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What (not) to offer: exploring the influence of different types of rewards in crowdfunding on perceived ownership and intended behavior

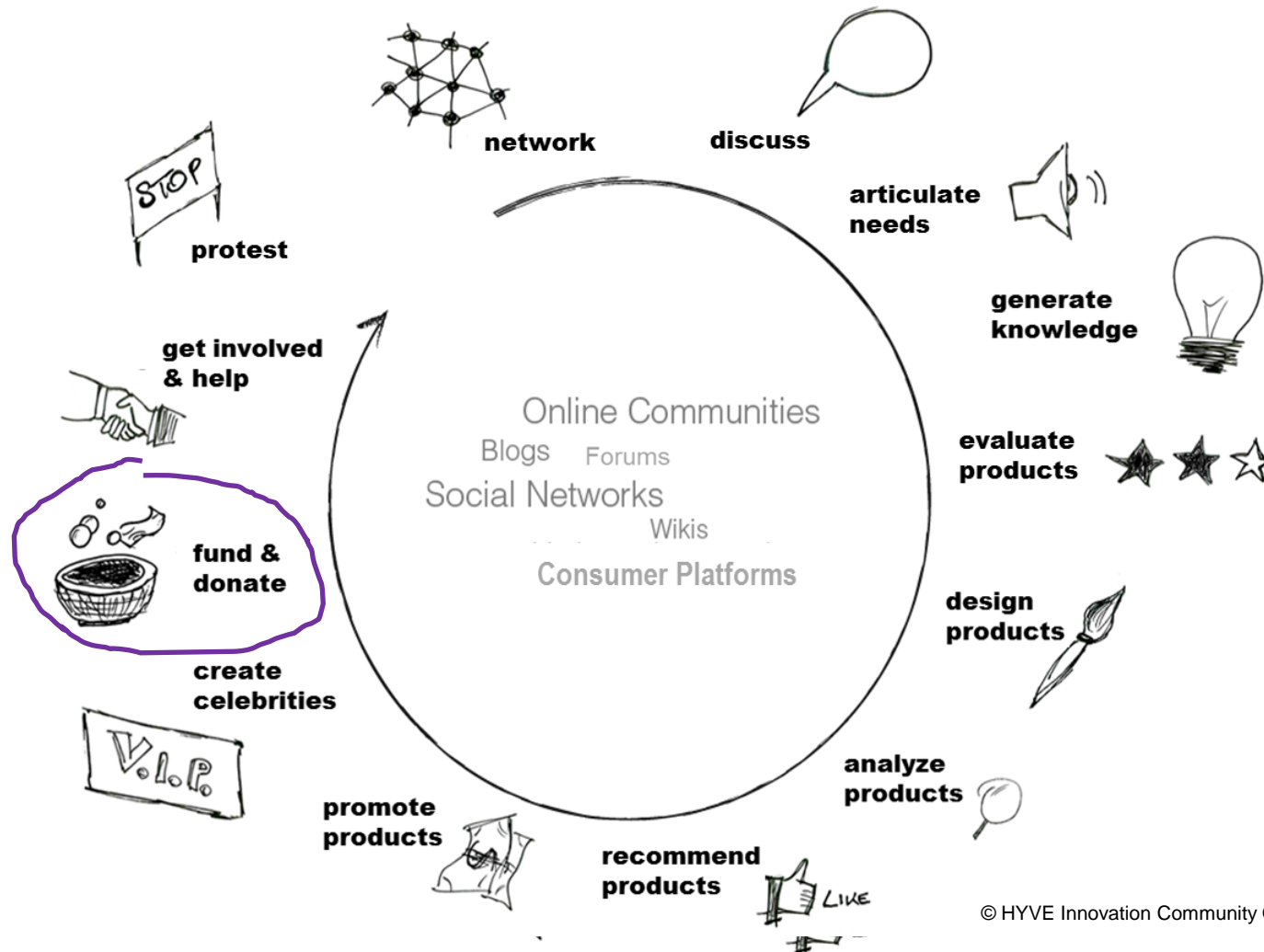
ICAP - Paris, FR - 13/07/2014

SYMPOSIUM: OWNERSHIP AS A PSYCHOLOGICAL PHENOMENON

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Bernadette Kamleitner

Empowered by sophisticated, digital technologies, consumers nowadays...



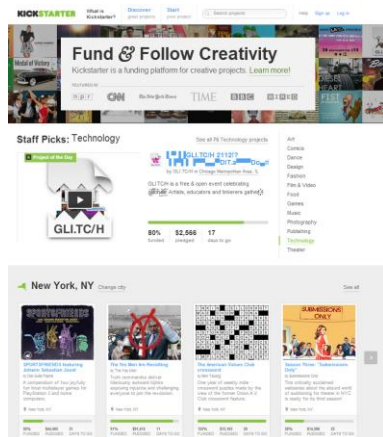


Crowd[funding]

“an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes” (Belleflamme et al. 2013)

Crowdfunding ≠ Crowdfunding

Reward-based



e.g. Kickstarter.com

- Primarily creative projects
- Backers fund projects and receive non-monetary „rewards“ in return
- Support is usually interest-based

Donation-based



e.g. Betterplace.org

- Backers support projects without expecting anything in return
- They simply donate because they are intrinsically motivated

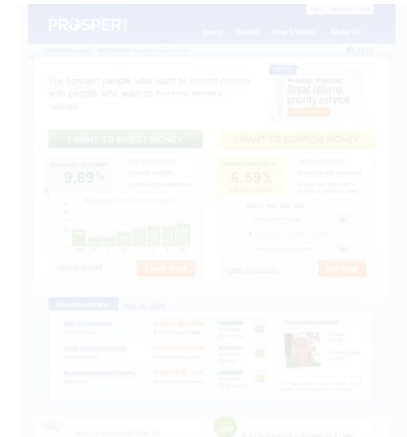
Equity-based



e.g. Seedmatch.de

- Focus on start-ups & entrepreneurs
- Backers invest in a business idea and receive shares in return
- Customers and suppliers have the chance to become shareholders

Lending-based



e.g. Prosper.com

- Peer-to-peer lending
- The bank is substituted by private individuals as the middle men → allows interest-related benefits

Types of projects in reward-based crowdfunding

KICKSTARTER Discover Start Search projects

Amanda Palmer: The new RECORD, ART BOOK, and TOUR
by Amanda Palmer
Home Updates 24 Backers 24,853 Comments 1,360 Boston, MA Music

KICKSTARTER Discover Start Search projects

The Lomo'Instant Camera
by Lomography
Home Updates

KICKSTARTER Discover Start Search projects

Pebble: E-Paper Watch for iPhone and Android
by Pebble Technology
Home Updates 52 Backers 68,929 Comments 15,609 Palo Alto, CA Product Design
Funded! This project was successfully funded on May 18, 2012.

68,929 backers
\$10,266,845 pledged of \$100,000 goal
0 seconds to go

Project by **Pebble Technology** Palo Alto, CA
First created · 52 backed
Eric Migicovsky 847 friends
getpebble.com

KICKSTARTER Discover Start Search projects

Zack Danger Brown
Home Updates 16 Backers 5,857 Comments 893 Columbus, OH Food

5,857 backers
\$47,283 pledged of \$10 goal
21 days to go

Back This Project
\$1 minimum pledge

This project will be funded on Sat, Aug 2 2014 3:47 PM CEST.

