

Introduction to the Chinese-style crowdfunding business model

Jiawei Zhang

Research Fellow

Jack Austin Center for Asia Pacific Business Studies

Chinese-style crowdfunding business model has been my research focus in the past several years and as its name suggests is a form of crowdfunding that originates in China. In my book “crowdfunding” published last year in China, I suggest that this model is based on an offline platform aimed at soliciting talents, ideas and funds. It shares the same fundamental features of crowdfunding in its traditional sense, namely the three essential ingredients of any crowdfunding system: originator, platform and investor. Chinese-style crowdfunding is also known as “niche crowdfunding” which encompasses two core philosophies. First, the niche group under partnership mechanism is oriented towards their circle of friends or acquaintances or the circle of project originators who are like-minded with similar ideas; second, it is an innovative crowdfunding business model where the roles of consumers, investors and producers switch and integrate.

Chinese-style crowdfunding represents a new business and community operation model based on the characteristics of the Chinese people and the Chinese social environment. The first half of the Internet Revolution is from offline to online, transferring offline products, transactions and relationships to online platforms, which brought about remarkable changes in a short span of 10 years as evidenced by large corporations such as Google and BAT. The second half of the revolution is on the contrary from online to offline, utilizing online-forged relationships offline.

From the perspective of social development, this pattern of offline to online and back offline echoes the evolution from acquaintance-society in agricultural civilization to stranger-society in industrial civilization and back to neo-acquaintance society in information civilization. Through the effects of information revolution, we are returning to a neo-acquaintance society in a broader sense, in which the acquaintances are not made due to the same origin or heritage but through online connections, brought together by common interests or events of common concern. With highly effective and convenient information network, the probability of identifying like-minded or more targeted partners is much higher. What’s more, once the connection is established, it can be maintained in a more sustained manner and with bigger room of imagination. The Chinese-style crowdfunding is a new consumption model, social model, life model and business model that arises in the context of neo-acquaintance society.

In this case study series, we presented interview information with four companies in Canada and the USA that adopted the Chinese-style crowdfunding model. I had the honor to provide advice to these companies in implementing this new business model. The interview questions are focused on the rationale, advantages and disadvantages associated with the model.