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**CROWDFUNDING CAMPAIGNS**

*Analysis on the development and impact of the crowdfunding industry*

*Case study: Pebble Watch on Kickstarter*

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## I. GLOSSARY

AON	All-or-nothing
FAQs	Frequently Asked Questions
JOBS Act	Jumpstart Our Business Startups Act
KIA	Keep-it-all PPC
	Pay per click
PR	Public relations
SEC	Securities and Exchange Commission
VC	Venture Capital

## II. PURPOSE AND REASONING

Crowdfunding is a relatively new source of financing that has emerged in the Internet and globalization era that started in the 1990s (Irimine, 2016). Although there are various configurations for crowdfunding, the essence is common to all of them: raising money for a cause that otherwise would not receive financing and could never have been put into practice.

Establishing a starting point for this trend is relatively easy, given the fact that crowdfunding has become more popular and well-known after the launch of sites on the Internet that allow funding-seekers to search for potential investors or donors. In fact, it is commonly considered that the “birth” of online crowdfunding took place in 2000-2001 through the creation of ArtistShare (Freedman & Nutthing, 2015). However, it is difficult to determine in which stage crowdfunding is at the moment, and if there is any chance it will evolve any further since it is a brand new concept that has never been implemented before.

Asserting that crowdfunding is going to replace traditional finance sources would be naïve; nevertheless, it is true that the traditional bank loan system has proved to be of limited or little use in many cases, especially after the financial crisis, for projects that had no guarantee of success other than the commitment of their owners and the hopes of delivering a “never-seen-before” idea that could break into an often highly saturated market. In this scenario, crowdfunding has proved to be an alternative source of finance for entrepreneurs; students and social agents seeking economic support that would have not been forthcoming from a traditional source.

In fact, the recent Millennial Disruption Index establishes banking as the most disrupted sector and affirms that most young people believe that support will come from a different source than banking in the future (Viacom, 2016).

This new trend of resorting to “the crowd” to find alternative sources of finance is what motivates this study. The evolution in communications experienced over the last century and the first two decades of the 2000s has opened new channels for people to raise their voices and have a much broader and intense impact on the global panorama, be it social, economic or any other as “communication for planning and information sharing [...] is important and crucial to a point, but one of the most important aspects is the raised world awareness social media can bring to a cause”(Sheedy, 2011)

Moreover, far from being isolated, these situations are creating patterns that deserve attention since they could become a new agent in the economic scenario shaped after the 2008 crisis across much of the developed world.

Although the number of studies on this new form of financing is growing, the intention of this dissertation is to provide a holistic view on the impact of crowdfunding in the context of the current economic and social crisis situation. It also aims to open a new line of thought that gives crowdfunding a much more active role in the future of project financing, either by itself or paired with other initiatives and methods for raising support.

### III. METHODOLOGY AND STRUCTURE

Although the hypothesis for this paper responds to a qualitative assessment of features present in crowdfunding, as yet there is very limited literature on this issue available in the field of Communication. However, the field of Computer Science has given importance to crowdfunding and several studies have been published in which research findings are quantitative. Through analysis of the variables presented in these Computer Science studies, it has been possible to gather useful information for the purposes of this dissertation.

It is important to note that there is no mention of the statistical and methodological process used in each of the aforementioned studies as the key variables used for this dissertation have been drawn from the conclusions from each study. In addition, and regarding aspects like language, or motivations, the methodology used has been qualitative and approximate, since those elements are difficult to measure and classify on a scale.

Regarding the structure, this paper has been organized in three main sections: context, theoretical framework and analysis, followed by a case study to illustrate the aspects discussed in each section.

The context section of this paper focuses on the definition and history of crowdfunding, as well as on public campaigns that have achieved a high level of success and on financial elements and difficulties common to campaigns.

The theoretical framework offers an approximation to the principal online based crowdfunding sites and the main types of crowdfunding.

Finally, the analysis section discusses the implications of language in crowdfunding, the patterns of dynamic and static elements of campaigns and their associated success, the success of campaigns based on the type of crowdfunding they follow, as well as the elements driving motivation of donors in successful campaigns.

The purpose of adding a case study for a successful campaign at the end of this dissertation is to determine whether all those elements are necessary in a project and to ascertain to what extent they make a significant difference in the outcome of a campaign.

#### IV. SOURCES

Given the youth and online nature of crowdfunding the sources used in producing this dissertation predominantly come from the Internet and the field of Computer Science. First, data have been retrieved from the crowdfunding platforms websites, specifically from the track record sections posted on these sites. Second, this study draws on research published by Computer Science institutions, specifically in order to describe the features of crowdfunding. Third, research and studies published by consulting firms such as Deloitte, PWC or ION have also proved very useful.

In addition, as regards the language elements, the linguistic-based studies by authors as Gorabatai and Nelson, Golemis or Sims have been key in identifying relevant aspects.

## V. STATE OF THE ISSUE

Etymologically, crowdfunding is the compound noun derived from *crowd* (a group of people) and *funding* (financing), and it implies that a number of people will participate in the financing of a project or idea. As opposed to crowdsourcing, in which a collective contributes with materials and facilities, crowdfunding is limited to only economic contributions (García Labarta, 2014).

In a typical crowdfunding operation there are three agents involved: the promoter (a person or group who have an idea that needs funding, called the *campaign* – the marketing actions oriented at communicating and promoting the project, a group of external people that will contribute economically in the realization of such project (the contributor or investor), and the platform, which acts as a communicator of the campaign between the promoter and the potential investors and holds the donations until the campaign is finished (García Labarta, 2014).

Thus, platforms are a key element in carrying out crowdfunding campaigns and also in determining the success or failure of them. Although promoters have the ability to create their own platform, they commonly rely on existing platforms that manage several initiatives and make the project visible for potential investors.

Crowdfunding has increased its role as a nation wealth creator since it has helped revive economies hit by the 2008 crisis by financing micro projects aimed at creating a business; along this line, other benefits of crowdfunding include the bridging of the capital gap that widened due to the lack of access to credit, and thus the limitation of financing options for small businesses that did not have collateral to rely on, a proven track record or an operating history. In addition, crowdfunding allows new entrepreneurs to market their products or services and obtain feedback thanks to the participation of the general public in creating these products (Sigar, 2012).

However, there are downsides to crowdfunding as well: one of the most flagrant risks is the risk of fraud, because of the Internet-based nature of crowdfunding platforms that make it more difficult for the investor to test the business legitimacy, paired with natural risk related to small businesses (startup companies are riskier and have a higher rate of failure than big ones) (Sigar, 2012).

Further discussion on this issue follows in the analysis sections, as well as on the types of crowdfunding and the key elements that make them successful.

Another essential element to consider is the nature of crowdfunding platforms; crowdfunding portals can be categorized into four types: consumer lending, reward-based, donation market and venture capital (which typically correspond to the types of donation given).

Consumer lending platforms make up the largest category and work similarly to traditional lending companies that loan small amounts of money at a relatively high interest rate to potential consumers (promoters in this case) with low economic capacity. Reward-based platforms, however, allow potential investors to support a specific project in exchange for a non-economic reward, proportional to the contributions they have made. Donation market platforms often overlap with the reward-based ones, as they often host promoters raising funds for artistic or social projects in very small quantities that offer no reward other than the satisfaction the donor receives from having contributed to a good cause. Finally, venture capital platforms create a space for initiatives that already have some funds to help them operate (typically around \$USD 250 000) and then reach out to established venture capitalists seeking to fulfil the amount needed to start their business in the same conditions a regular joint venture would do (Deloitte, 2013).

## 1. CONTEXTUALIZATION – HISTORY OF CROWDFUNDING

Crowdfunding has been occurring since the 18<sup>th</sup> century, exemplified by the patronage by the British nobility to medical professionals in order to fund discoveries and investigations that would lead to better treatments – eventually accessible to all patients (Jewson, 1974), or the pedestal of the Statue of Liberty in New York City which was funded through public donations thanks to a campaign launched by Joseph Pulitzer in 1885 (BBC, 2013)). However, this dissertation will concentrate on its evolution since the advent of the Internet. Some authors consider that the origins of crowdfunding can be found in the micro financing initiatives, popularised after the establishment of the Grameen Bank in 1983. However, for the purpose of this study, the origin of crowdfunding will be established with the first fully-online based campaign for raising non-returnable funds.

