

Studying the Impact of Early Backers on Crowdfunding Performance



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Crowdfunding platforms, such as Kickstarter, enable entrepreneurs to manage online fundraising campaigns, which differ significantly from their offline counterparts. In order to shed light on the mechanism which drives the success of online crowdfunding, we study campaigns immediately after they reach 5% of their goal, and investigate what metric is the most predictive to estimate their success: the number of backers or the average pledged amount. We found that campaigns that were supported by a larger number of backers in their early stage, at the expense of smaller average pledged amount, were more likely to reach their fundraising goal. These results were consistent across different success metrics. We explain our findings using the theory of early adopters and word of mouth, and we provide empirical evidence serving as a first step toward identifying the causality channels linking the number of early backers to campaign success.

The Other Side of Grandstanding



Dr. Dan Aks

We study data on virtually all Israeli VC-backed companies and all VC funds that invested in Israel from 1996 to 2007. We show that liquidation of VC-backed companies has a negative effect on follow-on fundraising. When the performance of current funds is closely tied to follow-on fundraising, funds strategically choose to delay liquidation until after the fundraising event. This finding sheds light on the well-known phenomenon of the “living dead” VC-backed companies. We then indicate a horse race among companies backed by the same VC. Companies are more likely to be liquidated following the success of other portfolio companies. These findings have financial implications regarding the matching between funds and companies.