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THE SUCCESS FACTORS OF GAME INDUSTRY CROWDFUNDING CAMPAIGNS

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ABSTRACT

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The aim of this study was to find out what are the success factors of game industry crowdfunding campaigns. A theoretical model of the most important success factors and their relationships was created based on previous research and tested by interviewing the creators of three different game industry crowdfunding campaigns. The six major success factors that were discovered from interviews and previous studies: campaign rewards, campaign goals, quality of both the product and the campaign, the project team, the community of crowdfunders and the preparations for the campaign. The findings of this study and the success factor model can be used both as a tool for planning crowdfunding campaigns and as a basis for new studies regarding game industry crowdfunding campaigns.

Keywords: game industry, crowdfunding, success factors, video games, viral marketing
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1 INTRODUCTION

Crowdfunding platforms such as Kickstarter and Indiegogo have created a whole new way for businesses and individuals alike to plead funding for their projects. Many successful crowdfunding campaigns have usually implemented a thoroughly planned viral marketing campaign that uses social media and existing social networks to achieve a wide audience very fast with almost minimum expenses. However, it is not yet fully understood what factors make viral marketing efficient and crowdfunding campaigns successful (Giudici, Nava, Rossi-Lamastra & Verecondo, 2012).

According to the statistics provided by the crowdfunding platform Kickstarter, only 23% of video game projects were successful in 2012 (Strickler & Benenson, 2012). In 2015, the success rate for all the Games-category projects was 30.3% (Crane, 2016). The success rate for all the Kickstarter projects ever started was 36.3%, and the corresponding Games-category average was 32.92% (Kickstarter, 2016). Because of such low success rates, the people organizing crowdfunding campaigns need to carefully plan their campaigns to maximize their chances to succeed.

The aim of this thesis is to study the game industry crowdfunding campaigns and find out what factors determine whether the campaign is successful or not. The study is performed as an empirical case study that cross-examines select campaigns and analyses the factors behind their success by using a framework based on academic literature.

1.1 Background and need for research

There is plenty of new terminology and phenomena related to social media that need to be studied further. Phenomena such as crowdsourcing and crowdfunding are interesting new concepts that wouldn’t have been possible without the changes in the web technologies and user attitudes that the social media has brought with it. The advent of Web 2.0 and consumer collaboration have created
new possibilities for companies to “tap into the crowd” and make use of the collective power of the people who contribute to their cause.

One of the academic appeals of crowdfunding is that it is a multidisciplinary phenomenon that needs to be studied from multiple different angles. Giudici et al. (2012) mention that a stream of new research on crowdfunding is emerging. They point out that it is interdisciplinary in nature, being at the intersection of finance, economic and management, sociology, and information systems. Gerber, Hui and Kuo (2012) claim that understanding crowdfunding is critical as it can lead to the formation of new companies, realization of new professional identities and have a fundamental impact on our economic and social behavior. According to Hui, Greenberg and Gerber (2013), only a few HCI researchers have explored designing systems for crowdfunding, and that it has been studied primarily from the financial perspective by scholars in economics, management and business.

Giudici, Guerini and Rossi-Lamastra (2013) mention that there is plenty of room for further investigations especially on what determines the success of crowdfunding projects. They continue that project success has a clear meaning for the crowdfunding community, especially since most of the crowdfunding platforms are based on an ‘all or nothing’ rule, which means that if the project doesn’t attain the goal they aimed for, they don’t get anything.

As we can see from the literary review, there is a great demand for more research about crowdfunding. Previous studies have focused on elements such as crowdfunding and motivation and dynamics of crowdfunding (Gerber et al., 2012; Mollick, 2013). Greenberg, Pardo, Hariharan and Gerber (2013) mention an urgent need for tools for project creators to get feedback about the likelihood of them being successful. There have also been some attempts on creating more support tools for crowdfunding campaigns, namely by Kuo and Gerber (2012) and Hui, Greenberg & Gerber (2013).

Crowdfunding is also a broad concept, and there are multiple different models for attaining funding. In previous studies, four main crowdfunding models have been established: donation-based, lending-based, equity-based and reward-based model (Giudici et al., 2012; Sharp, 2014). Previous studies have also found out that rewards are one of the most important motivations for participating in crowdfunding campaigns (Kuppuswamy & Bayus, 2013).

1.2 Aim of the study

This research focuses on reward-based game industry crowdfunding campaigns because of the impact they have had in the industry. Crowdfunding has created a new trend that has provided an efficient way for game companies to gain funding for their projects such as the Ouya video game console, which raised over 8.5 million dollars, and Double Fine Adventure, the first video game project on Kickstarter that raised over 3 million dollars.
The success of crowdfunding campaigns is usually measured by whether it meets the funding goals set for the project. As evident in the data presented by the crowdfunding platform Kickstarter, not many crowdfunding campaigns prove successful and indeed most of them either just barely manage to gain enough funding to continue or don’t succeed at all (Strickler & Benenson, 2012).

The aim of this research is to understand the factors behind successful crowdfunding campaigns. The research questions are:

- What are the key factors that influence the success of the game industry crowdfunding campaigns?
- What kind of interactions occur between successful game industry crowdfunding campaigns and the funder communities?

It has been previously established that projects that have a strong nostalgia factor are more likely to be succeed in a crowdfunding campaign (Guillaud, Hänninen, Mariot, & Perret, 2013). There is also some evidence that indicates that there is a clear connection between a social media presence and a successful crowdfunding campaign (Moisseyev, 2013). This study aims to analyze these findings further by focusing on projects that are created by game developers and companies that can’t rely on strong prestige based on their previous experience in the industry.

Qualitative research methods were chosen for this study since they produce data that is more relevant and useful to answering the research questions than quantitative research methods would have been. Analyzing the crowdfunding success factors through case studies conducted through interviews, campaign websites and other sources such as company blogs will help us understand the crowdfunding phenomenon from the project creators point of view.

The findings of the study will provide a good basis for further studies about crowdfunding phenomenon and will hopefully be helpful for those who are thinking about running their own crowdfunding campaigns.

1.3 Structure of the thesis

The introduction chapter provides the idea and the basis of the study. The aim of the research and the used research methods are also presented in this chapter. The second chapter will describe the terminology and previous studies concerning crowdfunding campaigns with the intent of establishing how this phenomenon has been studied before, and what findings have been made in those studies. that have been funded through crowdfunding campaigns. The chapter also goes through various viral marketing methods and describes how they have been implemented in crowdfunding campaigns, and introduces the findings of previous studies regarding viral marketing strategies.
The third chapter explains the structure of the game industry and the way game industry crowdfunding campaigns are held. The fourth chapter summarizes the findings from previous chapters to form a theoretical model for the success factors of crowdfunding campaigns.

In the fifth chapter the research methods used in this study are presented. This chapter explains the methods used for collecting the data and how the data was analyzed.

The sixth chapter provides the results and findings of the study. The last chapter presents the summary and conclusions of the thesis. The potential topics for future research are also presented in this chapter.
2 POWER OF THE MASSES: CROWDFUNDING AND SOCIAL MEDIA

This chapter describes the different terminology and previous studies related to the thesis. The first topic is crowdfunding. A distinctive definition for the crowdfunding phenomenon is presented, as well as an analysis on what types of dynamics and goals the crowdfunding projects usually have. As a relatively young phenomenon, crowdfunding is also observed from the broader cultural context of crowdsourcing and customer collaboration.

The second section of this chapter further examines the community building and crowd forming aspect of crowdfunding. The ways of utilizing these online communities for crowdfunding are also studied.

In the third section of this chapter, the concept of viral marketing and its key terminology are presented. The importance of viral marketing and social networking services to the success of crowdfunding campaigns is also explored. This section also introduces examples of what different viral marketing strategies have been used in crowdfunding campaigns.

2.1 Crowdfunding phenomenon

Crowdfunding is a relatively new but emerging phenomenon that is growing at an astonishing pace. In 2009, only a handful of different crowdfunding platforms existed, but today there are hundreds of different platforms (Giudici, Guerini & Rossi-Lamastra, 2013; Kuo & Gerber, 2012). The concept of crowdfunding is also based on the broader concept of crowdsourcing, which refers to tapping to the crowd to obtain ideas, feedback, and solutions to develop corporate activities (Belleflamme et al., 2013).

In this light, it is not surprising that crowdfunding has received a lot of attention in both media and academia. To better understand crowdfunding, we must start by looking at the definition of crowdfunding, the goals for crowdfunding and the dynamics behind crowdfunding campaigns.
2.1.1 Defining crowdfunding

Crowdfunding is a funding model where the objective is to collect money for an investment, generally by using online social networks. Crowdfunding helps companies obtain funding from large audiences where individuals provides usually a very small amount of money, as opposed to the more conventional way of raising funds from a very small group of sophisticated investors. The term crowdfunding is based on the broader concept of crowdsourcing, which refers to using the crowd to obtain ideas, feedback and solutions in order to develop corporate activities. (Belleflamme, Lambert & Schwienbacher, 2013).

Starting from the concept of crowdsourcing and building up by incorporating features unique to crowdfunding, Belleflamme et al. (2013) provide a more refined definition:

Crowdfunding involves an open call, mostly through the Internet, for the provision of financial resources either in form of donation or in exchange for the future product or some form of reward to support initiatives for specific purposes. (Belleflamme et al., 2013, 8.).

This definition has become one of the most referenced and used definitions in academic literature about crowdfunding. However, as Mollick (2013) points out, this definition potentially leaves out examples that scholars in various fields have labeled crowdfunding, such as internet-based peer-to-peer lending and fundraising drives initiated by fans of music groups. He concludes that a broad definition for crowdfunding is elusive and proposes that a narrower definition is in place for the purposes of making the definition more useful for entrepreneurs and academics examining new business ventures. Based on this conclusion, he continues that

Crowdfunding refers to the efforts by entrepreneurial individuals and groups – cultural, social, and for-profit – to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries. (Mollick, 2013, 2)

Interestingly, the above definitions don’t include the notion of creativity that is included in many of the collaborative research papers by Gerber, Hui and Kuo. In one of their articles, Kuo and Gerber define crowdfunding as an “emerging creativity support tool that supports collaboration in a community of users who share technical knowledge as well as financial resources.” (Kuo & Gerber, 2012, 1602). In another article, Hui, Greenberg and Gerber simplify the definition to “online request for resources from a distributed audience often in exchange for a reward” (Hui, Greenberg & Gerber, 2013, 890), and add that crowdfunding is a new way for creative people to gain financial support from the crowd.
Creativity can be seen as an inherent part of crowdfunding campaigns. When researching about the motivation of funders and creators, Gerber, Hui and Kuo (2012) noted that crowdfunding platforms such as Kickstarter have been typically used to raise funds for creative projects, and that the funders usually expect some kind of a reward for their contribution. Kuo and Gerber (2012) also claim that apart from funding, the creators and funders also use crowdfunding platforms to share creative ideas, search for creative inspiration and connect with other creative individuals.

Despite their differences, all the definitions above point out the importance of having a number of individuals collectively investing money into a project run by a company or an individual. That is what essentially separates crowdfunding from other means of fund raising: rather than having secured the funding from conventional means, crowdfunding projects aim to collect funds by amassing them from a large group of individual people who want to support creative endeavors.

2.1.2 Participative web and customer collaboration

Crowdfunding phenomenon has a strong emphasis for customer participation as the funds are gathered from a large amount of small individual investments from those participating in the crowdfunding process. Many crowdfunded projects also implement ideas and other elements created or influenced by the people participating in the funding. This can be seen as a parallel to two rising megatrends: participative web and web customer collaboration.

According to Vickery and Wunsch-Vincent (2009), the use of the Internet is characterized by increased participation and interaction of users to create, express themselves and communicate. They claim that participative web is the most common term that is used to describe the more extensive use of the Internet’s capabilities to expand creativity and communication.