Creative initiatives

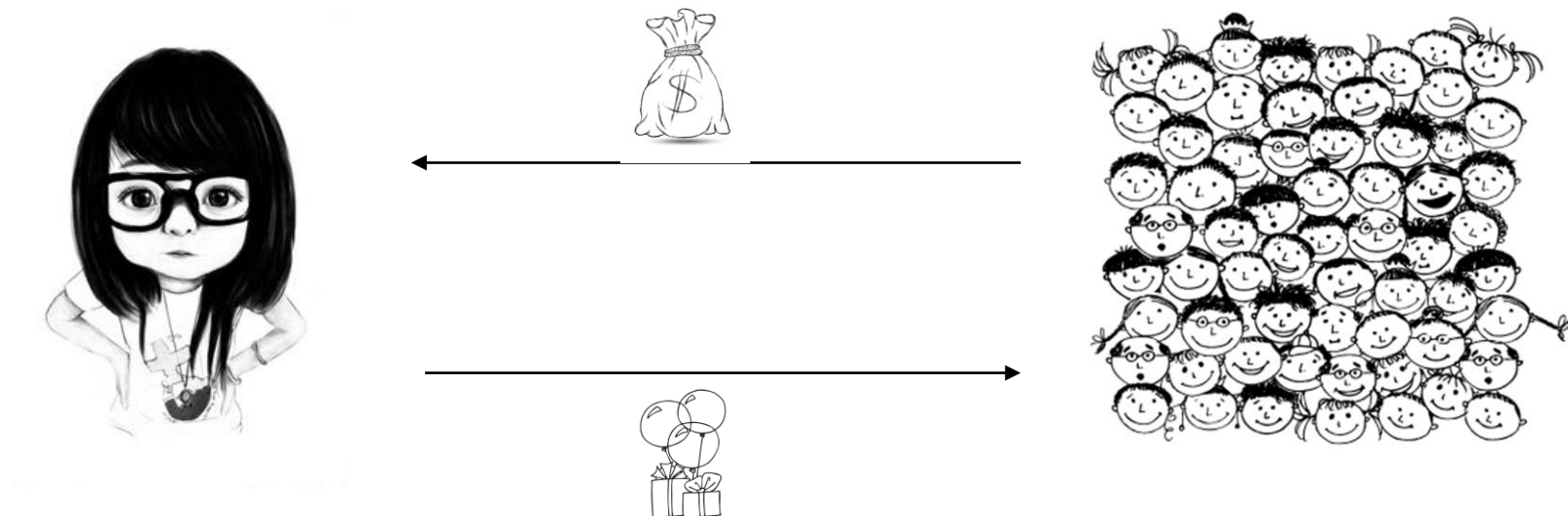
Gadgets

Potato salad

Rewards are among the key motivations behind the intention to fund (Gerber et al. 2012)

Rewards as a key success factor for consumer participation in crowdfunding

Social exchange theory: consumers participate, i.e. fund projects, because they expect their actions to be **rewarding** (Emerson 1981, 1987)



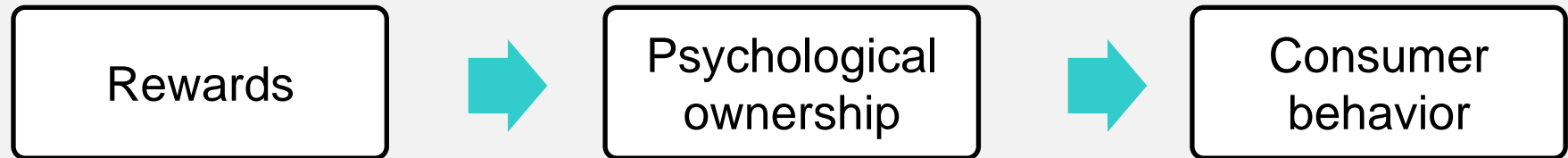
The role of psychological ownership in CF Rewards and the psychological connection

Social exchange (i.e. rewards for participation) → **psychological connection** between the initiator and the supporter (e.g. Fuchs et al. 2010)

- **Proposition:** **psychological ownership** as the psychological connection between an object and an individual
- **Psychological ownership:** „a consumer’s individual feeling that something is “mine“ (Pierce et al. 2003)
- Stems from
 - control
 - investment of the self
 - intimate knowledge (Pierce et al. 2003)



In short...



Consumer Empowerment Context



Typical rewards in crowdfunding

€20 EUR

Limited Edition CD

This lovely package includes an exclusive version of our new album featuring a nice bonus track. Numbered, hand-signed and with a beautiful sticker on the cover.

* please contact us for overseas shipping

40 angefordert

Tangible rewards

\$25 USD

YOU'RE ON(LINE)

You will receive a personal, electronic

€30 EUR

Featured

Reward differ in terms of

- Tangibility
- Level of recognition
- Value

22 von 100 angefordert

Tangible rewards +
recognition

\$250 USD

AND A PARTY

The lobby wall will include the people who pledge at this level. \$250-pledgers will also receive the opening gala.

