

# CROWDFUNDING CULTURE

Bridging arts and commerce



*C. Dalla Chiesa*

# **CROWDFUNDING CULTURE**

Bridging Arts and Commerce

Carolina Dalla Chiesa

This research has been supported by funds from Erasmus School of History, Culture and Communication.

**ISBN:** 9789076665436

**Publisher:** ERMeCC, Erasmus Research Center for Media, Communication and Culture

**Cover:** This cover was illustrated by Elizabeth Gravel based on the crowdfunded Luchtsingel Bridge in Rotterdam.

**Layout and design:** Julie-Blanche Vanderbroucq

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# CROWDFUNDING CULTURE

Bridging Arts and Commerce

## **Crowdfundingcultuur**

het overbrengen van kunst and commercie

### Proefschrift

ter verkrijging van de graad van doctor aan de

Erasmus Universiteit Rotterdam

op gezag van de

rector magnificus

*Prof. dr. A.L. Bredenoord*

en volgens besluit van het College voor Promoties

De openbare verdediging zal plaatsvinden op

October 7th, 2021

door

**Carolina Dalla Chiesa**

(Born in Três Passos, Brazil)



## **Doctoral Committee**

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*To the memory of my granny.*

## ACKNOWLEDGMENTS

These have been exciting five years. First, this doctoral project would not have been possible without funds from ESHCC and key people who supported me from the start. I am extremely grateful for Christian, Filip, and Erwin's positive outlook and belief in my project. The experience of teaching, researching, and being part of the Arts and Culture department has been a life-changer for me. I am forever grateful for this wonderful period. I would like to also express my gratitude for the intellectual guidance and inspiring discussions with Christian and Erwin.

My colleagues at the department, especially Debora, Valeria, Femke, Pieter, Alice, Mariangela, Ellen: I found in them not only great friends but also exciting work collaborations. Special thank yous to Alina, a sister that life brought me, Lilia, for her joyful friendship and Guilherme for his endless patience with my paper ideas.

Moving so far to another country is an endeavor that requires personal determination and I am grateful to Marcus for being there with food and much support. Thank you, Aldo, for your generosity in welcoming me to the Netherlands and Leandro for welcoming me to cultural economics. Even distant, my family is a constant positive presence and support for me: my mom, Alexandra, Andreia, José, Fernando, Julia, and Luciano. And, thank you, Alex, for your love and optimism have made this journey very special, to say the least.

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## GENERAL INTRODUCTION

In 2012, Amanda Palmer created one of the most famous and successful crowdfunding campaigns to fund the development of her latest album with The Dresden Dolls. Through Kickstarter - the international crowdfunding platform for the cultural sectors - she reached over a million US dollars of contributions from a dispersed pool of funders willing to support not only the band but a cause: to bypass the “traditional” music institutions. As she announces in her lecture video on Kickstarter (2012), the future of the arts is about directly giving the means for creators to produce and distribute their creations without greedy intermediaries. This has dramatically set the tone about what role that the crowdfunding model is expected to play. Even if much has changed in the platform landscape since then, crowdfunding remains a relatively stable option for creators, artists, individuals and companies interested in raising funds from diverse contributors, fans or simply investors who foresee the opportunity to express their tastes and preferences in the form of pre-purchasing goods and services.

This dissertation is about the benefits and constraints of crowdfunding, a novel funding tool, in the domains of the arts and cultural industries. As such, it unites chapters and article-based analyses about this phenomenon from three different perspectives: symbolic (qualitative-based), economic (quantitative-based) and institutional (case study-based), discussed in this sequence. The reader can engage with these separate units without losing the perspective of the whole picture as they articulate arguments of their own. This dissertation is inherently interdisciplinary - as my own academic trajectory is - and unveils the crowdfunding phenomenon under varied methodologies and conceptual standpoints. In short, this dissertation portrays an image of crowdfunding as a phenomenon rooted in geographic patterns, material, commercial and intangible motivations.

Crowdfunding started with a “bang” - as stated by a number of media articles (Downes, 2013). It gathered intense media attention to its fast-

growing platforms, projects and financial returns. This initial hype has been slowly transforming in the past ten years towards more nuanced views, critical perspectives and balanced analyses about the crowdfunding contributions. Much of these developments are yet to be seen as research on this topic is still in its infancy (Breznitz and Noonan, 2020). The central objective of this doctoral dissertation is to demonstrate how this multi-purpose funding model serves both communities and markets, fomenting both commercial and non-commercial ventures and multiple intentions. Metaphorically, I call this a *chameleon tool* whose colors change depending on the agents' intentions, tastes and preferences.

The crowdfunding mechanism fundamentally reduces the entrepreneurial risks by covering the upfront costs of creation based on a pool of dispersed funders. Their contributions remain temporarily on hold until the campaign reaches its target amount<sup>1</sup>, which, in sum, is the main innovation brought by crowdfunding. Because platforms are relatively standardized and infrastructure is stable, it is relevant to differentiate the *mechanisms* from their users' *intentions*. Funders and founders have a wide range of motivations that ultimately impact the ways crowdfunding is used. In sum, the crowdfunding model is sufficiently open for any cultural or non-cultural expression to arise. Platforms typically do not implement curatorship strategies which augments the pool offers available. As such, they accept a number of projects whose ultimate test will be the public's acceptance.

As of now, crowdfunding phenomenon has been extensively studied from a success-factor perspective. Such an approach examines the optimal campaign signaling strategies (i.e., by determining the features that reach better funding results). While this brought relevant research insights in the past years, the richness of this phenomenon springs more than only managerial-based inquires. As I argue throughout this dissertation, the

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<sup>1</sup> One of the most disseminated definitions of crowdfunding in the academic literature states that crowdfunding involves an open call for the provision of resources to support specific purposes (Belleflamme, Lambert and Schwiendbacher, 2014). As per this definition, crowdfunding has no particular content, but simply consists in a medium of exchange.

repetition of success-factor analyses demonstrates patterns that deserve further examination from the perspective of complementary methodologies. When observing the cultural and creative sectors more specifically, a number of peculiarities arise.

## **Empirical focus**

This dissertation starts with a fundamental empirical puzzle. Cultural and creative industries seem to not fully engage into profit-sharing or equity-based<sup>2</sup> schemes in crowdfunding. Additionally, a large number of crowdfunding projects fail (about 70% on international platforms such as Kickstarter). The number of funds raised and target goals remain consistently low on average<sup>3</sup>, and results are more geographically contained than expected by a frictionless online exchange. Also, use-value does not seem to greatly dictate the patterns found in these projects and often, creators struggle to cover their labor costs. This scenario resembles core economic characteristics of the cultural sectors, to the extent that we should question the role of crowdfunding for the arts and culture in general: does crowdfunding structurally change any aspect of production and distribution of culture? Does crowdfunding reveal suppressed demand and supply patterns? How does crowdfunding add to what we already know about the arts? These questions take stock from previous literature in crowdfunding and further advance on crucial aspects of the cultural and creative industries. More specifically, the questions developed by this dissertation delve into:

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<sup>2</sup> Profit-sharing mechanisms are typically found in lending crowdfunding platforms or equity-based projects (where founders pre-sell a share of companies in exchange for investment. These models will be further explained in chapters 2 and 3.

<sup>3</sup> Empirical patterns will be further explored in the following chapters.

- *What are the contributions of crowdfunding to the cultural and creative industries?*
- *How do fund-seekers relate to the experience of doing crowdfunding? Which meanings and symbols are articulated in this fundraising model?*
- *What are the different success results and outreach of crowdfunding projects in each major cultural sectors<sup>4</sup>?*
- *What are the institutional roles of crowdfunding in relation to the dichotomous market-state arts provisioning?*

This dissertation shows that projects proposed within the realm of cultural and creative sectors display at once public goods attributes, intrinsic motivation, commons-based agendas and other economic aspects of the cultural industries. Crowdfunding projects also convey both use-value and non-use value, oscillate between full commercial reasoning and gift-giving from intimate circles, as well as vary in their geographical outreach. As I discuss in various sections, this greatly resembles common features of cultural goods.

In sum, the essential standpoint from which this dissertation develops is that the cultural sectors offer particular insights about the production, distribution and consumption processes of cultural goods and, therefore, they deserve a special focus within this funding option. This empirical target is also motivated by the relatively overlooked importance of the CCIs in the academic literature (described in Chapter 3). This is surprising given that crowdfunding first emerges out of the artistic domains.

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<sup>4</sup> Hereby inspired by Throsby's (2008) categorization of the various cultural and creative sectors.

### *An interdisciplinary methodological note*

This thesis is supported on a mixed-methods approach. Usually seen as incommensurable dimensions, qualitative and quantitative methodologies can be combined when the research goals allude to more than one core approach. The premise of a mixed-methods study is that qualitative and quantitative research complement each other and can provide a more complete picture than on their own (Holtz and Odag, 2018). This is especially the case in exploratory studies and areas in which core theoretical perspectives are not consolidated (Venkatesh et al. (2013). Two possible approaches can spring from this: to intertwine qualitative and quantitative procedures in each study or to conduct sequential studies that inform each other yet serving as independent units (Creswell and Clark, 2011). This dissertation follows the second approach as each chapter contains theories, methods, and arguments of its own. Although each section can be read separately, conclusions and research gaps are further covered in the following pieces, hence bridging rich connections between each major part.

Mixed-methods strategies typically follow pragmatist epistemologies, whereby researchers should set aside ontological disputes about reality and scientific truth<sup>5</sup> to employ what works best for their varied research question (Johnson and Onwuegbuzie, 2004). The main challenge of this approach is that the researcher is constantly readjusting its direction within a set of contrasting epistemologies. But crowdfunding is not a theory, nor a set of concepts or even a fundamental part of any scientific discipline at this point (Short et al., 2017; Kaartemo, 2017; Shneor and Vik, 2020). Crowdfunding is an empirical phenomenon that can be seen through various lenses. It has gained remarkable attention in different areas (e.g., economics, management, sociology and psychology<sup>6</sup>) as the wide range of exchange

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<sup>5</sup> Setting aside scientific paradigms in any research (epistemology, ontology and methodology) leads to multidisciplinary results (Burrell and Morgan, 1979).

<sup>6</sup> Typically, scholars in the business and management areas (the most predominant in crowdfunding) use theories from other domains to assess success-factors results of crowdfunding campaigns. Commonly, theories derived from Psychology are largely used to map funding behavior.



forms and motivations within this model accommodates distinct theoretical perspectives. Some of these perspectives contrast, while others simply represent different methodological standpoints discussed in chapter 2.

The qualitative pieces of this dissertation are informed by an interpretive agenda where I inquire practitioners about which role crowdfunding plays in their funding strategies and careers. Although crowdfunding has a burgeoning literature, scholars often point out the need for exploratory and qualitative views that may better explain success, failures and the continuation of ventures after a crowdfunding campaign (Short et al., 2017). As such, the first empirical part (chapter 4) results from a qualitative research which attempts to inform the next chapters by unveiling how fund seekers raise money amongst their friends and families, further negotiating intimate ties on the borders of amateur and professional realms. This partially explains some trends in cultural-related crowdfunding, such as failures by high margins, limited target goals and non-use value of rewards, widely observed in crowdfunding empirics (Boeuf et al., 2014; Mollick, 2015; Shneor and Vik, 2020).

Nonetheless, some qualitative-based findings uncover structural issues of the arts: problems with outreaching commercial viability, network constraints, and the nature of non-reproducible goods. These economic characteristics of cultural sectors are thus explored in chapter 5 and 6 as a continuation of uncovered aspects of chapter 4. In this sense, the quantitative pieces suggest explanations other than purely qualitative ones: the features of products and the sector to which they pertain also matter in crowdfunding results. The quantitative results follow the typical approach in crowdfunding methods (e.g., multilinear and logistic regression analyses applied to test success-factors) to discuss underlying economic reasons for crowdfunding success and how mastering campaign signaling does not exhaust all reasons for crowdfunding success.

Finally, the last part discusses an institutional view of crowdfunding whereby political agendas emerge as a relevant use of this funding tool in promoting diversity and institutional change. By examining which place

crowdfunding occupies on the broader funding landscape for the arts, I withdraw the focus from success-failure analyses towards the societal role of crowdfunding. Finally, the dissertation concludes positively on the innovative and socially relevant role of funding diversity. The table below clarifies how the reader can engage in the different pieces of this document<sup>7</sup>.

## Thesis organization

Table 1 : Thesis organization

<i>Part</i>	<i>Chapter</i>	<i>Topic</i>
1) Current views on crowdfunding	1	Delineating the phenomenon
	2	A view from cultural economics
	3	A systematic literature review
2) A qualitative approach	4	Crowdfunding in the view of artists: beyond matchmaking on platforms
3) An econometric approach	5	Home-bias and the economic characteristics of cultural industries in crowdfunding success
4) An institutional approach	6	Matchfunding goes digital: mixing public funds and crowdfunding calls
	7	Crowdfunding the Queer Museum: a cultural commons perspective

Theoretically, this dissertation takes stock of the manifold contributions from cultural economics, economic sociology and institutional economics disciplines articulated in different chapters. As such, it is

<sup>7</sup> The item “topic” only shows the general lines of each chapter. It does not necessarily repeats the chapter’s titles.

dedicated to building bridges amongst methods and conceptual approaches, therefore, less concerned with proposing one single explanation of crowdfunding. Yet, these perspectives act complementary as no major disagreement or contradictions between chapters emerged in the findings.

As I will argue in the different sections, crowdfunding strengthens cultural markets through an innovative platform-based mechanism. More typically, in creative industries, crowdfunding unites artists, independent creators, amateurs and professionals in search of upfront funding for not yet commercialized products, prospective cultural events and charitable initiatives. Crowdfunding, therefore, welcomes various expressions as a medium, more than an end in itself. It solves concrete problems in the funding for culture landscape: for non-commercial cultural projects, crowdfunding allows the access of fan-investors, donors or enthusiasts to new projects by providing small but numerous monetary contributions; for commercial projects, crowdfunding feeds innovation-driven consumers, early-adopters and investors whose motivations to access new goods and services encompasses not only use-value but also a strong prosocial behavior (Colombo et al., 2015).

Finally, the myriad ways through which agents make use of crowdfunding demonstrates how remarkable this funding tool is for raising awareness of ideas that otherwise wouldn't "see the light". This dissertation sometimes assumes hopeful perspectives and, in other moments, more critical ones. But chiefly, it mirrors my keen interest in new forms of funding for the arts and culture.



## **PART I - CURRENT VIEWS ON CROWDFUNDING**

The next three chapters are dedicated to revisiting the literature and showing relevant evidence on crowdfunding for the cultural and creative industries. The first chapter briefly describes aspects related to the historical development of crowdfunding; the second one connects crowdfunding with cultural economics, and the third reveals the major themes emerging out of the academic literature about this phenomenon through a systematic literature review. This part provides grounds for further chapters by discussing the common trends, relevant empirical findings and, more particularly, the place of cultural sectors within crowdfunding.





## DELINEATING THE PHENOMENON

This section attempts to delineate the object of inquiry and its connections to related concepts such as crowdsourcing and patronage. By listing the features of crowdfunding that set it apart from other fundraising options, this section shows that crowdfunding results from a post-digitalization period largely support by notions of collective decision-making emerging out of crowdsourcing principles. Furthermore, the collective deferring payment system notably sets crowdfunding apart from all other existing forms of funding.

### 2.1. Is there crowdfunding before digitalization?

Collective fundraising is arguably old. The act of raising funds amongst groups of friends, family, or acquaintances has been around societies in both market and non-market settings for centuries<sup>8</sup>. Historically, arts fundraising assumed the form of patronage whereby wealthy individuals supported the arts through *mecenaat*<sup>9</sup>, before any structured tax incentive or arts-funding scheme emerged from within state-driven initiative and converted arts funding into liberal philanthropy (Cowen, 2006). In terms of collective funding initiatives, some examples deserve attention for this thesis's purposes. Notorious public monuments were facilitated through the act of dispersed individuals collecting small but numerous funds. Noticeably, when media articles portray the historical roots of crowdfunding, these vehicles mention, for example, public monuments made possible along with collective funds. This is the case with "Christ, the Redeemer" erected in 1923 in Brazil (Zarpante, 2013; Catarse, 2018) and the Statue of Liberty in

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<sup>8</sup> A long economic anthropology tradition studies both market and non-market forms and how fundraising articulates intimate ties (non-market) and financial goals (market) (Zelizer, 2005; Maurer, 2006; Polanyi, 1957)

<sup>9</sup> Or simply put: patronage. One of the most diffused historical discussions about older forms of patronage can be found in the extensive work of Veyne (1990) for example.

the United States (BBC, 2013; White Label Crowd, 2017). To complete these monuments, several individuals from diverse social classes partially funded these statues. Without consistent historical research, these famous cases demonstrate that crowdfunding existed before digitalization, hence that this funding option simply means that a large crowd of individuals funds any project of their interest with small or large contributions.

From this perspective, crowdfunding existed before digitalization - primarily if we base ourselves solely on the two terms that create the word: crowd and funding. However, these popular views should be contrasted with more specialized interpretations about what crowdfunding brings as novelty, compared to any other form of traditional or alternative fundraising strategy. To compare crowdfunding with other funding schemes, a few important criteria should be observed: the decentralization of funds, the role of the intermediary, and the temporary suspension of the investor's risk through a pre-buying mechanism.

First, the collectivity criterion is essential: a crowdfunded project articulates a pool of funders, not a single or a few individuals. As such, crowdfunding is different than typical patronage<sup>10</sup>, single sponsorship, *mecenaat* realized outside the scope of crowdfunding. Still, a pool of crowd-funders and patrons may share similar views about the value of arts and culture yet providing funds through different arrangements. In this sense, differentiating the motivations from the mechanisms is vital to delineate the features of this funding model. Each funding option comprehends different agreements (or contracts<sup>11</sup>), expectations, and consequences, which will be further discussed in specific chapters. Nevertheless, crowdfunding engenders unique mechanisms that set it apart from other forms of funding.

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<sup>10</sup> To be more precise, a patronage act can happen through crowdfunding as representing the intentions of one individual donor or investor. Nevertheless, the crowdfunding system as whole channels motivations other than simply patronage. Therefore crowdfunding and patronage cannot be treated interchangeably, although the latter can be found in the first.

<sup>11</sup>The notion of contracts is mentioned here with support on the work of Caves (2000) whereby firms are a nexus of contracts, formal and informal ones.

Secondly, the digital presence is undoubtedly a game-changer in the contemporary funding landscape, greatly impacting how contracts between founders and funders occur. As we know it, crowdfunding became widely famous for deferring monetary contributions up until a minimum threshold is reached (the funding target). In case of failure, the donor retrieves back his/her<sup>12</sup> money. Not only is this an innovation, but it also allows entrepreneurs to cover high upfront costs of creation, hence permitting that agents collect sufficient information before starting a production process. Therefore, the temporary payment suspension contains the most dramatic change in terms of funding possibilities for any purpose. This feature is facilitated because of the advent of online platforms with two-sided market characteristics.

Thirdly, the intermediary infrastructure (a digital platform) standardizes the contracts between all parties and regulates the inputs (money and comments) from dispersed individuals (funders or backers, used interchangeably in this thesis). As such, instead of independently contracting with several various donors and further communicating with them personally, this time-consuming activity is replaced by an intermediary. This is expected to enormously reduce the transaction costs involved in investing, donating, communicating, and, furthermore, organizing the information provisioning to backers (typically seen through the lens of credibility signals on online environments).

Also, the inbred digital environment encompasses interactions between consumers and donors originated both inside and outside crowdfunding platforms: for example, social media websites or any other digital place that facilitates demand interdependence in networked economies. This aspect, also further discussed in the thesis, is evident in the timely-constrained funding decision by backers and the profusion of social media shares amongst friends and acquaintances (Mollick, 2015; Kuppuswamy and Bayus, 2017).

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<sup>12</sup>As I will further explain, currently, this is simply one of the crowdfunding options, typically called all-or-nothing (AON).

Crowdfunding has also been seen as a ransom whereby a desirable product is retained until sufficient payment is due (Varian, 2005). Nonetheless, this pejorative term is seen through the lens of a hypothetical investor who is kept waiting to access a product. This view may not be exact as the only reason for deferring the product delivery is that crowdfunding goods are not ready when founders open a call. The act of suspending the investment risk by waiting for all the funds to be collected allows a number of new goods and services to come to being while partially lifting the risks of such an investment. Creators who do not access financial market options or have difficulties with proving sufficient prestige can access the means to cover the upfront costs of production.

Lastly, crowdfunding propels individual demands and identities that collectively can make a difference. This is arguably not different from patronage, sponsorship, or *mecenaat*, which also articulate individual tastes and preferences, historically contained trends, and social demands. The major difference in comparison to “analog” funding forms is that crowdfunding uses dispersed engagement whereby individuals with regular income levels (not only wealthy patrons) can support the arts and their favorite creators<sup>13</sup>. However, crowdfunding is arguably spiky in its demographics and geographic distributions (Breznitz and Noonan, 2020). The “public choice” component coupled with digital outreach bears innovative characteristics whereby individuals transform a social demand, a taste, or a preference into a monetary contribution with concrete results<sup>14</sup>.

As I will demonstrate throughout this document, the aspects mentioned above have become facilitated in the post-digitalization era. The crowdfunding model is absent in the pre-digitalization period as this phenomenon is born because of the digital environment.

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<sup>13</sup>This is the case in platforms such as Patreon whereby individuals contribute to the creation process of their favorite creators (not only artists, but also journalists, amateur content producers, podcasts, etc.). Patreon can be considered a form of recurring crowdfunding as donations are periodical, although the all-or-nothing component is absent (Regner, 2020).

<sup>14</sup>If no serious moral hazard risks are implied in the fundraising process.

## 2.2. From Crowdsourcing to Crowdfunding<sup>15</sup>

Before crowdfunding emerged in 2004, crowdsourcing was already part of the digital landscape in a number of formats. Open-source groups, coding communities, engineering collectives, and software developers have greatly contributed to defining what we now understand as “crowdsourcing”, which simply means outsourcing ideas, materials, and solutions to problems<sup>16</sup>. The concept was spread after the article by Howe (2006), where “crowdsourcing, simply put, refers to the process of taking tasks that would normally be delegated to an employee and distributing them to a large pool of online workers, the “crowd,” in the form of an open call” (Felstiner, 2011, p.1). Besides the collective organization of ideas and solutions (akin to hackerspace groups<sup>17</sup>), crowdsourcing became widely known for its business applications. Not much after Jeff Howe exposed his view of crowdsourcing, a number of companies and governments implemented crowdsourcing to collect the most innovative solutions for recurrent problems (Schenk and Guittard, 2011).

Crowdsourcing can serve individuals, firms, and governments interested in experts' or amateurs' input to contribute with relevant ideas (Brabham, 2013). Such a participative task may encompass monetary or non-monetary incentives, as both for-profit and not-profit ventures can benefit from it. Even though sharing knowledge is part of most open source communities, “crowdsourcing” has been chiefly associated with for-profit

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<sup>15</sup> This section specifically is part of a similar chapter in: Dalla Chiesa, C. (2020). From Digitalization to Crowdfunding Platforms: fomenting cultural commons. In Macri, E., Morea, V. and Trimarchi, M. (Eds.), *Cultural Commons and Urban Dynamics: A Multidisciplinary Perspective*, New York, Springer, pp. 173-186.

<sup>16</sup> It should be noted that even before digitalization, social historians and sociologists observed how communities develop collective solutions for problems, such as Sennett (2012) depicted in his work. His argument is that cooperation is necessary for prospering societies and welfare. This essay, however, does not discuss pre-digitalization periods.

<sup>17</sup> Examples of Hackathons (hacker marathons) conducted in various countries show the engineers and software developers collectively engaged in the creation of applications, websites and solutions for public policy, firms and other institutions. Typically, Hackathons can be considered as a successful case of crowdsourcing that uses “cultural common” resources (such as knowledge and information) for public or private purposes.

ventures and paid collective labor via online means (e.g., the Mechanical Turk tool by Amazon, a famous crowdsourcing workspace). The case of the Lego company (Schlagwein and Bjorn-Andersen, 2014), for instance, shows that firms can provide complementary incentives to users, hence, benefitting from a collective way of doing open innovation. Some crowdsourcing projects are mediated by platforms, although this is not a necessary condition.

For a long time, these communities of practices operated through collective agency principles and non-monetary incentives, to a certain extent. Online coding practices such as the ones fostered by the GitHub platform ensured that knowledge was distributed and contributors could participate in a given project by either helping the development of codes or re-using it for future endeavors<sup>18</sup>. All these examples represent the diffusion of intangible outputs, but not monetary transactions. The connection between crowdsourcing and crowdfunding is not evident in the literature. Schenk and Guittard (2011), for example, do not mention crowdfunding - which is possibly due to the year of the publication of this paper when crowdfunding was not yet discussed - and Ghezzi et al. (2017) purposely exclude the term “crowdfunding” from a systematic literature review, arguing that crowdfunding is a field in itself.

Within cultural economics, arguably the work of Carbone and Trimarchi (2012) and Macri, Morea and Trimarchi (2020) have been important to situate crowdsourcing as a form of cultural commons while also drawing its connections to cultural economics topics (Noonan, 2014). Crowdsourcing, therefore, is seen as a way to share knowledge in line with “cultural commons” premises<sup>19</sup> (Hess and Ostrom, 2007; Hess, 2008). Nonetheless, no previous work has associated crowdfunding with the shared properties of cultural commons. As such, empirical and theoretical

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<sup>18</sup> An interesting example of crowdsourcing information in this case is Wikipedia, whereby contributors register their interest to edit articles and, hence, generate more dispersed knowledge sharing systems.

<sup>19</sup> For further consultation, the last chapter in this thesis will delve into crowdfunding as an enabler of cultural commons.



developments are necessary for this area (some of them explored in the last chapter in this thesis).

Crowdfunding can be considered a sub-type of crowdsourcing whereby one collects money and information instead of crowd-based solutions. The literature that discusses the possible connection between crowdsourcing and crowdfunding also assumes that one is meant for ideas and the other for finances (Allon and Babich, 2020). Nonetheless, ideas, suggestions, and overall information inputs also happen in crowdfunding as this is recognizably a tool for exploring demand, tastes, and preferences (Mollick, 2014; Viotto da Cruz, 2018). As observed by Langley and Leyshon (2017), crowdfunding operates according to crowdsourcing principles as a method for assessing ideas, knowledge and solutions from individuals of different areas, communities and consumption patterns (Brinks and Ibert, 2015).

Although online crowdfunding has been available since 2004, it has gained remarkable attention after 2009, in the aftermath of the last economic crisis (Bruton et., al 2015). As a historically given phenomenon, crowdfunding surfed the wave of “techno-utopianism” in the late 2000’ (see Gray, 2000) by providing a stable and powerful tool amidst a profusion of services that emerged and disappeared in the online landscape. A different path is seen with crowdfunding as this tool remains stably present since 2004 in a relatively similar format. This is one of the reasons why the crowdfunding phenomenon resembles in many ways the characteristics of the “cultural commons” (Hess and Ostrom, 2007; Hess, 2008) in that agents share knowledge collectively through relatively stable infrastructures (Frischmann, 2014). Some of these characteristics will be discussed in the next chapters from the perspective of cultural products rather than the general features of this funding model.



## 2. CROWDFUNDING AND A VIEW FROM CULTURAL ECONOMICS <sup>20</sup>

CHAPTER EMBARGOED FOR REPUB DUE TO PUBLICATION  
UNDER PROCESS OR FINALIZED PUBLICATION

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<sup>20</sup> A similar version of this chapter was published as Dalla Chiesa and Handke (2020) and draws heavily on joint co-authorship work. Full reference: Dalla Chiesa, C. and Handke, C. (2020). Crowdfunding In: Towse, R. and Navarrette-Hernandez, T. (Eds.), *A Handbook of Cultural Economics* (3rd ed., pp. 158-167). London: Edward Elgar.

### **3. CROWDFUNDING FROM A SYSTEMATIC LITERATURE REVIEW PERSPECTIVE**

This section of the thesis explores the main themes in the crowdfunding literature and develops a few arguments about the relationship between crowdfunding and the cultural and creative industries (CCIs). The role, size, and importance of the various cultural sectors in the general crowdfunding literature are unclear. Previous reviews have pointed out a few reflections on the significance of CCIs to crowdfunding and vice-versa (e.g., Rykkja et al., 2020), albeit in the absence of systematic approaches. This chapter explores this aspect through a systematic literature review of crowdfunding in relation to cultural and creative sectors. The chapter will delve into discussions such as the models favored by the CCIs, the typical empirical results in this literature, and the theoretical-methodological trends emerging from this sample. The results of this chapter greatly inform the following parts of the thesis

Although this chapter applies a systematic retrieval of academic databases (on Web of Science, procedures explained in item 3.2), the reporting of findings follows a narrative strategy (Petticrew and Roberts, 2006) whereby literature review methods are combined. A number of different strategies can be used in systematic literature reviews, namely quantitative and qualitative literature reviews. Quantitative ones are usually conveyed in the form of meta-analysis, which could be based on success-factor results in the case of crowdfunding. However, this is still a complicated endeavor because of the diverse variables and the various theoretical standpoints, as no core units emerge from a significant number of studies (Shneor and Vik, 2020). This seems rather normal as crowdfunding research seems to be still in its infancy (Kaartemo, 2017; Breznitz and Noonan, 2020).

An alternative to that is applying thematic literature reviews, or the so-called qualitative literature review (Sandelowski, Docherty, and Emden 1997; Campbell et al., 2003) in which the researcher reports findings

in order to explore differences and similarities across studies, their results and theories. This approach has been consistently used in areas where the dispersion of research designs and conceptual standpoints prevail (Thomé, Scavarda and Scavarda, 2016). Nonetheless, the thematic choice can be combined with other quantitative content analysis (e.g., Krippendorff, 2004) and bibliometrics procedures if the research questions permit it (Petticrew and Roberts, 2006). In this chapter, the main question is: where do CCIs stand in the general crowdfunding literature? The question is relevant as crowdfunding is now a vast fundraising tool with diverse applications. Although it has started of artistic domains (Chapter 2), crowdfunding has evolved into several different applications: health, education, agriculture, gastronomy, etc. Thus, it is valuable to ask where CCIs stand in the overall academic literature and the importance of CCI-related results in the broad understanding of crowdfunding.

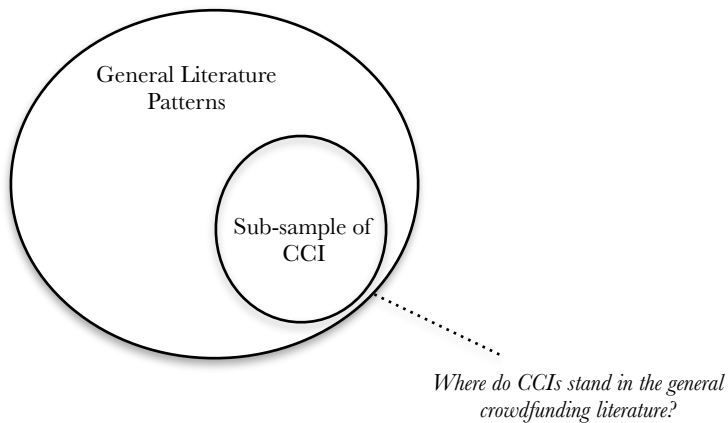


Figure 2: Representation of literature search goals

Besides the representation of CCIs within the overall crowdfunding literature, this chapter aims at discussing the following questions, which inform each major theme discussed in the forthcoming items.

- *What problem does crowdfunding solve? (i.e., why does this model exist?)*
- *Why do backers support campaigns? (i.e., how users respond to it?)*
- *What is the optimal crowdfunding strategy? (i.e., which factors bring success?)*
- *What aspects remain uncovered in the current literature?*

First, this chapter exposes the literature review methods. These contain a first simple bibliometrics procedure followed by a thematic analysis of the literature. Whilst the bibliometrics procedures provide an overview of the academic output, the thematic analysis provides an in-depth view of literature themes and major discussions of the past ten years.

Secondly, this chapter will demonstrate the size of this growing field<sup>21</sup>, its main methods, approaches, and types of platforms used as a data source. Lastly, the chapter will attempt to state connections between themes and conclude with further research agendas suggested by previous literature reviews. Each thematic unit aggregates a number of papers and their related fundings, summarized in this introduction.

Overall, the variety of research approaches in crowdfunding suggests a multiple-theory-domain, often eclectic in both methods and concepts (Shneor and Vik, 2020). More than a criticism, this represents the exploratory nature of crowdfunding literature and its proximity with a wide range of management studies. As the chapter will show, calls for socio-economic perspectives (e.g., the combination of cultural, societal, and economic standpoints) have been increasingly more evident in the past years (Bennett et al., 2015; Kaartemo, 2017; Short et al., 2017).

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<sup>21</sup> 21 Available online reports demonstrate that crowdfunding rapidly increased since 2004: approximately 1250 websites worldwide that together reached a volume of \$34 Billion by the end of 2015 (Massolution, 2016). A recent Forbes article reported that US\$34 billion would be crowdfunded in 2015, which surpassed the average amounts, i.e., US\$30 billion, invested by venture capitalists per year.

*Theme 1: The Model Choice (platforms and the pre-buying option)*

We contend that the cultural and creative industries find a better place in reward-based crowdfunding because of structural features of the arts and culture such as information asymmetry, quality uncertainty, incomplete contracts and labor-related constraints such as multiple-job structure and, large consumer interdependence. This makes crowdfunding a sound option to cover upfront costs (of production and marketing) and solve the problematic demand prediction problem in the CCIs (Kretschmer et al., 1999; Caves, 2000). The structural features of CCIs also affect lower goals and lower contributions<sup>22</sup> as in relation to the assurance problem in crowdfunding (Chang, 2000).

