Why Crowdfund? Motivations of Philippine-Based Project Owners and Backers

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ABSTRACT

This study examines why project owners and campaign backers participate in crowdfunding. It explores what motivates crowdfunding participants to seek funding or fund projects using a multiple-case study approach. This study finds that project owners are motivated to crowdfund because of financial and marketing benefits. On the other hand, campaign backers are motivated to fund campaigns because they want early access to products, participate in the community, and support the project for altruistic motives.

Keywords: Crowdfunding, Motivation, Philippine, Project owner

Introduction

Crowdfunding provides an alternative funding strategy for entrepreneurs and organizations that typically have difficulty gaining access to traditional funding sources. Entrepreneurial success and organizational function rely on financial capacity and sustainability. Organizations need funding to maintain operations, expand services, or build up resources to develop economic resilience term (Sontag-Padilla et al., 2012). Unfortunately, social enterprises, nonprofit organizations (NPOs), and startup businesses face financial sustainability challenges because of limited funding resources (Sontag-Padilla et al., 2012; Cosh et al., 2009).

Extant literature posit two categories of crowdfunding benefits: the obvious funding benefit and its marketing benefit. By using social media resources to promote crowdfunding campaigns, project owners obtain a broader word-of-mouth platform (Prive, 2012), essentially operating as a marketing funnel. Crowdfunding may serve as a conduit for building and nurturing customer or brand communities (Hui et al., 2014), which, in turn, they may use as leverage to raise additional capital outside of crowdfunding (Mollick & Kuppuswamy, 2014). For many, crowdfunding serves both as testing ground and an alternative distribution channel, particularly for innovative products (Lehner et al., 2015). Through technology, crowdfunding dissolves geographical boundaries and opens access to a broader market (Agrawal et al., 2011; Valanciene & Jegeleviciute, 2013). Current literature contends that crowdfunding
provides these three key non-financial benefits: (1) consumer insight, (2) market exposure, and (3) a product development mechanism (Mollick & Kuppuswamy, 2014; Lehner et al., 2015; Agrawal et al., 2013; Belleflamme et al., 2014; Junge et al., 2022). These benefits incentivize project owners to not only participate in but also, more importantly, succeed in crowdfunding (Agrawal et al., 2013).

On the other hand, early crowdfunding literature posits that backers are motivated to participate in and fund campaigns because of four distinct incentives: access to investment opportunities, early access to new products, community participation, and patronage or support for a product, service, or idea (Hui et al., 2014; Agrawal et al., 2011; Gerber & Hui, 2013; Gerber et al., 2012; Ordanini et al., 2011). However, emerging literature focuses on two distinct types of motivations: intrinsic and extrinsic motivation (Baber & Fanea-Ivanovici, 2021; Bagheri et al., 2019; Chen et al., 2021; Herrero et al., 2020; Popescul et al., 2020; St John et al., 2022; Zhang & Chen, 2019). Intrinsic motivation is associated with backer altruism, where one is motivated to support out of the internal satisfaction derived from the act of giving, while extrinsic motivation refers to the desire to reap material or other rewards (Popescul et al., 2020). The key to successful crowdfunding campaigns is to work with campaign backers who are intrinsically motivated.

Conceptual Framework

This study uses a conceptual framework of this study based on project owner and campaign backer motivations identified on extant literature. Project owners are motivated by funding, consumer insight, market exposure, product development, community building. On the other hand, campaign backers are motivated by investment, early access to product, patronage, and community participation. Table 1 summarizes and defines project owner motivations, while Table 2 summarizes and defines campaign backer motivations.

Table 1. Project Owner Motivation

<table>
<thead>
<tr>
<th>Motivation</th>
<th>Operationalized by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding</td>
<td>Project owner indicated that they participated to raise funding for their product or project.</td>
</tr>
<tr>
<td>Market Exposure</td>
<td>Project owner indicated that they participated to promote their product or project.</td>
</tr>
<tr>
<td>Consumer Insight</td>
<td>Project owner indicated that they participated to determine whether target consumers will want product or project.</td>
</tr>
<tr>
<td>Product Development Mechanism</td>
<td>Project owner indicated that they participated to generate product or project feedback from their target market.</td>
</tr>
<tr>
<td>Community Building</td>
<td>Project owner indicated that they participated to build and nurture a community of loyal fans and customers around their brand.</td>
</tr>
</tbody>
</table>

