# Understanding Trust amid Delays in Crowdfunding

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Pledge CA$ 11 or more

Approx. $9 USD
+1 x Znaps Connector
+1 x Znaps Adapter
Your Choice of Lightning or Micro-USB

ESTIMATED DELIVERY
Nov 2015

SHIPS TO
Anywhere in the world

11,463 backers

## Funding period

Jul 15 2015 - Aug 14 2015 (30 days)

change.org Start a petition Browse Search Log in

Petitioning Kickstarter and 1 other

# Refund for Znaps

Jordan Torres North Grosvenor Dale, CT

## Sign this petition

6,306 supporters

1,194 needed to reach 7,500

Peter Franke signed this petition

First name

Last name

Email

United States

≠

- Creating something new
- Purchasing months in advance
- Delaying for months to years

- Purchasing already manufactured products
- Delaying for a few days to a few weeks

# Delays negatively affect trust in typical marketplaces

In online marketplaces, delays will lead to less trust in both individual sellers and the community of sellers [Pavlou and Gefen 2005]

In traditional marketplaces, product delays affect brand trust [Herm 2013], market value [Hendricks and Singhal 1997]

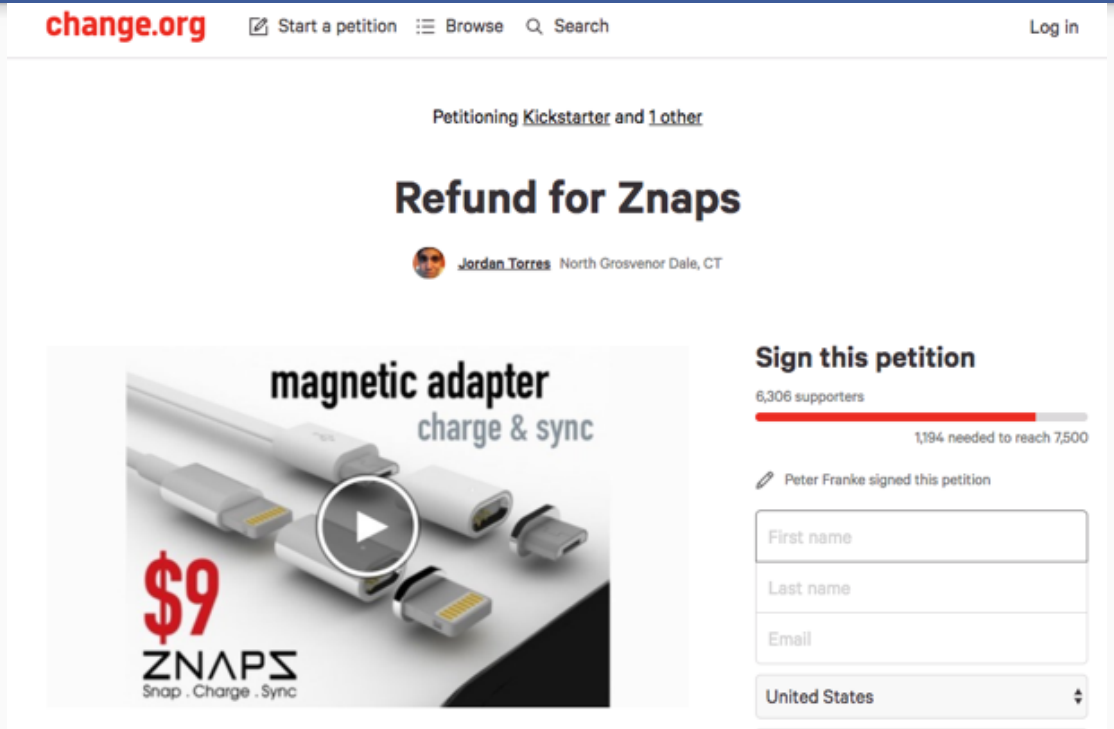
Lack of trust can lead to market failure [Granovetter 1985]

# How do delays affect trust in Crowdfunding?

# Research questions

RQ1: What were backers' expectations when backing projects?

# Creators are novice entrepreneurs and sometimes delays are inevitable and can be long



# Research questions

RQ1: What were backers' expectations when backing projects?

RQ2: What were the factors affecting backer trust during delays?

