On the Motivation of Backers in the Video Gaming Industry

Research report

Dr. Norbert Steigenberger

Seminar for Business Administration, Corporate Development and Organization

University of Cologne

steigenberger@wiso.uni-koeln.de

In November/December 2013, I conducted a questionnaire-based study on crowdfunding in the video gaming industry, focusing on kickstarter.com. This paper reports the core results. The following summary gives a brief overview over the results. The main part of this report is a more detailed description of what was done, how the results were obtained and what these results imply.

SUMMARY

The data set obtained covers 410 backing decisions, reported by 228 respondents. Additionally, 80 respondents did complete the questionnaire, but did not back projects. The sample is dominated by males (90 %) from Europe (49 %) and North America (36 %). Most respondents are between 20 and 45 years of age. The sample comprises respondents from all income groups. Commitments to specific projects ranged from 1 to 6.000 US-$, the large majority of the backers spent between 20 and 100 US-$ on a particular project.

Respondents were asked to report on motives important for a backing decision. I found three groups of investors, which also differed on how much they are willing to contribute to specific projects and, generally, to crowdfunded video games. The first and largest group, which I called "supporters", commits moderate amounts of money on few projects, with the general focus of supporting specific developers. Members of the second groups, "buyers", are solely motivated by the game to be developed. This group tends to invest relatively large

amounts of money in relatively many projects. The third and smallest group, which I called "influencers", is driven by a desire to change the rules of the game in the video game development industry. This group also commits relatively large sums to many projects. The prime motive for all three groups of backers is to increase the number of available games in currently under-supplied sub-genres. So supplying a sub-genre with games currently not found on the market turns out to be the sine-qua-non condition for successful crowdfunding campaigns, implying that "me-too"-campaigns will have a hard time raising money with reward-based crowdfunding calls.

The amount of money a backer is willing to spend on a project is heavily influenced by (a) how well the project meets his or her general preference regarding the three backer groups explained above and (b) how large the project is, i.e. the funding goal of the project. Trust influences the relationship between preferences and backing, but only under conditions of strong overlap between an investor's general preferences and his or her perception of a specific project. The perceived legitimacy of the developers might be the most important mechanism here. The importance of the funding goal might be due to effects unobserved in my study, such as media coverage of larger projects, more sophistication in the presentation, more legitimacy due to well-known developers etc. I will examine the link between project setup and backing decisions in future steps of this research program.

DATA AND MEASURES

In order to test for the relevance of particular motives, I provided eight items on reasons to back investment projects, obtained from the literature and a pre-study. Respondents rated each of the eight motives on a five-point scale ranging from "not important" to "highly important". These eight motives appeared in a random order in each questionnaire. For each backing decision, respondents were further asked to report on how important these eight motives were for supporting the focal crowdfunding project. I also collected data on the respondents' motivation to invest in reward-based crowdfunding projects in an open way, inviting respondents to explicate in a short statement their main reason for doing so. Secondary data was obtained from Kickstarter.com or, where necessary, via Internet search.

To capture how well the perception of a specific project met the preference structure of the respondent, I calculated a score of deviation of the motivation to invest in a focal project from the general preferences of an investor. If a respondent, for example, stated that "doing good" is generally highly important for his or her investment decision (five on a five-point scale) but only moderately important for his or her decision to support the focal project (three on a five-point scale), I calculated that the focal project had a two point deviation from the respondents general preference. Then I summed up the negative deviations over the eight motivation categories to create the deviation score. I also applied other measures of deviation, which revealed that only negative deviations explain backing behavior, not positive ones.

