How identity-induced psychological ownership increases monetary contributions in crowdfunding

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Managers of crowdfunding campaigns often use public (e.g. public display of supporter's name) and private recognition (e.g. personal thank you) to incentivize their contributors (Gerber, Hui, & Kuo, 2012; Ordanini, Miceli, Pizzetti, & Parasuraman, 2011; Thürridl & Kamleitner, 2016). The producers of the movie "The Orphan Girl", for example, offered various forms of public recognition such as social media shout-outs and credits in the movie on top of other rewards (CHISEL_Industries, 2014). Similarly, the founders of the peer-to-peer lending platform Mootch gave contributors hand-written thank-you notes (Graham & Salwen, 2014).

Although both types of rewards rely on positive reinforcement through recognition and gratitude towards consumers (Bennett, 2006; Carey, Clicque, Leighton, & Milton, 1976; Fisher & Ackerman, 1998; Harbaugh, 1998; Rind & Bordia, 1995), the degree of social visibility differs. While private recognition keeps the association between the contributor and the project owner hidden from a broader audience (i.e., making it visible to the parties involved only), public recognition makes it salient by tying an individual's core feature of identity – their name – to the project. This public association may drive contributors to develop psychological ownership for the project, i.e. the feeling that something is "mine", independent of actual ownership (Pierce, Kostova, & Dirks, 2001, 2003). We base this argument on the fact that PO increases as a function of people's perceived investment of their self, i.e., their identity (Pierce, et al., 2003). The stronger people perceive their identity imbued in a particular target, the stronger their feeling of ownership for it. As identity-investment becomes particularly apparent under conditions of public (vs. private) recognition in crowdfunding, it has great potential to boost individuals' perceived project ownership.

Psychological ownership (PO) in itself has been widely acknowledged to influence many desirable marketing and consumer-related outcomes (Fuchs, Prandelli, & Schreier, 2010; Kamleitner & Feuchtl, 2015; Peck & Shu, 2009). We believe that these positive effects will easily translate to the context of crowdfunding. Across three studies, we therefore investigate the impact of public and private recognition on individuals' perceived project ownership and subsequent monetary contributions.

In study 1, we analyzed 300 real-life Kickstarter projects to explore the hypothesized relationship. We operationalized recognition type as the proportion of public and private recognition in the reward portfolio for each venture. The dependent measure was the total amount of money pledged to the campaign. As the dependent variable (total money pledged) was highly skewed, its log-transformed values were used for further analysis. We controlled for funding goal, as higher goals tend to decrease project success (Mollick, 2014). A linear regression analysis revealed a significant positive effect of public recognition (β=.128, p<.05) and a significant negative effect of private recognition (β=-.174, p <.01) on total money pledged.

Study 2 examined individual behavioral rather than aggregate effects and looked at how individual choice of public and private recognition will impact monetary contributions in a controlled setting. We exposed 70 participants (62.9% female, M_{age}=26.0, SD=6.9) to the fictitious project *Coffee Crafters*, a local coffee shop seeking funding for its inception. After reading the project description, they could choose between two similar reward options (goodie bag or food/drink vouchers). They then had the option to complement their reward with either public (public display of the name) or private recognition (personal thank-you), or neither. Individual monetary contributions were assessed on a slider scale ranging from $20-100. Two manipulation check items were included to assess whether participants were aware of the presumed effect of their choice ("My support will be privately/publically recognized"; 7 = strongly agree). The manipulation check was successful.

As expected, we found that those who chose public recognition yielded the highest contributions (M_{public}=48.06 SD=22.59, $M_{private}$=32.87 SD=16.83 M_{no}=23.35 SD=8.05; F(2,73)=9.619, p=.000).

Study 3 focused on PO as the underlying process. We followed a similar procedure as previously, except now participants (n=186, 48.9% female, M_{age}=21.8, SD=2.6) selected their favorite project out of three (a community garden, a music festival, and an event venue). Respondents had a choice of a reward for their donation, either public, private or no recognition and were then asked to indicate how much money they were willing to invest measured with an open question. PO was measured before and after participants decided on their rewards and the corresponding level of recognition. Two scales were used; four items adapted from Van Dyne and Pierce (2004) and Peck and Shu (2009) (α=.93) and the item "For me, the project is.." anchored by 1="A project", 7="MY project".

Consistent with study 2, we found a positive effect of public recognition on both monetary contributions (M_{public}=122.28, SD=183.77, $M_{private}$=73.05, SD=120.40, M_{no}=56.42 SD=79.48; F(2,184)=3.885, p=.022) and PO (M_{public}=4.29, SD=1.87, $M_{private}$=3.62, SD=1.65, $M_{no\ recognition}$=2.98, SD=1.77; F(2,184)=6.609, p=.002). Importantly, prior to choice, there was no significant difference in PO (M_{public}=3.27, SD=1.64, $M_{private}$=3.21, SD=1.59, t (139) = .213, p = .832). We also find that PO mediates the effect of public recognition on monetary contributions (R^2=.070, b=.334, indirect effect = 32.59, SE=16.61, 95% confidence interval CI = [11.83, 86.32]) in the expected direction.

Taken together, our findings contribute to a better understanding of how identity-link-induced (psychological) ownership may influence monetary valuations in the absence of legal ownership rights. Additionally, they provide managers of crowdfunding projects with recommendations on how to increase the chances of project success through simple symbolic rewards such as public recognition.

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