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# How high-performance outliers affect relative entrepreneurial entry on competing crowdfunding platforms

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**Abstract**

**Research Summary:** Entrepreneurs have increasingly entered digital crowdfunding platforms as a viable option for acquiring capital. This paper examines how high-performance outliers—projects that raised substantial amounts of capital—affect other entrepreneurs' decisions to enter crowdfunding. The present study focuses on the two largest rewards-based crowdfunding platforms, Kickstarter and Indiegogo. Results indicate that, following outliers, entry was relatively higher on the platform with less restrictive, entrant-friendly governance (i.e., Indiegogo). This effect was more pronounced among low-quality entrants and moderated by projects in categories that have higher capital requirements. The findings suggest that differences in platform governance influence how subsequent entrepreneurial entrants behave.

**Managerial Summary:** Entrepreneurs use crowdfunding as a viable source of capital. This paper looks at how outliers—projects that raise substantial capital—affected subsequent entry decisions by other entrepreneurs onto the two largest platforms, Kickstarter and Indiegogo. Outliers led to relatively more projects joining Indiegogo, but those projects were disproportionately of low quality. Projects in categories that typically seek more money disproportionately

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joined Kickstarter. When considered in the context of platform competition, not only does platform governance affect levels of entry on a platform, it also alters the relative mix of entrants that join each platform.

#### KEYWORDS

crowdfunding, digital platforms, entry, platform competition, platform governance

## 1 | INTRODUCTION

Digital platforms provide value to complementors partly by reducing costs, harnessing demand (Panico & Cennamo, 2022), and establishing standards (Kretschmer & Claussen, 2016). Platforms that reduce frictions in building, launching, or transacting enable resource-constrained entrepreneurs to launch or grow their businesses more efficiently (Srinivasan & Venkatraman, 2018). Entrepreneurs are increasingly engaging with digital platforms to accomplish a growing variety of startup objectives, such as capital-raising (e.g., crowdfunding on Kickstarter; Mollick, 2014), marketing (e.g., product launches on Product Hunt; Conti & Santalo, 2023), and transacting (e.g., selling apps on iOS; Nambisan et al., 2018). When platforms are described as “organizations of organizations” (Kretschmer et al., 2022), the latter organizations are often entrepreneurial in nature.

In particular, crowdfunding—the context of this study—offers several benefits to entrepreneurs in addition to raising capital from individuals (Cumming & Johan, 2017; Mollick & Kuppuswamy, 2016). By providing information about interest in the product or service prior to delivery, crowdfunding helps mitigate the substantial demand uncertainty experienced by entrepreneurs (Strausz, 2017). Also, project backers often form a community around the entrepreneurial effort, allowing the entrepreneur to communicate and interact with a group of interested members (Bürger & Kleinert, 2021). Crowdfunding also acts as a channel for information gathering (Chemla & Tinn, 2020) and dissemination (Murray et al., 2020).

However, when investigating within-platform behaviors, many studies of crowdfunding and of platforms more generally do not account for the broader competitive environment in which the platforms operate. Research has studied a diversity of dynamics and outcomes on a crowdfunding platform, including determinants of success (Gafni et al., 2019; Mollick, 2014), project creator responsiveness (Cornelis et al., 2022), downstream financing outcomes (Ryu et al., 2023), post-failure responses (Piening et al., 2021), and backer behavior (Kuppuswamy & Bayus, 2018). To the extent that an event, or shock, affects decisions of entrepreneurs outside the platform, such as their decision to join, the event may spur a choice among alternatives and thus be pertinent to other platforms as well. The behaviors of these entrepreneurs, in turn, may collectively affect multiple competing platforms. For example, the realization of a blockbuster outcome on a platform has been shown to affect behaviors on that platform (Soublière & Gehman, 2020; Wang et al., 2023), but when the blockbuster highlights the prospects of raising capital to entrepreneurs, their choice to start a crowdfunding campaign is not limited to that single platform.

To unpack the relationship between multiple platforms and entrepreneurial decisions, this paper asks: How do crowdfunding high-performance outliers—projects that raise substantial amounts of capital—affect relative entrepreneurial entry decisions across competing platforms? Specifically, this paper examines how outliers affect the entry behavior of subsequent entrepreneurs on Kickstarter and Indiegogo, the two largest crowdfunding platforms during the nascent period of crowdfunding. The empirical approach aggregates projects to the platform-category level over time to estimate relative changes in entry after the completion of an outlier project. The relative estimates provide results for nearly the entire rewards-based crowdfunding industry. I find that outliers on either platform are followed by a relative increase in entry on the platform that was less restrictive and entrant-friendly, Indiegogo. This average



effect is stronger for marginal, low-quality entrepreneurs. Finally, entry following an outlier on Kickstarter is positively moderated by categories where projects are more likely to derive value from crowdfunding, whereas this moderation effect is negative following an outlier on Indiegogo. The results suggest that differences in platform governance regimes help to explain the entry considerations of prospective entrepreneurs. Low-quality entrants prefer the less restrictive platform, and entrants in categories that require greater amounts of capital prefer the stricter platform.

This study of entrepreneurial decisions on competing crowdfunding platforms adds to the crowdfunding literature and has broader implications for the literature on platform competition. First, this paper contributes to studies on crowdfunding that have looked at conditions that affect entry on a single platform by examining how outliers affect platform entry across multiple crowdfunding platforms. The consideration of multiple crowdfunding platforms reveals behaviors that were not observable when considering these outcomes on a single platform (Dushnitsky & Fitza, 2018). The results of the present study suggest that, given differences in governance regimes across two platforms, an outlier on one platform can shift the mix of relative entry on both platforms. Studying the blockbuster effect on entry, an entrepreneur-side outcome, also complements prior work on crowdfunding that looks at blockbuster effects on liquidity, a backer-side outcome (Soublière & Gehman, 2020; Wang et al., 2023).