This participative nature of the Internet is one of the reasons why crowdfunding is effective. Constantinides and Fountain (2008) point out that this is the nature of user controlled Web 2.0, in which users are essential contributors, and which leads to migration of market power from producers to consumers and from traditional mass media to new personalized ones. In the case of crowdfunding, this shift of power from producers to consumers is a fundamental factor to how it works. When the creators of crowdfunding campaigns are committed to long-term collaborations with the funders, the roles between producers and consumers are blurred (Gerber et al., 2012).

Vickery and Wunsch-Vincent (2009) mention that user-created content is one of the main features of the participative web, but the participative web is a wider concept. They also point out that while user-created content may not be focused on monetary rewards, but monetization of user-created content has become a growing trend.

Customer collaboration can be seen as a crucial element to crowdfunding, but it has also been gaining more popularity in other fields as well. Ogawa and
Piller (2006) studied how customer collaboration has been used as means of new product development. They point out that all those who want to advocate collective customer commitment in their business practices must have a full disclosure of the entire process, from initial consumer comments to final product commercialization. This observation is also relevant to crowdfunding since most crowd-funded projects are about gaining funds for the development of a new product.

Ogawa and Piller (2006) also mention how customer integration has been playing an increasing role in the product development process for many companies, and that collective customer commitment offers substantial opportunities for reducing the risks of new product development and for overcoming the limitations of conventional market research.

These findings suggest that both participative web and customer collaboration are essential to the formation of the crowd and offer a good background to understanding the appeal and rising interest towards the crowdfunding as the primary means for raising funds for projects.

### 2.1.3 Crowdfunding models

The exact way crowdfunding works depends on the model and platform used for crowdfunding. Kuppuswamy and Bayus (2013) point out that there are differences between crowdfunding communities based on the funder’s primary motivation for participating is the expectation of a financial return.

The donation-based model is purely good-will, and the funders donate without receiving any kind of return for their donations. The lending model is based on loans as the main method of offering funds, and investors are then repaid with a rate of return on their capital invested. Equity crowdfunding allows investors to have an actual equity stake in the campaign in return for their investments. The most popular type of crowdfunding is reward-based crowdfunding, in which funders receive some form of promotional giveaway or a pre-sale product sample of the product at either an early date or a discounted price. In reward-based crowdfunding, the people backing the campaigns receive tangible benefits for their financial contributions. These rewards are often tokens of appreciation or as the ability to pre-purchase the products or services. (Sharp, 2014).

Some crowdfunding platforms allow project creators to choose between two different funding models: Keep-It-All (KIA) or All-Or-Nothing (AON) models. In the KIA model, the project creators get to keep the entire pledged amount, albeit at higher fees, regardless of whether or not the stated capital raising goal is reached. By contrast, the AON model has a single capital-raising goal below which the creators do not keep any of the pledged funds, and the crowd does not get any reward. (Cumming, Leboeuf & Schwienbacher, 2015).

### 2.1.4 Goals of crowdfunding campaigns

As the focus of this thesis is on reward-based crowdfunding, the goals for crowdfunding are observed from that point of view. While many of the goals and
motivations for organizing crowdfunding campaigns are applicable to all crowdfunding models, the reward-based model has some unique goals on its own. Also, since Kickstarter only supports the AON model, this thesis also focuses on that model.

Besides the need for funding, the marketing purposes of crowdfunding campaigns are also important. Crowdfunding can be used to create interest in new projects in the preliminary stages of development and to demonstrate demand for the proposed products or whole new product ecosystems. For example, the crowdfunding success of the videogame console Ouya allowed other developers to create games for the console prior to its release, creating a competitive advantage even before it was shipped to consumers. Crowdfunding campaigns also potentially generate press attention, which can be beneficial to the organizers of the campaign. Thus, crowdfunding offers a potential set of resources that go beyond capital which can be beneficial to founders, much like other forms of venture finance. (Mollick, 2013.)

Giudici, Guerini and Rossi-Lamastra (2013) mention three main motivators for project creators to engage in crowdfunding campaigns: the financing statement, the public attention which arises around the project and the feedback about the product/service offered. Conversely, Gerber et al. (2012) found in their study that there are five types of motivations for the creators of crowdfunding campaigns: raising funds, establishing relationships, receiving validation, replicating successful experiences and increasing awareness about the creators work through social media.

Building upon these findings, we can establish that typical reward-based crowdfunding campaigns have four different kinds of goals:

1. Collecting financial resources for funding a creative project
2. Validating the market demand for the project
3. Receiving feedback about the project details
4. Generating public attention for marketing purposes

For the entrepreneurs and project organizers, crowdfunding is a viable option for raising funds and validate the demand for their products and projects. But as well as permitting entrepreneurs access to a new pool of capital, crowdfunding allows them to connect with potential customers or users for testing ideas and receiving feedback before proceeding with the project. It also gives community of investors the opportunity to feel part of the project from its very early stages. This kind of collaboration is common for the participative web and Web 2.0, as discussed in the previous section.

Furthermore, crowdfunding serves as a marketing tool in itself. In addition to the marketing efforts made for the successfully crowdfunded project, having a successful campaign can increase the overall awareness of the company and their other products. As the company gains more attention, the supporters of the project can be converted into customers by directing them to the company website for increased sales.
2.2 Gathering the crowd

As defined earlier, crowdfunding aims to collect funds by amassing them from a large group of individual people who want to support creative endeavors. Therefore, it is important to understand how these groups of investors are formed, and how the creators communicate with them.

2.2.1 Community building in crowdfunding

Social media has become an integral part of how people use the Internet. According to Constantinides and Fountain (2008), young consumers have already adopted the online social media as an integral part of their life and that mainstream online consumers have noticed how Web 2.0 applications offer new and previously unknown possibilities and empowerment.

The importance of social media and community building has been previously studied from the marketing perspective. For example, Constantinides and Fountain (2008) mention that one way to utilise social media is to engage these as tools of direct, personalised one-to-one marketing. According to them, many companies have been experimenting with social media as part of their direct marketing strategy seeking communication, interaction and customer feedback by introducing web sites based on user-generated content and encouraging social networking and community forming.

As defined by McAlexander, Schouten and Koenig (2002), a community is made up of its member entities and the relationships among them. In the case of crowdfunding, there are several communities that are formed based on their interactions within the crowdfunding platform. Aside from a more general community of everyone who is using a specific crowdfunding platform, the project creators and the project funders form their own unique communities. More specifically, each crowdfunding campaign has its own community of people who have backed the specific project. The way how these communities are formed and maintained can be a crucial factor to the success of a crowdfunding campaign.

The people who fund crowdfunding campaign are often referred to as campaign backers. The communities formed by the backers are arguably one of the most influential factors for a successful crowdfunding campaign, and the crowdfunding platforms are dependent on these online social communities (Gerber et al., 2012). Furthermore, in order for them to succeed, the crowdfunding initiatives need to build the “right” community of backers (Belleflamme et al., 2013). In that light, it is important to emphasize the importance of the community building aspect of crowdfunding.

A social environment is required to make crowdfunding a viable alternative to traditional funding. Building a community that supports the crowd-funded project is a critical ingredient for crowdfunding to be more profitable than traditional funding. Without non-monetary benefits, crowdfunding will yield exactly the same outcome as seeking money from a bank or an equity investor. At the
same time, building a community and attracting the crowd strongly influences the strategic decision-making process in the early stage of business development. This requires integrating social networks, especially those on the Internet, as a way to interact with the crowd. (Belleflamme et al., 2013.).

According to previous studies, there are several motivations for contributing to online communities, including desire for knowledge, social standing, peer companionship, approval, desire to improve society and to be autonomous (Gerber et al., 2012). Making use of these motivations can be one way for crowdfunding campaigns to get more people to participate in the funding process.

### 2.2.2 Utilizing online communities

Tapping into the social capital of online communities can be a daunting task for crowdfunding campaign creators. Studies about online communities, mostly from scholars in economics or marketing, suggest that the effect for marketing and community building are integral to online business.

In the modern marketing environments, sustaining competitive advantages through product differentiation is often an exhausting race to a constantly shifting finish line. By proactively providing the context for relationships to develop, marketers can cultivate communities in ways that enhance integration to the communities and thereby increase customer loyalty. (McAlexander et al., 2002.).

In the case of communities of crowdfunding campaign backers, these contexts are based on mutual interests. According to Guillaud et al. (2013), crowdfunding allows video games to be produced for various genres and niches thanks to the customers’ investment. Thus, crowdfunding projects that are attending to niches are more likely to attract those people who have shared interests.

Belleflamme et al. (2013) have noticed that backers enjoy some additional benefits over other regular consumers. They point out that crowdfunding is most often associated with community-based experiences that generate “community benefits” for participants, such as the pre-ordering mechanisms of return-based crowdfunding.

These community benefits are addressed by Gerber et al. (2012) in their study about what motivations the crowdfunders have. They found out that the backers are motivated to participate through seeking rewards, supporting creators and causes and to strengthen connections with people in their social networks.

The community’s desire to help and support the creators is also met by the desire of the project creators to utilize the community for creative feedback. Kuo and Gerber (2012) define creativity support tools as characterized by their online, community based creativity process. They continue that a key part of most creative processes is collaboration or consultation with other people, and that it is important for creators to get feedback at early, mid, and late stages of the creative process.

While the crowdfunding platforms have some social media features of their own, they also use rely on some of the most popular social networking sites such
as Facebook and Twitter. Moreover, project creators can link their social media profiles and their project in the crowdfunding website. This connection provides additional information for backers and can potentially affect their decisions. However, connecting the campaign to social media profiles is not mandatory, and creators can opt out of doing that. Therefore, there are two ways how project creators can approach using social networks when running crowdfunding projects: using only the basic social functionality of crowdfunding sites or utilizing the extended functionality of the social networking sites. (Moisseyev, 2013).

As these previous studies suggest, the use of social media and online communities can prove to be a major factor in reaching the right people for the crowdfunding campaigns. These communities are also an integral part of utilizing various viral marketing efforts and strategies, but also for gaining valuable feedback during the creative process.

### 2.3 Spreading the word through viral marketing

#### 2.3.1 Defining viral marketing

Since many consumers are showing increasing resistance to traditional form of advertising, such as TV or newspaper ads, there has been an increase in the use of modern marketing strategies, including viral marketing, for the purpose of reaching target audiences. (Leskovec, Adamic & Huberman, 2007.)

Viral marketing refers to marketing techniques that make use of pre-existing social networks in order to increase brand awareness or to attain other marketing objectives. This can be achieved through self-replicating viral processes that can be compared to how pathological or computer viruses spread. Viral marketing can be spread via social networks on either as regular Word-Of-Mouth or through the Internet. (Xin, 2009.)

According to Tiancheng (2010), viral marketing can be seen as promoting products from mouth to mouth, making information spread like a virus by cloning the message in order to transfer information to millions of individuals. This kind of Word-Of-Mouth marketing cannot be artificially created which is why Leskovec, Adamic and Huberman (2007) also point out that viral marketing uses existing social networks, and continue that viral marketing encourages customers to share product information to their friends, which can potentially be a fast and efficient way to reach different customer segments.

#### 2.3.2 Using viral marketing

Viral marketing is becoming more and more important to companies, as evidenced how influencing customer behavior by traditional marketing means is becoming less effective (Palmer & Koenig-Lewis, 2009). Companies use viral
marketing in order to promote their products with the intention to create something so impressive that those who have seen the marketing campaign will pass the message forward to their friends and family. Viral marketing is a tool for the companies to spread word and generate buzz for a new product or service. (Xin, 2009.)

Advertising niche products effectively by using traditional advertising approaches is impractical, therefore making the more targeted marketing approaches advantageous both to the companies and the consumers who benefit from learning about new products relevant to them. But even if viral marketing messages can be effective in influencing customer behaviour, it might be difficult for the companies to actually deliver their message to the consumers. (Leskovec et al., 2007.)

Leskovec et al. (2007) found out in their research that viral marketing is not as epidemic as one might hope, which means that the marketers who wish to develop normative strategies for word-of-mouth advertising should analyse the topology and interests of the social network of their customers. The importance of understanding these networks is highlighted even more as the research shows that smaller and more tightly knit groups tend to be more conducive to viral marketing.

