Novel and useful crowdfunding ideas don't work together, reveals new research

New research on crowdfunding carried out by HEC Paris, the University of Technology Sydney, Singapore Management University and INSEAD has revealed that funding efforts are weakened if ideas are deemed to be both novel and useful.

The study is the first evidence of how the Kickstarter community – those backing crowdfunding projects on the world's largest online crowdfunding portal – values projects that pursue innovation.

"We found that both novelty and usefulness increase project funding separately, but when these two are together they cause a noticeable decrease", says Cathy Yang, Assistant Professor at HEC Paris. "This is deeply disappointing as the premise of crowdfunding is to support creativity and innovation", adds Anirban Mukherjee, Assistant Professor of Marketing at Singapore Management University.

"When projects make both claims, backers either assume a product's benefits are inflated, that it carries a high risk of failure or that it divides the crowd between believers and sceptics, making it hard for backers to pick a side", says Amitava Chattopadhyay, Professor of Marketing at Insead.

"Entrepreneurs therefore might be advised to frame a project as only novel or only useful, rather than both", underlines Dr Ping Xiao of the University of Technology Sydney (UTS).

The researchers set out to address a research gap where relatively little is known about how individuals, as a large and anonymous community, respond to innovation.

By examining projects on Kickstarter to determine if projects that aspire to be innovative are successful, they sought to find out the effect of novelty and usefulness, its interaction on the amount pledged towards a project and to establish what most increases project funding.

Data was gathered across 50,310 projects in nine product categories from the launch of Kickstarter in 2009 through to February this year.

In order to understand the possible reasons for the research findings, Yang says: "First, a project may not successfully reach its funding goal. In this case, backers are refunded but do not receive the product. Second, it is plausible that users on Kickstarter may question the credibility of the project creator to deliver the described product in the stated timeframe. For example, a recent study found that more than three-quarters of successfully funded projects (on Kickstarter) are either delayed or failed."

"Alternatively, projects on Kickstarter are proposed blueprints, rather than descriptions, of the final product. As a project evolves, the creator may make significant changes, without the assent of backers."

The research paper titled 'Does the Crowd Support Innovation? Innovation Claims and Success on Kickstarter' was co-authored by Anirban Mukherjee, Assistant Professor of Marketing at Singapore Management University, Cathy Yang, Assistant Professor of Marketing at HEC Paris, Ping Xiao, Senior Lecturer at University of Technology Sydney and Amitava Chattopadhyay, Professor of Marketing at Insead.