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**KICKSTARTER NOT REQUIRED?**

Independent crowdfunding for PC games

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Independent crowdfunding for PC games

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## TIIVISTELMÄ

Oulun ammattikorkeakoulu

Tietojenkäsittely, Internet-palveluiden ja digitaalisen median suuntautumisvaihtoehto

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Digitaalisten jakelukanavien ansiosta myös riippumattomat pelinkehittäjät voivat myydä tuotteitaan suoraan asiakkaille ilman ulkoista julkaisijaa. Ulkoisen rahoituksen riittämättömyys on kuitenkin rajoittanut monen yrityksen, kuten Iron Sight Oy:n, tämän työn toimeksiantajan toimintaa.

Monet pelinkehittäjät ovat kiertäneet ongelman joukkorahoituksen kautta ja yrittäneet saada rahoitusta Kickstarter:in, Indiegogo:n, tai vastaavan alustan kautta. Se ei ole kuitenkaan sujunut täysin ongelmitta. Rajoitettu kampanja-aika ja ”kaikki tai ei mitään” -tyyppiset rahoitusmekanismit tuovat ylimääräistä stressiä kehittäjille. Myös tarve arvioida etukäteen tarvittavan rahoituksen määrä voi osoittautua haastavaksi monille. Kaiken lisäksi suurin joukkorahoitusalueesta Kickstarter ei ole edes suomalaisten käytettävissä.

Ongelmat Kickstarter -tyylisessä kampanjassa ja julkisuudessa nähdyt itsenäisen joukkorahoituskampanjan menestyksekkäästi toteuttaneet projektit herättivät Iron Sight Oy:n mielenkiinnon ja yritys halusi selvittää vastaavan kampanjan mahdollisuuden. Tämän opinnäytetyön tavoitteena onkin, Iron Sight Oy:n toimeksiannosta, selvittää parhaat käytännöt ja huomioon otettavat asiat itsenäistä joukkorahoituskampanjaa toteutettaessa.

Selvittääkseni parhaat käytännöt tutustuin julkisten lähteiden kautta neljään menestyksekkääseen kampanjaan ja haastattelin kahta aiemmin itsenäisen joukkorahoituskampanjan toteuttanutta henkilöä. Lisäksi tutustuin kirjallisuuteen ja aiempaan tutkimukseen aiheesta ja vertasin niiden löydöksiä onnistuneihin projekteihin.

Tutkimuksen tulokset osoittavat, että yleisön kerääminen, luottamuksen rakentaminen aktiivisella viestinnällä ja laatusignaalien lähettäminen ovat onnistuneita projekteja yhdistäviä tekijöitä. Aiemman tutkimuksen ja näiden löydösten pohjalta tein rungon itsenäiselle joukkorahoituskampanjalle.

Luottamuksen rakentamisen ja aktiivisen viestinnän tärkeys olisi kiinnostava jatkotutkimuksen kohde. Olisi myös kiinnostavaa etsiä epäonnistuneita kampanjoita ja tutkia, puuttuuko niistä onnistuneita projekteja yhdistäviä tekijöitä. Suurin rajoite työssäni oli analysoitavien kampanjoiden vähyyden ja epäonnistuneiden esimerkkien puute.

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Asiasanat: joukkorahoitus, pelit, onnistumistekijät, parhaat käytännöt, luottamus

## ABSTRACT

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Thanks to digital distribution platforms, independent developers are now able to sell their products directly to their customers without an external publisher. However, the lack of adequate funding has been an issue for many developers such as Iron Sight Ltd commissioning this thesis work.

Many game developers have taken the crowdfunding route and tried to get funding via Kickstarter, Indiegogo or other similar platforms, but not without any issues. Limited campaign time and “all-or-nothing” style of the campaigns add stress for the developers. Also, the need to estimate the amount of funding needed beforehand can be problematic for many. In Finland, the most prominent platform Kickstarter is not even available for developers.

The issues we saw in a Kickstarter-style campaign and the public success of several independently crowdfunded games sparked interest within Iron Sight Ltd in running a crowdfunding campaign without an external platform. The purpose of this thesis was to analyze the best practices for an independent crowdfunding campaign from the point of view of a game development company.

To do this, four successful independent crowdfunding campaigns were evaluated from public sources, two previously successful campaign founders personally interviewed and previous research consulted. From previous research, characteristics of successful crowdfunding projects were identified and compared to successful independent projects.

The results show that gathering audience, building trust by communicating and showing quality signals are common factors in successful projects. These results were used to create a framework for an independent crowdfunding campaign.

The perceived importance of trust building and two-way communication with the audience would provide interesting ground for future research. In future research, it would also be interesting to see, if unsuccessful projects lack the common factors observed in the successful projects. The main limitations for this thesis were the low number of evaluated projects and the lack of unsuccessful examples.

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Keywords: crowdfunding, games, success factors, best practices, trust

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# 1 INTRODUCTION

The commissioner of this thesis is the current employer of the author, Iron Sight Ltd (later Iron Sight), an independent game developer located in Oulu, Finland. Iron Sight is currently in the situation faced by many similar companies – it is looking for viable funding sources while working on a game independently.

Due to a relatively large audience interested in its project during the development stage, Iron Sight has considered crowdfunding as a funding option. During an early investigation at the company, several issues regarding crowdfunding platforms emerged, mainly considering the campaign nature of crowdfunding, the lack of access to the main crowdfunding platform, Kickstarter from Finland and the “all-or-nothing” structure of crowdfunding campaigns. Therefore, the company started examining alternative ways and platforms for crowdfunding. Eventually, inspired by successful projects such as *Prison Architect* (Rose, 2017), Iron Sight considered an independent crowdfunding campaign without any third-party platforms or marketplaces as a potential funding source.

This thesis is based on the endeavor to analyze the best practices for an independent crowdfunding campaign<sup>1</sup> for Iron Sight.

## 1.1 Background

When studying a game development book from the early 2000s such as *Game development business and legal guide* by Ashley Salisbury or *Game development and production* by Eric Bethke, the importance of a video game publisher in funding and releasing games becomes quite apparent. (Salisbury 2003; Bethke 2003.) At the time, the publisher was a gatekeeper without which a game developer could not get his product released on console platforms (Kuchera 2014).

The proliferation of digital distribution channels on PC and consoles has enabled independent developers to sell their product directly to a customer without an external publisher (Tran 2014; Suomen Pelinkehittäjät 2010; Kuchera 2014). However, the exclusion of a publisher forces the developer to look for alternative means to fund

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<sup>1</sup> The “independence” in crowdfunding is defined in this thesis as platform independence, i.e. the campaign is conducted independently without a third-party marketplace or a crowdfunding platform such as Kickstarter or Indiegogo.

their development (Suomen Pelinkehittäjät 2010), and the lack of adequate funding is easily an issue for many independent developers (Kuikkaniemi et al., 2010; Rabowsky, 2009: 93).

There are several ways to fund a game development company without or prior a publisher funding. Laramée (2002: 101) and Djafari (2002: 125-130) introduce in their articles in the book *Secrets of the Game Business* three main sources for project financing: debt, private equity, and venture capital.

Banks are the main source mentioned for debt. However, as Djafari (2002) expresses in the article:

*“It is easier to get \$500,000 from a bank if you bring another \$500,000 as collateral than it is to ask for just \$50,000 empty handed”.*

Thus, debt is a viable source of funding only for a company or individual who has access to sufficient collateral or as a bridge funding in a situation where the company has acquired financing elsewhere. In Finland, a company can, however, get subsidized loans from a government organization, Finnvera (Finnvera – Loans, 2017).

Another financing source for game developers is private equity. In layman’s terms, someone – family member, friend, private investor or a smaller investment fund provides the company with funding in exchange for ownership. However, a game development project can easily exceed one million euros in development costs (Bethke 2003), private equity does not usually provide enough funding to finance a project from beginning to end. (Laramée, 2002; Djafari, 2002.)

Third financing source specified by Laramée (2002) and Djafari (2002) was venture capital. In principle, venture capital is a type of private equity with an aim to gain high return on investment in several years by taking the private company public or selling its stake in the company for a third party (Privco.com, 2017). A good example of venture capital backed game developer would be the Finnish company Supercell, which raised a venture capital investment of \$12 million from Accel Partners in 2011 (Butcher, 2017). In 2013 51% of Supercell was sold to the Japanese telecommunications company SoftBank (Strauss, 2017). Due its high risk – high reward nature, venture capital is usually not accessible for companies with moderate growth plans (Laramée, 2002).

In addition to conventional venture capital funding, there are several financing entities with slightly different business models. For example, IPR.VC invests directly in media products and intellectual property rights, somewhat resembling a traditional publisher funding (lpr.vc, 2017) and Pollen VC offers advance funds to game or app developers against earned revenues, which is reminiscent of debt financing (Pollen.vc, 2017).

