Venture Signals and Social Media Buzz in Crowdfunding: Are “Buzzworthy” Projects Worth the Hype?

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Abstract

Entrepreneurs signal the worth of their ventures using the technological capabilities of their crowdfunding platforms. Additionally, social media allows others to create “buzz” about the venture, which can also influence funding outcomes. Moreover, these two antecedents can interact with each other, whereby venture signals are either amplified or diluted by buzz about the project. Our study examined how the effects of technological cues and social media “buzz” about a crowdfunded venture affect its success. Our results indicate a differential effect of “buzz”—depending on the social media platform and the type of signal conveyed—on crowdfunding success.

1. Introduction

Over the past decade, the Web has revolutionized the startup process for new ventures by changing the relationship between entrepreneurs and funders. Not only has the Web changed who can and will be provided funding for a start-up company, but also the way in which new companies signal their worth to potential funders. Platforms such as Indiegogo provide a technological portal for would-be entrepreneurs to reach large numbers of potential funders with their business ideas and vision.

These portals offer entrepreneurs functionalities that can be used to craft messages, which then affect visitors’ perceptions of the ventures, as well as subsequent user behaviors. Design cues such as color [1] and aesthetic beauty [2] have been shown to affect users’ affective experiences [3], attention [4], and attributions of product quality [5]. However, to ensure uniformity across different ventures, many crowdfunding portals restrict the website design, and thus the availability of cues. This constrained setting limits entrepreneurs who must work within a portal’s structure, and design their site to signal their potential worth to funders. The “Big Three” crowdfunding platforms, including Indiegogo¹, Kickstarter², and GoFundMe³, are constrained by the layout of the project page template, which ensures a degree of consistency across all projects on a platform. For example, the funding information, perks, updates, comments, social media links and profile pages are displayed using a standard format for all projects in Indiegogo.

Web 2.0 technologies, characterized by dynamic and user-generated content, also provide social interaction capabilities that transfer some control of information about the venture to the community at large [6]. Links to social media create an electronic word-of-mouth effect or “buzz” associated with a venture [7]. The reach of, and speed with which information can traverse social media channels becomes a strong, and sometimes contagious, influence on potential funders [8].

Venture signals conveyed using Web 2.0 capabilities and the influence of social media “buzz” on potential investors lead us to the primary research question for this study: How do venture signals and social media buzz affect the success of crowdfunded ventures?

By answering these questions, we identify the role and nature of traditional venture signals in the crowdfunding context and provide insight into the differential impacts of social media “buzz” on crowdfunding outcomes.

In the following sections, we review the literature on crowdfunding and social media “buzz”. Next, we draw on signaling theory and electronic word-of-mouth literature to develop a theoretical model describing the impact of venture signals and social media buzz on funding outcomes for projects in a Web 2.0 enabled crowdfunding environment. Then, we test our model empirically using a sample of projects on the largest crowdfunding platform, Indiegogo. Finally, we conclude by discussing the implications of our results for research and practice.

¹ https://www.indiegogo.com/
² https://www.kickstarter.com/
³ http://www.gofundme.com/
1.1. Crowdfunding

Mollick [9] defines crowdfunding as “efforts by entrepreneurial individuals and groups – cultural, social, and for-profit – to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries.” (p.2) Individuals contribute to crowdfunding campaigns for several reasons: because they care about the person or cause, because they wish to feel a part of the community, because they want to obtain the “perk” associated with the project, or, finally, because they wish to profit from a capital investment [10].

Although both micro-lending and equity-based crowdfunding have begun to gain traction, perhaps the most common method of crowdfunding involves the delivery of a “perk” or reward in association with financial contributions to a project [9]. This method of financing projects is unique to crowdfunding, providing an environment in which the crowd makes decisions based upon the potential ability of the project to deliver a product or reward of interest. This type of financing allows individuals with little investment experience to participate in the funding of a venture by reducing the level of risk involved. Likewise, rewards-based crowdfunding provides an environment in which entrepreneurs can appeal to the tastes of an audience, rather than depend upon those with personal links to the founder or cause [11].

A growing stream of research has begun to investigate factors that lead to success [9, 12], as well as motivators for participation in crowdfunding projects [10]. Interestingly, while exploratory work has begun to identify factors related to project characteristics [9] and the social networks of project founders [13], the social influence of the crowdfunding community discourse has been largely ignored.

