions that will be of concrete use, rather than investigating what motivates funders, explained in factors that entrepreneurs can not affect. In other words, results from a quantitative method like the one used in this thesis, can give future entrepreneurs concrete tips on what exact words to use in their pitches, which is easier to apply than suggesting certain desirable but subjective sentiments to strive for.

In our method, two out of three independent variables are based on the master variables rather than the common dictionaries in the DICTION software. These were used since these proved a good fit with academic literature and according to DICTION (2014) "provide the most general understanding of a given text". However, using master variables that are calculated in DICTION make comparison with scores from other content analysis software applications problematic. Moreover, since these master variables are calculated based on several variables, they might be more sensitive to the lengths of the texts being analyzed.

As we wanted our study to be based on actual data from the real world, we were not able to use an experimental research design. Thus, in our analysis we cannot conclude the absence of other possible causal factors than the independent variable we are looking at. One way of securing that the results are not affected by other variables is to control for all other factors possibly having effect on the outcome. Although taking a broad approach to control for alternative explanations using 44 control variables, it is still possible that other factors may impact the result. For example, one factor that we due to language issues were not able to control for was the content in the written pitches. Bryman and Bell (2011) state that the causal findings found in cross-sectional research designs rarely have the internal validity of those deriving from experimental designs. Therefore, with our chosen research design we are not able to confidently say that there is a causal relationship between the use of narratives high in leveling terms and a successful outcome of crowdfunding campaigns.

## 6.5 Suggestions for further studies

Since crowdfunding is still in its early stages, there are many aspects of it that are highly understudied. We believe, that in general, the crowdfunding market would benefit from more research around what drives funders to fund, to help raise the overall quality of crowdfunding campaigns. Entrepreneurs need more guidance, funders want better quality and platforms would also benefit from more successful campaigns. There are many aspects of crowdfunding campaigns that could be subject for research in order to raise quality, but we argue the area of content presented in the pitch videos is highly relevant, and suggest more research is needed on all of its aspects.

Our research has shown that rhetorics used in pitch videos are indeed important and can affect the level of funding entrepreneurs receive. But our thesis only covered three rhetorical themes, out of 40 available only through the DICTION software used in this analysis. There are several other themes that are highly interesting, that could potentially have effects on the funding level entrepreneurs receive, which we suggest should be further researched around.

Since our study was done as an after-the-fact examination of a situation, it is difficult to draw conclusions about causality between the dependent and independent variables. Therefore, further studies in a more controlled environment following an experimental design would be interesting to determine whether more can be said about the potentially causal relationship between leveling terms and crowdfunding success.

Given our geographic delimitation, it would be interesting to test our findings in other markets; for example, similar studies could be conducted on crowdfunding platforms such as Kickstarter. Conducting studies on Kickstarter would also provide interesting findings regarding whether the minimum funding goal affects the behavior of potential contributors on crowdfunding platforms. Since most research today is conducted on data from Kickstarter, little attention in academic literature has been placed on the effects of the minimum funding goal. In this study, we merely touched upon the potential psychological effects of the minimum funding goal and it would be of great interest to see if, for example, the "bathtub shaped pattern of backer support" that Kuppuswamy and Bayus (2013) writes about is as evident on platforms offering the possibility of a minimum funding goal.

In our analysis we also discuss the possibility that both leveling terms and certainty rhetoric can have positive effects on funding depending on the situation, despite that our results only showed support for leveling terms. We propose that institutional logics and norms may impact how different narrative themes are perceived. Therefore, further research regarding the impact of leveling and certainty rhetoric, and how this impact differs between different funding projects and different geographical markets, would be interesting.

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# APPENDICES

## Appendix I: Dictionary leveling rhetoric

| | | |
|---|---|---|
| absolute | decided | most |
| absolutely | decidedly | nevermore |
| actual | definite | obvious |
| actually | definitely | obviously |
| adamant | definitive | only |
| adamantly | each | open-and-shut |
| all | entire | patent |
| all-out | entirely | patently |
| altogether | ever-present | perfectly |
| always | everlasting | permanent |
| any | evermore | permanently |
| anybody | every | plain |
| anyhow | everybody | plainly |
| anyone | everyday | pure |
| anything | everyone | purely |
| anyway | everyplace | sure |
| anywhere | everything | surely |
| assured | everywhere | thorough |
| assuredly | evident | thoroughly |
| avowed | evidently | throughout |
| avowedly | fixed | total |
| blatant | forever | totally |
| blatantly | forevermore | unambiguous |
| bulwark | full | unambiguously |
| bulwarks | fully | unconditional |
| categorical | impossible | unconditionally |
| categorically | impossibly | undeniable |
| certain | inconceivable | undeniably |
| certainly | inconceivable | undoubtedly |
| clear | indeed | unequivocal |
| clearly | indisputable | unmistakable |
| complete | indisputable | unmistakably |
| completely | indubitable | unqualified |
| consistent | indubitably | unquestionable |
| consistently | inevitabilities | unquestionably |
| constant | inevitability | utmost |
| constantly | inevitable | utter |
| continual | least | utterly |
| continually | Leveling | whenever |
| continuous | literal | whole |
| continuously | literally | wholly |
| cornerstone | manifest | |
| cornerstones | manifestly | |