Not mentioned by Laramée (2002) and Djafari (2002) is crowdfunding,

*“a method of collecting many small contributions, by means of an online funding platform, to finance or capitalize a popular enterprise” (Freedman and Nutting, 2015).*

It is understandable since the most prominent crowdfunding platforms Indiegogo and Kickstarter did not exist at the time *Secrets of the Game Business* was released (Freedman and Nutting, 2015). Crowdfunding, however, is a substantial source of funding and Kickstarter alone has enabled the funding of over 119 000 projects with over 2,8 billion US dollars pledged (Kickstarter.com, 2017).

## 1.2 Commissioning party

Iron Sight is a Finnish game development company. It is focused on developing strategy games for PC platform, to be released digitally on Steam and other similar marketplaces. The company is currently funded by a private equity investor, with additional funding from Tekes, which is a Finnish publicly funded financing organization (Tekes.fi, 2017). The company does not have access to significant debt funding, and due to company strategy, venture capital is not a viable funding option. Such as Laramée (2002) and Djafari (2002) predicted, private equity barely covers the costs of the entire game project. Iron Sight is currently in a stable financing position, but the available resources only cover the bare minimum to finish the current game project.

The Project Triangle, presented in *Game development and production* book by Erik Bethke (2002: 65-67) can be used to clarify the situation of Iron Sight. The points of the triangle signify project goals and are labeled as (1) on budget, (2) on time, and (3) high quality/feature rich. Additionally, the sides of the triangle signify relationships between the goals.



Figure 1 - The Project Triangle (Bethke 2002)

Bethke (2002: 66) states that

*“every well-managed project will exhibit one of three negative behaviors: being late, being over budget, or sacrificing quality.”*

The purpose of the Project Triangle is to identify which aspect of the project is most likely to bend (Bethke 2002: 68). In the case of Iron Sight, budget and time are currently fixed due to the amount of resources, which would evidently make quality as the most flexible asset. Inflexibility in time and budget would lead to sacrificing quality or removing features in order to finish the game.

It is in the best interests of the company to release the game with best possible quality and all the necessary features to fulfill the expectations of users as well as the ambitions of the team itself. This situation has led to the preparation of a crowdfunding campaign in order to gain more resources for game development.

When planning a crowdfunding campaign at Iron Sight, several issues came up that made the company to consider platform independent crowdfunding. First, the leading crowdfunding platform Kickstarter (Mercer, 2017; Mollick 2013) was not available in Finland (Kickstarter.com, 2017). Also, the lack of flexibility, the all or nothing principle and arbitrary time limits as presented by Lichtmann (2017) in his LinkedIn blog as well as the great significance of arbitrary staff promotions (Mollick 2013) were arguments against a campaign conducted on a third-party platform.

A PC game can be released as “Early Access” while still under development via Steam (Store.steampowered.com, 2017), which is quite close to crowdfunding from Iron Sight’s perspective. However, the game would be publicly reviewed by Steam users in an early alpha stage which could lead to negative feedback and affect later sales. Also, Steam would take a portion of the sales as a platform fee<sup>2</sup>, which would have a direct impact on the funding received.

As mentioned before in the introduction, the public success of independently crowdfunded games such as Prison Architect (Rose, 2017) sparked interest in setting up and launching an independent crowdfunding campaign without an external platform. Naturally, the company is also interested in the social factors of crowdfunding, e.g. getting direct feedback and assistance from the public, as mentioned in the *Crowdfunding Bible* (Steinberg, DeMaria and Kimmich, 2012), but this thesis is mainly focused on the strategical approach to crowdfunding.

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<sup>2</sup> The exact fee is known by the developer but is considered classified information under a non-disclosure agreement.

### 1.3 Purpose

The purpose of this thesis is to analyze the best practices for an independent crowdfunding campaign from the point of view of a game development company. The “independence” in crowdfunding is defined in this thesis as platform independence, i.e. the campaign is conducted independently without a third-party marketplace or a crowdfunding platform such as Kickstarter or Indiegogo.

As the main source of information, the author will conduct a literature review about crowdfunding campaigns in general and apply the information into independent crowdfunding context. Technical tools and software required will be researched online. Additional information is gathered from personal interviews with two companies with successful crowdfunding campaigns, KillHouse Games and Mode 7.

### 1.4 Research questions

- 1) What are the necessary preparations required to launch an independent crowdfunding campaign?
- 2) What channels are used to reach potential buyers?
- 3) What motivates/deters the buyers in crowdfunding campaigns?

### 1.5 Limitations

Limitations in this work are the small sample of interviewed companies and the lack of failed examples. This is due to the author's impression that there are not many independent crowdfunding cases in general and those failed have quickly disappeared. Thus, the research cannot tell accurately about the viability of independent crowdfunding, but only accesses best practices for a successful campaign. Other limitations include the concentration on a single crowdfunding model only, due to pre-set plans of the commissioning party.

## 2 INDEPENDENT CROWDFUNDING

### 2.1 Definition of independent crowdfunding

Crowdfunding is a rather broad term with multiple meanings depending on the context and the author. In the *Crowdfunding Bible* Steinberg et al. (2012) define crowdfunding as the

*“process of asking the general public for donations that provide startup capital for new ventures.”*

However, Cliff Ennico in his *The Crowdfunding handbook* (2015) gives an even broader description to crowdfunding and defines it as

*“raising money for something from a group of people that is large and relatively undefined: the crowd.”*

Belleflamme and Lambert (2016) identify five models of crowdfunding. First of the models mentioned is *donation-based* where the individual does not expect anything in return for the contribution. The second model is *reward-based*, where contributors are entitled to non-financial rewards for their participation. The reward-based model usually takes a form of pre-sales of the product itself. Steinberg et al. (2012) also tell that from the entrepreneur’s standpoint crowdfunding offers a way to generate pre-orders up front. Three remaining models introduced by Belleflamme and Lambert (2016) are *lending-based*, *royalty-based* and *equity-based* models, where the contributor expects a financial return on his investment in the form of interest, royalty or via securities such as shares or bonds.

In the Finnish legal context asking for donations is illegal without prior permission from the authorities (Rahankeräyslaki / Money collection law 2006/255). Thus, in Finland product crowdfunding is rather strictly restricted to the pre-sales of the product itself or one of the three models where the contributor expects a financial return. Upon a request from the commissioning party and to limit the scope of this research only reward-based model is considered for the financing of the commissioning party’s product.

For defining crowdfunding for this thesis, the definition of Ennico (2015) will be adapted and used in the context of Finnish legislation and the expectations of the commissioning party. Thus, crowdfunding is defined as

*“means of raising money for something from a group of people by pre-selling the upcoming product or service.”*

In the context of the games industry, this would mean a game developer pre-selling the game before it is developed as a mean to raise fund for developing the game. This interpretation of crowdfunding is entirely made by the author from different sources (Ennico 2015, Steinberg, DeMaria and Kimmich 2012, Belleflamme and Lambert 2016) and personal experience in the games industry.

Author considers the crowdfunding market as a market model with three types of agents: the buyer, the seller and the marketmaker [sic], a middleman, who

*“offers a marketplace or a platform for fees,”*

as specified by Gautier et al. (2016). On authors interpretation of the agent roles, the game developer is the seller, the end user is the buyer, and the crowdfunding platform or a marketplace is the middleman. This thesis is limited in crowdfunding without a middleman. The definition of middleman rules out crowdfunding platforms such as Kickstarter and Indiegogo but also digital marketplaces such as Steam, Gog.com or Humble Store. In an independent campaign, the seller sets up the marketplace and sells the product directly to a buyer. Payment handlers such as PayPal are not considered as middlemen in the context of this thesis. Thus, independent crowdfunding would be defined as “means of raising money for something from a group of people by pre-selling the upcoming product or service directly to the customer without a third-party platform or marketplace.” The term “independent crowdfunding” is not coined by the author, but used in multiple online sources to describe a crowdfunding campaign executed without a third-party platform (Celery Blog, 2017 and Petiwala, 2017)

## 2.2 Crowdfunding motivations and deterrents

Gerber and Hui (2013) have researched crowdfunding motivations and deterrents based on interviews of Kickstarter, RocketHub, and IndieGoGo. From participants in their research, two had exclusively created projects, ten had exclusively funded projects, and 48 had both created and funded projects. Additionally, 20 participants had considered crowdfunding as creator or supporter but decided against it.

	Motivations	Deterrents
Creator	Raise funds Expand awareness of work Form connections Gain approval Maintain control Learn new fundraising skills	Inability to attract supporters Fear of public failure and exposure Time and resource commitment
Supporter	Collect rewards Help others Be part of a community Support a cause	Distrust of Creators' Use of Funds

*Table 1. Motivations and deterrents to crowdfunding for creators and supporters (Gerber and Hui 2013)*

### 2.2.1 Creator motivations and deterrents

Obviously, a main motivation for the creator is to get funding for his project, which is implied by the term itself. This is shown in the research of Gerber and Hui (2013), but also in other sources. Paul Kilduff-Taylor from Mode 7 mentions that crowdfunding enabled for the company to work full time on Frozen Synapse (Kilduff-Taylor 2017).