1.2. Social Media “Buzz”

Social media allow organizations the ability to create targeted marketing campaigns and/or take advantage of peer-to-peer interactions [8]. However, these same capabilities change the locus of control of the relationship [14]. Instead of a business carefully selecting and managing information communicated about products or services, customers now drive the conversation through extensive virtual networks outside the control of the focal organization. Once passive seekers of information, customers have now become active participants in business processes through the sharing of their experiences on blogs, in social networks, on product review sites, and in online communities [7].

The ability to create, share, and spread information via social media channels creates a unique environment that can transform traditional retail and service industries, but may also play a key role in attracting or detracting possible investors to new ventures [15]. Research suggests that electronic word-of-mouth through social media can be a strong influence on both customers and investors in venture financing [16, 17].

The unique capabilities of social media platforms allow organizations to capture the “wisdom of the crowd” [7]. Peer-based advice and word-of-mouth recommendations allow social media channels to influence both product success and shape value propositions [16, 17]. Electronic word-of-mouth through social media disseminates information to prospective funders and can affect organizational signals conveyed through traditional marketing methods. Organizations have begun to take advantage of such word-of-mouth by including reference, review or referral programs within their websites [19]. However, social media may also be detrimental to the goals of the organization, opening up avenues for negative word-of-mouth. Thus, electronic word-of-mouth through social media can be a dual-edged sword for new ventures, on the one hand benefitting from glowing reviews, and on the other being vulnerable to criticism.

Interestingly, research has found that not only “what” is said, but also the mere volume of conversation generated through social media impacts decision making [16]. Moreover, such “buzz” induced through sharing or “liking” products, services, or organizations via social media may both drive sales and create a form of social contagion that leads to fads, bandwagon effects, and imitative adoption behaviors [18]. For instance, Tirunillai and Tellis [7] found that the volume of electronic dialogue about an organization had a stronger impact on stock returns and trading volume than the valence of either dialog or reviews about the organization. Likewise, Aral and Walker [20] found that simple broadcasting of information through social media channels generated significantly greater product adoption than targeted, personalized information sharing. These findings suggest that the capabilities of social media to engage the customers and generate electronic word-of-mouth can impact funding outcomes [8].

2. Theory Development

2.1. Venture Signals

Signaling theory, originating in the fields of biology and economics, endeavors to explain the
rational actions of individuals that engender cooperative behaviors among them [21]. Human behavior is considered rational if it is self-interested and influenced by conscious intention. As such, individuals may engage in cooperative behaviors in an effort to achieve better outcomes than acting alone [21]. The decision to engage in these activities is hindered by the asymmetry of information regarding the quality of available resources. In a crowdfunding environment, the inability to assess the value of the venture directly requires the decision-maker to rely on signals – observable characteristics that act as information cues regarding unobservable qualities [22].

Signaling theory has been used to understand how organizations use signals in many areas such as: brand development signals to promote product quality [23]; management background signals to influence investor decisions [24]; and Web site features to signal trustworthiness [22].

Within the entrepreneurship literature, Signaling theory suggests that a new venture team’s success in attracting investors is reliant on its ability to provide positive signals that indicate the potential value of the new venture and the commitment of founders to the venture [25]. For example, to a potential employer a candidate’s education or experience may serve as a signal of their value to the organization. Value signals indicate a measure “of the value [the investor] can expect to receive from the proposed venture” [26]. Likewise, a candidate’s commitment to the job may be demonstrated through longevity in previous jobs or willingness to relocate [21]. Because the success rate of new ventures is so low; investors require a signal of the entrepreneur’s commitment to completing the project successfully. Commitment signals indicate the “determined actions of [the venture team] to overcome obstacles and achieve venture success.” [25]

Similar to consumer-focused environments, funders in a rewards-based crowdfunding context will consider the value of a project to determine the potential return for their contribution [5]. However, the uncertainty concerning the success of the project—similar to that of a new venture environment—depends on the project team’s ability and commitment to see the project through to completion. In this context, signals of commitment will also serve to influence funder decisions.