Lieferdatum: **September 2014**

0 angefordert

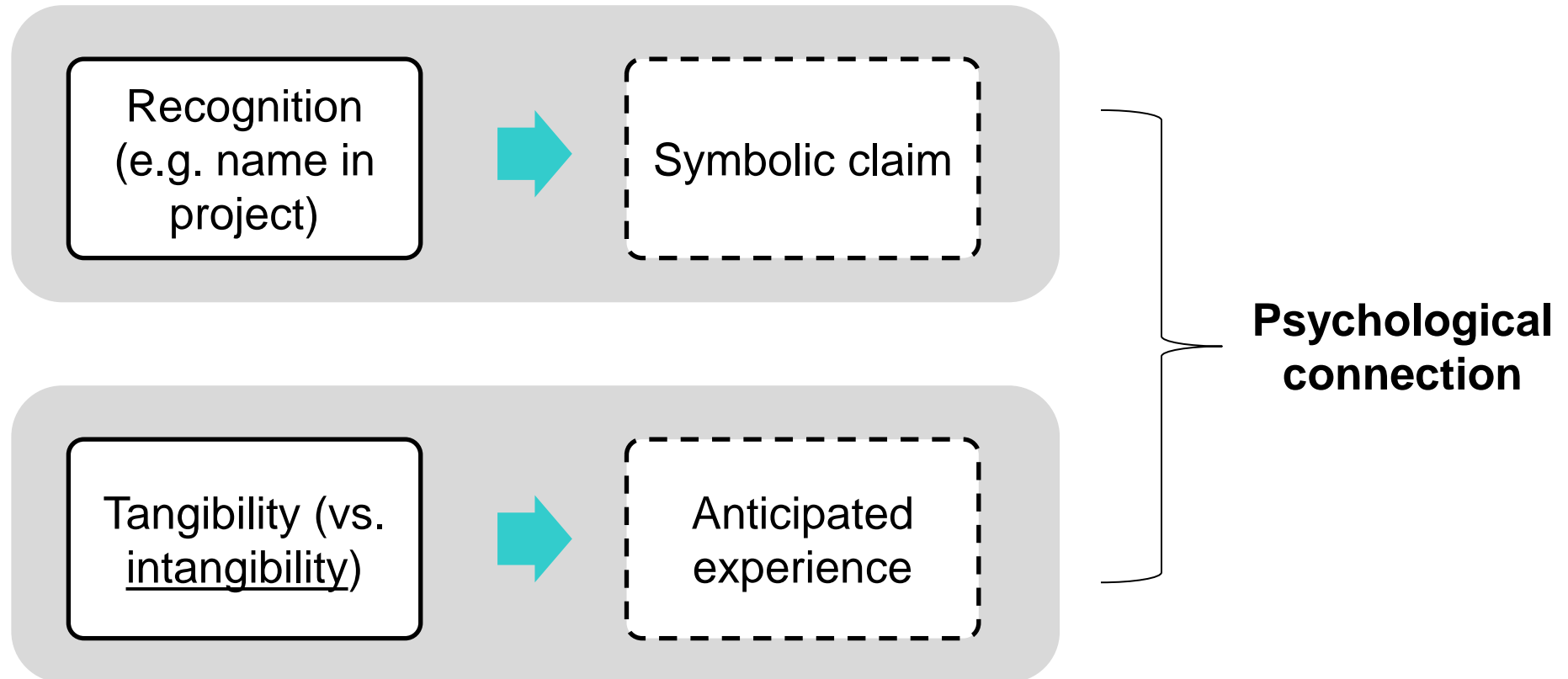
Intangible experience +
recognition



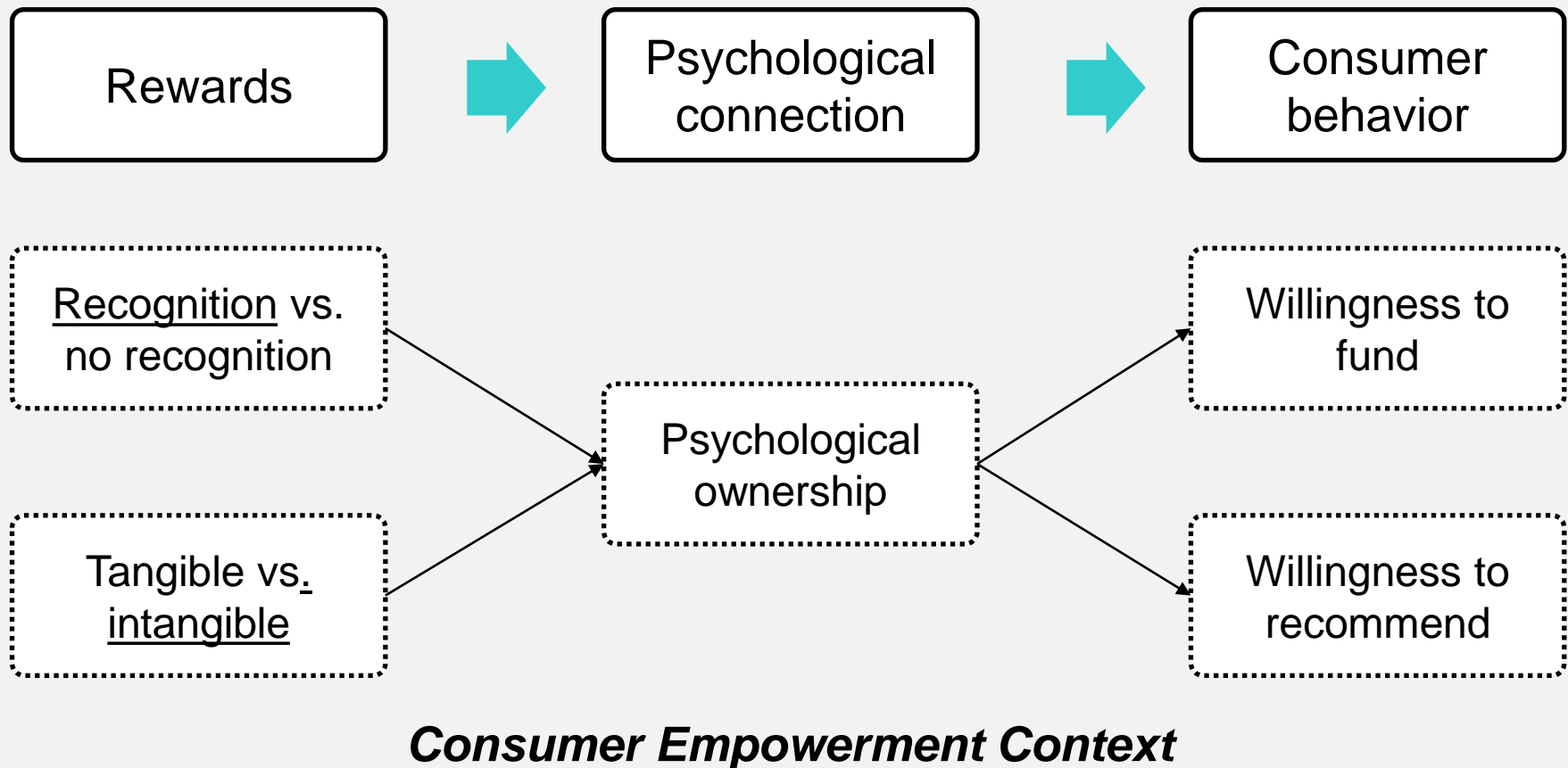
Research Questions

- 1. RQ1: Which aspects of rewards in crowdfunding trigger psychological ownership for the project?**
- 2. RQ2: What are the implications for consumer behavior (i.e. willingness to fund and willingness to recommend) in a consumer-empowerment context?**

Dimensions of rewards and psychological ownership



The proposition



Study 1

Reward choice

Creative crowdfunding
projects

Study 2

Reward assignment

Music crowdfunding
project

Method

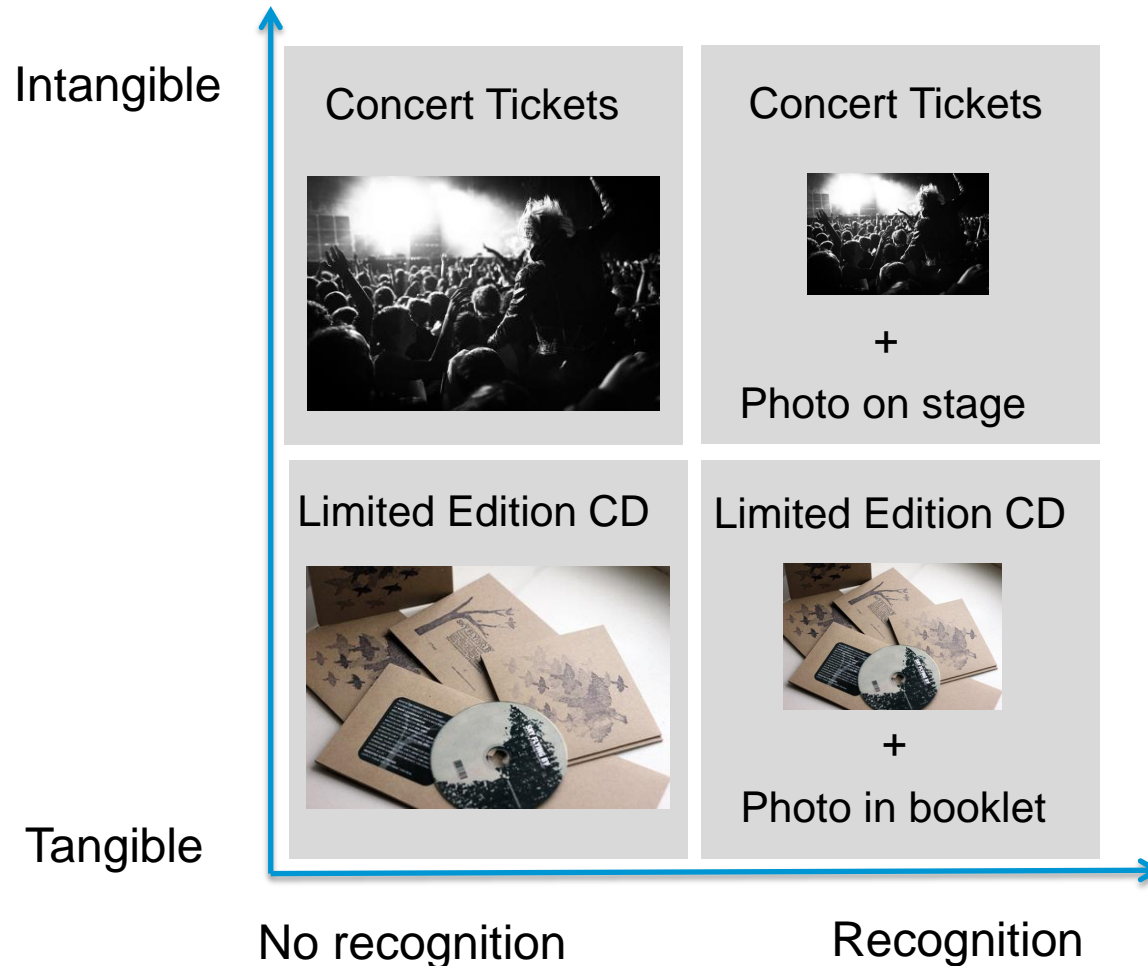
Study 1 – within subjects design

Study 1 Reward choice

- Online survey in lab setting
- 5 crowdfunding project categories (film, music, art and design, literature and journalism & photography) → questions on top 2
- IV: Reward preference (tangible/intangible, recognition/no recognition) → DVs: PO, WTFund, WTRcommend
- Sample: n=160 undergraduate students (53% female; mean age 22.1)
- All measures adapted from literature

