

The Successfulness of Crowdfunding Projects

THE INFLUENCE OF TRANSPARENCY IN ADVANCE AND DURING COLLECTION



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“THE INFLUENCE OF TRANSPARENCY IN ADVANCE AND DURING COLLECTION”

This study focused on the scarcely investigated topic of the phenomenon of crowdfunding by providing an answer to the question: ‘How does transparency in advance and during fund collection have an influence on the success of crowdfunding projects?’. To answer this question, 15 cases have been analyzed by interviewing the project initiators. While the results were processed, an alternative definition of crowdfunding success had been formulated. This study focused on the influence of the level of information, the use of social media and the level of informing on the successfulness of crowdfunding projects.

Keywords: *Crowdfunding, Transparency in advance, Transparency during collection period, Crowdfunding success.*

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Preface

During the college year of 2012 – 2013, I started with the master Organization Studies at Tilburg University. As part of this program, I started working on this thesis in September in the master circle ‘crowdsourcing for innovation’. This graduate research is about how transparency in advance and during the collection have an influence on the success of crowdfunding projects. Writing this thesis has been a challenging and educational period and I would like to make use of this possibility to thank those who have helped me during this period. First of all, I would like to thank Maryse Chappin for her inspirational feedback and suggestions during the different master circles and personal meetings. Further, I also want to thank Victor Gilsing and John Gelissen for their advice and comments during the defense circles. Writing this thesis was a time consuming job and changes have been made along the way. Therefore, I would like to thank my other circle members; Janet, Rob, Alain and Frank, for their interim reviews on my thesis along the way. Obviously, I also want to thank those who participated with this research, especially the representatives of the 15 participating crowdfunding projects.

And last, but definitely not least, I would like to thank friends and family for their motivation support and welcome distraction. In particular Maartje van Eeden and Jan Bartelings for their support and end-audit of my work.

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1. Introduction

This introduction outlines the research framework and gives a description of the research problem that has been clarified. Furthermore, the research question, the main goal of this qualitative study and the practical and scientific relevance of this study will be discussed. Finally, the structure of the rest of this study will be displayed.

1.1 Problem statement

Crowdsourcing is an upcoming topic in scientific research. However, getting innovations and ideas out of a large crowd is not something of the last few years. This phenomenon finds its origin in the early 17th century, when the British government organized a contest for the community to come up with an idea to calculate the degree of longitude at sea (Verhoeven, 2011). For ages, one of the main characteristics of a community was the dependence on proximity. People had to be physically together in order to create a crowd. Suddenly, in the early '90's, this all drastically changed with the introduction of the internet. All of a sudden we were able to create a *virtual* crowd; a place where one is able to form crowds with no geographical limitations whatsoever. The term 'crowdsourcing' was first mentioned by Jeff Howe in 2006 in his article: 'The rise of Crowdsourcing', in which he combines the terms 'outsourcing' and 'crowd'. Crowdsourcing is a relatively new phenomenon where communities are formed simply by shared interests and passions. According to Belleflamme et al. (2011), it can be used to obtain ideas, feedback and solutions in order to develop corporate activities. It allows organizations to approach communities as potential business, research and development partners, instead of only consumers of their products and services. However, can this principle be used to finance new business ideas? Is it possible that an entrepreneur acquires a small amount of money from an open call for financing a new business initiative?

A relatively new phenomenon related to crowdsourcing is crowdfunding. Belleflamme, et al. (2011), Kappel (2009) & Aitamurto (2011) describe that crowdfunding is about collecting money for investments, what generally is done by using internet and social media (Facebook & Twitter). *'Instead of raising the money from a very small group of sophisticated investors, the idea of crowdfunding is to obtain it from a large audience (the crowd), where each individual will provide a very small amount. This can take the form of equity purchase, loan, donation or pre-ordering of the product to be produced'* (Belleflamme et al., 2011: p.2). Since the current financial situation in the western society, banks are more cautious to fund small startups than ever before. Thereby, crowdfunding generates an opportunity for good business ideas that do

not fit the pattern that is required by 'normal' conventional financiers. According to Belleflamme et al. (2011) and Kleemann & Günter (2008) crowdfunding can be defined as:

'Crowdfunding involves an open call, mostly through the internet, for the provision of financial resources either in form of donation or in exchange for the future product or some form of reward and/or voting rights.' p. 5-6.

This study is focused on crowdfunding projects that are intended to develop innovative ideas¹. Crowdfunding is becoming more and more popular day. Nevertheless the literature about crowdfunding is relatively new and in an early stage. Belleflamme et al. (2011) mention in their paper that it is important to clarify why some projects succeed, and others prematurely stop. What is the reason why some crowdfunding projects are an enormous success, while others are just not getting enough resources available from the crowd? Scientific research about crowdfunding (Schwienbacher & Larralde, 2010; Ward & Ramachandran, 2010; Agrawal et al., 2011) already showed some reasons for the success and failure of crowdfunding projects. According to Bekkers & Wiepking (2011), interpersonal communication plays an important role in the success of mobilizing a crowd to collect funds. Steinberg (2012) mentioned the importance of transparency in advance and during the collection of funds. Providing the crowd on the right moment with the right information is important for the successfulness of crowdfunding projects. It enables potential funders to oversee as much relevant information as possible and to make a proper assessment in order to determine whether they want to invest or not. Nevertheless, less research has been done on the impact of the different media forms on success. The influence of social media is often considered as extremely important. According to Mangold & Faulds (2009), social media has even become *the* communication device in influencing consumer awareness. However, what the impact of social media actually is on the successfulness of crowdfunding projects remains unanswered throughout the literature. Crowdfunding does not only facilitate financial basis for a project, it also generates an increase in support among the crowd (Ordanini et al., 2009). Obtaining more in-depth knowledge about factors that influence the success of crowdfunding projects and clarifying their relation is of importance for this young scientific field.

¹ Projects with only a cultural or societal character (such as Volkskrant, 16 October 2012: 'Crowdfunding voor de Boomkikker' & EenVandaag, 30 Mei 2012: 'Crowdfunding reddingsboei voor de kunst?') will be excluded from the research field, since these projects are not about innovation.

1.2 Research goal and question

The goal of this research is to identify whether transparency in advance and during the data collection have influence on success. Less research has been done on these variables related to crowdfunding projects. The main question of this paper is:

How do transparency in advance and during fund collection have influence on the success of crowdfunding projects?

1.3 Relevance

Where once innovative ideas could only be financed by banks or large investors, it is now possible to reach finance publicly. The practical relevance of this study is that it clarifies the relation between the concepts as mentioned above in a way that entrepreneurs who wish to innovate through the principle of crowdfunding, can benefit from this paper and are more aware of the effects of these concepts on crowdfunding success. Potential funders have the possibility to see what the influence of social media is on the successfulness of crowdfunding projects. Besides that, the effects of the more classical media sources are also taken into account in this study. Besides the benefits it generates for potential funders, it also provides crowdfunding platforms with the opportunity to inform funders about the influence of open communication with the crowd on success. Crowdfunding platforms often have an important informative role for the funders who launch their projects on their internet sites. The results of this research can be used by different crowdfunding platforms for further improvement of their communication system and generate a framework for founders to optimize their communication. In the discussion of this study some communication strategies will be discussed, so that projects have a better understanding of how they can launch their project with the help of the crowd. By that, project initiators do not need to make the same mistakes as their predecessors did.

Besides the practical relevance, this paper also has a scientific relevance. As mentioned earlier, crowdfunding is a relatively new phenomenon, which makes it a young investigation field for scientific research. No research has been done on transparency in advance and during the collection of crowdfunding projects. Steinberg (2012) only mentioned the importance of transparency, but lacked to investigate the influence of it on the success of crowdfunding projects, while for several reasons, as indicated earlier, it is interesting to generate more in-depth knowledge about the relation mentioned in the research question. Smeets et al. (2012)

for example mentioned the importance of process characteristics on success of crowdsourcing and the lack of research about it. Wheat et al. (2012) mentioned the importance of providing an overview of the characteristics that influence the success of crowdfunding. However, most research on crowdfunding had been focused on the motivation of funders to invest in a project (Klaebe, 2012; Vliet, 2011; Nedeski, 2011). Zhang (2013) emphasized that despite the increased influence of crowdfunding, less research has been done on the concept of crowdfunding. Lehner (2013) describes the literature field of crowdfunding as 'almost undefined' (p.22). As Braet & Spek (2010) mentioned there are many research possibilities and necessities within the concept of crowdfunding. As far as known, no research specifically focused on the relation between transparency and success, whereas multiple authors emphasized the presence of this relation (Bekkers & Wiepking, 2011; Ward & Ramachandran, 2010; Steinberg, 2012). Therefore, by focusing on the relation between transparency and success of crowdfunding projects, this study will contribute to the present literature about crowdfunding and in specific to the factors that influence the successfulness of crowdfunding projects.

Besides that, there is a particular generally positive attitude towards social media. Several studies have shown the importance of the influence of social media on consumer behavior and crowd mobilization (Mangold & Faulds, 2009; Wheat et al., 2012). However, these findings are not based on crowdfunding projects. This study contributes to this, by testing these assumptions within the concept of crowdfunding. By doing this, new insights can be given about the relation between social media and the success of crowdfunding projects. So, this study will contribute to the existing literature by sealing this gap by focusing on the influence on crowdfunding success. By focusing on the influence of social media, the level of information and the level of informing, new insights are given to the successfulness of crowdfunding projects. With 15 crowdfunding cases, an answer has been developed on the research question as stated above. By answering this question, this study will contribute to the sparsely investigated research field of crowdfunding.

1.4 Structure

This study consists out of six chapters. First of all, in chapter two the theoretical framework will be discussed. Chapter three shall be dedicated to frame the methodology and to show how data in this study has been collected, selected and analyzed. Subsequently, in chapter four, by means of a comparison and quotation matrix, the data of 15 crowdfunding projects will be compared with each other. And finally the last two chapters will provide a conclusion and a discussion.



Figure 1: Schematic review of the paper structure

2. Theoretical framework

In this chapter, the main concepts are described from a theoretical point of view. First of all the concept of crowdfunding is further explained by clarifying the definition, describing the different players within a crowdfunding project and the four main crowdfunding types. Hereafter, the dependent and independent variables of this study are clarified. Finally, propositions are formulated that are based on the analyzed literature.

2.1 Crowdfunding

Consumers have recently begun to play a new role in the market. The consumers are more and more asked to provide the financial capital needed to develop new innovative ideas. This phenomenon is called *crowdfunding*. Belleflamme et al. (2011) describe this modern phenomenon as: *'an open call, mostly through the internet, for the provision of financial resources either in form of donation or in exchange for the future product or some form of reward and/or voting rights.'* (p. 5-6). Consumers increasingly decide to pay for producing and promoting a product instead of only buying it. They bear the risks associated with 'a mix of entrepreneurship and social network participation' (Ordanini et al., 2009: p.3). Lusch et al., (2007) describe that over the years, the trend of using the consumers as key-resource and co-creators has revealed an enrichment and empowerment of the role assigned to consumers.

2.2 The different players within crowdfunding

The outcome of crowdfunding is the outcome of a joint collaboration between different players. Within crowdfunding projects, there can be made a distinction between three main players: the project initiators, the funders and a crowdfunding platform (Ordanini et al., 2009):

- Project initiator: these are the people who propose ideas and projects that have to be funded. These people make use of the principle of crowdfunding by getting financial support from the crowd; people who are truly interested to support.
- Funders: these are the people 'that decide to financially support these projects, bearing a risk, and expecting a certain payoff. These supporters co-produce the output, selecting – and sometimes developing – the offers they deem to be most promising or interesting' (Ordanini et al., 2009: p.5). Payoff in this sense can be a bunch of things; profit shares, within X years funders will reserve their money back, including some

interest; higher priority when purchasing the developed product of services or a substantial discount.

- Platform: ‘the third player is the crowdfunding organization, which brings together those who want to deliver the new initiatives using crowdfunding mechanisms and those who may wish to support such initiatives through their investment efforts. Crowdfunding has been boosted by recent technological developments – web 2.0 in particular – that offer new opportunities and scenarios where consumers can use, create and modify content and interact with other users through social networks’ (p. 5). Ordanini et al. (2009) refer with this to the importance of the possibilities of social media through which large groups of people can be reached effectively.

2.3 Forms of crowdfunding

Within the literature, four different forms of crowdfunding can be distinguished. The main difference between these different forms of crowdfunding lies in the diversity of the rewards that individual funders get in return for their donations. According to Collins & Pierrakis (2012), four forms of crowdfunding can be identified: *Donation crowdfunding*, *reward crowdfunding*,

Forms	Form of contribution	Form of return	Motivation of Funder
Donation crowdfunding	Donation	Intangible benefits	Intrinsic and social motivation
Reward-based crowdfunding (pledging)	Donation/pre-purchase	Rewards but also intangible benefits	Combination of intrinsic and social motivation and desire for reward
Lending-based crowdfunding	Loan	Repayment of loan with interest. Some socially motivated lending is interest free	Combination of intrinsic, social and financial motivation
Equity crowdfunding	Investment	Return on interment in time if the bushiness does well. Rewards also offered sometimes. Intangible benefits another factor for many investors.	Combination of intrinsic, social and financial motivation.

Figure 2: Forms of crowdfunding. Source: Collins & Pierrakis (2012)

crowdfunding lending and *equity crowdfunding*. The motivations for 'donation crowdfunding' are mainly social and forms of returns are not acquired. The role of donators within donation crowdfunding projects can be seen as a form of sponsorship. Donators often receive non-financial products in return for their participation. Since donators do not receive a substantial amount of financial return on their investments, Vliet (2011) mentioned that a financial reward is not the primary goal of the donators. Reward-based crowdfunding, also called pledging, differs from equity crowdfunding, because equity 'does not change hands'. 'It is about the combination of both financial and non-financial motives for investing' (Collins & Pierrakis, 2012: p. 3). Investors are mainly interested in the intangible products, and less in the financial returns. The next form of crowdfunding is 'lending based-crowdfunding', or also called *debt-crowdfunding with a financial return*. Donators donate their funds in the form of a lending. Return on investment in this crowdfunding form is the manner of a fixed interest rate. The main difference with equity based crowdfunding is the involvement of the donators. Whereas in equity based crowdfunding the donators receive a part of the ownership rights and are directly involved with the development and decisions taken within the project, this is not the case with debt crowdfunding. Thereby the donators are not directly involved in the project itself and the decisions that are made.

The donators within equity based crowdfunding projects can be seen as investors. These investors receive an equity in the organization in return for their investments. This form of crowdfunding resembles the traditional investment models (like venture capital), but only in crowdfunding is the equity split over a relatively large crowd, where in traditional investment models equity is only split over a few investors. Important to mention is that in equity crowdfunding, a long term – interactive – relation between investor and founder is involved. 'Equity investing is long-term illiquid investing and potential crowdfunders need to be very aware of this. Unlike the reward model where returns are received quickly, equity investors may have to wait five to ten years for a return' (Collins & Pierrakis, 2012: p.30).