These customers who are integrated to certain communities often serve as brand missionaries who carry the marketing message into other communities. They are motivated to provide feedback to corporate ears, and those customers who are highly integrated in the brand community are emotionally invested in the welfare of the company and desire to contribute to its success. (McAlexander et al., 2002.)

It is important for the companies to also understand the negative aspects of virality. Tiancheng (2010) points out that according to statistics, the negative viral messages spread ten times faster than the positive ones, which in addition to the breadth and depth of the spread in the network makes the SMEs often suffer from a fatal blow. He claims that the basis of viral marketing comes from excellent product quality, and that inferior products or services will lead to dissatisfied customers and spread of negative messages.

As we can see, the online communities are a major source of marketing potential. Therefore, crowdfunding project creators need to also remember that the communities they build around their projects are not only funding the project but they are also invested in it. Learning how to use viral marketing to gain more visibility through the efforts of the community can be a major factor for the success of the campaign.

2.3.3 Viral marketing strategies

As described in the previous section, viral marketing has its difficulties and challenges. Therefore, it is important for the companies to have a good plan and a strategy they are going to use for their viral marketing campaign. According to Tiancheng (2010), by not developing reasonable and effective plans, companies
often resort to just simply increasing the investment on e-marketing and the results may turn out to be counterproductive. Therefore, the companies need to start by winning the consumers and then proceed to winning the competition in the market.

Wilson (2012) presents six basic elements of effective viral marketing strategies. He mentions that a viral marketing strategy doesn’t need to contain all the elements to be successful, but with more elements implemented in the strategy, the more likely it is to have powerful results. The six elements are:

1. Giving away products or services
2. Providing effortless transfer to others
3. Scaling easily from small to very large
4. Exploiting common motivations and behaviors
5. Utilizing existing communication networks
6. Taking advantages of others’ resources

Tiancheng (2010) also uses Wilson’s list as the basis for his list of three different viral marketing strategies for small and medium sized enterprises (SMEs) that can be used to make the marketing messages spread virally more efficiently. He also mentions that these strategies can be used to cut costs, but emphasizes that it is important to plan their execution well beforehand.

**The Free Strategy**
The first strategy is the *Free Strategy*, which is one of the most widely used and spontaneously spreading viral marketing strategies. It is especially beneficial for the SMEs that don’t yet have a certain brand or consumer awareness. The free strategy can be divided into three types: completely free, partially free and trial. While the types differ on how free they are, it is important to remember that any of the free strategies are just methods, not the results. (Tiancheng, 2010.)

This strategy also corresponds to Wilson’s (2012) first principle of giving away products of services. Wilson points out that most viral marketing programs give away valuable products or services to attract attention, which can then be turned profitable by increasing the sales of something else.

The free strategy has proven to be useful in gaining attention and growing communities and product user bases. Many new products and services, such as the music streaming service Spotify, have started off free and then started to offer more incentives for the customers to transfer into the premium model.

**The Reward Strategy**
The *Reward Strategy* is an effective and low-cost viral marketing strategy that has started to become more widespread recently. The main idea behind the strategy is to reward users if they invite their friends to start using the company’s product or service. This way the users are becoming a part of the marketing channel, leaving the company with the task of maintaining the campaign site. (Tiancheng, 2010.)
The principles of exploiting common motivations and behaviors and utilizing existing communication networks fit this strategy rather well. Wilson (2012) advises that viral marketing should build on common motivation which is exactly what the reward strategy is all about: people want to share the marketing messages because they feel compelled to. He also advises to make use of the existing networks in order to spread the marketing messages.

This type of strategy is commonly used on Facebook and other social networking services, where the already established social networks of the users can be easily used for marketing purposes. One of the viral principles created by Wilson (2012), the effortless transfer to others, is also related to this topic. When the process of sharing messages and inviting people to use your services is made trivial, the more readily people tend to invite their friends to use these products or services.

**The Parasitic Strategy**
According to Tiancheng (2010), the Parasitic Strategy is probably the most common, yet the most easily overlooked strategy used by the SMEs. He claims that its effectiveness is based on the idea of using some interesting or useful products of online content and including a link to the company website or some other information that needs to be spread. The company is acting like a parasite that has attached itself to some other content, making the users absorb information about the company without realizing it.

Entertainment is a parasite carrier which is the easiest way to spread instantly. Producing an entertainment video, coupled with enterprise information, a highly infectious virus seed has already formed. The community forums, blogs and email are low-cost carriers and they also have a high degree of correlation among the consumers. (Tiancheng, 2010.).

Wilson (2012) suggests taking advantage of others’ resources as the means of spreading the viral message. Having someone else spread the company message through their blog articles is depleting their resources rather than the resources of the company, making it a desirable way to spread information. This is also part of the parasitic strategy.

### 2.3.4 Implementing the viral marketing in crowdfunding

All three aforementioned viral marketing strategies are applicable to marketing efforts of crowdfunding campaigns. Gerber et al. (2013) found in their study that creators ask their personal network to employ viral marketing strategies of spreading the word to take full advantage of social media. The creators also reported sending emails once or twice a week to personal connections to remind them to support the campaign.

In the older tradition of marketing, the fleeting relationship between buyers and sellers was a one-time event, instantly consummated by a price-based transaction. The goal was to increase sales, and then try to get the consumer to buy and buy again. (Vass, 2013.).
Modern online marketing has changed to be more dynamic than the traditional marketing. According to Palmer and Koenig-Lewis (2009), instead of a two-fold relationship between the company and its customers, direct marketing has become involved in a triadic relationship between the company, the customer and the community to which the customer belongs. This trichotomy of modern direct marketing is shown in figure 1.

![Diagram of direct marketing in a social network context](image)

**Figure 1 Direct marketing in a social network context (Palmer & Koenig-Lewis, 2009)**

This figure shows how modern direct marketing has shifted from the traditional interface between the producer and the customer, represented by the hatched area. With the introduction of the community element, the customer interacts with communities of their own choosing. Marketers need to interact with those communities to achieve a variety of benefits, including spreading positive word of mouth and gathering information about the needs and preferences of the customers. (Palmer & Koenig-Lewis, 2009).

Figure 1 works also well in the crowdfunding campaign context. The project creators (producers) are in constant interaction with the individual backers (customers) but also with all the supporters of the project (community). In order to fully utilize their viral marketing strategies, the project creators must address both the individuals and the community at large.

In the modern marketing setting, Internet users are searching for more enduring stable relationships and longer term solutions to gain information that guides them over a longer period of time. Marketing crowdfunding projects has changed from one directional messaging to multi-directional messaging, where
the information exchange is a two-way communication between users, and occurs on different modes of communication, like blogs and instant messaging. (Vass, 2013).

Crowdfunding sites attract a wide community of backers. The backers study projects before supporting them, but in addition to that, they share the information about projects through social media, thus spreading it among their followers (Moisseyev, 2013). To take full advantage of social media, the project creators use their personal network to employ viral marketing strategies. To reach their personal connections, the creators have also reported sending emails once or twice a week to remind their connections to support the campaign. (Hui et al., 2013).

The way crowdfunding platforms support social media integration and content sharing can be seen as a combination of both the reward strategy and the parasitic strategy. Sharing the campaign site is a way for the backers to ensure that the project they are supporting gets enough funding to be successful, thus allowing them to get access to the rewards they seek. Most crowdfunding campaigns even grant backers extra rewards in forms of stretch goals, which are certain additional rewards or content that the project creator promises to deliver in addition to the original rewards in case certain conditions are met. This can be seen as part of the “rewarding users for inviting friends” aspect of the reward strategy.

The parasitic strategy used in crowdfunding campaigns is based on the quality of the content produced for the campaign. If the project pitch video or the project itself is entertaining and interesting, the more likely it is for the potential backers to invest their time and money in the campaign, and share the campaign site to their own social networks.
Chapter 3: Crowdfunding in the Game Industry

This chapter delves deeper into the concept of crowdfunding, presenting it as a viable means for attaining funding for game development projects.

First topic in this chapter is the video game industry. The structure of the industry and game projects is introduced in order to understand how crowdfunding works in the game industry.

This chapter also provides a review on the influence of crowdfunding’s role on the way games are developed, based on observations and findings from previous studies. This analysis is used as the basis for the empirical study.

3.1 Understanding the game industry

According to the statistics presented by the Entertainment Software Association ESA, more than 150 million Americans play video games and 63% of American households play video games regularly, at least 3 hours or more per week. The most frequent gamers feel that computer and video games provide more value for their money (52%) compared to DVDs (23%), music (14%) and going to movies (10%). The total consumer-spend on the game industry in 2015 was 23.5 billion USD. (ESA, 2016.)

Video games also appeal to both men and women. The findings from ESA (2016) show that women who are 18 or older represent a significantly greater portion of the game-playing population (31%) than boys who are 18 or younger (17%). There are some minor differences in the demographics, as the most frequent female game players are on average 44 years old and the average male gamers 35 years old.

As we can see, the game industry is a major entertainment industry. To better understand the game industry, it is important to understand the structure of the industry, the actors within the industry and what makes video game products unique.
3.1.1 Structure of the game industry

Games are typically created by a developer and released by a publisher. A publisher may release games for several developers, and developers may create several titles. There is strong evidence that the game industry is getting more crowded as technology advances and new game consoles are introduced. The industry is currently settling on an average of 2 titles per developer, but however, to be considered in the elite, the developers must publish 20 titles (Morelli & Gunes, 2012).

Game developers can be individuals or game companies that are usually project- and team-based game development studios. These studios typically maintain a core full-time workforce of talented employees who prepare new projects. The designer is the center of the development effort in many teams, but the designer is not necessarily the key actor in completing the game, and that the whole team’s efforts are critical for a game’s development. (Tschang, 2007.)

Relationships between developers and publishers can be generally characterized by two issues: the publishers’ focus on intellectual properties (IP) and their tendency to control the development process. Increasing project costs and the associated risks have driven publishers to focus on combining established gameplay ideas with an interesting IP that are potentially interesting to consumers. Publishers strongly encourage game companies to make their games more user friendly and easier to approach. This is also related to the hit focused nature of the industry. (Tschang, 2007.)

The production of games takes place at the development stage in which games are conceived, created and programmed. Development teams can work independently, but they are often purchased by publishers and distributors who seek to vertically integrate the development function in-house. Despite this, the independent developer approach remains to be the most fruitful, and the most successful game designers tend to work and produce better games without interference from a larger corporate structure. (Williams, 2002.)

In their need to manage the increasing size and complexity of games and their development, the game development teams have started to search for process improvements. These improvements are not necessarily driven by concerns such as cost minimization, which are traditionally seen in other industries. The increasing scale and complexity of the projects also increases the development costs, and various industry accounts indicate that costs have gone from a few hundred thousand dollars per game about 10 years ago, to several million dollars or more for a high-quality game today. (Tschang, 2007.)

These developments mean that the relationship between developers and publishers has become less important and the aforementioned independence has become more and more valued. Obtaining funding from somewhere else than from the publishers, especially through crowdfunding, has become much easier than before and has encouraged developers to work independently and create games without the pressure from the publishers. While this “indie-developer”
model has its advantages, it also requires that the developers have good project management skills.

3.1.2 Business models in the game industry

Traditionally, business models are used to explain how a company works and how it makes money. Business models are often depicted as static descriptions of the companies’ activities in the market. Markets aren’t static however, which means that companies must respond to changes in the market. (Ojala & Tyrväinen, 2011a).

The business model consists of the product, value network, value delivery and the revenue model. Companies seek to create new opportunities and bring them to the market. By acting in the market, companies can experience how their business model fits the needs of the market. This makes it possible to identify the potential partners for the value network, to see how value can be delivered between the partners, and to determine the revenue model to be aimed at. The business models allow companies to see how the market reacts to the business opportunity. (Ojala, 2016).

It is important for the companies to recognize who are the actors in their value networks. This can be achieved through identifying the value of the company and how this value can be delivered in such a way as to benefit all the actors in the network. By defining their value network, a company can map all the actors that could benefit from its product offering, and thus add value to the end users through their product. Doing this can also help a firm avoid partners who might hinder the company rather than add value. (Ojala & Tyrväinen, 2011b).