# Previous Crowdfunding research mainly focused on predicting successful funding

Predicting successfully funded projects [Etter et al. COSN'13; Mitra and Gilbert, CSCW'14; Xu et al. CHI'14]

A preliminary study shows that funding goal and percent raised are associated with delays [Mollick 2014]

# Research questions

RQ1: What were backers' expectations when backing projects?

RQ2: What were the factors affecting their trust during delays?

RQ3: What are the project attributes associated with duration of delays?

# Research questions

RQ1: What were backers' expectations when backing projects?

RQ2: What were the factors affecting their trust during delays?

## Research Method

**Interview study with 14 backers who have experienced delays**

# Research questions

RQ3: What are the project attributes associated with duration of delays?

## Research Method

**Regression analysis with 4089 delayed projects** from 17,457 successfully funded projects (combined Kickspy, TheKickBackMachine, and Etter et al. COSN'13 dataset)

# Core findings

Backers have different initial expectations which influence how they view delays

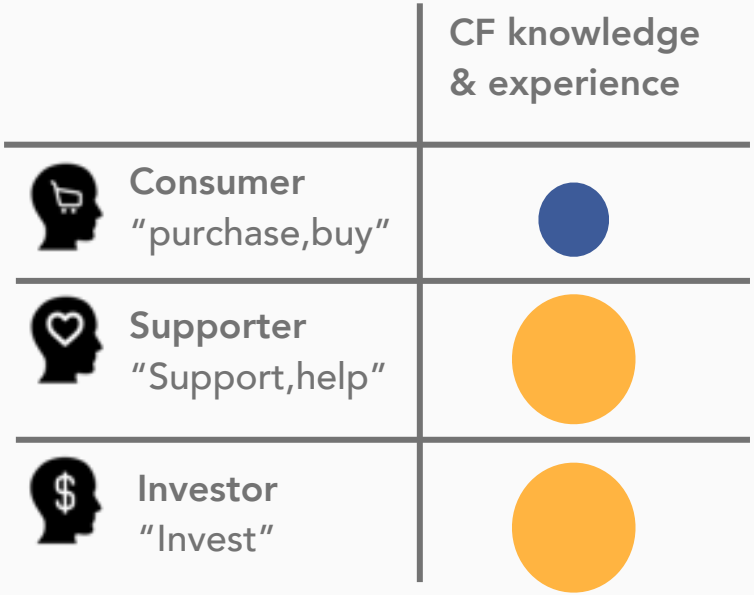
Regular, rich communication maintains trust during delays

Bigger budget, more reward levels are associated with longer delays

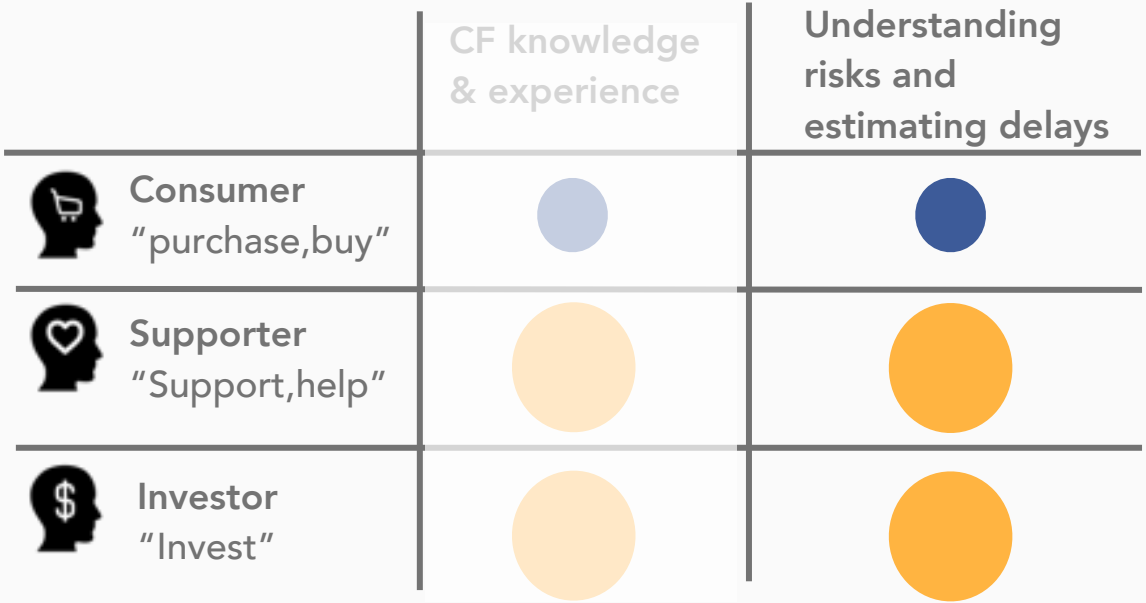
# RQ1: What were backers' expectations when backing projects?