Dependent Variable

2.4 Success

Success of crowdfunding projects is a relatively undefined concept. There is no consensus about when a crowdfunding project can be called a success and when a failure. The scientific field does not generate an unilateral answer to this question. Some researchers propose that success of crowdfunding can be formulated in a way that a crowdfunding project collects the amount of money mentioned in advance, like Mollick (2012), Belleflamme et al. (2010) and Hemer (2011). However, experience has shown that determining whether a crowdfunding project is an absolute success or failure is not that 'black-or-white' as these studies suggest. Lambert & Schwienbacher (2010), Marom & Sade (2013) and Gerber et al. (2012) stated that success of a crowdfunding project could be related to the ratio of the total funds raised over the funds targeted. Marom & Sade (2013) also came with a third definition of success, in which success is dependent on the number of investors who funded the project. When combining these three definitions of success, a new definition can be formulated that finds its origin in these related studies. First of all, in order to be a successful crowdfunding project, it is important to collect at least the needed funding that has been set before the collecting period. However, some projects collect the amount of money much faster than other projects. This is dependent on the amount of funds needed. So, to be able to determine the actual success of the crowdfunding projects, it is important to set up the amount of funds needed against the days needed to successfully collect the amount of funds. In this way, the average amount of funds collected per week can be calculated. In addition, it is important to take the number of investors who funded the project into account. By doing this, it is possible to identify which project is more successful than the other. Taking this into account, the definition of success in this study is:

“The success of crowdfunding is determined by: (1) whether the project collected the funds that were mentioned in advance; (2) the relation between the total funds collected, and the number of weeks it took to collect this amount; and (3) the number of investors who funded the project.”

Independent variables

The focus of this study lies on the influence of transparency on the success of crowdfunding projects. According to Klotz et al. (2008), transparency can be defined as: ‘providing people with a clear understanding of different aspects of the current system performance and status, giving them feedback of performed activities’ (p. 626). This study makes a distinction between transparency in advance and transparency during the collection of funds.

2.5 Transparency in advance

According to Bekkers & Wiepking (2011) projects with an inspiring story are more successful than ‘vague’ and unclear projects. Projects with a clear plan of action are more likely to convince potential funders to invest in their idea. Properly explaining potential participants about the goal and plan increases the participants awareness. Steinberg (2012) stated that ‘a solid idea and vision for the product, careful pre-planning and preparation, a strong presentation and a very clear idea of the costs involved are of importance’ (p. 20). Ward & Ramachandran (2010) mentioned in their research that the availability of information is of importance for potential funders for their decision to invest or not. By taking these statements in account, transparency in advance can be defined as:

“Transparency in advance is about a clear goal description and funding purposes, usage of a pitch and being financially transparent”

According to Belleflamme et al. (2010), crowdfunding initiatives that are structured tend to be significantly more successful than non-structured initiatives. The probability of reaching a fundraising goal depends mainly upon a successful outreach campaign, with a large crowd translating into money raised (Mollick, 2012). Crowdfunding platforms generally provide founders with the possibility to introduce the initiative with the use of short videos, goal descriptions, and a clarification of the project (Wheat et al., 2012). This short video is also called a pitch. Steinberg (2012) emphasized the importance of a clear pitch and effectiveness of it on social media, marketing and PR strategies. According to Wheat et al. (2012), an informative video is generally the most important part of the crowdfunding appeal. Potential funders know who is the initiator behind the project. Therefore, generating trust among the crowd about the fact that both parties do what they say they do, is important for raising the amount of fund needed. Jarvenpaa et al. (2006) stated that ‘trust is a critical factor in any relationship in which the trustor does not have direct control over the actions of a trustee and there are possible

negative consequences of one party not fulfilling its promises' (p.1). Besides that, they mention that trust most readily developed when there has been an interaction between both parties. Looking at the principle of crowdfunding, it is important that the project initiators show who they are, so funders know to whom they entrust their investments. Furthermore, person boundary to a project makes it possible to share passion for the project and be more enthusiastic about it. Wheat et al. (2012) stated that in this case, the audience is more likely to fund the project and even be actively engaged with it. Ordanini et al. (2009) and Bekkers & Wiepking (2011) mentioned in their papers the importance of favorable informing conditions by which funders receive the required information about the project and thereby increase the success of crowdfunding projects of the founders.

Not only *that* there is some way of informing, but also *the manner* of informing is of importance. For decades, strategies to communicate with customers had been limited by making use of mass media like the television, newspapers, radio, and magazines. However, with the introduction of the internet, strategies for communicating with customers and the crowd have changed significantly. As a result of this, social media (also referred to as consumer-generated media) rapidly emerged. According to Mangold & Faulds (2009), this consumer-generated media 'describes a variety of new sources of online information that are created, initiated, circulated and used by consumers intent on educating each other about products, brands, services, personalities and issues' (p.2). Wheat et al. (2012) mentioned that social media generates an easy platform for potential funders and that it referrals these potential funders directly to the project online. Social media is an umbrella term for: social networking sites (Facebook, Twitter, Google+); video sharing sites (youtube); business networking sites (LinkedIn); blogs forums and chat rooms (Kaplan & Haenlein, 2010; Kietzmann et al. ,2011). Mangold & Faulds (2009) stated that during the 21st century, messages transmitted through these media forms increase with unprecedented speed. According to Mangold & Faulds (2009), social media has become a major factor in influencing consumer behavior 'including awareness, information acquisition, opinions, attitudes, purchase behavior, and post-purchase communication and evaluation' (p.2). Social media enables projects to talk to their customers. Consumers are increasingly turning away from the traditional sources of information like television, magazines, newspapers and radio. According to Kaplan & Haenlein (2010), consumers require on-demand and immediate access to information at their own convenience. Besides that, according to Mangold & Faulds (2009), social media is perceived by consumers as a more trustworthy source of information than traditional communication forms. They turn more frequently to social media to conduct their

information searches and to make decisions. Wheat et al. (2012) added to this that, to communicate the message to an outreaching public, fast and efficient, social media (e.g. Facebook, Twitter, LinkedIn) provide the founders with a platform through which they can reach potential funders.

So, according to the literature, transparency in advance plays an important role in the successfulness of a crowdfunding project. Informing the crowd about the goal, the use of a pitch and being financially transparent, are important for the potential funders to decide whether to invest or not in a business plan of the project initiator. Providing the crowd with information can be done with the help of different media sources. During the past years, the use and impact of social media on our lives has drastically been increased. Earlier on in this paragraph, the advantages of social media above the classic media sources have been mentioned. These advantages enable social media to spread informative messages much faster through a crowd than classic media sources. Besides that, social media makes it possible to approach potential funds more personal than classic media sources. Therefore, the use of social media for information spreading is of high importance for the successfulness of crowdfunding projects. When social media has not been used to spread informative messages, this results in less successful crowdfunding projects. Providing information to the crowd with mainly the help of social media, results in more success. The same applies to crowdfunding projects who do not provide the crowd with clear and transparent information and do not make use of social media. In that case the successfulness will be low. This leads to the following proposition:

Proposition 1A: If the level of information in advance and the use of social media are high, success of crowdfunding projects will be high.

Proposition 1B: If the level of information in advance and the use of social media are low, success of crowdfunding projects will be low.

2.6 Transparency during collection

Mangold & Faulds (2009) mentioned that, first of all, social media enable projects to talk to their customers, and secondly, it enables customers to talk to one another. In fact, this customer-to-customer communication is an extension of the traditional mouth-to-mouth communication (Kaplan & Haenlein, 2010). The main difference lies in the scope of the message and the speed at which it is able to travel to other networks (Kietzmann et al. ,2011). So, despite the role social media plays in the information supply, it also plays a role in informing the crowd during the collection period. Transparency during collection can be defined as:

“Transparency during the collection period is about the level of informing between the founder and the funder”

Mollick (2012) mentioned the importance of updates: ‘information about the crowdfunding project during the duration of fundraising’ (p.9); and the interaction between the project initiator and funders (Belleflamme et al., 2010). Wheat et al. (2012) agreed with this by stating that frequent updates throughout the duration of fund collection stimulate potential funders to fund more quickly. Lambert & Schwienbacher (2010) added that, in terms of informing, social media is the best way to come in contact with your participants and to provide them with up to date information. According to Ward & Ramachandran (2010) the success of a crowdfunding project is dependent on ‘the right information at the right time’. It is important to regularly give an update about the amount of funds that has already been collected. ‘Feeding’ the crowd with new information, increases the success. It is about making use of your social network; Ordanini et al. (2009) mention the importance of information sharing for both the initiator and the funders. The direct involvement of the target groups in the funding progress increases the support among donators. Wheat et al. (2012) mentioned that the central element of a successful crowdfunding campaign is the development of a crowd. ‘The larger and more engaged the crowd surrounding a project, the more crowdfunding money there can be raised’ (p.71). As a consequence, founders who have consistently reached out to the crowd receive higher rewards than those founders who do not spend time on outreach and engagement. They will have a limited group of individuals from which to request funds.

Lambert & Schwienbacher (2010) especially emphasized the importance of the role of involvement of funders with a project. When a shared passion for a project arises during the collection period, eventually community forming of the crowd can result in more investment of

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the crowd. Members of the community are motivated to 'spread the words' more easily, and therefore enlarge the reach of crowdfunding projects.

So, according to the literature, informing the crowd during the collection period has an important influence on the success of crowdfunding projects. Providing the crowd with regular updates and stimulating funding reminders, have a direct positive effect on a higher success score of crowdfunding projects. When crowdfunding projects do not inform the crowd regularly, nor send stimulating funding reminders on social media or other classic media sources, this results in less success. Therefore this leads to the following proposition:

Proposition 2a: If the level of informing during collection is high, success of crowdfunding projects will be high.

Proposition 2b: If the level of informing during collection is low, success of crowdfunding projects will be high.

2.7 Conceptual model

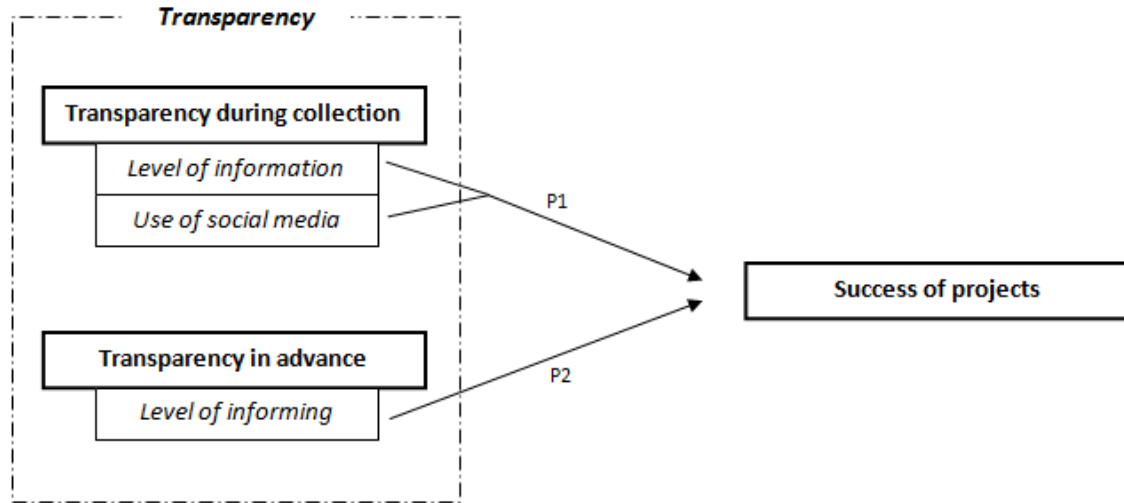


Figure 3: conceptual model

3. Methodological framework

In this chapter, the methodology of this study will be explained. First of all, the research design and the collection of the data will be described. Hereafter, the analysis of the projects and finally the research quality indicators will be discussed.

3.1 Research design

The design of this study is a multiple case study, because there will be studied how the independent variables as mentioned above, will influence the dependent variable in multiple crowdfunding projects. Since this study answered a question that is focused on *how* transparency in advance and during collection has an effect on successfulness, a multiple case study is most suitable for formulating an answer (Yin, 2009). Data that has been collected during the development of this study stems from 15 crowdfunding projects. At each project, scores (High/Medium/Low) are applied to be able to compare the different projects (Dul & Hak, 2008). The unit of analysis is *the project*, because effects will be visible on project level. The unit of observation is the project initiator of each crowdfunding project (individuals). Since the propositions are formulated in response to the literature, this study is a deductive study. Since the collection of data is done in a qualitative way, more in-depth knowledge is needed about the relation between transparency in advance and during collection on successfulness of crowdfunding projects. Information collected during the interviews has been tested on validity with the help of information known of the projects on the internet. With the process of *triangulation*, information gathered in interviews can be cross-checked. This helps to prevent biases (Gelissen, 2010).

3.2 Data collection

As earlier mentioned, data of this study has been collected with the help of 15 crowdfunding projects. One of the selecting criteria was that the projects must already have past the fund collection period. Otherwise, it was not possible to determine whether a project was successful or not. The intension in advance was to only interview the project initiators, because they are the people who had taken the decisions. In most cases, the project initiator found itself willing to cooperate with a semi-structured interview. However, in three cases the initiator mentioned to be too busy to answer my questions personally. These initiators were able to arrange replacements that were willing to talk on behalf of them. Not interviewing the initiator itself has not led to any restrictions whatsoever. In total, two projects preferred to answer the questions

by letter. The data collected from these projects are more limited, but with the help of information found on the internet, I was able to form a sufficient impression of these two projects. All the information found during the interviews is cross-checked with the help of information presented on the internet. By using semi-structured interviews, I was not only able to collect the information needed for testing the propositions, but it also gave the interviewee the opportunity to tell his or her crowdfunding *story*. Interviewing the project initiators with the help of a topic guide (appendix 4) which is based on the operationalization of the concepts (appendix 3), gave the required structure for the analyzes, but made it also possible to go more in-depth into more case related subjects. The result of this loose interview strategy was that the durations of the interviews are heavily divergent (from 20 to 75 minutes). All the interviews had been recorded and transcriptions had been made to analyze the data more closely. Quotations on the related variables are included in the quotation matrix in appendix 7.

