



Study on the Investors' Participation Motivations in Award-Based Crowdfunding

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Abstract

Crowdfunding, as a new financing model, has drawn more and more attention in the rapid development of Internet financing. This paper will select the investors in award-based crowdfunding as the study object, apply grounded theory to explore their participation motivations in the crowdfunding, including 4 major categories: internal motivation, external motivation, internalized external motivation and behavior and 17 sub-categories, further discuss the relationship between the motivations and build a model for analysis.

Key words: Award-based crowdfunding; Crowdfunding investors; Grounded theory; Participation motivation

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INTRODUCTION

Crowdfunding refers to the business model based on the platform of Internet to raise capitals, capacities and channels to finance a small business or a personal activity

or project, and obtain returns on real asset or equity. At present, most crowdfunding websites home and abroad have adopted the incentive based model, in which the investors can be rewarded with real asset or service after the success of the project. The two scholars, Barney Glaser and Anselm Strauss, have jointly developed the grounded theory including some systematic and flexible guidelines to promote the development of theory based on data, rather than deduce verifiable hypotheses from the existing theories. Therefore, this paper will select the investors in award-based crowdfunding as the study object, use grounded theory to explore their participation motivations and the relationship between the motivations, build a model of investor participation motivation, develop theories based on the collection and analysis of qualitative data, and hopes to provide a theoretical reference for the practice of award-based crowdfunding.

1. STUDY METHODS AND STUDY DESIGN

1.1 Study Methods

The systematic study process of grounded theory normally includes identify problems, collect data, analyze data, build theory and acquire feedback (Zeng & Huang, 2015). Sources can be collected from documents, network data, media reports and case studies, etc.; Data analysis means to construct a theoretical framework by coding, including open coding, axial coding and selective coding; Feedback means to verify whether the theoretical framework covers all categories by theoretical saturation test.

1.2 Data Collection and Collation

In this paper, data have been obtained from Internet crowdfunding platforms, media reports, interviews, literature, etc., and the following principles have been followed during the collection process: (1) Availability and analyzability of data should be ensured and open data

in crowdfunding platforms should be selected for analysis; (2) Analysis should be focused on the field of award-based crowdfunding; (3) Because award-based crowdfunding involves many industries, in order to avoid analysis errors due to the particularity of an industry, data should be collected from all industries as possible as we can.

2. THE GROUNDED THEORETICAL PROCESS FOR INVESTORS TO PARTICIPATE IN AWARD-BASED CROWDFUNDING

Grounded theory in this paper to study investors' participation motivations in award-based crowdfunding

is a process to conduct three codings (open coding, axial coding and selective coding) and theory saturation test. In the process the concepts shall be established, the areas shall be refined and the model of investors' motivations to participate in award-based crowdfunding shall be constructed.

2.1 Open Coding

Open coding is a process to conceptualize and categorize the obtained information to correctly reflect the contents of data, break out and re-integrate the data and abstracted concepts (Zong & Li, 2015). According to the requirements of open coding, this paper encodes based on the collation of the information from crowdfunding websites, media reports, interviews and related literature, and sums up 17 categories and their concepts. See Table 1 for details.

Table 1
Results of Open Coding

Code	Category	Concept
1	Economics of award	Cost-effective investment and favorable return
2	Applicability of award	Meet their own needs; Improve the quality of life; Solve daily problems
3	Experience new products early	Can use new products one step ahead or experience new unique services
4	Interest	Be interested in the project
5	Learn new knowledge	Understand and expose to knowledge and information in different fields
6	Sense of accomplishment	Share knowledge, experiences and suggestions to help complete the project, and obtain approval from other participants
7	Participation attitude	Whether actively participate
8	Needs of reputation and self-esteem	Reputation, respect and recognition among investors and his own influence on the project
9	Curiosity	Curiosity for new crowdfunding models, and curiosity for new products or services
10	Support a cause	Help entrepreneurs or young people with good ideas realize their dreams
11	Career development	Provide advices and express opinions to pass the signals of personal abilities and values to job market, get better opportunities of career development
12	Meet new friends	Know new friends to meet the need of interacting with others
13	Not satisfied with the current products	The current products or services are not able to meet his needs
14	Fun experience	Pleasure to participate in the process, fun of the products
15	Rationally use spare time	Participate in the project in free time, promote the value of free time
16	Share experiences and knowledge	His experience, knowledge and technology can contribute to the success of the project
17	Participation degree	Capitals, time and efforts invested in the project