However, about their second crowdfunded game Frozen Cortex Kilduff-Taylor mentions, that they could have finished it without the funding and the campaign was essentially about generating feedback. This is also the case with KillHouse Games Door Kickers. The company Co-Founder Dan Dimitrescu (2017) says that they could have covered the development cost without crowdfunding. This supports the findings of Gerber and Hui (2013), that creators are also motivated to

*“expand awareness of their work by publicizing their crowdfunding project”.*

Creators are not only motivated by a general awareness of the project; they seem to actively look for long-term connections and approval for themselves and their work (Gerber and Hui 2013). These were also clear motivations when discussing a crowdfunding campaign with the commissioning party of this thesis. Dimitrescu (2017) validates the seeking for approval. They wanted to see if their ideas were any good and whether the game is interesting for the public. He also mentions that people playing and appreciating the game boosts the morale of a team.

In *The Crowdfunding Bible* Steinberg et al. (2012, p. 4) tell that a significant advantage of [reward based] crowdfunding is that the company does not have to give away ownership of the venture to investors. This view is backed by Gerber and Hui (2013) who tell that autonomy motivates the creators and its valued above “institutional legitimacy” provided by major producers.

Many creators felt that they could learn new skills and get hands-on entrepreneurial experience from running a crowdfunding campaign. Creators reported enjoying the learning of new skills and described how they could utilize them in possible future campaigns. (Gerbert and Hui 2013)

The creator deterrents observed by Gerber and Hui (2013) seem to mirror the motivations. Creators who assume their projects do not resonate with the masses or feel that they cannot offer sufficient rewards are discouraged from starting a crowdfunding campaign. This would probably not be the case for most game projects since they are mass market products in principle. (Gerber and Hui 2013)

While the search for approval might be a motivation for a creator, the fear of public failure and exposure is a clear deterrent. Creators are afraid of public humiliation or ruined changes of future investment. The project that fails to attract support from the crowd would look bad in the eyes of more traditional investors, and all the friends, family and colleagues of the creators would know about their failure. (Gerber and Hui 2013)

Finally, the time and commitment required to do a crowdfunding campaign can deter creators from starting campaigns. Running a time-constrained crowdfunding campaign has been described as time-consuming and stressful (Loew 2017, Steinberg et al. 2012, Gerber and Hui 2013). Interestingly Paul Kilduff-Taylor (2017) mentions that running a Kickstarter campaign would cause too much secondary work during the development and it was one of the reasons they decided to crowdfund independently.

### 2.2.2 Supporter motivations and deterrents

According to Gerber and Hui (2013), many supporters display typical consumer behavior. They are looking forward to receiving goods in exchange for money. The particularity in crowdfunding economy is that the supporters are willing to wait a long period for their rewards (Gerber and Hui 2013). This is consistent with the view expressed in chapter 2.1, where crowdfunding is considered as a mean of raising money by pre-selling an upcoming product. Hobbs et al. (2016) noted that backers seek out value for their money and more successful campaigns have placed emphasis on creating actual monetary value for their backers in the form of rewards.

Exchanging money for goods is not the only motivation of a supporter in a crowdfunding project. Many also exhibit philanthropic behavior and are willing to support a cause or help someone in need; even the connection is not personal (Gerber and Hui 2013). In video game crowdfunding context, this behavior could result in a tendency to support independent developers that are perceived as sympathetic or in need of help. The game-related behavior is, however, only a presumption.

Additionally, supporters in the interviews conducted by Gerber and Hui expressed being motivated from being a part of a community. Some supporters also linked the community membership with the willingness to trust unknown people (Gerber and Hui 2013). This phenomenon is likely to be related to multiple sources suggesting that projects maintaining frequent interactions with the supporters tend to be more successful (Zheng et al. 2016, Steinberg et al. 2012, Kuppuswamy, V. and Bayus, B. 2013).

The main deterrent for supporters seems to be the lack of trust on how the creators would use their funds (Gerber and Hui 2013). Trust overall is an important factor when comes to any financial transactions (Gefen 2000). This aspect is further discussed later in the chapter 2.5.2. Overall it seems that anyone considering a crowdfunding campaign should have an emphasis on building trust via active communication and transparency.

### 2.3 Benefits of crowdfunding platforms

Steinberg et al. (2012, p. 12) write that someone preparing for a crowdfunding campaign generally has two options available. Either one uses an existing crowdfunding service, such as Kickstarter and Indiegogo, or utilizes a custom website and existing network of connections to run an independent campaign as defined before. Both options have their advantages and disadvantages from the seller's point of view.

Acting as the middlemen in the crowdfunding market, the platforms have different functions that facilitate the interaction between the seller and the buyer (Belleflamme and Lambert 2016). Intuitively, from the seller's point of view, one of the more important functions is to get buyers informed about the project itself. Kickstarter projects have already over 12 million backers (Kickstarter 2017), and the page receives about 900 000 visitors per day (Kickstarter.com.hypestat.com, 2017). However, as discussed in the chapter 2.4.1, the actual significance of existing platform audience is debatable if the project is not highlighted by the platform owner.

**\$2,982,905,346**

total dollars pledged to Kickstarter projects

**123,159**

Successfully funded projects

**12,729,311**

Total backers

**4,073,031**

Repeat backers

**37,407,276**

Total pledges

Figure 2 – Screenshot of Kickstarter stats (<https://www.kickstarter.com/help/stats>), accessed 17 Apr. 2017

From buyer's point of view, the major hindrances in crowdfunding are creator incompetence, fraud and project risk, which the high degree of information asymmetry worsens (Agrawal et al. 2014). To address these problems, per Belleflamme and Lambert (2016), governance decisions of the crowdfunding platforms are geared to information asymmetry issues.

One way the middleman can reduce the uncertainty of the buyer is by collecting and distributing information about the seller (Belleflamme and Lambert 2016). Ahlers et al. (2015) in their research on equity crowdfunding conclude that detailed information on the level of uncertainty and company governance are signals that contribute to the success of the crowdfunding campaign, which most likely should also apply to those campaigns not based on equity but rewards.

The crowdfunding platforms also work actively to prevent potential frauds and act as a trusted intermediary (Belleflamme and Lambert 2016). This is particularly important because, as mentioned before, the risk of fraud is one of the main disincentives for the buyer and the effort of performing due diligence is high in relation to the relatively small individual investment (Agrawal et al. 2014).

Belleflamme and Lambert (2016) note, that crowdfunding campaign supporters use the public information on accumulation of contributions to do due diligence in the projects. The lack of previous contributions can be seen as a negative signal among the contributors. Kuppuswamy, V., Bayus, B. (2013) mention this kind of “herding behavior,” where the

*“individuals want to contribute to projects that already have a lot of support from other community members.”*

Most of the non-equity crowdfunding platforms feature a “provision point mechanism,” where the campaign creator only receives the funding if the initial goal is reached or surpassed within a certain time-period. This mechanism is set to counter a free-riding problem, where individuals rationally wait for the project to be funded if it is impossible to exclude non-funders from benefiting from the completed project. The provision point mechanism is also in place to

*“eliminate the risk to funders of providing funds for a project that is unable to raise enough capital to be viable” (Agrawal et al. 2014).*

The provision point system seems to work together with previously mentioned herding behavior if the campaign launch is successful and the project seems likely to get funded. According to Cumming et al. (2014) “all or nothing” campaigns where the provision point mechanism is in use are more likely to succeed in achieving their funding goals than “keep it all” campaigns which allow the campaign creator to collect all pledges even the initial goal is not met.

In conclusion, the main benefit for the seller is the assumed visibility provided by the platform and the possibility to reach an existing crowd. Steinberg et al. (2012, p. 12) acknowledge this, and they note that a crowdfunding campaign without an existing service requires

*“the capability to engage, motivate and retain the attention of a sizable fan base that believes in your brand, your company or your project.”*

For the buyer the platform acts as an intermediary who actively prevents frauds and disseminates information about the seller (Belleflamme and Lambert 2016). Reducing the disincentives perceived by the buyer (supporter) should also benefit the seller (the campaign creator).

## 2.4 Benefits of independent crowdfunding

Dan Dimitrescu from KillHouse Games independently crowdfunded Door Kickers, an award-winning SWAT tactics game for PC, iOS, and Android. Initially, their problem was that Kickstarter was not available in Romania, where the company is located. Additionally, Dimitrescu thought that the premise of Kickstarter -style campaigns, where the customer pays upfront and receives the full game later might disconnect the client from the development. When the client immediately receives an early version of the game, he is more connected to the development. (Dimitrescu 2017)

In a Gamasutra article about Project CARS, another game crowdfunded without Kickstarter, Andy Tudor from Slightly Mad Studios, the developer has similar thoughts about the marketing and connection to early adopters as Dimitrescu. As Tudor tells in the interview

*"Kickstarter is great, but it doesn't allow the same level of day-to-day interactivity and behind-the-scenes access to the development team that we chose to allow with the WMD Portal"* (Rose, 2017).