Table 2. Campaign Backer Motivation

<table>
<thead>
<tr>
<th>Motivation</th>
<th>Operationalized by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>Campaign indicated that they participated to earn from the product or project.</td>
</tr>
<tr>
<td>Early Access to Product</td>
<td>Campaign indicated that they participated to own the product before it is released to the mass market.</td>
</tr>
<tr>
<td>Patronage</td>
<td>Campaign indicated that they participated because they want to help the product or project succeed.</td>
</tr>
<tr>
<td>Community Participation</td>
<td>Campaign indicates that they participated because they want to become part of the community behind the product or project.</td>
</tr>
</tbody>
</table>
Methods
To examine what motivates both project owners and campaign owners of Philippine-based crowdfunding campaigns, this study employed a qualitative, intensive multiple case-based approach. Key informants from 10 Philippine-based crowdfunding campaigns were interviewed. The informants are project owners, representatives from the crowdfunding platforms, and campaign backers.

The study employed a purposive or purposeful sampling method using the snowball approach. Cases were chosen from the only two crowdfunding platforms in the Philippines: Artiste Connect and The Spark Project. The Spark Project is a crowdfunding platform that caters to social entrepreneurial and cause-based projects, while Artiste Connect focuses on art-based projects. Both platforms operate a flexible or keep-what-you-raise business model, which means that projects can keep the funding they raise even if they do not reach their full target goal. Artiste Connect was active during the data gathering phase. Artiste Connect is now inactive.

Data was gathered from multiple sources (Yin, 2014) and involved two data collection phases. The first phase is intensive desk research that involved collecting secondary data from the crowdfunding platform websites, online resources, published interviews, and social media posts. Secondary data was used for the following reasons: (1) to help create the interview protocol, (2) to aid in asking follow-up or probing questions, (3) to triangulate information from the interview responses, and (4) to provide context for interpreting the interview responses. The second phase involved in-depth interviews with key informants using a semi-structured questionnaire based on the study’s conceptual framework, which is grounded on literature and enhanced by secondary data for contextual support.

Data
The research studied 10 crowdfunding cases: six cases from Artiste Connect and four cases from The Spark Project. The cases were chosen based on differing campaign performance and outcomes. A successful campaign entails that the funding target was either achieved or exceeded.

Of the four The Spark Project campaigns, three cases were successfully funded, while one was not successfully funded. Of the six cases from Artiste Connect, three cases were successfully funded, while three cases were not successfully funded. It is important to note that one particular campaign failed to collect any funding from the campaign. This unique case provided significant insight on crowdfunding outcomes given specific stakeholder perceptions and motivations. Except for this special case, the nine campaigns were able to collect the funding they raised and complete their projects. Table 3 summarizes information on the 10 cases analyzed in this study.

Table 3. Crowdfunding Cases

<table>
<thead>
<tr>
<th>Case</th>
<th>Product</th>
<th>Crowdfunding Platform</th>
<th>Campaign Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gouache: Waxed-Canvas Goods</td>
<td>Product: Camera Bag</td>
<td>The Spark Project</td>
<td>Funded 264% of funding goal</td>
</tr>
<tr>
<td>Flight of Super Mudball</td>
<td>Event: River Cleaning</td>
<td>The Spark Project</td>
<td>Failed 52% of funding goal</td>
</tr>
<tr>
<td>The Obrano Minimalist</td>
<td>Product: Wallet</td>
<td>The Spark Project</td>
<td>Funded 334% of funding goal</td>
</tr>
<tr>
<td>Upstart: The Board Game</td>
<td>Product: Board Game</td>
<td>The Spark Project</td>
<td>Funded 108% of funding goal</td>
</tr>
<tr>
<td>Tarsius</td>
<td>Product: Vinyl Record</td>
<td>Artiste Connect</td>
<td>Failed 66% of funding goal</td>
</tr>
<tr>
<td>Ang Nawawala</td>
<td>Event: Film Marketing</td>
<td>Artiste Connect</td>
<td>Funded 103% of funding goal</td>
</tr>
</tbody>
</table>
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Results and Discussion