2.2 Axial Coding

Axial coding is missioned to integrate potentially relevant categories in open coding, sum up the connotation of the principal axis, further abstract and conceptualize the connotation (Wang, Zhou, Zhou, Mu, & Xie, 2012). Through axial analysis, we can find that the investors' motivations to participate in award-based crowdfunding

present a certain category classification and causal relationship. We connect the 17 categories in accordance with the paradigm of the "motivation-attitude-behavior theory", explore and build the relationships between the categories to conclude four major categories: internal motivation, external motivation, internalized external motivation and behavior. See Table 2 for details.

Table 2
Results of Axial Coding

Code	Axial coding	Influence	Connotation
1	Internal motivation	Interest Sense of accomplishment Support a cause Curiosity Share experiences and knowledge	Internal motivation is an important factor for investors to participate in award-based crowdfunding. Compared to the traditional financing models, investors of crowdfunding can select the projects which they appreciate and can provide advices and assistances according to their “curiosity” and “interests” (“share knowledge and experiences”). Investors’ supports for entrepreneurs can not only help them build a business (“support a cause”), but also bring themselves a “sense of accomplishment”.
2	External motivation	Economic incentive Applicability of award Rational use of spare time Not satisfied with current products Fun experience Experience new products early	The award incentive of crowdfunding is an important external factor to attract participants, which include “economics of award” and “application of award”. They have no constraints on participants’ ages, jobs and educational backgrounds, etc., so that the participants can “reasonably use spare time” to get involved. “Not satisfied with current products” is an important reason for investors to support and participate in the development of new products, but it is also a “fun experience” process. After the success of the project, investors can “experience new products one step ahead”.
3	Internalized external motivation	Learn new knowledge Meet new friends Career development Needs of reputation and self-esteem	Internalized external motivation is the combination of the first two motivations. Crowdfunding provides an opportunity for people with similar hobbies “to meet new friends”, while their needs of “reputation and self-esteem” can also be met. In crowdfunding, investors have the opportunity to understand knowledge of different fields (“learn new knowledge”), improve their abilities to get more opportunities of “professional development”.
4	Formation of behavior	Participation attitude Participation degree	Internal motivation, external motivation and internalized external motivation are the major factors to form the behavior of participation. A strong motivation can help build an active “participation attitude” and a higher “level of participation” and thus is more conducive to the success of a crowdfunding project.

2.3 Selective Coding

The major tasks of selective coding include: identify the “core category” capable of commanding all other categories; Outline all phenomena with information and the developed categories and relationships, namely, developing a story line; Continuously develop more subtle categories with more complete features (Li, 2007). This study makes an in-depth comparison on raw data, coding node categories and the relationships among the core categories:

(1) Constitution of investors’ participation motivations. According to the coding analysis of grounded theory, investors’ motivations to participate in crowdfunding can be summarized as the following three types: internal motivation, external motivation and internalized external motivation. Internal motivation is the intrinsic driver for investors, including interest, sense of achievement, support a cause and other two factors; External motivation is the external factor to attract investors to participate and is related with the award-based project, including economics of award, application of award, rational use of spare time and other three factors; Internalized external motivation is a combination of the above two motivations and can be

realized in two ways: introjected regulation and identified regulation (Deci & Ryan, 1987). Introjected regulation means that when a behavior is closely related to dignity or self-esteem, people will pay attention to the external rules and objectives, but will not be affected by them (Feng & Huang, 2013). Identified regulation means that when people are fully aware of the importance of a behavior and able to accept these rules and external factors, they will not feel pressure when perform the behavior and will have a higher degree of self-determination (Liu & Zhang, 2010).

(2) The relationship among the motivations. Investors’ various motivations coexist, interdepend and interact with each other. The external motivations of pursuing economics and application of award are not contradictory with the internal motivations of meeting curiosity and interest, and investors can pursue all these. In order to participate to pursue a sense of accomplishment and a sense of belonging, investors can meet new friends, learn new knowledge and share experiences to help entrepreneurs create a cause, which is also not contradictory to being awarded.

