Understanding Trust amid Delays in Crowdfunding

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Haoqi Zhang
Elizabeth Gerber
magnetic adapter
charge & sync

$9

ZNAPS
Snap. Charge. Sync

Pledge CA$ 11 or more

Approx. $9 USD
+1 x Znaps Connector
+1 x Znaps Adapter
Your Choice of Lightning or Micro-USB

ESTIMATED DELIVERY
Nov 2015

SHIPS TO
Anywhere in the world

11,463 backers

Funding period

Jul 15 2015 - Aug 14 2015 (30 days)
Petitioning Kickstarter and 1 other

Refund for Znaps

Jordan Torres  North Grosvenor Dale, CT

Sign this petition

6,306 supporters

1,194 needed to reach 7,500

Peter Franke signed this petition

First name

Last name

Email

United States
- Creating something new
- Purchasing months in advance
- Delaying for months to years

- Purchasing already manufactured products
- Delaying for a few days to a few weeks

INDIEGOGO ≠ KICKSTARTER

Amazon ≠ eBay
Delays negatively affect trust in typical marketplaces

In online marketplaces, delays will lead to less trust in both individual sellers and the community of sellers [Pavlou and Gefen 2005]

In traditional marketplaces, product delays affect brand trust [Herm 2013], market value [Hendricks and Singhal 1997]

Lack of trust can lead to market failure [Granovetter 1985]
How do delays affect trust in Crowdfunding?
Research questions

RQ1: What were backers’ expectations when backing projects?
Creators are novice entrepreneurs and sometimes delays are inevitable and can be long
Research questions

RQ1: What were backers’ expectations when backing projects?

RQ2: What were the factors affecting backer trust during delays?
Previous Crowdfunding research mainly focused on predicting successful funding.

Predicting successfully funded projects [Etter et al. COSN’13; Mitra and Gilbert, CSCW’14; Xu et al. CHI’14]

A preliminary study shows that funding goal and percent raised are associated with delays [Mollick 2014]
Research questions

RQ1: What were backers’ expectations when backing projects?
RQ2: What were the factors affecting their trust during delays?
RQ3: What are the project attributes associated with duration of delays?
Research questions

RQ1: What were backers’ expectations when backing projects?

RQ2: What were the factors affecting their trust during delays?

Research Method

Interview study with 14 backers who have experienced delays
Research questions

RQ3: What are the project attributes associated with duration of delays?

Research Method

Regression analysis with **4089 delayed projects** from 17,457 successfully funded projects (combined Kickspy, TheKickBackMachine, and Etter et al. COSN’13 dataset)
Core findings

Backers have different initial expectations which influence how they view delays

Regular, rich communication maintains trust during delays

Bigger budget, more reward levels are associated with longer delays
RQ1: What were backers’ expectations when backing projects?
Backers have different initial expectations which influence how they view delays.
Backer type is related to crowdfunding knowledge and experience

<table>
<thead>
<tr>
<th>Backer Type</th>
<th>CF Knowledge &amp; Experience</th>
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<tbody>
<tr>
<td><strong>Consumer</strong></td>
<td></td>
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<tr>
<td>“purchase, buy”</td>
<td>💜</td>
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CF knowledge and experience inform their awareness of risks and uncertainties in delays

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Consumers are less aware of risks and uncertainties in delays

“I guess I thought it was just like more like buy a normal product, right? It’s like, you sign up for it, if enough people do it, then they have the capital to make the product, and you get the product. I didn’t really realize there’s like continual [delays], maybe, I didn’t realize how much risk and uncertainty was it.”

