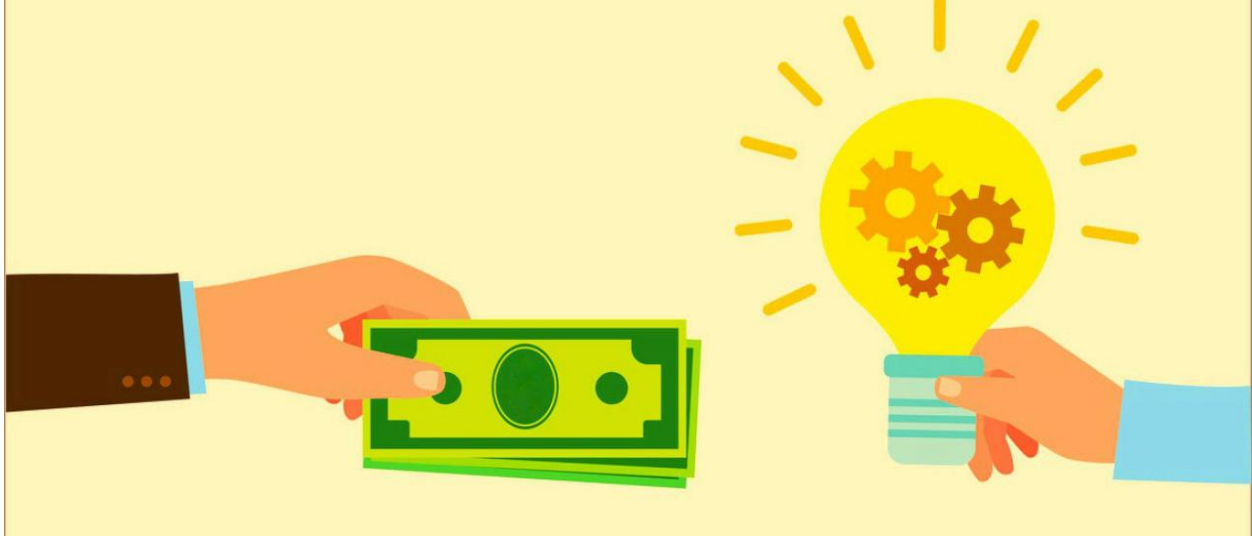

Kickstarter Backers Like Novelty or Usefulness, Not Both



By Amitava Chattopadhyay, INSEAD Professor of Marketing

To attract the most crowdfunding, a product should be framed as either new or useful.

Here's a classic story in the world of innovation. Spencer Silver, the 3M chemist who first invented the adhesive used in Post-it notes couldn't identify broad-based applications for it. So the novel adhesive went nowhere for six years until one of his colleagues, Art Fry, realised that it could be used to make great bookmarks that wouldn't fall out of his hymn book in church. Thus, elegantly marrying novelty and usefulness, the Post-it – a great innovation of the 20th century – was born.

Now, imagine an alternate reality in which Silver and Fry, not working at 3M, would have decided to crowdfund their invention, on Kickstarter, for example. On their campaign page, they might have used terms such as “unique” to describe the novelty of their product, all the while also emphasising its obvious usefulness using words such as “practical”.

As it turns out, making claims for both novelty and usefulness might have hurt their crowdfunding campaign, according to research led by Anirban Mukherjee, Assistant Professor of Marketing at Singapore Management

University, Cathy Yang, Assistant Professor of Marketing at HEC Paris, Ping Xiao, Senior Lecturer at University of Technology Sydney and myself.

In our working paper, “**Does the Crowd Support Innovation? Innovation Claims and Success on Kickstarter**”, we arrive at the startling conclusion that novelty and usefulness are not viewed as synergistic by the crowd. While crowdfunding pledges are boosted when the project is said to be useful (or alternatively, novel), claiming that it is both reduces the total amount of pledges by 26 percent.

Our data show that claims of novelty or usefulness, taken separately, do increase the total pledge amount. As a matter of fact, they have a very large initial effect, meaning that even one claim for usefulness (or novelty) greatly boosted the total pledged sum (as compared with projects devoid of either claim). However, it is also important to pick one or the other, not combine them.

A big data approach

We collected a large-scale dataset describing all projects listed on Kickstarter from its launch in April 2009 until 15 February 2017. To focus on the crowd’s appetite for innovation, we eliminated arts-related projects as these tend to be evaluated mostly on the basis of their artistic value. We then kept U.S.-based projects in the nine largest remaining Kickstarter categories, such as Food, Hardware, Technology and Video Games.

The text, image and video description of the final set of 50,310 projects was analysed using state-of-the-art machine-learning tools. The resulting number of occurrences of the word “novel” and its synonyms served as proxy for novelty claims. Conversely, the sum of occurrences of the word “useful” and its synonyms became the measure for claimed usefulness.

Our econometric model also took into account seasonality, the growing Kickstarter community, the perceived risk or tentative nature of a project and other potential error variables. No matter how we sliced the data, our findings stayed robust.

Crowdfunding may not be the panacea for innovation

Scholars have theorised that crowdfunding could help democratise innovation, reducing the need for inventors to depend on hard-nosed

bankers and other traditional funders. Our results are both surprising and disappointing because novelty and usefulness are both needed for innovation, from a product perspective. (While laymen may think of innovation as newness without consideration for usefulness, extensive economics and management science literature says otherwise.)

Why would crowdfunding users be put off by innovation? There are a few lines of reasoning.

First, it could be a matter of credibility. Potential backers may think that a project that claims to be both novel and useful is too good to be true, or that its benefits are inflated. Therefore, lower funding results may reflect a general scepticism of the crowd. It's just a fact of modern life that people aren't as trusting of advertising anymore. Most of us have been burnt by exaggerated claims.

Second, risk aversion could play a part. Assuming potential backers believe the project creators, they may feel that proper execution of such an innovative project carries too high a risk of failure. To take an extreme example, how much would you be willing to invest in a project promising to deliver a tele-transportation pod? A lot would hinge on the credentials of the project team.

Third, a highly innovative product may be polarising. If prospective backers perceive the crowd to be divided about a project, they might hesitate to rally around it, hampering its funding momentum. Examples of polarising products are the very first mobile phones and microwave ovens. Eminently novel and useful, they nevertheless took decades to gain widespread acceptance. During this time, early adopters often found themselves pitted against those who thought these innovations were stupid, futile or downright scary.

Perception and persuasion

We were completely surprised by our findings, as prior research has shown that products that are novel and useful typically succeed in the marketplace. However, such research has always been from the consumer's perspective. Which brings us to the larger lesson here, from a marketing point of view.

While all innovators know their product inside out – and the word “product” should be read as broadly as possible here – they should never forget that a product cannot succeed until the audience is equally persuaded of its

benefits. Too often, creators assume that the novelty and usefulness of their idea will be as salient to their audience as it is to them. But they need to make sure that their target audience sees those for itself, that the message is properly communicated. It's all about managing perceptions and mastering the fine art of persuasion. This may seem obvious, but it's actually a common blind spot. Innovators naturally fall in love with their ideas, but they should never forget that it's the crowd who decides.

Amitava Chattopadhyay is the GlaxoSmithKline Chaired Professor of Corporate Innovation at INSEAD. He is co-author of **The New Emerging Market Multinationals: Four Strategies for Disrupting Markets and Building Brands**. You can follow him on Twitter **@AmitavaChats**.

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