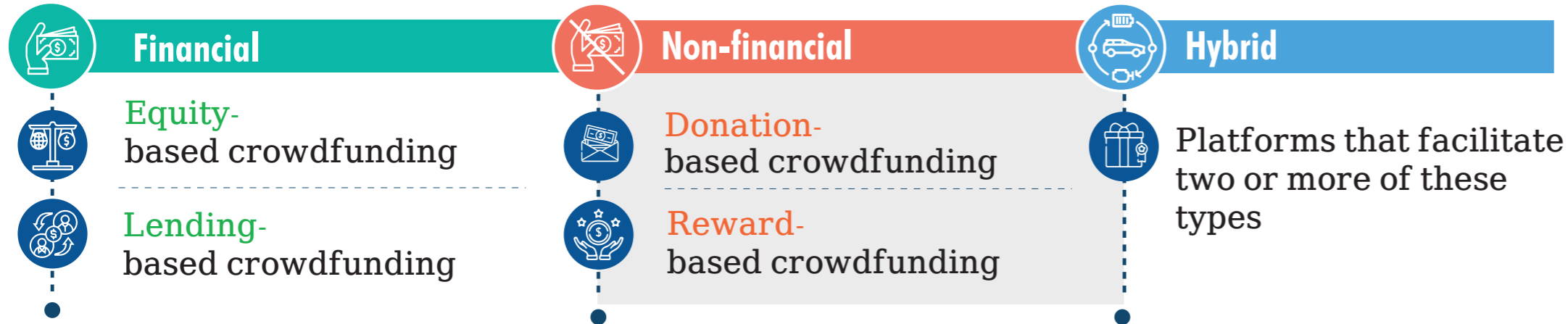


UNDERSTANDING CROWDFUNDING PLATFORMS

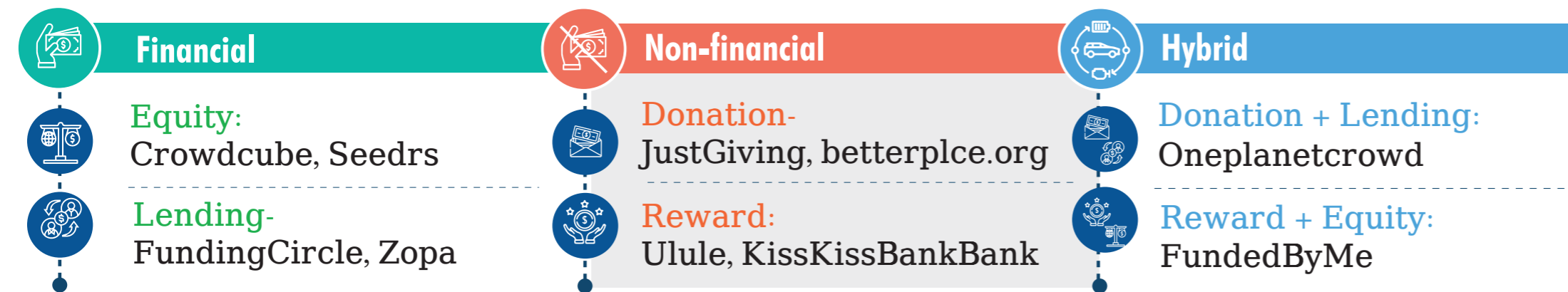
Key crowdfunding type



Number of platforms



Top European crowdfunding platforms



Supporting information

Data

1. The population of European crowdfunding platforms.
2. We study all 788 crowdfunding platforms that operated in EU-15 countries, between 1999 and 2018.
3. We complement excellent crowdfunding work which takes a deep dive into a single platform (for review, see Dushnitsky and Zunino, 2019).