The emergence of crowdfunding online platforms can be established in 1997, when American fans of the British rock band Marillion raised \$60,000 for the band to go on a tour around the United States (Spellman, 2015). This unprecedented initiative was based



on both the instant communication of email and discussion forums, and the ability of the Internet to provide a “piggy-bank” where the money of the funders could be kept until the desired amount was reached and given to the band to allow them to perform in a U.S. tour (Golemis, 1997)

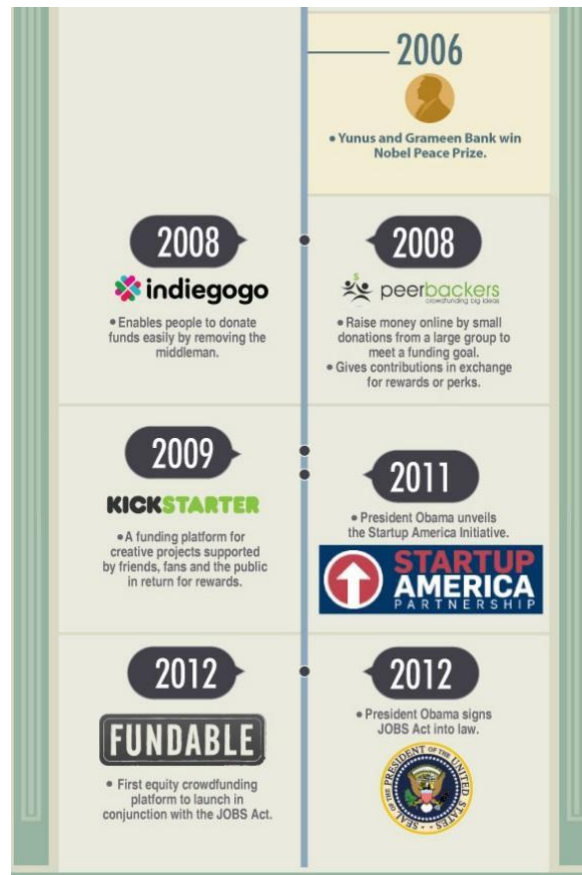
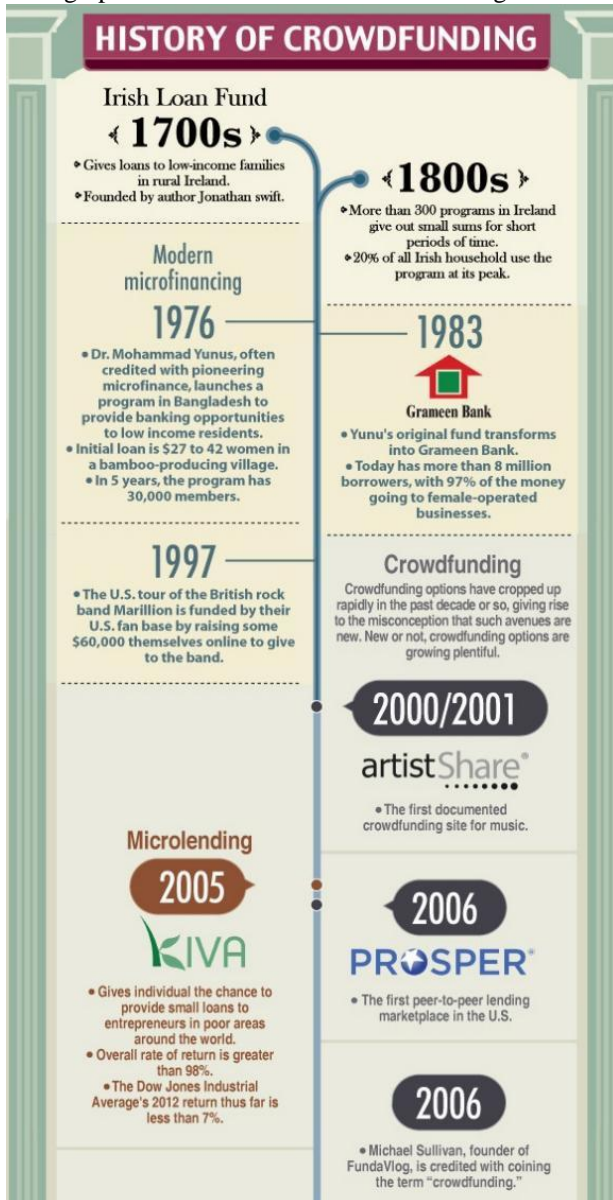
Following this success, in 2003 ArtistShare appeared on the Internet. It was started by Brian Camelio, an American musician and computer programmer who launched a website where musicians could seek for support and donations to carry out musical projects (Freedman & Nutthing, 2015). Shortly after that, more crowdfunding sites started to emerge and eventually built a new Internet-based industry.

Some of the most relevant crowdfunding sites that emerged after ArtistShare were: KIVA, Prosper, IndieGoGo, PeerBackers, Kickstarter, Startup America and Fundable (Fundable, 2016).

As these crowdfunding sites began to increase in number, in 2012 President Barack Obama passed the “Crowdfunding Bill” – the Jumpstart Our Business Startups (JOBS), which legalized crowdfunding by removing the ban on entrepreneurs who were publicly stating that they were raising money.

In the second decade of the twenty-first century, crowdfunding continues to grow as a way for entrepreneurs and funding-seekers to gain exposure and funding through the much broader reach of their ideas via the Internet. The compound annual growth rate of crowdfunding is 74% and it is likely that it will keep growing as traditional sources of funding become more restrictive and less available in a credit adverse post-crisis scenario (U.S Securities and Exchange Commission, 2012).

Infographic on the evolution of crowdfunding



Source: (Fundable, 2016)

2. PRELIMINARY QUESTIONS

2.1 PUBLIC-ORIENTED CAMPAIGNS IN THE 21ST CENTURY: ELEMENTS AND RELEVANCE

Although this dissertation is focused on analyzing crowdfunding as a phenomenon, it is worth considering the implications of the evolution in advertising campaigns aimed at connecting with the public at a much deeper level than a regular product-selling campaign. Fundraising campaigns are, consequently, associated with non-for-profit organizations and charities, and it is this factor what makes them interesting to analyze, as they have features that can be transferred onto personal crowdfunding campaigns.

Sandra Sims describes in her book *The 5 Keys to Successful Fundraising* five elements that need to be present in any fundraising campaign. First, there is the question of “why”: although the members of the organization might have very clearly stated the purpose of their activity, it is essential that donors get the impression that their investment (donation in this case) is effectively helping to fund the exact cause that the organization is pledging and that such cause matches their priorities and line of thinking.

A second essential factor is to target and address appropriately each type of fundraiser, which can be divided into sales (derived from the income earned after selling goods or services), events (fundraisers that generate profit out of the events they organize on a given date) and direct soliciting (which implies directly asking for support).

Another element described by Sims is organization, understood as the analysis of several features of a campaign that must be monitored and taken into account to design an effective campaign. Organization includes establishing the way the goal will be presented to the public, establishing the costs of the campaign (if any), setting a target budget or amount needed to be raised before a deadline, and creating a timeline with small and large goals to be achieved in order to keep track of the progress of the campaign.

The fourth element is teamwork and, although it is not imperative to carry out individual crowdfunding campaigns it is worth considering when the promoter is a company or a group of people. Teamwork implies the specialization of each member of the team according to their skills and the need within the project.

The final element is action, and it can be described as all the activities that will happen during the length of the project and it is very closely related to organization, as it will keep current donors motivated and enrolled in the cause while attracting more investors as the campaign goes along. It also includes thanking the donors once the campaign is finished (Sims, 2005).

If we consider the types of crowdfunding campaigns that will be analyzed in more detail under the section *Types of Crowdfunding* it is possible to draw a parallel between the elements of successful fundraising and the types of crowdfunding, which suggests

that a strategy based on these elements could also be applicable in an individual crowdfunding causes.

