NYU Stern School of Business
Department of Information, Operations & Management Sciences
OPERATIONS MANAGEMENT RESEARCH SEMINAR

TOPIC: A Dynamic Model of Crowdfunding
SPEAKER: Mohamed Mostagir (University of Michigan)
DATE: Wednesday, February 17, 2016
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PLACE: KMC 3-60

ABSTRACT

Crowdfunding is quickly emerging as an alternative to traditional methods of funding new products. In a crowdfunding campaign, a seller solicits financial contributions from a crowd, mostly in the form of pre-buying a still-unrealized product, and commits to producing the product if the total amount pledged is above a certain threshold. We provide a model of crowdfunding in which consumers arrive sequentially and make decisions about whether to pledge or not. Pledging is not costless, and hence consumers would prefer not to pledge if they think the campaign will not succeed. This can lead to cascades where a campaign fails to raise the required amount even though there are enough consumers who want the product. The analysis of this collective action problem helps explain why some campaigns fail and some do not, and provides general guidelines about how sellers should design their campaigns in order to maximize their chances of success.

BIO

Mohamed Mostagir is an assistant professor in the Technology and Operations group at the Ross School of Business. He obtained his PhD in Economics from Caltech and his SM in Operations Research from MIT. His research focuses on the impact of technology on the economics and operations of labor and innovation markets.