*Theme 2: Success-factor predominance in crowdfunding studies*

Literature on crowdfunding is predominantly quantitative, reward-based, and success-factor oriented. This results from signaling theory-based insights applied to campaign mechanisms. Even though crowdfunding research lacks a core theoretical approach, its standard methodology is chiefly based on signaling theory. The second line of investigation draws on self-determination theory borrowed from psychology.

*Theme 3: Motivation of Backers*

Although there is much debate about the determinants of backers' motivations, recent research has consistently pointed out that reward-based crowdfunding typically combines intangible and tangible rewards, as much as extrinsic and intrinsic motivations. As most reward-based crowdfunding is based on platforms dedicated to CCIs, we can infer that the same conclusion applies to CCI campaigns: commercial and non-commercial reasons blend.

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<sup>22</sup> Since the work of Mollick (2014; 2017) we know that reward-based crowdfunding is typically populated with campaigns with low average goals often reflecting the amount entrepreneurs find necessary to start their artistic projects.

#### *Theme 4: Home-bias and geographical patterns*

One concrete result of these characteristics is the incomplete contract problem (Caves, 2000), which sometimes (arguably the core arts) results in long-lasting, trustworthy relationships to diminish the risks of an uncertain transaction (Kollock 1994). We speculate that sectorial characteristics constitute one reason for the geographically-contained operations widely verifiable in crowdfunding schemes, other than signaling-based factors.

#### *Theme 5: Media-related discussions*

As many crowdfunding campaigns appeal to public good attributes (Hudik and Chovanculiak, 2018), we assume that calls are tailored to a specific local audience and often exert gift-giving principles (Swords 2017). In media studies and sociologically-driven papers, researchers often discuss strong fandom engagement and reciprocity while bringing consumers and producers closer in online realms. These aspects closely relate to the hypothesis of digitalization making emerge long-tail niches (Anderson, 2006) and producers that find in crowdfunding a valuable path to bring the consumer's attention and the contribution of amateur investors (Nanda and Mollick, 2016).



### 3.1. Literature review methods

Most literature reviews follow a narrative approach in which a certain corpus is described based on general considerations and an overall assessment of articles in-depth. It is often hard to trace how articles are selected and which procedures are used in the revision process. This chapter follows a different approach: on the one hand, it makes use of systematic literature review procedures with a few bibliometrics reports; on the other hand, it narratively describes the emerging thematic units of papers and their results in line with a thematic analysis process (Thomas and Harden, 2008). We applied the so-called “core lexicon approach” (Huang et al., 2011; Huang et al., 2015) in constructing the boolean search term, which retrieved the academic output on Web of Science. This approach is considered the most typical of all Boolean search term strategies as it simply lists the core terms related to the academic field in focus. We applied this strategy to retrieve an approximate view of crowdfunding literature associated with the various cultural sectors.

First, we searched for the total academic output of published articles based on the term “crowd-fund\*. This resulted in 1312 articles<sup>23</sup>. Secondly, to specify the cultural and creative industries output within the total corpus,

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<sup>23</sup> Other academic outputs were excluded in order to yield an accurate debate within the journal publishing sphere. The database and coding units used in this chapter can be accessed on Zenodo repository (Dalla Chiesa, 2021).

a comprehensive Boolean search term<sup>24</sup> was applied in the advanced search area of Web of Science only for published articles. A new corpus emerged with only CCI-related terms (n=1154), which slightly reduced the total corpus. By further applying new filters (English language and the top ten academic areas listed by Web of Science<sup>25</sup>), this corpus was reduced to 728 articles. Lastly, we selected 10% of the database - corresponding to the top articles in a number of citations - to perform manual coding and reading (n=73). This corpus was then manually revised to exclude papers with a focus on empirical areas such as “health”, “animal”, “agriculture” and other topics unrelated to the cultural sectors. False positives resulted in 6 papers, thus, excluded from the whole CCI corpus. Each paper was then replaced by a new option from the overall list of articles.

The boolean search term was constructed in order to approximate all the possible areas and sub-areas of the cultural and creative industries (CCIs). The list is not exhaustive as some terms repeat each other. Moreover, the focus of this procedure lies on empirical examples rather than areas of study (such as cultural policy, media economics, etc.). The limitation of this effort is recognized in the sense that the CCIs face various definitional

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<sup>24</sup> The boolean search terms consisted in a selection of terms based on the cultural and creative industries literature. The search query applied in July, 2020, to all areas, only English, five year timeframe, resulted in a total of TS24=(crowdfund\*) AND TS=(art\* OR "arts sector" OR "arts funding" OR "arts project\*" OR "arts field" OR "arts indus\*" OR "arts campaign" OR "art sector" OR "art funding" OR gallery OR "art field" OR "art indus\*" OR artistic OR "cultural indus\*" OR "cultural fund\*" OR "cultural project\*" OR "cultural field\*" OR "cultural sector\*" OR "cultural campaign\*" OR "cultural entrep\*" OR touris\* OR artist\* OR fan\* OR drawing\* OR creativ\* OR perform\* OR music\* OR danc\* OR theat\* OR play OR sing\* OR concert OR band OR visual\* OR video\* OR film\* OR cine\* OR movie OR animation OR anime OR documentary OR literature OR magazine\* OR illustration\* OR zine OR journali\* OR animation OR anime OR movie\* OR film\* OR cine\* OR danc\* OR coreography OR comic\* OR crafts\* OR "video gam\*" OR console OR photogr\* OR gallery OR "publishing indust\*" OR auction OR photo\* OR poet\* OR 3D OR tele\* OR Audio\* OR Album OR Record\* OR disc\* OR gam\* OR advertise\* OR fashion\* OR textile OR apparel OR wear\* OR fabric\* OR gadget OR design\* OR heritage OR sculpt\* OR craft\* OR architect\* OR festival OR gastronomy OR food\* OR cook\* OR podcast\* OR DIY OR “do-it-yourself”). Some search queries are arguably not part of the cultural sectors, although they hold close relationship with recent digitalization phenomenon, such as “DIY”, prosumerism, the emergence of gadgets and apps in the CCIs landscape. Some of these topics are covered in the literature by Towse and Handke (2014).

<sup>25</sup> Top ten academic areas: business or management or economics or business finance or computer science information systems or information science library science or computer science theory methods or communication or operations research management science or computer science interdisciplinary applications.

problems (Hesmondhalgh and Pratt, 2006). For simplification reasons, empirical areas were extracted as an approximation to all sub-sectors enlisted in the concentric circles model by Throsby (2008) found in table 4.

The results of the analysis are reported on the basis of four outcomes and further represented in the image below with the sequence of procedures:

- *A summary of the top 10 articles*
- *The predominance of sectors, platform models, and methods*
- *The thematic units*
- *An overview of variables used by studies*

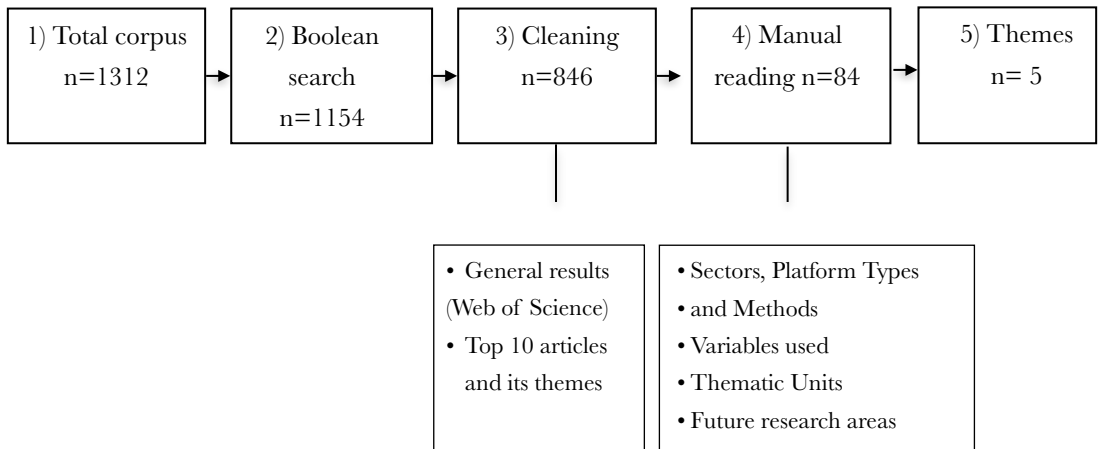


Figure 3 : Sequence of procedures

The attribution of themes obeyed the research goals of each paper as in line with similar thematic analysis studies (Thomas and Harden, 2008). In step 4, each article was manually read, and its goals were classified into themes. Initially, the thematic attribution yielded several themes that were further combined in 4 different units due to its proximity - a process typical

of thematic analyses and conditional to the researcher's subjective reasoning (Saldaña, 2009). For example, articles that followed different methodologies but aimed at assessing success factors were classified as "success factors studies" regardless of the independence of dependent variables in use. Articles were not duplicated in more than one category to avoid overlapping results. The five central thematic units are presented in the following items of this chapter.

The academic output (n=115) was also classified according to its adherence to a cultural sector. Throsby's (2008) classification model was used to determine the predominant sector of each paper. This procedure started with manually extracting the sectors based on which papers extracted their data. Most articles explicitly mentioned the areas covered in the paper. When this information was absent, we derived the respective sectors by checking which platform the paper had used. Each crowdfunding platform typically shows all sectors available to potential founders and funders. By listing all sectors of all papers and associating them with a category (core cultural arts, other arts, wider arts or related arts), it was possible to have an overview of the most present types of arts in crowdfunding research. As for the predominance of platform type and methods, each introduction was also manually checked. When the crowdfunding model was not explicitly mentioned, we also manually checked the website of the platform cited by the paper to classify it into these options: reward-based, equity, donation, or lending.

Other studies used a similar approach but with other search terms and different research goals. Most specifically, the work of Buttice and Unghetto (2020) shows sufficient bibliometrics results on co-citation patterns, journals, and institutional affiliations not reported in this chapter.<sup>26</sup> A different approach has been chosen with a focus on the various cultural and creative sectors. Consequently, the corpus remains smaller than the total

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<sup>26</sup> It is worth noticing that the recent work of Buttice and Ughetto (2020) also extracted thematic units out of manual reading of text and processing codes. This methodology yields different results depending on the goals of the researcher. Whilst this process is widely used within growing academic fields, it also results in different outcomes every time.

crowdfunding output, although CCIs embodies a large part of this literature. One possible explanation for this is the predominance of studies based on Kickstarter, Indiegogo, and other local platforms dedicated to the arts and culture. We assume this naturally yields meaningful empirical results for the various cultural sectors, given the focus of these multi-purpose platforms.

### **3.2. General Results**

The crowdfunding literature has been increasing dramatically since 2012. A simple search on the Web of Science database shows that the literature grows at a 47% rate over ten years of publications typically originated in the United States and China, as previous studies have already confirmed (see Buttice and Ughetto, 2020). Although crowdfunding has attracted a variety of contributions from various academic fields (business, economics, psychology, and a few sociologists and health scholars), most of the academic output remains condensed within the “Business Economics” category. This wide domain includes management scholars, economics, finance, organization studies, and sometimes research in computer sciences (of various sub-fields).

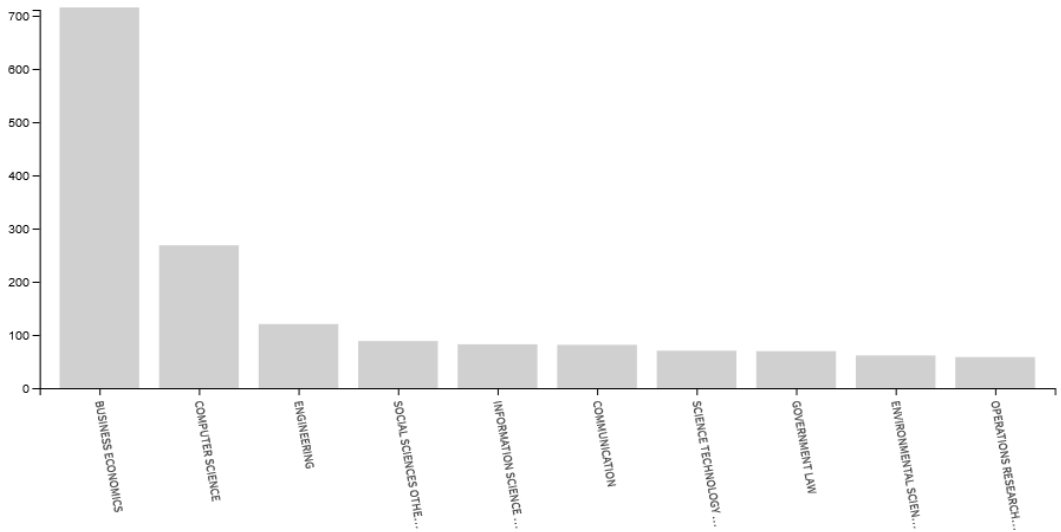


Figure 4 : Distribution of academic areas  
 Note: Search query: crowdfund\* in Topic

By applying the Boolean search terms and further cleaning the database (steps 2 and 3), the research areas do not drastically change (Business and Economics remains the most important field), but interestingly the most productive authors are not the most widely cited<sup>27</sup>. In the following graph, the most productive journals and research centres are displayed. But as Table 5 shows, the two most cited articles to this date remain Mollick (2014), Belleflamme et al. (2014). Also, interestingly, approximately half of citations in crowdfunding are self-citations<sup>28</sup>. Despite the concentration of academic output by a number of publications, number of citations and

<sup>27</sup> As the report retrieved on Web of Science shows, the most cited authors (2012-2020) are still Ethan Mollick and Paul Belleflamme. Whereas the first work is an exploratory analysis of crowdfunding results, the second paper discusses creates a theoretical model about the differences between profit sharing and pre-buying options in crowdfunding.

<sup>28</sup> Web of Science reports a sum of 14,466 citations. Without self-citations this number decreases to 7,400. Whilst this is a common trend in various academic fields, it can also demonstrate a self-contained field, especially in the case of success-factor studies. This results from methodological choices more than theoretical approaches, as previous studies already show how crowdfunding research has no core conceptual basis (Short et al., 2017).

members of the research team) in the US and China, the research organizations are spread in various countries. The University of Bergamo, Indiana University, the University of Minnesota, Concordia University, Copenhagen Business School and the Politecnica Milan appear as the most productive research centers worldwide.

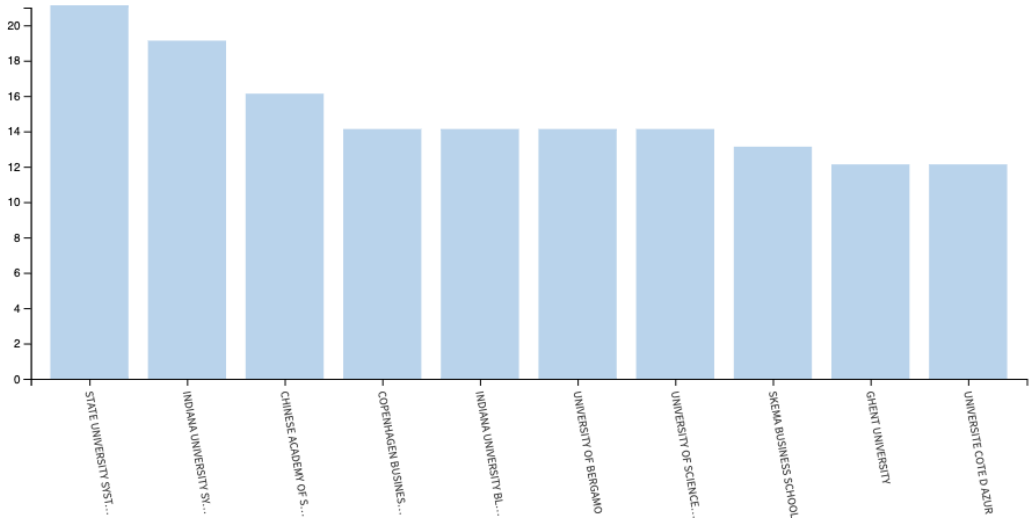


Figure 5: Distribution of research centers  
Note: results extracted after steps 2 and 3

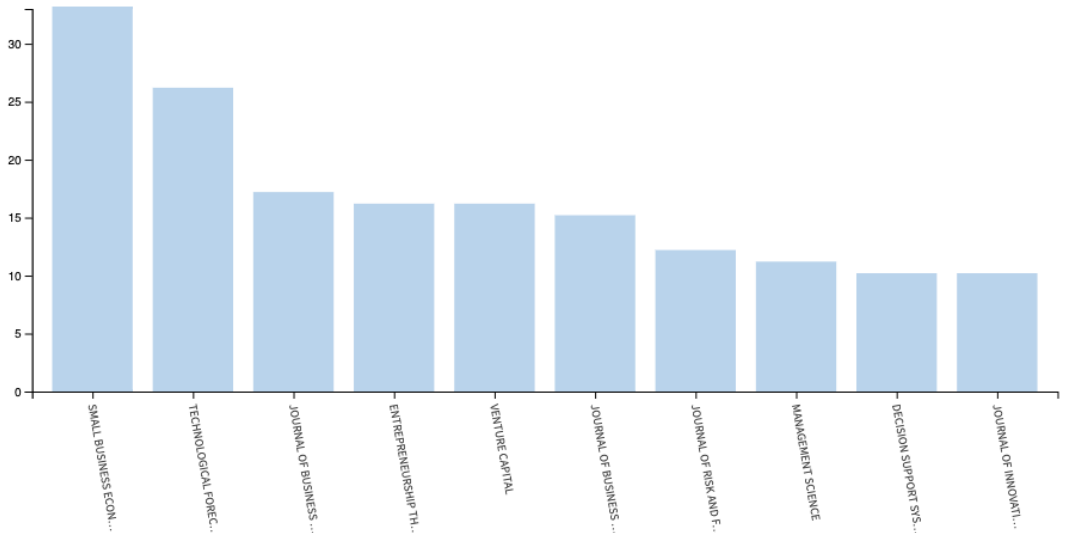


Figure 6: Distribution of academic journals  
 Note: results extracted after steps 2 and 3

Almost every day a new paper on crowdfunding is published<sup>29</sup>. Most likely, the openness of crowdfunding platforms is one of the factors that helps spreading the interest on this phenomenon as data is constantly available. By having access to basic web scraping skills, researchers can access extensive data on funders, founders, and platform behavior .

Regarding the predominance of sub-sectors in the cultural and creative industries, platform choices, and methods, the following table shows that results under the CCI sub-sample are most representative of core cultural sectors, reward-based platforms through quantitative interpretation.

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<sup>29</sup> Academic publishing is an extremely skewed activity with strong superstar characteristics (van Dalen and Klamer, 2005). With easy access to ever-growing changing databases, crowdfunding success-factor publishing may pay off researchers willing to gauge academic attention in earlier or later stages of their careers. This may be the reason why crowdfunding literature abounds with authors having one or two papers on this topic. In scientometric research, this pattern mirrors the Lotka Law of Scientific Productivity. This law depicts the distribution of academic publishing whereby the frequency of authors publishing in a given field is inversely proportional to the number of papers published. This empirical pattern is common in growing fields such as crowdfunding.



The predominance of success-factor analyses naturally yields most quantitative studies using multilinear or logistic regression techniques. As per the platform model, this also reinforces the locus *par excellence* of the CCIs within crowdfunding: the non-profit sharing option or reward-based model. This aspect can lead to various interpretations, which are beyond the scope of this chapter but will be re-discussed in further sections.

Table 4: Summary of Studies (areas based on Throsby’s concentric circ

<b>Relative frequency of sub-sectors</b>	<b>%</b>
Core Creative Arts	48%
Other Core Creative Arts	16%
Wider Creative Arts	22%
Related Creative Arts	13%
<b>Relative frequency of platform type</b>	<b>%</b>
Reward-based	86
Equity	13
Donation	7
Lending	2
<b>Relative frequency of methods</b>	<b>%</b>
Quantitative	72%
Qualitative	21%
Other reports (e.g., theoretical-based studies)	7%

After checking the major focus areas demonstrated above, in step 3, we extracted the 10 top articles (by average citations per year<sup>30</sup>) and their main topics. As demonstrated in the forthcoming sections, crowdfunding studies use various methods (mostly of quantitative nature) and a profusion of concepts with little core theoretical approach (Kaartemo, 2017; Shneor

<sup>30</sup> This is automatically analyzed by Web of Science algorithm.

and Vik, 2020). Nonetheless, the most cited articles show recurrent trends related to a few topics:

- *Success-factor patterns*
- *Geographical analyses*
- *Social capital-related topics*
- *Distinctions between all four crowdfunding models*

Especially the first topic, largely recurrent in the literature, fundamentally draws on signaling theory to identify the aspects that attract supporters to a crowdfunding call. With few exceptions, the level of analysis for the vast majority of existing crowdfunding studies is the campaign with variables related to credible signals of the call. Other sub-themes appear, as will be demonstrated in the forthcoming items.

Table 5: The 10 most cited papers

<b>Title</b>	<b>Authors</b>	<b>Source</b>	<b>Year</b>	<b>Main Topics</b>
The dynamics of crowdfunding: An exploratory study	Mollick, E.	Journal of Business Venturing	2014	Geographic and success patterns. A general overview of reward-based CF.
Crowdfunding: Tapping the right crowd	Belleflamme, Lambert, Schwiendbacher	Journal of Business Venturing	2014	Modelling profit-sharing and pre-buying differences
Internal Social Capital and the Attraction of Early Contributions in Crowdfunding	Colombo, Franzoni, Manaster	Entrepreneurship Theory and Practice	2014	Internal Social Capital impacting on initial campaign contributions
Signaling in Equity Crowdfunding	Mollick, Ethan; Nanda, Ramana	Management Science	2016	Success-factors in equity. Social capital and intellectual capital as irrelevant in equity.
An Empirical Examination of the Antecedents and Consequences of Contribution Patterns in Crowdfunded Markets	Burtch, Ghose, Wattal	Information Systems Research	2013	Crowding out effects in supporting projects due to antecedent supports
Crowdfunding: Geography, Social Networks, and the Timing of Investment Decisions	Agrawal, Catalini, Goldfarb	Journal of Economics and Management Practice	2015	The role of geographical distance funders and founders

Crowdfunding: Motivations and deterrents for participation	Hui, Gerber	ACM Transactions on Computer-Human Interaction (TOCHI)	2013	Motivation of Entrepreneurs and Backers
New Financial Alternatives in Seeding Entrepreneurship: Microfinance, Crowdfunding, and Peer-to-Peer Innovations	Bruton, Khavul, Siegel	Entrepreneurship Theory and Practice	2015	Antecedents and consequences of funding mechanisms.
Entrepreneurial finance and technology transfer	Audretsch, Lehmann, Paeleu et al.	Small Business Economics	2016	A review of forms of entrepreneurial finance and supply-side policies for technology transfer.
Crowdfunding in a Prosocial Microlending Environment: Examining the Role of Intrinsic Versus Extrinsic Cues	Allison, Davis, Short et al.	Entrepreneurship Theory and Practice	2015	Linguistic cues. Helping others reach more success than business opportunity arguments.

Crowdfunding literature has evolved from general descriptions about the phenomenon, definitional concerns (e.g., Belleflamme et al., 2014) and factors influencing calls' performance (e.g., Zheng et al., 2014; Mollick, 2014; Gleasure, 2015) to more complex analyses related to social capital, regulation and platform dynamics (Viotto da Cruz, 2015; Burger and Kleinert, 2020; Chang, 2020; Lazzarotto and Noonan, 2020). Other studies delve into the importance of fandom in crowdfunding (Booth, 2015; Hills, 2015; Scott, 2015), the influence of crowdfunding social conventions (Farnel,

2015; Hunter, 2015; Koçer, 2015; Stiver et al., 2015), the role of innovation (Chan and Parhankangas, 2017), as well as endorsements (Courtney et al., 2017), community (Josefy et al., 2017), and social capital (Butticè et al., 2017; Skirnevskiy et al., 2017). Nonetheless, central works in the field remain largely important over the years (e.g., Belleflamme et al., 2014; Mollick, 2014).

Scholars usually depict the benefits of crowdfunding in its effective match-making tool, a reduced exposure risk, and lower transaction costs due to the two-sided market structure (Agrawal et al., 2013). Ultimately, crowdfunding allows founders to engage with backers and test new ideas (Stanko and Henard, 2017) while gathering relevant information for market testing purposes (Viotto da Cruz, 2018). Generally speaking, all authors consider crowdfunding an innovative and highly amateur tool as it allows non-accredited investors to participate in business ventures and early adopters to support projects whose products they wish to see provided more extensively (see Mollick and Nanda, 2016).

### **3.3. Themes in the Academic Literature**

Early debates on crowdfunding have delved into basic definitions of the phenomenon. Firstly, the paper by Belleflamme et al. (2014) on the differences between profit-sharing and pre-buying options (described in Chapter 1) is still relevant as success-factor studies are not always applicable to all crowdfunding models<sup>31</sup>. Researchers typically discuss only one of the four crowdfunding models as multi-model empirical studies are still absent by choosing the platforms to extract data. As reward-based platforms

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<sup>31</sup> In order to support the construction of hypotheses, studies often use empirical results related to profit-sharing and non-profit sharing schemes interchangeably. As I will show later, although the basic mechanism is very similar, backers' motivations and product characteristics vary in both models.

typically encompass various creative areas, the platform choice seems to represent a selection bias towards the cultural and creative industries<sup>32</sup>.

Other than the reward-based model, profit-sharing schemes are part of crowdfunding options. These take the form of equity, lending, and profit-sharing (explained in Chapter 2), typically characterized by businesses seeking funding in exchange for profit remuneration or company shares (Belleflamme et al., 2014). While equity is most frequently used for startup investment (usually in SMEs), donation-based and reward crowdfunding typically assembles several different motivations (from use-value to non-use value of rewards)<sup>33</sup>. As comprehensive reports by CCAF (2018) and Fundly (2020) show, equity and lending are the fastest-growing models, more lucrative for platforms, and diverse in sector distributions. Primarily the Lending option is often used as a replacement for bank loans, whereby citizens request funds for any purpose in exchange for interest rates. As in many countries, citizens have limited access to financial markets (e.g., operating businesses and households at the margins of the economy, via informal exchanges), lending via online platforms has become popular (Jenik et al., 2017). This is certainly not the only reason for lending popularity as countries such as England, for example, with high financial market pervasiveness, are also the highest lending ranking among all crowdfunding models (CCAF, 2018).

These insights already predominantly observed by several scholars (Belleflamme et al., 2010; 2014; 2015; Mollick, 2014; Cumming and Hornuff, 2018) show how different these models are. To explore these differences, the first sub-theme will delve into central debates around two sub-categories of platforms.

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<sup>32</sup> <sup>32</sup> Possibly this results from that studies are less concerned with the consequences for the cultural and creative industries, or cultural economics, and most typically addressing the successful campaign management (regardless of its sectors). Bibliometric patterns show that cultural economists and cultural sociologists are not frequent researchers in this field. Nonetheless, exceptions apply in the case of reward-based platforms fundamentally focused on charitable activities with no particular thematic focus (e.g., Go Fund Me).

<sup>33</sup> <sup>33</sup> De Voldere and Zeqo (2017) for example, clearly show that CCIs are largely absent in equity based platforms, hence, relatively distant from doing pecuniary offers to supporters.

## ***Theme 1: Platforms and two-sided markets: an early debate***

### *a) Two-sided markets*

One initial topic in crowdfunding is the definition of this phenomenon as a two-sided market. As discussed by Viotto da Cruz (2015), many debates have stressed the heterogeneous types of crowdfunding platform and their typical functionalities (Tomczak and Brem 2013; Belleflamme, Omrani, and Peitz 2015). In general, platforms have often been described as two-sided market intermediaries mediating intra and cross-group effects (Belleflamme, Omrani, and Peitz 2015; Viotto 2015). In this respect, Viotto da Cruz (2015; 2018) notes myriad features characterizing platforms in different markets. Not only a crowdfunding model is distinctive per se, but also the platform chooses its differentiation strategies amongst a profusion of new platforms dedicated to crowdfunding calls. Other studies have also argued that the platform name matters in the choice of contributors (Lacan and Desmet, 2017).

Typically, two-sided markets charge one side or both sides to access intermediary platforms and benefit from their services. The prices to access these services will be optimal concerning the elasticity of demand on each side. In crowdfunding, this applies most evidently to buyers, as suppliers have a relatively inelastic inflow of projects. In order to provide incentives for more users to join the network, a fee is charged to the seller once the campaign is successfully finished. Hence the demand side is temporarily subsidized.

Crowdfunding platforms are often described in the literature as financial intermediaries bridging capital-givers and capital-seeking agents via a frictionless system in geographical and industrial organization terms (Agrawal et al., 2010). Mitra and Gilbert (20014) have also argued that crowdfunding platforms regulate demand by applying a specific funding mechanism. Burtch et al. (2013) and Ahlers et al. (2015), on the other hand, tend to explain the crowdfunding phenomenon in terms of its information bundling, search costs reduction, and ultimately a way to enable trustworthy

exchange between strangers. Especially, in this case, the crowdfunding mechanism innovates by providing a system - all-or-nothing - that partially solves the problems of trusting unknown parties (Kuppuswamy and Bayus, 2018). Once there is a guarantee of reimbursement, the risks of a founder collecting the funds and "going away" are much reduced. Within the two-sided market literature, this is represented in the discussion about governance and reputation that an intermediary provides so that strangers can deal with a sufficient amount of information about each other (Milgrom, North and Weingast, 1990).

Direct network effects are observed in such platforms as users derive more value when other users join the same network. In crowdfunding, however, the process through which consumers enter the network is not always strictly motivated by online shopping. Differently than the two-sided e-commerce platforms (e.g., Ebay, Amazon, etc)<sup>34</sup>, crowdfunding operates with target goals, tiered rewards, and temporary offerings. Although some platforms use a flexible target goal system (i.e. ongoing campaigns), the typical crowdfunding model has been associated with an "all-or-nothing" scheme where the platform automatically returns the value pledged in case of failure. This provides credibility to the overall crowdfunding mechanism as many projects originate in emerging ventures, startups, early-stage career artists, and independent creators who often lack reputation signals. Crowdfunding platforms have managed to offer a standardized two-sided interaction in which sellers provide information to backers in order to reduce information asymmetry and the risks of perceived moral hazard.

Another aspect characteristic of two-sided markets is the dynamic pricing strategy (Tadelis and Zettelmeyer, 2014). Some platforms choose negative pricing in order to further penetrate in the market. Others, such as Airbnb, nudge suppliers to set a dynamic pricing in their first offers. This provides incentives for consumers to choose newcomers without consumer

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<sup>34</sup> As Belleflamme (2010) analysed in an earlier paper, individual online crowdfunding attempts should also be considered in the range of forms of online funding methods, although clear differences apply with regard to network effects and the absence of an intermediary two-sided market.



reviews. In crowdfunding platforms, the pricing structure occurs in two levels: founders set the campaign price (i.e. target goal) and sub-prices inside the campaign (i.e., tiered rewards). Therefore, consumers (hereby backers) can firstly determine their participation in the campaign and, secondly, choose a specific reward. The benefit of this model for suppliers is that they are able to reveal demand intentions concerning their offer (Viotto da Cruz, 2018). Founders can thus explore the maximum consumer surplus with their campaign while raising funds. In the long run, the consequence is that markets where crowdfunding operates potentially face less uncertainty as successful ventures benefit from accessing consumer information, and buyers consume products they have chosen themselves. Other than that, a few features of other two-sided or multi-sided markets are absent in crowdfunding, for example, bid pricing and negotiation processes between sellers and buyers.

#### *b) Pre-ordering versus profit-sharing platforms*

Typically, crowdfunding platforms apply different selection criteria depending on the model. In equity, there is a consistent selection process of incoming calls, which potentially guarantees a minimum quality threshold. In contrast, reward-based crowdfunding does not previously select incoming founders or their ideas. Especially within the equity model, the platforms' preselection follows a structured process based on strong network relationships (Mochkabadi and Volkman, 2020). The results of funding rounds on equity platforms often have rejection rates comparable to those of Venture Capital. As such, those who plan to engage in equity crowdfunding should try to make personal contact with the platform before they formally apply (Loher, 2017). This situation is dramatically different within the reward-based model, where platforms are often overpopulated with projects that struggle to succeed. On average, success rates on Kickstarter range

between 30% to 35%<sup>35</sup> in the all-or-nothing scheme (Kickstarter stats, 2020). Some of the central differences between the pre-ordering (or reward-based) and equity models are reported in the table below based on the works of Ahlers et al. (2015), Mollick (2014), and Belleflamme et al. (2014).

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<sup>35</sup> For further consultation, Appendix C lists main results on backer's contributions, success rates, average goals and other details, based on a combination of data from four platforms: Kickstarter, Indiegogo, RocketHub and Crowdfunder. This data was selected by the author and retrieved from the website *Crowdfunding Center* in July 2019. Paid reports on Crowdfunding Center are based on periodical web scraping on a number of platforms where users can retrieve specific data according to their interests.

