Does Crowdfunding Reduce Regional Advantages?

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Motivation

- Continued work on Cultural industry/Digital Media.

- Trying to understand the idea of "flat" finance vs traditional VC.

- The case of YouTube.

- Canada as a case of highly concentrated specialization in DM and traditional centers of finance.

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Geography of Finance

- 21st century – expect finance not to cluster (O'Brian 1992).

- Mainstream finance industry still highly clustered (Klagge and Martin 2005, Garretson et al 2009, Mason and Harrison 2002).

- Geographers maintain the importance of space – about networks and institutional actors (Martin 1999, Giddens 2013)

Why Crowdfunding

- Is the world becoming financially flat?
- You can start a project anywhere.
- You can succeed (get funded) anywhere in the world.

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Crowdfunding

Five distinct business models:

- 1. Donation Models
- 2. Reward Model
- 3. Pre-purchase Model
- 4. Peer-to-Peer
- 5. Equity Model

Three stakeholders: the project initiator, the backers and the crowdfunding platform (Gierczak et al 2016).
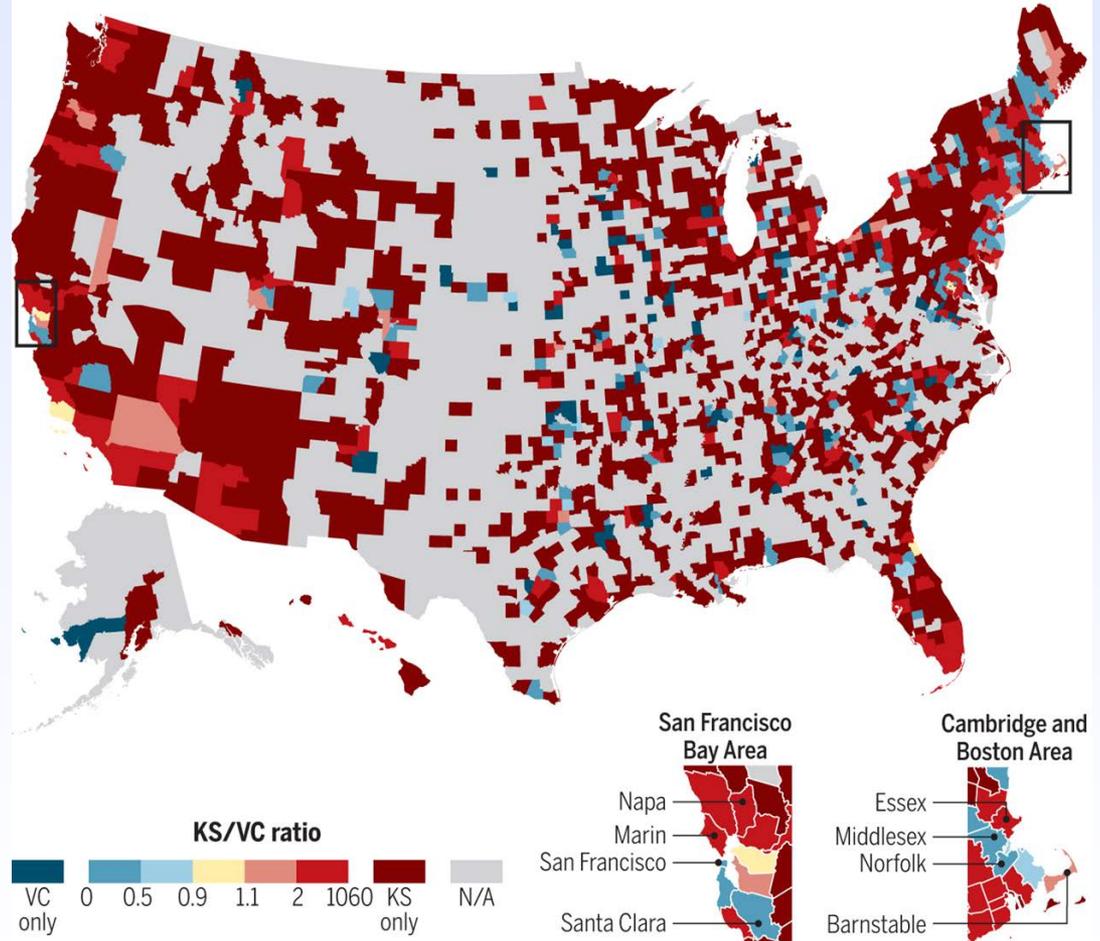
Kickstarter and Clustering

- Agrawal et al 2011 – close friends and family (local) invest early.

