

Adding a 'decoy option' could boost crowdfunding

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Decoy options in reward-based crowdfunding can boost crowdfunding, finds new research by University of Cologne (<https://wiso.uni-koeln.de/en/>).

The study, conducted by Markus Weinmann and his co-authors, investigated whether decoy options to make a higher-priced item seem more attractive impact consumer preferences in crowdfunding campaigns.

They found that adding a third 'decoy' option shifted a consumer's preference from a low-priced to a high-priced donation by 28%.

The researchers conducted several experiments, in one experiment, participants were presented with a hypothetical musical album crowdfunding project, in this scenario, there were two reward options: pledge \$3: get 5 songs; pledge \$10: get 12 songs. Approximately 60% of those who took part chose the lower-cost option.

In a control group, the researchers included a decoy option: pledge \$10: get 10 songs. Surprisingly, the higher priced option (\$10: get 12 songs) was chosen by over 70% of the participants as they recognised they could get two more songs for the same price.

In another experiment, the researchers swapped out the number of songs in the reward menu for nonnumerical rewards, for example, a low-priced digital download and a high-priced CD plus a digital download. Once the decoy option was added, most participants changed their preference to the higher-priced option.

The researchers emphasise that this effect only works if a person does not have a strong preference, for example, someone who hates reading a book on a screen is not going to be swayed by a decoy with a download option.

"It is important to note that adding a decoy is not necessarily an unethical practise. It's true, people don't like being pushed into something that they believe benefits the seller only, however, most investors want to see the project they are investing in be realized, so it's in their best interest to be nudged toward higher-priced options. The reason is that on many platforms projects get only realised when they reach a certain funding goal," says Weinmann.

The study was published in the journal Information Systems Research.

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For more information, a copy of the paper or to speak with the researchers, please contact Stephanie Mullins at BlueSky Education on smullins@bluesky-pr.com or call +44 (0)1582 790 703