

How to work the crowd:

A snapshot of barriers and motivations
to crowdfunding

Artsupport Australia
Australia Council for the Arts

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1. Scope and context of the report

Introduction

This study is a snapshot of Australian donor motivations and donor barriers to crowdfunding, and provides some indicative recommendations on ways the uptake of crowdfunding in the creative industries might increase.

It is based upon a literature review and semi-structured interviews with 17 stakeholders who have used crowdfunding in Australia, including: creative producers seeking funds; financial crowdfunding donors; Artsupport Australia mentors of artists who are using crowdfunding; and crowdfunding site stakeholders.

About the report

Artsupport Australia commissioned the Queensland University of Technology Creative Industries team to produce a report on trends related to crowdfunding, particularly identifying barriers and motivations that might be associated with it. Artsupport Australia suggested a list of interview candidates, based on those individuals' knowledge or experience with crowdfunding, to provide a better understanding of perceptions of this emerging practice, and to inform discussions on whether it is a useful revenue generating mechanism for the cultural sector.

About Artsupport Australia

Artsupport Australia is the philanthropic arm of the Australia Council for the Arts. Established in 2003 with a mission to grow cultural philanthropy, it has facilitated over \$77 million in philanthropic income to arts and culture. Artsupport Australia is a national team which provides free, customised and ongoing mentoring around private giving and works with over 600 cultural organisations and 200 artists. It sees crowdfunding as one part of a private giving landscape which also includes individual gifts or donations (including major gifts, capital campaigns, bequests, workplace giving, fundraising events and direct mail appeals) and philanthropic grants by private and corporate foundations and corporate philanthropy.

Research approach

It should be noted that this research project (July 1-15 2012) offers a modest 'snapshot' analysis of the current crowdfunding state-of-play within Australia and should not be considered a comprehensive detailed investigation.

The literature review was conducted over a four-week period and, although this is an emerging field, over 50 references were used to inform this work.

The primary qualitative research methodology used was 17 semi-structured interviews offering anecdotal narratives of participants' personal experiences with crowdfunding. Key motivations, themes and experiences of crowdfunding were explored, based on the agreed questions/themes that were determined in partnership with Artsupport Australia.

2. Observations and suggestions

Because crowdfunding is such a fast-paced emerging phenomenon, this snapshot has a role in highlighting the latest trends, and practices. This analysis is drawn from the interview data and literature review and therefore offers some donor observations and qualifying predictions to help creative practitioners navigate through this emerging funding trajectory.

The observations and suggestions in this report relate to both artists and arts organisations, but for simplicity, the term 'artist' is used throughout.

Donor barriers

Observation one: No tax deduction benefit

While not everyone necessarily needed to have a tax deduction option before they pledged, all interviewees thought it would be an added bonus. Based on the interviews and the literature the tipping point seems to be \$50 or over; that is, the point at which a donor would find a tax deduction option an incentive to pledging.

Observation two: Concerns about the project team

The literature and interview data suggest people are more likely to pledge if they feel confident that the artistic team have the capability to deliver on what they are promising — this means that the artistic team can deliver an appealing creative product on time, and within budget.

Observation three: No 'personal' connection

Virtually no one pledges on a crowdfunding site unless they 'know' the artist, or know of them through an introduction from their trusted networks and friends.

They may not have to 'know' the artist personally, but feel that they know who they are and what they are about professionally; just as a fan knows all about their favourite band, but is unlikely to 'know' them personally. However, family and friends are the most successful starting point.

Observation four: The donor's reluctance to pledge online

Many people feel hesitant about pledging money using the internet because of concerns about security, although this does not seem to be such an issue for younger pledgers. The unwillingness seems to increase if the site is new, or if it does not offer a full suite of payment options such as accepting Paypal, along with major credit cards.

Donor motivations

Observation one: They know the person

Interview data concurred with the literature that donors pledge to projects they know of through family or friends, either personally or as a recommendation. Some more seasoned donors will also be influenced by advice or recommendations they see promoted on crowdfunding sites. All interviewees use Facebook, and this is also identified as a key link in the literature.

Observation two: The desire to help creative people

Interestingly, quite a number of donors identify themselves as creative practitioners, but do not work in a creative profession. They choose to pledge support because, while they do not make a living off their artistic talent, they feel compelled to financially enable others who do.