Backers have different initial expectations which influence how they view delays

# Backer type is related to crowdfunding knowledge and experience



# CF knowledge and experience inform their awareness of risks and uncertainties in delays



# Consumers are less aware of risks and uncertainties in delays

"I guess **I thought it was just like more like buy a normal product**, right? It's like, you sign up for it, if enough people do it, then they have the capital to make the product, and you get the product. **I didn't really realize there's like continual [delays], maybe, I didn't realize how much risk and uncertainty was it**."

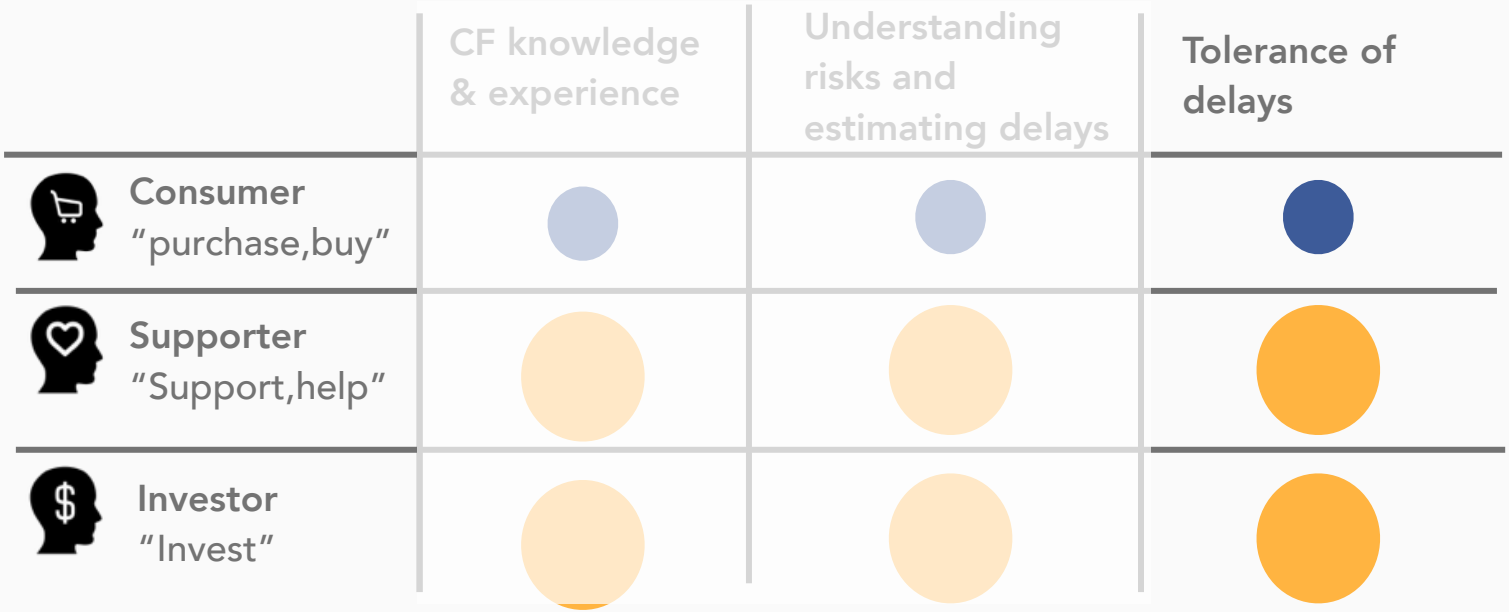
Consumer, backed $38 for programmable cardboard armor

# Supporters and investors are more aware of risks and uncertainties in delays

"...**it's framed as backer-creator relationship** and I think that's emotionally really different. Because one it tells you that the creator is creating these things, it doesn't exist yet. **And you know when someone is creating something that doesn't exist, there is no guarantee it can or will exist**"