After considering these five aspects, it is interesting to study how they have been mixed in three influential fundraising campaigns of the 21<sup>st</sup> century.

The first one is the *Tap Project* Launched by UNICEF in 2007. It aimed at raising amounts of 1 dollar from the bills in specific restaurants in New York City which would help a child get access to clean water for 40 days. Eventually the project extended to the whole territory of the United States and currently the project is aimed at challenging the users of smartphones worldwide to download the fundraising app (which measures for how long users have not checked their phones) and put their phones away; depending on the time they do not use their devices, UNICEF will receive a donation or the user can donate the amount they wish through the website or the app. The project also has the support of Giorgio Armani Fragrances, through its brand *Acqua di Giò*, by donating between 1 dollar and 5 dollars per unit of perfume sold, and the surfing brand S'well, by donating a lump sum of \$100,000 in 2016 (UNICEF, 2016).

Different advertising images for the TapProject Campaign



Source: (ION Interactive, 2016)



Source: (UNICEF, 2016)

A second campaign that had an enormous impact was the #nomakeupselfie campaign. It started out in 2014 as a body-image awareness campaign that did not intend to raise funds; however, Cancer Research UK quickly took over and promoted the £3 donation via text message once an Internet user had posted their photo with the hashtag (also, in order to include men in the campaign, they created the #makeupselfietag, through which men could also help the cause by posting a photo of themselves with make up on) (BBC News, 2014).

One key factor in this campaign is that it was strongly supported by celebrities: influential women such as Beyoncé, Lady Gaga, Cameron Diaz, Kylie Jenner, or Kim Kardashian joined the cause and, although there is no data available in the public domain as to whether they actually donated money to the cause, they made it visible to all the Internet users. The total amount raised was £2 million (Lewis, 2014).

Selfies under the #nomakeupselfie campaign posted by celebrities



Beyoncé. Source: (Harper's Bazaar, 2016)



Kim Kardashian. Source:(Harper's Bazaar, 2016)



Cameron Diaz. Source:(Harper's Bazaar, 2016)



Lady Gaga. Source: (Harper's Bazaar, 2016)

Finally, another campaign that has had a great impact has been the campaign *Make a Difference* from Save the Children in 2013. The unusual aspect of the campaign was that the user was at the same time the target and the raiser, as the goal of the campaign was for the user to gather their friends and family and promote the project among them so they could do the same within their own circles. Save the Children also provided the potential promoter with a pre-written fundraising email or a post mail tool kit, both customizable, to engage donors in the cause (Save The Children, 2013). The website also displayed *Ideas and Tips for Successful Personal Fundraising* that are very similar to those outlined by Sims (setting a goal, telling the story, being creative, sharing, using social media and saying thank you) (Save the Children, 2013). Nevertheless, the Save the Children online portal has a permanent donation system that allows for donors to choose the frequency of their contributions (single or monthly), the amount (starting at

\$5), and the cause they wish to support (different projects or “where the need is greater”).

Donation banner on Save The Children UK website

**START MAKING A BIG DIFFERENCE TODAY**

**£3** Could pay for life-saving treatment for eight children who are sick with diarrhoea.

**£5** Could buy building materials for 10 latrines, helping to protect families from disease.

**£10** Could fund malaria testing for 145 children, so that cases can be diagnosed quickly and more lives saved.

Join thousands of other people, and make a big difference today.

I'd like to make a

SINGLE  MONTHLY

donation of  for

Or enter an amount

WHERE THE NEED IS GREATEST

Donate to our work with children around the world. We'll allocate your donation according to the greatest need at the time.

**DONATE NOW**

Source: (Save the Children, 2016)

After considering these campaigns, one could argue that the combination of the features described by Sims is effective in campaigns that are oriented to a broad public as they will gain visibility through the Internet, and more especially through social media, which will eventually lead to funding provided by multiple donors who donated a small amount each.

## 2. 2 SUCCESS OF CROWDFUNDING PROJECTS AFTER DEADLINE: KEY FINANCIAL DRIVERS

Although crowdfunding might seem as a “fool-proof” method to fund a project, the truth is that it is highly unpredictable as the applicability of crowdfunding largely depends on the amount pledged, and on the ability of the promoter to secure larger amounts of capital than those raised during the campaign (usually needed to fully carry out the aim of the project) (Nilssen, 2014).

In addition, most promoters do not set a realistic crowdfunding goal, making the project fail because it is not appealing enough unless the promoter has a large network and a full-time team dedicated to advertise their campaign; of course the idea behind the project itself is key, but the amount pledged can be determinant in driving the success or failure of the project, not only because it will discourage donors if it is too high, but also because it would not suffice to match the expenses from rewards, packaging, shipping or platform fees if it is too low (Americo, 2014).

Nevertheless, that is not an insurmountable obstacle; Americo claims that there are two key elements in ensuring success of a project based on the amount pledged: budgeting and breaking into sections.

Establishing the budget for a project is an essential step before it can be launched, as it will determine whether it should be broken down into sections or not. Thus, in order to set a realistic budget, there are a set of elements that must be taken into account: considering the core expenses (rights acquisition (if applicable), scriptwriting and/or storyboarding, labour expenses, sales and distribution, marketing and promotion of product, office and/or studio space, equipment and materials, administrative and other overhead expenses) and fulfilment expenses: cost of launching events after producing the merchandise, shipping costs, and time and effort invested in developing the project once it is funded (Canada Media Fund, 2014)

JOSIC is a website aimed at helping entrepreneurs and investors keep up with the latest trends in digital marketing trends, social media and digital PR, which published in 2015 an estimate cost of the key elements in a successful crowdfunding campaign based on a research study conducted over 6 000 active campaigns on Kickstarter: the cost of prototypes went up to \$1 000, professional video production ranged between \$2 500 and \$10 000 depending on the length, style, cast and location, the cost of hiring a PR firm increased the total amount by an average of \$3 000 a month, PPC advertising was estimated at \$1 per click, and consulting had an estimated cost between \$100 and \$5 000 (JOSIC, 2015).

Naturally, most of the projects launched do not count on such resources to start a campaign, and that is why it is necessary that promoters carefully balance the need for such features and the benefits they will report, as they can make the difference between success and failure, independently of the idea they are seeking to promote.

On the other hand, when these expenses are excessive, the promoter has the option of breaking the campaign down into smaller projects. This has two main advantages: first is that potential donors would not become shocked by the total amount pledged, and thus will feel more encouraged to contribute as they will feel that their money is not being wasted, and second, that it will give extra backup for the promoter as if they manage to get through the first stage of funding their chances of receiving funds for a second project will increase, as well as the exposure of the following campaigns, since they have already built a supportive network (Americo, 2014).

However, these elements do not imply that crowdfunding will necessarily become the new panacea for funding startups: Kantor published in 2014 a working paper in which he describes the main problems of crowdfunding: fraud, presence of horizontal risks linked to the absence of venture capital protections.

As for fraud, despite the implementation of the JOBS Act, the current regulation over crowdfunding is very limited and loose. Such fact, paired with the ever increasing sophistication of the cybercrime make crowdfunding a new territory to commit financial crimes or launder money. In addition, donors or investors do not usually have access to complete and true information, and thus have little control over what the promoter does (Kantor, 2014).

The horizontal risks are associated to the frequent lack of financial knowledge of promoters, and it implies that even a successful startup can decrease its rate of return after the initial period because it lacks the protection provided by VC mechanisms.

Moreover, companies that seek sustained financial support tend to step away from crowdfunding because it creates a capital structure that is unappealing to VCs: it involves a large number of shareholders which can increase difficulty in decision making, logistical activities and future liability (Kantor, 2014).