Dimitrescu also believes that the buyers will talk to their friends and share stories about the game, effectively doing free marketing for the developer. He wants to establish the early adopters as evangelists who

*"will share your videos, popularize your Greenlight campaign, post about you on forums and magazine websites."* (Dimitrescu 2017)

Tudor also tells in the interview, that

*"There are thousands of YouTube videos of people playing the game already - both from gamers and professional drivers - there are hundreds of thousands of screenshots out there, we've been covered by hundreds of magazines and websites, gamers are talking about us on forums and social media, we're appearing at major exhibitions and conferences. And we haven't spent a single penny on marketing".* (Rose 2017)

Paul Kilduff-Taylor from Mode 7 independently crowdfunded two of their games, Frozen Synapse and Frozen Cortex. Their main reason to steer away from Kickstarter was that the platform model was not compatible with what they wanted to do. Another reason mentioned was the secondary work caused by a Kickstarter campaign. (Kilduff-Taylor 2017)

These marketing benefits come from the fact that in the independent model treated in this thesis, the player gets a playable version of the game under development instantly or very shortly after the actual purchase.

Neither of the interviewees mentioned financial benefits as a reason to set up an independent crowdfunding campaign, but on a more successful campaign the platform fees can add up to a significant amount. An example mentioned in The Verge would be Star Citizen, which according to the article, had saved 750 000 dollars in Kickstarter fees only by 2013 doing an independent crowdfunding campaign (The Verge, 2017). The crowdfunding platform fees range from 3 to 9 percent (Petiwala, 2017). Olofsson (2017) mentions that 10% of the raised money “disappears” due to unsuccessful credit card payments and fees. Steam and other pre-sale platforms can take as much as 30% of the revenue from the developer as platform fees (Senior, 2017). When doing the campaign independently, the seller pays only the payment handling fees in addition to server costs and all the payments can be handled before the product is handed over to the client.

Petiwala (2017) and Therriault (2017) both bring out that by launching an independent campaign, the company can enhance its branding. When the main source of information about the company or project and the campaign are on the same page, the customers could keep returning even after the actual fundraising campaign is over. This helps the developer in the long run when releasing downloadable content or marketing another project. Additionally, the audience from an independent campaign could be more easily contacted for further updates about the company itself.

As mentioned before, from the customer viewpoint one of the more important functions of a crowdfunding platform is the information it disseminates about the seller or content creator. Therriault (2017) however, tells that

*[Kickstarter] “limits the amount of information given to creators about backers for privacy reasons.”*

Petiwala (2017) and Therriault (2017) both suggest that one can get more information about the backers when crowdfunding independently. This information can be used to reach out and maintain a connection with the buyers.

Even the previously mentioned provision point system evidently has an effect on the success of the campaign when on a crowdfunding platform, several sources such as Petiwala (2017) and Therriault (2017) mention the flexible campaign duration as one of the benefits of an independent campaign. Kristen Loew (2017) mentioned

in a retrospective article about crowdfunding Poketti Plushies that the stress from a Kickstarter project can be severe. She describes the 30-day campaign as an

*“eternal, agonizing purgatory with a screen refresh every fifteen minutes.”*

Loew also mentions that the campaign nearly failed when some early backers canceled their pledge before the deadline.

In his blog post “5 Things I Learned Running a Successful Kickstarter”, Tyler James also mentions the stress caused by the provision system. According to James,

*“the perception of most people is that the most stressful aspect of Kickstarter is whether you’ll hit your funding goal.”*

He also gives an anecdote about Joe Martino on the article:

*“Joe told me that he couldn’t believe how unbelievable tough and stressful running the campaign was for him. I couldn’t believe that this was coming from a guy who has beaten cancer...twice!”. (James, 2017)*

Also from the point of view of the commissioning party of this thesis, flexibility and the stress which follows from the provision point system is one of the main reasons to run an independent campaign. Iron Sight finds a flow of preorders more attractive than a stressful one-month all-or-nothing campaign. The game can be provided as a service that evolves during the development time, and earlier the customer supports it, more he has to say about the design choices.

Independent crowdfunding campaigns can run for a very long time. For example, Star Citizen, according to its website (Roberts Space Industries 2017), started crowdfunding in September 2012 and the campaign is still on as Spring 2017. The game has raised over 144 million dollars in the four and a half years of its existence, as seen in Figure 2. This is beneficial when developing a video game. While a Kickstarter -style campaign might provide the developer with the necessary funding estimated before the actual development, a longer independent campaign can adapt to changes and setbacks in development.



Figure 3 – Screenshot of Roberts Space Industries website (<https://robertsspaceindustries.com/funding-goals>), accessed 17 Apr. 2017

## 2.5 Individually providing the benefits of a crowdfunding platform

To succeed in an independent crowdfunding campaign relative to a campaign carried out on a third-party crowdfunding platform, one should be able to produce most of the main benefits provided by the platforms. The seller will need to attract a reasonably large audience independently and counter the buyer's doubts worsened by information asymmetry issues (i.e. build trust). This also serves as the basis when considering the best practices for an individual crowdfunding campaign.

### 2.5.1 The audience

Intuitively the existing audience should be the most difficult platform benefit to tackle when crowdfunding independently. As Wharton School professor Ethan Mollick said in a CNBC interview

*“Part of the advantage of a Kickstarter or Indiegogo is the many millions of people on both platforms, and that gives you user base. Why doesn't everyone have their own Twitter? There is economy of scale” (Morris, 2017).*

This could be understood in a way that the existing user base on a crowdfunding platform would hold an important role in the success of a crowdfunding campaign.

As mentioned by Mollick (2013), the promotion of featured projects by Kickstarter staff is “likely to help projects succeed.” Outside of the seemingly arbitrary and unpredictable promotion, it seems that the audience provided

by platforms without the marketing efforts done by the project author is not pivotal to the project success. As Loew (2017) describes it in her retrospective article:

*“It became abundantly clear that the success of our Kickstarter campaign was up to us.”*

She felt that without actively campaigning herself, the project would have failed.



Figure 4 – Screenshot of Kickstarter feature (<https://www.kickstarter.com>), accessed 17 Apr. 2017

Additionally, when researching the dynamics of crowdfunding, Mollick (2013) suggests that the amount of Facebook friends, i.e. the size of the social network of the crowdfunding project founder are associated with a successful campaign. In the article Mollick (2013) takes average projects holding all the other variables at their mean and compares the founders Facebook accounts. He finds that within the Film category

*“a founder with 10 Facebook friends would have a 9% chance of succeeding, one with 100 friends would have a 20% chance of success, and one with 1000 friends would have a 40% chance of success.”*

It must be noted that per Koch and Siering (2015) the number of Facebook friends of the founder does not have an impact on the project success.

Kuppuswamy, V., Bayus, B. (2013) write that

*“most of the contributors at any point in the funding cycle are one-time backers that likely come from the entrepreneur’s own social circle.”*

Over 70% of Kickstarter backers in their sample funded only one project and from those backers, 95% pledged in the same day they joined (Kuppuswamy, V., Bayus, B. 2013). This view is backed by Dan Marom (Dushnitsky, G. and D. Marom 2013) in Business Strategy Review, where he indicates that the

*“pool of backers is not predominantly provided by the platform.”*

Additionally, Marom suggests that most of the investment is mobilized from entrepreneur’s own social network.

There is a clear benefit from being featured on the crowdfunding platform (Mollick 2013), but the significance of platform visibility without any additional featuring is hard to measure. Mollick also said in the previously mentioned CNBC article, that

*“the key to crowdfunding isn't the funding part but the crowd part, and if you can attract your own crowd, then this strategy [independent crowdfunding] might be a viable alternative”*  
(Morris, 2017).

It seems that “bring your own audience” is pivotal to success in any crowdfunding campaign – with or without the crowdfunding platform. In this light the actual benefit gained from the existing audiences on crowdfunding platforms is debatable. Generally speaking, it seems that the successful projects bring their audience to Kickstarter (or another similar platform) and could probably have been successful without the platform. In other words, even there is an unpredictable chance of being featured on Kickstarter (or similar), a developer not able to gather an audience independently would likely fail on Kickstarter (or any other platform) too.

## 2.5.2 Information dissemination

Developer incompetence, fraud, and project risk are major disincentives faced by the funders, and they are made worse with information asymmetry (i.e. the seller has much more information about the project than the buyer) (Agrawal et al. 2014). The crowdfunding platforms work hard to address these issues (Belleflamme and Lambert 2016) by disseminating information in the interest of encouraging people to pledge in the campaigns they host. Focusing on these issues should also be a priority for anyone running an independent crowdfunding campaign.

Gefen (2000) found that trust and familiarity are significant aspects of E-commerce. Even the research was conducted on Amazon.com users; its results should be fully adaptable in crowdfunding. In principle, all the disincentives faced by the funders are essentially about trust and familiarity. According to Gefen, familiarity

increases trust and they both influence purchase decisions. Familiarity in this context would be for example the knowledge of crowdfunding in general and how games are bought digitally. Regarding games, familiarity could also be related to the game theme and the developers. Trust, on the other hand, could be funding a developer based on a non-guaranteeable favorable belief (i.e. trust) that the recipient would use the funds appropriately and deliver the promised product (adapted from Gefen, 2000; Gerber and Hui 2013).