Table 6: Pre-ordering versus profit-sharing

	<b>Pre-Ordering / Reward-Based</b>	<b>Equity Model / Profit-Sharing</b>
<b>Motivations</b>	Heterogeneity of Individuals and Motivations	Homogeneity of Individuals and Motivations
<b>Business Stage</b>	Pre-ordering approach typically requires only the existence of a prototype at the time of campaign.	Profit-sharing approach is more suitable for early-stage ventures because they are intrinsically more uncertain.
<b>Home-Bias</b>	Non-equity crowdfunding seems to repeat traditional capital allocation (geographically).	Equity crowdfunding can reach wider public through the share offering with less account of geographical proximity.
<b>Information Asymmetry</b>	The asymmetry problem relates to how the creator delivers products to backers.	The asymmetry problem relates to generating value through equity to an investor.
<b>Uncertainty</b>	The uncertainty from the viewpoint of the funder is whether the output will satisfy his or her tastes. Thus, funding is a predictor of future demand and may serve as a signal for future funding rounds, possibly through more traditional funding channels (e.g., venture capital or bank loans).	The uncertainty from the viewpoint of the funder is whether the project will lead to a product that caters to the tastes of a sufficiently large number of potential customers.
<b>Signalling</b>	CFP in pre-ordering schemes are also valued as a way to test the market for products through price discrimination strategies. Thus, pre-ordering campaigns can serve as an informational mechanism through costly and non-costly signals.	Another strategy for CFPs consists in bringing sophisticated investors (such as venture capitalists, business angels, and institutional investors) on board of the platform. Thus, profit-sharing approach can serve to signal high-quality projects by eliminating amateur signals.
<b>Social Capital</b>	Important role in creating community benefits or largely depending on friends, family and close acquaintances to start-up a campaign.	Minor role. Less dependent of intimate circles of acquaintances. However, founders engage with platform administrators more and with potential supporters.

Besides these aspects, Belleflamme, Lambert, and Schwienbacher (2013) also suggest that pre-ordering crowdfunding has associated advantages in sales efforts: it helps identify and reward the most proactive consumers and practice price discrimination. However, they also indicate that a critical disadvantage lies in how pre-sales must cover the start-up capital requirement, potentially restricting lucrative price discrimination. They hypothesize that, although crowdfunding may augment profits by attaining a larger portion of consumer surplus, a price discrimination strategy may become distorted due to the constraints associated with the initial capital to be raised.

To this date, research on crowdfunding platforms has provided little detailed knowledge about platform competition and often remained theoretical (e.g., Belleflamme, Omrani, and Peitz 2015; Viotto da Cruz, 2015; Hagedorn and Pinkwart 2016; Salomon 2016). Devaraj and Patel (2016), for example, observed that crowdfunding platforms increase reliance on costlier signals over time (higher goal amount and shorter duration) and reduce dependence on noisier signals (number of backers). Some of these insights relate to credible signals conveyed by platforms or calls, the subject of the next item.

### ***Theme 2: Success Factors studies***

Crowdfunding empirical studies most typically explore the success factors related to quality signals and preparedness. Studies have been disproportionately based on campaign-level success factor analyses, a path that may present its limits as central empirical findings have been recurrently showing similar results across studies (Butticè and Unghetto, 2020). For example, empirical findings have been consistently pointing out the importance of local social networks, social media presence (of founders and their campaigns), early-stage funding, and a few essential credibility signals (e.g., narrative, text length, video, rewards, updates, comments) for the success of calls. Authors have been pointing out the need to go further than these categorizations to reach newer perspectives and new combinations of

variables. But first, it's worth mentioning which main credible signals studies use to portray and how they relate to fundamental notions of signaling theory.

*a) Credible signals and the signaling theory*

Several campaign signals have been analyzed up to this date in crowdfunding studies. Even though this study is not intended to produce a total accurate overview of all signals discussed in all papers, it's worth noting a number of recurrent themes: the campaign's narrative (Andrews; Dholakia; Herzenstein, 2011; Allison et al., 2014); the social network features (Lin, Prabhala and Viswanathan, 2012); the various credibility signals like video, text, rewards and visual presentation (Andrews, Dholakia and Herzenstein, 2011; Liu and Zhang, 2012). Other studies associate success with gender and personal features of entrepreneurs<sup>36</sup> (Pope and Syndor, 2011; Gorbatai and Nelson, 2015; Gafni et al., 2021), showing that crowdfunding tends to reduce a gender bias observed in other areas (venture capital and bank loans). A third stream is to also connect credibility signals with geographic patterns (Mendes-da-Silva et al., 2016), social network impact (Lin et al. 2013), and the role of other friends and acquaintances<sup>37</sup> contributions as a signal of quality (Herzenstein et al., 2011a; Zhang and Liu 2012; Burtch et al. 2013). This confirms the role of reciprocal exchanges as a social capital source (Zheng, Li, Wu, Shu, 2014; Colombo et al., 2015; Zheng et al., 2015) or embeddedness in social networks (Lin et al., 2013).

Basic signaling features have been consistently reporting similar results across various studies: first, the presence of a video in the campaign seems to significantly impact the project's success; also, a high number of reward levels combined with a short campaign duration and low funding

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<sup>36</sup> The literature calls this "activist choice homophily" (Greenberg and Mollick, 2017).

<sup>37</sup> Previous research stated that approximately 31% of start-up funding comes from family and friends (Parker, 2009). This result still finds echo in the current crowdfunding phenomenon as, in many cases, calls rely on an initial friends and family funding in order to further reach the target goal.

goal seems to drive success, confirming previous literature on the matter (Cumming et al., 2014; Mollick, 2014; Kuppuswamy and Bayus, 2015). Recently, the literature has evolved to more contemporary topics explored in item 4 of this chapter.

Most of the empirical success-factor literature is grounded in signaling theory principles. Even though crowdfunding welcomes a wide variety of topics and academic fields, the most prominent results have been portrayed in these lines. The fundamental insight brought by signaling theory to crowdfunding is asymmetrical information between buyers and sellers. Naturally, the entrepreneurial team has more information about the firm and the product than potential investors (Akerlof, 1970; Shapiro, 1982; Stiglitz, 1989). As in any market, sellers attempt to portray as much qualified information as possible to reduce the uncertainty inherent to all market transactions. As expected, signals display a monetary value in the sense that better signals are costly (Spence, 1972). Without taking stock of this early signaling literature, many crowdfunding papers consider the presence of quality videos and extra information available to backers as ways to portray quality. Some of this information may be seen as costly signals in the sense that a good video requires financial investment. Other signals are, however, less costly (text creation, reward structuring, budget transparency). Crowdfunding may offer the opportunity for agents with less access to resources to convey a campaign whose signals are predominantly costless. Briefly, these studies convey how agents may or not trust crowdfunding calls based on the perceived qualities and credibilities exposed directly or indirectly online (Zheng et al., 2016).

The image in the next section simplifies this signaling mechanism portrayed by success-factor studies (each applying their particular variables to assess the chances of success). The variety of variables used in such studies makes this an impossible endeavor to produce a meta-analysis of successful results. Nonetheless, it is possible to say that studies have often differentiated internal call features (text, video, rewards, goal, prices, narrative) and the external features (number of connections on social media, previous projects, media coverage, superstar effects, prizes, etc.). To this date,

word-of-mouth's external features have been mostly supported by word-of-mouth (WOM) than other reputational aspects (these are more consistently covered in the following chapters).

Recent studies also revealed significant differences between the central routes of information (quality signals in the call or the internal call features) and the peripheral route (word-of-mouth), corresponding to external call features. Unsurprisingly, the peripheral route (social network connections, online or offline) is significantly more important for entertainment and arts-related projects (Bi, Liu and Usman, 2017). Alexiou et al. (2020) have also identified that crowdfunding itself is a legitimate signal for non-profit organizations seeking alternative funding routes. This brings important contributions to the field as we can understand that a campaign also portrays signals in the simple act of doing crowdfunding.

Table 7: List of key findings in success-factor studies

<b>Authors</b>	<b>Topic</b>	<b>Description</b>
Burtch et al. (2013)	Geographic dispersion	Geographic and cultural distances between the donor and the recipient's respective countries reduce the lending activity in line with information asymmetry problems.
Boeuf et al (2014)	Non-profits	Public acknowledgment overruns material compensations with rewards.
Cumming, Leboeuf and Schwienbacher (2014).	Credibility signals through the model choice	AON is a consistent credible signal. It enables creators to set higher goals and raise more money. KIA projects are less successful as they do not signal commitment. This type is typically used to combine funding from complementary sources.
Mollick (2014)	Goal-setting	Increasing goal size is negatively associated with success. Duration decreases the chances of success
Pitschner and Finn (2014)	Non-profits	Crowdfunding projects that are focused on non-profit objectives tend to be more successful, and projects that produce tangible products rather than provide services tend to attract more capital
van de Rijdt et al (2014)	Sustained success Superstar effects	Greater amounts of initial success failed to produce much greater subsequent success, suggesting limits to the distortionary effects of social feedback.  Rich get richer effect.
Zheng (2014)	Network	Crowdfunding performance is dependent on the size of the creator's social network.
Agrawal et al (2015)	Social capital	Investment propensity rises as an artist's cumulative capital raised increases.  Distant funders' propensity to fund rises as the artist accumulates capital, whereas local funders' propensity does not.



Colombo et al (2015)	Social capital	The more funds and backers engaging in early phases of the campaign, the more internal social capital will matter in the fundraising results.
Lin, Viswanathan (2015)	Language	Having a high average donation per backer, suggestive of a dependence on a small number of large donors drawn from an individual's proximate social network of strong ties, diminishes the chances of trying a second project. A larger number of backers the first time around were related to a higher likelihood of trying to crowdfund again
Calic and Mosakowski (2016)	Sustainability	Showing sustainable traces in the campaign typically increases crowdfunding success mediated by the level of creativity and external endorsements.
Davidson and Poor (2016)	Reincidence	Having a high average donation per backer, suggestive of a dependence on a small number of large donors drawn from an individual's proximate social network of strong ties, diminishes the chances of trying a second project.
Hobbs, Grigore, Molesworth (2016)	Basic credible signals	Pitch quality, total raised, shares, updates, backers, reward quality stand out as those that strongly predict allocation to successful or failed campaigns.
Mendes da Silva et al (2016)	Geography	Crowdfunding seems to repeat investment behavior patterns as the distance between donors and founders is not significant. Supporters are part of close social connections of founders. Obs: the study discussed only results in the music sector.

Yang, Wang H., Wang G. (2016)	Scale	Platforms (more specifically, reward-based) are more viable for entrepreneurs with small-scale capital requirements as it is harder to successfully fund projects in need of large capital.
Kuppusuammy and Bayus (2017)	Altruism	<p>Crowdfunding results increase closer to the goal and it decreases once the target is achieved.</p> <p>The feeling of positive impact is negatively related to project size—people believe that their contributions to a small project have more impact than contributions to a large project.</p>
Ceccere et al (2017)	Altruism	The econometric results suggest that the decision about whether or not to fund is induced mostly by social influence – i.e. by the funding decisions of social neighbours – and to a lesser extent by rational motives and self-interest.
Cha (2017)	Team work	Team submission is another crucial human capital element. Crowdfunding campaigns submitted by more than one individual reach higher success than single attempts.
Chan and Parhankangas (2017)	Innovation	Campaigns with incremental innovation reach better results as they offer clear consumption benefits and feasible products or services.
Parhankangas and Renko (2017)	Language	Concreteness, preciseness and interactivity in communication with backers tend to increase success rates.
Kuppusuammy and Bayus (2017)	Altruism	<p>Crowdfunding support increases as a project approaches its target goal. Crowdfunding support decreases once the target goal is reached.</p> <p>The feeling of positive impact is negatively related to project size—people believe that their contributions to a small project have more impact than contributions to a large project.</p>

b) *Organizing the signals*

All studies in the sample with quantitative methodologies expose several campaign signals (of fundraiser or campaign-level) and optional external call features. Depending on the research goals, external call features may be unimportant. For Agrawal et al. (2015), Brent and Norah (2019), Noonan et al. (2020), and Breznitz and Noonan (2020), external features of calls greatly matter to crowdfunding analyses. This is especially true for regional socio-economic characteristics and geographic distance between projects and funders.

As argued by Kaartemo (2015) and Shneor and Vik (2020), mezzo level analyses are uncommon and, yet, fundamental to unveil sector based analyses. By moving away from purely signalling-based and success-factor mechanisms, studies can portray differences amongst sectors, regions, and overall performance from an economic viewpoint. With cultural and creative sectors, it is long assumed that creative activities have consistent economic characteristics that influence the success of creative projects (Caves, 2000)<sup>38</sup>.

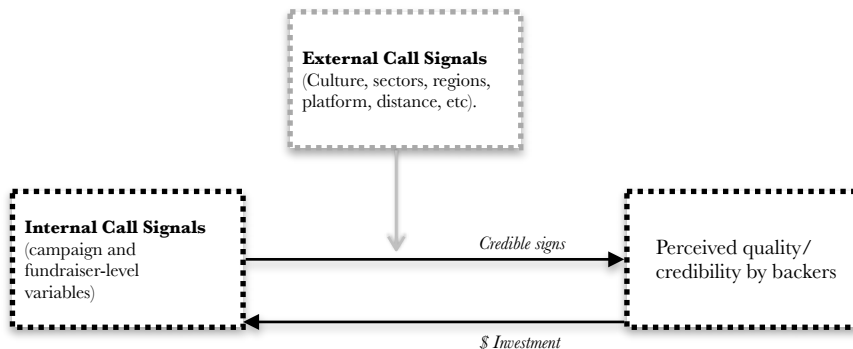


Figure 7 : External and Internal signals

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<sup>38</sup>The suggestion put forward in this chapter is not about replacing one type of study for another but of combining variables of different levels whenever possible: mezzo (sector) and micro levels of analyses (campaign and founder).

Regarding the dependent variables, studies follow similar strategies. Typically, most studies use the dummy success/non-success of a call (in the case of logistic regressions) or the continuous variable representing the total funds raised (in the case of linear regressions). Other than that, the ratio of funds raised/backers can be used to infer the outreach of a campaign, or even the ratio total raised/goal, which depicts by how much a campaign succeeds. As Shneor and Vik (2020) stated, this can be explained by the public available platform data, which offers basic data often transformed into these variables. Success in quantitative studies is therefore consistent as it depicts the achievement of a target goal. A few studies have been otherwise pointing out the need to verify further success levels after a crowdfunding campaign is finished, such as delivery time (Appio et al., 2020) and later commercial success or company survival (Butticè and Unghetto, 2020). Only one study questions the success levels of small local campaigns whose founders often contribute to their project, hence compromising the demand-testing feature of crowdfunding (Chapter 4 in this thesis). This is not an easy issue to solve methodologically as founders have all incentives to omit this information with reaching success via crowdfunding. To this date, the most cited paper in crowdfunding (Mollick, 2014) assumes this does not happen as smaller projects fail by larger margins.

For better visualizing the variables used in crowdfunding studies, the image below classifies variables in two types, according to previous literature reviews (Shneor and Vik, 2020). For simplification, the most recurrent independent variables were grouped in meaningful words similar to the actual variables used in the studies.

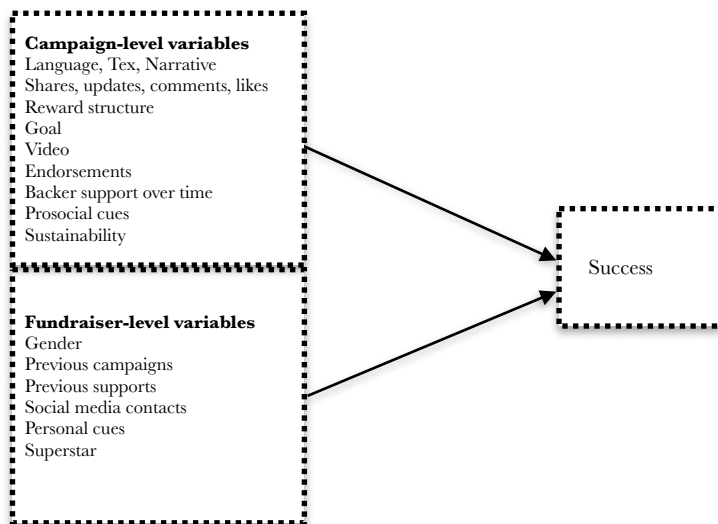


Figure 8 : Two levels of variables<sup>39</sup>

Some variables, although relevant for understanding new developments of crowdfunding, are not widely present in the academic literature, such as:

- Social media contacts (measured by the number of Facebook friends and other social media platforms). When used, these variables typically depict non-investment models (Wu et al., 2015; Pietraszkiewicz et al., 2017).
- Superstar effects are also rarely discussed. Exceptions apply in the case of van de Rijt (2014), showing how success breeds success (rich-get-richer in their own terms) and Doshi (2014), whose study shows the impact of superstar effects in early-stage platforms. Although personal cues are present in many calls to portray information to backers (e.g., founders with some social recognition), studies about the career stage of founders (and their prestige) are largely absent in the literature.

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<sup>39</sup> The list of variables does not intend to represent an exhaustive report of all options used in all studies. This is rather an overview of most common used variables.

- Sustainability (social and environmental) is uncommon in the literature but has gauged increasing attention (Motylska-Kuzma 2018; Wehnert et al. 2019; Maehle et al., 2020). A few empirical studies show how projects with sustainable characteristics are more successful (Calic and Mosakowski, 2016) and often develop better messages in their campaign (Maehle, 2020). However, in equity crowdfunding, this finding is not confirmed (Vismara, 2019). Whilst sustainability is relevant<sup>40</sup> for all four crowdfunding models, loan-based projects seem to have the highest success rates in relation to sustainability<sup>41</sup> (Maehle et al., 2020).

*b) The goal-setting problem*

Several findings are recurrently found across various studies. Often, these are based on the initial observations made by Mollick (2014) on the general patterns of crowdfunding operated in multi-purpose platforms such as Kickstarter. As this platform remains constantly focused on the cultural sectors, it is reasonable to say that its results apply to the cultural and creative sectors<sup>42</sup>. One consistent finding tells us that reward-based campaigns have low-value pledges, low-value goal on average, and consistent success-rates over the year (Borst, Moser and Ferguson, 2017; Kuppuswamy and Bayus, 2017; Rijanto, 2021). One possible line of explanation is that proposing lower target goals would reduce the risks of not reaching the expected amount and, therefore, solving reputational issues

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40 A complementary perspective is given by Vismara (2018) in the case of equity crowdfunding. He finds that sustainable orientation does not bring more funds but it does bring more qualified funders (called “restricted investors”). These investors follow a “community logic” in that their support is conditioned by a sense of long-term contribution to either preservation or social environments.

41 This is due to loan-based projects their work in underprivileged places. As many loan projects are created by local farmers, craftsmen and artisans, backers expect their contribution to be used sustainably in exchange for not having pecuniary rewards off their temporary loans.

42 Appendix D illustrates up-to-date information based on Kickstarter (2020) recent results (success rates, amounts raised and backers per category).

in local social networks (Chapter 4)<sup>43</sup>. A complementary line of explanation shows how lower goals increase chances of success of a call (Kuppuswamy and Bayus, 2017), which is fundamental with newcomer founders who gradually expect to build up their reputation and extract profits, superstar effects or simply new forms of investment in the future (Handke and Dalla Chiesa, 2021). The goal-setting problem is fundamental for CCI as creators in these fields benefit from crowdfunding beyond the financial gains. It has been long argued that creators in the arts and cultural industries have enormous career constraints, which impacts the funding options and access to further development stages (Mathieu, 2015). Crowdfunding has been reported as a potential way to increase their reputation whilst working in their portfolio (Chapter 4). The next chapters will delve into these aspects from different methodological points of view.

Determining the goal is a function of the costs involved in creating and delivering the campaign rewards. Creators typically expect to cover fixed costs and transaction costs as a basic premise of crowdfunding (Handke and Dalla Chiesa, 2021). When founders have higher expectations over the project, goals are expected to be higher (e.g., design and technology categories have higher goals and higher failure rates). Arguably, the project category, or sector (discussed in Chapter 5), represents a relevant aspect in the goal-setting process CCI differ in their labour-intensive and costs structure<sup>44</sup>. Creators of non-reproducible goods, non-digitized products, or non-technology related can easily set lower goals without drastically impacting their final results. In crowdfunding, this is often the case for areas such as Theater, Dance, Music and Visual Arts<sup>45</sup>. Lower goals can also be

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43 This finding is mostly applicable to core cultural arts such as performing music, dance, theatre, visual arts, crafts and charitable activities in the arts. The reason discussed in chapter 4 relates to the community-based aspect of crowdfunding (Belleflamme et al., 2014).

44 To the best of my knowledge, no consistent panel data is available in the academic literature to reinforce this point. The Appendix C attempts to cover this gap by showing the overall evolution of goals, amounts raised and backers contributions from 2014 to 2018. However, this is specific to crowdfunding campaigns, not to overall cultural and creative industries.

45 Additionally, Appendix C shows average goals per area (2014-2018).

expected to increase the probability of reaching the target goal (Mollick, 2014).

The goal-setting problem has a close relationship with the choice between all-or-nothing or the keep-it-all model. Creators can typically choose between these models either in different platforms or in the same platform (e.g. crowdfunding websites like Catarse and Indiegogo offer both options, while Kickstarter focuses only on one mechanism<sup>46</sup>). The model choice impacts the goal-setting in the sense that creators typically expect more commitment of backers via the AON model than KIA due to their engagement to a project (Cumming et al., 2014). This is why fixed-funding is considered the “optimal campaign strategy” (Chang, 2020).

Agents perceive crowdfunding as a commitment tool (Chang, 2020) in the sense that founders will eliminate moral hazard problems by choosing the all-or-nothing (AON) option instead of the keep-it-all (KIA) option (whereby the founders keep all money invested regardless of reaching the target goal). The second option signals not enough commitment to the project and the unclear signal about covering the fixed costs of a project (Cumming et al., 2014). The AON scheme, instead, would assure backers that: a) reimbursement is provided with failure; b) fixed costs are covered, which potentially means that the rewards will be delivered with success.

The AON choice provides a credible signal about the commitment to the crowdfunding project. As such, this model is less risky than the KIA scheme, where flexible goals do not provide enough certitude on the cost structure and pricing mechanism necessary to make a product deliverable (Cumming et al., 2014). The authors state that entrepreneurs may use the KIA model for scalable projects: products possibly delivered even with partial funding. Other differences between the KIA and AON model show that backers are largely impacted by any communication in AON calls in comparison to the KIA model. This means that credible signals sent by

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<sup>46</sup> Viotto da Cruz (2018) explores platform competition more consistently in line with the two-sided market literature.



entrepreneurs in the AON model may yield more results than in other funding options.

### ***Theme 3: Backer's motivations***

A recurrent theme in crowdfunding literature consists of analysing what motivates backers to donate, support or pre-buy a product via any type of crowdfunding call. Typically, these studies explicitly or implicitly draw on self-determination theory (SDT)<sup>47</sup> or elaboration likelihood model (ELM)<sup>48</sup> borrowed from Psychology to explore the extrinsic and intrinsic motivations of backers' support as well as central and peripheral routes of persuasion in online campaigns (e.g. Allison et al., 2017; Wang et al., 2019; Burger and Kleinert, 2020).

Leaving aside the theoretical umbrella, empirical insights show that backers can extract various benefits from crowdfunding calls. Because founders maximize the possibilities of engagement with donors/pre-buyers/investors, crowdfunding calls are typically designed to offer a range of rewards that is ideally sufficient for covering the fixed costs of creation and the transaction costs of implementing a crowdfunding call. Each perceived benefit is ideally linked to one or more rewards offered in the online call. As the main matter of concern in this thesis is the reward-based model - in which benefits associated with rewards in-kind are combined with those of gift-giving - we do not discuss the possibility of profit-sharing options. These

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47 The self-determination theory is an encompassing theory on human motivation (Deci and Ryan 1985; 2000). This theory contends that rewards can enhance or undermine intrinsic or extrinsic motivations and for this reason it has been used in the investigation of reward structure in crowdfunding campaigns. This literature does not explicitly holds connections with Frey's (1994) discussions on extrinsic and intrinsic motivation. Nonetheless, there is a clear affinity between these theories in the exploration of how agents react to rewards.

48 ELM (Petty and Cacioppo, 1986) is used in crowdfunding research to depict the factors that may influence the entrepreneur's ability to persuade funders through at least two routes: peripheral and central. "The central route is defined as the process by which people evaluate information through critical thought. The peripheral route is defined as a less cognitively effortful process through which the message setting influences an individual" (Allison et al., 2017, p. 8).

are subject to Equity-based literature, largely reported in studies that connect the features of venture capital to profit-sharing crowdfunding schemes (Belleflamme et al., 2014; Ahlers, 2015; Cholakova, et al., 2015; Viotto da Cruz, 2017).

Researchers have discussed that non-profit campaigns are more likely achieve success than for-profit options (Pitschner and Finn, 2014). Moreover, as per The Crowdfunding Center (2017), cultural and creative industries normally reach better results than small business creation or equity projects - in terms of number of projects, backers, and success rates, for example (this overview is found in Appendix C and D). This seems to make the case for better success rates but not necessarily higher total values. Ultimately, backers in reward-based crowdfunding have been characterized by a strong sense of public benefit, societal impact and transparency. These aspects drive the discussion on backers' motivation as pecuniary returns are absent.

The literature on reward-based crowdfunding so far has identified several possible the motivations regarding the act of supporting these types of projects (Gerber and Hui, 2016; Bretschneider and Leimeister, 2017). To the best of our knowledge, limited effort has been employed into distinguishing the various types of benefits that each backer obtains from a given campaign or how these aspects relate to the types of rewards. In order to cater to this lack of systematic appraisal of user benefits, we draw on the literature about the economics of donation and charitable contributions besides crowdfunding itself. Charitable giving offers an interesting combination of direct and indirect benefits (Scharf and Tonin, 2018), also observable in the crowdfunding reward-based model.

The landscape of backer motivations is extremely wide and studies do not always match in their approaches. As a solution to that, we recur to

the established economics of philanthropy<sup>49</sup> literature to determine a few differences amongst all the various motivations listed in crowdfunding papers. According to Scharf and Tonin (2018), philanthropic supporters expect either direct or indirect benefits. As such, the table below also includes the possibility of both benefits being combined as crowdfunding rewards typically are structured to comprise a wide range of options, from tangible to intangible rewards (e.g., "thank you" notes, memorabilia, actual products and "pure" donation).

Table 8: Benefits of rewards to backers

	<b>Benefits or Utility</b>	<b>Type of CF reward</b>	<b>Empirical evidence (references)</b>	<b>Characteristics</b>
<b>Direct benefits</b>	<i>Use-value (private consumption)</i>	a) Physical goods	Interest in the prospect reward (Bretschneider and Leimeister, 2017; Gerber and Hui, 2016)	This type refers to the user who extracts benefits purely based on the product offered (e.g. an album, a book, a concert, etc.)
		b) Experience goods		
		c) Memorabilia	Collect the reward (Cholakova and Clarysse 2015)	

49 Andreoni (1998; 2018) is the most recognized author in the field of economics of philanthropy having developed the application of "warm glow" into the rational approach to gift-giving. Later studies such as Benabou and Tirole (2016) expand this notion into the overarching idea of "self signalling" through which agents consciously portray intended signals of themselves in order to reduce asymmetrical information and yield trust to others. A similar distinction between extrinsic signals and "image motivation" is discussed by Ariely et al. (2009). These studies hold parallels with the long-standing sociological tradition of self-representation as discussed by Goffman (1985), although important epistemological distinctions hold these traditions in separate.

	<i>Consumer/Fan participation</i>	<p>d) Physical goods</p> <p>e) Experience goods</p> <p>f) Memorabilia</p>	<p>Lobby so the project becomes real (Bretschneider and Leimeister, 2017)</p> <p>Digital fandom (Booth, 2015; Scott, 2015). Media theories.</p> <p>Co-creation, psychological ownership (Lipusch et al, 2020)</p>	<p>This type refers to the user who extract benefits based on participation either in an experience or in the process of creating the final product</p>
<b>Indirect benefits</b>	<i>Reciprocity/Social Capital</i>	<p>g) Recognition by third parties (e.g. featuring the donor's name)</p>	<p>Monetary incentives crowd out supporters (Bœuf et al, 2014 ; Cecere et al, 2017)</p> <p>Importance of social ties and trust Zheng et al. (2014)</p> <p>Prosocial behavior (Benabou, Tirole, 2016)</p> <p>Cause support (Cholakova and Clarysse 2015)</p> <p>Social capital contribution (Colombo et al., 2015)</p>	<p>This type refers to the user who extract benefits out the social process of participation, acting towards reciprocity or gift-giving principles</p>

	<p><i>Self-signaling</i></p> <p>h) Recognition by third parties (e.g. featuring the donor's name)</p> <p>i) No reward choice</p>	<p>Self-signaling (Benabou and Tirole, 2006)</p> <p>Warm-glow (Cecere et al, 2017; Andreoni 1998, 1990).</p> <p>Prestige (Harbaugh, 1998)</p>	<p>This type refers to the user who enjoys warm-glow and recognition by oneself or others regardless of reciprocity.</p>
<p><b>Direct and indirect benefits</b></p>	<p><i>All of the above</i></p> <p>j) Bundling rewards</p>	<p>Absent in the crowdfunding literature</p>	<p>This type means that agents purposely choose a bundle of indirect and direct benefits in order to extract the maximum benefits (e.g. signaling cause support whilst retrieving tangible rewards)</p>

The literature on crowdfunding is clear about how online calls provide information for founders to implement their projects and, ultimately, to test the acceptance of a product based on the backers' response. The most typical insight brought by the CCI sample of the crowdfunding literature is about examining the pre-purchasing reasoning. A consistent observation across studies contends that the backer's are motivated by community-based reasons, even when they are geographically distant from founders (Belleflamme et al., 2014). A simple empirical insight in this direction shows that if backers were only motivated by rewards in-kind, contributions would continue after reaching the goal (Kuppuswammy and Bayus, 2017). As such the risks associated with individual investment would reduce once completing the target goal.

Nonetheless, empirical findings show the opposite (see Rijanto, 2021): (a) contributions abound at the start, boosted by close networks; (b) in the middle of the campaign, they are scarce; (c) contributions rise again closer to the end date - provided that the campaign reaches at least 30% to 40% of funds in the first two weeks; and (d) contributions drastically reduce after reaching the target goal (Kuppuswamy and Bayus, 2018). The ones whose results exceed the target goal are considered extremely successful. Typically, they display one of the following signals: superstar effects, product or personally-based prestige, media coverage, large social networks related to the founder, previous commercial viability or a successful storytelling.

The aversion of backers with overfunding has been discussed by some scholars as a reaction to moral hazard risks (i.e., providing funds extra than necessary) resulting from a supposed deviation from public good attributes. Overfunding would signal a profit-oriented behavior which is not expected in reward-based projects (Hudik and Chovanculiak, 2018). In the table above, insights on backers motivations also explain this phenomenon based on incentives other than pecuniary ones (Boeuf et al., 2014; Gerber and Hui, 2016), such as altruism and warm-glow (Ceccere et al., 2017). These characteristics, to some extent, resemble the public good attributes and intrinsic motivation, often characteristic of the arts and cultural domains (Towse, 1994). Moreover, some core findings have a clear affiliation with cultural economics literature.

One of the earliest insights in the crowdfunding literature also calls our attention to the community<sup>50</sup> aspects of crowdfunding (Belleflamme et al., 2014). These aspects have drawn considerable efforts in determining the geographical outreach of calls and the extent to which crowdfunding is (or not) a local phenomenon. Research is, yet, inconclusive for the various

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<sup>50</sup> Empirical research shows that backers are either a community of early-customers or communities of capital-constrained cultural entrepreneurs (Burger and Kleinert, 2020). This distinction is fundamental to uncover details of cultural and creative sectors and crowdfunding. As reported by the authors, not only the intangible rewards, the product itself matter but also the active engagement with founders. This seems much in line with the experience goods characteristics of the arts and culture (Towse, 1997; Caves, 2000; Ginsburg and Throsby, 2006)

crowdfunding types and project categories, but a few insights are worth noticing as this fundamentally relates to backers' motivations. In a nutshell, *do backers support projects for their intangible rewards or for the product itself? Can these two reasoning remain separated when evaluating crowdfunding projects?* This endless binary discussion was somewhat refreshed by the work of Burger and Kleinert (2020, p. 1), who consistently argued that backers of cultural projects “are no more likely than commercial backers to support campaigns in exchange for symbolic rewards”. This brings somewhat a closure to the dichotomy of “commercial consumers” *versus* “symbolic consumers” as these categories greatly overlap. Although crowdfunding holds features of two-sided markets - similarly to e-commerce platforms - crowdfunding is not simply an e-commerce outlet. Vast findings and empirical discussions confirm the non-pecuniary, symbolic or intangible motivations in both equity and reward-based models. As such, it shows that isolating the product and its reward structure seems impossible in the case of cultural and creative sectors<sup>51</sup>.

Similar aspects surround the CCIs as the cultural goods - described by Towse (1994), Caves (2000), Ginsburgh and Throsby (2006), Abbing (2002) - show traces of public good attributes, intrinsically motivated individuals and local benefits. The literature in cultural economics, therefore, can further support the investigation of why backers perform voluntary contributions to creative goods in the form of monetary donations or even voluntary labor (Seaman 1981; 2006; Frey 1997) without considerable pecuniary returns (Klamer, 1996; 2016).