- Mendes-Da-Silva et al 2016 – Negative association between distance to donors and fund raising.

- Backers are influenced by Social Media and regional specialization (Mullick 2014)

Project funding is more spread-out than venture capital funding.

- KS campaign < $ but a broader spread than VC.

- Several places with the largest number of successful campaigns have not been magnets for VC investments, e.g., Chicago, Los Angeles, and Seattle.

- VC investments highly concentrated. Four counties, Boston area and Silicon Valley = 50% of all matched VC investments.

Crowdfunding and venture capital at work

Distributions at county-level of matched Kickstarter (KS) campaigns, venture capital (VC) investments, and the ratio of the amount of KS to VC funding, 2009–2015. Increasing blue to red indicates a higher ratio of KS to VC funding.

KS/VC ratio

VC only | 0 | 0.5 | 0.9 | 1.1 | 2 | 1060 | KS only | N/A

San Francisco Bay Area
- Napa
- Marin
- San Francisco
- Santa Clara

Cambridge and Boston Area
- Essex
- Middlesex
- Norfolk
- Barnstable

The Middle is Interesting

- What is the spatial difference between ideas and successful projects?

- How do different kinds of projects cluster?

- What are the regional differences in the spikiness of crowdfunding projects?
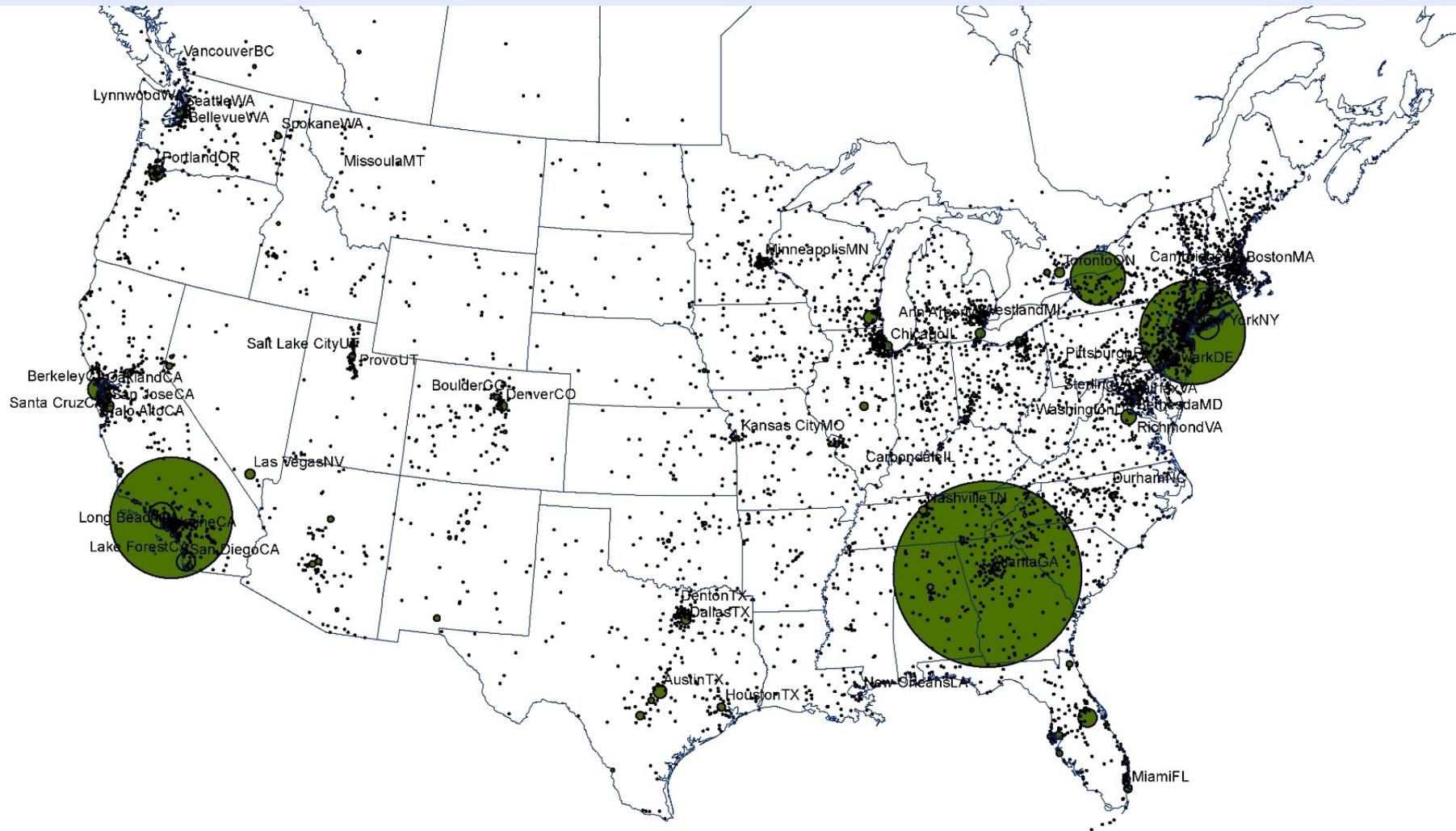
Method