**Project Owner Motivations**

Interview responses suggest that most project owners recognize both the financial and non-financial benefits of crowdfunding; many project owners are motivated to crowdfund because of perceived funding and market exposure benefits. However, the responses also show a distinct pattern that differentiates what motivates The Spark Project project owners from Artiste Connect project owners. Project owners of The Spark Project campaigns were strongly motivated by financial and marketing incentives of crowdfunding. Specifically, they were motivated to understand what the market thought about their product innovation and to gain access to a wider network that will provide broader market exposure and resources they will need to expand operations in the future. Most project owners from The Spark Project expressed intentions of setting up a business should they find that the product is viable.

On the other hand, most project owners of Artiste Connect are significantly more motivated by its funding benefits than by marketing incentives. This may be explained by the nature of the project or product they are crowdfund- ing for. Most Artiste Connect projects are one-off projects and most project owner responses imply that they did not have concrete plans or even intentions of extending the project into a long-term venture, unlike project owners from The Spark Project. Table 4 summarizes the crowdfunding incentives that project owners perceived.

**Table 4. Comparative Matrix of Project Owner Motivations**

<table>
<thead>
<tr>
<th>Cases</th>
<th>Project Owner Motivations</th>
<th>Funding</th>
<th>Market Exposure</th>
<th>Consumer Insight</th>
<th>Product Development Mechanism</th>
<th>Access to Networks &amp; Community Development</th>
<th>Access to External Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gouache: Waxed-Canvas Goods</td>
<td>Significant</td>
<td>Significant</td>
<td>Significant</td>
<td>Most Significant</td>
<td>None</td>
<td>Significant</td>
<td>Significant</td>
</tr>
<tr>
<td>Flight of Super Mudball</td>
<td>Significant</td>
<td>Significant</td>
<td>Significant</td>
<td>Most Significant</td>
<td>Significant</td>
<td>Significant</td>
<td>Significant</td>
</tr>
<tr>
<td>The Obrano Minimalist</td>
<td>Significant</td>
<td>Significant</td>
<td>Significant</td>
<td>None</td>
<td>Significant</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Upstart: The Board Game</td>
<td>Not Significant</td>
<td>Significant</td>
<td>Significant</td>
<td>Most Significant</td>
<td>Significant</td>
<td>Significant</td>
<td>None</td>
</tr>
<tr>
<td>Tarsius</td>
<td>Significant</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Ang Nawawala</td>
<td>Significant</td>
<td>Significant</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>
Some project owners discovered other crowdfunding benefits as they campaigned or after the campaign ended, such as leveraging on market exposure and successful outcomes as proof of concept to raise additional outside capital (Mollick & Kuppuswamy, 2014). Four projects, specifically Tarsius, Biyaheng Langit, Mudball, and gained access to external funding through market exposure resulting from the crowdfunding campaign. Gouache, a successfully funded project, was approved for a bank loan soon after the campaign ended. The project owner used the success of their campaign to show the viability of their business idea. The loan was used to expand their business operations. While the campaigns of Mudball and Tarsius failed in generating their funding goal, they received large funding from private entities after their respective campaigns ended. They used the funding to fill the funding gap they needed to continue and complete their respective projects. Biyaheng Langit, a successfully funded project, received further funding from a quiet private donor after the campaign wrapped. They used the funding to pay for other project-related expenses.

Project owners like Sibol, through the course of campaigning, discovered the non-financial benefits of crowdfunding, such as giving the project credibility (“It adds to the authenticity [of the project]”) and gaining access to a wider network that could help the project along (“Backers ... connected us to other people.”). One of Gouache's campaign backers helped them source an important raw material, while another worked for a magazine and helped them get featured. A campaign backer of Obrano, on the other hand, connected the project owner to her retail connections.

Three of the project owners of The Spark Project considered consumer insight as their crowdfunding experiences’ most significant benefit. For the project owners of Gouache, Obrano, and Upstart, funding was a secondary benefit. It was more important for them to understand what the market wanted to see in their products and whether they had a viable product that they could sell in the long-term.

