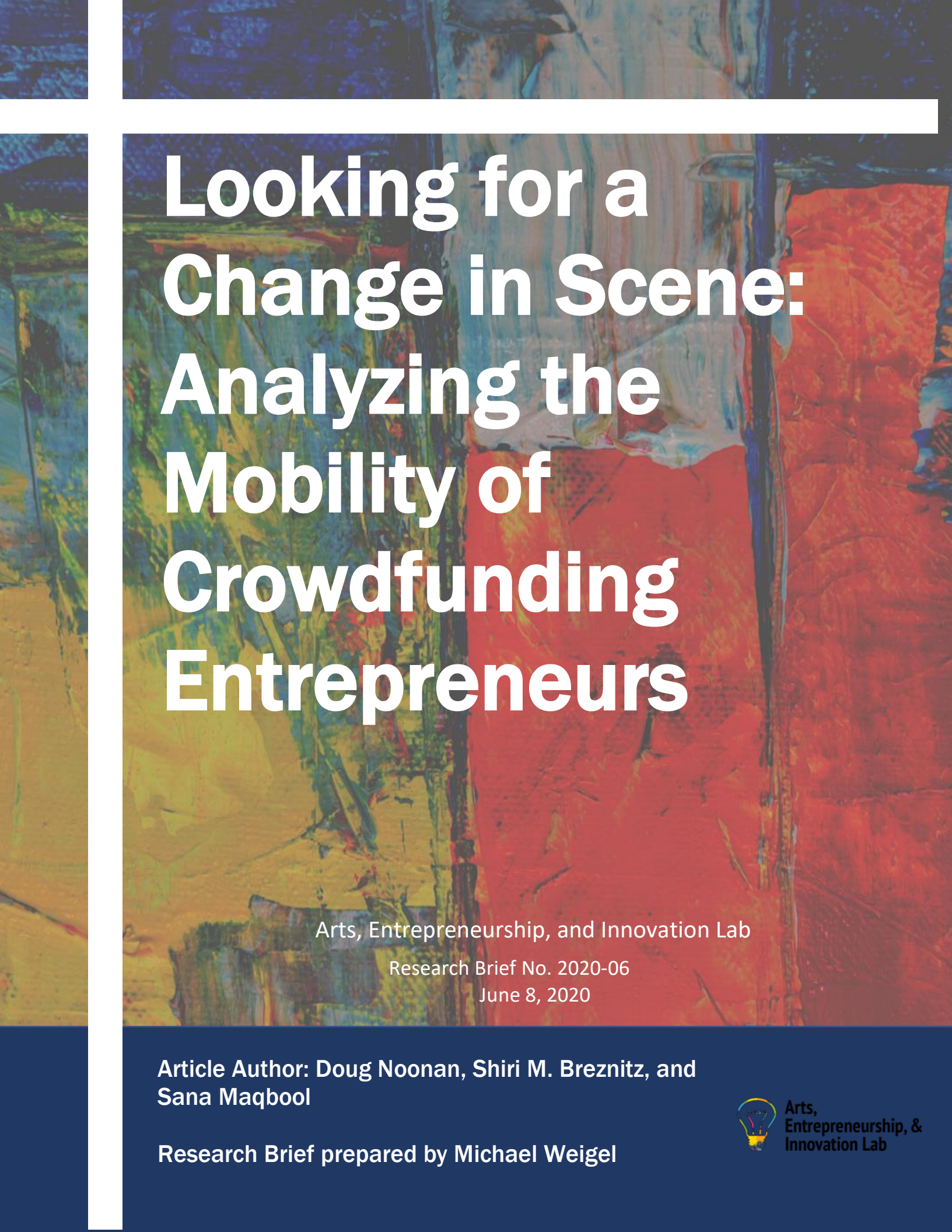

Looking for a Change in Scene: Analyzing the Mobility of Crowdfunding Entrepreneurs

Arts, Entrepreneurship, and Innovation Lab

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Abstract

Crowdfunding platforms are a common method of financial support for artistic entrepreneurs, but little research currently exists on the mobility and location choices of creators seeking to enter markets in different geographic areas. Using a dataset from a large American crowdfunding website, the paper analyzes factors that lead to relocation between destinations as well the innate characteristics that make destinations attractive to creators. Results show a primary factor for moving is access to local opportunities and networks whose locations vary based on the type of creative activity. In a general sense, relocation destinations for repeat project creators tend to be regional markets a relatively short distance from the original location in a manner that reflects existing patterns of clustering among creative class and artistic entrepreneurs.