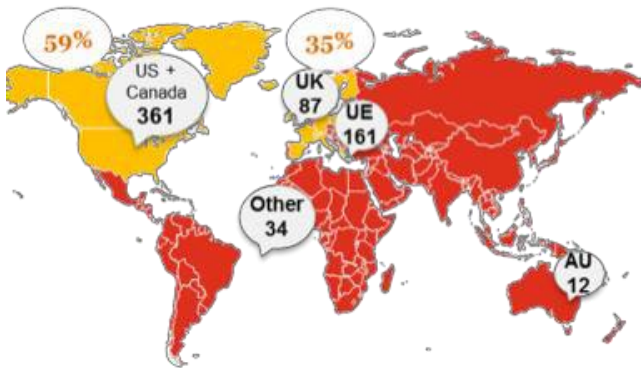
## VI. THEORETICAL FRAMEWORK

### 1. MAIN ONLINE-BASED FUNDRAISING COMPANIES

There are a large number of online crowdfunding platforms available. It is possible to categorize them by type, area of operation and main projects supported; however, for the purpose of this study we will analyse the seven most relevant platforms in the United States as it is the country in which the crowdfunding activity is more intense.



Estimated number of crowdfunding platforms in the world



Source: (PWC, 2014)

KIVA is a non for profit crowdfunding platform, which means it does not get a commission for the projects that are fulfilled, aimed at finding donors to fund projects related to the alleviation of poverty: the portal posts stories of people in poor areas that need funding in order to develop local projects and investors are allowed to choose the project they are interested in funding; these donors get their loans repaid once the project is realized and makes a profit (KIVA, 2015).

Prosper is a peer-to-peer loan provider, where requesters ask for a given amount of money that will be repaid depending on the conditions they state they can afford prior to the donation. Loans can be provided by one single donor or more than one, as it is for the donors to decide how much money they are willing to lend (Prosper, 2015).

IndieGoGo allows users to use their platform to start campaigns at their choice: all-or-nothing or keep-it-all, donation based or reward-based and also offers the promoters a market place to sell their products once the campaign has finished (IndieGoGo, 2015).

Kickstarter is considered the most successful platform for online crowdfunding. It is based on the all-or-nothing model, and it does not charge the promoter a fee for posting their projects unless the full amount has been reached; also, it is the promoter's decision to determine whether their campaign will be donation-based or reward-based (Kickstarter, 2015).

PeerBackers works also under the rewards-based model, and allows promoters to find investors for their projects, keeping 5% of the total amount raised. In addition, PeerBackers offers the promoter marketing services like video broadcasting, shootings and links to the promoter's website in order to give potential investors a better view of the campaign and its creators. As an extra service, Peerbackers also provides at a cost of \$495 dollars consulting services, in which they offer strategic advice, feedback on their

campaigns and campaign elements and Speed Dial, which is a real-life consulting service via telephone (PeerBackers, 2015).

Startup America is a modern philanthropy hub, created by the White House that seeks to enhance entrepreneurship across the United States in sectors like healthcare, clean energy or education. It connects professionals and educators with entrepreneurs, and, although it is not a crowdfunding platform per se, it falls on the crowd sourcing arena (The White House, 2011)

Fundable is a platform with a geographical constraint limited to the United States that allows users to set up rewards-based or equity-based projects. For reward-based donations the minimum amount is \$1 dollar, whereas for an equity-based project, the minimum amount is \$1 000 dollars. In both cases the model is all-or-nothing (Fundable, 2016)

## 2. TYPES OF CROWDFUNDING

Once described the main crowdfunding platforms, it is important to analyze the types of crowdfunding campaigns based on the nature of the donation and the subsequent actions (if any) taken by the promoter.

### 2.1 DONATION-BASED

Donation-based crowdfunding campaigns are those in which the person subscribing the project does not receive anything in return for their contribution. There is no need for the promoter to provide anything of value to the donor, or to give them special rights over the result of the campaign. Projects under this form tend to rely on the empathy created between the promoter and the donor, and it is the model used by charities and non-for-profit organizations to fund their causes.

Kickstarter and IndieGoGo are considered the two main donation-based sites as they do not allow contributors of projects to become investors or shareholders, and allow creators to keep 100% control over the products or services they might be trying to fundraise (Barrett, 2013).

Since the donation-based sites allow the promoter to receive funding for their ideas with no obligation to give the donors anything in return, the main difference among sites using this system is whether they employ the *keep-it-all* (KIA) or *all-or-nothing* (AON) model. The KIA model allows the promoter to keep the entire amount raised for

a cause regardless of whether the project reaches the amount for which it aimed (Cumming, Leboeuf, & Schwimienbacher, 2015).

On the other hand, the AON model involves that the promoter setting the campaign goal will not receive any of the funds raised unless that amount meets or surpasses the goal (Cumming, Leboeuf, & Schwimienbacher, 2015). However, these types of projects have been proved to be more successful since the promoters of these campaigns usually give some sort of reward to the donor and provide more information to potential backers (Weisul, 2014).

It is important to note that it is not the promoter's decision whether their projects will be AON or KIA, but it depends entirely on the platform they decideto use as a starting point for their campaigns.

## 2.2 EQUITY-OFFERING

Equity-offering is a type of crowdfunding where the donor receives in exchange for their contribution equity of the company or partial ownership (but not goods or services provided by the company) (Crowdfund Insider, 2016). These campaigns are generally longer than donation-based or debt/lend-based

Equity-offering crowdfunding is regulated in the United States since 2012 through the JOBS Act. The need for regulation in this type of campaigns arises from the fact that the Securities and Exchange Commission (SEC) prohibited equity-based companies to operate unless they had been previously registered in the SEC, and fundraising did not allow for such registration because, unless the project met its goal, there would be no company to register, asidefrom having a cost too high to afford in the case of small enterprises. The JOBS Act regulated then the crowdfunding of equity-based companies that had not been yet registered and allowed them to raise funds up to \$5 million. Nevertheless, the JOBS Act also introduces safeguards for investors to prevent fraud, such as limitations on amounts raised and individual investments, the application of fraud provisions regulated by the SEC and the registration for issuers and intermediaries (this includes monitoring the activity of crowdfunding portals)(Sigar, 2012).

## 2.3 DEBT-BASED

Debt-based (also known as peer-to-peer lending, or loan-based crowdfunding) is a type of crowdfunding project that starts campaigns aimed at raising money that will be

repaid later on. In some cases it is possible that the platform where the campaign is published acts as the lender by gathering and keeping all the contributions and guaranteeing that they will be returned to the original lenders, or in some others the platform merely serves as a “meeting point” for lenders and borrowers by providing them with a safe environment to perform electronic transactions. Debt-based crowdfunding is probably the model that stands further away from the nature of fundraising as it resembles a financial institution whose product is a micro-loan (Rodríguez de las Heras Ballell, 2013).

## VII. AIMS, QUESTIONS AND HYPOTHESIS FOR RESEARCH

The aim of this analysis is to determine the social and financial implications of the proliferation of crowdfunding campaigns, based on their rate of success by type (through the studying of key elements such as language, field of project, length and other target features), in a context driven by the restriction in access to credit due to the crisis of 2008 in Europe and the United States.

Given these factors, the hypothesis of this analysis will be to demonstrate how the crowdfunding industry can compete in the post-crisis scenario with traditional funding sources and that it is feasible for it to open a new way of doing business and obtaining support for ideas.

## VIII. ANALYSIS

### 1. IMPLICATIONS OF LANGUAGE IN CROWDFUNDING

Although it is well known that the rate of success in raising money for startups and individual projects is largely based on the ultimate goal of the idea, language has been proved to make a substantial difference on the perceptions potential investors or donors can have of a given project.

Thus, Gorabatai and Nelson (2013) have identified four dimensions of language that can influence the outcome of the campaign; these four dimensions are positive language, vividness, inclusive language and business language(Gorabatai & Nelson, 2013).

Positive language implies that the emotion transmitted by the language used in the campaign is positive, not only because of the outcome of such project, but because it creates in the donor or investor the perception that they are helping a good idea succeed, being the rationale that they have also “won” something. Positive language is considered to be a catalyser for investments since it is persuasive.

It is important to note that persuasive language induces the reader to think that the outcome will be a win-win, and therefore, that the favour that they are making will be reciprocated in the future so the completion of the project will be beneficial for them too, even if this benefit is only moral and does not necessarily mean they will obtain a financial reward for it (Mitra & Gilbert).