Historically, signaling theory proposes that the most productive signals will be both observable and costly [27]. Web 2.0 capabilities including visuals such as video and photos; audio; hyperlinks and text; threaded interactions; and personalization can convey a variety of observable cues, and provide a rich context for conveying value and commitment in crowdfunding [28]. Additionally, the most productive signals tend to be costly as well, given the effort to produce authentic, well-designed and well-articulated signals [29].

2.2. Social Media Capabilities

Social media capabilities relate to the capacity of the technology to be developed or used for specific functionalities. Research clearly indicates the power social media has over organizational outcomes [17]. However, the lack of understanding about how to leverage the capabilities of social media effectively has limited their benefits [30]. Compounding this problem is the existence of “a rich and diverse ecology of social media sites” [31, p. 242], all of which vary in both form and function. Despite this variety of form and function, much of the research on the impacts of social media technologies, including research on social media “buzz”, discusses social media en masse, as opposed to distinct entities.

In response to this problem, several efforts have been made to better understand social media by categorizing them and comparing their capabilities [30, 31]. Kaplan and Haenlein [30] categorize some of the most popular social media sites in terms of their ability to promote social presence and self-disclosure. Alternately, Kietzmann et al. [31] develop a framework of social media, describing social media technologies in terms of the functionalities that each provides.

Social media technologies tend to emphasize a predominant capability or set of capabilities, with other capabilities playing supporting roles [31]. Since this paper focuses on social media “buzz” as a form of electronic word-of-mouth, we identify two capabilities of social media in enabling breadth of access [16] and depth of connection [32].

According to the widely cited Trendstream’s Global Web Index, the top three social media sites—excluding YouTube, which is also an entertainment site—are Facebook (with 693 million active users), Google+ (with 343 million active users) and Twitter (with 288 million active users). Facebook, the oldest of the social media sites, allows users not only to share text, videos, and images with other individuals and groups but also to connect to games and third-party applications within the site portal [18]. Its emphasis on social networking creates a symmetric setting where members “friend” each other and represents relationships that often extend to the real world. In contrast, Twitter, the micro-blogging site which allows users a limited 140 characters to convey information, offers an asymmetric setting with few leaders and many “followers”. The new kid on the block is Google+, but with its formidable search engine link, it has emerged as the second largest social media site. It has focused on a segmented approach to social
networking by allowing users to create “communities” and “hangouts” where like-minded individuals can gather. Thus, Google+ represents a hybrid of the “leader-follower” model used by Twitter and the deeper relationship model employed by Facebook [33].

Social media technologies with significant reach, such as Twitter, allow users to communicate with many others across the social media network. These social media technologies do not necessarily promote, nor require, two-way communication but may simply involve broadcasting to others in order to get a message across; often such technologies focus on reaching a larger audience at the expense of deeper connections [30, 34]. The focus of these technologies is on snapshots or broadcast messages rather than more detailed discussion. On the opposite extreme, social media technologies involving multi-way connections, such as Facebook, provide greater depth of connectivity, while limiting access to a tightly defined group. Other social media, such as Google+, fall somewhere in between – enabling moderately wide, albeit well-defined access and moderately in-depth ties.

Mapping these three popular social media based on their information reach and depth, we identify two continuums, shown in Figure 1: breadth of access and depth of connection. Social media, such as Twitter, can be characterized as high in breadth of access since it represents a platform where an expert or leader in an area may “tweet” or broadcast their views or opinions to many followers without any reciprocal feedback being required. (Clearly, Twitter can be used for other purposes as well, but relying on Kietzmann et al.’s [31] definition that social media platforms have a predominant characteristic, we classify it thus.) In contrast, the depth of connection relies on closer ties among members of social groups, where—as in Facebook—information sharing, rather than network size is significant. In between these two platforms, with a balance of breadth of access (reaching like-minded members) and depth of connection (sharing some information), is Google+. Figure 1 below represents these compound continuums and the relative positions of the three social media platforms examined in this study.

3. Research Model

The capabilities of the technology used in crowdfunding platforms both constrain and enable the project founders’ ability to provide clear signals to funders regarding the value of their projects [8] and their own commitment. These signals, similar to those used in traditional venture projects, can play a key role in the success of crowdfunding ventures. However, unlike most traditional venture projects, crowd-funded projects are also subject to the “buzz” generated about them on social media. While the signals conveyed by founders in the websites and the social media buzz can independently affect venture funding outcomes, the interaction of these two factors will likely have a significant impact on outcomes as well. Our research model (see Figure 2 below) depicts the main effects of project signals—both about the value of the venture and the founders’ commitment—and social media buzz—in the three main social media platforms—as well as the interaction effects of both on funding outcomes of the venture.