- Crowdfunding database – reward based.
- City-level approach.
- Quantitative analysis – Moran I.
- GIS analysis.
- Digital Media industry.
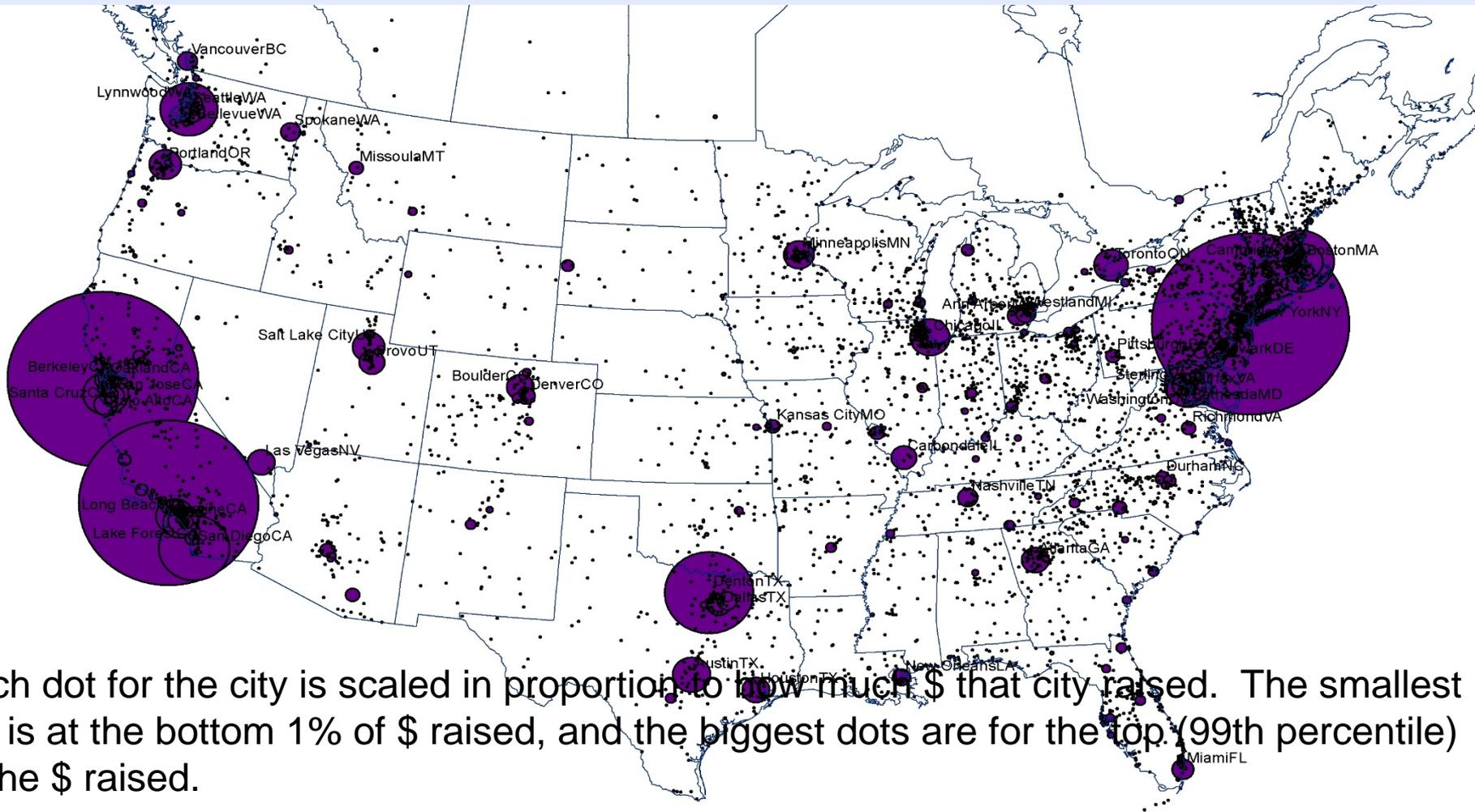 - Contrast with local (e.g. food track/community garden).

