

Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Bc. Veronika Machová
Advisor:	doc. PhDr. Martin Gregor, Ph.D.
Title of the thesis:	Non-equity Crowdfunding: Funding Success and Dynamics on Hithit

Contribution

This thesis analyzes contributions to campaigns on the non-equity crowdfunding platform Hithit, with main interests in understanding of funding success and funding dynamics. This platform is rewards-based, hence crowdfunding projects exhibit both private-good and public-good components, and each campaign represents a mix of an advertising campaign and a charitable contribution campaign.

Taken from the perspective of charitable campaigning, an original idea of the project is to measure whether including a private-good component is associated with funding success or not. Another key question is how online marketing activities and campaign history affect dynamics of the campaign. As the topic covers both advertising and charitable contribution campaigning efforts, the thesis spans across several fields such as industrial organization, public economics, and quantitative marketing.

There are many relevant and interesting results. Among the most important belong the support for a signalling hypothesis by which choosing a short span of a campaign serves as a valuable signal of high value of the project. Regarding campaign dynamics, the key result is about breakdown risk that is introduced with a pre-determined termination date. This risk grows in later stages of the campaign, and the study shows that it outweighs free-riding incentives which are involved regarding the public-good component of the prize. This implies that campaigns accelerate in later stages. For example, in Table 8.2, we observe that in the last week, trajectories of contributions diverge depending on contribution history, whereas in early weeks, contributions rather converge given that past contributions decrease new contributions.

Methods

The thesis exploits two datasets, (i) a large cross-sectional dataset of 2,023 projects over a period of 7 years, and (ii) a small but panel-structured dataset of 56 projects tracked daily over a period of 5 months. The latter dataset was manually collected with great care, including daily measures of online marketing activities. The author also manually constructed own market value estimates of the private-good component for all these projects.

The thesis exploits a cross-section through probit regressions and then analyzes a panel using a fixed-effect estimator which is appropriately motivated. The design of the study unfortunately doesn't allow to isolate selection effects of characteristics of the project, but the author still made it possible to benefit from receiving associations between the characteristics and the funding outcomes. For instance, regarding length of the campaign, one assumes that a longer campaign is beneficial as it introduces - *ceteris paribus* - higher overall attention. Then, an average project owner who selects a shorter campaign is paying a cost of lower potential attention, and this cost may serve as a credible signal of quality/value/confidence. Observing that a shorter campaign is more successful is thus evidence of a strong signaling effect.

Literature

The topic touches several fields at once. The literature survey focuses on the topic from the perspective of charitable campaigns, and then reviews closely related studies on crowdfunding campaigns. Perhaps more links to the industrial organization and quantitative marketing could be built.

An open question for discussion on the literature are activities of contributors who are connected to the project owner (e.g., family members and friends). Their existence definitely affects the campaign as the connected contributors are not only passive high-value contributors, but also may actively collaborate with the project owner.

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Anecdotically, we observe that connected individuals tend to support the campaign in early stage of the campaign which is line with the thesis result that the key for funding success is the early stage of the campaign. But there is also an argument that by casting a contribution early, these individuals effectively commit to not serve as „contributors of the last resort“ which is valuable as it increases the breakdown-risk channel for the non-connected contributors and thus allows to accelerate the campaign in a later stage. It would be interesting how the literature treats this problem; in online campaigning, this problem can be better addressed than in the context of classic campaigns in which past contributions are not observed.

Manuscript form

The thesis is very carefully written and edited.

Summary

To summarize, I view the thesis as a study on an interesting new phenomenon which is at the boundary of several fields. The author has carefully collected data on her own. The thesis delivers mostly associations, but still with economic interpretations and use. There are minor points regarding the models selection especially when lagged contributions are put in a logarithm as this might introduce a huge marginal effect in early days of the campaign

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Contribution (max. 30 points)</i>	27
<i>Methods (max. 30 points)</i>	25
<i>Literature (max. 20 points)</i>	15
<i>Manuscript Form (max. 20 points)</i>	20
TOTAL POINTS (max. 100 points)	87
GRADE	B

NAME OF THE REFEREE: *Martin Gregor*

DATE OF EVALUATION: *May 20, 2019*

Referee Signature