Supporter, backed $15 for weather prediction mobile app

# Awareness of risks and uncertainties in delays is related to their tolerance of delays



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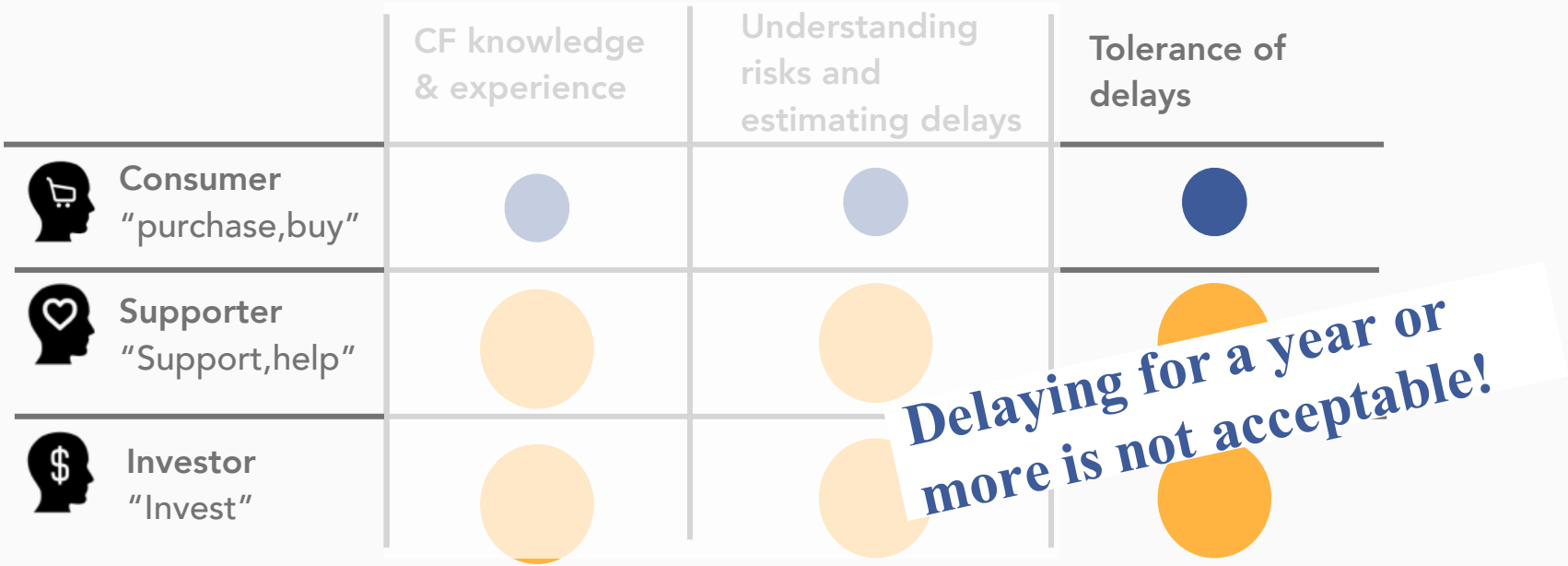


**Backers have different initial expectations which influence how they view delays**

Theoretical implications

**Mismatch in conceptual models due to the prior expectations**

# RQ2: What were the factors affecting their trust during delays?

# Regular, rich communication maintains trust during delays

# Regular updates and rich communication were perceived as evidence of making progress

"They were very good about keeping the backers informed. They made **a really good [behind-the-scene] videos** and had relatively frequent updates. I thought that was really good, **was a nice way to at least communicate that they care and they were working towards something**…"

**Progress Report: Hardware**

The Regular Thermodos are almost done and we should receive a sample of them at the Robocat office in Copenhagen any day now. We're affectionately referring to this as the '0-series production', but technically it's a selection of the first major production run, handpicked, packaged and send to us for evaluation. Here's some pictures from China.

