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Backer Profiling: What Drives Engagement in Crowdfunding?

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Abstract. *Crowdfunding represents a contemporary paradigm in project financing, wherein capital is sourced from a multitude of individuals, termed backers, via online platforms. Given the pivotal role of fundraising in project outcomes, comprehending backer attitudes assumes paramount significance. This study endeavours to delineate distinct backer profiles predicated on the underlying motives guiding their engagement in crowdfunding. To achieve this objective, empirical data was acquired through a structured questionnaire and subsequent analysis employing fuzzy-set qualitative comparative analysis (fsQCA) was undertaken. The findings of this investigation furnish insights into the heterogeneous nature of backer motivations, thus enabling the formulation of targeted recommendations for campaign creators aimed at effectively engaging diverse backer profiles.*

Keywords. *crowdfunding, backer profiles, person-centric approach, fsQCA analysis*

1 Introduction

The sharing economy manifests in various sectors: accommodation, transport, services and finance. In Serbia, platforms are predominantly utilised to access accommodation and transport services, while they are less commonly employed to acquire necessary funds (Živojinović et al., 2022). This new way of fundraising is in its early stages. Crowdfunding, or group financing, involves a public appeal, primarily conducted over the Internet, for the procurement of financial resources (Schwienbacher & Larralde, 2010). Considering the project category being financed and the type of returns investors expect (financial returns, non-monetary rewards, or personal satisfaction), three different types of crowdfunding can be identified: (1) investment-based crowdfunding, (2) reward-based crowdfunding and (3) donation-based crowdfunding (Bojković et al., 2022). Considering that individuals are not solely driven by one, but by various motives when making investment decisions, the aim of this paper is to identify backer profiles in Serbia based on the motives that drive them to participate in crowdfunding. This research aims to contribute not just to the literature but also to practice by providing recommendations for campaign creators on how to attract different types of backers, especially considering the setting characterised by underdeveloped financial and capital markets, a low level of investment culture and limited opportunities for individuals to invest their free cash flows. This study represents one of the few works that adopt a person-centric approach in analysing the motives of backers, particularly within the context of Serbia, marking it as a pioneering endeavour in this domain. Based on the aim of the paper, our research question is: What backer profiles exist in Serbia?

2 Literature review

Since group financing is a relatively new concept, both its theoretical framework and associated empirical studies are still in the early stages (Baah-Peprah et al., 2024). Research conducted so far has primarily focused on understanding the motivations behind individuals becoming backers (He et al.,

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2024; Nayer et al., 2024), as well as identifying the barriers or risks associated with this form of investment. It's unsurprising that a deeper understanding of the motives behind backers' investments, along with the risks they face in doing so, can be especially valuable for platform representatives and project initiators. One of the most widely embraced and applied frameworks for understanding motivation is the extrinsic-intrinsic dichotomy, developed by Deci and Ryan (Moysidou & Spaeth, 2016). Extrinsic motivation stems from external rewards, which could include factors beyond material gain, like recognition or new opportunities. In contrast, intrinsic motivation is driven by internal satisfaction, such as the desire for personal growth or the joy of facing challenges. Moreover, (Zhang & Chen, 2019) identify two broad categories of investment motives: those focused on others (altruistic) and those focused on oneself (egoistic). Popescul et al. (2020) classify backer motives into individual and social aspects, encompassing intrinsic, extrinsic, and image-enhancing desires, as well as the need for community belonging. Understanding the diverse motives driving backers is crucial for explaining variations in their behaviour (Cox et al., 2018). This insight informs the design of mechanisms to advance crowdfunding for the benefit of all stakeholders. Additionally, Ryu and Kim (2016) identify four types of crowdfunding sponsors based on six key motives: interest, playfulness, philanthropy, reward, relationship and recognition. Delgosha et al. (2024) conducted an analysis of individuals engaged in civic crowdfunding endeavours. Utilizing a framework comprising three categories of motives, namely identity orientations (individualistic, prosocial and collective), instrumental motives (collective, social and reward) and emotional appraisal (positive and negative emotions), they discerned five distinct citizen profiles potentially involved in civic crowdfunding: prosocial advocates, civic champions, reward seekers, normative supporters and regret-averse contributors.