# Appendix II: MarmeladMakeriet



**MarmeladMakeriet**

Food | Sweden | Flag

**REWARD-BASED**

**87**
Backers

**SKr31,950**
Funded of SKr50,000

**11**
Days left

> CREATE ACCOUNT TO FUND >

Minimum pledge SKr200

Campaign reached its minimum goal of SKr0.

---

**DESCRIPTION** | TEAM | QUESTIONS | ACTIVITY

Too much fruit is thrown away because it isn't unripe enough to be sold in grocery stores. We want to take care of this fruit and make something delicious with it. So we're starting with marmelade.



Tons and tons of fruit get thrown away every day because it's not unripe enough to be sold in stores. This means that the fruit is thrown away when it's perfectly good to eat. We think that this is a waste, especially since the fruit has been imported from all over the world. So we want to save this fruit and make delicious products out of it. And we will begin with marmelade.

Sverige importerar flera hundra tusen ton frukt om året och från världens alla hörn. Den mellanlandar hos olika grossister innan den körs ut till mataffärer, restauranger och företag runt om i landet. För att frukten ska kunna skickas vidare och säljas måste den vara något omogen, så att den inte är övermogen när den ska ätas. Av den här anledningen slängs stora mängder mogen frukt. Den mogna frukten som slängs är också den godaste frukten, det är den sötaste frukten och det är frukten som blir bäst att konservera. Det är tokigt att transportera så mycket frukt över hela världens vägar och hav bara för att slänga den när den är som godast. Så vi vill ta hand om frukten som inte kan säljas och göra goda grejer på den. Och vi tänker börja med marmelad.

Genom att ta hand om god men osäljbar frukt och konservera den erbjuder vi en produkt som bidrar med en av lösningarna på matsvinnsproblemet. Som konsument får man ett nytt alternativ och kan välja att göra något bra för miljön. Man gör det dessutom utan att försaka något själv, för marmeladen blir riktigt god. Man kommer också att få äta marmelad i många spännande smaker. Att äta till exempel bananmarmelad har hittills varit få förunnat i den här delen av världen.

- Makeriet i Helsingborg grundades i november 2013
- Sedan dess har vi paketerat idén, talat med fruktleverantörer, testkokat olika recept och laddat för lansering
- Marmeladen kommer att skickas ut under maj-juli 2014

**Var är vi nu och var ska vi?** Frukten finns. Ett par första recept finns. Burkar, lock, hemsida, etiketter och allt annat sånt finns. Nästa steg är att ta en plats på marknaden och börja rucka på hur man tänker när man köper marmelad. Vi vill att det ska bli självklart att välja en produkt som både är god och som minskar matsvinnet istället för en som ökar matsvinnet. Och det är här som du kommer in. **Vad ber vi dig om?** Det vi inte har ännu är dig och dina åsikter. Vad tycker du om marmeladen? Skulle du rekommendera den till en vän? Vad tycker du om att prenumerera på marmelad? Blir marmeladen en bra present att ge bort? När du stöttar oss genom att ge ett av bidragen får du både marmelad och ett par frågor om vad du tycker. Du blir med andra ord den viktigaste kuggen i vårt maskineri.

---

**FOLLOW THE CAMPAIGN**

Gilla 634 | Tweet 0
Share 134 | g+1 5

**Website** **Facebook**

---

**CAMPAIGN BY**



Cecilia Larsson

---

**REWARDS**

Fund
**SKr200.00**

MARMELADE. Back us with 200 SEK and you will get 3 jars of marmelade in different flavors! Bidra med 200 kronor och få 3 burkar marmelad i olika spännande smaker!

**54 Backers**

> FUND SKR200.00

Fund
**SKr250.00**

MARMELADE. Back us with 250 SEK and we will send 3 jars of marmelade as a gift to someone you like. Bidra med 250 kr och vi skickar 3 burkar marmelad som present till någon du tycker om.