3.3 Sample strategy

In this study, a purposive sample strategy will be used (Ritchie & Lewis, 2003). In total, 15 crowdfunding initiatives were willing to cooperate with this study. The crowdfunding projects that were selected are no older than two years, to ensure the reliability of the information during the interviews. Besides that, the selected projects are all innovative related. So crowdfunding projects with only a cultural or social character are left out of this analysis. Another selection criterion was that only small and middle large crowdfunding projects were selected. The constants can be found in appendix 5. In total, 28 projects were found that meet the three criteria mentioned above. By the use of an e-mail, all the projects were informed about my research intentions and the advantages this research generates for them in future crowdfunding projects. Nevertheless, 10 projects never send an email in return, not even after a reminder. One initiator mentioned that she often participates in surveys and interviews, but that she simply cannot cooperate with everyone. Another project initiator mentioned that he was willing to participate, but during the planning of the interview all contact was lost and he stopped to answer my emails. Another project initiator was willing to cooperate with this study, but eventually he did not meet the criteria in appendix 5. In total 13 projects were not willing to cooperate. The projects that are not willing to cooperate to this study are of similar nature as the 15 projects that eventually cooperated. So no pattern can be distinguished in their absence. A short description of the 15 projects that were willing to cooperate are given in appendix 2.

3.4 Data analysis

All the Interviews have been fully transcribed with the help of the software Dragon Naturally Speaking 9.0. After transcribing the interviews ad verbatim, the data has been coded on the basis of the operationalization of the concepts in appendix 3. The coded transcripts are included in appendix 8. Since qualitative data are 'voluminous, messy, unwieldy and discursive, data reduction will be the first central task' (Ritchie & Lewis, 2003; p. 202). Therefore, all the relevant data was put into the quotation matrix (appendix 7) where all data per case has been filled in by the different concepts and dimensions mentioned in the operationalization of appendix 3. By doing this, data can be read more easily and in a structured way. This is beneficial for comparing the data of the different projects. After the quotation matrix had been filled in, a second matrix was made: The comparison matrix. In this matrix (appendix 6), the concepts can more easily be related to each other with the use of scores (High / Medium / Low). With the use of this matrix (and the scores), the propositions mentioned in the theoretical framework can be tested (Dul & Hak, 2008).

However, before filling in this matrix, that data had to be crosschecked to meet the methodological triangulation as mentioned in Gelissen (2010). During the interviews it became clear that the interviewees were less able to have an objective point of view over their own crowdfunding process. Therefore, analyzing online documents related to crowdfunding projects can be used for compensating the over- and under ratings of the interviewees. As mentioned earlier, each variable had been split up into different indicators to make it possible to test the propositions. The questions related to these indicators stood central during the interviews. Afterwards, the answers to the questions had been checked with the help of information available on the internet (website, crowdfunding platform, news pages, Facebook, LinkedIn, and Twitter). Figure 4 provides an overview of which document had been consulted by what concept and indicator. It is important to take into account that document analysis in this study is only used to verify the information that had been given by the interviewees.

Concepts		Indicators	Sources of document study
Success of crowdfunding project		<ol style="list-style-type: none"> 1. Average collected funds per week 2. Percentage of investors unknown to initiator 	<ol style="list-style-type: none"> 1. Crowdfunding platform + Facebook/Twitter 2. No document study possible
Transparency in advance	<i>Level of information</i>	<ol style="list-style-type: none"> 1. Goal description 2. Usage of a pitch 3. Financial transparency 	<ol style="list-style-type: none"> 1. Crowdfunding platform + own website 2. Crowdfunding platform + own website + Facebook 3. Crowdfunding platform + own website
	<i>Use of social media (Facebook/LinkedIn/Twitter)</i>	<ol style="list-style-type: none"> 1. Intensity of the use of social media by a project 2. Number of people the initiator directly can reach (<i>social media reach</i>) 	<ol style="list-style-type: none"> 1. Facebook – LinkedIn – Twitter 2. Facebook likes + LinkedIn connections + Twitter followers
Transparency during collection	<i>Level of informing</i>	<ol style="list-style-type: none"> 1. Intensity of <i>updating</i> the crowd with information regarding to reaching the funding target 2. Content of the message 3. Interaction between both parties 	<ol style="list-style-type: none"> 1. Crowdfunding platform + own website + Facebook + LinkedIn + Twitter 2. Crowdfunding platform + own website + Facebook + LinkedIn + Twitter 3. Crowdfunding platform + own website + Facebook + LinkedIn + Twitter

Figure 4: Document sources used per concept and indicator in the document analysis

After verifying the data collected in the interviews, a score had been given to each indicator per concept. By cumulating these scores, a total score per concept for each crowdfunding project had been distinguished. These scores ensure the separation between (High / Medium / Low) as can be seen in the comparison matrix in appendix 6. Figure 5 shows in detail for each concept how the scores came about and what it means. To make it easier to determine the influence of the different concepts on success, the quotation matrix (appendix 7) and the comparison matrix (appendix 6) are ordered on the success score of the cases.

Concepts		Scores	Calculation of scores
Success of crowdfunding project		High Medium Low	<p>When looking at the information found in the results and the generally recognized definition of crowdfunding by Belleflamme et al. (2011), the level of success is determined by the average collected funds per week and the percentage of investments that are unknown to the initiators. Both indicators are ranked from high to low. A score of 15 to 1 had been given where 15 is the highest score and 1 the lowest. Because of the strict nominate of ‘... an open call...’ in the definition and the higher importance for it on the success score, the scores of the percentages of investments that are unknown to the investors are multiplied by 1.5. The total success score occurs when cumulating both scores.</p> <p>High = 22 - 38 Medium = 14 - 21 Low = 0 - 13</p>
Transparency in advance	<i>Level of information</i>	High Medium Low	<p>The level of information is depended on the definition of transparency formulated in the theoretical chapter of this study.</p> <p>The score is measured with the help of the indicators: goal description; usage of a pitch; and financial transparency. Looking at the data collected during the interview and cross-checked with information found on the internet, each of these indicators had been given a score from 0 to 10. The total level of information scores occurs when cumulating the scores of the indicators together.</p> <p>High = 20 - 30 Medium = 15 - 19 Low = 0 - 14</p>
	<i>Use of social media</i>	High Medium Low	<p>To determine the use of social media, only Facebook, Twitter and LinkedIn are included in this analysis. The score per social media source is determined by the intensity of the use of social media by a project, and the number of people the initiator(s) directly can reach (Facebook likes – Twitter followers – LinkedIn connections). Looking at the data collected during the interviews, and cross-checked with information found on the internet, each social media source had been given a score from 0 to 10. The total use of social media score occurs when cumulating all the scores per media source.</p> <p>High = 12 - 30 Medium = 9 - 11 Low = 0 - 10</p>

Transparency during collection	<i>Level of informing</i>	High	<p>The level of informing is depended on the definition of transparency formulated in the theoretical chapter of this study.</p> <p>The score is determined by the intensity of updating the crowd with information regarding to reaching the funding target, the content of the message and the interaction between both parties. Looking at the data collected during the interviews, and cross-checked with information found on the internet, each of these indicators had been given a score from 0 to 10. The total level of informing scores occurs when cumulating the scores of the indicators together.</p> <p>High = 21 - 30</p> <p>Medium = 15 - 20</p> <p>Low = 0 - 15</p>
		Medium	
		Low	

Figure 5: Measuring the concept scores

3.5 Research Quality Indicators

In this paragraph, the research quality indicators that had been taken into account during this study, are discussed. According to Gelissen (2010), reliability is about the extent to which the conclusion finds its origin in the information that has been collected with the help of the interviews, and not from any biases on behalf of the researcher. The presence of the researcher during the interviews could have a negative effect on the reliability. This interview bias can result in socially desirable answers of the interviewees, or unconsciously steering a conversation to preferred answers. Besides that, the fact that the interviewees know that they are recorded can have an influence on the formulation of their answers. To avoid these biases, I firstly developed a topic list that is as objectively as possible and avoids steering the interviewee to a preferred answer. Besides that, I started the interviews with some general questions about their project, to make the interviewee at ease or ensuring once more the confidentiality. Because of the nice atmosphere during the interviews and the impression that the interviewees answered as honest as possible, the reliability had not been negatively influence. Furthermore, In order to enhance this reliability, the data collected during the interviews has been crosschecked with the help of document analysis (triangulation). Furthermore, reliability is about the consistency of the data collection and data analyses over time. In order to ensure the reliability of this study, all the steps that have been taken during the data collection and data analyzes are extensively described in the methodology. The interviews held with the project initiators had been recorded and a transcript had been added in appendix 8. Besides that, the quotation table can be found in appendix 7. This will enhance the replicability of this study (Ritchie & Lewis, 2003).

Yin (2009) mentioned the importance of construct validity. This refers to whether the correct measures for the concepts are used. To enhance the construct validity of this study, the starting point of this research is the existing literature about crowdfunding and its related subjects. Every concept discussed in this study has clearly been defined and placed in the context of this research. Besides that, the results found will be placed in relation to the existing literature in the discussion chapter of this study. The literature that has been used in this study can easily be related back to its origin with the help of the references. This list of used literature is drafted by the APA norms which are designed for quoting scientific work of other authors. Furthermore, all the interviews had been fully transcribed. By doing this, all the data that had been analyzed can be checked.

The internal validity is the extent to which results and conclusions that are intended to be measured, actually were measured and not something else (Gelissen, 2010). To achieve high internal validity only crowdfunding projects that are not older than two years were selected. Besides that, the selected projects are all innovative related. Crowdfunding projects with only a cultural or social character are left out of this analysis. Another selection criterion was that only small and middle large crowdfunding projects were selected. These constants can be found in appendix 5. By ensuring that the cases that are selected, vary (mainly) on the independent variable and not on other characteristics, this will result in a higher internal validity.

External validity is about the extent to which the results and conclusions of this research are relevant apart from the dataset used (Gelissen, 2010). In order to enhance the external validity, the selected projects were not restricted to an organizational sector or crowdfunding type. Therefore, the conclusion of this study can be related to crowdfunding projects that are included in the selection criteria of appendix 5. Nevertheless, it is important to take into consideration that crowdfunding allows a wide range of different project initiatives. In order to generate a high external validity it is important to research many different projects. However, this study only investigated 15 projects. Therefore, the external validity of this study is rather limited due to the relatively small amount of cases that had been analyzed. The use of even more crowdfunding projects would have had a positive effect on the external validity. Nevertheless, in order to make it more easy to generalize the findings and conclusion, each analyzed project is shortly described (appendix 1). In this way, the data can be placed more easily into its original context.

4. Results

This chapter will demonstrate the data of the semi-structured interviews that has been collected from 15 projects. Before the different concepts are related to each other, the descriptive results are shown. By providing a general overview of the dataset and approaching the data collected in its organizational setting, the results can more easily be positioned into its scientific field. Hereafter, each concept researched in this study will be discussed. At the end of each paragraph, an answer will be formulated on the propositions that had been tested.

4.1 Descriptive results

First of all, it is important to make a distinction between the four different crowdfunding types that are formulated in the theory. However, when comparing the 15 projects, five different crowdfunding types can be distinguished as can be seen in figure 6: donation crowdfunding, reward-based

crowdfunding, 'best of both worlds', lending-based crowdfunding and equity crowdfunding.

Projects have been classified into a certain type of crowdfunding by looking at the extrinsic motivation that initiators display to convince potential funders to start funding. Whereas donation orientated crowdfunding cases (case B and H) were more focused on the social benefits or

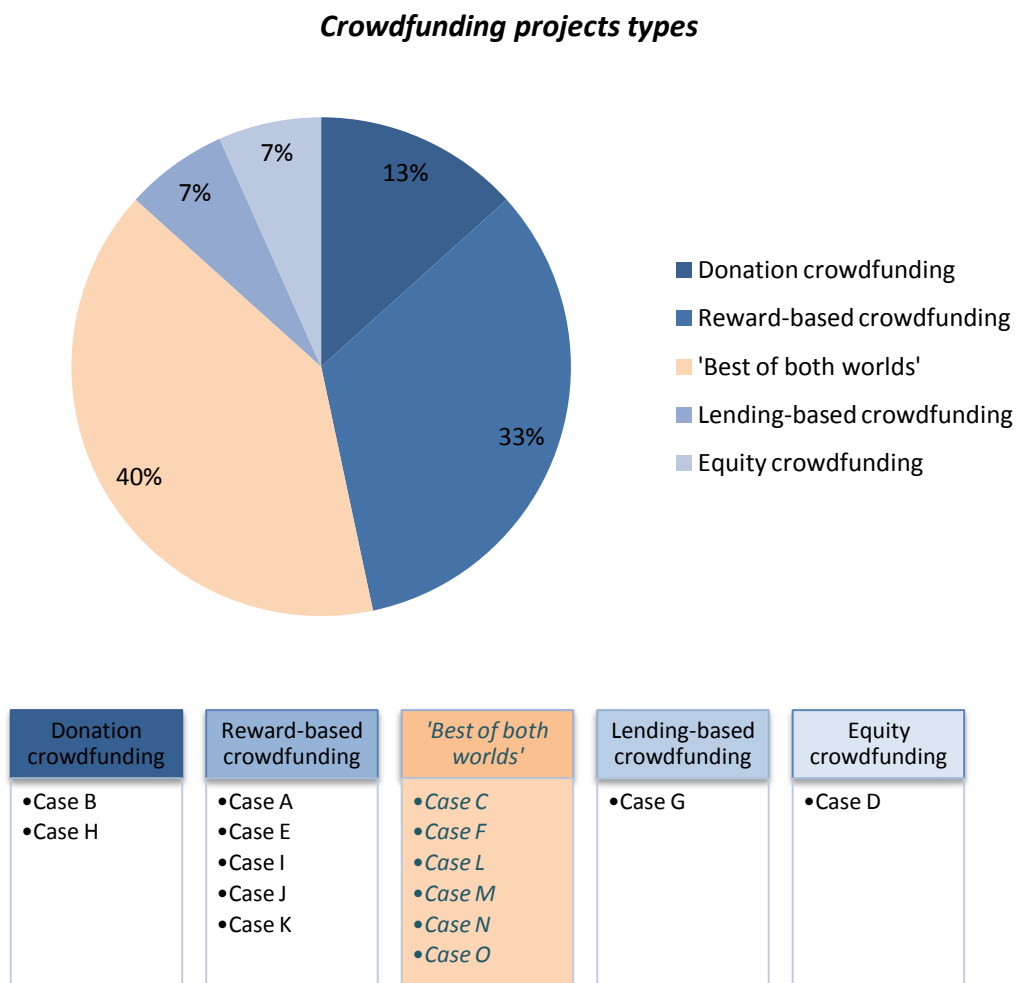


Figure 6: Crowdfunding types

tangible benefits of their plans and ideas, the lending and equity based crowdfunding focused more on the strength of the business plan and financial return on investments. However, when comparing the different cases with each other, an extra crowdfunding type can be distinguished: ‘best of both worlds’. For example in case C, F and L they also stimulate the potential funders to fund in their plan by rewarding the lowest investments (until 250 euro) by giving them vouchers and discounts and the higher investments a loan. In this way it allows people to fund a project ‘only when they find it a sympathetic idea’, but also ‘the investor who earns his money with investments’. Interviewee in case D, mentioned the importance of the role of professional investors who have the ability to invest large amounts of money in projects, whereas other projects are more focused on approaching family and friends. Professional investors have the ability to invest much money at once. Donation and reward-based crowdfunding are more dependent on direct contacts as family and friends. Interviewee in case B stated: ‘investors in my project must have an emotional bond with me or my project, otherwise you will not invest in it’. The founder in case H focused his crowdfunding campaign even only on his own family and friends. When the crowdfunding campaign of this project ended and he had not reached the funding target mentioned in advance, he mainly felt anger and disappointed in his environment. ‘It is hard to experience that your best friends do not even care about whether I can give food to my family or not. I even plunged in a small depression’.