Introduction

Although location is the most important factor for success of larger firms, talent clusters are more relevant for individual artist occupations where access to other skilled colleagues is essential for advancement and networking. Close geographic proximity spurs innovation through ease of creating and sharing knowledge (though technology has eased these transfers over greater distance). Based on the dataset utilized for this study, choice of location is still a relevant consideration for many creators using crowdfunding platforms, but further analysis was required to understand the factors that led to the initial choice to move as well as choice of specific destination. This study used data about the success and scale of multiple projects posted by repeat creators who moved between project launches. It utilized both a logit model to predict if creators would choose to stay or leave their location as well as a choice model to compare the attractiveness of about 900 metropolitan and micropolitan areas. Socioeconomic factors and the type of projects were the strongest factors, but some creators were also attracted to cities with existing "scenes" with a history of concentrated employment in their sector.

Literature Review

Entrepreneurship mobility is generally based around socioeconomic and environmental factors and work opportunities. Larger cities have higher worker demand and pay so most move there because of stronger market potential and accessibility. Artists generally prefer larger cities due to demand for work, tourist access and agglomeration of related art fields. Artistic workers are more influenced by the ability to build social networks and less influences by local amenities than the average entrepreneur.

Empirical Model

Two distinct models were created to reflect two discrete choices made by creators: (a) the initial

decision to move and (b) where to move. The models were based classic random utility maximization models in which subjects with imperfect information select among alternatives to maximize their utility. In this case, the alternative choices were CBSAs, which were slightly less precise than towns but allowed for a more expansive dataset on which to base the models. The second model used N x 11 observations (the eventual destination chosen along with ten other randomly selected cities) to allow for easier computation than modeling all 900 possible destination CBSAs for each of the 6000 movers.

Data

This study utilized a database of Kickstarter projects containing 233,519 observations. No direct information about creators was provided other than their name, but detailed statistics on project location, performance and category was included. About 6,000 of those projects were done by creators appearing in the dataset more than once; some of those repeat creators moved cities and some did not. The models on moving choice and location choice were largely informed by socioeconomic variables at the CBSA or regional level as well as measures of past Kickstarter success in the region.