In order to capture the investor's perception of the product developers' trustworthiness and competence, I adapted respective scales from the literature. Contrary to what has been found in other fields, respondents in this sample did not differentiate between competence-based trust (is a developer generally capable of delivering a high-quality game?) and integrity (will the developer abstain from fraud, i.e. commit the money raised in the crowdfunding campaign in the best interest of a high-quality game). I further coded socio-demographics: Age, income, monthly spending on video games, gender and place of residence. I further coded the funding goal of a project. As a control for hindsight bias, I coded how many months before the completion of the questionnaire (in November 2013) the funding period of a project was.
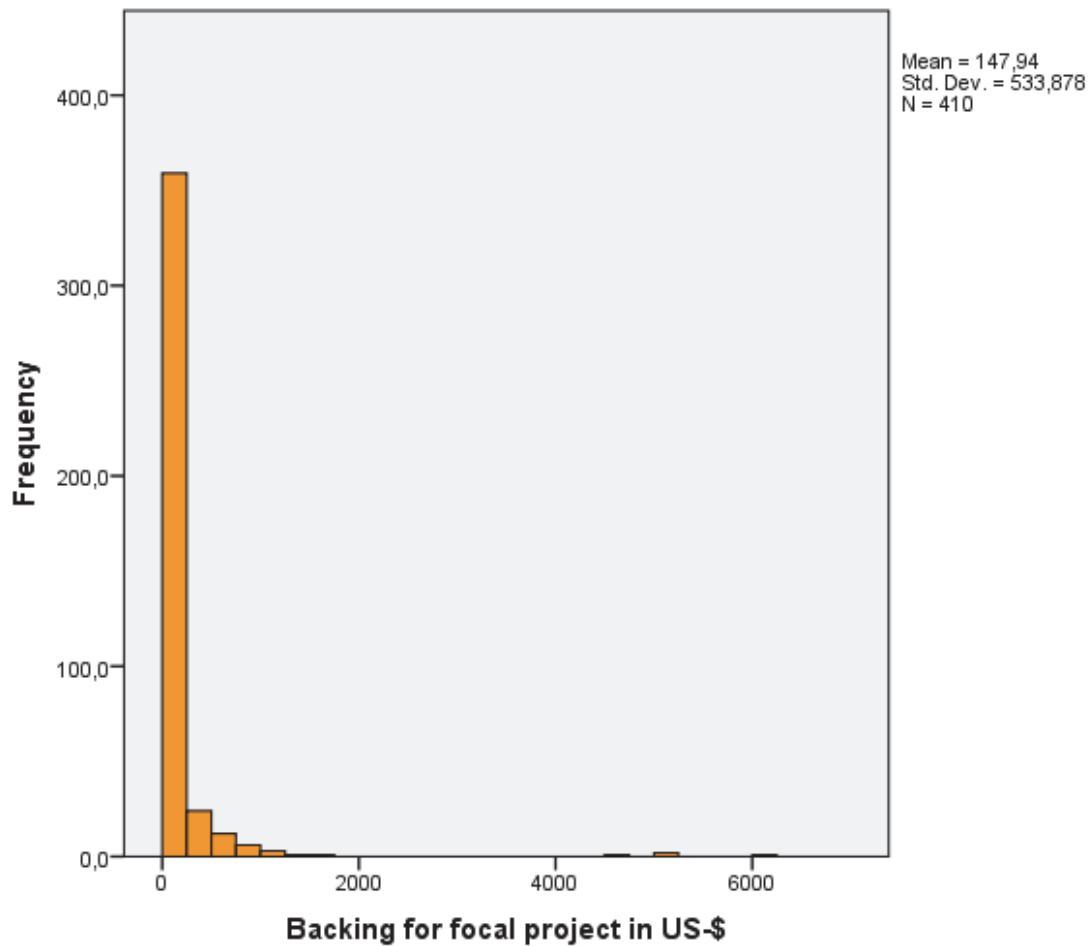
RESULTS

The following table displays frequencies of the biographical variables. The sample is dominated by younger males from North America and Europe, distributed relatively evenly over spending- and income categories.

Age	Frequency (%)	Monthly Net Income	Frequency (%)	Monthly spending on video games	Frequency (%)
Under 18	1 (0)	less than 1,000 US-$	56 (25)	less than 10 US-$	53 (23)
18-29	104 (46)	1,000 to 1,800 US-$	43 (19)	10 to 25 US-$	69 (30)
30-44	96 (42)	1,801 to 2,800 US-$	40 (18)	26 to 40 US-$	36 (16)
45-59	6 (3)	2,801 to 4,000 US-$	33 (14)	41 to 65 US-$	24 (11)
older than 59	3 (1)	more than 4,000 US-$	35 (15)	more than 65 US-$	28 (12)
No answer	18 (8)	No answer	21 (9)	No answer	18 (8)

Sex	Frequency (%)	Region	Frequency (%)
Male	188 (83)	North America	82 (36)
Female	19 (8)	Middle/South America	2 (1)
No answer	21 (8)	Europe	111 (49)
		Middle East and Central Asia	1 (0)
		East and Southeast Asia	2 (1)
		Australia	8 (4)
		Other	3 (1)
		No Answer	19 (8)