Importantly, it is understood that artists do not have a stable income to support themselves and so the notion of giving the artist a 'break' or 'a go' was highlighted. This also led to the observation that a donor is more likely to pledge if the artist is not too commercially successful. It is difficult to predict the tipping point of what is seen as financially 'successful', based on the limitations of the research.

Observation three: Creative belonging

A crowdfunding campaign seems to build a sense of 'shared mission' amongst the network/group who are supporting the artist to reach their target. If the artist can keep their pledgers feeling authentically connected with them and their work, they are likely to pledge again (or multiple times) — especially as the campaign deadline approaches and a frenzied push towards reaching the final target often occurs.

Emotional investment

A subsidiary point of this observation relates to the extra emotional investment that a family member, personal friend or work colleague can feel in connection to a crowdfunding project and thus will be more devoted to securing its financial success — either through personally pledging more than once, or through active marketing of the project through their own online networks, personally 'liking' or advocating for the project.

Observation four: Engaging in cultural production

Many interviewees were motivated to pledge so they could be connected to the cultural production of the artwork. They liked to know what was going on as the work was being created — getting a better understanding of the highs and lows and the creative processes, through regular updates from the artist. If the donor felt authentically connected with and informed by the artist, they were more likely to become emotionally invested (see above point).

Being engaged by a great campaign

Following on from this, when the creative production proves to be commercially successful, for example if the profile of a musician is boosted, or a film production has successful acclaimed reviews, then the pledger also gets a shared sense of accomplishment.

Addictive

Donors used the term 'addictive' when they spoke of coming to the end of a campaign, particularly if the artist was close to reaching their target. There are over two million links to discursive commentary online using the search "addicted+biting+ebay", although very few academic articles appear in comparison, making it difficult to qualify how important this phenomenon is.

Observation five: Social kudos

Donors may pledge because they believe their friends will think they are cool if they have identified, or are connected to, the 'new hot'. This motivation increases (and is likely to be repeated) if the donor is an early identifier or supporter of an 'unknown' talent. Talent spotting early in a creative practitioner's career is considered very cool within some social networks.

Sense of pride

Running parallel to this motivation is the fact that giving to the arts as a source of philanthropy is something that many people are proud of, because they simply value the arts. This motivation can be heightened for some pledgers who might support an 'unknown' artist to get their break through a crowdfunding project, and further heightened if the project is unlikely to be funded through traditional institutional grant funding.

The project is compelling and new

A secondary point is that many donors who pledge their financial support do so because they find the project convincing and exciting; if the artist is appropriately engaging, they become caught up in and mesmerised by the enthusiasm of the artist for their work.

Observation six: The perks

Benefits such as giveaways or free tickets to screenings were motivational to some donors, but did not appear as important to the pledger as the artist seemed to think they were. The literature and interviews suggested that carefully crafting a thoughtful or engaging experience, such as a personal thank you to each pledger is more rewarding for the donor than receiving a generic give-away in the post. Having said this, large donors do seem to value 'in-person' perks, such as dinner with the creative producer, or a day on set (or in the recording session).

3. Ways to encourage support for crowdfunding projects

The following suggestions are intended to help artists encourage crowdfunding support for their projects, and are based on the interview data and the literature review.

Suggestion one: Build an online profile

If the crowdfunding pledger has received a recommendation from a family member, friend or colleague, regarding a creative project by an artist who is not known to them, they are inclined to research (for instance 'google') the artist to learn more about them. If they find more information about the artist's work – such as positive performance reviews or YouTube clips – they are more inclined to pledge, just as if their social peers have 'liked' them on Facebook.

Suggestion two: Be authentic

Being very active and engaging with the public (but not overly so) is important. The audience needs to feel an authentic connection to the artist. This takes a lot more work than artists often imagine will be required, but by strategically planning ahead and preparing material for the campaign, the artist is more likely to reach their target.

To do this successfully some repeated tips include:

- presenting professional video updates of the project
- putting real effort and thought into planning rewards or incentives (but remembering they are not as important to the donor as seeing the project succeed)
- building relationships with donors, individually if time permits (including taking the time to thank people personally).

Suggestion three: Use social media

A common success factor for crowdfunding projects is artists' use of social media as a way of maximising their networks. Even though the number of people interviewed was small, all used Facebook as a primary mechanism and as a way of staying in touch or learning about new crowdfunding projects, which also correlates with the findings of the literature review. Other popular secondary social media platforms identified include Twitter, YouTube and Vimeo.