Source: Dushnitsky, G, Piva, E, Rossi-Lamastra, C. (2020) Investigating the mix of strategic choices and performance of transaction platforms: Evidence from the crowdfunding setting. Strategic Management Journal, 1– 36. <https://doi.org/10.1002/smj.3163>



UNDERSTANDING CROWDFUNDING PLATFORMS



Key crowdfunding type



- Equity-based crowdfunding
- Lending-based crowdfunding

- Donation-based crowdfunding
- Reward-based crowdfunding

Platforms that facilitate two or more of these types

Strategy mix

Subscription Fees

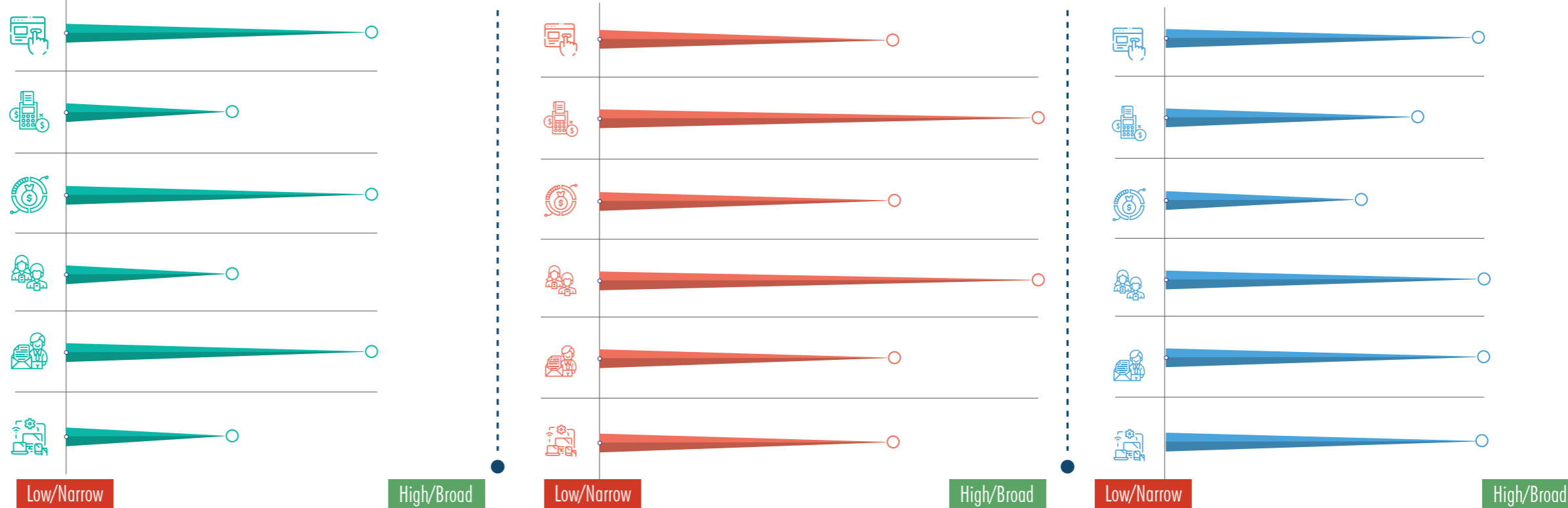
Transaction fees

Fee Allocation

Participant Variety

Participants' Offerings

Platform's Services



Strategy mix approach



Explanation

'Go Wide'

The choice of a broad variety of offerings is geared toward increasing the number of projects. At the same time, the pricing choices levy (a) significant fees, (b) upfront, (c) on both sides of the market. These choices act as a screening mechanism, deterring crowdfundees with low-quality projects as well as "tourist" crowdfunders who do not plan to actively invest. Also, the platforms pursue a narrow participant variety which further reinforces this approach.

'Go Deep'

The choice of broad participation along with a narrow range of offerings implies that the platforms seek to attract the largest possible pool while focusing on like-minded participants in terms of their preferences or interests. Moreover, the pricing choices encourage prospective participants to join the platform and browse or post projects of interest. To that end, the platforms charge (a) zero or trivial fees to crowdfunders, and (b) high fees to crowdfundees, but mainly on successful transactions.

'All Embracing'

The all-embracing approach is manifested predominantly in their non-pricing choices. A typical platform accommodates broad participation, a wide range of offerings, and broad services (i.e., multiple crowdfunding types). The pricing choices of these platforms exhibit a less consistent pattern; an upfront subscription fee is common but is usually levied only on one group of participants.

UNDERSTANDING CROWDFUNDING PLATFORMS

KEY TAKEAWAYS



Crowdfunding type and platform strategy mix



Crowdfunding platforms cluster around three distinct mixes of (pricing and non-pricing) strategic choices.