#### ***Theme 4: Local investment and geographic patterns***

This theme provides an overview of central findings in the literature about home-bias and further connects it with additional sources investment behavior . Past research has extensively explored how the perception of

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<sup>51</sup> The literature in cultural economics is clear in this respect. The insights by Throsby (2001), Hutter (2008), Klamer (2000) and others vastly discuss how cultural goods combine tangible and intangible benefits out of consumption.

physical distance influences decision-making for various domains, such as financial investment and charitable giving. This research stream focused mainly on the identification of conditions where people manifest home-bias, which is the tendency to allocate resources in domestic uses. Because superior domestic information has advantages over the information asymmetry caused by distance, home-bias is partially explained by the rational behavior: supporters will back projects that most reduce their investment risk.

Another complementary explanation for home-bias in investment depicts the influence of geographic distance on the sense of investment control. By manipulating spatial distance in a sequence of experiments, He et al. (2019) demonstrated that investors are more impatient with investment returns when the project is located farther away. Therefore, investors are less likely to fund distant projects even when they promise larger returns. The higher the distance, the lower the sense of control over the project and the less likely the investment in the project. Support for this statement comes both from past research that investigated the influence of distance on the amount raised (Agrawal et al., 2015; Mendes-da-Silva et al., 2016; Guenther et al., 2018) and from previous works that explored how project location determines its success (Noonan et al., 2020; Breznitz and Noonan, 2020).

Previous research also identified home-bias in the charity context. Touré-Tillery and Fishbach (2017), for example, showed that people expect charitable donations to have more impact on nearby than on faraway targets. Because making an impact is a powerful motivator of prosocial behavior, people are more likely to help nearby instead of distant causes. Complementarily, Ein-Gar and Levontin (2013) investigated how the perception of distance influences the propensity to donate to either a charitable organization or a single identified person. According to their findings, backers are willing to contribute to campaigns when they feel distant from those in need.

More interestingly, Xu et al. (2020) showed a boundary condition where home-bias is mitigated: the spatial distance between donors and recipients of charitable money (e.g., faraway versus nearby recipients)



influences charitable behaviors. Their findings show warm-glow reasoning is applied to funding, donors experience a more expansive conception of their moral circle and, therefore, donate more money to distant causes.

The literature discussed so far allows us to state that, with exceptions (e.g., Xu et al., 2020), people manifest home-bias when deciding about investments and charitable giving. These findings share consistencies with those described by research on geographical distance and crowdfunding. Although crowdfunding intends to break boundaries between entrepreneurs and backers, it did not overcome all challenges caused by distance (Agrawal et al., 2015). When investigating whether geography matters in crowdfunding patterns Agrawal et al. (2015) found that the value of donations increase with proximity to the founders. Further, they found that local funders are less concerned with how much funds an artists cumulatively raises throughout the campaign, especially if funders are friends with the founder. Agrawal et al. (2015) conclude that, although crowdfunding platforms seem to diminish many distance-sensitive costs (e.g., monitoring progress, providing input, and gathering information), they may reiterate typical social frictions, cultural backgrounds and societal contexts that bring donor and founder together.

In addition to this, Mendes-da-Silva et al. (2016) investigated the relationship between the fundraising accumulation period, the donor-entrepreneur distance, and the propensity funders to actually support a campaign. Their findings show the presence of a negative relation between distance and how much money funders invest in a given project. As the higher the distance, the smaller the amount donated, close contacts seem to play a vital role in funding results (Zvilichovsky et al., 2013). Also interestingly, these findings confirm the role of reciprocity in crowdfunding (Zheng, Li, Wu and Shu, 2014). Furthermore, Guenther et al. (2018) investigate the role of geographic distance in equity investment decisions. In that case, distance is negatively correlated with investment probability for local investors. Overseas investors, however, are already willing to fund projects from other localities, therefore, distance is less important. This has

parallels with reward-based model, hence showing that investment behavior does not seem to change much in regards to the platform types.

In addition, Breznitz and Noonan (2020) analyzed the geographic clustering of crowdfunding across the USA and Canada at the city level. They showed that while the locations of Kickstarter projects are not as clustered, projects able to recruit funding are clustering. Some of these findings hold a close relationship with the rewards offered in crowdfunding calls. Ego-boosting rewards and customized items, for example, effectively result in cultural and creative projects (Mendes da Silva et al., 2016). Also, offering single and exciting rewards enhances the feelings of uniqueness to backers (Valeri, 2017). This seems enhance the creation of fandom communities, backer networks and, ultimately, a feeling or pertaining a group with similar interests (Belleflamme et al., 2014; Davidson and Poor, 2015). These aspects will be further discussed in Chapter 5 with a concrete example.

### ***Theme 5: Fandom, media and qualitative views***

In 2014, the New Media and Society journal launched the special issue about crowdfunding, the first outlet dedicated to the role of community engagement, fandom and crowdfunding as becoming part of the media landscapes. The journal opened a call for discussing how crowdfunding is changing the landscape for media production by bringing producers and consumers closer to online platforms (Booth, 2014; Scott, 2014; Hills, 2014). In their view, crowdfunding had inaugurated a more efficient and independent way to connect activists, political and social agendas, and their respective fans or enthusiasts. The underlying reasoning is that crowdfunding would allow agents to pursue agendas otherwise hardly funded through traditional methods<sup>52</sup> (Koçer, 2014). These studies also critically assess the usage of crowdfunding as a sustainable model for

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<sup>52</sup> <sup>52</sup> Loans, private sponsorship, angel investment, venture capital. Some studies also report that crowdfunding should be complemented with more traditional funding sources as this is a fundamental way for entrepreneurs to reach financial sustainability (Chan and Parhankangas, 2017).

creative industries due to its project-based structure and the critique of laissez-faire cultural policies (Braet, Spek and Pauwels, 2016). Studies such as Sorensen (2012) attribute crowdfunding in the movie industry because of declining subsidies in the UK and the increasing precariousness of careers in the creative sectors. Somehow the combination of decreasing funding sources for the arts (Hetherington, 2014), increasing supply (Caves, 2000; Kretschmer et al., 1999), flexible careers (Mathieu, 2015), and various motivations (Hui et al., 2012; 2014) brings crowdfunding to the forefront of options for early-career, newcomers and innovative niche creators in need of public validation, market testing and, simply, funds. This rationale greatly connects with individuals, fanbase, and enthusiasts who are not as eager to support large organizations as they are for independent niche cultural production (Brown, Boon and Pitt, 2017).

Despite these seemingly positive views, crowdfunding also yields remarkable skepticism, like the discussion proposed by Langley and Leyshon (2017). They criticize the apparent qualities of crowdfunding. The authors argue that in order to confirm the supposedly “democratizing” and “disruptive” features of this model, it is fundamental to look into the geographies of money, its spatial and demographic distributions. If there are no concrete changes in this sense, the egalitarianism often associated with crowdfunding would simply remain restricted to a cluster of investors, communities or urban centers where pre-existing social relationships dictate investment patterns, hence not so different than other financial options.

Also, from a more hopeful perspective, Heresco (2017) sees crowdfunding as an emancipatory tool that facilitates the new financing mechanisms with new media products transferring the risk from capital-investors to citizen-consumers. In Papadimitrou's (2017) viewpoint, this practice is also crucial to enable low-budget films to be made, despite the small amount collected and that much of the work is done by voluntary labor.

Galuszka and Brzozowska (2016) provide a similar perspective whereby to complete a campaign successfully means to build a strong

relationship with a group of enthusiasts. For example, Chin (2013) argues that fandom is crucial for understanding a desire/willingness to donate to a Kickstarter (Booth, 2015). This cluster of fan-based studies usually points out a sociological standpoint whereby the authors identify gift and commodity exchange combinations in crowdfunding calls. This cluster of studies addresses the possibility that crowdfunding has become prevalent throughout the industry, at least partly due to fan involvement in the creative side of music production (Zheng et al., 2014) or the prosumerism phenomenon after digitalization (Towse and Handke, 2014). The findings indicate that this model benefits crowdfunding for independent artists who are more dependent of younger audiences, as a sustained pool of backers in crowdfunding (Gamble, Brennan and McAdam, 2017).

Finally, many backers seem to be inclined to aiding entrepreneurs in the process of bringing an innovative idea to light. This takes the form of “co-creation” or feedback-loop into product development, of which certain backers are glad to participate (Gerber et al., 2012; Lin, Boh and Goh, 2014). Nonetheless, this tends to happen in specific types of campaigns, more often the “incrementally innovative ones”, where it is supposedly easier for consumers to provide input on product development (O’Connor, 1998; Callahan and Lasry, 2004; Menguc et al., 2014). This goes in line with Gerber and Hui (2013; 2016), for example, observations on the existence of a community effect promoting new ways of entrepreneurialism.

Overall, these qualitative-based studies predominantly discuss the importance of social capital, community bonding, management practices and motivations. The increasing number of qualitative works also shows a growing interest in understanding crowdfunding as per their online narratives, storytelling and symbolic meaning. Manning and Bejarano (2017), for instance, analyze the structure of entrepreneurs’ narratives in the platforms and conclude that basically two narratives are favoured: the depicting of ongoing journeys or the results in progress. In the first case, the crowdfunding campaign represents a “long-term endeavor” that aims to catch the backer emotionally, whereas the second would centered in the actual support to the product under offering.

The overall conclusion brought by such studies is that crowdfunding seems an ideal match for entrepreneurs seeking ‘societal’ value more than for economic gain (Lehner, 2014). Most frequently, media scholars have been more concerned with how long-tail niche creators offer their independent productions and attempt to reach consumers, fans, and donors, thus making their cultural production possible outside traditional funding models.

### 3.4. Aspects for further research

Several issues reported at the start of crowdfunding literature remain uncovered. This brief section comments on issues raised by articles, the sample, and details research agendas suggested by other literature review papers. First, the table below lists some of the most relevant literature reviews (2013-2020) and their suggestions for future research.

Table 9: Future research areas by previous literature reviews

<b>Authors</b>	<b>Primary suggestions</b>	<b>Secondary suggestions</b>
Lehner (2013)	Do motivations differ for certain types of crowdfunding projects?	Discourse and legitimization of CF as an alternative source of money
Kuppuswamy and Bayus (2015)	How important for crowdfunding success are family, friends and strangers?	Is funding behavior by the crowd rational or irrational?
Stiver et al (2015)	To unveil more extensively the difference between financial and non-financial benefits.	Platform features: how civic crowdfunding platforms can help to facilitate online and offline promotion, networking, and feedback of projects?
Macht and Weatherstone (2015)	The typical supporter and profile in each of the crowdfunding areas	Focus on more specific types of crowdfunding and supporters

Feller et al (2015)	Lack of skills and competencies influencing the outcome of calls success.	Make use of exploratory inductive methodologies that raise new questions out of the success-factor story.
Guan (2016)	Operational problems during the crowdfunding campaign.	Different cost structure of the product might lead to different selections of funding mechanisms.
Pichler and Tezza (2016)	Immediate Post-funding moment.	Role of crowdfunding as an alternative/complementary source of capital for firms and individuals.
Moritz and Block (2016)	The regulation of crowdfunding makes (most specifically equity ones).	The extent to which crowdfunding helps in closing financial gap for early-entrepreneurs.
Kaartemo (2017)	The socio-economic aspects allowing success and failures in crowdfunding calls (e.g. characteristics of fund-seekers).	Home-bias analysis and a close look into what crowdfunding campaigns do locally especially because most funders come from local areas.
Shneor and Vik (2020)	Inclusion of macro-levels (country, culture, economy, etc.)	Inclusion of mezzo (sector/ industry, customer segment, CF community, etc.) level concepts.
Butticè and Unghetto (2020)	Post-campaign period, comparative studies and focusing on platforms other than US.	Feedback loop for product development and new innovative ideas.

These selected items originated from literature reviews show several research directions. But overall, all literature reviews agree that the success-factor-based strategy has to move on to new directions: either by providing a combination of micro, mezzo, and macro-level variables (Shneor and Vik,

2020) or combining different CF models<sup>53</sup> (Butticè and Unghetto, 2020). Some other studies will discuss the need for more exploratory inductive-based strategies to raise new questions in crowdfunding research. A similar preoccupation has been pointed out by Short et al. (2017) in a survey-based discussion about the avenues for crowdfunding research. In this paper, the authors suggest that exploratory and qualitative studies are required to encounter new questions. But other than that, the common success-factor story also yields new possible avenues as typically studies have been geographically constrained and based on a handful of platform data. Butticè and Unghetto (2020) argue that crowdfunding data is hardly generalizable to all CF models, regions, and platforms, as research in other areas (or even with different variables) is scarce.

From a thematic viewpoint, “culture” appears to be an essential determinant in crowdfunding support, as argued by a few authors (Galuszka and Brzozowska, 2016, 2017; Gerber and Hui, 2016; Josefy et al., 2017). In this case, culture is argued as an external element influencing the achievement of goals: “To put it succinctly, trying to understand crowdfunding without an understanding of the crowd is like trying to understand traditional venture funding without understanding the nature of angels and venture capitalists” (Josefy et al., 2017, p. 176). What lies underneath this statement is that somehow an understanding that the investor's cultural context is relevant to explain the success patterns<sup>54</sup>.

Another thematic research avenue is typically managerial. As observed by authors such as Thürridl and Kamleitner (2016) fund-seekers seem to rely on intuition rather than on strategy. This observation does not sound odd, having in mind the observations further discussed in this thesis (mainly chapter 4) whereby founders report to “trying their luck” with little

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<sup>53</sup> This is due to majority of literature reviews being concerned with reward-based model only, which is also the case in this thesis as a result of a sector-based focus.

<sup>54</sup> As an example, Brazil is recognized for having much of its crowdfunding based on comic books or political and social agendas (Dalla Chiesa, 2017). On the other hand, China's crowdfunding landscape abounds with equity crowdfunding and lending schemes (CCAF, 2017). In Europe, the crowdfunding is rather diverse, yet having cultural categories predominantly in reward-based options.

experience, often not knowing the cost structure of their projects or not including own labor efforts in this calculation. This line of inquiry leads to interesting directions: career-based studies, sector analyses, and financial sustainability of crowdfunding ventures. A constant question in crowdfunding research is: what happens after a project reaches the target goal and delivers its rewards? (Butticè and Unghetto, 2020). In equity crowdfunding (Vismara, 2018), there is evidence available about crowdfunding projects becoming successful ventures by further engaging in new types of funding sources (venture capital, angel investment, loans, and sponsorships). However, in Reward-based crowdfunding, this scenario is scarce, possibly due to the intrinsic characteristics of the cultural and creative industries (Kretschmer et al., 1999; Caves, 2000; Matthieu, 2018) recurrently discussed in this thesis. This demonstrates how urgent sector-based analyses are for new meaningful insights to be developed.

Examples of successful campaigns transforming into successful businesses are not widely discussed in the literature. On the one hand, crowdfunding is often seen as a form of amateur investment (for profit-sharing options) or simply a pre-buying scheme (Belleflamme et al., 2014), which might discourage professional investors willing to provide additional funding (Butticè and Unghetto, 2020). But a successful campaign sends credible signals to further introduce a product in the market more extensively (Lehner and Nicholls, 2014).

A third theme orbits the fundraiser-level variables, or the profile of fund seekers, which arguably affects the results of a fundraising campaign with their previous knowledge, career, and skills (Thürridl and Kamleitner, 2016). So far, it is hard to claim any argument about the founders' perspectives as most papers limit their data gathering to information available online (Kaartemo, 2017). One explicit limitation lies in the comprehension of the cost structure of projects. Basic economic reasoning assumes fund seekers would at least cover the fixed costs of their operation via crowdfunding. Other than that, exploratory research has pointed out how founders create projects to gain attention from the public, test products or ideas to a certain extent but incurring more costs than revenues (i.e., costs



are actually higher than the call proposes). This may suggest that some campaigns use crowdfunding as a marketing strategy (Brown et al., 2017), possibly covering upfront costs of advertising but not total costs related to innovation. Future researches can delve into cost-structure analyses directly from founders as online data does not show whether founders use crowdfunding to cover additional or central costs of their operation. There is no clear account of how campaigns are designed and how founders can optimize the effectiveness of their campaigns (Stiver et al., 2015).

New research directions have been emerging in the field with the work of Lazzaro and Noonan (2020) on regulation and Breznitz and Noonan (2020) on geographical patterns of crowdfunding. For both aspects, it is worth considering the differences between commercial and non-commercial ventures (see Burger and Kleinert, 2020), as regulations and geographical patterns are said to depend on the characteristics of calls. Another side of the regulation discussion is to what extent state-driven initiatives are present in crowdfunding. Often, this is a neglected topic as crowdfunding exerts strong market principles and typically private initiatives. But a few research pieces and government reports on “match-funding” (the combination of state funding and crowdfunding) have recently emerged in the academic literature (NESTA, 2017; Senabre, 2018; Morell, 2020). Given the absence of more research, this literature review had not delved into these topics. Still, chapter six in this thesis discusses matchfunding as a sub-type of crowdfunding and its potential to cultural and creative industries (discussed in Chapter 6).

## **Conclusions**

This literature review has chiefly discussed the reward-based model as it more closely relates to the goals of this thesis and the empirical focus on arts and culture. This chapter presents limitations worth noticing: first, further comparative literature reviews can delve more extensively into the four-models comparison in crowdfunding. This is a topic always mentioned by researchers but never thoroughly studied. Second, new methodological approaches can emerge in the attempt to expand the micro-analyses of success-factors into a macro-level discussion associated with the overall impact of this model for the arts: to which extent crowdfunding structurally impacts the arts and its revenues? To which extent creators find more stable career positions for themselves after building a portfolio? Some of these questions may be posed with longitudinal and panel data studies advancing in more comparative views of alternative funding models.

Although the plethora of crowdfunding literature seems internally unconnected, the multi-perspective report provided by this chapter helps understand crowdfunding from various points of view, not only its optimal campaign strategies but also its associated motivations and community benefits. As a field in its infancy, there is still space for further exploratory approaches which can complement each other and demonstrate the richness of this phenomenon.

## **PART II - A QUALITATIVE APPROACH**

Previous chapters have addressed the urge for refreshed exploratory views on crowdfunding. To the best of my knowledge, no previous research has discussed how local artists and independent creators place crowdfunding in their careers, nor their expectations with crowdfunding. A number of qualitative and quantitative researchers have previously delved into similar concerns, but uncommonly investigating the platform's role in providing a credible signal for the artists' career. The next chapter engages in a qualitative outlook on the articulation of crowdfunding money, intimate local ties, and career development.



## 4. CROWDFUNDING ARTISTS: BEYOND MATCH-MAKING ON PLATFORMS<sup>55</sup>

### Introduction

The emergence of crowdfunding has generated great hopes for the “democratization”<sup>56</sup> of finance and entrepreneurialism. It also anticipated that community-based funding could provide an alternative to modern financial markets and governments. Part of the ambition about the benefits of online crowdfunding was that niches, small-scale ventures, and innovators could access a large pool of funders whilst bypassing traditional gatekeepers and promoting socially-relevant goods (Aldrich, 2014; Simpson et al., 2020). Since the beginning of this phenomenon, researchers have discussed the extent to which crowdfunding could lead to disruptive innovations followed by sustainable business and regulation (Stanko and Henard, 2017; Vismara, 2018; Lazzaro and Noonan, 2020).

Crowdfunding is usually defined as an open call for providing financial resources either in the form of a donation or in exchange for a future product or some form of reward (Belleflamme, Lambert and Schwiendbacher, 2014). Often seen as a commitment tool whereby founders signal quality to backers (Chang, 2020), this seemingly neutral place welcomes both commercial and non-commercial initiatives (Burger and Kleinert, 2020), gift-giving and investment, as well as profitable and non-profitable ventures (Cecere et al., 2017). Despite this myriad of uses, standard research on crowdfunding conceptualizes project creators as innovators and backers as consumers shopping for innovations online (Zhang and Chen, 2019). This assumption is translated into success-factors studies that theorize founders as “an entrepreneur” searching for investments for starting-up businesses.

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55 This chapter is published as: Dalla Chiesa, C. and Dekker, E. (2020). Crowdfunding artists: beyond matchmaking on platforms. *Socio-Economic Review*. Preprint online.

56 The notion of democratization used in this paper is based in the work of Hippel (2005).

The artists we interview provide a very different perspective on the use of crowdfunding. Despite the veracity of the early innovation adopters' agenda (Brem et al., 2019), our findings demonstrate that founders are more diverse than expected. A large number of project creators are simply solo-artists, small cultural institutions, and niche producers who maintain stable jobs besides their arts-creation and whose online funds come from close acquaintances, friends, and family (Mollick, 2016). Many supporters are enthusiasts of community-driven projects, non-profits, the arts, and charitable activities, as previous literature also suggests (Gerber and Hui, 2016; Alexiou et al., 2020). This scenario mostly resembles the economy of the arts where multiple-job structures, underfunding, the oversupply of creative goods intertwines with gift-economy circuits that allow the arts to thrive (Caves, 2000; Abbing, 2002; Klamer, 2003; Velthuis, 2005; Throsby, 2008). In our view, there is a mismatch between the usual literature of crowdfunding and two-sided markets as matchmaking tools between distant funders and projects (Rysman, 2009; Agrawal et al., 2015; Viotto da Cruz, 2018) and the realities of many creators who seek flexible funding opportunities to develop their careers as (solo) artists, thereby conferring various meanings to crowdfunding platforms. Despite more recent views of platforms as organizations filled with meaning, voluntary contributions, and atypical work relations (Kuhn, 2016; Wilkinson et al., 2018; Kirchner and Schübler, 2019), similar approaches are uncommon in the standard crowdfunding literature.

This article relies on a qualitative methodology based on interviews with artists who have successfully completed a crowdfunding project. Our findings demonstrate that in the case of arts-related projects, the crowdfunding platforms act primarily as an intermediary between close acquaintances and their gift-giving act. As such, they create distance between the artists and their networks in order to perform gifts 'as if' investments in the artists' careers. The artists, thus, hopes that the crowdfunding project becomes an important step in the move from amateur to professional, as it is one of the few funding opportunities available for unknown, niche users who do not pertain to 'superstar' economies (Rosen,

1981; Caves, 2000; Anderson, 2005; Schulze, 2020). This is an essential addition to previous literature in the field that observes fan-engagement and gift economies in crowdfunding as restricted to the realm of backers, supporters, and enthusiasts (Galuszka and Brzozowska, 2016, 2017; Gerber and Hui, 2016; Josefy et al., 2017). Our findings show, instead, that the symbolic moralities of money and platform work already discussed in other domains (Zelizer, 2005; Velthuis, 2005; Boons et al., 2015; Elder-Vass, 2016) are present in intimate relationships amongst founders and their close acquaintances reinforcing the social and geographic proximity of crowdfunding in specific sectors (Breznitz and Noonan, 2020). With our in-depth analysis, what is new is how once transported to online realms, these relationships are partially impersonalized by an intermediary that confers an aura of reputation and trust to the emergent artist. In comparison to other types of platforms, namely sharing economy ones (Schor and Cansoy, 2019; Fitzmaurice et al., 2020; Vallas and Schor, 2020), our findings represent a new empirical avenue as typically sharing-economy platforms seek to perform proximity, close, and “thick” relationships in lieu of “thin” market exchanges. Our cases show the opposite: crowdfunding platforms can be used purposefully to transform thick relationships into thin ones.

To explain these findings, we rely on previous work on crowdfunding patterns (Mollick, 2015, 2016; Gerber and Hui, 2016; Burger and Kleinert, 2020; Chang, 2020) in addition to the special economy of the arts where money occupies a special place by being often omitted and refused as a motivating factor (Klamer, 2003; Abbing, 2002; Hutter 2011). We suggest that many of these properties are ‘reproduced’ online, implying that crowdfunding deserves an in-depth empirical analysis as artists are the early-adopters of this funding model (Chapter 1; Rykkja et al., 2020).

This paper argues that crowdfunding platforms are used by artists as a step in the process of transforming personal and intimate contributions into investments in their careers. This allows the platform to mediate signs of ‘credibility’ to users who seek to reduce information asymmetries (Courtney, Dutta and Li, 2017; Cumming and Hornuf, 2018). Artists seek to break out of their existing network to attract new donors, which not always

happens. Whilst product and geographic patterns have been observed in the crowdfunding literature (Mendes-da-Silva et al., 2016; Dejean, 2019; Breznitz and Noonan, 2020; Burger and Kleinert 2020; Tang et al., 2020), few studies discuss the consequences it has for founders of specific sectors. In our case, artists demonstrate that they are unwilling to crowd-fund a second or third time as this means “begging for money” once more to the same network. This shows that users develop a reflexive critical understanding of their experience with this alternative funding model, as research in other domains shows (Kuhn, 2016; Van Doorn, 2017; Wilkinson et al., 2018).

This study contributes to developing a critical understanding of online funding tools, especially when users are not typically entrepreneurs or business-oriented agents, but most artists, “do-it-yourself” creators, and amateurs in search of flexible funding opportunities. We do that by unfolding our findings in contrast to other studies on digital platforms (and the subtypes of crowdfunding) and in relation to relevant notions on the economy of the arts. We claim that to develop a critical understanding of digital platform economies, it is vital to interpret the diverse views of its users. Contrarily to other types of platforms in which the object under exchange is predetermined (e.g., a lodging on Airbnb, Uber services and gig economy workers), crowdfunding has a multifaceted role, that of allowing users to transit between symbolic boundaries of hobbyism and professionalism, gift and investment as well as intimate relationships to impersonal ones always mediated by monetary contributions.

#### **4.1. Understanding crowdfunding mechanisms and the arts-related context**

##### *Situating crowdfunding within the platform economy*

The emergence of digital platforms has exposed novel ways of interacting, exchanging, and provisioning goods and services (Lupton, 2015; Vallas and Schor, 2020). On digital platforms, people establish meaningful ties and



create markets (Kircher and Schüßler, 2019; 2020) whose practices often combine commercial and gift-giving logic at once (Steiner, 2010; Elder-Vass, 2016). Similar to offline exchanges, digital domains reiterate personalized interactions filled with moralities of flexibility, autonomy (Fitzmaurice et al., 2020), and typical power relations of work environments (Wilkinson et al., 2018). Digital platforms also enable the development of thicker social relationships even permeated by monetization, despite more negative views of the platform economy as precarious (Coyle, 2017; Kalleberg, 2009).

From an economic point of view, scholars have emphasized the fact that digital platforms lower transaction costs (Evans and Schmalensee, 2016; Demary and Rusche, 2018) and that markets are enabled by the properties of “two-sided markets” (Peitz and Waldfogel, 2012; Rochet and Tirole, 2014). It is within this standard context that the crowdfunding literature emerges. On the one hand, the dominant view of matchmaking supply and demand enables a large body of studies on success-factors of online calls such as signaling credibility through text, rewards, video, and interactions in all the different types of crowdfunding models<sup>57</sup> (Younkin and Kashkooli, 2016; Vismara, 2018; Anglin et al., 2020; Colombo, 2021; Montfort et al, 2021). On the other hand, case-based studies show how gift-giving motivations emerge in combination with community benefits and new forms of fan-engagement (Galuszka and Brzozowska, 2016, 2017; Gerber and Hui, 2016; Josefy et al., 2017; Navar-Gill, 2018; Rykkja et al., 2020). Recent analyses also combine local benefits, trust and experience in the analyses of crowdfunding projects demonstrating how demand interdependence and socio-economic characteristics of users are key to understand online support, “friendfunding” and especially how cultural occupations operate in

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57 Typically, crowdfunding platforms are divided into four models: reward-based, equity, donation and lending. Reward-based is also referred to as a pre-ordering scheme in which supporters choose a project whose product will be later delivered if the campaign succeeds. Equity-based projects follow a similar rationale except that what is shared is the assets or dividends of a company. Donation platforms usually are charitable-based in which a product can be offered but not necessarily by default. Finally, lending platforms work on a peer-to-peer lending basis with or without interest rates.

this online realm<sup>58</sup> (Chapter 1; Burger and Kleinert, 2020; Breznitz and Noonan, 2020; Lee and Lehdonvirta, 2020). This can be seen, for example, in reports that demonstrate how reward-based crowdfunding is mostly supported by family members, friends and close acquaintances (Mollick, 2016). But while such patterns are relatively well-established, very little is known about the nature of such crowdfunding relationships or what ties exist behind online support. Most of the studies implicitly or explicitly theorize monetary support as a result of fan-engagement, enlarged community benefits or simply e-commerce acts. To this date, few studies depicted the “intimate negotiation ties” (Zelizer, 2005; Kim, 2019) as part of the relationships enabled by these platforms, which results from a lack of qualitative empirical studies in the field of crowdfunding studies (Short et al., 2017). In other empirical domains, however, the appreciation of intimate ties and negotiation strategies in online realms is usual (Shmargad and Watts, 2016; Baym, 2018; Delacroix et al., 2019; Koch and Miles, 2020). It is, therefore, surprising that crowdfunding platforms did not evoke the same interest.

Qualitative research in crowdfunding has delved into the motivation of backers, entrepreneurial reasoning and innovation to a certain extent (Gerber and Hui, 2016; Stanko and Henard, 2017; Di Pietro et al., 2018) but rarely into what these funding tools mean to the close relationships they operate in. Instead there is a recurring assumption that the person proposing the project (founder) is best regarded as an “entrepreneur”: an individual who is in charge of a business-oriented project in search of a pool of funders. While this applies to a large number of commercial ventures, it is at odds with the realities of artists and the majority of small-scale, amateur and do-it-yourself projects that emerge in the platform economy (Grabher and van Tuijl, 2020; Fitzmaurice *et al.*, 2020, Vallas and Schor, 2020). Recent studies also observe how the commercial crowdfunding campaigns are different than the non-commercial ones (Bürger and Kleinert, 2020), but as

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58 For a definition of cultural and creative industries, we rely on the work of Throsby (2008) where a typology of creative arts and its commercialization features are provided.

qualitative in-depth studies are scarce, there is limited knowledge about who these founders are and their movements as entrepreneurs<sup>59</sup>.

By moving away from signaling-factors literature, we observe that a number of other related issues are at stake on crowdfunding, such as the interplay between quality and quantity of calls. The absence of standardized quality reviews in many reward-based platforms implies that many underdeveloped projects enter the platforms, which causes a disproportionate amount of money pledges across the various sectors. As Viotto da Cruz (2018) observed in the case of reward-based websites, this leads to an increase in the number of calls in the platform combined with an overall decrease of quality and success (Geva et al., 2017).

Kickstarter is a typical example of a platform where large amounts of calls are initiated everyday with an average low goal and only backed by close acquaintances (Mollick, 2016). Other similar platforms (Voordekunst, Goteo, Catarse, Indiegogo, etc.) are predominantly used by creative professionals, artists and cultural niches in the “long-tail” (Caves, 2000; Anderson, 2005) who are in search for funding that is often unavailable for them through traditional institutions such as subsidies, banks or venture capital. In other cases, founders request recurrent funds to continuously provide creative output through platforms such as Patreon for example (Swords, 2017; Regner, 2020). Many studies that combined a focus on arts and crowdfunding suggested that a non-commercial reasoning is in place along with the commercial aspects of crowdfunding (Rykkja et al., 2020). As a result, monetary incentives can actually crowd-out<sup>60</sup> supporters who want to purely contribute to an art project (Boeuf et al., 2014; Josefy et al., 2017). In general, these projects access a small pool of funders, have very limited international outreach, but relatively strong community building of fan-engagement (Galuszka and Brzozowska, 2016) and non-profit drive (Alexiou

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59 Recent studies have tried to cover some of these aspects with regard to entrepreneurial movement in the case of crowdfunding (Parhankangas et al., 2019; Noonan et al., 2020).

60 This relates to the widely discussed notion of “intrinsic motivation” in the arts whereby monetary incentives can crowd-out supporters.

et al., 2020). Whereas mobilizing funds outside the close social network is desirable and contributes to more success (Breznitz and Noonan, 2020) the extent to which arts-related projects within these platforms can effectively reach wider audiences depends on a series of factors such as quality, credibility and also product features (Burger and Kleinert, 2020). Despite the prevalence of cultural and creative projects on reward-based crowdfunding platforms, there has been limited understanding of the reality of its users.

### ***The arts-circuit at the boundary of professionalism and amateurism***

Much of the literature on the economy of art has demonstrated that it makes use of money in a rather special way. Money in the arts is visible in certain instances (such as auctions) or in certain settings (the back-room of the gallery), while it is ignored in others (the front-room of the gallery), and looked at suspiciously in others (when it comes to the motivation of artists) (Velthuis, 2002). This gives rise to what some have called the “exceptional economy of the arts” where underfunding, hobbyism and money moralities often intertwine (Abbing, 2002).

The arts-related sectors are typically theorized as domains of oversupply, attention-span problems, amateurism and multiple-job structure, evidencing that the majority of artists who are not superstars have a difficult time accessing funds (Caves, 2000; Throsby and Zednick, 2001; Menger, 2006). Worldwide, the arts-related sectors and creative professionals also rely on public subsidy and personal funds to provide art-related products often justified on the basis of the values of arts. This has been observed as one of the reasons why “gift-giving” predominates (Klamer, 2003) and why the transition from amateur to professional artist is so turbulent. Sociologists have noted that the attachment of artists with the artwork (Becker, 1984; 1998) limits the commodification of artistic goods and, as a consequence,

the artists tend to operate in communities of supporters, volunteer-based work and proper circuits of commerce<sup>61</sup> (Zelizer, 2004).