More broadly, the results have implications for understanding platform governance choices amidst competition. When designing their governance regimes, platforms face a tradeoff between increasing the quantity of complementors and maintaining a minimum level of quality to ensure safety in the marketplace (Boudreau, 2010; Wareham et al., 2014). Platform governance with fewer frictions, such as greater openness in crowdfunding (Wessel et al., 2017) or lower costs on transaction platforms (Conti & Santalo, 2023), increases entry on that platform, particularly among low-quality participants. Governance with more frictions, such as entry requirements, reduces entry but ensures greater quality (Casadesus-Masanell & Halaburda, 2014). The cost implications of the quantity versus quality tradeoff to prospective entrants on a single platform also have competitive implications when multiple platforms with differentiated offerings (Dushnitsky & Fitza, 2018) are competing. Cost-sensitive entrants and entrants who may derive greater value from raising capital disproportionately choose different platforms. The results show that governance rules that manage the first-order tradeoff between quality and quantity *within* a platform also have second-order competitive implications *across* platforms. This paper thus contributes to the research on the effects of internal policies across platforms (Dushnitsky & Matusik, 2019).

## 2 | ENTRY AND OUTLIERS ON PLATFORMS AND IN CROWDFUNDING

On platforms, greater levels of entry facilitate indirect network effects (Shankar & Bayus, 2003) that are important for growth (Chu & Manchanda, 2016), variety, and innovation (Boudreau, 2010). Entry facilitates scope and scale, which, in turn, contribute to platforms establishing market dominance in the face of competition (Cennamo & Santalo, 2013). However, greater entry risks reducing quality (Boudreau, 2012). As a result, a central objective of platform governance is to manage the tradeoff between allowing entry and maintaining the control needed to oversee or restrict entry (Wareham et al., 2014). Platforms have various mechanisms for imposing control, including entry restrictions (Casadesus-Masanell & Halaburda, 2014), verification (Garud et al., 2022), and fees (Dushnitsky et al., 2022).

In particular, entry has been a focus of research on crowdfunding. The decision to initiate a campaign is important because it is a part of the entrepreneurial financing decision (Chandler et al., 2022). Motivations for entry include raising funds, increasing awareness of one's product or activities, testing and validating the business model, and minimizing equity dilution (Gerber & Hui, 2013; Junge et al., 2022). Research on how to enter considers how to optimally frame the campaign to connect with audiences and backers (Falchetti et al., 2022). Regarding the level of entry, market conditions and opportunism have been shown to be important factors. When individuals have greater flexibility in their time (as during university breaks), crowdfunding entry increases (Agrawal et al., 2018). Conversely,

when market conditions present viable alternatives (as when a labor platform enters a local market), crowdfunding entry decreases (Burtch et al., 2018).

Most related to the present research are studies that show how policy changes or other events affect entry. Greater openness on a crowdfunding platform results in entry on that platform that is disproportionately of low quality (Wessel et al., 2017), a result also found in other settings (Conti & Santalo, 2023). Besides changes in rules, supply-side events that raise the profile of a crowdfunding platform yield an influx of low-quality entry as well (Geva et al., 2019). An open question is how events might affect relative entry across competing platforms.

In addition to policy changes, some complementors may be highlighted on a platform. They might be highlighted through platforms' actions (Rietveld et al., 2019), with those that receive recognition changing the behavior of subsequent actors (Rietveld et al., 2021). A complementor might also be highlighted through its own breakthrough performance. Such outliers, high performers, blockbusters, or superstars have garnered attention in different contexts, including video games (Lee, 2013), software (Binken & Stremersch, 2009), scientific research (Azoulay et al., 2010), sports (Brown, 2011), and crowdsourcing (Zhang et al., 2019).

In a platform context, early work on two-sided markets considered the attractiveness of certain users on a platform, arguing that “marquee” participants on one side of the platform increase the desirability of the platform to the other side (Rochet & Tirole, 2003). This effect has been studied in crowdfunding studies of the impact of blockbuster projects on liquidity. (Soublière & Gehman, 2020) show that the arrival of a crowdfunding blockbuster is followed by an increase in funding on the same platform from new and repeat backers. Similarly, Wang et al. (2023) find that blockbusters increase current and future funding on the same platform. One impact of crowdfunding blockbusters that has not yet been focused on is the entry decisions of subsequent entrepreneurs—rather than capital-raising outcomes—particularly in the context of competing platforms.

### 3 | RELATIVE ENTRY ON COMPETING PLATFORMS

Crowdfunding platforms consist of a backer (or “consumer”) side and an entrepreneur (or “complementor”) side. An entrepreneur's decision to enter a platform is a function of the net benefits of participating and the net costs of transacting on the platform (Rochet & Tirole, 2006; Weyl, 2010). The net benefit of participating is the expected value of received capital and the secondary benefits that accrue when running a campaign, such as community building (Murray et al., 2020) and information gathering (Chemla & Tinn, 2020). The net costs include an assessment of the probability of a successful launch and capital raise, and the effort of preparing, launching, and maintaining the project. The number of backers on the platform also affects the utility that the prospective entrant receives, arising from indirect network effects (McIntyre & Srinivasan, 2016).