"The great thing about crowdfunding actually is that the money, to be honest, is (secondary), but it's really your live market test ... if it's a viable business or not. That was the most important takeaway from the project: this can be a business because people are buying (just from looking) at the photos." [Gouache project owner]

"Let's see if it works ... If it doesn't, then let's not continue it as a business." [Obrano project owner]

The project owner of Upstart does not even consider funding as a significant incentive, believing that he could raise the target goal of...
PhP300,000 through traditional funding. He chose to crowdfund instead to gain access to consumer insight and feedback, which he used to improve his product:

"If I went the traditional route—raised the money and went to the distribution channels, I would have no idea how to proceed (with the board game). The feedbacking is lost." [Upstart project owner]

Crowdfunding platforms can help project owners understand crowdfunding benefits. The Spark Project, for example, hold mentoring workshops to project owners to help them fully maximize the benefits derived from crowdfunding. According to the founder of The Spark Project:

"When they talk to me, I try to let them see the non-monetary benefits. (I tell them that) I don’t think you’ll maximize this activity (if you only see the monetary benefits). I explain to them that crowdfunding allows you to (build) your community, (and) get an insight. I explicitly say that these should be their objectives." [The Spark Project founder]

All of The Spark Project project owners recognized community building as an important benefit of crowdfunding, which also resulted in gaining access to different networks. The project owner of Gouache maintains that their business success results from the continued patronage of their brand community, which they built during their crowdfunding campaign. This example demonstrates that crowdfunding provides an approach to building customer communities (Mollick & Kuppuswamy, 2014), and how this community co-creates products and projects with project owners.

"Crowdfunding is not just about fundraising. It’s really (about) community building." [The Spark Project founder]

"I think if I didn’t (crowdfund), I wouldn’t get enough traction. (Since Obrano is a lifestyle brand), the community is important. Crowdfunding is the perfect tool to build a community around you and the brand." [Obrano project owner]

"This is the product of the community. If you see our game and our instruction manual, we designed that and put it together. But we believe the community built it. It’s what (developed) from all of the feedback, we changed (the board game rules)." [Upstart project owner]

Crowdfunding provides projects with market exposure, which not only creates awareness in the product’s or project’s target market but also lends to its credibility.

"(Crowdfunding) did not just help with the money, but also with the promotion of the project itself." [Sibol project owner]

"We turned to crowdfunding to promote the film." [Ang Nawawala project owner]

"They were able to raise awareness about mudballs … They were even featured on CNN." [The Spark Project founder on Mudball’s market exposure]

"I think if you say … we have a crowdfunding (project), you go to this website … I think that makes (people) believe (us) more … It also adds to the authenticity (of the project)." [Sibol project owner]

Project owners on Artiste Connect, on the other hand, focused on the fundraising aspect of crowdfunding. Only two of the six projects—Sibol and Ang Nawawala—recognized and leveraged on its marketing benefits. All of the project owners from Artiste Connect acknowledged that their primary motivation for crowdfunding was to raise money to fund their respective projects.
"I've seen a lot of my friends do it in the States ... I have friends in touring bands. I have a friend who lost a laptop--he's a producer so he did the GoFundMe thing and ... he actually raised US$1,200. So I think, maybe this is a lucrative (endeavor). Then I saw (another band) actually making a bit of money, too, regardless if they’re going to make (the funding goal) or not. Even if you don’t make it, you’ll get something. I’m thinking, how will that hurt without spending anything?” [Moonwlk project owner]

The crowdfunding platform further explains that project owners launching a crowdfunding campaign, particularly artists, don’t fully understand what crowdfunding is (“They don’t know how to use crowdfunding properly.”). In the case of UA&P Chorale, the project that did not generate any funding. This may be explained by the lack of understanding of the project owners on how to campaign and how crowdfunding works, in general. In fact, beyond posting the project on Artiste Connect’s website, they indicated that they did not do anything else, such as promote the campaign on social media or inform family and friends about running the campaign.

"We went there hoping we can widen the scope of the people we can talk to but it didn’t go as well as we had hoped.” [UA&P Chorale project owner]

Many project owners on the Artiste Connect platform do not use marketing strategy to help raise funds through crowdfunding ("Opening the option to presell tickets is an afterthought."). This hinders them from fully understanding benefiting from crowdfunding.