The company’s value network may include suppliers, customers, and strategic partners, all of whom can add value to each other’s products (Ojala & Tyrväinen, 2011b). A traditional example of a value network in the game industry is the relationships between game companies and publishers. On the other hand, choosing the wrong partners for publishing or outsourcing development can prove as a hindrance to the company. As Morelli and Gunes (2012) point out, when technologies change, the industries behind them may change as well. The relationship between developers and publishers has changed through the history of the relatively young industry, and it will keep changing in the future.

Besides the classic business model of selling video games as a boxed product through retail, video game companies have started to seek new business models through other members in their value networks (Olsson & Sidenblom, 2010; Ojala & Tyrväinen 2011b). The video game market includes a broad range of products, ranging from high-end games that require specialized platforms to simple games that are delivered free through the Internet (Ojala & Tyrväinen, 2011a). In addition, video games are digital products, which gives the software vendors the option to distribute them through digital channels. The close relationship between video games and the Internet results in some interesting possibilities for new business models, new markets and new growth. (Olsson and Sidenblom, 2010.).
While every game project is different, game developers use specific ways to monetize their game products. Perry (2008) lists 29 different business models for the video game industry based on his observations from the game industry. As many of the business models presented in his list share similarities to each other or represent different niches, Olsson and Sidenblom (2010) narrowed the list down to six core business models for video games:

1. Retail
2. Digital distribution
3. Subscription
4. Player to player trading
5. Micro-Transactions
6. Advertising

These business models represent the monetization of an individual video game product, and game companies can have multiple products in their catalogue with different business models. According to Olsson and Sidenblom (2010), games are usually financed through one or more of these six core business models, meaning that multiple models can be used on a single product. For instance, a video game bought through retail can also have micro-transactions in the game.

In their survey, Olsson and Sidenblom (2010) found out that there is a small awareness gap between some of the business models. The business models that most people have experienced are the retail and the digital distribution models, and the player to player trading model and the micro-transaction model were less known. This is likely to have changed with rising popularity of Free-to-Play (abbreviated as F2P) monetization model, which utilizes especially Micro-Transactions and Advertising business models.

### 3.1.3 Innovation and creativity in video game products

Video games are traditionally divided into PC games, console games, handheld games and mobile games. These different technologies are usually incompatible, yet it has become increasingly common for game developers to have a multi-homing approach to the markets by porting and releasing their games on different platforms. New tools and programming environments such as the game engine Unity 3D are making it easier for the developers to create games for multiple platforms. (Landsman & Stremersch, 2011.).

The history of video games is a history of constant change and innovation and battles over standards. The industry has progressed through a development stage characterized by small-scale inventors, and an expansion and legitimization phase based on popular acceptance and the promise of profitability. It is currently in a maturation and diversification stage, which is characterized by the wide variety of genres and the multiple capabilities promised by the newest generation of machines. (Williams, 2002.).
A major factor in the development of game industry is the technological progression of gaming platforms. Since the beginning of video game industry in the 1970s, eight sequential generations of game consoles have been introduced, one every five to six years. Each generation is typically characterized by a superior technology, often with new and superior console accessories, and consists of a small number of competing, incompatible video game consoles and a collection of game titles. (Landsman & Stremersch, 2011.)

This constant advancement of technology has created a situation where game products also should evolve and innovate in order to survive. While simultaneously adjusting to rationalizing influences such as production issues and business interests, the game industry has had to ensure that at least some creativity is preserved. This involves innovating, mostly incrementally but occasionally radically, like when innovating on new genres. Many successful new games are not simply replicas of established games, but must contain something new to satisfy consumers’ need for novelty without departing so much from the valued parts of the genre or original game, as in the case of sequels. (Tschang, 2007.)

Much like in other industries, these innovations in the game industry have risen mostly from new startups than from bigger companies. Kultima and Alha (2010) have found out in their studies that many people from game industry see the field as something that is unique, and where games themselves are regarded as something intrinsically innovative. But as the game industry has matured, the innovations have become more incremental and the industry has been accused of a lack of innovation and relying too much on existing intellectual properties. Most innovations tend to arise from ideas invented by individual designers. Traditionally, the creativity of the designers is seen in how designers came up with the core concept that underlies an entire game and its detailed game design. The creative vision of the initial designer or design team would also shape the way other developers implement their game. (Tschang, 2007.)

Innovation still remains an important value for game developers, but the reality of the business does not always support it. Innovation can be seen as a big risk, and many big companies are therefore more likely to resort on iterating previous titles or copying successful concepts rather than trying something new. At the same time, innovation is perceived as the number one strategy to distinguish products from competition, making different views of success and valuation hard to express. Innovation is part of the game developers’ professional pride, and peer respect is gained through new inventions and unique, successful games. Some developers even argue that their whole purpose in the industry is to innovate. (Kultima & Alha, 2010.)

For the most part, creativity and innovation within the games industry is driven by independent game companies. Spin-offs from existing companies usually happen when employees leave to pursue fresh game design ideas, or to gain independence from existing employers. In some cases, they attempt to be innovative immediately with their first products. However, they often work on established and incrementally innovative IP from publishers. (Tschang, 2007.)
Game companies seek to innovate because they might want to test the innovativeness of their designs, or to make name for themselves beyond simply contracting work from a publisher. They innovate by developing their own original content, forms of gameplay, or both. (Tschang, 2007.)

It can be therefore concluded that creativity and innovation, in both new gaming platforms and game software, are one of the driving forces behind success in the game industry. But as big game companies are becoming more reluctant to spend resources on innovative game design, small startups should develop innovative ideas in order to get enough attention in the saturated market.

3.1.4 The role of consumers in the game industry

Consumers have a strong influence on the publishing and development decisions in the game industry. The typical consumer tends to buy games within genres of their interest, rather than from different genres. The consumers’ taste for familiarity, as well as desire for novelty, also contributes to the tension in game design. Consumers also offer feedback to the developers based on their experiences and interactions with games. (Tschang, 2007.)

Game development is driven by two separate types of gamer audiences, the hard-core gamer and the casual gamer. Hard-core gamers expect superior performance and have generally higher standards, and often function as opinion leaders for the marketplace. (Williams, 2002.) This distinction has its flaws though, as some players might be hard-core fans of a certain genre but play some other types of games more casually. Perhaps a more fitting distinction would be to talk about game hobbyists instead of hard-core gamers.

Developing video games is an ongoing process, which typically includes some form of player input. This input could take the form of data about the player gaming behaviors, which might result in the game company updating their game. The input can also take the form of player feedback through social media influencing changes to a published title, or the form of in-game user-generated content, or key paratextual material such as wikis, walkthroughs and “Let’s play” - videos. (Smith, 2014.).

As we can see from the literature, the players have a significant role in the game development, and not only because they are the consumers who are paying for the game products or content. They form active communities that offer feedback and support to the games they enjoy. This increased connection between game developers and player communities is one of the benefits of the constructive influence offered by players (Smith, 2014).

3.2 Crowdfunding in the game industry

Both the crowdfunding phenomenon and the game industry are strongly influenced by their respective communities. Therefore, it is not surprising that the
Crowdfunding phenomenon has been growing strong in the game industry. Crowdfunding also offers a viable solution to those game companies seeking to fund and validate their new, innovative game ideas.

Crowdfunding campaigns within the game industry have some factors that are unique to them. It is also important to notice how game projects represent a major share of all crowdfunding campaigns.

3.2.1 Statistics of game industry crowdfunding campaigns

During the past few years, crowdfunding has become a multi-billion-dollar business. The total amount of money of all the over 100,000 projects funded through Kickstarter is over 2 billion dollars, and the Games category itself has had over 23,000 projects with over 425 million dollars successfully pledged. ( Kickstarter-website, 2016).

Strickler and Benenson (2012) point out that this growth in game industry crowdfunding began in 2012, which they dubbed the “year of the game” for the crowdfunding platform. According to statistics collected by Kickstarter, more dollars had been pledged to Games projects than to any other category in 2012. The popularity of Kickstarter grew exponentially fast in 2012, which also had the first few games that raised more than a million dollars, such as the Double Fine Adventure which raised over 3 million dollars in funding. Double Fine Adventure was brought up as the catalyst for the growth by Strickler and Benenson (2012). They also mention that the average successfully founded video game raised 96,000 dollars in 2012, and given the rate of how much popularity Kickstarter projects have gained since then, the current number is probably higher.

These findings were further analyzed by the anonymous author of the Evil As A Hobby-blog (2014), who gathered data from crowdfunded game projects that successfully received their funding through the Kickstarter-platform between 2009 and 2012. This data was also made accessible for everyone in a Google Sheet form, and the link to the data was given at the Evil As A Hobby-blog.

According to the data presented in the Evil As A Hobby-blog (2014), there were a total of 366 game industry Kickstarter-campaigns between 2009 and 2012, with over 48 million American dollars’ worth of funding raised through the site. Out of these projects 37% have been fully delivered, 58% were marked as still ongoing or partially delivered, and only about 5% have been either cancelled or on a formal hiatus. It is also worth noting that 97.5% of these projects were due to end by 2014, the year when the data was gathered.

The latest statistics from Kickstarter show that in 2015 more than 978,000 backers pledged over 144 million dollars to all the projects in the Games category, which includes both video games and tabletop games. This is nearly twice as many people and nearly twice as much money raised as in 2014. More specific data shows that video game projects raised over 46 million dollars in funding with 374 successful projects. (Crane, 2016.). It is also worth noting that the number of successful projects in 2015 is more than the total of projects successfully
funded between 2009 and 2012. From these numbers, we can see that crowdfunding campaigns are a rising trend in the game industry.

### 3.2.2 Crowdfunding as an alternative

The advent of crowdfunding has also influenced the way the game industry projects are created. As big game companies focus on existing intellectual properties or popular genres that have proven profitable, small developers aim to get more revenue by creating something more innovative. Guillaud et al. (2013) mention that crowdfunding has revitalized certain portions of the video game industry, and that crowdfunding seems to have contributed towards new genres and ideas while simultaneously allowing for developers to fund projects they have sought to work on for years but found traditional funding lacking. They also point out the fact that certain genres and projects are more popular on crowdfunding platforms suggests a failure in the traditional industry to provide certain types of games to the consumers’ satisfaction.

According to Smith (2014), the crowdfunding model enables project backers to significantly influence the creative decisions that game companies make within development processes, which makes crowdfunding a clearly production mode from that of traditional publisher funding. Creativity is also mentioned as an important reason for crowdfunding by Kuo and Gerber (2012), since creators and funders use the crowdfunding platforms to share creative ideas, search for creative inspiration and connect with other creative individuals. They add that although the role of crowdfunding platform hasn’t been clearly positioned as a creativity support tool, the platforms do encourage people to get their creative ideas exposed, recognized, validated and supported.

This seemingly transparent production processes that crowdfunding entails can be considered as distinct from those that often accompany the conventional publisher funded model. Major publishers limit interaction between the development process and prospective player, and will usually communicate selected information regarding a forthcoming title via carefully timed trailers, screen-shots, press releases and journalistic interviews with development teams. (Smith, 2014).

These findings show that there has indeed been a major change in the way games are funded. Instead of going for big publishers, many developers seek to gain funding directly from the customers via crowdfunding. The game industry crowdfunding projects often represent either game ideas that the developers haven’t secured funding for through traditional means, or game ideas that are hard to pitch to large companies. Approaching the potential customers directly is a viable alternative for securing funding.

Game development is expensive and the development teams need sufficient funds to make the game. Crowdfunding sites like Kickstarter or Indiegogo have made it easier for the developers to seek funding through individual investors. The way game industry crowdfunding campaigns operate has essentially
been standardized. The usual approach resembles pre-ordering, in that customers pre-emptively pay for the game and in turn receive various perks in the form of merchandise and the game in question at a discounted price. This phenomenon has changed a lot of things in the video games industry, such as the connection between developers and customers and the genres of games developed in the industry. (Guillaud et al., 2013). 