*A whole slew of black Thermodo housings waiting for assembly*

Supporter, backed $25 for indoor thermometer

**Regular, rich communication maintains trust during delays**

Theoretical implications

**Transparency and communication is important to resolve information asymmetry throughout**

# RQ3: What are the project attributes associated with duration of delays?

Bigger budget, more reward levels are associated with longer delays

# Regressions

**Days of delays** ~ # of reward levels + funding goal +

# of projects created + project duration + # of backers +

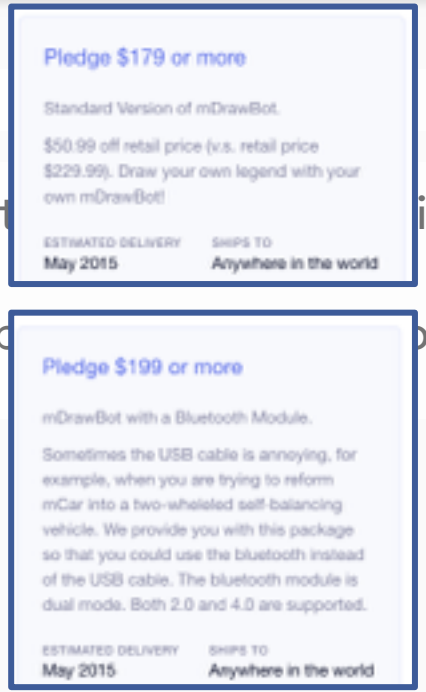
percent raised + project type + # project backed

# Regressions

Days of delays ~ # of reward levels

# of projects creat ion + # of backers +

Percent raised + p oject backed



# Regressions

**Days of delays** ~ # of reward levels + **funding goal** +

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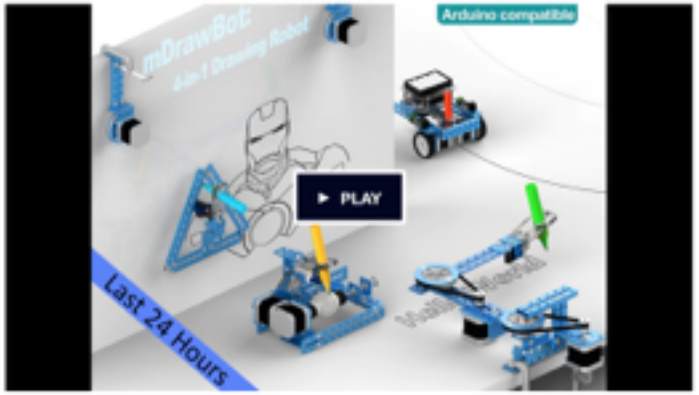


Pledged of $50,000 goal

# More reward levels are associated with longer delays

| | Days of delays |
|---|---|
| **# reward levels** | **.0067*** (.0025)** |
| Goals (in thousands) | .0015*** (.00028) |

$p < 0.01$ ***
$p < 0.05$ **
$p < 0.1$ *

**Design projects**

**6 rewards ~ 198 days**

**18 rewards ~ 214 days**

# Bigger budget is associated with longer delays

| | Days of delays |
|---|---|
| # reward levels | .0067*** (.0025) |
| **Goals (in thousands)** | **.0015*** (.00028)** |

$p < 0.01$ ***
$p < 0.05$ **
$p < 0.1$ *

**Design projects**

**$2,176 ~ 200 days**

**$55,000 ~ 214 days**

**Bigger budget, more reward levels are associated with longer delays**

Theoretical implications

**Prioritizing short-term personal goal over long-term system health**

# Core findings

Backers have different initial expectations which influence how they view delays

Regular, rich communication maintains trust during delays

Bigger budget, more reward levels are associated with longer delays

# Implications

Provide information to backers to set right expectations and make best informed decisions.

Prompt regular, descriptive (causes of delays, remedies for delays, current progress, rich media) communication for maintaining backer trust during delays

help creators effectively acquire funds while setting realistic goals so they can deliver on their promises

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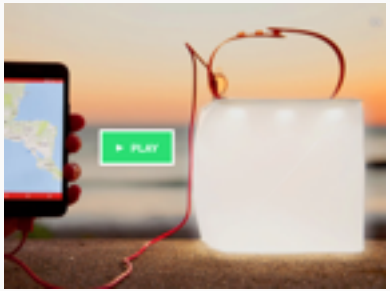

$129,247
pledged of $15,000 goal

1,923
backers

9
days to go

Apr

Sep

Expected delivery in
April - September

**#15** in top delayer leaderboard

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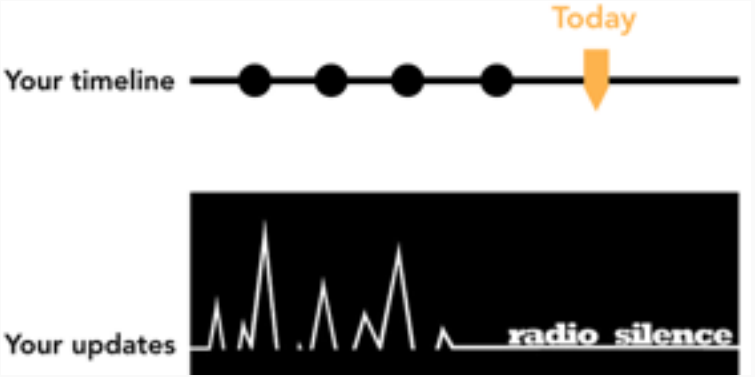