Consumer, backed $38 for programmable cardboard armor
Supporters and investors are more aware of risks and uncertainties in delays

“...it’s framed as backer-creator relationship and I think that’s emotionally really different. Because one it tells you that the creator is creating these things, it doesn’t exist yet. And you know when someone is creating something that doesn’t exist, there is no guarantee it can or will exist”

Supporter, backed $15 for weather prediction mobile app
Awareness of risks and uncertainties in delays is related to their tolerance of delays

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<td><img src="image" alt="Blue Circle" /></td>
<td><img src="image" alt="Blue Circle" /></td>
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<tr>
<td>Supporter “Support, help”</td>
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<td><img src="image" alt="Orange Circle" /></td>
<td><img src="image" alt="Orange Circle" /></td>
</tr>
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**Delivering for a year or more is not acceptable!**
Backers have different initial expectations which influence how they view delays

Theoretical implications
Mismatch in conceptual models due to the prior expectations
RQ2: What were the factors affecting their trust during delays?
Regular, rich communication maintains trust during delays
Regular updates and rich communication were perceived as evidence of making progress.

“They were very good about keeping the backers informed. They made a really good [behind-the-scene] videos and had relatively frequent updates. I thought that was really good, was a nice way to at least communicate that they care and they were working towards something…”

Supporter, backed $25 for indoor thermometer
Regular, rich communication maintains trust during delays

Theoretical implications
Transparency and communication is important to resolve information asymmetry throughout
RQ3: What are the project attributes associated with duration of delays?
Bigger budget, more reward levels are associated with longer delays
Regressions

Days of delays $\sim$ # of reward levels + funding goal +

# of projects created + project duration + # of backers +

percent raised + project type + # project backed
Regressions

Days of delays ~ # of reward levels + # of projects created + # of backers +

Percent raised + project type + project backed
Regressions

Days of delays ~ # of reward levels + funding goal +

# of projects created +

Percent raised +

Pledged of $50,000 goal
More reward levels are associated with longer delays

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<td># reward levels</td>
<td>.0067*** (.0025)</td>
<td>6 rewards ~ 198 days</td>
</tr>
<tr>
<td>Goals (in thousands)</td>
<td>.0015*** (.00028)</td>
<td>18 rewards ~ 214 days</td>
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p < 0.01 ***
p < 0.05 **
p < 0.1 *
Bigger budget is associated with longer delays

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<td># reward levels</td>
<td>0.0067*** (.0025)</td>
<td>$2,176 ~ 200 days</td>
</tr>
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$p < 0.01 ***$
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$p < 0.1 *$
Bigger budget, more reward levels are associated with longer delays

Theoretical implications
Prioritizing short-term personal goal over long-term system health
Core findings

Backers have different initial expectations which influence how they view delays

Regular, rich communication maintains trust during delays

Bigger budget, more reward levels are associated with longer delays
Implications

Provide information to backers to set right expectations and make best informed decisions.

Prompt regular, descriptive (causes of delays, remedies for delays, current progress, rich media) communication for maintaining backer trust during delays help creators effectively acquire funds while setting realistic goals so they can deliver on their promises
Implications

Provide information to backers to set right expectations and make best informed decisions.

Prompt regular, descriptive (causes of delays, remedies for delays, current progress, rich media) communication for maintaining backer trust during delays.

Help creators effectively acquire funds while setting realistic goals so they can deliver on their promises.

Expected delivery in April - September

#15 in top delayer leaderboard
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Help creators effectively acquire funds while setting realistic goals so they can deliver on their promises.

Expected delays: 25 days

* These values are based on backer trust you need for subsequent projects.
Who should be held accountable?
6. Stuff We Don’t Do and Aren’t Responsible For

We don’t oversee projects’ performance, and we don’t mediate disputes between users.

Kickstarter isn’t liable for any damages or losses related to your use of the Services. We don’t become involved in disputes between users, or between users and any third party relating to the performance or punctuality of projects, from claims, damages, and demands of every kind — known or unknown, suspected or unsuspected, disclosed or undisclosed — arising out of or in any way related to such disputes and the Services. All content you access through the Services is at your own risk. You’re solely responsible for any resulting damage or loss to any party.
Experienced backers avoid backing on crowdfunding platforms to reduce risks
Creators thrive here.

Kickstarter creators pursue bold ideas on their own terms — and make an impact on the world, too.

Read their stories
Creators thrive here with backers’ trust and support.
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