As with all crowdfunding, there are naturally some potential issues with crowdfunding game projects. Even if the funding is successful, there is no way to ensure that the project can actually fulfill its promises. The backers have to rely on the information given by the project organizers in order to make their funding decisions and trust that the project is realized as promised. Sometimes the project scope changes as the crowdfunding exceeds its original funding goals, requiring the game developers to adjust their plans according to the new budget as well.

### 3.2.3 Risks of crowdfunding campaigns

Not every crowdfunding campaign is successful in raising funding, but even successfully funded campaigns can end up as failures. Every campaign has their own risks that the project creators need to address in their campaign page.

Based on the data gathered from Kickstarter (Evil as a Hobby-blog, 2014), we can see that the majority of the game projects launched in Kickstarter did not meet their initial target date for reward delivery. Mollick (2013) mentions this same phenomenon, pointing out that crowdfunded projects are prone to delays as initial resource endowments may prove inadequate. According to Mollick, larger projects, and projects that most exceeded their goals, are at the greatest risk for these delays.

This is not unusual for software projects in general. According to Jones (2006), large software projects are very hazardous business ventures, and cancellations, delays, and cost overruns have been the norm rather than the exception. Jones also concludes that large software projects will never be without risk, but bringing these risks down to acceptable levels can please the clients and executives.

Addressing these risks is also crucial to successful crowdfunding campaigns, as crowdfunders are becoming more risk averse due to the amount of high profile projects failing to deliver the promised rewards. As Cumming et al. (2015) note, there are concerns that crowdfunding is simply shifting the entrepreneurial risk to the crowd, and that some entrepreneurs may exploit an unsophisticated crowd. Therefore, it is important that the potential risks are addressed well beforehand in order to convince the potential backers that the project is handled well.
3.2.4 Reaching for the crowd

Developers are generally expected to provide crowdfunding communities with deep, regular insight into the development process, while absorbing and responding to their feedback.

After creating a campaign page that shows the initial details of the project and the initial funding target, the game developers are typically engaged in a sustained communication with the crowdfunding community throughout the campaign phase. The description on the campaign page includes an in-depth outline regarding details of the proposed game project. The game developers will also likely drip-feed additional project details via updates on the project page, thus potentially sustaining the community’s interest while also possibly extending the coverage that the project will receive within the online gaming press. (Smith, 2014.)

As an integral part of the campaign, the community is also able to communicate directly with the developers, voicing support, queries and concerns. The feedback from the community can also result in game developers course-correcting their outlined plans. (Smith, 2014.) Being able to receive community feedback in this manner is one of the benefits of using crowdfunding to fund game projects. Smith (2014) comments that game developers might regard specific alterations to their development plans in response to the demands of a crowdfunding community, and that these alterations to cater to the backer feedback can be highly necessary to achieving funding goals. Interestingly, these backer-suggested alterations can be seen as a parallel to the feedback given by publishers in a more traditional model.

As the customers are taking part in the development of the games they want to buy and play later, they are making both a pre-order and a long-term investment (Guillaud et al., 2013). Some projects allow backers to customize their own characters or add other features to the game, further reinforcing the interaction between the developers and the community. Smith (2014) mentions that the promise of co-creation appears to be a key factor motivating financial contributions to video game projects, and that the crowdfunding process also gives an opportunity to harness the input-capacity of a community in the post-campaign phase.

Creating a community of gamers who are excited about the game is not an easy task. But if they are addressed the right way, they can create a strong network of supporters who are eager to share marketing messages and contribute to the game development process through feedback.
4 THE DYNAMICS OF SUCCESSFUL CROWDFUNDING CAMPAIGNS

This chapter summarizes the findings from the previous chapters and presents a model for five overarching factors for crowdfunding success: rewards, goals, quality, team and community. These factors are analyzed further and the key findings of each factor are presented.

4.1 Findings from previous studies

In his study about dynamics of crowdfunding campaigns, Mollick (2013) found out that crowdfunding projects usually either succeed by narrow margins or fail by large amounts. He also points out that the success of the crowdfunding campaigns appears to be linked to project quality and community building: Projects that have a higher level of quality are more likely to be funded, while good connections on online social networks are associated with success as well.

Other elements found in the studies are that having smaller goals, shorter durations, many reward categories and informative videos are likely to grant additional backer support. Campaigns featured by the Kickstarter website are more likely to receive additional backer contributions. Potential backers are also much less interested in supporting a project after it reaches its funding goal. (Kuppuswamy & Bayus, 2013).

The individual social capital of the project creators also has a significant positive effect on the probability to reach the target fund (Giudici et al., 2013). The social network of project creators influences the success of crowdfunding ventures, as it provides connections to funders as well as endorsements of project quality (Mollick, 2013).

The previous studies suggest that in order to be successful, the crowdfunding campaigns need to focus on community building and project quality, but that there are also other factors that need to be taken into account. The community building aspect can be seen as one of the most important means of gaining the
attention of the crowd, while ascertaining the quality of the product and having a good command of the crowdfunding platform are essential to having the funders contribute to the cause. Also, the preparedness and the social networks of the project creators are a significant factor to success.

Based on these findings, we can see that there are five distinctive factors that greatly affect the success of crowdfunding campaigns. The figure 2 was created to help visualize these factors and their relationships.

![Crowdfunding Success Factor model](image)

The five major factors presented in this figure can be set into two groups: ‘campaign factors’ and ‘human factors’. The ‘campaign factors’ (rewards, goals and quality) are factors that are directly related to the crowdfunding campaign and the project itself. The ‘human factors’ (community and team) on the other hand represent factors that are influenced by the people who are running or supporting the campaign.

### 4.2 The five factors of success

As presented in the figure 2, there are five major factors to successful crowdfunding campaigns. These factors are broad groups that consist of smaller factors that influence the success of the campaigns.
4.2.1 Rewards

Campaigns with many reward categories are likely to gain backer support (Kuppuswamy et al., 2013). To ensure a viable crowdfunding campaign, the campaign creators must provide an appropriate environment for the crowdfunders to enjoy sufficient community benefits from their participation (Belleflamme et al., 2013). These community benefits can be anything from being able to pre-order the funded products, access to limited editions or completely backer exclusive material and social benefits such as a chance to appear in the finished product or to meet the campaign creators in person.

The campaign creators can affect the compensation of crowdfunders with more reward levels in order to make pledging more attractive. More reward levels increase the utility of crowdfunders when they have different preferences on how the final product should look, since backers can select the most appropriate reward type for themselves. These choices increase the total amount of pledges, since more backers may want to participate. From the perspective of the entrepreneur, more reward levels reduce the risk of failure. (Cumming et al., 2015)

The importance of stretch goals and additional rewards may have been overlooked by some previous studies, especially due to how hard they are to validate quantitatively. It can be argued that much like how the initial rewards are a major factor, the additional rewards based on reaching higher funding goals have their importance as well. Xu et al. (2014) mention that these additional rewards can be viewed metaphorically as offering discounts on the product to attract customers.

Aside from the rewards themselves, the perceived value of the rewards is a crucial factor. As Cumming et al. (2015) point out, in the context of reward-based crowdfunding, the crowd makes consumption-based decisions rather than investment decisions. This implies that the campaign creators should think about the rewards as means of product differentiation to help them attain funding.

4.2.2 Goals

Setting appropriate funding goals is paramount for a successful campaign. Many crowdfunding campaigns fail to set reasonable funding targets given the scope of their creative idea, resulting in failure. Statistical analyses also confirm that campaigns with smaller goals or that have a shorter duration are more likely to succeed. Increasing goal size can therefore negatively affect the campaign success. (Kuppuswamy et al., 2013; Mollick, 2013.).

The goals set for the project are a major success factor. The length of the campaign, the feasibility of the funding goal and the potential stretch goals are all important factors for success. As Mollick (2013) points out, a longer duration decreases the chances of success, possibly because they are a sign of lack of confidence. Another reasoning behind this is that longer campaign durations tend to be associated with higher goals, since the campaign creators assume that they can reach higher funding goals with a longer timeframe.
The campaigns that use the AON funding model show commitment and thus reduce risk to the crowd, as underfunded campaigns will not be undertaken under with AON. The AON model therefore reduces the risk to the crowd, which enables campaign creators to set higher goals, raise more money, and be more likely to reach their stated goals. In the case of reward-based crowdfunding, the level of the funding goal can ensure that the campaign creators will limit the risk faced by the crowd only by starting the project with sufficient financial resources. This maximizes the chances that the creators will be able to deliver the promised rewards to the crowdfunders. (Cumming et al., 2015)

Aside from the new rewards and improved product associated with the stretch goals, the goals themselves are also an important factor. Much like with the original goal, having stretch goals that are attainable can be a huge motivator to the backers to keep investing to the crowdfunding campaign and even invite new people to invest as well. Kuppuswamy et al. (2013), found out that there is a strong bystander effect that the project creators need to overcome in order to reach their funding target: the initial excitement around a new project is quickly followed by a sharp drop in support as potential backers assume that others will provide the requested funding. Stretch goals are a tangible new goal for the potential backers to aim for, thus alleviating the bystander effect.

Stretch goals are also a way for the campaign creators to scale their projects. Cumming et al. (2015) mention that campaign creators are able to reduce the costs by removing some features to the goods. They expect campaign creators to use KIA models for scalability, but in case of AON models, this scalability can be achieved through stretch goals: in case the project receives more than the initial goal in funding, the quality of the product will be increased through additional content.

4.2.3 Quality

Signals of quality predict success, and signals such as videos and frequent updates are associated with greater success, and spelling errors reduce the chance of success. Success is therefore linked to the quality of the products. Producing a video is a clear signal of at least minimum preparation, so having a pitch video is an indicator of a higher-quality project. The fact that backers respond to quality signals to a large degree suggests that financial backing is based on a rational assessment of the chance of a crowdfunding campaign succeeding. (Mollick, 2013). Cumming et al. (2015) also point out that when given a choice between KIA and AON models, using the AON model signals quality.

Crowdfunding campaigns can use these signals assure the potential backers of the product quality. Because crowdfunding campaigns introduce new products and services, uncertainty and information asymmetries are prevalent. However, since crowdfunding initiatives often rely on products that are not yet on the market in finished form, the potential funders have to rely only on the description and promise on what the final product will be like. (Belleflamme et al., 2013.)
Therefore, it is very important for the crowdfunding campaigns to be as transparent as possible in order to gain the interest and trust of the potential backers. The signals of quality can also be the materials used in the crowdfunding campaign. These campaign materials can range from separate project websites to high quality infographics and illustrations on the campaign page. Cumming et al. (2015) list these signals of quality in the form of soft information, such as longer catch phrases, photos, having a video pitch, and longer yet easier-to-read project descriptions. Gerber et al. (2012) on the other hand list the following signals of quality that influence project funding success: the use of hard information in product detail, extended narratives and concrete descriptions, endorsements by group leaders, and building strong interpersonal connections.

Other studies have also highlighted the relation between the project representation and the outcome of the campaign. The results suggest that campaign creators should focus on improving quality signals through the project representation. (Xu et al., 2014.).

4.2.4 Team

The crowdfunding campaign is unlikely to succeed if the team has not been prepared to organize the campaign, or even lack entrepreneurial experience to deliver the promised rewards. Careful planning is required to create a successful campaign and to prepare for a crowdfunding success and execute the funded project (Mollick, 2013).

A lot of the credibility of the crowdfunding campaigns comes through the presentation pitch, the legitimacy of campaign creators, and the ability to respond and deliver what they have promised to the backers (Guillaud et al., 2013). Just like the potential crowdfunders estimate the quality of the project, they also assess how likely the team is able to deliver their promises.

Experienced teams and entrepreneurs are usually a lot more prepared for running the campaign. In discussion with project creators, Hui et al. (2013) found out that the campaign creators felt that they needed to gain entrepreneurial experience outside their skillset during the campaign. They also found that there are three types of work that the project teams do for the crowdfunding process: prepare campaign materials, market the project and follow through the project goals.

