

Harnessing The Crowd: How Ventures “Bounce Back” From Failure

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While crowdfunding success stories such as the Pebble smartwatch receive the most press attention, it is often overlooked that most crowdfunding campaigns are not tales of triumph; in many crowdfunding categories, 80% of ventures fail to meet their funding goals. Crowdfunding failure matters: Ventures do not get any of the aimed-for funds and the failure signal stands as an indelible public record that damages the ventures’ future resource provision prospects. Indeed, venture capitalists consider crowdfunding failure a “death sentence”. Additionally, failure increases crowd adaptation pressures, further straining the venture's limited resources.

After experiencing campaign failure, crowdfunding ventures therefore often abandon their projects; however, some persist and attempt another campaign. While about two-thirds fail again, others succeed in “bouncing back” from failure. *How do these ventures overcome these hurdles and manage crowds to come back from failure?* We reconstructed the trajectories of ventures that failed twice and those that managed to “bounce back”. Our study included 23 similar ventures from the first failed attempt up to and including reentry. To track their journeys, we studied 46 campaigns containing about 3,000 pages of information, 13,000 crowd comments, 72 videos, 150 media articles, and 17 social media accounts.

We discovered that, despite initial setbacks, entrepreneurs who understand crowdfunding as a collaborative process with the crowd that needs to be sequenced can “bounce back”. Here are the three key strategies that ventures can follow to “bounce back” from crowdfunding failure:

1. Anticipate Failure. Respond to negative crowd feedback early, well before campaign failure materializes. Ventures that “bounce back” attract and engage with crowd feedback right from the start of the campaign. In our sample, “bouncing back” ventures asked for and integrated twice as many adaptations during the failing campaign as ventures that repeatedly failed, gradually closing the gap between venture offer and crowd demand, and then signaled intentions to persist beyond the failed campaign. For example, one crowd participant mentioned at the end of a failing video game campaign that would later “bounce back”: “[Lead entrepreneur] reacted quickly to the backers’ request... It's great to see developers listening to the fans. If you decide to relaunch this, and I really hope you guys do, we will be there the first day.”

2. Nurture The Crowd. Do not remain silent about failure and keep the crowd informed. Ventures that “bounce back” continuously update the crowd about adjustments and plans for reentry. Present the new campaign to them before reentering the platform as this captures the crowd’s attention and provides further valuable feedback. For example, like other “bouncing back”-ventures, one lead entrepreneur repeatedly reached out to prior backers: “If you have any specific feedback or questions about the transition to the new campaign, we would love to hear your thoughts.” This core supportive crowd is the strongest asset for ensuring traction on the platform at reentry.

3. Stabilize Your Idea. Do not overextend by trying to meet all crowd suggestions. Crowd supporters always have suggestions for improvement, but it is necessary to say “no” at some point. Ventures that “bounce back” do not necessarily adapt the most for reentry; they rather focus on maintaining the core community support they have built. For example, during reentry, in response to a further request by a crowd participant, the lead entrepreneur of a board game campaign stated: “We would prefer not to add any level of complication, we're comfortable going to market with a game that has been extensively tested”. Once you implement feedback early during and after your failed campaign,

a core community of crowd participants will evangelize for your idea. This indicates it has reached critical crowd support, providing confidence that it will be positively received by more backers on the platform. Incentivize the core community for early campaign momentum at reentry to expand your reach to platform participants outside this core.

Crowdfunding is a popular way for ventures to not only secure essential financial backing but also receive valuable feedback and suggestions for improvements from crowd participants. At the same time, crowdfunding is a highly competitive space where failure abounds. Entrepreneurs should not view crowdfunding failure as an endpoint, nor should the venture-crowd exchange stop at failure. The important lesson for entrepreneurs is that successful reentry from failure requires a continuous effort to manage the crowd.

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