Within the economic sociology literature, intimate relationships and ‘strong ties’ do not mix seamlessly with money. Money is treated with caution through labeling or through particular rituals which made it possible to deal with money in intimate contexts (Zelizer, 1978; Zelizer, 2004). Scholars studying the economy of the arts have similarly found that processes of obfuscation, rituals and alternative institutional arrangements were often necessary to deal with the competing values associated with art and money (Abbing, 2002; Velthuis, 2005; Coslor, 2010; Kharchenkova and Velthuis, 2018). It would thus at least be surprising if such features were absent in digital exchanges.

It has been observed both within economics and sociological studies of the arts that agents often operate on the boundary between amateurs or hobbyists and professionals (Bourdieu and Whiteside, 1996; Menger, 2006; Luckman and Andrew, 2020). This type of career concern is marked by several symbolic boundaries separating the amateur from the professional such as education, cultural and economic capital (Weber, 2000; Verboord, 2011; Flisbäck, 2013). And similarly, organizations in the arts often combine competing logics of volunteering and professional expertise marked with such boundaries (Star and Griesemer, 1989; Havet-Laurent and Dansac, 2018; Fournier, 2000; Flisbäck and Lund, 2015). Platforms can become a new symbolic marker of professionalism, which signals credibility of the project and the artist, without requiring other types of institutional recognition and bypassing some of the more traditional gatekeepers. These functions are already noted by both platform-related literature and crowdfunding-specific ones.

We therefore believe that the phenomenon we study in the arts has broader implications for understanding online funding platforms since, in

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61 This situation is at odds with the literature about financialization in the arts, which revolves around famous or emergent artworks becoming an investment good, subject to speculation and significant sales prices (Velthuis and Coslor, 2012). The subjects of this study are not (yet) established professionals or emergent superstars.

the new digital economy, the phenomenon of amateur producers is far more widespread than pre-digitalization (Buckingham and Willet, 2009; Elder-Vass, 2016; Benkler, 2017; Coyle, 2017). We might expect that similar issues arise within the cultural sectors as amateur video-makers, musicians, bloggers, photographers, models, journalists, podcasters seek to professionalize and gain credibility for their proposed project or venture (Lam, 2010) - some of them becoming a business, others not. But further empirical work will have to demonstrate the peculiarities of these digital economies.

As such, the question driving this paper is what role(s) does crowdfunding play for the artist's career. This means that we investigate the way in which artists articulate their close relationships to fund artistic projects with the aid of a socio-technical infrastructure that operates in the boundaries between gifts-investments and amateur-professionalism. We develop this main empirical insight into an argument about digital platforms, such as the online crowd-based ones, having specific meanings for artist communities: that of transforming gifts into investments in the career of this artist.

## **4.2. Methodology**

Despite the predominance of quantitative success-factors literature on crowdfunding, qualitative approaches are encouraged and can provide innovative avenues for future research in a field where little is known about the motivations of users (Short et al., 2017; Gerber and Hui, 2016). By relying on a typical inductive methodology driven by producing thick-descriptions, this research has allowed the emergence of theme-specific aspects that reveal the reasoning of independent artists in the face of new funding tools.

Our data is based on 34 semi-structured interviews with artists and creative professionals that made use of a dutch-language-based crowdfunding platform for the arts, one of the few websites with an overt

focus in arts-related projects in The Netherlands. The semi-structured interview approach was chosen in order to encourage that interviewees share their experiences, stories, and concerns with the object of the research (Denzin, 2001). Although subject to a semi-structured interview guide, we sought to build a space that would allow respondents to reach their concerns in a dialogical manner. The interviewees were encouraged to express themselves as freely as possible, not assuming a correct answer about the benefits or constraints of their experiences with using crowdfunding as a funding scheme. By providing a space where contradictory points of view can appear, a critique is likely to be expressed in regards to this funding option. The interview approach initiated with positioning the relevance of the funding options available to their professions and career development.

In order to narrow down potential respondents within the arts-related fields, the Dutch-based platform Voordekunst was contacted, which allowed us to access project creators' databases. This platform focuses on areas such as the visual and performing arts, music, photography, filmmaking, publishing, heritage, media and design. Upon email communication sent by the platform's managers to all successful creators' databases, a number of 98 individuals responded with the intention to attend the interviews. Finally, 34 confirmed their availability to schedule a moment between November 2018 and January 2019.

The sample (n=34) was composed of Dutch citizens (n=28) and non-Dutch citizens (n=6). The interviews were conducted and transcribed in English<sup>62</sup> without comprehension problems. They ranged from 45 to 90 minutes. The sample cannot be considered as statistically representative of all project creators, but covered gender variations (11 male and 23 female) and age (from 23 to 56 years old) across the different cities in the

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62 All interviews were conducted by the same English-speaking researcher and later read by the second author. The choice for having only one of the authors conducting the interviews is due to maintaining consistency across the interviews. The coding process was done by the main interviewer in order to maintain consistency, whereas the coding and transcripts were later cross-checked by the co-author. The shortcomings were that a native Dutch-speaker would prefer to express themselves fully in their own language. Nonetheless, interviewees did not express having a problem with this fact.

Netherlands (Amsterdam, Utrecht, Rotterdam, The Hague and Maastricht). Interviews were conducted in cafeterias, offices or their homes, by their own choice, to foster natural conversations (Van Enk, 2009).

Respondents were in general independent artists or creative professionals whose income was only partially obtained with the arts (other activities include music or art teaching, administrative work, managing of organizations, etc.). Only 2 artists indicated they relied solely on artistic income. This in line with the well-known discussed multiple-job structure present in the labor market of the arts (Menger, 2006). With regard to having used crowdfunding platforms before as a creator, the sample shows only a few cases (4 respondents). We have chosen to conduct interviews with artists who completed at least one successful crowdfunding campaign (defined as reaching the funding target), so that responses would reflect the main research question. Every interview was additionally supported with information extracted from the project web page at Voordekunst. This search was valuable to better inform the interviews and contextualize each artist's reality.

The guide was constructed in order to cover aspects derived from the research questions such as: (1) the added-value of crowdfunding in comparison to other funding strategies; (2) future interests in using this funding model again; (3) impacts in the artists projects and career, and (4) the constraints of this model in the user's perspective. The central aspects covered in the interview allowed the emergence of recurrent themes that soon reached a saturation point. After a first manual coding process in which 85 codes were attributed to the entire transcripts, the total of 45 secondary order codes was broken down into thematic units with the aid of Atlas TI Software. Broader themes emerged (n=7) referring to both the interview guide elements and new emerging units of analyses, a usual process<sup>63</sup> in

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63 The semi-structured interview combined with a thematic analysis approach contend that the interview guide is used as a general guideline, not a strict set of questions (Saldana, 2016). As such, oftentimes, interviewees extrapolated the questions which helped the authors to understand the broader contexts in which crowdfunding operates as a matchmaker.



qualitative coding of interviews. The extra two codes that emerged from the dataset refer to the central findings discussed in this article: (5) the gift-giving tensions in the arts and intimate relationships, and (5) the impersonalization of close ties for career developments. They largely intertwine in response to the question of “what use, value or role does the use of a crowdfunding platform have to local artists” discussed in the next item.

In order to assign each code, a set of related combined words was initially used to identify each category. This first set of codes are derived from the conceptual developments in the crowdfunding literature as referred in the theory section. By continuously analyzing the data and checking for inductive codes, a set of new themes emerged and were categorized with a code<sup>64</sup>. This process was replicated in all the transcripts so that a constant comparative method could take place (Peterson, 2017). In order to select which data to include, we referred to the aims of this study and chose the most representative views of themes 5 and 6, which better respond to the research question. This process follows through in line with a typical thematic analysis based on coding and thematic attribution (Saldana, 2016). In order to preserve the artists’ identities, pseudonyms were attributed to each artist. Although the findings are related to the case of respondents in one single platform, it should be noted that their observations do not refer to one specific platform, but to their point of view of this funding model in general.

### **4.3. Findings and Discussions**

This section is organized in four parts that represent the most relevant aspects of our interviews. They are coherently presented in a way to depict our main arguments in sequence: that of how online funding tools such as crowdfunding platforms contribute to transform seemingly personal gifts into reputation for artists via online platforms in exchange for rewards.

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64 For example, when a respondent mentioned the “fear of begging or asking for money”, the code “gift” was attributed as referring to artists facing difficulties with gift-giving actions.

Whilst many of these monetary supports can happen via offline means or outside crowdfunding platforms (e.g. direct bank transfer, email requests, money in cash), it remains an interesting finding that, for articulating family friends and close acquaintances money, an online funding tool is chosen as a partial solution.

Firstly, we include the informants' views to show how close relationships play an important role as realms where people feel morally inclined to support projects of their acquaintances (as well as support them via voluntary work). We discuss this finding in the first subsection where the goal of reaching out to other audiences justifies the use of crowdfunding, although most times artists end up remaining within local reach and under a “fear of begging”. Secondly, we show how the monetary contributions artists receive are expected to help them in bridging the gap towards professionalism (e.g. creating art exhibitions, publishing a book, a music album, a set of visual artworks that eventually provide peer-recognition to the artists within their communities). Other than that, short-term motivations can also apply, for instance: having the goal of funding studies in the arts or helping students to buy a musical instrument. We discuss that in light of the importance of gift-giving being transformed into investments in the reputation and future credibility of artists. Thirdly, we move a step further than the data in order to discuss the overall importance of such funding mechanisms to create markets where niche, amateur, early-stage professionals, hobbyists and producers in the “long-tail” (Anderson, 2006) can develop their careers or their artwork (in the case of multiple-job situations). This observation is, then, nuanced with other platform-based examples. In figure 9, we observe this intricate process by which artists ideally shift symbolic boundaries of hobbyism by crowd-funding their ventures. As not always this situation happens, an ambiguous feeling of success versus failure remains, also evident in the reluctant view of gift-giving. Without options such as these, non-superstar artists are left with the attempt to borrow money from family and friends. We depict these tensions between intimacy and distance in the next items while addressing evident critiques of this funding model in the eyes of the interviewees.

### *The fear of “begging” for gifts while attempting to outreach networks*

Every crowdfunding project starts at some point before the campaign is put online. Creators are often told by platforms to start their fundraising within the same social network and then expand to new groups. This seems to be the case for the totality of our respondents who start from close social networks and attempt to reach other realms, but mostly remain within close circuits. Consequently, there is an over-reliance of donations, which seems to be at odds with the artists intentions at first. From the very beginning, for example, Laura, a recently-graduated visual artist, reports her difficulty with “selling her work online”. She says: “ok and now, to whom do I send that? I did not know and in the end it was just like asking for money. I was not very comfortable with it. Then I think only my friends and family supported me, which in my case is difficult because my family does not have that much money”.

Our respondents report that their main supporters are family, friends and a few acquaintances. Even though there are remarkable exceptions, most of the creators report something similar to Ernest: “That’s interesting because you can ask for money once, you can ask for money twice from your friends and family, and maybe even a third time, but there is a moment where there might be: like a fifth crowdfunding to do, what do you want from us?”. Karen, a classical singer and theatre maker, for instance, reports that, in her view, this relates to the fact that money is circulating within the same social networks: “We are basically giving money to each other” (Karen). And additionally: “it is like our parents supported our education and now they continue doing that via a website”, says Bruno, master student bass-player. In this sense, crowdfunding is not seen as a sustainable way to develop a career in the long-run the musician, Ernest, says: “it’s not exactly a way to sustainably build your career throughout your entire life. I think it depends on how you frame it, of course, but I have the impression sometimes of like, ‘hey we had the first CD and now we still don’t have

money, here's the second one, can you help us again?<sup>65</sup>". Although it should be noted that 3 out of 34 respondents did indicate they followed-up their initial crowdfunding project with another one, the majority decided not to.

Because the range of rewards is wide and gift-giving is often involved in the transactions related to artistic crowdfunding projects, one of the first and most evident aspects present in the interviews was the feeling that they are stressing the limits of their social networks. This implies that users expect that the platforms provide them with possibilities to outreach others in exchange for rewards such as concert tickets, a music album, a dinner, or a "thank you" note. Despite the effort with creating and delivering rewards, creators express that they often feel like they are begging to their network of friends and family: "It's the first time we did this kind of concept, crowdfunding, and it has some atmosphere of begging for money", says Otto, a jazz musician and experienced teacher. Also when asked about the intentions to promote a crowdfunding campaign a second time, the musician Ralph says he does not intend to repeat it: "because I really don't like it, it's just like begging for money or just playing a song somewhere in the city and then hoping people give you a little piece of money".

Other than only spatial and symbolic proximity (Davidson and Poor, 2019), fundraising within friends and family circuits also meant that creators hoped to recuperate past money in some cases. They considered some gifts not as "pure gifts" to their projects, but rather as links in longer chains of reciprocity, and gift-giving networks. As Alba says: "you always start with your family, and then your friends, and then people that you did a service for, and they still need to give you something back, that's the moment to approach". Collecting money that is unrelated to the campaign *per se*<sup>66</sup>

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65 We are interested in the experience of the artists. However, we recognize that there are structural reasons why many artists won't be successful. These are well studied in the literature as the problems of oversupply in the arts and "superstar effects" as mentioned before in this article. The latter are studied in relation to crowdfunding schemes in general by Doshi (2014).

66 In this case, previous exchanges are used as an excuse to pay back money via the crowdfunding campaign which denotes that the interest is not precisely on pre-purchasing a cultural product on a platform but instead on using the occasion to seal previous debts.

demonstrates the presence of gift-economy exchange to the extent that there is an imbalance between the value of the product and the money pledged to a project. In that case, if one is owed, crowdfunding seems to be a good opportunity to charge money back.

Although crowdfunding potentially allows for a project's creator to reach donors across significant geographical and social distances, our respondents do not always experience this. The extent to which campaigns succeed in reaching donors has had recent additions in the literature (Dejean, 2019; Breznitz and Noonan, 2020; Burger and Kleinert 2020; Tang et al., 2020) and shows how the economic geography of fundraising is increasingly relevant as projects greatly differ and differences between reproducible and non-reproducible goods apply in this case. The proximity of social networks is intrinsically related to the nature of what is being traded and therefore it is worth discussing what artists see they are selling.

### ***Informal contributions or product selling? Tensions at the boundaries of amateurism and professionalism***

The problem of requesting money online and the moral discomfort that comes along with the practice mostly represents not being seen as professional enough. As Ernest says: “I think crowdfunding can only be done in two stages of your career, when you start or when you are famous”. Per definition, if such an image is dominant in these cases, the output of such projects is not seen as a product: “I had a feeling that what we offered it’s not really a product; it’s more like a memory of course in the end. [...] We don’t do it again because we actually can come around with other means now, but maybe in the future we would do that. I would have [to have] the feeling that I’m doing something in return for these donations”, says Yin, a professional dancer and entrepreneur who expresses that his main preoccupation is that donations can be transformed into benefits to their small dance company.

In other words, the creator hopes that the output is clearly seen as a sellable product and the donation as a purchase or investment, not a gift. In sum, what they wish for with crowdfunding is not always what ends up happening. They implicitly seem to have established models of crowdfunding in mind in which pledges are a form of investment or a clear payment for a pre-order product. As Miriam (theatre maker) says for example, says: “I know that in the world of start-up and techs this system works wonderfully, because everyone wants a share of that product. It is an investment that has financial returns. But then in the arts, what are my donors having in return?” When we asked about which kind of project would be best to promote in a crowdfunding platform, Ralph, flute player and teacher, says: “I would have the feeling that it’s okay for people get the CD and it’s just in another order, so I give them the CD, they buy it and I make it. So, it wouldn’t feel like begging anymore and maybe we reach new people”.

The respondents also indicate that while crowdfunding is appropriate as a kind of transitory stage, this is a strategy for the time being as a stepping stone to build up one’s career: “I think it’s not sustainable in the long term, but it’s a nice way to sort of get from a beginner’s level to one step up in the career. And it can be a bit of a side-track”, says Mark, guitarist in a local Amsterdam-based band. When saying that, Mark also pointed out the fact that this side-tracking seemed to be important for him to reflect on how to build up a career with the aid of online platforms and, thus, trying novel ways of making his art available.

What is at stake is the hope that platforms could potentially support the path toward professionalization. The discomfort we portray, present on these platforms, is thus a representation of moral obligations that artists have long faced: to have a real job instead of a hobby; to earn real money instead of asking for contributions. By using a platform, creators want to signal they are trustworthy, even to their close acquaintances. As Miriam says: “for the donor, it seems like the project has passed through a preparatory phase and that it’s ok and validated. It is something we can trust. Like as if I’d say that Miriam is not ‘playing at being an artist’, she is being a real artist”.

For a short-term, early-stage career perspective, though, crowdfunding can work as a way to build credibility through a portfolio in order to demonstrate (entrepreneurial) ability. In the next section, we demonstrate that the use of such platforms, rather than a net benefit, is often considered a costly affair to the artist, although this can represent an investment worth making. The figure 9 below depicts these expected movements where artists wish that crowdfunding help them to become professionals and be seen as less amateurs by creating public calls for their projects. By expecting to build trustworthy exchanges online, artists aim at using the opportunity of operating with a novel infrastructure to create signals of credibility.

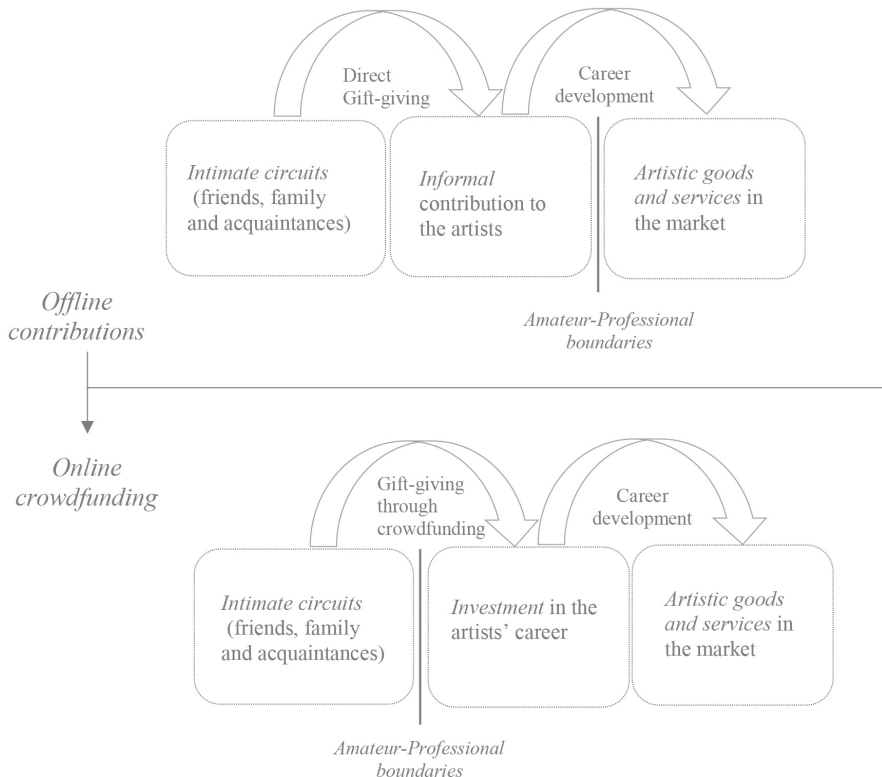


Figure 9: Expected benefits of crowdfunding towards career-building

***Ideal reputation-building as a step towards peer-recognition: the fear of failure***

As the social networks remain largely the same with limited newcomers, the added value of platforms is placed on credibility and information asymmetry, rather than transaction costs reduction only. The interviewees indicate that the project is an expression of their own willingness to pursue a career path seriously, as well as their willingness to invest in what it takes to make that happen. Three artists<sup>67</sup> of our sample have indicated that they invested their own private money to reach the goal of the project.

This represents one extreme form of signaling of one's seriousness especially when all respondents indicate that the target amount of their project excludes the (opportunity) costs of labor they put in, which shows that transaction costs are high, in contrast to the literature on crowdfunding and that the risk of hampering reputations is high. As Chiara, an architect and writer, says: "I have to start to think about the content I will be sharing, and again make rewards stuff, and that takes a lot of thinking, because you have to think of what you can deliver and that doesn't drain you. You know, it's very heavy work". For her book project, however, Chiara only asked for the amount of money for printing, which means that she relied on other sources to complete the project. Her personal labor costs were not included in the project as all the other cases we have in our sample.

Another of our respondents, Ernest, also indicates this clearly: "because you were, let's say, investing your emotion on this project, it was your baby [...] I mean, for example, to produce the video that we had for the crowdfunding, we also paid, I think, 800 euros, that was out of our own

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<sup>67</sup> This phenomenon was present and openly spoken by three artists, and superficially suggested by others. However, this fact does not represent the majority of respondents.



pockets”. Investing time and emotion into the project also means investing private resources in their perspectives. Considering that the total costs of the project exceed by far what is requested on a platform, the notion of succeeding crowdfunding projects is somewhat destabilized. As Alba, a sculptor, says, “I did pay some money myself because you don’t want to be at 2,500, and I think lots of people do actually just put their own money in it because you don’t want to be a failure”.

The more dependent on close social ties, the more costly a failure can become. Failure of a project is regarded as a natural part of the entrepreneurial process, hence, the investment-based projects can fail without much additional (social) costs. This is different if the failure is part of a social process, in which insufficient gifts are received by the artist. Then failure is not merely entrepreneurial failure, but also social failure, which harms their reputation within the artistic or social network. A similar dynamic is explored in the pricing process at galleries showing that for young artists prices are not lowered since this would negatively affect their future career chances (Velthuis, 2005). Hence, success rates of projects are not only boosted by consciously setting low target amounts, which are insufficient to cover the full costs. They are also boosted by creators pledging money themselves both at the beginning and at the end of the project: at the start, because it signals the existence of an imaginary crowd; toward the end, because they need to reach the goal.

These findings are corroborated by the average success rates of reward-based projects in the platform we studied: around 82% in 2017 as the annual report states, showing a much higher result than Kickstarter success rates of approximately 44% (Mollick, 2014)<sup>68</sup>. From a broader perspective, the sustainability of the model is threatened not only from a very individual point of view, but also if we consider that in the long run, potential supporters would be more aware of such strategies and, therefore, performing these costly signals may not bring “success” anymore.

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<sup>68</sup> Success rates on reward-based crowdfunding tend to change every year but consistently remain under 50%.

As Alba says, even though the amount of money requested is low, she does not feel this result can be reached again for future projects: “I’m working on something, but where do I get the money from? Everyone is enthusiastic, I have the right people [...] so everyone says, ‘Yeah,’ but there’s no money. So, oh gosh, going through this whole process again, and it’s not as appealing as the previous one. I could never do one that would get a better response. Furthermore, as Ernest says: I don’t want to do it anymore because just the amount of stress is incredible. When it’s really your project, the stress levels are very high”. In a nutshell, it does not pay off to perform the same process twice as the anticipated costs of failure are high and reputation is at stake.

The clear consequence of maintaining costly signals such as the ones mentioned in this section are: (a) the lack of sustainability of such a model for the artists and ultimately for the system as a whole; (b) a difficult path toward professionalization as early-stage career pay to build credible signs even in a system that should ideally work as a solution for this problem; (c) accessing strong-ties’ money in small amounts recurrently does not pay off if also the creator’s money is included and labor costs are not compensated, and (d) success is relative because reaching the goal does not necessarily mean making the move toward professional circuits. Thus, if the model is said to be unsustainable in the long-run and artists report a heavy workload during campaign time, we asked them: what are the reasons for using platforms? If the artists would have to ask for money without the platform, would they engage in such a laborious process?

### ***Building credibility by creating distance with an online intermediary***

The fact that crowdfunding platforms such as the one we discussed continue to exist, suggest that they must also provide benefits to its users. A number of reasons were mentioned, which we intend to explore here, for example: supporting the public relations of the campaign, organizing contacts online, centralizing monetary income, standardizing communications with all

parties involved and, more importantly, supporting artists when it comes to credibility signaling.

When asked what would be the reason to use a platform if they sometimes report discontentment with reaching the same audience over and over again, respondents often give a version of the answer in different shapes: “it looks very professional to use a platform” (Ernest). Additionally, Karen reinforces: “it gives credibility for beginners”. What is expected of a crowdfunding platform is less its function of matching, but more an effect of credibility signaling. This means that - in addition to the widely reported aspects of credibility signaling features in the various crowdfunding models (Vismara, 2018; Colombo, 2021) - the usage of a platform also represents the performance of credibility online and offline. Certainly, the project details matter in the funding decisions as extensive crowdfunding literature has demonstrated, but also important is the credibility of the artist to his existing network, especially in the case of close acquaintances funding their projects. As such, if the project fails, artists lose their credibility and, therefore, establishing lower target goals is a reasonable strategy.

Platforms provide an easy-to-use tool where match-making is successful and security of transactions is provided. Moreover, fraud is unlikely to happen (Mollick, 2014), and project creators are encouraged to be as transparent as possible about the destination of the collected resources. These features provide stable and standardized socio-technical features for creators to communicate with the audience, which refers back to the transaction-costs argument for using platforms. As Evita, an art jeweller, says: “[the] platform decreases the workload”, which proves to be a valuable tool for users who accumulate different jobs - typical of the arts-related sectors. In other words, the formal aspects of the platform reduce certain kinds of transaction costs, mostly those associated with communication and it facilitates payments. Although most of our respondents indicate that the usage of the platform means additional costs, not less in average.

More surprising are the intangible aspects of platforms that are perceived as benefits to artists. In section 3.1 we explored their uneasiness

with begging for money, and in an unexpected way, this unease is overcome by the platform. By distancing givers and takers, platforms reduce transactions costs involved in personal negotiations as, now, artists present a formal project, validated by a platform, trustworthy and stable. Since asking for funds is uncomfortable, it helps if the money is not 'presented' or 'asked' as a personal gift, but rather as a contribution to a project. And as Laura reinforces: "I think it makes it all more serious in a way. It is organized and I also think that it gives liberty to people who don't want to help because it is not a direct thing. They have a platform in between".

On the other hand, the artists do attempt to reach broader audiences. And in order to do so, they should build credibility with strangers as well. As Yin says: "I think people trust crowdfunding platforms, it has a bigger name, and I think it's for people who you don't know that well to just donate". Johan reinforces this for his photography book project: "It does give some extra reliability, legitimacy. Now, I don't think that I'm considered to be a fraud in general, I think my reputation is probably helpful and makes me reliable, but, of course, I don't know everyone on that mailing list so well, so some people might consider it to be kind of a guarantee"

In this sense, the minimization of transaction costs via digital platforms is beneficial for both close and distant relationships. For close ones, it creates a desirable distance; for strangers, it helps with connecting and giving the appearance of a serious project. Hence, platforms are beneficial not only for reducing the time spent on managing funds and communication, but also from a moral perspective as well. The platforms can provide a relatively 'formal' and professional way of requesting funds whilst overcoming certain social and moral obstacles for close acquaintances. The concern over 'begging' does not wholly disappear as we demonstrated in the first section, but for both backers and creators, a platform provides a more acceptable way of structuring the gift by impersonalizing this very personal act. For the distant ones, it creates an organized way of reducing the risks of moral hazard (e.g. not delivering the reward) and, ultimately, approximating unknown supporters.

#### **4.4. The meanings of online crowdfunding: intimacy, exchange and success**

In the previous section we have provided an interpretation of gift-giving on crowdfunding. We believe that some of our findings can help in the construction of a socio-economic perspective of online platforms especially in the case of online funding tools operating in niches, such as the ones under scrutiny in this article. In this section we outline three building blocks for continuing such a perspective: the nature of the transactions enabled by platforms, the nature of the relationships facilitated by the platforms and the meaning of success related to crowdfunding given the context of artists and their struggles. These points are rooted in a criticism of the standard view of digital platforms while attempting to compare our findings with other similar phenomena in the platform economy.

##### ***The nature of the relationships on digital platforms***

Digital platforms allow for new forms of relationship with new and old acquaintances to take place. Facebook, to take a prominent example, has modified considerable ways of communication with ‘friends’. When analysing crowdfunding platforms, standard views have relied on the type of relationship that better applies to simple matchmaking of supply and demand: the relationship between an anonymous buyer and an anonymous seller. This assumption is helpful in the analysis of market structure and competition, but less likely to unveil the reasons why certain online services are used in particular ways. This typically breaks down our discussion into understanding thin markets, fewer transactions and local communities - to take the example of artists whose product is expected to be extremely different than their peers. Our case-study demonstrates that the crowdfunding of artistic projects reiterates personal exchange environments and, in that case, digital platforms temporarily contribute to transforming existing relationships into more impersonal ones while mediating transactions via a website. We contend that this symbolically transforms relationships from “thick” to “thin” as founders attempt to create a more

professional and impersonal environment than the realm of their intimacy where asking for money may become un-systematic.

Based on Zelizer's (2005) notion of circuits of commerce, economic sociology has been able to observe the various regimes and moralities that coexist in a society at large. When seen within digital platforms (Elder-Vass, 2016; Grabher and van Tuijl, 2020; Fitzmaurice *et al.*, 2020, Vallas and Schor, 2020), these relationships may take a different shape: instead of expecting intimacy in economic transactions, actors (in our cases) wish perhaps more impersonal ties, new social networks and markets where they can explore their creative outputs as sellable products instead of gifts as rewards for a low monetary payment. For the majority of our respondents, building goods and services as "commercial products" seems to be the hardest struggle as it ultimately shows who they are as artists: hobbyists or professionals.

We believe this is more generally the case for digital platforms that allow a wide variety of relationships, cultural sectors and projects to take place. This is a different situation than Uber, Airbnb and other similar services (Grabher and van Tuijl, 2020). From digital payment platforms - which facilitate thick market exchanges and create new ones (Kirchner and Schüßler, 2019) - to dating platforms, these cases allow one to maintain friendships or construct novel ties. In order to understand such digital platforms it is of great importance to not rely on an *aprioristic* match-making model only, but rather on an actor-based perspective whereby we understand what type of relationships agents build or expect to build in line with similar studies in the field (Wilkinson, 2018).

Another way of thinking about the importance and nature of these backer-founder relationships is that digital platforms evolve in light of different types of problems. As such, they specialize in facilitating different types of interactions. The fact that we could study a crowdfunding platform in a particular country (E.g. the Netherlands), for a particular sector (the arts-related domains) is strongly suggestive that there are benefits to having a

platform for particular niche markets<sup>69</sup>. We should thus also expect these niche platforms<sup>70</sup> to develop particular services and features that take into account the characteristics of particular markets.

Some central assumptions in the crowdfunding platforms literature, as demonstrated before, are the notions that, firstly, agents are “entrepreneurs” in search of business opportunities, which is at odds with our findings; and that online platforms typically reduce transaction costs for existing exchanges or enable transactions previously economically unviable. Our case-study, to the contrary, suggests that a primary use of crowdfunding platforms for the arts is to allow for more distance between donors and creators. Precisely because there is a certain expected level of neutrality and distance, digital platforms provide an opportunity for a type of transaction that is otherwise not possible. Investing in a friend is likely to happen without the platform, but facilitated and redefined by it through a faster and standardized process of fundraising and communication. The platform also allows for a more market-like transaction than would otherwise be possible between individuals socially close to one another. Rather than reducing transaction costs in any straightforward way, the nature of the transaction is altered. As such, the functional benefits of platforms become secondary to its symbolic local status.

Here, we see a distinction between close and distance social networks: for distant relations or even strangers, platforms can reduce uncertainty in regards to figuring out how much of unknown people it is possible to reach and compute their contributions before a substantial investment is made. For close friends and family, the crowdfunding platform allows for a less morally-obliging manner of asking for a contribution. In other words, the existing social ties and the monetary payment are

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69 The same applies to platforms specialized in crowd-funding scientific research (Experiment), music albums (Sellaband) and others domains.

70 In content-platforms such as video and audio streaming, we observe the emergence of specialized artistic platforms. For example: Mubi (focused on art-house cinema) and Idagio (a music streaming service for high-quality classical music). These examples show the development of platforms for cultural content in the past decade and how specialized services matter for particular markets.

disconnected from one another in a way that was not possible without the existence of the platform. If the intermediary was not present, gift-giving would be harder to impersonalize.

We contend that this point is of greater importance for the study of crowdfunding platforms in specific niches. While an unidirectional gift is morally unaccepted in many cultures, it is now facilitated and given a new meaning by the crowdfunding platform. On a more basic level, platforms facilitate an exchange that could equally be a purchase, an investment or a gift. The best way of thinking about the different crowdfunding models<sup>71</sup> is to think of them as enabling different kinds of transactions at once, which makes it a more nuanced environment for study where commerce intertwines with gift. As a consequence, assuming the “target goal-reaching” as the sole definition of success for crowdfunding may dismiss a central concern of groups such as individual artists: that of a temporary success with clear impacts in the path of professionalization.

### ***The meaning of success on crowdfunding platforms***

Virtually uncontested in the crowdfunding literature is the reliance on reaching the crowdfunding target goal as the measure of success in various forms. For our purposes, the fact that creators attain the goal is an insufficient metric because they often invest additional labor, other resources and rely on voluntary work from their friends, and sometimes invest their own money (at the beginning or later stages of a campaign) in order to signal commitment<sup>72</sup> to the project. What is more, the artists uniformly express how success is tied to outreaching new markets and audiences as a way to move away from “money begging”. They more typically regard a successful campaign as one specific aspect that positively helps in the

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71 Crowdfunding models, as described before, are typically divided into: reward-based, donation, equity and lending.