Preparing the campaign material includes all crowdfunding related efforts prior to the campaign launch. The campaign creators prepare for the campaign by searching for similar projects on crowdfunding platforms, reading crowdfunding related blogs and going through tutorial pages on the crowdfunding platform. The creators can spend three to six months on learning new skills and understanding the crowdfunding process prior to the campaign. Investigating other projects helps creators to decide on ideas for the materials for their campaign page and the nature of communication with their supporters. (Hui et al., 2013). In addition, expectations for communication efficiency may increase over
time as funders become more sophisticated and less forgiving of the lacking business skills of novice project creators (Gerber et al., 2012).

Apart from the experience of the team, one other team related factor is the individual social networks of the team members. These networks provide benefits to the campaign creators in terms of endorsements and access to resources (Mollick, 2013). The probability of success is also higher for teams that have high levels of individual social capital (Giudici et al., 2013). This can also tie into the findings of Cumming et al. (2015), who found out that larger team sizes give a small increase to chance of having a successful campaign.

### 4.2.5 Community

The fifth factor, community, is probably also the most important. According to Belleflamme et al. (2013), building a community that supports the crowdfunding campaign is a critical ingredient to make crowdfunding more profitable than traditional funding. They add that in order to make crowdfunding a viable alternative to investor or creditor-based funding, the campaign creators need to build a community that ultimately enjoys receiving additional benefits from their participation.

Campaign creators need to be proactive by posting public and private updates. Project updates are particularly important since they represent one of the drivers that can be directly influenced by project creators. Also, crafting an online marketing campaign is important in generating excitement and backer support throughout the funding cycle. (Kuppuswamy et al., 2013.).

The economic model of crowdfunding appears to necessitate the campaign creators to frequently interact with the crowdfunding community, if only so as to either appeal to the latter or satisfy the former (Smith, 2014). Thus, dedicating someone to keep in touch with the community and engage people through social media is crucial for success.

Hui et al. (2013) found out that the project creators market their project through social media, emailing people in their social network, and contacting news media outlets. According to their study, the project creators spend 2-11 hours a day on marketing during a live campaign, which can last almost two months. Additionally, the size of the creator’s social network and their online presence may influence the motivation of potential backers to participate (Gerber et al., 2012).

Aside from funding and marketing purposes, crowdfunding communities have an important role of creative support. Gerber et al. (2012) emphasize that receiving online validation supports perceptions of ability and pushes people to expand capability. They continue that people build beliefs in their ability through social interactions and that people engage in these communities to build self-esteem. This was supported by their findings of how the crowdfunding campaign creators are motivated to receive validation and connect with others.

The crowdfunding communities exchange ideas and feedback between campaign creators and funders through blogs, online updates and comments.
Crowdfunding platforms help the campaign creators to consult and collaborate with others easier and faster. The platforms support online communities through providing options for feedback and validation, which are critical to creativity. Campaign creators receive feedback from their funders and crowdfunding platforms as they launch the projects; their ideas are validated and supported publicly (Kuo & Gerber, 2012).

Updating the campaign to keep the community up to date is an important and critical part of managing a campaign. Updates are usually similar to a blog posts and their design intent is to help project creators keep the community informed on the development of the project and the campaign. Prior research suggests that updates are more predictive of success than the project description, and frequent updates are used to gain more support from the funders. (Xu et al., 2014).

There are several ways for the campaign creators to maintain community relationships through updates. Answering questions, sending reminders, making progress reports, social promotion, showing new content or rewards and showing appreciation are common types of updates, each of which have different impact on the overall success of the campaign. (Xu et al., 2014). The statistical importance of updates showing new rewards is also tied to how stretch goals are used to motivate funders: Potential backers receiving information through the updates might consider backing after hearing about a new reward, and existing backers might also consider upgrading their contribution to reach a higher reward tier.
This chapter presents the research methods and practices used in this thesis. First, the qualitative research approach is introduced. After that, the practice of theoretical sampling and why it was chosen is explained. Then finally, both the criteria for the data sampling and the process of collecting and analyzing the data is presented.

5.1 Qualitative research

Qualitative research was selected as the method for seeking an answer to these questions. Corbin and Strauss (2008) believe that even if the basic premise is that the research questions dictate the used research method, people tend to be more disposed toward either quantitative or qualitative research. While the crowdfunding success factors can be, as proven by previous studies, studied from a qualitative point of view, these research questions and the point of view of this research were chosen also due to a personal interest to the topic.

This personal interest has helped to create relevant research questions that are part of a greater interest within the game industry, and previous game industry experience was helpful during the interviewing process. According to Corbin and Strauss (2008), when sharing a common culture with our research participants, researchers often have life experiences that are similar to the participants. They came to a conclusion that it then makes sense to draw upon those experiences to obtain insight into what our participants are describing.

Qualitative research is essentially descriptive and inferential in character. These methods focus primarily on the kind of evidence that will enable one to understand the meaning of what is going on. One of the strengths of using qualitative research methods is that they can illuminate issues and turn up possible explanations for the observed phenomenon. Essentially, it is a search for meaning. (Gillham, 2010.)
Gillham (2010) summarizes that qualitative research methods allow researchers to investigate situations where little is known about what is there or what is going on and to carry out research into the processes leading to results. These are two of the main reasons for conducting a qualitative research on the game industry crowdfunding: the process of running a crowdfunding campaign is little known, and this can be studied through a series of interviews to find the tacit knowledge behind the process.

5.2 Theoretical sampling

Though many factors contribute to the quality of analysis, one of the most important factors is the quality of the materials that one is analyzing (Corbin & Strauss, 2008). At the time when the empirical part of this thesis was being planned and during the process of selecting which crowdfunding campaigns to include in the research, there were over 1,700 successfully funded crowdfunding campaigns in the Video Games category in Kickstarter. In order to narrow the potential cases down and find the campaigns relevant to this study, a set of criteria was used to form a theoretical sampling.

Case selection is a frequent challenge in theory building. Due to this, it is important to clarify that the purpose of this research is to develop theory and not to test it. Therefore, theoretical sampling is an appropriate approach in qualitative research. Theoretical sampling means that the cases are selected because they are seen as particularly suitable for illuminating and extending relationships and logic among research subjects. (Eisenhart & Graebner, 2007.).

The selected crowdfunding campaigns were chosen based on the criteria established before the sampling. This is also a common practice since, as Corbin and Strauss (2008) point out, theoretical sampling is concept directed data gathering and analysis. They continue that with theoretical sampling, interview and observational guides are not as relevant as they are to structured forms of research because in they tend to evolve and change over the course of the research. Corbin and Strauss (2008) also mention that the researchers usually have some basic knowledge to draw from when putting together a questionnaire or observational guide, either from experience or the literature.

5.2.1 Criteria for sampling

The empirical research of the thesis is based on a literary review of the current academic studies on the field. The research was conducted by interviewing a select number of crowdfunding campaigns by prominent video game developers. The selected cases were picked by theoretical sampling, and the criteria used for selecting cases for the thesis were:
1. The project must be listed in the ‘Video games’-category of the Kickstarter crowdfunding platform
2. The project must have had a goal of at least $50,000
3. The project is not run by game industry celebrities or be based on any existing intellectual properties
4. The campaign must have been conducted during 2014 or 2015

The first criterion was to limit the sampling to crowdfunding campaigns that are related to the game industry. Limiting the cases to one of the most prominent crowdfunding platforms also ensures that the projects have been organized in a similar fashion.

The second criterion was selected to ensure a certain scope for the project. According to the statistics of finished Kickstarter projects, as gathered by the Sidekick website (Etter, 2016), successful projects in the ‘Video games’-category had an average goal of roughly $46,000. Setting the criteria to 50,000 USD allows us to examine an average project, but also one that is big enough to potentially support a small team of developers for a while.

The third criterion is arguably the most ambiguous one, as it is hard to establish who counts as a celebrity of the game industry. In practice, this criterion was used to exclude projects from developers that have made themselves known by name even outside of the industry, since according to Guillaud et al. (2013), most of the successful projects were relying on the reputation of the developers and project leads or of the existing IP. The aim of this exclusion was to find success factors from those projects that did couldn’t rely on these legacy factors and were thus closer to an average project.

The final criterion was to ensure that the projects were conducted within a relatively similar timeframe. The way how the backers contribute to the campaigns has changed through time as the crowdfunding has become a more widespread phenomenon, and the knowledge available to the creators of the projects has also been increasing as the platforms mature. By limiting the timeframe to certain years, there is a smaller chance for influence of any unknown factors.

5.3 Collecting and analyzing the data

Miles, Huberman and Saldaña (2014) define the process of analyzing qualitative data with three concurrent flows of activity: reduction of data, displaying data and drawing conclusions from the data. According to them, these three actions are done in parallel to each other as an iterative process where the researcher is constantly evaluating the data as they gather it: From the very beginning of data collection, the researcher begins to decide what things mean and makes notes of regularities, patterns and possible explanations.

Dey (1993) brings up the iterative approach to analyzing qualitative data as well, and continues that re-reading the data or producing an account can occur during any particular phase in the analysis. He also mentions that the results
cannot be assigned to categories in advance of analyzing the data, even when conducting a structured interview with open-ended questions.

Miles et al. (2014) recommend documenting the qualitative analysis as a process. The data collecting and analysis process for the thesis was done in four main phases: choosing the sampling of the crowdfunding campaigns, doing background research of the campaigns, conducting interviews and analyzing the answers given by the correspondents.

5.3.1 Sampling

In this research, the data collecting was done through a manual, theoretical sample. The sampling process was conducted through the Kickstarter website by going through the projects listed in the ‘Video games’-category. After applying the sampling criteria, ten prospective crowdfunding campaigns were found. Two campaign pages didn’t have any contact emails, so they were dropped from the sampling process. The remaining eight campaigns were contacted through their email addresses, but only three responded.

All three responding campaigns were open to being interviewed for the thesis. In order to further validate the findings of the data, they were asked if there was a possibility to get a second interviewee from the same company. Only one of them managed to find the time for an extra interview.

Even if the final sample size ended up being rather small, the three campaigns represent three very different projects and offer a solid base for the thesis. While the sample size is not big enough to make general assumptions on how to create successful crowdfunding campaigns, the sampling serves as means to validate the presented model that was based on previous research.

5.3.2 Background research

After receiving an agreement from the campaigns to participate in the study, some background analysis was conducted on each of the project to better understand the differences between them.

Table 1 shows the background information of the campaigns, as seen from the Kickstarter website. The table shows the key statistics from each interviewed campaign for ease of comparison.

<table>
<thead>
<tr>
<th>Campaign</th>
<th>Year</th>
<th>Days</th>
<th>Funding goal</th>
<th>Raised funds</th>
<th>Success %</th>
<th>Backers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campaign #1</td>
<td>2014</td>
<td>25</td>
<td>$75 000</td>
<td>$76 525</td>
<td>102,03%</td>
<td>1,526</td>
</tr>
<tr>
<td>Campaign #2</td>
<td>2015</td>
<td>30</td>
<td>$250 000</td>
<td>$334 754</td>
<td>133,90%</td>
<td>7,433</td>
</tr>
<tr>
<td>Campaign #3</td>
<td>2015</td>
<td>29</td>
<td>$150 000</td>
<td>$156 781</td>
<td>104,52%</td>
<td>1,365</td>
</tr>
</tbody>
</table>
While the sampling isn’t statistically big enough to make conclusions about it, it is noteworthy that the campaign #2 reached a much larger number of backers than the other campaigns in the same timeframe. Another interesting observation from the data was that the campaign #2 also had the highest success percentage, despite having the highest funding goal. These observations were taken into account when holding the interviews.

5.3.3 Interviews

For this study, four interviews were conducted for the three different Kickstarter campaigns, with each interview scheduled for an hour. The creators of the sampled campaigns were interviewed to gain more insight about the tacit knowledge about running a crowdfunding campaign and creating communities for the players who support the project.

Table 2 shows the information about the four interviewees and the roles or responsibilities they have in their respective organizations and within the campaign.