The second dimension, vividness, is also related to the way investors are emotionally connected to the cause. The use of an emotional language reflects more optimism and confidence, which translates for the donor in a more likely to succeed campaign. This also implies generating a high level of social engagement, and by creating areas of high emotional activation and others of lower activation, allowing the reader to relate to these emotions but not overwhelming them, which could pose a threat to the success of the campaign (Libert & Tynski, 2013).

Inclusive language is directly related to gender, and it is particularly powerful in campaigns aimed at promoting equality between men and women(Gorabatai & Nelson, 2013).

Finally, money-related language has been proved to have the opposite effect on the potential donors of a campaign: it is discouraging because the majority of the investors that will eventually fund a crowdfunding project are not traditional investors – the use

of specific financial and money-related language tends to be perceived as cold, as opposed to a vivid and emotional language that will relate the donor to the cause in a more intimate way (Gorabatai & Nelson, 2013).

Words associated with each of the language types:

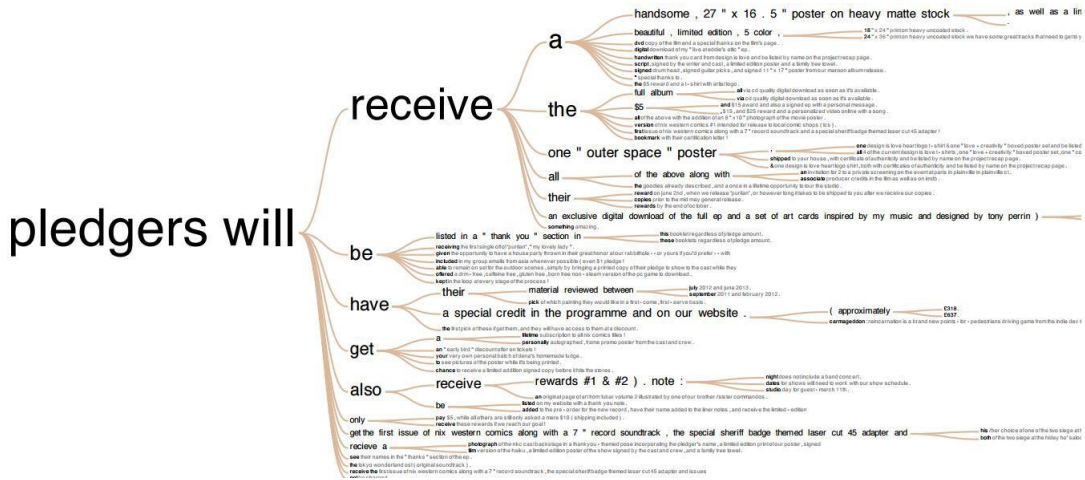
<b>Money</b>	<b>Inclusive</b>	<b>Vividness</b>	<b>Positive emotion</b>
bank	and	aroma	accept
bargain	along	audible	admire
bought	both	bright	charm
dollar	include	delicious	enthusiastic
donate	inside	delicate	laugh
fee	open	harmony	love
sale	with	rotten	splendid
own	plus	heavy	glamorous
invest	we	picture	adore

Source: (Gorabatai & Nelson, 2013)

In further analysis, it has been proved that not only the words have an impact on the potential investor's decision, but also who says the words. Kramer (1975) stated that stereotypes play an essential role in convincing the public of the viability of an idea since they reinforce beliefs and disbeliefs of their users (Kramer, 1975). The rationale behind this affirmation is that people give clues about their personality through the speech (which, in an online environment where face-to-face communication does not exist is extremely important), and the representation of speech behaviour in mass media strengthens the position of women based on the common conception of their nature (Kramer, 1975).

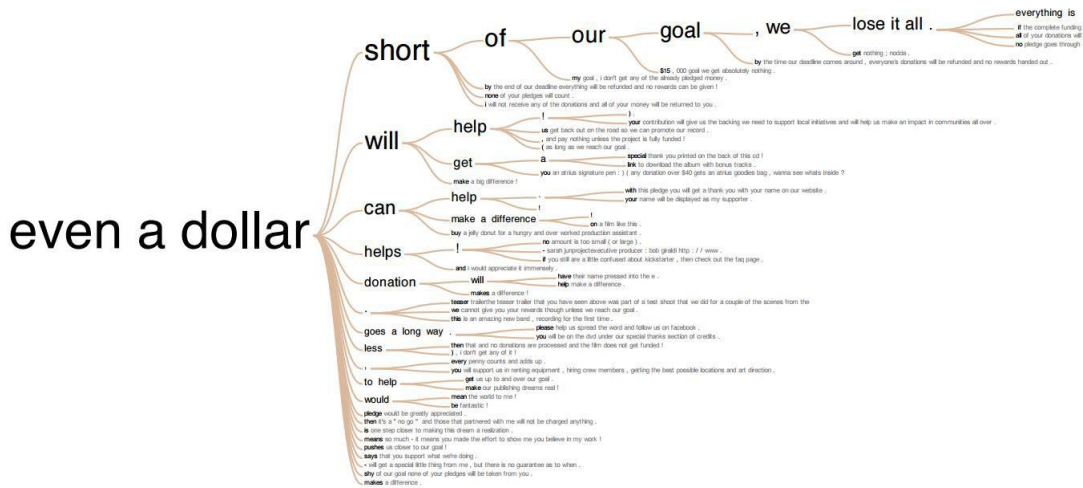
Similarly, the motivation and deterrence of a project is largely based on the collocations used, and the combinations of words that achieve a balance between inclusiveness, vividness, and a positive emotion, mentioning money in subtle ways so that it creates in the reader the feeling of membership and need (Mitra & Gilbert).

Relation of most used collocations in Kickstarter successful campaigns



Source: (Mitra & Gilbert)

Relation of most used collocation in unsuccessful Kickstarter campaigns



Source: (Mitra & Gilbert)

Thus, shaping the language is essential to succeed in crowdfunding campaigns. Mitra and Gilbert also established five principles, reciprocity, scarcity, social proof, authority and likeability that must be followed in order to achieve success in a campaign, based on the importance of language, which are outlined below.

Reciprocity implies the sense of obligation to return a favour: the more potential investors feel like the favour will be returned, the more likely they will be to donate to the cause. This is particularly visible in reward-based campaigns. This process does not have to be purely economic, since a mention, a thank you section, special benefits (like discounts) and public recognition for their contribution can be considered as a suitable reward.

Scarcity refers to the rareness, distinction or limitation in supply of the objective of the campaign. Emphasizing the time limitation also conveys this idea to investors, and encourages donating before they miss the opportunity.

The third factor, social proof, is based on the idea of making one's work visible so others can follow; these "votes of confidence" work on the principle of the "lamb effect" and make it crucial for the promoter to gain approbation (understood as being socially recognized by the fact that their project has already got some support) through the raising of some amount in order to attract more investors (Elevant Productions, 2014). This factor is intrinsically related to social identity, which consists of creating on the investor the feeling that they are part of a social group.

Authority, however, is related to the campaign creator and their expertise and recognition in the field; the more well known a promoter is in the field they are raising funds for, the more likely it is that their campaign will succeed.

Finally, likeability refers to the positive image a potential investor gets from a campaign if it has been previously liked or supported (even only with comments) by another user. This likability can be achieved by creating bonds with the readers through appreciation, inclusion and by making them feel like they are already part of the success of the idea (Mitra & Gilbert).

Following Mitra and Gilbert's principles described above, language is arguably one of the most important factors in determining the potential success of a campaign since, if it is well used and aimed at targeting the right donors through the exploitation of the correct dimensions of words, the rate of success will be much higher than in those projects that do not consider this variable.

## 2. KEY FEATURES IN CROWDFUNDING CAMPAIGNS AND ASSOCIATED PREDICTION OF SUCCESS

Predicting success in a crowdfunding campaign can be extremely hard, as it depends on many external elements that cannot be controlled or foreseen by the promoter; however, Shih-Ying Chen, Ching-Ning Chen, Yu-Ren Chen, Yang, Lin and Wei developed an analysis of features that can counter the negative effects of circumstances, in case those are negative, or foster the results in case those externalities are positive; it is interesting to note that not all campaigns necessarily need all these features, but it is important to highlight that promoters can resort to them when designing their strategy.