3.1. Main Effects

Nascent work on crowdfunding finds that funders tend to imitate traditional sources of venture capital by evaluating the quality of a project and the venture team [11]. These findings reinforce the idea that funders in the crowdfunding environment are taking into account “known quality signals in the same way as other providers of entrepreneurial capital.” [9, p. 7] Given this relation to traditional funding environments, funders in a crowdfunding environment will look for signals that indicate quality based upon the value of the project itself [26] in addition to the commitment of the founders to lead the project until its successful completion [25, 35]. Research in online markets has identified the use of costly signals related to both product quality (such as rich website content including images and product descriptions [36]) and seller reliability (such as seller contact information and seller
reputation systems [28]), in building trust and reputation for online sellers. Thus, we present the following hypotheses:

**H1. Greater signals used to convey the value of a crowdfunding project will be positively related to funding outcomes.**

**H2. Greater signals used to convey founders’ commitment to a crowdfunding project will be positively related to funding outcomes.**

The mix of media available—text, visuals and links—makes social media sites particularly relevant for individuals involved in a grassroots phenomenon like crowdfunding, which also relies on a mix of media to reach many funders. Empirical research suggests that consumers involved in information search are not only more likely to use social media sites rather than traditional avenues [37], but they also tend to feel social media sources are more trustworthy [38]. These ideas suggest a potential impact of social media, apart from the signals associated with the crowdfunding website, on funding outcomes. Hence we hypothesize:

**H3. Greater volume of social media buzz—in terms of (a) breadth of access, (b) a hybrid of breadth of access and depth of connections, (c) and depth of connections—regarding a crowdfunding project will be positively related to funding outcomes.**

**3.2. Interaction Effects**

Social media buzz may also help draw interest from a broader pool of investors, and encourage interest in the project through connections with other investors. Viewed differently, information shared through social media relationships, common interest groups and community conversations are likely to enhance the efficacy of signals conveyed by entrepreneurs in attracting funding. Thus, indicating that one favors a product or venture may attract a friend to check out what it is, i.e., its value proposition. If a leader broadcasts a snippet of information about a venture, followers’ interest may perk up, and they may be drawn to the venture. Likewise, promotion by aficionados of a particular topic may indeed encourage others in the shared community to investigate the project. Based on the above discussion, we present the hypotheses below:

**H4. Greater volume of social media buzz—in terms of (a) breadth of access, (b) a hybrid of breadth of access and depth of connections, (c) and depth of connections—regarding a crowdfunding project will enhance the positive impact of a project’s value signals on funding outcomes.**

**H5. Greater volume of social media buzz—in terms of (a) breadth of access, (b) a hybrid of breadth of access and depth of connections, (c) and depth of connections—regarding a crowdfunding project will enhance the positive impact of founders’ commitment signals on funding outcomes.**

**4. Methodology**

**4.1. Study Context**

We chose the popular crowdfunding site Indiegogo to empirically examine our research questions. Started in 2008 as a method for funding the independent film industry, Indiegogo expanded to other areas in 2009. According to their site, “Indiegogo is a crowdfunding platform where people who want to raise money can create fundraising campaigns to tell their story and get the word out.” As of January 2015, Indiegogo has hosted funding campaigns for over 275,000 projects.

Given the same template that Indiegogo requires all ventures to use, some cues are consistent across ventures. However, as we argued earlier, despite the consistency of templates, the “storytelling” aspect (manifested in the many signals of projects), and the social community aspect (manifested in its social media links) of Indiegogo will affect funding outcomes. To determine how signals and social media buzz matter in affecting outcomes, we drew on a sample of 85 projects in the digital gaming sector where the fundraising was completed. Projects within our sample were “flexible-funding” projects, meaning project founders retain all funds raised, even if the funding goal was not met. This sample included those projects that had met, exceeded or not met their goals ensuring enough variance in the data. We chose the digital gaming sector because it consisted of projects that best met our criteria of rewards-based crowdfunding. While Indiegogo does not allow for equity-based crowdfunding projects at this time, many of the categories contain projects that lean toward a more altruistic or cause-based purpose. Digital gaming projects were instead focused on attracting investors for the purpose of funding a new or improved game version used as entertainment. In addition, projects within the digital gaming category typically provided some type of extrinsic commodity (i.e. a copy of the game) in return for moderate donation, rather than offering only intrinsic types of rewards (i.e. a thank note or recognition). Thus, our sample allowed us to
focus on rewards-based projects for which the funding period was over and the data would not change, yet would have enough variance. Of the 85 projects in our sample, all received at least some funding. On average, projects received 67% of their goal, with a range from no funding to 484%.

