Talk your way to serial success: Creator post-campaign interaction in crowdfunding

Emergent Research Forum (ERF)

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Abstract
Online crowdfunding, an information technology (IT) mediated form of fundraising has continued to receive widespread attention from both the academic circle and industry practitioners. While most studies on crowdfunding have taken a one-shot look at the determinants of fundraising performance, limited attention has been paid to the value of creator post-campaign interactions with backers and how it may affect the performance of later crowdfunding campaigns. In this study, we argue and show that creators benefit from interacting with backers after a successful fundraising campaign as it positively affects the outcome of their later crowdfunding campaign. Also, the impact of the post-campaign interactions is more valuable to creators who may have experienced delays or failed in delivering on their previous crowdfunding campaign’s promises.

Keywords
serial crowdfunding, delivery non-performance, post-funding, post-campaign interactions.

Introduction
Online crowdfunding, an emerging way of raising funds for projects and entrepreneurial activities has proven to be a viable driver for innovation (Stanko and Henard 2016), especially in the product development landscape. While prior works on crowdfunding have explored the determinants of fundraising performance, limited attention has been paid to the value of creator post-campaign interactions with backers in driving these outcomes (Wang et al. 2018). Although Wang et al. (2018) explore creator-and backer-initiated interactions during the crowdfunding campaign (CC), we focus on a critical aspect of creator interaction – post-campaign interaction - and examine its value to serial-creators. Serial-creators are creators who repeatedly come back to the same crowdfunding platforms to raise more funds either for new or existing projects. We argue that a creator’s post-campaign interactions from a CC will impact the fundraising outcome of a later CC because it helps build relations with backers; and that the impact of post-campaign communications will be more valuable to serial creators who have failed in meeting CC deliverables as promised. Hence, we ask the following research question: do post-campaign interactions benefit serial-creators? If it does, how?

We investigate the value of post-campaign interactions to creators because of the growing trend in serial crowdfunding among creators, the new stream of studies that have started investigating the serial crowdfunding phenomena, and the open questions it has raised (Butticè et al. 2017; Jeff 2013; Yang and Hahn 2015). For instance, Yang and Hahn (2015) document that a prior CC experience may not be a valuable predictor of later CC performance. Hence, highlighting the need to identify factors that can influence the performance of later CCs. Further, most crowdfunded projects are either delayed or never deliver on their promises (Mollick 2015) and can cause backers to develop ill-feelings towards creators. Hence, post-campaign interactions with backers may be used strategically to alleviate these ill-feelings and ensure the delivery of projects, even if delayed.

To position this study, we draw on concepts from relationship marketing (Morgan and Hunt 1994; Wulf et al. 2001) as it allows us view crowdfunding as an exchange between creators and backers and defines the
relational antecedents that will make backers continue to engage in this form of exchange with creators. Relationship marketing refers to all the marketing actions and activities designed towards establishing, developing, and maintaining successful exchange relations (Dwyer et al. 1987; Morgan and Hunt 1994). From the seller’s (creator’s) perspective, it explicates how her actions and interactions can drive long-term exchange relations including repeat purchase, positive word of mouth, and information sharing (Fruchter and Sigüé 2004). Although the relationship marketing literature outlines a long list of relational actions that sellers can take to maintain exchange relations, we mainly focus on creator-initiated interaction (post-campaign communication) and how it impacts delivery non-performance since it is a crucial antecedent within the control of creators after a CC.

The rest of this paper is organized as follows. First, we present a brief theoretical background and hypotheses development. Next, we present our data and research methodology. Then, we offer our preliminary results and conclude with potential contributions.

**Background and Hypotheses Development**

**Relational Actions and Crowdfunding Success**

Scholars have long understood the value of relational activities to exchange among transacting parties (Anderson and Weitz 1992; Scheer et al. 2010). From the selling party’s perspective, relational actions help build trust and commitment, demonstrate sellers’ good faith, and signals a seller’s desire that the exchange relationship the buyer continues into the future.

