

## Successful Features of Crowdfunding Campaigns: An Analysis of Requests for Coronavirus Food Relief

(Work in Progress)

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### ABSTRACT

Crowdfunding is an emerging industry in the past decades, which proliferates and has attracted an enormous population from the public to be involved in various funding projects in multiple fields such as business entrepreneurship, healthcare, and fintech. Meanwhile, charitable crowdfunding platforms such as GoFundMe, Indiegogo, and Kickstarter have allowed internet users to provide help and donation to the fundraisers directly. As the year 2020 is surrounded by the COVID-19 global pandemic spreading out the world, the topic of coronavirus relief has surged. Thus, it is worthy of evaluating the crowdfunding campaign's effectiveness during the coronavirus context by making a connection between fundraising activities and coronavirus relief. This paper aims to investigate the effects of various factors affecting a donation-based crowdfunding campaign for coronavirus relief of food donation in the United States and determine the significant factors affecting the campaign's success rate.

To achieve this research purpose, secondary data were extensively collected from the crowdfunding platform GoFundMe for regression analysis. The sample data was derived from crowdfunding campaigns launched from March 1st, 2020, to May 31st, 2020. During this period, the United States was severely affected by the COVID-19 pandemic with an exponentially surged number of confirmed cases. This paper derives the independent variables that have been examined from previous studies and further applies in the coronavirus context to identify whether these factors are significant influencers to the success of crowdfunding campaigns for coronavirus relief of food donation. The factors being examined include target funding amount, the existence of spelling mistakes, the presence of pictures, video, social network sites, project updates, comments between fundraisers and backers, and links to external websites. That the significant factors contributing to a successful funding project are similar, as identified in previous reward-based and equity crowdfunding studies. On the other hand, several independent variables' effectiveness varied between the normal scenario and the coronavirus context, as such variables demonstrate a much compelling role to attract donors for the coronavirus relief activations.

The analysis is valuable and worthy of different viewpoints. First, understanding the donor's motivation and the success features of funding projects is valuable for fundraisers to have a strategic mindset for decision-making criteria when initiating funding projects to attract more donors and the amount of money. Second, because of the lack of literature focusing on examining the success features for donation-based crowdfunding campaigns, this study fills the gap and further focus on the crowdfunding activations in the context of coronavirus food relief in the US. Therefore, this study provides significant insight to understand the dynamics of the donation-based crowdfunding campaign and provides a recommendation to develop coronavirus relief more efficiently.

*Keywords:* Coronavirus, COVID-19, Pandemic, Food Relief, Food Donation, United States.

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### INTRODUCTION

Reported by the Centers for Disease Control and Prevention (CDC) as of September 12, 2020, there have been 6,427,058 confirmed COVID-19 infected cases and 192,388 deaths in the United States alone, which contribute to roughly 26% and 22% of the total number of cases worldwide respectively (CDC, 2020). Under such context, a large number of crowdfunding campaigns in different states in the U.S. have been initiated for coronavirus relief, such as medical and food relief, in response to the loss of income sources resulting from lockdown, temporary business closure, bankruptcies, lay-offs, and unemployment. Due to the crowdfunding platform's online accessibility, it becomes a powerful tool during the COVID-19 outbreak to help finance any treatment. Also, crowdfunding platforms are being leveraged to provide relief that will assist vulnerable people across the world.

Based on the study of Rajwa *et al.* (2020), they identified 1579 crowdfunding campaigns that are related to COVID-19 issues that were created on GoFundMe.com between March 3 and March 20, 2020, with a total fundraising goal of \$1,492,988,587. The number of campaigns continues to increase rapidly with the wide-spread of confirmed COVID-19 cases. Currently, research study about characteristics of equity crowdfunding campaign success is growing such as Ahlers *et al.* (2015), Lukkarinen *et al.* (2016), Agrawal *et al.* (2015), Kim and Viswanathan (2014), Cholakova and Clarysse (2015), and Bernstein *et al.* (2014). Lagazio and Querci (2018) have examined several key factors contributing to a successful reward-based crowdfunding campaign. However, Legazio and Querci's (2018) research is primarily based on reward-based crowdfunding projects launched by the Italian crowdfunding market while the situation in the United States may vary quite much, and the nature of the crowdfunding is mostly charity-based.

Due to the lack of literature on this type of crowdfunding campaigns, this study will fill the gap by focusing on the successful features of crowdfunding campaigns in the coronavirus food relief of food in the United States as the Covid-19 has dramatically overturned the country. This paper aims to investigate the effects of various features occurred during the crowdfunding campaign process, such as the campaign goal, campaign duration, spelling mistakes, storytelling, photos, video, social network, presence of updates and/or comments, and presence of links to external websites, in initiating a successful crowdfunding campaign for coronavirus food relief the United States.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### Theoretical Framework

#### *Success of the Campaign*

Crowdfunding platforms can choose either the “all-or-nothing” model or “keep-it-all” model to run the platforms. In the “all-or-nothing” model, project owner receives the invested money only if the goal for minimum target funding is achieved. While project owner is able to keep any funds that the project collected under the “keep-it-all” model (Cumming *et al.*, 2014). In this paper, the campaign succeeds if the rate of financing (i.e., the ratio between project target and amount received at the end of the campaign) is higher than or equal to 100%. Thus, if the campaigner raises at least the pre-set target amount, the campaign is successful.