In the presence of platform competition, an outlier on one platform (the outlier platform) draws a prospective entrant's attention to crowdfunding as a viable source of capital (Geva et al., 2019; Srinivasan & Venkatraman, 2018). The outlier platform experiences an increase in funding capacity on that platform (Wang et al., 2023) from new and repeat backers (Soublière & Gehman, 2020). The increase in the number of backers amplifies the indirect network effects a prospective entrant would experience.

The choice for the prospective entrant is which platform to use.<sup>1</sup> When two platforms are competing, a prospective entrant compares the net benefits and costs of the outlier platform with the net benefits and costs of the alternative platform. On average, entrants will choose the platform where utility is higher. If the net cost of the outlier platform is lower than that of the alternative platform, entrants will prefer the outlier platform. However, the alternative platform may offer more entrant-friendly platform governance. If the flexibility of the alternative platform's governance is sufficiently high, the positive difference in net costs between the alternative and outlier platforms may offset the gains in indirect network effects on the outlier platform. In that case, entrants would prefer the alternative platform. For marginal entrants, the value derived from increased indirect network benefits on the outlier platform



may change the entry decision. For most entrants, the entry choice will effectively be a comparison of the governance policies of the two platforms. Entrants will disproportionately choose the platform with more entrant-friendly policies.

The first hypothesis is:

**Hypothesis 1 (H1).** *Following an outlier crowdfunding project, relative entry across two competing platforms will be higher on the platform with less restrictive governance.*

While average entry will accrue disproportionately to the more entrant-friendly platform, entrants with different types of preferences will respond differently. Here, two types are highlighted: (1) cost-sensitive entrants and (2) entrants who are more likely to derive greater value from crowdfunding.

First, entrants who are particularly cost-sensitive will be even more likely to enter the platform that offers greater flexibility and more project-friendly policies. Highly cost-sensitive entrepreneurs are more inclined to view the more restrictive platform unfavorably because net costs would be especially higher (Gu, 2024). Entrants who are more cost sensitive may be of lower quality or be unable or unwilling to undergo the scrutiny of verification (Garud et al., 2022) or to incur the higher entry costs (Dushnitsky et al., 2022).

Also, the arrival of an outlier may highlight crowdfunding as an opportunity to pursue entrepreneurial activities among those who are more opportunistic or speculative (Burtch et al., 2018; Conti & Roche, 2021). These entrants may not wish to undergo substantial scrutiny of their projects (Fan et al., 2016) and are merely “taking a flyer” on raising crowdfunding capital. These entrepreneurs are looking for low-cost opportunities to raise funds and are inclined to prefer the platform that offers greater flexibility and lower costs.

Thus, the magnitude of relative entry on the less restrictive platform will be even higher among low-quality entrepreneurs, and the next hypothesis is:

**Hypothesis 2 (H2).** *Following an outlier crowdfunding project, the increase in relative entry on the less restrictive platform will be positively moderated among low-quality entrants compared to high-quality entrants.*

Second, entrepreneurs who would derive the greatest value from crowdfunding will be particularly inclined to join the platform that emphasizes control over entry in its governance. Platforms that exercise greater control over complementor entry do so to improve transaction quality and safety (Kretschmer et al., 2022) and possibly to reduce congestion as well (Panico & Cennamo, 2022). A marketplace resulting from increased governance allows for the facilitation of higher-quality transactions (Cennamo, 2021). Entrepreneurs who stand to derive more value from transacting on the platform prefer to incur the higher costs imposed by platforms that enforce control.

For example, entrepreneurs who aim to raise high levels of capital are most likely to derive value from crowdfunding. Because entrepreneurs pursuing more ambitious projects typically require more capital, the opportunity costs of not obtaining that capital are greater for them (Arora & Nandkumar, 2011). In addition, if an entrepreneur is able to effectively use rewards-based crowdfunding, they would experience less equity dilution (Junge et al., 2022). The value of avoiding that dilution is especially high for entrepreneurs who require more capital. These entrants would be especially willing to incur the higher relative costs of setting up and executing a campaign on the stricter platform.

Thus, the third hypothesis is:

**Hypothesis 3 (H3).** *Following an outlier crowdfunding project, the increase in relative entry on the less restrictive platform will be negatively moderated for entrants with high capital requirements compared to entrants with low capital requirements.*

## 4 | SETTING AND DATA

When creators initiate a crowdfunding project, they describe the project, its creators, and its current progress (including fundraising progress) using text and multimedia. They also set the funding goal, expiration of the campaign, and contribution tiers with associated awards. After a project has launched and is seeking funds, creators can provide updates and backers can make public comments. New projects often have a specified duration, after which the pledges will be transferred if the terms of the campaign have been met. The platform's fee structure, like that of many traditional capital-raising intermediaries, involves a fee charged on the amount raised.

### 4.1 | Kickstarter had stricter governance than Indiegogo

In the early stages of crowdfunding, there were two primary reward-based platforms, Kickstarter and Indiegogo, which are used as the setting for this study. The impact of outliers was of great importance to the platforms themselves; Kickstarter has written about what it calls “blockbuster projects” on multiple occasions (Kickstarter, 2012, 2013a, 2013b).