**7 Backers**

> FUND SKR250.00

Fund
**SKr400.00**

MARMELADE. Back us with 400 SEK and receive 6 jars of marmelade in different flavors! The same as the

## Appendix III: Crowdfunding project examples
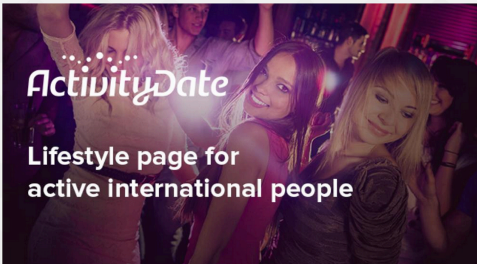
ActivityDate - A new way to meet

*"The best dates are those when you date and do an activity to get to know each other. Register here for an exclusive Founder Membership. Welcome to join our world!"* (FundedByMe 2014f).

| | |
|---|---|
| **Minimum funding goal:** | $5 000 |
| **Funding goal:** | $15 000 |
| **Minimum pledge:** | $150 |
| **Backers:** | 3 |
| **Funded:** | $450 |
| **Days left:** | 42 |

| Reward levels: | Reward: | No. of backers: |
|---|---|---|
| **$150** | Men, Founder Membership for 3 years, 50 % discount on first Gala Party, VIP Status for $150 (ordinary price $75 per month). Women, it is Free, this is Girl Power, service developed by females to suite female values! | 7 |

# ActivityDate - A new way to meet

## ActivityDate
### Lifestyle page for active international people

**DESCRIPTION**   TEAM   QUESTIONS   ACTIVITY

The best dates are those when you date and do an activity to get to know each other. Register here for an exclusive Founder Membership. Welcome to join our world!

### A world full of Activities

ActivityDate is among the first online dating services to merge dating with activities in order to meet under relaxed circumstances to get to know each other, doing interesting and funny things together. It will be a natural and easy way to meet.

ActivityDate will in the start offer following services:

- Gala Days in metropolis globally including sport activities, sight-seeing, culture, open business bar to get local contacts, gala dinner with entertainment and dance. Members pick activities that interest them and get to know a new city and local people.
- Travel companion
- Meeting at destination
- Welcome travelers to your town
- Golf Match Play for individual matches and tournaments and a copy for Tennis Match Play

More activity dating's of various kinds will be started on demand from our members in case enough members support the activity.

### Register and create good karma!

We welcome active, good-natured Gentleman and Lady-like Girls who appreciate education, professional work, sports and healthy life, people of all backgrounds and beliefs who like to party with style and share liberal attitude in politics and life. Register now for an exclusive Founder Membership for 3 years, only $ 150, (ordinary price $ 75 per month).



About ActivityDate

PARIS

0:00 / 0:42

### Who are behind ActivtyDate.com?

Working for ActivityDate is an experienced number of entrepreneurs from various business areas and from various countries and continents

---

## REWARD-BASED

**3**
Backers

**$450**
Funded of $15,000

**42**
Days left

**CREATE ACCOUNT TO FUND** ›

Minimum pledge $150

A minimum of $5,000 has to be raised by June 23, 2014, 4:16 p.m. otherwise, all funds will be returned.

## FOLLOW THE CAMPAIGN

Gilla 14  Tweet 0
Share 0  +1 0

**Website  Facebook**

## CAMPAIGN BY



### Claes Settergren

I am a serial entrepreneur, and have worked and started companies in various countries. One company was born in the year 1985 with the Swedish organizational number 556249-1786. Year 1996 this company changed name and became Venture Capital World AB and did one of the first IPO's for an Internet company in Europe and the company later bought Nordnet and changed name to Nordnet - www.Nordnet.se - one of the leading Internet banks in the Nordic countries.

## REWARDS

Fund
**$150.00**

Men, Founder Membership for 3 years, 50 % discount on first Gala Party, VIP Status for $ 150 (ordinary price $ 75 per month). Women, it is Free, this is Girl Power, service developed by females to suite female values!
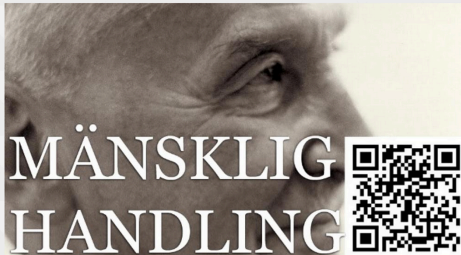
## Translation of Human Action into Swedish

*"We want to translate the Austrian Economist Ludwig von Mises' book Human Action into Swedish. We believe that Sweden is in dire need of Mises' ideas about freedom and economics"* (FundedByMe 2014g).

