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Sustaining investment in a digital age

From raising cash for a charitable cause to generating finance for an arts project or to help grow a business – an increasingly popular way to raise capital is through crowdfunding. A Northumbria University, Newcastle, researcher is part of the first academic study of UK crowdfunding. The research will explore the opportunities and pitfalls of online crowd-funding from the perspectives of project ‘founders’ and ‘funders’. Could raising money from ‘the crowd’ be an opportunity for the arts, charities and businesses in the North East?

Dr Jo Briggs, an expert in digital media theory and practices and Anniversary Research Fellow in Media and Communication Design at Northumbria, is

principal investigator on a research proposal awarded a £100,000 Empathy and Trust in Communicating Online (EMoTICON) development grant from the Economic and Social Research Council (ESRC). She will lead a small team of experts in Newcastle and Belfast investigating the rapidly growing phenomena of crowdfunding in the UK.

Online crowdfunding is a way of raising finance by asking a large number of people to each donate or invest a small amount of money to collectively fund a project. Project founders design an online campaign, tell their stories in promotional videos and promote their project more widely through social media in the hope of inspiring and motivating people to donate or invest.

Dr Briggs is the Principal Investigator of this new one-year investigation, the first academic study on the UK crowdfunding phenomena. It will look at the motivations behind crowdfunding investors, including the potential that trust and empathy have in bringing projects to fruition. It will also survey wider developments in the rapidly consolidating UK crowdfunding sector.

Dr Briggs said: “The largest and most well-known crowdfunding website is US-based Kickstarter. Launching a campaign for a new product or service on this platform is a great way to test the market and generate pre-sales before having to invest time and money in developing a product or exhibition.

“However, this shift in the project lifecycle means that seemingly successful artists or small businesses don’t always anticipate the number of pledges and end up working laboriously for two or three years to create and distribute promised rewards to thousands of funders. It is important not to over-promise during the money-raising campaign and to price everything meticulously, factoring in postage and packaging and platform and payment systems at around 10 percent.

“There are now literally hundreds of crowdfunding platforms, and whilst there are some challenges within the competitive sector there are huge opportunities for founders and funders which I want to explore, both in a UK and specifically North East context.”

Crowdfunding campaigns to generate money for cultural projects, social innovation, business start-ups and lending have been reported widely in the media. Last year a crowd-funding campaign to bring back clay character Morph for an online series reached its target after just eight days. Aarman

Animations set up the £75,000 campaign on Kickstarter to help fund 12 new one-minute episodes. Other crowdfunding projects have financed major art projects or new businesses, filling a crucial gap as public sector funding and bank loaning is restricted.

However it is a rapidly developing sector and as risks grow – recently crowdfunders have been sued by investors – legislation and guidelines will also grow to regulate the area and protect both project funders and founders. Earlier this month, Dr Briggs attended a Westminster Crowdfunding Forum which is currently looking at sector regulation.

Currently, UK crowdfunding is undergoing a process of consolidation as platforms merge. Some are also strategically developing partnerships, including with Government departments, local authorities and other businesses.

Several local authorities, including Newcastle City Council, are working with Funding Circle – a ‘non-bank’ lending technical platform – to facilitate loans for small businesses. Newcastle City Council has invested £100,000 into the scheme which could help local businesses to grow and develop.

EMoTICON funding has been allocated to researchers addressing the area of trust and empathy with a specific focus on digital communications. The funds will help scientists understand how empathy and trust are developed, maintained, transformed and lost in social media interactions.

Commenting on the successful funding proposals, ESRC Chief Executive Professor Paul Boyle said: “As a new generation grows up in a world where digital interaction is the norm, there is so much to understand about how our identities and relationships are shaped by our online activities. I’m delighted that the ESRC is funding these projects, backing researchers from a variety of disciplines and institutions to address these fascinating issues, and building UK research capacity in these areas for the future.”

The five successful proposals are:

- The Dr Briggs’ led project , Taxonomy of UK Crowdfunding and Examination of the Potential of Trust and Empathy in Project Success.

- A Shared Space and a Space for Sharing, looking at the online behaviour of people affected by natural disasters, terminal disease, addiction and other issues;
- Loneliness in the Digital Age (LIDA), which will explore the potential for creative interventions to help manage periods of loneliness;
- The Trust Map, which explores how digital resources can aid community building;
- Challenging online fear And OtherRing (CuRAtOR), which focuses on cultures of fear of 'the other' propagated through online platforms such as Twitter and Facebook;

Dr Briggs' team brings together experts from various fields to examine this new techno-economic/business model. Her co-investigator in the research is Dr Patrick McCole, an online trust in e-commerce and marketing specialist based at Queen's University Belfast.

Dr Briggs added: "We're interested in following crowdfunding platforms and practices as they continue to grow and change, for example, in response to other influences such as regulation.

"While the economics of UK crowdfunding are small compared to the US, where the largest and most established platforms – including Kickstarter – are based, the rate of growth over the last year has been extraordinary."

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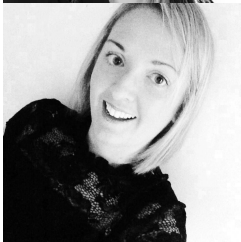


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