As visible from the following graphs, the spread between respondents regarding investment sum and number of supported projects is rather large. 50 % of the investments were 30 US-$ or less and 95 % were below 554 US-$. 75 % of all investment decisions exceeded 20 US-$.
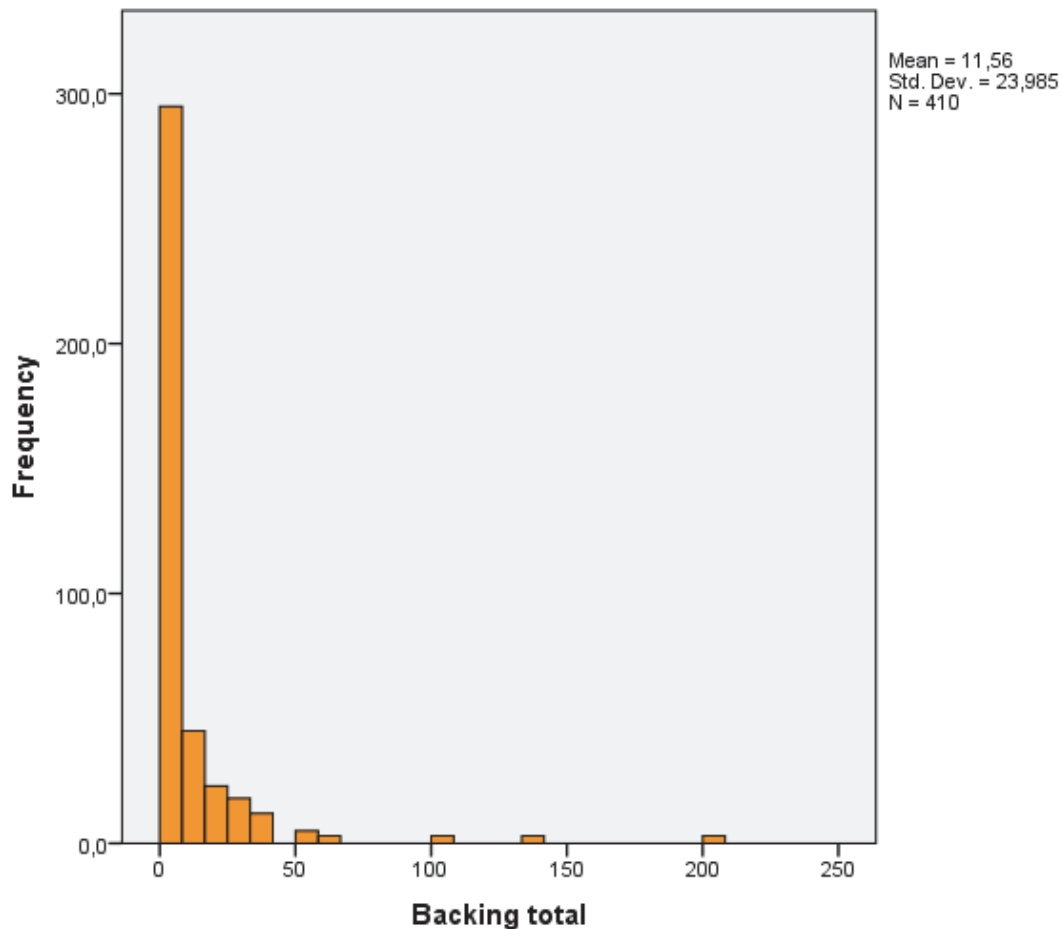
Mean = 147,94
Std. Dev. = 533,878
N = 410

Frequency (y-axis)

Backing for focal project in US-$ (x-axis)

Mean = 11,56
Std. Dev. = 23,985
N = 410

Figure 1: Distribution of backing behavior

Examining the motives for investment into a specific project, it becomes evident that the perception that a sub-genre is currently under-supplied is a sine-qua-non condition, regarded by almost all respondents as the most relevant.