Campaign Backer Motivations

Campaign backers are most motivated by patronage or the desire to support the project or project owner. Table 5 summarizes campaign backer motivations for each campaign.

<table>
<thead>
<tr>
<th>Cases</th>
<th>Project Owner Motivations</th>
<th>Project Owner Motivations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gouache: Waxed-Canvas Goods</td>
<td>None</td>
<td>Most Significant</td>
</tr>
<tr>
<td>Flight of Super Mudball</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>The Obrano Minimalist</td>
<td>None</td>
<td>Significant</td>
</tr>
<tr>
<td>Upstart: The Board Game</td>
<td>None</td>
<td>Significant</td>
</tr>
<tr>
<td>Tarsius</td>
<td>None</td>
<td>Significant</td>
</tr>
<tr>
<td>Ang Nawawala</td>
<td>None</td>
<td>Significant</td>
</tr>
<tr>
<td>Biyaheng Langit: Jeepney Folk Art</td>
<td>None</td>
<td>Significant</td>
</tr>
<tr>
<td>Sibol: Voices Through My Lens</td>
<td>None</td>
<td>Significant</td>
</tr>
<tr>
<td>Moonwlk’s First Music Video</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>UA&amp;P Chorale</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

Most campaign backer key informants interviewed in this study belong in the project owner’s first-level backers, or their family and friends. This may explain their primary motivation. Campaign backers supported the project because they could trust the project owners and wanted to see them succeed.

"I knew Ria from high school. I knew that she was responsible. She could see the project through.” [Sibol campaign backer]

"I knew Diego (and that’s why I supported him).” [Tarsius campaign backer]

"I believed in what (the game) wanted to achieve.” [Upstart campaign backer]
“I want to support the project team.” [Obrano campaign backer]

“I am friends with the couple. I always believed in their talent, individually. I know that (their) project will push through.” [Biyaheng Langit campaign backer]

Campaign backers of projects that promised tangible rewards were motivated by early access to the product. These projects included the Gouache waxed-canvas camera bag, Obrano leather and weave wallet, Upstart board game, Tarsius vinyl record, and Biyaheng Langit jeepney art book.

“I liked the quality of the bag. It’s so unique, I haven’t seen anything like this so I backed it. I wanted bragging rights. I feel that this bag has potential to become popular, so I wanted to be part of the first batch.” [Gouache campaign backer]

“I liked the idea of a vinyl record because it is so unique.” [Tarsius campaign backer]

“(With this book), I have artwork that is very valuable.” [Biyaheng Langit campaign backer]

“My husband really wanted the wallet.” [Obrano campaign backer]

On the other hand, campaign backers of cause-related projects, such as Mudball and Obrano, are motivated by community participation.

“I am very passionate about river cleanup, specifically because I am from Marikina.” [Mudball campaign backer]

“I supported Obrano because I am part of that community.” [Obrano campaign backer]

Conclusion
Philippine-based project owners are motivated to crowdfund by both financial and marketing benefits: funding, market exposure, consumer insight, product development mechanism, access to networks, community building, and access to external funding. On the other hand, campaign backers are motivated to pledge support to gain early access to products, participate in a community effort, and altruism. The interview responses suggest that crowdfunding is a viable tool to help benefit startup businesses, social enterprises and non-profit organizations. It is important for project owners, however, to understand that crowdfunding not only provides funding for projects, but crowdfunding is also a marketing strategy because it provides an alternative channel for potential customers to experience new products or for potential patrons to appreciate social causes better.

It is of interest to note that this study observed that the projects that raised the most funding are the projects that leveraged on crowdfunding’s marketing benefits. On the other hand, the case projects that raised the least amount of funding are projects that only perceived their funding benefits. Successful projects used the campaign to ask for feedback about the project and to build and nurture a community of loyal followers. Doing so helps develop brand credibility and broaden professional networks, which not only helps project owners reach their funding goals but also with their long-term plans.

The study also finds the important roles that campaign backers play. They not only provide funding, but they also provide marketing support. They provide project feedback and serve as test market, essentially making them project co-creators. However, campaign backers are only able to fulfill these roles when project owners maximize crowdfunding and use it to its full potential. It will also help project owners succeed if they are able to address their campaign backer’s motivations to crowdfund.

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