The crowdfunding platforms act as a trusted intermediary between the project founder and the funder (Belleflamme and Lambert 2016). This builds familiarity and leads to trust, which lowers the threshold of pledging in a campaign. An independent crowdfunding campaign creator should use already familiar elements and tools from popular crowdfunding websites and E-commerce to leverage trust. This could be (but is not limited to) using similar terms and elements than established crowdfunding sites and using a familiar intermediary such as PayPal for handling payments.

Zheng et al. (2016) revealed that dynamic interactions between the project founder and the funders build trust. They also found that in reward-based crowdfunding concurrent relationships are more important than historical records when establishing trust. Thus, channels for active and personal communication should be available for project founder-funder interaction. These could be (but are not limited to) developer forums, social media channels or a live chat feature on the campaign website.

Mollick (2013) shows that success in crowdfunding is positively related to preparedness as a quality signal. In his findings producing a video and doing rapid project updates increase the chance of success, while spelling errors in the project pitches reduce the chance of success. This finding is backed by Koch and Siering (2015), who found that project founders can increase their success change by providing text, images, and videos as well as being active on the crowdfunding platforms. Preparedness and dissemination of information about the project, therefore, should contribute to building trust.

Hobbs, Grigore, and Molesworth (2016) analyzed 100 crowdfunding campaigns within the film and video category. They point out that all the successful campaigns demonstrated evidence of their filmmaking capabilities either by referring to previous work, a strong academic background or partnered with well-known personalities. Evidence of content precedence should also be equally important when raising funds for a game project. As Hobbs et al. (2016) argue, providing a compelling track record can be hard for those new to the market.

When crowdfunding a game, the developer can, however, give an immediate access for the funders to an early version of the game to demonstrate development capability and build trust. If there is a playable version that plays well and looks good, the funders arguably are less concerned about developer incompetence. The perceived project risk and fraud risk could probably be mitigated by providing constant updates and new versions of the game, effectively proving that the funds are used as promised, and the game is eventually nearing completion.

### 3 EXAMPLE CASES OF INDEPENDENT CROWDFUNDING

#### 3.1 General characteristics of successful projects

Some general characteristics of successful crowdfunding projects and best practices applied to crowdfunding can be derived from various sources used in this thesis. According to Mollick (2013), the amount of Facebook friends associates with a successful campaign. There is contrary evidence (Koch and Siering 2015) on the Facebook friends, but the audience generated before campaign should still contribute positively to outcome, whether it is from social networks or other sources, as explained in section 2.5.1.

Secondary there is trust. Results of the research conducted by Gefen (2000) indicate that trust and familiarity have an influence over the success of E-commerce. As shown before (2.5.2.), the lack of trust and confidence are some of the main disincentives preventing sales. From Zheng et al. (2016) we have learned that active communication between the project founder and the funders build trust. Additionally, as Mollick (2013) shows, the success in crowdfunding is positively related to quality signals such as preparedness. Constant updates and high-quality video content are some of the perceived quality signals, as well as the lack of obvious spelling errors.

Some general characters of successful projects based on sources used in this thesis:

- Audience reach
- Trust building by communicating
- Familiarity
- Quality signals

Door Kickers, Frozen Synapse, Prison Architect and Project CARS are examples of successful independent crowdfunding projects. They will be used as examples and evaluated based on the characteristics mentioned above. Audience reach will be evaluated based on publicly available sources. Trust building by communicating is evaluated by estimating the amount of information and updates done by the developers. Familiarity refers to the familiarity of the company or individuals before the campaign – i.e. whether they are established developers or not and whether the game itself is in a familiar setting or theme from a western viewpoint. Quality signals refer to the perceived quality of the content presented by the game company during the campaign. Because of the

lack of reliable sources, the estimation will be made in binary logic – either the characteristic is present in the campaign, or it is not.

### 3.2 Door Kickers

*“Door Kickers is an innovative real-time strategy game [developed by KillHouse Games] that puts you in charge of a SWAT team and lets you command them during a tactical intervention” (KillHouse Games, 2017).*

The game was introduced in March 2013 (KillHouse Games, 2013; YouTube, 2013). In the alpha trailer video uploaded on 12<sup>th</sup> March 2013, the company tells that

*“Door Kickers is due in late 2013 on PC, with iOS/Android following as soon as possible. To get there we need the support of the community, hence crowdfunding starts now”.*

They also inform that the game can be preordered and the players can access the current build instantly (YouTube, 2013). The actual game was published on Steam on October 17, 2014 (Steam 2017). According to SteamSpy, Door Kickers has sold around 425 000 copies to date, making it very successful (SteamSpy 2017).

#### 3.2.1 Audience reach

Dan Dimitrescu, the co-founder of the company tells in an interview that the company was

*“known and appreciated as solid developers of several forums, the SimHQ and Subsim communities coming to mind.”*

Soon after introduction, the game was presented in several medias such as RockPaperShotgun. Additionally, some high profile Youtube users showcased the game. (Dimitrescu 2017).

An electronic search performed in Google<sup>3</sup> (2 Apr. 2017) of “Door Kickers” with time constraint between first of March 2013 and end of April 2013 reveals that the game was noted by a variety of game -related websites such as PC Gamer, GRYOnline, IGN, SimHQ, Strategycore and Pocket tactics.

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<sup>3</sup> <http://www.google.com>

From these findings, it seems that KillHouse Games has managed to reach a significant audience before or in the very early stages of their campaign.

### 3.2.2 Trust building by communicating

KillHouse Games has maintained a blog on their website<sup>4</sup> since March 2013, updating it regularly. They have also updated their Facebook page<sup>5</sup> frequently and answered any questions there. The studio joined Twitter in March 2013 with the username @inthekillhouse. On Twitter, KillHouse Games has routinely answered on tweets and comments presented for them. KillHouse Games also hosts a forum<sup>6</sup>, with 1583 total members (accessed 2 Apr. 2017) according to the statistics available on the forum page. On their forum, KillHouse Games actively communicates with the users and asks for their feedback on the game and suggestions on new features.

From these findings, it seems that KillHouse Games has actively built trust by communicating with their customers on various channels during the campaign.

### 3.2.3 Familiarity

Door Kickers is based on SWAT missions (KillHouse Games, 2017). SWAT is an acronym which stands for special weapons and tactics. It is a term for special operations units in the United States law enforcement agencies (Americanspecialops.com, 2017). The term is defined in the dictionary as

*“a special section of some law enforcement agencies trained and equipped to deal with especially dangerous or violent situations, as when hostages are being held” (Dictionary.com, 2017).*

Dan Dimitrescu mentions in an interview that one main reason people bought their game in advance was that

*“people were nostalgic and looking for games akin to their old Rainbow Six and SWAT games.”*

This indicates that there was an established audience waiting for a tactical, SWAT -themed game. From this point of view, the game theme itself should be familiar enough for the audience.

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<sup>4</sup> <http://inthekillhouse.com>

<sup>5</sup> <https://www.facebook.com/KillHouseGames/>, accessed 4 Apr. 2017

<sup>6</sup> <http://inthekillhouse.com/forum/>

The company was just founded when the crowdfunding campaign (KillHouse Games, 2017), but Dan Dimitrescu had significant experience in game design. He had been credited as a designer in 11 games before Door Kickers (MobyGames, 2017). The company also mentions that another team member, Mihai Gosa has experience from EA and Ubisoft (KillHouse Games, 2017). As mentioned in the chapter 3.2.1., Dimitrescu and the team were familiar on several forums such as SimHQ and Subsim. This indicates that the team had trust-building familiarity among the audience.

### 3.2.4 Quality signals

KillHouse Games has published various trailers and videos from the very beginning of the campaign. Their website at [inthekillhouse.com](http://inthekillhouse.com) is well maintained, regularly updated and the language is seemingly correct. These are quality signals mentioned by Mollick (2013). The game itself has been available for testing since the beginning of the campaign. The previously mentioned experience of Dimitrescu, regular updates and the possibility to try the game as it is developed should demonstrate the game making capabilities of the company similarly as in the successful film and video campaigns researched by Hobbs et al. (2016).

### 3.3 Frozen Synapse

Frozen Synapse is a turn-based tactical game developed by Mode 7. In the game, players plan their moves beforehand, which are then executed simultaneously (Steam 2017). According to a [geek.com](http://geek.com) article, the game was made available in April 2010 (Cangeloso, 2010). In the article is revealed that the game is available for pre-order and the players can access the current beta build instantly. The game is said to be released in late 2010, but it was released on Steam in May 2011 (Steam 2017).

Neither the article or an archive copy of the website mention crowdfunding, but the reason for this is most likely the fact that crowdfunding was still a new concept in 2010 ([Web.archive.org](http://Web.archive.org), 2017). According to SteamSpy, Frozen Synapse has sold around 733 000 copies to date, which makes it very successful. The numbers, however, are not reliable, because the game had a free weekend in 2014 and the actual sales are somewhat less than indicated by SteamSpy. (SteamSpy 2017). In an interview given in May 2012, Kilduff-Taylor states that the game has sold over 400 000 units (StrategyCore, 2012).