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Campaign</th>
<th>Role or responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee #1</td>
<td>Campaign #1</td>
<td>CEO, Creative Director</td>
</tr>
<tr>
<td>Interviewee #2</td>
<td>Campaign #1</td>
<td>Creative Producer, Virtual Reality Lead</td>
</tr>
<tr>
<td>Interviewee #3</td>
<td>Campaign #2</td>
<td>COO</td>
</tr>
<tr>
<td>Interviewee #4</td>
<td>Campaign #3</td>
<td>Director of Products</td>
</tr>
</tbody>
</table>

The interviews were conducted using Skype, and were recorded and transcribed for further analysis. The interview questionnaire consisted of a list of open-ended questions that were grouped to seven main categories: project background, rewards, goals, quality, community, team and running the campaign. The categories were based on the five success factors of the model introduced in Chapter 3, but also included questions about the way the crowdfunding project was conducted and the respondent’s role in the campaign.

The interviews were scheduled beforehand and they were conducted within the allotted timeframe of an hour. The respondents didn’t receive any questions beforehand, but they were given a short briefing of the topics covered in the interview. This allowed them to come to the interview with an understanding of the context of the interview, but lowered the cognitive bias and the chance of pre-constructed answers.

5.3.4 Analysis

The premise of the interviews was to test the proposed success factor model. In order to do so, the interviewing process began with the structuring of the interview questions. Based on the findings of the literature review, the interviewees were asked questions about their crowdfunding campaigns in order
to record the tacit knowledge and understanding of what makes a crowdfunding campaign successful.

As part of the analyzing process, the data from the interviews was categorized based on how often it appeared during the interviews. These categories were further analyzed and organized according to what success factor they were associated with, in order to find out if there was any correspondence between the data gathered from the interviews and the model created based on theory.

5.4 Validating the results and confirming findings

A valid account is one which can be defended as sound because it is well-grounded conceptually and empirically (Dey, 1993). In order to have valid results, the interviews and the data gathered from the campaigns would have to provide enough data to answer the research questions. Findings are more dependable and their validity enhanced when they can be confirmed from several independent sources (Miles et al., 2014), and multiple sources of evidence in a case study may help to provide a better, more valid picture of the whole (Gillham, 2010).

Conducting and validating a qualitative research has its difficulties. As mentioned by Miles et al. (2014), researchers need to be mindful about the multiple sources of analytic bias that can weaken or even invalidate the findings. These biases are hard to avoid completely, but they were taken into account when designing the interview questions, conducting the interviews and analyzing the data. In order to mitigate the impact of the bias, the interview questionnaire was proof-read externally to avoid questions that would be either leading or too specific.

The cases used in this research represent a small subset of the whole game industry crowdfunding campaigns, which helps to alleviate the inevitable differences between the campaigns. In order to further help validate the results, there were two interviewees from the same project. Cross-referencing their responses helped to confirm observations made from other interview results as well.

Unfortunately, the size of the sampling is smaller than would have been preferable, which has its implications to the findings of the study. The limited amount of time available to the researcher, combined with the lack of interested correspondents resulted in a situation where only a handful of companies could be interviewed. The quality of the interviews was then held at a high priority, and having multiple interviewees from a single company was chosen as means to validate the findings better.
6  FINDINGS OF THE STUDY

This chapter presents the results and analysis of the case studies. First, the findings from the interviews are presented and compared to the success factor model presented earlier in the thesis. Finally, the revised version of the success factor model is presented.

6.1  Findings from the Interviews

The interviews were held to confirm whether the proposed success factor model is sufficient enough to cover all the major factors for the success of game industry crowdfunding campaigns. The interview questions were phrased to encourage the respondents to share their personal experiences of running a crowdfunding campaign and comment on how these experiences influenced the success of their campaign.

All four interviews followed the same basic structure. The interviewees were first asked to introduce themselves and the project they were seeking funding for, and then they proceeded answering questions about the planning of the campaign rewards, funding goals of the project, building of the community, the team behind the project and details about the way the campaign was run. As an open-ended interview, this structure was used just as a reference point and the actual questions asked depended on the answers given by the respondents.

6.1.1 Interesting observations

Perhaps unsurprisingly, there weren’t answers that would outright contradict each other or the findings from previous studies. Some respondents had slightly differing points of view as to how the campaigns should be run and marketed, but they were all similar in how the campaign should be structured or planned.

All respondents emphasized the importance of planning and doing research about existing campaigns before launching their own campaign. Their
methods and planning times were slightly different, but each of them had at least a few months of planning before the campaign started.

One of the respondents pointed out how certain crowdfunding campaigns have made use of the acquired fame and name of the developers or their team members.

“I know that a lot of Kickstarters sort of leverage celebrity names. Either celebrities who are game developer celebrities or they have locked in some certain maybe voice talent or something like that.”

This coincides with the findings of Guillaud et al. (2013). It also reaffirms the choice of the sampling criteria of this study, namely the criterion to exclude any projects from famous developers. Another respondent commented about the same phenomenon, saying that the campaigns that have a very strong pre-existing community and fan following with an emotional attachment to their IP can leverage that advantage in ways that are not available to less renowned projects.

Another respondent mentions that running a crowdfunding campaign is an “crazy experience” and continues that it is much like having a baby.

“You spend months preparing, talking to all your friends who already have kids. They tell you a whole bunch of stuff, and they always tell you, ‘No matter how much I tell you, you just aren’t going to understand until it happens to you’. The Kickstarter is a lot like that.”

The key finding from this is that not only is a crowdfunding campaign an important endeavor for the organization, it is also a tough experience for the individuals who organize and run the campaign. All respondents described it as tiring, and two of them even mentioned having had to cut their sleep short in order to deal with the amount of feedback and comments that they had to respond to.

6.1.2 Reviewing the findings

Majority of the answers given by the respondents fit into the success factor model without any adjustments. The interviewees brought up the key themes of the model themselves, with a major emphasis on team experience and community building. The goals and rewards were also discussed in detail and validated some of the previous findings and the success factor model.

When grouping the factors the respondents had brought up in the interviews, there were multiple different factors that did not fit well into the proposed model without over-extending the definition of the categories. Based on this observation, it was necessary to create a revised version of the success factor model with an additional success factor category.
6.2 Revised Success Factor Model

Based on the findings of the interview data, majority of the factors for crowdfunding campaign success fit the success factor model introduced in the thesis. There were some factors that were not as prominently featured in the literature when creating the first model, resulting in a need to revise the model and add one extra category for the success factors.

The revised crowdfunding success factor model is presented in the figure 3, with the new category ‘Preparation’ being included as a new human factor. It is also important to note that all the factors require a significant amount of planning on their own part, and the preparation category represents a wider range of preparative tasks rather than just the overall planning of the campaign.

![Revised Crowdfunding Success Factor Model](image)

Figure 3 Revised Crowdfunding Success Factor model

The improved model keeps the split between ‘campaign factors’ that are factors within the campaign itself and ‘human factors’ which are factors determined by the people working on the campaign and the social interaction they have with other people. While the ‘campaign factors’ (rewards, goals and quality) were seen as being important to the success, the ‘human factors’ (community, preparation and team) were brought up a lot more often during the interviews as the key factors that made these campaigns successful.

In the original model, some of the tasks associated with preparation were incorporated in all five other categories. But based on the data collected from the
interviews, the importance of good preparation was emphasized and the respondents presented many significant factors that couldn’t be easily integrated into the other categories. Therefore, it was necessary to introduce preparation as a completely new category.

The interviews revealed some more detailed information about the success factor categories, especially how the model suited the game industry crowdfunding campaigns. These findings were compared to the findings that were used as a basis for the original success factor model, providing a more holistic understanding of the success factors.

6.2.1 Rewards

Planning the crowdfunding rewards takes time, and all the respondents commented this being an important step in the process. Various planning strategies were mentioned, from setting up spreadsheets to having everyone in the team pitch in their ideas.

One reward planning strategy was brought up in all the four interviews: benchmarking the rewards done by other game industry campaigns. When asked to clarify, one respondent mentioned that they wanted to try and create diversity and options for people. Other respondents also brought up the need to come up with rewards that the backers are interested on.

An interesting split between the campaigns was the distinction between physical and digital rewards. Since the modern video game industry operates predominantly with digital distribution methods, especially with PC and mobile games, there aren’t any manufacturing costs associated with the actual product. While many campaigns, including two of the ones being interviewed for this thesis, offer physical rewards such as T-shirts, posters and sometimes even physical copies of the game, one of the respondents made it clear that their campaign did not need any physical rewards. According to him:

“We just couldn’t find a scenario where physical goods would actually help us and be a profitable item for us.”

With the other two campaigns, the manufacturing costs of the potential physical rewards was brought up as something the team had to be careful and conscious about. The respondents brought up that the manufacturing costs of the physical rewards shouldn’t get too high so that they won’t affect the funding goal or the game development process too much. As one of them said:

“The team was constantly thinking about what we could reasonably produce as far as rewards go that wasn’t going to take too much time away from actually making the game.”

Apart from physical rewards, the respondents mentioned that their campaign rewards included exclusive content for the backers and a chance to collaborate and co-create content for the actual project. This co-creational aspect can be
seen as part of the bigger megatrend of customer collaboration. This was also brought up by one of the respondents, who claimed that games are probably the most unique and the most community collaborative native medium.

6.2.2 Goals

Setting a reasonable goal for the crowdfunding campaign is important for every crowdfunding campaign, and game industry crowdfunding campaigns are not an exception. In fact, the respondents emphasized the importance of setting a goal that is not only achievable but also reflects a realistic budget.

The planned budget for the project is also a major factor to the planning of the stretch goals. According to the respondents, the stretch goals were planned and budgeted separately from the main goal. In all three campaigns, the stretch goals became relevant only in the final moments of the campaign. The stretch goals were seen as a way for the developers to show what other ideas they had in mind for the final product in case the backers are interested. This requires an understanding of what the potential backers want, which can be hard to evaluate before the campaign starts.

The respondents also mentioned a trend among game industry crowdfunding campaigns where big, promising projects would set a low goal to reach it very early in the campaign and keep that momentum in order to reach a high success percentage. This practice was seen as a manipulative marketing move and was highly frowned upon.

One of the respondents mentioned how the funding goal also reflects the perceived quality of the product. When asked about their campaign goal and how they came up with it, he said:

“We didn't think that a 50k target would send the right message. This is a big game. It's a high-quality game.”

6.2.3 Quality

The quality of the project was brought up as a major factor in all the interviews, even if the way the quality was described was slightly different between respondents. The Kickstarter page was seen as its own medium with its own best practices. These practices include short and captivating videos, page updates throughout the campaign and being transparent about the crowdfunding process.

The campaign videos were brought up in every interview as a factor to the success of the campaign. High quality videos of high quality prototypes would alleviate some concerns that the backers have about the project. It was also a big focus for the developers, and two respondents mentioned that they spend a lot of money and time polishing those videos to showcase the unique aspects of the game.

One factor to the project quality was the unique value proposition that the game would provide to the backers. The respondents brought up their unique
concept as a significant factor to their success. Each campaign had promised to
deliver something new and innovative either by using new technology to invig-
orate an existing genre (Campaign #1), combining two existing genres in a
unique way (Campaign #2) or creating a compelling setting and gameplay twist
to a popular genre (Campaign #3).

Conveying the quality of the project to the potential backers is an important
factor for success, since it is a way of engaging the fans with a promise of some-
ting new and exciting. One of the respondents described crowdfunding with
the following statement:

“Kickstarter ultimately is about selling a wish; it's about selling a dream. Every single
Kickstarter page is selling hope.”

6.2.4 Team

The experience of the team is crucial in not only having a successful campaign,
but also in the actual development of the game. All three teams had previous
experience from the industry and were confident in their ability to produce the
games that they had promised to create, but it was also pointed out that previous
experience with the team also actually working together is critically important.
What matters is not only the experience of the individuals, but the fact that the
team has worked together on some earlier projects before.