Data

- Kickstarter data -
    - USA and Canada kickstarter projects.
    - 2009-2014.
    - 45,000 cities.
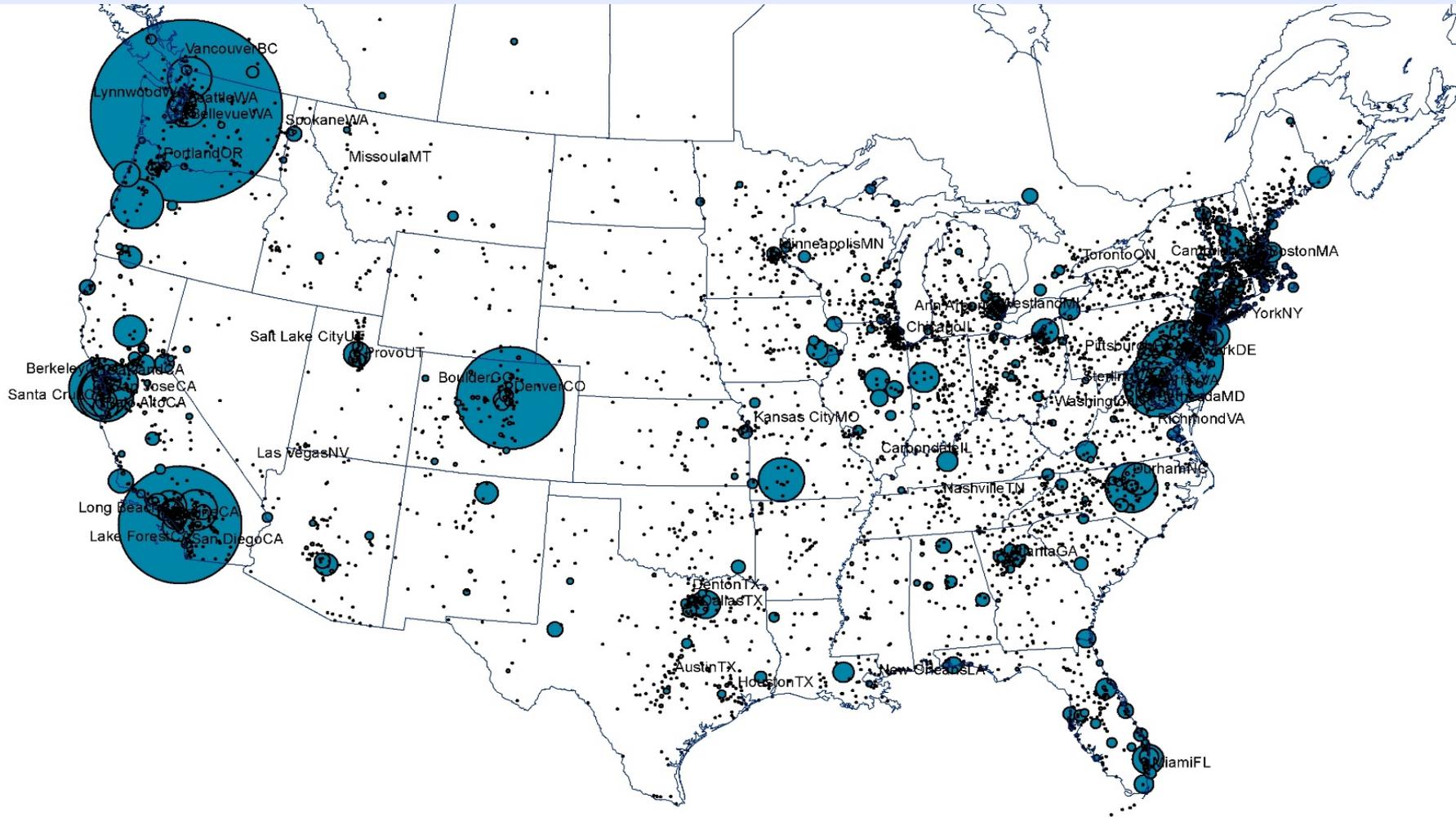   - 3500 counties.