Results

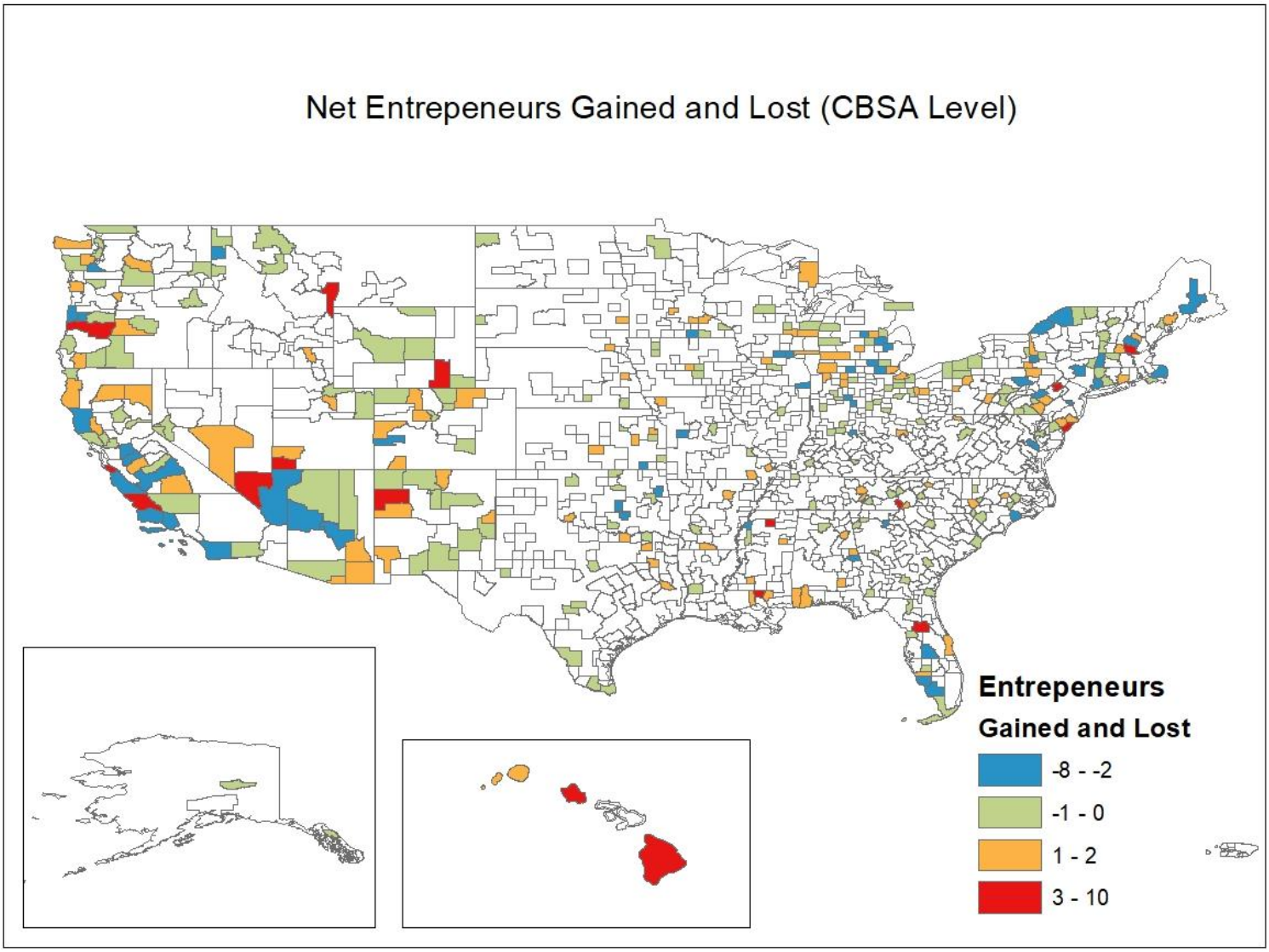
Arts categories such as film/video, music, games, and publishing make up the largest base of all Kickstarter projects and were the most likely to see repeat creators change locations. Total population consistently predicted relocation destination choice, and those in the eastern US were more likely to move than those in the western portion of the country even when controlling for demographics and industry. Additionally, regions which had lower success rates and fewer projects in an artist's industry were more likely to see repeat creators leave. Mobility varied between project categories as well: performance-based categories like dance, music and theater had the highest rate of migration.

On an individual creator level, those creators whose projects initially failed were more likely to move and those whose initial project succeeded were less likely to be impacted by distance or current level of employment in their industry. The choice model returned a R^2 value of around 0.8 for predicting choice of where to move. Significant variables for artist migration included overall distance from the original CBSA, high population totals, and low average household incomes. Creators specifically tended to avoid areas with high employment and competition levels in their sector.

Discussion

These results indicate that big cities with access to markets and specialization are magnets for creators. Strong networks and human capital play a positive role in location choice by creators, as does a lack of sectoral competition. Different artistic industries have different rates of overall mobility as

well as differing trends in terms of migration flow: in particular, film and video creators are increasingly starting to move away from wealthier metro areas instead of clustering solely in Los Angeles. Moving creators are attracted to cities with more general Kickstarter activity and donations, but not at an industry-specific level. Geographic clustering is based more on network access and specific industry factors more than climate or general economic factors. Subpopulation variance was also noticeable between types of creators: musicians were generally drawn to areas with lots of musicians active in crowdfunding while the opposite held true for film/video creators. Future research could focus on inclusion of broader crowdfunding data beyond the Kickstarter platform, incorporate analyses of the entrepreneurial attributes of specific creators, or examine the factors that would cause repeat creators to switch crowdfunding platforms.



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