In crowdfunding, creators can increase the likelihood of exchange - financial contributions from backers – and successfully raise funds by attracting and engaging (potential) backers using a mix of strategies including communications (Hong et al. 2015; Parhankangas and Renko 2017). However, to increase the likelihood of repeat exchange - contributions to later crowdfunding campaigns - and build backer loyalty, creators have to incorporate relational actions that demonstrate their reliability, trustworthiness, and commitment to backers. Such relational actions will include their project delivery performance and their post-campaign communications to backers. They need to exhibit these actions since they help in establishing, developing and maintaining good relations with backers after initially raising funds. Backers will observe these actions from prior CCs when deciding on whether or not to back later CCs.

**Delivery non-performance and later campaign success**

Positive exchange outcomes and relations lead to commitment to maintaining exchange relationship (Brown et al. 2004; Lambe et al. 2001). On the other hand, negative exchange outcomes lead to the breaking of exchange relationships (Keaveney 1995). Since creators use pledges, including product delivery schedules to facilitate backer contributions to their CCs, backers will maintain exchange relationship with creators with positive performance regarding meeting delivery schedules by contributing to their later CCs. Conversely, backers will break ties with creators with negative performance who do not meet delivery schedules by not helping their later CCs. Hence, we hypothesize:

H1: Creators with delivery non-performance are less likely to be successful in the following crowdfunding campaign.

**Post-campaign communication and later campaign success**

Prior exchange studies have shown that effective communication between participants (vendors and customers) is very important in exchange relationships (Anderson and Weitz 1989; Anderson and Weitz 1992). Regular and frequent communication between participants (vendors and customers) in an exchange leads to participants being better informed, expectations better managed, and uncertainties associated with exchange reduced (Anderson and Weitz 1989). It will foster more confidence among participants in the exchange leading them to be more willing to maintain exchange relations (Anderson and Weitz 1989; Parry et al. 2012). By providing backers with frequent information after the CC about post-campaign activities, creators can manage backers’ expectations, address their concerns, and earn their trust, which can strengthen the exchange relationship and lead to contribution in later CC. Hence, we hypothesize:

H2a: Creators with a higher rate of post-funding communication with backers are more likely to be successful in their later crowdfunding campaign.
Prior research has shown that frequent communication mitigates customer dissatisfaction in long-wait scenarios (Larson 1987; Maister 1985). For creators that fail on their delivery timeline, frequent communications will keep the backers informed, reduce their disappointments and, earn their trust while signaling the creator’s commitment to deliver despite the non-performance in the initial timeline. Hence, we hypothesize:

**H2b:** Creator post-funding communication rate will reduce the effect of delivery non-performance on a later crowdfunding campaign such that higher standard of post-funding communication with backers will increase the likelihood of success in a later crowdfunding campaign.

**Data and Methodology**

**Data**

To investigate our proposed hypotheses, we collected data on crowdfunding projects posted on Kickstarter - one of the largest and most prominent crowdfunding platforms - in the product design and technology categories launched between January 2012 and May 2014. We select these categories because they deliver tangible products and are treated specially by Kickstarter. Because we are interested in serial crowdfunding, we take several steps to filter the initial dataset to arrive at the final sample of 385 observations, which we used in our analysis.

**Measures**

Dependent Variable: **Later-CC-Success** is the binary outcome of the subsequent crowdfunding campaign. It takes the value 1 if the subsequent CC reached its fundraising goal, and 0 otherwise.

**Delivery Non-Performance (NonPerf):** measured as when a creator failed in delivering at the promised time to backers. It is coded as a binary variable with a value 1 if the creators missed their promised time, and 0 otherwise.

**Post-campaign Communication Rate (CommRate):** measured as the weekly rate at which the creator updates her backers after successful fundraising up until when the pledges are delivered.

**Control Variables:** Several variables are included in the analysis to control for possible effects due to project specifics from both prior and later CCs – the number of rewards from prior CC (PriorCamReward), duration of prior CC (PriorCamDuration), the funding goal of prior CC (PriorCamGoal), the number of backers who contributed to the prior CC (PriorCamBackers), the number of rewards for later CC (LatCamReward), the duration of later CC (LatCamDuration), the funding goal of later CC (LatCamGoal). The descriptive statistics are available upon request.