Targeted Funds by City

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Raised Funds by City

Each dot for the city is scaled in proportion to how much $ that city raised. The smallest dot is at the bottom 1% of $ raised, and the biggest dots are for the top (99th percentile) of the $ raised.

Backers by City

$ Raised in Counties vs Targeted

- Successful projects are concentrated.

- Backers are concentrated.

- A lot more failed projects outside the big centers.

	Moran's I	Z
Total Kickstarter $ Raised	0.213	22.579
Total Kickstarter Backers	0.247	25.681
Total Kickstarter $ Targeted	0.051	5.995
Total Kickstarter Projects	0.041	4.946

Digital Media vs Local Projects

- DM $ and backers are more spatially clustered than the average Kickstarter project.

- The number of DM projects in cities and the targeted amount to raise is not clustered.

| Variables	Moran's I	Z
Kickstarter $ raised, Digital Media	0.269	27.963
Backers DM	0.293	30.075
Targeted DM	0.059	7.877
Total # of DM Projects	0.04	4.792
Kickstarter $ raised, 'Local' projects	0.082	9.424
Targeted Local	-0.000	0.136
Backers Local	0.081	9.547
Total # of Local Projects	0.014	2.028

Digital Media vs Local Projects

- Localized projects are not clustered in any categories.

- Everyone needs a Community Garden. But only a few hubs support digital media projects.
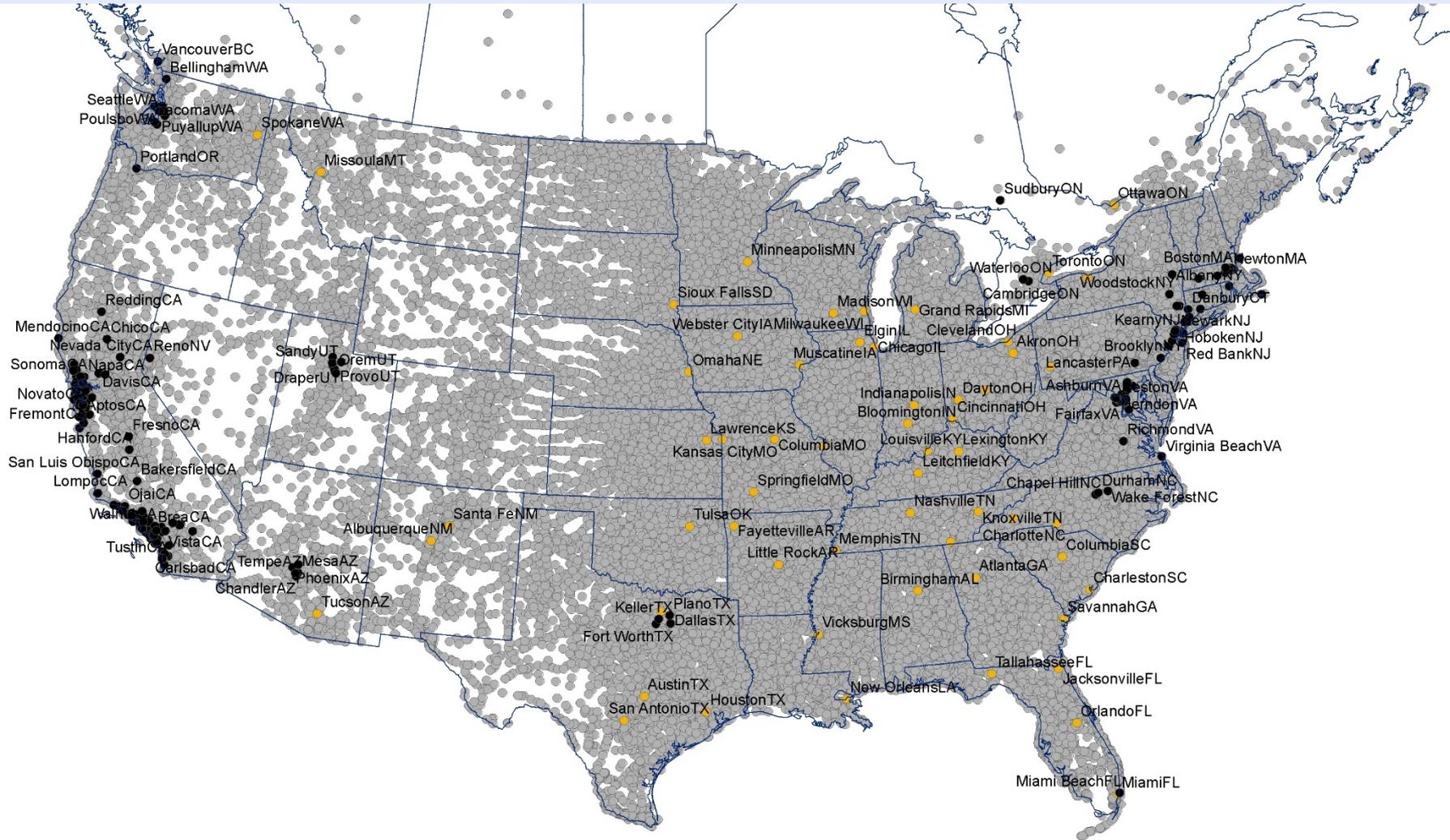
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$ Raised in Kickstarter
All Subcategories and all Years
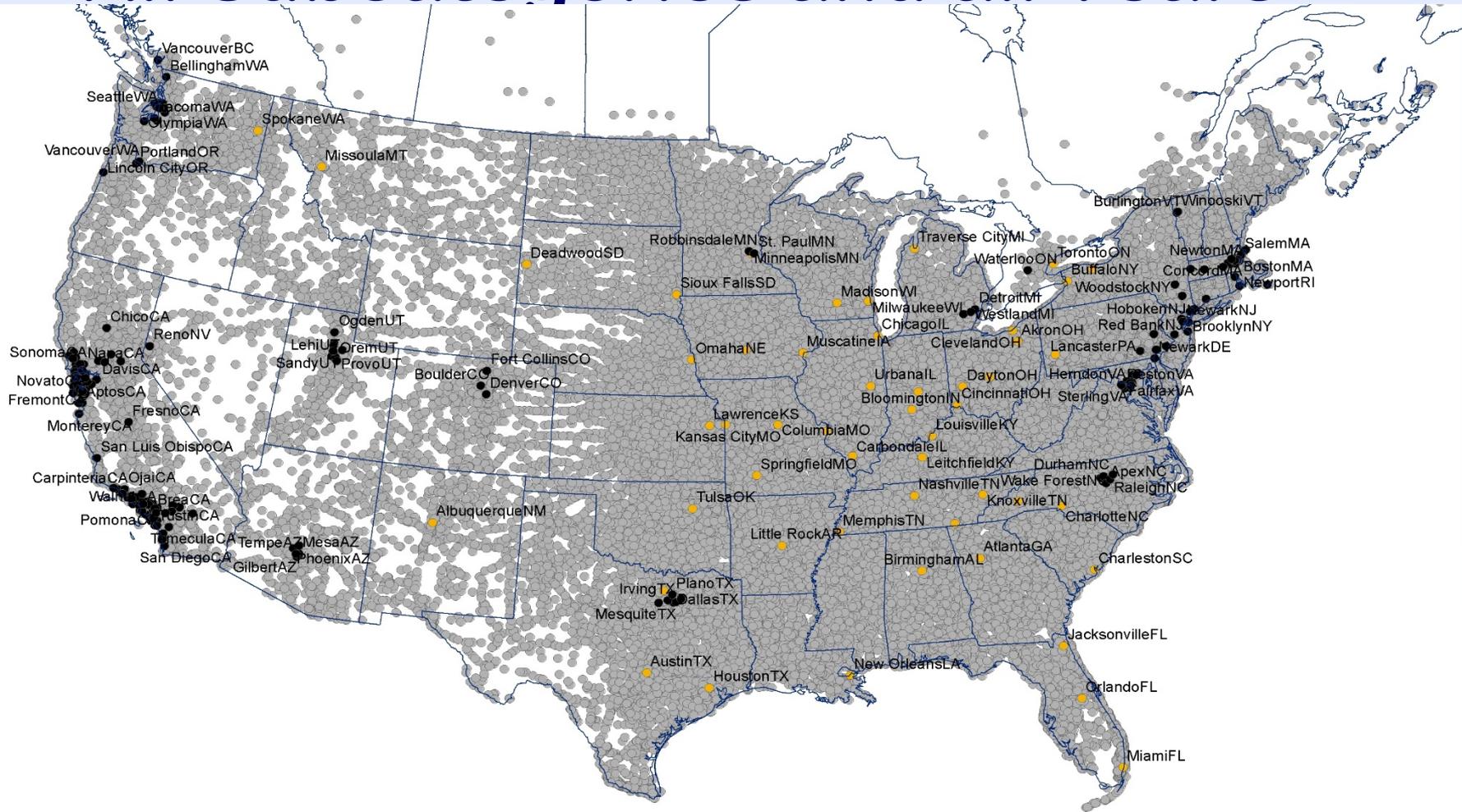
$ Raised in Digital Media
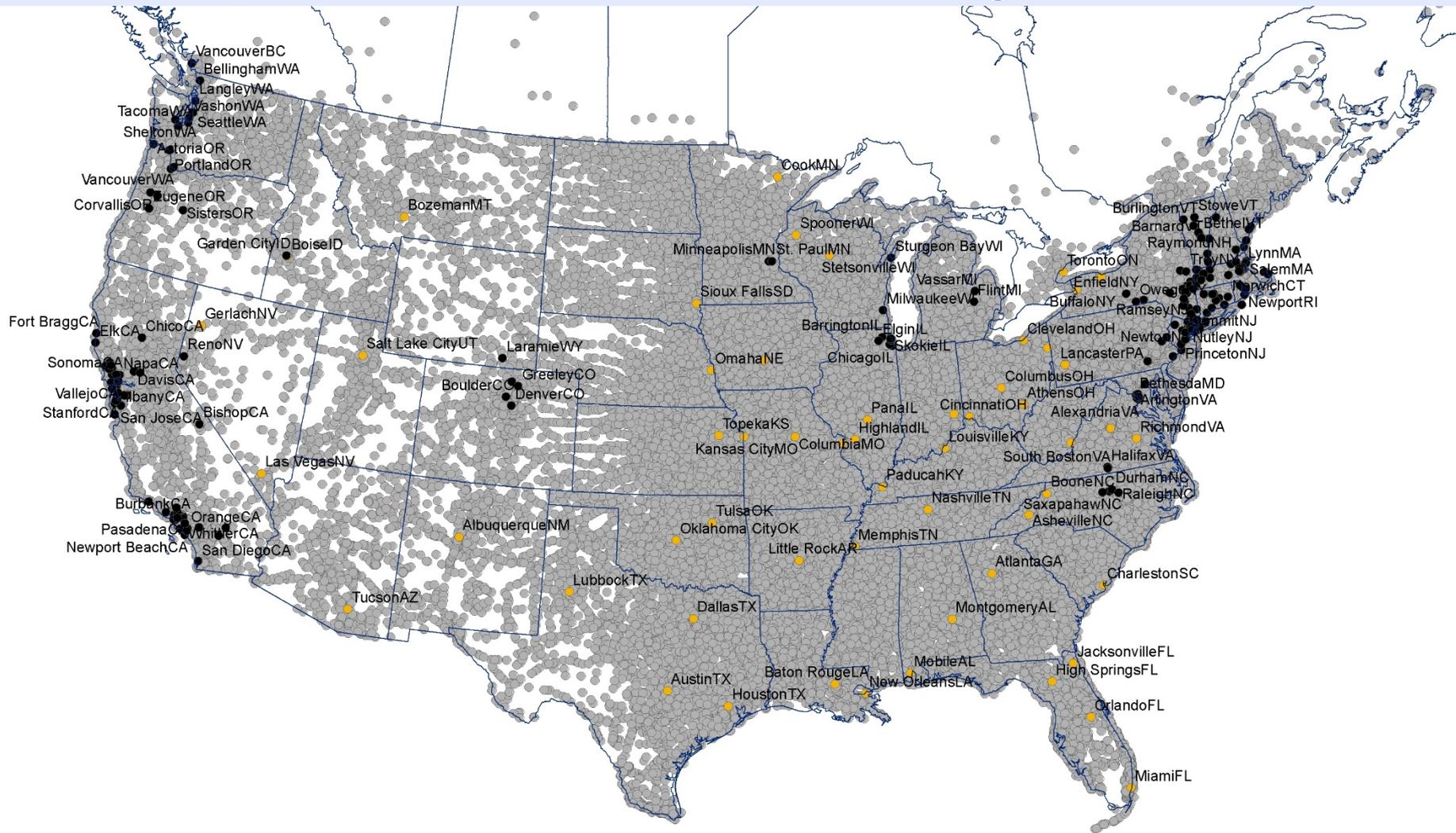
Canada Vs USA