Though Kickstarter and Indiegogo offer substantively similar services, a few important differences in fundraising mechanisms and curation indicate that Kickstarter had the stricter governance regime of the two, with Indiegogo being the less restrictive, entrant-friendly platform. First, Kickstarter projects needed to meet or exceed their goals to receive the funds. If the goal was not achieved, the project did not receive any funds. Kickstarter charged a 5% fee on total capital raised for successful projects (project creators also paid 3%–5% in processing fees to payment processors). In addition to the same “fixed” fundraising mechanism, project creators on Indiegogo had the option to choose “flexible” fundraising, where the creator received any pledged funds at the expiration of the project even if the goal was not met. If the project creator chose flexible funding but the project did not reach its goal, Indiegogo charged a higher fee on the funds. Indiegogo charged a 4% fee if the goal was met, regardless of funding mechanism. For flexible funding, the fee was 9% if the goal was not met. During the sample period, only 5.4% of the Indiegogo projects had fixed goals.

Second, while many classes of projects were common to both platforms, Kickstarter had historically been more restrictive in the types of projects it allowed. Categories available on Indiegogo but not on Kickstarter primarily related to causes, including community, political, religious, and nonprofit projects. After the study period, Kickstarter loosened its rules (Kickstarter, 2014a) and amended its category structure (Kickstarter, 2014b, 2014c), allowing more types of projects. However, during the study period, Kickstarter imposed more control over project creators than Indiegogo. In other words, the effective cost of entry on Kickstarter was higher: a project creator would have to incur greater costs to meet the curation threshold set by that platform.

Statistics for the two platforms during the sample period (described in Section 4.3) are shown in Table S1.

### 4.2 | Outlier projects in crowdfunding

Outliers exist at the tails of the distributions: scientists who make multiple breakthroughs (Azoulay et al., 2012), athletes who break records, and musicians who consistently produce hits. To operationalize a performance-based definition of outliers, a “high-water mark” approach is used. Specifically, among projects that received funding, those that raised more in pledges than any prior project within the same category, thus changing the tail of the distribution, are defined as outliers. To exclude early projects that raised low amounts of money but were nevertheless the top fundraisers up to that point, all projects that raised less than the median pledged amount of all high-water mark projects, which was \$30,743, are dropped.



Based on this definition, there are 76 outlier projects, 73 of which appeared on Kickstarter. The 73 Kickstarter outliers are listed in Table S2 and summarized in Table S3. Three outlier projects on Indiegogo are characterized as outliers and analyzed separately in the Results section to corroborate the results from the Kickstarter outliers.

Outlier projects received a median of \$149,237 in pledges from a median of 2068 backers. The 76 outliers (out of 218,655 total projects in the sample) account for over 5% of all capital raised during the study period.

### 4.3 | Data and sample

The data include projects initiated on Kickstarter and Indiegogo from each platform's inception through January 2014. Data on the projects was manually collected from the two platforms and was supplemented and corroborated by additional data collection from third party providers (i.e., Kickspy and independent freelancers hired by the researcher). Additional data on exchange rates and search trends was acquired from Compustat and Google Trends, respectively. The sample consists of completed projects in categories available on both platforms that were initiated between April 2009 and January 2014.

Additional projects were dropped to eliminate possible test or fake projects. First, projects entitled “Untitled Draft Project” were dropped. Also, projects with duplicative names, locations, platforms, and funding types (fixed or flexible) were considered trials, and all but those most recently started were dropped. Projects where the goal was less than \$100 (consistent with Mollick (2014)) or greater than \$10 million were also dropped.

The resulting number of projects in the sample is 102,435 for Kickstarter and 116,220 for Indiegogo. The median goal was \$5, in 000 on both platforms (though the mean goal of \$31,341 on Indiegogo is almost double Kickstarter's mean goal of \$15,862), but the median project duration of 45 days on Indiegogo was 15 days longer than that on Kickstarter. On Indiegogo, 95.7% of projects received some amount of capital,<sup>2</sup> compared to 47.7% on Kickstarter. Though a higher proportion of projects receive funding on Indiegogo, the average amount pledged for a project on Kickstarter was \$7973, compared to \$1814 on Indiegogo. The most successful project on Kickstarter during the sample period was the Pebble smartwatch, which raised \$10.3 million, more than five times the \$2.0 million raised by the most successful project on Indiegogo, the Canary home-security device. Kickstarter also appeared to have a more engaged community, with the mean number of updates by creators and comments by users being 4.8 and 31.7, respectively. On Indiegogo, they are 2.3 and 9.3.

#### 4.3.1 | Creation of the sample

For each outlier, a weekly sample is constructed using 20 weeks of data prior to the start of the outlier's project campaign and 20 weeks after its conclusion. For each week, measures are aggregated at the platform-category level. Each 40-week “outlier period” is then stacked for all outliers (Gulati, 2024), creating a sample in which an observation is an outlier period-platform-category-week centered around the campaign period of each outlier. Summary statistics of the stacked sample are presented in Table 1, and pairwise correlations are presented in Table 2.

### 4.4 | Measures

Given the weekly structure of the data around each outlier, measures were derived to capture entry, categories, performance, growth, and timing. The first dependent variable is *entrants*, which is a count of the number of weekly entrants. Mean weekly entrepreneurial entry per category was 39.4 projects. The second dependent variable is *low-quality entrants* and is computed as a count of the number of weekly entrants that would go on to receive no pledged



TABLE 1 Sample summary statistics.

	Mean	SD	Median	Min	Max
Entrants	39.39	51.99	20.00	1.00	360.00
Low-quality entrants	7.98	13.51	3.00	0.00	168.00
Outlier platform	0.53	0.50	1.00	0.00	1.00
Post	0.51	0.50	1.00	0.00	1.00
High-goal category	0.39	0.49	0.00	0.00	1.00
Platform-category age	125.14	54.06	127.00	0.00	314.57
Google trend index	9.07	11.15	4.00	0.00	61.00

Note:  $n = 70,834$ . An observation is an outlier period-platform-category-week.

