CROWDFUNDING: New evidence that donors’ pledges are strongly linked to the perceived meaningfulness of the fund-raising objective

The financial support that people provide to crowdfunding initiatives is strongly linked to the level of their perceived meaning towards the campaign. That is the central finding of research by Jonathan Meir Bezalel, to be presented at the annual congress of the European Economic Association in Manchester in August 2019.

His study analyses data from two lab experiments and one field experiment on more than 800 funders. He examines the motivations and factors that affect monetary support decisions in reward-based crowdfunding.

Based on Viktor Frankl's Will to Meaning and Logotherapy, the research finds that the more meaningfulness a funder sees in his or her participation in crowdfunding, the more monetary support he or she will decide to give. For each increase in the level of perceived meaning, there is an average increase of around 21% in the monetary support given.

The study examines five levels of meaning, where 1 is the lowest perceived meaning and 5 the highest. The transition between meaning level 2 and 3, between having a negative feeling of meaning to a neutral feeling, produces an increase of 49% in the average monetary support given.

Taking into account that crowdfunding is an exponentially growing monetary support web platform, which raised $34.4 billion in 2017 ($5.5 billion specifically through reward-based crowdfunding), these findings can certainly change the way crowdfunding campaigns will be strategically designed, as well as generate an overall increase in funding being raised.

Moreover, it justly establishes the place of Frankl's Will to Meaning alongside Freud's Will to Pleasure and Nietzsche's Will to Power (the three Viennese schools of psychotherapy).

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The study differentiates between four groups of offered rewards in reward-based crowdfunding: gifts (for example, a pen or tickets for a relevant event), recognition (for example, a thank you letter or a plaque indicating the funders’ support), participation (for example, receiving an official membership or an invitation to a closed event), and influence (for example, receiving voting rights in board meetings or a 1:1 meeting with a board member).

Examining the factors that affect the monetary support given in reward-based crowdfunding shows that gifts are the most preferable group of rewards that are offered to funders (in the lab experiments, 66% of the participants choose gifts, 18% choose participation, 12% choose recognition, and only 4% choose influence), while at the same time, gifts produce the lowest average monetary support (recognition generates an higher average monetary support by 7% than gifts, participation by 11%, and influence by 41%).
Funders will give higher pledges by 41% when receiving the power to influence compared with when receiving tangible gifts. This finding raises the question whether crowdfunding campaigns should spend money on gifts, which generate the lowest average monetary support, they offer to funders.

The study reveals another interesting and important finding concerning the country of birth predictor. When examining the funding behavioural patterns of participants born in the United States, the UK and Canada, the study find that US funders give the highest monetary support, then UK funders and the Canadians give the lowest support.

Specifically, funders born in the United States give an average monetary support that is higher in 37% compared with Canadians and in 7.5% compared with UK funders, who themselves give average monetary support that is higher in 27% compared with Canadians.

These countries belong to the same group of economic development level. Therefore, it is the socio-cultural factor that differentiates between the monetary support behaviour of the funders, relatively to the country they were born in.

While the country of birth variable, intuitively, does not seem to have a special influence on monetary support decisions, personal income and charity affiliation certainly do. Nevertheless, surprisingly enough, personal income as well as charity affiliation do not affect the funders' monetary support decision-making.

The study also examines the affect that the campaign type has on the monetary support given. It examines four types of campaigns: art, music, for-profits and non-profits. The results clearly indicate that non-profits are able to raise significantly higher support than for-profits in crowdfunding: up to an average of 25% more monetary support.

Psychological and sociological factors, as well as intrinsic motivations, should be in the main focus of crowdfunding research and others who are interested in philanthropy behaviour patterns.

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"Overall, I feel that I did something meaningful by supporting this campaign"