CultureCase

The role of geography in determining crowdfunding success

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Summary

This paper studied crowdfunding in the US and Canada. The researchers wanted to understand the effects of geography on the likelihood of getting funded. They chose to look at data for Kickstarter projects from 2009 to 2014. They discovered that ‘even in the digital world, geography is important’. Essentially, ‘projects in large population centres attract more funding and backers’. For projects designed to take place in a local area Kickstarter ‘reverses the traditional venture financing pattern of concentrating resources in large urban areas by favouring a “flatter” distribution’. For those kinds of projects ‘the world was already spiky, and it is a bit less so thanks to […] Kickstarter’. By contrast, crowdfunding support for projects dedicated to the creation of digital media (which therefore are not anchored to a specific location) tends to be even more concentrated geographically than the local economic would suggest.

Some other local characteristics are associated with an increased level of crowdfunding

One such characteristic is whether a local population has a high level of educational attainment (thought to be an indicator of high-skilled jobs and the presence of investors). A higher-than-average presence of local non-profits also ups the chances of success (this may be because they indicate a local culture of giving). A high proportion of people employed in industries like computer science, film and video also has a positive effect on the funding a project attracts.

Crowdfunding presents a novel way to attract investment for projects and to link creators with audiences

It also lets individuals and groups build momentum for their product, service or brand. But (as with other routes to finance and audiences) the opportunities available and the chances of success depend on where a project is located. The world is not flat, it is (in the jargon of the paper) ‘spiky’: people, jobs, money, projects and infrastructure are clustered in specific locations. Crowdfunding activity generally maps onto existing geographies of economic activity: crowdfunding ‘goes where the crowds are’.

Keywords

USA **place** **projects** **Canada** **crowdfunding**

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