#### *Altruism and the theory of warm-glow giving (Andreoni, 1990)*

According to Crumpler and Grossman (2008), the theory of warm-glow giving can be defined as an individual who is presented with the opportunity to contribute to charity and society. Altruism and the theory of warm-glow identifies that people will gain a sense of utility from the act of giving and donation (Andreoni, 1990). This theory explains the donor's motivation when participating in the relief donation project such as the crowdfunding campaign: that is, donors can not only contribute themselves to the social relief project but also achieve significant social impacts in helping those from a disadvantaged background as the response to the global pandemic situation. Therefore, this theory can contribute to the successful features of crowdfunding campaigns because the social impact is an important factor affecting donor's motivation of campaign initiatives.

#### *Narrative theories on persuasion and information processing (Stern, 1991)*

Stern (1991) introduced the theory by identifying the narrative as a medium to guide human behaviors. Various messaging strategies could be set up for narrative with the target audience, including media patterns and user appeals with visual or textual communication. The impacts on human behaviors vary based on the type of persuasion and informative strategy applied within the medium of the narrative. In the crowdfunding campaigns within the coronavirus context, the persuasiveness of information provided to the target donors is thus a vital factor to the success of the project. Besides, the video, verbal, and audio elements occurred in the communication are critical measurements to the narrative theories (Lagazio & Querci, 2018). Linked to the coronavirus relief crowdfunding campaigns, this theory could effectively interpret the presentation of the campaign through its content, message, video, and other relevant channels, which play a critical rule in examining the successful features of the projects.

#### *Presence of pictures or video*

A vivid presentation using audio elements, visuals (e.g., image, infographics, and animation) stimulates various sensory channels that are appealing to the audience or backers (Kunz *et al.*, 2016). The use of images and videos in the crowdfunding campaign enhances media richness in online communication (Courtney, Dutta, & Li, 2017), and emotions can be communicated more easily (Clauss *et al.*, 2018). A descriptive text provides detailed explanations of the project, whereas a video concisely outlines a project (Lagazio & Querci, 2018). The campaign's storytelling in a visual form rather than text-only messages leads to successfully funded projects (Colombo *et al.*, 2015; Huang *et al.*, 2018). Therefore, we hypothesize:

H2: The presence of picture will have a significant influence on the crowdfunding campaign success

H3: The presence of video will have a significant influence on the crowdfunding campaign success

#### *Social identity theory (Tajfel et al., 1979)*

Tajef *et al.* (1979) suggested that the social identity theory is the representation of individuals who regard themselves as members of the group when performing for the social identity. Besides, the groups that individuals belong to are crucial sources of self-esteem and recognition. Lagazio and Querci (2018) noted that the social identity theory would be practical when potential donors are sharing the crowdfunding campaigns over social networks with high exposure to project awareness. Thus, the social identity theory could link to the successful features of crowdfunding campaigns within the context of intense interaction between donors and fundraisers.

#### ***Attainable Target Fund***

The funding goal of crowdfunding campaigns has a significant influence on potential backers' decision on the amount that will be donated or invested (Kuppuswamy & Bayus, 2017). Hobbs *et al.* (2016) illustrate that fundraisers must balance the budgetary requirements and the likelihood of achieving targets while setting project goals. Donation-based crowdfunding projects have a wide variety of goals. Many donation campaigns seek to raise small amounts of donation, often between US\$1000 to US\$5000, to initiate a particular one-time relief. Overambitious funding targets of crowdfunding campaigns reduce the chance of success or raising no funds at all (Mollick 2014; Liu & Liu 2016; Lagazio & Querci 2018; Kuppuswamy & Bayus, 2018). Lagazio and Querci (2018) demonstrate that fixed campaigns with clear goals and precise targets have a higher rate of success than flexible campaigns by an 11 % success rate. Therefore, we hypothesize:

H4: An attainable target fund will have a significant influence on the crowdfunding campaign success

#### **Signaling theory (Ross, 1977; Spence, 1973)**

Ross (1977) and Spence (1973) suggested in their literature of signaling theory that entrepreneurial activities are highly related to the degree of information possession by other parties. In this theory, one party will determine how to communicate and signal the information while the other party will decide how to interpret this sort of information. Connelly *et al.* (2011) further pointed out that the signaling theory can help identify behaviors when both parties of individuals have access to different information. Therefore, this theory also has a close-knit relationship to the success features of coronavirus relief crowdfunding campaign, which are highly dependent on the effectiveness of the message conveyed from the fundraiser to donor regarding whether the information accessed by both parties is consistent for the campaign initiatives.