3 Methodology and results of the analysis

For the purpose of conducting the survey, a questionnaire was developed to scrutinize the motivational aspects of respondents' engagement with crowdfunding as backers. The study identifies backers' profiles based on their investment motives using six variables: (1) need for recognition; (2) self-image building; (3) sense of belonging; (4) financial benefit; (5) functional value; and (6) receiving rewards. These variables, derived from prior research (Živanović et al., 2023), represent various motivations for crowdfunding participation. The diverse sample of 208 respondents varied in education, income, risk attitude and investment experience. Understanding their motivations necessitates a person-centric approach. Hence, the study employs a case-oriented, fuzzy-set Qualitative Comparative Analysis (fsQCA) to scrutinise configurational profiles (Iannacci et al., 2021). Before analyzing motivational aspects, convergent and discriminant validity were assessed (Cheung et al., 2023). Convergent validity, confirmed by Cronbach's alpha (CA>0.7), composite reliability (CR>0.76) and average variance extracted (AVE>0.52) and discriminant validity, verified through comparisons of square roots of AVEs and inter-construct correlations, were satisfactory. Factor analysis highlighted six constructs for annotation: need for recognition, self-image building, sense of belonging, financial benefit, functional value and receiving reward. Multicollinearity was absent (VIF scores < 1.6) among independent variables. Construct values underwent calibration transformation, using a standard technique based on Likert scale bounds (1-5).

Table 1. Configural profiles identified as an intermediate fsQCA solution (Source: Authors' work)

Backer profile	*Emotional belongers*	*Fund-sumers*	*Reward pursuers*	*Rational belongers*	*Primus inter pares supporters*	*Status seekers*	*Rock stars*
Constructs							
Need for recognition	⊗		⊗		●	●	●
Self-image building	⊗	⊗	⊗	⊗	⊗		⊗
Sense of belonging	●	⊗		●	●		⊗
Financial benefit	⊗	⊗	⊗	•		•	

Functional value		●		•		•	•
Receiving reward			●		•	•	
Consistency	0.79	0.78	0.77	0.87	0.91	0.93	0.87
Raw coverage	0.25	0.26	0.29	0.59	0.45	0.55	0.28
Unique coverage	0.001	0.002	0.002	0.13	0.04	0.11	0.02
Overall solution consistency					0.74		
Overall solution coverage					0.91		

Note: • - depicts the presence of a construct in a particular solution (large circles indicate the presence of core construct, small circles indicate the presence of complementary constructs); ⊗ - depicts the absence of a construct in a particular solution (large circles indicate the absence of core construct, small circles indicate the absence of complementary constructs); Blank spaces signify 'not important'.

The output of the fsQCA analysis is represented in Table 1. Values for consistency are all greater than 0.7 and raw coverage spans between 0.25 to 0.59 which meets the acceptable terms of meaningful output results. Based on the result of the fsQCA analysis, 7 profiles of backers are identified as relevant based on the value of raw coverage (value greater than 0.25). A description of characteristics and motives for participation in crowdfunding for these profiles is given in Table 2. In the same table, recommendations for campaign creators on how to attract these different profiles are given.