	City	Province	Pledged Capital (Total)	City	State	Pledged Capital
1	Toronto	ON	2604617	New York	NY	15400000
2	Montreal	QB	1898731	San Francisco	CA	14900000
	Vancouver	BC	1455636	Los Angeles	CA	13900000
3	Ottawa	ON	527929.8	Denton	TX	6861958
4	Waterloo	ON	412806.8	San Diego	CA	5393811
5	Hamilton	ON	256999.7	Cambridge	MA	5162156
6	Sudbury	ON	169955.5	Seattle	WA	4394602
7	Winnipeg	MB	169438.5	Bethesda	MD	3557145
8	London	ON	157305.5	Palo Alto	CA	3529873

Canada vs USA DM

	City	Province	Pledged Capital DM		City	State	Pledged Capital (DM)
1	Toronto	ON	1,891,287	1	San Francisco	CA	11,400,000
2	Montreal	QB	1,410,927	2	New York	NY	6869597
3	Vancouver	BC	848543	3	San Diego	CA	4038484
4	Ottawa	ON	379745	4	Los Angeles	CA	3690924
5	Waterloo	ON	338271	5	Denton	TX	3606249
6	Sudbury	ON	169933	6	Bethesda	MD	3547131
7	Cambridge	ON	134444	7	Fairfax	VA	2658411
8	London	ON	127941	8	Newport Beach	CA	2269598

Conclusions

- What is the spatial difference between ideas and successful projects?

Virtually no clustering of ideas (projects) and ambition (target).

Strong clustering of success (pledges) and popularity (backers).

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Conclusion II

- How do different kinds of projects cluster?

DM cluster more than the average kickstarter projects. Local are spread out.

- What are the regional differences in the spikiness of crowdfunding projects?

Local projects have a different spatial distribution (Chicago).

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Next Steps

- Paper 1 - Control for – populations, existing industrial clusters, Florida creative index, education programs – why question – why hotspot are where they are.

- Paper 2 - Scaleness – local/regional/national scale – henry Yeung et al. – processes that have inter linkages. "community" – how local is your project (backers info).

- Paper 3 - How authors choose the location? Is it about the halo effect? Are the authors really there?

- Paper 4 - Maqbool and Skenderi - Does the efficient use of the digital economy increase the chances of funding success on Kickstarter?

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THANK YOU!

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Local Categories

· Architecture	· Food Trucks	· Public Art
· Civic Design	· Installations	· Residencies
· Comedy	· Live Games	· Restaurants
· Community Gardens	· Makerspaces	· Spaces
· Dance	· Movie Theaters	· Theater
· Events	· Performance Art	· Workshops
· Farmer's Markets	· Performances	
· Farms	· Places	
· Festivals	· Plays	

Clustering Over Time

Total money raised and the total number of projects are clustering more over time – local not as clustered.
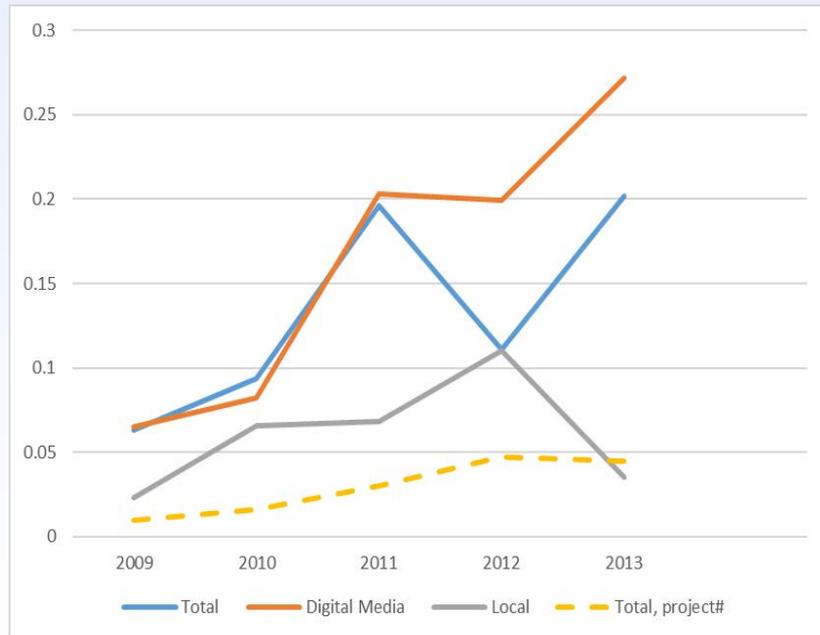
The number of backers (by county) is increasingly spatially clustered over time - but not for Local projects.