TABLE 2 Correlation table.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) Entrants	1.00						
(2) Low-quality entrants	0.76**	1.00					
(3) Outlier platform	0.08**	−0.31**	1.00				
(4) Post	0.07**	0.07**	0.00	1.00			
(5) High-goal category	0.16**	0.20**	−0.01 <sup>+</sup>	0.00	1.00		
(6) Platform-category age	0.55**	0.43**	0.11**	0.19**	0.13**	1.00	
(7) Google trend index	0.27**	−0.09**	0.59**	0.11**	−0.00	0.62**	1.00

Note:  $+p < 0.1$ ;  $*p < 0.05$ ;  $**p < 0.01$ .

capital. Burtch et al. (2018) use a similar measure of quality, indicating that projects that fail to raise capital are typically of low quality. The measure used here is a more parsimonious definition to focus on the entrants that are likely of lowest quality and to ensure the definition can be applied on both platforms in the study. Similarly, Agrawal et al. (2018) use capital raised as a proxy for the commercial potential of a venture. Raising no capital suggests very little commercial potential. Mean entry of low-quality projects was 8.0 per category.<sup>3</sup>

The variable *post* equals zero when the focal week is before the start date of the respective outlier and one when the focal week is after its end date. The period during which the outlier project was live on the platform is excluded from the sample period. *Outlier platform* equals one if the focal platform is the same as the one that hosted the outlier and zero otherwise. For example, if the outlier were on Kickstarter (where all but three outliers appeared), then *outlier platform* equals one for Kickstarter and zero for Indiegogo.

To assess outliers that might attract entrants seeking a platform that maintains greater control, a distinction was made between high-goal and low-goal categories. When looking at the mean goal for projects across categories (see Figure S1 in the Supporting Information), a significant step down in the mean goal is evident between the food category and the fashion category. As a result, each of the five categories with the highest mean goals in the sample—technology, games, design, film and video, and food—was denoted as a *high-goal category*. The measure equals one when the outlier period-platform-category is one of those five categories, and zero otherwise.

Two measures are included to control for time-varying factors at the platform and category levels. First, the *Google trend index* controls for each platform's general growth trend over the sample period. This is a weekly measure of the relative search frequency of the terms “kickstarter” and “indiegogo.” During the chosen time period, the index normalizes the most popular search term in the most popular week at 100 and presents the remaining weeks relative to that period. The index has been used to control for secular trends (Ghose et al., 2012) and has been shown to





forecast current business and economic activities (Choi & Varian, 2012; Wu & Brynjolfsson, 2013). The measure effectively captures paths that drive attention to either platform.

To control for the different category trends on each platform, *platform category age* was calculated as the number of weeks from the first entrant observed in each category on each platform.

## 5 | EMPIRICAL STRATEGY

To study how outliers arriving on a platform impact subsequent entry, the following model is estimated:

$$E(Y_{it}|X_{it}) = f[\varepsilon_{it}; \beta_1(\text{outlier platform}_i \times \text{post}_t) + \beta_2\text{post}_t + \beta_3X_{it} + \theta_i + \gamma_t]$$

where  $i$  indexes each outlier period-platform-category and  $t$  indexes time in weeks. The dependent variable,  $Y_{it}$ , represents *entrants* and *low-quality entrants* to assess H1 and H2, respectively. *Outlier platform* equals one when the focal platform is the same as the outlier's. *Post* equals one for weeks after the outlier concludes its campaign and zero for weeks before its start. The term  $\theta_i$  represents fixed effects for each outlier period-platform-category. Included in  $\gamma_t$  are year fixed effects and calendar-month fixed effects. Included in  $X_{it}$  are time-varying measures of the platforms and categories. Specifically, *Google trend index* is a weekly measure of the relative search volumes on Google for the terms “kickstarter” and “indiegogo,” with a maximum index value of 100. *Platform category age* controls for differences in secular trends in each category. Each of the individual and interaction terms between *outlier platform* and *outlier category* is fully absorbed by the fixed effects,  $\theta_i$ , and is thus excluded from the model. The coefficient of interest is  $\beta_1$ . The term  $\beta_1$  represents the impact of entry on the platform that hosts the outlier relative to the competing platform, prior to the outlier's launch and after its conclusion.

To evaluate H3, the following model is estimated:

$$E(Y_{it}|X_{it}) = f[\varepsilon_{it}; \alpha_1(\text{high-goal category}_i \times \text{outlier platform}_i \times \text{post}_t) + \alpha_2(\text{outlier platform}_i \times \text{post}_t) + \alpha_3(\text{high-goal category}_i \times \text{post}_t) + \alpha_4\text{post}_t + \alpha_5X_{it} + \theta_i + \gamma_t]$$

In the above equation, the moderator *high-goal category* is included in the interactions. The moderator and its interactions with *outlier platform* and *outlier category* are fully absorbed by the fixed effects and are thus excluded from the model. The coefficient of interest,  $\alpha_1$ , captures the incremental effect following outliers on entry in the high-goal categories.

### 5.1 | Identification

The identification strategy relies on the idea that the arrival of outlier projects is exogenous to the platform. A concern is that the outliers are actually endogenous; that is, that a campaign's timing and parameters are strategic choices set by the creators of a project that is eventually revealed to be an outlier. By that reasoning, the project creators may merely be “timing the market” and outperforming because of increasing growth of the platform or a relative decrease in supply.