(3) The influences of investors’ motivations on

their participation. People's behaviors are influenced by their motivations, and motivations can affect the enthusiasm and involvement degree of investors to participate in a crowdfunding project (Maslow, 1987). If investors have a positive attitude to participate, they will always be concerned about the project's progress and released information, will actively share their experiences and knowledge to help complete the project more efficiently, thereby increase the success probability of the crowdfunding.

2.4 Theoretical Saturation Test

Theoretical saturation test is to test whether there is any new category with reserved information. We encode the remaining samples and find the extracted category concepts are saturated, finding no new categories and relationships, thus we believe that the conclusion has already reached saturation.

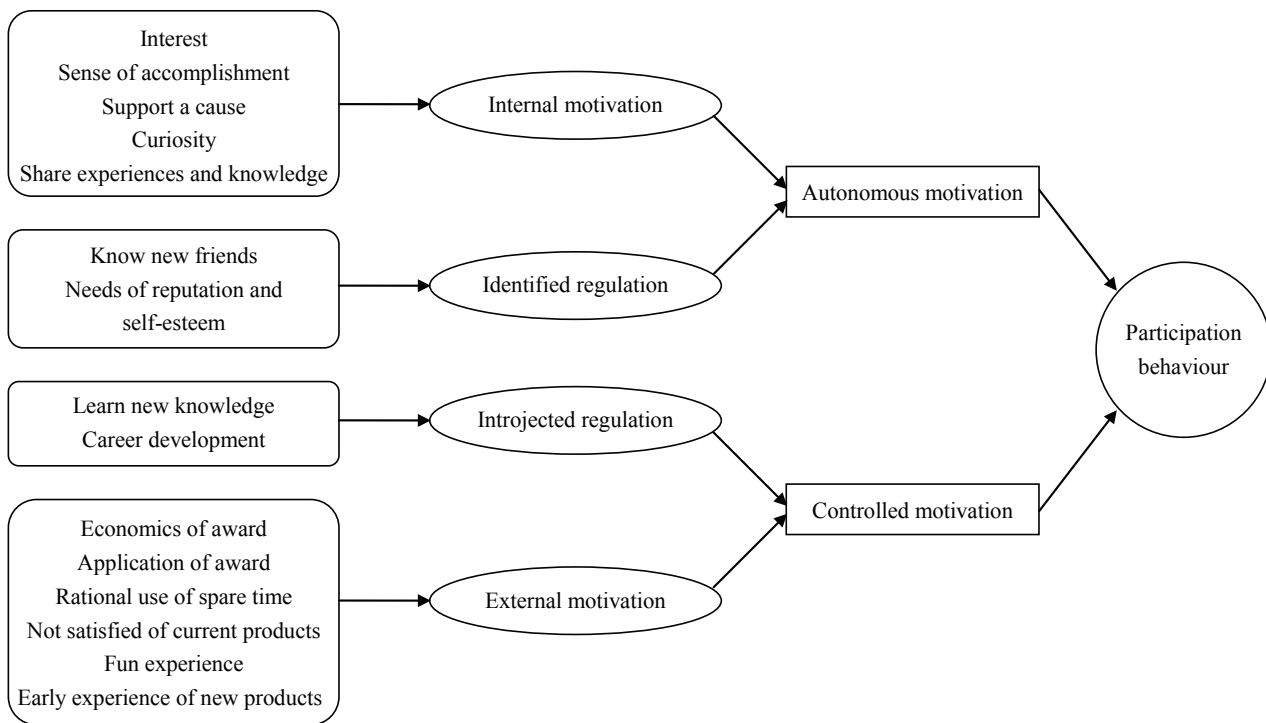


Figure 1
Model of the Investors' Participation Motivations in Award-based Crowdfunding

3.2 Model Explanation

(1) Crowdfunding investors' motivations are not limited to return, but are complex, diverse and symbiotic. The investors' targets to participate in award-based crowdfunding are multiple: The first is because of certain interests and curiosity to the project, followed by reaping economic benefit while sharing experiences and knowledge, and the last is to express suggestions and views timely to meet investors' sense of achievement. The proceeds can be varied, so that investors' motivations to participate are not contradictory but symbiotic.