4.2. Operationalization of Variables

The primary purpose of Indiegogo and other crowdfunding sites is to attract enough venture funding for founders to bring their projects to life. For that reason we operationalized our dependent variable as the total amount of funding received.

To ensure that larger projects were not weighted more heavily simply as a function of their size, we used the percentage of funding goal achieved as a control variable.

In this study, the independent variables represented the signals used by entrepreneurs to convey the value of the venture and their commitment to it.

Given that with crowdfunding in general, and Indiegogo in particular, founders must tell their story using words, visuals and links [39] to convey signals about project value and their commitment, the following variables were coded to signal the value of the venture:

Signals of a project’s value was operationalized using the extent of words and visuals used. While the cost of this signal may be low, the length of a message carries symbolic meaning [40]. Specifically, longer messages in this context are more descriptive and signal that they are worth an audience’s time [41]. Thus, detailed descriptions of a venture signal a robust description of the product.

A picture is worth a thousand words and increases the tangibility of the product [42]. Given that some ventures also had a video or two and an occasional diagram about their product, we operationalized visual value signals as the sum of photos, graphics and video that the founders posted on their sites about their product. Many crowdfunding sites advise founders to tell their story with pictures and videos—which are costlier signals—as well as words. Complementing empirical findings [9], Indiegogo explains, “Campaigns that post media after going live raise 80% more funding than those that don’t.” The number of visuals posted signals project value by allowing the founder to “show off” the product and “amplify” their campaign.

Signals of founders’ commitment to a project assure potential funders that the founders are focused on the venture and will be closely engaged with it. We operationalize commitment signals in two ways: contact information and links.

Contact information provides backers with the knowledge needed to connect with founders regarding the project. Contact information also demonstrates willingness, even eagerness, to engage with potential investors regardless of the time and resource commitment required to foster these connections. We operationalized this signal by counting the number of ways founders were listed under “Find me on” for potential funders to reach them.

Hyperlinks posted by founders connect to a variety of locations including personal websites, company websites and social media sites. Establishing websites and social media sites for a project requires time and commitment. Potential funders realize the effort required to build sites and personally promote a project. Thus, this measure captured the number of all the working links included on the home page of each project.

Social media buzz refers to the level of attention garnered through social media. We operationalized buzz in three ways: the number of times the site’s URL was tweeted (breadth of access), the number of Facebook “shares” a site received (depth of connections), and the number of times the site was shared using Google+ (hybrid). While each of these methods of communication is similar, the type of relationship enabled by the social media capabilities represents differences along the breadth of access and depth of connection continua.

5. Analysis and Findings

The Partial Least Squares (PLS) technique was used to test the research model. Particularly suited for complex predictive models [43], PLS relies on non-parametric prediction-oriented measures to maximize the variance explained by the independent variables rather than covariance matrices [44]. Additionally, PLS overcomes problems with moderator measurement error in other measurement techniques, providing a more accurate assessment of moderator effects [45].

5.1. Test of the Measurement Model.

Our test of the measurement model includes estimates of internal consistency as well as convergent and discriminant validity of the variables. Commitment and value are both reflective measures, made up of two items each. The composite reliability scores exceed the recommended 0.70 value [46]. Likewise, the AVE values are all above the recommended value of 0.50 [47]. Item loadings also demonstrate convergent
validity of the latent variables, with each item loading highly (>0.50) on the associated factor.

5.2. Test of the Structural Model.

The sample size of 85 crowdfunded projects exceeded the recommended minimum of 50 observations for our model [48]. Non-parametric bootstrapping with 500 replications and construct-level change reprocessing were used to obtain standard error terms for the estimates [49]. Hypotheses were tested using two structural models, with the first testing the main effects of signals and social media buzz on funding outcomes and the second adding in the interaction effects of social media buzz.