Anecdotal evidence of outlier exogeneity from informal interviews with seven creators of outliers and addressing the endogeneity concern in the empirical specification partially alleviates these concerns. Informal interviews with outlier project creators provide some evidence that outliers are exogenous. If outliers are endogenous, then (a) creators would have high ex ante expectations of the amount of capital that will be raised and (b) their timing would be tied to the platform. None of the creators communicated both conditions.

Some project creators expressed concern over the success of their projects, implying that there was no prior expectation of success that would have changed the distribution of pledges for the category. As one creator said, “I didn't think it would succeed, and I wasn't looking forward to the humiliation of failure in such a public forum,” while another said, “We hoped we'd reach our goal.” Creators also indicated that alternative methods of financing were not an option: “There was no other way to raise money. Regular routes of investment, loans, *et cetera* were closed.”

Project duration was typically set to 30 days; this was a Kickstarter recommendation for all projects rather than a strategic choice to time the project's length or conclusion. Another creator indicated that timing was dictated by outside factors; namely, an actor's schedule: “We had to raise the money by [the end date] or we'd lose our lead actor to his second season of *True Blood*.” A music group set their start date on a significant anniversary: “November 22nd is a fan-celebrated day because it was the date of our last show when we originally broke up.”

The empirical specification provides further consideration of secular trends and timing by accounting for trends in the crowdfunding industry, each platform, categories within each platform, and the projects that finish each week. First, year and month fixed effects should partially account for trends in the crowdfunding industry and time trends. Second, the Google Trends Index for each platform acts as a control for the periods during which each platform was more popular. Third, by including each platform-category's age, the different timing of growth trends among product groups within each platform is partly accounted for.

## 6 | EMPIRICAL RESULTS

The nonnegative and highly skewed distributions of both dependent variables motivate the choice of the Poisson model with cluster-robust standard errors to estimate the models. The mean and median statistics for the dependent variables in Table 1 illustrate the skew in the data.

### 6.1 | Main results: Kickstarter outlier projects

Results for the impact of Kickstarter's entrepreneurial outliers on entry are reported in Table 3. Column 1 excludes time fixed effects and time-varying controls, and Column 2 includes time fixed effects but not the controls. Both columns are included for reference. Column 3, which includes time fixed effects and time-varying controls, is used to report the results.

H1 indicates that, following an outlier, relative entry will increase on the less restrictive platform. When looking at outliers on Kickstarter, a negative estimate would support the hypothesis. The results show that, following an outlier, relative entry on Kickstarter declines relative to Indiegogo ( $\beta = -0.217, p < 0.001$ ), supporting H1. Due to challenges in interpreting coefficients from non-linear models (Zelner, 2009), simulations can be used to demonstrate the magnitude of the effects (Tomz et al., 2003). After setting controls at their median values, following an outlier on Kickstarter, relative entry on that platform declined by 21.9% relative to Indiegogo.<sup>4</sup>

To assess the extent to which the result is sensitive to omitted variables, the impact threshold of a confounding variable (ITCV) is computed (Busenbark et al., 2022; Frank et al., 2013). ITCV provides an index that indicates the minimum level of correlation necessary to shift the effect of interest from statistically significant to statistically not significant. The ITCV for the main effect testing H1 is 0.229 and the implied impact is  $-0.052$  (arising from the ITCV correlations with *entrants* and *outlier platform*  $\times$  *post* being opposite signs). The index value can be compared to the impact of partial correlations of covariates in the regression (which includes *Google trend index*, *platform category age*, and dummy variables for month and year) to assess the likelihood of a potential omitted variable existing. Only one variable's impact (*Google trend index*) exceeded the ITCV impact with a value of  $-0.096$ ; the next closest impact is 0.0003.


**TABLE 3** Outlier impact on entry.

DV entrants type	(1) All	(2) All	(3) All	(4) Low-quality	(5) All
Outlier platform $\times$ post	−0.168** (0.02)	−0.196** (0.01)	−0.217** (0.01)	−0.386** (0.02)	−0.277** (0.02)
High-goal category $\times$ outlier platform $\times$ post					0.108** (0.03)
High-goal category $\times$ post					−0.081** (0.02)
Post	0.294** (0.01)	0.100** (0.01)	0.118** (0.01)	0.073** (0.02)	0.167** (0.01)
Google trend index			0.006** (0.00)	0.026** (0.00)	0.006** (0.00)
Platform category age			−0.007** (0.00)	0.023** (0.00)	−0.007** (0.00)
Year FE	No	Yes	Yes	Yes	Yes
Month FE	No	Yes	Yes	Yes	Yes
Outlier period-platform-category FE	Yes	Yes	Yes	Yes	Yes
Observations	75,205	75,205	70,816	70,800	70,816
Outlier period-platform-categories	1883	1883	1878	1,871	1,878

Note: Models estimated using fixed effects Poisson regression with cluster-robust standard errors, clustered at the outlier period (in parentheses). + $p < 0.1$ ; \* $p < 0.05$ ; \*\* $p < 0.01$ .

To assess H2, a regression on *low-quality entrants* is presented in Column 4 of Table 3. The magnitude of relative entry of low-quality entrants on Kickstarter is substantially larger than that of all entrants ( $\beta = -0.386, p < 0.001$ ). Based on simulating outcomes, following an outlier on Kickstarter, relative entry of low-quality entrants on Kickstarter declined by 34.6% (after setting controls to their median values). The increased negative magnitude of entry among low-quality entrants suggests a disproportionate response among the more cost-sensitive entrants, and thus provides support for H2. The ITCV index and implied impact for the effect are 0.244 and  $-0.059$ , respectively. When compared with the impact of partial correlations, once again, only the impact from one variable exceeded the ITCV impact (*Google trend index*'s impact was  $-0.340$ ).