(2) Compared with the users under the traditional network environments, crowdfunding investors' motivations

3. CONSTRUCTION OF THE MODEL OF INVESTORS' MOTIVATIONS TO PARTICIPATE IN AWARD-BASED CROWDFUNDING AND THE EXPLANATION

Motivation is the cause of behavior, is the inner strength to stimulate behavior and reaction and indicate a specific direction for the reaction. This study concludes four key categories with the axial coding of grounded theory: internal motivation, external motivation, internalized external motivation and participation behavior.

3.1 Model Construction

We will build a model of investors' participation motivations in award-based crowdfunding in accordance with the relationships among internal motivation, external motivation and internalized external motivation.

have some new features. Because crowdfunding is a new Internet financing model, the investors' motivations are also diversified: (a) Crowdfunding is not only a new financing model, but also a new mode of production. Investors' participation in innovation can fully play their talents and achieve a sense of accomplishment in the process; (b) Crowdfunding platform has a social nature. There can be a good communication within investors and between investors and raisers, their emotional needs can be met by meeting new friends and being recognized;

(3) Investors participate to support a cause, which can stimulate entrepreneurs' entrepreneurial passion, help realize their dreams, and form a new atmosphere of mass

entrepreneurship and innovation. Thus, by comparing the motivations of crowdfunding investors and that of the users under other network environments, it can be found that internal motivation and external motivation are respectively characterized by supporting a cause and not satisfied with current products, which are the motivations that the users under the traditional Internet environments do not have.

(3) Motivation type plays an important role in determining the degree that investors participate in award-based crowdfunding, but autonomous motivation and controlled motivation have different effects in affecting the participation. Autonomous motivation consists of internal motivation and identified regulation. Internal motivation has the highest degree of self-determination, and identified regulation internalizes external influential factors and goals into self-recognition, and has a high degree of self-determination. If the investors with both motivations have a high autonomy in the project, they will have a higher participation enthusiasm. Introjected regulation and external motivation constitutes controlled motivation. Controlled motivation is more concerned about external influential factors and external goals. The investors with high controlled motivation are forced to participate in crowdfunding. In this case, the stability and endurance of their participation are low, which will reduce their self-determination and autonomous motivation, affect their participation and the effects of their participation. Thus, when release a project, the raisers and crowdfunding platforms should try to stimulate investors' internal motivation as much as possible, promote the internalization of identified regulation into self-recognition, improve investors' self-determination for more active participation, and help achieve a smooth progress and successful result.

CONCLUSION AND MANAGEMENT TIPS

In summary, the motivations for investors to participate in crowdfunding are internal motivation, external motivation and internalized external motivation. Strong motivation is the starting point and driving force for behaviors. In order to strengthen the motivations of investors from all sides and make them get involved in crowdfunding more actively, I put forward the following recommendations:

(1) Ensure the timeliness and reliability of returns. Return is an important external motivation affecting investors to participate in crowdfunding. Many investors participate in crowdfunding to have an early experience of new products or replace current products. If the raisers cannot provide returns on time, the enthusiasm of investors will be affected, and from a long-term perspective the development of the new financing model will also be affected. Therefore, crowdfunding platform should establish protection measures for investors, such as rules of returns, and only after the investors are rewarded they will transfer the total investment to the raisers; Those projects which fail to reward investors should be given

a certain punishment; Interactive rules of investment process should be established, so that investors are able to dynamically monitor and control the project's progress and have more opportunities to participate.

(2) Improve the functions of crowdfunding platform. Crowdfunding platform is the bridge connecting raisers and investors, and its reasonableness and improvement has an direct impact on the convenience for the investors to meet new friends, interact with the raisers, share experiences and knowledge. Many investors participate in crowdfunding to take the initiative to express their views and recommendations, and if the platform's interactive functions are improved, the enthusiasm of investors will be significantly promoted.

(3) Ensure the timely release of project information. This is a requirement to fund-raisers. During the financing process, the raisers provide information via video, picture and text, etc. to potential investors. At present, the domestic crowdfunding websites deliver information to investors mainly through picture and text, but the updated speed cannot meet the needs of investors to understand information, therefore the raisers should timely release relevant information of project's progress to ensure a smooth communication. Meanwhile, compared to picture and text, video is more informative and able to supply a higher sense experience and user experience. The raisers can deliver richer product information and team information via video so as to improve the quality of released information and arouse investors' interest and curiosity.

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