Analysis of the first model tested the direct impact of value signals (H1), commitment signals (H2), and social media “buzz” (H3: a. breadth of access; b. hybrid; and c. depth of connections) on funding outcomes.

In the main effects PLS model, the $R^2$ value of 0.28 is interpreted in the same way as in regression, indicating the predictive power of the model. The path coefficient for the relationship between value signals and funding outcomes was significant ($\beta=0.2443$, $t=2.6408$, $p=0.005$), providing support for hypothesis 1. Similarly, the path coefficient for the relationship between commitment signals and funding outcomes was also significant, providing support for hypothesis 2 ($\beta=1.914$, $t=1.8499$, $p=0.034$). Contrary to our expectations, however, there was no significant relationship between social media buzz and funding outcomes; thus, hypotheses 3a-c were not supported.

Next we analyzed a structural model containing both the main effects of signals and social media buzz along with the interaction effects of both (H4a-c; H5a-c) on funding outcomes. The $R^2$ value for our second model, which included the interaction effects of signals and social media buzz, was 0.61, an increase of 33% in the explanatory power of the model compared to the previous model (that included only the main effects of venture signals). A power analysis indicates that the moderating effects are meaningful, with a strong effect size $f^2$ of .84 [48]. The results of the interaction model are presented in Figure 3.

Figure 3: Interaction Effects

Neither Facebook “shares” nor Google+ “shares” had significant interaction effects with value signals on funding outcomes, failing to support hypotheses 4b or 4c. As shown in Figure 3, the interaction effect between value signals and Twitter “tweets” had a significantly negative impact on funding outcomes ($\beta=-0.8899$, $t=3.633$, $p<0.001$), indicating that the “tweets” served to diminish the value signals in impacting funding outcomes. This result is contrary to our expectation of positive interaction between “tweets” and value signals; thus, hypothesis 4a was not supported.

Hypothesis 5a and 5b were supported. The interactions between commitment signals and both Twitter “tweets” ($\beta=1.2535$, $t=6.2207$, $p<0.001$) and Google+ “shares” ($\beta=0.5374$, $t=2.1836$, $p=0.016$) had significantly positive influence on funding outcomes. Facebook “shares” did not significantly impact the relationship between commitment signals and funding outcomes; thus, hypothesis 5c was not supported.

6. Discussion

As hypothesized, our findings demonstrate that signals of value and commitment convey project worth in a technology-enabled environment and affect crowdfunding success. However, our findings also suggest that certain types of social media buzz significantly affect this relationship. Though our results show no direct effects of social media buzz on funding, we found significant moderating effects. In fact, with the addition of these moderating effects, the explanatory power of the model more than doubled and, equally interesting, the main effects of value and commitment signals, which were significant in the baseline model (without the interaction terms), became non-significant. Thus, our ensuing discussion focuses on the moderating effect of social media buzz on the relationship between project signals and funding outcomes.

Specifically we explore the idea that social media buzz mattered, in expected and unexpected ways. In
other words, not all social media buzz had the same “amplifying” effect on venture signals as predicted. Our findings demonstrate that understanding these differences across different types of social media can impact more than the level of interest generated in a crowdfunding project; it can impact the bottom line.

Conventional wisdom regarding social media buzz suggests that “all buzz is good buzz” and businesses, from founding ventures to established companies, are encouraged to promote themselves via social media. Though social media may well be an indicator of a project’s popularity or product recognition among web users in general [8], the goal of founders is not just to create a following, but to raise money. Notably, our results show that being “shared” by social media users does not necessarily lead to project funding. We found, for instance, that Facebook “shares” did not interact with value and commitment signals to affect funding. Many businesses frequently ask customers to “share” their page; people ask their friends to “like” what they are engaged in; and the Facebook phenomenon has become ubiquitous [50]. Some have argued that getting a Facebook endorsement represents weak endorsement of an idea or product, a short cut for those who do not really want to engage [51]. We found that unfocused depth of connections, in the form of Facebook “shares”, had no moderating effect on crowdfunding success.