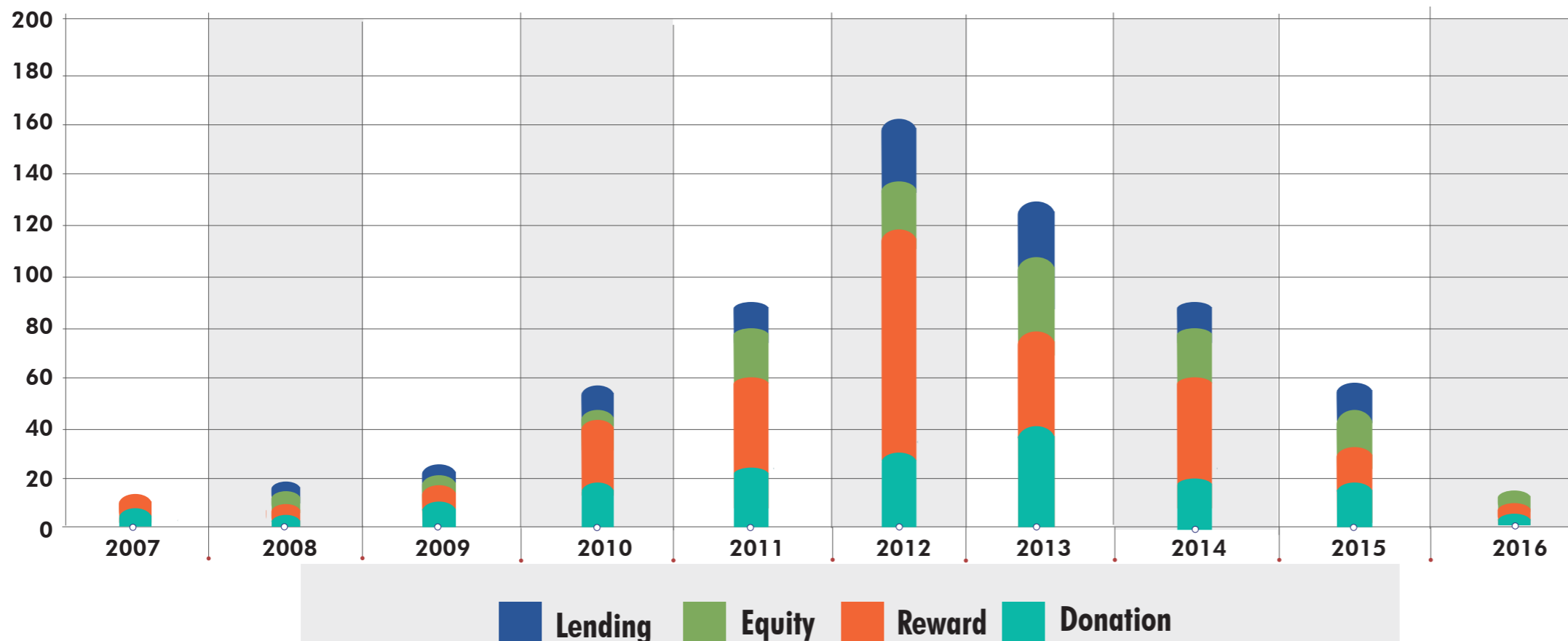


That is, crowdfunding type is not a single, standalone strategic choice but rather is associated with a distinct mix of strategic choices.



Each platform juxtaposes pricing and non-pricing strategies to maximize successful transactions among participants, and therefore drives platform success (See first table; strategic mix approach and explanation).




