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TOGETHER IS BETTER: THE INTERPLAY OF HEURISTICS AND SYSTEMATIC PROCESSING ON CROWDFUNDERS' DECISIONS (INTERACTIVE PAPER)

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≈ INTERACTIVE PAPER ≈

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Principal Topic

Despite crowdfunding's rise in popularity, literature has yet to focus on the dynamics of successful crowdfunding (Mollick, 2014) particularly with regard to heuristic processing and first impressions. This manuscript aims to explore how investors with bounded rationality and information asymmetry quickly narrow their choices using heuristic processing in the face of a multitude of investment alternatives. Heuristics reinforce the notion that our first visionary impressions matter and allow individuals to make fast decisions about narrowing options. Visual cues are not influenced by time, fatigue, or amount of information since individuals "tend to automatically attend to and process images more easily than written information." (Chan & Park, 2014: 1). Within a crowdfunding context, videos are readily available and first impressions about the entrepreneurs are quickly made. We examine three immediately recognizable traits of an entrepreneur (attractiveness, competence and trustworthiness) and determine their effects on crowdfunding performance.

Method

We examine a proprietary dataset consisting of mixed archival/survey information. Following the guidance of Ramsey (2004) and Kim and Fesenmair (2008) we argue that individuals form initial impressions of individuals in human-to-human interactions and in the online context within seven seconds. Thus, a Kickstarter video containing the nascent entrepreneur is viewed for seven seconds and the entrepreneur is then subjectively rated by survey on 7 point likert type scale based on first impressions of attractiveness, competence and trustworthiness. Consistent with prior crowdfunding studies (Mollick, 2014), we measure the outcome of the campaign as a dichotomous variable (funded/not funded).

Implications

The study is currently in progress. We argue that visual cues play a significant role in investment decisions when potential investors determine which projects to fund; and three such cues immediately recognizable to investors are an entrepreneur's physical attractiveness, competence and trustworthiness. To our knowledge we are the first to directly test first impressions of attractiveness, competence and trustworthiness on actual funding support and within the crowdfunding context. We contribute to the literature by developing a theoretical connection between first impressions and fundraising performance.

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