Study 1

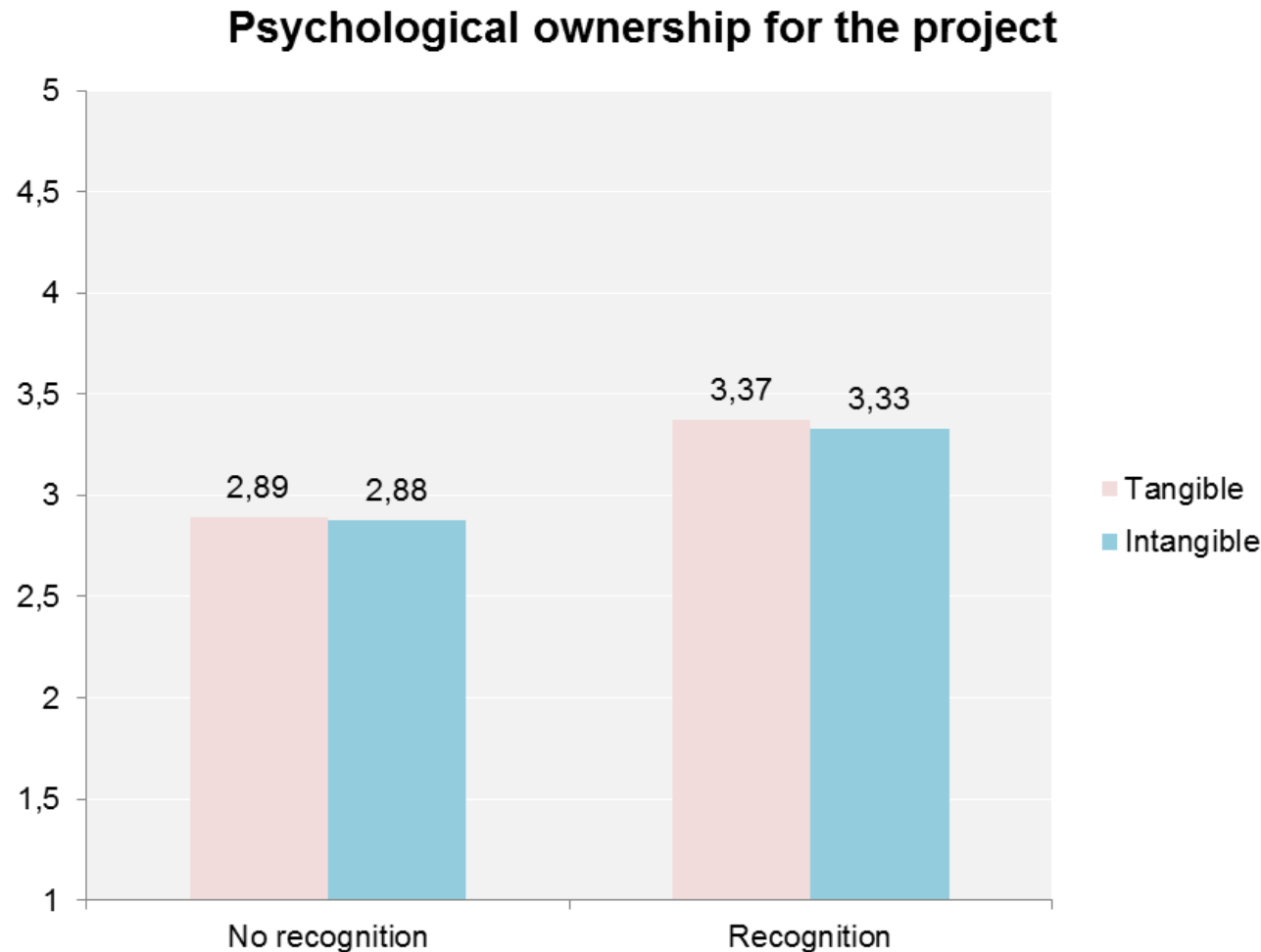
Manipulation (e.g. music category)