Table 2. Profiles of backers (Source: Authors' work)

Backers profile	Characteristics	How to attract them?
Emotional belongers	The exclusive motivation of backers falling within this profile is to foster a sense of community and establish connections with new individuals. Whether their investments lead to attaining any financial benefits holds no significance. Consequently, these backers are not driven by rational personal interests.	Crowdfunding campaigns tailored to *emotional belongers* should refrain from highlighting specific personal benefits. Campaigns should highlight the project's contribution to the social community, emphasising improvements in areas such as collective health, recreation, sports, animal protection and more.
Fundsumers	This particular profile of backers is primarily motivated to finance campaigns that yield a final product with practical and functional value for their personal use, irrespective of the financial returns they earn. Termed *fundsumers*, this profile combines the concepts of funders and consumers, akin to the notion of *prosumers*. They are distinctly pragmatic and goal-oriented.	Crowdfunding campaigns tailored for *fundsumers* should provide meticulous descriptions of the features and functionalities of the products or services resulting from the funded project. They are willing to invest in campaigns that may offer low or no returns, as long as the end product holds significant functional value for them.
Reward pursuers	This backer profile prioritises non-monetary rewards over financial returns, unlike *fundsumers*. They invest expecting to receive a tangible product or service directly from fundraisers, rather than purchasing it later on the market like *fundsumers*.	Crowdfunding campaigns for *reward pursuers* should emphasise the array of non-monetary rewards available upon project completion, ranging from symbolic to tangible offerings.
Rational belongers	These backers are driven by the sense of belonging to the backer community and connecting with fellow community members. However, unlike *emotional belongers* who invest in crowdfunding solely for the sense of community, *rational belongers* are additionally motivated by the prospect of achieving financial returns and supporting projects with functional value for them.	Crowdfunding campaigns directed at *rational belongers* should underscore the importance of the backer community, not as an end in itself, but as a community with specific interests and influence. In addition, these campaigns should emphasise the combination of the financial return that the project brings and the functionality of the resulting project.

Primus inter pares supporters	The primary motivations driving investment within this cohort of backers encompass a dual desire: the attainment of acknowledgement from fellow crowdfunding participants and a sense of belonging to the broader backer community. Thus, this particular group of backers manifests a combination of individualistic and collectivist motives.	Campaigns directed towards these backers should emphasise project dimensions related to encouraging creative ideas, enhancing the environment and demonstrating social responsibility. Personalised rewards, such as custom items (e.g., t-shirts, mugs) featuring the backer's name, among other forms of recognition, should be highlighted.
Status seekers	These backers view crowdfunding as a means to enhance their social status and material wealth. They seek recognition from fellow participants to bolster their personal brand and anticipate tangible returns on their investment, monetary or non-monetary.	Campaigns catering to *status-seeking backers* should include mechanisms for public recognition, such as featuring backers' names or photos on websites and issuing personalised thank-you notes. Emphasising expected returns, both monetary and non-monetary, is also essential.
Rock stars	Investors are primarily motivated by seeking recognition within the crowdfunding community, shunning broader community affiliation, and embracing individualism. Their investments aim to garner acknowledgement from others for their contribution to campaign success.	Campaigns targeting these backers should focus on facilitating public recognition of their contributions. *Rock stars*, indifferent to rewards but interested in the project's value, can be targeted for projects personally significant to them.

Drawing from the identified distinct profiles of backers and their respective characteristics, potential types of crowdfunding tailored to each unique profile were proposed, as showed in Table 3.

Table 3. Crowdfunding type per backer profile (Source: Authors' work)

Crowdfunding type per backer profile	*Emotional belongers*	*Fund-sumers*	*Reward pursuers*	*Rational belongers*	*Primus inter pares supporters*	*Status seekers*	*Rock stars*
Investment-based		Yes		Yes		Yes	Yes
Reward-based		Yes	Yes		Yes	Yes	Yes
Donation-based	Yes	Yes					Yes

4 Conclusion

Through fsQCA analysis, we identified and analyzed seven distinct supporter profiles in Serbia, providing insights for campaign creators to attract diverse backers and enabling more targeted crowdfunding strategies. This is crucial given Serbia's underdeveloped financial markets and limited investment opportunities. Our findings offer valuable contributions to the advancement of crowdfunding models in the country, supporting its evolving entrepreneurial landscape. Furthermore, they pave the way for future research into the dynamics of crowdfunding within emerging economies.

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