In the first place we find the intrinsic characteristics of a project: these include the project category, number of Facebook friends of the founder, number of projects backed by the founder, number of projects created by the founder and the currency in which the pledged amount is expressed.

Statistics of Kickstarter users

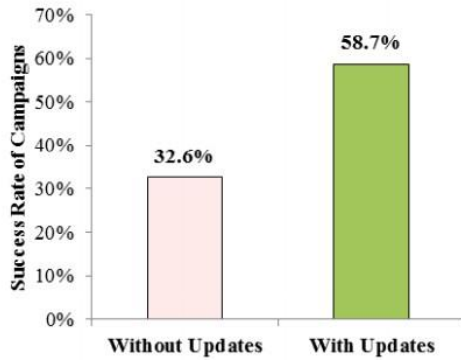
	<b>Total</b>
Total number of users	142,890
Number of backed projects per user	3.48
Number of created projects per user	1.19
Number of websites per user	1.75
Twitter connected	13.4% users
YouTube connected	6.89% users

Source: (Chung, 2015)

Second, there are financial elements, such as the goal, number of pledging methods, average, minimal and maximal pledge, that can be shaped and manipulated by the promoter in order to maximize benefits and increase the success probabilities of the campaign; third, they considered content quality and sentiment features, that affect the perception of potential donors of the promoter's effort, and thus drive the investing decision; these features are number of photos, videos, words, and spelling errors; a fourth element would be the level of social interaction, understood as the interactions between promoter and backers or donors, and include comments on the campaign, number of social words used, existence of Facebook connections, number of updates, shares and FAQs. The last category is progression effect, and it can be understood as the tracking of the money raised each single day.

It is interesting to highlight, in the category of social interaction, the feature of updates; Xu, Yang, Rao, Fu, Huang and Bailey conducted a study in 2014 that analyzed the relation between the frequent update of campaigns displayed on crowdfunding platforms and their rate of success, and concluded that campaigns that are frequently updated before their due date have a rate of success of 58.7% versus 32.6% for those that are not updated.

Compared rate of success in not updated campaigns versus updated campaigns



Source: (Xu, Yang, Rao, Fu, Huang, & Bailey, 2014)

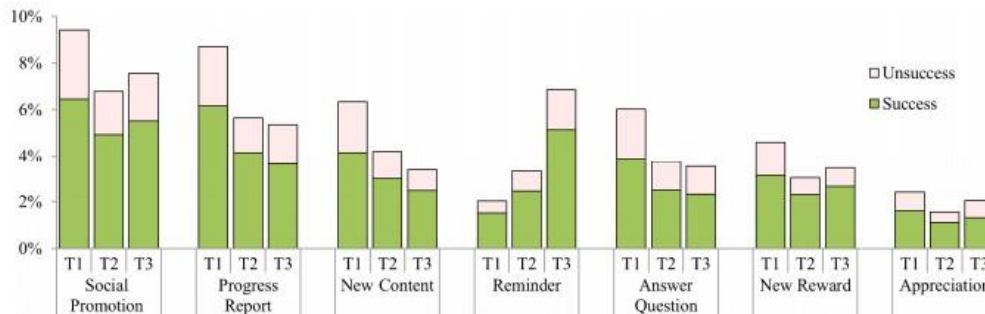
Xu, Yang, Rau, Fu, Huang and Bailey identified eight categories of updates that successful campaigns included: social promotion, progress report, new content, reminder, answer questions, new rewards and appreciation. Each category associated to a list of words and has a different impact depending on what phase the project is at (initial, middle, or final).

Relation of words associated to each update category

Category	Dictionary words
<b>Social Promotion</b>	facebook page, twitter, help spread, tweet, follow facebook, please share, tell friend, share link, friends, family
<b>Progress Report</b>	progress report, new update, first update, last update, half done, get done, milestone reached, journey continues, halfway, moving ahead, ahead schedule
<b>New Content</b>	new idea, new concept, new project, new blog, new picture, new cover, new link, video update, design update, brand new
<b>Reminder</b>	weeks remain, days remain, hour left, final week, final countdown, crunch time, clock ticking, last push, weeks counting, finish line
<b>Answer Question</b>	how began, why need, please read, what happen, when project, when campaign, answer question, feedback, explain, faq section
<b>New Reward</b>	new reward, change reward, better rewards, additional reward, improved reward, extra reward, incentive bonus, reward level, pledge level, reward update
<b>Appreciation</b>	thanks support, greatly appreciate, everyone's support, humbled, grateful, excited, generosity, bottom heart, huge thank, thanks (for) reading

Source: (Xu, Yang, Rao, Fu, Huang, & Bailey, 2014)

Distribution of updates by category in each project stage



Source: (Xu, Yang, Rao, Fu, Huang, & Bailey, 2014)

The method developed by Chen, Chen, Chen, Yang, Lin and Wei employs the previous accuracy predicting algorithms released by Greenberg, Pardo, Halharan and Gerber in 2013 to determine what percentage of success should be attributed to each feature depending on whether they are considered static (intrinsic characteristics, financial mechanisms, content quality and sentiment) or dynamic (social interaction and progression effect).

This analysis showed that once campaigns are initiated, the effects of dynamic features start to increase, and that the more attention promoters pay to these elements as the campaign goes on, the more likely the project is to be successful. These dynamic features provide promoters with day to day information from the crowd that allows them to identify the weaknesses of their projects and to correct them before the deadline is due, thus increasing their possibilities of success (Chen, Chen, Chen, Yang, Lin, & Wei, 2015).

In addition to this method, Etter, Grossglauser and Thiran also developed a model that took money-based predictors into account: these predictors include the trajectory (series of amounts of money pledged) measured as the distance in trajectory between the current project and other projects that have been either successful or failed in order to estimate the probability of success, and the trajectory related to time to determine whether the campaign can be successful before the due deadline. In both cases, the accuracy of the prediction is higher as the due deadline is closer (Etter, Grossglauser, & Thiran, 2013).

Thus, it is reasonable to think that promoters should concentrate in enhancing dynamic features as those are the ones that can be modified and that have a higher impact on the final result, and that it would be interesting for potential promoters to

analyze carefully previous successful campaigns, in order to imitate the distribution and intensity of such variables over time in their own projects.

### 3. FINANCIAL SUCCESS OF CROWDFUNDING CAMPAIGNS BY TYPE

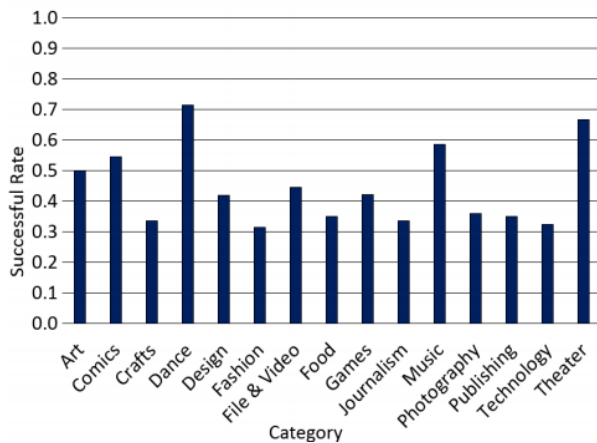
In order to measure the success rate of crowdfunding campaigns, in 2015 Chung published a study on the active projects on Kickstarter between the years 2009 and 2014 and their impact on Twitter as the reference social media platform. They also profiled users and their habits (whether they only posted a campaign or also collaborated with others, their level of experience based on how many projects they had already started, and other variables).

However, the results of the study were project-success oriented, and created predictive models that allowed predicting the estimated money a project would raise based on twelve factors: project category, duration, goal, number of images, videos, FAQs and rewards; readability of the text in the main page and in the rewards page, and number of sentences in both cases.