Reward choice

Study 1 - Findings

Main effect of recognition on psychological ownership



Main effect of recognition

$F=6.105, p=0.015^{**}$

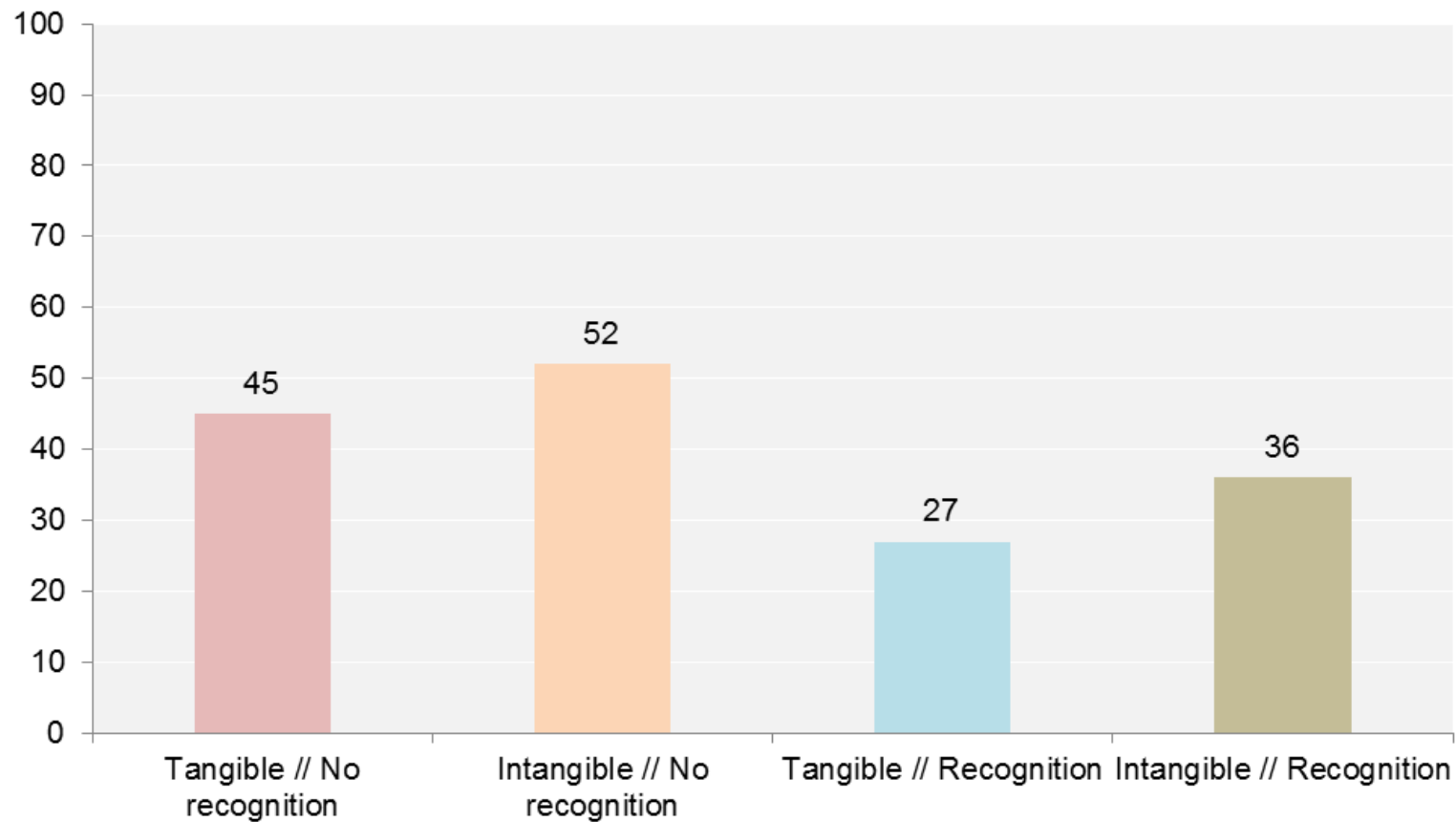
No effect of tangibility

* $p < .10$, ** $p < .05$, *** $p < .01$

Study 1 – Findings

Distribution of reward choices

Distribution of choices

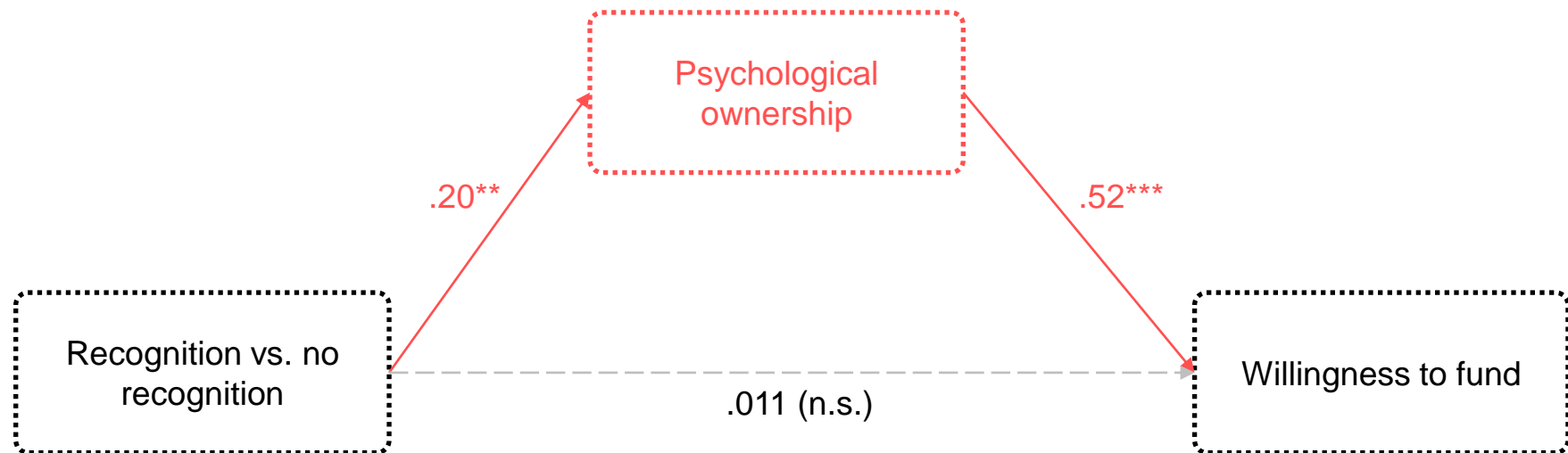


$\chi^2 = 4.691$
 $p = \text{n.s.} (.196)$

Study 1 - Findings

Indirect effect of recognition on willingness fund

Mediation analysis (Preacher & Hayes, 2004, 2008)



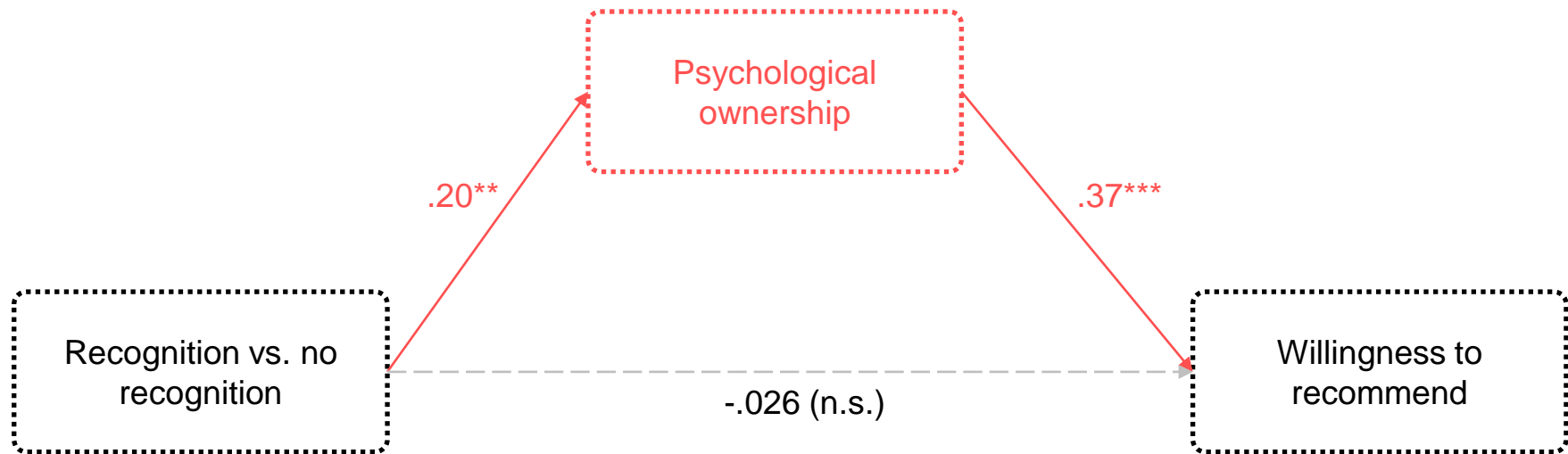
Nagelkerke $R^2 = .104^{**}$, CI [.0529 - .5689]

** $p < .05$, *** $p < .01$

Study 1 - Findings

Indirect effect of recognition on willingness to recommend

Mediation analysis (Preacher & Hayes, 2004, 2008)



$R^2 = .135^{**}$, CI [.0413 - .3440]

** $p < .05$, *** $p < .01$

Study 1 – Discussion

- No effect of tangibility
- Main effect of recognition on psychological ownership
- No direct effect of recognition on willingness to fund and willingness to recommend
- **BUT:** psychological ownership mediates the relationship between recognition & behavior
- Choice raises **question of causality** (self-selection)

