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# Matching Rewards with Backers: The Differential Impact of Rewards Types on Contributions in Crowdfunding

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## EXTENDED ABSTRACT

Crowdfunding has been constantly growing since its first development in 2008 (Beck et al. 2016) and is likely to raise more than \$300 billion by 2025 (Massolution, 2015). The reward-based model, used by popular websites like Kickstarter.com or Indiegogo.com, has become commonly adopted throughout time, especially in the case of creative projects (Boeuf, Darveau, and Legoux 2014). In reward-based crowdfunding, entrepreneurs bypass the traditional fundraising by collecting funds among a large number of individuals. Instead of providing monetary returns, project owners frequently offer rewards in return of consumer contributions, which can be of various types, from highly tangible and material (e.g., a copy of an album, a t-shirt) to pure tokens of gratitude (e.g., thank-you note) (Thürridl and Kamleitner 2016). Practitioners and researchers seem to believe that these rewards play a vital role in crowdfunding behaviors (Gerber, Hui, and Kuo 2012; Thürridl and Kamleitner 2016).

Crowdfunding campaigns' success relies on a composite pool of backers, who are often heterogeneous regarding their motivation or their experience with the platforms. Some contributors are driven by early access to novel products (Belleflamme, Lambert, and Schwiendbacher 2013) while others may be driven by altruistic motivations (Gerber et al. 2012). The different tiers of rewards enable endogenous price discrimination (Hu, Li, and Shi 2015) and backers self-select in the type of rewards they are interested into. Most of the research in crowdfunding has focused on categorizing backers according to their motivation (Ryu and Kim 2016) or on building a typology of rewards (Thürridl and Kamleitner 2016).

In the present research, we aim to study the role of rewards on participants' likelihood of contributing and on amount given to projects. Specifically, we aim to understand which type of rewards (from pre-orders to tokens of gratitude) attracts different types of backers (non-users, unique backers, serial backers).

In Study 1, ninety undergraduate students from a South European University (females = 53%,  $M_{age} = 24.01$ ,  $SD = 1.20$ ), who declared they never participated in crowdfunding, were exposed to a fictional crowdfunding campaign to produce a music album. In exchange of their monetary contribution, participants were either not rewarded (*No Reward* condition,  $N = 30$ ), rewarded with a copy of the album (*Product-type Reward* condition,  $N = 30$ ) or with a thank-you note (*Grateful Reward* condition,  $N = 30$ ). We further assessed their contribution likelihood and contributed amount. We found a statistically and marginally significant difference in average contributed amount according to reward type ( $F(2,87) = 2.78$ ,  $p = .068$ ) but not on the contribution likelihood ( $F(2,87) = 0.63$ ,  $p = .536$ ). Post hoc comparisons (Tukey) of the three groups indicate that participants in the *Grateful Reward* condition ( $M_{SR} = 18.50$ ,  $SD_{SR} = 18.62$ ) were willing to contribute more on average than those in the *Product-type Reward* condition ( $M_{TR} = 1.00$ ,  $SD_{TR} = 9.16$ ,  $p_{TRvsSR} = .087$ ), while no statistical difference was found for the other comparisons with the *No Reward* condition ( $M_{NR} = 11.77$ ,  $SD_{NR} = 10.98$ ,  $p_{TRvsNR} = .138$  and  $p_{SRvsNR} = .973$ ).

Study 2 used the same scenario as Study 1, yet we modified the manipulation of the rewards. This study followed a 2(reward tangibility: digital, physical) x 2(reward gratitude: low, high) between-subjects design. Tangibility included two levels (low and high: digital album or physical album) and gratitude included 2 levels (low

and high: thank-you note, thank-you note + special song). We obtain a sample composed of participants who already participated in crowdfunding (the "users") and other who did not (the "non-users") using Amazon MTurk. MTurkers (206 US citizens, 47.57% women) were asked to report how likely they would contribute as well as by how much. For the "users" ( $N = 112$ ), an ANOVA with contribution amount as the dependent variable revealed a significant effect of high tangibility ( $F(1, 100) = 3.44$ ,  $p = .066$ ). Participants expressed a lower contribution amount when the reward was in a digital version than when it was in a physical version ( $M_{digital} = 34.48$ ,  $SD_{digital} = 29.20$  vs  $M_{physical} = 42.68$ ,  $SD_{physical} = 34.90$ ). There was no significant simple effect of gratitude or significant interaction between the effects of tangibility and gratitude level on contribution amount. The same ANOVA ran on contribution likelihood revealed no significant main or interaction effects. A two-way ANOVA ran on the sample of 94 "non-users" to examine the effect of tangibility and gratitude levels on contribution amounts and on contribution likelihood revealed no significant main or interaction effects. A Probit regression on the likelihood of giving strictly more than 10€ (i.e. the reward value) revealed that non-users are more likely to overcontribute if the reward yields a high level of gratitude (52.92% vs. 47.58%,  $p = .084$ ).

In a third study, we study this phenomenon using real contribution behavior for project observed on a French crowdfunding platform specialized in creative projects. When a contribution reaches a given threshold, it gives access to a reward composed of one or more items. Data was coded by two French-speaking coders who evaluated each item ( $N = 1029$ ) composing the rewards ( $N = 761$ ) selected by 746 contributors. For each item, coders had to state whether they agree with the following statements (1 = Definitely disagree; 7 = Definitely agree): "If I was receiving the reward, I would have the impression that the project owner express his/her gratitude towards me" (GRATITUDE); "The reward corresponds to the end product the project owner wishes to realize" (PRODUCT-RELATED). We regress the average scores over the items composing the reward with a dummy variable "Serial backer" (= 1 when a contributor support at least two projects), controlling for the number of items and the reward value and using clustered standard errors at the individual level. Results show that the expected average score for "PRODUCT RELATED" is significantly higher for serial backers (, ). We do not find statistically significant effect of serial backers "GRATITUDE".

In sum, the present research contributes to a better understanding of the role of reward type on crowdfunding. We show that while rewards type does not impact the likelihood of contribution, it has an impact on the contribution amount. More specifically, non-users and occasional contributors tend to be attracted by grateful rewards, while serial backers wish to be rewarded with product-related items.

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