Beside the differences in crowdfunding types, there also is a difference in whether a crowdfunding project has a collection deadline or not and the moment when funds become available. In most cases analyzed in this study, funds only get available after the funding target has been reached. A real difference can be seen when looking at the average duration of the projects when succeeding the funding target. Apparently, when projects have a clear collection deadline *and* communicate this deadline with their potential funders, initiators get their funds on

Collection deadline - funds available

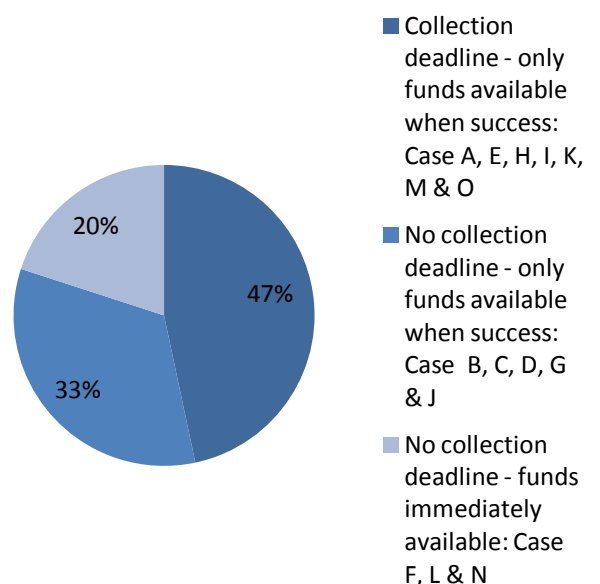


Figure 7: Collection deadline - funds available

average two times quicker than when no deadline is communicated to the crowd and even five times quicker than when funds are immediately available. The interviewee in case F mentioned that occasionally she actively tried to reach new funders. 'I have had three funding peeks; the first one was when I started the campaign, the second one after week 15 or so when I launched a new campaign, and finally the third one after 35 to 38 weeks when I stated to actively search for new investors again.'

	Average duration in weeks
Collection deadline – funds available when success	6.6
No collection deadline – only funds available when success	12.4
No collection deadline – funds immediately available	34.5

Figure 8: Average duration of projects

Crowdfunding consists of bringing together two main players in the market. On the one hand there are people who have great ideas or solutions on common problems, and on the other hand there are individuals and organizations that have money to invest. Crowdfunding makes it possible to bring both groups together. All the projects investigated in this research were projects that collected their funds with the help of a crowdfunding platform. One of the main differences between the projects is the investment range: the percentage of investors that

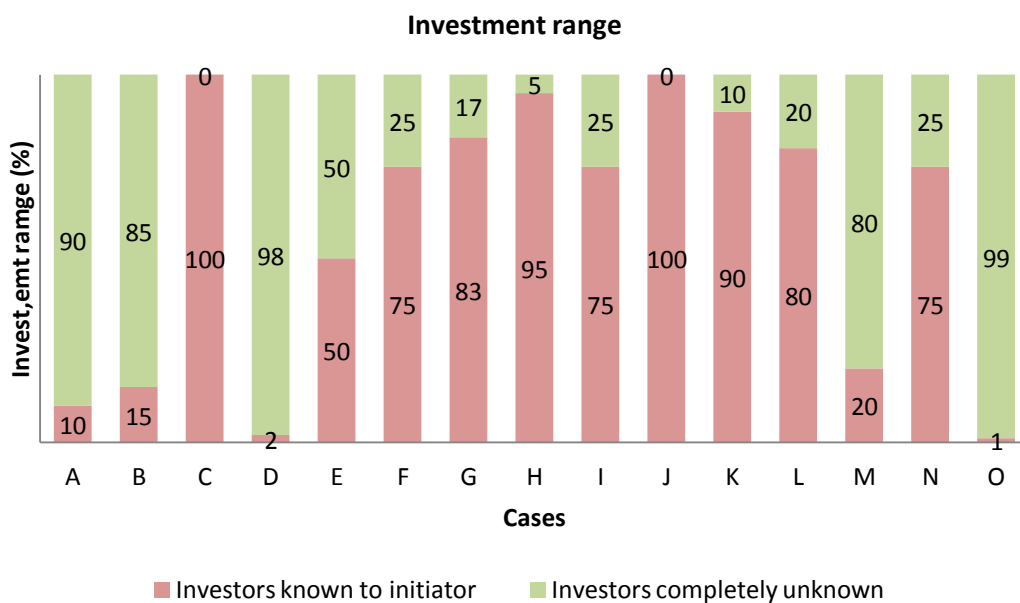


Figure 9: Investment range of projects

are known and unknown to the project initiator. Almost all interviewees mentioned that the first investors in their project were the people that are known to the initiator; family and friends.

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Case M mentioned that during the first two weeks of the fund collection, he was not focusing on funds collecting from unknown people at all. 'Before I broadened the scope of my project, I wanted to have already 20 percent collected from family and friends. It is important that potential funders see that other people already have invested in your plan. This gives them an extra motivation to fund, especially when they know one of the other investors.' Nevertheless, the funding capacity of this first group differs enormously amongst the projects. Some projects were even able to reach their funding target with only a hand full of investors consisted out of family and friends, whereas others needed donations or investments out of more unknown people. Surprisingly however is that the projects that collected at least 80 percent of their funds with the help of investment of *unknown* people all score at least 'Medium' on success.

4.2 Crowdfunding success

Making a difference between more and less successful crowdfunding projects is difficult to accomplish. During the interviews it became clear that most project initiators were not able to look at their crowdfunding process in an objective way. Therefore, in some cases interviewees

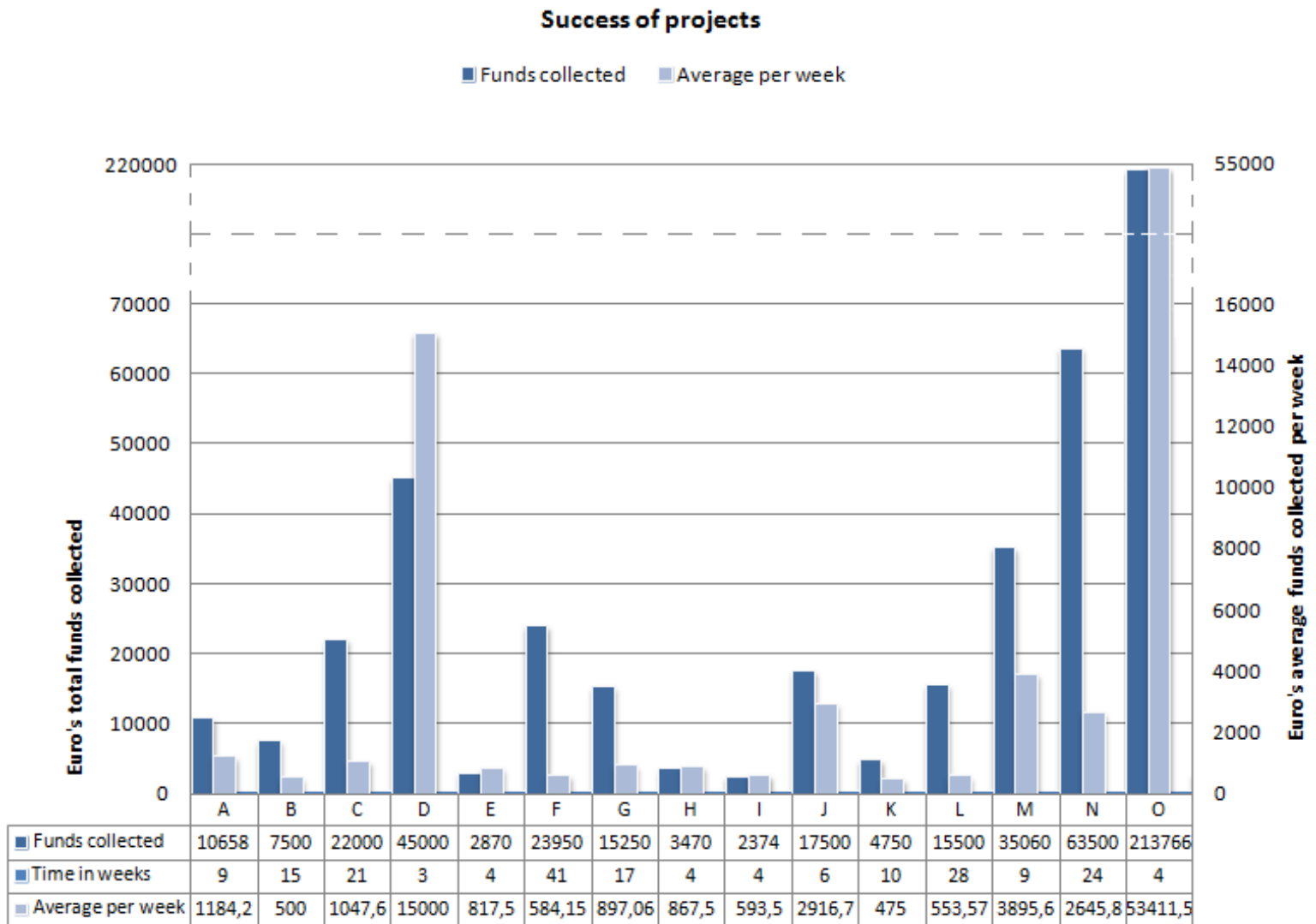


Figure 10: Success of projects – average collection per week

mentioned that their crowdfunding project was a total success, whereas I, during document study, had to conclude otherwise. In total, 14 out of the 15 interviewees emphasized that their project was a success. Looking from their perspective this is an understandable attitude towards the role crowdfunding played in their success. Because, one way or another, all the 15 projects analyzed in this study had been successfully collected all the funds needed. Important to mention is that in most cases (B, C, E, F, G, H, K & N) crowdfunding was not the only way of

collecting funds. Nevertheless, these crowdfunding projects reserve in advance the amount of money they would like to collect with the help of crowdfunding. Parallel to the crowdfunding campaign, funders try to control the uncertainties of making use of fundraising with the help of a crowd by trying to find private investors or organizations that would like to invest without being part of the visible crowd on a crowdfunding platform. One of the best examples of this is case B. This plan needs a tremendous amount of money to successfully fulfill their idea. At the start of the collecting period, the plan of the project initiators was to collect at least 20 percent of the funds needed with the help of crowdfunding. However during the collection period this amount decreased rapidly due to other private investors who gave their funds directly to the initiator without the intervention of a platform. Their parallel search for private investors resulted in a constantly decreasing funding target. However, these behind the scenes developments were not visible for the potential investors what eventually resulted in an unclear situation for the crowd that invested on the platform. After the collection period had been closed, only 0.77 percent of the money that was needed had been collected on the platform that originally should have collected 20 percent. To solve this problem, I made sure that I got a clear picture of what had been collected with crowdfunding and what not. Only the funds collected and registered on a crowdfunding platform are brought into account when determining the success score. In 14 out of the 15 cases, the crowdfunding platform gave a correct overview of the funds that had been collected. Only in case C, the amount of funds that had been collected was not up to date.

Another factor that made it difficult to determine whether a project was more or less successful was the interim change of funding targets. Case C and case F both called their fund collection a success, whereas they did not collect the money mentioned in advance (when starting). In both cases they decreased their fund target on the road. Normally, the collected funds only became available when at least the funding target mentioned in advance is reached. So by decreasing the funding target down the road, the founder is able to use the collected funds easier. To solve this determination problem, the successfulness of the projects depends on the money collected after the funding had been closed. It concerns only the funds that actually had been collected, not the funding target itself.

Another problem of determining the successfulness had to do with the direct consequences of the 'all-or-nothing' principles of most crowdfunding platforms. When the funding deadline approaches and not enough funds have been collected yet, the initiator risks losing all the funds

already collected. Therefore, some initiators gave anonymously an extra personal financial injection to their project. The interviewee of case E emphasized that by doing this he hopes to inspire new investors and to bring the funding target within reach. To solve this determination problem, personal registered investments on a crowdfunding platform down the road were not included into the calculation of the success score.

4.2.1 An alternative way of success determination

Cases	Score average weekly funding	Score investors range	Total score
O	15	22,5	37,5
D	14	21	35
A	10	19,5	29,5
M	13	16,5	29,5
N	11	13,5	24,5
E	6	15	21
B	2	18	20
F	4	12	16
G	8	7,5	15,5
I	5	10,5	15,5
J	12	3	15
L	3	9	12
H	7	4,5	11,5
C	9	1,5	10,5
K	1	6	7

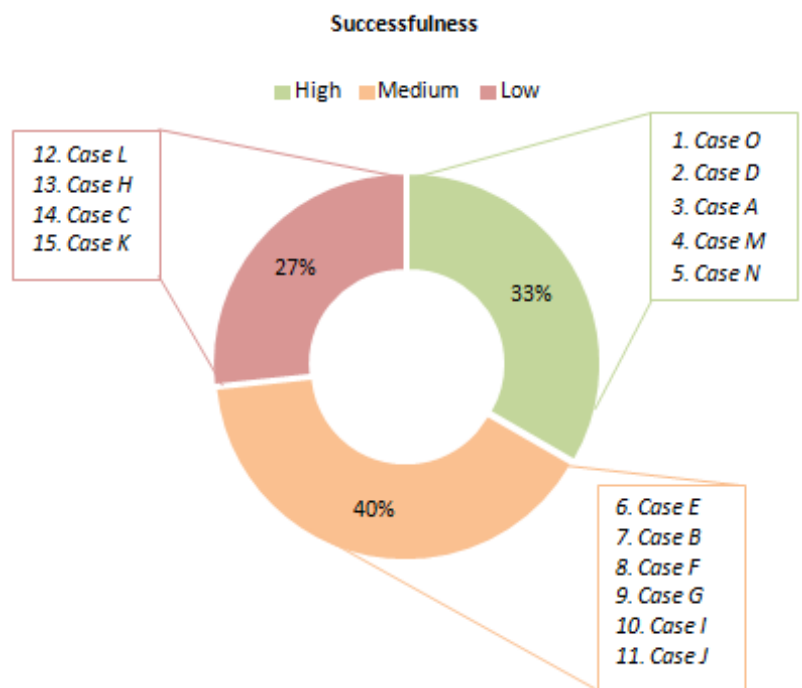


Figure 11: Left: Success score per project - Right: The dispersion of successfulness within the sample

The cases A, D, I, J, M & O were the only cases that only used crowdfunding to collect their funds needed and they did this successful without interfering into the crowdfunding process as mentioned above. Case H was the only ‘internet official’ unsuccessful crowdfunding project. The interviewee also was the only one who called his campaign ‘unsuccessful’. During the interview he made an emotional and depressive impression when talking about missing the funding deadline. ‘It hurt me to see that my family and friends are not willing to give me the funds needed.’ However, days after the collection period had been closed, a large bank generated the money needed after picking up the local attention of the campaign. Remarkably, case H was not the less successful case analyzed in this study. Figure 11 gives an overview of the successfulness of the projects analyzed in this study. The successfulness of a project has been determined by the ‘absolute’ average funds collected each week and the investment range.