72 Chang (2020) has already made a similar point, however this study generally dismisses the notion of “reputation” in the commitment effort.



construction of a portfolio on the path to a professional career. As long as success is a requirement for signalling that they are on this path, artists will make sure that success is indeed attained, which is reflected in the relatively high 82% success rate of the platform we investigated in this paper<sup>73</sup>. From a standard point of view, this would mean an exceptionally good result, except that projects that expect to reach less audience tend to be less risky in their target goals. This results in low, but attainable goals in reward-based crowdfunding (Chang, 2020). Since crowdfunding acts as an informational device for markets (Viotto da Cruz, 2018), we can expect that creators care about their reputation to the extent that goals may not fully depict the real fixed and variable costs of an enterprise. In other words, it is better to set lower goals, with higher chances of success than higher goals that fully represent the costs of production. It is not a surprise, in this case, that the totality of our respondents inform that their own labor costs are not included in the project. Whilst this may represent a commitment tool (Chang, 2020), serious consequences apply to the arts as often artists pay to create their artworks by engaging in multiple-job situations (Throsby and Zednick, 2001; Menger, 2006), showing that possibly structural problems of arts-occupation remain relatively equal, despite the capabilities of matchmaking supply and demand easily.

Additionally, failing in front of a local community is very costly for the reason that it signals a failed path to professionalization, at least temporarily. Even more so, because one fails as part of a ‘gift-relationship’, rather than an entrepreneurial ‘investment-relationship’. One way or another, the goal for early-stage career artists is to be able to continue an artistic path, for which crowdfunding works as a “stepping stone” toward professionalization.

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<sup>73</sup> According to information retrieved from the platform’s annual report.

### *Putting crowdfunding back in perspective: a few comparisons*

As discussed before, crowdfunding platforms are considered as part of a larger digital platform economy and have been also associated with the movement of democratization of capital, entrepreneurship and innovation along the niches (Aldrich, 2014; Mollick, 2014; Cumming and Hornuf, 2018). It is vital, therefore, to put them in perspective with other similar cases in order to analyse the extent to which they configure a specific phenomenon or an empirical example amongst other similar ones. To help with these observations, the Table 1 below depicts some of these comparisons by addressing the tensions between commercial and non-commercial endeavors present in crowdfunding platforms and, furthermore, comparing one example (Airbnb), often described as a “sharing economy” tool.

Table 10: Comparing crowdfunding with other platforms

	<b>Reward-based Crowdfunding</b>	<b>Commercial/Equity-based Crowdfunding</b>	<b>Sharing economy example (Airbnb)</b>
Product	Various	Various	Pre-determined
Main use	Creative output Arts-monetization	Business monetization	Home monetization (or other sharing economy examples)
Justifications	Early-stage career development Reputation and trust via online mechanisms	Investment in innovation Product-development (DiPietro and Prencipe, 2018)	Short-term gain Sharing the experience of home (Fitzpatrick et al., 2020)
Mechanisms	Gifts as investments in career made through the platform Products in-kind as rewards.	Investments as scaling-up production (Stanko and Henard, 2016) Profits as rewards.	Online payment through the platform. Payments as rewards.
Target users	Creative products, arts-related projects, hobbyists, amateurs and arts-organizations (Mollick, 2016)	Start-up businesses Solo innovators	Individual users who share their houses in exchange for money
Examples	Kickstarter, Voordekunst, Patreon	Symbid, RocketHub, Indiegogo	Airbnb, Uber, Gig Economy platforms

The phenomenon of long-tail, amateurism, niches and do-it-yourself creators sharing either their work or homes can be observed in other platforms. This had been since long theorized as examples in which an unknown group of users decide to transform something of their possession into a market by reaching out to potential markets. Such an attempt can be more generally found in other digital platforms, where amateurs seek to build portfolios in all sorts of manners: Instagram models, Patreon creators,

Medium writers and YouTube creators. All these phenomena are examples of individuals making investments in what they hope will be a professional and profitable career. Boosting ratings on this type of websites, and using sometimes questionable strategies to do so (E.g., buying likes or donating to one's own crowdfunding project) are part of this personal investment, similarly to incrementing a CV in order to signal competence (Spence, 1973). Because of that, such endeavors should not always be perceived as typical business ventures, but rather as initial steps in the career development. This observation has also relevance for the assessment of similar “sharing economy” cases (Frenken and Schor, 2017) and gig economy (Kuhn, 2016; Kuhn and Malecki, 2017) and its regulations (Kirchner and Schüßler, 2020). Similarly to our report, these cases also have operated on the borders between informal exchanges and formal business models.

Whilst this remained the case for the majority of these platforms, it also evidences a precarious, short-term, outsourcing of the self which is consistent with a critique of platform economies widely reported by previous studies (Boons et al., 2015; Fitzpatrick et al., 2020). Based in our interviews, both observations (of amateurism and short-term outsourcing) remained true which denotes that features of platform economies can be observed across various sectors. On the other hand, a few different pieces of evidence deserve to be noted, such as the fact that crowdfunding also produces symbolic distances between donors and founders for the sake of reputation and credibility building. Whereas other platforms usually reiterate close relationships by either promoting online performances, comments and special notes to users (seeking to build thick relationships in seemingly thick environments)<sup>74</sup>, our respondents wished the opposite: to stay liberated from gift-circulation, if possible and attempt to enter markets more fully. This shows that online meaning-making is more diverse than a cost-based analysis, matchmaking supply and demand or even excessive enthusiasm with digitalization.

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<sup>74</sup> Van Doorn and Velthuis (2018) for instance, show how proximities and money negotiations operate in the context of hustling online.

## **Conclusions**

Economic sociology studies have helped us to understand the nature of money in social relations. From markets to intimate realities, moralities give meaning to transactions that otherwise would appear “neutral”. Studies of platforms have so far been conducted primarily from this perspective, in which the reduction of transaction costs through matchmaking overlooks the different uses and meanings that give rise to patterns in crowdfunding results. We have sought to demonstrate in our case-study that platforms also impact the nature of relationships and transactions generated between funders and supporters. In order to get a proper perspective on the nature of these relationships, we have argued that online funding mechanisms can transform small donations into investment in the artists career, hence, contributing to build reputation and credibility for users in search of flexible funds.

Our first finding is that the (long-term) success of platforms depends on the extent to which they can facilitate new types of transactions and give them a definite character. In our study we have shown that for the artistic crowdfunding platform, the nature of such transactions remained unclear. This was reflected in the fact that the artists whilst expecting financial support from close acquaintances, also distanced these relationships by using standardized intermediates (the crowdfunding platform). This movement is not always evident as the expected consequences of this “investment” are not immediate.

We also believe that a particularly useful way of thinking about the problem faced by platforms such as the one we have looked at is that it seeks to bridge amateur and professional realms. A phenomenon that is more widely regarded to be crucial in the digital economy in which content creators often start out as amateurs and then after initial success would seek to formalize their practices by several means: developing businesses, doing new fundraising strategies and, overall, continue to work in creative occupations. We have demonstrated that the platform did provide some of the key characteristics that would be needed in the professionalization

process. It allowed for the development and presentation of ‘projects’, and it enabled a signal commitment to one’s own project. This is further strengthened by the fact that current pledges are visible for other potential supporters so one can observe to which extent other peers have also expressed the aim to support the project.

The need for a socio-economic perspective is further underlined by the widespread discussion over the extent to which other platforms are part of the so-called “sharing economy” (Fitzmaurice et al, 2020). Our findings suggest that our object of study has some important peculiarities within the overall platform economy: a) they are more diverse with regard to the products, goods and services– this depends on the user’s intention, which differs from platforms such as Airbnb, for example, where the object of exchange (short-term accommodation) remains clear; b) the diversity of transactions (commercial and non-commercial in nature) implies that digital platforms such as the crowdfunding ones, can create peculiar markets where asymmetric information is equally on both sides: the project creator does not know what he/she is selling and the backer (funder) does not know what exactly they are contributing to: is it a memorabilia, a ticket, an album or the reputation of a friend? And, lastly, while many platforms aim at portraying how connected and close their users are, crowdfunding shows that creators can use them to do precisely the opposite: to build distance and confer credibility by transforming informal donations into a contribution to their future.

These findings show that, differently than the typical firm structure, digital platforms provide “hope”, “enthusiasm” and momentary situations whereby intimate domains become markets that allow agents to monetize their best skills (e.g. amateurs creating do-it-yourself inventions, new goods and services). Nonetheless, this article also cautions against over-enthusiasm with digital platforms in general. While the hope initial utopia with crowdfunding was that geographical constraints would become less “frictionate”, we have shown that - at least in the arts - offline networks do matter for reputation and credibility building. That is not to underestimate crowdfunding as a model, but to shed light on the current uses and

meanings attributed to the digital economy from an actors' point of view. Other domains can be researched within similar grounds so that this domain-specific argument can be discussed in other realms where negotiations between thick and thin ties also happen.





## **PART III - AN ECONOMETRIC APPROACH**

The previous chapter left a number of uncovered aspects: are these findings common to cultural sectors other than the core arts occupations? Is home-bias a characteristic of these projects only? What factors matter for success results other than reciprocity and the intimate negotiation ties? The next chapter expands the previous one in complementary directions. It discusses the relevance of the founder-funder geographical distance and project types (loosely called “sector”) in the success levels of crowdfunding campaigns through a typical success-factors research design. The chapter ponders the previous findings by enlarging the range of cultural sectors in the study and clarifying how crowdfunding results also depend on sector characteristics and home bias effects.



## 5. EXPLORING HOME-BIAS AND THE ECONOMIC FEATURES OF THE CULTURAL AND CREATIVE INDUSTRIES IN CROWDFUNDING SUCCESS<sup>75</sup>

### Introduction

Crowdfunding is arguably a local phenomenon with international potential. The previous chapter painted an image in this direction in qualitative terms: creators often remain largely constrained in their local environments yet expecting to move out of small cultural productions. This rather locally-restrained view finds connection with a vast empirical evidence that shows how crowdfunding reinforces local ties, clusters, close social networks, hence relying upon local endowment (Agrawal et al., 2011; 2015; Hui et al., 2014; Lin and Viswanathan, 2016; Mendes da Silva et al., 2016; 2018; Breznitz and Noonan, 2020). This has shown how crowdfunding is not necessarily a better model for promoting more diffusion of economic activities (Breznitz and Noonan, 2020). However, this chapter questions if this is expected in all cultural sectors equally.

This excessive home-bias was not the initial expectation with online platforms, at least from a common-sense point of view in which internet, online environments and digitalization would contribute to a frictionless environment (Castells, 1996; Friedman, 2005). This rather optimistic view has evolved apart from a vast funding behavior literature showing the importance of localities for reducing information asymmetry, transaction costs, and social frictions, driven by the inability to control distant transactions (Hortaçsu, Martínez-Jerez and Douglas, 2009). Startups, angel investors and venture capitalists seem to reinforce a similar pattern whereby funding follows the path of guaranteeing private information (Shane and Cable, 2002; Harrison, Mason and Robson, 2010). When researched in

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<sup>75</sup> Working paper submitted to ACEI 2021 co-authored as: Dalla Chiesa, C; Bucco, G. & Handke, C. (2021). Exploring home-bias and the economic features of the cultural and creative industries in crowdfunding success, *21st Conference of the Association for Cultural Economics International*.

detail, therefore, online platforms reinforce local ties despite the expectations of building open international environments (Langley and Leyshon, 2017).

In line with previous research (Breznitz and Noonan, 2020), this chapter is motivated by assessing whether the impact of geographical distance on funding applies to all cultural project categories and how differences materialize in creative sectors (design, technology, dance, theatre, music, etc.). Given the diverse economic characteristics of various cultural and creative industries (Caves, 2000), the relationship between funding success and distance may be moderated by the project category (hereby, called “sector<sup>76</sup>”). We further analyze campaign signals related a few foundational characteristics of the cultural and creative industries (CCIs), namely their experience goods characteristics (Towse, 1997; Ginsburgh and Throsby, 2006), prestige signals and digital rewards, which we assume are present in crowdfunding campaigns. The pressure for digitalizing cultural activities thus possibly impacts the composition of rewards offered to backers. We, therefore, assess if the presence of such characteristics yields any exceeding success in crowdfunding campaigns. These insights find support in both cultural economics literature (Caves, 2000; Handke, 2010) and crowdfunding literature whereby credibility signals are supported by third-parties signals<sup>77</sup> (Kleinert, Volkman and Grunhagen, 2020) and external endorsement signals (Mavlanova et al., 2016).

This chapter, consequently, engages in a different method to expand qualitative findings towards areas other than the “core-cultural arts” (Throsby, 2008). The contribution of this chapter is to shift the focus of the previous chapter on symbolic meanings towards the importance of the

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76 The term “sector” is used in a loosed manner to represent the project category, the domain of the campaign (theatre, dance, music, literature, etc.). As per UNCTAD (2019), the assemblage of all creative sectors is what compounds the cultural and creative industries. More specifically, a sector is a an area of the economy with same or related services. More difficulties arise when enlisting all the cultural and creative sectors. As observed by Hesmondhalgh and Pratt (2006), the definition of cultural industries is often loosely applied and subject to many variations. In the thesis, I largely use the categorization proposed by Throsby (2008).

77 Similar observations were previously made by Booth and Smith (1986) in other funding contexts. The main argument is that repetitional capital guarantees product quality.

economic features of CCIs (i.e., project type) in the fundraising results. This is conducted via a multilinear regression analysis with one moderation variable (sector) that assesses the relationship between distance and funding results. The data corresponding to 880 campaigns originates from the Kickstarter<sup>78</sup> website (2012-2018) randomly web-scraped and further coded. The database contains only successful projects due to not having access to donors' cities on failed campaigns. Furthermore, this chapter contributes to the literature in crowdfunding by highlighting the features of the CCIs and assessing their importance in fundraising success levels<sup>79</sup>.

The main results point out to the counterintuitive idea that the higher the distance between the donor and the entrepreneur, the higher the level of success of the campaign. However, this effect is moderated by the sector of the project. Specifically, we observe a stronger positive impact of distance on the level of success when the project pertains to wider industries than when it pertains to core cultural arts and other cultural arts.

## **5.1. General Features of the Cultural and Creative Industries**

Creative goods and services have distinct economic features that set them apart from other areas of the economy. Intrinsic motivation, superstar effects, oversupply, experience goods, highly differentiated products (akin to monopolistic competition) and expressive demand uncertainty compound some of the cornerstone characteristics of the various cultural and creative industries.

In some cases, reproducibility, network effects, and information goods characteristics also pertain to a number of definitions widely explored by scholars (Kretschmer et al., 1999; Bille and Schulze, 2006). More

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<sup>78</sup> Despite the over-repetition of Kickstarter-based studies, this platform was chosen for its international representativity for the various cultural sectors. Local platforms would not provide the variety of geographical locations data intended with this study.

<sup>79</sup> In this chapter, differently than the previous, success is simply defined by reaching or not the funding goal in line with the goals of this multilinear model.

fundamentally, the reproducibility aspect of the CCIs remarkably sets them apart in their production and distribution processes. Although reproducibility can be virtually applied to any good, most arts and heritage preserve the unique aspects of an art piece that withhold value in its non-reproducibility. The threshold of reproducibility is lesser a matter of intrinsic property of products, and more a matter of where value is placed. The value of a cultural product may be placed in its surprise and uniqueness (Hutter, 2011; 2015; Karpik, 2010) and in its potential to reach scalability, network effects, and increasing returns to scale (Kretschmer et al., 1999; Liebowitz, 2010; Varian, 2011). Not necessarily, these are characteristics found in all cultural products at the same time.

For example, the so-called core cultural arts (Throsby 2008) - literature, music creation, performing arts, and visual arts - hold intrinsically different characteristics in comparison to other cultural activities such as video games, design, technology, typically considered as more innovation-driven, tech-intensive and subject to a commercial reward structure (Wachs and Vedres, 2021). When implemented in a crowdfunding analysis, we expect that different sectors yield different offers to backers, different results, and geographical outreach. This also finds support in recent crowdfunding research (Brent and Lorah, 2019; Breznitz and Noonan, 2020; Rikkja et al., 2020), although researchers have not fully implemented mezzo level variables (sector, project type or industry) as in relation to project category.

This chapter takes inspiration from the categorization of CCIs developed by Throsby (2008), where the cultural industries are set apart in their relation to core cultural arts. The core-cultural arts, for example, differ in their cultural content, reproducibility, and uniqueness (Throsby, 2008). Non-reproducible art - whose production is laborious and whose output is not digitized or easily reproduced - represents this category in forms such as paintings, sculptures, live performances, etc. (Schulze, 1999). In order to differentiate the various cultural sectors used by the crowdfunding platform Kickstarter, we categorize them in the table below, showing three proposed clusters for cultural and creative industries and exploring some of their characteristics. The list does not intend to exhaust all possibilities related to

creative sectors but rather simplify the CCIs clusters to approximate Throsby’s (2008) concentric circles for categorizing the twelve cultural domains found on Kickstarter's website.

Table 11: Simplified categorization of cultural and creative industries

	<b>Category</b>	<b>Sub-sectors on Kickstarter</b>	<b>Characteristics</b>	<b>Expected Consequences for Crowdfunding</b>
1	Core Sectors (CS)	Visual Arts, Dance, Theater, Music, Performances	Less product reproducibility, Labor-intensive, Public Good Attributes, Intrinsic and intangible value	Lower goals, High success rates, Limited geographic outreach.
2	Other Sectors (OS)	Publishing, Films, Comics, Crafts	Intermediary position between the first and third cases. No particular distinctive definition.	Intermediary position between the first and third cases. No particular distinctive definition.
3	Expanded Sectors (ES)	Design-Tech, Fashion, Video Games, Board Games	More product reproducibility, more commercially-driven. Information goods and digital products.	High goals, Low success rates, Larger geographic outreach.

**a) Experiences, events and engagements: assessing rewards**

Experience goods are typically the ones in which information and quality are largely unknown previous to consumption. Search costs are high, and demand interdependence may prevail as a relevant source of information under quality uncertainty. Information search about experience goods shall be characterized by word-of-mouth, guided sampling (Nelson, 1970), and versioning (Varian, 2000). Nonetheless, full information in cultural and

creative industries will never be reached due to extreme product differentiation and infinite variety.

One of the first observable characteristics of the various CCIs is that they have experienced good attributes (Towse 1997; Caves, 2000; Ginsburgh and Throsby, 2006), which means that the best way to assess quality and gain full information about a product is by actual consumption<sup>80</sup>. Results from these characteristics the incomplete contract problem (Caves, 2000). As a way to solve that, arguably the core arts engage in long-lasting, trustworthy relationships to diminish the risks of uncertain transactions, moral hazard, and adverse selection (Akerlof, 1970; Kollock 1994). As this brings typically local interactions, we speculate if the geographically contained results in crowdfunding have parallels with the incomplete contract problem in the arts. Due to lack of information, the impossibility of consuming a product, or the inability to define quality, funders from other regions may face barriers for donations (an issue explored in additional items of this chapter).

Experience goods in crowdfunding are typically hard to observe as virtually all rewards can be seen through these lenses as much as any good are virtually experience goods (Hutter, 2003). Moreover, in some cases, scholars argue that supporting or promoting crowdfunding can be part of an experience in itself, hence, taking part in innovative platform solutions and feeding the “hype” (Langley and Leyshon, 2017). In any case, a decisive factor for considering a product as enclosing experience goods characteristics is the offering of a consumer experience (Bille, 2009). As experiences can take place in many formats (indistinguishable in crowdfunding campaign), scholars tend to use the notion of experience and engagement often interchangeably (Efrat et al., 2019; Srinivasan and Akilandesvari, 2021), whereby a possible consumer experience means precisely the backer’s engagement and participation in the campaign’s rewards. These bring significantly more positive results to a crowdfunding call (Zhang et al., 2017; Efrat et al., 2019).

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<sup>80</sup>Often CCIs are also characterized by Credence goods characteristics whereby information is not reachable even after consumption.



Technically, experience goods and engagement opportunities between founders and funders on platforms mean different things. Typically, an event (going to a concert, watching a lecture, meet-and-greet with musicians, tickets for a play, online talks, etc.) is an experience good, but not vice-versa. Not all experience goods are of events type. Thus, given the imprecision on the concept, this chapter assesses experiences as engagement opportunities between founder and funder, such as live concerts, lectures, meetings, events, tickets, regardless of their form (analog or digital). Online communication such as via updates, comments, and social media posts is not included in this analysis. We seek to discover the reward properties related to experience goods and engagement opportunities for backers.

*H1. There is a positive association between the presence of engagement experience rewards and the level of success of campaigns.*

### ***b) Growing importance of digital goods***

Crowdfunding is a digital intermediary, but not necessarily its products are digital. In general, cultural and creative industries have seen a dramatic change toward incorporating digital platforms in the production and distribution of cultural content (Towse and Handke, 2014). The advent of online information goods and the profusion of platforms have greatly opened space for numerous cultural productions once done “offline” to switch to “online”. The pervasiveness of ICTs has also contributed to lowering the costs of reproducing cultural products and therefore reaching more consumers. As such, digital goods are intrinsically different than tangible ones in their reproduction. With physical products in which design and craftsmanship prevail, for example, low reproducibility, high upfront costs, entry barriers for newcomers tend to be a consequence (Brydges, 2018).

The debate about technological change and productivity in the arts has a long story in cultural economics as a more labor-intensive but less

capital-intensive activity (Baumol and Bowen, 1966). There are no changes in cost structure when using another funding tool as production and distribution do not necessarily change with the introduction of new intermediaries. However, for digitally-based rewards, the crowdfunding environment can quickly spread information, content, or any other online-based product. To the best of our knowledge, no previous study has assessed the presence of digital rewards in crowdfunding performance. The closest example is Breznitz and Noonan (2020) in their observation about Digital Media projects being subject to geographical clustering.

Nonetheless, evaluating the digital component of projects is different from assessing the presence of digital rewards inside a project of any type. As such, this chapter constructs the following hypothesis supported on the increasing importance of digital goods for the various cultural and creative industries and the pervasiveness of these goods to consumers (Towse and Handke, 2014).

*H2. There is a positive association between the presence of digital rewards and the level of success of campaigns.*

### ***c) External signals: endorsement and third-party credibility***

Product quality is often hard to discuss empirically. The uncertainty on product quality or lack of familiarity makes buyers or project supporters hesitant to engage in financial transactions (Pavlou et al., 2007). Also - given the oversupply of online sellers and low-quality products - researchers have analyzed the importance of signals that dismiss trust concerns (Mavlanova et al., 2016). However, quality is a subjective and heterogeneous indication of preferences, and there is virtually no universal parameter for “quality”. Approximate terms have been more used in academic literature, other than quality, such as endorsement, credibility, trustworthiness, and prestige. In crowdfunding, researchers are typically concerned with what is called “internal signals” (Mavlanova et al, 2017), which result from the seller

portraying signals that communicate a specific message of quality. In crowdfunding, this has been widely addressed in a number of success factors related to text length, video, images, budget transparency, reward structures, and interactions.

Nonetheless, external signals are also relevant to dismiss hesitation, adverse selection, and mitigate information asymmetry problems. These signals are called “external” as they refer to third-party verifications or endorsements, either provided by the seller or verifiable on the Internet. External signals are typically more salient for buyers than internal ones as they confirm or not explicit messages from sellers. The most common of those are external endorsements.

Research in crowdfunding about external endorsement signals is scarce, although of great importance. Especially when projects are bound to localities (Agrawal et al., 2011; Mendes da Silva et al., 2016) and founders need to outreach other unknown audiences, signals related to prizes, media recognition, festival participation, blog reviews or any other form of endorsement are useful to reduce the asymmetries of distance. Some of these signals associate with prestige and uniqueness, typically important for cultural goods (Karpik, 2010). Others relate to the author’s consecration and consistent acceptance within a community of authors (Verboord, 2011; Schmutz, 2016). Nonetheless, some of these signals are bound to superstar effects and uneven access to funds. Where creators are largely unknown within crowdfunding, external endorsement signals may even become more relevant to gauge the public’s acceptance.

As such, we hypothesize that projects presenting any prestigious signal will reach higher funding results: prizes, media coverage or previous product versions. All these three items combined should respond if, even for niche audiences, fund-seekers prefer to support projects where the information asymmetry between backers and founders is more prominent. Logically, the less prestigious signals (hereby called “external endorsement signals”) a project portrays, the more information asymmetry it withholds. In

the case of specific sectors and large geographic distances, this can be of major importance.

Based on signaling theory, the underlying rationale contends that internally produced signals lack third-party verification, endorsements, word-of-mouth, or any external credible information about the product or the person who sells a product. The issue is widely known in the decision support systems literature and e-commerce. As explained before, although crowdfunding is not typically e-commerce, it holds a close connection with signaling behavior and website mechanisms compared to e-commerce. Also, due to the relative novelty of the crowdfunding model, backers are not likely to contribute to campaigns without preliminary consideration (Kang et al., 2016). As cultural goods are social markets (Potts et al., 2008) and demand is interdependent in crowdfunding (Dalla Chiesa and Handke, 2020), most likely backers will conclude from signals other than simply text features and frequency of communication between founder and funder. Thus, this paper discusses more specifically the role of overlooked signals such as prizes, media attention, festival participation, product reviews, and other forms through which founders wish to differentiate themselves from the mass of amateur production online. More interestingly, crowdfunding offers a peculiar place to observe such signals as this tool gauges the attention of fans and close communities whose credibility signals may actually overpass any internal or external mechanism and relate to long-term fanbase articulation (Galuszka and Brzozowska, 2017a; 2017b).

This research does not differentiate between the founder's signals and the product's signals, given that positive endorsement signals overlap one another in crowdfunding. Backers do not necessarily differentiate between the person of the founder and the project they are proposing. As such, all external endorsements related to the campaign are included in the variable "endorsement"

*H3. There is a positive association between external endorsement signals and the level of success of campaigns.*

### *c) Home-Bias in crowdfunding and the sector moderation*

Previous research demonstrated how crowdfunding campaigns dedicated to the arts and culture are often supported by local communities, friends, and family (Chapter 4) based on small contributions (Mollick, 2014), patronage (Swords, 2017), and social or civic purposes (Boeuf et al., 2014; Simpson et al., 2020). The over-dependence of the arts on local networks, low financial results, and limited outreach often resembles charitable circuits permeated by public good attributes (Touré-Tillery and Fishbach, 2017; Hudik and Chovanculiak, 2018), community-based (Belleflamme et al., 2014), and warm-glow (Andreoni, 1990). On the other hand, other types of creative goods such as games show traces of more commercial results where innovation drives crowdfunding and spillovers to other areas (Wachs and Vedres, 2021). Digital media projects are also less connected with specific localities (Breznitz and Noonan, 2020). All these sectors correspond to more commercial creative products or sectors whose symbolic input has been greatly transformed to acquire economic value (Thorsby, 2008).

Multiple studies have found that distance remains an essential barrier to accessing business finance. The majority of loans and business services provided to small businesses come typically from nearby institutions (Peterson and Rajan, 2002, DeYong et al., 2006, Alessandrini et al., 2009, Brevoort and Wolken, 2009; Cerquerio et al., 2009; Udell, 2009). Another explanation for home-bias in investments is the influence of geographic distance on the sense of control of the investor. By manipulating spatial distance in a sequence of experiments, He et al. (2019) demonstrated that investors are more impatient with investment returns when the project is located farther away.

Within crowdfunding, Agrawal et al. (2011) results are still relevant as they show that the value of pledges should increase with more proximity between funders and founders. The authors, thus, argue that this geographical effect concerns funders with close social proximity with founders. Crowdfunding for music, for example, is to be seen only as an intermediary online service, as it mostly represents the connections between

fans and musicians in the form of monetary pre-payments (Zheng et al. 2014; Colombo et al. 2015; Galuszka and Browzowska, 2016; 2017). As explained before, fans are expected to support musicians in the act of feeling motivated by the content or to act pro-socially (Ariely et al. 2009; Saxton and Wang 2014). In other network, for example, within the start-up environment, an accentuated effect of home-bias is seen with an additional factor: the role of family and friends funds as a form of close support (Basu and Parker, 2001). Nonetheless, digital platforms are expected to reduce the effects of regionality in the supply and demand of cultural goods as consumers ideally have more access to frictionless markets (Gaar, Scherer and Schierek, 2020).

Another explanation for home-bias is the influence of geographic distance on the sense of control of the investor. By manipulating spatial distance in a sequence of experiments, He et al. (2019) demonstrated that investors are more impatient with investment returns when the project is located farther away. In addition, Breznitz and Noonan (2020) analyzed the geographic clustering of crowdfunding across the USA and Canada at the city level, showing successful projects cluster geographically. Digital media projects, for example, cluster more than local projects.

All in all, we find evidence in the literature for cultural productions having more local affinity, while more complete projects (digital gadgets, technology, etc.) find more affinity with international networks (Rykkja, Munim and Bonet, 2020).

*H4: There is a positive association between the geographic distance separating funders and founders and level of success of campaigns. This relationship is to be moderated by the sector variable such that this positive association will be stronger for expanded sectors than for the sectors in the remaining sub-categories.*

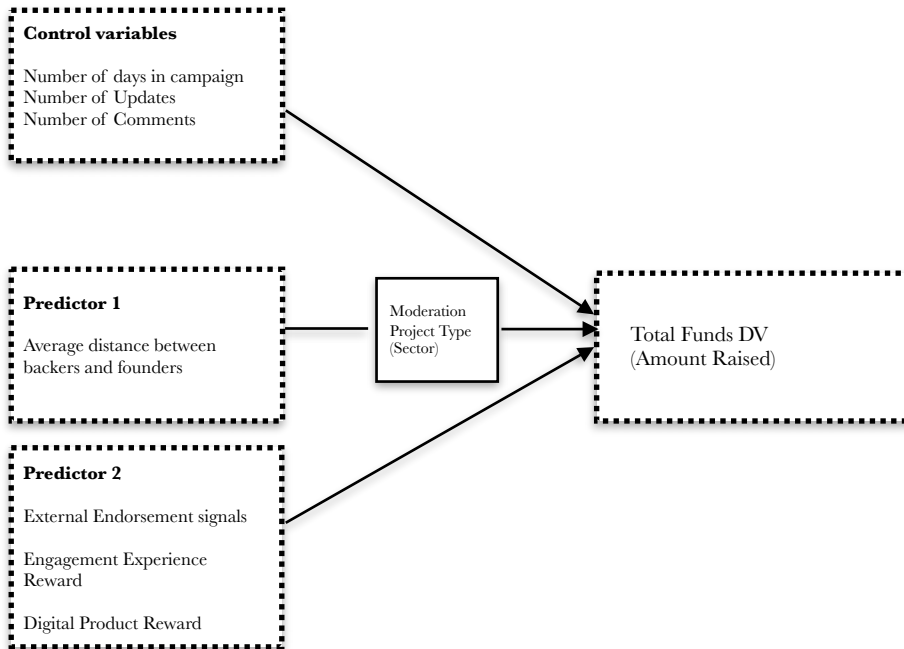


Figure 10: Relationship between variables

## 5.2. Data collection and methods

This study is based on available online data retrieved from Kickstarter<sup>81</sup>. Randomly selected URLs were automatically extracted with the *Link Grabber* gadget directly on the website. We first accessed each project category (dance, theatre, music, arts, etc.) and loaded the page until retrieving 1600 web-links of campaigns in each category. Secondly, we selected a quota sample of 80 projects per category (n=11) randomly in order to better cope with manual coding of predictor variables in each campaign. We include the descriptives of the sample further in the document, and, additionally, an overview of further information about the sample is provided in the Appendix E. After cleaning the unfinished campaigns and reducing the

<sup>81</sup> The world's largest reward-based crowdfunding platform adopting the all-or-nothing model.

quota sample per category, we ended up with a total of n=880 projects, all manually coded for the predictor variables c, e and d (described in table 12). As the random retrieval of online data gave a majority of successful campaigns, the procedures for determining the quota sample were that, first, that projects have reached the target goal at least. Extracting funders cities is only possible when the project is successful, hence the choice for successful projects only. The majority of unsuccessful projects does not yield sufficient cities and backers in the section “community” on Kickstarter projects.

We then used a linear multiple regression to analyze the data with a number of predictor variables, 2 dependent variables and 1 moderator variable. The method fits both our data and the most common methods used in crowdfunding research (Shneor and Vik, 2020). Two-steps regression analysis were performed, in which we used a forced entry method by including all variables in the model (Field, 2013). All commands were implemented using R software and its related packages for multi-linear regression (R Core Team, 2013). Other than the results of the regression analysis on table 14, we also plotted two graphs representing the relationship between

There is one dependent variable (DV) used in this study to quantify the level of campaign success for only successful campaigns: Amount Raised. The operationalization of this variable obeyed, first, web-scraping procedure on the total amount of funds raised by each campaign and, second, the conversion of all non-US campaign results to US dollars by matching the conversion rate in the day when the campaign ended. This process was executed through R data analyses packages (R Core Team, 2013). The table below describes the predictors and moderator variables in detail.