#### ***Presence of project updates***

Prior studies found that providing updates to funders can increase funding success. Fundraisers can communicate with their supporters by posting updates on their projects that everyone can see. According to Block, Hornuf, and Moritz (2017), providing updates is a one-sided communication for capital seekers to provide additional information about their business ideas, products, start-up's value, or the campaign. Mollick (2014) stated that for campaigns to generate visibility, fundraisers are highly recommended to update their project because the absence of an update reduces the chance of success by 13%. Successful crowdfunding projects can achieve higher project support levels if the fundraisers communicate more to the potential contributors and their backers by posting more updates. Lagazio and Querci (2018) 's findings show that an updated crowdfunding campaign page is much more appealing, instills trust, increases the sense of involvement of the contributors, and provides opportunities to recommend to new followers. Hence, it increases the probability of success by 5%. Based on previous findings, we propose:

H6: The presence of project updates will have a significant influence on the crowdfunding campaign success

#### ***Presence of comments between fundraiser and backers***

Fundraiser's comments induce backers to participate because it enables direct conversation, especially if it contains valuable feedback or information about the crowdfunding project (Hornuf & Schwienbacher, 2015). Kromidha and Robson (2016) stated that an engaging joint forum between the fundraiser and its backers can achieve a greater pledge/backer ratio. Courtney, Dutta, and Li (2017) prove the relevance of backers' comments, which serve as a third-party endorsement of the project quality and the fundraiser's credibility. The study of Wang *et al.* (2018) shows the importance of interaction between capital seekers and backers in crowdfunding success, including the number of comments, comment sentiments, length of response, and reply speed. It shows that the fundraisers is willing to invest considerable time and effort to address concerns and shows gratefulness for donors. Hence, we hypothesize:

H7: The presence of comments between fundraiser and backers will have a significant influence on the crowdfunding campaign success

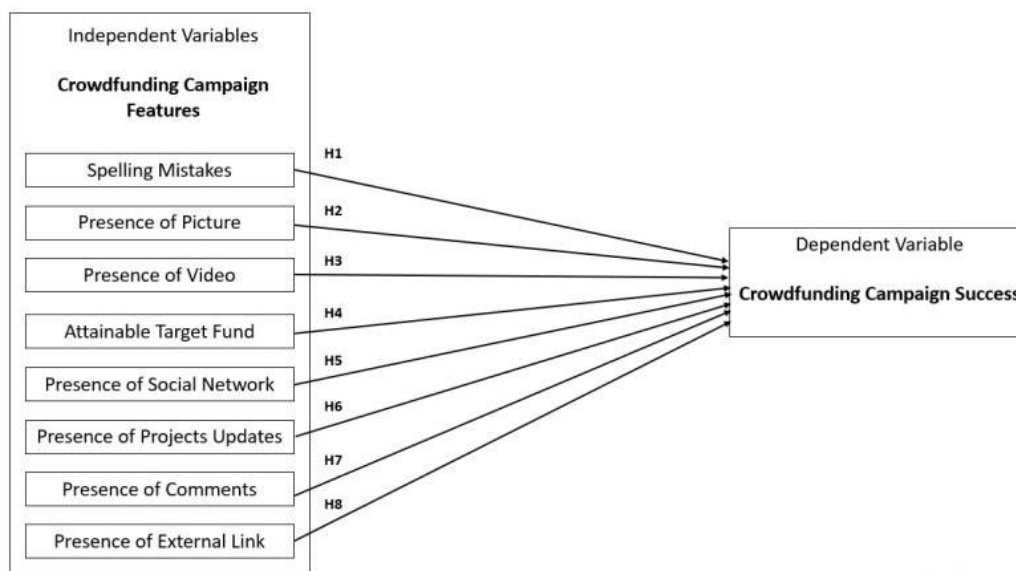
#### ***Presence of links to external websites***

Lagazio and Querci (2018) argue that fund seekers must give all information needed, such as links to external websites, to help the backers in his/her decision-making with the presence of information asymmetry. External websites provide more detailed and additional information about the project and the fundraisers that can generate traffic to the fundraiser's homepage and enhance communication with stakeholders and increase trust because it signals transparency (Dikaputra, Sulung, & Kot, 2019). Potential backers are usually restricted to the available information from the crowdfunding website; links to external websites can therefore increase the functionalities of communicating with the public (Kunz *et al.*, 2016). Fundraisers can customize the design for project presentations, especially for target donors without social media. Therefore, having a link to an external

website may lead to an increased probability of project success. The presence of links is also highly relevant to the signaling theory as identified above. As supplementary information is identified at the outside link, the donor could perceive a better overview of the project as the effectiveness of interpretation for the information in the project is enhanced by both parties. We hypothesize:

H8: The presence of links to external websites will have a significant influence on the crowdfunding campaign success

Based on the literature and theoretical framework discussed above, this study proposes a conceptual model as shown in Figure 1.



Source: This study.

Figure 1: Conceptual Framework

## CONCLUSION

The analysis is valuable and meritorious from different viewpoints. First, understanding the donor's motivation and the success features of funding projects is valuable for fundraisers to have a strategic mindset for decision-making criteria when initiating funding projects to attract more donors and amount of money. Second, it is important to fill the gap about the analysis of successful features of a crowdfunding campaign in the coronavirus context since the pandemic has significantly affected the order of the world and it is urgent to have a better understanding of this issue to develop coronavirus relief more efficiently.

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