Value signals often promote more tangible product qualities such as size and appearance, while commitment signals promote less tangible founder qualities not easily discernable. Notably, we found that while the main effect of value signals had a positive impact on funding, the addition of buzz via “tweets” changed the direction of the impact. In other words, having numerous “tweets” and value signals actually diminished project funding. One explanation is that adding broadly scattered buzz to a project already signaling high quality may make a project appear “too good to be true”. Such buzz, paradoxically, appeared to dilute the value signal conveyed by the founders of the project, thereby reducing project funding. Viewed differently, a crowdfunded project that has a tangible value proposition—the product—sells itself. Adding broadly diffused buzz to it had the effect of “selling past the close”, i.e., overselling the product. In contrast, commitment signals, as mentioned earlier, highlight the intangible qualities of the founders. Our findings suggest that social media “buzz”, especially of the broadly diffused and hybrid varieties, amplify these commitment signals. In other words, more “tweets” and Google+ “shares” along with signals of commitment resulted in higher levels of funding than signals of commitment alone. Whereas signals of

value highlighting product attributes are more tangible, signals of team commitment to a project are harder to assess directly. When evaluation is difficult, individuals often rely on more readily available proxies [52]. Thus, it is likely that individuals substituted recommendations from the community (i.e. selected social media buzz) for self-assessments of founder commitment, resulting in greater funding for projects.

Our findings highlight the complexity involved in designing crowdfunding signals in an environment with different social media options [12]. Not only is it important to understand how the crowdfunding site design impacts the ability of founders to convey signals, but effective signaling requires a more in-depth look at the characteristics of social media platforms and how they interact differentially with various types of value and commitment signals. Our study provides a glimpse into the complex nature of social media and how they amplify and negate the signals that project founders seek to convey, and in the process influence crowdfunding project success [8]. Indeed, our findings provide strong initial insights to the calls for understanding the impacts of “substantial material differences between [social media channels]” [53, p. 16] in entrepreneurial contexts.

7. Limitations and Future Research

Our research highlights several potential avenues for future research. First, while our results show the successful use of technology cues as signals of project worth, we examined only the existence of these signals. Further research is needed to understand the potential strength of using varying technological cues as signals of worth. Additionally, both the quality and effect of technological signals are understudied in this context. For instance, Mollick [9] finds a negative impact of misspelling in crowdfunding pitches. It stands to reason that visuals of poor quality or inoperable links may do more harm, and may even outweigh the benefits of “good” signals in improving funding success. Qualitative follow-ups to this study would shed light on how individuals use social media to promote projects, form attributions about project worthiness, and ultimately, make funding decisions.

Our research highlights the differential effects of social media in moderating the impact of different venture signals on crowdfunding success within a specific category of rewards-based projects. Future research is needed to determine whether our findings hold in alternate contexts. Given the complexity of the crowdfunding environment [12], the potential audience serving as the “crowd” appears to react differently to the buzz emanating from different social media platforms. For instance, a concentration of business
and technology groups dominate the Google+ platform [33]. Given this demographic of the social media platform and the fact that the sample for this study was drawn from crowdfunded projects related to digital gaming, the interaction effects seen in this study become clearer. Potentially, the symmetric relational network available within Facebook may encourage stronger reactions in categories where family-oriented or altruistic projects occur, such as in education or environmental-based crowdfunding projects. These issues need to be examined in future studies. Crowd and founder differences, as well as intangible differences in project appeal, are a potential source of endogeneity, and as such, present an opportunity for future research in this area.

8. Conclusion

Crowdfunding is a social phenomenon that has exploded with the growth of Web 2.0. The concomitant explosion of social media platforms has brought the two phenomena together. However, despite their obvious overlaps, no empirical studies have examined how these two elements are related. We examined specifically how technological cues from crowdfunding projects serve as signals regarding the value of the project and the commitment of project founders. Additionally, we examined how the buzz created in three categories of social media—breadth of access, hybrid and depth of connections—about digital gaming ventures influenced the value and commitment signals used by entrepreneurs in attracting crowdfunding. Our results suggested the importance of social media buzz in moderating the efficacy of signals conveyed within the crowdfunding website. Further, our results indicate a differential effect of "buzz"; depending on the social media platform and the type of signal conveyed. So, the lesson is simple: All social media buzz is not the same. Some buzz is just noise, and while having a “buzzworthy” project could lead to more money, being “buzzworthy” isn’t always worth the hype.

9. References