Table 12: Variables in the study

<b>Variables</b>	<b>Coding</b>	<b>Observations</b>
<i>a) Sector (moderator)</i>	This categorical variable simply corresponds to the kickstarter project type category. As explained before, all sectors were regrouped in 3 meaningful units.	Each sector was further categorized in three different areas: a) core arts, b) other sectors and c) expanded sectors in accordance to table 11.
<i>b) Average Distance founder-funder</i>	This ordinal variable represents each distance between the campaign location and the top 10 cities where backers come from. Each distance was calculated with the aid of R software and finally measured in Km. Lastly, the average distance for each campaign was calculated.	Funders supporting projects in the same city ranked zero. The top ten cities corresponds to the information available on the subsection “community” of Kickstarter’s website.
<i>c) External Credible Signals</i>	An ordinal variable resulting from a combination of various dummy variables for each external quality signal: a) media coverage recognition, blog reviews about the campaign, the product or the person (collected via publications in the campaign itself, its comments or updates to backers) b) prizes and awards (either for the product or the founder) c) previous commercial version of the product (signalling previous acceptance by other parties) d) Festival participation or any event that signals peer-acceptance.	The ordinal variable was registered from 0 to 3 corresponding to the presence of each of the 4 endorsement signals.
<i>d) Engagement experience</i>	Dummy variable assessing if the campaign offers any reward with engagement experiences with the founder.	E.g., Meet and greet with founders; Tickets for concerts; Visitation of any sort; Courses and any other form of participation <i>in loco</i> or streamed online.

Table 12: Variables in the study

<b>Variables</b>	<b>Coding</b>	<b>Observations</b>
<i>e) Digital reward</i>	Dummy variable assessing if the campaign offers any digital product in all reward options.	E.g., digital albums, digital books, newspapers, any form of digital content shared online without physical intermediation.

As some of our covariates were latent variables, we manually coded them from the campaign text. These variables were - engagement experience, digital reward and external credible signals. Inter-coder reliability for the latent variables was high (Cohen’s Kappa above 95%), indicating good agreement and accuracy in the coding, hence robustness of the concepts.

***Control variables***

A number of control variables were included in the study as in accordance with previous studies (e.g. Mollick 2014; Kuppusswamy and Bayus, 2017; Shneur and Vik, 2020). Typically, updates, comments and the duration of the campaign positively impact the pledge levels and the backer’s willingness to pay. More rewards mean more options, hence better results for backers, but up to a certain limit (Sharp et al., 2014).

***Moderator variable: sector***

The moderator variable corresponds to the interaction between predictor and dependent variables, which in this study is the “sector”. Moderation analysis typically involves the use of linear multiple regression. Here, the variable sector is a dummy representing all the eleven categories<sup>82</sup> from which we extracted data on Kickstarter website. In a second step, we aggregated all sectors in three major categories explained in Table 11 in order to evaluate the impact of each major sector on the slope of

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<sup>82</sup> Dance, Art, Theatre, Music, Publishing, Comics, Design-Tech, Fashion, Games, Film, Crafts,

independent variables. Most specifically, we use this research design to assess the relationship between the distance founder-funder and the accumulated values.

### ***Assumption checks***

Aiming to assure that our dataset was appropriate for linear regression analysis, we conducted a series of assumption checks. First, we verified whether our sample size was large enough to fit the model. Because we have five predictors and four control variables, the sample is adequate to run the model without overfitting (Peduzzi et al., 1996). Next, we assessed the occurrence of outliers via Tukey fences (Tukey, 1997). We identified the variables average distance founder-funder and amount raised (total funds) as subject to outliers. Since outliers could have affected the regression results, we have solved the problem winsorizing these variables (replacing any values greater than the 95th percentile to that of this percentile). Also, we noted that these variables and the variable “number of comments” were highly skewed. To solve this problem, we *ln-transforming* transformed these variables. of outliers by ln-transforming these variables. Finally, the remaining linear model assumptions were met. We did not detect neither multicollinearity between the variables (VIFs < 3) (Bowerman and O’Connell, 1990; Myers, 1990), nor over-dispersion (two degrees of freedom ratio of  $\chi^2$  test < 2 (Field, 2013). The equation used to analyze the data is found below:

$$AmiDonated = \beta_0 + \beta_1 AvgDist + \beta_2 Sector + \beta_3 ExtEndorsementSignal + \beta_4 DigRwd + \beta_5 EngageExp + \beta_6 NDays + \beta_7 NUpdates + \beta_8 NComm + \beta_9 AvgDist : Sector + \epsilon$$

### 5.3. Overview of the sample

This description is based on a series of tables included in Appendix E representing descriptives of the dataset. Generally speaking, the so-called Expanded Sectors (design-tech, fashion, video games and board games) reach more funds, higher success and more geographical outreach as the tables demonstrate. As per the content of campaigns, most projects were about theater (core), crafts (other) and tabletop games (expanded), while their rewards favoured engagement experiences (core) and memorabilia (other and expanded). Despite the presence of digital-related industries in the expanded sectors (such as video games), the rewards predominance show physical components (memorabilia), which possibly means that the majority of campaigns in this area is indeed about board games, instead of video games. The descriptive tables in the Appendices resume these findings and further differentiates between the ones that represent the entire sample (total sample) and the quota sampled (reduced sample). The table below reports the descriptive statistics based on the sample<sup>83</sup>.

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<sup>83</sup> Frequencies of categorical variables are included in the Appendix E to further clarify these variables descriptives.

Table 13: Descriptives

<b>Variable</b>	<b>Mean</b>	<b>StdDev</b>	<b>Min</b>	<b>Max</b>
<i>AvgDistances</i>	38.7	39.2	0.1280	206.6
<i>AmountRaised</i>	36452	150367	151.0	3.127.299.0
<i>Goal</i>	9092	14322	1	115.834.6
<i>AvgAmountRaised</i>	83.3	74.8	6,82	694.1
<i>TotalBackers</i>	391	1111	10,00	17.402
<i>RewardsAmount</i>	2.84	1.47	0	5,00
<i>NDays</i>	31.6	10	7	61
<i>NUpdates</i>	7.83	8.59	0	80
<i>NComments</i>	87.9	556	0	11.062
<i>Engagement Exp.</i>	0.49	0.50	0	1
<i>Digital Rewards</i>	0.39	0.48	0	1
<i>External Endorsement Signals</i>	1.11	0.404	1	5

## 5.4. Regression Table

Table 14: Regression analysis results

Dependent variable: $\log(\text{Amount donated})$	<b>Model I</b>	<b>Model II Control</b>
Intercept	7.287***	6.695***
$\log(\text{AvgDistances})$	0.167*** (0.046)	0.141** (0.043)
Sector (1,2,3)	-0.241 (0.187)	-0.210 (0.178)
Ext Endorsement Signals	0.540*** (0.127)	0.287** (0.12)
Digital Reward	0.193 (0.107)	0.146 (0.102)
Engagement Experience	0.710*** (0.124)	0.783*** (0.116)
NDays		0.025*** (0.005)
NUpdates		0.029 (0.006)
$\log(\text{NComments})$		0.482*** 0.028
$\log(\text{AvgDistances})\text{:Sector}$	0.340*** (0.054)	0.107*** (0.051)
Observations	880	880
<i>R</i> <sup>2</sup>	0.274	0.539
		*p < .05 **p < .01 ***p < .001
AIC	2100	1900
BIC	2303	2013

## 5.5. Results and Discussions

As stated above, we measured the level of campaign success through the dependent variables “amount raised”. We ran two models, which we called Step 1 and Step 2. While the Step 1 model uses as explanatory variables only the main independent variables (i.e., those which we hypothesized a relationship with the level of campaign success), the Step 2 model encompasses the control variables. Table 14 presents the results for these models.

The regression results can be found in the previous table. In Step 1, the linear regression model with no control variables explains 27% of the variance and, in Step 2, 36%<sup>84</sup> of the variance related to crowdfunding success. Both steps were statistically significant. Model 2 improved the goodness of fit (R<sup>2</sup>-adj) in 0.273 (without controls) to 0.539 (with controls): 31%. The model explained more variance in the amount of funds raised by the presence of engagement experience rewards, distance founder-funders, endorsement signals and the sector moderating distance. No overfitting was detected for both of the regressions or undercutting (as seen in the AIC and BIC measures).

Noteworthy, the inclusion of covariates did not significantly affect the influence of the main predictors over the dependent variables. We found a consistent pattern of results across the models. Results suggest that the bigger the geographic distance between the donor and the entrepreneur, the higher the amounts raised by the campaign. Further, when the project pertains to the sector “expanded industries” (ES), the amount raised is reported to be higher than when pertaining to the sectors called “other cultural arts” (OS) and “core cultural arts” (CS). Importantly, we found a significant interaction between average distance and sector, as expected by the hypothesis, whereas the sector variable alone does not show significant results. As shown in Figures 12 and 13, when the project pertains to the grouped sectors EI, the positive impact of distance between the donor and

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<sup>84</sup> Papers on crowdfunding using success-factor analysis with a similar number of variables vary between 10% to 25% in the R-square adjusted (e.g., Mendes da Silva et al., 2016).

the entrepreneur on both the amount raised is stronger. As such, in accordance with the broader crowdfunding literature, the model 2 predicted a significant positive effect of the geographical distance and project category (sector) in the results. Also, in accordance with the literature on cultural economics, endorsement signals and experience rewards significantly impact the crowdfunding results. However, unlike the literature on the growing importance of digital products for cultural and creative sectors, the presence of digital rewards does not significantly impact success. We discuss some possible consequences and reasons for that in the forthcoming items.

*a) Summary of hypotheses*

- H1: There is a positive association between the presence of engagement experience rewards and the level of success of campaigns. This hypothesis is confirmed. Results from a multiple linear regression showed that when a campaign offers engagement experience, it is prone to raise more funds.
- H2: There is a positive association between the presence of digital rewards and the level of success of campaigns. Not confirmed. Results from a multiple linear regression did not show any influence of the presence of digital rewards on the amount of funds raised by the campaigns.
- H3: There is a positive association between external endorsement signals and the level of success of campaigns. This hypothesis is confirmed. Results from a multiple linear regression showed that the more external endorsement signals a campaign has, the larger its amount of funds raised.
- H4: There is a positive association between the geographic distance separating funders and founders and level of success of campaigns. This relationship is to be moderated by the sector variable such that this positive association will be stronger for expanded sectors than for the sectors in the remaining sub-categories. This moderation hypothesis is confirmed. Results from a multiple linear regression show a main effect for the geographic distance. Specifically, distance has a significant positive impact on the amount of funds raised. Importantly, results also show a significant interaction between distance and the amount of funds raised. The positive relationship between distance and the



amount of funds raised is stronger for the campaigns pertaining to the expanded sectors than those pertaining to the other sectors.

*a) Geographic outreach, backers' contributions and sectors*

The first analysis related to home-bias and sectors delves into how much backers contribute in average to campaigns in the various sectors. The results show typical aspects expected in moderation models, whereby variables present clear different patterns, hence reinforcing the moderation model. Whereas the Core (CI) and Others cultural arts (OS) demonstrate similar patterns (backers are less numerous and contributed less in average when they are distant from founders). This finds support on the investment behavior literature and home-bias in crowdfunding. But more specifically, we can identify that certain cultural industries are more capable than others in outreaching different audiences. This finding puts in perspective the previous chapter in which artists reported having enormous difficulties in outreaching audiences other than their own social networks. This article shows how vital it is to ponder the differences amongst sectors in order to understand the reasons why artist may or not outreach audiences other than their acquaintances. We expect that some of these reasons are related to the characteristics of cultural goods in their reproducibility aspects and career stage of creators.

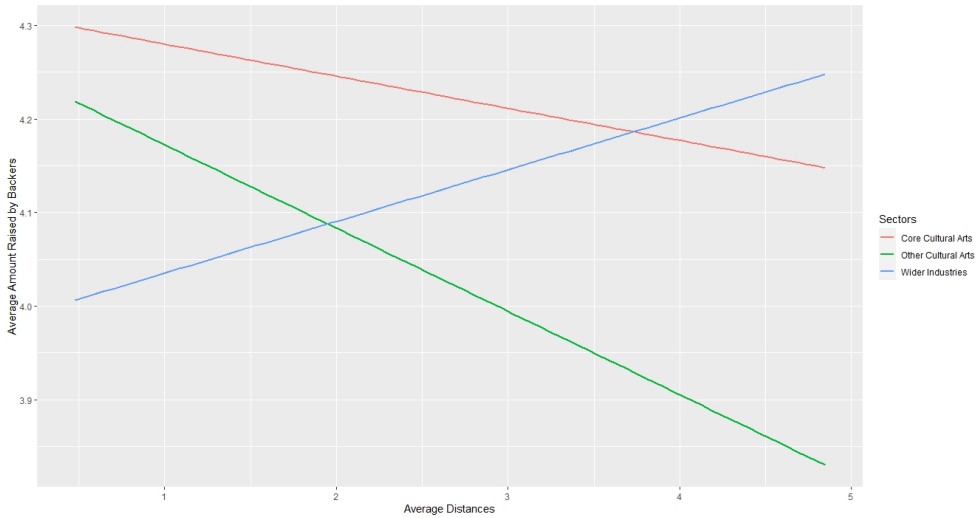


Figure 11: Backer’s support and average distance

Previous studies also demonstrate that the net effect of crowdfunding platforms is probably very low and, similarly, their ability to reduce the cost of distance (Dejean, 2018). This results from backers absorbing the costs of the transaction (Strausz, 2017). In light of these findings, we can ponder that for certain sectors, backers may be less willing to absorb the costs of transactions, hence implying that crowdfunding does not fundamentally alters expected funding behavior in online realms.

*b) Geographic outreach, total funds and sectors*

The second analysis related to home-bias and sectors delves into the dependent variable more specifically while applying a similar strategy in analyzing projects categories (sector). The shade area represents where results overlap, therefore, less significant differences amongst variables. However, when the distance between funders-founders increase, results portray interesting patterns. Similarly to the previous graph, other cultural arts (OS) and core cultural arts (CS) shown close results, to the point that

they might not be considered as intrinsically different than the other sectors (design, technology, fashion and video games). More interestingly, when distance increase, the amount raised (total funds) increase for “expanded sectors”, in opposition to other sub-areas. Also in this case, the moderation model of sectors seems to provide reasonable observations about crowdfunding patterns.

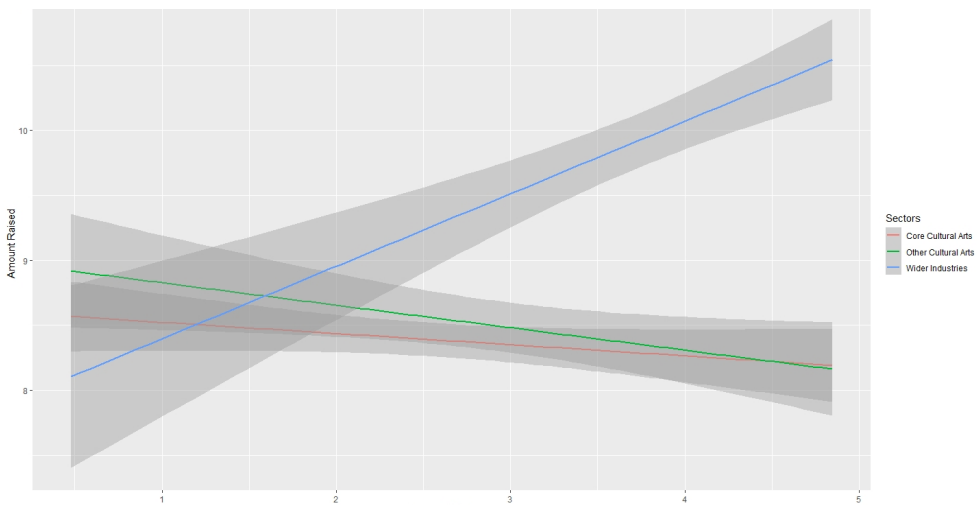


Figure 12: Amount raised and distance

There is little evidence in the literature to support this fact, especially in crowdfunding research as typically studies do not group projects in their types of products. We find more support on studies in economics of creative industries dedicated to discussing the how high upfront costs of creation and transaction costs involved in creating and distributing a product (humdrum inputs) imply different economic arrangements and market outreach. In crowdfunding, these patterns are represented in higher target goals, better organized campaigns, and more expensive rewards. Breznitz and Noonan (2020), for example, found that digital media (DM) projects cluster more than local projects. It is possible to cluster but in different areas, therefore

more distance between funders and founders is not contradictory to finding clustering in digital media. As such, in our case, areas that are typically digitally-oriented outreach more areas.

*b) Endorsement, Engagement Experience and Digital Reward*

First, the various endorsement signals analyzed show positive results and the confirmation of the hypothesis, meaning that by having at least one of the external endorsement signals, campaigns leverage their success. This reinforces the theories that ascertain the relevance of third-party signals, prestige and peer recognition in crowdfunding as a way to differentiate campaigns within a large amount of failing projects (about 70% percent on Kickstarter as demonstrated in chapter 3) or projects whose quality is difficult to ensure.

Second, when campaigns offer backers with the possibility of engaging in a meaningful experience with founders (concerts, live streaming, *in loco* exhibitions, meet-and-greet with the fanbase, visiting a place, etc), most likely users feel compelled to support the campaign. As described before, this finds wide confirmation in crowdfunding literature on the motivations of fan based to take part in their favorite artists projects (Galuszka and Brzozowska, 2016; 2017; Brzozowska and Galuszka, 2021). Moreover, vast empirical results also show that backers engage in projects for intangible rewards (Burger and Kleinert, 2020) or even meaningful personal or group experiences where the reasons for pre-purchasing are community-building oriented (Chin, 2013; Zheng et al., 2014). Our results confirm this pattern through evaluating the impact of experience rewards for backers<sup>85</sup>.

Third, the digital reward hypothesis did not yield sufficient results in our study. This may unveil two different interpretations: a) in general, digital rewards are present in all project categories thus its presence is not particularly relevant in the different sub-sectors; b) more observations are

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<sup>85</sup> Nonetheless, it should be noted that this assessment does not fundamentally uses a strict definition of experience goods.

necessary to re-confirm this aspect and further investigate the nature of cultural goods offered by crowdfunding rewards, or, thirdly, c) rewards can be mostly composed by physical products than digital reproducible goods, although this hypothesis needs confirmation using a bigger sample and more platform examples.

## **Conclusions**

Although this chapter is also supported on basic signaling theory insights as many other studies (Ahlers et al., 2015; Vismara 2016; Block et al., 2017; Piva and Rossi-Lamastra 2017), we attempted to move beyond the internal campaign signals and articulate other possible answers for the disparities amongst the various cultural and creative activities. Even if important distinctions apply when comparing cultural and non-cultural sectors, few papers have dedicated efforts to understand if these differences also relate to the types of cultural and creative industries and their rewards characteristics.

Various campaign types reach success (by low margins and low target goals). But exceeding the target goal and reaching outer networks may greatly depend on factors other than the typically campaign signals (text length, gender, video, transparency, and interactions). Funders may feel compelled to support projects that can grasp the attention of other media (any sign of possible success outside the campaign itself) as well as their close availability (i.e., it is arguably harder to attend a live concert in the US by being a south-american citizen, simply because one cannot extract use-value of these products offered via crowdfunding). For these cases, contributions in which limited rewards apply, backers may only extract non-use value or intangible benefits. As such, this chapter also evaluates if having experiences and digital rewards affect the outcomes of a given crowdfunding campaign.

As we have demonstrated, backers' interest, willingness to pre-pay for a prospective reward or motivation may as well depend on a number of external endorsement signals (not originated simply from text analysis, video presence, language tone or founder's gender) and the possibility to join

unique engagement experiences (in line with fandom studies and community-building projects). Through different means, we confirm the crowdfunding literature in that participation, engagement, community-oriented action matter. Nonetheless, our results show campaign outreach (geographical dispersion) yields better results in expanded cultural sectors (reproducible, digital, or more commercial goods) than the core cultural arts and other related creative goods. This shows the importance of product and reward characteristics to crowdfunding results in online funding behavior. On the one hand, crowdfunding reinforces similar information asymmetries as in any cultural market; on the other hand, it facilitates communication and largely reduces transaction costs involved in reaching potential consumers, backers, patrons or supporters (depending on the core motivations of backers) who otherwise would remain invisible to founders knowledge.

A limitation of this study is its reliance on a project's narrative in a unidimensional manner, meaning that we do not directly address consumers' perceptions. Furthermore, the study could be expanded by differentiating endorsement signals between the person and the product. Moreover, a replication study using a larger sample to test our results would be valuable. Other platforms (including international and regional examples) should also be examined to assess whether results change in different local contexts. As Kickstarter is the most internationally used platform to this date, it yields valuable results in terms of distance between founder and funder. Nonetheless, this platform is still considerably US-based in its majority of campaigns and local perspectives may provide different results for this type of moderation model.

## **PART IV - AN INSTITUTIONAL APPROACH**

Until this point, crowdfunding has been portrayed as an independent market-driven digital tool that can support communities, private companies, or individuals. As a flexible tool, crowdfunding caters to the needs of varied actors. Governments, public institutions, public-private partnerships, and political agendas can also make use of crowdfunding, yet adapting this infrastructure to its own domains. That is the case of match-funding, the recent development of crowdfunding in combination with state-driven funds. This funding option will be discussed in the next chapter based on a few examples where public and private initiatives combine efforts toward leveraging funds for the arts. This relatively positive view is later contrasted in an opposite example (Chapter 7), where I report the case of the Queer Museum in Brazil, in which governments frontally opposed crowdfunding initiatives. The following chapters advance in a more contextual view of crowdfunding, whereby funding tools have an institutional role to play.





## **6. MATCHFUNDING GOES DIGITAL: MIXING PUBLIC FUNDS AND CROWDFUNDING CALLS<sup>86</sup>**

CHAPTER EMBARGOED FOR REPUB DUE TO PUBLICATION  
UNDER PROCESS OR FINALIZED PUBLICATION

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<sup>86</sup> A similar version of this chapter is under preparation for journal submission

## 7. CROWDFUNDING THE QUEER MUSEUM: A CULTURAL COMMONS PERSPECTIVE<sup>87</sup>

CHAPTER EMBARGOED FOR REPUB DUE TO PUBLICATION UNDER  
PROCESS OR FINALIZED PUBLICATION

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<sup>87</sup> This chapter is forthcoming as Dalla Chiesa, C. (2021). Crowdfunding the queer museum: a polycentric identity quarrel. In: Dekker, E and Kuchar, P. (Eds.) *Governing Markets as Knowledge Commons*, Cambridge University Press.

## GENERAL CONCLUSIONS

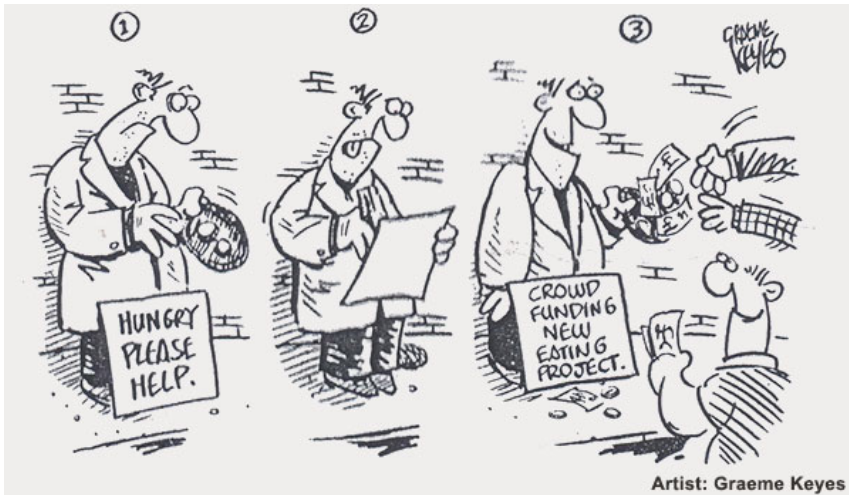


Figure 19: A crowdfunding project by Graeme Keyes

Graeme Keyes portrayed in this cartoon a common understanding that crowdfunding is nothing more than the act of begging for money in a more sophisticated way. Under this premise, using catchy phrases and well-made images would boost fundraising success. The picture above also conveys an attractive storytelling component whereby founders attempt to grasp the audience's attention. Whilst this interpretation relates to several charitable projects whose benefits do not exceed warm-glow and non-use value, I have tried to demonstrate that crowdfunding is much richer than this view of online charity. As explained in this dissertation, crowdfunding innovates in providing an online system for deferring payments and sharing entrepreneurial risks with enthusiastic backers whose small and numerous contributions cover the upfront costs of creation. These projects can take many forms and shapes: charitable, commercial, artistic, profit-based, etc. This dissertation, nonetheless, was willingly focused on the reward-based cases, as it is the favorite model chosen by cultural and creative industries. In crowdfunding, successful projects share products, not profits; share ideas, not

simply goods; and fundamentally, they act as channels for market and identity expressions. Having that in mind, I raised a number of specific concerns that guided the empirical parts of this dissertation in three main streams hereby expressed in its thematic and methodological foundations: (1) qualitative, (2) econometric, and (3) institutional.

First, crowdfunding fills a unique space for artists in the quest of transitioning from amateur to professional realms. The artists I interviewed see crowdfunding as a symbol of impersonality, distance, and credibility, especially for early-stage career individuals who need external endorsements for their projects. Artists utilize this model intending to bridge the gaps between their artistic output and their commercial activities (hence the title of this dissertation). Typically, they wish to transition to more commercial exchanges by moving out of their social networks and gift-giving practices, although not always managing to accomplish this aim. Consequently, crowdfunding provides these artists the necessary distance to their private network's contributions, conferring a "professional" outlook to otherwise family and friends' monetary givings. Once enclosed in their social circles, the artists I interviewed did not wish to make use of crowdfunding a second time as they tried to avoid "asking money to the same people once again" and increasing transaction costs for low payments in return. In a nutshell, for specific circuits of artistic domains - and particularly local platforms - projects may reach higher success rates but not benefit from a sustainable source of income. As such, the contribution of crowdfunding in these cases remains limited to a one-time successful attempt that may (or not) lead to future stable occupations, other projects, or jobs.

This portrait of crowdfunding focuses on arts occupations heavily dependent on local social networks and often volunteer in-kind contributions. However, as widely discussed by the literature in cultural economics and creative industries, many cultural goods are commercially driven in nature. As such, what chapter 4 portrays is rather restricted to specific types of cultural projects. When we look into other areas (uncovered in the qualitative findings) such as design, technology, fashion, video games, etc., do we find similar funding results and geographic outreach patterns?

Do the economic characteristics of the CCIs play any role in the type of projects and their expected results found in crowdfunding?

The second empirical chapter contrasts these findings by employing an econometric approach that ultimately ponders the qualitative conclusions just summarized. It is the assumption of chapter 5 that the intrinsic economic features of the various cultural and creative industries matter fundamentally in the dispersion and results of projects. As such, this study incorporates the sector variable (project type) to assess the extent to which this assumption holds. The findings demonstrate that the sector significantly moderates the relationship between the number of funds raised and the geographical dispersion of projects. It also shows that (regardless of the industry under scrutiny) projects with any engagement experience component in their rewards or external endorsement signals positively impact the success levels of calls. More importantly, crowdfunding does not solve common problems observed in cultural and creative goods, such as high information asymmetry and quality uncertainty. Most likely, crowdfunding amplifies these effects as reward-based projects rarely display any trace of previous commercial success or market penetration. Consequently, backers have fewer means to confirm quality and credibility, which results in projects reinforcing home-bias effects (i.e., distant investment bringing more risks). In sum, crowdfunding mobilizes typical economic characteristics of cultural goods and repeats investment behavior patterns in online realms.

I conclude with this chapter that this funding model, although innovative in its mechanisms: (a) does not fundamentally alter the need for external endorsement signals as it is the case in the cultural and creative industries; (b) does not seem to provide an environment for frictionless distance between founders and backers, and (c) greatly depends on the sector (project type) to reach success and outreach other networks. For crowdfunding literature, this contributes to demonstrating that internal campaign signaling does not exhaust all success level explanations; hence the features of cultural goods also matter in campaign results. For cultural economics research, it proposes that online means of exchange may

facilitate the match between supply and demand, although not fundamentally changing the characteristics of cultural markets.

Furthermore, as seen in chapter 6, these aspects are not restricted to creators and backers only; local platforms and other institutional actors (such as governments) may also utilize crowdfunding to provide further funding for the arts. The last part of this dissertation delves into a view of various institutional arrangements - some in collaboration and others in dispute - to position this phenomenon from a broader societal perspective.

Firstly, I explored the matchfunding case, in which public or semi-public institutions match funds with backers' contributions to increase the total funds for creators. Not only is this beneficial for projects, but it is also relevant for platforms whose revenue models consist of a percentage of total funds raised by crowdfunding campaigns. From an institutional standpoint, crowdfunding seems to provide significant incentives for governments to test projects and gain further legitimacy by backing what citizens choose to invest in. As this raises several concerns from a policymaking perspective, the combination of different funding sources may be incorporated in future research agendas. For example, what is the role of private institutions and two-sided markets in the new forms of arts provisioning? Does this mechanism produce biases of any sort in comparison to other funding options?

Secondly, this scenario is contrasted by an opposite example, where institutions reach conflicting outcomes. The last chapter in this dissertation demonstrates extreme divergence expressed in the open refusal from state-driven institutions to support an arguably diverse arts project (the Queer Museum exhibition). This case shows how crowdfunding can emerge as an independent option in the face of institutional blockages and a lack of financial support by traditional funding sources (banks, governments, or private investors). This way, crowdfunding elicits, to some extent, demand sovereignty by allowing cultural expressions to emerge even in discordance with local authorities. These artistic expressions are theorized as "cultural commons," intangible resources collectively organized and shared by

individuals. In this case, I discuss how a relatively “neutral” and stable infrastructure such as crowdfunding can channel identity recognition, institutional diversity, and funding to otherwise repressed cultural expressions.

The dissertation, thus, oscillates between discussing the use and non-use value notions in crowdfunding. It ultimately describes a funding model for the arts to find a way through a novel matchmaking mechanism while pondering its benefits and constraints. As I attempted to demonstrate as well, “matchmaking,” simply put, is insufficient to describe crowdfunding, as agents can use it to channel their personal motivations or be influenced by it due to demand interdependence and herd behavior. As such, agents are constantly influencing each other (backers and founders or fan communities). Agents do not simply matchmake supply and demand through crowdfunding; they expect more than only use-value of cultural goods. As widely discussed in this dissertation, a crowdfunding project is never described as a simple good or service in any supermarket or e-commerce platform. Storytelling circumvents the product, tangible and intangible benefits overlap, and commercial and non-commercial intentions ultimately intertwine. The more founders appropriate non-use value in their offerings, the better results they reach. For the arts, this represents how, once again, financial motivations go hand in hand with symbolic reasoning.

Theoretically, I support this dissertation on a number of contributions: mainly from cultural economics, economic sociology, and institutional economics. These are presented in different chapters and through various methodologies. While a single theory or final interpretation of crowdfunding is avoided, these analyses may widen the spectrum provided by success-factor-based studies. It was the intention of this doctoral project to advance in areas often overlooked by the literature or that could potentially bring novel insights and research directions on the use of alternative funding models for cultural projects. This was delivered by a multifold perspective, which in combination, yields a diverse view of crowdfunding consistently in line with the phenomenon itself.

## **Limitations and further research propositions**

In light of the limitations mentioned in each chapter, a few future recommendations emerge from this dissertation, all of which deserving theoretical and empirical strategies of their own.

For example, within the success factors agenda - the most common approach in crowdfunding research - this phenomenon allows for further comparative research to not restrict results in one or a few international platforms. It is vital to investigate how fundraising results and funding behavior vary across different regions and creative sectors. Furthermore, which strategies do platforms implement in different contexts? After approximately ten years of crowdfunding phenomenon, research can further develop analyses related to platform competition, pricing, and differentiation to cater to the variations of crowdfunding from a two-sided market perspective.

From another angle, studies have also rarely comparatively delved into demographics of crowdfunding: income levels, education, and other structural components of funding behavior that can enlighten the reasons behind project features and their results in specific regions. The sociological constructs of class, gender, and ethnicity may provide interesting outcomes regarding the funding results.

Additionally, crowdfunding for cultural ventures can be compared to other forms of cultural consumption to the extent that backers support certain types of cultural goods within crowdfunding and others outside of it. Studying cultural consumption via crowdfunding would allow researchers to investigate to which extent this funding model overemphasizes superstar effects or the long-tail hypothesis in the distribution of funds. This would benefit from further investigations on the differences between online and offline markets for the cultural and creative industries.

Ultimately, these research directions bring us back to one fundamental question concerning how this funding tool compares to other funding sources for the arts (not only subsidies but also sponsorships, other private investments, and ticket purchasing, for example). All funding sources



need to be considered in the analysis of sustainable financing of the arts and culture. Each major financing stream may be preponderant to specific activities and projects, making it vital to further investigate which combination of funds is better applicable to each cultural industry.

To conclude, this dissertation proposes a picture of crowdfunding that enables further studies in at least three directions: (a) comparing the various cultural and creative industries characteristics in their funding results and combination of different sources (e.g., governments, public funds, etc.); (b) investigating the decision-making process of fund-seekers and supporters concerning different funding models and their career stage; (c) analyzing why and how different crowdfunding agendas reach different results in various context (i.e., socially latent demands or innovation-driven projects), hence demonstrating that this market tool is shaped by social contexts as much as by their internal signaling characteristics.

*Bridging arts and commerce* can take many forms and shapes. Through the crowdfunding model, I have explored only one of the ways through which they can connect. Nonetheless, bridging them requires more empirical and theoretical engagement to investigate the direction in which these bridges will lead culture.



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## **APPENDIX A : INTERVIEW GUIDE SUMMARY**

### **BASIC INFORMATION**

- Age
- Occupation
- Education Level
- Donate to projects before (how many)
- Did other projects (how many)

### **PERSONAL BACKGROUND**

- 1- Could you tell me first your full name, occupation, a bit about yourself and what you do? What was the project about?
- 2- How do you normally get funding for your work?
- 3- Do you divide your time amongst other activities? If yes, how?
- 4- Do you use social media to share your art?
- 5- What is your opinion about using crowdfunding for the arts in general?