	Variable	**Mean**	**s.d.**
1.	I receive appealing rewards	3.32	1.18
2.	I want to support a particular developer (person or firm)	3.90	1.20
3.	There are not enough games like the ones I support	4.46	0.81
4.	Developers provide me with timely and relevant information regarding the progress of the development project	3.71	1.08
5.	I am able to influence the development process and the resultung game	2.81	1.26
6.	I can communicate my relationship to a project on social media sites	1.56	0.96
7.	I can contribute to the realization of stretch goals (i.e. adding additional content)	2.87	1.23
8.	I can do some good	3.21	1.20

Values ranging from 1 (unimportant) to 5 (highly important)

A two-step cluster analysis reveals three distinct sub-groups of investors, regarding motives:

	Supporters	Buyers	Influencers
I can communicate my relationship to a project on social media sites	1.13	1.13	2.73
I can do some good	3.79	2.04	3.56
I want to support a particular developer (person or firm)	4.51	2.96	3.98
I can contribute to the realization of stretch goals (i.e. adding additional content)	3.03	1.97	3.60
I am able to influence the development process and the resulting game	2.97	2.13	3.29
There are not enough games like the ones I support	4.71	4.47	4.03
Developers provide me with timely and relevant information regarding the progress of the development project	3.82	3.28	4.03
I receive appealing awards	3.48	3.06	3.35
N	98	68	62

Group means in columns, values ranging from 1 (unimportant) to 5 (highly important)

Members of the first cluster, which I termed "supporters", are primarily driven by the motive to support a particular developer, along with the desire to see a game in an under-supplied sub-genre developed. This is the largest cluster, covering 98 respondents (43 %). Typical statements of members of the "supporters" group are:

"[My motive is] the passion and the work of the developers."

"Mostly, my motivation is to support game developers I like so that they are able to continue making games for me to enjoy. It's kind of selfish, in a way! But it's nice for my favorite developers and studios to be able to make the game THEY want to make."

Members of cluster 3, called "influencers" in my study, are also driven by the desire to support, but, contrary to the "supporters" group, more focused on changing the video gaming industry as such, as visible from statements like the following:

"I view crowdfunding (of video games, board games, and films in particular) as a sort of poor man's patronage of the arts. I am more interested in giving someone my small share of a nudge toward their goal than anything else."

"It is a chance to back projects financially that would otherwise be out of my financial reach. In this way my investment pushes the market and the medium in a direction that I personally find more interesting."

Cluster 2 comprises backers who are not particularly interested in the patronage aspect of crowdfunding but primarily by the products to be developed. I termed this group "buyers".

"Buyers" and "influencers" are more heavily involved in crowdfunding than "supporters". The average sum spent on a specific project as well as the number of projects supported are higher in these two groups, compared to the "supporters" group.

In order to study predictors of actual spending behavior for a particular project, I found[1] that a negative deviation of the perception of a project from the general preference regarding investment motives has a clear and significant negative impact on actual spending. Positive deviations on the other hand do not significantly influence backing behavior. This relationship is moderated by how much an investor trusts a developer, however only under conditions of little deviations of a focal project from the general preferences of an investor, as visible in the following figure. If an investor perceives a project to deviate strongly from his or her preferences, trust does not matter. The impact of trust on backing behavior might be mediated by the perception of legitimacy, as the following statements suggest:

> "The person or studio responsible should have an established record of shipping games."

> "[I require] some sort of indication that the company will be able to finish the game - For instance, past games finished by the company actually not being terrible."
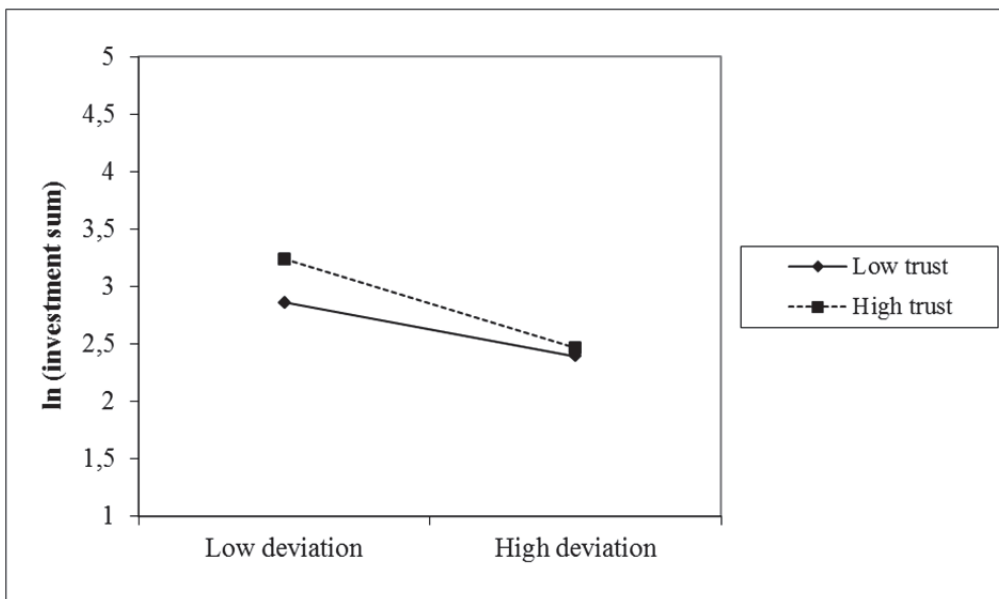
I also found that an increase of the funding goal also increases an investor's spending. With my data, I cannot empirically explain this finding, although various explanations are conceivable. Large projects might draw more attention than small ones. Large projects might