Results including the *high-goal category* moderator are presented in Column 5. Following an outlier on Kickstarter, entry onto Kickstarter is positively moderated among entrants with relatively higher goals ( $\beta = 0.108, p < 0.001$ ). Simulations suggest that relative entry in high-goal categories increased by 9.4% on Kickstarter, whereas relative entry in other categories decreased by 2.8% (again, after setting other controls at their median values). The result suggests that entrants in categories with higher capital goals are relatively more inclined to enter Kickstarter, thus supporting H3. The ITCV index and impact are 0.095 and 0.009, respectively. Only one variable exceeds that impact (*high-goal category  $\times$  post* with a value of 0.017).

## 6.2 | Supporting results: Indiegogo outlier projects

Using the high-water mark approach yielded three outlier projects on Indiegogo. Analyzing the entry subsequent to these three outlier projects can provide corroborating evidence if the signs of the effects are reversed from the results in Section 6.1. Results for the Indiegogo outliers are presented in Table 4.

**TABLE 4** Indiegogo outlier impact.

DV entrants type	(1) All	(2) Low-quality	(3) All
Outlier platform $\times$ post	0.116** (0.04)	0.352** (0.12)	0.230** (0.04)
High-goal category $\times$ outlier platform $\times$ post			-0.225** (0.07)
High-goal category $\times$ post			0.091 <sup>+</sup> (0.05)
Post	-0.138** (0.03)	-0.404** (0.11)	-0.174** (0.04)
Google trend index	0.002 (0.00)	0.015** (0.01)	0.002 (0.00)
Platform category age	-0.013** (0.00)	0.017* (0.01)	-0.013** (0.00)
Year FE	Yes	Yes	Yes
Month FE	Yes	Yes	Yes
Outlier period-platform-category FE	Yes	Yes	Yes
Observations	3,120	3,120	3,120
Outlier period-platform-categories	78	78	78

Note: Models estimated using Poisson regression with cluster-robust standard errors, clustered at the outlier period (in parentheses). <sup>+</sup> $p < 0.1$ ; \* $p < 0.05$ ; \*\* $p < 0.01$ .

The outliers on Indiegogo result in relatively greater entry on Indiegogo (Column 1,  $\beta = 0.116$ ,  $p < 0.007$ ). The positive effect was larger among low-quality entrants (Column 2,  $\beta = 0.352$ ,  $p < 0.002$ ). The positive effect was negatively moderated among *high-goal category* entrants (Column 3,  $\beta = -0.225$ ,  $p < 0.002$ ).

Thus, regardless of the platform hosting the outlier, Indiegogo experienced a relative increase in entry among all entrants and an even larger increase among low-quality entrants. However, when the outlier appeared on Indiegogo, the positive relative entry was negatively moderated among entrants who sought higher goals on average.

The evidence from the Indiegogo outliers provides further corroborating evidence in support of each hypothesis (H1, H2, and H3). Evidence from outliers on both platforms suggests that after the arrival of an outlier, relative entry was greater on Indiegogo, the less restrictive platform; that relative entry was more pronounced among low-quality entrants; and that entrants in categories requiring more capital disproportionately preferred Kickstarter, the platform with governance emphasizing control.

### 6.3 | Robustness tests

The sensitivity of the main result to design decisions and assumptions, including controls, the definition of outliers, the sample, and the specification is explored. All tests are reported in Tables S4 and S5 of the Supporting Information and are consistent with the main result.

First, there may be behaviors that drive both the emergence of outliers and subsequent entry decisions by entrepreneurs that are independent of included controls. Some of those behaviors may be the activity on the platform that relates to both prior campaigns and backers. A regression (shown in Column 1 of Table S4) including additional



time-varying controls (average duration and goal and the log of updates, comments, and number of backers for completed projects over the period, after adding one) accounts for some of those activities.

Two alternative definitions of outliers are used based on rankings and outliers found in prior research. The rankings definition (shown in Column 2) is based on projects in the top five for dollars pledged by category each year and results in 244 outliers on Kickstarter. The second alternative definition uses the outliers as defined by Wang et al. (2023), who identify 29 blockbuster projects based on pledged capital and number of backers. Of the 29 blockbusters they identified, 19 overlap with the present sample period, and results based on those 19 outliers are presented in Column 3.

Second, three robustness tests were run in consideration of the sample. Column 4 shows results excluding any outlier periods if that outlier's campaign was live on the platform at the same time as another outlier in the same category. This avoids repeating the same sample period when two outliers' campaigns overlap. Next, for each outlier period in the main specification, entry by all other outliers is included in *entrants*. Column 5 excludes subsequent outliers from *entrants*. To test whether the results are driven by periods when entrepreneurs did not participate, Column 6 presents results including only weeks when there are positive *entrants*.

Third, alternative models were considered. In Column 7, the same Poisson model is used but also includes fixed effects for periods prior to and after the outlier period. In Columns 8 and 9, results are presented for a negative binomial and an OLS with fixed effects with *log entrants* (after adding one) as the dependent variable.

In Table S5, results that replicate Column 3 of Table 3 are presented with a varying number of periods included in the window after the outlier. The results show the effect size remains consistent when varying the size of the window.

## 7 | DISCUSSION

Results from this paper demonstrate how crowdfunding outliers affect subsequent entry across the two largest platforms, Kickstarter and Indiegogo. Regardless of which platform hosted the outlier, relative entry subsequent to the outlier increased on Indiegogo, the platform with more entrant-friendly policies. The magnitude of the effect was larger among cost-sensitive entrants—that is, low-quality entrants who did not receive any pledges. The main effect was moderated among entrants who were more likely to derive greater value from participating in crowdfunding, that is, entrants in categories that sought more capital on average. The negative main effect for Kickstarter outliers was positively moderated by high-goal categories, and the positive main effect for Indiegogo outliers was negatively moderated.

