

# Crowdfunding Cultural and Commercial Ventures: An Empirical Study on Rewards and Backer Motivation

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## Abstract

This study examines differences in the motivation of backers to support cultural and commercial entrepreneurs through reward crowdfunding. Drawing from self-determination theory (SDT), it is proposed that backers of commercial campaigns tend to be extrinsically motivated 'early customers', while backers of cultural projects are more intrinsically motivated 'patrons'. The chosen data is 2334 rewards from 225 projects on Startnext (largest German reward crowdfunding platform). Analysis indicates that rewards involving monetary incentives matter more for commercial backers than cultural ones, but more surprisingly, cultural backers are not more likely than commercial backers to support campaigns solely for symbolic rewards, although the chance for direct social interaction with project creators was a strong motivating factor.

## Introduction

Entrepreneurs seeking funds in reward crowdfunding are often either commercial entrepreneurs (focused on creating economic value and shareholder wealth) or cultural entrepreneurs (focused on creating new norms or products with cultural significance). Creative and cultural entrepreneurs often turn to crowdfunding sites since their funding options are more limited. There is relatively few research directed at the supply side of the crowdfunding market. The authors address two prevailing research gaps. First,

research on the various heterogeneous backer communities is scarce. Secondly, the reward as the central form of compensation remains largely unexplored. This paper investigates the differences between commercial and cultural project backers motivation by utilizing SDT and data from Startnext. Theater and arts projects were used as a proxy for cultural projects and technology and invention as proxies for commercial ventures. Contributions made to the literature on cultural entrepreneurship from this study are (1) insights into backers' motivation to provide funding for entrepreneurs (2) insights into motivational differences of backers and (3) an advanced understanding of how entrepreneurs can leverage reward design to run more successful campaigns.

## Theoretical Framework/Hypotheses

SDT is a theory from psychology utilized for explaining how motivation affects behavior. In particular, the theory deals with how social-contextual factors – here rewards - support or thwart the inherent psychological needs for competence, relatedness and autonomy. Rewards are often non-pecuniary returns or an option to pre-order a product or service. The authors test how intrinsically (symbolic; experiential) and extrinsically (price discounts) motivating rewards affect backing decisions. This framework lead to the following hypotheses:

*Hypothesis 1: Rewards involving a price discount have a significantly higher success rate than rewards without a price discount.*

*Hypothesis 2: Reward involving a price discount are less relevant for motivating cultural backers than commercial backers.*

*Hypothesis 3: Symbolic rewards are more relevant for motivating cultural backers than commercial backers.*

*Hypothesis 4: Experiential rewards are more relevant for motivating cultural backers than commercial backers.*

## Methods and Analysis

Reward-level data was drawn from a random sample of all theater, art, technology, and invention projects uploaded to the Startnext platform between 2015 and 2020. The final sample consisted of 2234 individual rewards from 225 projects. Two dependent variables namely the number of backers who pledged for a reward, and the total amount pledged for a reward were employed. Explanatory variables include the commercial vs. cultural project status, price discounts, symbolic rewards, and experiential rewards. The authors control for the number of competing rewards, price, limited supply of a reward, and delivery time. Based on the regression results, strong support is found for the first hypothesis in that projects with price discounts had more backers and a greater amount pledged. Likewise, the second hypothesis was supported in that cultural backers were less interested in price discounts than commercial backers. The third hypothesis predicted that symbolic rewards would

be more relevant for motivating cultural backers, but no significant difference in number of backers was noted and the impact in amount pledged was negative. The final hypothesis was strongly supported in that experiential reward were 237% more effective in attracting backers for cultural than for commercial projects.

## Discussions and Implications

In contrast to pro-social contexts such as charities, backers in reward crowdfunding are mainly extrinsically motivated to support projects. However, the authors find significant differences in the backer motivation of the crowd. The authors demonstrate that ‘the crowd’ consists of various communities of interest. Backers of cultural projects seem to be distinct in their motivation: they are less extrinsically motivated and more responsive to intrinsically motivating rewards than backers of commercial projects. These findings hold relevance for literature on cultural entrepreneurship, crowdfunding research, and funding motivation. Current entrepreneurs could take note of these results to refine the types of rewards offered in projects to address backers’ needs and in turn, be more successful in raising funds. Future research could focus on different project categories (particularly ones that incorporate both commercial and cultural elements), other measures of motivation beyond SDT, or the demographic makeup of backer communities.

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