### 3.3.1 Audience reach

From an electronic search conducted in Google (4 Apr. 2017) of “Frozen Synapse” with time constraint between first of April 2010 and end of May 2010 gives the impression, that the game did not have similar following than previously mentioned Door Kickers. However, the company founders did host a blog online at mode7games.com and they were seemingly active at garagegames.com and indiegamer.com communities. The company had also published another game in 2007, which presumably had its following.

Eventually, the developers managed to get out previews that were positive and a lot of word of mouth, which effectively brought the game in front of the audience (Kilduff-Taylor 2017). Another Google search on the same day with no time constraint shows that the game has had a significant amount of positive attention from different medias and YouTube users. This view is supported by a Rock Paper Shotgun preview by Kieron Gillen in 2010, where the author writes that

*“Give me 1200 words. I’m going to make you pre-order something you’ve never even heard of”  
(Rock Paper Shotgun, 2017).*

From these findings, it seems that Mode 7 didn’t have a very large following before the release, but they managed to get significant attention later from favorable previews, reviews, and user commentaries.

### 3.3.2 Trust building by communicating

Mode 7 has kept a blog on their website at mode7games.com during the crowdfunding process. They have also been active on moddb.com website<sup>7</sup>. Both founders of the company have also been active on Twitter with the usernames @mode7games and @IanHardingham. They have also had an online forum<sup>8</sup>, where the developers have given out announcements and technical support for the game. The online forums have currently 6587 total members (accessed 4 Apr. 2017) according to the statistics available on the forum page.

From these findings, it seems that Mode 7 has actively built trust by communicating with their customers on various channels during the campaign.

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<sup>7</sup> <http://www.moddb.com/games/frozen-synapse>

<sup>8</sup> <http://forums.mode7games.com>

### 3.3.3 Familiarity

The turn-based combat concept itself of Frozen Synapse is part an established strategy game genre (Sloan, 2015), but the theme and visual style of the game cannot be considered as typical or familiar. As mentioned in a StrategyCore interview, the game has “unique graphics” (StrategyCore 2012).

The company itself was founded already in 2005, and the developers had released their debut title Determinance, “a multiplayer PC sword-fighting game” in 2007 (Determination.com, 2017). While the company may not have been widely known amongst larger audiences, it was however well established before the announcement of Frozen Synapse. This indicates that the company itself had trust-building familiarity before the release.

### 3.3.4 Quality signals

Mode 7 has distributed various trailers and gameplay videos since the first announcement of Frozen Synapse. Their website at frozensynapse.com is well maintained, regularly updated and the language is seemingly correct. These are quality signals mentioned by Mollick (2013). The website also features a lot of positive press feedback, which should also be considered as a quality signal. The game itself has been available for buyers since the initial launch of pre-orders. A previously released title (Determination), the press attention featured at the website, regular updates and the possibility to play an early version of the game during the development should demonstrate the game making capabilities of the company similarly as in the successful film and video campaigns as noted by Hobbs et al. (2016).

## 3.4 Prison Architect

Prison Architect is a management simulation game where the player runs a maximum-security prison. It is developed and published by Introversion Software. The game was released on Steam platform in October 2015 (Steam 2017). According to a Gamasutra.com article, the crowdfunding campaign for the game started at the end of September 2012 and in only two weeks it had made over \$270 000 for the developers (Rose, M. 2017). A Eurogamer article reveals that Prison Architect has earned over 19 million US dollars from over 1.25 million sales in three years after the original release (Eurogamer.net, 2017). According to SteamSpy, the game has sold over 2 million copies by April 2017 (SteamSpy 2017).

An archive copy in web.archive.org from the end of September 2012 shows that the game is sold in a similar fashion than in Kickstarter or any third-party crowdfunding platform. There are different “tiers” with different rewards, most likely aimed to add familiarity from known crowdfunding platforms. The game itself is presented in a trailer video, which is not available in the archive copy. The archived web page states that the alpha build is instantly accessible for everyone who pre-orders the game. (Web.archive.org, 2017)

### 3.4.1 Audience reach

The company behind Prison Architect, Introversion Software is a well-established company, founded in 2001 that had released four games before Prison Architect (Introversion.co.uk, 2017). An article published in Destructoid in October 2011 states that Introversion has postponed a project called Subversion and is developing a new unknown title – which later is revealed to be Prison Architect. The article states that

*“PC Gamers have been eagerly awaiting the next game from Introversion Software,”*

which clearly indicates that the company has at least some following (Destructoid, 2017) and most likely more existing audience than Door Kickers or Frozen Synapse.

An electronic search performed in Google (4 Apr. 2017) of “Prison Architect” with time constraint between first of September 2012 and end of October 2012 tells that the game quickly got a lot of press coverage and attention in different online forums.

From these findings, it is very likely that Introversion Software already had a significant audience before they even started the crowdfunding campaign.

### 3.4.2 Trust building by communicating

Introversion Software has an active forum<sup>9</sup> with over 300 000 registered users (accessed 4 Apr. 2017) according to the statistics available on the forum page. The company has actively announced any news regarding the development or the game itself on the forums and provided support for the users. Introversion Software has also released multiple project update videos on their Youtube -channel<sup>10</sup>.

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<sup>9</sup> <http://forums.introversion.co.uk>

<sup>10</sup> <https://www.youtube.com/user/IVSoftware>, accessed 4 Apr. 2017

The company has been active on Twitter since February 2009 with the username @IVSoftware. There are also individual members of the company on Twitter such as Ryan Sumo with the username @RyanSumo, who has been a user since April 2007 and, according to his LinkedIn profile<sup>11</sup>, has been a Contract Artist for the company since July 2011.

From these findings, it seems that Introversion Software has actively built trust by communicating with their customers on various channels during the campaign.

### 3.4.3 Familiarity

Prison Architect has a familiar prison theme, that should be understandable for western audiences. The game itself is part of established management simulation genre (Sloan, 2015). The visual style of Prison Architect is simplistic, but the theme is recognizable.

As stated before in 3.4.1. Introversion Software was already well established and familiar to its audience when announcing Prison Architect.

### 3.4.4 Quality signals

Introversion Software released multiple trailers and gameplay videos<sup>12</sup> via Youtube since first announcing the game. The archived website at web.archive.org was clean, well maintained and the language was seemingly correct. These are quality signals mentioned by Mollick (2013).

An early version of the game itself was immediately accessible for anyone who pre-ordered it, and there were multiple previews and gameplay videos available on Youtube based on an electronic search on Youtube.com on April 4, 2017. The company was well established, and they had previous releases that demonstrated their game making skills similarly as in the successful film and video campaigns as noted by Hobbs et al. (2016).

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<sup>11</sup> <https://www.linkedin.com/in/ryansumo>, accessed 4 Apr. 2017

<sup>12</sup> <https://www.youtube.com/user/IVSoftware>, accessed 4 Apr. 2017

### 3.5 Project CARS

Project CARS is a motorsport racing simulation game developed by Slightly Mad Studios and published by Bandai Namco Entertainment. The game was released on Steam platform in March 2015 (Steam 2017). According to a Eurogamer.net article, the crowdfunding campaign started in October 2011. The game was crowdfunded on a proprietary platform called World of Mass Development (WMD) and the developer initially offered to share the game profits with higher tier crowd funders. Eurogamer.net also reveals that in December 2012 the British Financial Services Authority (FSA) launched an investigation regarding the profit share promised in the campaign and the campaign was halted until an agreement was reached. Because of the FSA intervention, Slightly Mad Studios ceased promising a share of the profit agreement and promised full refund for those who did not want to participate. Excluding the FSA intervention, the campaign was successful and a news release regarding Oculus Rift support dated March 17, 2016, the studio tells the game received over \$3.1 million in crowdfunding support. (Slightly Mad Studios, 2017; Eurogamer.net, 2013)

An archive copy in web.archive.org dated November 2011 shows that the game is sold in several tiers similarly than in Kickstarter or any third-party crowdfunding platform, although the tiers are renamed as “tool packs.” The company emphasizes the possibility to discuss directly with the developers, contributing to the game development itself. On 2011 version, the company also promotes the possibility to earn back money after the game is released. A more detailed description of the model is offered on a PDF -formatted presentation from October 2011 and a press release dated October 11, 2011, both still available at the website. On the presentation, the company describes that 70% of the profits will be shared with the team members and the “tool packs” required vary from €10 to €25,000. Everyone buying a tool pack can instantly access at least a monthly beta build of the game. Initially, the game was planned to be released with a “free to play” monetization model, where the base game would be free but decals, tracks, vehicles, and other similar items would cost something between 10 cents to 2 euros. However, the game is sold on Steam<sup>13</sup> with a price tag of € 29,90. (Web.archive.org, 2017; World of Mass Development, 2011; Slightly Mad Studios. 2011)

#### 3.5.1 Audience reach

Slightly Mad Studios is a “well-known developer with strong industry links,” founded in 2009 (World of Mass Development, 2011). Before starting Project CARS, the company had released Need for Speed: Shift, Shift 2 and Test Drive: Ferrari Racing Legends before Project CARS (Slightly Mad Studios, 2017). The company was

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<sup>13</sup> <http://store.steampowered.com/app/234630>, accessed 4 April 2017

rated 17<sup>th</sup> in the 2010 edition of “Develop 100”, a list of world’s most successful game studios (Issuu, 2017). In the Develop 100 article the game developed by Slightly Mad Studios, Need for Speed: Shift is regarded as a financially successful and well-reviewed title.

