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Summer 5-28-2023

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### **Recommended Citation**

Ding, Maidan and Zhao, Ling, "An Empirical Study of Factors Affecting the Performance of IP Derivatives Crowdfunding: a Brand Extension Perspective" (2023). *WHICEB 2023 Proceedings*. 35.

<https://aisel.aisnet.org/whiceb2023/35>

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# An Empirical Study of Factors Affecting the Performance of IP Derivatives

## Crowdfunding: a Brand Extension Perspective

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### 1. INTRODUCTION AND RESEARCH QUESTIONS

Crowdfunding refers to the public solicitation of funds by entrepreneurial teams or individuals through the Internet to support specific projects<sup>[1]</sup>. Though those crowdfunding platforms can facilitate the interaction between the demand and supply side of funds<sup>[2]</sup>, the existence of information asymmetry still expose backers to the risk of projects failure or being cheated. As a result, a large number of studies have been conducted on how investors make investment decisions in crowdfunding platforms and have identified the influencing factors that affect the success of crowdfunding<sup>[3]</sup>, such as characteristics related to the projects or the funders. One particular category of crowdfunding projects has received rare attention, which is crowdfunding projects of IP (Intellectual Property) derivatives. IP derivatives are products derived from specific IP, such as anime hand-me-downs. Capitalizing on fans' love for existing IPs, IP derivatives can sustain IP fever and generate more commercial value. Crowdfunding in the form of pre-sales for consumers is the best way to test the market for derivatives, but there are still cases of high failure rates. Thus, understanding what factors that could influence the success of these IP derivatives crowdfunding projects is not only important for the fundraisers, but also for the platforms. However, conclusions of crowdfunding success from extant literature might not be applicable to this specific category of crowdfunding projects. The characteristics of both original IP and IP derivatives could influence the investors' judgement of the project.

Therefore, in this study, we regard IP derivatives as brand extension of the parent brand, which is the original IP. Referring to the brand extension theory and combining with the characteristics of crowdfunding, our research questions are as follows: (1) How do IP characteristics and IP derivatives characteristics affect IP derivative crowdfunding performance? (2) How do IP-derivative similarity affect IP derivative crowdfunding performance?

### 2. THEORY AND RESEARCH FRAMEWORK

Concerning the brand extension theory and combined with the characteristics of IP derivatives crowdfunding, the hypotheses and research framework are proposed herein (Figure 1).

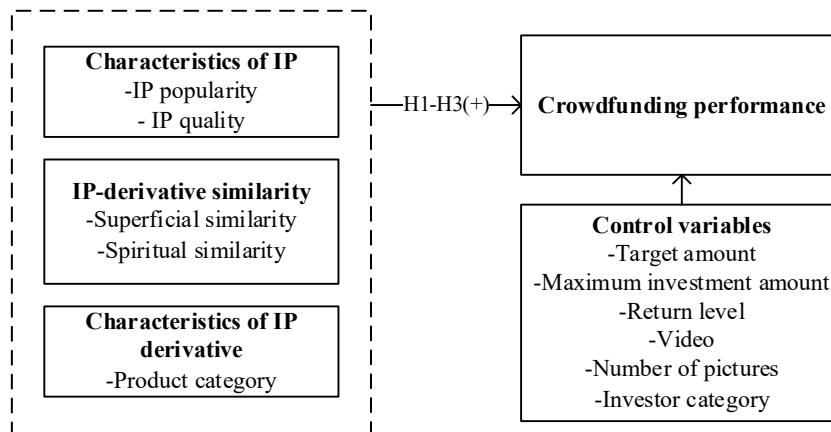


Figure 1. Research framework

We used the python crawler on the official website (<https://izhongchou.taobao.com/>) to capture the detailed

crowdfunding data in entertainment, audio-visual, and animation categories as of August 12, 2022, and manually filtered out the IP derivatives projects and deleted the missing values to get 644 valid projects data. We use OLS regression to test the hypotheses.

### **3. RESULTS AND MAJOR FINDINGS**

This study observed some valuable and interesting findings: (1) For the IP characteristics, both IP popularity and IP quality positively affect crowdfunding performance. (2) For the IP-derivative similarity, spiritual similarity exerts significant positive impact on crowdfunding performance while not for superficial similarity. (3) Product category also positively affects crowdfunding performance, with hedonic products bringing more pure spiritual satisfaction and better fundraising results than utilitarian products.

### **4. CONTRIBUTIONS**

Our research not only extends the research on crowdfunding by focusing on IP derivative crowdfunding projects, but also extends the research on brand extension in the IP derivative context. Referring to the brand extension theory, we regard IP derivative as brand extension, we propose that the fit or similarity between IP and its derivative is important and identify two types of IP-derivative similarity, which are superficial and spiritual similarity. From a practical perspective, fundraisers should carefully choose those IPs and the crowdfunding platforms should also encourage popular and high-quality IPs.. At the same time, just adding logos in the product might not enhance investors' intention to invest. The companies should provide products that share more spiritual similarities with the original IP. Moreover, for the fundraisers, provide hedonic products with more innovative and enjoyable values would be an effective strategy.

In addition, the data were collected from one crowdfunding platform, the generalizability of the study results may be limited and data from other platforms can be used in future studies. Furthermore, the IP-derivative similarities are regarded as dummy variables, ordinal scale for the measurement might provide more insightful findings in the future research.

### **ACKNOWLEDGEMENT**

This work is partially supported by grants from the National Science Foundation of China (71771097, 71810107003), and also supported by a Hubei Universities Provincial Teaching and Research Project (2022059) and a HUST Teaching and Research Project.

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