Especially, the investment range is of importance, because this rate shows if the initiator was able to convince the crowd to donate or invest in the project. This thought is also captured into the generally known definition of crowdfunding of Belleflamme et al. (2011), where they mention 'an open call' as one of the characteristic of crowdfunding. Since the ability to mobilize a crowd is one of main characteristic of crowdfunding, it can therefore be used as a testing method for successfulness. However, to be able to compare both values (average weekly funding in euro's *and* the investors unknown to the initiator in percentage), the rough data must be replaced by a ranking order from 1 to 15. Replacing the values by scores also compensates for the large spread of the rough values. Replacing the two different values with the same 1 to 15 score makes it possible to connect these two findings. However, before the data can be cumulated, the scores of the 'investors unknown to the initiator' had to be multiplied with $1\frac{1}{2}$, because of the higher importance of this value for the successfulness of crowdfunding projects.

$$\text{Success score} = \{\text{Score investors unknown to initiator}\} \times 1\frac{1}{2} + \{\text{Score average weekly funding}\}$$

With the help of this formula, I was able to determine the successfulness of a crowdfunding project. In appendix 1, a table is included where the scores of the average weekly fundings are not multiplied with $1\frac{1}{2}$. It is important to mention that the only cases within the groups of 'High/Medium/Low' change position. So multiplying the scores with $1\frac{1}{2}$, does not result in a drastic change of the determination of the successfulness of projects. Nevertheless, adding a compensation multiplication for the fact that some project initiators have a more wealthy family and friends circle, projects can be better compared with each other. Besides that, the new ranking matches better with the common sense of which projects are more successful than others. Therefore, the success hierarchy mentioned in figure 11 is further been used in this study.

4.3 Transparency in advance

In this paragraph, the next two propositions are tested regarding to (1) the influence of the level of information and (2) the use of social media on crowdfunding success.

Proposition 1A: If the level of information in advance and the use of social media are high, success of crowdfunding projects will be high.

Proposition 1B: If the level of information in advance and the use of social media are low, success of crowdfunding projects will be low.

Before answering these proposition, the influence of the level of information, and the use of social media are separately be discussed. Hereafter, proposition 1A and 1B will be tested.

4.3.1 Influence of level of information

Every crowdfunding project has its own process that has been passed. Each project has its own unique story. Therefore, none of the 15 projects analyzed had the same level of information. To make it possible to compare the different cases with each other, I developed figure 12 that makes it possible to test the propositions mentioned above. As mentioned in the methodology,

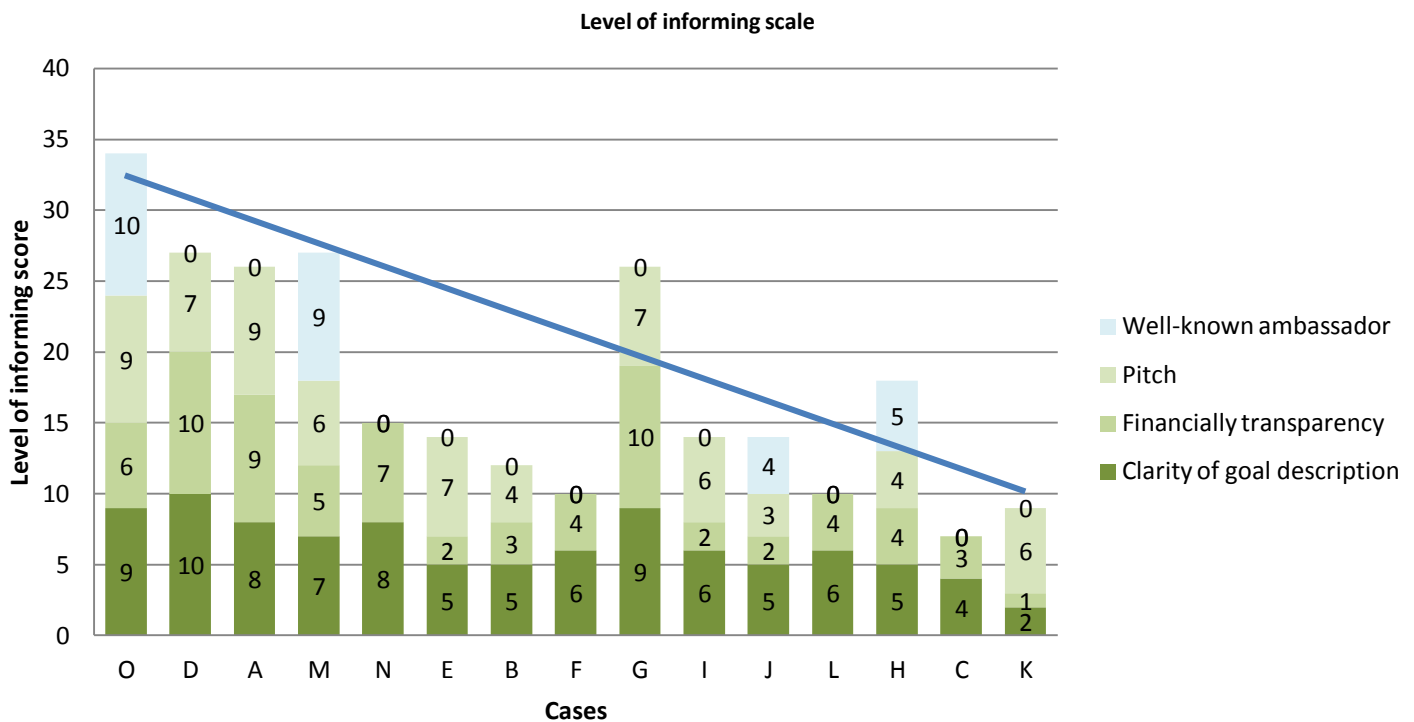


Figure 12: Level of informing scale

the level of information had been tested with the providing scores to the three indicators: *'making use of a pitch'*, *'financially transparency'* and *'clarity of goal description'*. By rating each indicator from 1 to 10, patterns between the cases can more easily be seen. The first thing noticed when looking at figure 12, is the blue line. This line shows the negative linear relation between the level of information on the Y-axis and the on successfulness ranked projects on the X-axis. This assumes that when a project is successful, the level of information is higher than when a project is not successful.

When looking more closely to figure 12, one can see that the more successful projects have higher scores on the three above mentioned indicators for the level of information. The cases O, D, A, M, E, B, G, I, J, H & K all made use of a pitch, in which the initiator clarified the plans of the crowdfunding project. Actually, the main difference between pitches of these projects lies in the quality of the filming material, the role of the initiator and the informative function. The cases O, A, M, E, J & K used flashy effects and high quality images to tell their story, whereas case D, B, G were more focused on presenting additional information of the projects. Generating trust is one of the main reasons why projects decided to use a pitch to introduce the project and their selves. The interviewees in case A, E and G mentioned the importance of attaching a name and face to a project. 'People want to know who the person is behind the project'. Four cases did not use a pitch to present additional information (case N, F, L and C). These four cases all made use of the same crowdfunding platform.

Besides the use of a pitch, financial transparency is also of importance for the level of information. Two of the three cases that score high on financial transparency, also score high on success. These three cases presented a financial overview of what happened with the funds that they needed from the crowd. Project D and G even present a complete financial report. Interviewees in these cases mention the importance of the information supply for the crowd. The interviewee in case D stated 'when focusing on professional investors as I did, you need to give them as much information as possible. You have to see the crowd as individuals who are testing your business plan on (1) the practical feasibility and testability, (2) who lead the assumptions placed in the business plan to a sustainable organization, and (3) whether the initiator is capable of executing the tasks. Transparency is the key to success'. When looking at figure 12, the clarity of the goal also has an effect on success. Nevertheless, The interviewee in case D mentioned the importance of a clear business plan. 'A business plan needs to be well formulated and not only

be sympathetic.’ The interviewee in case K mentioned that they had received many reactions on their unclear goal intentions. She confirmed these thoughts and stated that the information shared was unclear and unfinished. It is no surprise that case K is the least successful project in this study.

		Level of information		
		<i>Low</i>	<i>Medium</i>	<i>High</i>
Successfulness of project	<i>Low</i>	Case L, H, C & K		
	<i>Medium</i>	Case E, B, F, I & J		Case G
	<i>high</i>		Case M & N	Case D, A & O

Figure 13: Scores level of information - scores successfulness

Looking at the data collected, one can say that the level of information has an effect on the successfulness of a crowdfunding project. Figure 13 provides us with the information needed for testing the first half proposition 1A and 1B. This figure had been made on the basis of the comparison matrix in appendix 6. The first half of proposition 1A is accepted when projects that score high on the level of information, also score high on success. In total, four cases have a high score on the level of information. Three of these cases also score high on the success. Therefore, the first half of proposition 1A is accepted. Projects that in advance well inform the crowd, are more successful. The first half of proposition 1B is accepted when projects that score low on the level of information, also score low on success. In total, nine cases have a low score on the level of information. Four of these cases also score low on success. The rest of the five cases score medium on success. All the projects that score low on success, also score low on the level of information. Nevertheless, the first half of proposition 1B is rejected. Projects that score low on the level of information do not primarily score low on success as well.

4.3.2 Influence of use of social media

To start with, all the cases analyzed in this dataset indicated during the interviews that they made use of social media on some point. However, the difference between the cases lies in the intensity of the use of social media. Besides social media, the impact of use of television, newspapers, magazines and radio is also analyzed. Important to mention here is that some interviewees were less able to objectively look at the intensity and range of their media usage. Therefore, cross-checking of the data given in the interviews was of great importance in this paragraph. Hereby came to light that the interviewees in case C, G, H, J, J & M made social media usage much bigger than it actually was, compared with other cases and the cases A, B, F, K, L underrated their usage. The interviewees were better able to visualize the usage of the other, more classic media sources. Only case A forgot to mention some of the magazines and newspapers they were in. For each project, the number of Facebook likes, LinkedIn connections and twitter followers had been identified. The same has been done for the classic media sources. Five cases made use of other sources to reach potential funders: case B send out a petition (that had been drawn by 3.500 people); case F & N used public readings on financial rich target groups; case I spread flyers; and L send out mailing to all their contacts.

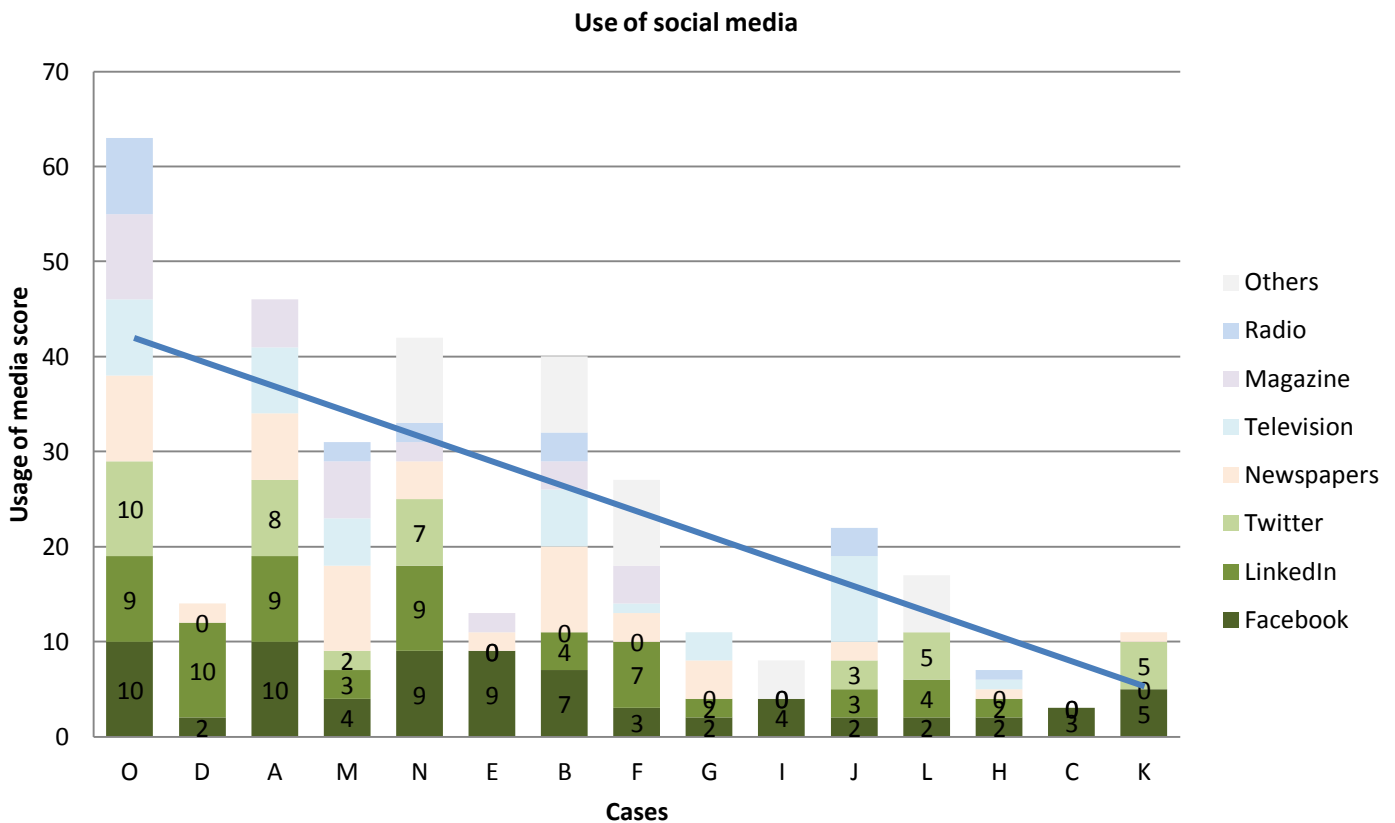


Figure 14: use of social media - success of crowdfunding project

To make it possible to compare the different cases among each other, I developed figure 14 that makes it possible to test the second half of proposition 1A & 1B. As mentioned in the methodology, the use of social media had been tested with providing scores (on the basis of intensity and direct range) to the three indicators: 'Facebook', 'Twitter' and 'LinkedIn'. By rating each indicator from 1 to 10, patterns between the cases can more easily be seen. The first thing noticed when looking at figure 14, is the blue line. This line shows the negative linear relation between the use of social media on the Y-axis and the on successfulness ranked projects on the X-axis. This assumes that when a project is successful the use of social media is higher than when a project is not successful.