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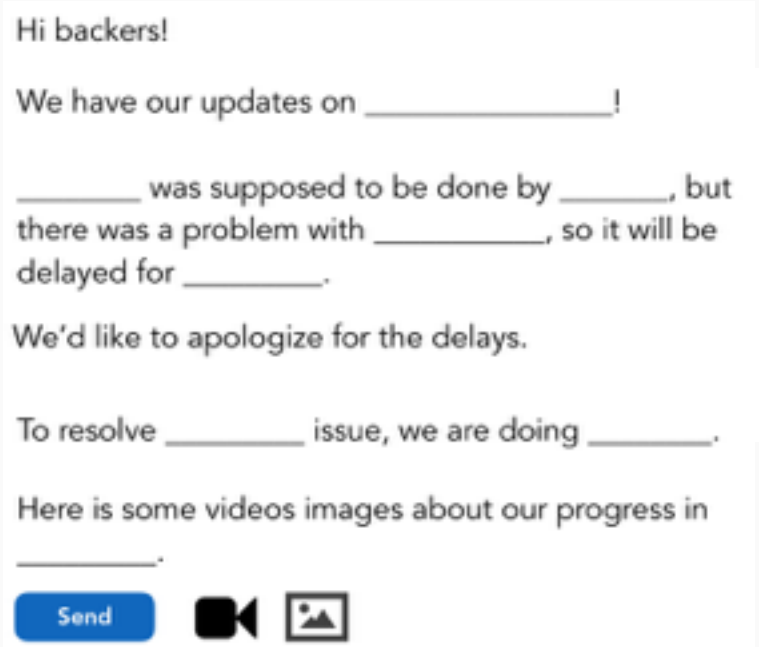

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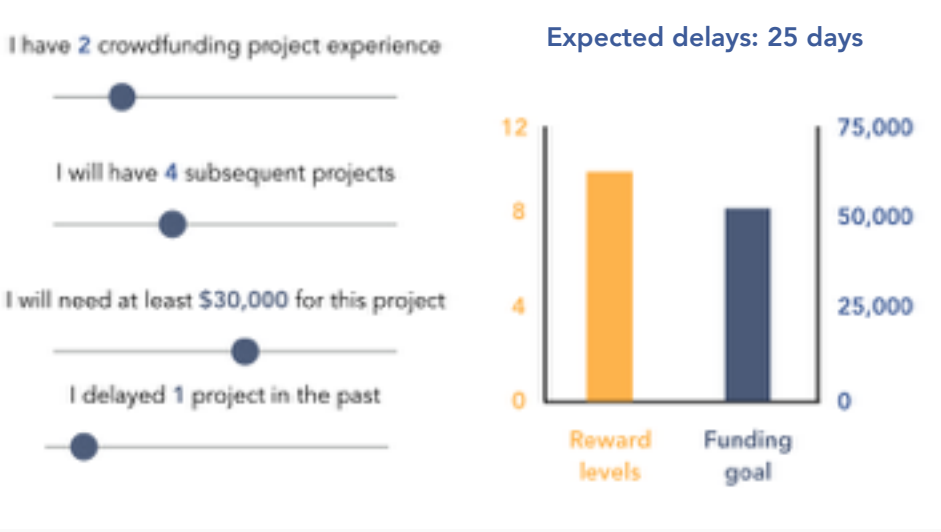



