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Headline: If You Want to Get Funded on Kickstarter, Research Says to Avoid These Tactics

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On the surface, the growth of crowdfunding has been phenomenal. Since its inception in 2009, projects listed on Kickstarter have raised $3.3 billion. Over 133,000 projects have become successfully funded. This has led many to claim that crowdfunding can democratize product innovation and access to capital by allowing small entrepreneurs, who lack access to resources, to find funding and markets.

Related: The 10 Most Funded Kickstarter Campaigns Ever

The World Bank is upbeat. It estimates the crowdfunding market will reach $90 billion annually by 2025. That's roughly 1.8 times the size of the global venture capital industry today.

But, similar to the age-old adage that most startups fail, most Kickstarter projects also fail to get fully funded. Because Kickstarter is "all or nothing," projects need to meet their funding goal before pledges are unlocked to the project founder. But, only about 36 percent of projects make it. In many cases, those that don't make it across the line do raise some interest, but not enough to become projects. This is not too different from what happens in the venture capital world. According to research by CB Insights, just over 70 percent of startups stall at some point in the VC process and fail to exit or raise follow-on funding.

Kickstarter is often seen as a haven for innovators as it allows them to circumvent hard-nosed bankers, VCs and risk-averse traditional lenders. But, it looks like the crowd could be as skeptical as the average venture capital firm.
You're overselling it.

One reason why Kickstarter projects could be falling short of their funding goals could be how the ventures are pitching their projects. In my recent research paper with co-authors Anirban Mukherjee of Singapore Management University, Cathy Yang of HEC Paris and Ping Xiao of University of Technology Sydney, we found, surprisingly, that claiming a product is innovative reduces the total pledge amount by 26 percent. We tested this by looking at the product descriptions on Kickstarter, focusing on claims of the two main dimensions of innovation: novelty and usefulness, traditionally considered prerequisites of product success in the marketplace.

Related: 10 Tips I Wish I Knew Before I Launched My Kickstarter Campaign

Examining all Kickstarter projects concerning products since the platform's launch in 2009 (excluding art and categories that accounted for less than 1 percent of listed projects), which totaled 50,310 projects, we found that most of them claimed to be both and that hurt their prospects. Projects actually increased their pledge amounts when they stuck to one or the other. We concluded that this is because 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 skeptics, making it hard for backers to pick a side.

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This suggests that there is a gap between how entrepreneurs perceive their projects and how the crowd sees them. It has previously been established that entrepreneurs are overconfident about their prospects and unruffled by the challenges they face, which is a plausible reason for the crowd's skepticism.
Go back to basics.

Novelty and usefulness are prerequisites of innovation. But, convincing others to buy into it requires us to revisit the fundamentals of marketing when pitching a new venture, either to an investor or the crowd. To narrow the gap in perceptions and risk, one might consider the following tips:

1. Test your pitch ... before you list it.

Test how the crowd views your product before it goes public to gain a greater understanding of how they view it. There are cheap and easy ways of doing this. On Amazon Mechanical Turk, for example, a startup founder could get people to evaluate product profiles for as little as 50 cents per evaluation. One could therefore easily get a decent dataset of perceptions for a good price. This could give a good idea of how much the crowd believes in the product claims.

Related: Keys to a Successful Crowdfunding Campaign

2. Determine optimal pricing.

This also offers startup founders the opportunity to find out what the crowd would be willing to pay for the product. When all is said and done, your product is going to rest on what someone is willing to pay for it. Finding out the buyer's willingness to pay is going to be a crucial determinant of its perceived value to the crowd.

3. Focus on facts.

To overcome the idea that the product's benefits could be inflated by an overambitious startup founder, focus your product description on facts, specifically, product attributes and benefits. There are three main types of product attributes: search, experience and credence attributes. Search attributes are those that enable a customer to find things out about the product without actually buying it. For example, if you are selling a washing machine, you can explain its size dimensions, or its noise level in decibels that have been tested and certified and therefore can be shared as fact for the consumer to consider.

Experience attributes concern aspects of the product that can be experienced by the buyer. Sampling or prototyping is one way you can give backers an experience and solicit their instant feedback or testimonials.

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Credence attributes are less useful for entities that are not well-known such as startups, because they are based on prior credibility building, but for those with a reputation of customer satisfaction, they can be leveraged to prove your credentials or expertise in a certain category of product development.
Give value.

Ultimately, startup founders have to be able to demonstrate value and diminish the gap in risk perception by sticking close to facts and making it clear what your backers are going to get. In earlier research, I found that found claims of novelty and usefulness together work to convince consumers of a product's benefits. But, participants in this earlier study were rating products and not actually buying them, meaning they were not carrying risk. It therefore stands to reason that removing as much risk from the transaction as possible makes potential backers more comfortable with your pitch.