Looking at figure 14, one can see that case O and A have the most overall usage of media sources, and case C and H the least. In both cases the project initiator was focused on collecting funds primarily from friends and family. Besides that, according to the information found, both interviewees did not dispose of a large online network for launching a solid social media campaign. Interesting is however that the interviewee in case H is strongly convinced of the magnitude of his own network: 'Me and my brother have a large LinkedIn network, so that is not the point'. Case C mentioned that he thought that when he posted a message on Facebook and asked to 'spread the words', this automatically resulted in new investors. 'I am very disappointed in the effect that social media had on my project. I thought that things would go naturally on itself after I posted some messages. Apparently it does not work that way'. The same findings can be found in the data from case A and D. Both projects mentioned the amount of time and energy they had to put into crowdfunding. Case A mentioned that sometimes his environment thought patronizing about the principle of crowdfunding: 'Crowdfunding ... these things run by it selves, right?', but nothing is further from the truth. The cases O, A & N are the three projects that had the most intense media campaign of the data analyzed.

Important to mention is the media campaign of case D. When looking at the data presented in figure 14, the media campaign cannot be described as particularly impressive. However, when zooming in on the intensity and targeted use of LinkedIn, this project made a real difference. This case is namely one of the most successful crowdfunding campaigns ever launched in the Netherlands, *primarily* with the help of LinkedIn. The interviewee stated that LinkedIn enables him to approach and search for groups of potential interested investors who are interested in his idea. 'LinkedIn makes it possible to approach a specific group of people. Every target group has its own LinkedIn group where I signed in for. When I joined this community, I was able to

directly communicate with people who all were my potential investors and product buyers.’ So, identifying a target group and a systematic approach is of importance. The four most successful cases all mentioned the importance of LinkedIn, because it enables them to reach the target group most efficient and effective. The interviewee in case F even went a step further by saying that she does not ‘believe’ in the principle of mass social media, like Facebook and Twitter, for reaching the investors you need. Her target group consists out of wealthy investors who she meets at public readings about her project and sustainable entrepreneurship. The interviewee in case J also mentioned the importance of reaching a specific target group. She did this by focusing on one event where she invited potential investors and the national press. As a result of this event, they collected all the funds needed. An interesting finding is that the three least successful projects all did use social media, but did *not* use the classical media sources. They got no attention on the television, radio, newspapers or magazines. Social media was not the media form that brought them the success. Case M, G and B were all projects that, because of their appeal, generated lots of regional and national press. Where the initiators in case D, A and M needed to approach the potential investors by their selves, in the cases M, G and B the investors came to them.

The fact that some projects have authority by their selves, also plays an important role in the attention it gets in the classic media as well as the social media. Case O for example is the project that received the most media attention of the dataset. It received this attention because the product spoke for itself. The same applies to case M. This interviewee stated that as a result of their social media campaign, the classic media sought contact with me by themselves. This also has been the case for project O. It looks like that if the intentions of a crowdfunding projects speak by itself, it finds its path through the network of social media quicker. One of the projects that received the highest attention of the classic media is project B. The reason they received this attention was because this project had a large effect on the local politics and community. This attention eventually led to a successful crowdfunding campaign, because the classic media sources reached the target group of the potential investors, what could not be reached with social media.

Besides that, the use of ambassadors for promoting a project does not have an exceptional positive effect on the success of crowdfunding projects. Case H for example, one of the least successful projects, was able to find a Dutch radio DJ willing to connect his name to the project and even to stimulate others to donate. Nevertheless, the interviewee stated: ‘The only

reactions I received were questions of people who asked me how I came into contact with him’. Two other projects that made use of several ambassadors were case M & O. They mentioned that this certainly had no direct effect on the funds collected. ‘The only thing it brings is media attention. Nothing more, nothing less’. If the extra media attention of these ambassadors resulted indirectly in extra investors this cannot be determined with the data collected.

		<i>Use of social media</i>		
		<i>Low</i>	<i>Medium</i>	<i>High</i>
<i>Successfulness of project</i>	<i>Low</i>	Case H & C	Case L & K	
	<i>Medium</i>	Case B, F, G, I & J	Case E	
	<i>high</i>		Case M	Case D, A, N & O

Figure 15: Use of social media - success of crowdfunding projects

Looking at the data collected, one can say that the use of social media has an effect on the successfulness of a crowdfunding project. Figure 15 provides us with the information needed for testing the second half of proposition 1A and 1B. This figure had been made on the basis of the comparison matrix in appendix 6. The second half of proposition 1A is accepted when projects that score high on the use of social media, also score high on success. In total, four cases have a high score on the use of social media. All four cases also score high on the success. Therefore, the second half of proposition 1A is accepted. Therefore, projects that intensively use social media, are more successful. The second half of proposition 1B is accepted when projects that score low on the use of social media, also score low on success. In total, seven cases have a low score on the use of social media. Two of these cases also score low on success. The rest of the five cases score medium on success. Besides that, two of the four cases that score low on success, also score low on the use of social media. The other two score Medium. Nevertheless, the second half of proposition 1B is rejected. Therefore, projects that score low on the use of social media, do *not* primarily score low on success as well.

		Level of information		
		<i>Low</i>	<i>Medium</i>	<i>High</i>
Use of social media	<i>Low</i>	Case B , F , I , J , H & C	Case M	Case G
	<i>Medium</i>	Case E , L & K		
	<i>High</i>		Case N	Case O , D & A

Figure 16: Testing proposition 1A & 1B

Figure 16 provides us with the information needed to give an answer to this question. The green box represents proposition 1A, and the red box proposition 1B. When combining the first and second half of the proposition, one can say that Proposition 1A is *accepted*. When the level of information and the use of social media are high, this will result in high successfulness of crowdfunding projects. Nevertheless, this does not mean that all the successful projects score high on both concepts. Case M for example scores high on success, but medium on the level of information and low on the use of social media. However, because of the authority of project M, it generated an above average amount of media attention what resulted in a wide reach of potential funders.

Proposition 1B is *rejected*. When the level of information and the use of social media is low, this does not result in low successfulness of crowdfunding projects. In total, six cases score low on both concepts and only two of them score low on success. Most cases score medium on success. Despite of the low information level and the low use of social media, project B scores medium on success. The reason for this is the same reason as why project M scores higher on success: authority. As mentioned earlier, project B received a high amount of classic media attention because of the regional importance and governance. Case F scores medium on success because the interviewee mentioned that she has her doubts about the use of social media for collecting large amount of funds. She used public readings and business presentations to collect the funds needed.

4.4 Transparency during collection.

In this paragraph, the next two propositions are tested regarding to the level of communication on crowdfunding success.

Proposition 2a: If the level of informing during collection is high, success of crowdfunding projects will be high.

Proposition 2b: If the level of informing during collection is low, success of crowdfunding projects will be high.

4.4.1 The level of informing during funds collection

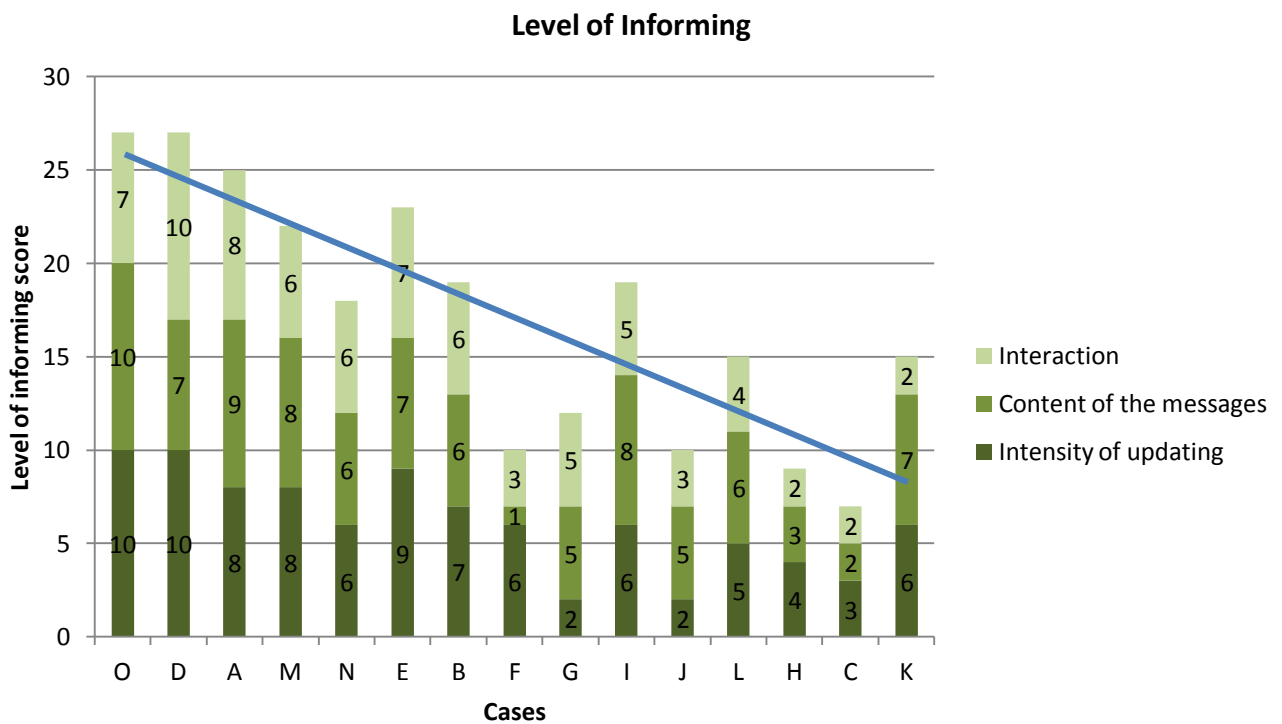


Figure 17: Level of informing - succes of crowdfunding projects

As mentioned before, every crowdfunding project has its own process that has been passed. To make it possible to compare the different cases among each other, I developed figure 17 that makes it possible to test the propositions mentioned above. As mentioned in the methodology, the level of informing had been tested by providing scores to the three indicators: 'The intensity of updating', 'the content of the messages' and 'interaction'. By rating each indicator from 1 to 10, patterns between the cases can more easily be seen. The first thing noticed when looking at figure 17, is the blue line. This line shows the negative linear relation between the level of

informing on the Y-axis and the on successfulness ranked projects on the X-axis. This assumes that when a project is successful the level of informing is higher than when a project is not successful.

Important to mention in advance is that there are different ways of communicating updates to the crowd. First of all, there is a private mail to the crowd that already invested. Most initiators used this method of updating after the collection period was over. Case D sends every month a video link with his new business developments; case F used it to inform the crowd of her business trip; and case C used it to announce that the funding target had been decreased. However, the disadvantage of this type of updating is that updates are not visible for others and therefore it does not have a direct positive effect on success. Besides the possibility of sending emails, most projects also made use of updating on the crowdfunding platform itself (case D, A, M, B, E, I, & J). Important to mention is that these updates are visible for everyone. When updating regularly on their website, potential funders get a clear picture of the crowdfunding developments. And finally, some projects also used social media for communicating their developments (Case A, M, B, E, & J). For instance, the interviewee in case J posts on his last funding day before the deadline on Facebook pictures of the up to date funding status, hoping to stimulate others to finance the project.

The most successful projects in this study (Case O, D, A and M) score all the highest on the level of communication. The interviewee in case D mentioned that during the collection period he placed daily updates on the crowdfunding platform website. After the collection closed, he stayed in touch with the crowd by sending them roughly once a month an update. According to the interviewee in case D not only a professional approach of the project itself is of importance, but at least as important is the professionalism of the project initiator in communicating with the crowd. The interviewee mentioned the importance of a quick and clear answer to received questions. Communication between the funders and the initiator must be as optimal as possible. It is important to feed the crowd with a constant flow of information. By doing this, the crowd becomes more and more connected with each other *and* the project. In extreme circumstances, this eventually can lead to a community, where the crowd actively helps to spread the words and develop a project further on. An answer to the question how such communities exactly can be created cannot be given with this study because only case D shows signs of community behavior.

The interviewees in case A, E, F & J, emphasized the importance of preventing ‘over updating’. ‘Not every small detail has to be communicated with the crowd’. They mention that it is important to keep in mind that the reason for updating is ‘keeping the crowd vivid’. Besides that, people like it when they are kept up to date.

An interesting finding occurs when looking more closely to the cases that have a low score on the level of informing. When looking at their target group of collecting funds, all the cases (F, G, J, H & C) that scored low on the level of informing, also scored low in the investment range (figure 4). The interviewee in case G told that the number of times he had given an update was limited to none. Almost all his investors are family and friends. ‘I see them on birthday parties and in the holidays, but then we did not discuss the progress of the campaign.’ The interviewee in case C mentioned that crowdfunding is about ‘granting money to each other’. It is of no surprise that 100 percent of his investors were family and friends. He even told that some of his family members donated thousands of euros in supporting him for something that he would really wants.

		<i>Level of informing</i>		
		<i>Low</i>	<i>Medium</i>	<i>High</i>
<i>Successfulness of project</i>	<i>Low</i>	Case H & C	Case L & K	
	<i>Medium</i>	Case F, G & J	Case B & I	Case E
	<i>High</i>		Case N	Case O, D, A & M

Figure 18: Level of informing - success of crowdfunding projects

When looking at the data collected, one can say that the level of informing has an effect on the successfulness of a crowdfunding project. Figure 18 provides us with the information needed for testing proposition 2A and 2B. This figure had been made on the basis of the comparison matrix in appendix 6. Proposition 2A is accepted when projects that score high on the level of informing, also score high on success. In total, five cases have a high score on the level of informing. Four of these cases, also score high on the success. Therefore, I can conclude that proposition 2A is accepted. Projects that inform the crowd well, are more successful. Proposition 2B is accepted when projects that score low on the level of informing, also score low on success. In total, five cases have a low score on the level of informing. Two of these cases

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also score low on success. The rest of the three cases score medium on success. This means that we can conclude that proposition 2B is *rejected*. Projects that score low on the level of informing do *not* primarily score low on success as well. Most scored medium on success when the level of informing was low.