An electronic search done in Google (11 Apr. 2017) of “Project CARS” with time constraint between first of October 2011 and end of November 2011 tells that the crowdfunding project quickly got a significant amount of community posted videos, media coverage and forum attention. In a project news posting in October 2012, the company tells that WMD members [campaign contributors] have created more than 50 000 screenshots and uploaded more than 7000 game videos on YouTube (Wmdportal.com, 2012).

From these sources, it is likely that Slightly Mad Studios already had a significant audience before they even started the crowdfunding campaign and the audience was very active promoting the game.

### 3.5.2 Trust building by communicating

From several sources (Web.archive.org, 2017; World of Mass Development, 2011; Slightly Mad Studios. 2011) it is evident that online community was the very foundation of Project CARS. The public statistics found at WMD forum<sup>14</sup> show, that there are over 900 000 posts considering WMD and Project CARS and in News and Announcements -section of the same forum the developers have made nearly 300 announcements. The company has also actively posted any news and announcements regarding the project to its WMD Portal project page<sup>15</sup>.

The company has been active on Twitter with the username @slightlymadteam since March 2011. The Project Cars franchise has its Twitter feed under the username @projectcarsgame since September 2011. There is also an active Facebook page with news and announcements<sup>16</sup>.

While the users distributed a huge number of videos, World of Mass Development and Project CARS franchise officially joined YouTube in 2014<sup>17</sup>. Due to the immense amount of Project CARS videos – an electronic search of “project cars” on YouTube gives 1 400 000 results and “slightly mad studios” gives 13 700 results

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<sup>14</sup> <http://forum.wmdportal.com>, accessed 11 Apr. 2017

<sup>15</sup> <http://www.wmdportal.com/projects/cars/>, accessed 11 Apr. 2017

<sup>16</sup> <https://www.facebook.com/projectcarsgame/>, accessed 11 Apr. 2017

<sup>17</sup> <https://www.youtube.com/user/WMDPortalcom> and <https://www.youtube.com/user/projectcarsgame>, accessed 11 Apr. 2017

(Youtube.com, accessed 11<sup>th</sup> of April 2017) - it is impossible to tell the amount of official developer communication on the platform.

Even with the uncertainty of video communication, it is evident that Slightly Mad Studios has actively built trust by communicating with their customers on various channels during the campaign.

### 3.5.3 Familiarity

Project CARS is a racing simulation featuring real-life racing cars and 35 realistic locations all around the world (Project CARS 2017; Project CARS 2017). The game itself is a part of well-established sports genre, simulating real world motorsports and it should be easy to identify with for anyone interested in racing (Sloan, 2015). The visual style is realistic, and the cars are compared to their real-life counterparts (Project CARS 2017).

As stated before in 3.5.1. Slightly Mad Studios was a well-established developer with a proven track record of developing racing games. The crowdfunding website itself was a bit different than usually, using different terms such as “tool pack” for different contributions usually regarded as “tiers”. Also, the initial profit-sharing concept of WMD was quite different from the usual pre-order model.

### 3.5.4 Quality signals

As mentioned before in 3.5.2. the amount of official video contributions during the campaign was hard to determine, but from an electronic search performed on Google with phrases “Slightly Mad Studios” and “Project CARS” (11 Apr. 2017), with time constraint between first of October 2011 and end of November 2012 tells that the company and the community published a huge amount of visual material of the game. The archived crowdfunding website from November 2011 (Web.archive.org, 2017) and other official material from [www.projectcarsgame.com](http://www.projectcarsgame.com) and [wmdportal.com](http://wmdportal.com) were clean, well maintained and with a seemingly correct language. These are quality signals mentioned by Mollick (2013).

An early version of the game was immediately accessible for those who contributed to the crowdfunding campaign. This resulted in an immense amount of community created content available online, based on electronic searches on YouTube and Google on April 11, 2017.

The company also had real race drivers such as Ben Collins, Nicolas Hamilton and Oli Webb try the game and posted their feedback online. The company also posted positive comments from WMD community members, which should also be considered as a quality signal.

Slightly Mad Studios also had previous releases demonstrating their game making skills similarly as in the successful film and video campaigns as noted by Hobbs et al (2016).

### 3.6 Conclusion

All the successful projects evaluated included the characteristics of successful crowdfunding projects collected from various sources in Chapter 2 and described in section 3.1.

The more established companies had a better initial **audience reach**. For example, Introversion Software had an existing audience from their previous titles and press was already writing about people waiting for the next Introversion Software game (Destructoid, 2017). However, active PR work and participation on online forums helped the less established developers such as Mode 7 and KillHouse Games to gain attention. It seems that having an alpha or beta version of the game immediately available helped the developers since the community played a significant part in reaching the masses for all the evaluated projects. It also seems that even a less-known company can succeed if the game gets favorable comments from press and the public.

All the successful projects were active in **trust building by communicating**. All the companies hosted online forums where the developers actively engaged in conversation with the public. The developers were also active on social media and posted regular updates on their websites.

The projects evaluated had somewhat **familiar** concepts, although Frozen Synapse was visually unusual. The effect on the success of the distinctive visual presentation is, however hard to evaluate. Most of the companies were established well before the crowdfunding campaign, except KillHouse Games, but even in the founders of KillHouse Games had some familiarity from their previous track record and active contribution on several online forums.

All the projects showed similar **quality signals**. The websites were well maintained, regularly updated and the language was seemingly correct. The companies also published a lot of material, and they had a previous track

record and the game immediately available as a proof of their game-making skills. Especially Mode 7 and Slightly Mad Studios used positive testimonies that a likely to be effective quality signals for their audience.

In future research, it would be interesting to increase the sample of projects and evaluate unsuccessful projects with the same criteria.

## 4 THE CROWDFUNDING CAMPAIGN

Hui, Greenberg, and Gerber (2014) have made a qualitative study of 47 entrepreneurs who have used crowdfunding to raise fund. Through the study, the authors identified five main types of work regarding crowdfunding campaigns. The crowdfunding framework by Hui et al. (2014) includes the following types of work:

1. Preparing campaign content
2. Testing the campaign material
3. Publicizing the crowdfunding project to potential supporters
4. Following through with project goals
5. Reciprocating resources to the crowdfunding community

I will use the framework as a basis when devising a high-level plan for an independent crowdfunding campaign. However, I have found from other sources additional measures that ought to be taken to succeed. They are treated later in the chapter. Most of the actual step recommended are based on an evaluation of the successful projects in chapter 3.

In the **preparing** phase, Hui et al. (2014) mention the preparation of campaign materials such as video, project description and other information that will be posted on the campaign page. When crowdfunding independently, one must also prepare the actual campaign website and find necessary tools to take payments and deliver the actual product. Additionally, the company should also set up a forum or another means for two-way communication between itself and the audience. As seen before (chapter 2.5.1.) the company should already be gathering an audience and building trust (2.5.2.) well before the actual crowdfunding campaign.

The **testing** phase is for creators to test their campaign material within their personal network and the existing community of supporters (Hui et al., 2014). Some creators also involve their supporters in the design process itself. In a game project, one could ask the supporters their opinion about screenshots, videos and the visuals of the game in general – depending on the completeness of the project. Hui et al. (2014) find that creators actively seeking for feedback on their campaign material are generally more successful.

When everything is set, and tested, the creators **Publicize** the project through social media, email, forums, press releases and other methods available to reach their potential audience (Hui et al., 2014). Interviewed Kickstarter

creators report spending 2-11 hours a day marketing their project during a live campaign. Kilduff-Taylor (2017) from Mode 7 told that they used PR primarily, with an “increasing emphasis on YouTube” for their follow-up title, Frozen Cortex. On Frozen Cortex, they also used Facebook and Reddit<sup>18</sup> advertising with a reasonable<sup>19</sup> return on investment. Dan Dimitrescu (2017) from KillHouse Games reported no using paid marketing at all due to lack of funds. The company actively reached different forums and other communities they had access to. All the companies evaluated in chapter 3 have benefitted from or even relied on their respective communities to “spread the word” in the form of online conversations, YouTube videos, and screenshots about their games.

When the campaign has concluded, the creators **follow through** by delivering promised rewards (Hui et al. 2014). This includes manufacturing and shipping any promised campaign rewards. If the independent crowdfunding campaign has included an alpha or beta version of the game, the developer should continue updating it frequently and eventually deliver the final version of the game.