* These values are based on backer trust you need for subsequent projects

# Who should be held accountable?

# 6. Stuff We Don’t Do and Aren’t Responsible For

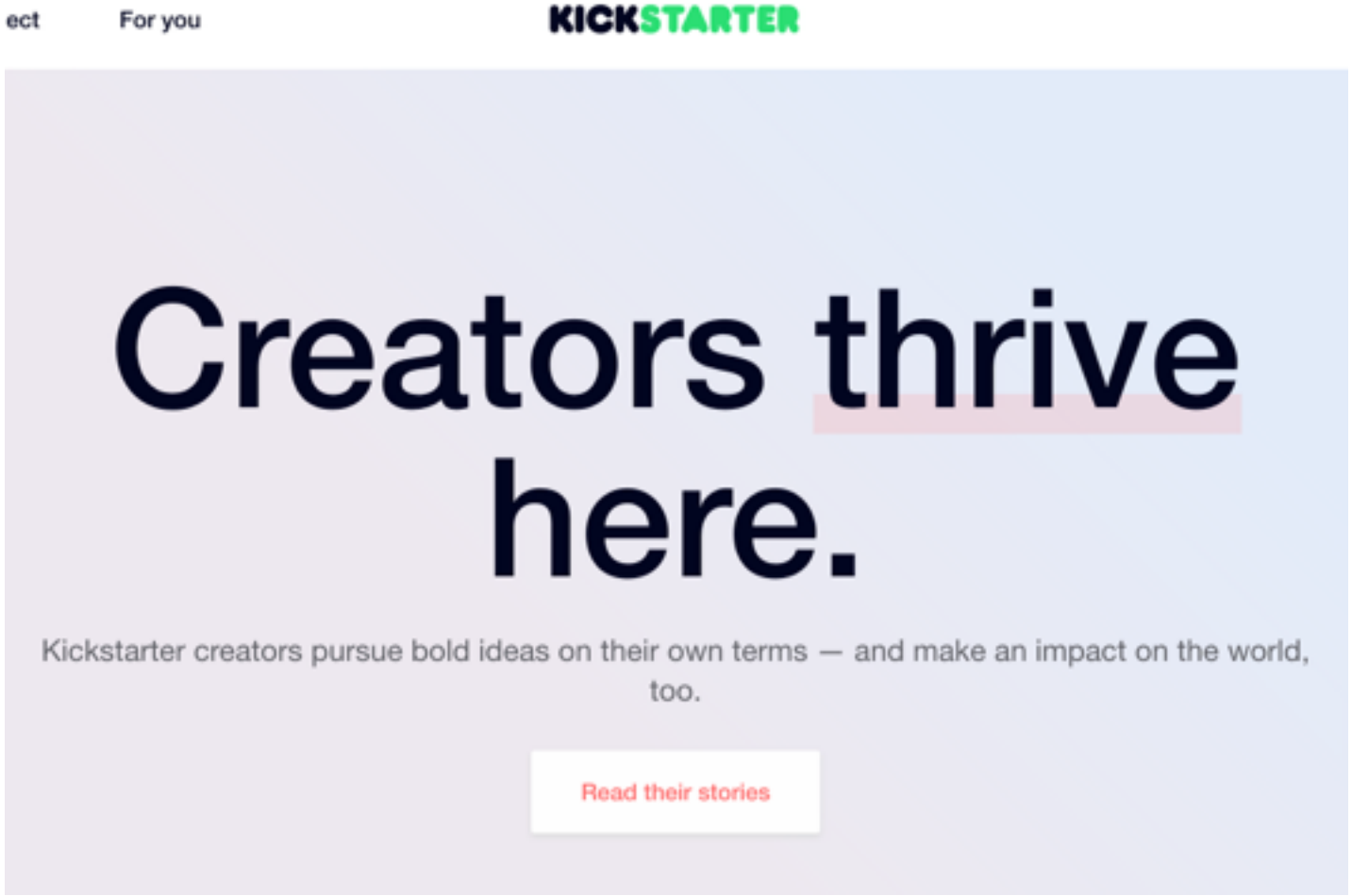
We don’t oversee projects’ performance, and we don’t mediate disputes between users.

Kickstarter isn’t liable for any damages or losses related to your use of the Services. We don’t become involved in disputes between users, or between users and any third party relating to the

We don’t oversee the performance or punctuality of projects,

from claims, damages, and demands of every kind — known or unknown, suspected or unsuspected, disclosed or undisclosed — arising out of or in any way related to such disputes and the Services. All content you access through the Services is at your own risk. You’re solely responsible for any resulting damage or loss to any party.

# Experienced backers avoid backing on crowdfunding platforms to reduce risks


ect
For you
KICKSTARTER
Creators thrive here.
Kickstarter creators pursue bold ideas on their own terms — and make an impact on the world, too.
Read their stories

Creators thrive here
with backers' trust and support.

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