### **MOTIVATIONS**

- 6- Why did you use crowdfunding to support your project?
- 7- How necessary was the CF for the project?
- 8- Did it bring benefits besides the money itself?
- 9- Would you do it again? In Which conditions?
- 10- How is it different from getting other funding? Did you have/intend to have support from other means?
- 11 - Why do you think people supported your project

### **TRUST/SIGNALING CREDIBILITY**

- 12- Who were the people that supported you? Did you know this people before?
- 13 Which rewards did they get? How did you determine them?
- 14-What is to achieve success in the arts? And in a CF project?
- 15 - What is needed in your opinion to show a project is worthwhile supporting?

### **MANAGING THE CAMPAIGN**

- 15- How was the process of doing the project?
- 16- Main difficulties / Main benefits
- 17- Did you have other people to help? Partners?
- 18- Did you have problems with anything along the process of doing a CF?
- 19- What is your view on VdK role as the platform?
- 20- What would you have done differently, if you could?
- 21 - Did you learn anything new from it?

\*Access funders afterwards for survey responses: yes or no?

## APPENDIX B : TABLE OF RESPONDENTS (INTERVIEWS)

Name	Gender	Age	Occupation
Ernest	M	27	Musician
George	F	57	Cultural producer
Franz	M	63	Theater maker
Mark	M	30	Musician
Otto	M	58	Musician and Teacher
Anna	F	45	Visual artist
Evita	F	42	Art Jewellery
Michael	M	35	Filmmaker
Justine	F	65	Musician and Producer
Willem	M	51	Photographer and actor
Rutger	M	32	Filmmaker
Johan	M	55	Photographer and Writer
Alba	F	36	Architect and Comic writer
Femke	F	35	Visual Artist
Bruno	M	23	Musician. Master student
Richard	M	25	Musician
Ralph	M	36	Musician and Teacher
Sandra	F	37	Actress
Karen	F	34	Theater producer
Siri	F	32	Dancer
Noor	F	50	Visual Artist
Brenda	F	25	Singer and producer
Alana	F	37	Dancer
Leonard	M	33	Ceramist
Linda	F	38	Visual artist and writer
Loes	F	24	Visual Artist
Carol	F	26	Musician
Myrthe	F	30	Singer
Yin	M	29	Dancer
Gustav	M	46	Musician
Brianna	F	40	Visual artist
Filip	M	34	Creative entrepreneur
Norma	F	26	Theater making

## APPENDIX C - EXTRA DATA SUMMARY ON FOUR DIFFERENT PLATFORMS

	Category	Total Raised In The Period	Average Per Day	Raised In Fully Funded Projects	Raised In Underfunded Flex Projects	Total Backers In The Period	Average Backers Per Project
2014	Art	\$19,715,625	\$54,015	\$16,900,205	\$2,815,419	290,264	28
2014	Comics & Graphic novels	\$9,241,844	\$25,320	\$9,088,789	\$153,055	208,637	105
2014	Crafts	\$137,211	\$376	\$137,211	\$0	3,918	39
2014	Dance	\$4,087,207	\$11,198	\$3,321,333	\$765,874	51,745	34
2014	Design	\$86,522,646	\$237,048	\$85,913,854	\$608,791	1,104,283	168
2014	Fashion	\$23,009,607	\$63,040	\$22,025,042	\$984,565	303,137	53
2014	Film	\$84,620,366	\$231,837	\$70,304,247	\$14,316,118	1,097,727	56
2014	Food	\$26,363,401	\$72,228	\$24,521,718	\$1,841,682	332,202	46
2014	Gaming	\$23,212,851	\$63,597	\$23,212,420	\$431	313,492	1,264
2014	Heritage	\$0	\$0	\$0	\$0	0	0
2014	Music	\$46,232,560	\$126,665	\$39,965,228	\$6,267,333	719,880	47
2014	Photography	\$7,907,746	\$21,665	\$7,325,665	\$582,081	110,435	33
2014	Publishing	\$24,494,969	\$67,110	\$24,494,969	\$0	486,755	59
2014	Radio and Podcast	\$1,316,994	\$3,608	\$1,316,994	\$0	35,392	249
2014	Theatre	\$12,878,000	\$35,282	\$9,927,053	\$2,950,948	170,426	41
2014	Transmedia	\$1,194,640	\$3,273	\$487,842	\$706,798	27,872	83
2014	Video / Web	\$9,458,230	\$25,913	\$7,516,982	\$1,941,248	161,084	52
2014	Video Games	\$54,219,422	\$148,546	\$53,686,213	\$533,209	1,286,153	156
2014	Writing	\$2,880,425	\$7,892	\$1,718,530	\$1,161,895	51,138	23
2015	Art	\$19,451,437	\$53,292	\$16,764,705	\$2,686,732	270,497	32
2015	Comics & Graphic novels	\$10,720,018	\$29,370	\$10,500,760	\$219,258	220,075	100
2015	Crafts	\$2,432,045	\$6,663	\$2,432,045	\$0	47,657	20
2015	Dance	\$2,817,522	\$7,719	\$2,035,748	\$781,774	40,638	32

2015	Design	\$167,051,354	\$457,675	\$166,249,607	\$801,751	1,546,417	196
2015	Fashion	\$30,806,795	\$84,402	\$29,975,172	\$831,624	380,672	60
2015	Film	\$82,040,276	\$224,768	\$67,570,255	\$14,470,021	998,305	56
2015	Food	\$23,352,347	\$63,979	\$21,244,659	\$2,107,688	281,987	38
2015	Gaming	\$88,478,834	\$242,408	\$88,478,834	\$0	1,366,010	317
2015	Heritage	\$0	\$0	\$0	\$0	0	-
2015	Music	\$35,724,511	\$97,875	\$30,050,268	\$5,674,243	553,805	40
2015	Photography	\$8,840,193	\$24,220	\$8,266,701	\$573,492	100,987	33
2015	Publishing	\$27,079,619	\$74,191	\$27,069,273	\$10,346	458,919	46
2015	Radio and Postcast	\$474,400	\$1,300	\$474,400	\$0	7,595	49
2015	Theatre	\$10,401,338	\$28,497	\$7,414,091	\$2,987,247	155,243	44
2015	Transmedia	\$638,004	\$1,748	\$192,435	\$445,568	10,155	34
2015	Video / Web	\$9,550,147	\$26,165	\$7,951,657	\$1,598,490	158,255	56
2015	Video Games	\$47,853,264	\$131,105	\$47,349,992	\$503,273	946,074	184
2015	Writing	\$2,557,691	\$7,007	\$1,378,391	\$1,179,300	49,839	28
2016	Art	\$17,888,677	\$48,876	\$16,703,877	\$1,184,800	262,395	36
2016	Comics & Graphic novels	\$11,671,509	\$31,889	\$11,558,501	\$113,008	258,944	115
2016	Crafts	\$3,098,781	\$8,467	\$3,098,781	\$0	65,062	38
2016	Dance	\$2,103,602	\$5,748	\$1,806,746	\$296,856	30,024	31
2016	Design	\$262,889,144	\$718,276	\$262,264,947	\$624,201	2,540,287	284
2016	Fashion	\$41,031,566	\$112,108	\$40,548,382	\$483,184	392,639	65
2016	Film	\$50,551,189	\$138,118	\$43,501,371	\$7,049,818	696,601	44
2016	Food	\$19,796,841	\$54,090	\$18,820,671	\$976,170	261,131	42
2016	Gaming	\$108,021,82	\$295,142	\$107,727,389	\$294,432	1,642,664	256
2016	Heritage	\$0	\$0	\$0	\$0	0	0
2016	Music	\$27,471,480	\$75,059	\$24,639,013	\$2,832,467	455,041	41
2016	Photography	\$11,332,438	\$30,963	\$11,044,255	\$288,183	114,034	47

2016	Publishing	\$35,375,516	\$96,654	\$35,361,223	\$14,293	513,379	70
2016	Radio and Postcast	\$359,271	\$982	\$359,271	\$0	7,605	55
2016	Theatre	\$6,187,572	\$16,906	\$4,745,462	\$1,442,110	90,718	37
2016	Transmedia	\$222,734	\$609	\$124,401	\$98,333	6,197	23
2016	Video / Web	\$3,830,978	\$10,467	\$2,689,319	\$1,141,660	74,217	26
2016	Video Games	\$21,773,163	\$59,490	\$21,633,705	\$139,458	509,762	151
2016	Writing	\$2,677,943	\$7,317	\$2,169,918	\$508,026	56,143	30
2017	Art	\$19,278,030	\$52,817	\$17,465,560	\$1,812,470	296,994	43
2017	Comics & Graphic novels	\$11,217,499	\$30,733	\$11,126,852	\$90,647	250,702	112
2017	Crafts	\$2,462,644	\$6,747	\$2,462,644	\$0	45,085	29
2017	Dance	\$1,289,383	\$3,533	\$1,203,643	\$85,740	15,428	35
2017	Design	\$191,146,722	\$523,690	\$190,678,394	\$468,335	1,772,149	226
2017	Fashion	\$64,018,114	\$175,392	\$63,430,844	\$587,270	574,802	87
2017	Film	\$49,726,612	\$136,237	\$40,314,298	\$9,412,313	625,292	43
2017	Food	\$25,227,187	\$69,116	\$23,507,884	\$1,719,303	233,802	47
2017	Gaming	\$141,402,822	\$387,405	\$141,307,667	\$95,157	1,803,390	336
2017	Heritage	\$228,802	\$627	\$96,193	\$132,609	3,650	40
2017	Music	\$27,463,803	\$75,243	\$23,633,764	\$3,830,039	430,312	48
2017	Photography	\$18,587,442	\$50,924	\$18,181,303	\$406,139	131,753	68
2017	Publishing	\$38,068,971	\$104,299	\$37,923,616	\$145,355	567,985	81
2017	Radio and Postcast	\$232,497	\$637	\$232,497	\$0	6,051	52
2017	Theatre	\$4,772,096	\$13,074	\$3,164,904	\$1,607,193	65,766	33
2017	Transmedia	\$450,324	\$1,234	\$113,255	\$337,069	8,093	25
2017	Video / Web	\$1,964,780	\$5,383	\$1,794,102	\$170,678	27,985	29
2017	Video Games	\$28,395,945	\$77,797	\$28,262,054	\$133,891	563,086	138
2017	Writing	\$3,492,642	\$9,569	\$2,612,032	\$880,611	60,530	34
2018	Art	\$18,821,522	\$51,566	\$17,161,587	\$1,659,935	290,203	49

2018	Comics & Graphic novels	\$16,606,628	\$45,498	\$16,496,766	\$109,862	357,282	154
2018	Crafts	\$2,651,896	\$7,265	\$2,651,896	\$0	39,463	34
2018	Dance	\$809,119	\$2,217	\$809,119	\$0	9,704	43
2018	Design	\$172,545,300	\$472,727	\$172,351,369	\$193,930	1,549,953	278
2018	Fashion	\$63,273,759	\$173,353	\$62,736,510	\$537,249	572,118	108
2018	Film	\$38,292,184	\$104,910	\$29,492,699	\$8,799,485	451,718	47
2018	Food	\$20,935,838	\$57,358	\$19,399,866	\$1,535,972	265,205	76
2018	Gaming	\$171,101,350	\$468,771	\$171,016,454	\$84,906	2,336,224	488
2018	Heritage	\$190,821	\$523	\$9,205	\$181,616	2,313	36
2018	Music	\$25,196,906	\$69,033	\$21,899,075	\$3,297,831	4,295,328,392	717,802
2018	Photography	\$17,747,874	\$48,624	\$17,469,237	\$278,637	120,160	106
2018	Publishing	\$43,085,259	\$118,042	\$42,923,473	\$161,787	654,554	124
2018	Radio and Postcast	\$425,978	\$1,167	\$425,978	\$0	7,908	73
2018	Theatre	\$4,336,342	\$11,880	\$2,757,239	\$1,579,104	58,250	37
2018	Transmedia	\$316,431	\$867	\$101,198	\$215,232	7,516	35
2018	Video / Web	\$854,539	\$2,341	\$854,539	\$0	12,147	45
2018	Video Games	\$24,991,306	\$68,469	\$24,749,470	\$241,837	501,179	160
2018	Writing	\$2,680,502	\$7,344	\$1,950,287	\$730,215	49,574	41

## APPENDIX D: KICKSTARTER STATS IN 2020

<i>Type</i>	<b>Launched Projects</b>	<b>Total Dollars</b>	<b>Success. Dollars</b>	<b>Success. Dollars</b>	<b>Live Projects</b>	<b>Success Rate</b>
<i>All</i>	511,166	\$5.52 B	\$5.00 B	\$493 M	2,615	38.37%
<i>Games</i>	57,486	\$1.47 B	\$1.37 B	\$88.49 M	441	42.34%
<i>Design</i>	44,002	\$1.26 B	\$1.16 B	\$91.89 M	246	39.05%
<i>Tech</i>	45,366	\$1.04 B	\$911.92 M	\$111.67 M	347	21.05%
<i>Film</i>	76,309	\$482.28 M	\$411.59 M	\$70.13 M	217	37.66%
<i>Music</i>	63,777	\$257.36 M	\$236.18 M	\$20.81 M	149	50.14%
<i>Books</i>	52,631	\$208.81 M	\$185.67 M	\$22.09 M	293	34.21%
<i>Fashion</i>	33,420	\$200.88 M	\$176.67 M	\$23.26 M	181	29.05%
<i>Food</i>	30,987	\$177.53 M	\$151.64 M	\$25.44 M	128	25.46%
<i>Art</i>	42,012	\$147.71 M	\$132.92 M	\$14.05 M	307	45.69%
<i>Comics</i>	17,803	\$133.42 M	\$125.20 M	\$6.97 M	159	60.68%
<i>Photo</i>	12,715	\$51.65 M	\$45.54 M	\$6.02 M	30	33.01%
<i>Theater</i>	12,375	\$47.23 M	\$42.42 M	\$4.78 M	10	59.94%
<i>Crafts</i>	12,062	\$21.71 M	\$17.93 M	\$3.65 M	80	25.66%
<i>News</i>	5,904	\$18.93 M	\$16.61 M	\$2.30 M	19	23.02%
<i>Dance</i>	4,317	\$15.07 M	\$14.02 M	\$1.04 M	8	61.59%

## APPENDIX E: OVERVIEW OF THE SAMPLE (CHAPTER 5)

### Overview of the sample extracted from Kickstarter website

Detailed Sectors	Total extracted	Randomized quota
Dance	220	80
Art	320	80
Theater	220	80
Publishing	294	80
Music	160	80
Comics	160	80
Design and Tech	160	80
Fashion	207	80
Games	160	80
Crafts	220	80
Films	160	80
<b>Total</b>	<b>2281</b>	<b>880</b>



**Share of US and non-US projects (total sample)**

<b>Core Sectors</b>	<b>%</b>
US	75,71%
Non US	23,43%
<b>Other Sectors</b>	<b>%</b>
US	64,69%
Non US	32,03%
<b>Expanded Sectors</b>	<b>%</b>
US	54,07%
Non US	40,08%

**Successful and unsuccessful campaigns (total sample)**

<b>Core Sectors</b>	<b>%</b>
Successful	90,62%
UnSuccessful	9,38%
<b>Other Sectors</b>	<b>%</b>
Successful	76,83%
UnSuccessful	23,17%
<b>Expanded Sectors</b>	<b>%</b>
Successful	96,21%
UnSuccessful	3,79%

**Rewards frequency (quota sample)**

<b>Core Sectors</b>	<b>%</b>
Digital	67,39%
Memorabilia	86,45%
Engagement Experience	84,33%
<b>Other Sectors</b>	<b>%</b>
Digital	63,23%
Memorabilia	70,00%
Engagement Experience	49,42%
<b>Expanded Sectors</b>	<b>%</b>
Digital	37,07%
Memorabilia	67,28%
Engagement Experience	31,43%

**Average distances founder-backer (total sample)**

<b>Type</b>	<b>AVG city_dist</b>
Core Sectors	32,51
Other Sectors	40,79
Expanded Sectors	64,05
<b>Total general (KMk)</b>	<b>43,76</b>

**Categoric variables frequency (quota sample)**

<b># Ext Endorsement Variable</b>	<b>#occurrences</b>
None	614
1	46
2	12
3	1
4	1

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<b>Other Variables</b>	<b>#occurrences</b>
DigitalReward	261
EngagementExperience	330

## APPENDIX F: CORRELATION TABLE (CHAPTER 5)

Sector	Quality	Digital Reward	Eng/ Xp	NDays	N Updates	N Comment	Avg Distance	Residual
1	0,210149 1622	-0,12247 50365	-0,5233 660516	-0,01030 038587	0,3404766 247	0,19657455 81	0,37260971 44	-7,61E-17
0,2101 491622	1	-0,00615 7850517	-0,0858 802706 1	0,051755 62406	0,1136597 732	0,11750447 39	0,14507206 87	2,42E-16
-0,1224 750365	-0,00615 7850517	1	0,23281 6213	0,018804 58461	0,0758451 0198	-0,07869086 375	-0,1143293 577	-5,52E-18
-0,5233 660516	-0,08588 027061	0,232816 213	1	-0,02390 586933	-0,161353 0389	-0,11093685 63	-0,3821327 613	1,57E-16
-0,0103 003858 7	0,051755 62406	0,018804 58461	-0,0239 058693 3	1	0,0531405 9447	-0,01801109 187	0,02300173 899	-1,29E-16
0,3404 766247	0,113659 7732	0,075845 10198	-0,1613 530389	0,053140 59447	1	0,32482790 63	0,16524925 79	-9,23E-17
0,1965 745581	0,117504 4739	-0,07869 086375	-0,1109 368563	-0,01801 109187	0,3248279 063	1	0,11168210 55	0,013913 06534
0,3726 097144	0,145072 0687	-0,11432 93577	-0,3821 327613	0,023001 73899	0,1652492 579	0,11168210 55	1	-5,85E-17
-7,61E- 17	2,42E-16	-5,52E-1 8	1,57E-1 6	-1,29E-1 6	-9,23E-17	0,01391306 534	-5,85E-17	1

## SUMMARY

This dissertation unites chapters and article-based analyses about crowdfunding from three different perspectives: economic, symbolic and institutional. Through an interdisciplinary approach, this dissertation unveils the crowdfunding phenomenon through varied methodologies and conceptual standpoints. Chiefly, it portrays an image of crowdfunding as a phenomenon rooted in localities, material, commercial and non-commercial motivations. As argued in the different sections, crowdfunding strengthens various cultural markets through an innovative platform-based mechanism. More typically, in the case of creative industries-based areas, crowdfunding unites artists, independent creators, amateurs and professionals in search of upfront funds for not yet commercialized products, cultural events and charitable initiatives. Crowdfunding, therefore, welcomes diverse expressions as a *medium*, more than an end in itself. It solves concrete problems for cultural projects: for non-commercial endeavors , crowdfunding allows the access of fan-investors, donors or enthusiasts to new projects by providing small but numerous monetary contributions; for commercially-driven projects, crowdfunding feeds innovation-driven consumers, early-adopters and investors whose motivations to access new goods and services encompasses not only use-value but also a strong prosocial behavior .

The central objective of this doctoral dissertation is to demonstrate how this multi-purpose tool(s) can serve both communities and markets, commercial and non-commercial ventures and multiple tastes and preferences. Metaphorically, I call this a *chameleon tool* whose colors change depending on the agents' motivations. In order to deliver these goals, this dissertation engages in a number of empirical methods: descriptive, inferential and meaning-focused chapters, in the quest for delivering a nuanced, balanced view of this phenomena. Thus, throughout this document, I explore the following elements in sequence:

*Part I* (current views on crowdfunding) revisits the academic literature and shows relevant evidence on crowdfunding for the cultural and creative industries. The first chapter briefly describes the historical development of crowdfunding; the second connects crowdfunding with cultural economics insights, and the third reveals the

major themes emerging out of the academic literature about this phenomenon through a systematic literature review.

*Part II* (a qualitative approach) engages in a qualitative view related to how fundraisers see crowdfunding, its benefits and constraints. This chapter discusses the use of crowdfunding as a tool that articulates local funds and intimate ties at the borders of amateur and professional realms. It shows how platforms offer a credible signal for local artists who wish to reach out to more commercial activities. In this sense, crowdfunding acts as a new mediator to access funds otherwise restricted to informal networks. This chapter shows how often crowdfunding is restricted to a local phenomenon based on gift-giving circuits, even if artists report not expecting to remain under this frame. Ideally, artists wish to breach out to commercially-driven activities and rely less on crowdfunding.

*Part III* (an econometric approach) uses a typical success-factors research design applied to an analysis of the economic characteristics of the cultural industries and their geographical dispersion within crowdfunding. This chapter expands typical discussions on success-factors of crowdfunding to the evaluation of complementary aspects: external endorsement signals, rewards characteristics and the home-bias phenomenon in crowdfunding success. This chapter shows how the overall success of crowdfunding calls depends on the characteristics of cultural goods, endorsement and project features, hence reinforcing common features of the arts but in new online realms.

*Part IV* (an institutional approach) delves into the use of crowdfunding by various actors. The first chapter provides an overview of a sub-type of crowdfunding (called matchfunding) in which governments make use of platform services to support the arts, hence overcoming dichotomous market-state provisioning. The second chapter delves into an in-depth case study of a museum exhibition funded via crowdfunding. This study aimed at demonstrating how agents bypass institutional constraints and build alternatives through new infrastructures and governance. Ultimately, this section places crowdfunding as an enabler of cultural commons and societal change.

## NEDERLANDSE SAMENVATTING

Dit proefschrift combineert hoofdstukken en op artikelen gebaseerde analyses over crowdfunding vanuit drie verschillende perspectieven: economisch, symbolisch en institutioneel. Via een interdisciplinaire benadering belicht dit proefschrift het fenomeen crowdfunding vanuit verschillende methodologieën en conceptuele perspectieven. Het geeft een beeld van crowdfunding als een fenomeen dat geworteld is in lokale, materiële, commerciële en niet-commerciële motieven. Zoals uiteengezet in de verschillende secties, versterkt crowdfunding verschillende culturele markten door middel van een innovatief platform dat projecten en donateurs of investeerders bij elkaar brengt. In de creatieve industrie gaat het voornamelijk om kunstenaars, onafhankelijke makers, zowel professionals als amateurs die op zoek zijn naar geld vooraf voor het realiseren van nog niet gerealiseerde producten, culturele evenementen en liefdadigheidsinitiatieven. Het biedt concrete middelen voor culturele projecten: voor niet-commerciële inspanningen biedt crowdfunding de mogelijkheid voor fan-investeerders, donateurs of enthousiastelingen om nieuwe projecten door middel van kleine maar talrijke geldelijke bijdragen te ondersteunen; voor commercieel gedreven projecten voedt crowdfunding innovatiegedreven consumenten, early adopters en investeerders wier motivatie om toegang te krijgen tot nieuwe goederen en diensten niet alleen gebruikswaarde omvat, maar ook sterk pro sociaal gedrag.

De centrale doelstelling van dit proefschrift is om aan te tonen hoe deze multifunctionele tool(s) zowel gemeenschappen als markten, commerciële en niet-commerciële ondernemingen en meerdere smaken en voorkeuren kunnen dienen. Metaforisch noem ik crowdfunding een kameleontool waarvan de kleuren veranderen afhankelijk van de motivatie van de agenten. Om deze doelen te bereiken, gebruikt dit proefschrift een aantal empirische methoden: beschrijvende, inferentiële en betekenisgerichte hoofdstukken, in de zoektocht naar een genuanceerd en evenwichtig beeld van dit fenomeen.

Deel I (huidige opvattingen over crowdfunding) beziet de academische literatuur en beschouwt de meest recente empirische kennis over crowdfunding voor de culturele en creatieve industrieën. Het eerste hoofdstuk beschrijft kort de historische ontwikkeling van crowdfunding; het tweede verbindt crowdfunding met culturele economische inzichten, en het derde legt de belangrijkste thema's bloot die uit de

academische literatuur over dit fenomeen naar voren komen door middel van een systematisch literatuuronderzoek.

Deel II (een kwalitatief benadering) gaat over een kwalitatieve kijk op hoe fondsenwervers crowdfunding, de voordelen en beperkingen ervan zien. Dit hoofdstuk behandelt het gebruik van crowdfunding als een instrument voor nog niet geheel professionele kunstenaars om hun netwerk uit te breiden en een portfolio op te bouwen. Het laat zien hoe platforms een geloofwaardig signaal afgeven dat kunstenaars streven naar meer professionaliteit. In die zin fungeert crowdfunding als een nieuwe stap of horde om toegang te krijgen tot fondsen die anders beperkt zijn tot informele netwerken. Dit deel laat ook zien dat crowdfunding vaak beperkt blijft tot een lokale netwerken die gebaseerd zijn op de logica van de gift, zelfs als kunstenaars melden dat ze niet verwachten in dit kader te blijven. Idealiter willen kunstenaars doorbreken in commercieel gedreven activiteiten en minder afhankelijk zijn van crowdfunding.

Deel III (een econometrische benadering) gebruikt een typisch onderzoeksontwerp voor succesfactoren dat wordt toegepast op een analyse van de economische kenmerken van de culturele industrieën en de geografische spreiding van crowdfunding-bijdrages. Dit hoofdstuk breidt bestaand onderzoek over succesfactoren van crowdfunding uit naar andere richtingen: externe validatie van kunstenaar of project en het belang van de thuismarkt/binnenlandse markt in crowdfunding-succes. Dit hoofdstuk laat zien dat het bereik en het succes van crowdfunding afhangt van de aard van het goed (bijvoorbeeld reproduceerbare en niet-reproduceerbare goederen), de externe validatie en projectkenmerken die een bepaald crowdfunding-project al dan niet naar andere markten kunnen brengen anders dan bestaande lokale sociale netwerken.

Deel IV (een institutionele benadering) gaat in op het gebruik van crowdfunding door verschillende actoren. Het eerste hoofdstuk in dit deel geeft een overzicht van matchfunding, een subtype van crowdfunding, waarbij overheden gebruik maken van platformen om de culturele sector te ondersteunen en waarin de scheidslijn tussen markt en staat vervaagt. In het tweede hoofdstuk van dit deel worden beschouwt de crowdfundingcampagne van een Queer-museum. Deze studie laat zien hoe actoren erin slagen om bestaande institutionele beperkingen weten te omzeilen door middel van crowdfunding. Dit laat zien dat crowdfunding de potentie heeft om een rol te spelen in grotere processen van culturele en sociale veranderingen inclusief het mogelijk maken van zogeheten 'commons'.



## AUTHOR'S BIO

Carolina Dalla Chiesa (1987), Brazilian, is currently lecturer at the Arts and Culture Department (ESHCC/EUR), forthcoming postdoctoral researcher at Leuphana University in Germany (Culture and Organization Department). She holds a Research Master's degree (*cum laude*) in Cultural Anthropology and a Research Master's degree in Organization Studies. Both of these degrees completed at *Universidade Federal do Rio Grande do Sul* (UFRGS, Brazil). Carolina has been awarded the prize of Best Paper on Organization Studies (2013) and the Best Paper on Career Studies (2014)<sup>88</sup>. Earlier in her academic career, as an undergraduate, Carolina has been awarded the Prize for Junior Researcher (UFRGS, 2007) with a study about identities and organizations.

As for her teaching experience in the Arts and Culture Department (ESHCC/EUR), Carolina taught a number of courses in the Bachelor program (IBACS) and the Master in Cultural Economics and Entrepreneurship. At *Universidade Federal do Rio Grande do Sul* (UFRGS, Brazil), she had also taught Sociology of Organizations and Introduction to Management Studies for undergraduates.

Outside academia, Carolina worked in the *Creative Economy Observatory* (Porto Alegre, Brazil), a program under the Ministry of Culture in Brazil, as a researcher and project manager. She further engaged in independent consultancy projects to non-profit institutions in underprivileged communities with local NGOs. As an independent researcher, she was also granted research funds by *Secretaria de Estado da Cultura do Rio Grande do Sul* (Brazil) to map the informal artistic groups in non-urban areas in the southern cities of Brazil. This project aimed at helping local policymakers to better address the needs of cultural occupations in overlooked regions of the country.

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<sup>88</sup> Granted by the Association of Researchers EnANPAD, Brazil.

## AUTHOR'S PORTFOLIO

### Articles developed during the doctoral studies

Dalla Chiesa, C. & Handke, C. (2020). Crowdfunding. In: Towse, R. And Navarrette-Hernandez, T. *Handbook of Cultural Economics*, Edward Elgar (3rd Edition).

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*Forthcoming*: Dalla Chiesa, C. Crowdfunding the Queer Museum: A Polycentric Identity Quarrel. *Forthcoming* in Dekker, E. and Kuchar, P. eds., *Governing Markets as Knowledge Commons*. UK: Cambridge University Press. Cambridge Studies on Knowledge Commons Series.

*Forthcoming*: Dalla Chiesa, C. & Foletto, L. On Gambiaras: technical resignification in Brazilian Favelas. In Domenico, F., Chaudhuri, S. and Quijano, P. eds., *Global Debates in Digital Humanities*. US: Minnesota University Press.

### Working papers under review

Communicating Identity: How the Symbolic Meaning of Goods Creates Different Market Types. Co-authored with Erwin Dekker. Available at: <https://ssrn.com/abstract=3773700>. Submitted for review.

Fashion Crowdfunding: A Successful Marriage? Co-authored with Alina Pavlova, Mariangela Lavanga and Nadya Pysanna. Submitted for review.

The Artists' Critique on Crowdfunding and Gift-Giving. Single-authored. Submitted for review.

The Art of Crowdfunding and Innovation: the cultural economics perspective. Co-authored with Christian Handke. Submitted for review.

### **Courses taught during the doctoral studies**

Advanced Economic Aspects of Cultural Industries, IBACS (2019-2021)

Innovation and Cultural Industries, Master Program in Cultural Economics and Entrepreneurship (2019)

Introduction to the Economics of Arts and Culture, IBACS (2018-2019)

Introduction to Economic Theory (Premaster CEE, 2021)

Bachelor Theses Supervision, IBACS (2017-2019)

Master Theses Supervision, Cultural Economics and Entrepreneurship (2020-2021)

Internship Supervisor (2018, 2021), IBACS

Guest Speaker (2018, 2019) in specific courses at the Arts and Culture Department

### **Conferences and Workshops attended during the doctoral studies**

Economy and Society *PhD summer school*, University College Cork, Ireland (2017)

WINIR (World Interdisciplinary Network for Institutional Research) *PhD summer school*, Utrecht University, The Netherlands (2017)

Workshop on Data Visualization. 1st Digital Humanities Seminar; Centre for Digital Humanities, University of Groningen, The Netherlands (2017)

20th Conference of the Association for Cultural Economics International (ACEI), Melbourne, Australia (2018)

5th Interdisciplinary Market Studies Conference, Copenhagen, SASE Network, Denmark (2018)

31st Annual Meeting of the Society for the Advancement of Socio-Economics (SASE), New York, US (2019)

Seminar on Knowledge Commons held in the Mercatus Center, George Mason University, Virginia, US (2019)

15th International Conference on Arts and Cultural Management (AIMAC), Venice, Italy (2019)

17th Interdisciplinary European Conference on Entrepreneurship Research (IECER), Utrecht, The Netherlands (2019)

18th Interdisciplinary European Conference on Entrepreneurship Research (IECER), Online (2020)

21st Conference of the Association for Cultural Economics International (ACEI), Melbourne, Australia, Online (2021)

33rd Annual Meeting of the Society for the Advancement of Socio-Economics (SASE), Online (2021)

18th International Association for the Study of the Commons (IASC), Online (2021)

### **Other activities**

Basiskwalificatie Onderwijs (BKI/UTQ) trajectory, funded by the Arts and Culture Department, ESHCC/EUR (2021)

Research report contributor for the *Cambridge Center for Alternative Finances* (Cambridge Judge Business School). Report series on new funding models and gender diversity (2018)

Organizer of the *Global South Seminar* (ESHCC/EUR) funded with the Arts and Culture Small Grant Incentive (2018). Co-organizer: Erwin Dekker and Filip Vermeulen.

Organizer of the workshop on *Text and Data Mining* (ESHCC/EUR) funded with the Arts and Culture Small Grant Incentive (2017). Co-organizer: Christian Handke.

Short Mobility program for young scientists at Lodz University, Department of Management, Poland (2021).

Series the ERMCC Doctoral Dissertations  
Erasmus Research Centre for Media, Communication and Culture  
#25.

Crowdfunding is a novel fundraising model widely used by the cultural and creative sectors. Through online platforms, fund-seekers meet funders interested in supporting creative projects, artists, independent creators, or companies.

This model fills a unique place amongst other forms of funding as it innovates in creating a temporary space where the use and non-use values of goods intertwine, where tangible and intangible benefits overlap, and where founders reduce the entrepreneurial risks by covering the upfront costs of creation.

As of today, the literature undisputedly focuses on quantitative success-factors analyses. Yet, the richness of this phenomenon deserves other complementary approaches to uncover theoretical and empirical concerns.

What do the fundraisers expect from crowdfunding? To which extent do these projects outreach communities and markets? How do different institutional actors articulate crowdfunding with other funding sources?

In this dissertation, Carolina Dalla Chiesa delves into the features of crowdfunding from three different perspectives: economic, symbolic, and institutional, thus contributing to a balanced view of this phenomenon.