Nevertheless, it is important to highlight that the campaign per se is not the only element that drives the success or failure of a project, as the perception of the promoter by the potential donors was also a key element in driving success. On this aspect, Chung highlights 28 features: distribution of previously backed projects in each category, number of backed projects, and number of created projects, number of comments made by other users on each project, number of links in the project and number of Facebook friends of the promoter, connection between the promoter pages and Facebook, Twitter and YouTube; days between the promoter joined Kickstarter and the project launching date, rate of success of the projects previously backed by that promoter and rate of success of his previous projects.

Thus, it is clear that there is a connection between the promoter and the project for which they are seeking financing, and that the chances of success increase as these variables become stronger, and that this success strongly depends on the category of the project.

Rate of success in Kickstarter by project category



Source: (Chung, 2015)

Additionally, it is necessary to consider the rate of success based on other patterns. Thus, in 2012, Gerber and Hui conducted a study to identify the motivations and deterrents for participation in reward-based crowdfunding projects from the point of view of the potential donor, and reached conclusions that can lead to an estimation of success in each campaign depending on several features.

First we find that potential supporters are attracted by the idea of collecting a reward: they are motivated to increase their funding amount to get the reward they desire as they are aware of the value of the product they will get. This shows a consumer behaviour similar to regular purchases with the difference that they are willing to pay beforehand and wait for a considerable amount of time (weeks or months) until they finally receive their reward (Gerber & Hui, 2012).

A second motivation for donors is philanthropy; the idea of helping others reach their goals is also persuasive and can play a key role in determining the success of a project since it delivers personal satisfaction to the funder in case the project is successful, despite not necessarily knowing the promoter personally (Gerber & Hui, 2012). This category is strongly related to two more motivations: becoming part of a community and supporting a cause. These motivations imply, on the one hand to have a say in the decisions made in a certain community (understood as the category to which the campaign belongs to) and to collaborate in the design of the product, and, on the other hand, to reinforce their personality by supporting a cause (Gerber & Hui, 2012).

As for profit-sharing projects, the pattern relating consumption and investment is not as clear as for the reward-based type of funding, although it offers more chances of

success for larger projects since the proportion of risk taken by each investor decreases as the number of investors increases, as well as it will provide control rights on strategic decisions in the future (Belleflame, Lambert, & Schwienbacher, 2012).

Therefore, determining the rate of success of a project is not a simple equation in which variables can be isolated, but rather it is necessary to take into account the type of project and its relation to the category in which the product or service is included.

## IX. CASE STUDY: PEBBLE WATCH ON KICKSTARTER

Pebble Watch is one of the most outstanding cases of successful crowdfunding campaign. Pebble Watch is an intelligent electronic ink wristwatch released in April 2012 that connects to an Android or Apple smartphone to alert the user of phone calls, emails or text messages, developed through a campaign launched in Kickstarter. It pledged for a total amount of \$100 000, receiving by the deadline a month after more than \$10 million (Pebble, 2016).

The objective of this case study is to analyze the presence or absence of elements previously mentioned in this thesis, such as the product category, elements of language and the manipulation of static and dynamic features to better understand the success of the campaign.

It is important to note that Pebble Watch gained funding in 2012, after a period of global financial crisis which caused the dropping of funding for R&D by 9% (National Science Foundation, 2015).

The aim of this case study is to identify the variables that have been described previously and see how they have been applied to a successful project in order to provide stronger support for the hypothesis launched at the beginning of this paper. The analysis of elements will be made in order of importance (lower to higher).

First, it is necessary to identify the project category and the type of crowdfunding; Pebble Watch falls on the category of technology with an AON model as it was launched on Kickstarter, which is a platform that only backs AON campaigns.

In a second place, it is important to analyze the motivations of donors when supporting the project. Since it is a reward-based campaign, the motivations that drive the investors to support the project can be either the reward itself or the sentiment of philanthropy. Within this aspect, philanthropy can be determined either by the desire of becoming part of the community or of supporting a given cause.

Although it is difficult to measure what the rationale for the supporters was, it is possible to study the comments of the posts of campaign. These posts give the impression that the main motivation was the reward as the comments made by backers indicate so.

Comments indicating interest on the reward

The screenshot displays six comments from users on a crowdfunding platform, all dated in April 2012. The comments express excitement and anticipation for a product, with several users stating they cannot wait to receive it. The users mentioned are Henry Webb, Nate Falu Febres, James Marks, Jean-Marc Autexier, Joshua Wilson, and Rudy Vee Castillo.

Source: (Kickstarter, 2012)

Following, one must analyze the static and dynamic elements proposed by Chen, Chen, Chen, Yang, Lin and Wei.

Regarding intrinsic aspects and financial features, the most relevant information is that the campaign lasted 37 days and it obtained \$10 266 846, more than ten times the amount pledged (and the lasgest amount ever raised in a Kickstarter project). It was supported by 68 929 backers.

**INTRINSIC CHARACTERISTICS ANF FINANCIAL ELEMENTS**

Date of start	11 April 2012
Deadline	18 May 2012
Pledged amount	\$100 000
Obtained amount	\$ 10 266 846
Currency	United States Dollars
Category of crowdfunding	Reward-based
Category of project	Technology
Promoter	Eric Migicovsky
Number of backers	68 929
Number of projects backed by the promoter	99
Number of projects created by the promoter	3

Source: Compilation from data retrieved from Kickstarter, 2012

Regarding the quality and sentiment, and social features, it is interesting to note that the Pebble Watch project put great effort into interacting with both their supporters and the potential donors.

It included a list of FAQs with the most common questions donors had posted on the comments under each update, and the creators of the project tried to reply to comments posing questions within a minimum amount of time; also, they incorporated



some of the features donors had proposed for the watch. This denotes that the project was public-oriented in order to maintain their donors and to attract new ones.

Interaction with supporters by including proposed features



Ryan Levenson en April 12, 2012

Awesome product and so proud of you guy! Is there any chance that you can fully waterproof it before production? I would be happy to have a reward that is 5 or 10 dollars more that comes waterproof up to 10m

Actualización n° 3

13 de abr. de 2012

## We're waterproofing Pebble!

166 comentarios Me gusta A 1 personas les gusta

*Thanks again to our amazing backers.*

When we started this project, we dreamed of making a waterproof smartwatch that could be used for swimming.

With the amazing support that you've given us, we're going to make that dream a reality. We were originally going to make this a milestone at \$1mm or something...but you guys are too fast!

### All Pebble watches will be waterproof enough to swim with!

We don't know the exact waterproofness rating yet (ie 3ATM, 5ATM to be confirmed!), and we still have to work on the industrial design for the change. **It's not going to be a dive watch**, but it should be great for swimmers and people who get wet a lot! (I'm from Vancouver, Canada which is well known for it's rainy climate. I'll use it when I go home!)

Source: (Kickstarter, 2012)

In addition, the project had 52 updates (including those after the completion of the project, from which 12 took place during the campaign). Taking into account the classification of updated proposed by Xu, Yang, Rao, Fu, Huang and Bailey, the updates posted by the Pebble Watch team can be organised as follows:

TYPE OF UPDATE	NUMBER OF UPDATES	MOMENT OF UPDATES
Social promotion	1	25 days after launching project
Progress report	2	1 and 2 days after launching project
New content	4	2, 3, 21 and 24 days after launching project
Reminder	1	37 days after launching project
Answer questions	1	10 days after launching project
New rewards	0	
Appreciation	3	6, 17 and 37 days after launching project.

Source: Compilation from data retrieved from Kickstarter, 2012

If we look at the distribution of updates by type, we find that the time distribution at which they take place is very similar to that suggested by the authors to increase the rate of success of the project.

It is also interesting to note that, despite not offering new rewards, the project still obtained a very strong support, and that donors were encouraged to keep backing the project.