Showing the relative entry of entrepreneurs on competing crowdfunding platforms complements work in the crowdfunding literature. Prior work in crowdfunding has examined how blockbusters increase backer liquidity on one platform (Soublière & Gehman, 2020; Wang et al., 2023). A separate set of work finds that lighter governance (Wessel et al., 2017), the availability of alternatives (Burtch et al., 2018), and external shocks (Geva et al., 2019) affect entry on one platform; in general, greater openness and opportunity increase entry, particularly among low-quality entrants. This paper extends this research by considering entry following an outlier across the two largest crowdfunding platforms. The results show that, after an outlier emerges, relative entry is affected by the governance regimes of the two platforms.

The paper also contributes to the literature on platforms by showing how the cost implications of competing platforms' governance regimes affect heterogeneous entrants. While some research looks at platform governance across multiple platforms (Casadesus-Masanell & Campbell, 2019; Dushnitsky et al., 2022), the topic is typically considered in light of its effect on one platform (Kretschmer et al., 2022). Governance choices that digital platforms employ include promoting desired behaviors (Claussen et al., 2013), promoting complementors (Rietveld et al., 2019), and issuing certification to complementors (Rietveld et al., 2021). Each of these cases demonstrates a

central pillar of governance policies: managing entry to balance between control and variety (Boudreau, 2012; Wareham et al., 2014) within that platform.

In the presence of platform competition, the impact of shocks that affect entry (such as outliers) will depend on the relative governance regimes of the competing platforms. Winner-take-all strategies suggest that openness is preferred to facilitate indirect network effects, but when competing platforms pursue such strategies, it may be counter-productive for both platforms (Cennamo, 2021; Cennamo & Santalo, 2013). However, when relative governance across multiple platforms is also accounted for (Dushnitsky & Fitza, 2018), competition affects not only the overall entry onto the platforms following a shock but also the *mix* of entrants preferring one platform over another. Accounting for competitive implications of different platform governance regimes suggests that in addition to “winner-take-all” dynamics, platforms must also account for “winner-take-best mix” dynamics. Thus, how prospective entrepreneurs behave on platforms sheds light on the broader market structure in which the platforms operate (Cennamo, 2021; Cennamo et al., 2020).

The results show the interdependence that has emerged between platforms and entrepreneurs. Entrepreneurial decisions are made in the context of the environment in which they operate. As that environment increasingly involves digital platforms, understanding entrepreneurial decisions requires an understanding of the competitive and governance environment of the platforms themselves. The cost implications of platform governance and competition on entrepreneurial decisions have follow-on effects for the platforms themselves.

This study has limitations that need to be noted, providing possibilities for future research. Despite evidence from interviews about the timing of outliers and modeling choices intended to minimize endogeneity, some concerns persist. The timing of the arrival of the outliers may not be entirely exogenous. Relatedly, there may be other time-varying confounds that are independent of the included controls and fixed effects that affect both the realization of an outlier and subsequent entry behavior (though the ITCV analysis suggests these confounds would have to be highly correlated with other variables). For instance, it is difficult to observe the platforms' efforts to target and recruit certain types of projects in anticipation of outliers, such as projects with higher goals or projects in categories that tended to have higher goals. The analysis herein acknowledges these potential limitations and offers the results as a best effort at estimating the effects of interest. Also, the results show the effect is reversed depending on whether the outlier appears on the stricter or less restrictive platform. While the results show differences across platforms, future research might exploit governance changes on one platform. For example, in 2014, Kickstarter reduced the cost of entry by conducting fewer checks on projects.

## 7.1 | Conclusion

Research on entrepreneurial entry in crowdfunding has become increasingly connected to research on digital platforms. While an unusually high-performing project affects prospective entrepreneurs' decisions to enter, their entry decisions are also shaped by the broader context—namely, the competition between the platforms themselves and the different governance regimes they employ. In this manner, entrepreneurial entry and digital platform governance regimes have become interdependent in the digital age.

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## DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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## ENDNOTES

- <sup>1</sup> An implicit assumption in this choice is that the entrant does not multi-home. Empirically, this is a reasonable assumption. During the study period, less than 1% of all projects had the same name and launched in the same month and year on both platforms. Asynchronous projects may also be considered multi-homing in crowdfunding, where project duration is limited. In that case, 2.5% of all projects had the same name with at least one listing on both Kickstarter and Indiegogo. Finally, projects may not have had exactly the same name. To assess this possibility, a manual check was performed on all 5,434 projects starting with a randomly selected letter (the letter “N”). Among them, 3.2% had a similar name across the two platforms, implying that—with this broader definition—multi-homing was approximately 5.7%. These proportions suggest that multi-homing was not prevalent during the sample period.
- <sup>2</sup> That includes flexible campaigns that raised at least one dollar and fixed campaigns that met their goal. For projects that chose fixed funding, 18.8% met or exceeded their goal and therefore received their funding.
- <sup>3</sup> In the empirical specification, described in Section 5, the observed effects pertain to the *relative* entry across the two platforms.
- <sup>4</sup> In addition to the simulated results, a graph showing average daily entry on the two platforms 20 days prior to the start of the outliers and 20 days after the conclusion of the outliers shows is presented in Figure S2 of the Supporting Information.

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## SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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