 **Study 2**

Method

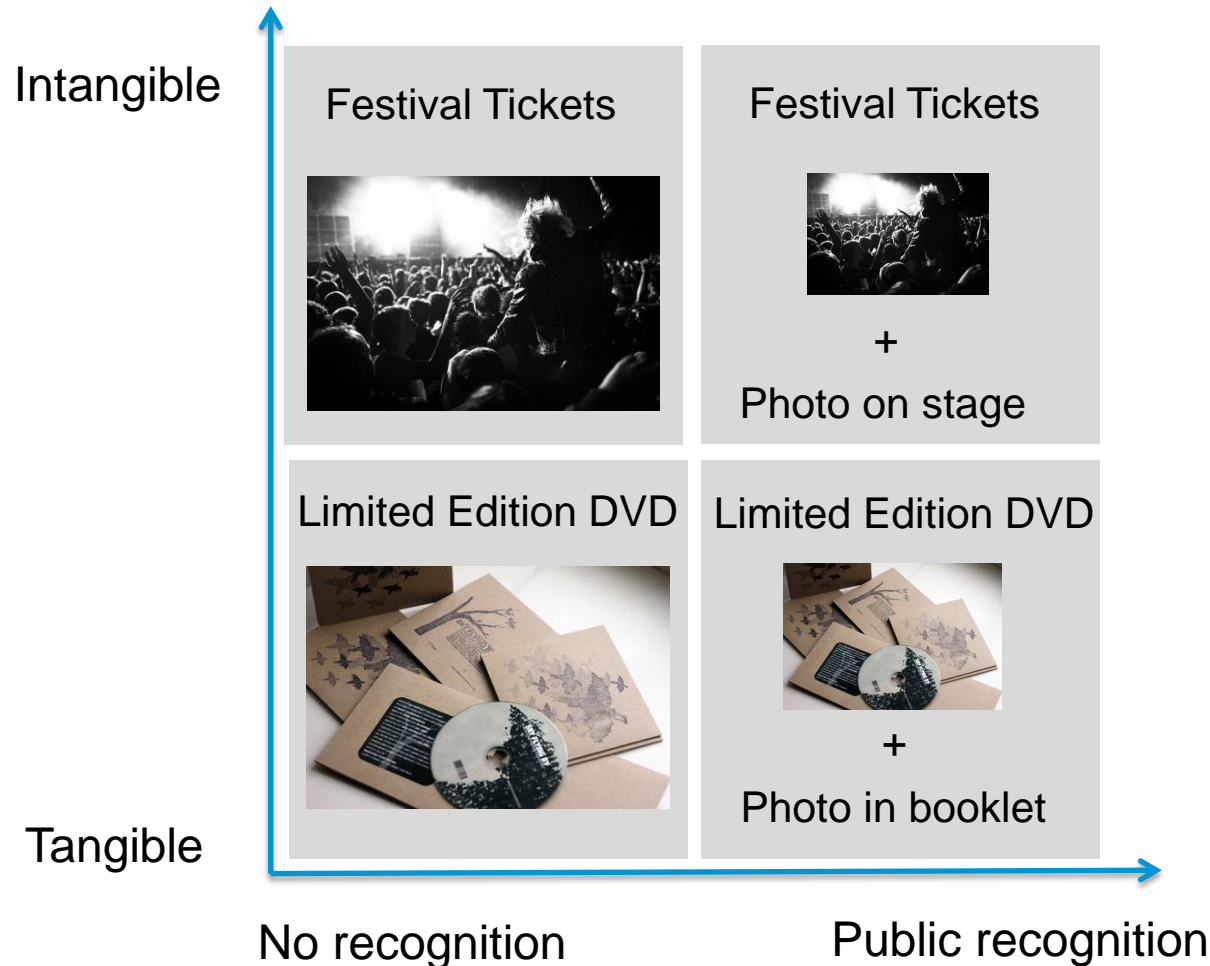
Study 2 - 2x2 between-subjects design

Study 2 Reward assignment

- Online experiment in lab setting
- IV: 2 (tangible vs. intangible) x 2 (recognition vs. no recognition)
- DVs: PO, WTFund, WTRcommend
- Stimulus: UK music festival project video (selected in pretest)
- Further project information & inclusion of respective reward
- Sample: n=180 undergraduate students (50% female; mean age 21.8)
- All measures adapted from literature