#### **QUALITY AND SENTIMENT AND SOCIAL INTERACTION FEATURES**

Number of photos	7
Number of videos	1
Number of words in the campaign	1258
Number of spelling mistakes	0
Number of comments	15 648
Presence of FAQs	Yes (12)
Number of updates	54
Sharings	Unknown
Facebook friends	1 019
Minimum pledge amount	\$1
Number of backers for minimum amount	2615
Maximum pledge amount	\$10 000
Number of backers for maximum amount	31

Source: Compilation from data retrieved from Kickstarter, 2012

Finally, regarding the use of language, Pebble Watch makes a good use of the elements that tend to increase the likeliness of potential donors to pledge.

For positive language, the Pebble Watch campaign employs three main terms: “beautiful” (used once), “great” and “don’t worry” (used twice each). Regarding inclusiveness, Pebble Watch used the terms “and”, “along”, “include”, “with”, “we” and “more” 40, 1, 1, 24, 3 and 8 respectively. The words “feel”, “create”, “want”, “can” and “music” are related to vivid language and they are used 1, 4, 2, 35 and 2 times respectively in the Pebble Watch campaign. Finally, as for money-related language, we can see that there are no words from that pool used in the Pebble Watch project.

Nevertheless, there is one more aspect to take into account when analysing the language and it is the use of the principles described by Mitra and Gilbert of scarcity, reciprocity, social proof, authority and likeability of the promoter.

Scarcity is very well illustrated in the Pebble Watch campaign as the donor can customize their watch upon receiving by choosing the colour, way of notification, and display; this makes the watch unique and exclusive and gives the feeling that it is a rare piece.

Description of customizable Pebble Watch in the campaign

**Customize Your Perfect Watch. It's as Easy as Downloading an App.**

**Pebble is the first watch built for the 21st century.** It's infinitely customizable, with beautiful downloadable watchfaces and useful internet-connected apps. Pebble connects to iPhone and Android smartphones using Bluetooth, alerting you with a silent vibration to incoming calls, emails and messages. While designing Pebble, we strove to create a minimalist yet fashionable product that seamlessly blends into everyday life.

Source: (Kickstarter, 2012)

The Pebble Watch team also put great effort in giving their backers the sense of reciprocity, and established a tier-based reward depending on the money they pledge. This strategy allowed for a great feeling of win-win from the backers, as they would always obtain a reward according to their support to the project.

Rewards based on the amount provided by backers

- \$99 - Early Bird: 200 Black watches available.
- \$115 - One Black Pebble.
- \$125 - One Color Pebble.
- \$220 - Two Black Pebbles.
- \$235 - Prototype Pebble for early app development + one Color Pebble.
- \$240 - Two Color Pebbles.
- \$550 - Five Color Pebbles.
- \$1000 - Ten Color Pebbles.
- \$1,250 - Custom watchface + five Color Pebbles.

Source: (Kickstarter, 2012)

This win-win perception is smartly backed with elements that support the social acceptance. As the reward is a fixed element, the backer can also choose some elements of it, which reinforces the idea that the product helps building a social identity.

The fact that the owner of the watch gets to choose the design of their device accounts for it, as it proves that it is the backer who has the last word in deciding what statement they want to make when wearing the device.

Ability of the customer to chose the design of their device

**CUSTOMIZE WITH WATCHFACES**

Pebble can change instantly, thanks to its brilliant, outdoor-readable electronic-paper (e-paper) display. We've designed tons of watchfaces already, with more coming every day. Choose your favourite watchfaces using Pebble's iPhone or Android app. Then as the day progresses, effortlessly switch to the one that matches your mood, activity or outfit.



Source: (Kickstarter, 2012)

The principle of authority relates to the promoter and their degree of recognition. Pebble Watch also took this factor into account when designing their campaign, although the promoter never credits himself for the product, but the company. This is also a way to show seriousness and accountability as the merit is not for him but for a team that has designed a successful product.

Authority statements in the Pebble Watch campaign

**Where we're at**

We've been working on smartwatches for over 3 years now. The Pebble that you see in the video is a real, working prototype.

With your support, we can bring Pebble onto wrists worldwide. While we're close to entering production, your contribution will help fund:

- Production tooling
- Large component order
- Global Bluetooth certification

Source: (Kickstarter, 2012)

Finally, the principle of likeability of the promoter is very hard to measure. Nevertheless, it is possible to get a grasp of the general feeling about the creator of the campaign and their team by the comments made by backers in the comments section of the campaign.

## Comments praising the designing team and the product



**Robert Gray** en May 5, 2012

Im proud of you and your entire team. God bless!



**Louise A. Bergeron** en May 5, 2012

Wow Guys (Parents of the Pebble);  
That is great news. Looks like you came up with fulfilling a demand. Good great luck, and don't sell out.  
Louise Bergeron



**Shirley Tomsic** en May 4, 2012

Congrats on signing the BIG check, thanks for sharing. Fun to see a check that big! Looking forward to each and every email you send out. Thanks for keeping us updated. Shirley



**Fred Waltman** en May 4, 2012

Maybe not the best place to leave this comment, but while I was intrigued with the idea of the Pebble, I normally don't wear a wrist watch, so I initially passed. But as a Waterloo grad (B.Math '76 -- don't hold that against me :) ) I felt it was my duty to back this project :)



**Maria Aaron** en May 4, 2012

Thanks so much for the update! I bought this as a gift for my son for his 12th birthday as a way to engage him in what building a business could be like some day.....I'm sure he will be very excited as we all are to see the finished product!

Source: (Kickstarter, 2012)

Taking into account all these variables, it is logical to think that the Pebble Watch made an extensive and comprehensive study of the elements that would make their project successful before launching it. The use of several features and elements of the campaign in the way most authors have described to be successful proves that the project had great chances of succeeding and that their managers considered the importance of updating and social interaction throughout the entire campaign.

However, it is necessary to highlight that the project already counted on a prototype before commencing, and that it had already developed the technology needed for assembling the device. That presumably gave extra security for backers as they were not supporting only an idea but an actual product that was ready to be produced.

In addition there are also two questions left: whether the project would have got traditional financial support from a regular bank as it is a technology-related startup and it already had a prototype produced and running, and whether it would have obtained such a large support from anonymous people if the project had still been on its earliest stages.

## X. CONCLUSIONS

There is no doubt that globalization has had a huge impact on the way startups and new projects are presented in society. The fact that the Internet allows for a worldwide exposure of new entrepreneurs is proof that a new era and way of doing businesses is emerging and developing in the twenty-first century, which is disrupting traditional sectors such as banking (Viacom, 2016).

Analysis of elements that compose successful crowdfunding campaigns developed in this dissertation show that even these new initiatives follow readily identifiable patterns and have elements that drive them towards success or failure.

In the first place, and particularly after considering the case study, it is possible to affirm that crowdfunding can compete with traditional financing sources. However, it should be noted that, based on certain elements, such as the category of the project, the type of crowdfunding chosen by the promoter (and, to some extent the platform where it is launched), the combination of dynamic and static elements, and especially the use of language in the campaign and the principles behind the use of such language, the rate of success of a campaign varies enormously. While some campaigns achieve high levels success if they manage the combination of these elements effectively, others may fail resoundingly if they do not use these features to their advantage.

Moreover, as it is stated in the case study, the successful outcome of campaigns is usually related to the pre-existence of a product before launching a campaign, being the campaign necessary only to commercialize the product or to mass-produce it.

Therefore, crowdfunding's ability to compete with traditional financing methods depends on the management of the aforementioned elements and the presence of certain variables. Moreover, even when campaigns follow the pattern and mix all the necessary elements in the way research recommends; there is no guarantee that the outcome of the project will be successful.

Thus, to conclude, there is evidence that crowdfunding is opening new ways for ideas to be put into practice, and for people to develop their potential without depending on traditional funding sources. However, we must bear in mind that the rationale behind crowdfunding is popular support for ideas, and since ideas also follow fashions and

trends, it is unlikely that it will become, at least in the short or medium run, the predominant or even consistent way for new projects to be realized.

This dissertation has sought to break new ground in the analysis of this new area of crowdfunding by bringing together data from a range of sources and providing an overview of the diverse variables and linguistic features that lead to a positive outcome to a crowdfunding campaign. As this recent funding mechanism continues to develop, there will be greater scope for further studies evaluating its role in twenty-first century financing and its implications, particularly as a disruptive model.

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