5. Discussion & Conclusion

In this chapter, the found results are related to the theory found. Furthermore, the contribution of this study to the existing literature are stated, as well as the limitations and recommendations for future research and the managerial recommendations.

5.1 Discussion of the findings

5.1.1 Crowdfunding success

In the theoretical part of this study, I stated that the literature does not provide one general accepted definition of success. Most studies draw a clear 'black-white' line between what is success, and what is not (Mollick, 2012; Belleflamme et al., 2010; and Hemer, 2011). When the project initiator collects the funding target, a project is a success. However, some scientists emphasized that this is not *the* criterion for determining whether a project is a success or not. They mention the importance of collecting speed. Therefore, success in this study was formulated as: "the relation between the total funds collected, and the number of weeks it took to collect this amount." During the analyzing of the data collected, I determined that with the help of this definition, the project hierarchy from high to low was not the same as if I would order them by myself. For example, since the definition of success only takes into account the *amount* of funds collected on average every week, project J and C are ranked much higher. However, when looking into detail at these projects, I came to the conclusion that these projects were not as successful as the numbers suggest. Namely, both projects were 'lucky' to have more wealthy friends and family than the other projects in this analysis. Project J and C collected 100 percent of the funds needed only with the help of their friends and family. Besides that the, in my experience very successful, project A that had been succeeded to collect their funds needed with only 10 percent of their own family and friend is much more successful after the alternative definition of success.

Belleflamme et al. (2011) defined crowdfunding as: '*an open call, mostly through the internet, for the provision of financial resources either in form of donation or in exchange for the future product or some form of reward and/or voting rights.*' (p. 5-6). This definition stated that crowdfunding involves an *open call*. It generates the possibility for the crowd to fund an idea where they believe in and for which they are rewarded for. When a project initiator ensures to mobilize an unknown crowd to fund their project, this says something about the success of that project. Giudici, Guerini & Rossi-Lamastra (2013) agree with this, and state that 'crowdfunding

implies mobilizing the crowd to finance projects which are posted on dedicated websites, known as crowdfunding platforms' (p. 3). As an indicator to measure the mobilization of a crowd towards a project, the percentage of investors that are unknown to the initiator is used. The higher this percentage, the more the crowd is inspired to be part of it, and therefore the higher the mobilization of the crowd towards a crowdfunding project. Given the importance of mobilizing the crowd, the scores measured on 'investors unknown to initiator' needed to be multiplied with $1\frac{1}{2}$. This resulted in the following formula for the measurement of crowdfunding success.

$$\text{Success score} = \{\text{Score investors unknown to initiator}\} \times 1\frac{1}{2} + \{\text{Score average weekly funding}\}$$

This formula leads to an alternative definition of crowdfunding success:

"Crowdfunding success is, besides the ability to collect the funds needed, the ability to mobilize the crowd to finance a project".

5.1.2 Transparency in advance

In the theoretical part of this study, two propositions based on the analyzed literature had been made. This literature clearly showed the importance of the level of information in advance on the successfulness of crowdfunding projects and the positive role of social media within this. Therefore proposition 1A is, regarding these two concepts positively formulated, and proposition 1B negatively. On the basis of these results, proposition 1A has been accepted. So, when the level of information and the use of social media are high, this will result in high successfulness of crowdfunding projects. Nevertheless, this does not mean that all the *successful* projects score high on both concepts. Case M for example scores high on success, but medium on the level of information and low on the use of social media. However, this has to do with the projects authority. Projects with authority (case O, A, M & B) tend to generate more media attention than projects that have less authority (case G, I and C). Collecting funds for these projects is therefore easier because their business plans are more rapidly spread. So, a high level of information and use of social media results in higher success, but this does not mean that this is absolutely necessary for a higher success. When looking at the results, proposition 1B has been rejected because a low level of information and use of social media does not primarily results in low successfulness. Beside the fact that the combination of both concepts does not result in a low success, the results have shown that also separately these concepts do not lead to low success. This can be explained by the difference in target groups. As

mentioned in the theory, crowdfunding is about mobilizing people to fund in a project. Social media can be seen as *an* important tool to accomplish this and to reach the target group. However, the target group of case B consists out of elderly people. They are not known to the principle and possibilities of social media. Making use of other media forms, like newspapers and petitions, is in these groups much more efficient. Therefore, the influence of social media depends on the target group that a project wants to reach. This conclusion is also supported by Riegner (2007), who mentioned that especially people between the age of 24 and 44 use the internet and that they use social media not only as a tool, but also as a way of life. Crowdfunding success will be reached when an initiator adapts his strategy to the target group, and not the other way around. The same also applies to the level of information. Cases need to adapt their information sharing to the group they want to reach.

Besides this, I would like to mention that during the interviews it became clear that crowdfunding is still a rather undefined concept in the crowdsourcing literature. There is a vague line between what can be defined as crowdfunding and what not. In many cases all the funds collected during the collection period is attributed to 'crowdfunding'. The philosophy that, 'as long as the funds are raised with the help of anyone other than myself, it is crowdfunding'. Besides this I want to emphasize that crowdfunding campaigns are regularly closed without the funding target that had to be reached. However, because of the mobilizing effect of crowdfunding in the region and in the personal network of the initiator, this results often in opening doors that otherwise would have been closed.

5.1.3 Transparency during collection

In the theoretical part of this study, different scientists mentioned the importance of a high level of informing during the collection period. Providing the crowd with regular updates would result in a more involved crowd that actively spreads the words of stimulating others to invest as well. Given the speed and interaction possibilities of social media, the initiator should pay attention to informing the crowd and convincing others to invest.

The results clearly show that if the level of informing during the collection period is high, this results in high success of crowdfunding projects. Therefore, proposition 2A is accepted. Case O, A, M, E, B, & I all used social media to inform the crowd of new developments and collecting updates. As stated in the literature, social media indeed plays an important role in stimulating the crowd to invest. However, proposition 2B is rejected, because a low level of informing does not primarily leads to low success. A project initiator has to adapt its update strategy to its

target group and the goal he wants to achieve with it. When your target group for example is 'family and friends', large social media campaigns are less efficient than personal informing. However, when a initiator plans to collect funds primarily from unknown investors, openness and transparency during the collection process brings him one step closer to success.

5.2 Answer on the research question

During this study, in the following question stood central:

How do transparency in advance and during fund collection have influence on the success of crowdfunding projects?

The answer to this research question had been given by formulating four propositions that test whether the concepts are symmetrically causal to each other. The findings show that this is *not* the case and suggest an asymmetrical causal relation between the concepts. First of all, when transparency in advance and the use of social media is high, this leads to high successfulness of crowdfunding projects. As the theory suggest, providing the crowd with a clear goal description, being financial transparent and making use of an informative pitch results in higher success of crowdfunding projects. A high level of information in advance is important to attract professional investors, who judge a project on its feasibility and practicality. However this high level of information is not only important to attract professional investors, it also is beneficial for stimulating the crowd as a whole to fund in a project. Creating trust among the crowd for a crowdfunding project is important, because potential funders are more suspicious to invest given the fact that donations solely take place on the internet. Besides that, making extensive use of social media has a positive effect on the successfulness of crowdfunding projects.

However, an important remark has to be made by this statement. This remark is related to the findings that show that a low score on transparency in advance and the use of social media does *not* primarily lead to low successfulness of crowdfunding projects. Social media for example is not the main stream communication device for every target group. Therefore adapting the communication to the target group seems to be the key to successfulness. The reason why a low level of transparency in advance does *not* primarily result in low successfulness has to do with the 'authority' of some projects above others. Some projects generate more interpersonal publicity and media attention than others because of the problem they solve or the uniqueness of the idea. These projects tend to trigger the crowd to invest more emotional and less rational.

There arises an atmosphere within the crowd that they *need* 'to be part of it'. Clear information about the goal description or being financially transparent seems to be less relevant.

When looking at the influence of transparency during the collection on success of crowdfunding projects, the same asymmetric causal relation can be distinguished. First of all when the level of informing during the collection period is high, this leads to high successfulness of crowdfunding projects. Providing the crowd with periodical information, stimulates the crowd to spread the message and actively stimulates others to invest. In extreme cases, communities can even be formed. Having a low level of informing does *not* primarily lead to low successfulness of crowdfunding projects. This has to do with the target group where a project initiator is focused on. When project initiators tend to focus more on collecting fund within their own family and friends or other people who are known, informing plays a less important role than when initiators are tended to collect funds with the help of mainly unknown people. Therefore there is a asymmetric causal relation between transparency during the collection period and success of crowdfunding projects.

5.3 Contribution to the literature

This study contributes to the literature on several fields. As mentioned earlier, crowdfunding is a relatively new phenomenon, which makes it a young investigation field for scientific research. This study contributes to the existing crowdfunding literature by clarifying the relation between transparency in advance and during the collection of crowdfunding projects. As far as known, no previous research focused on these concepts in relation to crowdfunding success. Furthermore, during the development of this study, a new definition of crowdfunding success has been developed. Previous definitions of crowdfunding lack to include the importance of the investment range in their definitions. Besides that, this study emphasized that crowdfunding success is not that 'black or white' as is described in the theory.

Furthermore, this study stated that between the concepts there is an asymmetric causal connection. These findings contrast with the theory analyzed in the theoretical part of the paper. The crowdfunding literature namely stated that there would be a symmetric causal connection between transparency in advance and during the collection period and successfulness. This same principle is found when looking at the use of social media. The mainstream literature mentioned the importance of the use of social media to stimulate the crowd to donate funds. However, the use of social media is no guaranteed successful communication device. The same principle is found when looking at the level of information

and the level of informing. This study contributed to the crowdfunding literature by mentioning that it is important to adapt the strategies on these concepts to the target group. There is no blueprint strategy that leads to success; it is about adaptation to the crowd and knowing how to reach them.

5.4 Limitations of the study

One of the major remarks that had to be taken into account when looking at the results is the presence of the *medium* level at the different concepts, whereas the propositions are only formulated on *low/high* level. The data analyzed made it necessary to add a *medium* level. During the analysis of the data, it became clear that dividing the dataset in only *low/high* does not result in a legitimate separation. Especially the projects that had the highest scores failed to distinguished from the rest. They were placed in the same level as projects that scored twice as little. Therefore, the *medium* level had been introduced to prevent these imbalance scores within one level. However, the fact that the propositions had been tested with a smaller amount of projects unfortunately had to be taken for granted.

Unfortunately, due to the limitation of time I was able to only analyze a limited amount of crowdfunding projects. Therefore, there is a possibility that the data that has been analyzed is influenced by extreme values of projects. The effects of these extreme values are resisted by providing scores to each project. By doing this, I was able to compare the different cases more easily. The crowdfunding projects analyzed were often managed by two or more participants. Due to time limitation, only one member of each project has been interviewed. If there had been more time available, it would have been possible to interview more members per project what would have resulted in a higher internal validity.

Furthermore, every crowdfunding project has its own story that had to be taken into account. By providing a summary of all cases in appendix 2, all the data presented can more easily be related back into the projects own context. During the interviews I noticed that some interviewees had difficulties with retrieval their crowdfunding story. This could have had effect on the data that had been analyzed. To limit these problems, all the information given during the interviews were cross-checked with the help of the internet. Another limitation is that it is hard to determine what the effects of the different media sources are on the level of success. Besides that, I was not able to determine the indirect reach of social media. Therefore only the direct reach had been taken into consideration. As a result of this, the indirect reach of social media could not be determined.

5.5 Recommendations for future research

As mentioned earlier, the field of crowdfunding is a relatively young and unexplored scientific field. Many concepts within crowdfunding are possible for future research. Several recommendations for future research can be made. First of all, during the interviews I noticed that crowdfunding platforms seem to play an important role in the success of crowdfunding projects. Not only do they often have more experience in crowdfunding than the project initiators, they generally also have a larger network available. During the interviews I mentioned that there was a large diversity of the willingness of platforms towards the initiators for finishing the campaign with success. Some platforms actively work with the initiators to help making the crowdfunding campaign a success. A success where the platform itself also benefits from. Crowdfunding platforms receive namely (5 - 10 percent) of the total funds collected as a fee. However, some platforms restrict their service by only publishing the crowdfunding project on their site. To improve the successfulness of crowdfunding platforms, it is important to determine what attitude of a crowdfunding platform is most preferable for the initiator, funders and also the platform. Besides that, less scientific research has been done on the motivation of funders to invest into a crowdfunding project. This study explained how transparency has an influence on success from a project initiators point of view. Future research also needs to focus on how transparency has an influence on the motivation of individual funders to finance or not finance a project. Another interesting aspect for future research is the use of crowdfunding as a secondary finance method in comparison with the situation in which crowdfunding is the only finance method. The results in this study show that projects that use crowdfunding as a secondary finance method seem to put less time and effort in their campaign, than whether crowdfunding is the only finance method. Another suggesting for future research is to investigate the influence of the duration of the crowdfunding project on success. Crowdfunding platforms often use periods of either one or two months. On first sight, a longer collection period seems to be more preferable, but a shorter duration could stimulate potential funders to donate earlier and not postpone their donation to a later moment. Furthermore, during the results of this study a fifth crowdfunding type has been discovered. Further research could focus more deeply on this extra crowdfunding type: 'best of both worlds', and test the presence of it in a larger scale.