Study 2

Manipulation – 2x2 between-subjects design

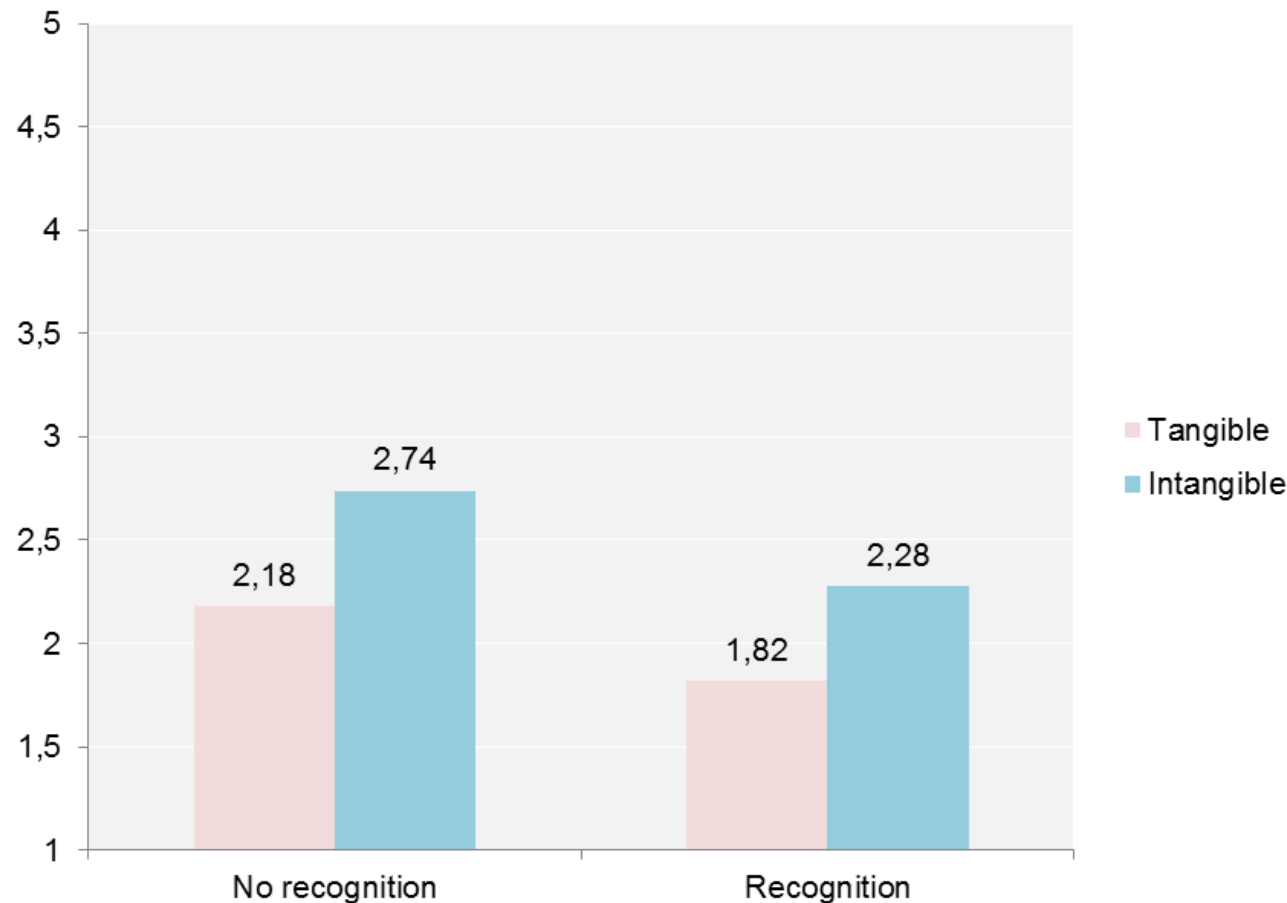


Reward assignment

Study 2 - Findings

Main effect of recognition & tangibility on psychological ownership

Psychological ownership for the project



Main effect of tangibility

$F=5.196, p=0.02^{**}$

Main effect of recognition

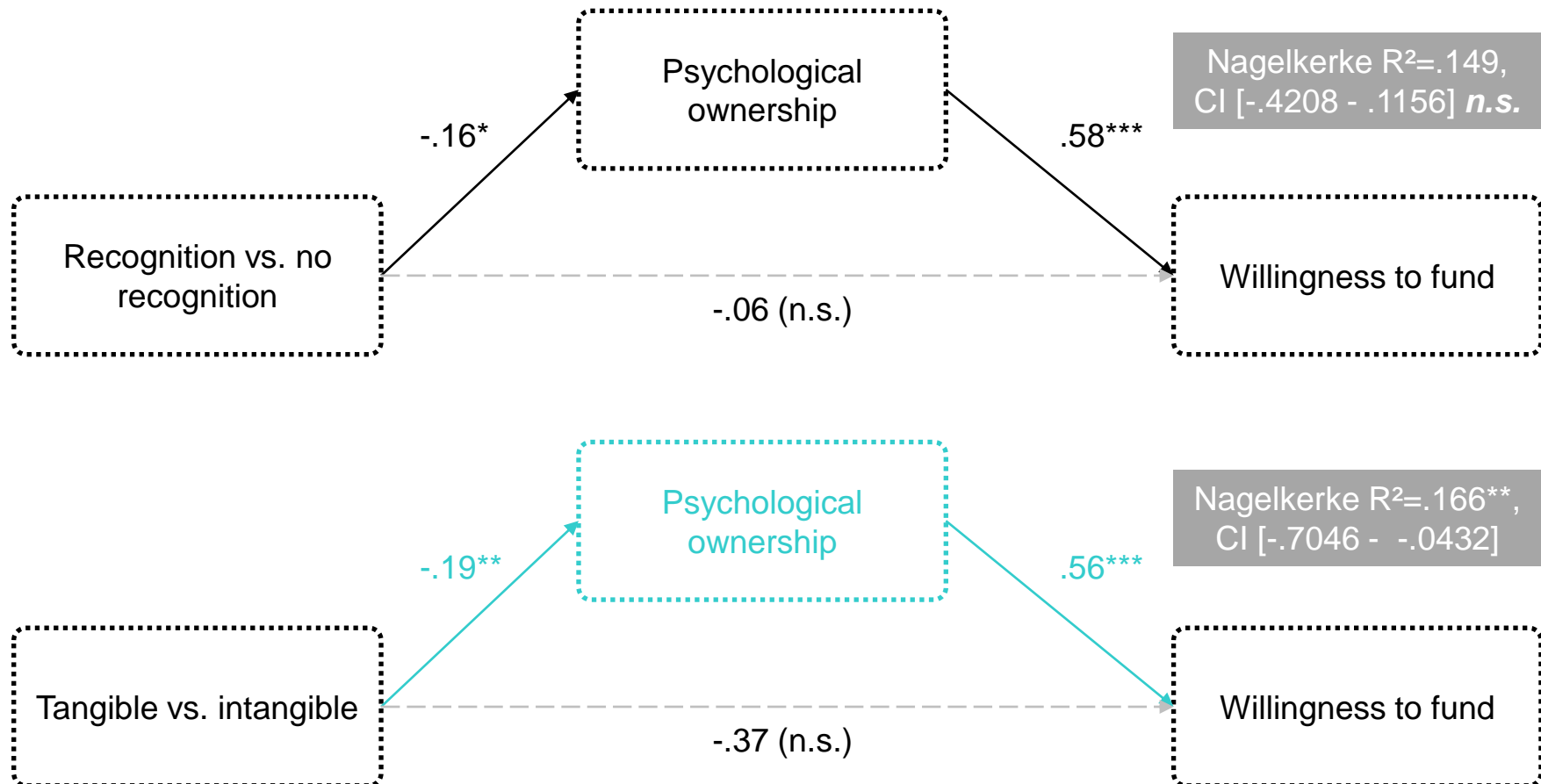
$F=3.434, p=0.06^{*}$

Contrary to study 1

* $p < .10$, ** $p < .05$, *** $p < .01$

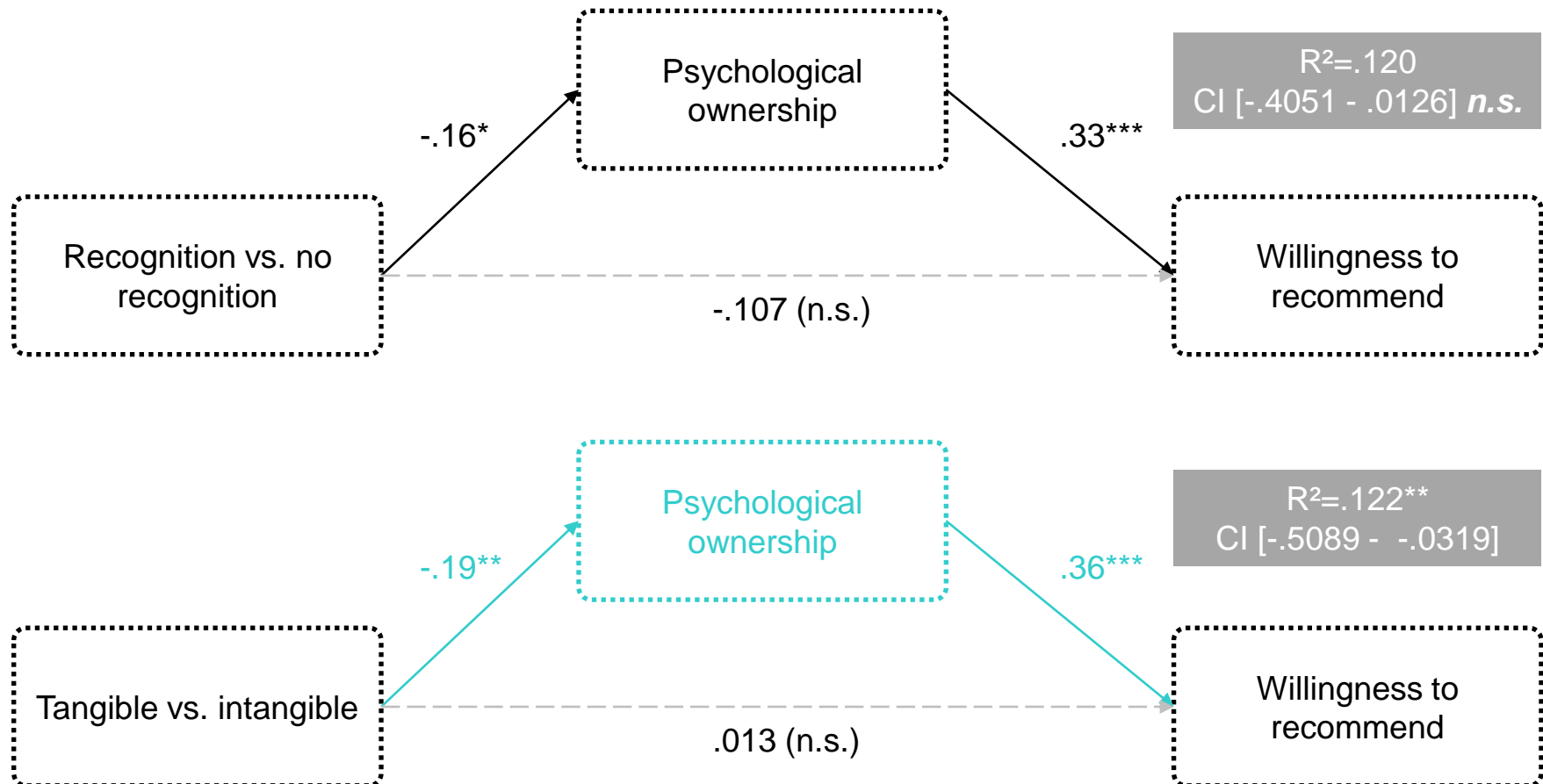
Study 2 - Findings

Indirect effect of tangibility on willingness to fund

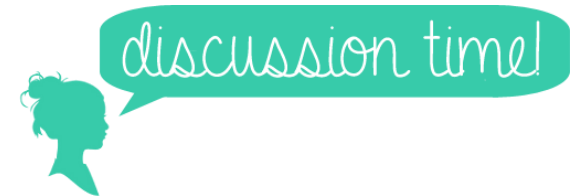


Study 2 - Findings

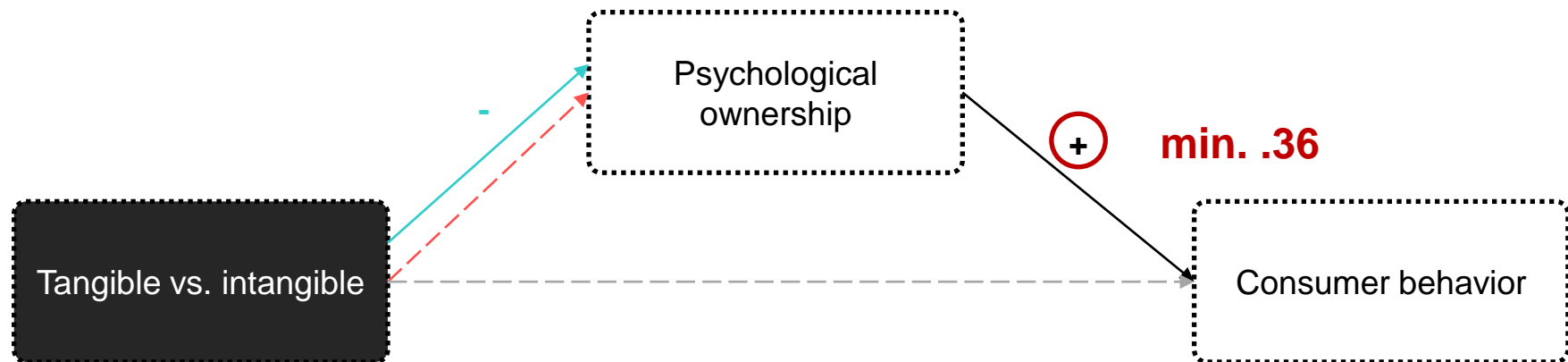
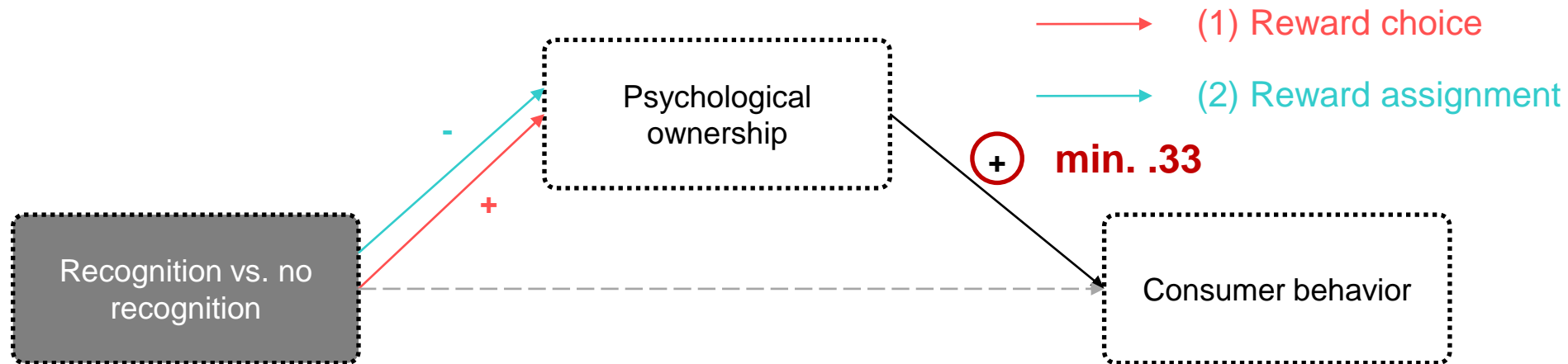
Indirect effect of tangibility on willingness to recommend



- Study 1: Voluntary choice of rewards
 - Positive effect of recognition on PO; no effect of tangibility on PO
 - Self-selected recognition → symbolic claim
