

What is the most successful approach on a crowdfunding platform?

Kévin André - ESSEC Business School | Sylvain Bureau - ESCP Europe | Arthur Gautier - ESSEC Business School | Olivier Rubel - UC Davis

Reward-based crowdfunding, an online fundraising method, is on the rise and this article interprets the results of a statistical analysis of 3,000 projects to understand which projects are most successful.

Is reciprocity the best approach when raising funds on a crowdfunding platform?

Giving seems essential to the success of projects on crowdfunding platforms, as transactional projects that offer something of equal value to the backers perform less than those projects that (also) take a philanthropic approach and accept donations without providing goods or services of equal financial value in return.

[#Altruism](#) [#Crowdfunding](#) [#Fundraising](#) [#Reciprocity](#)

Background

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Context



- With reward-based crowdfunding, **the frontiers between business and philanthropy seem to be blurred**, since it proposes funders to support both for-profit and philanthropic projects. **Crowdfunding is expected to exceed \$300 billion in funding transactions by 2025.**
- On a **crowdfunding platform**, people who pledge money (backers) have **three options**: they can opt to receive something of equal value in return for their donation (**transactional**), receive something of a lower monetary value (**reciprocal**) or opt to receive no reward (**non-reciprocal**).
- The article states that **the majority of pledges made on crowdfunding platforms can be considered transactions**, meaning the donation equals the reward. however, this is not the most successful type of projects.
- The results from the study show that **nonprofits and charities tend to have a higher success rate than for-profit ventures** on crowdfunding platforms.
- Projects that only offer a **transactional option**, or those that only offer a **non-reciprocal option**, are **less successful** than projects that provide other options, giving backers a choice beyond being selfish or selfless.

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Take aways & Learnings

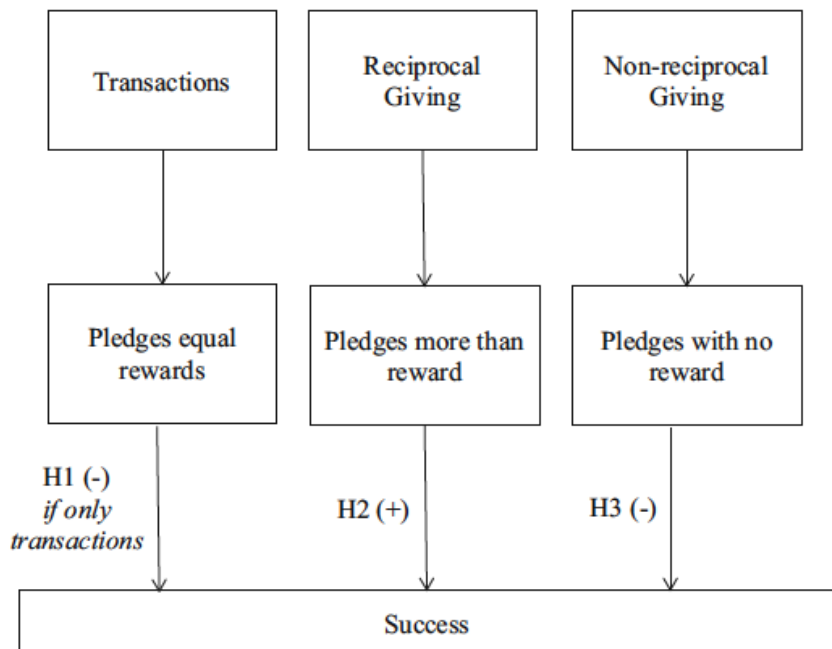


- Even if most of the pledges via on crowdfunding can be considered transactions (pledge equal to reward), **there is a significant number of backers who are engaged either in reciprocal giving** (pledge higher than the reward) or non-reciprocal giving (pledge without opting for a reward). **Reciprocal giving fosters project success**, whereas non-reciprocal giving is negatively associated with the achievement of the goal.
- **Crowdfunding platforms foster specific kinds of relationships relying on reciprocal giving.** Meaning that the backer does not receive something of equal value to his donation. This could be goods or services or something less tangible such as recognition. It does not relate to if the project is a not-for-profit, or a business.
- The results of this study are based on a **statistical analysis of more than 3,000 projects** on Ulule, a European crowdfunding platform for charities and businesses that operates in several languages.
- **The study does not present one set of indicators for success in crowdfunding:** there are many different types of transactions, and they happen for a myriad of reasons.
- **One key indicator for successful projects on a crowdfunding platform is the founder's social network.**

Logic of relationships

Options on reward-based crowdfunding platforms

Output of the campaign



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