Crowdfunding type and platform strategy mix



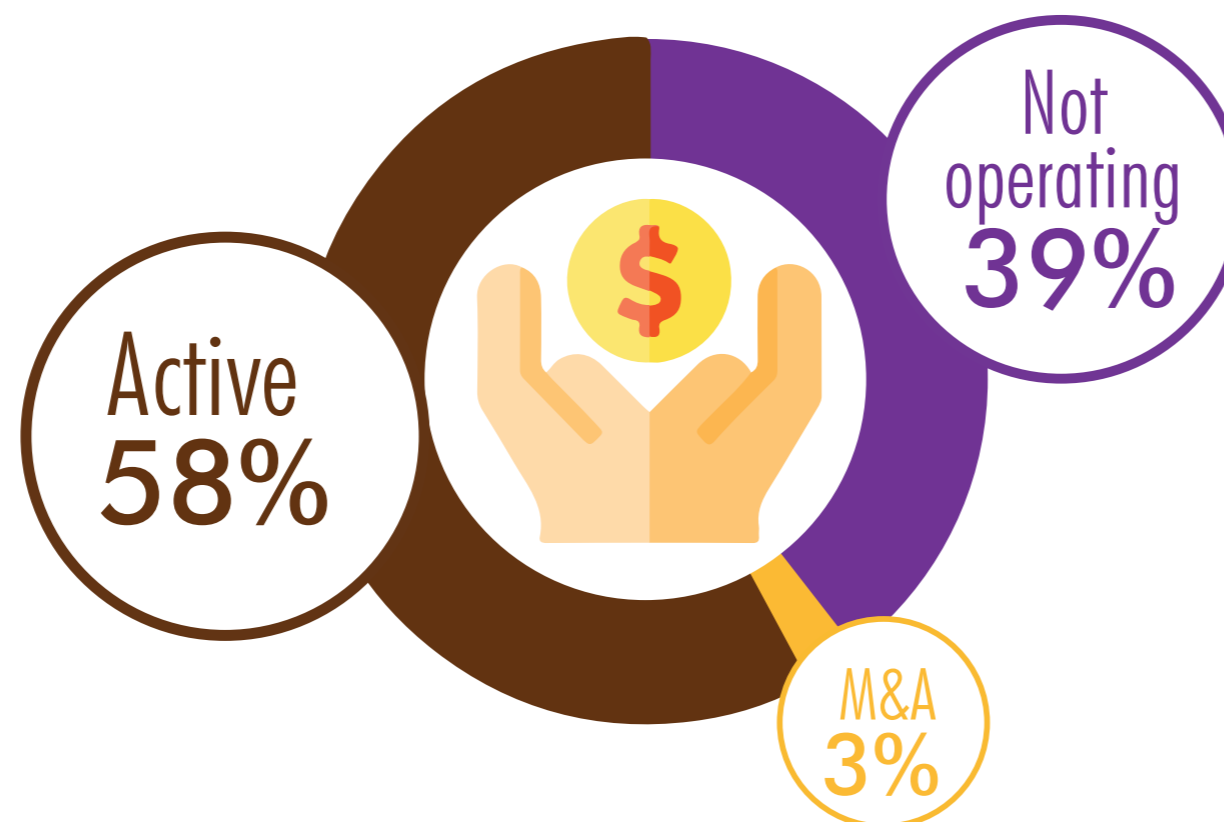
UNDERSTANDING CROWDFUNDING PLATFORMS

KEY TAKEAWAYS

Performance

-  Limited support of Winner Takes All (WTA) dynamics. Our data suggest that 456 (58%) of the 788 platforms remain active through the end of 2018.
-  Active platforms significantly differ in web traffic and total values of annual transactions.
-  Evidence in support of horizontal differentiation. The more differentiated a platform is from the other platforms in the cluster, the lower is the likelihood of platform dissolution and the greater is the annual growth in web traffic and total transaction amount.

Number of crowdfunding platforms by status (as of 2018)



UNDERSTANDING CROWDFUNDING PLATFORMS

Definition of platform strategic choices

PRICING STRATEGIES

Subscription fees

The price participants pay to participate in the platform (Caillaud&Jullien, 2003; Evans, 2003)

Transaction fees

A fee incurred by participants whenever they transact through the platform (Parker & van Alstyne, 2005; Rochet & Tirole, 2003)

Fee allocation

Charge different fees across groups; the group that is more price-sensitive should be allocated lower fees (Caillaud&Jullien, 2003)

NON-PRICING STRATEGIES

Participant variety

The number and type of participants allowed on the platform (Boudreau & Hagiu, 2009; Halaburda, Piskorski, & Yildirim, 2018); e.g., broad participation, or narrow to certain age groups, languages, demographics.

Participant's Offerings

The number and nature of offerings that participants are allowed to exchange on the platform (Cennamo, 2019; Eisenmann et al., 2006); e.g., broad product offering or narrow to specific products (music, art, technology).

Platform's Services

The number of services a platform offers to participants (Gawer & Cusumano, 2008; Seamans & Zhu, 2014); e.g., narrowly support one crowdfunding type (donation, reward, lending or equity), or broadly support multiple types.

Additional Resource

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