Another team factor is the entrepreneurial and financial experience. Run-
ing a crowdfunding campaign is both marketing and entrepreneurial venture,
and the respondents pointed out that a general understanding of finance cash
flow planning is important when running a campaign. In addition, any experi-
ence in marketing was brought up as something that makes it easier to run the
campaign.

As important as the experience of the team is, it is even more crucial to show
this to the potential backers. The respondents mentioned having used a section
of the project description to talk about the team and their previous work. Men-
tioning previous projects done by the team members will show the supporters of
the campaign that the project is handled by people who know what they are do-
ing. One respondent concluded his interview with emphasizing the importance
of making the team stand out as trustworthy.

“I think good professionalism is a big key that I haven't mentioned. Making sure that
you seem like a legit bunch is pretty important.”

6.2.5 Preparation

The new factor into the model, preparation was mentioned outright as a success
factor by two of the respondents. While good preparation can mean solid plan-
ing on the other key factors, in this case the success factor category ‘Preparation’
is something broader and consists of tasks related to dealing with other people.
In terms of planning, a preparation task that was constantly brought up was research and benchmarking previous campaigns. One respondent mentioned that the whole team contributed in checking how other campaigns had done their marketing, funding goals and reward tiers. Understanding how others have done crowdfunding was mentioned to be a good way to help prepare for the campaign. Sometimes this included contacting other campaign creators and asking for their opinion or advice.

Timing was an important preparation factor mentioned by the majority of the respondents. Other existing crowdfunding campaigns, major industry events or even the time of the year can be significant factors to the performance of the campaign and need to be taken into consideration when planning the schedule of the campaign. One of the campaigns had experienced this first hand, when they had mistakenly scheduled their crowdfunding campaign to coincide with E3, one of the biggest game industry expos. According to them, it was hard to get the attention of both the media and backers during that time.

“Journalists, YouTubers, they do nothing anywhere near E3. Usually the two weeks leading up to it is a black hole. Um, so that's something that we need to do differently next time.”

Another preparation factor that was brought up was reaching out to stakeholders, such as advisors, manufacturers and potential publishers. Many different examples of these were mentioned, including a case where another game company with a successful crowdfunding campaign was helping and mentoring one of the campaigns. Another campaign had been in talks with publishers even before the crowdfunding campaign was even an idea, but the creators wanted to have the campaign to provide a chance to test the market reaction and prove their concept to the publisher. One other campaign had a background of having started off as a University project, and had some University professors support the initial development of the prototype. Validating the project or the campaign is also a good way to measure how well the unique value proposition is perceived.

One crucial preparation factor is risk management. Doing research, making financial estimations and maintaining focus on what the purpose of the campaign is were all brought up in the interviews. Being open about the risks during the campaign is also a way to make the community understand what is going on with the project.

“As someone who backs a lot of Kickstarter campaigns myself, but for crowdfunding campaigns in general, I think it's always better to know what's going on than to just be told what people think you want to hear.”

6.2.6 Community

Aside from project quality, the community was the other factor that was brought up in the interviews most often. The developers were embracing the crowdfunding platform in order to create something for their fans and collaborate with them.
Understanding the community and their wants was mentioned multiple times in each interview.

According to the respondents, being able to engage with the existing fan community is a great asset for building the crowdfunding campaign. The interviewed companies had existing fans from their previous projects and were able to utilize them for getting the initial boost in their marketing efforts. The fans were addressed through social media and told about the campaign through trailers and other marketing material to get them excited about the games before the campaign even launched. This pre-campaign marketing and community development was deemed a good idea, although one respondent said that “friends in high places is far, far more relevant” than community building.

Maintaining the relationship with the community was done mainly through project updates, but also by emails and reaching out to talk to the people who were discussing the project outside of the Kickstarter platform. One of the respondents pointed out that it is almost impossible to direct everybody to one place, and that he thinks that everyone wants to communicate where they feel comfortable. This has led to the project creators to adopt a multiplatform approach to their marketing efforts. All three campaigns had at least a Facebook page and a Twitter account to support in their marketing, but they were also active in other sites.

> “I tried just to be available wherever the players were. So, I would have 20 different windows open, whether it was Twitter or Steam chat or Facebook, Kickstarter page, my email, Reddit. Wherever I could find people discussing, even if it was the press release that came out and people were writing in the comments.”

This kind of community engagement was deemed a crucial factor in making the backers keep interested and spread the word about the project through word of mouth. In order to support that, the respondents had used a variety of viral marketing methods. The most common one was to do various project updates through the campaign in hopes that people would share them virally. These consisted of clarifications, status updates and other events related to the project.

The respondents were also seeking to gauge the market interest through the community. They mentioned that the usual problem with game development is that often you don't get consumer feedback, which is critically important to understanding the people who are going to play the game. A lot of the feedback the campaigns received was spontaneous and backers often asked for clarifications or made some requests about the content of the campaign. One respondent summarizes this eagerness by pointing out that people want to contribute.

> “That's the thing about Kickstarter, or about the internet in general: you don't have to request feedback. There are people who willingly give it to you without any request.”

Apart from receiving feedback, crowdfunding was also used for marketing purposes. One major success in creating buzz around the game project was with one campaign that had approached a popular online personality who plays games
and uses streaming technology to share it with his audience in real time. The streaming platform, Twitch, has been gaining a lot of widespread attention from gamers around the world, and having a popular figure promote the game by playing a prototype version of it was a success. According to the respondent, it was a key factor in gaining enough momentum to reach the goal and successfully finish the campaign.
7 DISCUSSION

In this chapter, the findings from the study are compared with previous research. The implications of the findings and the potential usefulness of the success factor model are also presented.

7.1 Comparing findings with previous research

The results of the study show that there are multiple factors to the success of a game industry crowdfunding campaign. Previous research has also established that some of the factors influencing crowdfunding successes are nostalgia and legacy factors but also the lack of novel ideas in games released by major publishers (Guillaud et al., 2013; Kultima & Alha, 2010). These were also recognized by the respondents who identified these factors themselves. Based on the rest of the findings, it can be established that there are multiple other factors to crowdfunding success.

Video game industry consists of social and value networks, and the cooperation between game companies and their value networks doesn’t merely give financial benefits through revenue, but also knowledge and intangible benefits (Ojala & Tyrväinen, 2011b; Morelli & Gunes, 2012). The findings of this study support the networking approach to building a crowdfunding business model by noting the importance of connecting with the stakeholders during the preparation phase and the significant role of community as a factor to the success of a crowdfunding campaign. The importance of the community and networking was also brought up in other sources as well, namely by Gerber et al. (2012), Belleflamme et al. (2013) and Giudici et al. (2013).

Research also shows that there is also a clear demand for more variety in the genres of games available in the market. Certain genres haven’t seen games released for them in many years, and many of the most successful projects for funding have been direct and indirect sequels to these genres. (Guillaud et al., 2013). This innovation aspect was also brought up in the interviews, and one of
the interviewed campaigns was even built on a premise of bringing new technological innovations to an existing genre.

Other findings from previous studies emphasized the importance of campaign descriptions, videos and photos, and social media accounts. (Greenberg et al., 2013; Cumming et al., 2015). These were all mentioned as important factors by the interviewees. The importance of social media was brought up as a significant way to keep in touch with the community. One of the respondents even claimed that the social media platform Twitch was the one of the most crucial factors to reaching their audience and being successful. The importance of social media communities was brought up in many previous studies, especially by Gerber et al. (2012), Giudici et al. (2012), and Moisseyev (2013).

7.2 Usefulness of the success factor model

Careful planning and preparation is required for a crowdfunding campaign to be successful (Mollick, 2013). All the interviewees mentioned that they had spent a significant amount of time doing research about how previously successful crowdfunding campaigns had solved issues such as setting reward tiers and funding goals. The findings of this study can prove useful for those who are contemplating on organizing their own crowdfunding campaigns, and the success factor model was created as a tool to help understand the factors that prospective campaign creators should take into account when planning their campaigns.

All respondents agreed that planning a crowdfunding campaign is a time-consuming process that starts from benchmarking and studying other crowdfunding campaigns. The success factor model presented in this thesis can serve as a starting point for this research and planning process, effectively reducing the work necessary for the preparation step. Understanding the key success factors is likely to help campaign creators to prepare their pitches, campaign descriptions and project updates.

The proposed success factor model is not a finished or fully tested solution though. This thesis served as a starting point for creating the success model factor, and the limited scope of this study didn’t allow to properly test whether the model would be useful or practical in the planning of crowdfunding campaigns. The model is intended to be a summary of the things that need to be considered during the planning and running of the crowdfunding campaign, and represent the factors that, based on both academic literature and interviews from experienced crowdfunding campaign organizers, are key elements to being successful in reaching the funding goal.

One possibility for using the success factor model is to incorporate the model and the findings of this thesis to create a new crowdfunding planning canvas or to update an existing one. Some canvases have been created already, but their validity and usefulness is hard to estimate, and this model could be also used to improve or validate these canvases.
8 CONCLUSIONS

The purpose of this thesis was to study game industry crowdfunding campaigns and determine what are factors behind crowdfunding success. The game industry has embraced the crowdfunding as a major method for raising funding and market interest, but there has not been a lot of previous research on what factors in to the success of the game industry crowdfunding campaigns.

First, the theoretical backgrounds of the crowdfunding phenomenon and viral marketing were introduced. Based on the findings from previous studies about crowdfunding campaigns and the game industry, a new model for the crowdfunding campaign success factors was proposed. This model was used as the basis of the empirical part of the study.

After defining key terminology of crowdfunding and presenting a theoretical framework to analyze it, an overview of the structure of the game industry and the crowdfunding in the game industry was presented to give context for the study. This background was used to establish an understanding of how and why the game industry started using the crowdfunding as an alternative to other forms of funding.

The empirical part of this study was conducted through interviews with four people who were running crowdfunding campaigns for their video game projects. Based on the findings of these interviews, it was established that there was a need for a revised version of the originally proposed success factor model.

The thesis had two research questions. The first question was:

“What are the most important factors that influence the success of the game industry crowdfunding campaigns?”

This study has established that there are six success factor categories for game industry crowdfunding campaigns. The categories were originally based on findings from previous research, but it was expanded after a new category was found based on the interview results. The six success factor categories can be grouped into two groups: ‘Campaign factors’ that are based on the crowdfunding campaign and the project itself and the ‘human factors’ that represent factors influenced by the people who are running or supporting the campaign.
factors are: rewards, goals and quality. The human factors are: community, preparations and team. These six categories represent the main factors to the success of the game industry crowdfunding campaigns.

The second research question was:

“What kind of interactions occur between successful game industry crowdfunding campaigns and the backer communities?”

This question was posed to understand the relationships between the campaign creators and the backers. The importance of building the backer community and the way of using social media to connect with backers (Belleflamme et al., 2013; Hui et al., 2013) was also brought up during the interviews as the respondents mentioned spending significant amount of time interacting with their communities. The interviewed crowdfunding campaigns were using different social networking services to engage with their backers and to encourage them to share the campaign site or marketing material in order to attain more backers through viral marketing strategies. The way the project creators engaged with the community included posting relevant updates and clarifying their marketing message, creating new project related content for the backers to share, and requesting feedback from them.

8.1 Suggestions for future research

The limitations of this study propose a wide range of potential future research topics, especially since crowdfunding is such a broad phenomenon that can be researched from different angles and different academic fields. Likewise, crowdfunding campaigns of the game industry have not been studied as much as crowdfunding in general has been.

This thesis focused on interviewing the creators of the campaigns to find out how they perceive crowdfunding campaigns. One possible and interesting research topic on would be to interview or survey the backers of game industry crowdfunding projects to see what factors they hold important when making the decision to fund and contribute to a project.

Another way to approach the research questions of this thesis would have been to do a quantitative research where successful campaigns would be analyzed for factors affecting the success. A similar research has previously been conducted by Greenberg et al. (2013), where they have used a machine learning algorithms to identify certain success factors.

For those interested in developing the success factor model further, a possible research topic could be to apply it to a case study where the model would first be redesigned to a checklist and applied for a crowdfunding campaign during its planning stage.
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