Per Hui et al. (2014), many creators consider **reciprocating** their knowledge and resources as their duty. For example, one filmmaker interviewed for their research explained:

*“There’s a kind of etiquette in [my film program]. If someone funded me, then I’m supposed to fund them back. Otherwise, it would be a little awkward”.*

Zheng et al. (2016) found that creators’ investment in other campaigns was a significant predictor of success. They discussed the phenomenon and explained prior investments in other projects as an indicator of experience of crowdfunding, but also as a signal of trust that increases the entrepreneurs own social capital. In this context, it should be taken into consideration that community in a certain crowdfunding platform is likely to differ from the general gaming audience pursued in an independent campaign. It is, however, likely, though unproven that publicly supporting other independent crowdfunding campaigns and developers should help in building trust and goodwill among the audience. This view is supported by Zvilichovsky et al. (2015), stating that backing others may correlate with the characteristics of a “good” campaign owner.

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<sup>18</sup> <https://www.reddit.com/>

<sup>19</sup> Kilduff-Taylor did not provide any further details about the actual return on investment

## 4.1 Preparing

During the preparation phase, the developer should prepare as much of the campaign material as possible. This includes trailers, screenshots, gameplay videos, project descriptions, campaign goals et cetera. According to Zheng et al. (2016) preparing the campaign materials can last three to six months before the campaign launch.

Using the previously evaluated successful projects as an example, the creator should have a website designed with information about the game, videos, screenshots and an option to add the possible positive media previews or reviews. The site should also include a press section with easily accessible information and resources for media. All the successful project had also set up an online forum to communicate with their clients. Naturally, the company should have web storage for their site and forum acquire along with a custom domain pointing at the website. Some developers, such as Introversions have used the company domain to point to the forum, or the game page, or both.

To accept payments and deliver the alpha, developers should use a handling service. Dimitrescu (2017) told that KillHouse Games used SendOwl, FastSpring, and PayPal. Kilduff-Taylor (2017) also mentioned using FastSpring, most likely for content delivery and Amazon Web Services, supposedly for storing data. Both SendOwl and Fastspring can be found online at their proprietary websites<sup>20</sup>.

In this phase, the developer should start gathering an audience (as in chapter 2.5.1.) and building trust (as in chapter 2.5.2.). Dan Dimitrescu (2017) mentions being known and appreciated on several forums before the actual campaign. SimHQ and Subsim were the forums frequented by KillHouse Games, but there should be specific online forums with audiences for all types of games.

The successful projects also utilized social media such as Facebook and Twitter to reach their audiences. Mollick (2013) even proposes that the amount of Facebook friends of the crowdfunding project founder is related to campaign success. Services such as Thunderclap.it make it possible for the developer to use their existing social media network to promote their games. Thunderclap requires that the audience “donates” their social media reach to send a pre-written message on a certain time and date (www.thunderclap.it, accessed 15<sup>th</sup> of April 2017).

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<sup>20</sup> <https://www.sendowl.com/>; <https://fastspring.com/>, both accessed 15 April 2017

Other commonly used methods for gaining audience would be offering an email list for people to subscribe, as the commissioning party of this work has already done, or write a blog, which offers interesting content for the audience by itself. At this point, the developer should also gather as much press contacts as possible, or find a reliable PR partner or both to succeed in later PR efforts.

As soon as the developer has an audience, he should be building trust and goodwill within by actively communicating (Zheng et al., 2016) and openly participating in other campaigns (Zvilichovsky et al. 2015).

## 4.2 Testing

Developers interviewed by Zheng et al. (2016) report testing their campaign material by asking feedback from personal acquaintances and existing audiences. Developers also often found editing their material before the campaign important, because the publicizing phase of the campaign would preoccupy them. By testing and iterating the campaign before launch, the developer can make certain that the campaign exceeds the preparedness expectations of the audience and gives positive quality signals, as suggested by Mollick (2013).

## 4.3 Publicizing

Publicizing the campaign is stressful and time-consuming work (Loew 2017; Zheng et al. 2016). This is the campaign phase where developers market their projects through all means available to reach the potential audience. KillHouse Games (Dimitrescu 2017) used only public relations and word of mouth due to lack of funds. Mode 7 games used YouTube, Facebook, and Reddit to reach audiences for Frozen Cortex.

In addition to Facebook and Twitter, developers can also use new influencer marketing tools such as the service available at Matchmade.tv<sup>21</sup> and launch their campaign with Thunderclap<sup>22</sup>, as mentioned before, utilizing the social reach of their existing networks.

Neither the developers interviewed, or the evaluated projects seemed to use other paid advertising than social media. All the projects, however, relied on active public relations and their communities spreading the word. With providing a playable version of the game to their supporters, developers can ensure that there will be plenty of videos and screenshots in circulation.

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<sup>21</sup> [www.matchmade.tv](http://www.matchmade.tv), accessed 15 Apr. 2017

<sup>22</sup> <https://www.thunderclap.it>, accessed 15 Apr. 2017

Most of the developers seem to independently contact press sending press releases and playable versions of their game, but there are also several companies specialized in press contacts. There are also free press release services and publicly available press lists such as those available at Soomla blog<sup>23</sup>.

The developers should not rely on communicating only one-way. As mentioned before (chapter 2; chapter 3), active dialogue with the audience is an important trust-building element. The developer should maintain means to receive feedback, response to various questions and keep their audience up to date in the development process. Zheng et al. (2016) mention that supporters want to be an active part of the project. Developers interviewed by them cite the lack of interaction as a major reason for why their campaigns did not gain broad attention. All the successful campaigns evaluated before (chapter 3) were extremely active in their communication with the audience.

#### 4.4 Following through

As an independent crowdfunding campaign, can last for months or even years – such as Star Citizen, which has been crowdfunding since 2012 (Roberts Space Industries 2017), following through can be a long and ongoing process. Sending out rewards late has been a “prominent issue in popular press” (Zheng et al. 2016). The lack of trust on the developers use of funds is a major deterrent for supporters (Gerber and Hui 2013), and by delivering late or being unable to fulfill its promises, the creator could gain unwanted negative publicity.

Generally, a playable version of the game immediately available at the launch of the campaign should give positive signals to the audience as they will get their hands on a product directly after the payment. Dimitrescu (2017) mentions that there is a certain disconnect between a Kickstarter-style campaign where the people contribute beforehand and get the actual product later.

Developers interviewed by Zheng et al. (2016) mention using tools such as Excel, email, and Google Calendar to manage their order. Whatever the methods are, one should prepare to follow through in time to keep the audience happy.

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<sup>23</sup> <http://blog.soomla.com/2015/05/gaming-press-blog-contact-list.html>, accessed 15 Apr. 2017

#### 4.5 Reciprocating resources

While it might seem arbitrary, reciprocating resources i.e. sharing knowledge and funds obtained by crowdfunding back to the community by supporting other developers should also be considered by any developer aiming for longevity. Hui et al. (2014) mention that many developers feel obliged to support others in the same position they were before their campaign. The feeling of obligation should not bind anyone to support their colleagues, but several research findings indicate that it is beneficial to their own success (Zheng et al. 2016; Zvilichovsky et al. 2015).

## 5 CONCLUSION

From previous research, I could identify the main characteristics of a successful crowdfunding campaign. The most important were audience reach, trust building by communicating and quality signals shown in the campaign materials. Examples show that an independent crowdfunding campaign is generally a viable alternative to third party platforms and an evaluation of several successful projects indicates that the same characteristics present in successful crowdfunding campaigns found by researchers should also apply to independent campaigns.

Audience reach requires active public relations work, and in successful projects, the developer was often helped by the community with word of mouth. Trust building by communicating was something that deserves more attention and further research. In crowdfunding it seems to be crucial that the developer befriends its audience by actively communicating, making announces and replying to any questions presented. It seems that the lack of trust in the developer in general and in their use of funds are the single most important deterrent that anyone planning a crowdfunding campaign should overcome. In any further research on crowdfunding, I would like to concentrate on trust, familiarity, and the available trust-building methods.

Quality signals shown in the campaign materials are not as crucial as the two characteristics mentioned before, but they build an important foundation for trust and word of mouth. Good looking campaign materials that lack obvious spelling errors should be more viral and thus help gathering audience along with increasing the trustworthiness of the developer.

Zheng et al. (2016) gave an excellent framework for planning a crowdfunding campaign, and by combining that with the evaluation of successful projects and other sources, I could sort out the necessary preparations required to launch an independent crowdfunding campaign. These preparations can be summarized in gathering an audience, developing means of communication, preparing the campaign material and opening the proprietary marketplace. The actual campaigning phase consists mainly of publicizing and communicating with the audience.

From evaluating previous campaigns and interviewing successful developers, I found that social media, forums, and word of mouth in general with active public relations are the most important channels used to reach potential buyers. Paid advertisement was targeted mainly to users of social media channels such as Facebook and

Twitter. From an online search, I found some tools to use in addition such as Matchmade.tv and Thunderclap that should be useful as a part of developers marketing toolkit.

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