5.6 Managerial recommendations

Finally there are some managerial recommendations to be made. For a project initiator, in order to make every effort to successfully collect the funds needed, transparency in advance and during the collection period is of importance. As indicated in this study, a high level of transparency in advance and during collection results in high success of crowdfunding projects. Projects that provide the crowd with as much information as possible, stimulate the crowd to fund more quickly than projects that tend to be more closed. The use of social media should be adapted to the target group the project initiator wants to reach. As indicated earlier, elderly funders are less common with the use of Facebook, LinkedIn or Twitter. They have more affinity with classical media sources like newspapers, television and magazines. Therefore, a project initiators need to adapt his communication strategy to a selected target group. It is most sensible that this target group corresponds with the group of consumers or users of the finished

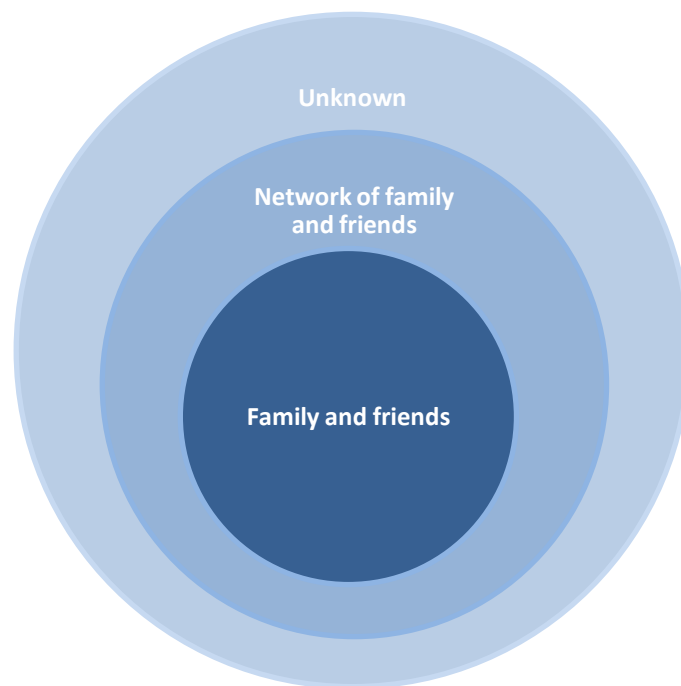


Figure 19: Circles of approximation of communication strategy

end product. During the interviews with the most successful projects in this study, I was able to determine a communication strategy that brought these project successfulness. After the project initiator gets a clear picture of how the target group can be reached, it is important to start collecting the funds. During the first period of time, it is important to start collecting funds exclusively by asking family and friends to donate their money. After approximately ten percent of the total funds needed has been collected with the help of this first circle, a project initiator

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should start to actively collect funds in the second circle. The second circle can be reached by asking if family and friends actively want to support the project and if they would like to spread the words. Most of the projects got the funds needed by collecting all the funds within these two circles. Often this is due to the fact that the collection of funds out of the third circle (the unknown people) is difficult to accomplish. However, because of the size of the third circle and the potential funds that is captured within, it is not a group that must be forgotten. Noteworthy is to see that the most successful projects within this study all collected a substantial amount of money out of this third group. The key to this circle seems to be massive media attention or specific approach of the target group with the help of LinkedIn.

Massive media attention is difficult to accomplish, unless a project has authority out of itself. Because of the uniqueness and the 'appealing nature' it will generate the media attention needed and therefore open a door to the third circle. It is however important that the project initiator reached the target group in different ways. The interviewees in this study mentioned that people are more likely to donate money if they hear about the campaign on television, in the newspapers, on a billboard and so on and finally see it on social media with a link directly towards the crowdfunding platform. Nevertheless, when a project has less authority and a project initiator wants to collect funds from the third circle, one can also choose to specific approach the target group with the help of LinkedIn. LinkedIn allows searching for these groups very easily. Presenting these groups with a clear business plan and a feasible story, would increase the chances of receiving funds from the third circle.

6. Literature

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Appendix 1: Alternative tables for successfulness scores

<i>Cases</i>	<i>Score average weekly funding</i>	<i>Score investors range</i>	<i>Total score</i>		<i>Cases</i>	<i>Score average weekly funding</i>	<i>Score investors range</i>	<i>Total score</i>
O	15	22,5	37,5		O	15	15	30
D	14	21	35		D	14	14	28
A	10	19,5	29,5		M	13	11	24
M	13	16,5	29,5		A	10	13	23
N	11	13,5	24,5		N	11	9	20
E	6	15	21		E	6	10	16
B	2	18	20		B	2	12	14
F	4	12	16		J	12	2	14
G	8	7,5	15,5		G	8	5	13
I	5	10,5	15,5		F	4	8	12
J	12	3	15		I	5	7	12
L	3	9	12		H	7	3	10
H	7	4,5	11,5		C	9	1	10
C	9	1,5	10,5		L	3	6	9
K	1	6	7		K	1	4	5

Figure 20: Left: scores average weekly funding X1,5 - Right: scores average weekly funding X 1

<i>Cases</i>	<i>Score average weekly funding</i>
O	15
D	14
M	13
J	12
N	11
A	10
C	9
G	8
H	7
E	6
I	5
F	4
L	3
B	2
K	1

Figure 21: Score average weekly funding

Appendix 2: Case Descriptions

This appendix can be found on the enclosed CD

Appendix 3: Operationalization

CONCEPTS	DIMENSIONS	INDICATORS	QUESTIONS
<p>Success of project</p> <p><i>“Crowdfunding success is, besides the ability to collect the funds needed, the ability to mobilize the crowd to finance a project”</i></p>	<ul style="list-style-type: none"> • Average collected funds • Investors range 	<ul style="list-style-type: none"> ▪ Total amount funds collected (Euro) ▪ Time collection period (weeks) ▪ Percentage of investors unknown to project initiator 	<ul style="list-style-type: none"> ○ <i>Wat was de startdatum van uw collectieperiode? En wat de einddatum? Nog aangepast? Hoe reageerde het publiek hierop?</i> ○ <i>Hoeveel geld moest er opgehaald worden?</i> ○ <i>Hoeveel procent van de investeerders zijn bekende van u?</i> ○ <i>Heeft u de benodigde hoeveelheid geld op tijd bij elkaar gekregen? ja/nee. Doorvragen naar de specifieke hoeveelheid.</i>
			<p>SCORE</p>
			<p>When looking at the information found in the results and the generally recognized definition of crowdfunding by Belleflamme et al. (2011), the level of success is determined by the average collected funds per week and the percentage of investments that are unknown to the investors. Both</p>

			<p>indicators are ranked from high to low. A score of 15 to 1 had been given where 15 is the highest score and 1 the lowest. Because of the strict nominate of ‘... an open call...’ in the definition and the higher importance for it on the success score, the scores of the percentages of investments that are unknown to the investors are multiplied by 1.5. The total success score occurs when cumulating both scores.</p> <p>High = 22 - 38 Medium = 14 - 21 Low = 0 – 13</p>
<p>Transparency in advance</p> <p>“Transparency in advance is about a clear goal description and funding purposes, usage of a pitch and being financially transparent”</p>	<p>Level of information</p>	<ul style="list-style-type: none"> ▪ Goal description ▪ Pitch usage ▪ Clear funding purpose ▪ Financial transparency ▪ Well-known personality attach to the project 	<ul style="list-style-type: none"> ○ <i>Op welke manier heeft u het doel van het project naar potentiële investeerders gecommuniceerd?</i> ○ <i>Op welke manier heeft u de aandacht van potentiële investeerders gezocht? Heeft u deze strategie veranderd gedurende de collectieperiode? (ludieke acties?)</i> ○ <i>Heeft u daarnaast gebruik gemaakt van een introducerend filmpje om de aandacht van het publiek te trekken? (Pitch) Denkt u dat dit een bijdrage heeft geleverd aan de mate van succes? En waarom?</i> ○ <i>U heeft ervoor gekozen wel/niet u persoonlijk aan dit project te verbinden... waarom heeft u hiervoor gekozen?</i> ○ <i>Is het een bewuste keuze geweest om persoonlijke informatie over uzelf</i>

			<p>wel/niet te delen met de potentiële investeerders?</p> <ul style="list-style-type: none"> ○ Heeft u bn'ers gebruikt om uw project te promoten? Dit wel overwogen? Waarom?
			SCORE
			<p>The level of information is depended on the definition of transparency formulated in the theoretical chapter of this study. The score is measured with the help of the indicators: goal description; usage of a pitch; clear funding purposes; and financial transparency. Looking at the data collected during the interview and cross-checked with information found on the internet, each of these indicators had been given a score from 0 to 10. The total level of information scores occurs when cumulating the scores of the indicators together.</p> <p>High = 20 - 30 Medium = 15 - 19 Low = 0 - 14</p>
	Use of social media	<ul style="list-style-type: none"> ▪ Social media type ▪ Reach (direct) 	<ul style="list-style-type: none"> ○ Heeft u gebruik gemaakt van ... om uw project aan de man te brengen?: <ul style="list-style-type: none"> ○ Sociale media ... (Facebook – Twitter – linkedIn) ○ <i>Televisie ...</i> ○ <i>Tijdschriften ...</i> ○ <i>Kranten ...</i>

			<ul style="list-style-type: none"> ○ Radio ... ○ Internet ... ○ Waarom heeft u voor (...MEDIAFORM...) gekozen? ○ Waar ontving u de meeste reacties op? Was in uw ogen het meest succesvol? ○ Zijn er nog andere manieren geweest waarop u promotie heeft gemaakt voor uw project welke nog niet genoemd is?
			SCORE
			<p>To determine the use of social media, only Facebook, Twitter and LinkedIn are included in this analysis. The score is determined by the intensity of the use of social media by a project, and the number of people the initiator(s) directly can reach (Facebook likes – Twitter followers – LinkedIn connections). Looking at the data collected during the interviews, and cross-checked with information found on the internet, each of these indicators had been given a score from 0 to 10. The total use of social media score occurs when cumulating both scores.</p> <p>High = 12 - 30 Medium = 9 - 11 Low = 0 - 10</p>

<p>Transparency during collection</p> <p><i>“Transparency during the collection period is about the level of informing between the founder and the funder”</i></p>	<p>Level of informing</p>	<ul style="list-style-type: none"> ▪ Update intensity ▪ Message content ▪ Interaction 	<ul style="list-style-type: none"> ○ <i>Was er sprake van communicatie in twee richtingen? Wat werd er zoal gecommuniceerd? Met wie? Hoe? Zou u deze communicatie als gestructureerd omschrijven?</i> ○ <i>Heeft u uw investeerders regelmatig updates gegeven over de tussentijdse stand van zaken m.b.t. uw project? Zo ja, hoe vaak en op welke manier was er contact?</i> ○ <i>Was er vanuit de investeerders vraag naar statusupdates?</i> <p style="text-align: center;">SCORE</p> <p>The level of informing is depended on the definition of transparency formulated in the theoretical chapter of this study. The score is determined by the intensity of updating the crowd with information regarding to reaching the funding target, the content of the message and the interaction between both parties. Looking at the data collected during the interviews, and cross-checked with information found on the internet, each of these indicators had been given a score from 0 to 10. The total level of informing scores occurs when cumulating the scores of the indicators together.</p> <p>High = 21 - 30 Medium = 15 - 20 Low = 0 - 15</p>
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Appendix 4: Topic Guide

Introductie:

- *Bedank de geïnterviewde met zijn/haar tijd voor dit interview*
- *Geef een korte introductie over mezelf (Master student – afstudeer onderzoek)*
- *Geef een korte beschrijving van mijn onderzoek (rol van transparantie en communicatie op succes crowdfunding projecten – data door interviews 15 tal projecten)*
- *Geef aan dat het interview ongeveer 30 tot 45 minuten duurt*
- *Geef aan dat alle informatie tijdens het interview vertrouwelijk behandeld zal worden en alleen gebruikt zal worden als data van dit onderzoek*
- *Vraag voor toestemming om gesprek op te nemen (mogelijkheid om data nauwkeurig te analyseren en te citeren → gebeurt wel anoniem)*

Introducerende vragen

****Kunt u, ter introductie, kort uitleggen waar u project precies over gaat? Hoe bent u op het idee gekomen?**

- *Wat is uw rol in het project?*
- *Waarom heeft u voor crowdfunding gekozen om uw project te financieren?*
- *Heeft u gebruik gemaakt van een crowdfunding platform? Zo ja, welke en waarom heeft u voor dit platform gekozen?*
- *Wat was de startdatum van uw collectieperiode? En wat de einddatum? Nog aangepast? Hoe reageerde het publiek hierop?*
- *Heeft u bewust wel/niet gekozen om de deadline voor de collectie periode bekend te maken bij uw potentiële investeerders? (Waarom daar wel/niet voor gekozen?)*
- *Hoeveel geld moest er opgehaald worden?*
- *Hoeveel procent van de investeerders zijn bekende van u?*
- *Heeft u de benodigde hoeveelheid geld op tijd bij elkaar gekregen? ja/nee. Doorvragen naar de specifieke hoeveelheid.*

Transparantie project op voorhand

**** kunt u mij vertellen wat uw plan van aanpak was om uw potentiële investeerders te bereiken en over te halen om in uw project te investeren?**

- *Op welke manier heeft u het doel van het project naar potentiële investeerders gecommuniceerd?*
- *Op welke manier heeft u de aandacht van potentiële investeerders gezocht? Heeft u deze strategie veranderd gedurende de collectieperiode? (Iudieke acties?)*

- *Heeft u daarnaast gebruik gemaakt van een introducerend filmpje om de aandacht van het publiek te trekken? (Pitch) Denkt u dat dit een bijdrage heeft geleverd aan de mate van succes? En waarom?*
- *U heeft ervoor gekozen wel/niet u persoonlijk aan dit project te verbinden... waarom heeft u hiervoor gekozen?*
- *Is het een bewuste keuze geweest om persoonlijke informatie over uzelf wel/niet te delen met de potentiële investeerders?*
- *Heeft u bn'ers gebruikt om uw project te promoten? Dit wel overwogen? Waarom?*
- *Heeft u gebruik gemaakt van om uw project aan de man te brengen?:*
 - *Sociale media ...*
 - *Televisie ...*
 - *Tijdschriften ...*
 - *Kranten ...*
 - *Radio ...*
 - *Internet ...*
 - *Waarom heeft u voor (...MEDIAFORM...) gekozen?*
 - *Waar ontving u de meeste reacties op? Was in uw ogen het meest succesvol?*
 - *Zijn er nog andere manieren geweest waarop u promotie heeft gemaakt voor uw project welke nog niet genoemd is?*

Transparantie project tijdens collectie periode

**** De Toen de collectie eenmaal aan de gang was ... kunt u mij meer vertellen over de communicatie tussen u en de investeerders?**

- *Was er sprake van communicatie in twee richtingen? Wat werd er zoal gecommuniceerd? Met wie? Hoe? Zou u deze communicatie als gestructureerd omschrijven?*
- *Heeft u uw investeerders regelmatig updates gegeven over de tussentijdse stand van zaken m.b.t. uw project? Zo ja, hoe vaak en op welke manier was er contact?*
- *Was er vanuit de investeerders vraag naar statusupdates?*

Afsluiting

- *Heeft u nog iets bijzonders toe te voegen met betrekking tot uw project? (positieve/negatieve ervaring met crowdfunding? ... Zou u het zo weer doen...)*
- *Bent u over het algemeen tevreden met hoe het proces binnen uw project verlopen is?*
- *Wilt u in juli een digitaal kopie ontvangen van de resultaten van mijn onderzoek?*

Hartelijk dank voor uw tijd

Appendix 5: Constants Table

Constants	Indicators	Example questions
The time span	Starting date project Ending date project	What was the start date of your project? What was the end date of your project?
Type of innovation	Innovative projects (not for only cultural or social purpose)	To what crowdfunding field does your project belong?
Size of project	The amount of money needed	How many money was needed to successfully finish the collection period?

Appendix 6: Comparison matrix

This appendix can be found on the enclosed CD

Appendix 7: Quotation table

This appendix can be found on the enclosed CD

Appendix 8: Transcripts

This appendix can be found on the enclosed CD