 - Recognition more salient for several alternatives
- Study 2: No choice - rewards assigned
 - Negative effect of recognition on PO, positive effect of intangibility on PO
 - Evaluation of 1 vs. 4 rewards → no comparison & statement of preference
 - „Forced“ recognition detrimental - experimental assignment unnatural



Discussion II - BUT



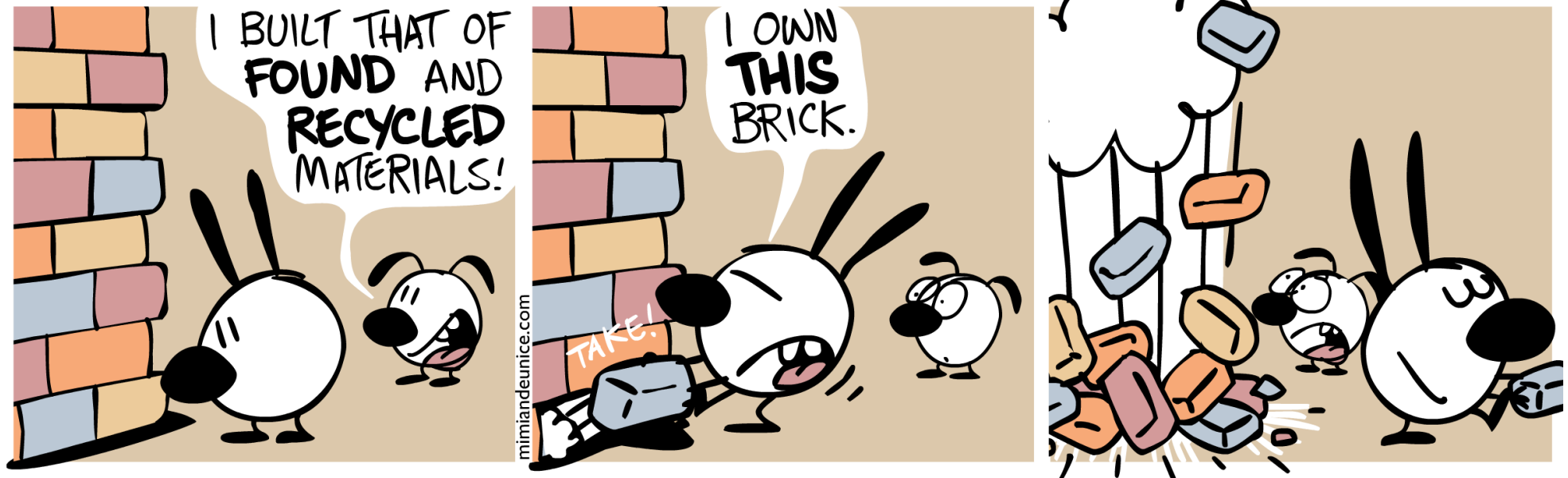
Take-Aways

1. Rewards with recognition may be beneficial & detrimental → **conditions subject to further research**
2. In a choice context: tangibility secondary
3. What we know: reward choice vs. reward assignment
4. PO as a major construct in CF → **symbolic claim** drives PO for targets that will never be legally yours
5. PO always drives **positive consumer behavior** (e.g. Peck & Shu 2009, Feuchtl & Kamleitner 2009, Fuchs et al. 2010)



To be continued...

THANK YOU!



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