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[1] Based on OLS regression with log link function and outlier deletion at 3 s.d. above group mean.

have a more professional project presentation or might be associated with better-known names. I will look into this relationship more closely in future research.

IMPLICATIONS

These findings have implications for the development and management of crowdfunding campaigns. The first and most important lesson is: Do not follow the bandwagon. Almost all backers stated that the novelty of a game is clearly the most important reason to support a particular project. Recent unsuccessful Kickstarter campaigns like Deathfire: Ruins of Nethermore lend credit to the assumption. Based on the data it seems very likely that the campaign would have had a much greater chance for success before other CRPGs like Torment, Project Eternity, Divinity, Shroud of the Avatar or others already signaled the crowd that the sub-genre of traditional CRPGs will be well filled in the next years. The same will be true for other sub-genres like space sims after Star Citizens and Elite: Dangerous or other sub-genres.

Following the demand motive, charity motives in the broadest meaning of this word also play a role. Developers are, at least by a relatively large subgroup of backers, perceived as being strangled by the conventions of the mainstream market and in need of support. A particularly highly involved group shows an impetus of changing the rules of the game, mainly aiming at the market power and gatekeeping role of large publishers. Surprisingly, the "crowd" seems to be completely unimpressed by the fact that the developers reap the full economic benefits of a successfully developed game. This is surprising as studies in other fields consistently showed that the willingness to give on a charity logic is almost non-existent once the beneficiary works on a for-profit basis.

Regarding the management of the project the data shows that backers require constant flows of information but having an actual influence on the project is not highly on the agenda. Backers are first and foremost consumers, and the main effect of reward-based crowdfunding is that it closes the information gap between the developer and the customer. This is beneficial for both sides, as the developer can test the waters before committing time and money to a specific development project and customers have a voice regarding which market niche will be filled in the foreseeable future.

The statistical importance of the funding goal as a predictor of actual investment behavior suggests that, for professional for-profit developers, aiming high might be a better idea. The currently available data is not sufficient to explore the developers' side of the bargain, though. Professionalism, well-known names, media attention etc. might be important predictors of crowdfunding success.

The legal framework surrounding reward-based crowdfunding is currently very much to the disadvantage of the investors. As payment is due immediately after the conclusion of the

fundraising campaign while the quality of the game to be developed remains uncertain for extended periods of time, the entrepreneurial risk associated with new game development is relocated to a substantial share from the publisher to the crowd of investors. Unlike the publisher, however, the crowd is unable to reap economic benefits from a successful product, the core mechanism compensating the publisher for taking the economic risk of weak product quality. The crowd does, again unlike the situation found in the traditional developer-publisher-relationship, also have no legal control rights, so outright fraud is always a possibility. Currently, we have not seen a prominent occurrence of fraud in the industry, but considering the distribution of risk, property and control rights this is only a matter of time. It will be interesting to see how the market for reward-based crowdfunding as a general way to raise funds will respond to such an occurrence.

The next step in our research program will be to deepen our understanding of the developers' side of the game. We will look if and to what extent project presentations, name dropping, media coverage and other means of setting up and managing a crowdfunding campaign actually have an impact on funding success. We will do so later in 2014.