**Estimation Approach**

We employ a Logit estimator to model our binary outcome, **Later-CC-success**, as a function of our main independent variables and control variables. The model specification is:

\[
\text{Logit (Later-CC-Success) } = \beta_0 + \beta_1 \text{NonPerf} + \beta_2 \text{CommRate} + \beta_3 \text{NonPerf} \times \text{CommRate} + \text{Controls}
\]

Control variables that are highly skewed were log transformed in the estimation. To address endogeneity concerns that may arise from our sample selection process, we rely on the inverse probability weighting (IPW) two-stage procedure (Wooldridge 2007). Further, since the “interaction effect” in non-linear models, cannot be evaluated simply by looking at the sign, magnitude, and statistical significance of the coefficient of the interaction term (Ai and Norton 2003), we include a plot of the interaction effect.

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1 Due to page limitations, we highlight some of the major steps in the filtering process (detailed description of the procedure is available upon request). First, we identified creators who have engaged in serial-crowdfunding. Since we are interested in post-funding communications and its effect on subsequent campaigns, we identify cases in which a creator first experienced successful fundraising before a subsequent crowdfunding campaign. This allowed us to observe creator post-funding communications. We removed instances where creators launched a second campaign before the end of the first campaign as these few cases could raise ambiguity issues on how post-funding communications from a prior campaign impact the subsequent one.
(showing the change in likelihood of later CC success for all the possible combination of NonPerf and Commrate) to help in interpretation. As a robustness check and to account for heterogeneity in the funding levels of the later CCs, we estimate a linear regression model with the percentage of later CC funded as the dependent variable. We report only the results of the main variables in Table 1.

### Preliminary Results and Conclusion

Results from our preliminary analysis in Table 1 show support for all our hypotheses. Model 2 shows evidence supporting H1 and H2a, while Model 3 and Figure 1 shows evidence supporting H2b. We observe that post-campaign interaction has a positive effect on later crowdfunding success. Further, despite the negative effect of creator delivery non-performance on later crowdfunding success, creator post-campaign communication reduces this effect.

<table>
<thead>
<tr>
<th>Later-CC-Success (Logistic)</th>
<th>Later-CC-Percent-funded (OLS)</th>
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<tbody>
<tr>
<td></td>
<td>Model (1)</td>
</tr>
<tr>
<td>CommRate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7.567*** (2.999)</td>
</tr>
<tr>
<td>NonPerf</td>
<td>-0.968*** (0.285)</td>
</tr>
<tr>
<td>CommRate* NonPerf</td>
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<td>Observations</td>
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<tr>
<td>Log Likelihood</td>
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<tr>
<td>Akaike Inf. Crit.</td>
<td>432.131</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>-</td>
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</tbody>
</table>

Note: ***p<0.001; **p<0.01; *p<0.0, Robust standard errors in bracket

**Table 1: Results of Preliminary Analysis**

This work-in-progress offers a new perspective on the value of interactions and communications to creators, especially serial creators. Also, it contributes to several streams of literature while providing a practical significance. First, we add to the research on relationship marketing (Morgan and Hunt 1994; Wulf et al. 2001) in the context of crowdfunding. In addition to confirming the importance of creators’ relational actions on CC success, we demonstrate the practical importance of engaging in post-campaign communications with backers on crowdfunding platforms. Creators who are interested in launching serial CCs should engage in post-campaign interactions with backers to drive success in a later CC. Also, post-campaign interactions can serve as a channel to inform backers of a later CC and to get them engaged in...
advance. Second, we contribute to the emerging literature on serial crowdfunding, which has taken off with the maturity of the crowdfunding phenomenon. Our work allows us to identify factors that can lead to serial CC success.

Although we measure post-funding interaction by measuring the frequency of communication, we intend to further this work by analyzing the quality of such communications.

REFERENCES