| | |
|---|---|
| **Minimum funding goal:** | 60 000 SEK |
| **Funding goal:** | 60 000 SEK |
| **Minimum pledge:** | 50 SEK |
| **Backers:** | 60 |
| **Funded:** | 47 350 |
| **Days left:** | 24 |

| Reward levels: | Reward: | No. of backers: |
|---|---|---|
| **50 SEK** | You will receive a diploma which will thank you for your contribution to the struggle for liberty in Sweden. | 15 |
| **500 SEK** | Your name will be mentioned in the back of the translation | 14 |
| **1000 SEK** | You will have the honor of having your name placed in the first pages of the Swedish translation of Mises' Human Action. | 31 |

# Translation of Human Action into Swedish

MÄNSKLIG HANDLING

| DESCRIPTION | TEAM | QUESTIONS | ACTIVITY |

We want to translate the Austrian Economist Ludwig von Mises' book Human Action into Swedish. We believe that Sweden is in dire need of Mises' ideas about freedom and economics.

Read about this campaign in English here.

Ludwig von Mises ägnade sitt liv åt kampen för frihet och sunt ekonomiskt tänkande. Mellan 1914 och 1973 var han den österrikiska ekonomiska skolans främsta företrädare, och han stod under vissa tidpunkter helt ensam. När socialismens idéer fick fäste på universiteten bytte flera av hans gamla vänner sida, men han fortsatte bara framåt ännu mer beslutsam. I det nationalsocialistiska Tyskland brändes hans böcker på bål och i Sovjetunionen var de förbjudna. Han lyckades fly Europa år 1940 och kom helt utblottad till New York där han fick möjligheten att föreläsa på New York University, men utan att få någon betalning från universitetet.

Mises gav inte upp. Han var övertygad om att sanningen stod på hans sida. 1949 publicerades hans bok Human Action och den tog många amerikanska studenter med storm. Här fanns ett heltäckande försvar av friheten och en sund ekonomisk analys. Mises klarsynthet, förmåga att gå rakt på sak och hans helt unika frånvaro av kompromisser övertygade.

Vi på Tebjudningen och Ludwig von Mises-institutet i Sverige vill översätta denna bok till svenska. Vi vill höra om svenska studenter som inspirerats av Mises, vi vill att människor ska förstå vad en riktig ekonomisk analys är och vi vill se den svenska individualismen väckas igen.

För att kunna åstadkomma detta behöver vi din hjälp! Vi behöver 60 000 kronor för att kunna finansiera denna översättning. Vi tror starkt på Mises förmåga att inspirera människor och hoppas att du gör detsamma.

Tu ne cede malis, sed contra audentior ito.

**Vem ska översätta?**

Bo Svenning har har erbjudit sig att översätta boken. Bo har tidigare översatt antologin "Medelvägens motståndare" (2012) som är en samling av Mises texter. Han är väldigt intresserad av att nu få översätta detta verk.

**Bitcoin**

Vi tror att Mises hade gillat den banklösa valutan Bitcoin och därför kan man självklart finansiera denna översättning med Bitcoin. Adressen, som QR-koden i bilden också går till, är följande: 13CCiuseeEzahS6nAA9DoruMatHUWHdehg

Bitcoinsen kommer att växlas till kronor och sättas in i denna insamling. Om insamlingsmålet ej uppnås kommer kronorna att växlas tillbaka till Bitcoin och ges tillbaka.

**Vem får boken sen?**

Goda idéer är till för att spridas. Boken kommer när den är översatt att publiceras som en pdf på Mises.se under en Creative Commons-licens. Efter översättningen så avancerar vi framåt med målet att boken ska tryckas.

**CREATE ACCOUNT TO BACK THIS CAMPAIGN** ›

---

**REWARD-BASED**

**60**
Backers

**SKr47,350**
Funded of SKr60,000

**24**
Days left

**CREATE ACCOUNT TO FUND** ›

Minimum pledge SKr50

A minimum of SKr60,000 has to be raised by June 5, 2014, 10:42 a.m. otherwise, all funds will be returned.

**FOLLOW THE CAMPAIGN**

Gilla 28   Tweet 0
Share 0   g+1 0

Website   Facebook   Twitter

**CAMPAIGN BY**



Ludwig von Mises-institutet i Sverige i samarbete med Tebjudningen

Tebjudningen .

**REWARDS**

Fund
**SKr50.00**

You will receive a diploma which will thank you for your contribution to the struggle for liberty in Sweden.

**15 Backers**

**FUND SKR50.00**

Fund
**SKr500.00**

Your name will be mentioned in the back of the translation.